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CONTENTS

Bitcoin – Prices Driven by the "Bigger Fool" Theory.....	2
Is There a Bubble in AI and Technology?.....	4
Gold – A Safe Haven in Uncertain Times.....	7
From 2025 to 2026: The Trend Is Your Friend	10

BITCOIN – PRICES DRIVEN BY THE "BIGGER FOOL" THEORY

Hardly any asset class polarises investors, media and the public as strongly as Bitcoin and other cryptocurrencies. While proponents portray Bitcoin as "digital gold", an inflation hedge or even a substitute for state-issued currencies, fundamental economic questions remain largely unanswered. From the perspective of prudent wealth management, it is therefore not short-term price movements that matter, but the sustainability of the underlying value proposition.

Bitcoin Is Not Legal Tender – and Is Not Backed by Any Economy

One of the defining characteristics of sovereign currencies is their anchoring in a real economy. The Swiss franc, the euro or the US dollar are not merely means of exchange, but expressions of economic capacity, tax base and institutional stability. They are accepted as legal tender, can be used to pay taxes and are embedded in comprehensive monetary and fiscal systems.

Bitcoin, by contrast, is legal tender in virtually no country, is not backed by an economy, tax revenues or productivity, and is not part of any monetary policy framework. The frequently cited claim that Bitcoin is "stateless" and therefore superior represents, from an economic perspective, a weakness rather than a strength. Money requires trust, and historically that trust is rooted in institutions, legal certainty and economic substance.

No Access to a Central Bank – Bitcoin Is Not Central Bank Money

Sovereign currencies can be held, exchanged or used as liquidity reserves at central banks at any time. Central banks act as lenders of last resort, stabilise payment systems and safeguard the functioning of the monetary system in times of crisis.

Bitcoin offers none of these features. There is no central bank capable of stabilising Bitcoin in times of stress, no monetary authority able to intervene during market dislocations, and no possibility of converting Bitcoin into central bank money. As a result, Bitcoin is not money in the classical sense, but a purely private, unsecured digital asset whose value depends entirely on market confidence, without any institutional backstop.

No Intrinsic Value, No Cash Flow, No Income

From an investment perspective, intrinsic value is a key determinant. Equities represent productive capital and future earnings, bonds generate interest and repayments, real estate provides rental income, and gold at least has limited industrial and cultural uses.

Bitcoin, however, has no productive use, generates no cash flow and produces neither interest nor dividends nor recurring income. Its sole function lies in storage and trading. Its value is not derived from use, but exclusively from expectations of rising prices, which fundamentally distinguishes Bitcoin from traditional asset classes.

Scarcity Alone Does Not Create Value

A common argument is that Bitcoin derives its value from its limited supply of a maximum of 21 million units. Scarcity alone, however, is not a sufficient criterion for value. Many things are scarce without possessing stable or sustainable value.

Scarcity can only support prices if there is genuine demand for use or income generation. In Bitcoin's case, scarcity itself is the core of the value narrative: the supply hardly grows, rising demand automatically leads to higher prices, and prices rise because prices rise. This self-referential dynamic is a classic hallmark of speculative price formation without fundamental support.

The "Bigger Fool" Theory as the Basis of Price Formation

The "bigger fool" theory describes investors who purchase an overvalued asset not because of its intrinsic value, but in the hope of selling it later to an even "bigger fool" at a higher price.

This principle is central to Bitcoin. A buyer cannot rely on rising corporate earnings, cannot reinvest or value any income stream, and the sole source of return is selling to a later buyer at a higher price. Bitcoin is therefore not an investment in the classical sense, but a wager on future demand or on the emergence of additional "bigger fools".

Extreme Volatility as a Logical Consequence

The absence of fundamental anchoring explains Bitcoin's pronounced volatility. Sharp price increases during euphoric phases are followed by equally sharp declines when confidence wanes, with prices heavily influenced by social media, narratives and opinion leaders.

This volatility is not a temporary phenomenon, but inherent to the system. Without cash flows, valuation anchors or a central bank, the market remains vulnerable to abrupt shifts in sentiment. For long-term wealth planning, particularly in the context of capital preservation, generational planning or pension strategies, this is incompatible.

Conclusion: Not an Asset for Wealth Management

From the perspective of responsible, long-term oriented wealth management, Bitcoin is not a suitable investment instrument. At most, it may serve as a speculative trading vehicle for risk-tolerant participants, but not for the sustainable accumulation or preservation of wealth.

We therefore advise against Bitcoin investments and instead focus on assets with transparent intrinsic value, stable cash flows and long-term economic substance.

IS THERE A BUBBLE IN AI AND TECHNOLOGY?

