BILANZ

The Swiss Business Magazine

Asset management company rating

The winners and their best investments

Special edition
from BILANZ 3/2019 and 3/2018

ZUGERBERG FINANZ

Editorial

Dear Sir or Madam,

Every year, the renowned Swiss business magazine BILANZ selects the best asset management companies in Switzerland. We have been taking part in this ranking since 2018 and were immediately chosen as the best asset management company in Switzerland the same year. We took first place in two categories and second place in one.

We have done excellently this year as well. In the most relevant category, the 5-year period, we came first in one category and second in two categories. The past year has been a difficult one for the stock markets, so being the only company to place in the top four in all risk classes is an outstanding result, which we are delighted by!

The ranking evaluates the performance of actual, existing client portfolios. Asset management companies have to continuously submit all transaction records. These are evaluated by Firstfive, a specialist controlling and consulting institute. The decisive factor here is the performance in relation to the risk incurred - or the Sharpe ratio, to use the technical term. This risk is measured by the fluctuations in the value of the portfolio. BILANZ compiles a leaderboard in each of four risk categories.

The excellent placements we have achieved show that our concept of active, independent asset management with a strong domestic focus proves itself in practice.

Our portfolios have a high share of Swiss francs. We focus on steady, predictable returns from interest and dividends, follow a reliable investment process, and rely on our own opinion. We also buy all the securities that we purchase for our clients for ourselves. We will continue to adhere to this successful model in the future.

The awards from BILANZ are milestones in our history. Milestones that motivate us, make us proud, and will not be forgotten. For our valued clients, they are confirmation that they have made the right choice with us.

Below you can read the articles published in the BILANZ issues from 22 February, 2019, and 23 February, 2018. The passages and rankings related to us are highlighted in blue.

Kind regards,

Timo Dainese
Founder / Managing Partner

Prof. Dr. Maurice Pedergnana
Managing Partner

THE BEAR SLAERS

Asset management company rating BILANZ has named the best money managers for the eighth time. Those who fared best on the bear market take the lead.

by ERICH GERBL

The bear rears up on its hind legs. With its mouth wide open, it bares its sharp teeth at the bull and roars. The predator forcefully swipes the attacking bull with its paw, extended claws tearing into its neck. The Romans immortalized such scenes with mosaic tiles to decorate their amphitheaters. In South America, animals were set on each other in show fights until the 19th century. Today, the only place bulls and bears fight each other is on the stock exchange. They have become symbols of the driving forces on the financial markets. Bulls drive up prices with their horns. Bears smack them down with their paws.

In 2018, the bears awoke from several years of hibernation and made a show of strength. Prices collapsed across a broad front. Experts spoke of the return of the "bear market". After years of bull markets, asset managers were suddenly no longer striving to multiply their clients' money, but just to preserve it as much as possible. In collaboration with the German controlling institute Firstfive, BILANZ has selected the best asset management companies in Switzerland for the eighth time. Those who fared particularly well in the fight against the bears made it to the leaderboard (see page 6).

Not a single one of the participating asset management companies made it to the profit zone in 2018. The best results in the field were achieved by the Oddo BHF Trust. The company came out on top in three out of four categories from the twelve-month perspective, making it the big winner in the contest. Depending on the category, the losses were between 5.9 and 7.0 percent. The SMI dropped 10.15 percent in the previous year, while particularly cyclical indices such as the DAX lost 18 percent in value. Oddo BHF stayed ahead of the competition in the moderately dynamic category in the 60-month comparison as well.

The asset management company is still not well-known in Switzerland. Erich Pfister, who has been head of Oddo BHF (Switzerland) for six months, wants to change this. Currently, the provider manages investments in Switzerland worth two billion Swiss francs. “We want to at least double the assets over the next two to three years”, says Pfister. If everything goes according to plan, Switzerland should develop into a main market alongside Germany and France.

Zugerberg Finanz places in the top 4 in all four categories over twelve months.

FOCUS ON EQUITY

Oddo and BHF merged four years ago. Oddo has become established in asset management for institutional clients in France, while BHF was and is focused on asset management for German SMEs. Private clients should bring in about one million Swiss francs in assets.

How did the ODDO BHF Trust's strategies achieve their good results? Due to economic and political uncertainties, the money managers reduced the proportion of equity from October 2018. Geographically, they focused on the USA. Firms undergoing structural growth were strongly represented in the portfolios, especially companies in the technology sector. Although tech equities did not escape the fourth quarter unscathed, they developed positively over the year as a whole. Export-heavy cyclical titles from Germany, for example from the automotive industry, were given the cold shoulder. In addition, the strategies relied very little on financial and telecoms titles. In terms of bonds, the focus was on corporate bonds.

