(Photo: Andreas Busslinger)

Interesting starting point

At the beginning of 2025, the global economy is in an interesting starting position. Innovations are coming thick and fast and spreading to all areas of economic life. We are already seeing productivity gains of a magnitude not seen in over ten years. This is cushioning the effects of the shortage of skilled labor and the demographic challenges. Another positive factor is that energy production is becoming cheaper and increasing competition is dampening price development.

Low inflation also goes hand in hand with low financing costs, which will prompt numerous companies to sharpen their business models through acquisitions and sales. This will enable quality and market leaders to stabilize their margins at a high level. Estimates for earnings growth are positive for both North American and European equities.

For Swiss equities in the Swiss Market Index, an average earnings yield of around 6% is expected in 2025. This is considerably more than the prospective return from the Swiss Bond Index (0.7%). However, our selection of bonds continues to be an important pillar in our more defensive portfolios, particularly corporate bonds.

Disappointing final quarter

For Swiss investors, the final quarter on the domestic market was disappointing, with the Swiss Market Index (SMI) performing very negatively (–4.7%). With the exception of the German DAX (+3.0%), all relevant European indices closed in the red. The broad S&P 500 Index (+2.4%) and the Dow Jones Index (+0.9%) performed positively, while the US technology index Nasdaq (+6.4%) rose significantly.

Bonds also had a poor quarter. The global bond index (-2.1% in CHF hedged and -5.1% in dollars) posted its worst quarterly return in a long time. In addition, the dollar appreciated by around 7% against the franc in the final quarter. After the dollar lost another 9% in 2023, it recovered in the last few months of 2024 thanks to the rise in yields (which caused bond prices to fall).

In the final quarter of the year, yields on ten-year benchmark bonds in the US rose from 3.8% to 4.6% (+0.8%), while those in Switzerland remained stable at 0.3%. Currency hedging also became more expensive, at 4.1%, gnawing away at net bond yields hedged in Swiss francs. In this unfavorable capital market environment, we tried to make the best of it. In the defensive risk class 1 (e.g. R1 with a high bond component at +2.0%, vested benefits R1 at +2.8%), the year-to-date performance ended in positive territory, but not significantly so.

In the “balanced” risk class 3 (e.g. Revo3 +8.4% year-to-date, R3 +9.9%), around 80% of the total return is due to the good performance of the equities asset class. The most dynamic risk class 5 (e.g. Revo5 +12.2% year-to-date) stood out in the final quarter compared to the performance of the SMI-dominated dividend solutions (e.g. RevoDividends +7.7% year-to-date).

Revo5 also includes dividend-free growth stocks from the technology sector and emerging markets. Another reason for the large difference in returns was the Nestlé shares, which are significantly more heavily weighted in the dividend solution and suffered significant losses in 2024 (-21% total return).

Strategies mainly based on individual titles	Strategy performance* December 2024	2024
Zugerberg Finanz R1	−0.3%	+2.0%
Zugerberg Finanz R2	−0.2%	+6.0%
Zugerberg Finanz R3	−0.2%	+9.9%
Zugerberg Finanz R4	−0.3%	+11.1%
Zugerberg Finanz R5	−0.4%	+11.9%
Zugerberg Finanz RDividends	−0.9%	+7.6%
Zugerberg Finanz Revo1	−0.8%	+1.3%
Zugerberg Finanz Revo2	−0.6%	+5.6%
Zugerberg Finanz Revo3	−0.6%	+8.4%
Zugerberg Finanz Revo4	−0.7%	+10.7%
Zugerberg Finanz Revo5	−0.8%	+12.2%
Zugerberg Finanz RevoDividends	−1.3%	+7.7%
Zugerberg Finanz DecarbRevo3	−2.8%	−1.1%
Zugerberg Finanz DecarbRevo4	−3.5%	−3.0%
Zugerberg Finanz DecarbRevo5	−4.1%	−4.6%

Zugerberg Finanz Vested benefits	Strategy performance* December 2024	2024
Zugerberg Finanz Vested benefits R0.5	−0.2%	+1.1%
Zugerberg Finanz Vested benefits R1	−0.1%	+2.8%
Zugerberg Finanz Vested benefits R2	+0.1%	+5.2%
Zugerberg Finanz Vested benefits R3	+0.2%	+8.7%
Zugerberg Finanz Vested benefits R4	−0.1%	+8.2%

Zugerberg Finanz 3a pension solution	Strategy performance* December 2024	2024
Zugerberg Finanz 3a Revo1	−0.8%	+1.3%
Zugerberg Finanz 3a Revo2	−0.6%	+5.6%
Zugerberg Finanz 3a Revo3	−0.6%	+8.4%
Zugerberg Finanz 3a Revo4	−0.7%	+10.7%
Zugerberg Finanz 3a Revo5	−0.8%	+12.2%
Zugerberg Finanz 3a RevoDividends	−1.3%	+7.7%
Zugerberg Finanz 3a DecarbRevo3	−2.8%	−1.1%
Zugerberg Finanz 3a DecarbRevo4	−3.5%	−3.0%
Zugerberg Finanz 3a DecarbRevo5	−4.1%	−4.6%

