

Asset Spotlight Special

December 2025

A look ahead to 2026: “Keep your eyes open and your ears closed!”

“Hold on to your hats!” was the title of our outlook for 2025. Looking back, it was indeed an exceptionally turbulent year characterised by falling interest rates, tariff shocks, growing doubts about the stability of US government finances and the dollar, plus increased decoupling of AI technology and the real economy. Once again, staying calm was the right approach. The situation as we head into 2026 is constructive. We expect further growth across all key economic regions, although momentum will vary significantly from region to region. Additional rate cuts are conceivable in the US, Europe, and potentially Switzerland too. The geopolitical situation is likely to be calmer, although the US will remain a wildcard in what is a midterm election year. The AI investment boom is continuing. At the same time, we expect greater volatility and sector rotation. A broad-based portfolio is therefore a must. Above all: “Keep your eyes open!” – 2026 will offer further attractive opportunities; and “Keep your ears closed!” – political noise and crash predictions should not deflect us from our course.

Our themes for 2026 – an overview

Introduction: A look ahead to 2026:

“Keep your eyes open and your ears closed!”

1. US government bonds lose their safe-haven status
2. AI boom continues, though not just in US
3. US tech stocks among the winners
4. Is the gold price in a bubble?
5. Switzerland heads into deflation
6. Healthcare stocks a catalyst for Swiss equity index outperformance
7. Time for small caps, especially in Switzerland
8. Uptrend on Swiss real estate market continues

Specific implementation proposals for the themes of 2026 can be found at the end of this document.

We also provide an overview of our 2025 themes and look at how they developed.

2025: A world in flux

The transition to a multi-polar world order stepped up a gear in 2025. The tone was set by the US administration, with an increasingly autocratic leadership style and political showboating. Even obvious misinformation is now simply accepted without being questioned. Relations between countries have become harsher; nowadays diplomacy often means pressure and counterpressure rather than conciliation. At the same time, independent institutions are coming under increased pressure; meanwhile, the once-normal free trade system is being replaced by multiple rounds of mutual tariff threats. The pandemic revealed the vulnerability of global supply chains, and it remains to be seen what the long-term effects of this structural change will be.

Financial markets in party mood

Financial markets proved amazingly resilient in 2025 despite geopolitical tensions and trade-policy obstacles. Equities, gold, real estate and even bonds advanced on the back of fading inflation concerns – supported by the prospect of falling interest rates, ample liquidity and ongoing AI hype. For Swiss franc-based investors, the weak dollar was the only downer. Overall, sentiment remained distinctly risk-tolerant.

2026: Selectivity called for – ample opportunities available

For 2026, many investors expect further monetary easing and – amid a lack of alternatives – see continuing opportunities in real assets. The demand for commodities and other real assets – first and foremost gold – remains strong in light of waning confidence in the stability of US government finances.



“In a world of unpredictable trade policy, broad diversification is crucial in order to manage risks and exploit the myriad opportunities 2026 will present.”

Ivo Hanusch, Head Investment Advisory

The optimism around artificial intelligence continues to provide a tailwind for equity markets, even though valuations of many tech stocks look ambitious at first sight. It is still too early to talk of a bubble, however, as price increases are being driven by solid earnings growth and structural trends. This theme is set to gain breadth in 2026; our focus remains on the US equity market.

At the same time, the situation on the broad market is likely to be significantly more mixed in 2026: Value sectors such as food and pharmaceuticals, but also second-tier stocks, have seen very little participation thus far and remain attractively valued. 2026 is therefore likely to be a year of selective opportunities: Simple beta investment is nearing its limits, while active stock picking is gaining importance. The Swiss market could benefit from this.

The geopolitical situation and the US government’s threat not to defend “delinquent” NATO partner countries are forcing Europe into a major rearmament drive.

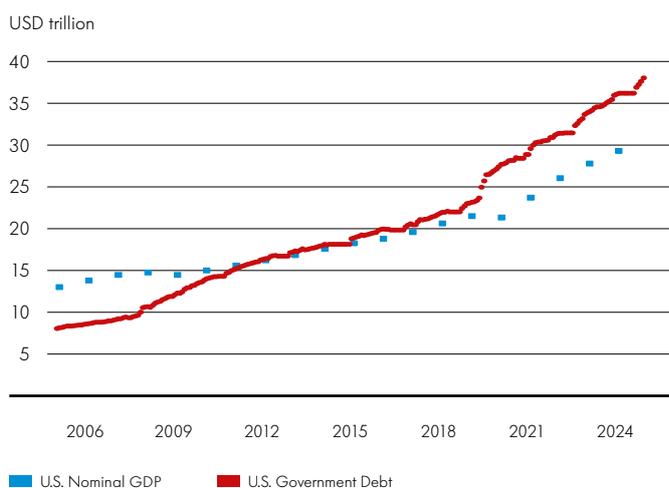
This marks a fiscal U-turn that will result in higher government spending, a potential increase in deficits, as well as new prospects for the defence and infrastructure sectors. Even so, this is unlikely to be enough to turn Europe into a new growth engine.

