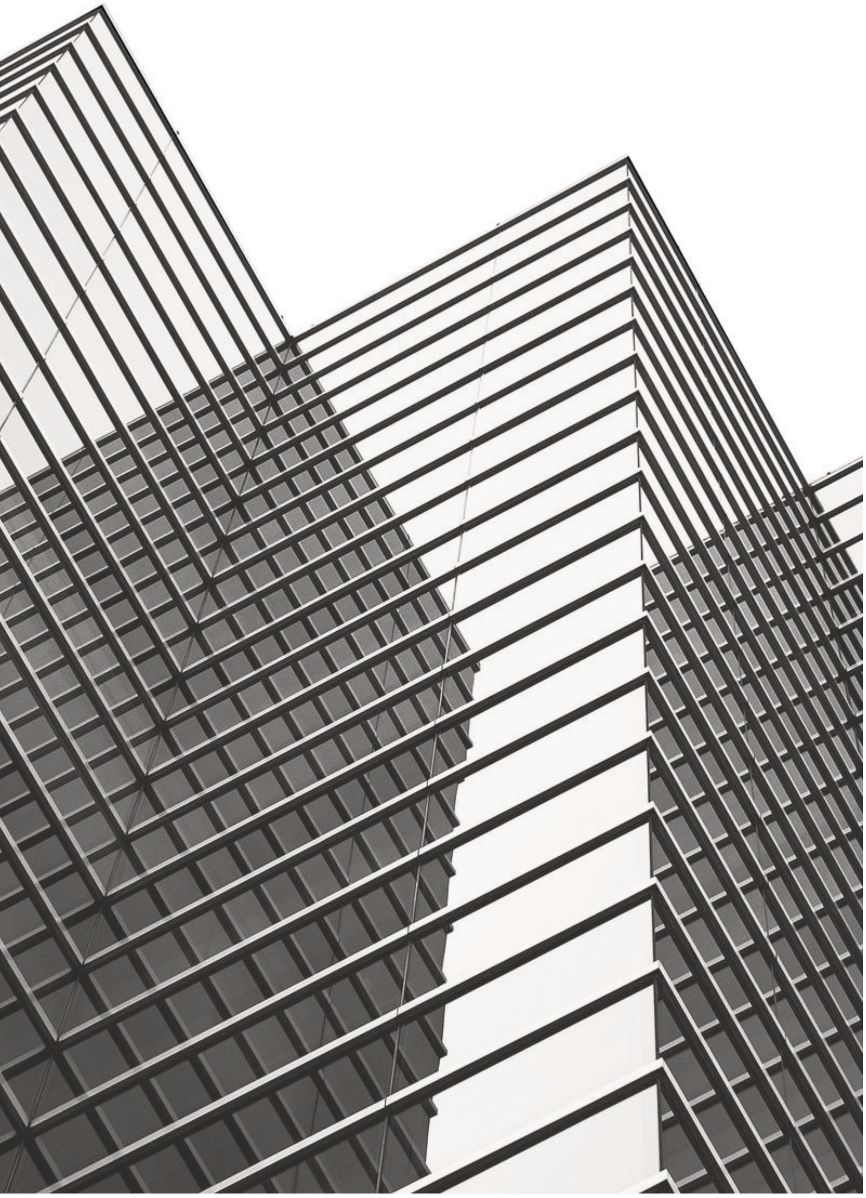
QUARTERLY REPORT:

ECONOMY AND MARKETS

Q4 2025 - BANCA DEL SEMPIONE

BANCA DEL SEMPIONE
PRIVATE BANK
SINCE 1960



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MESSAGE – FINANCE AND MARKET DIVISION

Despite the market having continued to favor exposure to traditional financial markets, in the last quarter the most notable element has been a strong concentration of interest in the commodities sector, with particular reference to precious metals and, especially, gold and silver.

There are several reasons behind this trend; however, for our purposes, where the objective is to identify balanced approaches to portfolio asset allocation, it is relevant to raise questions about one of the underlying themes driving these movements, namely the loss of purchasing power of money.

The significant increase in global public debt, which found a turning point in the 2008 crisis and was subsequently fueled by further crises (the European debt crisis, COVID-19), inevitably entails the need for governments to adopt a strategy of maintaining negative real interest rates over time. However, this approach leads to opposite consequences for governments and investors: the former benefit from a reduction in public debt thanks to nominal GDP growth, while the latter suffer a gradual devaluation of purely monetary investments due to the inflationary effect.

