BBGI GROUP Global Investments

Investment strategy

March 2026

TABLE OF CONTENTS

INTRODUCTION

Letter to Investors - Investment Climate

- The war in the Middle East threatens all forecasts for 2026
- The oil shock is a “game-changer” for inflation outlooks
- Central banks caught off guard, forced to revise their monetary policies
- Global economic growth is severely impacted, with serious risks of stagflation
- A strong return of volatility and uncertainty for most financial assets
- Potential pivot for the dollar, with a possible appreciation phase in 2026

The quarter was heavily marked by the outbreak of conflict in the Middle East on February 28 and the dramatic developments that unfolded throughout March. The conflict’s extremely rapid spread beyond Iran’s borders and Israeli territory to all Gulf countries literally set the powder keg ablaze, regionalizing the conflict against all expectations. Iran’s closure of the Strait of Hormuz on February 28 significantly escalated the threat to the global economy posed by this war by disrupting crude oil and gas shipments accounting for approximately 20% of global demand. The immediate drop in traffic to zero is poised to create the largest global oil shock since the 1970s. The occurrence of this major event has already had immediate effects on energy prices, fuel costs, inflation outlooks, and interest rates. The war, which has now been raging for over a month, is threatening to upend all the forecasts made by strategists and economists for the coming quarters. Consensus economic forecasts at the start of the year had anticipated positive global growth, albeit at a slightly slower pace, and a generally favorable inflation environment that would allow central banks to continue or resume accommodative monetary policies. Against this backdrop, the outlook for both bond and equity markets remained optimistic for the entirety of 2026. The almost instantaneous and massive surge in energy prices already represents the most severe oil shock that modern, highly integrated economies, despite the previous COVID crisis, have had to face. For many of these economies, dependence on Gulf supplies is extreme, and while some countries can rely on sufficient strategic reserves to offset the drop in exports from Gulf nations, the lack of such reserves for others poses an existential threat to their economies. More broadly, the disappearance of 20% of crude oil from the global supply cannot be replaced by any solution on a global scale. Crude oil prices reflect the battle that immediately began to secure the oil supplies essential to the functioning of economies. We believe that even if the Strait of Hormuz reopens soon, the disruptions to global supply chains are such that they will have lasting effects on average crude oil prices. The impact on price indices will be very rapid in the current context, affecting import, production, and consumer prices alike. Central banks will once again struggle to adjust their monetary policies in the face of rising inflation, even as the direct risks to economic growth are extremely high. The looming inflation shock will quickly affect consumers, who will be forced to make trade-offs in their spending. While we had expected a resumption of the downward trend in the Fed’s policy rates, for example, this new context already suggests several rate hikes in 2026. Central banks will likely want to claim, as they have in the past, that inflationary risks are temporary, but we fear, on the contrary, that a normal cycle will take hold, exerting gradual effects on price indices.

In this new environment, the economic risks are very serious for Asian economies dependent on Middle Eastern crude oil, but they are equally serious for Europe and non-energy-producing emerging economies. The United States could theoretically consider itself relatively immune given its oil self-sufficiency, but the transparency and globalization of commodity markets will also affect prices within its borders. Our growth outlook is understandably reduced in this context.

These exceptional circumstances have already had a significant impact on most financial assets in just a few days. The severity of the attacks on production facilities, in particular, and the global consequences of the blockade of the Strait of Hormuz have triggered a sharp resurgence of volatility in financial markets. All asset classes experienced price corrections during the month, with the exception of commodities, which, as in 2022, acted as one of the very few uncorrelated assets, posting a positive return (+24.5%). Changing expectations regarding inflation and monetary policy quickly affected bond yields, weighing on indices, which fell by –1.15% in Switzerland and –3.07% internationally. It was difficult for equity markets to shake off these risks and the potential impacts on corporate earnings in 2026. The decline in indices in Switzerland (–7.3%) and internationally (-6.3%) was similar. Swiss securitized real estate (-5.2%) and global securitized real estate (-9.4%) were doubly impacted by rising interest rates and vacancy risks amid an economic slowdown. Private equity continued its downward spiral (-5.5%) and posted the worst three-month performance (-20.1%) among financial assets.

For now, this volatility is heavily influenced by the flow of geopolitical news, which, depending on political developments, can swing between positive and negative and affect investor sentiment. We believe that the effects of this war on inflation and monetary policy will gradually become apparent and have a more lasting impact on the markets. Caution remains warranted at the start of the second quarter regarding risky assets, which may react negatively again once economic data confirms current fears of a slowdown and price pressures. As for currencies, the dollar appears poised to benefit from rising commodity prices and investors’ willingness to view the greenback as a safe-haven asset offering attractive returns in an uncertain environment.

