ECONOMIST IMPACT

Friendvesting: the new architecture of investment in a fractured world

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About this report

Friendvesting: the new architecture of investment in a fractured world is a report by Economist Impact, sponsored by Xtrackers by DWS. It explores how institutional investors are rethinking risk amid rising geopolitical tensions, and how they are reshaping capital flows and portfolio design in response. The report is based on a global survey of 300 institutional investors from North America, Europe and Asia—including pension funds, insurers, sovereign wealth funds, endowments, family offices and government agencies—conducted in April and May of 2025.

Sponsor foreword

As a leading global asset manager, we welcome the recently published study on "friendvesting" by Economist Impact, which we are proud to sponsor. This report underscores the importance of recognising growing geopolitical risks and the need for institutional investors to rethink strategies in a rapidly changing world.

The study reveals that geopolitical risks now have a greater influence on investors' decisions. Military conflicts and resulting economic sanctions are disrupting existing asset allocations while longer-term changes, such as trade barriers and regulatory adjustments, are having a profound impact on the strategic direction of portfolios. In this context, geography is emerging as a crucial risk factor. Investors are shifting their focus from purely economic indicators to a classification of alliances, adversaries and neutral states—we believe "Friendvesting" or investing alongside allied geopolitical groups with shared economic and strategic interests, will be a central strategy for institutional investors in 2025.

Equities and bonds, which are highly responsive to political decisions, are particularly affected by geopolitical threats. This is compelling fund managers and investors to reconsider old assumptions about risk and return, and adjust their strategies accordingly. In this environment, hybrid asset allocation is becoming increasingly important, with investors signalling a preference for a stable, passive core that reflects political alliances, supplemented by tactical measures and active overlays. The goal is to maintain a balance between stability and flexibility to respond swiftly to sudden changes.

At Xtrackers by DWS, we believe that these insights are crucial for the ongoing development of the investment strategies we build for our clients. Adapting to geopolitical changes is essential for long-term success today. We would like to thank Economist Impact for its valuable analysis and look forward to a joint dialogue on the challenges and opportunities in a world increasingly affected by geopolitics. We hope you find the study as enlightening as we have and look forward to further discussions on this topic.

Simon Klein
Global Head Xtrackers Sales, DWS

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Key findings

1. The age of friendvesting

Institutional investors no longer treat geopolitical strife as background noise. War in Ukraine and the Middle East, tensions in the Taiwan Strait and tariff threats from Washington have turned geopolitics into a central variable in portfolio construction. Our survey of 300 global investors shows a shift from viewing geopolitics as episodic to seeing it as structural—reshaping where capital flows, how it is allocated and how it is managed. The emerging pattern is friendvesting: aligning capital with jurisdictions where geopolitics is less intrusive and avoiding—or at least hedging against—any rising risks.

2. Entanglement, not just location

Friendvesting begins with geography: two-thirds of investors say that it is the principal way geopolitics shapes their portfolios. For real assets—ports, pipelines or property—location is fate. But in most cases, investors are less concerned with where an asset is booked than with how it is exposed to geopolitical risks that move along geographical seams. In equities, the question is not whether a firm is listed in Boston or Beijing, but whether it relies on suppliers, customers or operations in volatile jurisdictions. The new geography of capital is defined less by proximity than by dependence.

3. Asset classes and the shape of risk

If geography sets the bounds of friendvesting, asset allocation gives it form. Different assets carry geopolitical risk in distinct ways. Some transmit it openly; others mask it until trouble erupts. Bonds hinge on legal enforceability; equities reveal operational entanglements; and real assets are vulnerable by virtue of physical immobility. For investors, the task is to grasp how each asset absorbs and transmits geopolitical tension. That is made harder by the unreliability of traditional risk metrics when international strife intrudes.

4. Sectors in the firing line

Geopolitical risks cluster unevenly across sectors. Some industries lie closer to the fault lines, vulnerable to sanctions and regulatory barriers. Our survey puts technology, energy and defence at the forefront, yet the specific contours of exposure shift between countries. Investors are interrogating what each sector signifies—how it is perceived, politicised and potentially weaponised.

5. Bureaucratisation of the unpredictable

Quantifying geopolitical risk remains elusive. Nearly half of investors cite forecasting fog as their top challenge. Sanctions and tariffs are hard to model; wars erupt without warning. Institutional responses are diverse: some firms create cross-functional risk committees, others outsource to consultancies staffed by former diplomats. Hybrid investment models —combining passive exposures with dynamic hedging— are gaining favour, offering both stability and responsiveness.

The new architecture of investment

Few investors pause their busy days to ponder the dividends of peace. But an increasing number now stop to price the cost of war. The reasons are bleak. For over three years, war in Ukraine—and, more recently, in the Middle East—has jolted commodity markets, unsettled bond yields and reshaped investment expectations, especially in Europe. Simmering tensions in the Taiwan Strait and across the South China Sea have compounded investors' geopolitical anxieties. Even in the absence of arms, geopolitics is reshaping capital. The tariff threats of Donald Trump, America's president, although ostensibly economic, function as geopolitical cudgels that, alongside eroding the foundations of international trade, have introduced lasting uncertainty into global markets. Geopolitically motivated investment bans, capital controls and the freezing of sovereign reserves, once extraordinary, are becoming tools of statecraft. This is all prompting even long-term institutional investors to reconsider the fundamental assumptions of their strategies.