* The stated performance is net, after deduction of all running costs, excluding contract conclusion costs

Macroeconomics

2025: A year of major changes

	USA	China	India	Eurozone	Switzerland
Real growth 2025e	2.6%	3.5%	7.0%	1.5%	1.8%
Inflation 2025e	2.4%	0.0%	5.0%	1.8%	0.5%
Nominal growth 2025e	5.0%	3.5%	12.0%	3.3%	2.3%

Real and nominal economic growth in 2025 (Graphic: Zugerberg Finanz)

The world economy is characterized by rapid changes that will bring a number of challenges in 2025 and beyond. At the same time, however, we also expect many investment opportunities for active asset management solutions. Upheaval is looming in numerous industries, which will significantly improve productivity thanks to artificial intelligence (AI) and related technologies that work closely with the human workforce.

In innovative economic regions such as the USA, productivity gains will be achieved more quickly than in the more technology-skeptical European Economic Area, for example. Market-leading companies in the US are often quicker to invest large sums in innovations, either as so-called leaders or “early followers”. Thanks to their presence in Europe, knowledge of increased productivity potential spreads quickly, and in a competitive environment, a company cannot afford to ignore innovations such as artificial intelligence and related technologies. The European economy’s lagging behind ensures less dynamism than in the US, but at the same time also lower inflationary pressure.

Thirty years ago, American Nobel Prize winner Paul Krugman pointed out the special significance of productivity: “Productivity isn’t everything, but in the long run it’s almost everything.” A long-term improvement in living standards is not dependent on monetary or fiscal policy, but on an increase in the performance of each individual employee. If the number of employees in relation to the total population declines in an aging population, the increase in performance per employee or per hour worked is even more urgent.

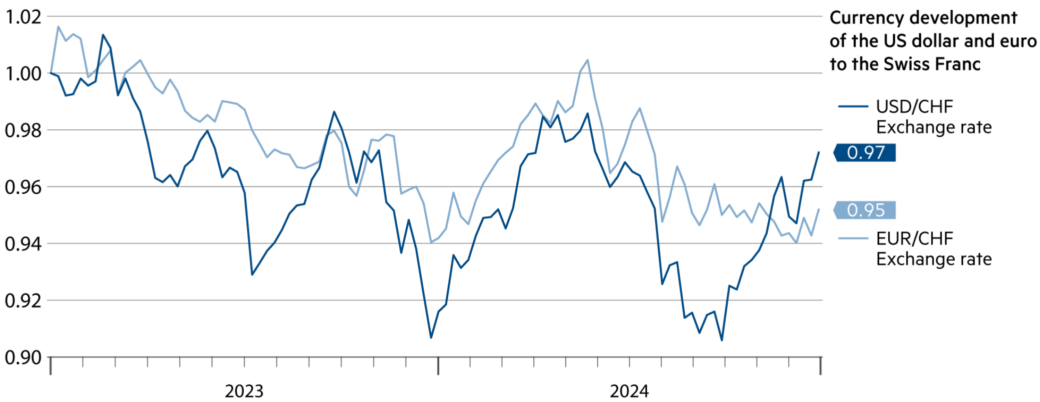
It is therefore to be expected that the rapidly ageing People’s Republic of China will also increasingly focus on new technologies to drive growth and prosperity. However, the United States is likely to remain the global center of gravity for innovation. With the appropriate risk appetite, it is possible to invest in nominal and real growth through equities and private market investments, as well as corporate bonds. Earnings expectations are positive, even in economic regions that are somewhat less dynamic. This makes it all the more important to be disciplined and selective, avoiding certain sectors, such as European carmakers, that are currently associated with excessive risks and insufficient earnings prospects.

In any case, the markets have already anticipated a great deal of trouble surrounding the future US tariff policy under Donald Trump and its impact on economic growth. This has dampened the valuations of European and Swiss equities. Accordingly, a stronger recovery could soon occur here.

Region	3–6 months	12–24 months	Analysis
Switzerland	↗	↗	Switzerland is likely to grow by +1.5% to +2.0% in each of the next three years and thus somewhat more strongly than the surrounding eurozone countries.
Eurozone, Europe	↗	↗	The dynamism of Western Europe could be underestimated if there is an agreement with Ukraine leading to subsequent investment in reconstruction.
USA	↗	↗	In our opinion, the Fed forecasts for the US (GDP 2025: +2.1%, 2026: +2.0%) are likely to be exceeded. Unemployment should remain low.
Rest of the world	↗	↗	Among the largest emerging markets, India's nominal growth is likely to exceed that of China by a factor of three. That is very impressive.

