

# LMM COMPASS



## Dear reader

In a competitive environment, to make the right selection before awarding the asset management, is of great importance. The goal is to identify the asset manager who best meets the investors individual requirements and needs. Throughout this decision-making process, LMM Investment Controlling AG provides advisory support to ensure that the investor makes an informed, objective, and well-founded decision.



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## THEMES



**Market data**  
Markets and strategies



**Specialist article**  
Beauty Contest



## MARKETS AND STRATEGIES

2024 was a strong year for equities, led by the US with a total performance of 24.60% and 7.50% for emerging market equities. A late rally in China, solid results in India and Taiwan, and a strong performance in US technology stocks were noteworthy. Financials benefited from deregulation prospects following the US elections, while commodities were weighed down by weak demand from China. Gold stood out with a performance of 27.25%.

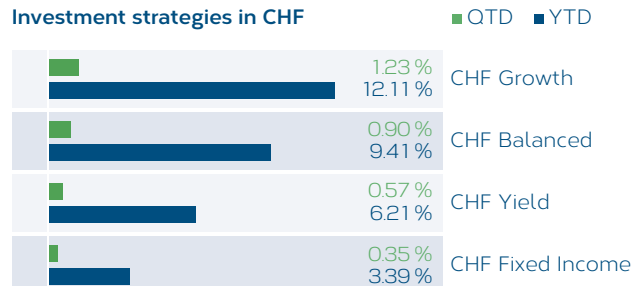
The US economy remained robust, with an average GDP growth of 2.60%. In Europe, growth weakened due to high energy costs and regulatory challenges. In Asia, China suffered from weak consumer confidence, while Japan, with a performance of nearly 20%, benefited from optimism that deflation is coming to an end.

In the bond markets, high-yield bonds delivered the best performance, exceeding 8%. Investment-grade bonds struggled with rising yields. European bonds outperformed US bonds due to expectations of interest rate cuts. Global disinflation slowed in the second half of the year, leading to a reassessment of rate cut expectations.

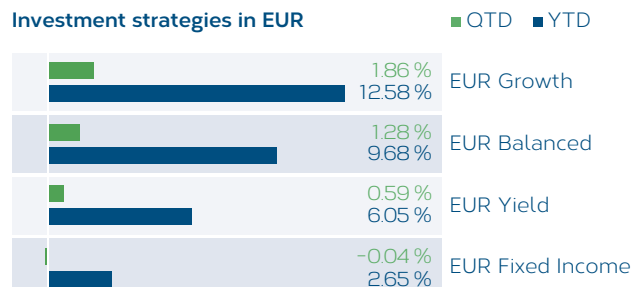
In the fourth quarter of 2024, all CHF and EUR investment strategies showed positive results, except for EUR fixed income. Long-duration bonds underperformed due to rising government bond yields. Over the entire year 2024, CHF investment strategies yielded results ranging from +3.39% to +12.11%, while EUR strategies delivered between +2.65% and +12.58%.

		Value	% QTD	% YTD	Currency
Currencies	EUR / CHF	0.94	-0.32	+0.94	
	EUR / USD	1.04	-7.22	-6.25	
	USD / CHF	0.91	+7.44	+7.68	
	USD / JPY	157.16	+9.87	+11.48	
Bonds	Switzerland		+1.30	+5.35	CHF
	Europe		+0.14	+2.63	EUR
	USA		-3.06	+1.25	USD
	EMMA (Hard Currency)		-2.10	+5.80	USD
	Inflation Linked		-6.71	-3.74	USD
	High Yield		-0.37	+9.19	USD
	World		-5.10	-1.69	USD
Equities	Switzerland		-4.65	+5.52	CHF
	Europe		-2.72	+8.59	EUR
	North America		+2.69	+24.58	USD
	Pacific		-5.47	+7.04	USD
	EMMA		-8.01	+7.50	USD
	World		-0.99	+17.49	USD
Alternatives	Real Estate		-9.45	+2.00	USD
	Commodities		-1.57	+0.12	USD
	Gold		-0.35	+27.26	USD
	Private Equity (listed)		+4.07	+24.49	USD
	Hedge Funds		+0.18	+5.27	USD

### Investment strategies in CHF



### Investment strategies in EUR



Note: the figures are before costs  
Calculation LMM: Period 01.01.2024–12.31.2024

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## BEAUTY CONTEST

A beauty contest, in the context of selecting an asset manager, refers to a structured process where multiple asset managers compete in a competitive environment for the mandate of a prospective investor. The goal of such a procedure is to identify the asset manager who best aligns with the investors individual requirements and needs. This process enables the investor to make a well-informed and deliberate decision, based on a structured analysis and a direct comparison of multiple providers (asset managers).

