

The logo for Union Bancaire Privée (UBP), consisting of the letters 'UBP' in white on a dark green square background.

UNION BANCAIRE PRIVÉE



COMMITTED TO YOU

October 2010

## UBAM (CH) - Swiss Excellence Equity

Capturing the “Swiss made” label

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# UBAM Swiss Excellence Equity

## Introduction

- We strongly believe in active management, especially for Swiss equities
- The SPI includes approximately 230 equity issues but the largest stocks account to approximately 50% of the index's market capitalisation
- A well-designed stock selection process using a vast stock universe should allow the index to be outperformed
- Our Investment Team has the experience and credentials to achieve this objective

# UBAM Swiss Excellence Equity

## Executive summary

- Actively-managed Swiss equity fund, targeting long term capital appreciation
- Thematic fund screening with a focus on Swiss global leaders in growth industries
- Daily liquidity
- Benchmark-agnostic, portfolio geared towards high-conviction investing
- Controlled volatility of the portfolio through large cap exposure
- Dedicated senior team with longstanding investment and trading experience

# UBAM Swiss Excellence Equity

## Investment case

- Switzerland tops the overall ranking in The Global Competitiveness Report 2010-2011 released by the World Economic Forum
- At least 60% of Switzerland's largest quoted companies' sales is generated abroad (a much higher figure excluding financials)
- Approximately 30% of Switzerland's largest, quoted companies' sales is generated in emerging markets
- Switzerland has 7 million inhabitants and 15 quoted Swiss companies are in the Fortune Global 500 (vs. 82 million inhabitants in Germany and 39 companies)
- Switzerland is one of the best-run countries in the world with a strong currency, stable economy, and plenty of superb listed companies with high exposure to emerging markets

### A small country well positioned to capture global growth



# UBAM Swiss Excellence Equity

## Thematic investment philosophy

- The core concept of the fund is to capture the world famous « Swiss made » label by picking the Swiss leaders of tomorrow who are maintaining and improving their cash flow return on investment (CFROI)
- By Swiss leaders we mean global companies, not those active only in Switzerland, with a competitive advantage and in expanding industries
- Portfolio highly concentrated with about 20 stocks (minimum 15)
- Up to 30% allocation to a single stock, and up to 60% for the overall portfolio composed of stock allocations of 10% each
- No longer reflects the Swiss market, but Switzerland's global leaders
- Portfolio turnover: no big changes in stocks, preferring to shift weightings

# UBAM Swiss Excellence Equity

## Investment Universe

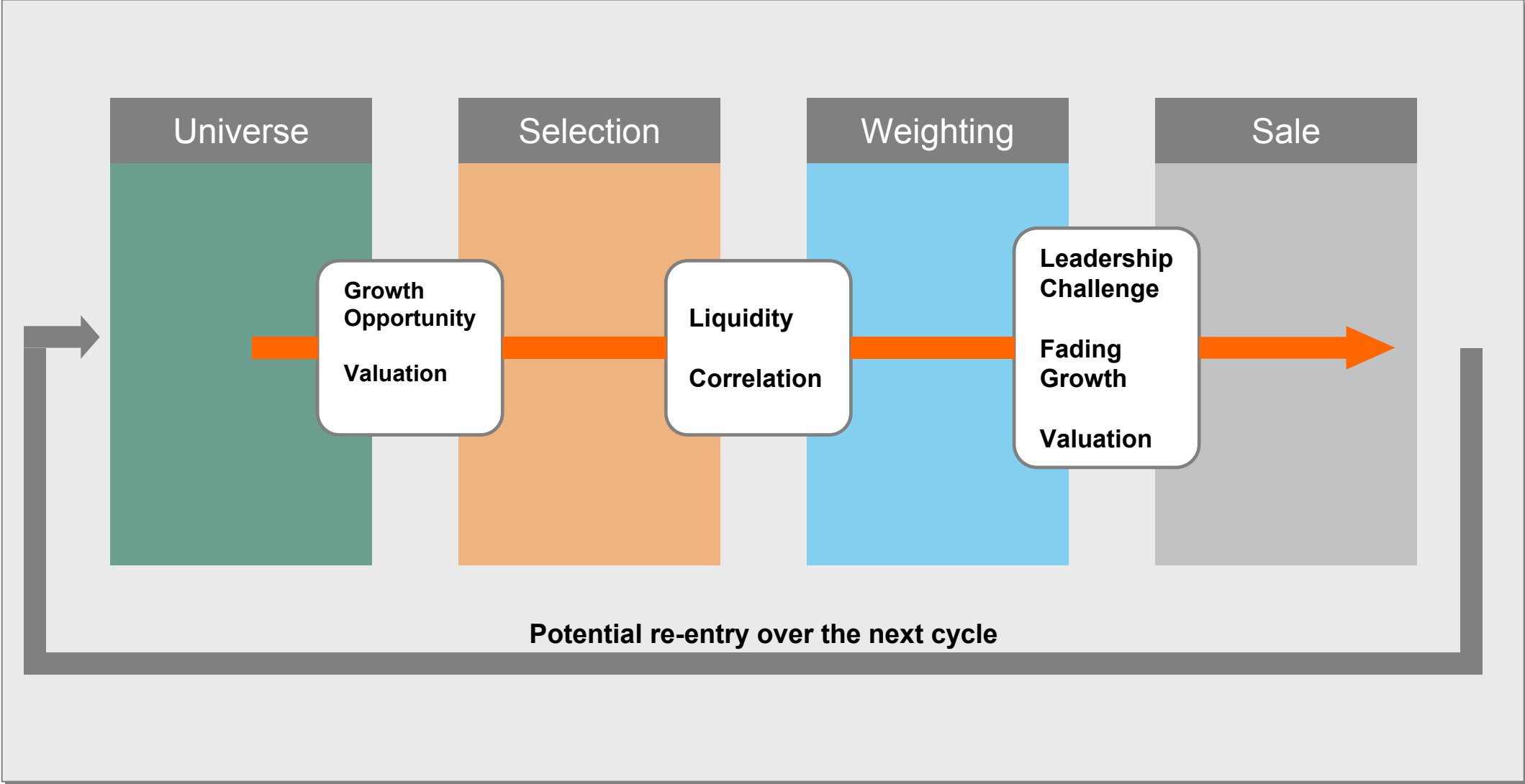
- Companies with dominant **global market shares** in future oriented business models...
- ...and which have **sustainably growing returns**...
- ...but whose **valuations are reasonable**

