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ePRIVATE BANKING MAGAZINE

2015

THE COMPANIES

SET TO

WIN

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GIVAUDAN - GRUPO BIMBO - SWISS LIFE - SAFARICOM - SANOFI - ENI - MICRONAS - SWATCH GROUP
AMAZON - TATA CONSULTANCY SERVICES - COMET - INTERCONTINENTAL HOTELS GROUP - NESTLÉ - SEPLAT
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Preparing for 2015

Which companies should we invest in during 2015? Swissquote Magazine's year-end issue makes a modest attempt to answer the question, with a presentation of our 30 favourite companies. Ours is a selection where Swiss companies play a central role, alongside the stars of the new economy and the established giants of industry, not to mention a few nuggets from the emerging markets (see p. 34). Although our choices may be somewhat subjective, they largely reflect the concurring opinions of the financial analysts we contacted to help prepare our selection.

Analysts who, it must be admitted, regularly come under fire from critics because of their inability to accurately predict the future...and current economic uncertainty only increases this mistrust. In parallel, new financial analysis platforms are beginning to emerge, based on crowdsourcing and collective intelligence, with results that are sometimes quite remarkable in terms of forecasting (p. 58). This is no justification for condemning professional analysts to oblivion, but we must recognise that these start-ups have the merit of offering alternative sources of information which may prove invaluable for the individual investor.

This is also true of the interview with American economist Peter Schiff – an iconoclast if ever there was one (p. 54). He created a solid

reputation for himself in North America by correctly predicting, on all the major television channels, the financial crisis of 2008. And this Cassandra has lost none of his pessimism. Among other future dangers, he predicts the bursting of the technology bubble and a new recession in the United States. A gloomy outlook indeed, the relevance of which each of us may judge but which certainly deserves to be heard. Disturbing points of view can, at the very least, be thought-provoking.

Thank you all for your continued support. I'd also like to send you, perhaps a little early, my wishes for a Merry Christmas...and a Happy New Year in 2015!

PS: At Swissquote, employees let their moustaches grow for the whole month of November. We thank them for their enthusiasm in this initiative. Happy Movember! ch.movember.com

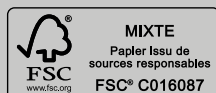


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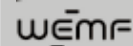
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ROBOTICS



JACK MA



SWISS RE

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AUTOMOBILE

THE COMPANIES

SET TO WIN

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GUY JON / IMAGINECHINA, FANUC PRODUCT GROUPS, NICHOLAS KAMM / AFP, DR

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QR CODE



You will see this QR code (short for "Quick Response") in the margins of some articles in the magazine. Simply take a picture of the symbol with your mobile to display a web page with extra information on the subject at hand. Swissquote users get information on the share price of the company in question and can even buy and sell shares. Download the compatible app for your phone at: www.swissquote.ch/magazine/code/f/

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

**MORE TRAVELLERS
TO ZERMATT**

BVZ Holding, the company operating the Glacier Express, reported a 13% climb in earnings to 2.1 million Swiss francs in the first half of 2014, due to a higher number of travellers. The Valais-based railway has benefited from the sharp increase in traffic on its Brig-Zermatt line, which links the Alpine resort town to the plains. Its revenue in regional traffic jumped 12.1% to 22.1 million Swiss francs.

🚂 BVZN

**ARYZTA KEEPS POPPING OUT
THAT BREAD**

The Zurich-based food company has not stopped growing. The group posted a 6.8% rise in revenue, which totalled €4.8 billion at its July year-end. Deliveries of bakery products to European retail shops, service stations, hotels and caterers were up 14%, boosting the group's earnings. The acquisition of the Canadian group Pineridge Bakery and the US-based Cloverhill Bakery for €730 million also contributed to this performance.

🍞 ARYN

ABB RETURNS TO MYANMAR

ABB has opened an office in Yangon, Myanmar, more than 20 years after it left the country and its military rule. The Zurich-based power equipment supplier hopes to harness some of the country's economic growth, which has averaged 7.3% since 2012. ABB plans to improve its power supply to the nation, where more than 70% of the population does not have access to reliable electricity sources. Myanmar's energy infrastructure requires \$18 billion in investments between now and 2030.

🤖 ABBN

NESTLÉ YIELDS SOME GROUND

Nestlé has given up its Milasan and Alete baby food brands, sold in Germany and Austria, to the German investment firm BWK and the private investor Horst Jostock for an undisclosed amount. In these two countries, the Vevey food giant now plans to focus on its higher-margin Beba brand. The deal is in line with Nestlé's strategy to offload its least profitable products and develop its priority businesses, especially functional foods.

🍶 NESN

CALIDA SALES EXPLODE

In taking over 59.9% of the French group Lafuma, Calida has completely transformed its growth outlook. Headquartered in Sursee in the canton of Lucerne, the clothing company more than doubled its first-half 2014 sales to 197.4 million Swiss francs (up 110%). The French sportswear and outdoor equipment specialist played a large part in this growth. Earnings rose 16.6%, to 5.2 million Swiss francs. Calida initiated its transformation in 2005, with the takeover of the women's lingerie brand Aubade.

👗 CALN

KABA WANTS TO DEVELOP IN ASIA

The security system and key manufacturer Kaba hopes to strengthen its positioning in emerging markets. The group is focusing on the Asia-Pacific region, where it currently generates only 10% of its revenue. Kaba's recent acquisition spree (Probuck in China and Task Sistemas in Brazil) aims to drive up its sales. The group has bought a majority stake in the joint venture Dorset Kaba with its vast distribution network of more than 1,800 partners.

✉ KABN

AN UNPRECEDENTED LIFE EXTENSION

Roche has released the first results of its clinical trial on Perjeta, a drug used to treat patients in the terminal phase of breast cancer. Perjeta has extended the life of some patients by an average of 16 months, unprecedented progress for a treatment given at such an advanced stage in the illness. These types of drugs typically only add two or three months to a patient's life. But Perjeta, used in combination with Herceptin, another Roche drug, blocks the protein HER2, which causes tumour growth.

✉ ROG

SULZER EMERGES OFFSHORE

The industrial group Sulzer plans to consolidate its position on the offshore oil and gas market. As part of that strategy, the Winterthur-based equipment manufacturer is buying two Dutch companies, Advanced Separation Company and ProLabNL. These takeovers will provide access to new technologies, such as ASCOM's innovative oil, gas and liquid separation systems. ProLabNL has introduced a way of recreating oil field conditions for testing equipment.

✉ SUN

LOEB SET TO DELIST

Loeb, the department store chain operating out of Bern, has decided to leave the Swiss stock exchange in October 2015. This move by the board of directors is based on the low trading volume on the SIX and the listing costs deemed too high for the group. Loeb also prefers to maintain its spirit of a regional, family-run business. Most of Loeb's 266,702 bearer participation certificates will continue to be traded on the Bern Cantonal Bank's OTC-X exchange, therefore remaining available to the public.

DANAHER TO TAKE OVER NOBEL BIO CARE

US firm Danaher has spent 2 billion Swiss francs to sink its teeth into the world leader in dental implants, Nobel Biocare. The Swedish group headquartered in Zurich employs 250 people in Switzerland, out of a total of 2,500 employees, and generated revenue of €566.8 million in 2013. This deal means the group will have to delist from the Swiss stock exchange. Danaher, with 66,000 employees, has already bought several Swiss companies, including Geneva-based LEM in 2005 and Portescap in La Chaux-de-Fonds approximately ten years ago.

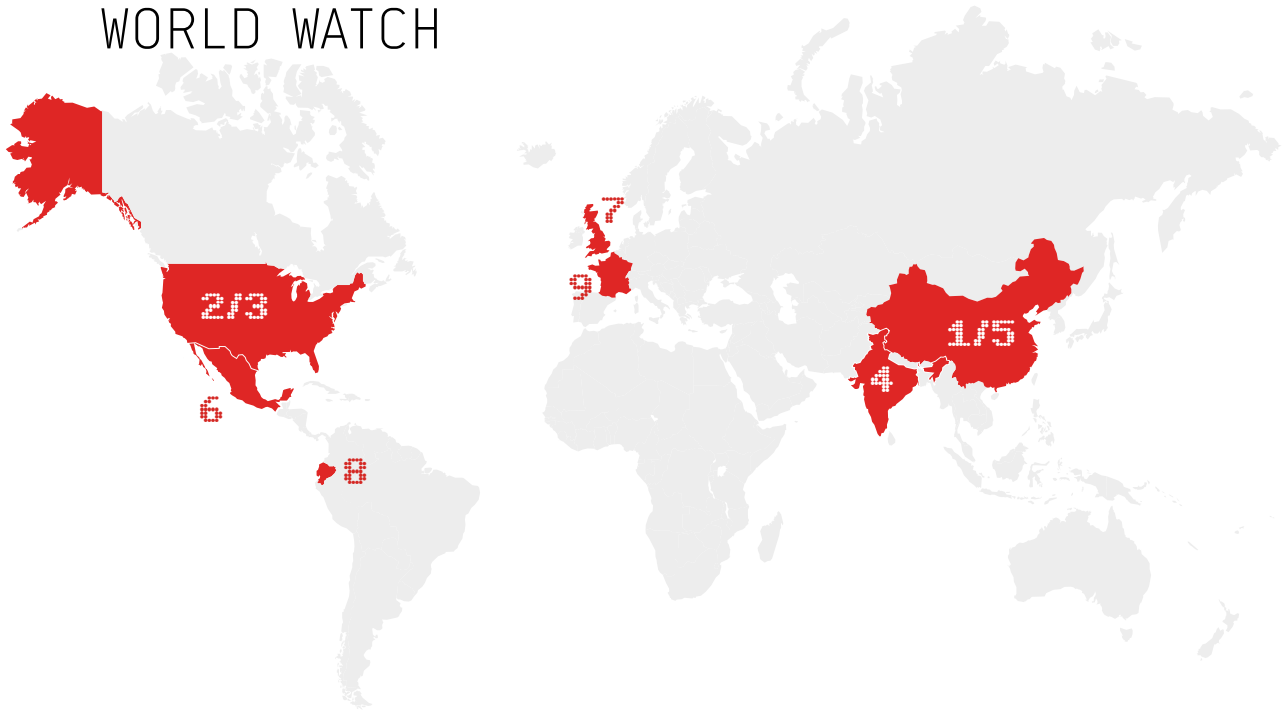
✉ DHR

TAG HEUER TAPS THE YOUTH MARKET

Tag Heuer plans to cut 46 jobs and has put 49 other people on partial unemployment. The brand, part of the French luxury group LVMH, will focus on low-end models (1,000 to 3,500 Swiss francs) and has postponed plans to launch its CH80 watch, with a 5,200 Swiss franc price tag. This shift is aimed at bringing back its young customers, which had in part turned away from the watchmaker due to its focus on moving upmarket in recent years.

✉ MC

WORLD WATCH



1. CHINESE SHALE GAS BETWEEN A ROCK AND A HARD PLACE

China announced in 2012 that it planned to produce 60 billion to 100 billion cubic metres of shale gas by 2020. But this target has been scaled down to 30 billion, which will meet barely 1% of the country's energy needs. Despite having the largest unconventional gas reserves in the world, China is having trouble extracting it. The gas is tucked away in arid, seismic regions and lies deeply embedded inside very hard rock that resists the new fracking techniques developed by US firms.

2. INTERACTIVECORP, THE KING OF ONLINE DATING



One out of six adults in the United States uses an online dating site or app, and 35% of the couples who married between 2005 and 2012 met online. That market is dominated by a single group, InterActiveCorp, owner of Match.com, OkCupid and Meetic. These services boasted 30 million active members, of which 3.4 million are paying subscribers, in 2013. The group has recently expanded its sphere of influence by wooing two fast-growing digital matchmakers, Tinder and HowAboutWe.

3. THE CLOUD WAR: GOOGLE AND MICROSOFT ON THE OFFENSIVE

Several huge US groups are engaging in a fierce battle over the cloud computing market. Amazon remains the leader, but Google and Microsoft are snapping at the retailer's heels. Both giants have recently slashed their prices for online data storage, offering 65% to 85% discounts. But concerns over loss of control of their data are, to some extent, holding them back. The companies only spend about \$100 billion per year on cloud computing, out of a total \$2 trillion on computer systems.

4 LOW-COST: THE WEST INSPIRED BY THE INDIAN MARKET



A growing number of low-cost products originally developed for the Indian market are being sold in western countries, where they attract immigrants and low-income consumers. This has prompted PepsiCo to start exporting its spicy Kurkure snacks to Canada. Likewise, Nokia has begun selling its basic 105 device in Austria, United Kingdom, Denmark and Switzerland, which sells for a mere 18 Swiss francs. And 60% of the 15,000 low-cost electroencephalograms developed by General Electric were sold outside India.

5 GENERIC VIAGRA FOR THE CHINESE

Pfizer's patent on Viagra expired in China in May, causing a spat among a number of local pharmaceutical groups vying for approval to produce a generic version. But Guangzhou Pharmaceutical Holdings Limited has come out on top. More than 50 million men suffer from erectile dysfunction in China. The market weighs in at 1.7 billion renminbi (262 million Swiss francs) a year and could reach 5 billion renminbi by 2018. Generic Viagra will cost customers 30 to 50 renminbi, down from 90 renminbi today.

6 SHARING A FACTORY IN MEXICO

Daimler and Renault-Nissan have signed a joint venture deal to share a factory in Aguascalientes, Mexico. The facility will build models for Mercedes and Infiniti, respectively their leading brands. The vehicles built there will feature a number of identical parts, generating economies of scale for both automakers. The factory will cost €1 billion to build, with capacity to manufacture 300,000 vehicles a year. Daimler and Renault-Nissan have already teamed up to develop parts for the Renault Twingo and Daimler Smart.

7 PRIMARK OUT TO CONQUER THE NEW WORLD



The Irish discount clothing chain Primark is preparing to launch on the US market. Its first American store is scheduled to open in Boston in late 2015. Other outlets are also planned and will be located in shopping centres on the outskirts of large cities in New York and New Jersey. The fashion retailer will invest £200 million in its attempt to live the American dream, even after other chains from the British Isles, such as Tesco and Marks & Spencer, were sent home packing.

8 ECUADOR BACKS ETHANOL



Ecuadorian president Rafael Correa plans to replace the country's entire consumption of traditional petrol with ethanol by 2017. The switch to the bio-fuel was launched in the port city of Guayaquil and will gradually be rolled out to the rest of the country. The new Ecopais petrol contains 5% ethanol made from local sugar cane and 95% regular petrol. The strategy reduces the government's dependence on imports, which cost more than \$6 billion in 2013, and supports the country's sugar cane producers.

9 ALSTOM INVENTS THE ZERO-EMISSION TRAIN

The French group Alstom will develop a completely emission-free train that runs on fuel cells. The first 50 cars have already been sold to four German Länder. Two prototypes will be tested with passengers as of 2018. This order is part of Deutsche Bahn's "green" strategy. The German railway operator plans to draw 35% of the energy used to power its network from renewable sources by 2020.

SECTORS

SOCIAL NETWORKING

Shopping on Twitter

Twitter is testing a new feature. Users can click on a “Buy” button to shop for goods mentioned in its 140-character snippets. Of course, the social network takes a cut along the way, providing a new source of revenue. For now, most of its revenue still comes from advertising. At first, the service will be limited to a handful of users in the United States. These Tweeters can use it to buy a wide range of products, from Rihanna or Eminem concert tickets to T-shirts supporting environmental NGOs, to products from Burberry and Home Depot. The initial results show that shoppers tend to go for limited edition or limited time offers.

TWTR

Facebook follows its users' every move

Facebook has come out with a new version of its advertising platform Atlas, bought from Microsoft in 2013. Atlas tracks users across their devices to avoid losing their trail as they switch from smartphone to computer or tablet or when they sign off Facebook. Advertisers could use the information to determine which users saw their ads on which devices and better target them with personalised advertising. Facebook already generates half of its revenue from mobile ads, a share which has grown 151% since last year.

