

# Asset Spotlight

## Equities

September 2026

## Diverse sources of return for robust portfolios

The past four years have seen stock markets around the world generate outstanding returns. In addition to classic investments in stocks, however, there are many other exciting investment segments in which attractive returns can be achieved. Several interesting sub-segments also exist within the stock asset class. We continue to view classic investments in stocks as attractive but believe now is a good time to diversify the sources of return in your portfolio. In this publication, we present a few ways in which investors can put this into practice.

### Topics at a glance

Introduction: Why having different sources of return in your portfolio is sensible

1. Dividend stocks: Stabiliser and key component of total return
2. Stocks for the energy transition: ideally with barrier reverse convertibles
3. Commodity funds: for inflation protection and opportunities that arise in connection with the energy transition
4. Long/short stock funds: Return opportunities in any market environment

rarily falls short of expectations – during a stock market correction, for example – the other sources can partially offset the shortfall.



“Diversifying the sources of return in your own portfolio makes sense. If one source of return temporarily fails to perform as expected, the others can help compensate.”

Mario Christen, Investment Advisor

### Why having different sources of income in a portfolio is a wise decision

In classic balanced portfolios, most returns are generally generated by the stock allocation. In Switzerland in particular, where interest rates have been low for years, investors face the challenge of finding investment segments beyond stocks that offer attractive returns. In this publication, we highlight four alternatives to traditional stock investments that investors can use to diversify the sources of return in their portfolios. Diversifying return sources can be a wise decision. That way, if one source of return tempo-

### Our four suggestions at a glance:

Dividend stocks are the first of the four solutions we present here. While clients continue to bear stock market risk when they invest in dividend stocks, the stocks themselves are positioned in a more defensive segment within the investment category. Structured products containing the stocks of companies that benefit from the energy transition as underlyings are the second solution. Due to the underlyings' rather moderate growth trajectories, it can be prudent to invest in structured products as a way of en-

sure regular distributions. Commodity funds are the third solution. Commodity investments have exhibited a low correlation with stock and bond markets in the past and have historically provided good protection against inflation. The fourth and final solution presented is a market-neutral long/short equity fund. As the name suggests, this is a market-neutral product, meaning the product can generate a positive return, even in periods of negative or range-bound stock markets. We outline the investment case and our preferred approach for each category presented. Structured products are an exception: For these, it is best to contact your client advisor to discuss the next steps.

## 1. Dividend stocks: Stabiliser and key component of total return

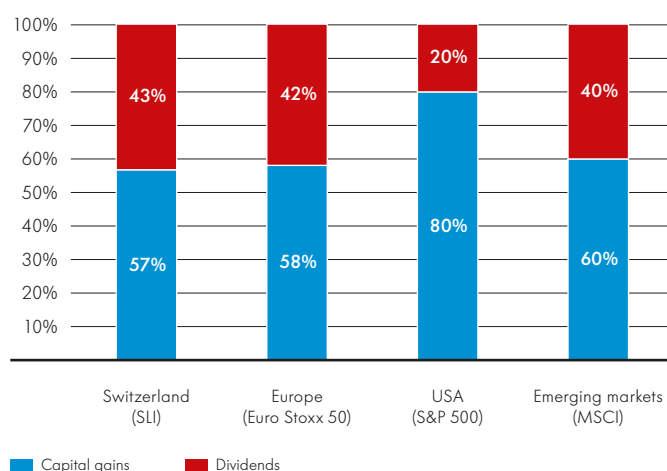
Dividend stocks remain an attractive asset class in the current economic environment. They combine regular distributions with defensive quality, solid balance sheets and robust cash flows. High-dividend companies offer an attractive source of income, particularly in times of increased market uncertainty, fluctuating economic prospects and a continuation of comparatively low returns on safe investments (bonds). At the same time, they can make a key contribution to reducing fluctuating returns in the portfolio.



The Swiss stock market offers a particularly attractive environment for dividend investors. Many companies come from defensive sectors (such as pharmaceuticals, food and insurance) and have strong market positions, robust business models and shareholder-friendly distribution policies. Boasting an average dividend yield of just under three percent, the Swiss stock market far surpasses its US equivalent, where distributions traditionally play a lesser role and are more often carried out indirectly through share buyback programmes. Dividend yields in Europe are also significantly higher than in the US.

