

Swiss raise game to outperform the neighbours

Alpha League

Asset managers gain more success than peers in Italy, Spain and France, says **Ruth Sullivan**

Asset managers in Switzerland are more successful than their peers in Italy and Spain in achieving high returns from equity markets in an uncertain financial climate.

In common with much of continental Europe, Swiss equity funds suffered a heavy wave of redemptions in 2007 and the first half of this year as volatile stock markets scared away investors. But some Swiss fund managers have raised their game by producing outperformance, or alpha, across a slightly higher proportion of their funds than in last year's analysis.

The third alpha league table for Switzerland, compiled by Edhec, the business school, and EuroPerformance, the fund analysis company, shows the results for the 10 of the 50 groups analysed that produced good enough results to make the table. These top 10 produced outperformance in 38.5 per cent of their equity funds on average, a slight increase from last year, while the average outperformance was 2.3 per cent (2.4 per cent last year).

According to Swiss Fund Data, Switzerland's equity funds posted redemptions of SFr13bn (£6.4bn, €8bn, \$13bn) in 2007 and SFr2.7bn in the first quarter of 2008. Equity assets under management by Swiss firms fell more than those for foreign groups in the first three

months, dropping 23 per cent compared with 14 per cent.

Against this background Bank Sarasin has climbed to the top of the table from second place last year with a robust performance. Nearly two-thirds of the group's equity funds outperformed their benchmark (the alpha frequency score), and did so by an average of 3.65 per cent (the average alpha score). Both those scores are high by any standards.

Burkhard Varnholt, chief investment officer, says it has been an exceptional year. "We haven't seen any redemptions [in 2007 or the first half of 2008], with SFr1bn in net inflows."

Sarasin's investment strategy has been rooted in a thematic and sustainable

benchmarks, with average alpha of 2.9 per cent.

Vontobel Asset Management saw net redemptions of about 1.7 per cent of assets in 2007 and about 0.3 per cent of assets in the first quarter of this year. Assets under management at the end of 2007 were SFr44bn.

SwissCanto, the joint venture for investment and pension services of the Swiss cantonal banks, remains in third place, showing a higher alpha frequency (41.6 per cent) but lower average alpha (2.9 per cent), while Lombard Odier Darier Hentsch, last year's winner, slipped to fourth position, followed by Pictet.

Among the big names UBS remains in sixth place with similar results to last year but Edhec points to outperformance coming from a wider range of products than its peers. This is in keeping with a broader range of funds offered by bigger financial groups.

Credit Suisse, another big operator, remains in eighth place although its average outperformance slipped from last year. Edhec says 10 of its funds in five investment areas stand out, compared with only five last year. On the alpha frequency front the asset manager's performance improved by 93 basis points to 24.8 per cent.

Swiss asset managers come out quite well on European comparisons, producing average alpha of 2.3 per cent and beating the figures for Italy and Spain from an Edhec report in May of 1.14 per cent and 2.08 per cent respectively.

The latest report also shows Swiss equity managers have a more international focus than their French counterparts. Swiss funds outperforming their benchmark invest nearly 30 per cent of their portfolios in international equity, 21 per cent in domestic markets and 12 per cent in Europe, says Edhec. The alpha league table for France, published this year, shows just over 21 per cent of outperforming funds were invested abroad.

Mr Varnholt believes Switzerland will further strengthen its position in the asset management industry once the current financial crisis is over. "More talented bankers will be moving from investment banks and from other countries to join the asset management industry here."

2.3%

The average alpha for asset managers in Switzerland

1.14%

The average alpha for asset managers in Italy

approach for 20 years and that has served it particularly well this year. "Our thematic approach has helped create outperformance against most benchmarks and been critical in navigating choppy waters," says Mr Varnholt. Sarasin also uses quantitative and small- and mid-cap investing strategies, he adds.

Although Sarasin takes first place in the league table, Vontobel moves up to second place from fourth position last year, achieving the highest alpha frequency (63.5 per cent) among the top 10. Seventeen equity funds delivered returns above their

Alpha league table: Switzerland.

Rank	2008	07	06	Company	Alpha frequency	Average alpha	Final score
1	2	3		Sarasin	62.59	3.65	2.26
2	4	1		Vontobel	63.58	2.91	1.84
3	3	7		Swisscanto	41.61	2.91	1.22
4	1	-		LODH	48.12	1.96	0.95
5	5	1		Pictet	44.67	2.10	0.91
6	6	6		UBS	29.55	2.13	0.61
7	9	9		Swiss Life	28.89	2.08	0.61
8	8	4		Credit Suisse	24.86	2.08	0.49
9	10	10		Julius Baer	28.62	1.30	0.37
10	7	-		BCV Asset Management	12.80	1.74	0.22