Alain Freymond
Associé & CEO
BBGI Group

BIG PICTURE

Main Convictions

- Inflationary consequences of the war in the Middle East
- Reversal of outlook for interest rates and monetary policy
- Global growth reduced by 25% to 30% in 2026, short-term consumption shock
- Continued volatility in financial markets

Inflationary consequences of the war in the Middle East

The blockade of the Strait of Hormuz triggered an immediate systemic shock: Brent crude surged toward $120, and European natural gas prices soared by 40%. This disruption in physical supply creates a severe supply shock in primary energy, driving prices at the pump and heating bills to historic highs. In the long term, the persistence of the blockade threatens to paralyze energy-intensive industries, while global strategic reserves are being depleted, imposing a permanent risk premium on oil prices for the coming months. The rise in prices will be violently transmitted to producer prices through two channels: the direct cost of maritime transport, driven up by the need to circumnavigate Africa, and the explosion in prices of petroleum derivatives and nitrogen fertilizers. For the United States, energy independence limits the damage, but for most other countries the effects will be significant and linked to their dependence on energy imports. The direct mechanical impact on national CPIs is substantial given the magnitude of the shock, despite the low weighting of energy in price indices, less than 10% in most major economies. Nevertheless, it is estimated that the surge in prices could mechanically add between 2.5% and 3.5% of gross inflation to CPI indices. The "second-round" effects will be more lasting. In the transportation and logistics sectors, freight costs could surge by 15% to 25%, and companies will pass these costs on to consumer goods prices. In the food sector, the effects will be the same, with a likely second wave of price increases linked to the massive rise in fertilizer costs; the impact on CPI indices is estimated to be around 1% six months from now. If the situation persists, central banks could once again fear a wage-price spiral that would fuel inflation more sustainably. We do not rule out the risk of a 2.5% to 5.5% rise in the CPI in the United States, while in Europe a return of inflation above 6% is also possible. In Switzerland, the unique energy mix may limit inflationary impacts, but inflation could still jump from 0.3% in March to 1% and exceed the SNB's current forecasts. The most predictable consequences of the war in the Middle East are those directly linked to the disruption of oil, gas, and fertilizer supply chains. Inflation will be the persistent disruptive factor affecting monetary policy and investor sentiment over the coming months.

Reversal of outlook for interest rates and monetary policy

The potential impact of this unexpected oil crisis on price indices is causing significant concern among central banks, which are navigating by sight in the face of the "Strait of Hormuz crisis." The overall tone has shifted from a willingness to cut rates to one of extreme caution, driven by fears of stagflation and the need to safeguard price stability. Inflation in the United States, reported at +0.9% for March and +3.3% year-over-year, has already risen sharply from the 2.4% level recorded in February. This marks the sharpest acceleration in prices since 2022. The U.S. Federal Reserve had already responded by adopting a potentially more restrictive stance. The minutes released in early April indicate that rate cuts, initially planned for the spring, have been postponed indefinitely. Jerome Powell emphasized that the U.S.'s status as a net energy exporter offered some protection, but that "sticky inflation" caused by oil at $120 was forcing the Fed to keep rates at their current level. The risk of a slowdown is considered secondary to the risk of inflation expectations becoming entrenched.

In Europe, the ECB is undoubtedly the most concerned central bank. Christine Lagarde has warned that the Strait of Hormuz crisis could reduce the eurozone's GDP by 0.5 to 1 percent while pushing inflation up to 3.1 percent in the second quarter. The ECB finds itself in a classic stagflation dilemma. It cannot lower rates to support a slowing economy because it must combat massive imported inflation on gas and oil. It has revised its inflation forecasts upward for 2026, citing a "historic supply shock." A more restrictive policy is now expected from the European Central Bank. In the United Kingdom, the BoE stated that the goal of returning to 2% inflation this spring is now jeopardized by the war. With a population already burdened by energy debt, the bank fears a severe recession in the UK. It warned that if the stalemate persists, it may be forced to raise rates further to stabilize the pound against the dollar, despite the obvious fragility of domestic consumption. In Switzerland, the SNB remains the most composed but has nevertheless raised its inflation forecast for 2026 to 0.4% (up from 0.1% previously). The rise in energy costs will be more gradual and will have a lasting impact on the trend.

