



“Wealth accumulation with passive investments”

Our Opinion
October 2023

3 Our Opinion
**“Wealth accumulation with
passive investments”**

8 Market data

Dear Readers

The article “Wealth accumulation with passive investments” shows what we can offer to increase your wealth with a cost-effective solution.

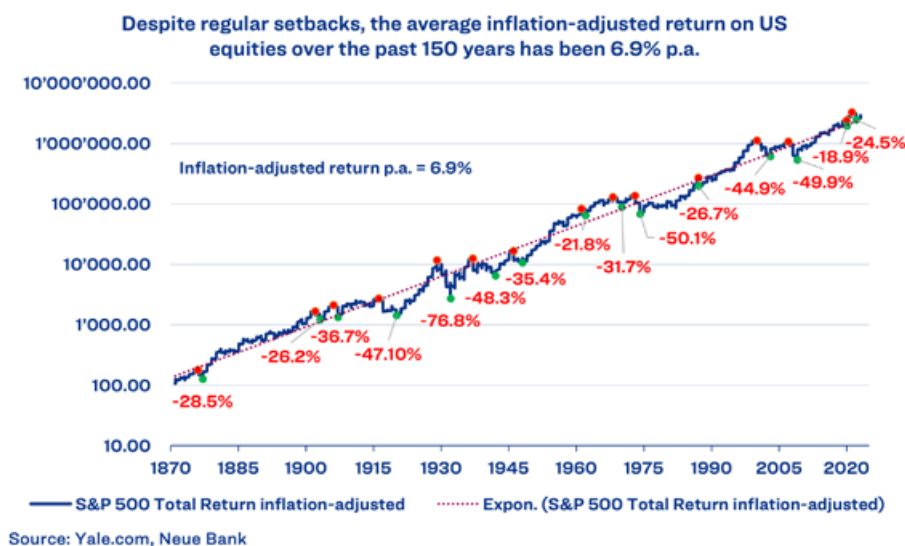
Looking for advice and support on financial matters? Our investment advisors look forward to hearing from you and will be happy to talk to you personally.

We wish you a pleasant read.
Your Advisory Team

“Wealth accumulation with passive investments”

Equities

Neue Bank launched the PRIMUS-PASSIVE mandate in 2009. Client assets are invested in exchange-traded index funds (ETFs). The idea is to invest the assets cost-effectively and to increase them, thanks to long-term upward trends on the markets. Equity investments are of course subject to fluctuations. Stock market crashes are given loud and extensive coverage in the media, and many potential investors are left with the feeling that investing money in equities is like going to the casino. But as a look at a long-term equity index shows, the market has always recovered, even after extreme crises:



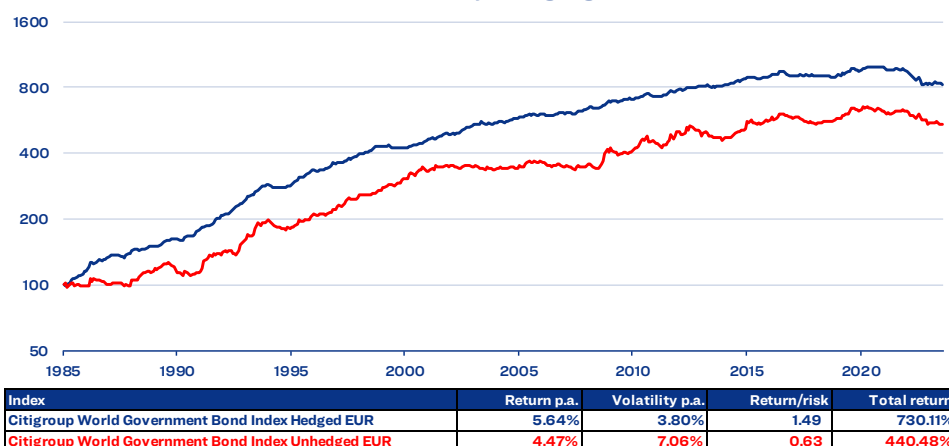
The PRIMUS-PASSIVE mandate remains invested at all times, ensuring that the client does not miss out on any upward movement. ETFs became widespread in Europe in the early 2000s. This means they have already survived crises such as the dot-com crash, the Great Recession of 2008, and the covid pandemic. They have likewise experienced large fluctuations at times. However, they are structured as

exempt assets, which protects them from being included in the bankruptcy estate if the issuer becomes insolvent. This has allowed ETFs to withstand all imponderables.