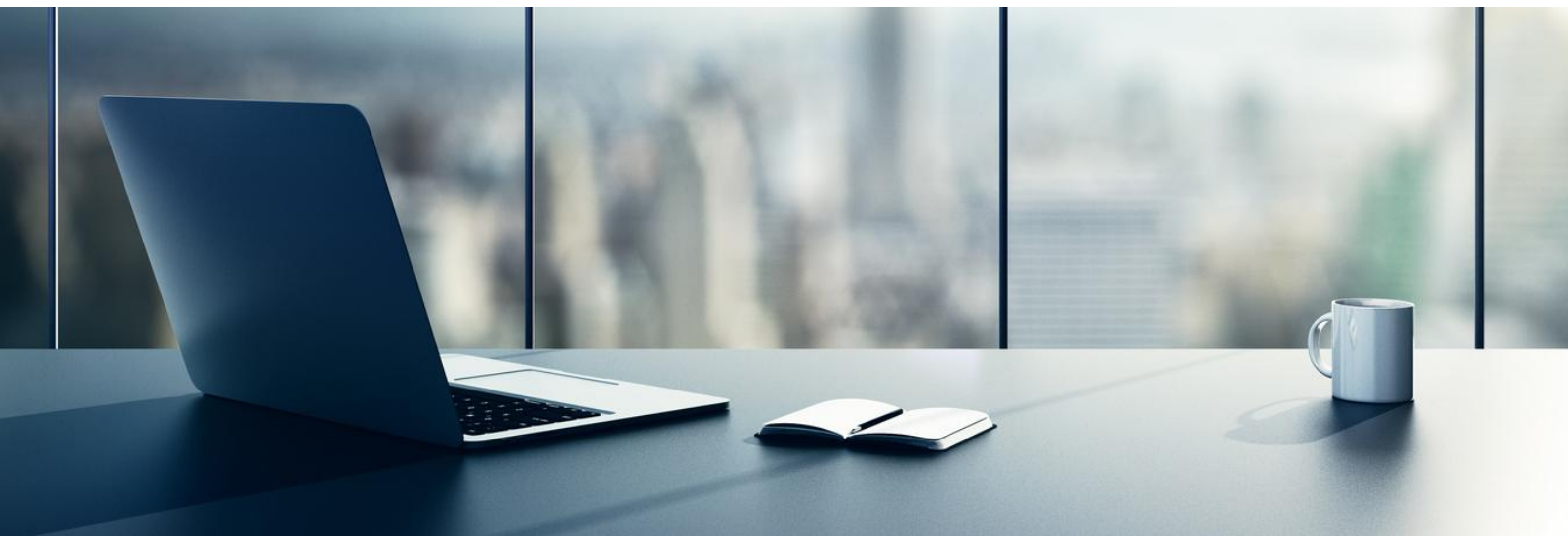
In this sense, in general and irrespective of each investor’s currency profile, a purely monetary-market-oriented investment strategy would not allow even the minimum objective of capital preservation to be achieved. Despite the long period of negative nominal rates over what is now a twenty-year horizon, one should not, however, draw the incorrect conclusion that there has been a total erosion of purchasing power.

For this reason, without making any short-term forecasts on the performance of precious metals, we believe that the underlying conditions for portfolio management have not changed. Portfolios should therefore be constructed in a balanced manner and be as asymmetric as possible with respect to the risks undertaken.

In general, in fixed income exposures we favor an active approach, which allows the generation of additional returns through dynamic management of interest-rate exposure and credit selection. On the equity side, we maintain a balanced view, with the conviction that equities can continue to generate value, particularly in the context of a return to negative real interest rates. Valuations in the technology sector appear increasingly challenging to us, which leads us to underweight our exposures relative to market indices and to seek opportunities in other geographic areas, including Europe, Switzerland, and emerging markets.

PIETRO SCIBONA

DEPUTY GENERAL MANAGER
HEAD OF THE FINANCE AND MARKETS DIVISION



MACROECONOMY

Global economic scenario

The fourth quarter offered more reassuring signals on the global macroeconomic front, supported by a more accommodative stance on trade policies and by encouraging indications from key economic trends.

In the **United States**, the period was marked by the longest government *shutdown* in the country's history, lasting 43 days, starting at the beginning of October and ending in mid-November with the achievement of a bipartisan agreement.

