smzh

Resilience Despite Imbalances

Investment Outlook 2026

Editorial

2025 has eloquently demonstrated the remarkable resilience of both the economy and financial markets. Despite political turbulences, geopolitical tensions, and ongoing headlines about crises, global growth did not falter. Quite the opposite is true, as many economies proved surprisingly robust. Looking ahead to 2026, there are strong indications that resilience will remain the defining theme of the macroeconomic environment, though increasingly intertwined with notable imbalances.

At first glance, the initial backdrop is encouraging: consumer demand is solid, household balance sheets are healthy, and corporate earnings are stable, creating a strong basis. Many emerging markets are also better positioned than in previous cycles, with stronger foreign exchange reserves, lower inflation, and more robust public finances. While global growth is not expected to be spectacular, it should remain positive across the major regions. For investors, this represents a constructive starting point.

At the same time, growth is becoming increasingly reliant on a handful of specific drivers: government stimulus measures, major investments in artificial intelligence, and wealth gains that do not reach everyone equally. Geopolitical tensions, trade conflicts, and transformation driven by digitalization, decarbonization, and demographics further amplify these imbalances. The world has proven more resilient than many anticipated, but it has also grown more complex and fragmented.

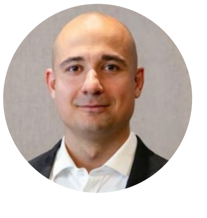
For investors, “resilience amid imbalances” means that robust growth does not automatically translate into broad market performance. Selectivity, diversification, and active risk management are becoming ever more critical. In our Investment Outlook 2026, we examine how this mix of resilience and imbalance is impacting the major asset classes. Our aim is to provide guidance in an environment that signals stability, yet, beneath the surface, requires greater differentiation than ever, and to identify concrete investment opportunities for long-term portfolios.

Enjoy the read!

Kind regards,

Gzim Hasani
CEO

Bekim Laski, CFA
Chief Investment Officer



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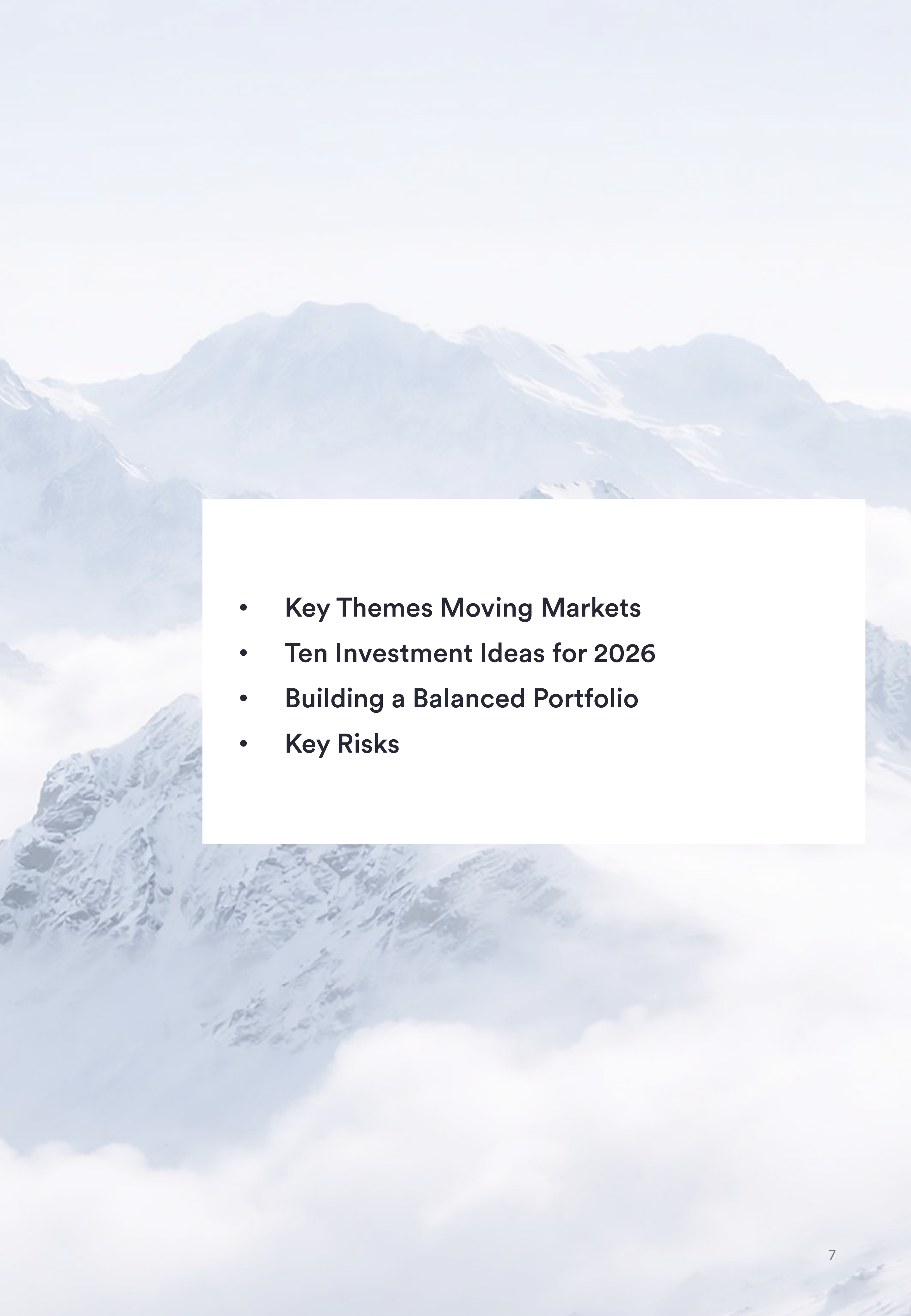

- Key Themes Moving Markets
- Ten Investment Ideas for 2026
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01 – Outlook & Assessment

Key Themes Moving Markets

1

Resilience despite imbalances

Financial markets are entering 2026 with cautious optimism. Despite political shocks, the global economy demonstrated remarkable resilience in 2025, and continued resilience is likely to characterize 2026 as well. Despite geopolitical uncertainty, strong consumer demand, healthy household balance sheets, and robust corporate earnings are expected to continue to drive the major economies. Emerging markets are also contributing, supported by improved external balances and easing inflationary pressures. While growth is not expected to be spectacular, it should remain positive across the key regions, providing a constructive backdrop for financial markets. However, global growth is increasingly uneven and relies heavily on fiscal support, technology-driven capital expenditures, and rising household wealth. These tailwinds may weaken moving forward.

2

The broad impact of artificial intelligence (AI)

The AI-driven transformation remains the defining theme of this market cycle. In 2026, focus is expected to shift from early adoption toward measurable productivity gains. What began as a wave of innovation in large language models and cloud infrastructure is increasingly affecting sectors such as industry, logistics, healthcare, and financial services. The benefits of AI are beginning to materialize along entire value chains and ecosystems, enhancing efficiency, reducing costs, and enabling new business models. This technological transformation is therefore likely to lead to a phase of productivity growth. Although these effects will probably become evident only gradually throughout 2026, they are expected to stimulate corporate profitability and potential GDP over the longer term.

3

From synchronized easing to divergent monetary policy trajectories

2026 is likely to mark the end of globally falling central bank policy rates, with increasing divergence in monetary policy from Australia to Europe and the United States. The US Federal Reserve is expected to proceed with a moderate path of rate cuts, while the European Central Bank (ECB) and the Bank of England will likely pause, even though the ECB could implement a first rate hike by year-end. The Bank of Japan remains on its trajectory of raising interest rates. Switzerland continues to be an exception in terms of monetary policy: the policy rate remains at zero, and the Swiss National Bank faces a very high threshold for cutting rates into negative territory.

4

US politics could become more market friendly in 2026

After a year of numerous political surprises and shocks, the US could adopt a more market-friendly approach, as tariff uncertainties wane. Focus is shifting more toward growth-oriented reforms and initiatives that could additionally support business confidence and willingness to invest, particularly in the context of the upcoming US midterm elections.

5

Valuations and market positioning

Elevated valuations across nearly all asset classes remain a central theme and concern. In a world where everything seems expensive, investors need to think in relative rather than absolute terms. Market performance in 2026 is expected to depend largely on the resilience of corporate earnings and the economic cycle. Given the continued outlook for robust growth and fading tariff risks, corporate profits should continue to grow, providing equity markets with a solid, though not spectacular, environment.

01 – Outlook & Assessment

Ten Investment Ideas for 2026

1

Income alternatives in a Swiss low-yield environment

The persistent low interest-rate environment in Switzerland is a challenge for income seeking investment needs. Emerging market bonds, Swiss dividend equities, real estate, and private markets offer appealing alternatives as part of a diversified asset allocation.

2

Emerging market debt

Despite a strong performance in 2025, emerging market debt remains attractive. Robust fundamentals, the weaker US dollar, and further interest rate cuts in the US are supporting demand and improving refinancing conditions. Despite historically tight spreads, EM bonds continue to provide an above-average return potential, particularly compared to developed markets. CHF-based investors should consider hedged exposure in order to minimize currency volatility.

3

Swiss dividend equities

Swiss equities remain a cornerstone of portfolios for investors in Switzerland. Given the ongoing low interest-rate environment, high-quality dividend stocks look particularly attractive for investors seeking sources of income.

4

Eurozone and emerging market equities

Eurozone equities look attractive as we enter 2026: valuations are attractive relative to global peers, and earnings growth is expected to accelerate, supported by accommodative ECB monetary policy and fiscal measures in Germany. Emerging market equities also appear attractive, supported by a constructive macroeconomic environment, lower US dollar interest rates, and a generally weaker US dollar.

5

Swiss small and mid-caps

Swiss small and mid-cap equities should also be included in a broadly diversified investment strategy. When comparing earnings expectations to valuations, these equities show an attractive valuation case and could outperform in a constructive economic environment.

6

Diversification beyond AI

The increasing dominance of AI-related companies in global equity indices has led many portfolios to become heavily concentrated in the AI theme. For investors, this means that regularly reviewing the portfolio structure remains essential, not out of skepticism towards AI, but to ensure a balanced and resilient portfolio.

7

Fading needs for USD hedging

The US dollar is likely to remain weak due to the US twin deficits, declining interest rates, and increasing international diversification away from the USD. Following the significant correction in 2025 and considering elevated hedging costs, the need of Swiss-domiciled investors to hedge USD exposure should gradually fade.

8

Bitcoin vs. gold

Even after the exceptional price gains in 2025, gold continues to offer valuable diversification benefits and is likely to remain supported by geopolitical risks, ongoing central bank purchases, and high fiscal deficits. Bitcoin and other cryptocurrencies remain volatile, but recent setbacks have created attractive entry opportunities.

9

Swiss real estate

Swiss real estate remains attractive in 2026, particularly for institutional investors who, given the low interest-rate environment, are increasingly focused on stable and high-yielding assets. Additionally, a loosening of lending standards during the year is expected to provide further momentum for the real estate market.

10

Private equity vs. private debt

Within private markets, private equity appears somewhat more attractive than private debt. Significant capital inflows into private debt have intensified competition: spreads have narrowed substantially, lending standards have been relaxed, and riskier financing structures are on the rise. This increases risks and limits the return potential, while private equity, following a period of consolidation, could offer more attractive valuations and better upside potential.

An investment strategy that fits you

Everyone has individual financial goals and needs, whether it is independence, retirement, or securing their family's future. Traditional saving alone is no longer sufficient to achieve these objectives. Those who wish to sustainably build or preserve wealth need a sound and flexible investment strategy.

We do not believe in a one-size-fits-all approach, but in finding the right strategy for everyone.

At smzh, every consultation starts with a holistic wealth analysis. This forms the foundation for all your decisions. Only once we understand your financial situation, needs, and goals can we develop an investment strategy tailored specifically to your life circumstances.

Your risk profile is paramount in this process: How much fluctuation can you tolerate and how much are you willing to accept? What are your return objectives? Over what time horizon do you want to invest? Drawing on solid scientific insights, we work with you to find the right balance between bonds, equities, and alternative investments such as real estate that best corresponds to your risk profile.

01 – Outlook & Assessment

Building a Balanced Portfolio

For whom?

- Swiss private investors with a medium to long-term investment horizon
- Focus on real returns
- No tactical trading or market-timing strategy

Goal?

A robust, diversified portfolio that
- can achieve real returns,
- aims to smooth fluctuations without being able to fully avoid them,
- remains viable even in an environment characterized by low interest rates and uncertainty.

Why?

Swiss investors continue to face the challenge of achieving real returns amid a persistently low interest-rate environment, without taking on disproportionate risks. A balanced portfolio combines defensive stability with sources of yield and diversification to offset inflation and the structural strength of the Swiss franc.

How?

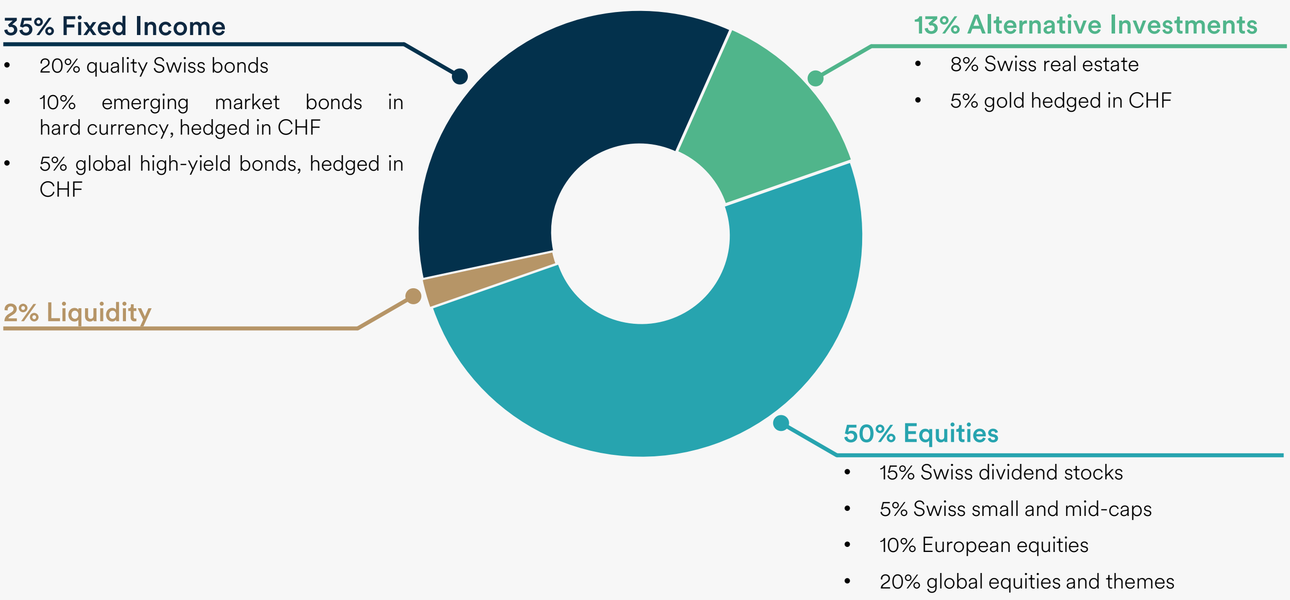
Core allocation: Equities as the cornerstone. Equities form the core allocation of such a portfolio and should account for around 50% in order to achieve returns above the rate of inflation in the long term. Ideally, one-third of this allocation is allocated to the domestic market and two-thirds to international markets, despite the relatively small significance and weight of Swiss equities in the global equity index. This home bias helps minimizing currency risks, while the global allocation captures diversification benefits, as well as technology-related and growth opportunities.