In Japan, the BOJ is facing the worst-case scenario of stagflation. Japan, which is heavily dependent on imports via the Strait of Hormuz, is seeing its producer price inflation jump from 2% to 2.6% (driven by costs rather than demand). The BoJ is now hesitant to continue its exit from accommodative monetary policy: on the one hand, it wants to raise rates to support the sinking yen; on the other, it fears putting the final nail in the coffin of already anemic growth. In China, the People's Bank of China (PBoC) is the only central bank maintaining a growth-supportive stance. Faced with the risk of an industrial slowdown caused by energy costs, it injected massive amounts of liquidity into the financial system in April. Its message is clear: the priority is to avoid a "hard landing" for the Chinese economy. It downplays imported inflation, preferring to focus on supply chain stability and support for export sectors burdened by freight costs. Overall, central bankers have very quickly shifted from hoping for a "soft landing" to managing a "supply-side" crisis.

For investors, this means that key interest rates will remain high for longer than expected, and that in the bond markets, the yields demanded by investors to compensate for the visible and anticipated rise in inflation will necessarily be higher. We believe that yield curves will see two-year yields rise faster than long-term yields. Overall, this environment points to potential short-term losses.

Global growth reduced by 25% to 30% in 2026, short-term consumption shock

The war in the Middle East is drastically reshaping the outlook for economic growth across all regions of the world. The disruption of 20% of oil exports and 25% of LNG exports is causing an immediate shortfall estimated at 12 million barrels per day, out of a global consumption of around 100 million.

Rerouting ships around the Cape of Good Hope lengthens voyages, increases costs, and disrupts supply chains. Uncertainty regarding supply and consumer behavior will also affect companies' investment decisions. Global growth forecasts must be revised downward. While at the start of the year we could expect global growth of +3.5%, we now estimate that global GDP may grow by only +2.9% to +3% in 2026.

Three major factors related to the oil shock will have an impact that must be taken into account. The "oil tax" effect will be immediate, as consumer spending will be diverted by rising energy prices without delay. It can be estimated that a sudden and sustained rise in the price of a barrel of crude oil from $60 to $100 over several months could reduce global GDP growth by approximately 0.5% to 0.7%. The regional impact will affect economies in different ways. The United States, thanks to its energy independence, could weather this shock better than Asian, emerging, and European economies, which are more dependent on crude oil imports. The more lasting long-term impact hinges on the potential trajectory of inflation and its effects on consumers. We should also consider the fact that, against this backdrop of rising inflation, central banks will not lower interest rates as expected, but will likely tend to raise them. Higher interest rates overall in the coming months will weigh on consumption and investment. In this new environment, the United States could also be shielded by the relative strength of the dollar and better withstand the headwinds on the horizon.

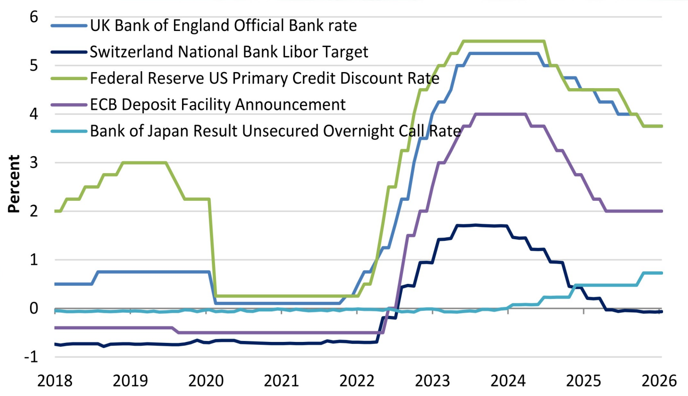
Overall, however, we believe that all countries will face both a supply shock and a demand shock, which will occur simultaneously and dampen growth prospects for the coming quarters.

Continued volatility in financial markets

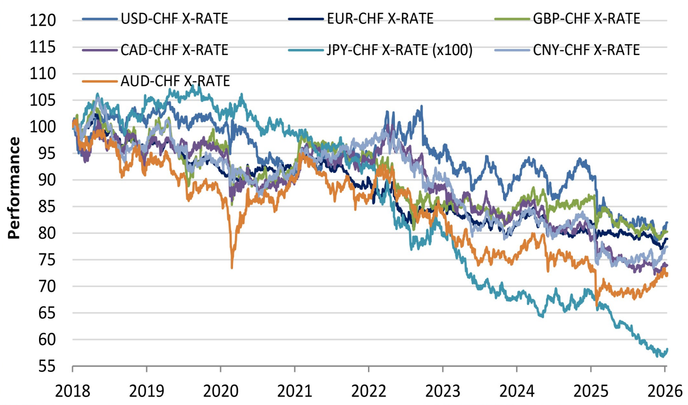
In this new environment, one marked by significantly weaker economic growth and monetary policies that differ radically from those anticipated by the consensus at the start of the year, the investment climate looks more uncertain than ever. These exceptional circumstances have already had a considerable impact on most financial assets in just a matter of days. The intensity of attacks on production sites in particular, along with the global consequences of the blockade of the Strait of Hormuz, have triggered a sharp resurgence of volatility in financial markets. All asset classes experienced price corrections over the course of the month, with the exception of commodities, which, as in 2022, acted as one of the very few uncorrelated assets, posting a positive return (+24.5%). Changing expectations regarding inflation and monetary policy quickly affected bond yields, weighing on indices, which fell by –1.15% in Switzerland and –3.07% internationally. It was difficult for equity markets to shake off these risks and the potential impacts on corporate earnings in 2026. The decline in indices in Switzerland (–7.3%) and internationally (-6.3%) was similar. Swiss securitized real estate (-5.2%) and global securitized real estate (-9.4%) were hit on two fronts by rising interest rates and the risk of vacancies amid an economic slowdown. Private equity continued its downward spiral (-5.5%) and posted the worst three-month performance (-20.1%) among financial assets.

