CHECK-UP

September 2025
Client information
Reichmuth & Co Privatbankiers

Editorial

In 2025, the geopolitical and economic situation changed at breathtaking speed. At the beginning of the year, the USA's appeal for companies and capital was at least as great as Europe's concerns about becoming politically and economically irrelevant. But things turned out differently: The Trump administration shattered confidence in international trade relations on the so-called "Liberation Day". The withdrawal from multilateral agreements, new punitive tariffs and protectionist measures marked a turning point for states, companies and investors.

Especially in such turbulent times, it is worthwhile to question your own investment strategy: Does it still suit your current and future circumstances? We would be happy to support you in finding solid answers as part of our integrated asset management – and look forward to talking to you.

Remy Reichmuth
General
Partner

Target Switzerland

Until Swiss National Day on 1 August, Switzerland was largely spared the erratic policies of the US administration under President Trump. Then it hit us too. Washington directed its next attack specifically at Switzerland, especially the pharmaceuticals industry.

The isolated focus on Switzerland's trade surplus with the USA came just in time to make a show of power. Virtually overnight, the mark of quality "Made in Switzerland" became a problem. Swiss companies became a target of US customs – not because of poor performance, but because of their success. For a small, open economy that depends on free trade and comparative advantages, this is a real shock.

Strong franc, high tariffs
Switzerland's industrial base is already under pressure. Low inflation together with Swiss companies that are successful on the global markets has long led to a structurally strong CHF. This acted as a constant training programme for export-oriented companies, which mastered this challenge with great success.
For them, the new US tariffs are another heavy blow. Thanks to measures by policymakers and companies, the trade surplus is likely to shrink somewhat in the future, which could also temporarily ease upward pressure on the franc somewhat – but nothing more.

REICHMUTH & CO
PRIVATBANKIERS

Less trade = Less prosperity
The era of reliable free trade partners is over. The principle of "local for local", established in China, is gaining ground worldwide: In the future, production for a region is to take place in that region. Politically desired trade barriers mean less specialisation and therefore higher production costs. This will weigh on margins during the transition phase, which is likely to put some pressure on share prices.

USA: More debt, weaker dollar
The US government's "One Big Beautiful Bill Act (OBBBA)" will further increase the already very high US debt. Who is supposed to buy these additional debt securities given the unreliability of the US administration? "Stablecoins" are meant to generate new demand. Under the new "Genius Act", these must be backed by collateral – i.e. USD or US government bonds. However, they are also meant to reinforce the role of the USD as a world currency. The Trump administration has already been successful in pursuing its goal of a weaker USD exchange rate. So far, this has mainly impacted the euro and the franc.

Europe's growth momentum – along with its side effects
Germany's debt-financed fiscal stimulus will strengthen Europe's economy. This helps to delay the crisis of confidence in the financial markets – with France considered a weak link. Should there nevertheless be turbulence on the financial markets, Germany will hardly be able to oppose common Eurobonds – because by then, German debt levels will be similar to that of the eurozone average. From the perspective of the Swiss franc, this means: The EUR continues to move towards weakness.

The financial market as referee
In the new world, the powerful do as they please. Established rules are being unilaterally suspended. The boundaries of this power politics will not be set by the smaller and weaker countries, but by the bond market. Because higher government debt is only sustainable as long as it is absorbed by the financial markets, i.e. bought and held by market participants. If that is no longer the case, investor demand will fall and long-term interest rates will rise. This has major consequences for the assets, which then fall in value – potentially triggering financial market instability, a so-called "Liz Truss" moment. The latest announcements from the USA do little to inspire confidence. For example, US banks are to be allowed to exclude government bonds from their balance sheets when calculating the leverage ratio and will not need to back them with their own capital. Also, the nomination of Stephen Miran as the new central bank governor. His "A User's Guide to Restructuring the Global Trading System" is brimming with controversial and dangerous ideas. Holders of USD nominal investments are therefore warned.

Switzerland: a special case – and a ticking currency time bomb
Amid this complex situation, Switzerland is a special case. With one of the lowest debt ratios in the world and with the SNB as the last Western central bank to credibly pursue a clear monetary stability policy, the Swiss Confederation remains a safe haven. But that is exactly the problem: in the next global shock, the CHF could appreciate sharply. For the export-oriented industry, this would mean even greater competitive disadvantages. For international investors, on the other hand, the safe haven is attractive. They benefit from the appreciation of the CHF and investments in Swiss dividend stocks also offer stable distributions.

