BILANZ

The Swiss Business Magazine

Asset manager rating

The winners and their best investments

Special edition
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ZUGERBERG FINANZ

Editorial

BILANZ: The best Asset Manager in Switzerland 2023 – Zugerberg Finanz AG

Dear Ladies and Gentlemen, valued partners

Every year, the renowned Swiss business magazine BILANZ selects the best asset managers in Switzerland. We have been participating in this ranking since 2018 and have since achieved first place three times (Best Asset Manager in Switzerland; 2018, 2019, 2020) and third place twice (2021, 2022).

We are delighted to inform you that, according to the current ranking from February 2024, we have once again been named the best Asset Manager in Switzerland. Our excellent performance in 2023 made a major contribution to this outstanding result.

The recognition in Switzerland's most renowned ranking of asset managers confirms the success of our concept of independent asset management predominantly based on individual titles. We focus on steady income from interest and dividends, mainly in Swiss francs, and follow a reliable, sound investment process based on our own opinions. We only pursue the interests of our clients. In doing so, we do not expect them to take any risks we don't take ourselves: we invest our own assets exactly the same way as those of our clients. We consistently stick to this proven model for success.

We are delighted that the experts in our CIO Office, headed by Cyrill von Burg, have once again demonstrated their ability to be at the forefront in an ever-changing environment. This achievement highlights our expertise and reliability in wealth management and corroborates the trust our valued clientele and partners have placed in our company for the past 24 years.

You can find out more about our success story and the current ranking in the BILANZ article below from 23 February, 2024.

Thank you for your trust and support on our mutual road to success.

Sincerely,

Timo Dainese
CEO
Founder / Managing Partner

Photo: Roger Hofstetter

REVIVAL
Timo Dainese from Zugerberg Finanz had problems with foreign equities. Following a reorganization, things are running smoothly again. After a gap of a couple of years, the Zug-based firm is once again listed among the best asset managers.

PROFIT HUNTERS

Asset Managers The highest rated companies predict a good year on the stock markets for 2024 and reveal their top picks.

by ERICH GERBL

Sybille Wyss' mood is closely tied to the equity markets. The more sharply prices fall on the stock exchanges, the more the head of the Basel-based asset manager Tareno has to deal with calls from worried clients. Although the situation on the financial markets is somewhat opaque, Wyss has not had a lot of explaining to do lately. "We've had worse starts to a year. That's gratifying," says the 39-year-old. In principle, the money manager's clients ought to be satisfied with their performance: in the new ranking of the best asset managers in Switzerland, Tareno is one of the winners.

The service provider Firstfive has drawn up the ratings for BILANZ on the basis of real portfolios for the 13th time. Alongside Tareno, Format Vermögen & Anlagen, Zugerberg Finanz, and Everon also stand out. Everon benefited from the recovery in technology equities and achieved a spectacular performance of 36.94 percent in the dynamic category.

Those money managers who refused to be intimidated by the pessimism at the beginning of 2023 and kept investing did especially well. Concerns about economic downturn were widespread a year ago. "There were reputable economists who predicted a recession in 2023. As we now know, they were wrong," says Matthias Hug, Managing Partner of Format Vermögen & Anlagen. Hug has secured the top spot in the ranking from a 24-month perspective and second place in the 60-month ranking. Originally from Aargau and now working in Zurich, Hug did not have a typical career path. After studying electrical engineering and business administration at ETH, he worked as a consultant at the Boston Consulting Group in Switzerland and in the US. Instead of traditional industrial companies, he advised companies in the finance industry. And he has been working in that field ever since. After another stint at UBS, he became self-employed at the age of 40 in 2009. "I was impressed by the business model of independent asset managers. With banks, the client never really knows whether the advisor is making the transaction for them or for the bank", says Hug.

Hug is known for his expertise in Swiss equities. At first glance, he didn't have an easy time of it last year. The Swiss stock exchange underwent comparatively weak development in 2023, with an increase of 3.8 percent (SMI). This was mainly due to the fact that the three heavyweights Nestlé, Novartis, and Roche weighed the index down. But that doesn't mean there were no opportunities to be had: for example, a quarter of the securities in the SPI 2023 rose by more than 20 percent. "If you had the right securities in your

Timo Dainese's top picks

★ **Sika AG.** "The number one in specialty chemicals for the construction industry is well-positioned geographically and will continue to grow through smart acquisitions. Its strong market position helps it pass on increased input prices and keep the margin stable. Plans for sales growth of 6 to 9 percent p.a. and an increase in the EBITDA margin to 20 to 23 percent are set out in the "Strategy 2028". Sika benefits from megatrends such as decarbonization and urbanization."

