Red Stone Balanced Fund

Quarterly Report as at 31 December 2025

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1. Market development and commentary by the asset manager

a. General development

The fourth quarter of 2025 closed a very successful investment year overall, with solid gains in almost all asset classes. While the US markets showed rather moderate growth of around 2.4 % to 2.8 %, international equities continued to outperform. Emerging markets and developed markets outside the US in particular recorded gains of almost 5% in the quarter, catapulting the annual return in these regions to over 30%. This trend was significantly supported by a weaker US dollar and a narrowing of the valuation gap with US equities.

A striking feature of the quarter was the significant broadening of the market rally. After a long period in which the year had been dominated by a few technology giants, value stocks gained ground over growth stocks in the fourth quarter
. This suggests that investors increasingly shifted into cyclical and defensive sectors such as healthcare, industrials and utilities in view of high concentration risks.

On the bond markets, falling inflation data and further interest rate cuts by the Federal Reserve ensured positive returns. Precious metals remained the big winners of the quarter: gold rose by 11.8% and ended the year up more than 64%, while silver
final quarter.

Index / Asset class	Return Q4 2025 (in %)	Return for 2025 (in %)
SCP 500 (USA)	+2.7	+17.9
MSCI EAFE (Intl. Developed)	+4.9	+31.2
MSCI Emerging Markets	+4.7	+33.6
Gold	+11.9	+64.6
Silver	+53.6	+148
Barclays Aggregate Bond Index	+1.1	+7.3

USA

Despite massive adversity, the US stock market demonstrated remarkable resilience in the fourth quarter.
The S&P 500 rose by 2.7% and reached an all-time high 39 times during the course of the year. This stability is all the more astonishing given that the quarter was marred by the longest government shutdown in US history, lasting 43 days, and a wave of job cuts.

The economic picture was mixed: GDP still grew at an impressive rate of 4.3% in the third quarter, but towards the end of the year there were increasing
Signs of a slowdown increased towards the end of the year. The unemployment rate rose to 4.6% in November, its highest level since September 2021. In addition, the shutdown meant that important economic data from the authorities (BLS and BEA) was missing for weeks, enveloping investors and decision-makers in a "data fog".

The Federal Reserve responded to these signs of weakness by cutting interest rates in two further steps of 25 basis points each in the fourth quarter (following a cut in September) to a target range of 3.50% to 3.75%. While sectors such as
healthcare (+11.7% for the quarter) shone, the performance of the "Magnificent 7" remained mixed, with only Alphabet, Apple and Amazon outperforming the broader market.

Europe

European equities regained their former strength in the final quarter, performing very strongly with a gain of 6.4% (FTSE Europe ex UK). The British market (FTSE All-Share) also gained 6.4%, buoyed by falling inflation rates and hopes of imminent interest rate cuts by the Bank of England.

However, the economic situation in the eurozone remained rather stagnant. GDP growth for 2025 was estimated at a moderate 1.3%, with Germany continuing to lag behind the major economies with expected
growth of only 0.2%, continued to bring up the rear among the major economies. In contrast, countries such as Poland (+3.3%) and Spain (+2.8%) showed significantly more robust expansion.

The European Central Bank (ECB) kept its key interest rates unchanged at 2.15% in December. President Christine Lagarde emphasised a data-dependent approach without
predetermining an interest rate path, even though inflation in January 2026 already fell below the 2% target at 1.7%. European exporters also benefited from a weaker euro during the quarter, which improved their competitiveness on global markets.

Asia

Asian markets showed mixed but overall positive trends in the fourth quarter, with India and Japan dominating the headlines.

China**:** Although Chinese economic growth reached the government's target of "around 5%" in 2025, it slowed to 4.5% in the fourth quarter. The real estate sector remains the biggest cause for concern: prices for new homes fell by 2.7% year-on-year in December – the sharpest decline in five months. Despite government support measures and the "Central Economic Work Conference" held in December, which promised a proactive fiscal policy for 2026, consumer confidence remains low.