In a multi-polar world with unpredictable trade policy, geopolitical risks and shifting alliances, flexibility, diversification and a holistic approach remain crucial in order to manage the risks and exploit the myriad opportunities 2026 will present.

Theme no. 1: US government bonds lose their safe-haven status

US government bonds have historically been a byword for secure, stable investments at a time of uncertainty and turbulent stock markets. Despite the continued twin deficit in the balance of payments and government budget, the solvency of the United States has never before been called into question. The US dollar acts as the world’s reserve currency, while treasuries are considered a key building block for portfolio hedging. In April 2025, however, when the “Liberation Day” proclaimed by President Trump sparked price losses on stock markets and a major “Sell America” wave, even US treasuries unexpectedly came under pressure. The traditional protection mechanism – rising bond prices in times of crisis – failed to work, and the Fed’s role as the “world’s central bank” was suddenly being questioned.

U.S. Government Debt Compared to Gross Domestic Product (GDP)



Source: treasury.gov, bea.gov

Debt growing rapidly

However, doubts about the long-term safe-haven status of US government bonds are being fuelled not only by political uncertainty but also by structural factors. US government debt is increasing rapidly, with the ratio of debt to gross domestic product now standing at around 125% compared with around 100% ten years ago. Almost one fifth of government expenditure now goes on interest payments. With the recently passed One Big Beautiful Bill Act, overall debt is likely to increase by a further USD 4.1 trillion – around 13.5% of current GDP – over the next ten years, according to estimates by the Congressional Budget Office. This development raises questions about the long-term sustainability of US finances.



“Although the status of US government bonds remains untouched for now, the rapid growth in debt poses risks in the longer term.”

Joel Gubser, Investment Advisor

Special status of dollar and treasuries

The unique status enjoyed by the US dollar and US treasuries in markets is not solely explained by fundamentals. By some distance, treasuries constitute the most liquid segment of a global bond market that is otherwise frequently characterised by a lack of liquidity; in addition, the available market depth is unique. The same applies to the US dollar: There is currently no serious alternative in global commodity, goods and foreign currency trading, and a shift away from the dollar in the foreseeable future is almost inconceivable. As well as reinforcing the currency’s position, this structural dominance also guarantees continued demand for US treasuries with their unparalleled liquidity – and thus underpins the ability of the United States to refinance its debt. On top of that, the tools available to the government and the Fed for stabilising the market should not be underestimated: systematic repurchasing of government bonds, active management of the yield curve, and tax incentives for domestic investors. The Fed is able to influence market movements in a significant way merely through communicative signals.

The combination of growing debt, political polarisation and rising interest costs could nonetheless undermine investor confidence in the long term. However, the safe-haven status of US government bonds is unlikely to be at risk in the short term. Provided that the dollar remains the leading global currency, commodities are traded in dollars, and the Fed is prepared to act resolutely in an emergency, we expect US treasuries and the US dollar to remain the central anchors of the global financial system.

In our view there is very little likelihood of US government bonds losing their safe-haven status.

Theme no. 2: AI boom continues, though not just in the US

Equity markets have in recent months been dominated by one theme: artificial intelligence (AI). To date, the big beneficiaries of this megatrend have mainly been US tech firms such as Nvidia, Broadcom and Palantir. These companies are currently trading at high valuations, with market participants expecting rapid growth in revenue and profit numbers over the coming years.

However, investors should not overlook the fact that companies outside the US are also likely to benefit from this megatrend – and there are still opportunities to invest in companies that have previously flown under the radar and show more attractive valuations. For example, the Asian peers of US tech companies are relatively attractive on a price/earnings basis. This is down to the fact that current technological pioneers in the AI space are predominantly located in the US and the global technology sector is often thought of as being synonymous with the US Nasdaq 100 equity index.

Performance comparison: U.S. equities vs. the rest of the world (indexed at 100 as of 31 Dec 2023)



Source: ZugerKB, Bloomberg L.P./DL

The fact that more investors are investing passively via exchange-traded funds (ETFs) supports the performance of the companies contained in the index.

