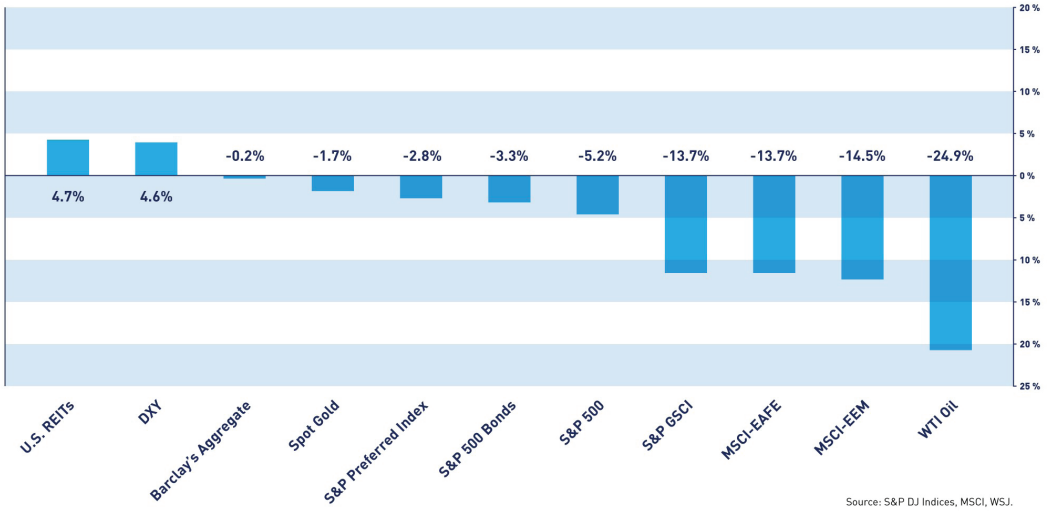
swisspartners
The art of finance.

PARTNERS ' VIEW
March 2019

WEALTH MANAGEMENT
Merely a glitch?

Global Asset Class Total Returns YTD Through · 28.12.2018



Source: S&P DJ Indices, MSCI, WSJ.

A glitch is a word that has been used by the US president to describe the recent vicious sell-off in markets. For those who have lost money, there might be some other choice of words. As seen in the chart above, there really was nowhere to run to last year and nowhere to hide, with the exception of REITs and USD cash.

90% of all asset classs fell and to put it into perspective in many respects last year was the worst year since 1920 when 84% of all assert classes fell.

Horror stories

- Equity funds worldwide saw outflows of $39billion in the week to Dec. 12, the largest ever weekly outflows from stock funds
- With stocks tanking, pessimism among mom-and-pop investors hits highest in more than five years
- U.S. stock market exodus is second-biggest on record, BofA says
- U.S. stocks posting their worst December since the Great Depression
- The FTSE All-World index, which tracks thousands of stocks across a range of markets, plummeted 12% this year. It's the index's worst performance since the global financial crisis and a sharp reversal from a gain of nearly 25% in 2017.
- For the year, the S&P 500 fell 6.2%, the Dow dropped 5.6% and the Nasdaq Composite shed 3.9%, marking the worst annual performance for all three since 2008.

