

Lake Ägeri, Canton of Zug (Photo: Andreas Busslinger)

Rotation at the Start of the Final Quarter

According to the latest global economic outlook, we can expect accelerated growth in the coming year. In this context, the International Monetary Fund anticipates an acceleration in global real economic growth to as much as 3.5%.

Energy prices remain, to a certain extent, the main source of uncertainty, and this is linked to further supply bottlenecks, resulting inflation expectations, and ultimately monetary policy as well. The International Monetary Fund's encouraging forecast provided a tailwind for some sectors of the economy in the capital markets. In contrast, market fears intensified, particularly regarding technology- and AI-related business models—in both equity and bond markets. Given persistently high interest rates, aggressive AI investments are fueling concerns about financial overextension, which could lead to painful write-downs in the coming years.

Within the stock markets, the past month saw a global rotation away from AI-related companies toward non-AI-related sectors such as healthcare, utilities, and consumer staples. This trend is best illustrated by technology-heavy stock indices: The U.S. Nasdaq fell by -6.5% (in CHF) last month despite solid quarterly results. The declines in Taiwan (-9.0%) and South Korea (-15.8%) mirrored that of the U.S. semiconductor index SOX (-16.5%). More conservative indices, such as the U.S. Dow Jones (+0.4%) and, in particular, the Swiss Market Index (+7.1%), benefited from the rotation toward defensive, high-quality stocks.

In October, the tide turned

The Swiss Market Index (SMI) proved to be the strongest market in October, and the Swiss franc strengthened slightly. Within the SMI, the three largest companies had a significant impact on performance (Roche +16%, Novartis +12%, Nestlé +11%). A large number of Swiss companies delivered impressive results in their latest quarterly reports. The appeal of defensive quality was a key factor. In October, investors once again turned to robust companies with high profitability and solid balance sheets that are largely immune to rising borrowing costs. In October, only 5 out of 20 stocks in the SMI posted losses—all of them cyclical companies.

Performance was weaker on international stock markets. The German DAX (-0.4% in CHF) lost less than the French CAC 40 (-2.7%). The Japanese Nikkei (-6.5%) and the Chinese Hang Seng (-6.6%) suffered significantly greater losses, as did emerging market stocks (-9.2%). Due to the weaker dollar, the broad S&P 500 also fell (-2.2%). The overall picture meant that all portfolios posted gains in October. Risk Class 5 (Dividend) saw a significant increase in October because approximately 80% of the stocks in this class are Swiss equities, which benefited disproportionately from the SMI rally.

In the second half of October, bonds at least recovered. The global bond index (-3.2% year-to-date) continues to underperform the Swiss government bond index (-1.2%) by a wide margin. The Zugerberg Income Fund (-2.1%) falls somewhere in between. By contrast, the Credit Opportunities Fund (- 0.8%) has demonstrated stability since the beginning of the year in an inflation-driven negative interest rate environment.

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Strategies mainly based on individual titles, supplemented by ETFs and investment funds	Strategy performance*	
	October 2026	2026 YTD
Zugerberg Finanz R1	+0.9%	−2.1%
Zugerberg Finanz R2	+1.2%	−0.6%
Zugerberg Finanz R3	+1.2%	+1.1%
Zugerberg Finanz R4	+1.2%	+3.3%
Zugerberg Finanz R5	+1.6%	+5.8%
Zugerberg Finanz RDividends	+6.5%	+7.7%
Zugerberg Finanz Revo1	+1.1%	−2.2%
Zugerberg Finanz Revo2	+1.4%	−0.9%
Zugerberg Finanz Revo3	+1.4%	+0.7%
Zugerberg Finanz Revo4	+1.4%	+3.0%
Zugerberg Finanz Revo5	+1.8%	+4.9%
Zugerberg Finanz RevoDividends	+6.6%	+6.8%
Zugerberg Finanz DecarbRevo3	−2.4%	+7.3%
Zugerberg Finanz DecarbRevo4	−2.7%	+9.3%
Zugerberg Finanz DecarbRevo5	−3.0%	+10.5%

Zugerberg Finanz Vested benefits	Strategy performance*	
	October 2026	2026 YTD
Zugerberg Finanz Vested benefits R0.5	+0.7%	−2.6%
Zugerberg Finanz Vested benefits R1	+1.1%	−1.3%
Zugerberg Finanz Vested benefits R2	+1.3%	−0.7%
Zugerberg Finanz Vested benefits R3	+1.1%	+1.0%
Zugerberg Finanz Vested benefits R4	+1.7%	+3.3%
Zugerberg Finanz Vested benefits R5	+1.6%	+5.8%
Zugerberg Finanz Vested benefits RDividends	+6.5%	+7.7%

