



CIO believes that holding a balanced portfolio is the most effective way for investors to preserve and grow wealth. (UBS)

Balanced portfolios can diversify returns and smooth portfolios

29 October 2024, 2:19 pm CET, written by UBS Editorial Team US Editorial Team

Recent US data point to a stronger economic backdrop amid healthy corporate earnings growth. But with lingering uncertainties about the pace of rate cuts, US election outcomes, and geopolitics, we believe a balanced and diversified portfolio is the most effective way to preserve and grow wealth.

Resilient economic momentum is supportive of US earnings growth.

- The improved US macroeconomic outlook increases our degree of certainty about our positive view on US equities.
- Global stocks (MSCI All Country World Index) have climbed around 18% year to date, while US stocks (S&P 500 Index) have rallied roughly 24%.

But uncertainty remains, potentially threatening concentrated portfolios.

- The geopolitical landscape remains tense, with ongoing conflicts in Eastern Europe and the Middle East.
- With the US election less than two weeks away, opinion polls indicate that the presidential race is still too close to call.

So we believe balanced portfolios can diversify returns and smooth portfolios amid today's challenges.

- Investors who diversify, have a long-term perspective, and a clear idea of what they plan to buy and sell have a better chance of navigating and taking advantage of volatility.
- Our capital market assumptions expect balanced portfolios (45% stocks, 35% bonds, 20% alternatives) to beat cash by around five percentage points each year over the long term.

Did you know?

- Of the 1,173 12-month rolling return periods since December 1925, only 26 periods experienced losses for US stocks (S&P 500 Index) and US bonds (intermediate Treasuries) in tandem; moreover, 11 of those occurred in 2021 and 2022.
- Looking at the annual returns of 14 major asset class returns since 1999, last year's best-performing asset class has had a roughly 40% chance of experiencing a loss this year versus 27% for a randomly chosen asset class and 31% for a well-diversified portfolio.

Investment view

By diversifying across asset classes, regions, and sectors, investors can position for potential near-term gains, mitigate volatility, and take advantage of the long-term compounding effects of staying consistently invested. Those considering alternative assets should be aware of the associated risks—including illiquidity and less transparency.

Main contributors: Vincent Heaney, Matthew Carter, Jon Gordon, Daisy Tseng, Julian Wee

Original report: [Why invest in a balanced portfolio now?, 28 October 2024.](#)

The document and the information contained herein is intended for UBS internal use only and solely for the UBS employee to whom it was provided. It may in no circumstances be distributed outside of UBS. Information contained in this document has not been tailored to the specific needs, investment objectives, personal and financial circumstances of a client or any other recipient outside of UBS. This document shall not be construed to include any legal or tax advice, investment research, sales prospectus, an offer or a solicitation of an offer to enter in any investment activity. Neither UBS nor its directors, employees or agents accept any liability for any loss or damage arising out of the use of all or any part of this document. For further information, please contact the document owner.

Important information

As a firm providing wealth management services to clients, UBS Financial Services, Inc is registered with the U.S. Securities and Exchange Commission (SEC) as an investment adviser and a broker-dealer, offering both investment advisory and brokerage services. Advisory services and brokerage services are separate and distinct, differ in material ways and are governed by different laws and separate contracts. It is important that you carefully read the agreements and disclosures UBS provides to you about the products or services offered. For more information, please visit our website at www.ubs.com/workingwithus.

© UBS 2024. All rights reserved. UBS Financial Services Inc. is a subsidiary of UBS AG. Member FINRA/SIPC.

There are two sources of UBS research. Reports from the first source, UBS CIO Global Wealth Management, are designed for individual investors and are produced by UBS Global Wealth Management (which includes UBS Financial Services Inc. and UBS International Inc.). The second research source is UBS Group Research, whose primary business focus is institutional investors. The two sources operate independently and may therefore have different recommendations. The various research content provided does not take into account the unique investment objectives, financial situation or particular needs of any specific individual investor. If you have any questions, please consult your Financial Advisor. UBS Financial Services Inc. is a subsidiary of UBS AG and an affiliate of UBS International Inc.