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INVESTMENT PARTNERS

NAVIGATOR 2026

Tramondo's take on markets, monetary policy, politics and economics. Learn more about investment opportunities that successful individuals, families, and institutional investors need to be aware of today.



BEYOND NOISE AND NARRATIVES

INTRODUCTION

A year after Donald Trump's return to the White House, investors have once again learned that political cycles rarely repeat in predictable ways. The administration's second term has been firmer and more coordinated than its first, with trade policy undoubtedly taking the center stage. The introduction of broad import tariffs initially unsettled global investors. Yet, the resilience of financial markets after the shock of the "Liberation Day" in April has been remarkable. Despite heightened political noise, financial markets have demonstrated their enduring ability to adapt and refocus on fundamentals.

The year 2026 begins amid a complex but more stable backdrop. The Federal Reserve resumed its cautious rate-cutting cycle in late 2025, balancing stubborn inflation against a softening labor market. The global economy continues to expand modestly, supported by record-high investments into artificial intelligence and resilient consumption. However, structural shifts such as declining globalization, demographic constraints, and rising fiscal burdens suggest that growth will stay slower and more uneven than during past cycles.

Three enduring forces are set to define the investment narrative in 2026. First, the rapid adoption of artificial intelligence continues to reshape productivity, capital expenditure, and markets' perception of future profitability. While the technology's impact is profound, its financial ramifications are uneven, demanding careful differentiation between durable innovation and speculative enthusiasm. Second, geopolitical fragmentation continues to challenge established trading patterns. Strategic competition among major economic blocs drives regional investment trends and reinforces the importance of diversification. Third, inflation will be a key market driver in 2026, shaping investor expectations and policy decisions alike – its trajectory will dictate how far central banks can cut interest rates and, with it, the direction of bond yields, equity markets and currencies.

At the same time, US exceptionalism remains a key reference point, also in the coming year. Technological leadership, labor-market flexibility, and business-friendly regulation continue to set the United States apart from other advanced economies. However, doubts are growing about how sustainable this dominance is, especially if fiscal expansion persists and the administration seeks to influence central bank independence. For the rest of the world, policy responses vary: Europe faces a delicate balance between fiscal prudence and industrial competitiveness, while Asia must reconcile slower Chinese growth with renewed regional trade integration.

Against this backdrop, the outlook for global financial markets remains constructive but nuanced. Valuations in several equity markets have recalibrated, while fixed income and commodity markets offer attractive opportunities amid heightened geopolitical risk and monetary easing. In such an environment, we continue to stick to a disciplined, fundamentals-driven investing approach – seeking high-quality assets grounded in real earnings power and robust balance sheets rather than speculative narratives.

As in previous years, we like to address five key questions frequently asked by our investors and clients. However, the goal is not to forecast short-term outcomes but to illuminate the forces most likely to shape market behavior. As such, we strongly advocate for an adaptive and flexible asset allocation. We hope the following pages can provide good waypoints for navigating the various market challenges in 2026.

We wish you and your family the best for the upcoming festive season. Furthermore, we hope you will find time to recharge your energy reserves for 2026, a year that certainly will have a few surprises in store again.



Raphael Müller, CEO



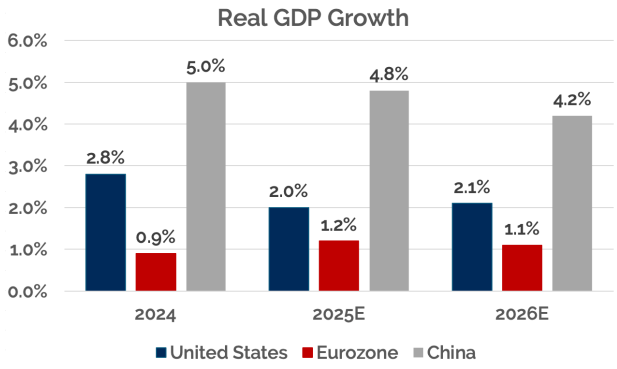
Andreas Schranz, CIO

MARKET COMPASS FOR 2026

KEY QUESTION NO. 1:

AS WE ENTER THE NEW INVESTMENT YEAR, WHAT IS YOUR TACTICAL POSITIONING FOR A BALANCED PORTFOLIO?