Japan: The Japanese market had a strong quarter, with the TOPIX index up 8.8%. The Bank of Japan (BoJ) made a historic shift, lowering its key interest rate in December to 0.75% – the highest level since 1995. Despite this tightening, monetary policy remains accommodative by international standards, underpinned by robust corporate profits and rising wages.

India: India reinforced its status as the fastest-growing major economy with GDP growth of 8.2% in the second fiscal quarter (to September). Inflation fell to a record low of 0.71% in November, giving the central bank (RBI) considerable leeway. With record exports of over USD 824 billion for the full year and robust foreign exchange reserves of nearly USD 700 billion, the country presented itself as a haven of stability.

Geopolitical developments in the fourth quarter of 2025

The following two charts visually illustrate how the geopolitical environment changed during the fourth quarter of 2025.

Bloomberg Economics Global Trade Policy Uncertainty Index

Safe Haven Basket

USA

The US's geopolitical strategy was twofold in the fourth quarter: domestically, the 43-day government shutdown paralysed the national administration and caused international irritation. In terms of foreign trade, however, the Trump administration pursued a pragmatic de-escalation. Following the massive tariff announcements in the spring, bilateral agreements were concluded with key partners such as Japan and the EU, reducing effective tariff rates to between 10% and 20%. In addition, the Trade truce with China extended until November 2026, sparing markets from further abrupt shocks.

Europe

Europe stepped up its efforts to achieve "strategic autonomy" in the fourth quarter. At the NATO summit in The Hague, a historic increase in defence spending to 3.5% of GDP (core requirements) and 5% overall (including cyber security and infrastructure) by 2035. Defence spending by EU countries already reached a record high of EUR 381 billion in 2025. At the same time, support for Ukraine was institutionalised through the use of proceeds from frozen Russian assets to ensure long-term financing of defence efforts.

Asia

In Asia, a phase of diplomatic de-escalation between the US and China dominated the picture. The extension of the trade moratorium was seen as a signal that both sides want to avoid further economic destabilisation. Regionally, countries sought greater independence: the Gulf states deepened their economic ties with

Asia (South-South Linkages) and invested heavily in AI projects and regional

Connectivity, such as new rail links between Turkey and Iran, and Saudi Arabia and Qatar. In Syria, the situation stabilised under the transitional government of Ahmad al-Sharaa, leading to the lifting of international sanctions in November and a

historic visit to the White House.

Middle East

After two years of war, an important ceasefire between Israel and Hamas in Gaza was reached on 10 October 2025, brokered by the USA. The agreement provided for the release of the remaining hostages and the withdrawal of Israeli troops from large parts of the Gaza Strip. Nevertheless, the situation remains fragile and overshadowed by periodic outbreaks of violence. The direct conflict between Israel and Iran, which culminated in US air strikes on Iranian nuclear facilities in June, gave way to a "cold peace," but tensions remain at a dangerously high level due to the activities of regional militias in Yemen, Iraq and Lebanon

.

Conclusion

Q4 2025 marks a resilient end to the year: despite the shutdown in the US and the ongoing real estate crisis in China, the Fed's interest rate turnaround and geopolitical de-escalation drove the markets. The rally increasingly spread to value stocks and precious metals.

Nevertheless, the fragile ceasefires in the Middle East and Europe's structural weakness call for vigilance in 2026.

b. Asset manager's commentary

The fourth quarter of 2025 marked the end of an exceptionally strong year for global financial markets, often referred to by market observers as the year of the "rally in almost everything". Despite considerable political turmoil – in particular the longest US government shutdown in history, lasting 43 days from 1 October – risk assets proved remarkably resilient. The markets benefited from an easing of global trade tensions, the continuation of the US Federal Reserve's cycle of interest rate cuts and the entry into force of the One Big Beautiful Bill Act (OBBBA), which enshrined far-reaching tax cuts and investment incentives in the US.

While the euphoria surrounding artificial intelligence (AI) remained a key theme, the final quarter saw a significant broadening of market money flows. Investors increasingly sought opportunities outside the highly valued US technology giants, leading to the outperformance of international markets and defensive sectors. This rotation was supported by stabilising inflation and the prospect of a broader cyclical recovery in 2026.