FB

E-COMMERCE

Spending millions to be listed in Google search results

Amazon spent just shy of \$158 million in 2013 on search ads through Google's search engine in the United States. The world's leading online retailer – by far – tops this ranking covering the US domestic market, as compiled by the marketing and media

publisher “Advertising Age”. The 25 biggest spenders on Google in the United States invested a total of more than \$1.3 billion last year. Other top-10 advertisers include travel services companies Priceline and Expedia, telecommunication operator AT&T, retailers Wal-Mart and Sears and the media group IAC.

Rank	Company	Millions of dollars
1	Amazon	157.7
2	Priceline	82.3
3	AT&T	81.9
4	Expedia	71.6
5	Microsoft	67.1
6	Experian	61.7
7	Walmart	59.7
8	Sears	59.2
9	IAC	53.9
10	Apollo Education Group	53.5

Source: Ad Age Datacenter, based on data from d'AdGoroo, September 2014.

... COFFEE ...

Starbucks expands in Japan

Starbucks plans to buy out its Japanese subsidiary for \$914 million. The Seattle-based group already owns 39.5% of the company set up in 1995 with a local group, Sazaby League. As the third-highest coffee consumer after the United States and Germany, Japan is also Starbucks' second-largest market, with more than 1,000 restaurants. Today, Starbucks draws 75% of its revenue from the United States, but hopes to expand in the Asia-Pacific region. For now, this market only represents 6% of profits, but it grew 27% in 2013.

SBUX

Costa Coffee on a quest for new horizons

Costa Coffee, part of the Whitbread group, has decided to expand outside its British domain, where it reigns as the coffee shop leader. The chain is targeting France, where it will open ten shops between now and February 2015. The group will also focus on Spain, teaming up with two local partners – Sandpiper Iberia and The Coffee Company Spain Limited – to begin expanding outside of airports. The first new coffee shop will open in Malaga. Morocco and China are also priority markets.

WTB

SCREEN

UPS

Burger King



Burger King and the Canadian chain Tim Hortons are set to merge, creating the world's third-largest fast food chain with combined annual sales of \$23 billion and a wide array of well-known brands. The move to relocate its headquarters to Canada will also trim the US giant's corporate tax bill.

BKW

Electrolux



The Swedish firm Electrolux has picked up General Electric's appliance division for \$3.3 billion. This acquisition is the group's largest to date and will nearly double its sales in the United States, which currently account for 29% of revenue. Electrolux will also generate \$300 million in savings by amping up its negotiating power with its suppliers.

ELUX

Disney



Disney's profits shot up 22% last quarter to \$2.25 billion. This performance was driven by the success of the Marvel franchise, which it acquired in 2009. Two superhero blockbusters – Captain America: The Winter Soldier and Guardians of the Galaxy – played a large part, as did the sales of merchandise related to these characters, up 25% on the previous year.

DIS

SWISSQUOTE JANUARY 2015

DOWN

Tesco



The retail giant Tesco has been placed under investigation by the UK's financial watchdog,

the Financial Conduct Authority, for overestimating its earnings by £250 million for the first half of 2014. The accounting slip drove the share down 5.84%. A victim of Europe's price war, Tesco has tumbled from second to fifth place in the ranking of the world's top supermarket chains.

TSCO

Air France



In September, Air France had to contend with an exceptionally drawn-out strike by

its 4,700 pilots. The 14-day siege cost the airline €280 million. And that figure does not include the compensation paid out to passengers and tour operators. The carrier was also forced to vow that it would abandon its plans to develop its low-cost airline Transavia which it hoped would become a European heavy-weight.

AFR

Sharp



Amid financial woes, Sharp seeks to unload its unprofitable businesses and cut its

costs. After a brush with bankruptcy in 2012, the Japanese electronics group will cut 300 jobs in Europe and sell its television manufacturing division to the Slovakian firm Universal Media Group. Its appliance business will be sold to the Turkish company Vestel Elektronik Sanayi ve Ticaret.

SRP



“2014 has been a rather strange year, with a market that is not evolving as expected.”

Jean-Paul Agon, Chairman and CEO of L'Oréal, told the French newspaper “Le Figaro” in an interview that 2014 forecasts have been lowered for the cosmetics market, which has been weakened by the crisis and a disastrous summer (poor sales of sun care products).



“We are not obsessed with unit volumes. We are always producing one car less than we can sell.”

Thorsten Müller-Ötvös, CEO of Rolls-Royce, in a comment reported by the AFP.



“The world is changing fast. It's time for Switzerland to wake up!”

In an interview with the newspaper “Le Temps”, Peter Stas, CEO and founder of the watchmaker Frédérique Constant, encourages Swiss watchmakers not to downplay innovations like the development of smartwatches.



“We are the blood that brings your machines to life, oh Zen master Tim Cook!”

The lead singer of U2, Bono, said to the CEO of Apple at the brand's most recent Keynote event.



“I think people in Europe are generally pessimistic about the future. They have low expectations, they're not working hard to change things.”

In an interview with the “Financial Times”, PayPal's co-founder, Peter Thiel, called Europeans “slackers,” who work less than they should.

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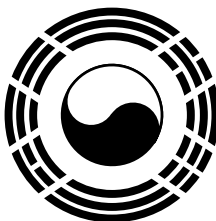
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24.6

In megabytes per second (Mbit/s), the average internet connection speed in South Korea, according to the report published by US technology firm Akamai, "The State of the Internet". The East Asian country boasts the highest average speed ahead of Hong Kong (15.7), Switzerland (14.9) and Japan (14.9).



18



In billions of Swiss francs, or 70 billion Saudi riyals, the 2014 revenue estimates from the Muslim pilgrimage to Mecca, Saudi Arabia, according to specialist reports in the Saudi newspaper "Arab News." These calculations include both the Hajj, the great pilgrimage in the last month of the Muslim year, and the Umrah, the "lesser" pilgrimage which can be done at any time of the year.

+28%

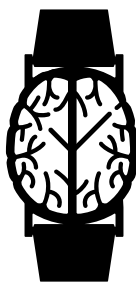


The year-on-year increase in revenue generated by music streaming services like Spotify in the United States, estimated at \$859 million by the Recording Industry Association of America. CD sales fell 19%, to \$719 million, coming in below streaming for the first time. Downloads continue to dominate, at \$1.3 billion.

13.6

In millions, the worldwide sales of smartwatches forecast for 2015, versus slightly less than one million this year, according to the UK consulting and research firm Analysys Mason.

The report also predicts that this market segment should be at \$12.9 billion by 2020 in developed markets, selling 92.6 million smartwatches.



7.2

In millions of Swiss francs, the average compensation paid to CEOs of companies listed in the Swiss Market Index (SMI) in 2013, up 0.9% in one year, according to a study by the Swiss subsidiary of the audit and consulting firm PricewaterhouseCoopers. The SMI is made up of 20 of the largest listed companies in Switzerland, including Nestlé, Novartis, Roche, UBS and ABB.



UP

Solar power in China

Solar energy is booming in China. Investments in this form of green power reached \$12 billion in the third quarter of 2014, versus \$7.5 billion over the same period a year earlier. The country expects to boost capacity to 14 GW by the end of the year, i.e. one-third of global installations.

Craft beer

The craft beer market has exploded in the United States. From 4.9% in 2010, the segment grew 17.2% in 2013 alone and stands at 7.8% today, representing \$14.3 billion. Exports of these "homemade" brews have also shot up, rising 49% in 2013.

DOWN

Platinum

Platinum was trading at a five-year low in early October, at \$1,263.60 per ounce. That is a 15% fall since July. The precious metal has plunged due to the strength of the dollar and disappointing forecasts for the German auto industry, where nearly 40% of world-wide platinum production goes.

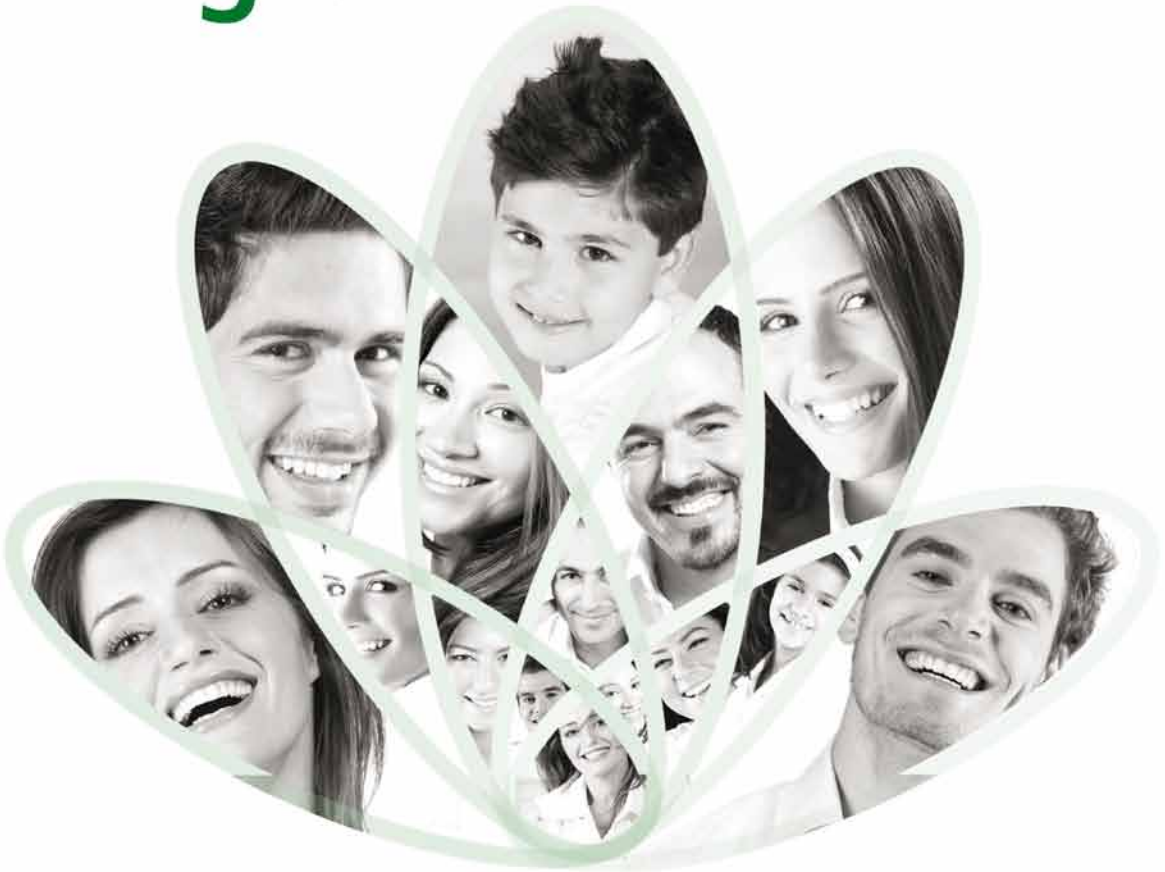
Cereal manufacturers

Breakfast at home is going out of style. Instead, people down energy bars and yoghurt while on the go. As a result, cereal sales shrank 5% in the United States in 2013 and have plummeted in the United Kingdom for the fourth consecutive year. The hardest hit are Weetabix, General Mills and Kellogg's.



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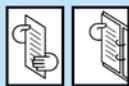
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02

TECHNOLOGIST



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REFERENCE ARTICLES
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SCAN

MACHINES VS. HUMANS

The inevitable shift towards automation continues, driven by new computer systems developed in Silicon Valley. The trend picked up during the recent crisis in the United States, as shown by a report from the National Bureau of Economic Research. A significant proportion of the employees made redundant during the recession were replaced by a machine. The groups hit hardest were young people, unskilled workers and men. The sectors where repetitive tasks were computerised the most are factory work, sales and accountancy.

INVESTING IN CONTEMPORARY ART

Investors are increasingly embracing contemporary art, reports the consulting firm Deloitte, which surveyed 261 private banks, family offices and sector professionals. Seventy-six per cent of collectors view their pieces as a potential source of revenue, versus only 53% in 2012. The average investor sets aside about 9% of their portfolio for art. Returns on the most popular works can reach 10.5% to 14.9%, according to the report contributors. But the sector remains plagued by a lack of transparency and regulation, along with high transaction costs.

Olympus Stylus Tough TG-3

VS

NIKON A AW1



IN BRIEF

Waterproof down to 15 metres, shockproof to falls from up to 2 metres and freezeproof to -10°C. The latest Olympus rugged camera can be mounted onto a bike, kayak or surfboard. The built-in GPS and electronic compass can be used to geolocate photos and even gauge underwater depth.

Positioned in a higher price range, Nikon's new rugged model features an interchangeable lens. Like the Olympus, the camera is waterproof down to 15 metres and shockproof to falls from up to 2 metres and also has a built-in GPS and electronic compass. The Nikon's design goes for purity, which emphasises its multi-function use.

SPECIFICATIONS

Resolution: 16 megapixels
Weight: 247 g
Waterproof: to 15 m
Freezeproof: to -10°C

Resolution: 14.2 megapixels
Weight: 356 g
Waterproof: to 15 m or 20 m, depending on the lens
Freezeproof: to -10°C
Lens: 11-27.5mm f/3.5-5.6 (zoom lens kit) or 10mm f/2.8 (double lens kit)

VERDICT

The close-up photography functions on the Olympus are its major highlight, making it the ideal companion for divers. The camera includes a microscope mode (magnification up to 40x) and a "Focus Stacking" feature, a process that automatically composites a series of images to expand the depth of field.

The Nikon model stands out with its fast, accurate autofocus and its shooting speed, which can reach up to 60 images per second. With its sleek design, this camera is suited to those who are not interested in spending time in the menus and settings, as its automatic mode already offers great performance.

PRICE

Starting at 425 Swiss francs

Starting at 700 Swiss francs (zoom lens kit) and at 949 Swiss francs (double lens kit)

FIGURES

OLYMPUS CORP OCPNY

NIKON CORP NINYO

FOUNDED

1919

1917

CEO

HIROYUKI SASA

MAKOTO KIMURA

REVENUE (2013)

¥ 744 BILLION (ABOUT \$ 6.4 BILLION)

¥ 1010 MIAS (ABOUT \$ 8.7 BILLION)

CAPITALISATION

\$ 12 BILLION

\$ 5 BILLION

WORKFORCE

33,000

24,047

Tornado in Judith
Basin county,
Montana
[5 June 2012].



SWISS RE: THE RISK BEHEMOTH

Typhoons, plane crashes and epidemics. The human and material cost of major disasters can reach mind-boggling levels. To protect themselves, insurance companies turn to reinsurers such as the Zurich-based group Swiss Re. Portrait of a historical giant.

By Jean-Christophe Piot

Reinsurance was born out of flames. The fire that destroyed one-quarter of the city of Hamburg in 1842 tragically exposed the limits of traditional insurance in the event of a large-scale catastrophe. That is when the first modern reinsurers began to emerge. Same causes, same effects in Switzerland, where the Glarus fire was the trigger twenty years later. In December 1863, Helvetia Insurance in St. Gallen, Crédit Suisse in Zurich and Handelsbank in Basel teamed up to found the Swiss reinsurance company Swiss Re. The young firm saw steady growth as it expanded its businesses and offices internationally, moving into South Africa in 1950, Australia in 1955, Hong Kong in 1956 and Toronto in 1959. Contracts kept pouring in, with technological advances and globalisation creating new risks that insurance companies could not cover alone.

One hundred and fifty-one years later, Zurich can boast being home to one of the largest reinsurers on the market. Swiss Re, with its 11,500 employees working in 30 countries, is the second-largest group behind the world's reinsurance leader, Germany's Munich Re. The two firms are the global heavyweights on a market worth \$230 billion. A deep divide separates the leaders from the rest of the companies in this highly concentrated sector. "The ten largest groups world-wide control nearly 70% of the market," says Eleanor Taylor-Jolidon, an analyst at Union Bancaire Privée. "A few new players are emerging in Asia and Bermuda, but none are playing in the same league."