Liquidity, currency

Falling key interest rates in Europe



The two most important exchange rates in 2023 and 2024 (Source: Bloomberg, 1 January 2025 | Graphic: Zugerberg Finanz)

A dynamization of the global economic growth is not in sight due to the ongoing geo- and economic policy challenges. However, the economy should benefit from high public and private investments, deregulation and tax cuts. In Europe, we continue to expect robust labor markets, rising real wages and intact consumer values, which are supported by falling key interest rates.

The European Central Bank (ECB) is likely to cut its key interest rate in half to 3.0% this year, thereby also reducing the external value of the euro and increasing competitiveness. Over the last two years, the euro has lost 4.9% against the franc.

The exchange rate development of the dollar was associated with much greater fluctuations. In 2023, the dollar lost a little over 9% against the Swiss franc in waves. In the first five months of 2024, it recovered this again, but lost everything again by the end of September. In the final quarter, the dollar gained 8% and is now only 2% lower than two years ago. But the depreciation pressure remains.

The corresponding exchange rate development is far from stable. In recent years, the rate of inflation in the US has always been higher than in Switzerland. Depending on the method of measurement and the time period, the average of the inflation differential is 2.3 percentage points. From the past ten years, it can therefore be roughly deduced that the annual depreciation potential is around 2.3%. There may be deviations in the short term, but not in the long term.

As in the eurozone, key rates in Switzerland are also expected to fall further. By contrast, growth in the US is likely to be higher, which should also be accompanied by higher inflation rates. Expectations of key rate cuts in the US are therefore significantly lower, which also suggests that the dollar is likely to remain relatively strong for a few quarters.

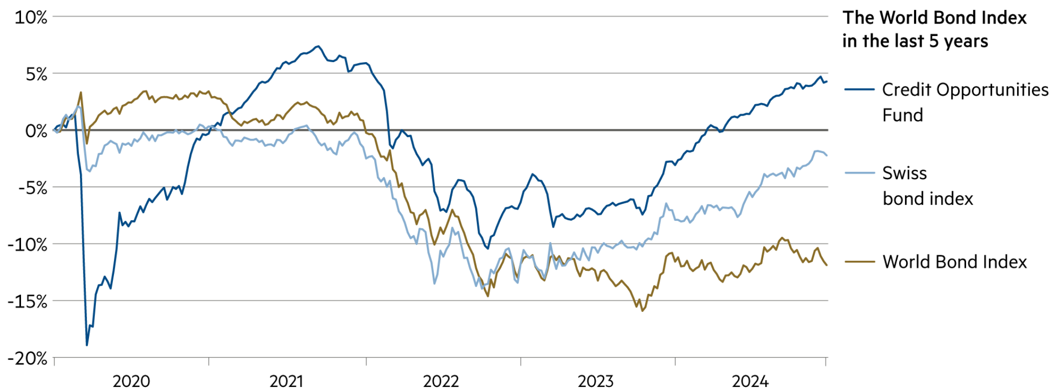
In recent years, the US productivity and growth gap with Europe has widened across countries and sectors. In Switzerland, with its low inflation rate, the Swiss National Bank could again lower its key interest rate when it assesses the monetary policy situation in March 2025. This would certainly somewhat reduce the structural upward pressure on the Swiss franc.

However, we currently rule out larger cuts and a return to a renewed negative interest rate period. Inflation rates in Switzerland will remain low for the time being. The average 10% reduction in electricity prices is likely to lower the inflation rate by 0.2 percentage points. In addition, rents will fall due to a reduction in the reference interest rate for rents.

Asset class	3–6 months	12–24 months	Analysis
Bank account	↘	↘	Six-month swap rates (0.3%) are even higher than those for 12 months (0.1%), but the trend towards zero interest rates on savings accounts is unmistakable.
Euro / Swiss franc	→	→↘	The ECB is likely to reduce its key interest rate much more sharply than the SNB. Nevertheless, we expect the exchange rate to remain stable in 2025.
US dollar / Swiss franc	→	↘	In the second half of the year, the dollar could depreciate by 4% to 5%. In the short term, nothing will shake its stability at 0.91.
Euro / US dollar	→↗	→↗	Despite increasing interest rate differentials, we expect the euro to appreciate gradually against the dollar.

Bonds

Strong US economy digests higher interest rates



The World Bond Index over the last 5 years; 1 January 2020 to 31 December 2024 (Source: Bloomberg Finance L.P. | Graphic: Zugerberg Finanz)

The continued strength of the US economy is reflected, among other things, in the fact that the persistently high interest rates are well digested and that these only leave a slight economic mark. We expect the interest rate differential between the US and the eurozone to increase, resulting in an increasingly attractive dollar. The improved outlook in the US is accompanied by less interest in US government bonds, which caused their yields to rise sharply in the final quarter of 2024.

