

BILANZ

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Asset Manager Rating

The winners and their best investments

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THE BEAR KILLERS



THE DYNAMIC ONES Matthias Hug, Vinicio Marsiaj and Bruno Verstraete (left to right) bet on shares. This strategy allowed Lakefield Partners' money managers to achieve an increase of 55 percent between 2014 and 2018 - beating the competition by a wide margin.

Fotos: Gerry Nitsch for BILANZ, Getty Images

Asset Manager Rating BILANZ has selected the best money managers for the eighth time running. Those who did best in the bear market are ahead.

by ERICH GERBL

The bear has stood up on its hind legs. Tearing his mouth wide open, he flashes his pointed fangs towards the bull and roars. With great force the predator slams his large paw and extended claws into the attacking bull's neck. The Romans immortalised these types of scenes using mosaic stones and decorated their amphitheatres with them. In South America, fights between these animals were popular shows throughout the 19th century. These days, the bull and bear only fight each other at the stock exchange. They have mutated into symbols for the driving forces behind the financial markets. Bulls push prices up with their horns. Bears beat them down with their paws.

In 2018, the bears woke from several years of hibernation and showed their strength. Prices plummeted across the board. Experts spoke of the return of the 'bear market'. After booming years, asset managers suddenly no longer had to increase their clients' money, but had to preserve it as much as possible. For the eighth time, BILANZ together with the German controlling institute Firstfive has selected the best asset managers in Switzerland. Those who did particularly well in the fight against the bears made it into the best list (see page 4).

Not one of the participating asset managers made it into the profit zone in 2018. The best results were achieved in the Oddo BHF Trust environment. The company has won three out of four categories over a twelve-month period and is the big winner in the contest with this result. Depending on the category, the losses are between 5.9 and 7.0 per cent. In the previous year, SMI lost 10.15 per cent and especially cyclical indices such as the DAX 18 per cent of its value. In a 60-month comparison, Oddo BHF is also moderately dynamic and ahead of the competition in the category.

The asset manager is still not well-known in Switzerland. Erich Pfister, head of Oddo BHF (Switzerland) for six months now, wants to change that. The provider currently manages two billion Swiss francs' worth of assets in Switzerland. 'In the next two to three years we want to at least double our assets,' says Pfister. If the plans are successful, Switzerland will develop into a main market alongside Germany and France.

FOCUS ON SHARES

Oddo and BHF have been together for four years. Oddo has grown in asset management for institutional clients in France, BHF was and is focused on asset management for German middle-sized businesses. Private clients are seen to comprise around one million francs in assets.

How did the strategies of Oddo BHF Trust produce their good results? Due to the economic and political uncertainties, money managers reduced the weight of equities from October 2018. The regional focus was on the USA: Companies with structural growth stories, especially from the technology sector, were strongly represented in the custodial accounts. While tech shares had their wings clipped in the fourth quarter, they developed positively over the year as a whole. Cyclical shares from Germany, for example from the automotive industry and that are export-heavy were shied away from. Only a few of the strategies were geared to financial and telecom shares. In bonds, the focus was on corporate bonds.

Looking at 2019, Oddo BHF is 'cautiously optimistic'. The global economic slowdown will indeed continue. Nevertheless, 'attractive growth rates' are forecast for Oddo BHF. The focus continues to be on stocks. After the stark correction at the end of the year, they had once more returned to attractive levels. Due to the general conditions, Switzerland's head Pfister expects continued volatility. The selection of the right companies is decisive once again. In terms of geography, Oddo BHF remains loyal to the USA. The USA continue to be the engine for growth. According to Pfister, the emerging markets, including China, are struggling with rising US interest rates, volatile commodity prices and the trade conflict.

A DIFFICULT POSITION

Over a period of five years, Lakefield Partners has been at the forefront of dynamic strategies. Even though profits melted in 2018, the Swiss Mid & Small Cap Equity strategy (security number 43511352) achieved a gain of 55.22 per cent during this period - by far the highest of all 100 strategies tested by Firstfive.

