



Investment Guide

The Harvest of Discipline

CIO House View
DECEMBER 2025



The Harvest of Discipline

The United States has just celebrated Thanksgiving, a moment to reflect on tradition and on the value of disciplined effort. What began centuries ago as a celebration of a hard-earned harvest still conveys a timeless message: persistence creates meaningful rewards despite uncertainty. Farmers tend to their fields with care, adapt to changing conditions, and accept the inherent risks of nature. They know that no season is guaranteed, yet they plant, tend to, and cultivate their crops with conviction. When the harvest finally arrives, it reflects not luck, but the culmination of thoughtful planning and steadfast commitment, despite all the variables beyond control.

Investors can relate to that sense of harvesting after a demanding season. In 2025, financial markets have delivered solid returns across asset classes, despite uncertainties. Like farming, investing involves risk. Just as a sudden change in weather tests even experienced farmers, financial markets have faced their own worries. The rapid acceleration of AI-related themes is creating remarkable opportunities but also fueling concerns about elevated valuations and concentrated market leadership. Above all, the course of US monetary policy continues to shape market sentiment much like climate influences expectations in agriculture.

The parallels between farming and investing are striking: both require patience, preparation, and discipline, especially when progress is not immediately apparent. Success comes from a steady process rather than reacting to every shift in conditions. In the spirit of Thanksgiving and its original roots, the message for investors seems straightforward. Despite ongoing risks, maintaining discipline and staying committed to a long-term strategy remains prudent, just as farmers place their trust in the fields they cultivate.

Enjoy the read.

Best regards,



Gzim Hasani

CEO



Bekim Laski, CFA

Chief Investment Officer

Global Economy

- Despite elevated uncertainties, global growth is expected to stay positive in 2026 and beyond.
- The outcome of the US Federal Reserve meeting in December has become a close call.
- The Swiss economy contracted in the third quarter but is set for a rebound.

US Fed: December cut or pause?

The fact that the global economy has shown unexpected resilience this year despite persistent headwinds has been widely telegraphed. Robust household demand, fiscal support in advanced economies, and surging investments in artificial intelligence infrastructure have offset the drag from trade frictions, softer manufacturing, and ongoing geopolitical tensions.

The latest US macroeconomic data releases have been significantly delayed due to the longest government shutdown in history, which lasted 43 days. Despite these delays, the long-awaited September labor market report showed a stronger-than-expected rebound, with 119,000 jobs added compared to economists' forecasts of 53,000. This followed a notably volatile trend of job creation, which saw declines in June and August but gains in July and September. Meanwhile, the unemployment rate edged up to 4.4% from 4.3%.

Investors and Fed policymakers reacted cautiously to the mixed signals. The solid payroll growth throws into question whether the Fed will proceed with a third rate cut in December. While job creation data point to a stabilization in the labor market and may argue against cutting rates, the rising unemployment rate and broader economic uncertainties suggest the Fed may still consider easing monetary policy.

Given the delayed and backward-looking nature of the data, consensus expects the Fed to take a forward-looking approach in its December meeting, especially with an impending

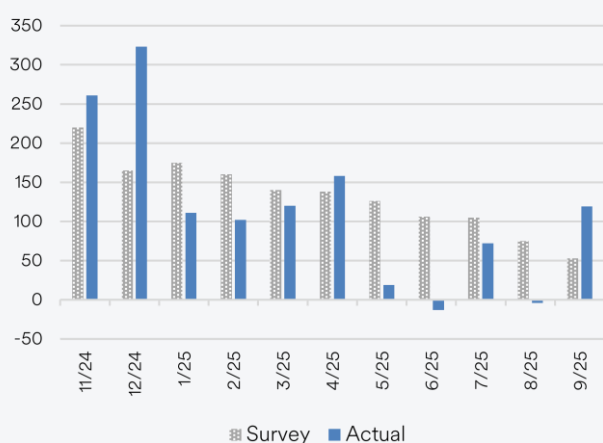
change in Fed leadership in spring 2026, potentially signaling continued rate cuts into 2026.

