

Year Ahead 2026

Escape velocity?

Chief Investment Office
Investment Research



Year Ahead 2026 – UBS House View

This report has been prepared by UBS AG, UBS AG London Branch, UBS Switzerland AG, UBS Financial Services Inc. (UBS FS), UBS AG Singapore Branch, UBS AG Hong Kong Branch, and UBS SuMi TRUST Wealth Management Co., Ltd.

Please see important disclaimers at the end of the document.

Foreword

Welcome to the *Year Ahead 2026*

Dear reader,

2025 was a year of innovation, political upheaval, and market surprises. For the first time in years, China and Europe outperformed US equity markets in dollar terms. Rates fell, and in Switzerland returned to zero, and gold soared to all-time highs. In the US, markets rebounded from trade-driven volatility with AI-linked innovation and spending as notable drivers.

As we enter 2026, the world stands at a crossroads: Can momentum from AI and innovation help markets and economies achieve “escape velocity,” breaking free from the gravity of rising debt, political uncertainty, and lingering inflation? Or will these forces pull us back to earth?

Our Year Ahead 2026 outlook, “Escape velocity?”, is designed to help you spot the signals that matter, cut through the noise, and act with confidence. We see stocks moving higher, driven by powerful trends in AI, power and resources, and longevity. As rates come down, it’s time to refocus on portfolio income.

But risks remain. If AI progress slows, inflation picks up again, or debt problems resurface, markets could face new challenges. That’s where we come in. At UBS, our Chief Investment Office is your launchpad, providing the research, insights, and solutions to help you move forward, whatever comes next.

Thank you for your trust. Let’s aim even higher in 2026, together.

Warm regards,



A handwritten signature in black ink, appearing to read 'Rob Karofsky'.

Rob Karofsky
Co-President Global Wealth Management
and President UBS Americas



A handwritten signature in black ink, appearing to read 'Iqbal Khan'.

Iqbal Khan
Co-President Global Wealth Management
and President UBS Asia Pacific

Contents

09

Escape velocity?

13

Growth

14 Can AI power the market even higher?

17 Invest in transformational innovation

22 The economic backdrop

26 Add to equities

31 Seek opportunities in China

33 Favor commodities

35

Income

36 How will governments manage rising debt?

39 Seek diversified income

42 Our currency views for 2026



45

Diversification

46 How will politics shape markets in 2026?

47 Key risks

48 Scenarios

49 Hedge market risks

51 Diversify with alternatives



53

Building a robust portfolio

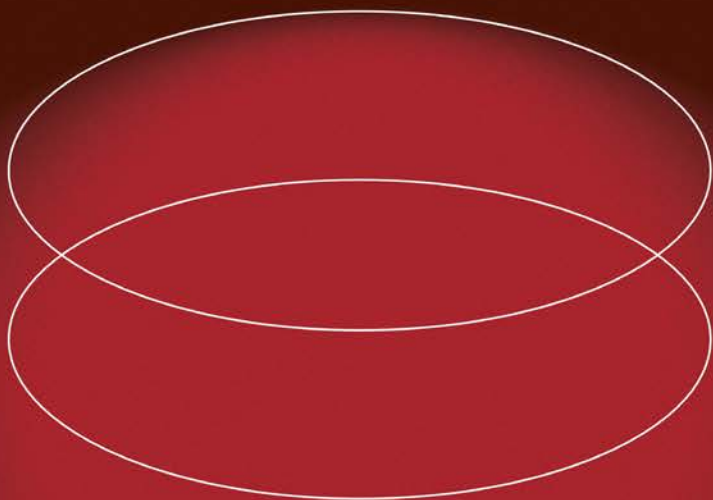


57

Looking back and looking ahead

58 2025 in review

59 Forecasts



| Escape velocity?



Mark Haefele
Chief Investment Officer
Global Wealth Management

In physics, “escape velocity” is the minimum speed an object needs to break free from the gravitational pull of a massive body without further propulsion.

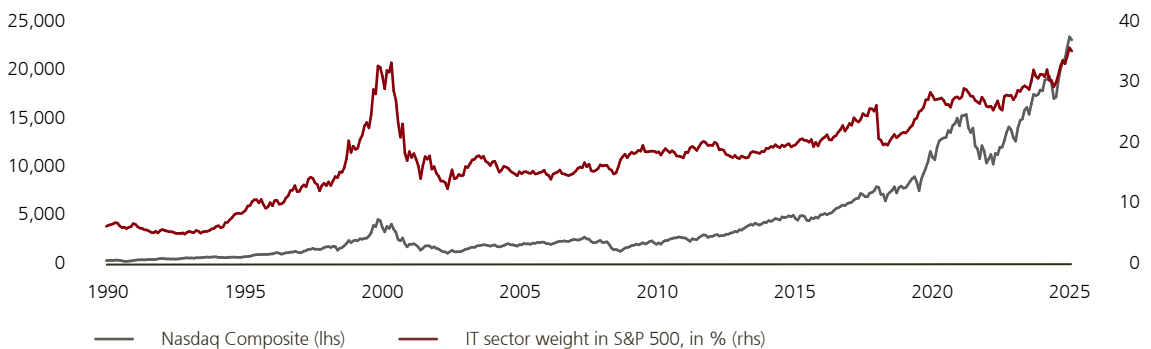
As we enter 2026, investors are asking whether the powerful combination of AI innovation, fiscal spending, and easing monetary policy can help the world economy break free from the gravitational pull of traditional “end-of-cycle” dynamics and accelerate into a new era of growth.

AI is at the heart of the debate. The current boom has the potential to deliver the necessary productivity improvements to overcome historical constraints and help economies achieve their own type of escape velocity. Whether this potential is realized will depend on investors’ willingness to keep funding AI, tech leaders’ ability to monetize innovation, and the world’s capacity to supply the energy needed to power it all.

Figure 1

Can AI power the market even higher?

Nasdaq Composite Index (lhs) and weight of information technology sector in S&P 500, in % (rhs)



Sources: Bloomberg, UBS, as of 12 November 2025

Debt is another critical factor in major developed markets. Fiscal spending is supporting growth, but in many countries—especially those with aging populations—government outlays are already at “escape velocity,” set to rise as a share of GDP unless decisive action is taken.

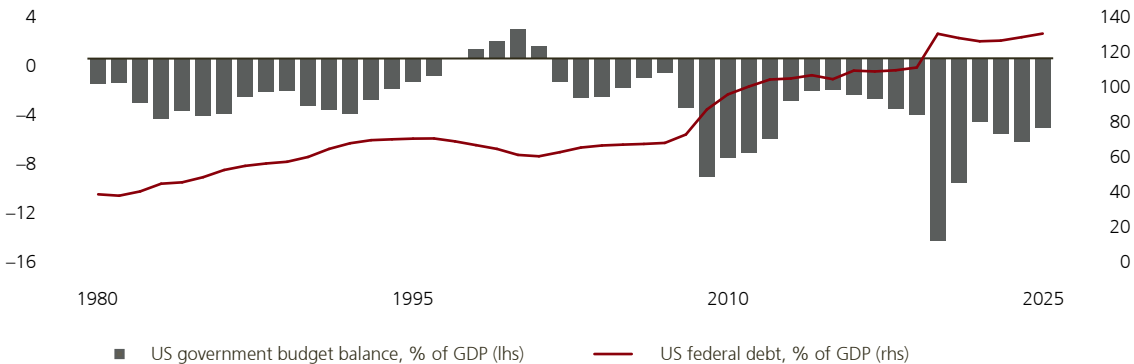
Deglobalization also looms large. The interplay of trade policy, domestic politics, and geopolitics continues to exert a powerful force. The gravity of history—clashes between rising and established powers, cycles of integration and fragmentation, and

the thawing of frozen conflicts—may fuel further volatility in 2026. Whether new policy approaches can help us “escape” these age-old dynamics will be another defining question for investors.

Despite the uncertainty surrounding these questions, we believe durable principles for investing in today’s world are coming into focus. In previous editions of the Year Ahead, we discussed the “5Ds” of digitalization, decarbonization, debt, demographics, and deglobalization. But these are no longer distant trends. They are actively shaping the investment

Figure 2
How will governments manage rising debt?

US budget balance (lhs) and federal debt (rhs) as a % of GDP



Sources: Bloomberg, UBS, as of 12 November 2025

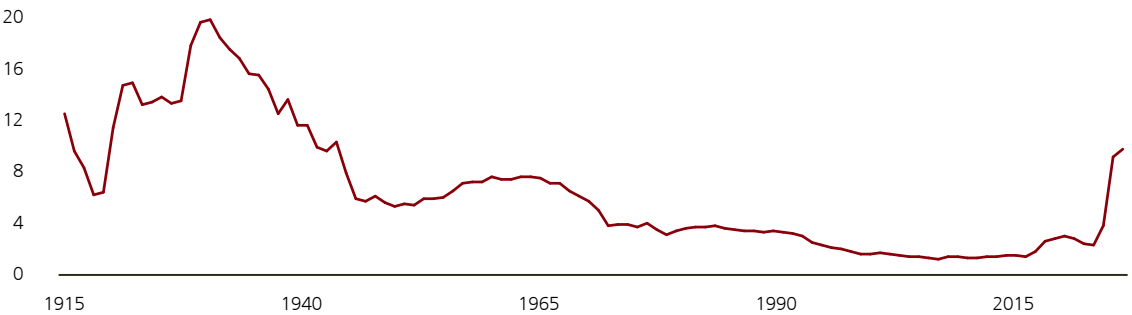
landscape and remain central to our thinking as we look at the year ahead. As I wrote in “The New Rules of Investing” and my “big problems, big money” thesis: Understanding where capital is being deployed at scale is critical for investors.

Accordingly, our focus is on sectors and ideas aligned with these forces. AI, power and resources, longevity, and commodities stand out as beneficiaries of both structural change and policy support. Rising debt points to a future of “financial repression”—a regulatory and policy regime that channels savings

and central bank funds into government bonds, suppressing yields. Meanwhile, the intersection of trade policy, domestic politics, and geopolitics strengthens the case for portfolio hedging and multi-asset diversification.

Ultimately, while the future remains unpredictable, we are confident that pairing our disciplined analytical framework and our timeless asset allocation principles will help investors navigate 2026 and beyond.

Figure 3
How will politics shape markets in 2026?
US effective tariff rate since 1915, in %



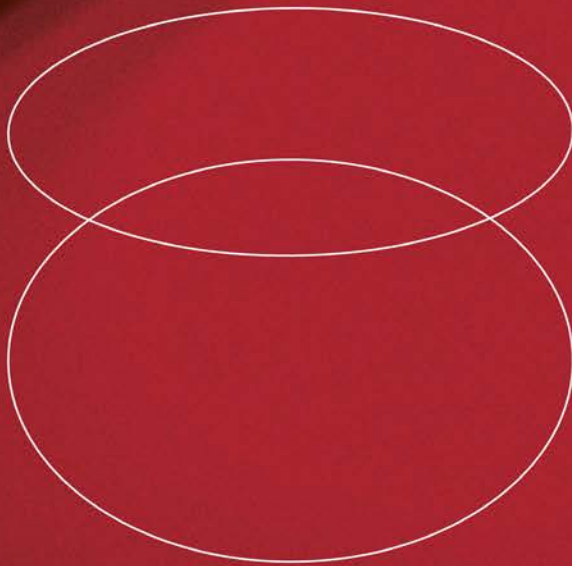
Sources: US International Trade Commission, Bloomberg, UBS, as of 12 November 2025

Our views

- * AI and technology have been key drivers of global equity markets. Strong capex and adoption should fuel further gains in 2026, though investors should be mindful of bubble risks.
- * Opportunities span AI's enabling, intelligence, and application layers, as well as power and resources and longevity. We recommend allocating up to 30% of equity portfolios to these structural growth ideas.
- * We expect global economic growth to stay resilient, and accelerate through the year. In the US, we favor technology, utilities, and health care. In Europe, we like industrials, technology, and utilities. In Asia, we favor China (in particular tech), Japan, Hong Kong, Singapore, and India. Globally, we also like banks.
- * China's tech sector stands out as a top global opportunity. Strong liquidity, earnings, and retail flows should sustain momentum for Chinese, Asian, and emerging market equities.
- * Commodities look attractive for 2026. Supply constraints and rising demand support energy, metals, and agriculture; precious metals remain effective diversifiers.
- * Income-seeking investors should diversify by blending quality bonds and higher-yielding strategies with income-generating equities and structured investments, especially in low-yield regions.
- * Currency strategy matters. We favor the euro and Australian dollar over the US dollar, as US rate cuts may weigh on the greenback. Financial repression could lead to greater currency volatility in future.
- * Key risks include AI setbacks, inflation, trade tensions, and debt concerns. Holding adequate liquidity, capital preservation structures to lock in gains, quality bonds, and gold can help hedge market risks.
- * Alternatives such as hedge funds and private markets can further diversify returns, though investors should be aware of inherent risks such as illiquidity and lower transparency.
- * By building a clear plan, deploying cash, constructing a strong core across equities, fixed income, and alternatives, as well as selectively hedging risks and seizing tactical opportunities, investors can position themselves to thrive in 2026 and beyond.

To find out more about the
Year Ahead 2026, visit
ubs.com/yearahead





 Growth

Can AI power the market even higher?

AI-linked innovation has been the engine of the market's ascent in recent years. Investors should remain mindful of the risks inherent in any investment boom. Yet, we believe that powerful trends in capex and accelerating adoption are likely to drive further gains for AI-linked stocks in the year ahead.

AI matters

IT and communication services stocks—many driven by advances in AI—now account for 36% of the MSCI AC World index. And the top nine US tech stocks have driven 72% of the growth in the Russell 3000 US equity index over the past 12 months, highlighting their dominant role.

Investment in AI infrastructure is having a growing direct impact on the economy, with the contribution to US real GDP growth from information processing equipment and software rising from 0.2ppt in 4Q19 to 0.8ppt in 2Q25.

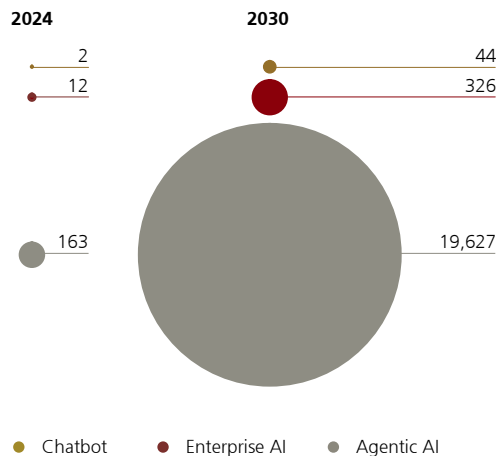
The surge in AI-driven stocks is also influencing consumer sentiment, with US household wealth held in equity markets up by USD 24 trillion in the past five years.

