



UBS GWM CIO Global Investment Management – UBS Wealth Way Solutions

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# Asset allocation: Risk and return

An analysis of historical and forward-looking statistics

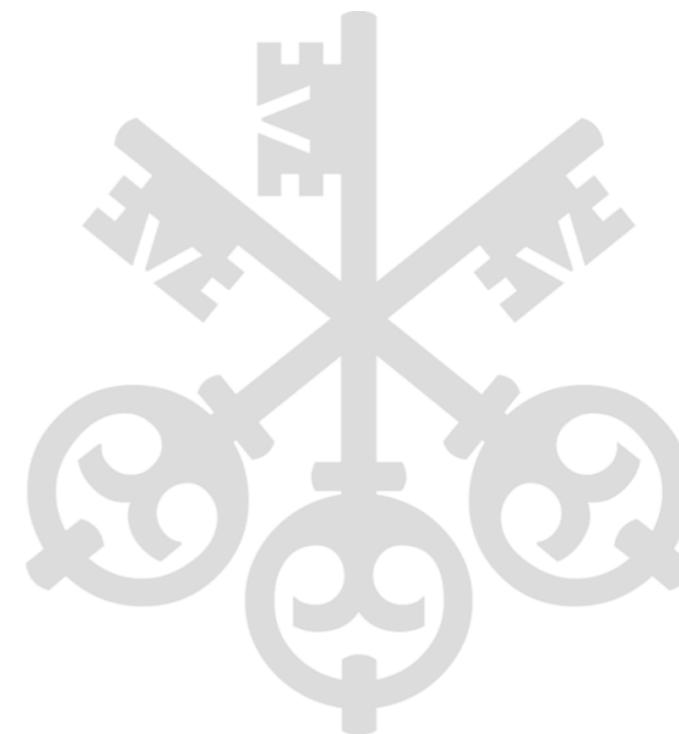
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# Introduction

- Asset allocation—the mix of stocks and bonds—strongly shapes long-term return potential and investment risk.
- Historically, portfolios with higher return potential have faced deeper drawdowns, longer recovery periods, and greater uncertainty—especially over short time periods.
- Understanding the trade-off between risk and return is key to setting expectations and aligning portfolios with goals and risk tolerance.
- By reviewing the history of portfolio mix, growth, and time horizon, this presentation aims to help investors decide the right level of risk to take for meeting long-term objectives.

// If you want higher returns, you have to accept higher risk. There's no free lunch.

**Harry Markowitz**

// In investing, what is comfortable is rarely profitable.

**Robert Arnott**

# Asset allocation **risk** and **return** statistics

Historical statistics, US stock/bond portfolios, Dec 1925 – Jan 2026

Asset allocation (stocks/bonds)	Historical risk and return		Largest positive		Largest negative		Percentage of		
	Annual return (compound)	Annual risk (standard deviation)	12-month return	12-month return end date	Lowest 12-month return	Lowest 12-month return end date	Negative 12-month returns	Positive 12-month returns	12-month returns greater than inflation
100% / 0%	10.5%	18.5%	163%	Jun-33	-68%	Jun-32	24%	76%	71%
90% / 10%	10.1%	16.7%	145%	Jun-33	-63%	Jun-32	23%	77%	71%
80% / 20%	9.6%	14.9%	127%	Jun-33	-58%	Jun-32	22%	78%	71%
70% / 30%	9.2%	13.1%	110%	Jun-33	-53%	Jun-32	21%	79%	72%
60% / 40%	8.6%	11.4%	94%	Jun-33	-47%	Jun-32	19%	81%	72%
50% / 50%	8.1%	9.7%	78%	Jun-33	-41%	Jun-32	18%	82%	72%
40% / 60%	7.5%	8.0%	63%	Jun-33	-34%	Jun-32	15%	85%	72%
30% / 70%	6.9%	6.5%	48%	Jun-33	-26%	Jun-32	13%	87%	73%
20% / 80%	6.2%	5.3%	34%	Jun-33	-18%	Jun-32	10%	90%	73%
10% / 90%	5.5%	4.5%	29%	Mar-86	-14%	Oct-22	8%	92%	70%
0% / 100%	4.8%	4.4%	30%	Sep-82	-14%	Oct-22	12%	88%	64%



Source: Morningstar Direct, Bloomberg, UBS as of as of 31 January 2026. Historical analysis based on monthly total return data for US large-cap stocks (SBBI US Large Stock Total Return Index) and intermediate US government bonds (SBBI US Intermediate-Term Government Bond Total Return Index).