★ **Schneider Electric SE.** "The French group develops technologies that reduce energy consumption and minimize environmental impact. Schneider thus benefits from investments in sustainability and the megatrend of decarbonization. Schneider is increasingly an industrial IT and industrial software group with many positive influences from AI, good profit margins, and a sound balance sheet. We particularly like the stable sales growth with a high service share and well-predictable and recurring cash flows."

★ **5.000% Hero AG.** "The family-owned food company is a persuasive option thanks to its sound balance sheet and successful history on the capital markets. Its only currently outstanding bond in the amount of 140 million Swiss francs is yielding around 3.8 percent p.a. at the moment and can be repaid at the earliest in 2028 at the price of 100."

portfolio, you could make a lot of money on the Swiss stock exchange even in 2023," says Hug. Five of his positions generated a return of more than 50 percent, including dividends. The VAT group increased by about 70 percent, and Swissquote by 55 percent. "2023 was clearly a year for careful stock picking," says Matthias Hunn, Firstfive's representative in Switzerland.

Firstfive evaluated 138 real client portfolios of 35 participants for BILANZ. Only courageous and successful money managers take part in the test. "Private banking is a delicate business. Banks are terrified of transparency. The worst thing for them would be for someone to find out that they are not actually that good and that smaller asset managers get higher returns," says Hunn.

BIG IS NOT SEXY

There is no connection between the number of analysts and the returns. "If there were, the big companies would be unbeatable. But they aren't, not at all." Rather, size is often actually a disadvantage. The medium-sized world market leaders in particular, which are among the most exciting investments on the Swiss stock exchange, are too small for large investors in terms of market capitalization. "The larger investment universe is the clearest advantage of independent asset managers," says Hunn. On top of this is the more streamlined investment process, which enables pragmatic, rapid solutions. In addition, there are major conflicts of interest at banks, as they also offer their own products. For Hunn, the major service providers are "product sellers above all".

Previously a regular contender among the top-rated asset managers, we haven't heard much about Zugerberg Finanz in recent years. The money manager has resurfaced with a top performance over the twelve-month period in the current ranking. And that's not by chance: Zugerberg has undergone a restructuring. "We had issues with selecting foreign equities," admits company founder Timo Dainese. If you lose 25 percent in Swiss francs with Nestlé, so do most people in Switzerland. If you are 30 percent behind with a DAX title, clients are not so understanding. That is why they restructured, redefined their investment universe and maximum position sizes, and introduced a completely new monitoring system. Previously, decisions were made by a panel of four people, including the owners. Since the restructuring, CIO Cyrill von Burg makes the final decision.

The rough patch over the last few years was troublesome for Dainese. Because Zugerberg Finanz is a success story that he wrote himself. After gaining two years of practical experience at an asset manager and a private bank after finishing cantonal school, he single-handedly founded Zugerberg Finanz in 2000. The idea was not to fob off smaller clients with their own funds, but to offer them the same services as HNWI clients receive from private banks. After almost a year, the first employee joined the company. Today, Dainese employs 60 people and, with CHF 3.7 billion assets under management, his firm is one of the largest independent asset managers in Switzerland.

How well Zugerberg and the other asset managers perform in 2024 will depend to a large extent on the aptitudes of the central banks. They are still looking for the right moment to lower interest rates in developed countries: not too early, to prevent a return of inflation, and not too late, to avoid stifling the economy. "If they manage this balancing act to some extent, the prospects of a good year for investment in the equity and bond markets will remain intact. Otherwise, the central banks will be putting a ▸

Sybille Wyss' top picks

★ **Holcim.** "Holcim is impressively skilled at focusing its portfolio on innovative, sustainable products and high-growth markets. This increases profitability and reduces CO_2 emissions. Further improvement is expected through infrastructure programs and decarbonization efforts, which will lead to a higher valuation. The spin-off of the North America business could bring the previously hidden value to light. The dividend yield is over five percent."
★ **DHL.** "The world market leader in contract logistics is ideally positioned in the express business and in forwarding to take advantage of the booming online trade and benefit from the digitalization of the logistics industry. The valuation inadequately reflects the prospects for structural and profitable growth. The stable returns from the German mail business enable reliable dividends of a good four percent."
★ **Alphabet.** "We trust the undisputed champion in the internet search and advertising sectors to achieve sustained double-digit growth. In addition to increasing advertising revenues, the growing cloud computing business and new revenue sources will reliably contribute to high growth in the long term. The excellent positioning in various technology fields makes Alphabet a sound long-term investment."

"The most important tip for 2024: stay invested. I see good opportunities for securities that have lagged behind so far."
Sybille Wyss

Matthias Hug's top picks

★ **Swissquote.** "Since is was founded, Swissquote has had one of the most impressive growth stories in Switzerland. The price has increased almost tenfold since the IPO in 2000. Thanks to its good marketing and strong capacity for innovation, Swissquote is growing dynamically, and the company is opening up further growth potential through its expansion in Europe. Unlike many other growth companies, Swissquote equity has a moderate valuation and corresponding upside potential."

