

Management Report

4nd Quarter 2025

The final quarter of 2025 kicked off with the US government shutdown that ultimately stretched into November, lasting 43 days. Several reports were delayed, partially produced, or released with caveats, making it harder for markets and policymakers to assess real-time economic conditions. The Congressional Budget Office estimated at the time that a six-week shutdown could lower the annualized quarterly growth rate of real gross domestic product in the fourth quarter by 1.5 percentage points.

The lack of official data didn't deter the US Federal Reserve from cutting interest rates in late October by 25-basis-point. The decision came amid signs of a weakening labor market as payroll processor ADP said companies were cutting more than 11,000 jobs per week through late October, while inflation remained above the Fed's 2% target.

On the trade front, the US and China agreed to a one-year truce that included the US cutting tariffs on fentanyl and China resuming soybean purchases, among others. Switzerland managed to reach a preliminary trade deal with the US to lower tariffs on Swiss goods from 39% to 15%.

In December, the Fed voted to proceed with a third consecutive rate cut, despite having previously signalled in October that a December move was not guaranteed. The Fed has signalled one more reduction in 2026.

In stock markets, the quarter opened with the final leg of an optimism-driven stock market rally, but November and December turned into months of recalibration. After a prolonged period of strong performance, many high-growth stocks saw profit-taking, and the technology sector became the laggard that weighed on global indices. This coincided with fears that AI-related optimism had pushed valuations too far and market participants became more nervous about the massive spending spree and valuations. A sell-off ensued in November. Nvidia's third-quarter earnings results soothed some of those concerns, though investors remained cautious. This move away from AI toward a more valuation- and balance-sheet-focused market tone, led to a visible rotation into defensive and value-oriented sectors, including healthcare, consumer staples, and selected cyclicals. Both the S&P 500 Index and the Nasdaq rose 2.7% in the fourth quarter. The Euro Stoxx 50 Index ended the quarter up 5.1%,

while the Swiss Performance Index gained 9.2%. Emerging-market stocks added 4.8% (all total returns and in US dollars).

Credit markets also got jittery. US regional banks briefly spooked markets after Zions Bancorp and Western Alliance Bancorp disclosed bad loans tied to funds that invest in distressed commercial mortgages. Credit markets offered solid carry but little spread cushion, keeping selectivity crucial. The AI investment boom met the bond market, too, as AI infrastructure is increasingly funded with long-dated debt as opposed to retained earnings or equity. The US government bond market was up 0.9% in the fourth quarter (in US dollars).

In the fourth quarter, the US dollar proved resilient, defying the US government shutdown, which barely moved the currency. The Swiss franc, on the other hand, surged on strong structural fundamentals and safe-haven demand, setting up one of its strongest years in decades.

Precious metals, led by gold and silver, continued to shine as the standout performers this quarter. The metal experienced a sharp rally in early October, driven by strong demand from exchange-traded funds (ETF). Prices temporarily came under pressure as investors reassessed the Fed's rate cut outlook and took profits. As the quarter progressed, increasing expectations of further rate cuts pushed gold prices up. The yellow metal rallied 12.8% in the quarter, capping its best year since 1979. Silver surged nearly 56% in the quarter due to strong ETF demand (all in US dollars). Crude oil struggled, Brent crude ended the quarter at USD 60.9 per barrel, or down 9.3% (in local currencies).

Since the beginning of 2025:

the value of the A share increased by 5.36% from EUR 293.48 to EUR 309.21

the value of the B share increased by 2.60% from EUR 168.14 to EUR 172.52

the value of the C share increased by 2.44% from CHF 124.35 to CHF 127.39