



Swiss Equity Discovery Fund

Investing in **SWISS** Entrepreneurs & their Companies

March 2011



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Why **SWISS** equities ?

- A Universe of more than 220 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."



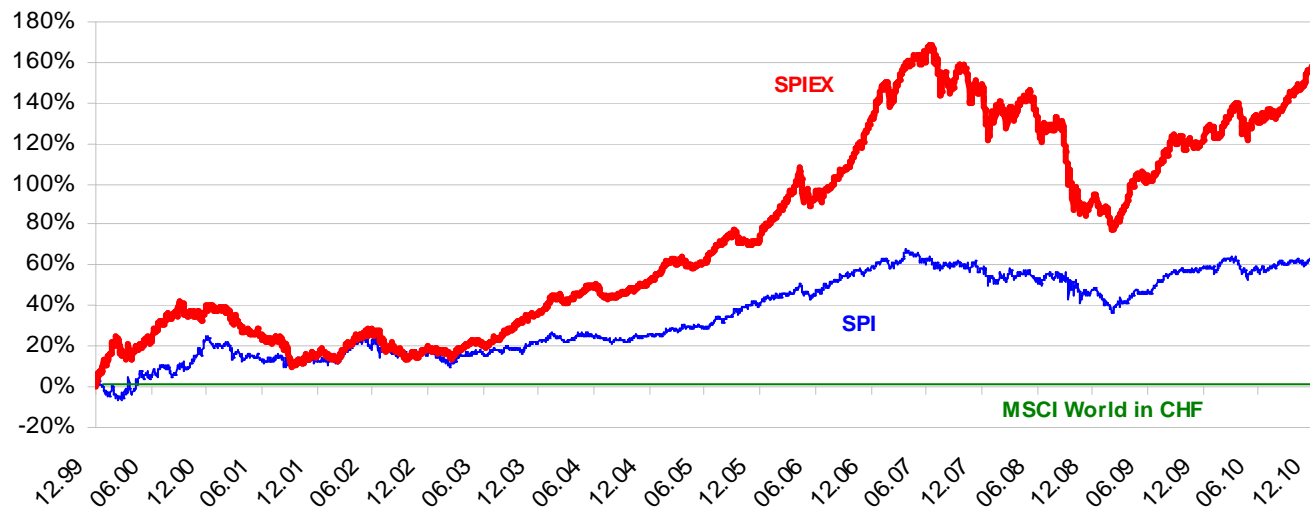
Why **SWISS** Small & Midsize Companies ?

