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EuroPerformance / EDHEC's European rankings

Alpha League Table

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STYLE RATING EUROPERFORMANCE-EDHEC LETTER N°16

The reference rankings in Europe

SUMMARY

PAGE 1

> **The reference rankings in Europe**

PAGES 2 - 3

> **The Alpha League Table is the first European ranking of asset management firms based on an accurate measure of risk-adjusted performance.**

> **The true Alpha of investment management**

> **Alpha League Table is a ranking constructed upon a measure of the intensity of alpha**

> **Alpha league: results of the Top 10**

PAGES 4-5

> **Specialists and private bankers dominate the Swiss Alpha League ...**

PAGES 6-8

> **Joint 1st: Vontobel Asset Management interview & analysis**

PAGES 9-11

> **Joint 1st: Pictet & Cie interview & analysis**

PAGES 12-13

> **3rd: Bank Sarasin interview & analysis**

PAGES 14-15

> **Alpha League Table Methodology**

> **EuroPerformance/EDHEC Partnership**

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EuroPerformance and EDHEC have set up the first European rankings of asset management companies based on the intensity of alpha: **the Alpha League Table**. Finance professionals have welcomed this new measure of risk-adjusted performance with interest.

As an absolute arithmetic magnitude that does not depend on any category, alpha is easily comparable. The highest-ranked firms in the Alpha League Table are the best providers of alpha, i.e. the asset management firms that provide a good compromise between the value of the alphas produced and their frequency.

The genuine alpha of the funds:

The rankings are drawn up on the basis of the EuroPerformance-EDHEC Style Rating.

By relying on the state of the art in financial research, these ratings provide a true measure of performance adjusted for the risks that were actually taken (alpha). The alpha is not calculated from the reference indices that are sometimes announced by the managers. These indices do not always reflect all of the risks taken in the portfolio. The genuine benchmark is put together after performing a style analysis, which provides the exposures to the style factors in the fund's investment universe (Return-Based Style Analysis - William Sharpe, 1992). The alpha is then measured and corresponds to the excess performance or manager skill, beyond the risks that were actually taken. The Style Ratings also take the risk of extreme loss (VaR) and performance persistence into account.

After studying French, Italian and Spanish asset management, this publication of the Alpha League Table is devoted to Switzerland. It will be followed by asset management company rankings for the United Kingdom, and then by a detailed summary for Europe.

The present rankings of Swiss asset managers reward the most illustrious institutions in Geneva and Zurich. Exceptionally, two companies are ranked **equal 1st**, the specialised company **Vontobel Asset Management** and the private banker **Pictet & Cie**. Both are specialists in wealth management and investment banking. **3rd place** also goes to a specialised institution, **Banque Sarasin**. Of the 10 companies selected, specialised institutions take four spots, including two in the top three. Two insurance companies (Swiss Life and AIG), two major commercial banks (Credit Suisse, UBS), and the Swiss cantonal bank's promotional and asset management company Swisscanto, complete the rankings. LODH, in 11th place, misses out on the top ten by a few tenths of a point.

Unlike in the previous rankings, "boutiques" are not distinguished: the rankings are dominated by firms that are known throughout the world and have attracted the highest levels of fund inflows in their country. As such, the award listing contains few surprises and confirms the supremacy of companies such as Pictet & Cie, UBS and Credit Suisse. The final scores, which are fairly low (in or around 1%), are perhaps explained by the fact that the awards go to a

series of major institutions which have been internationally orientated for a long time, and have produced steady alpha over a long period. The result can therefore be seen as the reward for maturity...

The Alpha League is a label that enables the 10 Swiss companies selected to promote their investment acumen.

Our ambition is for this detailed summary to become the reference for ranking asset management companies.

We wish you an enjoyable read!

Frédéric Picard,
CEO, EuroPerformance (Fininfo Group)

Noël Amenc,
PhD, Professor of finance, Director of
the EDHEC Risk and Asset Management
Research Centre

The Alpha League Table is the first European ranking of asset management firms based on an accurate measure of risk-adjusted performance.

Applied in turn to each European country, followed by an overall list, the Alpha League Table evaluates all the asset management firms in the country studied for their EQUITY MANAGEMENT and their ability to deliver ALPHA. For its third edition, sent out to asset management professionals in Europe, the Alpha League Table has focused on Switzerland. This will be followed by Great Britain, and will conclude with a detailed European summary.

The true Alpha of investment management

The Alpha League Table is based on the EuroPerformance-EDHEC Style Rating methodology, which enables the risks to which the funds have been exposed over a period of three years to be taken into account for each of the funds included in the asset management companies' average alpha and alpha frequency scores. An ex-post statistical analysis allows the funds' true benchmark to be reconstituted by regressing their returns onto a set of indices that is consistent with their investment universe (the so-called Return-Based Style Analysis method promoted by the Nobel Prize winner William Sharpe). Using the indices that make up the fund-specific benchmark, an unconstrained multi-index regression is carried out to extract the fund's alpha. The Alpha therefore represents the additional performance obtained by the manager in comparison with the "normal" returns that correspond to the fund's exposures (betas) to each of the major risks in the equity universe: market risks and style risks (Growth, Value, Small Cap and Large Cap).

Ranking	Group	Company	Alpha Frequency	Average Alpha	Final Score	Date the company was set up
Joint 1	VONTOBEL HOLDING AG	Vontobel Asset Management AG	29.65%	3.00%	0.93%	1988
Joint 1	PICTET & CIE	Pictet Asset Management	50.04%	1.77%	0.93%	1805
3	SARASIN	Bank Sarasin & Co. Ltd	31.87%	2.87%	0.88%	1841
4	CREDIT SUISSE GROUP	Credit Suisse	16.34%	5.92%	0.83%	January 1, 1997
5	CREDIT SUISSE GROUP	Clariden Bank	31.82%	1.84%	0.53%	May 8, 1905
6	UBS AG	UBS Global Asset Management	23.63%	2.14%	0.52%	June 29, 1998
7	SWISSCANTO HOLDING AG	Swisscanto Asset Management AG	31.87%	1.27%	0.44%	1993
8	AIG GROUP	AIG Private Bank	32.64%	1.25%	0.42%	N/A
9	SWISS LIFE GROUP	Swiss Life Asset Management	11.11%	3.25%	0.36%	February 2000
10	JULIUS BAER	Julius Baer Asset Management	14.67%	2.26%	0.24%	1890 (Bank Julius Baer & Co. Ltd.)

Name of the Managing Director of your company	Name of the Chief Investment Officer for "Equities"	Amount of assets under management in equity funds (€ million)	in collective management (€ million)	in management under mandate (€ million)	Ranking
Christoph Ledergerber	Giuseppe Benelli	2 905	2 401	504	Joint 1
Renaud de Planta	Nicholas Johnson	26719 mn	19798 mn (equity only)	6921 mn (equity only)	Joint 1
Peter E. Merian, CEO	Guy Monson, CIO	N/A	2 814	N/A	3
David Blumer, CEO	Global Head of Equities is Mark Burgess	CHF 51.8 bn assets under management in the asset class Equities, as of March 31, 2006	N/A	N/A	4
Beat Wittmann	Scilla Huang Sun	3.5 billion	9.6 billion	200	5
John Fraser	Thomas Madsen	50429 (active management only)	20 946	68 806	6
Peter Bänziger	Alex Schöb	16 905	14 964	1 941	7
N/A	N/A	N/A	N/A	N/A	8
Stephan Heitz, CEO	Daniel Bieri, Head Equities	5 129	N/A	N/A	9
Dr. David M. Solo	Dr. Thomas Grünfelder	55 166	38 781	16 385	10

Alpha League Table is a ranking constructed upon a measure of the intensity of alpha

(the performance adjusted for the risks that were actually taken) for all of the asset management firm's active "equity" management. The asset management firm must be registered with the regulatory authorities and must have at least four equity funds analysed, marketed and managed in the country studied. We identify the funds that produce alpha from the EuroPerformance-EDHEC Style Ratings.

