Market Overview 08/2026

A glance at the markets and current issues

Tellco Bank Ltd

AI needs deliver real value now

The global equity markets put up a robust performance in July, but have been showing increasingly divergent trends. The macroeconomic framework data and the current corporate results largely moved in line with expectations.

The economic fundamentals of listed companies were buoyed by stable economic growth in the USA and a sluggish but nevertheless steady economic recovery in the Eeurozone. The financial statements recently released for Q2 reported solid profit margins, which were mostly supported by consistent and successful measures to reduce costs as well as unexpectedly resilient consumer demand. This provided a solid basis for investor confidence. As a result of companies' resilience, there have not been any major market corrections, despite geopolitical uncertainty and the central banks' persistently restrictive monetary policy continuing to smoulder as underlying risk factors. Investors overall are willing to ignore temporary economic setbacks as long as the price-setting power of large corporations remains intact and operational margins can be protected.

Europe offers attractive valuations

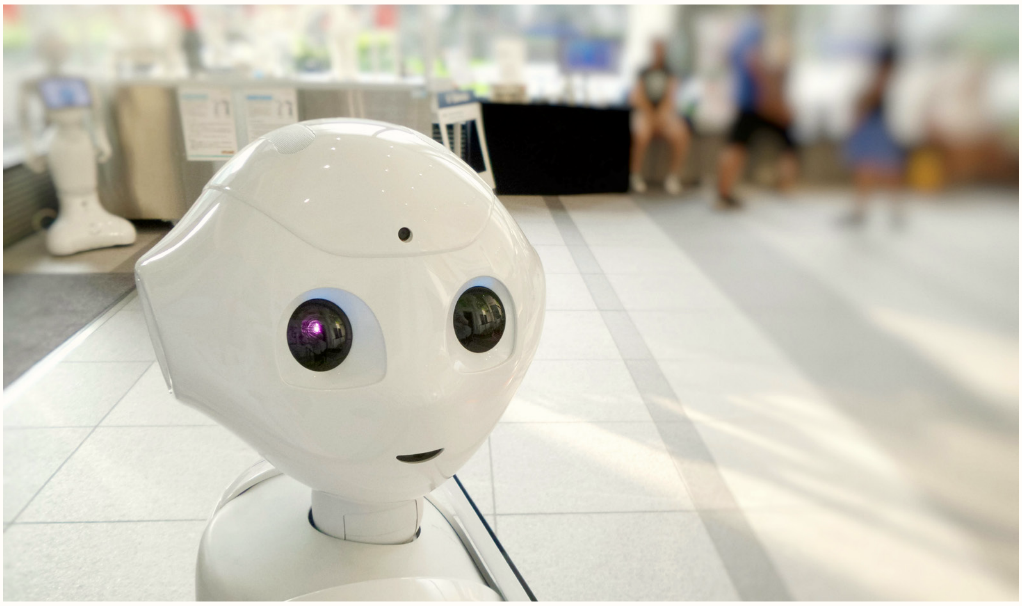
In Europe, moderate growth rates were observed, along with the typical differences from country to country. The European Central Bank continued to follow a strictly data-driven, pragmatic and extremely cautious approach so as not to jeopardise the hard-earned stability. In historical terms, European stocks now offer extremely attractive valuations compared to their US counterparts, which is increasingly directing investor interest towards defensive quality stocks, established dividend gems and selected cyclical consumer staples. This valuation gap led to an increased shift away from speculative stocks towards fundamentally strong European companies capable of demonstrating solid balance sheets. Institutional investors intentionally took advantage of falling prices in Europe to build up long-term positions in sectors such as healthcare, consumer goods and specialised industrial goods, as these industries generate reliable cash flows even in a stagnant economic environment. In addition, ongoing share buyback programmes of many major European companies helped to prevent prices falling further and provided a welcome safety net against temporary market turbulence.

