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MARKET OUTLOOK

Year-end 2025

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Trade dispute: Shock or crisis?

The journey towards a new trade world order will likely be bumpy, maybe even rocky, accompanied by market volatility and recession fears.

US supremacy
post-pandemic and pre-2025

Economy & politics

- (Artificial) equilibrium post the early 2020s' shocks
- USA: Consumption stimulus pushes the economy to its growth limits
- Europe: Strong periphery, weak core on structural challenges
- China: Demographic headwinds and property crisis kept in check by stimulus

Capital markets

- Technology boom and artificial intelligence hype
- USD assets focus

Trade shock (75% probability)
early 2025

- Adjustment to new US politics in a controlled manner; phase of negotiations and re-sorting ties
- USA: Soft growth on inflation spike and confidence slump; solid household and business finances cushion downside risks
- Europe: Slowed-down recovery; support comes from defence and infrastructure spending
- China: Intensified structural challenges offset by more pronounced stimulus
- Possible corrective elements:
  - Capital market correction
  - USA: Rising public dissatisfaction

- Earnings and valuations reset
- Key assets:
  S&P 500: around 5,000/US Treasuries: above 4.0%/Gold: towards 3,300 USD/ounce

Trade crisis (25% probability)
mid-2025

- Adjustment to new US politics in a more confrontational manner; phase of escalation and retaliation, and later negotiations
- Economic softening deepens due to negative feedback from capital market correction; rate cuts eventually mitigate the fallout
- USA: Possible tax cuts on tariff income; unlikely scenario of loss of independence for the Federal Reserve
- Likely corrective elements:
  - USA: Strong public, business, and political backlash against Trump

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- Strong risk-off move and valuation reset, similarity to the dot-com crisis
- Unlikely USD crisis, but US Treasuries embed minor trust discount
- Key assets:
  S&P 500: around 4,000/High-yield bonds: beyond 600 basis points/US Treasuries: below 3.5%/Gold: beyond 3,500 USD/ounce

Dealmaking
into 2026 / towards 2027

- Settling with updated and improved multi- and bilateral trade frameworks
- Lasting loss of trust confirms multipolar world order
- USA: Possible growth drag from the consolidation of business overcapacities
- Likely corrective elements:
  - USA: Midterm elections bring a political shift but a lasting US self-focus

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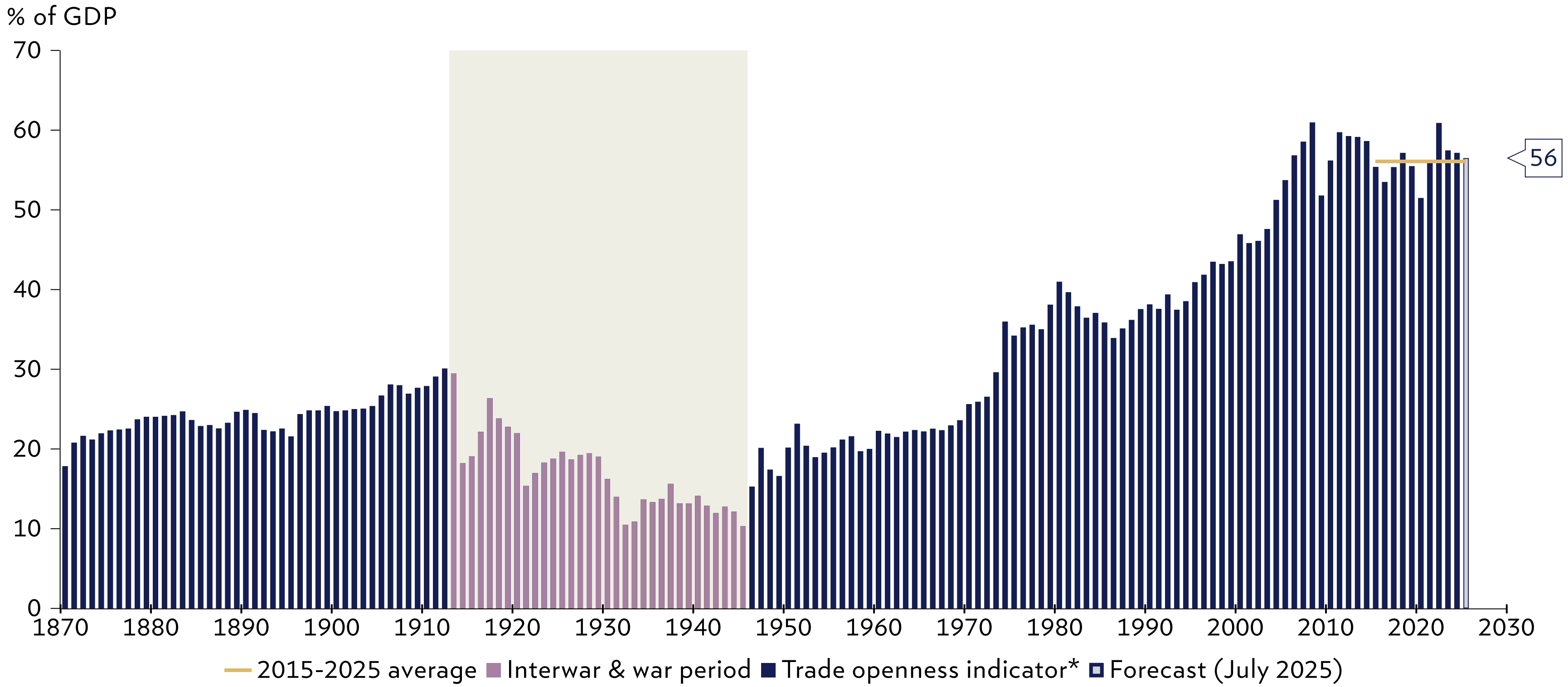
- Up-cycle resumes, market mood recovers
- Possible lasting minor trust discount on US Treasuries due to broader fiscal imbalance
- Key assets
  S&P 500: towards 6,000/US Treasuries: towards 4.7%

Source: Julius Baer

Global trade softens but does not collapse

The US tariff dispute has not triggered a collapse in trade, as most other countries have chosen not to retaliate.

Global trade in goods

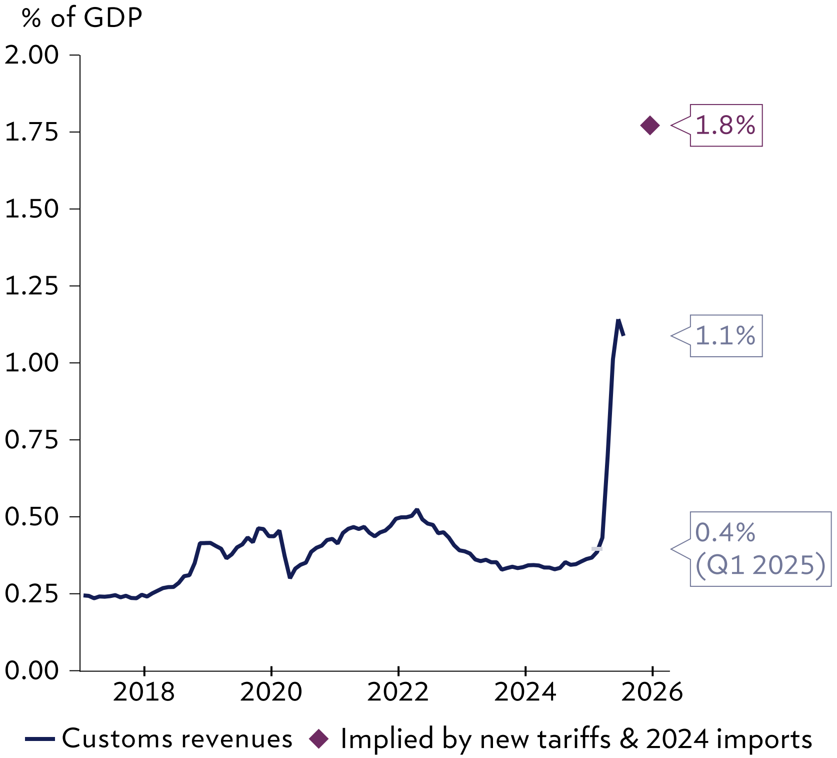


Source: Macrobond, Julius Baer
* Sum of world goods exports and imports, divided by world GDP

Sizable tariff burden to be paid

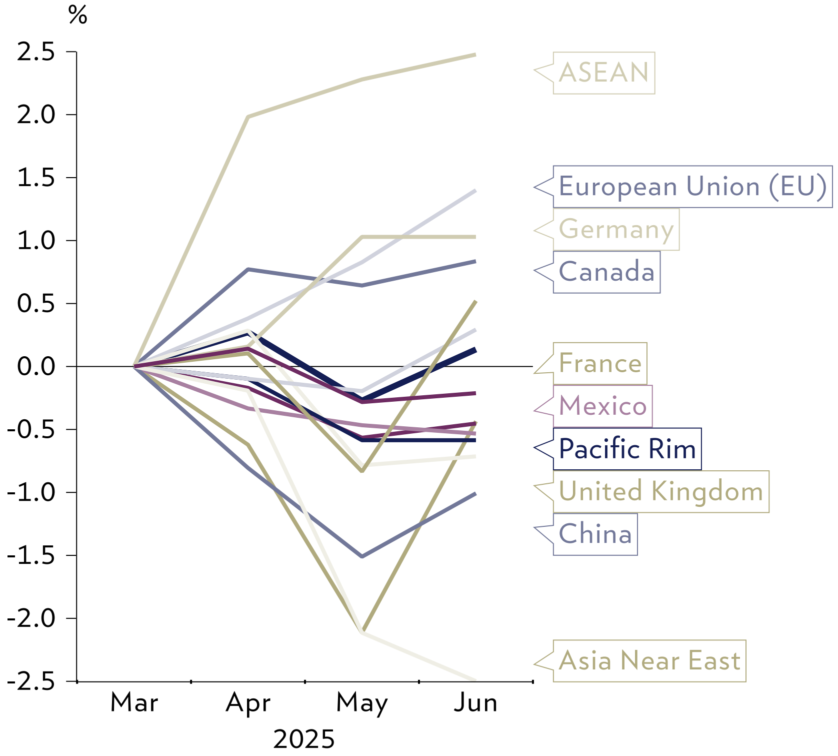
The 'tariff tax' on US consumers could amount to 1.4% of GDP, with little evidence of this being offset by exporting nations offering price discounts.

US custom revenues and possible increase



Source: Macrobond, Julius Baer

US import prices* since "liberation day"

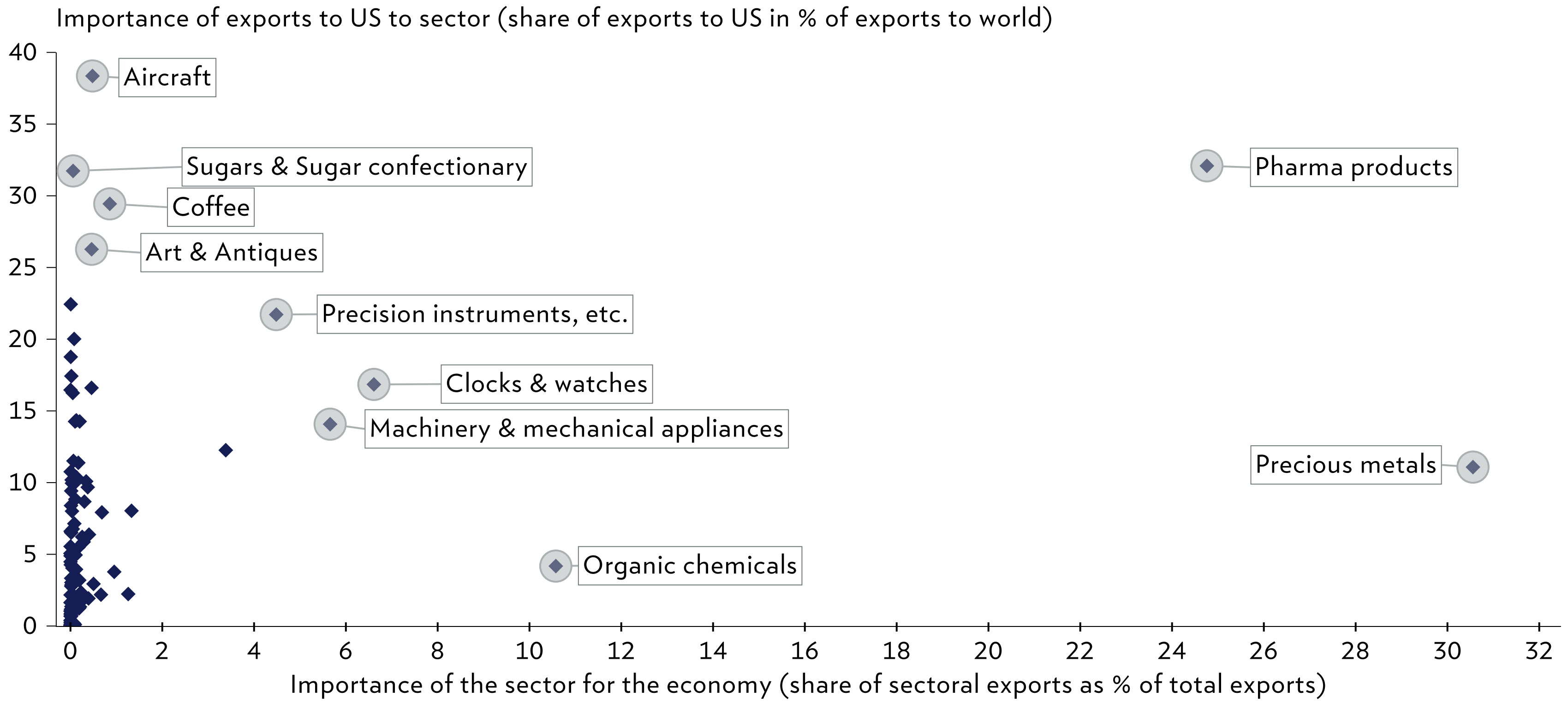


Source: Macrobond, Julius Baer
* tariffs not included

Switzerland: Assessing the damage of the tariff shock

The tariff escalation is a blow to the Swiss export sector. Pharma tariffs would make the damage on the economy more severe.