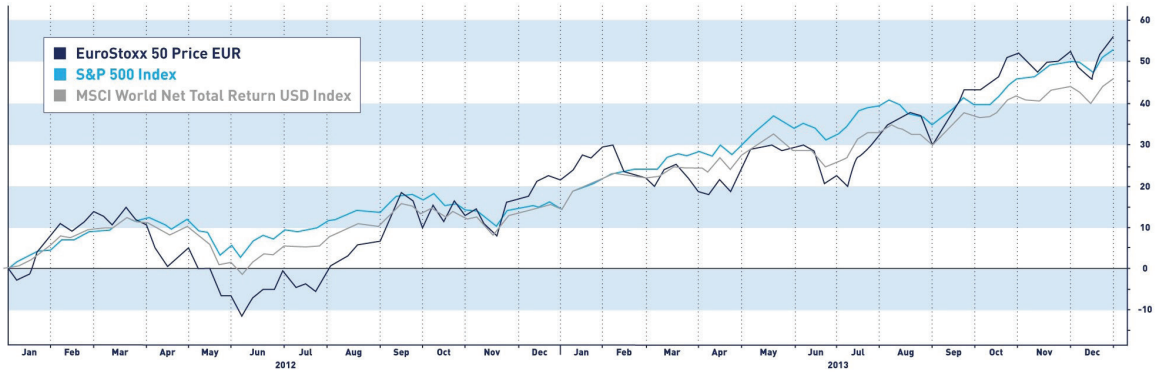
The reading is grim, and whilst we do not mean to scare you, it is important to be aware of the pervasive pessimism that is present in markets at the moment.

Although the human instinct is to become scared and sell at times like these to preserve wealth, we strongly urge you to pause and not make any hasty decisions but instead focus on the original time frame and investment strategy you have envisioned. Over time, we are convinced that last year's event should just represent a minor blip on the charts. Just remember that sometimes the "Only Thing We Have to Fear Is Fear Itself" (Franklin D. Roosevelt).

Wrong footed already?

In our opinion, the current situation feels very similar to 2011- just look at what happened in the two subsequent years.

30.12.2011 – 27.12.2013



Source: Bloomberg, Euro Stoxx 50, S&P500, MSCI world index returns for 2012 to 2013.

In fact when looking at the latest ytd date market returns many developed markets have already produced above or close to double digit returns but investor cash levels in January are at 10 year highs.

The only conclusion one can draw is that the stockmarket must be one of the few markets in the world where participants don`t like sale prices!

Just as we had a vicious downward spiral on the way down as bad news and sentiment fed on themselves we expect a similar and opposite reaction on the way up (coiled spring) as the worst worries never materialise.

We expect 2019 to be a much better year than the majority expect it`s just a shame most won`t realise it until it is too late.

Written by

Peter Ahluwalia | Chief Investment Office, Partner
peter.ahluwalia@swisspartners.com

swisspartners
The art of finance.

FINANCIAL PLANNING
Real estate – a worthwhile investment?

In today's world of negative yields, the search is on for various alternatives to fixed income investments. Bricks and mortar is a popular option. In the past real estate looked like an attractive opportunity thanks to its continuous appreciation in value. In addition, in an ideal situation the asset generates regular flows of income. Not only that, in most cases the property can be viewed at any time without the need to travel far. So far so good. But we now need to bear in mind that as a result of its popularity, property has now reached the top end of its price range in many cases, which will have a corresponding impact on future returns. Equally, an investment property is generally only an attractive proposition if it can be fully rented out. Otherwise, vacancies erode returns month in, month out. What is more, rental income is taxed in full at the property's location. As a result, after-tax returns can end up being 40% lower. The debt component of the funding is also an important factor if the lender makes a change to the valuation of the property. Property owners carrying high levels of debt can soon get into liquidity difficulties in this situation. Is the property self-managed or managed by a professional? What happens if a tenant proves to be awkward? What effect does our landlord and tenant law have in such cases?

What is the most sensible form in which to hold real estate? This question is cropping up ever more frequently in practice, which means that property investors require an analysis of their tax position. Personal assets, a company, or – in specific cases – a real estate stock corporation or real estate fund are all possible ownership vehicles. A tax comparison of the various forms in which properties can be held is a complex and multi-layered process. It is essential that this is always conducted in the context of investors' other assets, for example with regard to succession planning.

Property can certainly make a highly attractive addition to a portfolio. But with this type of investment, the key issue is to analyse the attendant risks in advance and in full. Gross returns need to be compared with net returns, and the individual workload involved should not be forgotten either.