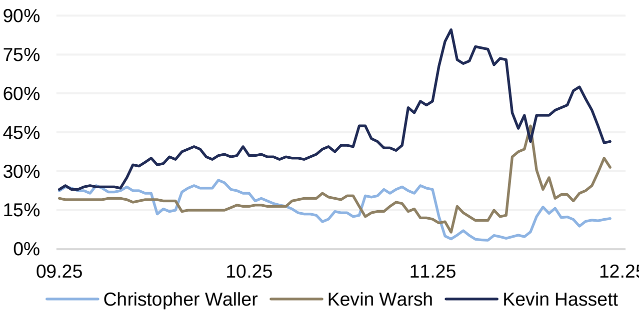
The temporary suspension of key activities, including those of the **Bureau of Labor Statistics**, disrupted the regular publication of employment and inflation data, making analysis more complex. Nevertheless, the available information outlines a supportive picture: the labor market continues to show signs of cooling, while growth and consumption indicators remain at solid levels, aided by inflation that is progressively stabilizing.

During the quarter, investors' attention shifted between the risk of a further weakening in employment and concerns about a reacceleration of inflation in a context of still-robust growth, factors that narrowed the **Federal Reserve's** room for maneuver. Despite this, the FED proceeded with two consecutive interest rate cuts of 25 basis points each, bringing the benchmark rate to the 3.5–3.75% range and simultaneously announcing the suspension of its balance sheet reduction program.

At the same time, President Trump indicated several potential candidates to lead the Federal Reserve starting in 2026, including National Economic Council Director Kevin Hassett, FED Governor Christopher Waller, and economist Kevin Warsh.

Probability of Election of the FED Chair

% by candidate; 09.25 – 12.25



Source: Polymarket

In **Europe**, the macroeconomic environment continues to be characterized by moderate growth. In the third quarter, GDP recorded a modest increase of 0.3%, while leading PMI indicators suggest early signs of a recovery. Annual inflation in the euro area is now stable at around 2%, a condition that supported the **European Central Bank's** (**ECB**) decision to keep deposit rates at 2%, adopting a wait-and-see and strongly *data-dependent* approach.

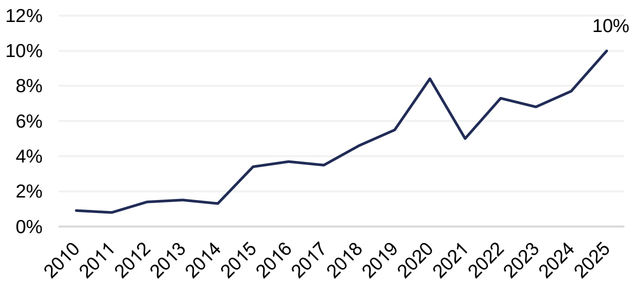
Greater attention was focused on the **United Kingdom**, following the publication of the budget by Rachel Reeves, which partially helped to alleviate concerns related to potential fiscal indiscipline. However, plans to increase the tax burden on higher income brackets and cuts to public spending weighed on the country's GDP, which grew by just +0.1% in the third quarter.

In Asia, **China** recorded an improvement in growth expectations during the quarter. The country surpassed the threshold of USD 1'000 billion in trade surplus with global partners for the first time, despite tensions with the United States over tighter tariffs, which flared up again in October but were later resolved with a meeting between the respective leaders in South Korea in early November. In December, the government also announced its intention to extend fiscal spending programs to support domestic consumption, technological self-sufficiency, and advanced manufacturing.

In **Japan**, the election of the new Prime Minister, Sanae Takaichi, marked the beginning of a new cycle of expansionary fiscal policy, alongside the normalization of monetary policy by the Bank of Japan (BOJ), which in December proceeded with an interest rate hike, raising rates to 0.75%.

China's Annual Fiscal Deficit at Record Highs

% of annual GDP; 2010-2025



Source: Bloomberg, ANZ Bank

MACROECONOMY

Focus: geopolitical context and Switzerland

Geopolitical context

In the final quarter of 2025, media attention progressively shifted away from trade policy dynamics among global powers toward issues related to **national security** and the **management of international conflicts.**

Tariffs gradually lost centrality on President **Trump's** agenda: the fourth quarter was in fact characterized by the implementation of agreements already initiated with numerous international partners, accompanied by a general easing of tariff-related tensions. Despite multiple frictions with China, ranging from Beijing's restrictions on rare earth exports to retaliatory measures adopted by Washington, the meeting between Donald Trump and **Xi Jinping** held in November made it possible to finalize a new trade truce, improving the tone of bilateral rhetoric while maintaining a high level of strategic competition between the two powers. Overall, markets perceived a progressive easing of the trade environment, with lower tariff levels than initially feared and reduced uncertainty, both elements that supported a recovery in international economic activity.