Importance of US market across specific sectors / sectors' overall importance (2024 data)



Source: UN Comtrade, Macrobond, Julius Baer

Contents

Market Outlook 2025

MACRO & INVESTMENT STRATEGY

Committing to growth

- Commitment to growth (monetary stimulus, fiscal stimulus), but a correction is possible
- USD under pressure due to erratic customs policies and the 'Mar-a-Lago Accord'
- Gold bull market: Central-bank buying and geopolitics
- Stay invested and use volatility to buy on the dips
- Risks: Trade tensions, geopolitics, policy mistakes

FIXED INCOME

Give credit where credit is due

USD fixed income
- Low-investment-grade US corporate bonds with a balanced duration of 3–7 years
- US high-yield bonds

EUR fixed income
- Quality corporate bonds
- Peripheral government bonds

Emerging markets
- Emerging market hard-currency corporate bonds

EQUITIES

A bigger playing field

Global
- The US is no longer the preferred market; look for broader diversification
- Increase the cyclical tilt; prefer industrials and financials
- Quality mid-caps

US
- Diversify beyond technology giants
- US banks

Europe
- Germany

Emerging markets
- China (tactically)
- India (strategically)

Next Generation
- Extended Longevity
- Future Cities
- Cloud Computing & Artificial Intelligence

ALTERNATIVE INVESTMENTS

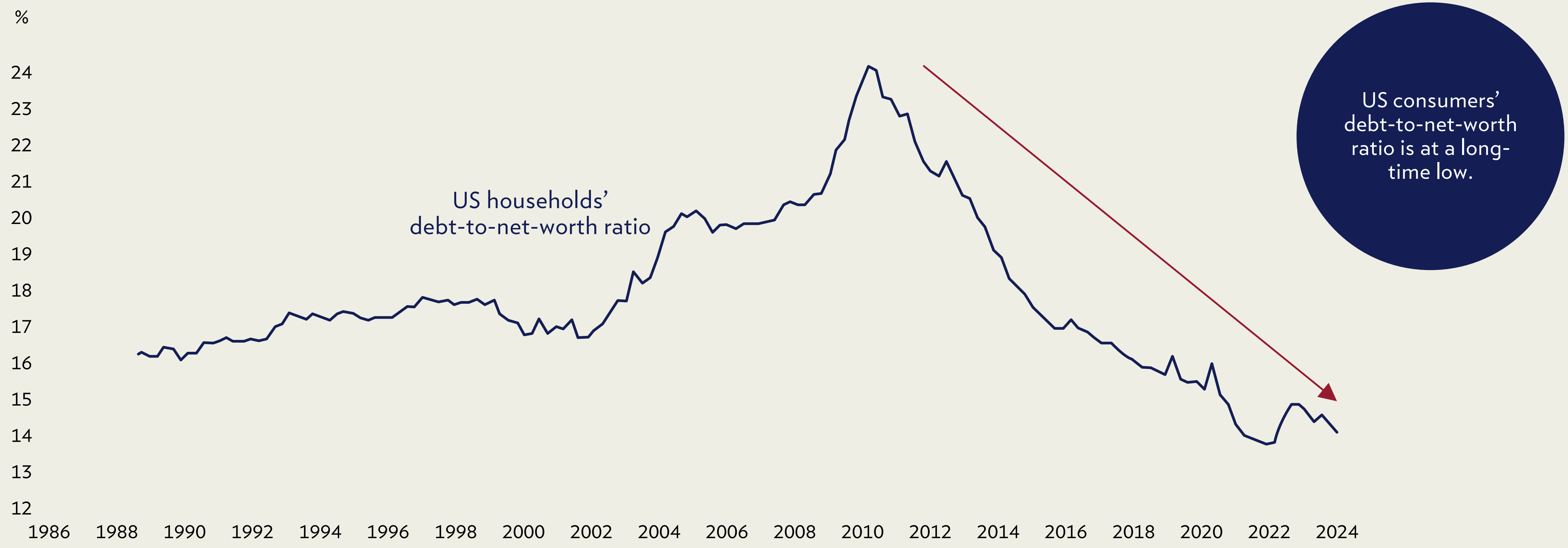
Build a resilient portfolio with alternatives

- Buyout funds
- Infrastructure funds
- Multi-strategy multi-manager hedge funds

MACRO AND INVESTMENT STRATEGY

Committing to growth

The US consumer is in good shape – structurally

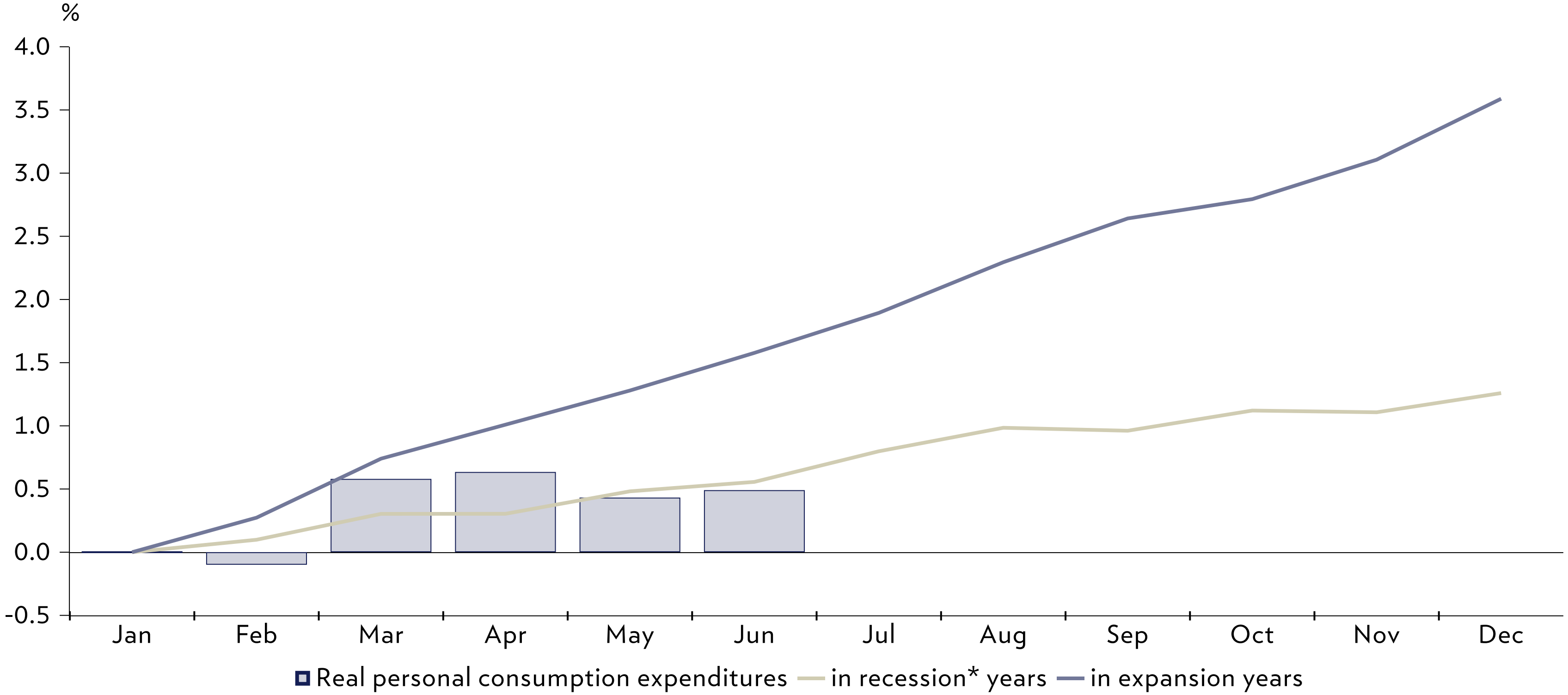


Source: Macrobond, Julius Baer

Yet the US economy is facing consumer exhaustion

Softer job growth, the 'tariff tax' and policy uncertainty, as well as the scaling back of fiscal transfers, are weighing on consumption.

US consumer spending growth over the year

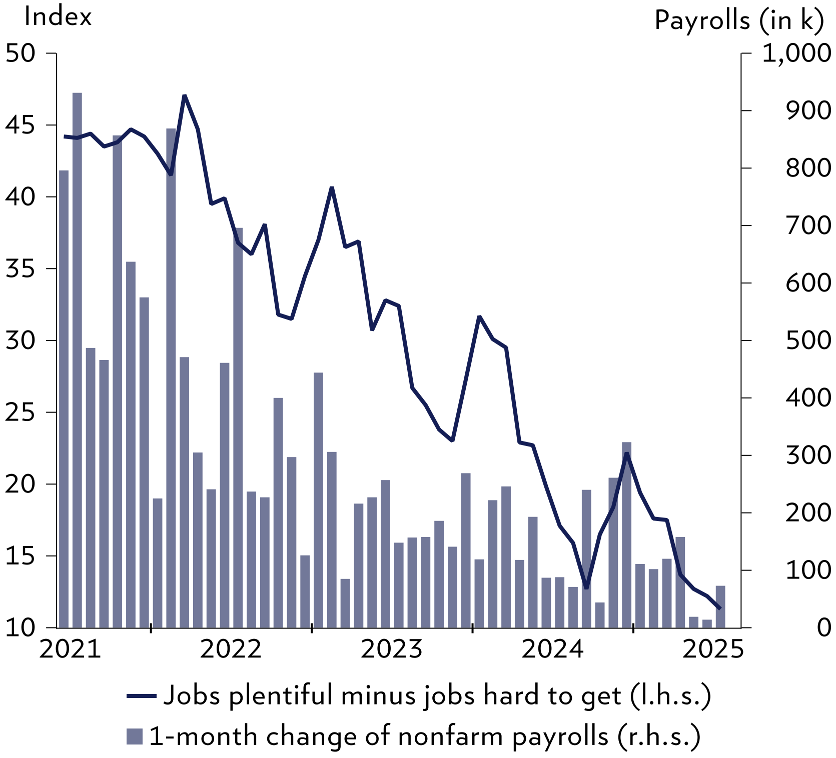


Source: Macrobond, Julius Baer
* Recession years since 1959 except 2020

US labour market cooling

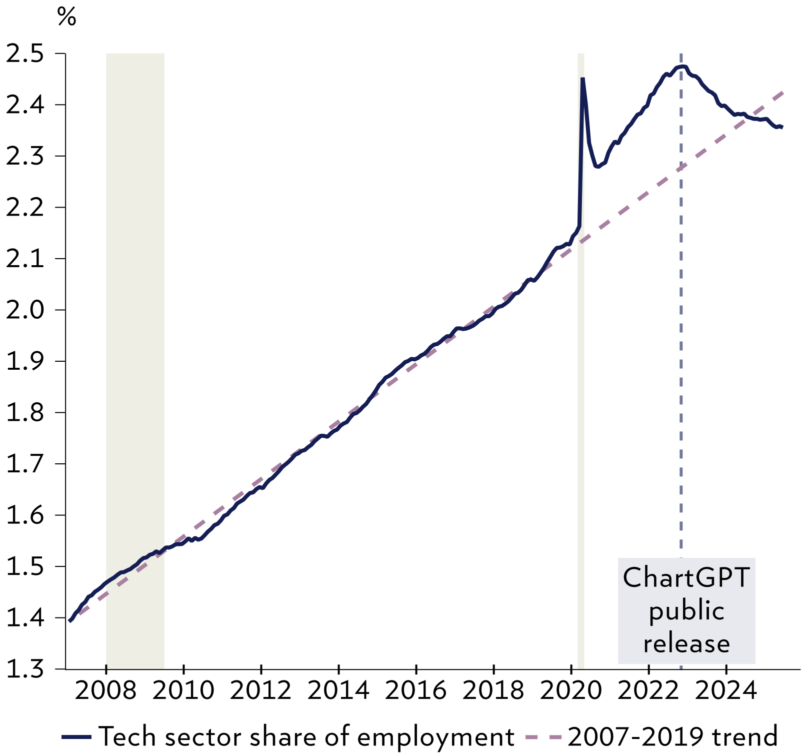
Lower demand and structural changes are burden for the US labour market

Job creation and labour market sentiment



Source: Macrobond, Julius Baer

Job creation in the US tech sector*

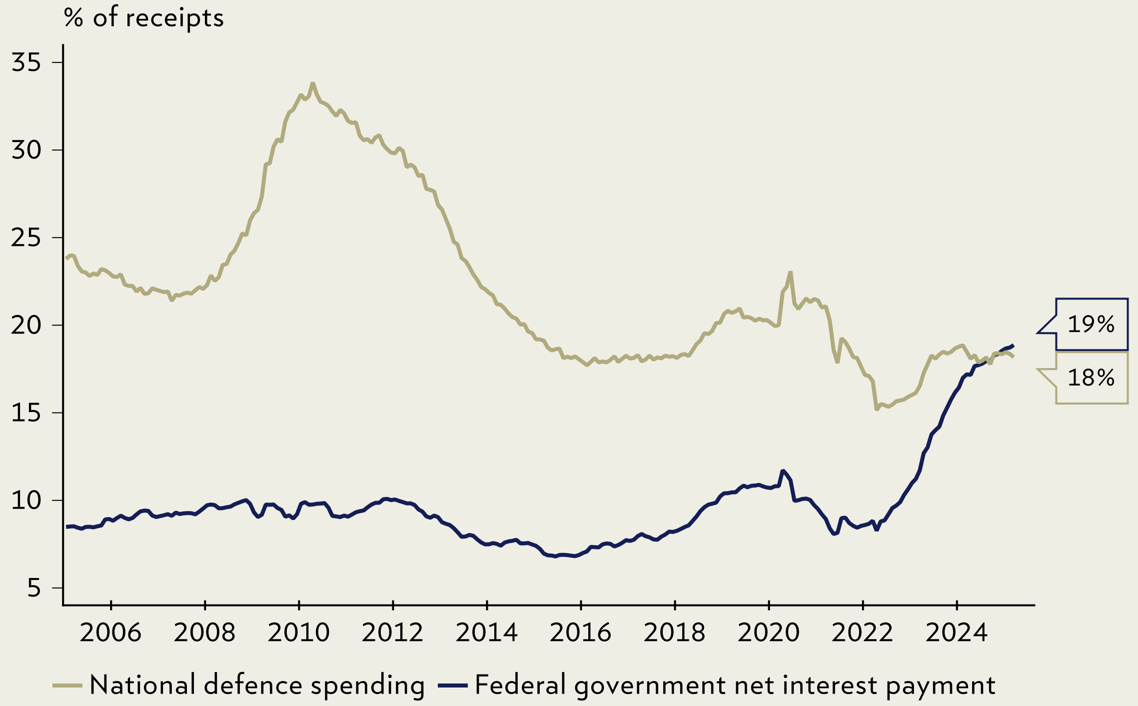


Source: Macrobond, Julius Baer
* Tech refers to software publishers, data processing, web search, and computer system design