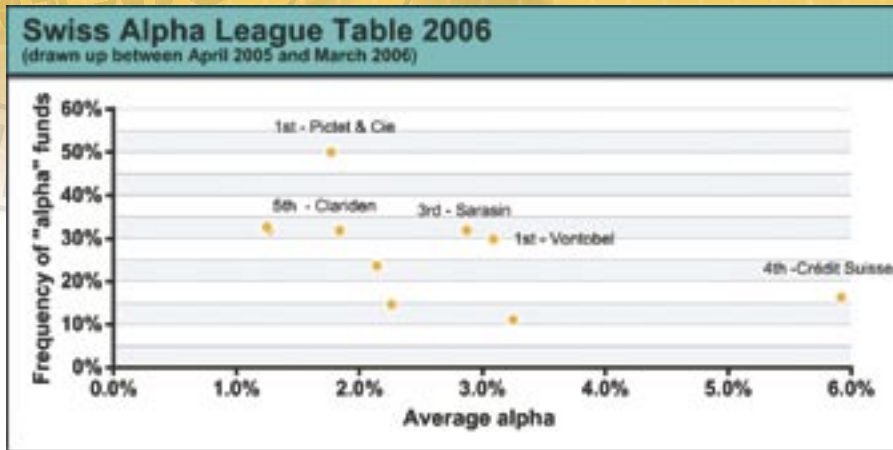
The alpha intensity is calculated every month using two indicators:

- The average alpha, which corresponds to the average of the positive alphas for the 4 or 5 star funds in the Style Rating.
- The frequency of alpha, which is expressed by the number of funds with a strictly positive alpha (4 and 5 stars in the Style Rating) out of all the funds rated.

The final score, or alpha intensity, is the average of the 12 monthly scores.

Only companies that have participated in the 12 monthly rankings are retained for the final rankings.

Specialists and private bankers dominate the Swiss Alpha League ...



Source: EuroPerformance Style Analytics (www.styleanalytics.com)

This third edition of the Alpha League Table concerns asset management companies in Switzerland. Out of the 51 companies that were eligible, only the best ten have been distinguished by taking account of the number of funds analysed and the steady creation of alpha.

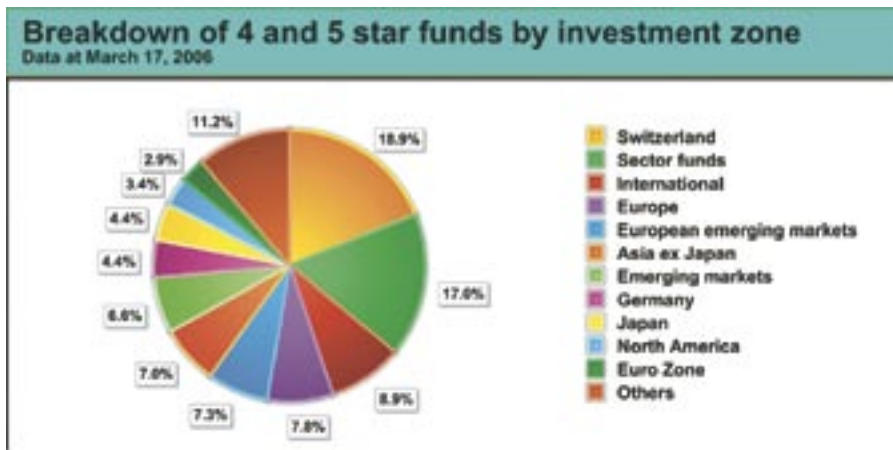
The results are extremely tight, with a score of

0.93% for the top-ranked company and 0.22% for the tenth-placed company in the selection. Even more dramatically, the top three are only separated by a hair's breadth with a difference of less than one hundredth of a point! After the scores obtained by the French (Financière de l'Echiquier – 4%), Italian (Anima – 1.5%) and even Spanish asset managers (Gesbankinter –

3%), the results from the Swiss asset managers may appear to be slightly lacklustre, with the leader only obtaining a score of around 1%.

However, that is not the case at all: The level of the Swiss Alpha League Table is less due to cautious investment management than to a genuine capacity to deliver significant and steady alpha over a very wide range of products. Up until now, the Alpha League has often involved "boutiques" in France and Italy, or rewarded asset management firms that could be considered to be exceptions, but in Switzerland the Alpha League brings together a series of major institutions which have been internationally orientated for a long time, and have produced steady alpha over a long period. The result can therefore be seen as the reward for maturity.....

Vontobel Asset Management and Pictet & Cie share 1st place in our awards listing. With an alpha frequency of 29.65% and an average rate of alpha of 3.0%, Vontobel Asset Management receives a score of 0.93%. Pictet & Cie obtain the same score with an alpha frequency of 50.04% and an average rate of alpha of 1.77%.



Source: EuroPerformance Style Analytics (www.styleanalytics.com)



Source: EuroPerformance Style Analytics (www.styleanalytics.com)

The Vontobel Bank group, a specialised private bank that was set up in 1924, works in the areas of wealth management and investment banking. Pictet & Cie is considered to be one of the principal independent wealth management banks in Europe.

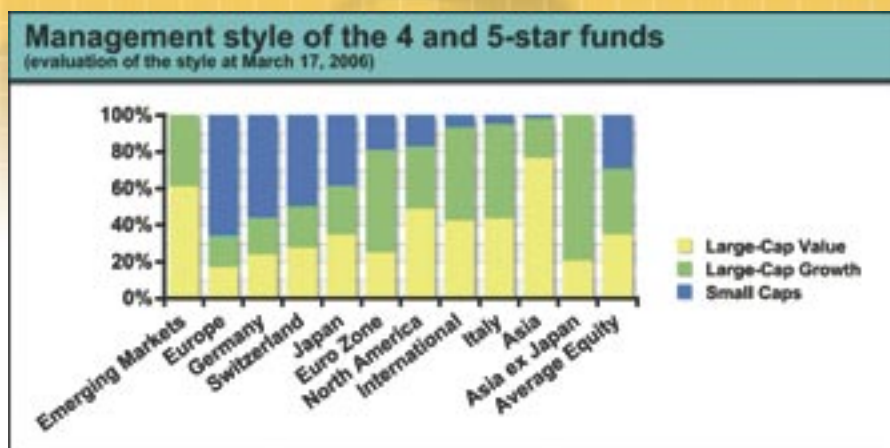
Bank Sarasin takes 3rd place with an alpha frequency of 31.87%, an average rate of alpha of 2.87% and a score of 0.88%. A specialised institution, its main activities incorporate investment consultancy, wealth management for private and institutional clients, and investment funds.

More generally, specialists are well represented in the rankings with **Clariden Bank**, a subsidiary of Credit Suisse, **in 5th place** and **Julius Baer in 10th position**.

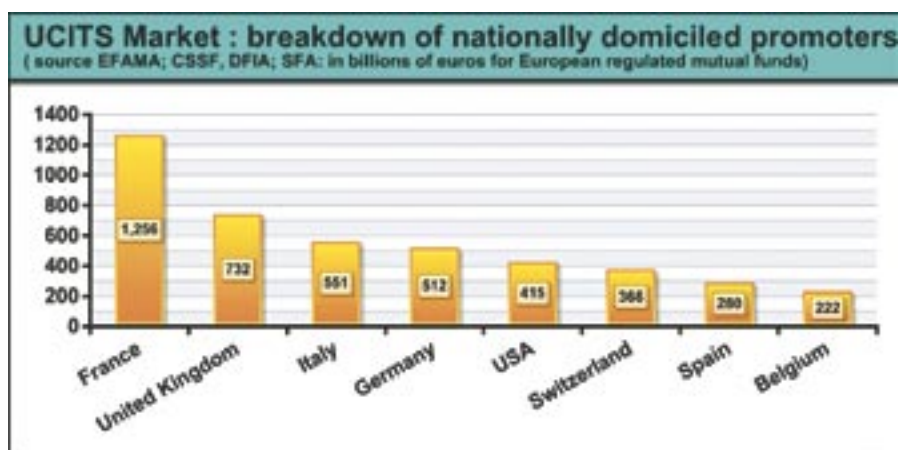
The major Swiss commercial banks are also represented through **Credit Suisse**, who take **4th place**, **UBS in 6th place** and **Swisscanto**, the Swiss cantonal banks' promotional and asset management company, which is **in 7th position**.