Credit markets are not squeamish. They mistrust the fiscal policy of the (new) US administration and sold government bonds en masse. When large investors quickly sell off paper, it can have massive consequences. This can also affect the most liquid of all capital markets, the market for US Treasury bonds.

In the fourth quarter of 2024, massive sales of Treasury bonds led to a performance of -3.1%, the worst quarterly return since the disastrous bond year of 2022. Thus, the relevant index is again significantly lower than in the summer of 2020, despite substantial interest income. This also applies to the world bond index, which is a whopping 11.3% lower in Swiss franc terms than five years ago.

What can also be deduced from the chart: the supposed security of high-quality bonds briefly resulted in the smallest valuation corrections in February/March 2020 (outbreak of the pandemic). By contrast, corporate bonds with a moderate risk profile suffered significantly more, temporarily losing almost 20%. But these bonds soon began to recover. In less than 12 months, they had returned to their original level and were back on a growth trajectory.

The Global Bond Index and the Swiss Bond Index (SBI) have not yet reached this point. The recovery potential of government bonds and top corporate bonds is often overestimated. The SBI, for example, is still around 4% below its 2020 peak. For the Global Bond Index, the gap is as much as 16%. Even after ten years of a global pandemic, several outbreaks of war and two recessions, the result is hardly impressive: the SBI gained 0.5% p.a., while the Global Bond Index lost 0.7% annually. Both indices thus failed to maintain the purchasing power of the nominal monetary value.

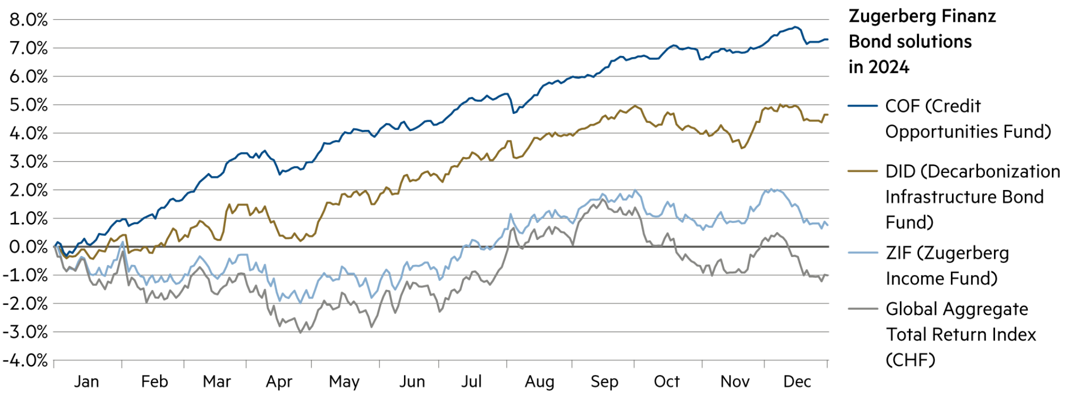
Against this backdrop, it is not surprising that capital is increasingly flowing out of government bonds and into corporate bonds, which offer more attractive yields. The fundamentals remain convincing, even if the risk premium over government bonds has fallen to a historically low level.

Some turn to private markets (private credit, private loans, private debt, direct lending) where higher yields are available. However, liquidity is very limited in this area. As a rule, investors make multi--year commitments. But even in liquid markets, there are relatively attractive sub-segments such as leveraged loans and AT1 bonds. For example, we achieved a return of 17% last year on the AT1 bond issued by Luzerner Kantonalbank. Subordinated bonds from (Swiss) insurance companies have also pleased numerous bond investors.

Asset sub-class	3–6 months	12–24 months	Analysis
Government bonds	→	→↘	Significant changes in government bond yields are not on the immediate agenda. Accordingly, we have a low weighting in this class.
Corporate bonds	↗	↗	As a bond class, we favor corporate bonds from business models that prove resilient and also take a positive approach to technological innovation.
High-yield, hybrid bonds	↗	↗	We continue to see numerous opportunities in these bonds, including subordinated bonds from financial institutions (insurance companies, etc.).

Zugerberg Finanz bond solutions

Significant differences



Our bond solutions in 2024 (Source: Bloomberg Finance L.P. | Graphic: Zugerberg Finanz)

Our bond solutions performed differently in December. The range extends from the conservatively oriented Zugerberg Income Fund (ZIF: +0.8% year to date) to the Credit Opportunities Fund (COF: +7.3%). In December, the premium-oriented COF still rose slightly (+0.2%), while the ZIF at least lost less than the broad world bond index (global aggregate TR index : -1.2%).

The bond solutions are tailored to the investors' risk appetite. Investors with a low risk appetite hold significantly more of the structurally conservative ZIF. As the risk appetite increases, the share of ZIF in the portfolio is reduced and the share of COF, as a so-called "high-risk security", is increased.