Swiss economy contracted in the third quarter

The Swiss economy contracted by 0.5% quarter-on-quarter in Q3 2025, mainly due to significant declines in the chemical and pharmaceutical sector as well as weaker industrial output, despite moderate growth in services. This contraction was largely due to the high US tariffs of 39% imposed in August 2025, which strained export sectors. However, the recent agreement with the US over lower tariffs is anticipated to support a rebound in Swiss GDP growth in the coming quarters, with growth estimates now above 1% for 2026 based on the KOF Swiss Economic Institute's revised forecasts. The trade deal thus marks a positive turning point for Switzerland's export-driven economy.

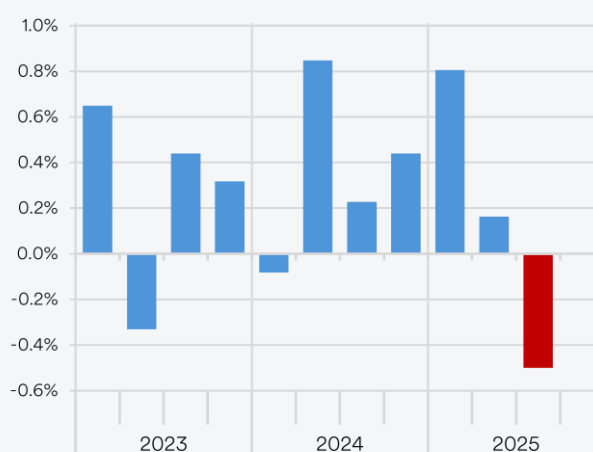
The combination of lower tariffs and improved predictability is likely to support Switzerland's economic development more strongly than generally feared a few months ago. For monetary policy of the Swiss National Bank (SNB), this may imply a reassessment: expectations of further interest rate cuts could be pushed farther out. A more resilient economy reduces pressure on the SNB to lower rates further.

Fig. 1: US employment growth
Change in non-farm payrolls compared to median estimates



Source: Bureau of Labor Statistics, Bloomberg, smzh ag, 24/11/2025

Fig. 2: Swiss GDP growth (month-on-month, in %)
Adjusted for seasonality and sporting events



Source: SECO, smzh ag, 17/11/2025

Fixed Income

- The fundamentals for higher quality bonds remain solid, as no significant deterioration in credit quality is expected.
- Emerging market bonds still offer reasonable total return opportunities despite low credit spreads.
- Private equity and real estate offer more attractive yield alternatives than private credit.

All on eyes on the US Fed

Fixed income markets showed a muted performance in November as yields on government bond benchmark indices retreated modestly from recent lows. The increased volatility and uncertainty stemmed from doubts about the future pace of interest rate reductions by the US Fed as expectations of further cuts in December have become more uncertain due to resilient labor market data and persistent inflation. Still, year-to-date gains across fixed income segments remain strong.

The minutes of the latest Fed meeting in October revealed that the committee remains divided on the appropriate path for monetary policy. Members acknowledged uncertainties in the economic outlook, with inflation remaining above target, and lack of official economic data due to the government shut-down. The minutes emphasized mixed views on December's policy decision: while most participants were in favor of easing policy further over time, several expressed hesitations about cutting rates in December, preferring to wait for clearer economic signals. The labor market was generally viewed as softening modestly but not deteriorating sharply. Inflation expectations are considered well-anchored, though risks remain due to tariffs and cost pressures. Overall, the minutes suggest a cautious approach, with policy decisions highly dependent on upcoming economic data, particularly employment.

In the absence of official economic data releases, alternative data sources generally suggest that the labor market has continued to cool. Consequently, it seems reasonable to expect the Fed to proceed with further monetary easing in December

and into 2026. This environment should continue to support solid returns in higher-quality fixed income investments.

Having said that, credit spreads remain historically tight, suggesting that valuations are no longer cheap and may face widening risks ahead. However, strong investor demand, solid corporate balance sheets, and relatively limited new debt issuance continue to make credit sectors attractive sources of income for portfolios. As long as there is no major economic downturn, overall default rates are expected to stay moderate.