Insurance companies take two spots in the rankings: **AIG Private Bank (8th place)**, subsidiary of American International Group (AIG) – one of the world leaders in the field of insurance and financial services – and **Swiss Life Funds (9th place)**, subsidiary of the European general and

Specialists and private bankers dominate the Swiss Alpha League ...



Source: EuroPerformance Style Analytics (www.styleanalytics.com)



The average rates of alpha vary from 2 to 4% depending on the zone. The strongest outperformance is obtained in the Asian and emerging markets. However, it appears to be more difficult to generate significant alpha with portfolios invested in Swiss company stocks.

On average, the "alpha" funds favour large-cap stocks and the share of small caps is limited to 30% of the portfolios. This average results from markets that each have typical styles. In emerging markets and the Asian zone ex-Japan, the notion of small caps is not relevant and the style approach only considers the valuation of company stocks (growth vs value). In the markets that are close to Switzerland, the managers have better and more frequently updated knowledge of the economic environment and the share of small caps in the portfolios tends to be greater. This is the case in particular for the Swiss and German funds and more generally for the "Europe" portfolios, where the share of small-cap and mid-cap stocks is over 50%. Conversely, for the funds that are more diversified on a geographical level, like the international funds, this share is below 10%.

The homogeneity of these rankings shows that the know-how and strategies are broadly shared throughout the manager community. All the companies included in our rankings have an international orientation and have always been attractive to a wealthy and demanding client base. That is why Swiss bankers were very quick to take advantage of the facilities provided by Luxembourg for domiciling their investment funds, thereby establishing close links between Luxembourg and the financial marketplaces in Geneva and Zurich. If one "reimports" funds from Luxembourg and Ireland into their home country, Switzerland represents 7% of the market and is ranked 6th in Europe. Almost 20% of the funds domiciled in Luxembourg are produced by Swiss asset management companies, which means that they are ahead of the United States, Germany and Italy. Funds governed by Swiss law represent less than one-third of the funds marketed in Switzerland (source: SFA).

The "off-shore" dimension of active management in Switzerland is an important asset which results in "Swiss" products being probably the best disseminated in Europe. If one adds active management that is oriented towards market segments that require real expertise – sector products, emerging markets, or international investment management – it is clear that Swiss managers occupy important strategic segments in the European market.

life insurance company Swiss Life.

Finally, **Lombard Odier Darier Hentsch**, the other major private bank from Geneva, which occupies **11th position**, remains outside the award listing for 2006 by missing out on the top ten by a few tenths of a point.

Of the 286 actively managed "equity" funds in Switzerland that have a track record of 3 years, 27.5% deliver significant and persistent alpha.

How can we characterise the management of these funds?

The breakdown of the "alpha" funds into the different investment zones shows that the Swiss Equities category dominates (19%). Sector funds, and more specifically European funds, arrive in second position with 17% of the population of funds rated 4 or 5 stars in the style ratings. Emerging markets represent 13.9% (European emerging markets + emerging markets), a greater share than international equities (8.9%). All the major investment zones are present: USA, Asia, Japan and the Euro zone. Germany (4.4%) and to a lesser extent Italy are favoured zones, while

France and the United Kingdom do not receive much investment.

Specialists and private banks monopolise the top places in our rankings. Their investment management is oriented towards emerging markets and sector funds.

The commercial banks provide a range that covers all the markets and present funds that are well rated in all the categories. UBS, with more than 20 funds included in the rankings, posts an average rate of alpha of over 2% over the 12 monthly rankings, which compares favourably with Pictet & Cie's 1.8% over the same period. However, the frequency of alpha for UBS is 23.6%, while it is over 50% for Pictet & Cie.

The level of frequency therefore penalises the commercial banks, which, over a very broad range, cannot manage to produce alpha persistently in all the "equity" fund categories. A narrower range of products allowed Pictet & Cie to deliver performance that was better than that of their benchmark for 50% of their "equity" funds over the analysis period.

Thomas Steinemann,
Chief Strategist of the Vontobel Group

Vontobel Asset Management

Joint 1st with Pictet et Cie



Thomas Steinemann, Chief Strategist of the Vontobel Group

Interview

1) What are your strategic orientations?

What strategic orientations do you favour in your choice of stocks?

At Vontobel Asset Management AG, we employ a blend approach. The main source of alpha comes from our stock selection process. Stock selection is a result of combining research with valuation, momentum, technical and fundamental analysis.

Are the strategic orientations characteristic of investment management in your asset management company (large caps, small caps, sector, etc.)?

Yes, the above described strategic orientations represent our investment approach.

Do these orientations correspond to a source of alpha that you favour?

Yes, they do. As previously mentioned, the main source of alpha comes from our stock selection process.

Do you have rules with regard to exposure to the sector, the capitalisation or the styles?

The sector specific risks in our core equity portfolios are limited. To this end maximum deviations from the benchmark are defined. In a second step after the stock picking, excessive sector weightings are therefore scaled back. Our core equity portfolios are managed without a style bias. The basis for all equity portfolios is the Vontobel

Buy List, which lists recommended shares. The capitalisation is one of the criteria of the analysis for the Vontobel Buy List.

Is your management more bottom-up or top-down?

Mainly bottom-up. However, top-down and bottom-up approaches are not contradictory points of view. Both approaches mutually complement each other.

2) What are your techniques for generating alpha?

Do you carry out stock picking?

Yes. The bottom-up part of our investment approach does involve stock picking. As mentioned above, this is the main source of alpha.

Do you seek to take advantage of market momentum?

Our investment focus is on stock selection, where we combine research with valuation, earnings revisions, technical and fundamental analysis. Both earnings revisions and technical analysis can be considered momentum indicators so in this sense we will take advantage of momentum on a stock level but it also has to fit our other criteria (valuation and research view) and it is not driven by top down market momentum.

Do you practice tactical allocation?

Starting from the strategic asset allocation, the tactical asset allocation involves defining deviations from the long-term (strategic) composition of the portfolio. Here we aim for an

investment horizon of six to twelve months. This underweighting or overweighting is intended to generate additional returns above the average return based on the strategic asset allocation. This is a significant source of alpha in balanced products. In single equity mandates, it is less significant.

3) How do you measure and manage the risks of your portfolios?

Do you have specific tools at your disposal?

Yes, we employ the following tools:

- Portfolio-Management-System «AMS Allocare» to monitor the investment guidelines/restrictions.
- Barra-analysis to monitor the tracking error
- JCF to provide performance attribution

Do you track the potential extreme losses of your portfolios?

Yes, we track the active risk of the portfolio against the benchmark (tracking error, ex ante, from Barra).

Do you have specific techniques for managing your risks, like for example limiting the number of positions in your portfolios?

We apply a diversification policy across issuers and securities. The investment restrictions are set forth in the Fund prospectus as well as in the investment guidelines. ■



EuroPerformance Analysis

Vontobel Asset Management achieved this excellent result with an average alpha of 3.0%, obtained through 7 "equity" funds: Swiss Mid & Small Cap Equity, US Equity, Emerging Market Equity, Central & Eastern European Market, Saphir Portfolio Forte, Global Trend New Tech, and 2 "equity" funds managed for Raiffeisen: Raiffeisen Futura Swiss Stock and Raiffeisen Futura Global Stock.

