rethink family wealth.

perspectives for long-term investments

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Building the future amidst uncertainty

“We are on the cusp of an inflection point in human evolution – a radical transformation of our societies and our way of thinking.” These were the words of our former Managing Partner, Yves Oltramare, spoken at the inauguration of our new Geneva headquarters, on the eve of his hundredth birthday.

At the time of his birth, the global population stood at two billion. In 1950, he travelled to the United States – a journey that took nine days. By the mid-1970s, he made the same trip in just three hours aboard the Concorde. Since then, the world has undergone a profound geopolitical shift, seen the rise of multipolarity, and the rapid digitalisation of everyday life.

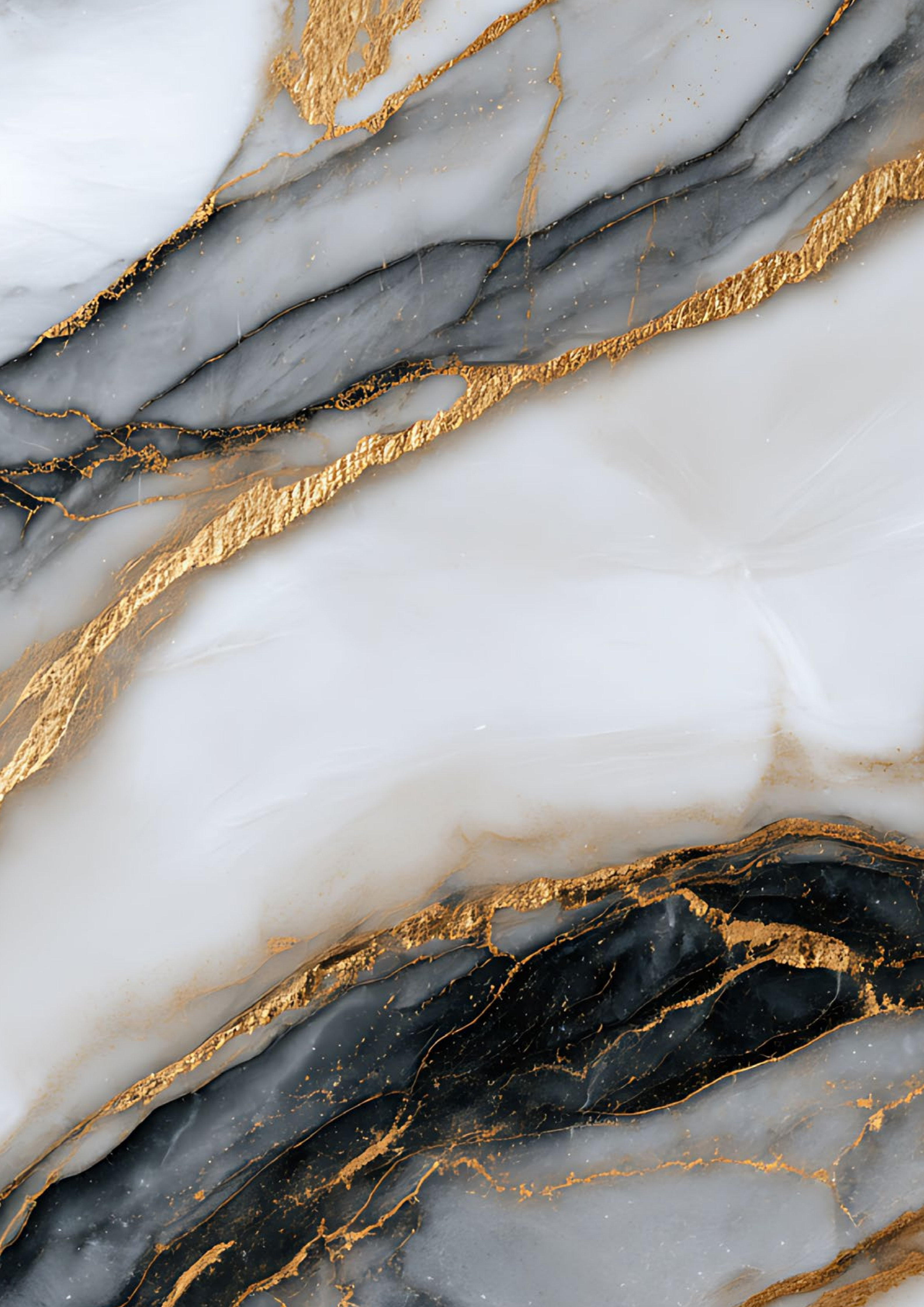
His story encapsulates the accelerating pace of economic, technological and societal evolution – a continual redefinition of the world we inhabit. In such times, the imperative to build on solid foundations, adopt a long-term perspective, and place trust in enduring values and partnerships becomes ever more pronounced. This dynamic also unlocks new avenues for investment – provided they are thoughtfully understood and woven into a coherent, long-term strategy.

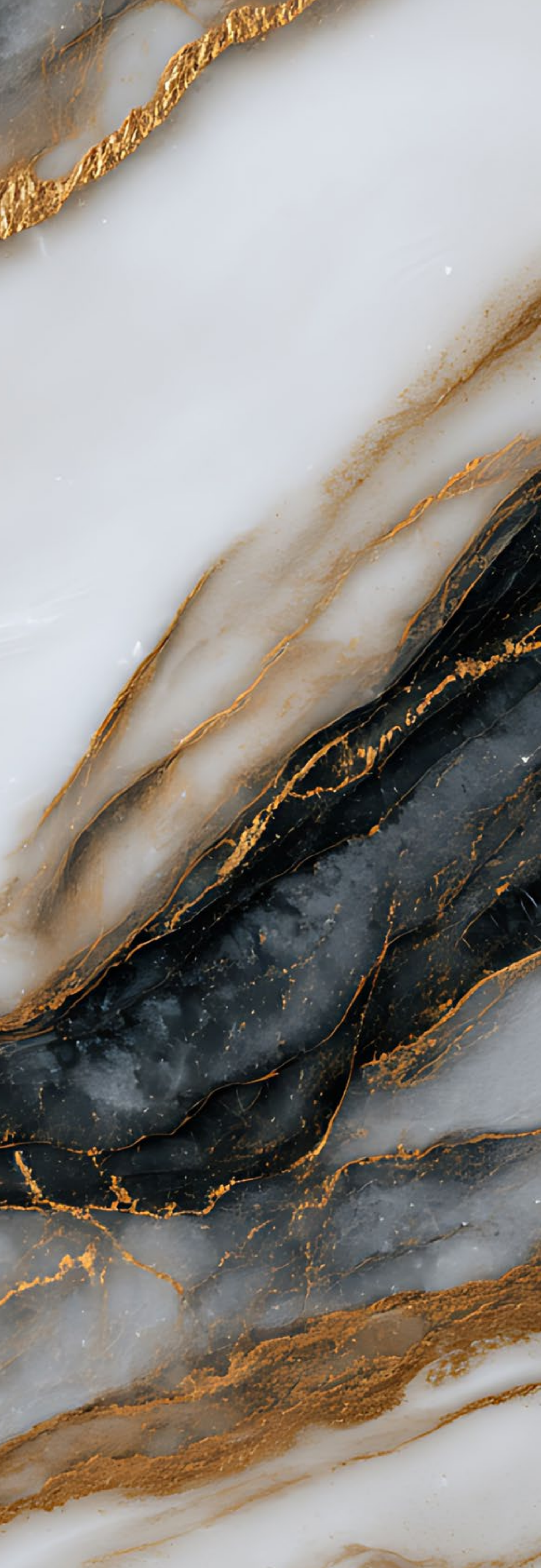
We begin this issue with a look at proven wealth strategies, including endowment funds, whose resilience and performance have become benchmarks. Their approach has inspired us to develop tailored solutions for large families, combining personalisation with robustness. We then explore lessons from over a century of financial returns, with the aim of offering clear guidance on asset allocation in today’s inflationary and interest rate environment – including how to approach currency risk in global equity portfolios.

Through the lens of our new Geneva headquarters, designed by Herzog & de Meuron, we also share a tangible expression of our commitment: to anchor the future in sustainability and renew our confidence in Switzerland, the country where we were founded nearly 230 years ago. Real estate continues to hold a distinct place in portfolios. As a tangible asset with enduring value, it offers a wealth of opportunities. We examine global trends and outlooks in the sector. Our special focus takes us to Dubai – a hub that combines dynamism and stability, and is attracting a growing number of investors. With a presence in the Middle East for over 50 years, notably in Dubai, we support families seeking to consolidate their wealth or settle in the region, anticipating major shifts. Finally, we turn to impact investing – a space that offers solutions for those seeking both financial returns and meaningful outcomes, with clear visibility on the real-world effects of their investment choices.

Across these themes, our experts aim to provide insights and tools to help transform today’s global shifts into drivers of long-term value creation.

Xavier Bonna
Managing Partner
Lombard Odier Group





Solutions

Planning a strategy crafted to pursue top-tier transgenerational long-term growth

How can large families structure their wealth to withstand cycles and create a legacy?

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Partner, Lombard Odier Group

Rosa Perez Esteve
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Every family is unique, with diverse needs and perspectives. While each family organisation may differ in structure and outlook, they share a common purpose: to preserve and grow their wealth over the long term, from one generation to the next. In pursuing this goal, families must adopt a global perspective, both for their investments and for their family. Their wealth and heirs may span multiple jurisdictions, in Switzerland and abroad. Secondly, many are sophisticated investors who have built their legacies through entrepreneurial success, hard work and deep expertise. As such, they are accustomed to working alongside legal and investment advisors, who may support them in investing in sophisticated assets. And finally, what unites these families is a long-term horizon: a focus on resilience and continuity across generations.

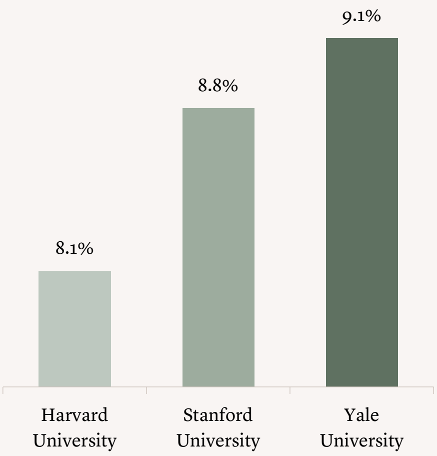
At Lombard Odier, our mission is to support large families to preserve and grow their wealth over the long term. To achieve this, we have created *Grands Patrimoines*, a dedicated offering designed with the flexibility to address each family's uniqueness. Its structure is inspired by the success of leading endowment funds, which have demonstrated best-in-class performance and resilience across market cycles.

Why take inspiration from endowment funds?

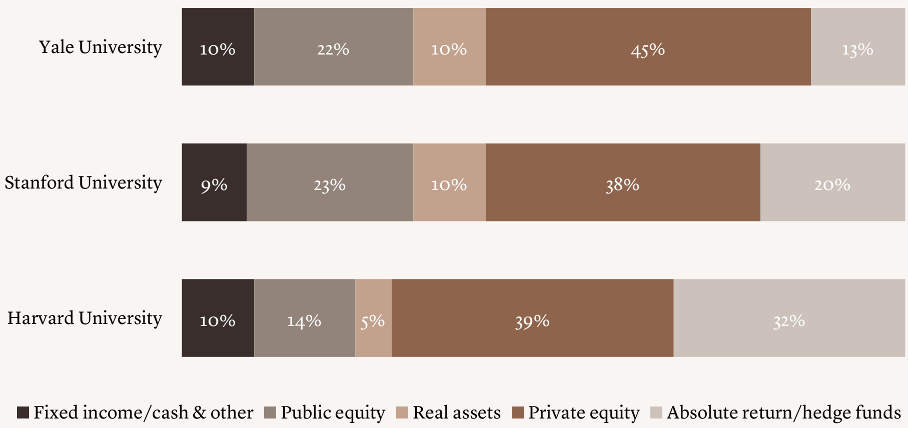
The endowment approach is designed for sophisticated investors seeking long-term high performance and who have the capacity to withstand volatility and illiquidity. We observe that many prominent families have adopted this model with great success.

