Market Commentary
3rd Quarter 2025

Business Activity and Global Economy

The third quarter of 2025 was characterized by continued strong investment activity in artificial intelligence (AI), set against a mixed economic environment and ongoing trade tensions. In the United States, second-quarter GDP growth was revised upward to an annualized rate of 3.8%. The momentum was largely driven by solid consumer spending and a normalization of imports following earlier front-loading effects in the spring.

On the policy front, U.S. trade relations once again took center stage. Framework agreements were reached with Japan, the European Union, and South Korea, establishing a base tariff rate of 15%. Negotiations with China were extended for another 90 days in early August. As a result, tariffs of 30% on Chinese imports remain in effect, while China continues to impose a 10% duty on U.S. goods.

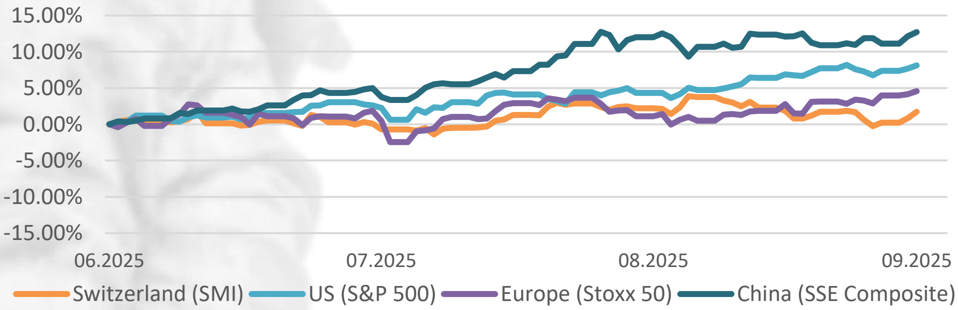
Conditions were more challenging for Switzerland. On the 1st of August, the U.S. administration announced a 39% tariff on Swiss exports. Shortly before the end of the quarter, another setback followed as President Trump proposed 100% tariffs on foreign pharmaceutical products. This could directly impact Swiss pharma leaders Roche and Novartis. However, both companies had already begun relocating parts of their production to the U.S., likely shielding them from the new tariffs. Still, the Swiss export sector remains under pressure, further weighed down by the strong Swiss franc. Export data for July and August showed a significant decline. On a positive note, private consumption remained resilient, supported by a strong labor market and low inflation.

In Europe, conditions improved modestly. Year-over-year GDP growth reached 1.5%, while unemployment remained near record lows. Inflation hovered close to the European Central Bank's 2% target. Service sector activity picked up in Germany, Italy, and Spain, while France lagged due to political uncertainty. Meanwhile, external trade remained weak, with new export orders declining for the 28th consecutive month—underscoring the ongoing fragility of global trade dynamics.

Key Takeaways

- Our mandates successfully extended the strong performance achieved in the first half into the second half of the year
- The global economy showed a mixed picture during the summer of 2025. Strong AI-driven investment activity coincided with ongoing trade disputes and new U.S. tariffs, which placed particular pressure on the Swiss export sector
- In the foreign exchange market, the U.S. dollar stabilized after its sharp depreciation in the first half of the year but remains about 12% weaker year-to-date versus both the Swiss franc and the euro
- Gold continued its impressive rally, posting its strongest annual performance since 1979

Figure 1: Stock Indices in Local Currency in the Third Quarter



Source: LSEG Workspace as of 06.10.2025

Monetary Policy

The third quarter saw the first signs of a cautious monetary policy shift emerging in the United States as well. After an extended period of restrictive policy, the Federal Reserve implemented its first rate cut in September, lowering the federal funds target range by 25 basis points to 4.00–4.25%.