On the geopolitical front, efforts made by the delegations of US and Europe to bring an end to the conflict between **Russia** and **Ukraine** increased. Negotiations intensified and signs of a possible agreement have appeared, although significant issues remain unresolved, particularly regarding territorial control and security guarantees. At the same time, the ceasefire reached between **Israel** and **Gaza** in October proved fragile, with the persisting risk of a regional escalation that continues to represent a source of uncertainty for the global outlook.

Meanwhile, renewed interest has been observed on fiscal spending plans towards the defense sector, both in Europe and in Asia. In **Germany**, a broad investment package of €500 billion was approved, of which at least €108 billion is earmarked for military spending, bringing it to levels not seen since the Cold War, with the aim of reaching 3.5% of GDP in defense spending within the next five years. In **Japan**, a structural increase in the defense budget was announced, marking a turning point in its approach to national security in response to rising regional geopolitical tensions, particularly with China.

Switzerland

The Swiss economy continues to show signs of weakness. GDP **growth** turned negative in the third quarter, contracting by -0.5%, weighed down by the strength of the Swiss franc and by distortions generated by trade policies with the United States, particularly in key sectors such as pharmaceuticals.

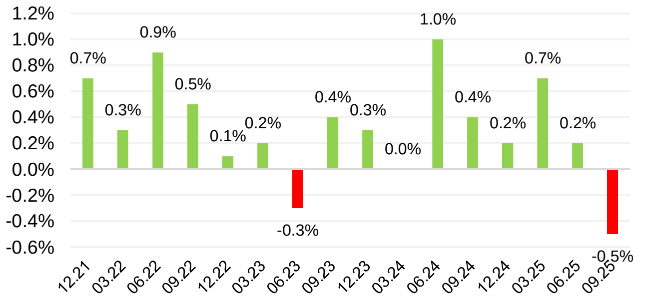
PMI indices show slight signs of recovery but have remained in contractionary territory for the third consecutive year. The prospects for a rebound in the Swiss economy in 2026 will depend on a recovery in German manufacturing (one of Switzerland's main trading partners) and on the implementation of the new tariff agreement signed with the United States in November, which provides for a maximum tariff rate of 15% across most sectors.

During the quarter, the **Swiss National Bank** (**SNB**) chose to keep its monetary policy unchanged, leaving interest rates at 0% and temporarily ruling out a return to negative rates. However, the agreements reached with the United States authorized the central bank to use foreign exchange market interventions to manage the strength of the Swiss franc.

Finally, the debate between **UBS** and the **Swiss Federal Council** attracted significant media attention. The proposal advanced by the Federal Council, required a full capitalization of foreign subsidiaries, currently capitalized at only 60%, in order to strengthen the reserves of the Swiss parent company, and was not well received by UBS's management, which threatened to move their legal headquarters abroad. The parties are currently working toward an agreement, which is expected to be ratified in the first months of the new year.

Sharpest GDP Contraction of the Past 3 Years

% real GDP growth, month-on-month; 01.22 – 09.25



Source: Bloomberg

FINANCE

Equity market

Indeces	Price	Quarterly Performance	YTD Performance
MSCI World	4'430.38	2.87%	19.13%
SMI	13'267.48	9.56%	14.37%
EuroStoxx 50	5'791.41	4.73%	18.94%
FTSE MIB	44'944.54	5.19%	31.47%
DAX	24'490.41	2.55%	23.01%
S&P 500	6'845.50	2.35%	15.89%
NASDAQ 100	25'249.85	2.31%	19.12%
Nikkei 225	50'339.48	12.03%	26.18%
Hang Seng	25'630.54	-4.56%	27.89%