Equity markets

From a global perspective, equity markets posted steady gains in the fourth quarter. The MSCI All Country World Index (ACWI) rose 3.4% during the quarter, bringing the annual return for 2025 to an impressive 22.3% in US dollars. A striking feature of the quarter was the relative strength of markets outside the US: while US equities rose moderately during the quarter, developed markets outside the US and emerging markets posted more significant gains.

The following table shows the performance of the most important indices at the end of the year:

Table 1: Performance of key indices in Q4 and for the full year 2025

Region	Index	Performance in Q4 2025	Performance for the full year 2025
Global	MSCI ACWI	+3.4	+22.3
USA	S&P 500	+2.7	+17.9
	Nasdaq Composite	+2.7	+21.2
Europe	Euro Stoxx 50	+5.2	+19.9%

Region	Index	Performance Q4 2025	Performance for full year 2025
	DAX	+2.6	+21.1
	FTSE 100	+7	+24.7
Asia	Hang Seng Index	-3.3	+35.8
	Nikkei 225	+12.2%	+30.6%

US stock markets (e.g. S&P 500, Nasdaq, Dow Jones)

The US markets closed the year with their third consecutive double-digit annual gain. The S&P 500 rose 2.7% in the fourth quarter and reached a new all-time high on 24 December.
all-time high on 24 December. The market defied the massive government shutdown, which temporarily halted the publication of official economic data by the Bureau of Labor Statistics (BLS).

A key driver was the passage of the Working Families Tax Cut Act, which permanently extended the 2017 individual tax rates, introduced deductions for overtime and tips, and allowed companies to immediately write off 100% of
investments. While technology stocks led the way for the year as a whole, the Nasdaq lagged behind the broader market in the fourth quarter as investors took profits
. Within the "Magnificent Seven", only Alphabet, Apple and Amazon outperformed the SCP 500 in the final quarter. Defensive sectors such as healthcare (+12% in Q4) and utilities gained ground as investors tended to be cautious in view of high valuations in tech stocks.

European stock markets (e.g. Euro Stoxx 50, DAX, CAC 40, FTSE 100)

European markets showed remarkable strength in the fourth quarter, in some cases outperforming their US counterparts. The DAX closed the year up 23% – its best performance since 2019. The Euro Stoxx 50 rose by 22.1% over the year as a whole, with December alone contributing 2.3% to this increase. In the UK, the FTSE 100 recorded its biggest rise since 2009, with an annual gain of 22%.

European performance was supported by cooling inflation. In addition, the weaker US dollar had a positive currency effect on investments in
European assets. In terms of sectors, financials and utilities performed particularly well in Europe, recording gains of around 50% for the year as a whole.

Asian stock markets (e.g. Hang Seng, Shanghai Composite, Sensex)

Asia saw a continuation of its recovery in the fourth quarter, led by Hong Kong and mainland China. The Hang Seng Index (HSI) achieved its best result since 2017 with an annual gain of 35.8%. The rally was fuelled by a revaluation of Chinese tech stocks (such as Tencent and Alibaba) and government measures to boost the market, including increased equity allocations for state insurance funds.

The Shanghai Composite ended the year up 18.4%. India's Sensex and Nifty 50 gained 10.5% in 2025, marking their tenth consecutive year of gains. However, India lagged behind other emerging markets in the fourth quarter as massive outflows from foreign institutional investors (FIIs) weighed on the market, while the rupee depreciated to a record low of over 90 against the dollar.

Japanese stock market (e.g. Nikkei 225, Topix)

The Japanese market showed tremendous resilience in 2025. The Nikkei 225 delivered an annual return of 30.6%. Despite monetary tightening by the Bank of Japan, investor confidence remained high, supported by a strong Tankan business climate and sustained wage increases. The Topix benefited in the final quarter particularly from sectors such as real estate (+40% for the year) and utilities (+46% for the year), with the latter boosted by the restart of nuclear power to meet the immense electricity demand for AI data centres.

