



Vontobel Group

The Vontobel Group is an internationally-oriented Swiss private bank. The family-owned bank was first established in Zurich in 1924. Vontobel specializes in wealth management for private and institutional clients, as well as in investment banking. At the end of 2006, the Group held over \$88 billion of assets and Vontobel Asset Management managed \$32 billion. The group employs 1,200 employees worldwide. The registered shares of Vontobel Holding AG are listed on the SWX Swiss Exchange. The Vontobel families and the Vontobel Foundation hold the majority of shares and votes in the company. www.vontobel.com



Andy Nigg is head of global equities at Vontobel. He joined the bank in 1998 and before that worked at UBS Asset Management, also in Zurich. Andy, a Swiss Canadian, started his career in Canada at the Hong Kong Bank of Canada.

In the time you've been managing equities – what's changed?

"One obvious change is how information is distributed. We used to have faxes on all day long. Email was a new thing. Now we have a fax somewhere but nobody uses it anymore. Another change is short term performance pressure has also increased over here as it has in the US. It's become more global especially for large caps. It has become less important where you are based. Information hits the newswire pretty much the same time regardless of where you are. An additional factor is that information gets processed faster. Look at Bloomberg today and the capabilities you have to analyze information. I can do a back test on technical analysis on any stock I want to within seconds for any time period I want to. 13 years ago I couldn't do that. So I think the market is receiving more information faster and as a result is reacting faster."

As head of global equities, how much money are you personally responsible for?

"I'm personally responsible for \$1.6 billion. There are eight people in my team. This does not include our buy side analysts that are in another team but work closely with us. I'm responsible for the US, we have three looking at Europe, one looking at Japan and two people for the new power technology and sustainability portfolio, for example. Most products are by region or theme and not by industry group

Any market cap constraints?

"None as such but the benchmark – the S&P 500 – kind of dictates what we look for. It's a pretty broad range so some names will have a market cap of \$3 billion but we're not going to buy a \$50 million company – it wouldn't fit the investment objective. Our portfolios are ranked by S&P and Morningstar and they classify them as large cap which the S&P 500 is. Also, a lot of people who buy our products may also buy small cap products so when they

buy our products I don't think they're expecting us to buy small caps."

How have you performed?

Inception was December 1999 and our best year was 2001 which was not a good year obviously but it was a good year for the portfolio. Our most difficult time was March of '03 to June of '04 where the profit recovery was severe and we were not well positioned to benefit from low quality almost bankrupt names that rebounded. That's why we did well in '01, we were more in the quality names and those names did not respond as well in '03 to '04."

Abs. Statistics (3 Years)	Vontobel US Composite	Benchmark S&P 500 Net Dividend
Return	39.27	33.31
Annual Average	11.68	10.06
Annual Volatility	7.33	6.83
Sharpe Ratio	1.08	0.92

Abs. Statistics (5 Years)	Vontobel US Composite	Benchmark S&P 500 Net Dividend
Return	45.41	35.52
Annual Average	7.77	6.27
Annual Volatility	12.27	12.28
Sharpe Ratio	0.4	0.28

How do you screen stocks?

"Because our approach is blend we screen using valuation and earnings revisions to get a feel for how well a company is doing. If it does poorly on all counts I may not see a company. But as you know I attend as many meetings in Zurich as I can."

Any sectors you don't invest in?

"We invest in all major industry groups to be a true blend investor. Our focus is on stock picking so we try to find the best names in all the major industry groups."

Average length of a holding?

"It varies. We have some holdings that have been in the fund since inception (1999). Some may only last six months. It depends what kind of name you're buying and why you're buying it. If you're buying a large stable steady grower, the core position may stay in the portfolio. If you're buying a technology stock because you're expecting the product cycle to do well and if it unfolds as you were expecting and it does well then you will most likely not hold it for a very long time. But overall turnover is something we look at, we try to keep it at low levels if possible as high turnover is a cost and your performance has to be that much better to beat the benchmark."

What's your investment philosophy?

"Bottom-up and it's a combination of research and quantitative tools (screening valuation, earnings revisions) to get to a fundamental view. Technical analysis is used for timing purposes"

Investment constraints?

