

Dear Clients,

The succession plan announced some time ago is gathering pace. My son Florian will be the first representative of the second generation to join the Hotz family business. The fundamentally important independence and unique investment philosophy of this remarkable company are secured for the long term.

This half-yearly letter is a special one, dear clients. I would like to focus in particular on the succession plan, which is important for you, our team and me. In this letter, I would like to tell you the story of our asset management company, which will be celebrating its 40th anniversary next year. I will then outline where we stand today, what our succession plan looks like and what our plans are for the future.

“There are more important things in life than constantly increasing its speed.”

Mahatma Gandhi, Indian lawyer and freedom fighter (1869–1948)

As you know, we have enjoyed an excellent organisation for many years with an extremely competent and experienced group of managers and a well-rehearsed team, ensuring that our day-to-day operations run independently of any single person – including myself. We have a high-calibre, four-member Board of Directors, a four-member Executive Board with decades of professional experience and a nine-member Investment Committee that meets at least once a month to determine our investment strategy and tactics. The DNA of “Hotz” is spread across many excellently qualified shoulders, so the “Pirmin Hotz key person risk” has long ceased to exist.

I will reach my statutory retirement age this autumn, and it is my good fortune to still be full of

energy. So I hope, health permitting, to be able to stay on board for many more years. My company and our valued clients are and will remain my passion. Nevertheless, it is my duty and responsibility as founder and owner to plan my succession early and prudently in order to carry this successful company into the longer-term future and secure its independence.

The history of our company begins in 1986 in St. Gallen

The roots of Dr. Pirmin Hotz Vermögensverwaltungen AG go back to my student days. As a young investor, I realised that there was a huge gap between the glossy brochures of the banking world, the promises of many product salesmen, the oracles of market gurus and reality. Hype and reality often diverged significantly. I was struck to see that every bank proclaims to have the best analysts, the best stock market forecasts and the best investment products and, of course, the best returns for their clients. I was impressed by the confidence and conviction with which many representatives of the industry predicted stock market developments that only very rarely materialised. I never understood why bankers primarily sold their clients high-margin, complex and non-transparent products instead of investing in the low-cost originals – direct investments in equities and bonds. I came to the conclusion that this could be done better, more honestly and, above all, without the conflicts of interest that such products inevitably entail. Rather than focussing on product sales, the sole priority should be the interests of the client.

“If liberty means anything at all, it means the right to tell people what they do not want to hear.”

George Orwell, British writer, essayist and journalist (1903–1950)

After obtaining my master’s degree in economics from the University of St. Gallen (HSG), I decided in the summer of 1985 to continue immediately with my doctoral studies. In my doctoral thesis, I focused on “modern portfolio theory” and the question of how securities portfolios can be optimally invested and globally diversified. I researched how efficiently and how quickly stock markets process new information, how reliable stock market forecasts by professionals are and whether there are strategies that can systematically – that is, not purely by chance – generate superior returns. Before committing professionally to the world of stock exchanges and financial markets, I wanted to find out what academic research had to say about the abilities and inabilities of investment professionals. This topic fascinated me because as a young investor I repeatedly attempted to succeed through stock picking, only to fall short due to overly high expectations. Unlike many bankers and asset managers who base their decisions purely on instinct, I believed it was essential that my future career as a wealth management expert – and especially my investment philosophy – be grounded in robust academic research, free of hocus-pocus. As a doctoral student, my goal was ultimately to learn everything of real value that academic research has to say about market forecasting and investment strategy – and that has remained my goal to this day.

When I started my doctoral thesis, I dreamed of the opportunity to join Goldman Sachs, Morgan Stanley or JPMorgan one day, to have a career in the “Big Apple”, New York City, the financial capital of the world, and aim for the top. The trouble with just focusing on my thesis was this: Simply writing

a dissertation – on what was in part a dry topic – seemed a bit academic to me. I was too “hungry” for that. So in 1986, as a 25-year-old HSG doctoral student, I founded Investment Consulting St. Gallen together with my Austrian flatmate Rainer Konrad. The partnership was run from our student flat on the fourth floor at Rorschacherstrasse 126. We each owned a 50% share in the company.

“An investment in knowledge always pays the best interest.”

Benjamin Franklin, founding father of the United States of America and writer, publisher, scientist and inventor (1706–1790)

Rainer Konrad and I complemented each other perfectly. While Rainer knew how to use a computer, I was still stuck with the good old typewriter. On the other hand, he hardly understood anything about capital markets and asset management. So I contributed my expertise in the field of capital investment to our partnership. Together, we developed the “General Exchange Price” seminar, which we offered to interested investors in Eastern Switzerland and publicised via articles and advertisements in the St. Galler Tagblatt and Die Ostschweiz. During the day, we worked on our entrepreneurial projects, while we often worked on our doctoral theses late into the night. In autumn 1986, we rented a seminar room at the Hotel Einstein, the leading hotel in St. Gallen, for four evenings for our first event. The aim of our seminar was to demonstrate in a practical and accessible way how investing with equities, bonds, property, foreign currencies and modern financial instruments works. With a lot of passion and commitment – we had to follow up with numerous interested parties by phone to convince them to take part – we managed to get the seminar fully booked. The success spurred us to organise a second event in spring 1987.

“The most important thing in our profession is passion. You have to show discipline and perseverance, be passionate about what you do. The road to the top is arduous and requires stamina.”

Andreas Caminada, top Swiss chef with international appeal, interview in *Fine to Dine*, spring/summer 2025

Our speaking engagements at the Hotel Einstein in St. Gallen also provided us with the ideal platform to take our first steps as asset managers. Three course participants were so impressed by our presentation that they immediately transferred some of their assets to us to manage. The signing of the first asset management contracts, which we successfully secured, was an exhilarating moment we would never forget. The step into independent entrepreneurship had been taken!

The success of our seminars for private investors motivated us to offer adapted versions to interested banks and financial institutions. We developed seminars in the areas of “Modern Portfolio Management in Practice” and “The Practical Use of Modern Financial Instruments”. The seminars on these topics proved to be perfectly timed over the next few years. In 1988, the SOFFEX exchange (Swiss Options and Financial Futures Exchange) opened in Switzerland and two years later the DTB (German Futures Exchange) opened in Germany. These were ideal opportunities for our derivatives seminar on options and futures. In 1990, the awarding of the Nobel Prize to the economists Harry Markowitz and William Sharpe for their work in the field of Modern Portfolio Theory gave us fresh momentum for our “Modern Portfolio Management in Practice” seminar.

“Happiness does not lie in the mere possession of money; it lies in the joy of success, in the thrill of creative endeavour.”

Franklin Delano Roosevelt, 32nd President of the United States of America (1882–1945)

During this time, I had an encounter that shaped my decision to become self-employed after graduating. As in every year, the Forum was held at the University of St. Gallen, a platform that gives graduating students the opportunity to connect with companies such as Nestlé, Roche or UBS (at that time SBG and SBV). During this economic boom, we were heavily courted by the top companies. The plan was to go to the “Forum” with my colleague Rainer Konrad to “turn the tables”, so to speak. As new young entrepreneurs, we were not interested in the lucrative jobs that the HR and finance managers there were offering us. Rather, we wanted to promote our seminar services to them. But as luck would have it, my colleague Konrad came down with the flu that very day, so I had to undertake this adventure on my own.

I went to the HSG, looked at the various bank stands, plucked up all my courage and approached a bank that wasn’t too big – in my opinion, large banks had enough specialists of their own to train their managers. After some hesitation, I aimed for the private bank Vontobel. There stood Dr Urs Ernst, a young analyst and later member of the bank’s Executive Board. My greeting was as follows: “Hello Dr Ernst, my name is Pirmin Hotz. I know that the purpose of the forum is actually a different one, but I would like to put a proposal to you. I am a doctoral student at the HSG. Together with a fellow student, I’ve founded a company called Investment Consulting St. Gallen. We’ve developed seminars that cover all key stock market topics – from equities and bonds to hedging strategies using options and futures. We would be happy to train your managers so that they are equipped to deal with growing client needs.”

Urs Ernst's response was immediate: "Thank you very much, Mr Hotz, for your offer, but Vontobel has the size and expertise to train our employees with our own specialists. We therefore see no need for your training." His response was disappointing, but not discouraging.

The Julius Baer stand was located diagonally across from Vontobel. Before I approached the two gentlemen there, I took a 10-minute walk around the "Forum" so as not to come across as a door-to-door salesman. Then I plucked up my courage again, went over and told the same story I had told to Vontobel. A nice middle-aged gentleman (he must have been around 50 years old) immediately took an interest in my request. He was Helmut Saurer, a member of the Executive Board and responsible for the bank's entire institutional business. He was a graduate of the HSG himself, which was an advantage for me in setting the tone. Fortunately, I had brought a copy of one of our seminars with me in a ring binder, because Helmut Saurer asked me if he could take it with him. He would submit it to one of his directors for review. I would then hear from them again.

"Education is the most powerful weapon you can use to change the world."

Nelson Mandela, former South African president, freedom fighter and Nobel Prize winner (1918–2013)

A few days later, Director Paul Lang, the friendly head of training at Bank Julius Baer, called me and referred to my meeting with his boss Helmut Saurer. He invited me to a meeting followed by lunch in Zurich, at which his fellow directors Liensberger and Merz, who were responsible for the private and institutional client business, would also be present. Wow, an invitation from three directors of arguably the most renowned private bank in Switzerland – what an opportunity! Luckily,

I found some slightly dusty clothes, a shirt and a tie, in my student flat. So a few days later I made my way from St. Gallen to Zurich. There I was welcomed by the three directors and I was able to present my seminar idea at a lunch on the bank's executive floor. Messrs Liensberger and Merz signalled a certain scepticism as to whether a young upstart like me, who had no practical experience, would be able to assert himself with the bank's long-serving and critical client advisers. Some of them were old foxes and there was a danger that they would "tear me apart". I tried to dispel the doubts, which I largely succeeded in doing. Then Paul Lang said: "So Mr Hotz, this is how we'll do it: We'll give you the opportunity to simply hold a trial seminar day for around 20 of our employees. If you're good and we get positive feedback, then we'll talk about a larger assignment." Of course, I was more than happy with that. I accepted the challenge.