Fixed income: Stability with additional yield. In fixed income, CHF-denominated bonds should comprise two-thirds of the allocation, focused on corporate bonds with short to medium maturities and high credit quality. The remainder should include CHF-hedged emerging market and global high-yield bonds to achieve additional returns.

Alternative investments: Additional yield and diversification. Depending on the size of the portfolio, the allocation to alternative investments can account for up to a quarter, allocated to private equity, private debt, infrastructure, real estate, gold, and other non-correlated vehicles. These assets can reduce volatility and provide uncorrelated returns, especially in periods of uncertainty.

Strategic reference allocation for a balanced CHF portfolio in 2026

Deviations may apply depending on investment horizon, risk appetite, and asset structure and size



01 – Outlook & Assessment

Key Risks

As we enter the new year, equity markets are trading near record highs. While there are several indicators suggesting that optimism may continue into the new year, supported by robust economic growth, investors should not ignore potential downside risks. In our view, particular attention should be paid to the following risk scenarios:

Disappointments in the area of artificial intelligence (AI)

Enthusiasm for AI remains high despite concerns about a possible bubble. However, if the commercial adoption of AI progresses more slowly than expected or if technological breakthroughs fail to meet high market expectations, a significant repricing in certain segments of the equity market may occur. A reassessment of long-term return potential could lead to increased market volatility, particularly in areas where investors are heavily exposed. Diversifying beyond AI therefore seems prudent, not out of skepticism toward AI, but to ensure portfolio balance and resilience.

Risks to economic growth

If global growth were to lose significant momentum, the consequences would likely vary across regions and sectors. In developed economies, any deterioration in labor markets could weaken consumer spending and erode confidence, potentially leading to a cyclical slowdown. In such a scenario, earnings forecasts for many companies would need to be revised downward, and risk assets would be susceptible to larger corrections. Central banks and governments would have to respond with additional monetary and fiscal stimulus measures.

Renewed uptick in inflation

Should inflation remain above central banks' targets or increase again due to renewed supply chain disruptions, second-round effects of tariffs, increasing wage pressure, or volatile energy markets, monetary policy may need to become more restrictive. A later or more pronounced tightening of monetary policy would weigh on rate-sensitive sectors and increase volatility in interest rates and bond markets, while also affecting highly valued equity markets. For investors, it is important to broadly diversify portfolios and be prepared for a range of interest rate and inflation scenarios.

Political and geopolitical tensions, particularly between the US and China

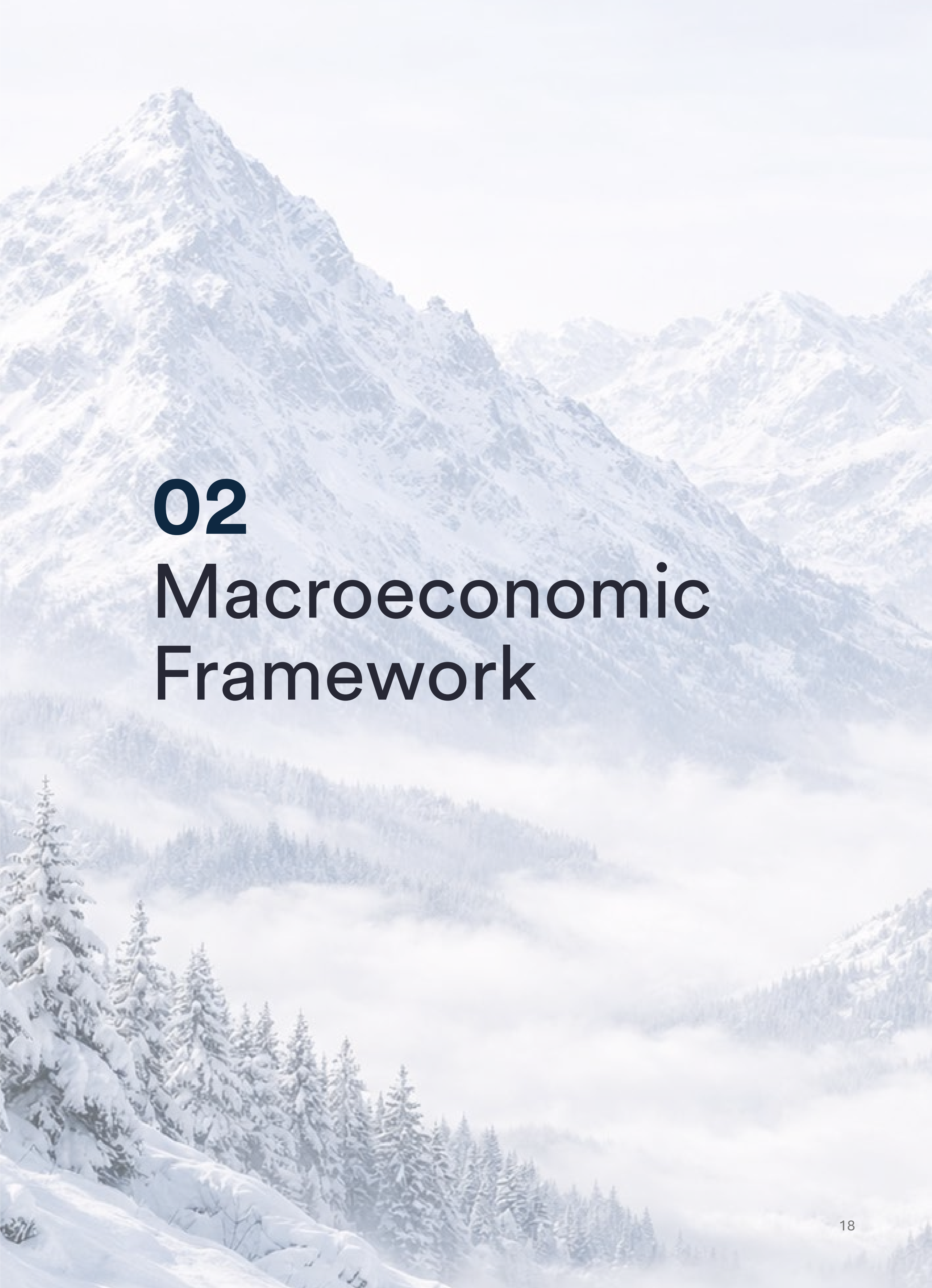
A renewed increase in political tensions between the US and China would have repercussions well beyond trade. Additional limitations on technology transfers, supply chain dependencies, or market access could hit globally active companies. A deterioration of the geopolitical climate would lead to increased risk aversion in financial markets.

Financial stability and debt-related areas of weakness

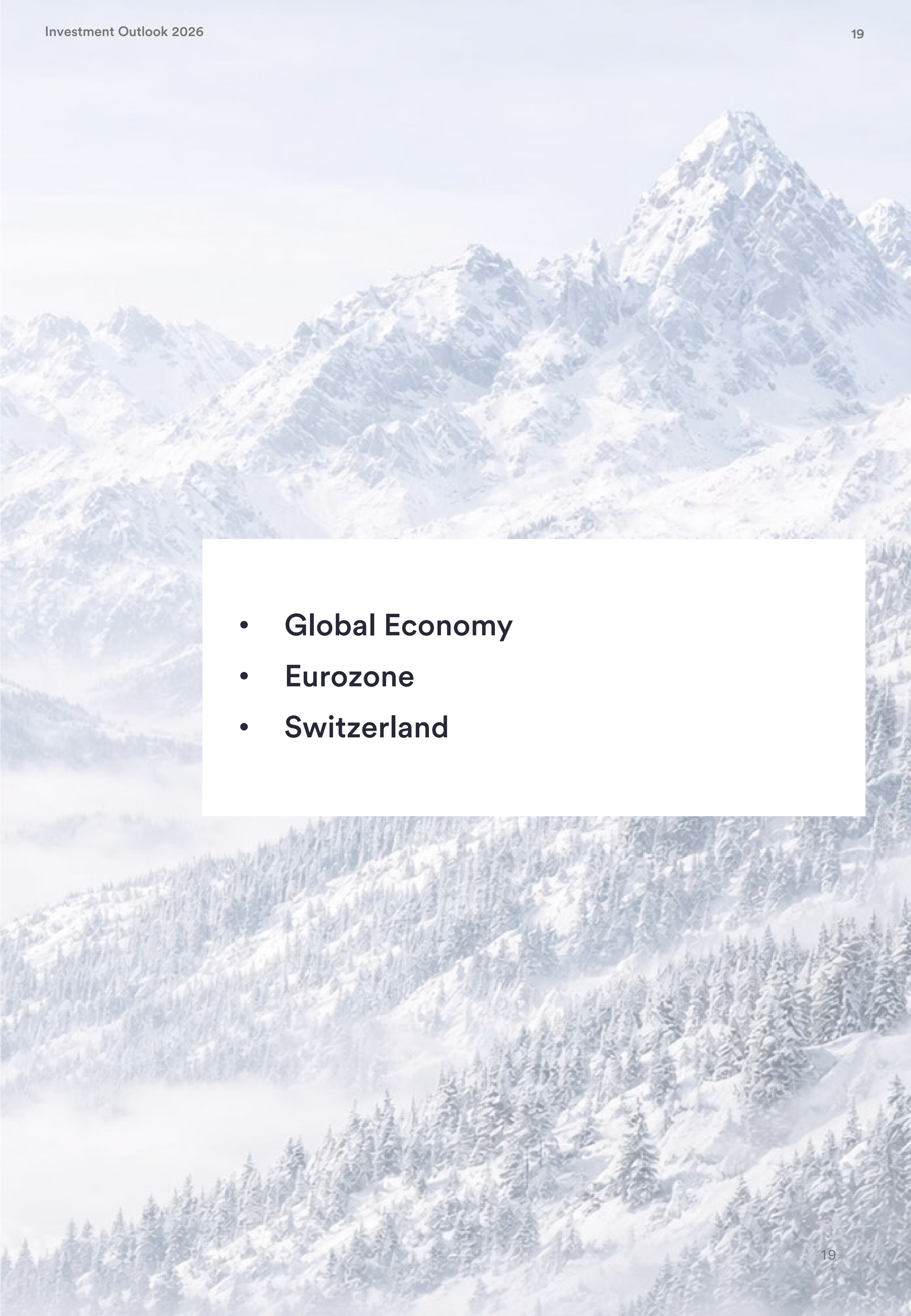
Should refinancing conditions tighten or risk premia in credit markets widen, issuers with weaker balance sheets would come under significant pressure. Disruptions in the money markets could also trigger liquidity shortages, amplify market dislocations, and further slow lending to households and businesses. In such an environment, we could see sharper and more abrupt corrections in financial markets. Central banks and governments would need to respond with additional monetary and fiscal stimuli. Investors should avoid issuers with weak credit quality.

Diversification and discipline remain paramount

Risk factors such as AI, growth, inflation, and geopolitical tensions could temporarily increase volatility in the year ahead. Investors are therefore well-advised to keep an eye on them. In such an environment, broad diversification and a disciplined investment approach are essential for investment success, both in 2026 and beyond.



02
Macroeconomic Framework



- **Global Economy**
- **Eurozone**
- **Switzerland**

02 – Macroeconomic Framework

Global Economy

Global resilience despite divergence

The global economy proved remarkably resilient in 2025, despite tariff shocks and geopolitical tensions. Robust consumer demand, sustained fiscal support in industrialized countries, and substantial investments in artificial intelligence (AI) infrastructure more than offset the negative impact of a weaker manufacturing sector and political uncertainty. The outlook for 2026 remains cautiously constructive overall. Independent institutional forecasts suggest that global GDP growth will remain stable in 2026, while consensus estimates project worldwide economic growth above 3%. AI-related spending is expected to contribute to solid investment growth for a second consecutive year. However, experience shows that the transition from investment to broad-based productivity gains takes time. Since AI investments are still at an early stage, the growth impulse in 2026 will likely be positive, but still moderate.

Nevertheless, global growth momentum is at a turning point. Demand has shifted in favor of technological and AI investments, while employment growth is stalling or at risk due to continued caution among companies when it comes to new hires. Global core inflation has been at around 3% for two years now. Without a period of below-average growth and a weaker labor market or recession, it seems unlikely to soon return to central bank targets.

Supportive fiscal policy, diverging rate trajectories

Economic policy remains a key stabilizer. In the US, households and businesses are benefiting from new tax cuts and incentives. In countries such as Germany, China, and Japan, targeted fiscal stimuli, infrastructure programs, increased defense spending, and tax reductions are being implemented. These measures, along with an expected easing of tariff policies and diminishing supply chain issues, should help ensure that global trade acts as less of a drag on growth in 2026.

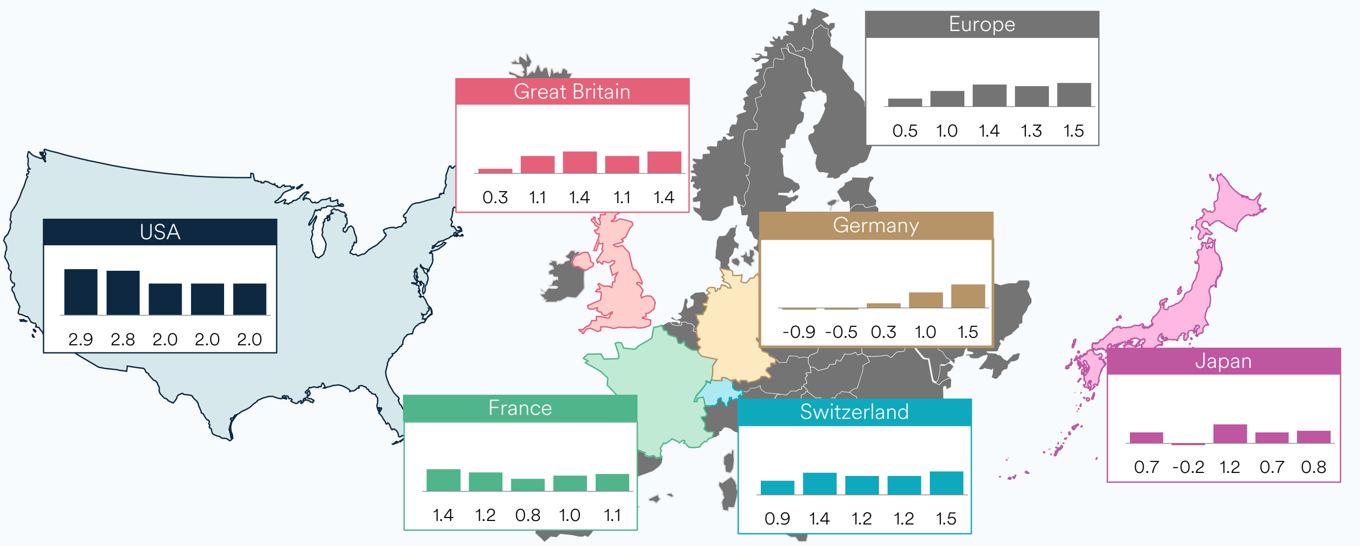
At the same time, global economic policy is shifting from synchronized interest rate cuts to diverging rate paths. Money markets are pricing in no further rate cuts from the ECB and even a possible rate hike by the end of 2026, as well as rate increases in Australia and Japan. In the US, two additional rate cuts are expected for 2026, compared to three just a few weeks ago and only one rate cut in the latest Federal Reserve projections. While geopolitical risks continue to dominate headlines, for investors it is more crucial that substantial monetary and fiscal measures are supporting a surprisingly resilient global economy.

