



“175 Years – and Stronger Than Ever”

Our Opinion
July 2025

3 Our Opinion “175 Years – and Stronger Than Ever”

8 Market data

Dear Readers

In the article “175 Years – and Stronger Than Ever”, we explain how the Swiss franc has developed from an appendage of the French franc into the world’s strongest currency.

Looking for advice and support on financial matters? Our investment advisors look forward to hearing from you and will be happy to talk to you personally.

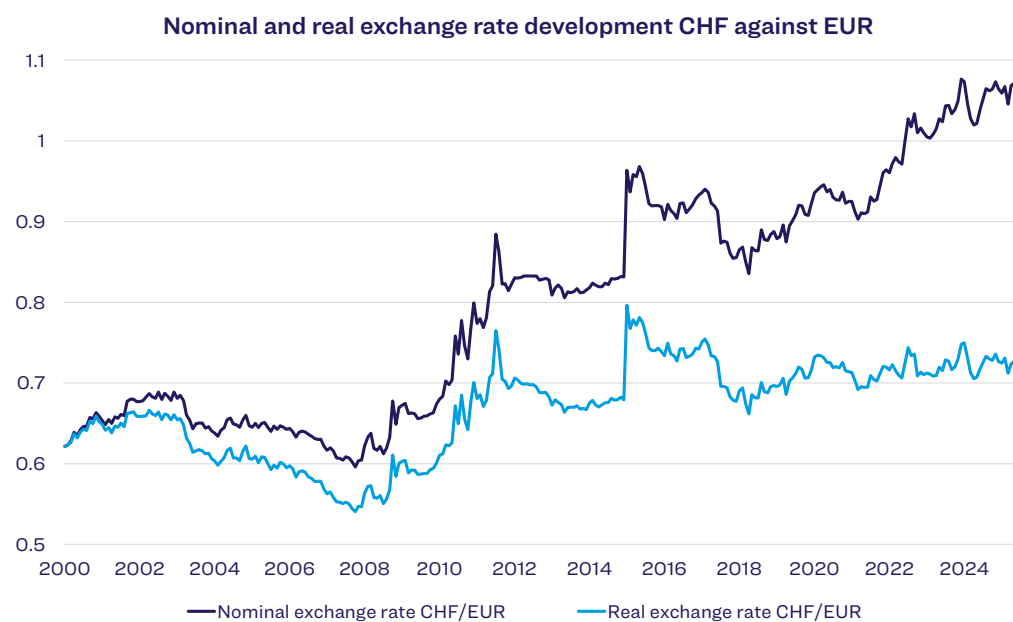
We wish you a pleasant read.
Your Advisory Team

“175 Years – and Stronger Than Ever”

Currency

The Swiss franc was introduced as Switzerland's national currency 175 years ago, on 7 May 1850, with the enactment of the Federal Coinage Act. However, its success in becoming the world's most secure and strongest currency was not predetermined. During the first 50 years of its existence, it remained a weak appendage of the French Franc. It was only with the founding of the Swiss National Bank (SNB) in 1907 that it began its steady rise to become the world's strongest currency. Switzerland remained neutral during the two world wars, which further enhanced the franc's credibility. In the post-war period, the Swiss Confederation joined the Bretton Woods system (which linked the US dollar to the price of gold). Under this system, the Swiss franc was also pegged to the dollar within narrow bands. After the collapse of the system in 1973, the peg to the US dollar was removed, and the franc began to 'float' freely, i.e. traded on the market without a fixed peg. This marked the beginning of its independent monetary policy development under the control of the SNB. In the decades that followed, Switzerland developed into one of the world's most important financial centres, and the franc became a preferred safe haven in times of crisis. The 2008 financial crisis intensified the shift of funds to safe havens, and the franc experienced strong upward pressure. This became even more pronounced during the euro crisis from 2010, when the SNB introduced a minimum exchange rate of CHF 1.20 per euro in September 2011 to protect the export industry. A dramatic turning point came on 15 January 2015: the SNB unexpectedly removed the minimum exchange rate. The Swiss franc appreciated by up to 20 percent within a few hours. This was followed by temporary phases of weakness, but these did not last long. The upward pressure remained. The SNB even tried to tame the franc with negative interest rates – but without much success.

