

#### Teaser:

- Where quality meets patience the LAPIS way to enduring compounding.
- LAPIS Top 5 Performers led by LAPIS Global Rare Earth and Strategic Metals 15 Analysis + 59.48%

"The Clear Path to Growth"

# **Navigating the Wall of Worry with Discipline and Perspective**

Dear Clients and Partners,

Welcome to the second edition of our reimagined LAPIS Investor Letter. As the year draws to a close, markets have once again reminded us that patience and discipline remain the true differentiators in investing. From late June to the end of September, the MSCI World Index rose by more than 7.5%, extending an impressive recovery that continues to challenge those waiting for a clearer signal to reenter.

Yet, despite record highs across many asset classes, conversations with clients often reveal the *fear of heights*. As Sir John Templeton observed, "Bull markets are born on pessimism, grow on scepticism, mature on optimism and die on euphoria." Today, we seem to stand somewhere between scepticism and optimism, climbing the "wall of worry".

Uncertainty still looms large: geopolitical frictions, tariff disputes, and debt burdens dominate the headlines. However, markets have a remarkable ability to climb despite these concerns. The very existence of widespread caution often keeps euphoria at bay and leaves room for long-term investors to be rewarded for their composure.

At LAPIS, our approach remains consistent: structured, transparent, long term and free of short-term bias. The theme of this quarter's *Market Deep Dive – The Secret of Compounding –* could not be more relevant. Sustainable wealth creation is rarely the product of constant activity but rather of discipline, high standards and time. True compounding happens when we focus on quality, and let great businesses unfold their potential.

At the same time, we continue to look ahead. The recent launches of the LAPIS Global Rare Earth & Strategic Metals 15 Analysis and the LAPIS Global Quantum Computing All Analysis reflect our commitment to staying at the forefront of structural innovation — bridging today's stability with tomorrow's opportunity.

As we move into the final quarter of the year, we do so with the same conviction that has guided LAPIS from the start i.e. clarity over complexity, structure over sentiment, and patience over haste.

I wish you much pleasure and insight while reading this edition.

Warm regards,



Andreas (Nueger CEO, LAPIS Asset Management

# Momentum, Milestones and Market Recognition

Camilla Fattarina and Carlo Giorgi



## **Innovation & Product News**

#### **GEOPOLITICAL MOMENT: RARE EARTH**

Rare earths and strategic metals are vital for advanced technologies — from EV motors and batteries to defense systems and clean energy infrastructure. Recently, the United States has taken decisive steps to strengthen its domestic supply chain:

- The U.S. Department of Defense acquired a
   ~15% stake in MP Materials, the operator of
   America's only active rare earth mine,
   ensuring long-term supply stability and
   reducing reliance on foreign sources.
- The U.S. government is also negotiating for up to a 10% stake in Lithium Americas, linked to a USD 2.26 billion Department of Energy loan for the Thacker Pass lithium project in Nevada.

Together, these measures highlight the new "critical minerals race," where thoughtful, rules-based thematic exposure can serve both as diversification and as long-term strategic positioning.

In this context, we have expanded our offering with the launch of the LAPIS Global Rare Earth and Strategic Metals 15 Analysis, composed of 15 best global companies active in the rare earth and strategic metals field. Our goal is to provide investors with disciplined exposure to a theme central to the global technological and industrial transition.

Find out more



#### **QUANTUM COMPUTING: A NEW FRONTIER**

Quantum Computing is emerging as the next frontier in information technology, with the power to accelerate scientific discovery, transform industries, and redefine problemsolving worldwide. With the launch of the LAPIS Global Quantum Computing All Analysis, investors gain diversified exposure across the full quantum ecosystem from hardware platforms and software development to cloud services, real-world applications, and secure quantum communications. Through a carefully curated selection of global leaders and innovators, the portfolio captures both current momentum and long-term growth potential. This new analysis reflects our commitment to offering forwardlooking investment solutions designed to anticipate the technologies that will shape the future. It also provides investors with an opportunity to participate early in one of the most disruptive innovations of the coming decades. Find out more

By investing in the LAPIS Global Quantum Computing, you position yourself at the forefront of the remodelling of key sectors and unlocking the substantial financial opportunities. Investors should, however, be aware that alongside significant opportunities, quantum technologies remain at an early stage and are subject to considerable risks and uncertainties.



#### LAPIS GLOBAL INNOVATION FUND

On September 8, we completed the merger of the LAPIS Global Medical Devices 25 DY Fund into LAPIS Global Innovation Leaders 50 DY Fund. Launched in April this year, the Innovation Fund aims at long-term capital growth by investing in a diversified portfolio of equities across high-potential sectors, including software technology, medical devices, semiconductors, financial technology, and 5G & IoT. The strategy intends to hold 50 equally weighted securities, each with a market capitalization above USD 25 billion, and with at least 80% of holdings demonstrating uninterrupted and continuously increasing dividends over the last 5 years. This integration reinforces our Innovation platform, offering investors exposure to leading global companies combined with a disciplined focus on dividend growth. Find out more





# Macro & Market Insight

In September, the Federal Reserve lowered interest rates by 0.25%, marking its first cut since the tightening cycle began. Markets now expect further cuts before year-end.

