NEW PORTFOLIO MANAGEMENT

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The problems of the traditional Portfolio management

- The traditional portfolio management obtains an acceptable relative performance, nevertheless large and painful wealth losses may develop for the customers. This is a result from the share part being almost exclusively invested in blue chip, hence the portfolios move more or less in parallel with the market trends.

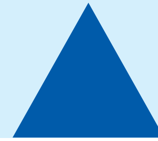
- The share prices repeatedly show an extremely good performance during certain periods. Nevertheless, the next crashfollows just as unexpectedly and inevitably. In 1987, 1994 and 1998 as well as in the 2003 crash, the investors lost a large part of their performance.

- The modern portfolio theorie with the traditional diversification malfunctions in the ever more strongly global environment: It is unable to limit depot losses.

- Traditional portfolio managers are only allowed to act according to the prognoses of the internal analysts, who very often only analyse a limited selection of blue chip in industrialised countries. The prognoses often lack transparency or are considered too inconsistent. Even in the case of a correct prognosis, the narrow margins regarding asset allocation usually prevent an improved performance.

- Alternative investments were not given enough consideration. Over the years 2000 – 2003 for instance, Canadian Income - Trusts with more than 15% dividend yield and a performance of 170% were just as little considered as the partially booming Emerging Markets.

- Partial investments were made in hedge funds only - these however are now less important. Hedge funds will be able to repeat the success of the years 2000 - 2003 only to a limited extent, because in the meantime they have become too common and the environment has changed.



«New Portfolio Management» as a way out

More than 15 years of experience at prominent positions in asset management of a major Swiss bank enabled Dr. Georg Hafner to develop a new investment concept. This concept has proven bases and facilitates a better use of the volatile and always surprising movements of the stock exchanges. As a result, large wealth fluctuations are reduced and performance is improved.

The «New Portfolio Management» has three pillars

1. Investment Philosophy:
   Long-term stability and performance
2. Investment Methodology:
   Global horizon with dynamic management
3. Investment Consulting:
   Independent and individually tailored advice

1. The Investment Philosophy

The «New Portfolio Management» of Dr. Hafner is based on stability and performance. The following comparison highlights the differences.

Traditional Portfolio Management	«New Portfolio Management»
• Relative benchmark	• Absolute benchmark
• Concentration on blue chip and AA-AAA bonds of the industrialised countries	• Fundamental expansion of the investment instruments and categories
• To advance fixed asset allocations with little clearance	• Dynamic, market-adapted asset allocation with broad possibilities
• Largest risk (asset allocation selection) is with the customer	• The portfolio manager administers mainly the risks
• The depots vary according to the stock exchanges of the industrialised countries	• The depot orients towards the best markets and instruments
• Principally similar asset allocation–categories for all customers	• Individual asset allocation and investment instruments
• Investment decisions only by the respective bank	• Systematic adaptation of asset allocation to the market tendencies and adoption of the recommendations of the best analysts world-wide
• Investments into the products of the respective bank	• Investments into the best adequate products world-wide

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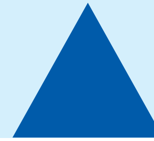
2. The Investment Methodology

The «New Portfolio Management» of Dr. Hafner is based on five principles for global and dynamic Investments:

1. The dynamic principle of the Portfolio Insurance functioned similarly as if a share and the corresponding puts and calls are being bought at the same time. Thus the individual shares, instruments and asset categories and thus the whole portfolio upward motions are strengthened and the losses are limited. At the beginning all asset categories (selected according to the wishes of the customer) are directly weighted, and subsequently, depending upon market dynamics one buys (at rising value) or sells (at sinking value) within the individual categories.
2. It is a fact that the indices of the blue chips of industrialised countries correlate always strongly with one another. Diversification within the blue chips affects themselves only in the relative bench mark - the large risks remain. In particular this dramatically affects assets with a dividend distribution for exemple pension funds, which will be used for daily life afterwards. In this case the «New Portfolio Management» based on fixed bench mark imposes itself.
3. With a genuine diversification and the dynamic investment policy a good loss coverage and performance are obtained simultaneously. Weight is put on the largest growing markets which are to be found in the emerging markets: Asia, China and Eastern Europe.
4. The risk of each individual investment will bes considered before purchase and precautions are taken in case of a negative performance. Risk securities are always at hand because prognoses are very difficult to make: Analysis of potential risks.
5. Own decisions and analyses are always compared with the best competitors. This principle has been put into practice for a long time already with the administration of depots with funds. The recommendations of analysts are considered in function of their above average success over many years.