At the end of the wonderful lunch in the dress circle (the banks have always been masters at staging such meals), Paul Lang asked me this: "How much will this one seminar day cost us, Mr Hotz?" Phew. Of course I had expected this question, but I had shied away from it like the devil shies away from holy water. I knew that if I sold myself too cheaply, I would be a low-cost provider for the rest of my life because my price tag was fixed. If, by contrast, I sold myself too expensively, I would run the risk of being shown the door at the prestigious private bank on Zurich's Bahnhofstrasse as a presumptuous student. I took a deep breath, paused, and emphasised that the day rate I was about to quote would include everything: my daily fee, preparation time, travel time and expenses, the cost of producing seminar materials, and all other associated costs. I then named the daily fee, "4,000 francs!", and tensely awaited the reaction of the three directors. Of course, I really wanted the honourable contract, so I would have accepted it even for a lower fee. I'll never forget how cool Paul Lang was in reacting to my offer: "OK, Mr Hotz, that's fine with us. Let's do it." I was relieved and drove back to St. Gallen feeling good.

“It is no disgrace to know nothing, but it is a disgrace to be unwilling to learn.”

Plato, ancient Greek philosopher and student of Socrates (428/427 BC–348/347 BC)

A few weeks later, I travelled back to Zurich and held my seminar day. I gave it my all and handled the critical questions from the participants with aplomb. After this trial day, Paul Lang immediately called me at my student flat – or “company headquarters”, as I liked to call it – in St. Gallen and told me that he had received extremely positive feedback. The participants received me very well as a speaker, which is why they decided to engage me for an entire series of seminars. I was contracted by Julius Baer to train all of the bank’s client relationship managers in the area of derivatives and was also personally introduced to the bank’s legendary CEO, Hans J. Baer (the father of the future CEO Raymond J. Baer). If I remember correctly, this first major engagement included 15 seminar days (5 events of 3 days each). Naturally, I was expecting Paul Lang to negotiate a flat fee with me that would be significantly lower than the agreed 4,000 francs per day. To my surprise, he said at the end of our telephone conversation: “But, Mr Hotz, you are in agreement that we should leave the daily rate for the entire seminar series at 4,000 francs, right?” I certainly agreed! 60,000 francs for – net – 15 days of work, what an income for a student! I was in seventh heaven. For my doctoral student colleagues, who toiled away as assistants to their professors for 2,000 francs a month and (at least) a 50% workload, a world collapsed. They could hardly believe it. From then on, when I negotiated my daily fee with other banks, it was almost a done deal. I referred to Julius Baer, which was enthusiastic about my seminars and paid me a daily rate of CHF 4,000 – from that point on, it became the benchmark. I subsequently worked as a consultant for Julius Baer for around two decades and trained their teams.

“Education is what remains after one has forgotten everything they learned in school.”

Albert Einstein, genius, physicist and founder of the theory of relativity (187–1955)

In addition to the private bank Julius Bär, in 1987 and 1988 we succeeded in acquiring the St. Galler Kantonalbank, the Thurgauer Kantonalbank, the regional bank CA St. Gallen (now Acrevis), the Association of Swiss Regional Banks and the financial data service provider Telekurs (now SIX) as consulting clients.

This pioneering phase also included the “pyjama story”, which I described in my book “About Greed, Fear and the Herd Instinct of Investors”. I will never forget how I opened the door of our “company headquarters”, or our student flat, on a spring morning in 1987 to our first asset management client – his name was Schneider – while wearing my pyjamas. I was firmly convinced that it was “only” the postman who wanted to deliver a registered letter to one of us four flat-sharing students. All the more embarrassing, then, to find myself face to face with Mr Schneider, who had spontaneously come by for a client meeting. It was also at this time that I met a director of Merrill Lynch, also described in the book, who persuaded me to encourage my father to place money under the management of the banker – only to see it all lost in a few months. It was a bitter but incredibly valuable experience – one that still shapes my view of so-called gurus to this day. In our early start-up phase, we were also put to the test by the historic stock market crash on 19 October 1987 – the infamous “Black Monday” – which sent shockwaves around the globe and caused the market to drop by more than 20 per cent. Those wonderful pioneering entrepreneurial days in St. Gallen remain an unforgettable memory for me. They laid the foundation for our company’s success today, which is why we date our company anniversaries back to the founding of Investment Consulting St. Gallen in 1986.

Return to Baar in spring 1989

I completed my dissertation at the University of St. Gallen in 1988. Because of a level of success I had never thought possible, I decided to bury my dream of a career in New York and head down the entrepreneurial road right out of university. Subsequently, I parted ways with my Austrian business partner. Together with Daniel Lanz, a former member of the management board of Zürcher Kantonalbank, I founded Theta Finanzberatung & Portfolio AG in 1989 at its current headquarters in Baar. I transferred the bank consulting and asset management mandates I had built up in St. Gallen to the new company. For his part, Lanz also brought a number of private clients into our asset management business. He also had contacts at banks that were interested in our consulting and seminar services. Again, we each owned a 50% stake in the company.

“I am convinced that about half of what distinguishes successful entrepreneurs from unsuccessful ones is pure perseverance.”

Steve Jobs, US-American entrepreneur and co-founder of Apple (1955–2011)

We quickly succeeded in acquiring other renowned banks and financial institutions in Switzerland, Germany and Austria as clients. They included, for example, Schweizerischer Bankverein (now UBS), Schweizerische Kreditanstalt (now UBS), Privatbank Sarasin, Zuger Kantonalbank, the German private bank Trinkaus & Burkhardt (now HSBC), Dresdner Bank (now Commerzbank), Bayerische Hypotheken- und Wechsel-Bank (now UniCredit), Bankgesellschaft Berlin, Westdeutsche Landesbank, Landesbank Schleswig-Holstein and the consulting firms Ernst & Young (EY) and Schweizerische Treuhandgesellschaft (STG). We also offered our seminars via the Centre for Corporate Management (ZfU) and the SOFFEX derivatives exchange. In Germany, we partnered with the Vereinigung für Bankberufsbildung (VBB) in

Frankfurt am Main and with the renowned Börsen-Zeitung, through which we offered our three-day seminars. In the late 1980s and early 1990s, our activities focused on advising banks, banking associations, stock exchange institutions and international consulting companies. As a consultant and seminar speaker, I was on the road around 140 days a year during this phase – hotels and airports became my constant companions.

Parallel to our intensive lecturing activities, we gradually expanded our asset management business and in 1989 won our first mandate from a pension fund – the fund of a locally based, publicly listed and internationally operating paper company. In the same year, we hired our first secretary and our first portfolio manager. When acquiring our asset management mandates, we naturally had neither references nor a track record to present ourselves in a favourable light in terms of marketing. Our best argument was that we trained experienced bankers and client advisers from Julius Baer or Schweizerischer Bankverein (now UBS). Our numerous consulting mandates from renowned banks in Switzerland and Germany were our best and only reference for winning clients for our asset management. That worked wonderfully.

Düsseldorf as a valuable experience

In 1992, at the age of almost 32, I received an honourable offer from Düsseldorf. It came from Germany's largest and most renowned private bank at the time, Trinkaus & Burkhardt. After I had the honour of conducting several seminars for the bank, Herbert Jacobi, the spokesman for the personally liable partners, asked me whether I would like to take over the position of CEO of the subsidiary Trinkaus Capital Management, where the entire institutional business was based. As tempting as the job and the almost unbelievable salary were: After having had a taste of self-employment for a few years, I declined the offer with a heavy heart, but great conviction. But the smart banker Jacobi remained persistent and offered me an exciting exclusive cooperation as an alternative, which guaranteed my economic independence. The partnership was aimed at supporting the bank in acquiring and advising

institutional clients, expanding its business and raising its quality to a new level. I was also offered a seat on the Supervisory Board of Trinkaus Capital Management in Düsseldorf and on the Board of Directors of the Swiss subsidiary bank in Zurich.

“Success lies in having exactly the skills that are in demand at the moment.”

Henry Ford, American inventor, automobile pioneer and founder of Ford Motor Company (1863–1947)

The lucrative exclusive partnership with the private bank, which was geared towards acquisition success, was a great opportunity for me that I wanted to seize. From the beginning of 1993, I spent 100 to 130 working days a year on this extraordinary project. Accordingly, I reduced my consulting and seminar activities. For six years, I got to know interesting investors throughout Germany, advising and acquiring them on behalf of the bank – without being employed by it. I remained completely independent and met the bank’s potential clients and investors with a business card stating “Member of the Supervisory Board”. This type of partnership, which was very entrepreneurial on both sides, would hardly be conceivable today – if only for regulatory reasons.

The exclusive partnership with the elite private bank in Düsseldorf’s “Königsallee” lasted from 1993 to 1998. For me, this period involved intensive travelling throughout Germany – usually four flights a week, concentrated on the weekdays from Sunday to Wednesday. I felt like an itinerant preacher travelling all over Germany to explain to institutional investors (including listed international corporations, insurance companies, pension funds, savings banks, doctors’ funds, church institutions and professional associations) what they should do with their assets. At the same time, I expanded my base of asset management clients in Switzerland and continued to advise several banks, most notably Julius Baer and Sarasin

– primarily from Thursday to Saturday (smaller banks were happy when I came in on Saturday, as they could bring all their employees together without taking them away from their day-to-day work).

My partnership with Trinkaus & Burkhardt in Düsseldorf was very successful. We increased assets under management fivefold within just a few years. Since I had signed a performance-based contract, this turned out to be an absolute stroke of luck for me – not only financially, but also in the form of valuable experience in dealing with prospective investors.

“The ability to say no is perhaps the greatest personal freedom.”

Paulo Coelho de Souza, Brazilian writer and author

In 1998 – it was the sixth and final year of the partnership envisaged by both parties – I received the honourable offer to become a personally liable partner of Trinkaus & Burkhardt from Dr Sieghart Rometsch, then spokesman for the personally liable partners of the bank. At that time, this was probably the most sought-after and best-paid banker job that Germany had to offer. If I had accepted, it would have catapulted me into the headlines of the media, because at the age of 38 I would have become by far the youngest member of the personally liable partners of Germany’s most renowned private bank. As lucrative as this offer was, I turned it down with the utmost conviction. I would have had to give up my entrepreneurial independence, which had long since become non-negotiable, and move to Düsseldorf with my family. Despite all the fame and honour, that was out of the question for me – perhaps even precisely for that reason. I preferred to remain a small king rather than become a great servant. I will never forget the years in Düsseldorf, because they brought me together with countless senior figures from the German corporate world at a young age, with whom I was able to talk as an equal.

