

Market Update

Looking back on 2025

January 2026



Editorial

We just wrapped up one of the most resilient years in recent memory. Global equities hit record highs, risk assets rallied broadly, and the economy proved to be much more resilient than many anticipated. However, as we head into 2026, the picture is becoming more nuanced.

The positive news is that the tailwinds that drove 2025 aren't disappearing overnight. AI investment continues to influence corporate capital allocation, fiscal support remains steady, and inflation fears have decreased significantly.

However, the "everything rally" narrative is masking some uncomfortable truths that will increasingly demand our attention. The U.S. fiscal deficit is ballooning, Europe is caught in political paralysis, and central banks worldwide are cutting rates into what looks like a debt spiral. Meanwhile, the rise in the price of gold and other real assets suggests that sophisticated investors are hedging against currency debasement.

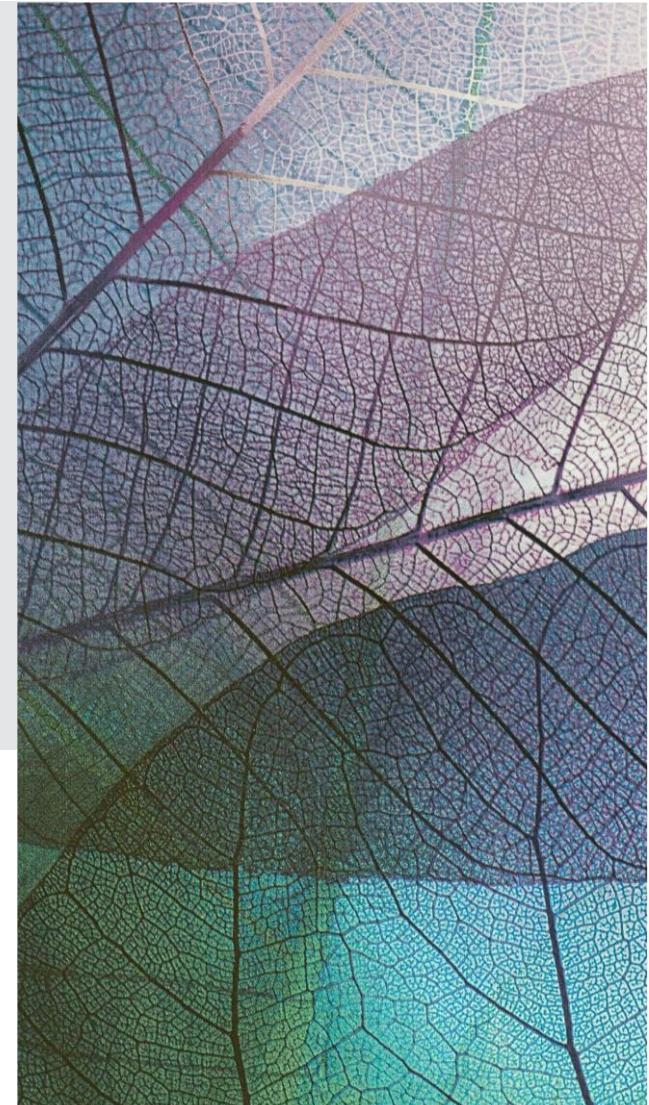
We wish you a pleasant and insightful read.



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Investment Specialist



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Global Markets

| Global | Last | YTD | MTD |
|--------------------------|----------|-------|-------|
| MSCI World | 4,430.4 | 21.6% | 0.8% |
| MSCI ACWI | 1,014.6 | 22.9% | 1.1% |
| MSCI Emerging Markets | 1,404.4 | 34.3% | 3.0% |
| United States | | | |
| Dow Jones Industrial | 48,063.3 | 14.9% | 0.9% |
| S&P 500 | 6,845.5 | 17.9% | 0.1% |
| NASDAQ 100 | 25,249.9 | 21.0% | -0.7% |
| Russell 2000 | 2,481.9 | 12.8% | -0.6% |
| Europe | | | |
| Euro STOXX 600 | 592.2 | 20.7% | 2.8% |
| Euro STOXX 50 | 5,791.4 | 22.1% | 2.3% |
| DAX | 24,490.4 | 23.0% | 2.7% |
| CAC 40 | 8,149.5 | 14.3% | 0.5% |
| FTSE 100 | 9,931.4 | 25.7% | 2.3% |
| Swiss Market Index (SMI) | 13,267.5 | 18.0% | 3.4% |
| Sectors (US) | | | |
| Communication Services | | 32.8% | -0.5% |
| Consumer Discretionary | | 6.1% | 0.3% |
| Consumer Staples | | 4.1% | -1.5% |
| Energy | | 8.1% | 0.0% |
| Financials | | 15.0% | 3.1% |
| Health Care | | 15.4% | -1.6% |
| Industrials | | 23.5% | 1.4% |
| Materials | | 12.7% | 2.2% |
| Real Estate | | 3.9% | -2.2% |
| Technology | | 22.6% | -0.4% |
| Utilities | | 14.8% | -5.2% |

