BILANZ

The Swiss Business Magazine

Asset management company rating

The winners and their best investments

Special edition
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ZUGERBERG FINANZ

Editorial

BILANZ: The best asset management company in Switzerland 2020 – Zugerberg Finanz AG

Dear Sir or Madam,

Every year, the renowned Swiss business magazine BILANZ selects the best asset management companies in Switzerland. We have been participating in this ranking since 2018.

We are delighted to inform you that in the latest ranking, which was published in February 2020, we were named the best asset management company in Switzerland for the third time in a row. We achieved this in the longest and thus most significant investment period (5 years).

Placing at the top of Switzerland's most prestigious ranking of asset management companies show that our concept of active, independent asset management with a strong domestic focus proves itself in practice. We focus on steady income from interest and dividends, mainly in Swiss francs, follow a reliable, scientifically sound investment process, and rely on our own opinion. We also buy all the securities that we purchase for our clients for ourselves. We stick to this proven success model.

Being named Asset Management Company of the Year three times in a row is a milestone in our 20-year history. A milestone that motivates us, makes us proud, and that will not be forgotten. For our valued clients, it is confirmation that they have made the right choice with us.

Below you can read the article about the latest ranking, published in the BILANZ issue from 28 February, 2020. In the section at the end, you can also find the rankings from the previous two years.

Freundlichen Grüsse

Timo Dainese
Founder / Managing Partner

Prof. Dr. Maurice Pedergnana
Managing Partner

Photos: Christian Schnur for BILANZ

WINNERS Timo Dainese (l.) Zugerberg Finanz secured the top spot in the 60-month ranking. Erich Pfister from Oddo BHF came out ahead over 36 months, Sybille Wyss from Tareno won over 12 months

SHINING LIGHTS OF INVESTMENT

Asset management company rating BILANZ has set out to find the best asset management companies in Switzerland for the ninth time. Their forecasts and favorites for the new year on the stock markets.

by ERICH GERBL

In the wake of the severe losses in the fourth quarter of 2018, the fear of a continuing reversal on the stock exchanges was great. The feared bear market seemed set to follow a year-long bull market. The desire to pull the cord and get out of the stock markets all together grew ever stronger. Resisting this fear, having faith in one's own predictions, and not selling, demanded one thing above all: a hefty dose of courage.

Those asset management companies who remained invested in equities as much as possible were rewarded for their courage last year. 2019 is considered one of the most profitable years in financial history. Although the trade war and Brexit were unsettling for investors, the Swiss benchmark index SMI rose by a good 30 percent thanks to once-again falling interest rates.

For the ninth time, BILANZ is naming the top asset management companies in the country based on data collected by Firstfive. Only those of the approximately 2,500 asset management companies operating in Switzerland who submit to Firstfive's analysis demonstrate courage and confidence in their own performance. ►

► “Poor asset management companies do not participate in the rating. If their performance is poor, they shy away from transparency and do not dare to draw back the curtain”, says Matthias Hunn, Managing Director of FinGuide. The firm helps private individuals to find suitable asset management companies.

ABSOLUTE TRANSPARENCY

Firstfive provides transparency in an industry that’s very secretive when it comes to track records. The participating asset managers submit actual client portfolios. Each transaction is reported and recorded by Firstfive in its own asset management system on the correct value date. The money managers have to provide quarterly bank statements showing their holdings. Firstfive checks whether the transactions match up with the holdings. Since all this is handled on Firstfive’s system, the evaluation is standardized and comparable. In total, around 100 portfolios were submitted and analyzed.

In the industry, Excel sheets with performance data are passed around. But with these, it is questionable where the data came from and what costs were factored in. The purpose of these spreadsheets is not to disclose the particularly revealing risk-adjusted profit and loss accounts - i.e., which risks were incurred for the profit achieved. “The BILANZ rating is the only source in Switzerland that provides a risk-adjusted comparison”, says Hunn.

Asset managers who remained fully invested in equity in 2019 were rewarded for their courage.

EVERGREEN Timo Dainese refreshingly stands out from the crowd with standard strategies. He is ahead of the competition in the 5-year period.

Tips from Zugerberg Finanz

► Axa

“Under the leadership of the German CEO Thomas Buberl, the largest insurance company in the world was streamlined for growth, both in Europe and in Asia and the USA. The high solvency ratio ensures that the dividend yield can be raised to a very attractive level due to the strong cash generation (currently 5.5%). We like the recession resilience in the industry. As with the Zurich Insurance Group, in which only four percent of the annual profit is dependent on interest rates development, Axa’s sensitivity to interest rates and economic cycles is relatively low.”