In a geopolitically tense environment, with a growing trend to deglobalisation, there is a possibility that major economies will increasingly seek self-sufficiency and invest accordingly in order to ensure the resources required for critical technologies are available within their own borders.

AI infrastructure as growth driver

It is important not to overlook the fact that AI affects more than just the technology sector: With its massive need for energy and computing power, the technology requires a solid infrastructure to be able to operate seamlessly. That includes data centres, the supply of energy, and data platforms.



Against this backdrop, investors should not ignore the populous Asia-Pacific region – and China in particular. The example of e-mobility has shown how quickly Chinese companies – with support from the governing party – are able to establish themselves among the global market leaders. There is also a chance that AI will help populous countries with low labour productivity, such as China, India and Indonesia, to speed up growth in gross domestic product (GDP) per capita and thus continue to drive forward their economic growth. Europe has a number of companies that are world market leaders in their sector; however, it is unlikely that the region as a whole will play a dominant role in the AI industry.

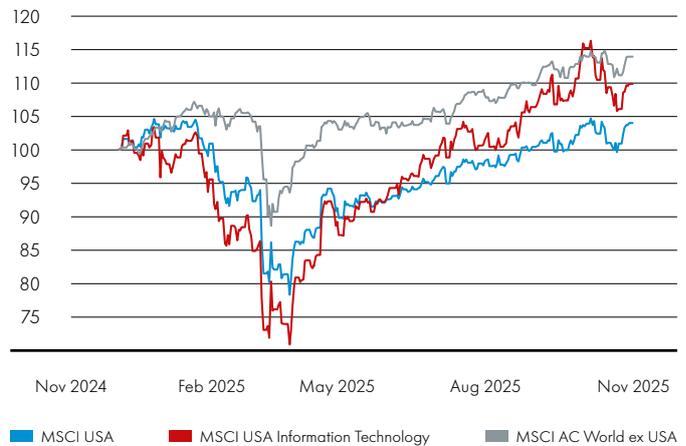
Many of the positives are already reflected in the current valuations of US tech stocks. Disappointments such as weaker growth or earnings figures for a sector leader could lead to short-term turmoil right across the US tech sector. Valuations of companies from other regions are more conservative; accordingly, there is greater potential for pleasant surprises and less risk of disappointment. But in order to compete with the US for the lead role, the other regions will need to up their game significantly and prove that they can keep pace in technology terms.

In our view there is a medium probability that the AI boom will continue to gather pace outside the US too – and maybe even at a disproportionately fast rate.

Theme no. 3: US tech stocks among the winners

US technology stocks once again delivered an impressive performance in 2025. The biggest growth driver was undoubtedly the boom around artificial intelligence (AI), with the AI revolution going from speculative expectation to real commercial use. The Magnificent Seven – Apple, Nvidia, Microsoft, Amazon, Tesla, Alphabet and Meta – played a pivotal role. These companies account for over 30% of the S&P 500 index and are therefore crucially important to the US technology sector. In our view, the continuous upgrading of earnings expectations was probably the most important factor. This repeatedly provided justification for the high valuations of US tech stocks, with investors willing to pay the additional premium.

Performance comparison of U.S. technology stocks with benchmarks in Swiss francs (indexed at 100 as of 31 December 2024)



Source: ZugerKB, Bloomberg L.P./DL

The key question now is whether the strength of US tech stocks will continue into 2026. Our view is that they will once again be able to outperform the MSCI World benchmark index in the new year. Financial media compare the current situation to the dot-com bubble around the turn of the millennium. In contrast with back then, today's big US tech firms have significantly higher-quality earnings growth and strong balance sheets with high levels of liquid assets. In addition, companies benefit from subscription-based "recurring fee models". A good example is Microsoft, with its system licensing fee for the Windows application, or Apple, with its broad platform offering for various apps, which are based on one-off as well as recurring income.



"AI technology, earnings growth, infrastructure investments, strong fundamentals and supportive monetary policy suggest further strength for US tech stocks."

Pascal Zingg, Investment Advisor

Recurring income results in high, steady cash flows that can in turn be used to develop new products, particularly in AI. We are also seeing support from the Federal Reserve (Fed), the US central bank. The Fed began cutting interest rates in September 2024 and continued to do so in September and October 2025. This monetary easing created a favourable environment for growth stocks, particularly in the technology sector. The latest indications from the US labour market show that US companies have started making staff redundant. This increases the prospect of further rate cuts by the Fed, which in turn favours the valuation of US technology stocks. Lower interest rates reduce the cost of capital and make the future cash flows of growth companies more valuable based on discounting models. Given that their valuations are more heavily based on future earnings, tech shares have historically been among the biggest beneficiaries of falling interest rates. The combination of revolutionary AI technology, exceptional earnings growth, massive infrastructure investments, supportive monetary policy and solid fundamentals should once again create a favourable setting for strong performance by US tech stocks in 2026.

