



Case Study – Asset Management

Target group

Private individual, onshore

Objective

Asset management, investment process, investment philosophy

Initial situation

Ms. F. from Zürich (37) not only comes from an affluent family but after she earned a master's degree from Harvard also successfully built up her own executive search firm with meanwhile 85 employees worldwide. Due to her family background, Ms. F. is accustomed to dealing with client advisors. She never questioned her father's long-standing banking relations and was not really aware of the numerous connections he had established. And she did not have the time to gain an overview. But in response to the financial crisis, Ms. F. did eventually take a closer look at her investments. Many relationship managers had left their respective banks or were no longer in charge of her accounts. She noted considerable overlaps in her investments, discovered that her portfolios were loaded with the banks' proprietary high-margin products, and also found asset allocation restrictions that she had never imposed.

Approach

swisspartners consolidated the banking connections and prepared a succinct synopsis of Ms. F.'s investments. Her yield expectations and the matching restrictions were defined in a lengthy personal discussion with Mr. M., a competent advisor. Ms. F. immediately felt understood, and she began to realize that so far, she had paid for each connection separately without having had an integrated investment strategy. Mr. M. explained that at swisspartners, independent counsel was the top priority and the reason why the company does not have

Asset Classes	Conservative		Balanced		Dynamic	
	SAA	TAA	SAA	TAA	SAA	TAA
Cash	0-50%	+/- 10%	0-60%	+/- 10%	0-70%	0-70%
Bonds	50-80%	+/- 10%	20-60%	+/- 10%	0-40%	30-100%
Convertibles	0-10%	+/- 10%	0-15%	+/- 10%	0-15%	0-20%
Equity	0-30%	+/- 10%	15-60%	+/- 10%	20-100%	0-15%
Alternative Investments	0-25%	+/- 10%	0-25%	+/- 10%	0-25%	0-25%

Currency Allocation						
CHF	70-100%	+/- 10%	60-100%	+/- 10%	40-100%	+/- 10%
EUR	70-100%	+/- 10%	60-100%	+/- 10%	40-100%	+/- 10%
USD	70-100%	+/- 10%	60-100%	+/- 10%	40-100%	+/- 10%

its own products but instead systematically implements the "open architecture" approach with "best-in-class" products. That is why swisspartners portfolios contain instruments of various leading providers which in the course of the years have demonstrated their ability to generate positive active returns. Mr. M. also pointed out that in an efficient market, it is exceptionally difficult to produce an active return, a so-called alpha, and that it therefore makes sense in developed markets to invest in passively managed funds, so-called ETFs which are cost-effective and precisely emulate the market. Mr. M. emphasized that investing is more like a steady marathon than a short sprint, and that the

overall strategy is more important for the attainment of objectives than brief super-intensive training. Success in investing comes from a smart combination of various asset classes with their typical risk/reward characteristics. This strategic asset allocation takes into account the investor's profile in a long-term perspective and optimizes the interaction of the investment classes with respect to the risk/reward ratio. However, it transcends the ongoing market situation in which a portfolio manager establishes tactical accents to benefit from arising market opportunities – always within the scope of a predefined risk budget. The performance of the portfolio is continuously compared with targets; when deviations occur, the portfolio manager intervenes and Ms. F. does not need to be involved. Nonetheless, periodic portfolio reviews keep her updated as regards all portfolio structure modifications. Ms. F. is enthusiastic about the swisspartners approach but slightly concerned about the cost of the intellectual effort behind asset allocation and the disciplined execution of the transactions. Mr. M. stressed that swisspartners' fee structure is absolutely transparent and can also be adjusted to the client's needs because a fixed fee makes sense for some clients while a transaction-dependent cost arrangement is better for others. Additionally, Ms. F. appreciates the fact that she can continue to work with the custodian bank of her choice.