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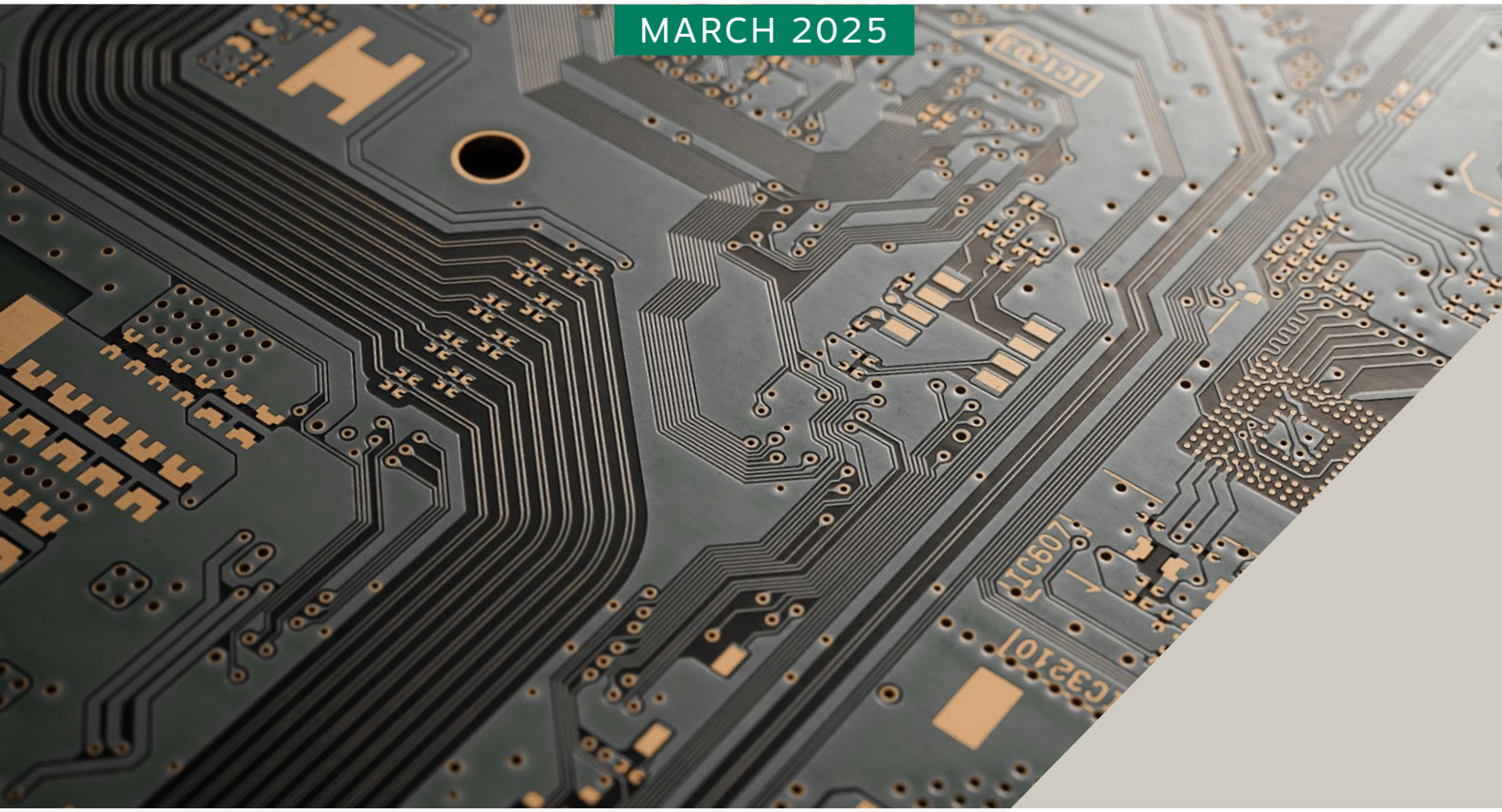
STRATEGY UPDATE