Bonds

The PRIMUS-PASSIVE asset management mandate also includes bonds. As always with fixed-income investments, we take care not to enter into any foreign currency risks. In the case of bonds, foreign currency risks mainly lead to more fluctuations, but not to additional returns:

Bond index performance with/without currency hedging



Often, but not always, bonds exhibit a positive return when equity markets are weak, because many investors switch from riskier equities to safe bonds with high credit ratings. This helps to stabilise a mixed portfolio of stocks and bonds. Unfortunately, this is not always the case, as was seen especially in 2022. In the United States, where statistics extend back far more than a century, this meant that the performance of a typical 60/40 portfolio (60% stocks and 40% bonds) ended up being the weakest in over 100 years, after subtracting inflation. But as the chart above shows, the value of bond investments increases over time. High yields and a declining interest rate level lead to the strongest increases, given that the investor then also realises price gains, at least temporarily, in addition to high coupons.

Alternative investments

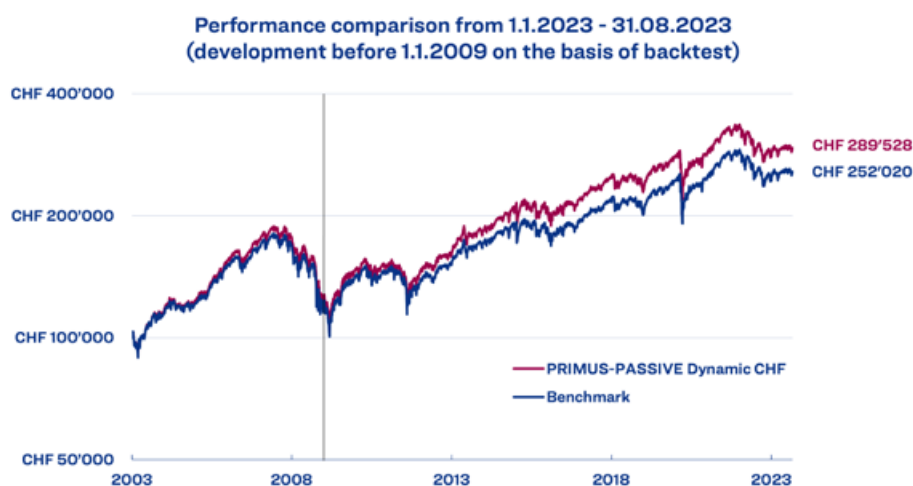
The PRIMUS-PASSIVE mandate is completed by real estate investments. These also generate positive returns over the long term, with fluctuations somewhat lower than for equities but higher than for

Neue Bank traffic light

- strongly bearish
- bearish
- neutral
- slightly bullish
- bullish
- strongly bullish

bonds. We have developed an optimised rebalancing system for these three asset classes, taking a countercyclical approach that has resulted in the gross return of the mandate outperforming the benchmark since its inception.

Alongside the PRIMUS-PASSIVE Dynamic CHF shown below, these mandates are also offered in USD and EUR, as well as with the risk profiles “Balanced” and now also “Income”. Commodities and precious metals are not included in this mandate. Because their long-term returns are generally lower and their break-even period (duration until a previous loss can be recovered) is very long, these investments are not suitable for a “buy and hold” strategy like PRIMUS-PASSIVE. We use these investments only as tactical.



