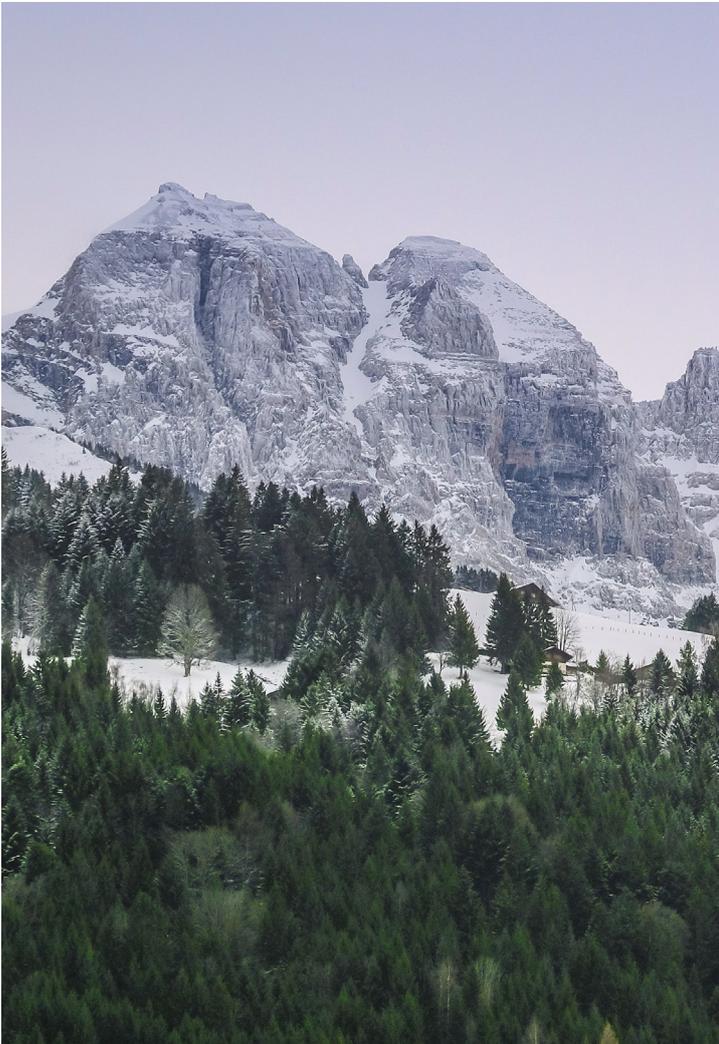


The long-term performance of Swiss equities and bonds (1900–2025)

Commentary



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Introduction

The origins of the Swiss stock market can be traced to the establishment of exchanges in Geneva (1850), Zurich (1873), and Basel (1876). Today, Switzerland ranks as the world's ninth-largest equity market, accounting for approximately 2.1% of global market capitalisation. Since 1900, Swiss equities have achieved a nominal annual return of 6.8%.

Swiss companies derive a substantial proportion of their revenues from international markets, offering investors broad geographical diversification. As of 2025, 83% of the revenue generated by constituents of the Swiss Performance Index (SPI) originates from outside Switzerland.

The Swiss equity market is among the most defensive globally, with healthcare and consumer staples currently making up almost half of the SPI's market capitalisation. When the financial sector is included, these three sectors together represent around 70% of the index, highlighting Switzerland as one of the most concentrated equity markets in the world. Roche, Novartis, and Nestlé are the largest constituents of the SPI, representing 37% of its market capitalisation – about CHF 650 billion as at end of 2025.

Over the past 126 years, Switzerland has achieved one of the lowest inflation rates in the world, averaging just 2.1%, while maintaining the world's strongest currency. This remarkable stability has enabled Swiss government bonds to convert a nominal return of 4.6% since 1900 into an annualised real return of approximately 2% – placing them among the highest performers in major bond markets according to Dimson-Marsh-Staunton global data.

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MACROECONOMIC ENVIRONMENT AND POLICY DEVELOPMENTS IN 2025

The year 2025 has been a complicated one for the Swiss economy. Tariffs and a sharp appreciation of the Swiss franc (CHF) have posed significant challenges. In response to low inflation, the Swiss National Bank (SNB) gradually reduced its policy rate, reaching 0% in June. Bond yields remained range-bound in 2025, with bond returns nearly flat at -0.1% in nominal terms.