First things first: we do not expect a global recession in 2026. Most early-cyclical indicators point to slower, yet still positive, global growth. Inflation has fallen markedly from its peak, giving central banks scope to lower interest rates gradually and ease the burden on private households, companies, and the financial system. At the same time, several powerful investment trends continue to underpin demand: ongoing spending on artificial intelligence (AI) and digital infrastructure, reshoring and supply-chain security, and higher defense budgets across many parts of the world. These investment programs tend to be planned over many years and are less sensitive to short-term, cyclical fluctuations, which should help put a floor under broader economic activity in 2026. A deep recession would therefore likely require a major additional shock – for instance, a severe escalation of geopolitical tensions or a disorderly financial accident – which we regard as possible, but not as our base case scenario at this stage.



SOURCE: INTERNATIONAL MONETARY FUND (IMF); OCTOBER 2025

Against this backdrop, global equity markets enter 2026 facing a balanced mix of opportunities and risks. On the positive side, continued investment in technology and AI are expected to bolster further productivity gains, which, together with companies' disciplined cost control, should drive earnings growth in the coming year. We anticipate that consumption in the US – representing about 15% of global GDP – will decelerate in 2026, but not to fall off a cliff. While lower- and middle-income households have adopted a more cautious and selective approach to discretionary spending, wealthier Americans continue to benefit from solid balance sheets and accumulated savings, providing a buffer against rising prices and weakening labor markets. Consequently, consumer spending is likely to remain a positive, albeit more moderate, contributor to US growth compared to the strong momentum seen in recent years.

However, the environment is far from risk-free. Equity valuations on Wall Street already reflect a considerable degree of optimism, leaving less room for earnings disappointments or macro setbacks. In this context, rising bond yields pose a significant threat to equity markets and their valuations. In the event that inflation surpasses expectations or debt sustainability concerns in major economies escalate, fixed income markets could undergo a substantial repricing. This scenario would likely trigger a painful correction in equity market valuations, reminiscent of the setbacks experienced in 2022. Finally, there are risks within the equity markets themselves. Equity market performance has been highly concentrated in a handful of prominent technology names, raising questions about the durability of market leadership. Broader participation across sectors would make the rally more sustainable, but that may take time to develop.

REMAINING INVESTED ENSURES PARTICIPATION IN CONTINUED EARNINGS GROWTH, WHILE A CAUTIOUS POSITIONING HELPS MANAGE THE RISKS ASSOCIATED WITH HIGH VALUATIONS, INFLATION UNCERTAINTY, AND UNEVEN MARKET BREADTH.

Balancing these opportunities and risks, we recommend that investors keep their equity allocation close to their strategic level. Remaining invested ensures participation in continued earnings growth, while a cautious positioning helps manage the risks associated with high valuations, inflation uncertainty, and uneven market breadth.

Turning to fixed income, we continue to maintain an overweight stance in the asset class, while emphasizing the importance of a more selective approach to portfolio construction to balance risk and return effectively. As we approach the next investment year, the credit cycle appears mature, with early signs of stress emerging in parts of the global credit universe. Consequently, we maintain an up-in-quality strategy, overweighting high-quality credit and adopting a cautious, highly selective stance toward lower-rated securities (high yield). As in 2025, inflation will likely remain a key concern for fixed income investors. While it may persist stubbornly in early 2026 due to delayed tariff impacts, we expect pricing pressures to ease later in the year. In this regard, easing labor market conditions – leading to softer wage inflation and dampened consumer sentiment – coupled with productivity gains driven by AI, are expected to foster disinflationary forces later in 2026. Accordingly, we advise investors to maintain at least some duration exposure within a well-balanced fixed income portfolio.

On a relative basis, we maintain a preference for USD-denominated issuers, where we observe an attractive combination of solid credit fundamentals, potential for monetary easing, and fair – albeit not attractive – pricing of credit risk. In Europe, following this year's substantial stimulus measures, the European Central Bank (ECB) appears hesitant to ease monetary policy in the first half of 2026, opting instead for a cautious wait-and-see stance in order to assess the effects of fiscal policy on growth and inflation.

Finally, we are sticking with a neutral allocation towards alternative investments. Despite its strong momentum over the last two years, we still believe that gold will continue to shine also in the coming investment year – please refer to our answer to key question no. 3 for further details on our bullish outlook for gold.