The Swiss franc remains strong – and has once again proven to be a reliable safe haven, even in geopolitical crises (e.g. the war in Ukraine and conflicts in the Middle East). For several years now, the SNB has been more tolerant of nominal appreciation as long as inflation abroad is higher. The real exchange rate therefore takes centre stage and should remain as stable as possible. The following chart illustrates that this approach has been very successful so far:



The nominal appreciation of the CHF against the EUR since 2000 has been around 72 percent, while the real appreciation – adjusted for euro-zone inflation – has only been just under 17 percent. In the past seven years, there has even been no further real appreciation of the Swiss franc. It seems that the SNB has found the right approach to dealing with the world's strongest currency. Supported by the SNB's monetary policy, stable public finances, and continued international confidence in the Swiss economy, the Swiss franc will remain a safe haven in the future.

The Economy

The Swiss economy has shown robust and stable development for several years – despite global uncertainties. The economy is heavily export-oriented, particularly in the pharmaceutical, chemical, and mechanical engineering industries. The strong Swiss franc brings with it both advantages and disadvantages: on the one hand, it makes imports cheaper; on the other, it affects the competitiveness of exporting companies. Despite the strong franc, however, there has been no sustained weakening of the export industry. This is due to high quality, reliability, and innovative strength. In addition, many international partners value Switzerland as a reliable, neutral, and stable business location – and are willing to pay a higher price for that. Like the Swiss franc, the Swiss economy is also characterised by its resilience and adaptability – and will continue to be one of the best-performing economies in the world despite global uncertainties.

Bonds

In May, inflation fell below 0 percent (-0.1 percent year-on-year), officially marking the Swiss economy's return to deflation. The main cause is imported deflation, which is attributable to the record-high Swiss franc. For this reason, the SNB was forced to return to a zero interest rate policy and lowered the key interest rate from 0.25 to 0 percent. A possible next step – entering negative territory – cannot be ruled out, particularly if the franc remains so strong. This outlook is positive for mortgage borrowers on the one hand, but negative for investors in fixed-interest investments in CHF on the other. Ten-year Swiss government bonds are currently still yielding just under 0.4 percent p.a., while corporate bonds with a good credit rating and a term of five years are yielding around 1 percent p.a. – with a downward trend. Such yield prospects are not really attractive for private investors. An investment in so-called 'unconstrained' bond funds, hedged against currency risks in CHF, is an option here. These funds can invest 'unconstrained' in the entire bond universe and thus achieve significantly higher returns. For further information, please contact our investment advisors.