# Asset allocation **risk** and **return** statistics

Historical and forward-looking risk and return statistics, US stock/bond portfolios, Dec 1945-Jan 2026

Asset allocation (stocks/bonds)	Historical risk and return		Expected risk and return (Equilibrium Capital Market Assumptions)		Bear market statistics			
	Annual return (compound)	Annual risk (standard deviation)	Annual return (compound)	Annual risk (standard deviation)	Average drawdown	Average time under water (months)	Worst drawdown	Longest time under water (months)
100% / 0%	11.4%	14.5%	8.4%	16.7%	-32%	34	-51%	74
90% / 10%	10.8%	13.1%	8.1%	15.0%	-29%	33	-46%	73
80% / 20%	10.3%	11.7%	7.8%	13.4%	-25%	31	-41%	65
70% / 30%	9.7%	10.4%	7.5%	11.8%	-22%	29	-36%	59
60% / 40%	9.1%	9.1%	7.1%	10.2%	-19%	27	-30%	50
50% / 50%	8.5%	7.8%	6.7%	8.7%	-15%	20	-24%	40
40% / 60%	7.8%	6.7%	6.3%	7.2%	-11%	15	-17%	30
30% / 70%	7.2%	5.7%	5.9%	5.7%	-8%	12	-16%	31
20% / 80%	6.5%	5.0%	5.4%	4.5%	-5%	11	-15%	33
10% / 90%	5.8%	4.6%	4.9%	3.7%	-3%	9	-14%	45
0% / 100%	5.1%	4.8%	4.3%	3.5%	-2%	7	-15%	54*

Source: Morningstar Direct, Bloomberg, UBS as of as of 31 January 2026. Historical analysis based on monthly total return data for US large-cap stocks (SBBI US Large Stock Total Return Index) and intermediate US government bonds (SBBI US Intermediate-Term Government Bond Total Return Index).