Vontobel Asset Management is joint 1st with Pictet & Cie in the Alpha League Table for Switzerland.

Vontobel Asset Management achieved this excellent result with an average alpha of 3.0%, obtained through 7 "equity" funds: Swiss Mid & Small Cap Equity, US Equity, Emerging Market Equity, Central & Eastern European Market, Saphir Portfolio Forte, Global Trend New Tech, and 2 "equity" funds managed for Raiffeisen: Raiffeisen Furura Swiss Stock and Raiffeisen Furura Global Stock. Over the analysis period, the proportion of 4 and 5-star funds in the range of funds that have a track record of more than three years is around 30%. This result is better than the average for Swiss funds (27.5%) and approximately equal to that for all the European funds analysed (31.5%).

We have chosen to present the Swiss Mid & Small Cap Equity fund, which was created in

February 1992. This fund is invested in the shares of small and medium-sized Swiss companies. The fund has been managed by Roberto Picano for a little over a year. The performance of the fund is positive over the last three years with an annualised return of 31.8%.

In order to determine the benchmark for Swiss Small Companies, we carried out a return-based style analysis (Sharpe 1992), on the basis of the last 156 weekly returns of the fund and the associated indices. Since the fund is invested in Switzerland, we have selected the Swiss Equity indices covering the fund's investment universe. The analysis over the past three years confirms the small-cap orientation with an exposure to that style of 76.8%. The exposure to the large-cap style factor is 6.9% for the value stocks and 16.3% for the growth stocks.

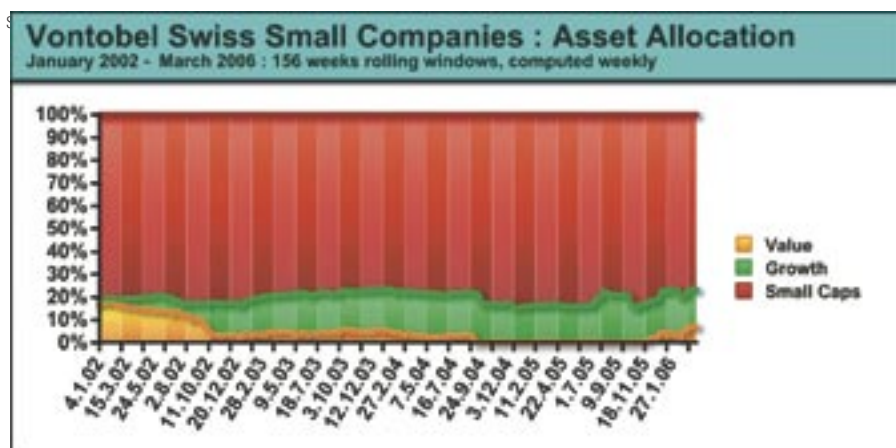
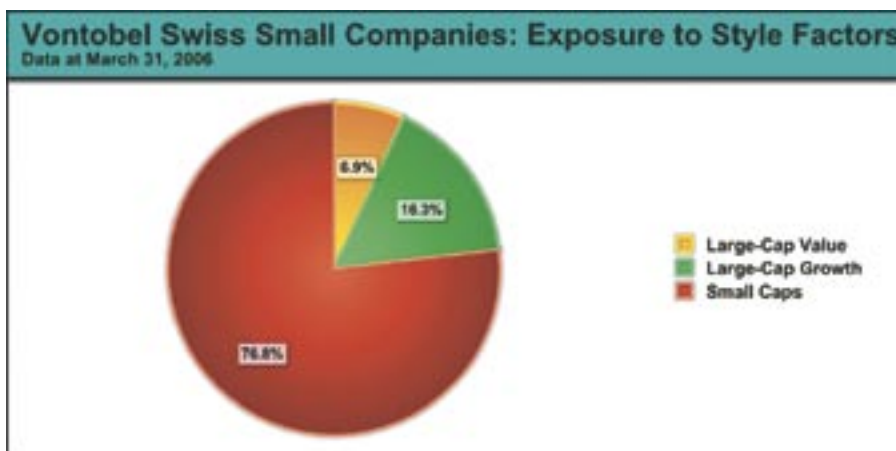
The long-term analysis shows that the styles are very stable. The portfolio includes around 60 stocks at the end of March 2006.

The style analysis allows the average long-term benchmark followed by the fund to be determined and enables the share of the total performance of the fund that comes from the normal reward for the risks taken (beta) to be separated from the outperformance created by the management (alpha). Over the last three years, the average alpha delivered by the fund is 4.95%, which places it among the best in its category. The historical analysis shows that the fund's alpha has been significantly positive since the middle of the year 2004. The coefficient of determination of the multifactor regressions is always greater than 70%, thereby confirming the consistency of the fund's style.

This steady outperformance since the middle of 2004 is not the result of excessive risk-taking, as is confirmed by the level of volatility of 10.3%, which is comparable to that of its reconstituted benchmark (10.4%). However, the volatility measure is not sufficient to evaluate the portfolio's risks. That is why the analysis also takes the risk of extreme loss into account. At a 99% threshold, the Value-at-Risk on the weekly returns displays a potential loss of 3%, which is close to that of the benchmark (2.8%).

The management is active with a tracking error that is average (5.4%). The manager's bets are successful, as is shown by the positive level of the information ratio.

After measuring the alpha and the risks, the next step is to measure the steadiness and the

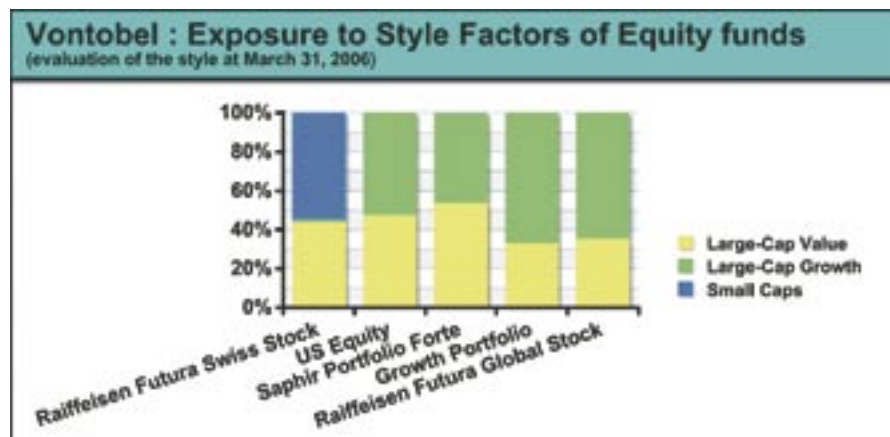


Source: EuroPerformance Style Analytics – data as at March 31st, 2006 (www.styleanalytics.com)

EuroPerformance Analysis

ISIN	CH0002796729
Category	Swiss Equity
Name	Swiss Small Companies
Average Alpha	5.65%
VaR 99%	3.01%
Positive weeks	55.20%
Hurst Exponent	48.00%
Coefficient of determination	75.00%
Style Rating	+++++

Source: EuroPerformance Style Analytics – data as at March 31th, 2006 (www.styleanalytics.com)



Source: EuroPerformance Style Analytics – data as at March 31th, 2006 (www.styleanalytics.com)

