Albin Kistler
Wealth Management

We keep our word.

HERD BEHAVIOR

Investment policy
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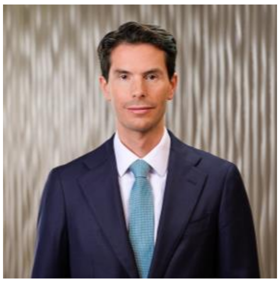

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The market assessments, which appear on a periodic basis, are available to download in PDF format on the Albin Kistler website: https://www.albinkistler.ch/en/dokumente

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Background
Since the market correction in the spring following the conflict with Iran, global equity markets have staged a strong recovery, increasingly shrugging off concerns about energy shortages and economic headwinds. Once again, an optimistic assessment of companies and the economic outlook has proven justified, while positioning portfolios based on worst-case scenarios has not. Oil prices have since returned to roughly their pre-conflict levels, and the global economy continues to expand at a moderate pace despite a slight slowdown.

Economy
The resilience of companies and financial markets in the face of geopolitical upheaval remains remarkable. Strong corporate earnings, improving leading indicators across both the manufacturing and services sectors, and resilient labour markets all underscore the robustness of the global economy. Despite heightened geopolitical tensions, the investment environment remains constructive, although investment activity continues to be heavily concentrated in AI infrastructure and applications. Competition for technological leadership remains intense, supported by expectations of sustainably higher profit margins and productivity gains. The United States and China continue to spearhead this development, while Europe, a distant third, remains constrained by long-standing structural challenges. Accordingly, economic growth is likely to remain stronger in the United States and Asia than in Europe for the foreseeable future. For internationally diversified companies, however, these regional differences are of lesser importance.

The improving economic outlook and persistent price pressures have also influenced interest rate trends. In response to stubborn inflation, the US Federal Reserve has signalled the possibility of further monetary tightening, while the European Central Bank has recently raised key interest rates to counter inflationary pressures driven by higher energy prices. By contrast, the Swiss National Bank has been able to maintain its zero-interest-rate policy thanks to comparatively moderate inflation.

Outlook
The more favourable economic outlook is increasingly being reflected in market valuations. This is particularly evident in the lofty valuations attached to AI-related business models, which continue to attract considerable investor attention, while many other areas of the market receive comparatively little interest. As a result, concentration risks within the technology sector are increasing, accompanied by classic herd behaviour as investors crowd into richly valued stocks and companies promising attractive future growth.

Positioning
In this highly concentrated market environment, discipline remains paramount for us as asset managers. We continue to adhere consistently to our investment principles: broad diversification, uncompromising quality standards, and a focus on reasonable valuations. At the same time, we remain cautious about highly cyclical and capital-intensive business models.

This approach may result in below-average performance during strongly rising markets. At the same time, however, it makes an important contribution to protecting portfolios against disproportionate losses when expectations are disappointed. Against the backdrop of increasingly demanding valuations in international equity markets, particularly in the United States, we have further increased our allocation to high-quality Swiss equities, which continue to trade at comparatively moderate valuations. We have also selectively realized profits and modestly increased portfolio liquidity. Real assets such as equities and real estate remain fundamentally attractive, which is why we continue to maintain an underweight allocation to bonds. We view the recent appreciation of the euro and the US dollar against the Swiss franc, driven by improving interest-rate expectations, as temporary. Over the longer term, we remain convinced that the Swiss franc will continue to appreciate structurally.

Identifying first-class companies still requires rigorous, independent analysis. In our view, neither short-term market movements nor herd behaviour provide a sound basis for investment decisions.