PRIVATBANKIERS
REICHMUTH & CO
INTEGRAL INVESTMENT MANAGEMENT

CHECK-UP

CLIENT INFORMATION OF PRIVATBANKIERS REICHMUTH & CO, INTEGRAL INVESTMENT MANAGEMENT

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EDITORIAL

In recent years, the financial world has been preoccupied with crises and how to deal with them, and a typical trial and error process has ensued. There now appears to be something of a fresh dawn emerging for the banking sector, and the ground rules for the future are becoming clearer. Although we take little pleasure in what in some cases is excessive regulation, we are nonetheless pleased to see this degree of clarity. After all, this is essential if we are to be able once again to focus our services strictly on the needs of our clients, without having to continually wonder what might be reinterpreted retroactively in the future.

We see less progress being made when it comes to tackling the sovereign debt problems. These continue to hold the central banks in their thrall, and the trial and error process is still ongoing here. For us as your private bankers, our biggest challenge lies in identifying the implications of this process, so as to ensure the greatest possible certainty in achieving your investment objectives.

Jürg Staub
General Partner

THE PROFIT IS IN THE PURCHASE PRICE

FEW ATTRACTIVE BUYING OPPORTUNITIES AT PRESENT

One year ago, controls on the movement of capital were introduced for the first time in the Eurozone, namely in Cyprus. A new bank bail-in model was also tested at the same time, which targeted client deposits. This model has since been declared as the future standard for bank bail-ins in the Eurozone. Fast forward twelve months, and there is jubilation as Greece returns to the capital market, issuing a new 5-year bond with a yield of under 5%. And this not even two years after private investors had 'voluntarily' taken a 90% haircut on their assets. Greece's debt burden is nevertheless still at 175% of its GNP, around 70% higher than before the financial crisis in 2008. Against the backdrop of the rescue packages, investors apparently believe the promises being made by countries and central banks.

Money burning holes in pockets

This poses a dilemma for value-oriented investors. Although the numerous statements and promises have had an effect on the financial markets, do you really see any viable solutions going forward? One year ago, Italy had no government, the expectations of its economy were low, and likewise the valuations of the Italian stock market index. The euro and a possible exit hung over Italy like the sword of Damocles. Since then, Italy's stock market has gained 50% and yields on Italian government bonds have fallen.

Buy low, sell high

As the saying goes, the profit is in the purchase price. Investments bought cheap are more likely to turn a profit than expensive ones. However, equities are usually only cheap when things don't look so good. This was the case in Italy a year ago, but today more so for Russia or the emerging markets. In such a phase, the risks are undeniable, but as long as the problems are common knowledge and the weak hands are flushed out of the markets, this is often an attractive entry point – particularly if there is no fundamentally negative change in the general environment.

Positive PMIs

While the economy in the US seems to be faring better, Europe is stagnating, China is sluggish, and Japan is experimenting. Purchasing managers indexes (PMIs) are a popular yardstick for gauging where the economy is heading. Values in excess of 50 indicate that things are on the up. This chart shows that neg-

