

ZUWEA

Quarterly Letter

April 2026



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Executive summary

Q1 2026 may, in time, be remembered as the period when the world order of the last 70 years started to collapse. Canadian PM Mark Carney's epochal speech at Davos may have set a clear path and may well go down in history as a modern "iron curtain" speech.

The war in Iran did not create that shift; it simply made it harder to ignore, but the underlying message of the quarter had already been clear: markets were becoming more selective, geopolitical risk was returning to the foreground, and the assumptions that supported the old regime were becoming less reliable.

Our central view remains that the war changes the path, not the direction. We do not see it as an isolated shock, nor as a simple "buy the dip" event. Our base case is for a bumpy new world order: the immediate shock fades, but fragmentation remains higher, the global

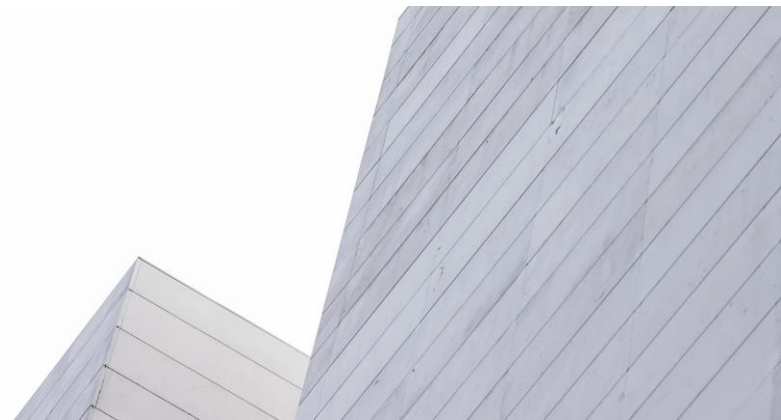
system is less cooperative, and the investment regime is less forgiving than before.

For portfolios, this means looking beyond short-term market swings. We remain cautious on broad U.S. equity indices, more constructive on Europe and Asia ex Japan, disciplined on USD exposure, and committed to diversification through gold and other non-traditional assets.

In this letter, we examine whether the shock created by the war in Iran should be looked through, and whether the erratic behaviour of certain assets is merely a short-term aberration or a more fundamental shift that warrants a change in our positioning.

The objective is not to predict every short-term move, but to build portfolios that depend on fewer fragile assumptions.

Marco Schaller
Chief Executive Officer
LUVWEA AG



What happened in Q1 and what we did

Even before the war, the quarter had already sent a clear message. Markets were becoming more selective, enthusiasm around dominant U.S. themes like AI was becoming less automatic (see Exhibit 1), and investors were looking more seriously at opportunities outside the United States.

Exhibit 1: Magnificent 7 Dispersion



Source: FT/Bloomberg Mar 2026

At the same time, concerns over debt, dollar credibility, and geopolitical fragmentation continued to build. In other words, the old regime was not collapsing in one dramatic moment. It was losing coherence.

The war in Iran then changed the tone abruptly. A quarter that began with growing selectivity and a search for broader opportunity became dominated by energy risk, regional instability and the possibility of wider economic disruption. Some assets that would normally be expected to protect more clearly behaved less reliably in the short term. That was an

important reminder that in a regime change, old labels such as “safe haven” and “defensive” cannot be applied too mechanically.

Exhibit 2: Non-US stocks’ outperformance corrected since the start of the Iran War



Source: Bloomberg

Our portfolio performed well in the first part of the quarter, supported by a cautious stance, non-U.S. exposure and gold. As conditions became less forgiving, we reduced risk further by trimming our exposure to U.S. tech and to Japan, both before and after the February elections, and later, following the start of the Iran conflict, by reducing our overweight in Asia ex Japan. Additionally, we purchased hedges on the Nasdaq and DAX during the quarter, while selectively adding to European equities, in particular to the European defence sector.

