

perspectives



IMPRINT

Editor: Bank CIC (Switzerland) Ltd.

Marktplatz 13, P.O. Box

4001 Basel, Switzerland, +41 61 264 12 00

Authors: Roger Baumann (*bae*), Mario Geniale (*mge*),

Sten Götte (*goste*), Vincent Gygax (*vinga*), Carl Münzer (*muc*),

Thaddäus Jermann (*jet*)

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Economic perspectives



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Dear Clients,

In football, several players often gather around the referee to form a pack with the aim of overturning a decision they consider to have been made unfairly. It is probably with a similar understanding of justice that Jake Angeli, the man going down in history as Yellowstone Wolf, and other like-minded activists justified the storming of the US Capitol. Stakeholders have also been joining forces recently on stock exchanges in order to take action against what they see as unjustified price movements. This was the case with US computer game retailer GameStop when a pack of micro-investors used coordinated equity purchases to bring a hedge fund betting on a falling price almost to its knees. Not least, exorbitant market liquidity is frequently also leading to absurd price rises for many shares. However, once the early bird Wall Street wolves are home and dry, investors driven by the herd instinct risk losing out.



Mario Geniale
Chief Investment Officer

The state of the Swiss economy is confusing: The SMI, which contains the 20 largest companies, is moving relentlessly towards the all-time highs reached prior to the crisis. This upward movement is reflected even more strongly in the cyclical stocks of the SMI MID (SMIM) driven by surprising corporate results and positive outlooks for the current year. At the same time, however, the KOF Swiss Economic Institute has trimmed its GDP forecast for this year from 3.2% to 2.1%.

Struggling sectors

The correction has been triggered by the negative development of the service sector, which is creaking under the weight of the restrictions. Rising unemployment figures are being reported in the low-margin hospitality industry. Compared to listed companies with solid business performance, this sector has a small lobby. The consequences for the economy are profound: rising government debt requires a hike in consumption taxes in order to be offset. This will place a burden in particular on low-income households, and high socially consequential costs resulting from isolation and exclusion will impose financial challenges upon the healthcare system. While they are currently difficult to quantify, they should not be underestimated in any decision to extend the lockdown. However, the horizon is brightening: the supply of vaccines has started well and should lead to an easing of the strict restrictions. (*goste*)

Markets

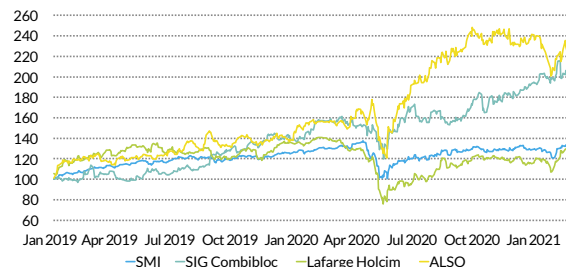
Ready, steady, go!

Following the reopening of business, the economy is picking up. Due, inter alia, to the previous year's low benchmark, this is causing corporate profits to skyrocket, particularly amongst cyclical enterprises. While equity valuations are high, this is normal after a recession. Massive stimulus packages, an unprecedented expansive monetary policy with correspondingly low interest rates and companies in great shape are supporting the equity markets. In this environment we recommend a balanced sector strategy. *(bae)*

Equities Switzerland

Owing to its defensive stance, the Swiss equity market, measured by the SMI, is set to deliver below-average performance. Cyclical securities, such as **LafargeHolcim** and **Swatch**, as well as small & mid caps (**ALSO**, **BKW**, **MCH Group**, **SIG Combibloc** and **Stadler Rail**) are among our favourites in 2021. However, **Roche**, **Novartis** and **Nestlé** continue to form the basis of every equity portfolio as reliable dividend payers with attractive returns. Roche in particular, which is underrated, is currently at a very attractive entry level. *(bae)*

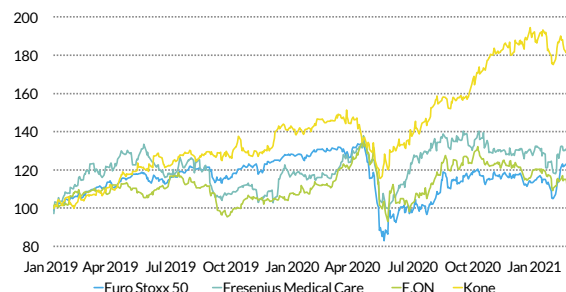
SMI



Equities Europe

The US aid programme running into billions has not failed to trigger a response in Europe: high government spending is fuelling inflation, with rising production costs recently squeezing company margins and causing profits to shrink. At the same time, the pandemic has led to a breach of taboo among the EU countries, with a corona recovery fund intended to make the EU fitter for the future by means of targeted investments. Here too, the door to a world of uncertainties is opening. We are adopting a defensive stance with **Fresenius Medical Care**, **E.ON** and **Kone**. *(goste)*

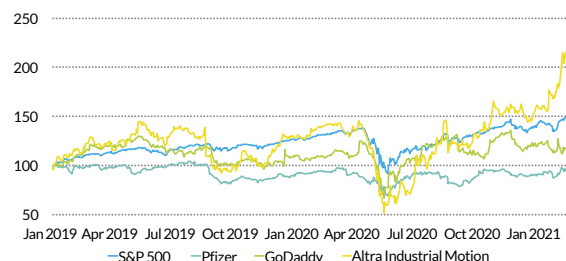
Euro Stoxx 50



Equities US

The turbo is being ignited in the US with the new president. The mix of government stimulus packages and a low US dollar is securing investments and improving export sales. The retail sector and housing market are looking extremely positive and underlining the swift capacity of the US economy to recover. New boom phases are marked by overvaluations shaped by speculation that are brought down to earth again by downstream earnings growth. We favour **Pfizer**, **GoDaddy** and **Altra Industrial Motion**. *(goste)*

