Investment Report

July 2025

Factum AG
Current positioning:

Portfolio balanced	Neutral	Current	Change*
Liquidity	5%	4%	↗ (+2%)
Bonds	35%	35%	→
Shares	47%	47%	→
Alternative investments	13%	14%	↘ (-2%)

*Changes since the last Investment Report (12 June 2025) & current assessment.

Strategy overview

The first half of 2025 was characterized by a tense combination of economic resilience, geopolitical risks, and political shifts. After an initially robust performance in international equity markets, April in particular triggered significant volatility. The main catalyst was the resurgence of protectionist rhetoric from Washington: new tariffs on imports from numerous countries led to short-term market dislocations, which, however, were subsequently offset or in some cases even exceeded in the following months.

«Strong start to the year up until the so-called Liberation Day.»

Overall, the major equity indices ended the first half of the year with gains. For once, European equities outperformed their U.S. counterparts, even though the United States regained around 6% in relative terms in June and even reached a new all-time high. Over the past hundred years, there have only been three instances where the S&P 500 fell by more than 10% within a single quarter and managed to fully recover those losses within the same period.

«The U.S. market has fully recovered the April downturn and is now trading at record levels.»

The market recovery was primarily supported by continued solid economic data, stable consumer sentiment, and future-oriented technological themes that bolstered investor confidence. At the same time, partially elevated valuations warrant a degree of caution: geopolitically, 2025 has so far been marked by considerable uncertainty. The military escalation in the Middle East – particularly between Israel and Iran, with the U.S. involved as an ally of Israel – led at times to significant market swings. The price of crude oil is particularly noteworthy in this context, highlighting the fragility of global supply chains. Tensions between the U.S. and China also persist and are increasingly shaping the debate around economic decoupling and strategic autonomy. Additionally, rising political polarization around the globe is contributing to growing planning uncertainty in many regions.

«For us as a professional asset manager, this means processing the information and drawing the appropriate conclusions.»

S&P 500 Index

For investors, this environment implies that markets will remain in search of direction caught between solid economic fundamentals and persistent geopolitical disruption risks. Careful portfolio diversification, regular review of risk exposures, and a clear focus on long-term investment objectives remain the key success factors. The second half of the year is likely to remain eventful, both politically and economically - particularly with regard to U.S. interest rate policy.

«The environment remains directionless.»

All mandate types with a hedge fund allocation: We remain fundamentally convinced of the benefits of alternative investments particularly those that aim to deliver performance independently of broader financial market trends and exhibit low correlation to traditional asset classes. However, as the recent performance of the liquid hedge fund universe has somewhat fallen short of our expectations especially after factoring in currency hedging costs for Swiss franc and euro-based investors we have decided to moderately reduce this allocation by 2% and temporarily hold the proceeds in cash. This step also increases our flexibility, allowing us to respond more swiftly to market developments by reallocating to other asset classes such as bonds or equities as opportunities arise. In terms of tactical asset allocation, we continue to view a neutral weighting in equities as appropriate.

«What transactions did we carry out in our managed portfolios in June?»

Politics

Economic and Political Uncertainty Intensifies, Especially in the U.S. see chart on the following page. The first half of 2025 in the United States was dominated by the political return of Donald Trump to the White House. Immediately after his inauguration on January 20th, he initiated an aggressive deregulation agenda, declared an energy emergency, halted contributions to international organizations such as the WHO, and abolished birthright citizenship. Through a series of executive orders and announcements of new, sometimes substantial tariffs - particularly around Liberation Day - Trump sought to rapidly implement his nationalist agenda. At the same time, significant resistance formed: millions participated in protest movements like "50501" and "Stand Up for Science," mobilizing against restrictions on civil liberties, science funding, and diversity policies. How much of President Trump's approach is merely showmanship remains uncertain. Many investors, however, seem to trust the slogan "Taco"—"Trump always chickens out": he threatens but ultimately backs down.