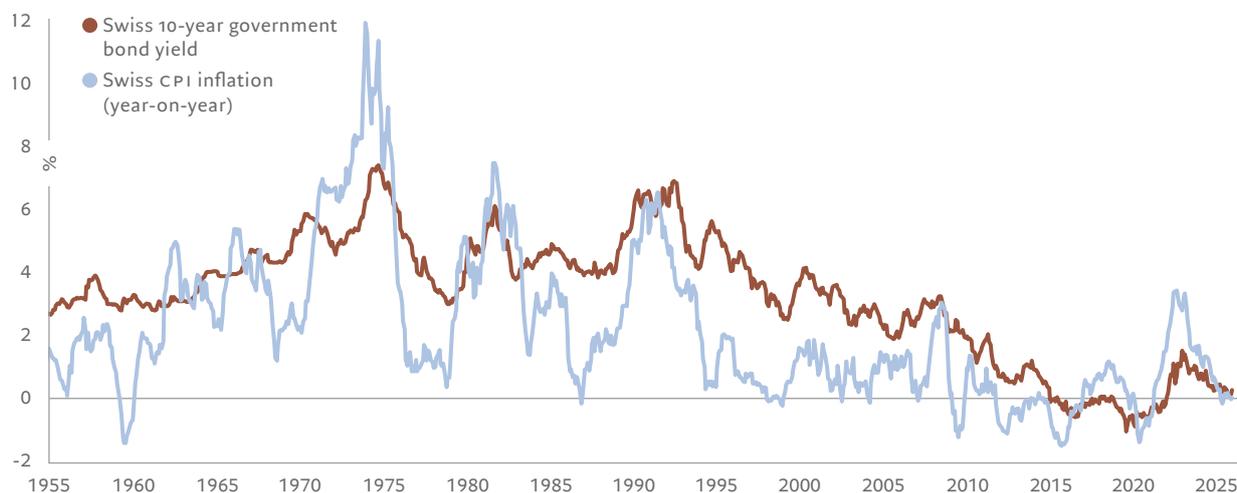
Although inflation is expected to edge slightly higher this year, it is likely to remain very subdued (SEE CHART 1). The bar for reintroducing negative interest rates remains high. Since June, the SNB's communication has shifted, with a notable emphasis on the medium-term inflation outlook and a greater tolerance for negative inflation readings. As a result, markets have largely priced out the possibility of negative policy rates, despite persistently low inflation.

A move into negative territory would likely require a significant catalyst, such as a sustained and pronounced appreciation of the CHF in real terms, a marked deterioration in Switzerland's macroeconomic outlook, or a substantial narrowing of the policy rate differential between the SNB and other major central banks, particularly the European Central Bank (ECB).

Renewed easing from the ECB is not part of our base case, as we expect the ECB to remain on hold. Risks to the macroeconomic outlook now appear more balanced, following the agreement between Switzerland and the United States, which reduced tariffs from 39% to 15%. This has helped restore a level playing field with the European Union, and provided relief for Swiss industries.

The external environment is expected to remain challenging for the Swiss economy, with the CHF continuing to serve as a key safe haven during uncertain times. As long as the SNB maintains its policy rate unchanged, the general level of interest rates is likely to remain low.

