

AI, volatility and the case for long-term investing

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In recent months, investors have faced a wave of headlines warning of potential market corrections, the bursting of an AI bubble, and rising global uncertainty.

With President Trump's announcement of 100% tariffs on Chinese imports effective November 1, concerns about inflation, supply chain disruption and geopolitical tensions have intensified. For many, these stories raise the question: is now the time to pull back or should you stay invested?

While market corrections are a fact of life, no one can predict exactly when they will happen or what will trigger them. At Aberdeen, we believe that while short-term volatility is inevitable, long-term investing remains one of the most powerful tools for building and preserving wealth. In this article, we will explore what is driving current market movements and why staying the course is often the wisest decision.

What is driving market volatility?

Markets have always moved in cycles, and the current environment is no exception. There are a number of factors contributing to recent fluctuations:

- **Valuation pressures in high-growth sectors:** Technology and AI-related stocks have seen elevated valuations, leading to increased scrutiny.
- **Tariff shocks and trade tensions:** The latest tariff on Chinese goods has rattled global markets, raising concerns of stagflation and disrupted supply chains.
- **Interest rate uncertainty:** Central banks continue to balance controlling inflation against economic growth, adding complexity to investment decisions.
- **Geopolitical tensions and global elections:** From trade wars to leadership transitions, political developments are adding layers of unpredictability.

While these can create short-term noise, they do not change the fundamentals of long-term investing.

Is the AI boom a bubble?

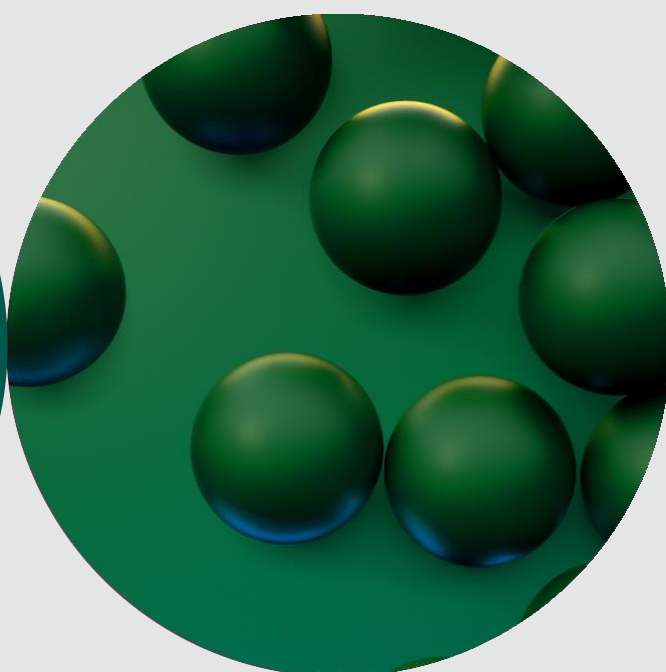
Artificial intelligence (AI) is reshaping industries. From healthcare and finance to customer service and logistics, the pace of innovation is remarkable, and investor enthusiasm has followed suit.

Some analysts have made comparisons to the dot com bubble of the early 2000s. Back then, speculative investments in internet companies with little to no earnings, high levels of debt, and valuations driven by sentiment, led to a dramatic market crash.

While today some AI firms may appear highly valued by traditional metrics, it's worth questioning whether those models remain relevant in a world where technology is not only real but deeply embedded in business operations. Unlike in the early 2000s, the AI landscape in 2025 is underpinned by transformative, revenue-generating technologies.

Another key distinction is that today's tech giants, such as Nvidia and Microsoft, are profitable, cash-rich, and drive real productivity gains through AI. The major AI companies across the globe have earnings to justify their valuations, and the broader market is maturing, with corrections helping to distinguish between hype and substance.

At Aberdeen, our investment approach focuses on fundamentals, diversification, and long-term value. Our range of MPS portfolios are designed to avoid concentration risk and ensure that exposure to emerging themes, such as AI, is balanced with broader market resilience.



The power of long-term investing

When markets wobble, it is tempting to react emotionally. However, history consistently shows that time in the market is far more effective than trying to time the market.

Missing just a handful of the best performing days in a volatile year can significantly reduce overall returns. Staying invested through the ups and downs allows portfolios to benefit from recovery periods and the power of compounding growth.

Long-term investing also helps smooth out short-term volatility. Diversified portfolios, such as Aberdeen's range of MPS solutions, are designed to provide resilience in an ever-changing world.

Looking ahead

Market volatility, AI hype, and global uncertainty may dominate the headlines, however, they do not have to dominate investment decisions. By focusing on long-term goals, maintaining diversification, and trusting in a robust investment process, we can help you navigate uncertainty with confidence.

At Aberdeen, we are here to support you every step of the way. Our range of MPS solutions are built to help you stay invested, stay informed, and stay focused, no matter what the markets are doing.



Important Information

Past performance does not predict future returns. The value of investments, and the income from them, can go down as well as up and clients may get back less than the amount invested.

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