To most of them, it is now clear: capital allocation can no longer hinge solely on a calculation of expected returns versus market risk. The role of geopolitics needs to be factored in. This is clear in our recent survey of 300 institutional investors, including pension funds, sovereign wealth vehicles, insurers and endowments, from across Europe, North America and Asia. They report that geopolitical shocks—from outright war to sanctions, export restrictions and erratic tariff announcements—are an increasingly important part of their institutional risk models. But even as this awareness grows, a lack of clarity on geopolitical developments and a deeper issue of quantifying the risk often remain challenges.

Yet the effects of geopolitics are sweeping. A majority of those surveyed say geopolitical risks affect not only what they buy but where they buy it, as well as how they structure portfolios and which sectors they shun. Most of them are vying to de-risk their investments, deploying hedges and tactical overlays, alongside revamping their governance structures to be as well prepared for international strife as they are for earnings surprises and interest-rate moves. The emerging trend is clear: align capital with where geopolitics is less intrusive and avoid—or at least hedge against—any rising risks. Call it *friendvesting*.

What is friendvesting?

For decades, investors built global portfolios by weighing fundamentals such as asset class, sector and market performance. Geography mattered but mainly as a source of diversification: emerging versus developed markets, Asia versus Europe. Geopolitics, when considered, was usually the preserve of sovereign wealth funds. All this is now changing, to reflect an increasingly fractured world.

The early warnings were there: Mr Trump's first trade war in 2018, Western sanctions following Russia's invasion of Crimea in 2014, and China's growing assertiveness over Taiwan shortly after the former's current leader, Xi Jinping, came to power. In the years that followed, hot wars erupted, sanctions and asset freezes escalated, outright investment restrictions became routine and trade wars became part of everyday politics. This represents a tectonic shift that even investors focused on multi-decade returns cannot dismiss as a few weeks of trouble.

This all underpins friendvesting. The trend is observable, modelled and, in a recent working paper by the IMF, formally quantified[1]. Drawing on a "gravity model" of financial flows—similar to those used to explain trade shifts—the paper finds that, as geopolitical distance between countries widens, financial links weaken. One standard deviation increase in such distance—measured by divergences in UN General Assembly votes—is associated with a 40% reduction in equity investment and a 60% reduction in bond investment between any two countries.

> **"But friendvesting is not about retreating from foreign capital per se—it is about untangling exposure amid rising geopolitical tensions."**

But friendvesting is not about retreating from foreign capital per se—it is about untangling exposure amid rising geopolitical tensions. This report, supported by our survey of institutional investors, helps clarify the main ways friendvesting manifests itself.

The primary axis of geopolitical risk, our survey finds, is geography. But this does not boil down simply to where capital is deployed. Rather, investors are worried about how deeply capital is embedded in jurisdictions that are geopolitically sensitive. Beneath this lies a second tier: asset allocation. Different asset classes absorb and transmit geopolitical risk in structurally distinct ways. Bonds are governed by legal enforceability, real assets by location, and equities by consumer markets and operational dependencies. A final layer concerns sector exposure. Certain industries—especially technology and communication, energy and commodities, and defence—are disproportionately exposed to geopolitical rupture due to supply chains and national-security concerns. The logic, in short, is that geography sets the boundary, asset class shapes the risk and sector defines the friction point. In what follows, we examine each of these three channels in turn.

[1] International Monetary Fund. A Gravity Model of Geopolitics and Financial Fragmentation. September 2024. Available at: https://www.imf.org/en/Publications/WP/Issues/2024/09/13/A-Gravity-Model-of-Geopolitics-and-Financial-Fragmentation-551343

The new risk map

The starting point of friendvesting is geographical—not in the traditional locational sense, but in terms of political alignment and strategic exposure.

This is clear in our survey: when asked about the primary channel through which geopolitical risk shapes their portfolios, two in three institutional investors cite the geography of their assets (see chart 1).

The direction of travel is equally revealing. Asked how they are shifting capital to minimise geopolitical risk, just over half of investors say that they now favour countries with close political or economic ties, or ones that appear less entangled in major-power rivalries (see chart 2). Put simply, the geographic logic of friendvesting is about alignment and insulation. But the ways geography intersects with capital-allocation decisions are multifold.

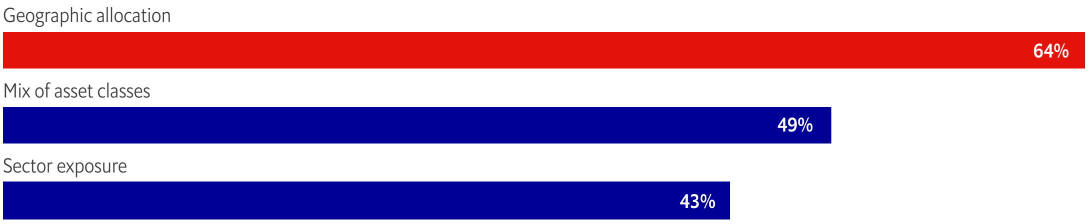
The most immediate way is through the reallocation of capital across borders. Investors that bring assets home bet on familiarity. Those looking towards countries that seem aligned or neutral opt for potentially higher returns but face a challenge: alignment can prove fleeting. Even the long-assumed friendship between America and Europe is now tested, not least under Mr Trump. Neutrality is even harder to map in a world where power blocs are shifting. In this sense, friendvesting is less about avoiding risk than choosing the kind one is willing to hold.