Endowment funds are renowned for their significant allocation to private assets, especially private

Annualised historic performance



Total funds allocation



Sources: Harvard, Stanford and Yale universities
Performance for the fiscal year to June 2025. Allocation as of June 2024

equity, which has been a key driver of their strong performance, as illustrated below. However, this performance is not solely due to asset choice. It also reflects strong manager selection, carefully calibrated risk-adjusted strategies, and a judicious approach to diversification, not only by strategy but also by vintage.

While some large American endowment funds have recently disposed of a small portfolio of their private asset holdings in the secondary market, this was primarily to address liquidity needs in response to reduced government grants, rather than a major shift in their view of the asset class.

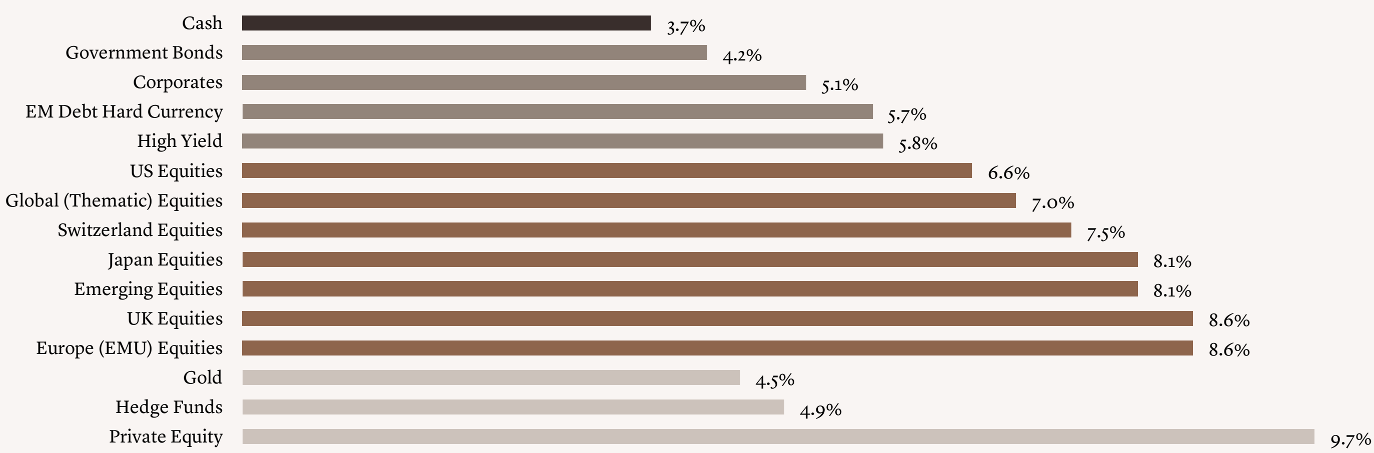
In today's macroeconomic climate, traditional asset classes are facing diminishing return potential due to lower interest rates and exceptional performance of financial assets in the past years. The market efficient frontier will inevitably be shifting downwards. In Switzerland, for example, interest rates are now back down to zero, eroding the appeal of conventional fixed-income investments. Global growth remains subdued, and rates across major economies offer limited yields, making it increasingly challenging to achieve optimal portfolio performance along the efficient frontier. Against this backdrop, an endowment diversification in alternative assets provides a robust approach to capture risk-adjusted returns. To illustrate this perspective, see our 10-year expected returns in USD by asset class below for 2025, which will be updated as per our annual review in January 2026. We also publish returns in CHF, EUR, GBP, and JPY.

The appeal of private equity is not over

Despite the inherent challenges, private equity stands out as one of the most compelling asset classes relative to other investment avenues. Within our framework, it plays a dual role, serving as a powerful growth engine for portfolios while also enhancing diversification and offering valuable decorrelation benefits. Notably, 86% of the global economy is comprised of private companies, according to Preqin. With its long-term focus and active value-creation strategies, private equity has consistently outperformed public markets. Since 1985, the average value added by private equity is 3.2% p.a. compared to public equities index *Russell 2000*.

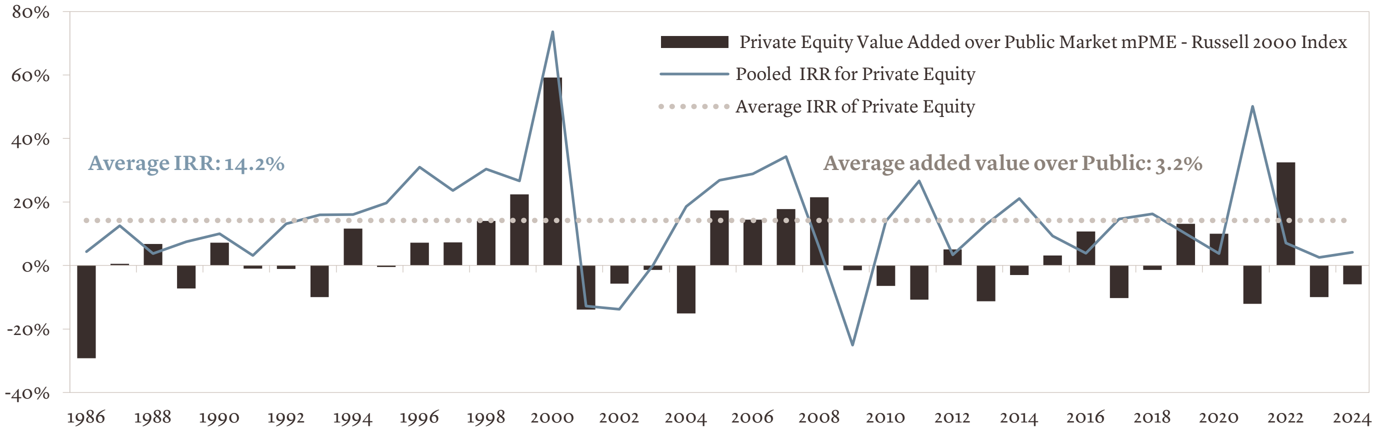
Since the early 2000s, companies have increasingly chosen to remain private for longer, with IPOs becoming less frequent. As a result, much of the value creation has shifted into private markets. In this context, rigorous manager selection is essential to gaining access to the most attractive opportunities, alongside a disciplined commitment to deploying capital across vintages over time. In addition, current concerns about the high concentration of liquid equity markets underscore the importance of seeking growth drivers in other asset classes.

Our next 10-year expected returns assumptions



Source: Lombard Odier Capital Market Assumptions 2025 in USD

Since 1985, the average value added by private equity is 3.2% compared to public equities



Note: Illustrative only, past performance is not indicative nor a guarantee of future returns. mPME is a Cambridge Associates proprietary private-to-public comparison. The value added mPME measures the private fund excess performance relative to the public market. The PE universe includes US Buyout, Growth Equity, Secondary Funds, Venture Capital. Source: Cambridge Associates, LOIM analysis.

How to achieve a bespoke strategy for your family wealth?

Our investment philosophy harnesses all asset classes to optimise portfolio performance, structured around three core pillars: income, growth, and diversifiers. Inspired by the endowment model's emphasis on long-term allocation, each pillar plays a distinct role in balancing return potential with prudent risk management. Crucially, this is not a one-size-fits-all framework. Our approach is modular, highly personalised, and agile, enabling us to tailor strategies that reflect each family's specific needs, ambitions, and risk profiles, while adapting to shifting market conditions.

To best capture long-term growth, Lombard Odier has developed a proprietary tool, *Your Wealth Outlook*, to optimise allocations in line with your preferences and objectives.

Responding to frequent client requests on maximising long-term returns, we have produced a Flagship Portfolio (see pages 12-13) which serves as a reference point that can be further customised to specific goals with a bespoke asset allocation.

Consistent results that aim to double wealth over 10 years

According to our calculations, our Flagship Portfolio has demonstrated solid performance – 8.7% p.a. in USD since 2003, with lower volatility than a traditional 60/40 allocation, which returned 6.7% p.a. over the same period.

Looking ahead, based on our 10-year expected returns in USD, we estimate that this type of portfolio should yield around 7.2% per annum in the median scenario. While lower than historical levels, and also lower than has been achieved by liquid alternatives in recent years, we make conservative forward-looking assumptions, reflecting today's higher valuations. In our opinion, the outcome remains compelling.

For the private assets programme to achieve this target, patience is key. Disciplined investors should expect to double their wealth in USD within a decade in the median scenario. The range of outcomes (see pages 12-13) reflects both the current macroeconomic environment and our long-term expectations for market returns across each asset class, from adverse to bullish, each with a 5% probability.

A differentiated offering for international wealthy families

To serve *Grands Patrimoines* at Lombard Odier, we are leveraging a team of seasoned professionals with diverse and complementary backgrounds, united by the values of our heritage. Anchored in a tradition of excellence and discretion, we mobilise a wide range of expertise to meet the sophisticated and evolving needs of international wealthy families. Our stable structure allows for a rare level of proximity with

our clients. We serve significant wealth holders, with an intentionally limited number of relationships per banker, ensuring a bespoke and multigenerational approach. Rooted in long-term trust, our services are tailored to each client's specific needs and aspirations. With dedication and integrity, we take the time to understand each situation thoroughly, approaching it with sensitivity to family structures and shaping solutions through thoughtful dialogue.

Our strength lies in the combination of long-standing experience with international, multigenerational families and the cohesion of a close-knit team. Our diverse cultural and professional perspectives allow us to pair agility with the resilience and resources of a leading private bank.

Over time, we have developed multiple personalised Strategic Asset Allocations (SAAs) for families, achieving successful results. As active managers, we keep our Tactical Asset Allocation based on our House view.

Example of a bespoke asset allocation

If our SAA does not align fully with a family's long-term objectives, it can be easily adapted through our proprietary asset allocation tool, *Your Wealth Outlook*. For example, an important charity foundation that requires regular cash flows in CHF identified the need for a very safe income stream in order to cover its spending for the medium term. The board decided to allocate a more important income portfolio instead of the 24% recommended in our flagship. The remaining assets were primarily invested in a growth pocket with regular cash flow from individual shares and a sizeable exposure to private assets. Thanks to this approach, the charity foundation benefited from substantial long-term capital gains and a strong performance track record. As a result, it succeeded in distributing twice the total amount of its initial assets under management.

Disciplined implementation around your wealth diagnostic

Your Wealth Outlook enables a highly bespoke approach to wealth management. It is personalised, forward-looking, and based around clients' life goals. It recognises that their wealth must serve multiple demands, from meeting daily financial needs to financing long-term projects and supporting their family's aspirations.

To achieve this, we begin with a comprehensive wealth diagnostic, which forms the foundation of each bespoke asset allocation. We have four steps to build a client's personalised portfolio:

- **Wealth diagnostic:** the client's needs and aspirations are the cornerstone of the portfolio construction, taking into account his/her fiscal situation.
- **Goal setting:** Our bankers work closely with the client to define his/her life goals and translate

With this strategy, we aim to deliver 7.2% returns per annum over a period of 10 years, in USD

Consolidated Assets	Growth Portfolio	65%	Income Portfolio	24%	Diversifiers	11%

Growth Portfolio +

Liquid 7.1% e.r.*		Illiquid 8.9% e.r.*	
Developed Equities	41%	Growth/buyout	8%
Emerging Equities	4%	Special Situations	2%
		Venture Capital	2%
		Secondary	2%
		Co-investment	2%
		Real Estate	2%
		Infrastructure	2%

Income Portfolio +

Liquid 4.9% e.r.*		Illiquid 6.7% e.r.*	
Cash	3%	Private Debt	5%
Sovereign Bonds	4%		
Corporate Credit IG	6%		
High-Yield Bonds	3%		
Emerging Bonds	3%		

Diversifiers

4.8% e.r.*	
Relative Value Hedge Funds	2%
Macro Hedge Funds	2%
Event-Driven Hedge Funds	2%
Equity Hedge	2%
Gold	3%

* expected return p.a.

Source: Lombard Odier calculations
These figures are a forecast. Forecasts are not a reliable indicator of future performance.

them into actionable financial objectives.

- **Portfolio construction:** We suggest portfolio construction in order to maximise the probability of achieving the client's essential and aspirational goals, aligned with his/her investment preferences and risk tolerance.

