

Albin Kistler

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FINANCIAL ANALYSIS  
AND WEALTH MANAGEMENT

–

PRIVATE CLIENTS

If you understand the craft of investing, you will always be sure of good results over the long term with securities.



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# TRADITION

Albin Kistler is a traditional, independent wealth management company. Our adherence to clear, sustainable principles has been the foundation of our company's successful investing for more than three decades.

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GEESE ARE LEGENDARY.

The goose not only plays an important role in many different fairy tales, but is also a common charge in heraldry. The heraldic animal was modelled on the white domestic goose. In most depictions, the bird's wings are shown in resting position close to the body or - as in the case of the Putlitzer nobility - in flight. Occasionally the goose is also depicted on water swimming.



# PORTRAIT

Superior returns or outperformance are not synonymous with above-average risk. On the contrary: Albin Kistler is a conservative investor with a long-term investment horizon. We invest exclusively in companies with solid management and sound finances. For this reason, we have been for many years one of the best performers in the market.

“Outstanding performance can only be achieved by taking a cutting-edge approach. Our successful analysis process is unique and stands apart from all other traditional models.”

Founded in 1982, Albin Kistler is today one of the leading independent wealth managers for private clients and pension funds. In addition to its headquarters in Zurich, Albin Kistler has a representative office in Chur.

Assets are managed exclusively within the framework of discretionary mandates. They amount to several billion Swiss francs. The minimum investment amount is CHF 1 million.

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## ALBIN KISTLER'S PRINCIPLES

Sustainable investment success is never the product of chance; it is always supported by clear principles. Everything we do is underpinned by the rules and methods we have refined over three decades. Excerpts of these can be found in this brochure. Our principles are timeless. They have shaped Albin Kistler's investment success over the past decades and will continue to be rigorously applied over coming generations.

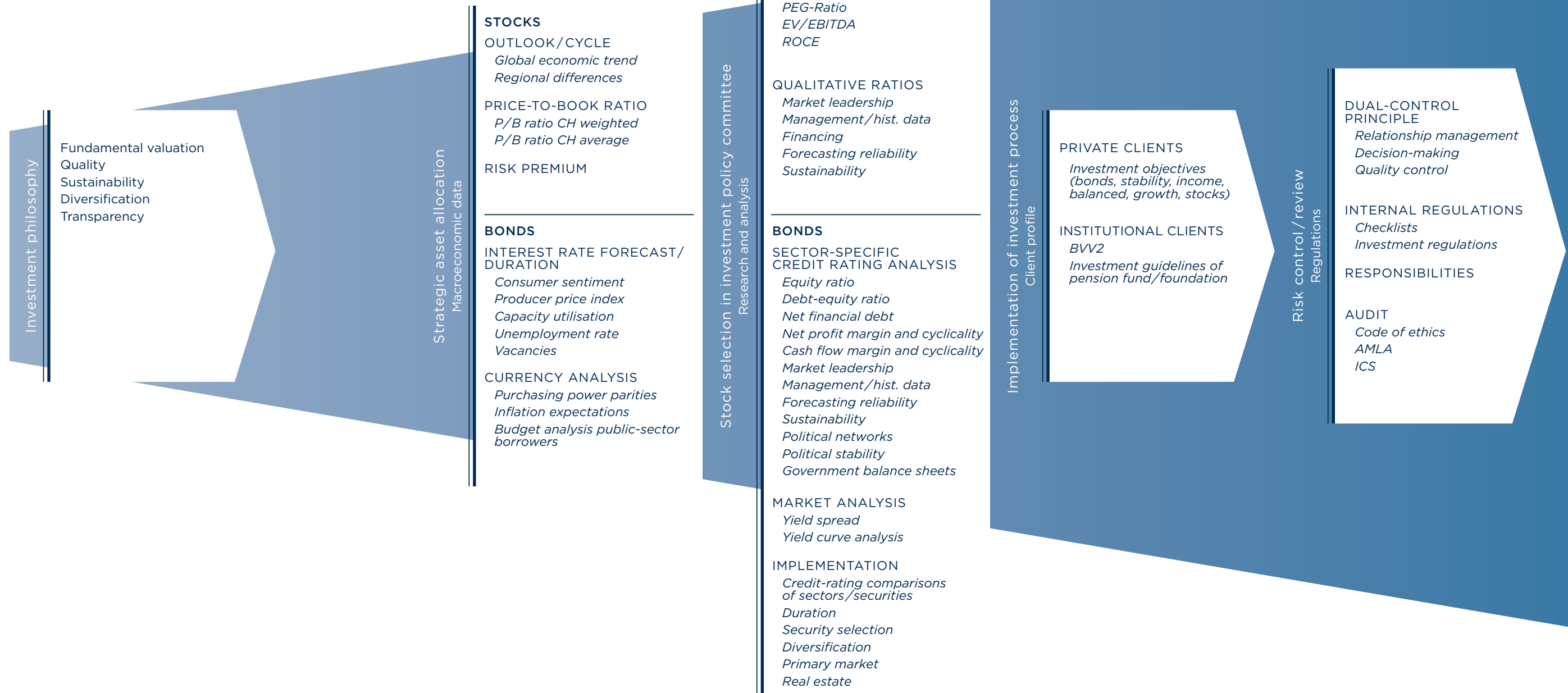
Thanks to our successful track record and professionalism, we enjoy an excellent reputation in the market. This is because, from day one, we have pursued one goal and one goal only: securing superior returns for our clients.

