UBS Global Asset Management

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Equity Market Volatility
A passing storm … or climate change?

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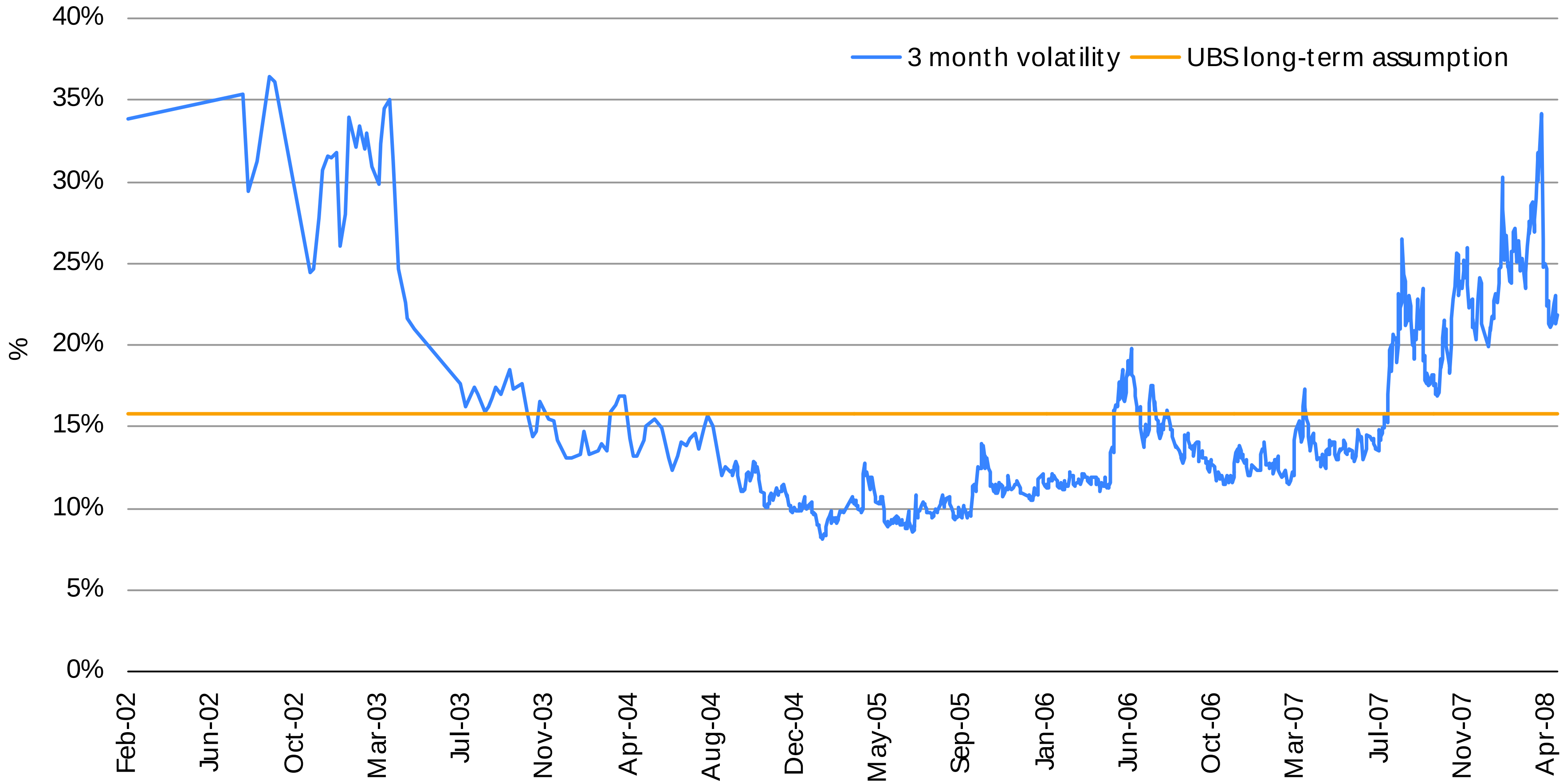
Into the storm

- Prolonged period of calm has come to an end
- Less stable economic environment is reflected in less stable market environment
- So what is ‘normality’?