The move was largely anticipated by markets, as inflation continued to moderate and the labor market showed initial signs of softening. Nonetheless, the environment remains challenging: unemployment is rising noticeably — typically an argument for further rate cuts — while inflation, at 2.9% in August (core inflation at 3.1%), remains above target. In addition, the newly imposed U.S. tariffs are likely to generate short-term upward pressure on prices, potentially limiting the Fed's room to maneuver. Political pressure on Fed Chair Jerome Powell also remains elevated, with President Trump continuing to vocally call for lower rates. Markets are now pricing in two additional rate cuts before year-end.

In Europe, the European Central Bank (ECB) maintained its wait-and-see stance. Following several easing steps in the first half of the year, it left policy rates unchanged in the third quarter. Inflation stood at 2.1% in August, within the ECB's target range, while core inflation was slightly higher at 2.3%. ECB President Christine Lagarde expects price levels to stabilize further over the medium term but warned of persistent uncertainties stemming from global trade dynamics. Market participants currently do not expect additional rate cuts this year.

In Switzerland, the Swiss National Bank (SNB) kept its policy stance unchanged. After six rate cuts over the past two years and a final reduction in June bringing the policy rate to 0%, the SNB left rates steady in September. Inflation remained subdued at 0.2% year-over-year in the second quarter. While domestic goods became slightly more expensive, import prices declined by nearly 1%, reflecting the strength of the Swiss franc. A return to negative interest rates is currently considered unlikely and is not anticipated by markets for the coming quarters.

In Asia, the Bank of Japan held its policy rate at 0.5%, signaling a cautious approach toward normalizing monetary policy. This includes a gradual reduction of the ETF holdings accumulated during years of loose policy to support the market. The central bank intends to observe the impact of the new U.S. tariffs on investment and wages in Japan before deciding on further rate adjustments. The move comes amid inflation of 2.7% — still above target — and ongoing pressure on export-oriented industries, despite recently negotiated lower tariff levels.

In China, the People's Bank of China left its one-year benchmark lending rate unchanged at 3.0% in August, despite ongoing deflationary risks and a slowing economy. Hopes rest on a gradual easing of trade tensions with the United States, which could support a recovery in exports.

Market Data

Equity Markets Perf.	2025*
SPI	9.93%
DAX	21.12%
Euro Stoxx 50	17.26%
S&P 500	15.23%
Nasdaq Composite	17.84%

Yield to Maturity of Government Bonds	in %
10Y Swiss Federal Bond	0.28%
10Y German Federal Bond	2.72%
10Y US Treasury	4.11%

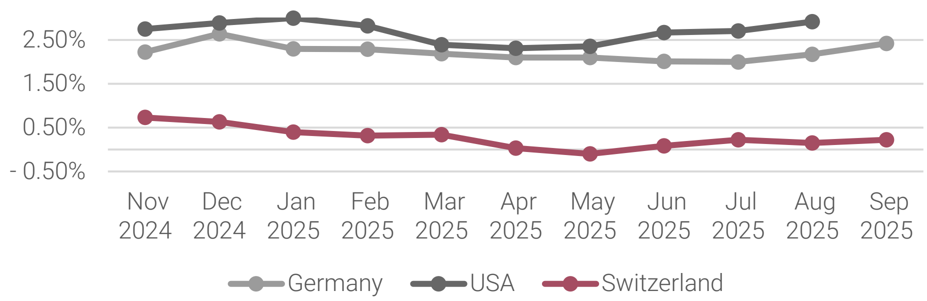
Gold (oz.) Perf.	2025*
in CHF	29.58%
in EUR	29.88%
in USD	47.32%

Commodities Perf.	2025*
Oil Brent	-10.61%

* Performance in local currency, as of 06.10.2025

Source: LSEG Workspace

Figure 2: Inflation Rates Over Time (Annualized Rates)



Source: LSEG Workspace as of 06.10.2025

Financial and Capital Markets

At the start of the second half of the year, global financial markets proved resilient. Supported by growing investment in the technology sector, solid corporate earnings, and expectations of further Federal Reserve rate cuts, markets advanced significantly. Despite ongoing geopolitical tensions and renewed trade discussions, most asset classes continued to perform positively.