USA still focused on tech stocks

The US market continued to be a reliable primary driver of growth for the global economy, thanks to the sustained strong labour market and solid consumer spending. Although the massive price gains are still concentrated in the technology sector, valuation levels measured using common P/E ratios were above the historical average. This significantly increases the inherent risk of a sharp uptick in volatility in the event of monetary disruption by the Federal Reserve, which is why investors are increasingly seeking out hedging strategies. The phenomenon of extreme market concentration on a small number of capital-strong companies thus remained a dominant feature on the US stock market, underscoring the need for active and risk-conscious portfolio management. Share price gains only partially broadened across the wider market, particularly to smaller companies (small and mid caps), as smaller companies continued to suffer from persistently high refinancing costs. This further intensifies the split in the US market between highly profitable technology giants and the rest of the corporate universe.

AI stocks facing reality

Valuations in the global technology sector had become exceptionally ambitious due to the prolonged, almost euphoric momentum surrounding artificial intelligence, leaving little room for operational setbacks. However, in July investors increasingly demanded hard evidence of actual revenue and earnings capacity within companies' financial statements, as investment announcements and statements of intent are definitely no longer sufficient to justify any further fundamental share price gains. The phase of early acclaim and investor optimism is therefore giving way to a phase of strict, sober business analysis. Analysts are increasingly scrutinising the massive capital expenditure (CapEx) budgets of hyperscalers and mathematically modelling the expected return on investment (ROI), leading to noticeable selective differentiation within the sector. Companies that presented only vague visions of the future without concrete revenue metrics are facing significant share price declines, while firms with demonstrable software subscriptions and AI-driven revenue streams have been able to defend their premium valuations.



More money for critical AI infrastructure

While the primary infrastructure providers – particularly leading chip manufacturers, specialist semiconductor companies and global cloud giants – continued to experience strong, profitable demand, the focus is now increasingly shifting towards the concrete monetisation of software. The companies attracting the most interest were those that have already successfully integrated artificial intelligence into their existing product portfolios in a way that creates measurable value. This includes companies able to demonstrate measurable productivity gains in areas such as administration, customer service or agile software development. Generally high market expectations therefore carry the risk of sharp share price corrections in response to even the smallest shortfalls against targets. Long-term investors are now increasingly redirecting their focus to the second and third waves of AI winners. Examples include energy providers that supply the massive electricity demand of new data centres or specialist cybersecurity firms tasked with protecting complex AI infrastructure from new forms of automated threats. This fundamental shift shows that the AI revolution has evolved from a purely technological level into a cross-market driver of infrastructure investment and efficiency gains.

Swiss bonds as a guarantor of stability?

International bond markets in July were characterised by a challenging and strategic search for the optimal entry point, as global core inflation proved unexpectedly stubborn. This limited the room for manoeuvre available to major central banks for aggressive or rapid-fire interest rate cuts, meaning that yield curves in many major currency areas remained flat or even slightly inverted.

Investors need to prepare for the possibility that the prevailing level of interest rates will remain elevated for a prolonged period of time. This monetary policy reality forced portfolio managers to take a flexible approach to managing their duration positioning and to focus increasingly on the short-term to medium-term maturity segment in order to minimise interest rate risk. Expectations of rapid and extensive rate-cutting cycles were gradually priced out by the market, leading to a volatile sideways movement in ten-year government bond yields and temporarily testing the traditional diversification role of bonds in balanced portfolios.

Swiss bonds benefit from weakness of dollar

The Swiss franc bond market traditionally offers a very high degree of stability in the high-quality corporate bond segment (investment grade), with inflation significantly lower than in international markets and a correspondingly moderate interest rate environment. At the same time, euro-denominated corporate bonds offer a highly attractive risk-return profile with largely stable credit ratings whereas USD-denominated bonds, although offering very high nominal yields, always involve a significant currency risk for Swiss investors due to hedging costs. Currency developments remained a key driver of portfolio performance in July. As the cost of hedging foreign currency exposure between the US dollar and the Swiss franc is considerable due to the interest rate differential, it often erodes the entire yield advantage of US securities. This strengthens the relative attractiveness of domestic CHF bonds and selected euro-denominated securities according to a direct comparison. Domestic investors are therefore increasingly favouring locally denominated issues from high-quality Swiss companies and public sector borrowers in order to minimise portfolio volatility.

