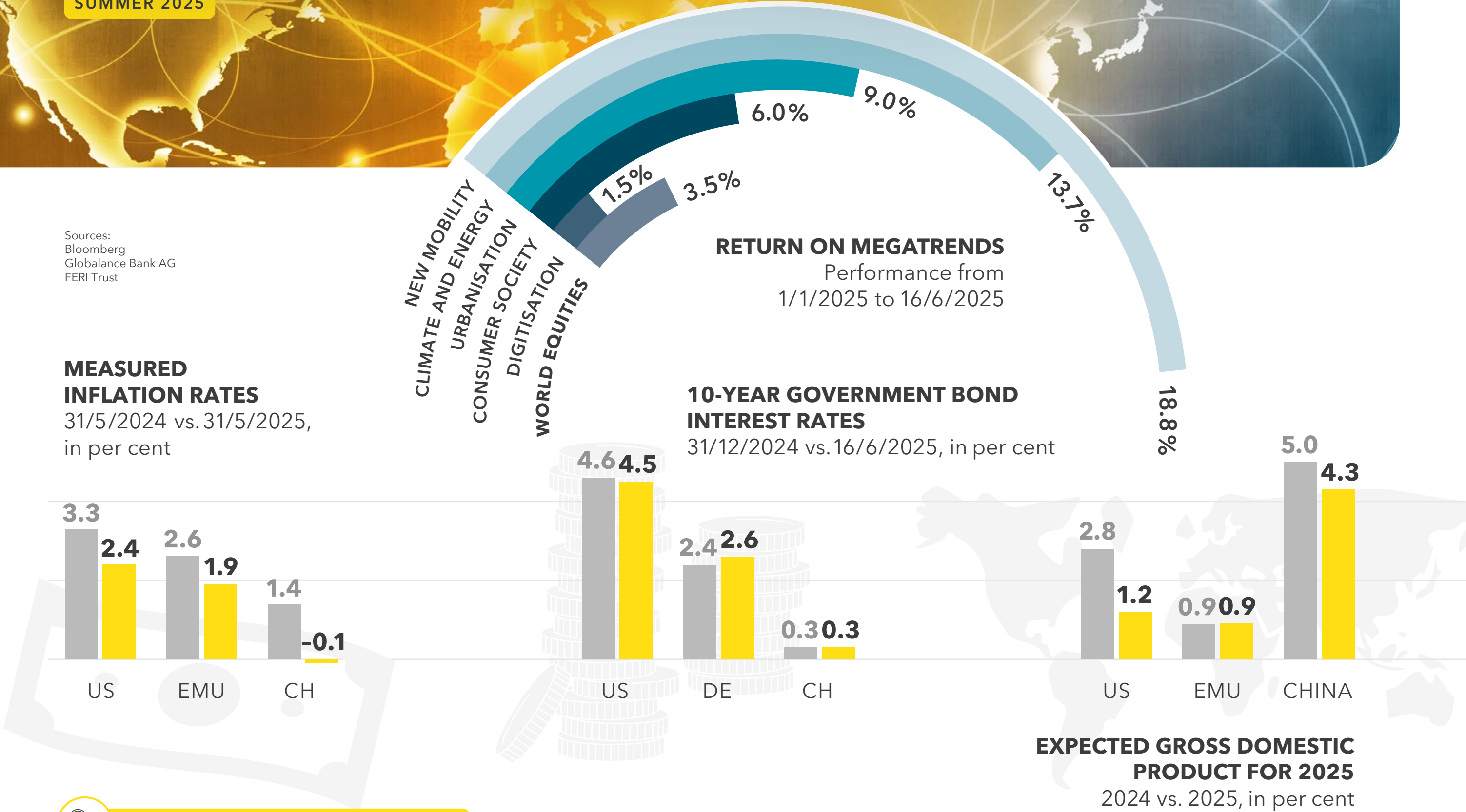
Globalance

Investment Perspectives

SUMMER 2025



REVIEW OF THE FIRST HALF OF 2025

A new world order

A fundamental political shift in the United States has increased geopolitical tensions and structural challenges, such as the energy transition and fragile supply chains. All this shaped the transition to a new world order.