The range of fluctuations - or in other words the risk - reached 12.6 per cent during this period.

Dynamic strategies such as those of La-

kefield Partners were hit particularly hard by last year's headwind. In the middle of the summer, the outlook on the stock markets became increasingly gloomy. The figures from the USA worsened in Europe, as before. 'The stock markets began to anticipate a possible downturn,' says Matthias Hug, Managing Partner at Lakefield Partners. Hug began selling some of numerous cyclical assets such as Autoneum. In return, he brought more defensive companies into the portfolio such as Helvetia, Emmi and Sonova. In the fourth quarter, cyclical assets had a difficult time in the stock market. 'If a company had a cyclical focus and possibly was connected to the automobile industry, it was punished on the stock exchange. Even though we had already stripped down, we were also hit,' says Hug. Companies such as SFS or Georg Fischer lost between 30 and 40 per cent. Hug had never before experienced such a wide gap in the development of company profits and their stock prices as in 2018.

According to Hug, the course is still being set in the markets. 'At the moment, it's very difficult to say where the stock market is headed in 2019.' The decisive factor will be how the numerous risks develop. 'Should the trade war escalate it'll probably be a bad year. The good news would be if China and the USA come to an agreement.' The chances are high for this to happen, according to Hug. China is suffering from the tariffs and the pressure on Trump is high after the government shutdown. 'There are a few topics on the agenda for 2019. So it could turn into a good or a bad year,' explains Hug.

GERMAN-CHINESE ARE THE BEST

In August 2016, Hauck & Aufhäuser made history. After an audit lasting more than one year, the European Central Bank and the German Financial Supervisory Authority BaFin permitted the sale to Fosun International. Nothing stood in the way of the first sale of a German bank to a private Chinese company.

With the exception of the increased share capital of the German parent company, little is felt regarding the Chinese owner, especially in Switzerland. 'Our office in Zurich is the specialist for sustainable investments,' says Roman Limacher, Managing Director of Hauck & Aufhäuser (Switzerland). The 100 per cent subsidiary of H&A Global Investment Management

Methodology

The German controlling and consulting institute Firstfive conducted the test for BILANZ. The performance of real customer portfolios was evaluated. Administrators need to provide all transaction documents on an ongoing basis. These are evaluated by Firstfive. Swiss asset managers or foreign asset managers with Swiss branches are eligible to participate.

What is decisive is the performance in relation to the risk taken - known as the Sharpe Ratio. This reveals how many times over the risk exposure was earned. The risk is measured by the fluctuations in the value of the custodial accounts. The data from around 100 custodial accounts are evaluated for BILANZ. A risk adjustment of the returns ensures a fair performance comparison.

A list of the best is compiled in four risk categories - from conservative to dynamic. Money managers generally buy higher profit potential by means of taking a higher risk of loss. The risk classification of the custodial accounts is based on the real price fluctuations of the custodial account assets. The classification of a risk category in the test may therefore differ from the one the asset manager registered. If a manager changes the risk in a portfolio, the allocation of a custodial account may change over time.

Firstfive is cooperating with the Swiss company FinGuide in order to increase the dissemination of objective performance measurements in this country. The more local asset managers participate in the test, the greater the transparency.

The best asset managers in Switzerland

The outstanding achievements over the course of one / five years

The top 2 per risk category over the course of 60 months:

