

FirstName LastName

Audit report special

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Comment

Dear <<NAME>>

You find herewith your portfolio benchmark report.

<<Assessment on the portfolio performance on levels of return, cost, risk>>

<<Specific remarks on single portfolios>>

Please do not hesitate to contact me for any further information if needed.

Best regards,
NAME

Recommendations

Action required

XXXXXXXX

- 1
- 2
- 3

Risk/opportunity check

- Counterparty risk
- Manager risk
- Investment strategy
- Opportunities

Portfolio Review

	Amount as per 3.10.2015	Amount as per 30.1.2020	Return	Return YTD	Delta Benchm. YTD	Return	Risk	Costs	Strategy
P1 – Name	9'869'547	12'588'132	2.50%	5.00%	2.00%				
P2 – Name	1'000'000	1'953'578	0.88%	2.5%	-3.5%				
Total	10'869'547	14'541'710							

P1 - <<Name>>

unsatisfactory

Comment

Your portfolio at LO developed well and increased by another 1.18% in July. The most positive contribution resulted from an active positioning in the Euro currency by the portfolio manager. Additionally, the portfolio manager is preparing from some market corrections and therefore has hedged around 12% of the equity positions (mainly S&P).

Recommendation

No action required	Discussion required	Act urgently
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Email	sergije.franges@zwei-we.ch

Manager details

Manager	Peter Müller Lombard Odier
Custodian	Lombard Odier
Strategy	Balanced
Currency	CHF
Restrictions	none

Volatility of returns

Portfolio	3.9%	Median	4.6%
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Cost details

Fees	Effectively	Median	Top Tier
Custody	0.0%	0.0%	0.0%
Management	0.60%	0.9%	0.7%
Transaction	0.0%	0.05%	0.05%
Product/ others	0.57%	0.35%	0.15%
Total (TER)	1.17%	1.30%	0.90%

Strategy supervision

Asset Class	SAA	Portfolio	Delta
Cash	5%	13.6%	+8.6%
Bonds	35%	42.7%	+7.7%
Equity	55%	40.3%	-14.7%
Alternatives	5%	3.4%	-1.6%
	100%	100%	0%

Portfolio and risk characteristics

The portfolio includes single equities and bonds. The manager is following a low volatility approach.

The volatility is ...

Graph: Performance development



Green line: Benchmark / grey line: Portfolio

2019 to 30. April	2018	2017	2016 from 1. April
+6.34%	-7.52%	+5.77%	+3.97%

Performance Details

Strategy	Start date	End date	Return	Median	Delta Median	BM	Delta BM
Balanced Active	01.04.16	30.06.16	-0.51%	1.66%	-2.17%	2.48%	-2.99%
Balanced Active	01.04.16	30.09.16	1.93%	2.68%	-0.75%	4.00%	-2.07%
Balanced Active	01.04.16	31.12.16	3.97%	3.50%	0.47%	5.22%	-1.25%
Balanced Active	01.01.17	31.03.17	3.48%	2.60%	0.88%	2.34%	1.14%
Balanced Active	01.01.17	30.06.17	3.79%	4.20%	-0.41%	1.38%	2.41%
Balanced Active	01.01.17	30.09.17	4.32%	5.20%	-0.88%	2.22%	2.10%
Balanced Active	01.01.17	31.12.17	5.77%	6.90%	-1.13%	2.91%	2.86%
Balanced Active	01.01.18	31.03.18	-1.80%	-2.80%	1.00%	-1.35%	-0.45%
Balanced Active	01.01.18	30.06.18	-0.43%	-1.72%	1.29%	0.59%	-1.02%
Balanced Active	01.01.18	30.09.18	-1.72%	-0.91%	-0.81%	1.61%	-3.33%
Balanced Active	01.01.18	31.12.18	-7.52%	-7.81%	0.29%	-2.10%	-5.42%
Balanced Active	01.01.19	31.03.19	4.36%	7.10%	-2.74%	6.13%	-1.77%
Balanced Active	01.01.19	30.04.19	6.34%	8.90%	-2.56%	6.64%	-0.30%
Balanced Active	01.04.16	30.04.19	8.15%	11.10%	-2.95%	13.04%	-4.89%
in CHF	01.04.19	30.04.19	407'500	555'000	-147'500	652'000	-244'500

Implementierungskontrolle

Category	Sub-category	Rating	Rating
Return	Benchmark	2.0	2.5 - unsatisfactory
	Median	2.4	
	Historical Median- and benchmark comparison	3.0	
Risk	Asset allocation	2.4	3.5 - good
	Volatility	3.8	
	Volatility vs. median	4.0	
Cost	Budget	2.3	2.7 - unsatisfactory
	Median comparison	3.4	
	Cost vs. Top Tier	2.5	
Total		2.9	2.9 - unsatisfactory

Legend
 1.0-1.9: unacceptable / 2.0-2.4: completely unsatisfactory / 2.5-2.9: unsatisfactory / 3.0-3.3: satisfactory / 3.4-3.7: good / 3.8-4.3: very good / 4.4-5.0: outstanding

P2 - <<Name>>

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Evaluation methodology

ZWEI Wealth Experts conducts a yearly in-depth analysis of the results achieved by wealth managers. Our analyses are based on qualitative and quantitative information from over 200 institutions and more than 4000 wealth management solutions. Thanks to the vast amount of data on the past years, we analyse which wealth managers systematically achieve good returns. The data includes comparative values (for different investment categories) for the past six to ten years.