Donald Trump's return to office and his new political priorities have accelerated the transition to a new era: after eight decades of globalisation, there is a growing trend towards protectionism. Trump's tariffs are merely the visible tool of a broader strategy that responds to the growing challenge posed by China's rise and the threat to US supremacy. Washington is increasingly withdrawing from its role as global patron. Europe, on the other hand, in view of the new uncertainties, has declared security a national priority and is investing accordingly in its defence capabilities.

US tariff policy fuelled tension and weighed on growth

The introduction of comprehensive tariffs aims to enforce fiscal discipline and economic isolation – with noticeable negative consequences for consumption and corporate investment.

In Europe, governments responded with more expansionary fiscal policy measures. Germany, for example, relaxed its debt brake in favour of defence and infrastructure spending. In China, economic growth remained subdued, and the deflationary trend continued. Trade diversion as a result of US tariffs slowed export momentum, which had previously been a key driver of growth for the Chinese economy.

Despite robust corporate earnings, ongoing trade policy uncertainties clouded the outlook for companies. Global growth is at risk of losing momentum, which was not sufficiently reflected in risk assets in the first half of 2025.

Central banks with different interest rate cutting dynamics

The increase in effective US tariffs exacerbated structural inflation risks and jeopardised the easing of consumer prices that had been achieved previously. Against this backdrop, the US Federal Reserve remained cautious with interest rate cuts, not least because of a robust labour market. In the eurozone, however, inflation fell below the target rate of 2%, indicating stable price developments. This gave the European Central Bank (ECB) room to cut interest rates several times to help the economy grow. European stock markets responded to this move with gains. Falling consumer prices in Switzerland also prompted the Swiss National Bank (SNB) to cut its key interest rate in order to ensure price stability and weaken the franc at the same time. These monetary policy measures provided additional tailwind for the Swiss stock market.

Global capital flows have shifted

The aggressive US tariff policy has shaken confidence in the reliability of American economic policy. Despite temporary signs of easing, the structural effects remain clearly noticeable: increased market volatility, capital outflows and a reduced appeal of the US dollar as a safe haven. The strategic hedging of the US dollar paid off in our portfolios. This loss of trust led to increased capital inflows into Europe and emerging markets, which is reflected in the relative outperformance of these regions compared with the US equity market. At the same time, US government bonds have been under pressure since April, weighed down by the growing budget deficit and increasing political uncertainty.

High market volatility necessitated robust portfolio construction

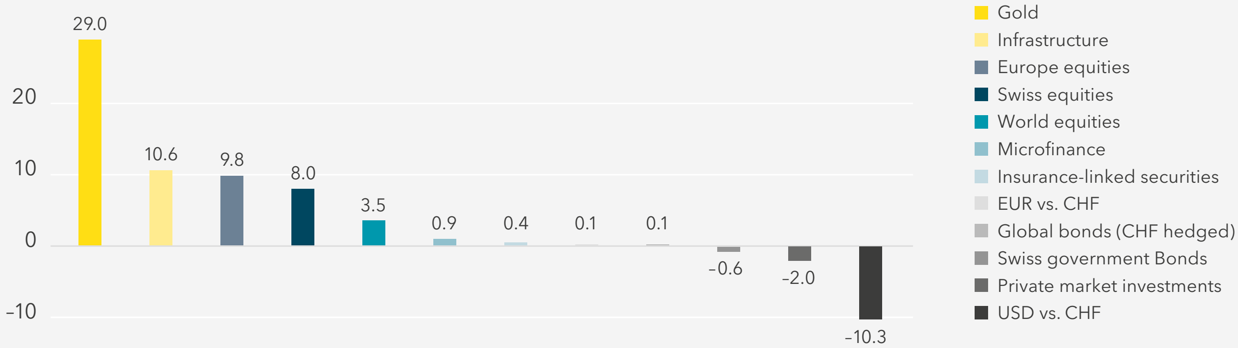
The first half of 2025 saw the usual negative correlation between equities and bonds falter and both recorded losses in April, for example. In this environment, gold once again confirmed its role as a safe haven asset, supported by increased central bank purchases from emerging markets. Low-correlated assets such as insurance linked securities and microfinance proved to be stable portfolio components.