- **Monitoring & adjusting:** Our holistic reporting capabilities allow a continuous analysis of a client's overall wealth, ensuring alignment between the portfolio's performance and the client's long-term goals.

Your Wealth Outlook enables clients to visualise the likely investment journey their bespoke asset allocation will bring, with the ability to adjust as required according to the investment goals.

Key takeaways to build your legacy

Managing *Grands Patrimoines* wealth is a complex yet essential challenge to ensure the long-term continuity of international wealthy families. By implementing an asset allocation tailored to your needs, involving new generations, and integrating sustainable values, it becomes possible to transform wealth into a true foundation for family cohesion and prosperity.

Over time, we have advised many international wealthy families guided by five key pillars:

- **Excellence:** Long-term track record and strong focus on service, accessibility and proactivity. Furthermore, transparent and bespoke reporting is central to monitoring the evolution of assets.

- **Tailor-made solutions:** Custom structuring, servicing, and portfolio management designed to address each family's unique circumstances.

- **Confidence:** Trust cannot be imposed; it is built over time. The turnover of our senior bankers is comparatively much lower than that of the rest of the industry. This allows for an enduring relationship, which strengthens generation after generation.

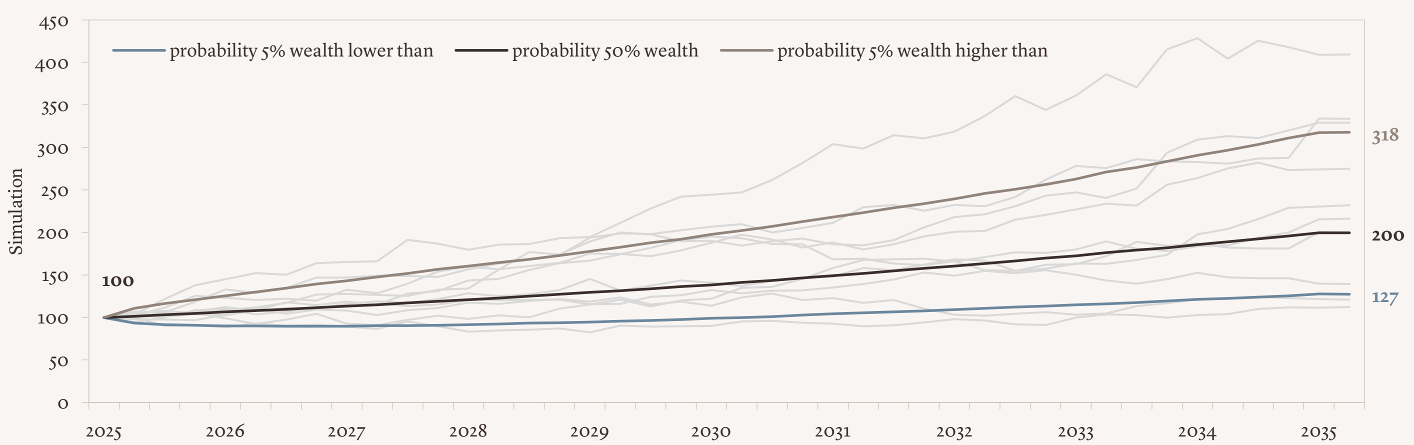
- **Team:** A trusted team is essential. Our senior bankers take time to understand your family's situation. Together with seasoned wealth planners, we accompany each family over time in different jurisdictions. Dedicated portfolio managers, supported by advanced tools such as *Your Wealth Outlook*, build portfolios to best achieve your goals.

- **Discretion:** Privacy is paramount. Confidentiality is embedded in all our operational processes. Our servers are located in Switzerland with state-of-the-art cybersecurity and stable, long-standing teams.

At Lombard Odier, we believe this is the essence of Swiss-made wealth management, combining cutting-edge technology with deeply personalised services.

Wealth simulation, in 10 years

(with expected return of 7.2% p.a. in USD)



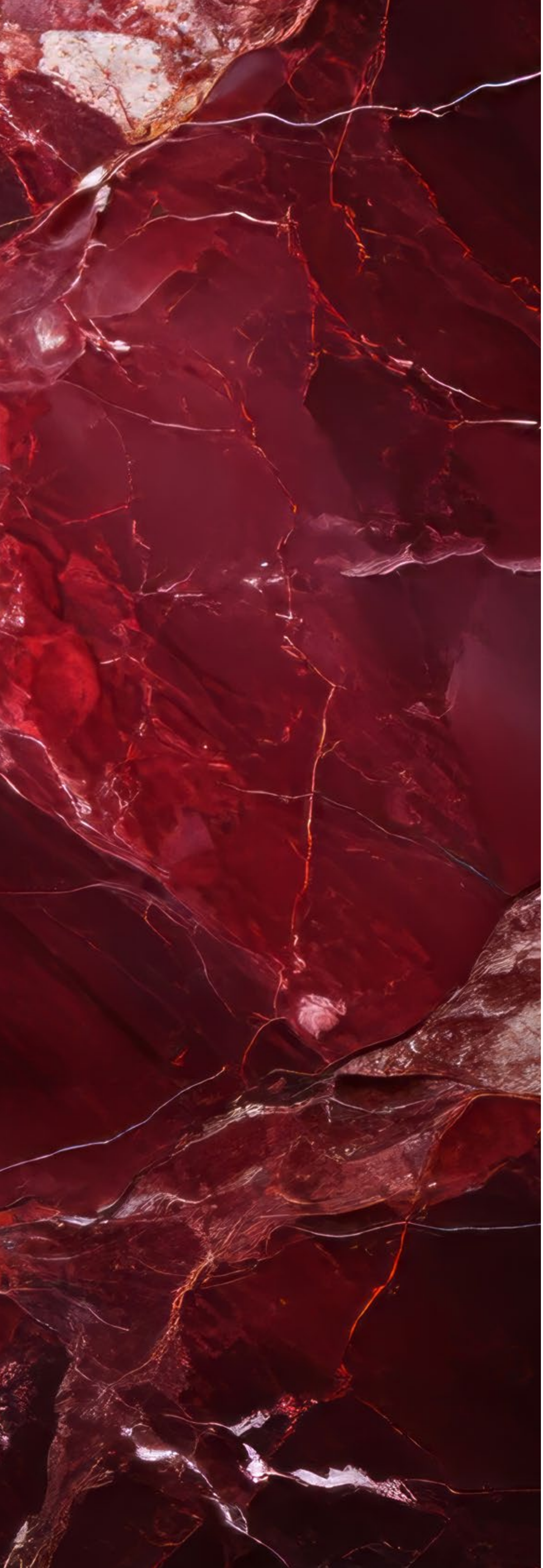
Source: Lombard Odier calculations
These figures are a forecast. Forecasts are not a reliable indicator of future performance.

Heritage and Legacy

Through Fondation Philanthropia, Lombard Odier's clients supported the restoration of three iconic landmarks at the Palace of Versailles.

The Latona Fountain, the Grand Trianon and the Royal Chapel – these restoration projects helped keep exceptional artistic and restoration skills alive. Gilders, master glassmakers, stonemasons and painters shared their techniques with young apprentices, safeguarding rare and precious traditions.

Fondation Philanthropia received the prestigious distinction Grand Mécène de la Culture (Great Patron of Culture) from the French Minister of Culture, recognising the impact of its philanthropic work on France's built cultural heritage.



Financial assets

A hundred years of returns: lessons from the past for long-term investors

What a look at the long history of returns teaches asset allocators

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Global Chief Investment Officer
Bank Lombard Odier & Co Ltd

Nannette Hechler-Fayd'herbe
CIO EMEA, Head of Investment Strategy, Sustainability and Research
Bank Lombard Odier & Co Ltd

What do 125 years of asset returns across more than 20 developed and emerging markets and 50 years of history for global economies teach investors? Financial assets, especially listed equities, must remain a key component of families' wealth allocations given the long-term returns they generate in moderate inflation environments. Investing in dividend-paying stocks with systematic dividend reinvestment offers a solid path to long-term capital growth and represents a dependable long-term strategy. Global diversification of equity investments generally adds value but optimal portfolio outcomes for Swiss franc-, Japanese yen- and euro-based investors may involve currency risk management. US exceptionalism, as defined by the highest excess returns of equities over the safer alternative of US Treasuries, has spanned more than 100 years, and we believe it is premature to declare it over.

As the pace of change accelerates, stepping back from short-term market moves is crucial to building a robust longer-term investment perspective. A database of historical returns across countries and key assets, including government bonds, corporate bonds and stocks, compiled by Professor Elroy Dimson at Cambridge Judge Business School, and Professor Paul Marsh and Dr Mike Staunton from the London Business School, offers an excellent foundation for just such a perspective. We are pleased to share a first set of lessons that long-term investors can draw from this analysis of the past to better assess the future.

Inflation plays an important role in portfolio returns. Financial assets perform best in a low inflation regime, and should represent a large portion of families' wealth allocations

High inflation erodes the value of financial assets, and its evolution therefore plays a very important role in the real value of investors' wealth over time.

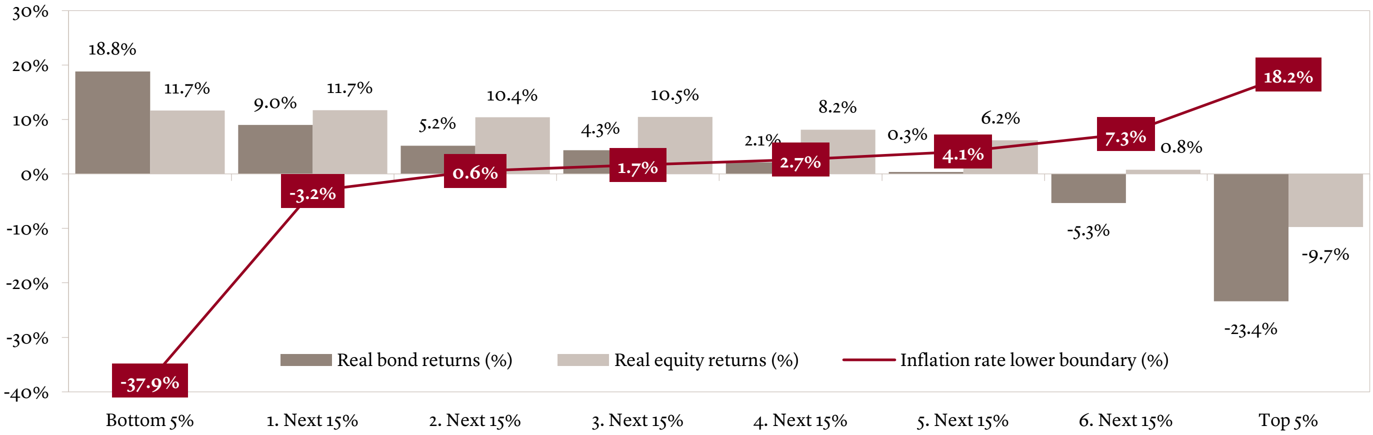
In our view, the global economy has transitioned from a deflationary or 'lowflation' environment in the period of globalisation before the Covid pandemic, to supply-shock induced inflation in the period since. We expect this moderate inflation environment to persist in today's multipolar world. Concretely, we expect average inflation rates in most developed and emerging economies of around 2-4% for the foreseeable future, compared with 0-2%, or even negative inflation, in most developed markets in the previous 'lowflation' period.

What impact have such inflation regimes had on investment returns? Historically, periods of moderate price growth have gone hand-in-hand with nominal equity returns of 9-10% across markets (see chart 1). In real, or inflation-adjusted, terms this equated to annual performance of 6-8%. In comparison, bonds provided real returns of 0-3% in such regimes.

This contrasts with the 0-2% inflation period, when bonds typically offered average 4-5% real returns on top of inflation, while equities generated inflation-adjusted returns of around 10%. In nominal terms this implies performance of 6-7% for bonds and around 10-11% for equities.

In periods of deflation, investors can often achieve double-digit returns for both bonds and equities. Deep deflationary phases are

1. Real bond and equity returns and inflation levels



Percentiles of inflation across 2,583 country-years; bond and equity returns in same year.
Source: DMS Global Returns data. Lombard Odier calculations. Chart reflects latest data point available for each series.

especially rewarding for bond performance. In contrast, the worst financial asset returns occur during phases of high inflation. Specifically, when annual inflation exceeds 4-5%, bond returns no longer effectively offset inflation and so lose value in real terms. At extreme levels, when inflation exceeds 15%, even equities fail to provide an offset.

