

Investment Outlook 4th Quarter 2026

The global economy continues to grow, but higher energy prices and persistent inflation are limiting the scope for monetary easing. We are maintaining a neutral equity allocation, short bond maturities, and a focus on the Swiss franc. Broad diversification in stocks across regions and sectors, together with a limited allocation to gold, remains key.

Political environment

The conflict in the Middle East remains a major risk to energy supplies, inflation, and economic growth. A lasting easing of tensions cannot be taken for granted. Disruptions to key transportation routes could drive up the prices of energy and intermediate goods, while alternative routes would only partially reduce these dependencies. In addition, trade policy uncertainty continues to weigh on investment activity.

At the same time, high levels of government debt in many industrialized countries are increasingly limiting fiscal policy flexibility. Rising interest burdens, together with growing social and defence spending, are further increasing financing needs. In recent weeks, France's high government debt has come under particular scrutiny in the bond markets. Rising yields, in turn, increase financing costs and intensify pressure on governments to consolidate their budgets and contain spending.

Economic Development

In its July forecast, the IMF projects global growth of 3.0% for 2026 and 3.4% for 2027. However, the outlook remains mixed: energy-importing countries are suffering from higher costs, while economies integrated into technology supply chains are benefiting from strong demand related to artificial intelligence.

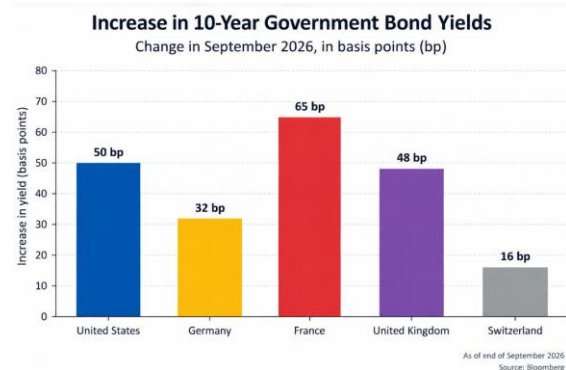
In the U.S., the Fed continues to view consumer spending and investment as robust. However, long-term interest rates, which have risen significantly in recent weeks, could increasingly weigh on economic activity. At the same time, higher debt-servicing costs are putting pressure on governments to consolidate their budgets. Necessary spending cuts or tax increases could provide an additional drag on growth.

For the eurozone, the ECB forecasts growth of 0.9% in 2026 and 1.4% in 2027. The SNB expects the Swiss economy to expand by around 1% and 1.5%, respectively. While the strong Swiss franc is helping to contain imported inflation, it continues to weigh on the export sector.

Our baseline scenario remains one of moderate global growth. However, a prolonged energy shock would significantly increase the risk of weak economic activity combined with persistently higher inflation.

Interest Rates and Bonds

Inflation remains elevated in the U.S. and the euro area at around 3%, but is still well below the double-digit rates seen in the 1970s. The expected interest rate hikes to counter inflationary pressures have now taken place: the Fed raised its target range by 0.25 percentage points on September 16, while the ECB also raised its policy rate by 0.25 percentage points on September 10, effective September 16. The SNB, by contrast, has kept its policy rate unchanged at 0%. Further interest rate moves are likely to depend largely on the development of inflation.



However, pressure from bond markets on highly indebted countries is becoming increasingly important. Growing concerns about the long-term

sustainability of public finances are leading to higher risk premiums and rising yields on long-term government bonds. As a result, long-term yields can rise even if central banks leave their policy rates unchanged.

We prefer short maturities and high credit quality. Long maturities remain vulnerable to further increases in yields, although they could benefit from a significant economic downturn. CHF bonds offer low current yields but continue to play an important role in the defensive portion of the portfolio.

Equities

We are maintaining a neutral equity allocation. Heavy investment in artificial intelligence is creating significant growth opportunities. For shareholders, however, what ultimately matters is whether these investments generate sustainable profits and free cash flows. Given the high valuations in parts of the market, even minor disappointments can trigger significant price corrections. Strong technological growth alone therefore does not justify unlimited increases in stock prices. Broad diversification across regions and sectors remains crucial. A lower price-to-earnings ratio does not necessarily mean that a market is more attractively valued. Differences in sector composition, growth prospects, and corporate quality must also be considered.

Within the equity allocation, Swiss dividend-paying stocks remain attractive. However, they are no substitute for safe bonds, as both capital losses and dividend cuts remain possible.

Overall, we favour a balanced mix of growth-oriented technology sectors and more defensive sectors such as food, pharmaceuticals, and insurance.

Currencies and Gold

In the long term, we continue to prefer the Swiss franc as a base currency. However, significantly higher interest rates in the U.S. and the eurozone increase the relative attractiveness of the U.S. dollar and the euro and could weaken the franc in the short term.

High budget deficits and rising government debt pose a long-term risk to confidence in individual currencies. However, no reliable short-term ex-

change rate trend can be derived from these factors alone.

Gold remains an important source of diversification and provides some protection against geopolitical and monetary risks. However, as gold generates no current income and can experience significant price fluctuations even during periods of crisis, the position should remain limited and be regularly rebalanced to its strategic target allocation..

Asset Allocation

We are making a slight adjustment to our previous strategic allocation: cash, bonds, and equities are now equally weighted in our portfolios. Within our currency allocation, we continue to favour the Swiss franc over the U.S. dollar and the euro. Gold remains a core component of all our portfolios.