CALCULATED RISKS

In its fifteen decades of existence, the company led by Luxembourg native Michel Liès since 2012 survived an event



FLOOD



FIRE



EARTHQUAKE



TORNADO



CYCLONE



VOLCANO



SNOWSTORM



TSUNAMI



AVALANCHE



STORM

Insurance for insurers

A concise guide to reinsurance for everyday people.

Reinsurance remains relatively unknown and obscure for most people. But it plays a crucial role in how the insurance sector operates as a whole. Without it, no skyscrapers would be built, and no airliner would fly, because no insurance company could take the risk of covering all the costs in the event of a major disaster.

By passing some of the risk on to reinsurers, insurers do not have to set aside as much capital and can sign more policies.

>>

“That’s the whole paradox. In the short term, a catastrophe is expensive for reinsurers. But in the long term, they can raise their contract rates.”

that almost caused its downfall, the 1906 San Francisco earthquake. The group incurred a net loss of 4.3 million Swiss francs, equalling nearly half of its equity at the time. Other events over the years have put the group through great turmoil, including the 1929 stock market crash, two world wars and an impressive list of tragedies, some of which marked an era, such as the sinking of the Titanic.

Despite sometimes coming close to the verge of collapse, Swiss Re is unmatched in its track record of calculating risk – the alpha and the omega of the business. The Swiss reinsurer applies its wisdom gained from past crises and damage to current situations, drawing on its vast experience to constantly adjust its forecast models.

Today, Swiss Re also offers risk management and investment management services, but pure reinsurance remains its core activity and represents 80% of its business. And business is good. Third-quarter premium revenue grew 12.3% in the Property & Casualty sector and 15.8% in Life & Health. With nearly \$4.4 billion in net revenue and \$32 billion in equity, the Swiss giant has what it takes to keep its shareholders very happy. In 2014, they were paid the highest dividends on

the Swiss market, at about 8 Swiss francs per share.

However, margins and earnings came out less stellar than expected in the third quarter of 2014, causing concern on the markets. It’s all up to fate. Natural disasters have been less deadly and destructive in recent years. That is good news for everyone, except reinsurers. As risk declines, insurance companies are given greater leverage to negotiate more attractive terms when it comes time to revising their

contracts every year. The few rate hikes on a handful of isolated markets have not offset the overall drop, which can reach 15% to 20% in North America. And that situation will continue until the next disaster brings them back in line. “That’s the whole paradox. In the short term, a catastrophe is expensive for reinsurers. But in the long term, they can raise their contract rates,” says Dominique Boone, a reinsurance specialist at Crédit Agricole.

EMERGING MARKETS

In this bleak economic climate, the group has been focusing its growth prospects on the development of middle classes in emerging countries (China, India,



Flooding in Xiamen, in Fujian province in southeastern China (10 October 2014).

LANNY XU / FEATUREFINDA / NEWSCOM



NICHOLAS KAHN / AFP

A woman rides her bicycle past rubble piled high in the devastated town of Rikuzentakata.

Brazil, Indonesia). As their standard of living rises, millions of people will start insuring their property, companies and harvests. By 2020, the group estimates that these markets will account for 24% of the direct insurance market worldwide, up from 18% today. Insurers will in turn seek protection from Swiss Re or its main competitors. Furthermore, the catastrophe

insurance market is bound to recover sooner or later. One trend is undeniable: extreme weather disasters are becoming increasingly frequent. Global warming means more typhoons and tropical storms. Eventually, a large-scale tragedy comparable to Hurricane Katrina will work in favour of the reinsurance sector... ▴



SREN

>>

A concrete example would be an insurance company covering a wine producer hit by a storm that wipes out its crops. The insurer could end up owing a considerable amount in compensation. Above a certain threshold, the clauses negotiated with its reinsurer are triggered, and the reinsurer pays compensation to the insurer.

So who insures the reinsurer in the event of a massive crisis? Swiss Re and its competitors insure each other, by issuing bonds designed to transfer a portion of the risk associated with certain catastrophes to third parties. Investment funds, asset managers and pension funds that have issued "cat bonds" (short for catastrophe bonds) enjoy very high returns but lose part or all of the interest, and even some of the capital, in the event of a major disaster... And the bill can go through the roof in no time. In 2011, the Honshu earthquake caused \$35 billion in damage and September 11th cost \$40 billion.

.....Analyst opinion.....

"The highest dividends on the Swiss market"

Eleanor Taylor-Jolidon, an analyst with Union Bancaire Privée, thinks the market's disappointment on the release of Swiss Re's latest earnings report was exaggerated. "The group announced its third-quarter figures at the end of a particularly quiet period in terms of catastrophes, leading to a drop in the rates charged by reinsurers," the analyst

explains, adding that the hurricane season will be decisive for the group's overall performance in 2014. In times of economic sluggishness or stock market correction, investors could be tempted to seek shelter in defensive stocks such as Nestlé or Novartis, but Eleanor Taylor-Jolidon thinks they should be thinking longer

term. "Swiss Re pays the highest dividends on the Swiss market, which is expected to underpin the stock between now and April 2015. Swiss Re, like other reinsurers, is sensitive to crises. The share would suffer in the few days following a major disaster but would quickly rise because a substantial event would drive up reinsurance rates."

ANALYSIS

ADVICE FOR INVESTORS

“The robotics market is diversifying”

Already widely used in the automotive industry, robots are moving into a growing number of sectors. The market promises a bright future, says Jeremie Capron, director and financial analyst at CLSA Americas.

Interview by Olivier Gschwend

The robotics market is expected to generate total revenue of approximately \$60 billion in 2020, up from \$21 billion at the end of 2013. This increase represents an average annual growth of 16%. Robots are now used to improve production processes in sectors ranging from automobiles to food, to pharmaceuticals, electronics and even distribution. We met with him for an interview.

SWISSQUOTE MAGAZINE ▶

What are the main segments of the robotics market, and who are the leaders?

JEREMIE CAPRON ▶ Robotics currently breaks down into three segments: domestic, medical and industrial. Industrial robotics dominates the market by far and is led by four multinationals. The Japanese company Fanuc leads the pack in terms of revenue and production. Yaskawa, another Japanese firm, comes in second, the Swiss-Swedish company ABB is in third, followed by the German

manufacturer Kuka in fourth place. Its distribution mainly focuses on Europe but it has recently been developing on a more global scale.

“Demand for robotics is also growing in logistics management, especially for e-commerce.”

Which companies would you recommend in the industrial robotics sector?

Fanuc and Kuka are very good long-term investments. Their market penetration rate is still low in several regions of the world. Growing demand for robots in China, India, Southeast Asia and Brazil offers huge growth opportunities and therefore investment potential. Yaskawa sells robots that run on “open platform” operating systems which users can adapt to their needs. This solution appeals to a number of start-ups.

Today, the automotive sector is the main market for industrial robotics. Isn't that too limited in terms of diversification and potential development?

The automotive sector totals \$6 billion, i.e. 50% of the global industrial robotics market. But production is beginning to diversify. The food and pharmaceutical industries are particularly interested in automated systems. Demand for robotics is also growing in logistics management, especially for e-commerce. For example, Amazon has recently bought Kiva Systems and its robots that wheel shelves around, automating product distribution. And then there's the electronics industry, which represents the world's second-largest market for robotics but is only just emerging, mainly due to technical limitations.

Which are...?

Today, most smartphones and tablets are assembled by hand.



DENNIS FUNG

Robots being manufactured at the ABB factory in Pudong, Shanghai. The Swiss-Swedish company sells 175,000 robots per year worldwide.

Companies want to automate assembly lines but are limited in terms of robotic precision. When cars are assembled, the robots perform rather brief, predetermined movements. Electronics components have much smaller parts, making automation more complicated. Some companies such as Cognex develop efficient visual recognition systems to address the problem. This gives robots a high degree of precision, making them more attractive to the electronics industry.

Forecasts estimate that between 2014 and 2019 the domestic robotics market will grow seven times faster than industrial robotics. Is it wise to invest in this sector now?

For now, it's a niche market. The best and only example of commercial success is iRobot, which generates \$1 billion in revenue. Having branched out from its initial applications in military robotics, the company launched the first totally automated vacuum cleaner available on the market. This product has propelled iRobot to the top of the market for these robotic appliances. But electronics giants such as Samsung and Philips have come out with products to rival the iRobot cleaner at a much lower price. This means that iRobot could eventually be challenged by growing competition in the sector.

What about the medical robotics market?

Automated solutions are designed to make surgical procedures more efficient, shorten hospital stays and cut costs. This highly attractive market now totals \$2 billion in revenue, led by the listed California-based firm Intuitive Surgical. Its da Vinci surgical system does not replace but rather assists surgeons during operations. The advent of Obamacare in the United States has severely disrupted annual budgets and reduced investment. As a result, sales of the da Vinci have fallen in 2014, except in the last quarter. Despite this decline, Intuitive Surgical still continues to grow, mainly driven by the sale of consumables required for the growing number of



The Cyberknife by Kuka is a robot-controlled radiosurgery system designed to treat solid tumours with sub-millimetre precision.

operations. Moreover, judging from the number of patents pending related to surgery, the company has some interesting products in the pipeline.

Two companies that have recently gone public also show serious promise. The US company ReWalk and the Japanese firm Cyberdyne have designed physical rehabilitation systems for patients suffering from spinal injuries. At €150,000 apiece, these exoskeleton walking systems are still very expensive but will undoubtedly become more affordable in the near future.

What are the main risks that investors should be aware of?

As mentioned earlier, the automotive sector is the biggest market for automated solutions. Robot sales closely follow the cyclical nature of the sector, which varies from region to region. In Europe, car sales are currently relatively low, while the United States is seeing a record performance, probably indicating the end of a cycle and the beginning of a downward trend. The second risk is emerging competition from low-cost products coming out of Asia. For example, the Chinese

government massively subsidizes its companies such as Siasun. This is done to reduce dependence on foreign companies like Fanuc and ABB.

And finally, investors should beware of the very high valuations across the equity market. In high-growth sectors like robotics, speculation can drive share prices up to very risky levels.

“Cognex will definitely continue to penetrate the market further.”

What investment advice would you give?

Personally, I'd pick two companies. The first is Cognex, headquartered in the Boston area and one of the world leaders in the production of automated visual guidance systems. These solutions are key to improving the precision of robots and developing in the electronics industry. Cognex will definitely continue to penetrate the market further.

Rockwell Automation is another attractive investment option. Based in Milwaukee, Wisconsin, the company manufactures control systems for robots. Its products are already widely used by most industrial robotics companies. Rockwell Automation therefore offers a high return on investment. ▀



Jeremie Capron
Director and
analyst
CLSA Americas
New York

Imagine

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ANALYSIS

Cyber security: the market driven by hackers

Hackers are getting better and better at breaking into computer security systems, and they have cyber security companies on their toes. And the phenomenon continues to snowball.

Interview by Olivier Gschwend

Global cyber crime incidents have doubled in 2014 compared with 2013, according to a recent report from PwC. Even companies as prestigious as JP Morgan and Apple have fallen victim to hacking. Rajesh Varma, financial analyst at DNCA Finance, explains.

SWISSQUOTE MAGAZINE ►

The number of cyber attacks has increased in 2014. What is your overall view of the internet security market?

RAJESH VARMA ► Internet continues to grow, and the development of “cloud” and “big data” platforms makes data protection even more critical. Nowadays, there’s no escaping the need for internet security solutions. Recent cyber attacks on JP Morgan and the Kmart retail chain are proof. Even Apple, whose “cloud” was a target of attacks, can’t develop adequate systems to meet current cyber security requirements.

Will the sector make progress?

Absolutely. We have to realise that cyber criminals will always find a way of getting around the lines of defence. Whatever the system, however complex it may be, hackers will end up breaching it. That means that the market is developing continuously. And the figures prove it. Worldwide average annual growth for the sector was 40% this year. Forecasts show a drop of only 10% for 2015, which still comes out to growth of 30%. Over the next five years, I predict strong growth.

Which companies will lead the sector?

Most are based in California. However, it is unlikely that Imperva, which is losing money, or its neighbour Palo Alto Networks, which is not yet making profits, will rank among them. Barracuda Networks is just now moving back into positive territory, after a

rough year in 2013. But FireEye, which floated on the stock exchange at the end of 2013, shows high promise. Its current strategy is to pour profits back into the company, which posted growth of 160% in 2014. This figure is likely to fall in 2015, but will still come in at around 50%. At another California-based company, Fortinet, earnings are stagnating due to heavy marketing investments, despite revenue growth of 20%. But the firm remains profitable.

Californian firms seem to be miles ahead of the rest. Why is that?

US companies generally tend to have higher internet security than, say, European companies. That’s because they fear the legal repercussions if personal data is stolen. They would rather invest in cyber security, as potential lawsuits would cost them much more. This unique environment drives growth in this market



SYMANTEC

in the United States. Most attacks are directed at North America anyway. But it's only a question of time before Europe too is targeted, and higher investment follows.

A large number of US companies specialise in internet security, but they're not alone. One of the most advanced in the sector is an Israeli company, Check Point Software Technologies. I actually think it's the most attractive company on the market.

Do you recommend it as an investment?

Without a doubt! Check Point is a pioneer in firewall systems and has harnessed this experience to grow into a world leader in the sector. It develops and sells a wide range of internet and network security software. The company is generating high profits and shows less explosive growth than the others. As an investment, Check Point is a good choice with lesser risk.

So what are the risks associated with the sector?

The main risk that I see comes from the never-ending race of technological development. Huge sums are invested, thus limiting profit margins. Apart from that, I don't see any long-term risks. Companies have no other choice but to invest in the sector. ▲



Rajesh Varma
Financial analyst
DNCA Finance
Paris

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



Jack Ma on Alibaba, Entrepreneurs and the Role of Handstands

The author of this article, Bill George, is a professor of management at Harvard Business School and a former chairman and chief executive of Medtronic.

By Bill George, New York Times

I spoke with Alibaba's founder, Jack Ma, at a private luncheon on Friday, just an hour after his company had gone public. Mr. Ma is unlike any Chinese leader I have ever met. He is emerging as the face of the new China: a free enterprise entrepreneur working within the confines of a rigid government.

Alibaba's stock had just started trading on Friday, and it immediately jumped in value. It ended the day up 38 per cent, at \$93.89, giving the company a market value of \$231 billion. The company set the record for the largest initial public offering in history. Yet Mr. Ma was humble, preferring to talk about building a great company that helps its customers, creates jobs and serves society. "They call me 'Crazy Jack,'" he said. "I hope to stay crazy for the next 30 years."

China's large and growing economy has made it an

increasing economic force over the last two decades, but it had not produced global companies. Chinese businesses focused domestically and mass-produced products for international companies. Mr. Ma is taking a different approach. Alibaba has initially concentrated on China's enormous markets, but he understands the Internet is a worldwide phenomenon that knows no borders. He believes that Alibaba can compete internationally and across sectors, and intends to serve the American, European and emerging markets. But he said he won't stop there. He has plans to disrupt China's commercial banking and insurance sectors as well.

Asked about his success, Mr. Ma shares his life story. He was raised in humble origins in Hangzhou in the 1980s, just as China was opening up to the West. Growing up, he overcame one obstacle after another. He was

rejected at virtually every school he applied to, even grade schools, because he didn't test well in math.

"They call me Crazy Jack. I hope to stay crazy for the next 30 years."

He persevered. From age 12 to 20, he rode his bicycle for 40 minutes to a hotel where he could practice his English. "China was opening up, and a lot of foreign tourists went there," he said. "I showed them around as a free guide. Those eight years deeply changed me. I became more globalized than most Chinese. What foreign visitors told us was different from what I learned from my teachers and books."

Professor-turned-CEO

The founder and chairman of Alibaba Group (see the company portrait on p. 37) has led a life worthy of a Hollywood success story. Today, one of the richest and most respected Chinese businessmen in the world, Jack Ma (50) was refused an inestimable number of jobs in his youth. With a bachelor's degree in English, Jack Ma began his professional career as an English teacher before founding China Pages in 1995, one of China's first internet-based companies.

In 1999, he created Alibaba.com, the company that grew into an empire. Alibaba raised the record sum of \$25 billion in its initial public offering on the New York Stock Exchange in September 2014. Jack Ma is married with two children and lives in Hangzhou, China.



