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SWISS PERSPECTIVES

Mapping the Swiss investment landscape

Schweizer Perspektiven · Perspectives suisses · Prospettive svizzere · Perspectivas svizras

EDITOR'S NOTE

Switzerland deserves its own investment strategy

At Syz, independent research and strong convictions have always been at the heart of our investment philosophy. ***Swiss Perspectives*** *is a natural extension of that approach, bringing together our views across macroeconomics, fixed income, the Swiss franc, equities and thematic investments.*

Our objective is simple: to provide a coherent investment framework that explains ***what is changing, why it matters, and how to translate it into portfolio decisions****. Rather than commenting on markets, we seek to identify the trends that will shape investment opportunities over the months ahead.*

The case for looking closer is compelling. Switzerland has ranked ***first in the WIPO Global Innovation Index for fifteen consecutive years*** *and files more than twice as many European patents per capita as any other country. That innovation is investable. Beyond the blue chips lies a universe of* ***around 120 listed companies:*** *global leaders in pharmaceuticals, medtech, automation and precision engineering, many still overlooked by international investors and several approaching important inflection points. Helping investors uncover these opportunities, across every Swiss asset class, is precisely the purpose of this publication.*

As this inaugural edition reaches you in the days following Swiss National Day, I would like, on behalf of the entire Syz Research team, to wish you a wonderful start to August, and many editions to come.

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Equities

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Swiss Equities: Defensive at the Core, Cyclical at the Margin

Investment Thesis

The investment case for Swiss equities is broadening. Switzerland retains the defensive earnings profile traditionally associated with its pharmaceutical, consumer and financial leaders, while gaining increasingly meaningful exposure to the global manufacturing recovery and AI infrastructure investment cycle. Recent corporate earnings reinforce this development, with companies across healthcare, financials and industrials reporting resilient results, improving order books and, in several cases, confirming or raising guidance. Few developed markets offer the same combination of earnings resilience, industrial quality and structural growth.

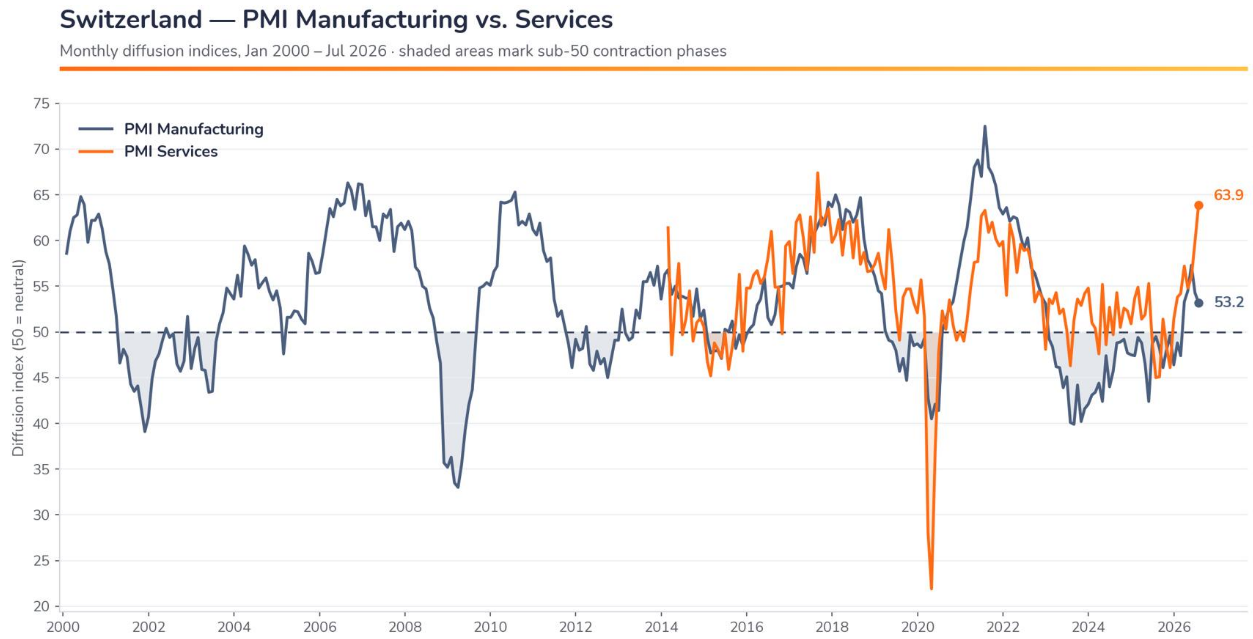
From defensive market to industrial growth story

The defensive characteristics of the Swiss market remain firmly in place. Global leaders such as **Novartis**, **Nestlé**, **Roche**, **Zurich Insurance** and **Julius Baer** continue to generate resilient earnings, strong free cash flow and attractive shareholder returns.

