



# Swiss Equity Discovery Fund

Investing in **Swiss** Entrepreneurs & their Companies

**February 2012**



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## Why **SWISS** equities ?

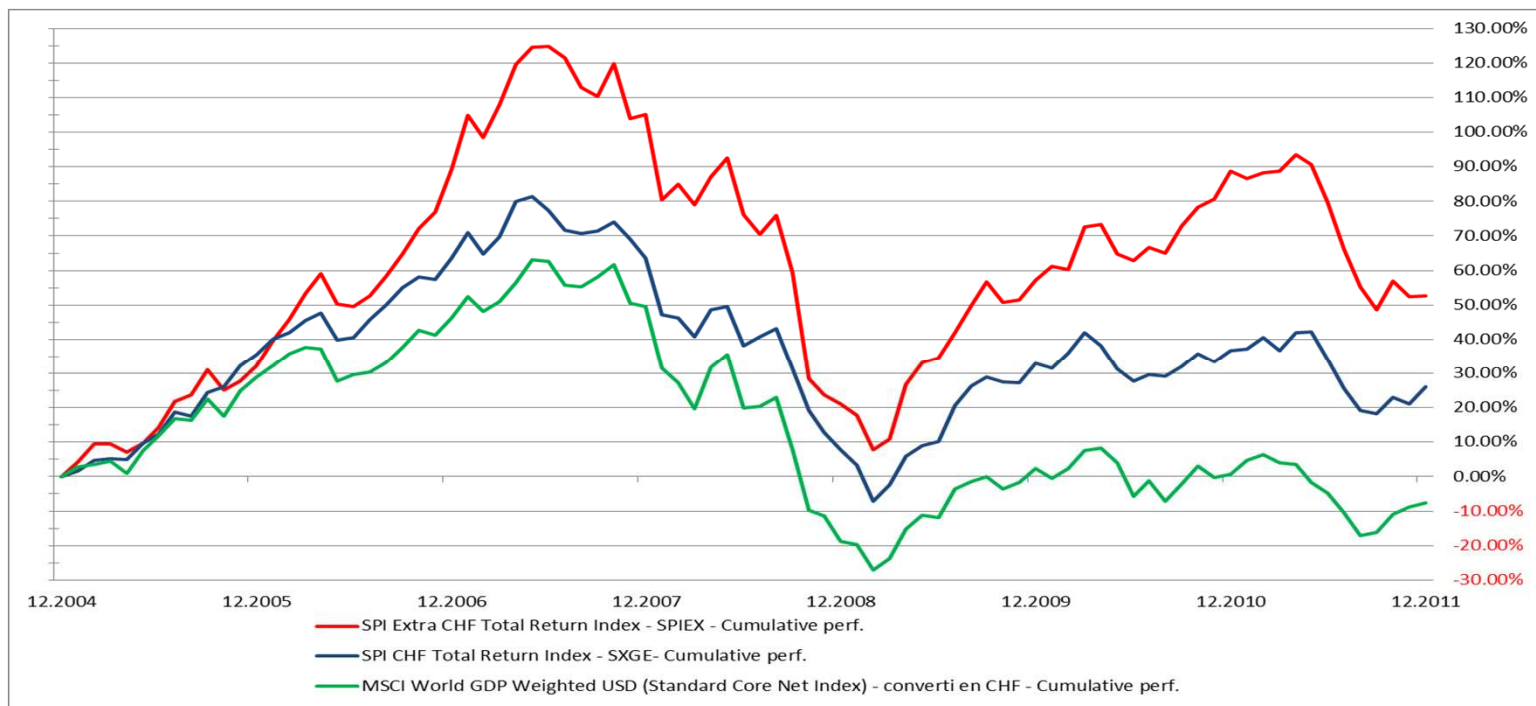
- A Universe of more than 230 quoted companies engaged in a **large number of sectors**
- **European & World leading niche players:** medical & micro-technology, industrial high tech, innovative capital & consumer goods, etc.
- **Small & Midsize Companies** that are **International with Global Footprints**
- **Best-in-class Technical Colleges & Universities** (i.e. Zurich, Lausanne & Bienne) providing a pool of **Top Engineers & Entrepreneurs** for "SWITZERLAND INC."



