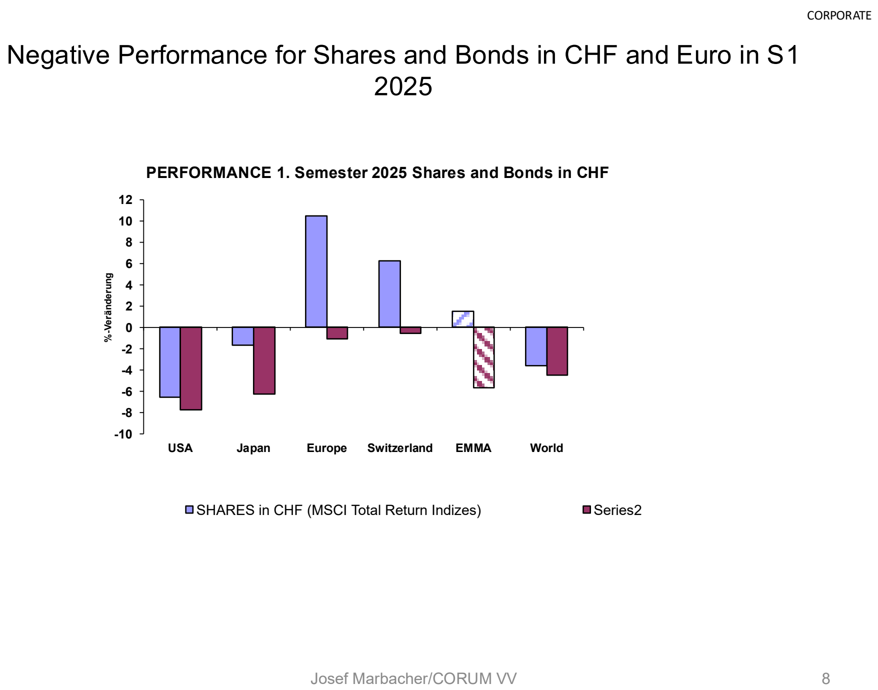
Quaterly Report
2. Q. 2025

The global economy in the hands of a tamer

The financial markets have been shaken up badly in the first half of Trump's presidency. His prohibitive reciprocal tariffs in particular have spooked financial investors. Companies worldwide have lost around 15 per cent of their value in a very short space of time. It was this shock that prompted him to pause key parts of the package of measures. It remains to be seen what will happen next. With these ill-conceived knee-jerk exercises, a great deal of trust in the economic competence of this administration has been lost. Although share prices have recovered significantly, the dollar has lost around 10% of its value. Swiss and European investors have therefore suffered significant losses on their American investments**.**

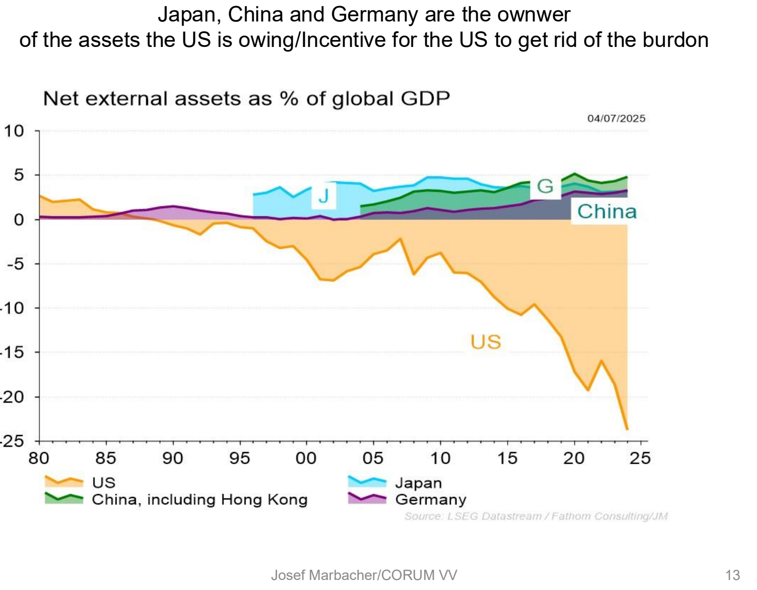
Long-term US capital market interest rates also remain at a high level. They include a considerable risk premium for any price increases that could be triggered by the tariffs.

Europe, however, has clearly raised its profile. Politicians have realised that they need to emancipate themselves from the USA. With the promise at the NATO meeting in mid-June to increase military spending from the current level of around two per cent to five per cent, far-reaching commitments have been made. It will be difficult to realise this goal, as the average debt burden of the NATO countries is over 100% of their total economic output



With the ‘Big Beautiful Bill (BBB)’, the USA is also going down the path of further debt. This is particularly problematic as the USA has had a large trade deficit for a long time.