► HBM Healthcare Investments

“HBM Healthcare Investments is one of the five largest Bio- and MedTech investment companies in Europe. It operates out of Switzerland, has an excellent network, and holds shares in around two dozen fast growing companies. Some companies are aiming for an initial public offering, others are taken over right away. The fields of application range from the treatment of psoriasis (Arcutis Biotherapeutics) to the treatment of rare cancers in children (Y-mAbs). The shares have a considerable potential to increase their value. The distribution yield is also attractive. The performance of the stock in recent months has been outstanding. We see further potential in the medium term.”

► Corporate bond: Selecta 5,875% (in CHF, matures on 1.2.2024)

“Europe’s largest snack vending machine operator, based in Kirchberg in Bern, is also active in the coffee machine and beverage vending machine market. Selecta supplies water dispensers for offices, hospitals, universities, and petrol stations. The gross profit comfortably covers interest expenses. The company is currently being streamlined for growth by the successful private equity firm KKR, and an IPO is expected in the medium term.
The Swiss franc bond yields just under five percent annually until it matures in 2024 and is suitable for returns-oriented bond investors.”

Tips from Tareno

► Roche

"Demographic change and the associated rise in healthcare spending are key drivers for Roche. The world's largest pharmaceutical and biotechnology company has a compelling product range. The focus is on fields such as oncology and diagnostics. Roche invests 17% of its revenue in research and development, so it consistently achieves success through innovation. It is also thanks to the owner family's strong ties with the company that Roche stands for an investor-friendly dividend policy. Medication prices are likely to become a hot topic once again in the US election campaign – so possible price declines offer buying opportunities."

► Veolia Environnement

"Veolia Environnement is the largest water supplier in the world, along with Suez. Business units that were not very profitable have been sold off in recent years and the company has repositioned itself. Its focus is on services in the drinking and waste water sectors, as well as in waste disposal. An important issue here is the handling of plastic waste. Due to its expertise in this field, Veolia is an important partner for large corporations such as Nestlé when it comes to building a circular economy in the plastics sector. The high visibility of returns and the sound dividend policy (3.4 percent return) make Veolia an attractive investment."

► SIG

"The foundation for SIG Combibloc's present success was laid 90 years ago, with the idea of packaging drinks in liquid-tight cartons. In the wake of climate change and resource scarcity, the demand for environmentally friendly and sustainable packaging is increasing worldwide. This is where SIG is in high demands for its cardboard packaging and filling plants. SIG is second leading company on the market, after the Swedish Tetra Pak. The wide base of installed machines ensures a high proportion of recurring returns. The dividend yield is an attractive 2.5 percent. The company only went public in 2018 and may not be well known among investors outside Switzerland yet. But this will change in the future."

NEWCOMER
Tareno CIO Sybille Wyss is listed in the rating for the first time.
She bagged the top spot over 12 months thanks to water and dividends.

The most important factor is the significance of the rating over a longer period of time. Asset management companies who have just had one lucky year, but otherwise often make mistakes, do not make it among the best over longer periods.

Zugerberg Finanz has delivered the most consistent performance, staying in the lead over the 60-month period. As measured by the Sharpe ratio, the Zug-based asset management company ranks second in three risk classes and has thus achieved the highest score in the observed period. Zugerberg's more conservative strategies perform particularly well. When it comes to the moderately dynamic and dynamic strategies, Lakefield Partners is ahead in terms of both the Sharpe Ratio and performance.

COURAGE TO DO THINGS DIFFERENTLY

A lot of money managers hide behind a fixed allocation of asset classes. In such cases, the share of equities in balanced portfolios only fluctuates between 45 and 55 percent. At Zugerberg, this range varies from 0 to 60 percent. This makes an accurate assessment of the markets even more crucial. "They follow their own convictions and also dare to swim against the current. That takes a lot of courage", says Hunn. While some managers put together 100 different portfolios for 100 clients, Zugerberg relies on the best possible standard strategies. The selected shares are included in all client portfolios; the only thing that differs is the risk profile. "They have the courage to do things differently and refreshingly stand out from the crowd", says Hunn.

Managing an individual portfolio for each client would be difficult at Zugerberg simply because of its size. They invest 2.5 billion Swiss francs for around 20'000 clients (including in the second and third pillars). Zugerberg has two people at the helm: Timo Dainese founded the money manager 20 years ago and is the entrepreneur, while Maurice Pedergnana has been on board since 2009 and is responsible for investment decisions and performance as the head of the investment committee and chief economist.

