PRIVATBANKIERS
REICHMUTH & CO
INTEGRALE VERMÖGENSVERWALTUNG

CHECK-UP

CLIENT INFORMATION OF PRIVATBANKIERS REICHMUTH & CO, INTEGRAL INVESTMENT MANAGEMENT

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EDITORIAL

Integral investment management stands for our philosophy since many years. Being close to our clients and servicing them with independent and neutral advice build the cornerstone of this philosophy.

In this CHECK-UP, we describe some innovative ideas and structures, which we built up for our clients. Due to the lack of such products and structures in the market, we developed these tailor made products in order to serve our clients needs.

We are aware that there is no standard product which can fulfil everybody's needs. That is why client focussed advice, based on a comprehensive understanding of the individual needs and personal matters, is the foundation of integral investment management.

Christof Reichmuth

COMEBACK OF COMMON SENSE

THE MOST «CONTROLLED» STOCK MARKET CRASH IN FINANCIAL HISTORY

The fall in stock prices over the last twelve months was not so much a surprise in respect to its extent but more in the controlled manner in which it took place. The technology index Nasdaq lost about 70% and would have lead to spectacular catastrophic scenarios in earlier days. But there were no such signs this time. It was more the case of investors worrying about not missing the boat to get back into the market. This suggests that we still find ourselves in a longer term bear market.

Euphoria cannot be forecast but it can be detected!

The leading brokers still continue to try and convince us that the current situation is one of the rarest buying opportunities we will see in the next hundred years. Even the less sales oriented and astute market commentators prefer to hide behind theoretical attempts at explanation and by doing so fall into the trap of euphoria in a rational manner. We are not suggesting that we are clairvoyants, however we are certainly quite proud of the fact that we have managed to stay true to our fundamental investment technique.

It was exactly two years ago that we published here a leading article about the phenomena of euphoria, although it was some time later that the extent of the exaggeration became clear. Indeed euphoria cannot be forecast but it can be detected. Also the length of time that euphoria can last is difficult to forecast, however it has historically never lasted longer than about 3 years, not even the latest instance.

Efficient markets – a false conclusion

That this is the case can be shown with a classic example: Royal Dutch and Shell go into an alliance, whereby they distribute their profits on a 60:40 basis. This means that Royal Dutch should always be traded in a relationship of 1.5 to the Shell stock. However this was during the last ten years hardly ever the case. The variation amounted often to as much as 25% - a classic example of the inefficient compensation function of the markets. Inefficient markets are not bad in themselves, at least they are better than state planned markets, but one cannot suggest that they are efficient. If markets were efficient then the exaggerated Internet balloon would hardly ha-

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ve been possible to this extent. Even this fact cannot be judged negatively, since investors with common sense can easily detect such exaggerations and position themselves accordingly.

It's the blend that counts

If one considers the bonuses in the financial industry it seems that during the past few years that sales oriented analysts and investment bankers were almost worth their weight in gold and not the common sense. We are relieved to see the somewhat overdue comeback of that much expressed common sense. However we are aware that it is not a question of just one or the other. The blend of theoretical knowledge, common sense and experience constitute that certain 'know-how' which is imperative in the business of integral asset management.

The correction of 2000 was ‚Debubbling'

While the technology markets lost about 40% in the year 2000, the traditional values (old economy) only started to come under pressure in the 1st quarter of this year. Although one did not lose much money on these shares over the past two years, one did not earn much either. It is therefore not a surprise that in the marketing of financial products one prefers to talk of annualized performance statistics. It is often the case that the fantastic performance of the years 1996-1998 is distributed over the years 99 and 2000, with the effect that the massive losses or «debubbling» made recently no longer appear so bad.