MARCH 2025



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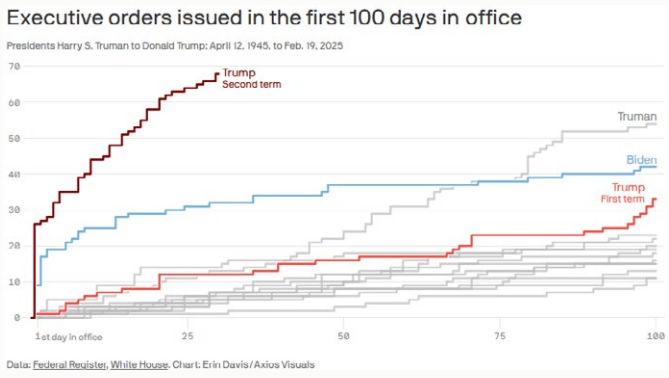
REVIEW

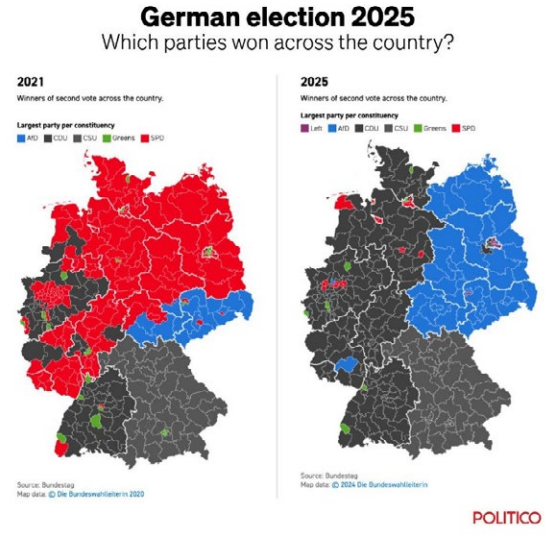
THE ~~FINANCIAL~~ POLITICAL EVENTS IN FEBRUARY

Since Donald Trump took office, hardly a day has gone by without his administration announcing new laws, tariffs, or plans. No American president in 40 years has set such a fast pace. In his first month of a second term, he issued over 70 executive orders. Critics say they exceed his constitutional powers, covering tariffs, foreign aid, immigration, and bans on transgender military service and federal funds for gender reassignment. His supporters argue these moves fulfill campaign promises. As expected, these policies sparked fierce debates, legal challenges, and protests, with both Democrats and some moderate Republicans voicing concerns over the scope of his executive authority and the long-term consequences of his decisions.

Although many investors expected Trump to maintain his 'America First' stance, the speed and extent of new tariffs surprised them. Tariffs against Mexico, Canada, and China may be followed by those on Europe and Switzerland. In 2024, Switzerland delivered four times as many goods to the US as it imported, creating a $20 billion trade deficit. Nearly two-thirds of Swiss exports came from pharmaceuticals and chemicals. Markets reacted to each new tariff with severe losses. In Europe, German carmakers lost recent gains. Analysts warn prolonged trade conflicts could disrupt supply chains and raise inflation. Diplomatic tensions also escalate, with some nations considering retaliation, while US businesses brace for potential countermeasures that could hurt exports and further weaken global economic stability.
The Trump administration appears erratic in foreign policy. One day they want to buy Greenland, the next to occupy Gaza or end the Ukraine war without Europe. This diminished the European Security Conference in Munich, as neither the US nor Russia attended. A wake-up call to Europe: defense should not be 'outsourced.' Winners so far are companies benefiting from low gas prices, Ukraine's reconstruction, or lifted Russia trade bans. Critics argue Trump's diplomacy creates uncertainty, raising concerns among US allies. Some European leaders push for greater military independence and a stronger EU defense strategy, fearing that relying on US leadership is no longer a viable long-term strategy. European officials worry that Washington's unpredictability will force them to take greater responsibility for their own security, something many had long resisted.

