PRIVATBANKIERS
REICHMUTH & CO
INTEGRAL INVESTMENT MANAGEMENT

CHECK-UP

CLIENT INFORMATION OF PRIVATBANKIERS REICHMUTH & CO, INTEGRAL INVESTMENT MANAGEMENT

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EDITORIAL

The uncertainty is palpable, and the word «risk-free» has been banished from financial sector vocabulary. The pivotal question is how to overcome this massive uncertainty, and how to restore confidence in states, banks, and the markets?

Over the past 100 years, the world has seen numerous restructurings of sovereign debt and currency reforms. In most cases, these were unavoidable clear-outs, necessary so that people could approach the future with confidence again. Today, too, it would be more advisable to focus our minds on new beginnings and to develop a vision of the future, instead of going around in circles with the same unresolved problems.

For my New Year wishes, I would like to see Europe, for example, find the courage to establish an independent, decentralized economy within 20 years based on renewable energies. I would like to see all unbearable financial legacy problems and liabilities be resolved, and for the monetary system to be organized afresh independently of governments and focus consistently on the development of the underlying real economy.

These are only wishes – perhaps somewhat too early – but it is all the more important that we do not lose our belief in a pleasing future together. I wish all of you many positive thoughts and experiences in 2012.

Jürg Staub
General Partner

THE BATTLE FOR CONFIDENCE

A COLLAPSE OF THE FINANCIAL SYSTEM WILL BE PREVENTED

Our basic assumption is that everything will be done to prevent the financial system from falling apart, as this would have catastrophic consequences. Many people would lose their jobs, their savings would be lost or blocked, and there would be turmoil on the streets, with scenes even akin to civil war. Because people know this – at least the central banks and governments do – everything will be done to prevent the financial system from grinding to a halt. If that means printing money, then so be it. If that means nationalizing banks, then so be it. If that means that insurers and possibly also pension funds will have to be nationalized, then that is what will happen. There is only one issue at stake here – preventing the collapse of the financial system, whatever the cost.

Rescues are still not solutions

More than 16 crisis summits in 20 months – and we are still in the rescue phase in Europe. And there is as yet absolutely no sign of a discernible, transparent solution. Rescue efforts serve to stabilize circulation. Only when this has been achieved can solutions be sought. In Europe in particular, this will be an interesting political process. Individual countries are scarcely capable of taking action, so how is this going to be better in supranational bodies? It is foreseeable that all paths toward a solution will in one form or another bear costs to affluent people. What is just as foreseeable is that states will not be able to keep the promises of future benefits. These new risks must therefore be incorporated in assessing the situation for a forward-looking investment strategy.

Expropriation risks becoming more important

You become rich by taking on focused risks – you stay rich by avoiding risks and diversifying. Diversification is the only generally accepted principle of asset management that we agree with unreservedly. But which risks should you avoid? In our view, expropriation risks are currently more important than price risks. Article 26 of the Swiss Federal Constitution states that the right to own property is guaranteed. Property ownership is the cornerstone of any healthy economic activity. But it is exactly this property ownership that is at risk – at least to some extent and at least in certain countries. Expropriation risks can take many different

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CONTENT

MARKET OUTLOOK 2012

Video recording from the KKL Lucerne

At this year's Market Outlook Event we were happy to welcome over 1'000 guests. Here are our main messages:

1. Everything will be done to prevent the financial system from falling apart
2. Equities offer good opportunities for preserving value
3. Foreign currencies will provide positive yield
4. Hold on to gold as long as the central banks continue with their extreme monetary policy and real interest rates remain negative

This video recording of November 11, 2011 is available at www.reichmuthco.ch

forms. These include, for example, bans as well as new taxes for «the rich», restructuring of liabilities, inflation coupled with artificially low interest rates, or even reforms such as currency reforms. All of these result in something being taken away from someone, at times in a more apparent way, at other times more covertly.