Looking ahead, we see two critical factors driving AI: the sustainability of capital expenditure (capex) trends and continued investor confidence in the long-term returns on these investments.

Figure 4

Estimated compute demand for chatbot, enterprise, and agentic AI

In exaFLOP/s



Source: UBS, as of 12 November 2025

Note: ExaFLOPS stands for one quintillion (10^{18}) floating point operations per second. It is a unit used to measure the processing speed of supercomputers, indicating how many complex calculations the system can perform every second. Enterprise AI here refers to simple Q&A chatbots, such as customer support bots.

Capex: Engine of near-term growth

Robust AI capex has powered market performance. The Nasdaq Composite is up 107% in three years, and semiconductors (SOX index) have done even better (157%). Capex estimates have been exceeded threefold over the past two years.

For momentum to continue, tech leaders and investors must believe future demand justifies today's significant investments. Recent data center expansion means installed chip capacity could support a 25-fold increase in chatbot usage. But it is not just chatbots—anticipation of the next wave, including agentic AI (multiple specialized agents collaborating to replicate knowledge work), physical AI (robots, autonomous vehicles), and AI video, could drive further capex growth.

Businesses are rapidly becoming major AI users; agentic AI could drive compute demand to five times today's installed base by 2030.

Physical AI could push demand even higher. With millions of robots already deployed and projections for a million humanoid robots sold annually by 2030, the need for computing power could soar even further.

Overall, we project a further cumulative USD 4.7tr in global AI capex between 2026 and 2030, with USD 2.4tr already planned based on more than 40 announcements disclosed this year alone.

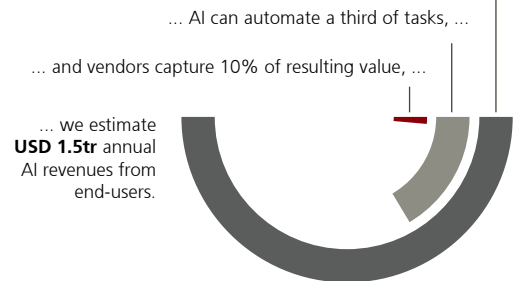
We expect USD 571bn of this spending to come in 2026 (versus our previous estimate of USD 500bn, and compared to an estimated USD 423bn in 2025), and project capex to grow by a 25% CAGR in 2025-30 to reach USD 1.3tr annually by 2030.

Figure 5

The revenue potential from AI is vast

CIO estimates, assuming a USD 117tr global economy

Assuming labor accounts for around 50% of the world economy, ...



Sources: IMF, UBS, as of 12 November 2025

Monetization: A crucial test

While investment is driving the current phase of growth, the success or failure of AI-linked investments will ultimately hinge on whether companies can deliver attractive returns on those investments.

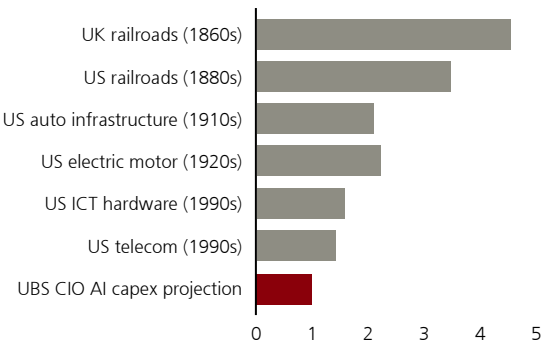
We believe the revenue potential is vast: If we assume that labor accounts for around 50% of the world economy, that AI can automate a third of tasks, and that vendors capture a 10% share of the resulting value, longer-term annual AI revenues from end-users could reach USD 1.5tr.

Thus far, monetization is lagging capex. Capex as a percentage of operating cash flows for the largest tech “hyperscalers” has risen from around 40% in 2023 to close to 70% in 2025.

Figure 6

AI capex remains low in GDP terms

Historical investment impulses, % of global GDP



Sources: Goldman Sachs, Bureau of Economic Analysis, IMF, UBS, as of 12 November 2025

Nevertheless, history shows it is common for new technologies to launch at little or no cost to encourage uptake, with pricing power—and profits—emerging once users become reliant. This was seen in social media, cloud storage, and enterprise software.

For now, we believe the critical trends to watch are the breadth and depth of AI adoption and early signs of value creation. U.S. Census Bureau data show that around 10% of businesses are already using AI to produce goods or services, a level expected to rise to 14% within the next six months. Our analysis suggests adoption typically accelerates further after this threshold.

Early adopters already report tangible value creation and increasing reliance on AI. Multiple studies show

daily time savings: Adecco found an average of one hour saved per day, while Forbes reported 52 minutes.

In turn, the accelerating cloud revenue growth and even faster backlog growth across leading platforms, as reported in the 3Q25 earnings season, reinforce our confidence in AI’s substantial monetization potential. Looking ahead, we expect value will increasingly shift from the enablers to the application layer.

Risks: Lessons from history

Can AI achieve escape velocity? Unlike in rocket science, where reaching escape velocity follows precise physical laws, the path for financial markets is rarely smooth or predictable.

No investment “lift-off” has occurred without turbulence—fears about oversupply, bottlenecks, pricing power, or obsolescence. If dealmaking among large firms becomes more circular, with repeated transactions or cross-investments, financial vulnerabilities may also emerge.

Still, the historical context is encouraging. Our AI capex projection of USD 1.3tr by 2030 would account for around 1% of global GDP, below historical infrastructure investment impulses over the past 150 years (railroads, automotive, computers, telecom), which ranged from 1.5% to 4.5% of global GDP annually.

While investors should remain mindful of the risks, we believe that trends in capex and accelerating adoption will be sufficient to push AI-linked stocks even higher in 2026.

Invest in transformational innovation

We expect transformational innovation to be a key driver of equity market returns in the years ahead. In artificial intelligence, opportunities span the enabling, intelligence, and application layers. The surge in data center demand is fueling investment in power and grid infrastructure. And we expect companies pioneering treatments and technologies to extend healthy lifespans to emerge as market leaders. We believe investors should consider reallocating up to 30% of a diversified equity portfolio toward such structural trends.

AI

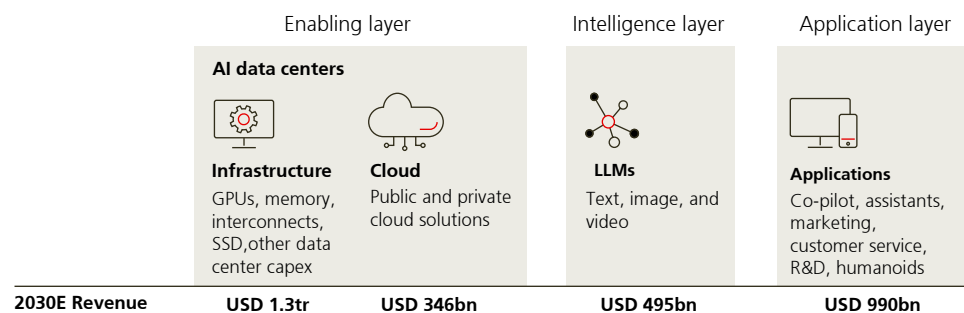
Our AI investment framework divides the artificial intelligence (AI) ecosystem into three distinct layers: enabling, intelligence, and application.

The enabling layer comprises the core infrastructure and foundational technologies that power AI, including semiconductors, cloud computing, networking

Figure 7

Artificial intelligence: Where value accrues in the AI chain will shift over time

We forecast USD 3.1tr in 2030 AI revenue; 30% six-year CAGR across the enabling, intelligence, and application layers



Source: UBS, as of 12 November 2025

equipment, and specialized hardware. We expect demand for advanced chips and high-performance computing to benefit such firms.

The intelligence layer covers the software, algorithms, and data platforms that enable AI systems to learn, reason, and generate insights. This includes AI model developers, data management firms, and providers of machine-learning tools. Monetizing innovation remains a challenge for pure-play AI software firms; however, we believe companies embedding AI into workflows or offering scalable platforms are well positioned for growth.

The application layer consists of end-user products and services that leverage AI to deliver value. We expect the broadest impact and fastest growth here over the next three years, as AI shifts from experimentation to deployment and as consumer adoption rises. We continue to monitor companies that can demonstrate clear productivity gains, cost savings, or new revenue streams from their tools.

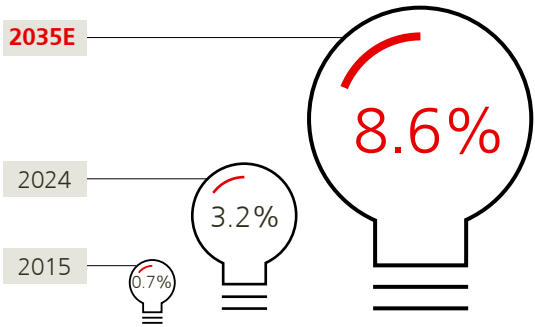
Overall, we recommend investing in a balanced way across the enabling, intelligence, and application layers to capture the full spectrum of growth opportunities and manage risks as the technology matures. This diversified approach should allow investors to benefit from further investment in core infrastructure, as well as from software innovation and real-world adoption, while reducing exposure to any single segment’s volatility.

Power and resources

Rapid AI adoption is driving US electricity demand higher, with data centers projected to add as much power demand as Sweden currently consumes per year by 2030. Data centers could account for up to 9% of total US electricity use by 2035 (versus around 4% today), and the Energy Information Administration expects wholesale power prices to be 23% higher on average in 2025 than in 2024.

While AI is a key driver, significant growth in the pipeline of megaprojects should also add to broader electricity demand growth in coming years.

Figure 8
Data center electricity demands are surging
US data center electricity demand as % of total demand, including Bloomberg New Energy Finance (BNEF) forecasts for 2035



Sources: BloombergNEF, Ember, UBS, as of 12 November 2025

Policy support for clean energy remains robust in the EU and China, with the EU Green Deal and China's Five Year Plan channeling hundreds of billions into grid modernization. In the US, selected provisions of the Inflation Reduction Act remain in place, but the Bipartisan Infrastructure Law and the One Big Beautiful Bill (OBBB) Act have superseded many elements, making policy support more mixed and subject to ongoing legislative changes.

The power and resources sector is attracting strategic investor focus as higher demand drives new capital investment across the electricity value chain. Global grid investment is projected to reach around USD 500bn in 2026.

Over the long term, demand for new technologies such as AI-driven grid management and modular nu-

clear reactors is expected to rise, though small modular reactors are unlikely to be a material revenue driver before the mid-2030s.

Meanwhile, a tightening supply of raw materials is both a challenge and an opportunity. For example, we expect copper demand to rise by close to 3%, likely pushing prices above USD 13,000/mt in 2026 as the market deficit expands to 87,000 metric tons (from 53,000 metric tons in 2025).

Our preferred investment approach emphasizes regional and sectoral diversification. Each region offers attractive opportunities in grid modernization, renewables, and critical materials, while diversification can reduce investor exposure to regional regulatory, supply, or idiosyncratic risks.

Sustainable investing

Many of the underlying drivers for the power and resources opportunity—electrification, resource efficiency, and policy developments—also speak to an expanding opportunity set in sustainable investing.

Global investment in the energy transition reached a record USD 2.1tr in 2024 (+11% y/y), with China being the largest market for investment, accounting for USD 818bn in spending alone. Resource efficiency is increasingly critical, as material use has more than tripled over five decades, yet only 6.9% is recycled ("Circularity Gap Report 2024"). Scaling up circular

economy and recycling solutions is essential to mitigate supply risks and capture growth opportunities. Meanwhile, climate adaptation is gaining attention as financial losses rise, with insured catastrophe losses reaching USD 150bn in 2025 (Swiss Re).

These trends, alongside ongoing policy support, are expanding the universe of investable asset classes—enabling multi-asset portfolios to capture growth and diversification opportunities, even as political debate around sustainability continues.

Longevity

As technology and infrastructure reshape the way we live and work, we believe another powerful force is emerging at the intersection of demographics and innovation: the longevity opportunity that helps people live longer, healthier lives.

By 2030, we estimate that annual revenues in the global longevity market could reach USD 8tr, up from USD 5.3tr in 2023, with health care alone representing a USD 2.2tr opportunity.

We see particularly strong potential growth in the obesity, oncology, and medical device markets.

For global obesity drugs (GLP-1s), we expect producers to grow revenues at around 12% CAGR through 2030, driven by rapid adoption given clinical benefits (with delivered 15-22% weight loss in trials and reduced cardiovascular/kidney risks), expanding insurance coverage, and the potential launches of oral GLP-1s from next year.

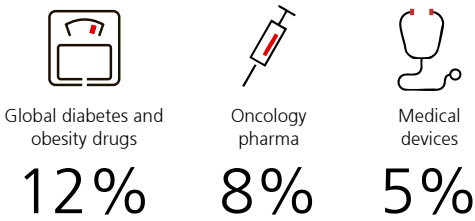
We expect oncology pharma to grow at an 8% CAGR by 2030. Aging demographics, the emergence of new cancer modalities and earlier diagnoses underpin robust demand.

We also anticipate strong overall medical device growth, with diabetes and surgical device annual

Figure 9

Annual revenues set to grow

2023-30 CAGR for the longevity opportunity



Source: UBS, as of 12 November 2025

growth in the mid- to high-single-digit percentage rates. Advances in continuous glucose monitoring and minimally invasive surgery should support strong demand.

We favor a diversified approach across sectors poised to benefit from demographic shifts. Health care stands out as a primary driver of longevity, given its essential role in serving an aging population. Other segments—such as consumer markets, financial services, and real estate—also present opportunities, though some are still adapting their business models to address the needs of this expanding demographic.

Integrating transformational innovation into a portfolio

Recent history has shown that exposure to structural growth opportunities can improve the performance of equity portfolios. We believe that this will remain a feature of global markets in the years to come.

Most investors' equity portfolios will likely already have some exposure to structural trends, intentionally or not. We estimate that a purely passive portfolio invested in the MSCI AC World already includes exposure of approximately 40% to our TRIOs (as of end of October 2025).

