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THE SHANGHAI BOOM

30-PAGE REPORT

.....CHINA IS SET TO OVERTAKE THE US IN 2016.....

.....SHANGHAI HAS THE BEST STUDENTS IN THE WORLD.....

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Shanghai, the super-sized city

As is our custom, Swissquote Magazine devotes this special issue to a destination at the heart of today's economy.

Our most ardent readers will remember the special South Korea issue, which kicked off the series in summer 2012. At the time, we determined that the energy and innovation demonstrated by this country of 48 million people, which had become a leading economic power in just a few decades' time, deserved to be showcased in detail. The following year, Brazil caught our attention, and was the focus of a series of exclusive reports, as it geared up for the FIFA World Cup.

And for this year's special international issue, we found that China, the world's second most powerful economy, was the clear choice. But instead of giving a general overview of this vast country, we chose to immerse ourselves in its incontestable business centre, Shanghai. This city-of-tomorrow is home to hundreds of thousands of companies and the world's largest commercial port. Today a major global metropolis, it truly embodies modern China with its international vision and an appetite for change.

With 24 million inhabitants, Shanghai is not only China's most populated city but also offers the highest salaries in the country – revenue which the ultra-connected population is readily using

to buy... stocks. Indeed, it was eye-opening to find that the Chinese, regardless of age, are enthusiastic stock market investors (see p. 38).

Another take-away from this issue is the power of an increasingly effective Chinese education system. China is now at the top of international rankings – ahead of benchmark countries such as Finland – and, once again, Shanghai stands out. Our journalists met the uncompromising head of Datong High School, one of the city's most reputable schools: This fascinating behind-the-scenes report illuminates the success of consistent developmental practices as they meet the growing cult of success (p. 56). I will leave you to reflect on this statistic: in Shanghai, 77% of underprivileged children excel in school, compared with 26% in the OECD countries.

I hope you enjoy this issue,

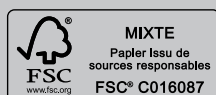


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GLOBE



PORTRAIT



NYC COCKTAILS



CARS

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THE SHANGHAI BOOM

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I N T E L L I G E N C E

AG AI AR BE BL BS FR GE GL GR JU LU NE NW OW SG SH SO SZ TG TI UR VD VS ZG ZH

SWISS STUDENTS GO FOR GOOGLE



According to a 2014 survey, conducted by Swedish consulting company, Universum, Google is the most attractive employer for Swiss economics students. Long-standing favorite, Nestlé, is now in second place, with USB trailing at third, followed by Credit Suisse and PwC. Computer science students also voted Google into the top spot, ahead of IBM, Microsoft and the European Organization for Nuclear Research (CERN). As for future engineers, they dream of working at ABB, Google and the Swiss Federal Railways (CFF).

✉ GOOG

GLENCORE BOOSTS ITS OPERATIONS IN CHAD

Glencore arranged a \$1.3 billion loan to Chad's state-owned Société des Hydrocarbures du Tchad, enabling the company to purchase Chevron and ExxonMobil's oil concessions in the country. The commodities trader hopes to secure its access to black gold from Chad. In April, it bought Canadian oil company Caracal Energy, with extensive operations in Chad, for \$1.35 billion and in 2012 invested \$300 million in a number of Chadian oilfields.

✉ 8GC

CHINA DESTABILISES RICHEMONT

The Swiss luxury goods group Richemont is one of the most unexpected victims of China's recent anti-corruption offensive. Some of the Geneva-based company's brands were popular gifts items in China, which, together with Hong Kong, accounts for 25% of its sales. Montblanc, the luxury pen brand, was significantly affected, with earnings off by 64% over the year ending 31 March. Fashion labels Lancel and Alfred Dunhill are also feeling the pain.

✉ CFR

LONZA EXPANDS IN VISP



Lonza has recently completed the expansion of its Visp site in Upper Valais. The pharmaceutical components specialist has invested 14 million Swiss francs in the project. The group plans to manufacture antibody-drug conjugates on the site for use in anti-cancer treatments. This new form of therapy has revolutionised the treatment of lymphomas. The Basel-based group, which recorded 10% growth in operating profits last year, employs 2,500 people in Visp.

✉ LONN

ONE MILLION FAKE WATCHES SEIZED



The Federation of the Swiss Watch Industry (FH) oversaw the seizure of approximately one million fake watches in 2014. Most were from China, Thailand and Italy. Some of these countries began producing counterfeit grand complication watches, which were sometimes sold at the same price as the original. The FH had 280,000 auctions stopped for falsified timepieces and had several auction sites shut down. The Federation also trained customs officials on how to recognise fakes in several dozen locations around the world.

KABA SNATCHES UP AN INDIAN GROUP

Kaba, the Zurich-based security systems specialist, now owns 74% of the shares in Dorset, making it the majority shareholder in the Indian company. The deal gives the group access to three production sites and four regional branches. After recently expanding its businesses in Colombia, China and Brazil, this latest acquisition will make the Indian market more open to Kaba. Dorset produces locks, handles and turnstiles and boasts prestigious customers such as the hotel groups Hyatt and Taj Hotels.

✉ KABN

NOVARTIS IS GROWING CELLS



The US Food and Drug Administration has authorised Novartis to produce its influenza vaccine, Flucelvax, using cell culture technology, at its Holly Springs site in North Carolina. This method will replace traditional production in chicken eggs, enabling the Basel-based group to react more quickly to spikes in demand, especially in the event of a pandemic. This is the first time this manufacturing process has been authorised in the United States.

✉ NOVN

SYNGENTA MOVES INTO BEER

Syngenta and Belgian brewer Anheuser-Busch Inber have joined forces to produce malting barley, one of the main ingredients used to make beer. Approximately 160 Argentine growers – suppliers of the world's leading beer producer – will now have access to the improved grain varieties developed by the Swiss agrochemicals group. And the growers will also achieve higher yields. The project currently covers 14,000 hectares of farmland but could be extended to other markets such as the United States, Canada, Mexico, China and Russia.

✉ SYNN

SWISS RE WILL EXPAND INTO THE UNITED KINGDOM

HSBC is set to sell its UK pensions business to Swiss Re. The underlying assets are valued at £4.2 billion and mostly include corporate and individual pension policies. The deal provides a way for the British bank to move out of one of its non-core businesses. The Swiss group will increase its foothold in the United Kingdom, a market with high growth potential. The sale will be completed in the second half of 2015.

✉ SREN

ABB WILL STOP PRODUCING PYLONS



ABB plans to spin off the steel structures business of its subsidiary Thomas & Betts, which will be sold to the US firm Trinity Industries for \$600 million. The Aargau-based power and automation technology group will pass on its capacity to produce steel electric poles for the North American market. With about 1,000 employees and based in Memphis, Tennessee, Thomas & Betts offered limited synergies with the rest of ABB's portfolio.

✉ ABBN

SONOVA IS BROADENING ITS RANGE



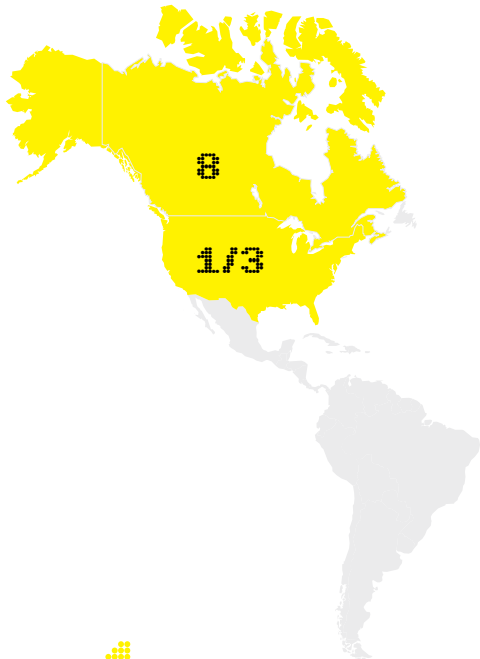
The hearing care specialist Sonova is set to acquire Comfort Audio, a Swedish company that manufactures cutting-edge solutions for the hearing impaired. Comfort Audio employs around 90 people and generated sales of 19 million Swiss francs in 2013. The group focuses on assisting people with hearing loss in challenging listening situations, for example in working groups or in classrooms. The acquisition – for an undisclosed amount – will enlarge the Zurich-based company's selection of products.

✉ SOON

INTERDISCOUNT WANTS TO DEVELOP ONLINE SALES

Interdiscount has decided to boost its online sales businesses. The Coop-owned electronics chain, which operates more than 200 stores, will invest 70 million Swiss francs in the construction of a new logistics and warehouse building in Jegenstorf in the canton of Bern. The site is expected to create 170 jobs. Coop is also seeking to position itself in e-commerce through its subsidiary microspot.ch, which offers more than 100,000 electronic products and appliances.

WORLD WATCH

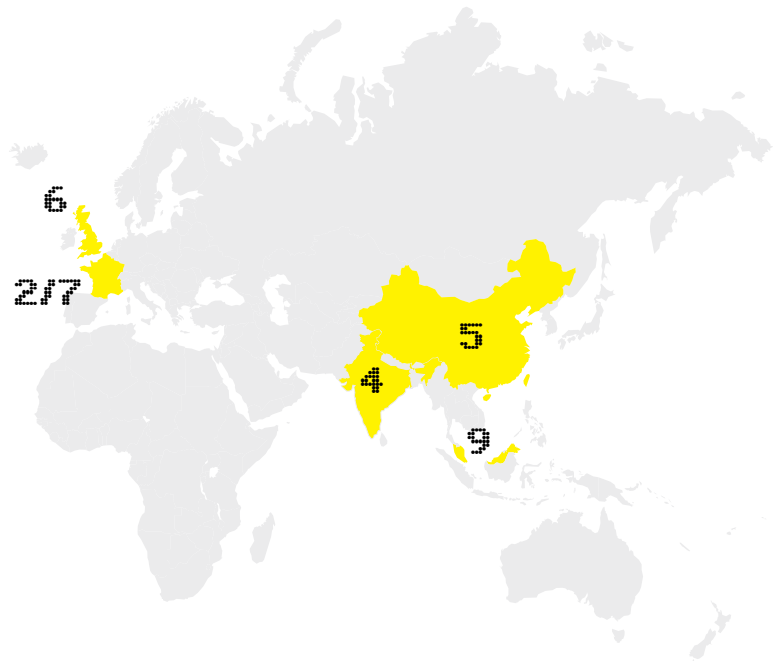


1

JPMORGAN CHASE RUSHES TO RESCUE DETROIT

The largest bank in the US, JPMorgan Chase, announced that it would invest \$100 million in Detroit over the next five years. This aid will be in the form of loans and grants used to boost the city's property redevelopment, train the jobless, provide assistance for small businesses and finance economic development projects, such as the construction of a new light rail system in the city centre. Goldman Sachs had already promised to inject \$20 million in the city in November, but the bank, laden with \$18 billion in debt, filed for bankruptcy during the summer of 2013.

JPM



2

ATARI IS TAKING BACK THE CONTROLS



The historic computer manufacturer and video game developer Atari is preparing its big comeback after filing for bankruptcy in early 2013. The French group plans to revive some of its legendary games, such as Asteroids, Centipede and Breakout, by adapting them for smartphones and Facebook and by integrating them into offers from online casinos. Atari will also release more modernistic games like Pridefest (a variation of RollerCoaster Tycoon) in which players create their own virtual LGBT Pride Parade.

ATA

3

A SMART T-SHIRT

Intel has recently presented a T-shirt containing special fibres that can measure the heart rate and stress level of its wearer and stream the information over Bluetooth or Wi-Fi to a computer or smartphone. This smart clothing, developed in partnership with Taiwanese electronics company AIQ, is equipped with Intel's Edison micro-computer. The T-shirt will eventually include a 3G chip, like the ones in mobile phones, to stream directly to the cloud.

INTC

4 INDIANS WANT ORGANIC



India is thirsting for organic milk. The beverage still represents only 1% of the \$70 billion in dairy products sold annually on the subcontinent, but its share is increasing by 20% every year. Companies such as Pride of Cows – owned by Parag Milk Foods – and Country Fresh Milk target urban areas, the new middle classes and Indian emigrants who have recently returned to the country. Their products also appeal to people enraged over the contaminated milk scandal. In 2012, the health authorities discovered that 70% of milk was adulterated with water, formalin or detergent.

5 THE CHINESE LOVE (BIG) PRIVATE JETS

Asia absorbed 12% of private jet sales in 2013, versus 4% in 2007. The vast majority of aircraft ordered are large jets – worth over \$50 million – for Chinese customers. They need planes that can cover long distances due to the size of the country. The Chinese also use them as an outward sign of wealth. The airplane manufacturer Honeywell estimates that 70% of the private jets sold worldwide between 2013 and 2023 – for a total value of \$250 billion – will be long-haul aircraft.

6 THE SUPERMARKET THAT THINKS IT'S A BANK

Tesco has become the first supermarket in the United Kingdom to offer customers a current account through the bank that it co-founded with the Royal Bank of Scotland in 1997. It bought out all of RBS's shares in 2008. The online-only account will cost customers £5 per month for account fees and will charge 3% interest on any credit balances at the end of each month. Other retail chains are preparing to move into this lucrative market, such as Sainsbury's and Marks & Spencer, which have each set up banks with HSBC and Lloyds, respectively.

✉ TSCO

7 LOW-COST SPACE LAUNCHERS



The French groups Airbus and Safran have teamed up to develop space launchers that feature Airbus technology and Safran propulsion systems: Ariane 5 and Ariane 6 are scheduled to launch in 2017 and 2021, respectively. The purpose of this joint venture is to compete with the low prices offered by private companies such as the US group SpaceX, and with various Russian and Chinese manufacturers, whose systems are up to 30% less expensive than the standard.

✉ AIR ✉ SAF

8 HARLEQUIN DRAWN IN BY NEWS CORP



News Corporation bought the romance novel publisher Harlequin from the Canadian group Torstar for \$415 million. The uber-successful Harlequin, founded 65 years ago, now publishes approximately 100 books per month in more than 30 languages, and generates a steady revenue flow. Because its audience reads quickly and voraciously, Harlequin pays close attention to pricing, and moved into the e-book market early on. News Corporation hopes to use Harlequin's example to benefit its other publishing houses, such as HarperCollins.

✉ NWS

9 MALAYSIA AIRLINES FACING DIFFICULTY

Malaysia Airlines is experiencing the repercussions of the disappearance of one of its Boeing 777 planes, lost en route to Beijing in March. The partially state-owned Malay company has seen its reservations from China plunge 60% and its losses soar 58% in the first three months of the year. The transporter was already under pressure, even before the catastrophe, due to competition from low-cost Asian airlines such as AirAsia. The government promised to unveil a rescue plan for Malaysia Airlines in the next 6 to 12 months.

SECTORS

E-COMMERCE

Alibaba out to conquer the West

The Chinese e-commerce giant Alibaba is preparing to open a new online shop specifically targeting Western customers. The 11 Main website aims to be a cross between eBay and Amazon, offering both second-hand and new products. Vendors are offered competitive terms, a 3.5% commission, instead of 10% on eBay. The Chinese company has also bought shares in several start-ups outside China, including the car-sharing app Lyft, the ShopRunner online delivery service and the messaging service Tango.

■ BABA

Amazon versus Hachette

Amazon is pressuring Hachette into a new agreement that would force the publisher to pay higher margins. And the e-commerce giant is resorting to some shady tactics to do so. Shoppers who want to buy a Hachette book on Amazon are automatically redirected to other books and informed that delivery can take up to three weeks or they will have to pay more than the bookshop retail price. An unexpected repercussion is higher sales figures at US bookshops in the past few months.

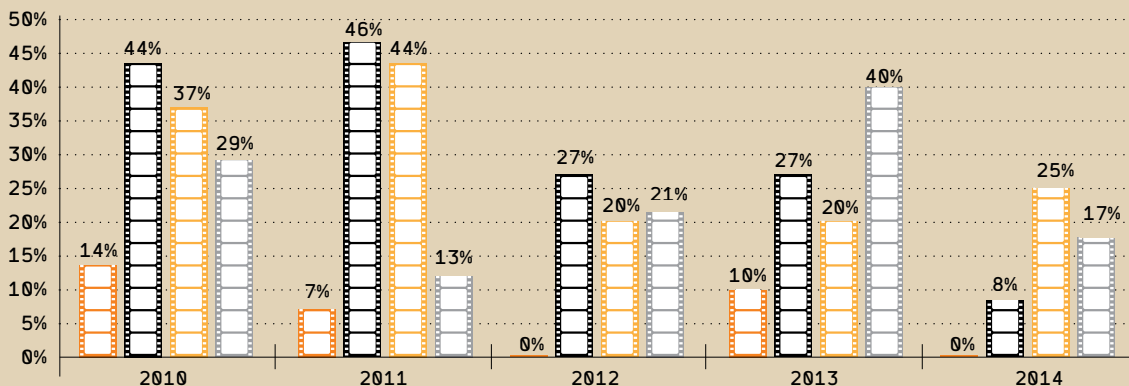
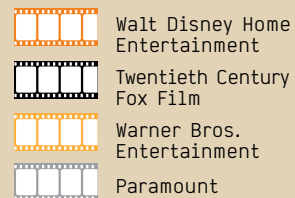
■ AMZN

MOVIES

The decline of the Hollywood comedy

The share of comedies in the total revenue of Hollywood studios has not stopped falling. The phenomenon is due to the booming box office returns outside the United States, particularly in China, where action films are much more popular than comedies. The non-US market

now accounts for 70% of Hollywood studios' receipts (\$35.9 billion), up from 63% in 2007. For example, comedies represent only 10% of box office proceeds in China, versus 25% in the United States, while action films generate 44% of profits, compared with 36% in the United States.



Comedies as a percentage of total revenue

SOURCE: BOXOFFICEMOJO.COM, NOMURA RESEARCH

OIL

British open to fracking

The British government has recently published a report in favour of developing shale oil and gas, estimating that up to 4.4 billion barrels of black gold could be lying underground on the island, essentially in the Weald Basin south of London. David Cameron's cabinet also pushed a proposal to allow oil companies to drill underground below a depth of 300 metres, even without the landowner's permission. The French group Total, which has already bought a 40% stake in two exploration drilling licences led by the small UK company IGas Energy, is in the line-up.