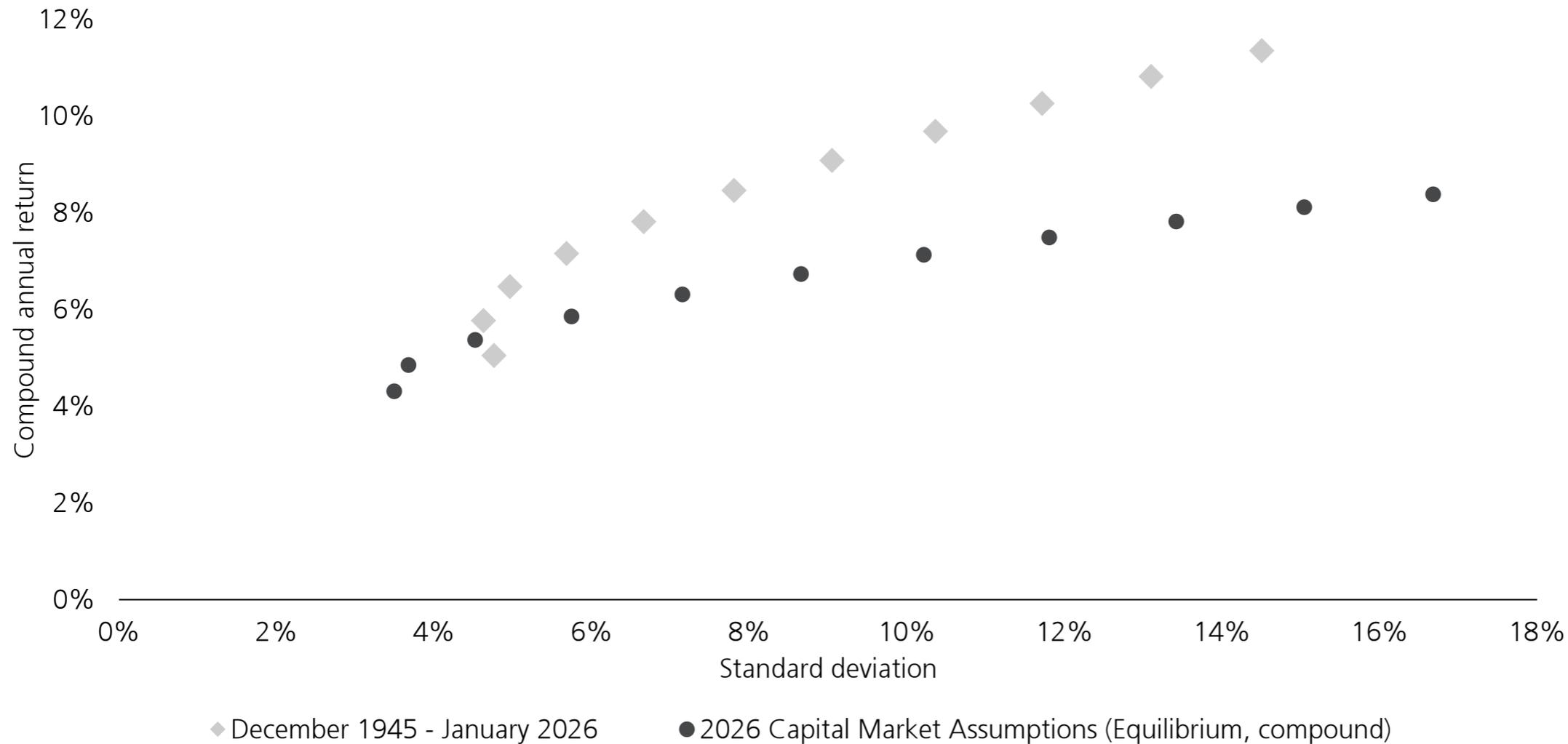
Expected return and volatility are based on the 2026 UBS Equilibrium Compound Capital Market Assumptions for portfolios invested in intermediate US government bonds and US large-cap stocks.

\* US government bonds have not yet recovered their losses from the decline that started in 2020, so this is an estimate.