For now, this volatility is heavily influenced by the flow of geopolitical news, which, depending on political developments, can swing between positive and negative and affect investor sentiment. We believe that the effects of this war on inflation and monetary policy will gradually become apparent and have a more lasting impact on the markets. The general mood is not one of panic at the moment, as suggested by the markets' positive reactions when "positive" news is announced. We believe that the markets are extremely fragile due to the factors mentioned above and are likely to resume a downward trend in "risk-off" mode if the situation does not improve quickly. Caution remains warranted at the start of the second quarter regarding risky assets, which are likely to react negatively again once economic data confirms current fears of a slowdown and price pressures. As for currencies, the dollar appears positioned to benefit from rising commodity prices and investors' willingness to view the greenback as a safe-haven asset offering attractive returns in an uncertain environment.

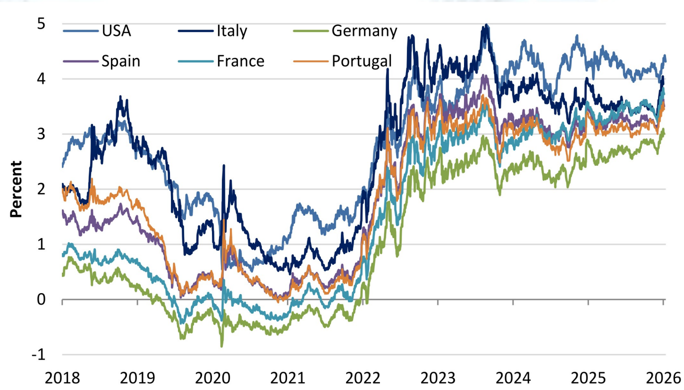
Policy rates (EUR, CHF, GBP, USD, JPY)



7 main currencies against CHF (base 100)



10-year government rates



 Sources graphiques: Bloomberg/BBGI Group

MACROECONOMIC SCENARIO

MACROECONOMIC SCENARIO

Global Outlook

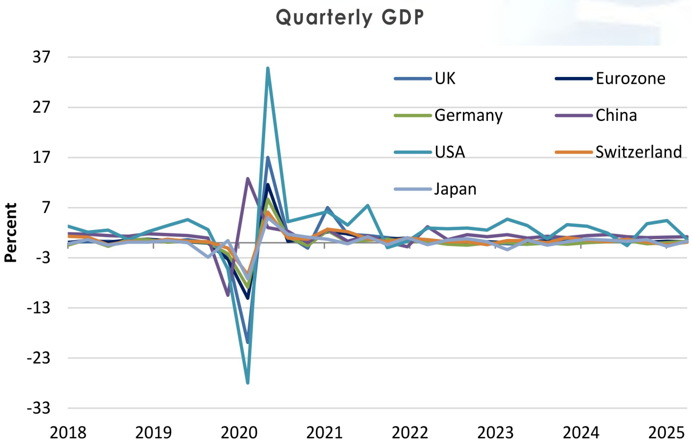
- Global growth cut by 25%–30% following the oil shock
- The oil shock is already signaling stagflation in the U.S. in Q1
- Will European GDP forecasts for the first half of the year be revised down to zero?
- The war in the Middle East also threatens Switzerland
- A first half of the year under pressure in Japan, caught between resilience and external shocks

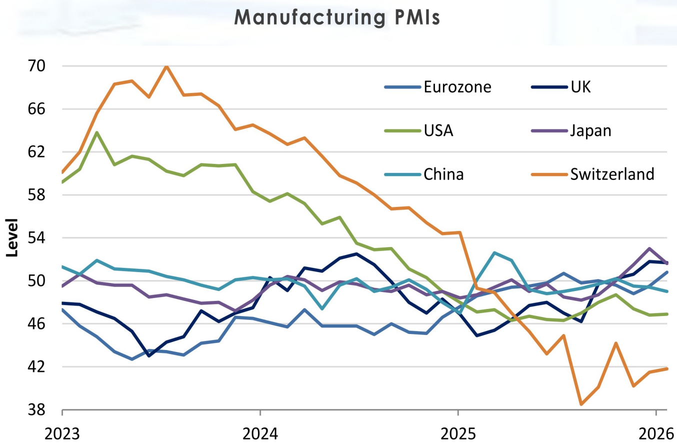
Global growth cut by 25%–30% following the oil shock