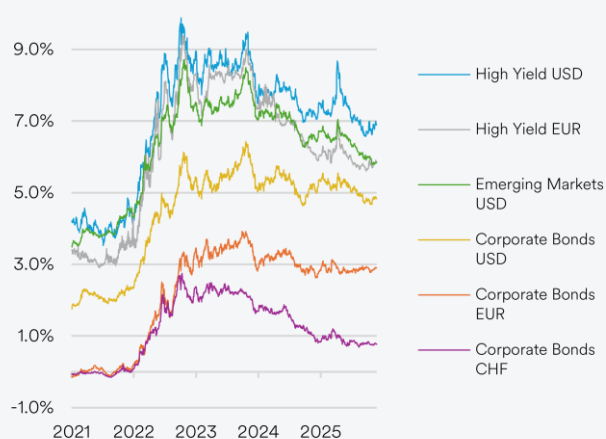
Emerging market debt continues to outperform, particularly local currency bonds, supported by high income, stable inflation, and strong currencies as investors increasingly diversify away from the US dollar.

Limited options for Swiss investors amid low CHF yields

For low-interest-rate regions such as Switzerland, government bonds look unattractive. For Swiss investors, a combination of investment-grade bonds, high-quality high-yield bonds, and selected emerging market bonds remains attractive despite elevated currency hedging costs of around 4.1% and 2.2% for USD/CHF and EUR/CHF, respectively.

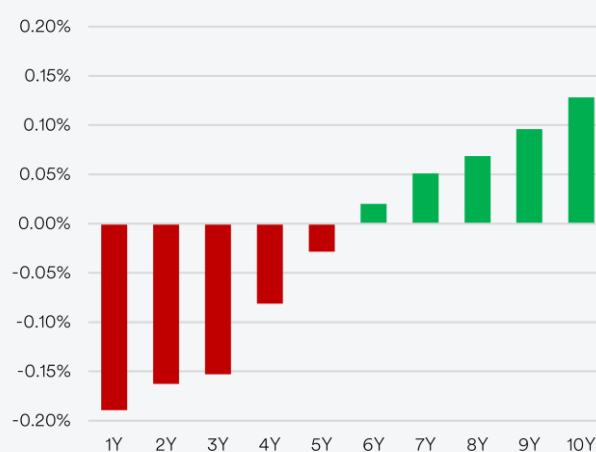
For investors who can tolerate illiquidity risks, alternative opportunities in real estate and other non-correlating asset classes remain attractive.

Fig. 3: Current yields in selected bond markets
Yield-to-worst in %



Source: Bloomberg, smzh ag, 25/11/2025
Past performance is no indication of future results.

Fig. 4: Yields on Swiss government bonds 1-10 years
Current yields for maturities of up to 5 years are negative



Source: Bloomberg, smzh ag, 25/11/2025
Past performance is no indication of future results.

Special Topic: Emerging Market Debt

- Emerging market bonds offer CHF investors above-average current returns and enhance portfolio diversification.
- They carry credit, political, liquidity, and currency risks but can be mitigated through broad diversification.

An attractive portfolio addition for CHF portfolios

Despite persistently low yields on CHF bonds, the need for stable, recurring income remains high among investors. In this environment, emerging market debt (EMD) can offer an attractive combination of above-average yields and diversification benefits.

What is emerging market debt?

Emerging market debt consists of three main segments: sovereign bonds in hard currencies such as USD or EUR; sovereign bonds in local currencies that provide direct access to local interest rates and currencies; and corporate bonds in hard currencies.

Understanding and managing risks professionally

The higher yields of emerging market bonds reflect classic risk factors: credit, political, liquidity, and currency risks tend to be more significant than in developed markets. While the average default rates on emerging market bonds are similar to those in developed markets, they show greater dispersion and more pronounced spikes in periods of market stress. For CHF investors, these risks also represent opportunities: a structural yield premium over domestic bonds and a much broader macro-economic diversification.