★ **Accelleron.** "The company, which spun off from ABB in 2022, is the world market leader in turbochargers that reduce the fuel consumption of diesel and biofuel engines. Accelleron has high sales visibility, as around 75 percent of its sales are earned from services. The equity has a distinctly defensive character with stable dividends."

★ **Cosmo Pharmaceuticals.** "Cosmo develops medicines and medtech applications and sells them as its own products with partner companies or on a licensing basis. The company underwent its first major growth spurt from 2012 to 2014, but was subsequently unable to set up its own sales organization in the USA as planned. Now Cosmo is back with new applications, such as GI Genius (an endoscopy module with artificial intelligence) and Winlevi (an acne medication), and is successfully distributing them with established partners."

▸ spoke in our wheel once again after starting the fight against inflation much too late in 2021," says Hug.

According to Sybille Wyss, the high expectations of falling interest rates are a risk in the short term. If the central banks ease off the interest rates more slowly than hoped, this would lead to disappointment. However, the Basel-based asset manager sees a correction as an opportunity for initial investments.

THE ECONOMY PLAYS ALONG

No headwinds should come from the economy itself, at least. "We still do not expect a global recession, as labor markets are robust and the global economic situation is stable," says Timo Dainese. As in 2023, the Zug-based analysts forecast global economic growth of three percent, which they expect to be driven by consumption. Zugerberg anticipates the strongest growth in Asia, while the momentum in the USA is expected to weaken.

According to Zugerberg's chief economist Maurice Pedergnana, the geopolitical risks have indeed increased. But there should only be problems with raw materials and supply chains again if a major power gets more actively involved in a conflict. There is potential for such a conflict in Israel.

«Neither the USA nor Iran have an interest in escalating the war, but it cannot be ruled out,» says Hug. The experienced asset managers are not too concerned about such threats. «There has been no period without geopolitical risks in the last 50 years, you just have to live with it. Investors will be compensated for the risk with attractive returns in the medium term.»

Sybille Wyss quotes Warren Buffett, who described the stock market as an instrument for transferring money from the impatient to the patient. The statement not only aptly sums up the year on the stock markets in 2023, but is also in line with Tareno's investment philosophy: "The greatest investment risk is not investing at all." Wyss firmly believes that the stock markets always find a way out of a crisis, but also that there were, are, and will always be reasons to sell in the short term along the way. "Our most important tip for the stock market year 2024: stay invested." Because the combination of a moderate slowdown in growth, lower interest rates, and earnings growth is likely to be a good breeding ground for a moderate rise in the stock markets in 2024, according to Wyss.

In 2023, the "Magnificent 7" were primarily responsible for the rise in the market in the USA. She expects to see a broader bull market in 2024, not just in the USA. "I see good prospects for securities that have lagged behind so far, such as Swiss small to large caps or value stocks."

Sybille Wyss is one of the few women who have made it to the head of a Swiss asset manager. Her rise to the top was direct and fast. In 2004, after an apprenticeship in banking at UBS, she joined Tareno as an assistant. In 2005, she moved to Portfolio Management, and by 2012 she was already head of the department. Two years later, she was Chief Investment Officer, Head of Portfolio and Asset Management, and a Member of the Executive Board. Wyss has been CEO since June 2020, and has also been a partner since 2022. But she hasn't achieved all her goals yet. The company had 2.8 billion Swiss francs' worth of assets under management at the end of 2023. "The magic milestone of three billion is our next goal," says Wyss. "In the medium term, we want to be one of the ten largest asset managers in Switzerland."

The assets managed by money managers also grow with their performance. This could increasingly come from the domestic market again. Equity expert Matthias Hug believes that the domestic stock market is one of the most attractive markets in the world, even in the medium term. In periods of subdued growth and uncertainties around interest rates, lightly indebted high-quality securities with high margins

> **"With banks, the client never really knows whether the advisor is making the transaction for them or for the bank."**
> Matthias Hug

“Private banking is a delicate business. Banks are terrified of transparency.” Matthias Hunn

and structural growth are particularly in demand. This is exactly the kind of security available in large numbers in Switzerland. In addition to the three top picks Swissquote, Accelleron, and Cosmo Pharmaceuticals, these also include ABB, Also, Dottikon, Givaudan, Interroll, Kardex, Lem, Logitech, Lonza, Partners Group, Richemont, Siegfried, Skan, Sonova, and Straumann, according to Hug.

