



Stand-up paddleboarding on Lake Ägeri (Photo: Andreas Busslinger)

Declining inflation rates and interest rates in Europe

The global trade war is far from over. Although there was some encouraging news in May, this was often followed shortly afterwards by contrary messages. The commodity trade was also marked by considerable uncertainty. Because the dollar lost value at the same time, energy imports in Europe became cheaper by double-digit percentages in recent months, which had a disinflationary effect.

Declining inflation is causing key interest rates and capital market interest rates to fall in Europe. This in turn is strengthening the purchasing power of private households and encouraging investment in equipment and construction. The economic needle is pointing upward. The situation looks more difficult in the US. Long-term interest rates are trending upward, making corporate and mortgage loans more expensive and increasing debt servicing costs. This may

be one reason why the legendary investment company Berkshire Hathaway, founded 60 years ago by the now 94-year-old Warren Buffett, currently holds more liquid assets than real assets (shares in Apple, American Express, Bank of America, Coca-Cola, Chevron, etc.).

The potential for a continued recovery in US equities is limited given competing bond yields (4.4% and 5.0% for 10-year and 20-year government bonds, respectively). In Switzerland, the situation is exactly the opposite. The yield curve for Swiss bonds is negative for maturities of up to five years. This makes a well-diversified basket of stocks with a dividend yield of more than 6% look quite attractive.

May brought a turnaround

At the end of April, many portfolios were still slightly down. In May, the trade war eased, volatility declined, and investors regained confidence. Despite this turnaround, the environment remained challenging as long-term interest rates trended upward, especially in the US and Japan.

Nevertheless, the dollar lost more than 9% since the beginning of the year, dragging the global equity index (BBG World -5.9% in CHF) down with it. Like most equity indices, the broad US S&P 500 equity index recovered in May, but after five months it is still deep in negative territory (-9.4% in CHF). Swiss equities (SMI: +5.4%) were in line with the performance of European equity indices, led by the German leading index (DAX: +19.6%).

In terms of individual stocks, the total return including dividends after five months varied widely (in CHF): from Apple (-27%), Alpha-

bet (-17%), and Amazon (-15%) at one end to stocks such as Engie (+34%), Vinci (+29%), Axa (+27%), Swiss Life (+22%), Nestlé (+21%), Schindler (+19%), and Also, BKW, and Deutsche Telekom (all +18%) at the other end.

In this capital market environment, the defensive risk class 1 (with a high bond allocation) continued to deliver a clearly positive return (+1.6%). In the "balanced" risk class 3 (e.g., Revo3 with +1.9%, in May +2.4%), the volatile performance of US tech stocks was noticeable, and even more so in the dynamic risk class 5 (e.g., Revo5 +3.0%; in May +3.1%).

The dividend strategy has performed exceptionally well so far (e.g., Revo Dividends with +10.7%; in May +3.2%). This is due to numerous strong dividend stocks such as Helvetia (+35%) and Cembra Money Bank (+29%).

Strategies mainly based on individual titles

	Strategy performance*	
	May 2025	YTD 2025
Zugerberg Finanz R1	+1.1%	+1.4%
Zugerberg Finanz R2	+1.7%	+1.7%
Zugerberg Finanz R3	+2.1%	+1.8%
Zugerberg Finanz R4	+2.7%	+2.0%
Zugerberg Finanz R5	+3.0%	+2.4%
Zugerberg Finanz RDividends	+2.7%	+11.3%
Zugerberg Finanz Revo1	+1.2%	+1.6%
Zugerberg Finanz Revo2	+2.0%	+1.8%
Zugerberg Finanz Revo3	+2.4%	+1.9%
Zugerberg Finanz Revo4	+2.8%	+2.4%
Zugerberg Finanz Revo5	+3.1%	+3.0%
Zugerberg Finanz RevoDividends	+3.2%	+10.7%
Zugerberg Finanz DecarbRevo3	+3.0%	+1.9%
Zugerberg Finanz DecarbRevo4	+3.5%	+2.2%
Zugerberg Finanz DecarbRevo5	+3.9%	+2.7%

Zugerberg Finanz Vested benefits

	Strategy performance*	
	May 2025	YTD 2025
Zugerberg Finanz Vested benefits R0.5	+0.3%	+0.4%
Zugerberg Finanz Vested benefits R1	+0.7%	+1.2%
Zugerberg Finanz Vested benefits R2	+1.2%	+1.6%
Zugerberg Finanz Vested benefits R3	+1.7%	+2.2%
Zugerberg Finanz Vested benefits R4	+2.2%	+2.5%