Despite ongoing geopolitical tensions, investors are increasingly focusing on these pillars of growth. The significant monetary and fiscal stimuli currently supporting an already strong global economy are unprecedented in scale outside of recessions.

> In 2026, global growth is expected to remain stable, primarily supported by comprehensive fiscal and monetary policy measures as well as continued investments in artificial intelligence. Despite diverging interest rate developments and lingering geopolitical uncertainties, the overall outlook remains cautiously constructive.

Global growth momentum

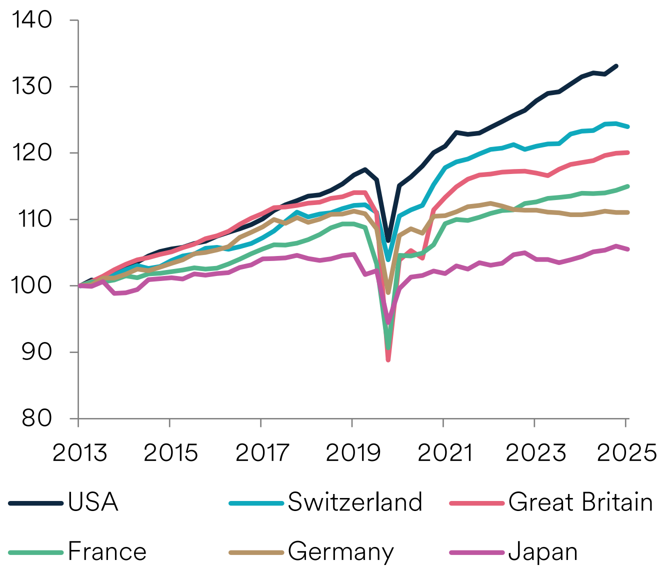
Real GDP growth in 2023 and 2024 as well as consensus forecasts for 2025 to 2027, in %, from left to right



Source: Bloomberg, smzh ag. 30/09/2025

GDP development in selected economies

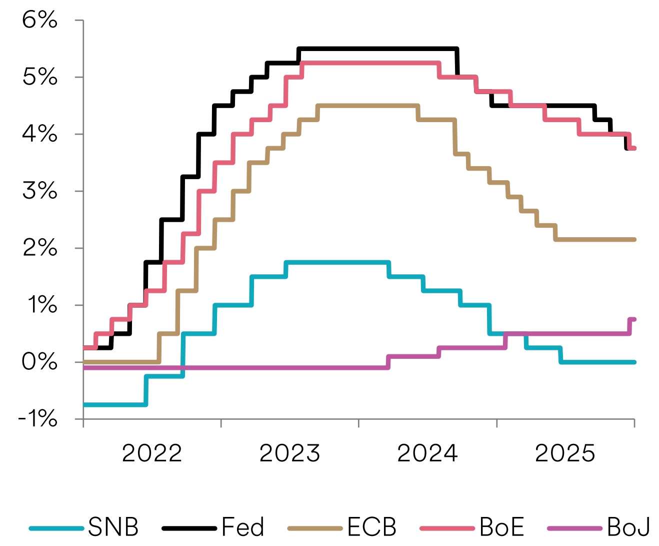
The USA has decoupled from other developed countries



Source: Eurostat, smzh ag. 30/09/2025

Diverging interest rate paths

Interest rates of leading central banks



Source: Bloomberg, smzh ag. 24/12/2025

02 – Macroeconomic Framework

Eurozone Economy

Recovery gaining momentum

Recovery in the Eurozone is expected to continue in the new year, thanks to fiscal and monetary policy impulses. Despite uncertainties in global trade and subdued consumer and business sentiment, the Eurozone economy grew at around 1% in 2024; in 2025, this is expected to have accelerated to over 1.4%.

As fiscal expansion in Germany gains traction and the effects of previous ECB rate cuts continue to feed through, growth should further solidify in 2026.

Germany thus plays a central role in this improvement. The substantial, investment-oriented stimulus package announced in 2025 should increasingly be reflected in economic data, from defense to transportation infrastructure to targeted support for the industrial sector. Industrial production and broader growth are likely to benefit, allowing Germany to finally regain a more robust growth momentum.

Trade is also expected to be less of a drag in 2026: Front-loading of exports ahead of US tariffs in spring 2025 led to weaker shipments later in the year. However, this special effect should fade as trade normalizes.

Fiscal and monetary policy remain tailwinds

Elsewhere in Europe, spending is also being increased, particularly in defense. European governments have committed to raising defense expenditures to 3.5% of GDP by 2035 (around 5% including related infrastructure). While defense budgets in the past were primarily used for personnel expenses, in future focus is likely to shift toward procurement of European-made products, which would directly support the regional industry.

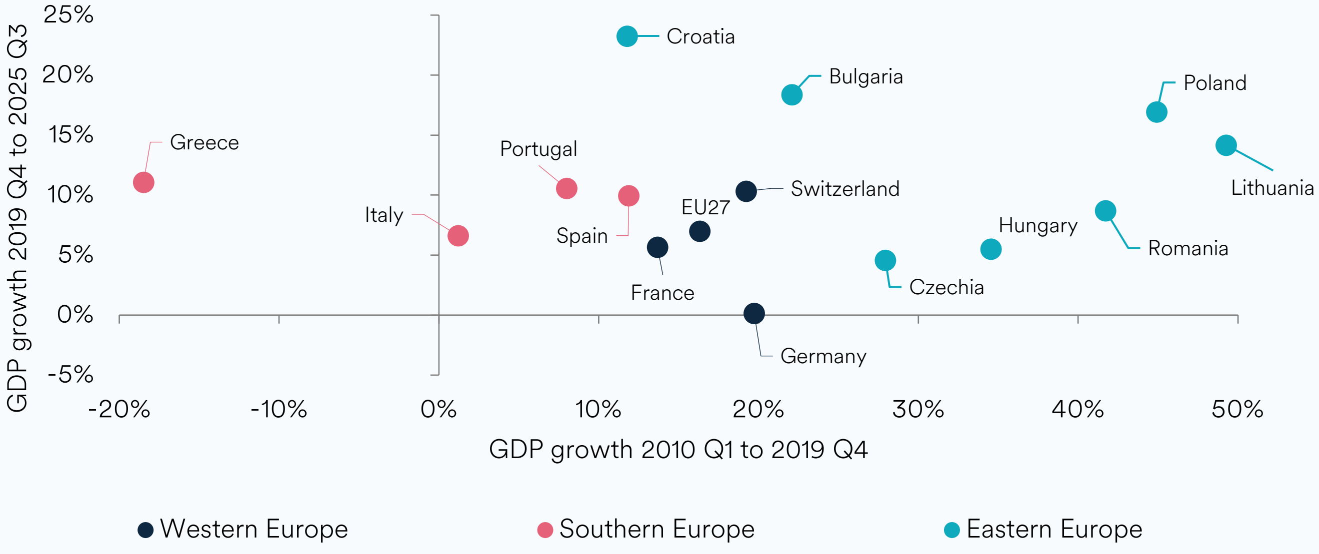
Economic growth in Europe has been disappointing in recent years, but the impact of fiscal policy remains significant. The comparatively lower level of government stimulus versus the US explains much of the disparity in economic growth over the past 15 years. Southern Europe, however, has benefited from generous allocations from the EU Recovery Fund in recent years. The fact that Germany is now making a substantial fiscal contribution is therefore a positive driver for the entire region.

Europe also benefits from monetary easing, as the ECB was quick in reducing interest rates in light of declining inflation. The ECB is expected to maintain the current interest rate level in this environment, even though market participants anticipate a possible rate hike toward the end of the year. Political and economic uncertainty in France remains a risk factor. However, with difficult decisions postponed until after the 2027 presidential election, France is not expected to jeopardize Europe's broader recovery.

> In 2026, economic growth is expected to strengthen further in the Eurozone, supported by fiscal and monetary policy stimuli as well as substantial investments, particularly in Germany. Despite ongoing uncertainties and risks, the outlook for the Eurozone economy remains constructive overall.

Real GDP growth in Europe pre- and post-Covid

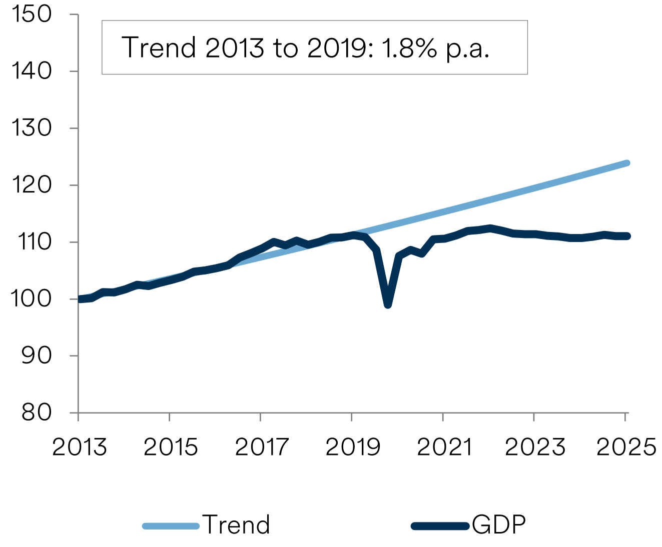
Eastern and Southern European economies have been growing more quickly thanks to EU subsidies



Source: Eurostat, smzh ag. 30/09/2025

Real GDP growth in Germany

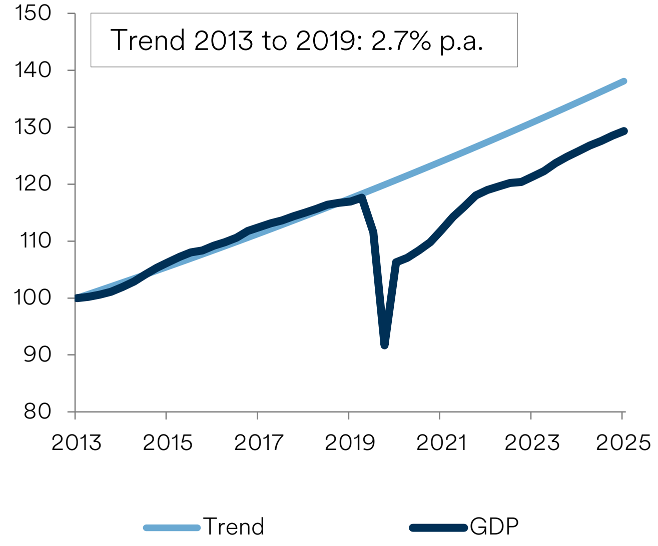
Weak growth after the pandemic



Source: Eurostat, smzh ag. 30/09/2025

Real GDP growth in Spain

Dynamic development even after the pandemic



Source: Eurostat, smzh ag. 30/09/2025

02 – Macroeconomic Framework

Swiss Economy

Swiss economy recovers from setback in Q3 2025

In the third quarter of 2025, the Swiss economy recorded a 0.5% decline versus the previous quarter. The main causes were a sharp downturn in the chemicals and pharmaceuticals sector as well as weaker industrial production, which was only partially offset by moderate growth in the services sector. This decline followed above-average growth in the first quarter and was directly related to the sudden increase in US tariffs to 39% in August, which severely impacted export-oriented industries.

As a result, 2025 was marked by significant fluctuations. However, already available indicators and surveys suggest that GDP growth should have picked up again in the fourth quarter. The recent resolution of the tariff dispute with the US has noticeably improved the outlook and planning certainty for the affected sectors and companies. Provided tariffs remain at their current levels and the trade conflict does not escalate again, this represents an important turning point for Switzerland’s export-oriented economy, even though global uncertainty in trade and politics remains high and the Swiss franc continues to show strength.

Implications for the SNB

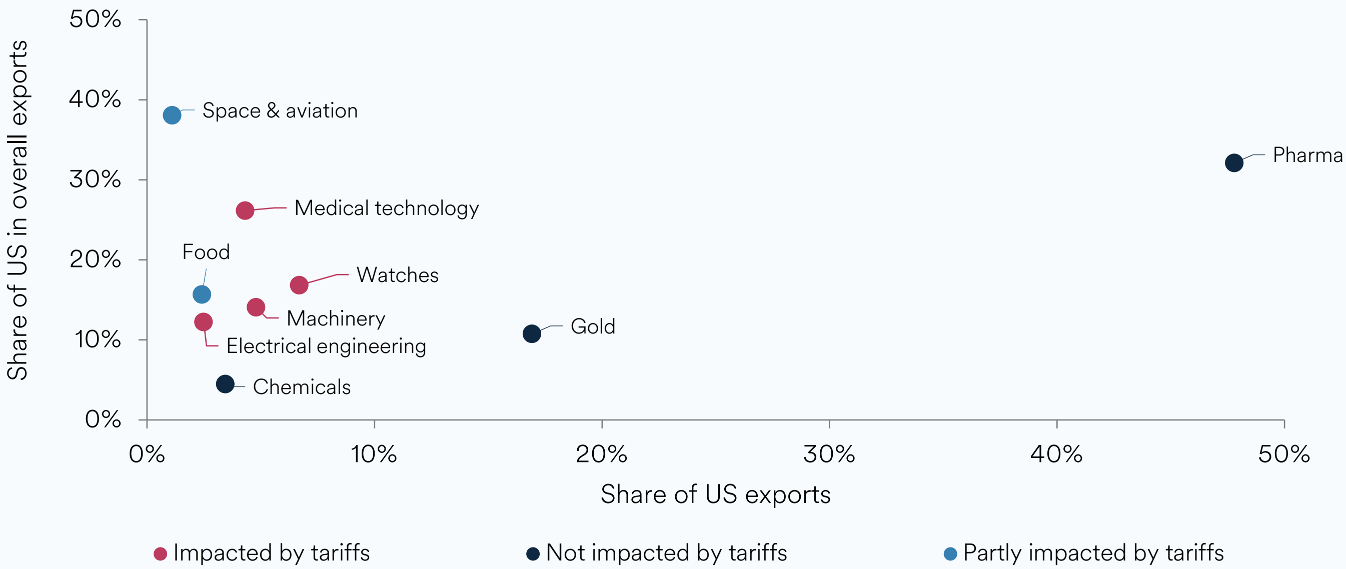
Against this backdrop, SECO forecasts Swiss economic growth of 1.4% for 2025 and 1.1% for 2026, slightly above consensus expectations. At the same time, very low inflation in both years is supporting real incomes, which should help keep private consumption solid. Nevertheless, the modest growth is likely to weigh on the labor market: SECO projections anticipate a slight rise in the average annual unemployment rate to 3.1% in 2026.

