

Asset Spotlight

Equities

27 February 2026

Don't wait, get started: why you should invest now

There has been an increasing number of reports in recent weeks that various indices have reached new record highs. Swiss equities, US equities, the gold price, the silver price... the list goes on and on. Given this situation, does it make any sense to invest at the moment? Or should we be waiting for the next correction to get in at lower prices? We explain why now is still a good time to invest.

New records are nothing out of the ordinary

Various equity market indices have reached new record highs in the past few months. Does that mean that this is a bad time to invest? To answer this question, you have to understand what constitutes the return of a stock (or an equity index). The expected return on a stock can be broken down into different components: dividend yield, nominal earnings growth and changes in valuation.

Did you know?

Regret aversion bias describes the phenomenon of investors tending to avoid taking decisions for fear of a negative outcome. Regret aversion has two dimensions to it: actions investors take, and those they could have taken. Regret is stronger when unfavourable consequences are the result of an action taken than when they are the result of one that was not taken. So doing nothing becomes the default decision. This can lead to a portfolio being too conservative compared to the risk profile. Investors may want to avoid regretting a supposedly "bad" investment decision and opt for low-risk instruments. This behaviour can lead to underperformance and failure to meet investment objectives.

If the expected return (i.e. the sum of these components) of a stock is not significantly higher than the risk-free return, rational investors are unwilling to invest their capital in the equity market. After all, they want to be adequately compensated for the risk they incur. The three-month money market rate, which is currently around zero in Swiss francs, is often used as an indicator of the risk-free return.

The circumstances described mean the trend in equity indices is inevitably positive. However, financial markets do not move in a straight line; they go in cycles. Hence despite this positive trend, there will always be phases of the market when it corrects. These can go on for months, or even years. However, it is important for investors to be aware that the average expected market return is positive. This inevitably means that equity indices will repeatedly hit new highs, even if the path to these new highs is at times volatile and calls for some strong nerves. But seen in this light new records are nothing unusual, not a warning sign. Anyone who fundamentally wants to hold an equity component in line with their investment strategy should not be put off by short-term market movements. What matters in the long term is to set the appropriate investment strategy and stick to it, unless there is a significant change in personal circumstances.



“When you are investing it is essential to make rational, fact-based decisions. Emotional investment decisions often lead to suboptimal investment results.”

Mario Christen, Investment Advisor

Patience pays off – but who for?

Patience pays off when it comes to investing. But that doesn't mean that you should wait patiently for the next market correction to be able to buy securities at lower prices – because no one can reliably predict the future. It is quite possible that you will miss out on some further upward performance as you wait for the next market correction. Patience when investing means making a conscious decision to invest your assets based on your personal investment strategy and then patiently waiting for your invested capital to increase. In the previous section we talked a lot about the average expected return. Unfortunately, investors don't receive this average expected return every year, like when a bond pays interest. Some years can be significantly better; others significantly worse. Since we do not have a magic crystal ball that can reliably tell us which years will be the better ones and which the worse, it is advisable to put up with both the good and the bad phases. If you miss both phases, you spare yourself the turbulent downturns, but you expose your assets to loss of purchasing power due to inflation, as you also miss out on the upturns.

Buy high, sell high?

One of the best-known pearls of stock market wisdom is “buy low, sell high”. In other words, buy stocks at low prices and sell them at high prices. But who ultimately determines what a high price or a low price is? Is it done based on valuation metrics like the price/earnings ratio (P/E)? Or is it all about market indices and the levels they stand at? In our view, these sort of simplified approaches are inadequate. A high price/earnings ratio on a stock (or even an entire sector or region) may be justified if earnings growth is expected to be sustainably above average. And, as already mentioned, new record highs are perfectly normal if we expect long-term equity market returns to be positive.

Let's take a look at the Swiss equity market over the past 37 years: during this period, a total of 708 new records were reached on an end-of-day basis (Figure 1). As the chart shows, new highs often follow closely one after the other. What the chart also shows is that a period of many highs is often followed by a correction. In hindsight, it's easy to say when you should have bought and when you should have sold. But when you are in the present, it is almost impossible to predict what will happen in the immediate future. To illustrate, we would like to highlight one period: the bull market, which began in 1995. Up until mid-1998 the index continued to set new records, more than doubling during this period. However, if you had decided to sell in 1996 because the market was at a record level, you would have missed out on most of the upward performance. In fairness, it has to be said that you would also have missed