Unsustainable US fiscal policy

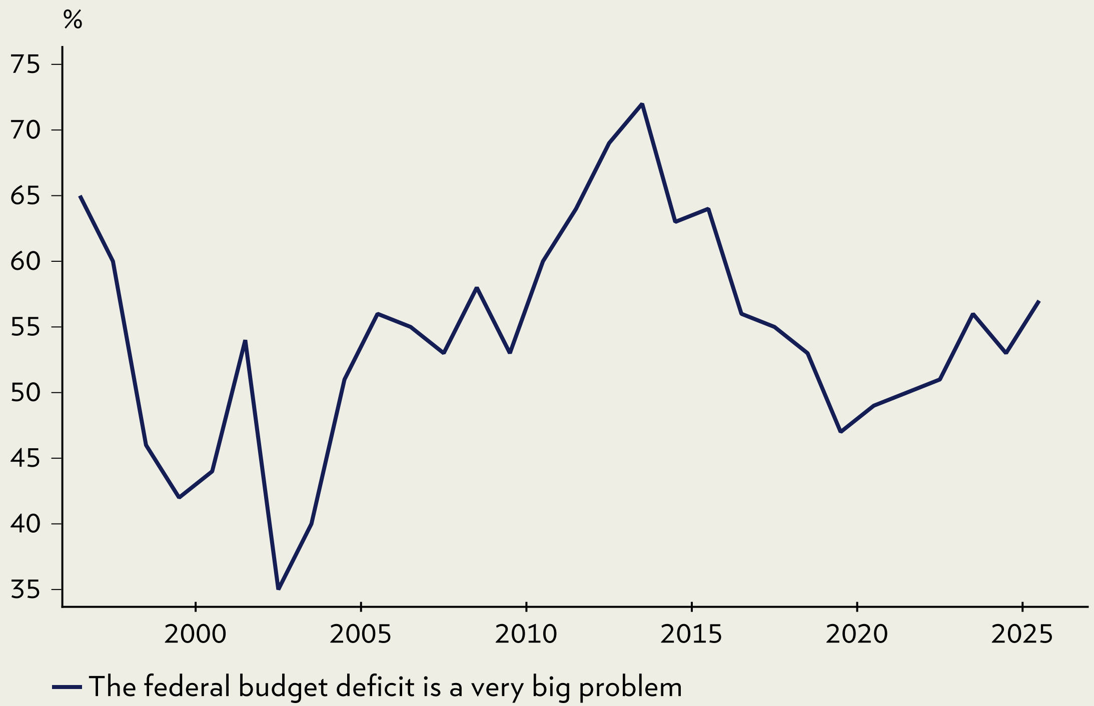
The rising interest rate bill in the US federal budget and rising awareness about the unsustainable fiscal situation are behind higher yields and the weaker USD.

Federal interest and defence bill



Source: Macrobond, Julius Baer

Survey results: Americans' sense of urgency to address US public deficit

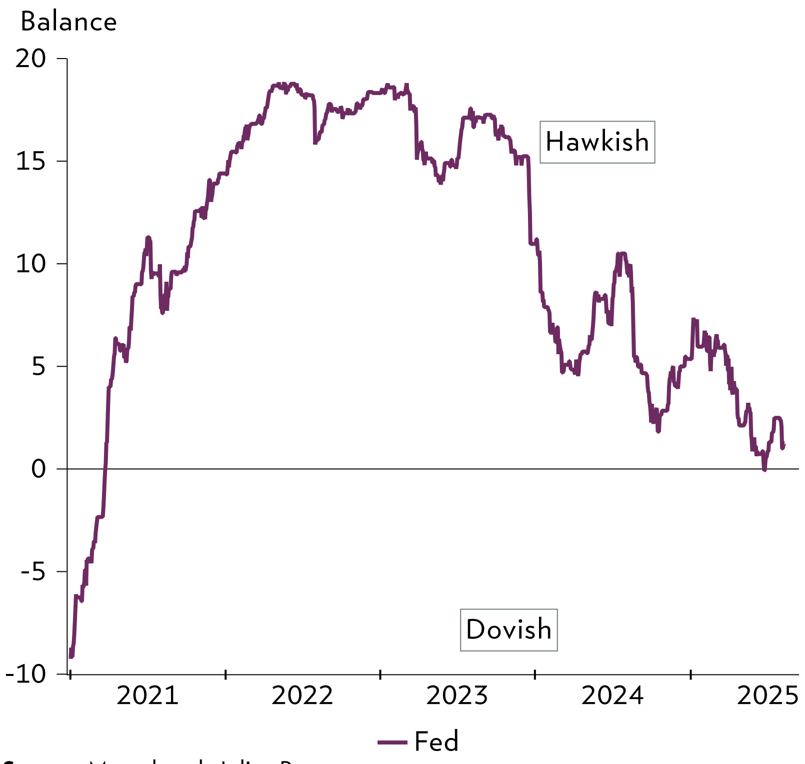


Source: Macrobond, PEW Research, Julius Baer

The Fed will resume rate cuts

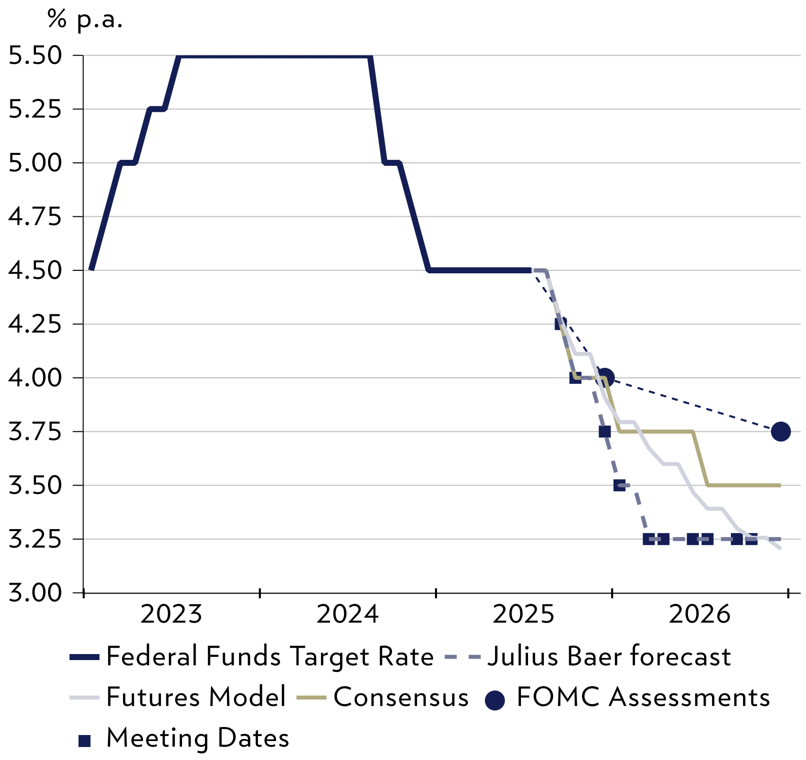
Political attacks on the Fed by Trump are a challenge to change course without risking a loss in credibility. At the same time fundamentals justify rate cuts.

Fed speak index (natural language processing)



Source: Macrobond, Julius Baer

Fed Outlook

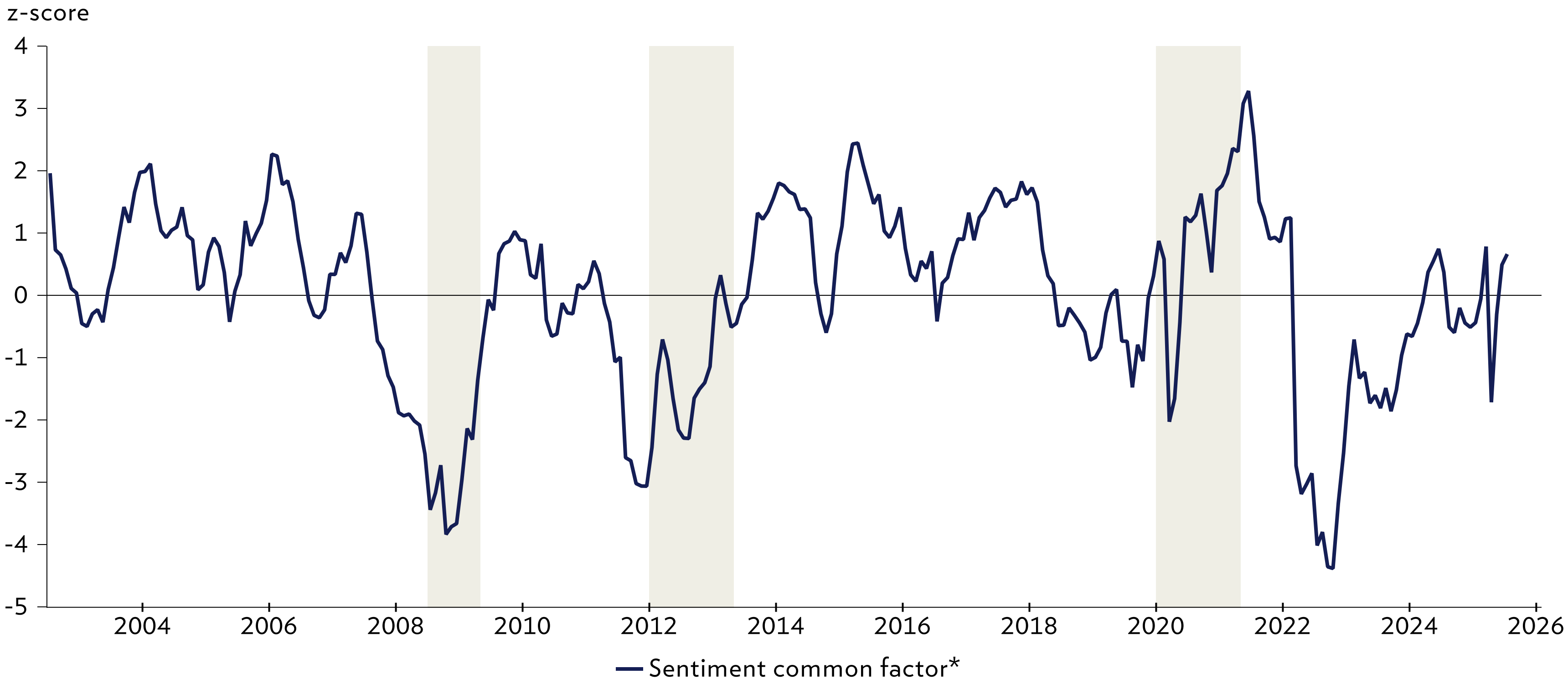


Source: Macrobond, Julius Baer

Eurozone sentiment is in a good place

Eurozone sentiment picks up, helped by looser monetary policy, fiscal support and high spending potential of private households.

Eurozone consumer, investor and financial market sentiment combined

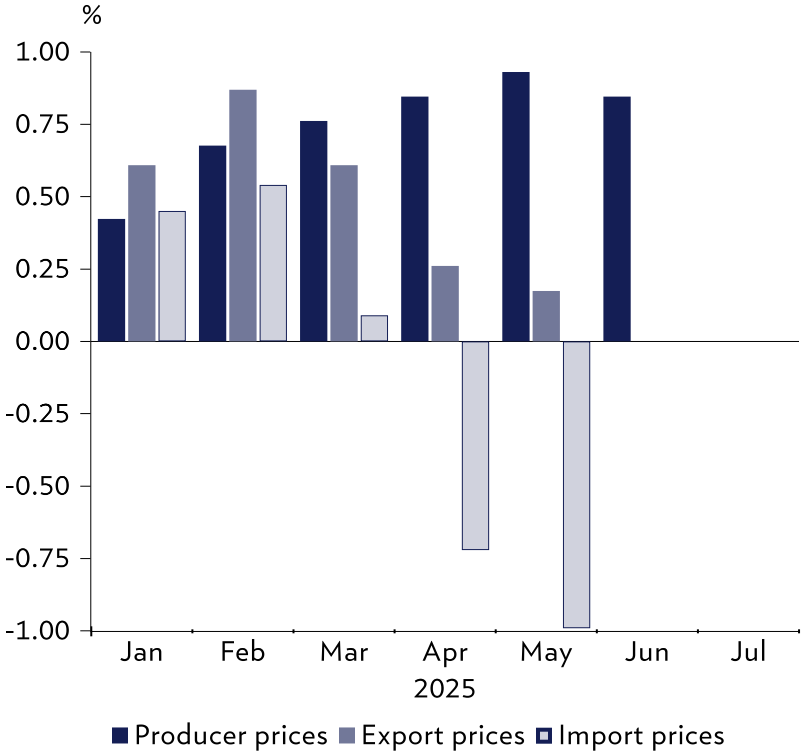


Source: Macrobond, Julius Baer
* Consumers, investors and financial market experts

Eurozone seems to accept challenges

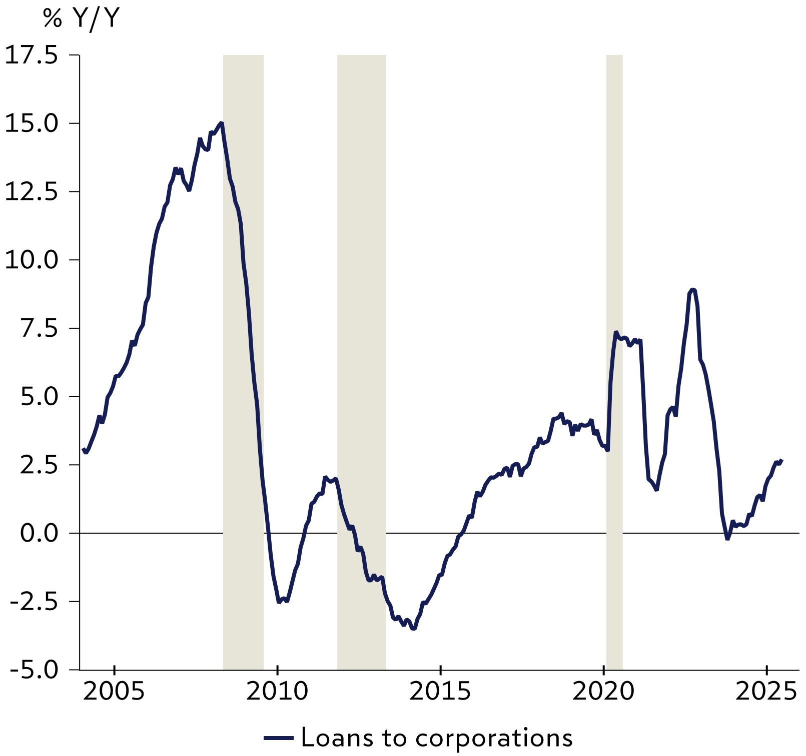
Eurozone industry face stronger competition from cheaper imports, importing deflation. Expanding credit activity suggests investment response.