Source: SIX, Neue Bank AG

Economy

The US Federal Reserve has adjusted its growth expectations for 2023 upward (2.1% instead of 1%), noting that interest rates will have to be kept higher for a longer period of time. The economic component included in the Neue Bank traffic light also improved last month, resulting in a traffic light that is now light green (slightly bullish). It is important to note that the Neue Bank traffic light signals have no influence on PRIMUS-PASSIVE mandates.

Currencies

Since the beginning of August 2021, our currency indicator has been showing a weakening euro against the Swiss franc, which is why we have been hedging. The exchange rate at the beginning of August 2021 was 1.075. Even though the CHF weakened temporarily at the end of September in light of the somewhat surprising decision not to increase interest rates, the EUR has still fallen about 10% over these slightly more than two years. While we permanently hedge bond positions, tactical currency hedging of equity positions can also contribute to positive performance. But again, since this is an active tactical decision, we do not implement it as part of the PRIMUS-PASSIVE mandate.

PRIMUS–PASSIVE

For anyone wishing to make a long-term investment according to strategic principles and be fully invested when the equity markets rise again, we recommend the PRIMUS-PASSIVE asset management mandate. Under this mandate, we use strategic asset allocation to invest the available assets in cost-effective index products. We would be pleased to discuss the special characteristics of this innovative solution with you in person. We look forward to your call.

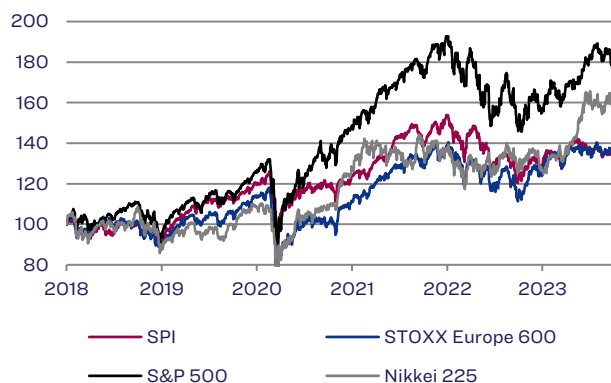
Key Performance Indicator PRIMUS–PASSIVE in CHF¹

	31.08.2023	2022	2021	2020	2019	2018
PRIMUS-PASSIVE Dynamic	5.40%	-13.64%	16.73%	3.04%	20.24%	-6.42%
Benchmark	5.58%	-13.82%	16.22%	2.64%	18.91%	-7.12%

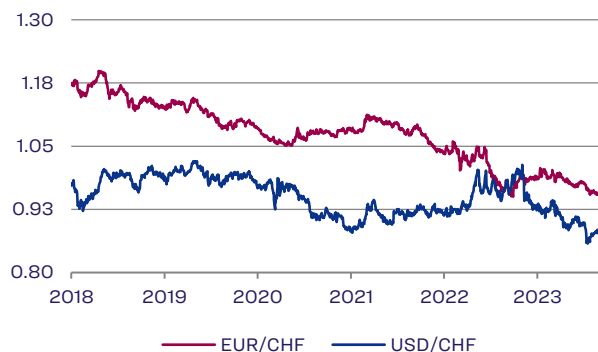
¹ Past performance is not an indicator of future performance and offers no guarantee of success in the future. The presentation of performance is gross without taking into account your individual tax liability. The net performance is lower due to fees. You can also find Our Opinion on our website: www.neuebankag.li S.E.& O.