Source: Bloomberg

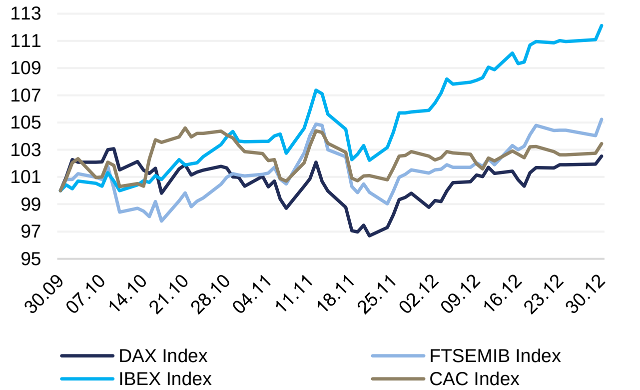
The fourth quarter of 2025 was characterized by a marked sectoral and geographical **rotation**. After a prolonged period of U.S. outperformance, a rebalancing in favor of Europe was observed, while investors adopted a more cautious approach, favoring quality, balance-sheet strength, and defensive sectors, despite a still-robust earnings growth environment.

On the geopolitical front, the quarter was influenced by the re-emergence of **tensions** between the United States and China. Despite a previous trade agreement, Washington placed several Chinese companies on a blacklist for the export of advanced technologies, prompting a response from Beijing through rare earth exports, particularly for defense-related applications. Threats of further tariff increases fueled volatility, which was reflected in indicators such as the VIX, which remained at higher levels than in previous months, reaching peaks above 26.

In the **United States**, earnings per share growth stood at around 11%, one of the highest levels of recent years and well above expectations, with margin improvement despite tariff-related concerns. The technology sector continued to be the main driver of earnings growth; however, growing concerns emerged regarding the sustainability of investments related to artificial intelligence (AI), particularly referred to elevated capital requirements and the intensive use of leverage by some of the key players in the ecosystem. The market began to show greater dispersion, rewarding big tech companies with more solid business models while penalizing more speculative firms, such as Oracle and non-profitable companies exposed to the AI theme, particularly in the nuclear and data center segments.

Performance of Major European Indices

Rebased to 100; 10.25 – 12.25



Source: Bloomberg

The quarter was also marked by interest rate cuts by the **FED**, which brought rates into the 3.50–3.75% range. However, the central bank continued to emphasize its dependence on macroeconomic conditions, also in light of data distortions caused by the government shutdown. The weakness of the U.S. dollar supported commodity prices, pushing mining-related indices higher.

European equity markets recorded positive but differentiated performances, with peripheral countries outperforming core markets. Spain and Italy closed at +12.15% and +5.19% respectively, supported by the banking, utilities, and energy sectors; France (+3.45%) and Germany (+2.55%) delivered more moderate results, weighed down by weakness in manufacturing nd precious metal and cyclical goods, which remain under pressure due to subdued domestic demand.

In **China**, GDP growth stood at around +4.8% year-on-year, below the government's +5% target, reflecting the persistence of trade tensions with the United States and still-weak domestic demand. The equity market also showed signs of consolidation after strong gains earlier in the year, with institutional investors remaining cautious but supported by accommodative monetary policies and a recovery in the technology and AI sectors.

Japan also posted positive performance, supported by deeply negative real interest rates and a Bank of Japan monetary policy perceived as gradual and accommodative, factors that favored the local equity market.

FINANCE

Bond market

Government yields (in % p.a.)	2 years	5 years	10 years
Switzerland	-0.09	0.08	0.28
Italy	2.19	2.85	3.55
Germany	2.12	2.45	2.85
United States	3.47	3.73	4.17

Source: Bloomberg

The final quarter of the year in global fixed income markets was marked by widespread consolidations, as expectations for future interest rate paths were revised upward across several countries. The Bloomberg Global Aggregate Index (EUR-hedged) closed the quarter broadly flat at +0.25%, bringing the overall performance for 2025 to +2.7%.

As previously highlighted, in the **United States** the macroeconomic environment was affected by a prolonged government shutdown, which limited the availability of economic data and made the interpretation of monetary policy decisions more challenging. Against this backdrop, the Federal Reserve continued its rate-cutting cycle, implementing two 25 basis point cuts in response to a weakening labour market.