> ***Takeaway:*** *For long-term investors, if central banks manage to keep inflation at moderate levels, real returns from bonds typically remain at around 2%, while equities can deliver returns of around 8%. In this context,* ***financial assets, especially listed equities, play an important role in building wealth****. For eligible investors looking to exceed these real returns, alternative high-growth assets add significantly more illiquidity and/or volatility to a portfolio.*

Systematic reinvestment of dividends has a big long-term impact on capital

The systematic reinvestment of stock dividends into an equity portfolio is one of the most reliable ways to grow capital over time. US and Swiss equities offer two notable examples that illustrate the impact of reinvested dividends on long-term returns (see chart 2). US equity markets including dividends have, on average, returned a total of 6.6% annually in real terms since 1900. Of this average, 4.1% comes from reinvested dividends. Swiss equities have returned on average 4.5% annually in real terms over the same period, of which as much as 3.4% is attributable to reinvested dividends, according to the database.

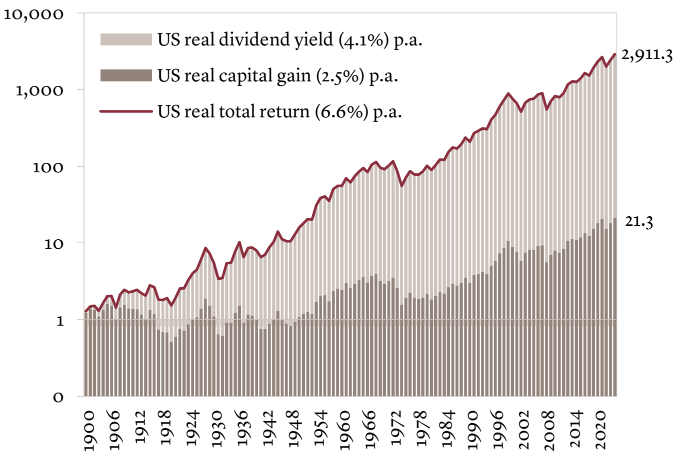
> ***Takeaway:*** *Focussing on dividend-paying stocks and systematically reinvesting these dividends is a solid investment strategy for long-term investors.*

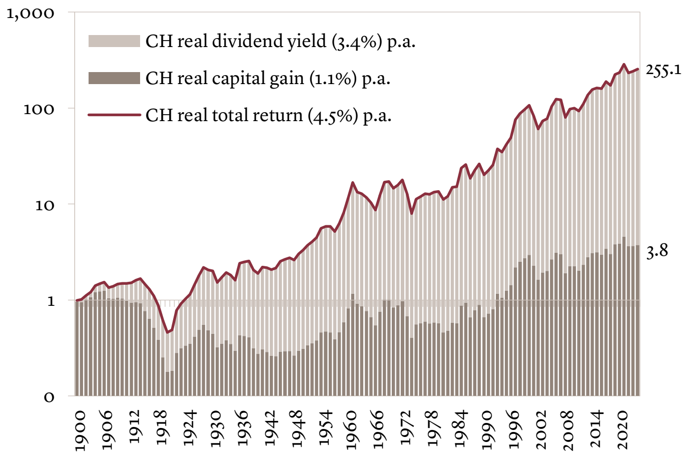
Global diversification of equity holdings adds portfolio value; for Swiss franc-, Japanese yen- and euro-based investors, a careful case-by-case assessment of FX hedging is advisable

One lesson from long-term historical data is that geographical diversification in equity investments adds clear value in portfolios. Our analysis of returns between 1974 and 2024 shows that an allocation to global equities – rather than investing solely in domestic markets – improved risk-adjusted portfolio returns for most investors (see chart 3).

For US dollar-based investors, however, the rationale for global diversification is less powerful. In addition to its value-creation capacity, the US equity market has such unmatched depth, sectoral diversity and size, that in hindsight it would have made sense for US investors to simply stay invested

2. Impact of reinvested dividends on US and Swiss equities





Source: DMS Global Returns data. Lombard Odier calculations. Charts reflect latest data point available for each series.

in their home market. But this perspective is rooted in a very long-term investment horizon, and only a handful of investors have such horizons. Over shorter periods, macroeconomic imbalances, which are currently pervasive in the US, still argue for regional equity market diversification.

While global diversification has clear merits, it also involves exposure to foreign currencies. If left unhedged, these influence short-term portfolio returns when converted into the investor's base currency. This year is a case in point. US equities delivered strong results in dollar terms, but the marked depreciation of the US dollar over the first half of 2025 translated into less attractive portfolio performance measured in international investors' home currencies.

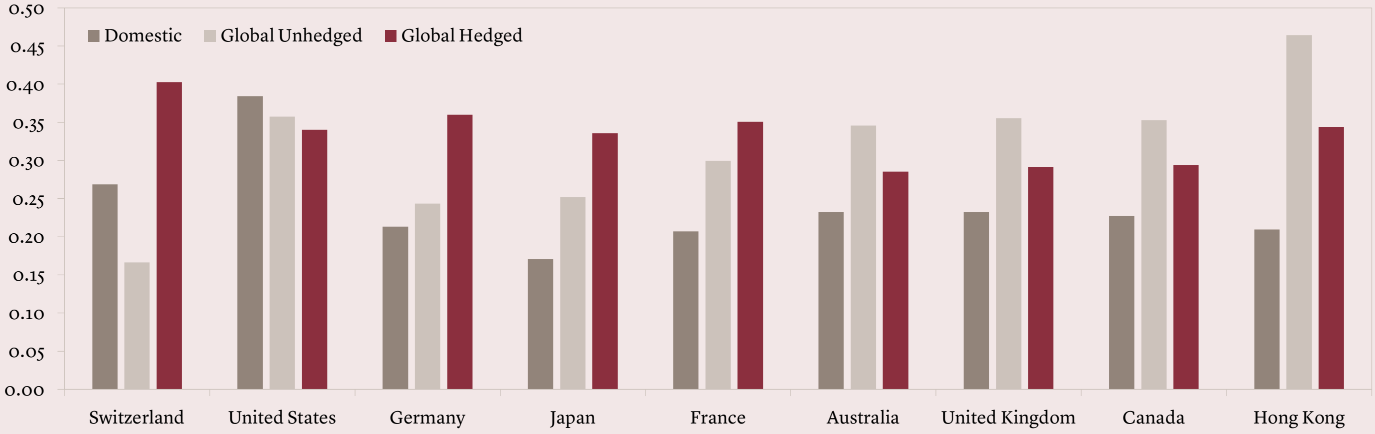
Whether or not to hedge foreign currency exposure in equity investments has long been one of the most hotly debated asset allocation topics among investors. Some opt for systematic hedging, regardless of the costs, while others prefer to leave their exposures unhedged or to opportunistically hedge when the costs are reasonable.

Data for equity returns on an FX-hedged vs. unhedged basis shows that, for most countries, unhedged global equity exposure has delivered the best results. This holds particularly true for UK-, Australia- and Canada-based investors, as well as Southern Europe-based investors who experienced periods of currency instability before the introduction of the euro. For Japan-, Germany- and France-based investors, periods of home currency appreciation against most other currencies made FX hedging a legitimate question to revisit regularly, especially during severe undervaluation of the Japanese yen and euro, or opportunistically when hedging costs were small given very low interest rate differentials.

Swiss-based investors should pay special attention to the FX-hedging debate. The narrowness and concentration of the Swiss equity market makes the case for global equity diversification particularly compelling for them, but the haven quality of the Swiss franc, which has tended to appreciate more often than depreciate against most other currencies, requires careful analysis of currency hedging merits. Put simply, asset allocators need to weigh the benefits of active currency risk management against often prohibitive hedging costs and currency risks. Over the long-run, the benefits of investing globally on an FX-hedged vs. unhedged basis may outweigh the cost of FX hedging for Swiss-based investors. However, shorter-term considerations about prevailing hedging costs – or the interest rate differential versus other currencies, which in recent years has been material vs. the franc – can and should prompt active investors to make measured hedging decisions.

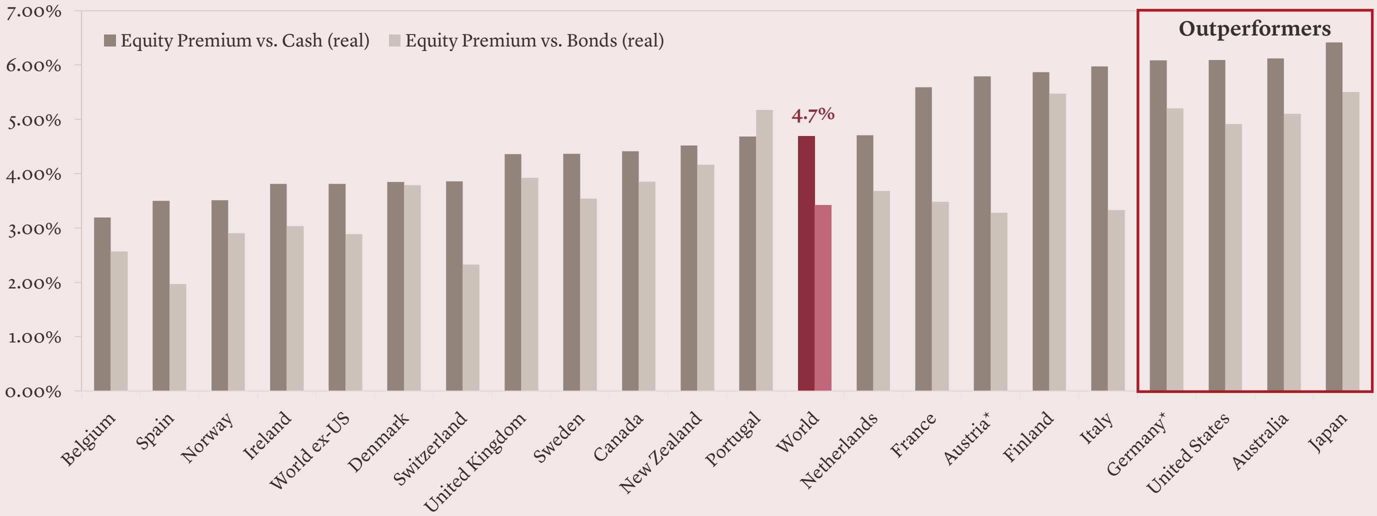
3. Domestic vs. global equity investments – currency-hedged and unhedged – 1974–2024

Sharpe ratios of domestic vs. global investments FX-hedged and unhedged for 9 countries in world index, 1974–2024



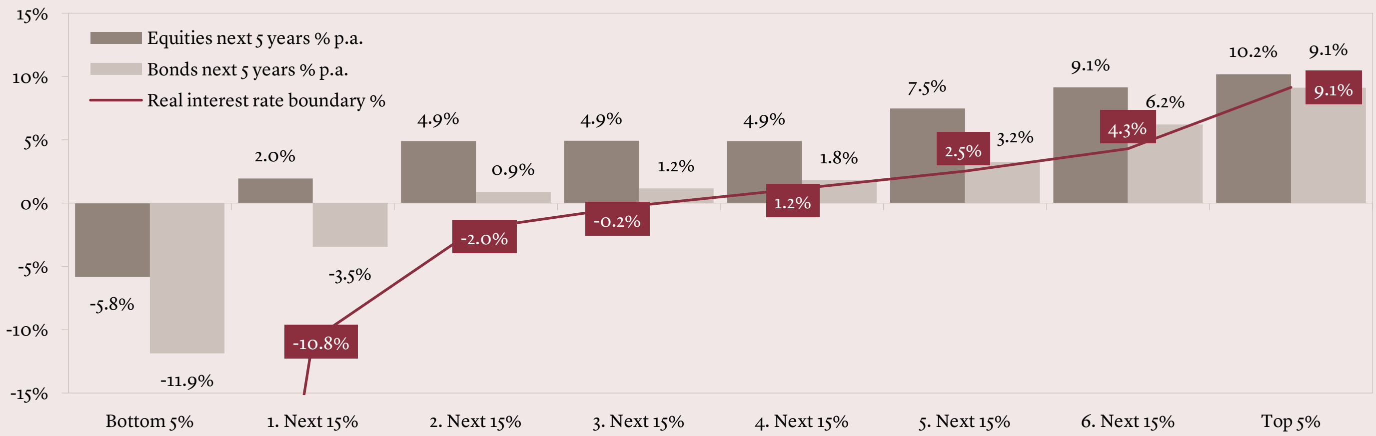
Source: DMS Global Returns data. Lombard Odier calculations. Chart reflects latest data point available for each series.