Lessons from past crises

Looking at crises in the past, we can see a variety of different causes. The Asian crisis in 1997 was the result of a currency crisis with excessively high foreign currency debt. It was the slump in the price of oil that drove Russia to default in 1998. In Argentina it was even a combination of a currency crisis with state financing problems. Each of these crises had a short-term impact on the global markets. However, from the perspective of the countries involved, it was always advisable for people to move their assets from their own crisis-hit country into unaffected countries abroad at the earliest possible stage. Furthermore, after a temporary bout of turbulence prompted by the risk of contagion, shares in globally active firms retained their value. From the perspective of the people affected, it was also helpful to hold gold as it held its value. Therefore, we still see these two asset classes as being promising, despite the high volatility on the equity markets and the expensive price of gold.

Unfavorable price risks in the case of bonds

Price risks always have to be assessed. They can be positive in the sense of earnings opportunities, or they can be negative. There are scarcely any positive price risks to be found in the case of first-class bonds. The downside will come when interest rates begin to rise and bond prices fall.

Equities offer good opportunities for preserving value

By contrast, companies are able to take action. They can take decisions, both with regard to the markets they operate in and the costs they incur in providing their products or services. The extremely low interest rates at present are also keeping financing costs modest. Temporary share price swings should therefore be taken calmly, at least as long as there are no changes in the basic assumptions for the companies in question.

Will there be positive surprises?

The newspapers are full of crisis headlines. Information that is known by all has little market relevance. Unexpected accidents will also happen in the future, but we believe that the extremely high level of uncertainty at present will form the basis for a surprisingly positive 2012. It is useful to break down the three sources of investment results: earnings (interest and dividends), price changes, and exchange rates. Only in the case of long-term bonds are the first two sources of performance very unattractive.

What should you do?

At our recent investment policy meeting, an idea was put forward that the best allocation at the moment would be to hold an even three-way split between cash, stocks, and gold. Looking at our conceivable scenarios on page 3, this is not a bad basic allocation at first glance. However, holding a 1/3 weighting in gold strikes us as being somewhat high, for the reasons we set out on page 6. Our «Portfolio of the Future» is, therefore, rather more broadly diversified. What is – and will remain – pivotal is for each investment strategy to be tailored to your individual needs, taking into account your personal circumstances.

The three pot approach

Use our three pot approach, which we presented in the September issue of Check-Up; we will be happy to explain it to you. Diversify across asset classes, individual investments, and currencies. Think across generations if you can. For 2012, we recommend a high weighting of dividend stocks from corporations that can operate globally without being dependent on political risks. Temporarily, we will probably have to hedge market risk again. For this, we track the markets daily to allow us to identify the signals in good time. In addition to this, we are holding precious metals, and for CHF and EUR based investors a relatively high weighting of foreign currencies. With this allocation in mind, we believe 2012 to likely be a good investment year.

Christof Reichmuth
General Partner

THE BIG PICTURE

OUR SCENARIO ANALYSIS IN A NUTSHELL

DIVERGENCE	NATIONAL BANKRUPTCY	STAGFLATION	NEW BEGINNINGS
Divergence in terms of economic growth: rather good in emerging markets, average in the US, Japan, and Northern Europe, low or negative in Southern Europe, UK and Japan. Tension persists in the Euro zone, certain countries have to restructure their debt. Certain banks are nationalized. Central banks maintain their expansionary stance, and interest rates remain close to zero. Only slow progress on reducing debt, which pushes inflation figures down, even into negative territory in certain countries (e.g. Switzerland).	Governments are prevented from adhering to their cost-cutting programs by their own populations. Demonstrations and imminent election results with new governments putting the blame on the mistakes of the previous incumbents. This paves the way to debt restructuring, i.e. national bankruptcy. The free market mechanisms are largely suspended. Protectionism hinders global trade. National currencies are introduced. Controls on the movement of capital, nationalizations of banks, insurers and pension funds. Economic crisis worldwide.	The central banks remain extremely expansionary, in part financing the national deficits. A fiscal union emerges in Europe. The system is stabilized for the time being, but there is a lack of confidence. Economic growth remains low, even negative in some countries, government bonds remain under pressure, and demand for real assets increases (real estate, equities, gold). Higher inflation and cost-cutting efforts gradually defuse the debt problem. Restructuring of sovereign debt can largely be avoided.	National deficits are massively reduced. Cuts in social spending are accepted by the population. The population looks to the future with optimism. «Wealthy individuals» provide risk capital, new entrepreneurs set up new companies and provide jobs for many of the unemployed. The massive amounts of money in circulation begin to move, but are quickly absorbed so that there is scarcely any inflation as a result. Thanks to the fresh growth, the high sovereign debt is rapidly reduced.
INVESTMENT IDEAS: Blue chips from the food, energy, pharmaceuticals, and telecom sectors Emerging markets Commodities Selectively hedge funds Gold, silver	INVESTMENT IDEAS: Investments only in countries with little risk of expropriation Cash outside crisis countries and with low risk of being frozen Only best-quality equities Gold, silver	INVESTMENT IDEAS: Inflation-linked bonds Dividend stocks from globally active corporations Real estate Selectively hedge funds Gold, silver	INVESTMENT IDEAS: Cyclical stocks Emerging markets Selectively hedge funds Foreign currencies
Probability 6 months: 40%	Probability 6 months: 40%	Probability 6 months: 15%	Probability 6 months: 5%
Probability 18 months: 30%	Probability 18 months: 20%	Probability 18 months: 40%	Probability 18 months: 10%
Probability 36 months: 10%	Probability 36 months: 10%	Probability 36 months: 50%	Probability 36 months: 30%