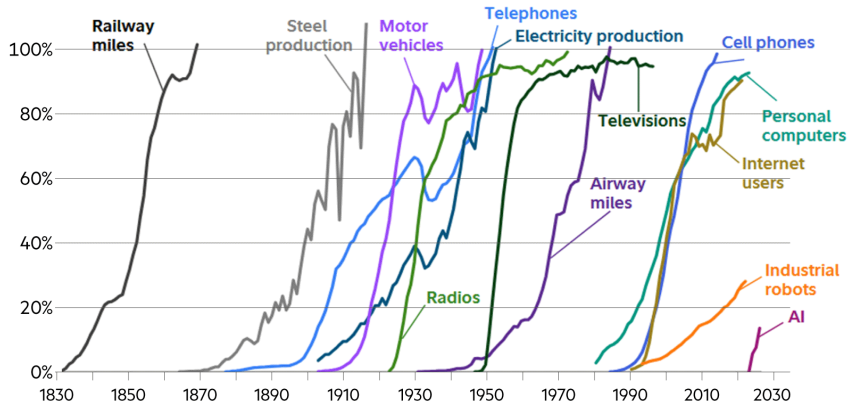
Zugerberg Finanz 3a pension solution	Strategy performance*	
	October 2026	2026 YTD
Zugerberg Finanz 3a Revo1	+1.1%	−2.2%
Zugerberg Finanz 3a Revo2	+1.4%	−0.9%
Zugerberg Finanz 3a Revo3	+1.4%	+0.7%
Zugerberg Finanz 3a Revo4	+1.4%	+3.0%
Zugerberg Finanz 3a Revo5	+1.8%	+4.9%
Zugerberg Finanz 3a RevoDividends	+6.6%	+6.8%
Zugerberg Finanz 3a DecarbRevo3	−2.4%	+7.3%
Zugerberg Finanz 3a DecarbRevo4	−2.7%	+9.3%
Zugerberg Finanz 3a DecarbRevo5	−3.0%	+10.5%

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

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Macroeconomics

Massive Change in the Global Economy



Historical Comparison of Adoption Phases for New Technologies

AI adoption is still in its early stages (Source: Fidelity Institutional, Market Update Q4/2026 | Chart: Zugerberg Finanz)

From a macroeconomic perspective, short-term economic shocks, medium-term cyclical trends, and long-term secular changes are constantly intertwined. This complicates tactical decision-making in the capital markets from a macroeconomic standpoint and forces us to distinguish, as much as possible, between "noise" and fundamental trends. We remain convinced that AI will bring about massive change in the global economy and that we are still only in the early stages of these major changes.

AI has the potential to fundamentally transform social and economic life. From a wealth management perspective, the ultimate question is: What steps must be taken to preserve wealth, and what steps should be taken to grow wealth over the long term beyond its purchasing power?

The macroeconomic perspective must necessarily focus on the meso- and micro-levels—where industries and business models are undergoing transformation. For companies, we examine each quarterly report to assess the progress generated by the use of AI and whether it strengthens earnings , and growth potential. Innovative companies will soon be able to reshape their market penetration and profit growth potential.

To assess this from the outside, it is no longer enough to focus solely on the analytical level—inflation rates, trade and current account balances, labor market indicators, purchasing managers' surveys, and token prices. Even the corporate level is difficult to grasp. Take the example of the Alphabet Group. Its cloud business grew enormously (+103% year-over-year to $30.7 billion in the third quarter), and the AI application Gemini has already registered more than 1.0 billion people as "monthly active users." Conversely, the Google search engine lagged behind with +12% growth. The problem is that AI-powered search queries generate less revenue than traditional search queries, creating a tension of "creative destruction" within the same corporate group.

For us, the task is to identify the key factors in each industry that distinguish market share winners from losers. This requires dialogue with management, including on-site visits, the analysis of individual factory- and country-specific productivity indicators, and much more.

AI technology and its adoption in the corporate landscape are still in their infancy in numerous industries. This is also evident in the penetration rate, which—while still low compared to earlier technological advances—has been rising rapidly in recent times. The economic impacts have been somewhat mixed so far, but the changes in the labor markets are gradually becoming apparent.

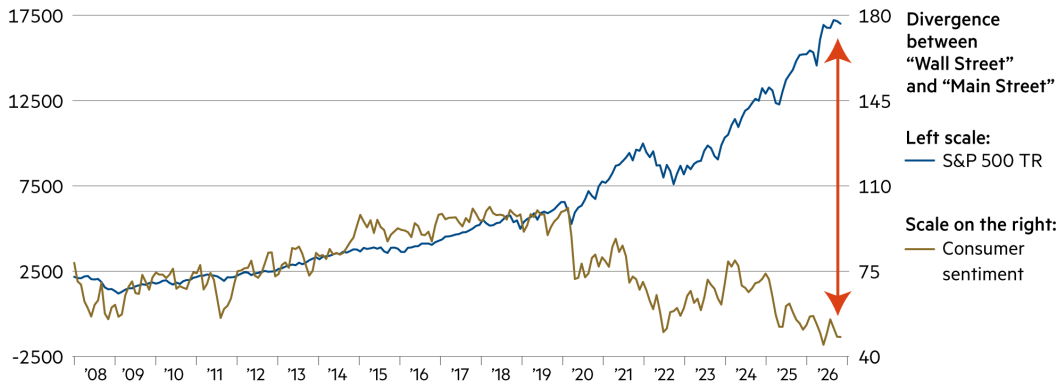
Investments in AI have so far contributed to higher input costs but have not yet shown any signs of disinflation or structural productivity gains. Nevertheless, its future economic contribution should not be underestimated. In the token economy, there are extreme improvements in speed and cost reductions. The pace of AI adoption and penetration across a wide range of industries and markets will undoubtedly revolutionize global economic production and consumption in the future to an even greater extent than previously anticipated.