The Globalance portfolios' focus on future topics has proven its worth as companies in the megatrends of decarbonisation and urbanisation delivered convincing returns. In particular, shares of mid-capitalised future-movers performed above average over the course of the year. Investments in broadly diversified infrastructure also benefited from favourable financing conditions and political support in the eurozone, with positive effects on returns.

RETURN OF THE MOST IMPORTANT ASSET CLASSES

Hedged in CHF (indices), 1/1/2025 to 16/6/2025, in per cent

Sources: Bloomberg, Globalance Bank AG



THE FIRST HALF OF 2025 IN BRIEF

- The new world order, characterised by the protectionist US tariff policy, had a dampening effect on consumption, capital spending, and global growth. Inflation expectations rose in the US, while Europe achieved price stability.
- Loss of confidence in US assets led to increased capital flows to Europe and emerging markets, explaining their strength relative to the US stock market.
- The Globalance portfolios delivered robust returns thanks to diversification with low-correlated assets and a high gold allocation.
- The strategic hedging of the US dollar in the portfolios has proven worthwhile.
- Future topics such as digitisation and decarbonisation have strengthened the companies' pricing power, which is a key advantage, especially in a challenging environment with stagflationary tendencies.

Megatrends in the first half of 2025

Companies in the **New mobility** megatrend outside of China are currently suffering from export restrictions on rare earth elements and magnets. This affects electric and hybrid vehicles more than conventional cars. Our portfolio components are located in China and across Asia, and benefit from political support programmes and government subsidies, such as our futuremover BYD.

Companies in the **Urbanisation** megatrend benefited from the global trend towards living in cities and the rising demand for intelligent energy-efficient infrastructure. Falling interest rates encouraged investment in construction, energy and mobility – an environment in which urban solution providers can grow structurally. This year, related companies in our portfolios such as American Water Works or Trane Technologies have generated an above-average performance.

Companies in the **Consumer society** megatrend, particularly in the area of basic necessities such as organic food or household goods, showed a solid performance. This is because everyday products remain in demand even with a fluctuating economy or geopolitical tension, so these companies offer stability in uncertain times. At the same time, many of these companies are able to pass on price increases and maintain their margins. Unilever or Sprouts Farmers Market are illustrative examples in our portfolio as they have proven themselves as defensive anchors for investors.

The performance of companies in the **Digitisation** megatrend has recently been weaker because they were highly valued following the AI (artificial intelligence) upswing in 2024. Donald Trump's new tariffs in April 2025 fuelled additional uncertainty, increased costs and dampened expectations – a combination that put pressure on share prices. Nevertheless, the long-term outlook remains positive as the digital transformation is unstoppable, from automation through the cloud and AI to cybersecurity. Companies that enable or efficiently utilise these technologies are needed in all sectors.

Cybersecurity on the rise: Threat situation and market opportunities

Digitisation

Cybersecurity will remain a fast-growing segment within the digitisation megatrend in 2025. Technological progress, improved connectivity and the increase in digital commerce are increasing cyber risks. AI further intensifies these threats but also has the potential to improve cybersecurity measures. In 2023 alone, the damage caused by cybercrime amounted to over eight trillion Swiss francs globally. If cybercrime were measured in the same way as a country's gross domestic product (GDP), it would be equivalent to the volume of the world's third-largest economy after the USA and China. In view of increasing threats from cyberspace, the relevance of digital security solutions is growing, and with it the economic importance of the corresponding companies. From January to May 2025, the MSCI Cybersecurity Index recorded an increase of around 18 percent. This means that the cybersecurity sector is once again outperforming the wider market. Companies that specialise in AI-based security solutions, cloud infrastructure protection and proactive threat prevention are particularly in demand, including our futuremover company Palo Alto Networks.