	...SUPPORTING RETURNS	...OFFERING GROWTH
POSITION	Industry leaders' competitive advantages including balance sheet strength and networks <sup>1</sup>	Exposure to geographic and demographic growth markets
PRODUCT	Specialized products and unmatched core competencies	Penetration opportunities due to value added or socio-demographic trends
BRAND	Loyalty discouraging competition	"Aspirational" brands attracting additional customers

<sup>1</sup> Such as sourcing, clients, distribution channels

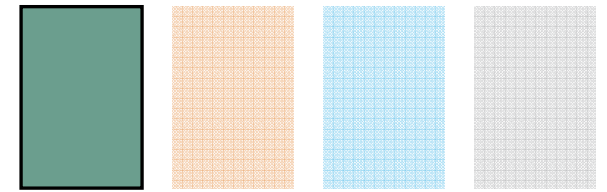
# Investment process and sale discipline

A four step process



# Investment process and sale discipline

## Step 1 > identifying leadership



### Universe

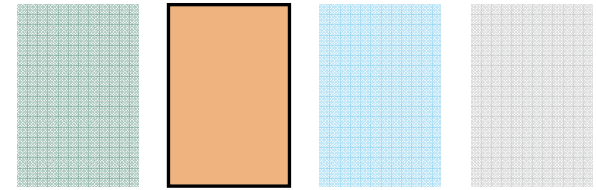
Swiss companies with dominant global market shares

40-50 candidates, large, mid, small cap

- Dominant market share in at least one key business area
- Global - not regional - presence