Germany elected a new parliament. The CDU/CSU, with chancellor candidate Merz, won with a large lead over AfD and SPD, which hit a historic low. The BSW and FDP failed to reach the five percent hurdle. The Greens finished fourth, and the Left Party remains in parliament. A CDU/CSU-SPD 'grand coalition' seems most likely. The AfD surpassing 20% raises concerns for German democracy. No party will work with them or use their votes in parliament ('firewall'), but this could restrict the Bundestag, delaying urgent reforms. Political analysts warn Germany's fragmented political landscape could lead to instability, making it harder to pass necessary economic and social policies. Meanwhile, voter frustration rises, reflecting discontent with mainstream parties and their handling of immigration, the economy, as well as a growing sense that political leaders are out of touch with ordinary citizens.





Source: Survista Financial Advisors

OUTLOOK

DIAMETRIC START TO THE YEAR

Those who have linked the Christmas holidays with skiing holidays should take a look at the financial markets. Everything seems to have shifted diametrically. While American shares were the star last year, they have lagged behind European and Swiss shares since the beginning of the year. Sectors shunned by investors last year are now 'in vogue,' including energy and materials, which have seen renewed interest due to shifting global demand, higher commodity prices, and supply chain disruptions.

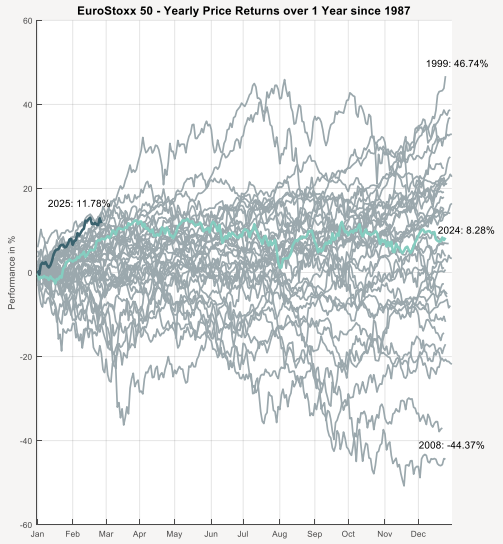
The changes envisaged by the Trump government pose new challenges for monetary authorities, companies, and investors. Newly introduced tariffs are increasing inflationary pressure in the USA. Products and services will become more expensive, potentially driving core inflation up 0.7% to 4%. Rising costs for raw materials and wages could fuel this trend, making it harder for businesses to maintain profitability without passing costs on to consumers. Some economists fear these inflationary pressures may last longer than anticipated.Companies could exploit tariffs for disproportionate price increases, more than compensating for higher input costs. This would significantly increase profitability, especially for market leaders in non-cyclical products and services. However, small and mid-sized enterprises may struggle to keep up, leading to layoffs, reduced investment, and industry consolidation. Consumers, already feeling inflation's strain, may be forced to cut back on spending. The question remains whether consumers can afford higher prices. Consumer spending on services is still rising slightly, but soaring mortgage costs in the USA could become a 'party killer.'

Consumer spending drives 70% of economic growth in the USA, which acts as a global growth engine. While the labour market remains strong and wage growth outpaces core inflation, government job cuts may change that. If confidence weakens, recession risks could grow.

In this context, Trump's 'sheriff' Elon Musk should be mentioned. The president tasked him with streamlining government and made him head of the DOGE (Department of Government Efficiency). Musk is supposed to save the state $2 trillion, but in reality, it will likely be far less. Government employees in Washington are well-organized, with strong unions behind them. Some measures face legal challenges, and political opposition remains fierce. For one of the most indebted countries, austerity seems unavoidable. Other nations that have reduced bureaucracy, such as Argentina, have seen initial success. Similar measures could benefit Europe, where debt remains a major issue. Some argue that cutting excessive regulations could boost economic growth without harming essential services.

This fuels fears that the consumer market will weaken, causing economic growth to slow more than expected. Economists estimate US growth loss at up to 0.4%. Once again, monetary authorities face a dilemma. Inflationary pressure calls for higher interest rates, but slowing consumer spending could weaken growth, forcing rate cuts. If inflation stays high, central banks will struggle to balance economic support with price stability. Investors brace for volatility, shifting toward defensive assets amid uncertainty.

