

## Preparing for a tech reckoning: building resilience beyond mega-cap growth



After three strong years for US tech stocks, fears of a market correction are growing. Headlines abound as to how fund managers' biggest fear is the AI bubble bursting, and that fund selectors are preparing portfolios for an increasingly volatile environment.

Here, Matt Norris and James Peel take a look at one way investors could build resilience in their portfolios.



One of the biggest concerns is that investor exposure to US equities has increased substantially in recent years and, with it, their exposure to mega-cap tech firms.

An article in the [Financial Times](#) recently highlighted this fact: portfolios have become increasingly dependent on a narrow cohort of highly valued, AI-linked US technology stocks. Concentration risk, stretched valuations and rising geopolitical uncertainty all raise the question of what happens if today's market leaders falter.

History suggests that when optimism becomes one-sided, diversification once again matters.

While US technology stocks delivered strong headline returns in 2025, the experience for UK-based investors was more nuanced. In sterling terms, currency effects significantly narrowed the gap between US tech and UK assets. More importantly, the path to returns was materially different. The NASDAQ suffered a drawdown of more than 20% earlier in the year amid tariff concerns, highlighting the volatility that can accompany even the most compelling growth narratives.

By contrast, UK listed real estate followed a steadier trajectory. Despite ongoing domestic fiscal uncertainty, contractual rental income and asset-backed cash flows provided ballast, limiting drawdowns and supporting a faster recovery. In an environment where investors increasingly worry about downside risk rather than upside surprise, that distinction matters.

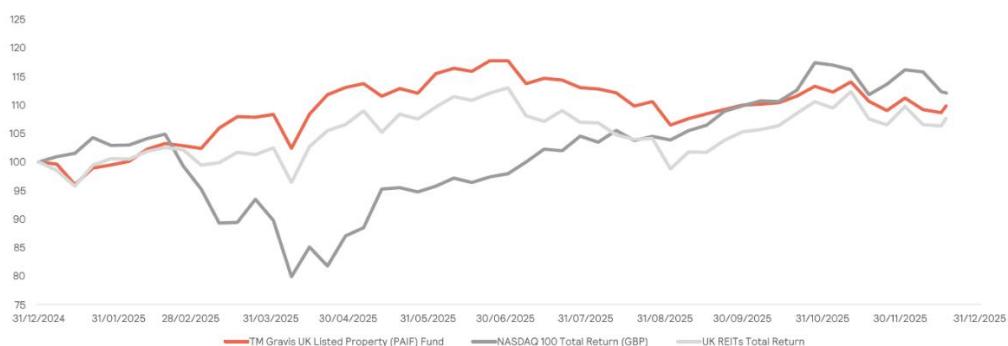
### REVIEWING 2025 – TARGETING HIGH SINGLE-DIGIT RETURNS

On track to deliver circa 10% investor returns in 2025.

Total returns comparable to US tech stocks, in GBP, achieved with materially lower drawdown and volatility.

Fund rarely below its 2025 starting level, with drawdowns short-lived and recoveries swift.

Positive alpha generation, with outperformance versus UK REITs.



Past performance is not necessarily a guide to future performance. Source: Bloomberg LP and Gravis Advisory Ltd. TM Gravis UK Listed Property performance is illustrated by the A GBP Accumulation share class. Rebased 31/12/2024. Data as at 17/12/2025.

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## Valuations tell a contrarian story

The FT rightly points to elevated valuations in parts of the technology sector. A similar valuation signal exists elsewhere, but in reverse.

UK REITs currently trade at a discount to net asset value of close to 30%, materially wider than their long-term average. Analysis from Gravis shows that historically, when sector discounts have reached these levels, subsequent one- and two-year returns have tended to be positive. That pattern re-emerged in 2025, when REITs entered the year deeply discounted before delivering double-digit returns.

### POTENTIAL FUTURE REWARDS

Investors have been rewarded for investing around points of extreme<sup>1</sup> NAV discounts.

24% average 1-year return, 49% average 2-year returns.



Past performance is not necessarily a guide to future performance. Source: European Public Real Estate Association (EPRA) and Gravis Advisory Ltd. 1-year and 2-year total returns since 31.12.99 when starting investment in NAV discount greater than -30%. Based on the EPRA discount to NAV data, November 2025. Index is the EPRA UK Total Return Index. Data as at 31.12.25.<sup>1</sup> Defined as discount to NAV greater than -30%.

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What is striking is that these discounts persist despite improving fundamentals. Research from Peel Hunt highlights a rare divergence between listed real estate share prices and underlying accounting returns — a disconnect previously observed only during the dot-com bubble. When that episode ended, US technology stocks fell sharply, while UK property equities rallied strongly.

For investors concerned about echoes of that period, the parallel is difficult to ignore.

### REMEMBERING 2000 – WHEN TECH FALTERED, PROPERTY FLOURISHED

From the dotcom peak, the NASDAQ plunged 60% and UK property shares surged 60% — a reminder of the resilience potential in REITs.

As market euphoria fades, REIT income has historically shown resilience — supported by contractual rents.

Amid AI-driven market optimism, REIT income continues to grow — supported by next-generation real estate.



Past performance is not necessarily a guide to future performance. Source: European Public Real Estate Association (EPRA) and Gravis Advisory Ltd. For illustrative purposes only. Rebased 31.08.99. Data as at 17.12.25.

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### Income as a shock absorber

Another theme highlighted in the FT is the vulnerability of portfolios built primarily around capital growth assumptions. In contrast, income remains a tangible and often underappreciated source of resilience.

UK REITs currently offer an indicative yield of around 4.2%, comfortably ahead of the roughly 3.6% available from the relatively domestically focused FTSE 250. For multi-asset portfolios, that recurring income can help dampen volatility, support total returns during periods of market stress and reduce reliance on asset price appreciation alone.

In periods of heightened volatility, contractual cash flows linked to physical, essential assets can play a stabilising role.

### A role for specialist real estate exposure

This is where specialist strategies focused on next-generation real estate come into their own. Real estate aligned with structural socio-economic trends such as the ageing population, digital infrastructure, generation rent and urbanisation, offers a different return profile to traditional equities and growth-led technology exposure.

Gravis's approach has consistently emphasised these characteristics: asset-backed investments, predictable income streams and valuation discipline. For multi-asset managers reassessing portfolio construction in light of potential tech downside, such exposures may offer a way to rebalance risk without sacrificing return potential.

### Foundations matter

The Financial Times article serves as a timely reminder that market leadership is rarely permanent. When valuations stretch and narratives become crowded, diversification ceases to be a theoretical concept and becomes a practical necessity.

Portfolios, much like buildings, rely on solid foundations. As investors look ahead to 2026 and beyond, the combination of discounted valuations, improving fundamentals and contractual income in UK listed real estate suggests that resilience may once again be found away from the most popular trades.

In preparing for a potential tech sell-off, investors may find that real assets are not a defensive afterthought, but a core component of robust portfolio construction.



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