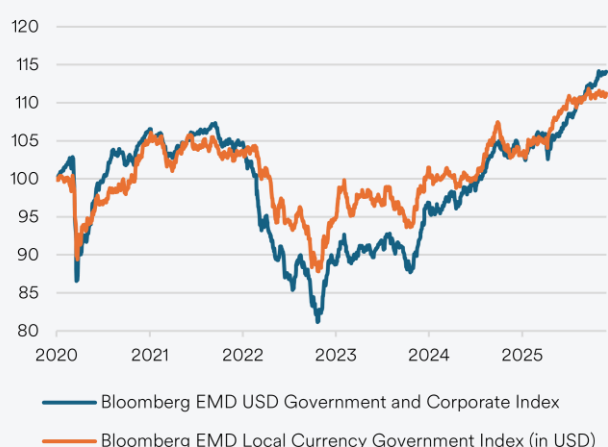
How should Swiss investors invest?

For CHF portfolios, broad-based fund or ETF solutions with CHF hedging are recommended to limit USD currency risks and reduce return volatility. While hedging costs for USD investments currently stand at around 4.1% annualized, hedging often remains advisable as it significantly dampens volatility and currency risk.

Emerging market bonds have already delivered very strong returns in 2025, outperforming developed market peers by a wide margin. The economic backdrop in many emerging markets remains robust, while a weaker US dollar and further interest rate cuts by the US Fed are lowering refinancing costs for emerging markets, increasing demand for their debt instruments. Even though much of the spread tightening has already taken place, total return potential compared to developed markets remains attractive.

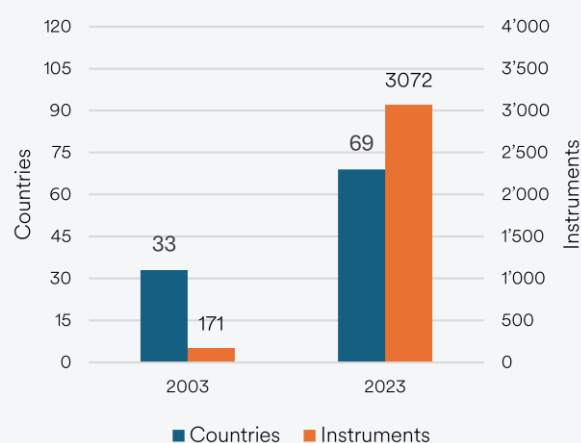
In an environment of persistently low CHF yields, emerging market bonds therefore play an increasingly important role as a source of income and diversification. This requires a disciplined, broadly diversified, and ideally currency-hedged investment approach. For Swiss investors, EMD thus creates an attractive opportunity to sustainably improve the risk-return profile of portfolios.

Fig. 5: Performance of EMD over the years
Indexed at 100 as of 1.1.2020



Source: Bloomberg, smzh ag. 25/11/2025
Past performance is no indication of future results.

Fig. 6: Rapid evolution of investable universe
Growth in investable countries and instruments



Source: J.P. Morgan, PIMCO, smzh ag. 31/12/2023
Past performance is no indication of future results.

Equities

- In most regions, equity market valuations are no longer cheap. Diversification away from the AI theme looks prudent.
- Tailwinds for European and emerging market equities remain intact despite ongoing challenges from US trade policies.
- Swiss equities provide stability but lag global peers due to low exposure in the IT sector. Income strategies like defensive dividends look particularly attractive.

Fed policy and the AI theme dominate

Solid corporate earnings and the anticipation of interest rate cuts by the US Fed have supported global equity markets in recent months, even during the record-lasting US government shutdown that delayed key economic data releases. However, in November, valuation concerns and investor fears that the Fed may pause its rate-cutting cycle in December weighed on equity market performance, contributing to renewed volatility and causing the major indices to retreat, with Switzerland the notable exception.

