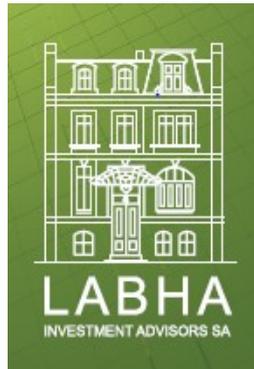


## Pragmatic Investing



## Pragmatic Investing

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## OUR PHILOSOPHY

LABHA is a Sanskrit (the historical language of India) word, meaning profit or gain. Sanskrit was the language used to write the ancient texts pertaining to philosophy and well-being. These texts deal with the relationship of human beings to nature and its cycles and give advice on living in harmony with these cycles, to achieve good health and happiness.

The choice of the word LABHA as our company name reflects not only what we do, but also how we achieve the financial gains for our clients. We believe that, just as nature



has its cycles and structural shifts, businesses and economies also follow cycles and go through structural changes. The investment process should therefore focus on estimating these changes to optimise results. Often, when an asset class, sector or region has done well for a while, there is a tendency for markets to rally strongly and overshoot. On the other hand, when sentiment has turned sour for a while, extreme under-pricing is often the result. This tendency to over or under shoot has been observed repeatedly over many cycles. These factors play an important role in addition to all our data and fundamental analysis, when we make our asset, regional and sector allocation, as well as stock picking decisions. This discipline in decision making and execution has helped us take advantage of market exaggerations

caused by fear and greed.

Financial markets are now exposed to additional risks related to computerised, high frequency trading, which causes large volumes of assets to be bought or sold without any human intervention. Often these computers are operating from different parts of the world but are programmed to react to very similar triggers. The result is a further exaggeration of price movements in one direction or the other. The people programming such computers most often do not concern themselves with the value or potential of a company, but are much more focused on headlines and other extraneous factors that are very short-term in nature. We look at this increased volatility as an opportunity to sell positions at higher prices than would normally be achieved and to invest at lower levels than would be possible, without the exaggerations produced by this high frequency computerised trading. We have picked up several bargains for our clients by making use of these exaggerations.

Our philosophy has served our clients well, through various market cycles. We believe, that this combination of solid fundamental analysis with discipline in decision making and execution, is even more important in increasingly volatile markets.

## OUR APPROACH

Our approach reflects our philosophy, which means that we invest in good quality assets and companies, when they are being neglected by the market and avoid investments in assets or companies we believe to be expensive, even if they are very popular at the time.

Though we receive research from banks, brokers and electronic databases, we do not follow the recommendations blindly. We use the data received, to form our own opinion, which is often different from that of the consensus. We believe it is impossible to add value, by following the crowd, so we consistently question the recommendations and make our own decisions. This approach has enabled us to invest in themes and trends, before they became popular and has helped us, to assess when new technologies are likely to have a major impact.

By building our own opinion, we were able to protect our clients from the Madoff funds, as well as Lehman Brothers products completely, as we refused to follow the crowd and our analysis led us to believe that there was something fundamentally wrong with the products. By applying her own specialist analysis and discipline consistently, our CEO Gillian Hollenstein, was able to protect clients from making expensive mistakes in the dotcom crisis (as Jt. Head Value- & Strategy Funds at Bank Julius Baer) and the more recent financial crisis (as CEO of LABHA).

However, as our approach is not that of permanent conservatism but of pragmatism, we were able to take advantage of market pessimism, to re-invest cash at levels which we now know were extremely depressed. In late 2008 and early 2009, when markets were over discounting bad news and several blue chip companies were trading at historically cheap valuations, we decided to put the cash we had been holding to work and slowly built positions in what we believed to be the best investment opportunities. As a result, our clients benefited from the recovery following the crisis, after having avoided the worst of the down turn.

We believe that our “Pragmatic Investing” approach has protected our client portfolios from scams and exaggerations, and revealed opportunities, when the consensus was too gloomy.

Though there is no guarantee, that our future results will be as notable as those we have achieved so far, we are convinced that our approach offers us a sizeable advantage in achieving clients’ goals, at reasonable levels of risk.

## YOUR ADVANTAGES

### Compliance

LABHA Investment Advisors, is directly supervised by the Swiss Financial Market Supervisory Authority (FINMA), and as a result is authorised as Asset Manager and fund distributor by FINMA.