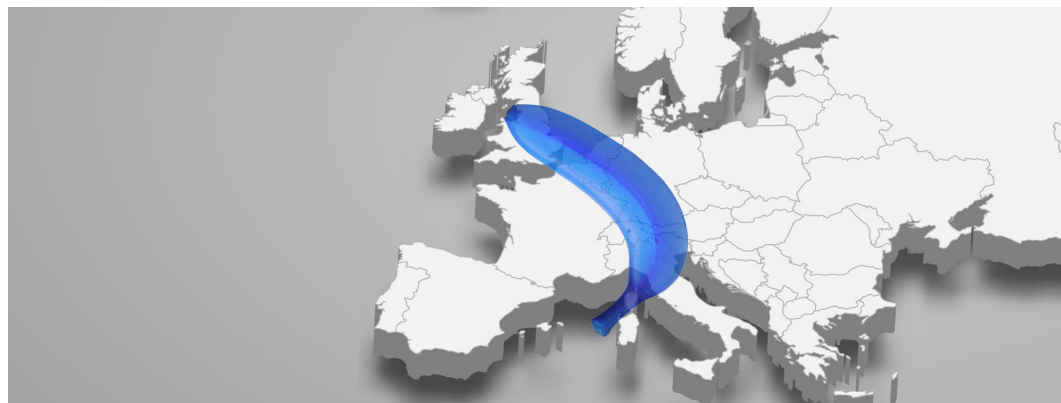
Zugerberg Finanz 3a pension solution

	Strategy performance*	
	May 2025	YTD 2025
Zugerberg Finanz 3a Revo1	+1.2%	+1.6%
Zugerberg Finanz 3a Revo2	+2.0%	+1.8%
Zugerberg Finanz 3a Revo3	+2.4%	+1.9%
Zugerberg Finanz 3a Revo4	+2.8%	+2.4%
Zugerberg Finanz 3a Revo5	+3.1%	+3.0%
Zugerberg Finanz 3a RevoDividends	+3.2%	+10.7%
Zugerberg Finanz 3a DecarbRevo3	+3.0%	+1.9%
Zugerberg Finanz 3a DecarbRevo4	+3.5%	+2.2%
Zugerberg Finanz 3a DecarbRevo5	+3.9%	+2.7%

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

Macroeconomics

Cultivating a new growth momentum



The "Blue Banana" belt, with around 110 million inhabitants, is Europe's historical economic powerhouse (Graphic: Zugerberg Finanz)

The fearful gaze across the Atlantic toward tariff policy is misguided. Europe's major challenges lie closer to home, so to speak: for example, the supply of (skilled) labor must be increased through the right incentives in the tax and social security system. Reducing bureaucracy will also help to cultivate growth momentum. Slowing the growth of government spending would also spur private-sector solutions. The challenges are manifold, but let's tackle them head on.

In view of the tectonic shifts in geopolitics, we believe that setting the course for Europe's future is extremely important. One of the strengths of the location is that it has several regional centers with high innovative strength and dynamic economic activity with different areas of focus. These are mostly located in the "Blue Banana," a densely populated, curved agglomeration belt with around 110 million inhabitants, i.e., in a large European region between the Irish Sea and the Mediterranean, which has been considered the economic powerhouse at the heart of Europe for centuries.

However, since the pandemic-induced slump, real gross domestic product in the Blue Banana has not recovered as strongly as elsewhere. Growth is being held back in particular by developments in the manufacturing sector. Important industries such as mechanical engineering, the automotive sector and chemicals, but also the construction industry, are struggling with problems. Corporate investment has fallen, both in equipment and construction.

In previous economic cycles, exports often provided important

impetus for an upturn. This time, however, it is slow in coming. Competition on the world markets is growing, particularly from Asia, especially China. European exporters are losing market share. Private consumption is also only providing modest support for the economy at present. Although there was some catch-up effect after the pandemic, high uncertainty about economic developments and sharp price increases have dampened consumer sentiment considerably.

At least inflation has fallen significantly in the meantime, which should boost consumption. So there are also some encouraging developments. For companies that rely on external financing, costs are significantly lower. Among listed non-financial corporations, the equity ratio, which had fallen during the coronavirus crisis, is now at its highest level since 2008. These are signs that we could be returning to a long-term growth trend, provided that the right structural course is set.

The economic weakness is structurally caused by a shortage of skilled workers and low immigration of skilled workers. High energy prices have also become a burden. The most important factor weakening corporate momentum is the high level of regulation and the multitude of government regulations. In addition, slow planning and approval processes ("bureaucracy") prevent companies from engaging in other productive activities. There is also a huge backlog in the digitization of public administration. This means that there is considerable untapped potential for productivity gains.

Region	3–6 months	12–24 months	Analysis
Switzerland	↗	↗	Inflation (-0.1%) is at its lowest level since April 2021. The global economic slowdown increases the risk of prolonged negative inflation.
Eurozone, Europe	↗	↗	Jean Monnet wrote: "Europe will be forged in crises and will be the sum of the solutions found to these crises."
USA	→↗	→↗	Structural challenges also need to be addressed in the US, and innovation and digitalization need to be implemented. The economy is currently weakening.
Rest of the world	↗	↗	In more and more countries, the potential for productivity gains is being exploited more consistently than in "old" Europe. This is changing competitiveness.