Consider some emerging trends in Asia, where India is becoming a candidate for "tariff-proof" friendvesting, particularly for Western investors. India's ties with the West are broadly stable, and its limited exposure to global trade—exports make up 22% of GDP, compared with 87% in Vietnam and 44% in South Korea—offers insulation from sanctions or tariffs.[2] A large internal market adds appeal, allowing firms to reweight sales away from contentious jurisdictions. In theory, this makes India a friendvestor's prize: politically

Chart 1. Geopolitics meet portfolios

Areas of portfolio management affected by geopolitical risk

Respondents could select all that apply

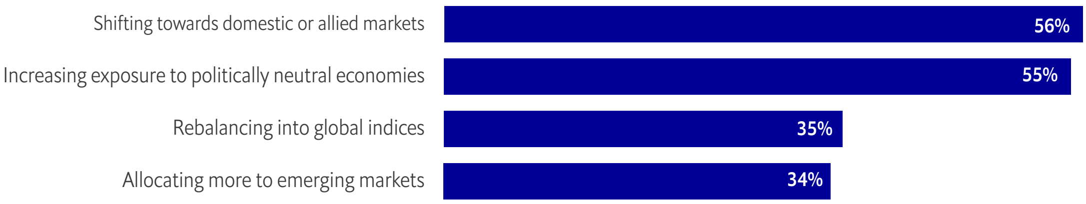


Source: Economist Impact survey

[2] World Bank. Exports of goods and services (% of GDP) — Indicator NE.EXP.GNFS.ZS. Updated 2025 (latest data vintage in May 2025). Available at: https://data.worldbank.org/indicator/NE.EXP.GNFS.ZS

Chart 2. Friends with dividends

Adjustments to geographic allocations in response to geopolitical risk
Respondents could select up to two options



Source: Economist Impact survey

aligned, economically semi-detached. But the reality is less frictionless. Valuations are steep—around 20% above global averages—and structural problems, such as restricted currency access and high household debt, persist.[3] Friendvesting in India, as with many geopolitically neutral geographies, offers only partial protection—and that too is subject to sudden change, as India's brief but sharp military exchange with Pakistan in April 2025 reminded investors.

Yet geographic reallocation does not only concern where capital ends up—it also hinges on how entangled it is with jurisdictions under geopolitical strain. In this sense, exposure can be geographical even when the asset is not. This logic is especially evident in equities. A firm listed in New York, London or Frankfurt may still be geopolitically entangled—through its manufacturing base, intellectual property risk or customer mix.

The case of Apple is telling in many respects. iPhones, the firm's cash-cow, were exempt from tariffs shortly after America's purported Liberation Day, but then abruptly re-targeted with the threat of 25% duties, should Apple not repatriate their production. In a matter of weeks, billions were wiped, then regained, then wiped again from Apple's valuation, making the only predictable aspect of this geopolitically fuelled buffeting its unpredictability.[4] The conclusion is clear: not even the world's largest are insulated from geopolitical whim.

> **"In a matter of weeks, billions were wiped, then regained, then wiped again from Apple's valuation, making the only predictable aspect of this geopolitically fuelled buffeting its unpredictability."**

[3] Economist Impact calculations, early 2025.
[4] This report is no less hostage to policy reversals than the investors it describes, so checking the latest is recommended.

Yet Apple's case also reveals the deeper challenge that investors seeking to friendvest need to confront: geopolitical exposure runs across a firm's entire web of operations, including suppliers. Nearly nine in ten iPhones are still assembled in China, and while Foxconn, Apple's largest contract manufacturer, has announced a US$1.5bn investment in India that hints at diversification, replicating Apple's Chinese supply chain elsewhere would take years and enormous capital.[5]

Geopolitical entanglement is also not just about where goods are made. Apple now faces geopolitically motivated blowback in China: antitrust probes, certain procurement bans and, indirectly, patriotic consumers turning to competitors like Huawei. To investors, Apple's entanglement shows that friendvesting, rather than wishing away exposure, often needs to be a repricing and reweighting of it.

And still, about a third of investors take another approach towards the geopolitical risk across geographies: they spread it, by investing into worldwide indexes (see chart 2). The idea is that by casting a wide net through global, market-cap-weighted indices, investors can smooth out geopolitical shocks in any one region, betting that losses in one asset class or geography will be offset by gains elsewhere. Although diversifying in this way may offer a simple buffer against isolated geopolitical flare-ups, it misses out on friendvesting's benefit: the ability to tilt deliberately towards friendlier jurisdictions and avoid or hedge against the most acute risks.

