

# LMM COMPASS



Dear readers,

The investment environment still poses great challenges for investors. Especially pension funds suffer from the current low interest rate environment. This raises the question, whether a longer investment horizon enables to generate additional sources of return. Very interesting aspects thereto arose from our discussion with Dr. Wolfgang Huber. As a member of the Management Board and responsible for the asset management of one of the biggest pension funds in Austria, he refers to the current situation on the financial markets.



**Jürg Meier**  
Partner, CEO



**Markus Häni**  
Member of the  
Management Board

## THEMES



### Market data

- Markets and strategies



### Interview

- Dr. Wolfgang Huber,  
Member of the  
Management Board  
Bonus Pensionskassen AG



### LMM Inside

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Well on the way
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## MARKETS AND STRATEGIES

In the 1<sup>st</sup> quarter 2017, stock markets showed respectable price gains. Yields on the world's bond markets remained stable. Segments such as emerging markets and high yield bonds recorded profits. Alternative asset classes

such as real estate, gold and private equity also showed a significant plus. On the currency side, the US-Dollar has lost in value. A consolidation has taken place in commodities.

		Value	% QTD	% YTD	Currency	Index
Currencies	EUR/CHF	1.07	-0.29	-0.29		
	EUR/USD	1.07	+1.28	+1.28		
	USD/CHF	1.00	-1.61	-1.61		
	USD/JPY	111.39	-4.76	-4.76		
Bonds	Switzerland	136.45	+0.16	+0.16	CHF	SBI Total AAA-BBB
	Europe	244.72	-0.93	-0.93	EUR	Bloomberg Barclays Cap. Euro-Aggr.
	USA	1992.51	+0.82	+0.82	USD	Bloomberg Barclays Cap U.S. Aggr.
	EMMA	378.85	+3.24	+3.24	USD	Bloomberg Barclays EM Hard Currency Agg TR Unh. USD
	Inflation linked	320.38	+1.30	+1.30	USD	Bloomberg Barclays GL Inflation-Linked TR Unh. USD
	High Yield	1223.76	+3.18	+3.18	USD	Bloomberg Barclays GL High Yield TR Unh. USD
	World	459.30	+1.76	+1.76	USD	Bloomberg Barclays Cap GA
Equities	Switzerland	2449.19	+6.70	+6.70	CHF	MSCI Switzerland Net
	Europe	208.04	+5.96	+5.96	EUR	MSCI Europe Net
	North America	6138.10	+6.08	+6.08	USD	MSCI USA Net
	Pacific	5580.12	+6.92	+6.92	USD	MSCI Pacific Net
	EMMA	423.31	+11.45	+11.45	USD	MSCI EM Net
	World	212.29	+6.91	+6.91	USD	MSCI AC World Net
Alternatives	Real Estate	3706.26	+2.30	+2.30	USD	FTSE EPRA/NAREIT Glb TR USD
	Raw materials	85.35	-2.47	-2.47	USD	Bloomberg Commodity Index
	Gold	1249.35	+8.43	+8.43	USD	Gold (1 ounce)
	Private Equity	2245.31	+7.17	+7.17	USD	LPX 50 Index
	Hedge Funds	1223.42	+1.66	+1.66	USD	HFRX Global HF Index USD

Values in local currencies. Source Bloomberg, reference date 31.03.2017

The 1<sup>st</sup> quarter 2017 closed predominantly on a positive note. Investment strategies with a high equity exposure were convincing and are already showing returns of

more than 3% (before costs). Investment strategies with high bond exposure lost in January and March.

### Investment strategies in EUR ■ YTD

		3.35 %	EUR Growth
		2.15 %	EUR Balanced
		0.78 %	EUR Yield
		-0.45 %	EUR Fixed Income

### Investment strategies in CHF ■ YTD

		3.59 %	CHF Growth
		2.44 %	CHF Balanced
		1.19 %	CHF Yield
		0.10 %	CHF Fixed Income

Calculation LMM, Period 31.12.2016 - 31.03.2017 (before costs)

Please note: Performance figures gross (Custody- and management fees not included)



## CHALLENGES IN CURRENT MARKETS

LMM, as independent controller, supports the BONUS Group in the area of cost analysis and -control. In an interview with Mag. Stefan Kargl (Head of the Vienna branch of LMM), Dr. Wolfgang Huber (Member of the Management Board of BONUS Pensionskasse und Vorsorgekasse), explains the challenges in the current environment.