SÉBASTIEN FOURTOULL

As a young man, he applied for jobs at 30 companies and was rejected every time. At Kentucky Fried Chicken, 24 people applied, 23 got jobs; only Mr. Ma was rejected. So he became an English teacher at Hangzhou Electronics Technology College. In 1995, he visited America for the first time. "I got my dream from America," he said. "When I visited Silicon Valley, I saw in the evening the road was full of cars, all the

buildings with lights. That's the passion. My role model is Forrest Gump."

Returning to Hangzhou, he and Joe Tsai, now Alibaba's executive vice chairman, founded the company in Mr. Ma's modest apartment. They called the company Alibaba because it is "easy to spell, and people everywhere associate that with 'Open, Sesame,' the command Ali Baba used to open doors to hidden

treasures in 'One Thousand and One Nights.'" Mr. Ma focused on applying his team's ideas to help businesses and consumers find hidden treasures of their own. Yet he was unable to raise even \$2 million from venture capitalists in America. Once again, Mr. Ma persevered. Eventually he raised \$5 million through Goldman Sachs. Later, Masayoshi Son of Japan's SoftBank invested \$20 million, making it Alibaba's

largest shareholder. That stake is now worth about \$75 billion. Today, the Alibaba companies serve 600 million customers in 240 countries.

With Friday's I.P.O., Mr. Ma became China's wealthiest citizen, worth more than \$18 billion. Yet when he asked his wife several years ago whether it was more important to be wealthy or to have respect from business people, he said they agreed on respect. Mr. Ma talks about building the Alibaba ecosystem to help people, a philosophy that is baked into the DNA of the company. At the founding of the company, Mr. Ma issued generous stock option packages to early employees because he wanted to enrich the lives of all involved in his venture. He insisted that Alibaba's six values — customer first, teamwork, embrace change, integrity, passion and commitment — be placed on the pillars of the New York Stock Exchange the day of the I.P.O.

For all his success, Mr. Ma has retained his authenticity. He recognizes that leadership is character, and he is focused on building his team. His role model is a well-oiled soccer team where 11 players work together for the success of the team. He would rather hire entrepreneurs than seasoned business executives, who are always looking over their shoulders, trying to please their bosses rather than their customers.

His own commitment to a cause larger than himself has propelled him onward. "My vision is to build an e-com-

merce ecosystem that allows consumers and businesses to do all aspects of business online. I want to create one million jobs, change China's social and economic environment and make it the largest Internet market in the world."

American tech leaders like Steven P. Jobs, Larry Page, and Mark Zuckerberg have emphasized technology and product above everything. Not Mr. Ma. "I'm not a tech guy," he said. "I'm looking at technology with the eyes of my customers, normal people's eyes." Mr. Ma said this was not just about making money. "I'm just a purist. I don't spend 15 minutes thinking about making money," he said. "What is important in my life is influencing many people as well as China's development. When I am myself, I am relaxed and happy and have a good result."

"He practices tai chi and uses the nickname 'Feng Qingyang,' a reference to a Chinese kung fu."

His lighthearted nature has helped create a unique culture and fun atmosphere at Alibaba where employees are given cans of Silly String, encouraged to do handstands to bolster their energy during breaks, and participate in an annual talent show where Mr. Ma sings pop songs. He practices tai

chi and uses the nickname "Feng Qingyang," a reference to a Chinese kung fu guru who trained an apprentice into a hero. Mr. Ma called martial arts "the most down-to-earth way of explaining Confucianism, Buddhism and Taoism," adding, "They cherish brotherhood, morality, courage, emotion and conscience."

He said he worried that China lost an entire generation when Mao Zedong phased out Confucianism and other forms of spirituality. But he said he hoped to restore that sense of values and purpose to the next generation. "It's not policies that we need, but genuine people," he said. Asked about corruption in China, he said, "I would rather shut down my company than pay a bribe."

He listed three worries: continuing to create genuine value for his customers, working cooperatively with the government and building his team of global leaders. What will he do with his fortune? His big dream is to found a university for entrepreneurs that can create the new generation of Chinese entrepreneurs.

Jack Ma is a force of nature. He may become the role model for the new generation of global leaders, not only in China, but also throughout the world. "Our challenge," he said, "is to help more people to make sustainable money that is not only good for themselves but also good for society. That's the transformation we are aiming to make." ▀

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Julie Zaugg,
Clément Bürge and
Martine Brocard

FROM THE UNITED STATES TO NIGERIA,
FROM NEW TECHNOLOGIES TO THE OIL INDUSTRY

30 COMPANIES TO WATCH OUT FOR IN 2015

ALSO: THE SWISS SELECTION

INTERVIEW WITH
PETER SCHIFF, AN
INDEPENDENT-THINKING
US ECONOMIST

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FINANCIAL
ANALYSTS
UNDER FIRE

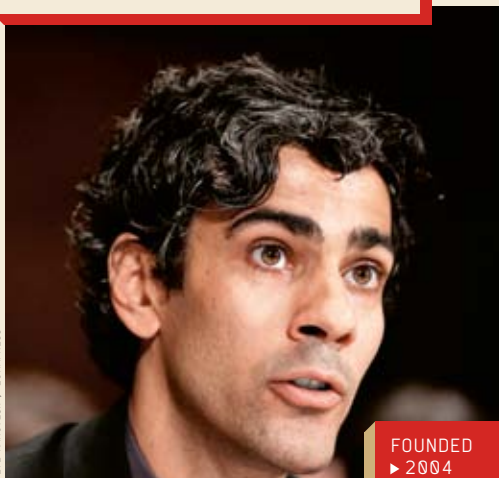
P. 58

For the sake of convenience, revenue
is given in dollars for companies that
use rare currencies that are difficult
to convert mentally.

YELP

BUSINESS: Social media
ADVANTAGE: Plans to invade the real world

PETE MAROVICH / ZUMAPRESS



Jeremy Stoppelman, Co-founder and CEO of Yelp.

Yelp reigns on the market of online reviews of restaurants, shops and spas. For 2015, the company hopes to make a more tangible move into the real world. In 2013, it launched the “Yelp Platform”, where users can book a table at a restaurant or schedule a day at a spa, an appointment with their dentist or even a cleaning service. “Yelp will transform into a transaction platform,” says Tom White, an analyst with Macquarie Group. “The new business will bring a high-potential additional source of revenue to the company, which is currently drawing all of its revenue from online advertising.” ▲

YELP

FOUNDED
► 2004

HEADQUARTERS
► San Francisco, California, United States

WORKFORCE
► 1,984 employees

REVENUE
► \$233 million



SANOFI

BUSINESS: Healthcare
ADVANTAGE: Several promising medicines in the pipeline

Sanofi has established a healthy positioning on the market for vaccines, animal health, rare diseases and over-the-counter medication. “The French group has made a name for itself in insulin, with its drug Lantus,” says Morningstar analyst Damien Conover. “Lantus is less expensive and more effective than similar drugs by its two main competitors, Novo Nordisk and Eli Lilly.”

Sanofi is preparing to launch a new diabetes medication, Toujeo, which causes fewer side effects than Lantus. The pharmaceutical group has also recently released promising results for its cholesterol treatment Alirocumab, “which could offer an alternative to statins and generate several billions of dollars in sales,” says Damien Conover. ▲

SAN

FOUNDED
► 1973

HEADQUARTERS
► Paris, France

WORKFORCE
► 112,000 employees

REVENUE
► €32.9 billion



DANIEL ROUSSELOT



Sanofi headquarters in Paris.

ALIBABA

BUSINESS:

E-commerce

ADVANTAGE: Dominant position in China and successful IPO

FOUNDED

► 1999

HEADQUARTERS

► Hangzhou, China

WORKFORCE

► 26,845 employees

REVENUE

► \$ 8 billion



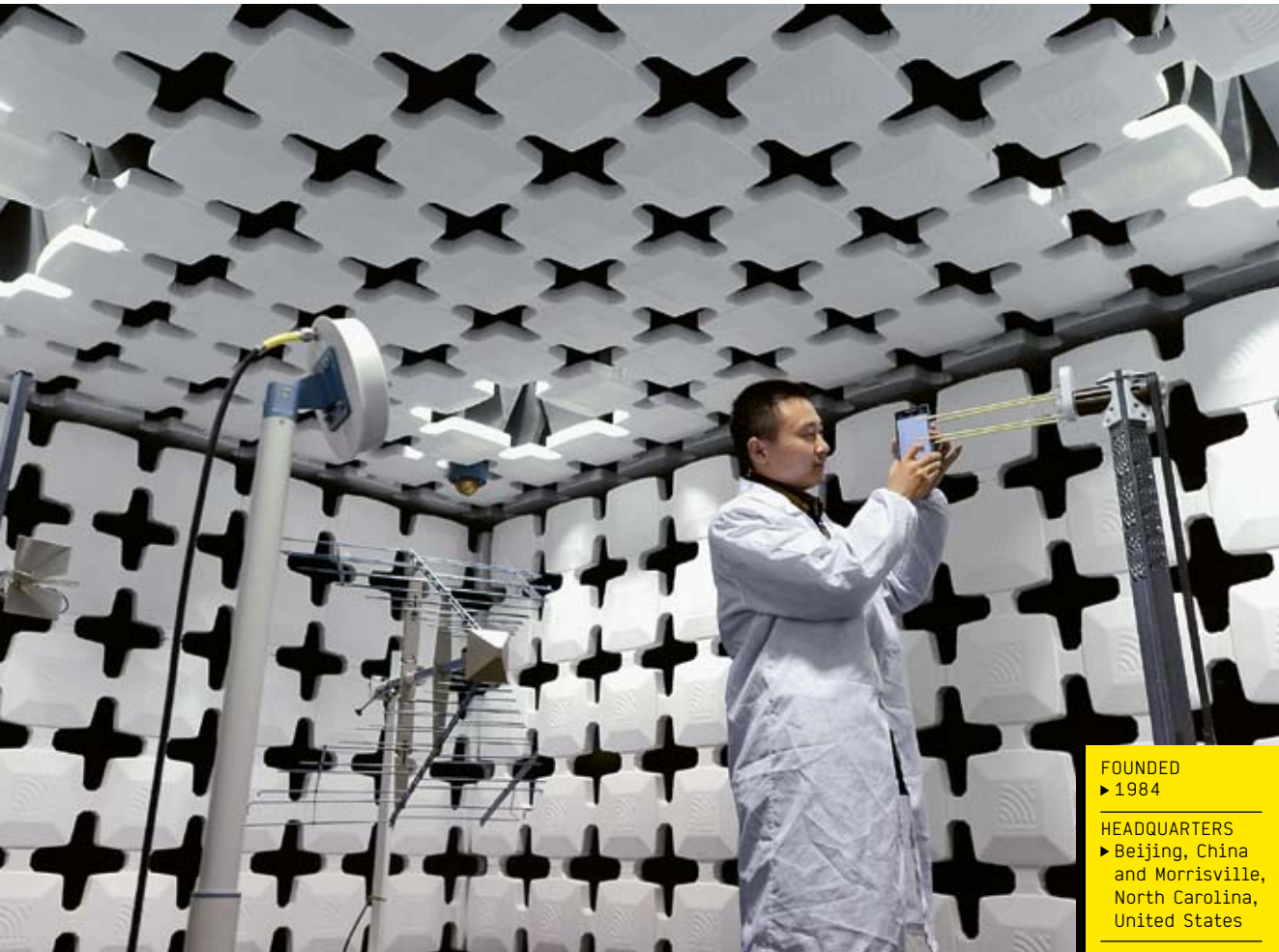
On 19 September, Alibaba was listed on the New York stock exchange, raising \$25 billion. This success reflects the Chinese group's importance on the rapidly expanding e-commerce market. "Alibaba boasts a dominant position in China through its online marketplace Taobao, which hosts a large community of active resellers," says James Cordwell, an analyst at Atlantic Equities. Its reputation is also an advantage in a country where

customers rarely use a search engine when looking to buy an item online. Alibaba plans to expand into the United States in 2015. It has recently launched the portal 11 Main, which sells high-end second-hand and new products. The Chinese giant has also invested in shares in the car-sharing app Lyft, the ShopRunner online delivery service and the instant messaging service Tango. ▀

▀ BABA



Alibaba headquarters in Hangzhou, 200 kilometres southwest of Shanghai.



Testing of a new smartphone at the Lenovo laboratory in Wuhan, in Hubei province in central China.

LENOVO

BUSINESS: Computer equipment manufacturer
ADVANTAGE: Recent acquisitions with promise

In 2015, Lenovo will complete its restructuring after buying IBM's x86 server business for \$2.3 billion and the smartphone handset maker Motorola Mobile from Google for \$2.9 billion in 2014. "Lenovo will primarily focus on integrating these two new entities," says Ken

Hui, an analyst at Jefferies investment bank. Overnight, these acquisitions have turned the Chinese group into a server supplier capable of rivalling the market leaders HP and Dell and the third-largest smartphone manufacturer worldwide, behind Apple and

Samsung. These new businesses will help Lenovo better reach western markets and boost its growth, which had slowed due to the decline in laptop sales. ▴

📊 LHL

FOUNDED
 ► 1984

HEADQUARTERS
 ► Beijing, China
 and Morrisville,
 North Carolina,
 United States

WORKFORCE
 ► 30,026
 employees

REVENUE
 ► \$38.7 billion



TATA CONSULTANCY SERVICES

BUSINESS: Computer consultancy and services

ADVANTAGE: Record growth

Tata Consultancy Services (TCS) is the company of superlatives. It is the largest Indian company in terms of market capitalisation and the second-largest employer in the country. Tata Consultancy Services was also ranked as the most innovative company in the region by the US business and finance news magazine "Forbes". In 2013, the revenue of the already colossal firm jumped yet another 30%.