Significant potential for widening risk premiums

Credit spreads for these highly rated issuers were exceptionally tight in historical terms, reflecting market participants' strong optimism that a hard landing would be avoided. On the other hand, this means that investors are hardly receiving adequate compensation at the moment for taking on additional credit quality risks or default risks. Any deterioration in underlying credit quality could therefore quickly lead to a painful widening of these spreads and, by extension, price losses. The lack of attractive risk premiums meant that the yield potential in the investment-grade segment was generated almost exclusively from the underlying government bond yields, while the buffer against macroeconomic shocks remained minimal. Should corporate earnings weaken or unexpected liquidity constraints arise, there is currently an asymmetric risk distribution, and the potential for risk premiums to widen is significantly greater than the likelihood of seeing them tighten.

And inflation remains an ever-present threat

As further interest rate moves by central banks are expected to be gradual and heavily data-driven, the inflation risk remains the key macroeconomic factor for fixed income investments. A renewed, unexpected surge in inflation could quickly lead to significant price losses through rising market yields, which is why passive investment approaches are increasingly losing their appeal. In the current market environment, precise fundamental security selection (credit picking) and a strong focus on the liquidity of individual securities are absolutely crucial for sustainable investment success. Investors are increasingly favouring issuers with robust business models, limited refinancing requirements over the next two years and strong free cash flow generation in order to effectively minimise the risk of credit rating downgrades. In addition, inflation-linked bonds (linkers) are regaining importance as a strategic portfolio hedge against structural inflation drivers such as decarbonisation, deglobalisation and demographic change, which could keep inflation rates above central banks' historical target levels over the long term.

Alternative investments: why insurance finance is attractive for Swiss pension funds

Financing in the life insurance business (insurance finance) is becoming established in Switzerland as a highly attractive niche investment for institutional investors. But how exactly does it work?

A specialised fund manager acquires life insurance policies on the secondary market from older people or individuals in poor health. The fund pays the seller a figure that is significantly higher than the surrender value offered by the life insurance company. In return, the fund assumes responsibility for future premium payments and, upon the insured event (i.e. the death of the insured person), receives the full insurance payout from the life insurance policy guaranteed under contract.

Decoupled from traditional capital markets

For Swiss pension funds (PF), this business represents a highly efficient portfolio optimisation tool within the framework of alternative investments (BVV 2), offering tailored solutions to current fiduciary challenges. Insurance finance enables the invested assets of insured persons to benefit from returns that are decoupled from traditional capital markets and driven by biological mortality, while at the same time remaining protected according to established actuarial models.

We refer to global market statistics and historical performance data from leading providers in order to obtain empirical market data and the risk-return profile.

- **Target returns (Target IRR):**
  institutional portfolios in the Insurance Finance sector have historically generated net returns (internal rate of return) in the high single-digit to stable double-digit range (typically 8-12% p.a.). The capital multiplier (multiple on invested capital, MOIC) is characterised by extremely consistent and predictable value development.

- **Actuarial due diligence:**
  thanks to an extremely selective review process conducted by specialised medical experts (medical underwriters), only policies with transparent medical records and precisely predictable life expectancies are acquired. This enables stable distributions based on actuarial mortality tables to be achieved. The risk of unexpected longevity (extension risk) at fund level is significantly limited through mathematical diversification across hundreds of different individual life profiles within the life insurance business.

- **Term and liquidity:**
  the average remaining term (life expectancy of insured persons) in the portfolios acquired is typically four to eight years. Compared with traditional private equity structures (often involving lock-up periods of 10+ years), this makes insurance finance more predictable, as cash flows are distributed continuously over time.

- **Market growth:**
  the institutional secondary market for the life insurance business (particularly in the US and the UK) involves annual transactions with a nominal value of several billion USD and continues to grow, driven by demographic change ("baby boomer" generation).

At portfolio level, insurance finance creates specific benefits and added value for Swiss pension funds and institutional investors.

