tellco

Market Overview 09/2026

A glance at the markets and current issues

Tellco Bank Ltd

Strong figures almost across the board

Global equity markets maintained constructive sentiment in August and continued their upward trend. This was primarily due to the combination of robust macroeconomic data and largely convincing corporate results, which noticeably eased fears of an imminent recession.

The technology sector in particular once again proved to be a key performance driver for international stock markets. The ongoing technological advances and the steady commercialisation of artificial intelligence (AI) provided substantial impetus for the market as a whole. This positive market sentiment was supported by new data on inflation and labour market conditions in the US and the eurozone: The visible stabilisation of employment data combined with declining inflationary pressure is increasingly fuelling hopes among market participants of a so-called "Goldilocks scenario" – a macroeconomic environment characterised by a resilient economy accompanied by diminishing inflation risks.

Lower interest rates despite the Iran war?

Against this backdrop, investors and analysts are increasingly anticipating monetary policy easing by the US Federal Reserve as well as a noticeably more moderate stance on the part of the European Central Bank (ECB). Financial markets are currently pricing in only one further interest rate increase by the two leading central banks before the end of the year. These expectations are significantly easing pressure on financing conditions and providing reliable support for equity markets. By contrast, there have been conflicting signals on the geopolitical front: hopes of a lasting easing of tensions surrounding strategically-important Iran proved premature, as tensions escalated abruptly following the temporary ceasefire. New and unprecedented threats by the US administration of a comprehensive "economic war", together with Tehran's announcement that it would respond to the blockades by launching a full-scale offensive, have abruptly brought the geopolitical risk premium back into play. This renewed escalation led to noticeable volatility and rising crude oil prices in August, with oil prices reaching a three-week high. Renewed concerns about supply shortages caused by blockades of the Strait of Hormuz, as well as rising energy costs, dampened the general optimism among market participants.

AI is actually becoming productive

At the micro level, the recently published quarterly reports of the leading technology companies – the so-called "Magnificent 7" – underscored the stability of the current bull market. It is becoming increasingly clear that the productive use of AI across a wide range of industries has long since become a reality. For companies, this transformation is translating into real earnings growth and expanding operating margins, which in turn is leading to a noticeable qualitative improvement in future earnings outlooks. At the same time, healthy sector rotation was observed over the course of the month. Capital increasingly flowed out of temporarily overheated stocks and into cyclical and defensive market segments, benefiting overall market breadth and consolidating the foundations for the rally.

Continued reliance on low interest rates

Despite the pronounced optimism and strong momentum, we should not overlook the fact that equity market valuations have now reached very ambitious levels by historical standards. To sustainably justify both these levels and the current momentum – particularly in growth and technology stocks – the market remains heavily dependent on a stable, predictable and prospectively lower interest-rate environment. As long as companies are able to fundamentally justify high expectations through real, AI-driven earnings growth and their forward-looking guidance remains promising, the structural foundations of equity markets appear remarkably resilient for the time being.

Real economy defies all risks

Ongoing geopolitical tensions in the Middle East and their multifaceted impact on global trade flows were a key focus of market participants in August.

Continued disruption to shipping in the Red Sea and adjacent maritime bottlenecks is keeping international freight prices high, as shipping companies are being forced to make extensive use of more costly alternative routes. At the same time, prices on primary energy markets remain structurally elevated, noticeably increasing production costs in the manufacturing sector. This combination of supply-side shocks is fuelling underlying inflationary pressure and reinforcing the "higher for longer" interest-rate scenario in global bond markets.

Iran war affects government and corporate bonds

Against this backdrop, the Fed and the ECB have been compelled to keep their room for monetary policy manoeuvre limited and maintain key interest rates at restrictive levels in order to counteract second-round effects. Given the robust economic data and stable labour market figures recorded in August, yields at the short end of the curve remain exceptionally attractive to investors, while greater volatility can be expected at the long end due to changes in term premiums. Changes in freight routes – particularly the permanent establishment of shipping routes around the Cape of Good Hope – mean that geopolitical and geoeconomic risk factors are no longer temporary. Instead, they are now being incorporated into pricing and risk models for government and corporate bonds as permanent structural components.

