

BILANZ

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Rating Asset Managers

The best money managers of Switzerland.

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Rate of return in the spotlight



GOLDCOAST

Matthias Hug, Vinicio Marsiaj and Bruno Verstraete (from left) are the founding partners of Lakefield Partners, a serial winner in the asset manager rankings over time.

Asset manager rating

BILANZ has nominated the best asset managers of Switzerland for the seventh time. The most successful among them have increased their client's wealth by more than 80 per cent in the last three years. The strategies and best tips of the successful money managers.

by ERICH GERBL

A cowbell hangs from the ceiling of the asset management company. When it is rung, the 30 employees of Zugerberg Finanz AG gather in the farmhouse-turned-modern office building, for a somewhat strange ritual: sand is filled into a tree trunk sized plastic pipe. The pipe was christened the "Zugerberg AuM Barometer" and measures the assets under management and helps employees see the rapid growth of their employer.

In January alone, 100 million francs in new funds was raised, and the sand level rose by ten centimetres. Over the past five years, the assets have doubled. In the meantime, the Zugers have channelled 1.4 billion Swiss francs in administrative mandates and 600 million Swiss francs in consultative mandates into the most profitable investments possible. The barometer literally shot through the ceiling and was quickly extended from the former cowshed into the hayloft. The flood of money is no accident. Zugerberg Finanz AG understands its "craft" very well. In this year's BILANZ rating of the best asset managers in the particularly meaningful 36-month period, the asset manager prevailed against 100 competitors in two of four categories. In the conservative risk class, Zugerberg increased its clients' assets by almost 14 per cent - with a risk or fluctuation margin of only 5.4 per cent. The result is the highest Sharpe ratio - the highest return in relation to the risk taken. None of the other tested asset managers could compete with Zugerberg Finanz in the balanced risk category, either. The performance record: 23 per cent performance with a risk of 9 per cent.

"We don't risk a crash. In such cases we rather keep our hands off a turn-around candidate."

WELL EARNED WITH BONDS

Timo Dainese, managing partner of the Zugers, explains the secret of success as the following: "It is no coincidence that we are ahead. Unlike most of our competitors, we've also made good money with bonds." While most asset managers were unable to generate a yield with bonds in 2017, the figure for Zugerberg was around six per cent. Corporate bonds in Franconia are reportedly their speciality. In Switzerland, there is hardly anyone with greater expertise in this field. 42-year-old Dainese is the face behind the success story. At the age of 22 he quit his job at a private bank and founded an asset management company.

"At the time, there were hardly any millionaires in my circle, but lots of young people who wanted to make a fortune," says Dainese. This is how the idea of management also for smaller assets arose. Even today, while large investors such as pension funds with multi-million mandates are still frequent guests of Dainese at the 200-year-old farm, savings plans starting at CHF 100 are still part of the core business. They have not forgotten where they came from. This explains the large number of over 16,000 customers.

What seems to be well received by large and small customers is the focus on returns. "We don't rely on the share performance," says Dainese. Securities are purchased primarily for their dividends and coupons. A basic yield of three to four per cent is thus already in the bag. Dividends also determine the holding period. If dividends threaten to fall, they sell. Companies with "sluggish business models" are in demand as an investment. "Those

who give money to Partners Group to be managed are often tied down for ten years," says Timo Dainese.

The visibility in terms of future returns and profits is correspondingly high. Partners Group is one of those companies with which one maintains close contacts and which one knows from A to Z after numerous discussions with the management. With the help of companies with above-average growth, money managers want to profit disproportionately from the booming global economy. Despite its size, Zugerberg has not lost any of its agility. Last summer, within two days, a third of the total portfolio worth 450 million Swiss francs was sold and the profits secured. The re-entry then occurred in late autumn, in time for the year-end rally.

Lakefield Partners did not miss the final spurt in the markets either. The asset manager rakes money for its clients in a modern glass building on Seefeldstrasse, Zurich's Gold Coast.