Eurozone industrial year-to-date prices



Source: Macrobond, Julius Baer

Eurozone corporate credit growth

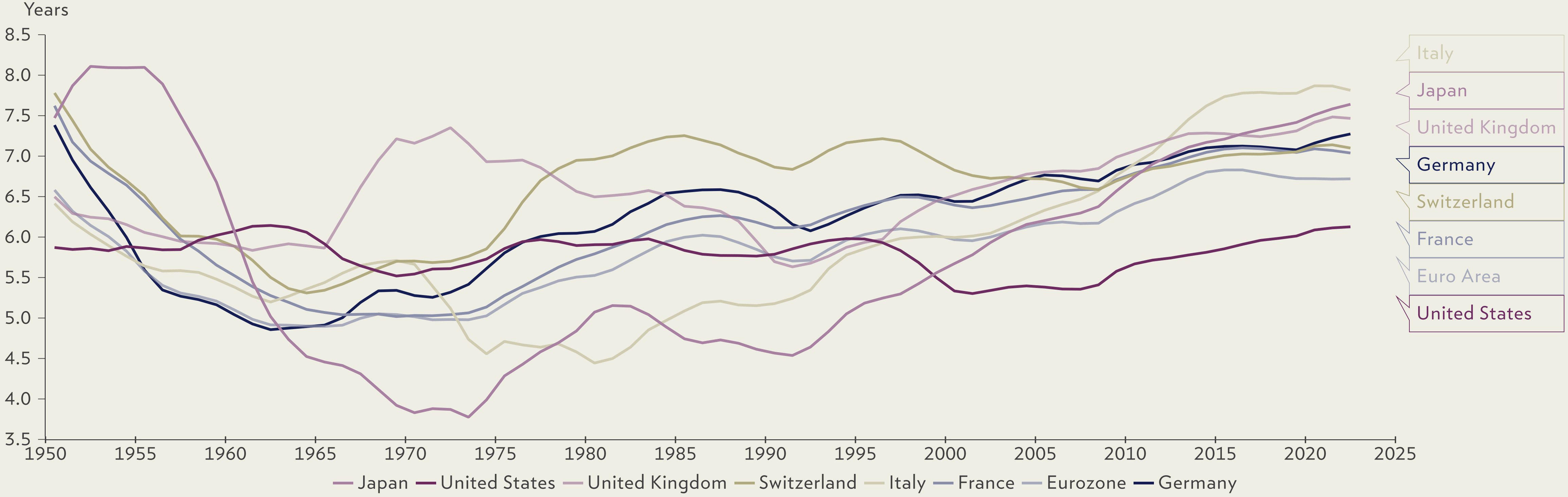


Source: Macrobond, Julius Baer

Germany: A public spending spree has begun

Open-ended defence spending, 0.35% of the GDP deficit on a state level, and EUR500bn in infrastructure spending over 12 years: expected to result in fiscal impulse of ~3% of GDP in 2026.

Average age of equipment capital stock - German capital stock needs a rejuvenation

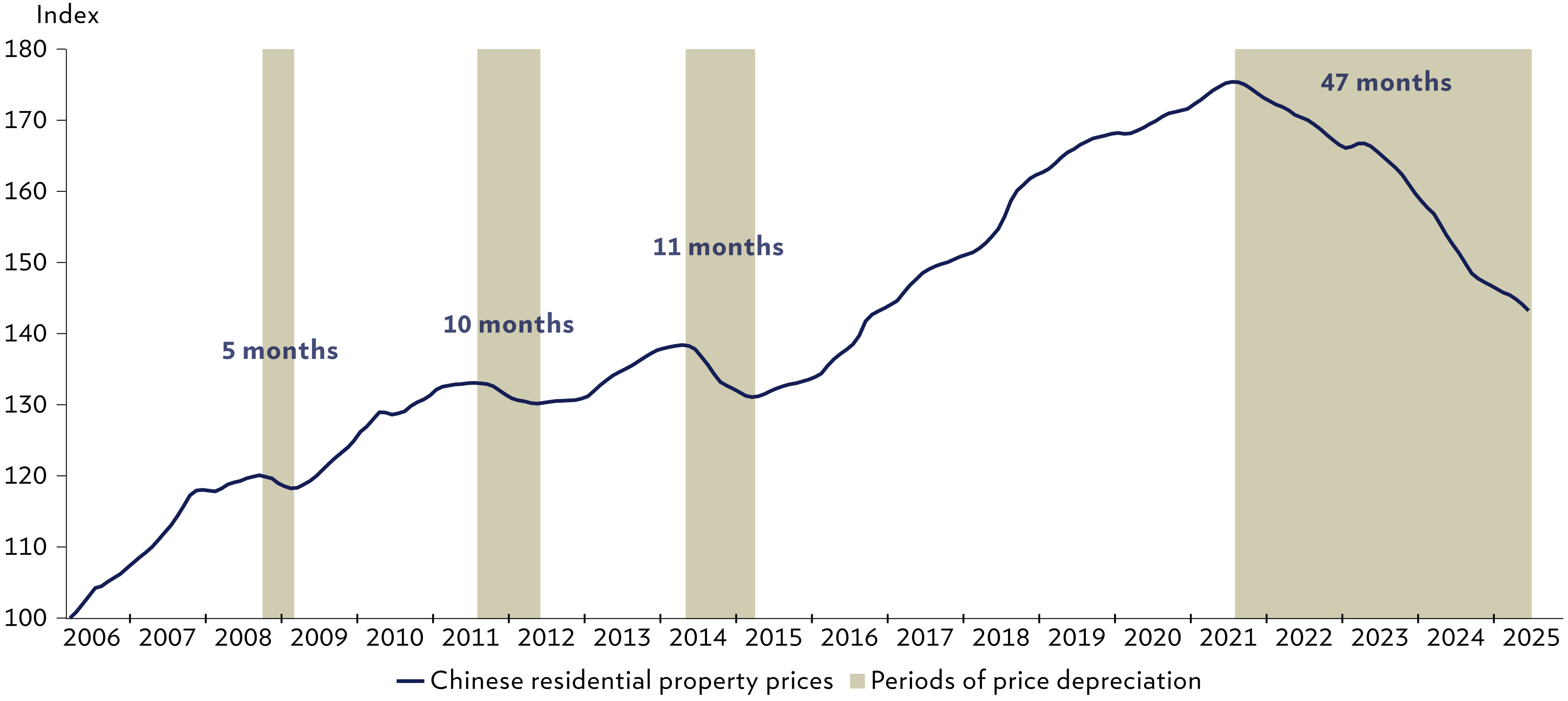


Source: Macrobond, Julius Baer

China's property deflation continues

The ongoing property price deflation puts pressure on household balance sheets.

Secondary market residential property prices in China

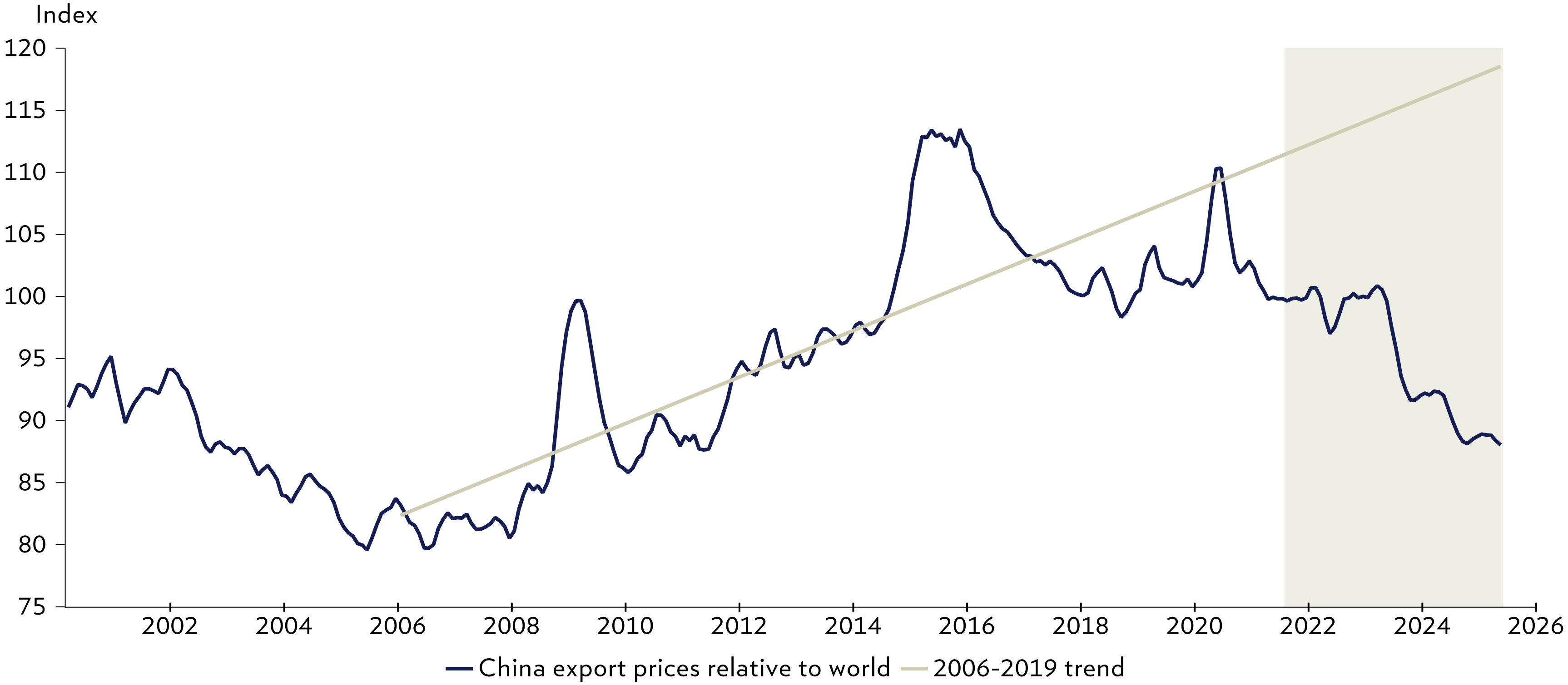


Source: Macrobond, Julius Baer

China continues to export deflation

Chines export prices dynamics show a significant improvement in export competitiveness and pressure on prices of export markets

Chinese export prices relative to global developments



Source: Macrobond, Julius Baer
Note: Shaded area highlights most recent house price depreciation

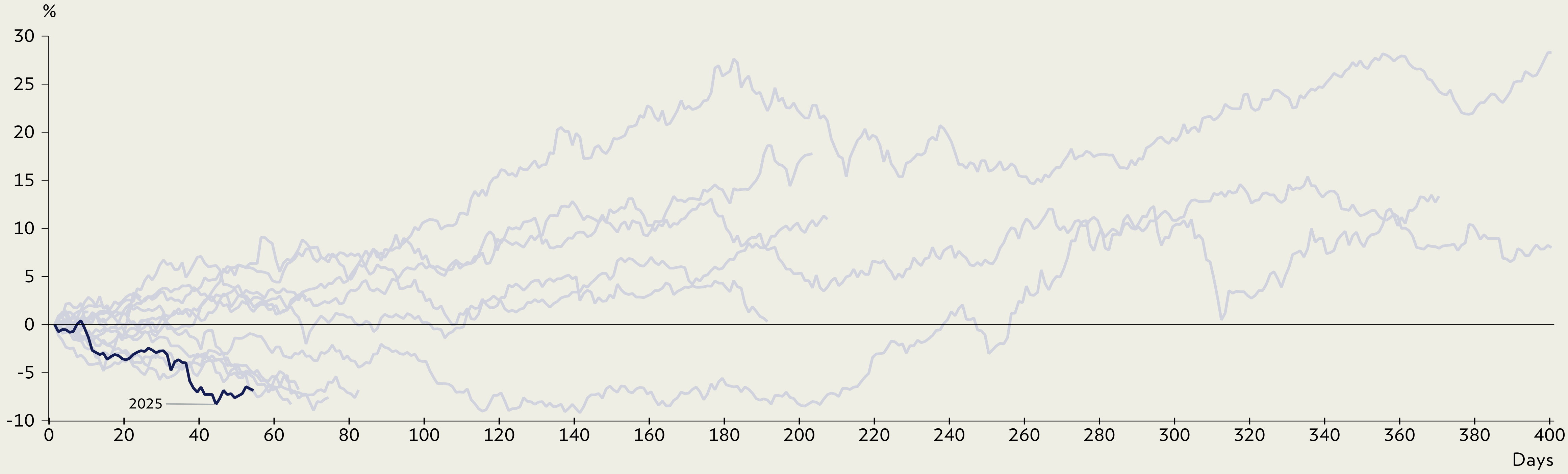
FOREIGN EXCHANGE

Dealing with the dollar

The US dollar failed to deliver protection in H1 2025

The US dollar has failed – so far – to deliver on its promise as a safe haven and offset the losses of foreign investors in the US.