Liquidity, currency

Europe on the upswing



Image created with 'Chat & Ask AI' (Graphic prompt: Zugerberg Finanz)

Inflation is falling significantly in Europe, boosting confidence. Favorable financing conditions are making investments more attractive and increasing the willingness to invest capital for the future. Demand for credit is rising in Europe, and European equities have continued to outperform US equities by around 20% since the beginning of the year. Taking into account the weak dollar, the performance differences are even greater.

The rapid recovery of share prices from their lows at the beginning of April is surprising, particularly in the US, given that the growth outlook for the US economy has deteriorated recently. Responding to this will be challenging for the highly indebted US in terms of monetary and fiscal policy. The bond market clearly signaled its skepticism about further tax cuts. In addition, uncertainty surrounding radical US tariffs and unpredictable U-turns is weighing heavily.

There is a lack of predictability not only in the short term but also in the long term, with Donald Trump likely to usher in a period of greater economic nationalism and protectionism after decades of free trade. However, as this is only a theory, investment projects in the US are being postponed indefinitely.

US President Donald Trump, who is accustomed to victory, has suffered massive setbacks in recent weeks, whether in negotiations with Russia (Ukraine), Iran (nuclear program), China (tariffs, trade), Canada (trade), or on the capital market (US Treasuries, rating agency Moody's).

Nervousness is growing in his camp because he faces heavy losses in next year's midterm elections if he continues to pursue his current policies and ultimately provokes higher inflation and an economic downturn as a result of tariffs. It would be the first recession in US history that could be attributed to the actions of a single person.

We have long been prepared for more protectionism and slower economic growth in our portfolio strategies with a strong focus on defensive stocks. The vast majority of US equities are facing lower margins, declining profits and falling prices. We therefore remain underweight in this sector and are investing exclusively in global market leaders with positive earnings growth rates, such as Microsoft, Mastercard and Nvidia, whose core products continue to be manufactured primarily in Taiwan.

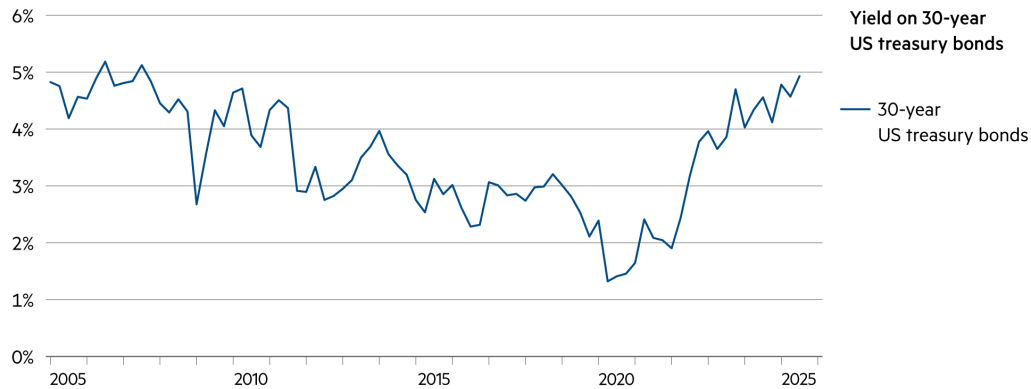
In Europe, we are seeing talent, capital, and innovation flowing in from North America. Basic research is world-class in many areas, and now massive investments in the real economy are following: EUR 1 trillion in Germany's future fund for defense, security, and infrastructure.

The European space program is being accelerated, and the EU is investing EUR 200 billion in AI development alone. Private sector investment is likely to more than double this amount. All of this is leading to MEGA: Make Europe Great Again. Investors believe in it, which is why European markets are performing better than their American counterparts.

Asset class	3–6 months	12–24 months	Analysis
Bank account	↘	↘	At the short end, banks are lending money to each other at -0.07% (3 months), -0.27% (12 months) and -0.09% (4 years): we are back in a period of negative interest rates.
Euro / Swiss franc	→	→	Financial stability in the eurozone strengthened the euro and had a net positive impact on GDP due to reduced volatility, which in turn strengthened the euro.
US dollar / Swiss franc	→↘	↘	The sharp appreciation of the Swiss franc is contributing to the decline in inflation and the negative trend in import prices (e.g., raw materials).
Euro / US dollar	→↗	↗	The euro has appreciated more quickly than expected to 1.14. In the eurozone, the ECB's neutral monetary policy caused the inflation to fall below the target of 2%.

