



Market Commentary

4th Quarter 2025

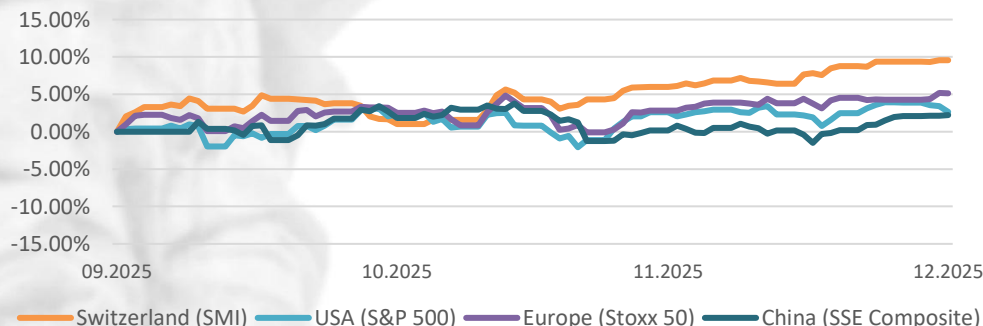
Business Activity and Global Economy

The reporting quarter was marked by heightened political and geopolitical uncertainty, which weighed on economic activity and financial markets. In the final quarter, particular attention was on the U.S. government shutdown, which extended to more than 40 days and became the longest shutdown in U.S. history, undermining confidence in the country's political capacity to act. In addition to delays in the release of key economic and labour market data, discussions around potential job cuts in the public sector further increased uncertainty. At the same time, early signs of strain emerged in the U.S. labour market: the unemployment rate rose to 4.6% in November, reaching its highest level since autumn 2021. In parallel, trade tensions between the United States and China intensified. Announced tariff increases and retaliatory measures—particularly in the area of rare earths—repeatedly triggered market reactions. Although temporary agreements were reached during the quarter, fundamental uncertainty regarding the future trade regime remains.

In Europe, economic activity continued to be supported primarily by a resilient services sector, while the industrial sector remained under pressure, particularly in Germany. Gross domestic product in the euro area grew by approximately 1.4% year-on-year. Labour markets remained broadly stable, accompanied by moderate employment growth. In France, discussions surrounding potential early elections contributed to political uncertainty. In Switzerland, GDP contracted by 0.5% in the third quarter of 2025, mainly due to declining exports in the chemical and pharmaceutical sector. A positive development was the tariff agreement reached with the United States in mid-November, under which previously applicable tariffs of 39% on Swiss goods were reduced to 15%. However, this preliminary agreement still needs to be formalized in a binding arrangement.

On the geopolitical front, the Middle East and Ukraine once again moved into focus. In the Middle East, a ceasefire was agreed, and diplomatic efforts in the Ukraine conflict also intensified. However, long-term solutions remain limited at this stage. As a result, the global environment remains fragile and continues to be heavily influenced by political developments.

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



i Key Takeaways

- Our mandates built on the strong performance achieved over the course of the year and finished the year successfully with very good returns
- Global economic conditions in the fourth quarter of 2025 were shaped by trade tensions, the U.S. government shutdown and monetary policy decisions, while optimism around AI-related equities eased
- Foreign exchange markets experienced heightened volatility during the quarter, driven by monetary policy developments. Overall, the U.S. dollar and the euro ended the quarter close to their starting levels. However, on a full-year basis, the U.S. dollar depreciated by around 12% against the Swiss franc and the euro
- Persistently strong demand for gold continued into the fourth quarter, resulting in a very strong performance and the best annual return since 1979

Monetary Policy

Monetary policy during the reporting quarter was characterized by diverging inflation and interest-rate dynamics across regions. While inflationary pressures remained elevated in the United States and the United Kingdom, price developments in Europe and Switzerland were broadly stable to slightly negative. In Japan, the central bank continued its tightening cycle.

