

Bespoke service provided by Galeo

Wealth monitoring

On the strength of our portfolio analysis tools and our extended knowledge and experience of portfolio supervision and of financial markets we offer our clients a bespoke and comprehensive wealth monitoring service.

We provide our clients with frequent and timely reviews of their consolidated portfolios to ensure their personal objectives are achieved. Our dedicated experts provide an independent supervision of clients' assets. They monitor compliance with investment guidelines at the allocation, position and transaction levels and identify any deviations.

Comparison of an effective asset allocation with its target:

Sub-market	Target	Actual	Diff.	Target	Actual	Diff.
<input type="checkbox"/> Liquidity and Money Market	15.0%	8.2%	-6.8%	412'698	225'758	-186'940
United States	5.5%	0.1%	-5.4%	151'323	3'647	-147'676
Europe	6.5%	4.9%	-1.6%	178'836	135'714	-43'122
Switzerland	3.0%	3.1%	0.1%	82'540	86'397	3'857
<input type="checkbox"/> Stocks	85.0%	91.8%	6.8%	2'338'623	2'525'563	186'940
United States	20.0%	48.9%	28.9%	550'264	1'346'331	796'067
Europe	25.0%	23.2%	-1.8%	687'830	637'791	-50'039
Switzerland	15.0%	9.0%	-6.0%	412'698	248'184	-164'514
Asia Pacific	10.0%	8.8%	-1.2%	275'132	241'845	-33'287
Rest of the world	15.0%	1.9%	-13.1%	412'698	51'412	-361'286
Total					2'751'321	

Portfolio performance is assessed by comparison to specified benchmarks and examined by attribution analysis to identify the major contributors. Costs and fees are scrutinised thus providing a comprehensive assessment of the quality of the investment management services offered.

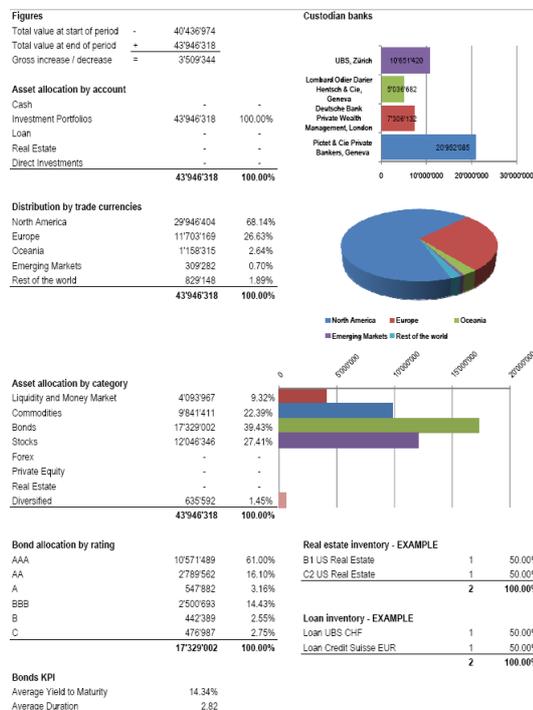
Performance attribution:

Sub-Market	Benchmark	Weight Portfolio	Weight BMK	Perf. Portfolio	Perf. BMK	Perf. relative	Added value
Liquidity and Money Market	Libor 3 Months USD Index	7.97%	5.00%	-6.14%	0.31%	-6.46%	-0.50%
Stocks		92.03%	95.00%	8.94%			
United States	S&P 500	52.57%	50.00%	15.58%	-0.73%	16.30%	8.55%
Euro Zone		17.84%	0.00%	1.08%			
Europe	Dow Jones Stoxx 50 RI	0.00%	10.00%	0.00%	-4.37%	4.37%	0.44%
Switzerland	SPI Swiss Performance Index	7.04%	15.00%	1.44%	1.92%	-0.48%	-0.19%
United Kingdom		4.94%	0.00%	14.10%			
Asia - Pacific	MSCI Far East Index USD	9.65%	10.00%	-8.25%	4.72%	-12.96%	-1.27%
Rest of the world	MSCI World Index	0.00%	10.00%	0.00%	-2.74%	2.74%	0.27%

By combining a detailed analysis of capital flows with a monitoring of income and costs and a projection of future cashflows we provide our clients with an assessment of the capacity of their estate to meet their cash requirements.

For our client, the beneficiary of the assets, our services offer a comprehensive and independent supervision of his wealth. For his advisors our services ensure the client disposes of the necessary tools and advice to achieve a full understanding of asset management strategies and decisions thus strengthening his confidence in them.

Sample consolidated dashboard:



Market Manager

Attractively priced and powerful market data tool

Price earnings ratios. Market Manager allows you to search for equities based on their current or forecast price earnings ratios. Once you have identified the desired stocks you can monitor their evaluations in a quote lists and drill down on specific stocks for more information on consensus estimates. The data is also available for your proprietary analyses in Excel.