Later, price action became more erratic, and some diversifiers offered less immediate protection than expected. We still ended the period ahead of our benchmark, but the quarter reinforced a broader point: in this environment, protection is not only about owning the right assets, but about understanding how they behave across different types of shocks.

Iran War: The shock changes the path, not the direction

Our base case is for a bumpy new world order: the immediate shock fades, but fragmentation stays higher and the world becomes less stable and less efficient than before.

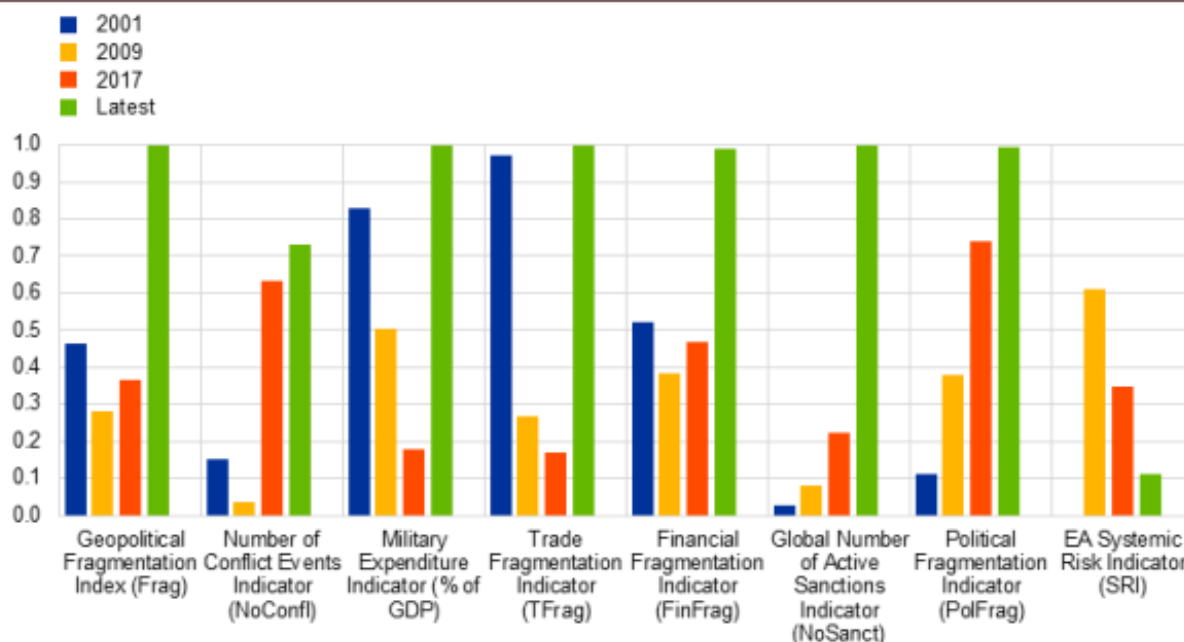
Prompted by questions from clients, we recently shared on LinkedIn ([link](#)) our skepticism toward the familiar claim that “wars are a buying opportunity”. History may support that view in many cases, but applying it mechanically today is, in our opinion, a mistake. We are not dealing with one isolated geopolitical event in an otherwise stable system. We are witnessing the visible fracture of a world order that has shaped politics, trade, capital flows, and security arrangements since 1945. That is not a normal shock. It is a regime change, and regime changes do not resolve in a quarter.

This matters because most “buy the dip” arguments are based on periods in which the broader system remained intact. That is no longer the case. Debt is higher, policy is less coherent, geopolitics is more confrontational, and inflation is no longer just a cyclical problem. The conditions that allowed markets to absorb past shocks quickly and cleanly are weaker today.

