



Autocallable GEARS to harness volatility

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Structured investments may help investors harness volatility, offering potential for market upside while managing downside risk.

Key points

- Amid heightened geopolitical risks and elevated volatility, investors may hesitate to deploy cash into the markets.
- Structured investments may help investors harness volatility, offering potential for market upside while managing downside risk.
- Buffer autocallable growth enhanced asset return strategy (BA-GEARS) notes are a type of structured investment that may provide both downside protection and potential upside participation.
- This article reviews example terms for a three-year BA-GEARS note linked to the S&P 500 and examines how such a note would have performed historically, to better understand its risk and return profile.

Example terms

Three-year BA-GEARS note:

- **Index:** S&P 500 Index
- **If the S&P 500 is higher/unchanged after one year:** If the S&P 500 is at or above its starting value after one year, the note is automatically called, and the investor receives their original investment plus a 9% return.
- **If the S&P 500 is lower after one year:** In this scenario, the call option is not exercised, so the investor's capital will remain invested in the note until maturity at the end of the three-year period, with these terms:
 - **165% upside participation:** If the S&P 500 is above its starting value at maturity, the investor receives their original investment plus 165% of the index's gain.
 - **10% "Buffer" downside protection:** If the S&P 500 is below its starting value at maturity, losses up to 10% are fully protected. If the index is down more than 10%, the investor's loss equals the index's decline minus 10%.

Example: If the index is down 25%, the investor loses 15% (-25% + 10%) and receives 85% of their original investment.

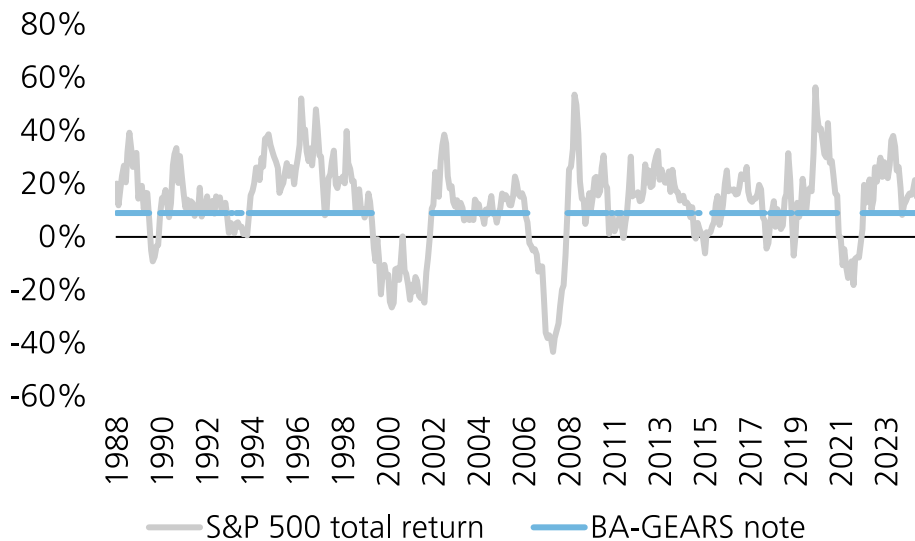
Historical review

To help understand the risk and return characteristics of BA-GEARS notes, we reviewed historical rolling returns since February 1988 to see how notes with these terms would have performed. Here are our key findings:

- **High probability of early call.** In 80% of all periods, the S&P 500 Index rose in the first year, with an average return of 18.2% (see Figure 1). In these periods, the call provision would have been triggered, returning the original investment (plus a 9% return) to the BA-GEARS note investors at the end of the first year.

Figure 1 - Stocks were usually higher after 1 year, triggering the BA-GEARS notes call feature

1-year rolling returns for the S&P 500 and the BA-GEARS notes (if called)