"External guidelines dictate that no more than 10% can be held in one company. We also have an internal guideline that we use. This is not a legal guideline but it's a guideline that helps us manage our portfolio. For any single position, the maximum deviation against the benchmark weight is 5 percentage points. So if the benchmark weight is 3% - the range could be between zero and 8%."

How do you regard US equities currently?

"As a member of the global investment committee, I can tell you our house view which is the US has some upside but less than some other markets. Based on our multi factor model we don't favor the US market, in a global context; we prefer Europe. We also like emerging markets but they are more risky so it depends on the client's risk profile."

What about the Swiss reputation for liking large caps and being risk averse?

"I don't know if that's true anymore. We try not to have too much of a size bias. If I'm blend and I only have large caps then I'm not blend. Our goal is to have exposure to larger market caps and smaller market caps across the S&P 500. Risk is an important factor too. Our tracking error has gone down by one point yet we've got fewer positions than when it was higher. I therefore think that the lower tracking error is not a function of us taking less risk but that we have less volatility than in 2001 for example."

How many stocks are there in your US portfolio?

"There are no hard and fast rules but in the past we've held between 40 and 70 stocks. Now we have 45. When I look at the risk analysis it tells me I'm taking less risk but as I mentioned before, when I look at the portfolio it doesn't feel like I'm taking less risk."

Impact of US housing?

"You can see the impact on the housing stocks themselves. So you can see it in the numbers of the house builders. The question many people are asking themselves is what the spill over of the US housing downturn will be. If I had to make a guess I'd say the spill over won't be as severe as a recession, as most companies are in good shape so that's an offset."

Which US companies do you currently favor?

"Transocean is one of our top three overweights (4.30% of the portfolio vs 0.19% of benchmark). It's the market leader in global offshore drilling. United Technologies is another of our top overweights (4.43% of the portfolio vs 0.51% of benchmark). We regard it as a high quality name and like its high cash flow generation. Bank of America is another favorite (5.08% of the portfolio vs 1.71% of benchmark). We like its diversified business mix and the expense efficiencies generated by past acquisitions."

Largest Holdings	% of Portfolio
Bank of America	5.08
United Technologies	4.43
Transocean	4.30
Chevron	3.50
MetLife	3.40
Citigroup	3.30
Microsoft	3.00
AT&T	3.00
Johnson & Johnson	2.80
Teck Cominco	2.70

Most Overweight Sectors (As at 30.04.2007)		
Sector	Exposure	S&P 500
Energy	11.95	10.16
Industrials	13.60	10.90

Most Underweight Sectors (As at 30.04.2007)		
Sector	Exposure	S&P 500
Consumer Staples	6.81	9.50
Utilities	0.63	3.73

How many US companies do you meet a year?

“On average about 100 a year. I usually go to the US for a week and might see 20 names. I might attend a conference somewhere else in Europe and I'll see 10 companies in two days. These are just rough figures that vary but on average over half of my company meetings are in Zürich

Which US companies are best at presenting?

“It's hard to say but Reg FD has changed the game a little bit. Companies are more cautious when talking about the current quarter, for instance.

Who's the worst?

“There have been a few bad meetings. One company went public a few years ago. They came back for a post IPO update after the stock had halved; we got no guidance or anything during the meeting. The IR guy's job was to make sure the CFO didn't say too much. The only guy still excited in the room was the investment banker from the bank that brought the IPO. That stands out in my recent memory. An older memory is when I asked management of a company to make his business case; he got angry at me for asking and responded that he knew what he was doing!”

How does meeting management affect your investment making decision?

“It's important. There are two elements to taking a view on a company – quantitative and qualitative. The qualitative input plays an important role.”

Who do you want to meet?

“Preferably the CEO or CFO but at the same time I'd be worried if the CEO came to Europe too often.”

Any tips for US companies presenting in Zurich?

“In the US they like Q&A; they don't want to go through the handout but over here people like to get an update first. They don't want to have to show management that they are good at asking questions, they want to hear what the message is, why are we supposed to buy the stock and they want management to do this without them having to dig and find the answers. It's a big cultural difference. The second thing is we don't always laugh loud when they make a joke but we still appreciate it – again it's a cultural thing. The Americans are more extroverted than the Swiss.”