Between Structural Progress, Excess Capital and Inflated Expectations

Artificial intelligence (AI) and digital core technologies are currently shaping capital markets to an extent that is exceptional even by the historically technology-oriented standards of the US equity market. Companies with direct or indirect exposure to AI dominate indices, drive market breadth, absorb substantial capital inflows and stand at the centre of both institutional and private investment strategies. At the same time, voices are increasingly drawing parallels to earlier technology booms, ranging from the computer hype of the 1960s and 1970s to the internet euphoria around the turn of the millennium.

The central question is therefore whether the current AI and technology rally marks the beginning of a sustainable, fundamentally driven paradigm shift, or whether it represents a speculative excess with bubble-like characteristics. The honest answer is nuanced: both can be true at the same time.

Very High Valuations – Public and Private Markets

One of the defining features of potential asset price bubbles is valuations that increasingly detach from realistically achievable earnings. This phenomenon is currently evident across large parts of the AI and technology sector.

Numerous large technology companies trade at price-to-earnings ratios that are well above their historical averages and in some cases exceed levels seen in previous boom phases. Notably, these elevated multiples are no longer limited to young growth companies, but are also being accepted for established corporations. Markets are pricing in not only growth, but persistently above-average margins, market power and scalability.

It is equally striking that this valuation logic has been transferred almost unchanged to private equity and venture capital markets. Unlisted AI start-ups and data centre operators are also being valued at revenue or EBITDA multiples that appear justifiable only under highly optimistic assumptions.

As a result, the traditional valuation anchor of sustainable cash flows is increasingly fading into the background. Instead, narratives, market potential estimates and so-called total addressable markets dominate, while actual monetisation often remains uncertain.

Massive Investment – Often Debt-Financed

The AI boom is not confined to equity markets, but is accompanied by substantial real-economy investment. This is particularly evident in data centres, semiconductor and chip production, energy and cooling infrastructure, and network and cloud capacity.

While these investments generate strong short-term growth in revenues and employment, they are highly capital-intensive and frequently financed not primarily through equity, but through debt, especially private debt. Such structures offer flexibility and speed, but also entail specific risks, including high fixed cost bases, refinancing risks in a rising interest rate environment, dependence on persistently high utilisation and limited tolerance for demand fluctuations.

Should growth assumptions prove overly optimistic, these financing structures may quickly come under pressure, potentially triggering knock-on effects in private credit markets.

Historical Parallels: The Computer Boom and the Internet Bubble

Capital market history shows that technological revolutions are regularly accompanied by excesses. During the computer boom of the 1960s and 1970s, it was already assumed that new technologies would transform entire industries – an assumption that proved correct in the long term, but led to unsustainable valuations in the short to medium term.

Similarly, the internet boom around the year 2000 was based on a fundamentally correct premise, namely that the internet would fundamentally change economies and societies. The error lay in assuming that almost every internet company would succeed, that competition would be irrelevant and that profits could scale without limits. The subsequent correction was severe, even though it is now clear that the internet and digitalisation remained key long-term growth drivers.

The Critical Question: How Large Is the Profit Pool Really?

The most critical aspect of current valuations lies in the implicit assumption of extremely large and sustainably extractable profit pools. Tesla's market capitalisation of approximately USD 1.53 trillion implies, even at a very high price-to-earnings ratio of 25 for an automotive manufacturer, long-term annual profits of around USD 60 billion.

This would correspond to roughly one third of the entire global automotive industry's profits in 2023 and around 150% of the sector's total expected profits for 2025. The key question is therefore whether it is realistic for a single company to capture such a dominant share of industry profits on a sustained basis, particularly in an environment of intensifying competition.

This logic can be applied to many AI-related stocks. While the overall economic benefits of AI are indisputable, the economic value added is distributed across numerous participants, including hardware manufacturers, software platforms, user companies and service providers. At the same time, competition is intensifying, including through open-source models, meaning that a large market does not automatically translate into high profits for a small number of providers.

Can the Bubble Burst – and How?

A defining feature of bubbles is that they often persist longer than rational investors expect, and that corrections are rarely triggered by a single event. More often, it is a combination of disappointments that leads to a reassessment.

Potential triggers include disappointing earnings developments, rising financing costs, infrastructure overcapacity, political or regulatory intervention and technological disruption by lower-cost alternatives. However, a potential bursting of a bubble does not signal the end of AI, just as the bursting of the internet bubble did not mark the end of the internet.

Conclusion: Between Structural Trend and Valuation Risk

Artificial intelligence is undoubtedly a key technology of the 21st century. Productivity gains, efficiency improvements and new business models are real, yet many valuations today already price in a high degree of perfection.