Somalia, the new El Dorado for black gold

A report from the Heritage Institute for Policy Studies, a Somali think tank, estimates that Somalia – a country ravaged by civil war since 1991 – could contain as much as 110 billion barrels of oil (Saudi Arabia has 266 billion). Concessions in the pro-independence provinces of Somaliland and Puntland have been awarded to the companies DNO International from Norway, Horn Petroleum from Canada and RAK Gas from the United Arab Emirates. But the security situation needs to be vastly improved. The government of Somaliland recently announced that it had set up a special force of 420 members to protect oil workers.

UPS

Morgan Stanley

Mc

Morgan Stanley dominates stock exchange listings for companies

based in Silicon Valley. The bank has led 47 of them in the past few years, including high-profile companies such as Facebook, Apple, Google and Kayak, for a total of \$23.4 billion. This summer, it was part of a team to lead the IPO of the Chinese e-commerce company Alibaba on the New York Stock Exchange.

 MS

China Mobile

中 国

China Mobile has made its first international acquisition in seven years, buying

an 18% stake in the Thai telecommunications group TrueCorp for \$881 million. The partially state-owned group hopes the deal will offset the failure of its e-banking service and the drop in SMS messaging revenue, both setbacks due to competition from private companies such as Alibaba and Tencent.

 CTM

Infineon

in

The semiconductor manufacturer Infineon has developed a new manufacturing process

for its silicon carbide diodes. The German group has succeeded in producing them on a 300-millimetre diameter surface – compared with 200 millimetres previously – which will double the number of units that can be manufactured at the same time. This will reduce production costs by 30% and generate €100 million in savings.

 IFX

DOWNS

Santander



Providence, Rhode Island, has filed a lawsuit against Santander. The city is

accusing the Spanish bank of refusing property loans to African-American and Hispanic minorities since the subprime crisis. The number of new mortgages granted to these population groups between 2009 and 2012 was 63% lower than in 2006 and 2007. The rate was 25% higher for white applicants.

 BSD2

Petrobras



Petrobras has recently become the world's most indebted company. The Brazilian

firm has invested in costly infrastructure for deep-sea exploration, while its oil production is stagnating. It also lost money in the over-priced acquisition of a Houston refinery for \$1.19 billion, and several of its employees have been charged with corruption.

 PJXC

Ryanair



After a decade of uninterrupted growth, Ryanair's profits fell 8% last year

to €523 million. The Irish airline is facing fierce competition from national airlines like Lufthansa, Air France-KLM and Iberia, which are slashing prices on their European flights to attract customers affected by the euro crisis. Ryanair has had to reduce its prices by 4%.

 RYA



“We can’t get over it. On the one side, France is on the brink in terms of its indebtedness, but on the other side seems able to afford to buy a 20 per cent stake in Alstom.”

In an interview with “Deutschlandfunk” radio station, Peter Ramsauer, the conservative chairman of the Bundestag’s Committee on Economic Affairs and Energy, criticised France for acting with “ice-cold national industrial interest”.



“It may encourage repressive regimes... to do bad things.”

In an interview with the “Financial Times”, Google CEO Larry Page expressed his concern about potential censorship as a result of the ruling in favour of the “right to be forgotten” on the internet, which was passed by the European Union.



“I don’t think consumers will be affected at all. We have gas reserves.”

Andriy Kobolev, the CEO of the Ukrainian group Naftogaz, told a local television station that he does not fear any gas shortages as a result Moscow’s decision to cut off supply.



“Streaming services, like access to movies and TV shows, are less developed in Europe. The Playstation Now streaming game service will not be released in Europe until the market turns to content distribution by streaming.”

In an interview with French newspaper “Le Figaro”, the President and Group CEO of Sony Computer Entertainment Andrew House was vague about the launch of its Playstation Now streaming game service in Europe.



While Renault-Nissan is “not obsessed” about increasing volumes the company must continue to do what is necessary so that it can “increasingly take advantage of economies of scale.”

In a June interview with “Automotive News Europe” magazine, Renault-Nissan CEO Carlos Ghosn said he wants to boost the profits of both automakers.

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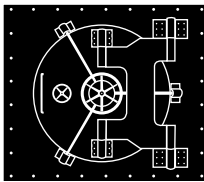
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In billion of dollars, global spending on humanitarian aid in 2013, up from \$17 billion the previous year. The many donations for the victims of typhoon Haiyan in the Philippines and conflicts in South Sudan and Syria contributed to achieving this record.

+5%

Additional GDP growth in Finland and Sweden if illegal activities such as drug trafficking and prostitution were taken into account, according to Eurostat. The contribution is estimated at 1% to 2% for Spain and Italy and 3% to 4% for the United Kingdom.



920

In billion of dollars, the record-breaking level of cumulative profits of the world's biggest 1,000 banks in 2013, up 23% from the previous year, according to a survey in "The Banker". Chinese banks were the main drivers of this increase.



In billion of Swiss francs, the total amount of "sustainable investments" (e.g. in microfinance) on the Swiss market in 2013, up 17% according to Credit Suisse. The bank says: "alongside return considerations, social and environmental aspects represent an increasingly important decision-making factor when it comes to investment."



Annual growth of the organic market in Switzerland in 2013. The sector surpassed revenue of 2 billion Swiss francs for the first time, according to Bio Suisse.

UP

Bitcoin

A growing number of companies are accepting Bitcoin payments. Dish Network, a US satellite television operator with 14 million subscribers, will allow its customers to pay their bills in the virtual currency starting this autumn. The provider will join Overstock.com, Virgin America and Starbucks, which already accept bitcoins.

Prices in Japan

Japan is just beginning to emerge from nearly two decades of deflation, mainly thanks to the government's proactive monetary policy. A sign of this turnaround is low-cost clothing giant Uniqlo's decision to increase prices by 5% on its entire selection.

DOWN

UK supermarkets

The British have never spent so little on food. Revenue from food sales has dropped 0.2% in the first three months of the year. These figures are the result of the price war between supermarkets in the United Kingdom.

PCs

PC manufacturers have been hit hard by the competition from smartphones and tablets. People are replacing their computer less often, and companies are forgoing physical servers in favour of the cloud. As a result, Sony sustained a \$1.3 billion loss last year, and HP is expected to make 55,000 to 60,000 redundancies.

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BUCHER, THE ROLLS-ROYCE OF SWEEPERS

Bucher Industries, the Zurich-based firm founded 200 years ago, continues to thrive thanks to its insistence on innovation and its long family tradition.

Clément Bürge

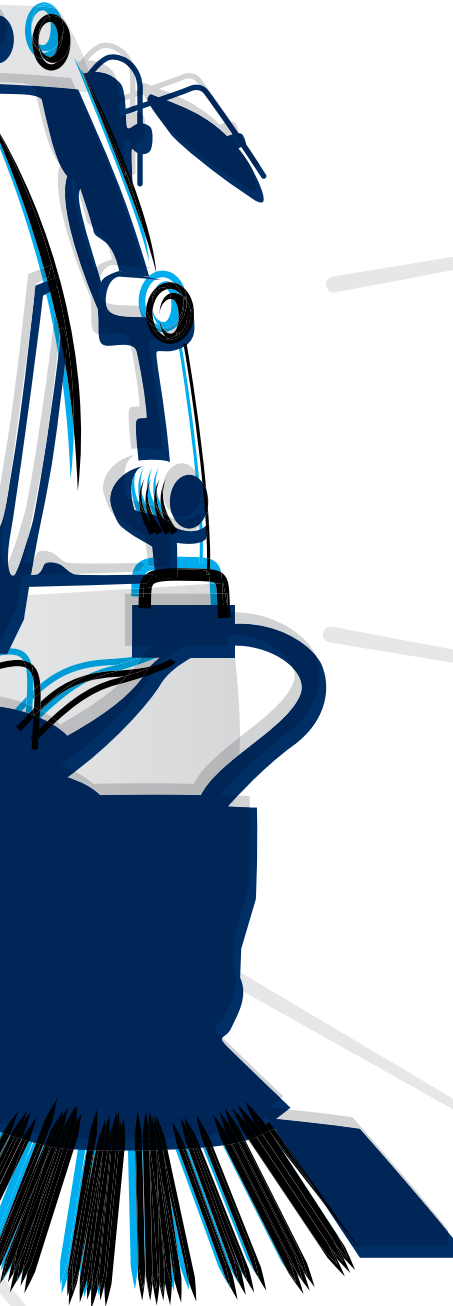
It's a gorgeous machine, with its pure lines, gently purring motor and skilfully installed suction hose at the back of the little white vehicle. The ultimate touch of elegance is the extreme agility of the circular brushes on the CityCat 2020, which can clean those hard-to-reach spots without ever leaving behind so much as a crushed juice box or other debris. Yes, the vehicle built by Bucher Industries is quite precisely the Rolls-Royce of street sweepers. "Their machines are very well designed," says Jacques Jacot, professor of microtechnology at the Swiss Federal Institute of Technology in Lausanne (EPFL). "Every detail is perfectly thought out. They're systematically the best models on the market."

Thanks to this brand image, Bucher Industries has achieved an excellent performance over the past few years. The group's revenue totalled 2.7 billion Swiss francs in 2013, up 3% on 2012. And it employs nearly 11,000 people

who work in its 40 production sites, located mainly in France and Germany. "The Swiss plants manufacture only the high value-added products," says Remo Rosenau, an analyst at Neue Helvetische Bank. Only 1,000 employees still work in the company's home country.

The CityCat 2020 perfectly illustrates the strategy of the machine manufacturer based in Niederweningen (canton of Zurich): do whatever it takes to develop the best vehicles on the market. And it does so across all five of its divisions: agricultural machinery, municipal cleaning vehicles, hydraulic systems, glass manufacturing machinery and the "specials" division, which covers machinery and equipment used to make wine or fruit juice.

"The company attaches great importance to research and development," says Jacques Jacot. This keeps Bucher Industries on the cutting edge in its areas of expertise.



For example, the firm designs very high-quality glass manufacturing machinery used primarily in the pharmaceuticals industry to produce highly safe bottles. "It would take just one single glass molecule inside these bottles to damage the medicine," says the professor. "But Bucher Industries prevents that from happening. Few companies can offer that kind of guarantee."

The group has also found ingenious solutions to

"The company attaches great importance to research and development."

leverage the synergies between its various inventions. "Bucher Industries has been producing apple presses since the early 20th century," says Armin Rechberger, an analyst at the Zurich Cantonal Bank. "And it uses these systems to treat sewage sludge. It's very innovative." The process involves dewatering the sludge so that as much solid waste as possible can be used as fuel. This method is much more environmentally friendly and cost-effective than the dehydration methods typically used.

THE MOSCOW CONTRACT

In March 2014, Bucher Industries signed a sweet deal, winning a bid to supply the city of Moscow with municipal maintenance vehicles worth a total of 53 million Swiss francs. The firm will deliver 609 sweepers, 275 snowploughs and 163 spreaders to the Russian capital.

This success was made possible by the company's other strength: its long-term vision. "The city of Moscow began ordering machines from us in the 1980s," says Philip Mosimann, CEO of Bucher Industries. "And since then, we have never disappointed them. This new contract shows that they've decided to maintain their trust in us." Bucher Industries has a long history. The company was founded in 1807 by Heinrich

Bucher as a simple blacksmith's shop (see box opposite). Now, 200 years later, Bucher Industries is still run by the same family, which owns 36% of the share capital. "The family drives the company to pursue this long-term vision," says Remo Rosenau. "They make sure the balance sheet remains healthy. The firm currently has no debt. They are not interested in short-term profits."

This long-term vision also saved the company during the 2008 financial crisis. "It was a terrible year," says Philip Mosimann. "Our revenue plummeted 23%, and the sales of our hydraulic solutions nose-dived 38%." But fortunately, the family at the helm of Bucher Industries had forced the company to set money aside. "We were not in debt and had a lot of money to invest. By launching a series of new projects, we were able to turn in strong earnings in the following years."

PROMISING OUTLOOK

The current outlook for Bucher Industries is promising, with its agricultural machinery generating nearly half of the company's revenue. "The sector is growing over the long term," says Remo Rosenau. "Global food demand is increasing faster than farmland, creating the need

200 years of production

1807

Heinrich Bucher founded the company, which started out as a simple blacksmith's shop.

1901

Bucher designed its first hydraulic fruit press.

1934

The company built its first engine-powered mower, which was still drawn by horse.

1966

The company launched its production of municipal cleaning machines.

1986

Bucher Industries went public, with revenue of 430 million Swiss francs and 2,730 employees.

1994

The sweeper division was established with the acquisition of Schörling.

2002

Philip Mosimann took over as CEO, becoming the first person outside the Bucher family to lead the company.

“The firm currently has no debt. They are not interested in short-term profits.”

for high-quality machines.” And the company isn’t afraid of competition. “Its strategy is to move into niche markets with lower competition,” says Jacques Jacot. “Bucher Industries is the leader in each of its sectors.” The Swiss firm’s competitors are all very different. None of them applies the same diversified model as Bucher Industries. The Norwegian Kneveland and German Krone and Claas are also vying for market share in the agricultural segment. The Swiss firm Boschung and the French

manufacturer Fayat Group are its competitors in municipal machinery, while the American firms Husco and Denison are active in hydraulic products.

However, Berenberg Bank analyst Felix Wienen points out that a few grey clouds loom on the horizon. “The earnings of the division specialised in machines that manufacture glass bottles are struggling.” Remo Rosenau wonders whether the company should just sell the division. “They could then focus on the most profitable products such as agricultural machinery and municipal vehicles.” But CEO Philip Mosimann rules out that option: “It’s a division of the future. A long-term investment...” And the story of Bucher Industries is unlikely to end any time soon. ▲



The numbers

2.7

2013 revenue, in billions of Swiss francs.

11,000

Number of employees worldwide.

46%

Share of revenue generated by sales of agricultural machinery.

609

Number of sweepers ordered by the city of Moscow in March. Bucher Industries will also deliver 275 snowploughs and 163 spreaders.

36

Number of acquisitions since the arrival of CEO Philip Mosimann 12 years ago.

.....Analyst's recommendation.....

“The right time to invest.”

“With excellent cost control, a healthy balance sheet and an intelligent management team, it’s a very attractive investment,” says Remo Rosenau from Neue Helvetische Bank. Other analysts, like Felix Wienen from Berenberg Bank, have a more toned-down opinion. The expert criticises the lack of synergy between the company’s different divisions: “It’s a relatively incoherent conglomerate. Its various sections don’t work together enough.” Bucher Industries is lagging in

emerging countries, which also raises concern. “The company has a strong foothold in Europe and North America, but there’s still too much uncertainty with regard to its move into developing countries such as China,” he says. “It needs to introduce a clear expansion plan now.” Today, 62% of the revenue of Bucher Industries is generated in Europe, compared with only 9% in Asia.

This criticism has not tarnished Remo Rosenau’s optimism: “The

share price is under-valued because of a poor understanding of the business. Analysts liken Bucher machines to large costly tractors, like the ones produced by John Deere. Those machines are not replaced often, and sales are currently flagging. The agricultural machines manufactured by Bucher Industries, such as mowers, are less expensive and have to be replaced frequently. They sell regularly. The company is actually faring quite well. It’s the right time to invest.”

ANALYSIS

ADVICE FOR INVESTORS

Aluminium: to believe or not to believe?

Despite the growing use of aluminium in many industrial sectors, investing in the light metal is somewhat questionable at the moment. Here's why.

By Jean-Christophe Piot



ALUMINIUM BAHRAIN

A worker at the site of Aluminium Bahrain, one of the sector giants. The company produces more than 860,000 tonnes of aluminium per year at a very competitive price, saturating the market.

If you look around, you'll notice aluminium is used almost everywhere, from construction, transport, and power grids to machinery, tools, and packaging. Lighter than steel and more conductive than copper, it's the most abundant metal on the planet and is

particularly coveted by the automotive and aeronautical sectors, where environmental standards now require new models to be more fuel efficient. Some even say that global demand for aluminium could triple by 2030. "A twofold increase by then

seems optimistic," says Gianmarco Migliavacca, an analyst at Moody's. "It all depends on demand from China, which is difficult to gauge given the lack of reliable statistics."

But the rise in demand, however big, will not necessarily affect

the price of the metal. There are several reasons for this, one being the now chronic condition of overproduction.

Demand, however big, will not necessarily affect the price of the metal

Behind the myriad of Chinese companies that account for half of worldwide production, three long-standing giants still make up 30% of the market: Rusal (Russia), Alcoa (US) and Rio Tinto (Canada). Players in the Middle East, such as Emirates Global Aluminium and Aluminium Bahrain, have taken advantage of low energy costs to produce aluminium at a very competitive price over the past ten years. Consequently, the market has become saturated despite the rise in demand. "The big producers have noted this and are reducing capacity in countries with the highest production costs," says Gianmarco Migliaavacca. Norwegian firm Norsk Hydro has closed all its sites in Australia, and Alcoa has reduced its activities in Europe and North America.

Nevertheless, aluminium prices on the London Metal Exchange, after falling early this year, are not likely to rise much in the coming months. The effects of the gradual rise in demand and the measures aimed at reducing overproduction are offset by other factors, such as high inventory levels for a commodity that doesn't go bad.

Though the Indonesian authorities' recent ban on bauxite exports briefly led to concerns that prices would rise, the major players in the sector have big enough inventories that they won't be negatively impacted anytime in the next twelve months. A similar embargo, on the other hand, drove the price of nickel up 35%.

It's a paradox. Demand has never been higher, and yet the

price of aluminium most likely will not rise in any significant way this year. The major players in the industry see their outlook as stable at best. Only companies specialising in adding value to products with special properties can hope to profit from the boom in demand in the short term. Investors should keep an eye on Constellium, a European company that supplies its innovative products to the aeronautical and automotive market. ▲



Production hall of the Norwegian group Norsk Hydro, Høyanger.