Macro environment: two threat lines, one strong impulse

The reasons for this development are complex. However, it is primarily fuelled by a combination of technological vulnerability, geopolitical escalation and growing regulatory pressure.

1 Attacks on the private sector continue to increase

According to the *Allianz Risk Barometer 2025* cyber incidents are the biggest business risk worldwide for the fourth year in a row. The biggest concerns are data leaks, ransomware attacks and increasing losses from AI-driven attacks.

2 State cyber operations are escalating

The *WEF Global Cybersecurity Outlook 2025* emphasises that cyberspace has become an area of global geopolitical tension. Over 70 percent of managers expect cyberattacks in the near future and almost half consider themselves to be ill-prepared. State-controlled hacker groups that attack critical infrastructure, elections and key technologies pose a particular threat.

3 Regulatory tailwind

At the same time, new legal requirements in the EU and the USA are putting pressure on investment. This is leading to billions in new expenditure on audits, security architectures and emergency response teams, for example.

We expect the cybersecurity industry to continue to benefit from the environment in 2025, because the real threat situation is intensifying, the political will for digital defence is growing and companies around the world are investing to meet legal requirements and minimise reputational risks.

Global capital flows in transition

The US is increasingly losing its role as the sole growth engine of the global economy, and we therefore expect a slowdown in economic momentum in the second half of 2025. In our baseline scenario, Donald Trump's tough rhetoric on tariffs remains largely symbolic, but the negotiations triggered by it are proving challenging and have had little effect to date. Although there are increasing signs of improvement, we expect the actual US tariffs to be higher than at the beginning of the year, and the economic turmoil caused by "Liberation Day" is leaving a noticeable impact. Disappointing economic data in the coming months therefore seems likely.

In view of inflationary pressure from tariffs, the US Federal Reserve is taking a cautious approach to further interest rate cuts, although we expect the US key interest rate to be slightly lower by the end of the year. Companies remain cautious about capital spending and new hires, which is further dampening growth.

Europe set for upswing, Asia stabilising

Europe is entering the second half of the year with a growth-friendly reform agenda. We expect investment spending and several interest rate cuts by the end of the year. In Switzerland, there is a risk that the Swiss National Bank will lower interest rates to negative levels in response to deflation. In Asia, particularly in China, trade issues remain a source of uncertainty, while fiscal policy measures are having a stabilising effect.

Robust asset allocation is gaining importance

The market environment will remain challenging in the second half of the year too, making broad diversification and forward-looking asset allocation even more important. We consistently aim for a balanced allocation across asset classes, regions and sectors, focusing on companies with robust business models and stable earnings, even in periods of slowing growth.

Investment strategy to remain global

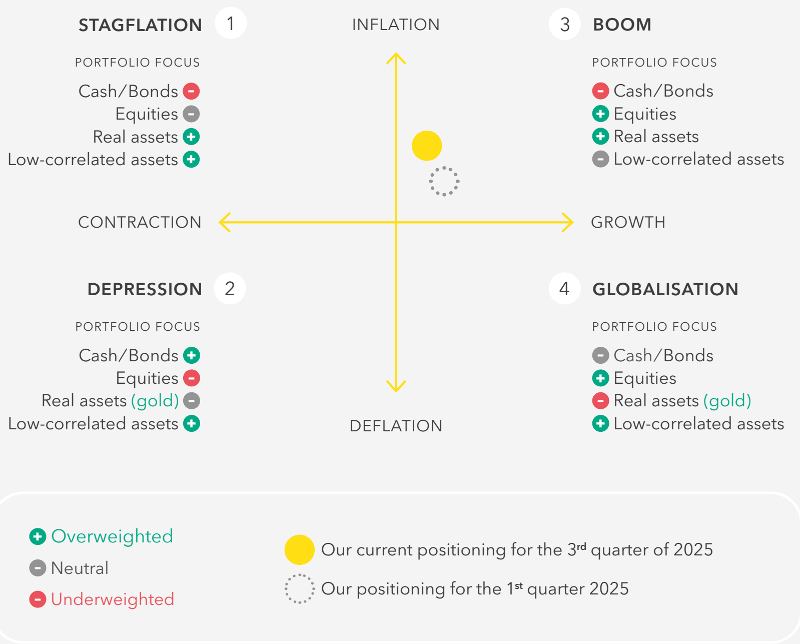
Thanks to our globally oriented investment philosophy, we draw on a broad investment universe and invest worldwide in the most innovative and future-proof companies. Future topics such as digitisation and artificial intelligence (AI) remain firmly anchored in the US. At the same time, we continue to invest selectively to European and Asian equities, for example in megatrends such as health care and the knowledge society. We are thereby responding to changing capital flows and regional growth trends.