Overall, the combination of lower tariffs and greater planning certainty suggests that the Swiss economy could do better than feared only a few months ago. For the Swiss National Bank, the improved economic outlook reduces pressure to cut rates further, and a return to negative interest rates in 2026 is now less likely, at least in the first half of the year. Moreover, small rate cuts into negative territory are considered largely ineffective, while they would have significant side effects. From a monetary policy perspective, this creates a substantial hurdle for further measures: The SNB will likely maintain its wait-and-see stance for longer or, if the situation deteriorates substantially, respond with a more pronounced rate cut of 0.5%.

> Following the decline in the third quarter of 2025, the Swiss economy is showing signs of gradual recovery as a result of the tariff agreement with the US. The improved outlook reduces pressure on the Swiss National Bank to implement further rate cuts, making negative interest rates less likely in the first half of 2026.

Tariff agreement with the US eases pressure on selected Swiss industries

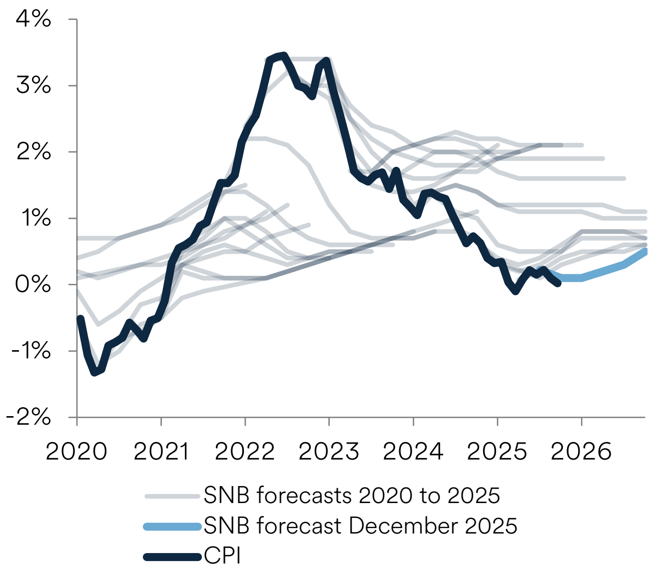
Share of Swiss exports to the US and exposure to tariffs in selected industries



Source: Federal Office for Customs and Border Security FOCBS, The White House, smzh ag. 30/09/2025

SNB consistently underestimates inflation momentum

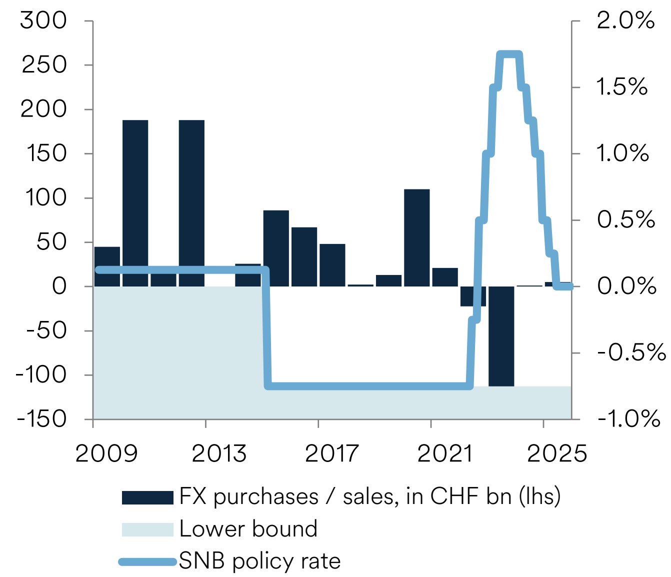
Effective inflation (CPI) vs. SNB forecasts



Source: SNB, Federal Statistical Office, smzh ag. 17/12/2025

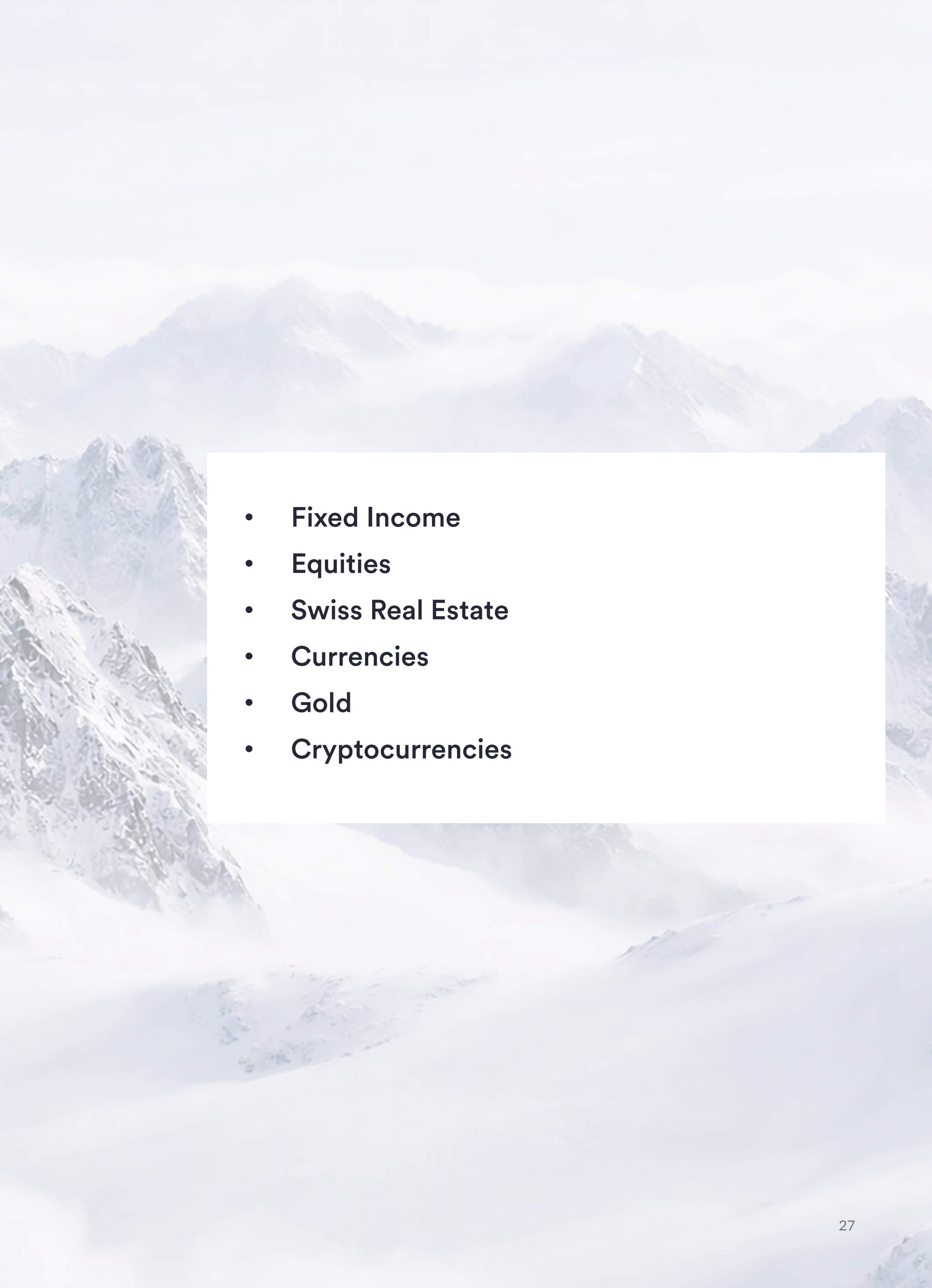
Negative interest rates, then FX market interventions

SNB FX market interventions and interest rate changes



Source: SNB, smzh ag. 24/12/2025

03
Asset Classes



- Fixed Income
- Equities
- Swiss Real Estate
- Currencies
- Gold
- Cryptocurrencies

03 – Asset Classes

Fixed Income

Income instead of capital gains amid a steepening yield curve

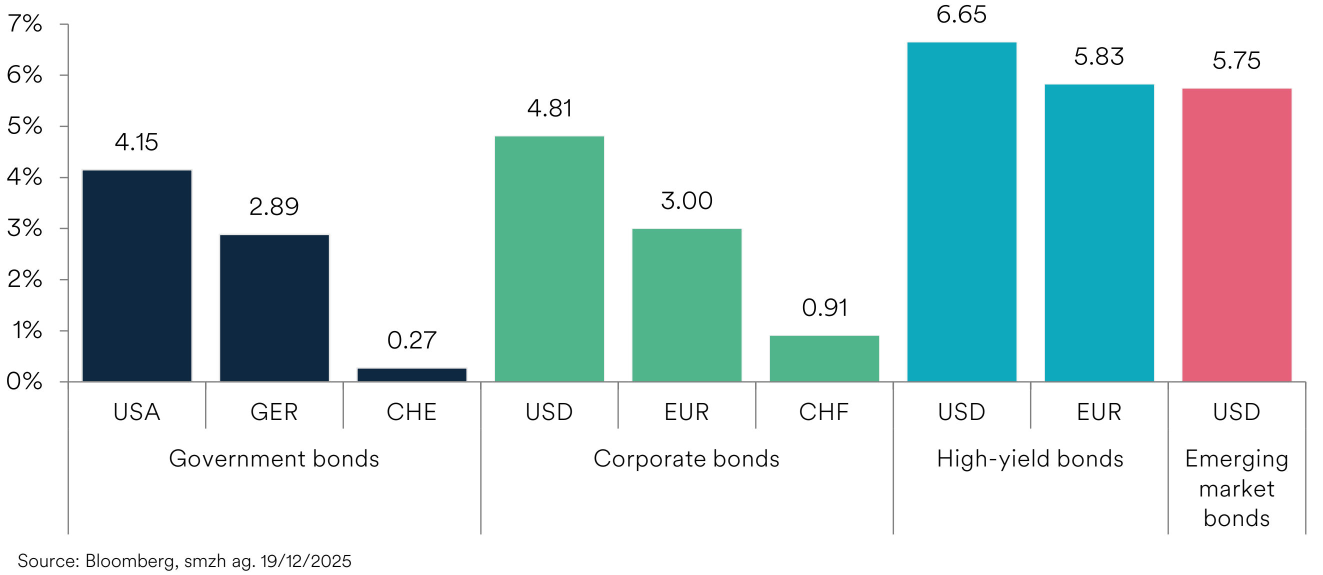
Bond markets delivered very solid returns in 2025. In the corporate bond market, credit spreads, the yield premium over government bonds, remain historically tight. This extreme tightness suggests that valuations are no longer cheap and a widening is possible, which would weigh on performance. As a result, the investment focus is expected to shift increasingly toward income generation rather than capital gains. Nevertheless, continued strong investor demand and robust corporate balance sheets make the credit segment an attractive source of income in portfolios for 2026 as well. In addition, the ongoing easing cycle by the US Federal Reserve, with further rate cuts expected until mid-2026, continues to support global bond markets.

Yields on longer-dated benchmark bonds, particularly government bonds, could rise further in 2026, as fiscal deficits remain elevated and government spending remains high. This is likely to lead to further steepening of the yield curve, with the difference between long-term and short-term rates widening further. In such an environment, short- to intermediate maturities are more attractive to investors than long-duration bonds, helping to mitigate duration risk.

Emerging market bonds performed above average in 2025, especially local currency bonds, which benefited from high recurring income and stable inflation. They were also supported by strong local currencies, as investors increasingly diversified away from the US dollar. Although credit spreads have widened slightly recently, credit markets continue to be supported by solid fundamentals.

Focus on yield instead of capital gains

Yields on government, corporate, high-yield and emerging market bonds



Source: Bloomberg, smzh ag. 19/12/2025
Past performance is no indication of future results.

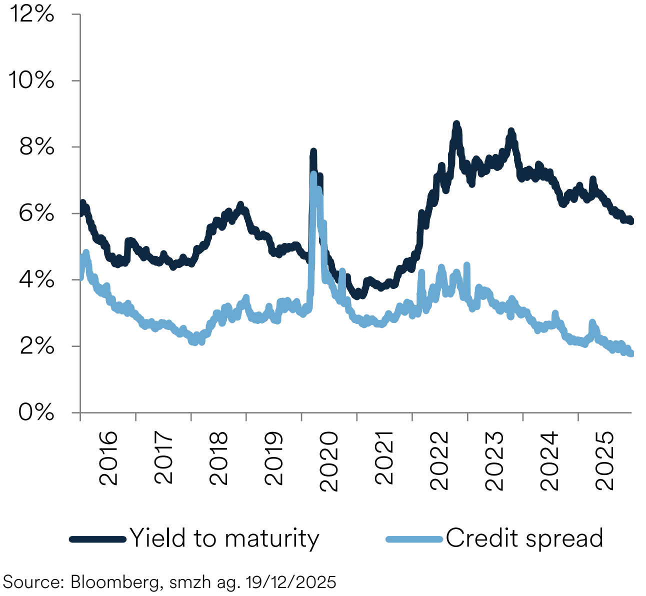
Strategies for Swiss investors amid low CHF yields

Government bonds remain unattractive in low interest-rate regions such as Switzerland. Subdued inflation is likely to keep Swiss government bond yields low. For Swiss investors, investment grade bonds, quality high-yield bonds, and selected emerging market debt remain attractive building blocks for portfolios even though hedging costs remain high (currently at around 3.9% for USD/CHF and 2.1% for EUR/CHF).

Investors who can tolerate illiquidity risks can find interesting opportunities in alternative investments such as private markets, real estate, and non-correlating asset classes like natural catastrophe bonds. Within private markets, private equity appears somewhat more attractive than private debt. Although private credit enjoyed a strong performance in 2025, substantial capital inflows have intensified competition: Spreads have declined significantly, credit conditions have been loosened, and riskier financing structures are increasing. This development increases valuation risks and weighs on the return potential, while private equity could offer more attractive entry-level valuations and better upside potential after a phase of consolidation.