# Future returns may be **lower**, with **higher volatility**, than past returns

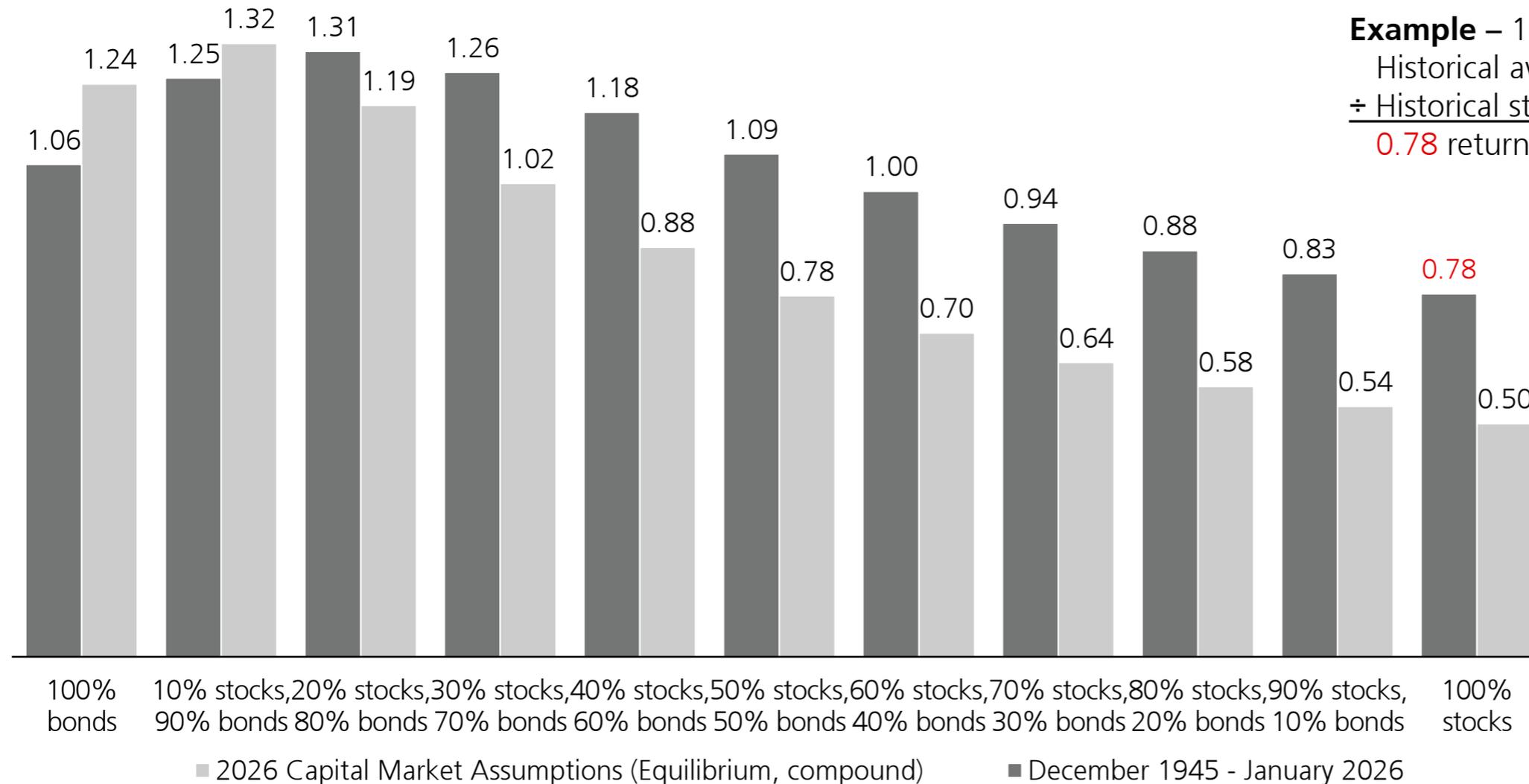
Historical and forward-looking risk and return statistics, US stock/bond portfolios



Source: Morningstar Direct, UBS as of as of 31 January 2026. Historical analysis based on monthly total return data for US large-cap stocks (SBBI US Large Stock Total Return Index) and intermediate US government bonds (SBBI US Intermediate-Term Government Bond Total Return Index). Expected return and volatility are based on the 2026 UBS Equilibrium Compound Capital Market Assumptions for portfolios invested in intermediate US government bonds and US large-cap stocks.

