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Family offices and wealth managers: can you ease off in summer?

Markets never take a holiday

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AGEFI LUXEMBOURG · SEPTEMBER 2026

Markets never take a holiday. Yet family offices and management companies must be able to ease off without turning every market movement into an emergency. The point is not to predict the next 'hot' summer, but to prepare portfolios, liquidity and governance to withstand it.

When markets slow down, teams take turns and publication calendars grow lighter, summer can feel like an interlude. For family offices as for management companies, the temptation is a natural one: to slow the pace, to step back, to let portfolios breathe. Yet financial history is studded with particularly turbulent months of July and August.

Liquidity crises, geopolitical shocks, currency movements and reversals of monetary policy have often chosen this period to recall a simple rule: markets themselves never really take a holiday.

The right question, then, is not whether to stay in front of one's screens all summer. It is rather whether the portfolio, the organisation and the procedures are robust enough to let decision-makers step away without turning every market movement into an emergency.

Summer, a false sense of calm

The famous maxim "Sell in May and go away" keeps alive the idea of a seasonality unfavourable to risk assets. In practice, the statistics do not allow one to conclude that an investor should systematically reduce exposure from the spring onwards. Many summers have been calm, even favourable, for equity markets, as is also the case this summer.

One characteristic, on the other hand, recurs regularly: liquidity can thin. Trading volumes fall, some market teams work with reduced staff, and order books can become shallower. As long as no major event occurs, this configuration goes almost unnoticed. But when the market is taken by surprise, it can amplify the speed and the scale of movements.

The risk is then less the season itself than the combination of three factors: an unexpected shock, consensual positions and weaker liquidity. A shallow market can turn a passing concern into a violent movement, particularly when investors have made extensive use of leverage and are forced to unwind their positions quickly.

Summers that left their mark on investors

The summer of 1998 remains one of the most emblematic examples. In August, Russia came close to bankruptcy, devalued the rouble and defaulted on part of its domestic debt. The crisis spread to emerging markets and weakened the convergence strategies of many investors. A few weeks later, the heavily indebted LTCM fund found itself on the brink of collapse, to the point of requiring a coordinated intervention by major banks under the aegis of the Federal Reserve Bank of New York.

The summer of 2007 is another important reminder. In August, several funds exposed to American mortgage credit ran into valuation and liquidity problems. At the time, the phenomenon still seemed contained. Yet it would become one of the first visible signals of the global financial crisis, which culminated in 2008 with the bankruptcy of Lehman Brothers, the interbank crisis and the collapse of stock markets around the world.

In 2011, the European sovereign debt crisis intensified over the summer, while the United States lost its AAA rating from Standard & Poor's for the first time. Equity markets went through several sessions of sharp volatility, and investors turned in large numbers to the assets regarded as safe havens.

In August 2015, it was China that caused concern. The devaluation of the yuan fed fears about Chinese growth and triggered abrupt corrections on international markets. More recently, in 2024, the rapid appreciation of the yen and the prospect of monetary normalisation in Japan led to the unwinding of carry trade strategies. At the beginning of August, the Nikkei suffered a spectacular fall before rebounding quickly. These episodes have very different causes. They nevertheless share the same lesson: what seemed stable can lose its balance very quickly when several investors seek to reduce risk at the same time.

For a family office, risk is not just the fall of an index

A family office does not generally manage a simple portfolio of listed equities. It oversees wealth made up of several pockets: equities, bonds, structured products, real estate, private equity, private debt, alternative funds, entrepreneurial holdings, cash, and sometimes Lombard loans or other forms of leverage. In this configuration, the main risk is not necessarily that an index loses 5% or 10%. It lies in the interactions between the different components of the wealth.

A market fall can reduce the value of the assets pledged as collateral for a Lombard loan. A rapid rise in rates can weigh at the same time on bonds, growth stocks and certain real estate strategies. A rise in volatility can change the value of structured products, or bring certain underlyings closer to important protection levels. A currency shock can also affect an international portfolio, even if the assets held have barely moved in their local currency.

