Swiss equities

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Context

The Swiss equity market has a set of idiosyncrasies that can be put to good use by investors.

» The first is that three companies represent around half the Swiss Performance Index's weighting.

Many first-class firms are eclipsed by Nestlé, Roche and Novartis

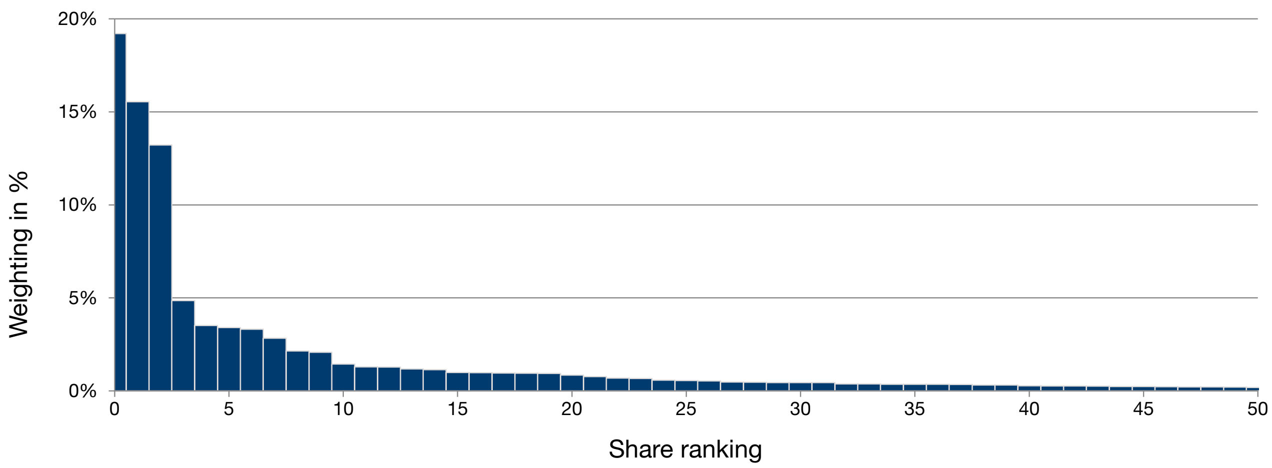
» A pure index-tracking strategy focusing solely on blue chips, i.e. only on the SMI, means missing out on over 130 top-quality companies for which the average index weighting is below 0.15%.

» As global sellers of upscale goods or services, many of these companies create high economic value added for shareholders.

» They have also demonstrated an extraordinary ability to adapt following decades of living with a strong national currency. They know how to fend off the competition.

» In many cases, their share-price performances have been exceptional.

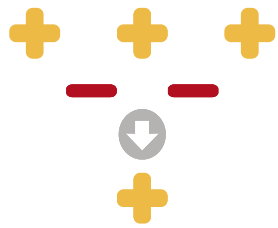
SPI weighting of 50 largest components (%)



Underlying statistical concept

Asymmetry between best and worst performers

Analysing distribution of annual returns within a broad basket of shares produces the following observation:



» Over a 12-month period, a relatively small number of companies will outperform the index by a wide margin, thus significantly bettering the portfolio's overall return.

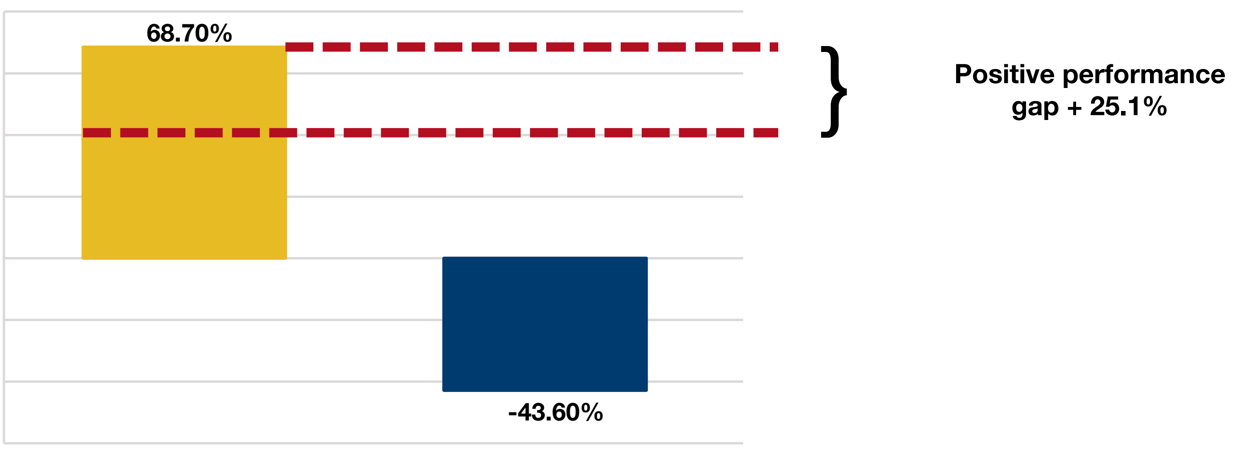
» In the same period, this extra performance will only be partly offset by negative returns on a handful of shares markedly underperforming the index.

