



«Between Escalation and Hope»

- **Financial markets held hostage by geopolitics**
- **Rate cuts are off the table for now**
- **Weak sentiment leaves room for a rebound – seasonality remains a warning sign**
- **Stagflation risks are rising – real assets remain key pillars**
- **Asset allocation: maintain partial hedge and elevated liquidity**

Since February 28, 2026, the world has found itself in a new geopolitical reality. The joint military operation by the US and Israel against Iran has abruptly altered the global risk landscape. After more than three weeks of war, the situation is characterized by contradictory signals. While US President Trump announces negotiations, Tehran denies any direct talks. The only certainty is uncertainty, and that is toxic for financial markets.

Central banks caught between fighting inflation and growth risks

The geopolitical shock has placed central banks in a dilemma. Rising energy and commodity prices are driving inflation, while growth risks are mounting. In light of increasing risks to price stability, the US Federal Reserve left its benchmark interest rate unchanged, while the European Central Bank is debating a potential rate hike for the first time in months. Market expectations are illustrated in Figure 1. Only a few weeks ago, further monetary easing was priced into the US market. Now, no further rate cuts are expected until at least the end of 2026 which is a clear indication that markets are increasingly pricing in the risk of second-round effects from higher energy prices. The Swiss National Bank (SNB) is operating in a challenging environment but continues to navigate with a steady hand. While inflation remains moderate, geopolitical uncertainty applies appreciation pressure on the Swiss franc. As expected, the policy

rate was maintained at 0% in March 2026, likely taking the fear of negative interest rates off the table for now. Instead, the SNB has signaled an increased readiness to intervene in the foreign exchange market to prevent an excessive appreciation of the CHF.

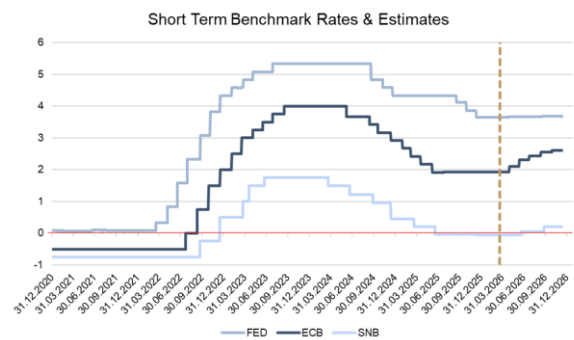


Fig. 1) Short term benchmark rates & estimates
Data: Bloomberg / Chart: Capicura Partners

Rebound expected: cautious optimism, but not a no-brainer

Market sentiment has been battered recently, with the CNN Fear and Greed Index currently in «Extreme Fear» territory (Fig. 2). Historically, such a pessimistic sentiment serves as a reliable contrarian indicator. When almost all market participants are unsettled, bad news is usually priced in. Against this backdrop, an initial countermove can be expected. The US has submitted a 15-point ceasefire plan to Iran via Pakistan. Initial diplomatic reactions prompted an immediate market rebound, even though Iran is unlikely to agree easily. The price of Brent crude eased, temporarily falling below the USD 100 per barrel mark for the first time in weeks, and risky assets recovered. Nevertheless, it would be premature to interpret this recovery as an all-clear signal. A true capitulation by market participants accompanied by panic selling and investors «throwing in the towel» has not yet occurred. The fact that the private credit market is in trouble is only compounding the problem. Several large fund providers have limited or entirely suspended redemptions in recent weeks after waves of withdrawals exposed the liquidity con-

straints of these illiquid vehicles. Rising default rates among debt-financed companies, combined with a tougher refinancing environment, are heightening nervousness. What was long considered a stable source of yield is proving to be a «liquidity illusion» during stress phases, contributing to general market uncertainty. As long as these issues and the geopolitical situation remain fundamentally unresolved, the potential for further setbacks persists. Therefore, we will not use a recovery as an opportunity to increase risk. Instead, we are maintaining our elevated cash levels and partial hedges via put options on the S&P 500 Index. With this precautionary measure, our current equity exposure is approximately 47%.