In the United States, the Federal Reserve cut its policy rate by 25 basis points and simultaneously announced that quantitative tightening would be brought to an end in December. These decisions were taken against the backdrop of inflation that has been easing but still above target, alongside a labor market showing early signs of cooling. The government shutdown further complicated the monetary policy assessment, as key economic indicators were temporarily unavailable and, in some cases, not collected at all. For example, physical supermarket visits—required for the compilation of October inflation data—were not conducted. Although U.S. inflation declined unexpectedly to 2.7% in November, this drop is likely partly attributable to technical effects related to the government shutdown and the timing of data collection around the so-called “Black Friday” period. Despite the recent rate cut, the Fed remains cautious about further easing, given elevated inflation and price pressures driven by import tariffs.

In Europe, the European Central Bank maintained a cautious stance and left policy rates unchanged. The ECB reiterated its assessment that inflation is likely to stabilize at its 2% target over the medium term, slightly revised its inflation forecasts for 2026 upward, and moderately upgraded its growth outlook overall.

In Switzerland, inflation remained very low, causing the Swiss National Bank to keep its policy rate unchanged at 0% in December. While acknowledging the recent decline in inflation, the SNB considers medium-term inflation risks to be broadly unchanged. It slightly lowered its inflation forecasts for 2026 and 2027, while simultaneously raising its growth projections. Despite the improved growth outlook, the strong Swiss franc and ongoing trade policy uncertainty continue to weigh on export-oriented sectors. The SNB also reaffirmed its willingness to intervene in foreign exchange markets to counter excessive appreciation of the Swiss franc.

In the United Kingdom, the Bank of England reduced its policy rate by 25 basis points to 3.75% following a narrow 5–4 vote. It signaled that further gradual rate cuts could follow, but stressed that any additional easing would depend on sustained moderation in wage growth and services inflation.

In Asia, monetary policy developments remained mixed. In Japan, the Bank of Japan raised its policy rate by 25 basis points to 0.75%, in line with expectations, and signaled readiness for further tightening amid persistent inflation and rising wages. The policy rate now stands at its highest level since 1995, marking another step toward monetary policy normalization. In China, policy rates remained unchanged despite weakening economic data and continued stress in the real estate sector. Rate cuts are now expected only in the coming year.



Market Data

Equity Markets Perf. 2025

SPI	17.76%
DAX	23.01%
Euro Stoxx 50	22.10%
S&P 500	17.88%
Nasdaq Composite	20.36%

Yield to Maturity of Government Bonds in %

10Y Swiss Federal Bond	0.32%
10Y German Federal Bond	2.97%
10Y US Treasury	4.16%

Gold (oz.) Perf. 2025

in CHF	44.00%
in EUR	45.24%
in USD	64.73%

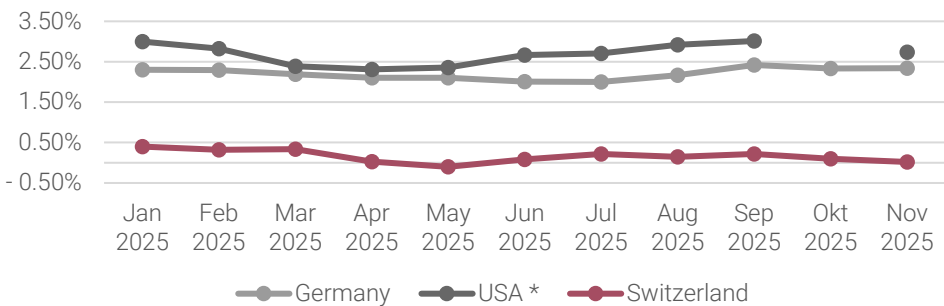
Commodities Perf. 2025

Oil Brent	-15.39%
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Performance in local currency, data retrieved on January 5, 2026

Source: LSEG Workspace

Figure 2: Inflation Rates Over Time (Annualized Rates)



* No data available in October due to the government shutdown

Source: LSEG Workspace as of 05.01.2026

Financial and Capital Markets

Financial and capital markets were characterized by elevated volatility during the reporting quarter, reacting sensitively to political developments and monetary policy signals. Periods of heightened uncertainty alternated with temporary recoveries, with expectations of interest rate cuts and progress in trade negotiations providing intermittent relief.

