

Portfolio

December 2025

Market overview and positioning

Equity markets have held up well in 2025 – despite high tariffs, wars and plenty of uncertainty. “Driving on sight” will continue to be important in 2026. Positive stimuli thanks to monetary policy, economic programmes and solid corporate profits will be competing against political uncertainty and high investor expectations.

Lengthy shutdown

The last couple of months were dominated by the tariff negotiations with the US as well as the shutdown of that country’s government. The closure started at the beginning of October, forcing hundreds of thousands of government employees to either take unpaid leave or work without pay; at 43 days, it became the longest shutdown in US history. Government offices remained closed until Congress agreed a transitional funding bill, finally defusing the situation.

Easing of tariff situation

From the Swiss National Day onwards, Swiss media reports were dominated by new US import tariffs averaging 39% on many products. Export-led sectors were under distinct pressure and also had to contend with a strengthening Swiss franc. In mid-November, however, a reduction in import tariffs to 15% was agreed. Two weeks before Christmas, the Federal Department of Economic Affairs confirmed that this would be the definitive tariff level. It means Switzerland once again has the same tariff rate as its European competitors – a major milestone as the new year approaches.

Rate cut and data gaps

Despite an incomplete dataset due to the government shutdown, the Federal Open Market Committee reduced its benchmark interest rate at the end of October. The Fed cut once again in December, lowering the target band for

the third time this year by 25 basis points to the current range from 3.50%–3.75%. Financial markets had been expecting such a move. Flagging momentum on the labour market lay behind the Fed’s decision. The inflation situation was mildly positive: Despite a series of new tariffs, the pressure on prices was more limited than expected, mainly because services – which include housing costs – became cheaper.



“2025 was a rollercoaster ride that ended well. A balanced portfolio is likely to have generated a return of about 5% – despite the 5%-plus drop seen in the spring.”

Alex Müller, Chief Investment Officer

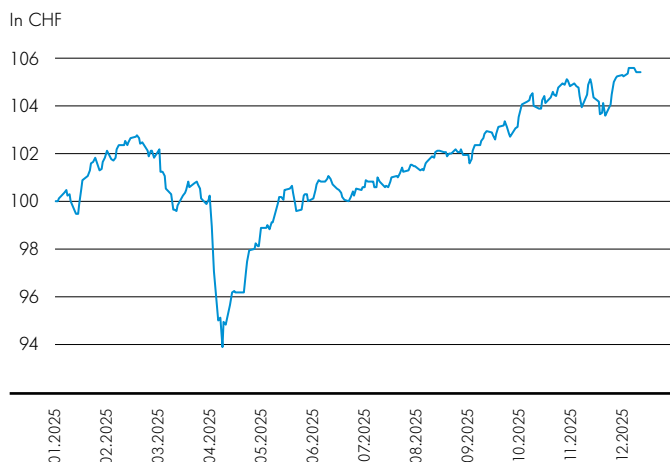
Rollercoaster ride ended well

Equity markets had a turbulent 2025, once again highlighting the importance of keeping a steady hand when investing. A balanced portfolio is likely to have produced a return of about 5% – despite the 5%-plus drop seen in the spring (see chart). Along with equities, corporate bonds contributed to the positive return. Swiss real estate and gold likewise proved themselves in this volatile environment.

Wir begleiten Sie im Leben.

Market overview and positioning

Return on ZugerKB Strategiefonds Ausgewogen



2026 set to start on a positive note

For financial markets, the year ahead is likely to be shaped by monetary easing, fiscal growth stimuli and new geo-political dynamics. Persistent uncertainty nevertheless underscores the need for a cautious investment approach. There is much to suggest that 2026 could be a year of recovery and attractive investment returns. Investors should ensure they are widely diversified, stay calm, and seize the opportunities afforded by market volatility.

US growth bottoming out

US economic growth softened slightly in 2025. Consumer spending fell, while inflation slowly inched its way down. Investments in artificial intelligence, which are only marginally dependent on the level of interest rates, are a major growth driver. Economic and monetary policy factors will take centre stage in 2026, with Fed chief Jerome Powell likely to step down as planned and be replaced by a decidedly pro-business individual. Monetary policy may then provide an even better overall framework. In addition, implementation of the One Big Beautiful Bill Act (OBBBA) is likely to deliver fiscal tailwinds for economic growth.

Europe gets a boost

We think Europe too will be on a slightly more solid footing, with the combination of modest inflation, fiscal support and stable business activity constituting a solid base – albeit at a low level. The Swiss economy starts 2026 with subdued momentum, with relevant forecasts painting a picture of lukewarm, sub-trend growth.

There are various reasons for this: Economic momentum is waning around the world, investment is relatively low, while US import tariffs and the strong Swiss franc are putting a strain on exporters.

