

Investment Report

October 2025

Factum AG

Current positioning:

Portfolio balanced	Neutral	Current	Change*
Liquidity	5%	5%	→
Bonds	35%	35%	→
Shares	47%	47%	→
Alternative investments	13%	13%	→

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

Strategy overview

The global equity index gained roughly 7% over the third quarter, representing a remarkable performance within a single quarter. The U.S. equity market – as measured by the S&P 500 – advanced by 8% over the same period, clearly illustrating that the weakness seen earlier in the year was merely temporary. Investors remain convinced of the continued dominance of large U.S. technology companies, underpinned by their extensive investments in artificial intelligence and the strong corporate earnings they have reported. Across the Atlantic, European markets rose by a more modest 4.5%, yet year-to-date performance of +18% slightly exceeds that of the U.S. Emerging markets delivered the strongest gains (+11%), driven primarily by China and other Asian markets, where the pronounced inverse correlation with the U.S. dollar once again came into play.

«Predominantly very strong equity market returns in the third quarter.»

World Equity Index



Global economic growth in the year to date has exceeded expectations from many market participants. This was largely due to front-loaded exports to the U.S. in anticipation of higher tariffs during the first half of the year. Over the coming months, however, export and production activity could become more fragile from a global perspective. In the U.S., the labor market is showing signs of softening, which may dampen consumption. Despite solid equity-market returns, risks and uncertainties remain – among them elevated U.S. equity valuations, ongoing geopolitical tensions and wars, and the U.S. government shut-down. These factors are reflected in gold's impressive 60% price surge this year. From a historical standpoint, however, equities still enjoy a seasonally favorable environment in the fourth quarter.

«The risks and uncertainties cannot be disregarded.»

From a return perspective, money-market investments in EUR, GBP, and USD remain a viable alternative. We view such allocations primarily as a means to preserve capital and to take advantage of emerging investment opportunities.

«Cash and money market investments in EUR, GBP, and USD present an alternative.»

The rate-cutting cycle is already well advanced in some regions (Switzerland and the Eurozone). Short-term rates are likely to decline further in the coming months. Longer-dated yields now offer more attractive entry levels, though we believe the quality aspect should take precedence given the uncertain economic backdrop. We therefore continue to maintain a neutral weighting in fixed income. To achieve a more favorable yield profile, we invest in a mix of government and corporate bonds, including funds with active duration management. Emerging-market bonds are also held at a neutral weighting, focusing on hard-currency issues.

«We will, for the time being, maintain our neutral allocation to bonds.»

The global equity-market recovery has led to higher valuations, which appear rather ambitious given the remaining headwinds. Based on our proprietary indicators – macro, valuation, sentiment, and technique – we continue to justify a neutral weighting in equities at present.

«Despite the sometimes ambitious valuations, we maintain our neutral allocation to equities.»

From a diversification standpoint, we continue to view hedge-fund exposure as a meaningful portfolio component, though we have recently trimmed this allocation slightly. We have also redirected part of our alternatives exposure into global real-estate equities with attractive yields. Our gold position has once again proven its worth as a portfolio diversifier.

«Gold remains a fixed component of our asset allocation, with a weighting of 3%.»

Politics

The geopolitical landscape has remained tense and complex in recent months, with potential implications for markets, investor sentiment, and risk assessments. In this section, we highlight three focal areas: France, the United States, and the still fragile situation surrounding the Gaza conflict.

«Geopolitically complex situation across the globe.»

In France, Prime Minister Sébastien Lecornu's government is under significant domestic pressure. After more than a year of protests over pension reform, the government decided to postpone the planned increase in the retirement age from 62 to 64 until after the 2027 presidential elections. This move primarily aims to avoid votes of no confidence in Parliament but also reveals the institutional weakness of a government that must operate without a stable majority. At the same time, France faces a substantial budget deficit—currently exceeding 5% of GDP—which the government intends to address through spending cuts and tax increases. The country's growing political fragmentation and uncertainty about its ability to deliver reforms directly affect investor confidence. French government bonds could come under pressure in the medium term if fiscal consolidation fails or further reforms are delayed. Moreover, France's policy direction is being closely monitored within the EU, particularly regarding fiscal solidarity and adherence to common budgetary rules.

«France is facing challenging tasks.»

In the United States, the political situation also remains strained. Since October 1, the federal government has been in a so-called “shutdown” as Democrats and Republicans in Congress have failed to agree on a new budget. The resulting paralysis has brought numerous government agencies and projects to a standstill, notably in infrastructure, research, and public administration. Investors are increasingly sensitive to such political gridlock, as it heightens uncertainty around future fiscal measures and economic momentum. While U.S. Treasuries continue to be viewed as a safe haven, repeated shutdowns erode confidence in the government's ability to act decisively.