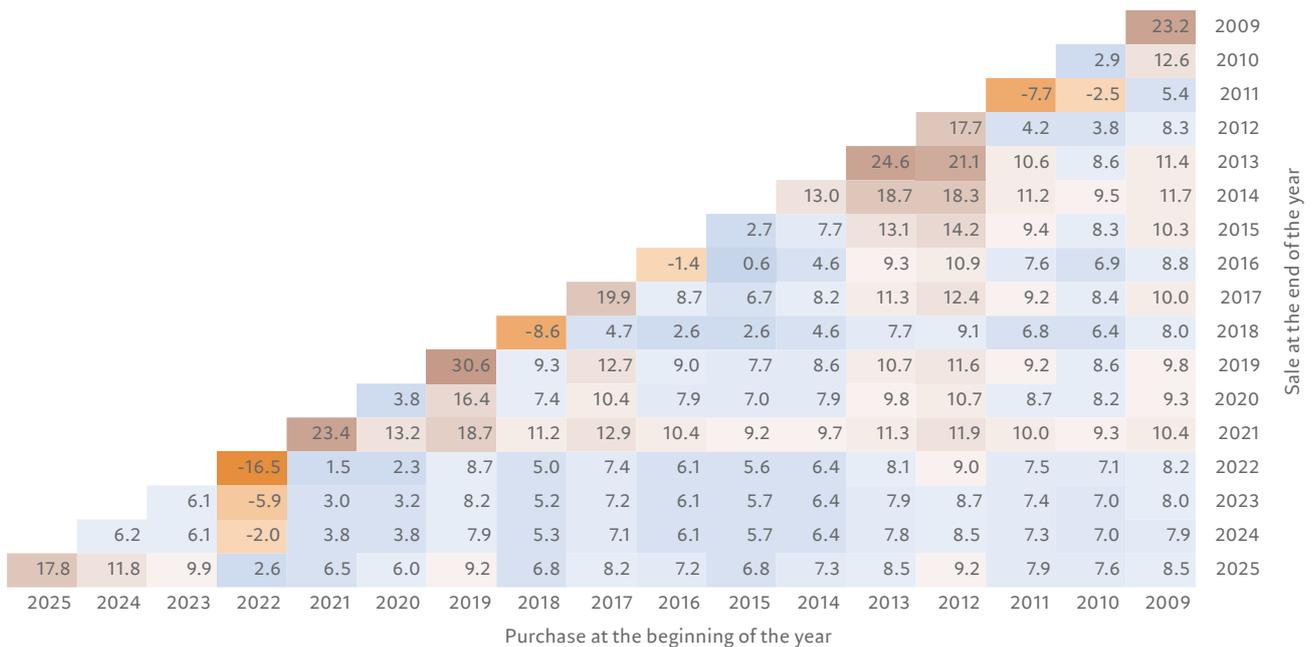
CHART 1
Swiss consumer price index (CPI) inflation and 10-year government bond yield



Source: Pictet Wealth Management, Refinitiv, as at 31.12.2025

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CHART 2
Average annual CHF returns for
Swiss equities over the past 17 years, %



Source: Pictet Wealth Management, FactSet,
as at 31.12.2025

SWISS EQUITY PERFORMANCE IN 2025

The year 2025 was characterised by robust returns across most major asset classes, set against a backdrop of significant geopolitical and economic shifts. Evolving trade patterns, rapid progress in artificial intelligence, and the recalibration of central bank policies are collectively shaping a new investment landscape.

Global equity markets, including the SPI, experienced a pronounced decline in the spring of 2025, triggered by President Donald Trump's introduction of substantial "reciprocal" tariffs on numerous countries. However, equity markets worldwide subsequently rebounded, with the SPI surging by nearly 25% on a total-return basis from its April low to year-end. This is because US tariff rates progressively fell from their 2 April "Liberation Day" peaks following a series of bilateral trade agreements and a temporary trade truce with China.