| Commodities & Metals | Last | YTD | MTD |
|--------------------------------|---------|------------|----------|
| Gold (XAU) | 4,319.4 | 64.6% | 1.9% |
| Silver (XAG) | 71.7 | 148.0% | 26.8% |
| Copper | 568.2 | 41.1% | 9.6% |
| Currencies (USD) | | | |
| EUR | 1.17 | 13.4% | 1.3% |
| CHF | 0.79 | 12.7% | 1.4% |
| JPY | 156.7 | 0.3% | -0.3% |
| BTC | 87,648 | -6.5% | -3.6% |
| Fixed Income | | | |
| US Treasury | 2,435 | 6.3% | -0.3% |
| EUR Treasury | 247 | 0.6% | -0.6% |
| Global Aggregate | 501 | 8.2% | 0.3% |
| US Corporate | 3,545 | 7.8% | -0.2% |
| Global EM USD | 1,387 | 11.1% | 0.4% |
| Global High Yield | 1,862 | 12.1% | 1.0% |
| Interest Rates (US) | | Last month | End 2024 |
| 3 Months | | 3.63% | 3.80% |
| 12 Months | | 3.47% | 3.59% |
| 5 Year | | 3.73% | 3.60% |
| 10 Year | | 4.17% | 4.01% |
| Price / Earnings Ratios | | End 2024 | End 2023 |
| S&P 500 | 27.34 | 26.50 | 22.76 |
| Euro STOXX 50 | 17.50 | 14.36 | 12.86 |
| Swiss Market Index (SMI) | 19.52 | 19.01 | 17.60 |
| Data at close of 31/12/2025 | | | |