This goal and how we set about achieving it permit our profile to be summed up as follows:

- When it comes to performance we regularly rank the very best;
- we have a unique investment philosophy,
- we conduct intensive research and analyses,
- we have an exceptional level of commitment
- and invest only in real, underlying assets:  
stocks and bonds – transparently and directly.
- We do not invest in banking products or alternative investments.

Our investment philosophy, the investment process that underpins it and the various macro- and micro-economic tools we use are set out in the fold-out page of this brochure and are explained briefly in the following chapters. A more detailed description can be found in our brochure for institutional clients.

# INVESTMENT PROCESS



Investment philosophy

Fundamental valuation  
Quality  
Sustainability  
Diversification  
Transparency

Strategic asset allocation  
Macroeconomic data

## STOCKS

**OUTLOOK/CYCLE**  
*Global economic trend*  
*Regional differences*

**PRICE-TO-BOOK RATIO**  
*P/B ratio CH weighted*  
*P/B ratio CH average*

**RISK PREMIUM**

## BONDS

**INTEREST RATE FORECAST/  
DURATION**  
*Consumer sentiment*  
*Producer price index*  
*Capacity utilisation*  
*Unemployment rate*  
*Vacancies*

**CURRENCY ANALYSIS**  
*Purchasing power parities*  
*Inflation expectations*  
*Budget analysis public-sector  
borrowers*

Stock selection in investment policy committee  
Research and analysis

## STOCKS

**PRIMARY RESEARCH**  
*Management contacts*  
*Analyst conferences*  
*Company presentations*  
*General meetings*  
*Company announcements*

**SECONDARY RESEARCH**  
*Company analyses*  
*Sector analyses*

**QUANTITATIVE RATIOS**  
*Price/book value*  
*Price/sales*  
*Price/earnings*  
*PEG-Ratio*  
*EV/EBITDA*  
*ROCE*

**QUALITATIVE RATIOS**  
*Market leadership*  
*Management/hist. data*  
*Financing*  
*Forecasting reliability*  
*Sustainability*

## BONDS

**SECTOR-SPECIFIC  
CREDIT RATING ANALYSIS**  
*Equity ratio*  
*Debt-equity ratio*  
*Net financial debt*  
*Net profit margin and cyclicalty*  
*Cash flow margin and cyclicalty*  
*Market leadership*  
*Management/hist. data*  
*Forecasting reliability*  
*Sustainability*  
*Political networks*  
*Political stability*  
*Government balance sheets*

**MARKET ANALYSIS**  
*Yield spread*  
*Yield curve analysis*

**IMPLEMENTATION**  
*Credit-rating comparisons  
of sectors/securities*  
*Duration*  
*Security selection*  
*Diversification*  
*Primary market*  
*Real estate*

