Our guest:
Mirabaud & Cie.

Mirabaud et Cie, founded in 1819, is one of Switzerland's oldest private banks. Assets under management at Mirabaud are $25 billion. The firm has offices in Geneva, Zurich, Basel, Paris, Monaco, London, Montreal, Nassau, Dubai and Hong Kong.

Lionel de Falletans is French and began his financial career working on the sell-side at CSFB in 1990. He joined the buy-side of Deutsche Bank in London in 1995 before co-founding an investment boutique, Bryan Garnier & Co, in 1998. Lionel joined Mirabaud & Cie in 2007 where he is overlooking the firm's global equity mandates.

What changes have you seen in the Swiss fund management industry in recent years?

"Industry consolidation continues, albeit at a slower pace than before. Of note is possibly the renewed interest of Geneva as an operating base amongst alternative investment managers, be they hedge or private equity funds. Indeed, Geneva arguably boasts a good quality of life combined with "hassle free" connections to all major European cities. With the well publicized exception of Jabre, hedge funds moving to Geneva (from London) has, however, not yet happened in a major way so far."

Are Geneva private banks worried that Arab money might flow back to be managed in places such as Dubai?

"I don't think it's such a big issue. Ultimately, the "money" you are referring to will seek top managers, pretty much everywhere in the world so whether your wealth management requirements are answered out of Geneva or Dubai should make little difference to the returns being offered. However, private banking is also about understanding, adapting and following individual needs. In terms of relationship management and consolidation of assets, local offices could prove an advantage."

What's the difference between being based in London and Geneva?

"It is frustrating to see fewer companies visiting Geneva than Zurich or London. Collecting information and updating our analysis hence require a more disciplined approach, greater use of phones and the internet! On the plus side, we partly escape high levels of "market noise" and enjoy ideal working conditions … I walk to the office in 10 minutes."

View on US equities in global market context?

"Global markets feel reasonably valued currently. On a bottom up basis, we find there is good value to be found, not only in the US but also in Europe and Japan. However, In terms of the overall economic cycle, the US will probably pull out of the ongoing slowdown faster than Europe so the US is probably more attractive right now."

How has the weak dollar affected your US investments?

"Well, in fact, the dollar has been up very strongly against all major currencies over the last couple of days/weeks. Nevertheless, against the Swiss franc, you are right to highlight that managing a steady decline of the US currency has been one of the most challenging jobs of the last 20 years! In essence, Swiss based managers have become almost "structurally" underweight the US dollar despite investing a large proportion of their mandates in USD-denominated assets. Very recently, we have, however, been covering our "short" positions, i.e., buying the US dollar, at the beginning of 2008 as we now feel that the US dollar could regain some strength near-term."

How does that affect your investment strategy?

"We look at global equity mandates as the combination of three distinct jobs: taking regional bets, building currency views and selecting shares on a local basis. The trick is really to ensure that none of the three "decision sets" come to affect the performance of the others. For instance, if we feel it is right to overweight the US in a global portfolio, we could, for the sake of the argument, decide to commit 55% of our assets in US equities. We would then decide what sort of companies we want to buy in each sector and, only at the final stage, would we ask ourselves whether to cover or not the resulting currency exposure. In brief, the currency overlay applied has no direct impact on the way we look at companies – it's something that we look at separately."

How is your performance measured? What's your benchmark?

"Our performance is measured in Swiss francs and we benchmark against the MSCI World. So far this year we are doing okay as we are up 3 – 4 % versus the benchmark whereas most global funds seem to be lagging. 2008 is clearly a tough year to read for all managers."

Do you have investment constraints? The private Swiss banks have a reputation for preferring blue chips?

"Across our global mandates, history suggests that we invest three quarters of our assets in blue chips worldwide and about a quarter in mid cap names we feel strongly about either because they command leading positions in their field or because we fall in love with their valuation. My mid cap cut off point is approximately $5 billion."

How do you screen stocks?

"Purely quantitative screens used on a global basis can be fraught with dangers. In my experience, global investing is first and foremost applying a common philosophy to companies operating in very different cultures/environments. At Mirabaud, we use a combination of quantitative screens and qualitative analysis across 500 names globally. The end result is expressed as a share price target together with a conviction level which is individually derived for all companies."

Any sectors you don't invest in?

"We have no special restrictions per se. However, I must admit to having a great deal of trouble with basic resources companies! The problem really stems from the fact that companies with assets that are "underground" or beneath the sea bed are difficult to value given highly volatile underlying commodity prices. Besides, these tend to operate in potentially less stable environments over which managements have little to no control."

Average length of a holding?

"The buy and sell discipline is entirely based upon real-time share price developments. So, the average holding period is not something we track. We can hold onto an investment as long it takes for it to reach our target valuation unless events (eg: quarterly results) lead us to change our mind. Some stocks we've held two weeks and some positions we've held two years or more. For example, we've held a number of media and insurance stocks for a long time as we're unwilling to sell at current valuation levels".

In a nutshell what's your investment philosophy?

"We don't have any particular style. Although we are very much driven by valuation principles, I would not say we are necessarily "deep value" investors. We view our job as being able to put a price on companies, irrespective of short-term sector momentum, and invest on the basis of the risk/reward trade off these assets offer at any point in time. In some instances, even relatively highly priced, so-called "technology" stocks carry great risk/reward profiles."

Any particular sectors of the US market you currently favour?

"In fact, technology has been a good spot for us in recent months with very decent growth at acceptable valuation levels. Following shocking price declines, we are also warming up to consumer discretionary and tiptoeing into some of the retailers globally. Following the sharp drop in commodity prices, we are also looking at one or two mining names but we are fundamentally underweight the sector for the reasons mentioned above. Having said that, some share prices have declined more than 40 or 50% so I guess it makes sense to look at some names and try and build some conviction on a stock by stock basis."

Any favourite US companies?

"The billon dollar question is clearly financials so I would be warming up to some of them. Names that come to mind would be Goldman Sachs and JP Morgan. In terms of consumer discretionary, things like Marriott could be very contrarian. We're not big fans of defensives but we've had Home Depot and against all odds it's up 2% on the year! We're happy holding Microsoft. We got back into Omnicom recently. It really is on a stock by stock basis. Boeing – we saw at a Phoenix-IR meeting last year - at these levels definitely. We look at what our valuation models dictate and try to be contrarian. We accept that the short term news flow could be poor on a company like Boeing but we try to validate our conviction that the order book is still okay. Orders are postponed – yes. Production is delayed – yes. We understand all that but we are trying to understand what the long term valuation argument looks like and if we think that the story is very attractive then we will get in irrespective of the short term news flow."

Do you focus on quarters?

"We do but it's not as an investment driving principle. Quarterly results are critical to the extent that they help you confirm or undermine previous convictions. They also contribute to a better understanding of companies, confirm the drivers and help gain some comfort as to the long term value of the assets. But I don't buy a stock the day before its results simply because I think it's going to beat expectations – this is not the game we are playing…."

How many US companies do you meet a year?

"Between 100 and 150".

Which US companies are best at presenting their case and why?

"They are all very professional but I find the US is still doing a better job than their European counterparts. Most Japanese companies would need to invest in IR…"

Any tips for companies when presenting their case to investors in Geneva?

"It is up to the audience to make the meetings lively by asking relevant questions and coming to meetings prepared. The quality of questions and preparation is higher in London than Geneva. But hopefully ; things are changing… "

Phoenix Investor Relations
Tel: +32 2 626 10 50
www.phoenix-ir.com