ZEFFER RESEARCH

Business stories beyond the headlines

RISK OFF GUIDE

PRESERVE. PROTECT. POSITION.

A practical guide for sophisticated individual investors in today's more uncertain market environment.

IN UNCERTAIN MARKETS, CAPITAL PRESERVATION CREATES OPTIONALITY.



RED LIGHT
AVOID / REDUCE
Higher risk of further downside in a risk-off environment.

YELLOW LIGHT
HOLD / BE SELECTIVE
Mixed outlook — proceed carefully, focus on quality, strong balance sheets and reasonable valuations.

GREEN LIGHT
ACCUMULATE / FAVOR
Defensive, resilient assets with lower volatility and stronger downside protection.

ASSET CLASS GUIDANCE

What to avoid, be selective on, and what we view as safer opportunities now.

	AVOID / REDUCE	HOLD / BE SELECTIVE	ACCUMULATE / FAVOR
U.S. Large Cap Equities	• High-multiple growth, mega-cap tech (e.g., Nvidia, AMD, Tesla), AI infrastructure, speculative momentum stocks.	• Broad market ETFs, quality large caps with reasonable valuations.	**Defensive blue chips:** 1. Johnson & Johnson (JNJ) 2. Procter & Gamble (PG) 3. Coca-Cola (KO) 4. PepsiCo (PEP) 5. Walmart (WMT)
U.S. Mid & Small Cap Equities	• Unprofitable growth, high-debt smaller companies, speculative biotech, meme stocks.	• Profitable, cash-flow positive companies with strong balance sheets and essential products.	• Selective defensive names; overall lower weight vs. large caps.
International Equities	• High-risk emerging markets (especially China), cyclical export-driven markets.	• Developed market equities (Europe, Japan) with strong balance sheets.	• **Defensive international:** 1. Roche (ROG) 2. Novartis (NVS) 3. Nestlé (NESN) 4. Unilever (UL) 5. ASML (ASML) – long-term, if valued reasonably
Fixed Income	• High-yield bonds, leveraged loans, lower-quality corporate credit, long-duration junk debt.	• Investment-grade corporate bonds, intermediate-duration Treasuries.	1. U.S. Treasuries (2–10 year) 2. High-quality municipal bonds 3. Investment-grade corporate bonds 4. Treasury bills / money market funds
Real Assets	• Speculative real estate, REITs with high leverage, commodities with weak fundamentals.	• High-quality REITs (e.g., data centers, industrial) if reasonably valued; broad commodities.	1. Gold (physical or ETFs like GLD) 2. Silver (SLV) 3. Broad commodities (e.g., GSG) 4. High-quality, low-leverage real estate
Alternatives	• Speculative private credit, venture capital, unproven hedge funds, illiquid structures.	• Market-neutral strategies, high-quality private credit managers with strong underwriting.	1. Hedged strategies (long/short equity, market neutral) 2. Managed futures (e.g., CTA funds) 3. High-quality, senior secured private credit (selective)
Cash & Cash Alternatives	• None – cash is a key part of a risk-off posture.	• Short-term CDs, Treasury bills, high-quality money market funds.	1. U.S. Treasury bills (1–6 months) 2. High-yield savings / money market funds 3. Cash holdings for optionality

TOP SAFE HARBOR ASSETS (RANK ORDER PREFERENCE)

1. U.S. Treasury Bills (1–6 months)
2. U.S. Treasuries (2–10 years)
3. Gold (GLD) and Silver (SLV)
4. Johnson & Johnson (JNJ)
5. Procter & Gamble (PG)
6. Coca-Cola (KO)
7. PepsiCo (PEP)
8. Walmart (WMT)
9. High-quality investment-grade bonds
10. Cash / Money market funds

DEFENSIVE EQUITY WATCHLIST

High-quality companies with resilient earnings, strong balance sheets and essential products.

Rank	Ticker	Company	Sector
1	JNJ	Johnson & Johnson	Healthcare
2	PG	Procter & Gamble	Consumer Staples
3	KO	Coca-Cola	Consumer Staples
4	PEP	PepsiCo	Consumer Staples
5	WMT	Walmart	Consumer Staples
6	ABBV	AbbVie	Healthcare
7	MRK	Merck	Healthcare
8	T	AT&T	Communication Services
9	VZ	Verizon	Communication Services
10	XOM	Exxon Mobil	Energy (integrated)

KEY TAKEAWAYS

1. **Move to a more defensive posture:** reduce high-beta, high-multiple growth and AI-sensitive holdings.
2. **Increase allocations to safe harbor assets:** Treasuries, gold, cash and defensive equities like J&J, P&G, KO, PEP and WMT.
3. **Be selective, not indiscriminate:** quality, balance sheets and cash flow matter more than growth at any price.
4. **Maintain liquidity and optionality:** cash allows you to take advantage of future opportunities.
5. **Focus on what you can control:** risk management, position sizing and discipline.

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DEFENSIVE TODAY. STRONGER TOMORROW.

This material is for educational purposes only and does not constitute investment advice. Rankings and examples reflect current market views and may change.