Bonds

The bond market reacts



Yield on 30-year US government bonds: 2005 to 2025 (Source: Federal Reserve Economic Data | (Graphic: Zugerberg Finanz))

Tax cuts in the US are not going down particularly well on the world's most important bond market, the market for US Treasury bonds. The message to Congress is clear: "Don't make any mistakes." As a warning signal, the market temporarily lifted the yield on 30-year government bonds to 5.2% in May – its highest level in two decades. Lower tax revenues mean less certainty that the bonds will be able to pay interest and be redeemed in the future.

In fact, the US federal budget is already out of balance, and the path it is on points to a sustained damaging trend. Tax revenues are nowhere near enough to cover spending. This is leading to new borrowing, which, at 7% of gross domestic product, has reached a level never before seen in the US during a period of economic expansion.

This is all the more remarkable given the current increased risk of recession. Recessions are typically accompanied by falling tax revenues, which would increase the deficit. In addition, fiscal stimulus would be expected in a "normal" economy entering a recession.

However, when the budget deficit in a growing economy is already around USD 2 trillion per year, it cannot be expected that additional fiscal measures can be financed – even in a stagflationary period. This is particularly worth mentioning at a time when the US economy is struggling with the effects of the sharpest tariff increases in almost a century.

With interest rates at around 5%, the current new borrowing alone will result in additional interest payments by the government of USD 50 billion in the coming year. Added to this is the fact that within 12 months, around USD 9 trillion in government bonds will have to be "rolled over" into new debt instruments at significantly higher interest rates. This does not seem to bother members of parliament at all. It is precisely this that is unsettling not only investors, who held back at the latest bond auctions.

Consumers (consumer loans and leasing rates), businesses (credit terms), and homeowners (mortgage rates) are also feeling the impact of higher interest rates and are puzzled by the discussions surrounding the draft legislation, which is intended to generate significant growth through tax cuts.

The bill also provides for a further USD 4 trillion increase in the US debt ceiling, so that there will be no need to discuss a government shutdown for as long as possible during Donald Trump's term of office.

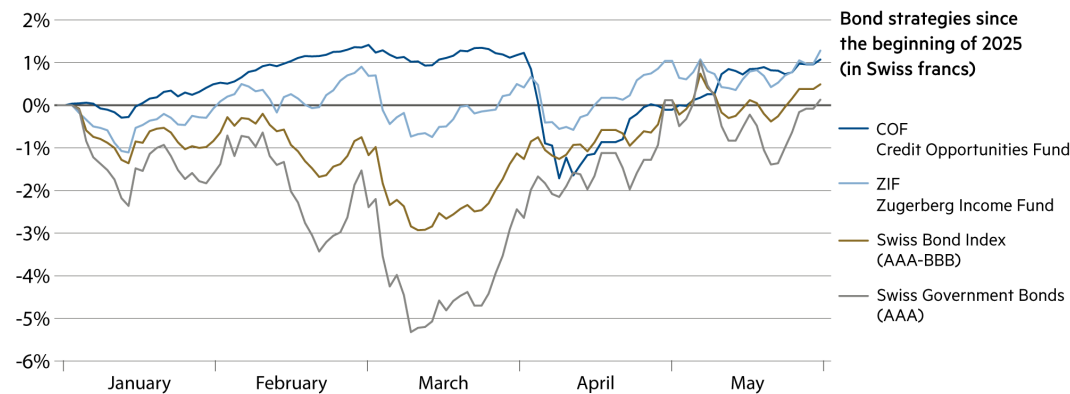
Even before the budget debate in Congress in Washington, which is likely to continue into next month, Moody's was the last of the three major rating agencies to downgrade the United States' credit rating.

The rating is now "AA+," the same as Apple, for example, and thus lower than the "AAA" rating of Zuger Kantonalbank, Microsoft, and Johnson+Johnson.

Asset sub-class	3–6 months	12–24 months	Analysis
Government bonds	→ ↗	→ ↗	US government bonds continue to enjoy preferential tax treatment. Interest income is not subject to income tax in the US.
Corporate bonds	↗	↗	Corporate bonds in the US tend to come under more pressure than their European counterparts due to significantly higher financing costs.
High-yield, hybrid bonds	↗	↗	Provided the growth outlook does not deteriorate significantly, subordinated and high-yield corporate bonds will generate above-average returns.

Zugerberg Finanz bond solutions

Bond portfolio remains solid



Bond strategies since the beginning of 2025 in Swiss francs (Source: Bloomberg Finance L.P. | Graphic: Zugerberg Finanz)

In the first five months, our bonds ensured solidity in the portfolios despite the difficult environment. As expected, strategies with a high bond allocation experienced significantly lower volatility than those with a high equity allocation. The Swiss Bond Index as a whole (+0.5%) has made slight gains since the beginning of the year. The conservatively oriented Zugerberg Income Fund (ZIF: +1.3%) and the premium-oriented Credit Opportunities Fund (COF: +1.1%) are up more significantly.