«President Trump appears to be pushing his agenda through with full force.»

Key decisions from the Supreme Court also took center stage politically. Particularly controversial was the limitation of nationwide injunctions against executive actions—a clear advantage for Trump. Meanwhile, the Court is preparing a ruling to relax campaign finance regulations, which could have far-reaching implications for democratic oversight.

«The Supreme Court certainly isn't short of activity.»

On the foreign policy front, the new administration pursued a hardline stance: trade tariffs were increased, foreign aid cut, and multilateral agreements questioned. While the U.S. engaged in diplomatic initiatives in the Middle East, an "America First" logic prevailed.

«America First — this goal takes precedence over everything else.»

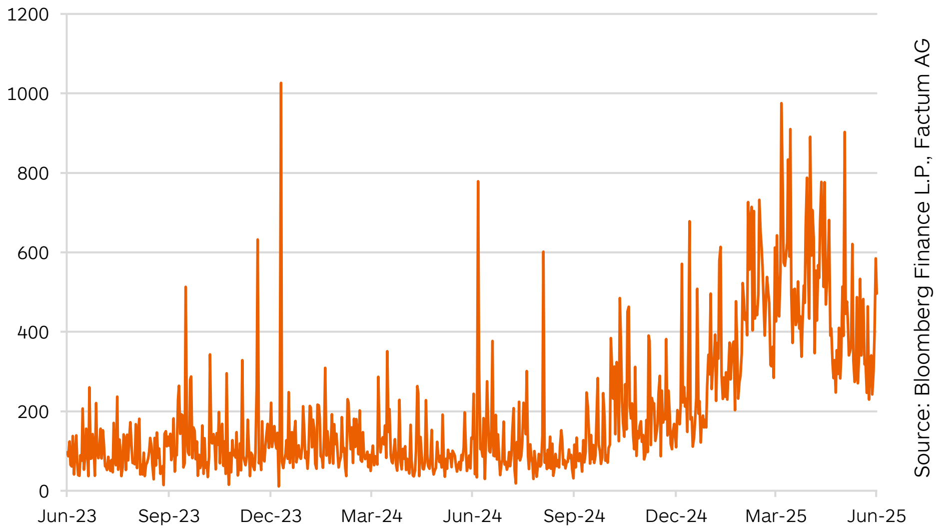
A political earthquake was triggered by Elon Musk: initially part of the administration as head of a newly created Ministry of Efficiency, he distanced himself from Trump in spring and announced the founding of his own party - the "America Party" - in June. This could potentially reshape the U.S. party landscape over the long term.

«Elon Musk is in the process of founding a new political party.»

Economically, the U.S. labor market remained stable, but markets reacted nervously to Trump's tariff policies and the growing political uncertainty. Polarization between conservative and progressive forces reached new heights and is likely to significantly influence political dynamics ahead of the 2026 midterm elections.

«The polarization between conservative and progressive forces is advancing.»

U.S.: Economic Policy Uncertainty Index



Economy

The significant slowdown in the U.S. economy caused by tariffs has somewhat eased due to the announced measures. Expected growth for 2025 and 2026 is around 1.5%, markedly below previous years. Concerns about a resurgence of inflation have somewhat subsided. However, the targeted inflation level of 2% remains out of reach, which makes the Federal Reserve's cautious stance on interest rate cuts understandable. Planned investments in Europe are expected to have a positive impact on economic growth in 2025. However, analysts are already adopting a more cautious outlook for 2026. Inflation expectations remain within the ECB's target range. At its last meeting in June, the ECB significantly tempered expectations for further rate cuts.

«U.S. economic growth is decelerating.»