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

Relative performance comparison to **MSCI World**

SPIEX - Swiss Small & MidCaps

SPI - All Swiss listed - SPI





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



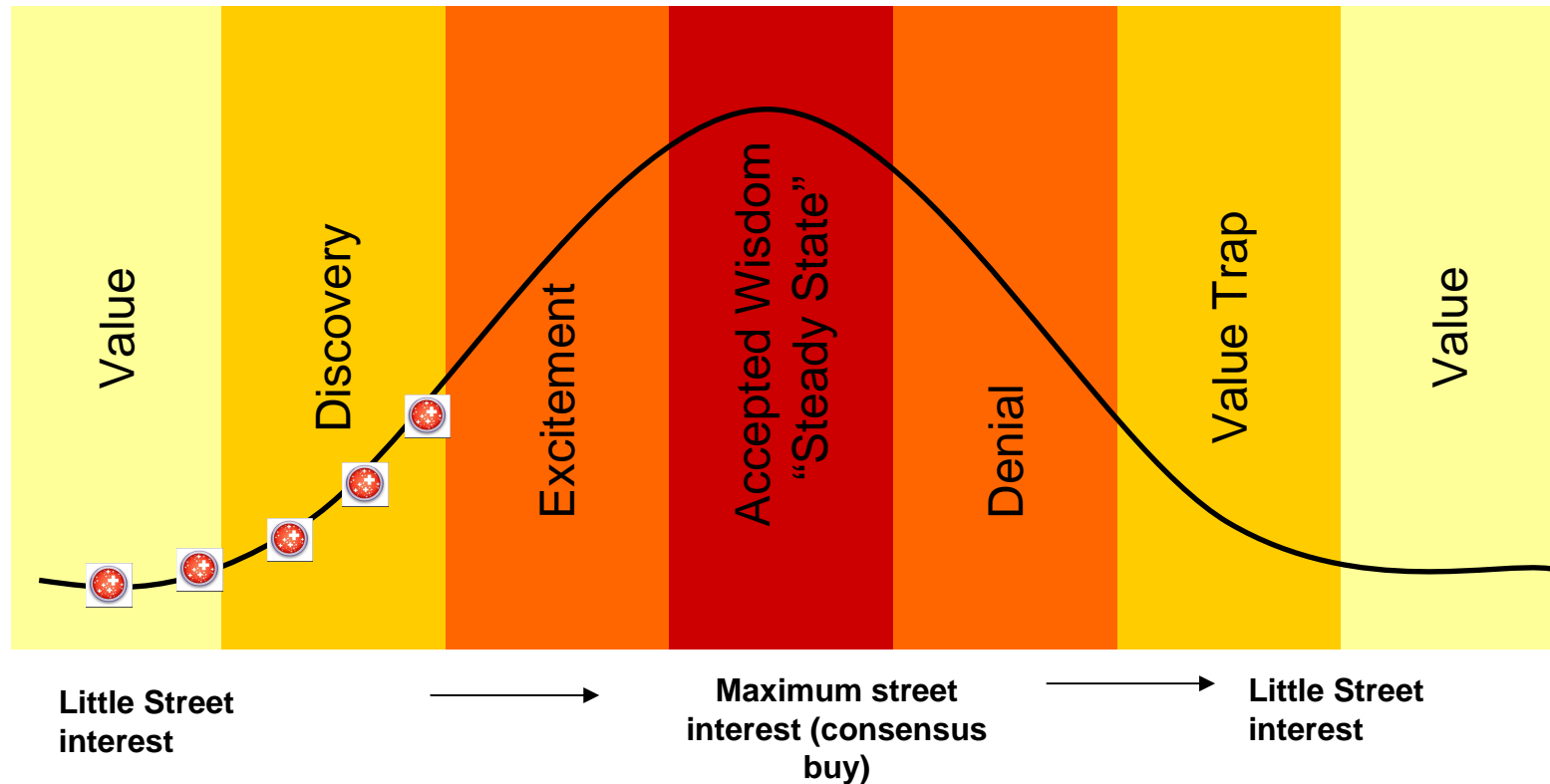
An Expert in SWISS Entrepreneurs

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

220 Swiss
quoted
companies

100 Swiss
watch list

50 Swiss
target list

20-30 Swiss
Discovery
portfolio

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	<u>CHF</u>	<u>-75 mn</u>
Free Cash Flow («Owner's earnings»)	CHF	125 mn

Market Capitalisation

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

Enterprise Value **CHF 1250 mn**

Yield **10 %**

Source: Company, Helvea



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



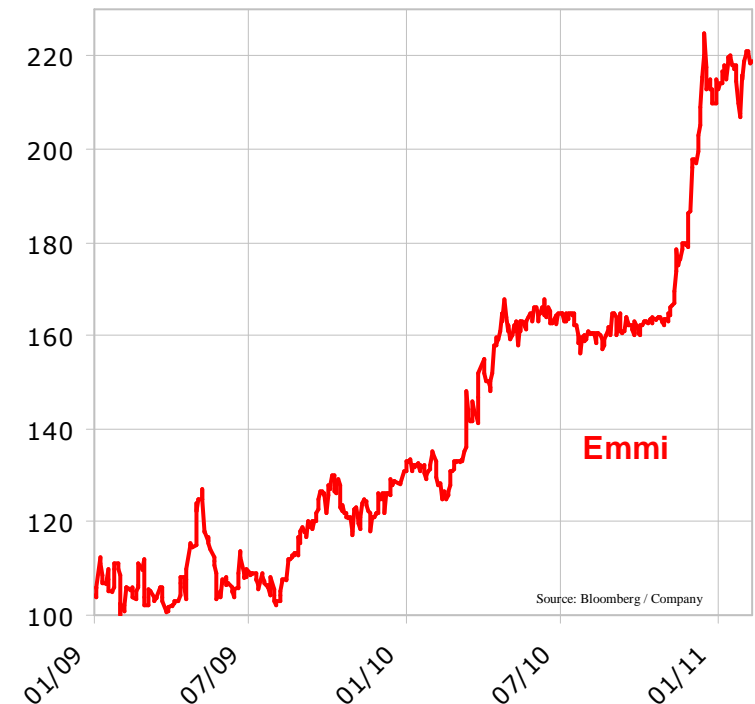
Should we take profits?