When positioning the two bond solutions, we also ensure diversification across debtors and sectors. The ZIF holds 280 bonds from 200 different issuers, while the COF holds around 208 bonds from 182 different companies. The ZIF includes conservative bonds such as covered bonds, which are secured by first-class Swiss mortgage loans and therefore have a AAA rating. However, the yields on these covered bonds have declined in line with the fall in inflation and lower Swiss government bond yields.

While bank accounts have to settle for virtually zero interest, bonds can still generate positive returns in some cases. They can also generate price gains if interest rates fall, for example in the wake of an economic downturn, whereas bank-related demand deposits offer no price potential.

In recent weeks, we have added several new bonds to the ZIF, including Zurich Airport (approx. 1.2% coupon), Georg Fischer (1.6%), Dorma Kaba (1.4%), Liechtensteinische Landesbank (1.7%), Kühne + Nagel (1.0%), SIX Group (1.0%), Coop Group (1.3%), Zurich Insurance (6.3% USD) and Google (3.4% EUR).

If the bonds are denominated in dollars or euros, the currency risks are fully hedged. The inspiration for this selective approach comes from the client perspective of achieving a positive overall return in Swiss francs with this fund while at the same time managing it as a robust component of an overall portfolio.

New bonds were also added to the COF. These were typically rated lower and the aim is to achieve a return of around 2.0% to 2.5% more than the Swiss Bond Index, accepting some volatility. Among the better-known issuers that have recently been added are the Swiss-headquartered construction group Implenla (2.5% coupon), the Swiss telecommunications company Sunrise (4.6% EUR), Germany's sugar supplier Südzucker (6.0% EUR), the Iberian energy supplier EDP Portugal (4.5% EUR), the global generic drug manufacturer Teva (4.1% EUR), the Canadian business jet manufacturer Bombardier (6.8% USD) and the French water infrastructure operator Veolia (4.4% EUR).

The Implenla bond is a good example of the COF. The bond matures at the end of April 2029. The yield to maturity is around 220 basis points above that of the comparable Swiss bond. Specifically, its yield at the end of May was -0.2%, meaning that investors must accept a negative return over the next five years.

The Implenla bond is currently trading at around 101.8% and is very likely to be redeemed at 100.0%. This results in a yield that is 2.2% higher than that of a comparable government bond, thereby contributing to our long-term target.

	Zugerberg Income Fund	Credit Opportunities Fund
Yield in 2025 (since the beginning of the year)	+1.3%	+1.1%
Yield since the start (annualized)	-6.6% (-1.0%)	+35.8% (+2.5%)
Proportion of months with positive yield	55%	68%
Credit risk premium in basis points (vs. previous month)	98 BP (-12 BP)	405 BP (-27 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

Risks in the real estate market



Aglaya garden high-rise at the Suurstoffi in Risch-Rotkreuz (Photo: Andreas Busslinger)

In its supervisory release dated May 22, 2025, the Swiss Financial Market Supervisory Authority (FINMA) draws particular attention to credit default risk and real estate valuation risk. The statement is primarily aimed at institutions operating in the mortgage sector (banks, insurance companies, pension funds, and investment foundations). Initial market indications suggest that a tightening of existing practices cannot be ruled out, but this would further restrict demand for residential property.

The results of FINMA's supervisory activities revealed that various banks' affordability assessments and valuation practices in particular deviate from the ideal. Where financing is granted outside the affordability criteria, this leads to so-called ETP transactions ("exception to policy").

In view of the current risk situation, FINMA recommends setting lower lending limits for investment properties and higher amortization requirements. This issue has been known for more than two decades, shaped by the real estate financing wave of the 1980s, when up to 100% of the purchase price was financed.

At the end of the 1980s, inflation rose in Switzerland and the Swiss National Bank had to tighten its monetary policy considerably. As a result, mortgage interest rates rose in the early 1990s and there were massive write-downs, particularly for commercial investment properties, which, however, were almost entirely reversed in the following years. Since then, lending practices have tightened considerably.

As a result, the default risk on owner-occupied residential property loans is very low in Switzerland. Although 10- or 20-year fixed-rate mortgages can be taken out at less than 2%, banks must check affordability using a calculated interest rate of 5%.

However, household income cannot be adjusted, even though it is clear from an economic perspective that the scenario of nominally stable gross income coupled with high inflation (approx. 4% p.a.), which would go hand in hand with higher mortgage interest rates, is not realistic. Nor may it be taken into account that inflation pushes up the market price of the property, while the debt ratio tends to fall due to the nominally stable mortgage debt. In addition, gross income is flexible and can be increased – depending on household needs – by a higher level of employment in the case of dual earners.

