Portfolio

September 2026

Market overview and positioning

Despite geopolitical tensions, heightened inflationary pressures and long-term interest rates at multi-year highs, the environment for stocks remains constructive. Robust growth, rising investment and solid corporate profits continue to support US and Swiss stocks. Bonds remain underweight.

Global economy remains robust

So far, the global economy has coped better than expected with geopolitical tensions, higher energy prices and trade uncertainty. US economic growth is solid, while economic activity in Europe and Switzerland is picking up. Investments are increasingly driving this momentum. The construction of data centres, stronger defence spending and government infrastructure programmes are creating additional demand. While private consumption is less dynamic due to higher inflation, it nevertheless remains stable overall.

Strait of Hormuz remains a bottleneck

The Strait of Hormuz continues to be a major source of uncertainty. Only a small proportion of the regular shipping traffic still transits the Strait. The exact figure is difficult to determine, as more and more ships are switching off their transponders during transit. Alternative transport routes and the release of strategic reserves are having a stabilising effect on the energy supply, however, these do not represent long-term solutions. If transit remains restricted, new geopolitical tensions could soon lead to renewed jumps in oil and gas prices and exacerbate ongoing inflationary pressure.

Europe is recovering

Europe is performing better than expected at the beginning of the year. The Eurozone grew by 0.4% in the second quarter compared to the first one. Purchasing managers' indices and sentiment indicators continued to improve.

"Earnings growth remains the most important stock market driver. We therefore maintain our clear preference for US and Swiss equities over bonds."

Alexander Hunziker
Interim Chief Investment Officer

In particular, Germany is showing signs of stabilisation. Investment in infrastructure, defence and digitalisation is providing further momentum. Recovery remains moderate but it is becoming increasingly broad-based.

Inflation limits central banks' room for manoeuvre

Inflation in the US and Europe remains above central bank targets. While another interest rate hike in September seems likely in the Eurozone, individual interest rate hikes cannot be ruled out in the USA either. Financial markets had hoped for greater clarity regarding the forthcoming interest rate changes during the Jackson Hole Economic Policy Symposium, however, no clear signals materialised. Instead, Fed Chair Kevin Warsh reaffirmed the focus on price stability, with an inflation target of 2%. The Swiss National Bank can remain on hold for the time being: Inflation is within the target range – even despite the recent rise – and the weaker Swiss franc against the major currencies is reducing to the necessity of monetary actions.

Market overview and positioning

Profits drive stock markets
The fundamental environment for stocks remains constructive. Robust growth, rising investment and stable margins support corporate earnings. At the same time, earnings estimates experienced multiple upwards revisions. In our view, earnings growth remains the most important driver of the stock markets and justifies our tactical overweight allocation to equities. Valuations of single companies are challenging, but so far have been supported by strong earnings momentum. Short-term setbacks may occur, but provided the fundamentals remain intact, they may represent attractive entry points.

"Robust growth, increasing investments and strong corporate profits constitute a favourable environment for equities. However, the focus is still on inflation and geopolitical risks."

Alexander Hunziker
Interim Chief Investment Officer

US stocks continue to be our top pick
The US remains our preferred equity region. Economic growth is solid, earnings momentum is superior, and the technological advantage remains significant. The investment cycle in artificial intelligence continues. High spending on data centres, semiconductors and digital infrastructure is simultaneously benefiting providers of energy, electrical engineering and industrial infrastructure.
Rising cloud revenues and robust margins show that these investments are starting to pay off. Following the strong equity performance, we are taking some profits and trimming our overweight position. This reflects higher valuations along with political, geopolitical and monetary policy risks ahead. US equities merit nevertheless our strongest conviction in portfolio context. High hedging costs mean full currency hedging remains unattractive, especially as we do not expect the US dollar to depreciate sharply against the Swiss franc.

A compelling case for Swiss stocks
Swiss stocks remain an overweight as well. Domestic economic indicators have improved and the multi-year weakness in the manufacturing sector is gradually easing. At the same time, earnings estimates are seeing positive revisions. Defensive business models, strong pricing power, low energy intensity and a broad international earnings base bolster corporate resilience. In addition, many export-oriented companies are benefiting from the recent weakness in the Swiss franc, which strenghtens international competitiveness and supports profitability. The valuation is only moderately above the longterm average. Furthermore, the Swiss market is less dependent on individual, highly valued growth stocks. Swiss stocks, thus, combine defensive characteristics with stable earnings prospects and continue to offer an attractive risk-return profile.