Do you already have a real estate portfolio or are you thinking of developing one? If so, we would be delighted to offer you our all-round professional support.

Written by

Konstantin Wyser, Partner
konstantin.wyser@swisspartners.com

swisspartners
The art of finance.

FIDUCIARY SERVICES SWITZERLAND
Revision to Swiss inheritance law

Last August, the Swiss Federal Council submitted a proposal to parliament for an initial partial revision to Swiss inheritance law. The new law is expected to come into effect in 2020. The primary objective of the revision is to adapt Switzerland's inheritance law to new social forms of cohabitation. Moreover, this will allow greater flexibility for those making a will in future. Below we will highlight the most important changes and their implications for estate planning.

1. Changes to compulsory portions while maintaining statutory claims to inheritance

At present, the children, parents and spouse or civil partner of a deceased person are entitled to compulsory portions of the deceased's estate. Under the draft new inheritance law, protection of the parents' compulsory portion will be abolished.

Furthermore, the compulsory portion for children will be reduced from ¾ to ½ of the statutory claim to inheritance to allow greater freedom of testamentary disposition.

Statutory claims to inheritance will not be affected.

2. Marital property assignment

In the process of estate planning, it is always advisable to consider marital property arrangements to maximise the benefits to the surviving spouse. Property assignment is one way of optimising these benefits that is recognised under the statutory marital property regime for property acquired during marriage. This allows spouses to assign the full amount of their property acquired during marriage (as opposed to only half by law) to each other under marital property regimes. Until now, legal opinion was divided on how to deal with the allocation of property acquired during marriage in respect of the children of both spouses. The prevailing view was that this type of legal marital preference over children of both spouses is possible without limitation, even though the resultant transfer of assets may constitute a breach of the compulsory portion. In terms of children who are not of both spouses, the existing law makes clear that their claims to compulsory portions cannot be impaired by such optimisation arrangements under matrimonial law.

One new feature is that children will have equal rights in this regard, irrespective of whether they are of both spouses or not. In any case, property assignment will be taken into account when calculating the compulsory portions.

However, one important difference remains unchanged: while children who are not of both spouses can claim a breach of their compulsory portions via abatement proceedings, this right does not apply to children of both spouses. The latter can only claim their compulsory portions if the surviving spouse remarries.

3. Dependency claim for cohabitants

Four new articles of law are planned to take account of the new form of non-marital cohabitation. These articles aim to create a statutory dependency claim on the estate, for which the heirs are jointly liable. This claim is intended to allow the surviving cohabitant partner to cover their minimum standard of living under social welfare law.

The preconditions are that the person lived with the deceased as a cohabiting partner for at least five years and, as a result of their death, would require dependency payments to avoid financial distress.

The dependency claim expires if it is not registered with the relevant authorities in writing within three months of the deceased's death.

4. Equal treatment of funds from pillar 3a

The majority of the population is probably not aware that bank savings and savings under insurance plans relating to pillar 3a are subject to different treatment under inheritance law, an aspect which also seems impractical. For this reason, the draft envisages equal treatment of both types of savings under inheritance law. These assets do not form part of the estate, but are added to the total for calculating compulsory portions.

swisspartners
The art of finance.

Conclusion

Changes always lead to opportunities! On the one hand, they offer the chance to make preparations for a situation that is as yet unplanned. On the other hand, it is advisable to examine any existing estate arrangements to determine whether they are still consistent with current goals and how they will be affected by the new law. Our specialists will be happy to help you if you have any questions.

Written by

Nathalie Schlösser
Master of Law | Legal Consultant
nathalie.schloesser@swisspartners.com

swisspartners
The art of finance.