Emerging market bonds in USD

Low credit spreads, high yield to maturity



Source: Bloomberg, smzh ag. 19/12/2025
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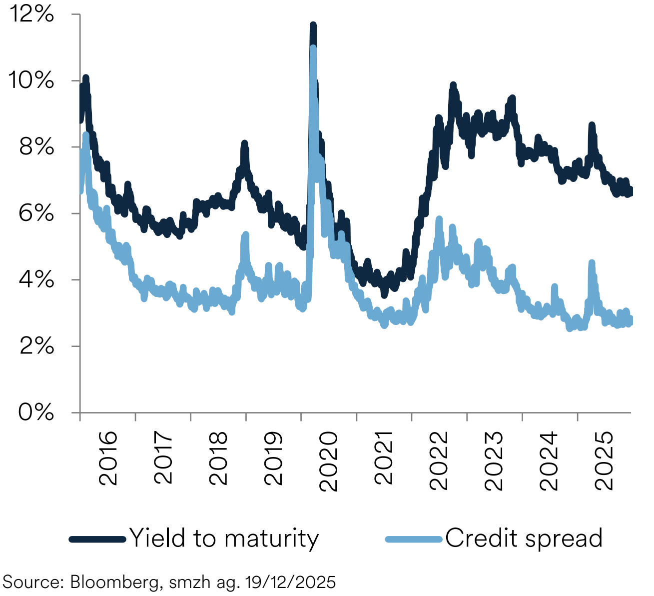
US high-yield bonds

Low credit spreads, high yield to maturity



Source: Bloomberg, smzh ag. 19/12/2025
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03 – Asset Classes

Global Equities

Fed policy and AI remain the dominant topics

Solid corporate earnings and the prospect of rate cuts by the US Federal Reserve have boosted global equity markets in recent months. Short-term corrections have served more as healthy consolidations rather than the start of a downturn, as the fundamental drivers remain intact. The macroeconomic environment continues to be supportive, tariff risks are gradually receding, and economic growth is expected to remain solid in 2026. Despite some uncertainties in the labor market, consumer spending remains robust, and additional fiscal stimuli are anticipated in both the US and Europe in the new year. Regardless, further rate cuts in the US are possible, which should support both economic growth and corporate earnings. The Q3 earnings season delivered solid results. What is particularly encouraging is the fact that earnings growth is broadening across a wider range of companies, rather than being concentrated on the major US technology stocks.

Eurozone and emerging markets equities remain attractive

European equities had a strong start in 2025, supported by attractive valuations, skepticism among international investors that started with low allocations, and the prospect of fiscal stimulus in Germany. However, disappointing corporate earnings subsequently led to a slowdown in performance. After months of negative revisions, earnings expectations for 2026 are now being adjusted upward again. While current consensus estimates of 12% growth appear too high, gains in the mid-single-digit range seem more realistic. The region is expected to benefit from fiscal stimulus in 2026, particularly from Germany. A potential ceasefire between Russia and Ukraine would further improve sentiment. With a price-earnings ratio below 15x for 2026, the market remains relatively attractive.

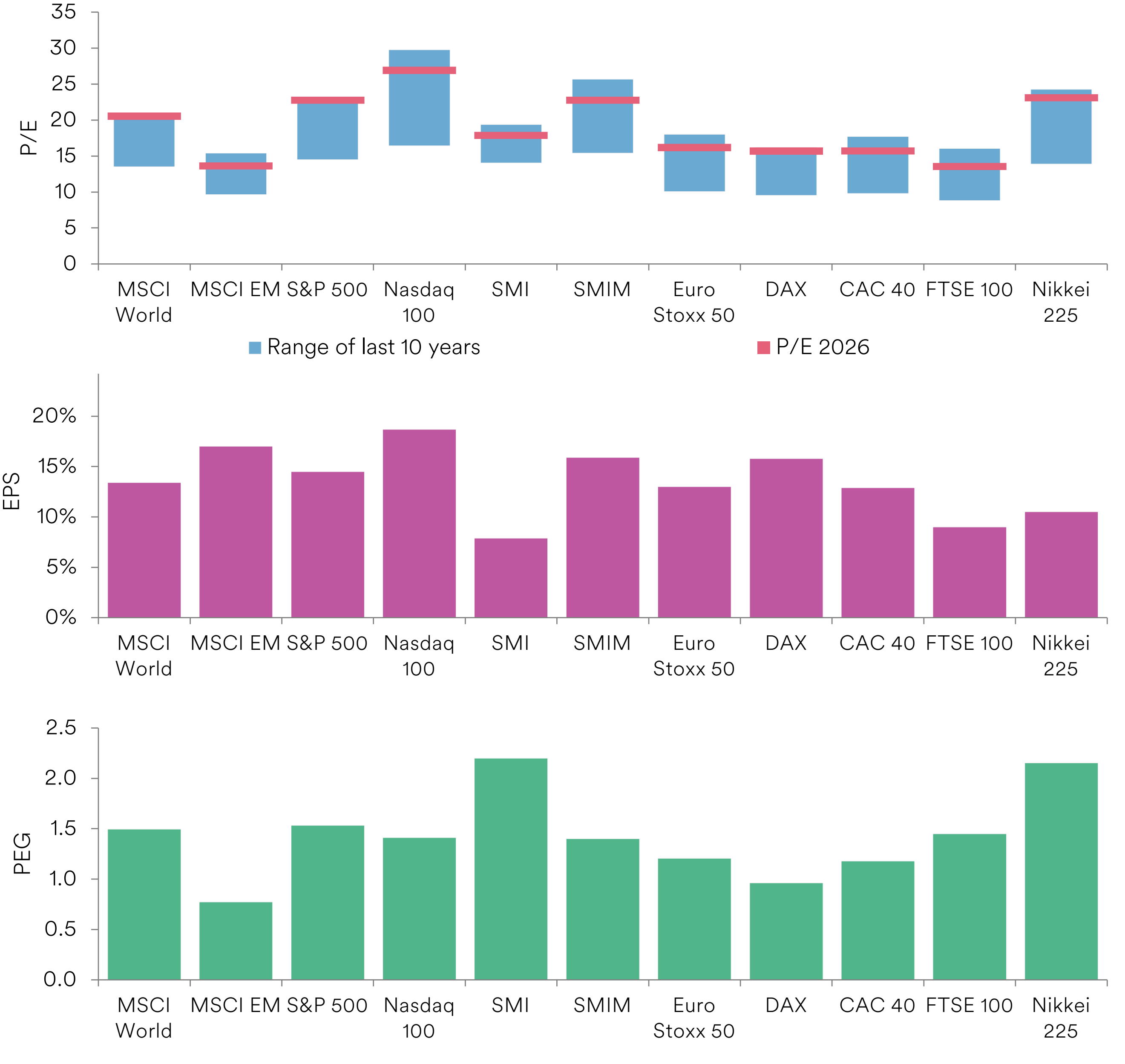
Emerging market equities also continue to be attractive. Investors still tend to be underexposed in this segment, and these markets continue to trade at a significant discount compared to developed markets. A stable or weaker US dollar is also supportive. In addition, central banks in emerging markets are continuing to ease monetary policy, and trade-related headwinds, especially in connection with China, may gradually subside. For 2026, analysts expect earnings growth of around 18%. At the same time, valuations remain attractive, with a price-earnings ratio of 12x projected for 2026.

Diversification beyond AI

While the US market remains a global growth engine, a more valuation-focused investment approach appears appropriate. The seven largest US companies, known as the "Magnificent 7," now account for more than one-third of the total market capitalization of the S&P 500 Index and over 20% of the global equity index MSCI ACWI. These record levels are resulting in increased market concentration and heightened company-specific risks. For investors, this could be an opportunity to reduce exposure to the AI theme while considering alternative investments, without exiting the equity market entirely.

Solid earnings expectations meet elevated valuations

Price/earnings ratios (P/E), earnings growth in % (EPS) and price/earnings to growth ratio (PEG)



Global equity markets show elevated valuation levels for 2026, alongside double-digit earnings growth expectations (EPS) in some cases. When the price-earnings ratios are put in relation to growth rates (i.e., the P/E ratio divided by the EPS growth rate resulting in the PEG ratio), the high valuations can be put into perspective.

Source: Bloomberg, smzh ag. 19/12/2025

Past performance is no indication of future results.

03 – Asset Classes

Swiss Equities

Solid returns thanks to defensive companies, pharma and financial stocks

The Swiss equity market closed 2025 with a positive, albeit more subdued performance than its more dynamic global counterparts such as the leading US and European indices. Despite a relatively low weighting in the booming technology sector, Swiss equities delivered solid returns, supported by defensive qualities and stable dividend payouts. While heavyweight stocks weighed on the SMI in the prior year, pharma and financial names such as Roche, Novartis, and UBS reversed the trend and made significant contributions to index performance in 2025. Nestlé, however, lagged behind once again. Small and mid-cap stocks performed similarly to large-cap names on a year-on-year basis, but have outperformed slightly since the market lows in April.

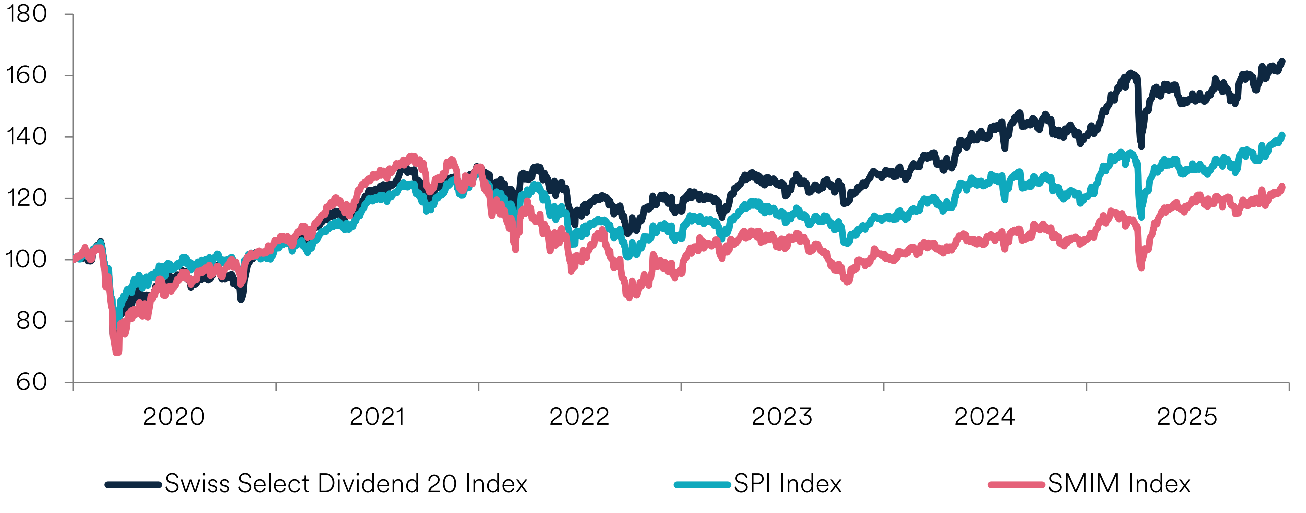
Stability beyond the AI boom

The Swiss equity market offers many unique features, combining growth potential with stability. However, as long as the technology boom in artificial intelligence (AI) continues, it is likely to lag behind, as we saw in 2025.

Nonetheless, the long-term strength of Swiss companies continues to impress, with solid balance sheets, low debt, and global competitiveness. Amid low interest rates in Switzerland, with negative real interest rates, dividend stocks are especially relevant: they offer yields of 3–4%, which is attractive even on an inflation-adjusted basis and serves as a buffer against volatility.

Performance of Swiss equity indices: dividend stocks outperform

Indexed at 100 as of 1/1/2020



Source: Bloomberg, smzh ag. 19/12/2025.
Part performance is no indication of future results.

Strategic portfolio composition

For the new year, an income-oriented strategy focusing on dividend stocks, complemented by small and mid-cap segments of the SMIM, offers an attractive mix. This approach leverages the stability of large companies, which, on average, trade at moderate price-earnings ratios (P/E) of 16–17x globally, while also capturing the higher growth potential of cyclical mid-caps.

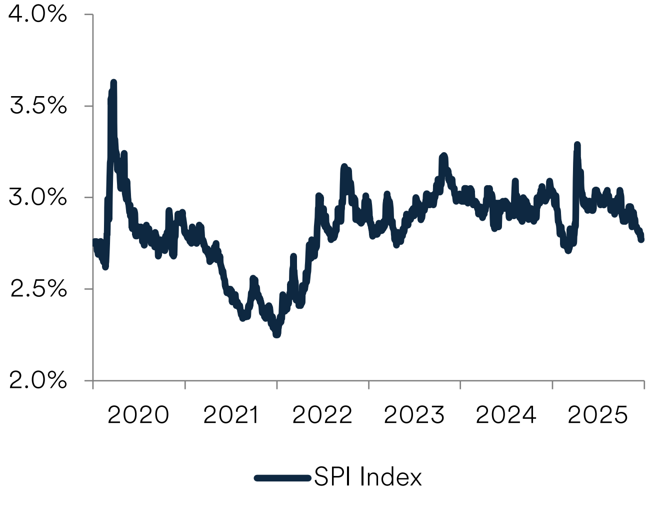
This is particularly relevant for Swiss investors: the Swiss blue-chip index SMI is dominated by a few global heavyweights from the healthcare, consumer, and financial sectors. These corporations provide stability and international diversification, but at the same time concentrate risk and largely exclude the more dynamic segments of the market.

In contrast, the Swiss small and mid-cap market, represented by indices such as the SPI Extra or SMIM, provides access to innovative companies in industries such as technology, industrials, medical technology, and niche consumer goods. Many of these firms are global leaders in their respective specialty areas but remain largely outside the focus of international investors.

Including small and mid-caps in a portfolio not only increases diversification beyond Swiss large-cap heavyweights but also reflects the innovation and dynamism of the domestic market. However, within a diversified portfolio, they should be viewed as a complement rather than a substitute for large-cap companies.

Swiss equities continue to offer an attractive dividend yield

Dividend yield of Swiss Performance Index (SPI)



Source: Bloomberg, smzh ag. 19/12/2025.
Past performance is no indication of future results.

03 – Asset Classes

Swiss Real Estate

Swiss real estate remains structurally attractive

Despite geopolitical uncertainties and elevated volatility in global financial markets, the Swiss real estate market continues to demonstrate resilience. The return to lower interest rates, persistently strong demand for housing, and structurally insufficient new construction activity continue to create a supportive environment. Vacancy rates in the rental housing market remain consistently low, further ensuring income stability.

Institutional demand increases significantly

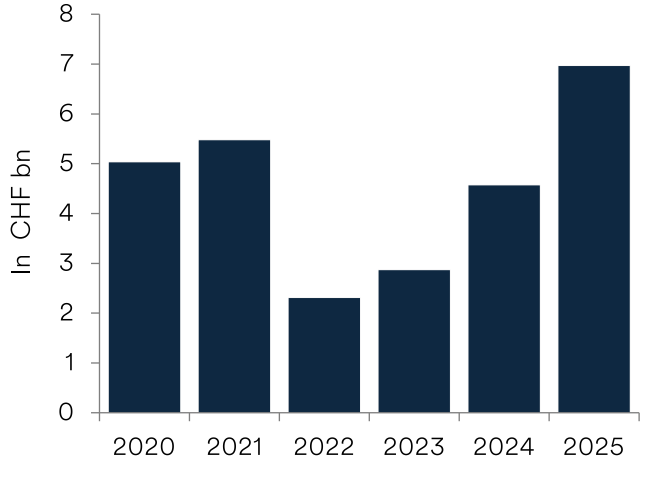
With falling interest rates, the risk-return profile of Swiss real estate has noticeably improved. Institutional investors such as pension funds, insurance companies, and asset managers are increasing their allocations, as reflected in a significantly pick-up in capital increases at real estate investment vehicles. Capital raised in 2025 was clearly above the level of previous years, signaling a return to pronounced investment appetite.