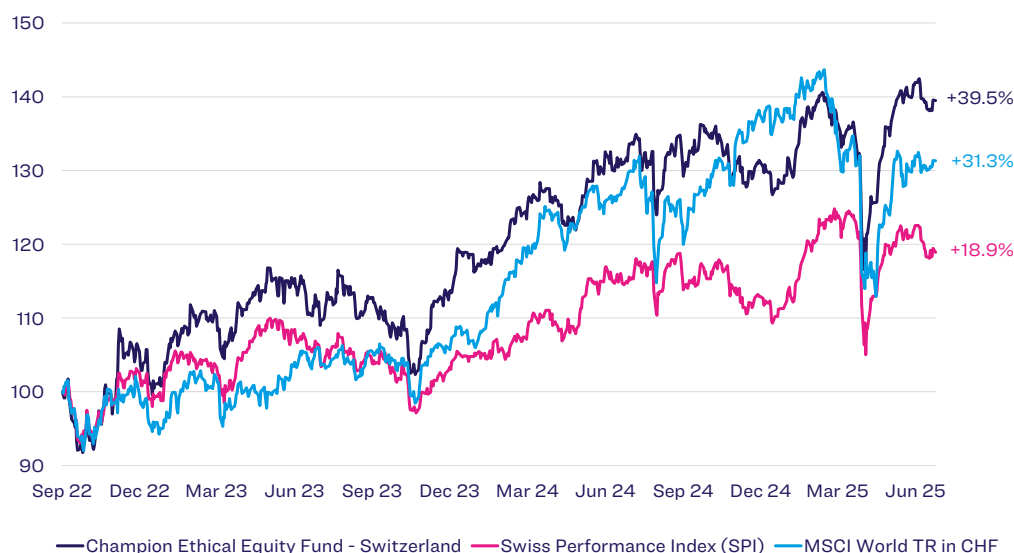
Equities

The low interest rates on the Swiss money and bond markets increase the relative attractiveness of Swiss equities compared to bonds. The equity risk premium is calculated by deducting the current yield on the bond market from the earnings yield on equities. At 5 percent, the Swiss equity market generates a significantly more attractive risk premium than the global equity market at around 2 percent, which supports a better future performance of Swiss equities. Added to this is the weak USD, which accounts for around 70 percent of the global equity market (MSCI World) and has lost around 12 percent in value against the CHF since the beginning of the year. This has had a noticeable impact on performance: while the MSCI World in USD has gained around 9.5 percent since the beginning of the year, performance in CHF remains negative at -3.8 percent. To exclude this currency risk and benefit from the higher equity risk premiums, an investment in Swiss equities is a good option. Since September 2022, we have acted as investment advisor to the Champion Ethical Equity Fund – Switzerland, in which we have implemented our equity strategy, successfully tested over many years. Since its launch, we have significantly outperformed the broad Swiss equity market (SPI) and the MSCI World in CHF:

Neue Bank traffic light

- strongly bearish
- bearish
- neutral
- slightly bullish
- bullish
- strongly bullish

Performance in CHF



Source: Bloomberg and Neue Bank AG

For further information, please contact our investment advisors.

Alternative investments

Another beneficiary of lower key interest rates is the Swiss property market. It is known for its stability and security, which makes it attractive for both domestic and international investors. The Swiss economy is robust, interest rates are generally low, and property prices have proven to be relatively crisis-resistant in recent years. Nevertheless, there are also challenges and uncertainties that could influence the market. In particular, rapid and sharp increases in key interest rates have a negative impact – as demonstrated by the year 2022, in which the SXI index for Swiss real estate funds lost almost 15 percent of its value. The losses have since been recouped, and the SXI is now at new highs. With the help of ETFs, investors can participate in the performance of the Swiss property market easily and cost-effectively.

PRIMUS–ETHICS

With the PRIMUS-ETHICS asset management mandate, we give investors the opportunity to incorporate environmental and social considerations into their investment decisions alongside financial aspects. We invest your assets in ethically and morally sound companies and apply professional approaches to their implementation. Scientific studies prove the positive effects of sustainability on economic success. Neue Bank AG’s client advisors will be happy to show you the special features of this asset management solution in a personal meeting.

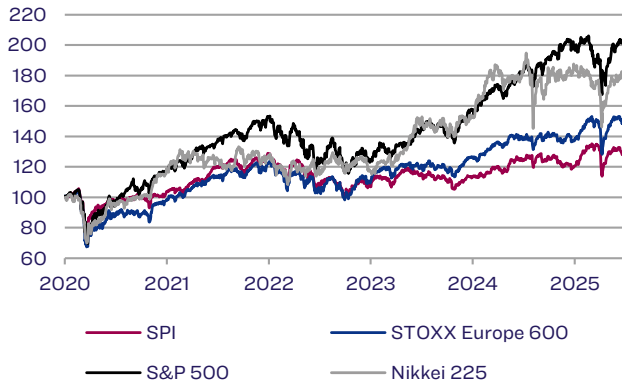
Key Performance Indicator in USD¹

	30.06.2025	2024	2023	2022	2021	2020
PRIMUS-ETHICS Equities World	12.29%	19.72%	28.83%	-28.69%	31.27%	23.34%
Peergroup	8.34%	11.33%	18.61%	-23.66%	17.85%	22.56%

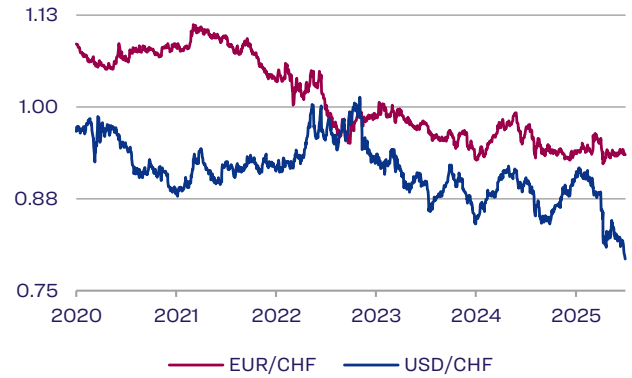
¹ Past performance is not an indicator of future performance and offers no guarantee of success in the future. The presentation of performance is gross without taking into account your individual tax liability. The net performance is lower due to fees. You can also find Our Opinion on our website: www.neuebankag.li S.E.& O.