This also explains the different return contributions of the bonds last year. In Revo5, the allocation of the COF is 11%, and due to the fund performance of +7.3%, this resulted in a return contribution of +0.8% to the total return. In Revo4, this contribution was even +1.2% due to the higher allocation of the COF (16%).

It is the CIO's responsibility to determine the allocation. Quite rightly, the ZIF's allocation is higher when risk appetite is low. These bonds do not yield high returns, but they correlate negatively with equities. If the economic wind changes direction, the economy slides into a recessionary phase with correspondingly negative effects on share prices. At the same time, however, it is to be expected that the prices of high-quality corporate bonds will rise, thus ensuring a balance.

With its 315 bonds, the ZIF is thus positioned like an insurance policy that benefits in recessionary economic phases. In addition, liquidity in this market segment is outstanding. This is another reason why the corporate bond market in the US, as in Europe, is particularly popular with institutional investors. Demand remains strong because normative limits are often set on the purchase of equities and government bonds are significantly less attractive.

By contrast, private investors and family offices hold a significant proportion of lower-rated bonds with higher yields. This is a relatively small market that has actually shrunk in recent years. This goes some way to explaining why credit spreads have narrowed in recent quarters. Should demand weaken somewhat, there is a risk that spreads will widen again.

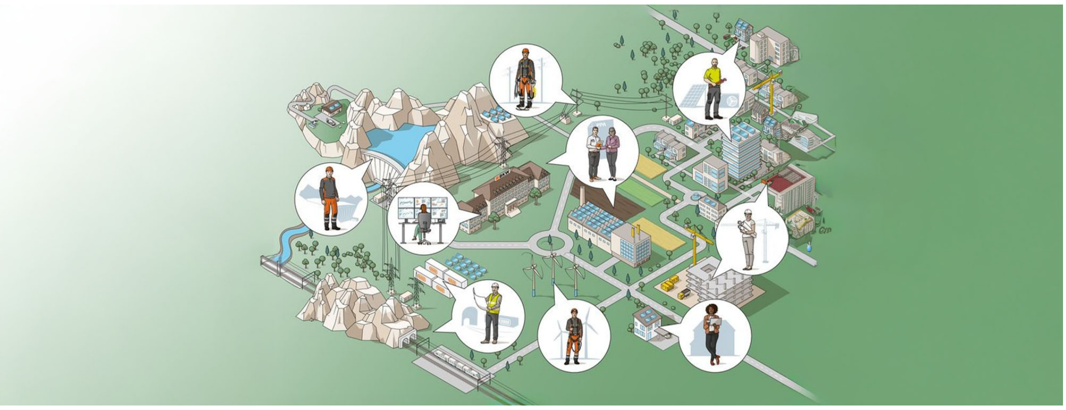
In our view, the spreads for some corporate bonds no longer adequately reflect the actual risk involved. We also remain cautious with regard to emerging market bonds. This makes disciplined selection, which helped us achieve a fund performance of +7.3%, and diversification with 202 bonds, all the more important.

	Zugerberg Income Fund	Credit Opportunities Fund
Yield in 2024 (since the beginning of the year)	+0.8%	+7.3%
Yield since the start (annualized)	-7.8% (-1.2%)	+34.3% (+2.5%)
Proportion of months with positive yield	53%	68%
Credit risk premium in basis points (vs. previous month)	93 BP (-1 BP)	416 BP (+2 BP)
Average rating (current)	A	BB

You can find more information in the factsheets on the Zugerberg Income Fund and the Credit Opportunities Fund.

Real estate, infrastructure

Swiss infrastructure companies on the rise



The entire energy transition value chain (Image source: BKW Solutions 2030, 8 November 2024)

The falling key interest rates have boosted the valuations of European infrastructure companies. The heavyweight energy company BKW, which supplies around one million people with electricity, yielded a total return of +3% last year. The return on Zurich Airport was significantly higher (+27%). Both companies are expected to increase their dividend payments.

The starting position is excellent. Zurich Airport is involved with Noida Airport in the south of the Indian capital, Delhi. Many expect the airport to open at the end of April 2025. We tend to believe that it will be delayed by a few weeks. Nevertheless, it remains a project of gigantic proportions.

The alternative to Indira Gandhi International Airport, 72 kilometers away, did not begin until June 2022. The airport, which is scheduled to open in spring 2025, will initially have a capacity of 12 million passengers per year. Noida International Airport Limited plans to increase this to 70 million passengers per year in the coming years (by way of comparison, around 31 million passengers travel through Zurich Airport each year). The goal remains to gradually establish a modern, user-friendly and digital flagship airport with four terminals and six runways in order to successfully operate the fourth largest airport in the world by 2030 in the region of the global economy with the strongest growth.