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>
Free Cash Flow («Owner's earnings»)	CHF	200 mn
Enterprise Value at 10 %	CHF	2000 mn
Enterprise Value at 6 % (similar to Lindt valuation)	CHF	3350 mn

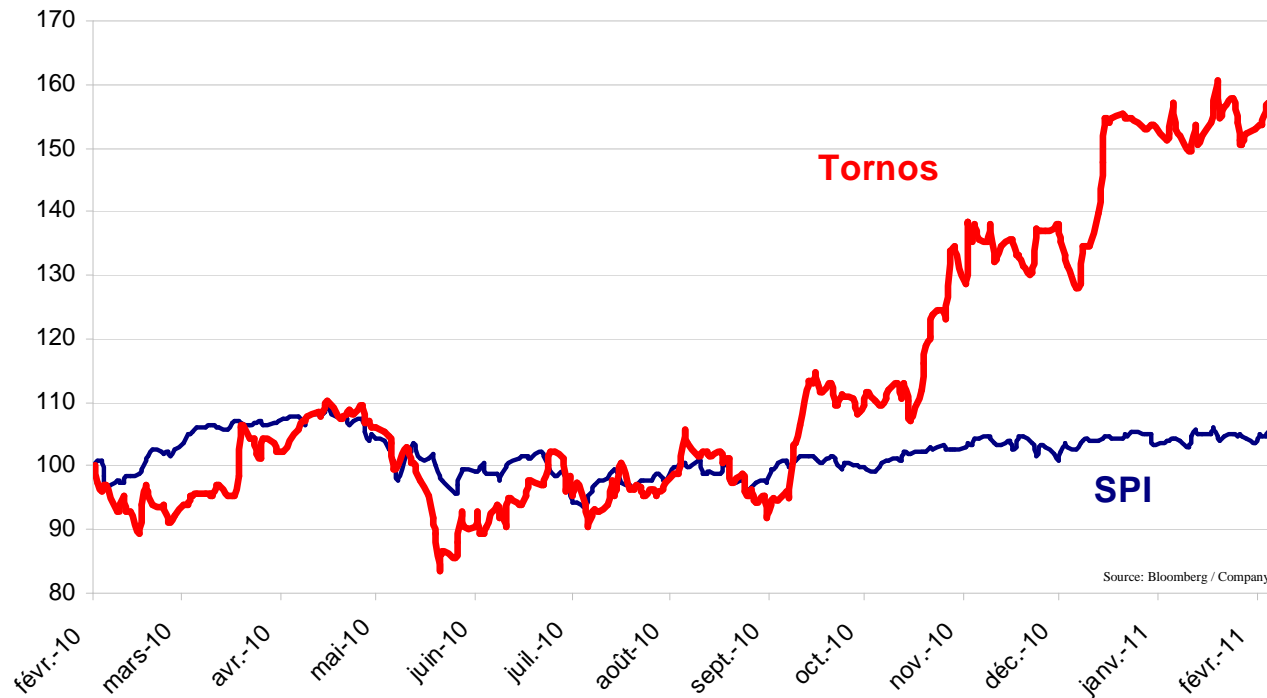
Conclusion: assuming CHF350 mn net debt, **EMMI** could be worth between **CHF310** and **CHF557** per share by **2014/15** (12/2010 : CHF210)



Investment Approach No 2 "the special situation"



TORNOS – turnaround & back to profit!