Strategic courses of action
How could Switzerland respond – through monetary, fiscal or strategic action?

1. **SNB interventions –** foreign exchange purchases, negative interest rates and verbal signals. Limits: Political acceptance and effectiveness.
2. **Targeted state investments** – debt-financed, e.g. in infrastructure. Politically difficult to implement.
3. **National Investment Fund** – financed by the Swiss Confederation with some equity and with the possibility of issuing its own CHF bonds. Goal: Cushion capital inflows and convert them into long-term investments that add value for the population.

Anyone familiar with the workings of Swiss direct democracy knows that, for now, only the first path is open. How and whether the SNB is prepared for this remains to be seen. Despite these risks, the following applies: Stay calm, prioritise quality and seize opportunities when others panic. Swiss companies are experienced in dealing with strong currencies and global competition. We therefore still advise:

- Hold Swiss dividend stocks as a core investment – both domestic market-oriented and globally active companies.
- Avoid government bonds from countries with a weak currency – this now includes both USD and EUR.
- In weak currencies, avoid fixed-income securities and only hold equities. Companies can adapt, they represent real assets, which can also be held in weak currencies.
- Gold as a hedge: Gold has no counterparty – it serves as a true anchor of stability.

Christof Reichmuth
General Partner

The best insights can be gained directly on site

Join us on visits to Swiss small caps.

The Swiss stock market not only impresses with large-cap dividend stocks such as Nestlé and Novartis, but also with an often underestimated segment: small caps. Beyond the well-known names, there are entrepreneurial gems here that impress with diversity, innovative strength and long term above-average returns.

Over two decades of experience
We have been investing in this exciting segment for over 25 years. What helps us with this? Not just numbers and balance sheets, but direct connections to the people behind the companies. Our analysts and portfolio managers regularly talk to management, visit production sites and experience the corporate culture first-hand. Our close ties to the companies gives us – and therefore also our clients – exclusive access to the decision-makers. Especially in turbulent times – with US tariffs, geopolitical tensions and a strong franc – closeness and trust in the strategy are important.

Our Portfolio Manager Philipp Murer (right) and Analyst Silvan Betschart (left) with SFS Managing Director Jens Breu (centre) at our event in Heerbrugg.

Robust despite challenges
Many small and mid-cap stocks are surprisingly resilient. They produce locally, have smartly structured supply chains, or concentrate on the European market. Companies such as TX Group, Zehnder or Arbonia are good examples. Others, such as Bucher or Inficon, benefit from flexible locations and lean processes – an advantage that is paying off right now. Due to their lower liquidity, small caps often react more sensitively to new information. Stronger price fluctuations create opportunities – provided you know the companies well and can act counter cyclically. Due to changes in the environment – such as the abolition of the minimum EUR exchange rate in January 2015 or the current US tariffs – companies have repeatedly had to adapt, boosting efficiency and resilience.

Exclusive access for our clients
Small-cap companies are rarely in the spotlight. Analysts seldom cover them. Anyone who wants to invest here needs expertise and the courage to swim against the tide. That's exactly what we do. Once or twice a year, we visit selected companies on site together with interested clients. In 2025, for example, we were at Bossard in Zug and at SFS in Heerbrugg.
Such encounters are much more than just a glimpse behind the scenes. They build trust between investors and companies, and also between us and our clients. They provide a nuancedperspective beyond the mainstream. And this is exactly what helps in difficult market phases: staying calm, recognising opportunities and avoiding pro-cyclical behaviour.

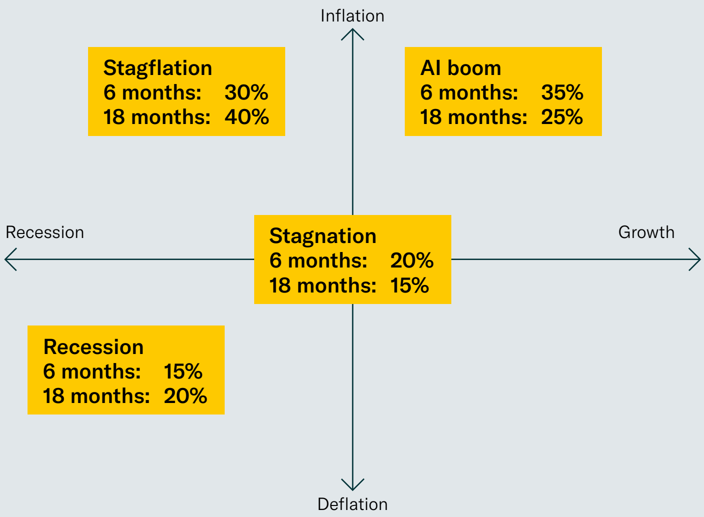
Have we sparked your interest?
Our company visits are aimed at entrepreneurial personalities and engaged customers who value direct exchange and networking. The next event is planned for the 1st quarter of 2026. Be part of it. Please feel free to get in touch.

