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GOLD AND SILVER.

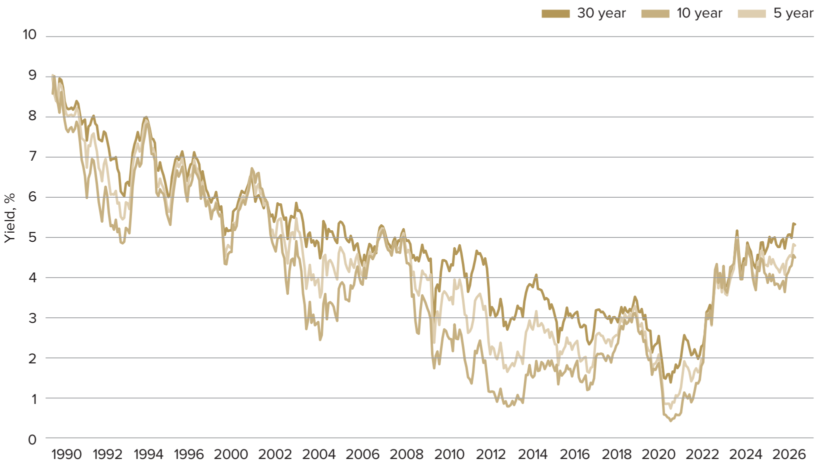
SWITZERLAND

Market Report

Developments in Financial and Commodity Markets

Rising sovereign yields may begin challenging equity valuations and expose fiscal constraints across developed, debt-laden economies. Recent Treasury intervention has produced only short-lived relief, suggesting yields are increasingly being driven by time and risk premia rather than policy expectations alone. Higher yields are increasing the opportunity cost of holding equities, while persistent monetary and fiscal strain may strengthen the case for holding real assets, which can help protect portfolios against the erosion of purchasing power. China is narrowing its dependence on Nvidia hardware and thereby extending its technological self-sufficiency. If, or perhaps when, domestic systems are able to support frontier-model training at scale, Nvidia's strategic importance could diminish, potentially weakening a key pillar of Western AI-led growth. In Europe, growing demand for sovereign AI systems could disrupt hyperscaler economics, shifting workloads towards locally controlled infrastructure while narrowing the market for major cloud providers.

US Treasury yields broke their 30-year downward trend as the Fed reduced its bond holdings and began the aggressive post-Covid rate hike cycle



In 2021, US Treasury yields broke a three-decade-long downward trend. This came as the Fed reduced bond holdings and raised rates following an inflationary spike due to Covid-era stimulus and supply chain constraints. What began largely as a reaction to monetary policy has since evolved into something more structural as, despite a dovish inflation report in June, yields rose significantly across the bond maturity spectrum. Reduced foreign holdings of US Treasuries, led by Japan, the UK, and China, weakened demand and fuelled the sell-off. In response, the US Treasury doubled its long-duration buyback operations, from USD 2 billion to USD 4 billion. The relief proved short-lived, however, as 10-year yields climbed back above pre-announcement levels within 24 hours.

Highlights

- **Higher Yields Pressure Risk Assets**

  Elevated borrowing costs may challenge equity valuations, while monetary and fiscal strain strengthens the investment case for gold.

- **China Closes AI Hardware Gap**

  Domestic hardware is now capable of supporting large-scale AI inference, thereby reducing China's dependency on Nvidia and advancing its technological self-sufficiency.

- **33% of UK Savers Regret Missing Out on Gold's Rise**

  Research highlights a financial-literacy gap around diversification and the role of precious metals in portfolio optimisation.

- **Central-Bank Gold Buying Rebounds**

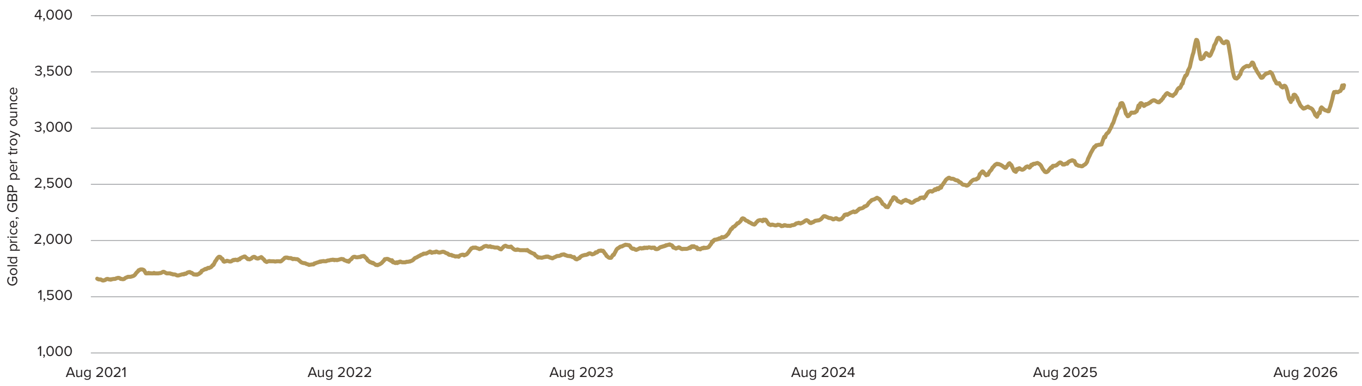
  Purchases surged to a record 289 tonnes in Q2, providing renewed structural support for gold prices.