Dividends make an important contribution to total return: In Switzerland, distributions have accounted for around 43 percent of investment performance over the past ten years; in Europe, this figure stood at 42 percent. At the same time, high-dividend stocks have a stabilising effect on the portfolio, as they tend to experience fewer setbacks and lower fluctuations in difficult market phases than growth-oriented stocks. We are presenting two options for investors to invest in this segment.

Breakdown of total performance by index



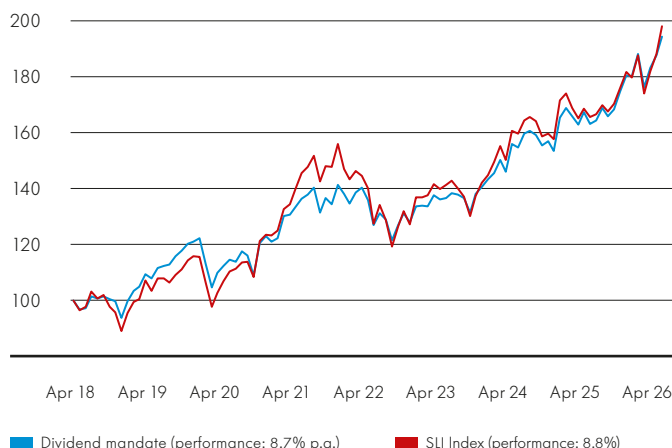
Source: SIX, Zuger Kantonalbank, Bloomberg L.P.

## ESG Dividend Mandate Switzerland – a compelling investment solution

Zuger Kantonalbank's ESG Dividend Mandate Switzerland offers investors professional access to high-dividend Swiss quality stocks. Zuger Kantonalbank handles security selection, ongoing monitoring, risk management and administrative processing, providing clients with a structured solution that allows them to delegate the management of their investments. At the same time, broad diversification reduces concentration risks and helps to avoid so-called 'dividend traps'. Since its launch in 2018, the mandate has demonstrated its value with a net return similar to that of the Swiss Leader Index, albeit with lower volatility. This underscores the strategy's defensive character as well as its suitability as a robust income component in the portfolio, particularly in challenging market phases.

## Dividend mandate and index performance comparison

Performance in CHF (indexed at 100 as at 30 April 2018)



## Details of the Dividend Mandate Switzerland

|                        |                                                                              |
|------------------------|------------------------------------------------------------------------------|
| <b>Name</b>            | ESG Dividend Equity Mandate Switzerland                                      |
| <b>Investor base</b>   | Open to all clients with a minimum investment of CHF 500'000                 |
| <b>Management fees</b> | Dependent on mandate size:<br>Please contact your client advisor for details |

## European dividend stocks – an interesting complement

For investors looking to broaden the geographical base of their dividend stocks, the European stock market offers a sensible complement to the Swiss market. Collective investments such as the Franklin European Quality Dividend ETF provide an efficient and cost-effective way to invest in a broadly diversified portfolio of high-quality European companies with consistent distributions. The ETF offers an expected dividend yield of around 4% and is attractively positioned, with a competitive TER of 0.25% per year.

## Fund details

|                                  |                                              |
|----------------------------------|----------------------------------------------|
| <b>Name</b>                      | Franklin European Quality Dividend UCITS ETF |
| <b>Minimum investment</b>        | n/a                                          |
| <b>Subscriptions/redemptions</b> | Intraday tradable on SIX (in EUR)            |
| <b>Investor base</b>             | Open to all clients                          |
| <b>ISIN</b>                      | IE00BF2B0L69 (distributing, quarterly)       |

## Risks

Dividend strategies favour quality stocks with low volatility and deliberately underweight cyclical sectors such as industrials and consumer goods. While this provides protection during challenging market conditions, it can lead to noticeable underperformance relative to the broader market during strong upturns that benefit cyclicals and growth stocks.