Risk class	Rang	Sharpe Ratio ¹	Performance in %	Risik in %	Asset manager
conservative	1	0,70	22,50	6,74	Hauck & Aufhäuser Privatbankiers, Frankfurt Strategy: international annuities, bonds
	2	0,56	10,68	4,68	Zugerberg Finanz, Zug Strategy: Zugerberg Finanz RI
	3. place: 0,41 Milesi Asset Management, Basel, 4. place: 0,36 Oddo BHF Trust, Frankfurt, 5. place: 0,11 Helvetic Trust, Zürich				
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: shares, total return (individual)
	3. place: 0,22 Lakefield Partners, Zürich, 4. place: 0,16 Hauck & Aufhäuser Privatbankiers, Frankfurt, 5. place: 0,10 Premium Strategy Partner, Zürich				
moderately dynamic	1	0,42	21,81	10,88	Oddo BHF Trust, Frankfurt Strategy: moderately dynamic Total return
	2	0,32	12,39	9,09	DJE Finanz, Zürich Strategy: DJE CHF
	3. place: 0,22 Berenberg, Joh. Berenberg & Gossler, Hamburg, 4. place: 0,16 Commerzbank, Vermögensverwaltung, Frankfurt, 5. place: -0,21 Premium Strategy Partner, Zürich				
dynamic	1	0,77	55,22	12,62	Lakefield Partners, Zürich Strategy: Swiss Mid & Small Cap Equity
	2	0,58	29,83	10,26	Zugerberg Finanz, Zug Strategy: Zugerberg Finanz R5
	3. place: 0,55 Oddo BHF Trust, Frankfurt, 4. place: 0,27 Ensio Partners, Zürich, 5. place: 0,19 Commerzbank, Vermögensverwaltung, Frankfurt				

To compare	8,31%	Average performance of all risk classes and 81 portfolios	Reporting period:
	2,76%	SMI	from 1.1.2014 to 31.12.2018.
	10,36%	Yield Swiss Bond Index Total (SBI, highest credit rating AAA-BBB)	Source: Firstfive, Bloomberg

The winning custodial accounts per risk class over the course of 12 months:

Risikoklasse	Rank	Sharpe Ratio ¹	Performance in %	Risik in %	Asset manager
conservative	1	-0,09	-2,28	5,43	Hauck & Aufhäuser Privatbankiers, Frankfurt Strategy: international annuities, bonds
balanced	1	-0,31	-5,90	5,97	Oddo BHF Trust, Frankfurt Strategy: individual yield portfolio
moderately dynamic	1	-0,54	-7,03	8,58	Oddo BHF Trust, Frankfurt Strategy: individual share/yield portfolio IIv
dynamic	1	-0,60	-6,68	9,98	Oddo BHF Trust, Frankfurt Strategy: moderately dynamic

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

¹ The ratio relates the return to the risk taken.
All ranking figures: www.firstfive.com

Calculation method shown on the left

has been active since 1995. Ten employees work at the office in Talstrasse, Zurich. The custodian bank in Switzerland offers the sustainable strategies of Hauck & Aufhäuser (Switzerland). When needed, the German strategies are also implemented here, often 'refined' with sustainability.

Hauck & Aufhäuser Privatbankiers AG is ahead with a portfolio from Frankfurt. In both a yearly and a five-year term, the Bank's strategy for international annuities and bonds has put it ahead of its competitors in the conservative risk class. The strategy is equipped with bonds by chief investor Burkhard Allgeier. He ended the turbulent previous year with a Sharpe Ratio of minus 0.09 and a performance of minus 2.28 per cent. None of the other strategies tested by Firstfive lost as little money.

The five-year review is even more positive for investors. From the start of 2014 to the end of 2018, Allgeier increased customer deposits by 22.5 per cent. The fluctuation was at 6.74 per cent. The strategy with the second-best performance is almost twelve percentage points behind.

Allgeier 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 per cent in dollars, 30 per cent in euro, with the rest split across other G-10 currencies. The emphasis is on Scandinavian currencies and the British pound.

