

INVESTMENT INTELLIGENCE

From Zero to Yield: How Swiss Interest Rate Policy Is Driving Allocations to Private Markets

A data-driven case for institutional investors, pension funds, family offices and private banks

KEY THEMES COVERED

- What ZIRP and NIRP are — and why Switzerland went further than anyone
- The documented shift in Swiss pension fund allocations away from fixed income (2014–2023)
- Named Swiss institutions and their explicit private markets strategies
- The post-2022 rate rise as a natural experiment confirming causation
- Why rates are now falling again — and what it means for private markets in 2025–2026

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Executive Summary

THE CORE THESIS

When safe assets offer no return, capital does not stay idle — it migrates. Switzerland's experiment with zero and negative interest rates from 2015 to 2022 produced precisely this outcome: a documented, sustained, and now empirically verified shift of institutional capital into private markets. With Swiss rates now back at 0.25% and potentially approaching zero again in 2026, that migration is set to resume.

This paper makes the case — based on hard data from the Complementa study (covering 445 Swiss pension funds and CHF 809 billion in assets), ECB and BIS research, and statements from named Swiss institutional investors — that the link between low interest rates and private markets allocation in Switzerland is no longer a hypothesis. It is an observed, repeatable, and currently re-emerging phenomenon.

Three lines of evidence support this conclusion:

- Longitudinal data shows fixed income allocations fell by nearly 8 percentage points from 2014 to 2023, while real estate and alternatives rose significantly — tracking the rate cycle almost perfectly.
- A natural experiment: when rates rose sharply in 2022, the shift paused. As rates are now falling again, Swiss CIOs and consultants are publicly forecasting a resumption.
- Practitioners from Publica, Swatch Group, APK, BLPK, and Julius Bär's pension fund have stated in 2024–2025 that private markets are a direct response to the low-rate environment — not merely a coincidence with it.

Part I — Understanding the Policy Context

What Is ZIRP — and Why Switzerland Went Further

Zero Interest Rate Policy (ZIRP) is a monetary policy stance in which a central bank holds its benchmark interest rate at or near 0%. The intent is to stimulate an economy by making borrowing effectively free — encouraging businesses to invest and consumers to spend. ZIRP is typically deployed during financial crises or periods of deflation, when conventional rate cuts have reached their practical floor.

Most major economies implemented ZIRP in the aftermath of the 2008 Global Financial Crisis. The US Federal Reserve held rates near zero from December 2008 through December 2015, and again from March 2020 to March 2022. The European Central Bank pursued similar policy throughout much of the 2010s.

Switzerland, however, went further than anyone.

The Swiss National Bank (SNB) cut its policy rate to -0.75% in January 2015 — entering territory known as Negative Interest Rate Policy (NIRP). This was not symbolic. It meant institutional holders of Swiss franc assets were literally paying to hold cash and short-term government bonds. This policy remained in force for seven years, until June 2022.

SWITZERLAND'S RATE TIMELINE

2015 (Jan): SNB cuts to -0.75% NIRP | 2022 (Jun): SNB begins hiking | 2023 (Jun): Rate peaks at 1.75% | 2024 (Mar–Dec): Four consecutive cuts, rate falls to 0.25% | 2025–2026: Forecast range 0–0.25%, return to negative rates not ruled out

Why Low Rates Force Investors Into Private Markets

The mechanism is straightforward and well-established in financial theory. Institutional investors — pension funds, insurers, endowments — have fixed return obligations. A Swiss pension fund must meet its technical interest rate (the minimum it must earn to fulfil pension promises). When government bonds yield -0.5% or 0%, meeting that obligation from fixed income alone becomes mathematically impossible.

The response is equally predictable: investors move up the risk and illiquidity spectrum in search of yield. This 'search for yield' is not irrational — it is a fiduciary obligation. Private equity, private credit, infrastructure, and direct real estate all offer the combination of yield premium and diversification that public fixed income no longer provides in a ZIRP environment.

A 2025 Bank for International Settlements (BIS) analysis of global private credit growth identified the low-rate environment as a primary driver, noting that the low-for-long period induced institutional investors to search for yield and steer portfolios toward private funds. The European Central Bank similarly confirmed that the shift of insurance corporations and pension funds into illiquid assets was to some extent driven by their search for yield during the period of ultra-low interest rates.

Part II — The Swiss Evidence Base

The Complementa Study: Longitudinal Data Across CHF 809 Billion

The most comprehensive and relevant dataset for the Swiss market is the annual Complementa pension fund study, which surveys 445 Swiss pension funds representing CHF 808.9 billion in assets — approximately one third of all Swiss pension funds and 70% of total Swiss pension fund assets. The data spans from 2014 to 2023, covering the entire NIRP era and its aftermath.