«The U.S. administration is once again at a standstill.»

Turning to the Gaza conflict, a temporary easing of tensions has emerged, yet the situation remains highly unstable. Following intense fighting and humanitarian crises, a fragile ceasefire was brokered in October with the mediation of international actors including the U.S., Egypt, and the EU. The agreement includes the release of hostages, the establishment of humanitarian corridors, and a potential role for the Palestinian Authority in managing border crossings. Nevertheless, it remains uncertain whether Hamas is ultimately willing to relinquish control of Gaza or disarm. For investors, the conflict carries mainly geopolitical implications. Any renewed escalation in the region could push oil prices higher, disrupt trade routes, and lead to greater global volatility. Conversely, a gradual stabilization could open up new opportunities for infrastructure and reconstruction projects, particularly in cooperation with multilateral institutions.

«The situation in the Gaza conflict appears to be stabilizing.»

In summary, political uncertainties are intensifying across several key regions—whether due to reform gridlock, institutional paralysis, or ongoing geopolitical crises. For investors, this means that political risk factors must play an increasingly important role in portfolio decisions. At the same time, periods of realignment can also present opportunities—particularly in sectors such as infrastructure, energy, digitalization, and security-related technology.

«Risks – but also opportunities – are balanced.»

Economy

In the first half of the year, U.S. economic growth reached 0.7%, identical to that of the Eurozone. For the United States, this represents a below-average performance, primarily due to trade tariffs and the uncertainty they have created. The effects are multifaceted. The U.S. labor market shows that companies are hiring fewer workers, although layoffs have not increased significantly—hence, unemployment has remained stable. Overall, the labor market does not appear to be in a worrying state. Recent economic data suggest that a recession remains unlikely, and the U.S. economy is expected to continue expanding at a moderate pace during the second half of the year.

«Below-average growth in the U.S. during the first half of the year.»

U.S. trade policy has had a notably negative impact on economic developments in the Eurozone, where growth in the second quarter was only 0.1%. Private consumption has lost momentum, though support continues to come from a still-solid labor market. Unemployment stands at a historic low of 6.2%. Recent job creation has been concentrated in Spain and Italy, while employment in Germany has stagnated and even declined in France. Exports to the U.S. fell to their lowest level in nearly two years in June as a direct consequence of U.S. tariffs. Based on these developments, growth in the Eurozone is expected to remain subdued in the second half of the year. Some improvement could occur if fiscal support measures prove effective.

«Europe is feeling the impact of U.S. trade policy significantly.»

Switzerland finds itself negatively affected on two fronts: the weak economic momentum in the EU and the 39% tariffs imposed by the U.S. As long as the important pharmaceutical sector remains exempt from these tariffs, Switzerland should be able to absorb the shock and avoid a recession. Encouragingly, recent statements from the U.S. Secretary of Commerce suggest that a tariff agreement with Switzerland may soon be reached.

«Switzerland is in a challenging situation.»

Equity Markets

The main drivers behind this year's equity rally have been twofold: investor expectations that the U.S. Federal Reserve would begin cutting rates, and the strong performance of stocks linked to artificial intelligence, which have propelled equity prices upward. The MSCI World Equity Index has gained around 18% in U.S. dollar terms so far this year. However, for Swiss investors calculating in Swiss francs and without currency hedging, returns amount to a modest 3%. In the U.S., the equity market continued its record-breaking run. At the same time, the weaker August labor market report and lower producer prices have strengthened investor expectations for further monetary easing. Indeed, the Federal Reserve implemented a 25-basis-point rate cut in mid-September.

«The MSCI World Equity Index has gained approximately 18% year-to-date.»

