

SWISSQUOTE

ePRIVATE BANKING MAGAZINE



LOGISTICS

The transport revolution

- NEW HUBS
- GIANT CARGO SHIPS
- MOVING BACK WEST

.....FEDEX.....PANALPINA.....UPS.....KUEHNE+NAGEL.....
 ...DHL.....NIPPON EXPRESS.....ACCENTURE.....AMAZON.....

ISSN 2296-3278



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Interview with Peter Ulber,
CEO of Panalpina

GP GIRARD-PERREGAUX

MECHANICS OF TIME SINCE 1791



HAWK

GIRARD-PERREGAUX 03300-0073 CALIBER, SELF-WINDING MECHANICAL MOVEMENT
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A thousand million containers

Caught up in the fast-paced development of telecommunications and online technology over the past few years, we almost forget that globalisation also affects goods transport. And its impact is much more tangible.

In twenty years, the volume of goods transported around the world has more than tripled— this, as a result of globalisation. Last year, more than eight billion tonnes of merchandise, including 160 million TEUs, were transported by boat.

It is breath-taking to think that the giant cargo ships double their storage capacity with each passing decade. These vessels are the focus of the special report in this issue of Swissquote Magazine (see article on p. 44). Such a tribute seems warranted: sea freight alone accounts for 90% of freight transport worldwide.

After a long period of expansion and euphoria, the sector is beginning to more accurately reflect the current state of the global economy. Today, globalisation has reached a more mature phase, with certain businesses even moving back to the West (p.48). The days of prosperous double-digit growth are now over.

In times like these, it is often the most flexible and innovative companies that gain an edge over their competitors to win market share. In the future, transporting goods from point A to point B will no longer suffice for most logistics operators.

Offering companies customised services, such as final product assembly, will become the norm. Meanwhile, computer system optimisation and the war on costs will continue.

And this revolution has only just begun, according to Peter Ulber, CEO of the Swiss transporter Panalpina, who we met for this issue's feature interview (p. 34). The Basel-based company has got back into shape in recent months, now focusing on its high value-added services.

Also, outside the special report, this issue's spotlight shines on Swiss companies. The Zofingen-based company Siegfried produces half of the liquid used in e-cigarettes worldwide (p. 28).

A more refreshing and summery portrait features the small company Thurgovian Thurella, famous for its Biotta fruit juices (p. 16). The brand has recently launched a new range of products that have been redesigned to appeal to young consumers. Yet another innovation!

We hope you enjoy this issue of Swissquote!



Marc Bürki,
CEO of Swissquote

SWISSQUOTE

Publisher

Swissquote
Chemin de la Crétaux 33
1196 Gland
Switzerland
T. +41 44 825 88 88
www.swissquote.ch
magazine@swissquote.ch

Magazine production

Brigitta Cooper

Editorial and design

LargeNetwork
6, rue Abraham-Gevray
1201 Geneva
Switzerland
T. +41 22 919 19 19
info@LargeNetwork.com
www.LargeNetwork.com

Publishing directors

Gabriel Sigrist
Pierre Grosjean

Managing editor

Ludovic Chappex

Coordination

Pauliina Ranta

Editorial staff

Stanislas Cavalier
Ludovic Chappex
Marie-Adèle Copin
Erik Freudenreich
Sophie Gaitzsch
Benjamin Keller
Salomé Kiner
Serge Maillard
Sylvain Menétrey
Philipp Müller
Jean-Christophe Piot
Thomas Pfefferlé
Armelle Vincent
Julie Zaugg

Design

Jérémie Mercier

Design director

Caroline Fischer
Sébastien Fourtouill

Layout

Caroline Fischer
Sébastien Fourtouill
Romain Guerini

Translation

Technicis Finance,
Paris

Cover

Peter Ulber by
Vincent Calmel

Photography

Vincent Calmel
Thierry Parel
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Stämpfi Publications
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Advertising

Mediensatellit GmbH
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8048 Zurich
Switzerland
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WORLD
WATCH



TRAVEL



THURELLA



KITESURF



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LOGISTICS: THE TRANSPORT REVOLUTION



PETER ULBER

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QR CODE



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I N T E L L I G E N C E

AG AI AR BE BL BS FR GE GL GR JU LU NE NW OW SG SH SO SZ TG TI UR VD VS ZG ZH

ROCHE AND NOVARTIS ACCUSED OF COLLUSION IN ITALY

The controversy over Lucentis, a drug manufactured by Novartis used to treat macular degeneration, has resurfaced in Italy. Italian antitrust authorities accuse the Basel-based firm of colluding with its competitor Roche to recommend that doctors prescribe Lucentis rather than Avastin, an identical but much less expensive treatment. A dose of Lucentis costs more than €900, while Avastin costs €15 to €80. The two pharmaceutical groups were fined €182.5 million.