Philipp Murer
Portfolio Management

Productivity boost?

Recommendations regarding the current AI investment boom

The world is watching the hyperscalers' investment offensive with keen interest. Whether Microsoft, Amazon, Meta or Alphabet – billions are being invested in data centres, specialised semiconductors and AI applications. Is this the prelude to an economic upswing comparable to the 1920s, when technological breakthroughs triggered major productivity gains? A combination of technological advances, deregulation and supportive monetary policy drove both economic growth and equity markets. Can this pattern be repeated with the current AI boom?



Scenarios – estimated probability of occurrence over time

Regional assessment

- Trump's America First Policy is driving the AI investment boom, but consumers are suffering from higher prices.
- The new wave of investment in defence and infrastructure is encouraging – but is it enough to spark a broad recovery?
- Economic uncertainty – seeking new ideas and partners to counter de-industrialisation.
- Rapidly pushing innovation forward – but still struggling with deflation concerns.

Scenario 1: Economic upswing driven by the AI boom
Automation of routine tasks, shorter innovation cycles and the democratisation of know-how have the potential to sustainably increase corporate profits. Software companies, financial service providers, health-careand industrial companies in particular seem well positioned to achieve efficiency gains through AI. If moderate inflation accompanies this, the central banks have room for further key rate cuts. With strong nominal growth, the current debt problem loses urgency – a kind of "growing out of debt", as in the post-war period. In Europe, too, a wave of investment in defence and infrastructure is emerging. However, these measures strengthen Europe's sovereignty rather than driving productivity gains.

Outside of the AI-driven tech boom, the economy is stagnating

Scenario 2: Stagflation
But there are also voices of caution. They recall the year 2000, when disruptive innovations, the Internet or mobile communication changed the world – yet many of the investments made then never generated profits. Many companies burned capital without ever making a profit. Even today, one striking aspect is that a considerable share of the invest-ments is flowing into infrastructure, where future returns are uncertain. Business models based on AI-generated content or automated assistance systems are fascinating – but customers willingness to pay remains uncertain. If these investments turn out to be excessive, there is a risk of massive write-offs – a familiar pattern at the end of investment cycles.

How long can this continue?
Inflation, tariffs and a weaker USD are eroding the purchasing power of US consumers. In addition, there is a high level of national debt and rising budget deficits. The US economy outside the AI sector is growing only modestly, while the labour market is cooling. Thus, the attractiveness of US government bonds is being called into question. If buyers go on strike, long-term interest rates risk rising. This would be problematic for highly valued US equity indices, which are supported by a small number of mega-cap AI stocks. Due to the dominance of passive investors, these index heavyweights could quickly come under pressure from ETF sales, whether due to valuation concerns or disappointments – creating a self-reinforcing mechanism. Since US households are heavily invested in the stock market, a broad-based decline in prices would directly hit consumption and could lead to a recession.

Silvan Betschart | Research

5 BASIC PRINCIPLES

Portfolio implications: Between boom and stagflation

Given this directional uncertainty – revolutionary breakthrough or investment trap – it would be too early to take a clear stance on a scenario. Nevertheless, some basic principles for building a robust portfolio can be derived from this:

Don't go against the trend
Enthusiasm for AI technology, high growth expectations, and the fear of missing out are driving share prices to new highs. Going against this trend is unlikely to be successful – especially for relative-return investors who are benchmarked against short-term performance. Our recommendation: Stick with it – but selectively! It makes sense to invest in companies with robust, transparent business models, reasonable valuations and clear competitive advantages – even beyond the AI wave.

Defensive quality
While tech stocks are in the spotlight, traditional quality companies – especially in consumer staples, healthcare and utilities – are currently out of favour with many investors. These equity sectors are at a long-term index low, with historically attractive valuations. These sectors generate strong cash flow and dividends, are less cyclical and have a stabilising effect during weaker equity-market phases. Our recommendation: Do not overlook these "silent stars" and give them appropriate weight.