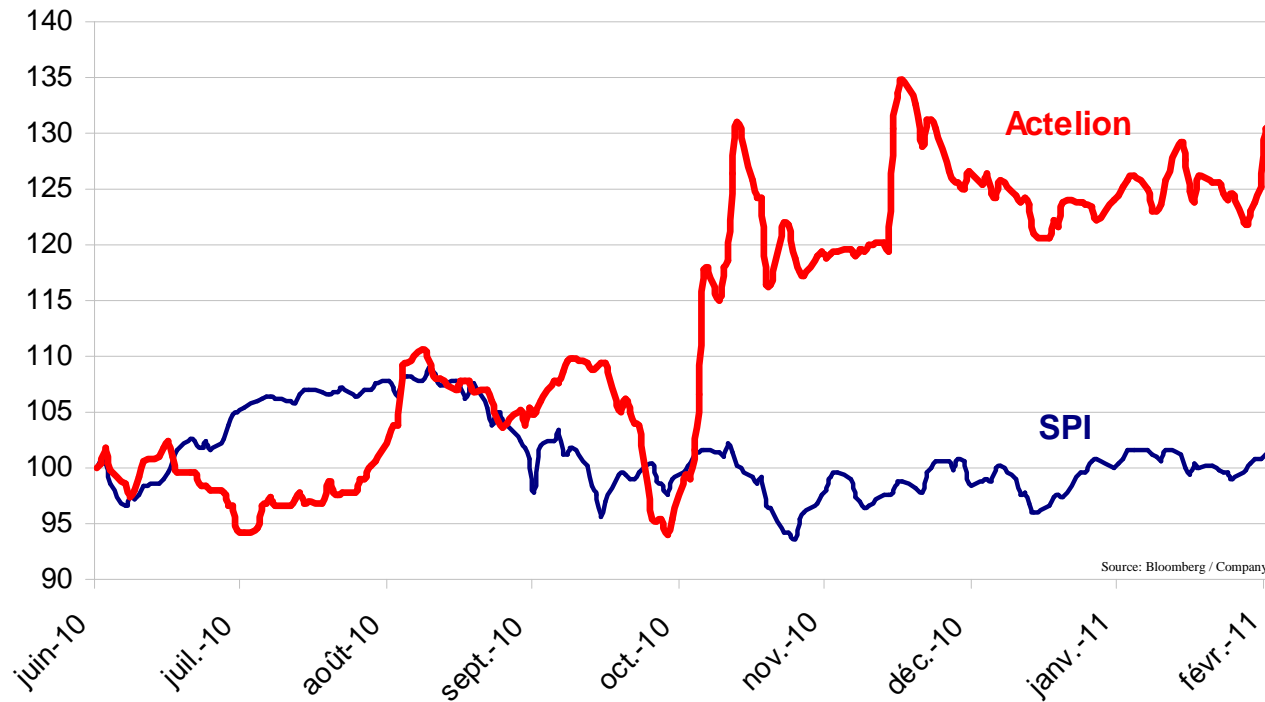




Investment Approach No 3 "the relatively unpopular large company"



ACTELION – we didn't pay for the "drug pipeline"!





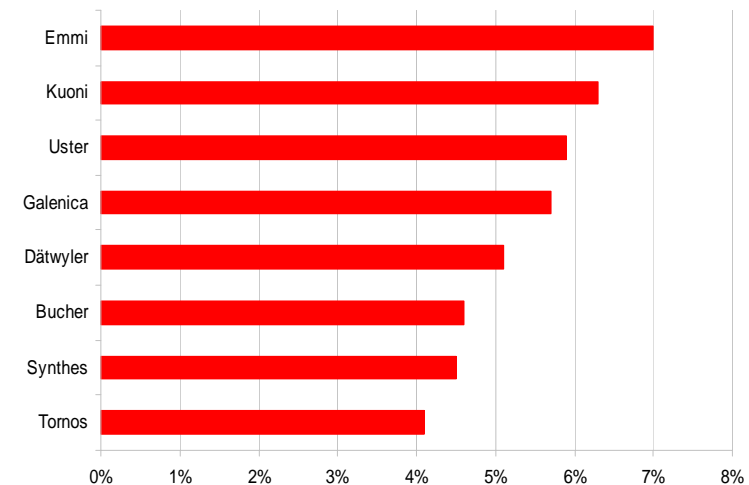
Portfolio Construction & Risk Management