“Pharma and healthcare are the most attractive sectors”

Christian Gattiker from the bank Julius Baer believes that the equities market is making a comeback, offering opportunities to be seized. Here, he shares some of his investment tips.

SWISSQUOTE MAGAZINE ▶ The equities market appears to be regaining strength. What are the reasons for this?

CHRISTIAN GATTIKER ▶ Three main factors contribute to a pick-up in the market. First, we're in a phase of global economic recovery driven by industrialised countries. Second, the economy is not overheating, so there is no risk of inflation on the horizon. And third, the central banks in the United States and Europe are supplying the economy and markets with adequate liquidity. Stock market specialists welcome the combination of these three factors and are working their way back to the equities market.

Is this euphoria excessive?

No. It's true that some analysts fear a correction. But it's important to understand that, even if the markets are moving in a positive direction, investors remain cautious. Many of them suffer from some sort of post-traumatic stress due to the two major crises seen

in the past fifteen years. For example, large insurance companies have virtually withdrawn completely from stock markets. It'll take some time for them to regain confidence, maybe a generation. The widespread euphoria that prevailed on the markets in the late 1990s will not return any time soon.

Which sectors make wise investments today?

Pharmaceuticals and healthcare are generally the most attractive areas, because they have recently begun a new cycle. Prices have toned down to reasonable levels, the large groups have overcome the major difficulties in dealing with the expiry of patents and a new wave of promising treatments and medicines is expected over the next few years. Changing demographics also augur in favour of pharmaceutical and biotech companies. This includes developing countries, where demand for healthcare treatments is prevalent among the new middle class. Energy is

another investment sector offering enticing prospects on a global scale. Investment options for this type of security are limited in Switzerland.

What advice can you give our readers in terms of investment strategy?

Investors need to devise an investment plan in line with their “space-time” constraints. If you invest money in three-year securities, for example, you have to be aware that you can't touch it to buy a house. You also need to determine if the money invested should generate interest income or the capital gains are enough. And what risks are you willing to take? Can your nerves handle it if your securities temporarily drop 20% to 30%? Once you've raised these questions, it's time to put things into practice! ▲



Christian Gattiker
Chief strategist
and Head of Research
Julius Baer, Zurich

"CURRENCY TRADING IS AN OPTIMAL ADDITION TO A CONVENTIONAL INVESTMENT PORTFOLIO"

Investing in currencies offers an excellent opportunity to absorb the negative impact of stock market fluctuations. Pascal Höfliger, CEO of the asset management company Intercore Financial, explains why.

What are the advantages of investing in the currency market?

Currency trading and alternative investments are an optimal addition to a conventional investment portfolio, as there is practically no correlation with the stock market. Smart diversification makes it possible to absorb significant stock market fluctuations by investing in currencies.

Intercore Financial specialises in currency trading. What is your philosophy and where do your strengths lie?

Currency trading is still largely unfamiliar to many investors and is unjustly seen as a form of investment akin to gambling. With our different investment products, we want to clearly show that there are various approaches for successfully investing in the currency market. Of course there is a certain level of risk in any investment, and that is precisely where Intercore Financial's main skill lies. Anyone can generate a high return with higher risk. For that, you don't need a competent partner, just plain luck. Yet generating a moderate return with manageable risk shows true skill. Our goal is to generate added value for our investors in a constant, precise and therefore professional manner. We are not interested in what the competition is doing. Intercore Financial recently cele-

brated its five-year anniversary. Considering the difficult context in the financial sector, this achievement bears testimony to the quality of our company.

How do your investment strategies work?

They are based on a mathematical model. Yet the choice of the most appropriate currency pair is made by humans. We believe that the mechanical execution and calculation of trades certainly brings enormous advantages, but that human decision-taking adds a dynamic element which makes the investment even better. Our investments follow a system based on buy and sell orders in market ranges. The currency pairs and the ranges are calculated manually based on economic conditions and fluctuation ranges in previous years.

Which products do you offer?

On the one hand, we have a strategy called A.R.T. This represents a conservative investment approach. The system currently operates for the following currency pairs: EUR/USD, USD/JPY, AUD/JPY and EUR/CHF. The strategy was set up in June 2011 and has, to date, generated a return of over 40 percent, with maximum risk of 18 percent (risk/return ratio: 2.2). The system has been developed for conservative investors who prefer making a sustainable long-term investment with minimal fluctuation ranges.

The D.R.S system is the successor, or supplement, to the A.R.T system. D.R.S is based on the same mathematical model,

yet higher leverage makes it a riskier strategy. The investment strategy was set up in March 2013 and has generated a return of around 20 percent, with risk of 12 percent (risk/return ratio: 1.6). The minimum investment for A.R.T is €20,000, and for D.R.S it is €15,000.

How can Swissquote clients benefit from your offer?

Intercore Financial offers the A.R.T system exclusively via Swissquote Bank as a managed account. Swissquote clients can therefore request an additional account at Swissquote and provide a limited power of attorney to use the A.R.T system as an addition to an existing portfolio. The minimum investment is €20,000, with no restriction on maturity. The new account at Swissquote Bank is in the client's name. The limited power of attorney enables Intercore to trade for the chosen system. The account can be opened directly on our website: www.intercore.ch.

You can find additional information at www.intercore.ch

Pascal Höfliger
CEO Intercore Financial

“Focusing on people again”

Father Pascal-André Dumont, an unconventional cleric, launched an ethical investment fund in 2012. His mission is to guarantee the long-term financial viability of his religious community located in France's Loir-et-Cher department. Interview.

The message of the Catholic Church is very well received at the events where I'm invited to speak. The 2008 financial crisis brought about a change in people's attitudes. I feel a genuine interest from some of the bankers and company executives I meet, whatever their religious beliefs. Our message is one of common sense. Many young people entering the world of finance are realising this. They often tell me that things need to change. ▲



NIELS ACKERMANN / REZO

Priest and investor

To ensure the financial livelihood of his religious community, Pascal-André Dumont launched the ethical investment fund Proclero in 2012 with the management company Meeschaert. Born in Fribourg in 1967 to non-practising Catholic parents, Pascal-André Dumont joined the priesthood after completing his master's degree in law at the University of Fribourg in 1991. Once he was ordained in 1997, he began serving the Community of Saint Martin, located in Candé-sur-Beuvron in France's Loir-et-Cher department. He became the steward in 2001. In this position,

he was rapidly confronted with a costly, large-scale programme to expand the number of seminarians, as Saint Martin had become the leading seminary in France.

The ethical investment fund now provides an effective answer to maintaining the financial stability of the Community of Saint Martin. It also gives Pascal-André Dumont the opportunity to spread the Catholic Church's ethical message on economics at the many conferences where he is invited to speak.

GP GIRARD-PERREGAUX

MECHANICS OF TIME SINCE 1791



HAWK

GIRARD-PERREGAUX 03300-0073 CALIBER, SELF-WINDING MECHANICAL MOVEMENT
HOUR, MINUTE, SMALL SECOND, CHRONOGRAPH, DATE
46-HOUR POWER RESERVE – 44MM STEEL CASE WITH SAPPHIRE CRYSTAL CASE-BACK
WATER-RESISTANT TO 100M – STEEL BRACELET WITH SAFETY BUCKLE





Sophie Gaitzsch
and Melinda Marchese,
Shanghai
In collaboration
with Jimmy Gao

THE SHANGHAI BOOM



Shanghai fast forwards to the future of China

China's economic capital has developed rapidly in the last 20 years.

With its futuristic skyscrapers and cutting-edge industry, Shanghai stands as the showcase of modern China.

By Sophie Gaitzsch

Energetic, futuristic and larger-than-life Shanghai has in the space of a few years become one of the world's highest-profile mega-cities. Between 2006 and 2013, the city doubled its GDP to \$348 billion, equal to South Africa's. Shanghai is also the most populous Chinese city, with 24 million inhabitants, and boasts the highest salaries in the country, at nearly double the national average.

A showcase of modern China, Shanghai is casting off its industrial heavyweight past to become a services-sector hub. With a market capitalisation of \$2.497 trillion, the Shanghai Stock Market ranks seventh worldwide, ahead of those in Germany and Switzerland. "Services, and financial services in particular,

contribute more than 60% of the city's GDP," says Kilian Widmer from the Shanghai office of the Swiss Business Hub China. "Shanghai isn't just a manufacturing city anymore. It is investing in research and development, stands out with its leading-edge universities, and is attracting extremely qualified professionals in a range of sectors."

The breakneck development of the Pudong area, home to the Lujiazui financial district, symbolises the city's metamorphosis. Back in 1992, the Chinese government decreed that the then primarily agricultural region was to take on a "leadership" role and become a "global economic, financial and business centre as

quickly as possible". Twenty years later, Shanghai more than ever serves as a testing ground for the government. With the Shanghai Free Trade Zone project launched in September 2013, the Chinese authorities are trying out a new economic liberalisation system (see the interview with economist Xu Bin on p. 34). If successful, the approach could be extended to the rest of the country.

With all these qualities, Shanghai is an obvious entry point for foreign companies looking to establish a foot-



The giant and basketball player Yao Ming (229 cm, 7 ft. 6 in.) – the Chinese sports legend and former NBA star who played with the Houston Rockets – leading the opening ceremony jogs across the Lupu bridge in Shanghai, his home town.



REUTERS

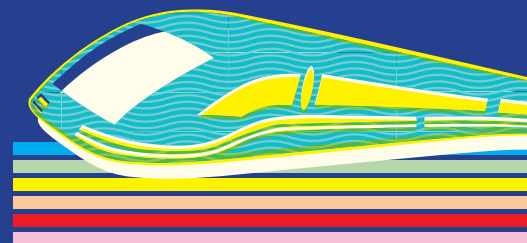
hold in the country. It also attracts expatriates from around the world, fascinated by Shanghai's vitality and appreciating the tree-lined streets and hip stores that lend a Western feel to a city long referred to as the "Paris

of the East". "Shanghai is following in the footsteps of Hong Kong," says Kilian Widmer, drawing a comparison that the city would no doubt sweep aside. Shanghai more readily compares itself with foreign mega-cities such as

New York and Tokyo rather than its Chinese counterparts – confirmed by the ambitious claim of an enormous poster hanging in the lobby of the city's World Financial Centre that reads "Shanghai, Global Magnet". ▲

THE WORLD'S FASTEST TRAIN

The Shanghai Maglev train boasts the highest operational speed in the world, at 430 km/h. The German-built train covers the 30 kilometres between the Pudong International Airport and Shanghai's city centre in just seven minutes. The name "Maglev" comes from the train's magnetic levitation technology, meaning that the train does not come into contact with the tracks. This limits friction, as compared with wheeled systems.



S H A N

1917

OPIUM

The closing of the last legal opium shop. Shanghai was a hotbed for drug trafficking and was once home to as many as one hundred shops. The opium trade then went underground.



1943

CONCESSIONS

End of the concessions system set up in the 19th century, under which control of city settlements had been ceded to the French, British and Americans.

1966

RURALISATION

Beginning of the Cultural Revolution, which was in full force in Shanghai. With it came the forced displacement of one million Shanghai residents to rural regions over a 10-year period.

1914



1921

CPC

The Communist Party of China (CPC) was founded. At the time, it had thirteen delegates, including Mao Zedong, and 53 members for all of China.

1949

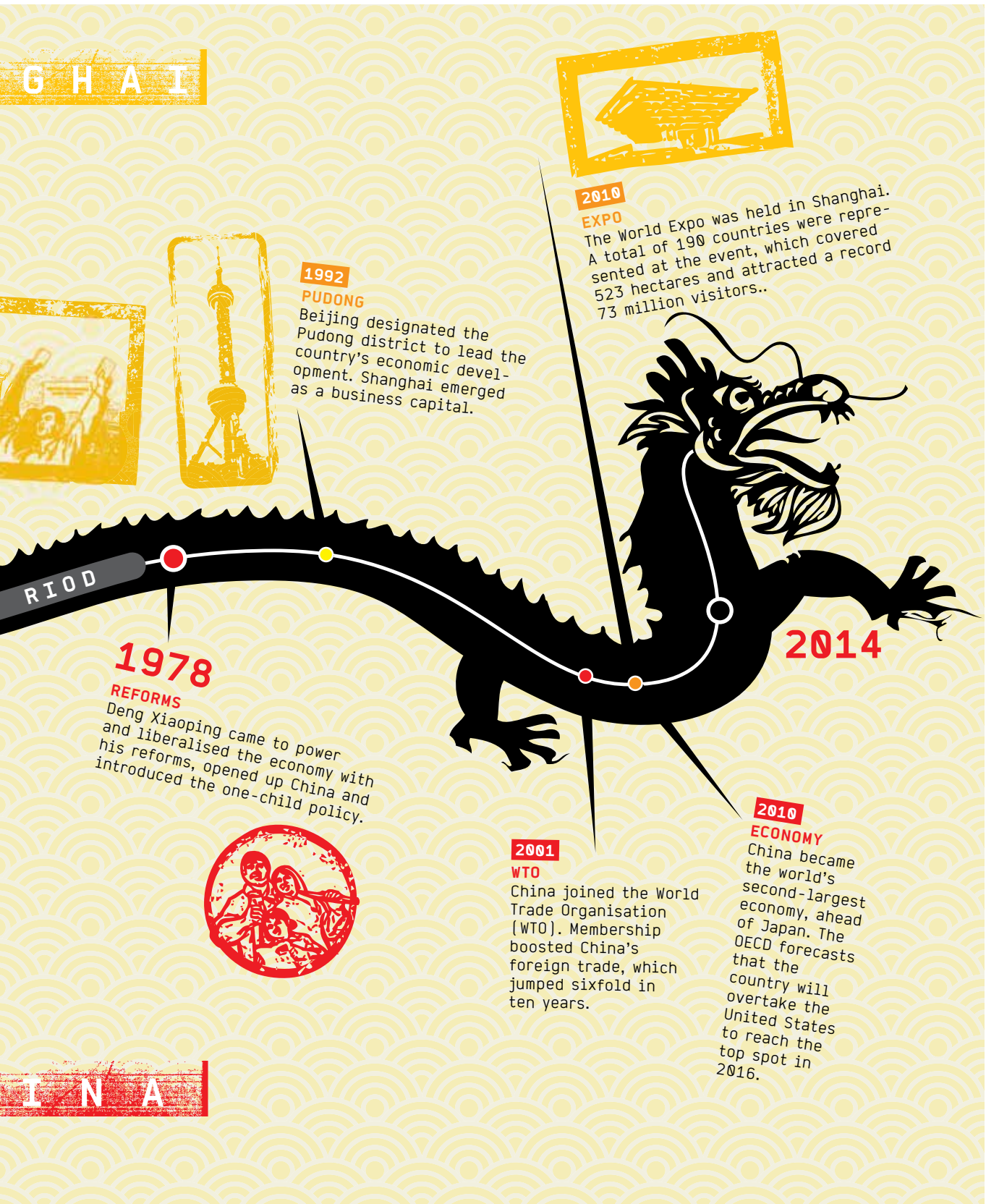
REVOLUTION

The communists took power, putting an end to the civil war. Mao Zedong proclaimed the establishment of the People's Republic of China.



COMMUNIST PE

C H



“Shanghai could become the New York of China”

The Chinese megalopolis is striving to become a leading international financial market. Economist Xu Bin, a consultant for the World Bank and professor at the China Europe International Business School in Shanghai, shares his analysis.

By Sophie Gaitzsch

Born and bred in the region, Xu Bin still cannot get over it. “Just twenty years ago, the Pudong district was still covered in fields,” he says. “Today, it is crushed under the country’s tallest skyscrapers. For anyone who grew up in Shanghai, like me, this metamorphosis never ceases to amaze!” We met the professor on the gleaming campus of the China Europe International Business School. He has been teaching economics and finance at this renowned establishment since 2005 and is currently Associate Dean. At first reserved and almost shy, Xu Bin warms during the interview when discussing the topics he is passionate about, namely the ups and downs of the Chinese economy and the future of Shanghai in this changing environment.

SWISSQUOTE MAGAZINE ▶ In September 2013, Shanghai inaugurated the Shanghai Free Trade Zone with an impressive opening ceremony. Tell us a bit about the project.
Xu Bin ▶ The Shanghai Free Trade Zone is another step towards a free Chinese economy. Concretely, it is a 28-sq. km area with more relaxed business and financial regulations. Before it opened, companies that wanted to start operations in China had to apply for approval from the authorities, subjecting themselves to decisions that could be somewhat arbitrary. In the Free Trade Zone, they have greater freedom to set up business.

This reflects a major shift in attitude in Beijing. In finance, foreign investments in Chinese companies and money transfers between the new enclave and institutions abroad are now easier. Another key factor that surprised many experts is that companies operating in the Free Trade Zone are allowed free currency exchange with the yuan (editor’s note: see box on p. 36), a practice that used to be limited by the government.

“Shanghai Free Trade Zone provides a testing ground for reforms that could then be applied to other regions or even nationwide.”

What is the motivation behind this reform?
 This initiative is part of a national strategy. China has long relied on its exports. But since the crisis of 2008 and the slowdown in the global economy, this model is crumbling and growth is stagnating. The country fears getting stuck in a rut referred to as the “middle income trap”. This situation arises when a country can no longer compete with cheaper production costs in developing countries but still lags behind more advanced

徐彬

Xu Bin is a consultant for the World Bank, the International Monetary Fund and the Chinese government. He started his career in the United States, at Columbia University in New York and the University of Florida.



economies. The government's target of maintaining 7.5% growth requires system reform, particularly in the financial sector. These changes have taken top priority in Beijing's political agenda. And they could be implemented faster than you think – within the next five to ten years.

What role will Shanghai play in these changes?

The city is pivotal in this national strategy. Changes are tough to implement in China. The government is tackling them gradually. The Shanghai Free Trade Zone provides a testing ground for reforms that could then be applied to other regions or even nationwide. Political leaders see Shanghai as the Chinese city with the most to offer: it has an ideal geographical location on the coast near Japan, Korea and Hong Kong, the best human resources and open-minded people who are familiar with Western customs.