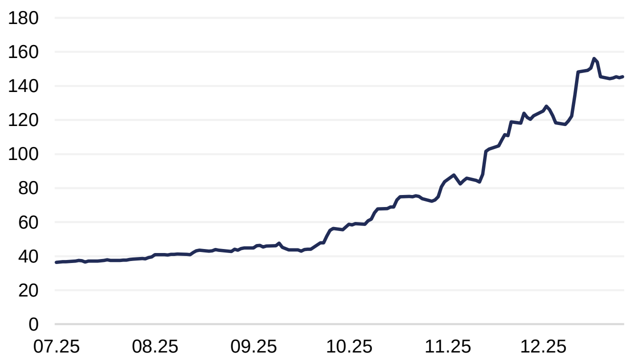
These measures, however, had little impact on the longer end of the yield curve, where concerns persist over an excessively expansionary fiscal and monetary stance, potentially reigniting inflationary risks. The U.S. 10-year Treasury yield continues to trade in the 4.0%–4.20% range, despite the U.S. administration's intention to push yields lower in order to support consumption and the housing market. The announcement of the new FED Chair has been postponed to early 2026, with Trump expected to exert significant pressure to achieve substantially lower interest rates over the course of the year.

In **Europe**, the ECB has ruled out further rate cuts as long as the macroeconomic backdrop remains unchanged. Growth and inflation forecasts have been revised upward, also reflecting a lower-than-expected impact from U.S. tariffs, with the current policy rate of 2% deemed consistent with a neutral stance.

The fiscal stimulus announced by Germany is expected to have a significant impact in 2026 and could partially offset the fiscal consolidation measures implemented in other countries, such as France and Italy. French spreads have stabilized at levels similar

5 – year CDS spreads of Oracle

Basis points, USD; 07.25 – 12.25



Source: Bloomberg

to those of Italy, supported by a series of government-level compromises aimed at keeping the deficit under control, albeit at relatively elevated levels.

The **SNB** has kept interest rates at zero. As long as the interest rate differential versus the euro area remains wide, a return to negative rates appears unlikely; however, this option remains on the table should the Swiss franc strengthen excessively or deflationary price dynamics emerge.

The **BOJ** faces a complex policy environment: despite raising rates to 0.75%, its delayed response to inflation has contributed to persistent yen weakness and a steep yield curve. The yield on the 10-year Japanese government bond has risen above 2%, a level not seen in the country for several decades.

Credit markets remain resilient, with the *Markit iTraxx Crossover Index* – measuring European non-investment-grade credit spreads – remaining below 250 basis points, indicating contained default expectations. Nevertheless, pockets of vulnerability persist, particularly within the U.S. private credit segment, a large market characterized by limited transparency.

In addition, concerns are emerging within the **technology sector**, especially among companies relying on the extensive use of leverage to finance data centre construction, as reflected in the rising funding costs of firms such as Oracle. These risks remain localized and have not triggered a broad-based widening in credit spreads, which continue to be supported by solid GDP growth prospects and expansionary fiscal policies.

FINANCE

Currency and commodities market

Currencies	Price	Quarterly Performance	Yearly Performance
EUR/CHF	0.9307	-0.40%	-1.04%
USD/CHF	0.7926	-0.48%	-12.29%
EUR/USD	1.1746	0.10%	12.87%
GBP/USD	1.3475	0.22%	7.37%
USD/JPY	156.71	5.96%	-0.08%

Source: Bloomberg

Commodities	Price	Quarterly Performance	Yearly Performance
Commodity Index	109.69	4.84%	10.95%
Petrolio WTI	57.42	-7.94%	-19.12%
Petrolio Brent	60.85	-9.21%	-18.20%
Oro	4'319.37	11.93%	65.72%
Argento	71.66	53.63%	147.53%

Source: Bloomberg

Currencies

The final quarter of 2025 closed broadly in line with the previous one, reflecting increased stability across foreign exchange markets.

Volatility remained subdued, reaching its lowest levels of the past ten years within the **G10** universe, supported in particular by developments in the U.S. dollar. The greenback traded within a narrow range between 1.15 and 1.18 against the euro, driven by the narrowing interest rate differential between the two currencies following the FED's rate cuts.

The Swiss franc continued to trade at elevated levels against major global currencies, further reinforcing its role as the safe-haven currency of choice. This strength has been supported by a generally cautious sentiment in foreign exchange markets and ongoing geopolitical developments.

The Japanese yen delivered mixed performance and generally underperformed other G10 currencies, despite the Bank of Japan being the only central bank in the group to have recently embarked on a tightening cycle.

The British pound, despite some uncertainty surrounding the domestic economic backdrop, remained relatively stable against the U.S. dollar.