4. Equity risk premium (%) relative to bills and bonds, 1900–2024



* Due to the impact of hyperinflation, the years 1921–1922 for Austria and 1922–1923 for Germany have been excluded from the analysis.
Source: DMS Global Returns data. Lombard Odier calculations. Chart reflects latest data point available for each series.

5. Real asset returns and real interest rates



Source: DMS Global Returns data. Chart reflects latest data point available for each series.

Takeaway: *Equity portfolios should generally be globally diversified, rather than allocating to domestic stock markets only.*

For most investors, the benefits of global diversification outweigh any currency-induced risks and leaving global equity investments unhedged works well.

For Swiss, Japanese, and core-European-based investors a careful case-by-case assessment of currency valuations, hedging costs, volatility and currency correlation to equities over time is necessary to determine whether FX-hedging is warranted.

Following the Federal Reserve's restart of its rate-cutting cycle in September 2025, a window to reconsider currency-hedging approaches may open up for these investors.

US exceptionalism since 1900

'Equity risk premium' measures how equities are compensating investors for their risk versus the less volatile alternative of US Treasury bills or other government bonds. Historical equity risk premia are hence defined as the excess returns earned from equities over US Treasuries or other sovereign bonds. Long-term data on excess returns of equities over bonds and Treasury bills show that the average annualised world equity risk premium is 4.7% compared with a representative Treasury bond aggregate, and a little more than 3% versus aggregate government bonds.

On a country basis, US equities have historically offered some of the highest equity risk premia; about 6% more than average US Treasury bills, and about 5% more than average US government bond yields on an annualised basis. So although US stocks have stood out as rewarding investors particularly well in the years leading to the period of US 'exceptionalism,' they have consistently done so over very long periods, as shown in this database stretching back to 1900.

US stocks are not unique in offering high returns compared with less volatile investments such as Treasury or government bonds. Other equity markets have all offered similar excess returns over domestic government bonds (see chart 4).

In 2025, investors have become more circumspect about US equities' ability to reward investors in line with their historic equity risk premia. The end of US exceptionalism has been discussed widely this year in response to US policy changes and macroeconomic imbalances, which have grown over time. Should the US economy – and others – fully harness the returns from the broad adoption of artificial intelligence, it may be premature to call an end to US exceptionalism.

> " On a country basis, US equities have historically offered some of the highest equity risk premia; about 6% more than average US Treasury bills

Takeaway: *With some of the highest historical equity risk premia, US equities are core to equity portfolios. To extract maximum value from US equity holdings, careful currency risk management may be necessary for investors based in currencies with an appreciating trend against the US dollar.*

High real interest rates lead to high expected real asset returns

As inflation rises and falls, monetary policy responds by restricting or easing financial conditions, affecting real interest rates and future financial asset returns.

If real equity returns are equal to real risk-free returns, plus a risk premium, then low real rates should indicate low equity returns in the years ahead. The same is true for other asset classes.

Periods of high real rates have historically been followed by periods of higher financial returns, and vice versa (see chart 5).

Developed markets are currently experiencing three real interest rate regimes:

1) Negative real interest rates in Japan and Switzerland

2) Zero or slightly positive real interest rates in the euro area and UK

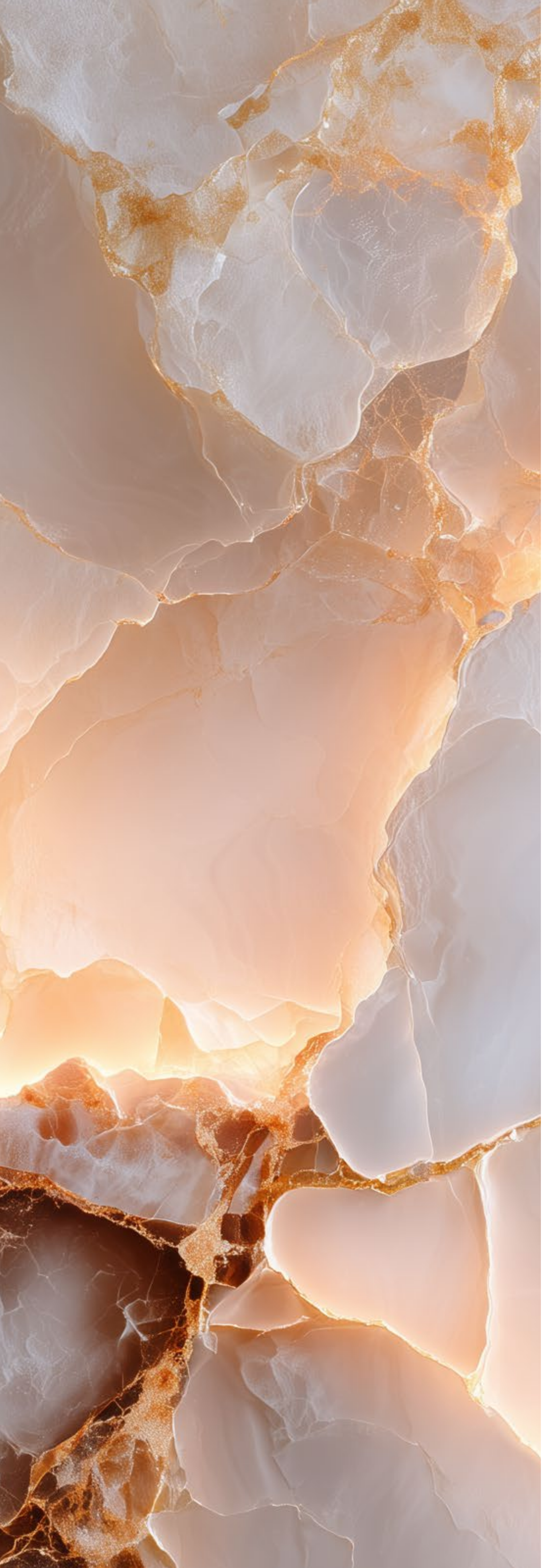
3) Positive real interest rates in the US and Australia.

We expect higher future returns for countries in the third group than for the first two groups of countries. In real terms, equity returns may not differ too much, while real bond returns would likely be higher in the third group. Throughout 2025, European stocks have benefitted from investor enthusiasm given their impressive catch-up versus US equities.

But the history of real returns and real interest rate regimes tells us that higher real yields in the US today versus other developed markets may lead to higher US financial asset returns than for other developed markets in the future.

Takeaway: *When assessing strategic asset allocations, investors need to keep in mind the historic relationship between real financial returns and real interest rates. Higher real interest rates point to higher real financial asset returns over time.*

With contributions by Mark Temnikov, Sébastien Roten, and Pierre-Benoît Grimaux.



Real estate

Designing the future: from our new headquarters to global real estate dynamics

Under 1Roof: Herzog & de Meuron on architecture, intimacy, and sustainability

When Lombard Odier unveiled its new Geneva headquarters, 1Roof, in early September 2025, the building was instantly recognised as a new landmark in the city. Designed by the renowned Swiss architects Herzog & de Meuron, the building's glass façade, terraces, and sweeping view across Lake Geneva speak to a vision that is as much about people as it is about structure. We caught up with the architects behind the state-of-the-art building to find out more.

The brief was deceptively simple: to bring everyone together under one roof. For Jacques Herzog, co-founder of Herzog & de Meuron, this concept was less about structure than about spirit. "One roof means that people are coming together under one roof, and it should feel like a home. It should offer open-plan spaces where people can meet, but also intimate corners where they can be by themselves," he says. "The roof is what covers a house and protects people. But it also stimulates them to work together as a group while still leaving space for individuality."

The bank's emphasis on sustainability, longevity and discretion aligned with Herzog & de Meuron's belief that architecture should express values rather than fashion. The result is a headquarters that feels less like a conventional office and more like a miniature city – a place where formal meetings, casual encounters, and private moments coexist seamlessly.

One of 1Roof's most striking features is its openness. Its glass façade offers 360-degree views from within and a sense of transparency from outside.

For Pierre de Meuron, Herzog's co-founder, this was both an architectural and philosophical challenge. "It's not typical for a bank to use words like openness, transparency, and flexibility," he admits. Yet Lombard Odier wanted a home that was both protective and welcoming.

This duality – protection and openness, intimacy and transparency – defines 1Roof. "The façades draw your eyes into the building. For clients and visitors, it feels as though something opening up to them – something is opening, like a flower," adds de Meuron.

The highest sustainability standards

For Lombard Odier, sustainability was the starting point of the project.

As Geneva's oldest private bank, the Group wanted its new headquarters to reflect its heritage while also demonstrating a commitment to the future. With sustainability at its core, 1Roof reflects this commitment in spirit and practice. Designed with equal consideration for people and the environment, and built according to robust criteria regarding materials, energy use, circularity, and employee wellbeing, the building is a prime example of how responsibility can be translated into architecture.

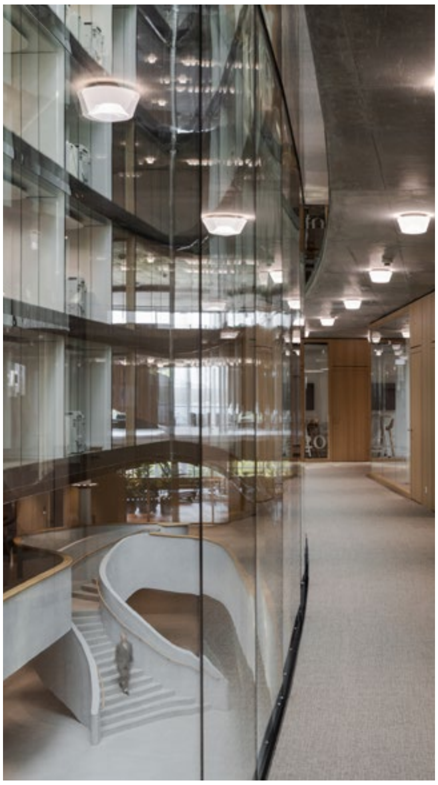
This intent is visible throughout. 1Roof blends harmoniously into its lakeside surroundings, with horizontal platforms and transparent façades that maximise light, openness, and connection to nature. The headquarters are fitted with solar panels and use recycled concrete. They are also connected to the innovative GeniLac system, which harnesses the water of Lake Geneva for heating and cooling purposes. Rainwater is captured and reused. Additionally, over 160 trees have been planted to enhance biodiversity. These are just some of the measures that illustrate how sustainability has been embedded into every aspect of 1Roof, from materials and energy to wellbeing and landscape.

But for Herzog, sustainability goes deeper than solar panels or recycled concrete. For him, sustainability is as much about the people as it is about the environment. "Sustainability has a social component. People need to feel good in the building, to want to work together, welcome clients, and keep the building alive for generations."

When asked what excites him most about the state-of-the-art building, Herzog's answer is characteristically direct: "Architecture is done for people and done by people. The most important thing is that it works on a daily basis."

Designed for longevity

This long-term perspective reflects the approach that Lombard Odier and its clients take to wealth and legacy. Like an investment, the building must be designed to endure. Priority was given to natural light and breathable air; terraces allow employees and visitors to easily step outside during the day, fostering a sense of freedom and connection to nature. One of the metaphors that Herzog returns to is that of 'a city'. Instead of designing repetitive floors, the architects created platforms that vary in size and proportion to offer different experiences throughout the building. "Wherever you go, it should feel different. It should feel like walking in nature," Herzog says. "Every corner, every side gives you a new impression. There is a tree. There is a little hill. There is a cave. The building somehow is an architectural translation of this idea of topography; social topography."