3. The Investment Consulting

A key element that differentiates the «New Portfolio Management» from the traditional ways is the independence from banks: there is not an obligation to reach internal sales objectives and to sell internal standardised products.

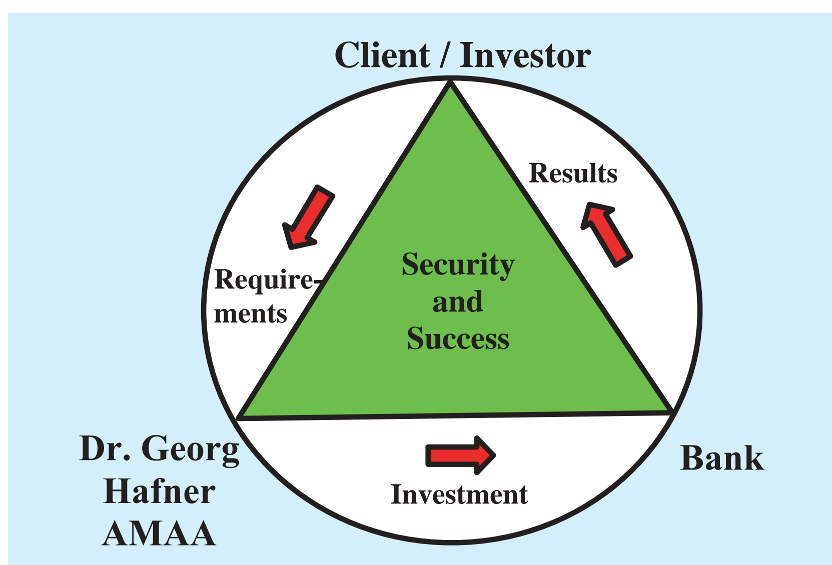
Along with the market tendency no other decision criterion exists besides the long-term interest of the customer. The choice of bank institution can be determined according to the customers' priorities.

In order that the customers' intentions and goals become equitable, assistance is called upon from the worldwide best analysts and instruments.

The situation of investor-adapted investments: At the beginning of an investment two fixed points are principally to be considered:

1. If the fortune is needed after a short investment period (e.g. house purchase), the entire funds are invested in short term assets, the only alternative being a 90-10-strategy.
2. A part of the funds with a potential investment period of over 5 years can be invested in volatile assets depending upon the market situation and the volatility tolerance of the customer.

The «New Portfolio Management» of Dr. Hafner puts emphasis on regular, comprehensive information of the customer. This being the only way for the customer to verify his instructions and to reconstruct all decisions and consequently gain confidence.



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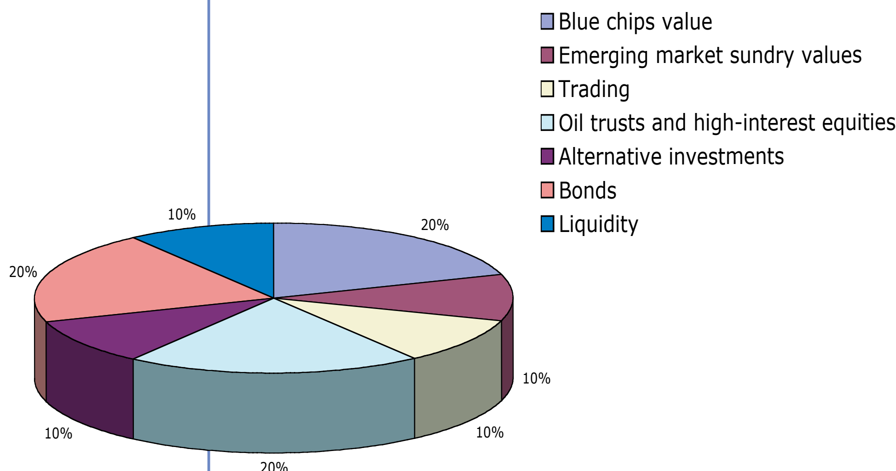
Verschiedene Investitionsarten