The team at Oddo BHF is "cautiously positive" for 2019. Although the global economic slowdown is set to continue, Oddo BHF nevertheless predicts “attractive growth rates”. They will continue to focus on equities. After the sharp correction at the end of the year, these seemed to have reached attractive levels again. The head of the Swiss branch Pfister expects contin-

ued volatility due to the underlying circumstances. Again, selecting the right titles is crucial. Geographically, Oddo BHF remains loyal to the USA, which is still seen as the driver of growth. According to Pfister, emerging markets, including China, are struggling with rising US interest rates, volatile commodity prices, and the trade conflict.

A TOUGH TIME

Lakefield Partners is ahead of the curve when it comes to dynamic strategies over the five-year period. Even though the profits melted away in 2018, the Swiss Mid & Small Cap Equity strategy (securities number 43511352) achieved an increase of 55.22 percent in this period – by far the highest value among all 100 strategies tested by Firstfive. The range of fluctuations – or in other words, the risk – reached 12.6 percent during this period.

Dynamic strategies such as those of Lakefield Partners were particularly hard hit by the turbulence in the previous year. In the middle of the summer, the prospects on the stock exchanges became increasingly cloudy. The figures in the USA became even worse, as they had previously in Europe. “The stock markets started anticipating a potential downturn”, said Matthias Hug, managing partner of Lakefield Partners. Hug began selling off some of the numerous volatile, cyclical securities, such as Autoneum. Instead, he kept his head above the water by bringing more defensive companies into the portfolio, such as Helvetia, Emmi, and Sonova. In the fourth quarter, cyclicals had a tough time on the stock market. “Any company with a cyclical focus and potentially related to the automotive industry was punished on the stock exchange. Although we had already divested from this sector, it affected us as well", says Hug. Companies like SFS or Georg Fischer lost 30 to 40 percent. Hug

Methodology

The test was carried out for BILANZ by the German controlling and consulting institute Firstfive. The performance of actual, existing client portfolios was assessed. The asset management companies have to continuously submit all transaction records. These are evaluated by Firstfive. Swiss asset management companies or foreign asset management companies with Swiss branches are eligible to participate.

The decisive factor in the test is the performance in relation to the risk incurred – or the Sharpe ratio, to use the technical term. This shows how many times over the risk exposure paid off. The risk is measured by the fluctuations in the value of the portfolio. The data of around 100 portfolios are evaluated for BILANZ. The risk adjustment of the returns makes a fair performance comparison possible.

A leaderboard is drawn up in four risk categories – from conservative to dynamic. Money managers usually acquire higher profit potential with higher risks of loss. The risk classification of the portfolios is based on the actual price fluctuations of the securities in the portfolios. This means that the risk category a portfolio is classified into in the test may deviate from the risk category the asset management company registered for. If a manager changes the risk in a portfolio, the classification of a portfolio can change over time.

Firstfive is collaborating with the Swiss company FinGuide to increase the dissemination of objective performance measurements in Switzerland. The more local asset management companies take part in the test, the greater the transparency.

The best asset management companies in Switzerland

The outstanding performances over one or five years

The top 2 in each risk class over 12 months:

Risk class	Rank	Sharpe Ratio[1]	Performance in %	Risk in %	Asset management company
conservative	1	–0,09	–2,28	5,43	**Hauck & Aufhäuser Privatbankiers, Frankfurt** Strategy: international pensions
	2	–0,19	–6,00	3,55	**Zugerberg Finanz, Zug** Strategy: Zugerberg Finanz R1
	Rank 3: –0,20 Commerzbank, Asset Management, Frankfurt, **Rank 4:** –0,26 Oddo BHF Trust, Frankfurt, **Rank 5:** –0,36 Berenberg, Joh. Berenberg & Gossler, Hamburg				
balanced	1	–0,31	–5,90	5,97	**Oddo BHF Trust, Frankfurt** Strategy: individual returns portfolio
	2	–0,37	–6,33	6,54	**Helvetic Trust, Zurich** Strategy: balanced
	Rank 3: –0,37 Berenberg, Joh. Berenberg & Gossler, Hamburg, **Rank 4:** –0,46 Zugerberg Finanz, Zug, **Rank 5:** –0,63 Hauck & Aufhäuser Privatbankiers, Frankfurt				
moderately dynamic	1	–0,54	–7,03	8,58	**Oddo BHF Trust, Frankfurt** Strategy: individual equity / returns portfolio II
	2	–0,74	–10,25	7,76	**Zugerberg Finanz, Zug** Strategy: Zugerberg Finanz R3
	Rank 3: –0,88 Hauck & Aufhäuser Privatbankiers, Frankfurt, **Rank 4:** –0,89 Eniso Partners, Zurich, **Rank 5:** –1,14 Berenberg, Joh. Berenberg & Gossler, Hamburg				
dynamic	1	–0,60	–6,68	9,98	**Oddo BHF Trust, Frankfurt** Strategy: moderately dynamic
	2	–0,60	–6,42	10,47	**Milesi Asset Management, Basel** Strategy: equity mandate
	Rank 3: –1,15 Zugerberg Finanz, Zug, **Rank 4:** –1,48 Hauck & Aufhäuser Privatbankiers, Frankfurt, **Rank 5:** –1,52 Commerzbank, asset management, Frankfurt				