# Investment process and sale discipline

Step 2 > investment opportunities along the life-cycle



## Selection

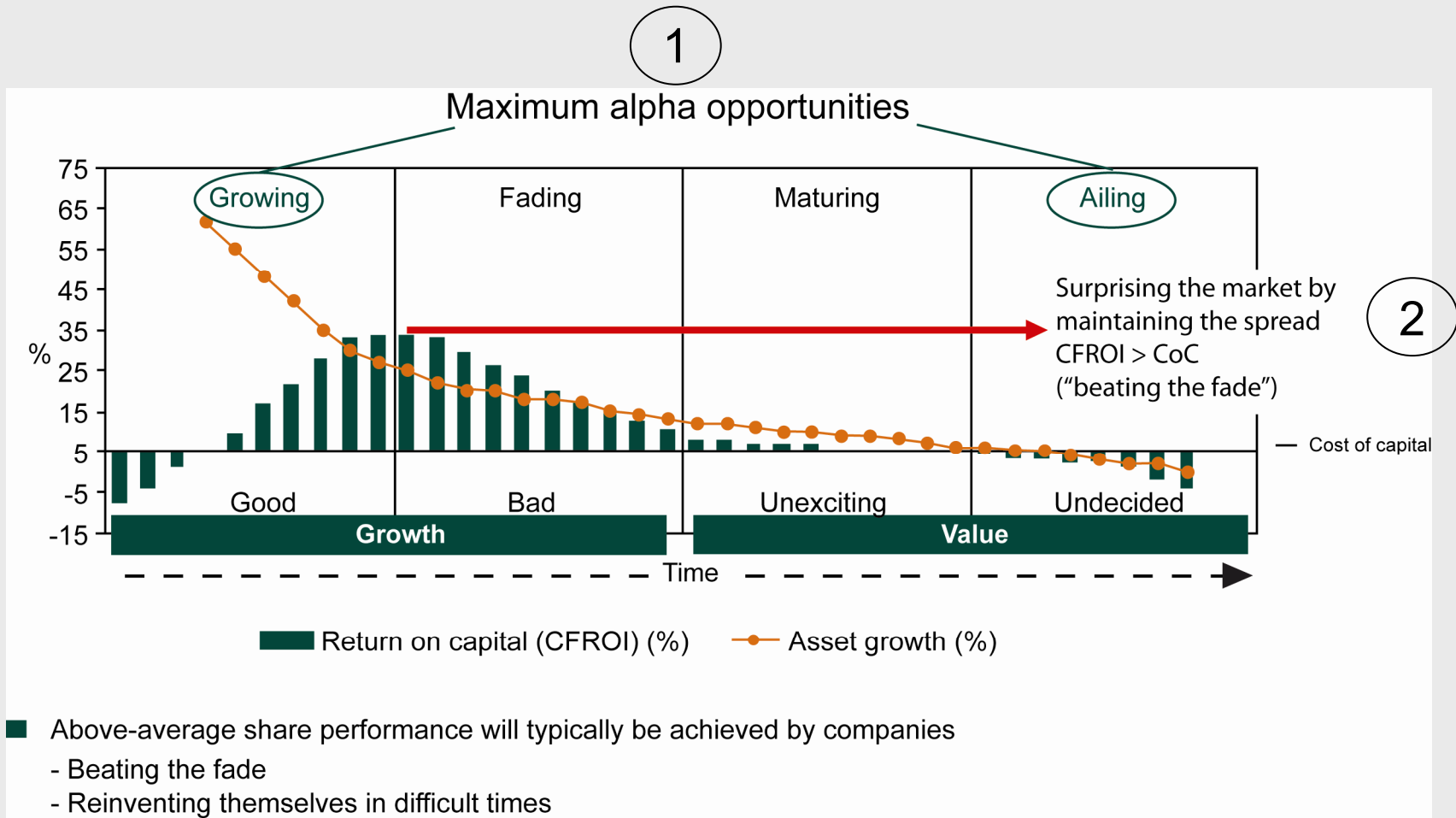
20-25 Companies

Large, mid, small cap,  
growing beyond  
current market  
expectations

- Companies growing and generating a high level of returns for investors
- Sustainable growth which will not be easily competed away
- Reasonable valuation (undiscovered potential)
- Analysis based on fundamentals and quantitative screening

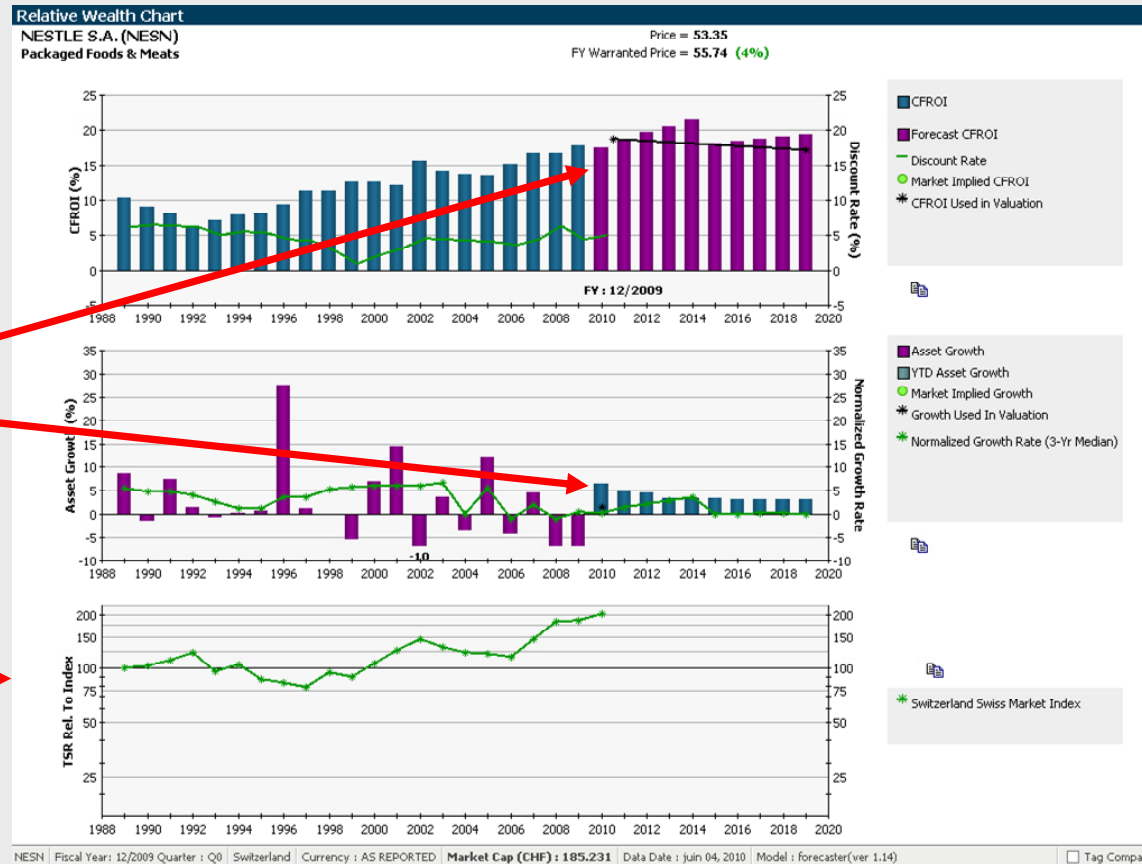
# Investment process and sale discipline