For investors looking to increase their potential for outperformance by investing more explicitly in structural trends, we broadly see three strate-

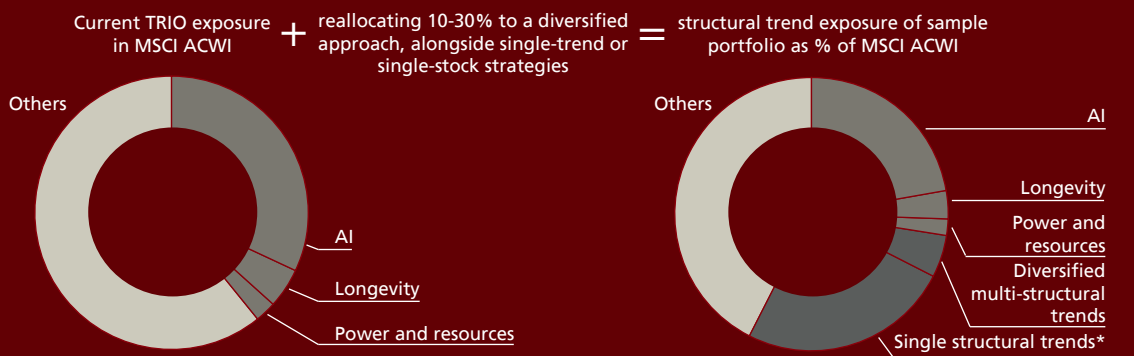
gies to consider: investing in a range of structural trends, focusing on a single structural trend, or selecting single stocks linked to one or more trends.

In our report "Investing in structural trends through equities," we explore how reallocating between 10% and 30% of a broadly diversified equity portfolio toward a blend of such strategies, can raise the structural growth exposure of a passive equity portfolio from 39% to between 45% and 58%. Practically, this could include up to a 10% allocation to a diversified approach, alongside 2-5 single-trend or single-stock strategies.

Figure 10

Allocation to structural investment trends can complement portfolio exposures

TRIO exposure in MSCI ACWI (in %) and resulting exposure (in %) in MSCI ACWI with additional 10-30% allocation to structural trends



*Diversified mix of TRIOs and other longer-term structural topics with a maximum 4-5% of total equity exposure per topic
Sources: MSCI, UBS, as of 12 November 2025

The economic backdrop

We expect the economic backdrop to be supportive of stocks in 2026. Growth enters the year somewhat uneven, but as the year evolves, we expect business and consumer confidence to improve, fiscal stimulus in major advanced economies to gain traction, and tariff effects to fade.

US

We expect real US GDP growth of close to 2% for 2026, similar to 2025, though annual growth figures obscure an underlying acceleration.

As we enter 2026, we could face a period of softness for the US economy as tariff-related pressures on prices and exports persist. Labor market conditions are also likely to remain soft, reflecting reduced labor supply and more cautious hiring. However, into the second half of the year, we expect growth to accelerate. Business sentiment should benefit from a shift in policy focus toward targeted tax cuts and deregulation as midterms approach, and we expect consumer demand to be underpinned by solid wage growth and healthy household balance sheets among middle- and upper-income groups.

We expect inflation to peak in the second quarter, at just over 3%. We expect the Federal Reserve to implement two additional rate cuts by the end of the first quarter, moving toward a neutral policy stance. While the appointment of a new Fed chair introduces some uncertainty, we expect monetary policy to remain data dependent.

Europe

We forecast Eurozone growth of just over 1% in 2026, though also expect growth to accelerate throughout the year. Consumer sentiment remains cautious, savings rates are high, and the region continues to face headwinds from US trade policy. But Germany's fiscal stimulus and infrastructure investment are expected to provide support, with domestic demand benefiting from rising real incomes and a robust labor market.

While we think headline inflation will fall below the European Central Bank's (ECB) 2% target in 2026, we also expect medium-term expectations to remain stable, allowing the ECB to keep rates steady. The Russia-Ukraine war remains a source of uncertainty, but a ceasefire and reconstruction could lead to a more favorable growth outlook.

Asia

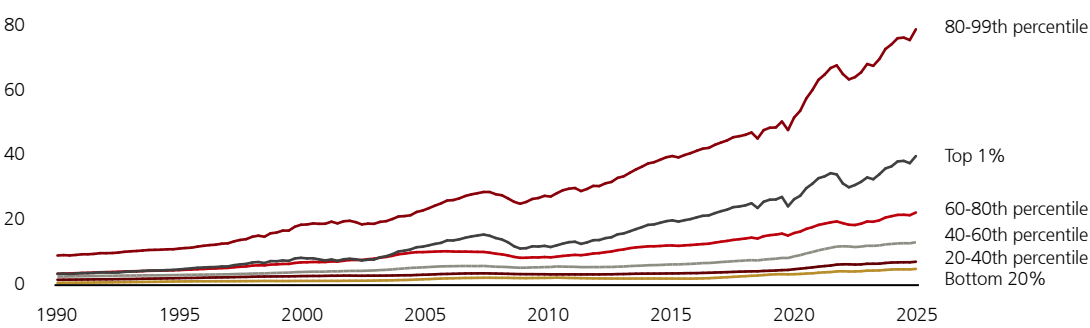
We expect APAC ex-Japan growth to stay robust at just under 5%, but with a soft start and a stronger finish to 2026 as lower interest rates take effect. China is expected to set a growth target of 4.5-5.0%, prioritizing technology innovation and industrial upgrades under its new Five Year Plan.

On the policy front, the recent US-China trade truce is a positive development, though many details remain unresolved—especially regarding semiconductors. Meanwhile, China’s ongoing focus on domestic

upgrades and supply chain diversification should help support economic stability in the face of global uncertainties.

Key regional macro themes include the expanded build-out of tech supply chains, domestic consumption upturn in Japan and India, and a revival in regional credit growth, which should benefit banks and consumer-related investment opportunities across the region.

Figure 11
US household finances remain solid, especially among middle- and upper-income groups
Total net worth across different income groups in US by percentile, in USD trillions

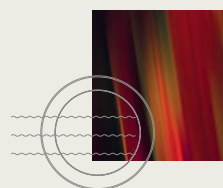


Sources: US Federal Reserve, UBS, as of 12 November 2025

Postcards from around the world

Europe is a continent rich in opportunities yet ripe with contradictions. Some of its 44 countries rank among the most innovative, successful economies in the world. It attracts more international tourists and students than any other region. Its quality of life and city-attractiveness rank high. Travel to Athens, Berne, Paris, Prague, Rome, Vienna, or Zurich and you will find historical heritage and good public infrastructure. Its prolific luxury goods industry sells more watches, handbags, high-end cars, and other pricey goods than any other continent.

Yet, Europe is punching below its weight. Former German Chancellor Angela Merkel's comment, "Europe represents 7% of the world's population, 25% of the world's GDP and 50% of the world's social spending" still resonates. While US workers clock around 1,800 hours/year, the Germans only work 1,335 hours/year—four months less. Europe's GDP and stock market capitalization pale in comparison to the US "Magnificent 7". Its politics, regulation and bureaucracy are fiendishly complex. And yet. European leaders are feeling the heat. Change is in the air and markets like it. 2025's buoyant European stock markets could be a harbinger of more to come.



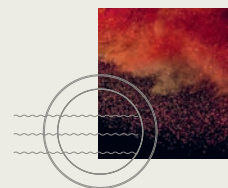
Europe

Burkhard Varnholt

Senior Financial Markets Advisor

America's business landscape is a study in resilience and reinvention. From bustling city startups to family-run firms in small towns, optimism is returning after a year of uncertainty. The policy fog has begun to lift, and the OBBB Act offers fresh tax incentives, an encouraging tailwind for companies eager to invest and expand. Deregulation is back on the agenda. The Trump administration push, especially for banks, is opening doors for entrepreneurs and smaller firms, while financial conditions continue to loosen. M&A and IPO activity is stirring, hinting at a more vibrant exit environment for owners ready to take the next step.

Contradictions remain. Weak spending by lower-income consumers tempers the mood on Main Street. Labor shortages persist in key industries, shaped by shifting demographics and immigration patterns. And the relentless march of AI and trade policy disruption keeps even the most seasoned business leaders on their toes. Still, the spirit of American enterprise endures. If policy clarity holds and innovation continues, 2026 could mark a year where opportunity outweighs challenge, and business owners find themselves once again in the driver's seat.



US

Jason Draho

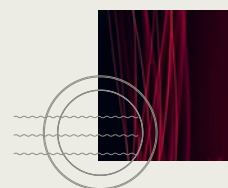
Head of Asset Allocation, CIO Americas

China's landscape in 2026 is defined by both challenge and opportunity. Exports remain resilient, tech demand is robust, and targeted subsidies continue to support consumer spending. The 15th Five Year Plan puts innovation and industrial upgrades front and center. The government's commitment to doubling GDP per capita by 2035 signals a decade of ambitious growth, but also rising expectations for quality, security, and global competitiveness.

Trade tensions with the US persist, but China's strategy—upgrading domestic industries, opening new markets, diversifying supply chains—means nimble businesses can find new footholds. For those able to navigate policy shifts and invest in technology, the rewards could be significant.

Across the region, confidence is building. Tech supply chains remain strong, and domestic revivals across the region are opening doors in sectors from energy to infrastructure and finance.

The region's dynamism is real—but so is the need to adapt quickly and seize the opportunities that volatility brings.



Asia

Yifan Hu

Chief Investment Officer Greater China



Add to equities

We expect global equities to rise by around 15% by the end of 2026, as markets continue to build on the momentum established in recent years, and we think investors underallocated to stocks should add to equities. Our positive views on US tech and US equities are core drivers, but we also expect performance from the health care, utilities, and banking sectors, as well as in Europe, Japan, China, and emerging markets.

US equities

The US remains the core engine for global equities, with strong earnings growth, high profitability, and the accelerating impact of AI, power and resources, and longevity expected to drive 2026 performance. Healthy consumer demand, supportive monetary policy, and fiscal support reinforce our positive outlook.

We forecast S&P 500 earnings per share to reach USD 305 in 2026—up 10% year over year—and see the index advancing to 7,700 by year-end. The Magnificent 7 will continue to be major contributors, contributing to around half of our earnings growth expectations.

Within US equities, we also see compelling opportunities in health care, utilities, and banking, broadening the foundation for further gains.

Health care. We see the US health care sector emerging from a period of policy uncertainty and ex-

pect new clarity on drug pricing and pharma tariffs to support improved performance. We see upside in select companies with exposure to large and growing markets such as obesity, while the sector's less correlated earnings profile could prove valuable if economic growth slows.

Utilities. We also favor US utilities, with the sector now benefiting from AI-driven power demand and ongoing digital infrastructure buildout. Electricity demand growth—driven by AI data centers and industrial manufacturing—is accelerating, prompting increased capital investment in power infrastructure and supporting robust earnings growth. With more than half the sector by market cap having significant leverage to these trends, and utilities trading at a 18% discount to the S&P 500 with a dividend yield of 2.7%, we see a compelling combination of growth and defensive income potential.

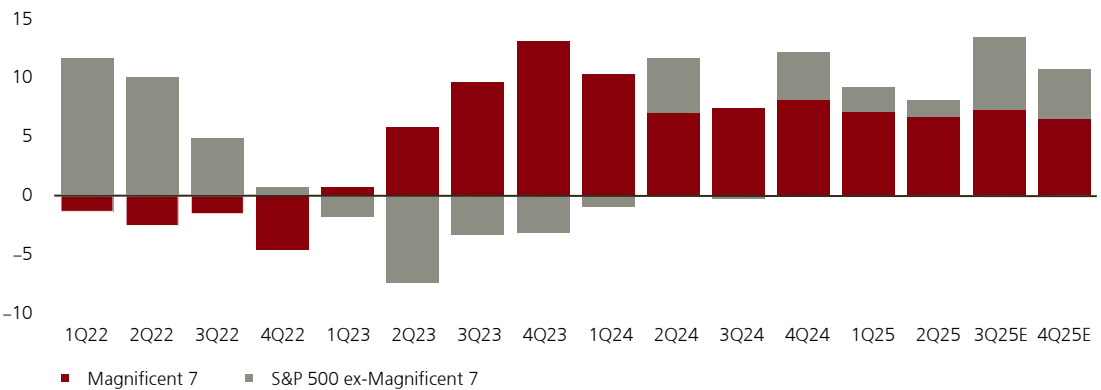
Banks. Banks—in the US and globally—are increasingly well-capitalized and profitable, with return on equity rising to 11.5% in 2025 and further gains expected. Supported by favorable net interest margin trends, improving loan growth, strong capital markets activity, and potential for deregulation in some markets, we think the sector offers both attractive valuations and potential for shareholder returns.

Opportunities beyond the US

Beyond the US, we also see opportunities in Europe, Japan, and China.

Europe. We upgrade European equities to Attractive, with a particular focus on the Eurozone. After three years of stagnant earnings, profit growth should accelerate to 7% in 2026 and 18% in 2027, driven by recovering goods spending, disciplined cost control, and supportive ECB policy—including 200bps in rate cuts already delivered. Germany’s plan to invest over 20% of GDP in infrastructure and defense strengthens the fiscal outlook and boosts capital investment. Banks are healthier, with rising loan growth, asset repricing, and fee income, while Eurozone equities offer meaningful exposure to power and resources, and longevity. Valuations remain reasonable: Eurozone stocks trade at 15.2x forward price-to-earnings—a 10% premium to the long-run average— and at a

Figure 12
Magnificent 7 companies remain key drivers of S&P 500 earnings growth
Contribution to S&P 500 EPS growth, %, actuals and CIO estimates



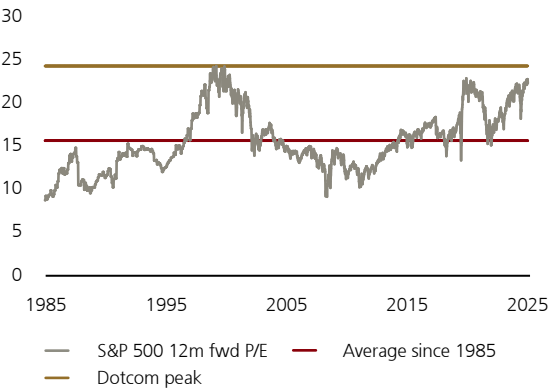
Sources: FactSet, UBS, as of 12 November 2025

22% discount to global peers. With investor enthusiasm faded and the outlook improving, we see this as an opportune entry point. Within Europe, we favor industrials, technology, and utilities, as well as “European leaders” positioned to benefit from both policy and structural growth.