## Why **SWISS** Small & Midsize Companies ?

- Greater **diversification**
- Healthier balance sheets
- **Stronger** incremental **growth**

| Benchmark | Number of companies | Market capitalization (CHF bn) as of 31.12.2011 |         |
|-----------|---------------------|---|---------|
| SPI       | 230                 | 860   | 100.00% |
| SMI       | 20                  | 725   | 84.30%  |
| SPI EXTRA | 210                 | 135   | 15.70%  |





## The Swiss Equity Discovery Fund

- A **SWISS registered** Equity Fund
- Investing in **SWISS Entrepreneurs** & their Companies
- Primary research & in-house valuation metrics to **assess Value**

The Fund investment philosophy is to be  
**Independent, Proactive & Original**  
with **unique access** to SWISS Entrepreneurs.

- Aiming to achieve a 15% return per annum over the mid to long term
- **Personal investment in the Fund by the Fund manager**



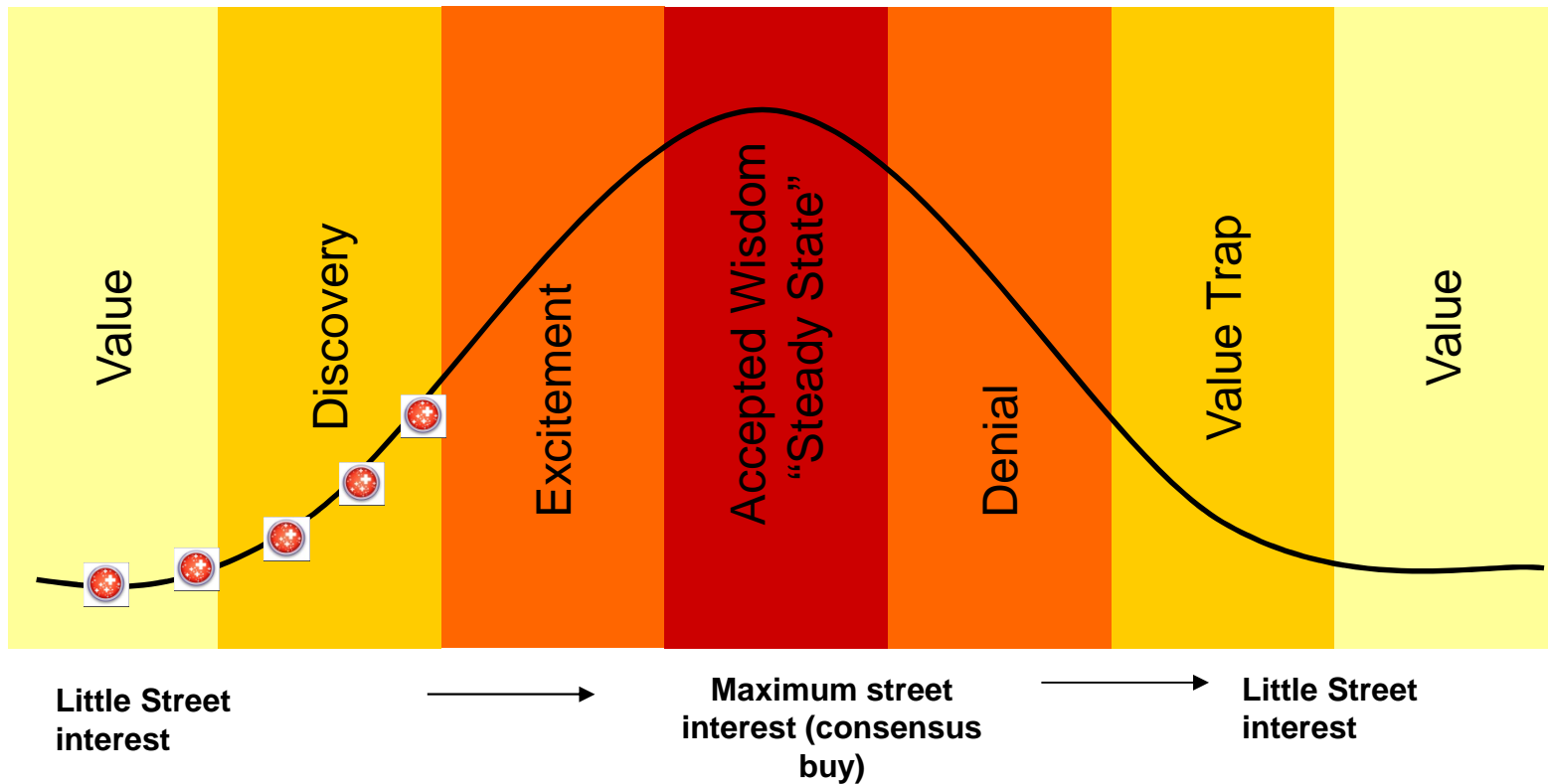
## An Expert in SWISS Entrepreneurs

### **Pierre CLOUX**

- Born in Switzerland in 1955
- Commercial studies in Lausanne. Swiss Banking School Diploma.
- Extensive work experience in the Financial Industry as Credit & Loan Officer and Investment Advisor in New York, London, Zurich & Geneva.