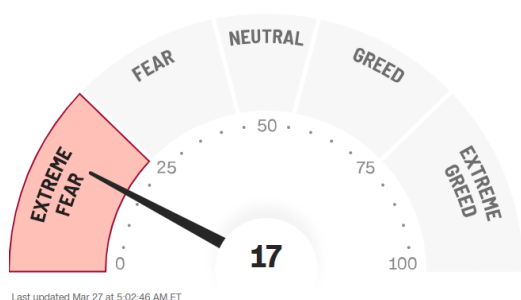


Fig. 2) CNN fear and Greed Index
Data: CNN

Seasonality and midterm elections

Seasonality provides another warning signal. In November 2026, the US will hold midterm elections, and market history reveals a clear pattern for such years. Between mid-April and late September, 18 of the last 20 midterm election years saw a correction of more than 5%. The average peak-to-trough decline during these periods was approximately 18% (Fig. 3).

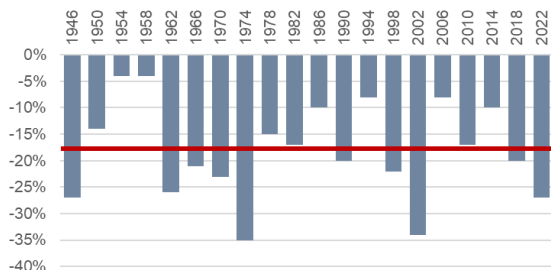


Fig. 3) Drawdown of the S&P 500 during midterm elections
Data: Bloomberg / Chart: Capicura Partners

While historical data is not a law of nature, it cautions against excessive optimism. This seasonal pattern is emerging in an environment already defined by geopolitical risks, heightened volatility, and unresolved trade conflicts.

Real assets as an anchor against potential stagflation

Our scenario of persistently elevated inflation is gaining further momentum due to the conflict in the Middle East. US trade policy which is characterized by import tariffs, expansive fiscal policy, and structural pressure on the USD, had already laid the groundwork for rising prices. The war amplifies this trend through higher energy prices, disrupted supply chains, and increasing risk premiums. At the same time, growth risks are mounting and further solidifying a stagflationary scenario. Real assets typically benefit in such an environment. Gold, however, initially failed to fulfill its role as a safe haven. Instead, like other assets, it was used as a source of liquidity and sold off accordingly. Additionally, a stronger USD and rising yields weighed on prices. Nevertheless, we stand by our strategic assessment and view further corrections in gold as a buying opportunity.

Active management and favored themes

In January (prior to the market turmoil), we adjusted the precious metals allocation within our mandates. Palladium was sold, and the silver position was reduced to 2%. We are maintaining our gold holdings and have further expanded our exposure to commodity stocks. Given the high levels of volatility, a disciplined and selective positioning remains crucial. In addition to precious metals, we continue to see potential in Swiss dividend stocks. In an environment of heightened volatility, low interest rates, and persistent uncertainty, solid business models and reliable payouts remain a sound choice.

Asset Allocation	Q2 26	Q1 26	Q4 25
Cash	10%	8%	9%
Fixed Income	14%	14%	14%
Equities	54%	53%	52%
Alternatives	22%	25%	25%

Fig. 4) Suggested asset allocation for a Balanced Portfolio in Q2 2026

The information and opinions in this document are gathered and derived from sources which we believe to be reliable. Nevertheless, we cannot guarantee the reliability, completeness or accuracy of these sources and of the information provided. All information is provided without any guarantees and without any explicit or tacit warranties. The information and opinions in this document do not constitute and shall not be construed as a solicitation, offer or recommendation to purchase or sell any investment or to engage in any other transaction. They are exclusively for information and advertising purposes. We urgently recommend that interested investors consult their personal investment advisor before making any decisions based on this document so that personal investment objectives, financial situation, individual needs, risk profile and other relevant information can be duly taken into account in conjunction. To the extent permitted by law, we exclude all liability for direct, indirect or consequential damages, including loss of profit, arising from the published information.