The more relevant question, therefore, is not whether this war simply blows over. It is how the transition to the new world order unfolds. We see three scenarios (next page):

Exhibit 3: Fragmentation across key indicators for capital, trade and policy

Changes in the geopolitical trend indicators selected for the EU geopolitical risks analysis framework



Source: European Systemic Risk Board

Exhibit 4: Scenarios regarding the Iran War

NEGATIVE 15% Global Recession	BASE CASE 60% Bumpy new world order	CONSTRUCTIVE 25% Safer Middle East
<ul style="list-style-type: none"> • Rational decision-making breaks down, the war continues and no solution is found to unblock the Strait of Hormuz. • The conflict proves harder to contain. • The economic fallout becomes more persistent, pushing the global economy into recession, or even stagflation. • Markets are forced to adjust to a more unstable combination of geopolitical risk, inflation pressure, and weaker policy visibility. • This is unlikely, but plausible enough that investors should not ignore it. 	<ul style="list-style-type: none"> • The current conflict gradually subsides into a tense but manageable new normal. • All sides, including those not directly involved, have a strong incentive to avoid a global recession. • A workable compromise is found that prevents prolonged disruption to oil and gas flows. • The region remains weaker, fragmentation stays elevated, but no additional major wars break out. • Markets eventually refocus on economic opportunities and policy divergence, but in a world that is structurally less cooperative and less efficient than before. • The main risk to this scenario is the “fog of war”, i.e. a breakdown of rational decision-making. 	<ul style="list-style-type: none"> • The war ultimately results in a safer Middle East, with regional stability improving and one of the most important structural sources of geopolitical risk becoming less threatening. • This would be the most positive outcome for markets and the global economy. • It would ease pressure on energy markets, trade routes and risk premia. • Even so, it would not amount to a full restoration of the old order. The world would still be more multipolar, more contested, and less anchored than before.

The important point is that these scenarios lead to different near-term market outcomes, but none of them justifies assuming that the old investment regime automatically reappears. That is why our broader framework remains unchanged.

Inflation is likely to stay structurally higher and more volatile than markets would prefer. Fiscal policy is becoming more important than monetary policy alone. The U.S. dollar remains vulnerable over the long term, even if it can still rally tactically during stress. Government bonds are less reliable shock absorbers than they used to be, and equity markets, especially in the U.S., still offer less margin for error than headline optimism suggests.

This is therefore not a moment to add risk indiscriminately on the assumption that historical reflexes will repeat. It is a moment for

discipline, selectivity and lower dependence on crowded assumptions.

The Iran war reinforces a clear message: discipline and selectivity matter.

At the same time, a more fragmented world is also likely to produce clearer relative winners than the era of abundant liquidity and indiscriminate multiple expansion.

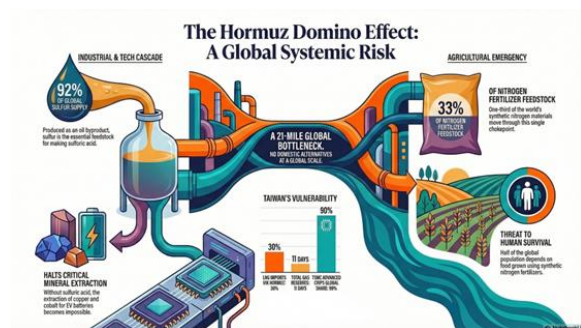
Investment implications: *This is not a moment to buy risk indiscriminately after a geopolitical shock. Until a new equilibrium is clearer, we prefer selective regional exposure over broad beta and diversification beyond government bonds.*

When geopolitical risk becomes economic risk

Investors are still conditioned to treat geopolitical shocks as temporary disturbances unless they trigger an immediate and dramatic move in oil. We believe that framework has become too narrow. In today's world, geopolitical risk matters not only because it can move headline energy prices, but because it increasingly affects supply chains, industrial margins, investment decisions, and confidence more broadly. It has become part of the macro environment rather than a separate headline variable.

This is precisely why the Strait of Hormuz matters beyond oil. Even a partial disruption can affect freight costs, petrochemical inputs, fertilizer prices, industrial margins, and specific parts of the technology and manufacturing ecosystem. Markets tend to underestimate these second-order effects because they do not always show up immediately in one benchmark price. But they shape company costs, regional competitiveness, and the room central banks have to respond.