Demand for its IT outsourcing solutions continues to grow. "In the past few years, TCS has successfully developed its services in other regions in the world, such as Japan, France and Germany," says Kawaljeet Saluja, an analyst at Kotak Securities Limited. And the group intends to press onward in this expansion in 2015. "In the computer industry, TCS will continue delivering the strongest growth," the analyst says. "It's a stock that everyone should definitely buy. ▲

☑ TACSF

FOUNDED
► 1968

HEADQUARTERS
► Mumbai, India

WORKFORCE
► 305,431 employees

REVENUE
► \$13 billion



REYNOLDS TOBACCO

BUSINESS: Tobacco

ADVANTAGE: Well-positioned to benefit from the boom in e-cigarettes

Sales of e-cigarettes tripled last year to \$1.5 billion. "The consumption of steam-based products will outstrip that of regular cigarettes over the next decade," says Bonnie Herzog, an analyst at Wells Fargo. Reynolds is well poised to harness that growth with its Vuse e-cigarettes. "The brand will be sold in 140,000 stores by early 2015 and is expected to be profitable towards the middle of next year," the expert says. The group, owner

of the brands Pall Mall, Camel and Winston, is also set to gain from its partnership with British American Tobacco (which holds a 42% stake in Reynolds) by "innovating and marketing new products faster," says Bonnie Herzog. Reynolds' recent takeover of Lorillard has strengthened its position on the US market to contend with the leader Altria and will save an estimated \$400 million through synergies. ▲

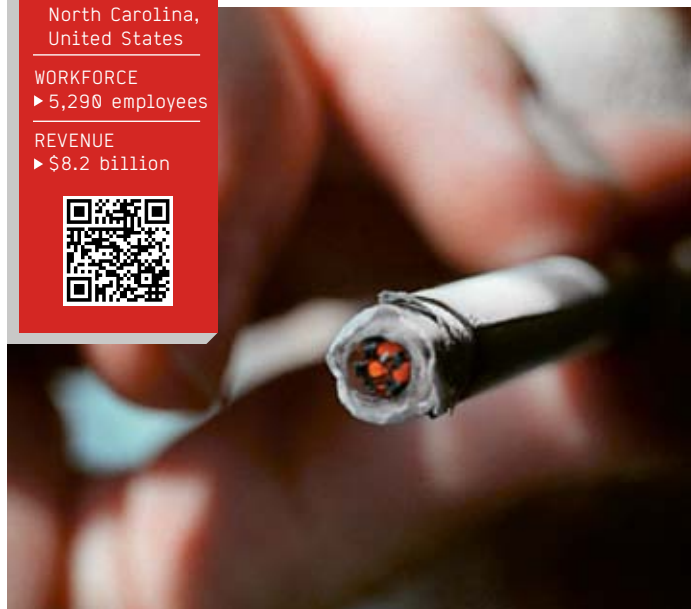
☑ RAI

FOUNDED
► 1875

HEADQUARTERS
► Winston-Salem, North Carolina, United States

WORKFORCE
► 5,290 employees

REVENUE
► \$8.2 billion



ARJANE KADDOCH / ART / NEWSCOM

SAFARICOM

BUSINESS: Mobile network operator

ADVANTAGE: Innovative services on a fast-growth emerging market

FOUNDED
► 1997

HEADQUARTERS
► Nairobi, Kenya

WORKFORCE
► 3,000 employees

REVENUE
► \$1.5 billion



This Kenyan telecom operator offers services ideally geared to meet the needs of an emerging population. Its M-PESA payment system can be used to transfer money by SMS, no bank account required. Safaricom lets users check emails and chat online using a standard mobile phone. In 2014, the firm that is 40%-owned by Vodafone began offering low-cost health insurance whose premiums can be paid using the M-PESA service. In 2015, Safaricom will extend its radio spectrum with the purchase of some of the assets held by its competitor Yu Mobile. This is an essential step towards launching the 4G network in Kenya. ▲

📶 VOD

GOPRO

BUSINESS: Manufacturer of mini-cameras

ADVANTAGE: Strong growth potential in terms of market share





GoPro's initial public offering at the end of June 2014 was a huge success. The company raised \$427 million and its share price climbed 180% between June and October 2014. Analysts are excited about the company's potential. GoPro manufac-

tures mini-cameras that are widely used in outdoor sports. "The global market share for GoPro portable cameras is only 5%," says Alex Gauna, an analyst at JMP Securities. "The company can now move into any region of the world. And its products

will easily win people over." The funding raised in its I.P.O. is expected to result in rapid development. ▲

✉ GPRO

HYUNDAI MOTOR

BUSINESS: Automotive manufacturer

ADVANTAGE: Pioneer in eco-friendly vehicles



Hyundai Motor, the world's fifth-largest automaker, is riding on the success of its Kia brand. Its star line-up is set to introduce new models by the end of 2016, "especially in the light-duty segment (SUVs, minivans), an exploding market in South Korea and the United States," says Michael Sohn, an analyst at Macquarie Research. Hyundai will also benefit from its headway in green cars. This year, the South Korean conglomerate released the first mass-produced, hydrogen fuel cell powered vehicle. In 2015, the automaker plans to come out with a plug-in version of its electric models in South Korea. ▲

HYU

FOUNDED
► 1967

HEADQUARTERS
► Seoul, South Korea

WORKFORCE
► 59,831 employees

REVENUE
► \$ 75 billion



ARNE DEDEY / NEWSCOM

Oliver Samwer, CEO and founder of Rocket Internet.

ROCKET INTERNET

BUSINESS: Venture capital firm and start-up incubator

ADVANTAGE: An original and brilliant business model

This one-of-a-kind, half-venture capital firm/half-start-up incubator from Germany copies existing internet-based companies, many of which are in the United States, and applies their business model in other countries. For example, it launched Linio, aimed at becoming an "Amazon of Latin America", or CityDeal, a Groupon clone that was sold in 2010. In October 2014, the company was listed on the stock exchange, raising \$8.2 million. Rocket Internet will now use those funds to step up its growth or better fill the gaps left by US technology giants. ▲

RIKKT

FOUNDED
► 2007

HEADQUARTERS
► Berlin, Germany

WORKFORCE
► 20,000 employees

REVENUE
► € 757 million



MICHAEL KORS

BUSINESS: Fashion
ADVANTAGE: Luxury
 at affordable prices

The Hamilton, a large leather handbag available in 11 colours, retails for \$385. A typical price for Michael Kors. "That's the brand's greatest strength, offering luxury goods at affordable prices," says Canaccord analyst Camilo Lyon. "Other brands would have priced that bag at thousands of dollars." This strategy has brought the US group listed since 2011 within the grasp of middle class customers, who cannot afford high fashion.

"Its growth is impressive, but there is still room for expansion, especially in Europe and Asia where its market penetration is low," the analyst explains. Its outlook is also strong in the United States "with its diversification into shoes, watches and accessories. ▀

✉ KORS

FOUNDED
 ▶ 1981

HEADQUARTERS
 ▶ New York City,
 United States

WORKFORCE
 ▶ 9,184 employees

REVENUE
 ▶ \$3.3 billion



HÉCTOR GARCÍA

SEPLAT

BUSINESS: Oil producer
ADVANTAGE: Takeover of
 oil blocks from Shell

FOUNDED
 ▶ 2009

HEADQUARTERS
 ▶ Lagos, Nigeria

WORKFORCE
 ▶ 297 employees

REVENUE
 ▶ \$880 million



The young Nigerian oil producer is living the dream. Its revenue increased 41% in 2013, and the company raised \$500 million from its initial public offering in May 2014. Seplat used this injection of cash to buy a set of Nigerian oil fields from Shell in September 2014. Its main challenge is to maintain control over the new wells, as the reserves had been victim to thievery and sabotage when they belonged to Shell. Until now, Seplat's strategy has worked like a charm, and the fields are secure. Analysts expect the company's production to rise from 60,000 to 85,000 barrels per day as of early 2015. ▀

✉ SEPL

ENI

BUSINESS: Oil company

ADVANTAGE: Continues its conquest of East Africa

FOUNDED
► 1953

HEADQUARTERS
► Rome, Italy

WORKFORCE
► 82,289 employees

REVENUE
► € 114 billion



ENI's new CEO, Claudio Descalzi, will be stepping up the Italian oil company's exploration programme in Africa. He was already behind the firm's massive expansion on the continent, which led to the discovery of 9.5 billion barrels between 2008 and 2013 – which comes out to two-and-a-half times its production over that period. All while paying the lowest exploration costs in the industry (average of \$1.20 per barrel).

ENI has recently focused on East Africa, where it has historically invested the most. A case in point is the group's deal signed with Sasol to buy a 40% share in an exploration field off the east coast of South Africa. Not only is the region rich in oil and gas, it is also strategically positioned to serve China and South Asia. ▲

ENI



Drilling site in El Borma, Tunisia.

AIR ASIA

BUSINESS: Aviation

ADVANTAGE: Leading low-cost carrier in Asia

Founded in 1996, the Malaysian airline Air Asia was the first to offer low-cost flights in Asia and rapidly became the leader of this fast-growing market. "It has benefited from the problems at Malaysia Airlines to consolidate its position in its home country," says John Thomas, aviation specialist at the agency L.E.K Consulting. "Air Asia was then smart enough not to bottom out prices, unlike its competitors, making it the only profitable low-cost carrier on the continent." To expand outside of Malaysia, the company developed an original business model. "It set up a network of franchises in Indonesia, Philippines, Thailand and India, enabling it to operate on markets that are traditionally closed," says John Wensveen, who heads the Department of Aviation Technology at Indiana's Purdue University. Air Asia has also introduced long-haul flights to Australia through its subsidiary AirAsia X. In 2015, the airline will set up a subsidiary in Japan. ▲

✉ AIRASIA

FOUNDED

► 1993

HEADQUARTERS

► Kuala Lumpur, Malaysia

WORKFORCE

► 10,000 employees

REVENUE

► \$ 1.5 billion



Tony Fernandes, CEO of AirAsia.



ALFREDO GUERRERO

GRUPO BIMBO

BUSINESS: Baked goods

ADVANTAGE: Sprawling distribution network

The image of a white teddy bear that appears on a chef's Grupo Bimbo vans is a familiar sight on the roads of Latin and North America. The largest baking company on the planet boasts one of the most extensive distribution networks worldwide, covering 2.3 million points of sale across 22 countries. In the United States, where it sells the brands Sara Lee and Sunbeam, it operates 53,000 routes. After buying the Ecuadorian company Supan and the Canadian group Canada Bread, the Mexican group will expand its global reach even further next year. These acquisitions will strengthen its positioning in North America and provide an opening into the UK market. ▲ ✉ BIMBOA

FOUNDED
► 1945

HEADQUARTERS
► Mexico City, Mexico

WORKFORCE
► 130,000 employees

REVENUE
► \$ 12 billion



Yokohama Grand
InterContinental
Hotel, outside
Tokyo.



INTERCONTINENTAL HOTELS GROUP

BUSINESS:

Hotel chains

ADVANTAGE: Positioned to benefit from the US recovery

InterContinental Hotels Group has managed to set up most of its 4,600 hotels and 675,000 rooms in areas of the world that are faring particularly well these days. Two-thirds of its revenue is generated in North America, where the economic recovery is the strongest. The group is poised to seize that opportunity. Its Holiday Inn and Hotel Indigo chains are booming. InterContinental Hotels enjoys a strong presence in Germany and the United Kingdom, along with some emerging countries.

Business is excellent for its hotels in China. The coming year shows promise for IHG; for instance, the sale of the prestigious Parisian hotel Le Grand, to the Qatari group Constellation Hotels for €330 million, will increase shareholders' dividends in 2015. ▲

📄 IHG

FOUNDED

► 2003

HEADQUARTERS

► London, United Kingdom

WORKFORCE

► 8,179 employees

REVENUE

► \$ 1.9 billion



SCHLUMBERGER

BUSINESS: Oil services

ADVANTAGE: Set to benefit from disruptions in oil markets

FOUNDED

► 1926

HEADQUARTERS

► Paris, France and Houston, Texas, United States

WORKFORCE

► 123,000 employees

REVENUE

► \$ 45.3 billion



2015 looks as though it will be a complicated year for oil

companies. "The geopolitical

climate is very unstable right

now, and oil prices are likely to drop further," says Robert Bellinski, an analyst at Morningstar.

But Schlumberger is an impressive company, expected to produce excellent earnings despite this.

Profiting from the boom in shale oil and gas production in North America, the group stands out as one of the best prepared to tackle challenging conditions. "It is large enough to achieve economies of scale, its products are technologically the most highly developed and it enjoys the strongest ties with national oil companies."

Robert Bellinski believes that the Schlumberger stock is definitely under-priced. "Given the company's competitive advantages, it's obvious that the share price will rise." ▲

📄 SLB

AMAZON

BUSINESS: E-commerce
ADVANTAGE: Unparalleled player in the US market



FOUNDED
 ► 1994

HEADQUARTERS
 ► Seattle, Washington, United States

WORKFORCE
 ► 132,600 employees

REVENUE
 ► \$74.5 billion



Amazon has become the go-to portal for online shopping. "With its 90 sorting centres, it has gained genuine expertise in rapidly packaging and sending parcels to its customers, giving it a com-

petitive advantage," says Atlantic Equities analyst James Cordwell.

The Seattle-based group has also developed an annual membership programme enabling subscribers to avoid paying shipping costs while enjoying free access to films and music online. "This service, Amazon Prime, already has 30 million members," the expert says. Amazon will move forward in its European expansion in 2015 and try to extend its Asian operations, especially in China and India. "The group will also develop on the market for 'emotional' purchases (clothing, furniture, etc.), digital media (online video) and cloud computing," the analyst adds. ▲

AMZN

NETFLIX

BUSINESS: Video streaming and DVD rental
ADVANTAGE: Stepping up its international expansion

FOUNDED
 ► 1997

HEADQUARTERS
 ► Los Gatos, California, United States

WORKFORCE
 ► 2,000 employees

REVENUE
 ► \$4.4 billion



Back in 2007, Reed Hastings made the ingenious decision to gradually transform his DVD rental company into a streaming platform. The Netflix CEO's strategy worked, more than he could have ever imagined. Today, his company has more than 50 million members worldwide. In 2014, the US firm stepped up its international expansion, attracting a lot of attention as it made its foray into Europe, focusing on Switzerland, France and Germany.

"Netflix will pursue its development abroad in 2015," says Mark Mahaney, an analyst at RBC Capital Markets. Italy and Spain are the next large markets where the group plans to set up operations." More surprisingly, the media provider is likely to continue conquering the planet without facing any real competition. "Only a handful of local operators could get in its way, such as Swisscom in Switzerland. Otherwise the road ahead is clear," the analyst explains, which makes Netflix his "favourite stock". ▲

NFLX





SABMILLER

BUSINESS:

Beer and soft drinks

ADVANTAGE: High exposure in emerging markets, especially Africa

Africa is SABMiller's "crowning jewel", says Philip Gorman, an analyst at Morningstar. With the continent's full-blown urbanisation, consumers have emerged with adequate purchasing power to enjoy products from the

South African brewer. SABMiller now generates one-third of its revenue in Africa and has a near monopoly on the beer and soft drinks market in Botswana, Mozambique, Zambia and South Africa. The world's second-largest brewery owns the brand Snow, the best selling beer in China. But rumours are more and more widespread about a takeover in 2015 by its rival and world leader Anheuser-Busch. By joining forces, the resulting mega-brewery would cover 34% of the beer market with operations across all five continents. "A merger

would give both groups greater power to pressure suppliers into driving down raw materials prices and distribution costs," says Philip Gorman. Savings would reach an estimated \$125 million. ▀

✉ SAB

FOUNDED
► 1895

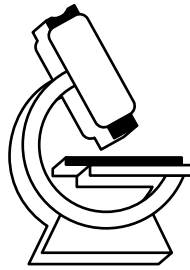
HEADQUARTERS
► London,
United Kingdom

WORKFORCE
► 70,000
employees

REVENUE
► \$23.2 billion



THE SWISS NON-SELECT



ROCHE

BUSINESS: Pharma
ADVANTAGE: Several new drugs in the pipeline

The pharmaceutical group headquartered in Basel boasts a promising pipeline, especially in oncology, which could even replace its drugs at the end of their useful life. Often considered to be the top pharmaceutical company in Switzerland, Roche is making efforts to diversify and offer a strong dividend yield. The pharma giant is also specialised in biotechnology, a booming sector these days. Furthermore, with regulations still unclear for its US competitors, Roche offers solid protection for its medium-term portfolio.

✉ ROG

FOUNDED
 ▶ 1896

HEAD OFFICE
 ▶ Basel

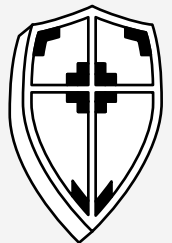
WORKFORCE
 ▶ 85,080 employees

REVENUE
 ▶ 46.8 billion Swiss francs



SWISS LIFE

BUSINESS: Insurance
ADVANTAGE: Undervalued stock





SWATCH GROUP

BUSINESS: Watchmaking
ADVANTAGE: Distribution network and rise in the dollar

Several analysts believe that the concerns raised over the launch of Apple Watch are overblown. About 50% of luxury watches are sold in China, one of the tech giant's smallest markets. With its extensive worldwide distribution network, the Swiss watchmaker, Swatch is poised to have a successful year in 2015. Moreover, as the Chinese are more inclined to pay in greenbacks, a large number of watch consumers fall within the dollar zone. The expected rise in the US currency is likely to have a positive effect on the share.

UHRN

FOUNDED
 ► 1983

HEAD OFFICE
 ► Bienne

WORKFORCE
 ► 33,590 employees

REVENUE
 ► 8.8 billion Swiss francs



COMET

BUSINESS: X-rays
ADVANTAGE: Revolutionary sterilisation system

FOUNDED
 ► 1948

HEAD OFFICE
 ► Flamatt

WORKFORCE
 ► 911 employees

REVENUE
 ► 249.6 million Swiss francs



The Fribourg-based group specialised in X-rays and vacuum capacitors is completing its development of the "compact e-beam, a new technology used to sterilise surfaces without chemicals. This

less expensive, faster and more eco-friendly sterilisation process particularly appeals to the food industry, resulting in a development partnership with Tetra Pak. The first commercial system featuring e-beam technology has recently been delivered in Japan. And its application extends beyond the food industry. Development projects are also under way in the pharmaceutical industry.