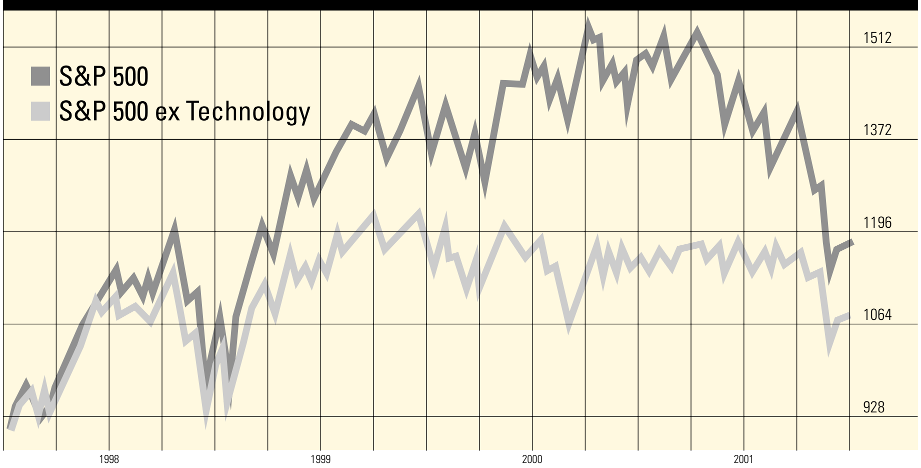
The bears have been dancing since March 2000

We have been in a broad bear market for at least one year and not just in the technology sector, which is letting off air. The explanations are manifold. Many decisions made during the euphoria, which at the time seemed rational, were indeed based on false assumptions. Investments were too heavy in some sectors and too light in others. One produced rosy scenarios and forgot that turnover means nothing if the costs are not apparent. In retrospect one has to ask oneself if the often seemingly brilliant rises in productivity were in actual fact valid or perhaps merely a sign of overheating.

Success with alternative ideas

If one believes that euphoria can be detected, then the inevitable question is: «What does one do?» Here there are two basic decisions to be made, whether one wishes to participate in the madness or not. One should never attempt to buck euphoria and if one does not wish to participate (as is our case) then alternative ideas must be found. We have been able to realize some innovative ideas for our clients and their success is a source of satisfaction to us (see article ' Innovative ideas bring performance').

THE TECHNOLOGY-BUBBLE IS GONE



Unspectacular investment policy pays off

Our unspectacular investment policy was worth gold. The innovative ideas have resulted in positive performance and the stand-aside attitude to the technology euphoria meant that we avoided large losses. Even less popular ideas such as betting on weaker stock prices by means of capital protected products proved to be a correct assessment of market development.

Positive and negative factors for the future

POSITIVE
- Falling interest rates
- Rapid money supply growth
- High cash reserves
- Oversold markets

NEGATIVE
- Still high valuations according to historical standards
- Profits in free fall
- Frequent profit slumps and more frequent profit warnings
- High consumer debt

Broad diversification and alternative investments

The most important factor is to have a financial advisor who possesses the financial know-how mentioned above and who understands how clients think and act. We still recommend holding a broadly diversified portfolio, in which alternative investments take a predominant position. A portfolio with 10% money market, 30% bonds, 30% shares, 20% alternative investments and 10% real-estate can be regarded as an ideal basis for an individual asset plan. It would also be advisable to disregards common sense, just to run after the latest trend – one is generally too late and ends up paying a high price.

Your RIF Team

UNIQUE AND INNOVATIVE PENSION SOLUTIONS
INSTRUMENTS FOR CUSTOMIZED PLANNING AND TAX OPTIMIZATION

The developments in the area of professional pension planning is slow but steady. Last year, together with specialists we founded PensExpert Ltd., which is under the management of Jörg Odermatt. Jörg Odermatt is a competent advisor in this field and continually manages to surprise our clients with individual and innovative solutions. However, since no adequate instruments were available on the market to realize his strategies, we decided to take the initiative and founded two pension foundations.

PensFlex – for top management and self-employed persons

PensFlex as a collective foundation offers flexible and tax optimized solutions for extra obligatory professional pension planning. We are targeting top management and self-employed persons in this so-called Bel-Etage area. The foundation has been operative since autumn 2000 and the first transactions look very promising. Due to the dynamism of the authorities and the forthcoming change in the laws in respect of taxation on property rental valuation, additional attractive opportunities are arising for those who contemplate the purchase of residential property.

The three main advantages of PensFlex

- More freedom: Customized investment possibilities without deductions for volatility reserves.
- Reduced taxes: Tax-optimized entry thanks to customized pension solutions.
- Magic of Compounding: Advantage through compounding thanks to massively higher starting point for the investments.