Stubborn inflation and tight monetary policy

Core inflation rates remain remarkably stubborn in the major economic regions, making a rapid return to central banks' inflation targets of around two per cent relatively unlikely. The consolidation of transport and commodity costs at high levels is increasingly feeding through to downstream value chains, fuelling service-sector inflation. If central banks were now to loosen monetary policy prematurely or initiate aggressive rate cuts, they would face a significant risk of destabilising market participants' inflation expectations and triggering another wage-price spiral. Both the Fed and the ECB are therefore maintaining their distinctly cautious, data-driven rhetoric. International futures markets fully priced in this macroeconomic reality during August, significantly scaling back previously dominant expectations of rapid, successive interest-rate cuts during the second half of the year.

A resilient real economy

Despite this challenging combination of restrictive monetary policy and structural barriers to trade, the fundamental data for the real economy have proved to be remarkably resilient. The US labour market in particular is showing few significant cracks. Private consumption continues to provide substantial support for economic output, underpinned by solid real wage growth over recent quarters. Gradual stabilisation of leading indicators can also be observed in the eurozone, with the service sector in particular, together with public and private investment in the energy transition and defence, shoring up economic activity. For the bond market, this resilience sends out a clear signal that short-term, growth-supporting interest-rate cuts are unlikely and that there is still fundamental support for absolute interest-rate levels at the short end. Against this backdrop, the current yield (carry) on high-quality bonds can become the primary, reliable source of portfolio returns.

What are international bond investors doing?

Market participants are currently adopting different positions on the international bond market. As yield curves in USD and EUR steepen, many portfolios are placing greater emphasis on maturities. Short maturities continue to offer solid returns. However, the steeper curve will require closer management as the premium for longer maturities rises again. Investors are still cautious about long maturities due to uncertainty surrounding inflation and geopolitical risks. Periods of higher yields on long-dated Swiss government bonds or bonds from core eurozone countries are being selectively used to build up strategic positions. At the same time, overall portfolio duration often remains close to the respective benchmarks. In the credit segment, attention is focused primarily on investment-grade securities and secured debt instruments, known as covered bonds. Their risk premiums, or spreads, are supported by robust corporate fundamentals.

Transparency in private debt for institutional investors

The private debt investment category (private loans) has developed into a key pillar of the portfolios of many Swiss pension institutions, autonomous pension funds and public-law foundations in accordance with the Swiss Occupational Pensions Act (OPA) in recent years. In a market environment characterised by volatile equity markets and historically low interest rates, private lending to companies offers a reliable and predictable source of income. However, it also entails increased regulatory requirements regarding transparency and due diligence. How should investors deal with this? We shall compare and contrast two methods.

Background and regulatory context in the Swiss pension market

Private debt compensates investors for deliberately foregoing daily or weekly liquidity through an "illiquidity premium". This has traditionally been well above the returns available on listed bonds. It essentially consists of three components: compensation for the long-term capital commitment, compensation for the increased credit risk associated with unlisted companies and compensation for the considerable work involved in credit assessment (due diligence).

For the highest governing bodies (investment committees and boards of trustees), however, this asset class presents a challenging corporate governance and risk management task. Under Article 49a of the Ordinance on Occupational Old Age, Survivors' and Invalidity Pension Provision (OPO 2), Swiss pension funds are legally required to monitor the risks and performance of all investments transparently, promptly and comprehensibly. Supervisory authorities (Occupational Pension Supervisory Commission) and auditors also require complete documentation demonstrating how alternative and illiquid investments fit into the fund's overall risk profile. However, there is a fundamental structural problem: because private debt transactions take place bilaterally, confidentially and over the counter, there are no publicly available current market prices. There is no central order book and no standardised clearing system. A private debt loan is generally held in the portfolio until maturity (hold-to-maturity).

Two methods for greater transparency and due diligence

To ensure the transparency required by law and compliance with fiduciary duties of care, two fundamentally different methodological approaches have emerged in Swiss investment practice. The two methods each illuminate very different aspects of performance and involve a constant trade-off between theoretical precision and operational feasibility.

1

1 The peer group method (private market indices)

The peer-group method takes an empirical, backward-looking approach. It intentionally avoids direct comparison with liquid, exchange-traded markets and instead measures the performance of a selected private debt fund directly against the economic reality of the private credit market. The aim of this approach is to assess the asset manager's selection abilities in direct comparison with its immediate competitors. In other words, it seeks to determine whether the manager is capable of generating excess returns (alpha) relative to the market average through a better network, more precise credit underwriting and more effective contractual design (covenants).