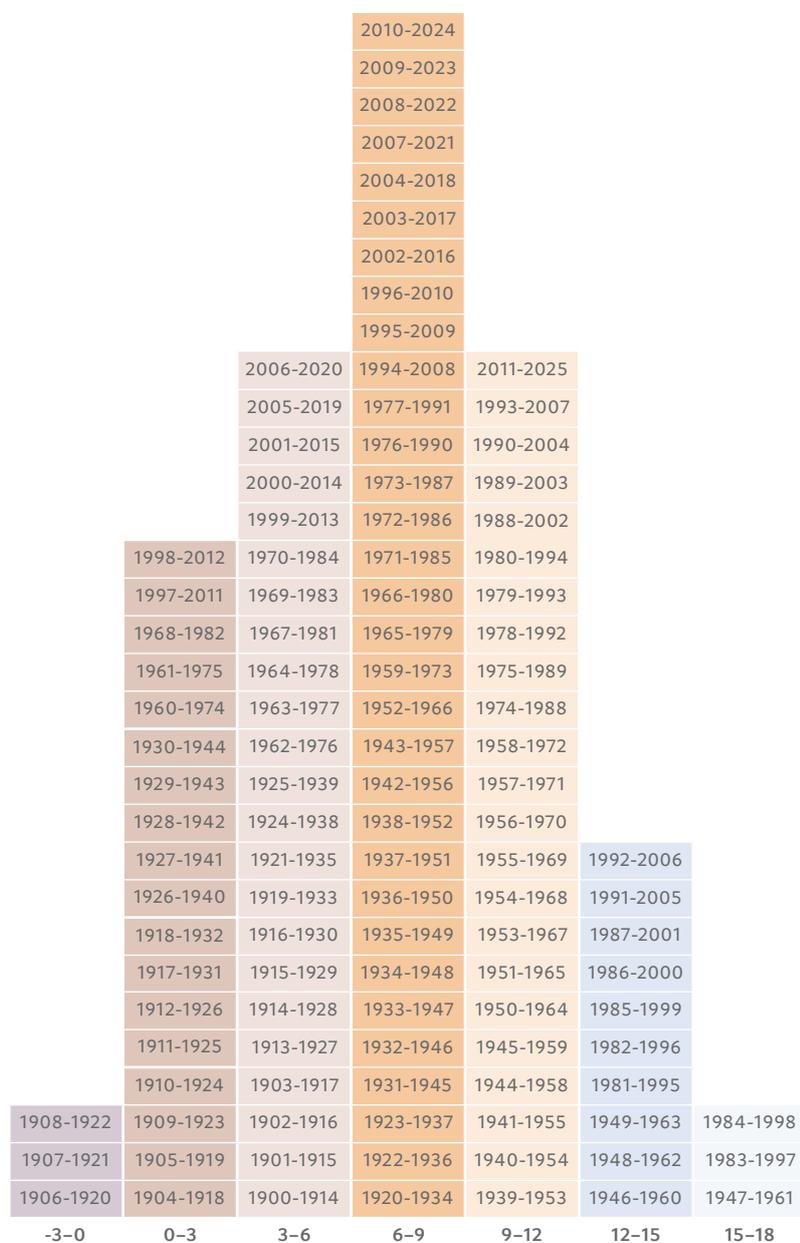
As a result of this recovery, the Swiss equity market delivered its third consecutive year of positive performance in 2025, with the SPI rising by 17.8% in CHF, including dividends. This corresponds to a 34.7% increase in US dollars (USD), which compares favourably to returns of 17.9% for the S&P 500 and 22.9% for the MSCI AC World Index, both measured in USD.

TIME HEALS: THE DISSIPATING IMPACT OF BEAR MARKETS ON EQUITIES

CHART 2 shows the average annual returns for Swiss equities between 2009 and 2025. The last row presents annualised CHF returns to the end of 2025 for different starting years. For holding periods spanning 2009 to 2025, Swiss equities delivered an average return of 8.5%, well above the long-term average of 6.8% recorded since 1900. Returns for more recent holding periods are somewhat negatively skewed by the equity sell-off in 2022,

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CHART 3
Swiss equities' annualised returns
grouped by 14-year periods (y-axis)
and return range (x-axis)



Source: Pictet Wealth Management, DMS Global dataset, FactSet, as at 31.12.2025

which resulted from central banks implementing aggressive interest rate hikes in response to surging inflation. However, strong performance in 2025 fully offset this drawdown, leaving the market 11% above its 2021 level at the end of 2025. While equity drawdowns are invariably stressful, these figures highlight the asset class's capacity to recover following downturns. Over longer time horizons, the impact of bear markets tends to dissipate.

An investor with a 10-year time horizon would have faced a negative total return on Swiss equities eight times over the 126 years between 1900 and 2025, inclusive. Those eight occurrences are mainly linked to the economic downturns following World War I and the Wall Street crash of 1929. However, there was no occurrence of a 10-year negative return due to the bursting of the 'dot com' bubble in 2001 and the global financial crisis in 2008. Therefore, investors who made an initial investment in Swiss equities at any time since 1931 and held it for 10 years would not have suffered any negative return on their initial investment. Extending the investment horizon to 14 years, our analysis suggests that no investor who invested since 1909 would have experienced a loss on their initial investment (CHART 3 illustrates the returns for investments in Swiss equities held over 14 years). With a 20-year horizon, positive returns have been achieved for every investment made since 1900.

In short, our analysis shows that a disciplined and patient approach to equity investing is the most effective way for investors to build portfolio resilience over time.