Foundation of Dr. Pirmin Hotz Vermögensverwaltungen in 1993

My decision towards the end of 1992 to enter into an exclusive cooperation with the Düsseldorf bank was linked to the separation from my business partner Daniel Lanz, with whom I had been associated for three years, as I had been with Rainer Konrad. Subsequently, in 1993, I founded Dr. Pirmin Hotz Vermögensverwaltungen AG, to which I transferred all of the asset management mandates. The company's headquarters remained at Dorfstrasse 16 in Baar, as it still is today – in the building that my father built in the 1970s. Since then, I have owned all the shares in “Hotz”. After my experience with 50/50 ownership, I decided at the beginning of 1993 not to sell any more shares in my company in order to ensure a clear ownership structure. Instead, I brought entrepreneurial partners on board and gave them a significant stake in the success of the business without them becoming co-owners of the company. This model has proven to be successful for decades. I am convinced that a clear ownership structure is the best way to ensure the long-term independence and investment philosophy of a family business.

“The true art of living is to see the marvellous in the ordinary.”

Pearl S. Buck, US Nobel Prize winner for literature (1892–1973)

After ending my cooperation with Trinkaus & Burkhart, I devoted myself to expanding my asset management activities – with a focus on Swiss and German clients – alongside selected bank consulting mandates. One pleasant consequence of this was that my business trips were reduced, so that I had more time for my family. In 1994, I married my wife Barbara, who took on a leading role in the upbringing of our three children and also gave me the support I needed to build my company. I am deeply indebted to her for this. Time with the family was and is of fundamental importance to me.

The first partner I took into my current company at the beginning of 1993 was Raimund Zemp. A former

client advisor at Schweizerische Bankgesellschaft (now UBS), he supported me in all aspects of the day-to-day business. While I spent most of my time travelling in Düsseldorf, Frankfurt, Hamburg, Munich, Berlin, Dresden and Stuttgart, he looked after “my” clients, guided the staff and, together with an assistant, managed the client portfolios.

“Great things in business are never done by one person. They're done by a team of people.”

Steve Jobs, US-American entrepreneur and co-founder of Apple (1955–2011)

In 1997, Adrian Bachmann joined my company as the second partner. Adi, a passionate client advisor, is still part of my team today, still highly committed, and the longest-serving of my partners. It's hard to imagine my team without Adi. He is still in excellent form and has promised to remain on board for years to come. I am always impressed by how Adi maintains and expands his network of relationships, even at an advanced age. He is a gifted business developer with the right instinct for clients' concerns.

The challenge of 2006

If there was a difficult phase in my entrepreneurial career, it was the year 2006. Business was in full swing – we surpassed the billion mark in assets under management for the first time and were already one of the largest independent asset managers in Switzerland at the time. After 13 years with the company, my partner Raimund Zemp decided to head in a new direction and leave the company. The decision came as a surprise and was a personal disappointment for me. He left a gap that could not easily be filled in the short term. During this challenging time, my working days often lasted well into the night. After Raimund left at the end of 2006, our team consisted of me and my modest contribution, my partner Adrian Bachmann, Reto Kalkhofer and Sandra Stocklin. To this very day, I remain grateful

to the three of them, who are still important pillars of our team, for their active support during this challenging phase.

“Bordeaux. I prefer heavy wines so that I can wash down all my worries.”

Peter Voser, Chairman of the Board of Directors of ABB and former CEO of Shell

It turned out to be a real stroke of luck that in 2007 I happened to meet Thomas Hauser, a PhD economist who was a consultant at PPCmetrics, Switzerland’s leading pension fund advisor. I managed to bring Thomas on board as a new partner. This decision has turned out to be a great “win-win” for both of us throughout all the years we have worked together. With his expertise in the institutional business in particular, Thomas has contributed a great deal to making our company what it is today. He looks after an extensive base of Swiss and German clients and has systematised the processes and workflows in our growing and increasingly digitalised company. Like Adi, Thomas is and will continue to be an important part of our team and I am delighted to be able to continue to count on his valuable support.

Guido Hoyer, an exceptionally talented client advisor, joined our company as a partner in 2012. With his engaging and pragmatic manner and his first-class network of contacts, he has already brought us many outstanding client relationships. Client service is his passion. I am sure that he will remain part of our team for many years to come, just like his partner colleagues Adi and Thomas. The youngest partner in our group is Renato Brand, who has been with us since 2022. Renato has been leading our portfolio management team with great care and the utmost professionalism for a decade. His role as the “engine room” boss is very important, as he and his team guarantee that our successful investment philosophy is implemented consistently and as flawlessly as possible. Finally, Serge Koch, a young and exceptionally talented client

advisor, has joined the Executive Board, ensuring that our leadership team is broadly supported.

“If you always do what you can already do, you will always remain what you already are.”

Henry Ford, American inventor, automobile pioneer and founder of Ford Motor Company (1863–1947)

Even though it is difficult for me, I will refrain from listing and describing all 26 team members by name. I am very proud of this extremely qualified, client-focused and down-to-earth team and it still gives me great pleasure every day to work with all these fantastic people. Nevertheless, from an entrepreneurial point of view, it is important to recognise the finite nature of one’s own existence and to plan one’s succession early and prudently. Anything else would be irresponsible – irresponsible towards the team, but especially irresponsible towards you, dear clients.

The next generation is growing up and ready

As I explained in a previous client letter, I am the father of three wonderful grown-up children. Désirée, my youngest, completed her Master’s degree in History at King’s College London in autumn 2022. She is currently writing her doctoral thesis at the same university. Désirée signalled early on that her passion and strengths lie in historical and political topics. At least from today’s perspective, the budding historian sees her path outside our family business. My older daughter Victoria obtained her Master’s degree in law from the University of St. Gallen in spring 2023. She then completed her year as a trainee at the American law firm Baker McKenzie in Zurich. This was followed by an internship at the Cantonal Court of Zug, which is a prerequisite for admission to the bar. It remains to be seen whether and in what form Victoria will one day play a role in the succession plan of the family-owned asset management company. There is no doubt in my mind that she is capable of doing this.

Florian, my eldest “child”, graduated from the University of St. Gallen with a Bachelor’s degree in both Business Administration and Law and then had the opportunity to complete his Master’s degree at the University of Oxford. Florian’s time in Oxford was an unforgettable experience that gave him a wealth of expertise, valuable experience and countless friends from all over the world. His strong affinity for the structure and workings of the stock and capital markets was already apparent when he was a teenager. Whenever we see each other, we discuss current events in the financial markets. The father’s financial virus has undoubtedly been passed on to his son. After graduating from Oxford, Florian worked in the investment banking department of the major American bank Citigroup in London before joining the investment team at Kite Lake Capital, a specialist asset manager in London. Although Florian has long internalised and shared my investment strategy and views on the predictability of financial markets, he felt the need to gain his own professional experience and achieve his own goals before joining the family business.

“Experiences are not inherited – everyone has to gain them for themselves.”

Kurt Tucholsky, German writer and journalist (1890–1935)

Planning and successfully implementing the succession of a family business is probably the greatest challenge an entrepreneur has to master. There are fundamental questions that need to be asked and answered. First: Are one or more of my children capable of leading the mature company and its clients and team into a successful future? Second: Are one or more of my children also willing to succeed me? There are two memories that have especially shaped me in the context of succession and in answering these two questions. I would like to share them with you.

Succession planning as a challenge in the life of an entrepreneur

As a student, I listened to a presentation given by a successful and charismatic Swiss entrepreneur in the auditorium of the University of St. Gallen. I was just starting out as a young entrepreneur and hung on the speaker’s every word as he told his company story in an entertaining way. After the presentation, we were allowed to ask questions. The last question from a student has remained with me since then: “Will your son take over the management of your company one day?” We all recognised the sensitivity of this question, as the speaker’s son was also sitting in the room listening. The patriarchal-looking entrepreneur did not hesitate and said in a firm voice: “The bar is very high for my successor. He must be able to prevail over internal and external candidates and be particularly qualified. My son would not be able to meet these requirements, which is why he is out of the question as a successor.”

“I only drink with people I like. With people I don’t like, I drink first.”

Klaus Kinski, German actor, director and author (1926–1991)

The harsh statement from the entrepreneur and family man was hard to swallow, and probably not just for me, but also for many other students. Even though I still can’t understand how insensitively the entrepreneur discredited and “dismissed” his own son in front of us students, his statement has had an enormous influence on my own succession planning to this day. Since then, I have known all too well: “If you want to and intend to pass on your own company one day, you can only pass it on to capable successors.” I have to be honest and as objective as possible when assessing the abilities of my own children. If I hand over my company to a child who is not up to the task, I am not doing anyone a favour: Not our clients, not the experienced team, not myself and certainly not my own child or children. They will be unhappy if succession planning goes wrong, and the dream of succession turns into

a nightmare. In the worst case scenario, the interpersonal relationship between father and child could even break down – a horrendous scenario that has unfortunately often become a reality in the business world. This must be prevented at all costs.

“Preserving tradition does not mean keeping the ashes, but passing on the fire.”

Jean Jaurès, French historian and socialist politician (1859–1914)

The second occasion that left a lasting impression on me came about 10 years ago when I read an interview with a German entrepreneur who had handed over his life’s work to his daughter. When asked what was the most important thing for him in the succession process of his family business, he replied: “The children have to impose themselves.” It’s no use, the entrepreneur continued, if a child is capable but doesn’t have the inner fire to take over. Anyone who asks or even urges their child to succeed them would be doing neither the child nor the company a favour, he added. This statement made sense to me and impressed me. I vowed not to signal any explicit expectations to my children. They should seek and find fulfilment in their lives, independently of our family business. They should do what they enjoy doing. They should do their work with joy and a great deal of passion – regardless of the profession in which they work. I internalised this message fully when I read the interview with the German entrepreneur.

Independence is secured

And so one late autumn evening in 2019, I found myself sitting down for supper with Florian. As on many other occasions, we discussed the economy, politics, financial markets and the challenges I was currently facing in my asset management company. He knows our business almost inside out. In many stimulating conversations, we have continually inspired each other and, when necessary, also “duelled” vigorously

– always characterised by mutual respect. During the course of the evening, Florian told me that he wished to put himself forward – or, in the words of the German entrepreneur, “impose” himself – as my successor.

“Running a family business means thinking not only about the next balance sheet, but also about the next generation.”