Step 2 > exclusive focus on two stages of the lifecycle



# Beating the fade :

Nestlé : superior competitive position maintains growth and CFROI spread



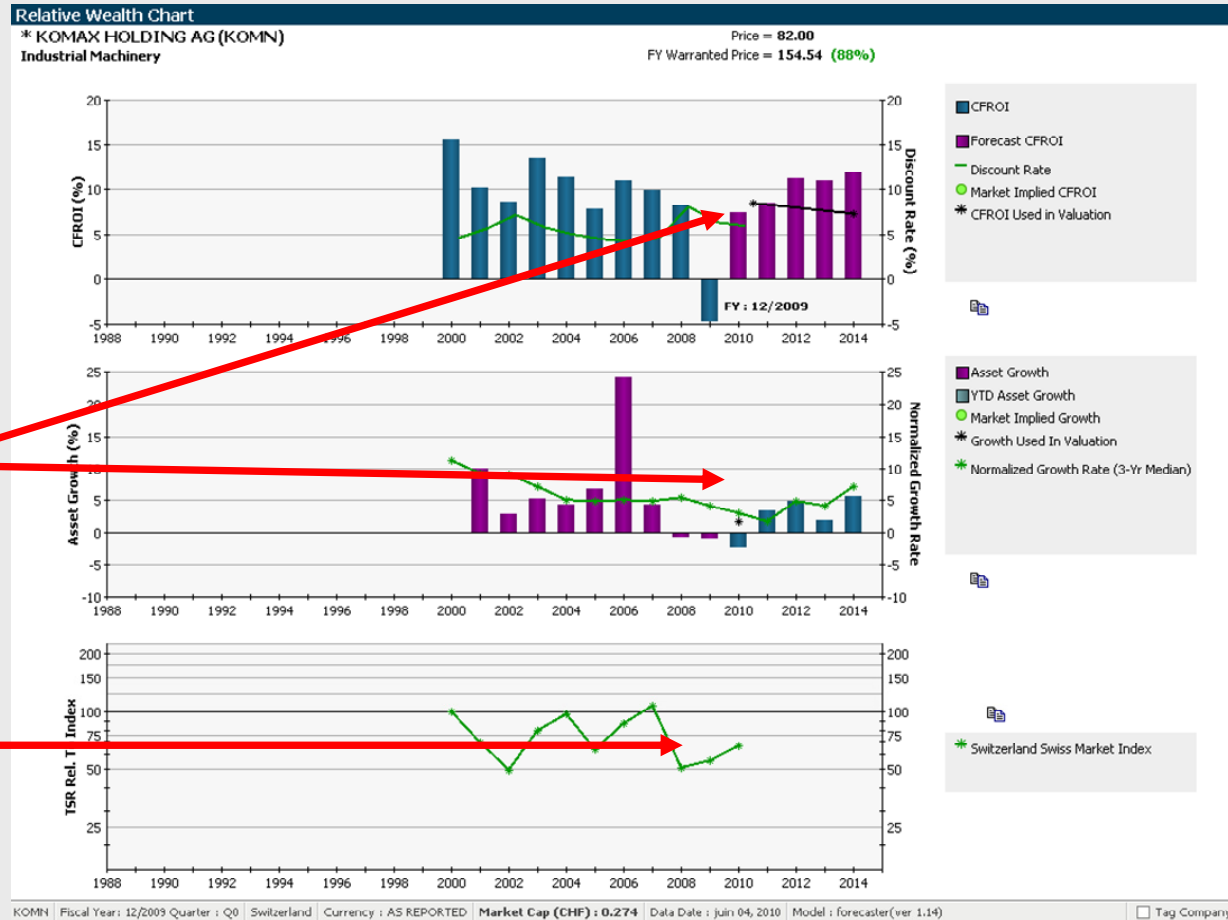
Steady long term growth and investment

Long term outperformance

- **Growth:** penetration of packaged food in emerging markets
- **Valuation:** priced for steady, not growing returns

# Leader for future growth :

Komax : >50% market share in wirebonding



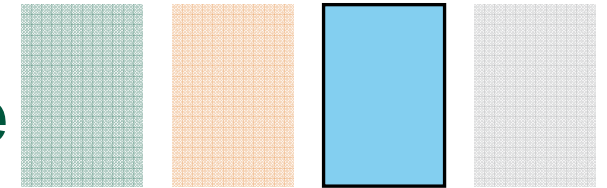
CFROI growth alongside continued asset growth

Shift in asset growth and CFROI growth leads to strong share performance

- **Growth trend:** automation, miniaturisation
- **Valuation:** much faster snap back to peak growth levels than market expects

# Investment process and sale discipline

## Step 3 > balancing



### Weighting

**Liquidity of stock  
balance between  
sectors in portfolio**

**No benchmark**

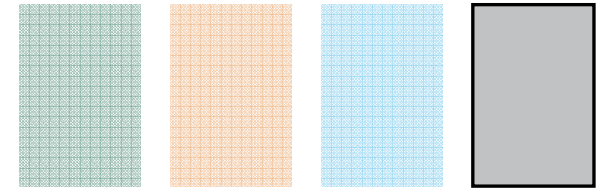
**No tracking error  
target**

**No sector allocation**

- Weighting considers the risks of stock volatility due to low liquidity
- Portfolio construction aims to be balanced between more defensive and more cyclical sectors, while remaining a stock-picking approach
- Balancing is effected by controlling sector exposure and portfolio volatility (systematic and specific) on a regular basis