Japan. While political uncertainty may contribute to volatility in the near term, we expect more accommodative policies under the new government to support the market over the medium term. An earlier-than-expected recovery in corporate earnings, improvements in returns on equity, and valuations that are lower than in other regions should also prove supportive, in our view. Japanese companies’ efforts to improve capital efficiency and shareholder returns may also help the market sustain its upward trajectory.

Figure 13
Valuations are elevated but not at the peak yet

S&P 500 12-month forward P/E, with average since 1985 and maximum highlighted



Sources: Refinitiv Datastream, UBS, as of 12 November 2025

Figure 14
We expect upside for equity markets

Overview of CIO forecasts for select price targets, valuations (current price over our forecast), earnings, and dividend yields (consensus)

	Spot	Target	2026 P/E	2026 EPS growth	2026 dividend yield (consensus)
S&P 500	6,851	7,700	22.5x	10%	1.2%
Euro Stoxx 50	5,787	6,200	17.0x	7%	3.0%
Topix	3,359	3,600	16.6x	7%	2.3%
MSCI China	88	102	12.4x	14%	2.1%
FTSE 100	9,911	10,000	14.5x	5%	3.5%
SMI	12,794	13,600	17.2x	5%	3.2%

Source: Refinitiv DataStream, UBS, as of 12 November 2025

Are stocks too expensive?

Global equity valuations remain elevated. The MSCI All Country World Index trades at over 19 times 12-month forward earnings—about 30% above its 20-year average. This premium is largely driven by the growth of highly valued sectors like IT, which now represent over 28% of the index, up from just 11% a decade ago.

Valuations are especially high in the US. The S&P 500 trades at 23 times forward earnings, near the top of its historical range. While the Nasdaq's 30x trailing P/E is well below the dotcom bubble peak, it still reflects significant optimism. Outside the US, valuations are more moderate: European and Chinese equities are 10% and 7% above their 20-year average valuations, respectively, and Japan's index trades at a discount to its long-term average.

History suggests that high valuations alone rarely end a rally. For example, warnings about “irrational exuberance” in 1996 came years before the Nasdaq peak, and concerns about a “QE bubble” in 2013 were followed by further gains. Elevated valuations can point to more modest long-term returns, and the S&P 500 may struggle to match its 9.7% average annual return of the past two decades. However, markets can continue to advance as long as profit growth and liquidity remain strong.

Earnings growth will be key. We expect S&P 500 earnings per share to rise 11% in 2025 and 10% in 2026, supporting near-term upside. Longer term, if AI delivers on its promise, markets have the potential to “grow into” current valuations. An AI disappointment is a key risk.

Building a strategic equity portfolio

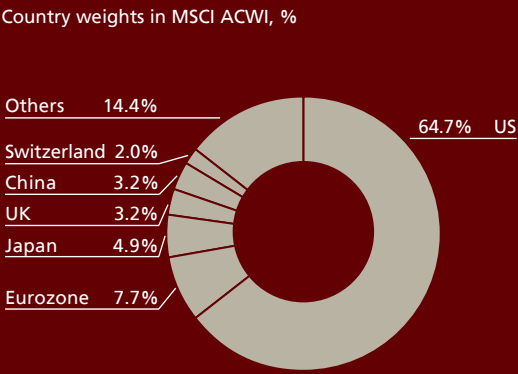
Building a strategic equity portfolio requires balancing long-term growth objectives with risk management and diversification.

For most investors, equities should form the core of a growth-oriented portfolio, typically comprising 30%–70% of total assets, depending on risk tolerance, investment horizon, and financial goals. Regular rebalancing back toward a long-term target is an important part of managing risk levels and maintaining discipline.

Regional diversification is essential. The MSCI All Country World Index (ACWI) offers a benchmark. As a rule of thumb, we think exposure to the US should typically account for at least half of a global equity portfolio, with at least 20% in other global markets.

We believe that investors looking to bolster potential for outperformance can consider reallocating up to 30% of an existing broadly diversified equity portfolio toward such strategies linked to structural growth (see page 21). To further enhance diversification, investors can also consider incorporating exposure to quantitative or factor-based strategies alongside traditionally constructed allocations.

Figure 15
US equities account for nearly two-thirds of the global MSCI ACWI benchmark



Sources: MSCI, UBS, as of 12 November 2025



Seek opportunities in China

AI innovation and spending are driving strong growth in China's tech sector, with earnings expected to rise significantly in 2026. This is fueling Chinese equities more broadly, helped by healthy liquidity and reasonable valuations. For investors seeking diversification, we like broader exposure to Asia, with positive trends in technology investment, solid earnings, and attractive valuations across the region. In particular, India and Singapore stand out as beneficiaries as their business cycles and corporate profits improve.

China tech

China's tech sector ramped up innovation in 2025, with notable advances across the AI value chain. New Chinese AI models have shown tech leadership, and supportive policy is reinforcing ecosystem resilience. Despite strong performance this year, valuations remain at a significant discount to global peers and below historical highs, suggesting potential for rerating. We expect strong earnings growth in 2026 to drive China's tech stocks higher (see Fig. 16), and view the sector as a high-conviction idea within global equities.

Chinese equities

Beyond technology, the broader Chinese equity outlook has improved. Economic growth may stay muted, but equities should be supported by stronger domestic liquidity, robust earnings, and rising retail flows. Government stimulus has been modest, but new support for manufacturing and technology is likely in the upcoming Five Year Plan. Current valuations are above historical averages but well below prior peaks. Dips arising from US-China tensions may offer opportunities to build positions.

Asia ex-Japan

Positive returns for China and its tech sector should also support positive returns for Asia ex-Japan equity indices, and we expect double-digit returns by the end of 2026. A benign regional macro outlook and a weaker US dollar should provide additional support. Positive AI capex developments across Asia are a growth tailwind, earnings growth is solid, and the breadth of revisions continues to improve. Regional valuations look appealing, trading at a discount to global peers. Beyond mainland China, India should benefit from rising corporate profits, Singapore from shareholder value initiatives, and Hong Kong from lower interest rates.

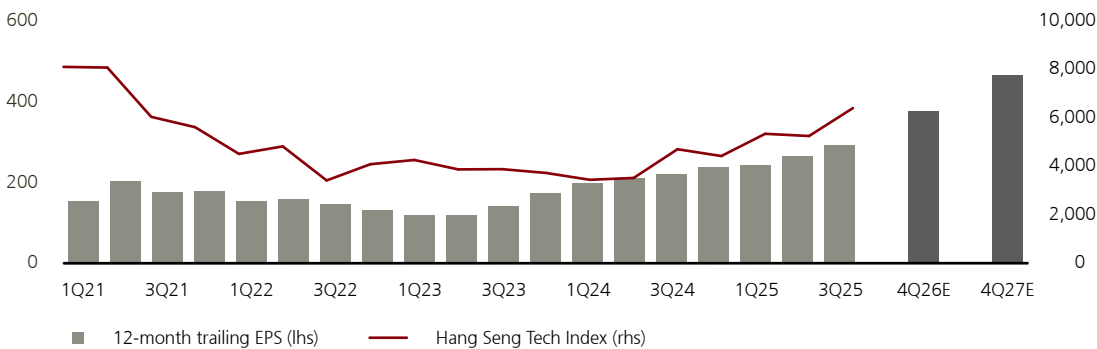
Emerging markets

Investing in emerging markets offers not only a diversified way to invest in China, but also diversified exposure to global AI and tech innovation beyond the US, with tech-related sectors now accounting for over 40% of the MSCI EM Index. We expect high-single-digit returns for EM equities by the end of 2026, supported by a constructive macro backdrop, Fed easing, and a softer US dollar—all of which improve financial conditions and attract capital flows.

Figure 16

China’s tech sector should rise amid strong earnings growth in 2026

Hang Seng Tech 12-months trailing EPS (lhs) and price index (rhs), including CIO estimates



Sources: Bloomberg, UBS, as of 12 November 2025

Favor commodities

Commodities are set to play a more prominent role in portfolios in 2026. Our forecasts point to attractive returns, supported by supply-demand imbalances, heightened geopolitical risks, and long-term trends like the global energy transition. Because commodities have historically shown low correlation with equities and bonds, they can help cushion portfolios during periods of market stress. Within the asset class, we see particular opportunities in copper, aluminum, and agricultural commodities, while gold remains a valuable diversifier.

Precious metals

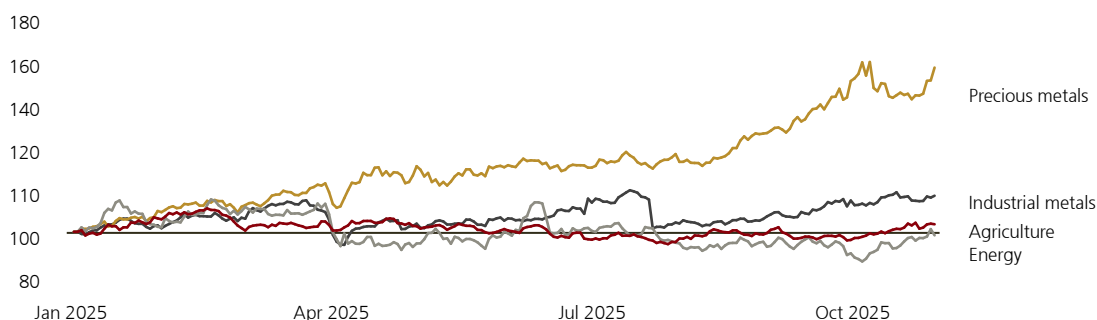
Precious metals have had an exceptionally strong run in 2025 as political and economic uncertainty drove “safe-haven” demand. A late-2025 consolidation was unsurprising after such a rapid rally, but we see further upside to gold and silver in 2026. Gold re-

mains a valuable hedge, supported by central bank buying, large fiscal deficits, and ongoing geopolitical risks. Silver also benefits from rising demand in electronics and photovoltaics.

Figure 17

Commodities performance was mixed in 2025

Total returns index for select commodity classes, rebased since 2025



Sources: Bloomberg, UBS, as of 12 November 2025

Energy

Oil prices have lagged other commodities in 2025 amid slower-than-expected demand growth and ample supply from the Americas. That said, we expect a combination of stalling supply growth in non-OPEC+, and a modest demand recovery to push prices meaningfully higher from mid-2026. Energy commodities can also offer a hedge against geopolitical shocks, especially in the Middle East.

Industrial metals

Industrial metals performed well in 2025, especially copper, which benefited from supply disruptions linked to operational, geopolitical, and environmental issues. Looking ahead to 2026, both copper and alu-

minum are projected to encounter further supply shortages that may push prices higher. The global transition to clean energy and electrification continues to drive demand for these metals, making them a key structural investment.

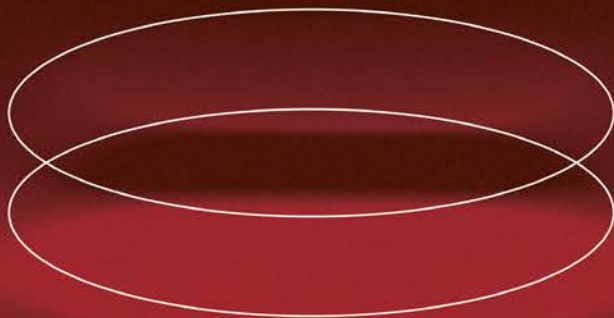
Agriculture and livestock

After a year of poor performance, we believe agricultural commodities offer a compelling entry point. Ongoing tightness in cocoa and coffee, and emerging weather-related risks in grains could drive higher prices over the year ahead. Investors should consider agriculture for its improving fundamentals and low correlation to economic cycles. For livestock, record-low female cattle numbers and shrinking hog margins in the US are supportive for prices.

Building commodities into a portfolio

Commodities can play a valuable role in portfolios, but they can face periodic volatility. Returns are strongest when supply-demand imbalances or macro risks—like inflation or geopolitical events—are elevated. In such periods, broad commodity exposure can help diversify portfolios and protect against shocks. When the outlook is favorable, we typically suggest an up to 5% allocation to a diversified commodity index.

Investors can access commodities through diversified indices, ETFs, or structured investments, but should be aware of unique risks such as price swings and costs associated with futures or physical holdings. Commodities have also experienced long periods of strong out- and underperformance versus equities. Hence, we generally see them as a tactical, not permanent, component of a long-term portfolio.



| Income

How will governments manage rising debt?

In some countries, current policies mean government spending is at “escape velocity” and will continue rising as a share of GDP unless decisive action is taken. We believe “financial repression”—a regime that channels savings and central bank funds into government bonds, suppressing yields—is likely to become more common in coming years.

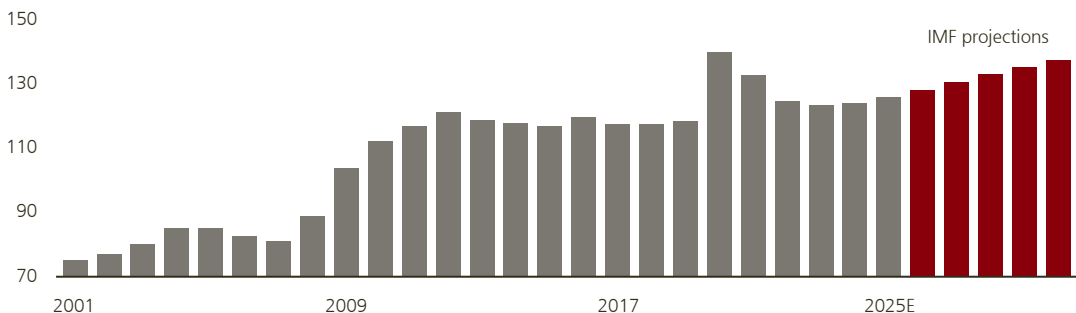
Rising government debt is one of the defining macro-economic challenges of the decade. The International Monetary Fund (IMF) estimates G7's gross government debt to reach around 126% of GDP this year, up from 85% two decades ago. This surge largely reflects extraordinary shocks, including the 2008 finan-

cial crisis and COVID-19 pandemic, but we see the upward trend continuing. The IMF estimates debt levels could climb to 137% of GDP by 2030, driven by aging populations (which trigger higher spending and a smaller tax base) and increased defense spending.

Figure 18

Government debt is projected to keep rising

G7 economies' gross government debt, % of GDP, including IMF projections



Sources: IMF, Bloomberg, UBS, as of 12 November 2025

A risk is that debt could reach its own “escape velocity,” where persistent deficits and higher interest costs make it hard to bring debt levels back to earth.