For comparison

–10,73%	Average performance of all risk classes and 81 portfolios	Reporting period: 1.1.2018 to 31.12.2018. Source: Firstfive, Bloomberg
–10,15%	SMI	
0,07%	Return of Swiss Bond Index Total (SBI, highest credit rating AAA–BBB)	

The top 2 in each risk class over 60 months:

Risk class	Rank	Sharpe Ratio[1]	Performance in %	Risk in %	Asset management company
conservative	1	0,70	22,50	6,74	**Hauck & Aufhäuser Privatbankiers, Frankfurt** Strategy: international pensions
	2	0,56	10,68	4,68	**Zugerberg Finanz, Zug** Strategy: Zugerberg Finanz R1
	Rank 3: 0,41 Milesi Asset Management, Basel, **Rank 4:** 0,36 Oddo BHF Trust, Frankfurt, **Rank 5:** 0,11 Helvetic Trust, Zurich				
balanced	1	0,40	14,94	8,39	**Zugerberg Finanz, Zug** Strategy: Zugerberg Finanz R3
	2	0,39	15,43	8,80	**Oddo BHF Trust, Frankfurt** Strategy: equity total returns (individual)
	Rank 3: 0,22 Lakefield Partners, Zurich, **Rank 4:** 0,16 Hauck & Aufhäuser Privatbankiers, Frankfurt, **Rank 5:** 0,10 Premium Strategy Partner, Zurich				
moderately dynamic	1	0,42	21,81	10,88	**Oddo BHF Trust, Frankfurt** Strategy: moderately dynamic total returns
	2	0,32	12,39	9,09	**DJE Finanz, Zurich** Strategy: DJE CHF
	Rank 3: 0,22 Berenberg, Joh. Berenberg & Gossler, Hamburg, **Rank 4:** 0,16 Commerzbank, Asset Management, Frankfurt, **Rank 5:** –0,21 Premium Strategy Partner, Zurich				
dynamic	1	0,77	55,22	12,62	**Lakefield Partners, Zurich** Strategy: Swiss mid & small cap equity
	2	0,58	29,83	10,26	**Zugerberg Finanz, Zug** Strategy: Zugerberg Finanz R5
	Rank 3: 0,55 Oddo BHF Trust, Frankfurt, **Rank 4:** 0,27 Ensio Partners, Zurich, **Rank 5:** 0,19 Commerzbank, asset management, Frankfurt				

For comparison

8,31%	Average performance of all risk classes and 81 portfolios	Berichtszeitraum: 1.1.2014 bis 31.12.2018. Quelle: Firstfive, Bloomberg
2,76%	SMI	
10,36%	Return of Swiss Bond Index Total (SBI, highest credit rating AAA–BBB)	

1 The key figure determines the return in relation to the risk incurred.
All figures for the ranking: www.firstfive.com

How it was calculated: see page 5

has never seen such a sharp divergence in profit and price developments as in 2018.

According to Hug, the course on the markets is still being set. “It's very hard to say at the moment where the journey on the stock exchanges is going in 2019.” The decisive factor will be how the numerous risks develop. “If the trade war escalates, it will probably be a bad year. If China and the USA come to an agreement, that's good news.” According to Hug, the chances of an agreement being reached are good. China is suffering under the tariffs, and there is a lot of pressure on Trump after the shutdown. “We have a few issues to deal with in 2019. It could be both a good and a bad year”, said Hug.

GERMAN-CHINESE COMPANY COMES OUT ON TOP

In August 2016, Hauck & Aufhäuser made history. After more than a year of scrutiny, the European Central Bank and the German financial supervisory authority BaFin gave the nod to the sale to Fosun International. Nothing then stood in the way of the first sale of a German bank to a private Chinese company.