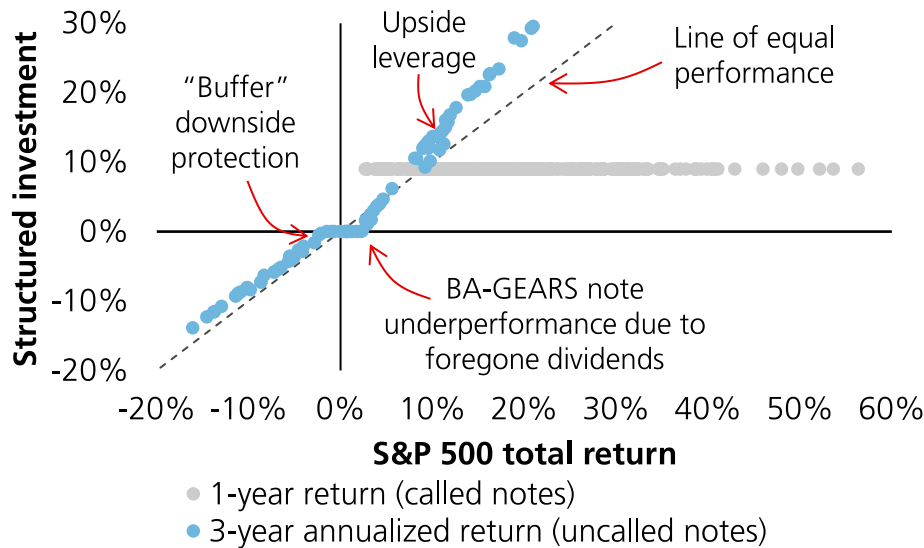
Source: Bloomberg, UBS, as of 20 March 2026

- **Limited downside risk.** In about 20% of periods, the S&P 500 was below its starting value after one year. In roughly 9% of all periods, the index remained below its starting value after three years (average loss: -21%). With the 10% buffer, BA-GEARS note investors experienced a capital loss in only about 6.5% of periods, with the notes losing an average of -13%.

- Upside leverage.** When the note was not called after one year, investors earned an average total return of 16.7% (5.3% annualized), outperforming a direct investment in the S&P 500 (including dividends) in 78% of these periods, thanks to the 165% upside participation. In these cases, the BA-GEARS note outperformed the S&P 500 by about 6.7% on average.

Figure 2 - Historically, about 80% of BA-GEARS would have been called after one year

Annualized returns, S&P 500 Index and BA-GEARS note



Source: Bloomberg, UBS, as of 20 March 2026

Note: This chart shows annualized returns. The 10% downside buffer is ~3.2% p.a. over the three-year investment period.

Table 1 - How would a BA-GEARS note have performed?

Annualized returns, S&P 500 and BA-GEARS note, depending on whether the note was called in the first year

	25 th Percentile return	Average return	75 th Percentile return	Tail risk (CVaR 5%) ¹
<i>S&P 500 positive in 1 year: BA-GEARS note called</i>				
BA-GEARS note return	9.0%	9.0%	9.0%	9.0%
S&P 500 total return	11.6%	18.6%	24.7%	4.2%
<i>S&P 500 negative in 1 year: BA-GEARS note held to maturity (3 years)</i>				
BA-GEARS note return	-3.4%	5.3%	13.7%	-12.0%
S&P 500 total return	-4.9%	3.1%	10.8%	-14.2%

Source: Bloomberg, UBS, as of 20 March 2026

¹ Conditional Value at Risk (CVaR 5%) reflects the average of the lowest 5% of returns. A higher value reflects a lower tail risk.

Conclusion

For investors hesitant to commit cash directly to equities, but seeking to benefit from market volatility and upside potential, structured investments like Buffer Autocallable GEARS may be a consideration. Historically, these notes have offered a way to invest cash earmarked for buying stocks on future dips, while helping reduce the risk of missing the early stages of the next bull market.

BA-GEARS are usually called after the first year—and in those periods, the underlying index's return frequently exceeded the call return. Therefore, these notes are unlikely to keep up with a direct stock allocation over the long term. Instead, BA-GEARS notes may be a good way to invest excess cash (for example, cash that is earmarked for buying stocks on future dips), or as a tactical position to take advantage of market volatility.

Due to lower volatility, terms for notes linked to other indexes, such as small cap stocks or international stocks, tend to be more attractive than the terms for S&P 500-linked notes. Investors should consult their financial advisor to assess the different options and consider the amount and type of structured investments to add to their portfolio.

Investors may want to consider investing in a variety of structured investments with different terms and underlying indexes. The appropriate allocation will depend on objectives, risk tolerance (including issuer and underlying asset risk), and liquidity needs. The secondary market for structured investments is limited, so it may be necessary to hold the note until maturity before invested funds are accessible.

If you'd like to learn more, please see the CIO Research team's educational reports on the subject, including the following:

- [Structured Investments: Considering outcome-oriented investments](#), published 7 December 2023
- [Structured investments: Strategies for three investor challenges](#), published 5 June 2024
- [Structured investments 101: Risk, return, and positioning considerations](#), published 31 July 2025

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