«PORTFOLIO OF THE FUTURE»

DIVERSIFIED AND FUTURE-ORIENTED – ADAPTED TO THE PREVAILING MARKET ENVIRONMENT

%	WHAT	POT 1**: COMMITMENTS	POT 2**: PRESERVING VALUE	POT 3**: SEIZING OPPORTUNITIES	YIELD*	VOLATILITY*
35%	Fixed Income	Money Market Investments or Cash in home currency			0-1%	0%
		Short-term bonds in CHF and NOK	Inflation-linked Government bonds in EUR, CAD and SEK		0-2%	5%
5%	Structured Products			Asia FX against CHF	4-8%	8%
30%	Equities		Dividend stocks with low valuations from the food, energy and telecom sectors	Cyclical stocks Emerging Markets Gold mining stocks Small Caps (Reichmuth Pilatus)	4-8%	15%
5%	Real Estate Stocks		Switzerland	Asia REITs	4-8%	15%
15%	Alternative Investments			Matterhorn 3 and 24 or third party instruments Reichmuth Himalaja Reichmuth Macro	6-10% 10-15% 10-15%	< 10% < 15% < 15%
10%	Precious Metals		Gold physical	Silver ETF	8-10%	15%
				Total	**3-6%**	**approx. 6%**

*Expected average values over a 5-year time horizon – no guarantee

**Read about the «Three Pot Plan» in our Check-Up of September 2011, p. 8 or at www.reichmuthco.ch. At request, we will gladly also send you a copy of this article.

INVESTMENT POLICY
JANUARY 2012

BASIS	CH	EU	USA	J	CHINA
Purchasing Power Parities		1.42	1.02	1.12	
GDP Growth		**N S**			
actual	1.3%	1.4%	1.5%	-0.7%	9.1%
6 months	↘	↘	↘	↗	↘
3 years	→	→ ↗	↘	↗	↘
Inflation		**N S**			
actual	-0.5%	3.0%	3.4%	-0.2%	4.1%
6 months	→	↘	↘	→	→
3 years	2.0%	4.0% 8.0%	5.0%	2.0%	6.0%
Stock Markets	**SPI**	**DAX**	**S&P 500**	**TOPIX**	**HSCEI**
Price/Sales	1.3	0.5	1.2	0.4	0.9
Dividend Yield	2.4	4.2	2.2	2.6	3.4
Price/Book	1.7	1.2	2.0	0.9	1.4
Price/Earnings actual	14	10	13	18	8
Price/Earnings estimate	13	10	12	15	8

FORECAST	CH	EU	USA	J	CHINA
Money Markets (3 months)		**N S**			
actual	0.05%	1.43%	0.57%	0.2%	5.5%
6 months	→	↘	→	→	↘
Swap Rates (10 years)		**N S**			
actual	1.3%	2.5%	2.0%	1.0%	n.a.
6 months	→	→	→	→	
3 years	↗	↗ ↗	↗	↗	
Currencies		**N S**			
actual		1.22	0.93	1.19	0.2
6 months		↗	↗	→	↗
3 years		↗ ↓	→	→	↗
Stock Markets	**SPI**	**DAX**	**S&P 500**	**TOPIX**	**HSCEI**
actual	5’176	5’718	1’205	718	9’740
6 months	→	→	→	→	→
3 years	↗	→ ↗	↗	↗	↗
Real Estate Market	→	→	→	→	→