Overall, alternative investments could be of particular interest to Swiss investors. For these investors, it seems reasonable to reallocate some of their domestic bond exposure towards alternative investment strategies, as CHF-denominated fixed income can hardly generate a positive real yield. Within the alternative investment landscape, we think that cat bonds, in particular, offer a compelling opportunity set. These instruments, typically issued by reinsurance companies to transfer risk from natural catastrophes such as hurricanes and earthquakes, stand out for their low correlation with traditional markets and reduced volatility.

Investment conclusion: The global economy is expected to avoid a recession in 2026, with moderate but positive growth. We expect equity markets to enter 2026 on a solid footing, with opportunities and risks appearing well-balanced. However, given equity market valuations already incorporating a high degree of optimism, we expect that earnings growth – not higher valuations – will remain the key driver of equity returns next year. Fixed income and gold remain attractive, offering compelling opportunities despite their strong momentum in 2025. Our market outlook reflects moderate optimism, grounded in improving inflation dynamics and ongoing capital investment, supporting a balanced and flexible approach to navigating 2026's evolving market environment.

KEY QUESTION NO. 2:

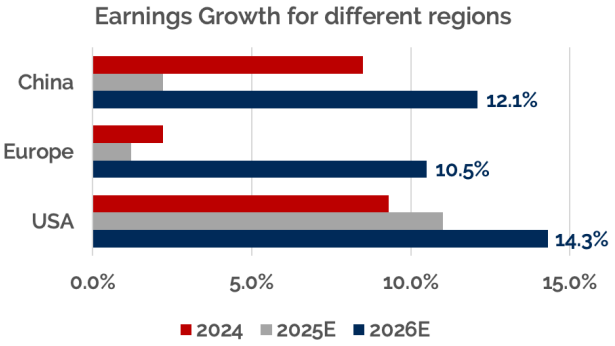
WILL THE AI BUBBLE BURST IN 2026? WHAT ARE THE KEY CALLS REGARDING YOUR EQUITY STRATEGY?

AI dominates the current market debate, with many investors asking whether a (possible) bubble could burst as early as 2026.

On the one hand, history teaches us that big investment booms often end in painful corrections if expectations and spending run too far ahead of real demand, as seen in past railway, internet and commodity cycles. As we enter next year, there is a growing narrative that the current AI investment wave could move in the same direction if adoption slows or profits fail to keep up with the enormous build-out of data centers and infrastructure.

On the other hand, there are important differences compared with classic bubbles. First and foremost, underlying industry fundamentals still look healthy. Earnings for leading AI players continue to grow, demand for compute and storage remains strong, and respective capital expenditure (capex) plans show little sign of slowing. Meanwhile, the industry is still in the early stages of turning AI excitement into real productivity gains across the broader economy. In that regard, AI adoption will certainly take another significant step forward in 2026.

Yet investors should not confuse momentum with safety. In our view, a bubble has already been formed at the speculative edges of the AI ecosystem. Companies with no revenue and little technological edge have attracted lots of capital recently. As such, there has been a growing number of AI-adjacent stocks that have been bid up solely on narrative, not fundamentals. For 2026, a disciplined focus on quality will be crucial to navigate the growing AI wave successfully. Accordingly, investors being able to differentiate between durable innovation and speculative hype are less likely to fall into pitfalls as the megatrend broadens. In that context, we believe that hyperscalers such as Amazon, Microsoft, and Alphabet remain among the strongest beneficiaries of AI growth, thanks to exceptional earnings growth, robust cash generation, and the ability to fund most of their capex plans internally.



SOURCE: BLOOMBERG

Looking ahead to 2026, investors should also focus on the companies that enable AI behind the scenes. These firms provide mission-critical inputs such as electricity, semiconductors, cooling systems and other key materials. As AI models scale, power is becoming the tightest constraint supporting utilities, grid operators and manufacturers of electrical equipment. Semiconductor demand is also running ahead of supply. More broadly, the AI build-out is shifting from a shortage of computing power to a shortage of complete systems. Bottlenecks across energy, materials, and manufacturing capacity create a long growth runway for companies that can ease these pressure points. In 2026, many of the most attractive AI opportunities may sit with these enablers rather than the well-known, large-cap front-line names.

