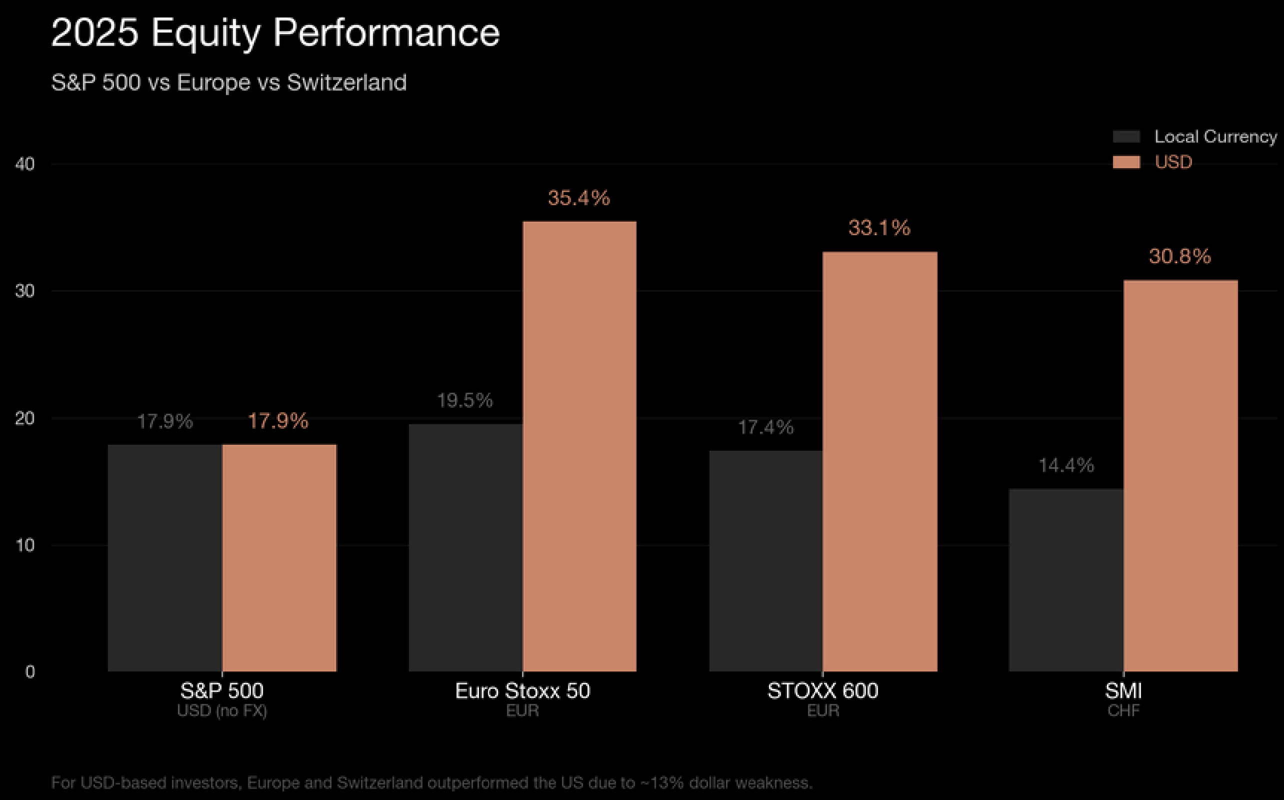
# BESPOKE SPOTLIGHT SERIES

## THE CURRENCY BLIND SPOT

*"We think of currency as an asset class because it directly affects purchasing power and real returns over time. Rather than holding large amounts of idle cash, we express currency exposure through ownership of liquid, high-quality assets denominated in stronger currencies. That gives us flexibility, helps manage risk, and allows wealth to compound in real terms over long time horizons."*