- 20-years' experience advising top-tier UK & European Institutions on Swiss Equities working with LODH, CSFB, Schrodgers/Citigroup and Cheuvreux and most recently **building and running the Berenberg Swiss Equity team.**
- Teamed up with **Dominicé & Co** in 2007 to launch the **SWISS EQUITY DISCOVERY FUND.**



## Investment Point of Entry



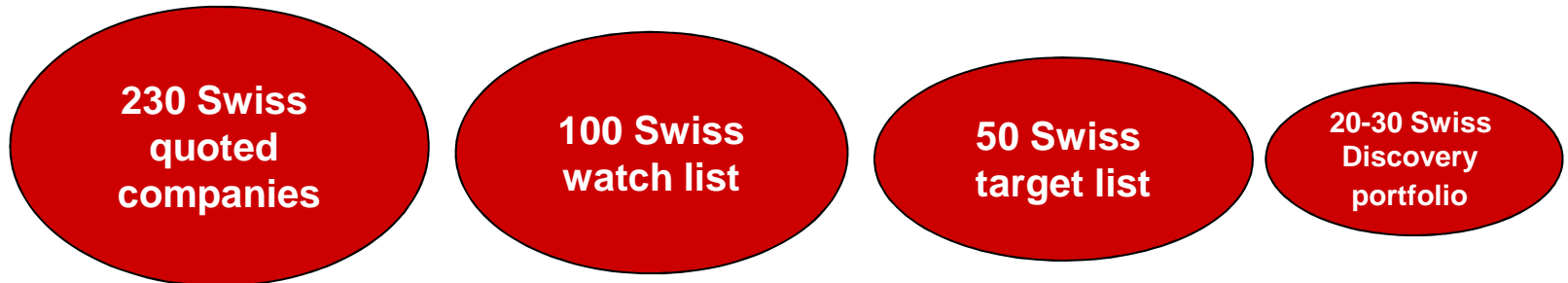
Courtesy of Thierry Serero



## Investment Process – 3 STEPS

### STEP 1 - Screen & Research

- Data screening, company website, input from brokers, financial press



### STEP 2 - Visit & Learn

- Direct & regular contact with Entrepreneurs/Management. 50% time dedicated to visits and interviews.
- **Investors in the Swiss Equity Discovery Fund are welcome to attend these visits !**



## Investment Process – 3 STEPS

### STEP 3 - Crunch & Value

- Low Price/Real Net Asset **Value**
- Don't pay for **Growth** !
- «Owner's Earnings» (EBITDA less Maintenance CAPEX) =  
the real measure of **Cash Flow**
- Assess Financial Strength  
**Net Working Capital : Sales** ratio  
**Debt : Equity** ratio
- Reconcile Facts with Figures