Our view is that there is a strong likelihood of US tech stocks once again being among the winners in 2026.

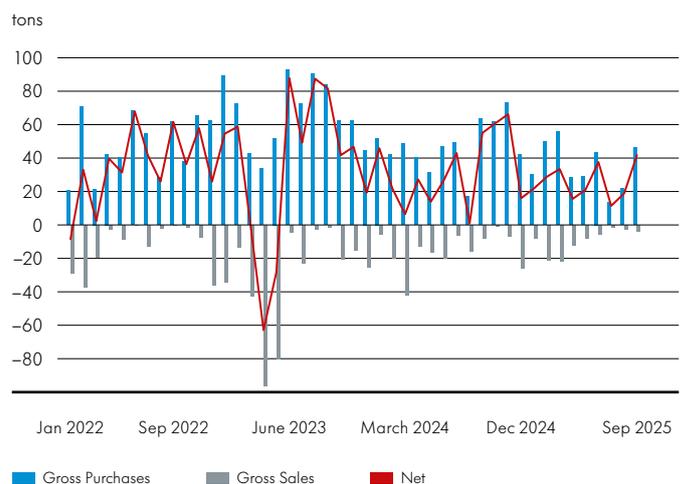
Theme no. 4: Is the gold price in a bubble?

The gold spot price has gained more than 50% in value in US dollar terms since the start of the year, thus eclipsing various other financial investments. The fact that investing in gold does not generate any interest or dividend payments, unlike bonds or equities, and that the gold price has nevertheless risen strongly, deserves special mention here. Investors and financial media are therefore expressing concern as to whether the gold price is potentially forming a bubble that could burst in 2026. Zuger Kantonbank does not believe that to be the case; in our view the increase in the gold price is sustainable and can be explained by fundamental as well as technical factors.

Waning confidence in US government bonds ...

Geopolitical tensions have not gone away, and several central banks have continued their strategic gold purchases in a bid to reduce dependence on the US dollar and on US government bonds. These purchases are being used to diversify currency reserves and as a hedge against geopolitical and financial risks. For the first time since 1996, gold now accounts for a bigger portion of central bank reserves than US government bonds – a strong vote of confidence in the precious metal's long-term value.

Monthly Gold Purchases by Central Banks



Source: World Gold Council

Key central bank purchasers include China, Qatar, Oman, India, Turkey and Poland. Another relevant factor is likely to be the sanctions policy of the US towards Russia. It has become abundantly clear that while foreign currency deposits can be frozen, gold cannot.

... and weak US dollar as driving force

The weakness of the dollar as an international reserve currency is additionally supportive to the gold price in structural terms. The trend in western countries of increasing government budget deficits through the issuance of new government bonds is also ramping up even further. The growing debt-to-GDP ratio is also shoring up the gold price, as supposedly safe-haven government bonds lose their appeal relative to gold, with its limited supply, whereas nation states can always issue new bonds to finance their debts. The sharp rise in the gold price also reflects a general loss of confidence in the fiat currency system.

If the US economy continues to weaken, further rate reductions by the Fed can be expected. Cuts in interest rates reduce the opportunity costs of holding gold positions and could therefore ensure a further increase in the price of gold.

All of the above factors combined are therefore leading to strong upward momentum in the gold price; in turn this is attracting more speculators and professional trend-following hedge funds from the commodity trading advisors (CTA) sector, additionally boosting the gold price.

Our view is that there is a low probability of the gold price forming a bubble.

Theme no. 5: Switzerland heads into deflation

Deflation – i.e. falling consumer prices – is considered a nightmare scenario for an economy: Consumers shelve spending, companies suspend investment, and the real value of debt increases. Deflation can trigger a downward spiral that constrains growth and paralyses the economy; it can also be difficult to break out of this spiral. The debate around potential deflation in Switzerland has intensified significantly this year. Falling rates of inflation, a strong Swiss franc and subdued global economic prospects are feeding concerns that inflation could get stuck in negative territory. But how realistic is this scenario, and what would the consequences be?