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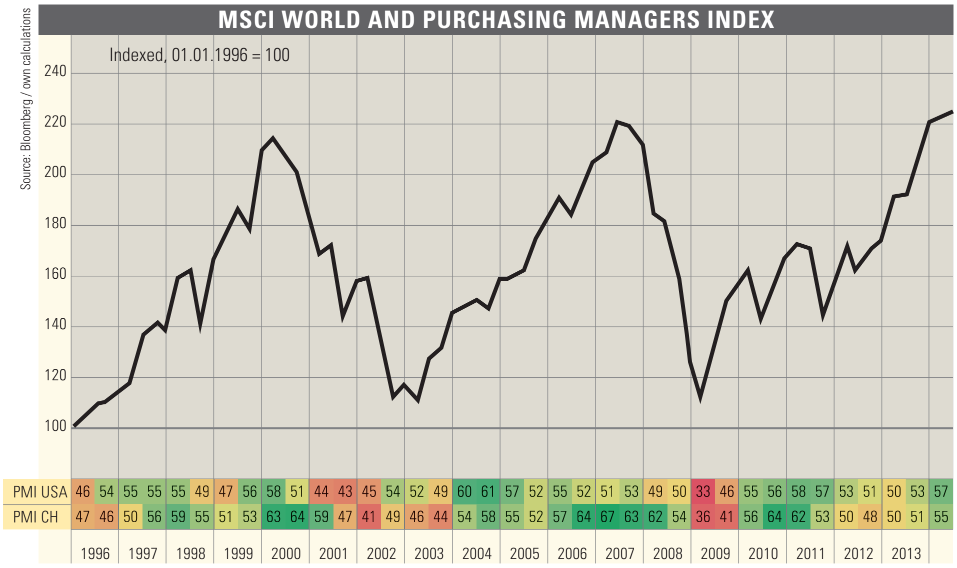


ative PMI values (below 50) mostly mean attractive purchase prices for equities, and vice versa. The index is currently positive. Although this is good news with regard to economic performance, it is not necessarily positive for the equity markets. Looking to the past, it was mostly better to invest in equities when the PMI values were in the red.

Anything but deflation

There are increasing calls worldwide for monetary policy to become even more expansionary to prevent possible deflation. Deflation is only dangerous if debt lies in the hands of private individuals, since the latter are seldom able to play for time. However, since the financial crisis it is states that are the biggest debtors and they have many means of making adjustments, as the example of Japan has shown. Southern Europe is caught up in deflation because of the EUR. Since unemployment in southern Europe is much higher than it was in Japan, the former is scarcely likely to be able to handle deflationary pressure as easily as Japan for so many years.

A world without interest

When interest rates are at zero, investment success hinges solely on price movements. People who bet on price changes used to be called speculators. The current zero interest rate policies of the major central banks have thus made virtually all markets – bonds included – into speculative markets.

Is wealth still mobile?

Government debt is a deferred tax. Wealth can move from one place to another, and is therefore not as easy for governments to tax as real estate, for example. The impending introduction of the automatic exchange of information is aimed at changing this. And if other countries follow the US lead and tax their citizens wherever they are in the world, then these citizens' wealth would suddenly be as immobile as houses. This would of course make wealth easier to tax. We believe the more correct approach would be to reduce excessively high sovereign debts through restructuring. This would affect the investors concerned, but would also pose more of a threat to the system given the key role of government bonds for banks, insurers, and pension funds. The taxation option is thus becoming increasingly probable, in addition to higher inflation.

Expensive financial markets

Looking at the opportunities for investors at present, you quickly see that many asset classes are expensive, real estate among them. If prices rise more quickly than earnings or profits, then the risk of a correction increases. However, it is now no longer possible to measure this risk with the traditional yardstick of volatility. It's common knowledge that profit lies in the purchase price. This is easy to understand intuitively, but most people still feel more comfortable following the crowd and want confirmation before making a move. However, buying something that is already expensive in the hope of being able to sell it at an even higher price is pure speculation, and often misfires.

Price corrections or price bubbles

In the current environment of highly active central banks and increasing state interventionism, we gauge the risk of corrections as being roughly as high as the risk of a price bubble forming. Given the glut of money and interest rates around zero, people are desperately seeking investment opportunities. Almost all of them are currently backing equities, this despite the fact that many valuation methods indicate this is a relatively expensive market. That said, equities seem a better option than bonds since they at least offer the prospect of real value preservation, even in an inflationary environment. And they are exposed to less of a restructuring risk than bonds. Even in the event of a renewed financial or sovereign debt crisis, they would be the better instrument, although prices would fall sharply to begin with. After all, with equities you have a share in a company that produces products and services, particularly when they are not hampered by state interventionism. Keep some cash at hand so that you can take advantage of share price corrections. Over the long term, the profit is always in the purchase price.