In this environment, the question is not whether governments will act, but how—and what those choices mean for investors.

Potential policy responses

Fiscal consolidation

The textbook solution is fiscal consolidation—raising taxes or cutting spending to reduce deficits. Partisan divides make consensus difficult. France’s attempts at modest deficit reduction in 2025 were blocked by a polarized parliament. In the US, deficit reduction has not been a priority for either major party, and Japan’s ruling LDP has chosen further fiscal stimulus instead of austerity. Meaningful fiscal consolidation is likely to remain the exception.

Skewing the maturity profile

Another tactic is to shift government borrowing toward shorter maturities. By issuing more short-term debt, governments avoid locking in high borrowing costs for decades, hoping that rates will fall or fiscal conditions will improve. While this can buy time, it also increases rollover risk and leaves governments more exposed to future inflation and yield spikes. Ultimately, this postpones rather than solves the underlying problem.

Financial repression

Rather than relying solely on politically difficult spending cuts or tax hikes, we believe a more subtle, likely pervasive approach is “financial repression,” which refers to policies that keep interest rates artificially low, making borrowing costs more manageable.

Financial repression is about managing demand for government debt through mechanisms like bank, pension, and insurance rules, as well as central bank purchases. By doing so, governments indirectly “tax” cash savers by reducing real returns. As a result of such policies, central bank balance sheets have already grown substantially in the past 20 years, and we expect them to remain high (see Fig. 19).

Market implications

For investors, an immediate risk is that concerns over debt sustainability and credit rating cuts could trigger periodic volatility in bond yields. However, we believe that interventions will become more frequent to help stabilize or lower yields.

Over the medium term, more frequent interventions are likely to anchor interest rates and bond yields at lower levels than debt fundamentals might suggest. Aggressive yield suppression may increase FX volatility, as currencies absorb more of the adjustment. Historically, exchange rates were fixed and bond yields floated. Today, both are market-determined, but we

may be moving toward a regime of more fixed borrowing costs, with currencies absorbing more of the adjustment.

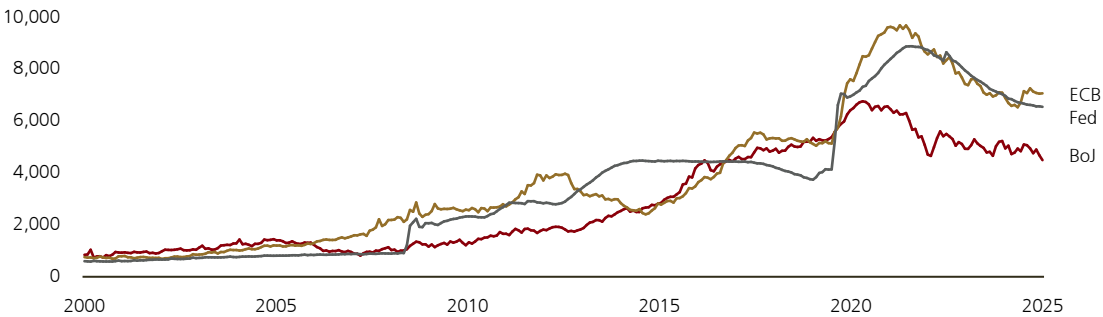
What does it mean for investors?

- * *Asset prices could rise initially:* If governments and central banks increasingly intervene to manage yields, equities, government bonds, and commodities could perform strongly (in local currency terms) in the immediate aftermath, as real yields fall.
- * *Diversify income and return sources:* With public debt potentially facing periods of volatility a diversified approach to income generation is essential. Greater central bank intervention could also increase equity-bond correlations, increasing the importance of alternatives in a portfolio.
- * *Consider currency risk:* If yields are increasingly fixed, currency markets may become the primary shock absorbers for rising debt. For investors, a strategic approach to currency exposure will be key to avoiding asset-liability mismatches.

Figure 19

Central bank balance sheets have grown substantially over the past two decades

Fed, ECB, and Bank of Japan balance sheets, total assets in USD bn



Sources: Bloomberg, UBS, as of 12 November 2025

Seek diversified income

The mix of tight credit spreads, uncertainties about government debt, and emergent stresses in credit markets suggest investors need to take a nuanced and diversified approach to yield generation. We believe this should include a mix of high grade and investment grade bonds, equity income strategies, and yield generating structured investments, as well as select exposure to private credit.

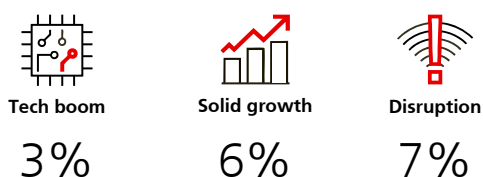
Quality bonds

We believe quality bonds—specifically high grade government and investment grade corporate bonds—have an important role as a source of yield and diversification in 2026. We expect medium-duration quality bonds (four to seven years) to deliver mid-single-digit returns, from a mix of yield and capital appreciation as the Fed cuts rates. We expect quality bond returns to exceed cash rates, especially in adverse scenarios where bond prices rise as rate expectations fall. Investors in economies with low or zero interest rates may not derive much income from quality bonds, but should remember their portfolio diversification benefits as a reason to hold them.

Figure 20

Quality bonds should deliver attractive returns in adverse scenarios

CIO December 2026 forecasts for returns on 10-year US investment grade by scenario



Source: UBS, as of 12 November 2025

Diversified fixed income strategies

We are more cautious on riskier parts of fixed income like high yield given very tight spreads. Nonetheless, we see merit in diversified fixed income strategies for investors looking to earn higher returns from fixed income. By combining investment grade bonds and select high yield and emerging market debt in a risk-controlled way, investors can enhance yield while managing credit and duration risks.

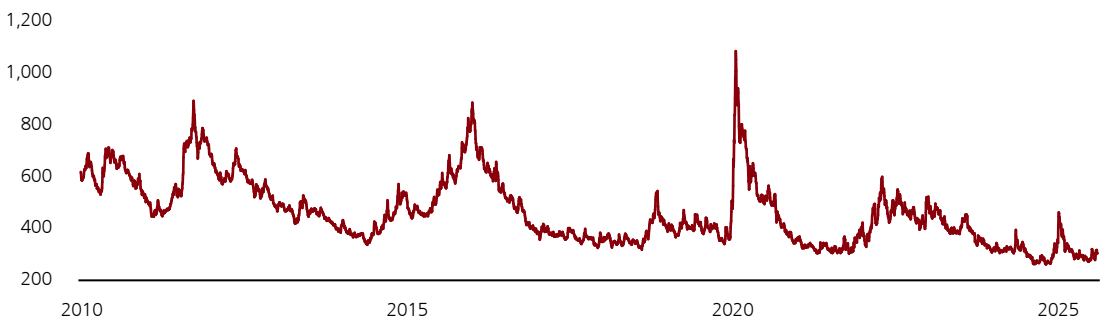
Select direct lending

Private credit has attracted significant inflows in recent years as investors seek higher returns. We believe the asset class offers strong long-term income potential. However, tight spreads—where lenders earn only modest compensation for the risks borne—as well as pockets of financial stress necessitate careful selection. We recommend limiting excessive exposure in the lower middle-market segment (smaller companies), where risks are rising. We like sponsor-backed loans (to private equity-owned firms) and senior loans (with repayment priority), and believe investors should focus on larger companies and sectors that are less sensitive to economic swings and carry less debt.

Figure 21

High yield bond spreads remain at historically tight levels

ICE BofA US high yield bond index, spreads in bps



Source: ICE BofA, UBS, as of 12 November 2025

Equity income

Income-seeking investors in markets where bond yields are low or credit spreads are tight may find better income generation opportunities in equity strategies, including both dividends and options strategies. Our preferred markets for dividend strategies are Switzerland, where high-quality dividend stocks yield about 4%, well above local bonds; and Southeast Asia, where average dividend yields also stand north of 4%. Equity income strategies that combine dividend strategies with systematic option-selling could generate even higher yields, enhance diversification of returns, and offer a more resilient income stream across cycles.

Yield-generating structured investments

We believe investors should also consider yield-generating structured investments, especially as interest rates drop. These structures—such as equity-linked notes—offer a yield in exchange for the obligation to buy an instrument at a predefined lower price. Lower rates make these structures relatively more attractive, although low volatility can mean option premiums and yields are reduced. We recommend careful attention to liquidity, issuer, and market risks within a diversified portfolio.

Building a fixed income portfolio

A robust fixed income allocation provides stability and income while managing risk. Allocating between 15% and 50% of total assets to fixed income is a typical benchmark, tailored to risk tolerance, income needs, and investment horizon. Higher allocations suit those prioritizing stability; lower allocations fit growth-oriented investors. Regular rebalancing is needed to keep allocations on target as markets, maturities, and coupon payments can shift portfolio weights.

Currency risk can be a bigger contributor to returns in fixed income than in other asset classes. We therefore recommend aligning holdings with an overall currency strategy, using a mix of currency-hedged funds, local bonds, and international bonds to manage this risk.

Duration measures how sensitive bond prices are to interest rate changes. We believe an average duration of five to seven years balances risk and return for long-term investors, especially when rates are expected to change gradually.

We recommend diversifying across developed market government bonds (for stability), corporate and emerging market bonds (for higher income), and, in low-yield environments, supplementing with equity income and yield-generating structured investments—such as equity-linked notes—to support portfolio income.

Our currency views for 2026

Entering 2026, we see persistent US twin deficits and declining interest rates continuing to weigh on the dollar, especially as rates elsewhere remain stable. Against this backdrop, we favor long positions in the euro, Australian dollar, and Norwegian krone versus the USD. Our preference is for high-yielding currencies, which should benefit as risk appetite broadens in FX markets over the next year.

USD

We expect US dollar weakness to persist into the first half of 2026. As the Federal Reserve’s rate cuts pause and policy rates inch lower toward 3%, downward pressure on the dollar should ease somewhat. However, a strong USD recovery remains unlikely: The currency’s elevated valuation, persistent fiscal and current account deficits, and ongoing efforts by global institutions and private investors to diversify away from the dollar all present structural headwinds.

Figure 22

Institutions are reducing dollar exposure

Bloomberg Intelligence USD share of global foreign currency reserves, in %



Sources: Bloomberg, UBS, as of 12 November 2025

EUR

With the European Central Bank likely at its terminal rate, we expect policy to remain on hold for the coming quarters. As France’s political uncertainty fades, the euro should regain ground against the dollar, with Germany’s fiscal stimulus and potential for private sector re-leveraging also providing support. That said, EUR upside may be capped if Asian currencies remain closely tied to the USD, as a stronger euro could limit Europe’s competitiveness globally.

CHF

The Swiss National Bank has reaffirmed its stance on negative rates, and market expectations now align with our view of no further cuts. The SNB’s tone will likely be shaped more by global developments than domestic factors. We expect EURCHF to remain stable or edge higher, suggesting the Swiss franc should underperform the euro and other higher-yielding currencies on a total return basis, given its strong yield disadvantage.

GBP

The pound remains sensitive to fiscal uncertainty but offers attractive carry, in our view. We anticipate only two Bank of England rate cuts in 2026, meaning that UK yields are likely to stay above US and Eurozone yields in the coming months. Accordingly, we expect the GBP to deliver positive returns against the USD and the UK’s fiscal challenges to keep the GBP steady against the euro, which we believe will rise on fiscal spending.

JPY

Prime Minister Sanae Takaichi's late-2025 election led to pressure on the yen due to expectations of loose fiscal and monetary policies. With these expectations now largely priced in, we expect a gradual yen recovery versus the USD in 2026 amid further narrowing in US-Japan yield differentials.

CNY

The yuan strengthened against the dollar in 2025. We expect this to continue into 2026, supported by progress in US-China trade talks, the central bank guiding CNY fixings stronger, the ongoing conversion of elevated onshore FX deposits into local currencies, and a resilient current account.

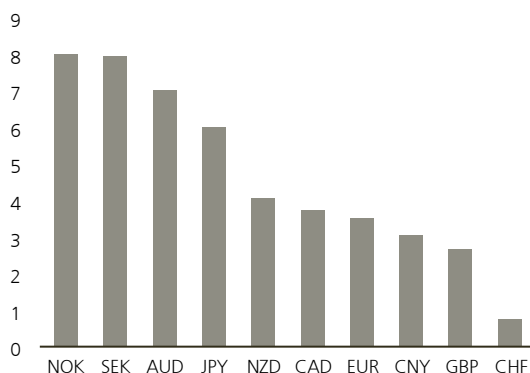
AUD

We believe the Australian dollar offers attractive carry and solid fundamentals in 2026. Resilient commodity exports and a neutral stance from the central bank should be supportive for the currency. Moreover, with Australia's sound fiscal position and the cash rate now on hold, yield differentials should become more favorable, while we also see greater stability in Chinese growth. We rate the AUD as Attractive and expect positive returns for the AUDUSD pair.

Figure 23

USD is expected to underperform all G10 currencies on a spot basis

CIO estimates for spot appreciation of major currencies against the USD by end-2026, %



Source: UBS, as of 12 November 2025

Building the right currency exposure

Currency markets have been volatile in 2025, and with governments and central banks likely to intervene more to manage yields and debt in the future, volatility may remain high. Aligning a portfolio's currency mix with expected future spending reduces the risk that currency swings will undermine financial goals.

For globally oriented investors, or those with assets far exceeding future consumption, we rec-

ommend diversifying across major currencies to preserve long-term global purchasing power. This means not relying on a single reference currency, but spreading exposure across currencies with strong fundamentals. We suggest considering metrics such as long-term valuation trends, safe-haven status, the issuing country's current account balance, the currency's share of global trading, and reserve currency status.

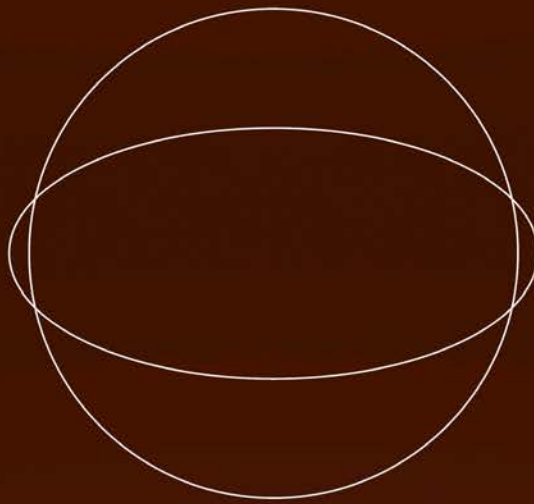
What about crypto?