Macroeconomic Indicators

| Central Banks Targets Rates | Last | Q4 2025 | Q3 2025 | Q2 2025 | Inflation (CPI - YoY) | Last | Q4 2025 | Q3 2025 | Q2 2025 |
|----------------------------------|--------|---------|---------|---------|-------------------------------|-------|---------|---------|---------|
| United States | 3.75% | 3.75% | 4.25% | 4.50% | United States | 2.70% | N/A | 3.00% | 2.70% |
| Eurozone | 2.15% | 2.15% | 2.15% | 2.15% | Eurozone | 2.10% | N/A | 2.20% | 2.00% |
| Switzerland | 0.00% | 0.00% | 0.00% | 0.00% | Switzerland | 0.00% | N/A | 0.20% | 0.10% |
| United Kingdom | 3.75% | 3.75% | 4.00% | 4.25% | United Kingdom | 3.20% | N/A | 3.80% | 3.60% |
| Canada | 2.25% | 2.25% | 2.50% | 2.75% | Canada | 2.20% | N/A | 2.40% | 1.90% |
| Japan | 0.75% | 0.75% | 0.50% | 0.50% | Japan | 2.90% | N/A | 2.90% | 3.30% |
| China (3M SHIBOR) | 1.60% | 1.60% | 1.58% | 1.63% | China | 0.70% | N/A | -0.30% | 0.10% |
| Unemployment | Last | Q4 2025 | Q3 2025 | Q2 2025 | Gross Domestic Product (YoY) | Last | Q4 2025 | Q3 2025 | Q2 2025 |
| United States | 4.60% | N/A | 4.40% | 4.10% | United States | 2.30% | N/A | 2.30% | 2.10% |
| Eurozone | 6.40% | N/A | 6.40% | 6.40% | Eurozone | 1.60% | N/A | 1.60% | 1.40% |
| Switzerland | 3.00% | N/A | 3.00% | 2.90% | Switzerland | 0.50% | N/A | 0.50% | 1.30% |
| Canada | 6.50% | N/A | 7.10% | 6.90% | Canada | 0.40% | N/A | 1.10% | 1.00% |
| Japan | 2.60% | N/A | 2.60% | 2.50% | Japan | 4.10% | N/A | 4.10% | 5.30% |
| China | 5.10% | N/A | 5.20% | 5.00% | China | 4.80% | N/A | 4.80% | 5.20% |
| | | | | | India (Real GDP) | 8.23% | N/A | 8.23% | 7.81% |
| Producer Price Index (PPI - YoY) | Last | Q4 2025 | Q3 2025 | Q2 2025 | Purchasing Managers' Index | Last | Q4 2025 | Q3 2025 | Q2 2025 |
| United States | 2.70% | N/A | 2.70% | 2.40% | United States | 47.9 | 47.9 | 49.1 | 49 |
| European Union | 0.50% | N/A | 0.80% | 0.10% | Eurozone | 51.5 | 51.5 | 51.2 | 50.6 |
| Switzerland | -1.60% | N/A | -1.80% | -0.70% | Switzerland | 45.8 | 45.8 | 46.3 | 49.6 |
| Canada | 6.10% | N/A | 5.25% | 1.33% | Canada | 48.6 | 48.6 | 47.7 | 45.6 |
| Japan | 2.70% | N/A | 2.80% | 2.80% | Japan | 50 | 50 | 48.6 | 50.1 |
| China | -2.20% | N/A | -2.30% | -3.60% | China | 50.1 | 50.1 | 49.8 | 49.7 |
| India | -0.32% | N/A | 0.19% | -0.19% | India | 55 | 55 | 57.7 | 58.4 |
| Core Inflation (Core CPI - YoY) | Last | Q4 2025 | Q3 2025 | Q2 2025 | Consumer Spending (PCE - YoY) | Last | Q4 2025 | Q3 2025 | Q2 2025 |
| United States | 2.60% | N/A | 3.00% | 2.90% | United States | 2.83% | N/A | 2.83% | 2.81% |
| Eurozone | 2.40% | N/A | 2.40% | 2.30% | | | | | |
| Switzerland | 0.40% | N/A | 0.70% | 0.60% | | | | | |
| Canada | 2.40% | N/A | 2.40% | 2.60% | | | | | |
| Japan | 1.60% | N/A | 1.30% | 1.60% | | | | | |

Data as of 06/01/2026

N/A: Not yet reported or Public Holiday

2025 Annual Review



- Risk assets enjoyed an “everything rally.” Despite an initial hit to sentiment and soft data from tariff uncertainty, economic activity remained resilient across most of the world, mainly driven by a robust services sector.
- Global equities surged by over 20%, concluding the year at an all-time high and marking the third consecutive year of double-digit gains. This optimism among investors was driven mainly by strong ongoing investments in artificial intelligence, resilient economic growth and corporate earnings, trade deals, and monetary easing by most central banks.
- Easing resumed at the Fed, while global policy diverged. After keeping rates unchanged for the first half of the year, the Fed resumed cuts with three reductions of 25 basis points in the second half. Meanwhile, the ECB and BoE eased towards neutral ranges, and BoJ normalization pushed JGB yields to multi-decade highs.
- The US raised tariff rates to levels not seen since the 1930s, fueling trade concerns early in the year. Although an immediate spike in inflation driven by tariffs did not materialize, fiscal uncertainty contributed to volatility at the long end of the yield curve and reinforced term premium sensitivity, supporting curve steepening across major markets.
- The EU approved large defense spending budgets (1.5% of GDP), and Germany relaxed fiscal rules to invest in infrastructure. Japan adopted a pro-easing policy with the largest spending package since the pandemic. Meanwhile, China's new policies focused on supply-side reforms and broadening consumption to services.

The economy's momentum looks sustainable

Heading into 2026, the global economy is displaying remarkable resilience, buoyed by three powerful tailwinds that have proven to be remarkably durable.

First, investment in artificial intelligence is becoming the defining driver of economic growth, accounting for approximately 37% of U.S. GDP growth in 2025. Consider this the modern equivalent of past infrastructure booms. Companies are investing unprecedented amounts of capital in data centers and AI infrastructure. The five largest tech companies alone are projected to invest \$600 billion annually in the coming years.