This is primarily an expression of the fact that the USA invests significantly more than it saves. Foreign countries are financing a significant



part of US investments. US debt already accounts for around 20% of global GDP. The main creditors are China, Japan and Germany. The Trump administration has already emphasised in the run-up to the elections that a trade system that makes the USA a loser cannot be tolerated. Massive tariffs on foreign products are intended to eliminate this 'grievance'. Leading economists consider this method to be inefficient. Measures that reduce the imbalance between saving and investment would be much more effective. Reducing the budget deficit would be helpful here. The new law (BBB) will do the opposite for years to come.

This raises the question of the reliability of this administration in terms of its willingness to repay these debts. One should not underestimate the plans of the libertarian representatives of the Trump administration, who are proposing to replace government bonds with perpetual debt securities with a 1% interest rate. This would make the USA debt-free in one fell swoop. The Trump administration would certainly ensure that American holders of these government securities were compensated for their loss in value. This decision should be all the easier for the administration as it would not have to fear that the dollar could be replaced as the reserve currency. This is not to be feared in the foreseeable future.

Even the high ratings awarded by the rating agencies are no guarantee of this. This was demonstrated by the 2008 financial crisis, when the securitised mortgage receivables of the USA were given top ratings shortly before their collapse.

More uncomfortable, however, is the comparison with 1971, when US President R. Nixon announced in a televised speech that the US was no longer prepared to exchange its dollar debt for gold. This was a unilateral breach of the Bretton Woods Agreement, which had been initiated by the USA after the Second World War. The consequences for the global economy and investors were serious, as the dollar lost half its value within three years. In Switzerland, the dollar plummeted from CHF 4.30 to less than CHF 2. Anyone who believed that the dollar would lose its function as a reserve currency after this loss of confidence was mistaken. On the contrary, it strengthened its position in the following years, as there was no substitute currency available. The situation is similar today. It is probably tempting for Trump to make America debt-free at the stroke of a pen. Whether and when this 'opportunity' will be utilised is an open question. In the meantime, this threat is having an effect as the dollar remains under pressure and favours exporters. In line with the Maga concept.

However, tariff policy is currently of greater importance. We believe that the assessment of the Trade Representative for Asia in the Trump I administration, Michael Beeman (NZZ, 4 July 2025, p. 25), is realistic, namely that the deals are

"relationship agreements that include investment, cooperation, tariffs and the dismantling of trade barriers. They are complete packages. Only the president will be able to decide whether it is worth making concessions on his threats and high tariffs."

The ‘deals’ cannot be compared with traditional commercial contracts. They are unilaterally dictated, not very specific, even an arbitration tribunal is missing and, as Beeman emphasises, they can be terminated at any time. We consider this assessment to be realistic. We therefore assume that customs sanctions will remain an integral part of the Trump administration's foreign policy toolbox even after the deals are finalised. The aim is to threaten all countries that do not subordinate themselves to US interests with the tariff hammer. This unprecedented arbitrary rule can be expected for as long as Trump remains in power

The USA will be able to benefit from this in the short term. US exports will increase due to the lower dollar and the lower tax burden. This will also benefit the US domestic market, as foreign companies will be less competitive. However, it is questionable whether foreign direct investment in the USA will increase, as the USA is hardly an option as a production location for many successful export products. This is the case wherever there is a lack of the necessary specialists, a functioning infrastructure or reliable supplier networks. It is also certain that the tariffs on foreign products will increase demand for US products and thus enable price and margin increases. This should further boost the already high profits of US companies.

In the medium term, however, the USA will be less able to benefit from the international division of labour and specialisation and will therefore suffer a loss of prosperity.

The tariffs will also leave many losers in the USA. US consumers are effectively faced with a tax increase, as it can largely be passed on from exporters to customers.

In the short term, however, exporting countries will also be hit hard, as the shock-like introduction of tariffs is tantamount to a demand shock. Price reductions, slumps in profits, redundancies and bankruptcies could be the result. In China, Canada and Mexico, signs of this are already visible. In the medium term, however, companies will adapt to the new relative prices and reposition themselves in the sales markets.

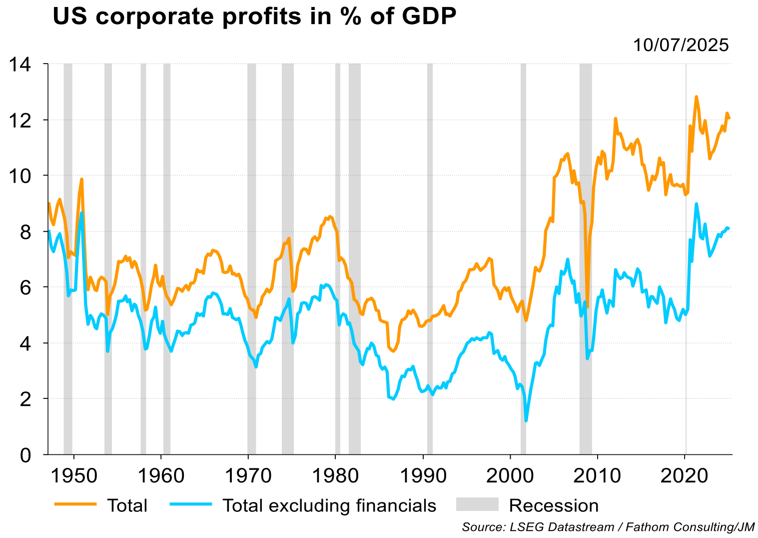
Overall, however, the erratic and conceptually misguided trade policy brings a great deal of unpredictability, inefficiency and price distortions to the market economy system.