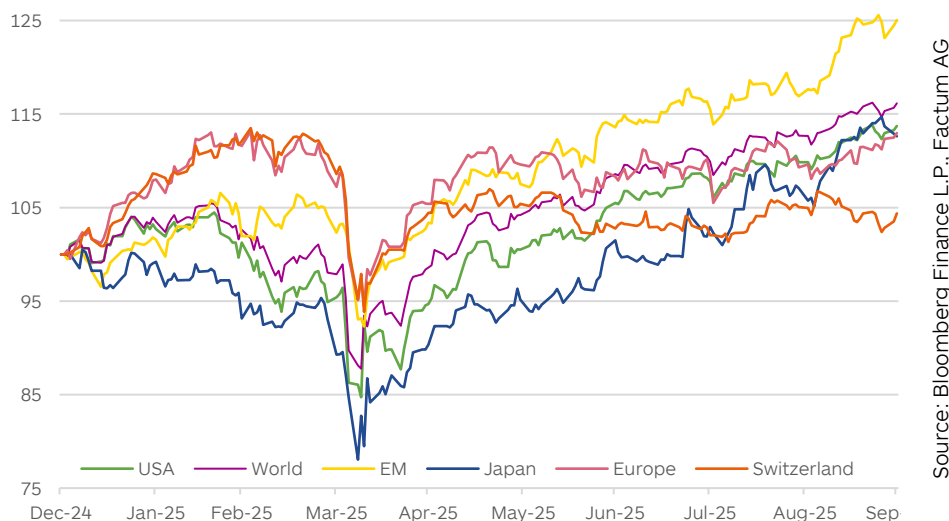
The positive market trend in the U.S. was supported by second-quarter earnings, which exceeded analysts' expectations. While consensus forecasts had called for a 4% increase, actual results showed growth of more than 11%. Once again, the key contributors were companies with strong exposure to artificial intelligence, which reported year-on-year earnings growth of 27%.

«IT companies continue to dominate market activity in the U.S.»

European equity markets have also performed well this year and, as of the end of September, are slightly ahead of their U.S. counterparts. Nonetheless, corporate earnings reports across Europe continue to reflect the impact of ongoing trade tensions and sluggish economic momentum. Cyclical sectors struggled in the first half of the year, whereas banks and insurers delivered robust results. European equities currently offer attractive valuations—something that cannot be said of the U.S. market.

«European equity markets are also performing well.»

Global Equity Markets YtD. (indexed)



A look back through history shows that when the Federal Reserve cuts interest rates outside of recessionary periods, equity markets tend to deliver positive returns in the subsequent quarters—a pattern we expect to continue. The elevated valuation levels in the U.S. remain a moderating factor, which is why we maintain a neutral tactical weighting in equities.

«Further positive price advances in equity markets are expected.»

Bond Markets

In September, the U.S. Federal Reserve cut its policy rate by 25 basis points, citing signs of labor market weakness. This marks the first rate reduction since the fourth quarter of 2024, when the Fed lowered rates by a total of 1%. Historically, rate-cutting cycles tend to be dynamic, which explains the market's optimistic reaction. The market's expectations could prove justified if margin pressures lead companies to implement cost-cutting measures and the economy subsequently cools. However, if companies manage to fully pass on higher costs to consumers, economic growth could accelerate again—potentially reigniting inflation and prompting renewed discussions about rate hikes. According to current Fed Funds Futures, markets anticipate additional 25-basis-point rate cuts at the end of October and again in mid-December.

«Additional interest rate cuts in the U.S. are considered likely for October and December.»

In practice, costs associated with tariffs are typically shared between businesses and consumers, while the Fed adjusts the pace of rate cuts accordingly. The speed of monetary easing is therefore crucial—since, as so often in financial markets, changes matter more than absolute levels. A sufficiently rapid decline in interest rates—at least comparable to last year's pace—would be viewed positively by markets. Historically, declining year-on-year yields have generally supported asset valuations.

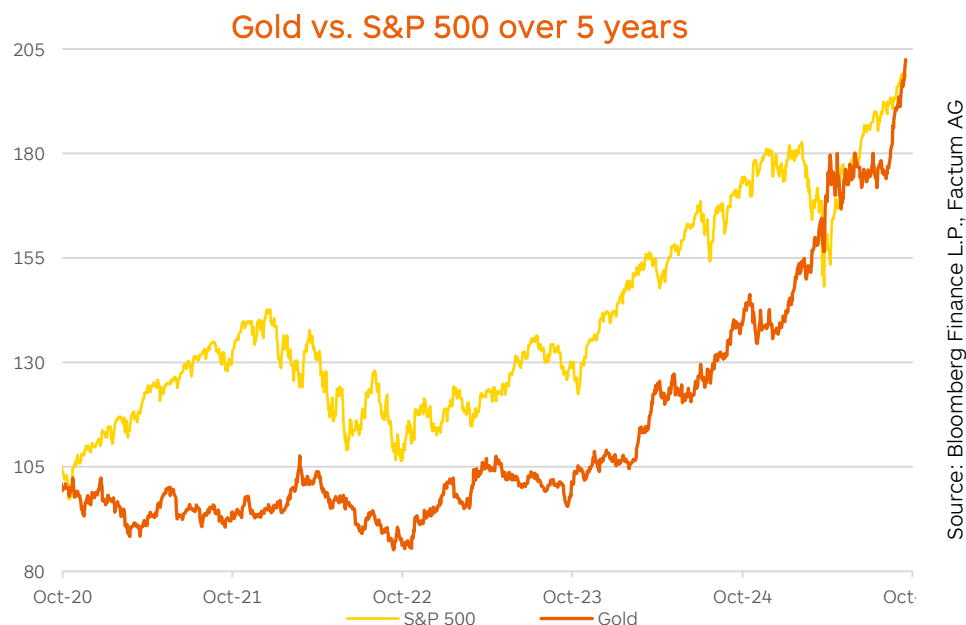
«Companies and consumers typically share the costs of tariffs.»