Crypto like Bitcoin has become more accessible, regulatory recognition is rising, and the assets are viewed by some investors as long-term “buy-and-hold” opportunities, similar to gold or equities. While adding crypto to a traditional portfolio has sometimes improved returns in recent years, this comes with important caveats. Crypto remains highly volatile, and a short history makes extrapolation challenging.

There is a path by which crypto could become a more established part of investor portfolios, including by becoming less volatile, with more stable correlations to other assets, and with more widespread institu-

tional investor adoption. For now, for those who believe in the long-term potential of crypto, a small, buy-and-hold allocation may be appropriate, but it should only represent a modest portion of a portfolio. With risks still significant, any crypto position should be sized so that even a total loss would not materially affect an investor’s overall investment plan or risk profile.

This report is for educational purposes only, as UBS does not provide any investment recommendations on digital assets. Digital assets can exhibit significant price volatility, face liquidity challenges, encounter uncertain regulations, and may be susceptible to bugs and fraud. Investors therefore face the risk of a significant or total loss of capital. Risk tolerance is therefore an important consideration for such assets.



 Diversification

How will politics shape markets in 2026?

Political headlines will remain front and center in 2026, but history suggests their impact on financial markets is often short-lived. While trade policy, domestic politics, and geopolitics contributed to volatility in 2025, investors have since refocused on solid economic fundamentals, falling interest rates, and structural growth trends like AI.

Trade policy will stay in the spotlight

The US Supreme Court is set to rule on the administration's use of IEEPA for tariffs, potentially affecting around 70% of tariff revenue. If current tariffs are overturned, new, more targeted tariffs are likely, increasing policy uncertainty and volatility, especially if trading partners retaliate. However, a divided US Congress—probable after the midterms—could limit major shifts in trade policy.

Senate seats up for grabs. While political rhetoric may intensify, history suggests markets typically look past election cycles. Current odds suggest a divided Congress, which would likely result in legislative gridlock and limit the scope for major policy changes on trade, fiscal stimulus, or financial regulation.

Leadership changes are also in focus

The Fed will get a new chair in 2026, with challenges ahead given high inflation and debt, but we expect monetary policy to remain broadly supportive for markets. The US midterm elections in November will add to headline risk, with all House seats and one-third of

Globally, political risks persist

In Europe, attention will center on political stability in France and the UK, while the Russia-Ukraine war and tensions in the Middle East are likely to persist. In Latin America, elections in Chile, Colombia, Peru, and Brazil could reinforce the region's shift toward right-leaning governments. Asia's political calendar is quieter, but Japan's fiscal policy decisions and China's new Five Year Plan—emphasizing growth, security, and technology—will be closely watched.

Key risks

What risks could bring markets back to earth in the year ahead? The most prominent in our view are: 1) a potential disappointment in AI progress or adoption, 2) a resurgence or persistence of inflation, 3) a more entrenched phase of US-China strategic rivalry, and 4) the (re) emergence of sovereign or private sector debt concerns.

An AI disappointment

We believe current investor enthusiasm for AI is justified by strong capital spending, innovation, and adoption. But valuations are high, markets have rallied strongly, and no investment boom has ever seen capital spending perfectly match future demand. The AI rally may face periods in 2026 when investors fear excess investment, bottlenecks, or obsolescence. Broader risks could emerge if refinancing dries up, triggering defaults or threatening financial stability.

A return of inflation

The inflation impact of US tariffs has matched expectations, though tariff evasion may be higher than anticipated. A risk for 2026 is that second-round effects—US companies raising prices or profit-driven inflation—could make inflation more persistent and harder for the Fed to ignore, limiting its ability to respond to risks and potentially keeping long-term yields elevated.

US-China conflict

The US-China rivalry intensified in 2025. Ongoing competition suggests further brinkmanship will remain a risk through 2026, especially around tariffs, rare earth exports, and AI chip sales. So far, escalations have ended in negotiated agreements, reflecting incentives to avoid prolonged disruption.

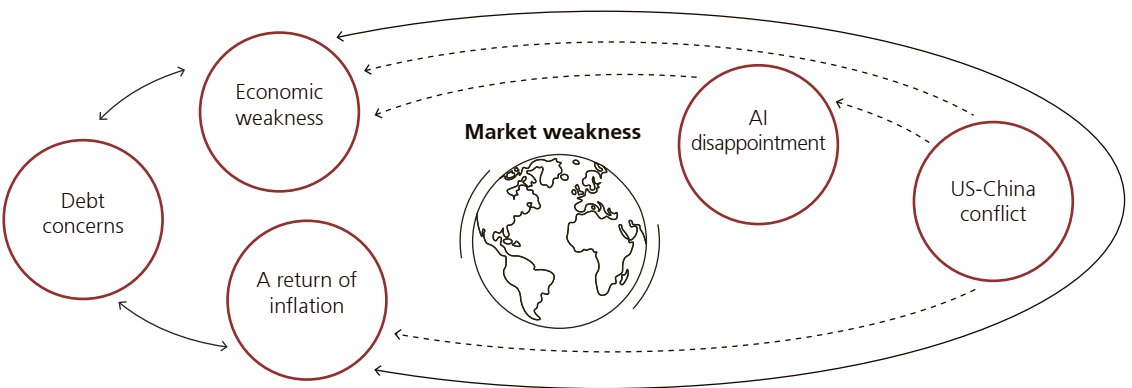
Debt concerns

In 2025, global bond investors repeatedly flagged rising government debt, with episodes of higher yields in the US, France, Japan, and the UK. If governments fail to reassure markets on borrowing and inflation risks, or pressure central banks to cut rates, yields or currency volatility could rise. Rapid yield increases would pose risks to equity markets. Investors should also monitor both public and private credit markets, where tight spreads and looser lending standards may have created vulnerabilities.

Figure 24

Several factors could lead to market weakness

Illustration of potential key market risks for 2026, with dotted lines depicting indirect influence



Source: UBS, as of 12 November 2025

Scenarios

	 Bull scenario (Tech boom)	 Base case (Solid growth)	 Bear scenario (Disruption)
AI	Robust, broad-based AI spending and rapid adoption. Monetization exceeds expectations, driving productivity and corporate profits. “Agentic” and physical AI applications accelerate, fueling optimism and further investment.	Solid AI investment continues, with steady adoption and gradual monetization. Productivity gains are incremental, supporting business sentiment but not transforming macro growth.	AI investment stalls or contracts due to disappointing monetization, technical setbacks, or obsolescence. Corporate caution leads to reduced capex and slower adoption.
Economy	US growth outpaces trend, led by strong consumption and business investment. Unemployment remains low, wage growth is healthy. Other major economies benefit from global tech spillovers and easing trade tensions.	US grows at its 2% trend rate; labor market softens but unemployment stays below 5%. Consumption is resilient. Growth in Europe and China is supported by targeted fiscal stimulus.	US growth slows sharply—below trend or even flat—due to lagged tariff impacts, weaker consumption, and spillover effects. Other major economies also weaken; risk of recession rises.
Policy	US tariffs fall below 10%, reducing trade friction. Possible Russia-Ukraine ceasefire boosts global sentiment. Central banks maintain or tighten policy only modestly; credit spreads tighten.	Fed cuts rates toward 3-3.5% as inflation stabilizes near targets. US tariffs remain in the high teens, but retaliation is limited. Fiscal stimulus in Europe and China supports growth.	Central banks respond aggressively: Fed cuts 200–300bps. Policy focus shifts to crisis management. Credit spreads widen. Trade tensions and inflation risks persist.

Targets (December 2026)			
MSCI AC World	1,450	1,350	830
S&P 500	8,400	7,700	4,500
EuroStoxx 50	6,800	6,200	4,400
SMI	14,600	13,600	10,500
MSCI EM	1,640	1,560	1,070
Fed funds rate (upper bound)	4.00	3.50	1.50
US 10y Treasury yield (%)	4.75	3.75	2.50
EURUSD	1.14	1.20	1.26
EURCHF	0.98	0.95	0.90
Gold*	USD 3,700/oz	USD 4,300/oz	USD 4,900/oz

* Gold is a safe-haven asset whose price tends to rise when risk assets, such as equities, fall, and vice versa.
 Note: asset class targets above refer to the respective macro scenarios. Individual asset prices can be influenced by factors not reflected in the macro scenarios.
 Source: UBS, as of 12 November 2025

Hedge market risks

Investors should consider a diversified approach to hedging market risks. Holding sufficient liquidity can help investors avoid forced selling. Quality bonds offer attractive yields and can buffer portfolios. Gold's diversification benefits remain important. Periods of low volatility can also provide an opportunity to lock in gains while maintaining upside potential through structured investments.

Build a liquidity strategy

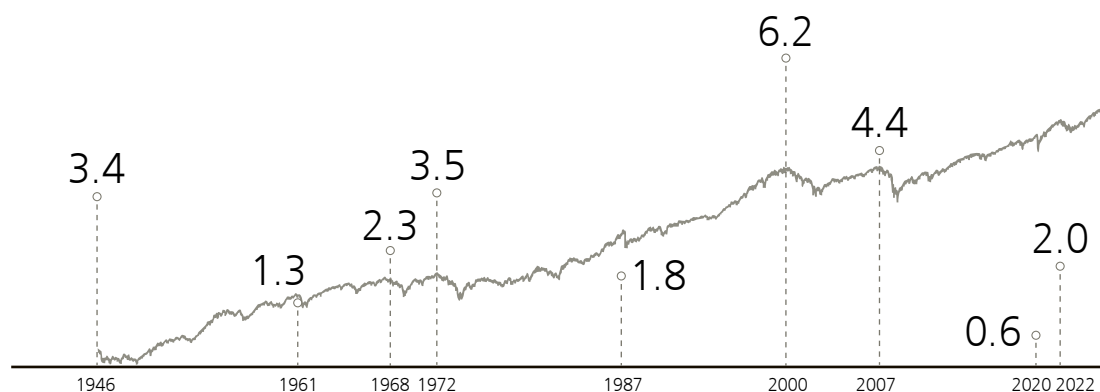
Holding cash or safe short-term instruments allows investors to meet obligations without selling assets at depressed prices—critical if markets tilt toward our downside scenarios. Liquidity also provides flexibility

to seize opportunities and the confidence to invest for growth. We recommend holding enough liquidity to cover up to five years' expected withdrawals, given that bear market recoveries can take time. Alterna-

Figure 25

Markets have historically tended to recover from bear markets within five years

Number of years for recovery from bear market, illustrated on the S&P 500 index since May 1946, in log scale



Sources: Bloomberg, UBS, as of 12 November 2025

tively, investors may consider establishing a lending facility, which can provide access to funds without the need to liquidate investments during periods of market stress.

Get your asset allocation right, including quality bonds and alternatives

Strategic asset allocation is the most effective long-term hedge against market risk. Diversifying across equities, fixed income, and alternatives can help reduce portfolio volatility and limit the impact of shocks—whether from AI disappointment, inflation, or debt-driven yield spikes. We recommend adequate allocations to government bonds, which tend to rally during periods of lower growth, and alternatives with low correlation to equities for added stability.

Substitute direct equity exposure for capital preservation strategies

Capital preservation strategies can limit downside risk while allowing some participation in upside. While returns may be capped in strong markets, such strategies reduce drawdowns and support long-term wealth preservation. Replacing some direct equity positions with these strategies can make portfolios more resilient to volatility and shocks.

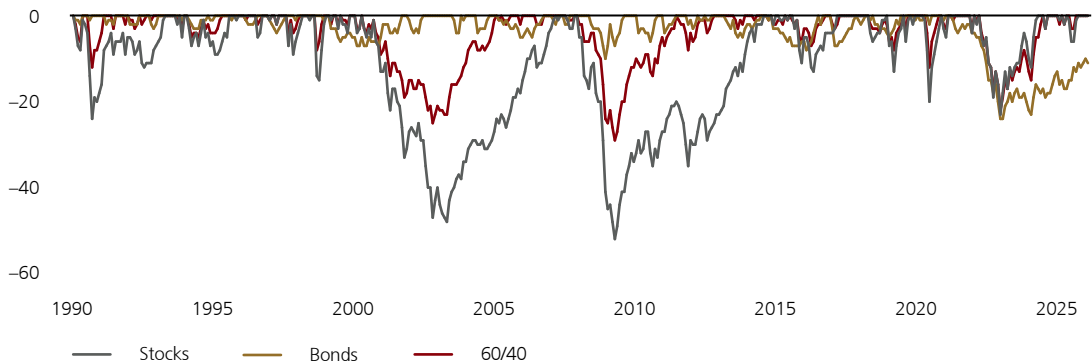
Include an allocation to gold

Gold has historically been an effective portfolio hedge during market stress, inflation fears, or geopolitical uncertainty. Its low correlation with equities and bonds means it can appreciate when risk assets decline, offsetting losses elsewhere. While gold does not generate income and its protective behavior is not guaranteed in every downturn, we believe a modest allocation—of up to 5% of total assets—can enhance diversification and buffer against systemic risks.

Figure 26

Diversified portfolios can limit drawdowns

Drawdown analysis for equities (MSCI ACWI), bonds (Bloomberg Global Aggregate IG index), and a 60/40 portfolio



Sources: Bloomberg, UBS as of 12 November 2025



Diversify with alternatives

Including alternatives can enhance diversification, provided investors understand their liquidity needs and the features of the asset class. We recommend a 20-40% allocation in endowment-style portfolios. For 2026, we see hedge funds benefiting from low stock correlation, high return dispersion, and increased M&A activity; in private equity, our focus is on middle-market buyouts, carveouts, and secondaries, while select direct lending and private real estate and infrastructure offer attractive income, diversification, and exposure to structural trends.

Hedge funds

The environment of low stock correlation and high return dispersion—key drivers of hedge fund alpha—remains in place and should support performance in 2026. We believe that equity market neutral strategies can enhance portfolios due to their ability to generate returns in both rising and falling markets, while limiting directional exposure. We also see appeal in global macro and multi-strategy funds, given their flexibility to benefit from economic trends and risks like persistent inflation, trade tensions, or debt sustainability concerns. Meanwhile, the resurgence in M&A activity is creating fresh opportunities for merger arbitrage strategies.