Each of the winning asset management companies reveal three of their favorites (see tips). The question is whether investors should venture onto the stock markets at all at the moment. Most assets managers are "cautiously optimistic" regarding the outlook for the still young year on the stock market. "The likelihood of a recession is very low. Our leading indicators are ►

▸ currently signaling a bottoming out of the cyclical economic downturn", says Erich Pfister, head of Oddo BHF Switzerland. He has been responsible for expanding the German-French asset management company's business in Switzerland since summer 2018. Oddo BHF is known as an asset manager for family business owners and is ahead of the competition in the ranking for the 36-month period.

EVEN MORE TURBULENT TIMES

Pfister predicts a good overall year for equity. However, significantly higher fluctuations can be expected compared to 2019. "Geopolitical risks such as the Iran conflict and the coronavirus will continue to burden the markets. However, we see setbacks as an opportunity to buy", says Pfister. The fact that money always flows back into the stock markets is due to the ongoing investment crisis. Increasingly, risk-averse investors such as pension funds are being forced onto the stock exchanges instead of opting for bonds, which often yield negative returns. That will not be changing any time soon, since the lack of inflation and sluggish growth mean there's no increase in interest rates in sight. "The central banks continue to provide the markets with generous liquidity", says Pfister. According to the expert, the traffic lights on the markets are green, at least until the US presidential elections in November.

The Basel-based asset manager Bruno Milesi, who came second over 12 months, has often correctly predicted the future. He expects an average to good year for equity, with gains in the higher single-digit percentage range.

The team at Lakefield Partners is putting their faith in the power of consumption. "Sure, the current growth cycle is one of the most persistent ever. But at the same time, it is also one of the slowest and most resilient. If employment levels are maintained, consumption will continue to drive returns", predicts Bruno Verstraete of Lakefield Partners. According to the Zurich-based asset manager, the fear of a global coronavirus pandemic will not have a long-term impact on economic growth. At the same time, Verstraete says investors should monitor the US primaries closely, as these could be the beginning of larger profit-taking.

Timo Dainese, head of Zugerberg, also believes it will be a positive year for equity. Like Lakefield, Zugerberg sees consump-

BUSINESS GURU
Erich Pfister's company Oddo BHF Switzerland claims the top spot over 36 months. He focuses on megatrends such as automation and digitization.

Tips from Oddo BHF

▶ Schneider Electric

"Schneider is a global industrial group operating in the energy management and industrial automation sectors. The company benefits from the increasing demand for efficient energy solutions (e.g., for cloud data centers), as well as from the automation of industrial manufacturing. Because software is playing an ever-increasing role, the group's profitability is also steadily increasing. Despite very good recent performance, the valuation of the stock (over five percent free cash flow return or a price-to-earnings ratio of 16) still does not adequately reflect the improved profile and structural growth prospects."

▶ Relx

"Relx is an information service provider for universities, lawyers, and medical professionals (e.g., specialist journals), as well as for insurance companies (software-based risk & analytics solutions). The company is also active in the global trade fair business as a third pillar. Its high proportion of recurring sales without a high degree of sensitivity to economic cycles makes the defensive business model attractive. In addition, the large amount of valuable data and customer loyalty give the company significant competitive advantages, securing its high profitability in the long term. On the basis of free cash flow, the stock is valued more or less in line with the broader market, which we consider attractive due to the more stable business model and the likely above-average growth in profit."

▶ Texas Instruments

"Texas Instruments is the largest manufacturer of analog semiconductor chips in the world. These are used in industrial applications, automobiles, network equipment, and consumer electronics. After a few weak quarters due to customers' reluctance to invest, an imminent improvement and a return to stronger growth rates are to be expected. In addition, the company is extremely profitable, with an operating profit margin of over 40 percent, and offers a very shareholder-friendly distribution policy, distributing the entire free cash flow to shareholders year after year via dividends or share buybacks."

