

# Obermatt

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## MEMORANDUM

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Subject                 Performance Tracking of Obermatt Top 30 Stocks

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## Performance Tracking of Obermatt Top 30 Stocks

Based on published Obermatt ranks on obermatt.com since the beginning of 2014, we have calculated how a portfolio of 30 stocks would have performed for eighteen markets. For each market, we have analysed four investment years from 2014 to 2017. We have applied four different investment strategies based on the Obermatt rank method. The portfolios are rebalanced annually, in one case all stocks are re-assessed, in a second case, only one third of the portfolio is re-viewed and potentially replaced. The performance has been compared to large, corresponding stock indexes. All data has been purchased from Standard & Poor's on September 28, 2017.

Calculated across all markets and time periods and based on the annual re-balancing strategy, the **average of the outperformance (called alpha) is between 4.41 and 4.67 percent compared to the indexes themselves. In three out of four cases, the outperformance was positive.** The re-balancing method that re-balances only one third of the stocks shows similar characteristics (see Analysis Summary below). Analysing compound returns over two to four years provides even higher and more consistent positive alphas.

	Growth Strategy	Combined Strategy	Value Strategy	Value / Growth Strategy
Average Alpha	4.67	5.40	6.00	4.41
Positive Alphas	56	57	55	52
Negative Alphas	16	15	17	20
Positive Share	78%	79%	76%	72%

Please note that this is not a backtesting exercise based on currently available data. It is based purely on the data that was available at the time of selecting the stocks for this performance tracking exercise. Ranks come from our time-sensitive database. The historic ranks published on obermatt.com today may be newer and therefore may not correspond to the ranks used for this analysis, a total of 17'280 stock selections. All historic ranks and performance data is available in a separate spreadsheet.

## Scope of Analysis

We have selected eighteen global markets that make sense from a Swiss investor perspective. In those markets, we have focussed on 870 very large stocks based on the Obermatt [stock selection criteria](#). For each portfolio, we select the 30 stocks with the best Obermatt ranks at the beginning of the testing period.

### Eighteen Markets

- 100% Swiss
- European Leaders
- European Leaders with 33% Swiss
- Advanced Europe (without East and South)
- Advanced Europe with 33% Swiss
- Emerging Europe (without East and South)
- North America Leaders (including Canada)
- North America Leaders with 33% Swiss
- USA Leaders
- Advanced Asia Leaders
- Emerging Markets Leaders Asia (India and HK)
- Emerging Markets Leaders World (excludes Argentina)
- 100% Swiss zRating Good Governance
- Climate Friendly Europe
- Climate Friendly North America
- Climate Friendly Asia
- Family Friendly Europe
- Family Friendly World

### Investment Periods

We have analysed the full years 2014, 2015, 2016 and 2017 up to September 27.

### Four Investment Strategies

- Obermatt [Value Strategy](#) based on the indexed ratios Price/Earning, Market-to-Book, Price/Sales and Dividend Yield.
- Obermatt [Growth Strategy](#) based on indexed growth rates for Revenue, Invested Capital, Profits and Shareholder Returns.
- Average of Obermatt Value and Growth ranks based on the average of the ratings for Value and Growth.
- Obermatt [Combined Strategy](#) based on the Obermatt ranks for Value, Growth and [Safety](#).

### Two re-balancing methods

- Annual re-balancing: At the beginning of the year, we re-balance the entire portfolio (where necessary)
- Annual one third Year re-balancing (every year, we re-evaluate 33% of the stocks)

## Analysis Summary

### Annual returns for the full annual re-balancing method

	Growth Strategy	Combined Strategy	Value Strategy	Value / Growth Strategy
Average Alpha	4.67	5.40	6.00	4.41
Positive Alphas	56	57	55	52
Negative Alphas	16	15	17	20
Positive Share	78%	79%	76%	72%

How to read this: The average alpha over the eighteen markets and four investment years analysed is 4.67% for the Growth Strategy. In 56 of 72 cases (4 strategies times 18 markets), the alpha was positive for that market in that year. That's a success rate of 78%. In 78% of all situations, the alpha was positive.

### Annual returns for the one third annual re-balancing method

	Growth Strategy	Combined Strategy	Value Strategy	Value / Growth Strategy
Average Alpha	4.83	5.08	5.83	4.65
Positive Alphas	59	56	53	57
Negative Alphas	13	16	19	15
Positive Share	82%	78%	74%	79%

See above for how to read this table.