Lastly, a word on valuation: contrary to conventional wisdom, we do not see current levels as excessive, at least in the higher-quality segments of the AI market. Indeed, the large hyperscalers are trading at a premium to the broader equity market, which we regard as justified given their superior growth prospects and strong competitive positions. Relative to their own history, valuations also look reasonable, with the well-known AI champions trading on multiples broadly in line with those seen in early 2025.

Summing up, we strongly believe that the AI narrative is not yet due for a burst in 2026. At the same time, we are keeping a close eye on several early warning indicators that may reveal when the ongoing AI boom begins to resemble a bubble nearing its breaking point.

First of all, investors should track rising debt tied to AI infrastructure. Current issuance is manageable, but long project lead times could push some firms to borrow more if cash flow timing becomes uneven. A noticeable increase in leverage would alter the sector's risk profile, so monitoring balance sheet trends is essential as competition intensifies.

Second, a turn in the fundamentals would be a key warning. If earnings revisions for AI leaders start to turn negative, profit margins are squeezed by rising competition and pricing pressure, or business surveys show a steep drop in new orders for AI hardware and services, the risk of an eventual bubble burst would rise significantly.

Outside AI, the outlook for equity markets is more mixed. Cyclical sectors face limited upside given the economic cycle's maturity. Consumer spending has held up well in 2025, but is likely to soften in the coming quarters, especially among lower- and middle-income households. Manufacturing and transportation are stabilizing but do not show signs of a strong acceleration. Taken together, these factors do not signal broad weakness, but they also argue against 2026 being a breakout year.

WE RECOMMEND THAT INVESTORS EMPLOY A BARBELL SECTOR STRATEGY BY FOCUSING ON HIGH-QUALITY GROWTH COMPANIES LED BY ESTABLISHED AI BENEFICIARIES AND OTHER DURABLE GROWTH COMPOUNDERS, AND BY MAINTAINING SELECTIVE EXPOSURE TO RESILIENT VALUE SECTORS SUCH AS HEALTHCARE AND UTILITIES.

Against this backdrop, we recommend that investors employ a barbell sector strategy. On the one hand, we focus on high-quality growth companies led by established AI beneficiaries and other durable growth compounders. On the other hand, we maintain selective exposure to resilient value sectors such as healthcare and utilities, which offer relatively stable earnings and a cushion if economic growth slows. Cyclical sectors sit in the middle and offer less visibility, which argues for a more cautious and selective approach. In our view, the outlined sector mix allows investors to participate in structural growth while maintaining safeguards against macro and geopolitical setbacks.

We conclude our key equity calls with a look at our regional positioning. European equity markets enter 2026 with somewhat reduced headline risks after the trade agreement with the US, which has lowered the temperature on several disputes that had weighed on sentiment. However, the long-standing challenge remains: earnings growth has been largely absent in recent years, as many companies have struggled to translate stable revenues into rising profits. Whether Europe can deliver a more consistent recovery in earnings in 2026 is still an open question. Some tailwinds are in place – not least Germany's sizeable fiscal expansion announced earlier this year – but companies will need to prove that they can defend margins before investors fully regain confidence. In our view, the region can perform, but it will require proof rather than hope.

Considering the above, we continue to prefer the US equity market, where earnings trends look more robust, and the corporate sector is better positioned to benefit from structural themes such as AI and digitalization. In Asia, we see attractive opportunities in selected markets, notably Japan, where the recent policy shift, ongoing corporate reforms and improving shareholder returns remain supportive. We also like Vietnam, which stands to benefit from supply-chain diversification and attractive medium-term growth prospects. During 2025, we also rebuilt a position in China; we continue to view China as an attractive value story with healthy earnings trends, but given the structural challenges in the

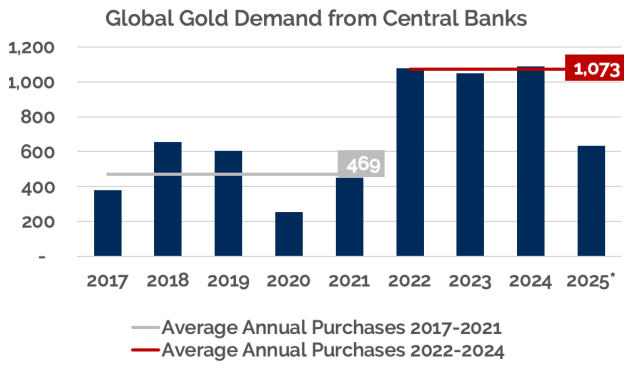
economy, we advise following a very selective, quality-centered approach.