ISIN	CH0011980981	LU0185798125	CH0009908457	LU0185799187	CH0011981605	LU0940507038	LU0051795637	LU0138259648
Category	Swiss Equity	North America Equity	International Equity	International Equity	International Equity	Emerging Market Equity	European Emerging Market	Sector Funds
Name	Raiffeisen Futura Swiss Stock	US Equity	Saphir Portfolio Forte	Growth Portfolio	Raiffeisen Futura Global Stock	Emerging Market Equity	Central & Eastern European Equity	Global Trend New Power Tech
Average Alpha	1.6%	0.6%	1.3%	4.5%	1.0%	9.0%	7.1%	4.4%
VaR99	3.0%	4.5%	3.4%	3.3%	3.8%	3.8%	3.7%	5.0%
Positive weeks	55.9%	46.2%	52.0%	54.2%	47.4%	45.9%	41.0%	53.9%
Hurst Exponent	44.0%	40.0%	52.0%	48.0%	52.0%	42.0%	46.0%	53.0%
Coefficient of determination	79.0%	70.0%	90.0%	81.0%	84.0%	61.0%	71.0%	69.0%
Style Rating	+++++	++++	+++++	+++++	+++++	++++	++++	+++++

Source: EuroPerformance Style Analytics – data as at March 31th, 2006 (www.styleanalytics.com)

persistence of the fund's outperformance. The persistence is measured using a gain frequency for the weekly returns. Over the last three years, the calculated frequency is 55.2%. In other words, the fund outperformed the benchmark 86 times in the last 156 weeks. The persistence measures the manager's capacity to repeat his performance from one week to the next. This involves detecting a correlation between the excess returns of week t and week t-1. This serial correlation is measured using the Hurst coefficient. For Vontobel Swiss Small Companies, the value of the coefficient is 48. We consider that

we are in the presence of momentum and that persistence exists for a value greater than 50.

With these excellent results, the Vontobel Swiss Small Companies Fund obtains a rating of 5 stars. This fund has obtained a score of 4 or 5 stars since the beginning of our analyses (January 2002).

An analysis of all of Vontobel Asset Management "alpha" funds shows that the highest alphas come from the management of large caps, whatever the sector or the investment zone.

The population selected

There are 51 management companies that are registered and approved in Switzerland and carry out the activity of asset manager for the «Equities» class (as at March 17, 2006 - the calculation date).

They manage slightly more than 365 mutual fund units in the Equity class.

On that basis:

- 345 fund units are analysed in the Style Rating
- 286 fund units receive a score of 1 to 5 stars in the Style Rating

The alphas are significantly positive, with the possible exception of the fund invested in American stocks. This outperformance is not the result of higher risk-taking. Over the last three years, the Value-at-Risk figures are low, with a potential weekly loss that is more often than not lower than 5%.

To conclude, Vontobel Asset Management presents "equity" management that is homogeneous whatever the sectors or investment zones, and a high frequency of funds with interesting average alpha.

M. Renaud de Planta,
Managing Director of Pictet Asset Management

Pictet et Cie Joint 1st with Uontobel Asset Management

Interview

1) What are your strategic orientations?

What strategic orientations do you favour in your choice of stocks?

Each asset class is governed by its own market inefficiencies and opportunities. As such, we aim to select the best suited strategic orientation that will enable us to outperform the benchmarks. There is no one single orientation across all our funds.

Are the strategic orientations characteristic of investment management in your asset management company (large caps, small caps, sector, etc.)?

Although we manage a range of different equity funds, we have a long history of excellence in emerging markets, small caps and, more recently, sector funds. Our regional and global equity funds are therefore oriented to these areas of specialisation. Common to all of these funds is a bottom-up, research driven, fundamental approach to stock selection.

Do these orientations correspond to a source of alpha that you favour?

Yes. We believe added value can be achieved by taking advantage of our specializations even in regional and global portfolios.

Do you have rules with regard to exposure to the sector, the capitalisation or the styles?

Yes, but the rules are specific to the mandate or asset class. We monitor a wide range of style



M. Renaud de Planta,
Managing Director of Pictet Asset Management

factors (including growth/value, size, momentum, liquidity, etc.) to ensure that portfolios conform to agreed mandates. We are especially sensitive to any evidence of style drift.

Is your management more bottom-up or top-down?

We focus on bottom-up stock selection with the emphasis being on fundamental analysis and company contact.

2) What are your techniques for generating alpha?

Do you carry out stock picking?

For most of our funds, stock picking is the primary source of alpha.

Do you seek to take advantage of market momentum?

When initiating a new position, we pay close attention to market momentum, investment flows and liquidity, but we do not seek to exploit market momentum as a source of alpha.

Do you practice tactical allocation?

Apart from our balanced and absolute return funds, no, not explicitly. Our Strategy Unit (PSU) provides the investment managers with guidance on equity/bond and regional weighting as well as sector weightings, cash and portfolio beta. The aim of the PSU is to set a broad policy stance which will be reflected in the shape of the funds, once the bottom-up stock-picking is complete. However, investment managers have the latitude to deviate in magnitude (though not direction) from this broad policy based on their own insights and allowing for the differing risk constraints of our funds.

3) How do you measure and manage the risks of your portfolios?

Do you have specific tools at your disposal?

Yes, we use APT, a leading statistical and fundamental multi-factor risk model. It is directly available to all equity fund managers as part of their front-end portfolio management system.

Do you track the potential extreme losses of your portfolios?

Yes, all funds are subject to risk monitoring by our firm-wide Risk Control Unit. Risk management is part of the analysis, debate and decision making of all our investment teams. Portfolios are viewed both in absolute (volatility) and relative (tracking error) terms. We are able to decompose risk at the holding level to monitor the largest contributions to absolute and relative risk. Risk analysis also includes an assessment of potential extreme loss measured as Value-at-Risk.

Do you have specific techniques for managing your risks, like for example limiting the number of positions in your portfolios?

Yes. For each type of mandate and each portfolio we set an internal target and a maximum level of active risk (or ex ante tracking error). This target figure is derived from the combination of the return objective and the desired information ratio. As a measure of overall risk in the portfolio, the ex ante tracking error is influenced by diversification factors such as number of positions, deviation from index weights, etc. ■



Pictet & Cie achieves this excellent result with an average alpha of 1.8% obtained through 13 "equity" funds: PF Telecom, PF Asian Equity (ex Japan), PF Swiss Mid & Small Cap, PF Small Cap Europe, PF Global Equity Selection, PF Emerging Market, PF Swiss Equity, PF US Equity, PF Indian Equity, PF Japanese Equity, PF Pan European Equity, PF Japan Equity Selection and Al Dar World Equity.

EuroPerformance Analysis

Pictet & Cie is in joint 1st position with Vontobel Asset Management in the Alpha League Table for Switzerland.

Pictet & Cie achieves this excellent result with an average alpha of 1.8% obtained through 13 "equity" funds: PF Telecom, PF Asian Equity (ex Japan), PF Swiss Mid & Small Cap, PF Small Cap Europe, PF Global Equity Selection, PF Emerging Market, PF Swiss Equity, PF US Equity, PF Indian Equity, PF Japanese Equity, PF Pan European Equity, PF Japan Equity Selection and Al Dar World Equity.

Over the analysis period, the proportion of 4 and 5-star funds in the range of funds that have a track record of more than three years is above 50%. If we also take into account the 3-star funds, whose performances are close to their benchmark, the frequency of funds that deliver a value that is equal to or greater than their benchmark is above 80%.

We have chosen to present the Pictet – Global Equity Selection fund, which was created in October 1988. This fund is invested in equities from all over the world. The asset allocation is based on a sector and regional approach. The management team seeks to select stocks with above average growth potential through a fundamental evaluation model by score. The fund is managed by Aristotelis Vatis. A very experienced manager, he has been with Pictet since 1998. The performance of the fund is positive over the last three years with an annualised return of 19.4%.