» The difference between the best and worst performers conveys a solid investment return averaging 3% per annum, well above the index.

Stock-picking combined with an equal weighting of positions results in consistent outperformance of the SPI with a lower risk than blanket exposure to the index.

Average annual outperformance by the 15 best-performing stocks in the SPI (grey) versus the average annual underperformance by the 15 worst-performing stocks (red)*

(* Performances are measured as excess return relative to the SPI over a 12-year period).



Strategy

Univers d'investissement

- The investment universe is composed of SPI constituents.
- The end-portfolio contains approximately 100 companies.

Investment strategy

The stock-selection process entails investing in half the names in the SPI.

Companies are selected using four criteria:

- Statistical analysis of sectors on which to focus
- Fundamental analysis of qualifying securities
- Analysis of qualifying securities' liquidity
- Analysis of cluster risk from exposures

Statistical sector analysis is predicated on the "asymmetry between best and worst performers" concept but applied to individual sectors.

The sectors to be focused on are those with the best ratio between:

$$\frac{\text{Extreme positive performances}}{\text{Extreme negative performances}}$$

When shares are selected, positions are equally weighted in the portfolio. The portfolio is rebalanced periodically using an optimisation process.

Rebalancing is based on statistical findings on seasonal performance variation.

Equally weighting stocks harnesses the potential of the asymmetry between best and worst performers (see below).

General information

Benefits and features

- » Stock-specific risk is practically zero in contrast to index-wide exposure to the SPI.
- » Volatility is systematically lower than for the index.
- » Maximum drawdown since inception of the strategy (late 2011) is -13.56% compared with -19.47% for the SPI.
- » Average annual outperformance over the SPI is 3%.

Data

- » Management of strategy has been audited since 2011.
- » Strategy is accessible through Swiss-registered investment funds or discretionary portfolio management.
- » Management fee starts at 0.4% annually (CHF >= 40m).
- » Retail classes of the fund are also available.

Data for institutional investment or similar:

	Discretionary portfolio	*Fund RFP Swiss Equity Equal-Weighted C-Class*	*Fund RFP Swiss Equity Equal-Weighted X-Class*
ISIN	--	CH0023449942	CH0293550411
Currency	CHF	CHF	CHF
Minimum inv.	10 m	1 m	40 m
Management fee	To be discussed	0.60%	max 0.4%
TER (approx.)	--	0.88%	--

Working in partnership

To harness the fundamental specificities ingrained in the Swiss equity market, we have forged a partnership with Zurich-based Rieter Fischer Partners AG, a specialist in listed Swiss companies.

This partnership capitalises on:

» Our expertise in **quantitative and statistical analysis**

» Rieter Fischer's **30-year sterling record** in Swiss equity investments, founded on more than 100 company visits per year.

Banque Bonhôte & Cie SA

Banque Bonhôte & Cie SA, founded in Neuchâtel in 1815, can look back on a long tradition of expertise in financial and wealth management, its core business. The compact structure of the bank guarantees effectiveness, flexibility and rapid responses to volatile developments in the markets.

Its size also allows the Bank to foster a privileged relationship with each of its clients, based on trust and the quality of its services. The shareholder base is composed of individuals who are mostly members of the Executive Board and employees of the bank. This gives it a totally independent outlook and ensures the stability required for the long-term continuity of its activities.

Rieter Fischer Partners AG

Rieter Fischer Partners AG was founded by Patrick Rieter and Erich Fischer in 2004 as an independent Zurich-based company specialising in active asset management for institutional investors.

Its experience and expertise reside primarily in fundamental research and portfolio management relating to Swiss equities and European equities as well as balanced mandates. Clients range from companies, public and non-public pension funds and banks to financial intermediaries and select private investors.

The team members each have more than 25 years experience in managing assets. In Switzerland, they are known for being one of the most experienced teams in the Swiss and European equities segment.

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