[5] Yahoo Finance. Apple's India Push Receives a Boost on Foxconn's $1.5 B Investment. May 2025. Available at: https://finance.yahoo.com/news/apple-india-push-receives-boost-161433776.html

Securities in a world of insecurity

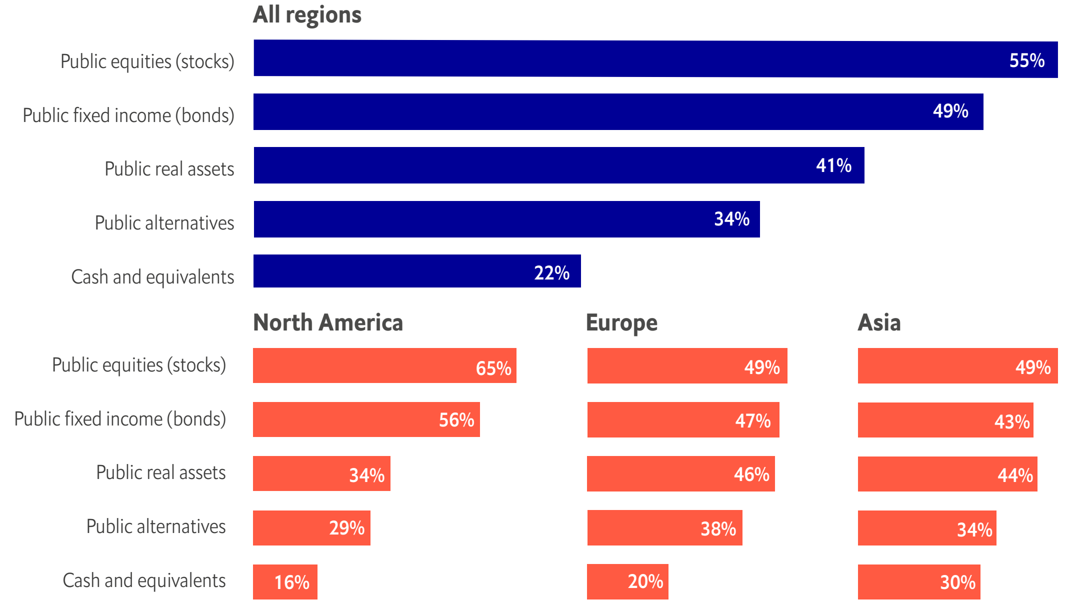
If geography sets the boundary of friendvesting, asset allocation is where its mechanics take form. Once investors determine which countries or alignments to avoid, the next question becomes how risk travels through the instruments themselves. Some asset classes amplify geopolitical risk, others mitigate or obscure it.

The results of our survey are revealing. Public equities—cited by 55% of global respondents—are the most affected asset class (see chart 3). Investors in North America feel the geopolitical risk on equities further: 65% of them consider this asset class most affected. The case of Apple shows what is at stake for equities that are Western in domicile but remain deeply geopolitically entangled. Yet the logic of friendvesting does not run in one direction.

Nowhere is this clearer than in China. In early 2025, the MSCI China index outperformed its American equivalent by 20 percentage points, driven by renewed investor enthusiasm for artificial intelligence (AI) firms like DeepSeek and Manus AI.[6] The capital behind the rally, however, was anything but Western. After a deeper

Chart 3. Asset clashes

Asset classes most affected by geopolitical risk
Respondents selected their top two choices



Source: Economist Impact survey

[6] Economist Impact calculation, measured in US dollar terms. This information is intended for informational purposes only and does not constitute investment advice, a recommendation, an offer or solicitation.

government crackdown on private firms, foreign ownership of Chinese onshore equities declined from 6.4% in 2021 to 4% by the end of 2024.[7]

Close behind equities, bonds are identified by half of global investors as geopolitically sensitive (see chart 3). Unlike equities, their risk profile hinges on enforceability: the ability to receive payments, invoke legal remedy and, ultimately, move assets.

The case of Russia became instructive to investors following its full-scale invasion of Ukraine in 2022. For the first time in over a century, the country defaulted on its foreign-currency debt—not due to fiscal collapse but because sanctions prevented payments from reaching creditors. Around US$8.9bn in outstanding sovereign bonds were affected, according to Bank of America estimates. In a geopoliticised world, even dollar-denominated bonds held offshore offer no protection if enforcement mechanisms fail.

After bonds come real assets, flagged as geopolitically sensitive by four in ten global investors (see chart 3). These include property, infrastructure and commodities—long valued for durability and inflation protection. But their very permanence becomes a source of fragility. A port cannot be relocated; a pipeline cannot be disentangled from the regime that governs it. In Central Asia, energy infrastructure has become entangled in great-power politics. Western and Chinese firms now compete not just for resource concessions but also for alignment with national interests. When host governments shift policy—or allegiance—investors are left exposed.

The re-evaluation of asset classes, our survey confirms, is translating into portfolio changes: six in ten institutional investors say they are reducing exposure to assets they perceive are most exposed to geopolitics. But the trouble lies in knowing which assets those are and, worse, quantifying the risk (discussed further in the final section). An alternative approach is to consider risk by industry sectors, where exposure is not structural but strategic.

[7] Economist Impact calculation.

Geopolitics by industry

If asset classes reflect the architecture of portfolios, sectors express their function. It is at the sectoral level that friendvesting becomes most granular—where the reallocation of capital is driven not just by jurisdiction or structure but also by what firms actually do. Roughly four in ten investors in our survey report shifting exposure towards sectors deemed less exposed to geopolitical volatility (see chart 4).

Technology and communications, energy and natural resources, and defence and aerospace are shown to be the sectors most affected across all regions (see chart 4). These industries sit directly at the interface of economic competition and national security, making them susceptible to regulatory tightening, export controls or sanctions.