Legend: ↗ = increasing → = neutral ↘ = decreasing **N** = Northern Europe **S** = Southern Europe as of: December 23, 2011

MARKET OUTLOOK

1st TRIMESTER 2012

CURRENCIES

The sovereign debt crisis in Europe is putting increasing pressure on the EUR vs. the USD. Since the introduction of the SNB-guaranteed floor of CHF 1.20 against the EUR, the CHF has held slightly above this level. Exchange-rate movements are likely to remain within a narrow range in the coming months.

The still virtually unabated growth in national deficits in most industrialized countries is posing an ever greater threat to the positive development of the economy. For certain Euro zone states, the risk premiums have risen so sharply that they are having difficulty in maintaining solvency and may possibly be forced into restructuring their debt. Banks in Europe are suffering due to the need for write-downs on government bonds and the withdrawal of deposits, which is weakening the EUR. However, given that the Euro zone as a whole has a smaller budget deficit and current account deficit than the US, coupled with the fact that the ECB is pursuing a somewhat less extreme expansionary monetary policy, a stronger EUR against the USD is more likely to be on the cards again over the longer term. Owing to the exchange-rate policy of the Swiss National Bank, the EUR has ranged between CHF 1.20 and CHF 1.25 since September 2011, and this bandwidth will probably remain intact for some time yet. This means a persisting, but gradually decreasing overvaluation of the CHF. Over the long term, the CHF will retain its position as a very strong currency.

The commodity currencies (AUD, ZAR, BRL, and RUB) have weakened against the USD in recent months. This trend is set to persist in the near term, provided that global economic growth and commodity prices continue to decline.

INTEREST RATES

The central banks are still sticking to their extremely low interest-rate policies. Even in several emerging markets, where interest rates were rising until recently against the backdrop of mounting inflation and more restrictive monetary policies, key interest rates have been lowered due to poorer economic performance. With economic growth continuing to decline worldwide and no threat of inflation as yet, interest rates will remain extremely low and will only begin to rise slowly toward the end of 2012.

The economic recovery in the industrialized countries has not continued as hoped, and instead has made way for a renewed weakening due to the high budget deficits, sovereign debts and, hence, the lack of confidence. The central banks are thus increasingly moving toward also lowering long-term interest rates further by buying up long-term government bonds («quantitative easing»). Although this policy increases the risk of inflation over the long term, as long as the money supply is not circulating due to the marked uncertainty, the lack of confidence in the banks, and also due to the weakening of the economy, a drop in inflation rates is more likely to be on the cards for the time being. In Switzerland there is even the possibility of slight deflation.

Interest rates are low and will remain so, but this only applies for the best borrowers. The risk premiums for many countries and banks are rising, however, despite further new aid packages for states at risk and more stringent capital adequacy requirements for the banks. A turnaround in this trend is only to be expected once confidence in the long-term solvency of the borrowers is restored, and this in turn will require decisive progress on reducing national deficits.

STOCK MARKETS

Most stock markets have recovered from their lows in early autumn. However, stock market performance over the coming months will be negatively influenced by the prevailing uncertainty over the development of financial markets and the weakening of the economy on the one hand. On the other hand, the low fundamental valuation of equities is a positive factor. As a result, an upward pointing trend should take hold, at least over the longer term.

In addition to the general influencing factors mentioned above, in Switzerland the overvaluation of the CHF is also weighing on exporters and thus related sectors. Therefore, the prices of the affected shares will remain under pressure. The decline in the erstwhile very high economic growth in many emerging markets has had a strongly negative impact on share price performance on these countries' markets. The valuation levels there have now become quite attractive. All in all, as has been the case for some time, the most interesting stocks are those from defensive, non-cyclical sectors that are offering high, well-protected dividend yields. Yet here, tax aspects have to be taken into account (tax-exempt partial capital repayments for natural persons in Switzerland, only partly reclaimable withholding taxes depending on the investor's tax status and country of domicile).