COTN

The company's current low valuation makes for an attractive share. If the economy recovers in Europe, and policyholders are inclined to save, the stock could offer worthwhile opportunities. According to some analysts, the Zurich-based insurer will boast the top-share performance in its sector nationwide next year. In addition, Standard & Poors is likely to raise the company's rating, which should boost the group's solvency.

SLHN

FOUNDED
 ► 1857

HEAD OFFICE
 ► Zurich

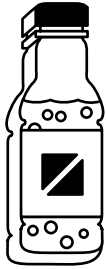
WORKFORCE
 ► 7,000 employees

REVENUE
 ► 18 billion Swiss francs



NESTLÉ

BUSINESS: FOOD
ADVANTAGE: A safe bet



Nothing will send the share skyrocketing, but the Vevey food giant remains a solid investment for 2015. Nestlé continues to focus its attention on improving margins and capital returns. Following a slowdown due to the drop in its sales to the

United States and emerging markets – where the multinational has actually fared better than its competitors – the stock is expected to regain strength.

📈 NESN

FOUNDED
► 1866

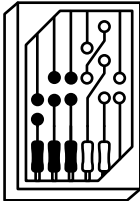
HEAD OFFICE
► Vevey

WORKFORCE
► More than 330,000 employees

REVENUE
► 92.2 billion Swiss francs



MICRONAS



BUSINESS: Semiconductor manufacturer for the automotive sector
ADVANTAGE: Developments in its business model

The recommendation to buy Micronas stock could bring high returns, but is slapped with a warning: risky. The Zurich-based semiconductor manufacturer for the automotive sector generates half of its revenue in Japan, and the yen's weakness has compromised its business until recently. But the company is changing the way it does things. Micronas is currently extending its businesses to industrial applications while increasingly billing its Japanese customers in euros. The manufacturer has also replaced the former dashboard controllers with embedded controllers and opened a new production line, which has increased the size of its semiconductor wafers. All of these changes are set to improve the company's profitability.

📈 MASN

FOUNDED
► 1989

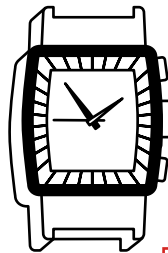
HEAD OFFICE
► Zurich

WORKFORCE
► About 900 employees

REVENUE
► 151.9 million Swiss francs



RICHEMONT



BUSINESS: Watchmaking
ADVANTAGE: Brand image and high-end positioning

FOUNDED
► 1988

HEAD OFFICE
► Bellevue (GE)

WORKFORCE
► 29,980 employees

REVENUE
► € 10.6 billion

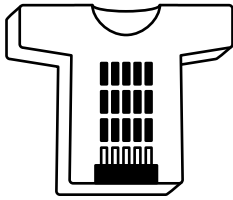


The luxury group benefits from a solid brand and strong market mix, with its high-end positioning and presence in jewellery.

Richemont has come out unscathed from the release of Apple Watch, mainly because jewel-

lery, analysts say, is currently selling better than watches. Although the most recent figures have been somewhat disappointing, luxury is holding up. Demand is expected to turn around and margins to stabilise in 2015.

📈 CFR



RIETER

BUSINESS: Machines for the textile industry
ADVANTAGE: State-of-the-art innovation

FOUNDED
 ► 1795

HEAD OFFICE
 ► Winterthur

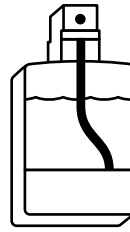
WORKFORCE
 ► 4,793 employees

REVENUE
 ► 1 billion Swiss francs



The textile machine manufacturer based in Winterthur has completed its restructuring which is now expected to pay off. In 2012 and 2013, Rieter invested heavily in Asia, in its computer systems and in its air-jet weaving technology. These improvements are likely to result in market share gains in China and India and in increased efficiency. The company's valuation and focus on innovation make it an attractive stock for 2015.

RIEN

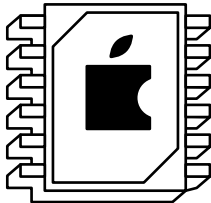


GIVAUDAN

BUSINESS: Fragrances and flavourings
ADVANTAGE: Currently exceeding expectations

In a market plagued by uncertain undercurrents, a defensive stock like Givaudan and its strong dividend yield are what it takes to reassure investors. The share is even exceeding its targets. Over the past few years, the fragrance and flavour specialist operating out of Geneva has been developing its business with small companies, such as manufacturers of Brazilian fragrances or Chinese stocks and broths, rather than focusing on large competitors like Nestlé or Unilever. And this strategy has been a success, generating high amounts of cash.

GIVN



AMS

BUSINESS: Semiconductor manufacturer
ADVANTAGE: Supplier to Apple

The Austrian semiconductor manufacturer listed on the Swiss stock exchange is set to prosper in 2015. This performance will have something to do with the launch of the iPhone 6. AMS (Austriamicrosystems) produces the NFC chips embedded in Apple's latest release. The technology is used to make payments by waving the device in front of a terminal, but the sensors have applications extending well beyond smartphones and tablets. The group's market is currently expanding into the automotive industry.

AMS

FOUNDED
 ► 1981

HEAD OFFICE
 ► Unterpremstätten (Austria)

WORKFORCE
 ► 1,500 employees

REVENUE
 ► € 378 million



FOUNDED
 ► 1895

HEAD OFFICE
 ► Vernier (GE)

WORKFORCE
 ► 9,560 employees

REVENUE
 ► 4.4 billion Swiss francs



“THE UNITED STATES IS HEADING STRAIGHT FOR A RECESSION”

The American economist Peter Schiff predicted the 2008 economic crisis. He gives his forecast for the coming year, and warns that the American recovery is not what it seems.

By Clément Bürge, New York

Several months before the subprime crisis hit, Peter Schiff appeared regularly on American television, guesting on CNN, Fox News and CNBC. Schiff, CEO of the investment firm Euro Pacific Capital, had a clear message which nevertheless went unheard: the American economy was in danger. “A huge crisis is coming, the country has too much debt and the economy’s foundations are rotten.” The economist recommended avoiding investments on the stock market and highlighted the dangers of subprime loans. “The real estate market is going to explode,” he repeated in a calm yet firm tone, while his opponents laughed in his face.

When the markets collapsed and the crisis burned through the banking sector, Schiff, who remains one of the few analysts to have predicted this scenario, shot to celebrity status and

was heralded as a prophet. A video of his various pre-crisis television appearances entitled “Peter Schiff was right” was watched several million times on YouTube. His books became best-sellers, such as “Crash Proof: How to Profit From the Coming Economic Collapse”, published before the crisis. He even began a political career by becoming the economic advisor to Ron Paul, the Libertarian candidate in the 2008 presidential election campaign.

Six years later, Schiff is still the most pessimistic of his peers. Both a radical in his analyses and deliberately provocative, he sees the central banks’ monetary policies as sending the worlds’ markets to the wall. An opinion which certainly sparked debate. Although we do not share all of his views, we asked him to talk to us.

What are the big trends to expect next year across the different economic sectors?

The technology sector bubble will probably burst. Legitimate technology companies such as those manufacturing computers will be OK. But those creating social networks and websites will collapse. The last few years have looked a lot like the final days of the crazy technological era at the end of the 90s. This time, however, it’s the social networks that are wrapped up in the craze, rather than online merchants.

“When investors follow a trend like sheep, it never ends well.”



Not your ordinary economist

Peter Schiff, age 51, is known for his provocative and pessimistic opinions about the US economy. The finance specialist is a conservative who upholds the Austrian school of economics. He has authored several best-selling books detailing his views, and his radio show has been on the air since 2005.

Schiff began his career in 1987 as a stockbroker at Shearson Lehman Brothers. In 1996, he set up his own brokerage firm, Euro Pacific Capital, based in New Haven, Connecticut, where he still acts as CEO.

BARTEK WRZESNIEWSKI / AFP

Peter Schiff at the Economic Forum in Krynica – the Polish version of Davos for Eastern Europe (11 September 2009).

But the problem is the same: these companies are sold at inflated prices and the calculation is based on purely theoretical revenue. Investors are relying on assumptions for long-term performance and highly versatile factors. I don't know exactly when the bubble will burst, but when investors follow a trend like sheep, it never ends well.

On the macroeconomic level, what will be the main trend?

Today everyone is lauding the incredible economic recovery in the United States. But this trend is misleading: the American economy is heading straight for a recession. The Federal Reserve has kept growth going artificially thanks to its quantitative easing policy. And everyone thinks these measures were effective, that this growth is healthy and that it will carry on without this help. They are wrong. Without this support the American economy will slump all over again.

Why is the American economic recovery not sustainable?

Because it is artificial. By introducing its quantitative easing policy (QE), the Federal Reserve has lowered interest rates and the price of money, which has stimulated recovery. But when the first phase of QE came to end, the Fed realised it had to introduce a second one, then a third, because growth couldn't be maintained without help. The only thing that the Fed succeeded in

doing was postponing the recession. With the end of the third wave of QE, the economy will be in the same mess as before. And the Fed will probably have to introduce yet another quantitative easing programme.

“In fact, if the USA was part of the European Union, we would have been kicked out!”

In the end, is the real economy not healthier in the USA?

No. Share prices have certainly shot up. But what about the rest of the country? People aren't better paid than before, and are getting into increasing amounts of debt. The middle class is only surviving on credit. Student loans are going up year on year and people are running up ludicrous debts on credit cards or to buy cars. This behaviour has been encouraged by the federal government, and the country thinks it can repay its debts later, which is dangerous. The United States have just as much debt as some struggling European countries such as France and Spain. In fact, if the USA was part of the European Union, we would have been kicked out!

Japan also introduced quantitative easing measures. Will it end up in the same situation?

Japan is already starting to feel the negative effects of quantitative easing. Inflation is too high, and the Japanese population is starting to seriously question this economic policy.

What about the eurozone?

The eurozone will probably continue to suffer from the same problems in 2015 as today. And Mario Draghi also intends to introduce a quantitative easing programme. But the policies of the European Central Bank will turn against themselves. By lowering the price of money, consumer prices will rise faster than wages. This policy will solve nothing, and will just make things worse. By weakening the euro, Europe will export their products with greater ease, but they will no longer be able to import. Wages will not be high enough to buy products manufactured on the continent. Making people poorer is hardly an effective economic policy, quite the contrary.

What needs to be done to improve the situation?

The eurozone needs to get to the root of the problem, by tackling the lack of growth and overly high rate of unemployment. There are too many regulations and too much public interference in the economy, too many restrictions and rules to be respected when hiring employees.

Is there a more positive outlook in China?

China is doing far better

than the West, both structurally and fundamentally. The country has enormous reserves of foreign currency and is not in debt. However, the renminbi is currently undervalued. The country now needs to stop buying dollars and euros. China should let its currency appreciate, which would benefit its population.

Swiss could have imported far more. Their purchasing power would have skyrocketed. A Mercedes would cost 30% less in Switzerland than today. The National Bank has robbed the Swiss population by buying so many euros to drive down the value of the Swiss franc. And now it's sitting on a worthless pile of money

positive changes. But given the status quo pushed forward by the left-wing Brazilian government, we can expect an even more hostile environment for investors. It would be better to look into other South American countries.

How are the prices of raw materials going to change?

At the moment the price of the dollar is artificially high for a number of reasons, which is lowering the price of raw materials. But in 2015, as soon as investors realise that the American economy is not recovering and that the Federal Reserve is going to launch another quantitative easing programme, the dollar will drop. The price of raw materials, set in dollars, will therefore rise.

“The Swiss National Bank has robbed the Swiss population by buying so many euros to drive down the value of the Swiss franc.”

What do you think about the Swiss National Bank's monetary policy, which is maintaining a fixed rate between the Swiss franc and the euro?

The dollar has dropped, the euro has tumbled, and the Swiss National Bank has done everything to fix the floor of the Swiss franc.

It's just ludicrous. Everyone currently thinks a weak currency is profitable and a strong currency will harm the economy, and they are wrong! Why not take advantage of a strong Swiss franc? You don't export goods for the sake of it. You sell them abroad in order to import other goods as a result. Without the intervention of the central bank, the

What advice would you give to investors for 2015?

Whatever they do, they should not buy bonds or American shares. They should try and find places to invest where their assets will be protected. Scandinavia, Australia, South-East Asia and a few countries in South American such as Peru and Chile should prove to be safe bets.

Could Brazil be a safe place to invest?

No. There are far too many political risks in Brazil. The Rouseff administration was hard on investors in Brazilian shares over the last few years. If the economically-minded Aécio Neves had won the election by surprise, it might have led to some

Which sectors are looking hopeful for next year?

Very few mainstream analysts dare to invest in precious metals at the moment. They have not performed as well as base metals recently, which is a historical blip. When people become aware of the US economy's slowdown and its reliance on quantitative easing, the price of gold will shoot up. This will push up the prices of other precious metals.

The energy sector has also suffered badly over the last few months, and will no doubt recover next year. ◀

TURMOIL IN THE FINANCIAL ANALYSIS SECTOR

Financial analysts become choice targets in times of economic crisis. Their recommendations are being criticised from all sides, as new FinTech start-ups undercut the market. Explanations.

By Clément Bürge

Can we really trust forecasts from financial analysts? That's the question that invariably pops up in times of economic uncertainty. Investors generally follow recommendations from finance sector professionals, but criticism is growing as to their ability to predict future trends accurately. And this criticism has been confirmed in a number of recent studies.

A 2010 statistical survey by the consulting firm McKinsey showed that analysts have been far too optimistic over the past 25 years. Their forecasts have been an aver-

age of twice as high as actual earnings growth. More recently in January 2014, Roger Loh, associate professor at Singapore Management University, and René Stulz, professor of finance at Ohio State University, published a paper challenging the accuracy of financial analysts. The two researchers studied the earnings forecasts and buy and sell recommendations issued between 1983 and 2011. They made some curious findings. Analysts do a worse job of predicting company performance in bad times. In fact, they are actually 46% less accurate than usual

in periods of crisis. To make matters worse, Roger Loh and René Stulz found that investors paid closer attention to analyst opinions when the economy is bleak.

Meanwhile, Oya Altınkılıç, assistant professor of finance at George Washington University, and Robert Hansen, professor of finance at Tulane University, examined whether analyst recommendations actually affect share prices. The researchers did not find that to be the case after reviewing 196,000 recommendations made between 1997 and 2007. "Analysts have no

The different facets of financial analysis

The generic term "financial analyst" actually covers several jobs with different purposes. The stock market analysis of listed companies, the field referred to in this article, is called "equity research". Concretely, equity analysts assess the performance of a company based on its books and business plan, taking into

consideration the economic environment and personal information and expectations. All this is used to determine a target share price. Equity research differs from so-called "corporate analysis", which examines the buying and selling of companies, or credit analysis, which studies the creditworthiness of firms. Nor should

financial analysis be confused with quantitative analysis, which exclusively involves applying mathematical models, often derived from statistical probability, and developing tools and algorithms to calculate risk.



Leigh Drogen, founder and CEO of Estimote.

influence on share prices,” says Oya Altinkılıç. “That role is totally exaggerated. They generally just follow company announcements and reflect them in their recommendations, without bringing any new information to the market.”

FLAWED METHODS

Analysts themselves admit that their job is a dicey one. Market behaviour naturally has a random element to it, making it difficult to anticipate. Even when applying the best analysis methods, unexpected events can occur. Analysts are virtually thrust into the role of a psychic looking into a crystal ball. “Our job is to predict the future,” says an analyst in Paris. “We are supposed to

determine, for example, what impact the Ebola virus will have on the global economy. That’s virtually impossible.”

“Much more information is available to the public than before.”

These experts often spend too much time aligning their recommendations with the news. “Market conditions can shift very quickly and in patterns that we are not aware of,” the Paris expert says. “Sometimes, things move too fast.”

RECENT START-UPS IN FINANCIAL ANALYSIS

A handful of companies are changing the way financial information is provided. Here is a selection of the top performers.