To reduce risk, Allgeier mixes low-risk, top-rated government bonds with riskier corporate bonds. If some lose value, others usually climb. 'This gives you a certain level of hedging. This mix has proven itself recently,' says Allgeier. In the case of high-yield securities, he distributes bets among a large number of issuers. The damage in the event of non-payment is thus limited. So far, no default has occurred in the portfolio

2018 unsettled many. 'You really see the impact a year can have,' says Allgeier. Risks are being perceived again on the markets and the business climate indicators are pointing downwards. Nevertheless, Allgeier is 'not especially pessimistic' about 2019. For the chief investor, the million-dollar question is whether the USA will fall into a real recession or not: 'If you think a recession is unlikely, you can be cautiously optimistic regarding shares and high yield bonds'. The yen is 'quite

'The stock markets began to anticipate a possible downturn in the fourth quarter of 2018.'

cheap' in Allgeier's eyes. The currency could now become a larger item in his portfolio.

SMALL BUT GREAT

Bruno Milesi proves that asset management companies do not necessarily have to be large to deliver good results. He and his team of five are at the forefront of both the most conservative and the most dynamic strategies. The Baseler's strategy, assessed as conservative and balanced by Firstfive, rose 13.3 per cent over the course of 60 months and is only outranked by Hauck & Aufhäuser in terms of performance. With its dynamic strategy, Milesi performed best over a twelve-month period in terms of performance of all strategies. The loss was a manageable 6.42 per cent. Milesi only fell slightly behind Oddo BHF in the fourth decimal place at the Sharpe Ratio.

Milesi largely predicted the turbulences correctly for 2018 - also in BILANZ. 'I did not expect a good year following 2017,' he says. The focus was on more defensive values.

While many analysts advised selling Roche and Novartis shares in the spring, Milesi did the opposite. In addition to the pharmaceutical giants, the portfolios were stocked with securities from Nestle, Zurich, Lonza, Swiss Re and especially Swiss Life. Only five per cent were invested in companies from the European Union. 'We had the courage to massively underweight Europe,' says Milesi. In return, investments in the USA were primarily made in technology shares. In the USA, Milesi was up four per cent even after the December sell-off. It is striking how similar this orientation is to that of Oddo BHF, which performed almost identically in the ranking.

The money manager keeps an eye on the yield curve. If this becomes inverse, a recession looms. That was nearly the case

in November. In the meantime, the curve has returned to a normal area. The Basler therefore believes that a recession is unlikely in the next twelve months. The economy has lost momentum. 'There's a slowdown in growth. Risks are increasing', he says. Milesi predicts a 2.5 to 3 per cent upswing for the global economy and a slightly positive development for the stock markets. A settlement in the trade dispute between China and the USA would be decisive. 'I expect a deal to happen. Both parties need an agreement', says Milesi. The deal is already included in the rates. If it doesn't come to that, a correction would loom.

Because of these uncertainties, the market's sea remains rough. Accordingly, Bruno Milesi continues to position himself with caution. Defensive values such as Novartis or Swiss Life are part of the money manager's preferred bets

Awards for Lakefield Partners in BILANZ's asset manager rating

Five first places in recent years:

	Rank	Risk class	Period
2019	1	'Dynamic'	course of 60 months
	3	'Balanced'	course of 60 months
2018	1	'Moderately dynamic'	course of 36 months
2017	1	'Moderately dynamic'	course of 36 months
	2	'Conservative'	course of 36 months
2016	1	'Conservative'	course of 36 months
2013	1	'Balanced'	course of 12 months

Public funds for Swiss investors managed by Lakefield Partners

Investment class	Fund name	Securities number
Equities	Lakefield Swiss Large Cap Equity	43511347
	Lakefield Swiss Mid & Small Cap Equity	43511352
	Lakefield Dynamic World Equity CHF-Hedged	28539459
	Lakefield Swiss Equity Risk Controlled	43511369
Fixed income	Lakefield Dynamic Global Bond CHF-Hedged	28913002
Multi asset	Lakefield Dynamic Global Core CHF-Hedged	12853243
Alternatives	Lakefield Swiss Equity Long/Short	43511373



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Lakefield Partners is an independent, FINMA-regulated asset manager that helps private and institutional investors achieve their investment goals.