However, he says companies that are heavily indebted and more sensitive to economic developments have a worse position in the current environment. So the cyclical parts of Swiss industry are still on the ropes. Geopolitical tensions, the reduction of stock levels, and the high Swiss franc are weighing on the economy. Hug: “It’s still hard to say when the turnaround will come.”

How well the asset managers perform is largely due to the weighting of the different asset classes. At Hug’s company, clients with a “balanced” risk profile hold around half of their fixed assets in equity and bonds. The asset advisor has already tactically given the equity portion a heavier weighting since last year. Tareno’s approach is a bit more complex. According to Wyss, “balanced” portfolios, which are used for around half of the clients, consist of a “balanced mix” of different asset classes. Typically, five percent is kept liquid in order to be able to react to unforeseen expenses or market opportunities at any time. About 35 percent is put in bonds. “They are the stabilizing component; they generate regular income and protect the portfolio against market fluctuations,” says Wyss. Fortunately, years like 2022, when bonds incurred severe losses instead of stability, are the big exception. The largest share of around 50 percent in Tareno’s balanced portfolio is made up of equity. Diversified across different sectors, countries, and regions, it determines the portfolio’s potential for growth.

A PINCH OF CRYPTO

The balanced portfolio is spiced up with ten percent liquid to semi-liquid alternative investments. These can be private equity, commodity, or even crypto investments. The company has been investing in the latter since 2020 – and has done so successfully. “We have already achieved profits several times”, says Sybille Wyss. The Bitcoin share is now 1.5 percent. If this value is significantly exceeded, Tareno sells some of it. “Clients who have been with us for a long time have already received their initial capital investment back several times over. This means that even a complete loss would be easy to cope with,” says Wyss. But she doesn’t expect that to happen at all. “We are extremely optimistic about Bitcoin. Now that retail and institutional investors can participate through ETFs, the segment will probably really take off.” She sees Bitcoin as a classic asymmetric bet in which the potential for opportunity exceeds the risk of loss many times over.

The bet seems to be winning: Bitcoin has passed the $50’000 hurdle. And Sybille Wyss probably doesn’t have worried clients on the phone any more. ▬

Assessment method

The comparison process is elaborate and unique. 35 asset managers submitted 138 real client portfolios. In order to create a uniform database for a fair evaluation, all transactions were entered in parallel by Firstfive AG with its own management software. The placement is determined by the Sharpe ratio, i.e. the return in relation to the risk. The Sharpe ratio indicates how many times over the risk exposure paid off. The risk corresponds to the fluctuation in the value of the portfolio, measured as a standard deviation. This risk adjustment also makes the services more comparable. Money managers acquire higher potential for profits with higher risks. The portfolios are grouped into four risk categories based on their value fluctuations. A leaderboard is drawn up for each category for different time periods. For the “Asset Manager of the Year” award, Firstfive combines the results from three out of four risk classes on the basis of the Sharpe ratio via a points system. The strategies with the highest Sharpe ratio are evaluated. 33.33 points are awarded for the best ratio. This is the benchmark for the following places. These are awarded points according to the percentage of the top result they achieved. The winner is the asset manager with the highest total score. The winner must have achieved an outstanding performance in three different investment strategies.

The portfolios submitted by the asset managers remain in the comparison for years. Changes can only be made for special reasons, such as the loss of the client or a change in the client’s desired investment risk.

The best asset manager over 12 months

Asset manager	Returns	Sharpe ratio	Risk
Conservative			
Zugerberg Finanz AG, Zug	6.41%	0.92	5.58%
Balanced			
Zugerberg Finanz AG, Zug	8.76%	1.05	7.16%
Moderately dynamic			
Everon AG, Zurich	15.40%	2.21	6.39%
Dynamic			
Everon AG, Zurich	36.94%	1.95	18.26%

Asset Manager of the Year

For the “Asset Manager of the Year” award, Firstfive assesses the risk-return ratio in three out of a total of four risk classes. Asset manager who participate in all four strategies are allowed to drop one result from the assessment. The maximum score is 100.

12 months

Rank, Asset manager		Score
1	Zugerberg Finanz AG	90.17
2	Everon AG	77.32
3	Lakefield Partners AG	76.57

24 months

Rank, Asset manager		Score
1	Format Vermögen & Anlagen AG	81.70
2	Descartes Finance AG	80.87
3	Tareno AG	80.65

36 months

Rank, Asset manager		Score
1	Tareno AG	95.57
2	Zugerberg Finanz AG	76.04
3	Format Vermögen & Anlagen AG	75.41

60 months

Rank, Asset manager		Score
1	Tareno AG	100.00
2	Format Vermögen & Anlagen AG	83.51
3	Oddo BHF Trust GmbH	74.30

Source: Firstfive. The risk corresponds to the standard deviation.

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