European speciality chemicals by next year PE

Security name	P E current year	P E next year	Div Yield
COVESTRO AG	10.3	12.0	1.9
EVONIK INDUSTRIES NA	14.5	13.8	3.8
JOHNSON MATTHEY	15.9	14.9	0.0
DSM KON	18.1	16.6	2.6
CLARIANT N	18.2	17.2	2.0
AKZO NOBEL	18.3	17.4	2.1
HEXPOL B	19.2	18.1	5.7
VICTREX	20.6	18.8	2.0
CRODA INTL.	21.7	20.2	2.0
UMICORE	27.4	24.1	2.0
GIVAUDAN N	26.3	24.8	2.7
SIKA I	28.2	25.2	1.3
SYMRISE AG	29.9	26.9	1.3
Novozymes B	30.5	28.7	1.2
EMS-CHEMIE N	32.5	30.9	2.6
Chr. Hansen Holding	44.3	39.3	1.0

Legislation monitor

Financial Institutions and Financial Services acts

In August, the Economic Affairs and Taxation Committee of the National Council finalised its review of the acts. The National Council then debated both texts and issued its decisions on the 13th of September. These differ from the Council of States resolutions on several points including:

- a requirement of net assets of at least 2 million CHF for a company to be considered a professional investor replaces that of a minimum of 250 employees;
- the providers of financial services are to define the minimum training requirement for their sector;
- an extension of the cases in which the publication of a prospectus is not required;
- a global reduction in the fines levied for noncompliance;
- curbing revocation rights for services sold door-to-door;
- removal of the exemption for private client plaintiffs from providing a defendant fee guarantee.

The Councils have now to agree on a unified version of the acts before the final vote.

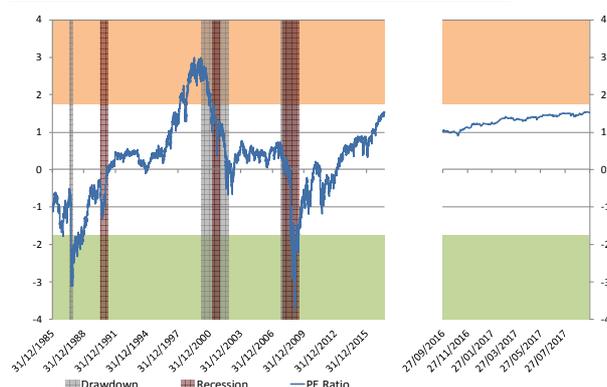
Exuberance and gloom

Reaching for the sky

The S&P500 is up 3% in the quarter and 11.5% for the year thus pushing its cyclically adjusted price earnings ratio to above 30. These valuations attest of a very high confidence among the equity investors.

Underlying this optimism is a strong US economy as illustrated by a 2nd quarter GDP growth of 3% and a solid job market. The anticipation of tax cuts also fortifies market confidence. But despite a strong economic environment, history suggests the current valuations will be difficult to sustain long term.

S&P500 cyclically adjusted price earnings ratio



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Calculation corner

Bond yield

For a bond, a bank statement will usually specify, in addition to the value of the position, the bond's yield to maturity. This yield corresponds to the rate at which the bonds cashflows need to be discounted so that their sum equates with the current market value of the bond.

A client's banker advises investing in a new bond issue on the basis of its attractive yield. The bond is valued at 100, has a five-year maturity, pays a coupon of 5 per annum and therefore has a yield to maturity of 5%.

Present value of the bond's cashflows

Year	Cashflow	Discount	Present value
1	5	5.0%	4.76
2	5	10.3%	4.54
3	5	15.8%	4.32
4	5	21.6%	4.11
5	105	27.6%	82.27
Total			100.00

A year later the banker informs the client that environment for bonds has improved with higher yields available and suggests increasing bonds exposure. Considering this improvement, how has the 5% bond fared given its yield to maturity has risen to 6.45%?

Present value of the bond's cashflows a year later

Year	Cashflow	Discount	Present value
1	5	6.45%	4.70
2	5	13.32%	4.41
3	5	20.62%	4.15
4	5	28.41%	81.77
Total			95.03

As the bond's yield increased its price dropped to 95.03 and the client has actually lost money on mark to market basis. Thankfully considering the coupon of 5 received in the first year he is just even. An improving environment for bonds is actually detrimental to the valuations of previously acquired bonds.

When he acquired the bond, the client locked in the yield he was going to obtain. If yields subsequently rise his bond will appear unattractive to potential buyers and its value will fall. Alternatively, if yields fall the value of his will rise. But as long as the client holds the bond to maturity he will achieve the yield he locked in even if the bond's value varies with the fluctuations in yields.

Please contact us for further discussion.