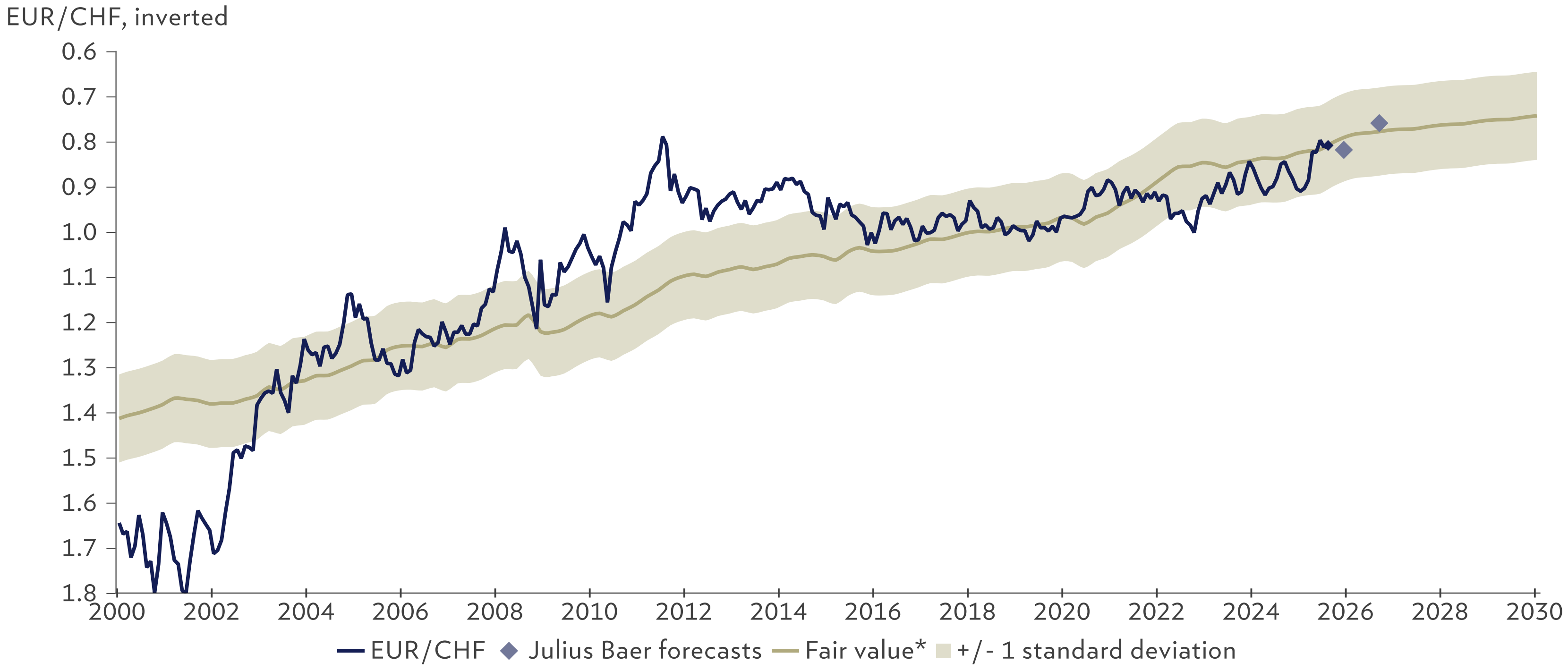
US Dollar Index during equity market corrections* since 1980



Source: Macrobond, Julius Baer. Past performance and performance forecasts are not reliable indicators of future results. The return may increase or decrease as a result of currency fluctuations.
Note: * S&P 500 Index drawdowns of more than 10%. The dark-blue line represents the equity market correction in 2025, while the light-blue lines represent previous equity market corrections.

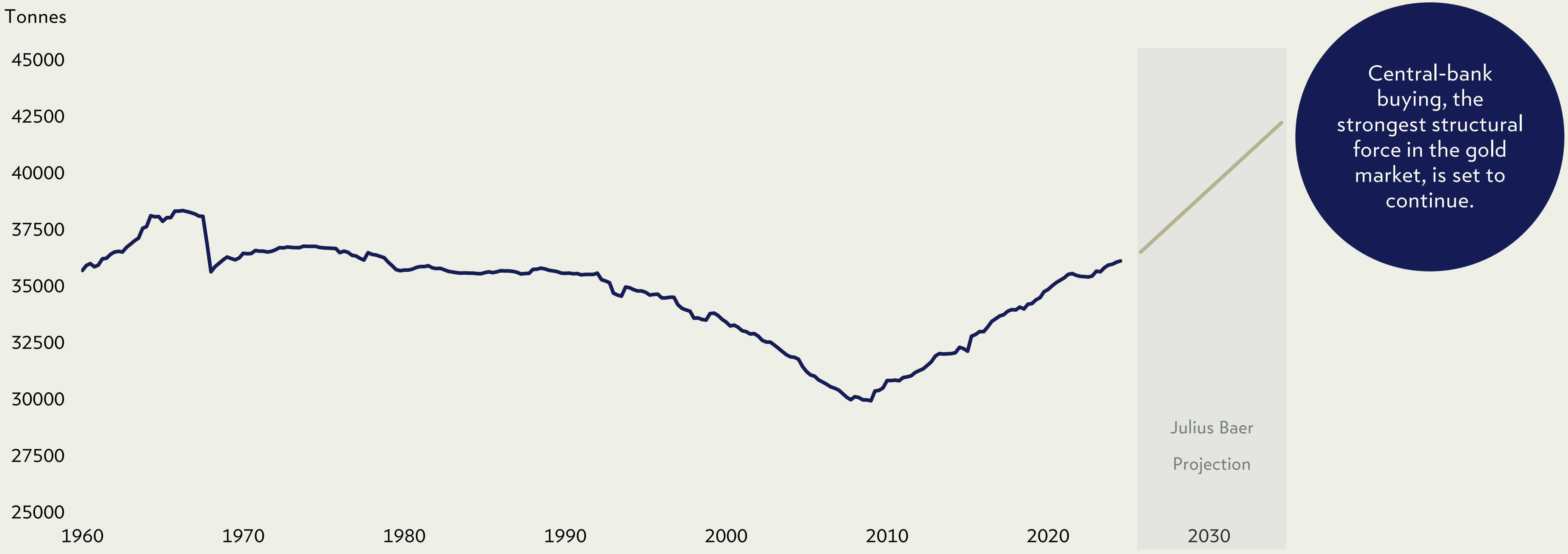
CHF: Trade and monetary policy stem against long-term uptrend

Trade uncertainties weigh on the franc short-term, but it's safe-haven status protects it from further downside. Long-term, a rising fair value suggests a continuation of the franc's structural uptrend.



Source: Oxford Economics, Macrobond, Julius Baer

Gold should continue to thrive and offers diversification benefits



Source: International Monetary Fund, Julius Baer

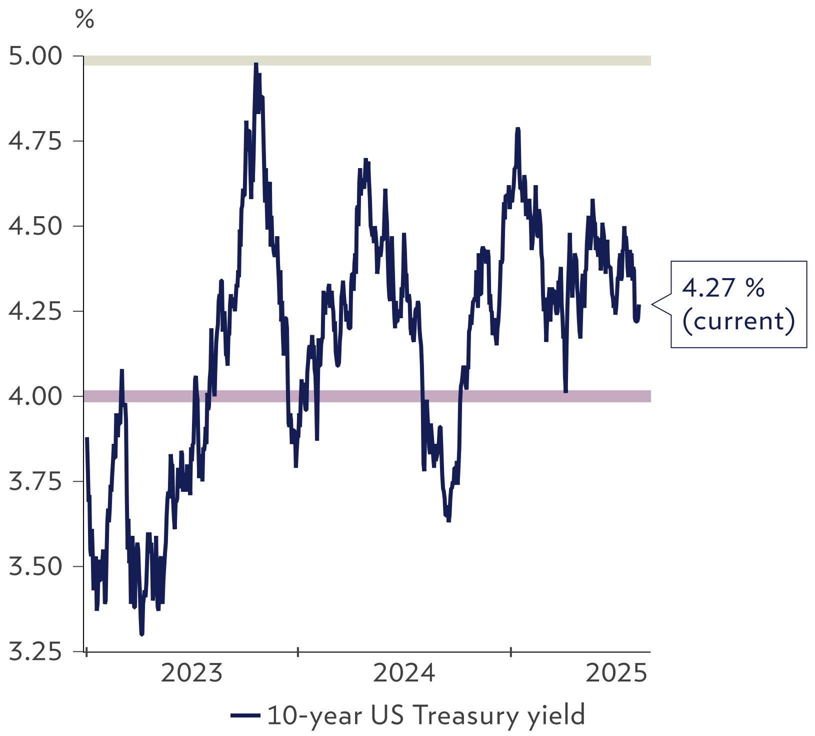
FIXED INCOME

Give credit where credit is due

Lower trading range for yields for next months

Environment should be more supportive for bonds in coming months, and a steepening yield curve should give reasons to buy bonds at the upper end of the belly (5-7y), still no clear case for much longer duration (>10y)

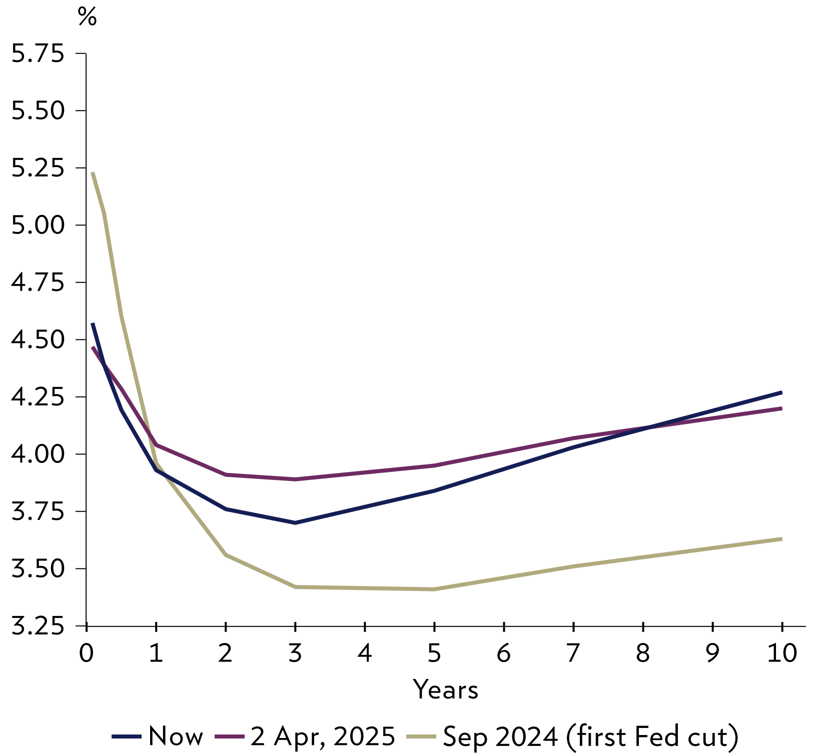
Lower trading range for US Treasury yield



Source: Macrobond, Julius Baer

New range

Steepness used to deploy at upper end

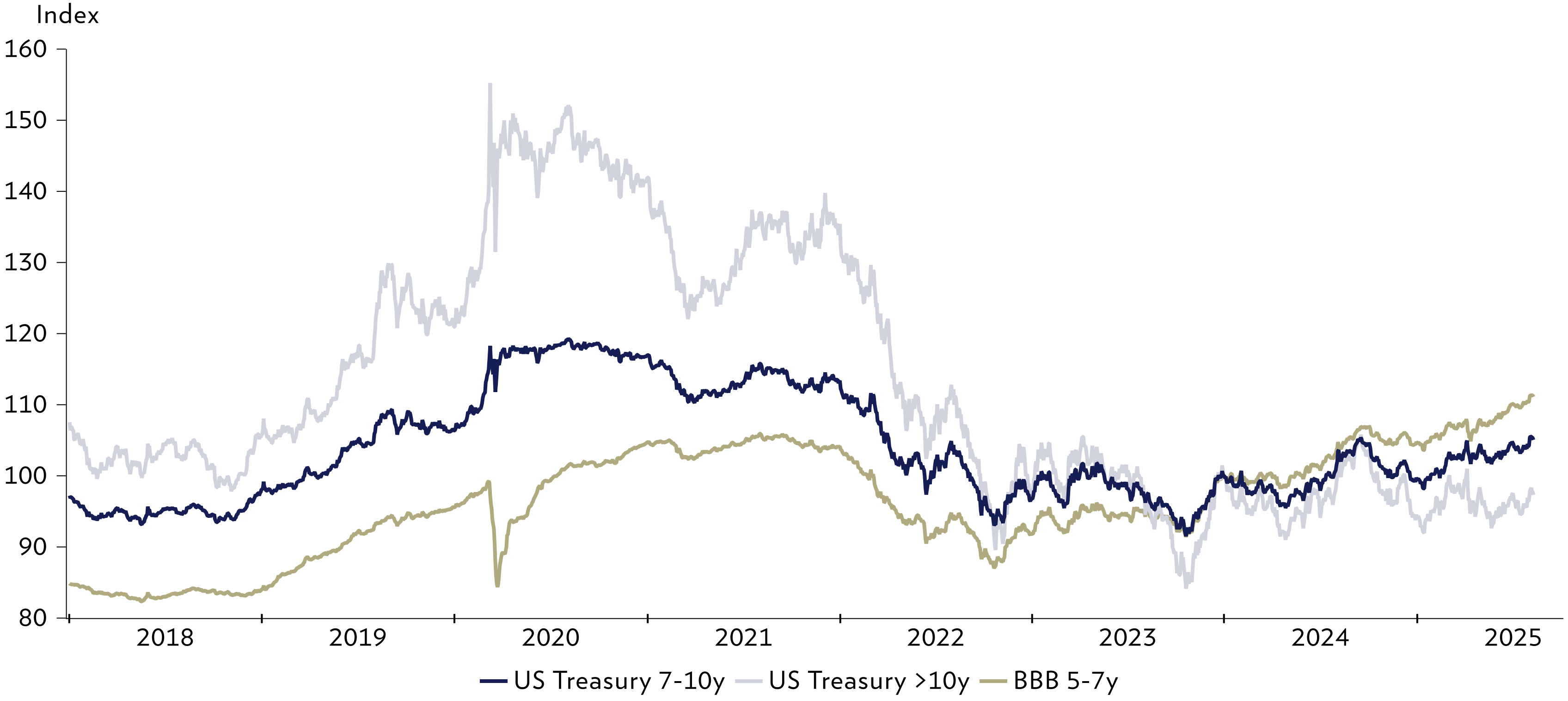


Source: Macrobond, Julius Baer

Carry on with corporate credit income investing

Fundamentals and technicals remain very favourable for BBB-rated corporate debt, which posts a smooth and attractive performance