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Herzog resists the idea of buildings as temporary statements. A well-designed building, he says, should be loved and used so deeply that it remains relevant for 50, or even 100 years. "Once a building is really successful, it will last much longer. To keep buildings alive a long time is the most sustainable contribution you can make."

For clients, this philosophy translates into a space designed not to impress with spectacle, but to enrich through comfort, light, and a sense of belonging.

A new standard for private banking spaces

Standing proudly on the banks of Lake Geneva, the avant-garde structure redefines what private banking spaces can be: protective yet open, discreet yet transparent, intimate yet welcoming. For Lombard Odier's clients, visitors, and employees, 1Roof embodies an architecture that speaks as much to human connection as it does to sustainability and innovation. The building consolidates more than 2,000 employees under one roof, bringing together teams that were previously spread across six sites. "Ideally, this building offers a nicer environment than the one people have at home. If they feel good, they can contribute more, speak more, and connect more."

Herzog likens the role of an architect to that of a chef. "You have to take the ingredients that you have and maximise their quality," he says, emphasising that 1Roof will work over generations. "That's the most important ingredient."

He dismisses traditional notions of luxury in architecture. Marble, exotic woods, or opulent finishes are superficial, he argues. "Things made to look luxurious very often are cheap and uninteresting." For him, true luxury lies in the essentials. "Here you have terraces where you can open a door, step out from your office, and have a view. That's a kind of luxury. An everyday luxury – the simple fact that you can breathe the natural air and enjoy natural light. Paradoxically, that has become rare; that's what we wanted to contribute as architects."

Ultimately, 1Roof is much more than a corporate headquarters; it is a statement of intent and an invitation to experience a new kind of space where privacy and transparency, heritage and innovation, sustainability and humanity all come together under one roof.

A new chapter for the Maison Lombard Odier

For over two centuries, our headquarters on Rue de la Corraterie embodied the soul of the Maison Lombard Odier. Within these historic walls, we forged relationships based on trust and continuity with our clients and their families.

This autumn, the Bank is opening a new chapter with the inauguration of its 1Roof building in Bellevue, an ideally located lakeside municipality in the canton of Geneva.

More than just a building, this project expresses a vision: to bring all our teams together under one roof, offer our clients an exceptional environment, and reaffirm our commitment to the future.

We spoke with Alexandre Meyer, Managing Partner at Lombard Odier.

How will the new headquarters transform the experience of Lombard Odier's clients?

Everything has been designed to welcome our clients in a setting that is refined, functional and warm. The central atrium is filled with natural light to create an atmosphere of openness and transparency. The reception rooms combine elegance, comfort and discretion, and cutting-edge technology ensures a seamless and personalised service. Ideally located at the crossroads of major transport routes, the site is easily accessible. Our ambition is that every client should feel truly at home.

Alexandre Meyer, Managing Partner, Lombard Odier Group

Why is this move a major milestone for the Maison?

Rue de la Corraterie has been a privileged witness to our history. We will always feel a deep emotional attachment to it.

However, as our activities have expanded, our teams have become spread across six different sites in Geneva. Bringing them all together in a single location strengthens our cohesion and enhances the service we provide to clients.

This new headquarters reflects our loyalty to our heritage and the confidence we place in the future, here in Geneva.

Why did you choose Herzog & de Meuron to design the new building?

We wanted an architectural project that aligned with our values and philosophy. Herzog & de Meuron are renowned for their rare ability to combine boldness with timelessness.

Their architectural style conveys simplicity, transparency, and

From left to right: Xavier Bonna, Denis Pittet, Frédéric Rochat, Hubert Keller, Alexandre Meyer, Jean-Pascal Porcherot

permanence. Their vision resonated with ours: to create a modern, harmonious building that is integrated into its natural environment, while reflecting the innovation and excellence that define our Maison.

How does this project reflect your commitment to sustainability?

Environmental responsibility was at the heart of our decision-making process. Our goal is to obtain the most demanding sustainability certifications, including SNBS, Minergie-P and BREEAM.

The building is powered entirely by renewable energy and features 750 square metres of solar panels.

It is also connected to the GeniLac system, which uses water from Lake Geneva for both heating and cooling purposes. This significantly reduces the building's energy footprint.

> “ This new headquarters reflects our loyalty to our heritage and the confidence we place in the future, here in Geneva

We also focussed on enhancing biodiversity by planting over 150 trees, installing beehives, and preserving rare plant species on site.

As this new era begins, what message would you like to share with your clients?

Leaving Corraterie was an emotional step, but opening the doors to Bellevue was a moment of pride.

Our new headquarters brings together tradition and modernity, continuity and renewal. It reflects our ongoing commitment to rethinking our practices to provide an even better service to our clients. We look forward to welcoming them to this unique space, which embodies our philosophy and our commitment to standing by their side today and into the future.

Global real estate at a glance: contrasting outlooks

UNITED STATES

Thanks to locked-in interest rates, residential real estate prices have proved rather resilient despite a sharp increase in interest rates and financing costs. Meanwhile, commercial real estate prices and multifamily valuations have come under downward pressure.

EUROPE

Residential RE markets in many EMU countries (Germany, France, Nordics) have been going through a difficult period due to rising interest rate costs and energy costs, as well as socio-economic challenges. Southern Europe has proven a relatively safe haven for real estate investors in Europe, benefiting from substantial improvements in demand and rising prices.

UNITED KINGDOM

Despite a chronic undersupply of housing in the UK, residential real estate prices have declined in real terms in recent years, even as rental demand has increased. More recently, London has experienced an outward migration of wealthy individuals, which has put prime property prices under pressure. Second-tier cities (like Manchester or Edinburgh) have seen more resilient property prices.

MIDDLE EAST

Dubai has seen sharp property price appreciation due to its growing role as both a financial and lifestyle hub. While prices in Abu Dhabi have lagged, the market could benefit from spillover effects from Dubai. Saudi real estate is equally in catch-up mode as the country implements its Vision 2030.

ASIA PACIFIC

Japanese real estate in urban Tokyo has seen rising prices in recent years, with multifamily apartments supported by strong rental growth. In Australia, residential real estate is characterised by low vacancy rates and persistent undersupply.

International real estate trends

Real estate, one of the oldest asset classes, includes owner-occupied property, income-generating residential buildings, and commercial assets.

Zoltan Szelyes
Chief Executive Officer,
Macro Real Estate AG

Fabio Simoncini
Senior Analyst and Portfolio Manager, Real Estate
Bank Lombard Odier & Co Ltd

Uptrend in international property prices despite recent weakness

The trajectory of home and condominium prices is a major driver of household wealth. Chart 1 illustrates the evolution of real (inflation-adjusted) property prices over the past two decades in an international context. Demand for owner-occupied housing is shaped primarily by migration flows – how many people move into or out of a given area – and purchasing power, while supply dynamics add another decisive layer.

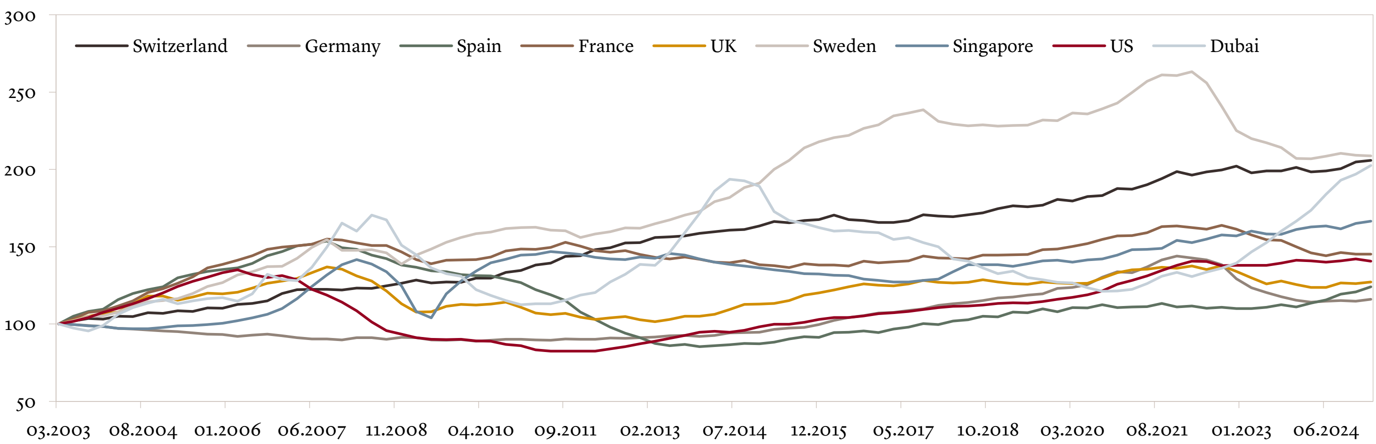
Over the last 22 years, most countries have experienced an uptrend in real property prices. In some markets, price movements follow more cyclical patterns, while in others the rise has been steadier and more gradual.

However, since 2022, surging inflation and higher financing costs have eroded affordability and weighed on demand in many regions. Markets particularly reliant on short-term mortgage financing – most notably Sweden and the UK – have been among the hardest hit. On top of this, London, still a major destination for foreigners, has recently been affected by an outflow of wealthy individuals due to less favourable tax treatments.

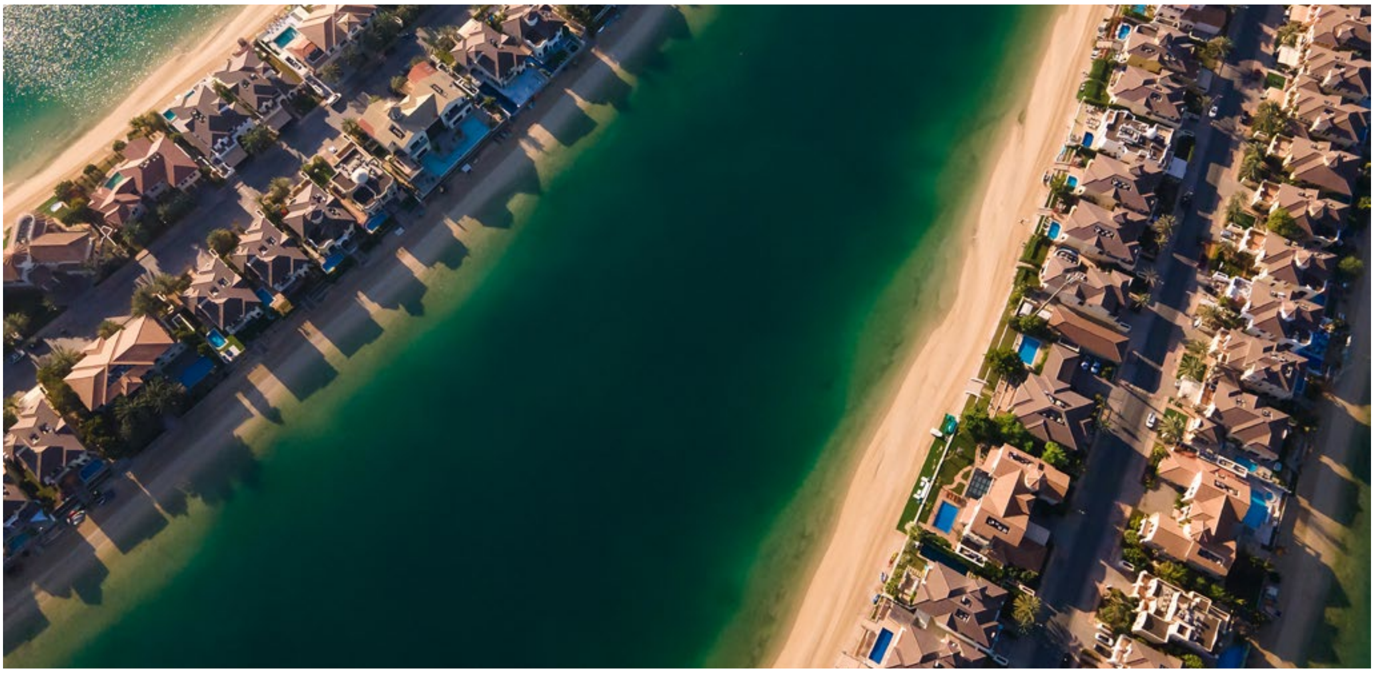
At the same time, the generally weaker macroeconomic environment compounded by socio-economic challenges (security, infrastructure, transportation, etc) has exerted particular downward pressure on residential prices in Germany and France.