Market data

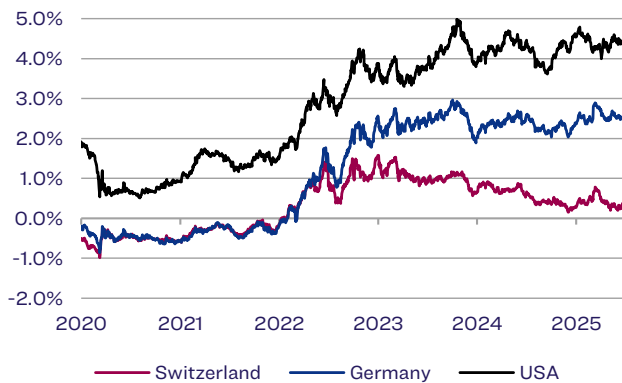
Stock market (indexed)



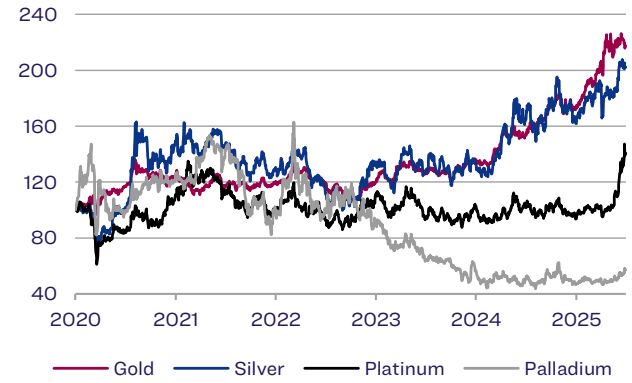
EUR/CHF and USD/CHF



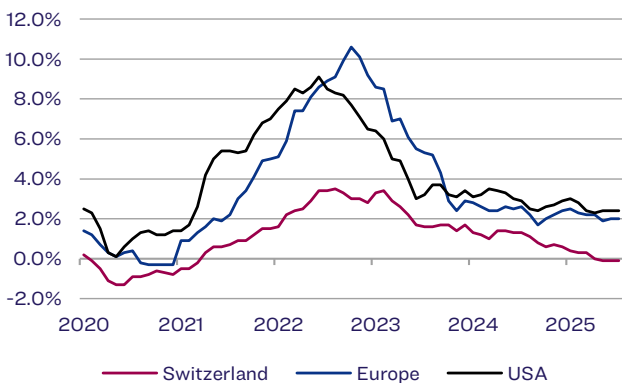
10-year government bond yield



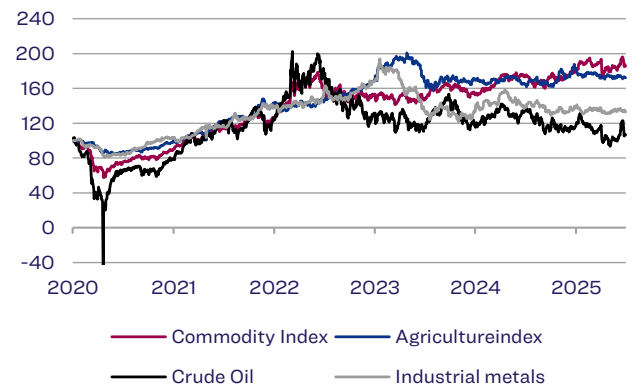
Precious metals (indexed)



Inflation rate



Raw materials (indexed)



The price developments are shown over 5 years.

You can reach us at

Neue Bank AG

T +423 236 08 08

F +423 236 07 35

info@neuebankag.li

Disclaimer

This publication is intended exclusively for your information and is not an offer for the purchase or sale of securities. It describes value based goals that we attempt to reach for like-minded clients. Whether we can support you in your personal financial goals depends on your individual risk appetite, your financial objectives as well as the legal constraints of the country of your domicile, in particular with respect to the financial instruments to be invested in. Therefore we recommend that you discuss the solution mentioned with your financial consultant and have possible tax consequences checked out by your tax accountant. The figures shown are based on actual performance results of the portfolio management mandate in the currency displayed. Past performance is not a reliable indicator of future performance and results. Future price and exchange rate fluctuations can impact on your return in your domestic currency. Performance data used in the tables is gross of fees (specification available from your client adviser) and do not reflect the impact of your personal taxes. The benchmark is composed of strategically weighted indices of the particular five asset categories liquidity, bonds, shares regional (Switzerland, Europe, USA), shares global and alternative investments. This information is given without a guarantee. This brochure may not be reproduced, duplicated or passed on without the prior consent of Neue Bank AG. In case of its dissemination relevant national legislation must be adhered to.