Apart from the increased share capital for the German parent company, the Chinese owner has had little impact so far, especially in Switzerland. “Our office in Zurich is the specialist center for sustainable financial investments”, says Roman Limacher, Managing Director of Hauck & Aufhäuser (Switzerland). The wholly-owned subsidiary of H&A Global Investment Management has been operating since 1995. Ten employees work there on Talstrasse in Zurich. Hauck & Aufhäuser (Switzerland) offers sustainable strategies at the custodian bank in Switzerland. If necessary, the German strategies are also implemented here, often "refined" in the name of sustainability.

Hauck & Aufhäuser Privatbankiers AG is leading the pack with their portfolio from Frankfurt. From both the one-year and the five-year perspective, the company is ahead of the competition in the conservative risk class with its international pension strategy. Chief investor Burkhard Allgeier fills the strategy with bonds. It ended the turbulent previous year with a Sharpe ratio of minus 0.09 and a performance of minus 2.28 percent. None of the other strategies reviewed by Firstfive lost so little money.

Investors are even more pleased with the five-year retrospective. From the beginning of 2014 to the end of 2018, Allgeier increased client funds by 22.5 percent. The fluctuation was 6.74 percent. The strategy with the second-best performance is almost twelve percentage points behind.

Allgeier has made profits not least through currency transactions - a popular source of income at the current low interest rates. The portfolio has a global composition: 50 percent dollars and 30 percent euros, with the rest distributed among other G-10 currencies, focusing on Scandinavian currencies and the British pound sterling.

To reduce the risks, Allgeier mixes top-rated, low-risk government bonds with riskier corporate bonds. If one loses value, the other usually goes up. “This gives you a certain hedge. The mixture has proven itself lately”, says Allgeier. In the case of high-yield securities, he distributes the bets among a large number of issuers. The damage in the event of a payment default is thus limited. So far, no default has occurred in the portfolio.

2018 was unsettling. "You can see what kind of impact a year like that can have", says Allgeier. Risks are being felt again on the markets and the sentiment indicators are pointing downwards. Allgeier is not feeling "particularly negative" about 2019, however. For the chief investor, the “million-dollar question” is whether the USA will slide into a real recession or not: “If, like us, you think a recession is unlikely, you can be cautiously optimistic about equities and high-yield bonds.” The yen is “pretty favorable” in Allgeier's eyes; the currency could once again become a larger position in his portfolio.

SMALL COMPANY, BIG RESULTS

Bruno Milesi proves that asset management companies do not necessarily have to be large to deliver good results. He and his five-member team are among the top performers for both the most conservative and the most dynamic strategies. The balanced strategy from the Basel-based firm, which Firstfive classifies as conservative, increased by 13.3 percent over 60 months and was only outperformed by Hauck & Aufhäuser. Milesi's dynamic strategy was the top performer among all strategies from the twelve-month perspective. The loss was a negligible 6.42 percent. Only in terms of the Sharpe Ratio did Milesi fall slightly behind Oddo BHF at the fourth decimal place.

For the most part, Milesi correctly predicted the turbulence for 2018, including here in BILANZ. “After the great year in 2017, I didn't expect a good 2018”, he says. His focus was on defensive securities.

Over a five-year period, Hauck & Aufhäuser achieved a return of 23 percent – twelve percentage points higher than the second best.

While numerous analysts advised selling off Roche and Novartis shares in the spring, Milesi did the opposite. In addition to the pharmaceutical giants, he also filled his portfolios with titles from Nestlé, Zurich, Lonza, Swiss Re, and, above all, Swiss Life. Only five percent were invested in companies from the European Union. “We had the courage to massively underweight Europe,” Milesi said. Instead, they primarily invested in technology securities in the USA. Milesi was still up four percent in the USA even after the December sell-off. It is striking how much this alignment resembles that of Oddo BHF, which achieved an almost identical performance in the ranking.

The money manager has his eye on the yield curve. If this becomes inverted, a recession is imminent. That was nearly the case in November. The curve is now back in the normal range. The asset manager from Basel therefore considers a recession in the next twelve months to be unlikely. The economy has lost momentum. “There is a slowdown in growth. The risks are increasing,” he says. Milesi predicts the global economy will grow by 2.5 to 3 percent, and there will be a slightly positive development on the equity markets. The decisive factor will be an agreement in the trade dispute between China and the USA. "I expect there will be a deal. Both sides need a deal”, says Milesi. The deal is already accounted for in the prices. If things go the other way, there is the threat of a correction.

Because of these uncertainties, the sea is still rough on the markets. Bruno Milesi remains correspondingly cautious. Defensive securities such as Novartis or Swiss Life are among the money manager's preferred bets.