Finally, cryptocurrency markets ended 2025 with sharp downward corrections, partly driven by profit-taking in Bitcoin and a generally weaker environment for crypto-related treasury companies. Selling pressure intensified toward the latter part of the year. *Bitcoin* closed the year down approximately -6%, while other major cryptocurrencies recorded steeper declines, ranging from a -11% drop in *Ripple* to a -35% decline in *Solana*.

Commodities

The broad commodities index recorded a renewed upswing in the final quarter of 2025.

The closing months of the year confirmed the trend observed in previous quarters, with precious metals emerging as the top performers. **Gold**, **silver** and **platinum** reached new all-time highs, supported by expectations of interest rate cuts by major central banks, strong demand from **ETFs** and **central banks** (particularly for gold), and a strengthened safe-haven appeal amid escalating geopolitical tensions.

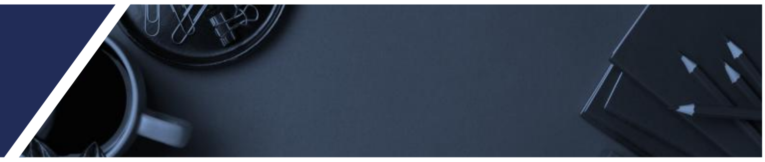
Platinum and **palladium** benefited from increased industrial demand and favourable pricing dynamics. Silver prices, in addition to their significant industrial use – particularly in the photovoltaic and electronics sectors – were supported by a structural supply deficit. Tight inventories and global production insufficient to meet demand contributed to upward price pressures. Similar dynamics were observed in **copper** prices, which closed the year at record highs.

By contrast, **energy futures** followed a different trajectory. **WTI** and **Brent** crude oil prices declined, reflecting still-weak demand against a backdrop of ample supply, supported by both OPEC member countries and the United States.

Silver price performance

USD/ounce; 01.25 – 12.25

Source: Bloomberg



Did you know that...

...the new Ironwood series could reshape the AI landscape...

The unveiling of **Ironwood**, Google's new Tensor Processing Unit (TPU), introduces a high-performance chip that could reshape the competitive landscape of AI semiconductors.

What are the main differences between GPUs and TPUs, and how do they influence AI development?

Graphics Processing Units (GPUs) and Tensor Processing Units (TPUs) can be thought of as two different types of engines powering artificial intelligence systems.

GPUs, originally developed to render graphics and video games, represent a highly flexible engine. They are composed of many parallel computing units, enabling them to perform a wide range of tasks – from training AI models and running scientific simulations to image generation. The most prominent example are **Nvidia's GPUs**, which have become an industry standard thanks to the Compute Unified Device Architecture (CUDA), which allows computing power to be rented across multiple data centres via the cloud, adapting to a broad range of software and applications. As a result, the same infrastructure can be used for different purposes, offering a high degree of versatility.

TPUs, by contrast, are high-performance engines designed for a specific purpose. Developed by Google, these are optimized to execute matrix and tensor operations – the mathematical core of deep learning – with exceptional efficiency, particularly in large-scale inference workloads. Their use requires operating within the **Google Cloud** ecosystem, where they are offered as a managed service. This approach delivers higher energy efficiency, but less flexibility across different systems and use cases compared to CUDA-based solutions.

What could be the implications of the arrival of TPUs for the AI market?

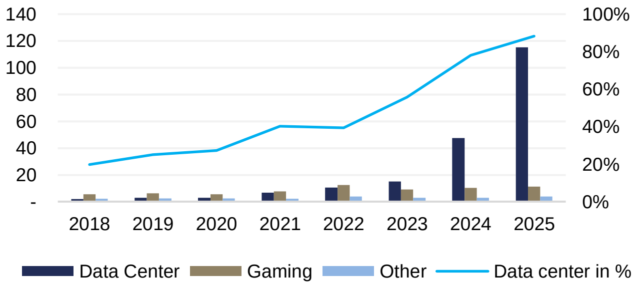
Google's TPUs, originally introduced more than a decade ago to accelerate its search engine, are now used for training and operating the Gemini 3.0 model. The new Ironwood series, however, could reshape the balance within the AI ecosystem. These highly specialized chips deliver strong performance in deep learning–specific computations, improving efficiency and accelerating the training of complex models, particularly in data centres focused on inference.

From a competitive standpoint, Google's innovation could trigger a new phase of competition among hardware accelerator providers. Nvidia, the current leader in the data centre GPU market – where data centre sales account for roughly 88% of its revenues – may face increased pressure to maintain its technological edge. Nevertheless, its broad ecosystem and the flexibility of GPUs remain key competitive strengths.

