April 2025

BELVÉDÈRE
Asset Management

Market Insights

Rebuilding Ukraine: Opportunities for Swiss companies

Rarely has economic engagement been so closely intertwined with political responsibility as in the reconstruction of Ukraine. What today appears to be crisis management will tomorrow shape stability, growth and new alliances in Europe. In this historic process, more than just capital is needed – expertise is paramount.

The war, still ongoing, has left deep scars – in cities, infrastructure, and people's lives. The reconstruction will become one of the greatest economic undertakings of the coming decades: billions in investments, international cooperation and a huge demand for innovative, sustainable solutions will define this monumental challenge.

A phased reconstruction – powered by Swiss expertise?

The rebuilding process will unfold in clear phases. The initial priority is to restore basic services: damaged electricity and water networks must be repaired, emergency shelters set up, and critical energy infrastructure stabilised. Swiss firms such as ABB have the technical expertise to provide reliable solutions during this early phase.

The second phase involves the renewal of essential infrastructure: roads, bridges, railway lines and public buildings. Modern construction materials, efficiency and resilience are crucial – a domain where Swiss companies like Sika can make a lasting contribution thanks to their strong track record of innovation.

In parallel, the focus will shift to supply security and economic stabilisation. In sectors such as healthcare and food production, modern structures and robust processes are essential. Nestlé, already present on site, combines economic commitment with humanitarian responsibility – a model that is likely to become even more relevant in the future.

Giorgio Saraco

Partner,
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Europe and the US take the lead – but Swiss quality remains in demand
As a large portion of international aid is tied to Western contractors. European and American firms are likely to have an edge in implementing many projects.

Nevertheless, Switzerland remains a popular partner – not through volume, but through specialisation. In areas such as cleantech, smart energy systems, and infrastructure modernisation, Swiss quality is indispensable. The country's political stability, along with reliable instruments like SERV (Swiss export risk insurance), makes it an attractive partner for long-term projects.

Conclusion: A historic opportunity – built on reliability and innovation
Peace is a prerequisite for building the future. That should be in everyone's interest, because war is always a human tragedy. The reconstruction of Ukraine is therefore more than a major economic undertaking. It is an act of European solidarity and a commitment to stability and progress. Swiss companies bring what is most needed in this phase: strategic foresight, technological strength, and reliability.

BELVÉDÈRE INSIDE

April brings a fresh start

We have exciting news to share, let's start with our Zurich office. After nearly ten years on Bellerivestrasse, we have decided to move into new offices at Freigutstrasse 16. The modern office layout on the 4th floor enables us to operate more efficiently and client-oriented, as our entire team is now located on a single floor. The final boxes are being packed, and from 7 April, we look forward to welcoming you to our new location.

The physical relocation inspired us to refresh the Belvédère brand. You will notice this as of next week on our website, which clearly presents the advantages of our holistic approach to wealth management. Belvédère 360° represents a service offering designed to support your financial ambitions.

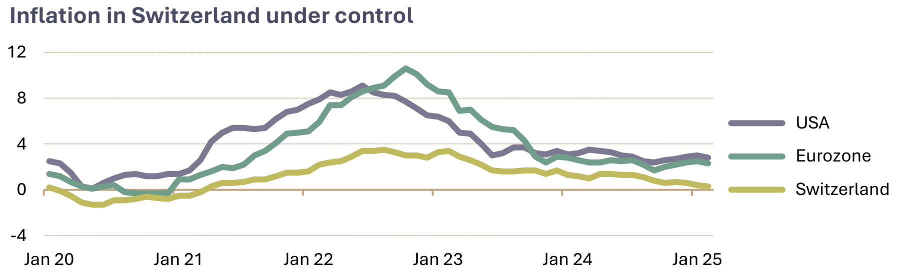
This edition of Market Insights also marks a visual and editorial refresh. Based on discussions with clients, we have refined the content to better meet your needs. Next to well-established lead article, you will continue to find our latest assess-ments on the economy, equities, and interest rates. New elements include our tactical asset allocation and a feature on one selected stock used in our discretionary mandates. Today, the spotlight is on Nestlé, a major contributor to last quarter's strong performance of the Swiss Market.