Zugerberg Finanz was the absolute top performer in the previous year's ranking of the best asset management companies. The company owner Timo Dainese is right at the forefront this year as well. Zugerberg is the only company that placed in the top four in all four risk classes from a twelve-month perspective. Over this period, the Zug-based company claimed second place twice. From a 60-month perspective, the independent asset management company achieved first place in one category and second place in two categories.

LESSONS FROM 2018

Unlike many of their competitors, Dainese and his team also did well with corporate bonds in 2017, but this was not repeated in 2018. With the exception of the safe government bonds with mostly negative returns, all asset classes lost value in Swiss francs in 2018. “It was an extremely challenging year. The markets became decoupled from the fundamentals. If you had investments, you were almost guaranteed to lose,” says Dainese.

Zugerberg has reduced its equity ratio twice. Within the asset class, the money managers have increasingly moved away from cyclicals and towards more defensive securities. An important bet on Swiss Life (which rose almost ten percent in the previous year and was published as Zugerberg's tip in BILANZ) worked out. Infrastructure projects and private market investments came off comparatively well. At the beginning of 2019, Dainese is somewhat confident, but overall more defensive compared to the previous year: "We have learned our lessons from 2018." The firm is only making use of half of the possible ranges within its strategies. In terms of equities, the focus is on those with stable dividends. Dainese is currently counting on companies such as Partners Group, Lonza, Swiss Life, Orpea, Kühne + Nagel, and HBM. When it comes to the bond component, he sees opportunities in the Swiss franc bonds of Autoneum and MSC Cruises, among others. These offer a return of more than two or three percent per year until they mature. Good ammunition in the fight against the bears.

Spotlight on returns

Asset management company rating BILANZ has selected the best asset management companies in Switzerland for the seventh time. The most successful among them increased their clients' initial investment by more than 80 percent in the last three years. The strategies and top tips of the winning money managers. by ERICH GERBL

THE HIGH-FLYERS FROM ZUG
Maurice Pedergnana and Timo Dainese (from left) have swept the board in two categories for the first time in the history of the rating.

A cowbell hangs from the ceiling at this asset management company. When it's rung, the 30 Zugerberg Finanz AG employees gather together in the farm converted into a modern office building to perform a somewhat strange-looking ritual: sand is poured into a tree-trunk-sized plastic tube. The tube, which has been christened the "Zugerberg AuM barometer", measures the client assets managed by the company and helps employees to visualize their employer's rapid growth.

In January alone, 100 million Swiss francs in new funds were added, causing the sand level to rise by ten centimeters. Over the past five years, the assets have doubled. The Zug-based company now handles 1.4 billion Swiss francs under management mandates and 600 million Swiss francs under advisory mandates, putting the funds into investments that bring as much profit as possible. The barometer literally shot through the ceiling and had to be swiftly extended from the former cowshed into the hayloft. This flood of funds did not come about by chance. Zugerberg Finanz AG understands its craft very well. In this year's BILANZ rating of the best asset management companies, the firm outperformed around 100 competitors in two out of four categories over the particularly significant 36-month period.

In the conservative risk class, the Zug-based company increased its clients' assets by almost 14 percent - and did so with a risk, or fluctuation range, of only 5.4 percent. The result is the highest Sharpe ratio - i.e., the highest return in relation to the risk incurred. None of the other asset management companies were able to hold a candle to Zugerberg Finanz AG in the balanced risk class either, where they achieved a 23 percent performance at a risk of 9 percent.

GOOD PROFITS FROM BONDS

Timo Dainese, managing partner of Zugerberg, explains the secret of their success: “It’s no coincidence that we are leaders in the field. Unlike most of our competitors, we also made good profits from bonds.” While most asset managers did not achieve a return on bonds in 2017, Zugerberg achieved a return of around six percent. Corporate bonds in Swiss francs are the firm's specialty. There is hardly anyone in Switzerland with greater expertise in this field.

The 42-year-old Dainese is the man behind this success story. At the age of 22, he quit his job at a private bank and founded an asset management company. “I wasn’t exactly working with many millionaires at the time, but there were a lot of young people who wanted to build a fortune”, Dainese says. That's where he got the idea to manage smaller assets as well. Even today, while there is a constant stream of large investors such as pension funds with multi-million-franc mandates visiting Dainese at the 200-year-old farm, savings plans starting from CHF 100 are part of the firm's core business. They have not forgotten where they came from. This explains why they have such a large client base, with over 16,000 clients.

What both large and small clients alike evidently appreciate is the focus on returns. “We don't rely on equity performance”, says Dainese. They primarily buy securities because of their dividends and coupons. This means a basic return of three to four percent is guaranteed from the get-go. The dividends also determine the holding period. If it looks like the payouts will drop, they sell the security.

