

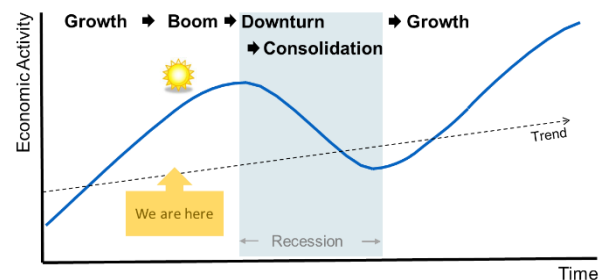


Briefing from the ARVEST Investment Committee

In 2025, the global equity market achieved an impressive total return of 21.6% in US dollars. Due to the US dollar's sharp 12.7% depreciation against the Swiss franc, this equates to a performance of 6.3% in Swiss francs and 7.2% in euros. The US dollar's decline, which was particularly pronounced in the first half of the year, made fixed-income investments denominated in US dollars unattractive. In this context, hedging exposure to the US dollar was advisable for European investors. However, given the fairly high hedging costs, many investors found this difficult to justify after the impressive currency gains of previous years.

The United States clearly dominated geopolitical and global economic events in 2025. President Trump's radical overhaul of US foreign policy and his highly unconventional approach to agenda-setting kept the press and investors on their toes. In the process, the steady growth of the global economy was probably overlooked by some. Since the cyclical low in 2023, the proportion of OECD countries with positive GDP growth has risen to a high 95%. Leading indicators also generally point to accelerating positive growth. The same applies to industrial production and, in particular, global trade. US tariffs have led to erratic trade with the US. Nevertheless, most

non-US countries have resisted the temptation to introduce protectionist measures. Rather than raising tariffs on each other, they have strengthened cooperation within the framework of free trade agreements. Additionally, 95% of central banks worldwide are pursuing a loose monetary policy involving interest rate cuts or maintaining a stable monetary policy following previous cuts.



Future Prospects

The ARVEST Investment Committee has assessed that the global economy as a whole is in a phase of stable growth. However, the outlook for global financial markets remains heavily dependent on the outlook for the United States. US equities, particularly leading technology stocks, continue to dominate global indices. For decades, our economic assessments relied on recession models, which are strongly influenced by leading indicators (LEIs). However, as LEIs have

predicted an imminent slowdown in the US economy since at least 2023, which has not been reflected in actual economic data, their interpretation is currently confusing. The following chart from the Conference Board illustrates this:



Historically, the LEIs have preceded economic downturns by around six to twelve months. This period has long since passed. Either the leading indicators have become unreliable or irrelevant, or the economic data is incorrect — in which case, the US could be experiencing an unnoticed recession. Following a thorough analysis, the Investment Committee concluded that economic cycles remain a relevant feature of free economies and can still be predicted using indicators. Nevertheless, significant structural changes to the US economy since the pandemic have made it difficult for the LEIs to identify pivotal trend reversals. Essentially, there are three such changes, the effects of which have only partially manifested. Firstly, the effects of the pandemic and the related substantial monetary and fiscal stimulus in the US have largely passed. Secondly, we are in the midst of demographic change. As a growing number of baby boomers will retire until 2030, the labour market will dry up unless there is a similar surge in immigration to that seen in 2022–2024. Thirdly, a boom in artificial intelligence began in 2023. This has the impact of bolstering the spending of affluent Americans thanks to soaring stock market valuations, contributing to the domestic product

through targeted investments and potentially substituting numerous employees in the future. Such structural changes are overwhelming the LEIs. Therefore, while it is unwise to rely solely on the LEIs when forecasting the economy, it would also be unwise to ignore the LEIs entirely, possibly at the very moment when they regain their predictive power.

However, as long as markets remain confident that interest rates will fall and that another soft landing will follow the tariff shock, sentiment will remain positive and the market trend favourable. The Investment Committee is maintaining an appropriate level of equity allocation for clients' individual risk profiles and preferences. The focus is also on defensive sectors, such as healthcare, food, and energy. While US stock markets are already booming, there are still many attractively valued stocks outside the US that are less exposed to the US dollar. Regional and sectoral diversification remains crucial, particularly given the high valuations and currency risks in the US. Western debt policy also continues to favour adequate gold investments.

14 January 2026

On behalf of the Investment Committee

Stefan Kimmel

Chief Investment Officer ARVEST Funds AG

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