

Keeping calm in a volatile world

CIO Essentials

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- Geopolitics are dominating the headlines, fueling uncertainty among investors.
- However, history shows that the impact from (geo-)political conflicts on equity markets tends to be short-lived. Also, a long investment horizon and a diversified portfolio can help preserve wealth.
- Investors can diversify by engaging broadly in equity markets. UBS CIO recommends not focusing solely on US technology stocks, but increasingly considering other segments such as Europe, Japan, and emerging markets. Bonds can also contribute to diversification.



Source: UBS

2025 was a good year for financial markets, and the Swiss equity index SPI gained a solid 18%. In contrast, Swiss bonds gained significantly less, and savings accounts brought in little yield. This is in line with the long-term average. Since 1950, Swiss equities increased on average around 6% annually, while Swiss bonds have returned 2% and savings accounts only 1.6%.

Despite their impressive performance in recent decades, saving by investing in equities is not the norm in Switzerland. A survey by Baloise, alongside market research institute YouGov, shows that among 2,000 Swiss participants, three quarters said they rely on savings accounts, and only around one quarter stated that they invest in equities. Various studies from Germany and Switzerland show that a lack of financial knowledge and fear of losses are the main reasons for avoiding investing.

The fear of losing money in financial markets is unlikely to have diminished recently. Equity indexes started the year at or near record highs, boosting anxiety about a potential market bubble, fueled by technology stocks in the US. Added to this is significant geopolitical uncertainty. The US administration detained the president of Venezuela at the beginning of January, then threatened to intervene in Iran's crackdown of domestic protests, and most recently considered the annexation of Greenland. President Donald

Trump has also threatened several countries with additional tariffs.

However, history has shown that (geo-)political conflicts may dominate the headlines, but often do not have a lasting impact on equity markets. A good example of this is last year's "Liberation Day," which led to a sharp sell-off at the beginning of April after Trump imposed high tariffs on most of its trading partners. However, many equity markets ended the year with double-digit gains.

But what can investors do beyond merely hoping that (geo-)political conflicts will not pose a long-term burden for financial markets?

A long investment horizon can help to avoid losses. Between 1995 and 2025, the Swiss equity market ended the year with an average gain of 9.6%. However, in eight of those 31 years, the SPI closed the year with a loss, which averaged 14.5%. If equities were held for any five-year period during this period, the average annual return was around 7%, and the return was negative five times, with an average loss of 3%. If equities were held for a 10-year period, the average annual return was 6.3%, with no 10-year period producing a negative return.

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A long investment horizon already provides security, which can be further increased through a diversified portfolio. Investors can diversify by broadly engaging in various equity sectors and regions. In the UBS House View Letter for January, "Nostalgia is not an investment strategy" (23 January), UBS Chief Investment Officer Mark Haefele recommends not only focusing on US technology stocks, but increasingly considering other segments as well, including Europe, Japan, and emerging markets.

Bonds can also help diversify portfolios. With Swiss interest rates close to zero, bond yields are unattractive, but they provide stability for a portfolio during challenging periods.

With these measures, investors bolster their portfolios even in geopolitically turbulent times and look to benefit as much as possible from strong long-term equity market performance.

Global asset class preferences definitions

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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.

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Least attractive – We consider this asset class to be among the least attractive. Seek more favorable alternative opportunities.

Appendix

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