Prices picking up, yields declining

The abundant supply of capital is met with a limited investment universe. Due to regulatory, construction, and economic constraints, new building activity remains subdued, resulting in most of the capital flowing into existing properties. Consequently, prices for apartment buildings have risen again recently, while acquisition yields have come under pressure. The combination of rising rental income and declining financing costs is further amplifying this effect.

Institutional demand picking up steadily

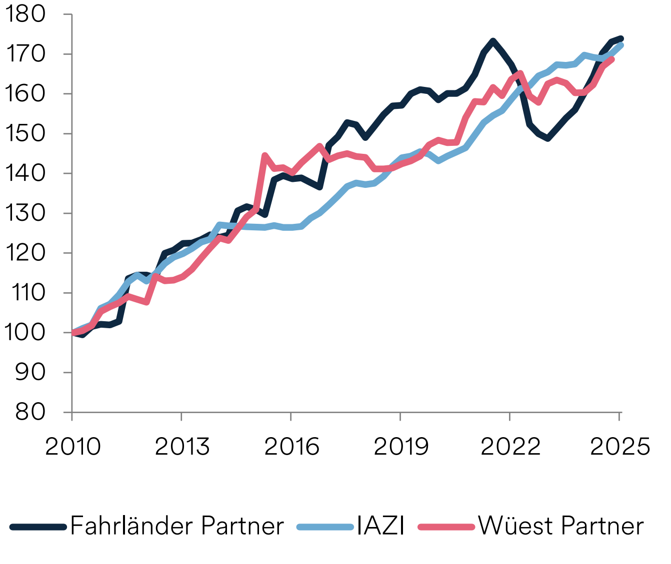
Capital increases of institutional investment vehicles



Note: provisional value for 2025 as of end-September.
Source: Own visualization based on Raiffeisen Economics, SFP, smzh ag.

Prices for apartment buildings are increasing again

Price indices for apartment buildings, Q3 2010 = 100



Source: SNB, Fahrländer Partner, IAZI, Wüest Partner, smzh ag.
Past performance is no indication of future results.

Financing conditions are easing

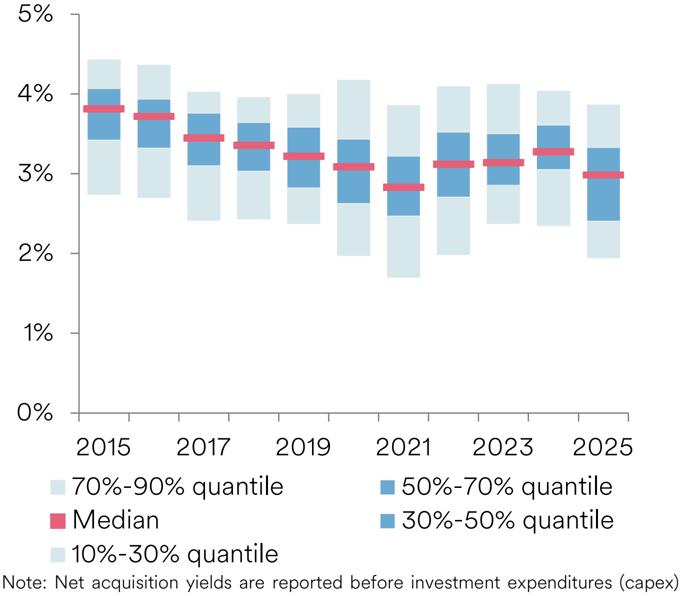
After several years of more restrictive lending, a gradual normalization is becoming apparent. Declining interest rates and an improved deposit base are increasing the incentive for banks to expand mortgage volumes again. While pricing remains selective, especially for new construction projects, overall credit availability is expected to increase in 2026.

Outlook remains positive

The environment for apartment buildings remains constructive. Strong demand, stable cash flows, declining financing costs, and a persistent shortage of supply suggest that upward price pressure is likely to persist in 2026.

Acquisition yields are declining

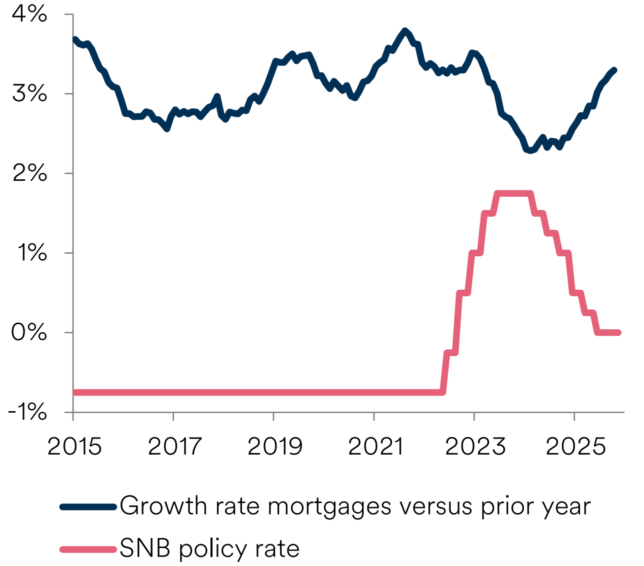
Net acquisition yields for investment properties



Note: Net acquisition yields are reported before investment expenditures (capex) and calculated as the ratio of net rental income to the gross purchase price.
Source: Own visualization based on Wüest Partner, smzh ag.
30/09/2025

Falling interest rates revive mortgage lending

Growth rate of mortgage volume vs. SNB key policy rate



Source: SNB, Bloomberg, smzh ag.
30/11/2025

03 – Asset Classes

Currencies

Has the US dollar hit a low?

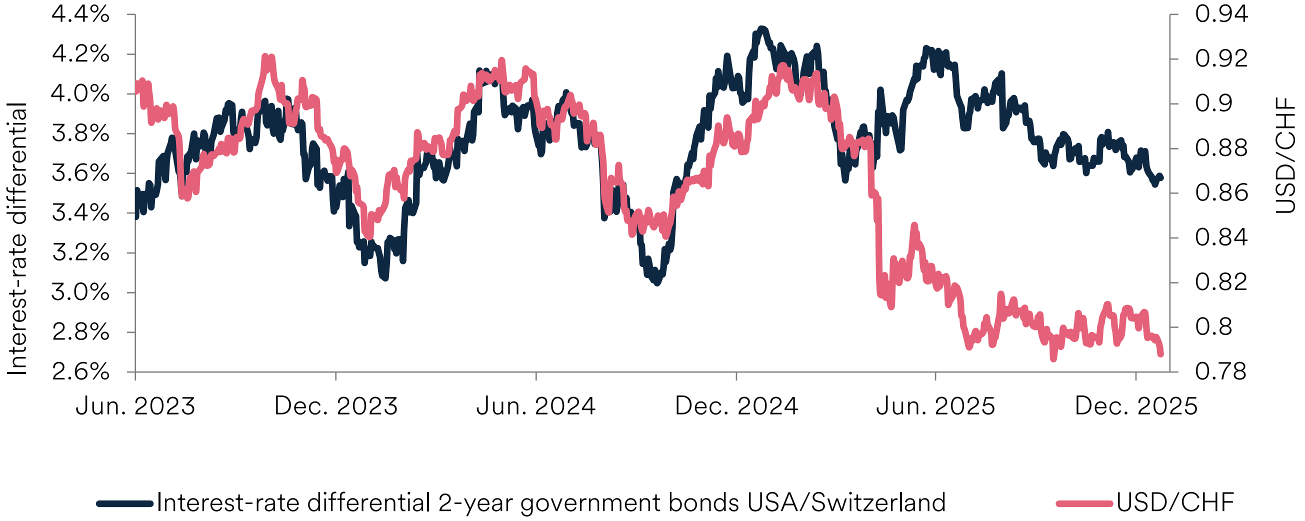
Although the US dollar has stabilized since its lows in mid-September 2025, it has not seen a significant recovery. Its performance therefore remains fragile and uneven. Contributing factors include concerns about the US fiscal deficit and trade imbalances, uncertainty over the leadership change at the Federal Reserve once Jerome Powell's term ends in May 2026, and expectations of further Fed rate cuts despite persistent inflation. The combination of declining nominal interest rates and stubborn or even rising inflation leads to falling real interest rates, which further diminishes the attractiveness of the US dollar. This suggests that the dollar has not yet found a stable floor and remains vulnerable to corrections.

The need to hedge USD risks may gradually decrease in 2026

A similar trend could become apparent for the Swiss franc, though not at the same magnitude. Interest rates in Switzerland are expected to remain low, while inflation may rise moderately, also resulting in falling or even negative real interest rates. While hedging USD risks was a defining theme in 2025, this need is likely to gradually fade in 2026, as hedging costs remain elevated at around 4% per annum, limiting the attractiveness of continued hedging for Swiss investors. As a result, the relationship between explicit hedging costs of 4% p.a. and potential devaluation losses becomes less pronounced.

USD/CHF has decoupled from the interest rate differential

Performance of USD/CHF vs. the interest rate differential of two-year government bonds



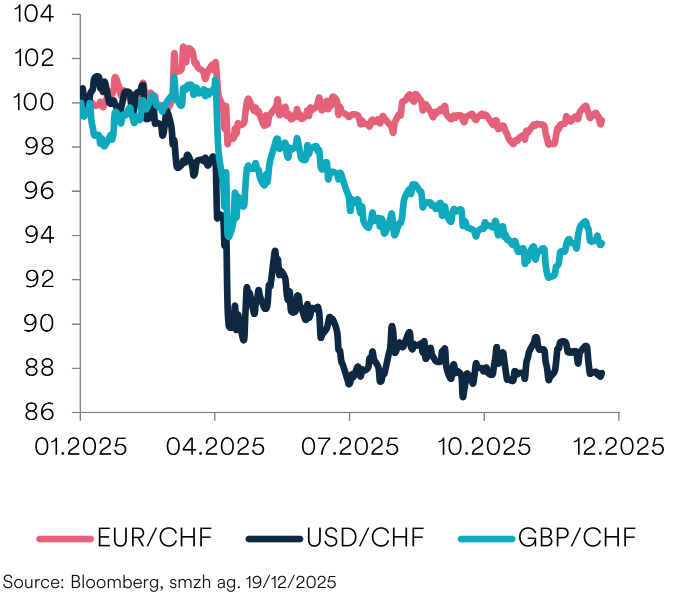
Source: Bloomberg, smzh ag. 19/12/2025
Past performance is no indication of future results.

What about the euro?

With the exception of the Swiss franc, the euro recorded a strong appreciation against most major currencies in 2025, a trend that is likely to continue in 2026. Improved growth prospects for the eurozone, ongoing global de-dollarization, and favorable monetary policy divergence relative to the US all continue to support the currency. However, no significant divergence from the Swiss franc is expected compared to 2025.

CHF vs. GBP, EUR and USD in 2025

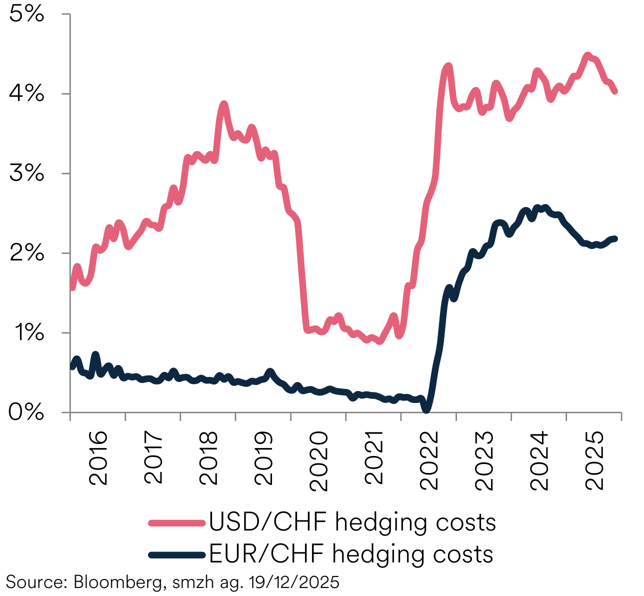
Indexed at 100 as of 1/1/2025



Source: Bloomberg, smzh ag. 19/12/2025
Past performance is no indication of future results.

Hedging costs for CHF-based investors

3-month hedging costs, annualized



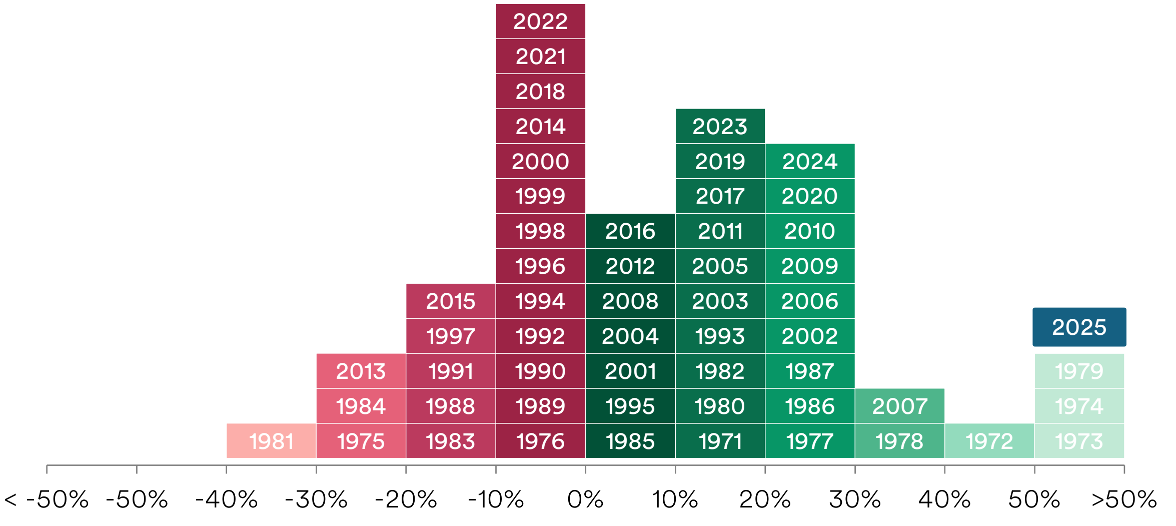
Source: Bloomberg, smzh ag. 19/12/2025

03 – Asset Classes

Gold

2025 was one of the strongest years for gold

Annual returns of gold in USD since the end of the gold standard in 1971



Source: Bloomberg, smzh ag. 30/11/2025. Past performance is no indication of future results.

Strongest performance since the 1970s

After rising by around 28% in US dollar terms in 2024, gold gained another 70% in 2025, despite a temporary correction in October. This makes 2025 one of the four best years for gold since the end of the gold standard in 1971 and marks one of the most pronounced rallies for the precious metal in the modern monetary system.