Still, this softness can also be viewed as a healthy consolidation rather than the beginning of a downturn given that the underlying trends and strengths of the equity market remain intact. First, the macroeconomic environment remains supportive as tariff risks recede, and economic growth is set to stay solid going into 2026. While there are concerns around the labor market, consumption remains resilient and fiscal stimulus is anticipated in both the US and Europe next year. Whether the US Fed is going to pause in December or not, prospects of further rate cuts in 2026 remain intact and should support both economic growth as well as corporate earnings. The reporting season for the third quarter has delivered healthy results, with companies in both the US and Europe beating consensus expectations. Even more encouragingly, earnings delivery has been continuously broadening beyond the large US technology firms.

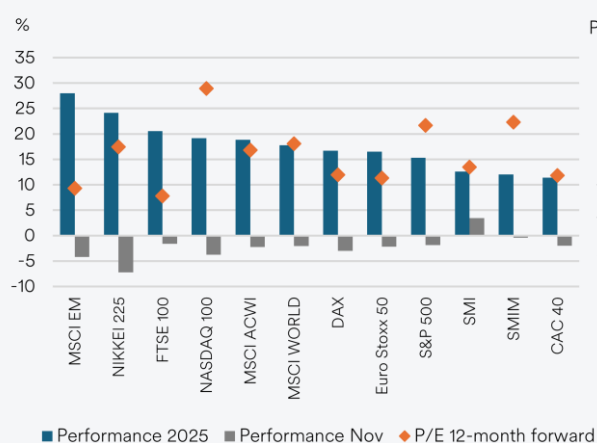
Equity market valuations remain the key concern

The strong performance so far in 2025, especially since the lows in April, has led equity markets to trade at elevated valuation levels while uncertainties persist. However, valuations are affected by several factors such as economic growth, inflation, real interest rates, payout ratios and, most importantly, earnings growth. As such, a historical comparison of valuations also requires a thorough assessment of these underlying drivers. The resilience of the global economy, stable and growing corporate earnings, supportive interest rate dynamics, and continued fiscal support all make a compelling case to stay invested despite elevated valuations and concerns about a setback. After a significant rise in equity market valuations, earnings growth is expected to be the key driver of price appreciation going forward, which should naturally limit upside in the near term.

Positioning beyond the AI mega-cap concentration

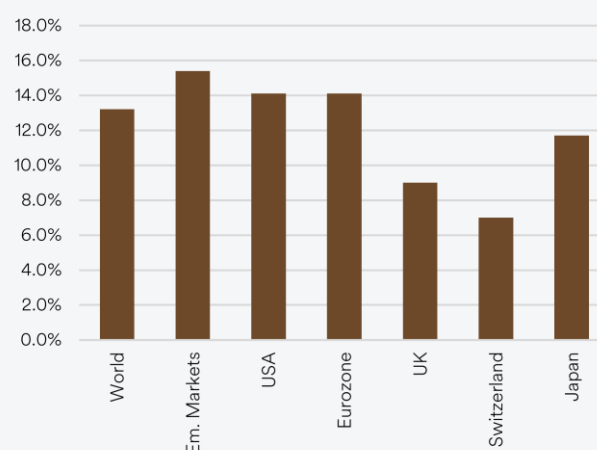
While the US market continues to serve as the global growth engine, a more valuation-aware approach appears warranted. The seven largest US companies, known as the “Magnificent Seven,” now account for around 37% of the total market capitalization of the S&P 500 index and about 22% of the global equity index MSCI ACWI. These record-high levels increase market concentration and amplify idiosyncratic risks. For growth-oriented investors, this may be an opportunity to trim exposure to the AI sector while adding diversification strategies such as equal-weighted indices, low-volatility approaches, or international exposure.

Fig. 7: Major equity markets in local currency, total return
Year-to-date returns and 12-month forward P/E ratios



Source: Bloomberg, smzh ag. 25/11/2025
Past performance is no indication of future results.

Fig. 8: Consensus earnings growth estimates for 2026
As per MSCI country indices



Source: Bloomberg, smzh ag. 25/11/2025
Past performance is no indication of future results.