1.1 Specific benchmark examples and providers

- **Cambridge Associates LLC Private Credit Index**
  This index is regarded as the most widely used and accepted benchmark for alternative investments in the global financial industry. It aggregates historical and current net returns (net IRR) as well as multiples such as DPI and TVPI from well over 1,000 institutional private credit funds. Data are obtained directly from the official audited financial statements of the underlying funds, ensuring exceptionally high data quality and audit reliability.
- **Preqin Quarterly Private Debt Index**
  The data provider Preqin operates a comprehensive platform for alternative investments that is used worldwide. Its index model enables granular selection and filtering. A Swiss investor can configure the benchmark so that it exclusively reflects European senior direct lending funds, thereby mathematically eliminating US currency risks or Asian growth risks from the comparison.
- **Burgiss Manager Market Index (MMI)**
  Unlike other providers, the Burgiss index is not based on voluntary reporting by fund managers, but directly on actual transaction data at the level of institutional investors (limited partners, LPs). This systematically eliminates statistical distortions caused by so-called “reporting bias” or embellished preliminary reporting by fund managers (general partners, GPs).

A comparison based purely on calendar years would be fundamentally flawed due to the differing maturity stages of the funds.

1.2 How it works and methodological implementation

If, for example, a Swiss pension institution invests a substantial amount in a European direct lending fund, this closed-end fund is tied to its specific launch year. In industry terminology, this is referred to as the “vintage year” (such as vintage 2026). For closed-end private market funds, acquiring loans is not a one-off event but rather a dynamic process spanning several years. During the first three to five years (the investment period), the manager gradually draws down the capital committed by the Swiss pension fund (capital calls) as suitable companies are identified for lending.

The peer-group method then compares the net return of the fund on a quarterly basis with the selected index (e.g. the Cambridge Associates Europe Senior Debt Index) for precisely the same 2026 vintage. This makes it possible to determine mathematically whether the selected manager has achieved top-quartile performance compared with funds launched during exactly the same macroeconomic cycle. A comparison based purely on calendar years would be fundamentally flawed due to the differing maturity stages of the funds.

1.3 Advantages of the peer group method

- **Systemic comparability (apples-to-apples)**
  The fundamental advantage lies in the homogeneity of the comparison. The manager is neither penalised nor rewarded for macroeconomic factors such as sudden central bank interest-rate decisions or geopolitical shocks in liquid markets, as these affect all private-market participants equally. The manager is measured exclusively on the basis of relative value creation.
- **Appropriate representation of cash-flow dynamics**
  Because these indices are based on the internal rate of return (IRR), they reflect the typical life cycle of a closed-end fund. Initial costs, the start-up phase and gradual capital calls – the "J-curve effect" – are represented in the benchmark in the same way as in the pension fund's actual portfolio.
- **Avoidance of artificial volatility in the overall portfolio**
  Because the underlying funds generally value their loans quarterly using valuation models (mark-to-model), index performance is relatively steady. This prevents spurious fluctuations in the pension fund's overall reporting and protects the investment committee from making emotional misjudgements during volatile market phases.

1.4 Disadvantages of the peer group method

- **Significant reporting lag**
  This is the greatest weakness for ongoing intra-year controlling. Because asset managers often require 60–90 days after the end of a quarter to complete their over-the-counter valuations and solvency assessments of portfolio companies, the index lags significantly behind the real-world position. When the Board of Trustees meets in June, benchmark data may still only be available as at the end of December of the previous year. Timely management of asset allocation is therefore impossible.
- **High licence fees**
  Access to professional, verified databases from Burgiss, Preqin or Cambridge Associates requires costly institutional subscriptions. For smaller or medium-sized Swiss pension institutions, this additional cost structure can disproportionately reduce the overall return of the investment category through its impact on the total expense ratio (TER) and often represents poor value for money.

2

2 The synthetic method (liquid proxies plus a premium)

The synthetic method provides a pragmatic bridge between opaque private markets and highly liquid, daily traded public markets. It is based on the assumption that the economic risks and probabilities of default associated with private debt loans are fundamentally similar to those of listed corporate bonds or syndicated leveraged loans. To account for the fact that private debt investments cannot simply be sold at the click of a mouse, the liquid base index is adjusted by a theoretical or empirically derived risk premium.

2.1 Specific benchmark examples and providers

- **Morningstar LSTA US Leveraged Loan Index (plus a defined premium)**
  This index measures the performance of the liquid institutional market for senior secured floating-rate corporate loans. It is highly suitable as the basis for a synthetic benchmark as most private debt structures – particularly senior direct lending – are likewise structured as floating-rate notes. They therefore participate directly in changes in short-term interest rates, such as SOFR or EURIBOR, without being exposed to the traditional duration risk associated with fixed-rate bonds.
- **Bloomberg Global High Yield Index (plus a defined premium)**
  This is an extremely broad, globally recognised index covering the entire universe of publicly traded corporate bonds rated below investment grade (BB+ or lower). It represents the liquid counterpart to the credit risk of medium-sized enterprises.