## 2. Stocks for the energy transition: ideally with barrier reverse convertibles

The energy transition is one of the most formative structural trends of our time and promises robust growth over the next decade. This is being driven by technological progress and the associated demand for electricity on the one hand and by regulatory requirements and the strategic expansion of renewable energies and their grid expansion on the other. It opens up attractive opportunities for investors: The stocks of these companies allow direct participation in this long-term growth trajectory. However, they generally tend to exhibit moderate rather than dynamic price trends. Against this backdrop, structured products such as reverse convertibles or barrier reverse convertibles offer an attractive alternative to direct investments. In a low-volatility environment, the fixed coupon can generate an attractive additional return, something that is not achievable with a pure stock position. This allows the risk-return profile to be tailored to individual needs and lets investors choose the currency of the structured product – regardless of the currency of the underlying securities. For our advisory clients, we recommend implementing this strategy using the following stocks, for which we have a moderately positive outlook.

### 1 RWE (buy; price target: EUR 65)

RWE is currently one of the leading suppliers of renewable energies and has a broadly diversified portfolio of wind, solar, storage and flexible generation plants. The company has a particularly strong position in the offshore wind sector. From 2027, around 70% of the company's EBITDA is expected to come from wind and solar energy, which will increase earnings visibility. RWE also benefits from growing demand for electricity as a result of digitalisation and data centres. This security therefore offers attractive exposure to the long-term expansion of global electricity infrastructure.



"Reverse convertibles enable investors to enhance portfolio income by converting moderate market growth into an attractive return premium."

Joel Gubser, Investment Advisor

#### Did you know?

The average Swiss investor loves structured products. This is why the Swiss market, with an investment volume of around CHF 200 billion, is considered the world's largest for structured products, where they are affectionately known as "Strukis". It is therefore hardly surprising that the reverse convertible was invented in Switzerland in 1998. The product structure arose from a combination of the low interest rate environment at the time, comparatively defensive stocks and demand for yield. Today, we find ourselves in a similar environment. What makes it particularly attractive is its tax treatment: Coupons of (barrier) reverse convertibles in Swiss francs are largely tax-free for private individuals in Switzerland.

### 2 Enel (hold; price target: EUR 9.80)

Enel is one of Europe's leading utility companies and has a large portfolio of renewable energies, in particular wind, solar and hydropower. The stable grid business supplements renewable electricity production and ensures highly predictable cash flows. With strong market positions in Italy, Spain and Latin America, Enel benefits from growing electricity demand and the expansion of renewable energies. The stock combines defensive qualities with long-term growth potential.

### 3 Engie (buy; price target: EUR 31)

Engie is one of the largest energy companies in Europe and consistently focuses its business model on renewable energies, grids and sustainable electricity generation. With installed capacity of around 28 gigawatts in its wind, solar and battery storage plants, Engie is one of the largest developers of renewable energies in Europe. It seeks to improve earnings quality and reduce dependence on traditional energy activities through expansion in high-growth and regulated areas. Since renewable energies are set to become the most important source of income by 2028, Engie offers investors an attractive combination of transformation, economies of scale and stable growth.

### 4 Ørsted (hold; price target: DKK 160)

Ørsted is one of the world's leading companies in the offshore wind sector and is considered a pioneer. Around 80 percent of its EBITDA comes from offshore wind farms, giving the company a market-leading position in a segment that is key to decarbonising the power supply of many developed countries. Despite higher financing and construction costs, offshore wind remains an important component of the energy transition. Ørsted thus offers investors direct access to the long-term expansion of renewable electricity generation.

### 5 Vestas Wind Systems (hold; price target: DKK 200)

Vestas is the world's leading pure-play wind energy specialist and benefits from the global expansion of renewable power generation. The company is particularly well-positioned in the onshore wind segment, and is supported by electrification, decarbonisation and increasing investments in wind power. In addition, the large installed base generates recurring service revenue. As a pure-play wind energy provider, Vestas offers investors a focused opportunity to benefit from the global expansion of renewable electricity generation.