Unknown author

It was a historic and emotional moment for me, as I had, of course, secretly hoped that this day would eventually come. Now it had become reality, and a dream had come true. Since I could never have imagined selling my “fourth child” to a bank or other institution and placing it in someone else’s hands, I felt – and still feel – incredibly fortunate that Florian signalled his intention to follow in my footsteps. I have not the slightest doubt that he is capable of doing so. With a second-generation family member joining the business, the independence of our wonderful company is secured. It will remain in family hands for the long term. This ensures the continuity of our experienced and capable team and the consistent implementation of our proven and successful investment philosophy.

This is what lies ahead

Florian will join our family business as a member of the Executive Board at the beginning of September. He will use the period following his entry to familiarise himself thoroughly with day-to-day operations, gain experience, and meet with clients. All members of the Executive Board will remain in place to ensure continuity. In agreement with Thomas Hauser and the entire team, Florian is expected to take over operational management as CEO in approximately two years – we will be happy to inform you as soon as the exact date has been set. Thomas will continue to be a key pillar of our leadership team and will maintain responsibility for a broad client base. For my part, as Chairman of the

Board of Directors, I will actively support Florian and the Executive Board. Personally, I am truly looking forward to setting this generational transition in motion.

“Always remember that your reputation and integrity are your most valuable assets and can be lost in a split second.”

Charlie Munger, legendary business partner of Warren Buffett (1924–2023)

What are my personal prospects in the coming years? As the owner and Chairman of the Board of Directors, the succession process remains a top priority for me. It goes without saying that I will continue to contribute my ideas and convictions on all important issues facing our company in strategic and operational terms as well as investment policy. I will stay closely involved with the business and will make myself available, where helpful, for selected meetings with our valued clients. I still find great joy in engaging conversations and lunches with interesting people. With heartfelt dedication, I will continue to support selected client acquisition efforts. I will also keep reading extensively and staying informed about developments in the stock markets and global affairs on a daily basis.

“In my entire life, I haven’t known a single smart person who didn’t read constantly – not one, zero.”

Charlie Munger, legendary business partner of Warren Buffett (1924–2023)

I will also continue to write with great passion for selected specialist publications – especially as I am honoured to be the only representative of the banking and asset management industry regularly invited to contribute lead articles to the renowned “Finanz und Wirtschaft” (“Finance and Economics”). Last but not

least, I author the comprehensive biannual reports for our valued clients. I still enjoy all of these activities immensely, even if my passion for writing is admittedly time-consuming. Health permitting, you can assume that I will remain at the “helm” of our family business and part of our outstanding crew for many more years to come. As we grow, we will continue to expand this team with top-tier professionals. “Hotz” will remain an important part of my life. However, I will take care to avoid a “rookie mistake”: introducing the next generation but being unable to let go myself.

“The freedom of man does not lie in doing what he wants, but in not having to do what he does not want.”

Jean-Jacques Rousseau, Swiss writer, philosopher and composer (1712–1778)

Upon reaching retirement age, I also set myself an ambitious goal – one whose success depends primarily on my own discipline: to become less tied to my calendar. It is still scheduled out months in advance and prevents me from spontaneously escaping to the mountains to enjoy the ski slopes in Zermatt or setting off on a trip when the weather looks promising. So my aim is not primarily to work less, but to become more flexible in how I organise my time and appointments.

“Doing nothing is only fun when you actually have a lot to do.”

Noel Coward, British actor, writer and composer (1899–1973)

If I feel like taking part in a client meeting or lunch at short notice and have time, I’m more than happy to do so – if not, maybe I’ll be able to do it the next time. In other words: With regard to my agenda, I would like to sit in the “driver’s seat” from now on. I have no doubt that our long-standing clients will also understand my (life) plan to bring more flexibility and freedom into my agenda.

Where we are today and our plans for the future

In all modesty, we can be proud that we are now recognised as the leading independent asset manager in Switzerland. We have a very broad and exceptionally high-quality client base, with around three-fifths of our assets under management coming from private investors and two-fifths from institutional investors. Geographically, around 75 per cent of our clients are based in Switzerland. Just under 25 per cent of our clients come from Germany, with the majority in the regions of North Rhine-Westphalia (Düsseldorf, Cologne), Bavaria (Munich, Nuremberg), Baden-Württemberg (Pforzheim region) and Hamburg. A few of our clients come from countries such as Austria and Sweden.

“You should never be satisfied if you want to get ahead. Those who are satisfied stand still.”

Sami Johansson, Finnish football player for Swiss champions Zug United and two-time world champion

We want to remain a strong boutique with a clearly defined profile in the years to come. We do not allow ourselves to be dazzled and seduced by high-margin fad products. Of course, the aim of the upcoming generation will be to strive for further organic growth. A company that does not grow becomes sluggish and complacent and will ultimately fail. Switzerland will remain our main target market. We also see great potential for the long-term future in Germany. In due course, we will consider applying for a licence from the German supervisory authority BaFin in order to be able to actively develop this attractive market. We will constantly strive not to compromise on quality when it comes to looking after our valued clients.

“You never notice what’s already been done, you only ever see what remains to be done.”

Marie Curie, Polish physicist, chemist and Nobel Prize winner (1867–1934)

True to the motto “stick to what you know best”, we will continue to focus on what we are good at and where we are convinced that we can not only play in the Champions League, but also win it.

Consistency of our investment philosophy – equities are unbeatable in the long run

The DNA of our investment philosophy will continue to be characterised by the conviction that equities are the most superior of all asset classes over the long term. There is no way around this academic evidence. This is shown in the “UBS Global Investment Returns Yearbook”, which is published annually by three renowned academics from the London Business School, Elroy Dimson, Paul Marsh and Mike Staunton. USD 1 invested in a world equity portfolio of developed countries in 1900 resulted in an amount of USD 23,608 (8.4 per cent p.a.) at the end of 2024.

In contrast, bonds – while serving a valid purpose as a stabilising element in investment portfolios – stand no chance. An initial investment of USD 1 in bonds from developed countries would have resulted in capital of just USD 216 (4.4 per cent p.a.). Although the annual return on bonds is half that of equities, the final capital is just 1 per cent of what equities would have delivered – a monumental difference owed to the famous “miracle” of compound interest.

The importance of reinvesting dividends in equity portfolios is demonstrated by a long-term analysis of US equities. Anyone who invested in US securities in 1900 and reinvested the dividends annually would have achieved an annual real return (after deducting inflation) of 6.6 per cent by the end of 2024. However, anyone who took the dividends out of their account each year and consumed them had to be content

with a comparatively modest annual real return of 2.5 per cent over the same period. The compounding effect of reinvesting dividends annually should not be underestimated.

“Our favourite investment horizon is forever.”

Warren Buffett, legendary American investor and Oracle of Omaha, Nebraska

The attractiveness of equities is also confirmed by a long-term comparison conducted by the Geneva-based private bank Pictet for Swiss equities. Since 1926, the annual return on Swiss equities has been 7.7 per cent (5.6 per cent in real terms). In comparison, the return on Swiss bonds in the same period was 4.0 per cent (2.1 per cent in real terms).

An important component of our investment philosophy is also the realisation that it is not worth investing directly in developing countries in the long term. This too is impressively demonstrated by the analysis of the three British professors. While an investment of USD 1 in developed countries in 1900 yielded an annual return of 8.4 per cent (5.3 per cent in real terms) or final capital of USD 23,608, an initial investment of USD 1 in emerging market equities – after 125 years and an annual return of 6.7 per cent (3.7 per cent in real terms) – “only” resulted in a final capital of USD 3,462. It is therefore clear that the higher risks of emerging markets will not be compensated by higher returns in the long term. That is why we generally avoid investing in equities in developing countries. With our Western market leaders, many of which have strong exposure to emerging markets, we cover this segment optimally and with lower risk. The comparison for bonds is no better. While investments in developed market bonds returned 4.4 per cent annually (1.4 per cent in real terms) and resulted in capital of USD 216, investors in emerging market bonds had to make do with just 2.7 per cent annually (–0.3 per cent in real terms) and final capital of USD 27. For this reason, we

also confidently exclude emerging market bonds and high-yield bonds in general. Our advice to clients, unchanged for decades, remains: “It’s better to hold a slightly higher proportion of equities than to include risky bonds of questionable quality in your portfolio.”

We consider property investments to be the second-strongest asset class after equities. Their long-term returns are likely to be close to or slightly above those of bonds, but will never match equities. Our experience also shows that private investors in Switzerland and Germany often already hold substantial “concrete gold” as direct investments (houses, condominiums, holiday properties), which is why in the vast majority of cases we do not add a separate property component to our securities portfolios. The outlook for gold is gloomier, despite its impressive recent performance. Over the very long term, gold has delivered returns only slightly above inflation, and that with high volatility risk.

The best days for equities come during stock market crises

Of course, the short-term risks and fluctuations in returns on equities are significant. Every now and then, there are major disruptions. We remember the years 2000 to 2003 (bursting of the dotcom bubble, 9/11 and Swissair grounding), 2007 to 2009 (financial crisis) and 2020 (coronavirus crisis), when shareholders suffered double-digit losses. Such losses are always painful for investors, even if they are unavoidable due to their unpredictability. However, from a long-term perspective, which is essential for shareholders, these short-term risks are basically irrelevant. Since 1926, there has not been a single 15-year period on the Swiss stock market in which the average annual return was negative. 21 times the average return over 15 years was between 0 and 5 per cent annually, 34 times between 5 and 10 per cent, 26 times between 10 and 15 per cent and 3 times between 15 and 20 per cent. That speaks for itself. Despite this, private households in Switzerland invest just 13 per cent of their financial assets in equities, according to the Organisation for Economic Co-operation and Development (OECD). This share is even lower in

Germany at 12 per cent. While the French invest 24 per cent of their financial assets in equities, the Scandinavians and Americans hold much higher levels – around 40 per cent. According to the wealth statistics of the Swiss National Bank (SNB), private households in Switzerland own equities worth around CHF 400 billion. By comparison, they hold more than twice as much in cash and bank deposits at CHF 900 billion – a systematic loss-making position in real terms after adjusting for inflation.

“Time, not timing, is the key to building wealth with equities.”