- **Market Risk Signal Favours More Defensive Positioning**

  Portfolio allocation has shifted towards protection, driven by a marked increase in precious metals, while income, growth, and stabilisation allocations have all been reduced.

European and Japanese markets were similarly affected, while Switzerland was a notable exception with yields holding below 0.5%. The turmoil coincided with a rally in gold, demonstrating the metal's counter-cyclical appeal. Unlike other assets and even commodities, whose demand follows industrial cycles, market trends, and economic growth, gold benefits from investment demand that tends to strengthen when economic and financial uncertainty rises.

UK gold prices over the past 5 years



Gold's 128% price rise over the past 5 years has left 33% of UK adults regretting that they did not invest, according to new research from The Royal Mint. Silver, which gained around 126%, generated similar regret among 30% of respondents, compared with 20% for Bitcoin. Despite this, only 25% say they are likely to put savings into gold or silver over the next 5 years. By contrast, 60% said they would still keep their money in a chequing account. Over the past 5 years, only 8% held savings in gold and 3% in silver, while 63% relied on chequing accounts. A majority of respondents (73%) said they are concerned about global conflicts and economic instability affecting their money, however, financial uncertainty remains widespread with 53% being unsure where to place savings in order to feel financially secure. The research results point to a broader financial-literacy gap, highlighting the importance of helping savers better understand how assets such as precious metals can add robustness to a portfolio.

Precious Metals and Commodities

Near-term momentum is likely to remain subdued across commodities, however, over the medium and long term, gains are expected to strengthen across all commodity markets.

Indicator	Gold	Silver	Copper	Oil	Agriculture
Current	→	→	→	→	→
Outlook	↗	↗	↗	↗	↗
Trend	↗	↗	↗	↗	↗

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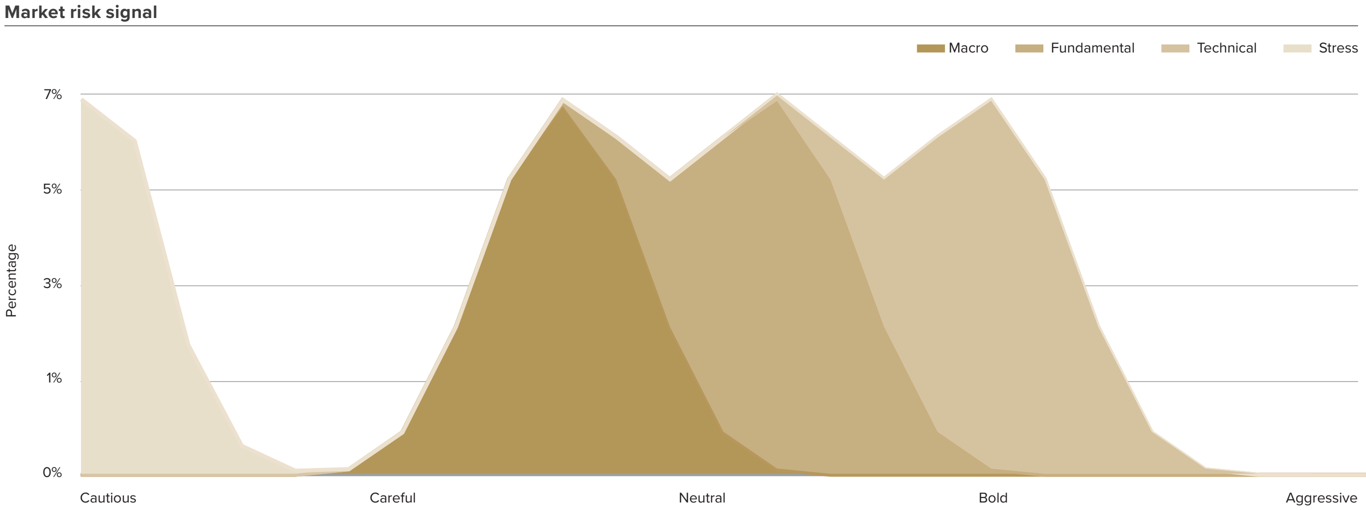
Market Risk Signal



