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SWISS EQUITIES: TIMELESS CLASSICS AND NEW FAVOURITES

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Companies in defensive sectors such as healthcare and food, including Nestlé, Roche, Novartis, Alcon, Lonza, make up more than half of the Swiss indices. Insurance stocks such as Swiss Life, Swiss Re, Zurich Insurance, Helvetia, Baloise together represent around 10%, and telecommunications a further 1%, including Swisscom and Sunrise.

STATIC? NOT QUITE

The stability of the Swiss market does not rule out subtle and sometimes highly profitable shifts among lighter constituents. Initial public offerings (IPOs) are relatively rare and, in recent years, have mostly involved highly specialised and smaller companies. By contrast, new listings via spin-offs have resulted in significant value creation.

Novartis, with 13% of the broad index, has been particularly prolific. In 2019 and 2023 respectively, it spun off its ophthalmology division, Alcon, and Sandoz, a producer of generic medicines. Sandoz, which previously faced intense competition, became one of the standout stocks in 2024 with performance above +40%, and in 2025, it had gains above +60%. As many biotech treatments will lose patent protection over the coming years, Sandoz faces significant opportunities if the group positions itself successfully.

At the end of 2022, ABB, with 5% of the broad index, spun off its turbocharger manufacturing division for combustion engines for marine and electricity generation, now trading as Acceleron (0.3%). The share price has more than tripled since, including +82% in 2024 and +35% in 2025.

For such listings, the initial uptake is often gradual, as investors wait for results to materialise before taking them on.

THE SUPERIORITY OF MID-CAPS

Historically, Swiss mid-caps have delivered the strongest growth, 50 to 100% higher than large caps, though they can underperform during recessions. Valuations peaked in 2021 at 28 times the next twelve months' earnings, with mid-caps trading at multiples 50% higher than large caps. Since then, mid-caps have endured four years of underperformance. A significant part of this weakness stems from COVID and its knock-on effects, including the surge and subsequent decline in diagnostics and treatments, cosmetics, e-commerce, electronic components, automotive demand, and more, resulting in persistently anaemic demand. Many companies continued to suffer from this negative trend in 2025, among them LEM, Tecan, AMS, Daetwyler, Komax, Medmix, Straumann, Sonova, Swatch, Kühne & Nagel.

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The year 2025 was shaped by trends such as artificial intelligence (semiconductors, and data centres), value investing linked to rate cut expectations, defence, and cycles of reactions to customs surcharges.

This environment benefited the real estate sector, high-dividend insurance stocks (Zurich, Swiss Re, Swiss Life, and Baloise and Helvetia, which additionally profited from the completion of their merger), and technology names such as Cicor and U-Blox.

GOODBYE DARLING, HELLO DARLING

Like other markets, but with less concentration than in the US, the Swiss market features its darlings: typically stable growth stocks characterised by persistently high valuations.

In 2025, some of these darlings lost, or continued to lose, their status: Givaudan, Sika, Sonova, Straumann, LEM, SIG, Partners Group, EMS Chemie.

On the other hand, new favourites emerged: Galderma, the dermatology company, sold by Nestlé in 2019 after creating it four decades earlier with L'Oréal and which, since its gradual re-listing by its private owners in the first quarter of 2024, has risen 160% to a multiple of 50 times its earnings. Sandoz has not reached peak valuation (less than 20 times its earnings) but has established itself as committed to secular growth. Richemont (27 times earnings) has achieved this status through the exponential share of profits generated in high-margin jewellery. Belimo (42 times earnings), a manufacturer of actuators and valves, has enjoyed a vertical trajectory after focusing on its exposure to data centre cooling.

Meanwhile, large pharmaceutical groups Novartis and Roche have played their role as market locomotives remarkably well, delivering performances above +20% despite American threats of applying 200% tariffs. Nestlé remains a special case, having staged a false start in its three-year decline. In 2026, some speculate that it may be the next company to create shareholder value through a separation of activities. Investor impatience is running high. Will Nestlé follow the Novartis model?

January will certainly provide an opportunity to check for the "January effect": which losers from the previous year will bounce back and outperform, and which favourites will remain so?

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