Currencies and Gold

- The US dollar remains vulnerable but the need for hedging may gradually fade going into 2026.
- The Swiss franc is caught between expensive valuations and its safe-haven status.
- Gold remains an attractive portfolio diversifier.

Has the US dollar found a bottom?

The substantial weakness of the US dollar, and consequently the strength of the Swiss franc, has been a key theme in global currency markets in 2025. Since the lows in mid-September, the US dollar has stabilized but has not yet managed to recover, and its path remains fragile and uneven. Growing concerns about the US budget deficit and trade imbalances, uncertainty over who will lead the Federal Reserve after Jerome Powell's term ends in May 2026, and expectations of Fed rate cuts despite persistent inflation have been weighing on the dollar. In particular, the combination of falling nominal interest rates alongside sticky or even rising inflation would lead to declining real interest rates in the US, further diminishing the dollar's attractiveness.

A similar trajectory is likely for the Swiss franc, to some extent. Interest rates in Switzerland are expected to remain low while inflation could pick up slightly, resulting in negative real interest rates as well. While hedging USD risks has been a dominant theme in 2025, and further downward pressure on the USD cannot be excluded, the need for renewed hedging by Swiss-based investors is likely to gradually fade. This is especially true given that hedging costs for USD/CHF amount to more than 4.1% annualized, implying a break-even USD/CHF forward rate around the 0.77 level.

Gold remains an attractive portfolio diversifier

So far this year, gold has seen its best annual performance since 1979, rising more than 55% year-to-date in USD terms. While central bank purchases have moderated, inflows into physically backed gold ETFs remain elevated. After its brief but notable correction in October, the metal has rebounded and resumed its positive uptrend. The pullback was largely driven by profit-taking, reflecting a natural technical reset after such a rapid advance. This healthy consolidation may provide a foundation for further upside as underlying demand drivers persist. Central banks continue to accumulate gold, and investment demand also remains robust despite elevated prices.

Having said this, investors need to be aware that during phases of market stress, gold can also suffer sizeable declines when investors seize the opportunity to take profit or meet liquidity demand, as happened in late October. In addition, gold is also known for its volatility, lack of income generation, and mixed track record as an inflation hedge.

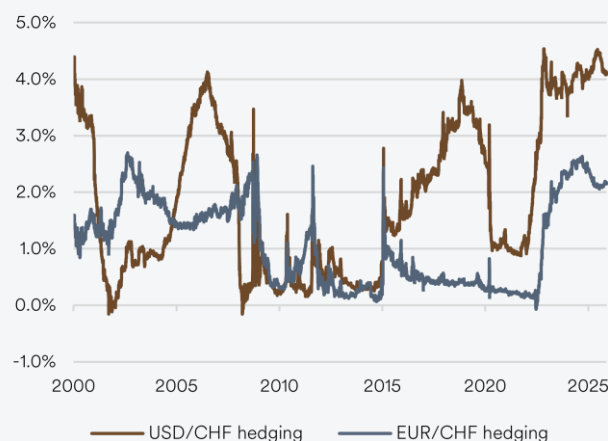
Still, investors are rightly considering its role in portfolios in the current market environment. Softening global growth, lower interest rates, worries over the independence of the US central bank, and persistent geopolitical risks continue to support the metal.

Fig. 9: CHF appreciation vs. EUR, GBP and USD in 2025
Indexed at 100 as of 1.1.2025



Source: Bloomberg, smzh ag. 25/11/2025
Past performance is no indication of future results.

Fig. 10: Hedging costs for CHF-based investors
3-month hedging costs, annualized



Source: Bloomberg, smzh ag. 25/11/2025
Past performance is no indication of future results.

Cryptocurrencies

- Bitcoin is trading below USD 100,000 and could end the year in negative territory despite briefly touching new all-time highs.
- Market sentiment is very cautious. MSCI is considering excluding companies with a bitcoin treasury strategy.
- In the short term, more attractive entry opportunities may arise; in the long term, even better levels are likely.