# Investment process and sale discipline

Step 4 > exiting



## Sale

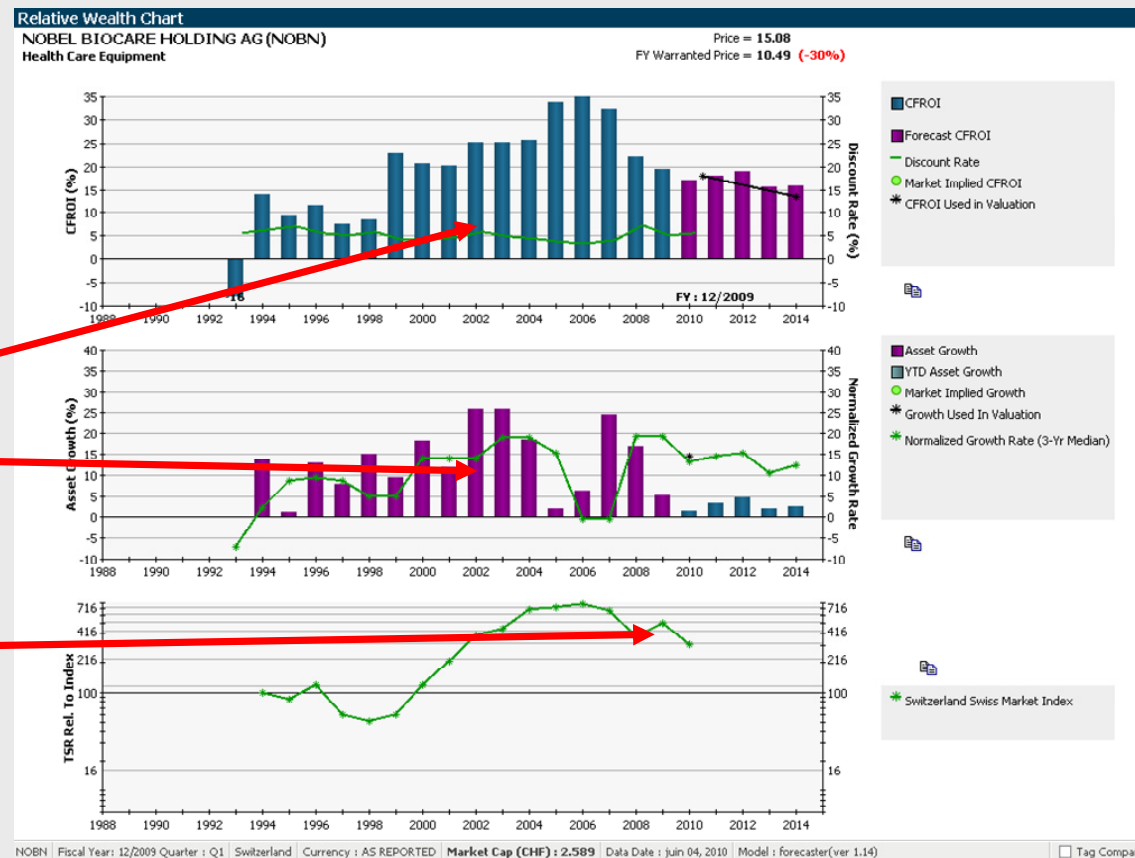
**Strict sale discipline**

**Non compliance with investment criteria leads to exclusion**

- Prefer cash to overvalued investment ideas
- Avoid exposure to cyclical fading growth through higher cash allocation
- Active management – make room for better ideas

# Sale example :

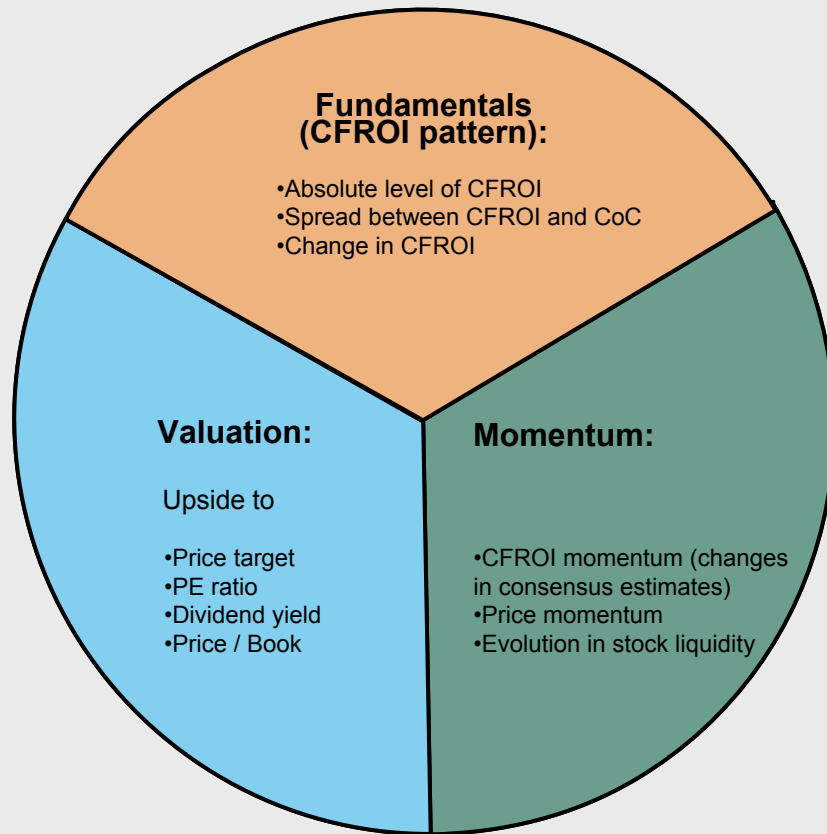
Nobel Biocare : leadership is competed away leading to fading CFROI