The war in the Middle East is drastically reshaping the outlook for economic growth across all regions of the globe. The blockage of 20% of oil exports and 25% of LNG exports is causing an immediate shortfall estimated at 12 million barrels per day, out of a global consumption of around 100 million. Rerouting ships around the Cape of Good Hope lengthens travel times, increases costs, and destabilizes supply chains. Uncertainty regarding supply and consumer behavior will also affect corporate investment decisions. Global growth forecasts must be revised downward. While at the start of the year we could expect global growth of +3.5%, we now estimate that global GDP may grow by only +2.9% to +3% in 2026. Three major factors related to the oil shock will have an impact that must be taken into account. The "oil tax" effect will be immediate, as consumer spending will be diverted by rising energy prices without delay. It can be estimated that a sudden and sustained rise in the price of a barrel of crude oil from $60 to $100 over several months could reduce global GDP growth by approximately 0.5% to 0.7%. The regional impact will affect economies in varying ways. Thanks to their energy independence, the United States may be better able to weather this shock than Asian, emerging, and European economies, which are more dependent on crude oil imports. The more lasting long-term impact hinges on the potential trajectory of inflation and its effects on consumers. We should also consider that, against this backdrop of rising inflation, central banks will not lower interest rates as expected, but will likely tend to raise them. Higher interest rates overall in the coming months will weigh on consumption and investment. In this new environment, the United States could also be shielded by the relative strength of the dollar and better withstand the headwinds on the horizon.

The oil shock is already signaling stagflation in the U.S. in Q1

As spring begins, the oil crisis in the Middle East will also have significant implications for the U.S. economy. Despite the United States' complete energy independence from crude oil exports, which have been blocked by the closure of the Strait of Hormuz, crude oil prices in the United States (WTI) have, unsurprisingly, followed a similar trend. Economic forecasts for the first months of 2026 must be significantly revised downward in this new context of a likely global economic slowdown. The consensus among Wall Street strategists and experts, concerned by the closure of the Strait of Hormuz, points to the emergence of a major risk of stagflation. In our view, the scenario of a post-shutdown rebound is therefore fading in favor of economic stagnation that could extend even beyond the second quarter. We believe the slowdown could be severe in the United States as well and expect extremely weak growth or even a possible contraction in economic activity. Hopes for monetary easing are fading, as inflation, both directly and indirectly linked to rising energy prices, will force the Fed to adopt a monetary policy very different from what had been anticipated. The impact of energy costs on Americans' budgets will be severe and is expected to crush consumer spending starting in March. The manufacturing sector remains paralyzed, while the logistics market is showing signs of disruption that could affect production chains. Nor should we overlook the detrimental effects of geopolitical tensions, which are impacting not only the global supply of crude oil but also the confidence of business leaders as they see the negative effects on their future margins. We are already seeing accelerating inflation at the pump and a massive drawdown of savings to offset the cost of living. This signals an inevitable reduction in spending in the coming months. While the resilience of the U.S. economy has been surprising so far, Q1 2026 is expected to mark a shift toward a much gloomier outlook, potentially signaling significantly reduced growth for Q2.





Sources graphiques: Bloomberg/BBGI Group

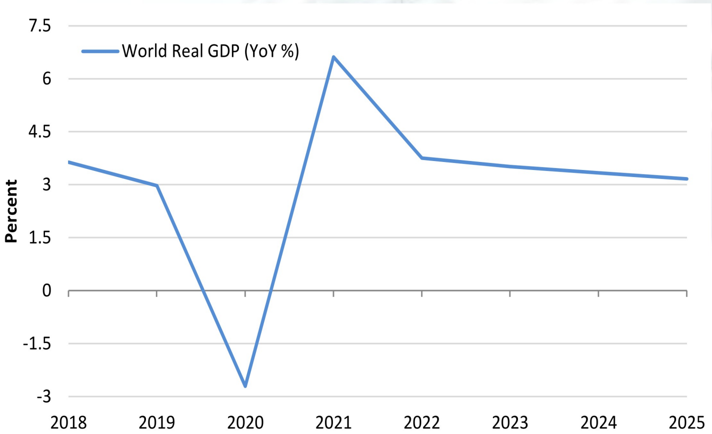
Will European GDP forecasts for the first half of the year be revised down to zero?