Marktüberblick 27/02/2025		Wertentwicklung		
		Aktueller Wert	Februar	YTD
Währungen	EUR/CHF	0.9375	-0.91	-0.48
Performance in %	USD/CHF	0.9022	-1.23	-0.85
	EUR/USD	1.0390	0.35	0.43
	USD/JPY	150.3400	-3.47	-4.70
Geldmarkt - Zinsen	CHF Saron 3M	0.4	0.02	0.00
Differenz Zinsen	EUR Euribor 3M	2.5	-0.09	-0.22
	USD SOFR 3M	4.3	0.02	0.01
Staatsanleihen - Zinsen	CH Govt 10Y	0.4	0.04	0.14
Differenz Zinsen	DE Govt 10Y	2.4	-0.05	0.05
	US Govt 10Y	4.2	-0.28	-0.31
Unternehmensanleihen - Zinsen	EU Corp	3.1	-0.08	-0.12
Differenz Zinsen	US Corp	5.1	-0.18	-0.21
Spreads	US Zinsgefälle (10Y-2Y)	0.21	-0.13	-0.12
	EU Zinsgefälle (10Y-2Y)	0.38	0.04	0.09
	CH Zinsgefälle (10Y-2Y)	0.27	-0.01	-0.01
	Kreditaufschlag Italien (zu DE	1.13	0.04	-0.02
Aktien	SMI	12'958	2.87	11.70
Performance in %	SPI Extra	5'470	-0.46	6.19
	EuroStoxx 50	5'473	3.65	12.11
	DAX	22'551	3.77	13.27
	S&P 500	5'862	-2.86	-0.16
	NASDAQ 100	20'551	-4.26	-2.10
	TOPIX	2'682	-1.85	-1.71
	MSCI EM	1'124	2.95	4.81
Rohstoffe	GOLD	2'859.2	2.83	9.64
Performance in %	Erdöl WTI	69.6	-3.01	-1.91
Gehandelte Volatilität	VIX (Volatilitätsindex S&P 500	21.1	28.61	21.79



Source: Survista Financial Advisors

FOCUS

SEMICONDUCTOR INDUSTRY 2.0 - WILL SILICON VALLEY SOON HAVE TO CHANGE ITS NAME?

Together with Clelia Beck and Dan Choon, we shed light on the development potential of the semiconductor industry. Anyone who thinks this industry is already at the end of the innovation cycle is mistaken. Clelia and Dan are the founders of the Cycle Group, which makes venture investments in 'deep tech' companies.

Could you please briefly tell us about your professional background and explain what sparked your interest in deeptech and how you ultimately came to focus on it?
Clelia: Prior to joining Cycle Group, I spent a decade as a successful entre-preneur in Hong Kong and China, focu-sing on building companies in the gar-ment manu-facturing industry, facilita-ting technology transfer, and expanding European companies into Asia. Upon meet-ing Dan and Stephane, I immedia-tely recognized the immense potential of their venture. I decided to sell my existing ventures in Asia and fully invest everything I ever made in the set up of the fund.
Dan: Science and technology are my passion since early childhood. Parallel to high school friends and I got per-mission to attend university classes in computer science, maths, and physics. Later I co-founded a project for gifted students also practically engaging in research, and broadly supported by science institutions in Heidelbger, where I grew up.
I later started a venture at the intersection what one would call fintech and AI these days. However, the VC fund that was supposed to invest went bankrupt shortly after committing to us – this left me puzzled and as I needed to pivot my activities to compensate for the financial loss, I engaged in a multi-year journey in sup-porting other technology ventures. In 2017 I decided to start my own venture fund beeing able to make more bold technical investments that can have a real impact.

Cycle Group is focussing on deeptech investments in Europe. What made you make this strategic decision, especially compared to the US where many other ven-ture capital funds are active? What particular oppor-tunities or challenges do you see in the European deeptech ecosystem?
Clelia: The United States is widely recognized as a leader in deeptech, however, Europe maintains a strong presence in certain areas such as power electronics and advanced materials. Due to a lack of competition from investors with deep technical expertise, there is potential to discover valuable opportunities and invest at lower valuations compared to the US. However, it is important to consider the less mature ecosystem and significant gap in series C funding.