Equity markets delivered another positive quarter overall, albeit with significant regional differences. In the United States, markets initially extended their upward trend but came under short-term pressure amid renewed trade tensions with China and threats of higher tariffs. A swift rebound followed provisional progress in trade talks. Subsequently, the government shutdown and mixed monetary policy signals from the Federal Reserve led to increased volatility. While markets temporarily priced in a policy pause, growing evidence of a cooling labor market renewed expectations of further rate cuts. The S&P 500 ended the quarter up 2.7%.

Swiss equities performed particularly well, benefiting significantly from the tariff agreement with the United States. After tariffs of 39% on Swiss goods had been imposed in the previous quarter, these were reduced to 15% under the agreement. As a result, Swiss blue chips such as Roche (+26%), Holcim (+15%), and Nestlé (+8%) posted strong quarterly gains. The Swiss Market Index (SMI) rose by 9.6% over the quarter. Also noteworthy were the strong performances of Spanish equities (+12%), supported mainly by the banking sector, and Japanese equities (+12%), which continued the positive momentum from the third quarter.

Bond markets experienced comparatively less volatility. In Switzerland, yields remained at very low levels but edged higher in December. Yields in Germany and France also moved higher toward quarter-end as markets increasingly priced in the end of the euro area rate-cutting cycle. In the United States, uncertainty surrounding the future path of monetary policy led to periods of increased volatility, although yields overall remained broadly unchanged from the beginning of the quarter. In Japan, the Bank of Japan's rate hike resulted in a notable rise in yields, with 10-year government bond yields reaching levels not seen since 1999.

Gold continued to advance in the final quarter of the year, reaching a new all-time high shortly before year-end. For the full year, gold recorded a gain of approximately 65% in USD and 44% in CHF, marking its strongest annual performance since 1979. Silver also posted an impressive performance in the fourth quarter, rising by around 50% in USD over the final three months of the year and briefly surpassing USD 80 per ounce for the first time. This move was driven by tight supply, strong industrial demand, and rising speculative interest. In contrast, oil prices declined sharply during the fourth quarter.

Foreign exchange markets also experienced heightened volatility over the quarter, largely driven by monetary policy decisions. Overall, the U.S. dollar ended the quarter broadly unchanged from its starting level. The euro showed a similar pattern, temporarily falling below CHF 0.92 against the Swiss franc before recovering quickly and closing the quarter near its initial level. On a full-year basis, the U.S. dollar depreciated by approximately 12% against both the Swiss franc and the euro.

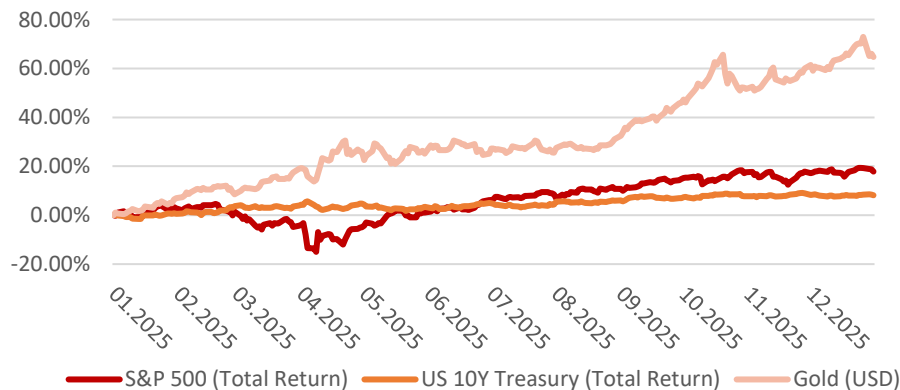


Asset Allocation

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

- In the fourth quarter of 2025, we continued to maintain an elevated cash position, reflecting our defensive positioning
- Within fixed income, return opportunities remained limited due to already low interest rate levels in certain regions. We continued to focus on high-quality corporate bonds, with particular attention to issuers' balance sheets
- Our globally diversified equity allocation benefited from positive market developments despite temporary setbacks, supported in particular by our relatively high exposure to the Swiss equity market
- We remained overweight in gold in light of ongoing geopolitical and macroeconomic uncertainty and again benefited from strong price performance during the fourth quarter

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



Source: LSEG Workspace as of 05.01.2026

Current Asset Allocation

In the final quarter of the year, the existing strategy was consistently maintained and no fundamental changes were made to the asset allocation. Selective reallocations and profit-taking allowed us to fine-tune portfolio positioning and optimally prepare the portfolios for the start of 2026.