- «**Bottom up**» approach, but **aware of the bigger picture**
- A portfolio of **20 to 30 Companies**
- Medium-term Horizon = relatively **Low Portfolio Turnover**



Where are we NOW ?

- We are **invested in 24 SWISS companies** in sectors across the board
- We are confident of doing well over time due to a **disciplined approach to fundamental valuation**
- **The majority of Companies** in the Fund have **NO debt**
- **In 2010**, the Fund was **up 18.7% vs 2.9%** for the SPI Index.
- Year-to-date as at 28 Feb 2011 **up 2.2% vs 2.8% SPI**



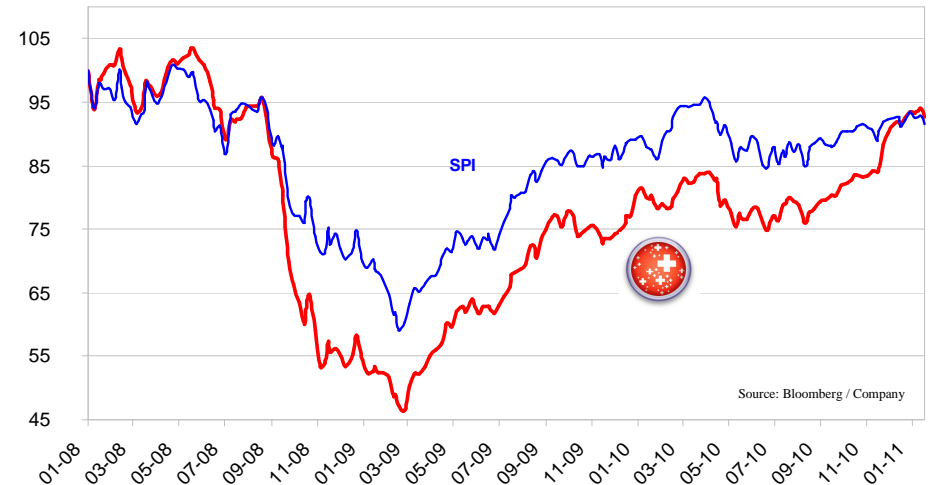
«I am still learning.»

Michelangelo

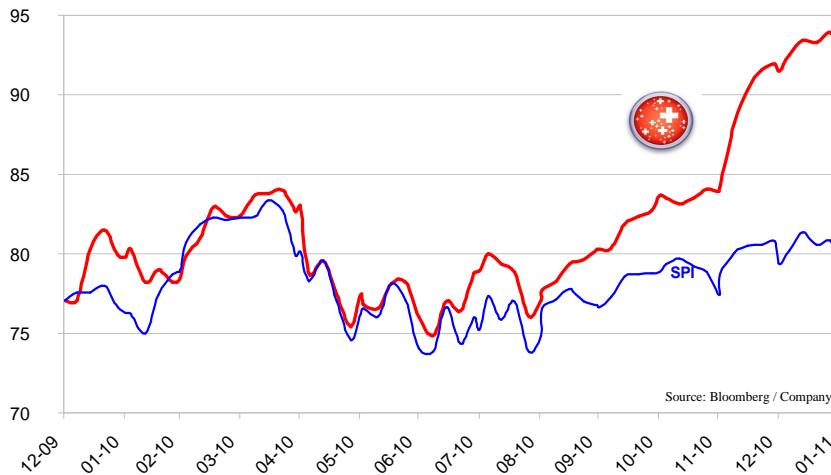


Performance since Inception ->

Swiss Equity Discovery Fund since Inception



Swiss Equity Discovery Fund since January 2010



<<- Performance 2010/11



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.