PensFree – tax optimized and individual «Freizügigkeitsstiftung»

PensFree, which was founded this year, is the only pension foundation in the tax heaven of the Canton of Schwyz. PensFree is especially interesting for those who would like to be pensioned early and are looking for individual investment possibilities for their pension capital. In addition, foreign top management who are returning home as well as Swiss ex-patriots can take advantage of the PensFree favorable tax at source benefits which the Canton of Schwyz offers.

The three main benefits of PensFree

- More freedom: Individualized investment options.
- Reduced taxes: Tax-free compounding for capital in the foundation.
- Lowest rate of tax at source: in the case of definite emigration.

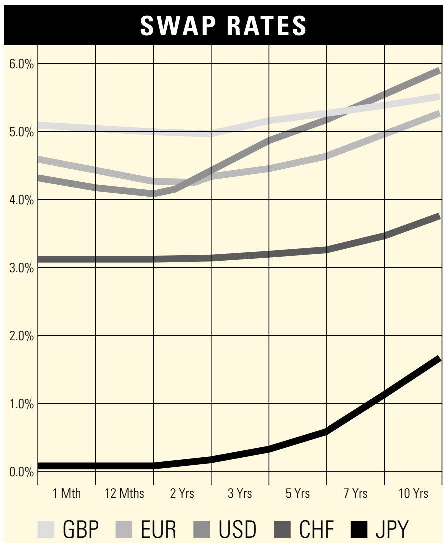
We would recommend all those clients interested in these products to arrange with no obligation a meeting with Jörg Odermatt, who is responsible for pension planning at the PensExpert AG, in order to define their own individual scenario. We are at your service at all times for any further questions you may have.

Jürg Staub

LOW INTEREST RATE LEVELS WORLD-WIDE
ARE FALLING SHORT-TERM INTEREST RATES AN EFFECTIVE MEDICINE?

Lately, we heard that out of 52 investments in a USD 500 mio US Venture Capital Fund 50 were bankrupt! The US Fed tries to avoid the worst by cutting interest rates. But as the problem is more on the supply rather than on the demand side this will help little. At least on the housing sector lower rates seem to be supporting. This is important, because collapsing real estate prices would spread the deflationary forces into a considerable part of population.

In addition, the boom was built on the back of an unprecedented debt-driven economy. The large debt burden is a time-bomb: falling interest rates should help to defuse it. However, bankruptcies still raise and credit rating spreads are historically high. A BBB debtor, for instance, pays about 3% credit spread, a B debtor even 7%. Since in this crisis many companies fell to lower credit rating classes, the interest rate cuts have little effect.



INNOVATIVE INVESTMENT IDEAS BRING PERFORMANCE

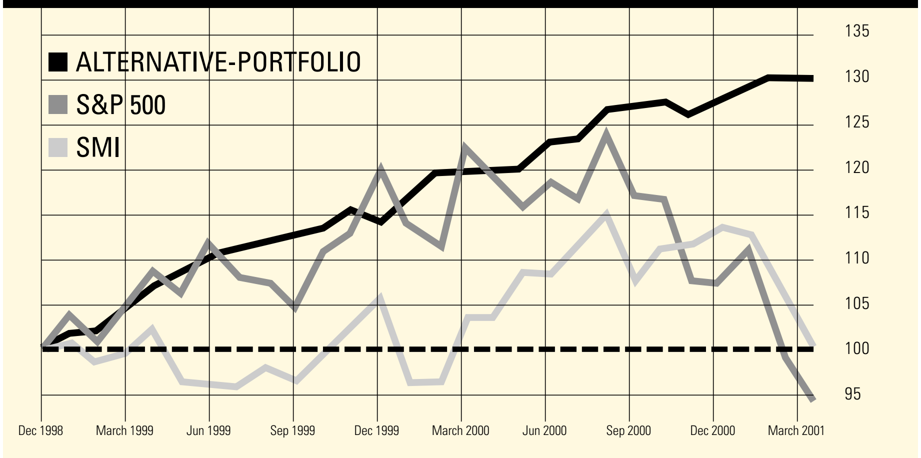
ANSWERS TO OVERVALUED STOCK MARKETS

In a scenario which offers us few chances in the stock market, but beholds many risks, we are skeptical towards generally accepted comments and have been particularly wary towards stocks over the past two years. We therefore searched for alternatives and discussed them with our clients.