The family office must therefore reason in terms of the overall balance sheet and of its capacity to absorb a shock, rather than by watching only the daily performance of an index.

Liquidity: the true insurance of summer

The first protection is often the simplest: keeping a pocket of liquidity suited to the needs of the wealth. Liquidity makes it possible to avoid becoming a forced seller. It can fund a margin call, cover a family or business need for cash, allow a rebalancing or, on the contrary, offer the chance to take advantage of a correction to strengthen certain positions.

The essential point is to distinguish economic diversification from diversification of liquidity. A portfolio can be highly diversified on paper while remaining difficult to mobilise quickly. A money market fund, a listed bond, a private equity holding and a real estate asset obviously do not have the same availability.

For a family office, the relevant question before the summer is therefore less “how much have I invested?” than “what share of my wealth can be mobilised quickly without destroying value?”. Leverage deserves particular attention. In a calm environment, it sometimes improves the efficiency of capital. In a market under stress, it can become a constraint and force rapid decisions. An allocation that is perfectly acceptable without leverage can become much more fragile when it serves as collateral for a loan.

Watching concentrations before they become a problem

Periods of strong performance also create unintended concentrations. When a theme advances much faster than the rest of the market, its weight in the allocation rises mechanically. American technology, artificial intelligence and certain semiconductor stocks have illustrated this phenomenon on several occasions.

A position that was reasonable at the outset can become dominant simply because it has performed better. Before a period of thinner liquidity, a simple question can be useful: if this line or this theme lost 20% in a few sessions, would the portfolio remain in line with the desired level of risk? If the answer is no, the problem is not the summer. It is already present in the construction of the portfolio.

For managers, summer also tests the organisation

Who can place an order if the main decision-maker is unavailable? Who receives the alerts from the custodian or the private bank? Who monitors the maturities of structured products, collateral levels, requests for cash or risk limits?

Good governance, then, does not consist in asking teams to stay permanently connected during their holidays. On the contrary, it consists in defining alert thresholds, responsibilities and decision procedures in advance. The true sign of robustness is that an organisation can function even when several key people are away.

Should a portfolio be hedged systematically before the summer?

The temptation to buy protection every year before July can be strong. Yet hedging a portfolio mechanically on a fixed date can be costly and can reduce long-term performance. A

relevant hedge must respond to an identified risk. It can take the form of options, a tactical reduction in exposure, diversification into less correlated assets, an increase in liquidity or simply a reduction in leverage.

The price of this protection matters as much as its existence. When implied volatility is very low, some hedges can be relatively affordable. Conversely, once the crisis has begun and volatility has soared, buying protection can amount to paying a very high price for insurance after the fire has started.

The aim, therefore, is not to predict the next summer crash. It is to make sure that an adverse scenario remains compatible with the constraints of the portfolio.

The checklist before leaving

- ✓ A liquidity reserve suited to foreseeable needs.
- ✓ Levels of leverage, collateral and safety margins checked.
- ✓ The main concentrations identified and accepted.
- ✓ Maturities, observation dates and barriers of structured products reviewed.
- ✓ Currency exposures and hedging needs reviewed.
- ✓ Delegations, banking contacts and emergency procedures up to date.
- ✓ Alert thresholds defined: those that call for action, and those that call only for monitoring.

This preparation has one major advantage: it avoids confusing volatility with urgency. A portfolio built to absorb difficult scenarios allows investors to take rational decisions, instead of reacting under pressure to every movement of the market.

Summers on the stock market are not systematically dangerous. Most pass without a major crisis. But history shows that July and August offer investors no immunity.

For family offices and managers, the conclusion is not, however, that holidays must be spent in front of six market screens. It is almost the opposite: a well-built portfolio and organisation should make it possible to step away for a few days without excessive worry.

Diversification, liquidity, control of leverage, management of concentrations, alert thresholds and clear governance are better protections than a permanent attempt to anticipate the next shock.

In the end, the true luxury of a well-organised family office is perhaps not to beat the market during the summer. It is to be able to go on holiday knowing that, even if the markets decide not to take one, the portfolio is ready.

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