However, investors have also realised that although Trump does not uphold morality or the law, he is doing everything he can to keep the stock markets happy. The fact that he withdrew the pompously announced tariffs on 2 April within a few days shows that he is still using market capitalisation as a yardstick. This has temporarily calmed the markets. Share prices, which had lost around 15% of their value worldwide at the beginning of April, largely recovered as a result. The threatening letters announced on 7 July to 15 countries that were not sufficiently accommodating hardly moved the markets either.

Investors were also able to see that he is doing everything he can to expand the room for manoeuvre of American companies. For example, he has threatened countries with tariffs if they dare to burden American companies with taxes or other regulations. He has expressly spoken out against the OECD minimum tax, which provides for insufficiently taxed companies to be taxed extraterritorially. Large American companies with monopoly power also do not have to fear that the competition authorities will take them on. On the contrary: Trump supports them in their endeavours to siphon off purchasing power in other countries. This at least makes their shareholders and therefore America ‘great again’.

Other aggressive projects also have the potential to make American shareholders happy, such as the annexation of Greenland or Canada. This could also pay off politically, as it would be a dream come true for Maga voters.

Another pillar of the stock market is the reported profits of US companies. At around 11% of GDP, they are still close to the peak of 12% reached during the pandemic.



The earnings prospects for European companies are also positive, as the extraordinary political decisions in favour of investments in the security and infrastructure sector amounting to 5% of GDP are likely to lead to an actual demand shock over the coming decade. There is no reason to favour one of these two markets, as the higher profit opportunities in the USA are offset by the higher valuation.

The fact that the cycle of interest rate cuts in the US is likely to pick up speed again is also having a supportive effect on the equity markets. As the tariffs are likely to lead to a slowdown in growth, the Fed will have greater room for manoeuvre to cut interest rates in the second half of the year. This is despite the fact that the tariffs are likely to lead to an increase in inflation figures. However, we consider this to be transitory. A monetary policy response to this does not make sense due to the long time lag.

In terms of investment policy, hedging dollar positions remains important, as the aim is to further devalue the dollar for political reasons. Swiss investors now also need to hedge their euro investments, as the central bank is coming under increasing political pressure to abandon its loose monetary policy against the euro. It is being held partly responsible for the strong expansion of the export sector. Switzerland currently has one of the highest export shares in the OECD and is therefore heavily exposed in terms of risk policy. This is not without danger in times of increased protectionism and de-globalisation.

Overall, the investment policy environment can be assessed quite favourably if one concentrates on the fundamental factors and does not allow oneself to be blinded by the smoke and mirrors that the great self-promoter unleashes on a daily basis.

So much for the big picture.

The details of the asset allocation can be found in the following table. You can obtain the detailed documentation on which the decision-making process is based from your advisor.

With kind regards

Prof. Dr. Josef Marbacher

Investment Strategy 3rd Quater 2025

Anlagesitzung vom: 01.07.2025

		Investment Strategy							
	Anlagekategorie	**Einkommen**	+/-	**Ausgewogen**	+/-	**Wachstum**	+/-	**Kapitalgewinn**	+/-
Defensiv	Liquidität	8%	0%	7%	0%	5%	0%	5%	0%
Defensiv	Festverzinsliche Anlagen inkl. Obligationenfonds	60%	0%	35%	0%	15%	0%	0%	0%
Offensiv	Aktien inkl. Aktienfonds + ETF	25%	0%	50%	0%	70%	0%	85%	0%
Offensiv	Andere Anlagen Immobilien, Rohstoffe, Gold, struktrierte Produkte usw.	7%	0%	8%	0%	10%	0%	10%	0%
		100%		100%		100%		100%	

Weitere Rahmenbedingungen

Referenzwährung:
Schweizer Franken (CHF)

Währungsanteile:

CHF	min. 50 %
EUR	max. 20 %
USD	max. 20 %
GBP	max. 15 %
Übrige	max. 20 %
	(pro Währung max. 10 %)

Bei den Anlagekategorien sind Abweichungen von +/- 5 % möglich.

Looking back, the second quarter was characterised by high volatility on the equity markets, triggered by the ongoing ‘tariff conflict’ between the USA and the rest of the world, the war in Ukraine, the military strike against Iran and further falls in interest rates. Too many events for one quarter to make new investments in the equity and bond markets. We see a further decline in the GDP forecast for Switzerland over the next two quarters, despite domestic demand, an upturn in the construction sector and consumption. The export sector is unlikely to see a rapid improvement this year, as is the labour market, which is weakening. The weakness of the US dollar has increased further and will continue to be under pressure, partly due to the immense US debt. A slight trend towards slower average growth in Switzerland is likely to continue.

We are holding on to solid Swiss stocks, especially dividend stocks, and also see further opportunities to enter US stocks at this share price level.