- **Growth:** fading, faced with higher competition and waning health spend
- **Valuation:** priced to return to growth when the latter is elusive

# Company selection and monitoring overview

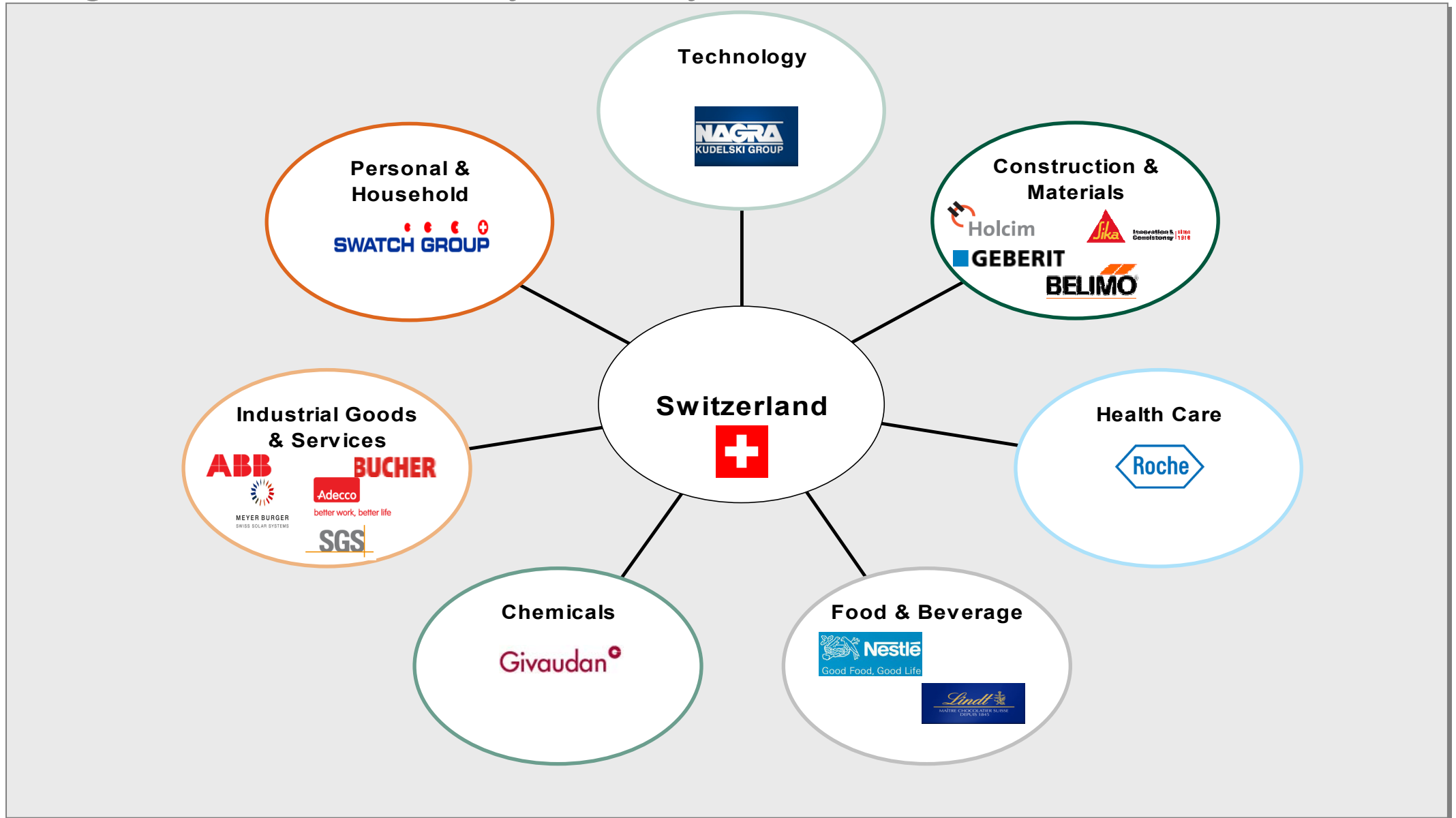
## Analytical research and quantitative screening



- Using the team's combined experience of 30 years in Swiss portfolio management for extensive primary research
- Using close ties with Swiss industrial leaders to identify new opportunities
- Using a team of seven global sector analysts to identify trends and events influencing Swiss companies
- Using secondary research and network to challenge investment ideas
- Using quantitative tools to screen and model investment ideas