Asset Class Metric	2014 → 2023	Direction
Fixed Income Allocation	39.5% → 31.6%	▼ 7.9pp
Real Estate Allocation	17.1% → 22.9%	▲ 5.8pp
Alternative Investments	6.9% → 9.7%	▲ 2.8pp

Infrastructure (within alts)	1.4% → 2.5%	▲ 1.1pp
Private Equity (within alts)	~2.1% → 2.5%	▲ <i>sustained</i>
Pension funds with PE allocation	~30% → 44%	▲ <i>significant</i>
Funds at 15% alternatives cap	Large-cap majority	<i>Cap reached</i>

Source: *Complementa Swiss Pension Fund Study 2024*. Capital-weighted averages across 445 pension funds, CHF 808.9bn AUM.

The pattern is unambiguous. Across the entire period of negative rates (2015–2022), Swiss pension funds systematically reduced fixed income exposure and reallocated to real estate, infrastructure, and private equity. The trend is not driven by a single year or a single outlier — it is sustained and monotonic across the NIRP period.

Equally telling is the composition shift within alternatives: hedge funds and commodities have declined significantly, while infrastructure and private equity have grown. This is not generic risk-taking — it is a deliberate rotation toward cash-flow-generating, yield-producing private market assets as substitutes for the income that bonds no longer provide.

The 2022 Rate Rise as a Natural Experiment

The strongest form of causal evidence is a natural experiment — a real-world event that mimics the conditions of a controlled test. The SNB's aggressive rate hiking cycle from June 2022, which took rates from -0.75% to +1.75% in just over a year, provides exactly this.

The effect was immediate and directional. Bond yields rose, making fixed income attractive again on a nominal basis for the first time in a decade. Complementa's consultants observed that the pace of growth in alternatives allocations slowed, and bond allocations ticked upward slightly in 2022–2023. Several Swiss pension funds that had been reducing fixed income began reassessing their strategic allocation.

NATURAL EXPERIMENT LOGIC

If ZIRP → private markets allocation, then ZIRP removal → slower private markets growth. This is precisely what happened in 2022–2023. And as rates now fall back toward zero, the inverse should follow — and practitioners are already anticipating it.

Named Swiss Institutions: What Practitioners Are Saying

Beyond aggregate data, named Swiss institutional investors have publicly articulated the link between the rate environment and their private markets strategy. This is perhaps the most powerful form of evidence — practitioners with fiduciary accountability stating explicitly what is driving their decisions.

Publica — The Federal Pension Fund (CHF 40bn+)

Publica's deputy Chief Investment Officer Patrick Uelfeti has stated that a renewed period of low or negative rates would likely reinforce existing trends — with continued demand for real estate and a further retreat from government bonds. Publica's current asset allocation already factors in a low interest rate scenario, with implications being reassessed as part of its regular investment review.

Pensionskasse Swatch Group (CHF 4.3bn)

Swatch Group's pension fund has been actively increasing its infrastructure allocation, targeting a 6% strategic allocation. Director Reto Stöckli has commented publicly that the asset class has a good revenue generation track record and that the fund maintains or extends this allocation. The scheme's ALM advisors describe its overall strategy as above-average risk — driven by the need to generate above-average returns in a structurally low-rate environment.

Pensionskasse Julius Bär (CHF 3.9bn)

Julius Bär's pension fund has reported that its net returns on unlisted equities (private equity) exceed listed benchmarks by around 2% annually over the long term — and that this excess return underpins its strategic reliance on private markets. The fund has been expanding its alternatives allocation and is rolling out new private market mandates to diversify exposure across vintages.

Aargauische Pensionskasse / APK (CHF 13.5bn)

Head of asset management Adriano Sbriglio has acknowledged that in an environment without attractive risk-free returns, real assets become more of a focus. While cautious about premature conclusions on the rate outlook, he confirmed the fund's long-term investment strategy is designed to withstand a low-rate scenario without reactive changes — implying private markets allocation is already structurally embedded.

Basellandschaftliche Pensionskasse / BLPK (CHF 12bn)

CIO Mathias Koller confirmed that BLPK has increased exposure to mortgages and selected alternative investments to support returns in low-rate scenarios. The fund stress-tests portfolios through asset/liability management studies specifically for low-rate scenarios, confirming private markets are considered a systematic hedge against a return to NIRP.