### 6 EDP (hold; price target: EUR 4.80)

Energias de Portugal (EDP) is one of Europe's leading energy companies with a clear focus on renewable energies. Around 60 percent of its EBITDA comes from wind, solar and hydropower. Regulated power grids ensure stable revenues, while the expansion of renewable energies is the most important growth driver. The company's presence in the USA offers additional potential, particularly given rising electricity demand from data centres and digital infrastructure. EDP therefore combines a defensive utility profile with long-term growth.

### 7 GE Vernova (hold; price target: USD 1,050)

GE Vernova is a leader in electrification and decarbonisation technologies. The company operates in power grid infrastructure, wind energy and high-efficiency gas turbines. With strong market positions in gas turbines and the US onshore wind market, GE Vernova benefits from the global investment cycle in grids, electrification and generation capacity. Growing demand for electricity, including for data

centres and digital applications, is creating additional tailwind. The stock therefore offers diversified access to key infrastructure components of the energy transition.

As part of our advisory mandate, we offer individually configurable structured products from third-party providers. Your client advisor will be happy to advise you on your options.

### 3. Commodity funds: for inflation protection and opportunities that arise in connection with the energy transition

Investors can gain exposure to the energy transition not only by buying stocks and structured products, but also by investing in diversified commodity funds. The megatrend is likely to lead to a significant increase in demand for the commodities needed for the energy transition. The electrification of transport and industry requires large quantities of copper, aluminium, nickel and other commodities.

Commodity funds invest in a broad basket of many different commodities. As a rule, investing in this segment offers investors protection against depreciation during inflationary phases. In a portfolio context, commodity investments increase diversification due to their low correlation with traditional investments, such as stocks, bonds and real estate. The low level of correlation is attributable to the fact that commodity price trends are determined by other factors, including supply shocks, inventory levels, geopolitical events and even the weather. Commodities are also increasingly becoming a strategic factor. The security of supply is becoming increasingly important as activities to extract and process certain commodities become concentrated within a few countries, thus exacerbating price movements.



"Commodity funds offer inflation protection while providing an opportunity to benefit from growing demand for commodities driven by the global energy transition."

Mario Christen, Investment Advisor

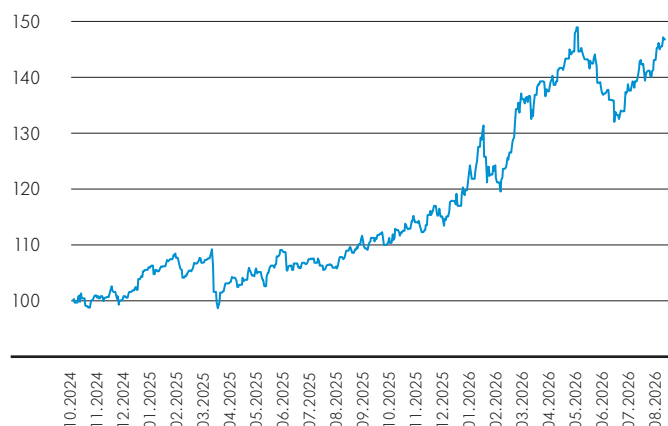
#### Our preferred solution

The JSS Commodity – Transition Enhanced Fund is an actively managed, rule-based commodity fund. J. Safra Sarasin has two decades of experience investing in commodities. The institution manages around USD 1.2 billion in commodity

strategies, of which the "Transition Enhanced" strategy presented here accounts for around one third. Compared to conventional commodity funds, the "Transition Enhanced" fund we selected focuses more strongly on the commodities needed for the energy transition. These include copper, aluminium and zinc, for example.

#### JSS Commodity – Transition Enhanced C USD

Net performance in USD (indexed at 100 as at 29 October 2024)



Source: Bank J. Safra Sarasin Ltd.

The fund invests in four categories: energy (28%), precious metals (10%), agriculture (26%) and transition commodities (36%). We like the stronger focus on those commodities that are essential for the energy transition as demand is likely to increase significantly in the coming years. The fund strategy defines strategic weightings for the four commodity categories and their subcategories. Rebalancing according to these strategic ratios is carried out on a monthly basis. The rationale behind this is that commodity prices are highly volatile and returns have strong mean reversion patterns. In theory, this means commodities that have performed worse in the past are likely to perform better again in the future, and vice versa. Rule-based periodic rebalancing ideally positions the fund portfolio in the event of such market fluctuations.