There are over 3000 independent wealth managers, and family offices in Switzerland. However, currently only about 130, are directly supervised by the Swiss Financial Market Supervisory Authority (FINMA). Being supervised by FINMA means, that LABHA is licensed to provide services to clients, that the self-regulated wealth managers are not allowed to provide. This includes, setting up and administering funds or other structures, for which a self-regulated manager, would have to use an intermediary. Using an intermediary often means additional processes and costs for the client.

FINMA regulation involves, a detailed and comprehensive audit by a FINMA approved auditor (of which there are only seven in Switzerland). The audit usually lasts more than a week and is aimed at ensuring best practices, processes and professionalism, in managing client wealth, as well as the financial stability and soundness of the wealth manager being audited. The asset managers not directly audited by FINMA, are members of a professional society or organisation, with much less stringent rules and less thorough audits.



Being FINMA regulated means, that LABHA can offer clients a broad range of services, that many advisors cannot. Additionally, our clients have the confidence that the highest financial authority in Switzerland is monitoring and controlling our policies and procedures, ensuring that their very high standards are met. Less than five percent of all independent asset managers in Switzerland, are FINMA regulated.

### Infrastructure

We have our main office in Zurich and a representative office in Geneva. Our professional IT infrastructure is set up to be both efficient and accurate. Our excellent portfolio management and risk control software, is the same as that used by many of the large banks and institutions worldwide. This system enables us to consolidate portfolios managed by various banks or asset managers, and provides a very clear and detailed overview of the advantages or disadvantages of current portfolio positioning. Using our portfolio management system, we can highlight concentrated risks or opportunities and

indicate changes that we suggest. We work very closely with our clients to set up this process, in order to provide transparency, efficiency and an optimisation of results.

Our experienced team comprises individuals with expertise in setting up of structures, financial planning and administration, asset allocation, risk assessment and control, portfolio management, security analysis, fund selection and other fiduciary services.

### **Independence**

Unlike many larger institutions, we are not bound to follow company-imposed purchases of various products or investment instruments. This means there are no conflicts of interest between our clients and us. We want you to have the confidence that every decision made, is only because we believe that it is right for you. In fact, our performance over the years has been achieved almost entirely with the use of individual equities and bonds. We use ETFs to cover volatile emerging markets or sectors, like alternative energy, which have substantial profit potential but whose individual components are very volatile. By doing this, we have reduced risk, while enabling the participation in growth opportunities. We do not need to wait for decisions by large centralised committees before putting our ideas to work. This reduces the time required between the discovery of an interesting opportunity and its execution in a portfolio – a crucial advantage in volatile and unpredictable markets.

Our independence, increases flexibility and efficiency, which has resulted in our ability to add value for our clients.

### **Privacy & Confidentiality**

Due to our size, IT systems as well as the quality and commitment of our team, we deliver the levels of privacy and confidentiality that our clients have praised as being at the forefront of the business.

### **Efficiency & Simplicity**

Your money remains with the bank you have chosen and you continue to benefit from all bank services and advantages, including the bank statements you are used to receiving. This arrangement provides you with the security and banking services you are used to, while opening up the possibility to have your assets managed by us as your independent asset manager. We have direct IT connections with most banks we work with and therefore, can execute all investment decisions with a high degree of efficiency and confidentiality.

This four eyes principle offers all the advantages that clients seek with regard to their assets and has been very well received.

## OUR SERVICES

### Financial Planning & Family Office Expertise

We believe that each of our clients has individual requirements based on their vision for their wealth, as well as the legal and regulatory framework, governing their particular jurisdiction. After we have understood your individual needs and requirements, we work



with internal and external experts to set up the structure, which suits your requirements. The nature of your assets, cash flow and country of domicile play an important role in this process. Our internal and external experts have the breadth and depth of knowledge and experience to provide you with the advice and set up with which your individual situation is addressed.

As this is a very important step for every client and has a long-term influence on various aspects, of their wealth, and that of succeeding generations, the level of individual attention we provide has been much appreciated by our clients. Whether it is estate or tax planning, trusteeship, budget and cash flow management or legal advice, we make the required expertise available to you.

Through the whole process of setting up the structure which works for your individual needs, we co-ordinate and monitor the process to enable an efficient and smooth execution. In short, we represent your best interests, while letting you be involved as much or as little as you wish.