Burton Malkiel, American professor of finance at Princeton University and author of the bestseller “A Random Walk Down Wall Street”

The dream of exiting equity positions at the perfect moment and buying back in after a strong correction is an illusion. And it is dangerous, as the following considerations show. Guess the ten best trading days for the Swiss stock market (SMI) over the last 30 years. Intuitively, one would assume that the majority of them took place during economic upswings or bull markets. Not so! The best days on the stock market all occurred when markets were in turmoil.

Financial crisis	+11,4 %	13 Oct 2008
Russia crisis	+7,8 %	6 Oct 1998
Corona crisis	+7,0 %	24 Mar 2020
Dotcom 9/11 crisis	+6,7 %	24 Sep 2001
Financial crisis	+6,7 %	17 Oct 2008
Dotcom 9/11 crisis	+6,5 %	25 Jul 2002
Financial crisis	+6,3 %	24 Nov 2008
Financial crisis	+6,2 %	29 Oct 2008
Financial crisis	+6,1 %	19 Sep 2008
Russia crisis	+5,9 %	12 Oct 1998

All the best days on the stock market over the last 30 years have occurred during major stock market crises, most frequently during the financial crisis, when stock markets halved on average and international banking

institutions such as UBS fell like dominoes. Losing your nerve in times of crisis and exiting equities at the worst possible moment means risking missing out on the very best days. That is why long-term thinking will continue to be an elementary part of our investment philosophy in the future.

“The big money is in waiting, not in acting.”

Charlie Munger, legendary business partner of Warren Buffett (1924–2023)

High-quality equities in companies with a promising business model that are among the international market leaders in their sector form the core of our investments. Depending on the individual client profile, they are complemented by high-quality bonds. For institutional investors, property investments, which we implement via investment trusts, funds, or listed property companies, are also frequently considered.

With regard to current events on international capital markets, I would like to be brief for once. The latest stock market earthquake triggered by the combative US President Trump at the beginning of April with the announcement of his bizarre tariff policy shocked the world. In our year-end letter six months ago, we noted: “This is probably certain: only Wall Street and financial markets will be able to curb the megalomania of the would-be dictator.” This is exactly what has now happened. Following the announcement of absurdly high tariffs, US interest rates spiked so sharply that Trump had to pause his plans in order to prevent a total crash in global financial markets. Memories of the former British head of government Liz Truss came flooding back – as her tax cut plans in 2022 caused the prices of British government bonds to plummet, and the Bank of England had to intervene and Truss had to resign. The global loss of confidence in American politics and the dollar has since driven the price of gold sharply upward.

We look forward to moving into the future with you!

It is my pleasure to assure you emphatically that nothing will change in terms of the support you receive from our competent team when Florian joins our family business. Our proven investment philosophy will also remain unchanged. The Executive Board, which has been in place for many years and will soon be expanded to include Florian, will continue to implement the clear and straight-forward strategy of “Hotz” and carry it forward into the future with uncompromising independence and consistency. If you would like to contact Florian Hotz, you can do so at his e-mail address florian.hotz@hotz-partner.ch from the beginning of September.

“The entrepreneur’s responsibility is comparable to a heavy rucksack. You carry it all the time, but it’s only when you take it off that you realise how heavy it really was.”

Jürg Lüdi, former owner of H. Lüdi + Co. AG in Regensdorf, “NZZ” on 13 January 2025

To conclude my remarks and the upcoming generational change, one last memory: At the height of the pandemic in May 2021, I managed to visit my son Florian during his Master’s degree program in Oxford despite all the travel restrictions. One evening, I sat down to dinner with him and ten of his fellow students in the Magdalen Arms pub in Oxford. In the lively discussion with young people from all over the world, Gustavo, a fellow student from El Salvador, remarked that my son and I were strikingly similar in character. Siwar, a student from Jordan, replied in a flash: “No, not similar, IDENTICAL!” Dear clients, even though Florian is, of course, not a clone of me and we are naturally not “identical”, we are so close in our thinking and convictions that you can continue to count on our honest, transparent and highly professional service in the future. The journey of the leading independent Swiss

asset manager under the “Hotz” brand will continue – we look forward to travelling it with you.

“I don’t see myself as a pensioner, either now or in ten or twenty years’ time. My work is my life. If I stopped doing it, I would give up my life. I will write as long as my mind allows it.”

Pedro Lenz, Swiss writer, columnist and artist, in an interview with regional newspapers of CH Media, 6 April 2024

To you, my dear clients, I would like to express my sincere thanks that you will continue to place your trust in my great team, my successor Florian and myself. We look forward to continuing our collaboration! I assure you that you will not regret it – especially in light of your future need to transfer your assets responsibly to your successors or heirs. As in the past, and as always, we will ensure that all our efforts are fully aligned with the interests and wellbeing of our fantastic clients. We wish you and your loved ones a wonderful summer and the very best of health.

With kind regards, on behalf of the entire “Hotz Team”.
Your



Dr. Pirmin Hotz



*Opinion***The biggest bubble of all time**

Pirmin Hotz

Donald Trump, Larry Fink, and even Swiss cantonal banks: Former crypto critics are now investing millions. But the system only works as long as new participants keep joining.

When you buy Roche shares, you're investing in a company founded in 1896 by Fritz Hoffmann-La Roche to develop new medicines with researchers and sell them worldwide for the benefit of countless patients. For their risk, owners are compensated with dividends and a long-term rising share price. The value of the stock has doubled and increased tenfold over time.

To make this possible, Roche had to increase its sales and profits at the same rate. What would have happened to one franc invested in Roche at its founding, assuming an average annual return of 8%? Assuming reinvested dividends, this would result in current wealth of around 20,000 francs. This is the famous miracle of compound interest.

Solely based on belief and hope

The situation is different with Bitcoin, the king of cryptocurrencies. It was created out of nothing, and buyers neither participate in entrepreneurial performance nor receive interest or dividends. When it launched in 2008, one Bitcoin cost 0.8 centimes. With a total of 21 million Bitcoins, this corresponded to a market value of 1.68 million francs. Hardly anyone was interested in the cryptocurrency at that time. Meanwhile, Bitcoin has broken through the 90,000 franc barrier, which is over eleven million times more than before.

The annual return of 160% is 20 times higher than that of Roche. The total value of all Bitcoins has increased from 0.00168 to 1,900 billion francs in less than 17 years. The question arises as to how this gigantic price increase can be justified. Do Bitcoin holders participate in the innovative potential of blockchain technology? Not at all: it's not the Bitcoiners who benefit from this, but solely the shareholders of blockchain companies. The fairy-tale rise in the Bitcoin price is based solely on belief and hope.

The crypto community has been remarkably successful in winning over once-fierce critics to their idea. US President Donald Trump, who spoke of fraud regarding Bitcoin during his first term, has transformed into an ardent supporter and notorious manipulator of cryptocurrencies. In January, he launched his own Trump coin. Driven by campaign donations in the hundreds of millions, Trump, flanked by his second-in-command Elon Musk, wants to make the USA the world's "Bitcoin superpower" and build a strategic Bitcoin reserve for the country.

Larry Fink, CEO of the world's largest asset manager BlackRock, described Bitcoin in 2017 as a means of money laundering. Then came the radical turnaround. At the beginning of 2024, BlackRock launched the first Bitcoin ETF after exerting considerable pressure on Gary Gensler, former head of the US Securities and Exchange Commission (SEC) and feared crypto opponent. Has greed clouded Larry Fink's clear judgment? Through the SEC's approval of ETFs, Bitcoin has left its shady corner and fought its way onto the terrain of traditional asset classes. The approval of ETFs was the knighthood for crypto fans.

Meanwhile, the cantonal banks of Lucerne, Zug, and Zurich, PostFinance, and numerous pension funds have jumped on the bandwagon of miraculous money multiplication. PostFinance speaks of a "democratization," an "access to the crypto market for everyone," and a "milestone in our company history."

An initiative committee even wants to stipulate in the Federal Constitution that the Swiss National Bank (SNB) must hold Bitcoin as a reserve currency. If Switzerland and other countries follow such requests in the footsteps of El Salvador and the Central African Republic, the Bitcoin price will soar to unimaginable heights according to the principle of "self-fulfilling prophecy," because the system is cleverly designed with the strict limit of 21 million coins.

One main argument for holding Bitcoin is its function as inflation protection. Indeed, the purchasing power-adjusted value of the dollar, pound, euro

FINANZ und WIRTSCHAFT

(including its predecessor currencies), and also the franc tends toward zero over the course of 100 or 200 years. Someone who put 1,000 francs under their mattress in 1850 and never invested the money in stocks, bonds, or real estate over 175 years still has about 5% of their former purchasing power today.

“Bitcoin has established itself purely as a speculative instrument.”

Exactly for this reason, funds available for the long term are invested in real assets such as Roche shares to increase them on an inflation-adjusted basis. This doesn't require cryptocurrencies, but primarily diligent people who work in companies, bring products and services to market every day, and generate added value.

Cult-like organization

The original idea of libertarian Bitcoin enthusiasts was to escape state supervision, potential state bankruptcy, and the traditional currency system. The goal was completely missed, because hardly anyone today pays for their vacation, hairdresser, car, or butcher with Bitcoin. Instead of establishing itself as a means of payment, Bitcoin has prevailed as a pure speculation instrument that, upon close examination, possesses no value, creates hardly any benefit, and fosters the illusion of getting rich quickly without work.

Bitcoin is the biggest bubble in financial history. It is reminiscent of the tulip mania in the 17th century and Ponzi or pyramid schemes. They work as long as new fans can be found who support and spread the system. The cult-like crypto community is excellently networked with armies of influencers and an increasing number of crypto conferences. It ensures that the number of believers continues to grow.

The next price target this year is the 180,000 to 200,000 dollar mark, as Luzius Meisser, board member of Bitcoin (Suisse), announced on January 16 in the Swiss TV-program “Bilanz – Standpunkte”. He refers to analyses from his research department. However, one wonders what calculations this is based on, because

determining a fair value is simply impossible when there is nothing to evaluate.

The greatest long-term risk threatens crypto fans through regulation, as many cybercriminals, drug dealers, and money launderers are among them. But with the appointment of Paul Atkins as the new head of the SEC, deregulation seems more likely at the moment. He is considered a friend of the crypto industry.

So the community can continue gambling frivolously. People often buy solely because prices are rising, because their neighbour has made a pile of money, because they might miss out on something by standing aside, and because they hope to find someone even crazier who will pay them more than they paid themselves – the famous “greater fool” phenomenon.