The airport has already triggered a series of follow-on investments that improve connectivity by means of expressways, national highways and underground lines, and make the entire region a better place to live. With the new airport soon to be put into operation, the surrounding area is experiencing a real and steady increase in value, in which Flughafen Zürich AG will also participate. However, this is not adequately reflected in the moderate share price.

The Bern-based electricity supplier BKW is also valued moderately. Its equity, which is cautiously valued on the balance sheet, is currently likely to be around CHF 5.3 billion. On the one hand, the company is concerned with energy supply, and increasingly with wind and solar energy (62% of electricity production, plus hydropower, where Switzerland is known to still have more potential). In line with its "Solutions 2030" strategy, BKW aims to expand abroad, primarily with wind power and solar energy, and to achieve annually an EBIT of around one billion francs by 2030.

On the other hand, longer-term purchase contracts provide a solid foundation for the trading business. We must not forget that Switzerland still relies on electricity imports during the winter months, because there are practically no Alpine solar plants. Striking a balance between the need to protect the mountain landscape and the stated need for renewable energy is a key challenge for BKW. And the third business pillar is the services division, where profitability leaves something to be desired. However, topics such as energy efficiency and the expansion and renewal of infrastructure will allow BKW to grow for a long time to come.

Asset sub-class	3–6 months	12–24 months	Analysis
Residential properties CH	↗	↗	Lower interest rates are fueling demand again. For investment properties, the days of interest-related devaluations are over. Revaluations follow with a delay.
Office and retail properties CH	→↗	→↗	With Mobimo (approx. 3.4% dividend yield) and PSP (approx. 3.0%) we feel well positioned and fairly compensated with an attractive cash dividend.
Real Estate Fund CH	→	→↗	Indirect Swiss real estate investments (CHREF) rose significantly in 2024 (+16.0%) and are back to the level seen at the beginning of 2022.
Infrastructure Equity / Fund	↗	↗	The outlook for infrastructure operators remains bright: their lower borrowing costs are likely to lead to higher profits.

Equity

Stock selection more important than ever

In 2025 and beyond, disciplined selection will be more important than ever in the equity market. In Swiss equities, we have once again managed to outperform the corresponding passive indices (SMI, SPI) – as we have done in five of the past seven years. We have also been able to make an attractive selection of international equities and actively manage them.

In Switzerland, it is important to stand out from the passive index. Because the diversification offered by the large companies (Nestlé, Roche, Novartis, UBS) that dominate the SMI is too low. We do not weight the companies equally. The simplification of passive investing has failed. Numerous funds that were equally weighted in the Swiss index have since been closed and dissolved. One that is still tradable has lagged the SMI by more than 23% over the last three years.

We generally analyze at the company level. Of course, we are also interested in overarching key figures such as the solid earnings growth expected in the US (+14% in 2025), in Germany (+12%) and in Europe in general (+8%). But these must be seen in relation to valuations. If a highly valued company "only" increases its profits by 14%, we prefer a low-valued company that grows significantly. We attach great importance to analyzing the respective business model and try to correctly assess the upside potential and downside risks. This means that we continue to hold securities such as:

Nestlé (-21% total return in 2024): the downside risk here seems considerably lower than the upside potential. The biggest disappointments of the world's largest food company should now be priced in, although consumer-sensitive stocks are having a hard time anyway due to inflation. However, it will take patience to get the supertanker moving more dynamically under the new CEO.

Sika (-20%): The stock is among the three biggest losers in the SMI, but we remain loyal to it. We expect accelerated growth and rising margins for the global market leader. Sika grew most strongly in the Americas (2024: +11.2%), benefiting from the relocation of production facilities back to the US and the boom in new data centers.

Lonza (+53%): The pharmaceutical contract manufacturer is benefiting from the US Biosecure Act, which is aimed at the use of active ingredients produced in China by companies such as Wuxi.

Swiss Re (+48%): Under the leadership of new CEO Andreas Berger, the reinsurer has embarked on an impressive path. In the past, misguided strategic decisions have repeatedly set the market leader back. That is now over. In addition, persistently high US interest rates and rising premiums in a growing market for reinsurance protection are ensuring record profits.

Holcim (+37%): We expect the success story to continue with the spin-off of the US business, which is booming and can look forward to a correspondingly high valuation in New York. With low-emission building materials and recycling, Holcim should once again succeed in increasing margins while growing sales.