Second, the fiscal stimulus from tax cuts and favorable financial conditions continues to support growth. In December, the Federal Reserve cut rates by 25 basis points, and markets are pricing in further reductions through 2026. Real

borrowing costs are easing, which loosens constraints on consumer and business spending.

Third, while initially concerning, the tariff inflation story appears to be moderating faster than feared. Although tariffs added approximately 0.4 percentage points to core inflation in 2025, there is growing evidence of negotiated exemptions and renegotiations that should prevent further damage by midyear.

Overall, the economy appears poised for sustainable mid-2% growth without the inflationary overhang that was feared. However, if any of these three factors change course, the outlook could quickly deteriorate.

Artificial
Intelligence
Investment

37% of US GDP growth

US Fiscal
Stimulus
and Rate Cuts

(Tariff)
Inflation is
Moderating

The fiscal deficit is unusually large

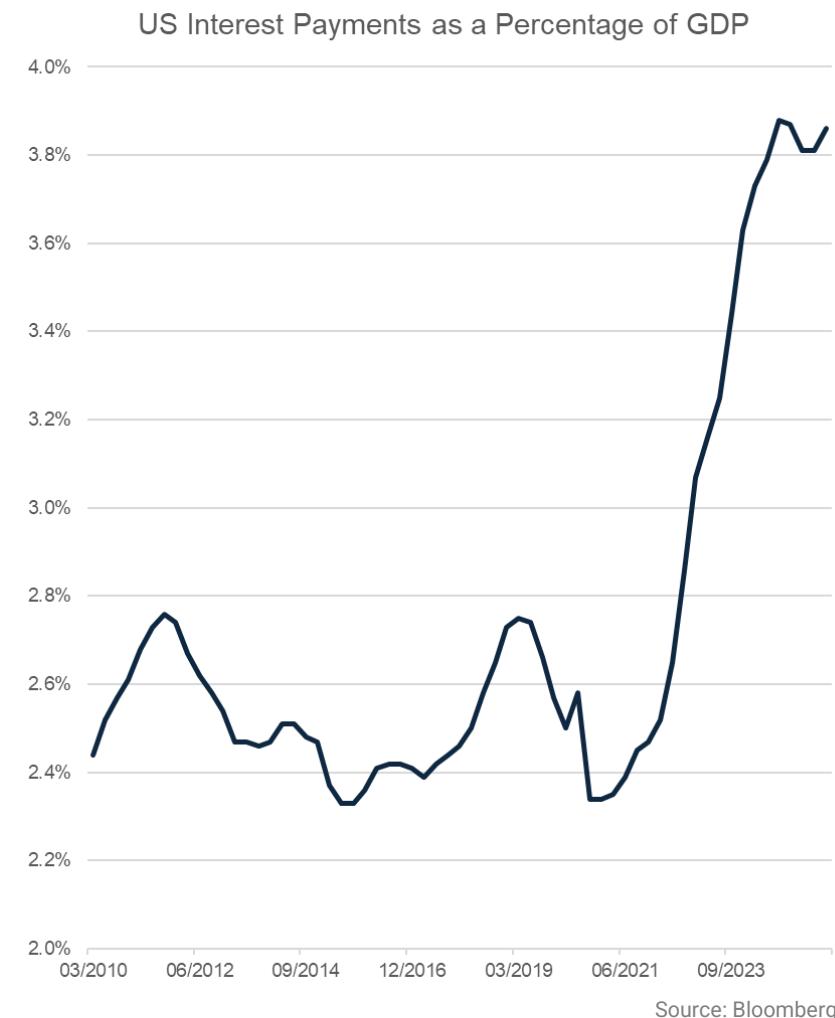
The monetary medicine working today masks a deeper fiscal complication that will increasingly demand investor attention.

The US fiscal deficit is unusually large relative to the strength of the economy, sitting at 5.2% of GDP in 2025 despite modest nominal growth. The debt-to-GDP ratio is approaching 120%, approaching post-war highs.

Here's where it gets serious: Net interest payments on that debt exceed \$970 billion annually, making it the third-largest federal budget item after Social Security and Medicare. Higher real rates, which persist even as the Fed cuts, mean the debt trajectory is becoming increasingly steep regardless of nominal growth assumptions.

The fiscal challenge isn't confined to the US. Europe presents an even more fragmented picture. France for example is in a state of political gridlock that makes meaningful fiscal reform nearly impossible. The country has seen five prime ministers in less than two years, and leftist and pro-business lawmakers are deadlocked over how to address a debt burden exceeding 114% of GDP.