Companies with “sluggish business models” are in demand as investments. “If you give your money to Partners Group to manage, it's often tied up for ten years”, says Timo Dainese. The visibility with regard to future returns and profits is correspondingly high.

Partners Group is one of those companies they stay in close contact with and have gotten to know from A to Z through numerous discussions with the management over the years. With the help of companies with above-average growth rates, the money managers aim to benefit disproportionately from the booming global economy.

Despite its size, Zugerberg has not lost its agility. Last summer, a third of the total portfolio, worth 450 million Swiss francs, was sold off within two days, thus securing the profits. They made their re-entry in late autumn, in time for the year-end rally.

Lakefield Partners likewise did not miss out on the final spurt on the markets. The asset management company makes money for its clients in a modern glass building on Seefeldstrasse, on Zurich's own Gold Coast.

83% RETURNS

The money professionals don't let the stunning views distract them. In the “moderately dynamic” category, they have achieved a profit of 83 percent over the past three years. With the second-best performance in this category, Berenberg was almost 60 percentage points behind, despite their even lower risk exposure. The Sharpe ratio of 2.12 is unparalleled in the 36-month comparison.

Anyone who suspects risky gambling is behind the asset management company's high profits is mistaken. On the contrary, Lakefield spokesman Matthias Hug sounds like a conservative investor:

“We're not risking a crash. We'd rather leave a turnaround candidate well alone.” In the last five years, Lakefield Partners have not made a single investment with a loss of more than 20 percent. In order to avoid missteps, they invest exclusively in companies they are convinced will be successful after a thorough investigation. Their focus is on Swiss small and mid caps. They analyze 45 pre-selected companies in detail, then add 20 to 30 to the portfolio.

The requirements for the chosen few are high. Balance sheet quality is the order of the day. They do not hold with high debts or high goodwill takeovers. Healthy balance sheets keep the risk of a crash within acceptable limits. They favor, for example, shares with a double-digit return on equity, such as Bossard or Georg Fischer. "If they get a bad result occasionally, the prices of such shares collapse less sharply", says Hug.

Despite the focus on healthy balance sheets, the money managers do not avoid companies with high growth rates. In a mix of value and growth approaches, potential also comes at a higher price. “A profitable company with strong growth can be expensive”, says Hug. When looking into the future, they take note of what analysts are predicting, but ultimately rely on their own figures. The company uses in-house forecasts of revenue and profit

How the test was carried out

BILANZ has drawn up its seventh asset management company rating in collaboration with the German controlling and consulting institute Firstfive. They assessed the performance of actual, existing client portfolios. The asset management companies have to continuously submit all transaction records. These are evaluated by Firstfive, which has been analyzing client portfolios in Germany for around 20 years. Swiss asset managers or asset managers with a Swiss branch are eligible to participate. The decisive factor is the performance in relation to the risk incurred – or the Sharpe ratio, to use the technical term. The risk is measured by the fluctuations in the value of the portfolio. The data of 101 portfolios are evaluated for BILANZ. A leaderboard is drawn up in four risk categories – from conservative to dynamic. Money managers usually acquire higher profit potential with higher risks of loss. The risk classification of the portfolios is based on the real price fluctuations of the securities in the portfolios. This means that the risk category a portfolio is classified into in the test may deviate from the risk category the asset management company registered for.

If a manager changes the risk preferences within a portfolio, the risk classification of the portfolio may change over time.

The best asset management companies in Switzerland

Outstanding performance in a bullish equity market

he top 3 in each risk class over 36 months:

Risk class	Rank	Sharpe Ratio[1]	Performance in %	Risik in %	Asset management company
conservative	1	0,94	13,63	5,40	**Zugerberg Finanz AG, Zug** Strategy: conservative mixed mandate ZAM R1
	2	0,67	16,50	8,94	**Von der Heydt & Co., Frankfurt** Strategy: II – balanced
	3	0,62	14,48	8,64	**Premium Strategy Partners, Zurich** Strategy: worldwide equities
	Average performance of all conservative portfolios: 6.18%				
balanced	1	0,84	22,97	9,38	**Zugerberg Finanz AG, Zug** Strategy: balanced mixed mandate ZAM R3
	2	0,76	19,22	8,87	**Oddo BHF Trust, Frankfurt** Strategy: equity total returns (individual)
	3	0,74	21,03	9,93	**Von der Heydt & Co., Frankfurt** Strategy: global equity topics
	Average performance of all balanced portfolios: 9.30%				
moderately dynamic	1	2,12	82,70	10,84	**Lakefield Partners, Zurich** Strategy: Swiss mid & small cap equity
	2	0,71	20,28	9,96	**DJE Finanz, Zurich** Strategy: DJE CHF
	3	0,69	23,50	11,58	**Berenberg Joh. Berenberg & Gossler, Hamburg** Strategy: Dynamic I
	Average performance of all moderately dynamic portfolios: 18.31%				
dynamic	1	1,30	71,93	15,75	**Berenberg Joh. Berenberg & Gossler, Hamburg** Strategy: Dynamic II[2]
	2	0,95	32,55	11,10	**Zugerberg Finanz AG, Zug** Strategy: dynamic mixed mandate ZAM R5
	3	0,73	28,94	13,06	**Oddo BHF Trust, Frankfurt** Strategy: international equity portfolio
	Average performance of all dynamic portfolios: 21.20%				