# Diversification tends to improve risk-adjusted returns

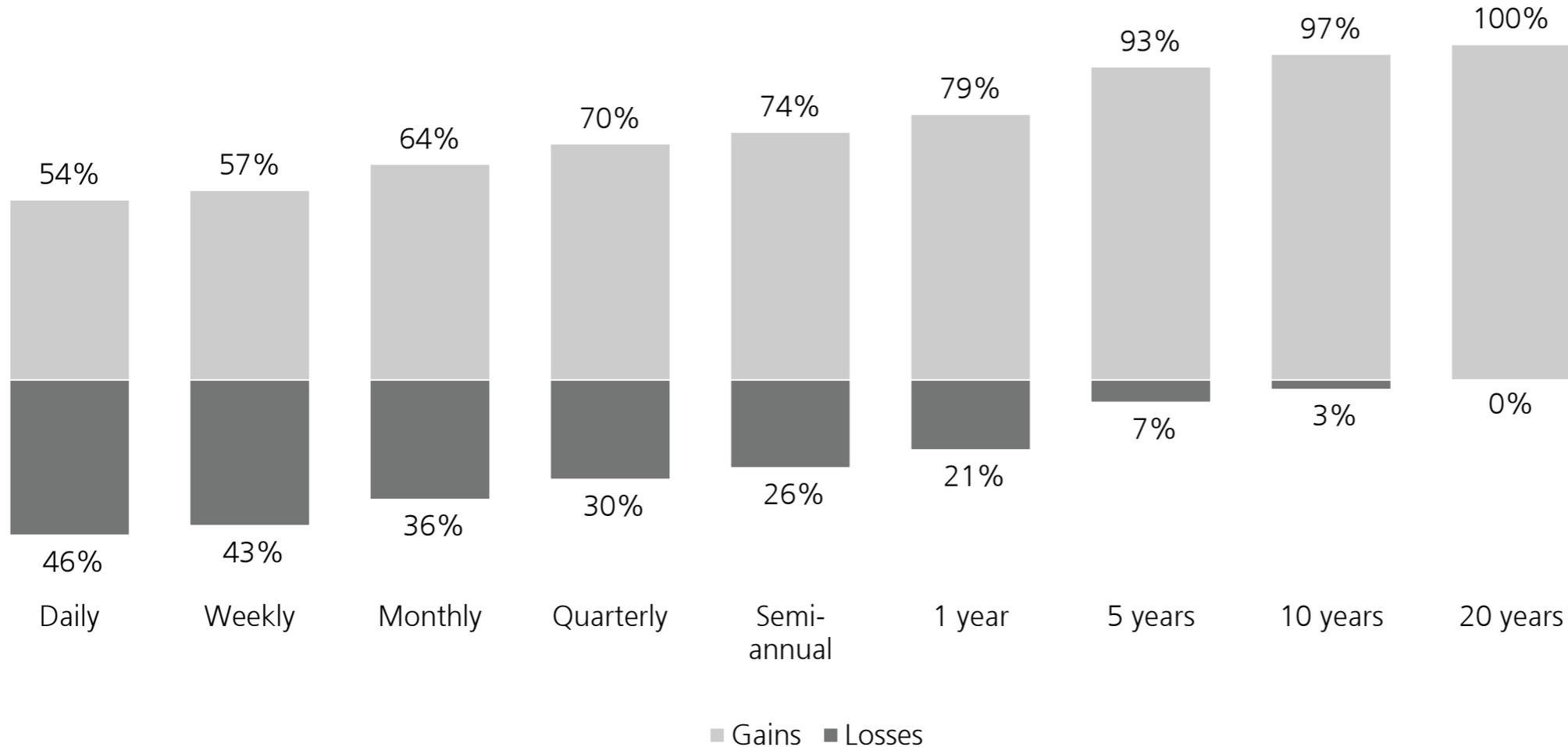
Historical and forward-looking return-to-standard deviation ratio, US stock/bond portfolios



Source: Morningstar Direct, UBS as of as of 31 January 2026. Historical analysis based on monthly total return data for US large-cap stocks (SBBI US Large Stock Total Return Index) and intermediate US government bonds (SBBI US Intermediate-Term Government Bond Total Return Index). Expected return and volatility are based on the 2026 UBS Equilibrium Compound Capital Market Assumptions for portfolios invested in intermediate US government bonds and US large-cap stocks.