A look back

Our answers to the overvalued stock markets were the following: firstly, fewer stocks and within the stocks, only selected secondary stocks, value stock and dividend pearls. Additionally, we recommended a higher allocation in alternative investments with which we have been very satisfied (see graph). Moreover, Swiss real estate was a worthwhile investment and Mobimo Holding AG was a good performer. In addition, there were two capital protected strategies. One of these was the bear strategy on the S&P500, which gave us a good performance during the first months of this year. The other was a strategy on the Topix, the Japanese stock market, which at least limited the losses in our Japanese allocation to 5%.

LOW VOLATILE PERFOMANCE OF ALTERNATIVE PORTFOLIO



Special stocks and Mobimo

Hardly any investor will be able to avoid the asset class stocks. However, within this category numerous opportunities are to be found. The worst performers were the growth strategies, which we have been avoiding. The best performers were the value strategies, secondary stocks and dividend stocks. Especially in the area of value oriented secondary stocks and in the so-called 'bottom fishing' strategies, there are no convincing instruments to buy. For this reason, we will launch these ourselves.

Also in the Swiss real estate sector, our idea with Mobimo was unique because contrary to asset swaps - the exchange of real estate for shares - Mobimo focuses clearly on profitability from the investors point of view. The realization up to now by Dr. Alfred Meili and his team has been excellent and we also remain optimistic for the future.

Innovative investment ideas achieve increased acceptance

Particularly in alternative investments we have built-up many years of expertise. This category is now accepted by many banks and increasingly by pension funds. Due to their late market entry, many new providers, however, have to use a pro forma performance as a sales argument. We are skeptical toward such theoretical comparisons. They always show a positive performance since they can be put together in any manner. A genuine portfolio gives a much more explicit comparison.

Banks exploit market trends

Banks enjoy using trends as sales arguments. Once a trend has been discovered and dispersed by the press, the products relating to these trends tend to sell themselves. Problems evolve on the other hand when the information and marketing costs are very high and the demand poor. In addition, the product developers are often too far away from the customer to explain the continual flow of new products. Exceptions are therefore only found where the advisor is close to the client and the basis of trust makes the high information costs unnecessary.

We will also look for unusual and innovative solutions for you in the future, with which an according growth of capital can be achieved.

Alessandro Pelli

RIF MARKET OUTLOOK
2nd TRIMESTER 2001

INTEREST RATES

The Central Banks are focussing more on growth support and less on fighting inflation. Steeper yield curves due to deflationary worries are to be expected

The fall in demand from the US economy came abruptly. The same was the case for the interest rate cut at the beginning of the year. The markets are expecting further interest rate cuts. However, this will be of little help in the aftermath of the technology euphoria. At least the real estate market in the US is profiting from this development and the refinancing opportunities at much lower interest rates are being actively exploited. This supports consumer behavior in staying stable. One must hope that the private debt explosion during the stock market boom of the 90's will not become a boomerang, because net assets are sinking and the interest rate burden remains. Already the focus of the Central Banks has turned away from fighting inflation and settled on growth acceleration. The wave of layoffs in the technology and financial sectors open a valve of relaxation for salary pressures. We are expecting a steeper yield curve with falling short-term interest rates.

The zero interest rate policy in Japan continues. One may not reckon with any change until the deflation has been eliminated.

The European Central Bank is under pressure and reacts skeptically towards a growth slowdown. A number of factors suggest that the European economy has already passed its peak. Interest rates are generally stable while short-term rates are declining.

Also in Switzerland signs of a slowdown in the economy are evident. Contrary to Euroland, the interest rates here have been lowered. Due to the surprisingly strong economic development during the previous years, the rise of salaries will have a temporary inflationary effect. Interest rates will remain stable at a low level.

In light of the optimistic interest rate consensus scenario we recommend short to medium term maturities. Only the scenario of a global recession would allow for larger capital profits in the bond markets.

CURRENCIES

Currencies are still in an imbalance. USA dynamic, Europe phlegmatic, Japan apathetic

We are confident that the USA will not drop into a recession. They are well known for quick reorientation. They prefer layoffs than lower profits. That is painful but on the other hand builds a basis for fresh positive development. In Europe the situation is just the other way around. One lets the profits come under pressure. The Japanese mentality of keeping ones face unfortunately leads to the avoidance of both, often by not becoming aware of the problems and covering up problematic data.

