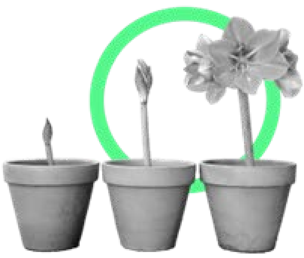
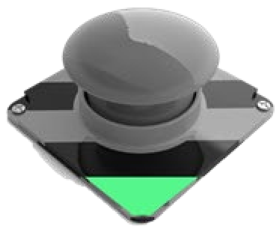
ZWEI
WEALTH

December
2023

Scenario Analysis 2024



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Preface

Dear Readers

It is impossible to predict how the financial year 2024 will develop. The investment outlooks published by banks and asset managers these days will be outdated within a few weeks.

This makes it all the more important to consider various scenarios for a holistic investment strategy and when managing assets. In recent years, ZWEI Wealth's scenario analysis has proven to be a very efficient tool for reviewing client-specific investment strategies and asset allocations. The analysis examines how the asset situation would develop in the event of different financial market developments. This enables us to identify any areas which require taking action and make specific recommendations.

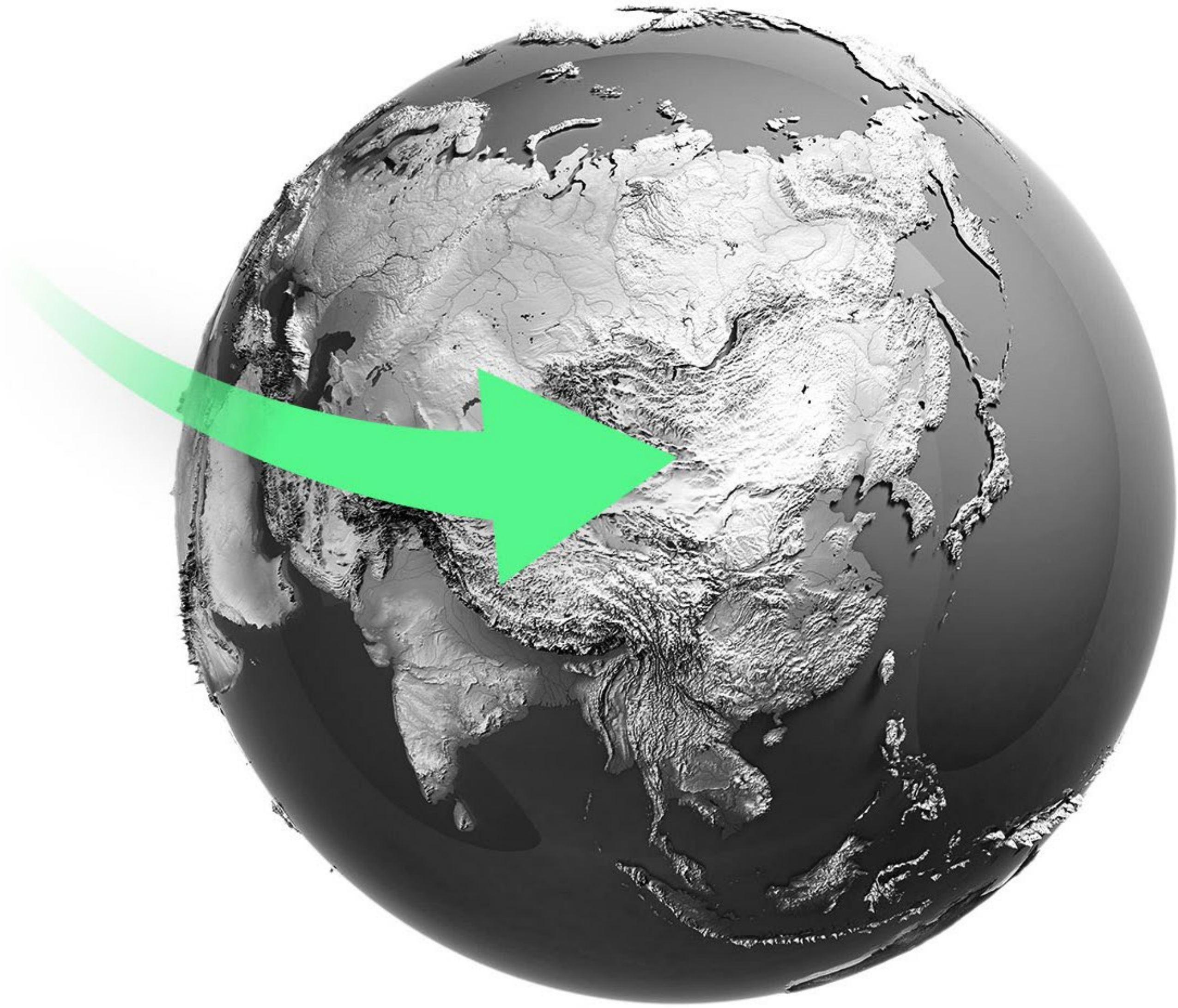
This report summarizes the most important scenarios, their probability of occurrence and a client example for Swiss franc investors. An individual scenario analysis is prepared for each Wealth Office client. An analysis can also be ordered separately if required.