The semiconductor industry is an important focus for Cycle Group. Looking 20 years into the future, how would you assess the current state of semiconductor development in terms of long-term trends and break-throughs? What milestones still need to be reached?
Dan: When looking just 5 years into the future the pro-jected semiconductor markets have already a EUR 1 trillion annual market size. This might seem large, but I am convinced that we are only seeing the beginning. It's difficult to grasp exponential growth intuitively, but as an anecdote one can compare all the numerous consumer devices such as telephones, music players, calculators, newspapers, that have been replaced by a single semiconductor enabled device, the smart phone. Now projecting decades into the future much of what we currently build in heavy energy infrastructure rang-ing from transformer stations for power conversion, to engines, and chemical reactors will, in my believe, be transformed by advanced 3rd, 4th and 5th generation semiconductors.

Which areas within semiconductor technology do you think harbour the greatest development potential in the coming years? How could these developments change the structure and dynamics of the semicon-ductor industry?
Dan: Within the next decade 3rd and 4th generation semiconductors based on wide bandgap (WBG) mate-rials will enable 10-100 folding energy throughput with significant higher energy efficiency thus enabling a smarter and cleaner electricity grid. Materials like Sil-icon Carbide (SiC) and Gallium Nitride (GaN) will drive efficiencies in everything from mobile devices to new electric vehicles. 5G and 6G signal transmission up to

Source: Survista Financial Advisors

terahertz applications will be finally commercially viable with these materials, that can oscillate at much higher frequencies. This shift to WBG will be enabled by significant cost-reduction we can already see enabled by our portfolio company Element 3-5.

Can you briefly and clearly explain to our audience what a silicon wafer is and what role it plays in semiconductor production?
Clelia: Semiconductors can be composed of various substrates, with silicon wafers being the predominant choice currently. However, the use of Gallium Nitride (GaN) is expected to surpass silicon in the near future due to its superior performance.

Gallium nitride (GaN) is being discussed as an alternative to silicon in semiconductor manufacturing. What are the main advantages of GaN over silicon in terms of performance, efficiency or other relevant factors?
Clelia: The utilization of GaN as a substrate allows for significantly more energy-efficient devices, enabling new applications. Thanks to ground braking innovations from element 3-5 (one of our portfolio companies), GaN wafers can now be produced at a fraction of the current cost, resulting in a 90% reduction in energy consumption. This breakthrough has the potential to revolutionize the industry, as GaN's superior performance has previously been hindered by its high cost.
Dan: It can also withstand far higher temperatures making it more durable and last, but not least, GaN is also a photonic material (Together with Isamu Akasaki and Hiroshi Amano, Nakamura received the 2014 Nobel Prize for Physics „for the invention of efficient blue light-emitting diodes, which has enabled bright and energy-saving white light sources"), and thus innovations we have identified in GaN fabrication can have market changing effects on (CMOS compatible) photonics enabling new optical communication between chips which will make data centres significantly more energy efficient.

What new opportunities can arise from this technology?
Dan: Huge opportunities lie in the cost reduction in transmission of electricity, telecommunications, and advanced computing. The energy efficiency market in power electronics alone will exceed a total addressable market of hundreds of billion Euro per year. The semiconductor industry is projected to exceed 1 trillion Euro annually by 2030.
Clelia: This technology also enables the transformation of the energy grid through the replacement of traditional materials, such as rare metals like copper, which are often associated with poor mining conditions, shortages, and price fluctuations. In the future, semiconductors will play a crucial role in making the energy grid more intelligent and efficient. Currently, only a small percentage of energy generated by coal or nuclear power plants reaches our homes due to inefficiencies (around 10%). However, with the integration of semiconductors, these inefficiencies can be greatly reduced, resulting in a smarter, more efficient, and resilient energy grid for tomorrow.

How do you estimate the time frame until the advantages of GaN technologies become noticeable for end users? In which areas do you expect the first and most significant effects?
Dan: GaN chargers are already commercially available in retail. With high chances are your new iPhone or Samsung charger GaN devices. Also many applications like EV fast charging need either SiC or GaN power electronics. The wider implementation of these chips will soon follow industry wide as they become more affordable and they will be integrated into mobile devices, cars, and smart grids. The processing technology of Element 3-5 enables significant manufacturing cost reduction and thus we anticipate a mass adoption within the next 2-3 years.