> ESTIMIZE

The wisdom of the crowd
Founded: 2012

This platform collects company performance estimates from more than 5,000 traders, analysts and students. Estimote claims that its crowdsourced opinions are 69.5% more accurate at predicting market fluctuations than Wall Street.

> TIPRANKS

Pooling expert opinions
Founded: 2012

Tip Ranks brings together all the recommendations of official analysts on its website, providing insight into what numerous experts think of a company’s performance.

> STOCKTWITS

Social media for traders
Founded: 2008

This online platform is used by investors and traders to post their opinion on companies in 140-character snippets. More than 300,000 investors, market professionals and companies share information with an audience of 40 million people.

>>

Furthermore, some methods once considered foolproof are now being put to the test. The Fisher equation, long used to calculate real interest rates, ceased to apply towards the end of the 2000s due to the excessive intervention from central banks.

“Today, analysts focus far too much on companies’ short-term earnings forecasts.”

WORSENING ENVIRONMENT

The financial analysis profession has also undergone some deep transformations in recent years. “New regulations issued in Europe and the United States over the past decade limit the type of information analysts can access,” says Professor Roger Loh. For example, the Sarbanes-Oxley Act passed in the United States requires analysts to base their opinions only on publicly available information. This was in reaction to some of the scandalous recommendations revealed by New York State Attorney General Eliot Spitzer in the early 2000s.

The worsening economy would also explain the lack of accuracy. Neil Scarth, an analyst at Frost Consulting, says that financial analysis budgets were cut by 40% during the most recent crisis. “And if analysts are increasingly expected to be selling

products, then we’ll spend less time doing original research,” the Paris analyst adds.

The IT revolution has redefined the role of financial analyst. “Much more information is available to the public than before,” says Robert Hansen. “Investors have heaps of data that can now be analysed by computers, so they don’t need analysts as much as they used to.”

THE POWER OF THE CROWD

Experts are calling for reforms in the sector. “Today, analysts focus far too much on companies’ short-term earnings forecasts,” says Thomas Kahn, from Kahn Brothers an investment firm based in New York. “They should spend more time picking apart companies’ long-term strategies to decide whether they’re viable and will boost their performance in the years to come, not just over the next few months.”

More importantly, new start-ups are revolutionising the sector. One of these is Estimote, an open platform that crowdsources company performance estimates. The key to its success? An algorithm based on the accuracy of past forecasts that eliminates less reliable opinions. “We have over 5,000 anonymous analysts contributing to cover more than 1,000 stocks,” says the company’s founder Leigh Drogen, a 28-year old New Yorker who began his career at a hedge fund.

Estimote boasts a track record that is 69.5% more accurate than Wall Street analysts. “We trust the wisdom of the

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> COVESTOR
Investment groupies
Founded: 2007

The Covestor investment marketplace allows the everyday investor to follow star analysts and adapt their investment strategies accordingly.

> SUMZERO
Sharing among professionals
Founded: 2008

Investment professionals from hedge funds, mutual funds and private equity funds use this community website to share information. Each member is required to share their analyses in order to have access to reports from other members.

> THINKNUM
Automatic analysis
Founded: 2013

This start-up uses all publicly available information to analyse company performance. Users can then view the information, present it in the form of a chart and share it with the rest of the community.

crowd,” Leigh Drogen says, referring to the theory that collective opinions are more accurate than those of a single individual. “Apple is covered by 42 analysts, but we have 207 contributors who follow the company,” he points out. “The advantage of higher numbers is even clearer for small companies, which are only followed by about six official analysts. ▲

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SWISSQUOTE
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Moleskine: fearless in the face of digital

Business is good for the Italian notebook maker. But in an era where digital technology is rendering its products obsolete, does Moleskine have what it takes to adapt?

By Clément Bürge

A Moleskine notebook is a thing of beauty. With slightly rounded edges and a leather-like cover, it bears an uncanny resemblance to a miniature bible or official document – maybe even a passport. Jotting down notes in one of these precious objects, one can't help feeling special, like more of an intellectual.

Moleskine's flagship product has become just as recognisable and revered as Burberry trench coats or Louis Vuitton handbags. The Italian firm's revenue has risen steadily in recent years, from €30 million in 2003 to €87 million in 2013. The company was even listed in April 2013, raising nearly \$626.5 million.

"It was unexpected – their performance has been impressive," says Andrew Sentence, an independent analyst based in Milan. "Last year, against all expectations, the firm's revenue increased in all regions worldwide. Sales in

Europe and Africa jumped 11% to €46 million."

That being said, Moleskine is in the paper business – a risky industry that many believe is headed for a dead end. Which begs the question: can a firm rooted in the physical world reasonably expect to survive in the age of smartphones and tablets? After all, we know what happened to Kodak and Xerox... But Moleskine is not folding its hand just yet.

"On the Milan Stock Exchange, Moleskine is considered a luxury brand."

Consumer behaviour has evolved over the years, and more people now prefer taking notes on tablets and laptops. But that's not the biggest threat to Moleskine. The company has to date relied on bookstores as its major distribution channel. "From a marketing stand-





The numbers

52.8%

The percentage of Moleskine's revenue from the "Europe, Middle East and Africa" region. The Americas and Asia make up 8% and 25% of sales respectively.

167

The number of employees at Moleskine.

30

The number of shops that sell exclusively Moleskine products – a total of 23 opened their doors in 2013.

11.5%

The rise in Moleskine's revenue between 2012 and 2013.

Rewriting history

Legend has it that Ernest Hemingway and Pablo Picasso both used Moleskine notebooks to compose their works. It's all part of the mythical aura surrounding the Italian company. But the rumour is false: Ernest Hemingway and Pablo Picasso never used Moleskine products.

Truth be told, the brand was actually founded in 1997 – long after their deaths. Moleskine's founder, Maria Sebregondi of the design firm Modo & Modo, drew her inspiration from a notebook described by the writer Bruce Chatwin in his book "The

Songlines." Moleskine is the name of one of the book's main characters.

The company developed a sound communication strategy by associating its notebooks with the two legendary writers. "It's an exaggeration," the Italian brand told the "New York Times" in 2004. "It's marketing, not science. It's not the absolute truth." That marketing strategy has really helped drive the company's excellent performance. In 2006, Modo & Modo was bought for €60 million by the SG Capital Europe fund, now Syntegra Capital.



Writer Ernest Hemingway at his desk (Havana, 1956).

JESSE A. FERNANDEZ / NEWSCOM

Analyst's recommendation

"A sound investment for the next two to three years"

Analysts point to the brand's strength and the fact that it has virtually no competitors at its level anywhere in the world. Moleskine's only competitor in Europe is German notebook maker Leuchtturm1917. Despite the progressive erosion of its main sales channel – bookstores – Moleskine is still a good investment. "Its share price is low at the moment," says Andrew Sentence, an independent analyst. "It's a good option for the next two to three years. Then, the firm is going to have to be able to sell more products through its own shops, as well as consolidating its finances."

point, it has allowed us to associate our notebook with the world of books," says Maria Sebregondi, founder of Moleskine. "When you buy a book, you're looking to discover a new world and enrich yourself as a person. We wanted to create the same feeling with our products." Nearly 73% of Moleskine's

revenue comes from sales through bookstores.

But the book market is in dire straits. "Bookstores are closing left and right, and Moleskine will have a harder time selling its products over the next few years. The company will need to find new sales channels."

To solve the problem, the Italian firm is trying to boost sales through its website. Moleskine has also started to open up its own shops in New York, Paris and London – a first for the company. "We really hope these new sales outlets will be a boon for the company," says Andrew Sentence.

A LUXURY BRAND

To stay afloat in the digital age, Moleskine is also looking to fully capitalise on its high growth potential. The company currently operates in 105 countries, but many regions still remain underexploited – like Asia. To date, the Asia Pacific region accounts for just 12.5% of the firm's revenue. "Moleskine has 228 million potential customers," wrote Mediobanca analyst Chiara Rotelli in 2012. "But the firm's actual customers currently number 3.3 million, which is only 1.5% of its potential."



Moreover, the company does not believe that tablets will replace its notebooks. After all, Moleskine doesn't sell run-of-the-mill paper products. On the Milan Stock Exchange, Moleskine is considered a luxury brand, like Prada and Salvatore Ferragamo. "A Moleskine product is not just a functional product," says Andrew Sentence. "Nowadays you can take notes with an iPad, but it's so much more satisfying to use a Moleskine notebook. It makes you feel chic and different."

The Italian company has nevertheless launched a series of new products to diversify its offer, including

iPad covers (which look just like the notebook), bags, pens and wallets. These products currently make up 16% of revenue.

GOING DIGITAL

More recently, Moleskine adopted a strategy to capture market share in the digital world. The brand created a notebook that can be used simultaneously with the Evernote smartphone app and that allows users to digitise what they write or draw in the notebook. In September, the company announced a partnership with LiveScribe to develop "smartpens", which save everything users write in a Moleskine notebook. "We saw an opening in the market,"

says Karen Tang, spokesperson for Moleskine. "Our customers have been hesitant to switch over to digital, as have we. We wanted to facilitate the transition." When the company was listed, these new products accounted for just 0.4% of revenue. The note-taking app had been downloaded more than one million times.

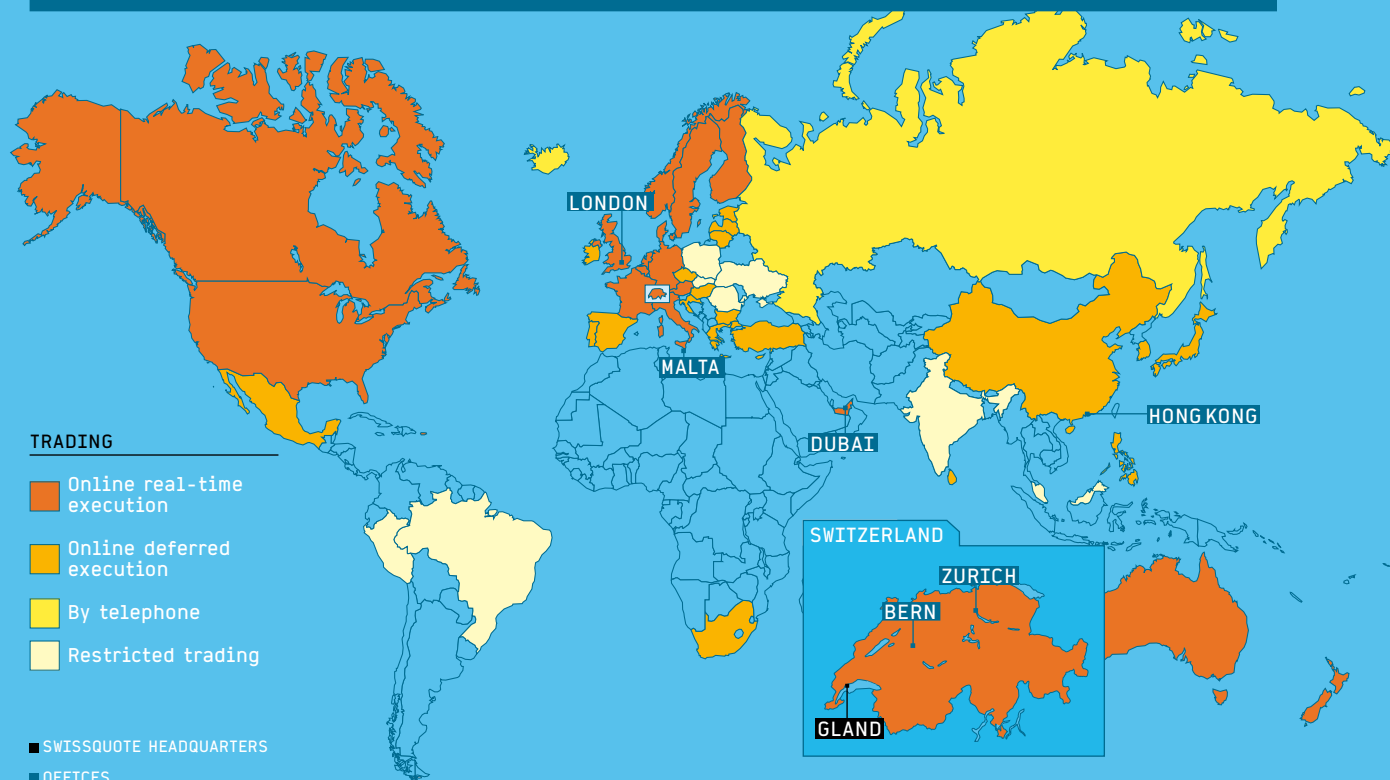
J.P. Eggers of New York University, who specialises in companies' transitions to digital, says it's a smart move: "It's a good niche market, and it will allow them to win over new, young



customers who are unfamiliar with the brand." ▲

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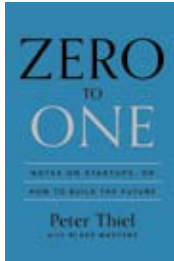
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TO READ

ZERO TO ONE

By Peter Thiel (Crown Publishing)



The ingenious entrepreneur and investor, who encourages young people to skip university to make their ideas a reality, needs no introduction. In his book, Peter Thiel defends a theory that challenges current public opinion. He argues that technology is stagnating and that progress will not necessarily come from Silicon Valley or from today's typical champions. Quite the contrary. Tomorrow's winners will not be in competition with others. They will be inventing or developing unique ideas.

THE INNOVATORS: HOW A GROUP OF HACKERS, GENIUSES, AND GEEKS CREATED THE DIGITAL REVOLUTION

By Walter Isaacson (Simon & Schuster)



The digital revolution was not led by loners but by groups. This observation comes from the best-selling author of Steve Jobs. The most famous innovators understood the importance of collaboration. Three people are required to make a technological project a success. The visionary who comes up with the idea, the engineer who develops its practical application, and the business person who finds a market for it.

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[iPhone, iPad, Android]



Augmented reality has been the exclusive domain of experts. But not anymore. Software programmes now exist that enable any user to bring a magazine to life. Users can create content such as video, animation and 3D models or design promotional campaigns. Of all the options out there, Wikitude is considered the best.

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Boxer
Free

AUTO

Backing up

With its new Twingo, Renault shifts back to the rear engine architecture that was so popular in the 1950s and 1960s. Although it has stirred things up in the technically city car sector, the choice is meant to be a pragmatic one.

By Philipp Müller

The small cars of the 21st century have come a long way since the Citroën 2CV's original design specification for "four wheels under an umbrella". But the quest for perfection and gentrification has flattened technical ingenuity, to the point where compact cars now only differ from each other in terms of style. And even then, automakers have to find a Michelangelo who can bring a harmonious sculpture out of a block of metal barely 3.6 metres long, while keeping the body as hollow and spacious as possible.

This means that a David is likely to end up looking like a Niki de Saint Phalle.... Adding a front engine transmission unit to that, meaning a high bonnet, and a long overhang, it comes as no surprise that aesthetic masterpieces in the segment remain a rarity. Exceptions include the modern-day Fiat 500 and Mini, two skillful strokes from the pen of the talented designer Frank Stephenson.

And Renault has some icons of its own. The original Twingo marked the 1990s with its cheeky look. Now, after a bland second generation, it was time for the French automaker to get its act together. The collaboration between Renault Nissan and Daimler was the perfect opportunity to make the new Twingo and the Smart part of the same family. And that is probably what finally convinced the decision-makers at Renault of the advantages of a rear engine. Design benefits – we'll get back to that – and especially cost reductions as the economies of scale are entirely based on sharing platforms and industrial equipment.

So the Twingo is moving to a rear engine, imitating the Fortwo, but the French engines will be going into the German Smart. In fact, the two-seater is even more French than the Renault, being manufactured in Hombach in France's Moselle department, while the Twingo is actually Slovenian. The

Novo Mesto factory is also producing the new Smart Forfour, which is practically a Twingo twin, featuring five doors, four seats and an equally lovely design, full of energy.

