# The Resilient Beta Framework

*A concise overview of regime diversification and strategic balance*

Published November 3, 2026

Markets move through changing mixes of economic growth and inflation. Vigo's managed-account portfolios typically start from the Resilient Beta framework, which holds a balance of assets designed so that results depend less on predicting which mix comes next.

## Four economic regimes

Growth can rise or fall, and so can inflation, which gives four broad regimes. Each has assets that have historically tended to do well in it.

| | Inflation rising | Inflation falling |
|---|---|---|
| **Growth rising** | **Inflationary boom:** commodities, gold, value equities and inflation-linked bonds have historically tended to do well | **Deflationary boom:** growth equities and nominal bonds have historically tended to do well, while commodities have tended to lag |
| **Growth falling** | **Stagflation:** commodities and inflation-linked bonds have historically offered relative protection, while equities and nominal bonds have tended to suffer | **Deflationary bust:** long-duration government bonds have historically tended to provide stability, while riskier assets have tended to struggle |

These are tendencies drawn from history, not rules. Regimes don't arrive on schedule, and assets don't always behave as they did before.

## How the balance is built

- **Balance, not forecasts.** The portfolio holds assets suited to each regime, so it depends less on predicting which comes next, and no single outcome is meant to dominate its results.
- **Liquid building blocks.** Core exposure comes through liquid ETFs and government securities.
- **Tailored to the client.** Allocations are customized by geography and implemented with taxes in mind.
- **Monthly review.** Weights are reviewed each month and brought back toward target as needed, with attention to trading costs and taxes.
- **Your account, your custodian.** Managed accounts are held in the client's name at Interactive Brokers or the client's own institution, and clients can generally withdraw on any business day, subject to market conditions.

## What the framework doesn’t do

- **It doesn’t prevent losses.** A regime-balanced portfolio can still lose value in any regime.
- **Diversifiers can fail together.** In 2022, stocks and bonds fell at the same time, and balanced portfolios lost value.
- **It can lag.** In long equity bull markets, a balanced portfolio can trail a stock-heavy one for years.
- **Rebalancing has costs.** Trading costs and taxes reduce returns, and buying into falling assets can deepen losses before any recovery.
- **Bonds carry their own risks.** Long-duration and inflation-linked bonds can be volatile, and are exposed to interest-rate, inflation and liquidity risk.

## Where it fits

Resilient Beta is the long-horizon core. Active Beta adds measured tilts within defined limits (Guide 2, Understanding Active Strategy Tilts), and the hedging programs address specific exposures (Guide 3, Hedging and Risk Management).

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