How to prepare portfolios for 2026

CIO Essentials

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- 2025 proved to be a good year for many investors, with sizeable gains in equities and commodities like gold.
- We believe the end of year is an opportune time to prepare portfolios for the ups, downs, and opportunities markets will offer in the year to come.
- We share five investing "resolutions" to support readers as they position themselves financially for 2026.

Source: UBS

'Tis the season of reflection and resolution. Financial markets have given European investors seasonal cheer. Global stocks (MSCI AC World) have climbed around 6% in euro terms so far this year. Germany's DAX is up 22%, while gold has rallied 46%.

Looking ahead, we expect resilient macroeconomic growth, robust earnings, and continued (and increasingly profit-generating) AI investment to power stocks higher.

But the turn of the year is also a time for resolutions for the coming 12 months. We have identified five such commitments that investors can make to support their financial well-being in 2026.

1. Start the year with a financial plan review

Clarify and adjust financial goals, before devising ways to invest for up to the next five years' of withdrawals, for one's lifetime money needs, and for one's legacy. Avoid the pitfalls of holding excess cash or having too little diversification. Regular reviews and asking for help when needed can find and plug gaps, so the plan withstands the ups and downs of markets.

2. Get moving: Put cash to work

Holding some cash is necessary to fund expenditures and avoid having to sell assets at a loss if a bear market occurs in the next five years. However, it is important to consider how cash is invested. Funds for everyday spending should remain readily available and exposed to minimal risk. Invest longer-dated liquidity in assets with some interest rate, credit, or market sensitivity in search of higher yields above inflation.

3. Build resilience: Strengthen your core

Consider putting surplus cash to work in balanced portfolios. Since 1945, a strategy of phasing into a diversified portfolio of stocks and bonds has outperformed cash on around 74% of one-year horizons and around 84% of five-year horizons. A strong portfolio core means 30-70% equities and 15-50% fixed income. Alternatives may form up to 40% of a portfolio for long-term investors, subject to their unique risks including illiquidity. Diversification is vital: just 0.3% of US firms drove half of market wealth since 1926. Regular rebalancing helps maintain long-term, steady portfolio returns.

4. Sleep better at night: Hedge market risks

Hedge risks by allocating up to a mid-single-digit percentage to gold, which may shield portfolios against financial stresses and geopolitical shocks. High-quality government bonds typically rally more than cash in economic downturns.

5. Seize the moment: Seek tactical opportunities

With a resilient core, pursue tactical growth. In the US, we like stocks in the tech, utilities, financial, and health care sectors. In Europe, we particularly like banks, utilities, industrials, technology, and Germany, as well as our "European Leaders" selection. In Asia we like China tech stocks, the broader Chinese market, Japan, and Asia ex-Japan equities.

Our main reflection? Appreciation for the trust and partnership demonstrated throughout 2025.

Our main resolution? A continued commitment to supporting the protection and growth of client wealth in 2026.

Happy holidays!

Global asset class preferences definitions
The asset class preferences provide high-level guidance to make investment decisions. The preferences reflect the collective judgement of the members of the House View meeting, primarily based on assessments of expected total returns on liquid, commonly known stock indexes, House View scenarios, and analyst convictions over the next 12 months. Note that the tactical asset allocation (TAA) positioning of our different investment strategies may differ from these views due to factors including portfolio construction, concentration, and borrowing constraints.
Most attractive – We consider this asset class to be among the most attractive. Investors should seek opportunities to add exposure.
Attractive – We consider this asset class to be attractive. Consider opportunities in this asset class.
Neutral – We do not expect outsized returns or losses. Hold longer-term exposure.
Unattractive – We consider this asset class to be unattractive. Consider alternative opportunities.
Least attractive – We consider this asset class to be among the least attractive. Seek more favorable alternative opportunities.

Appendix

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