**The current low interest rate environment is a challenge for all investors. What impact will this have on the management of pension fund assets?**

The entire pension market could benefit in recent years from the trend of falling interest rates in the form of price gains with bonds. However it is clear, that this is a considerable burden for the future. Considerable risks have to be taken in the current environment, in order to have at least the chance to achieve a positive investment result – after all, the risk-free interest rate is below zero. The high returns from the past however, cannot be expected as such in the future and actuarial interest rates of sometimes more than 5 or 6 percent, cannot be achieved from today's perspective in the long-term without an acceptable risk. This is what we try to convey to our customers. Our objective is to generate risk premiums offered by the market irrespective of the low interest rate environment through an active management in the allocation and selection process. This is for us the key for the longterm investment success.

**Do pension funds have to increase the risk, in order to avoid reducing pension payments?**

The risk level that must be assumed to earn at least the actuarial interest rates is certainly higher now than it was in the past. On the other hand, the quality of the risk management, which means how risks are dealt with, has increased in our industry in recent years. The risk thus became more calculable.

**What is the added value that Investment Controlling should offer from your point of view?**

Of course, that depends on what areas are covered by the Investment Controlling. In any case, it should contribute to an increased operational efficiency. In addition, I would expect that it broadens the perspective from the outside and therefore more attention is being paid to aspects that otherwise threaten to be lost in daily business.

**What return can the insured expect in the coming years?**

The expected return for the coming years is realistically, depending on the investment structure, at about 1-3% per annum. That may sound low, but compared with other forms of investment you can consider a pension fund investment – as we have seen in the past – as highly attractive.



**DR. WOLFGANG HUBER**

**Professional background:** Court, Lawyer, Austrian Association of Insurance Companies, Generali Group  
**Hobbies:** Tennis, Golf, Skiing  
**Motto:** Mens sana in corpore sano.

**BONUS PENSIONS KasSEN AG**

**Founded:** 1997  
**Number of insured members:** 56.916  
**Assets under management:** EUR 1'439 Mio.  
**[www.bonusvorsorge.at](http://www.bonusvorsorge.at)**

## VIENNA BRANCH: WELL ON THE WAY

The Vienna office of LMM Investment Controlling Ltd. opened its doors in July 2014. This branch office is headed by Mag. Stefan Kargl. With his team he counts private foundations, pension funds, church institutions and wealthy private persons among his clients.

A large share of assets from Austrian foundations (around 70 Bln) is invested in company holdings and real estate. Next to the monitoring of financial assets these clients also value the consolidated reporting, which not only includes securities but also property and private equity. This supports the board with the management of total assets.

For agents who carry the responsibility for the management of assets belonging to third parties, the liability risk is a crucial point. A skilful and independent investment controlling is an important part of a professional investment organisation and helps as an early warning system in order to avoid liability risks.

“The market potential for an independent investment controlling in Austria is high, though the market is not developed yet. The positive feedbacks from our clients pleases and motivates us”, according to Stefan Kargl.

## WELCOME TO LMM

Since January 2017 Cornelia Bargetze and Martin Frick support our team. Cornelia works in the accounting/

back office and Martin is in charge of institutional clients as investment controller.



### MARTIN FRICK

#### Education

Bachelor of Business Administration, CIAA, FRM

#### Career

LGT: Valuation Officer Compliance

DJD Partners Trust reg.: Fund Manager

NEUE Bank AG: Trader

LGT: Back Office Sec. Administration

#### Hobbys

Skiing, Cross-Country Skiing, Hiking, Cooking



### CORNELIA BARGETZE

#### Education

Matura Examination, Apprenticeship

#### Career

NEUE Bank AG:

Apprenticeship & Back Office

Sec. Administration

#### Hobbys

Hatha Yoga, Hiking, Cooking



#### Content:

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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 towards banks and asset managers. Apart from the head office in Vaduz, LMM has branches in Zurich, Dubai and Vienna.

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