Private equity

With central banks easing and fiscal policy remaining pro-growth, we expect increased distributions and exits, supporting private equity returns. In a world of lower rates and high public market valuations, we focus on middle-market, value-based buyouts, complex carveouts, and secondary funds, with a preference for regional diversification in Europe and Asia to mitigate local risks. The supportive macro backdrop and favorable liquidity conditions should help private equity managers navigate elevated valuations and concentrated market leadership.

Select direct lending

Private credit headlines highlight the need for quality and selectivity. While tighter spreads and Fed rate cuts have moderated returns, we believe direct lending still offers attractive income and diversification for under-allocated investors. Risks are mainly contained to lower-middle-market borrowers; senior, sponsor-backed loans to larger, less cyclical companies remain resilient, in our view. Careful sizing and manager selection are essential, and those with outsized allocations should consider diversifying into other alternative investments.

Private real estate and infrastructure

Reliable, inflation-linked cash flows and exposure to structural trends make these appealing portfolio assets in our view. We favor digital infrastructure, renewables, logistics, living sectors, and data centers, with a preference for core and core-plus assets that derive a greater share of returns from income rather than capital appreciation.

Building an effective alternatives allocation

Investors with a long-term horizon and an “endowment” investment style may benefit from allocating up to 20-40% of their portfolios to alternatives such as hedge funds, private markets, and infrastructure. The optimal allocation depends on individual risk tolerance, liquidity needs, and long-term objectives, but a well-structured alternatives allocation can enhance diversification and improve risk-adjusted returns.

Effective diversification across alternative strategies is essential to maximize their benefits, in our view. By investing in a mix of hedge funds, private equity, private credit, and infrastructure,

investors can access varied sources of return and reduce potential downside risk. A balanced approach ensures the portfolio remains resilient and adaptable to changing market conditions.

Manager selection is especially important in alternatives. Investors should therefore prioritize high-quality hedge funds with strong track records, private market funds with robust governance and expertise, and infrastructure assets offering stable cash flows. Those making smaller allocations may benefit from fund-of-funds or evergreen solutions, while larger investors may prefer a diversified selection of single managers.



Building a
robust portfolio

Building a robust portfolio

By building a clear plan, putting cash to work, building a strong portfolio core across equities, fixed income, and alternatives, and selectively hedging against risks and seizing market opportunities, we believe investors can position themselves to thrive in 2026 and beyond.

✓ Get your plan right

Having a clear plan, which aligns financial goals and needs with portfolios, can help investors navigate risks and capture opportunities with confidence. We believe investors should segment portfolios into Liquidity. Longevity. Legacy strategies.

* A Liquidity strategy to ensure cash is available to meet short-term expenses and buffers against market volatility.

* A Longevity strategy to deliver the required growth and income to meet financial goals throughout an investor's lifetime.

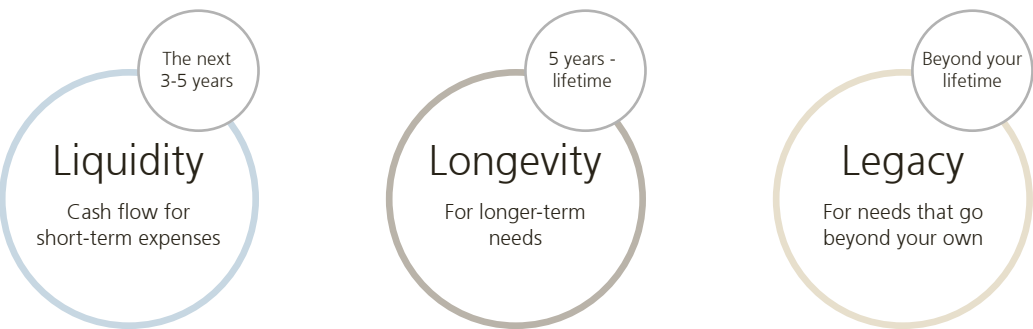
* A Legacy strategy to maximize wealth for future generations, supporting philanthropic and family goals.

Annual portfolio reviews as part of a plan help ensure investment strategies remain aligned with evolving

Figure 27

Building a plan can help navigate markets

The Liquidity. Longevity. Legacy. framework



* Time frames 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.
Source: UBS, as of 12 November 2025

goals and risk profiles. Specialist engagement—across investment advice, wealth planning, and legacy strategies—can uncover new opportunities and address complex needs.

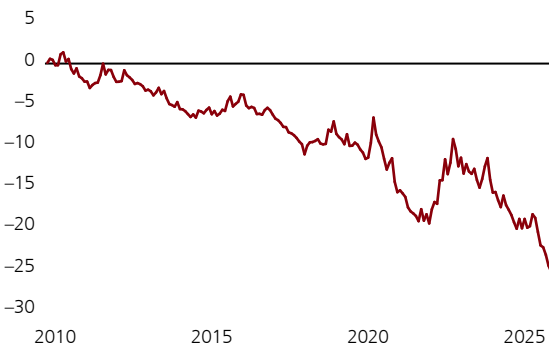
✓ Put cash to work

To get the most from one’s Liquidity strategy, investors can divide it into three parts: everyday cash (for daily spending), core liquidity (for upcoming expenses), and investment cash (for longer-term needs). This can help investors retain flexibility while also seeking higher returns in longer-term parts of the strategy.

Figure 28

Excess cash exposure can diminish portfolio returns

Relative underperformance of portfolio with 25% vs. 5% cash, remaining allocation split 60/40 across global equity and bonds, %



Sources: Bloomberg, UBS, as of 12 November 2025

Once investors have enough set aside in a Liquidity strategy, they can invest surplus funds for long-term growth. Holding too much cash can slow portfolio growth—historically, portfolios with 25% in cash have lagged those with just 5% in cash by over 25 percentage points in the past 15 years.

Opening and/or utilizing borrowing capacity, may also help investors limit cash drag and/or avoid selling long-term assets.

✓ Strengthen your core

As investors deploy cash, we believe they should first focus on building a core portfolio that delivers growth, income, and diversification.

- * *Equities.* We think investors should add to equities in 2026. A strategic equity portfolio typically allocates 30-70% of total assets, diversifies regionally (at least half in US equities, at least 20% global), and is regularly rebalanced. Allocating up to 30% to a diversified mix of structural growth strategies such as AI and power and resources could enhance return potential.
- * *Fixed income.* Investors can complement their equity allocation with a robust fixed income allocation by setting the right level (typically 15-50%), aligning with one’s currency plan, and targeting a five- to seven-year duration. To diversify income sources, investors should balance across government bonds, credit, and private credit, and consider alternative income strategies (including in equities for investors in low yield regions).

* Alternatives. We believe allocating to alternatives—hedge funds, private markets, and infrastructure—can enhance diversification and risk-adjusted returns.

✓ Hedge market risks

If desired, investors can further “protect their core” by implementing individual hedging strategies. This could include substituting some of the direct equity exposure with capital preservation strategies.

Additionally, a modest allocation to gold (for example, up to 5%) can help provide an additional hedge against market stress and systemic risks.

✓ Seek tactical opportunities

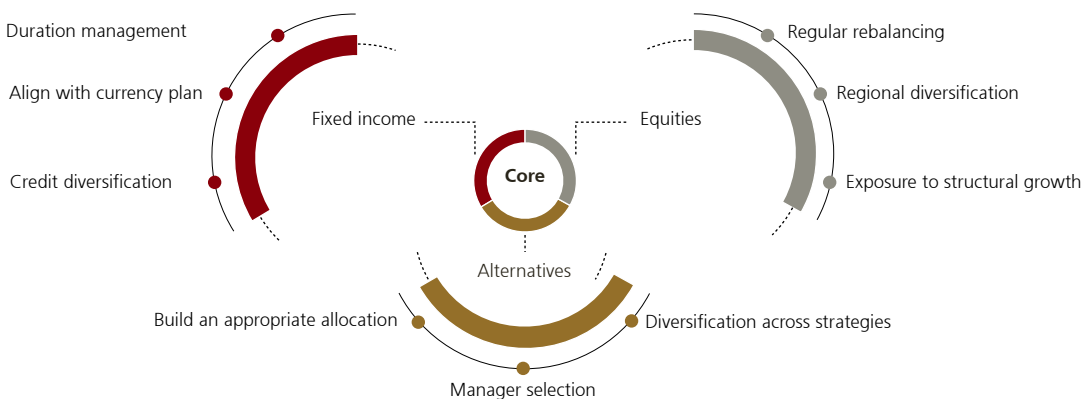
With a strong core portfolio sufficient to meet life-style needs and effective hedging measures in place, investors who wish to pursue additional growth can confidently seek opportunities, in a risk-controlled way.

For 2026, we see attractive prospects for equity markets; particularly in technology, banking, health care, and utilities sectors, as well as broad commodity indices and select currencies, including the Australian dollar and euro.

Figure 29

Strengthen your core

Illustration of what to consider in a “core” investment approach



Source: UBS, as of 12 November 2025



Looking back and
looking ahead

2025 in review



Economy

In our Year Ahead 2025 publication, we anticipated a moderate slowdown in economic growth for 2025. Developed economies broadly have met our forecasts (we now expect 1.6% growth for 2025), while emerging and developing economies have modestly outperformed, on course to deliver 4.4% growth for 2025 versus our initial 4.0% expectation. Inflation has also trended lower across regions, in line with our initial projections.



Equities

We had forecast the S&P 500 would rise from 5,917 at the time of last year's Year Ahead publication to 6,600 by end-2025. Its gains have broadly met our expectations. European, emerging, and Asian markets have outperformed the US, exceeding our projections, with MSCI Europe, China, and EM indices posting year-to-date returns of 15%, 36%, and 31%, respectively.



Rates

We said rates would come down in 2025, and they have—albeit somewhat more gradually than expected. The Fed has delivered 50bps of cuts so far this year (versus our initial expectation of 100bps), with scope for a further 50bps by end of the first quarter of 2026. US 10-year Treasury yields have fallen from 4.6% (end 2024) to 4.1%, in line with our forecast (4.0%), although European yields have risen amid fiscal and political uncertainty.



US dollar

We recommended selling further US dollar strength. The dollar initially strengthened into late December 2024 and January 2025, with EURUSD reaching a low of 1.02, and the dollar subsequently saw its weakest first half since 1973, depreciating even further than our expectations. At the time of writing, EURUSD stands at 1.16 versus our initial end-2025 forecast of 1.12.



AI

We identified AI as the decade's defining investment idea, recommending exposure to listed megacaps. The US IT sector has since risen by 27% year-to-date, with capital expenditure forecasts exceeded by a factor of three over two years. We now expect global AI capex to rise 88% year over year to USD 423bn in 2025.



Gold

Gold traded at USD 2,675/oz at the time of our Year Ahead publication last year. We expected gold to build on its gains, forecasting USD 2,900/oz by end-2025. The metal has performed even more strongly than projections, reaching an all-time high of USD 4,336/oz.

Forecasts

Economy

GDP (%)				
n.a.	2025E	2026E	2027E	2028E
US	1.9	1.7	1.9	2.4
Canada	1.5	1.8	1.8	1.2
Japan	0.8	0.7	1.0	0.8
Eurozone	1.4	1.1	1.4	1.0
UK	1.4	1.1	1.4	1.3
Switzerland	1.3	1.3	1.3	1.9
Australia	1.9	2.2	2.1	2.1
China	4.9	4.5	4.6	4.2
India	6.8	6.4	6.5	6.5
EM	4.4	4.2	4.4	4.2
World	3.2	3.1	3.3	3.2

Inflation (%)				
n.a.	2025E	2026E	2027E	2028E
US	2.8	3.0	2.4	2.2
Canada	2.0	2.1	2.0	2.0
Japan	3.1	1.6	2.2	2.1
Eurozone	2.1	1.8	2.0	2.0
UK	3.4	2.2	2.0	2.0
Switzerland	0.2	0.6	0.9	0.9
Australia	2.8	3.1	2.7	2.6
China	0.0	0.4	0.8	1.0
India	2.4	4.3	4.0	4.0
EM	3.9	3.5	3.1	3.0
World	3.3	3.0	2.7	2.6

Source: Haver, CEIC, National Statistic, Bloomberg, UBS, as of 12 November 2025

Asset classes

	Spot	June-26	Dec-26
Equities			
S&P 500	6,851	7,300	7,700
Eurostoxx 50	5,787	6,000	6,200
FTSE 100	9,911	9,800	10,000
SMI	12,794	13,200	13,600
MSCI Asia ex-Japan	921	985	1,021
MSCI China	88	100	102
Topix	3,359	3,500	3,600
MSCI EM	1,408	1,510	1,560
MSCI AC World	1,213	1,280	1,350

Currencies			
EURUSD	1.16	1.20	1.20
GBPUSD	1.31	1.36	1.35
USDCHF	0.80	0.79	0.79
USDCAD	1.40	1.36	1.35
AUDUSD	0.65	0.70	0.70
EURCHF	0.92	0.95	0.95
USDJPY	155	150	146
USDCNY	7.11	7.00	6.90

Interest rates, in %			
Fed	3.87	3.33	3.33
ECB	2.00	2.00	2.00
BoE	4.00	3.25	3.25
SNB	0.00	0.00	0.00
BoJ	0.50	0.75	1.00

10-year benchmark yields, in %			
USD	4.07	3.75	3.75
EUR (Germany)	2.64	2.25	2.25
GBP	4.40	4.25	4.25
CHF	0.14	0.50	0.50
JPY	1.68	1.70	1.80

Commodities			
Brent crude, USD/bbl	63	65	67
WTI crude, USD/bbl	58	62	64
Gold, USD/oz	4,214	4,500	4,300
Silver, USD/oz	53	60	57
Copper, USD/mt	10,944	12,000	13,000

Source: SIX Financial Information, Bloomberg, UBS, as of 12 November 2025

Impressum

Year Ahead 2026 – UBS House View

This report has been prepared by UBS AG, UBS AG London Branch, UBS Switzerland AG, UBS Financial Services Inc. (UBS FS), UBS AG Singapore Branch, UBS AG Hong Kong Branch, and UBS SuMi TRUST Wealth Management Co., Ltd. Please see important disclaimers at the end of the document.

This report reflects the insights and perspective from the entire CIO team across the globe and demonstrates the intellectual leadership of UBS.