Would Silicon Valley have to change its name to Gallium Valley?
Clelia: (Laughing) Maybe we should call the area around Aachen where element 3-5 is located "Gallium.Valley".
Dan: Funny enough a company in Belgium started an initiative called GaN Valley. Even though that particular company, BelGaN, did not make it, there is a lot of interest in this shift to GaN-technology.

How do the established companies in the semiconductor industry perceive the development of gallium nitride technology (GaN)? Are there specific reasons why these companies have been reluctant to invest significantly in GaN wafer production?
Dan: They have not been reluctant at all. Recent acquisitions of Transphorm by Renesas for $345 million, Global Foundries acquisition of Finwave and other have shown

Source: Survista Financial Advisors

that the market is moving massively in this direction.

Clelia: One would think these huge conglomerates with trillions of funding behind hire the best scientists and come up with the brightest solutions. However, these scientists are still limited by the company's established framework and may not think outside the box. Therefore, it is often more beneficial to work with brilliant founders who have left these corporations and have the freedom to think beyond traditional boundaries.

Do you find a good environment for such innovations in Europe or what do you miss or would you like to change?

Clelia: Although universities and institutes in Europe are still world leading in some areas, Asia is rapidly catching up and excelling in many fields. Where I would like to see change is that technocrats, engineers and not bureaucrats sit on the pockets of money the EU is pouring into innovation. This will prevent wastage of taxpayer money and ensure progress. Additionally, it would be beneficial for private investors to follow the lead of the US and Asia and invest more in innovation. Furthermore the excessive over regulation by the EU is hindering innovation and needs to be reduced.

There is often discussion about Europe lagging behind the USA and China in terms of technology. Do you think that Europe has the potential to catch up and regain its position as a leading technology hotspot? What concrete steps would be necessary to achieve this?

Clelia: No I think that's unfortunately a wild dream. While there are still a few areas where we excel globally, without proper support in terms of funding, deregulation, targeted grants, and a shift in mindset, these strengths will also be lost in the next 10-20 years. I came from Asia, where very different work ethics prevail. I have seen firsthand the dedication and commitment individuals have towards their companies (founders and especially the employees). It is time for Europe to step up.

Dan: To every rule there are exceptions, and ASM Lithography is probably the best and most well known example. I don't believe that technology is best played as a zero sum game. If you want to scale hardware manufacturing and compete on cost you do need scale, but there is also the fabless approach, that companies like NVIDIA, AMD, and Dolby Digital have been hugely successful with.

Deeptech and semiconductor technologies are topics of great interest to investors. How would you describe the current situation in raising capital for deeptech venture capital funds in Europe? Are there any particular challenges or opportunities?

Dan: The interest seems to be huge, but it's challenging to find the right investors anyhow. Many deploy only a small fraction in venture funds. Many also prefer long established fund houses that have proven consistent diversification and stable returns. In our case we are much more contrarian and ambitious in the technologies we back, thus we are not for everyone I guess.

Clelia: Also it was high time for a reset. I believe it is a good thing that not every « deeptech » manager can raise money easily. It should be very hard to raise third party money. As it comes with a huge responsibility.

Finally, what would you like to get off your chest?

Clelia: Europe was for centuries a centre of innovation. Birthing the brightest minds and greatest ideas. Let's nurture the few industries we are still leading in. Let's enable the brightest founders to keep Europe on the innovation map. Let's transmit the next generation a more resilient, bold and daring mindset. A mind which is free to innovate, iterate, adjust and excel.

Dan: I do what I love and love what I do. I am very thankful for having a meaningful profession which gives the chance to help founders advance new technologies that can make society more sustainable and smart globally. The only personal difficulty arises from this job beeing non-stop and always very intense. Some times I also wish we had not structures a regulated, and thus quite demanding structure, but our idea was to safeguard everything and I guess the administrative overhead might be a good investment in the long run as it creates safety layers. Luckily I collected stamps as a child otherwise I would have lost my mind on the KYC and AML processes.

Source: Survista Financial Advisors

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