Christof Reichmuth
General Partner

THE BIG PICTURE
OUR SCENARIO ANALYSIS IN A NUTSHELL

CONSENSUS	STAGFLATION Time heals all wounds	THE DEBT CRISIS IS OVER Chances abound in Europe	DEFLATION Back to recession
Growth continues to pick up slightly in the US, EU, and Japan, and takes a turn for the positive again in southern Europe. The Eurozone remains intact, but it will take some time before the imbalances are corrected. Inflation rates and interest rates remain extremely low in all industrialized countries; the ECB may possibly lower its key interest rate again. The Fed continues to taper its bond-buying program over the coming months. Long-term interest rates rise slightly. The exchange rates among the major currencies remain relatively stable. The limit of CHF 1.20 vs the EUR guaranteed by the SNB remains in force. Mixed showing in the emerging markets; growth will flatten off on the whole but will remain higher than in the industrialized countries. Debt reduction is postponed into the future.	Growth remains low in the industrialized countries. Unemployment rates remain high, and unit labor costs rise in northern Europe as a result of regulatory intervention (minimum wages, bans on redundancies). Negative real interest rates help to push newly created central bank money into the economy. The flight into real assets intensifies and leads to asset price inflation. Wages and prices begin to rise, and in particular an inflationary spiral takes hold in Japan. The development of the emerging markets is a mixed bag. All in all, growth declines and the currencies weaken, thus leading to imported inflation. Higher inflation worldwide, coupled with interest rates being kept low, helps to curb the real burden of government debt.	Most emerging markets return to their former levels of competitiveness on the back of currency depreciation and strong domestic consumption. The higher interest rates and low valuations are also attractive for financial investors. Capital flows turn around, asset prices pick up, and capital spending increases. The synchronous economic upswing in the US, EU and Japan is bolstered further by the recovery in the emerging markets, and gathers pace. In the slipstream of the boom in northern Europe, the crisis hit countries in the Eurozone are also able to recover, and benefit from rising capital spending and the general sense of a fresh beginning. The world is able to grow its way out of the debt problem.	Growth does not recover. Reforms fail to materialize. Despite expansionary central banks, it is not possible to push long-term interest rates below growth rates. Countries' debt burdens continue to mount. There are two possibilities for Europe: 1) Take the joint path and show solidarity in dealing with the debts. This lowers interest rates, but growth impetus is lacking. Credit growth remains negative. Falling prices and positive real interest rates sweeten the pill for private individuals. The savings rate rises, and capital spending declines further. Europe finds itself taking the Japanese course, and slips into a lengthy stagnation phase. 2) Despite all efforts to the contrary, southern Europe does not become competitive and northern Europe is unwilling to provide further guarantees for their counterparts to the south - the result is debt restructuring and currency union exits. Economic growth in Europe collapses. Europe slips into a depression.
INVESTMENT IDEAS: - Dividend stocks worldwide - Hedge funds (e.g. long/short equity) - Equities in southern Europe and emerging markets	INVESTMENT IDEAS: - Global leaders among equities (global, pricing power, little regulation) - Precious metals - Selectively hedge funds (e.g. macro or long/short equity) - Real estate	INVESTMENT IDEAS: - Cyclical stocks, in particular in the infrastructure sector - Equities in southern Europe and emerging markets - Foreign currencies - Hedge funds (e.g. distressed securities in southern Europe and emerging markets)	INVESTMENT IDEAS: - Long duration bonds - Selectively hedge funds, e.g. short credit - Gold as a store of value in the event of currency reforms
Probability 12 months 45%	Probability 12 months 35%	Probability 12 months 10%	Probability 12 months 10%
Probability 24 months 35%	Probability 24 months 45%	Probability 24 months 10%	Probability 24 months 10%
Probability 36 months 25%	Probability 36 months 50%	Probability 36 months 15%	Probability 36 months 10%