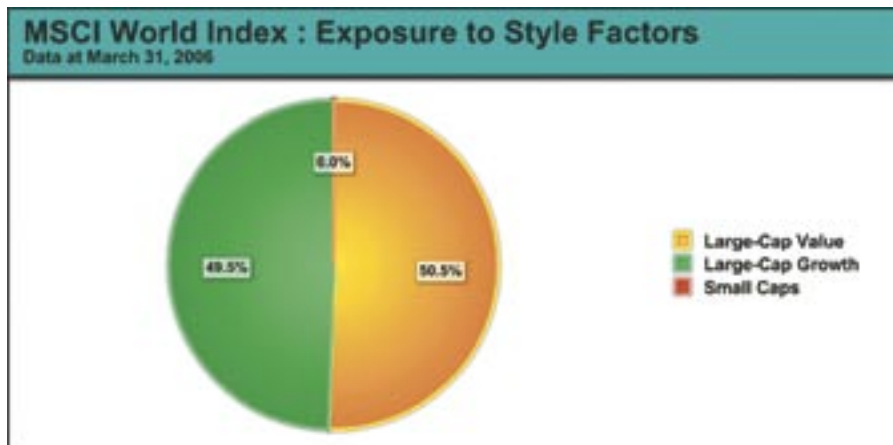
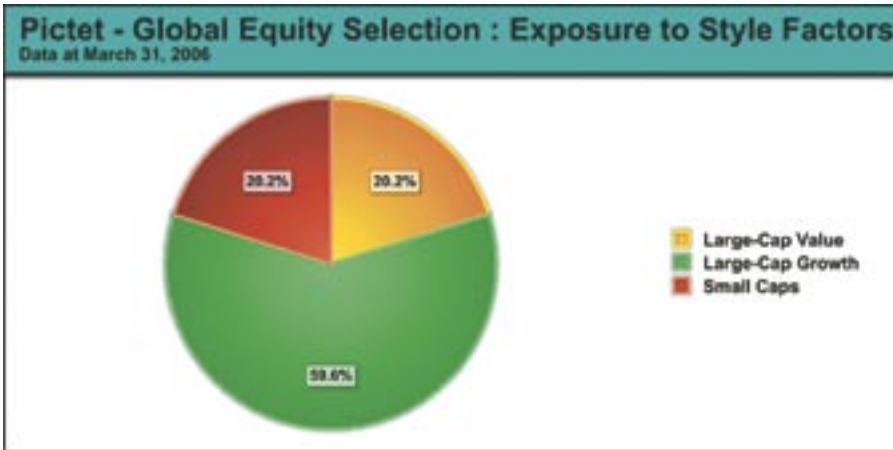
The fund displays a reference index: the MSCI World Index. We can carry out a comparative style analysis of the index and the fund by using the return-based style analysis method (Sharpe 1992), on the basis of the last 156 weekly returns of the fund and the reference index. Since the fund is invested throughout the world, we have selected the MSCI indices that cover the fund's investment universe.

The analysis of the MSCI World Index over the last three years, up until the end of March 2006, produces a balanced exposure between the value and growth styles. The same analysis of the Global Equity Selection fund gives a slightly different exposure. The exposure to the "large caps – growth" style factor is 59.2%, the exposure to the "large caps- value" style factor is 20.7%, and the exposure to the "small caps" factor is 20.1%.

We can deduce from this that the manager was able to arbitrate between the different styles or that his sector and geographical allocation process led him to deviate significantly from his reference index. The annualised performance of the MSCI World Index is 16.7%, while the implicit benchmark followed by the manager generated an annualised performance of 17.2%. Over the period, the performance of the growth stocks was much worse than that of the discounted stocks (15.7% versus 21.4%). Overall, large caps did not do as well as small and mid-caps (30.5%).

The long-term analysis shows that the styles are very stable.

The style analysis allows the average long-term benchmark followed by the fund to be determined and allows the share of the total performance of the fund that comes from the normal reward for the risks taken (beta) to be separated from the



Source: EuroPerformance Style Analytics – data as at March 31th, 2006 (www.styleanalytics.com)

EuroPerformance Analysis

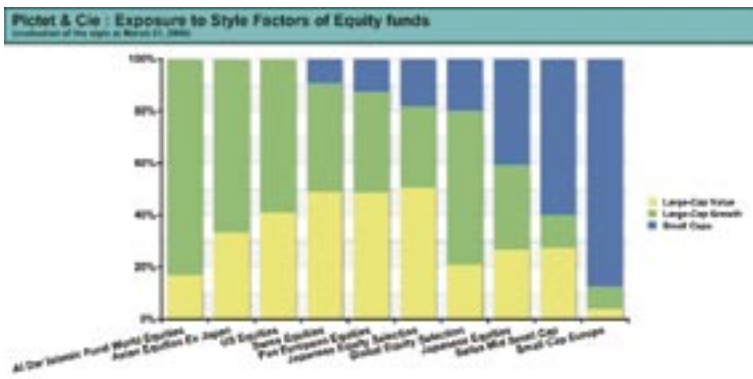


Source: EuroPerformance Style Analytics – data as at March 31th, 2006 (www.styleanalytics.com)

ISIN	LU0092017853
Category	International Equity
Name	Global Equity Selection
Average Alpha	2.2%
VaR 99%	3.6%
Positive weeks	50.0%
Hurst Exponent	46.0%
Coefficient of determination	83.0%
Style Rating	★★★★★

ISIN	LU0092017853	CH0002783823	CH0000269988	LU0155302323	LU0092017853	LU0092017853	LU0092017853	LU0092017853	LU0130732384	LU0155304727
Category	International Equity	Swiss Equity	Swiss Equity	Asia (Excl. Japan) Equity	International Equity	Japan Equity	Japan Equity	Europe Equity	Europe Equity	North America Equity
Name	A Darsener Fund World Equities	Swiss Equities	Swiss Mid Small Cap	Asian Equities Excl. Japan	Global Equity Selection	Japanese Equities	Japanese Equity Selection	Pan European Equities	Small Cap Europe	US Equities
Alpha	0.11%	1.55%	3.30%	3.74%	2.22%	0.79%	1.02%	0.08%	1.87%	0.89%
VaR 99%	4.03%	2.95%	2.55%	8.18%	3.58%	8.67%	8.84%	3.20%	3.77%	4.62%
Positive weeks	48.00%	53.55%	51.80%	51.61%	50%	46.73%	47.24%	48.73%	53.21%	49.03%
Hurst Exponent	54.0%	48.0%	52.0%	55.0%	44.0%	52.0%	50.0%	48.0%	51.0%	54.0%
Coefficient of determination	89.0%	90.0%	78.0%	78.0%	83.0%	94.0%	94.0%	94.0%	90.0%	90.0%
Style Rating	★★★★	★★★★	★★★★h	★★★★h	★★★★	★★★★	★★★★	★★★★	★★★★h	★★★★

Source: EuroPerformance Style Analytics – data as at March 31th, 2006 (www.styleanalytics.com)



Source: EuroPerformance Style Analytics – data as at March 31th, 2006 (www.styleanalytics.com)

outperformance created by the management (alpha). Over the last three years, the average alpha delivered by the fund is 2.23%. The historical analysis shows that the fund's alpha is significantly positive throughout the year 2002. Thereafter, the fund did not produce any outperformance until October 2005, a date which marked a sharp change in direction and a return to the series of positive alphas.

The level of volatility of 11.6% is comparable with that of its reconstituted benchmark (12.0%). However, the volatility measure is not sufficient to evaluate the portfolio's risks. That is why the analysis also takes the risk of extreme loss into account. At a 99% threshold, the Value-at-Risk on the weekly returns displays a potential loss of 3.6%, which is lower than that of the benchmark (4.1%).

The management is active with a tracking error that is average (5.0%). The manager's bets are successful, as is shown by the positive level of the information ratio.

After measuring the alpha and the risks, the next step is to measure the steadiness and the persistence of the fund's outperformance. The persistence is measured using a gain frequency for the weekly returns. Over the last three years, the calculated gain frequency is 50.0%. The persistence measures the manager's capacity to repeat his performance from one week to the next. This serial correlation is measured using the Hurst coefficient. For Pictet Global Equity Selection, the value of the coefficient is 46. We consider that we are in the presence of momentum and that persistence exists for a value greater than 50.