For comparison		
	Average performance of all risk classes and 81 portfolios:	13,75%
	SMI	6,38%
	Return of Swiss Bond Index Total (SBI, highest credit rating AAA–BBB)	3,25%
	Reporting period 1.1.2015 to 31.12.2017. Source: Firstfive, Bloomberg	

The winning portfolios in each risk class over 12 months:

Risk class	Rank	Sharpe Ratio[1]	Performance in %	Risik in %	Asset management company
conservative	1	4,90	12,72	2,74	**Milesi Asset Management, Basel** Strategy: balanced CHF
	Average performance of all conservative portfolios: 11.02%				
balanced	1	3,77	18,54	5,10	**Von der Heydt & Co., Frankfurt** Strategy: II – balanced
	Average performance of all balanced portfolios: 13.36%				
moderately dynamic	1	4,01	25,64	6,57	**Von der Heydt & Co., Frankfurt** Strategy: 50% equity
	Average performance of all moderately dynamic portfolios: 18.28%				
dynamic	1	4,36	47,03	10,96	**Berenberg Joh. Berenberg & Gossler, Hamburg** Strategy: Dynamic II[2]
	Average performance of all dynamic portfolios: 23.13%				

For comparison		
	Average performance of all risk classes and 101 portfolios	16,45%
	SMI	16,26%
	Returns of Swiss Bond Index Total (SBI, highest credit rating AAA–BBB)	0,13%
	Reporting period 1.1. to 31.12.2017. Source: Firstfive, Bloomberg	

1 The key figure determines the return in relation to the risk incurred.
2 Not available in Switzerland. Source: Firstfive

growth over two years.

WHEN IN DOUBT, GO CONSERVATIVE

If shares become too expensive, they are ejected from the portfolio. "We are consistent and, in case of doubt, prefer to err on the conservative side", explains Hug. For example, Kühne + Nagel became too expensive for the money professional. Although Hug still very much liked the company's alignment, it was sold off. Lakefield Partners' high placing in this year's rating is not an isolated case. The company already achieved the top rating last year and has stood out from the crowd for years. The client funds they manage have increased accordingly. The 13-member team mainly looks after the money of wealthy private individuals. Clients with a net worth of one million or more get individual attention.

But those with smaller assets can also invest in the strategies of the Zurich-based firm, since the asset management company has launched six mutual funds. This is a rarity for asset management companies of this size. The strategy that earned the award from Firstfive is also used in the Lakefield Swiss Mid & Small Cap Equity Fund (ISIN: LU1441977045). The fund was launched on the market a year and a half ago. Since then, 50 million Swiss francs have been invested in the vessel. No subscription or redemption fees are charged. Institutional clients are not given any preference; there is only one share class. The fees are limited to one percent.

Bruno Milesi always likes coming from Basel to the Zurich office, right next to Paradeplatz, to visit clients. But between 19 and 22 February, 2018, the deals could still be so tempting: on the three best days of the year, he actively participates in the Basel Carnival. The asset manager is much more serious, however, when it comes to choosing the right investments. For that, he relies on a three-phase selection process developed in-house. The focus is on momentum. If a stock is performing very well over a certain period of time, the software is sure to start paying attention. In the past twelve months, the program has evidently selected very profitable titles.

In the conservative risk class, Milesi Asset Management stands out from a twelve-month perspective, with a performance of 12.7 percent and a risk of only 2.7 percent. The Sharpe ratio of 4.9 percent is partly explained by the small fluctuations in 2017, but is unparalleled in the overall asset management company rating. The firm focuses on investments in Switzerland, not least because 90% of its clients live there.

This means, of course, there are no currency risks to worry about.

Milesi owes its top ranking to companies such as Actelion. They have become convinced of the biotech company's potential over many years. “We had the courage to let the profits grow. A pinch of luck certainly had something do with it as well”, says Milesi. The money manager also made good profits with the top performers on the Swiss stock exchange, Sika and Lonza.