«PORTFOLIO OF THE FUTURE»
DIVERSIFIED AND FUTURE-ORIENTED – ADAPTED TO THE CURRENT MARKET ENVIRONMENT

%	WHAT	POT 1: COMMITMENTS	POT 2: PRESERVING VALUE	POT 3: SEIZING OPPORTUNITIES	RETURN*	VOLATILITY*
39%	Cash & fixed-income investments	Money market or cash in home currency			0%	1%
		Short-term corporate bonds	Inflation-linked government bonds in EUR, USD, and SEK		0-2%	5%
1%	Structured products			EUR-Banks, FX Asia	5-10%	20%
35%	Equities		Stocks with high dividends and low valuations from the sectors food, energy, pharmaceuticals, and telecoms from our Global Leaders list	Gold mining stocks Italian equity index Japan Pilatus Undervalued Emerging Markets (China, Russia)	4-8%	15%
2.5%	Real estate		Switzerland	Asian REITs	4-6%	15%
15%	Alternative investments			Matterhorn 3 / 24 or third-party products	6-8%	< 10%
				Reichmuth Himalaja	6-10%	< 15%
				Reichmuth Macro	6-10%	< 15%
7.5%	Precious metals		Gold (physically)	Silver ETF	8-10%	15%
				Total	**3-6%**	**approx. 6%**

*Expected average values over a 5-year time horizon – no guarantee

INVESTMENT POLICY

MAY 2014

Economy	Switzerland	Germany	Italy	US	Japan	China
GNP in USD bn	631	3428	2015	16245	5960	8227
GNP growth	1.7%	1.4%	-0.9%	2.6%	2.6%	7.4%
Unemployment	3.3%	6.7%	12.6%	6.7%	3.6%	4.1%
Expectations 12 months	**Switzerland**	**Germany**	**Italy**	**US**	**Japan**	**China**
Economy	→	↗	↗	↗	↗	↘

Interest rates	Switzerland	Germany	Italy	US	Japan	China
3-month Libor	0.02%	0.29%	0.29%	0.23%	0.14%	5.5%
10-year govt. bond yield	0.9%	1.4%	3.1%	2.6%	0.6%	n.a.
10-year swap rate	1.2%	1.7%	n.a.	2.8%	0.8%	4.7%
Inflation	0.0%	1.0%	0.4%	1.5%	1.5%	2.4%
Expectations 12 months	**Switzerland**	**Germany**	**Italy**	**US**	**Japan**	**China**
3 months interest rates	→	→	→	→	→	↘
10-year interest rates	→	→	→	↗	↗	↗
Inflation	↗	↗	→	↗	↗	↗

Stock markets	SPI	DAX	MIB	SPX	TPX	HSCEI
Index level	8168	9366	21550	1862	1167	10080
Performance 1 year	16%	25%	45%	23%	5%	2%
Performance 5 year (p.a.)	13%	15%	7%	19%	9%	5%
Performance 10 year (p.a.)	7%	9%	2%	7%	2%	11%
Valuations	**SPI**	**DAX**	**MIB**	**SPX**	**TPX**	**HSCEI**
Price/earnings 2014	16.2	13.1	15.7	15.9	12.9	6.9
Shiller P/E	25.5	20.6	12.7	24.6	23.2	19.0
Price/book	2.4	1.7	1.2	2.6	1.1	1.1
Price/sales	1.8	0.8	0.6	1.7	0.6	0.8
Dividend yield	3.2	3.0	3.1	2.1	2.1	4.6
Profitability	**SPI**	**DAX**	**MIB**	**SPX**	**TPX**	**HSCEI**
ROE	14.2%	11.5%	5.8%	14.8%	8.7%	17.3%
10-year profit margins	10.0%	4.4%	-0.8%	9.5%	5.2%	10.6%
Current profit margin	8.9%	4.6%	5.1%	7.6%	2.9%	10.9%
Drivers	**SPI**	**DAX**	**MIB**	**SPX**	**TPX**	**HSCEI**
Monetary policy	Positive. SNB must take lead from ECB. Minimum exchange rate policy.	Positive. ECB key rate set much too low for Germany.	Negative. ECB key rate set too high for Italy, lending not functioning.	Positive. Reduction in QE program.	Strongly positive. BoJ has only just begun with QE program.	Negative. Government wants to curb credit growth.
Expectations 12 months	**SPI**	**DAX**	**MIB**	**SPX**	**TPX**	**HSCEI**
Stock market	→	→	↗	→	↗	↗