The articles from the quarterly Market Insights will soon be available online. We'll also publish further insights between the issues – so it's worth checking in regularly. You can also follow us on LinkedIn, where we share the latest updates on Belvédère.

We thank you for your continued interest and look forward to your feedback and to our next personal conversation.

ECONOMY

Review Q1
and outlook Q2



Source: Bloomberg, BAM

In the first quarter of the year, market dynamics were largely driven by central bank actions. The US economy showed signs of weakening, while inflation eased only moderately, leaving the Federal Reserve little room to lower interest rates. Political uncertainties – particularly around introducing trade tariffs – further dampened sentiment. As a result, US markets responded cautiously, with investors anticipating slower growth.

In Europe, the ECB cut interest rates twice, trying to stabilise the economy. Planned public investments in defence, infrastructure and climate projects are expected to provide an additional economic boost. Especially in Germany, prospects improved as the new government signalled its intent to pursue this agenda more actively. Supported by fiscal policies and expectations of renewed growth, European markets performed solidly.

Switzerland's central bank also acted in a market-supportive manner. Falling inflation allowed for another interest rate cut. The Swiss stock market reacted positively and was further supported by a resilient domestic economy.

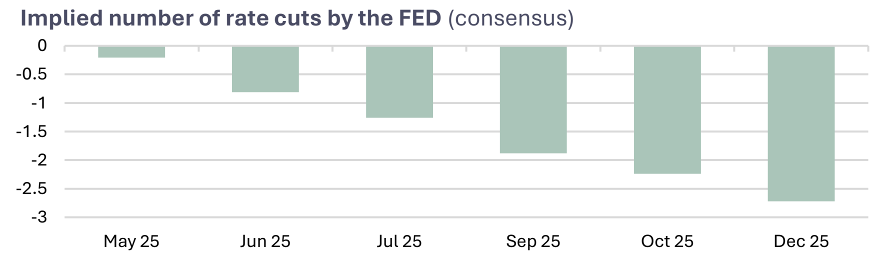
Outlook for the second quarter

The Fed may face increasing pressure to lower rates, as initial signs of a recession emerge. The ECB is expected to continue its moderate easing path, while the SNB is likely to adopt a wait-and-see stance after its recent actions.

Historically, equity markets tend to show weaker performance in Q2. While in the US many negative developments may already be priced in, European markets appear more vulnerable to corrections. That said, upcoming government investments could provide stabilisation and support the overall economic environment.

INTEREST RATES

Active central banks stabilise markets



Source: Bloomberg, BAM

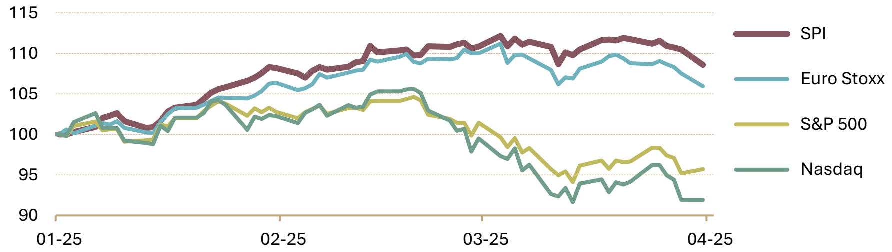
Switzerland's key interest rate now stands at 0.25%, close to the zero boundary once again. A weaker franc could temporarily increase inflationary pressure. Given the limited scope for further cuts, another rate move in 2025 would be a surprise. Although government bonds have become less attractive due to already low yields, they still serve as a safe haven.

The ECB, with its two recent rate cuts, has underlined its commitment to guiding inflation back towards the 2% target. At the same time, it aims to stimulate investment and consumption. We expect the easing policy to continue, though in a more measured fashion.

In the US, the situation remains largely unchanged. The Fed is in observation mode, with 10-year Treasury yields still above the 4% mark. A key challenge lies in evaluating the potential inflationary effects of political decisions, such as the introduction of new trade tariffs. The Fed must avoid triggering a recession with hasty decisions – though this is not our base case.