Exhibit 5: The Strait of Hormuz: strategic importance beyond oil and gas



Source: The Visual Capitalist

Europe illustrates the point well. We continue to see Europe as a valid source of diversification and as a beneficiary of fiscal expansion in defence, infrastructure, and strategic industries. But Europe is not insulated. Its dependence on imported energy and the sensitivity of some industrial sectors to external shocks remain real constraints. The same nuance applies to Asia.

We see selective Asian exposure as attractive because innovation and valuations are often more compelling there than in the U.S., yet parts of the region remain highly sensitive to trade and input disruptions.

Geopolitics now feeds directly into costs, margins and growth. It is no longer a headline risk, but an economic driver.

The implication is not that investors should trade every geopolitical headline. That usually destroys value. The implication is that geopolitics now shapes inflation, margins, and relative market performance in a more durable way than before. That deserves to be built into strategic asset allocation, not treated as a temporary overlay.

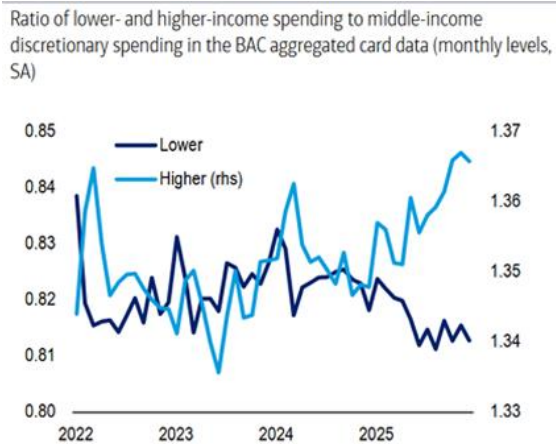
Investment implications: *Favour assets that can hold up better when energy prices, inflation, or security concerns rise, while being more cautious on markets/sectors that still rely on stable trade, cheap energy and uninterrupted supply chains.*

The U.S. economy’s two engines: AI and the rich

A useful line from the Richmond Fed captured the quarter well: “today’s economy has two engines: AI and the rich”.

This sentence explains a great deal. Higher-income households continue to support consumption because they benefit from strong balance sheets, resilient income, and asset inflation.

Exhibit 6: Bifurcation of consumer spending

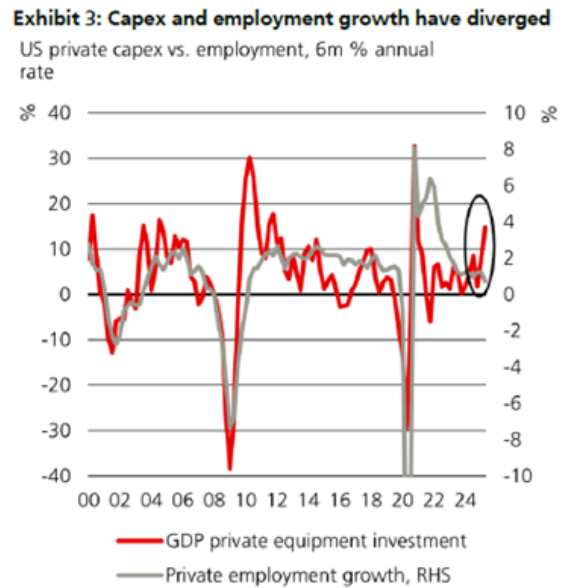


Source: Bank of America

At the same time, the AI build-out, semiconductors, cloud infrastructure, data centers, software adaptation, and power demand have become a second engine of growth, capex, and market confidence.

Market resilience is being sustained by a narrow set of drivers, with AI and higher-income consumers carrying more of the burden than the broader economy.

