

LMM COMPASS



Dear reader

Few megatrends are as profound and steady as demographic development. While technological or geopolitical trends often follow cyclical patterns, demographics represent a predictable, long-term driver of economic structures. For capital markets, this means: population growth, aging, and migration are not mere statistics – they determine which industries will grow, which will shrink, and how capital should be allocated.



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THEMES



Market data
Markets and strategies



Specialist article
Megatrend Demo-
graphics – Structural
Change with Capital
Market Relevance



MARKET DATA

In 2025, global markets experienced overall positive development despite ongoing geopolitical tensions and economic uncertainties. The global economy showed moderate growth, supported by steady consumer demand and positive corporate earnings in developed countries. Central banks, particularly in the US and Europe, opted for interest rate cuts to stimulate economic growth. This policy contributed to market stabilization and supported investor risk appetite.

In emerging markets, growth was uneven, with some regions benefiting from a strong recovery, while others were impacted by geopolitical uncertainties and local crises. Trade relations between the US and China remained tense, leading to repeated trade barriers and disruptions in global supply chains.

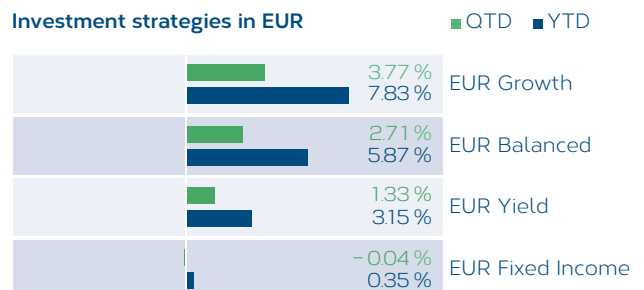
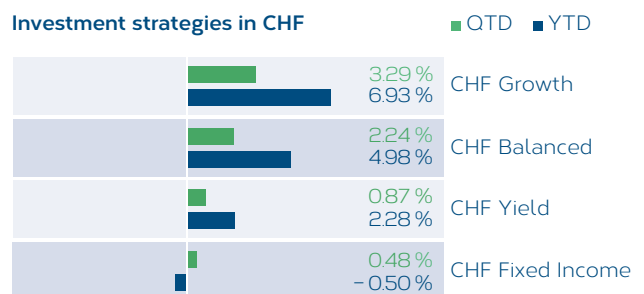
On the bond markets, government bonds from developed markets dominated. In equity markets, positive

performance was observed, with particularly strong gains in technology stocks and emerging markets. Gold benefited from the interest rate policy and experienced growth as a safe haven. Silver also showed positive development toward the end of the year, benefiting from both the interest rate cuts and rising industrial demand, making it a valuable alternative in portfolios.

Strategies

In the fourth quarter of 2025, all CHF and EUR investment strategies showed positive results, except for EUR interest income. Over the course of 2025, results for CHF investment strategies ranged from -0.50% to +6.93%, while EUR strategies ranged from +0.35% to +7.83%.

		Value	%QTD	%YTD	Currency
Currencies	EUR / CHF	0.93	-0.46	-0.84	
	EUR / USD	1.17	-0.03	+13.43	
	USD / CHF	0.79	-0.43	-12.58	
	USD / JPY	156.74	+6.13	-0.27	
Bonds	Switzerland		-0.67	-0.09	CHF
	Europe		+0.23	+1.25	EUR
	USA		+1.10	+7.30	USD
	EMMA (Hard Currency)		+2.21	+12.16	USD
	Inflation Linked		+0.74	+9.11	USD
	High Yield		+2.24	+12.06	USD
	World		+0.24	+8.17	USD
Equities	Switzerland		+9.36	+16.65	CHF
	Europe		+6.25	+19.39	EUR
	North America		+2.33	+17.31	USD
	Pacific		+2.16	+23.30	USD
	EMMA		+4.73	+33.57	USD
	World		+3.29	+22.34	USD
Alternatives	Real Estate		-0.50	+10.70	USD
	Commodities		+4.84	+11.07	USD
	Gold		+11.81	+64.37	USD
	Private Equity (listed)		-1.30	+1.11	USD
	Hedge Fonds		+1.41	+7.14	USD



Note: the figures are before costs
Calculation LMM; Period 01.01. – 31.12.2025

Calculation LMM; reference date 01.01. – 31.12.2025



MEGATREND DEMOGRAPHICS – STRUCTURAL CHANGE WITH CAPITAL MARKET RELEVANCE

1. Global Trends: Aging, Urbanization, and Imbalance

Although the global population continues to grow, the pace has significantly slowed. According to UN projections, global population growth will stagnate by 2050, while the age structure will undergo a dramatic shift: In developed economies like Germany, Japan, or Italy, up to 35% of the population will be over 60 years old. At the same time, the youth population is growing in emerging markets, particularly in India, Africa, and Southeast Asia.

