

Portfolio

February 2026

Market overview and positioning

Although financial markets began the new year with a tailwind, the backdrop remains challenging. Dynamic developments in the tech sector continue to drive repeated bouts of volatility, while economic activity and corporate earnings are supportive of risk assets. In addition, the escalation in the Middle East is likely to add uncertainty. The strong market swings show clearly that risk-mitigating diversification remains important.

US administration fuels volatility

In the first two months of 2026, the US administration once again drove volatility in financial markets. Although the “Greenland conflict” subsided quickly, it left lingering doubts about the quality of transatlantic relations. New developments such as the debate over the legality of US tariffs soon moved centre-stage. Following the attack on Iran and the regime’s fall after intervention by the US and Israel, the Middle East has once again come into sharper focus. How long the escalation lasts and how Iran’s future leadership takes shape remain crucial. For investors, this means the environment remains volatile, and short-term market dislocations are likely. Analysis of monetary policy, the strength of the corporate sector and the growth outlook should not be overlooked amid heightened geopolitical uncertainty.



«The environment remains constructive, despite heightened volatility. Swiss and US equities remain the key equity markets. The current situation in the Middle East continues to support investments such as gold and Swiss real estate.»

Alex Müller, Chief Investment Officer

Nomination of new Fed chair

Alongside geopolitical events, the nomination of Kevin Warsh as new chair of the Federal Reserve has added to the uncertainty. Warsh argues that the Fed should refocus on its core mandate: price stability and the labour market. He interprets inflation primarily as the result of political failure rather than an exogenous shock. He is also sceptical about the expansion of the Fed’s balance sheet. Kevin Warsh opposes the Fed’s forward guidance on the future path of interest rates because, in his view, it constrains the central bank and limits its flexibility. A less transparent communication policy by the Fed would also likely contribute to higher market volatility.

A bumpy ride for US equities

US equities have underperformed their global peers in the year to date. Behind the relatively modest index moves, however, there have been sharp single-stock fluctuations. The competition for leadership in AI has resulted in significant volatility in big-tech share prices, while the sustainability of the AI boom was simultaneously called into question. The expected disruptive potential brought various sectors into focus – especially software, where concerns about AI triggered a sell-off. By contrast, companies that provide AI infrastructure – such as the semiconductor sector – posted gains (see chart).

Market overview and positioning

Constructive environment

Nonetheless, we still think the economic fundamentals are solid. The US economy is growing at a moderate pace. Indicators for the industrial and service sectors are in expansionary territory, while the labour market is cooling in a controlled fashion. The disinflation trend is intact for now, even if service prices remain stubborn. Housing costs and a number of other price components mean the return to target is not a straight-line process. Wage growth is also slowing. Overall, this gives the US Federal Reserve scope for rate cuts. A gradual easing is plausible, but it will remain data-dependent – and therefore needs to be reassessed from month to month. On the fiscal side, a tailwind remains in place. Consumer spending continues to hold up, even if momentum has eased slightly of late. Conclusion: economic growth should continue, but at a slower pace.



«It's been a turbulent few weeks for US equities. Adding more European equities is a sensible complement, as valuations are attractive and the European economy is picking up.»

Alex Müller, Chief Investment Officer

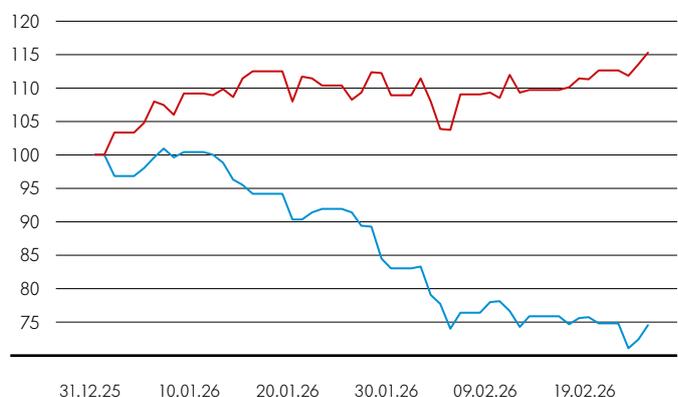
Europe: Gradual improvement

Sentiment in Europe has improved noticeably of late, with Germany in particular seemingly at a cyclical turning point. Improved expectations, strengthening industrial indicators and positive fiscal impulses point to stabilisation. There is no boom yet, but this provides a solid foundation for a broader-based recovery. This creates opportunities in cyclical sectors. Consumer spending is providing support. Many households have accumulated substantial savings, and rising real wages are boosting their purchasing power. A decline in the still-high savings rate is likely to provide a further boost to domestic demand. Overall, the European economy is supported by multiple factors: fiscal easing – especially in Germany – the normalisation of consumer spending, and favourable conditions for a rise in industrial production. In valuation terms, the European equity market is attractive relative to the United States. Against a backdrop of high expectations and ambitious valuations, this advantage should not be underestimated.