Investment conclusion: We do not expect the AI story to burst in 2026. Fundamentals for high-quality AI leaders still look robust, with strong earnings and continued investment, while AI adoption across the broader economy is set to take another step forward. In the coming year, the more interesting opportunities increasingly lie in the AI enablers – utilities, equipment and semiconductor makers that help solve bottlenecks in power, capacity and infrastructure. Outside AI, the backdrop is more mixed, arguing for a barbell strategy: combine high-quality growth (including established AI beneficiaries) with resilient value sectors such as healthcare and utilities. Regionally, we favor the US and selected Asian markets, notably Japan, Vietnam, and China, while seeing Europe as more of a "show-me" story.

KEY QUESTION NO. 3:

AFTER ANOTHER EXCELLENT RUN IN 2025, WHERE DO YOU SEE GOLD HEADING IN 2026?

In our previous two market outlooks, we expressed optimism about a positive performance in gold for the year ahead. Despite our optimism, the precious metal has surpassed even our most bullish projections: since the end of 2023, it has more than doubled in price. Looking ahead to 2026, we anticipate continued upside, albeit at a more muted pace, as most of the recent tailwinds persist. Gold has historically waned in importance when the US dollar strengthened, economic growth improved, and market risk premia decreased (e.g., measured by fixed income credit spreads). We do not see these conditions materializing in the near term, which underpins our constructive view on gold.



*Q1-Q3 2025; SOURCE: BLOOMBERG

To begin with, a key element of support comes from sustained central bank demand for physical gold, which, in our view, will continue to put a floor under the price. Ever since Russia's invasion of Ukraine and the subsequent freezing of certain assets, central banks and other sovereign institutions have bought record amounts of gold, which are not subject to potential sanctioning. While these so-called de-dollarization trends have been underway for many years, large-scale central-bank gold purchases have accelerated again this year, as additional risk factors – including tariff uncertainty, rising concerns about US fiscal sustainability and questions around central bank independence – have compounded. We expect this structural trend to persist in 2026, largely driven by investor concerns regarding the mounting debt burden for the US government.

Beyond de-dollarization, gold is increasingly seen as an alternative store of value. In recent years, the investor base has shifted, with a growing number of market participants treating gold as a strategic, long-term holding in their portfolios.

Although participation has broadened, we still see considerable catch-up potential in investor positioning, particularly among private investors, whose current allocations (around 2%) remain far below past peaks (around 8% in the 1970s). This suggests that, on average, investors are still underexposed to the precious metal.

AS THE FEDERAL RESERVE (FED) SLOWLY APPROACHES THE END OF ITS EASING CYCLE, WE ANTICIPATE THAT GOLD'S RALLY WILL BEGIN TO LEVEL OFF IN THE LATTER PART OF 2026.

Meanwhile, monetary policy is likely to provide an additional, albeit moderating, tailwind. As the Federal Reserve (Fed) slowly approaches the end of its easing cycle, we anticipate that gold's rally will begin to level off in the latter part of 2026. However, should the AI-driven equity boom unwind at some point, the Fed may again resort to liquidity expansion, which could drive the gold price higher yet again.

Taken together, the factors discussed above underpin a constructive medium-term outlook for gold. While the exceptional returns of the past two years are unlikely to be repeated, we expect gold to remain resilient and to play an increasingly strategic role in global investor portfolios throughout 2026.

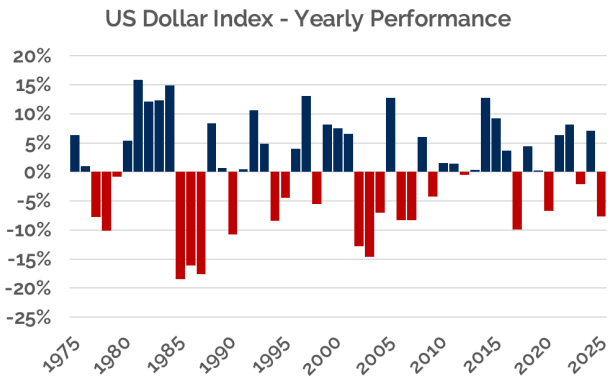
Investment conclusion: Following gold's exceptional performance since 2023, we believe the precious metal's run will lose some steam over the year to come, even as the general uptrend continues. We expect recent tailwinds to persist and advise investors with below-average exposure to increase their gold allocation during extended market selloffs.