This divergence leads to an economic imbalance: While mature economies face rising social spending, labor shortages, and productivity pressures, younger nations benefit from a so-called demographic dividend – a high share of working-age population, unlocking growth potential. Capital flows are likely to shift towards these growth markets in the long term, especially in sectors like infrastructure, education, consumer goods, and financial services.

Urbanization amplifies this trend: Over 55% of people already live in cities, and this share is rising. This change alters consumption patterns, increases demand for real estate, and drives investments in smart city solutions, logistics, and energy efficiency.

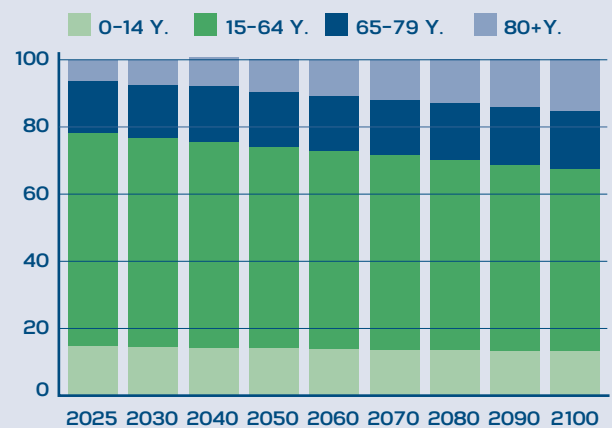
2. Capital Markets in the Age of Demographic Change

Demographic change influences interest rates, savings rates, and capital flows. According to statistics (see chart), life expectancy is increasing, which tends to make aging societies more inclined to save and less willing to take risks. This has contributed to structurally low real interest rates in recent years. At the same time, pension systems and insurers face mounting pressure to generate stable returns in a low-growth environment.

For capital markets, this means that bond markets will continue to be supported by sustained high demand for safe assets. In equity markets, experts predict that

HOW EUROPE IS AGEING

Forecast for the development of the age structure of the EU population (in %)



Source: Eurostat

dividend-rich and defensive sectors may benefit, such as stocks from the healthcare, caregiving, and basic consumer goods sectors.

Another phenomenon is capital consumption. Aging households tend to liquidate accumulated savings during retirement to finance consumption. This process could lead to asset sales in the medium to long term. In contrast, emerging markets may benefit from capital inflows, as the return outlook and demographic dynamics remain more attractive.

3. Sectoral Winners and Structural Losers

From an investment perspective, the demographic megatrend targets specific industries. Winning sectors are characterized by structural demand that is independent of economic cycles:

Healthcare:

Aging populations drive increasing demand for pharmaceuticals, medical technology, nursing homes, and healthcare services. Companies focused on treating chronic diseases, diagnostics, and digital health solutions will particularly benefit.



Insurance and Pension Products:

Financial planning, life insurers, pension funds, and asset managers offering innovative retirement solutions are becoming more significant.

Consumer Goods and Leisure:

Seniors represent a wealthy target group focused on quality of life, travel, health, and, in some cases, luxury goods.

Automation and Robotics:

The labor shortage in aging economies is driving investments in productivity enhancements, robotics, and artificial intelligence.

4. Investment Strategies in the Context of the Megatrend

The demographic megatrend requires both institutional and private investors to adjust their evaluation methods. Instead of focusing solely on short-term market movements, long-term structural factors must also be considered in the decision-making process. A demographic-based investment strategy involves not only geographic diversification by investing in emerging, young economies but also focusing on sectors expected to experience stable demand due to long-term demographic changes.

Fund providers and asset managers are already responding: «Silver Economy» funds, demographically diversified ETFs, and healthcare-themed strategies are

gaining in importance. Additionally, impact investments in education, healthcare, or retirement provision provide an opportunity to combine returns with social benefits.

Conclusion: Demographics as a Compass for Long-Term Capital Allocation

The demographic megatrend is not a short-term cycle, but a global structural shift that will sustainably shape markets, industries, and asset classes. Shifts in population dynamics could determine interest rates, productivity patterns, and capital flows for decades. For investors, it is crucial to view this trend not as a risk, but as a strategic opportunity.

Those who understand demographic patterns and incorporate them into their allocation can capitalize on investment opportunities, such as focusing on sectors that will benefit from increased investments due to population aging.

The statement that demographics is «perhaps the most predictable variable of the future» highlights the fact that demographic developments are relatively easy to predict (in contrast to factors like technology or political developments). Investors can incorporate these trends into their long-term planning, as demographic change is difficult to alter in the short term and thus provides a reliable foundation for decisions.



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