At the press conference following the June interest rate decision, Fed Chair Jerome Powell cautioned against placing too much emphasis on the recently subdued inflation figures. He pointed out that it takes time for tariff-induced price increases along the supply chain to filter through to end consumers. Nevertheless, interest rate cuts are being anticipated for this year. The updated interest rate projections by the central bankers (Dot Plot) still indicate a total of 50 basis points for the remainder of the year. The U.S. economy could weaken in the autumn, with higher unemployment becoming a reality, which would pave the way for rate cuts in September and December.

«Fed Chair Powell is not an enviable position.»

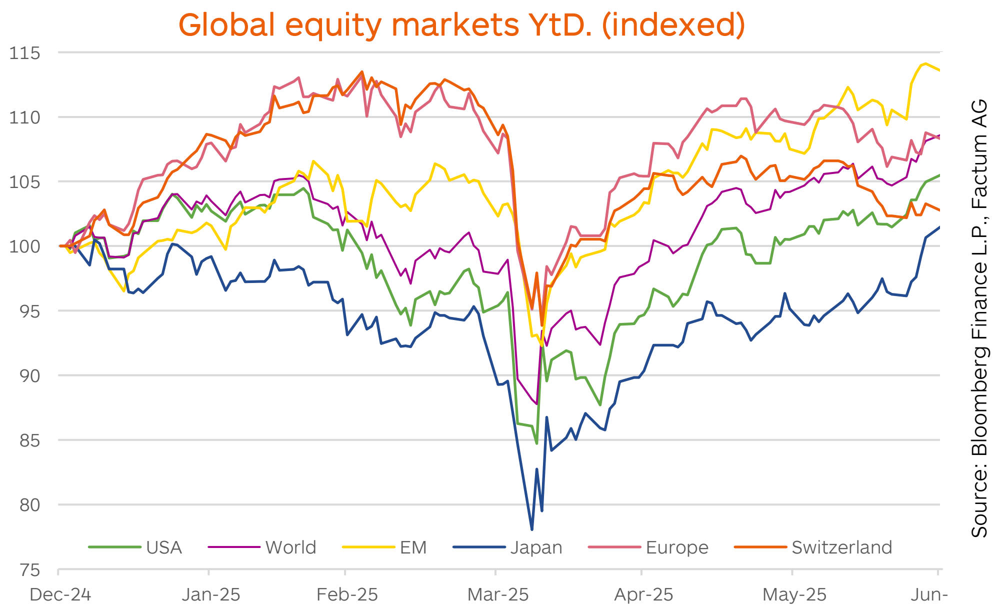
Equity Markets

The saying "those declared dead live longer" applies well to North American equities (at least in local currency; when converted to CHF or EUR, the picture looks different). After temporary corrections, both the Nasdaq and the S&P 500 reached new all-time highs. The outperformance of Swiss and European equities came to an end in May. Negative earnings revisions, driven by a weaker U.S. dollar, clearly played a role. The Pacific region recovered quickly and kept pace with global equities. Emerging markets demonstrated relative strength. At the sector level (in CHF terms), the following picture emerges: Industrials +3.1%, Financials +2.4%, and Utilities +2.0%. The weakest relative performers were Consumer Discretionary (-13.1%), Health Care (-11.5%), and Energy (-8.1%).

«The declared dead live longer.»

The global equity market recovery has led to an increase in valuations, which, given the remaining pitfalls, can be considered somewhat ambitious. The factors we monitor macro environment, valuation, sentiment, and technical still justify a neutral weighting in equities at present.

«We consider a neutral weighting in equities to be appropriate.»



Earnings season for the second quarter begins in mid-July on the equity markets. The outlooks presented at that time could provide initial indications of how the new U.S. trade policy is affecting companies globally. However, since much remains uncertain, we expect only cautionary signals rather than concrete downward revisions to corporate earnings. Overall, quarterly figures should deliver positive surprises. First, the global economy once again proved more resilient than expected in the second quarter. Second, financial analysts have significantly lowered their expectations in recent months. For the S&P 500, year-over-year growth of only around 4% is expected, which would represent a decline of just over 2% compared to the previous quarter. Given the backdrop of positive economic growth, margins would have to contract for this to occur something for which there is currently little evidence. Conversely, analysts expect a quarter-on-quarter earnings increase of nearly 6% for the Eurozone, while projecting a slight decline on a year-over-year basis. Against the backdrop of comparatively weak economic growth in the second quarter, the bar for Eurozone companies therefore appears somewhat higher.