Equity markets recorded strong gains globally, fueled by AI-driven optimism and easing trade tensions. In the United States, technology stocks led the advance: the Nasdaq rose 11% in the third quarter, while the broader S&P 500 gained nearly 9%. Standout performers included Tesla (+40%), Alphabet (+38%), Apple (+24%), and Nvidia (+18%). European equities also strengthened notably, driven in particular by the banking sector — especially in Spain, where improved profitability and merger activity supported sentiment. Spain's largest banks, including Santander, BBVA, and Sabadell, each gained roughly 25% during the quarter. The Swiss market ended the quarter on a positive note, though it lagged other regions despite a late rebound. In Asia and emerging markets, equities showed strong momentum, supported by continued AI demand and progress in trade negotiations.

While equity markets generally posted broad-based gains, fixed income performance was more mixed. In the United States, yields on both short- and long-term Treasuries declined as economic data softened and markets priced in additional rate cuts. In Switzerland, yields fell further toward 0% during the third quarter. In contrast, yields in Germany and Italy remained broadly stable, while those in other European countries rose sharply. In France, the 10-year government bond yield hovered around 3.6%, near a 14-year high. Political uncertainty and the ongoing parliamentary gridlock weighed on markets, while rating agencies warned of growing fiscal risks and downgraded the country's credit rating. U.K. gilt yields also climbed significantly, with 30-year gilts reaching 5.6%—their highest level since 1998 — driven by concerns over fiscal sustainability, persistent inflationary pressure, and rising political tensions.

In commodities, precious metals extended their rally. Gold climbed above USD 3,800 per ounce by the end of the third quarter, marking its strongest annual performance since 1979. The rally was supported by a weaker U.S. dollar, strong central bank buying, elevated geopolitical risks, and concerns over rising sovereign debt levels across major economies. Silver also posted robust gains, up 27% for the quarter. Oil prices, meanwhile, eased slightly despite geopolitical tensions, as OPEC announced plans for further production increases.

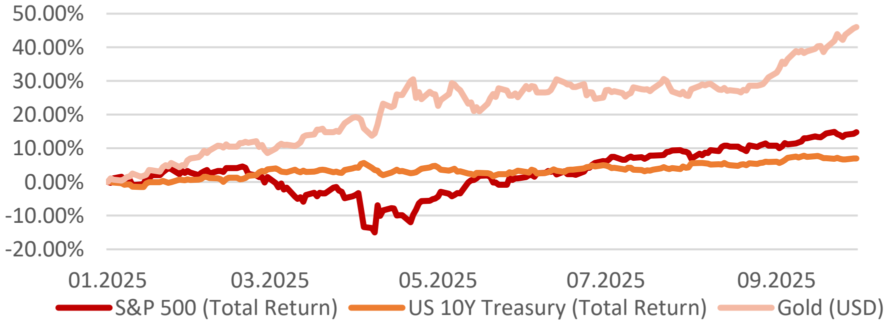
Currency markets remained relatively calm during the quarter. The U.S. dollar stabilized after its sharp depreciation in the first half of the year but still ended roughly 12% lower year-to-date against both the Swiss franc and the euro.

Asset Allocation

Asset Class	Positioning
Cash	Overweight
Fixed Income	Underweight
Equity	Small Underweight
Gold	Strong Overweight

- During the third quarter of 2025, we maintained an elevated level of liquidity to remain well positioned to take advantage of potential market opportunities
- As interest rates declined, bonds generated capital gains across many markets. Our focus remains on quality, specifically on corporate bonds, issued by companies with low leverage if possible
- Our equity exposure is globally diversified, allowing us to benefit from the positive developments in emerging markets. Overall, however, we continue to maintain a defensive positioning
- We remain overweight in gold given the persistent uncertainty in the macroeconomic environment and are benefiting from its strong recent price performance