The annual performance of our strategies in 2025 was very strong. Returns were further enhanced in the final quarter, allowing the year to be concluded as one of the most successful investment years in the bank's history. A key contribution to this outcome came from our high-conviction gold allocation as well as from selected individual securities that delivered significant performance contributions over the course of the year. Combined with an efficient and disciplined implementation of the investment strategy and careful portfolio management, these factors played a decisive role in the strong overall result.

Against the backdrop of a still challenging macroeconomic environment marked by geopolitical tensions, trade-related risks, and persistent inflation uncertainty, we maintained a deliberately moderate equity allocation. The use of broadly diversified investment instruments and selected high-quality companies, complemented by a continued meaningful allocation to gold, allowed us to participate in the positive market developments during the fourth quarter. Within the fixed income segment, the focus remained on corporate bonds, as government bonds offered limited return potential in light of persistently low yield levels, particularly outside the United States.

As the new year begins, market conditions remain challenging. Developments in inflation, monetary and trade policy, as well as ongoing geopolitical challenges, are expected to continue shaping financial markets in the year 2026. At the same time, enthusiasm surrounding AI-related equities has moderated, as ambitious earnings and growth expectations are increasingly being scrutinized and, in some cases, have not been fully met. Against this backdrop, the portfolios are well positioned and will continue to be managed prudently going forward.



Contact

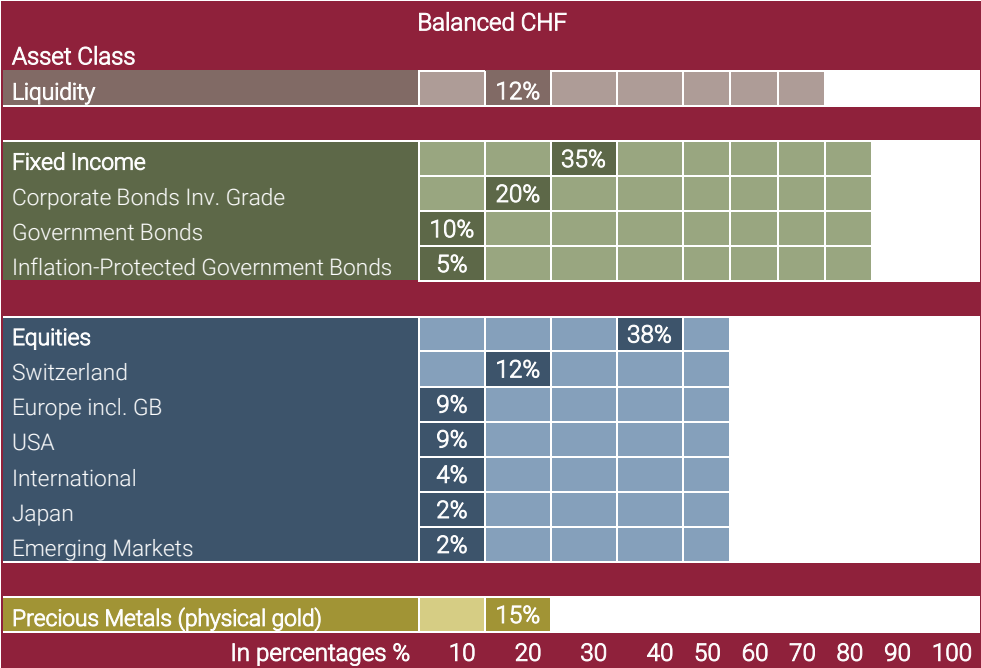
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Figure 4: Asset Allocation as of 31 December 2025



This report was created on the 6th of January 2026.