Regional diversification
Given the high valuations in the US market, equities outside the USA look attractive. Our focus is on attractively valued stocks in Europe and selected emerging markets based on relative comparisons.

Alternative investments as stabilisers
In a volatile environment, alternative strategies gain appeal. They help smooth out portfolio volatility and increase resilience – especially when high uncertainty becomes the new normal. We also count precious metals (gold and silver) among them, as they are seen as valuable portfolio diversifiers, especially during times of geopolitical turmoil.

Minimum nominal values
The role of bonds in a portfolio has changed significantly over the years and decades. Currently, we see this asset class at best as a tactical tool – for reducing volatility or serving as a liquidity buffer to seize opportunities later. In the long term, however, bonds lack the return potential that equities and alternative investments offer in an environment of structurally higher inflation. Above all, bonds in weak currencies should be avoided – and we now also count the USD and the EUR among them.

Summary: a portfolio for the two worlds
Whether we are at the beginning of an era of efficiency gains or in the midst of an AI illusion: Both narratives are conceivable. The truth will only emerge over time. Absolute-return-oriented investors do not just align a portfolio with a trend – they diversify and balance it according to their personal, long-term goals.

From the bottle to the future – infrastructure that works

Turning plastic waste into a return – and a contribution to the circular economy

Infrastructure assets are a central component of a high-performance economy – connecting people, moving goods and keeping society and the economy running. In addition, they make a key contribution to the energy transition, climate protection and the development of a functioning circular economy. Our recent investments in transport infrastructure – ranging from railway carriages and locomotives to helicopters and engines – demonstrate that modern infrastructure can achieve more. They offer investors direct ownership of tangible assets with attractive returns, while contributing to a sustainable future.

Our latest investment: PET recycling

Every year, millions of tonnes of plastic waste are generated, much of which ends up in landfills or in the oceans. This is exactly where we come in with our investment in a state-of-the-art PET recycling plant in the UK.

> **We turn waste into value and actively shape a sustainable future.**

Our infrastructure funds are thus investing in a new facility with state-of-the-art technology, which is being built in the west of England. The groundbreaking ceremony took place in May 2025 and from 2026 the plant will produce over 20,000 tonnes of food-grade rPET annually and return more than 35,000 tonnes of PET waste to the circular economy. A modern recycling plant is being built on an area of around 25,000 m^2, operating on the “bottle-to-bottle principle”: old beverage bottles are recycled into new ones.

The project is being developed together with Enviroo Project Co Limited, an experienced recycling specialist. The project manager is Fichtner Consulting Engineers Limited, which is implementing the plant according to the highest European environmental standards. Local companies are already involved during the construction phase – for example in building and foundation works. Once completed, the plant will create around 80 jobs and contribute to regional value creation, supported by government training and reintegration initiatives.

Direct ownership of tangible assets and predictable returns

Long-term purchase agreements and proven mechanical recycling technology ensure predictable returns while also having a positive impact on the environment and society. For our investors, this means: Direct ownership of tangible assets with attractive return potential and some protection against inflation – while also contributing positively to the environment and society.

Our diversified funds offer attractive return opportunities and the option to participate in forward-looking infrastructure projects – from transport and energy to the circular economy. Our client managers will be happy to discuss the possibilities with you in detail.

Yücel Erincik
Head Investor Relations

Emergency checklist: Well prepared?

Are your emergency documents up-to-date and complete? Consider the following points in case of an emergency:

Inheritance: Good planning is half the inheritance

If a will is missing, this often leads to problems. A written last will and testament provides clarity among the heirs. With a (marriage and) inheritance contract, estate matters can be settled in a binding manner, for example, to protect one's partner. Cohabiting partners are not entitled to inherit without explicitly being designated as a beneficiary. Caution: Handwritten wills must comply with strict legal requirements, otherwise they are voidable and joint wills are not permitted by Swiss law.
Conflicts often arise in the case of gifts during one's lifetime, e.g. with the transfer of real estate, as the value at the time of the inheritance is decisive for the division of the estate.
Clear regulations avoid controversy later on.
Also consider tax aspects: Spouses and direct descendants are usually exempt from inheritance tax, while stepchildren, godchildren or cohabiting partners often face high taxation. An individual consultation can show you possible solutions.

Advance care directive

It determines who will decide for you in the event of your incapacity to make decisions – be it in financial, medical or personal matters. Regularly review whether the designated representatives are still suitable and, if necessary, appoint alternates or institutions.

Living will (advance healthcare directive)

Clearly document your medical wishes. Update the directive regularly and discuss it with people close to you to avoid misunderstandings.