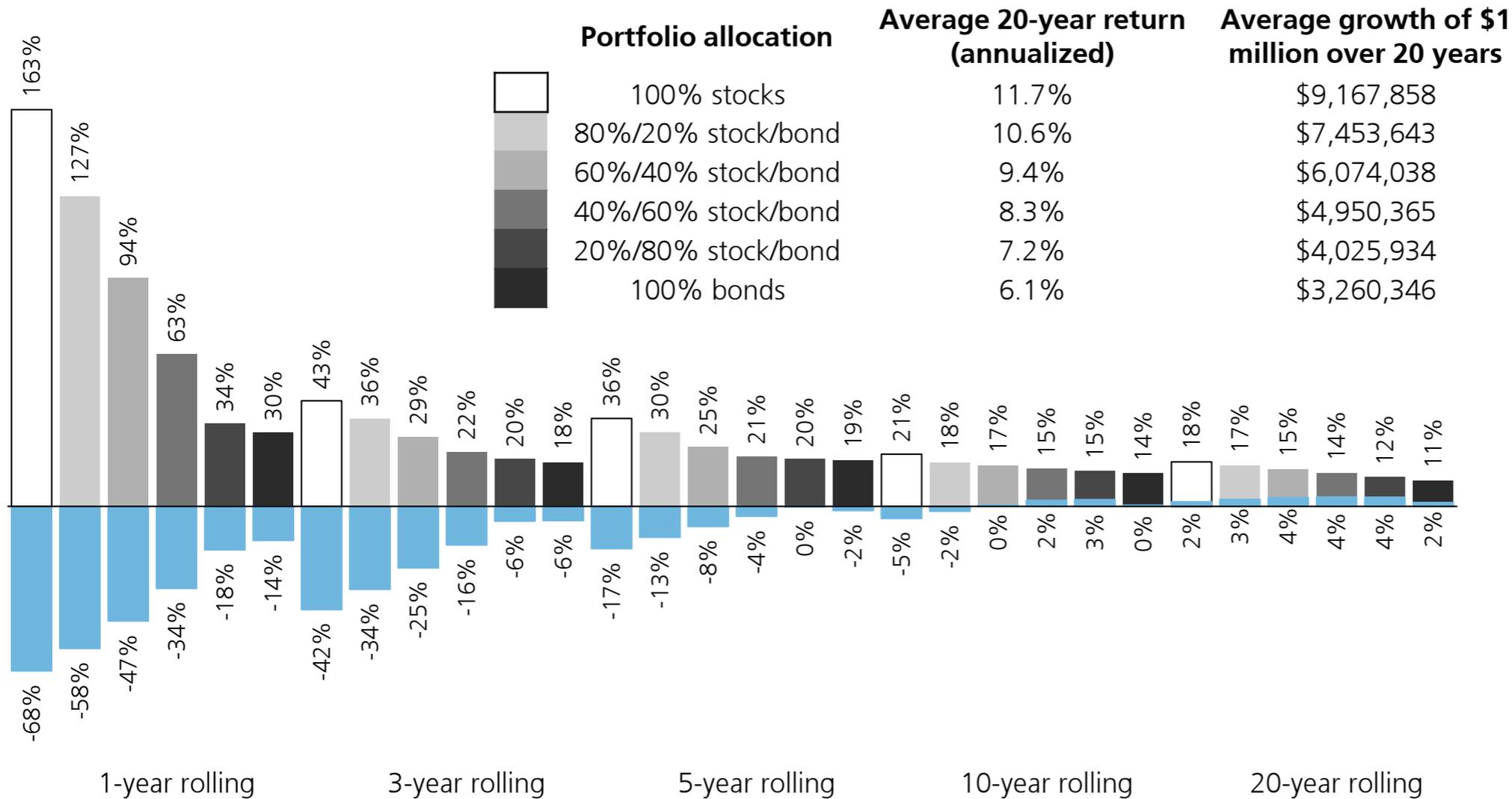
# Losses tend to be **less common** over longer time horizons

Historical probability of gain or loss, S&P 500 Index, rolling returns since December 1945



# Short time horizons carry a wider range of outcomes and a greater risk of loss

Highest and lowest annualized return by holding period, US stock/bond portfolios, Dec 1925 – Jan 2026



Source: Morningstar Direct, UBS as of as of 31 January 2026. Historical analysis based on monthly total return data for US large-cap stocks (SBBI US Large Stock Total Return Index) and intermediate US government bonds (SBBI US Intermediate-Term Government Bond Total Return Index).

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