In a few years, Bitcoin is supposed to reach the million mark. If the community continues to succeed in recruiting believers in droves, and the number of crypto atheists continues to dwindle, achieving this goal is realistic, meaning the biggest bubble in financial history is far from bursting. However, this does not change the fact that the intrinsic value of all Bitcoins in the world is zero.

PIRMIN HOTZ is the founder and owner of Dr. Pirmin Hotz Vermögensverwaltungen, based in Baar.

Opinion

The anatomy of crises

Thomas Hauser

Every crisis is different because they are all triggered by different fears. Nevertheless, long-term equity investors do not have to adopt a different response to each one – there are proven strategies.

The history of the stock market is a long chain with phases of crisis and recovery. Some are brief and turbulent, others last a long time. If we take as a basis the Swiss Performance Index with daily data since 1988, the coronavirus crisis was the “speedy variant”: The index dropped over 26% in 23 trading days, and took another 211 trading days to return to its pre-crisis level.

The “agony variant” was the financial crisis: It lasted 1497 trading days until full recovery and the market was more than 53% “under water” at its nadir:

be learned about what investors should and should not do. Two points are essential:

1. *You should only invest money in equities that you can leave invested for a sufficiently long time – around 8 to 10 years. The longest crisis until full recovery was the financial crisis, which lasted 1497 days in total. With around 250 trading days per year, the crisis phase continued for 6 years. A certain amount of time is then needed as a reserve to ensure that there is a very high probability of never having to sell a diversified equity portfolio at an inopportune time, i.e., at a loss.*
1. *The funds allocated to long-term investment in equities must also remain invested in equities. This is the only way to achieve the expected long-term return on equities: Historically speaking, the real return in Switzerland has*

Development of the Swiss Performance Index during crises

	Second Gulf War (1990–1992)	Bond market crisis (1994–1995)	Russian financial crisis (1998–2000)	Dot com crisis (2000–2006)	Financial crisis (2007–2013)	COVID-19 crisis (2020–2021)	Inflation shock (2021–2025)	Current crisis (2025–?)
Maximum drawdown	-31,8%	-19,6%	-36,8%	-54,9%	-53,2%	-26,3%	-21,8%	-15,8%
Trading days to price minimum	127	281	55	642	443	23	188	27
Trading days from the start of the crisis to equalisation	616	432	458	1353	1497	234	775	–
Proportion of recovery phase to total time	79%	35%	88%	53%	70%	90%	76%	–

Table: themarket.ch – Source: Dr. Pirmin Hotz Vermögensverwaltungen

In the vast majority of crises – with the exception of the bond crisis in the mid-1990s – the recovery phase lasted longer than the crash. The recovery phase relative to the total duration accounts for 70% on average. One reason for this may be that fear, and in particular fear of losses, is a more potent force than confidence. Secondly, it is due to the asymmetry of the yield calculation: If you have lost 50 percent, you have to make up 100% to reach the initial value again.

Proven strategies

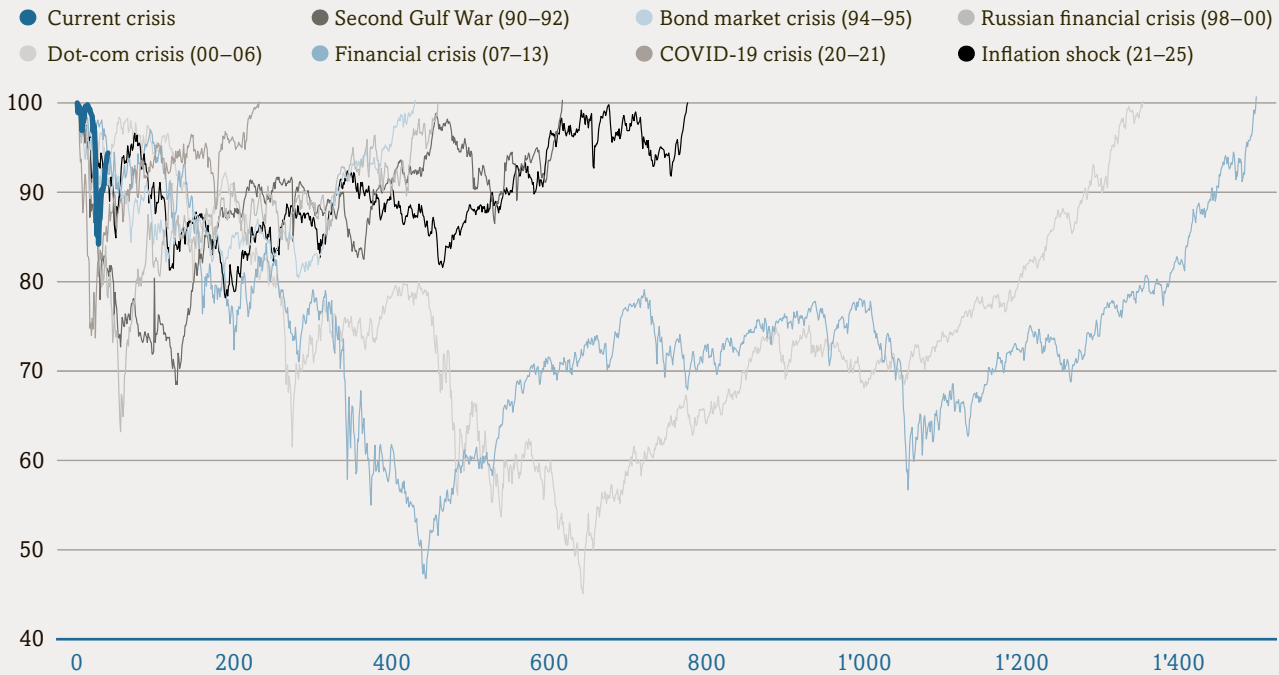
The diversity of the crises means that it is difficult to draw conclusions from history as to how the current dip will continue. However, there are certainly lessons to

been 5.6% per year since 1925; since 1900, the real return of a global equity portfolio has been in the same order of magnitude at 5.2% per year. A few days can be decisive; for example, if you missed the first ten days of the recovery after the reversal in the financial crisis in March 2009, you lost out on a return of over 14%.

The argument repeatedly put forward against remaining invested is that losses can be limited by selling shares – for example by means of a «stop loss» at –20% in order to buy them back later at a more favourable price. This sounds good, but hardly works in practice.

Why? You can be wrong with your exit decision if the market starts to recover immediately afterwards.

The most severe setbacks of the Swiss Performance Index since 1988



Each value indexed

Chart: themarket.ch – Source: Dr. Pirmin Hotz Vermögensverwaltungen

But let's assume that the seller feels vindicated because the market loses another 20% after the sale. Now psychology comes into play: Someone who was already so frightened at –20% that they sold their shares will be even more unsettled at –40%.

Experience has shown that such people wait for the first signs of a bottom and recovery. Once they appear, some may be plagued by the fact that it is just an interim high before the final, much deeper crash. In short: These investors generally buy back shares far too late or never again.

Strategy and discipline are crucial for implementation

The legendary investor André Kostolany rightly said that the very attractive long-term return on equities is money for pain and suffering – first comes the pain and suffering, then the money. Since 1988, there have been 21 trading days on the Swiss stock market with losses of between 5% and 10%, with 16 October 1989 being the worst at –9.4%. In addition, over 45% of trading days

closed in the red! Despite all these negative trading days and crisis phases, the annual real return since 1988 has been an attractive 7.4%.

The risk of crises cannot be systematically avoided through timing, but can only be countered through appropriate asset allocation – by clearly defining the portion of assets to be invested for the long term – and strict discipline in implementation. This was the case in past crises, is true today and will remain so going forward.

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What long-term Swiss Franc investors should bear in mind

Thomas Hauser

Many long-term studies show international equity returns of 10 to 12% – in dollars. In the usual stock market comparisons in local currency at the end of each year, the Swiss market often does not rank among the top performers. Should Swiss franc investors therefore concentrate on foreign markets?

EA 6.56-foot-long table in an American family is no longer than a two-metre table in a Swiss household. A fair comparison must use the same units of measurement. This also applies to the comparison of returns in different currencies. If you take the returns in local currency, it's like the two tables: measured in feet and metres, they appear to be different in length.

A look into the past illustrates the differences. The average deviation between local returns for various stock exchanges based on monthly data from 1970 to 2024 is 1.9%. In comparison to Swiss equities at 7.7%, it is US equities at 10.7% that exhibit the largest difference (3% – top line in the table).

Diversify – but how?

Because the Swiss franc is more stable (it is the currency with the lowest long-term inflation), returns are lower when measured in Swiss francs than in local currency. It can be said that savers abroad can look forward to an apparently greater increase in assets, while Swiss investors are also getting richer, just less obviously. If one correctly compares Swiss franc returns from a Swiss perspective, the differences even out. The mean deviation halves to 1% and the difference in returns between Swiss and US equities disappears.

Calculated in Swiss francs, long-term returns in the range of 6 to 8% therefore seem realistic; Japan is an exception, with its excess at the end of the 1980s and subsequent ultra-long bear market. However, it should be noted that small differences in returns over the years have a massive impact on assets. If a Swiss investor had invested CHF 100,000 in Switzerland over this 55-year period, she would have assets of CHF 5.8 million at the end of 2024, but “only” CHF 2.5 million with German equities – that is, less than half!