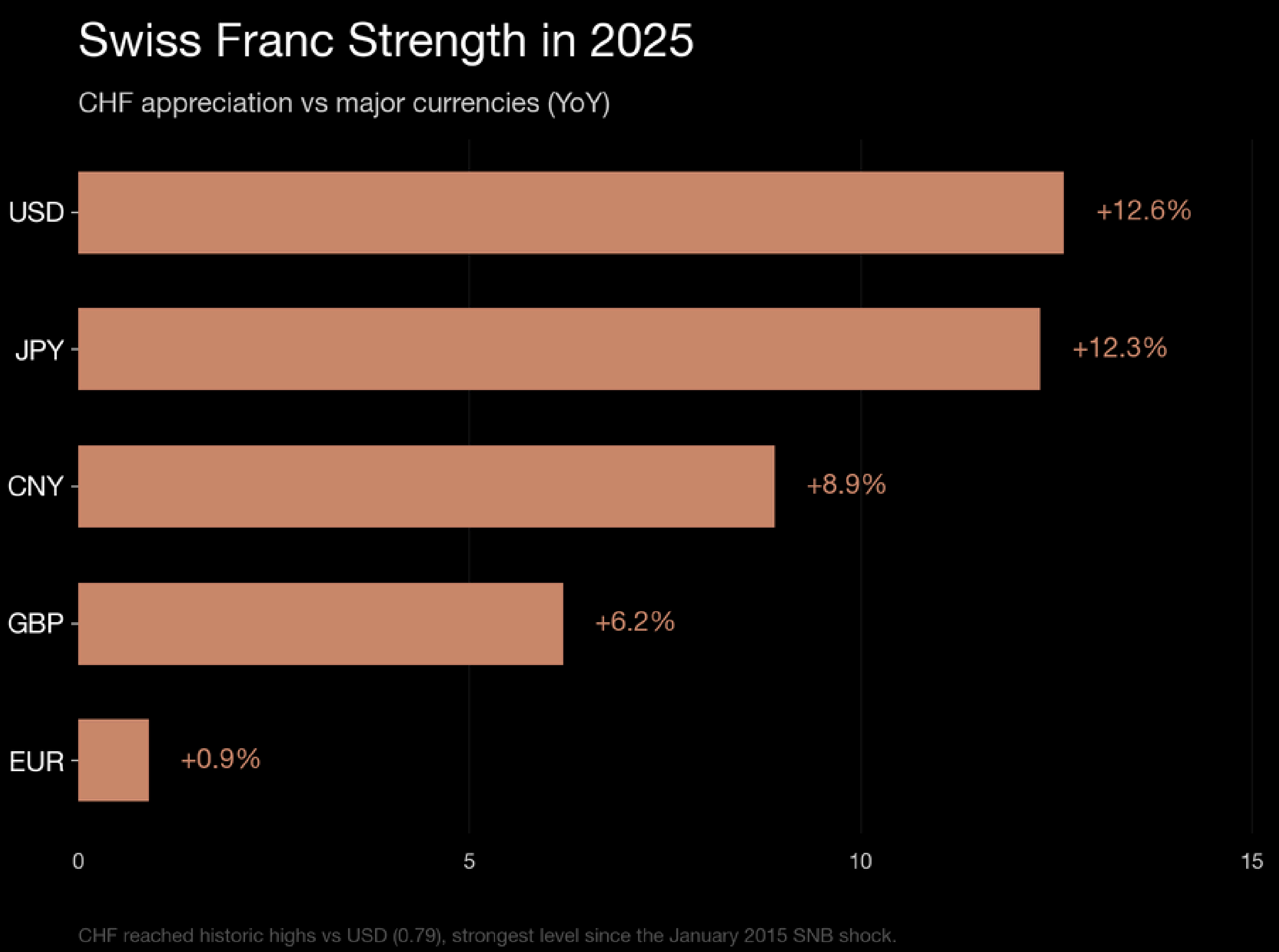
— Sune Hojgaard-Sorensen, Head of Asset Management




At the start of 2025, investors widely assumed that concentration in the Magnificent Seven would deliver superior returns. That view overlooked a critical variable: currency.

Despite strong headline gains in the S&P 500, US-based investors would have earned higher returns by allocating to European, UK, or Swiss equities, all of which outperformed in dollar terms. For European and Swiss investors, the contrast was sharper still, as S&P 500 gains translated into only low single-digit returns once converted into euros or Swiss francs. By comparison, a US investor allocating to the Euro Stoxx 50 at the start of the year would have achieved meaningfully higher dollar returns than those offered by the Magnificent Seven.