KEY QUESTION NO. 4:

THE US DOLLAR WAS ONE OF THE WEAKEST CURRENCIES THIS YEAR – DO YOU EXPECT A TREND REVERSAL FOR 2026?

The current year has marked one of the weakest periods for the US dollar in two decades, despite a partial recovery in the latter half of the year. The Dollar Index fell roughly 8% year-to-date, with the greenback losing about 10% against the EUR and 11% against the CHF. Following Donald Trump's Liberation Day tariff announcements, international investors appear to be demanding a higher risk premium on US assets, reflecting heightened political uncertainty. Meanwhile, increased hedging activity by international investors has added further downward pressure. Historically, sharp declines in the US dollar often extend into the following year. While we expect elevated market volatility in the coming months, the medium-term outlook points to a structurally weaker USD, driven by a combination of factors.

The most notable structural headwind stems from the United States' deteriorating fiscal position. As of December 2024, the US Debt-to-GDP ratio stood at roughly 124%. Net interest payments are estimated to be 3.2% of GDP in 2025, potentially rising to around 4% by 2035. Interest costs already account for about one-fifth of federal revenue. This mounting debt burden may crowd out government spending and erode investor confidence. Indeed, fiscal instability has accelerated the de-dollarization trend outlined in key question no. 3. In our view, fiscal concerns limit the likelihood of a sustained USD rally, even if cyclical factors occasionally prove supportive.



SOURCE: BLOOMBERG

Political uncertainty further complicates the outlook. Fed-Chairman Jerome Powell's term ends in May 2026, and there is widespread speculation that President Trump may seek to exert greater influence over monetary policy. Market participants expect a more dovish successor – consistent with the President's long-standing preference for low interest rates and a weaker currency. Such expectations risk undermining the perceived independence of the central bank, which has historically been a pillar of international confidence in the US dollar.

Valuation considerations also point to further downside. On a purchasing power parity basis, the dollar remains overvalued relative to major currencies such as the euro and the Swiss franc, despite its weak performance in 2025. Combined with the expected narrowing of interest rate differentials as the Fed continues its rate-cutting cycle, the dollar's traditional rate advantage over foreign currencies is set to erode, prompting international investors to repatriate capital from the United States.

Nevertheless, the US dollar retains unmatched global dominance. It still accounts for around 60% of central bank foreign exchange reserves, roughly 90% of all foreign exchange transactions, and nearly half of all SWIFT payments. In other words, the dollar remains the operating system of global finance. Continued foreign demand for USD-denominated assets, particularly in the buoyant AI-related equity sector, has helped cushion the dollar's decline in 2025. Still, this year demonstrated the material impact of international investors' hedging flows, a trend we expect to persist.

While we maintain a medium-term bearish stance towards the dollar, several upside risks deserve emphasis. A key (upside) risk is monetary policy: if actual Fed rate cuts undershoot current market expectations, the dollar could stage a meaningful recovery. Import tariffs are generally expected to weaken the dollar by increasing risk premia, but they could also dampen US demand for foreign goods, prompting exchange rates to adjust via a stronger dollar – an outcome consistent with traditional trade theory. Increased foreign direct investments into the US, driven by efforts to align with the Trump administration, could further support the currency. Additionally, if the global economy surprises to the

downside, safe haven flows may again benefit the US dollar, as they have in past periods of global stress.

THE OUTLOOK FOR THE US DOLLAR IS TILTED TOWARD A MILD DEPRECIATION IN 2026, DRIVEN BY BY STRUCTURAL WEAKNESSES SUCH AS FISCAL DETERIORATION, POLITICAL UNCERTAINTY, VALUATION EXCESSES, AND ERODING INTEREST RATE DIFFERENTIALS.