What are the main features of the Shanghai Stock Exchange?

Shanghai and Shenzhen are home to the only two stock exchanges on mainland China. They were created by the government in the 1990s to rescue state-owned companies from bankruptcy by reincorporating them as public enterprises. Stock market mania suddenly spread throughout the Chinese population. The Chinese save a lot – the savings rate is about 50% – and have no other way to invest their savings, other than in heavily regulated bank accounts offering meagre returns. In China, unlike other economies, private investors play a more important role than institutional investors. Transactions are also more frequent. Many investors trade on the stock market every day, and the market is highly speculative. People think that the Chinese don't like taking risks. But that's not true. They love to gamble! Just take a look in any casino in the world. In a country where opportunities are

scarce and gambling is illegal, people are prepared to take risks on the stock market to strike it rich (see article on p. 38).

We are hearing more and more about Shanghai as a financial market. How does the city currently stand on the global stage?

Shanghai emerged as a financial centre when the efforts to open up the Chinese economy were undertaken in the 1990s. But despite its ambitions, the city is mainly a domestic hub. Shanghai has introduced extensive infrastructure (equities, bonds and futures markets, commodities trading), which is unquestionably the most sophisticated in mainland China. But it is not yet international enough. The stock exchange is basic and difficult for foreign investors to access. Hong Kong remains leaps ahead, and it will take Shanghai quite some time to reach that same level – probably more than ten years.

The Shanghai Stock Exchange was down 6.75% in 2013, while the Chinese economy continues to grow. Why is that?

It's true that stock market performance pales in comparison to the real economy, which grew

The yuan, a currency under close watch

China has long been accused by its main trade partners of keeping the yuan at an artificially low rate to boost its exports.

This means that the exchange rate can only fluctuate within a range set daily by the Chinese central bank. In terms of investments, Beijing also enforces strict limits on Chinese residents investing abroad as it does on foreigners investing in China. Why? Beijing fears that uncontrolled capital flows will destabilise its monetary policy.

However, the lack of convertibility is jeopardising China's ambition of turning the yuan into a reserve currency to rival the dollar, in line with its influence on the international stage. That is why Beijing is now testing the waters of a freely convertible yuan in Shanghai's Free Trade Zone.

7.7% in 2013. But there is a good reason for that. In terms of capitalisation, much of the Shanghai Stock Exchange Composite Index, which is used to reflect market performance, is comprised of banks and insurance companies that are supported by the government and that do not interest investors. What's more, the tight monetary policy implemented by the People's Bank of China also has a negative impact on the stock market.

How will Shanghai benefit from the reforms? Will the reforms have the same impact as the Special Economic Zones set up by Deng Xiaoping in the late 1970s?

The city will definitely benefit from the development of the financial market as a result of the opening of the Free Trade Zone, which will create jobs and attract Chinese and foreign talent. The changes are also expected to boost the cultural, artistic and events scene. Shanghai could become the New York of China, a real "melting pot" drawing in people from around the world. It's still too early to say whether the Free Trade Zone will represent as great a milestone as the Special Economic Zones or China's entry in the World Trade Organization. But if China does indeed open up and free its markets, then the creation of the Free Trade Zone will be considered, in retrospect, a major historical step. At least, I hope so. ▲

\$36 MILLION CUP

In April 2014, the Shanghai billionaire Liu Yiqian bought an 8-centimetre wide Ming dynasty porcelain cup for a record \$36 million.

The 15th-century piece is considered the "holy grail of Chinese art". Liu Yiqian, a former taxi driver, made his fortune on the Shanghai Stock Exchange in the 1990s and currently heads a giant industrial conglomerate.

He is also an avid art collector and has founded two museums.



TRADE ON THE NYSE

"China has three stock exchanges, Shanghai, Shenzhen and Hong Kong. The Hong Kong Stock Exchange is open to foreign investors, but the two markets in mainland China only allow foreigners access to certain securities. But the situation is changing. Shanghai-Hong Kong Stock Connect, a financial system reform, is expected to allow foreigners to trade more freely in Shanghai and Shenzhen starting this autumn.

A number of Chinese companies are currently listed in both mainland China and Hong Kong. Shares of many Chinese companies, especially in the internet sector, are also traded on the New York Stock Exchange."

BEWARE OF PROPAGANDA

"One of the main difficulties on the Chinese market is determining the quality of securities. Staying up to date on political changes and regulations is a real challenge.

Investors who don't speak the language can have trouble accessing the sometimes unreliable information on companies. Overblown media coverage and fast company growth can be enticing, but also risky."

FOCUS ON DIGITAL

"Consumer goods companies currently have the highest potential. The sectors to focus on are technology, healthcare and renewable energy. These industries are underpinned by the strong growth in the country's middle class. Earnings per share in the digital sector are expected to rise 30% on average in 2014."

AVOID INDICES

"You're better off avoiding index-based products that track, for example, Hong Kong's Hang Seng Index or the Shanghai Stock Exchange Composite Index. These indices are struggling to capture Chinese growth. They primarily include state-owned companies from the 'old economy' – such as telecommunications, finance and energy –, which have a relatively unattractive outlook."

How can you pick out the best stock market opportunities in the Middle Kingdom? Jian Shi Cortesi, Asian equities portfolio manager at Swiss and Global Asset Management, offers some tips.

INVEST IN GIANTS

"Investors who want to buy individual company shares should focus on large companies, such as sector leaders whose quality has been proved. For example, internet giants such as Baidu, Sina and Tencent are investment grade stocks. For mid caps, investors are safer going through a well-known fund."

**What
you need
to know
to invest
in Chinese
stocks**

SHANGHAI

A Chinese woman studying the computer screens at a brokerage firm in Shanghai.

Traders at heart

Whatever their age, the people of Shanghai love investing in the stock market.

By Sophie Galtzsch

ALY SONG / REUTERS

First, weave your way behind the escalators of the imposing building. There, you'll find a warm room with the scent of rice wafting in the air. This is where some twenty stock market enthusiasts meet every day, most of them well beyond retirement age. They are customers of the banking and financial services company Shenying & Wanguo Securities, which opens its offices to them in the Lujiazui financial district. Despite the lovely weather, they are always there, each glued to a computer, studying stock prices and placing orders. From within mainland China, they are only authorised to

invest in the Shanghai and Shenzhen stock exchanges.

"Today, no losses, but no gains either," says Ms. Wang, her grin never slackening. This local resident in her sixties, sporting a pink track-suit jacket and trainers, bought her first shares in 1993. She explains how she hates being alone. "Here, my friends and I can share tips with one another. It's like a job." But does the job pay? "The market isn't what it used to be," she says. "Before the crisis, I made money. My best deal brought me 15% in one day. But I've lost a lot since then, and today I'm mostly try-

ing to cut back my losses." Mr. Liu, age 58, is another local resident who is equally hooked. Where does he get his information? "In newspapers, online... I read as much as possible. Then, I go with my intuition. I don't have a favourite sector, and I definitely don't listen to the advice given by party officials or professionals."

The stock market is just as popular with the younger generation – the difference being that, in the age of the internet, young people can manage their portfolio from anywhere. We met Wang Zhucheng, his Mac tucked under his arm, in a city

centre cafe. He said that he invested 80,000 yuan – about 11,500 Swiss francs – two years earlier. This 28-year-old software engineer trades through his account on the Huatai Securities platform. He believes that the most promising sectors are real estate, banking and chemicals. "I think of it as a game," he says. "I like the feeling I get when I trade. Most of my friends, both men and women, own shares. For young people between age 20 and 30, there are not a lot of other ways to strike it rich. I don't have a specific goal, like buying an apartment. I just want to make money." ▲

“Google is Geak’s only competition”

The Shanghai-based company Geak aims to lead the international smartwatch market. Geak’s CEO Gu Xiaobin is excited about the imminent launch of the new collection and is setting his sights high.

By Melinda Marchese

Although dressed like a teenager – trainers featuring Angry Birds characters, beige jeans and a hoodie – the 40-something Gu Xiaobin has the attitude of a determined businessman. With complete self-assurance, he describes the products manufactured by Geak, the company he has run since he founded it in June 2010. “Our smartwatches combine technology and design, which is not the case with other models currently available on the market.”

These advantages, and the 300,000 units sold in a few months since the product launch in June 2013, have given him the confidence he needs to consider developing internationally. “For now, our watches are only available from retailers in China, but we hope to tackle the US market by the end of 2015,” Gu Xiaobin says. “We will open stores in the country but will first test our concept in Shanghai with

an ‘experience shop’, like those opened by Apple.” Apple is also expected to launch its first smartwatch. It will join the ranks of Samsung, Google, Sony and LG, as well as some promising start-ups such as Pebble, which are also vying for a piece of the new market. But Gu Xiaobin believes that, for the time being, “Google is Geak’s only competition in terms of technology and design.”

THE CHINESE ARE GOING LOCAL

Is the ambitious CEO overly optimistic? According to Cindy Zhao from the Shanghai-based consulting firm MassThinker, Geak stands a strong chance of dominating the Chinese market. “Foreign brands do not always come out on top on the domestic market,” she says. “In fact, many Chinese consumers who used to use Apple or Samsung smartphones now choose mobiles manufactured by the local brands Xiaomi or ZTE.”

However, the “wearable devices” specialist is taking a cautious approach to expanding westward. “Each market wants something different. A product that works in China will not necessarily appeal to consumers in another country. Geak watches will have to adapt to what foreign customers want and need.”

At his company offices, Gu Xiaobin gave us an exclusive preview of the second-generation smartwatches that Geak will launch in September 2014. The new features include a longer battery life, a round face and an overall design that looks more like a traditional watch. “Our first and only model, retailing at 2,000 yuan (around 300 Swiss francs), had the most success with young men aged 20 to 30,” he says. “The style of our three new watches will appeal as much to older men as it will to teenagers. One of them is priced at 300 yuan (about 45 Swiss francs), making it more affordable for young people.” The entrepreneur explains that his brand is only targeting male consumers for now, but will not stop there. “One of our challenges is to develop a watch for women, with applications specifically designed for female customers.”

Gu Xiaobin feels that what really sets a Geak watch apart from other smartwatches is that it “operates independently”. “It’s an independent device, enabling you to stay connected at all times without the need for a smartphone,” he says. Users can go to the Geak platform to download all sorts of free apps that provide information about their health or entertainment (the device supports Android games such as Angry Birds). “Some apps can even be used to turn on your oven or television remotely.”

Geak has also developed a marketing strategy based on close relationships with its customers. “I personally communicate with our more than one million followers on Weibo [editor’s note: the Chinese Twitter]. We guarantee a solution to any technical problem within 24 hours,” says Gu Xiaobin. He goes as far as giving his product away to keep his customers loyal. “Anyone who has bought a first-generation Geak can receive a new model for free within three years.”

CORPORATE GAMING CULTURE

Geak watches are developed at the company’s offices, which are located in a technology complex in the Pudong quarter, on the seventh floor of a building shared with the headquarters of Shanda, one of China’s leading online game developers. Geak is one of its subsidiaries. “Our management is completely independent from Shanda. We are backed by private investors,” says Gu Xiaobin. “But this relationship has an impact on our corporate culture. We work in a gaming environment! And I think it’s important for my employees to keep that frame of mind and enjoy themselves in their work.”

Regularly, on Fridays, employees are invited to participate in a game. “I ask them to think of a way to solve different types of problems over the weekend. The one who comes up with the best idea on Monday morning wins a bonus of 10,000 yuan (about 1,500 Swiss francs).”

The atmosphere is relaxed – but industrious at the same time – in the open space full of tables loaded down with various objects. Each employee (160 in all) has personalised their work space with stuffed animals, pictures,



RETRO TRAINERS

Feiyue shoes first came out in Shanghai in the 1920s. The canvas trainers grew in popularity in Maoist China and were worn by everyone from school children to top athletes. The brand was eventually forgotten in China but, after being revived by a French entrepreneur in 2006, is now a hot seller among hip Westerners who like its retro look. You’ll find Feiyue trainers at top boutiques in major European cities and on the feet of celebrities.



Gu Xiaobin,
CEO of Geek

mugs and other colourful knick-knacks. Lounge chairs are set against the partitions. "We take a siesta at lunch time," says the boss's assistant. "And we have no dress code whatsoever. Everybody just wears what they want."

Gu Xiaobin disagrees with any comparisons of his company's "unconventional" management methods with those proudly flaunted for the past several years by the tech giant Google. "Geek's management style is unique," he says. "I would describe it as simple and direct." The CEO's office is also

located in the open space to "promote communication and idea sharing with his employees." Fudan University, one of the top schools in China, can be seen through the window. "We maintain good relations with them. I actually think that the best young talent in research and development can be found in Shanghai," he says. "Their excellence will enable Geek to reach its goals."

Gu Xiaobin goes on to specify, "My dream has always been to run a listed company. In a few years, I will start the process to take Geek public." ▲

Han Han, the superstar blogger

He's a novelist, race car driver, singer, film producer, and he just opened a restaurant. But Han Han's real claim to fame is his blog – a blog that is highly critical of China's current problems.

By Sophie Gaitzsch

The restaurant Nice Meeting You is often packed with the city's trendy younger crowd. What makes the place so popular? The design furniture, vintage bay windows and Peking duck quesadillas, to be sure. But the biggest draw is actually the owner, Han Han – the world's most widely read blogger. The website of the 31-year-old Shanghai native (who is also a rally driver, writer, musician and film producer) has received 600 million visitors since its launch in 2006. Each of his posts incites such fervour that the US magazine Time ranked him among its list of most influential people in 2010.

In a heavily censored media landscape, Han Han addresses head-on issues such as corruption, censorship, social inequality and the ravages of pollution. "The biggest contradiction in China today can be seen in the growing intelligence of the people and the declining morality of the authorities," he writes. "The honesty of our officials is crumbling, as are their judgement and management skills, their mastery of the Chinese language and their ability to handle crisis situations." He also takes a good, hard look at Shanghai – the city where he grew up and which he describes

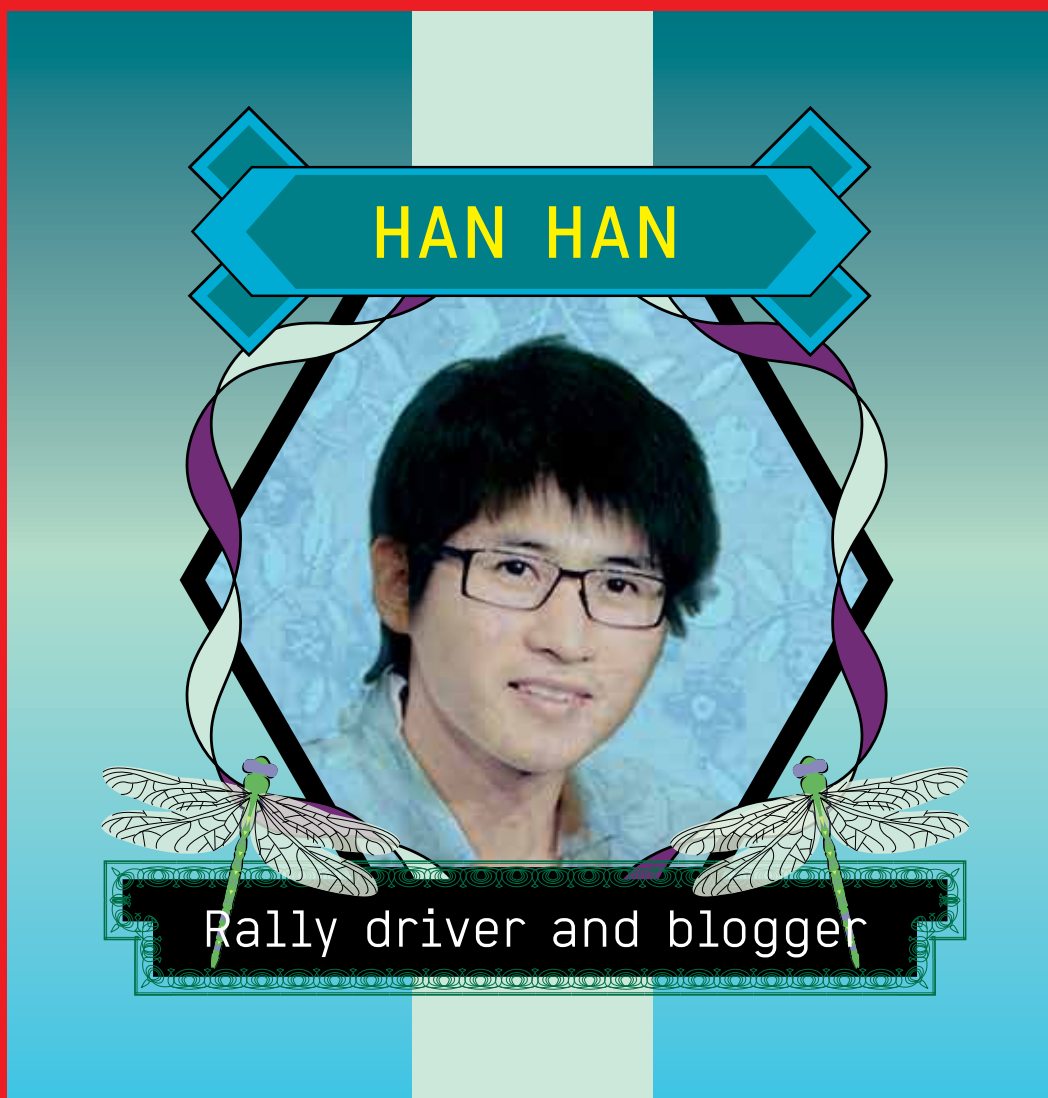
as "a paradise for risk-lovers but hell for the ordinary people" – and the pitfalls of urbanisation.

