Quarterly Investment Letter

Q4 2025

Review – New Highs in World Equity Markets and Dollar weakness

For the third consecutive year, above-average returns were seen in all major equity markets. The year started cautiously in the first quarter, and we still remember the "Liberation Day" selloff in April, which caused a massive spike in market volatility not seen for years. However, equity markets turned around once it became clear that U.S. tariffs would be less dramatic than initially announced. Corporate profits remained strong throughout the year, boosted not only by excellent results in big tech but also in other sectors. Global equity markets closed the year at all-time highs, with gains of more than 20%. Concerns about an AI bubble - tech firms are expected to invest over $400 billion in AI-related capital expenditures - led to some profit-taking among the Magnificent Seven group at the end of the year.

The trade-weighted U.S. dollar index has lost 9.4 percent 2025. The Swiss franc proved to be one of the strongest currencies globally, gaining 14.5% versus the U.S. dollar, 12.2% versus the Japanese yen, and 1.0% versus the Euro. Not to mention, interest rates in Switzerland are currently at zero percent!

Geopolitics

In retrospect, several geopolitical conflicts occurred this year, including trade wars and military conflicts in the Middle East, Ukraine, and, most recently, Venezuela. However, financial markets have looked beyond human tragedies and short-lived spikes in market volatility. Nevertheless, we remain vigilant for potential conflicts that could affect global trade, such as a potential conflict between China and Taiwan.

Equity and Fixed Income

In U.S. dollar terms, the equity markets of Europe, the Asia-Pacific region, and emerging markets outperformed the U.S. market by a wide margin. However, the dynamics behind their performance were quite different. U.S. markets were supported by AI-themed stocks, while European stocks were mainly driven by financials, industrials, and materials companies.

Strong returns were delivered by fixed-income markets across the globe, which benefited from shrinking credit spreads and decreasing rates in the U.S. and Europe. Interest rates in Japan rose sharply to levels not seen in two decades. Nevertheless, higher rates have yet to bolster the Japanese currency, which weakened against major currencies.

Commodities

Geopolitical tensions, uncertainty, and ever-rising indebtedness caused precious metals to rally and reach new all-time highs. Silver gained 145% in US-Dollar terms, platinum gained 125%, and gold advanced 64%. While central banks have been buying gold for years, it was institutional and retail investor money flows that drove the rally over the last few quarters, bringing metal markets to an imbalance with available stock at the London Metal Exchange at historically low levels.

Copper also rallied strongly, gaining 36%. Demand for copper and silver is also driven by the hype surrounding artificial intelligence (data centers) and electric vehicles (EV's). On average, an electric vehicle uses 50–80 kg of copper and 20–30 g of silver. Large hyperscale data centers would require hundreds of kilograms of silver and tens of thousands of tons of copper. The market is in deficit for both metals, meaning production is less than consumption.

Market Data

in USD as per December 31, 2025

Equities		YTD%
World		+22.6
USA 500		+17.9
USA 500 Equal Weighted		+11.4
Europe 50		+38.5
Swiss 30		+35.0
Asia 50		+47.8
Japan		+25.9
Bonds		YTD%
Global Aggregate (unhedged)		+8.2
U.S. Aggregate		+7.3
Pan Euro Aggregate (EUR)		+1.3
Global High Yield		+12.1
Interest Rates		in %
U.S. 3 months		3.6
U.S. 10 years		4.2
Euroland 3 months		2.1
Euroland 10 years		2.9
Commodities		YTD%
BB Commodity Index		+11.1
Gold oz		+63.7
Silver oz		+144.7
WTI Crude Oil		-9.2
Copper		+36.4
Currencies		YTD%
EUR in USD	1.1746	+13.4
CHF in USD	1.2616	+14.5
GBP in USD	1.3475	+7.7
JPY in USD	156.72	+0.3
Economies		
GDP Growth Estimate		2026%
USA		2.0
Euroland		1.2
Global		2.9
Inflation		12M%
USA		2.7
Euroland		2.1
Switzerland		0.0

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Portfolio Updates and Themes

Our current equity stance remains broadly neutral, reflecting the substantial gains realized in many markets thus far this year. On the fixed-income side, we are slowly reducing exposure to longer-dated bonds, primarily US government bonds, due to the substantial debt burden that could eventually spook the market.

Our equity themes GRID (global energy infrastructure), EUFN (European financials), and GDX (U.S. gold miners) performed excellently, while our allocation to the global defense sector (SHLD) will take more time to pay off. Our long-term bet on Japan (currency-hedged) performed well again.

A significant portion of our performance this year came from our allocation to gold, and more recently, silver. We remain positive on all our themes. However, we will closely monitor the dynamics in the U.S. technology sector and eventually take some profits after the three-year rally that brought valuations to the higher end.

Outlook 2026

Financial markets are primarily driven by corporate profits and interest rates, so we anticipate a positive year ahead. Profits in the U.S. and Europe are expected to rise another 14–15% this year, while interest rates will fall further in the U.S. and remain at current low levels in Europe. Although price-to-earnings valuations are higher in the US (22x) than in Europe (15x), this is reasonable given that interest rates are falling further in the US. The Mag 7 group as a whole is trading at approximately 28 times 2026 earnings; therefore, it is not comparable to the 60+ valuations of the late 1990s.

Precious metals were the clear winners in 2025, and we will maintain an overweight position. The hype around cryptocurrencies has cooled off recently, and prices have dropped by more than 30% from their highs.

The greenback is at risk of dropping further due to lower interest rates and political uncertainty surrounding the midterm elections and upcoming changes at the Fed.

Political uncertainties in the US, such as the pending Supreme Court decision on the legality of tariffs and the midterm elections in November, as well as political uncertainties in Europe regarding foreign policy, support for Ukraine, and overall economic stagnation, combined with the AI revolution and its impact on businesses, will make for another interesting year. Not to mention the new conflict between the U.S. and Venezuela that could spread to other Latin American countries. We will keep a close eye on all of the above and hope to avoid major potholes along the way.

Our investment team wishes all our readers a prosperous and happy new year.

Ameliora Wealth Management Ltd.

Investment Office