Exhibit 7: Divergence between AI Capex and employment growth



Source: UBS Asset Management, MacroBond, BLS, Data as of Q2 2025
Source: UBS AM

These supports are real, but they are narrow. Lower-income households are under more pressure from inflation, financing costs, and a softer labour market. Consumer confidence data and spending patterns increasingly show a split economy rather than a uniformly strong one. The same is true in markets. AI has become the dominant capex story, but investors are rightly becoming more demanding. They no longer want vague promises of future productivity. They want evidence of monetisation, efficiency gains, and durable returns on very large investment programmes.

The market message of Q1 was more revealing than the headlines suggested. Aggregate resilience was maintained, but the quality of that resilience deteriorated. It depended on concentrated spending power and concentrated capex. That is enough to keep the economy going for a while. It is not enough to justify broad market complacency

or index valuations that assume near-flawless execution.

This chapter is also important because it helps broaden the letter beyond the U.S. If U.S. strength is narrower than it appears, then non-U.S. opportunities deserve more attention than benchmark-driven investors usually grant them. Europe is becoming one of the clearer beneficiaries of a new policy mix built around defence, infrastructure and strategic autonomy. Parts of Asia continue to offer a rarer combination of innovation, productivity and valuation discipline than what remains available in the U.S. mega-cap complex. We do not need to claim that these regions are stronger than the U.S. to argue that, at the margin, they offer better diversification and, in several cases, better risk-reward.

Investment implications: *Limit exposure to broad U.S. indices, driven by a narrow set of themes, and be more open to regions and sectors where valuations are lower, market leadership is broader, and expectations are less demanding.*

Narrow resilience can keep markets afloat, but it is a weak foundation for broad optimism.

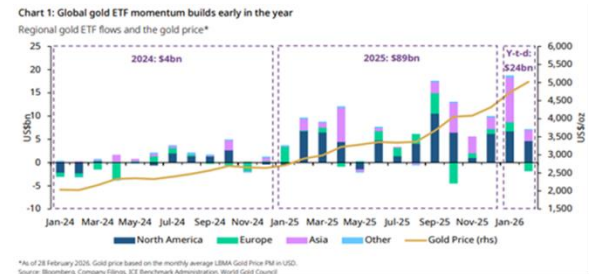
Gold: Failed safe-haven or justified repricing?

Gold’s recent weakness has led some investors to ask whether it failed the safe-haven test. We do not think that is the right conclusion. Gold remains a strategic hedge against fiscal excess, long-term currency debasement, and the declining reliability of sovereign bonds as portfolio ballast. But it is also a heavily traded asset, and in the short term, positioning and rate expectations can dominate the structural story.

The starting point matters. Gold’s rally into the January peak had become increasingly detached from its traditional drivers. Momentum, fear of missing out, and speculative activity left the metal heavily overbought. In that context, the subsequent

correction should not be read as a collapse of the thesis, but as a repricing of excess.

Exhibit 8: Gold ETF Fund flows

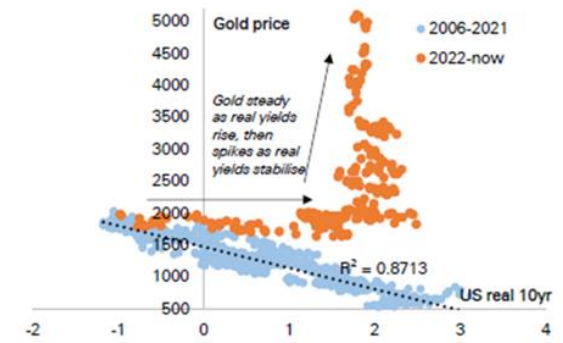


Source: Bloomberg

In our view, the correction can be explained by three factors. First, speculative positioning reversed sharply. Second, markets repriced rate expectations upward, which supported the U.S. dollar and reduced some of gold’s near-term appeal. Third, central bank buying (a strong fundamental driver of gold’s rally) may slow, as some of the largest buyers (e.g. GCC countries, China, India) now have less surplus capital to allocate.

