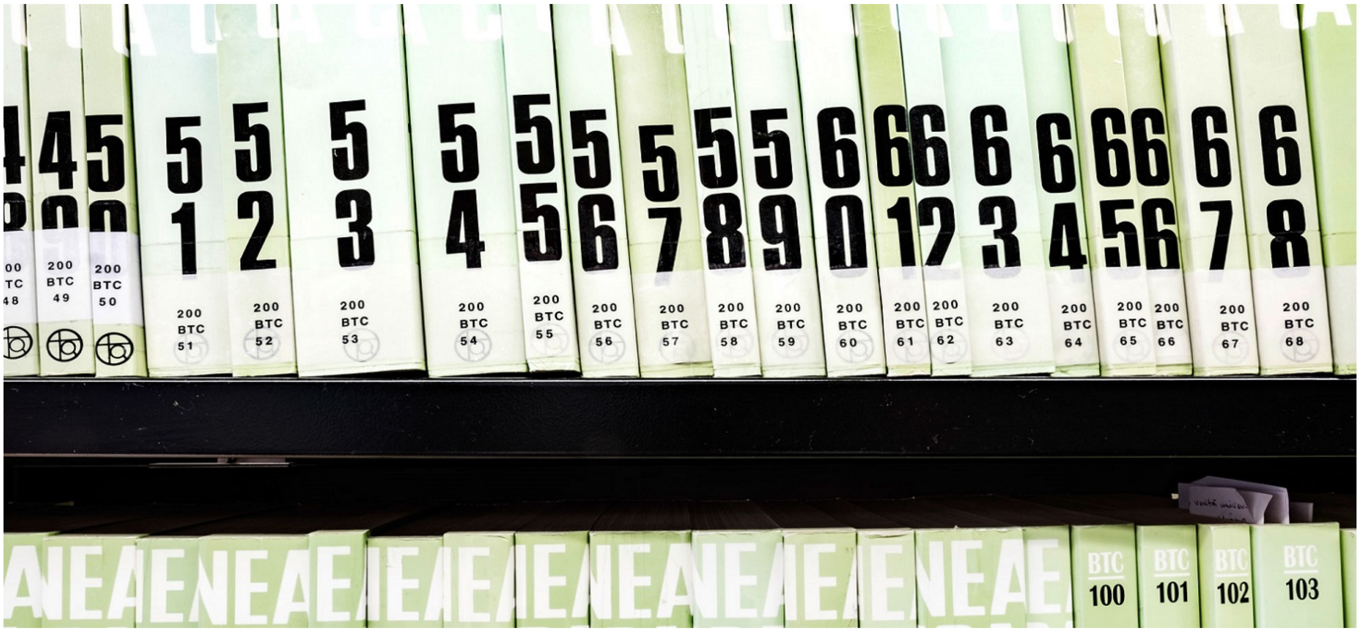

(UBS)

Reasons to put cash to work now

10 July 2024, 1:35 pm CEST, written by UBS Editorial Team

Uncertainty over the timing of central banks' shift to easing policy and geopolitical risk have created an uncertain investment environment, driving some investors out of the market. However, our advice at the Chief Investment Office is to put cash to work and stay focused on long-term goals.

1. Cash is likely to lose its appeal as rates decline

- Over the past two years, cash has provided attractive yields.
- But this won't last.
- With fed funds rates expected to decline, cash returns will likely follow the downward trend.

2. In the longer term, cash returns are eroded by inflation

- Cash is a poor long-term investment because inflation chips away at its purchasing power over time.
- Cash returns have trailed inflation by 22% since 2008.

3. Bonds reduce risk better than cash

- Bonds have historically been more effective than cash in protecting portfolios, and stand to benefit from falling rates.

4. Equities offer exposure to secular trends such as AI

- Stocks offer exposure to secular trends and AI is an attractive opportunity investors should seize.
- In our view, AI will be the most profound innovation and one of the largest investment opportunities in human history
- While estimates for the size of the AI market vary, most agree that annual AI-related revenues could reach the trillion-dollar threshold over the next decade.

5. Over the long term, stocks offer better returns

- Equities have an important role to play in a portfolio.
- USD 100 invested in US large-cap stocks in 1960 would now be worth USD 64,000, versus USD 1,550 if invested in cash and USD 4,162 if invested in US government bonds.
- The S&P 500 has outperformed cash in 86% of all 10-year periods and 100% of all 20-year periods.

6. A balanced portfolio helps navigate changing conditions and achieve better risk-adjusted returns

- A balanced portfolio helps navigate changing conditions and achieve better risk-adjusted returns.
- During market downturns, losses have been lower.
- In our view, a balanced portfolio is an effective way to navigate tougher market conditions.

7. Positive returns are more likely with a longer-term horizon

- Positive returns are more likely with a longer time horizon.
- Based on data since 1926, 100% stock portfolios have provided positive returns in all 15+ year periods, while 60% stock, 40% bond portfolios have delivered positive returns in all 7+ year periods.

8. Peaks and troughs are a part of investing, and trying to time the market can do more harm than good

- Time in the market is more important than timing the market. If you are holding excess cash and hoping to buy on a dip, you may miss out on a strong market rally.
- A buy and hold strategy will help avoid missing market rallies and improve performance.

9. Alternative investments offer diversification, while hedging strategies help reduce risk

- We advise investors to hold a well-diversified portfolio including alternative assets.
- Alternative assets can seize opportunities in any market conditions.
- For example, hedge funds can outperform equities during market downturns and offer portfolio protection.

10. You need a plan to reach your goals

- We advise adopting a Liquidity. Longevity. Legacy. framework, consisting of three strategies: **Liquidity** to maintain your lifestyle, **Longevity** to improve your lifestyle, and **Legacy** to improve the lives of others. This framework can help you to align your investments with your goals, and stay the course during periods of uncertainty.

Timeframes may vary. Strategies are subject to individual client goals, objectives and suitability. This approach is not a promise or guarantee that wealth, or any financial results, can or will be achieved.