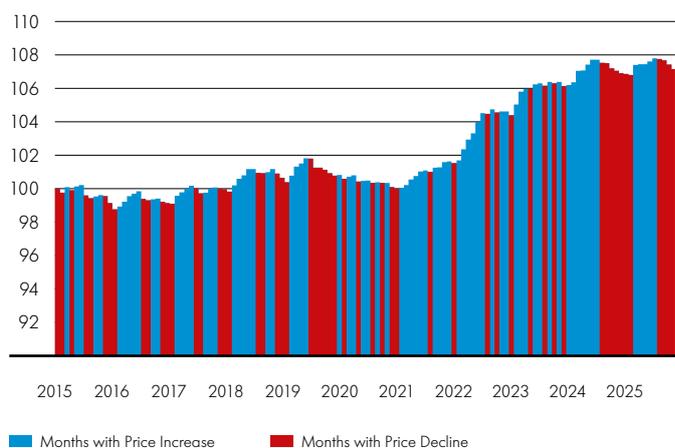
“Gold convinces for technical and fundamental reasons. We expect further significant upside potential in 2026.”

Pascal Zingg, Investment Advisor

Gold is also in vogue among private investors

Private investors are also participating, as evidenced by the sharply higher inflows into physically-backed gold exchange traded funds (ETFs). Gold in physical form, as well, is increasingly in demand generally – particularly in Asia. In China, for example, investors cannot invest abroad without restrictions, and Chinese investors have recently suffered considerable losses in the domestic real estate market in particular. Gold is therefore a welcome alternative.

National Consumer Price Index since 2015 (as of October 2025)



Swiss inflation has persisted at well below the 2% mark – seen as the upper limit for the definition of price stability – for some time now. The Swiss National Bank’s target is an inflation rate in the 0% to 2% range. Up to and including October, however, inflation was running at just +0.10% year-on-year. This is primarily due to the combination of a strong Swiss franc and moderate energy prices, which have continually reduced the cost of imported goods this year. The manufacturing exports sector is particularly affected by weak business activity in Europe as well as global trade conflicts, while domestic growth likewise remains subdued on account of the trade conflicts.

Prices continue to be squeezed in overall terms. The Swiss consumer price index already showed negative inflation rates over several months – sometimes in succession – in 2025. However, that is not enough to meet the official definition of deflation: An economy is only deemed to be in deflation when year-on-year prices fall over a longer period of time – a condition that has not yet been met. Even so, Switzerland has been hovering around this threshold ever since the first negative reading in May.



“Low inflation and the strong Swiss franc mean inflation risks are clearly tilted downwards.”

Joel Gubser, Investment Advisor

Rent increases are thwarting deflation

A look at the various components shows how fragile the situation is: Practically the entire positive inflation stems from the “living and energy” and “restaurants and hotels” categories. Prices of goods, on the other hand, were down around 0.6% year-on-year. If rent increases are stripped out of the index, inflation would have been in negative territory right from the start of the year; indeed the current figure would be around –0.25%. For the real economy, this means the Swiss market is already in a deflationary environment. If rental growth stopped being the remaining inflation driver, Switzerland could rapidly find itself slipping further into the deflation zone than the headline inflation number currently suggests.

Interest rates could turn negative in 2026

History nevertheless shows that Switzerland can cope with a very low or even negative inflation rate. Inflation was already well into negative territory at times back in 2015 and 2016, as well as in 2020 – in some cases for several months and always in periods when the Swiss franc was strengthening. In light of geopolitical tensions and trade conflicts, we expect the Swiss franc to remain strong for the time being and that inflation will therefore be kept at close to the zero mark. Against this backdrop, we consequently think benchmark interest rates will remain stuck at zero for the foreseeable future. That said, a return to negative interest rates cannot be ruled out either, given deflationary trends and the strong Swiss franc.

Our view is that there is a high probability of Switzerland heading into deflation.

Theme no. 6: Healthcare stocks a catalyst for Swiss equity index outperformance

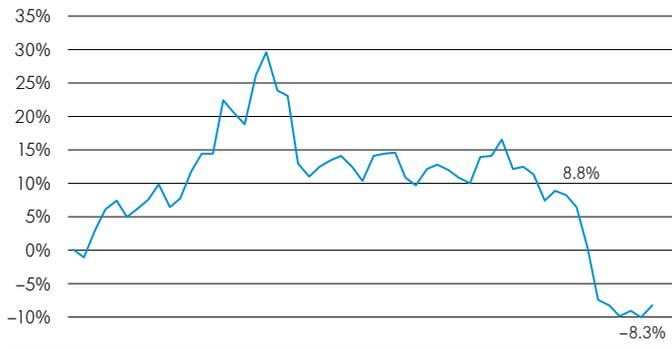
The pharmaceutical sector was hit by strong tailwinds in 2025 owing to the changes in US trade and healthcare policies. Higher costs caused by tariffs, coupled with falling revenues as a result of lower drug prices, also pose a threat in the longer term. This set of circumstances is hugely significant for the Swiss equity market, given that the sectoral weighting of the healthcare sector amounts to over 30% of the SPI Swiss equity index. Many companies from the healthcare sector generate a large portion of their sales in the US – in some cases up to 50%.