ZWEI Wealth Experts use an assessment approach which takes into account three dimensions, and is based on empirically gathered quantitative and qualitative data and information from the above-mentioned analysis. The individual dimensions are described more closely below.

Manager competency

To what extent does the manager have the necessary investment competencies?

In this dimension we evaluate and assess those factors which provide an answer to posed question. The manager competency can be described as the DNA of a wealth manager. A competence is made up of various factors and develops itself over time. The manager competency is generally a stable value. A competency once established is not easily lost again. Simultaneously, it is important to consider that deficits are difficult to correct in this dimension.

The manager competency is made up out of five categories:

- Track Record Flagship Product (60% weighting): Most wealth managers have a so-called flagship investment solution which implements the provider's investment philosophy the most rigorously. Normally, majority of clients' assets are invested here. The assessment measures the returns of this investment solution compared to the benchmark, median and top-quartile of other providers.
- Portfolio strategy (10% weighting): In this category we qualitatively examine the approach of how a portfolio is constructed and what impact it has on returns.
- Product selection (10% weighting): The assessment concentrates on the approach of how suitable investment products are being selected. How are stocks, bonds, ETFs or mutual funds selected and monitored.
- Investment tactic (10% weighting): We examine to what extent the wealth manager makes tactical investment decisions and on what logic are they based on. Additionally, we examine if those decisions have a positive contribution towards returns, or not.
- Robustness of approach (10% weighting): An investment process and approach is dependent on various factors. We examine to what extent the wealth manager ensures that the investment process is guaranteed and how potential personnel risks are dealt with.

Track record

How good are the achieved results of the proposed investment solutions in comparison to the competition?

This dimension assesses how good the track record of a proposed investment solution is in comparison to similar offers and versus benchmark. We calculate three categories:

- Comparison versus benchmark: The results are compared with an investment strategy benchmark.
- Comparison versus median: The results are measured against the median of comparable offerings of other providers.
- Comparison versus quartile: We examine if an investment solution manages to systematically outperform the other offerings in the market.

Based on these categories we calculate a value which allows to assess how much better or worse an investment solution is compared to similar offerings.

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Offering-fit How well does the offering meet the demanded requirements?

The dimension offering-fit assesses to what extent the personal requirements of an investor are being met. This assessment concentrates on a qualitative approach and examines whether the investment solution is generally suitable for the investor and what specifics have to be considered:

- Availability: Is the offer available to the client?
- Personal contact: Is there a personal contact available to the investor?
- Tailor-made: Can the investment strategy be tailor-made?

Based on a qualitative assessment we generate a rating in this category.

Costs Here, the question assessed is: How does the cost structure compare with other offerings?

The overall cost structure is, in most cases, not transparent to the private investor. This dimension examines the entire cost structure of an investment solution and compares it with similar offerings. The assessment of the costs always follows a total expense ratio approach. This means that all cost elements which are relevant for the investor are included, irrespective of where the cost is coming from (provider or third party). The analysed cost components typically include:

- Custody fees
- Transaction fees
- Management / advisory fees
- Instrument / product fees
- Currency exchange fees (spreads)
- Administrative and other fees

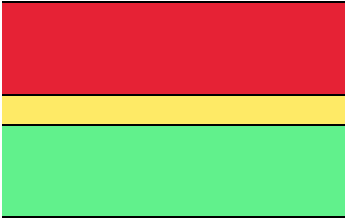
The entire cost structure is compared to the median value of other providers, as well as to the median value for passive portfolios. Based on this, a rating is generated.

Glossary

In this document, ZWEI Wealth Experts uses a consistent methodology with benchmarks and a point system for the consistent and fair assessment of portfolios and asset managers. Details and explanations of the methodology and terms used are given below.

Point system The scaling of the point system is based on the statistical normal distribution according to Gauss. The minimum is 1, the maximum 5 and the median 3. Classification into quartiles: 4. quartile values between 1 and 2, 3. quartile values between 2 and 3, 2. quartile values between 3 and 4, 1. quartile values between 4 and 5. The bottom tier comprises values from 1 to 2.33, the top tier values from 3.66 to 5.

The translation of the values is summarised in the table below. As an optical reading aid we use a colour coding with the following interpretation possibilities for some of our ratings:

1.0 - 1.9	unacceptable	
2.0 - 2.4	completely unsatisfactory	
2.5 - 2.9	unsatisfactory	
3.0 - 3.3	satisfactory (Median)	
3.4 - 3.7	good	
3.8 - 4.3	very good	
4.4 - 5.0	outstanding	

The median is usually used as the reference value when awarding points.