# Swiss global leading companies in multiple sectors

A global leader in every industry



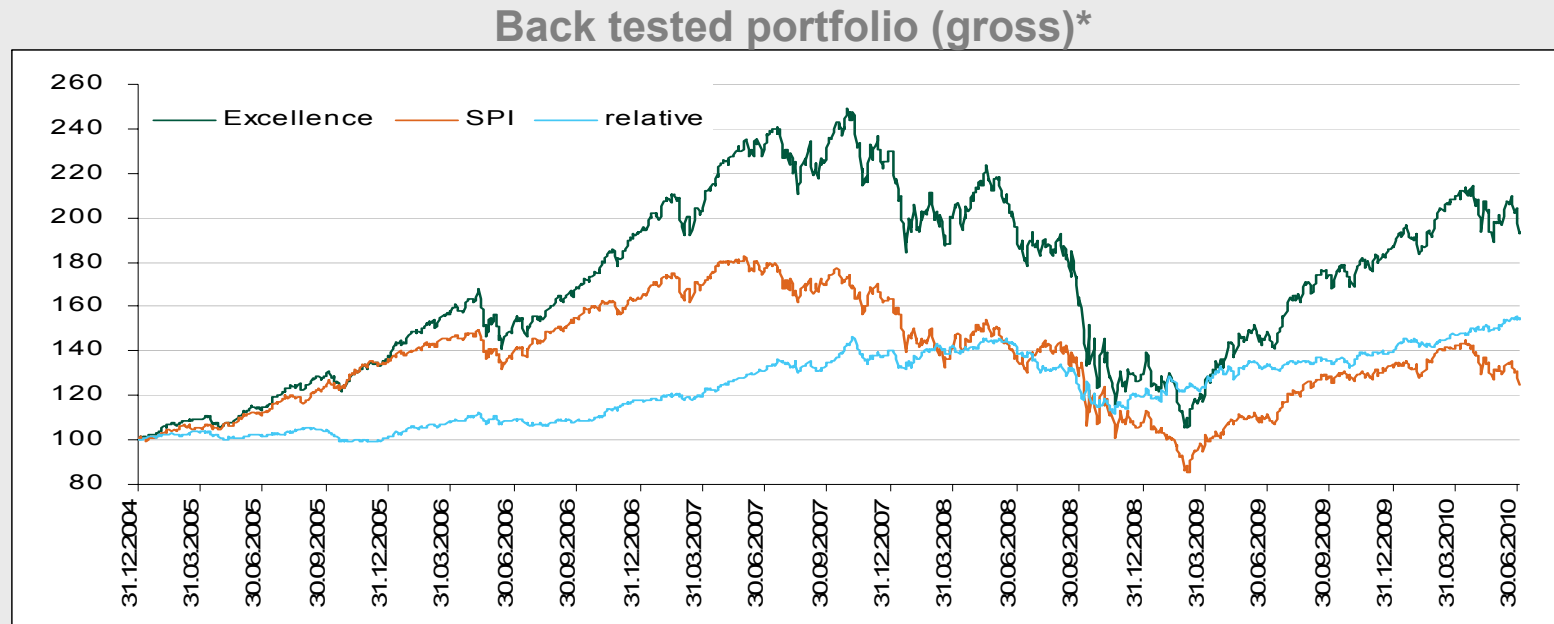
# 20 Global leaders

## Sample Portfolio

Ticker	Name	Portfolio Weight	Index Weight
ABBN VX equity	ABB LTD-REG	7.00%	4.86%
ADEN VX equity	ADECCO SA-REG	6.00%	0.75%
BEAN SE equity	BELIMO HOLDING AG-REG	2.00%	0.06%
BUCN SE equity	BUCHER INDUSTRIES AG-REG	4.00%	0.09%
CFR VX equity	CIE FINANCIERE RICHEMON-BR A	6.00%	2.17%
GALN SE equity	GALENICA AG-REG	2.00%	0.22%
GEBN VX equity	GEBERIT AG-REG	4.00%	0.79%
GIVN VX equity	GIVAUDAN-REG	4.00%	0.82%
HOLN VX equity	HOLCIM LTD-REG	7.00%	2.13%
KOMN SE equity	KOMAX HOLDING AG-REG	7.00%	0.03%
KUD SE equity	KUDELSKI SA-BR	6.00%	0.11%
KNIN VX equity	KUEHNE & NAGEL INTL AG-REG	4.00%	0.60%
LISN SE equity	LINDT & SPRUENGLI AG-REG	3.00%	0.32%
NESN VX equity	NESTLE SA REG	6.00%	20.08%
ROG VX equity	ROCHE HOLDING AG-GENUSSSCHEIN	6.00%	12.55%
SGSN VX equity	SGS SA-REG	4.00%	0.96%
SIK SE equity	SIKA AG-BR	7.00%	0.42%
SOON VX equity	SONOVA HOLDING AG-REG	4.00%	0.64%
UHR VX equity	SWATCH GROUP AG/THE-BR	6.00%	1.03%
SYST VX equity	SYNTHES INC	4.00%	0.88%
CASH		1.00%	0.00%

# UBAM Swiss Excellence Equity

Robust portfolio throughout various economic cycles



Source: UBP

- Actively managed
- All market caps, but large cap likely over-represented
- Growth at a reasonable price bias
- Over-representation of industrial and consumer cyclical stocks.
- Under-representation of utilities, telecom, financials
- Swiss market can be seen as defensive. This is a higher octane version of the Swiss market with a tilt towards global growth
- Swiss legal structure gives flexibility to avoid high drawdowns in period of market correction