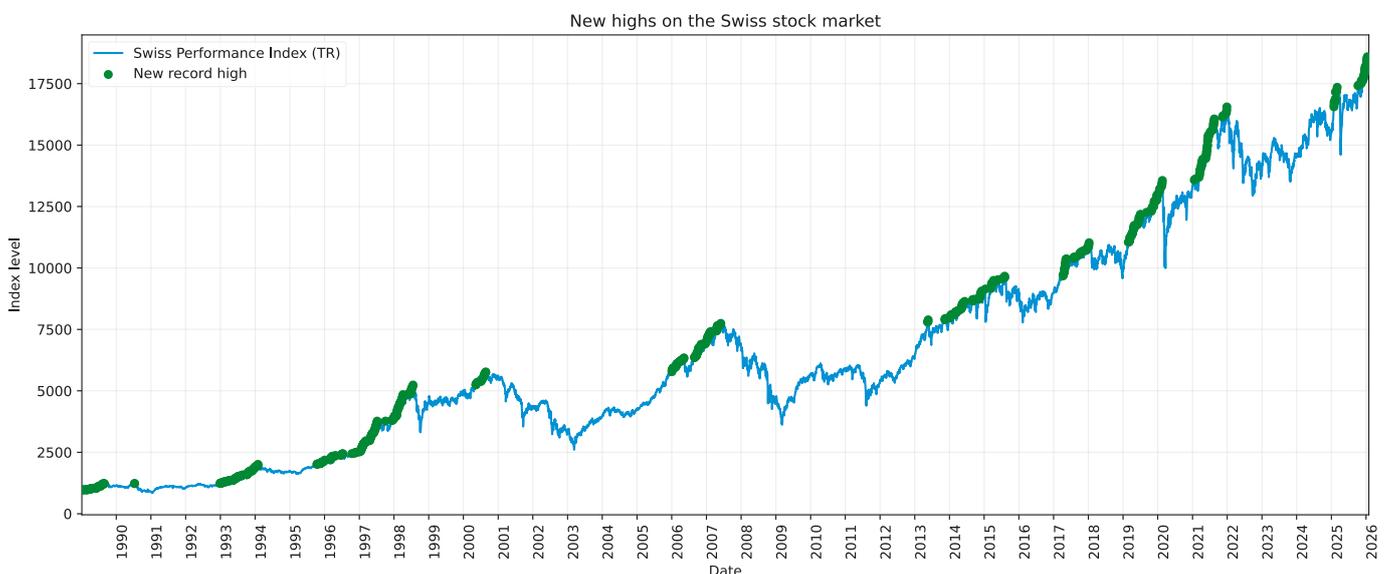


Figure 1: ZugerKB, Bloomberg LP./DL

out on the loss phase that took place between 2001 and 2003. By 2006, however, a new record level had been reached again. Investing requires patience – and this is usually rewarded.

We also analysed what would have happened if investors had invested at each of the highs shown above and held the investments for one, three, five and ten years. A clear picture emerges: the longer the holding period, the more likely the performance achieved will be positive (Figure 2). Any one who invested at each peak would have achieved an average geometric annual return of +7.6 percent ten years after the investment date. In addition, the spread of returns achieved is reduced over a longer investment horizon.

Distribution of monthly returns

Figure 3 shows the distribution of monthly returns on the Swiss equity market. Monthly returns of between 2 and 3 percent were the most frequently achieved during the observation period, followed by monthly returns of between 1 and 2 percent and 3 and 4 percent respectively. The arithmetic mean monthly return was 0.75 percent, and the median monthly return was 1.28 percent. The majority of monthly returns (62%) are in positive territory – outliers are predominantly in negative territory. When investing, it is important not to miss all the positive months for fear of these negative outlier months. The next correction is guaranteed to come. But it is not possible to say with certainty when it will occur. What can be said with a high degree of probability is that historically, it has paid off to remain invested for the long term – over longer periods, the positive months have generally more than offset the negative ones.

Did you know?

Worrying about disasters entails inherent opportunity costs. The real damage caused by fear of a crash does not occur during the crash itself, but in the calm years when frightened investors are sitting on the sidelines. Even professional investors find it difficult to identify the right time for such events. Studies of fund managers' behaviour show that they tend to reduce their equity exposure precisely when markets offer the best long-term opportunities. In March 2009, when practically all asset classes were trading at multi-generational discounts, the average equity fund held just 65 percent in equities. The compound interest effect exacerbates the opportunity loss cautious investors are exposed to by waiting on the sidelines.

The financial industry has countless prophets of doom seeking attention by constantly sensing the next "inevitable" market collapse at every opportunity. A common joke in the industry is that the average prophet of doom has successfully anticipated eleven of the last two crises. At some point, a stock market correction will occur again – but no one can say with certainty when exactly. It is equally possible that solid returns can still be achieved on the way to the next crash. And it is not impossible that equity indices will be higher than they are today even after the next crash.