Region	3–6 months	12–24 months	Analysis
Switzerland	↗	↗	At 55.3 points (September), the Purchasing Managers' Index has remained above the 50-point growth threshold for the seventh consecutive month.
Eurozone, Europe	↗	↗	In Europe, rising inflation risks are offset by downside risks to growth. Second-round effects driven by labor unions are shaping monetary policy.
USA	↗	↗	GDP grew less in the first half of the year (+2.5%) than in the third quarter (+3.0%). Investment ("AI boom") accounts for a larger share than ever before.
Rest of the world	↗	↗	China is acting with strategic foresight in certain sectors. By contrast, Europe's efforts to protect against a lack of competitiveness appear short-sighted.

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Liquidity, currency

The K-economy is becoming more visible



The divergence between Wall Street and Main Street from 2008 to 2026 (Source: Bloomberg | Chart: Zugerberg Finanz)

Wall Street is symbolized by the broad S&P 500 stock index, while consumer confidence is considered the most important indicator for Main Street. The decoupling has never been as pronounced as it has been recently, and this also has political implications. The phenomenon of the K-shaped economy is arguably most pronounced in the U.S., but at its core, comparable trends can be observed in many advanced economies and are also shaping currency markets.

The K-shaped economy describes a structural inequality in economic development in which the situation for high-income earners and large companies improves, while low-income earners and small businesses fall behind at the same time. The term refers to two diverging paths of development, like the two branches of the letter "K."

The S&P 500 Index has soared to new heights since the COVID-19 pandemic in 2020 and is currently just 3% below its all-time high. This has primarily benefited highly skilled workers, tech companies, and their shareholders, that is high-net-worth households. Well-capitalized companies are also largely unaffected by rising interest rates and therefore belong to the upper branch.

During the same period, consumer sentiment—as measured by the widely recognized University of Michigan Sentiment Index—has fallen by over 50% to 48 points. This marks the lowest level in the index's history.

Consumer sentiment is measured on a representative basis. Among the general population (which, in a sense, centers on Main Street in some small town in the U.S.) there are many households with middle and lower incomes. They often engage in labor-intensive work and are more vulnerable to price changes (+13% inflation since December 2022). First, they faced restrictions due to COVID-19; then, they experienced sharp price increases. The bottom half of households holds just 0.6% of all stocks, while the top 10% hold 88.1%. That's where the stock market rally is felt most acutely.

Rising costs of living for housing, food, driving, education, health insurance, other insurance, restaurants, and travel drove prices to unprecedented levels. On top of that, wages failed to keep pace with inflation, and sentiment among small businesses and "ordinary" people grew more pessimistic.

Rising stock prices, on the other hand, lifted the spirits of the top households. The top 10% by income now consume 50% of all goods and services in the U.S. The remaining 90% share the other half. As long as the top income and wealth groups consume and invest enough to keep asset prices high, the impression of a resilient economy persists.

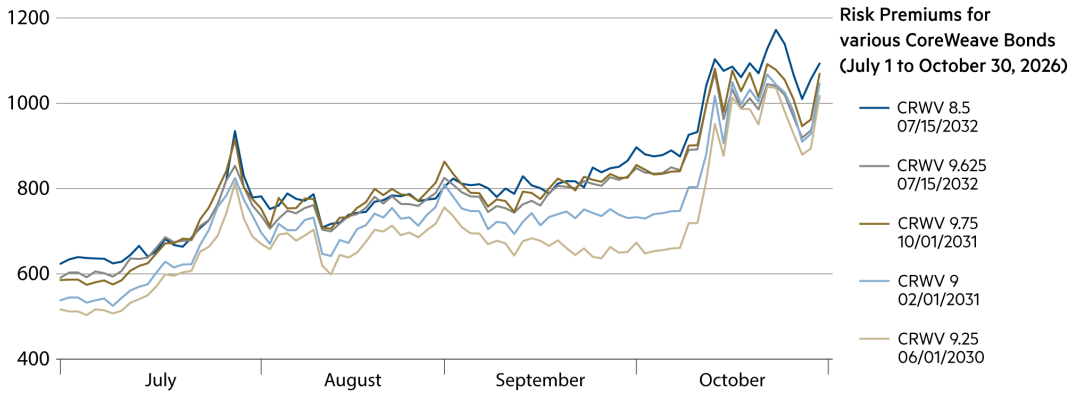
But there are now growing fissures and deep cracks. These suddenly include well-known companies such as Home Depot (-4% since the start of the year), Chipotle Mexican Grill (-14%), McDonald's (-16%), and Nike (-38%). This is because people on Main Street can no longer spend money freely. Affordability has become a central social issue. It remains unclear how long this divide can persist. The widening gap between winners and losers is also increasingly causing social tensions.