For investors, this implies selectivity rather than blind trend-following, a clear focus on sustainable cash flows, caution with highly leveraged business models and acceptance that even structural winners can at times become significantly overvalued. Whether we are already in a fully developed bubble can only be determined with certainty in hindsight, but it is difficult to deny that the conditions for an excess are currently in place.

GOLD – A SAFE HAVEN IN UNCERTAIN TIMES

Financial markets are built on trust – trust in currencies, in states, in institutions and ultimately in the stability of economic and political systems. When this trust begins to erode, investors have historically sought assets that are largely insulated from political decisions, fiscal experimentation and technological risks.

Gold has occupied a unique position in this context for millennia. It is neither a promise made by a debtor nor a digital construct, but a physical asset with limited availability, long-established acceptance and global fungibility. Particularly in times of rising sovereign debt, geopolitical tensions and monetary uncertainty, gold once again attracts the attention of long-term oriented investors.

Limited Supply – Structural Scarcity as a Foundation

A defining characteristic of gold is its natural scarcity. Unlike paper currencies or digital assets, gold cannot be created at will. The global supply of gold grows only slowly and within narrow limits.

Annual gold production has for years amounted to approximately 3,000 to 3,500 tonnes, representing an increase of only around 1.5 to 2 percent of the existing above-ground stock. At the same time, production is becoming increasingly complex and costly. New deposits are harder to access, ore grades are declining, environmental regulations are tightening and investment costs continue to rise.

These supply constraints are structural in nature. Even at higher gold prices, production cannot be expanded significantly in the short term. Gold therefore differs fundamentally from sovereign currencies, whose supply is politically determined and can be expanded rapidly if required.

For investors, this means that gold is not an inflationary asset. Its scarcity provides a solid foundation for long-term preservation of value.

No Recurring Income – but Real Utility

Gold generates neither interest nor dividends, a fact often cited as a disadvantage compared to productive assets such as equities or real estate. However, this perspective is incomplete.

Gold serves real functions beyond the investment context. A substantial share of annual demand originates from the jewellery industry, where gold jewellery also acts as a store of wealth in many cultures. In addition, gold is indispensable in electronics, medical technology and precision engineering due to its excellent conductivity, corrosion resistance and chemical stability.

Moreover, central banks hold gold as part of their reserve assets precisely because it does not represent a claim on another state. Gold is therefore not a purely speculative asset, but a physical commodity with diverse uses that create stable underlying demand.

Millennia of Trust – Gold as the Original Form of Money

Gold ranks among the oldest stores of value and means of payment in human history. Ancient civilisations already used gold coins to facilitate trade and accumulate wealth. For centuries, gold formed the basis of monetary systems and later of currency regimes.

Until well into the 20th century, major currencies were directly or indirectly linked to gold. The gold standard fostered trust by limiting money supply and backing currencies with a tangible physical asset.

Even though modern economies today rely on fiat currencies, collective trust in gold remains intact. Gold is globally accepted, independent of culture, political system or level of economic development. This historical continuity is unique and explains why gold repeatedly serves as a safe haven in times of crisis.

Independence from States and Systems

A key advantage of gold lies in its sovereignty. Gold is not a claim on a state, a central bank or a debtor, and its value does not depend on the solvency or political stability of any single country.

Gold is also technologically independent. Unlike digital assets, it does not rely on electronic systems, networks or energy infrastructure. Physically held gold is free from issuer, credit and systemic risks.

Against the backdrop of increasing digitalisation, rising cyber risks and geopolitical fragmentation, this independence is gaining importance. Gold retains its value even when confidence in institutions or systems deteriorates.

Gold as Protection in Times of Economic and Political Uncertainty

History shows that gold tends to demonstrate its strengths particularly during periods of heightened uncertainty. High sovereign debt levels, structural inflation risks, currency depreciation and geopolitical tensions regularly increase demand for safe and neutral assets.

Gold is not a panacea and does not replace a diversified investment strategy. However, it acts as a stabilising element within portfolios, especially during phases of elevated volatility and systemic risk.

Gold in Portfolios – Role and Positioning

From a long-term wealth management perspective, gold fulfils several functions. It contributes to risk diversification, can serve as protection against extreme scenarios and preserves real purchasing power over very long periods.

A moderate allocation to gold, typically in the range of five to ten percent of a balanced portfolio, can enhance overall portfolio resilience without sacrificing the long-term return potential of productive assets.

Conclusion: Gold as a Rational Building Block in Uncertain Times

Gold is neither a speculative instrument nor a conventional return driver. Its strength lies in the preservation of wealth rather than in short-term accumulation. Precisely for this reason, gold represents a valuable component of a forward-looking wealth strategy in times of structural uncertainty.