Investment policy for Q3/2025

In view of current developments and possible scenarios, we reduced risks and strengthened our resilience in the second quarter and are maintaining this positioning for the third quarter. Among other things, this means slightly underweighting equities due to higher valuations following the reversal rally from the April lows and ongoing trade policy uncertainty.

FOUR SCENARIOS FOR THE GLOBAL ECONOMY

Our positioning for the 3rd quarter of 2025



The chart shows our positioning in the first quarter of 2025, focused on stable growth and declining inflation. The geopolitical situation under President Trump has fundamentally changed the economic outlook. We now expect global growth to slow, accompanied by a moderate rise in inflation, driven primarily by the US. Europe and Asia are showing opposite trends.

Source: Globalance Bank AG

THE GLOBALANCE INVESTMENT POLICY FOR THE 3RD QUARTER OF 2025

ASSET CLASS	Heavily underweighted	Slightly underweighted	Neutral	Slightly overweighted	Heavily overweighted
	POSITIONING				
Money market				●	
Bonds		●			
Low-correlated assets					●
Equities		●			
Real assets		●			

The position of the circle shows the positioning compared to the strategic asset allocation (SAA).

Source: Globalance Bank AG

Bonds: Caution with US bonds – opportunities in Europe

The rising US national debt is weighing on the long-term outlook for US government bonds. We take a much more positive view of European government bonds: solid government budgets and potential trade shifts away from the US are fuelling deflationary trends and falling interest rates. Here, we prefer high-quality European government bonds with medium maturities – ideally via green bonds. We do not consider global corporate bonds, especially those with lower ratings, to be attractive. The risk premiums are hardly commensurate with the risk of an economic downturn. Emerging market bonds offer attractive returns and valuable diversification.

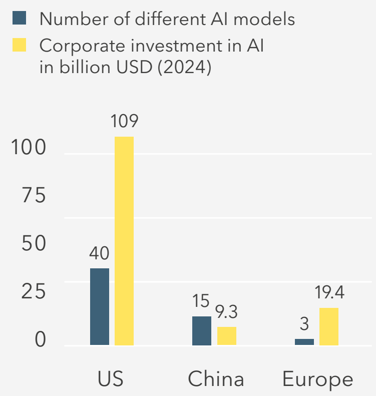
Low-correlated assets: an anchor in uncertain times

Our investments in insurance linked securities, microfinance and premium strategies remain broadly diversified and overweighted. This remains sensible given their stable earnings profiles and low sensitivity to interest rate and equity markets.

Equities: global opportunities from megatrends

After a very volatile first half of the year, global stock markets are currently trading just below their previous highs. Higher tariffs continue to weigh on corporate profits, but investor-friendly measures such as interest rate cuts and deregulation could counteract this in the second half of 2025. However, ongoing uncertainty and market fluctuations are still likely. One thing is clear: companies with sustainable business models and technologies – such as automation technology or energy-efficient construction – are holding their own in uncertain times thanks to stronger pricing power and product differentiation. When it comes to the megatrend of digitisation, we continue to focus on innovative US companies. We are convinced that AI increases productivity across all industries. The leading role of the US is clearly evident in the level of investment and the large number of AI models developed.