We therefore recommend a neutral duration strategy across CHF, EUR, and USD. The divergence in central bank policies, combined with global macro developments and new investment programmes (especially in Europe and Germany), is likely to keep the interest rate environment volatile, particularly for longer maturities.

Switzerland and Europe move ahead



Source: Bloomberg, BAM

EQUITIES

We remain positive on Switzerland

In 2024, the US market was led by the "Magnificent 7" tech giants. But in Q1 2025, that trend reversed: their share prices fell sharply, dragging the S&P 500 down by 4.3%. This was due to high valuations, uncertainty over new trade tariffs, and a strong US dollar – also supported by persistently high interest rates.

European stock markets saw a rally. The Euro Stoxx index rose by 5.9%. More attractive valuations compared to the US, falling interest rates, large-scale investment programmes, and stabilising policy led to growing investor confidence.

Switzerland's SPI also started the year on a positive note (+8.6%). Defensive heavy-weights such as Roche, Novartis and Nestlé – after a prolonged slump – led the pack.

In Q2, we expect US equities to recover from recent lows, while European and Swiss markets may enter a consolidation phase after the dividend season. Key factors will include US trade policy developments, progress in the Ukraine conflict, declining interest rates, and a stable (albeit modest) economic growth backdrop.

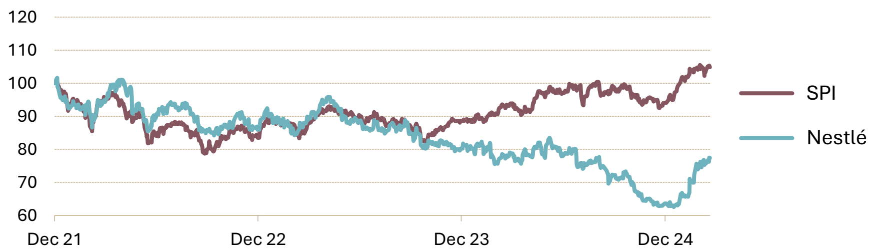
For Switzerland, we remain positive. Modest GDP growth is supported by strong domestic demand and prudent action from the Swiss National Bank. However, external factors such as a strong currency or weakness among key trading partners may weigh on exporters.

We therefore favour a slight overweight in US and Swiss equities, to particularly benefit from their relative stability and defensive characteristics.

NESTLÉ

Trust restored thanks to clear priorities

Nestlé 2025: Catch-up started



Source: Bloomberg, BAM

New CEO Laurent Freixe has quickly shown his deep understanding of the company and ability to set clear strategic priorities. In personal meetings, he impressed with thoughtful analyses of both opportunities and challenges.

Nestlé is once again focusing on its core business, after having underinvested in this area for too long. Cost efficiency measures are being implemented without compromising innovation. Shareholders benefit from a higher dividend, and acquisitions are only being pursued when they make strategic sense. If financial resources remain, share buybacks are being considered.

Employee motivation is another clear focus. Nestlé remains committed to Switzerland as its home base. According to Freixe, US tariffs pose limited risk, as the company mainly produces locally. In the long run, consumers will not accept price increases due to tariffs.

Nestlé shares have shown a strong performance since the beginning of the year. For the long-term, the company remains a solid investment opportunity with stable cash flows and an attractive dividend, making it a compelling choice for investors.

ASSET ALLOCATION

Slight overweight in equities and real estate

Recent developments and forecasts confirm our view regarding the tactical asset allocation.

We maintain generally a neutral stance, but remain slightly overweight in Swiss and US equities, as well as in Swiss real estate.

Asset classes	Current position				
	- -	-	0	+	+ +
Liquidity	■				
Bonds		■			
Government Bonds		■			
Investment Grade			■		
Equities				■	
Switzerland				■	
Europe			■		
UK			■		
USA				■	
Japan			■		
Emerging Markets			■		
Alternative investments				■	
Gold			■		
Real Estate Switzerland				■	

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