1. Reduction of the coverage ratio and fulfilment of the performance objective

Swiss pension institutions are under constant pressure to sustainably generate the OPA minimum interest rate and to secure their statutory benefit commitments over the long term. The historically stable returns from insurance finance provide a reliable lever for increasing overall portfolio returns. As these returns are generated independently of the macroeconomic cycle, they make an extremely strong contribution to safeguarding the coverage ratio and have a stabilising effect – particularly during periods where traditional markets stagnate or inflationary trends erode real returns. This enables decision-makers to achieve the required return targets without excessively straining the risk budget in volatile equity markets.

There is no correlation whatsoever with traditional financial markets.

2. Absolute non-correlation as genuine risk protection

The payout of a life insurance policy is triggered exclusively by the death of the insured person. There is no correlation whatsoever with traditional financial markets. Mortality rates of US or UK policyholders are not affected by the monetary policy of the Swiss National Bank (SNB), geopolitical crises, inflation or global recessions. During volatile market phases, when equities and bonds often become unintentionally correlated and the traditional 60/40 portfolio reaches its limits, insurance finance acts within the overall pension fund portfolio as a genuine form of diversification and a stabilising anchor operating independently of the system.

3. Optimisation of liquidity planning compared with private equity

Traditional private market investments often tie up pension fund capital for a decade or longer, significantly limiting operational flexibility. By contrast, a mature insurance finance portfolio generates ongoing, stable cash flows due to the statistically distributed timing of insured deaths. The regularly maturing insurance payouts from the life insurance business flow directly back to the pension fund. This significantly facilitates short-term and medium-term liquidity management for pension funds, reduces the “J-curve” effect associated with traditional alternative investments and provides predictable liquidity to cover ongoing pension obligations.

4. Strict risk management and protection against cluster risks

Each policy undergoes strict legal due diligence prior to acquisition. As well as assessing the insured person’s life expectancy, the credit risk of the issuing insurance company is examined in detail. Policies are acquired almost exclusively from established life insurers with excellent ratings (A- to AAA), meaning that counterparty default risk is minimal compared with traditional corporate bonds. In terms of strategic management, it is important to note that pension funds do not invest in individual life profiles, but rather participate in broadly diversified fund structures across different US states/regions, age groups, medical conditions and insurance companies.

5. Ethical added value and active provision of liquidity for seniors

The insurance finance model offers clear social value (social component) from a governance and sustainability (ESG) perspective. It breaks the monopoly of large life insurance companies, which would otherwise pay only minimal surrender values in the event of early policy termination. On the secondary market, seniors often receive four to eleven times the surrender value, providing them with greater financial freedom during retirement, which can for instance help finance expensive care costs. This is consistent with the fiduciary duty of care and the ethical principles of modern Swiss pension institutions.

Fazit

Insurance Finance ist keine spekulative Wette, sondern eine hochgradig strukturierte, versicherungsmathematische Anlageform im Lebensversicherungsgeschäft. Und zwar mit einem substanziellen, transparent kalkulierbaren und nachweisbaren Value-Add für institutionelle Portfolios. Für Schweizer Pensionskassen ist Insurance Finance eine ideale Möglichkeit für stabile Renditen in einem anhaltend volatilen und makroökonomisch anspruchsvollen Marktumfeld.

Gleichzeitig ermöglicht Insurance Finance den verantwortlichen Gremien, das Gesamtvermögen durch echte, krisenresistente Non-Korrelation gegen systemische Marktschocks und inflationäre Abwertungsrisiken abzusichern. Da die Erträge auf fundierten aktuariellen Modellen und der biologischen Realität basieren und somit vollständig entkoppelt sind von weltwirtschaftlichen Zyklen, leistet Insurance Finance einen verlässlichen und planbaren Beitrag zur langfristigen Stabilisierung sowie Stärkung des Deckungsgrads.