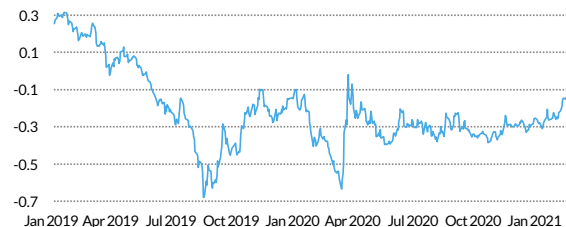
S&P 500



Bonds

Rising inflation expectations and an optimistic economic outlook lifted interest rates at the start of the year. In the current environment, we clearly favour corporates over government bonds. However, it is essential not to lose sight of the risks despite an expected recovery, on the one hand because debt has recently risen sharply and also because the environment remains fragile, which could cause yields to fluctuate. Nevertheless, alongside risks, such an environment also always offers opportunities. *(muc)*

10-year Swiss swap rates



Topic

Why succession planning is so important

“By failing to prepare, you are preparing to fail.”
Benjamin Franklin

There are many reasons for strategic succession planning. Above all because **an SME is generally the life's work of an entrepreneur, the process needs to be prepared carefully.** However, the owner can neglect the planning of his succession by focusing too much on short-term challenges of the operating business.

Succession planning takes time

Successful managers are able to weigh up the pros and cons of difficult decisions excellently. There are essentially three key alternatives:

1. Sale within the family
2. Sale to the company management
3. External company sale to competitors or suppliers or to financial investors

First of all the owner must consider all possible opportunities and gain an idea of the expectations of all stakeholders:

- How do other owners see this?
- What opinion and expectations does the management have? What are the effects of the sale process on filling the key positions critical for success?
- What does the family want?

It is also necessary to review the legal and fiscal underlying conditions and implications. If necessary, the company's private and business assets must be reorganised.

It is advisable to predefine and contractually stipulate succession plans when founding a company. We also recommend addressing the topic of succession planning no later than around five years in advance as the entire process can take some time. This includes the preparatory phase, the selling phase and the transfer phase. Just the selling phase on its own **lasts around twelve months on average.**

Only with a strong partner

A partner with long-standing experience and an extended network is essential. Bank CIC has a team that for many years has successfully taken care of business transfers for entrepreneurs and also has expertise in acquisition financing. It has the necessary knowledge at its disposal, **from business to fiscal know-how.** The team monitors the market day in and day out and therefore has an excellent understanding of the market situation. This helps to assess the potential and subsequently facilitates the search for a suitable buyer.

Our clients receive the support they need from appropriate specialists at the bank under the auspices of the Corporate Finance team. **Solutions tailored to your needs are drawn up thanks to a holistic approach.**

It pays to start thinking about succession planning in good time in the interests of the company and family.

The Corporate Finance team at Bank CIC specialises in SMEs, family enterprises, corporations and partnerships.

Your benefits from Bank CIC's M&A service:

- Organisation and coordination of the buying/selling process of the company
- Holistic view of your circumstances for an individual solution
- Access to the skills of our experienced specialists
- Access to a broad network of business partners

Further information about succession planning at Bank CIC can be found at cic.ch/en/corporate-finance (*vinga*)



Vincent Gygax

Head Corporate Finance



News from CIC eLounge

CIC eLounge is the service channel of Bank CIC that enables you to take charge of your finances. CIC eLounge is considered one of the most up-to-date e-banking solutions in Switzerland. In order to continue to uphold this reputation, eLounge is subject to continuous further development.

As of this March, bank clients can open a retirement relationship directly in eLounge with just a few clicks. A moment after the opening, your new retirement account is displayed. Following the first payment into the retirement account, it is then also possible to invest directly in retirement funds online. Your relationship manager would naturally be happy to provide you with pension advice. Further information about CIC eLounge can be found at cic.ch/en/cic-elounge (jet)

New SARON[®] benchmark interest rate

Bank CIC has since January been applying the SARON[®] benchmark interest rate replacing the LIBOR. Two mortgage products based on the SARON[®] are now available – the Flex mortgage and the CIC Flex mortgage. We also offer a loan based on the SARON[®] – the CIC Flex advance. Full details of our SARON[®] products can be found at cic.ch/libor-replacement (jet)

Current interest rates

in CHF, valid from 09.03.2021

Savings	Private individuals	Companies
Savings account	0.200%	No offer
Investment account	0.150%	0.050%
Pensions		
3a retirement account	0.300%	No offer
Vested benefits account	0.250%	No offer
Payments		
Personal account	0.030%	No offer
Current account	0.000%	0.000%

Rates may be adjusted at any time to reflect market conditions.

Savings account / 3a retirement account: offer for clients domiciled in Switzerland.

Negative interest can be charged regardless of the balance (except with savings accounts and retirement provision accounts).

Conditions for clients domiciled abroad upon request.

The latest interest rates and conditions can be found at cic.ch



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