Implementation of investment process  
Client profile

**PRIVATE CLIENTS**  
*Investment objectives  
(bonds, stability, income,  
balanced, growth, stocks)*

**INSTITUTIONAL CLIENTS**  
*BVV2*  
*Investment guidelines of  
pension fund/foundation*

Risk control/review  
Regulations

**DUAL-CONTROL  
PRINCIPLE**  
*Relationship management*  
*Decision-making*  
*Quality control*

**INTERNAL REGULATIONS**  
*Checklists*  
*Investment regulations*

**RESPONSIBILITIES**

**AUDIT**  
*Code of ethics*  
*AMLA*  
*ICS*

# INVESTMENT PHILOSOPHY

We invest exclusively in quality companies: sound financing, strong management and market leadership are the prerequisites for our investments. They provide a promising starting basis when coupled with a long-term investment horizon and a low stock market valuation.

“At the heart of our investment philosophy, we are prudent and conservative investors. Continuity, discipline, due diligence and patience in our investment policy and in the implementation of our investment decisions are the core values we ascribe to, day in, day out.”

All Albin Kistler’s activities are rigorously geared to the classical fundamental approach to investing. For we believe that – even in our globalised era – markets are not continuously efficient. Stocks and bonds, boosted by euphoria and panic, often trade at levels below or above their actual value. This opens up opportunities for determined investors to benefit from corrections.

At the same time, the companies in which we invest must have first-rate management, solid finances and a good future ahead of them. It is only when these prerequisites are in place that a firm can fully unlock its potential and correct a market misvaluation. Correcting such a valuation can take years. This is why a long-term horizon is vital for equity investors. We attribute no significance to short-term deal-

ing and trading. The assets entrusted to us are diversified broadly in a focused manner and weighted on the basis of various criteria.

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#### **MAXIMUM COMMITMENT**

Character, talent and dedication are indispensable elements of investment success. You can never have too much information about a company and its environment. The more you know, the better the long-term performance of your investment. There are no shortcuts.

We work only in transparent stock and bond markets and underweight or avoid altogether volatile and overregulated segments. Derivatives and structured products are likewise not a component of our investment activities.

# SAFETY

The analysts at Albin Kistler follow a conservative investment philosophy and operate on the basis of classic fundamental doctrine. Safety, value and return are the focus of our wealth management.

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GEESE ARE VIGILANT.

According to tradition, geese were responsible for warning the Romans of the surprise night-time attack launched by the Gauls on the Capitol. Even today, geese reliably protect many a farm against undesirable trespassers, and they are frequently the focus of attention as they serve as feathered guards for the inner courtyard of the Cathedral of Barcelona.



# INVESTMENT PROCESS

A clearly structured investment process forms the foundation for the consistent implementation of our investment philosophy. The weekly meeting of our investment policy committee guarantees a continuous transfer of knowledge, critical discussions with regard to investment decisions and uniform portfolio management.

“Our investment process sets itself apart from customary analysis and discount models. We place a primary focus on the meticulous evaluation of the quality of the company and its earnings relative to the market average.”

Albin Kistler’s investment process is based on its investment philosophy, which sets the strategic asset allocation. Overall, the investment process can be divided into the following four stages:

- Strategic asset allocation
- Stock selection in the investment policy committee
- Implementation of the investment process
- Risk controlling / review

The strategic asset allocation includes basic decisions such as equity weighting, sector weighting, choice of duration and currency allocation. Macroeconomic data are gathered, evaluated and discussed before such decisions are taken.

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### A LONG-TERM APPROACH

The markets always find the fair value of an investment over the long term and do not simply move on a random basis. Consequently, it is important not to be distracted by short-term and volatile factors.

In a second stage, the investment policy committee decides on any adjustments necessary to the investment universe, such as new additions or securities which need to be removed. The proposals put forward are the result of intensive research on the part of the respective sector experts. The decision as to what will happen to the security is then taken after a critical discussion by the investment policy committee. The investment decisions, which are binding for all portfolio managers, are then implemented directly via the relevant relationship managers. The allocations chosen as part of the strategic asset allocation process are considered and the decisions taken at security level are executed within the framework of the investment objectives defined for every individual mandate.

Performance and the consistent implementation of the investment process are monitored on an ongoing basis. The requisite quality is ensured through professional software support and the dual-control principle. Strict internal regulations and directives ensure compliance with all requirements.