GERMAN COMPANIES LEADING THE WAY

German asset management companies who operate in Switzerland are also placing high in the BILANZ rating. Berenberg came out on top in the most high-risk category. The winning strategy, Dynamic II, really stands out over the three-year period with a performance of 72 percent. Berenberg is also leading the pack with this strategy from a one-year perspective. Senior Portfolio Manager Andreas Strobl prefers to fill the portfolio with German medium-sized companies. Strobl has very strict requirements for suitable companies. Being in pole position when it comes to technology is a must. He goes for companies that are the world market leaders in their niche, with a product portfolio underpinned by patents. One of the top performers of the past year is the German IT leasing company Grenke.

The German asset management company Von der Heydt dominates both the balanced and the moderately dynamic risk classes in the twelve-month comparison. Unlike their Swiss competitors, the Frankfurt-based company relies on a very detached model. Close contact with companies plays virtually no role here. The choice of individual shares is essentially made on a quantitative basis. The investment decisions regarding the breakdown by asset class are primarily based on economic analyses, fundamental market valuations, and sentiment studies of the mood on the market and expectations.

MILES AHEAD OF THE STOXX 600

"In 2017, there were a lot of green lights, especially for European equities and emerging markets", Von der Heydt chairman Michael Gollits explains their strong performance. Gollits makes regular trips to Switzerland. About 15 percent of their assets come from here. In Zurich, he rents office space at Regus on Dreikönigstrasse and conducts his client talks there. The firm's quantitative equity selection process focusses on technology securities and cyclical industries. They don't go for defensive industries, with the exception of the health sector. The analyses evidently spit out the right options. In 2017, the European equity strategy achieved almost double the growth of the Stoxx 600 index. The alignment has changed little in the new year compared to 2017.

“It is no coincidence that we are in the lead. Unlike most of our competitors, we have also made good profit from bonds.”

For Michael Gollits and his Swiss competitors, it will be a huge challenge to build on the achievements of the previous year in 2018. The catastrophic start to the year is gnawing away at their performance and giving a small taster of more turbulent times ahead.

“2017 was an incredibly good year for equities. But this won't be repeated in 2018”, believes Bruno Milesi. Although he predicts an increase for the Swiss market, he expects it to remain within the limit of five to six percent. The smooth sailing is over. If everything goes as Milesi predicts, investors will see larger swings throughout the year. The election in Italy could provide fuel - yet another reason to question the European single currency. If the Swiss franc strengthens against the euro, exporters will come under pressure as a result. Milesi: “Some companies will not be able to meet the high expectations.”

Lakefield Partners chairman Matthias Hug is more optimistic about the situation. Although we are in the second half of the economic cycle, he thinks it could last another three or five years. The boom is not yet over, according to Hug. The economic picture, both globally and in Switzerland, is better than it has been for ten years. The weakening of the Swiss franc gave added impetus to Swiss exporters. Hug has a lot of faith in Swiss companies: "The results for the second half of 2017 will be very good." The only thing that could potentially spoil the picture is inflation, as Hug sees it.

The team at Zugerberg Finanz AG sees the recent turmoil on the stock market as an opportunity. “When the road gets bumpy, active management is what can make all the difference”, says Timo Dainese. They have already taken advantage of the lifting of the euro lower limit and the Brexit vote to make acquisitions, such as Adecco. The share was penalized, although the company even benefits from the departure.

After prices rose almost without interruption in 2017, the correction was a "healthy thunderstorm". The fear of excessively rising interest rates was seen as the trigger for the sell-off. In the USA, the interest rate level approached the three-percent mark, while dividend returns fell to below the two-percent mark due to rising share prices. Dainese: "It is not surprising that some investors have transitioned from US equity to bonds." In Europe and Switzerland, a completely different picture is emerging: rising interest rates are yet to come. In Switzerland, the returns on the ten-year Confederation bond are a meagre 0.2 percent, while ten-year government bonds from the eurozone are still below one percent. Here and there, the dividend returns are well above this level, at more than three percent. The reporting season is going well. Zugerberg remains convinced that there will be robust growth in the global economy. “The medium- to long-term attractiveness of European and Swiss equities has not changed”, says Dainese.

If market participants share his views, a lot of money will continue to flow into the stock exchanges. Capable asset managers remain in demand, not least because the ice is becoming smoother. The cowbell will probably be heard even more often at the foot of the Zugerberg. And the demand for sand will remain high.

Zugerberg Finanz AG is an independent asset management company regulated by FINMA that helps both private and institutional investars to achieve their investment goals.

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