Exhibit 9: Correlation between gold prices and real yields

Figure 2: Gold’s strong tie to real yields broke down 4 years ago



Source: Deutsche Bank

None of this undermines the long-term case. If our main Iran scenario materialises, the structural supports for gold remain in place: fiscal excesses, debt, and lingering doubts over fiat credibility. But gold is not cheap historically, even after the correction. That argues for

patience rather than urgency. Periods of justified repricing can ultimately strengthen the long-term case for holding diversifiers at better entry points.

Investment implications: *Gold still deserves a strategic place as a long-term diversifier, but the recent correction argues against adding aggressively at any price. We therefore distinguish between maintaining core exposure and adding tactically only once valuation and positioning have reset further.*

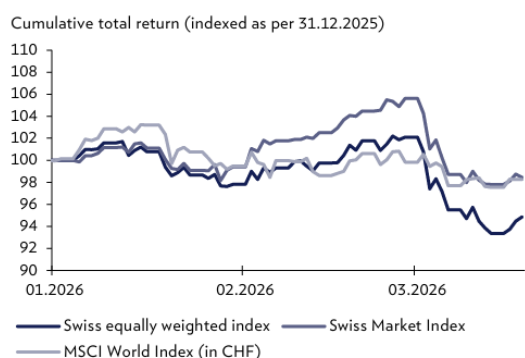
Gold did not fail as a strategic hedge; it simply reminded investors that even safe havens can become overbought.

Are Swiss Equities really a defensive play?

Swiss equities are often treated as a defensive allocation within global portfolios. However, recent market behaviour has raised questions. Despite their defensive reputation, Swiss equities underperformed global markets since the start of the initial phase of the Iran war.

This is consistent with a broader pattern observed across asset classes this quarter: traditional defensive labels have become less reliable when shocks are driven by inflation, rates, and geopolitical fragmentation simultaneously.

Exhibit 10: The average Swiss stock vs market in 2026



Source: Bloomberg

To examine this more closely, we conducted our own historical analysis of Swiss equities. The objective was to distinguish between perception and actual behaviour, and to assess whether defensiveness is driven by the equity market itself or primarily by the Swiss franc. The results led to a more nuanced conclusion.

First, Swiss equities tend to exhibit a more resilient downside profile than European markets and, in many cases, the broader global equity universe. While they remain exposed to equity risk, they generally lose less in adverse conditions.

Second, evidence shows that Swiss equities' defensive characteristics are not as effective in periods of elevated inflation, highlighting that Swiss equities are not inflation-proof and can underperform in precisely the type of regime that is becoming more relevant today. This can be at least partly attributed to their relatively high sensitivity to interest rates.

Lastly, this behaviour is primarily an equity characteristic rather than a pure currency effect. While the Swiss franc contributes to stability, our analysis shows that the defensive profile of Swiss equities persists independently of currency movements.

At LUWEA, we view Swiss equities as a defensive equity market, but they should not be confused with a true safe-haven asset. They are not a substitute for gold or high-quality bonds, nor are they immune to inflation or rate-driven repricing. However, they can play a useful role in reducing downside within an equity allocation.

Swiss equities are not a safe haven, but a more resilient way to take equity risk.

SPOTLIGHT: AI Beyond Big Tech: Where value is created

Key messages:

- AI adoption is not the same as value creation. The key question is not where AI is used, but who ultimately captures the economic gains.
- Financials, healthcare, and platform-based communication services stand out as internal beneficiaries, where AI directly enhances core profitability and strengthens existing competitive advantages.
- AI is also creating a second layer of beneficiaries through rising demand for energy, infrastructure, and materials, though returns depend on supply constraints, regulation, and cyclicalities.
- Broad exposure to AI adoption alone is unlikely to be sufficient; selectivity and industry structure will drive returns.