TRUST & CORPORATE SERVICES
swisspartners crowned best Wealt Planning Team

swisspartners, one of Switzerland's foremost financial groups was crowned 'Best Wealth Planning Team' at the 5th WealthBriefing Swiss Awards on February 7th 2019. This is the second year running that swisspartners wins this prestigious award. Unternehmen, die sich im Rahmen dieser Auszeichnungen hervorgetan

One of 4 firms to be shortlisted in the Wealth Planning Category category, the triumph is yet another milestone in the Company's drive to be recognized as one of the pre-eminent players in the competitive space of high net worth families' advisory and solutions. The swisspartners Advisory + Solutions Team is dedicated to work together

swisspartners partner colleagues receiving the Best Wealth Planning Team Award in Geneva

Showcasing 'best of breed' providers in the global private banking, wealth management and trusted advisor communities, the awards were designed to recognise companies, teams and individuals which the prestigious panel of judges deemed to have 'demonstrated innovation and excellence during 2018'.

Commenting on the firm's triumph, Mr. David Sykes, CEO of swisspartners Marcuard Heritage AG said: "We are delighted to have been voted the winner of this prestigious award by so many of the industry's great and good. It is a great honour to be recognised in these awards, and testament to the hard work that the team have put in over the last 12 months. Everyone has really pulled together to ensure we continue to deliver the highest level of service to our clients, and move us that bit closer to our goal of being recognised as the Best Wealth Planning Team in the space of high net worth families' advisory and solutions".

Dr. Christian Rockstroh, advisor of the swisspartners Advisory + Solutions Team said: "The prize shows the importance of independent, integrated services for wealthy families. The swisspartners Advisory + Solutions Team consists of over 25 specialists from a range of financial and advisory services, all working together as dedicated mandate teams for the benefit of swisspartners clients."

ClearView Financial Media's CEO, and Publisher of WealthBriefing, Stephen Harris, was first to extend his congratulations to all the winners. He said: "The firms who triumphed in these awards are all worthy winners, and I would like to extend my heartiest congratulations.

These awards were judged solely on the basis of entrants' submissions and their response to a number of specific questions, which had to be answered focusing on the client experience, not quantitative performance metrics. That is a unique, and I believe, compelling feature. These awards recognise the very best operators in the private client industry, with 'independence', 'integrity' and 'genuine insight' the watchwords of the judging process - such that the awards truly reflect excellence in wealth management.

ABOUT THE SWISSPARTNERS ADVISORY + SOLUTIONS TEAM (Extract from the submission)

1. Who is swisspartners?

swisspartners is...

- one of the largest independent wealth planning and wealth management groups in Switzerland
- a one-stop-shop: we can take care of all aspects of our clients' wealth
- a hands-on company: we do not create problems, we solve them
- a creative and innovative wealth planning boutique with locations in Zurich, Geneva,

Vaduz, Feldkirch/Austria and Cyprus, and working with other jurisdictions such as Singapore, New Zealand, BVI and Cayman Islands

a partner-owned business with over 120 people employed.

2. Who is the swisspartners Advisory + Solutions Team?

The swisspartners Advisory + Solutions Team consists of partners from three group companies of the swisspartners group, namely

- swisspartners Marcuard Heritage Ltd., the International team
- swisspartners Wealth Services Ltd., the Swiss team, and
- swisspartners Insurance Ltd, the life insurance team.

swisspartners celebrating the Best Wealth Planning Team Award 2019

swisspartners
The art of finance.

The swisspartners Advisory + Solutions Team is dedicated to work together and create more than can be achieved individually – a house of specialists working as one team.

THIS IS...

THE ART OF
LISTENING
CONNECTING
SHARING
COMMUNICATING
CARING
SWISSPARTNERS

+

THE ART OF
TRUSTS
SWISS + INTERNATIONAL COMPANIES
SWISS LEGAL + TAX ADVICE
LIFE INSURANCE
PRIVATE LABEL FUNDS + UMBRELLA FUNDS
ADVISORY + SOLUTIONS

...OUR OFFER

Written by

Dr. Christian Rockstroh, Partner
christian.rockstroh@swisspartners.com