83 PER CENT RETURN

The money pros are not distracted by the beautiful view. In the category "moderately dynamic", they achieved a profit of 83 per cent in the past three years. Berenberg, with the second-best performance in this category, was outpaced by nearly 60 percentage points - and with an even lower risk exposure, at that. The Sharpe Ratio is 2.12 and is unequalled in a 36-month comparison. Whoever suspects a gambler behind the asset manager in view of the high profits generated is off the mark. On the contrary, Lakefield spokesman Matthias Hug sounds like a conserva-

How they tested

For the seventh time, BILANZ has carried out an asset management rating with the German controlling and consulting institute Firstfive. The performance of real, existing customer accounts was evaluated. The administrators must produce all transaction documents on an ongoing basis. These are evaluated by Firstfive, which has been analysing customer 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 taken - in technical terms, the Sharpe Ratio. The risk is measured by the fluctuations in the value of the portfolio.

For BILANZ, the data from 101 portfolios are evaluated. In four risk categories - from conservative to dynamic - a best-performing list is drawn up. Money managers usually buy themselves higher profit potential by means of higher loss risks.

The risk classification of the portfolio is based on the actual price fluctuations of the account values. The classification into a risk category in the test may therefore also differ from the one the asset managers registered for. If a manager changes the risk preferences within a portfolio, the risk apportionment of a portfolio may change over time.

The best asset managers of Switzerland

Excellent performance in a bullish stock market

The Top 3 per Risk Class across 36 Months:

Risk Class	Rank	Sharpe Ratio ¹	Performance in %	Risk in %	Asset manager
conservative	1	0,94	13,63	5,40	Zugerberg Finanz AG, Zug Strategie: Gem. Mandat Konservativ ZAM R1
	2	0,67	16,50	8,94	Von der Heydt & Co., Frankfurt Strategie: II – ausgewogen
	3	0,62	14,48	8,64	Premium Strategy Partners, Zürich Strategie: Aktien weltweit
Average performance of all conservative portfolios: 6.18%					
balanced	1	0,84	22,97	9,38	Zugerberg Finanz AG, Zug Strategie: Gem. Mandat Balance ZAM R3
	2	0,76	19,22	8,87	Oddo BHF Trust, Frankfurt Strategie: Aktien Total Return (individuell)
	3	0,74	21,03	9,93	Von der Heydt & Co., Frankfurt Strategie: Globale Aktienthemen
Average performance of all balanced portfolios: 9.30%					
moderately dynamic	1	2,12	82,70	10,84	Lakefield Partners, Zürich Strategie: Swiss Mid & Small Cap Equity
	2	0,71	20,28	9,96	DJE Finanz, Zürich Strategie: DJE CHF
	3	0,69	23,50	11,58	Berenberg Joh. Berenberg & Gossler, Hamburg Strategie: Dynamisch I
Average performance of all moderately dynamic portfolios: 18.31%					
dynamic	1	1,30	71,93	15,75	Berenberg Joh. Berenberg & Gossler, Hamburg Strategie: Dynamisch II ²
	2	0,95	32,55	11,10	Zugerberg Finanz AG, Zug Strategie: Gem. Mandat Dynamisch ZAM R5
	3	0,73	28,94	13,06	Oddo BHF Trust, Frankfurt Strategie: Int. Aktiendepot
Average performance of all dynamic portfolios: 21.20%					
In comparison	Average performance of all risk classes and 81 portfolios				13,75%
	SMI				6,38%
	Return 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 per Risk Class across 12 Months:

Risk Class	Rank	Sharpe Ratio ¹	Performance in %	Risk in %	Asset manager
conservative	1	4,90	12,72	2,74	Milesi Asset Management, Basel Strategie: Ausgewogen CHF
	Average performance of all conservative portfolios: 11,02%				
balanced	1	3,77	18,54	5,10	Von der Heydt & Co., Frankfurt Strategie: II – ausgewogen
	Average performance of all balanced portfolios: 13,36%				
moderately dynamic	1	4,01	25,64	6,57	Von der Heydt & Co., Frankfurt Strategie: 50% Aktien
	Average performance of all moderately dynamic portfolios: 18,28%				
dynamic	1	4,36	47,03	10,96	Berenberg Joh. Berenberg & Gossler, Hamburg Strategie: Dynamisch II ²
	Average performance of all dynamic portfolios: 23,13%				
In comparison	Average performance of all risk classes and 101 portfolios				16,45%
	SMI				16,26%
	Return 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 figure sets the return in relation to the entered risk.