Bitcoin drops significantly below USD 100,000

Following a sharp correction on 10 October, the downward trend in bitcoin has resumed despite several weeks of apparent stabilization. Currently, bitcoin is trading well below the USD 100,000 threshold. As we approach year-end, there is a risk that bitcoin could close 2025 in negative territory despite briefly reaching new all-time highs, although losses would likely be limited to a single-digit percentage.

MSCI considers exclusion of companies with a bitcoin treasury strategy

Within the crypto community, there is debate about whether the sell-off in October was triggered by a statement from MSCI indicating that “digital asset treasury companies” such as MicroStrategy might in the future be excluded from global equity benchmarks. Such a decision could potentially lead to significant index outflows for the companies affected. However, it remains difficult to understand why the market reacted so strongly, as this information had been publicly available several weeks earlier. MSCI’s final decision is expected by mid-January 2026. Companies that rely heavily on a bitcoin treasury position as part of their corporate strategy could come under pressure as a result.

This is particularly true for MicroStrategy, whose equity value has recently fallen below its net bitcoin holdings. The earlier equity premium allowed the company to raise additional capital to further expand its bitcoin position.

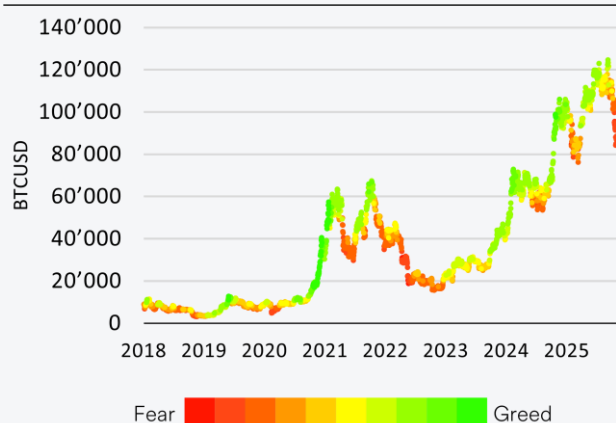
Regardless of the specific reason for the price decline, the market currently appears especially sensitive to negative news, as confirmed by the Crypto Fear & Greed Index, which is showing pronounced “fear.”

Bear market or attractive entry point?

The crypto market moves in pronounced cycles. Historically, the most attractive entry points have typically appeared after the completion of a bull run, when the bitcoin price approaches the realized price or, even more meaningfully, touches the long-term holder (LTH) realized price. The LTH realized price reflects the average price at which coins currently held (i.e., not moved for at least 155 days) last changed hands, whereas the realized price considers all holding periods. In the long term, the LTH indicator has proven to be a particularly reliable signal for attractive buying opportunities.

Currently, the realized price is around USD 56,000, while the LTH realized price is approximately USD 36,000. Whether the market is already entering a bear phase remains unclear. A brief price recovery cannot be ruled out; though indicators suggest that further attractive entry opportunities could emerge in the future. Against this backdrop, a dollar-cost averaging strategy may be particularly prudent.

Fig. 11: Market sentiment is currently very cautious
Crypto Fear & Greed Index



Note: The Crypto Fear & Greed Index is based on six indicators, including volatility, market momentum, social media activity, Google search trends, and survey data.
Source: Bitbo, alternative, smzh ag.

Fig. 12: Long-term holders remain clearly in profit
Price development, realized price, and halving cycles



Note: The realized price is based on on-chain data and represents the average acquisition price of all coins moved within the network. Long-term holders (LTH) are coins that have been held without movement for more than 155 days.
Source: Bitbo, smzh ag.

Real Estate

- Optimistic year-end rally: capital inflows this year have significantly exceeded the already high levels of 2020 and 2021.
- Strong investor interest: uptrend in listed real estate securities continues, as premiums continue widening.
- Increasing willingness to pay: limited supply is meeting high demand, resulting in further declines in acquisition yields.