Key macroeconomic drivers Monetary policy: contrasting

paths

- **Federal Reserve:** The Fed continued its easing cycle, cutting its key interest rate by a further 25 basis points in December to a range of 3.5% to 3.75%.
- **Bank of Japan (BoJ):** In a historic move, the BoJ raised its short-term interest rate from 0.5% to 0.75% in December. This cemented Japan's position as the only major economy to raise interest rates in 2025.
- **ECB:** The European Central Bank kept interest rates stable in December, citing a cautious outlook as inflation normalises.
- **PBoC:** The Chinese central bank continued to pursue a moderately loose policy and retroactively cut interest rates for structural instruments in January 2026 to support growth.

Inflation: Broad-based decline

Inflation eased significantly in the fourth quarter. In the US, the annual inflation rate fell to 2.7% in December, its lowest level since July, which is surprising to say the least given the significant tariffs being paid by American consumers *rather* than businesses. The eurozone reached December, easing pressure on central banks to take further restrictive measures.

Trade policy: strategic stabilisation

After a year of volatile tariff announcements, the situation stabilised with the conclusion of strategic framework agreements. The US set a tariff cap of 15% on most imports from the EU and Japan, averting the original threat of 25% to 30%. In return, the partners committed to massive purchases of US energy and investments in US industry.

Notable market movements and trends

A dominant trend during the quarter was the flight to precious metals as a hedge against uncertainties surrounding the US government shutdown and the weakness of the dollar. Gold rose by almost 12% in the fourth quarter and ended the year up 65%.
Silver delivered its best performance since 1970 with a quarterly gain of over 51%.

Another trend was the record-breaking volume of share buybacks in the US, which exceeded the USD 1 trillion mark for the first time, as well as a wave of global mergers and acquisitions (M&A) in the technology and AI sector. At the same time, the crypto market cooled off towards the end of the year, with Bitcoin losing around 24% in the fourth quarter, raising doubts about its role as "digital gold".

Conclusion

The fourth quarter o f 2025 marked a dynamic end to a volatile but highly profitable year. Global stock markets proved that they could overcome political shocks such as the US government shutdown and trade conflicts through adaptability and support of loose monetary policy. Particularly noteworthy is the return of diversification benefits, as markets outside the US and tangible assets such as gold and silver played a decisive role in portfolio returns in the final quarter.
While the "One Big Beautiful Bill Act" in the US is providing an optimistic outlook for corporate earnings in 2026, high valuations in the technology sector and the divergence between Japanese and Western monetary policy remain the key risk factors for the coming year.

Country	Index	ID	Change in % in local currencies
South Korea	Kospi	KOSPI	23.06
Japan	Nikkei 225	NKY	12.03
Switzerland	Swiss Market Index	SMI	9.56
England	Footsie 100	UKX	6.31
France	CAC 40	CAC	3.45
USA	SCP 500	SPX	3.11
Germany	DAX	DAX	2.55
China	CSI 300	SHSZ300	0.23
Australia	SCP ASX 200	AS51	-1.49

Bond markets

Due to the generally risk-friendly sentiment on the financial markets, the global high-yield bond market (bonds with a credit rating of BB+ or lower) outperformed the global investment-grade bond market (bonds with a credit rating of BBB- or higher). High-yield government bonds from emerging markets performed particularly well.

Credit spreads on the global high-yield bond index continued to narrow, buoyed by positive market sentiment, falling to levels last seen in 2007. By contrast, credit spreads on the global investment-grade bond index rose slightly, reflecting very high issuance activity in November – mainly due to companies financing AI-related capital expenditure.

In the last quarter of 2025, government bond yields showed mixed trends. In Europe, including Switzerland, government bond yields rose overall after the European Central Bank (ECB) revised its forecasts for growth and core inflation upwards and an ECB director also hinted that the next interest rate move could be upwards rather than downwards. In the US, yields on longer-term government bonds rose – partly due to concerns about the independence of the Federal Reserve – but yields on short- to medium-term US Treasuries as the Fed cut interest rates twice during the quarter. As a result, the US yield curve became even steeper than before.