Optimism coupled with sound judgement

Based on available economic data, an encouraging scenario is already emerging for the 2026 investment year. While a degree of caution remains advisable, overall conditions increasingly favour a stabilisation and even a fresh tailwind in the medium term. Unofficial US labour market data show a softening, though this is not a cause for concern. In the service sector, falling inflation rates signal a tangible easing of pressure on prices. This creates new scope for the Federal Reserve in 2026. We expect a further relaxation of monetary policy over the coming months, especially as the new Fed Chair will likely favour this more pro-growth direction. Overall, therefore, we are optimistic as we head into the 2026 investment year.



"The environment favours equities. The focus is on US and Swiss stocks. Gold and real estate continue to be favoured by investors."

Alex Müller, Chief Investment Officer

More breadth, more resilience

As we head into 2026, there is much to recommend a broad, globally balanced investment allocation. With the strong Swiss franc, a stable domestic market, together with its resilient real estate and bond markets, Switzerland remains a dependable core for portfolios. Europe is becoming more attractive, however: The region is benefiting from falling inflation, the support provided by the European Central Bank, as well as more stable overall political conditions. At the same time, many European stocks are attractively valued.

What does this mean for investors?

The US remains an indispensable element of globally oriented portfolios and is a beneficiary of structural trends – although its role is changing. Extreme market concentration among a handful of dominant tech firms and waning economic momentum call for a broader investment spread.

A broad base in equities

In the US, artificial intelligence remains the key growth driver due to major investments and visible productivity gains. The crucial question for 2026 is whether the strong market concentration among big tech companies unwinds and other sectors are able to benefit from the AI boom. At the same time, other markets are becoming more attractive. Europe and the emerging markets offer modest equity market valuations and solid fundamentals. Swiss equities also remain in the spotlight, and we recommend accumulating them in portfolios. Rather than fearing market setbacks, investors should view them as a good time to buy. While volatility is inherent in any investment strategy, it also creates opportunities.

US currency under pressure

The US dollar is likely to remain under selling pressure in the new year due to the combination of more moderate US growth, less restrictive US central bank policy and the fact that investors are diversifying internationally. Swiss investors should therefore continue to hedge currency risk on bonds – and to some extent on equities too. Hedging costs are likely to ease over the course of 2026.

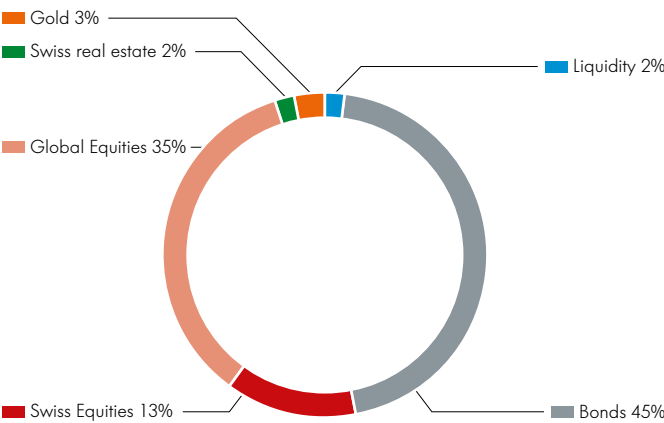
Comeback for bonds and real estate

A friendly picture can be expected as far as the level of interest rates is concerned. The fact that benchmark interest rates are falling around the world, coupled with the end of extreme differences of opinion on monetary policy and a flattening yield curve, creates attractive opportunities for bond investors. Our spotlight is on corporate bonds in all rating categories. Despite low risk premiums, the sector appeals thanks to the combination of attractive coupons and potential price gains. The same essentially applies to Swiss franc-denominated bonds too. Government bonds should continue to be accorded minimal weight in portfolios in our view, as unreasonable fiscal policy could keep capital market interest rates high. Swiss real estate continues to offer security with no currency risks, making it a good choice at a time when disinflation and modest growth are creating an increasingly calculable backdrop.

