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Investor Info

Investment Commentary

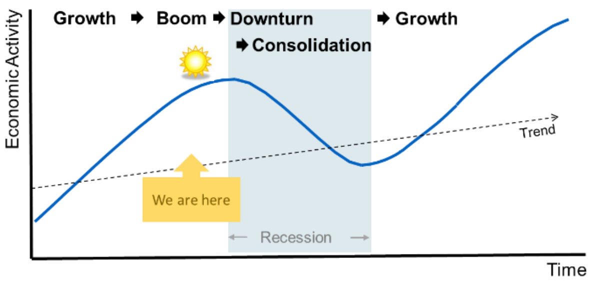
Briefing from the ARVEST Investment Committee

In our investment commentary just three months ago, we noted a growing global economy. However, the continuation of this positive cyclical trend has been significantly clouded by the latest geopolitical escalations. The geopolitical uncertainty associated with the conflict in the Middle East, as well as rising energy prices, will leave their mark on the global economy, regardless of the outcome of current diplomatic efforts. This is occurring against a backdrop of significant structural challenges: US tariff policy, the ongoing property crisis in China and mounting fiscal problems due to rising welfare costs and military expenditure in Europe.

The war in Iran has weighed on the financial markets in recent weeks, although, fortunately, there has been no actual panic selling so far. Due to the global economic slowdown, global equity markets have become even more dependent on the performance of US equity markets. The latter are in a mature boom phase, are highly valued, and depend almost entirely on positive investor sentiment towards major technology companies and the unbroken hype surrounding artificial intelligence (AI). The US economy itself remains highly dependent on consumption by the highest-income households. These households often finance their spending directly through realised share price gains, significantly increasing the relevance of wealth effects today — a phenomenon not seen on this scale in other countries.

Dependence on rising share prices poses hidden structural dangers and feedback risks, as the AI boom is based on a complex and fragile foundation. For example, one specific risk is disruption to the supply of helium from Qatar to Taiwan's chip production facilities. Helium is a by-product of natural gas extraction and is produced in significant quantities in only a few countries worldwide. Due to its volatility, it is difficult to transport and cannot be stored for more than a few months. A disruption lasting several months in the Strait of Hormuz would likely result in significant helium supply issues, potentially bringing semiconductor production in Taiwan to a standstill. This would call into question the financial viability and pace of expansion of US data centres at the very least.

In light of rising inflation expectations, financial markets are no longer relying on the US Federal Reserve (Fed) to cut key interest rates to the same extent. Rather than a soft landing, many investors now anticipate stagflation, whereby economic growth stagnates while inflationary expectations remain high. In such an environment, persistently high long-term interest rates would undermine the generous valuations of growth stocks. Moreover, risks in the private debt market outside the banking sector could become apparent.



However, in a positive scenario, the AI boom could develop into a full-blown bubble. The IPOs planned by SpaceX, OpenAI and Anthropic for 2026 will be a telling test of this. With estimated valuations of between US$500 billion and US$2 trillion, these IPOs would far exceed the largest US IPO to date: Alibaba's in 2014, which was worth around US$230 billion. This raises the question of how much upside potential new shareholders have at this starting point.

In the coming quarters, the stability of the US stock market will remain crucial for the US economy. A sharp slump in share prices would have immediate consequences for consumption and growth due to the significant impact on wealth. The immediate risks arising from the conflict in Iran do not lie in short-term price movements for energy or food, which are often temporary for the US, but in potential disruptions to global supply chains and critical production factors. Prices only become problematic if the underlying supply chains remain disrupted. While price shocks cause direct real-world burdens in poorer countries, in the US they initially tend to have an indirect impact via financial markets and consumer sentiment.

Future Prospects

The ARVEST Investment Committee has conducted a detailed analysis of the changed macroeconomic landscape, including the increased risks of economic stagnation and recession. In light of the significantly heightened global implications of US foreign policy, the close interdependence of supply chains, and potential domestic political instability in the lead-up to the US midterm elections in November, we have concluded that traditional diversification into global equities alone is insufficient to adequately safeguard portfolios in this environment.

The Investment Committee has therefore decided to reduce the equity allocation in the portfolios slightly, by around 5% compared with the end-of-year level in 2025, by mid-year. This is in line with the guidelines of our cycle strategy for mature boom phases. We will take advantage of market recoveries as they arise to reduce risk and secure gains. In keeping with our long-term philosophy of preserving capital, we consider a slightly more defensive positioning to be the appropriate course of action. We are therefore also maintaining our gold positions.

13 April 2026
On behalf of the Investment Committee
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Chief Investment Officer ARVEST Funds AG

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