### Customised Portfolio Management & Investment Strategies

After, the decision has been made, to invest through a private account, trust, holding company or other structure, the next very important decision regarding portfolio management and investment strategy needs to be addressed. Our team has in-depth knowledge and vast experience in successfully managing client assets through cycles and crises. We customise investment strategies, so that they address your specific wishes, by taking into account all aspects of your wealth structure and risk tolerance. We look at your account individually and not as part of a standardised block.

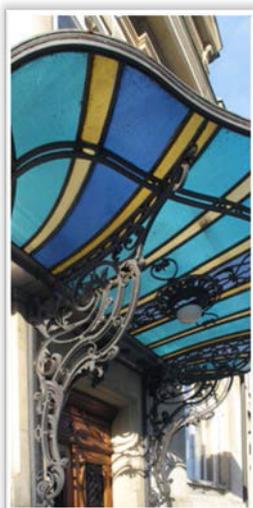
Your portfolio is not simply a collection of the best ideas provided by several departments. A solid portfolio with strong fundamentals requires an in-depth understanding by the person managing it, not only of its individual parts, but also of their interactions and correlations. At LABHA, the same experts make the decisions and execute them for your portfolio. This is how we increase the timeliness and precision of

executions. When committees make decisions and hand them down to administrators for execution, they are often less timely and precise.

When you speak to one of us, you are speaking to an expert who has been involved from the very beginning, in every aspect of your wealth plan, strategy and position selection. We have made all decisions regarding your portfolio ourselves and can discuss every aspect in detail without having to refer you to another person or department who may not be informed of your investment history and goals.

### Wealth Consolidation & Optimisation

Some of our clients deal with several banks and/or different managers and would like to have a consolidated overview and analysis to optimise their portfolios and avoid overlaps or reveal gaps in their investments.



Our professional portfolio management system enables us to consolidate your holdings and provide you with an overview of your assets. Using the consolidated view, we are able to show our clients that in some cases, the same shares or bonds are held in different accounts. When these positions are added up, the actual exposure of the portfolio to a single position can be higher than desired and make the portfolio more risky than originally assumed. On the other hand, many important areas of future growth or sources of good dividends may be under-represented in the portfolios. All of this shows up in a consolidated overview. By correcting these

imbalances and supervising the total portfolio risk- return profile, we are able to produce more optimised results.

An additional advantage to centralising and consolidating portfolios is that we are able to address clients' concerns about conflicts of interest, complicated processes, costs and other issues often involved in portfolio management. These factors could be less than optimal for the total wealth of the client and have a considerable impact on medium to long term performance.

We have built up a strong network of bankers, lawyers, trustees and regulators over the years and they keep us informed of the latest developments and improvements, which may be advantageous to our clients' wealth structures. Combining this input with our experience, independence and conflict free environment, enables us to address all the issues mentioned above, and provide the wealth optimisation, which has been very beneficial to our clients.

## **Advisory & Review**

Due to our success in managing assets through various market cycles, we have been asked by some clients to perform an advisory role with respect to existing structures or accounts. This may take the form of reviewing current investments against a set of requirements and goals, or providing continuous oversight of various accounts managed by several banks or portfolio managers.

Often, individuals and families have their wealth divided into segments, managed by different banks or portfolio managers. The various segments may have similar or very divergent goals or purposes. We review the investments on a regular basis, to monitor their progress and their alignment with the established goals. In doing so, we act as a conflict free third party making an objective assessment.

If required, we also provide periodic advice on asset-, sector-, or regional allocation as well as stock picking, for certain regions or sectors.

## **Risk Management**

We believe that each person or family has a risk level they are comfortable with. This level is influenced by several factors, including age, cash flow generation from other sources and personal preferences. Therefore establishing a financial plan and allocating risk budgets with respect to asset classes, currencies etc. is a very important part of our investment process. We work closely with our clients, to estimate their individual risk acceptance level.

When the risk tolerance level is established, all asset, currency and sector allocation as well as individual security purchases, are governed by it. We have invested in excellent portfolio management and risk control software, used by many of the large banks and institutions. This software enables us to monitor and control the risk level of the portfolio, in relation to that chosen by our clients.