# STOCKS

Alongside in-depth macroeconomic analysis for the purposes of determining the strategic asset allocation, Albin Kistler carries out intensive research at sector and security level. Wherever possible we aim for direct contact with management teams in order to ensure the highest possible quality of the data we use.

“We invest in successful companies, not in stock market prices.”

When it comes to defining the strategic asset allocation for stocks, we focus on three key areas of macroeconomic data:

- the current outlook for the economic environment,
- the price-to-book ratio in a historical comparison
- and current risk premiums, similarly in a historical comparison.

Taken together, these three elements give an indication of the equity weighting to be selected. No single element should ever be looked at in isolation; they must all be interpreted in context.

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## ECONOMIES SHAPED BY CYCLES

Understanding and recognising cycles is vital for investment success, as cycles determine elements such as the size of equity and sector allocations. Upward cycles normally last three to five years; recessions one to three years. Forecasts should cover the current and coming cycle at most.

In making selections at security level, first-hand information (primary research) often forms the basis of sound decision-making. Since such information is undistorted and obtained as close to events

as possible, it plays a vital role in company research. The sources used include management contacts, company presentations, analyst conferences, general meetings and a company's media releases.

Alongside primary research, secondary research is another important source of information for analysing companies where management contact is virtually impossible or unnecessary. The overriding rule here is to never use the conclusions reached by others as a substitute for your own assessment. Nevertheless, they are a useful addition thanks to the supplementary information and viewpoints they provide.

In addition to primary and secondary research, we look at sector-specific factors and various value and earnings ratios:

- Price/book value (P/B)
- Price/sales (P/S)
- Price/earnings (P/E)
- Price-earnings ratio in relation to the earnings growth expected over the long term (PEG-Ratio)
- Ratio of enterprise value to operational cash flow (EV/EBITDA)
- Return on capital employed (ROCE)

Using an analysis system developed in-house, we can not only calculate these and other ratios but also feed them into our assessment model using predefined patterns. This weighted model is the result of extensive research and experience amassed over decades.

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#### COMPANY PROFITS DETERMINE THE LONG-TERM VALUE OF A STOCK

If a company's net profit increases by 150 % within ten years, the value of that company (or the share price) generally witnesses a similar increase. The allegory of a master (company profit) walking a dog (stock market price) on a leash is a good one: it is irrelevant whether the dog is walking in front or behind. What matters is that it reaches its destination more or less at the same time as its master.

Not only quantitative criteria but also qualitative elements are vital in meaningful company research. Such elements are likewise incorporated in the mathematical model:

- Market leadership
- Management/historical data
- Financing
- Forecasting reliability
- Sustainability of earnings performance

# BONDS

Investing successfully in the fixed-income segment requires in-depth knowledge of markets and companies. Our in-house interest rate forecasting model coupled with our comprehensive credit-rating analysis is a key element in our success.

“Our investment philosophy is centred around safety, value and performance.”

In defining the strategic asset allocation of our bond investment policy, the key areas of significance for Albin Kistler are essentially:

- interest rate forecast (and the resulting duration),
- currency analysis,
- sector-specific credit-rating analysis
- and macroeconomic market analysis.

The interest rate forecast is geared exclusively to the Swiss market, whereas the currency analysis forms the basis for investments not denominated in Swiss francs.

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## THE LAWS OF THE YIELD CURVE

Yield curves normally slope upwards. Consequently, you should borrow at the short end of the yield curve but give preference to longer maturities when investing. Those who heed this rule will secure excess returns over the long term. The threat posed by inverted yield curves is hugely overestimated.

It should be mentioned that foreign currencies are very rarely of relevance to equity analysis but constitute a central component of bond selection.

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### PURCHASING POWER PARITY DETERMINES THE FAIR VALUE OF A CURRENCY

Exchange rates can be estimated correctly over the long term thanks to purchasing power parity. For the only factor that influences exchange rates on a lasting basis is inflation and not – as is often argued – the level of interest rates, the balance of trade, growth, etc.

Our in-house credit-rating analysis, coupled with equity research, allows us to rapidly identify securities that are undervalued.