We hope you enjoy reading this report and we will be happy to provide you with further information.

With best regards,
Patrick Müller
CEO ZWEI Wealth

Scenario 1: Market Expectation

The world economy remains growing at a lower pace compared to its long-term average. Inflation continues to slowly decline while the central banks keep interest rates stable at today's levels.



Details of scenarios

	0-3 years	4-10 years	11+ years
Return expectation p.a. (defensive investment portfolios)	2.0%	3.0%	3.5%
Return expectation p.a. (moderate investment portfolios)	3.5%	4.5%	5.0%
Return expectation p.a. (aggressive investment portfolios)	5.0%	6.0%	6.5%
Inflation rate (p.a.)	2.0%	1.5%	1.5%

How to avoid the risks?

- Implement a larger liquidity buffer than usual
- Lower the exposure to interest rate sensitive investments

How to capture opportunities?

- Avoid to reduce equity investments away from strategic allocation
- Extra allocation to alternatives like gold, bitcoin etc. worth to consider

65%

Probability of occurrence (medium to high)

Assessment of 54 wealth managers surveyed in November 2023 on the four scenarios

Scenario 2: Sustainable growth

The world economy returns to high growth rates, inflation decreases and stabilizes at low levels, while central banks lower interest rates.

Details of scenarios

	0-3 years	4-10 years	11+ years
Return expectation p.a. (defensive investment portfolios)	3.0%	3.5%	4.5%
Return expectation p.a. (moderate investment portfolios)	4.5%	5.0%	6.0%
Return expectation p.a. (aggressive investment portfolios)	6.0%	6.5%	7.5%
Inflation rate (p.a.)	2.0%	1.5%	1.0%

How to avoid the risks?

- Update your liquidity plan to avoid negative surprises on cash flows

How to capture opportunities?

- Ensure your equity allocation is at its strategic level and that the risk budget is adequately used
- Increase the duration of the bond investment strategy

41%

Probability of occurrence (medium)

Assessment of 54 wealth managers surveyed in November 2023 on the four scenarios

Szenario 3: High inflation

Inflation is increasing significantly. Economic growth is slowing down and central banks need to focus on fighting inflation.

Details of scenarios

	0-3 years	4-10 years	11+ years
Return expectation p.a. (defensive investment portfolios)	-4.5%	2.5%	3.0%
Return expectation p.a. (moderate investment portfolios)	-6.0%	4.0%	4.5%
Return expectation p.a. (aggressive investment portfolios)	-9.5%	5.5%	6.0%
Inflation rate (p.a.)	7.5%	6.5%	4.0%

How to avoid the risks?

- Ensure a low duration on bonds and a low exposure to interest rate sensitive investments
- Adapt the nominal expenditures in the liquidity plan for higher inflation

How to capture opportunities?

- Consider an extra allocation to alternatives like gold, bitcoin etc.
- Focus the equity and bond allocation to quality and low duration

35%

Probability of occurrence (low)

Assessment of 54 wealth managers surveyed in November 2023 on the four scenarios

Scenario 4: Big crisis

The global economy is experiencing a major upheaval triggering a big recession. At the same time inflation is increasing again and the faith into the monetary policy is deteriorating.

Details of scenarios

	0-3 years	4-10 years	11+ years
Return expectation p.a. (defensive investment portfolios)	-8.5%	1.5%	-0.5%
Return expectation p.a. (moderate investment portfolios)	-10.0%	3.0%	-1.0%
Return expectation p.a. (aggressive investment portfolios)	-15.5%	4.5%	-2.5%
Inflation rate (p.a.)	8.0%	4.0%	2.0%

How to avoid the risks?

- Increase cash and diversify the custodian services by institute and geography
- Avoid allocations to funds, structured products and other wrapping solutions

How to capture opportunities?