Yet a regional cut reveals that investors' concerns reflect local geopolitical dynamics. North American investors—operating against a backdrop of record-high defence budgets and increasingly muscular export-control policies—are far more likely to single out defence, aerospace and security: just over half place the sector in their top three, more than double the European share and well ahead of the roughly four in ten respondents who do so in Asia (see chart 4).

Europe's investors, by contrast, worry most visibly about the plumbing of sanctions—hardly surprising given Brussels' sweeping measures against Moscow—and with the goal for supply-chain sovereignty. Roughly a third of European investors cite financial services as geopolitically exposed—the highest proportion of any region—and around four in ten highlight industrials, transport and infrastructure, sectors that sit at the crossroads of the bloc's net-zero ambitions and its drive for "strategic autonomy". Asian respondents present the most even spread. Technology still tops the list, with nearly half placing it in their top three, but concerns over energy and industrials—each voiced by roughly four in ten—almost match it, reflecting the region's embedded role in global manufacturing networks and commodity flows.

"Technology and communications, energy and natural resources, and defence and aerospace are shown to be the sectors most affected across all regions"

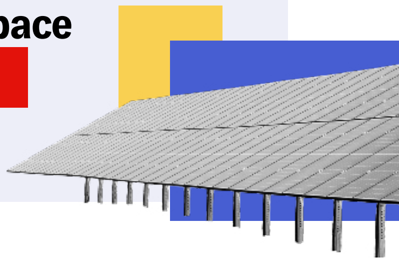
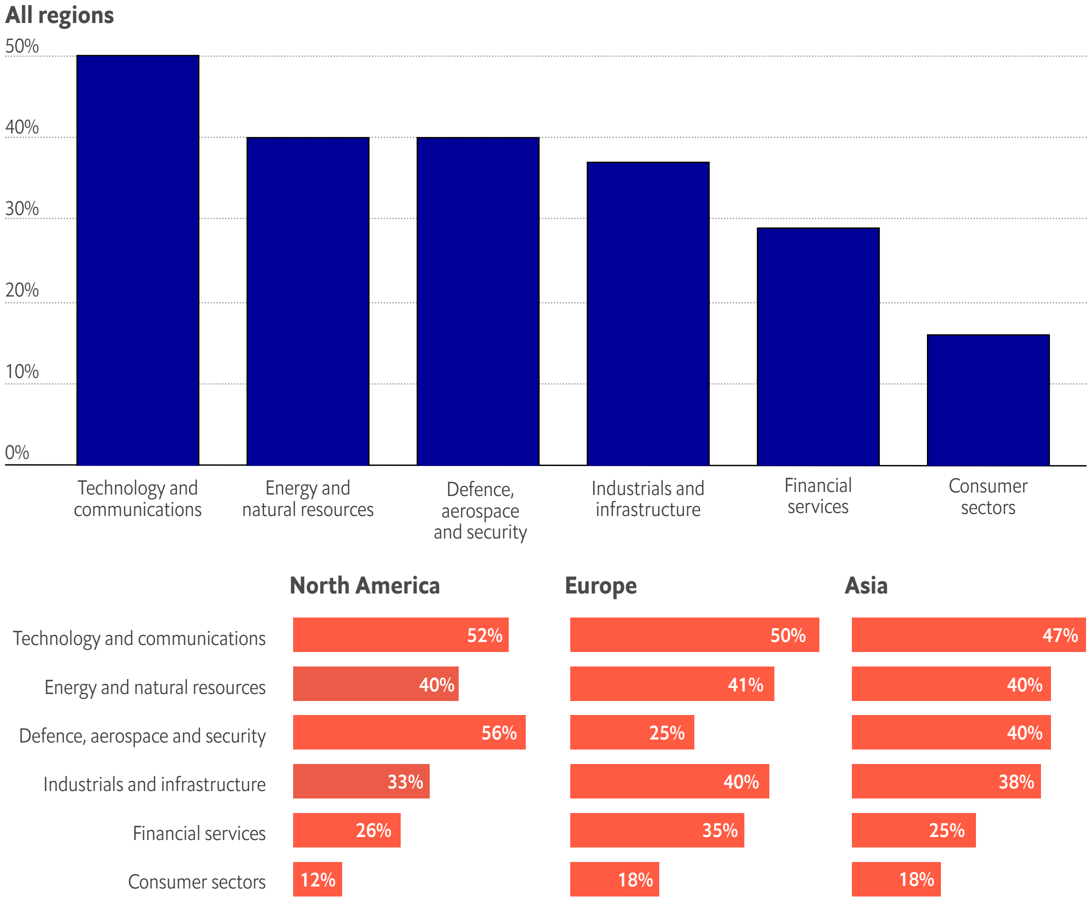


Chart 4. Risky sectors
Industry sectors most affected by geopolitical risk
Respondents could select up to three options



Source: Economist Impact survey

Technology remains the most visible example. Once at the height of cross-border capital, the sector now sits in the crosshairs of geopolitical concerns, including digital sovereignty and whether certain tech can serve both consumers and militaries. Firms making the chips behind the AI "arms race", as America's vice-president recently put it, can turn from lucrative business assets into geopolitical liabilities. Consider Nvidia, the leading designer of AI chips. In 2024 it earned US$34bn in export revenue, with 30% of that coming from China—a market that now faces American export restrictions.[8] The dilemma facing investors is how to price growth when demand may be strong but sales are subject to sovereign veto.