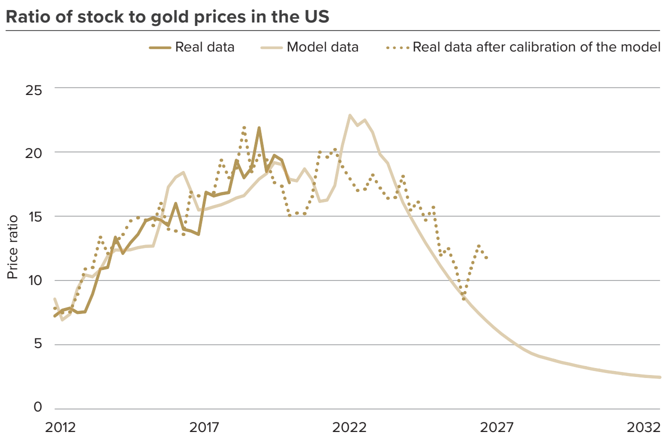
Gold vs stocks forecasting model

The current level of debt relative to real economic output is similar to that in the Germanic nations prior to WW1, and in France leading up to the French Revolution in the 1790s. In such high debt level scenarios, the likelihood of instability and a deleveraging process is amplified.

Since gold holdings are normally free from another's liability, the deleveraging process has a gentler impact on gold prices than on equities. The anticipated deleveraging process can be modeled using coupled differential equations which suggest that gold will perform better than stocks from 2022 onwards. The model was calibrated in 2019, and has not since been adjusted for new input data.

Based on this data, the peak at which economic activity assets (such as equities) will outperform gold was around Q3 2022. From then on, the model predicts an outperformance of gold relative to stocks (light line). When compared to real data of the stock to gold price (dotted line), the trend of gold outperforming stocks began early in 2022.

Since the model's 2019 calibration, the AI boom has emerged as a significant new force influencing capital allocation, equity valuations, and debt creation. Like Covid, this may alter the trajectory and extend the timeline, however, it does not change the model's underlying macroeconomic conclusion.



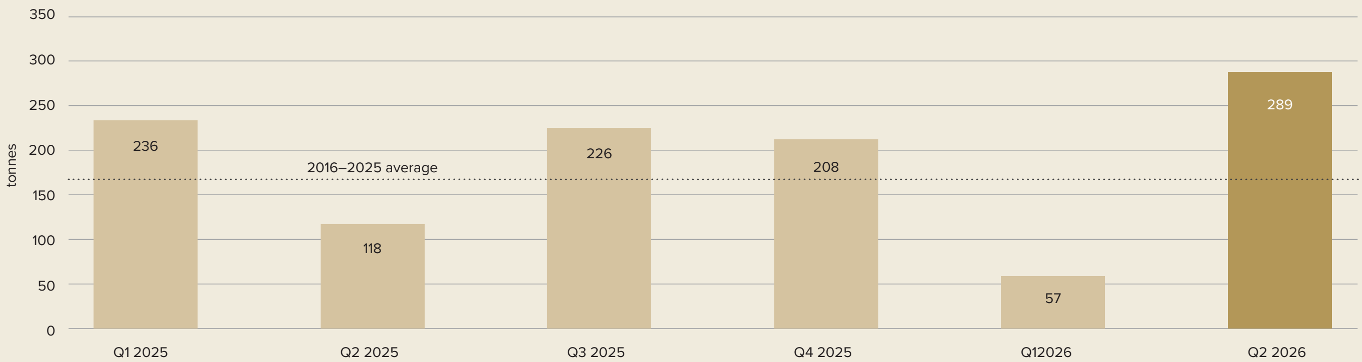
Gold Feature

After a major downward revision, the World Gold Council reported central-bank net purchases of only 57 tonnes in Q1. The notable drop, which was well below the 10-year average, was likely due to the sudden need for some central banks to support their currencies amid the spike in oil prices, along with some profit taking following the early 2026 surge. However, gold buying rebounded to a record 289 tonnes in Q2, with demand led by Poland and China. Poland added 51 tonnes while China added 33, its largest quarterly increase since Q4 2023. The renewed demand may have played a key role in keeping prices anchored around USD 4,000 per ounce over Q2 and early Q3.