Returns of selected stock markets from 1970 to 2024

	Switzerland	UK	Germany	USA	Japan	France
Return in local currency	7.7%	10.3%	7.6%	10.7%	7.1%	9.7%
Return in Swiss francs	7.7%	6.0%	6.0%	7.6%	5.7%	6.2%
Volatility	15.6%	21.4%	20.7%	18.7%	20.1%	21.3%

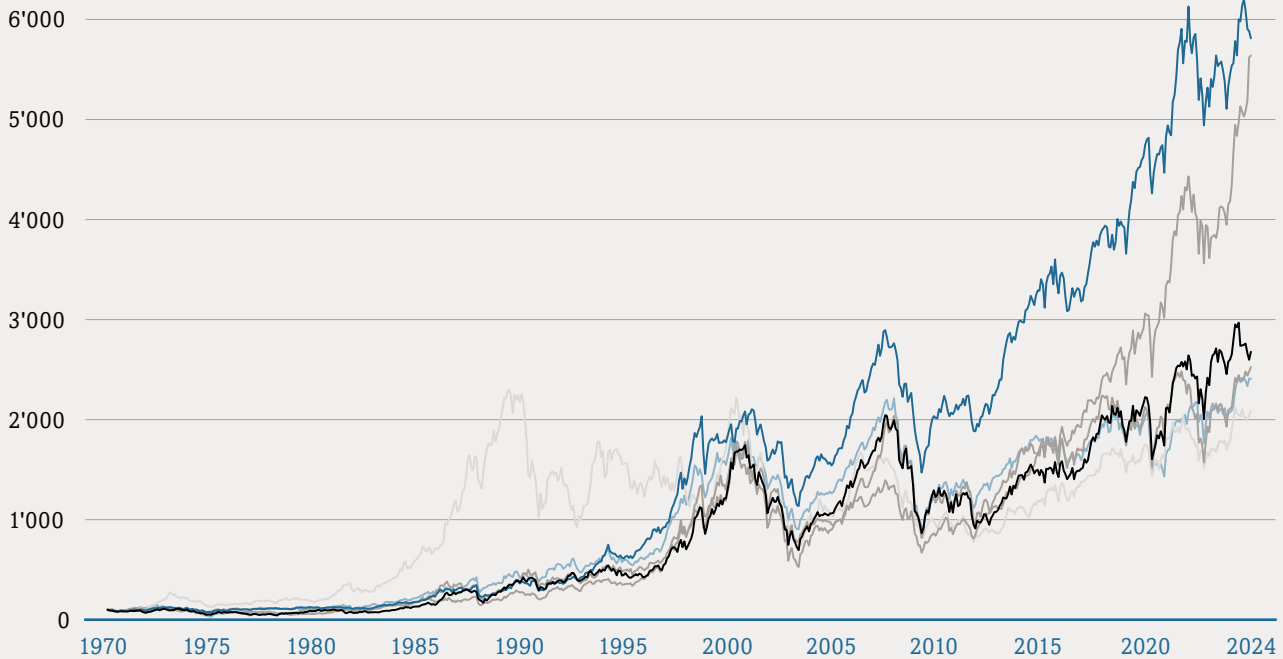
Source: Bloomberg, MSCI and own calculations

The different currency trends of the Swiss franc and the dollar are relevant here; in the long term, the exchange rate differences are characterised by the different currency devaluations. Inflation in Switzerland has averaged 2.2% annually for the past 55 years, compared with 3.9% in the USA. For example, \$1,000 from 1970 is only worth \$119 today, while CHF 1,000 from then has a purchasing power of CHF 309 today.

As you cannot know this in advance, you should diversify internationally. But how?

The global equity index MSCI World serves as a neutral starting point, with countries weighted according to their market capitalisation. This equity index achieved a Swiss franc return of 6.7% p.a. and a volatility of 16.5% over the 55 years. Although the global portfolio is less volatile than any individual foreign market, international diversification can be optimised in two ways from the perspective of a Swiss investor.

Market development of selected stock markets from 1970 to 2024



Indexed to 100 as at 1 January 1970

Chart: themarket.ch – Source: Bloomberg, Pirmin Hotz AG

The Swiss domestic market has advantages

On the one hand, the capitalisation weighting leads to a certain degree of procyclicality: after the excessive rise in the 1980s, the Japanese stock market accounted for almost half of the global index; investors bore the full brunt of the subsequent collapse with the capitalisation-weighted world index. Following the rise of the US market in recent years, it dominates the MSCI World with a weighting of over two thirds – with an uncertain outcome.

On the other hand, the Swiss domestic market has a certain advantage because the foreign currency risks are lower: they are only borne indirectly through the amount of foreign sales by Swiss companies, but not directly through the trading currency of the equity. In the table above, this is reflected in the lower volatility of the Swiss market.

These two findings are used to analyse how a portfolio consisting of these six countries – Germany, France, Japan, Switzerland, the UK and the USA – performs in comparison to the MSCI World Index if all countries are initially weighted equally and then the Swiss share is

gradually increased. However, this should not be more than half, as this would otherwise run counter to the primacy of diversification.

What is the result? The higher the Swiss share, the higher the returns and the lower the risk. Thanks to international diversification, the latter even falls below the level of the Swiss equity market. An appropriate investment strategy and therefore the optimal share of Swiss equities is not an exact science. From a risk/return perspective, however, a 30–50% share of Swiss equities in the overall equity allocation seems appropriate.

Better risk-return profile

This optimises the two aspects of procyclicality and foreign currency risks in comparison to the capitalisation-weighted MSCI World. The number of negative months decreases over the observation period: while the MSCI World recorded 266 out of a total of 660 months with a price decline (40.3%), the diversified portfolio, in which Swiss equities were given four times the weighting, showed 257 months (38.9%).

Portfolios with different Swiss equities from 1970 to 2024

	Return	Volatility	Return/Volatility
MSCI World (capitalisation weighted)	6.7%	16.5%	0.41
All countries* equally weighted, at 16.7%	7.2%	15.8%	0.46
Switzerland double weighted (28.6%), Remainder at 14.3%	7.4%	15.5%	0.48
Switzerland triple weighted (37.5%), Remainder at 12.5%	7.4%	15.2%	0.49
Switzerland weighted fourfold (44.4%), Remainder at 11.1%	7.5%	15.1%	0.50
Switzerland weighted fivefold (50%), Remainder at 10%	7.5%	15.0%	0.50

*Germany, France, Japan, Switzerland, UK and USA
Source: Bloomberg, MSCI and own calculations

The conclusion is that differences in returns between markets tend to even out over the long term, which makes currency hedging unnecessary for long-term investors. For Swiss investors, there is also a plausible reason for a “home bias,” i.e., an overweighting of the Swiss equity market, from a risk/return perspective.

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Opinion

How Pension Funds Can Improve

Pirmin Hotz

Instead of focussing on beating indices, pension fund institutions would be well advised to review their strategic positioning.

Anyone who invested in equities in 2024 with a strong focus on Switzerland and Europe is likely to have achieved returns of around 14% – well above the long-term average of about 8%. This may be pleasing, but there is still a question: Are 14% returns good or bad?

Anyone comparing the performance with the SPI, the Swiss stock market, which generated returns of 6.2% last year, will pat themselves on the back. The outperformance amounts to an outstanding 7.8 percentage points. However, if the MSCI World global market index (reference currency Swiss franc) is used as a benchmark, the picture becomes rapidly bleaker. It achieved outstanding returns of 29% in 2024. This shows the pitfalls of benchmark comparisons in asset management. Depending on which benchmark is used for comparison, the investor or money manager sees themselves as either a high-flyer or a failure.

Now, it can be argued that in both cases, apples and oranges are being compared. In the professional pension fund business, the benchmark comparison is therefore carried out in such a way that the investments in the portfolio are comparable with the benchmark. Swiss equities are compared with the SPI (the Swiss stock market), German equities with the DAX and American equities with the S&P 500. Finally, mandated consultants define a benchmark against which the performance of the entrusted asset managers is measured.

Cuddling up to the index

As a result, most managers invest close to the benchmark in order to minimise the risk of failure. This practice offers those responsible for a pension fund security, as close monitoring of the advisors and a clearly defined tracking error (a measure that determines how much an asset manager may deviate from the benchmark) ensure that accidents can be avoided for the most part. However, pension funds do not buy these advantages without paying a price.

Passive investing and managers “mimicking” the benchmark results in cluster risks. For example, the US S&P 500, which produced 2024 returns of 35.2% in the Swiss franc reference currency, has a weighting of over 70% in the global index. The US tech giants alone, the so-called Magnificent Seven, account for around a third of this. Adherents of passive investing should consequently invest with this weighting in the USA, otherwise they are not passive.

In the boom of the late 1980s, Japan had a weighting of 50% in the world index. Investors mirroring the index suffered greatly during the subsequent stock market crash in the land of the rising sun. The difficult year 2022, when the American tech giants drifted lower, also revealed the high risks of passive investing – many pension funds suffered losses of 15% or more.

There are also cluster risks on the Swiss stock market. Those who invest passively held an over 17% stake in Nestlé at the beginning of 2024 and suffered from the sharp fall in the share price. Despite all the sympathy for this high-quality equity, the cluster risks of index-linked investing can be easily eliminated with a simple equal weighting of equities.

It is scientifically undisputed that the equal weighting of equities performs significantly better in the long term than the usual capitalisation weighting. In part, this is due to the fact that the former has a countercyclical effect. Equities experiencing weakness are added to, while gains from upward spikes in well-performing ones are harvested by selling. In contrast, the index-linked benchmarking practice has a procyclical effect. Equities that have performed well are systematically increased in weight. This is how you bring cluster risks into your portfolio.

If “benchmark cuddlers” imagine that by buying index products they are passive investors, they are deluding themselves. The most important decision for investors is to determine the investment structure, which is responsible for 80 to 90% of performance. This decision is a very active one for every investor.

All home-made

How high should the equity component be? Should you invest in high-yield bonds, and how do you deal with currency risks? Does it make sense to invest in alternative investments? Pension funds and their advisors rightly refer to the efficiency of the capital markets and the fact that most experts do not manage to beat the benchmark in the long term.

If that is the case, then it raises the following question: Given this premise, how can pension funds be justified in investing in particularly actively managed emerging markets, private equity, infrastructure and hedge funds? Somehow that doesn't fit together. If no systematic outperformance is achieved in the listed equities segment, it is difficult to understand why it should exist in often overpriced, illiquid and non-transparent investments.

“On average, a Swiss pension fund holds too few equities.”

There are now around 1,900 exchange-traded funds (ETFs) on a wide variety of indices in Switzerland. In comparison, only around 200 companies are listed. Which indices are ultimately selected for the benchmark is an active and often arbitrary decision.

It is therefore not surprising that, contrary to all empirical evidence, the majority of money managers claim to have outperformed their benchmark in the long term. This can probably only be explained by the fact that, given the large number of indices, any “desired” benchmark can be compiled in order to gloss over the respective performance.

Passive indexing and benchmarking inherently cause pension fund managers to switch off their brains. As many advisors also provide risk-averse advice for their own protection, this often leads to a suboptimal definition of the pension fund strategy. The focus is on measuring the outperformance or underperformance of a benchmark of any kind on a monthly basis, which in efficient markets is largely due to chance.