Asset class	3–6 months	12–24 months	Analysis
Bank account	↘	↘	As of the end of October, Saron swaps are slightly down for terms up to 6 months. The 1-year rate (+0.1%) is significantly lower than the 3-year (+0.4%) and 10-year (+0.7%) rates.
Euro / Swiss franc	→	→	At 0.92, the euro remains unchanged from the previous year. Over the past 12 months, it has fluctuated between 0.90 (March 26) and 0.95 (September 26).
US dollar / Swiss franc	→	↘	Should consumer pessimism lead to a "consumer strike," the dollar will weaken more rapidly than currently expected.
Euro / US dollar	→	↗	Record-low consumer sentiment could be an indicator of strong stock market and currency performance (USD) over the next 12 months.

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Bonds

Rising Nervousness in the Credit Markets



The performance of risk premiums for CoreWeave bonds from July 1 to October 30, 2026 (Source: Bloomberg | Chart: Zugerberg Finanz)

While stock markets remain in close proximity to their all-time highs, credit markets are signaling trouble in 2027. Companies such as SpaceX and CoreWeave exemplify the divergence between the relatively positive sentiment in the stock market and the traditionally highly skeptical credit markets. These are by no means the only AI-related companies with negative cash flow, even though their revenues are rising sharply.

CoreWeave is a leading provider of extremely high-performance data centers equipped with the latest Nvidia chips. This requires an extremely high capital outlay, which in recent quarters has increasingly been financed through the credit markets. As recently as mid-year, the company was still able to issue short- to medium-term bonds with credit spreads of around 250 to 400 basis points above government bonds of comparable maturity. However, the company now has only about $5.5 billion in cash on hand, while its debt exceeds $50 billion.

In the third quarter, global credit markets were flooded with AI-related debt, but as skepticism grew regarding the monetization of AI business models, investors focused on the very best borrowers. For CoreWeave, conditions in the credit markets deteriorated within a matter of weeks. Credit risk premiums rose into the “red” zone, where there is a significant risk of default. The bond maturing in 2031 most recently yielded a high 15%, with the probability of default having risen to over 50%.

This means that the probability of default over the next five years is higher than the odds of a coin flip. These are definitely not bonds you want in your portfolio. That is why the credit markets—and not future customer orders—are bringing the growth of various AI-related companies to a halt. Without capital, the construction of additional data centers cannot proceed. A construction freeze triggers a chain reaction in the construction, energy, and chip industries.

It’s nothing new that the credit markets are more skeptical than the stock markets. But this skepticism is now spreading even to major hyperscalers like Alphabet, Amazon, and SoftBank, as well as the space and AI company SpaceX. The latter issued bonds as recently as this summer, which are now—four months later—trading at about 85% of their face value.

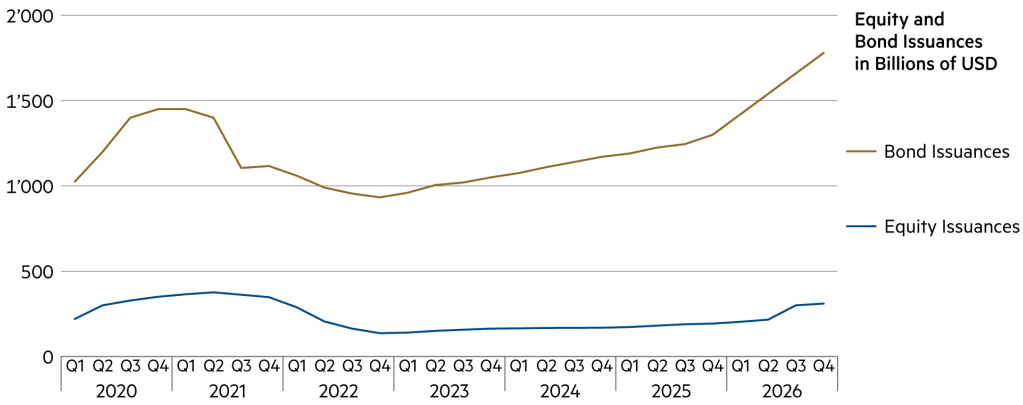
It’s worth noting that long-term debt on the balance sheet isn’t the core of the AI-related debt problem. Rather, it’s the off-balance-sheet obligations that are piling up. Meta, the parent company of Facebook and Instagram, recently specified that capital expenditures for the 2026 fiscal year would range from $135 billion to $145 billion. Free cash flow is negative, and the balance sheet shows $60 billion in debt. Off-balance-sheet liabilities have now reached an exceptionally high $420 billion. These are figures that should not be overlooked. In any case, stress in the credit markets is likely to increase rather than subside.