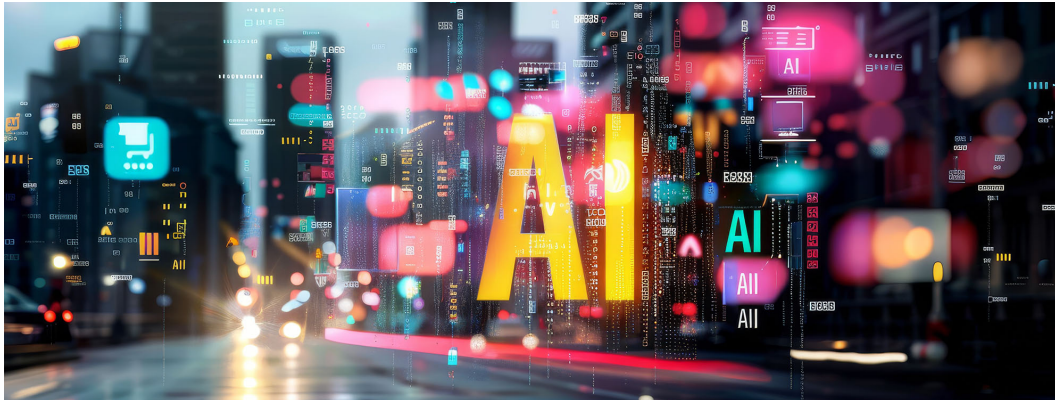
Nevertheless, banks are forced to set unrealistic scenarios in their internal guidelines and carry out stress tests in accordance with FINMA requirements, regardless of whether they appear economically plausible or not. However, it remains clear that the governing body (the board of directors of a bank or insurance company) regulates risk policy and determines risk appetite on an annual basis.

Accordingly, the board of directors also specifies the risk tolerance and risk appetite in the mortgage sector. We therefore welcome the fact that former members of supervisory authorities (such as Thomas Jordan, who was elected to the board of directors of Zurich Insurance) are experiencing in practice how appropriately and adequately risks are actually measured and managed.

Asset sub-class	3–6 months	12–24 months	Analysis
Residential properties CH	↗	↗	Risk management practices need to be even more principle-based. The rule-based approach (tick-box) ultimately weakens specific risk orientation.
Office and retail properties CH	→↗	↗	The retail market is facing challenges from online commerce, particularly in the food and fashion sectors. Demand for retail space is declining.
Real Estate Fund CH	→	→↗	The Swiss Real Estate Fund Index (SWIIT) has achieved a total return of +3.3% (year to date), with "our" Mobimo (+13%) and PSP (+17%) performing significantly better.
Infrastructure Equity / Fund	↗	↗	So far, the best-performing asset class was utilities, with stocks such as Engie (+34% total return), Vinci (+29%), BKW (+18%), Veolia (+16%) and Zurich Airport (+8%).

Equity

AI will continue to shape the future



Artificial intelligence is becoming increasingly important and is permeating more and more areas of private and business life (Image source: stock.adobe.com)

Artificial intelligence (AI) will continue to shape the stock markets. AI is likely to be more important than fire or electricity. Superintelligence and the speed with which it is implemented in the respective industries will determine the competitiveness of numerous companies. Even in asset management, the integration of AI will be necessary to achieve more efficient and effective decision-making.

At Zugerberg Finanz, we use AI prospectively to question common forecasts and trend analyses and identify risks at an early stage. This year has once again shown how much actual market developments can deviate from forecasts published just six months ago.

This means that one should not cling to outdated information for too long, but rather change and adapt the portfolio when the facts change. The difference between the US markets and the European and Asian markets became apparent several weeks ago when growth forecasts for the US were lowered and those for Europe and Asia were raised.

To minimize risks and maximize performance, rapid optimization of asset allocation is necessary.

European and US equities performed well in May after a difficult April, with US indices proving more volatile. Numerous companies remain under pressure, both in terms of their business performance and, as a result, their valuations.

We are sticking with Apple (-27% in CHF since the beginning of the

year). Apple remains under severe pressure simply because the US president has repeatedly called for production to be relocated to the US, but CEO Tim Cook has pointed out to him on several occasions that the necessary manufacturing capabilities are simply not available in the US. China has long since ceased to be a low-wage country. The main reason for the production facilities there is the immense availability of (highly) skilled personnel.

Apple has announced that it will invest USD 500 billion in the US over the next four years, including a new server manufacturing facility in Houston and a supplier academy in Michigan. However, Trump is demanding a complete relocation of iPhone production.

The scale of this is often overlooked. Apple's largest FATP (final assembly, test, and pack-out) facilities are located in Asia and are cities unimaginable to non-Asians, with hundreds of thousands of people, schools, sports halls, dormitories, and factories. The largest complex is located in the Chinese city of Zhengzhou, which has a population of 13 million and has even been given the name "iPhone City."