The timing is critical. While we can't pinpoint the exact moment fiscal anxieties will peak, the stage is set for increasing scrutiny from investors. Our base case assumes policymakers will eventually act, but the window for gradual, politically palatable reform is narrowing. When markets do focus on these imbalances, volatility could spike in peripheral government debt.



Deficits are growing. Gold is shining.

While equities capture the headlines, a quieter but equally powerful signal is flashing in the commodities market. Gold and real assets delivered standout performance in 2025.

When major economies run deficits of 6-7% of GDP during peacetime and central banks cut rates simultaneously, the traditional 60/40 portfolio faces a unique challenge. Government bonds may no longer be the reliable defensive asset they once were. In this environment, real assets, particularly gold, are increasingly stepping in to fulfill that role.

The investment case for 2026 is underpinned by a "debasement" premium that institutional investors are beginning to consider. As the U.S. debt burden grows and

interest costs compound, the market anticipates that policymakers will allow inflation to rise slightly or keep real rates artificially low. Historically, this scenario favors hard assets.

This is reflected in the behavior of central banks. Monetary authorities, particularly in the Global South, continued their record-breaking gold-buying sprees throughout late 2025. They are actively diversifying their reserves away from Treasury bonds, and this trend shows no sign of abating.



Source: Bloomberg

A supportive backdrop for emerging market equities

December capped off a remarkable year for emerging market equities. The MSCI EM index gained roughly 27% in 2025, outperforming developed markets.

Encouragingly, this rally wasn't primarily built on earnings momentum (consensus EPS were actually flat in mid-2025). Rather, the outperformance was driven by valuation re-rating, currency tailwinds from dollar weakness, and the genuine recognition that fiscal and governance fundamentals have improved across key markets.

Looking ahead to 2026, the outlook is even more promising. On a one-year forward price-to-earnings (P/E) basis, emerging market equities trade at a roughly 40% discount to US equities and below the long-term average. U.S. technology stocks

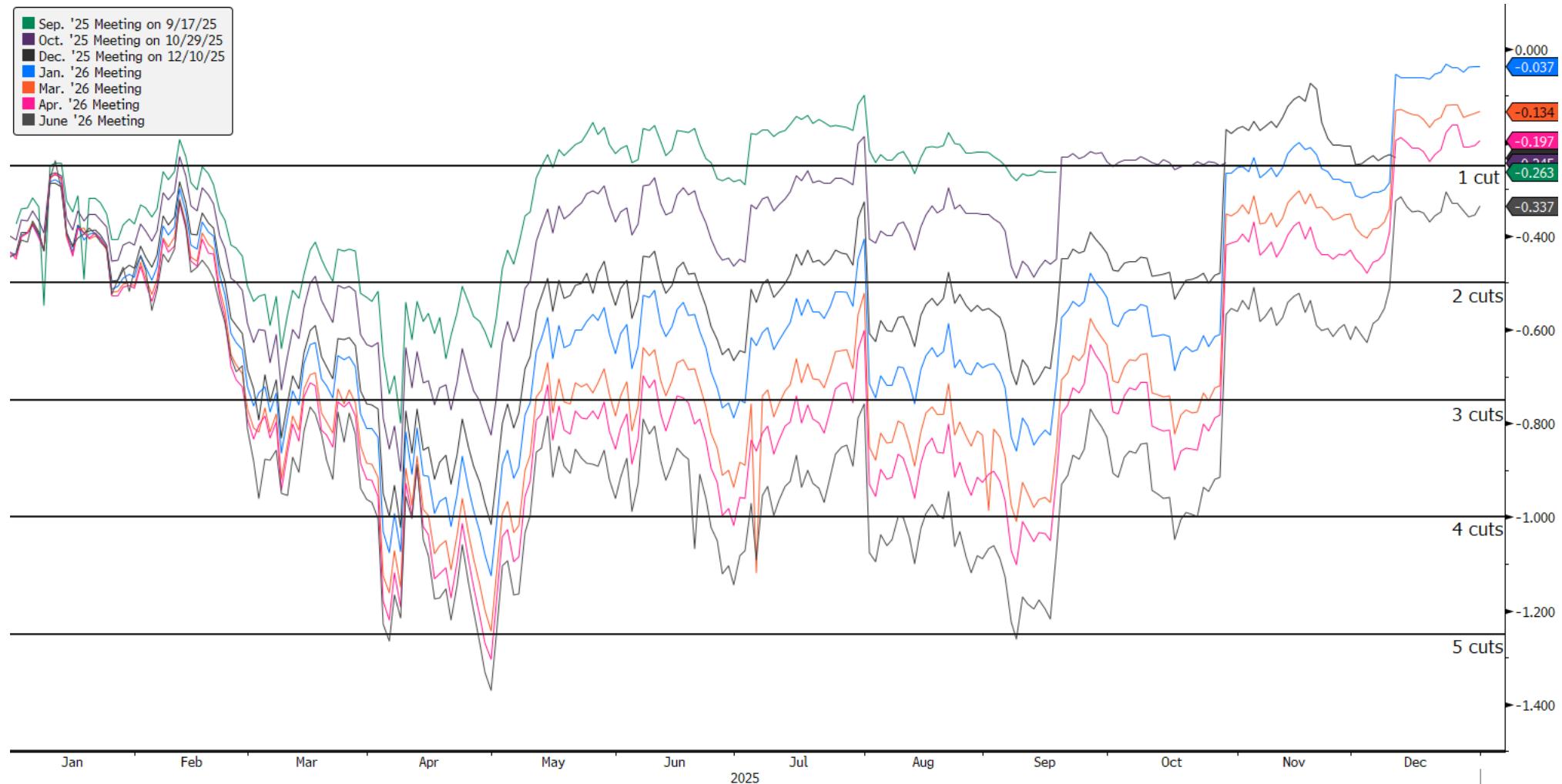
alone trade at 31x forward earnings, while their emerging market (EM) counterparts in the same sector trade at just 18x, despite having superior earnings growth forecasts for the next three years.