Healthcare’s long-term underperformance

The uncertainties around regulation in the US healthcare sector have led the sector to underperform the total equity market. In Switzerland’s case, this has had a distinctly negative impact on the performance of the overall Swiss equity market on account of the healthcare sector’s high weighting. Accordingly, the Swiss equity market has gained appeal relative to the global equity market.

Share performance: MSCI Healthcare Index relative to MSCI World (ex US)

Source: ZugerKB, Bloomberg L.P./DL



Apr 21 Oct 21 Apr 22 Oct 22 Apr 23 Oct 23 Apr 24 Oct 24 Apr 25 Oct 25

The following chart shows the performance of the healthcare sector versus the total market on a global basis (MSCI World ex US) over the past five years. The underperformance since the start of 2025 amounts to over 15%. The situation has become calmer in recent weeks, however. Major US pharmaceutical groups have signed agreements with the Trump administration on reducing high drug prices in a bid to ward off the threat of tariffs. The negative impacts on future earnings growth nevertheless look less dramatic than had been assumed. In future, lower drug prices for the patient are to be achieved mainly through direct marketing and discounts, thus cutting out the middleman – an unloved part of the US healthcare system. Although major Swiss pharmaceutical firms Roche and Novartis have yet to conclude contractual negotiations, the regulatory environment under the current US administration is now becoming clearer. Optimism and confidence are returning to the pharmaceutical sector.

Deal in tariff dispute as catalyst

The recently announced deal reached by the US and Switzerland in the tariff dispute will further improve the prospect of a recovery in the healthcare segment of the Swiss equity market. This mainly affects firms across the broadly defined healthcare sector (including pharmaceutical suppliers and medical technology firms like Lonza, Sandoz, Siegfried, Bachem, Alcon and Sonova). These developments, together with the attractive valuation level and improved growth prospects, promise above-average recovery and upside potential for the healthcare sector. Due to its high weighting in the equity index, we see the healthcare sector as a catalyst for outperformance by the Swiss equity market (SPI) in 2026.



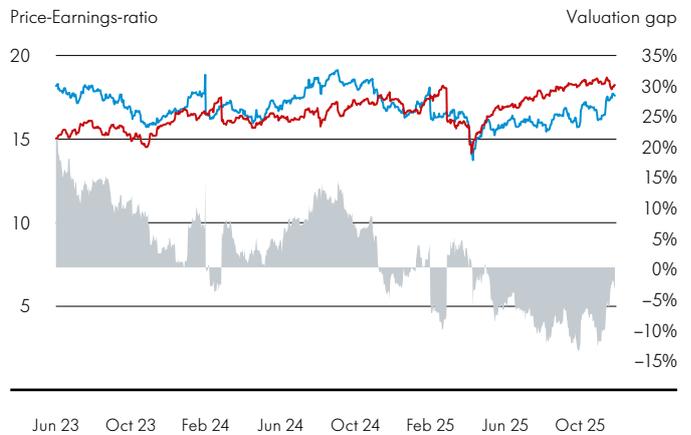
“We see healthcare stocks as a catalyst for Swiss equity index outperformance in 2026.”

Reto Amstalden, Investment Advisor

Sector at clear valuation discount

To illustrate the attractiveness of the healthcare sector relative to the total market from a valuation standpoint and take account of the strong rally in the US big tech sector over the past couple of years, the chart below shows the MSCI Switzerland Healthcare versus the MSCI World Equal Weighted Index. The Swiss healthcare sector is currently trading at a small discount of just under 5% to the MSCI World Equal Weighted Index. This is below the historical average premium of 10% seen in 2023 and 2024.

Valuation: Price/earnings ratio – MSCI Switzerland Healthcare versus MSCI World Equal Weighted Index



Legend: MSCI Switzerland Healthcare (blue), MSCI World Equal Weighted (red), Valuation gap (grey)

Source: ZugerKB, Bloomberg L.P./DL

Our view is that there is a high likelihood of healthcare stocks acting as a catalyst for outperformance by the Swiss equity indices.