The cement company Holcim has announced details of the spin-off of its North American business Amrize. Monday, June 23, 2025, will be Amrize's first day of trading.

Amrize will be included in the SMI and is also seeking inclusion in the US S&P 500 Index. Formally, a special distribution in the form of a non-cash dividend of one Amrize share will be made for each Holcim share. AI will continue to play a key role.

Asset sub-class	3-6 months	12-24 months	Analysis
Equity Switzerland	→↗	↗	After five months, stocks in the SMI are widely scattered, ranging from Swiss Life and Geberit (both +22%) and Nestlé (+21%) to Logitech (-9%) and Sonova (-13%).
Equity Eurozone, Europe	→↗	↗	The largest portfolio contributions in Swiss francs since the beginning of the year were made by Axa (+27%), Deutsche Telekom (+18%) and Siemens (+14%).
Equity USA	→	↗	Return contributions varied greatly in May: Nvidia (+24% in USD), Microsoft (+17%), Amazon (+11%) and Alphabet (+7%). Berkshire and Apple (both -5%) fell back.
Equity Emerging markets	→↗	↗	The long-standing stock market upturn in India (+5% year to date) continued despite the shift in emerging market equity allocation towards China.

Alternative investments

Stress tests for shadow banks

EU regulators want to use stress tests to identify financial stability risks posed by the rapidly growing shadow banking sector. Next year, stress tests are planned for the first time for all non-bank financial intermediaries. These include pension funds, insurance companies, and private equity firms that offer financial services (e.g., mortgage loans) like banks but are less regulated.

FINMA and the SNB have certainly given this matter some thought. However, well-managed shadow banks have no cause for concern. Their liquidity risks differ fundamentally from those of banks. This is one of the main reasons why they are gaining market share. In Europe, non-banks now account for around a quarter of total lending.

Banks have long focused on default risk in their lending business. Reputational and, ultimately, liquidity risk have been neglected. If a major debtor defaulted, stopped paying interest and was no longer able to make repayments, this became public knowledge and caused uncertainty among bank customers (one example was the collapse of the Signa real estate group owned by Austrian businessman René Benko).

Just how quickly customers can withdraw their demand deposits and transfer them to another institution was demonstrated in spring 2023 by the example of Silicon Valley Bank. Rumors spread on social media that the Californian bank could become insolvent. This prompted customers to withdraw a quarter of their deposits within a few hours, effectively rendering the bank insolvent overnight. This was the first “bank run” fueled by social media.

A banker is a man who lends you his umbrella when the sun is shining and wants it back as soon as it starts to rain. Mark Twain hit a sore spot in the history of bank lending. As a result, more and more companies are relying on a resilient, well-capitalized shadow banking system. And shadow banks such as Partners Group, KKR,

and Apollo are increasingly stepping out of the shadows thanks to their positive contribution to economic development.

Ultimately, increasing regulation of banks (including higher capital requirements and higher liquidity) led most of them to shift their business model to the relatively risk-free mortgage lending business. If a bank-financed company such as SAir Group gets into trouble, the successor companies no longer receive bank loans.

Parts of companies such as SR Technics, Swissport, and Gategroup, which became independent at the time, owed their new lease of life exclusively to shadow banks. The 2008/09 crisis and the spring of 2020 also showed that numerous companies were able to count on the support of their private market funds.

A growing company has financing needs that are typically not met by banks with a low risk appetite. Pension funds, foundations, family offices, wealthy individuals, and others are investing more and more in private market vehicles, partly to participate in non-bank lending in a prosperous economy. These often prove to be more reliable lenders. Because they know that institutional investors who invest in private credit funds will not demand their money back tomorrow, this reduces the risk of sudden financing stops for companies.

Highly regulated banks, on the other hand, are “optimizing” their capital by focusing on senior secured loan books. No wonder private lending has been growing faster than commercial banking for several years. It provides financial market stability where banks fail.

Part of the success model is that the responsible credit managers only earn money and bonuses once the loans have been repaid with interest. They are committed with their own assets and, unlike employed bank managers, do not act with the same leverage. Incidentally, Swiss Life announced a few days ago that it would be launching a CHF 1.2 billion credit fund together with the insurer Vaudoise.

Asset sub-class	3–6 months	12–24 months	Analysis
Commodities	↘	→↗	The price (\$61 WTI) was supported by a sharp decline in drilling rigs in the US, which signals an imminent slowdown in production.
Gold, precious metals	→↗	→↗	An appropriate allocation to gold could prove a helpful safety buffer against tariff and trade uncertainty.
Insurance Linked Securities	↗	→↗	We recommend a currency-hedged solution, as the dollar is likely to fall by a further 9% by mid-2026, approaching its purchasing power parity.
Private equity	↗	↗	As volatility is likely to persist, such measures are a good way to protect your portfolios against turbulence and potential market downturns.