The currency backdrop also remains supportive. A softer US dollar, which is likely to persist as the Fed cuts rates through 2026, makes emerging market assets more attractive globally. Combined with declining oil prices and the easing inflation environment, emerging markets have the wind at their back



Short Term Rates Expectations

After a third consecutive 25bps policy rate cut to 3.50 - 3.75%, the Fed avoided to commit on specific guidance for future steps, while the dot plot projection continued to suggest one more rate cut for 2026 and a wide dispersion in views among the FOMC members.



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Key Investment Themes

- Uncertainty over trades policies and the volatility spikes that can accompany disappointing market releases on top of high valuations reinforce our conviction that **diversification is a core strategy** - particularly important as geopolitical uncertainties persist, whether in the Red Sea, the Middle East, Ukraine or Taiwan.
- The inflation target could well become the floor in this new economic cycle, with core inflation expected to remain above the 2% target by the end of 2025 but its trajectory is highly uncertain as it could be revived by the ongoing tariff war.
- Our recommendation is to focus on **quality stocks** with solid balance sheets and a long-term vision.
- On the **fixed-income** side, corporate bonds are facing higher interest costs overall, and potentially refinancing difficulties in the high-yield segment. Our preference at this stage of the cycle is **for higher-rated companies** rather than high yielding issuers.
- In the current interest-rate environment and within the broader policy dynamics of central banks in developed markets, our approach remains focused on carry strategies via bonds. We therefore maintain an **underweight in the alternative class**, capitalizing on the stability and predictable returns offered by bond instruments. However, we remain attentive to the opportunities offered by alternative investments, with their potential for returns uncorrelated with traditional markets.



Asset Allocation

| Asset classes | Underweight | Neutral | Overweight |
|---------------|------------------|------------------------|------------------|
| | | Cash | |
| | | Fixed Income | |
| | | Equities | |
| | Alternative | | |
| Fixed Income | | | Investment Grade |
| | | High Yield | |
| | | Sovereign | |
| | Inflation Linked | | |
| Equities | | Emerging Markets | |
| | | Switzerland | |
| | | United States | |
| | | | Eurozone |
| | United Kingdom | | |
| | China | | |
| | Japan | | |
| | Emerging Markets | | |
| Sectors | | Information Technology | |
| | | Healthcare | |
| | | Financials | |
| | | Consumer Discretionary | |
| | | Industrials | |
| | | Consumer Staples | |
| | | Communication Services | |
| | | Energy | |
| | | Materials | |
| | | Utilities | |
| | Real Estate | | |

Fixed-income allocation

Our selection focuses on the highest-quality issuers offering attractive risk-adjusted returns.