Euphoria in the capital markets continues to intensify toward year-end

Real estate investments remain exceptionally attractive, especially for institutional investors who, in the Swiss low-interest rate environment, are increasingly focused on stable and high-yielding income properties. The current risk-return profile is particularly favorable, as vacancy rates in the residential rental market are very low, rents are high, and construction activity remains insufficient despite occasional stimulus. Against this backdrop, euphoria in the capital markets persists as the year-end approaches. As a result, 2025 is likely not only to surpass the strong performance of 2024, but also to significantly exceed the performance of 2021 and 2020.

Real estate indices rally, premiums expand significantly

Strong investor interest is evident not just in the latest capital increases, but also in the price development of listed real estate funds and shares. The two real estate indices, SWIIT and SREAL, are both expected to end the year with an appreciation of around 10%. At the same time, the premium, which is the difference between market capitalization and net asset value, has widened considerably, with real estate funds averaging around 36% and real estate shares over 20%. The price trend in the segment of listed real estate investments thus clearly indicates that residential income properties are likely to experience notable price momentum due to renewed yield compression.

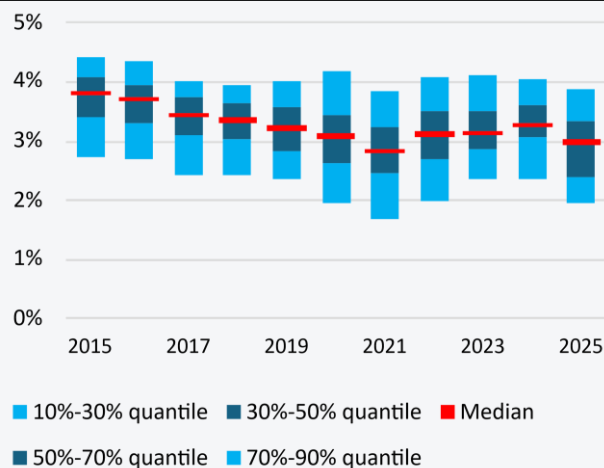
Real estate values rise, acquisition yields decline

This strong willingness to pay is increasingly evident in the transaction market. Since the supply of attractive real estate investments is not growing at the same pace as available investor capital, and the realization of construction projects continues to be hindered by various factors, investors' willingness to pay is inevitably rising. This is leading to lower acquisition yields and correspondingly higher prices. Gradually, segments outside of traditional residential real estate, such as commercial properties, are also beginning to benefit, albeit in a much more differentiated manner.

Easing of bank financing constraints expected in 2026

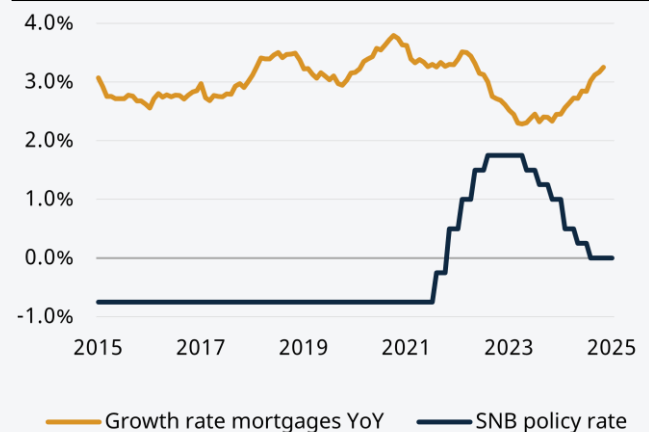
With falling interest rates and declining margins on client deposits, bank profit margins are coming under increasing pressure. To compensate, institutions must either enforce higher lending margins, expand their loan volumes, or enter riskier segments such as income properties and construction projects. We mainly expect a combination of the latter two strategies. As a result, an overall easing of lending standards can be expected, providing an additional price-boosting impulse to the real estate market.

Fig. 13: Acquisition yields are declining again
Net acquisition yields for residential income properties



Note: Net acquisition yields are reported before investment expenditures (capex) and calculated as the ratio of net rental income to gross purchase price.
Source: Wüest Partner, smzh ag.

Fig. 14: Interest rate reversal stimulates mortgage lending
Growth rate of mortgage volume vs. SNB policy rate



Source: SNB, smzh ag.

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