This reporting season once again demonstrated that resilience. **Novartis** returned to strong growth despite navigating the largest patent expiry in its history, **Julius Baer** reported record profits and assets under management, while **Nestlé** showed its strongest volume growth in two years and confirmed its full-year outlook. Even **Lindt & Sprüngli**, despite continued cocoa price volatility, maintained its long-term financial targets.

What has changed, however, is the growing contribution from Swiss industrial and medical technology companies. Unlike previous cycles, today's recovery is being driven by structural capital expenditure, including AI datacentres, semiconductor manufacturing, electrification, power infrastructure and industrial automation, creating a much broader earnings opportunity than many investors appreciate.

Chart 1. Swiss Manufacturing and Services PMIs Signal Broad-Based Economic Recovery
Swiss manufacturing has returned to expansion (PMI 53.0) after nearly three years of contraction, while the Services PMI climbed to 63.9 - its highest level since 2017 - underscoring the broadening and accelerating recovery across the Swiss economy.



Source : Syz Research / Bloomberg / www.procure.ch

Equities

Corporate earnings confirm the manufacturing recovery

An improving industrial backdrop

The macroeconomic backdrop is increasingly visible in recent corporate results. Across the latest Swiss reporting season, a number of industrial companies pointed to **improving demand.** To illustrate, ABB reported strong order growth linked to electrification and investment in AI datacentres; VAT Group reported a sharp rise in order intake as semiconductor manufacturers continue to expand capacity; and companies such as Bossard and SFS pointed to recovering activity across electronics, semiconductors, aerospace and rail. These examples are cited purely to illustrate a broader industrial trend and are not a comment on any individual security.

Swiss small and mid caps carry meaningful exposure to industrials and medtech (**approximately 30% combined**). Year-to-date, the segment has risen **around 8%,** compared with **roughly 11%** for the SMI.

Switzerland's hidden AI infrastructure exposure

Technology officially represents only around **1.5%** of the Swiss Performance Index, compared with roughly **38%** of the S&P 500. However, this conventional classification significantly understates Switzerland's role in the global AI investment cycle.

The next phase of AI is no longer defined solely by building more powerful models, it is increasingly about **deploying the physical infrastructure required to operate them.** This investment cycle will require hundreds of billions of dollars annually in **semiconductor fabs, power infrastructure, cooling systems, connectivity and industrial automation.**

Rather than competing to build large language models, many Swiss companies operate in the industrial segments that supply this buildout, including electrification equipment, semiconductor manufacturing equipment, cooling and energy efficiency systems, industrial connectivity, backup power, and construction materials.

By way of illustration, businesses active in these areas include ABB in electrification, VAT Group and Comet in semiconductor equipment, and Belimo and Georg Fischer in cooling and energy efficiency. Recent reporting suggests that datacentre demand is becoming a more structural driver for parts of the Swiss industrial sector rather than a niche end-market; Belimo, for example, has reported that datacentres now account for a growing share of its revenue. Such references are illustrative of the theme and are not recommendations to buy, hold or sell any security.

Valuation context

Swiss equities continue to trade at a premium to the broader European market, with the SMI at roughly **18-19x forward earnings**, around four P/E points above European markets. Notably, recent performance appears to have been driven more by **improving earnings expectations than by multiple expansion**, with broad-based strength across pharmaceuticals, industrials, healthcare and financials.

The Swiss franc, often perceived primarily as a headwind, also reflects a longer-term dynamic: decades of operating with a structurally strong currency have pushed Swiss manufacturers toward high productivity, innovation and automation, characteristics that may become more relevant as AI accelerates the adoption of industrial automation.