The main drivers of this exceptional increase include persistent geopolitical tensions, strong demand from institutional investors, and expectations of declining real rates. Since 2022, central banks in particular have expanded their physical gold holdings to diversify currency reserves and hedge against rising government debt and growing fiscal deficits in the US.

Moreover, doubts about the risk-free nature of US government bonds and the increasing fragmentation of the global order have further strengthened gold's appeal as a strategic reserve and hedging instrument.

Unabated capital inflows into ETFs

At the same time, gold ETFs have seen significant capital inflows since 2024, indicating that both institutional and private investors are increasingly turning to the precious metal. Key drivers include expectations of declining interest rates following the US Federal Reserve's monetary policy shift, as well as increased demand for protection against rising macroeconomic and geopolitical risks.

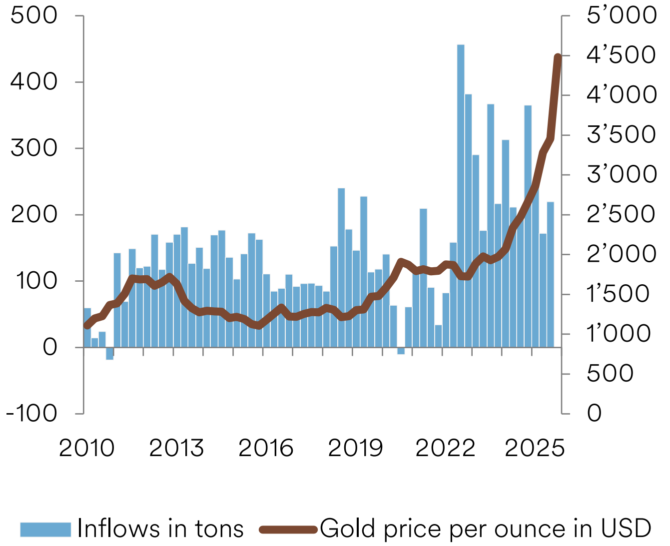
Can the gold rally continue in 2026?

Although gold is known for its volatility, lack of yield generation, and inconsistent performance as an inflation hedge, investors are rightly relying on its role in portfolios in the current market environment. Declining real interest rates, concerns about the independence of the US Federal Reserve, and ongoing geopolitical risks continue to support investor interest and thus the precious metal itself.

At the same time, investors should keep in mind that gold can also experience significant setbacks in periods of market stress, as seen at the end of October, when investors sold the asset to take profits or meet liquidity needs.

Central banks buying more gold since 2022

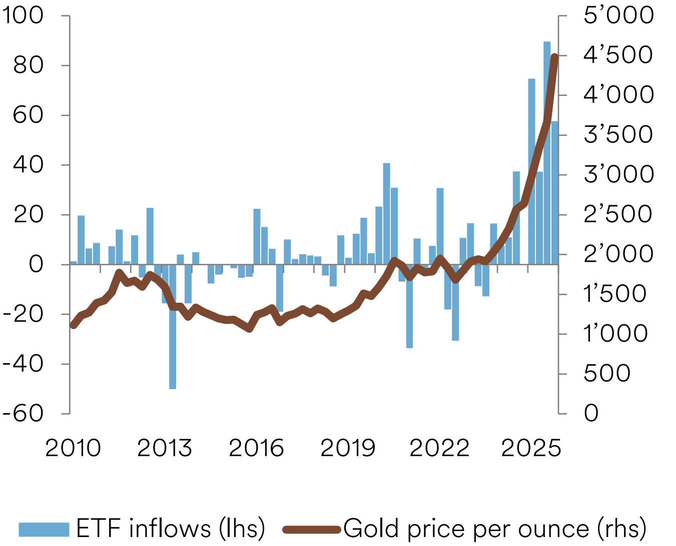
Net purchases / sales of physical gold



Source: World Gold Council, smzh ag. 30/09/2025
Past performance is no indication of future results.

Gold ETFs seeing renewed inflows since 2024

Net inflows and outflows in gold ETFs



Source: World Gold Council, smzh ag. 30/09/2025
Past performance is no indication of future results.

03 – Asset Classes

Cryptocurrencies

2025 a year of institutional adoption

Although the price of Bitcoin ended 2025 in slightly negative territory despite previously reaching a new all-time high, the year was marked by positive structural changes. In particular, the introduction and rapid establishment of spot Bitcoin ETFs led to significant capital inflows. These vehicles now hold over 7% of the total Bitcoin supply. Both corporations and government entities have also increased their Bitcoin allocations. Overall, this group of buyers absorbed a volume in 2025 that was six times greater than the amount of newly mined Bitcoin.

With the growing share of long-term institutional investors, the crypto market has matured noticeably. This is reflected in a significant decrease in cyclical dynamics: The returns of individual halving cycles are increasingly lower, while price setbacks tend to be more contained. The previously pronounced four-year cycle, marked by strong boom-and-bust phases, has notably tightened in the current cycle.

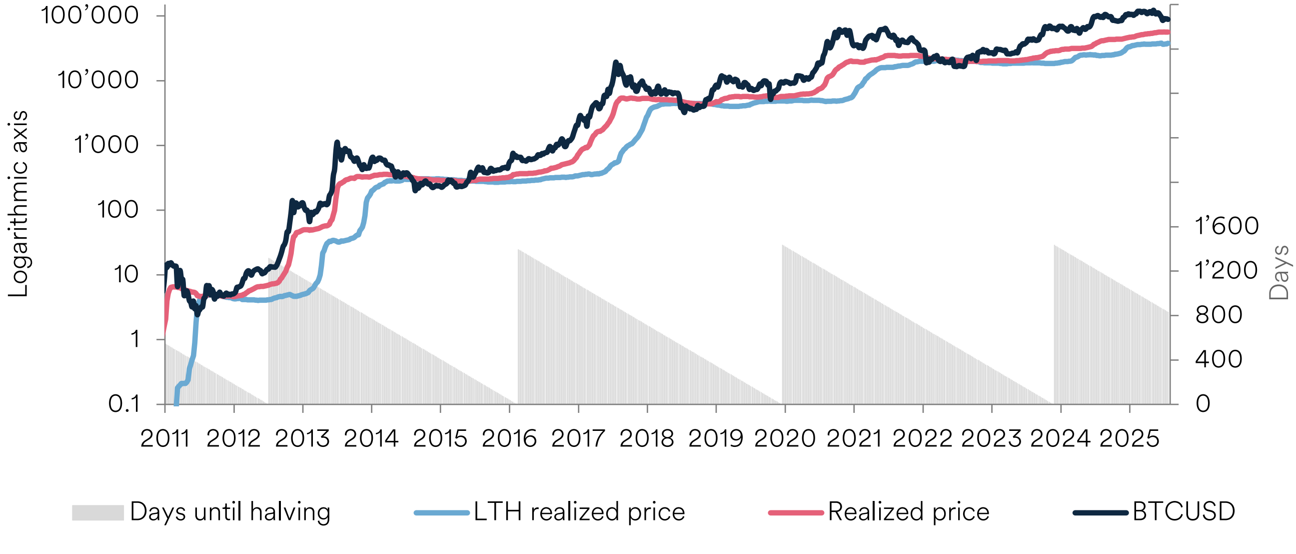
At the same time, market liquidity has improved significantly. Price corrections that previously often exceeded 50% were much more moderate in 2025, and volatility has structurally declined over the past ten years. Bitcoin has thus evolved from a predominantly retail-driven market to a globally established investment instrument, with price development increasingly influenced by monetary policy and macroeconomic factors. As a result, Bitcoin is gaining relevance as a component of a diversified, traditional investment portfolio.

Consequences for market entry

The changed market structure is also shifting traditional behavioral patterns. In previous cycles, attractive long-term entry levels only emerged after marked phases of deleveraging and widespread capitulation.

Bitcoin's 4-year cycle is losing momentum. Long-term holders remain clearly in positive territory

Price development of Bitcoin, realized price, and halving cycles



Note: The realized price is based on on-chain data and corresponds to the average purchase price of all Bitcoins moved in the network. Long-term holders (LTH) are Bitcoins that have been held for more than 155 days.
Source: BITBO, smzh ag. 19/12/2025. Past performance is no indication of future results.

With the growing share of institutional investors, market pullbacks are increasingly absorbed earlier. The long-term holder indicator, which historically marked an almost ideal entry point, is likely to become less meaningful going forward.

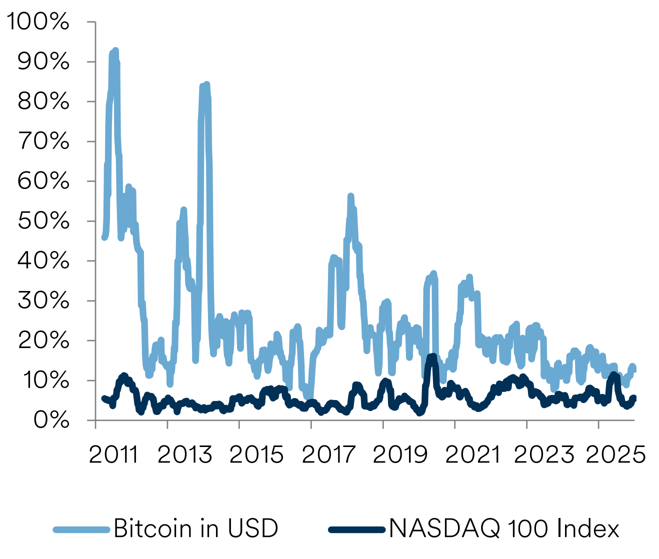
Stablecoins are structurally gaining in significance

The market capitalization of the stablecoin market has risen to around USD 300 billion by the end of 2025, highlighting the structural development of digital cash. At the same time, integration into payment systems is progressing. Visa has expanded USDC settlement to additional networks, and Mastercard is testing stablecoin payments in pilot projects. In Europe, MiCA is accelerating the development of regulated stablecoin offers, while in the US, regulatory initiatives are creating the foundation for broader, compliant issuance. This trend is less a new wave of speculation but rather a gradual shift of stablecoins toward settlement, liquidity management, and cross-border payments.

For investors, the key point is that stablecoins represent less of a speculative asset and primarily function as infrastructure for payments and liquidity within the crypto ecosystem. As their usage increases, value creation shifts toward issuance, custody, and payment processing. Some stablecoins also generate money market-like returns, effectively acting as interest-bearing liquidity. Overall, a growing stablecoin market increases the likelihood that capital will remain within the crypto ecosystem during periods of market stress.

Bitcoin volatility has stabilized over the years

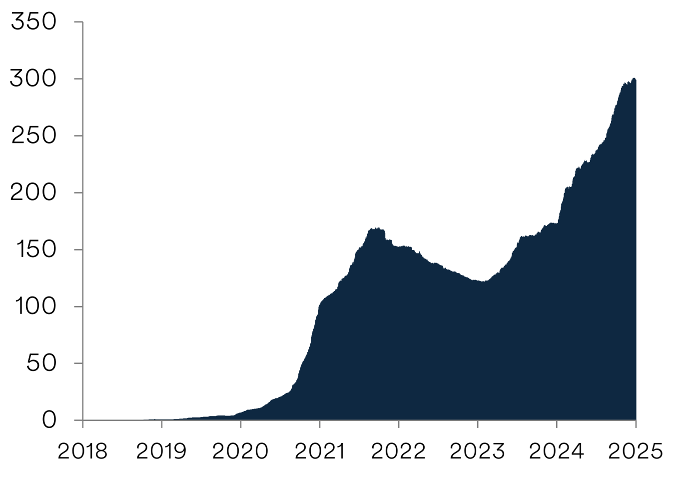
13-week volatility, annualized



Source: Bloomberg, smzh ag. 20/12/2025

Stablecoin market grows to more than USD 300 bn

Market capitalization of all stablecoins, in USD bn



Source: RWA.xyz, smzh ag. 21/12/2025

04
Focus Topics

- Diversifying Beyond AI
- Are Equity Valuations Still Justified by Fundamentals?
- Emerging Market Debt
- Bitcoin vs. Gold

04 – Focus Topics

Diversifying Beyond AI

AI triggers historic wave of investments

Investments in AI infrastructure represent one of the largest investment waves in recent history, driven by the growing need for computing power, specialized chips, large-scale data centers, and high-speed networks. Technology giants are investing billions in building AI-optimized facilities, while governments are promoting the expansion of digital infrastructure. In the US, spending on data centers is now comparable to spending on office buildings, highlighting the structural magnitude of this transformation. Since the debut of ChatGPT in 2022, Nvidia has become a symbol of this boom, but many other companies across the AI value chain have also strengthened their market positions and generously rewarded their shareholders.

Is an AI bubble looming?

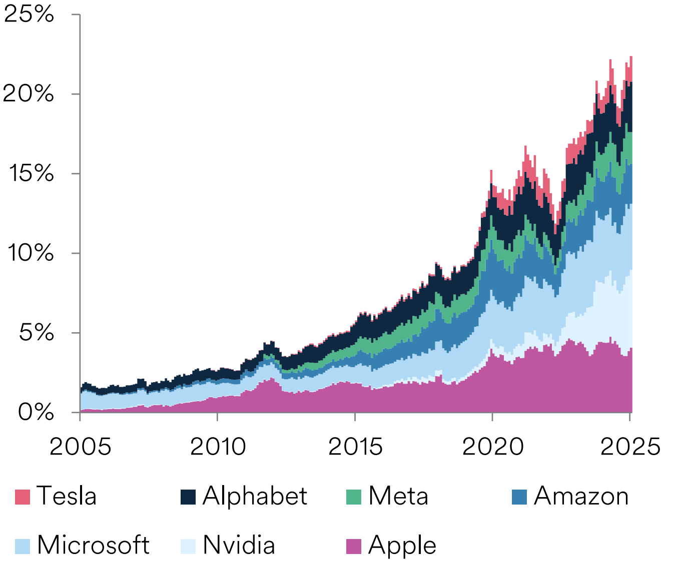
The sharp rise in share prices of AI-related companies raises the question of whether fundamentals still justify current valuations. While there are certain parallels to the dot-com era of 1999, important differences exist: Today's leading innovators, the "Magnificent 7" (Alphabet, Amazon, Apple, Meta, Microsoft, Nvidia, and Tesla), are significantly more profitable and mature than many of the loss-making dot-com firms of that period. Their price-earnings ratios of 25–35x are thus well below the high levels reached in 1999.

Concentration risks persist

Nevertheless, there is a concentration risk. The strong rally in large technology and semiconductor stocks has resulted in many seemingly diversified portfolios being heavily exposed to the same growth drivers. Standard indices weighted by market capitalization, such as the S&P 500 Index, now have a dominant weighting in AI-related mega caps, creating significant cluster risks.