Currencies		EUR		USD	JPY	CNY
Current exchange rate		1.22		0.88	0.86	0.14
Purchasing power parity		1.25		0.91	1.08	0.14
Influencing factors and forecasts		**EUR**		**USD**	**JPY**	**CNY**
Monetary policy		EUR-minimum exchange rate		Reduction in bond buying in the US should support the USD.	Strongly expansionary.	Less restrictive. Controlled appreciation vs. the USD.
Interest rate spread (carry trade):		no change		no change	no change	rising, but no open market
Current account:	13.0%	Germany 7.4%	Italy 0.8%	-2.2%	0.7%	1.5%
Expectations 12 months		**EUR**		**USD**	**JPY**	**CNY**
Currencies		→		↗	↘	↗

Legend: ↗ = increasing ↑ = strongly increasing → = neutral ↘ = decreasing as of: April 17, 2014

MARKET OUTLOOK

2nd TRIMESTER 2014

CURRENCIES

Exchange rates have remained relatively stable. The latter could recover somewhat, but will tend to lose ground against the EUR or CHF over the long term due to US monetary policy being less focused on the goal of monetary stability, together with the negative current account balance.

Against the CHF, the EUR moved back closer to the CHF 1.20 limit guaranteed by the Swiss National Bank (SNB). Since the Eurozone inflation rate has fallen to virtually zero, continuing with this exchange-rate policy would not carry the threat of imported inflation. The SNB will therefore persist with the CHF 1.20 floor for even longer than had been expected.

Regarding the JPY, last year's strong depreciation has been brought to a halt and it has posted slight gains against the USD. Since the Japanese central bank has thus far remained below its target inflation rate of 2%, and will use every monetary policy means at its disposal to achieve this, the JPY will resume its previous downward trend.

The emerging market currencies initially stabilized at their lower levels, and then followed differing paths: while the BRL and INR recovered partly, the RUB continued to weaken. China has abandoned its previous policy of a steady, slight appreciation. The emerging market currencies are heavily dependent on specific political developments, but the long-term trend is heading downward due to higher inflation rates.

INTEREST RATES

Interest rates are still being shaped by the central banks' determination to keep them extremely low. Since the massive increase in money supply has had no inflationary impact thus far, long-term yields have once again fallen toward their historical lows. The expected rise in interest rates will not begin until 2015 at the earliest.

The central banks of the industrialized countries have been keeping their short-term interest rates close to zero for some time. As a result, they can only steer monetary policy by unconventional means, i.e. above all by buying long-term government bonds. The US Federal Reserve will continue to gradually taper off its purchases, while the European Central Bank is once again considering the purchase of bonds in light of the mounting threat of deflation. As a result, the already relatively high yield spread between USD and EUR bonds will probably widen even further.

The interest-rate trend among the emerging market currencies is very much a mixed bag. Inflation rates are tending to decline there, too, and falling interest rates are therefore on the cards over the longer term. However, the interest rate level will remain clearly above that of the industrialized countries due to higher economic growth.

Risk premiums on lower-quality bonds have continued to come down. It is questionable whether these now sufficiently address the default risks. The crisis-hit countries in the Eurozone have been able to place large volumes of new government bonds at low risk premiums. Over the longer term, the risk premiums will rise again unless there is significant progress in cleaning up state finances.