As with stocks, the objective, standardised and continuous monitoring of credit ratings and detailed knowledge of the markets make it possible for us to exploit unjustified downward or upward movements in bond prices. Here, we use our own extensive, internal credit-rating analysis system instead of the official ratings issued by banks or ratings agencies. This is because, unfortunately, official ratings are often not backed up by solid fact and can display significant shortcomings. In the case of clients whose investment guidelines are tied to official

“Our own valuation list allows us to rapidly identify undervalued securities. Yield premiums are compared with different maturities and credit ratings.”

ratings (e. g. investment regulations for pension funds) we only take into account bonds which satisfy both the client’s requirements and our internal ratings.

### PRIMARY MARKET

Investments in new issues allow attractive bonds to be acquired before trading influences prices. There are often only minutes between the announcement and the closing of a subscription window. The network of specialist contacts at the leading issuing houses we have built up over the years guarantees an uninterrupted flow of information. Subscriptions are carried out in the form of block orders and allocated to the respective mandates in accordance with the scope of the allotment.

### REAL ESTATE

Carefully selected investments in Swiss real estate generate a regular cash flow and enhance diversification within our client portfolios. The real estate component is covered exclusively by indirect investments (real estate stocks and real estate funds). The price-to-value ratio, defined as the premium paid in relation to net asset value or intrinsic value, plays a key role. In our search for the most attractive investments we pay particular attention to the type of property, regional distribution and the dividend yield. We generally prefer investments in residential properties, which are less cyclically sensitive.

# DILIGENCE

In addition to continuity, discipline and patience, being duly diligent is a principle that guides our actions under the investment policy of Albin Kistler. We minimise risk in the investment process through systematic market analysis, strategic considerations and careful diversification.

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GEESE ARE FASTIDIOUS.

Konrad Lorenz, the renown animal behaviourist, described the plumage of the goose as a “wonderful apparatus of great complexity.” The goose is highly skilled and meticulous in keeping its plumage clean and impervious to water. Its complex cleaning behaviour of the goose is inborn, and even freshly hatched chicks instinctively clean themselves.



# THE EFFICIENT PORTFOLIO

We actively manage our clients' security portfolios on the basis of efficient criteria within our clients' specific investment guidelines. All our macro- and micro-economic findings are applied to the portfolios with a broad-based and focused level of diversification that incorporates all the relevant aspects. The reference currency is supplemented by fundamentally undervalued foreign currencies.

Our clients' efficient portfolios reflect our investment philosophy and our current investment policy, with bespoke tailoring to incorporate individual restrictions and guidelines.

“We strive for the best possible return with the lowest possible level of risk.”

The portfolios' risk and return structures are checked by means of regular monitoring. The attractiveness and compatibility of each position is checked and adjustments are made to accommodate any over- or underweightings produced by price movements.

The result is an efficient portfolio comprising investments where the underlying companies have higher equity ratios and greater sustainability of earnings performance in a market comparison. And all of this with lower price-earnings and price-to-book ratios. In parallel, bonds offer the highest possible yields and safety with respect to quality and maturity class against a coordinated backdrop of staggering maturity dates.

# INVESTMENT OBJECTIVE AND FEES

Every client is unique. This is why Albin Kistler offers six different investment strategies for assets outside occupational pension plans. These strategies cover the entire spectrum from fixed income mandates right through to pure equity mandates.

Investment objective	Fixed income including liquidity and real estate funds	Equity weighting Neutral	Equity weighting Tactical range
Fixed income	min. 90 %	0 %	max. 10 %
Stability	min. 80 %	15 %	0 – 20 %
Income	min. 60 %	30 %	20 – 40 %
Balanced	min. 35 %	50 %	35 – 65 %
Growth	min. 15 %	70 %	50 – 85 %
Equities	max. 35 %	90 %	65 – 100 %

Albin Kistler operates a two-level fee structure: low fixed costs via a management fee and a percentage-based performance fee.

Our clients enjoy preferential conditions with partner banks. Retrocessions are passed on to clients directly in the form of reduced bank fees; Albin Kistler does not receive any retrocessions. Our network comprises the leading Swiss financial institutions.

The implementation of the investment process must be tailored to each client and risk profile, whereby we make a distinction between private and institutional clients.

