Insights for the new year – Focus on Switzerland

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2025 has been a year full of surprises: innovation, geopolitical turbulence, and dynamic markets shaped the investment environment. We believe Swiss investors can continue to rely on stability, solid returns, and targeted growth opportunities in their home market in 2026.

2025 will likely go down in history as an exceptional investment year in many respects. It was marked by innovation, geopolitical upheaval, rapidly changing economic conditions, and various sudden market movements. While investments in artificial intelligence continued to advance, many observers were surprised to see the European equity market outperform that of the US. In contrast, the Swiss equity market distinguished itself through stability and resilience. Switzerland's public debt is low, and health care, consumer goods, and financial companies—with their stable earnings and dividends—form the foundation of the domestic equity market.

Swiss investors can benefit from constructing balanced portfolios with a focus on stable returns, capital preservation, and select growth areas. In our view, Swiss franc bonds and real estate offer stability, while high-quality dividend stocks have potential for income and capital gains. Although the Swiss equity market does not have a high proportion of technology companies, Swiss firms excel at implementing technological innovation, especially in life sciences and precision instruments. This positions them well to benefit from global trends.

Recently, the agreement on a 15 percent US tariff for Swiss exports has brought relief, especially for smaller companies and the watch, machinery, and technology sectors. However, only a few SMI companies are directly affected by US tariffs, as many of the largest Swiss corporations already produce a significant portion of their US sales locally. According to our estimates, only about one and a half percent of the revenue of the 20 SMI stocks is impacted by US tariffs. In the pharmaceutical sector, further specific deals are pending, and a sustainable recovery is not yet assured.

Cyclical companies continue to suffer from weak leading indicators. We prefer select quality stocks, service providers, and structural growth names. The valuation of the SMI remains attractive, in our view; high-quality dividend stocks and companies with high returns on capital are in focus, and even among smaller-cap stocks, there are interesting opportunities.

Real estate has traditionally been a popular, very stable asset class, well suited for diversifying a core portfolio. Swiss real estate securities delivered very strong performance in 2025. Valuations have risen sharply: real estate stocks and funds are trading at high premiums above book value—well above their long-term averages. For 2026, only modest upside is expected, supported by stable income streams. However, the asset class remains vulnerable to rising interest rates, regulatory interventions, and additional rental restrictions.

While many investors worldwide are trying to overcome the "gravity" caused by weak growth and rising debt burdens, Switzerland's strengths offer specific advantages. Our latest edition of *Investing in Switzerland* examines how local investors can best navigate the changing environment.

Non-Traditional Assets

Non-traditional asset classes are alternative investments that include hedge funds, private equity, real estate, and managed futures (collectively, alternative investments). Interests of alternative investment funds are sold only to qualified investors, and only by means of offering documents that include information about the risks, performance and expenses of alternative investment funds, and which clients are urged to read carefully before subscribing and retain. An investment in an alternative investment fund is speculative and involves significant risks. Specifically, these investments (1) are not mutual funds and are not subject to the same regulatory requirements as mutual funds; (2) may have performance that is volatile, and investors may lose all or a substantial amount of their investment; (3) may engage in leverage and other speculative investment practices that may increase the risk of investment loss; (4) are long-term, illiquid investments, there is generally no secondary market for the interests of a fund, and none is expected to develop; (5) interests of alternative investment funds typically will be illiquid and subject to restrictions on transfer; (6) may not be required to provide periodic pricing or valuation information to investors; (7) generally involve complex tax strategies and there may be delays in distributing tax information to investors; (8) are subject to high fees, including management fees and other fees and expenses, all of which will reduce profits.

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In addition to the risks that apply to alternative investments generally, the following are additional risks related to an investment in these strategies:

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