STOCK MARKETS

The stock markets have not posted any further gains since the beginning of the year. There have been some particularly strong declines for communication and biotech stocks that had previously scaled heights that were difficult to justify fundamentally. The volatile sideways trend is likely to persist.

Equities are fairly valued in terms of the fundamental valuation criteria. Although global economic growth will increase slightly, it is unlikely to exceed the long-term growth potential. Unemployment will remain high, and companies will maintain their good profit margins. The free cashflows will stay strong, and companies will be able to allow themselves high dividend payout ratios without negatively impacting their balance sheets.

The high dividends will mean equity yields will remain attractive, above all by comparison with yields on fixed-income investments. Even though the upside potential for equity investments is modest over the short term, and there is the threat of temporary share price corrections, investments in first-class equities with well-protected yields remain attractive over the longer-term perspective.

For investors with higher risk appetites, there are interesting opportunities for share price gains among equities in sectors currently beset with crises, such as companies in the electricity industry, certain commodities producers, and banks or non-life insurance companies.

Dr. Max Rössler

SWISS SMALL & MID CAPS IN HIGH DEMAND

INVEST IN SWISS PEARLS WITH REICHMUTH PILATUS

We have been investing in smaller Swiss companies for some 18 years with our small and mid cap fund Reichmuth Pilatus. We now have a broad network of contacts with entrepreneurs, and are in touch with the management of many of these firms. Numerous meetings with managers have allowed us to learn a great deal about the value chains and cycles in various industries. Stock prices for small cap companies tend to be more volatile as the general market. But this also creates interesting entry opportunities.

VALUATION COMPARISONS

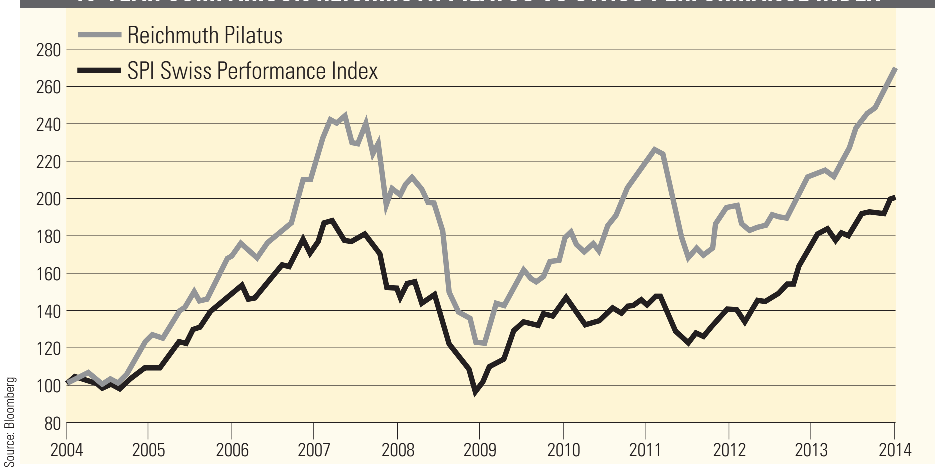
	P/E	P/B	P/S	Dividend
Reichmuth Pilatus	13.9	1.9	1.4	2.7%
SPI	16.4	2.5	1.8	2.9%

Source: Bloomberg

Management is key

With small cap companies in particular, entrepreneurship is pivotal. Management in these companies plays a more important role than in the case of global diversified corporations, since the impact of their decisions is much further-reaching. A stable shareholder structure – often also with a large (family) shareholder as an «anchor» – provides the necessary foundation and stability.

10-YEAR COMPARISON REICHMUTH PILATUS VS SWISS PERFORMANCE INDEX



Global Swiss firms

Many Swiss firms have a high degree of specialized expertise and are often technology leaders. Switzerland has always been subject to very strong cost pressure, and this has forced companies into greater specialization. Many of them are now market leaders, and generate their sales worldwide. These days, Swiss firms play a key role in a whole range of niches.