PRIVATE CLIENTS  
(INCLUDING FOUNDATIONS AND CORPORATE  
ASSETS; NOT INCLUDING ASSETS FOR PENSION  
BENEFITS)

**Management fee**

Investment value	Mandate
CHF 1-5 million	0,7% p. a.
CHF 5-10 million	0,6% p. a.
CHF 10-20 million	0,5% p. a.
CHF 20-50 million	0,4% p. a.
CHF > 50 million	0,3% p. a.

The management fee is calculated as a percentage of the average capital invested; the amount of capital deposited is the relevant factor for determining which terms and conditions apply. With an investment value below the minimum amount of CHF 1 million (or the equivalent in USD/EUR) the management fee is 0,8% p. a.

**Performance fee**

Basis	Mandate
Net income	5,0%

A high-water mark applies. Losses are carried over.

INSTITUTIONAL CLIENTS  
(PENSION FUNDS, CHARITABLE FOUNDATIONS  
AND PUBLIC BODIES)

**Management fee**

<u>Investment value</u>	<u>Mixed mandates</u>	<u>Equity mandates</u>	<u>Fixed income mandates</u>
CHF < 10 million	0,40 % p. a.	0,50 % p. a.	-
CHF 10 - 20 million	0,35 % p. a.	0,45 % p. a.	0,30 % p. a.
CHF 20 - 50 million	0,30 % p. a.	0,40 % p. a.	0,25 % p. a.
CHF 50 - 100 million	0,25 % p. a.	0,35 % p. a.	0,20 % p. a.
CHF > 100 million	0,20 % p. a.	0,30 % p. a.	0,15 % p. a.

The management fee is calculated as a percentage of the average capital invested; the amount of capital deposited is the relevant factor for determining which terms and conditions apply.

**Performance fee**

<u>Basis</u>	<u>Equity mandates</u>	<u>Mixed mandates</u>	<u>Fixed income mandates</u>
Net income	5,0 % *	3,0 % *	-

\* Alternative: 15 % of outperformance in relation to a predefined benchmark

With the exception of the benchmark model, a high-water mark applies in respect of the performance fee. Losses are carried over.

# RISK CONTROLLING/ REVIEW

As a conservative wealth manager with a long-term perspective, Albin Kistler attaches considerable importance to controlling. Rigorous application of the dual-control principle, clear processes and regular monitoring by independent external control bodies help us ensure a high level of quality.

“Our processes and models are developed on an ongoing basis.”

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## TARGETED DIVERSIFICATION

Broad-based and targeted diversification is indispensable and is fully in line with our conservative approach. Unlike various other hedging strategies, there is no cost involved.

## DUAL-CONTROL PRINCIPLE

One of the most straightforward yet effective methods for ensuring compliance with internal rules and legal requirements is the classic dual-control principle. Under this principle, all client advisors have a deputy who can accompany them to or represent them in meetings or discussions with clients. In addition, the delegate can – acting on his own initiative or at the request of the client advisor – check the appropriateness and consistency of investment decisions and client portfolios. This independent second opinion guarantees an extremely high level of safety and quality. It is also supplemented by various automated controls. These are regularly assessed by the Executive Board in order to detect and correct any deviating parameters as rapidly as possible.

## INTERNAL REGULATIONS

Internal checklists and regulations are an indispensable part of institutionalising instructions. They not only fulfil a control function

but also serve as a guide for employees. At the same time we strive to keep rules to a minimum so as not to impair the quality and transparency of what we do.

#### AUDIT

Alongside its internal controls, Albin Kistler is reviewed by external auditors (financial market regulation). As a founding member of the Swiss Association of Asset Managers (VSV) Albin Kistler undergoes an annual sector-specific audit in addition to an inspection of its financial accounts.

# FAITHFULNESS

Success in investing does not come accidentally. Albin Kistler conscientiously adheres to its defined investment process and is faithful to its own investment philosophy.

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## GEESE ARE MONOGAMOUS.

Geese choose their mate for life and indicate their willingness to accept each other as partners by bending their necks characteristically. After a successful courtship, geese will stay together for the rest of their lives. In antiquity, the virtues of love and faithfulness were attributed to the goose. Today, in China the goose still symbolises marital happiness.





PROJECT MANAGEMENT

Balanx, Zurich

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CONCEPTION AND DESIGN

Eclat, Erlenbach/Zurich

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PHOTOGRAPHY

Noë Flum, Zurich