Tellco Products

Tellco Classic

	ISIN	Tranche	July 31 th	% July	% YTD	Web
Tellco Classic Aktien Alkimia ESG	CH0544465831	V	171,51	–0,12%	7,44%	More Infos
	CH0544465823	R	161,30	–0,15%	7,23%	
	CH1116144333	P	125,60	–0,13%	7,41%	

Tellco Classic Strategy

	ISIN	Tranche	July 31 th	% July	% YTD	Web
Tellco Classic Strategy 10	CH0450199770	V	126,87	–0,61%	0,83%	More Infos
	CH0544445619	R*	–	–	–	
Tellco Classic Strategy 25	CH0450201261	V	142,29	–0,62%	2,44%	More Infos
	CH0544465658	R	–	–	–	
Tellco Classic Strategy 45	CH0450201329	V	168,10	–0,11%	4,33%	More Infos
	CH0544465757	R*	–	–	–	
Tellco Classic Strategy 100	CH0450382632	V	164,99	–0,02%	8,35%	More Infos
	CH0544465773	R	95,98	–0,02%	8,33%	

* Not yet launched

Note

Tranche R: This share class is intended for private and qualified investors.
Tranche V: This share class is reserved exclusively for tax-recognised Swiss pension institutions (e.g. pension funds, vested benefits and pillar 3a foundations).
Tranche P: This share class is intended for private and qualified investors.

Numbers

Countries / GDP

	2026	2027	2028
USA	2,18%	2,10%	2,10%
Euro Area	0,60%	1,20%	1,30%
Japan	0,60%	0,80%	0,90%
China	4,60%	4,43%	4,43%
Switzerland	1,10%	1,37%	1,37%

Countries / CPI

	2026	2027	2028
USA	3,30%	2,40%	2,40%
Euro Area	2,80%	2,20%	2,00%
Japan	2,00%	2,10%	1,90%
China	1,20%	1,20%	1,49%
Switzerland	0,60%	0,70%	0,80%

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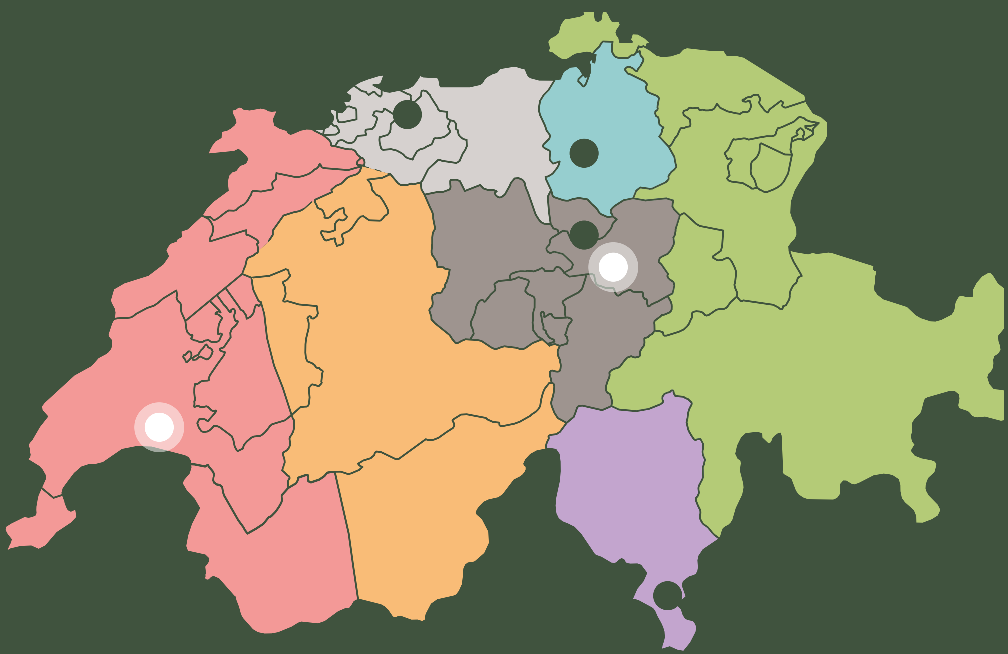

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