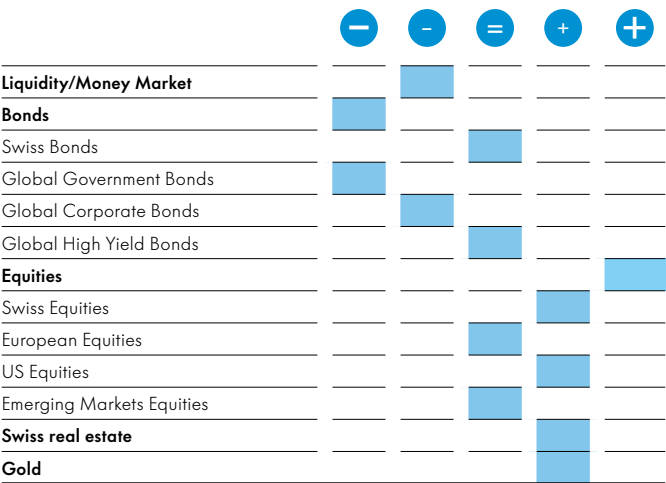
Alternatives are attractive

Gold retains its role as a safe haven, underpinned by geopolitical uncertainties, extensive central bank purchasing and an increasingly weak US currency. Furthermore, the selective addition of private market investments will continue to make sense in 2026. This class is suitable for investors who are comfortable with the illiquidity and longer holding periods associated with these investments. Infrastructure and private equity investments are likely to benefit from lower interest rates. The world remains a complex place, but investors who stay put, diversify widely and do not read too much into short-term market volatility are likely to benefit from the opportunities available in the coming year.

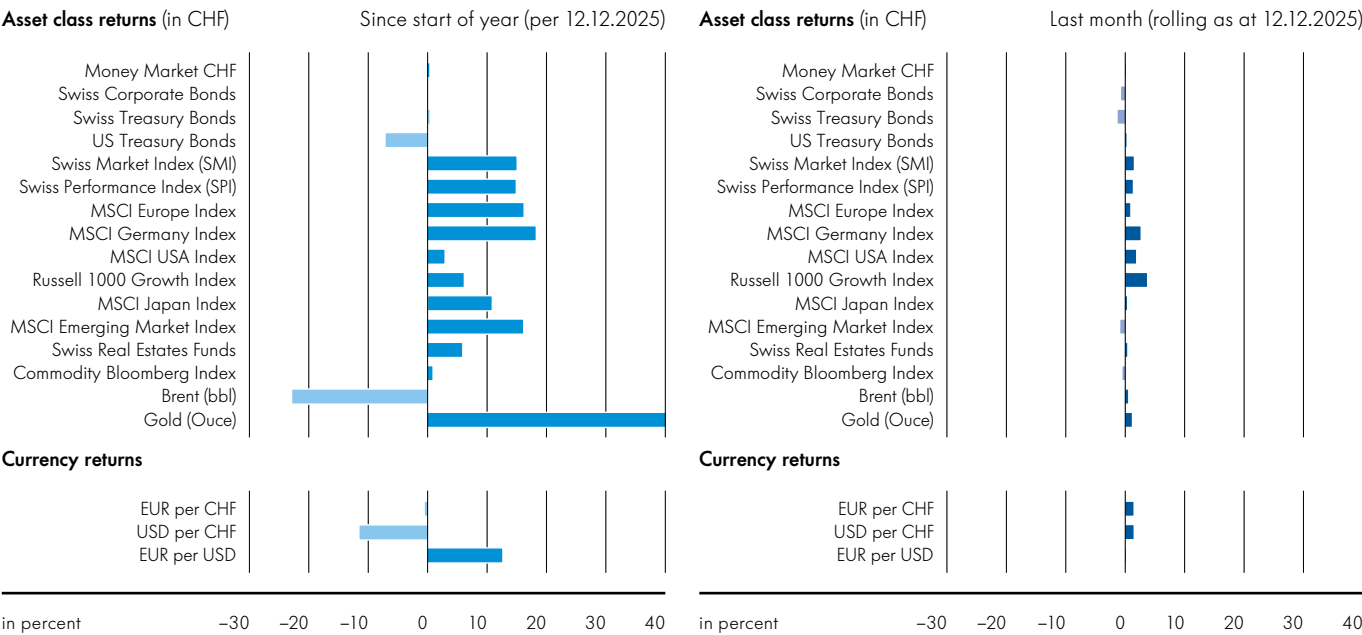
Strategic Allocation (Source Balanced Mandate)



Tactical Allocation



Market data (exchanges & markets)



Swiss equities SMI (from start of the year to 12.12.2025)

Holcim 75.7% / CHF 75.54	Swiss Life 30% / CHF 871.6	Roche 28.1% / CHF 316.8	UBS 27.8% / CHF 34.33	Novartis 23.2% / CHF 105.5
Richemont 23.1% / CHF 1166.35	Geberit 22.5% / CHF 615.6	ABB 21% / CHF 58.26	Logitech 20.4% / CHF 89.08	Swisscom 15.2% / CHF 557
Zurich 14.1% / CHF 583.8	Nestle 7.8% / CHF 77.95	Swiss Re 3.5% / CHF 130.05	Lonza -3.2% / CHF 514.8	Kühne&Nagel -12.5% / CHF 173.7
Alcon -18.4% / CHF 62.5	Partners Group -19.7% / CHF 951.4	Givaudan -21.2% / CHF 3070	Sika -24.8% / CHF 159.75	Sonova -31.3% / CHF 200

Do you have any questions or thoughts on the current portfolio?

Contact us by email (alex.mueller@zugerkb.ch) or call us on 041 709 11 11.

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