- Lower rates reduce borrowing costs, particularly supporting companies with higher leverage. Capital-intensive value sectors such as industrials, infrastructure and natural resources tend to benefit the most.
- Growth stocks may also gain, as lower discount rates increase the present value of future earnings, though the relative impact is stronger on debt-heavy value businesses.

At LAPIS, we continue to balance exposure across both growth and value segments, ensuring diversification through our rules-based model.



## **Regulatory & Compliance Updates**

We have successfully implemented the new FINMA circular on concentration risks, enhancing monitoring of exposures to single securities and issuers. LAPIS strategies are well diversified, making concentration risk virtually absent. Only clients holding large external single-stock positions may be affected and have been informed. Diversification across names, sectors, and geographies remains a cornerstone of the LAPIS Way.



## **Digital & Client Experience**

The LAPIS Facts App continues to expand its user base, with positive feedback and further UX enhancements in development. Download the app today and discover what's next!





# The Secret of Compounding

Mathias Schanz

Compounding is often celebrated as the "eighth wonder of the world", yet its true power is rarely lived. Beyond the mathematics of interest on interest, compounding is a test of patience, discipline, character and high standards. Those who resist short-term temptations and allow a few exceptional companies the time to grow unlock its real potential.

#### Is Compounding the Eighth Wonder of the World?

Experts in the financial world rarely quote Einstein, but when they do, it is usually his supposed remark on compounding: "Compounding is the eighth wonder of the world." There is no evidence Einstein ever said this — the line is widely considered apocryphal — yet it has become a popular catchphrase in finance. Symbolically, it stands for the miracle of compound interest, a concept that lost much of its shine in the era of ultra-low interest rates following the financial crisis of 2007—2009. But the true wonder of compounding is not merely a mechanism of interest on interest; it is, above all, a question of behaviour — and one that is often overlooked in today's fast-paced world.

For if compounding really were as simple as it is often portrayed, every investor would already be wealthy. The uncomfortable truth is this: compounding is not a mathematical trick but a test of character. It rewards those who set high standards, resist short-term temptations, and endure years of apparent stagnation before extraordinary results emerge. Most investors do not fail because they fail to understand compounding – they fail because they cannot live it. They sell too early, confuse share price movements with business performance, or lower their standards when boredom sets in. The real secret of compounding lies in the discipline to own great companies - and above all, to hold them long enough.

#### The Hidden Difficulty – Patience as Active Discipline

Most investors seek quick wins. A share price increase of forty per cent is celebrated as a triumph – time to take profits and chase after the next opportunity. And yet, this is where failure begins.

The truly significant successes in investing do not arise in months but over years. Peter Lynch, one of the most successful fund managers of all time, put it succinctly: "Most of the money I make is in the third or fourth year that I've owned something." Companies need time to reveal their fundamental strength. Share prices, meanwhile, rarely move in straight lines — after years of stagnation, there is often a sudden and explosive revaluation.

Patience in this context does not mean passivity. It is an active discipline. Between the years of apparent calm and the moment when a stock becomes a multibagger lies the psychological minefield of compounding.

#### The Key is Quality

Patience alone is not enough; it must rest on a solid foundation. Those who hold on to just any stock will inevitably be disappointed. Only by **focusing on truly high-quality companies** can investors unlock the potential of compounding. Quality reveals itself in consistent growth in revenue and earnings per share, in sound capital discipline without continual dilution, and in business models with durable competitive advantages.

Investors who adopt such standards learn, often through painful experience, to distinguish between business performance and share price performance. A stagnant price does not necessarily mean a stagnant company. More often, the foundations are quietly strengthening while the market hesitates to recognise the value. Selling too soon in such phases means forfeiting the crucial leverage of compounding.

#### Tolerance for Boredom - The Hardest Virtue

In his book *The Art of Execution*, Lee Freeman-Shor studied some of the world's leading investors. The results were striking: **the most successful did not stand out through constant trading, but through their ability to wait.** He called them "Connoisseurs" — investors who held the same companies for years on end.

He described their hallmark as a "high boredom threshold". At first glance, it seemed unremarkable, even dull: the same stocks, the same arguments, no dramatic changes. Yet this very "boredom" was the key. While others traded incessantly, the Connoisseurs stuck with their positions – and reaped the rewards of the few big winners that drove their portfolios forward.

"Active patience" therefore does not mean doing nothing. It means consciously deciding to change nothing as long as the fundamental reasons for an investment remain intact. This is the hardest discipline of all, because our human urge for action constantly pulls in the opposite direction — even more so in today's world of relentless news flow, market chatter and the lure of fresh opportunities.

#### The Power of a Few Big Winners

Study after study confirms the same pattern: only a handful of stocks are responsible for the lion's share of long-term returns.