FOCUS ON STABILITY

Available with or without turbo (70 bhp and 90 bhp respectively), the three-cylinder engine in the little Renault is almost lying on its back to take up as little space as possible under the boot floor. From the outside, nothing gives the engine's rear positioning away. The cropped bonnet, too short to be real, hints at the new set-up, but only true connoisseurs will notice the larger rear tyres and silence of the transverse exhaust. Eyes are more willingly drawn to the dashing livery of the new city car, with a broad selection of personalisation options (rims, stickers).

Rear engine cars used to perform better on snow than traditional front-engine, rear-wheel drive vehicles.

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This is due to the weight distribution. But the VW Beetle, Renault 8, Fiat 600, Simca 1000 and NSU Prinz had other problems. And these problems could result in sudden, dire consequences. In the United States, the reputation of the Chevrolet Corvair was forever marred for these reasons, called “unsafe at any speed” by consumer advocate Ralph Nader. The advantages of the front-engine, front-wheel-

drive layout eventually won out for mass market compact cars, and the whole segment began to shift in the early 1970s, led by the Fiat 127 and Renault 5.

Today, the progress made in electronics – especially with Electronic Stability Programmes improving with each generation – can stabilise just about any set-up mounted on more than two wheels. This safety technology first

became widely available in the first-generation Smart. Without ESP, the Lilliputian vehicle would flip into somersaults in the “moose test”. Today, the Twingo manoeuvres on the road with such aplomb that its unique layout goes unnoticed. Having one of the largest wheelbases in its category gives it this edge, along with a balanced weight distribution, further reinforced when the seats are

occupied. As for the interior, the engineers made the rear engine work to an advantage. The cabin is particularly long – great news for legs – with a boot that is a bit high off the ground but still roomy (minimum 188 litres). It is also well insulated to keep heat beneath the vehicle. The new Twingo gets bonus points for the flexibility of its interior. With folding back seats and front passenger seat, cargo space stretches out lengthwise to a record 2.20 m! A clever storage space is also available under the back seat.

UNPARALLELED HANDLING

The short nose entirely devoted to absorbing energy in the event of a collision and the front wheels used



Rear engines are already common in modern electric cars, like in the new BMW i3.

only for steering purposes guarantee an upfront driving experience. Who said that Taylor's division of labour was only good for manufacturing? But, that's just for the classroom. However, as

efficient as it is on the road, the Twingo, being under high electronic surveillance, is admittedly not any more playful than its front-wheel drive counterparts. And steering isn't any more accurate either. But what handling! The lack of transmission shafts at the front makes the turning circle extremely tight, at an unprecedented 45 degrees! U-turns take up a mere 9 metres, making reverse gear only necessary for parking. With the help of a rear camera to get it just right.

The all-in-the-back layout has until now best served performance seekers such as Porsche, Lamborghini, Lotus and similar vehicles. But today, rear engines are already common in modern electric cars (Mitsubishi i-MiEV, Renault Twizy, BMW i3) and could creep back into some mass market segments where space, safety and handling matter. More than just nostalgia, technical progress has moved on, this time opening up the doors of diversity. ▲



Rear engines had their time of glory before gradually tumbling into oblivion in the 1970s. One notable exception is the Porsche 911 sports car which still features this configuration today. The VW Beetle, Simca 1000 and NSU Prinz and Fiat 600 (above) gained appreciation for their performance on snow compared with traditional front-engine, rear-wheel drive models.



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Buenos Aires is famous for being the Mecca of tango. A glimpse into the Argentine capital, in half-moons and leg hooks.

Salomé Kiner

In Europe, the tango is often lumped together with its Latin cousins, salsa, samba and cha-cha-cha. But for aficionados, the dance stretches far beyond the ballroom. Tango is first a musical style and poetic art form. Some of its artists, such as Astor Piazzolla and Carlos Gardel, have gained worldwide acclaim. Their memory lives on strong in Buenos Aires, with museums, squares and shows named after them.

Tango is also a lifestyle, overcoming social differences to bring people together in a community spirit, with its own codes and culture. "Tango's success comes in part from its therapeutic qualities," says Alejandro De Benedictis, an Argentine tango teacher in Geneva. "Women learn to let go, and men, who lead the dance, build their confidence."

Whether taking part in intensive workshops or simply watching the "milongas" (events where tango is danced), millions of tango enthusiasts make the pilgrimage to Buenos Aires every year. This tourist phenomenon is an economic boon for the country that is the top tourist destination in South America. But where there's industry, there's a production line. From private lessons (clases de tango) to dinner shows at clubs (casas de tango), from boutique hotels to themed tours, the "tango capital" pulls out all stops. To avoid cross-stepping into the wrong hands, here are three barrios (neighbourhoods) that we've scoped out for authenticity. ▲



Milonga at the Viejo Correo bar in Buenos Aires.

FLORIAN KOPP / NEWSCOM

A bit of history...

The art of tango originated at the end of the 19th century, influenced by the various waves of immigration. The dance has always been practised in "clubes de barrio", neighbourhood clubs frequented by the working classes. Tango hit an apogee in the 1950s before declining due to the growing popularity of rock music and its banning by military dictatorships.

Paradoxically, it was in Europe that the partner dance re-emerged half a century later in a new style. "Tango nuevo", as in the music by the group Gotan Project, is a fusion with electronica. Every 11 December, Argentinians celebrate the National Day of Tango. The dance was even added to the UNESCO Intangible Cultural Heritage List in 2009.



WALLY GIBETZ



MICHEL SETBON / PHOTOUNSTOP

San Telmo, the sailors' barrio

When arriving in Buenos Aires, travellers are often dismayed at the dilapidated state of the city's buildings. But San Telmo, where the first Spanish colonists stepped off the boat in the 16th century, is one of the oldest areas in the capital and, given its historic importance, has been remarkably preserved. People flock there to stroll through its small cobblestone streets, admire the colonial architecture and sift through the antique shops at the Feria de San Telmo. Every Sunday, this antique fair attracts thousands of visitors to the historic Plaza Dorrego. Tango street dancers seize the opportunity to perform for passers-by, setting a hat out for donations. Their moves are often more subtle than those of the fakes on Calle Florida, the inauthentic tourist area of the city.

More importantly, San Telmo is where the first clubs began to flourish, with sailors having brought tango to this port area from brothels in outlying areas of the city. The El Viejo Almacen dinner show is a legendary artefact from this golden age, as is the mythical Bar Sur. "In this type of show, the dancers follow a script," says Christos Eleftheriadis, an architect and tango lover living in Buenos Aires. "That's what we call 'tango for export'. These places are institutions, and the dancers are top-notch, but no one really dances like that."

The less spectacular but more authentic Torquato Tasso Cultural Centre gives master classes and offers excellent performances.

WHERE TO STAY IN SAN TELMO:

Mansion Dandi Royal Tango Boutique Hotel (Piedras 922), where everything from the façades to the basement milonga lives and breathes tango.

Palermo, the hip area

With an ample supply of restaurants, nightclubs and hotels, Palermo is the trendy part of Buenos Aires and the largest barrio. Gracing the quarter is the picturesque Jardín Botánico (Botanical Garden) for a breath of fresh air outside the cushy atmosphere of two ultra-famous milongas in the area, La Viruta and Salón Canning.

Palermo Soho is chock-full of small designer boutiques and is where Porteños go to shop. Between two sprees, a stop-off at Don Julio is a must to savour the local speciality, grilled steak. Unbeatable.

WHERE TO STAY IN PALERMO:

Home Hotel, for its retro-chic design, lofts, spa and pool.



Montserrat, the historical gem

Montserrat is the historical epicentre of Buenos Aires, where most of the action focuses on the Avenida de Mayo and Plaza de Mayo. Café Tortoni is a masterpiece of Art Nouveau architecture that serves what are officially the city's best churros. Inaugurated in 1858, the coffee house was once the hangout of writer Jorge Luis Borges and singer Carlos Gardel.

Today's patrons can still enjoy the company of these local powerhouses, now in the form of life-size wax figures. Entering the city's oldest cafe is like going through a time warp, with its old-fashioned charm and its intimate concerts. For those who prefer theory to practice, just a few steps away is the Academia Nacional del Tango, home to the Museo Mundial del Tango and its extensive collection.

WHERE TO STAY IN MONTSERRAT:

The legendary Hotel Castelar, a witness to nearly 100 years of the city's history.



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GOLDEN RULES OF TANGO

Before hitting the dance floor of a milonga, here is a quick review of the basic rules of etiquette.

> A tango always begins with a look, followed by the famous "cabeceo", the man's nod to confirm his invitation.

> The men are supposed to invite partners with an equivalent or lower level.

> Partners dance throughout a "tanda", a set of 4 or 5 similar pieces of music. Dance invitations take place during the musical break, called a "cortina".

> Tango is a creative improvisation dance. Careful tangueros generally only dance if they know the music being played.

> Tango partners move within a space of about one square metre around them, which moves as they do. To avoid collisions, the right distance should be kept with neighbours.

BOUTIQUE



Not so discreet

This season, the luxury lingerie brand Agent Provocateur goes for bold, running the gamut of flashy colours. The highlights in the Autumn-Winter 2014 collection of the oh-so-sexy British label include the Megan bra, thong and suspenders in a savvy mix of hot pink tulle and red lace, all outlined in black trim.

www.agentprovocateur.com

About \$600



Sun guard

Earning a nod at the Consumer Electronics Show 2014, the June bracelet measures its wearer's sun exposure and sends the information to their smartphone. The system's app then offers the user real-time sun protection advice. The perfect gadget for fans of winter tanning in the tropics.

www.netatmo.com

About \$115



Fat and round

The AeroTwist looks like a giant shiny doughnut but is actually a portable speaker system. This high-tech accoutrement connects to devices using Bluetooth or NFC technology and features four speakers, a subwoofer and a built-in microphone. Its rechargeable battery offers life of up to ten hours.

www.jarre.com

About \$380



Not quite a bike

YikeBike is the name of this New Zealand-designed personal transport system that is a cross between a bicycle and an electric motorbike. The two-wheel, pedal-less contraption comes in two models. The Carbon model is very lightweight (11.2 kg, 24.7 lbs) and maxes out at 23 km/h (14.3 mph). The YikeBike is easy to carry, folds up and fits into its own carry bag like a camping tent.

www.yikebike.com

About \$5,500



Hot gloves

Aviator GTX gloves are designed for aviation and air sports. Their built-in heating system lasts more than 20 hours and runs on lithium-ion batteries concealed in the lining. A touch function at the tip of the thumb and index finger makes it easy to use navigation devices and smartphones.

www.zanier.com

About \$480



Silver bullet

The Swiss mechanical luxury specialist Roland Iten has designed elegant bullet-shaped cuff links. An ingenious mechanism adjusts them to tailor fit the circumference of the shirt cuffs to hide your watch... or not.

www.rolanditen.com

About \$3,700



Chic acoustics

With table legs in solid oak and adjustable top panels in tempered glass, the LD Cube is the creation of the French designer Samuel Accoceberry for the La Boîte Concept brand. This minimalist Hifi coffee table packs in six speakers, a 2 x 50 watt amplifier, Bluetooth aptX technology and a USB DAC. The Hifi dock has been hailed by specialised press for its audio quality.

www.laboiteconcept.com

About \$1,310

By the fireside

The work of Peruvian designer Federico Otero, the Cocoon fireplace looks nothing like the hearth at grandmother's country house. These heating systems burn denatured ethanol, therefore producing no smoke and no mess. Their oval shape and minimalist design give them a sleek futuristic look that readily fits into any room in the house.

www.cocoonfires.com

About \$2,300



SHOP

CLOCKWORK

Women's selection

**Crème de la crème**

The Ballon Blanc is the jewellery version of the Ballon Bleu. Its retro art deco style features a small round case and a bracelet in a string of white gold droplets. The blue sword-shaped hands elegantly stand out on the mother-of-pearl dial set against Roman numerals, with a gleaming 0.20 carat solitaire diamond at 4 o'clock.

www.cartier.com

About \$40,000

Electro Elegance

Star watchmaker François-Paul Journe debuts this year on the ladies' watch market with the Élégante. This titanium and white rubber trimmed timepiece features an electromechanical movement that is framed by a turtle-shaped case set with diamonds. The technology offers a record lifespan as it automatically switches to standby mode when not worn.

www.fpjourne.com

About \$15,860

**An officer and a gentlewoman**

Patek Philippe has released a new ladies' watch in "officer's style". Featuring a yellow gold bracelet, classic round case and bezel studded with 66 diamonds, the wristwatch also features a moon phase function. The tiny seconds hand reveals its mechanical movement through a transparent backdrop.

www.patek.com

About \$46,000

**Rhapsody in blue**

Jaeger-Lecoultrre has introduced the first minute repeater in women's complications. Its latest creation from the Rendez-Vous collection features twisting ivy leaves set against a blue enamel face to match the night sky in the Vallée de Joux.

This lovely diamond-encrusted piece tells time with pure elegance.

www.jaeger-lecoultre.com

About \$280,000



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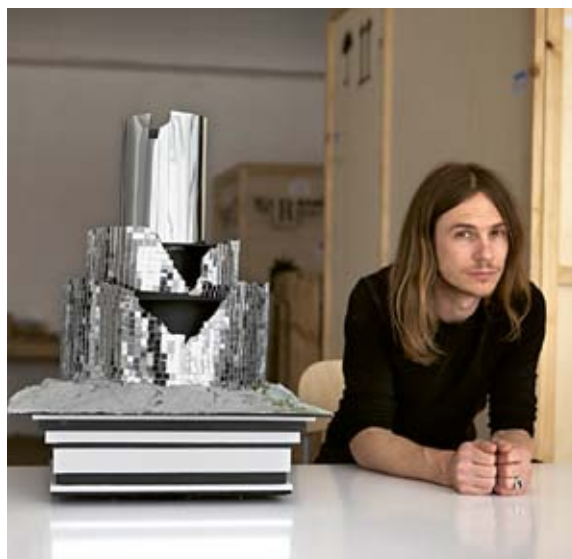
In each Swissquote Magazine, an artist describes his or her creative process. This month, we feature the Swiss artist and curator Balthazar Lovay.

“As if reading became a trance”

“After finishing art school, I worked as a music programmer. I noticed both in my artistic work and in programming that I was bringing together disparate objects to dialogue with each other. That’s certainly what characterises my work both as an artist and as curator. When I put together an exhibition, I sometimes start with a context, such as the area, city or history of the place where I’m invited to curate the event. Or, I start at the other end, with one or two objects, and use them to create a domino effect, always looking for additional objects that have something in common and then set them off each other to conceptualise a journey through these pieces.

For my set of works *Nochronos*, which recreates a huge carnival of masks and costumes, I began by collecting piles of documents and references on the subject. I studied a few traditions, in particular some prototypical examples, including the St. Sylvester mummers or *Silvesterklausen*, from Appenzell, to understand the system. With that as a basis, I incorporated disruptive or fictitious elements to create a new image of the subject.

In my case, the first good idea is not often the best. Of course there are exceptions. Or the first idea is used, but after being refined and simplified. Ideas don’t come to me as a ‘Eureka’-type experience. When you’re in a constant process of researching and developing ideas, it’s more like coming up with solutions or new relevant questions that emerge and gradually gain importance.



Balthazar Lovay (1978), artist, curator and co-founder of Hard Hat, a Geneva-based art exhibition space and publisher, explores a wealth of fields ranging from contemporary art to noise music, artists’ books and outsider art. In 2013, he became the director of the Fri Art art centre in Fribourg, where his programme stretches beyond visual art, venturing into architecture, design and soon experimental music.

Sometimes, while reading, my attention is drawn to inner thoughts that have nothing to do with the subject. I can read two or three pages while developing a parallel thought as if reading became a sort of trance to foster the creation of other ideas. To make sure they work, I share my ideas with those close to me, those I trust for their honesty. I turn to different people depending on the type of project. But as I’m slightly paranoid, I often seek out several opinions. Now, what I usually do is note in my phone a brief list of the main points. The rest lands on loose sheets of paper that I’m constantly losing and sometimes pop up when I’m working on another project.

What are my next projects? One project I’d like to do is a photographic documentary of the contemporary architectural vernacular in Switzerland that is not tied to any folklore or planned architectural programmes.” ▲



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