NPB | Neue Privat Bank 25 YEARS

CIO Allocation

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Temporary Risk Reduction in Equities

After an eye-watering equity rally, we have decided to reduce our equity exposure over the coming weeks.

Over the past two months, basically since the announcement of a 'ceasefire' between Iran and the US, equities have been on a tear, especially in the US and some Asian markets (Japan, South Korea). This coincided with a mania-like run for anything semiconductor-related in the ongoing build out of the AI-Infrastructure. Point-in-case, the Philadelphia Semiconductor Index, better known as the SOX, doubled over a two month-period into early June.

Whilst earnings have been strong in Q2, expectation for future profits have risen way beyond previous peak levels. This frothy set-up, coupled with a heavily skewed options market (where call options are expensive and put options cheap), we decided mid last week (3.6.) to implement an option overlay, hedging out approximately half of our still overweight equity exposure, via a long put option strategy.

Given the rapid deterioration of equity markets on Thursday and Friday of last week, this hedge is already paying off handsomely and we expect to close the position in the coming days. We will keep our clients, business partners and co-investors accordingly.

André Huwiler
Chief Investment Officer

Zurich, 6th June 2026