THE ENDURING REWARDS OF PATIENCE AND PERSISTENCE

A compelling way to illustrate the magic of compounding returns is to track the total returns from CHF 1,000 invested at the beginning of 1900, assuming dividends are reinvested and no withdrawals are made. Our analysis shows that the initial CHF 1,000 would have grown to CHF 3.97 million 126 years later. Naturally, this figure is theoretical, as it does not take into account various costs such as brokerage fees, stamp duties, and the expenses associated with portfolio rebalancing. Accordingly, we have deducted 50 basis points from our

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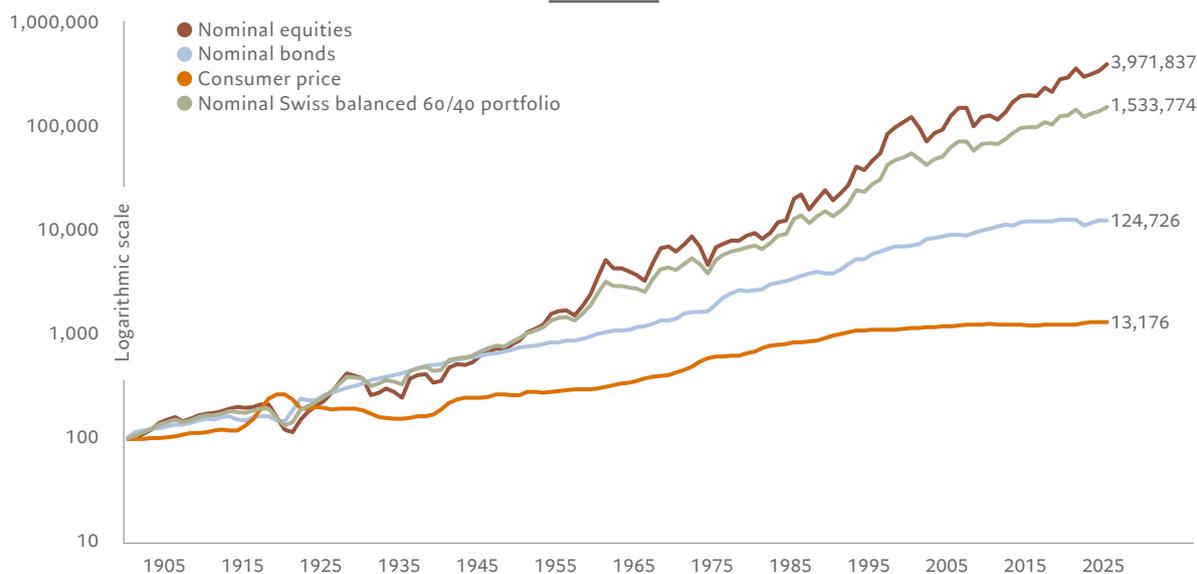
calculations of annual equity returns since 1900. After this adjustment, the cumulative total return on the initial CHF 1,000 investment amounts to CHF 2 million between 1900 and 2025. Patience remains a virtue; as returns compound over time, investors' time horizon can make all the difference.

The case for bonds is less compelling. CHF 1,000 invested in Swiss bonds in 1900 would have grown to CHF 1.25 million by 2025 – less than one third of the value generated by equities. Bonds, however, have historically been far less volatile than equities, with an annualised standard deviation of 5.2% since 1900, compared with 19% for equities, but this stability has come at the cost of lower returns. Over the long term, Swiss bonds have

delivered average annual returns of 3.9% in nominal terms, versus 6.8% for Swiss equities. Given the resurgence of inflation following the Covid-19 pandemic, real returns have become increasingly important. In this context, Swiss bonds generated an average real return of around 1.8% between 1900 and 2025, while equities achieved approximately 4.6%.

While Swiss bonds have generally proved their worth in mitigating portfolio risk, equities remain the preferred investment over the long term (SEE CHART 4). Put another way, a decent long-term investment horizon, together with a certain risk tolerance, justifies significant allocation to equities.

CHART 4
Nominal value of equities, bonds and a 60/40 portfolio versus the Swiss consumer price index from 1900 to 2025
(Base=1000)