Demand also came from Southeast Asia, where Indonesia was the strongest source regionally. With currency weakness and concerns about the domestic economic outlook reinforcing gold's role as a store of value, bar and coin purchases in Q2 reached 14.5 tonnes, up 40% year-on-year. The Indonesian government also launched an initiative aimed at supporting development in the gold sector to strengthen its foreign-exchange resilience. Meanwhile, South Korea joined the central-bank buying trend for the first time since 2013, purchasing spot gold ETFs while establishing a framework to gradually purchase domestically produced gold as part of a longer-term reserve strategy.

The near-term outlook suggests that central bank demand will remain an important source of support for gold. According to the World Gold Council's 2026 central-bank survey, 89% of respondents expect global central-bank gold reserves to rise over the next 12 months, while 45% expect their own holdings to increase. Looking further ahead, 84% expect gold to account for a larger share of total central-bank reserves over the next five years, suggesting that recent purchases reflect the longer-term trend in reserve allocation rather than a temporary response to market conditions.

Central bank gold purchases by quarter



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Current investment situation

Global markets are entering a period of broader repricing as higher sovereign borrowing costs and shifting capital flows reshape the investment outlook. In August, the sell-off in developed-market bonds intensified, with yields reaching levels not seen since 2007. In the US, the Treasury responded by doubling long-duration buybacks, but the relief proved short-lived, reinforcing the view that higher yields increasingly reflect structural risk premia rather than monetary-policy expectations alone. Geopolitical risk continued to feed into energy markets, as disruption around the Strait of Hormuz, attacks on Russian refineries, and wider Middle East tensions constrain supply.

Most recently, diesel emerged as a more acute inflation risk, with tightening refined-product supply pushing prices sharply higher and raising costs across transportation, agriculture, and industry. Meanwhile, gold's August rebound, supported by renewed central-bank demand over Q2, continues to strengthen its role as a hedge against fiscal, currency, and geopolitical instability.

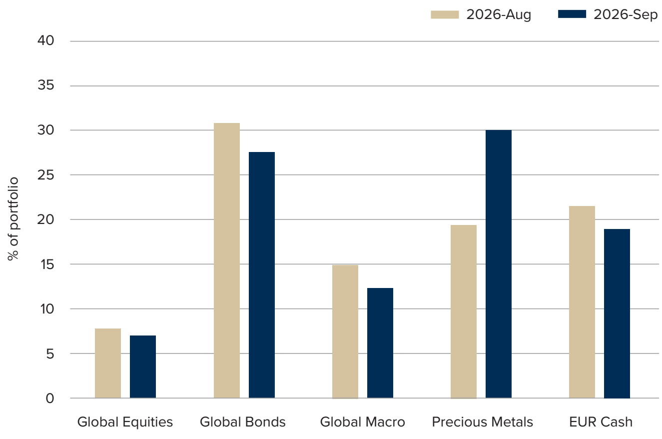
China's production-oriented credit system continues to direct financing towards firms and state-prioritised investment rather than household consumption, helping explain subdued consumer inflation while contributing to excess capacity, weaker pricing power, and trade friction. At the same time, China is making progress in reducing its dependence on advanced Western AI hardware, having demonstrated the capability for large-scale inference on domestically produced chips. If China can eventually conduct frontier-model training domestically at scale, Nvidia could shift from being a prerequisite to one of several options. This comes as Western AI investment remains exceptionally capital-intensive, with August bringing further multibillion-dollar data-centre commitments and increasingly complex financing structures. The combination raises concerns over whether continued AI-led growth can generate returns sufficient to justify the expanding capital base supporting it.

Europe adds a third dimension through AI sovereignty. Growing pressure to keep sensitive data and critical workloads under local control could shift some AI spending away from global hyperscalers towards domestic infrastructure and sovereign compute systems. If this trend broadens, the growth assumptions underpinning hyperscaler valuations could come under pressure. From an investment perspective, the combination of higher sovereign yields, geopolitical and energy-price volatility, and capital-intensive technology spending reinforces the importance of portfolio flexibility, disciplined duration exposure, selective positioning, and diversification across jurisdictions and real asset classes.

Allocation adjustments

Portfolio positioning has shifted towards a more defensive stance as investors increase exposure to precious metals while reducing allocations across the other asset classes. Persistent fiscal risks, the prospect of higher global bond yields, and uneven regional growth continue to favour selectivity over broad risk-taking. As a result, the allocation increases precious metals significantly while reducing global bonds, global macro strategies, global equities, and EUR cash, reflecting a greater emphasis on defensive positioning amid continued macroeconomic uncertainty.