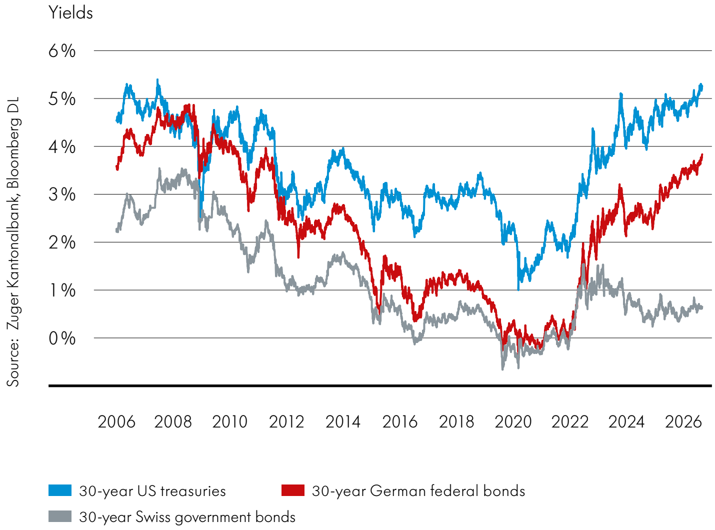
Europe offers a good alternative
European stocks are benefiting from an accelerating economic recovery and lower valuations. Rising investment in infrastructure, defence and digitalisation is improving the medium-term outlook. At the same time, the lower valuation relative to the US market offers a larger cushion in the event of disappointments. However, structural earnings growth remains subdued compared to the US, while energy intensity is higher. We therefore maintain a tactically neutral weighting but on a strategic level we view Europe as an attractive addition within a globally diversified equity allocation.

What does this mean for investors?

High bond yields are not enough

Long-term interest rates in the US and Europe are at levels not seen in the last 20 years. Although this increases current income, it only improves the investment argument to a limited extent. Inflation remains above central bank targets. Structurally, high government deficits and brisk issuing activity impede a sustained decline in capital market interest rates in the short term. For Swiss investors, high currency hedging costs additionally reduce the yield on foreign currency bonds, often leaving virtually no income advantage over high-quality Swiss franc investments. We therefore remain strongly underweight in foreign currency bonds.

Long-term interest rates at multi-year highs



Limited cushion in corporate bonds

Corporate bonds are supported by solid balance sheets and robust corporate earnings. However, risk premiums are close to historical lows and offer little protection against unexpected fundamental deterioration. At the same time, financing needs for AI-related capital expenditures – particularly by US technology giants – are increasing supply. High-yield bonds remain attractive because of their current income, but are less generous in compensating for credit and liquidity risks. As a result, careful selection is crucial.

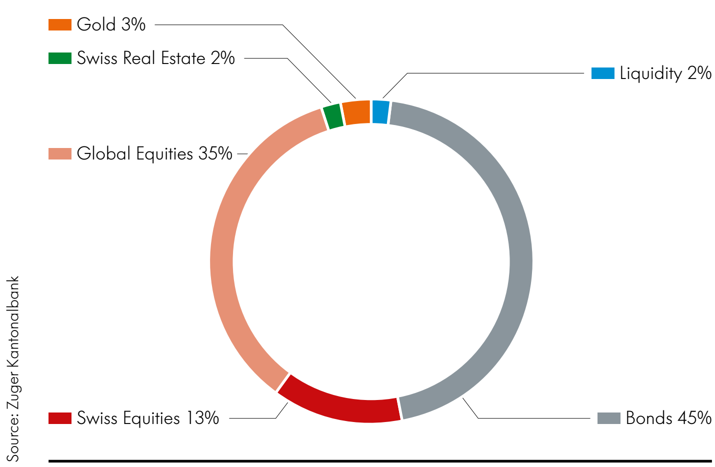
Real estate and gold as reasonable additions

Swiss real estate benefits from low interest rates, stable demand and attractive dividend yield. However, the high valuation level limits the additional potential for price appreciation. We maintain a neutral positioning in gold, which continues to play an important role as a diversification component. High real interest rates have a negative effect in the short term, while geopolitical risks and central bank demand provide strategic support.

Stocks clearly ahead of bonds

Robust growth, increasing investments and strong corporate earnings continue to support stocks. Despite some profit-taking, US stocks remain our biggest positive tactical position as a result of their strong earnings momentum and technology leadership. Due to their quality and the improved outlook, we also hold an overweight position in Swiss equities. While European stocks remain strategically important, we are tactically neutral. By contrast, we are significantly underweight in foreign currency bonds: After factoring in costs and risks, their expected return is not sufficient to give them an edge over stocks.