In summary

Switzerland is often viewed through the lens of pharmaceuticals and consumer staples. Alongside those traditional defensive strengths, a broader group of Swiss companies is increasingly exposed to **the manufacturing recovery and the global build-out of AI infrastructure**. Recent corporate earnings across pharmaceuticals, industrials, healthcare and financials are broadly consistent with this theme, which combines quality, resilience and structural growth within a single market.

Economy

Reto Cueni, PhD
Chief Economist

Swiss economic and central bank outlook

Growth and labour market: Swiss GDP expanded by 0.4% quarter-on-quarter in Q1 2026, driven mainly by manufacturing and public spending. Domestic demand remained weak, with stagnant consumption and softer investment, while export performance was held back by lower pharmaceutical shipments. The labour market remains relatively resilient: employment continues to increase, but unemployment and jobseekers are higher than a year ago. Firms still plan to hire overall, although recruitment momentum has moderated.

Outlook: We expect a GDP growth of around 1.1% in 2026, accelerating towards 1.5% in 2027. Consumption should become supportive, while investment and exports gradually improve as global demand recovers. With the KOF Economic Barometer moving above its long-term average, the Swiss economy appears to be transitioning from slowdown towards stabilization.

Inflation: Swiss inflation remains very low by international standards. CPI inflation stood at 0.5% year-on-year in June. The increase from near-zero levels mainly reflected higher energy costs and imported inflation. Core inflation remains subdued, pointing to an external energy shock and not to a broad domestic overheating.

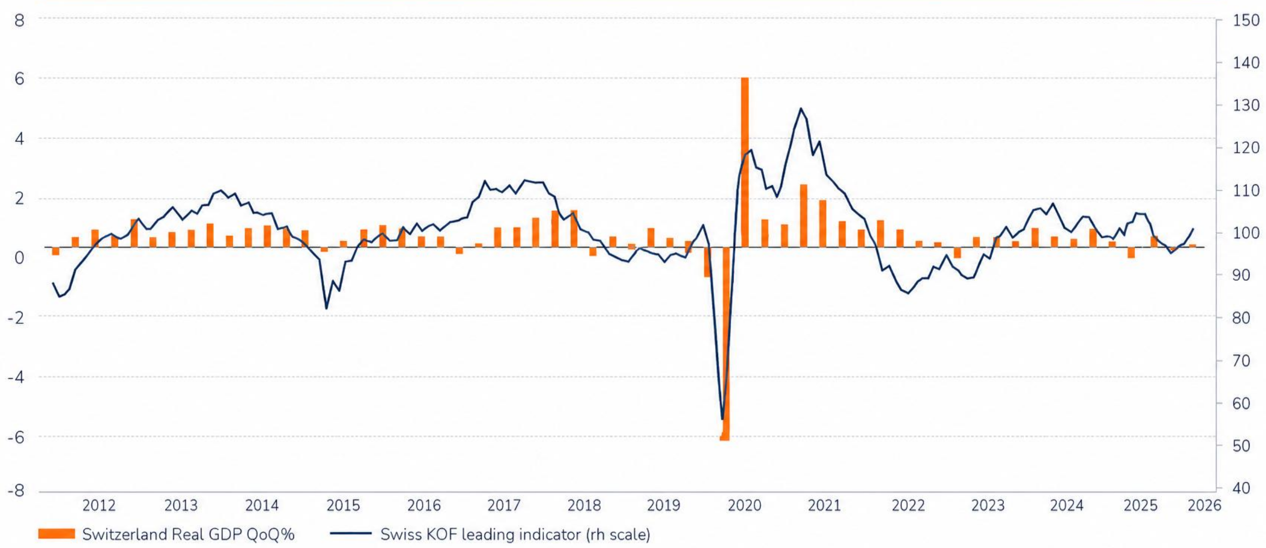
Outlook: We expect Swiss inflation to average around 0.5% in both 2026 and 2027, likely peaking in Q3 2026. Energy prices may keep headline inflation elevated near term, but fading commodity effects, modest domestic demand and low wage pressure should contain underlying inflationary pressure.