INVESTMENTS IN AI



Source: Stanford University research, Financial Times June 1st, 2025

Real assets: gold as a crisis-proof building block

In the area of real assets, we are maintaining our 5% allocation to gold. Furthermore, private market investments and green infrastructure offer attractive returns. Commodities are not included in our portfolios.

CONCLUSION

- US sees growth slowdown, while Europe shows slightly more momentum thanks to investment programmes
- Portfolios that are more robust and adapted to the new world order thanks to risk reduction in equities, profit-taking in bonds, an increase in low-correlated assets
- High gold allocation as a risk buffer
- Opportunities in European government-issued green bonds
- Global equities with a focus on megatrends such as digitisation and the addition of European and Asian futuremover equities in growth areas such as health care, urbanisation and the knowledge society

INTERVIEW

Opportunities in a world in transition

Susanne Kundert, Head of Investments, on future opportunities in a challenging environment

What do developments in the US mean from an investment perspective? What has changed in your investment strategy in recent months?

The political change of course in the US led to geopolitical uncertainty, rising inflation expectations and capital outflows. Compared to the first quarter, our current outlook is more cautious: Trump's tariff policy is fuelling uncertainty, dampening consumer confidence, and holding back business investment. Even before "Liberation Day", we therefore reduced our equity exposure slightly and increased the robustness of our portfolios by purchasing premium strategies and gold.

What does the geopolitical change mean for investors in the medium and longer term?

Geopolitical fragmentation, trade conflicts and the decline in international cooperation are reducing global efficiency and shifting financial flows. Confidence in the US dollar and US government bonds is waning, partly due to growing US government debt. Capital is increasingly seeking more stable regions. The following rule applies for investors: global diversification, currency hedging, and alternatives such as gold or European green bonds with medium-term maturities strengthen their portfolio's robustness.

What are the most exciting topics for the future, and how is the portfolio addressing them?

Demographic change is making health care a structural growth issue – largely independent of economic cycles or trade policy developments. Targeted investments are being made in areas such as diabetes, obesity and personalised medicine. Innovative therapies for age-related diseases are particularly in demand, for example Vertex Pharmaceuticals, a biotechnology company specialising in gene therapy and rare diseases.

In the **knowledge society,** online education is becoming increasingly important due to ongoing **digitisation** and is establishing itself as an attractive alternative to in-person learning. Stride, Inc. is a technology-driven education company offering AI-powered, personalised learning solutions. It is seeing above-average growth – and is unaffected by tarrifs.

How can digitisation and AI have a positive impact on our planet?

There are various application examples: In precision agriculture, AI drones analyse fields and enable targeted cultivation – with up to 40% less pesticides, 30% less water and 20% higher yields. AI also optimises energy consumption in buildings, such as in the Empire State Building, which has reduced its energy requirements by 38%. Artificial intelligence will accelerate decarbonisation and is an interesting investment theme.

Should one invest in China, and if so, in what assets?

From an innovation perspective, China offers many interesting opportunities. However, we often receive too little transparency to assess an investment in the same way as in other global economies. Non-financial data is rarely published, or there is too close a connection to the Chinese government, which poses a risk. That is why we are very selective in China and invest in companies with future-oriented themes such as electric mobility (BYD) and digitisation.

What consequences will Trump's policies have for renewable energies?

Donald Trump wants to scrap key parts of the Inflation Reduction Act investment programme, such as tax breaks for electric cars and subsidies for renewable energies. However, we see that many companies are planning beyond Trump's term in office. They are preparing for further decarbonisation and securing long-term electricity contracts, as are the major technology companies, for example. However, they appear more reserved in public, for example by not communicating specific climate targets.

Susanne Kundert has been a member of the Executive Board of Globalance Bank since April 2024 and is Head of Investments. She has more than 20 years of experience in asset management, including 15 years in the area of sustainable investment solutions.