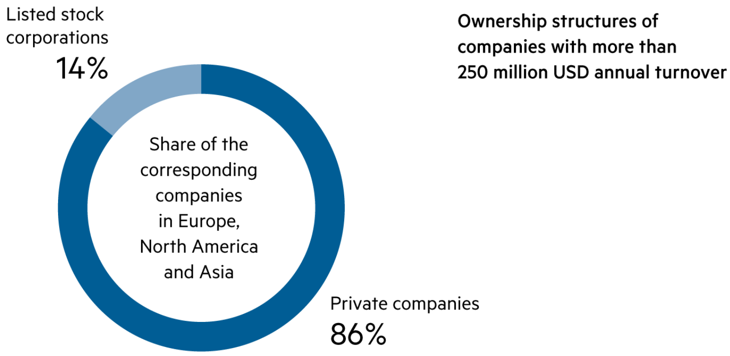
Zurich (+30%) and **Swiss Life** (+26%) are developing into an attractive future for different reasons. We achieved an above-average return with **Axa** (+23%) because we reduced the position at a price level of 34 euros and increased it again at 30.6 euros (now the price is back at 34 euros).

And in emerging markets, we carefully select fund managers who behave in a way that is consistent with our values and who approach the Indian equity market in a similar way to how we approach the Swiss market. This has helped us to significantly outperform the respective emerging market benchmark over several years. Last year, we achieved a return of +20% and +21% respectively with our equity funds.

Asset sub-class	3–6 months	12–24 months	Analysis
Equity Switzerland	↗	↗	"Smaller" companies such as Accelleron (+82%), Swissquote (+73%), SGS (+30%) and Alcon (+18%) also made portfolio contributions.
Equity Eurozone, Europe	↗	↗	The largest portfolio contributions came from SAP (+73% total return in 2024), Schneider Electric (+36%), Axa (see above) and Siemens (+15%).
Equity USA	↗	↗	The largest portfolio contributions came from Nvidia (+61% total return in 2024), Alphabet (+46%), Apple (41%), Amazon (+34%) and Microsoft (+22%).
Equity Emerging markets	↗	↗	A dynamic allocation also requires a share of direct investments in emerging markets, accompanied by active risk management.

Alternative investments

Golden years for private markets



Private companies vs. listed companies (Source: Blackstone, Capital IQ: as of 11/2023 | Graphic: Zugerberg Finanz)

Private markets continue to live up to high expectations. An increasing number of companies are bypassing the stock market and developing and growing with private capital. Never before has so much private equity and private debt been available worldwide as today. And with new, investor-friendly structures, access is being simplified, thus improving the diversification of the entire «real value» portfolio.

Blackrock, the world's largest asset manager, recently devoted a separate annual outlook to the private markets asset class. The demand for private market investments is increasing because they can be used to diversify sources of return. There are still pension funds such as the federal Publica, which allocate 0% in private markets, while the professionally managed Swiss Accident Insurance Fund (SUVA) already allocates around 10%. In some American pension funds, the allocation reaches up to 25% and in some places exceeds the allocation of publicly traded equities.

Blackrock has analyzed that the areas of private equity, private credit, private infrastructure and private real estate will experience a new era of growth. Driven by higher investment activity, lower financing costs and higher demand for long-term capital, the best days for private markets are yet to come. The projected private markets could grow from $13 trillion today to more than $20 trillion by 2030. Blackrock believes that private credit will increasingly replace bank lending and, like private infrastructure, will grow the fastest.

Particular opportunities are emerging in AI: investors can access the transformative possibilities that AI offers through private infrastructure investments, as well as debt capital, private equity and real estate. The variety of investment opportunities is rapidly increasing, including geographically. 86% of all companies with annual revenues of more than $250 million are privately held and only 14% are listed. A series of profound changes in global demographics, energy demand, digital technology and supply chains are further driving investment in private markets, including for better diversification.

Transaction activity is also increasing in both the M&A and IPO markets, which should lead to more exits and distributions in private equity. We already pointed this out in last month's report. What is new is that the Swiss private market provider Partners Group, which is among the top 10 globally, is launching a multi-private market model solution together with Blackrock. It includes private equity, private credit and real assets in a single diversified portfolio for alternative investments. Partners Group's shares got off to a good start in the new year.

Depending on the risk appetite, we have been supplementing our Zugerberg Finanz solutions with private market investments for several years. We start with 4% in these asset classes for risk class 2 and the allocation increases to 7% in risk class 5. Last year, the respective investment vehicle achieved a total return of between 15% and 20%.

Asset sub-class	3–6 months	12–24 months	Analysis
Commodities	→↘	→	Due to the enormous energy requirements for data centers, decarbonized energy solutions (including nuclear energy) are experiencing a new surge in demand.
Gold, precious metals	→↗	→↗	Central banks (China, Russia, Asia) are likely to remain keen on gold. We expect gold prices to rise significantly in the current year.
Insurance Linked Securities	↗	↗	These are still solid financial instruments that are linked to certain insurance risks and can diversify a portfolio.
Private equity	↗	↗	We have generated above-average returns with private market investments in 2024. Over an economic cycle, we aim to achieve a low double-digit return in CHF.