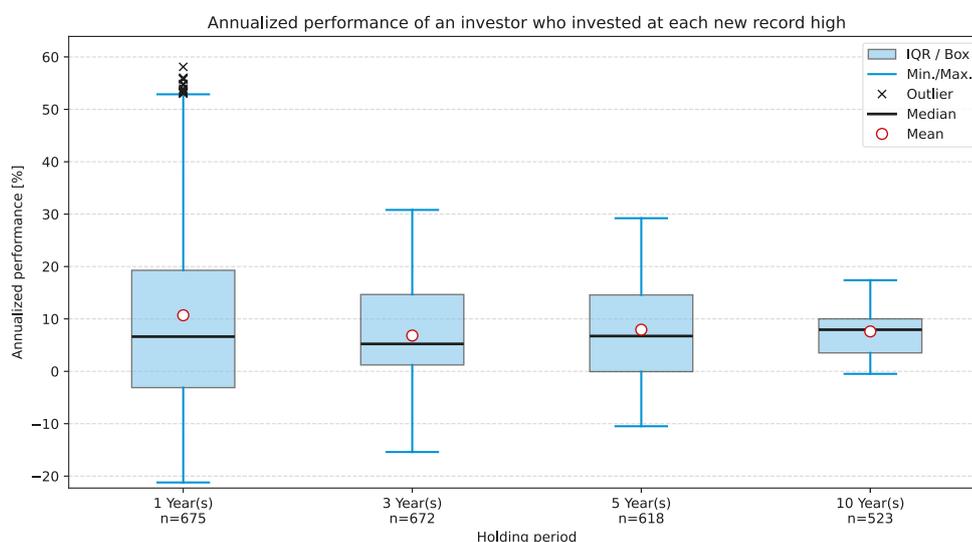


Figure 2: ZugerKB, Bloomberg L.P./DL

It is important for investors to be aware that you should only invest in equities if you do not need the capital in the next few years. If you have to take it out at the wrong time, you may realise a loss. If, on the other hand, the capital remains invested and the market is given sufficient time to increase it, the probability of a positive return in the end increases.

Invest in stages or all at once?

In the financial sector we often hear about the “cost-average effect”. The idea behind it is this: if you invest regularly you buy fewer units when prices are high and more when prices are low – which can improve the average cost price. This makes intuitive sense: for example, assume someone invests CHF 1,000 in a stock every month; they buy two shares when the price is CHF 500 and five when it is CHF 200. In total, they buy seven shares for CHF 2,000 – the average purchase price is around CHF 286. If they were to buy a fixed number of shares instead (e.g. two per month), the average cost price in the same example would be CHF 350.

For people who are already investing part of their income on an ongoing basis, this approach makes perfect sense. However, if the amount to be invested is already fully available, many studies show that, on average, a one-time investment performs better than buying in stages. The reason is simple: the expected equity market return is positive over the long term. The portion of the assets that has not yet been invested in the staggered phase generates a lower return (in terms of expected value) – this opportunity loss is often greater than the potential benefit of a lower average price.



“If you want to invest your money, you shouldn’t wait until the next market correction. There is a risk of missing out on returns in an upward market as a result.”

Mario Christen, Investment Advisor

We have done the sums on this experiment for the Swiss equity market. We use two fictitious investors. Investor A invests CHF 12,000 annually on the first trading day of each year. Investor B invests CHF 1,000 monthly on the first trading day of each month. Both start in early 1989 and invest until the end of 2025 – an investment horizon of 37 years. The amount invested annually for both is CHF 12,000, the only difference being the payment frequency. Figure 4 portrays the experiment described.

First of all: both investors made a lot of money. In total, they invested CHF 440,000 each; the final sum in both cases is more than CHF 2 million. And this despite the bursting of the dotcom bubble around the turn of the millennium, despite the financial crisis of 2008 and despite the crisis year of 2022, with high rates of inflation all over the world. This underlines how important it is to be invested in the first place – and to remain invested. If we look at the