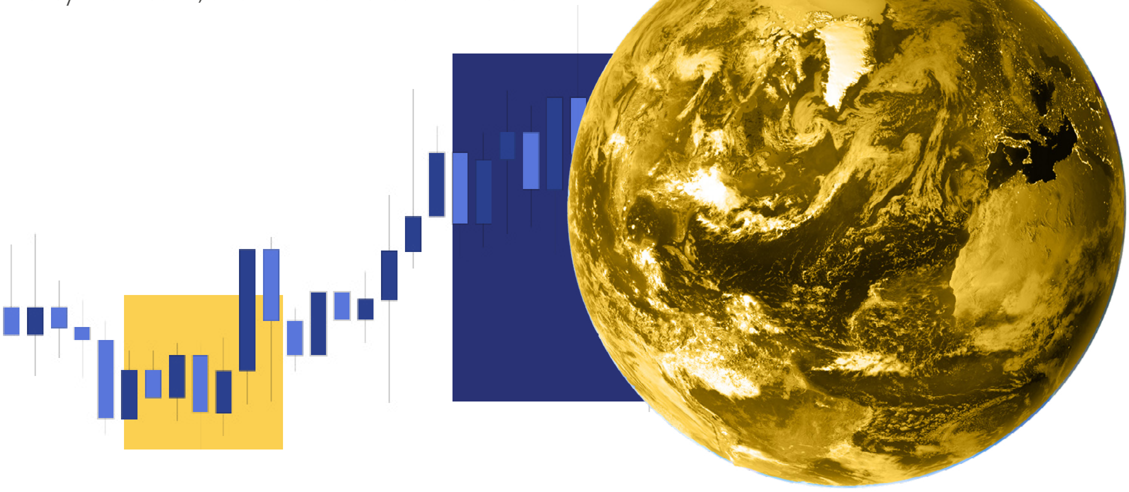
In the case of defence, geopolitical shifts have translated into a focus on supply-chain sovereignty, especially in Europe, where the recent surge in defence stocks—Rheinmetall, Leonardo and Hensoldt have more than doubled

[8] StatsUp (Analyzify). Latest NVIDIA Statistics 2025. February 2025 (last updated). Available at: https://analyzify.com/statsup/nvidia; Economist Impact calculations.

in value since late 2024—reflects a concerted EU drive for strategic autonomy. American companies such as Lockheed Martin and L3Harris still benefit, particularly in areas where Europe lacks capacity, but their lagging share performance in Europe reflects a shift among investors: a preference for assets explicitly backed by domestic governments.

Sometimes the sectors affected by broader, if questionable, geopolitical reasoning are unexpected. Mr Trump's trade war has led to Disney and Netflix, two American entertainment giants, seeing double-digit declines amid fears that foreign-made films might face future levies.

Sector-level decisions often distil friendvesting's core tension: some of the world's most dynamic industries are also its most politically fraught. The result is that investors must now seek resilience not by shunning industries altogether but by understanding which geopolitical risks are worth taking on. The task is proving hard.



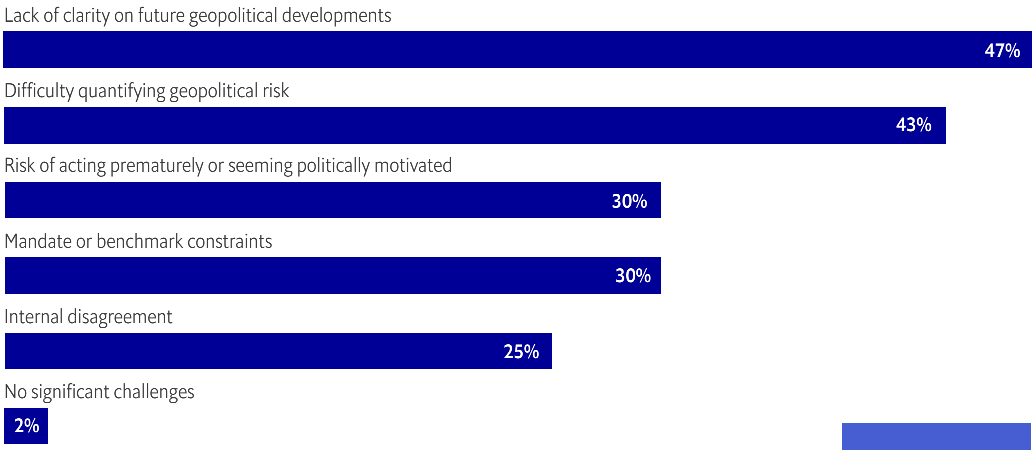
The bureaucracy of risk

Turning geopolitical awareness into an institutional process is difficult. Our survey suggests that two challenges loom especially large. The first is the fog of forecasting. Just under half of respondents say that their biggest hurdle in incorporating geopolitical risk into their investment process is the lack of clarity around geopolitical developments (see chart 5). Conflicts often escalate without market consensus, while tariffs and sanctions can be broadly expected but, as America's "Liberation Day" attested, shocks are unavoidable. Without accurate information, investors often feel they might be acting prematurely. About a third cite this as one of their primary operational constraints, alongside the risk of appearing politically biased. In response to such concerns, investors say that one of the two most valuable insights would be timely geopolitical intelligence on evolving alliances and other relevant developments (see chart 6).