Young people from the middle class see him as their spokesman

What makes him unique as a blogger is the way he uses irony to produce often very funny texts despite the seriousness of their subject matter. His irreverence is in step with the awakening of public opinion in China and strikes a chord with the generation born after 1980. "Han Han embodies the changes taking place in Chinese society," says Jonathan Fenby, author of several works on China and co-founder of Trusted Sources, a UK-based consulting firm specialised in emerging countries. "Young people from the middle class see him as their spokesman. Though they are more materialistic than their parents, the younger generation is more modern in the way they think and is concerned about social, environ-

mental and food security problems. They want to be able to identify with someone who will dare to call the system into question."

Another source of fascination is Han Han's life story. "He shatters stereotypes and does not submit to tradition," says Jimmy Gao, a young journalist and early Han Han fan. "At 17, an age when most people just want to finish their studies with the best grades possible, he decided to drop out of school." The young prodigy, whose parents both worked for the authorities (his mother as a social assistant and his father for the local party newspaper), penned his first novel, "The Three Doors", at age 18. The book, a story of adolescent romances at a high school, became an instant best-seller with more than two million copies sold and was followed by 15 other works, six of which were novels. Han Han then used his literary earnings to pursue yet another dream: car racing. He won the Chinese Rally Championship and has participated in other international competitions. He now devotes part of his time to cinema and has produced a movie about a road trip that came out in Chinese theatres this summer. A skilled businessman, Han Han has also been



MIKE CLARKE / AFP

able to boost his fame and image as a heartthrob boy band singer by participating in ad campaigns for Volkswagen and Nestlé, among others. Each campaign earns him over 10 million yuan, or 1.4 million Swiss francs.

But Han Han also has his critics. Some people resent his attacks, while others accuse him of being too soft, not fighting actively for free elections and refraining from

addressing particularly sensitive issues such as Tibet and the situation of certain dissidents. Also among his enemies is the Chinese government, which does not hesitate to block access to his articles, but without pursuing further retaliation. And perhaps therein lies his true talent: his ability to play cat and mouse with the censorship limits. "He is extremely cautious," says China specialist Jonathan Fenby. "He knows

how far he can go." When foreign journalists send him questions that are too direct, Han Han replies on his blog: "I can't answer that question. [...] The answer would come at too high a cost, a cost that is not worth the effort, at least not right now. I don't want to lie, so I will just remain silent instead. But please do not remove your question, because it is a good one. Just say that I didn't dare to answer." ▲

THE SKY'S THE LIMIT IN SHANGHAI

Shanghai is moving skywards. In 2015 the city will become home to the tallest building in Asia, at a lofty 632 metres. And property prices are climbing almost as fast...

By Sophie Gaitzsch

High in the sky over the city, a crane goes about its business at the top of what will soon be Asia's tallest building, the Shanghai Tower. Located in the Lujiazui business district, the 128-story colossus culminating at 632 metres will be completed next year. The skyscraper will rub shoulders with the World Financial Centre, a 492-metre giant known as the "bottle opener"

for its distinctive shape, and the famous Pearl Tower, a 468-metre construction that lends Shanghai its immediately recognisable skyline. Since the end of the 1980s, more than 2,000 towers measuring over 100 metres have risen up in the heart of the megalopolis.

China's economic success story is founded on a spectacular trend of urbanisation.



The urban population has increased four-fold since 1979, when the country opened up to a market economy. The trend has made tall buildings something of a given. "The authorities are trying to keep cities as densely populated as possible to safeguard farmland, which is in short supply," says Andries Diener, an associate at Diener Syz Real Estate, a Swiss company specialised in

the Asian property market with an office in Shanghai. "Towers also reduce transport-related constraints by shortening commute times. In this respect, Chinese urban planning is the mirror opposite of that in the USA, where sprawling suburbs made up of individual houses are the norm."

The skyscraper profusion has completely changed the face of Shanghai. Despite the

often breakneck pace of development, the transformation is generally to the liking of the city's inhabitants. Mrs Yang, 61, standing in front of one of the city centre's numerous shopping centres readying for an afternoon shopping session with her daughter, tells us she was obliged to leave her "shikumen", traditional residences connected by a maze of narrow alleyways.

"They levelled the neighbourhood to build a skyscraper. In exchange, we were given an apartment in the tower. I get nostalgic sometimes, because I grew up in one of those houses, where everyone knew each other. Those social ties don't exist in modern buildings – neighbours hardly talk to each other at all. But the biggest change in Shanghai in the last few years has been the big rise in living standards. And that's something I'm happy about. But it's very hard for young people, who are under a lot of pressure because buying a flat or a house has become really difficult."

"They levelled the neighbourhood to build a skyscraper. In exchange, we were given an apartment in the tower."

PRICE EXPLOSION

The last decade has seen a considerable increase in property prices. "In 2003, a square metre was going at between 5,000 and 6,000 yuan (editor's note: roughly 800 Swiss francs). In 2013, that price had risen to 24,000 yuan," says Zhang Hongwei, head of research for the property consultancy firm Tospur Real Estate Consulting. "Demand is extremely high, at 200,000 to 300,000 new apartments a year."

That demand largely stems from the appeal of Shanghai,

JAMES PAUL SEN

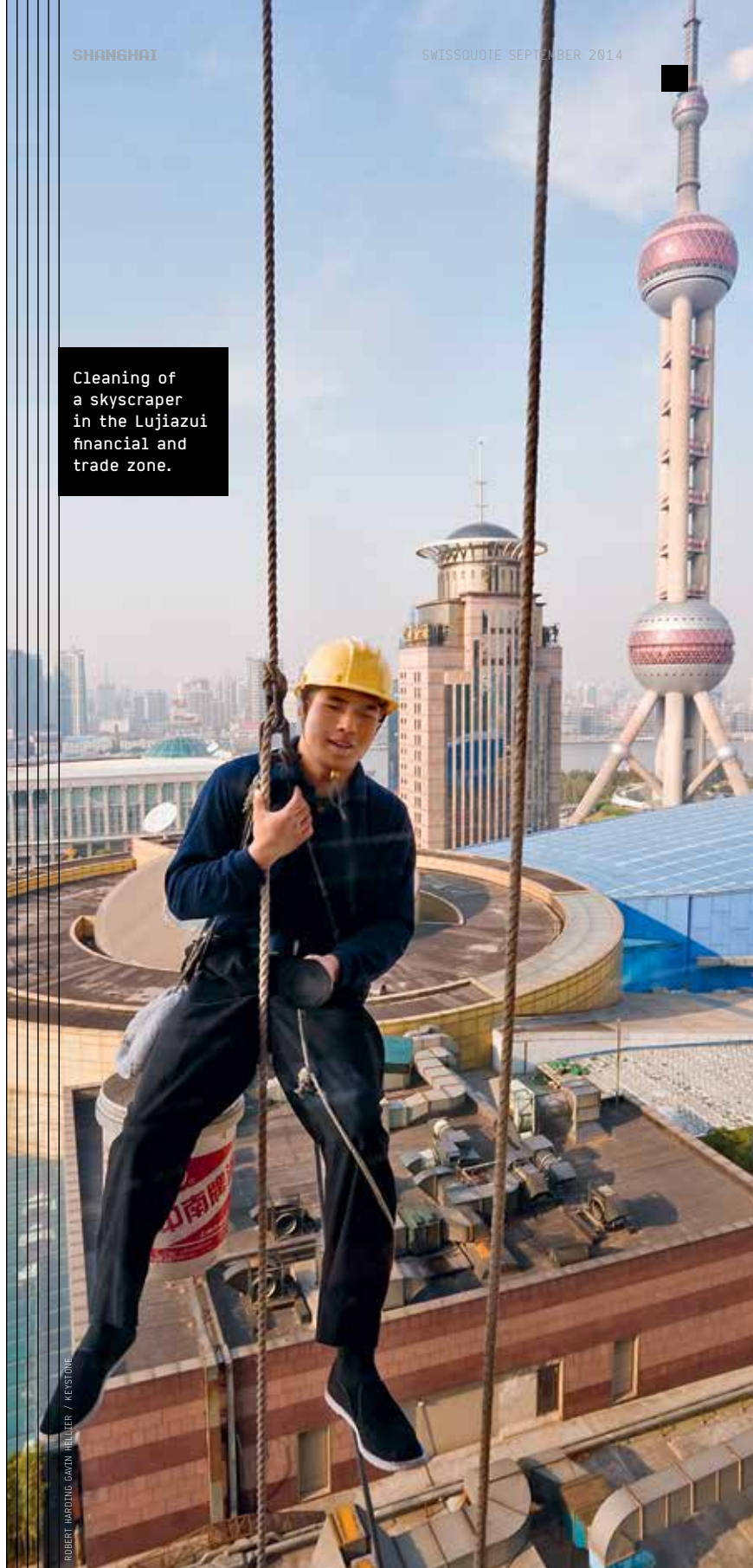
上海中心大厦

金茂大厦

a magnetic city that attracts companies, workers and students. "In the last five years, 600,000 people a year have moved to Shanghai. Home ownership is extremely important in China, and people buy property as soon as they possibly can. This includes newly-married couples, some 150,000 of whom buy a home in Shanghai every year. Another major factor behind the huge demand is the relaxing of China's one-child-only policy, which is expected to lead to an extra 20,000 to 30,000 births every year – and all the needs that increase entails." On top of that, the tastes of the Shanghainese have changed, with the emerging middle class looking to live in more spacious apartments. And in the professional sector, the transition from a manufacturing- to a service-based economy is stimulating demand for office space.

The quality of the buildings in question has also drastically improved. "The quality of the largest constructions is comparable to that in Switzerland," says Daniel Heusser, a Swiss architect based in China for 20 years and founder of the Virtuarch architecture firm in Shanghai. "Generally speaking, the Chinese are increasingly concerned about the safety of buildings and their impact on the environment and health. The people managing construction projects are more qualified and the materials used are better than before. But the pace of the work has accelerated. The call for tender and construction

Cleaning of a skyscraper in the Lujiazui financial and trade zone.



ROBERT HARDING GAVIN HELLER / KEYSTONE

The city that keeps on building

Shanghai continues to launch large-scale architectural projects, some of which border on megalomania. Here's an overview of the main construction projects under way.

SHANGHAI TOWER

The gigantic Shanghai Tower, 632 metres high with 128 floors, is the tallest skyscraper in China and second-tallest in the world. Some of its lifts can reach record speeds of 64.8 km/h. The tower is designed in a spiral shape to resist the strong winds that batter the region.

XUJIAHUI CENTRE

aims to become the largest shopping complex in Asia, with nearly 600,000 square metres of shops, offices, luxury hotels and entertainment venues. The project features a 380-metre tower.

LINGANG NEW CITY

A new city focused on logistics and cutting-edge technology, Lingang New City is being developed for a population of up to 800,000. Designed in a circular shape around an artificial lake covering 5.6 sq. km, the city is connected to the Yangshan deep-water port by a 32-km bridge.

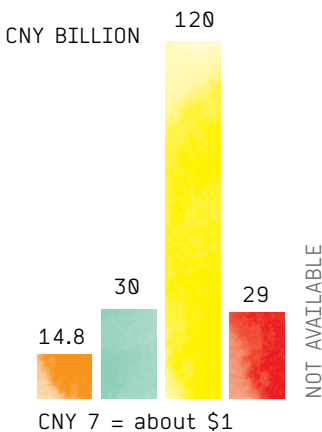
SHANGHAI DISNEYLAND

Shanghai Disney Resort, the first Disney theme park in mainland China, is aimed at a population base of 330 million people located within a three-hour travel distance. Packed with attractions, a lake, two hotels, a shopping venue and, of course, a castle, the project is one of the biggest foreign investments in China.

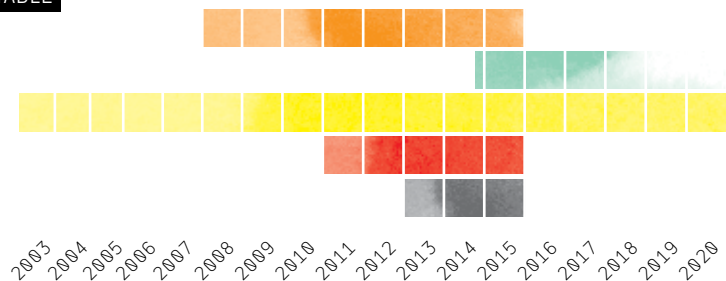
HONGQIAO CENTRAL BUSINESS DISTRICT

Ten property developers are currently building business complexes in the state-funded Hongqiao Central Business District. The district is already a transport hub, with an international airport and train station that was completed in 2010.

COST



TIMETABLE



SURFACE AREA

SQ. KM

0.03 0.1

74

3.9

2.9

MAP



processes both happen a lot faster than they used to."

The biggest beneficiary of the property boom is the government. "The authorities sell the land and collect the taxes, which are used to invest in new infrastructure," says Andries Diener of Diener Syz Real Estate. "But the trend is also proving beneficial, somewhat by accident, to private individuals who bought real estate in the city centre a long time ago and can now sell their property at a sizeable profit." The other big winners are property developers and construction companies. The country's number-one property developer, China Vanke, based in Shenzhen and listed on the Shenzhen and Shanghai stock markets, reported a 32% rise in revenue in 2013, to 127.5 billion yuan, or more than 18 billion Swiss francs. The state-owned Shanghai Construction Group, listed on the Shanghai stock market, posted revenue of 102 billion yuan in 2013, up 9.5%.

The country's number-one property developer reported a 32% rise in revenue in 2013

The architecture sector is also home to giants. Shanghai Xiandai Group, with its 4,800-strong workforce, has been involved in the design

of a full 70% of the buildings in the city's financial district. Big players dominate the industry. "The market is short on transparency," says a foreign architect based in Shanghai. "Most of the time, contracts aren't won by the company putting in the best project but by the one with the best connections. The construction companies are huge, and either used to be owned by the state – giving them a privileged position – or still are."

PUTTING THE BRAKES ON SPECULATION

But the property market's strong momentum has faltered somewhat in the last few months, following the introduction of government measures to halt the rise in prices. Wary of a property bubble, Beijing has set limits on second-home purchases and toughened up lending conditions. "The government measures have put the brakes on speculation and, for now, investors are waiting to see where the market is heading," says Andries Diener. "We're looking at a 10% to 15% fall in prices. But in the medium term, prices will start moving upwards again in step with economic growth. We are forecasting a 4% to 5% increase, adjusted for inflation." Zhang Hongwei, from Tospur Real Estate Consulting, also thinks the downturn is temporary. He expects the average square-metre price to rise to 30,000 yuan in three years' time.

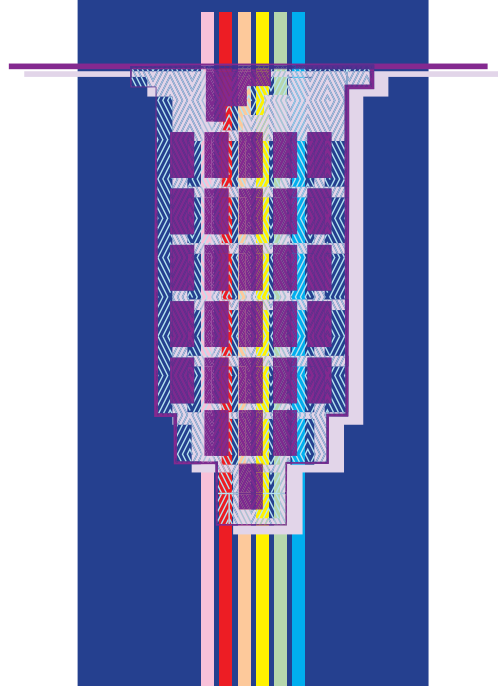
He is also optimistic about the development of his native city. When asked what Shanghai will look like in ten

years, he replies: "The government won't let the population grow unhindered. I think the population will level out at 30 million inhabitants. Heavy industry, and the most polluting activities in particular, will be transferred to other provinces and the city will focus more on services. So property prices should stabilise. Shanghai is a highly pragmatic city, you know." ▲

LUXURY "GROUND-SCRAPER"

After exploring height in numerous forms, Shanghai is now moving underground.

The property developer Shanghai Shimao Property Group is building a 19-storey underground luxury hotel. This "ground-scraper" costs an estimated \$555 million. The site of the 380-room complex is a 100-metre deep abandoned quarry located about 30 kilometres from the city centre. The hotel is scheduled to open in 2015.



Stock exchange gems from Shanghai

From vehicles, video games and jewelry to port logistics and the travel industry, take a look at Shanghai's iconic companies.

By Clément Bürge, Ludovic Chappex
and Camille Von Kaenel

CTRIP

China's
biggest
online travel
agency is
banking on
the smart-
phone boom.

上汽集团



With 141 million Chinese customers, it goes without saying that Ctrip has solid foundations. Even in China, the online travel agency is a giant, and the largest company of its kind. Ctrip was founded in Shanghai in 1999 and today is listed on the Nasdaq. Its success is partly thanks to the strength of the national economy, and the rapid spread of internet use among the population. And the company has

certainly not missed out on the surge in mobile internet use.

Commenting, Shi Kaifeng, head of communication at Ctrip, says "with the developments of tourism in China, and the smart-phone boom, consumers increasingly book their holidays online using their mobiles. This opens up huge opportunities for companies in the sector." Today smartphones and tablets make up nearly

2013 revenue
RMB 5.7
billion
(\$924
million)

Staff
23,000

CEO
Liang
Jianzhang

CTRP



60% of online bookings recorded by Ctrip. "I think the industry's future will be focused on this type of service, says Kaifeng. Almost all of our services are now available on smartphones."

This underlying trend has been proved by the Ctrip app, which has already been downloaded more than 120 million times. Most analysts predict that the company will outperform the market.

SAIC MOTOR

The automotive company dominates the Chinese market.

老凤祥



YU FANGPING / FEATURECHINA / NEWS.COM

Revenue
\$92 billion

Staff
198,000

CEO
Chen Zhixin

600104



Shanghai Automotive Industry Company (SAIC) designed its first car back in 1955, making it the oldest car manufacturer in China. But it wasn't until the second half of the 2000s that the company's results really took off. In the record year of 2007, SAIC sales increased by an impressive 266.1%.

