



# ALPHACAPITA (Switzerland) SA

## Global Asset Management

JANUARY 2011 NEWS LETTER

### “Three little Piggy's & a friend Go to market”

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### Outlook

Looking back at the year 2010, we have witnessed another volatile year. There has been continued uncertainty regarding EU deficit problems, and the US concerns about growth and unemployment, have caused market instability. Moving in to 2011, we see this as being an ongoing challenge.

With the end of the year we also see the end of year figures for the portfolios. The balanced portfolio gave a return of 7.06% excluding any unrealised interest or dividends. And the new Equity portfolio, which has only one quarter under its belt, gave a return of 4% excluding any unrealised interest or dividends for Q4.

As predicted in our news letter of Q3, we have seen ongoing improvement in the key figures the U.S, whilst the FED came out with new QE2. We have especially focused on the Non farmer payroll and ISM, which has yielded surprisingly positive results. Likewise, we have seen the resurgence of the US consumer , with people returning to the shops, albeit with more thought around what products they should buy. We also have watched the uptrend in the savings rate in US, which is still rising, highlighting the US focus on



shrinking the size of their loans book. We also believe that unemployment rates in the developed world will improve during 2011.

So why are we positive for the stock market in 2011? We do believe that the global economic recovery will become more self-sustaining, due to favourable interest rates and continuing good earnings making companies look more attractive than alternatives investments, such as commodities markets. Companies today still seem to have good cash reserves, which we believe will be put to work, both by delivering higher dividends, share buy backs, or more MA and also by investing in employment.

Looking at the Asia Pacific region, our stand is that China will manage to control the inflation and keep growth in line. We are reasonably bullish on ongoing growth in emerging markets and have therefore exposed our portfolios more in this area through Asian basket ETFs (Exchange traded funds) and also through some of our communication stocks. (Vodafone)

### Strategy

In our minds the key focus has to be on Europe and on the deficit problem. We acknowledge that many analysts see the Euro corporation as the main challenge for the “PIGS” (Portugal, Ireland, Greece and Spain) countries ,because of the apparent differences between south and north Europe and the deficit issues in Ireland . The solutions seem to be many – but it is our view that a break up of the Euro is not an option, and that talk from politicians jockeying for air time will cause much more distress than monetary policy makers giving sensible evaluations. The sensible route is to have a united Europe with one voice and discipline to follow the guidelines made and set out. We do believe that this can still be done, but it will take until the end of 2011 and will be hard for many countries. If this is not done, many investors will remain cautious around the Euro creating further concerns around the future of Europe and the speed of recovery. We will maintain a “flexible” approach within our strategies according to developments in the region.

*continued on page 2.*



## RHODIA

We have had Rhodia in our portfolio for some time now. We are happy with this as we truly believe in the merits of this company over the long term. We have however over the last year taken rather large profits and locked them in to the portfolio.

Rhodia is a world leader in the development and production of specialty chemicals. Their products and high-performance solutions are sold to diversified markets, including automotive, flavors and fragrances, health, personal and home care, consumer goods and industrial, through its six global enterprises.

They have a strong geographic presence in growth markets, 13,600 employees and a resolute commitment to sustainable development places. The company is headquartered in France and established in 25 countries worldwide. With manufacturing facilities and R&D centers in all four major regions of the world – Europe, North America, Latin America and Asia Pacific

Rhodia leads the world in the production of mild amphoteric surfactants, phosphorus chemistry and guars and derivatives, as well as in high-performance silicas, rare earth-based formulations and diphenols.

Rhodia is recognized as the major sulfuric acid regenerator in the US and, as one of the first companies to implement the Clean Development Mechanism of the Kyoto Protocol.

Recently (20th December 2010) Rhodia announced the signing of a binding agreement to acquire PI Polymer, the engineering plastics business of the Indian company PI Industries Ltd. This transaction supports the Group's ambition to increase its market share in the Indian polyamide compound market to more than 15% by 2015. According to François Hincker, President of Rhodia Engineering Plastics, the acquisition "will reinforce the already strong positions we have in fast-growing economies".

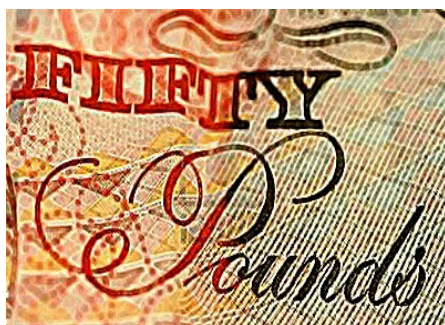
*"Rhodia leads the world"*



*"Chart showing Rhodia"*

## Strategy—continued from page 1.

### ON CURRENCY



We still see good potential in the GBP, and it's history would indicate that it generally flaunts declining trends. Therefore we want to have a good exposure in this currency in the new year being ready for the increase in inflation in

the UK, and the response of the Bank Of England to keep it in line with their 2% target, therefore resulting in some kind of fiscal tightening.