Politics and geopolitics: The Middle East crisis, higher energy prices and US trade uncertainty could weaken exports, reduce household purchasing power and strengthen the franc. Switzerland is still negotiating a comprehensive US trade agreement, and a likely 2027 vote on the Swiss-EU Bilateral III package could notably affect the economy and Swiss financial assets.

Swiss National Bank outlook: At its June 2026 meeting, the SNB kept its policy rate at 0%, judging that higher inflation mainly reflected imported energy costs rather than stronger domestic price pressures. The SNB reiterated its willingness to counter excessive franc appreciation through currency interventions. As we expect Swiss inflation to stay range bound in 2026 and 2027 between 0-1% (averaging 0.5% in both years), we forecast the SNB-policy rate to remain unchanged throughout 2026

Switzerland: GDP growth and the KOF leading indicator

Quarterly real GDP (bars, left) against the KOF barometer (line, right) Q3 2011 - Q2 2026



Source: LSEG Datastream / Syz Group

Forex

Reto Cueni, PhD
Chief Economist

What happens with the Swiss Franc ?

CHF versus the euro:

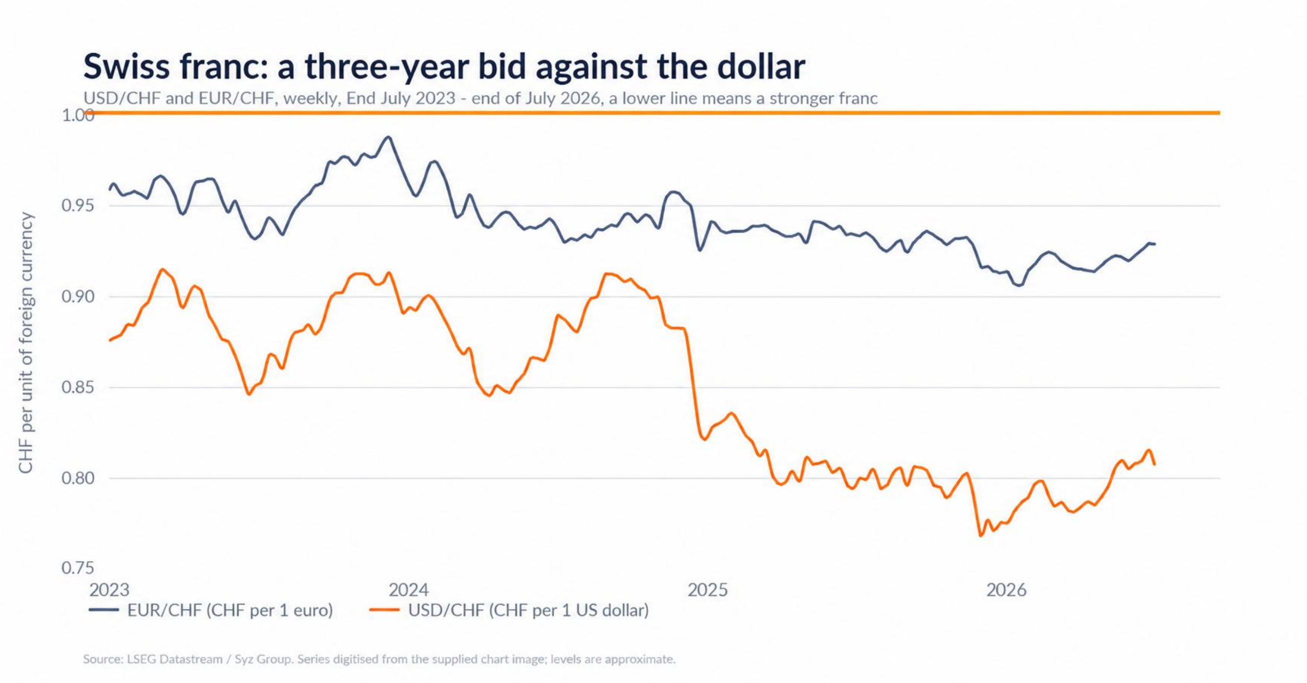
Over the past 2 months, the franc has surrendered part of its earlier strength against the euro. EUR/CHF averaged 0.925 in July and stood at 0.932 on 3 August, implying a further CHF depreciation. Four factors help explain the move: the ECB raised rates in June, kept them steady in July while the SNB held at 0%, but latest Middle East developments let European key rate expectations rise further versus expectations for Switzerland; expectations of a gradual European recovery; higher energy-driven inflation abroad; and reduced immediate demand for CHF protection after earlier safe-haven buying.