Artificial intelligence is already reshaping the economy, but its investment implications are often misunderstood, especially beyond the core AI (Big Techs). For investors, the key question is not where AI is adopted, but who ultimately captures its economic gains. From a wealth management perspective, this distinction is critical. Productivity gains are likely to be widespread, but shareholder returns will be concentrated in a much narrower set of sectors, determined by pricing power, competitive structure, and control over key bottlenecks.

This leads to a different analytical approach than the one commonly used. Much of the current research focuses on where AI can improve efficiency and productivity. We instead focus on how value flows through industries. Specifically, who ultimately captures the benefit. This framework classifies sectors into three categories: **margin expanders**, where efficiency gains are retained; **volume expanders**, where gains drive demand but are partially competed away; and **pass-through sectors**, where benefits accrue primarily to customers or are limited by regulation. In parallel, we identify a second group of

beneficiaries: sectors that do not primarily apply AI, but benefit from the surge in demand created by its adoption.

Among internal beneficiaries, **financials** stand out as one of the clearest examples of value retention. AI is already being used to rebuild underwriting models in real time, incorporating alternative data and behavioral signals to improve credit decisions. In insurance, claims processing is increasingly automated through image recognition and anomaly detection, reducing fraud and lowering loss ratios. These are not incremental efficiencies, as they directly reshape core profitability. Importantly, the benefits are not easily competed away. Access to proprietary data, regulatory barriers, and customer inertia allow financial institutions to retain these gains, turning operational improvements into structural advantages in risk selection.

Healthcare presents a similarly appealing, though more selective, case. Accounting for roughly 20% of global R&D spending, the sector is particularly sensitive to improvements in research productivity (Source: OECD). AI is improving drug discovery, optimizing clinical trials, and improving diagnostic accuracy, effectively increasing the ROIC. In pharmaceuticals and biotechnology, IP protections enable companies to retain these gains, while diagnostics and medical equipment benefit from higher utilization and improved outcomes. In contrast, providers often see efficiency gains absorbed by payers, confirming the importance of industry structure in determining investment outcomes.

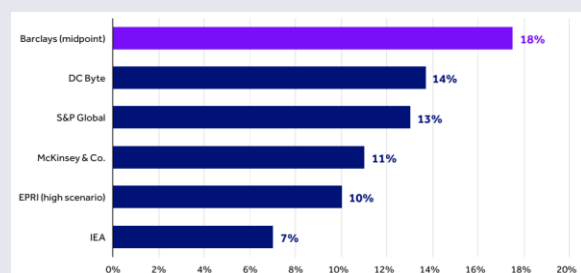
Communication services further illustrate the importance of business model structure. Digital platforms benefit from AI-driven improvements in advertising efficiency, content generation, and user engagement. With global digital advertising growing, even modest increases in targeting precision can drive meaningful revenue expansion. These gains are largely retained by interactive media and platform-based models, where data advantages and network effects reinforce

competitive positioning. Telecom operators, however, remain constrained by regulation and competition, highlighting again that AI adoption alone does not guarantee value capture.

Beyond these internal beneficiaries, AI is also driving demand for a set of external enablers.

Energy is emerging as a critical constraint. Data centers are highly energy-intensive, and global electricity consumption from data centers is projected to more than double by 2030, potentially exceeding 1,000 TWh, with only US accounting for ~15%.

Exhibit 11: Forecasts for annual growth in power demand by US data centers, to 2030



Source: Barclays Research, IEA

This creates a structural demand tailwind for power generation, particularly in markets with limited supply flexibility. Where capacity expansion is slow and pricing mechanisms are market-based, this can translate into meaningful returns.

Utilities, while essential to this expansion, remain structurally constrained. AI-driven demand necessitates significant investment in grid infrastructure, transmission, and cooling

systems, potentially driving a new capital expenditure cycle. However, as regulated entities, returns are largely determined by allowed rates of return, with efficiency gains typically shared with consumers. As a result, utilities represent a growth opportunity driven by asset expansion rather than margin improvement.

