Cost analysis

PortfolioNet allows you to analyse in detail the costs associated with your investments and to assess their impact on the profitability of your portfolios.

You can for example determine the influence of fees on the consolidated profit of your portfolios by asset class.

P&L calculation with fee breakdown by asset class

You can also break down costs, including transaction fees, taxes and other costs, by any combination of bank, asset manager, portfolio, transaction type and asset type.

Costs by bank, portfolio, asset type and transaction type

With PortfolioNet you can distinguish the banks, asset managers or portfolios that are performing well at a reasonable cost from those that are not.

Market Manager
diamond ratings

Market Manager offer access to the vwd diamond rating for funds registered in Switzerland, Germany, Austria and the BeNeLux. Funds with daily net asset values and a history of at least 5 years are assessed. They are compared to their peers within their investment category on the basis of five equally weighed criteria: performance, consistency, alpha, risk and capital preservation, to provide an overall category ranking.

The fund categories are defined according to the classification of the European Fund Classification Forum to reflect the currently available investment opportunities and to allow the incorporation of new investment trends.

Swiss authorised European Small Cap funds in EUR

<table>
<thead>
<tr>
<th>Name</th>
<th>Perf 5 years</th>
<th>Vola 5 years</th>
<th>Sharad 5 years</th>
<th>vwd diamond</th>
</tr>
</thead>
<tbody>
<tr>
<td>TF European SmCos Ret Act</td>
<td>76.15%</td>
<td>13.27%</td>
<td>1.2633%</td>
<td>5</td>
</tr>
<tr>
<td>Comgest Growth Euro SmCos €</td>
<td>90.37%</td>
<td>14.49%</td>
<td>1.2789%</td>
<td>5</td>
</tr>
<tr>
<td>GPIAM Invest &amp; Eq Euro SmCL</td>
<td>81.45%</td>
<td>12.63%</td>
<td>1.2966%</td>
<td>5</td>
</tr>
<tr>
<td>CS IF 11 SmMid Cap Euro Eq B</td>
<td>76.25%</td>
<td>15.91%</td>
<td>1.1997%</td>
<td>4</td>
</tr>
<tr>
<td>MPS Mer Europ SmCos A1</td>
<td>68.31%</td>
<td>12.15%</td>
<td>1.3402%</td>
<td>3</td>
</tr>
<tr>
<td>RIF Famil Euro M Cap F Cap</td>
<td>53.89%</td>
<td>12.41%</td>
<td>1.3773%</td>
<td>3</td>
</tr>
<tr>
<td>Ingrid PBP Avenir Europe A</td>
<td>72.88%</td>
<td>12.85%</td>
<td>1.2945%</td>
<td>4</td>
</tr>
<tr>
<td>Threadneq Pan Euro SmComp</td>
<td>73.37%</td>
<td>14.32%</td>
<td>1.1195%</td>
<td>4</td>
</tr>
</tbody>
</table>

A fund’s rating is composed of the following elements:

**Performance**: compares the fund’s performance over the last five years to that of its peers.

**Consistency**: determines if the fund’s return is achieved steadily over time or is the result of a short-term spike.

**Alpha**: compares the fund’s excess return over its benchmark to that of its peers.

**Risk**: compares the fund’s volatility to that of its peers.

**Capital Preservation**: compares the fund to its peers by summing its monthly underperformances versus the risk-free rate.

A fund will be awarded the following ratings according to its ranking within its peer group:

- 5 diamonds: top 10%
- 4 diamonds: from top 10% to 32.5%
- 3 diamonds: from top 32.5% to 67.5%
- 2 diamonds: from top 67.5% to 90%
- 1 diamond: bottom 10%

3 European Small Cap funds compared to their benchmark
Legislation monitor

Financial Institutions and Financial Services acts

The Federal Department of Finance expects the Financial Institutions and Financial Services acts to enter into force on January 1st, 2020. The consultation period for the ordinances associated with these two acts will run from October 2018 to February 2019 and be run by the State Secretariat for International Finance.

As of the date of entry into force of the acts, existing asset managers will have six months to register with the FINMA and three years to be compliant and have submitted an authorisation request. Asset managers launched within the first year following the entry into force of the acts must immediately register with the FINMA and fully comply with authorisation requirements from start of business. Asset managers have a year to register with a supervisory body starting as of the FINMA’s first approval of a supervisory body. Asset manager starting operations a year or later after the entry into force of the acts have to fulfill all authorisation requirements before starting business.

Will the next 2 years see a boost in new asset managers?

Exuberance and gloom

Summer Wine

After a hesitant start of the year US equity markets regained composure in the third quarter with the S&P 500 rising 6.9% for a total of 8.1% ytd. 2nd quarter S&P 500 earnings surpassed those of the 1st quarter by 3.1% and 26% those of Q2 2017. With a strong equity market performance and a modest earning growth the S&P 500’s cyclically adjusted price earnings ratio rose during the quarter from 30.4 to 31.8 pushing the equity investor’s confidence indicator up to the border of the exuberance zone. As was the case in January, these elevated valuations were quickly followed by a sharp drawdown of the S&P500 in October. It would seem that, while equity investors remain very confident about future earnings prospects, they are uncomfortable when valuations become historically exuberant.

S&P500 cyclically adjusted PE sentiment

Calculation corner

Indexing

To graphically compare two portfolios, they are indexed by assuming they start the period with a value of 100 then reclusively applying their respective daily performances.

Example for two portfolios

Portfolio A is the clear outperformer to the end of Period 2.

Is the superiority of Portfolio A over Portfolio B really so clear cut? Is it sensitive to the analysis start date?

Example with a slight change to the start date

Starting the analysis at a slightly later date shows a totally different picture with both portfolios performing similarly.

Over the full period Portfolio A outperformed but does the graph hide periods of significant underperformance?

Example for the last period

Over the Period 2 Portfolio B is the clear outperformer which was not apparent in the full period graph.

Indexing is useful in the comparison of portfolios but it may be sensitive to the start date selection. In such cases rolling return graphs can be instructive. It is also possible for early outperformance to hide later underperformance. Here again rolling return graphs may be of help as can be the use of logarithmically scaled y-axis.

Please contact us for further discussion.