Market data

Asset class		Price (in local currency)			Monthly / YTD / Annual performance (in CHF)		
Equity		**31.12.2024**	**12/2024**	**2024**	**2023**	**2022**	**2021**
SMI	CHF	11'600.9	−1.4%	+4.2%	+3.8%	−16.7%	+20.3%
SPI	CHF	15'472.3	−1.3%	+6.2%	+6.1%	−16.5%	+23.4%
DAX	EUR	19'909.1	+2.5%	+20.4%	+13.1%	−16.3%	+10.4%
CAC 40	EUR	7'313.6	+2.1%	−1.8%	+9.6%	−13.9%	+23.6%
FTSE MIB	EUR	34'186.2	+3.4%	+14.1%	+20.4%	−17.3%	+17.3%
FTSE 100	GBP	8'121.0	−0.8%	+11.3%	−0.3%	−8.8%	+16.7%
EuroStoxx50	EUR	4'869.3	+2.4%	+9.1%	+12.1%	−16.0%	+16.0%
Dow Jones	USD	42'573.7	−2.6%	+21.8%	+3.5%	−7.7%	+22.2%
S&P 500	USD	5'906.9	+0.6%	+33.6%	+13.1%	−18.5%	+30.6%
Nasdaq Composite	USD	19'486.8	+4.2%	+40.0%	+30.6%	−32.3%	+25.0%
Nikkei 225	JPY	39'894.5	+2.1%	+15.2%	+8.6%	−19.7%	−2.6%
Sensex	INR	78'248.1	−0.4%	+13.7%	+7.4%	−4.8%	+23.2%
MSCI World	USD	3'718.9	+0.3%	+26.6%	+10.8%	−18.5%	+23.7%
MSCI EM	USD	1'078.4	+2.7%	+13.6%	−2.6%	−21.5%	−1.8%
Bonds (mixed)		**31.12.2024**	**12/2024**	**2024**	**2023**	**2022**	**2021**
Glob Dev Sov (Hedged CHF)	CHF	153.2	−1.1%	−1.4%	+2.2%	−13.2%	−3.0%
Glob IG Corp (Hedged CHF)	CHF	183.2	−1.6%	−0.7%	+4.2%	−16.7%	−2.0%
Glob HY Corp (Hedged CHF)	CHF	360.2	−0.6%	+6.1%	+8.7%	−13.6%	+1.4%
USD EM Corp (Hedged CHF)	CHF	271.9	−1.4%	+2.4%	+4.5%	−18.2%	−2.7%
Government bonds		**31.12.2024**	**12/2024**	**2024**	**2023**	**2022**	**2021**
SBI Dom Gov	CHF	186.9	−1.0%	+4.1%	+12.5%	−17.0%	−4.2%
US Treasury (Hedged CHF)	CHF	136.4	−1.9%	−3.7%	−0.5%	−15.0%	−3.5%
Eurozone Sov (Hedged CHF)	CHF	180.1	−1.7%	−0.8%	+4.8%	−18.9%	−3.7%
Corporate bonds		**31.12.2024**	**12/2024**	**2024**	**2023**	**2022**	**2021**
CHF IG Corp (AAA-BBB)	CHF	191.0	+0.1%	+5.1%	+5.7%	−7.5%	−0.5%
USD IG Corp (Hedged CHF)	CHF	184.4	−2.2%	−2.2%	+3.5%	−18.5%	−2.3%
USD HY Corp (Hedged CHF)	CHF	607.6	−0.9%	+3.6%	+8.5%	−13.7%	+4.1%
EUR IG Corp (Hedged CHF)	CHF	167.9	−0.7%	+2.0%	+5.9%	−14.1%	−1.2%
EUR HY Corp (Hedged CHF)	CHF	302.6	+0.4%	+5.4%	+9.8%	−10.9%	+3.2%
Alternative investments		**31.12.2024**	**12/2024**	**2024**	**2023**	**2022**	**2021**
Gold Spot CHF/kg	CHF	75'729.1	+0.7%	+34.5%	+0.8%	+1.0%	−0.6%
Commodity Index	USD	98.9	+3.5%	+8.1%	−20.4%	+15.1%	+30.8%
SXI SwissRealEstateFunds TR	CHF	2'714.8	+2.1%	+16.0%	+5.4%	−17.3%	+7.6%
Currencies		**31.12.2024**	**12/2024**	**2024**	**2023**	**2022**	**2021**
US dollar / Swiss franc	CHF	0.9037	+2.6%	+7.4%	−9.0%	+1.3%	+3.1%
Euro / Swiss franc	CHF	0.9405	+0.9%	+1.3%	−6.1%	−4.6%	−4.0%
100 Japanese yen / Swiss franc	CHF	0.5761	−2.0%	−3.4%	−15.4%	−11.0%	−7.5%
British pound / Swiss franc	CHF	1.1343	+1.1%	+5.9%	−4.2%	−9.3%	+1.9%