Index	Currency	ID	Total Return	Credit spreads +/- Bps
Bloomberg Global Aggregate IG Bond Index Hedged	CHF	LGCPTRCH	-0.22	+
Bloomberg Global High Yield Bond Index Hedged	CHF	H00039CH	+1.19	-

Commodity markets

summary

The fourth quarter of 2025 marked the end of an extraordinary year for global commodity markets, often referred to as a "rally in almost everything". While the year was characterised by trade tensions and monetary policy shifts, the
The Bloomberg Commodity Index (BCOM) recorded a strong increase of almost 6% in the fourth quarter, pushing
annual gain to just under 16%.

A key driver was the continued weakness of the US dollar, which fell by around 8.1% against its major trading partners in 2025 as a whole. The US Federal Reserve (Fed) continued its easing cycle, cutting interest rates three times in 2025 by 25 basis points each time to their lowest level in three years. This environment of
falling opportunity costs and a weaker reserve currency supported precious and industrial metals in particular, while the energy sector remained weak despite geopolitical risks due to fundamental oversupply.

Crude oil supply side

The supply side was characterised by strategic restraint on the part of OPEC+ in the fourth quarter. After the alliance had already increased its production by around 2.9 million barrels per day (mb/d) between April and December 2025, the leading members agreed in early November to suspend planned increases for the first quarter of 2026. The aim
of this measure was to maintain market stability in the face of looming overcapacity. Despite these cuts, global supply rose by around 3.0 mb/d in 2025 as a whole, driven primarily by non-OPEC+ countries such as the US, Brazil and Guyana.

Demand side

According to IEA estimates, global oil demand grew by a moderate 830,000 to
850,000 barrels per day (kb/d). This growth was driven almost exclusively by non-OECD countries, particularly China and India. While transport fuels initially dominated, the focus shifted increasingly towards
petrochemical feedstocks. However, demand forecasts lagged behind the massive increase in supply, which dampened prices: Brent crude fell to an average level of just over USD 62 per barrel in December.

Inventories

Global oil stocks reached historic highs in the fourth quarter. In October, observed stocks rose to a four-year high of 8,030 million barrels. Particularly striking was the massive build-up of "oil on water", which rose by over 210 million barrels since the end of August

by over 210 million barrels since the end of August, as sanctioned exports from Russia and Venezuela found it increasingly difficult to find buyers. Overall, global inventories rose by an extraordinary 1.3 mb/d in 2025, leaving the market with a significant buffer for 2026.

Copper

The copper market underwent a massive structural transformation in the fourth quarter.
Prices on the London Metal Exchange (LME) rose from around $10,696 per tonne in October to an average of over $11,800 in December. At the end of the year, copper even reached an all-time high of $12,558 per tonne.

This jump in prices reflected a growing market deficit. While mine production stagnated due to declining ore grades and labour disputes, demand remained very high due to the expansion of green infrastructure and artificial intelligence (AI). AI infrastructure in data centres alone is estimated to require an additional 80 to 120 kilotonnes of copper per year. In China, a shortage of copper concentrate led smelters to cut back production

, exacerbating the physical shortage.

Gold

Gold had one of the strongest years in its history. In the fourth quarter, the price reached a record high of USD 4,135 per ounce on average, representing an increase of 55% over the same quarter of the previous year. Overall, gold set an impressive 53 new all-time highs in 2025.

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Total demand exceeded the 5,000-tonne mark for the first time in 2025. This "gold rush" was driven primarily by massive inflows into physically backed ETFs (801 tonnes for the year as a whole) and strong demand for bars and coins. Central banks also remained a mainstay with purchases of 863 tonnes, with the Polish National Bank being the world's largest buyer of the year with 102 tonnes. Geopolitical

uncertainties and the search for diversification away from the US dollar reinforced gold's role as a strategic anchor in portfolios.