The USD is about 20% overvalued against the EUR. Also this is not a condition that can remain forever. The US annual balance of payments deficit is too large. Whether and at what time the USD will fall against the EUR is another question. The USD will hardly hold up for a long period of time as the CHF has done against the EUR. The fundamental scenario is too negative. The 11 different expressed opinions of the 11 Central Banks, which should really be talking with one voice about the ECB, will no doubt result in a considerable delay in the EUR becoming firm.

We see the CHF remaining relatively stable against the EUR with swaying of +/- 5% around 1.55. We continue to recommend a minimum USD- as well as normal EUR weighting and an overweight of CHF.

EQUITY MARKETS

The technology bubble is over. The general overvaluation also, that is as long as the expected profits are feasible and interest rates remain at a low level. However, we have yet to see an exaggeration to the downside

The technical indicators are overall positive. Falling interest rates, oversold markets, high cash reserves and ebbing optimism. In fact, everything points to a recovery on the equity markets. It is only the high valuations and the extreme uncertainty as to the future development of the economy, which currently generates a cautious sentiment. The most probable scenario is a rally, although up to now there has been absolutely no sign of exaggeration to the downside and it is for this reason that we would interpret such a move as merely a bear market rally. We remain skeptical toward the US stock market.

The Swiss economic establishment is under pressure and with it the SMI stocks. The expected corrections in the Swiss growth stocks have also taken place. We are not so positive for the financial sector, but remain optimistic for value oriented secondary stocks.

In Europe, we still favor dividend pearls as well as those middle sized companies which are profiting from the German tax reforms. Also selected European blue chips are to be recommended.

In Japan the extreme pessimism has led to a reverse development, as is often the case. The Japanese stock market has now found a base. A strong rise can only materialize on the back of radical and painful economic precautions, which are yet to be seen. Nevertheless, we remain positive for Nippon's stock market.

RIF INVESTMENT POLICY

2nd TRIMESTER 2001

BASIS	CH	EU (D)	UK	USA	J
Purchasing Power Parities					
Ned Davis Research	1,42	1,10	1,61	1,00	110
Gross Domestic Product					
actual	2,5%	3,0%	2,5%	1,1%	0,8%
6 months	→	↘	↘	↘	→
3 years	→	→	→	→	↑
Inflation					
actual	0,8%	2,5%	1,7%	3,5%	-0,5%
6 months	→	→	→	→	↑
3 years	2,0%	3,0%	3,5%	3,0%	1,0%
Stock Market					
P/E 2001	21	22	20	23	72
EPS Expectation 2001	↘	→	↘	↘	↑

CONCLUSION	CH	EU (D)	UK	USA	J
Money Market (3 months)					
actual	3,2%	4,7%	5,4%	4,4%	0,1%
6 months	↘	↘	↘	↘	→
Capital Market (10 years)					
actual	3,3%	4,8%	4,9%	5,0%	1,3%
6 months	→	→	→	→	→
3 years	→	→	→	→	↑
Currency					
actual		1,53	2,47	1,72	1,22
6 months		→	↘	↘	↘
3 years		→	↘	↓	↘
Stock Market					
actual	7.295	6.165	5.880	1.240	13.870
6 months	↘	→	↘	↘	↗
3 years	↗	↗	→	→	↗