1. Dubai top, core-EMU flop

Real residential prices (Q1 2003=100)



Source: BIS



But there were countries that bucked the negative trend. We pick out three examples: Spain, Dubai and Singapore.

> Dubai, a key beneficiary of shifting global geopolitics, attracts family offices and high-net-worth individuals from BRICS countries

In Europe, Spain has benefited from its role as a tourist destination and migration from Latin America, and Southern European residential real estate has proved more resilient than core-EMU real estate. Dubai, a key beneficiary of shifting global geopolitics since the Ukraine war, attracts family offices and high-net-worth individuals from BRICS countries, who increasingly prefer it over traditional European or U.S. cities. Both countries, however, have experienced comparatively sharper downturns than other markets due to rapidly developing oversupply, with Dubai historically known for its boom-and-bust cycles. Residential prices in Singapore in turn reflect its growing role as a financial and business hub in Asia.

Interestingly, the U.S. owner-occupied residential market has proved far more resilient than during the Great Financial Crisis, when prices dropped by 30–40%. While local shocks have occurred, adjustments have been more measured, as many borrowers locked in long-term mortgage rates during the low-interest period.

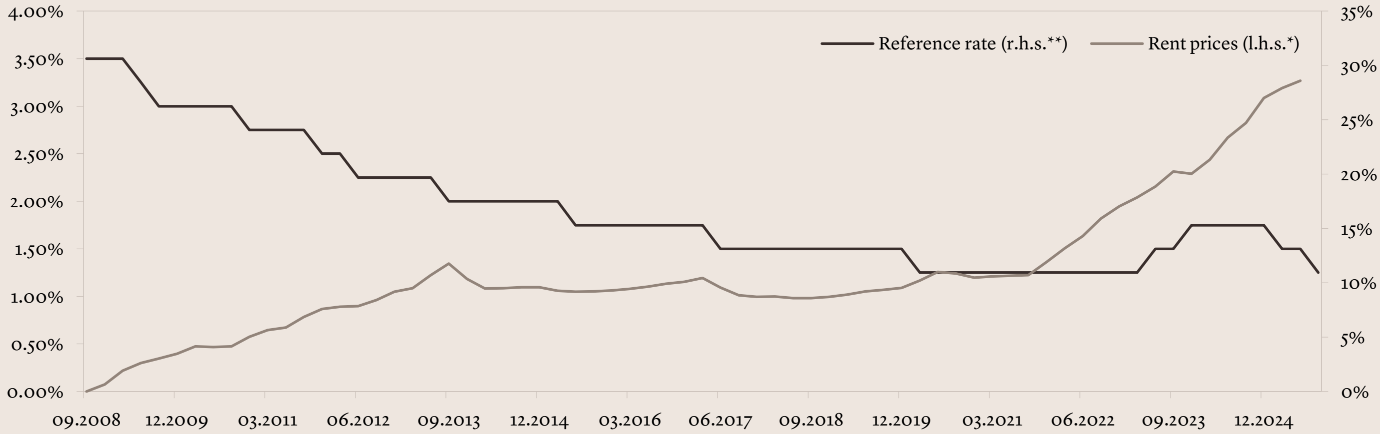
Correction in income-producing residential and commercial real estate

Income-producing residential and commercial real estate have, in many countries, corrected more sharply than owner-occupied housing. Yields, which fell to historic lows in 2021, have since adjusted upward in response to higher bond yields, reflecting the sensitivity of real estate to financing costs and relative asset allocation. Unlike the broad-based decline during the Global Financial Crisis, today's correction is uneven: sectors such as logistics, residential rentals, and alternatives like student housing remain supported by low vacancy rates and rental growth, while offices and retail face structural headwinds accelerated by the pandemic. Since, in real estate markets, it takes some time for supply to react to demand, the current low level of construction activity implies that, for the next couple of years, we are likely to see low new supply in many sectors.

> Yields, which fell to historic lows in 2021, have since adjusted upward in response to higher bond yields

2. Swiss real estate reference rate

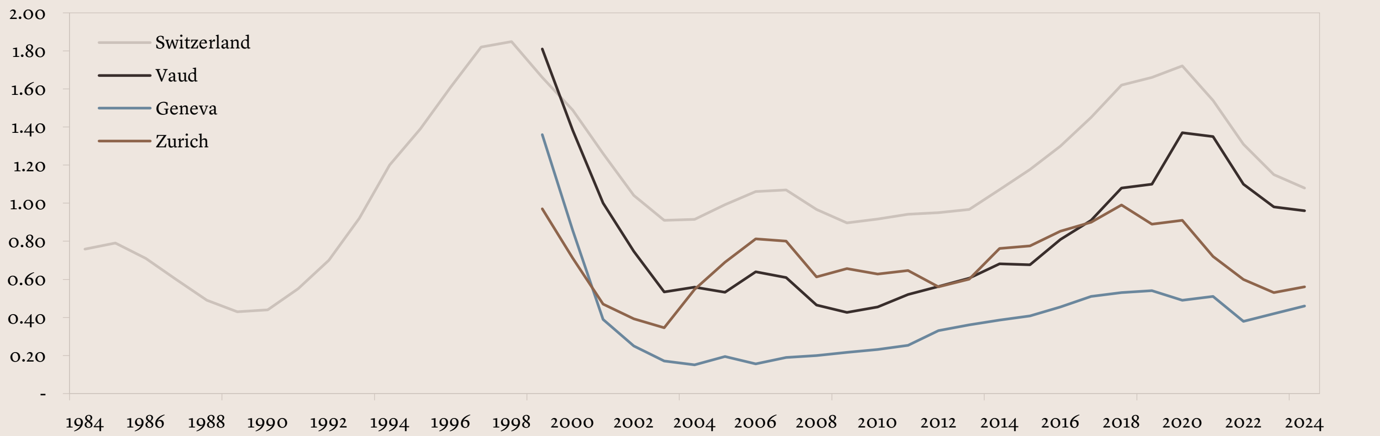
Despite delays in rent decrease requests, strong demand persists.



* left hand scale, ** right hand scale. Source: Swiss Confederation, Federal Statistical Office

3. Vacancy rates are decreasing in Switzerland

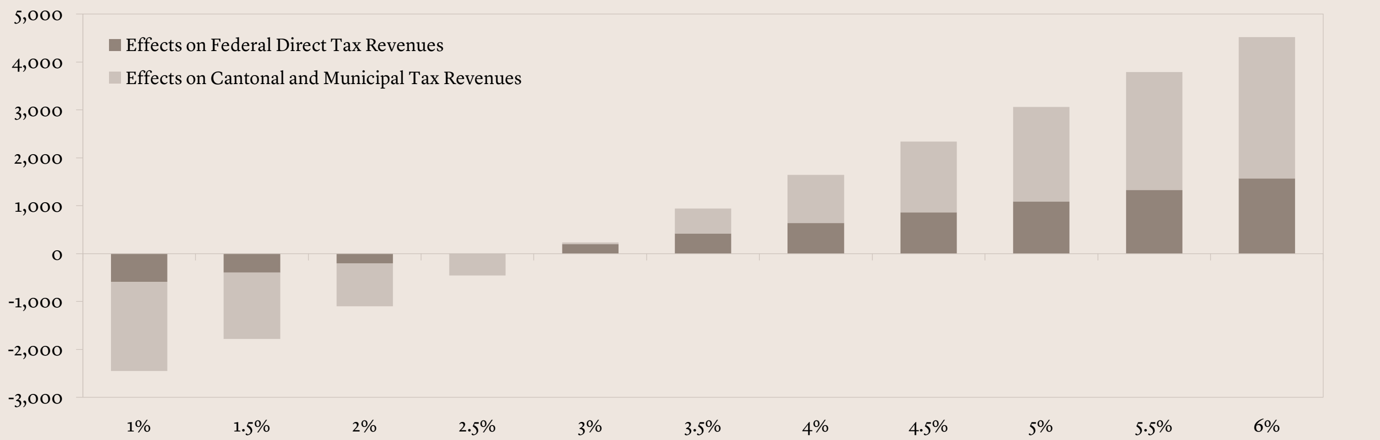
Levels are well below 1% in big cities and below the 1.5% threshold overall



Source: Swiss Confederation, Federal Housing Office

4. Effects of mortgage rates on tax revenues

Estimate based on legislative amendment. The impact of constitutional change (special property tax on secondary residences) cannot be quantified.



Examples: At a reference mortgage rate of 1.5%, federal, cantonal and municipal tax revenues fall by around CHF 1.8 billion.
At 4%, total public revenues rise by around CHF 1.6 billion.
Source: Swiss Confederation, Federal Department of Finance

Lower valuations and declining interest rates could provide some tailwinds

Investors in income-producing residential and commercial real estate are navigating a repriced market, with opportunities to deploy capital at more attractive yields. As inflation pressures from 2022–2023 ease, interest rates have begun to decline, improving financing conditions. In Europe, constrained supply suggests stronger rental growth, making the region particularly worth examining. A research-driven approach, however, remains essential given the wide divergence between countries and sectors. Looking ahead, rapid technological change, ageing societies, and long-term secular shifts will continue to reshape real estate demand. Investors must also adapt their indirect allocations to reflect these evolving market realities.

Swiss real estate: resilient despite mortgage reference rate decrease

Since 2008, the Swiss mortgage reference rate – based on average bank mortgage rates – has served as the national benchmark for rent adjustments. As of 2025, around 60% of rental contracts are linked to this rate. The recent drop of 0.25 percentage points to 1.25%, following the Swiss National Bank's rate cut to 0%, gives tenants in Switzerland the right to request rent reductions of roughly 3%.

In spite of this, rental fund cashflows have remained stable (see Chart 2). This resilience is largely due to the scarcity of apartments – with vacancy rates below 1% in major cities (see Chart 3) – and tenants' reluctance to request lower rents for fear of being blacklisted by property managers. As such, the effect on Swiss real estate funds' performance has been limited.

Office market: recovery and shifting demand

Turning to the office market: rents rose slightly in 2024 but remain 5–10% below 2019 levels, adjusted for inflation. Office supply has increased modestly, especially near Geneva Airport and North Zurich. Demand has been supported by employment growth in high-value sectors like IT and finance, with Zurich and Zug leading the way. Geneva continues to lag, with growth shifting to surrounding areas. Prime rents are climbing in central Zurich (+15% since 2019), while Geneva remains stable.

> “Prime rents are climbing in central Zurich (+15% since 2019), while Geneva remains stable

Tenants are increasingly seeking flexible, sustainable spaces in prime locations, driving a wave of conversions – now accounting for 60% of office investments. These modern offices command rents above pre-Covid levels. Meanwhile, teleworking is losing momentum, which should further support demand for office space.

Zoltan Szelyes is a leading research-based real estate investment expert in Europe with more than 20 years of industry experience. He is the CEO and owner of Macro Real Estate AG, an independent advisory firm specialising in real estate research and investments for institutional investors and investment managers in Switzerland and worldwide. He manages separate accounts for indirect real estate and provides strategic advice on real estate allocation, global macro trends, and market research to pension funds, family offices, and investment managers. Previously, he served as Head of Global Real Estate Research at Credit Suisse Asset Management (CSAM) for six years. From 2007 to 2014, he worked at the Swiss National Bank (SNB), where, as part of the executive management of the SNB Stabilisation Fund, he played a key role in its successful execution, which ultimately generated a profit of USD 3.8 billion for the SNB. Zoltan began his career as a research analyst at Credit Suisse in 2004.

Swiss tax reform: imputed rental value to be abolished following the 28th September vote

On 28th September, the Swiss voted to abolish the imputed rental value tax on owner-occupied homes. This tax is based on a theoretical income – what homeowners could earn by renting out their property – and typically corresponds to 60–70% of market rent in French-speaking regions and 70–80% in German-speaking areas. The abolition of the imputed rental value tax will take place, in best case, in 2028 or later.