Dr. Max Rössler

YOU HAVE QUESTIONS – WE HAVE THE ANSWERS

OUR VIEW ON AN UNCERTAIN FUTURE

Will the Euro collapse?
No, the EUR is likely to remain intact in 2012. However, the composition of the member states will have to change. The weak member states need a local parallel currency that can be strongly depreciated. This is the only way to avert a depression, at least in these countries. The other Euro zone states will probably continue to pursue their goal of a European fiscal union.

What will happen to my EUR account balance if the EUR breaks up?
In that eventuality, every country would fix an exchange rate for the new currency to the previous EUR. This would mean that EUR balances with a German bank would likely be worth more than EUR balances with a Greek bank. That is why Southern European banks are currently suffering high outflows of savings.

What will happen with bonds and equities?
Equities would be traded in the new national currency. The situation, however, would be more complicated in the case of bonds. The nominal amounts would probably remain in EUR for the time being. Depending on the issuer country and the currency developments there would be restructurings. Losses for bondholders would then be unavoidable. The safest bonds are those from potential hard-currency countries, such as Germany, the Netherlands, Finland, etc.

How much money can a national bank print?
Theoretically, there's no upper threshold, hence, there's no limit to the amount of money it can print. However, as the example of Zimbabwe shows, confidence in the intrinsic value of the currency would be destroyed. This would lead to hyperinflation, which could then only be stopped with a currency reform. This shows that there are limits, but they cannot be defined beforehand.

Is real estate overvalued?
If you're talking about your own home, that's one thing. Here you can pay a price that is higher than the analytical "fair" value, given that the "return" is the pleasure you have in it every day. If you are looking to buy an investment property, then you have to assess it taking into account the country, region, and its location. Generally speaking, investment properties in Switzerland are expensive to overpriced. A good piece of advice is not to buy expensive investments in expensive currencies, as this exposes you to high price risks on the negative side.

Which banks are safe these days?
The safest at present seem to be local banks with few international ties. International banks with a lot of foreign assets are more problematic. In a crisis scenario, they can be exposed to domino effects. When states step in as rescuers, they will always try to protect local businesses and their assets. In such cases, any guarantee is only worth as much as the creditworthiness of the country in question.

Are insurance policies and pensions safe?
Their problem is that some are heavily invested in bonds, which are threatened by restructuring and are offering scant returns. Therefore, it seems to us that pension cuts are as good as inevitable. Either the pension amounts will be cut transparently, or inflation will eat away part of the nominal pension over the longer term.

Is Asia attractive?
The Asian stock markets are currently more cheaply valued than their Western counterparts. Added to this, most emerging markets are enjoying clearly higher growth than in the West. Thanks to the strong expansion in the middle class, the prospects for consumer spending in these countries are also very good. One problematic aspect is inflation. If it is too high, there is the threat of stifling growth. At present, inflation has turned around and is declining in these markets. This opens up more scope for monetary/fiscal measures, which will in turn lend support to the stock market. Against this backdrop, the Asian markets are attractive in the long-run.

INVESTMENT OUTLOOK 2012 – 10 THESES

1. The financial system will survive the current phase
2. There is sufficient liquidity – yet, a lack of confidence; unlike money, it cannot be printed
3. Bonds are in a bubble, and there is almost no more yield to be expected. Much more, they bear high negative price risks and are exposed to the risk of expropriation
4. Real interest rates will remain negative until faith in the future recovers and confidence is re-established again
5. Equities are attractive; corporations are capable of acting
6. On the currency front many events are in the offing: the CHF will weaken, the USD will strengthen and the composition of the EUR will change next year
7. Real estate is still in demand – yet, the air is getting thinner
8. State bankruptcies are the alternatives to reforms
9. The risk of expropriation will be placed in the limelight
10. Every crisis opens up opportunities – the challenge is to recognize these during the dark times and it takes courage and determination to take advantage of these

Silvan Betschart

Patrick Erne, CFA

GOLD IS EXPENSIVE – HOLDING ON TO PRECIOUS METALS

CENTRAL BANKS ARE BEING FORCED INTO EXTREME POLICIES

Recently a friend of mine asked me to invest most of his savings in gold. I cautioned him since when we recommended buying gold, as far back as our Check-Up of September 2003, gold was trading at approximately USD 350 per ounce. Today, the price is around USD 1,650. In other words, gold is about 5 times more expensive in USD terms than it was 8 years ago. The price of gold has also risen sharply in CHF terms, a kilo now costing some CHF 48,000 – three times as much as in September 2003. Often such increases are symptomatic of a bubble, so is it time to sell gold?