Conclusion

The fourth quarter of 2025 sealed a deep divide in the commodity markets: while precious and industrial metals hit record prices due to structural deficits and massive investment inflows, the oil market remained under pressure despite OPEC+ cuts due to record inventories and weak demand growth. The Fed's monetary easing and the weakness of the dollar provided broad tailwinds, but could not mask sector-specific fundamental imbalances.

Outlook and strategic implications for Q4 2025 and beyond

- **Energy sector:** The key challenge remains addressing the global supply glut. OPEC+'s decision to keep production stable in the first quarter of 2026 signals a cautious stance. Should strategic stockpiling, particularly in China, ease, the market faces a period of increased price volatility. Geopolitical tensions in the Middle East and new sanctions against producers such as Russia remain the main risk factors for sudden shortages.
- **Precious metals:** The outlook for gold remains positive as long as geopolitical uncertainties and expectations of falling real interest rates persist. Structural demand from central banks in emerging markets is likely to continue, as the diversification of reserves away from the US dollar remains a long-term trend.
- **Industrial metals:** Copper remains the focus of the "green" transformation. The discrepancy between long-term investment in mining capacity and the rapid increase in demand from e-mobility and AI technologies points to a persistently tight market environment. For industrial buyers, securing long-term supply contracts and managing price risks will become a strategic priority.
- **Strategic implications:** Sector selection is becoming increasingly important for investors. While metals are benefiting from long-term technological megatrends, the energy sector remains cyclically vulnerable. The ability to distinguish between short-term liquidity effects caused by monetary policy and long-term structural supply deficits is crucial.
  distinguishing between them will be crucial for investment success in 2026.

Commodities	Currency	ID	Change in % in US dollars
Silver	USD	XAG	53.63
Copper LME	USD	LP1	21.71
Gold	USD	XAU	11.93
Crude oil ICE Brent	USD	CO1	-9.21

Currency 1	Currency 2	ID	Change in %
USD	JPY	USDJPY	5.96
USD	EUR	USDEUR	-0.11
EUR	CH	EURCHF	-0.40
USD	CHF	USDCHF	-0.48

Changes in currency pairs are always viewed from the perspective of the first currency in a currency pair.
For example: USD versus EUR -5%, i.e. the US dollar has weakened by 5% against the EUR.