Short-term volatility has picked up

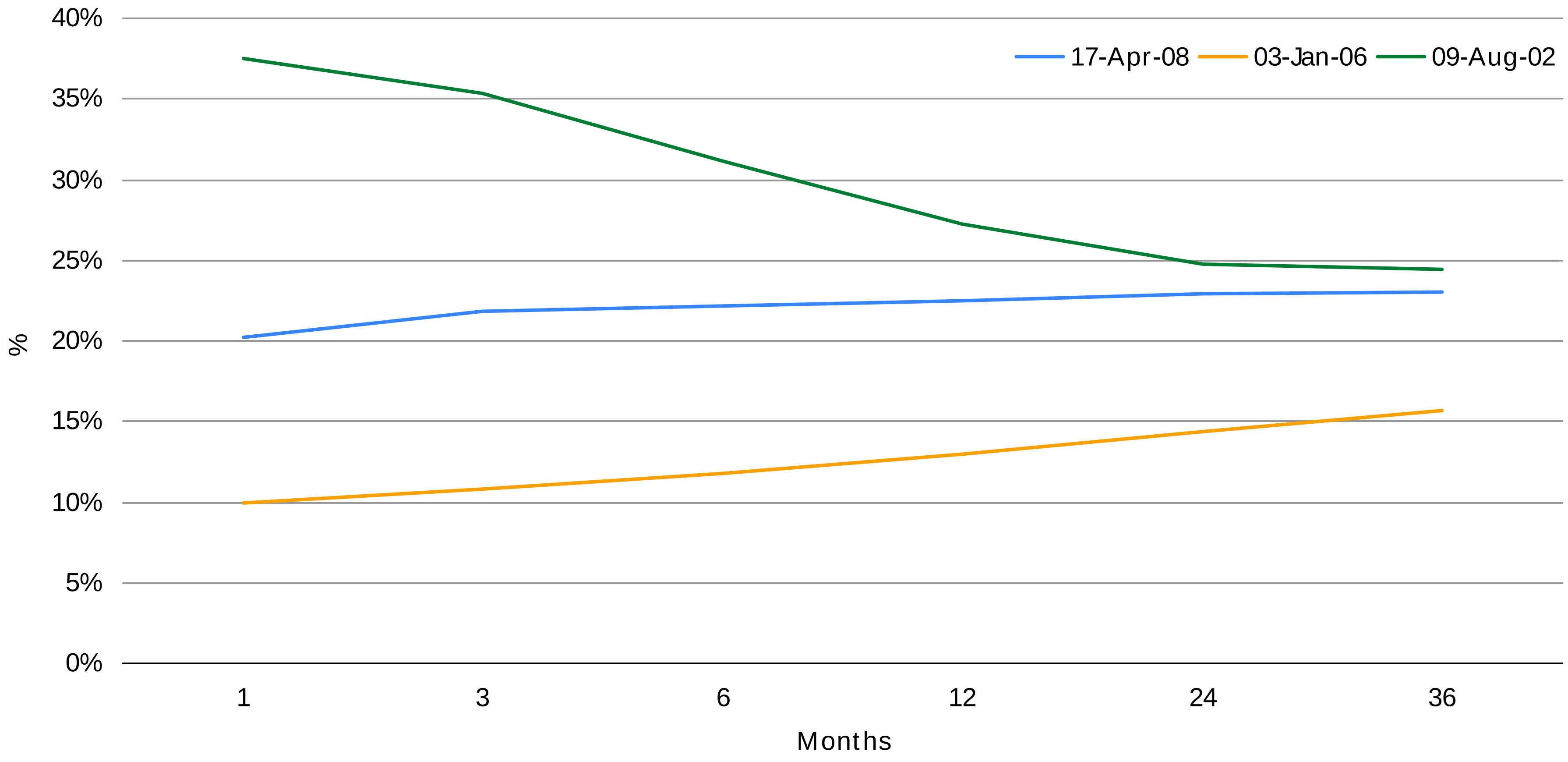
UK market



Source: UBS Global Asset Management

Long-term volatility has also picked up

UK market – volatility curve



Source: UBS Global Asset Management

Why own equities?

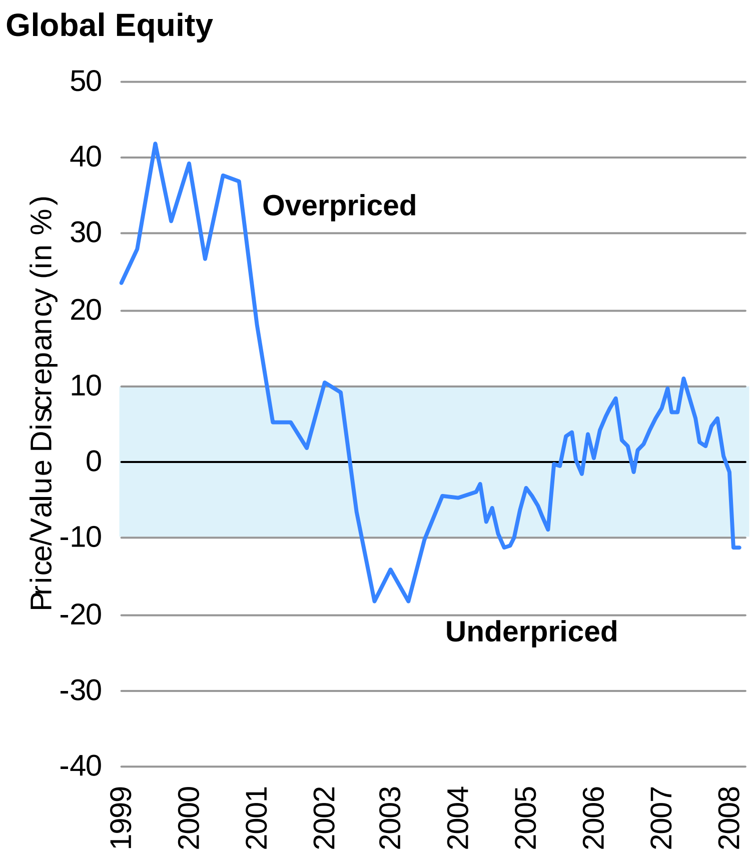
You are paid to take the risk

Strategic view

- Expected trend real return of 5.7% p.a.
- Expected long-term volatility of 15.8%
- Implied sharpe ratio of 0.2

Source: UBS Global Asset Management proprietary valuation model

Tactical view



Source: UBS Global Asset Management proprietary valuation model

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