## SWITZERLAND'S RESILIENT EDGE



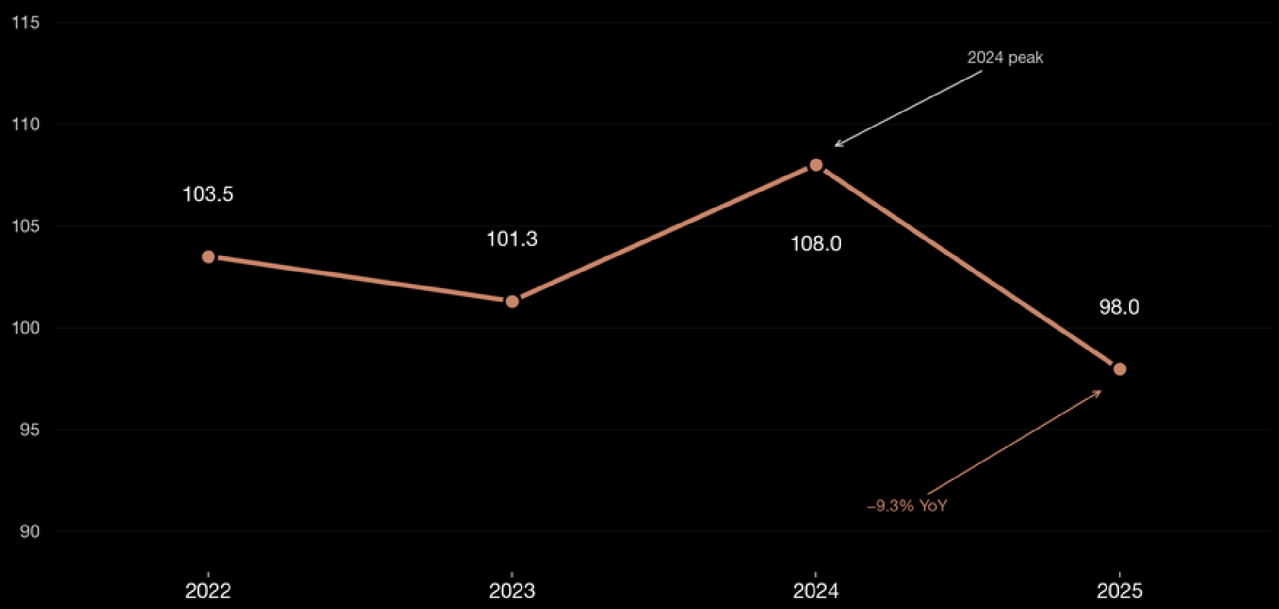

By the end of 2025, every major currency—the dollar, euro, pound, yen, and renminbi—had fallen to historic lows against the Swiss franc on an annual-average basis. In several cases, these were not just cyclical troughs but the weakest levels on record, stretching back even centuries.

Yet Switzerland shows no signs of strain. Exports rose 4.4% year to date in franc terms, and the current-account surplus expanded compared with the year before. Inflation, policy rates, and the budget balance all hovered near zero. Tariffs on industrial imports remain nonexistent, while trade agreements continue to expand. According to conventional economic models, such conditions should erode external competitiveness and temper currency strength. Switzerland continues to defy that framework.

# THE DOLLAR AS THE FALSE CONSTANT

Dollar's Annus Horribilis

US Dollar Index (DXY) 2022–2025




The −9.3% annual drop in 2025 was the steepest since 2017, erasing all gains from 2022–2024.

The prevailing bet on Wall Street at the start of the year was clear: the dollar would rise. Faith in American exceptionalism, a revival of domestic manufacturing, and steady foreign capital were expected to do the lifting.

Instead, the dollar fell roughly 10% against its major peers, sliding 12% by the end of June—its worst first-half performance since the advent of free-floating exchange rates more than fifty years ago. America's deteriorating fiscal position and a monetary policy increasingly constrained by political realities suggest the move marked a structural break. What many treated as an unexpected decline now looks more like a decisive step down in a longer, continuous weakening of the dollar.