«The next earnings season is just around the corner.»

Bond Markets

Anglo-Saxon bond markets have recently benefited more strongly from rate-cut expectations. Following the suspension of the debt brake in Germany and ongoing budget issues in France, investor sentiment toward EUR-denominated bonds has turned somewhat cautious. In Switzerland, with policy rates being cut back to zero, the environment for the domestic bond market has become considerably less supportive. The widening in high-yield spreads proved to be short-lived. Convertible bonds and high-yield bonds emerged as the preferred fixed-income segments in the second quarter. Emerging market bonds also saw a notable recovery, supported by the prevailing “risk-on” sentiment and a weaker U.S. dollar. Inflation-linked securities have also experienced strong demand lately.

«The environment for the Swiss bond market has become less supportive.»

Over the medium term, the decelerating growth momentum in the U.S., combined with declining inflation, supports the case for an end to the interest rate hiking cycle and raises the likelihood of imminent monetary easing. In Europe, stable nominal rates coupled with falling inflation expectations are pushing real yields higher - a sign of implicit tightening despite a pause in rate adjustments. Emerging markets are benefiting from a weaker U.S. dollar, narrowing spreads, and improved market sentiment. In the global bond space, prudent duration management and selective positioning remain key. Given the current market backdrop, a neutral stance appears justified.

«The rate-hiking cycle in the U.S. is likely a thing of the past.»

Commodities

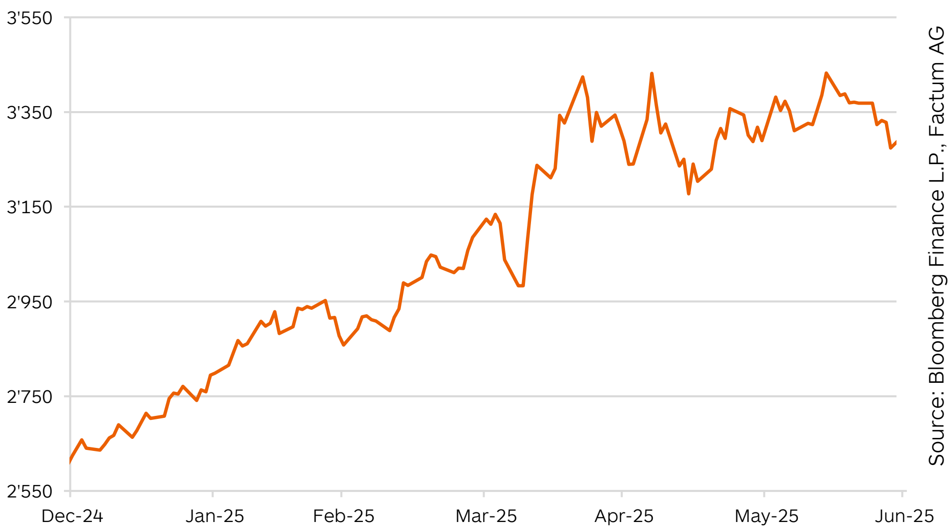
The events between Israel and Iran, along with the U.S. airstrikes on three nuclear facilities on June 22, have once again highlighted how abruptly conditions in the commodity markets can shift. The energy sector, which accounts for roughly one-third of the overall commodity market, was the primary driver of the sharp increase. Additional support came from a further upward move in the gold price. Over the longer term, we continue to see upside potential for gold: falling interest rates, sustained central bank purchases, and ongoing geopolitical tensions all support the case for the precious metal.

«June 22 demonstrated how quickly conditions in the commodity markets can change.»