The energy crisis stemming from the Middle East is indeed drastically reshaping the outlook for the eurozone at the start of 2026. Just as the monetary union was hoping to consolidate its recovery, the total closure of the Strait of Hormuz and attacks on oil infrastructure have sent Brent crude above $110 a barrel, sending shockwaves through gas prices. Unlike the United Kingdom, which has its own production in the North Sea, the eurozone is bearing the full brunt of its dependence: nearly 20% of its oil imports and a growing share of its LNG (particularly from Qatar) pass through this conflict zone. This structural vulnerability, a legacy of the shift from Russian gas to more volatile global supplies, is once again putting the European industry under severe strain. The coordinated response by the International Energy Agency (IEA), which authorized the historic release of 400 million barrels of strategic reserves, has helped curb the sharp rise in prices, but the effect remains precarious. For the eurozone, this use of emergency stocks acts as a short-term buffer, preventing a physical supply disruption, but it does not solve the inflationary equation. Inflation could rise back toward 3% in the second quarter of 2026, forcing the Frankfurt-based institution to reconsider its monetary policy. This “supply shock” is already affecting confidence indices and production costs, particularly in Germany and Italy, where the industrial sector is most sensitive to fluctuations in energy inputs. The decoupling observed in late 2025 is likely to intensify. While France and Spain are holding up thanks to more diversified energy mixes or a less energy-intensive services sector, Europe’s manufacturing heartland is seeing its margins erode. The release of reserves offers a tactical respite, but markets anticipate sustained volatility. Ultimately, the start of 2026 marks not only a price crisis but a fundamental challenge to the Union’s energy security. The region’s resilience will now depend on its ability to transform this emergency into an acceleration of its strategic autonomy, or risk seeing its growth permanently curtailed by this new geopolitical reality. We believe the eurozone will soon feel the effects of this shock on growth in most of its member countries. GDP, expected to grow by +0.5% in Q1, could well fall to 0% during the first half of the year.

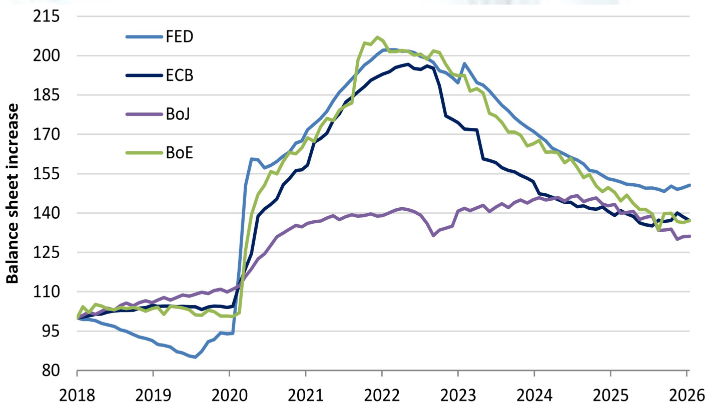
The war in the Middle East also threatens Switzerland

In the wake of the release of Switzerland’s GDP figures, a new conflict broke out in the Middle East on February 28 involving the United States, Israel, and Iran, which now threatens the international political balance, the region’s geopolitics, and the global economy through the potential effects of this war on the security of the world’s energy supply. Although the conflict is thousands of miles away from Switzerland, our economy will be impacted by the conflict that has just erupted. First and foremost, it is important to remember that Switzerland also depends on imports of fossil fuels, the availability of which is not guaranteed and whose prices can fluctuate significantly depending on market conditions. Despite the diversification of its energy supply sources and the significant role of hydropower in its energy mix, Swiss imports of hydrocarbons are also essential for ensuring the smooth functioning of our economy and account for approximately 70% of the total. We share legitimate concerns about the current situation, which has deteriorated rapidly over the past few days and is marked in particular by the Iranian military’s blockade of the Strait of Hormuz and the increasingly significant involvement of Gulf countries in the conflict. In recent days, the escalation of the conflict and the intensification of bombings in Iran, as well as across all Gulf states, unfortunately suggest a significant increase in risks to crude oil supply on global markets. Merchant fleets and tankers are currently halted near the Strait, awaiting new conditions that would allow them to pass safely. In a few days, if the conflict escalates, temporary storage capacities of various kinds will quickly be exhausted, certainly forcing oil and gas producers to at least partially suspend their pumping operations. Ultimately, restarting idled oil facilities could also take longer and contribute to sustained supply chain constraints. Our bullish outlook for crude oil prices had already been partially realized with a 20% price increase in 2026 prior to the Israeli-U.S. strike on Tehran, but since then, the additional 69% surge to $120 per barrel at the market open on Monday, March 9, largely