Asset sub-class	3–6 months	12–24 months	Analysis
Government bonds	→	↘	The relentless borrowing by AI companies has recently driven up costs across the entire yield curve and in credit risk premiums.
Corporate bonds	↗	↗	Companies such as Oracle and CoreWeave are already trading like sub-investment-grade bonds. French government bonds have suffered the same fate.
High-yield, hybrid bonds	↗	↗	This is a relatively small segment that is currently attractive, as interest rate risks are moderate and yields can be achieved through credit risk premiums.

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Zugerberg Finanz bond solutions

Bond Issuances Dominate the Issuance Markets



Equity and bond issuances in billions of USD; rolling 12-month average (Source: Bloomberg L.P., Fidelity Investments | Chart: Zugerberg Finanz)

Since our focus is on corporate bonds for the Zugerberg Finanz bond solutions, people often ask us if there are enough options available. That is why we are addressing this topic this time. A look at stock and bond issuance over the past few years alone clearly shows that companies issue significantly more bonds than stocks. The steep rise over the past two years is attributable to the capital needs of hyperscalers such as Alphabet, Microsoft, Amazon, Meta, and Oracle.

The rapid expansion of AI infrastructure significantly increased the hyperscalers' financing needs, leading to a sharp rise in the issuance of corporate bonds with an "investment-grade" rating in a wide range of currencies. Issuers with lower ratings have also tapped the credit markets to finance AI-related investments, thereby increasing AI exposure in the high-yield market as well. By 2026, slightly more than 20% of the total bond volume will have been issued by hyperscalers and AI-related debtors. In the coming year, this share is likely to increase further, effectively turning passive bond ETFs into a channel for AI financing.

More recently, increased demand and rising bond yields have also prompted companies to consider equity offerings to finance their extensive pipeline of capital expenditures. Alphabet and Meta issued non-voting shares to finance data center expansion, with the intention of reversing this dilution of existing shareholders' stakes starting in 2030—during a period of positive cash flows.

The hyperscalers' credit metrics deteriorated under the weight of capital expenditures—albeit from a position of considerable strength. We interpret the recent widening of spreads as primarily driven by technical factors: a relentless flood of new issuance transactions, occurring more frequently and on a larger scale, and unpredictable issuance timelines, coupled with investment plans that are steadily increasing. Signs that AI investments can be monetized quickly remain limited.

Off-balance-sheet debt, on the other hand, is growing rapidly. We estimate that bonds issued by hyperscalers will account for over 70% of AI debt this year, but looking ahead, we expect off-balance-sheet financing for data centers and chips to account for an even larger share. This segment could grow significantly by 2028 and eventually account for the majority of total outstanding AI debt.

AI-related debt instruments constitute an increasingly large and complex part of both the public and private credit markets. According to Goldman Sachs' estimates, their volume is expected to reach $2'000'000'000'000 within two years. It is therefore important for us to shift our focus from the size of the issuances (larger issuances are typically considered more liquid) to the quality of the structure: What exactly are these debt instruments, what secures their repayment, and how liquid and resilient will they be in times of stress?

	Zugerberg Income Fund	Credit Opportunities Fund
Yield in 2026 (since the beginning of the year)	-2.1%	-0.8%
Yield since the start (annualized)	-8.4% (-1.0%)	+37.8% (+2.3%)
Proportion of months with positive yield	57%	67%
Credit risk premium in basis points (vs. previous month)	112 BP (+8 BP)	380 BP (+31 BP)
Average rating (current)	A-	BB

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

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Real estate, infrastructure

Solid Long-Term Returns

Metric	Listed real estate equities (SIX)	Listed real estate funds (SIX)	Unlisted real estate funds	Investment foundations (KGAST)
Number of securities	Approx. 17	Approx. 47	Approx. 13	Approx. 48
Market capitalisation	> CHF 29 billion	> CHF 82 billion	> CHF 12 billion	> CHF 87 billion
Avg. debt financing ratio	Approx. 38%	Approx. 24%	Approx. 21%	Approx. 9%
Sector focus	Predominantly commercial	Predominantly residential	Mixed	Predominantly residential

The investment universe for indirect real estate in Switzerland (Source: SIX, KGAST, UBS | Table: Zugerberg Finanz)

Interest rates on Swiss government bonds remain low. This makes yield-oriented investments in Swiss real estate all the more attractive. In addition to direct investments, there are various other avenues available. Listed real estate stocks have a combined market capitalization of over 29 billion Swiss francs. Real estate funds total approximately 94 billion Swiss francs. In addition, tax-exempt pension funds have access to investment foundations totaling more than 87 billion Swiss francs.

In Switzerland, many real estate funds and investment foundations are still in the process of building out their portfolios. They are raising fresh capital to expand their existing portfolios. These amounts often run into the hundreds of millions. The vast majority of these funds is invested in the development of high-quality real estate in metropolitan areas. There is also a growing demand for attractive suburban locations.

The main factor, of course, is that real estate is a solid asset class in Switzerland. The Swiss National Bank's zero-interest-rate policy and the meager yield prospects on 10-year Swiss government bonds (0.4%) are supporting demand for real estate. The IAZI Investment Real Estate Price Index for income-generating properties with residential and mixed-use development rose by 1.4% in the third quarter of 2026 compared to the previous quarter.