What you look for: very smooth performance with BBB-rated corporate debt

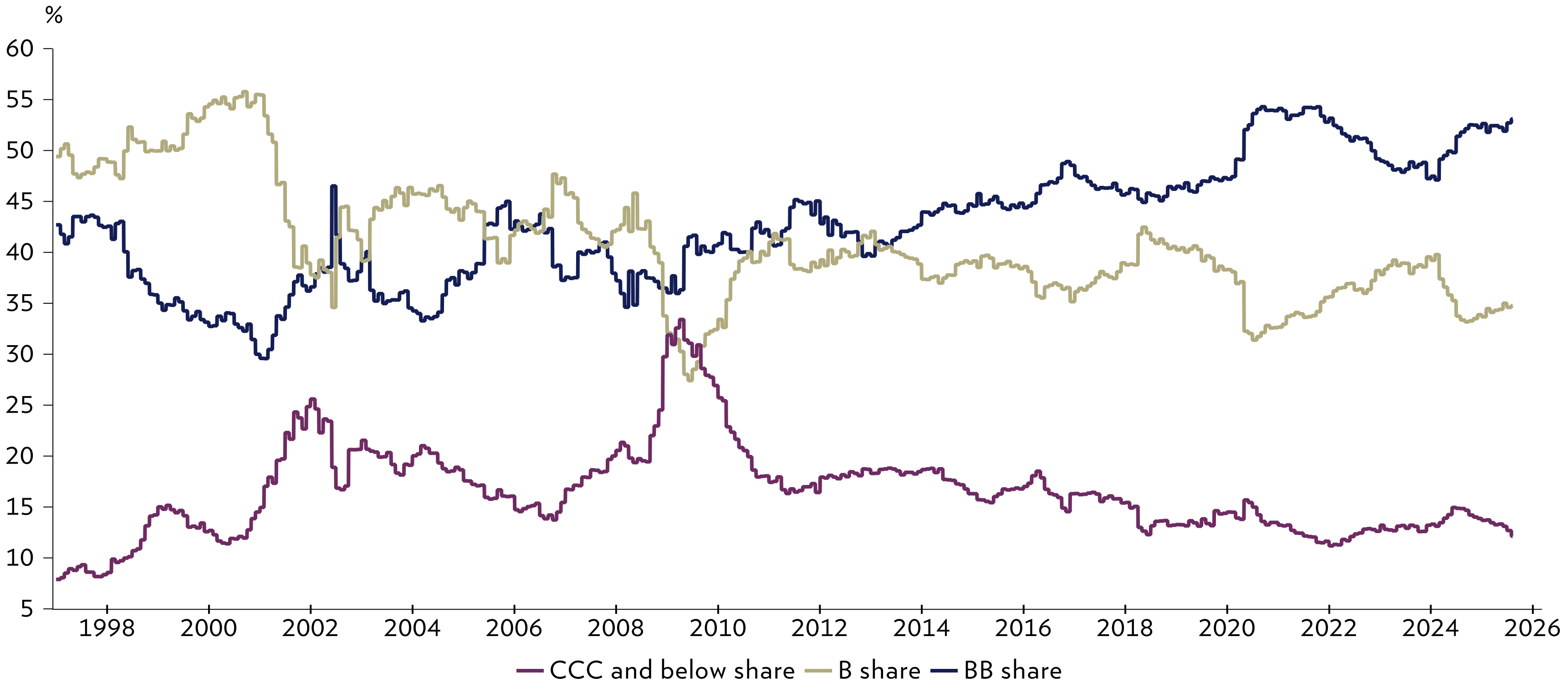


Source: ICE, Macrobond, Julius Baer

High yield market: structurally better credit quality

The high yield market increased in credit quality overall as riskier liabilities are likely outside the public space, explaining structurally lower spreads

The share of the safest BB-rated corporates increased

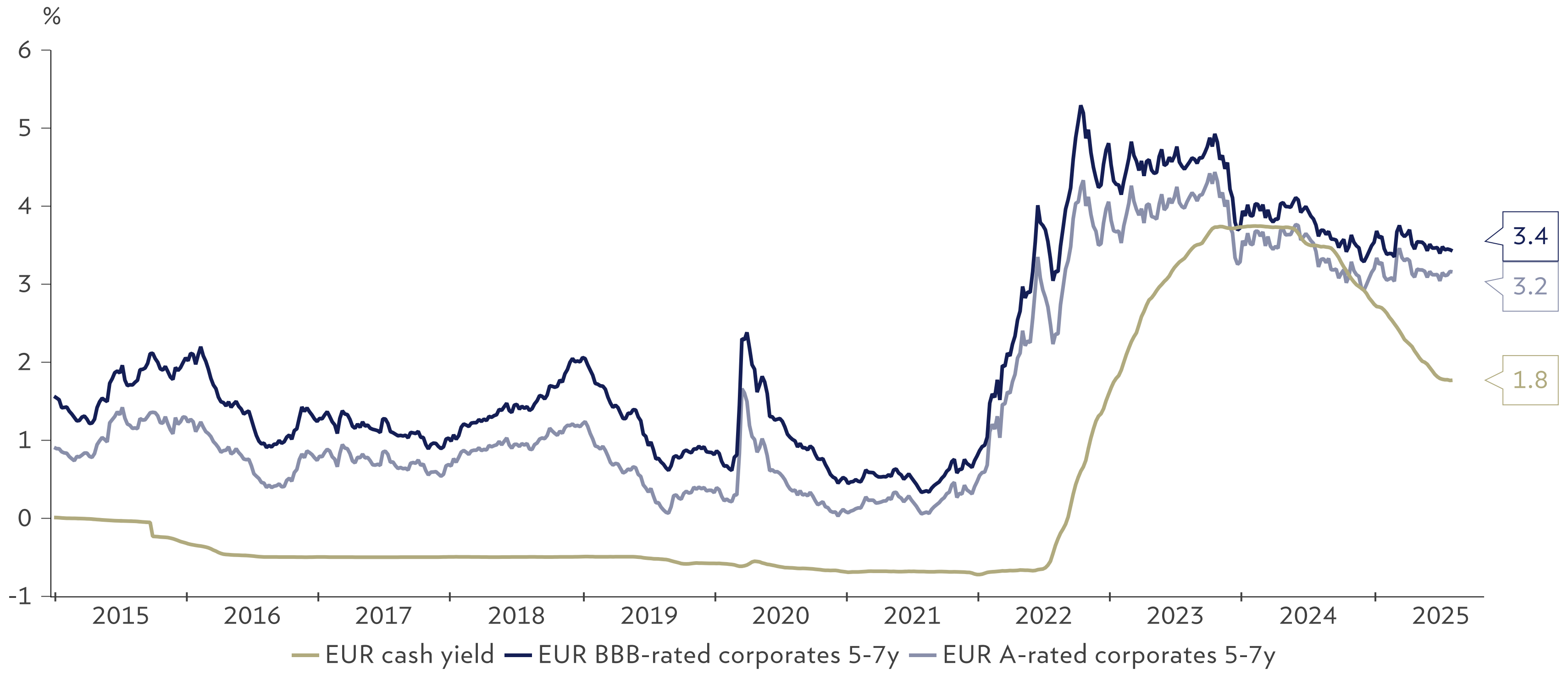


Source: ICE, Macrobond, Julius Baer

EUR corporate debt: in a sweet spot

A rare combination of short-term rates coming lower while the economic outlook is rather improving, without inflation accelerating substantially

Income investing with stable EUR yields



Source: ICE, Macrobond, Julius Baer

Key takeaways

Fixed income: Give credit where credit is due

1	2	3
We prefer corporate bonds over sovereign bonds.	There is no need for very long or very short duration calls.	We allocate the risk budget to US high-yield bonds and European / emerging market corporate debt.

Source: Julius Baer

EQUITIES

A bigger playing field

Magnificent 7: the AI train keeps charging ahead

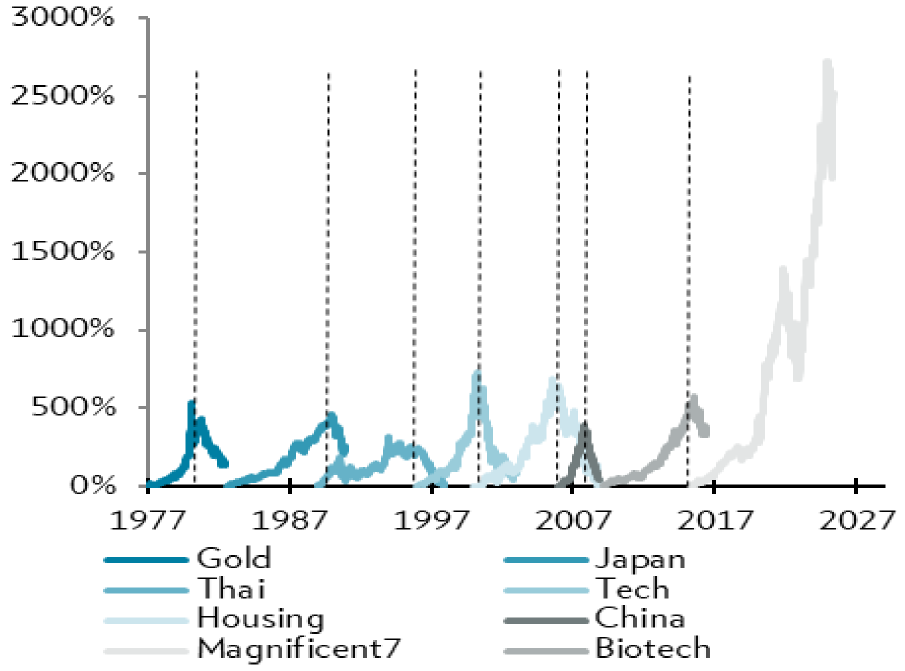
Q2 earnings have come in strong, reinforcing confidence in the AI growth story. Increased capex signals that the AI investment cycle is gaining pace. While risks remain, current trends point to continued momentum.

Relative and absolute Valuations and cash ratios remain attractive

	SPX Weight	2Y forward P/E	Cash/EV	FCF Yield	ROIC
Microsoft	4.5%	55.1x	4%	1.5%	22%
Cisco	4.2%	116.8x	1%	1.0%	17%
Intel	3.6%	39.3x	2%	1.8%	21%
Oracle	1.9%	103.6x	1%	1.0%	43%
Lucent	1.6%	35.9x	1%	-0.5%	12%
Tech Bubble (Q1 2000)	15.8%	**58.3x**	**2%**	**1.2%**	19%
Apple	5.5%	26.4x	2%	3.2%	61%
Google (Alphabet)	4.2%	17.0x	4%	2.9%	32%
Microsoft	7.1%	28.8x	2%	1.8%	23%
Amazon	4.2%	22.1x	4%	0.6%	14%
Meta platforms	3.4%	20.4x	4%	2.6%	31%
Tesla	1.8%	114.3x	4%	0.6%	5%
NVIDIA	7.7%	29.8x	1%	1.7%	86%
Magnificent 7 (Q3 2025)	**33.8%**	**25.4x**	**3%**	**2.0%**	**28.6%**