High cyclicity

Many Swiss small and mid caps have an industrial background, and are often key suppliers for larger companies that are exposed to the global economy. If the latter slows down, specialized suppliers usually feel the impact all the more as orders quickly drop off, capacity utilization declines, and margins fall. Exchange rates are another exacerbating factor. The sharp appreciation of the CHF in 2011 forced the SNB to adopt a minimum exchange rate policy against the EUR as Swiss firms were unable to make adjustments on the costs side so quickly. Prior to this intervention, Swiss small and mid caps also lost much more ground on the stock market than their large cap counterparts.

A long-term horizon is important

Despite higher fluctuations in prices, the Swiss small and mid cap segment has clearly outperformed the SPI over the long term. Although small and mid cap valuations are now no longer cheap, they are still at least relatively attractive by comparison with the larger companies in the SPI. Looking at the economy, we see a slight improvement in Europe. Many companies in the small and mid cap segment have streamlined their structures in recent years, have costs in check, and should profit from a pick-up in the economy.

Attractive portfolio addition

In the current environment, investors are increasingly seeking investment opportunities in their home country and currency. Swiss small and mid caps are therefore enjoying strong demand at present. We also see them as an attractive addition to portfolios, but realize that their share prices will not rise forever. We therefore recommend always taking a diversified approach to investing in small and mid caps, with a view to using corrections to expand positions. We would be happy to discuss the investment opportunities in this segment with you in person.


Patrick Erne, CFA

HEDGING STRATEGIES FOR EQUITY INVESTORS

INDIVIDUAL NEEDS OF INVESTORS ARE KEY

Investors have a number of possibilities open to them when it comes to protecting themselves against corrections in share prices. Choosing the most suitable instrument for this is often a matter of compromise, striking a balance between simplicity, costs, and forgoing further upside potential.

Partial sales and cash reserves

The simplest way of temporarily protecting your portfolio is to sell some shares and thus increase your cash holdings. This option is often the most suitable for patient investors, who see cash as an opportunity for future purchases.

Stop-loss limits

With these, equities are sold as soon as they reach a defined stop-loss limit. Although popular with many investors, this method does entail certain disadvantages. If the limit is set too close to the current share price, a slight correction in the market can trigger sell orders. If the share price then picks up again, the investor has to pass up further gains. Furthermore, when such automatic sell orders are triggered, this can have a negative impact on diversification. However, if the stop-loss limit is set well below the current share price, the loss will mount until the position is actually sold.

Equity index futures

Equity futures can be a very cost-effective means of implementing a hedging strategy. Futures are contractual agreements to sell equities on a set date in the future at a price fixed in the present. The gains and losses on futures are settled on a daily basis, i.e. they are deducted from or credited to the person's account every day depending on the direction the chosen index has moved in. They are somewhat more complex for many investors due to the margin requirements and the daily settlement. It's often also difficult to find contracts suitable for a given portfolio.

Put options

If you want to keep your opportunities open, you can use put options, although these entail higher costs. With these options you acquire the right – but not the obligation – to sell shares at a certain point in time at a fixed price. This means you can continue to benefit from rising share prices. However, options are complex products, and you have to know your way around strike prices, terms to maturity, and volatility. Technical financial knowledge is essential when it comes to choosing the right options. Seasoned investors may also use a combination of different options. If you use option strategies with your equity portfolio, you don't participate in full in positive markets, but you're also less affected by possible share price slumps.

A whole host of additional instruments have been developed for hedging strategies in recent years – e.g. mini futures, CFDs, volatility products, and variance swaps – but these are as a rule suitable only for professional investors. If you want to use hedging strategies, you should be aware of their advantages and disadvantages. These are always investments that run contrary to the original investment. This also means that if a correction fails to materialize, the hedge will have a negative impact on performance.

Should I take out protection now?

The answer to this question will differ from individual to individual. For investors with a long-term horizon and other sources of income, such hedging is superfluous. For investors who want to be able to seize opportunities in more challenging markets, we tend to advise partially building up cash holdings. For equity investors who get nervous in the event of corrections, it's advisable to look into the pros and cons of an individual hedging strategy. We will be happy to discuss this with you.