### Multi-year compound returns - annual re-balancing

	Growth Strategy	Combined Strategy	Value Strategy	Value / Growth Strategy
CAGR-2yr Alpha	4.51	10.48	13.64	6.12
CAGR-3yr Alpha	4.85	10.68	14.01	6.36
CAGR-4yr Alpha	4.98	11.05	14.04	6.34
Positive-2yr	12	15	16	13
Positive-3yr	12	15	16	13
Positive-4yr	12	15	16	13
Negative-2yr	6	3	2	5
Negative-3yr	6	3	2	5
Negative-4yr	6	3	2	5
Positive Share - 2yr	67%	83%	89%	72%
positive Share - 3yr	67%	83%	89%	72%
positive Share - 3yr	67%	83%	89%	72%

How to read this: If the Alpha is measured over two preceding years (2016 and 2017) and then averaged (geometrically, CAGR = compound annual growth rate), it was 4.51% for the Growth Strategy over all eighteen markets. If we measure the same way over three years (2015, 2016, 2017), it was 4.85%. As there are eighteen markets, we have eighteen possibilities of measuring the preceding two years. In the case of the Growth Strategy, the Alpha was positive in twelve two-year periods, a success rate of 67%.

**Multi-year compound returns - annual re-balancing of one third**

	Growth Strategy	Combined Strategy	Value Strategy	Value / Growth Strategy
CAGR-2yr Alpha	5.76	12.31	10.61	10.77
CAGR-3yr Alpha	6.10	14.96	19.32	13.30
CAGR-4yr Alpha	6.32	8.81	13.56	8.38
Positive-2yr	13	18	15	18
Positive-3yr	13	17	16	15
Positive-4yr	13	15	16	15
Negative-2yr	5	0	3	0
Negative-3yr	5	1	2	3
Negative-4yr	5	3	2	3
Positive Share - 2yr	72%	100%	83%	100%
positive Share - 3yr	72%	94%	89%	83%
positive Share - 3yr	72%	83%	89%	83%

See above for how to read this table.

## Analysis per Market

### Annual re-balancing Alpha

Market Name	Growth Strategy	Combined Strategy	Value Strategy	Value / Growth Strategy
100% Swiss	6.46	6.78	4.13	6.66
100% Swiss zRating Good Governance	9.69	8.15	8.18	8.27
Advanced Asia Leaders	5.24	7.82	7.44	5.50
Advanced Europe (ohne Osten und Süden)	5.91	7.02	8.25	3.49
Advanced Europe with 33% Swiss	6.33	5.83	10.56	3.54
Climate Friendly Asia	4.13	6.46	8.00	5.71
Climate Friendly Europe	4.79	4.56	7.00	6.07
Climate Friendly North America	-0.45	1.59	-0.18	0.57
Emerging Europe (nur Osten und Süden)	4.25	3.98	4.25	4.12
Emerging Markets Leaders Asia (India & HK)	7.51	6.12	5.92	5.26
Emerging Markets Leaders World (excludes Argentina)	5.73	1.89	3.22	2.60
European Leaders	3.02	7.66	8.19	5.27
European Leaders with 33% Swiss	5.38	4.93	7.89	4.44
Family Friendly Europe	5.45	5.79	4.88	6.22
Family Friendly World	5.66	9.41	8.28	6.16
North America Leaders (inkl. Canada)	1.56	2.83	2.78	1.44
North America Leaders with 33% Swiss	2.85	3.28	5.98	2.70
USA Leaders	0.49	3.07	3.28	1.42
Total Result	4.67	5.40	6.00	4.41

How to read this: The average alpha over the four investment years analysed is 6.46% for the Growth Strategy in the market 100% Swiss. To obtain compound growth rate data, please refered to the separate spreadsheet provided.

### Annual one third re-balancing

Market Name	Growth Strategy	Combined Strategy	Value Strategy	Value / Growth Strategy
100% Swiss	5.99	6.44	4.13	6.66
100% Swiss zRating Good Governance	10.23	8.40	8.18	8.33
Advanced Asia Leaders	5.33	7.63	7.19	6.15
Advanced Europe (ohne Osten und Süden)	3.11	5.70	9.84	3.37
Advanced Europe with 33% Swiss	4.77	6.19	8.79	3.14
Climate Friendly Asia	6.24	7.84	7.98	5.70
Climate Friendly Europe	5.25	3.76	6.44	6.53
Climate Friendly North America	1.25	1.39	0.04	0.74
Emerging Europe (nur Osten und Süden)	3.72	3.98	4.25	4.12
Emerging Markets Leaders Asia (India & HK)	8.10	6.12	5.92	4.99
Emerging Markets Leaders World (excludes Argentina)	4.09	1.62	3.22	3.25
European Leaders	1.42	4.33	8.28	4.58
European Leaders with 33% Swiss	4.11	4.92	9.12	4.61
Family Friendly Europe	5.45	5.79	4.88	6.22
Family Friendly World	5.64	9.41	8.28	6.16
North America Leaders (inkl. Canada)	3.80	2.42	1.85	2.73
North America Leaders with 33% Swiss	6.48	3.41	3.88	4.03
USA Leaders	1.92	2.08	2.72	2.36
Total Result	4.83	5.08	5.83	4.65

See above for how to read this table.