\* Past performance is not a guide to current or future results. The performance data do not take into account fees and expenses charged on issuance and redemption of the shares nor any taxes that may be levied



# Conclusion

# UBAM Swiss Excellence Equity

## Conclusion

- Actively-managed Fund in a market dominated by passive strategies
- Thematic Fund focusing on Swiss global leaders in growth industries
- Experienced team with a proven track record
- Strong discipline in the portfolio construction
- Clear and transparent reporting



# Appendices

Investment Team  
Terms & Conditions  
Contacts

# UBP dedicated Equities skills

Specialisation and synergies across equities markets

## CIO LONG-ONLY INVESTMENTS

Jean-Baptiste Segard

### Internally managed

- UBAM – Swiss Equity
- UBAM – Swiss Excellence Equity
- UBAM - Turkish Equity
- UBAM - European Emerging Equity
- UBAM – Russia\*
- UBAM – Europe Equity\*
- UBAM – MENA\*

- Eleanor Taylor-Jolidon
- Martin Moeller
- Fares Benouari
- Rui Brandão

### Externally managed

- UBAM - PCM Equity Value
- UBAM - Neuberger Berman US Equity Value
- UBAM - Calamos US Equity Growth
- UBAM - Dr. Ehrhardt German Equity
- UBAM - VP Value China Equity
- UBAM - IFDC Japan Equity
- UBAM - IFDC Japan Opportunities Equity
- UBAM - South Pacific & Asia Equity

### FoF - Long-only

- UBP Multifunds - Europe Equity
- UBP Multifunds - US Equity
- UBP Multifunds II - Emerging Markets Equity
- UBAM - Equity BRIC+

\* Launch in the immediate future

# UBAM Swiss Excellence Equity

## Investment team

- **Martin Moeller** has been in banking for 18 years, the last 12 years involved in equity research and portfolio management. Before joining UBP in 2006, he spent 14 years at Deutsche Bank in Berlin, Frankfurt and New York. His research and portfolio management focus has been on banks, insurance companies and other financial service providers globally. Prior roles include credit analysis on financial institutions such as banks, broker/dealers, and asset managers. He holds an MA in Banking and Finance from the Hochschule für Bankwirtschaft (Business School of Finance and Management), Frankfurt. Mr Moeller is the author of Strategic Concepts of Universal Banks, published by Bankakademie Verlag in 2000, and earned the CFA designation in 2002.
- **Eleanor Taylor-Jolidon** has been working in banking and finance for 17 years. She joined UBP Equity portfolio management in 2008 and manages the Swiss Equity mutual fund and Swiss Equity institutional mandates. Prior to joining UBP, she worked for four years at Independent Asset Management (IAM) in Geneva as a Swiss Equity analyst and as part of the Swiss Equity portfolio management team. Before IAM, she worked for 4 years at Bank Sal. Oppenheim in Zurich in institutional sales and Swiss equity analysis. She worked for three years as a management consultant for financial services with PriceWaterhouseCoopers in Geneva and Zurich. Her career started at Banque Indosuez (now Crédit Agricole) in London, Paris, Luxembourg and Geneva in private banking discretionary portfolio management, marketing and risk management. She holds a Diplôme d'études approfondies (DEA) in Economics from the College of Europe, Natolin (Poland) and a M.A. in Modern and Medieval Languages (French and Russian) from the University of Cambridge, United Kingdom.
- **Fares Benouari** has been working in banking for 5 years. On joining Union Bancaire Privée in September 2006, he worked as an equity analyst covering European small and mid capitalisations and he is now responsible for the industrial sector coverage. Mr. Benouari is also working with the Swiss and Global portfolio management team. Prior to joining UBP, he completed internships in Mirabaud & Cie's Hedge Funds department and in UBS SA's Institutional Advisory department. In 2005, Mr. Benouari was awarded an MSc in Economics by the Faculté des Hautes Etudes Commerciales (HEC) in Lausanne, after which he spent half a year studying English in Toronto.

# Terms and conditions

<b>Fund name</b>	■ UBAM (CH) – Swiss Excellence Equity	<b>Management fee</b>	■ A = 1.40% / I = 0.90% (monthly in arrears)
<b>Legal structure</b>	■ Swiss contractual fund, category other fund for traditional investments	<b>ISIN</b>	■ A = CH0117983723 / I = CH0117983848
<b>Share classes</b>	■ A (Retail) / I (Qualified investors)	<b>Telekurs</b>	■ A = 11798372 / I = 11798384
<b>Currency</b>	■ CHF	<b>Fund Manager</b>	■ Union Bancaire Privée, UBP SA, Geneva
<b>Bid / offer price</b>	■ NAV	<b>Fund Administrator</b>	■ GERIFONDS SA, Lausanne
<b>Launch date</b>	■ October 8th 2010	<b>Depository Bank</b>	■ Banque Cantonale Vaudoise, Lausanne
<b>Minimum investment</b>	■ 1 share	<b>Auditors</b>	■ PricewaterhouseCoopers (SA), Pully
<b>Subscription</b>	■ Daily	<b>Regulatory oversight</b>	■ Swiss Financial Market Supervisory Authority FINMA
<b>Redemption</b>	■ Daily		

# Contacts

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