	COSTS	COMPLEXITY	TIMING
Increase in liquidity	Low, only transaction costs	Low	Important
Stop-loss limits	Medium, loss depending on limit	Low	Not important
Futures	Low, modest transaction costs	Medium	Important
Options	High, cost of premium	High	Verry important

Beat Bühlmann, CFA, CAIA

CHANGE IS THE ONLY CONSTANT

REMY REICHMUTH ABOUT THE PRIVATE BANKER PROFFESSION

Back in the midst of the financial crisis, Karl and I were on our way back from a client meeting one day when he said pensively: «Sometimes I think I owe you an apology for getting you into private banking.» I was taken aback, and assured him that I'd chosen the profession of my own free will – and that I come to work happily every day. But what was the reason for his statement?

Banking as a profession

The standing of bankers has suffered in recent years. Unfortunately, there's been no shortage of reasons for this, be it the bailouts of overindebted banks with public funds, a raft of fraud scandals, or excessive bonuses, to name just a few. The financial industry lived beyond its means for a long time, and the shakeout of the sector – which is healthy in my view – has a way to go yet. There are still too many banks without a clear profile of their own. And the financial sector in Switzerland will shrink further. Difficult times for our profession?

Serving the state

While bankers were once primarily «the client's confidant», they have now also become «the tax police». The reason for this lies in the monetary system. The central banks print money, supply it to the commercial banks, and these bring it into circulation. The monetary system makes the banks the extended arm of the authorities, and thus a controlling mechanism of the state's fiscal jurisdiction. For example, my work also makes me a tax enforcement officer of the USA.

Trust versus safety-at-all-costs

The administrative part of our job has therefore increased markedly in recent years. Every discussion has to be documented, the reasons for decisions have to be set down in writing, and every investment selection has to be transparently traceable over many years. The urge for ever more regulation concerns me. This is well intentioned with a view to protecting investors – but ultimately it does scarcely anything to their real benefit. Amid the glut of legislation, keeping an eye on what is really important becomes more difficult. Mutual trust is being replaced by a safety-at-all-costs mentality. At times I get the impression that an asset manager has to spend more time dealing with laws than asking whether something is really right for the client. If you're of the view that the authorities know better than the individual, that's a good development. If you see things differently, you will dislike this development.

It's the client that counts – and only the client

Banking as a profession has changed. But that wasn't what was giving Karl pause for thought back then, but rather his «personal identification with the client». If the environment makes it more difficult for us to put the client at the center of everything we do, then that is a bad development.

Everything is in flux

«Change is the only constant», Heraclitus is supposed to have said in around 500 BC. In my view, this remains particularly true today for entrepreneurs. Thanks to flexible and 'breathing' structures, we have been able to position ourselves in line with the environment. What does this mean in real terms? It means that we only select employees who have a keen sense of the service mentality. For example, our colleagues in the back office are also prepared to go that extra mile for their clients, i.e. the front-office staff. We try to limit the amount of internal and administrative work. Internal papers should be no more than one page long, for instance. Many of our risk management checks are implemented directly in the banking system. And we also outsource a lot of things that are not part of our core business, or where we can't add any value.

I believe we have thus been able to put the necessary adjustments in place for our client relationship managers to continue to focus primarily on the clients and their needs. Our structure as a family business, with a long-term philosophy spanning the generations – without having to be accountable to the stock market every quarter – may be to our advantage in this regard.

And so I can continue to focus on the true essentials: interesting discussions with clients, identifying their expectations, objectives and individual needs, defining the most probable market scenarios – all in keeping with our credo «bringing people and money in harmony», i.e. selecting the right investment strategy for each individual.

Balancing these different aspects in my job presents fresh challenges every day – something I find as enjoyable as it is satisfying.

Remy Reichmuth, CFA