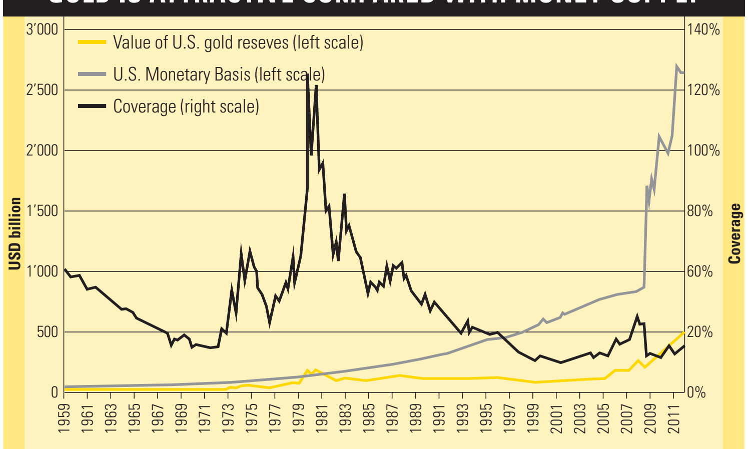
On the one hand, gold is too expensive compared with equities

If we compare the performance of the equity markets in various currencies – and if we regard gold as a currency – then the equity markets are trading lower in gold terms than they were 20 years ago. Taking gold as the reference currency, the stock market bubble in 2000 was much more pronounced than it was in CHF or USD terms. To put it another way: gold was extremely cheap in 2000, but now it is very expensive compared with the equity market.

On the other hand, gold remains attractive compared with money supply

It is interesting to gauge US money supply against the gold backing requirement, which saw the US central bank's gold reserves valued at market prices. In the era of the gold standard, the Federal Reserve Act of 1914 required gold backing of at least 40%. At the beginning of the 1970s, this dropped to around 20%. President Richard Nixon removed the gold backing altogether in 1971, and the result was an inflationary period throughout the start of the 1980s. What is interesting here is that when the US returned to a healthy monetary policy under Paul Volcker in 1981, the gold backing was over 100% of the US money supply! If history were to repeat itself, and if there were to be full gold backing of the outstanding money supply – enforced by the markets – the price of gold would rise to USD 10,000 an ounce.

GOLD IS ATTRACTIVE COMPARED WITH MONEY SUPPLY



Source: Bloomberg

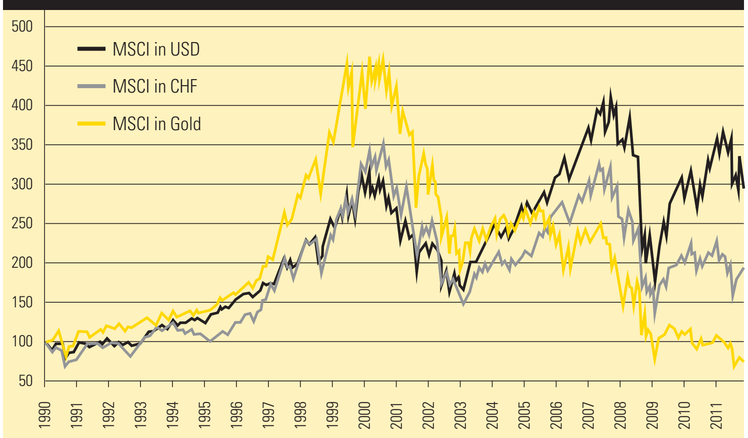
Risks for gold

One of the principles of valuation is that over the long term commodity prices tend toward the level of their production costs. In the case of gold, these costs are around USD 1,000 per ounce. Gold is thus to be regarded as expensive at present. However, depending on the client's objectives, we will hold an individually appropriate weighting of precious metals as long as three factors apply: a) the central banks are forced into their current extreme and expansionary policies (they are not doing it voluntarily, but rather to support the economy); b) there are no state measures against holding gold in the offing; and c) the world is caught up in uncertainty and a lack of confidence.