Even as this tax gets abolished, so are deductions, including mortgage interest and maintenance costs for owner-occupied primary and secondary residences. This not only discourages investment in older properties, particularly those needing major upgrades to meet Switzerland's 2050 CO_2 targets, but to offset the tax income shortfalls, cantons may introduce a new property tax on second homes. Broader tax increases – such as higher VAT – may also be introduced, affecting the wider population. For example, the canton of Valais tried to introduce a property tax on second homes in 2009 but was refused, highlighting the fact that such efforts could be complicated.

> “ The impact on condominiums and private owner-occupied property prices will be negative

Altogether, the impact on condominiums and private owner-occupied property prices will be negative. By eliminating tax deductions for renovation work, homeowners would lose a key financial incentive to maintain and upgrade their properties. This disincentivisation risks accelerating the physical and market depreciation of these assets and eventually results in a weaker resale market, steeper discounts at the point of sale, and a general erosion of value across a significant segment of the housing stock.

Importantly, however, the vote has been limited to primary and secondary owner-occupied residences and has not affected rental properties or commercial real estate. It therefore has no impact on Swiss quoted real estate funds, nor on commercial funds as they are holders of only investment properties.

Sustainability

Impact investing: new opportunities
for a changing world

Investing with purpose, investing with impact

Sophie Chardon
Head of Sustainable Investment,
Bank Lombard Odier & Co Ltd

Florence Kiss
Impact Investment Expert,
Bank Lombard Odier & Co Ltd

As one of the most significant intergenerational wealth transfers in history unfolds, family offices are increasingly focussed on preparing the next generation for responsible leadership. This shift is not only financial – it's philosophical. Younger stakeholders are seeking to align capital with purpose, driving interest in impact investing and sustainable financial asset portfolios. Impact investments are made with the intention to generate positive, measurable social or environmental outcomes alongside financial returns. While adoption remains selective, these strategies are proving effective in engaging heirs and reinforcing shared values.

At Lombard Odier, we see impact investing as a powerful tool to connect long-term capital with long-term vision. In this article, we explore the opportunity set for impact investments, how they can be usefully integrated into multi-asset solutions, and the measurement and reporting frameworks we employ. By articulating a clear mission, vision, and values, families can foster cohesion across generations and ensure that their legacy is both financially resilient and socially relevant.

The impact investment opportunity set

Impact investments are investments made with the intention of generating positive, measurable social or environmental impact alongside a financial return. According to the Global Impact Investment Network (GIIN), impact investing is scaling rapidly, with a 21% annual growth rate since 2019, driving capital into sectors critical to the environmental and social transition, such as energy, healthcare, agriculture, infrastructure, and housing.

> "Impact investing is scaling rapidly, with a 21% annual growth rate since 2019, driving capital into sectors critical to the environmental and social transition

In liquid markets, labelled bonds – green, social, and sustainable – are precision tools for financing projects that accelerate the issuer's transition. Unlike conventional bonds, they commit proceeds to targeted outcomes: green bonds fund clean energy, transport, and water systems; social bonds support housing, healthcare, and education; and sustainability bonds can mix both green and social projects.

> "As the labelled bond market expanded, this spread narrowed to a nearly negligible 2 bps in the most mature geographies

With a cumulative USD 5 trillion outstanding recorded at end-2024 by the Climate Bonds Initiative (CBI), labelled bonds are liquid, transparent, and portfolio-ready. The yield differential between green and conventional bonds from the same issuer is sometimes referred to as the "greenium." In the very early days, labelled bond yields could be more than 10 basis points (bps) lower than comparable conventional bonds because of a supply/demand imbalance. As the labelled bond market expanded, this spread narrowed to a nearly negligible 2 bps in the most mature geographies, such as the euro area, thereby offering no yield drawback for investors anymore.

Since 2021, annual green bond issuance has stabilised at around

USD 600 billion. Europe leads issuance in this area, while activity by US entities had markedly slowed in the first quarter of this year, amid ESG (environmental, social, governance) backlash and market volatility related to US policy. Meanwhile, emerging markets' weight is increasing. Indeed, emerging markets are no longer peripheral players in the climate transition: they are shaping its future. Yet their trajectories are anything but linear. China, for instance, embodies the paradox: it remains the world's largest consumer of coal, while simultaneously leading in solar capacity, battery manufacturing, and electric vehicle exports. This duality reflects a broader tension across EMs, where the urgency of development often collides with the imperative of decarbonisation. According to our Sustainability Research, China accounts for nearly 60% of global solar installations today, though its share is expected to fall to 30% by 2035 as other EMs scale up. Brazil is expanding its wind corridors and solar parks, India is electrifying mobility at scale, and the Middle East is rewriting its energy narrative, channelling sovereign capital into green hydrogen and circular economy initiatives.

But many EMs still face deep-rooted challenges: limited access to green capital, shallow financial markets, and regulatory fragmentation. The climate investment gap is telling: according to the IEA, USD 2 trillion per year is needed for mitigation in EMs alone, while adaptation finance remains critically underfunded. This speaks for increased emerging markets labelled bond issuance in the future.

Besides social and sustainability bonds, microfinance stands out in alternative markets as a direct lever for financial inclusion, enabling underserved populations, especially in emerging and frontier economies, to access capital, build livelihoods, and escape poverty cycles. It channels investment into entrepreneurship, small-scale agriculture, and essential services, often with strong gender and community impact.

We analyse labelled bonds at issuance to confirm that the projects financed will clearly accelerate the issuer's transition.

Ambition

Use of proceeds (UoP)
Categories of eligible projects.
Alignment with the issuer's sustainability strategy.
Level of ambition of objectives.

- Renewable energy
- Energy Efficiency
- Pollution prevention and control
- Management of natural resources
- Terrestrial and aquatic biodiversity
- Clean transportation
- Sustainable water management
- Climate change adaptation
- Eco-efficiency
- Green buildings

Our target: UoPs material to the issuer transition strategy

Governance & measurability

Selection process
Measurable and objective selection criteria
Transparent decision rules.

Management
Segregation and transparent and traceable allocation process.

External review
Certification, second party opinion.

Reporting
Transparent, public
Allocation by category and appropriate impact data by project.

Intentionality

Sustainability credentials
Credibility of the issuer
Alignment to the CLIC transition
Positive financial exposure to the transition.

Financial materiality
Roadmap alignment framework
Discussion with the PMs and fixed income analysts.

Our target: a clear and committed issuer transition strategy

For impact-driven investors, microfinance offers pure impact exposure with measurable social outcomes, access to uncorrelated returns, and a gateway to scalable development finance, often supported by blended finance structures and public-private partnerships. While typically less liquid than labelled bonds, microfinance investments – via funds or direct lending – are increasingly structured to meet high financial standards, making them a strategic fit for long-term capital seeking both purpose and returns. High quality microfinance investments typically take USD cash rates as a basis and offer around 100-150 bp spread on top according to our calculations.

Private markets – especially private equity and venture capital – are increasingly the go-to for investors seeking pure, scalable impact and willing to embrace illiquidity. Venture capital is already backing climate and biodiversity innovators across energy, food systems, and nature tech – accelerating their path to scale. This is a long-term commitment. Value creation takes time, but the upside is transformative: building the next generation of impact-driven market leaders. Infrastructure and private credit funds are natural vehicles for deploying capital into the backbone of the environmental transition: energy systems, storage, and resilient installations. The impact is tangible and measurable, with investments directly enabling new capacity and upgrading existing assets.

“For impact-driven investors, microfinance offers pure impact exposure with measurable social outcomes

Finally, we are encouraged by the development of social real estate funds that combine both environmental and social objectives: to create healthier, more resilient cities as well as an inclusive environment taking all stakeholders into account, using low-environmental-footprint urban development.

Lombard Odier impact investments in practice

At Lombard Odier, impact investments are one of three pillars in diversified sustainable multi-asset solutions. Together with a Thematic and Resilience pillar, impact investments at Lombard Odier aim to fund the environmental and social transition but also participate in constructing well-balanced diversified portfolios able to withstand different financial market conditions, and achieve financial returns commensurate with the investor's targets and risk constraints. Indeed, the Impact pillar generally represents half of the allocation to corporate bonds and alternatives in our sustainable multi-asset portfolios – although this proportion can vary depending on the client's preferences and objectives. It encompasses a selection of labelled bonds, private assets, and microfinance funds.

Examples of transition funding these impact investments have enabled include the Prineville Aquifer Storage and Recovery facility (Oregon, US), through a green bond issued by a leading IT company. This company partnered with the city of Prineville to build an underground Aquifer Storage and Recovery system that stores excess water in winter and supplies it in summer. The project eases pressure on local water resources, ensures reliable supply for the company's data centres and the community, and strengthens long-term water sustainability.

In emerging markets, our social bond exposures encompass a bond financing a project to build over 1,500 new classrooms with proper facilities, including hygiene blocks and administrative buildings. The initiative also includes constructing and equipping new high schools and a boarding school for girls, giving them a safe place to learn and continue their education. This project helps reduce dropout rates and ensures that thousands of students can study in safer, better conditions.

Another example from our microfinance exposure is the granting of a two-year private loan to the leader of microfinance in Moldova, one of the poorest countries in Europe, which specialises in loans to small farming entrepreneurs to enable them to grow their business in a country where agriculture is the backbone of the economy.

One important aspect of impact investing at Lombard Odier is that simply defining the use of proceeds is not enough to qualify a labelled bond as impactful. If that were the case, an oil company could issue a green bond to fund renewables while continuing harmful practices elsewhere. We apply a more rigorous standard, aligned with the GIIN's definition of impact investing, which requires both intentionality and measurability.

This disciplined approach ensures our labelled bond investments genuinely support our sustainability objectives and drive real-world outcomes. More precisely, labelled bonds in our Impact investments have been subjected to and successfully passed a stringent selection process (see previous page).

Our selection has historically been restrictive, as demonstrated by a rejection rate above 40%. It is important to note, however, that these figures evolve with time and vary across geographies, with China- and US-labelled bonds exhibiting the poorest quality of reporting. When investing in labelled bond funds, we seek discipline equivalent to ours in the bond selection process.

While we aim to expand our exposure to other private assets in our portfolios, our stringent approach to impact and to the financial due diligence of private asset investment opportunities has so far restricted the set of opportunities, but this will remain an area of development in the future.

> “Engagement and proxy voting are powerful tools of influence and a strategic lever for long-term value creation

Impact measurement, reporting, and engagement

The list below summarises the key impact measures (key performance indicators – KPIs) we provide for our impact investments:

- Greenhouse gas emissions avoided
- Renewable energy capacity added
- Renewable energy generation
- Energy savings
- Water savings
- Waste managed
- Number of individuals benefitting
- Jobs created, supported
- Share of women financed
- Share of rural people financed
- Number of SMEs financed/ number of jobs created
- Number of engagements
- Status of the engagements
- Outcome of the engagements
- Number of votes
- Breakdown in engagement categories
- Breakdown in vote categories

We refrain from attempting to associate impact with listed equities, and from classifying listed equities (the other liquid asset class besides bonds) as impact investments, because it is rarely possible to attribute measurable outcomes to companies with diversified or transitioning business models. Nevertheless, we engage with companies to which we are exposed via their stocks.

> “In 2024, we conducted 88 engagements with 86 companies, primarily on the topics of net zero and nature, and voted at over 2,300 shareholder meetings across more than 50 markets

Engagement and proxy voting are powerful tools of influence and a strategic lever for long-term value creation. In 2024, we conducted 88 engagements with 86 companies, primarily on the topics of net zero and nature, and voted at over 2,300 shareholder meetings across more than 50 markets. While direct impact attribution remains challenging, we are actively contributing to industry efforts to improve stewardship outcome tracking. Until such frameworks mature, we conservatively report public equity holdings as thematic, not as impact, investments.

Conclusion

The impact investing landscape has evolved rapidly since the financial crisis. Whereas ESG investment solutions have seen their overall popularity decline after the new US administration changed its policy towards anything sustainable, impact investments have continued to see growth, development and interest from many private investors. Impact investments, originally mostly confined to private assets, now include important portions of liquid assets, too.

Combined with targeted equity and alternative investments, impact investments contribute to building well-diversified multi-asset portfolios for investors looking to drive real change while delivering both financial returns and measurable social and/or environmental impacts.

In an investment area where standards are still emerging, we believe that clarity and accountability are essential. This is why impact measurement and reporting remain central to our approach.

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