² Not available in Switzerland. Source: Firstfive.

tive investor: “We don’t risk a crash. In such cases we rather keep our hands off of a turn-around candidate.” In the last five years, Lakefield Partners has not seen a single investment with a loss of more than 20 per cent.

To avoid mistakes, investments are only made into companies that they are convinced of after a thorough study. The focus is on Swiss small- and mid-caps. Forty-five preselected companies are analysed in detail, 20 to 30 are added to the portfolio. The demands on the chosen ones are high. Balance sheet quality is what matters. They do not believe in high debt or great takeover goodwill. Healthy balance sheets limit the risk of crashes. For example, shares with a double-digit return on equity such as Bossard or Georg Fischer are welcomed. “Whenever there is a bad result, the prices of such shares fall less sharply,” says Hug. Despite the focus on solid balance sheets, the money manager does not avoid companies with high growth rates.

Applying an approach that mixes value and growth, the potential is also bought at a higher price. “A company that is growing rapidly and profitably may be expensive,” says Hug. Looking towards the future, one observes what analysts forecast, but relies on one’s own figures. The forecasts for sales and earnings growth across a period of two years are made in-house.

WHEN IN DOUBT - CONSERVATIVE

If the shares become too expensive, they are ejected from the account. “We are consistent and, in case of doubt, rather conservative,” explains Hug. Hence Kuehne + Nagel became too expensive for the money pros, for example. Although Hug continued to like the company’s position, it was sold. Lakefield Partners’ award in this year’s rating is not an isolated case. The company already won the rating the previous year and has been standing out from the crowd for years. The managed client funds have increased accordingly. The team of 13 mainly looks after the money of wealthy private individuals. From a fortune of one million, the client is looked after personally. But smaller assets can also be invested in Lakefield Partners’ strategies, for the asset manager has launched six mutual funds. This is a rarity for asset managers of this size. Firstfive’s win-

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ning strategy is reflected in the Lakefield Swiss Mid & Small Cap Equity Fund (ISIN: LU1441977045).

The fund was launched one and a half years ago. In the meantime, 50 million Swiss francs have been invested in it. Subscription or redemption fees are waived. Institutional clients are not preferred, there is only one share class. The fees are limited to one per cent.

Bruno Milesi always enjoys coming to the Zurich office from Basel for client visits, right next to Paradeplatz. But between February 19 and 22, 2018, the deals can be as tempting as they may be: On the three most beautiful days of the year he takes an active part in the Carnival of Basel. When selecting the right investments, however, it’s all business. Here he uses a self-developed, three-phase selection procedure. The focus is on the momentum. If a share performs very well for a certain period of time, the software definitely pays attention to it.

Over the past twelve months, the programme has apparently produced very profitable titles. In the conservative risk category, Milesi Asset Management stands out in the twelve-month perspective with a performance of 12.7 per cent and a risk of only 2.7 per cent. The Sharpe Ratio of 4.9 per cent is partly explained by the slight fluctuations in 2017, but is unmatched in the overall asset manager rating. The focus of the investments is on Switzerland. This is not least because 90 per cent of the clients live in Switzerland. Currency risks are thus eliminated naturally. Milesi owes its top rating to companies such as Actelion. For many years, they were convinced of the biotech company. “We had the courage to let profits run. And likely a bit of luck, too,” says Milesi. The money manager also earned well with the top performers on the Swiss stock exchange, Sika and Lonza.

GERMANS AT THE FOREFRONT

German asset managers active in Switzerland also play a leading role in the BILANZ rating. Berenberg succeeded in the category of the highest risk. The winning strategy called Dynamic II has impressed for three years with a performance of 72 per cent. Berenberg is also at the forefront with this strategy from an annual perspective.