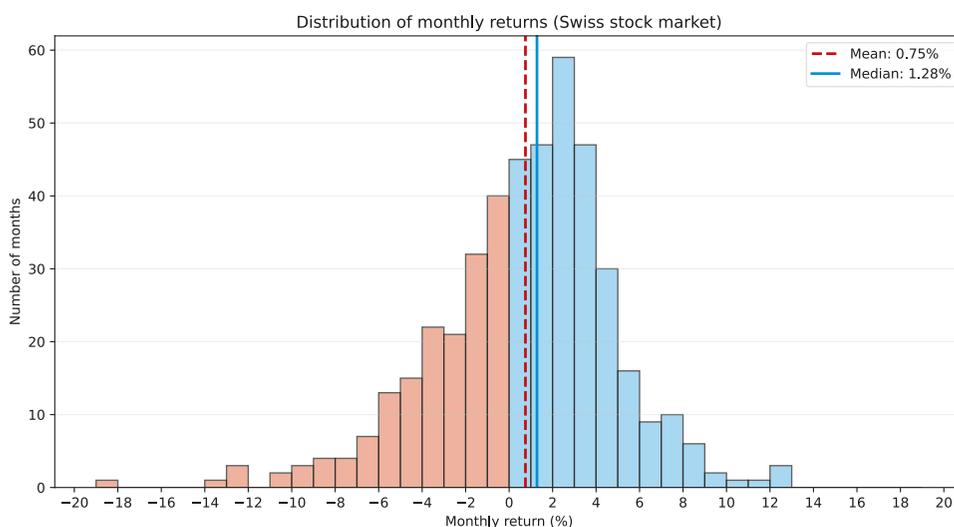


Figure 3: ZugerKB, Bloomberg LP/DL

difference in assets between the two investors (the light blue area, right-hand scale), the picture is clear: investor A, who made a one-off investment at the start of each year, has around CHF 115,000 more net worth at the end of the entire investment period than Investor B, who invested monthly. It is striking that although the difference narrows in negative market phases – such as between 2001 and 2003 or in 2022 – because the cost-average effect is more pronounced here, the long-term trend clearly points in one direction. The compound interest effect further reinforces this effect: the longer the observation period, the greater the absolute difference between the two investment approaches.

What does this mean for investors?

What we have said on the previous pages can be summarised as follows: set a suitable investment strategy, invest according to that strategy and stay invested. New records are nothing investors need to fear. On the contrary: a healthy equity market will inevitably reach new highs again and again.

Opportunity losses caused by waiting are often more important in the long term than temporary losses during a market correction. The path to achieving this can be volatile at times – but as long as the right course has been set at the outset, investors should not be deterred.

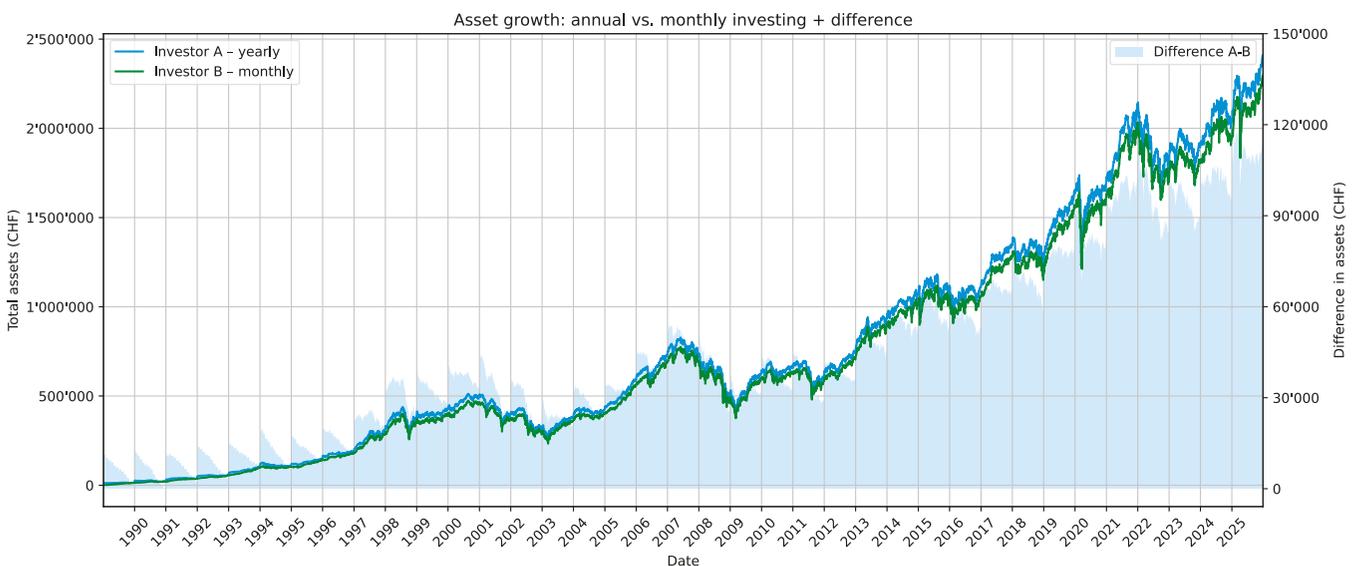


Figure 4: ZugerKB, Bloomberg L.P./DL

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