Today, SAIC Motor is China's number-one carmaker. The company sold 5.1 million vehicles in 2013, for a 22.6% share of the market. The company's position is strengthened by the fact that it is state-owned, which "gives it a number of regulatory advantages," says Kai Bi, an

analyst at Morningstar. "But the company is overly dependent on its joint ventures with Western automotive groups. Its own models aren't selling."

Nearly 90% of SAIC Motor sales are generated by cars designed with the assistance of GM and Volkswagen. Yet the company stands to benefit from the boom in the Chinese auto industry. "Demand for cars is set to increase by at least 10% a year," says Janet Lewis, an analyst at Macquaries Securities. "It's one of the most dynamic sectors in China." Kai Bi expects the company's performance to hold steady: "It's a good investment over the long term".



老凤祥

LAO FENG XIANG

The Chinese jewellery giant is looking to expand into other sectors.

2013 revenue
\$5.3 billion

Staff
2,035

CEO
Lihua Shi

900905



Lao Feng Xiang is hungry for growth. China's second-largest jewellery company has opened 300 to 400 new stores a year in the last five years, taking the total to over 2,600 today. "Even for China, that's very fast," says Zha Hu, an analyst at Morningstar. And Lao Feng Xiang has what it takes to sustain the momentum. "It's one of the only companies that sells jewellery to the Chinese middle class, unlike its rivals, such as Chow Tai Fook, which are focused on high-end jewellery," says Zha Hu.

Lao Feng Xiang is also taking advantage of the Chinese population's predilection for jewellery. "They have

always seen jewellery as a powerful signifier of social status," says May Ling Tham, an analyst at Euromonitor.

But the company's highly aggressive expansion policy is not without risks. "The Lao Feng Xiang brand's reputation is strongest in Shanghai, its native city. It is less well known in the other Chinese provinces," explains Zha Hu. Another risk is that the company, hitherto specialised in gold, now wants to design jewellery in diamonds and platinum, which could weaken its brand image.

Yet the analyst considers the company as a "good investment in the long term".

2013 revenue
\$4.5 billion

Staff
19,840

CEO
Chen Xuyuan

SIPGF



前程无忧

51JOB

The Chinese job search giant continues to grow



上海国际港务

SHANGHAI INTERNATIONAL PORT GROUP

The company has a monopoly on the logistics activities at the world's biggest port.

The port of Shanghai supplanted the port of Singapore in 2010 as the largest in the world. Shanghai International Port Group (SIPG) manages container unloading and transshipment along with a range of other logistics activities including storage and terminal maintenance.

Owned by a state-owned body by roughly 40%, SIPG is one of the 50 largest companies listed on the Shanghai Stock Market. The company has a sizeable monopoly on the logistics activities at the port thanks to the considerable advantages granted to it by the city of Shanghai. "SIPG is the best positioned company to take advantage of Shanghai's new free trade zone [editor's note: see p. 34]," says Jennifer Song, an analyst at Morningstar. "On top of the positive impact of the free trade zone, the company will also be able to generate profits from the development of property schemes and the sale of its land stock."

SIPG grew its revenue 40% year-on-year in first-quarter 2014. Analysts tracking the company expect it to outperform the market.

The benchmark site for job searches in China is called 51job.com. Based in Shanghai, the company floated on the Nasdaq in 2004, and has offices in 26 cities across the country. Although it offers services such as seminars and salary studies, job searches now make up the core of its business model. Some 73 million people were on the database in 2013, according to the Group's annual report. Job searches through the traditional press now make up just 3% of its revenue.

As with Ctrip, a company in the tourism sector, 51job has benefited hugely from

strong Chinese economic growth, the country's vast population and the rise of the internet. It generates most of its revenue from employers paying to post their job offers online and consult the database of candidates.

Commenting, Jian Shi Cortesi, analyst at Swiss and Global Asset Management, says "51job has the advantage of having arrived first on this market, and today it has an extensive network. The company is an interesting investment opportunity, even though its current share price is quite high". Most analysts recommend holding onto the shares.

2013 revenue
\$277 million

Staff
5,210

CEO
Rick Yan

JOBS



FOSUN INTERNATIONAL

The tentacular conglomerate is acquiring more and more companies outside China.

復
星
國
際

Fosun International is determined to become the Berkshire Hathaway of China. With annual revenue of \$8.2 billion, the country's largest private conglomerate may have a way to go to rival Warren Buffet's US empire and its annual revenue of \$182 billion, but the dynamic is firmly in place.

The company, working mainly in

insurance, commodities, property and pharma products, has launched an international acquisition campaign aimed at taking maximum advantage of China's growth. The firm is currently looking to snap up the French hotel chain Club Med and open a series of branches in China. It also recently took over Caixa Seguros e Saude to benefit from the

rising demand of the Chinese population for health insurance policies. "What Fosun International needs to do now is prove it can work with the Western companies it has recently acquired," says Thilo Hagemann, an analyst at Rodhium Group. Raymond Choi, an analyst at Citibank, recommends investing in Fosun International.



PHILIPPE LOPEZ / AFP

2013 revenue
\$8.22 billion

Staff
36,000

CEO
Liang Xinjun

600196



"IN SHANGHAI, EVERYTHING IS EXCITING AND MOVES FASTER"

Contemporary art, investments, promoting innovation...
The opportunities are endless in the Asian metropolis.
Three Swiss natives tell their story.

By William Türlér

LORENZ HELBLING, ART GALLERY OWNER, AGE 56

One year after moving to Shanghai in 1995, Lorenz Helbling opened what is now one of the world's leading galleries, ShanghART. "Shanghai has a lot of great artists. The infrastructure is less institutionalised than in Hong Kong, but the art scene has developed significantly over the past few years." His gallery presents at Art Basel (Basel, Hong Kong and Miami Beach) and participates in the FIAC in Paris, Frieze in London, Art Taipei and Art Stage Singapore. ShanghART specialises in Chinese contemporary art and currently exhibits about 40 Chinese artists, including the highly acclaimed painter Zeng Fanzhi. The sale prices range from a few thousand dollars. Lorenz Helbling is a native of Brugg in the canton of Aargau and studied art history and sinology at the University of Zurich and at Fudan University in Shanghai.



PHILIPP COTTIER, INVESTOR, AGE 47

Philipp Cottier had worked as a global investor in financial services, property and natural resources in Vancouver, Buenos Aires, Tokyo, Hong Kong, Sydney and Zurich before moving to the Chinese megalopolis with his wife and three children one year ago. "In Shanghai, everything is exciting and moves faster. People have a more optimistic mindset than in Europe. I think that the financial markets will be increasingly influenced by China in the years to come." Philipp Cottier believes that myths about China are rampant in the West. So he decided to get a first-hand view of the country, its culture, politics, economy and, more specifically, its business customs. Despite the countless opportunities on the Chinese market – with more than 3,000 listed companies, China is the world's second-largest equities market – the Fribourg-born entrepreneur says that there are many obstacles to working in Shanghai. He points to the challenges in developing a network, the unavoidable need to speak Mandarin and the strong competition that is "much stiffer than what we're used to in Switzerland and Europe!"



BLAISE DUBOUX, WINEMAKER, AGE 49

Switzerland is most famous among the Chinese for its chocolate. Not yet for its wine. That's why the Office des Vins Vaudois (Office of Vaud Wines) travelled to Shanghai and Hong Kong this spring with six vineyards to present the potential of its wine production to Chinese buyers. "Given the size of the market, people expect us to try to sell them large quantities of wine," says Blaise Duboux, winemaker and president of the Communauté de la Vigne et des Vins de Lavaux (Lavaux Vineyard and Wine Community). "However, we're aiming for a niche market. At a large international fair, we'd drown in the mass. Instead, we seek to present our wines at tastings in an upscale and typically Swiss way." The Office des Vins Vaudois developed this campaign in collaboration with its partner Hublot. The Vaud-based watchmaker, already well-established in China, was able to use its image to help promote the wines of its region, building on the shared heritage and history.



How Shanghai is producing the best students in the world

The city's school children top the PISA rankings. Here, a report on the prestigious Datong High School, located in Shanghai's southern quarter.

By Sophie Gaitzsch

"I want to be a business-woman," says Kelly Wang. "And start my own company one day." To achieve her goals, this 17-year old goes to Datong High School in southern Shanghai and hopes to be accepted at a Canadian University. "That's been my plan since I was a little girl!" she says. "For now, I'm working on my English to get the best score possible on the TOEFL. I generally start around 7.00 am and stop at 7.00 pm."

Shanghai stands out on the world stage for its performance in education. In 2009, the city surprised the planet when, in its first time ever participating, it grabbed the top spot in the Programme for International Student

Assessment (PISA) set up by the Organisation for Economic Co-operation and Development (OECD). In this triennial international survey that evaluates education systems worldwide, Shanghai came out ahead of countries renowned for their academic performance, such as Finland. In 2012, it achieved the feat once again, widening the gap with other participants even further. The survey tests the skills and knowledge of 15-year old students, focusing on writing, mathematics and science.

"Shanghai is a major international hub with a flourishing economy," says Sheng Yaping, director of Datong High School. "The education that students receive here must

be excellent to maintain this position." Datong High School was founded in 1912 and currently has 1,200 students aged 16 to 18. Today it is one of the top schools in the city. In addition to traditional subjects, the school offers art and sports programmes and exchanges with



ZHANG MIRROR



Graduation ceremony at Fudan University, one of the best higher education institutions in China.

twelve countries, including Switzerland. "Military training and farm stays are also included in the curriculum," the principal adds. In her carefully rehearsed pitch, Sheng Yaping insists on the leading role the establishment plays as a model for the rest of the country. Then she

sends visitors to admire the institution's pretentious museum featuring rows of pictures of former students who have gone on to become dignitaries.

PRESSURE FROM PARENTS

Small groups of young people in navy blue track suits, the

required uniform, rush between buildings to get to their next class. In the classroom, forty students listen attentively to the professor. Any challenges in maintaining order? "Discipline has never been a problem," says Sheng Yaping, amused, almost surprised by

the question. "That's part of Chinese culture. Children are taught to respect their parents and professors from the time they are little. And the students show a strong motivation to learn."

This determination is one of the main reasons for Shanghai's performance in the PISA survey. The Chinese believe that one can achieve anything and climb the social ladder through hard work alone. This environment promotes the importance of education and top test scores. "In many countries, students try to find excuses if they don't get good marks," says Jenny Bradshaw, who heads the PISA division at the OECD. "In France, for example, most students justify themselves by arguing that the course material was too complicated or saying it's the teacher's fault. In Shanghai, students feel personally responsible for their successes and their failures."

Then there is the pressure from parents. "They are highly involved," says Cao Shiyun, who manages the international exchanges at

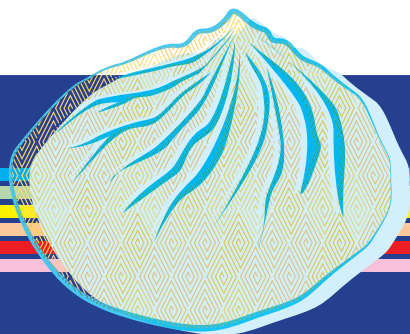
Datong High School. "With the one-child policy, they place all their hopes in their child, who must ensure the family's reputation and lifestyle." They also do not hesitate to enrol their children in extra classes on top of the normal curriculum.

PROGRAMMED FOR SUCCESS

One consequence of this hunger for success is a particularly rigid system. In the eyes of foreigners, Chinese children are primarily perceived as machines programmed to pass tests and stuffed full of knowledge that they can spit back out on command. The interview with the director of Datong High School, who recites a nearly 30-minute long speech, seemingly learnt by heart, and rebuffs any attempted interruption from journalists, does not do much to dispel that reputation. However, Shanghai is fighting to shed those practices that are overly focused on tests. The city has relaxed the academic programme and is encouraging teachers to get students more involved during class time. But traditions die hard and the drive to change has so far

produced mixed results, as pointed out by experts quoted in an OECD report. Their analysis shows that Shanghai school children, as excellent as they are, still lack autonomy.

Shanghai's success is not only due to the docility of its students. The city is taking advantage of its prosperity to invest heavily in education. Spending per student is 18 times higher than in certain other provinces in China. Local authorities have also orchestrated several waves of reforms since the end of the 1980s, including wage increases, mandatory professional training for teachers, pairing of "weaker" schools with their top-notch counterparts and vast renovation programmes. "Unlike many systems where ethnic origin can impede education, underprivileged children often perform just as well as their more affluent peers," says Jenny Bradshaw. "Seventy-seven per cent of socially disadvantaged students show a good academic performance, versus an average of 26% for OECD countries." ▲



TONS OF BUNS

Xiaolongbao – literally "little basket buns" – is a type of steamed dumpling that is typically Shanghai. They are cooked in bamboo baskets and generally contain meat and soup, which is actually meat gelatin aspic that melts into liquid when cooked. There are also vegetarian and seafood variations of xiaolongbao.



ChaCha, a free spirit

This rising artist of China's underground scene is set to head out in September on a European tour. We met up with her at a café in Shanghai.

By Melinda Marchese

Don't look for any hidden meaning in the name: ChaCha is merely an affectionate nickname given to the singer by her family when she was a child. She went on to make it her stage name, one she is proudly associating today with those of French singer M and Dutch producer Jay Soul. "We've just released an electro-pop song called 'Détache-toi'. We had a fantastic time working together and we'll definitely be doing so again in the future."

The soaring, hypnotic track, sung in Mandarin, is the latest artistic move by the 33-year-old. An emblematic figure of the new wave of freedom of expression in China, ChaCha has been applauded widely in the last few years by the international music press and performed on the world's hippest underground stages, from Berlin to Bangkok.

Sitting in a café in the Red Town cultural district of Shanghai – now her home – ChaCha talks to us in fluent English about her irreplaceable love of music. ChaCha's

shyness has never hindered her desire to succeed. Back in the 1980s, she was called Xin Ge Ye Hai Ya Han and lived in the mountainous Guangzhou Province in southern China with her police-officer father and accountant mother, whose interest in other cultures fascinated ChaCha. "When I was a kid, we listened to Western music all the time together, and I saw the film Roman Holiday at least ten times."

"When I was a kid, we listened to Western music all the time."

ChaCha left her family, which she describes as "traditional Chinese", at a young age to try her luck in the music business. In 2005 she moved to Shanghai, "the best place for electro music at the time." Before that, the singer-songwriter spent some time in Beijing, then the

"city of rock n' roll", her first musical love. "I've always followed my instincts," she says, her soft and assured voice rising over the back-ground jazz. "I've done a few jobs to pay the rent, but my aim was always to work purely in music. Being able to live off it took a while, but I was patient. The main thing for me has always been being able to do things my way."

ChaCha writes the music and lyrics to all her songs, trying out different musical influences and tackling themes ranging from love to politics. And always off the beaten path. "I don't do any promotion on social media. I prefer people to come and listen to me and make up their own minds. My music isn't commercial, which perhaps makes it less accessible, but that's the direction I want to continue going in."

Swissquote expands its offer with ePrivate Banking 2.0

Since August, Swissquote customers have enjoyed an improved ePrivate Banking platform with a new range of products.

Automated portfolio management has never been so complete or accessible. Serge Kassibrakis, Head of Quantitative Asset Management, directed the project and spoke with us about the changes.

Swissquote is entering a new stage of providing sophisticated financial tools to the public. The completely automated portfolio management service, baptised “ePrivate Banking”, has been revamped with a version 2.0, which is full of new options and functions. One of the new features allows clients to use the platform to invest in bond markets and commodities, whereas the first version was limited to equity markets (see Swissquote no. 4/2010, p.76-77). The interface is still as pleasing on the eye and easy to use, and is aimed at both non-specialists and experienced investors, with configuration possible in just a few clicks. Here, our interview with Serge Kassibrakis.

SWISSQUOTE MAGAZINE ▶ Could you tell us about the concept behind the ePrivate Banking platform?

SERGE KASSIBRAKIS ▶ We wanted to create an electronic version of the relationship between an investor and an asset manager. Through this platform, which we believe is as modern and intuitive as possible, the computer defines a strategy depending on the user's preferences. Asset managers will often place clients in predefined categories, but we have created a 100% tailor-made system with lower management costs than in conventional wealth management (Editor's note: see box on p. 62). The ePrivate Banking 2.0 platform now uses a special site. Users

can open a demo account and access the same services using virtual money.

Could you briefly explain how the platform works?

After defining an investment strategy and universe, the client determines the market risk they are willing to take with their portfolio. Once this risk has been decided, the computer generates an optimal portfolio that is then managed automatically. We ensure that this level of risk is maintained over time by using an algorithm, that is to say objectively and without emotion. If an event occurs and causes the risk level to exceed the defined limit, the algorithm will detect it and recalculate an optimal



portfolio, placing buy and sell orders to recreate a portfolio in line with the defined investment strategy. This is all carried out automatically and objectively.

Users have a lot of room to manoeuvre. They can configure the tool to suit their preferences, even excluding certain countries and sectors from their investment strategy. They can also introduce market perspectives, using the platform to overweight certain sectors. The algorithm will then systematically choose the optimal corresponding securities. This is an extremely difficult task for humans, who don't have the same methodological approach.

“The concept can be compared to auto-pilot in a plane.”

Before confirming the investment strategy, the client can go through a back-test phase, which shows how the strategy would have worked under real conditions, including all charges, over a period in the past. For example, it is possible to compare the chosen strategy with indices such as the SMI and the MSCI World. On average, users test approximately five different configurations before deciding on a strategy.

And, of course, users can choose to modify or stop the strategy at any time, 24/7. It's easy to sell securities and change the risk level. The concept can be compared to auto-pilot in a plane. You can choose to change course, go higher, slow down or land at any moment. And if you don't want to intervene, the auto-pilot will hold things steady.

What are the key new features of version 2.0?

The biggest change is that bond markets and commodities are now accessible in the portfolio, as the first version only gave access to equity markets. The spectrum of client needs we now cover is much larger, and has expand-

ed from managing portfolios made entirely of bonds for clients with high risk aversion, to managing 100% equity portfolios.

“The minimum amount is 20,000 Swiss francs, whereas an asset manager will not take on a portfolio of less than 100,000 Swiss francs.”