Legend:
↑ = very positive
→ = neutral
↓ = very negative

as of: 19. 04. 2001

RIF STOCK RECOMMENDATIONS

MAY 2001

	SECTOR	WORLD	SECONDARY	SPECULATIVE	SELL
BASE IND.	**Chemicals**	BASF	DSM Clariant	Rhodia	
	Basic Resources	Rio Tinto Anglo American Thyssen Krupp	Stora Enso Metsa Serla	Pechiney	
CYCLICAL CONSUMER	**Auto**	VW Vorzüge Daimler Chrysler	Peugeot Michelin		
	Retail		Voegele	Fed Dep Store Saks	
	Media		Tamedia	Wolters	
NON- CYCLICAL CONS.	**Food**	Philipp Morris	Parmalat Südzucker VZ Seita		Nestle
	Various				Unilever
ENERGY	**Energy**	Elf/Totalfina BP/Amoco	ENI Repsol	Lukoil	Texaco
	Utilities	RWE	Endesa CKW		
FINANCIALS	**Banks**	UBS	Allied Irish Bank Sogenal	Commerzbank	CSG
	Insurances	Zurich Swiss Re	Baloise		
	Financial Serv		First Data Corp		
HEALTH	**Pharma**	Novartis Roche Schering-Plough	Bayer		
	Biotech			BB Biotech RIM CC Bioscience	
INDUSTRIALS	**Building**	Holderbank St Gobain	Pilkington Dyckerhoff VZ Hunter Douglas		
	Machinery	Linde	Schindler MAN VZ	Stork Sulzer	
TECHNOLOGY	**Hardware**	ABB Philips	BB Medtech Boston Scientific	Computer Assoc. Xerox Hewlett Packard	IBM Apple Alstom
	Software			BMC Software	
TELECOM	**Telecom**	Worldcom	Swisscom	ATT	
	Equipment	Alcatel Marconi		Nortel Motorola	
CERTIFICATES	**Index**	DAX Stoxx 50 Japan Domestic	MDAX	Korea Fund	
	Style				

RIF INVESTMENT STRATEGY

2nd TRIMESTER 2001

PRECAUTIONARY

Currencies

- EUR normally weighted
- USD at a minimum
- Up to 5% AUD

Categories

- Maturities CHF, EUR and USD: ca. 3-5 years
- Up to ca. 5% real estate stocks
- Up to ca. 5% dividend stocks

The recommendations are dependent on movements in the market and are subject to change without notice. Further information including the RIF World, RIF Small-and-Mid-Cap List and the current Bond List are available from Mr. Stefan Ulrich or Mr. Othmar Som at +41-41-249 49 29.

INCOME/ INHERITANCE

Currencies

- As precautionary

Categories

- Do not buy bonds from cash reserves at these levels
- Lightly raise the equity allocation. Especially dividend pearls seem attractive
- Favor European value stocks
- Small and Mid Caps CH and D (MDAX)
- Maintain 5-10% Groi short S&P 500 positions
- Maintain 5-10% Japan by means of capital protected instruments
- 10-20% Alternative Investments
- Accumulate 5-10% Swiss real estate stocks
- Up to 5% Private Equity Instruments

SPORT

Currencies

- Short USD/EUR and USD/CHF
- Short JPY/EUR

Categories

- Long Europe (MDAX/secondary stocks)
- Accumulate strongly battered Blue Chips (Bottom Fishing)
- Nikkei/Topix long
- S&P short (Bear Collar)
- 30-50% Alternative Investments
- Up to 10% Private Equity

DIVIDEND PEARLS

SHARE CLIFFS IN THE STOCK MARKET TURMOIL

The global trend in interest rates is down and the yield curve is at a low level. At the same time the outlook for the equity market in respect to profit potential has worsened and valuations are still relatively high in historical comparison. One can therefore not reckon with fresh P/E expansion due to rapid profit growth and the interest rate levels will not allow for an increased rise in the P/E level either.

The bond market hardly leaves an alternative for investors hungry for a good return on their investments and it is still advisable to maintain a defensive share portfolio policy. We have therefore filtered out a few low valued dividend pearls from the equity universe; most of them possess an additional aspect, which could result in favorable price development. They generally have a stable shareholder community and follow a robust and less spectacular business strategy. Nevertheless one must be aware of the fact that they are equity investments and prices can move in both directions even in spite of sound fundamentals, low P/E's and high dividend yields.

These stocks have a similar yield to current EUR bonds and offer protection against a dramatic fall in price due to the attractive valuation combined with the chance to profit from higher prices.

SHARE	PRICE 19.04.01	PRICE / EARNING 01	DIVIDEND YIELD	PRICE / BOOK
ThyssenKrupp	17	13	4.6	1.0
DSM	40	7	4.5	1.3
MAN VZ	23	9	4.5	1.3
Dyckerhoff VZ	20	6	4.1	0.9
Südzucker VZ	14	10	3.6	1.6
Hunter Douglas	28	7	3.2	1.5

Sven Schupp