CHF versus the USD:

The reversal has been less pronounced against the dollar. USD/CHF averaged 0.810 in July and reached 0.812 on 3 August. Over the last 2 months, the franc weakened by roughly 3.5%. The main triggers were stronger-than-expected US data, more hawkish Federal Reserve rhetoric (but so far no action), widening near-term rate support for the dollar, and some unwinding of defensive CHF positions as markets focused again on macroeconomic and policy-rate expectations.

Put the latest developments into context:

From a Swiss perspective, both crosses now show a softer franc than their June averages, although the currency remains strong in a broader historical and competitiveness context. The near-term pattern is therefore one of a cyclical consolidation rather than a structural CHF reversal. The SNB's June commitment to counter rapid, excessive appreciation through foreign-exchange intervention also provides a policy backstop. Nevertheless, Switzerland's low inflation, external surplus and defensive economic profile continue to underpin the franc whenever geopolitical or financial-market risks intensify



Fixed Income

Maggie Cheng
Senior Fixed Income Analyst

CHF Fixed Income: Rising rates weight on long maturities

Our core fixed income scenario for the second half of the year is for medium- and long-term rates to remain range-bound, with the risks tilted towards higher yields, and for credit spreads to stay close to today's tight levels. Resilient nominal growth and above-target inflation have brought central banks back to their core mission of price stability. The recent rise in oil prices has revived inflation uncertainties and pushed interest rates upward in July. Public-debt dynamics reinforce our caution on duration.

Against this backdrop, Swiss franc bonds delivered negative performances in July, as rates rose back toward their May levels. The Swiss Confederation 1–10 year index lost -0.8%, while CHF investment-grade corporate bonds (A–BBB) declined -0.5%, helped by resilient credit spreads. Year-to-date, Swiss Confederation bonds post negative performances while corporate bonds remain in positive territory (+0.3%), supported by resilient credit markets and a higher yield carry.

Swiss Government Bonds Outperform Credit and Cash

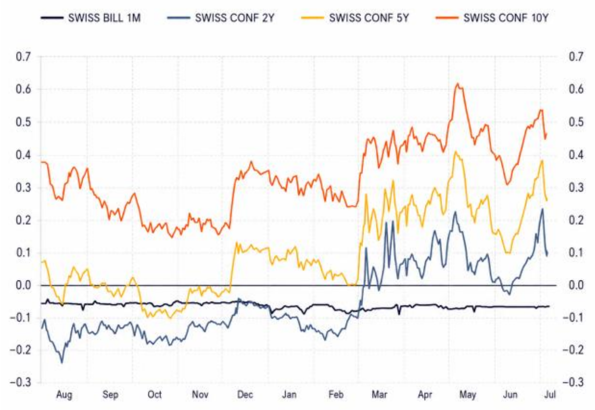
CHF BOND PERF.	Perf. July 26	Perf. YTD
CASH 1-MONTH	-0.02%	-0.13%
SWISS CONF. 1-10Y	-0.82%	-0.52%
SWISS BOND RATED A-BBB	-0.53%	0.32%

Source: Banque Syz, @FactSet Research Systems

The Swiss yield curve bear-steepened in July, with medium-term maturities experiencing the most pronounced increase in rates: the 5-year Confederation yield rose 18bp to 0.32% while the 10-year was up 16bp to 0.45%. Shorter-term rates experienced milder movements and remain close to zero, as markets essentially expect the SNB to remain on hold till the end of the year. Swiss rates developments echoed Global rate dynamics in July, as US and German 10-year rates rose to their highest level of 2026.

Swiss CHF yields across maturities

CHF Rates	30.07.2026	1-month change (bp)
CASH 1-MONTH	-0.04%	1
EXP. CASH RATE END-2026	0.03%	1
SWISS CONF. 1Y	0.07%	2
SWISS CONF. 2Y	0.16%	10
SWISS CONF. 5Y	0.32%	18
SWISS CONF. 10Y	0.45%	16
SWISS CONF. 30Y	0.63%	10



Source: Banque Syz, @FactSet Research Systems

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