Iran Conflict – Our assessment and what It means for your investments

Dear Sir or Madam

The current conflict with Iran is making headlines worldwide – and understandably raising questions among investors. We would like to provide you with a brief overview from Neue Bank's perspective and explain what this means for your investments.

1. The Conflict in Brief

Iran sees itself as the leading power in the Middle East. To secure this influence, the country supports various allies and militias in the region, such as:

- Hezbollah in Lebanon,
- Sharia-aligned groups in Iraq,
- Houthi militias in Yemen.

This puts Iran in competition with states like Saudi Arabia, the United Arab Emirates, and Israel. Since the Islamic Revolution of 1979, relations with the US have also been strained, marked by sanctions and political conflicts. Israel, in particular, views Iran as an existential threat – especially because of its nuclear program and its support for anti-Israel groups. The current conflict is therefore part of a **long-standing, structural geopolitical conflict**, not an isolated incident.

2. Current Developments – Escalation with Risks

Since February 28, there have been targeted attacks and retaliatory strikes between the US and Israel on one side and Iran on the other. The focus is on:

- military infrastructure,
- key command centers,
- regime leaders.

The goal is to weaken Iran's military capabilities. The US has so far tried to avoid a direct, large-scale confrontation to prevent an open conflagration in the Middle East. The situation in the **Persian Gulf** and around the **Strait of Hormuz** is particularly sensitive. A large portion of global oil trade passes through these waterways. Further escalation could have a significant impact on energy prices. The ultimate objectives – especially those of the US – are currently not clearly communicated. Israel, for its part, is aiming for a substantial weakening of Iran's military and, in particular, nuclear capabilities.

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3. Impact on the financial markets
Such geopolitical conflicts typically lead to three effects on the markets:

1. **Higher fluctuations in the short term**
   - Stock markets are reacting nervously
   - Risk Premiums are rising
   - News is driving short-term price movements

2. **Escape to supposedly safe asset classes**
   - High-quality Government Bonds
   - Gold
   - Partly the US-Dollar

3. **Exaggeration in individual sectors**
   - Energy and Raw material Stocks
   - Defense Stocks

Many of these movements are **emotionally driven** and based on experience, are **temporary**. For long-term investors, the crucial factor is whether a conflict results in **lasting structural changes** – for example, in energy trading or global supply chains. As of today we see:

- No serious disruptions to oil supplies,
- Still no comprehensive regional war scenario,
- Intensive diplomatic efforts to prevent further escalation

4. Our assessment
In our baseline scenario, we do **not** anticipate an uncontrolled, large-scale war in the region, but rather:
- ongoing tensions,
- limited military actions,
- strong diplomatic pressure to prevent an escalation.

From our perspective, this means the following for the financial markets:

- **Short-term:** increased volatility, particularly in energy and regional markets,
- **Medium term:** Return to focus on interest rates, inflation and growth,
- **In the long term:** Geopolitics remains a relevant factor but is only one piece of the overall picture.

5. What does this mean for your portfolio?
In an environment of heightened uncertainty, a structured, disciplined investment strategy proves its worth. In our mandates, we place particular emphasis on:

- **Broad diversification** across regions, currencies and sectors,
- **High-quality assets** with solid balance sheets and robust cash flows,
- **Risk control** through clear position sizing and liquidity management,
- **Stability anchors** such as High-Yield or Cat-Bonds.

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Geopolitical events can occasionally create **investment opportunities** – for example, where markets overreact. We utilize such opportunities strategically and judiciously, always within the framework of your agreed risk profile.

Possible investment ideas:

- SPDR MSCI Europe Utilities UCITS-ETF (ISIN: IE00BKWQ0P07)
- iShares-European-Utilities UCITS-ETF (ISIN: DE000A0Q4R02)
- MSCI Europe Value Factor UCITS ETF EUR (ISIN: IE00BQN1K901)
- iShares-Swiss-Dividend-ETF (ISIN: CH0237935637)
- CIIM European Stock Portfolio Fonds EUR (ISIN: LI0025828448)

6. How we will support you
We continuously monitor the situation in the Middle East and analyze its potential impact on the economy, inflation, and markets. Geopolitical risks are systematically incorporated into our investment decisions. At the same time, we focus not on headlines, but on your **long-term investment strategy**, your **time horizon**, and your **risk tolerance**.

If you have any questions about your portfolio or would like to discuss your investment strategy considering current developments, your client advisor at Neue Bank is always happy to assist you.

Best Regards
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