But even when there is willingness to act, a second challenge remains: quantifying the risk. About four in ten investors say that they cannot easily attach a number to the cost of geopolitics (see chart 5).

Chart 5. Unclear and present danger

Top challenges investors face in integrating geopolitical risk into investment decisions
Respondents could select up to two options



Source: Economist Impact survey

> **"Traditional metrics like credit spreads, volatility indices and beta coefficients break down when politics intrudes"**

Traditional metrics like credit spreads, volatility indices and beta coefficients break down when politics intrudes. One type of insight that might help, the majority of investors say, is forward-looking country-risk models and scenario-based analysis (see chart 6). Such information could help investors better understand not just the likelihood of geopolitical events but also their potential magnitude, which could then enable a more structured integration of risk into portfolio construction.

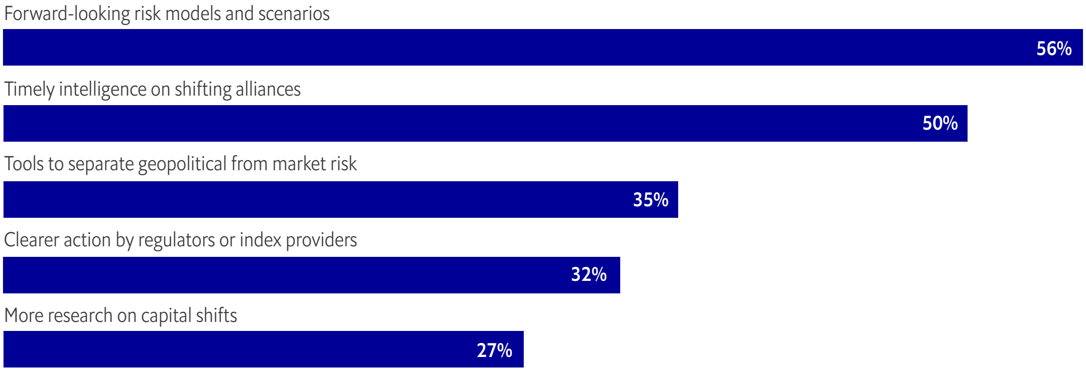
About a third of investors say that better tools to distinguish geopolitical from market risk would help them (see chart 6). This makes sense and reflects the complex relationship between the two: they often move together but not always for the same reason. Misreading one for the other can lead to poor decisions. Markets may sell off on noise but recover on fundamentals, or rally just as real trouble begins.

Ultimately, the challenge investors face is to institutionalise an inherently unstable variable, and the majority are adapting their governance structures in response. More than a third now rely on formal risk policies to guide geopolitically sensitive decisions (see chart 7).

Chart 6. Tools of engagement

Main tools and resources investors say would improve management of geopolitical risk in portfolios

Respondents could select up to two options

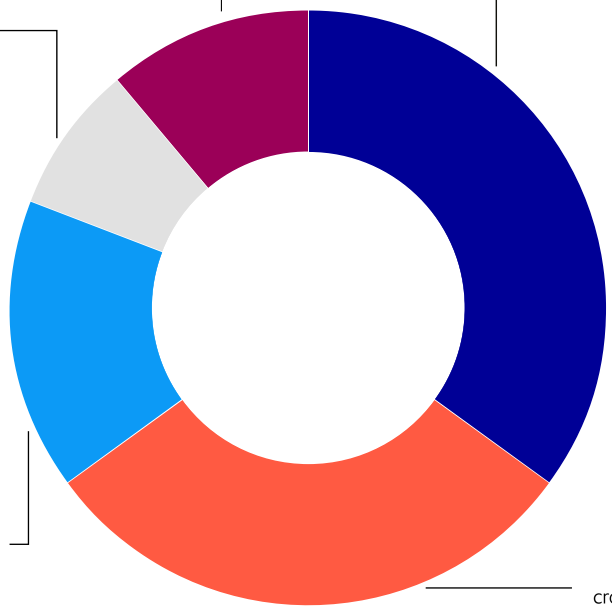


Source: Economist Impact survey

Chart 7. The policy of geopolitics

How geopolitically sensitive investment decisions are managed

Respondents selected one option, %



Source: Economist Impact survey

A further third have created cross-functional committees or working groups, blending investment staff with compliance, legal and public-affairs teams. The world's biggest institutional investors are taking a lead. Schroders has integrated foreign-policy advisers into its portfolio oversight function; Rothschild & Co includes geopolitical input at the risk-committee level; and Goldman Sachs has created a dedicated advisory unit focused on national-security risk, cross-border investment and regulatory exposure.[9]

Yet not all investors are establishing dedicated internal structures to tackle geopolitical risk. Almost one-fifth say that their decisions remain case-by-case and one-tenth fully outsource geopolitically sensitive decisions to external managers or consultants. The space of geopolitical advisory firms is booming. It draws on ex-diplomats, spies and policy veterans to decode foreign intent and, by extension, assess investment exposure. Firms like Hakluyt and WestExec are now in fierce competition with more established consultancies.[10]

Mandates governing institutional capital have become increasingly consequential. For some investors, they are a hurdle: roughly a third report that existing investment guidelines