Limited availability, real-world use, millennia of trust and independence from states and systems make gold a unique asset. In an environment of rising debt, geopolitical risk and monetary experimentation, gold remains a stable anchor.

We therefore recommend incorporating gold as a strategic component of well-diversified portfolios – not as a substitute, but as a complement to productive investments.

FROM 2025 TO 2026: THE TREND IS YOUR FRIEND

"The trend is your friend" is one of the oldest sayings in financial markets. It may sound simplistic, yet it has proven remarkably resilient over time. Particularly during periods when investors question whether markets have already risen too far, focusing on fundamental, monetary and structural factors is often more helpful than attempting to time turning points precisely.

The transition from 2025 to 2026 sits squarely within such a tension. After two strong equity market years, warnings about overvaluation, geopolitical risks and monetary uncertainty are becoming more frequent. At the same time, there are compelling arguments suggesting that the positive market backdrop is not merely a short-term phenomenon, but rests on more solid foundations than may initially appear.

This article examines why the positive market sentiment of 2025 could extend into 2026, which forces are supporting this development, and why setbacks are likely, yet not necessarily trend-breaking.

Monetary Tailwinds: The Peak in Interest Rates Is Behind Us

A key argument supporting the continuation of the constructive market environment is monetary in nature. Major central banks, most notably the Federal Reserve, the ECB and the SNB, have completed the most aggressive rate-hiking cycle in decades. The inflation shock of 2021 to 2023 was contained without triggering a severe recession.

For financial markets, it matters less whether interest rates decline rapidly than whether the peak has been reached, uncertainty about the monetary policy path diminishes and real rates stop rising. Historically, equity markets tend to respond positively once central banks shift from a restrictive stance towards a more neutral one, even if rate cuts proceed only gradually.

For companies and investors alike, predictability matters more than absolute interest rate levels. Investment decisions, M&A activity and capital allocation can be undertaken far more effectively in a stable policy environment.

Looking ahead to 2026, lower monetary policy volatility, clearer central bank communication and an end to surprise rate moves are becoming increasingly likely. This creates an environment that is structurally supportive for equities.

Fundamentals: Earnings Support Valuations

Contrary to a common perception, global equity markets are not universally overheated. While certain segments, particularly large US technology stocks, are richly valued, market breadth presents a more differentiated picture.

Across many regions and sectors, earnings growth has kept pace with share price gains, margins remain resilient and balance sheets are sound. Unlike classic bubble phases, the current upswing is not primarily driven by leverage or speculative excess, but by tangible cash flows.

An often underestimated driver of earnings growth is productivity development, particularly through digitalisation, automation and artificial intelligence. These forces may not appear spectacular in the short term, but they exert a meaningful impact on corporate profitability over time.

Structural Capital Flows: Allocation by Necessity, Not by Choice

A key, yet frequently overlooked stabiliser of capital markets is the presence of structural capital inflows. Pension funds, insurance companies and sovereign wealth vehicles are required to invest over the long term, regardless of short-term market fluctuations.

This reality is likely to persist in 2026. For long-term investors, there remain few genuine alternatives to equities. Government bonds offer limited real returns, cash erodes purchasing power over time and property markets are often heavily regulated and capital-intensive.

Psychology and Market Dynamics: Scepticism as a Stabilising Force

Healthy bull markets do not end because of scepticism, but because of euphoria. Notably, the current market phase is accompanied by persistent warnings regarding valuations, concentration and geopolitical risk.

This scepticism acts as a stabilising force by preventing one-sided positioning and ensuring that market pullbacks attract buying interest. Corrections of five to ten percent, sector rotation and temporary volatility are normal features even in constructive market environments.

Crucially, such movements have so far not resulted in a break of the broader trends. As long as liquidity remains available and earnings continue to grow, setbacks are more likely to be viewed as opportunities rather than warning signals.

Geopolitics and Risks: Known, but Largely Priced In

Geopolitical tensions are not a new phenomenon. What has changed is that markets have learned to operate against a backdrop of persistent uncertainty. Conflicts, trade restrictions and political polarisation may not disappear, but their immediate shock impact has diminished.

Conclusion: Why the Trend Remains Supportive into 2026

The constructive market environment of 2025 is neither accidental nor purely sentiment-driven. It is underpinned by monetary normalisation, solid corporate earnings, structural capital inflows and a moderate but stable economic backdrop.

This does not imply linear market advances or the absence of risks. It does, however, suggest that the overarching trend remains supportive. Against this backdrop, we maintain a constructive stance towards equities heading into 2026.

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