Low financing costs, low inflation expectations, favorable interest rate forecasts, and currently relatively high GDP growth rates in Switzerland are creating favorable conditions for real estate investments. While SARON mortgages are available starting at 0.8%, 10-year fixed-rate mortgages have risen to around 2.0%. For new construction and renovation projects, it remains advantageous that the SBV nominal construction index has hardly changed over the past three years. Only the cost of building land has risen significantly.

What distinguishes Switzerland from its neighboring countries is its liberal legal system. The socialization of private property, as is currently being pursued in Berlin, contradicts the liberal and humane spirit of the Enlightenment, which declares the protection of property to be the supreme value of the legal system. We are currently witnessing firsthand that the state struggles to guarantee property rights when looters and thieves run rampant in cities. Property remains the most important driving force of a market economy. Only where property rights are guaranteed are people willing to invest capital and create jobs.

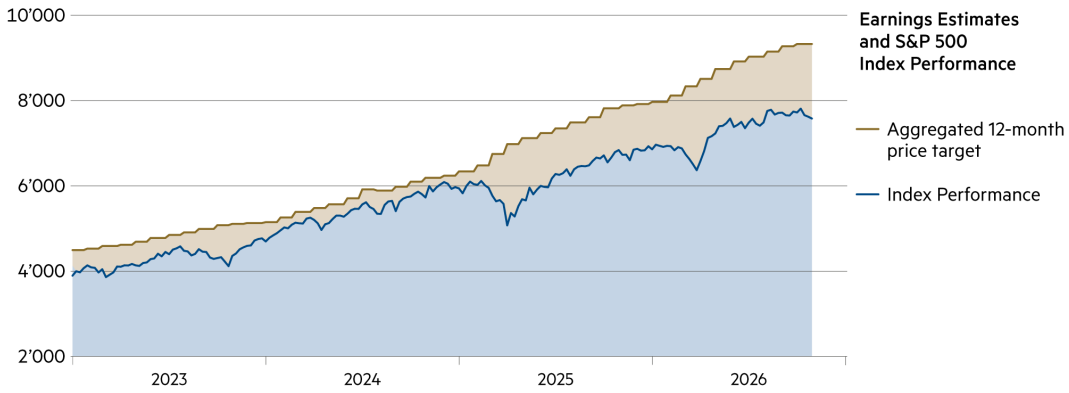
Socialization does not solve any problems. Rather, it exacerbates the core problem by depriving market forces of their driving force. The gradual deterioration of the expropriated apartments is foreseeable. Experiments with socialization during the GDR era were largely unsuccessful. It seems as though Berlin does not want to learn anything from the past. In any case, legal uncertainty alone is ensuring that there is hardly any investment left in Germany. Collectivist ideas are spreading everywhere; sometimes the talk is of nationalization, sometimes of expropriation. In financial terms, one would say that sentiment toward real estate investments in Germany, France, Italy, and the United Kingdom is not exactly favorable.

Asset sub-class	3–6 months	12–24 months	Analysis
Residential properties CH	→↗	↗	Indirect Swiss real estate investments in the index (SWIIT) have a distribution yield of just 2.4%. The premium to NAV is 28.2%.
Office and retail properties CH	→↗	↗	The average distribution yield in Swiss investment foundations classified as "commercial" is 3.2%, with a debt-to-equity ratio of 13.1%.
Real Estate Fund CH	→	→	The tightening of the Lex Koller regulations is weighing on real estate funds. The SWIIT (-2.0%) and CHREF (-1.7%) indices continue to post negative total returns.
Infrastructure Equity / Fund	↗	↗	During the AI sell-off, infrastructure stocks contributed significantly to stabilizing and increasing the value of portfolios.

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Equity

The earnings growth trend remains positive



S&P 500: Earnings Estimates and Index Performance Over the Past 3 Years (Source: Bloomberg L.P. | Chart: Zugerberg Finanz)

Most of the third-quarter earnings season is now behind us. Tech companies dominate market capitalization, and most are connected in one way or another to AI. Like every technological wave, AI will also profoundly transform our (economic) lives. That is why stock prices may occasionally decouple from these companies' actual earnings. We consider excessive concerns about an imminent collapse of AI-related companies—for example, within the broad S&P 500 Index—to be overblown. However, this should not simply be interpreted as a favorable buying opportunity ("buy the dip"). Rather, in our view, maintaining good diversification across various sectors remains important in a healthy portfolio.

In the AI sector, we are undoubtedly approaching some crucial quarters. Increasing investments are leading to negative cash flows at major companies such as Microsoft, Alphabet, Amazon, and Meta—and, incidentally, to noticeably lower tax revenues in the respective countries where data centers are being built. It's also worth considering that companies like OpenAI and Anthropic have never actually been profitable. Should we—and to what extent—provide these companies with equity (stock) or debt (bonds)?

Computing power providers are enjoying an explosion in token usage. However, we're also seeing concerned CFOs worried about spiraling IT spending. In addition, token prices are plummeting. Competition for AI customers is extremely fierce. And Western companies must also compete in this market against the far lower prices offered by Chinese computing models.