Rather than an immediate loss of leadership for Nvidia, the market may move toward a phase of heightened infrastructural competition, in which players such as *Meta*, *Anthropic*, and others will more carefully assess the trade-offs between efficiency, integration, and specialization when shaping their AI-related capital expenditure plans.

Nvidia annual revenue by business segment

In USD billions, 2018-2025



Source: Bloomberg

KEY TAKEAWAYS

1 – PERFORMANCE[1] INCREASE OF IRONWOOD COMPARED TO THE FIRST TPU	2 – NVIDIA DATA CENTRE REVENUES FOR FISCAL YEAR 2025[2]	3 – ESTIMATED GLOBAL AI CAPITAL EXPENDITURE FOR 2026[2]
30x	**$115.2 bn**	**$630 bn**

Sources: 1) Calculations by PartnerCap Securities 2) Bloomberg

Expert Talk
Umberto Grimi

«What changes could result from the revision of the EU regulation banning the sale of internal combustion engine vehicles from 2035?»

Interview with ***Umberto Grimi****, Smart Equity Fund Manager:*

What decisions has the European Commission taken regarding the automotive sector?

The European automotive sector has experienced two years of sharply negative performance, in stark contrast to both broader European equity indices and the performance of U.S. manufacturers. Beyond differing consumption dynamics and the competitive landscape, a key factor has been regulatory uncertainty, which has led European carmakers to invest heavily in electric mobility, driven by the prospect of a full ban on the production of internal combustion engines starting in 2035.

In December, the **European Commission** came back to the issue, revising the regulation finalized in 2022 and introducing a relaxation of regulatory requirements. In particular:

- *Emissions reduction*: the target has been set at 90%, down from the previous 100% goal;
- *Production of internal combustion engine vehicles (petrol or diesel):* limited production will be allowed, with emissions offset through the use of low-carbon steel or the application of e-fuels and biofuels;
- *Hybrid vehicles*: the European Commission has signalled openness to a potential removal of the ban on their production by 2040, as currently, provided for under existing regulations.

[…] Despite the update to the European regulatory framework, we consider a substantial change in automakers' propulsion strategies to be unlikely…

What implications could these decisions have for the sector?

The regulatory shift, now more focused on consumption neutrality rather than on propulsion technology, could ease regulatory pressure on European manufacturers and allow for greater monetization of internal combustion platforms, which would remain profitable for at least another model generation. At the same time, it could support a more gradual transition toward electrification, better aligned with market demand.

However, despite the update to the European regulatory framework, we consider a material change in automakers' propulsion strategies or capital expenditure plans to be unlikely, given the persistence of long-term emissions reduction targets. In this context, the benefits appear more meaningful for leasing and consumer credit companies, which are more exposed to residual value risk in gasoline and diesel vehicles.

As a result, we do not view these decisions as a *game changer* for the sector, but rather as a limited support measure, consistent with the typical approach of European policymaking.

The potential upside could be more significant if the measures were to encourage automakers to cooperate in the joint development of next-generation internal combustion powertrains, with the aim of reducing costs and maximizing returns on investment.

UMBERTO GRIMI

Smart Equity Fund Manager

DISCLAIMER

BANCA DEL SEMPIONE
PRIVATE BANK
SINCE 1960

BANCA DEL SEMPIONE
PRIVATE BANK
SINCE 1960

Lugano headquarter

Via P. Peri 5
CH-6900 Lugano
Tel. +41 (0)91 910 71 11
Fax +41 (0)91 910 71 60
info@bancasempione.ch
www.bancasempione.ch

Chiasso branch

Piazza Boffalora 4
CH-6830 Chiasso
Tel. +41 (0)91 910 71 11
Fax +41 (0)91 910 73 61
chiasso@bancasempione.ch

Bellinzona branch

Viale Stazione 8a
CH-6500 Bellinzona
Tel. +41 (0)91 910 71 11
Fax +41 (0)91 910 73 60
bellinzona@bancasempione.ch

Locarno branch

Via della Stazione 9
CH-6600 Locarno-Muralto
Tel. +41 (0)91 910 71 11
Fax +41 (0)91 910 73 62
locarno@bancasempione.ch

Zurich Representative Office

Bahnhofstrasse 65
CH-8001 Zurich
Tel. +41 (0)91 910 71 11
zuerich@bancasempione.ch