Global Chief Investment Officer

Mark Haefele

Editor in Chief

Kiran Ganesh

Project manager

Sagar Khandelwal

Supervisory analysts

Kat Van-Hoof

Jess Hoeffner

Editorial deadline

17 November 2025

Publishing date

20 November 2025

Design

CIO Content Design

UBS Switzerland AG

Cover image

CIO Content Design

UBS Switzerland AG

Languages

English, German, French, Italian, Spanish, Portuguese, Chinese (Simplified, Traditional), Japanese

Contact

ubs.com/cio

SAP-Nr. 82251E-2501

This publication is printed on 100% recycled paper, certified by the Forest Stewardship Council (FSC).

Global asset class preferences definitions

The asset class preferences provide high-level guidance to make investment decisions. The preferences reflect the collective judgement of the members of the House View meeting, primarily based on assessments of expected total returns on liquid, commonly known indexes, House View scenarios, and analyst convictions over the next 12 months. Note that the tactical asset allocation (TAA) positioning of our different investment strategies may differ from these views due to factors including portfolio construction, concentration, and borrowing constraints.

Attractive: We consider this asset class to be attractive. Consider opportunities in this asset class.

Neutral: We do not expect outsized returns or losses. Hold longer-term exposure.

Unattractive: We consider this asset class to be unattractive. Consider alternative opportunities.

Note: For equities, we have collapsed "Most Attractive" with "Attractive" and "Least Attractive" with "Unattractive" from the five-tier rating system that is found in the Equity Compass into 3 tiers.

Cautionary statement regarding forward-looking statements

This report contains statements that constitute "forward-looking statements," including but not limited to statements relating to the current and expected state of the securities market and capital market assumptions. While these forward-looking statements represent our judgments and future expectations concerning the matters discussed in this document, a number of risks, uncertainties, changes in the market, and other important factors could cause actual developments and results to differ materially from our expectations. These factors include, but are not limited to (1) the extent and nature of future developments in the US market and in other market segments; (2) other market and macroeconomic developments, including movements in local and international securities markets, credit spreads, currency exchange rates and interest rates, whether or not arising directly or indirectly from the current market crisis; (3) the impact of these developments on other markets and asset classes. UBS is not under any obligation to (and expressly disclaims any such obligation to) update or alter its forward-looking statements whether as a result of new information, future events, or otherwise.

Emerging Market Investments

Investors should be aware that Emerging Market assets are subject to, among others, potential risks linked to currency volatility, abrupt changes in the cost of capital and the economic growth outlook, as well as regulatory and sociopolitical risk, interest rate risk and higher credit risk. Assets can sometimes be very illiquid and liquidity conditions can abruptly worsen. CIO GWM generally recommends only those securities it believes have been registered under Federal US registration rules (Section 12 of the Securities Exchange Act of 1934) and individual State registration rules (commonly known as "Blue Sky" laws). Prospective investors should be aware that to the extent permitted under US law, CIO GWM may from time to time recommend bonds that are not registered under US or State securities laws. These bonds may be issued in jurisdictions where the level of required disclosures to be made by issuers is not as frequent or complete as that required by US laws.

Investors interested in holding bonds for a longer period are advised to select the bonds of those sovereigns with the highest credit ratings (in the investment-grade band). Such an approach should decrease the risk that an investor could end up holding bonds on which the sovereign has defaulted. Subinvestment-grade bonds are recommended only for clients with a higher risk tolerance and who seek to hold higher-yielding bonds for shorter periods only.

Nontraditional Assets

Non-traditional asset classes are alternative investments that include hedge funds, private equity, private credit, real estate, and managed futures (collectively, alternative investments). Interests of alternative investment funds are sold only to qualified investors, and only by means of offering documents that include information about the risks, performance and expenses of alternative investment funds, and which clients are urged to read carefully before subscribing and retain. **An investment in an alternative investment fund is speculative and involves significant risks.**

Specifically, these investments (1) are not mutual funds and are not subject to the same regulatory requirements as mutual funds; (2) may have performance that is volatile, and investors may lose all or a substantial amount of their investment; (3) may engage in leverage and other speculative investment practices that may increase the risk of investment loss; (4) are long-term, illiquid investments, there is generally no secondary market for the interests of a fund, and none is expected to develop; (5) interests of alternative investment funds typically will be illiquid and subject to restrictions on transfer; (6) may not be required to provide periodic pricing or valuation information to investors; (7) generally involve complex tax strategies and there may be delays in distributing tax information to investors; (8) are subject to high fees, including management fees and other fees and expenses, all of which will reduce profits.

Interests in alternative investment funds are not deposits or obligations of, or guaranteed or endorsed by, any bank or other insured depository institution, and are not federally insured by the Federal Deposit Insurance Corporation, the Federal Reserve Board, or any other governmental agency. Prospective investors should understand these risks and have the financial ability and willingness to accept them for an extended period of time before making an investment in an alternative investment fund

In addition to the risks that apply to alternative investments generally, the following are additional risks related to an investment in these strategies:

- **Hedge Fund Risk:** There are risks specifically associated with investing in hedge funds, which may include risks associated with investing in short sales, options, small-cap stocks, “junk bonds,” derivatives, distressed securities, non-U.S. securities and illiquid investments.
- **Managed Futures:** There are risks specifically associated with investing in managed futures programs. For example, not all managers focus on all strategies at all times, and managed futures strategies may have material directional elements.
- **Real Estate:** There are risks specifically associated with investing in real estate products and real estate investment trusts. They involve risks associated with debt, adverse changes in general economic or local market conditions, changes in governmental, tax, real estate and zoning laws or regulations, risks associated with capital calls and, for some real estate products, the risks associated with the ability to qualify for favorable treatment under the federal tax laws.
- **Private Equity:** There are risks specifically associated with investing in private equity. Capital calls can be made on short notice, and the failure to meet capital calls can result in significant adverse consequences including, but not limited to, a total loss of investment.
- **Private Credit:** There are risks specifically associated with investing in private credit. This could include losses stemming from defaults on loans, which in significant adverse circumstances could result in a substantial loss of investment.
- **Foreign Exchange/Currency Risk:** Investors in securities of issuers located outside of the United States should be aware that even for securities denominated in U.S. dollars, changes in the exchange rate between the US dollar and the issuer’s “home” currency can have unexpected effects on the market value and liquidity of those securities. Those securities may also be affected by other risks (such as political, economic or regulatory changes) that may not be readily known to a US investor.

UBS Chief Investment Office's ("CIO") investment views are prepared and published by the Global Wealth Management business of UBS Switzerland AG (regulated by FINMA in Switzerland) or its affiliates ("UBS"), part of UBS Group AG ("UBS Group"). UBS Group includes former Credit Suisse AG, its subsidiaries, branches and affiliates. Additional disclaimer relevant to Credit Suisse Wealth Management follows at the end of this section.

The investment views have been prepared in accordance with legal requirements designed to promote the **independence of investment research**.

Generic investment research – Risk information:

This publication is **for your information only** and is not intended as an offer, or a solicitation of an offer, to buy or sell any investment or other specific product. The analysis contained herein does not constitute a personal recommendation or take into account the particular investment objectives, investment strategies, financial situation and needs of any specific recipient. It is based on numerous assumptions. Different assumptions could result in materially different results. Certain services and products are subject to legal restrictions and cannot be offered worldwide on an unrestricted basis and/or may not be eligible for sale to all investors. All information and opinions expressed in this document were obtained from sources believed to be reliable and in good faith, but no representation or warranty, express or implied, is made as to its accuracy or completeness (other than disclosures relating to UBS). All information and opinions as well as any forecasts, estimates and market prices indicated are current as of the date of this report, and are subject to change without notice. Opinions expressed herein may differ or be contrary to those expressed by other business areas or divisions of UBS as a result of using different assumptions and/or criteria. UBS may utilise artificial intelligence tools ("AI Tools") in the preparation of this document. Notwithstanding any such use of AI Tools, this document has undergone human review.

In no circumstances may this document or any of the information (including any forecast, value, index or other calculated amount ("Values")) be used for any of the following purposes (i) valuation or accounting purposes; (ii) to determine the amounts due or payable, the price or the value of any financial instrument or financial contract; or (iii) to measure the performance of any financial instrument including, without limitation, for the purpose of tracking the return or performance of any Value or of defining the asset allocation of portfolio or of computing performance fees. By receiving this document and the information you will be deemed to represent and warrant to UBS that you will not use this document or otherwise rely on any of the information for any of the above purposes. UBS and any of its directors or employees may be entitled at any time to hold long or short positions in investment instruments referred to herein, carry out transactions involving relevant investment instruments in the capacity of principal or agent, or provide any other services or have officers, who serve as directors, either to/for the issuer, the investment instrument itself or to/for any company commercially or financially affiliated to such issuers. At any time, investment decisions (including whether to buy, sell or hold securities) made by UBS and its employees may differ from or be contrary to the opinions expressed in UBS research publications. Some investments may not be readily realizable since the market in the securities is illiquid and therefore valuing the investment and identifying the risk to which you are exposed may be difficult to quantify. UBS relies on information barriers to control the flow of information contained in one or more areas within UBS, into other areas, units, divisions or affiliates of UBS. Futures and options trading is not suitable for every investor as there is a substantial risk of loss, and losses in excess of an initial investment may occur. Past performance of an investment is no guarantee for its future performance. Additional information will be made available upon request. Some investments may be subject to sudden and large falls in value and on realization you may receive back less than you invested or may be required to pay more. Changes in foreign exchange rates may have an adverse

effect on the price, value or income of an investment. The analyst(s) responsible for the preparation of this report may interact with trading desk personnel, sales personnel and other constituencies for the purpose of gathering, synthesizing and interpreting market information.

Different areas, groups, and personnel within UBS Group may produce and distribute separate research products **independently of each other**. For example, research publications from **CIO** are produced by UBS Global Wealth Management. **UBS Global Research** is produced by UBS Investment Bank. **Research methodologies and rating systems of each separate research organization may differ**, for example, in terms of investment recommendations, investment horizon, model assumptions, and valuation methods. As a consequence, except for certain economic forecasts (for which UBS CIO and UBS Global Research may collaborate), investment recommendations, ratings, price targets, and valuations provided by each of the separate research organizations may be different, or inconsistent. You should refer to each relevant research product for the details as to their methodologies and rating system. Not all clients may have access to all products from every organization. Each research product is subject to the policies and procedures of the organization that produces it.

The compensation of the analyst(s) who prepared this report is determined exclusively by research management and senior management (not including investment banking). Analyst compensation is not based on investment banking, sales and trading or principal trading revenues, however, compensation may relate to the revenues of UBS Group as a whole, of which investment banking, sales and trading and principal trading are a part.

Tax treatment depends on the individual circumstances and may be subject to change in the future. UBS does not provide legal or tax advice and makes no representations as to the tax treatment of assets or the investment returns thereon both in general or with reference to specific client's circumstances and needs. We are of necessity unable to take into account the particular investment objectives, financial situation and needs of our individual clients and we would recommend that you take financial and/or tax advice as to the implications (including tax) of investing in any of the products mentioned herein.

This material may not be reproduced or copies circulated without prior authority of UBS. Unless otherwise agreed in writing UBS expressly prohibits the distribution and transfer of this material to third parties for any reason. UBS accepts no liability whatsoever for any claims or lawsuits from any third parties arising from the use or distribution of this material. This report is for distribution only under such circumstances as may be permitted by applicable law. For information on the ways in which CIO manages conflicts and maintains independence of its investment views and publication offering, and research and rating methodologies, please visit www.ubs.com/research-methodology. Additional information on the relevant authors of this publication and other CIO publication(s) referenced in this report; and copies of any past reports on this topic; are available upon request from your client advisor.

Important Information About Sustainable Investing Strategies: Sustainable investing strategies aim to consider and incorporate environmental, social and governance (ESG) factors into investment process and portfolio construction. Strategies across geographies approach ESG analysis and incorporate the findings in a variety of ways. Incorporating ESG factors or Sustainable Investing considerations may inhibit UBS's ability to participate in or to advise on certain investment opportunities that otherwise would be consistent with the Client's investment objectives. The returns on a portfolio incorporating ESG factors or Sustainable Investing considerations may be lower or higher than portfolios where ESG factors, exclusions, or other sustainability issues are not considered by UBS, and the investment opportunities available to such portfolios may differ.

External Asset Managers / External Financial Consultants: In case this research or publication is provided to an External Asset Manager or an External Financial Consultant, UBS expressly prohibits that it is redistributed by the External Asset Manager or the External Financial Consultant and is made available to their clients and/or third parties.

USA: Distributed to US persons only by UBS Financial Services Inc. or UBS Securities LLC, subsidiaries of UBS AG. UBS Switzerland AG, UBS Europe SE, UBS Bank, S.A., UBS Brasil Administradora de Valores Mobiliarios Ltda, UBS (Brasil) Corretora de Valores S.A., UBS Asesores Mexico, S.A. de C.V., UBS SuMi TRUST Wealth Management Co., Ltd., UBS Wealth Management Israel Ltd and UBS Menkul Degerler AS are affiliates of UBS AG. **UBS Financial Services Inc. accepts responsibility for the content of a report prepared by a non-US affiliate when it distributes reports to US persons. All transactions by a US person in the securities mentioned in this report should be effected through a US-registered broker dealer affiliated with UBS, and not through a non-US affiliate. The contents of this report have not been and will not be approved by any securities or investment authority in the United States or elsewhere. UBS Financial Services Inc. is not acting as a municipal advisor to any municipal entity or obligated person within the meaning of Section 15B of the Securities Exchange Act (the "Municipal Advisor Rule") and the opinions or views contained herein are not intended to be, and do not constitute, advice within the meaning of the Municipal Advisor Rule.**

For country information, please visit ubs.com/cio-country-disclaimer-gr or ask your client advisor for the full disclaimer.

Additional Disclaimer relevant to Credit Suisse Wealth Management

You receive this document in your capacity as a client of Credit Suisse Wealth Management. Your personal data will be processed in accordance with the Credit Suisse privacy statement accessible at your domicile through the official Credit Suisse website. In order to provide you with marketing materials concerning our products and services, UBS Group AG and its subsidiaries may process your basic personal data (i.e. contact details such as name, e-mail address) until you notify us that you no longer wish to receive them. You can optout from receiving these materials at any time by informing your Relationship Manager.

Except as otherwise specified herein and/or depending on the local Credit Suisse entity from which you are receiving this report, this report is distributed by UBS Switzerland AG, authorised and regulated by the Swiss Financial Market Supervisory Authority (FINMA).

Version C/2025. CIO82652744

© UBS 2025. The key symbol and UBS are among the registered and unregistered trademarks of UBS. All rights reserved.

