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Navigating volatile markets: the case for global flexible asset allocation through ETFs



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In an increasingly complex world, global flexible asset allocation is a powerful way to navigate uncertainty. Leveraging ETFs as efficient and transparent building blocks enhances diversification, broadens the opportunity set, and helps keep costs under control.

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In today's financial markets, investors face a paradox. On one hand, the investment universe has seldom been richer, with opportunities arising across various regions, sectors and asset classes, while access to numerous foreign markets keep getting easier. On the other hand, after more than a decade of lax financial, monetary and fiscal conditions, economic cycles have become increasingly asynchronous as previous global imbalances are being challenged by geopolitical shifts, fueling market volatility. Volatility, or more generally investors' uncertainties, is also fundamentally supported by accelerating technological changes increasingly challenging long-established business models, and consequentially impacting valuations.

In such an environment, flexibility and global reach are no longer optional – they are essential, and affordable.

Why global and flexible?

Different economies and regions lead at different times in the market cycle. A purely domestic or static allocation risks missing out on areas of outperformance while being overexposed to local setbacks. By remaining global and flexible, investors

can adjust allocation swiftly as conditions change – whether in response to shifting cycles, swings in risk sentiment, currency shocks, or sector rotations that quickly alter the landscape of relative performance.

Flexibility also allows portfolios to capture a diverse set of opportunities. These may include long-term growth themes such as artificial intelligence, digitalization, and demographic change, but also shorter-term dislocations, valuations gaps between regions, or cyclical recoveries in commodities and industrials. Rather than being confined to a single market, investors can focus on regions where valuation remain supportive, and where structural trends are shaping long-term opportunities.

Moreover, innovation and structural themes are rarely confined within national borders. A global perspective makes it possible to participate where these forces are most pronounced: in the United States through semiconductors, software and biotech; in China through electric vehicles and robotics; in Europe through advanced manufacturing and industrial automation. A flexible, borderless approach ensures that portfolios can both mitigate concentration risk and align with the sectors and regions that are shaping tomorrow's growth.



ETFs as building blocks

Exchange Traded Funds (ETFs) have transformed the way investors can implement asset allocation. Their transparency, liquidity and cost-efficiency provide portfolio managers with versatile tools to express views across regions, sectors and asset classes. Within an actively managed framework, ETFs are not simply passive exposures; they serve as dynamic building blocks that can be combined, tilted, or replaced as market conditions evolve. In a context where generating alpha through stock picking and fundamental analysis is becoming increasingly difficult due to erratic market movements that can deviate from purely fundamental factors, using ETFs can help create value.

This versatility allows a fund-of-funds or multi-asset strategy to scale exposures quickly and precisely. A broad investment universe is accessible – from equities, and fixed income to commodities and currencies – while diversification across geographies, styles and sectors can be achieved without the need to hold hundreds of individual securities. Because ETF structures are efficient and typically less costly than traditional vehicles, managers can allocate more resources to the active decisions that truly drive outcomes: determining where, when and how much risk to take.

In practice, this means ETF act as the foundation of a flexible, global allocation strategy: they provide the breadth and efficiency required for daily portfolio management, while active oversight ensures

that allocations remain aligned with the strongest opportunities and resilient against evolving risks.

Managing risk, seeking opportunity

A disciplined asset allocation framework, implemented with ETFs, seeks to balance upside potential and downside protection. As fiscal and monetary policies get increasingly fast-evolving and desynchronized across regions, correlations between assets classes also tend to change more rapidly, requiring paying more attention at risk management and diversification. By combining asset classes with different risk profiles, investors can aim to reduce volatility while maintaining exposure to growth opportunities.

Flexibility is key, especially when events estimated as tail-risks eventually materialize. With the ability to adjust allocations across regions, sectors, and asset classes, portfolios can remain resilient in the face of shifting economic and market conditions.

To sum up

In an increasingly complex world, global flexible asset allocation is a powerful way to navigate uncertainty. Leveraging ETFs as efficient and transparent building blocks enhances diversification, broadens the opportunity set, and helps keep costs under control. For investors, this approach provides a pragmatic and modern pathway to building resilient portfolios for the long term.

Past performance is not a reliable indicator of future returns and is subject to fluctuation over time. Performance may rise or fall for investments with foreign currency exposure due to exchange rate fluctuations. Emerging markets may be subject to more political, economic or structural challenges than developed markets, which may result in a higher risk

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