Near-term dips in equities may create opportunities for investors to build long-term exposure to appealing areas of the market. (UBS)

Phase-in strategies can help investors build exposure in a disciplined way

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After a strong run for stocks, equity investors may face bouts of volatility in the near term amid uncertainty about AI stocks' next moves and the path of the Fed.

CIO believe investors who are underallocated to equities should consider phasing in and using market dips to add exposure to our preferred areas of the market, including structural growth themes like AI. Structured strategies can also help investors manage risks while positioning for potential gains.

Equity market volatility may pick up amid near-term risks.

- The S&P 500 Index reached new records on 27 and 28 August, and we still expect global stocks to post gains over the next six to 12 months.
- However, with investors uncertain about the path for AI stocks after sharp gains, and with contrasting views on how far the Fed will cut rates this cycle, we see potential for bouts of market volatility in the near term.

Investors underallocated to stocks should prepare to add exposure on market dips.

- Market dips may create opportunities to put money to work in key long-term growth themes like AI, power and resources, and longevity.
- We also favor US tech, health care, utilities, and financials; Swiss high-quality dividends, European quality, European industrials, and our "Six ways to invest in Europe" theme; and China's tech sector, Singapore, India, and Brazil.

Phase-in strategies can help investors build exposure in a disciplined way.

- A disciplined approach to phasing into stocks or balanced portfolios may help manage the risk of poor timing, reduce the influence of emotion, and provide more opportunities to benefit from market dips and rebounds.
- Meanwhile, investors who are fully allocated to stocks and mindful of near-term risks can consider structured strategies with capital preservation features.

Did you know?

- Balanced portfolios (60/40) have delivered positive returns in 88% of rolling five- year periods in the US, and since 2003, in 85% and 87% of periods for Europe and Switzerland, respectively, based on CIO analysis.
- Structured strategies with capital preservation features may help investors stay allocated to stocks and forego some potential gains in exchange for limiting of losses, if a strategy is held to maturity. However, investors should be aware of their unique risks, including potential capital loss, limited potential for gains, and liquidity constraints.

Investment view

Equity markets have been resilient in recent months, but we believe investors should consider strategies to navigate a potential pickup in volatility in the near term as risks to the outlook remain. Investors underallocated to stocks should consider phasing in and using market dips to build exposure to preferred areas, including our Transformational Innovation Opportunity (TRIO) themes of AI, power and resources, and longevity.

Original report: **How can I prepare for equity market volatility?, 1 September 2025.**

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