Switzerland: Stable core, low interest rates

Switzerland continues to offer defensive characteristics and high quality, thus providing stability amid heightened global uncertainty. The downside is a strong currency. Nevertheless, the Swiss National Bank (SNB) is likely to maintain a wait-and-see stance in the near term, even though the euro has continued to lose ground against the Swiss franc. We do not expect a return to negative interest rates for now, in part because the European Central Bank (ECB) has also paused. At the same time, the investment environment remains challenging: Interest rates are low and attractive investment alternatives remain limited. This favours real assets as well as quality companies with reliable cash flows. The export sector responds sensitively to exchange-rate movements and changes in global demand. An economic upturn in Europe could give Switzerland an additional tailwind – particularly in the industrial sector and via cross-border supply chains extending into Switzerland.

Performance of software stocks vs. semiconductor stocks, US



■ iShares Trust – iShares Expanded Tech-Software Sector ETF
■ VanEck ETF Trust – VanEck Semiconductor ETF

Source: Zuger-Kantonalbank, Bloomberg DL, MSCI

Breadth and resilience for your portfolio

In our view, a globally balanced asset allocation remains the preferred approach. Switzerland remains a dependable core, although Europe is becoming more attractive. The US remains indispensable. Given the strong market concentration and discussion around the profitability of major AI investments, it still makes sense to further diversify equity exposure.

What does this mean for investors?

Equities: Market breadth is the deciding factor

Earnings expectations in the US remain solid. At the same time, market momentum is waning. Valuations are coming in for greater scrutiny – especially where business models require extensive capital. Market breadth is increasingly important in this environment: It's not only the major tech stocks that need to deliver profits in order to justify high expectations – so too do industrials, financials and quality companies. We continue to recommend an overweight position in US equities and to hedge the US dollar for part of the equity allocation in the portfolio.

Europe and Switzerland: Increasingly attractive

Europe is becoming more attractive. Industry is picking up, while improving sentiment indicators and fiscal impulses are supporting the region. These are signs of a turnaround. In addition, Europe offers a valuation advantage relative to the United States. This situation suggests a broader regional equity allocation. In late January, our Investment Committee therefore decided to further increase our positions in European equities. Swiss equities remain an important defensive building block.

When hedging costs erode yield

The US dollar is likely to remain structurally under pressure, especially against the strong Swiss franc. Currency hedging is therefore essential for Swiss investors, particularly in the case of foreign-currency bonds. At the same time, we do not expect market interest rates to fall significantly further. Large government deficits, high bond issuance and

geopolitical risks continue to contribute to a higher term premium.

Bonds: Yield only selectively available

Swiss franc-denominated bonds remain a stabilising anchor in portfolios. In the case of global government bonds, hedging costs often erode total returns, and these instruments are therefore less convincing as a source of yield. From the perspective of Swiss franc-based investors, this is particularly true for US government bonds. Risk premiums in the credit segment are low. In addition, valuations of higher-quality bonds remain stretched. We continue to hold high-yield bonds due to their still attractive carry.

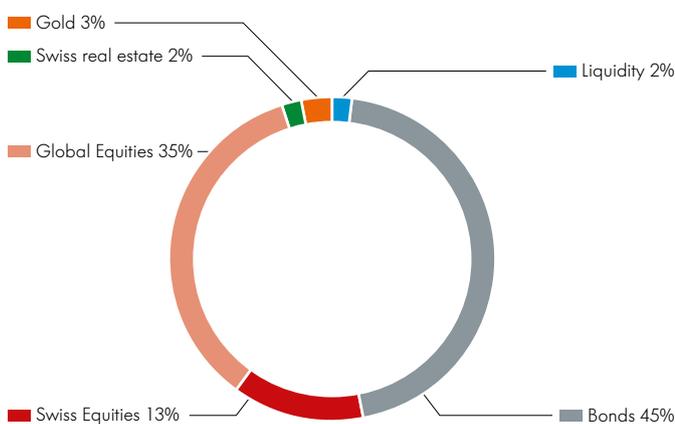
Real estate and gold shine

Swiss real estate continues to benefit from low interest rates and a lack of alternatives, even though premiums to NAV are now very high. Gold remains a strategic portfolio anchor. The price is supported by geopolitical uncertainties, continued central-bank demand and falling opportunity costs in the event of further rate cuts.