Note: 60/40 portfolio= 60% equities + 40% bonds

Source: Pictet Wealth Management, DMS Global dataset, FactSet, as at 31.12.2025

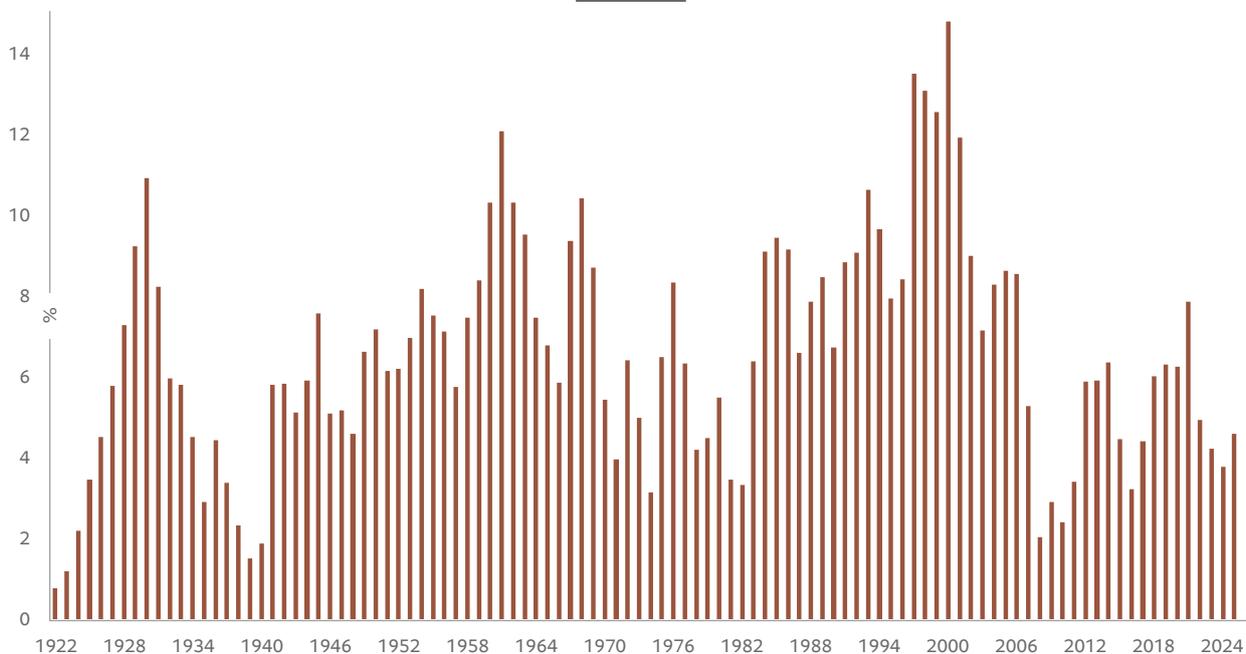
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**A BALANCED 60/40 PORTFOLIO:
A COMPROMISE BETWEEN
RISK AND RETURN**

The purpose of a balanced allocation – combining equities and bonds – is to capture the upside potential of equities while benefiting from the stabilising effect of government bonds during equity downturns. This is supported by Swiss bonds' lower volatility (5.2% for bonds versus 19% for equities) and their historically low correlation with equities (around 25% over the full sample period and -5% since 2000). Since 1900, the SPI has recorded negative annual returns in

37 years. In 29 of those instances, the Swiss bond index delivered positive returns, helping to cushion equity losses in a 60/40 portfolio. Over the long run, a Swiss 60/40 portfolio has generated an annualised nominal return of 6%, with significantly lower volatility compared to equities alone (12% versus 19% since 1900). Our analysis shows that any investor who made an initial investment in a Swiss balanced portfolio in 1912 or later and held it for at least 10 years has not experienced a loss on their initial investment (SEE CHART 5).

CHART 5
**Swiss 60/40 portfolio 10-year annualised returns
for investments started each year since 1912**



Source: Pictet Wealth Management, DMS Global dataset, FactSet,
as at 31.12.2025

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Conclusion

Swiss equities have once again demonstrated their resilience and long-term value for investors. After the setback in 2022, they rebounded strongly over the past three years, returning to their long-term trend of positive returns. In 2025, Swiss equities delivered a robust total return of 17.8% in CHF (34.7% in USD), outperforming many global benchmarks and marking a third consecutive year of positive performance. This recovery has brought the market well above pre-2022 levels, underscoring the capacity of Swiss equities to recover from downturns and reward patient investors.

Swiss equities have achieved an average annual nominal return of 6.8% since 1900, while Swiss government bonds have provided 3.9% per year. Notably, any investor who began a 10-year investment in Swiss equities in 1931 or later has not experienced a loss, and any 14-year investment started in 1909 or later has always produced positive returns. For more risk-averse investors, a balanced 60/40 portfolio of Swiss equities and bonds has generated a solid annualised nominal return of 6% since 1900, with no losses for any 10-year investment begun in 1912 or later, and much less volatility than a portfolio invested entirely in equities (12% versus 19%).

These results highlight the enduring benefits of diversification, discipline, and a long-term perspective in Swiss financial markets, even amid global uncertainty and shifting macroeconomic conditions.

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