Source: FactSet, Bloomberg, Julius Baer. Data as of 11.08.2025

Historic market bubbles

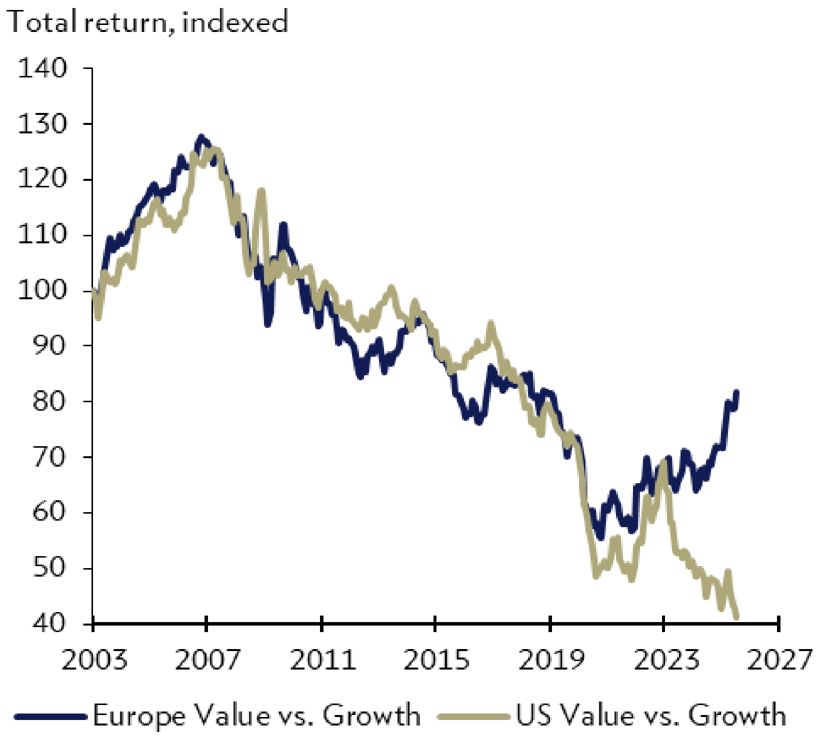


Source: Bloomberg Finance L.P., Julius Baer

European equities: Focus on cyclicals and value

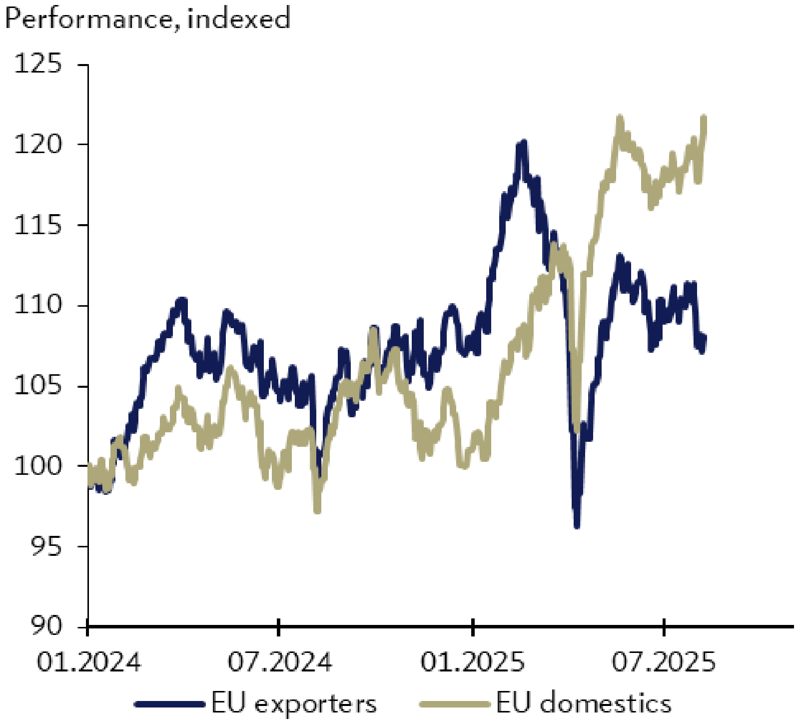
The current market momentum in Europe continues to favour Value and domestic-oriented sectors. This stands in contrast to the traditional Quality segment, which in Europe is largely composed of global exporters.

Growth outperforms in the US, Value in Europe



Source: Bloomberg Finance L.P., Julius Baer

Momentum in favor of EU stocks with high domestic exposure

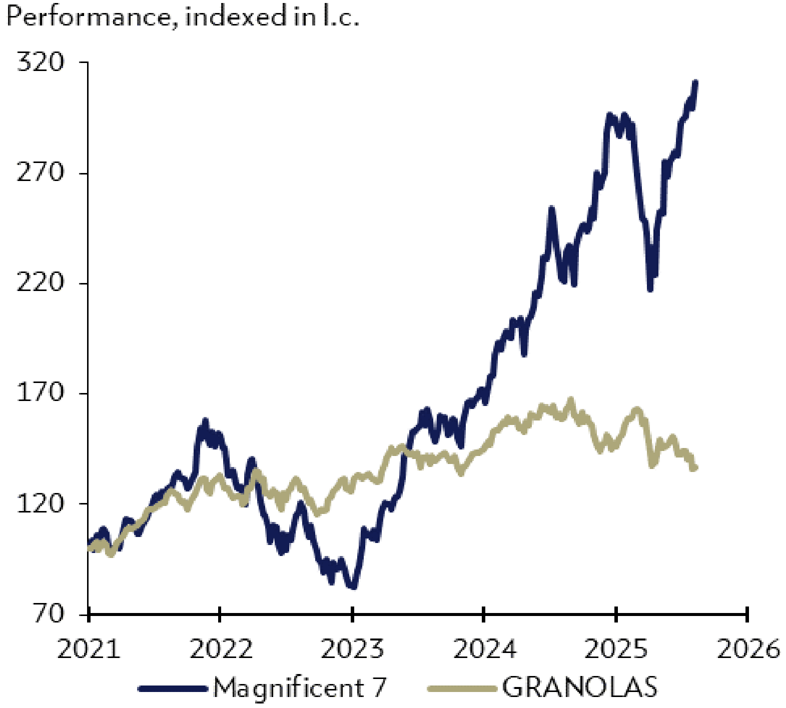


Source: Bloomberg Finance L.P., Julius Baer

US vs EU leaders

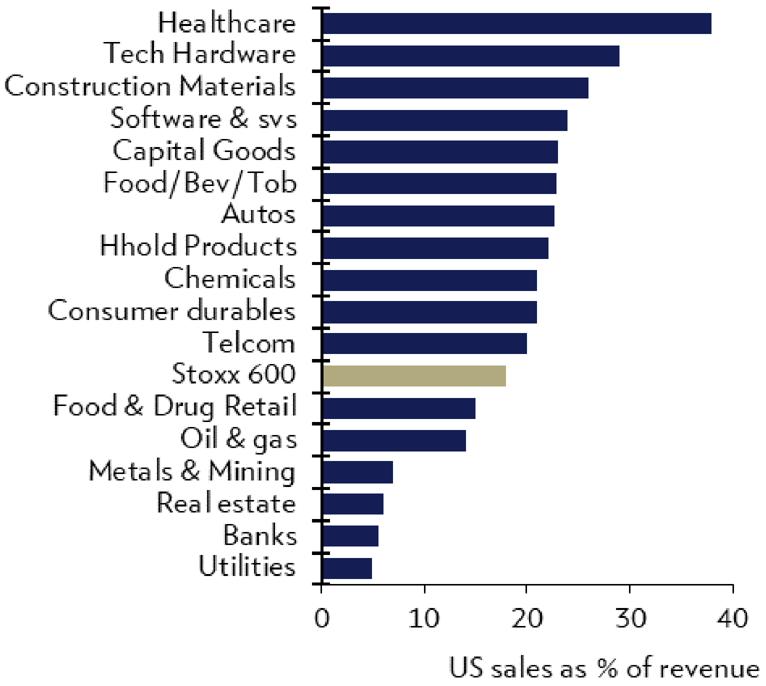
While the Mag7 continues to deliver stellar returns, the biggest stocks in Europe have struggled to maintain post-COVID growth momentum, leading to earnings downgrades and valuations reset to less superior growth

In Europe the largest stocks have underperformed



Source: Bloomberg Finance L.P., Julius Baer; Mag7 = Meta, Amazon, Apple, Microsoft, Alphabet, Tesla and Nvidia; GRANOLAS: GSK, Roche, ASML, Nesté, Novartis, Novo Nordisk, L'Oréal, LVMH, AstraZeneca, SAP and Sanofi.

Quality stocks in Europe have high exposure to the US (FX/tariff tisks)

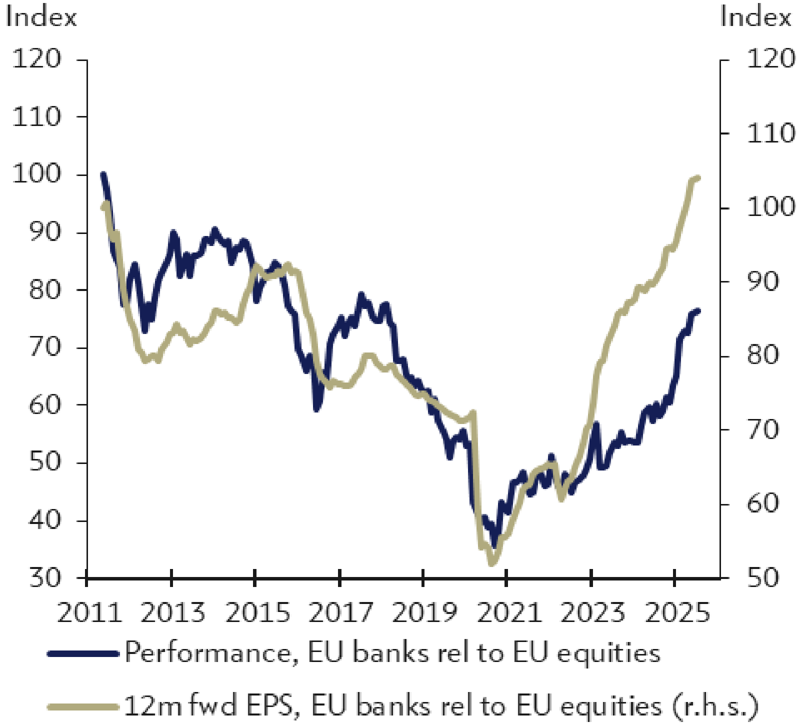


Source: Bloomberg Finance L.P., Julius Baer

EU banks: Maintain OW- Further upside ahead

Despite the sharp outperformance as of late, the relative performance of European banks are lagging earnings trends. Valuations remain relatively attractive.

Relative performance lagging EPS trends



Source: Refinitiv Eikon, Julius Baer

Despite the recent outperformance, valuations remain undemanding

Source: Refinitiv Eikon, Julius Baer

China market continues to climb the wall of worry

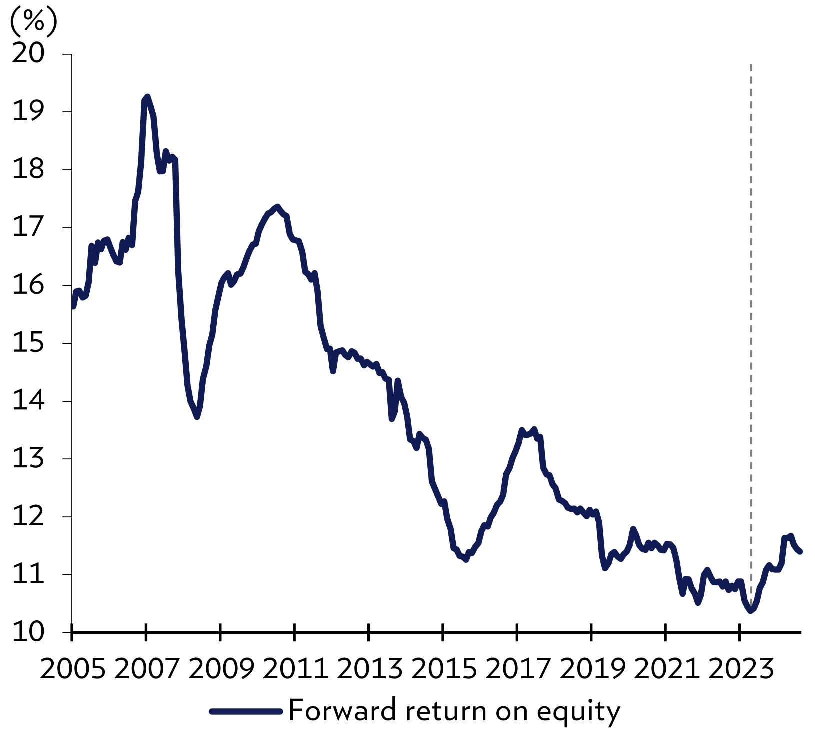
The Hang Seng Index is one of the best performing markets ytd notwithstanding continuing growth challenges and trade concerns

Source: FactSet, Julius Baer.

Bottom-up driven OW thesis

Company fundamentals and attractiveness have stabilized – ROE improved and dividend payout increased

Forward ROE has seen a strong rebound



Source: Bloomberg.

Dividend payout has been increasing

Source: Bloomberg, UBS.

Key takeaways

Equities: A bigger playing field

1

The US is no longer our preferred market; we are diversifying beyond the mega caps and into other regions.

2

We favour quality mid-cap stocks and cyclical sectors.

3

We find value in German stocks, banks and see tactical opportunities in China.

Source: Julius Baer

Our focus in Next Generation

Structural drivers remain strongly in favour of our three key calls in Next Generation

1
Cloud Computing & AI

Cloud Computing & AI will certainly remain in focus in 2025, not least because of the dominant size reached by the companies included in the theme. As we see no signs of a bubble, we reiterate our Constructive view on the theme.

2
Future Cities

The Future Cities theme addresses ongoing efforts to tackle the structural challenges facing our cities, ranging from degrading infrastructure to an ageing property stock, coupled with the rise of online shopping, the shift to working from home, and the growing threat of climate change.

3
Extended Longevity

Extended Longevity builds on rising life expectancy. A world of older adults inevitably impacts consumer patterns and causes involuntary changes as a result of changing life aspirations and age-related conditions.