Despite recent weakness, the U.S. dollar remains overvalued against a broad basket of currencies, making gold investments appear attractive for investors outside the dollar zone. At the same time, persistently high real interest rates argue against a significant overweight in gold due to elevated opportunity costs. The sharp rise in various uncertainty indicators has already been reflected in a higher gold price - this year's gains have even surpassed the record set in 2006. From a technical perspective, as well as due to positive seasonal effects, further price increases seem likely. Given the structurally strong demand from central banks, we consider a moderate overweight in gold to be appropriate over the medium term.

«We consider an overweight position in gold to be appropriate.»

Gold price



Currencies

In a marathon session lasting 24 hours, the Senate narrowly approved the "Big Beautiful Bill" just in time for Independence Day on July 4th. The vote was extremely close, with 51 in favor and 50 against, after Vice President J.D. Vance cast the tie-breaking vote. Key provisions of the new legislation include tax relief, border security and immigration, social spending cuts, defense and infrastructure, as well as climate policy. The negative impact on the U.S. national

«Is the Big Beautiful Bill Act really that beautiful?»

debt is substantial: it is projected to increase by approximately USD 3.3 trillion over the next ten years. Already, the U.S. spends more on interest payments than on its military. Republicans argue that the tax shortfalls could be offset tenfold through economic growth.

This logic, however, does not appear to hold in the foreign exchange markets. The exorbitant debt levels are the primary reason why America has lost significant trust among creditors. The "Greenback" has declined as much in the first half of the year as it did last in 1973. Against a broad currency basket, the drop amounts to roughly 11%.

«The Greenback has lost as much in the first half of the year as it last did in 1973.»

U.S. Dollar Index

Compared to the Swiss franc and the euro, the loss is even more pronounced. For the first time, the dollar fell below 0.79 Swiss francs at the end of June. This is remarkable considering that in the year 2000, one dollar was worth approximately 1.80 Swiss francs.

«For the first time, the dollar has fallen below 0.79 Swiss francs.»

FACTUM

USD/CHF

«A striking parallel to 1973 is the high current account deficit.»

As previously mentioned, the U.S. dollar experienced its sharpest decline in 52 years. The year 1973 marks the end of the Bretton Woods global monetary system, which was established after World War II. Most countries abandoned the fixed peg of their currencies to the U.S. dollar and shifted to floating exchange rates. A striking parallel to today is that the U.S. was also suffering from a large current account deficit at that time.

FACTUM

Market overview 30 June 2025

Stock indices (in local currency)	Current	1 Mt (%)	YtD (%)
SMI	11,921.46	-2.48	5.91
SPI	16,534.67	-1.87	6.87
Euro Stoxx 50	5,303.24	-1.10	11.07
Dow Jones	44,094.77	4.47	4.55
S&P 500	6,204.95	5.08	6.20
Nasdaq	20,369.73	6.64	5.86
Nikkei 225	40,487.39	6.77	2.58
MSCI Emerging Markets	1,222.78	6.12	15.52
Commodities			
Gold (USD/fine ounce)	3,303.14	0.42	25.86
WTI oil (USD/barrel)	65.11	7.11	-9.22
Bond markets			
US Treasury Bonds 10Y (USD)	4.23	-0.17	-0.34
Swiss Eidgenossen 10Y (CHF)	0.44	0.17	0.11
German Bundesanleihen 10Y (EUR)	2.61	0.11	0.24
Currencies			
EUR/CHF	0.93	0.17	-0.56
USD/CHF	0.79	-3.56	-12.60
EUR/USD	1.18	3.88	13.84
GBP/CHF	1.09	-1.59	-4.08
JPY/CHF	0.55	-3.56	-4.43
JPY/USD	0.01	0.00	9.15
XBT/USD (Bitcoin)	107,606.61	2.88	14.82

Author: Christof Wille, Dipl. Private Banking Expert NDS
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