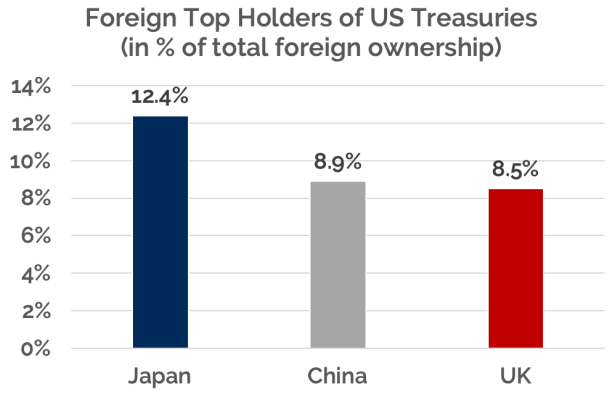
In conclusion, the US dollar enters 2026 burdened by structural weaknesses – fiscal deterioration, political uncertainty, valuation excesses, and eroding interest rate differentials. While its reserve currency status and robust US financial markets provide ongoing support, these may prove insufficient to counter deeper imbalances. That said, several plausible upside risks remain, so a (partial) reversal of this year's weakness cannot be ruled out. For now, however, the balance of evidence suggests that any recovery in 2026 is likely to be tactical rather than the beginning of a renewed structural appreciation trend.

Investment conclusion: The outlook for the US dollar is tilted toward a mild depreciation in 2026, driven by ongoing Fed easing and the associated narrowing yield differentials. On the flip side, a shift in economic growth and monetary policy dynamics or unforeseen geopolitical developments could trigger a period of strength for the US dollar. Overall, however, the risk/reward profile for USD exposure in 2026 appears rather unappealing..

KEY QUESTION NO. 5:

WHAT ARE THE KEY RISKS FOR YOUR CURRENT MARKET VIEW?

Naturally, formulating market views at the start of a year always involves inherent risks. Therefore, we believe it is essential to challenge these forecasts by examining both upside and downside scenarios relative to our established base case. Since financial markets already appear to have priced in a substantial amount of positive news, we will concentrate on potential negative surprises that could undermine our generally constructive market outlook.



SOURCE: FEDERAL RESERVE, DECEMBER 2024

One of the biggest threats to financial markets next year could once again stem from a repricing of the US Treasury market. On the one hand, sticky inflation could force central banks to halt – or even reverse – plans to ease monetary policy, putting particular pressure on the short-end of the Treasury curve. On the other hand, renewed concerns about US debt sustainability or policy missteps by the Trump administration could push market participants to demand a higher term premium, weighing on medium- to long-dated Treasury bonds. Foreign investors – who hold roughly 30% of outstanding US Treasuries – would likely rebalance their global fixed income portfolios amid rising fiscal risks, sending shockwaves through financial markets.

Collectively, a recalibration of the US Treasury market could have dramatic ramifications for both equity and fixed income markets, echoing the challenging conditions seen in 2022.

A KEY RISK TO OUR EQUITY OUTLOOK LIES IN THE POSSIBILITY THAT THE RECENT AI RALLY COULD ENCOUNTER A SHARPER-THAN-EXPECTED CONSOLIDATION.

A key risk to our equity outlook lies in the possibility that the recent AI rally could encounter a sharper-than-expected consolidation. While the underlying fundamental narrative of AI's transformative potential is sound, valuations of leading AI stocks already reflect a multi-year monetization cycle. If adoption progresses more slowly than expected, regulatory hurdles increase, or profitability disappoints due to high infrastructure costs, this could trigger a meaningful re-rating of the AI theme – and of equity markets more broadly. Even if the long-term structural story stays intact, a temporary reversal in sentiment could weigh on major indices and dampen overall economic activity, resulting in a painful setback for global equity markets.

An additional risk arises from a more pronounced weakening in the economic cycle, which would have direct repercussions for equity sectors most sensitive to earnings volatility. While a soft landing remains our base case, any sharper slowdown in corporate activity or consumer demand would likely prompt significant downward revisions to earnings expectations. Cyclical sectors – such as industrials, consumer discretionary and energy – would be particularly exposed, but defensive areas could also face pressure if margins compress or pricing power erodes. In such an environment, already elevated valuation multiples could come under strain, and risk appetite would likely diminish as investors rotate towards other safe-haven assets. A recession, even a mild one, would challenge the current constructive stance on equities and could spark a broader and more persistent correction across the market.

Investment conclusion: Investors should approach 2026 with a clear awareness of the key downside risks to our constructive base case. The most important is a disruptive repricing of the US Treasury market, driven by sticky inflation, rising fiscal concerns and shifting foreign demand, with potential spillovers across all asset classes. A second risk is a sharper-than-expected correction in AI-related equities if adoption, regulation or profitability disappoint. Finally, a more pronounced economic slowdown or mild recession could pressure earnings, compress valuations and weaken overall risk appetite.