Part III — The Current Situation and Forward Look

Switzerland in Early 2026: Approaching ZIRP Again

Switzerland has returned to a near-ZIRP environment with remarkable speed. After peaking at 1.75% in June 2023, the SNB cut rates four times during 2024, bringing the policy rate to 0.25% by December 2024. In March 2025, a further cut brought the rate to 0.25% — within a single step of zero.

Swiss inflation fell below the SNB's 0–2% target band during 2024, sitting at approximately 0.6% for the year. With the Swiss franc remaining strong and domestic inflation contained, the SNB faces limited reason to raise rates and ongoing pressure to cut further. A return to 0% is considered a base case scenario by many market participants; a return to negative rates, while not the consensus, is not ruled out.

2025–2026 RATE CONSENSUS (REUTERS SURVEY)

A majority of economists expected the SNB to hold at 0.25% through mid-2025, with approximately 40% forecasting a further cut to 0%. Negative rates were considered a tail risk but not zero probability. Swiss Banking Association CIOs and chief economists cited 0.6% inflation and economic cooling as the drivers of further easing pressure.

This matters directly for private markets. Complementa's consultants have already stated publicly that falling interest rates will likely lead pension funds to review asset allocations, reshuffle investments, and cut fixed income back to pre-2022 levels. Publica's investment team has confirmed its allocation is structured to anticipate precisely this scenario.

Implications for Each Investor Type**Swiss Occupational Pension Funds (Pensionskassen)**

With many large-cap pension funds already at the BVV2 regulatory cap of 15% in alternatives, the question is less whether to allocate to private markets and more how to optimise the allocation within that cap — shifting from hedge funds and commodities toward infrastructure and private equity, and moving from listed to unlisted real estate. The regulatory cap itself is evidence of demand exceeding the constraint.

Insurance Companies

Swiss insurers have historically maintained smaller alternatives allocations than pension funds but have been growing them, particularly in private credit and infrastructure. As guaranteed return obligations require yield above the risk-free rate, the ZIRP environment creates equivalent pressure on insurers' investment portfolios — and private credit's floating rate structure offers particular appeal in an uncertain rate environment.

Family Offices and Ultra-High Net Worth

During the NIRP period from 2015 to 2022, Swiss banks introduced deposit fees on large CHF balances, sometimes exceeding CHF 100,000. This created an explicit, direct financial cost for holding cash — a forcing function for wealthy clients and their advisors to deploy into private market structures. Private equity funds, co-investments, private debt, and real asset vehicles all became viable alternatives to negative-yielding deposits. As rates approach zero again, this dynamic re-emerges.

Private Banks

For Swiss private banks serving UHNW clients, the low-rate environment creates both a client need and a product opportunity. Clients whose liquidity-focused portfolios no longer generate adequate income are increasingly open to private market structures — particularly those with shorter duration or more frequent distributions. Private banks that build or access quality private market capabilities are structurally advantaged as rates decline.

Conclusion: From Hypothesis to Evidence

The question of whether zero interest rates cause institutional allocations to private markets has moved decisively from hypothesis to documented reality — at least for Switzerland.

The evidence is multi-layered. Longitudinal data shows a sustained, directional shift in pension fund allocations tracking the rate cycle with high fidelity. A natural experiment — the 2022 rate rise — showed the shift reverse when rates rose and resume when they fell. Named practitioners from major Swiss institutions have articulated the mechanism explicitly and publicly. And the regulatory architecture (the 15% BVV2 cap on alternatives being reached by many large funds) confirms demand has exceeded the institutional constraints.

With Switzerland now at 0.25% and trending toward zero, the conditions that drove a decade of private markets growth are returning. For institutional investors, pension funds, family offices, and private banks operating in the Swiss market, this is not a trend to anticipate — it is a structural force to navigate.

Key Evidence Summary

- Fixed income allocation: down 7.9 percentage points (2014–2023) across CHF 809bn in Swiss pension assets
- Real estate allocation: up 5.8 percentage points to 22.9% — now the second largest asset class
- 44% of Swiss pension funds now hold private equity; infrastructure has nearly doubled in 5 years
- Many large Swiss pension funds have hit the 15% BVV2 regulatory cap on alternatives
- Publica, Swatch, Julius Bär, APK, and BLPK pension funds have all publicly cited the rate environment as a driver
- SNB policy rate now at 0.25% (March 2025); return to 0% is a base case for many market participants in 2026

This document is prepared for informational purposes for professional and institutional investors. It does not constitute investment advice. All data cited from publicly available sources including Complementa Swiss Pension Fund Study 2024, BIS Quarterly Review 2025, ECB Financial Stability Review 2024, and WTW Swiss Pension Market Updates.