The fund does not invest directly in the respective commodities, but via derivatives. Derivatives are financial contracts whose performance depends on the performance of an underlying asset (in this case the price of the commodity). Investing through derivatives is common in the commodities sector, as direct investment would entail high transport and storage costs. Since investing via derivatives does not require the direct investment of capital, but only the deposit of collateral, the fund portfolio consists not only of the derivatives but also of bonds with good credit ratings and

short maturities. This deposited collateral generates additional income that benefits the fund buyer.

The fund management team tries to generate added value through active positioning along the forward curves of the respective commodities. Since its launch at the end of October 2024, the fund (after fees, in USD) has generated a return of +45.5% as of mid-August 2026. This corresponds to an annualised return of +23.3%.

## Fund details

|                                  |                                               |
|----------------------------------|-----------------------------------------------|
| <b>Name</b>                      | JSS Commodity – Transition Enhanced C USD acc |
| <b>Minimum investment</b>        | n/a for clients with an advisory contract     |
| <b>Subscriptions/redemptions</b> | Daily                                         |
| <b>ISIN</b>                      | LU2782827161                                  |

## Risks

Commodity prices are highly volatile, which can lead to increased product fluctuations. Although commodities have provided good protection in past periods of inflation, there is no guarantee that this will also be the case in the future. Another point is the structure of the recommended fund: As exposure to the individual commodities is generated by derivatives, there is a risk of losses when contracts roll over. Derivatives generally have a fixed term. If a forward curve is in contango (future price > spot price), the derivative loses value as the expiry date approaches. The position is then closed and replaced by a new derivative with a later expiry date. The newly purchased derivative purchased will generally trade at a higher price again. Conversely, rolling contracts can also generate gains when the forward curve is in backwardation (future price < current price), although this is less common. Some of these roll losses are offset by returns on the collateral.

## 4. Long/short equity funds: Return opportunities in any market environment

Global stock markets have performed very well in recent years. Unfortunately, there is no guarantee that the stock market rally will continue forever – the markets are bound to have a negative year again at some point. Wouldn't it be perfect to have a product in your portfolio that can generate positive returns in any market environment? Market-neutral long/short equity funds are the answers, at least in theory.

## Market-neutral – how does it work?

Long/short stock funds are market-neutral products. Put simply, these products work based on the following principle: The fund management team assesses all stocks within a pre-defined universe based on the attractiveness of their risk/return profile, then divides them into two baskets: a buy basket and a sell basket. The most attractive stocks go into the buy basket, while the most unattractive are placed in the sell basket. Finally, the fund takes a long position in the stocks in the buy basket (meaning it benefits if the prices of these stocks go up); at the same time, it takes a short position in the stocks in the sell basket (meaning it benefits if the prices of these stocks go down). As a result, the product has a net equity allocation (calculated from the value of the shares bought less the value of the shares sold) of around 0%, which is why it is referred to as a market-neutral product. This strategy can fundamentally generate returns in any market environment. Even if the stock markets are correcting on a broad basis, the strategy can generate returns as long as the buy basket suffers fewer losses than the sell basket. Even in an upside or range-bound market, the strategy can generate positive returns if the buy basket performs better than the sell basket. This makes a long/short stock fund ideally suited as a diversifying element in a portfolio context.



**"A market-neutral long/short equity fund can generate positive returns in any market environment."**

Mario Christen, Investment Advisor

## Our preferred solution

The BlackRock Systematic Global Equity Absolute Return Fund is an actively managed long/short equity fund. BlackRock has years of expertise in actively managed long/short strategies and manages approximately USD 13 billion using strategies of this nature. The product presented here has been available since June 2014. Approximately USD 850 million is currently managed under this product strategy. The fund aims to achieve a net stock allocation of around 10% with a target beta to the global stock market of 0 to 0.2 and a target volatility of 6 to 8% p.a. Position weights are selected using a data-driven approach and are re-evaluated every day.