2.2 How it works and methodological implementation

Companies financed through private debt funds generally have a similar debt structure and comparable credit profile to issuers in the public bond market. However, because Swiss investors often commit their capital to private debt for five to eight years without the option of early exit, the investment committee requires compensation. In practice, a synthetic benchmark is therefore constructed mathematically.

For example, the formula in the investment regulations might read:
Benchmark = Bloomberg Global High Yield Index (currency-hedged into CHF via hedging costs) + 2.50% (250 basis points) flat surcharge per year. The portfolio's strategic investment objective is therefore to outperform the return on the listed market plus the defined illiquidity premium over the long term.

2.3 Advantages of the synthetic method

- **Real-time availability and up-to-date information**
  Because the underlying base indices from Bloomberg or Morningstar are based on daily traded market prices, the benchmark is immediately available at month-end on every banking day. Monthly performance reports for management, the investment committee and the cantonal supervisory authority can therefore be prepared without delay, significantly simplifying operational processes.
- **Cost efficiency and high transparency**
  The data series are included as standard in commonly used financial systems such as Bloomberg Terminal, Reuters or systems provided by the global custodian bank without any additional costs. No expensive specialist licences are required. Furthermore, the calculation methodology used for the base index is fully transparent, standardised and auditable for any external auditor.
- **Direct measurement of opportunity value**
  This approach answers the fundamental question for investors as to whether the illiquidity risk associated with private debt is financially worthwhile compared with a liquid investment. If the private debt return remains below the synthetic benchmark over the long term, investors will not be adequately compensated for the risk of having their capital locked up.

2.4 Disadvantages of the synthetic method

- **Mismatched valuation**
  The most striking problem in terms of practical application, which has not been mathematically resolved, is that the synthetic benchmark fluctuates sharply on a daily basis. This is due to market sentiment, technical liquidity bottlenecks on exchanges or macroeconomic news, which often have no connection whatsoever with the fundamental credit quality of the companies concerned. The actual private debt portfolio, by contrast, is valued on a linear basis, according to the historical cost principle or using valuation models that by definition disregard these short-term market fluctuations (the smoothing effect). During periods of pronounced market corrections, the synthetic benchmark may appear to collapse while the private debt portfolio gives an artificial impression of stability. This results in significant distortions in the calculation of statistical risk measures such as the Sharpe ratio, volatility or tracking error.
- **Lack of structural fit (basis risk)**
  Borrowers included in a global Bloomberg or Morningstar index are generally multinational corporations with diversified revenue streams and access to a range of capital markets. By contrast, companies in a typical private debt fund portfolio are often smaller, medium-sized enterprises (SMEs) involved in regional management buyouts or succession arrangements. In practice, the economic sensitivity, cyclicality and default characteristics of these two segments differ fundamentally, resulting in poor correlation.

In terms of institutional asset management practice and the design of investment regulations, this means that the choice of an appropriate benchmark is inseparably linked to its specific strategic purpose.

Conclusion

The detailed analysis of the two dominant benchmarking methods demonstrates that there is no mathematically perfect, error-free or all-encompassing index for illiquid private loans. Each methodology examines the investment category from a fundamentally different perspective, follows its own financial-mathematical approach and entails inherent advantages and disadvantages that are mutually exclusive.

The peer-group method – using recognised indices such as Cambridge Associates, Preqin or Burgiss – undoubtedly provides the greatest substantive precision when qualitatively assessing invested capital. It adjusts the results for timing distortions and the effects of the J-curve, enabling a fair comparison of actual manager performance. However, due to its inherent structural reporting lag, it is entirely unsuitable for providing timely intra-year management data of the kind required for the ongoing monthly monitoring of the total assets of a modern Swiss pension fund.

The synthetic method – using liquid indices such as Bloomberg High Yield or Morningstar LSTA plus a fixed premium – elegantly solves the timeliness problem. It enables seamless, cost-effective and standardised monthly reporting that can be integrated directly into existing global custody systems. However, this advantage comes at the cost of a permanent methodological contradiction: combining daily fluctuating market prices with smoothed, model-based quarterly valuations leads to a significantly distorted perceptions of portfolio volatility and correlations within the asset allocation, particularly during periods of macroeconomic crisis or abrupt changes in interest rates.