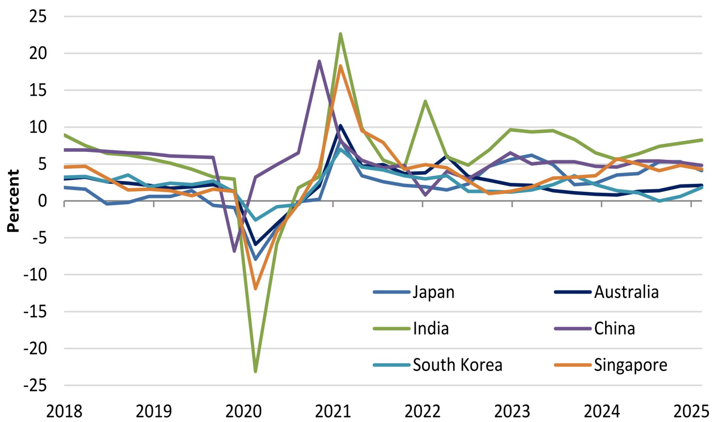
Real growth of the global economy



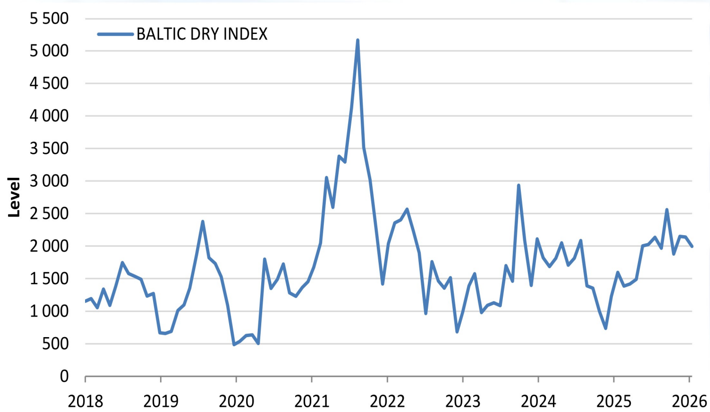
Global liquidity



Growth rates of Asian economies (GDP)



Baltic Dry Index



Sources graphiques: Bloomberg/BBGI Group

reflects growing concern and a certain degree of panic in the markets regarding the regionalization of the conflict and the risks of widespread escalation. Since the beginning of the year, crude oil prices have risen by nearly 100%. To put things in perspective, after the outbreak of war in Ukraine on February 24, 2022, crude oil prices rose from $98 per barrel to $140 per barrel in seven days (+42%), before stabilizing between $100 and $120 for six months. The current situation seems very different to us, partly because it affects about 20% of global consumption and partly because President Trump does not seem willing to let this conflict drag on. But to continue the comparison on the main front of interest to us today for Switzerland—the impact on inflation—it is worth noting that rising energy prices were the primary driver of inflation in all countries in 2022, including Switzerland. In 2022, energy imports contributed significantly to the rise in imported inflation and producer prices, which reached +6.9% in May 2022 and also pushed the consumer price index to its peak of +3.5% annually. If this conflict were to have a lasting impact on energy prices, its implications for inflation would obviously be detrimental to most economies.

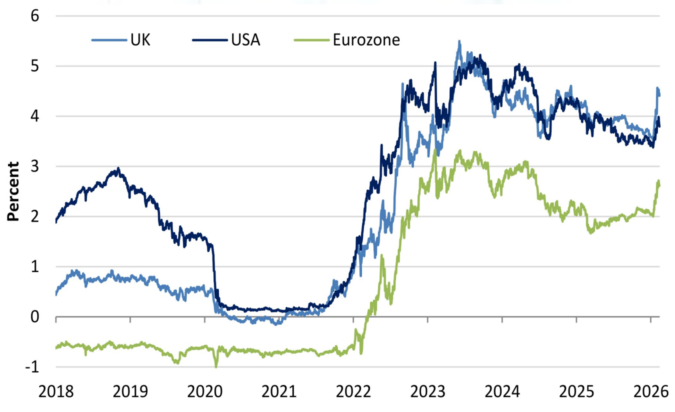
Stagflation is likely in the United Kingdom

