For investors with longer-term time horizons and greater focus on wealth growth, a balanced equity-bond portfolio is an additional option to consider. (UBS)

How to invest in a lower rate environment?

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With the global interest rate cycle entering the next phase, a key priority for investors is to manage their liquidity needs.

Current returns on cash will not be available for much longer. Investors holding cash or money market funds (or those with expiring fixed-term deposits) need to manage their liquidity accordingly. For medium-term cash requirements, for a period of one to three years, bond ladder strategies can be used to retain attractive yields.

For funds that are not needed immediately, but might be required within three to five years, structured investment strategies that offer capital preservation features are suggested, allowing for greater safety and the potential for market gains. In addition, adding to a portfolio of quality bonds at current yields can also help to lock in a healthy income stream with the potential for capital appreciation as interest rate cuts lead to lower bond yields.

For investors with longer-term time horizons and greater focus on wealth growth, a balanced equity-bond portfolio is an additional option to consider.

Positioning before it is too late

We cannot know for sure the exact timing of the next policy moves from central banks, but we can be reasonably certain that the direction will be lower. By the time the cuts come, markets will likely have already repriced for lower policy rates, resulting in reduced return opportunities for investors. Investing ahead and in anticipation of the cutting cycle is the best way to avoid this, in our view.

Main contributors - Dean Turner, Samuel Adams, Matteo Ramenghi, Maximilian Kunkel, Claudia Panseri, Kiran Ganesh, Vincent Heaney

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