Industry standards

Portfolio typology

The following standard portfolio terms are used in asset management for private investors in Switzerland and to some extent abroad. To a certain extent, these standard portfolios make it possible to compare returns, risks and costs. To classify a portfolio, the proportion of equities in the respective portfolio is taken into account as a measure.

Term	Equity share in portfolio
Fixed Income	0%
Income	circa 10%
Yield	circa 25%
Balanced	circa 45%
Growth	circa 65%
Equities	circa 90%

Calculation methodology

For the application and calculation of measurement variables, standards have established themselves in asset management. These standards are adopted by ZWEI Wealth Experts and applied accordingly. This applies to the following areas, among others:

- return / performance (time or money weighted)
- cost / total expense ratio
- volatility
- diversification
- credit ratings and ratings
- etc.

Comparison values/ benchmark

Benchmarks are used to assess the performance of financial service providers. In addition to the traditional benchmarks for an asset class, such as the MSCI Switzerland for Swiss equities, ZWEI Wealth Experts uses other benchmarks to assess the various elements of asset management:

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Term	Alternative term in this document	Description
Passive portfolio benchmark	Benchmark, passively invested portfolio, passive Benchmark	Portfolio with the same asset allocation as the analysed portfolio, but invested in a passive form such as index funds and exchange traded funds (ETFs).
Standard portfolio benchmark	Neutral benchmark, standard portfolio, standard asset allocation, SAA	Portfolio with an asset allocation calculated from the average allocation of investment strategy funds and model portfolios with the same typology as the analysed portfolio.
Median		Median of the providers of a portfolio with the same typology as the analysed portfolio.

Terms & calculations

Portfolio return / performance	The return (performance) of a portfolio over a period is calculated, in simplified terms, from the final balance minus the initial balance plus cash outflows minus cash inflows divided by the average capital employed. The performance can be calculated either money-weighted or time-weighted. ZWEI Wealth Experts applies the respective variant used by the provider; normally this is money-weighted, so that a fair comparison is possible.
Supervision	Supervision measures the deviation of standard asset allocation (SAA) from probit asset allocation. The probit asset allocation is calculated on the basis of the fundamental valuation data of investments and the market momentum.
Standard asset allocation (SAA)	The standard asset allocation (SAA) describes the allocation of assets within a strategy (fixed income, income, return, balanced, growth, equities) to the various asset classes. The allocation is calculated on the basis of the risk measure of the strategy, the weight of the investment markets on the global market and mathematical models (e.g. modern portfolio theory).
Volatility	Volatility measures the fluctuations of a parameter. In this context, the fluctuation of the returns (performances) of a portfolio is calculated over the period under review. Mathematically, volatility is the standard deviation of portfolio returns and is used as a risk measure: the higher the volatility, the higher the risk.
Product fees	Expenses and fees included in an investment instrument (e.g. in structured products, investment funds, exchange traded funds). Product fees are charged directly to the investment instrument and typically include administration fees, trading expenses and management fees. The performance of an investment instrument is reduced accordingly by the product fees.
Others / other fees	Other costs include, but are not limited to: Account charges, shipping charges, special reports (such as tax statements), foreign exchange spreads, interest spreads.
Flat fee / all-in fee	The flat fee is a fee model in which fees and expenses are combined and charged at a flat rate. The flat fee is usually offered as a percentage of assets or as a fixed amount. Please note that even a flat fee does not include all costs.
Δ Median	Assessment of the frequency with which the portfolio outperforms or underperforms the median return. 1 = The median was never exceeded, 5 = The median was always exceeded.
Implementation success	Compares the portfolio return with the return of the passive benchmark and shows the quality of the asset manager's strategy implementation. Answers the question: 'Have the <i>right</i> investment instruments been selected?'
Strategy contribution	Compares the chosen investment strategy with the strategy chosen across the market for the same portfolio typology and thus shows whether the chosen strategy was successful in a market comparison. Answers the question: 'Was the <i>right</i> asset allocation chosen?'
Quartile allocation	The portfolio return is allocated to a quartile. The median is used as the reference figure.

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Diversification of assets	Compares, among other things, the diversification of the portfolio with the diversification of the standard benchmarks.
Diversification style	Examines, among other things, the diversification / concentration of the portfolio with regard to investment areas (e.g. high-yield bonds) and the use of investment instrument types (e.g. investment funds).
Diversification instruments	Examines diversification with regard to individual instruments, e.g. position size in relation to the portfolio. As a rule of thumb, an individual position should not account for more than 5% of the portfolio.
Macro strategy	Assesses whether the chosen strategy is consistent with the current macroeconomic environment.
Strategy vs. default	Assesses whether the chosen strategy corresponds to an asset allocation based on the economic weighting of the investment markets.

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Legal Disclaimer

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