Hold precious metals until…

There are no signs at present of any of the major central banks – be it the US Federal Reserve, the Bank of England, the ECB, or the Bank of Japan – being able to find their way back to the path of a healthy monetary policy any time soon. We advise continuing to hold gold, but keep an eye on possible governmental measures and above all keep a look out for a rise in real interest rates. Both of these factors could see our fondness for precious metals in portfolios draw to a close.

GOLD IS TOO EXPENSIVE COMPARED WITH EQUITIES



Source: Bloomberg

Remy Reichmuth, CFA

VALUES SHAPE YOUR INVESTMENT RESULTS

THE ORIGINS AND MINDSET BEHIND OUR VALUES

At this year's client event, entitled «Market Outlook 2012», Jürg Staub spoke poignantly about our values and corporate culture. I am delighted to see these values being so purposefully maintained by the young generation at Reichmuth & Co, and I would like to take this opportunity to outline where these values come from, and the rationale behind them.

Identifying with clients

Amid the wave of computerization in the 1970s and 1980s, in my position as the branch manager of a big bank, I saw the growing loss of independence for those who had to deal with clients face to face. We bank managers were increasingly deprived of one of the nice parts of our job: being able to identify with the clients, rather than with a financial product that had been devised by market specialists and was only to be «sold» by the bankers.

Integral service philosophy

Our credo in our dealings with clients is «people and money in harmony». In keeping with this, an integral service mentality is at the heart of everything we do. This requires the corresponding culture, structure and above all mindset for all those that are in contact with the clients.

Client-centric organizational structure

Since the very outset, we have been committed to our two core competencies – «identifying client needs» and «understanding financial markets». While the latter is the responsibility of our investment specialists, our relationship managers work independently in teams of three or four to implement the clients' objectives in line with their requirements and wishes within the framework of our forward-looking investment strategy. At many banks it is normal for relationship managers and portfolio managers to be separated – not with us. This may make our organization more inefficient, but this is a deliberate move on our part to provide the necessary scope for individuality.

Back to responsibility

Before employees reach the relationship management level, we spend enough time to get to know them and how they work. This ensures the continuity that has become so rare in the modern banking world, a fact very much appreciated by our clients. Taking responsibility builds character and gives satisfaction. The managing partners take on the organizational work to ease the burden on the relationship managers. This allows them to devote themselves to fully identifying with the clients. Correspondingly, our compensation system is focused on «client satisfaction», and not on budget targets. Although defining and assessing this qualitative factor is difficult and time-consuming, in our opinion it sets the right incentives.

Forward-looking, scenario-based mindset

The computer age combined with American management efficiency has led to a dangerous amount of credence being placed in models. As far back as the stock market crash in 1987, the largest one-day loss in history, the enforced conformity of all market participants proved to be a bad source of overreaction. Nevertheless, modern portfolio theory managed to make a global breakthrough, with its focus on efficient markets and risk-free investments. The current sovereign debt crisis, in particular, will see the backward-looking perspective of modern portfolio theory banished to the sidelines. After all, in my over 50 years of banking, I am witnessing for the first time that there are no longer risk-free investments, even among government paper. And so the only anchor of the paper money system starts to wobble. In the midst of this paradigm shift, an active, forward-looking investment philosophy is more important than ever.

Delight in innovation

Time and again, our identification with our clients reveals new needs. For instance, in 2000 we set up the PensFlex Foundation, which has for years been the most individual and flexible solution in Switzerland for non-mandatory pensions. There are other examples of our unrelenting drive for innovation, such as the first bond with purchase rights issued by Emmi AG, or the innovation of the Rütli Foundation «Rendite für Gemeinnützigkeit», allowing to use investment returns to support non-profit activities while ensuring exemption from wealth tax and without requiring the capital to be irrevocably relinquished.

A long-term approach

«Have good thoughts and use clear words – and they will become good deeds.» The current uncertainty and the paradigm shift resulting from the loss of confidence in sovereign debt call for a cross-generational, long-term investment strategy in the case of larger portfolios. The primary focus must be on real assets rather than nominal assets in order to maintain purchasing power over the long term and protecting property, while ensuring low price risks. We look forward to discussing your tailor-made allocation and to taking on this responsibility for you.

Karl Reichmuth
General Partner