Norway as a model

However, the determination of the optimal long-term strategy should not be left to chance. On average, a Swiss pension fund holds around 30% of its portfolio in equities. This is not enough and can only be explained to a limited extent by the legal framework. The Norwegian sovereign wealth fund serves as a beacon of a successful long-term investment structure. Its gigantic total assets of around 1.6 trillion francs are invested by capitalisation weight, and it reported returns of 13% in 2024.

72% of the assets are invested in equities, 26% in bonds and 2% in real estate. The long-term returns are around 50% higher than that of the average Swiss pension fund. The managers of the extremely successful sovereign wealth fund, who are convinced that alternative investments are not the way to go, probably don't care much whether or not they outperform a benchmark of any kind in individual years. Those who are optimally positioned do not need to beat a benchmark, because the implementation of the strategy then corresponds exactly to the benchmark.

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Capital, capital and once again capital

Pirmin Hotz

It is repeatedly warned that higher capitalisation would put banks such as UBS at a disadvantage. In the long term, the opposite is the case.

There is a consensus in the public debate that the only remaining major Swiss bank should be internationally competitive and stable. There must not be another state bailout. There is disagreement regarding the appropriate measures to achieve this goal.

The collapse of Credit Suisse is a textbook example of emergency measures that will not work in the event of a potential crisis at UBS. Firstly, the unwinding of a systemically important bank proves to be impractical, because in such a case the fear of a systemic crisis is rampant worldwide and pressure from abroad, especially from the USA, makes this scenario impossible. Secondly, the idea of converting the AT-1 bonds created for restructuring purposes into equity at an early stage is proving to be illusory. Such a conversion sends devastating signals to the capital market about the state of the bank – and thus accelerates its collapse.

Nice theory – but in practice...

Thirdly, the future planned Public Liquidity Backstop will work only in theory, not in practice. We now know that Credit Suisse voluntarily refrained from drawing on liquidity from the SNB in autumn 2022, when the crisis threatened its very existence. As soon as it becomes public that a bank is receiving billions in state liquidity assistance, panic breaks out on the market, which is further fuelled by shareholder activists and hedge funds.

If you want to understand the causes of a bank's collapse, you have to understand the logic of the chronological sequence. Firstly, years of mismanagement lead to chronic losses and eroding equity. As a result, the confidence of nervous savers who fear for their money gradually dwindles. At some point, the famous straw breaks the camel's back – in the case of Credit Suisse, it was a tweet from an unknown Australian journalist. A panic ensues, which ends in a bank run. It is important to realise that a loss of confidence never comes out of the blue, but is always the result of fatal mismanagement

that threatens the substance of the bank. This is what happened at Credit Suisse.

UBS points out that it has adjusted its strategy and reduced risks. However, this is not a guarantee that a future disaster can be ruled out. Kelleher and Ermotti will leave their posts in a few years' time at the latest, and new executives will review the bank's strategy and adapt it if necessary. Experience shows that old mistakes are repeated under new leadership. Bad decisions and mismanagement are only a matter of time. The most effective protection to cushion the associated risks is a high equity ratio.

A solid "Swiss finish"

UBS currently has unweighted equity of 4.7 per cent of total assets. The new "Basel III" regulations require the bank to hold additional capital of around 19 billion dollars, which will increase the ratio to 5.9 per cent. Federal Councillor Karin Keller-Sutter is calling for a further 15 to 25 billion, which would increase the hard equity ratio to 6.9 to 7.6 per cent. It is doubtful that this will be enough. Credit Suisse collapsed in an almost cloudless economic period.

Renowned economists such as Anat Admati, Martin Hellwig and Nobel Prize winner Simon Johnson have been advocating Common Equity Tier 1 of 15 to 20 per cent for many years – two to three times what the Federal Council wants. From the taxpayers' point of view, a "Swiss Finish" is necessary simply because UBS's total assets are twice the size of Switzerland's domestic product. JP Morgan, the largest bank in the United States of America, represents just 14 per cent of US economic output. The option of UBS moving abroad would be regrettable, but is solely a matter for the shareholders.

UBS warns that higher capital requirements would limit its competitiveness and make the lending rates for its clients more expensive. This thesis, repeatedly proclaimed by bankers like a mantra, must be contradicted. As the collapse of Credit Suisse shows, the opposite is true in the long term. Low equity means that, in the event of a crisis, the bank can only refinance itself at

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horrendous interest rates or not at all, making its business unprofitable to the detriment of its shareholders and clients. Low levels of equity also encourage a questionable bonus and risk culture among managers, which primarily attracts risk-takers as shareholders.

In order to minimise the potential risk of bankruptcy, there is no alternative to a significantly higher capitalisation of UBS, which has an implicit state guarantee. That will improve its refinancing conditions, competitiveness and resilience. This benefits not only Swiss taxpayers but also the bank's clients and long-term shareholders.

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Opinion

What truly benefits the country and UBS

Pirmin Hotz

The recommendations of the parliamentary commission on the collapse of Credit Suisse are toothless and impractical. There is basically only one option left for Switzerland's last remaining major bank.

Two days before the release of the parliamentary commission's (PUK) report on the collapse of Credit Suisse, Christoph Mäder, President of Economiesuisse, stated in the NZZ: "CS did not fail due to a lack of equity capital or liquidity, but due to a crisis of confidence and the subsequent bank run." Now at the latest, we know that this widespread opinion is incorrect. CS collapsed due to the lack of equity capital and insufficient liquidity.

The Financial Market Supervisory Authority (Finma) has thrown sand in the public's eyes, maintaining the illusion that the bank was well-capitalised, even though the declining share price and skyrocketing risk premiums (Credit Default Swaps) had long since signalled that CS was on its deathbed, no longer creditworthy, and its book value, or equity, was no longer secure. CS was undercapitalised by 2021 at the latest. The Brunetti Committee developed a solution for the too-big-to-fail (TBTF) problem after the financial crisis, but it proved to be impractical. Fear of global contagion and a systemic crisis prevented the bank from being wound up. The authorities found themselves in a dreadful dilemma.

Had they communicated the truth about CS's health at an early stage and instructed CS to convert the AT1 bonds issued for restructuring into equity, it would have triggered market panic, hastening the bank's collapse. The lack of communication could prove costly for taxpayers in the context of the AT1 bonds, as plaintiffs will refer to the official statements from Finma and the Swiss National Bank (SNB) that everything was fine in terms of equity and liquidity until the end.

In the end, one gust of wind is enough

Over the last decade of its existence, CS accumulated a staggering CHF 32.7 billion in losses due to scandals and penalties, while simultaneously paying out CHF 31.7 billion in bonuses. When equity melts away like snow in

the sun, the system eventually tips over, and investors rush for the exits in panic to secure their money. In the end, it takes only a small puff of wind to shatter trust and trigger a bank run – such as an inconsequential tweet from an unknown Australian journalist.

The public liquidity backstop is intended to make the provision of liquidity by the state easier going forward. However, it is subject to the same pitfalls as the ineffective TBTF rules. The public admission of state aid inevitably sends devastating signals and causes panic on capital markets. At that point, investors' trust completely breaks down, and shareholder activists drive down the struggling bank with short positions or take it over.

That is why CS wisely refrained from drawing on liquidity several times in the autumn of 2022. Moreover, the PUK report reveals that the collateral which CS posted at the SNB was insufficient to obtain the necessary loans. This suggests once again that there was too little equity. CS reported approximately 5% Common Equity Tier One on paper, but effectively only about 2 or 3% when relief measures are excluded – far too little to obtain loans or liquidity from the SNB without the central bank itself taking irresponsible risks.

Given their own dealings with clients, CS executives should have known that only those with sufficient equity capital can obtain credit. It is incomprehensible why the rules the bank dictates to its clients should not apply to itself. The main cause of the dramatic liquidity outflow is consequently CS's chronic undercapitalisation.

"The dramatic outflow of liquidity was due to chronic undercapitalisation."

The PUK recommends reducing the stigma associated with granting state funds. However, given that the public has the right to know when a bank receives state aid, this demand is like trying to square the circle. In the shark tank of financial markets, admitting you're half dead means you will be fully dead almost instantly.

A more powerful Finma and an SNB that is more generous with liquidity will not be able to prevent a theoretical collapse of UBS in the future. The PUK's demand to increase the number of staff handling supervision, impose fines, enforce the withdrawal of guarantees for incompetent managers, or ban bonuses only lulls bank clients and the public into a false sense of security. It is not regulatory officials who run a bank, but rather the bank's board of directors and executive management. They bear the responsibility – even for failure.

There should be less regulation, but it should be more efficient. UBS has by far the largest balance sheet total as a percentage of the annual economic output of a bank's home country worldwide. While the percentage for the US giant JPMorgan is 14% and for Deutsche Bank 32%, UBS has an astounding 175%. To survive larger crises, there is only one effective measure that can be deployed efficiently and easily controlled: high capitalisation.

According to renowned scholars Anat Admati, Martin Hellwig, and Nobel laureate Simon Johnson, UBS should have at least 15 to 20% Common Equity Tier One – three times what it currently has. Only in this way will there be a high probability of permanently preventing a bank run. If UBS is to be wound up in the event of a crisis and without having to call on the taxpayer, substantial buffers are also a prerequisite, as painful discounts on the book value will naturally have to be accepted in the case of fire sales.

Good job by Ermotti

It is proclaimed like a mantra that high equity would limit UBS's competitiveness and make loans more expensive – a myth that does not become true merely by repetition. The opposite is actually true. The example of CS demonstrated clearly how undercapitalisation makes refinancing on the capital market more expensive or even impossible. A well-capitalised bank is perceived as safe and is more resilient and competitive. This is precisely what one wishes for UBS, its shareholders and clients. Cantonal banks have in some cases much higher equity ratios and are thus very successful.

Top bankers' pursuit of high returns on equity, which is naturally easier to achieve with low equity and serves as the basis for their exorbitant bonuses, must come to an end. When dealing with systemically important banks that effectively hold a state guarantee, this reckless game is unacceptable even for staunch advocates of the free market.

Undoubtedly, Colm Kelleher and Sergio Ermotti are currently doing a good job. However, we must not forget that just fifteen years ago UBS also had to be bailed out by the government. Who guarantees that this will not happen again in ten or twenty years with a new crew? For the rescue of CS, the public sector took on a risk of CHF 257 billion in an economically fair-weather phase. If a storm is raging, UBS – due to its sheer size – will be “too big to rescue”. High equity is the simplest and most efficient protection against a future fiasco and strengthens UBS's competitiveness.

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