Market data

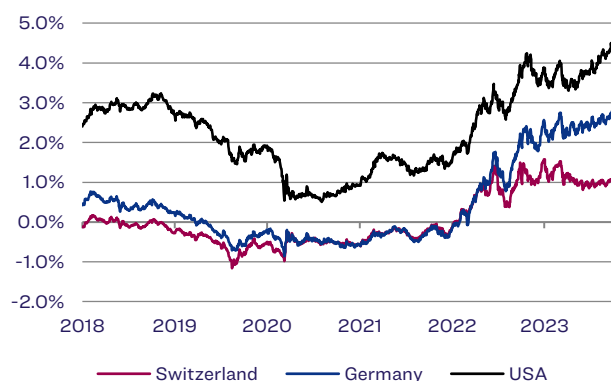
Stock market (indexed)



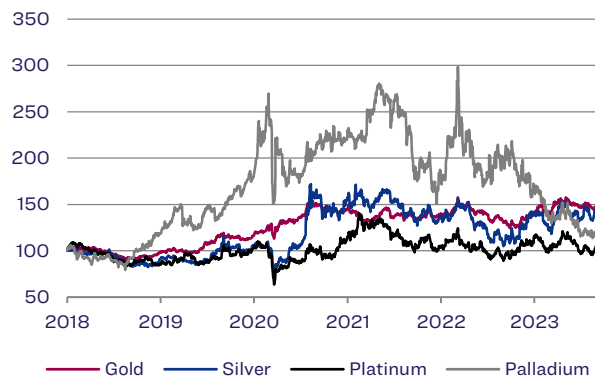
EUR/CHF and USD/CHF



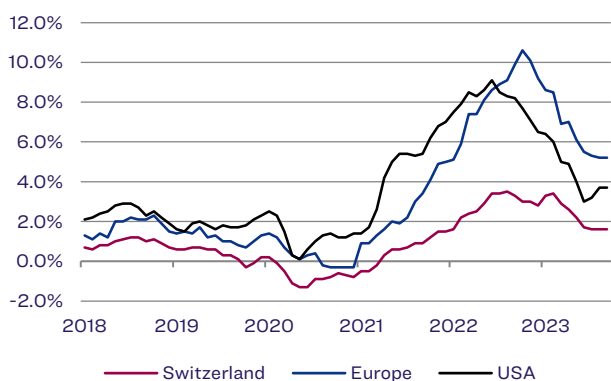
10-year government bond yield



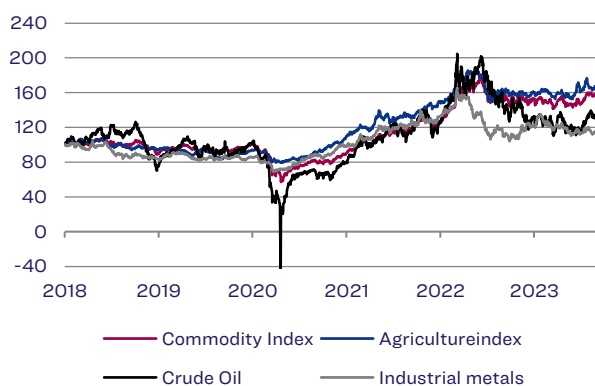
Precious metals (indexed)



Inflation rate



Raw materials (indexed)



The price developments are shown over 5 years.

You can reach us at

Neue Bank AG

T +423 236 08 08

F +423 236 07 35

info@neuebankag.li

Disclaimer

This publication is intended exclusively for your information and is not an offer for the purchase or sale of securities. It describes value based goals that we attempt to reach for like-minded clients. Whether we can support you in your personal financial goals depends on your individual risk appetite, your financial objectives as well as the legal constraints of the country of your domicile, in particular with respect to the financial instruments to be invested in. Therefore we recommend that you discuss the solution mentioned with your financial consultant and have possible tax consequences checked out by your tax accountant. The figures shown are based on actual performance results of the portfolio management mandate in the currency displayed. Past performance is not a reliable indicator of future performance and results. Future price and exchange rate fluctuations can impact on your return in your domestic currency. Performance data used in the tables is gross of fees (specification available from your client adviser) and do not reflect the impact of your personal taxes. The benchmark is composed of strategically weighted indices of the particular five asset categories liquidity, bonds, shares regional (Switzerland, Europe, USA), shares global and alternative investments. This information is given without a guarantee. This brochure may not be reproduced, duplicated or passed on without the prior consent of Neue Bank AG. In case of its dissemination relevant national legislation must be adhered to.