The best asset management companies in Switzerland

The performance over one, three, and five years

The top 3 asset management companies over 60 months

Asset management company	Return in %	Risk in %	Sharpe ratio	Total score
Zugerberg Finanz	38,19	10,72	0,69	82,74
Lakefield Partners	52,40	9,53	1,00	77,15
Oddo BHF Trust	36,47	10,27	0,70	76,24

The top 3 asset management companies over 36 months

Asset management company	Return in %	Risk in %	Sharpe ratio	Total score
Oddo BHF Trust	36,29	9,80	1,18	86,09
Milesi Asset Management	40,28	8,56	1,48	80,94
Zugerberg Finanz	16,90	6,39	0,95	77,16

The top 3 asset management companies over 12 months

Asset management company	Return in %	Risk in %	Sharpe ratio	Total score
Tareno	15,61	3,93	4,16	99,99
Milesi Asset Management	12,45	3,80	3,47	85,12
Lakefield Partners	31,57	10,96	2,95	76,06

Source: Firstfive. The risk corresponds to the maximum fluctuation.

tion as a driving force. “A person consumes more and more, and there are more and more people consuming. Consumption is a pillar of recovery”, says Dainese.

According to Dainese, the potential of the Swiss stock exchange is reflected in the dividend yield. He wonders whether the current yield of just under 3 percent is in line with the market or whether it should be 2 or 1.5 percent instead. “If the yield falls to this level, this means a massive appreciation potential for equities.”

MEGATRENDS AND DIVIDENDS

Oddo BHF focuses on megatrends, such as digitization, automation, and the ageing population. Companies operating in these fields are significantly less exposed to cyclical fluctuations. The firm’s portfolios are filled with companies that provide high returns and are protected against competitors by high barriers. “Such companies do better in a rough environment”, says Erich Pfister. Schneider Electric, Relx, and Texas Instruments are his three tips.

The asset management company Tareno entered the running with a megatrend and a dividend -based strategy and made it to the top spot in the rating in the shortest period of 12 months, with a Sharpe ratio of more than 4. Tareno is an asset management company based in Basel, where 34 employees manage a total of 2.5 billion Swiss francs. Only 40 percent of their clients are from Switzerland. Sybille Wyss is Tareno’s Chief Investment Officer and Deputy CEO. She considers water to be a megatrend that could really rake in more profits in the portfolios. Climate change, population growth, and urbanization are the main drivers. The second largest water supplier in the world, Veolia Environnement, is one of her favorites. Veolia is also among Tareno’s dividend mandates.

If Sybille Wyss proves to be correct, then dividend-bearing securities will continue to be in demand, regardless of the market environment. If the mood on the stock exchanges turns, “then based on our experience, investors will prefer stable dividend income”, says Wyss. Although she expects greater fluctuations in 2020, she nevertheless forecasts a good year for equity.

How the test was carried out

The asset management company rating is based on an ongoing evaluation of actual, existing client portfolios by Firstfive AG. The data of more than 100 portfolios are evaluated for BILANZ. The decisive factor for the placement is the performance in relation to the risk incurred – called the Sharpe ratio. This shows how many times over the risk exposure paid off. The risk is measured by the fluctuations in value of the portfolio. The risk adjustment of the returns makes a fair performance comparison possible.

A leaderboard is drawn up in four risk categories. 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.

For the assessment of the “asset management companies of the year”, the results from three risk classes are combined on the basis of the Sharpe ratio using a points system. The best Sharpe ratio gets 33.33 points and is the benchmark for companies with lower ratios, which are given points corresponding to the percentage of the top result they achieve. The winner is the asset management company with the highest total score. The victor must demonstrate outstanding performance in three different investment strategies.

The best asset management companies of 2019

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
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)
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
dynamic	1	0,77	55,22	12,62	**Lakefield Partners, Zurich** Strategiey: Swiss Mid & Small cap equity
	2	0,58	29,83	10,26	**Zugerberg Finanz, Zug** Strategy: Zugerberg Finanz R5

For comparison

8,31%	Durchschnittliche Performance aller Risikoklassen und 81 Depots
2,76%	SMI
10,36%	Return of the Swiss Bond Index Total (SBI, highest credit rating AAA–BBB)

Reporting period: 1.1.2014 to 31.12.2018. Quelle: Firstfive, Bloomberg

Best asset management company in Switzerland 2019:
Zugerberg Finanz AG

The best asset management companies of 2018

The top 3 in each risk class over 36 months:

Risk class	Rank	Sharpe Ratio[1]	Performance in %	Risk in %	Asset management company
conservative	1	0,94	13,63	5,40	**Zugerberg Finanz AG, Zug** Strategy: mixed mandate conservative 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: Equities worldwide
	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 the Swiss Bond Index Total (SBI, highest credit rating AAA–BBB)	3,25%

Reporting period 1.1.2015 to 31.12.2017. Source: Firstfive, Bloomberg

Best asset management company in Switzerland 2018:
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