Over the last ten years, the fund has generated an absolute return (after fees, in USD) of +6.9% p.a. (see Figure 1). Its correlation to global stocks has been just 0.05 over the last five years. This means that generally speaking, the product’s returns are generated independently of the total market return, which accentuates the benefits in a portfolio context.

Performance of Black Rock Systematic Global Equity Absolute Return Fund D USD

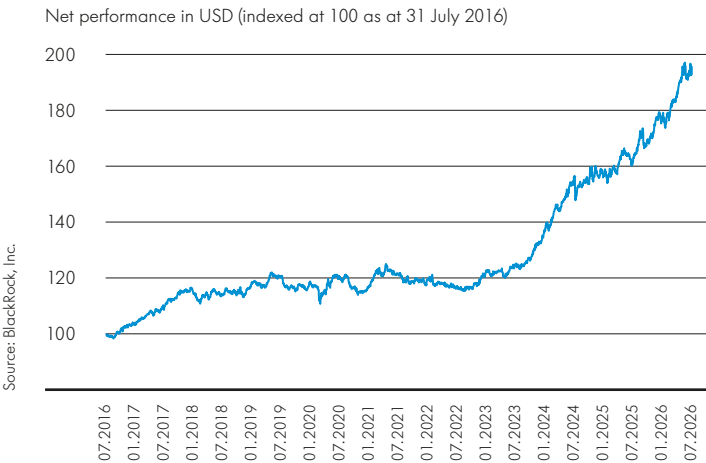
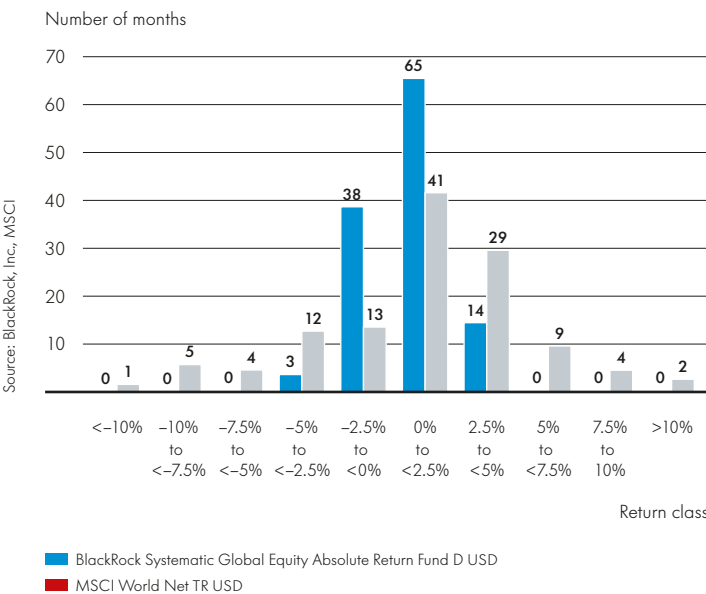


Figure 2 shows the advantages of Blackrock’s long/short strategy versus a broad global stock market index. The dispersion of the monthly returns around the average is much more concentrated and thus has fewer extremes than the market as a whole. Historically, this has helped protect portfolio performance during periods of market decline.

Distribution of monthly returns



### Fund details

|                           |                                                                   |
|---------------------------|-------------------------------------------------------------------|
| Name                      | BlackRock Systematic Global Equity Absolute return D USD          |
| Minimum investment        | n/a for clients with an advisory contract; otherwise, USD 100'000 |
| Subscriptions/redemptions | Daily                                                             |
| ISIN                      | LU1153525040 (accumulating)                                       |

### Risks

The product’s key risk lies in its structure. As the fund has both long exposure (stock from the buy basket) and short exposure (stock from the sell basket), there is a theoretical risk that the fund may lose money during positive stock market phases (if the sell basket performs better than the buy basket). As the fund can use leverage, e.g. by taking +200% long exposure and -200% short exposure, this underperformance can become even more pronounced.

## Do you have any questions about the publication or suggestions?

Contact your client advisor.

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