Warren Buffett still holds Coca-Cola, American Express and Moody's – investments he has kept for decades. Phil Fisher wrote as early as the 1950s that he did not want to make many small profits but a few very large ones.

The attempt to continually lock in small gains leads, over time, to mediocrity. The courage to let a few great winners run for years leads to compounding (see chart below). This is precisely what distinguishes an average investment history from an extraordinary one. Or, as Freeman-Shor put it: "Any approach that does not embrace the possibility of winning big is doomed."

#### **Asset Managers and the Curse of Activity**

The psychology of markets challenges not only private investors. Many professional asset managers also succumb to the urge to act — often out of fear of appearing idle. Clients expect visible activity, and so portfolios are rebalanced, positions tinkered with, profits taken. Too often, however, this is cosmetic rather than substantive.

Truely successful asset managers are rare. They understand compounding as a guiding principle. Instead of signalling constant business, they create conditions for the few big winners to realise their full potential. They know the essence of investing lies not in action, but in the strength to hold – against market fashions, peer pressure, and perennial temptation to appear "busy".

#### **Conclusion: The True Secret**

Compounding is often described as the magic of compound interest. In truth, it is much more: a test of patience, discipline and standards. Returns are not generated by perpetual activity but by the ability to hold back.

#### MARKET DEEP DIVE

The true wonder of compounding is the art of committing to quality for years, enduring lean stretches, standing firm against market moods, and resisting the lure of quick wins. It is the ability to identify a few exceptional companies – and then grant them the time to unfold their potential.

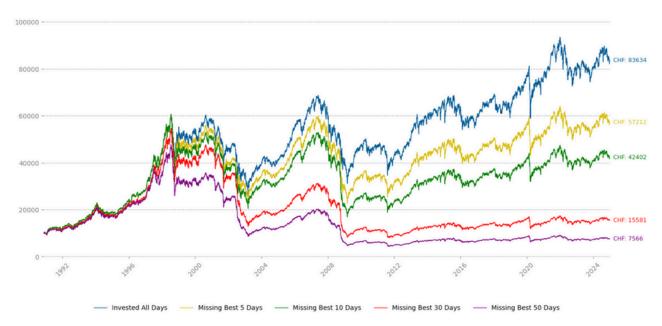
In the end, it is not the number of trades that matters, but the resilience of conviction. Not the chase for short-term profits, but the patience to let value grow.

Or, as Warren Buffett famously remarked:

"The stock market is a device for transferring money from the impatient to the patient."

#### **Cumulative returns of Swiss Market Index (SMI) 1990-2025**

Missing just a few of the market's best days significantly reduces long-term performance.



by LAPIS Analytics

#### **Key Takeaways**

- **Compounding is not math it's behaviour.** True success in investing stems from discipline, patience, and high standards, not formulas or frequent action.
- **Quality is the foundation.** Only strong, well-managed businesses can turn time into exponential growth.
- A few winners drive most of the results. Letting exceptional positions run for years often determines the difference between average and extraordinary outcomes.

# **Quality that Compounds**

Compounding, as highlighted in this quarter's Deep Dive, only works when the underlying assets are of the highest quality. This is precisely the **principle behind our dividend strategies**. Each LAPIS Analysis applies transparent, rule-based standards to identify companies that have demonstrated the rare ability to **compound value over time**.

LAPIS Global Top 50 Analysis	LAPIS US Top 50 Analysis	LAPIS Swiss 25 Analysis		
Global large-cap core portfolio	U.S. large-cap breadth and depth	Swiss domestic champions		
50 equally weighted companies	50 equally weighted companies 25 equally weighted companies			
		end 5 years of continuous dividend growth		
25 years of uninterrupted, rising dividends	10 years consecutive dividend increases	5 years of continuous dividend growth		

In all our dividend strategies, we steer clear of the mediocrity that comes from locking in small gains too soon. Instead, we create the conditions for a few big winners to drive extraordinary results while generating cash flows through dividends — much like the enduring holdings of investing legends, complemented by the steady incentive of dividend income.

By committing to these high standards, LAPIS positions your portfolio not just for resilience in dynamic markets, but for the profound rewards of compounded growth over decades. As we navigate the uncertainties ahead, **our strategies are designed to transfer wealth from the impatient to the steadfast**, aligning perfectly with the true secret of compounding.

Analysis Name	Performance Q3	Global Markets Q3 - 2025	
LAPIS Global Rare Earth and Strategic Metals 15 - USD	+59.48%	S&P 500 Index	+7.79%
LAPIS Global Gold Miners 20 DY - USD	+44.48%	NASDAQ Composite Index	+11.43%
LAPIS Global Quantum Computing All - USD	+18.26%	Euro Stoxx 50	+4.57%
LAPIS Global Top 25 Space Exploration - USD	+16.57%	SMI	+1.72%
LAPIS Japan Top 50 DY - JPY	+13.37%	Nikkei 225	+11.73%
by LAPIS Analytics			

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