Equities

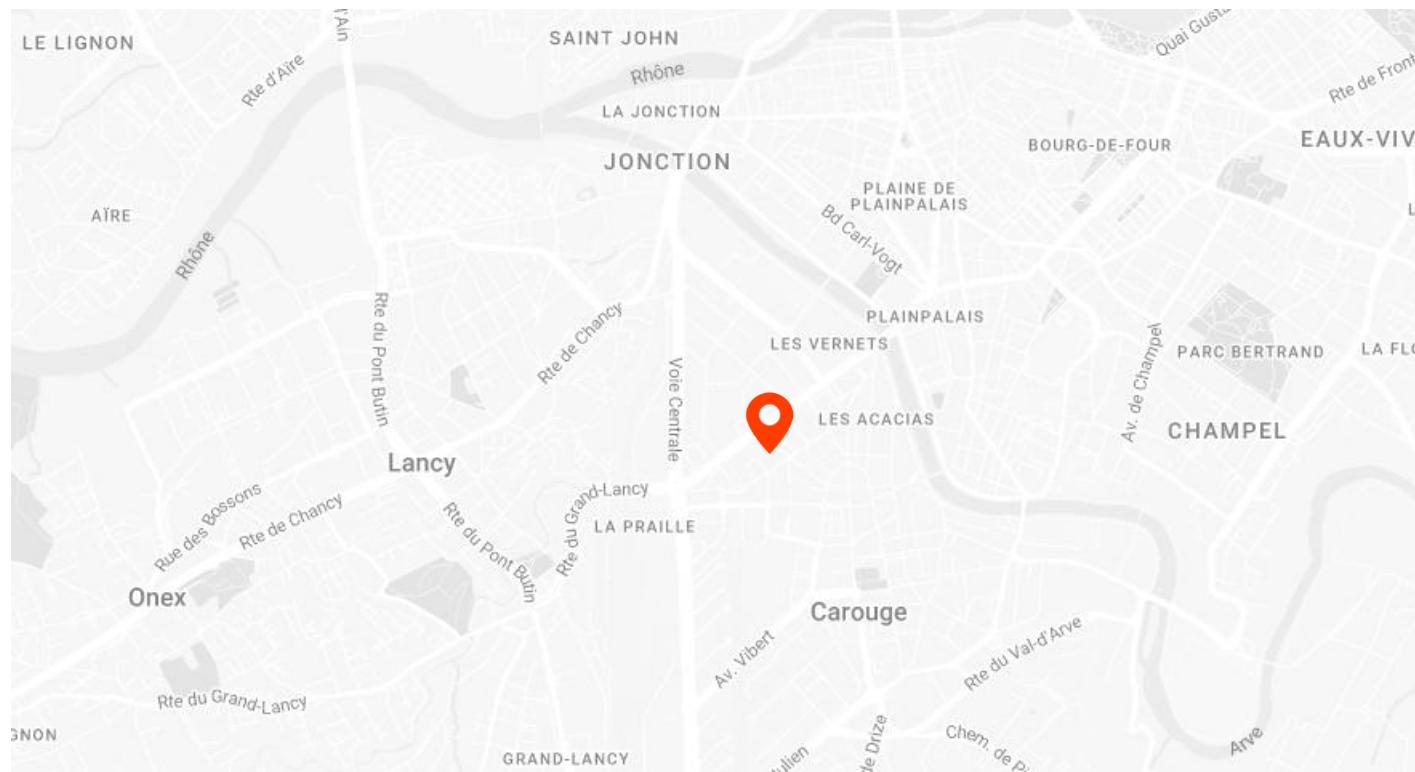
This context leads us to a more neutral approach to equities, where sector and regional diversification is more important than ever. We also keep a neutral stance on the United States following the ongoing turbulence caused by the new administration, with a slight bias towards Europe.

Alternative investments

In the current interest rate environment, our approach remains focused on carry strategies through bonds. We thus maintain an underweight allocation to alternative investments, capitalizing on the stability and predictable returns offered by bond instruments. Nevertheless, we remain attentive to opportunities offered by alternative assets, given their potential for returns uncorrelated with traditional markets.

Contact

A DIFFERENT APPROACH TO WEALTH MANAGEMENT



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