With these excellent results, the Pictet Global Equity Selection Fund obtains a rating of 5 stars.

An analysis of all of Pictet & Cie's "alpha" funds shows that the highest alphas come from the funds with a small-cap orientation, in particular on the Swiss market, where knowledge of the economic environment is a significant asset. The other strength in the investment management is the international management, with alpha created on products that are diversified geographically and in Asia. The style analysis on the "equity" funds is very balanced, and provides evidence of the company's capacity to manage all kinds of stocks. The alphas are significantly positive, with the possible exception of the Islamic fund. This outperformance is not the result of excessive risk-taking. Over the last three years, the Value-at-Risk figures are low, with a potential weekly loss of between 4 and 6%.

To conclude, Pictet & Cie display "equity" management that is both high quality and homogeneous, with 80% of the equity funds receiving 3 stars or more in our ratings. This frequency of funds delivering performance that is equal to or greater than the benchmark followed is remarkable.

Guy Monson,
Chief Investment Officer for Bank Sarasin Group

Banque Sarasin 3rd

Interview

Answers given by Guy Monson, Chief Investment Officer for Bank Sarasin Group

1) What are your strategic orientations?

What strategic orientations do you favour in your choice of stocks?

The Sarasin Group is relatively unique in believing that long term investment themes are the core drivers of alpha generation in global equity portfolios. We believe that traditional top down measures like country allocation and industry allocation are overused in global markets, offer little opportunity for differentiation and have homogeneous valuation outlooks.

We prefer to identify between 4 and 6 key long term investment themes which we think drive markets. Today we are looking at:

1. Market leaders in corporate restructuring
2. Opportunities for long term pricing power,
3. Premier holders of intellectual property and companies with extraordinary innovation records,
4. Efficiency, automation and best of breed business model and
5. Companies that can benefit from global convergence of growth between the emerging and western world.

Are the strategic orientations characteristic of investment management in your asset management company (large caps, small caps, sector, etc.)?

There are no strategic structural orientations inherently characteristic of our investment management approach, although for practical and client reasons there is a tendency to a slight large cap bias.



Guy Monson, Chief Investment Officer for Bank Sarasin Group

The Company takes a global approach to equity investment and will include non-benchmark domiciles and securities (e.g. emerging markets) if appropriate.

Currently the style biases in our portfolios include a clear orientation towards large cap growth and an emphasis on international earnings, strong upward earnings revisions and premier returns on equity invested.

Do these orientations correspond to a source of alpha that you favour?

We believe that our main alpha generation is from our thematic stock selection process but investment styles listed above are also contributors.

Do you have rules with regard to exposure to the sector, the capitalisation or the styles?

We favour a regime of guidelines in preference to static rules, based on a "comply or explain" principle.

For benchmarked portfolios, we manage overall relative and absolute risk and analyse its composition, relative to sources of expected added value.

In terms of sector distribution and country distribution, we use active money analysis as a proxy to manage exposure relative to benchmark but allow fund managers maximum flexibility in allocating between the individual sectors and countries. Within styles, we monitor for any specific style biases or risk we may take, but have no formal limits. We also have guidelines on liquidity, and rules on individual security positions which have an implied effect on capitalisation exposure.

Is your management more bottom-up or top-down?

Our management style is a combination of top down quantitative stock selection with a bottom up qualitative research driven by scorecards for each of the companies that we select.

2) What are your techniques for generating alpha?

Do you carry out stock picking?

Yes, in accordance with our thematic criteria.

Do you seek to take advantage of market momentum?

Portfolio managers are given flexibility to optimise stock selection and research recommendations by using some momentum tools, but this is not a key driver to our approach.

Do you practice tactical allocation?

Yes but within a thematic framework as opposed to traditional TAA approaches

3) How do you measure and manage the risks of your portfolios?

Do you have specific tools at your disposal?

We use all the standard measures for measuring and monitoring relative and absolute portfolio risk. In addition, our in-house portfolio management system uses a proprietary risk-scoring process to monitor every portfolio under management on a daily basis. Our global equity portfolios also use style analysis, a global multi factor, equity risk model.

Do you track the potential extreme losses of your portfolios?

Yes, we do. We simulate single market events in Stress Testing and look at Value at Risk measures (VaR) for our combined portfolios.

Do you have specific techniques for managing your risks, like for example limiting the number of positions in your portfolios?

Yes, by monitoring for style exposures, active money in country and sector selection, strict control of individual stock positions and single name risk, and the ability to deploy index futures to restrict the beta contribution in any given style. ■



Bank Sarasin takes third place in the rankings with an average alpha of 2.9% obtained through 5 equity funds: Sarasin Investmentfonds Emergingsar; Sarasin Investmentfonds Emergingsar Asia; Sarasin Investmentfonds Sustainable Equity; Sarasin Investmentfonds Innovationsar; and Sarasin Investmentfonds Healthsar.

EuroPerformance Analysis

Bank Sarasin takes third place in the rankings with an average alpha of 2.9% obtained through 5 equity funds: Sarasin Investmentfonds Emergingsar; Sarasin Investmentfonds Emergingsar Asia; Sarasin Investmentfonds Sustainable Equity; Sarasin Investmentfonds Innovationsar; and Sarasin Investmentfonds Healthsar.

Over the analysis period, the proportion of 4 and 5-star funds in the range of funds that have a track record of more than three years is around 32%. Like for the top two in the rankings, this frequency is greater than the average of the funds marketed in Switzerland (27.5%) and approximately equal to that for all the European funds analysed (31.5%).

The highest alphas come from the funds invested in emerging markets and the Asian zone (emergingsar and emergingsar asia). It involves management of large caps both in Asia and internationally.

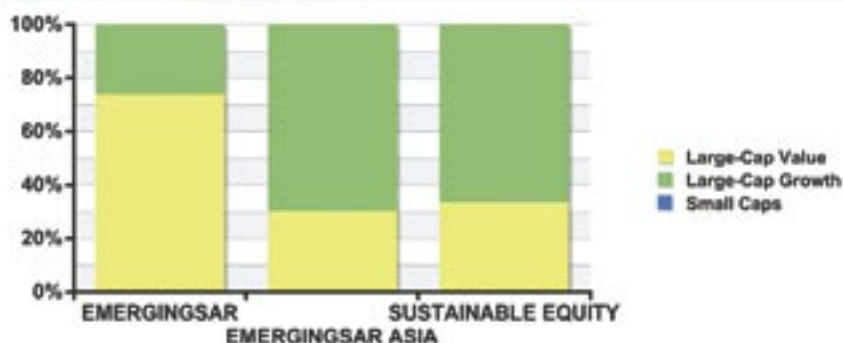
Moreover, Bank Sarasin has sector funds in the area of health and new technology, and also in real estate.

With Sarasin Sustainable Equity, the bank invests on a worldwide scale and in a very diversified manner in shares of companies that make a contribution to the sustainable economy. This fund is oriented towards international large caps, its alpha is greater than 1%, with volatility of 11% and Value-at-Risk lower than 4%.

With a narrow product range and a net orientation towards emerging markets, Bank Sarasin's investment management is of high quality. This strategy has proved to be a winning one over the last three years and has allowed them to achieve inclusion in the Alpha League Table rankings.