Continuous monitoring and rebalancing, by employing a combination of statistical risk measures and systems, along with our years of experience, has proven very beneficial to our clients in both financial market crises and booms.

Regular position reviews, aimed at risk management and profit taking, have been a very important contributor to our goal of optimising returns, while maintaining risk at a level which has been chosen by the client. We believe that these processes are very important and provide transparency, efficiency and an optimisation of results.

## OUR TEAM

We are a small, flexible team, of very experienced people, who work well together and are able to execute strategies effectively, for the benefit of our clients.

**Gillian Hollenstein BSc., CFA**, is a founding partner, CEO and member of the board of LABHA Investment Advisors since August 2005.



After completing her degrees in Physics and Business Administration in 1988, she held several positions, in both the corporate and financial sectors. The Chartered Financial Analyst (CFA) designation was awarded to her in 2002.

From 1997 to 1999 as division head, she built up the corporate actions department of Citibank, Zurich. In 1999, she joined Bank Julius Baer, Zurich where she was Jt. Head Value- & Strategy Funds (Vice President). Several private client accounts with special mandates were also assigned to her for management. These products, and the others managed or co-managed by her, proved to be very successful and assets under management grew, from CHF 500 million to CHF 2 billion during her tenure.

In 2005 the Strategy Funds received several awards, including Lipper and S&P, both in Switzerland and other European countries, as the best funds in their category over one and three years.

Gillian has successfully applied the same strategy and discipline, when investing individual client assets at LABHA. The entire team operates with this approach and every aspect of asset and position selection is governed by it.

Gillian is a regular contributor to Bloomberg and has made several appearances on Bloomberg TV, outlining her strategy and stock picks.

**Elmar J. Hollenstein B.S., MBA**, is an executive director and chief analyst at LABHA Investment Advisors since September 2007.



After completing his Bachelor of Science degree (electrical engineering) from the University of California at Berkeley/ USA in 1991, Elmar worked as a consultant and director of operations in the IT and media industries, as well as senior marketing and sales manager (international) in Swisscom till 2001. From 2001 until he joined LABHA, he was a senior controller, project portfolio manager and project manager for PartnerRe, a reinsurance company. Elmar completed his

Masters of Business Administration at the Henley Business School - University of Reading/UK in 2009.

His extensive experience in the IT and telecom industries, combined with his work in the financial industry, provide the ideal background for his current responsibilities. These include technical and quantitative analysis of markets, regions and sectors as well as fundamental analysis of the IT and Telecom sectors.

Elmar's specialised knowledge in the field of technology has produced very successful stock picks for LABHA, in a sector that holds tremendous opportunity but requires industry specific knowledge, to judge the potential of companies and products.



**Ursula Laube** is an operations expert at LABHA Investment Advisors since 2012. Ms. Laube has over 30 years experience in the field of banking, working for prominent Swiss Banks. Her extensive experience in several key departments of private banking ensures the efficiency and accuracy of all the operations and interactions of LABHA.



**Erwin Koller** is responsible for compliance at LABHA Investment Advisors since 2010. Mr. Koller has more than 22 years of experience in auditing and compliance, 10 of them at PriceWaterhouseCoopers. The challenges and opportunities of the regulatory environment as well as the security and conformity of client assets are key aspects of his role at LABHA.



**Eric Hohberger** is president of the board of LABHA Investment Advisors since 2005. Mr. Hohberger has over 17 years experience as an accountant and fiduciary. He has successfully set up structures for individuals and family offices in various jurisdictions, aimed at optimising the ownership of assets, their management, and estate planning.



**Christophe Touzet** is a member of the board of LABHA Investment Advisors SA since 2010. Mr. Touzet has over 17 years experience as broker and portfolio manager in various financial institutions. His input with regard to strategies and tactics, as well as new developments in the financial markets, brings additional insight to our decision making process.

We thank you for taking the time to read about LABHA and the solutions we provide. We would be delighted to have the opportunity, to present our ideas to you. If you would like to get in touch with us, our contact details are printed on the index page of this brochure.

Gillian Hollenstein

"Know what you own, and know why you own it." - Peter Lynch

"Whether we're talking about socks or stocks, I like buying quality merchandise when it is marked down." - Warren Buffet

"In the short run, the market is a voting machine, but in the long run it is a weighing machine." - Benjamin Graham