Market data

Asset class		Price (in local currency)			Monthly / YTD / Annual performance (in CHF)		
Equity		31.05.2025	05/2025	2025YTD	2024	2023	2022
SMI	CHF	12'227.1	+0.9%	+5.4%	+4.2%	+3.8%	-16.7%
SPI	CHF	16'850.3	+2.3%	+8.9%	+6.2%	+6.1%	-16.5%
DAX	EUR	23'997.5	+6.6%	+19.6%	+20.4%	+13.1%	-16.3%
CAC 40	EUR	7'751.9	+2.0%	+4.3%	-1.0%	+9.6%	-13.9%
FTSE MIB	EUR	40'087.4	+6.5%	+16.3%	+14.1%	+20.4%	-17.3%
FTSE 100	GBP	8'772.4	+4.1%	+4.5%	+12.1%	-0.3%	-8.8%
EuroStoxx50	EUR	5'366.6	+3.9%	+8.9%	+9.6%	+12.1%	-16.0%
Dow Jones	USD	42'270.1	+3.9%	-10.0%	+22.1%	+3.5%	-7.7%
S&P 500	USD	5'911.7	+6.1%	-9.0%	+33.4%	+13.1%	-18.5%
Nasdaq Composite	USD	19'113.8	+9.5%	-10.4%	+39.2%	+30.6%	-32.3%
Nikkei 225	JPY	37'965.1	+4.4%	-5.6%	+15.2%	+8.6%	-19.7%
Sensex	INR	81'451.0	+0.4%	-5.6%	+13.8%	+7.4%	-4.8%
MSCI World	USD	3'863.5	+5.7%	-5.6%	+26.6%	+10.8%	-18.5%
MSCI EM	USD	1'157.3	+4.0%	-2.5%	+13.6%	-2.6%	-21.5%
Bonds (mixed)		31.05.2025	05/2025	2025YTD	2024	2023	2022
Glob Dev Sov (Hedged CHF)	CHF	152.8	-0.9%	-0.3%	-1.4%	+2.2%	-13.2%
Glob IG Corp (Hedged CHF)	CHF	184.1	-0.1%	+0.6%	-0.8%	+4.2%	-16.7%
Glob HY Corp (Hedged CHF)	CHF	364.5	+1.3%	+1.2%	+6.1%	+8.7%	-13.6%
USD EM Corp (Hedged CHF)	CHF	275.0	+0.4%	+1.2%	+2.4%	+4.5%	-18.2%
Government bonds		31.05.2025	05/2025	2025YTD	2024	2023	2022
SBI Dom Gov	CHF	186.9	+0.1%	+0.1%	+4.0%	+12.5%	-17.0%
US Treasury (Hedged CHF)	CHF	137.3	-1.4%	+0.7%	-3.8%	-0.5%	-15.0%
Eurozone Sov (Hedged CHF)	CHF	179.6	0.0%	-0.3%	-0.8%	+4.8%	-18.9%
Corporate bonds		31.05.2025	05/2025	2025YTD	2024	2023	2022
CHF IG Corp (AAA-BBB)	CHF	192.3	+0.6%	+0.7%	+5.1%	+5.7%	-7.5%
USD IG Corp (Hedged CHF)	CHF	185.1	-0.4%	+0.6%	-2.4%	+3.5%	-18.5%
USD HY Corp (Hedged CHF)	CHF	614.0	+1.3%	+1.0%	+3.7%	+8.5%	-13.7%
EUR IG Corp (Hedged CHF)	CHF	168.8	+0.4%	+0.5%	+2.0%	+5.9%	-14.1%
EUR HY Corp (Hedged CHF)	CHF	306.5	+1.2%	+1.3%	+5.4%	+9.8%	-10.9%
Alternative investments		31.05.2025	05/2025	2025YTD	2023	2022	2021
Gold Spot CHF/kg	CHF	86'968.3	-0.4%	+13.6%	+36.0%	+0.8%	+1.0%
Commodity Index	USD	100.0	-0.9%	-8.3%	+8.3%	-20.4%	+15.1%
SXI SwissRealEstateFunds TR	CHF	2'810.5	+3.5%	+3.5%	+16.0%	+5.4%	-17.3%
Currencies		31.05.2025	05/2025	2025YTD	2024	2023	2022
US dollar / Swiss franc	CHF	0.8224	-0.4%	-9.4%	+7.8%	-9.0%	+1.3%
Euro / Swiss franc	CHF	0.9333	-0.3%	-0.7%	+1.2%	-6.1%	-4.6%
100 Japanese yen / Swiss franc	CHF	0.5710	-1.1%	-0.9%	-3.4%	-15.4%	-11.0%
British pound / Swiss franc	CHF	1.1069	+0.5%	-2.5%	+6.0%	-4.2%	-9.3%

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