Dominance of AI-related companies

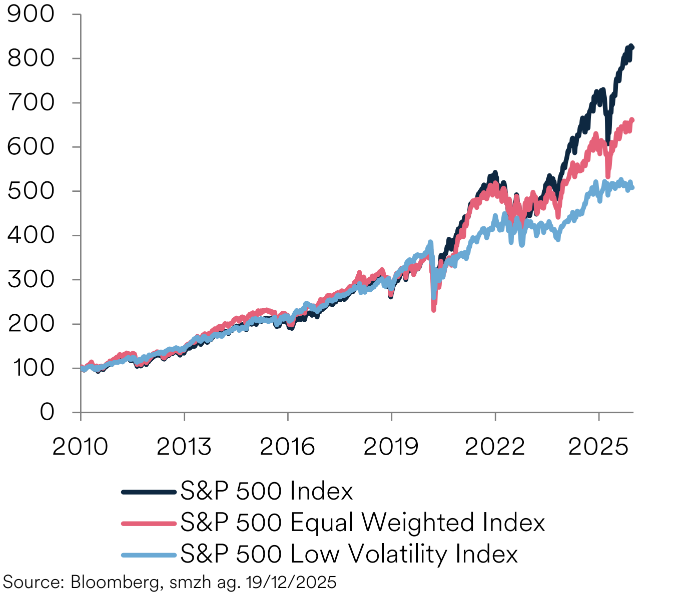
Weight in the MSCI All Country World Index



Source: Bloomberg, smzh ag. 30/09/2025

The S&P 500 is driven by a handful of stocks

Selected alternatives to the S&P 500 Index



Source: Bloomberg, smzh ag. 19/12/2025
Past performance is no indication of future results.

For investors, this means that exposure to the US equity market often implicitly depends on the performance of just a few companies, which increases volatility should upward momentum fade. Regular portfolio reviews are therefore essential, not out of skepticism toward AI, but to ensure portfolio balance and resilience.

Paths to broader diversification

Although consensus estimates do not anticipate a decline in earnings for the "Magnificent 7," growth momentum is expected to slow. At the same time, earnings contributions are gradually spreading beyond just a handful of market leaders, strengthening the case for active diversification. Alternatives such as equal-weighted strategies for the S&P 500, approaches based on low volatility, or international diversification can help investors tap into a broader set of opportunities and reduce reliance on a small group of market drivers. AI remains important, but going forward, diversified returns may increasingly come from other sectors.

04 – Focus Topics

Are Equity Valuations Still Justified by Fundamentals?

Equity market valuation levels in context

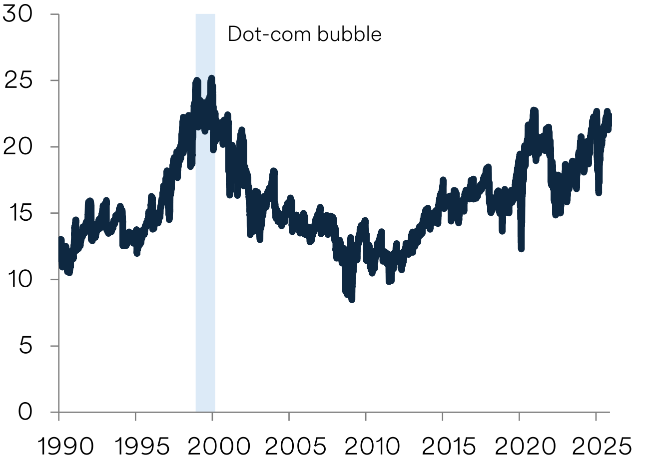
Following strong price gains not only in 2025 but also over the past three years, equity markets are trading at elevated valuation levels. However, valuation metrics alone are insufficient to fully capture market dynamics. They reflect a complex interplay of growth, inflation, real interest rates, payout behaviors, and, above all, corporate earnings. Historically, corporate earnings have been the most important driver of equity market performance, so any comparison with the past is only meaningful when considered in the correct context.

Earnings strength and sector shifts are characterizing the equity market

In 2025, corporate earnings growth remained very robust, supported by resilient demand, healthy margins, and a favorable interest rate environment. In the US, profit margins reached new cyclical highs, reflecting the higher efficiency and profitability of today's technology-driven business models. This structural shift in market composition makes historical valuation comparisons less clear-cut: Today's equity market is much more influenced by asset-light and high-return sectors than in previous cycles. Companies in technology, communication services, and healthcare now account for a significantly larger share of leading indices like the S&P 500 and MSCI World than twenty years ago. These sectors typically trade at structurally higher valuation multiples due to stronger profitability, scalable business models, and lower capital intensity. These factors inevitably result in a higher average market multiple.

P/E ratio of the S&P 500 Index

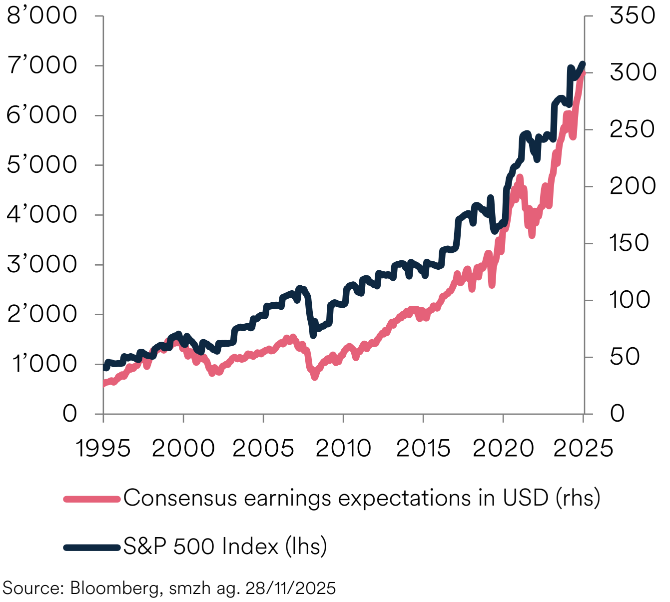
Still below the dot-com era despite elevated levels



Source: Bloomberg, smzh ag. 28/11/2025
Past performance is no indication of future results.

S&P 500 in rally mode

Performance driven by corporate earnings



Source: Bloomberg, smzh ag. 28/11/2025
Past performance is no indication of future results.

Earnings growth as a key driver of equity markets also in 2026

Consensus estimates forecast double-digit earnings growth for 2026 in most equity regions. Such robust growth expectations underpin elevated valuation multiples and support a constructive view on equities. While traditional valuation metrics such as price-earnings ratios may appear stretched, today's fundamentals and the changed sector composition call for a more nuanced perspective. Nonetheless, corporate earnings growth is expected to be the key driver of further price increases in 2026, which naturally limits the short-term upside potential.

04 – Focus Topics

Emerging Market Debt

Attractive addition for CHF portfolios

Despite low yields on CHF-denominated bonds, investor demand for stable recurring income remains high. Emerging market debt (EMD) offers an attractive combination of above-average income and diversification benefits in this context. Emerging market bonds comprise three main segments: sovereign bonds in hard currency such as USD or EUR, sovereign bonds in local currency, providing direct access to local interest rates and currencies, and corporate bonds in hard currency.

Understanding and professionally managing risks

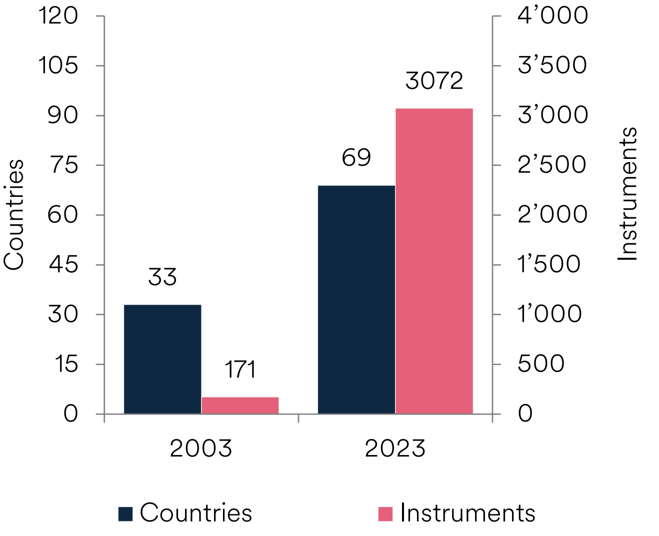
The higher yields of emerging market bonds reflect classic risk factors: credit, political, liquidity, and currency risks tend to be higher in emerging markets than in developed markets. While the average default rates of emerging market bonds are comparable to those in developed markets, there are greater dispersion and more pronounced spikes in periods of stress. For CHF portfolios, however, these risks also present opportunities: a structural yield advantage over domestic bonds and an expansion of macroeconomic diversification.

How should Swiss investors invest?

For CHF portfolios, broadly diversified funds or ETF solutions are recommended to limit USD currency risks, even if hedging costs for USD investments currently stand at around 4%. The economic environment in many emerging markets remains robust. Moreover, the weak US dollar and further interest rate cuts by the US Federal Reserve are reducing refinancing costs for emerging markets, increasing demand for emerging market debt. Even if we may not see a repeat of last year's returns in 2026, emerging markets continue to offer superior return potential compared to developed markets.

Market growth and evolution

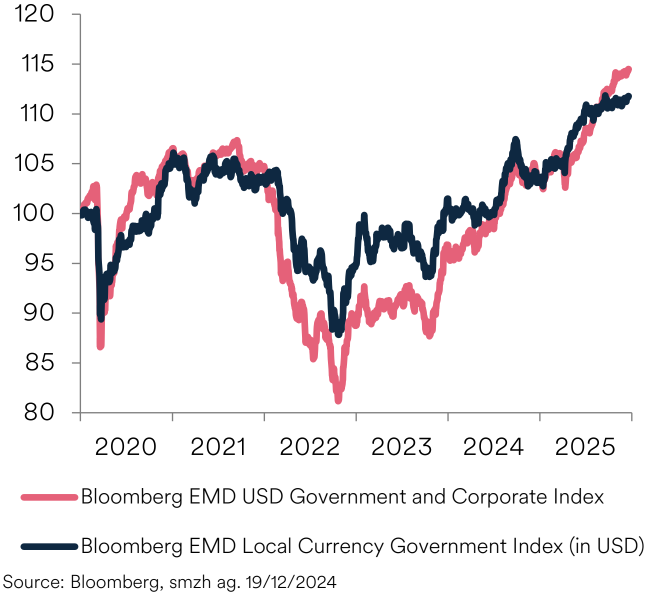
Number of investable countries and instruments



Source: J.P. Morgan, PIMCO, smzh ag. 31/12/2023

Performance of emerging market bonds

Indexed at 100 as of 1/1/2020



Source: Bloomberg, smzh ag. 19/12/2024
Past performance is no indication of future results.

04 – Focus Topics

Bitcoin vs. Gold

The narrative of "digital gold"

Bitcoin has been undergoing strategic classification within the global investment universe for years, with the "digital gold" narrative serving as its central reference point. The launch of institutional spot Bitcoin ETFs led by BlackRock in early 2024 marked the first time this narrative was tested in a challenging macroeconomic environment. Since then, Bitcoin has become much more integrated into macroeconomic allocation and trading strategies and is more sensitive to global funding conditions. Notably, there has been a pronounced linkage to the development of the term premium on ten-year US Treasuries, indicating growing integration into macro-driven positioning strategies among institutional investors.

Gold was the winner in 2025

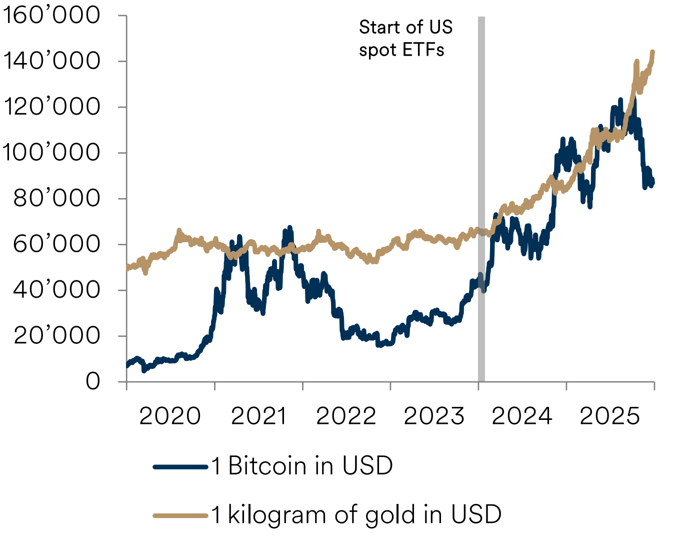
In the second half of 2025, gold outshone Bitcoin. The US Federal Reserve's interest rate cuts and a persistently tense geopolitical and macroeconomic environment strengthened gold in its role as an established portfolio hedge. While Bitcoin was positioned as a macro hedge at times during the first half of the year, its performance in the second half clearly lagged behind gold. This divergence was also evident in the ETF market, with increasing inflows into gold ETFs alongside waning momentum on the Bitcoin side.

Gold leads, Bitcoin is becoming established institutionally

The developments of 2025 highlight the structural demand for real assets. Gold is currently at the forefront, supported by central bank purchases, geopolitical uncertainty, and the desire for stable-value reserves beyond fiat currencies. The US dollar remains the global reserve currency, but there is continued need for complementary stores of value. Bitcoin fits into this environment. Its role as "digital gold" has not been invalidated; rather, it continues to establish itself institutionally. While gold currently fulfills the core defensive function, Bitcoin remains a long-term, growth-oriented real asset. For investors, this is not an either-or question. Gold and Bitcoin serve different purposes and can together be part of a diversified portfolio.

Bitcoin and gold on divergent paths

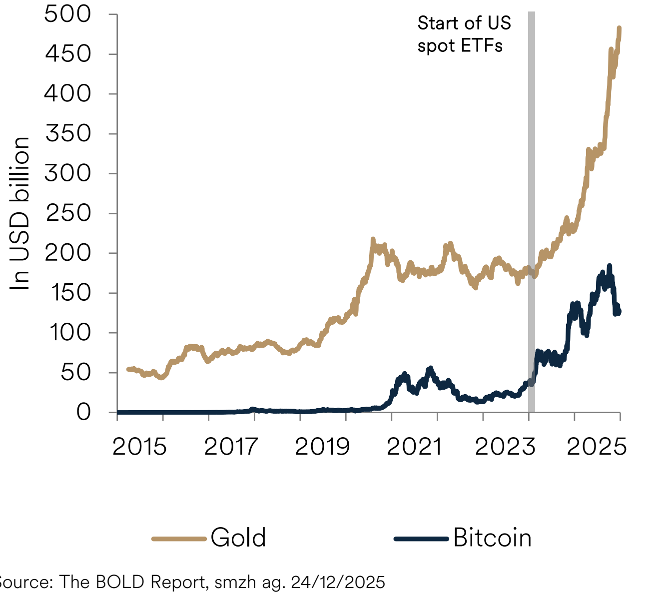
Performance of 1 Bitcoin vs. 1 kilogram of gold



Source: Bloomberg, smzh ag. 24/12/2025.
Past performance is no indication of future results.

Gold ETFs dominate compared to Bitcoin ETFs

Assets under management of gold and Bitcoin ETFs



Source: The BOLD Report, smzh ag. 24/12/2025

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