**«Good fortune is what happens when opportunity meets with planning»**

*Thomas Edison*



**Investment Approach No 1**  
"undervalued & underestimated Growth"



**Leading SWISS Dairy Company - one of the more innovative in Europe**

Brands : Caffè Latte, Kaltbach, Aktifit, Gerber Fondue, Toni

|  |            |               |
|--|------------|---------------|
| Sales 2008/2010 – average                  | CHF        | 2650 mn       |
| EBITDA 2008/2010 – average                 | CHF        | 200 mn        |
| Less: Maintenance CAPEX                    | CHF        | <u>-75 mn</u> |
| <b>Free Cash Flow</b> («Owner's earnings») | <b>CHF</b> | <b>125 mn</b> |

**Market Capitalisation**

|                          |     |               |
|--------------------------|-----|---------------|
| 5.35 mn shares at CHF210 | CHF | 1125 mn       |
| Plus: Net debt           | CHF | <u>125 mn</u> |

**Enterprise Value** **CHF 1250 mn**

**Yield** **10 %**

*Source: Company, Helvea*



## Investment Approach No 1 (cont) "undervalued & underestimated Growth"



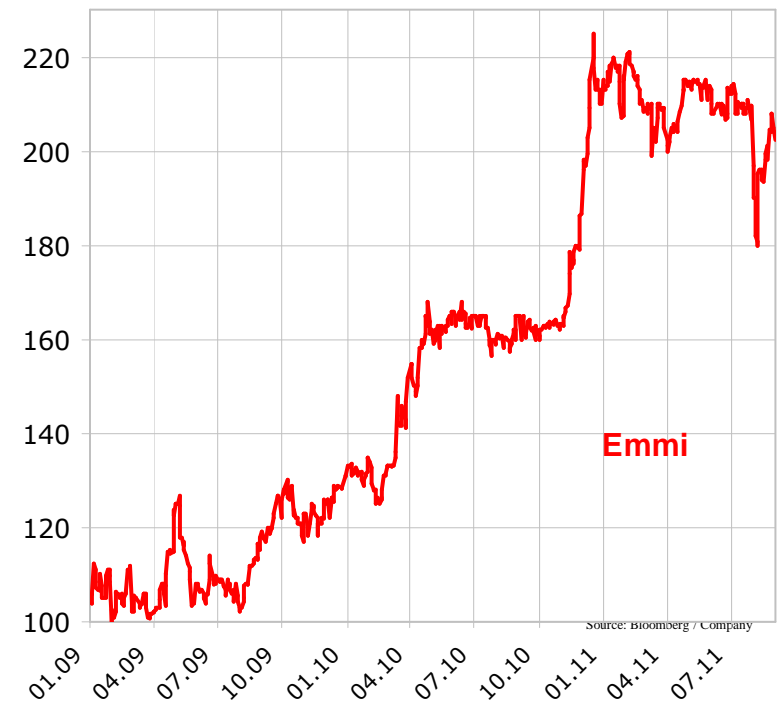
### Should we take profits?

**Excellence in Sales & Marketing** and extensive Retail knowledge (CEO Riedener worked at Migros).

CEO Riedener **successfully** co-developed **Lindt in the US** (1995/2000)