Currency hedging is another important new feature. For a client in Switzerland, Google may seem like an attractive investment in the referenced currency. However, if the dollar drops, the investment performance in Swiss francs will be decidedly less appealing. In the first version of the platform, this risk was taken into account, but it was not hedged. With the new version 2.0, we

decided to introduce automated hedging. As we offer investments in Exchange-Traded Funds (ETFs), which are often denominated in dollars due to the quality of issuers, performance and costs, we did not want to force clients into taking this exchange risk.

What is the minimum amount needed to open an ePrivate Banking 2.0 account?

The minimum amount is 20,000 Swiss francs, whereas an asset manager will not take on a portfolio of less than 100,000 Swiss francs. And then there are the demands of private banks. Smaller amounts do, however, make it difficult to offer the required diversification. We therefore introduced the idea of a granular investment universe, based on the following principle: the higher the amount of assets under management, the greater the access a client has to a detailed investment universe. For example, if a client has a small amount of assets under management, we will give them the chance to diversify through ETFs, whose construction makes them intrinsically

diversified. This avoids eroding the portfolio's performance through transaction fees. If the client has more money, we are able to offer a greater number of specialised ETFs; for example, the ETF tracking the MSCI World index and giving the client access to the equity market will be divided into the ETF tracking the DJ EURO STOXX, the S&P 500 and the SPI and, on the other hand, the ETF tracking the emerging markets index. And if the amount of assets under management is even greater, the client will have access to all stocks across all the markets.

“The algorithm is not subject to emotion.”

How well does this tool perform?

That is of course the most important question. But it is also quite hard to answer in a few words! There are as many strategies as there are clients, and so it is difficult to compare performance between different risk levels. Clients also implement their strategies at different times. What we can say with complete transparency is that 70% of the strategies are profitable, and over 90% have been profitable since 2013. By standardising the performances in terms of risk, and by calculating an annual average in order to compare peaks, 60% of our clients are performing better than their benchmark.

Fees and conditions

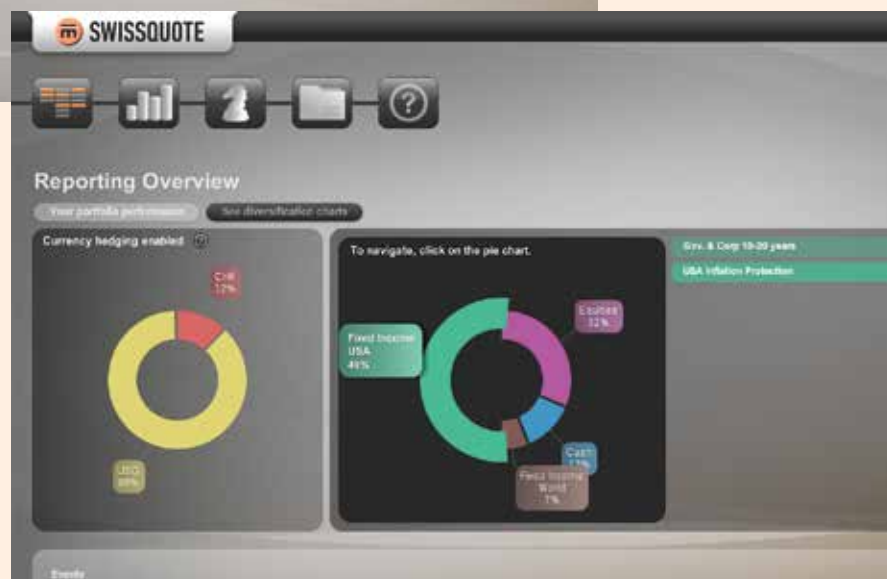
Assets under management in CHF or equivalent in foreign currency

Minimum annual fees	CHF 500.-
From CHF 20,000 to CHF 200,000	1.250%
From CHF 200,001 to CHF 350,000	1.100%
CHF 350,001 and above	0.950%
Interest	0.10%

- Fees are calculated by tranche and on a sliding scale.
- Minimum recommended investment: CHF 50,000.-



From the home page, define your investment strategy in a just few clicks. Use the sliding scale to choose your desired level of risk. The algorithm provides suggestions and generates a portfolio that is then managed automatically.



Investing in bond markets and commodities is one of the many big changes in version 2.0.

To what extent is the algorithm more effective than human intuition?

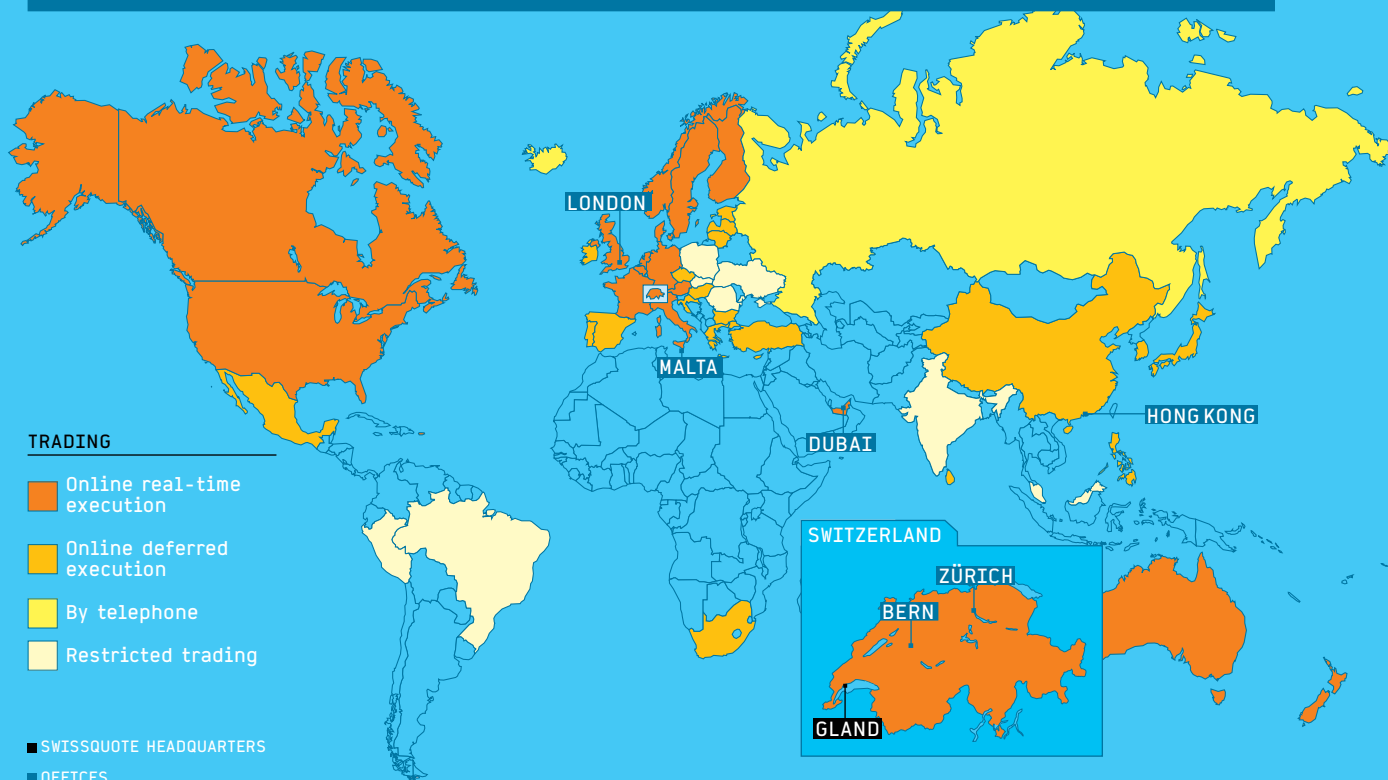
Firstly, the algorithm is far more capable of risk and optimisation calculations than a manual or intuitive process. And the investment universe under constant surveillance includes over 1000 securities. The algorithm is also not subject to emotion. Of course, it is still capable of relying on signals from certain securities, but not all the time. We believe

that the optimal construction of a portfolio must be the result of an overall process. It is this process that we supervise and check from a statistical point of view, by using diversification and risk control. For the multi-Asset part of the platform, we have introduced an algorithmic layer based on some 15 macro-economic indicators, which are viewed and analysed in order to create what we call a business cycle. We believe that the ideal allocation

among asset classes for a portfolio must not depend solely on predefined criteria, such as the client's age, but should take into account economic cycles and the current time period. In other words, we are far from dogmatic. The algorithm indicates when it is better to invest in riskier or less risky asset classes, and to what extent. ▀

More information on
www.swissquote.com/epb

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 - New Zealand Exchange Ltd.
 - Bangkok Stock Exchange,
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 - CME - Chicago Mercantile Exchange,
 - ISE - International Securities Exchange.
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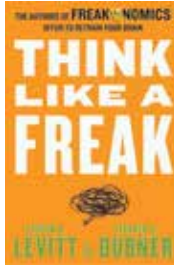
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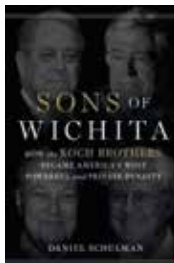
Stephen Dubner and Steven Levitt (Harper Collins, 2014)



The authors of Freakonomics have done it again. This time, they're encouraging readers to "think like freaks" – more creatively, that is – in areas ranging from sports to politics. In this series of short essays they tackle taboos (marriage), famous people (Winston Churchill) and clichés, arguing, for example, that children are less naive than adults.

SONS OF WICHITA

Daniel Schulman (Hachette, 2014)



Over the past decade, the Koch brothers have transformed their family into America's most powerful dynasty. These far-right conservatives pour vast sums of their own money into electoral campaigns, both large and small, and hold enormous sway over the US political landscape. Daniel Schulman discusses their controversial rise to power.

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Touchpad utilises Wi-Fi technology to turn your smartphone into a remote control for your PC or Mac. Use it to turn your computer on and off (or put it on standby), watch a movie, listen to music and surf the web.

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WebMd provides answers to scores of health-related questions in its articles and fact sheets. This app also offers forecasts indicating danger levels for pollution, pollen and UV rays. Additionally, it allows users to gather all their medical information in one place and then gives advice on diet and fitness.

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Free

EASY INVOICING

(iPhone, iPad, Android)



Harvest is a particularly useful tool for the liberal professions, business executives and freelancers in all areas. It uses a stopwatch to simplify the invoicing of working hours. The accumulated data can then be exported to QuickBooks, Excel or Google Docs. The app generates and sends invoices automatically.

Harvest
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PHONE ENCRYPTION

(Android)



At last, there's an app that allows users to protect their telephone conversations from prying ears. Redphone uses VOIP technology, which is now available for smartphones. Users can make and receive encrypted calls and, by monitoring a code displayed on their phone, ensure that nobody is listening in.

Redphone
Free

MULTIMEDIA

Take this stylish trio of speakers anywhere

By Blaise Duval

The latest portable speakers offer high sound quality in a sleek, compact design. These wireless models all run on a battery and can connect with smart-phones, tablets or computers via bluetooth. The perfect way to enjoy your music when out and about. Here is our selection.

JABRA SOLEMATE

Danish detail

Available in an assortment of colours, this portable speaker stands out not only through its design and remarkable detail but also through the quality of its sound output. The good news is that the wattage is up to par, making up for the speaker's relatively bulky size and weight. The Solemate is also available in a "Mini" version, which features the same aesthetic design but more limited performance.

Dimensions: 17.2 x 6.4 x 7 cm
Weight: 604 g
Power: 9 watts
[About \\$150](#)



JBL PULSE

A funky cylinder

In a shape similar to the Logitech, the JBL speaker brings the disco spirit back to life with its 64-LED display that pulses to the music. Users can customise their light show and adjust the lighting intensity. The result is striking. The JBL Pulse is more than a gadget. It is a very user-friendly and efficient speaker, offering sound that is not exceptional but of decent quality.

Dimensions: 7.9 x 7.9 x 18.2 cm
Weight: 400 g
Power: 12 watts
[About \\$180](#)

LOGITECH ULTIMATE EARS BOOM

Premium nomad

Logitech packs a punch with its UE Boom, which also comes in a range of colours. Stylish but sturdy in its mesh and rubber casing, the speaker delivers clear and powerful 360-degree sound. The UE Boom is a cut above the rest with its above average 15-hour battery life. A major advantage is that two of these speakers can be paired to produce stereo sound. A triumph that justifies its rather high price.

Dimensions: 6.5 x 6.5 x 18 cm
Weight: 538 g
Power: 25 watts
[About \\$210](#)



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AUTOMOBILE

Elegance is getting taller

Car designers are focusing their creativity on all-road crossovers, and the variety of vehicles just keeps on growing. A look at the latest successes that are raising automotive fashion a few centimetres.

By Philipp Müller

The evolution of the Sport Utility Vehicle over the past twenty-five years has been almost as impressive as the changes that gave rise to the great differences between the Celtic dolmen and the Gothic cathedral. Recreational passenger vehicles have evolved faster than the rest of the pack – both technically and, above all, aesthetically. Once rustic and functional, they later evolved into multi-purpose family vehicles and are now truly eye-catching machines that motorists are snatching up as fast as they come. Everyone wants to have one, and no one wants the same as anyone else. And supply is soaring.

In Switzerland, the broad category of SUVs, crossovers and other off-road vehicles that covers the eighty models on today's market has surpassed the 25% share mark of total new car sales in the past five months. These tall vehicles with high ground clearance are a real godsend for car manufacturers, and

the growing trend is definitely no longer just a fad. Nor is it unique to Switzerland.

To be a hit in 2014, what should an SUV look like? The Porsche Macan, hands down. This 4.68-metre long model is making a fabulous debut despite its starting price at the tidy sum of 76,100 Swiss francs. It could even make its elder brother, the Cayenne, and other similar hulks look seriously outdated, and suddenly a bit stodgy. The leaner Macan has adapted certain design aspects that originated with the legendary sports cars from Zuffenhausen, such as the sloping tailgate on the old 928, the soft rear wing of the 911 and the open steering wheel of the 918 Spyder. Inside lurks a powerful V6 biturbo engine, delivering 340 hp for the petrol version and 258 hp for diesel, and a top-notch chassis control system with optional air suspension for a genuine sporty feel on the road. This makes the Macan just about the only one of its kind in the SUV segment.



cm



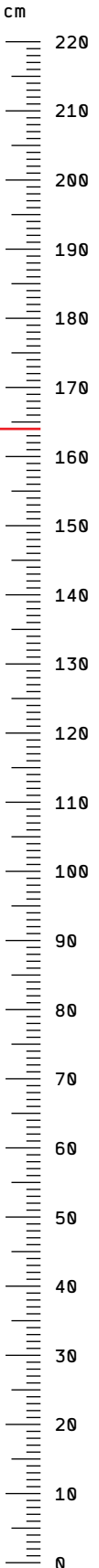
But perhaps not for long. BMW is shooting for the same dynamics with its second-generation X6, also designed as a touring coupe, but even more in-your-face. In terms of elegance, the highest bid will certainly come from Maserati, poised to launch its Levante next year.

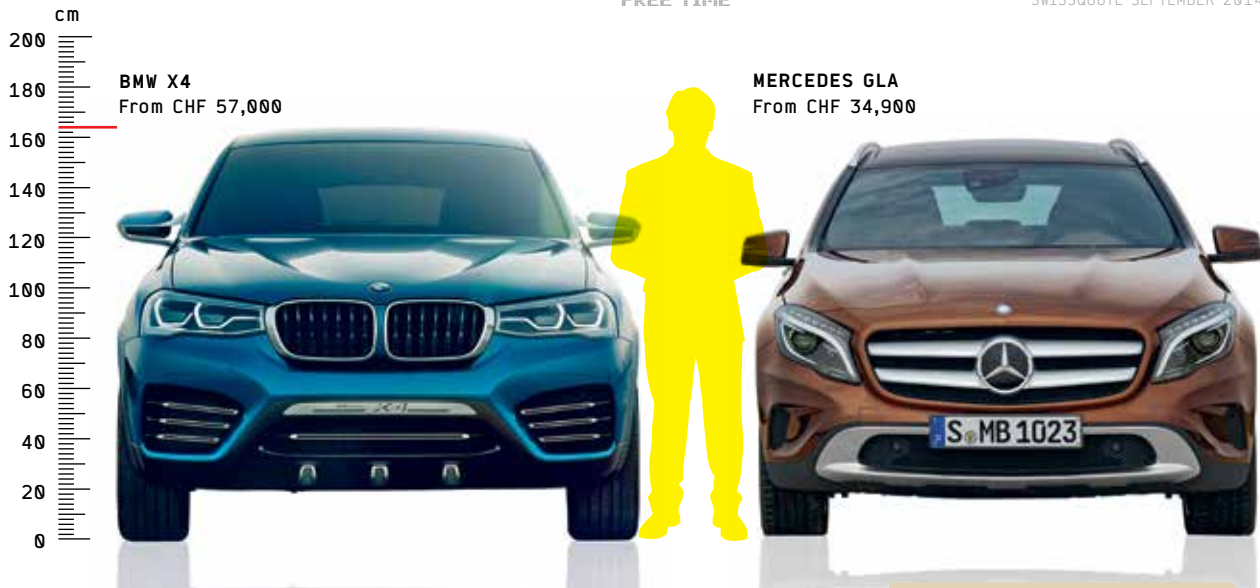
Although haute couture continues to dominate the heavyweights, the ready-to-wear line is not too shabby either. Even for a smaller budget, one can find a few elegant specimens, some in a class of their very own. Back to BMW, its fresh-off-the-line X4 is a hardly less

ostentatious transmutation of the X6. And the Lexus NX looks as if it has stepped straight off a Kabuki theatre stage, with its scowling face and huge grill shaped like an angular hourglass. This model is also going for a sporty look, but with sharp lines to please any Gripen fan. The Japanese compact SUV will definitely not go unnoticed on the streets after its launch in September, even with a candy-coated body compared with last year's concept car. And the hybrid transmission has stayed.