Sarasin : Exposure to Style Factors of Equity funds

(evaluation of the style at March 31, 2006)



Source: EuroPerformance Style Analytics – data as at March 31th, 2006 (www.styleanalytics.com)

ISIN	LU0068337053	LU0096560650	LU0097427784	LU0102479184	LU0138393367
Category	Emerging market Equity	Asian (ex Japan) Equity	International Equity	Sector funds	Sector funds
Name	SARASIN EMERGINGSAR	SARASIN EMERGINGSAR ASIA	SARASIN SUSTAIN EQUITY	SARASIN INNOVATIONSAR EUR A	SARASIN HEALTHSAR EUR A
Alpha	2.9%	3.2%	1.2%	0.1%	1.6%
VaR 99%	5.6%	6.6%	3.5%	5.1%	4.6%
Positive weeks	45.5%	45.5%	50.0%	49.4%	56.4%
Hurst Exponent	34.0%	5.6%	46.0%	48.0%	50.0%
Coefficient of determination	91.0%	86.0%	92.0%	89.0%	85.0%
Style Rating	★★★★	★★★★	★★★★	★★★★	★★★★h

Source: EuroPerformance Style Analytics – data as at March 31th, 2006 (www.styleanalytics.com)

Alpha League Table Methodology

The Alpha League Table methodology is drawn from the work of the EDHEC Risk and Asset Management Research Centre



For the first time in Europe, a ranking method is genuinely striving to distinguish the skill related to active management (alpha), from the other components of performance, which are related to the market (beta).

The Alpha League Table is based on the referential Style Rating database developed by EuroPerformance and EDHEC.

By retaining the funds rated $\oplus\oplus\oplus\oplus$, $\oplus\oplus\oplus\oplus\oplus$ and $\oplus\oplus\oplus\oplus\oplus h$, in other words funds that have strictly positive alpha, the Alpha League Table is the first European ranking that allows asset management firms to be rewarded for their capacity to create alpha in their "equity" management.

Alpha is the core element in evaluating investment management

At a time when passive investment offerings are becoming more prevalent, it seems indispensable for both the asset management industry and investors to be able to identify talented active management "producers", who, over and above the returns procured naturally by the fund's long-term exposure (beta) to market and style risks, are capable of providing their clients with outperformance (alpha).

The calculation of alpha, i.e. the outperformance obtained by the manager compared with the "normal" returns procured by exposure to market and style risks, presupposes that the exposures to risks (the betas) are determined with accuracy. The benchmark that is representative of the risks that were actually taken by the manager is determined by analysing the fund's returns through a multi-index regression onto the styles (the Nobel Prize winner William Sharpe's Return-Based Style Analysis method)

Presentation of the Alpha League Table:

The ALT provides an annual ranking of the best European asset management firms. These annual rankings are published every year on the basis of the fund performance as at March 31st for each of the management companies that act as asset managers in a European country.

In addition to these annual rankings, the ALT includes a special focus each year on 4 zones in Europe: France, the United Kingdom, Italy and Spain, and Switzerland. The publication of the rankings is spread out over the year on a quarterly basis.

The rankings are put together on the basis of a score relating to each management company's alpha intensity.

The Alpha League Table score: alpha intensity

The goal of the Alpha League Table is to be able to rank asset management companies on their ability to deliver alpha frequently: their alpha intensity.

The alpha intensity is a synthesis of two indicators calculated from information in the EuroPerformance-EDHEC Style Rating:

The frequency of alpha in the range, which is expressed by the ratio of the number of funds with a strictly positive alpha ($\oplus\oplus\oplus\oplus$, $\oplus\oplus\oplus\oplus\oplus$ and $\oplus\oplus\oplus\oplus\oplus h$ in the style rating) to the total number of funds rated for the same asset management company.

The average alpha, which corresponds to the average percentage of alpha calculated for the funds that have a strictly positive alpha ($\oplus\oplus\oplus\oplus$, $\oplus\oplus\oplus\oplus\oplus$ and $\oplus\oplus\oplus\oplus\oplus h$ in the style rating).

The alpha intensity score for the Alpha League Table is the product of the frequency of "alpha" funds by the average alpha.

Example:

If company X displays a frequency of 30%, i.e. 3 funds out of 10 are rated 4 or 5 stars, and the average alpha of these funds (alpha > 0) is 4%, then the score will be $4\% \times 0.30 = 1.2\%$.

In the same way, if company Y displays a frequency of 50% and an average alpha of 3%, its score will be $3\% \times 0.50 = 1.5\%$.

The awards listing

Each month, rankings are established on the basis of this score. Only companies that have participated in the 12 monthly rankings are retained for the annual rankings.

In the present case, the calculations cover the period from April 2005 to March 2006.

In the final awards listing, the companies are ranked according to the average of their 12 monthly scores.

The asset management companies selected for the Alpha League Table

All companies that carry out an investment management activity and are registered and approved by the regulatory authorities in the zone referred to in the awards listing are eligible for the Alpha League Table.

Foreign companies that only have a sales activity in the zone referred to are excluded. However, for companies that are registered and approved, all of their funds, both managed and marketed, are selected, irrespective of the country in which the fund is domiciled.

Each management company that has regulatory approval competes on its own behalf. Nevertheless, certain organisations, for which the equity management team is shared with another company within the same group, have been grouped together under the main name.

The companies with regulatory approval must have at least 4 funds rated in the EuroPerformance-EDHEC Style Rating to compete in the Alpha League Table.

The funds selected for calculating the score

Equity funds are eligible for the Alpha League Table on condition that they are included in the EuroPerformance database and have a score in the Style Rating, the rating system developed by EuroPerformance and EDHEC. For this, they must have at least three years of historical data and fewer than two returns missing over the alpha calculation period (156 weeks) and not belong to one of the following categories:

- Gold and raw materials
- Real estate
- ETFs and all mutual funds that carry out index management

The alpha measurement is drawn from the EuroPerformance/EDHEC Style Rating

The EuroPerformance-EDHEC style rating is constructed on the basis of three criteria:

- Risk-adjusted performance (or alpha)
- Extreme loss potential (Value-At-Risk)
- Performance persistence

The ratings integrate the most advanced conceptual and technical research. The Style Rating measures the quality of active management and provides a score that ranges from 1 to 6.

The 1 and 2 categories group together funds that have not outperformed their management objective on average. The 3 category contains funds whose performance is close to the returns of the market in which they invest. The 4 and 5 categories include funds that have outperformed over the analysis period. This excess performance is the fruit of the manager's decisions: active stock picking and/or market timing. Among the funds that excel, some provide a significant gain frequency, which characterises persistence of outperformance. These funds are distinguished with the maximal score of 6 or 6h characterising consistency in the distribution of the fund's excess returns.

EuroPerformance and EDHEC

The philosophy of the EDHEC Risk and Asset Management Research Centre is that research should be useful for business.

On the basis of research work relating to performance measurement and mutual fund ratings, and having observed the inadequacies of the existing ratings systems, EDHEC began to collaborate with EuroPerformance in 2002.

Combining the state of the art in financial research and business know-how, EuroPerformance and EDHEC developed a European fund rating method based on ALPHA, the EuroPerformance-EDHEC Style Rating, a genuine analytical referential database. All the calculations, for which the EuroPerformance / EDHEC Style Ratings constitute a detailed summary, are drawn from "Style Analytics", a tool for measuring the performance and risks of European funds developed by EuroPerformance.

The partnership with EDHEC is a guarantee for EuroPerformance that the performance and risk analysis methods and concepts in "Style Analytics" are derived from the most recent research results in the area of ALPHA measurement.



About EDHEC

EDHEC is one of the leading French and European business schools. It ranked 12th in the Financial Times Masters in Management rankings in 2005. The EDHEC Risk and Asset

Management Research Centre, with its 31 professors, engineers and research associates, is the leading European research centre in asset management.



About EuroPerformance

EuroPerformance, a European fund analysis company, is a subsidiary of the FININFO group, the leading French financial information company. Specialised in data collection, EuroPerformance has developed tools with considerable value-added in the areas of performance and risk analysis through a broad referential database of European funds.



Expertise to back up your skill



Style Analytics

EUROPERFORMANCE

All the calculations in the Alpha League Table rankings are drawn from "Style Analytics", a tool for measuring alpha and, more generally, the performance and risks of European funds. **www.styleanalytics.com: get connected!**

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