Source: Julius Baer; AI = artificial intelligence

Research Outlook 2025

Explore the new digital version

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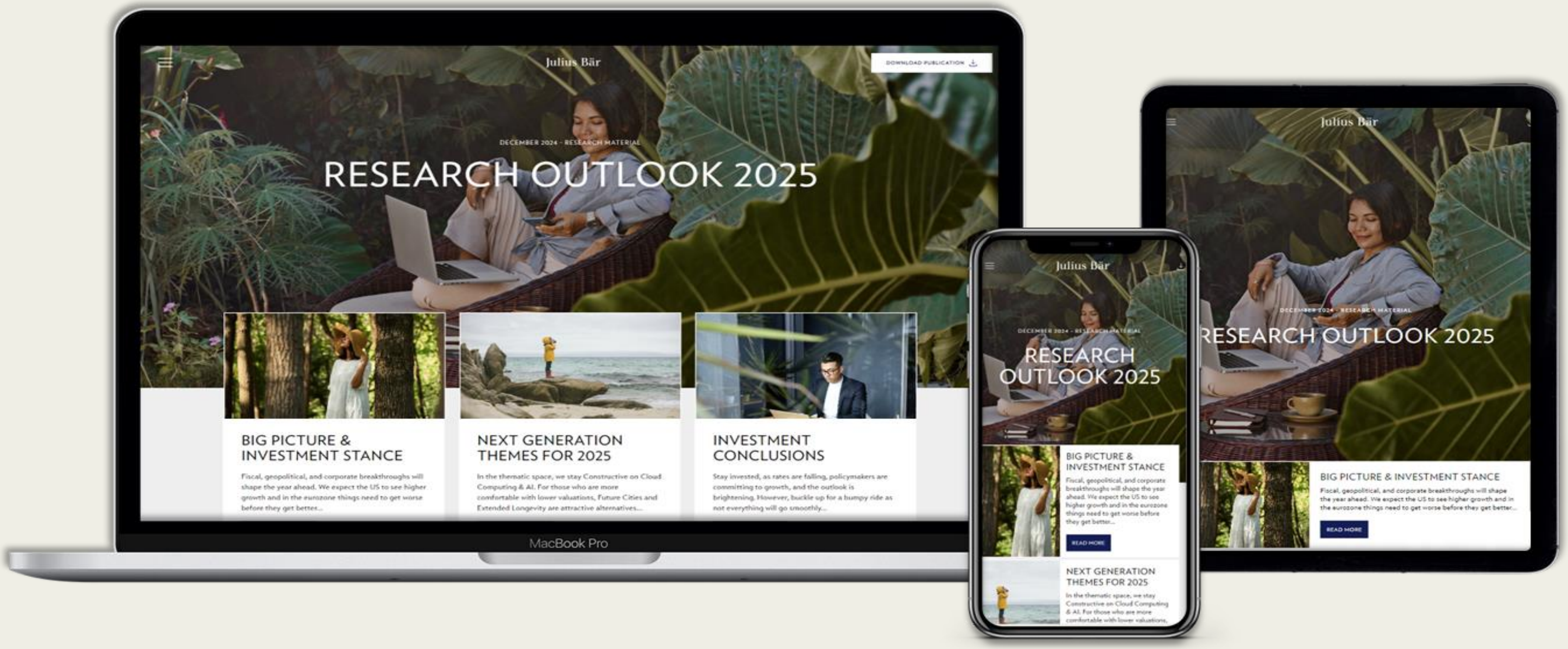
QR code to explore



Economic Baseline Scenario

Perspectives 2024-2026

GROWTH
Gross domestic product, real, % year-on-year

Year average	2022	2023	2024	2025	2026
World	3.6	3.4	3.3	3.1	2.9
United States	2.5	2.9	2.8	1.6	1.3
Eurozone	3.6	0.7	0.9	1.3	1.1
Germany	1.9	-0.7	-0.5	0.5	1.2
France	2.8	1.6	1.1	0.6	0.9
Italy	5.0	0.8	0.5	0.6	0.8
Spain	6.2	2.7	3.2	2.6	1.8
United Kingdom	4.8	0.4	1.1	1.3	1.3
Switzerland	3.1	0.7	1.4	1.0	1.2
Japan	0.9	1.4	0.2	1.2	1.0
Brazil	3.1	3.2	3.0	2.7	1.5
India	7.1	8.7	6.9	6.9	7.4
China	3.0	5.2	5.0	4.7	4.0
Australia	4.1	2.1	1.0	1.7	2.5

INFLATION
Consumer price index, % year-on-year

Year average	2022	2023	2024	2025	2026
World	8.0	5.6	4.1	3.6	3.1
United States	8.0	4.1	3.0	2.9	2.9
Eurozone	8.4	5.4	2.4	2.1	1.6
Germany	6.9	5.9	2.3	2.1	1.5
France	5.9	5.7	2.3	1.0	1.8
Italy	8.7	5.9	1.1	1.9	1.6
Spain	8.3	3.4	2.9	2.3	1.9
United Kingdom	9.1	7.3	2.5	3.2	2.2
Switzerland	2.8	2.1	1.1	0.2	0.6
Japan	2.5	3.3	2.7	3.1	1.8
Brazil	9.3	4.6	4.4	5.0	4.0
India	6.7	5.7	4.9	3.9	4.4
China	1.9	0.3	0.2	0.1	0.6
Australia	6.7	5.6	3.2	2.5	2.6

SHORT-TERM INTEREST RATES
Central bank policy rate target, in % p.a.

Year end	2022	2023	2024	2025	2026
US Fed Funds target*	4.50	5.50	4.50	3.75	3.25
ECB Deposit rate	2.00	4.00	3.00	1.75	1.50
BoJ Overnight rate	-0.10	-0.10	0.25	1.00	1.25
BoE Base rate	3.50	5.25	4.75	3.75	3.25
SNB policy rate	1.00	1.75	0.50	0.00	0.00

LONG-TERM INTEREST RATES
10-year government bond yields, in % p.a.

Year end	2022	2023	2024	2025	2026
US Treasuries	3.62	4.01	4.40	4.21	4.30
Eurozone (Bunds)	2.11	2.10	2.22	2.61	2.75
Japanese gov't bonds	0.32	0.67	1.06	1.35	1.90
UK Gilts	3.37	3.84	4.41	4.35	4.40
Swiss Confed. bonds	1.25	0.66	0.26	0.42	0.70

Source: Julius Baer

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IMPRINT

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Overview of methodologies and glossary

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Equity strategy, currency and commodity research

Frequently used abbreviations

adj.	adjusted	bps	basis points	c.c.	constant currencies
capex	capital expenditure	consensus	average analyst expectation	DM	developed market(s)
E	estimate	ECB	European Central Bank	EM	emerging market(s)
Fed	US Federal Reserve	FX	foreign exchange	FY	Fiscal year
GDP	gross domestic product	H1; H2	first/second half of the year	ISM	Institute for Supply Management
l.h.s.	left-hand scale	m/m	month-on-month	market cap.	market capitalisation
p.a.	per annum	PMI	purchasing managers' index	PPP	purchasing power parity
Ppt	percentage point(s)	q/q	quarter-on-quarter	Q1; Q2	first/second/third/fourth quarter
REIT	real estate investment trust	r.h.s.	right-hand scale	WTI	West Texas Intermediate
y/y	year-on-year	YTD	year-to-date		

COMMODITY RESEARCH

Rating System

Bullish	Upward-sloping price path, taking into account historical volatility.
Constructive	Future price path has more upside than downside.
Neutral	Sideways-trading prices, taking into account historical volatility.
Cautious	Future price path has more downside than upside.
Bearish	Downward-sloping price path, taking into account historical volatility.

CURRENCY RESEARCH

Rating System

Bullish	Volatility-adjusted total expected return ranks in the upper quartile of a normal distribution-scaled ranking of covered currencies.
Neutral	Volatility-adjusted total expected return ranks between the upper and lower quartile of the normal distribution-scaled ranking of covered currencies.
Bearish	Volatility-adjusted total expected return ranks in the lower quartile of a normal distribution-scaled ranking of covered currencies.

EQUITY STRATEGY RESEARCH

Countries, sectors and investment styles are rated 'Overweight', 'Neutral' or 'Underweight'. These ratings are based on our expectations for relative performance versus regional and global benchmark indices.

Overweight	Expected to outperform regional or global benchmark indices in the coming 9-12 months, unless otherwise stated.
Neutral	Expected to perform in line with regional or global benchmark indices in the coming 9-12 months, unless otherwise stated.
Underweight	Expected to underperform regional or global benchmark indices in the coming 9-12 months, unless otherwise stated.

Equity investments are divided into three different risk segments. Risk here is defined as the historical five-year volatility based on monthly returns in CHF. Based on the data of all segments considered (developed markets, emerging markets, global sectors, investment styles) the following distinction is made:

Conservative	Investments whose historical volatility is in the bottom quartile of the universe described above.
Medium	Investments whose historical volatility is in the middle two quartiles of the universe described above.
Opportunistic	Investments whose historical volatility is in the top quartile of the universe described above.

Important legal information

Equity research

Equity rating allocation and recommendation history

Please refer to the following link for more information on the allocation of ratings and the current and 12-month historical investment recommendations made in relation to equities covered by Julius Baer Research.

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Rating system

Buy	Expected to outperform the regional industry group by at least 5% in the coming 9-12 months, unless otherwise stated.
Hold	Expected to perform in line (±5%) with the regional industry group in the coming 9-12 months, unless otherwise stated.
Reduce	Expected to underperform the regional industry group by at least 5% in the coming 9-12 months, unless otherwise stated.

Risk rating system

The risk rating (High/Medium/Low) is a measure of a stock's expected volatility and risk of losses in case of negative news flow. This non-quantitative rating is based on criteria such as historical volatility, industry, earnings risk, valuation and balance sheet strength.

Frequency of equity rating updates

An update on Buy-rated equities will be provided on a quarterly basis. An update for Hold and Reduce-rated equities will be provided semi-annually or on an ad-hoc basis.

Frequently used abbreviations

CAGR	Compound annual growth rate	DCF	Discounted cash flow	EBIT	Earnings before interest and taxes
EBIT-DA	Earnings before interest, taxes, depreciation and amortisation	EPS	Earnings per share	EV	Enterprise value
FCF	Free cash flow	MV	Market value	PEG	P/E divided by year-on-year EPS growth
P/B	Price-to-book value	P/E	Price-to-earnings ratio	P/TBV	Price-to-tangible book value
ROE	Return on equity	ROI	Return on investment	ROIC	Return on invested capital
RoTE	Return on tangible equity				

Important legal information

Fixed income research (1/2)

Issuer rating allocation and recommendation history

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Issuer rating system

Fixed Income Research assigns one of the following investment ratings to each issuer of the active universe:

Buy	The issuer has low default risk, strong fundamental data and/or its bonds are an attractive investment from a risk/return perspective, expected to outperform the comparable fixed income segment in the next six months.
Hold	The issuer has stable fundamentals and its bonds remain an attractive investment from a risk/return perspective although expected to perform in line with the comparable fixed income segment in the next six months.
Sell	The issuer's fundamental data has deteriorated significantly, with high default risk, and/or its bonds are no longer an attractive investment from a risk/return perspective.

Frequency of issuer rating updates

Financial or corporate issuers will be updated as events warrant and at least once semi-annually. Sovereign or supranational issuers will be updated as events warrant and at least once annually.

Market segment ratings

Overweight	Expected to outperform the broad fixed-income market over the next 3-6 months.
Neutral	Expected to perform in line with the broad fixed-income market over the next 3-6 months.
Underweight	Expected to underperform the broad fixed-income market over the next 3-6 months,

Risk categories

Conservative	Issuers most likely to preserve their top rating throughout the business cycle.
Quality	Issuers very likely to service and repay debt within a five-year credit scenario. These issuers are likely to preserve their investment-grade rating throughout a normal business cycle.
Opportunistic	Issuers quite likely to service and repay debt within a five-year credit scenario. They have an attractive risk/return profile but are subject to rating downgrade risk and might thus be periodically replaced.
Speculative	Sub-investment-grade issuers likely to service and repay debt in the current credit scenario. These issuers are subject to a higher downgrade and default frequency, requiring active management.

Important legal information

Fixed income research (2/2)

Credit rating definition

Following the definitions and methodology of credit rating agencies.

	Moody's	Standard & Poor's	Fitch Ratings	Credit rating definition
Invest-ment-grade	Aaa	AAA	AAA	Obligations are of the highest quality, with minimal credit risk.
	Aa1, Aa2, Aa3	AA+, AA ,AA-	AA+, AA, AA-	Obligations are of high quality and subject to very low credit risk.
	A1, A2, A3	A+, A, A-	A+, A, A-	Obligations are subject to low credit risk.
	Baa1, Baa2, Baa3	BBB+, BBB, BBB-	BBB+, BBB, BBB-	Obligations have certain speculative characteristics and are subject to moderate credit risk.
Non-invest-ment-grade	Ba1, Ba2, Ba3	BB+, BB, BB-	BB+, BB, BB-	Obligations are subject to substantial credit risk.
	B1, B2, B3	B+, B, B-	B+, B, B-	Obligations are speculative and subject to high credit risk.
	Caa1, Caa2, Caa3	CCC+, CCC, CCC-	CCC+, CCC, CCC-	Obligations are of poor standing and subject to very high credit risk.
	Ca	CC, C	CC, C	Obligations are highly speculative and are likely in or close to default, with some prospect of recovery of principal and interest.
	C	D	D	Obligations are typically in default, with little prospect of recovery of principal or interest.

Frequently used abbreviations

FCF	Free cash flow	CFI	Cash flow from investing	EBIT	Earnings before interest and taxes
CFO	Cash flow from operation	FFO	Funds from operation	EBITDA	Earnings before interest, taxes, depreciation and amortisation
CFF	Cash flow from financing	RCF	Retained cash flow	EM	Emerging Markets

Important legal information

Next Generation

Structural exposure scores

Companies are analysed to determine their exposure to one of the Julius Baer Next Generation (NG) themes and are assigned with a structural exposure score (‘Next Generation score’, ‘NG score’, or ‘thematic exposure score’). The score provides a comprehensive assessment of whether a company is projected to benefit from or be threatened by structural change and ranges from -3 to +3, whereby the top two scores are associated with thematic leaders, while the bottom two are associated with thematic laggards.

+2 and +3	Thematic leaders: the businesses of these companies should strongly (+2) or very strongly (+3) benefit from the identified structural trends, leading to above-average or well-above-average sales and earnings growth as well as resulting in significant market-share gains versus its competitors.
-1 to +1	The businesses of these companies are unlikely to be affected strongly by the identified structural trends, causing minor headwinds (-1) or tailwinds (+1) to sales and earnings or having hardly any impact (0).
-3 and -2	Thematic laggards: the businesses of these companies should be strongly (-2) or very strongly (-3) threatened by the identified structural trends, leading to below-average or well-below-average sales and earnings growth as well as resulting in significant market-share losses versus its competitors.

Thematic rating

The Next Generation research team maintains a thematic rating on all of its themes under coverage, which outlines its current assessment of the theme’s attractiveness from an investment point of view over a twelve-month horizon:

Bullish	Strongly positive expected returns at the upper end of historic norms, i.e. >15% for benchmark equity investment themes and >30% for more volatile and higher-risk themes.
Constructive	Moderately positive expected returns that are in line with historic norms, i.e. around 7.5% for benchmark equity investment themes and around 15% for more volatile and higher-risk themes.
Neutral	Flat expected returns subject to ranges between +/-10% for benchmark equity investment themes and +/-20% for more volatile and higher-risk themes.
Cautious	Moderately negative expected returns, reflecting a consolidation, i.e. around -7.5% for benchmark equity investment themes and around -15% for more volatile and higher-risk themes.
Bearish	Strongly negative expected returns at the lower end of historic norms, reflecting a sell-off, i.e. <-15% for benchmark equity investment themes and <-30% for more volatile and higher-risk themes.

Important legal information

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