Commodities

Gold prices have continued their upward surge, with the rally even accelerating in recent weeks. Market attention remains focused on the U.S. growth outlook and monetary policy. Investors around the globe are positioning themselves to benefit from lower U.S. interest rates and a weaker U.S. dollar. Another key driver of demand is the growing concern over the independence of the Federal Reserve, which is facing increasing political pressure from the U.S. administration. Remarkably, despite years of rising gold prices, holdings in Western gold ETFs only began to increase again in 2025—though they still remain below the record levels of 2020. Central banks from the BRICS nations, as well as investors from Asia and the Middle East, have also been accumulating gold reserves. The precious metal is evidently being regarded by many market participants as an ideal reserve asset for a potential shift in the global order or a conflict-prone transitional period.

«Gold shows no signs of slowing down.»

In September alone, gold appreciated by roughly 12% and now trades about 60% higher year-to-date. Over a five-year horizon, the precious metal has even outperformed the broad S&P 500 index in the United States. We have recently taken partial profits during this period of strength but continue to view gold as an essential component of our portfolios. In the Balanced investment profile, gold currently carries a neutral allocation of 3%.



Despite its recent consolidation, the U.S. dollar remains overvalued against a broad currency basket, making gold investments attractive for non-dollar-based investors. However, elevated real interest rates—above 1.5% in USD terms—argue against a significant overweight due to higher opportunity costs. The rise in various risk indicators is already reflected in the higher gold price, whose year-to-date performance has even surpassed that of the record year 2006. From a momentum and technical perspective, the trend continues to point upward, while seasonality suggests more sideways movement. Overall, we remain comfortable with a neutral position in gold.

«We are comfortable with a neutral gold positioning.»

Currencies

After significant losses in the first half of the year, the US dollar experienced fluctuating movements of 3 to 4% in both directions over the summer. Confidence in the US currency has declined this year due to doubts about the independence of the US Federal Reserve, which is under increasing pressure from the US government. With interest rate cuts in the US being more pronounced than in Europe, a weaker US dollar would come as no surprise. Fluctuations between the euro and the Swiss franc have been around 2% in both directions for several months. The euro is supported on the one hand by a more positive assessment of the German economy, but weighed down on the other by government problems in France.

«Significantly weaker U.S. dollar year-to-date.»

USD/CHF



Market overview 15 October 2025

Stock indices (in local currency)	Current	29/8 – 15/10 (%)	YtD (%)
SMI	12,529.58	2.96	11.47
SPI	17,269.87	2.14	11.62
Euro Stoxx 50	5,605.03	4.89	17.80
Dow Jones	46,253.31	1.73	10.18
S&P 500	6,671.06	3.42	14.57
Nasdaq	22,670.08	5.74	18.03
Nikkei 225	47,672.67	12.27	21.59
Schwellenländer	1,365.69	8.76	30.07

Commodities

Gold (USD/Feinunze)	4,207.48	22.03	60.32
WTI-Öl (USD/Barrel)	58.27	-8.97	-18.75

Bond markets

US Treasury Bonds 10J (USD)	4.03	-0.20	-0.54
Schweizer Eidgenossen 10J (CHF)	0.15	-0.16	-0.18
Deutsche Bundesanleihen 10J (EUR)	2.57	-0.15	0.20

Currencies

EUR/CHF	0.93	-0.81	-1.29
USD/CHF	0.80	-0.47	-12.20
EUR/USD	1.16	-0.33	12.49
GBP/CHF	1.07	-1.23	-5.97
JPY/CHF	0.53	-3.14	-8.47
JPY/USD	0.01	-2.65	4.07
XBT/USD (Bitcoin)	111,177.01	3.13	18.63

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