Powers of attorney

Check whether granted powers of attorney are still valid and meaningful. Who is allowed to act on your behalf and to what extent?

If you have any questions about these important topics, we are always here for you – whether for advice, guidance through the process or as an independent second opinion. Please feel free to get in touch.

Astrid Niederberger
Lawyer Estate Planning/Execution of Wills

Doing good – the Rütli Foundation

The Rütli Foundation (umbrella foundation) is celebrating its 25th anniversary this year. On behalf of its donors, it supports various charitable projects. From culture to education to research; from locally anchored initiatives to those in distant countries. In 2024, there were over 175 projects.

One of them is, for example. the "ActiveWeek" project in Lucerne by the IdéeSport Foundation. Not all families are able to easily arrange the care of their children during the holidays. The long summer holidays pose a significant challenge, especially for single parents and low-income families. During the school holidays, the usual childcare structures are missing, often leading to poorer diets, increased screen time and reduced social contact among children. The project offers a cost-effective and health-oriented leisure programme, within which children can enjoy a wide range of physical activities and a balanced diet held in sports halls and playgrounds. This allows children to maintain social contact and prevents them from being left on their own. The holiday childcare programme eases the burden on the whole family.

Claudia Ineichen | Managing Director of the Rütli Foundation

"… then it be-comes toxic."


Tobias Pfrunder, member of the Board of Directors, in conversation

Tobias Pfrunder, you have been in the banking business for 35 years, including more than 20 years at Reichmuth & Co – what is your assessment for the first half of 2025?
It was marked by political developments in the USA and ongoing geopolitical crises. They already brought high volatility to the financial markets in the spring. A long-term mindset has once again proven to be beneficial. Those who kept calm benefited from the growth of the economy and rising stock prices. I particularly enjoyed supporting long-standing customers in important matters such as company succession or mandates requiring close guidance. In short, the first half of the year was often rainy in weather, but not in business: As a member of the management, it confirmed to me that we are growing continuously and sustainably through referrals, and are therefore on the right track.

How do you differ from other providers in this respect?
Private banking thrives on mutual trust. That's why the essence lies in recognising individual goals and offering tailor-made solutions. Our agility, thanks to flat hierarchies and short decision-making processes, helps us here. In the industry, on the other hand, there is a tendency towards standardisation, which is often at the expense of personalised customer service. If sales targets are added to this, then it becomes toxic.

How do you view digital transformation in your work?
Digitisation and personalised advice are not mutually exclusive for us – on the contrary. Today, for example, we use AI in internal processes for risk minimisation, in research and also in communication. It increases efficiency without compromising the individuality of our solutions. With the new CRM system that we introduced in the middle of the year, we are even better positioned to take advantage of digital developments. This journey has only just begun, and I am convinced that it will allow us to further strengthen our customer focus.

How do you see the blockchain and cryptocurrency sector?
We are keeping a very close eye on blockchain technologies and digital assets, especially with regard to their potential for payments and securities transactions. Once their benefits for our clients are clear and sustainable, we will deploy these technologies in a targeted way. For over two years, we have also been offering direct trading and custody of Bitcoin and Ethereum.

What do you focus on the last months of the year?
In the last quarter, there is a high focus on providing our clients with targeted tax-optimised asset and retirement planning – including contributions to private pension plans. On this occasion, it is often advisable to also review estate planning, existing wills or marriage/inheritance contracts. This is particularly important now in light of pension reform and the revised inheritance law . The aim is to be optimally prepared for all eventualities, and, where appropriate, to gradually introduce the next generation to the responsibility that come with wealth. At the same time, I particularly appreciate our committed and loyal team during this intensive phase. Together, we do everything we can to provide our customers with high quality service that is both flexible and solutions-oriented. This spirit of teamwork and our customer-focused approach are what set our company apart and what motivate me afresh every day.

AGENDA

"2026 Market Outlook"

Our private client events will take place this year as follows:

Lucerne:	Tue, 11 Nov. 5:30 PM
	Mon, 17 Nov. 6:30 PM
St. Gallen:	Thu, 13 Nov. 6:30 PM
Zug:	Tue, 04 Nov. 6:30 PM
Zurich:	Thu, 06 Nov. 5:30 PM
	Mon, 10 Nov. 6:30 PM
Munich:	Wed, 19 Nov. 7:00 PM
Düsseldorf:	Mon, 24 Nov. 6:30 PM

Invitations will be sent out at the beginning of October.