Senior Portfolio Manager Andreas Strobl prefers adding German medium-sized companies to his portfolio. He places great demands on companies. The technological pole position is a must. He expects global market leaders in their niche markets with a product portfolio underpinned by patents. The German IT leasing company Grenke is one of last year’s top performers. Von der Heydt, the German asset manager, dominates the balanced as well as moderately dynamic risk class in a twelve-month comparison. In contrast to their Swiss counterparts, the Frankfurt team relies on a very distanced model. Close company contacts play virtually no role here. The decision in favour of individual shares is essentially made on a quantitative basis. Investment decisions regarding the classification into asset classes are based primarily on macroeconomic analyses, fundamental market evaluations and sentiment studies. The latter is about market mood and expectations.

STOXX 600 LEFT FAR BEHIND

“In 2017, a lot of lights were set to go for European shares and emerging markets”, is how Von-der-Heydt CEO Michael Gollits explains the strong performance. Gollits is in Switzerland regularly. Roughly 15 per cent of assets originate from here. In Zurich, he rents his car from Regus on Drei-

königstrasse and conducts customer meetings there. The quantitative stock selection focused on technology stocks and cyclical industries. With the exception of the health care sector, defensive industries remained outside. The analyses apparently produced the correct values. In 2017, the European share strategy recorded almost twice as strong growth as the Stoxx 600 index. Compared with 2017, little has changed in terms of positioning in the new year. It will be a tremendous challenge for Michael Gollits and his Swiss competitors to carry on the previous year's performance in 2018. The catastrophic start to the year is gnawing at the performance and is a small taste of more turbulent times. "2017 was an incredibly good stock market year. That won't repeat itself in 2018, however," believes Bruno Milesi. He predicts a plus for the Swiss market, which should be limited to five to six per cent, however. The calmness has been lost. If matters develop according to Milesi, investors will follow higher fluctuations throughout the year. The election in Italy could provide for the initial kindling - an opportunity to call the single European currency into question once again. If the franc strengthens against the euro, exporters

will come under pressure. Milesi: "Some companies won't be able to meet the high expectations."

Lakefield Partners' Managing Partner Matthias Hug assesses the situation more optimistically. He admits that it may be true that we are in the second half of the economic cycle. But this could take three or even five years. Hug does not see the end of the boom reached yet. Both globally and in Switzerland, the economic picture is the best it has been in ten years. The weakening of the Swiss franc is also a turbo boost for Swiss exporters. Hug has great confidence in Swiss companies: "The results for the second half of 2017 will be very good". Only inflation is a potential spoilsport for Hug.

At Zugerberg Finanz AG, the recent turbulence on the stock markets are seen as an opportunity. "When things get bumpy, you achieve a difference through active management," says Timo Dainese. The raising of the lower euro limit or the Brexit vote was already used for acquisitions. Adecco, for example. The share was punished, although the company even benefited from the planned withdrawal. As prices rose almost uninterrupted in 2017, the correction is seen as a "healthy thunderstorm". The fear of excessively sharply

rising interest rates was defined as the trigger for the sell-off. In the U. S., interest rates approached the three-per cent mark, while the dividend yield fell below the two per cent mark due to rising share prices. Dainese: "So it's not surprising if one or another investor switches from US equities to bonds." In Europe and Switzerland, there is a completely different picture: rising interest rates are still a long way off. In Switzerland, the return on ten-year Swiss Confederates is a meagre 0.2 per cent, while ten-year Eurozone government bonds are still below one per cent.

The dividend yield is well above this level at more than three per cent in several places. The reporting season is reportedly progressing well. The team at Zugerberg remains convinced of the global economy's robust growth. "Nothing has changed in the medium to long-term attractiveness of European and Swiss equities," says Dainese. If other market participants see it the same way, a lot of money will continue to flow to the stock exchanges. Not least because the ice is getting more treacherous, competent asset managers remain in demand. At Zugerberg, the cowbell will probably be heard even more often. And the need for sand remains high.



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Lakefield Partners is an independent, FINMA-regulated asset manager that supports private and institutional investors in achieving their investment objectives.