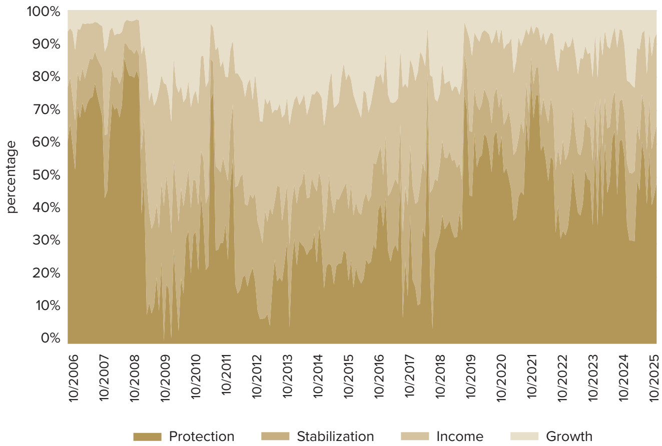
Allocation compared to the previous month



Allocation changes over time

The market risk signal remains broadly neutral, albeit with current positioning shifting towards a more defensive stance. Protection has increased meaningfully, while income and growth have both been reduced and stabilisation has edged slightly lower. This reflects a greater emphasis on wealth preservation, while retaining diversified exposure to income generation, stabilisation, and longer-term growth opportunities.

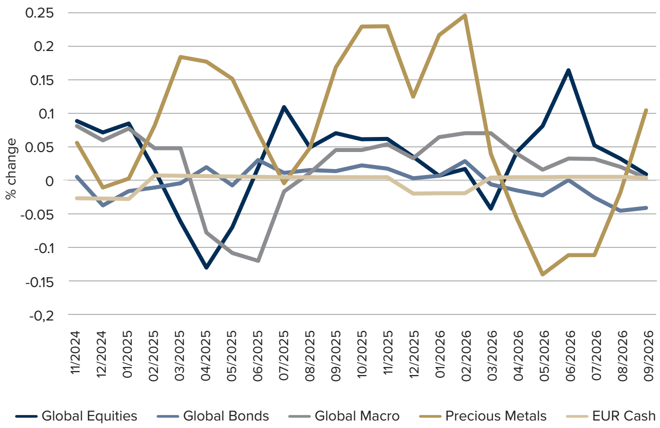
Allocation by portfolio role



Rolling three-month performance of various asset classes

Dynamic asset allocation (active rotation between equities, bonds, and gold) has consistently enhanced portfolio returns, as can be seen by tracking the rolling three-month performance. Precious metals are now delivering the strongest results, having rebounded sharply into positive performance. Global equities remain marginally positive, but momentum has moderated notably from their June peak. Global macro has softened further and is now close to flat, while global bonds have deteriorated from broadly flat to negative territory. EUR cash remains largely unchanged and close to flat.

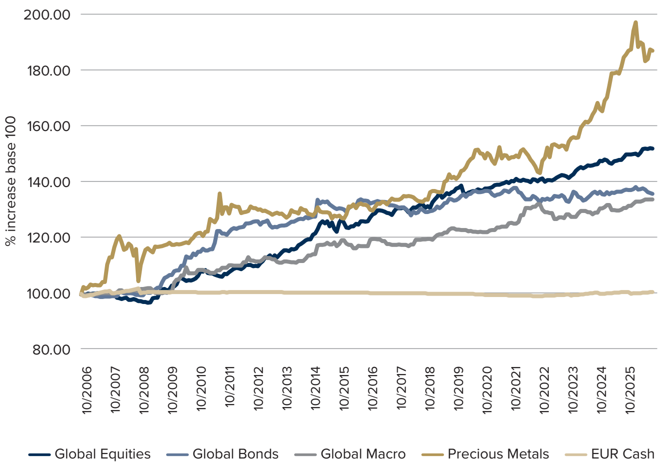
Rolling 3-month performance



Performance contribution of various asset classes

The performance contribution illustrates how much each asset class has contributed to overall portfolio performance during a given period, with relative allocation playing a key role. Precious metals remain the largest long-term contributor to portfolio performance and extended their lead modestly over the past month. Global equities edged slightly higher and remain the second-largest contributor. Global macro was broadly unchanged with a slight positive move, while global bonds edged lower. EUR cash remained essentially flat.

Performance Contribution



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