Theme no. 7: Time for small caps – especially in Switzerland

Despite major ongoing geopolitical uncertainty, various economic indicators in the largest economies – the US, EU and China – show that the low point could have been reached and that a recovery is possible during 2026. Growth is likely to be boosted by fiscal and monetary stimuli alike. Specifically, the fact that inflation is decreasing worldwide widens the scope for central banks to ease monetary policy and cut interest rates. This prospect puts small caps – as distinctly cyclical, interest-rate-sensitive growth stocks – centre-stage again.

Given their key distinguishing feature as growth companies with minimal business diversification and high debt, small caps have been hit by economic uncertainty and geopolitical developments to a significantly greater extent than large caps over recent years. Based on the MSCI World Index, small caps have underperformed large caps by more than 25% since 2023. This performance picture remains the case even when taking account of the fact that the large caps in the MSCI World Index include all major US technology stocks, with their strong price rises since 2023.

Poor performance of small caps versus large caps in MSCI World Index



Valuation fails to reflect earnings momentum

In contrast with this relatively weak share price performance, the performance of small caps is nevertheless robust, and expected earnings growth for 2026 is greater than for large caps. This earnings outlook and the prospect of an economic rebound and monetary easing on the part of central banks favour small caps.

This assessment is also backed up at a valuation level. On a price/earnings basis, small caps are currently trading at a 10% valuation discount to large caps; this compares with an average valuation premium of over 20% in the past.



“Small caps are attractively valued, especially in Switzerland, due to the tariff deal with the US and the high quality of many hidden champions.”

Reto Amstalden, Investment Advisor

The Swiss market presents a similar picture on a global basis: The earnings outlook and valuation level of Swiss small caps are attractive. Specifically, the deal reached in the tariff dispute with the US increases the prospect of an earnings and share price recovery in 2026. First, Swiss small caps are trading on a price/earnings ratio of 20; this represents a discount of nearly 10% to the price/earnings ratio during the five pre-Covid years from 2014 to 2019. Second, we would expect an increase in the valuation discount between small caps and large caps. This currently stands at 10%, compared with a historical figure of 25%.

In terms of individual shares, the focus is on multiple hidden champions in Switzerland including Kardex, Dormakaba, Bachem, Siegfried, Fischer and Bossard.

Our view is that there is a strong likelihood that small caps will be among the winners.

Theme no. 8: Uptrend on Swiss real estate market continues

Listed real estate investments have delivered a solid performance in recent years. The annualised 5-year return was 6.1% at the end of October 2025, and the annualised 10-year return nearly 6.0%. This performance can essentially be divided into three components: change in net asset value (NAV), distribution yield, and change in the premium/discount to NAV. The bulk of the performance over the past three years has been due to the rise in the premium. Premiums show a negative correlation with prevailing interest rates, as falling interest rates generally lead to rising premiums and – in light of the lower opportunity costs – investors are prepared to pay a higher premium for real estate investments. However, NAV has also risen continuously in the past. Distribution yields have hovered in the 2% to 3% range in recent years.

Correlation between CHF interest rates and real estate prices



Market participants continue to expect low interest rates in Switzerland over the next few years. A return to negative interest rates cannot be ruled out either; this would be likely to have a supportive effect on prices of listed Swiss real estate funds. Private investors are seeking “conservative” investment opportunities that offer them the potential for regular distributions. As bonds are very unlikely to satisfy this requirement at present, private investors are turning their attention to real estate investments. However, institutional investors such as pension funds are even more important; they too have a strong presence on the domestic real estate market.

Studies show that over 20% of their assets are invested in the Swiss real estate market – via direct investments but also via indirect collective investment schemes. Under the Ordinance on Occupational Old Age, Survivors’ and Invalidity Pension Provision (OPO 2), the maximum permitted real estate allocation for pension funds is 30%. However, this ceiling can be exceeded in justified exceptional cases – an option already utilised by around one fifth of all Swiss pension funds. When interest rates are low, the demand for real estate – from institutional investors in particular – is likely to grow again or at least remain stable. This in turn helps support real estate prices. In addition, positive net immigration is the norm in Switzerland and this also drives property prices on the demand side.



“Swiss real estate investments are supported by structural factors on both the demand and the supply side.”

Mario Christen, Investment Advisor

Supply-side factors – particularly on the residential side, which accounts for around 60% of the relevant index – are insufficient to neutralise the upward pressure on prices: The vacancy rate in Switzerland is currently around 1% and falling, while activity in the newbuild market also shows a decreasing trend. Unless there is an unexpected increase in interest rates, we see little prospect of a trend reversal for Swiss property prices. The same applies equally to underlying structural factors: Unless there is significant growth in the supply of newbuild properties or a significant fall in net immigration, these factors are likely to continue putting pressure on prices.