Strategic positioning (based on balanced mandate)

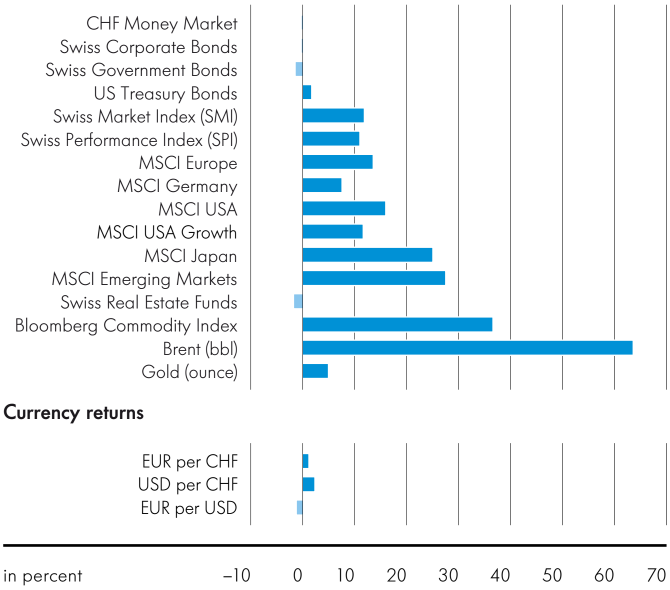


Tactical positioning

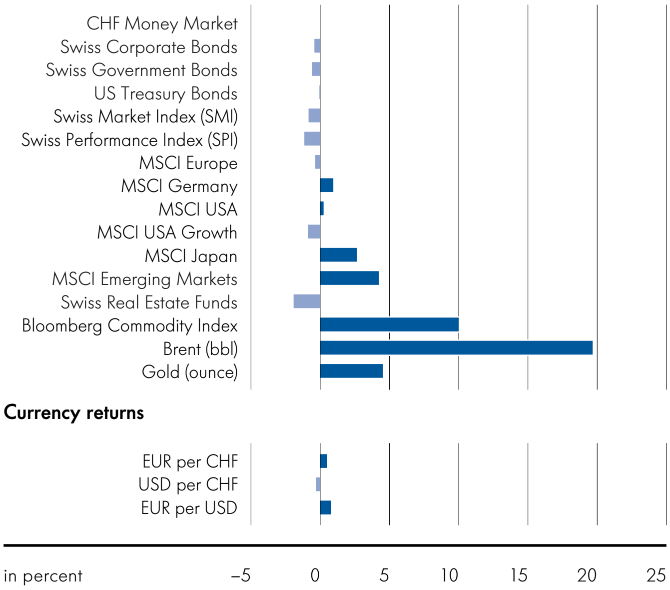
	−−	−	=	+	++
Liquidity/Money Market				■	
Bonds	■				
Swiss Bonds			■		
Global Government Bonds	■				
Global Corporate Bonds		■			
Global High Yield Bonds			■		
Equities					■
Swiss Equities				■	
European Equities			■		
US Equities				■	
Emerging Markets Equities			■		
Swiss Real Estate			■		
Gold			■		

Market data (exchanges & markets)

Asset class returns (in CHF) Year-to-Date (as at 04.09.2026)



Asset class returns (in CHF) Last month (rolling as at 04.09.2026)



Source: Zuger Kantonalbank, Bloomberg L.P., MSCI Inc., SIX Index AG

SMI Swiss Equities (Year-to-Date as at 04.09.2026)

ABB 33.3%/ CHF 77.76	**Kühne&Nagel** 27.7%/ CHF 211.3	**UBS** 24.4%/ CHF 44.81	**Novartis** 21.8%/ CHF 129.58	**Sika** 21.4%/ CHF 191.95
Swisscom 14.4%/ CHF 633.5	**Swiss Re** 12.9%/ CHF 142.85	**Roche** 12.1%/ CHF 357	**Richemont** 7.8%/ CHF 185.45	**Swiss Life** 6.8%/ CHF 938.4
Lonza 6.6%/ CHF 567.2	**Givaudan** 6.2%/ CHF 3250	**Zurich** 5.5%/ CHF 601.6	**Nestle** 3.5%/ CHF 78.31	**Logitech** 1%/ CHF 82.32
Holcim –2.8%/ CHF 73.84	**Geberit** –6.9%/ CHF 563.4	**Alcon** –9%/ CHF 57.3	**Amrize** –17.6%/ CHF 35.47	**Partners Group** –27.2%/ CHF 679

Source: SIX Index AG, Zuger Kantonalbank

Do you have any questions about the current portfolio or suggestions?

Contact us by e-mail (alexander.hunziker@zugerkb.ch) or call us on 041 709 11 11.