

LLB Comfort

Reducing risks with staggered capital investments

The equity share in a portfolio is one of the key performance drivers for successful long-term investments in asset management mandates. Due to the volatile, uncertain market environment of the last few years, the point of entry has become more and more crucial, since yields from investments in equities are largely dependent thereon.

But when is it the right time? Hardly anyone is able to predict this. This is why, for risk-aware investors, it is advisable to increment their equity share on a staggered basis. Within the context of our standard investment strategies (Yield – Balanced – Growth – Equities), our active investment plans give you the option of increasing the share of equities in your portfolio in small increments and thus mitigate the risks.

1 Staggered capital investment

We offer staggered capital investments for all our investment plans. For reasons of diversification, the portfolio is always built up with collective investments even in a direct investment mandate.

1.1 Successful step by step («cost average effect»)

Your portfolio will not have the maximum equity share defined in our standard investment strategies from the beginning. Rather, it will increase gradually from a third of the respective target equity share (initial proportion) to the target proportion: regardless of the point of entry, eight per cent of the target equity share will be taken from money market investments and reinvested in equities at the beginning of every quarter (see Table 1). These regular and manageable steps allow you to gradually and carefully build up the equity share in your portfolio. In principle, you will reach the full proportion of shares within the period of approximately two years with

all our available strategies. Constantly increasing the equity share also allows us to buy more equities when prices are dropping and fewer equities when prices are on the rise. This anti-cyclical approach will benefit you as the investor as it creates a cost average effect, i.e. lower average entry level prices. It also greatly reduces the risk of «buying at the wrong moment».

1.2 The anti-cyclical accelerator

In the case of a setback on the international stock exchanges, i.e. when the MSCI World Index drops below its latest high by ten per cent, an additional eight per cent of the target proportion will be invested in equities, regardless of the point of entry. Triggering an anti-cyclical phase will lead to a reduction of the two-year investment period by a quarter.

Anti-cyclical accelerator – your individual benefits

- In the past, major share price setbacks used to offer interesting purchasing opportunities for the long term.
- Many investors lack the courage to enter the market in times of heightened uncertainty. Often, investors wait for a long time (too long) or refrain entirely from buying.
- Experience shows that prices recover relatively quickly. There is therefore a risk of missing out on additional yields.
- The anti-cyclical accelerator allows you to increase the equity share systematically and without fear, at low rates.

Table 1: initial proportions and incremental steps

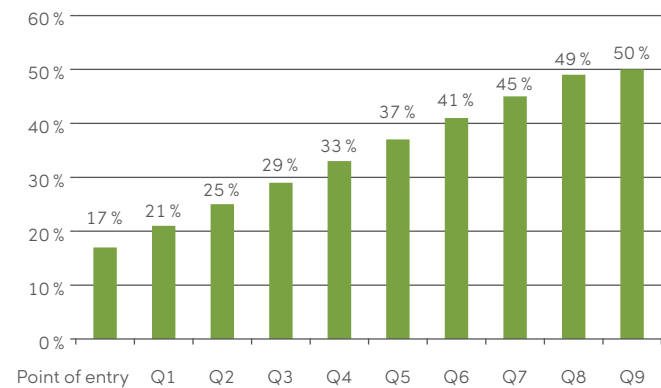
Strategy	Target equity share	Target equity share	Increment per quarter (= 8 % of the target equity share)
Yield	25 %	8 %	2 %
Balanced	50 %	17 %	4 %
Growth	75 %	25 %	6 %
Equities	100 %	33 %	8 %

(These are average values due to market volatility.)

1.3 Implementation

For all our asset management mandates, the equity share will be increased gradually via investment funds and will not incur any additional costs for you. Investments in individual shares will only be effected after the staggering process has been completed.

Chart 1 : increments – «Balanced» investment strategy

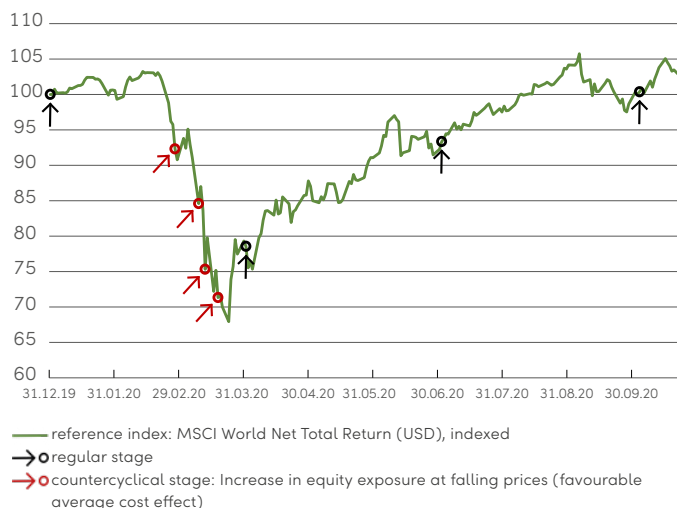


Staggered increase of the equity share over a period of approximately two years. At the beginning of each quarter, four per cent of the portfolio value are invested in equities. Depending on the tactical equity share, the volume of the last proportion(s) may change.

Important : If the MSCI World Index drops below its latest high by ten per cent, an additional increment of equities will be purchased. This will shorten the investment period by a quarter.

Using the concrete example of the market reaction to the coronavirus crisis (2020), we see that four countercyclical stages were triggered in March. The regular time frame of 2 years is reduced by 4 quarters. An investor who would have started with the first stage on 1 January 2020 would already be fully invested on 1 October 2020.

Coronavirus crisis 2020 example:
4 regular stages ○ p.a., plus 4 countercyclical stages ○



2 Long-standing experience in asset management

Asset management has been one of our core competencies for many years. We consider our business relationship with you as a partnership, for which the joint goal is a successful and sustainable management of your assets.

Defining the best-possible investment structure and form of asset management requires a substantial amount of time and a great deal of specialist knowledge. We are pleased to assume this task for you. By choosing our asset management services, you entrust us with responsibility for the professional management of your portfolio, based on the latest scientific knowledge. On the basis of your investor profile, we carefully select the structure for your portfolio : broadly diversified across various countries, currencies and industries. Our value-orientated investment philosophy forms the basis for this approach, seeking to invest in companies with appreciation potential. In order to identify these companies, we use an integral model for business assessment, which, besides metrics such as growth and profit development, will also consider management behaviour and market reactions. Using top-quality research enables us to make well-informed decisions regarding the selection of investments.

We offer asset management services from the amount of CHF 250'000.- (or equivalent value) onwards. This mandate includes fewer securities transactions than direct investments, as the investment funds are already actively managed, which has a positive effect on the cost. For investment volumes of less than 1 million, we recommend an asset management without individual securities to ensure diversification and reduce costs.

Whether you choose a fund or a direct investment strategy – you will benefit from attractive terms and conditions that are usually reserved for institutional investors with very large asset volumes.

Your advantages at a glance

- Professional management of your assets
- Disciplined, gradual increase of the equity share in your portfolio.
- No additional cost
- Large reduction of risks with regard to unfortunate timings when purchasing equities
- Anti-cyclical accelerator in the case of pre-defined setbacks on stock exchanges
- Cost average effect

3 Contact

Please get in touch with your client advisor. He is your point of contact for all of your financial affairs, and he will be pleased to provide you with detailed advice.

We are here for you, and committed to maintaining a personal, cooperative and professional relationship.