Lastly, **materials** complete the external beneficiary group, benefiting from increased demand for electrification, semiconductors, and construction. Key inputs such as copper, specialty chemicals, and industrial gases are integral to the AI ecosystem. Building materials, additionally, will be necessary for additional building of data centers.

Investment implication: *We want portfolios positioned for value capture, not just AI exposure: overweight sectors where structural advantages allow efficiency gains to translate into margins, while being more selective in areas where benefits are competed away or regulated. At the same time, selective exposure to AI enablers (particularly where demand is rising against constrained supply) can provide additional upside, though these opportunities are often more cyclical and require active timing.*

Taken together, AI will generate substantial economic value, but its distribution will be uneven. For investors, the opportunity lies not in broad exposure to AI adoption, but in identifying where industry structure allows that value to be retained.

The biggest beneficiaries of AI will be those who use it to unlock new levels of creativity and productivity.

Portfolio implications and conclusion

The quarter reinforced a point we have made consistently: a more difficult regime does not eliminate opportunity, but it does demand a

more selective and less benchmark-driven approach. It requires reducing reliance on crowded narratives, stretched valuations, and

currency assumptions that no longer hold as firmly as before.

This is why we continue to resist broad U.S. beta. The U.S. still contains many of the world's best businesses, but the index as a whole remains too narrow and too expensive relative to the range of macro and policy outcomes now in front of it.

By contrast, several areas outside the U.S. still offer a better combination of valuation and structural support. We remain constructive on Europe, where fiscal expansion, defence spending, infrastructure investment, and strategic autonomy are creating medium-term tailwinds that did not exist a few years ago. We also remain constructive on Asia ex Japan, where technology leadership, domestic innovation, and more reasonable pricing create opportunities that are often obscured by benchmark concentration in the U.S. Healthcare remains a preferred secular theme, not because it is immune to shocks, but because demographics, innovation, and valuation still offer a stronger foundation than many fashionable parts of the market.

On currencies, our view is unchanged. We want to restrict U.S. dollar exposure to assets with truly exceptional return prospects. For the rest of the portfolio, currency diversification matters more than it did in the old regime. Gold, real assets, and active strategies also continue to play an important role because sovereign bonds no longer offer the same degree of diversification they once did. That said, the quarter was a useful reminder that no hedge is perfect, and that diversification should be judged across a full regime, not one week of stressed price action.

Investment implications: *For portfolios, this means looking beyond short-term market swings, limiting reliance on broad U.S. equity indices, increasing exposure to Europe and Asia ex Japan, actively managing USD risk, and continuing to use gold and alternatives for diversification.*

In the current regime, the right portfolio is not the most aggressive one; it is the one that depends on the fewest fragile assumptions.

Exhibit 12: LUWEA Growth Portfolio positioning in Q1

Asset Class	Portfolio Allocation	Positioning relative to SAA and direction in Q4 (arrow)		
		U/W	NEUTR	O/W
Money Market	10.1%			↑
Fixed Income	19.1%		=	
<i>Euro Bonds</i>	14.0%	=		
<i>Emerging Market Bonds</i>	5.1%			=
Equity	48.0%	↓		
<i>North America</i>	21.3%	↓		
<i>Europe ex Switzerland</i>	11.2%	↑		
<i>Switzerland</i>	4.1%			=
<i>Asia ex Japan</i>	7.3%			↓
<i>Japan</i>	2.2%		↓	
<i>Theme: Healthcare</i>	1.0%			=
<i>Theme: European Defence</i>	0.9%			↑
Alternatives	22.8%			=
<i>Private Equity</i>	8.0%		=	
<i>Hedge Funds</i>	7.2%		=	
<i>Gold</i>	7.2%			↑
<i>Bitcoin</i>	0.4%			=

Note: Positioning: U/W – underweight, NEUTR – neutral, O/W – overweight.

Note: Direction in Q3: ↑ – increased positioning, = – no changes, ↓ – decreased positioning.⁸⁸

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