LEXUS NX 300H
From CHF 52,800





Other Japanese automakers, the pioneers of medium-sized crossovers, are threatened with paralysis and have started to react. As pleasant as it may be, the Nissan Qashqai has been transformed to capture new attention, as has the highly popular Mazda CX-5 (6th highest-selling car in Switzerland in 2014), and fill up on driver assistance functions. Its cousin, the X-Trail, has ditched its boxy shape on the roadside to keep up with the current trend of sedanisation, while remaining a seven-seater.

Now more tapered – and even downright aerodynamic – these tall vehicles must also consume less fuel and look as light as possible, even if they aren't really. As stylish as the A-class, the Mercedes GLA is the fittest of them all. Not too heavy, but only moderately spacious, like many of its fellow crossovers with a seductive design. The duel is about to begin with the second-generation and equally svelte VW Tiguan (top-seller in Switzerland), which will feature Volkswagen's new visual identity. What an honour! ▲

Smaller versions are following suit

To ride so high off the ground with a clear (environmental) conscience, any intercity nomad can opt for a growing supply of baby crossovers. These are most often two-wheel drive and packed with an armada of equipment for comfort and accessories to personalise the vehicle. In this category, the Ford EcoSport stands as the loss leader.

The sleeker, redesigned Nissan Juke brought a unique look back to the forefront, which in its day rewrote the rules of crossover etiquette. And it hasn't aged a bit! Citroën's contribution is the striking C4 Cactus, which recently hit dealerships. Its innovation lies both in its outer design and inner layout. More conservative but designed in the same spirit of downsizing to lighter versions, the Volkswagen Tiguan is a broad-shouldered variation with barely noticeable rear doors. Its final version will be presented in October. For its part, the Jeep Renegade, a cross between the Willys and the robot Wall-E, has not stopped grabbing attention.



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Tom Cruise, a.k.a. Brian Flanagan,
at work in the film "Cocktail",
released in 1988.

TRAVEL

NEW YORK SHAKES UP THE COCKTAIL SCENE

A wave of bars have recently opened in the Big Apple, enticing customers with a range of cocktails made from unexpected ingredients. Most of the establishments have an atmosphere reminiscent of the Prohibition era and the 1920s.

By Julie Zaugg

From the street, passers-by see a ho-hum fast food place with a few customers inside playing 1980s-style arcade games, each holding a hotdog topped with a generous heap of peppers. No one seems to notice the vintage telephone booth against one of the walls, but those who venture inside and dial the number 1 will see the wall slide away to reveal... a cocktail bar!

Welcome to Please Don't Tell. Among the stuffed raccoons and mounted stag heads, customers will find cocktails with a daring mix of ingredients. Bacon-infused bourbon, celery juice and peanut butter syrup are just a few of the astonishing combina-

tions, and the result is surprisingly subtle and refined. Please Don't Tell – or PDT for the regulars – is one of the pillars of the wave of cocktail bars which has taken the Big Apple by storm in recent years.

“Everything started with the opening of The Rainbow Room in 1987 and the pioneering work of its then-barman Dale DeGroff,” says Jim Meehan, who runs PDT. The majestic bar at the 65th floor of the Rockefeller Center reintroduced New Yorkers to cocktail culture, which enjoyed its golden age in the 19th century. “I spent months searching for old recipes at the library and rediscovering

long-lost ingredients,” says Dale DeGroff, the man behind the revival of the Sazerac, the Between The Sheets, the Martini and, of course, the Manhattan.

But it was when The Rainbow Room closed in 1999 that the movement really took off. “That year saw the opening of Angel Share, a little cocktail bar hidden behind a Japanese restaurant, followed by Milk & Honey a year later,” says Joaquin Simo, owner of Pouring Ribbons, a cocktail bar on the Lower East Side. The Pegu Club then opened in the West Village in 2005, followed by PDT in 2007. Most of these bars were inspired by speakeasies – the make-shift bars hidden in basements and behind false shop fronts which sold alcohol during the 1919-1933 Prohibition and whose name derives from the drinks’ tongue-loosening effects.

“These bars conjure up a retro atmosphere, playing on nostalgia with obscurely-named cocktails, hard-to-find entrées, passwords and a series of outdated rules,”

says Stephen Schneider, assistant professor of English at the University of Louisville in Kentucky who organised a seminar on cocktails. At Milk & Honey, for example, you are not allowed to speak too loudly, wear a hat, chat up other patrons or exchange insults. Some of the barmen have acquired a certain celebrity status, carrying the somewhat pompous title of “mixologist”.

The New York cocktail bars also stand out because of the ingredients used in their drinks. “Most barmen only use fresh fruit juice and home-made syrups,” says Stephen Schneider. “Many of them even distil their own bitters [editor’s note: an aperitif made from the infusion of bitter plants and used in most cocktails].”

Each bar also tries to offer a more original selection of alcohol than its competitors. Obscure examples include mescal (a Mexican drink made from the agave plant), pisco (a grape-infused Peruvian brandy) and rare varieties of amaro, vermouth and gentian. ▀

Poor man’s punch

The word “cocktail” first appeared in 1806 in a New York newspaper. According to Dale DeGroff, former barman at the renowned Rainbow Room, “a local politician first used the word to describe alcoholic mixed drinks given to voters to persuade them to vote for him, a common practice at the time. Made simply of water, sugar, bitters and alcohol, this drink was inspired by the punches that the British made from spirits, sugar, tea, lemon

and spices as a way of dealing with the heat in their colonies.” The American version of this concoction quickly became a big hit in New England and was included in the recipe book *How To Mix Drinks*, published in 1862. But the cocktail’s days were numbered, and this “golden age” came to an abrupt end in 1912 with the arrival of Prohibition. “The industry never really recovered, and most distilleries and bitters producers had to close due to lack of demand,” says DeGroff.

The best cocktail bars

TOP OF THE STANDARD

High atop the Standard Hotel next to the High Line park, this cocktail lounge harkens back to the luxury bordellos of old. Take a seat in one of the cream-coloured chairs in front of the immense windows, feast your eyes on the panoramic view of the city and sip on a champagne cocktail while listening to 1920s jazz played by a live band. In the summertime, customers can sit on the outdoor terrace and enjoy the fresh air in a more chilled-out atmosphere.

APOTHEKE

Hidden behind the shopfront of an old pharmacy at the end of an alley in Chinatown, you will find the Apothéke. This cocktail bar has a unique ambiance with barmen dressed in white pharmacist’s jackets, jars brimming with mysterious ingredients and a sombre, wooden bar. The menu is divided into aphrodisiacs, stimulants, stress relievers, euphoric enhancers and pain killers. And the subtlety of the cocktails is incredible... you have to taste it to believe it.

PEGU CLUB

In the mid-2000s, this legendary bar was one of the first to bring cocktails back into fashion in New York. The atmosphere is that of a private club, aided by the moody lighting and Japanese-patterned windows. The cocktails are particularly elaborate: one drink is a mix of bourbon, apple and rose (and, mysteriously, does not even appear on the menu) and another is a blend of aniseed, Riesling and pear liqueur.



CHRIS GOLDBERG

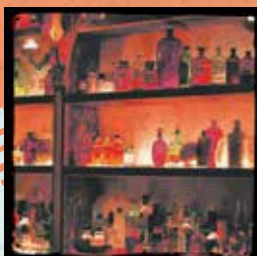
HOTEL DELMANO

The interior of this bar in Williamsburg, Brooklyn, looks a lot like an antique-dealer's flat. While sitting in tucked-away alcoves adorned with paintings of the old masters, customers can choose from a vast selection of poetically-named cocktails. Favourites include the San Francisco Handshake (a mix of thyme-infused gin, St. Germain, lemon and Fernet-Branca) and the Ninety-Nine Roses (made of gin, pear, ginger, lemon and rose water). Feeling peckish? Try the oyster platter.

POURING RIBBONS

Alphabet City is the latest Manhattan neighbourhood to have been seduced by the wave of gentrification. And you can feel it in the unpretentious atmosphere of this bar, decorated with red velour chairs and modernist chandeliers. The cocktail menu is split into four categories – comforting, spirituous, adventurous and refreshing. This makes choosing the perfect cocktail easier, and showcases the surprising ingredients used, such as Greek yoghurt, curry leaf and black pepper.

■ **TOP OF THE STANDARD**
848 Washington Street,
New York 10014
T. (212) 645-4646



EDSEL LITTLE

■ **APOTHEKE**
9 Doyers Street,
New York 10013
T. (212) 406-0400



P. WASTOULICZ

■ **POURING RIBBONS**
225 Avenue B,
New York 10009
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■ **PLEASE DON'T TELL**
113 St. Marks Pl
New York 10009
T. (212) 614-0386

■ **HOTEL DELMANO**
82 Berry Street,
Brooklyn 11211
T. (718) 387-1945



P. WASTOULICZ

■ **PEGU CLUB**
77 W Houston St,
New York 10012
T. (212) 473-7348



NAFFELS

SHOP



Illuminated

When closed, the Lumio lamp looks like a book with a wooden cover. But when open, the “book” starts to glow. LED modules light the pages, and a rechargeable battery means you can take it with you anywhere. And the lantern’s origami styling is no accident. The Lumio’s San Francisco-based designer, Max Gunawan, drew his inspiration directly from the Japanese art of paper folding.

hellolumio.com

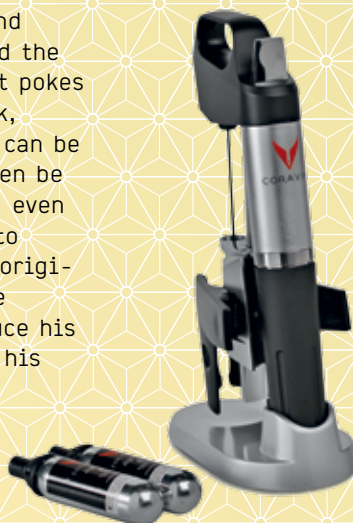
About \$160

Having your wine and drinking it too

An American engineer and oenophile has developed the Coravin 100, a tool that pokes a small hole in the cork, through which the wine can be poured. The wine can then be preserved in its bottle, even after you have started to drink it. Where did his original idea come from? The inventor wanted to reduce his wine consumption after his wife became pregnant.

coravin.com

About \$295



Leica teams up with Audi

To celebrate the 100th anniversary of its camera, the German company Leica launched its first hybrid model. Collaborating with Audi, the brand designed the Leica T System in a single block of polished aluminium. The T System features a large touchscreen and built-in Wi-Fi.

leica-camera.com

About \$2,200

(lenses and accessories not included)



A belt with benefits

The Kool Tool Belt, developed by the Colorado-based outdoor equipment specialist Bison Designs, does much more than keep your trousers from falling. The buckle features a screwdriver, bottle opener, ruler and nut wrench.

bisondesigns.com

About \$25

Smokin'Art

For its first limited art edition, the Swiss cigar maker Davidoff collaborated with Dominican artist Quisqueya Henriquez. The cases feature her colourful paintings of layered tobacco leaves, and each comes filled with Perfecto cigars created specially for the occasion.

davidoff.com

About \$350



Writing in style

Caran d'Ache has come out with a new ballpoint pen created in collaboration with Swiss designer Claudio Colluci. Hexagonal waves ripple down the body of the pen, like an optical illusion. It can fill up to 600 A4 pages and is available in orange and pink, or black.

carandache.ch

About \$55



Wireless wood-carved charger

The Orée Pebble 2 is a wireless phone charger with an integrated speaker – made entirely in wood. Each piece is hand-sculpted by craftsmen in southern France. The Orée Pebble 2 was financed through the Kickstarter crowdfunding site and is compatible with most phones. iPhones require an additional leather sleeve.

oreedesign.com

About \$245

[accessories not included]



Al fresco furniture

Designer Kenneth Cobonpue, a specialist in rattan furniture, has designed a high-back indoor/outdoor collection called "Yoda". The chair (pictured) is available in natural, green, red or wenge (a dark African wood).

kennethcobonpue.com

About \$1,200



SHOP

WATCHES



Water droplet effect

The black and white face looks as though it was projected onto the curved glass crystal of the Ressence Type 3. The indications bathe in a special fluid, creating a water droplet effect. This technique earned the young brand the Horological Revelation Prize at the Geneva Watchmaking Grand Prix. The watch has no hands or crown – a Ressence trademark.

www.ressence.eu

About \$28,000

Urban minimalism

Despite being 37 mm in diameter, the Metro Datum Gangreserve by the brand Nomos gives a false impression of size with its tiny numbers and ultra-thin hands. The dashes of mint green and red bring out the details of the timepiece, such as the slightly off-centre power reserve indicator.

www.nomos-store.com

About \$3,450



Simple and elegant

Zeitwinkel's new midsize watch (39 mm in diameter) has brought nobility back to the basic function of a watch: telling time. And in the simplest way possible! The 081 features just two hands against a discreet, light two-toned tapestry backdrop.

www.zeitwinkel.com

About \$6,850



For CEOs on the go

With the new Dual Time technology, Ulysse Nardin watches can tell time in a second time zone, going either forward or backward. The Executive shoots for a bold look, with oversized numbers and splashes of gold.

www.ulysses-nardin.ch

About \$21,000



Innovation. Explained.

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3
35

JUNE 2014

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In each Swissquote Magazine, an artist describes his or her creative process. This month, we feature the Swiss photographer, painter and sculptor Kaspar Müller.

“I really like the idea of déjà-vu in art”

Kaspar Müller

“Today, the notion of creativity in art no longer fits the simplistic mould that we expect it to fit. Creativity now manifests itself more in unconventional practices and methods. Even in artistic appropriation, creativity is still essential given the whole range of decisions that still need to be made.

Why did I decide to appropriate the paintings of Julian Opie? For the fun of it, mainly. In today's world, appropriation functions more pragmatically than in the past. In reproducing Opie, there was something very palpable: his work is in itself an appropriation of pictograms of the human body, which he then made his signature. There's something almost absurd to reworking schematic figures like these, because they are so generic. But the style is linked to an entire cultural history.

I'm fascinated by the world of humans and the way they function, by all the systems of representation and their excesses, by the instruments we use and by their glitches, interior mindlessness and exterior beauty.

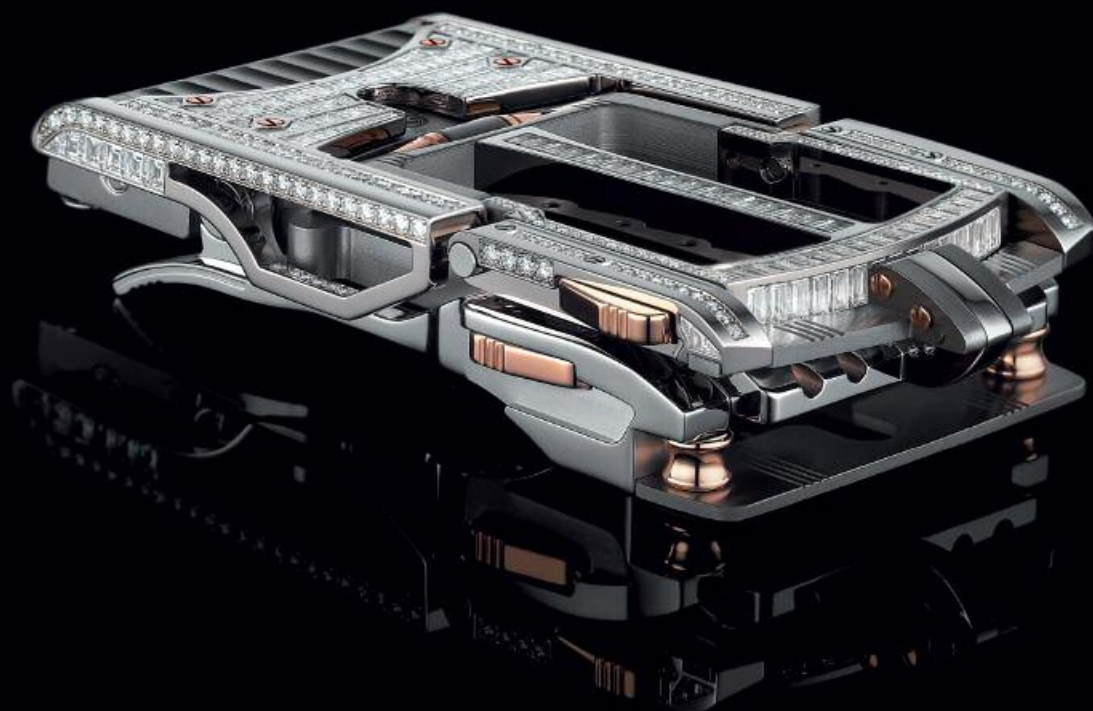
I tend to come up with new ideas in my office, because I don't get distracted there. These are usually just little ideas, enough to get the ball rolling. The big creative breakthrough happens more unexpectedly, and not at a particular time or place. Sometimes one work can give rise to another. When I see this happening, I try as best I can to make sure there's a connection between the pieces. I really like the idea of déjà-vu in art. There's a multi-coloured hat that reappears in several of my works: it was worn by an actor in my film 'Colmar et Strasbourg' and then acquired its symbolic value after appearing a second time on the cover of a book; later, in yet another work, the hat



Kaspar Müller (1983), an artist from Schaffhausen now living in Berlin, explores the complexities of systems of representation, throwing in a pinch of satirical humour from time to time. He produces photos, videos, sculptures, and even paintings reminiscent of the iconic canvases of British artist Julian Opie, which he reproduced in 2013 at the Kunsthalle in Bern. He received the Prix Manor award in 2010, and the Galerie Francesca Pia represents him in Zurich.

eats the actor and assumes his voice, taking on the form of a 3D animation.

At the start of each new project, I do everything on the computer and on a couple of sheets of sketching paper. I'm currently working on a project on spectacular meteorological stations in a city. I have already produced a series of images for two exhibitions in galleries in Milan and Berlin. The idea was to represent time as a physical atmospheric phenomenon and tie it into the architectonic and social structure of an urban model. I played on the contrast between the images of the sky, which evoke unpredictability and spirituality, and the raw rationality of the meteorologists, politicians and urban planners.” ▲



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