In terms of institutional asset management practice and the design of investment regulations, this means that the choice of an appropriate benchmark is inseparably linked to its specific strategic purpose. No single index can meet all of these complex requirements simultaneously. For short-term regulatory reporting, liquidity planning and the ongoing demonstration of the targeted illiquidity premium relative to listed markets, the synthetic method is indispensable. However, an empirical, cohort-based comparison with similar fund structures remains the only valid and meaningful method for qualitatively assessing manager-specific alpha generation and long-term governance.

Tellco Products

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Tellco Classic

	ISIN	Tranche	August 31 th	% August	% YTD	Web
Tellco Classic Aktien Alkimia ESG	CH0544465831	V	183,69	7,10%	15,07%	More Infos
	CH0544465823	R	172,69	7,06%	14,80%	
	CH1116144333	P	134,51	7,09%	15,03%	

Tellco Classic Strategy

	ISIN	Tranche	August 31 th	% August	% YTD	Web
Tellco Classic Strategy 10	CH0450199770	V	126,70	–0,13%	0,69%	More Infos
	CH0544445619	R*	–	–	–	
Tellco Classic Strategy 25	CH0450201261	V	142,42	0,09%	2,53%	More Infos
	CH0544465658	R	–	–	–	
Tellco Classic Strategy 45	CH0450201329	V	168,57	0,28%	4,62%	More Infos
	CH0544465757	R*	–	–	–	
Tellco Classic Strategy 100	CH0450382632	V	167,74	1,67%	10,15%	More Infos
	CH0544465773	R	97,59	1,68%	10,15%	

* 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	2,10%	2,11%	2,10%
Euro Area	0,80%	1,20%	1,35%
Japan	0,71%	0,80%	0,85%
China	4,60%	4,50%	4,50%
Switzerland	1,15%	1,40%	1,40%

Countries / CPI

	2026	2027	2028
USA	3,30%	2,39%	2,26%
Euro Area	2,90%	2,30%	2,00%
Japan	1,97%	2,10%	1,80%
China	1,00%	1,10%	1,49%
Switzerland	0,54%	0,70%	0,80%

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China	1,00%	1,10%	1,49%
Switzerland	0,54%	0,70%	0,80%

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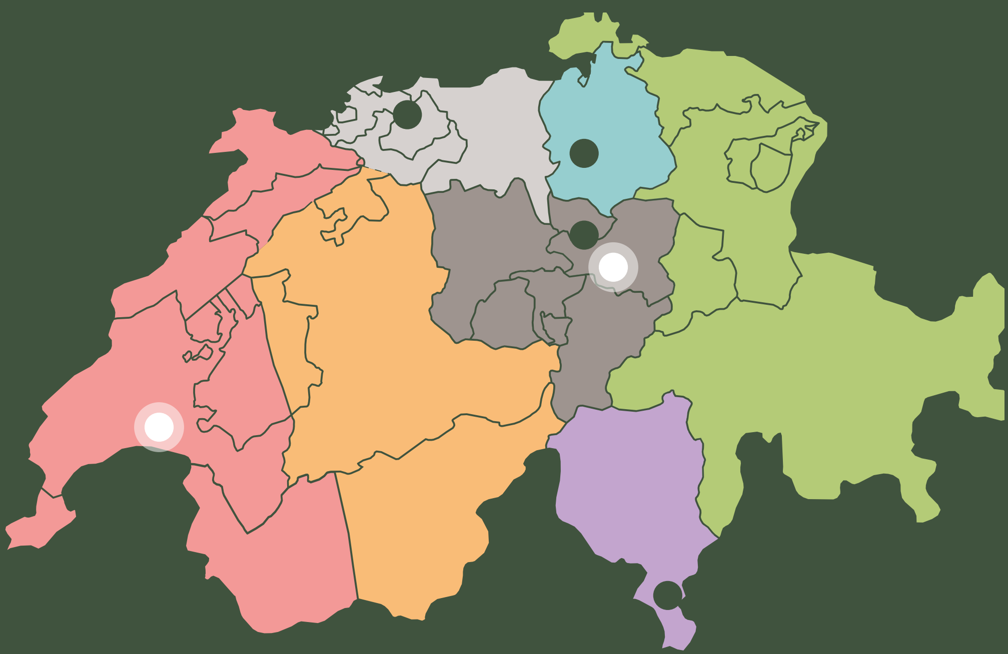

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