In any case, the profits of megacap companies have failed to convince investors of a rapid recovery in the AI sector. However, the market is also hard to please when it comes to AI investments. It's concerning when companies like SoftBank increase their spending, and it's concerning when they reduce it, as Tesla has done. In the current environment, it's nearly impossible from a communications standpoint to strike the "right balance."

Following this year's rapid stock rally, questions have increasingly arisen about inflated valuations and the risk of a bubble. The days of simply "telling AI stories" are over; currently, only a few companies are succeeding in monetizing AI. However, economies of scale—which seemed impossible just a few years ago—are giving rise to new expectations regarding future profits.

In the insurance industry, up to 50% of the workforce could be replaced by AI; in the banking sector, productivity gains of up to 40% are foreseeable within a few years. In the transportation industry, Kühne+Nagel and DSV are currently demonstrating how AI-driven automation can, for example, dramatically improve warehouse management and process the large volumes of data involved in invoicing and customs clearance much more quickly. Ultimately, the potential for scaling can lead to massive increases in employee productivity and, consequently, boost long-term profitability. In the healthcare sector, too, AI can drive significant improvements, which is why it would be a mistake to take a narrow view of AI in the capital markets.

Asset sub-class	3–6 months	12–24 months	Analysis
Equity Switzerland	↗	↗	October demonstrated just how attractive Swiss stocks can be in an environment where investors were looking for bargains amid the "sell-off of AI stocks."
Equity Eurozone, Europe	↗	↗	European countries appear to be losing control over the rule of law. As a result, stocks (not just in France) are increasingly subject to a risk premium.
Equity USA	↗	↗	Fault lines and cracks have become apparent in parts of the AI value chain, but the most critical months of the major reckoning are still ahead for the markets.
Equity Emerging markets	↗	↗	Chinese stocks are in a bear market after falling more than 20% over four months. The government ordered purchases to stabilize the market.

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Alternative investments

Risks Are Increasing



Image source: stock.adobe.com (AI-generated)

The summer of 2026 was marked by drought and heat, but also by natural disasters (hail, floods) linked to the same climate conditions. According to current climate models, the frequency of extreme weather events in Europe is likely to increase rather than decrease in the coming years. The storm in Switzerland (August 2026), with hailstones up to five centimeters thick, caused damage totaling over 1.7 billion francs. The extent of damage from the heavy rains in eastern Spain (October 2026) was also immense, with up to 700 liters of rain per square meter falling in 24 hours.

Extreme weather is increasingly becoming a driver of catastrophic events in Europe, according to the reinsurer Swiss Re. Extreme heat and drought can also lead to more frequent wildfires and, above all, disrupt energy supplies, infrastructure, and ultimately the economy. Damage from natural disasters in densely populated Europe has increased by an average of 5% per year since 1980.

This is relevant to the insurance industry because it was long believed that the hurricane season in the U.S. was the worst event. However, even if the U.S. is spared severe hurricane damage in a given year—such as 2026—this does not automatically mean a calmer disaster environment.

For the sixth consecutive year, global insured catastrophe losses exceeded the $100 billion mark last year. This was not primarily due to individual major events such as hurricanes or earthquakes. Instead, record losses from wildfires, as well as numerous severe thunderstorms causing damage from hail, high winds, and tornadoes, placed a heavy burden on the insurance industry.

A century after the Great Miami Hurricane struck a rapidly growing city, the hurricane risk in Florida has fundamentally changed due to 100 years of population and real estate growth, as well as higher construction costs. Swiss Re estimates that a Category 5 hurricane striking Miami or Tampa Bay could cause insured losses of $300 billion or more. This would represent one of the largest insured losses from a single event: a scenario the industry still anticipates, even after this year's record-quiet hurricane season.

However, the potential for severe hurricane damage extends beyond these locations: landfalls in other parts of Florida or scenarios involving multiple landfalls could also cause losses well in excess of $100 billion. The region relies on the global reinsurance market and alternative capacities to absorb losses from such tail-risk events. Well-positioned catastrophe bond funds therefore remain an attractive investment. The market offers both defensive and dynamic solutions, with selectivity—including robust modeling, disciplined accumulation management, and effective risk mitigation measures—playing a crucial role. The 2027 outlook calls for a "normal" season, though premiums are expected to continue declining: a trend that reinsurers such as Swiss Re are also feeling.

Asset sub-class	3–6 months	12–24 months	Analysis
Commodities	↗↘	→	Energy markets are complicating efforts to combat inflation as long as oil prices (Brent, WTI) remain well above the $100 mark.
Gold, precious metals	→↗	↗	The correction presents an opportunity to strengthen gold's role as a hedge against inflationary uncertainty and geopolitical risks.
Insurance Linked Securities	↗	→↗	ILS are used in our vested benefits solutions as part of our diversification strategy. They are an attractive component due to their low correlation.
Private equity	→	↗	Infrastructure funds, in particular, remain popular among private-market investments. They provide diversification for risk-conscious, cash-flow-oriented investors.