Type *	Quality	Expected return **	Risks / Opportunities	Minimising risks ***
Oil trust: production of oil, payments from overall Cash flow	BBB	10-18%, monthly payouts (short term: +/- loss in securities and profits)	1. Price of oil 2. Quality 3. Oil well productivity 4. CAD	1., 4.: hedging oil price and CAD 2., 3.: Diversification interest effect
Blue chips	AA - BBB	8%	1. Market development 2. Interest rates 3. Profit development 4. Sector development 5. Economic trends	1., 2., 5.: index put, reduction of equity 3., 4.: analysis, purchasing of puts, sale of calls
Emerging markets equities, sundry securities	A - B	14%	As above but with increased volatility	Timing
Trading	AA - B	12%	Quality of timing	Continual monitoring, discipline, stop loss
Fixed interest	AA	CHF approx. 2% USD approx. 4%	Development of interest advice	Sale of long term bonds, low duration
(Convertibles)	B - AAA	6%	Volatility of underlying stock, Premium	Managing the volatility and premium
Junk bonds	BB+ - CC	6-12%	Repayment capacity of debtors	Diversification, timing, national states as debtors
Alternative Investments: Short/Long, Arbitrage	open	8%	Quality of portfolio manager	Fund of fund
Currencies		4%	Volatility	Hedging through forward of sales
Gold		4%	Volatility	Timing

* Options, value stocks, growth stocks, sustainable investments are other possibilities.

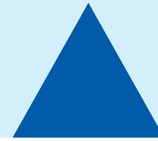
** These estimates are based on developments in the 1980's and 90's. They are working hypotheses (forecasts based on past values are always uncertain) for the examination of individual investment instruments. They are adapted to changing market conditions.

*** Hedging limits upwards performance and is costly, the objective being less to achieve positive performance as to prevent negative performance. Portfolio insurance helps risk minimising for the overall portfolio or for individual investment instruments. However, it is not effective in case of sudden unexpected sharp crashes (e.g. 1987).



Example of an initial asset allocation of a Swiss customer

The customer has an investment horizon of approx. five years (retirement) and an average volatility tolerance. The possible performance (based on the estimated partial performance) is on average approximately 8% per year. However it can vary from year to year. With the initiation of the payout period, the asset allocation must then be reconsidered and more conservatively arranged.



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Dr. George Hafner Asset Management and Advisory AMAA

- Independent professional financial advice that compares to the best investors
- Top respectable, responsible and experienced consultation and depot administration
- Decades of experience with the support of institutional customers
- Flexible, individually tailored advice, completely oriented to the customers' needs
- Custom-made portfolios and bench mark (excluding mass products and in-house standard instruments)
- Performance orientation combined with avoidance of large risks
- Investment styles adapted to the situation e.g. 90 –10 strategy
- Transparent information and feedback on a regular basis
- Services with Swiss quality

The personal Background of Dr. Georg Hafner

- More than 15 years of experience in top executive position in a Swiss global bank with responsibilities for portfolio management and asset allocation committee. Investment consultant and portfolio manager responsible for large private and institutional customers for a total volume up to 1.5 billion CHF: Tested professionalism in successful portfolio management in the world-wide competitors' comparison.
- PhD from the University of Zurich and special training with top asset investment specialists. Large experience in the evaluation of political and economic events, stock markets, currencies, secondary analysis of shares and fund, fixed income. Special experience in the use of derivatives strategies for shares, bond, currencies as well as in the implementation of different investment styles: top down, bottom up, value growth.

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