Growth Strategy: to achieve **50% of International Sales** by 2014/15

**Financially Sound.** Stable Shareholding





## Investment Approach No 1 (cont) "undervalued & underestimated Growth"



### EMMI in 2014/2015

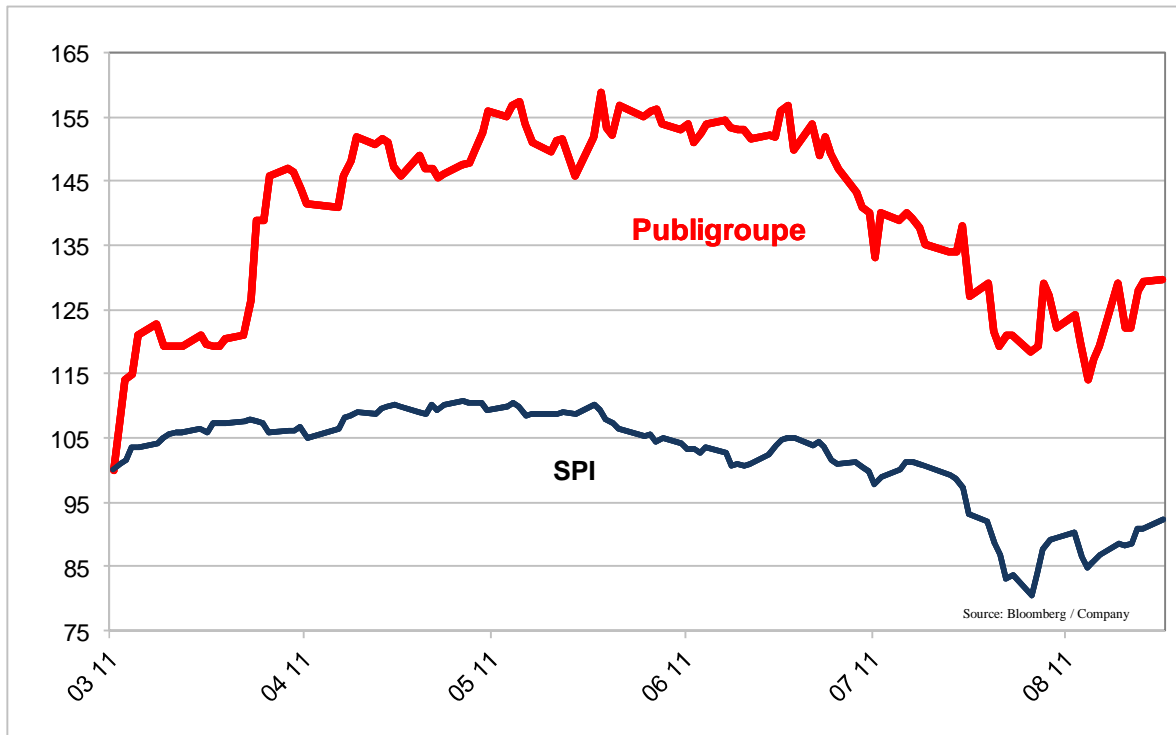
|  |            |                |
|--|------------|----------------|
| Sales  | CHF        | 4000 mn        |
| EBITDA   | CHF        | 300 mn         |
| Less: Maintenance CAPEX  | CHF        | <u>-100 mn</u> |
| <b>Free Cash Flow</b> («Owner's earnings»)                     | <b>CHF</b> | <b>200 mn</b>  |
| <br>   |            |                |
| <b>Enterprise Value at 10 %</b>                                | <b>CHF</b> | <b>2000 mn</b> |
| <br>   |            |                |
| <b>Enterprise Value at 6 %</b><br>(similar to Lindt valuation) | <b>CHF</b> | <b>3350 mn</b> |

**Conclusion:** assuming CHF350 mn net debt, **EMMI** could be worth between **CHF310** and **CHF557** per share by **2014/15** (12/2010 : CHF210)