Our view is that there is a strong likelihood that the upward trend on the Swiss real estate market will continue.

Our preferred implementation options

Equities

- 1) Swiss small & mid caps: BCV Swiss Small & Mid Caps Equity Fund (ISIN CH0347185990)
- 2) US tech stocks:
Due to the tech sector's high weighting in the US market, we recommend our in-house investment fund "ZugerKB Fonds – Aktien ESG USA" (ISIN CH0435830689). Alternatively, we recommend implementation via a passive solution: iShares NASDAQ 100 ETF (ISIN IE00B53SZB19).
- 3) Healthcare shares in Swiss market:
Due to the healthcare sector's high weighting in Swiss equity indices, we recommend our in-house investment fund "ZugerKB Fonds – Aktien ESG Schweiz" (ISIN CH0435830622). When selecting individual securities from the healthcare sector, we recommend consulting our top pick list for Swiss equities – available from your client advisor.

Bonds

Within the bond segment, we view Swiss corporate bonds as especially attractive from a risk/return perspective. For direct investments via individual securities, we recommend our bond top picks; for indirect investments we recommend our in-house fund "ZugerKB Fonds – Obligationen ESG".

Individual security recommendations: available from your client advisor

ZugerKB Fonds – Obligationen ESG:

- Distributing, ISIN CH1297749371
- Reinvesting, ISIN CH1297749389

Alternative assets

- 1) Gold: Raiffeisen ETF –Solid Gold Responsibly Sourced & Traceable
 - USD, ISIN CH1122756740
 - CHF, ISIN CH1122756732 (currency-hedged in CHF)
- 2) Real estate: IFAM IMMOFONDS (ISIN CH0009778769)

Appendix: 2025 themes – and what actually happened (as at 1 December 2025)

Bonds: There is a possibility of negative CHF interest rates; the likelihood of a negative yield-to-maturity for Swiss government bonds remains high



The Swiss National Bank (SNB) reduced the CHF benchmark interest rate from 0.5% to 0.0% in 2025. Market participants do not expect any further reduction in key interest rates by the SNB over the next few months, but they do not rule out the possibility. The euro reached a record low against the Swiss franc in November; it is possible that further appreciation of the Swiss franc versus the euro will force the SNB back into negative interest rate territory. The yield-to-maturity of Confederation bonds at the short end of the curve was predominantly in negative territory in 2025.

Growth vs. value – a trend reversal?



Value shares delivered a superior performance than their growth-oriented peers on a yearly basis in the period to mid-September 2025. Value stocks had a significantly better start to the year, although growth shares made up significant ground during the recovery phase that followed "Liberation Day" on 2 April, and the growth index finally overtook the value index in mid-September. The trend seen in previous years therefore seems to be continuing in the current calendar year.

Gold in all its glory – further upside potential in sight



The gold price made further gains in 2025, its value rising by over 50% on a USD basis. Falling US dollar interest rates at the short end, ongoing political uncertainty and successive purchasing by central banks and private investors alike continued to drive up the price. The yellow precious metal went from record to record as the year progressed, temporarily peaking at a high of over USD 4,350 per ounce.

Are fixed-term deposits the better bonds?



Investors who towards the end of the year had taken out a fixed-term deposit with a 12-month term could at best have earned a return of 0.25%. An investor having purchased a bond with a term of between five and seven years would have obtained a yield-to-maturity of around 1% p.a. The fixed-term deposit investor would now be getting their money back following the end of the term; a new investment in a fixed-term deposit would provide an interest rate of no more than 0.1% currently. The purchaser of the bond, on the other hand, has fixed the yield-to-maturity and benefits from regular interest payments.

Private market investments – a growth market is opening up



We anticipated that private market investments would become more broadly accessible – and that is precisely what happened. Evergreen structures have gained considerable popularity. Many banks have added private market investments such as infrastructure funds or private equity vehicles to their product line-up in order to increase the portfolio's diversification effect for investors. The product offering has expanded accordingly, and investors can now choose from a significantly greater universe of options.

A word of caution, however: Private market investments are usually denominated in US dollars. The US dollar's depreciation has led to a subdued performance for Swiss franc investors in 2025. Although currency-hedged tranches are available, the 4% cost of hedging squeezed returns significantly. Due to falling interest rates, we expect the segment to benefit from a further tailwind in 2026.

Do you have any questions or suggestions relating to this publication?

Please do not hesitate to contact your client advisor.

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