The British economy entered 2026 in a highly vulnerable position, oscillating between faint signs of resilience and persistent headwinds. Data from the first weeks of the year suggested falling inflation and a cooling labor market, pointing to prospects for monetary easing. However, the outbreak of a major conflict in the Middle East in late February 2026, involving strikes between the United States, Israel, and Iran, sent massive shockwaves through global markets. European gas prices doubled in a matter of days, and the price of a barrel of Brent crude surged by more than 26% to exceed the psychological threshold of $100. This external energy shock has hit a British economy already on its last legs. The medium-term implications of the massive rise in energy prices on inflation will be significant for the vast majority of countries, and for the United Kingdom as well. The technical rebound seen at the start of the year, supported by slightly stronger domestic demand for goods, remains extremely fragile. Arithmetically speaking, it will not be enough to offset the slowdown in services in the face of this new and very serious threat of a resurgence in inflation. The situation that is unfolding, if it were to persist, could have effects similar to those observed in 2022 during Russia's invasion of Ukraine. This potential new "inflation tax" would directly erode consumers' purchasing power. Marine insurance premiums have quadrupled for ships transiting the Red Sea, immediately exerting unprecedented upward pressure on the prices of goods imported from Asia. These severe logistical bottlenecks also serve as a painful reminder of the post-COVID supply chain paralysis. Indeed, analysts expect energy prices to surge starting in April, wiping out the meager wage gains anticipated. They are already sharply revising downward their growth forecasts for Q2 2026 to -0.4%. The specter of severe and prolonged stagflation is looming.

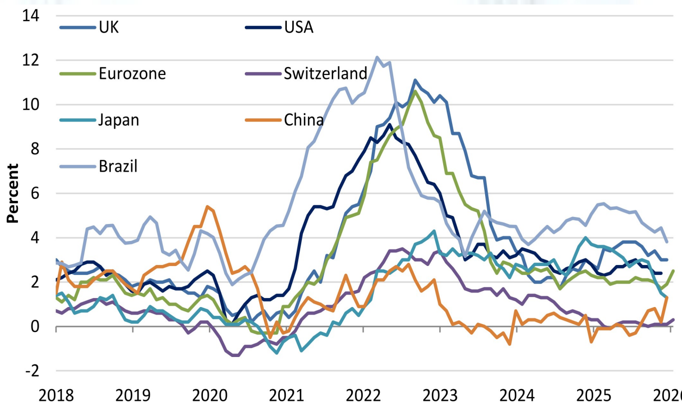
A first half of the year under pressure in Japan, caught between resilience and external shocks

Just as the country was trying to stabilize its trajectory at the start of the year, the sudden military escalation in the Middle East and threats to crude oil supplies have thrown all forecast models into disarray. Japan, which imports 95% of its energy needs from this region, is on the front lines. For Q1 and Q2 2026, we anticipate a slowdown in industrial production starting in March. The destocking we feared could be more severe than expected, cutting early-year growth by 0.3 percentage points. The monetary normalization scenario is now being disrupted by geopolitics. The outlook for the first half of 2026 is now clouded by geopolitical uncertainty; the economic trajectory now depends heavily on the duration of the conflict in Iran.

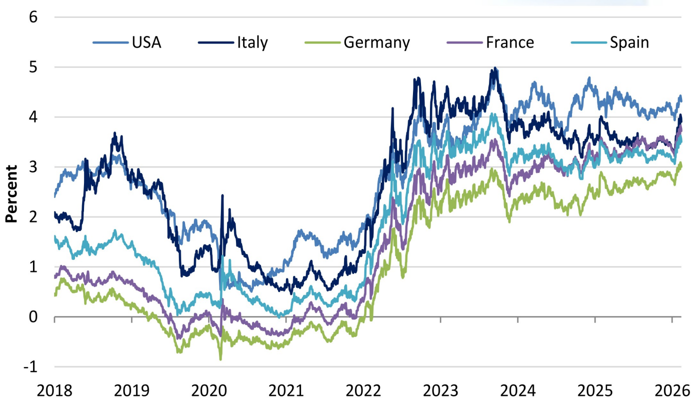
2-year government rates



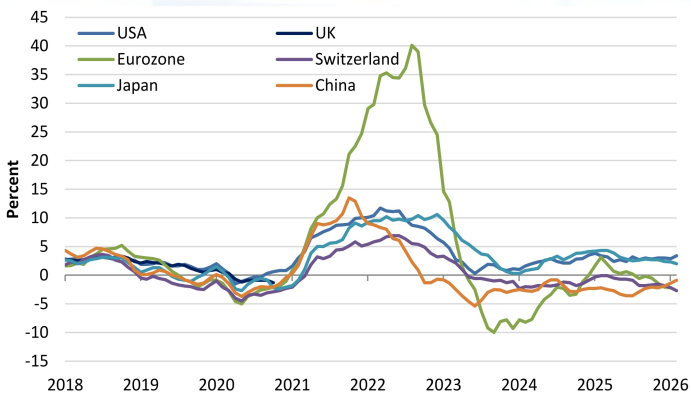
Inflation - CPI indices



10-year government rates



Inflation - PPI indices



Sources graphiques: Bloomberg/BBGI Group