## Investment Approach No 2 "the special situation"

### **PUBLIGROUPE** – turnaround & back to profit!

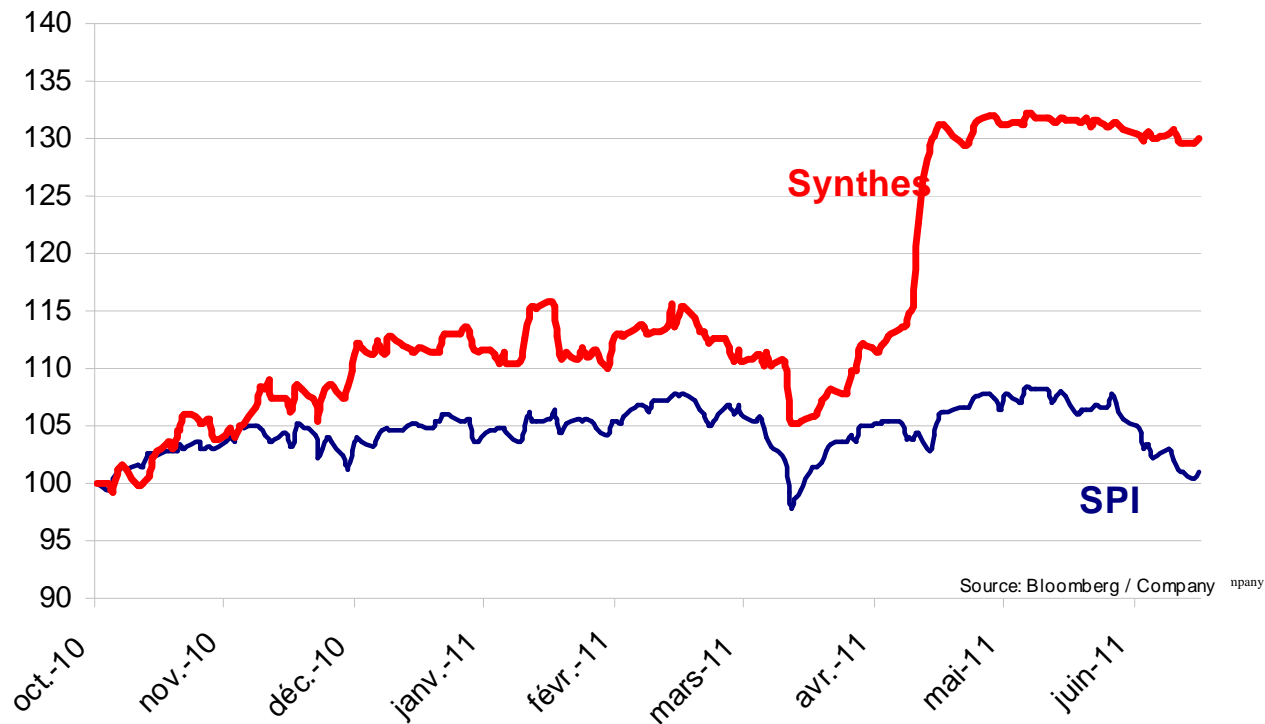




## Investment Approach No 3 "the relatively unpopular large company"



**SYNTHES** – after many years' derating, became good value!





## Portfolio Construction & Risk Management

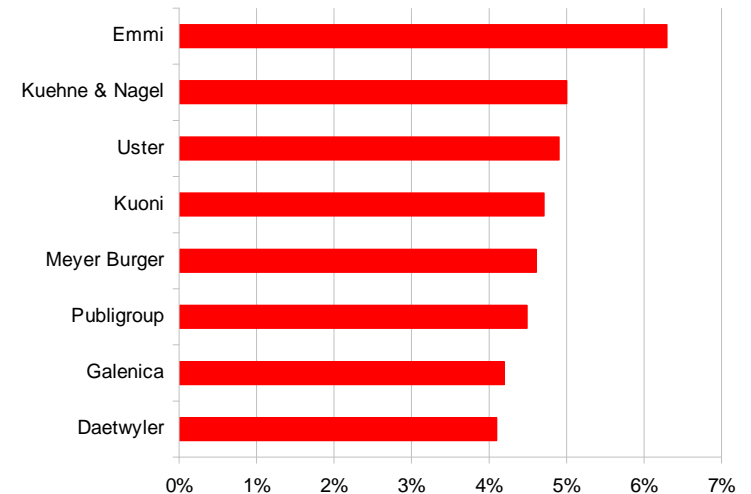
- «**Bottom up**» approach, but **aware of sectors & the bigger picture**
- A portfolio of **20 to 25 Companies**

Medium-term Horizon (3 to 5 years) results in a relatively **low portfolio turnover**



## Where are we NOW ?

- We are **invested in 23 SWISS companies** in sectors across the board
- We are confident of doing well over time due to a **disciplined approach to fundamental valuation**
- To date, **6 companies** in the Fund have been **taken over**
- **The majority of companies** in the Fund have **NO debt**
- Year-to-date as of 7 Feb 2012 the Fund is **up 9.1%** vs 4.4% for the SPI Index