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Market data

Asset class		Price (in local currency)	Monthly / YTD / Annual performance (in CHF)				
Equity		**31.10.2026**	**10/2026**	**2026 YTD**	**2025**	**2024**	**2023**
SMI	CHF	14'810.7	+7.1%	+11.6%	+14.4%	+4.2%	+3.8%
SPI	CHF	20'847.0	+6.3%	+14.4%	+17.8%	+6.2%	+6.1%
DAX	EUR	25'818.2	−0.5%	+4.2%	+21.6%	+20.4%	+13.1%
CAC 40	EUR	7'969.4	−2.9%	−3.5%	+9.4%	−1.0%	+9.6%
FTSE MIB	EUR	49'501.0	−6.5%	+8.9%	+30.0%	+14.1%	+20.4%
FTSE 100	GBP	10'729.8	+0.8%	+11.7%	+14.1%	+12.1%	−0.3%
EuroStoxx50	EUR	6'131.3	−5.1%	+4.5%	+17.3%	+9.6%	+12.1%
Dow Jones	USD	51'770.3	+0.4%	+11.9%	−1.3%	+22.1%	+3.5%
S&P 500	USD	7'580.1	−2.2%	+15.0%	+1.7%	+33.4%	+13.1%
Nasdaq Composite	USD	25'437.0	−6.5%	+13.7%	+5.2%	+39.2%	+30.6%
Nikkei 225	JPY	63'290.1	−6.5%	+30.1%	+10.9%	+15.2%	+8.6%
Sensex	INR	74'459.5	+2.5%	−14.1%	−9.3%	+13.8%	+7.4%
MSCI World	USD	4'862.4	−2.1%	+14.0%	+4.4%	+26.6%	+10.8%
MSCI EM	USD	1'566.6	−9.3%	+15.9%	+14.1%	+13.6%	−2.6%
Bonds (mixed)		**31.10.2026**	**10/2026**	**2026 YTD**	**2025**	**2024**	**2023**
Glob Dev Sov (Hedged CHF)	CHF	146.7	+1.3%	−3.3%	−1.0%	−1.4%	+2.2%
Glob IG Corp (Hedged CHF)	CHF	180.5	+1.3%	−3.7%	+2.5%	−0.8%	+4.2%
Glob HY Corp (Hedged CHF)	CHF	369.2	−0.3%	−2.7%	+5.4%	+6.1%	+8.7%
USD EM Corp (Hedged CHF)	CHF	277.6	+0.9%	−3.6%	+5.9%	+2.4%	+4.5%
Government bonds		**31.10.2026**	**10/2026**	**2026 YTD**	**2025**	**2024**	**2023**
SBI Dom Gov	CHF	184.9	+1.2%	−0.8%	−0.2%	+4.0%	+12.5%
US Treasury (Hedged CHF)	CHF	133.2	+2.0%	−3.9%	+1.7%	−3.8%	−0.5%
Eurozone Sov (Hedged CHF)	CHF	169.3	+0.8%	−4.3%	−1.8%	−0.8%	+4.8%
Corporate bonds		**31.10.2026**	**10/2026**	**2026 YTD**	**2025**	**2024**	**2023**
CHF IG Corp (AAA-BBB)	CHF	192.5	+0.5%	+0.1%	+0.7%	+5.1%	+5.7%
USD IG Corp (Hedged CHF)	CHF	181.3	+1.8%	−4.5%	+3.1%	−2.4%	+3.5%
USD HY Corp (Hedged CHF)	CHF	612.7	−0.1%	−3.1%	+4.0%	+3.7%	+8.5%
EUR IG Corp (Hedged CHF)	CHF	164.7	+0.5%	−2.5%	+0.7%	+2.0%	+5.9%
EUR HY Corp (Hedged CHF)	CHF	302.3	−1.2%	−2.9%	+2.8%	+5.4%	+9.8%
Alternative investments		**31.10.2026**	**10/2026**	**2026 YTD**	**2025**	**2024**	**2023**
Gold Spot CHF/kg	CHF	102'769.5	−8.0%	−6.6%	+43.8%	+36.0%	+0.8%
Commodity Index	USD	141.2	−1.7%	+33.7%	−2.9%	+8.3%	−20.4%
SXI SwissRealEstateFunds TR	CHF	2'931.3	+1.5%	−1.7%	+9.9%	+16.0%	+5.4%
Currencies		**31.10.2026**	**10/2026**	**2026 YTD**	**2025**	**2024**	**2023**
US dollar / Swiss franc	CHF	0.8250	−1.3%	+4.1%	−12.8%	+7.8%	−9.0%
Euro / Swiss franc	CHF	0.9204	−2.8%	−1.1%	−1.0%	+1.2%	−6.1%
100 Japanese yen / Swiss franc	CHF	0.5235	−1.4%	+3.5%	−12.1%	−3.4%	−15.4%
British pound / Swiss franc	CHF	1.1048	−0.4%	+3.5%	−6.1%	+6.0%	−4.2%

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