- Consider an extra allocation to alternatives like gold, bitcoin etc.
- Increase the allocation to real assets such as real estate and equities with a local focus

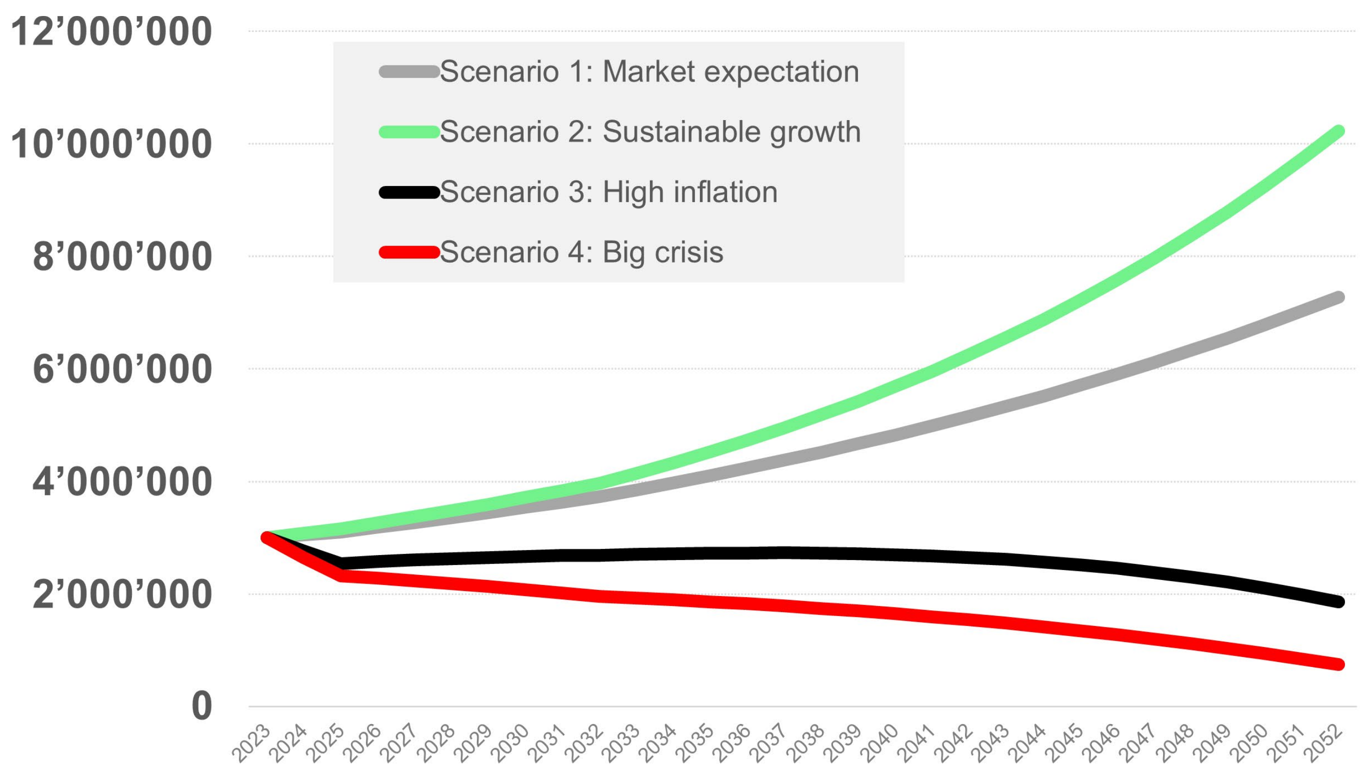
35%

Probability of occurrence (low)

Assessment of 54 wealth managers surveyed in November 2023 on the four scenarios

Scenario analysis using the customer example

The following chart and tables show the results of the scenario analysis for one customer case as an example:
- Assets of CHF 3 million
- Balanced investment strategy
- Annual liquidity requirement of CHF 50,000



Results per scenario

Scenario 1

Effect on your assets	CHF
Asset growth p.a. (average over 10 years)	145’500
Required liquidity p.a. (after inflation)	56’158
Net effect p.a. (average over 10 years)	**89’342**
Time until complete asset depletion in years	**n.a.**

Scenario 2

Effect on your assets	CHF
Asset growth p.a. (average over 10 years)	145’500
Required liquidity p.a. (after inflation)	54’63
Net effect p.a. (average over 10 years)	**91’237**
Time until complete asset depletion in years	**n.a.**

Scenario 3

Effect on your assets	CHF
Asset growth p.a. (average over 10 years)	30’000
Required liquidity p.a. (after inflation)	70’128
Net effect p.a. (average over 10 years)	**-40’128**
Time until complete asset depletion in years	**74.8**

Scenario 4

Effect on your assets	CHF
Asset growth p.a. (average over 10 years)	-90’000
Required liquidity p.a. (after inflation)	64’424
Net effect p.a. (average over 10 years)	**-154’424**
Time until complete asset depletion in years	**19.4**

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