### Key Aspects to Consider in a Beauty Contest

#### 1. Preparation / Needs Analysis

- **Investor Objectives:** The first step is to clearly define the investor's investment goals and risk tolerance.
- **Investment Horizon:** Determine whether the capital is intended for short-term or long-term investment. What are the liquidity requirements? Are there plans for significant investments (e.g., real estate) or known recurring financial obligations?
- **Specific Requirements:** Some investors may have ethical or sustainable criteria that must be taken into account. Tax considerations or specific fiscal circumstances should also be considered in.
- **Evaluation Criteria:** Define clear criteria in advance for assessing asset managers (e.g., track record, investment philosophy, risk management, team, transparency, products, and pricing). To ensure comparability and facilitate a ranking, the selected criteria should be structured in a way that allows for consistent evaluation and comparison.

#### 2. Research, Preselection and Support

- **Experience and Reputation:** Begin by researching asset managers with a strong market presence and a positive reputation.
- **Specialization:** Assess whether the asset manager has expertise in the desired asset classes (e.g., equities, bonds, alternative investments) or regions (e.g., emerging markets).
- **Expertise:** Engaging an independent financial expert in the process can be helpful in defining investment objectives without product bias and ensuring an objective selection process.

#### 3. Beauty Contest – Presentation

- **Performance Analysis:** Candidates present their past performance. It is essential to analyze both absolute and risk-adjusted returns, while also understanding how the (excess) returns were generated.
- **Investment Process:** Asset managers showcase their investment strategies, decision-making processes, and risk management approaches.
- **Team and Resources:** A strong team with experienced analysts and portfolio managers can be a significant advantage.
- **Client Support:** The quality of customer service, reporting, and transparency in communication are also key factors to consider.

#### 4. Analysis and Evaluation

- **Track Record:** Comparing past performance while considering risks, market phases, and benchmarks



helps identify the most suitable candidates.

- **Qualitative Assessment:** In addition to pure performance, qualitative factors such as personal impressions, communication skills, and the asset manager's philosophy are equally important.
- **Cost Analysis:** A thorough evaluation of the cost structure relative to the expected performance is of utmost importance. What are the fees? Are they transparent and competitive within the same range as peers? Transparent disclosure of the advisory philosophy and fee structure is essential.

### 5. Decision and Implementation

- **Decision-Making:** A decision is made based on the evaluation framework established at the outset.
- **Contract and Fee Structure:** Terms are negotiated and formalized in a contract. It is crucial to ensure that fees are clearly defined and indirect costs are transparently disclosed.
- **Monitoring:** Continuous performance monitoring is essential even after the selection. The asset manager should provide regular reports and make adjustments as market conditions or financial objectives can change.

### Key Criteria for Selection

- **Transparency and Communication:** Open communication and regular, comprehensible reporting are of essential importance.
- **Independence:** Ideally, the asset manager should be independent and free from conflicts of interest.
- **Diversification:** For larger portfolios, it is advisable to distribute assets among multiple asset managers to reduce manager risk.

### Conclusion

A beauty contest for selecting an asset manager enables investors to make an informed and deliberate decision based on a structured analysis and direct comparison of multiple providers.

An independent investment controller serves as a valuable sparring partner in the selection process, offering structure, in-depth analysis, and objective perspectives. By collaborating with an experienced partner, investors can ensure that their decision is based on a thorough and methodical evaluation.

After having selected the right asset manager, continuous performance monitoring is essential. This ensures that the investment strategy aligns with the defined objectives, risks are effectively managed, and all costs remain in line with the mandate and market standards.



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LMM Investment Controlling Ltd. is an independent provider of investment controlling services and represents the interests of private and institutional clients vis-à-vis banks and asset managers. In addition to its headquarters in Vaduz, it has offices in Baar, Frankfurt and Vienna.

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