

Invest globally despite a strong Swiss franc

CIO Essentials

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- The Swiss franc has appreciated significantly in recent weeks against the backdrop of major geopolitical uncertainties, weighing on the performance of foreign equities in franc terms.
- Nevertheless, in our view, it is still worthwhile to invest globally. The Swiss market is heavily dependent on the success of the (Swiss) health care sector and is therefore much less diversified than the global market.
- Furthermore, the IT sector is hardly represented in the Swiss equity universe. This sector has been a major driver of global equity market performance in the past and is likely to continue to play a central role in the economy in the age of artificial intelligence. Investors who forego global equities risk missing out on this opportunity.



Uncertainty has yet again taken center stage. Over the weekend, Israel and the US intervened militarily in Iran. The Swiss franc has appreciated significantly in recent weeks amid the rise in geopolitical risks. Against the US dollar, it was trading about 3 percent stronger at the end of February than at the beginning of the year and about 15 percent higher than at the start of 2025. The franc has also gained against the euro. It was close to the 0.90 mark at the end of February, down from around 0.93 last year.

Notably, the US's intervention in Venezuela at the beginning of the year and now in Iran have increased demand for currencies considered safe havens. Moreover, the protectionist stance of US trade policy is undermining investor confidence in the US dollar, further increasing demand for the franc.

The reasons for the appreciation against the euro are, for once, not related to the European economy, concerns about government debt, or the monetary policy of the European Central Bank. Rather, the franc, with its reputation as a safe haven, has benefited more from the current uncertainty than the euro and has thus gained ground against it.

The franc's appreciation is bad news for Swiss exporters. In the US, the Supreme Court has declared part of the Trump administration's tariffs unlawful, but US President Donald Trump immediately rebuilt the "tariff wall" with new tariffs. In Germany, there is still little sign of the planned stimulus from the fiscal package. The appreciation of the franc comes at the wrong time, as it's adding to an already challenging environment.

Investors also affected by the stronger franc

The stronger franc is also causing local Swiss investors to reconsider portfolio decisions. Its appreciation not only makes Swiss goods more expensive abroad, it also weighs on the performance of foreign equities in franc terms. A strengthening franc is not the exception, but rather has been the rule in the past and is likely to continue in the future. In such a context, does it make sense to invest abroad, especially given global uncertainties? Or should one just focus their portfolio on the Swiss financial market?

Two arguments are often put forward in favor of an exclusive focus on domestic assets. First, listed Swiss companies

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offer the “best of both worlds.” They benefit from the dynamics of global markets through their strong export orientation, and since their shares are denominated in francs, shareholders are not directly affected by franc appreciation.

Second, while global equities often outperform Swiss equities in local currency terms, this outperformance is significantly reduced or disappears entirely when accounting for the franc’s appreciation. For example, the MSCI World delivered an annual performance of 11 percent in local currency terms from 2011 to the end of 2025, which is considerably higher than the MSCI Switzerland’s 8 percent per year during this period. However, in Swiss franc terms, the MSCI World’s annual return drops to 9 percent. If we look only at the period from 2011 to 2021 (thus excluding the strong performance of US tech stocks in recent years), there is actually no difference in performance between global and Swiss equities when measured in Swiss francs.

Nevertheless, we believe it is worthwhile to invest globally. After all, “having your cake and eating it too” is not easily achieved. Swiss equities can participate in global dynamics thanks to their export orientation, but the profits originating from these regions are also subject to currency risk.

A look at the Swiss market (MSCI Switzerland) shows that the health care sector makes up 40 percent of the entire index. This means the Swiss market is heavily dependent on the success of this sector. This focus on health care can certainly be profitable, as history has often shown. However, it is the opposite of what investors, in our view, should aim for: reducing dependence on a single stock, sector, or market through broad diversification of investments, thereby helping the portfolio achieve greater stability.

A closer look at the Swiss market also reveals that the IT sector is virtually absent from the Swiss equity universe. This sector has been a major driver of performance in global equity markets in the past and is likely to continue playing a central role in the economy in the age of artificial intelligence. A portfolio without foreign equities risks missing out on these opportunities. A broadly diversified portfolio—not only across different asset classes, but also across various regions and currencies—can better capture these opportunities.

Nevertheless, we see the Swiss franc playing an important role in a globally invested portfolio. Together with gold, diversification, and a long investment horizon, we believe it can help provide greater stability to the portfolio in an uncertain environment.

Global asset class preferences definitions

The asset class preferences provide high-level guidance to make investment decisions. The preferences reflect the collective judgement of the members of the House View meeting, primarily based on assessments of expected total returns on liquid and commonly known indices, House View scenarios, and analyst convictions over the next 12 months. Note that the tactical asset allocation (TAA) positioning of our different investment strategies may differ from these views due to factors including portfolio construction, concentration, and borrowing constraints.

Attractive: We consider this asset class to be attractive. Consider opportunities in this asset class.

Neutral: We do not expect outsized returns or losses. Hold longer-term exposure.

Unattractive: We consider this asset class to be unattractive. Consider alternative opportunities

Note: For equities, we have a five-tier rating system with two additional preferences

Most Attractive: We consider this asset class to be among the most attractive. Investors should seek opportunities to add exposure.

Least Attractive: We consider this asset class to be among the least attractive. Seek more favorable alternatives opportunities.

When equities are included with the other asset classes in the three-tier rating system, we collapse "Most Attractive" with "Attractive" and "Least Attractive" with "Unattractive."

Appendix

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