Figure 3: Total Return of the S&P 500, 10Y Treasuries and Gold for the Year 2025



Source: LSEG Workspace as of 06.10.2025

Current Asset Allocation

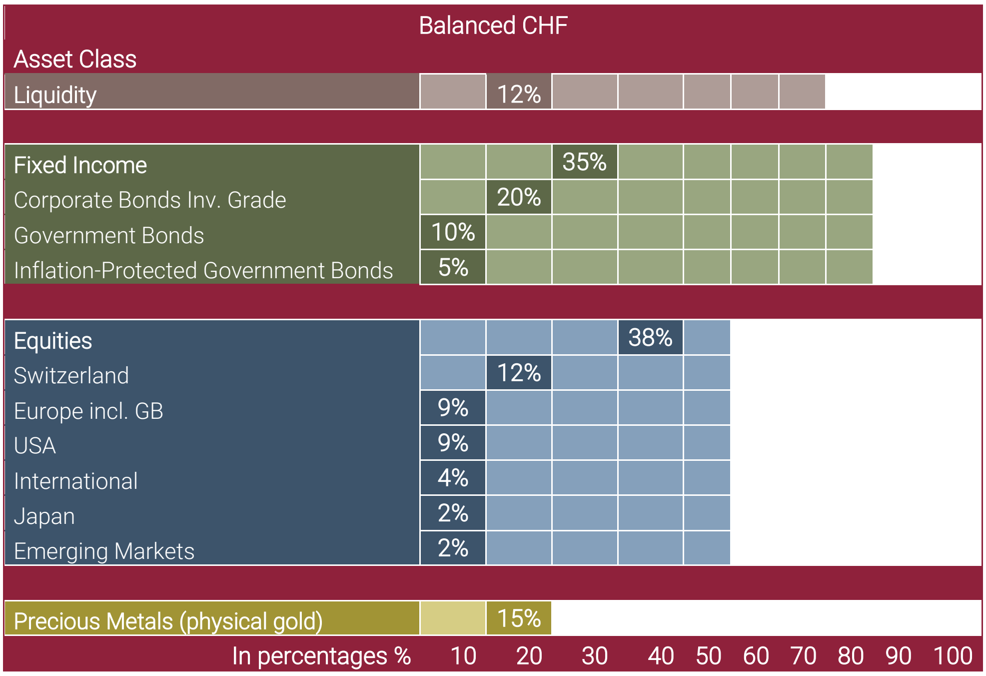
During the third quarter of 2025, we maintained our overall defensive positioning while making targeted adjustments to the portfolios. Among other measures, we realized gains on several of our selectively chosen holdings that delivered strong performance. Through deliberate rebalancing, our portfolios remain optimally aligned with their defined strategies, ensuring strategic consistency and effective risk management.

Our investment strategies continued to deliver solid results. Performance was again strong, leaving us well ahead of comparable strategies offered by peers year-to-date. A key contributor was our significant gold allocation, which positioned us well to benefit from the ongoing rally in gold prices. While many market participants are only now considering increasing their exposure, we have already been participating in this trend for some time.

In equities, we remain cautiously positioned given the uncertain global economic backdrop, ongoing trade disputes, and persistent inflation risks. Nevertheless, through a balanced mix of broadly diversified funds and selective quality stocks, we were able to participate in the positive market momentum. In fixed income, we continue to favor corporate bonds over government securities, as the latter have become less attractive — particularly outside the U.S. — given the renewed decline in yields.

Looking ahead to the fourth quarter, we expect political and economic uncertainties to remain elevated. After the strong performance across nearly all asset classes and the setting of multiple record highs, the likelihood of a market correction has increased. However, the key drivers behind the gold rally are likely to persist in the coming months, leaving us well positioned for the period ahead with our current strategy.

Figure 4: Asset Allocation as of 30 September 2025



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