[9] Financial Times. How the Investment World Is Trying to Navigate Geopolitics. July 2024. Available at: https://www.ft.com/content/23ce295d-bf65-47fd-bebd-808b5a7bcab5
[10] The Economist. Inside the Secretive Business of Geopolitical Advice. October 2023. Available at: https://www.economist.com/business/2023/10/05/inside-the-secretive-business-of-geopolitical-advice

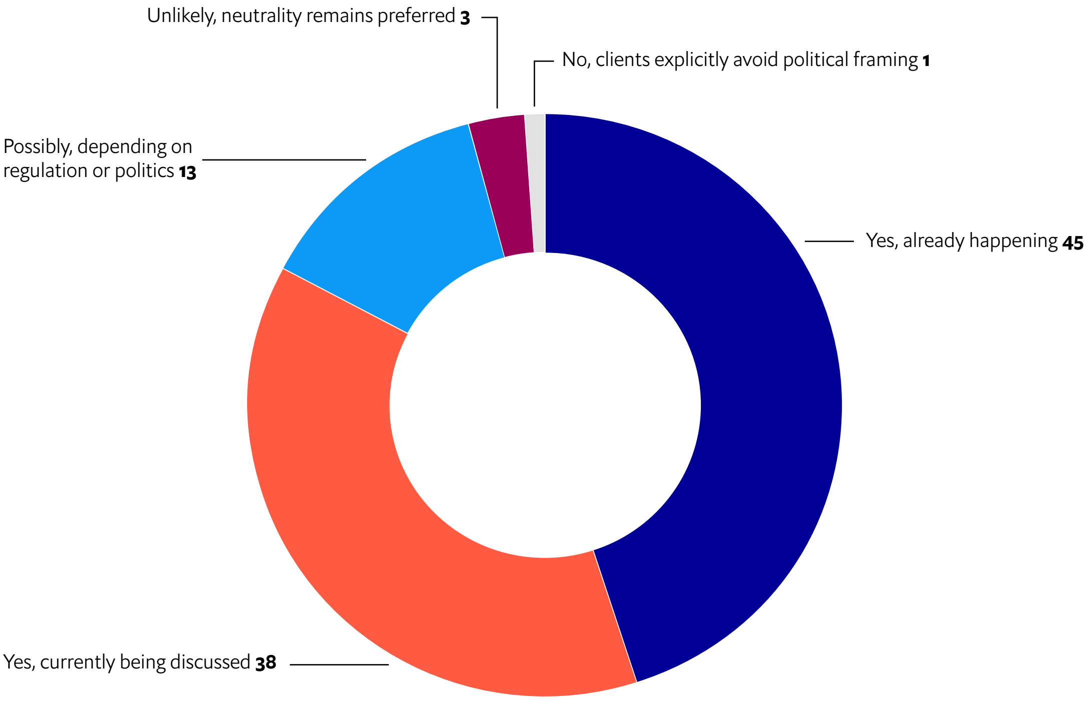
constrain their ability to adjust geographic allocations in response to geopolitical developments (see chart 5). Simultaneously, those who are setting new mandates are taking a different tack: over eight in ten say that they now embed—or plan to embed—geopolitical criteria (see chart 8). These criteria can vary widely. For example, Norway's sovereign wealth fund refuses to hold companies that violate international law, a policy that in 2025 prompted divestment from nine Israeli firms on the grounds that they were contributing to the occupation of Palestinian territories.[11]

Investment options are evolving in tandem with mandates. Funds such as "Emerging markets ex-China" are now widely available. Europe's first "sovereignty funds" have launched, aimed at strengthening strategic resilience. Themed exchange-traded funds (ETFs) in America now screen investments through a lens of critical technology and national interest. Yet our survey indicates that the gap between those investors who value passive, index-based approaches and those who prefer hands-on management is not large: roughly two-thirds rate passive screens as helpful, while three-quarters say the same of active allocation. This reflects the scale of the challenge investors face and that neither static filtering nor discretionary shifts alone can fully satisfy the demand for geopolitical resilience. Instead, investors are signalling a preference for

Chart 8. Geopolitics in the paperwork

Presence of geopolitical or strategic considerations in investment mandates

Respondents selected one option, %



Source: Economist Impact survey

[11] Reuters (via Global Banking & Finance Review). Norway Wealth Fund Divests from Second Israeli Company Since Gaza War. May 2025. Available at: https://www.globalbankingandfinance.com/UK-ISRAEL-PALESTINIANS-NORWAY-SWF-5823fbad-2c87-49f8-af76-476b3921d350

investment options that blend broad, screen-based exposures with the flexibility to adjust as events unfold—linking the thematic clarity of passive vehicles with the responsiveness of active overlays.

A hybrid model, which combines thematic screening with dynamic hedging, could be a viable approach. Such investment options would exclude jurisdictions deemed most exposed to geopolitical risk, yet layer on active currency or sector tilts that can be adjusted promptly if sanctions, tariff changes or other geopolitical flare-ups occur. They would allow investors to retain a strategic direction, while also deploying protective overlays that kick in when needed. In practice, this would mean that the two-thirds of respondents who appreciate passive building blocks gain broad, consistent exposure, and the three-quarters who want nimble risk management obtain the rapid response they prioritise. This approach comes close to a resilient friendvesting framework: one that can withstand both slower policy shifts and sudden shocks, without forcing wholesale portfolio upheavals.

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