BEYOND NOISE AND NARRATIVES

INVESTMENT CONCLUSION

Looking into 2026, our central message is clear: we expect neither a boom nor a bust, but a more mature phase of the market cycle. Global growth should remain positive, supported by accommodative monetary policy, continued investment in AI infrastructure and robust – albeit gradually softening – consumer demand. At the same time, structural headwinds such as deglobalization, aging populations and rising fiscal burdens suggest that growth will stay lower and more volatile than in past decades. The task for investors is therefore not to chase every investment theme, but to position thoughtfully in an environment that is more demanding, yet still rich in opportunities.

EQUITIES WILL REMAIN AN IMPORTANT BUILDING BLOCK OF LONG-TERM WEALTH CREATION, SO WE KEEP OUR EQUITY ALLOCATION CLOSE TO STRATEGIC LEVELS.

Equities will remain an important building block of long-term wealth creation, so we keep our equity allocation close to strategic levels. However, the drivers of returns are changing. With underlying equity valuations already reflecting a good deal of optimism, we expect earnings growth – not higher valuations – to be the major source of equity performance in 2026. Similar to this year, AI will likely dominate the market narrative once again. We do not expect the AI story to burst in the coming year, but we do see clear excesses at the speculative edges of the AI ecosystem. Therefore, our focus remains firmly on high-quality AI leaders, in particular hyperscalers, and the enablers behind the scenes – utilities, grid operators, semiconductor and equipment makers – that stand to benefit from the removal of system bottlenecks.

Outside the AI complex, the backdrop looks more mixed, which argues for a barbell sector strategy. On one side, we favor high-quality growth companies, led by established AI beneficiaries and other durable growth compounders. On the other, we maintain selective exposure to resilient value sectors such as healthcare and utilities, which offer relatively stable earnings and a cushion if economic growth slows more than expected. Cyclical sectors sit in between and currently offer less visibility, so we are more cautious and selective there. On a regional level, we prefer the United States and selected Asian markets – notably Japan, Vietnam and, in a very selective way, China – while viewing Europe as a "show-me" story that requires proof rather than hope on earnings.

Fixed income has regained its role as a genuine source of income and diversification. We maintain an overweight stance, but with a clear quality bias. With the credit cycle at an advanced stage, we see better risk-reward in high-quality issuers and are

more restrained in lower-rated credit (high yield). Some duration exposure remains warranted, given our expectation that inflation pressures should ease over the course of the year and central banks will continue, albeit cautiously, with their easing cycles.

After an exceptional run since 2023, we expect gold's ascent to moderate, but we still see it as an increasingly strategic portfolio component. Structural demand from central banks, ongoing concerns over fiscal sustainability and a still-fragile geopolitical backdrop underpin our constructive view. We also see continued merit in diversifying into less-correlated strategies, such as catastrophe bonds, which offer attractive yields and diversification benefits relative to traditional equity and fixed income markets.

No outlook would be complete without acknowledging the risks. A disorderly repricing of the US Treasury market – driven by sticky inflation, concerns over US debt sustainability or policy missteps – remains a key threat that could ripple across all asset classes. Geopolitical shocks, a sharper-than-expected slowdown in global growth or a more abrupt unwinding of the AI trade would likewise put investor resilience to the test. Our response is not to retreat from financial markets, but to build portfolios that can cope with a wide range of outcomes: diversified, quality-tilted, valuation-aware and flexible enough to adapt as the underlying environment changes.

WE AIM TO LOOK PAST THE NEWS FLOW AND SHORT-TERM MARKET SWINGS AND FOCUS INSTEAD ON VALUATIONS, EARNINGS VISIBILITY AND BALANCE SHEET STRENGTH.

In summary, our market compass for 2026 points to moderate optimism, anchored in fundamentals rather than day-to-day headlines and shifting investor sentiment. We expect reasonable, but not spectacular, returns for multi-asset portfolios – driven by earnings, income and selective exposure to structural themes. "Beyond noise and narratives" is therefore more than just a title – it is the guiding principle of our investment approach. We aim to look past the news flow and short-term market swings and focus instead on valuations, earnings visibility and balance sheet strength. By doing so, we seek to preserve and grow your wealth steadily, and we look forward to navigating this environment by your side in the year ahead.

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