Like the stock market the currency market has also been highly volatile. We have seen EURUSD fall from 145 to 118 levels in the earlier part of 2010, and likewise

seen the CHF and JPY strengthen against the EUR. If the US continues to post strong results, we will not be surprised if the USD can strengthen against the EUR – maybe down to the 1.15 level. Off the back of this we have added some more equity that is USD nominated.

In the early part of the new year we are launching a standalone product based on the USD strengthening and the CHF weakening. This will be a capital protected product with a capital guarantee of approximately 100%. For further details please do not hesitate in contacting us.

*"we still see good potential in the Pound."*



## ON STOCKS

In Q3 we bought into Petrobras and ThyssenKrupp AG. In the short term Petrobras has not performed as well as we had hoped, but we still believe in the long term business case and will be keeping the stock as one of our placements for 2011.

On the other hand ThyssenKrupp AG has had an impressive run up. Since we bought in at an entry level of €23 the stock has performed with around 30% return and has already reached our target. Since the stock still has momentum, we will keep the stock in our portfolio with stop loss (profit) at the 30 EUR level, adjusting in strategic increments if the stock keeps performing in a positive way.

We must also say good bye to Corn Products International who over the last year has performed very well in its sector. We have seen a 33% return on this stock over the last year. We exited at \$46.50

In Q4 we have bought into two new ETF's (Exchange Traded Funds) - one with the focus on Asia, ex Japan \$62 entry level, and



**“Corn Products has performed with a gain of 33% since entry”**



another with focus in Latin America (ILF ishares S&P Latin America 40 index) \$52 entry level. Our strategy is to have more direct exposure to the emerging markets without having to risk a venture in to single stocks. With The ILF ETF we get this exposure in companies in the Mexican and South America regions such as Brazil and Chile.



During Q3 and Q4 we bought into ETF's where we can benefit from a higher US yield. In the short term this has shown a lagging performance but we strongly believe that we will benefit from this investment in the coming year.

As mentioned in our Q3 news letter the rumours were out that "Wind" would call on some of the bond issues. This did turn out to be the case, and we managed to take home a 5% profit for a 6 month period. Likewise we have seen that our investment in "Nordic Telecom" has been redeemed as a part of the of the TDC stock introduction strategy on to the Danish exchange. The "Nordic Telecom" bond has been in our portfolio from the start of AlphaCapita and we have had a yearly profit on this investment at 10%.

## ON BONDS

Due to uncertainty in the bond market, we will not add more maturity to the bond portfolio but keep a short maturity on governments and mortgaged bonds. On the other hand we are still seeing positivity regarding corporate bonds, and during 2010 we have experienced companies borrowing record amounts through the bond markets.

In Q4 we have bought into ING Perpetual BBB rating with a yield at the buying time around 7.95%. We have done this as we suspect a breakup of ING as a business in 2011, which will support a higher rating from S&P, hopefully supplying us with a good return.



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## Poul Schroeder Chairman of the board

I was a while ago asked why I had become involved in AlphaCapita. First of all I trusted the management team that presented their new business approach to wealth management. My history With Carsten Roloff goes back some 7-8 years, when he

What impressed me in the presentation of the new company was how they would be able to serve the clients. Transparency was key! The client could at any moment enter his/her account and see how the money was invested and the real-time results. The investment strategy was based on modest risk taking, and low trading activity, meaning low cost associated with trading. Stocks acquired were mostly AAA quality, and good performing stocks were not sold when downturns were predicted in the market, instead a hedge position was taken in one of the indexes in order to protect the position. The objective was to provide good solid returns without high exposure and not try and compete with the high risk and potentially higher performing competitors. Bottom line was they wanted their clients to be comfortable in terms of risk taking. As AlphaCapita is building a track record of performance, I believe that the company will be able to expand its business well beyond individual investors. I wish the management team good luck in their future endeavours and am pleased to be a part of their growth story.



was my account manager at Jyske Bank in Zurich and also later as he joined Saxo in Copenhagen, where he worked together with Jamie Foyers.

## New offices for AlphaCapita

Over the last twelve months AlphaCapita has grown significantly. So much so, that on the first of January 2011, we moved our offices from Kerns to Balsberg. Into 2011 we will be looking for new partners to join AlphaCapita to help with our expansion program. We feel that the location provides the right setting for our business being closer to the city centre and the business area of Zurich. The Office is only a couple of minutes from Zurich airport by car, and is easily accessible by bus and train also. We are looking forward to welcoming clients and guest here in the new year.



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