**«I am still learning.»**  
*Michelangelo*



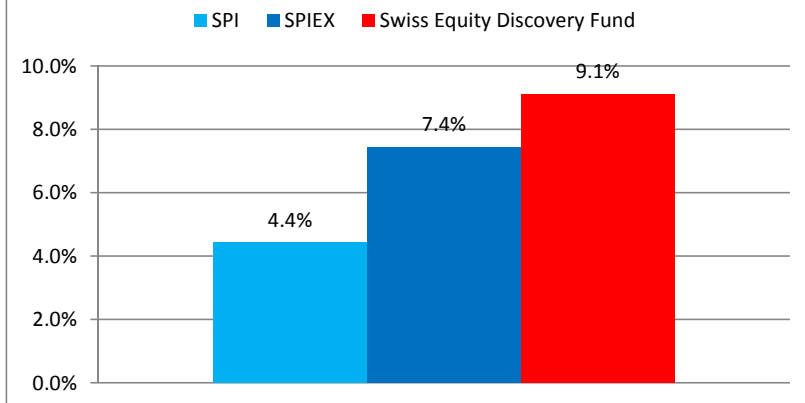
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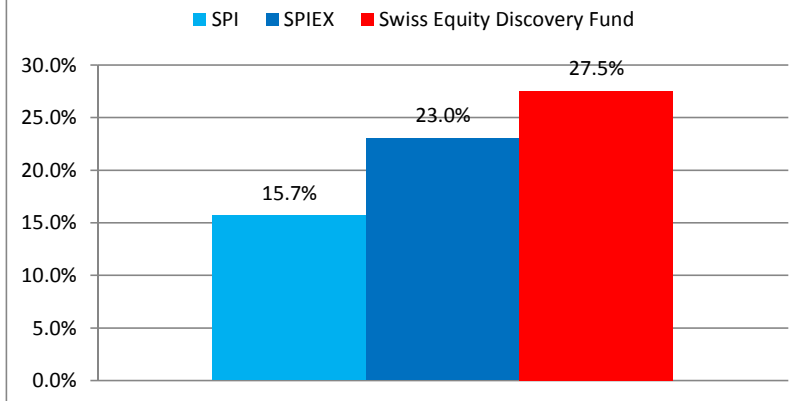
### Performance since Inception



### Performance YtD 2012



### Performance 3 yrs 2009-2011





## Swiss Equity Discovery Fund

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### How to subscribe ?

Investors can subscribe to the **Swiss Equity Discovery Fund** through any bank  
No minimum investment  
(Fund launched 17 January 2008)

#### Key data :

|                         |  |
|-------------------------|--|
| Base currency:          | CHF  |
| NAV calculation:        | Weekly   |
| Liquidity:              | Weekly (subscriptions & redemptions must be received by 3 p.m. (CET) on Tuesdays for a Thursday NAV, delivery against payment Thursday +3) |
| Management & Admin fee: | 1.5% p.a.  |
| Performance fee:        | 10% over hurdle rate CHF 6 months Libor  |
| Incorporation:          | Switzerland  |
| Administrator:          | Caceis Fastnet (Suisse) SA, Nyon, Switzerland  |
| Custodian:              | Swissquote Banque SA, Gland, Switzerland   |
| Auditors:               | PricewaterhouseCoopers   |
| Valor / ISIN:           | 3571707 / CH0035717070   |
| Restrictions:           | Not for distribution in the US or to US persons  |
| Front Load fee:         | None   |

#### Disclaimer

*Past performance is not a guide to future performance. Performance data do not take account of the commissions and costs incurred upon the issue and redemption of units. The Prospectus of the Fund, the Simplified Prospectus as well as the Annual and Semi-annual Reports, may be obtained free of charge upon request from the Fund Management Company: CACEIS Fastnet (Suisse) SA, 7-9 Chemin de Precossy, 1260 Nyon, Switzerland.*