2. Evaluations

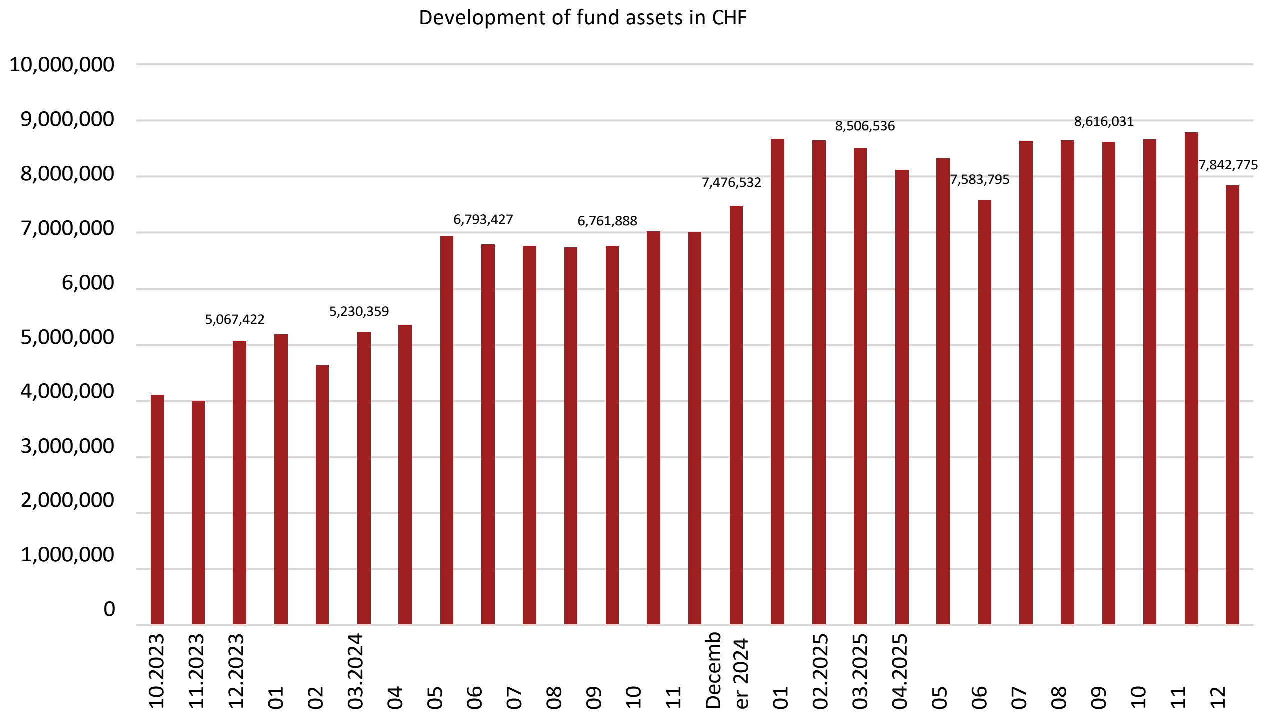
a. Net performance in %

Share class	Quarter	Current year	since inception	Reference date
Red Stone Balanced GBP*	2.63	5.18	3.76	31 December
Red Stone Balanced EUR	3.30	7.35	13.30	31 December
Red Stone Balanced JPY	2.87	5.86	7.95	31 December
Red Stone Balanced USD	3.87	10.25	19.20	31 December

*The CHF share class was launched on 28 March 2024.