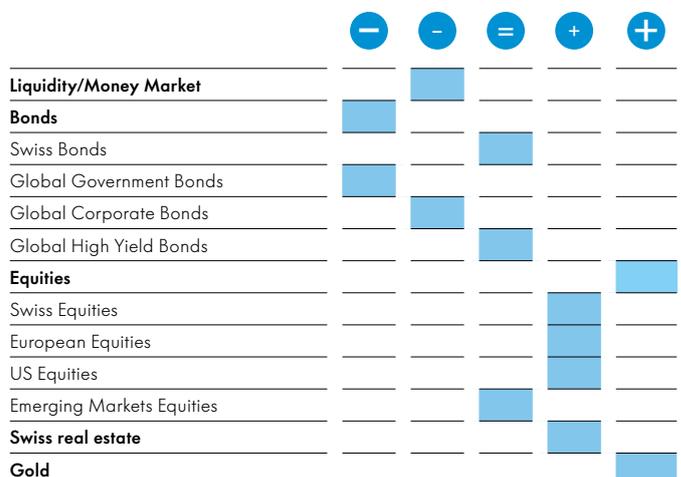
Discipline matters

Our message is essentially a simple one: Risk assets remain in focus. In terms of equities, we recommend an overweight in Swiss as well as global equities. Investors who implement the allocation with discipline and use setbacks as opportunities increase the likelihood that 2026 will be a strong investment year.

Strategic Allocation (Source Balanced Mandate)



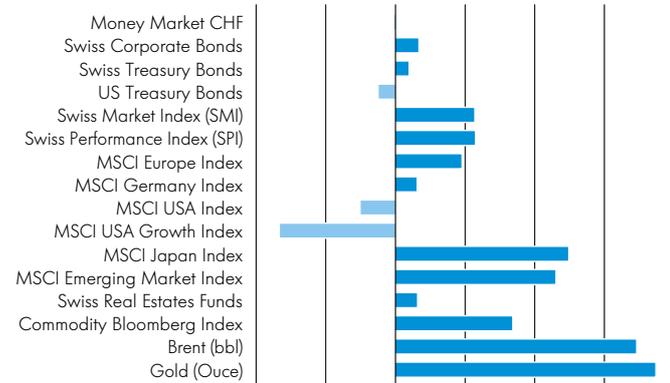
Tactical Allocation



Market data (exchanges & markets)

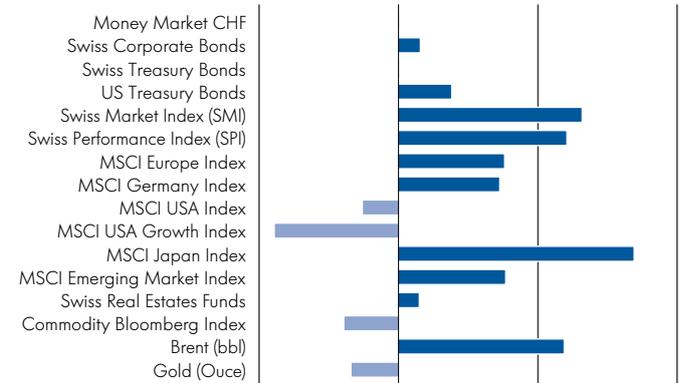
Asset class returns (in CHF)

Since start of year (per 27.02.2026)



Asset class returns (in CHF)

Last month (rolling as at 27.02.2026)



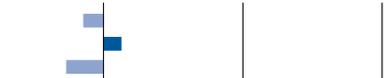
Currency returns

EUR per CHF
USD per CHF
EUR per USD



Currency returns

EUR per CHF
USD per CHF
EUR per USD



in percent

-10 -5 0 5 10 15 20

in percent

-5 0 5 10

Swiss equities SMI (from start of the year to 27.02.2026)

Swisscom 25.4% / CHF 721.5	ABB 21.3% / CHF 71.82	Novartis 19.1% / CHF 130.5	Amrize 12.9% / CHF 49.19	Roche 11.8% / CHF 367
Nestle 6.7% / CHF 83.98	Alcon 5.7% / CHF 66.86	Kühne&Nagel 4.7% / CHF 179.35	Geberit 4.6% / CHF 648	Swiss Re 2.3% / CHF 135.95
Lonza -0.3% / CHF 536.2	Givaudan -1.7% / CHF 3092	Sika -1.9% / CHF 159.5	Zurich -3.5% / CHF 580.6	Swiss Life -3.9% / CHF 881.4
Richemont -8.6% / CHF 157.25	Holcim -8.8% / CHF 70.88	Partners Group -12.7% / CHF 857.4	Logitech -13.1% / CHF 70.84	UBS -13.4% / CHF 32.01

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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