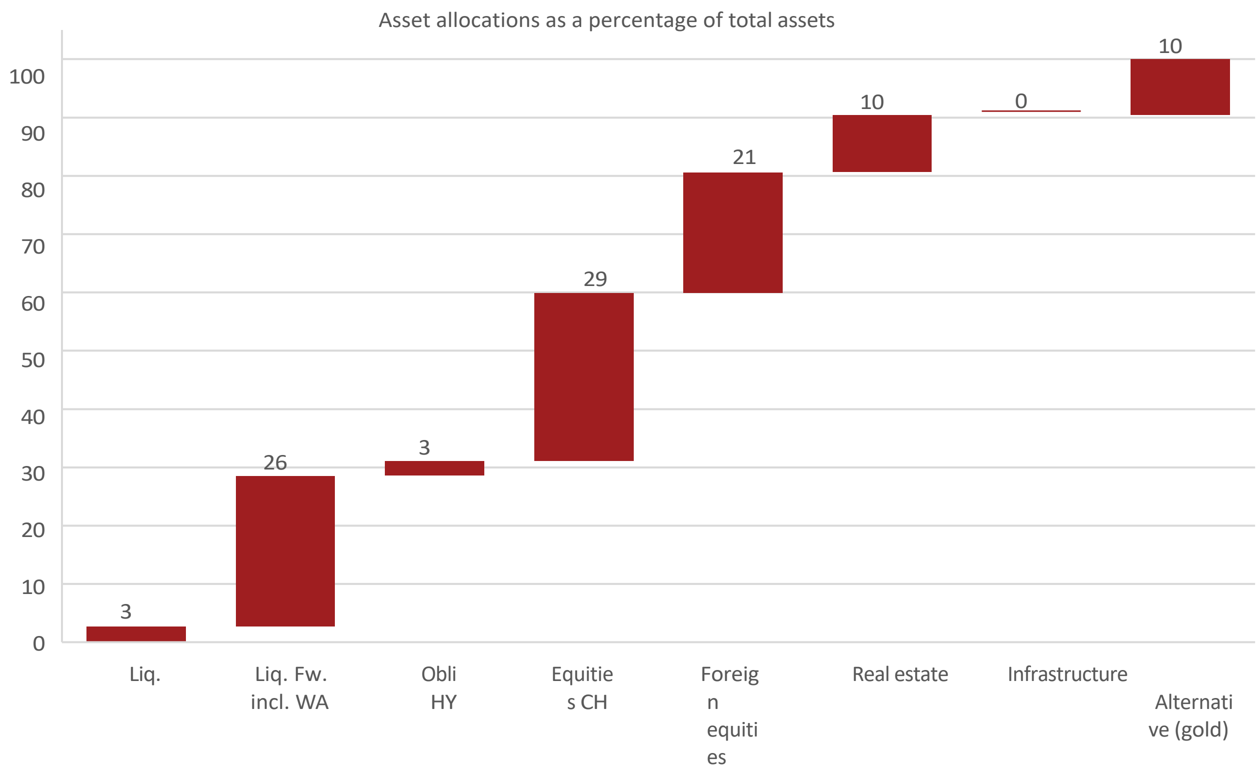
b. Fund asset performance

Taking into account performance, subscriptions and redemptions of share certificates, the fund assets changed from CHF 8,616,031 to CHF 7,842,775 during the reporting period, which corresponds to a decrease of 9%.



c. Asset allocation

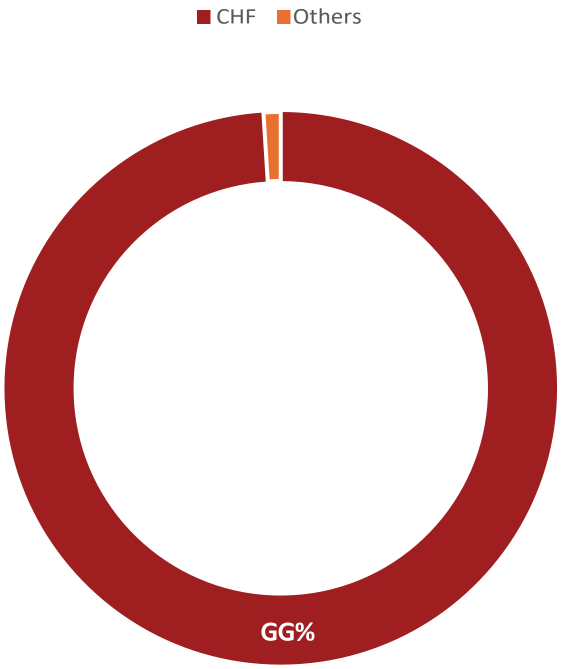
As at the reporting date, the asset allocations were as follows:



d. Overview of the 10 largest positions

	Designation	Asset class	As a % of AG
1	Fundamenta Real Estate	Real estate	10.4
2	iShares Physical Gold ETC	Alternative investments (gold)	10.0
3	UBS MSCI World ETF	Global equities	9.2
4	CHF	Liquidity	3.0
5	Sandoz	Swiss equities	2.2
6	Roche GS	Swiss shares	2.1
7	Galenica	Swiss shares	1.5
8	Barry Callebaut	Swiss shares	1.4
9	Novartis	Shares Switzerland	1.4
10	Medacta	Swiss shares	1.3

e. Currency allocations



3. Compliance

a. Target ratio control in %

Asset class	of total assets	Target ratio	Delta Allocation target ratio
Liquidity	3	1	2
Bonds FW (incl. WA)	26	24	2
Bonds HY	3	5	-
Swiss equities	29	30	-1
Foreign equities	21	20	1
Real estate	10	10	0
Infrastructure	0	5	-5
Alternative investments (gold)	10	5	5

b. Bandwidth control in %

Asset class	Lower Bandwidth in % of total area	Upper Range in % of total assets	Comment
Liquidity	0	45	Bandwidth maintained
Bonds FW (incl. WA)	0	35	Bandwidth maintained
High-yield bonds	0	10	Bandwidth maintained
Swiss equities	10	40	Range maintained
Foreign equities	10	30	Range maintained
Real estate	0	15	Bandwidth maintained
Infrastructure	0	10	Bandwidth maintained
Alternative investments (gold)	0	10	Bandwidth adhered to

c. Compliance with investment guidelines

All investment guidelines have been complied with as of the reporting date.

17 February 2026, Valex Capital AG