✉ ROG/NOVN

SFS LISTED ON THE SWISS STOCK EXCHANGE

The St. Gallen-based group SFS, which produces components used in iPhones and Airbus aircraft, had an outstanding year. It posted revenue of 1.33 billion Swiss francs in 2013, up 12%, and net profits of 86.5 million Swiss francs, for growth of 18%. SFS went public on the Swiss stock exchange in the second quarter of 2014. The IPO is expected to bring in 300 million Swiss francs, which will be used to strengthen its international operations. The founding families will retain a majority holding of around 55%.

✉ SFSN

ALPIQ BUYS UK COMPANY FLEXITRICITY

Swiss energy company Alpiq has acquired the UK company Flexitricity. The Neuchatel-based group seeks to expand its activities into decentralised energy management, which has grown with the highly fluctuating production of wind and solar power. Flexitricity specialises in balancing energy supply and demand through an interface between power plants and users to control the amount of electricity fed into the grid.

✉ ALPH

MIGROS STILL A FAVOURITE WITH THE SWISS

Migros remains the Swiss company with the best reputation in the eyes of Swiss consumers, says a survey conducted by the market research agency GfK. The retail giant comes in ahead of the Swatch Group. The two firms have held these top-ranking spots for the past five years. They are followed by Lindt & Sprüngli, Geberit, Coop, Raiffeisen, Emmi, Swisscom and Rolex. Overall, the reputation of Swiss companies rose in 2013 for the first time in four years. More than half of the 20 companies in the SMI have seen their image improve.

KUDELSKI DECLARES WAR ON APPLE

Swiss technology group Kudelski accuses Apple of patent infringement. OpenTV and Nagravision, two subsidiaries of the company based in Cheseaux-sur-Lausanne, have filed a complaint with a court in northern California, claiming that Apple has infringed upon five of its patents filed in the United States. The Apple products and services involved include the iPhone, iPad and iPod, Apple TV, App Store, iTunes, iADS, Safari and personal computers running on OS X. OpenTV and Nagravision both offer digital television services.

✉ KUD

BUCHER WILL BE CLEARING SNOW FROM THE STREETS OF MOSCOW



Zurich-based firm Bucher Municipal won a bid to supply the city of Moscow with municipal maintenance vehicles worth a total of 53 million Swiss francs. The company will provide the Russian capital with 609 sweepers, 275 snowploughs and 163 spreaders. A tight deadline means that the order will have to be covered by Bucher's production facilities in Switzerland, United Kingdom, Latvia and Italy. Bucher dominates the winter maintenance equipment market in Europe and has 10,900 employees. It generated sales of 2.7 billion Swiss francs in 2013.

✔ BUCN

SIX GROUP STEPS UP OPERATIONS IN LUXEMBOURG

Swiss stock exchange operator SIX Group has acquired Luxembourg-based Cetrel. In 2008, SIX had already acquired a 50% stake in Cetrel, which has 200 employees and generates revenue of €55 million. Cetrel specialises in payment terminals and in processing bank cards. The acquisition of the Luxembourg company is expected to build SIX Group's presence on the payment traffic market in Europe, which it already dominates in Switzerland, Austria and Luxembourg.

SWISS TO REPLACE ITS AVRO FLEET



The airline Swiss has announced that, starting next year, it will begin replacing its 18 Avro RJ100 planes – a compact airliner designed for short take-offs and landings – with 30 Bombardier CS100s, a new model set to enter into service in the second half of 2015. An engine on one of its Avro aircraft caught fire at London City Airport in late March as it was about to take off for Geneva. The 74 passengers and four crew members were safely evacuated. Four people were treated for minor injuries as a result of the incident.

✔ LHA

LINDT & SPRÜNGLI DEEPEN ROOTS IN THE UNITED STATES



Lindt & Sprüngli will boost its production capacity by 8% to 10% in the United States to meet higher demand for its premium chocolate. New production lines will be added for the Excellence, Lindor and Hello brands. The chocolate maker will also manufacture products for China, Australia and the United Kingdom. The US market represents 30.1% of the Swiss group's sales. Growth began in the 1990s, and Lindt & Sprüngli now dominates the premium market in the United States.

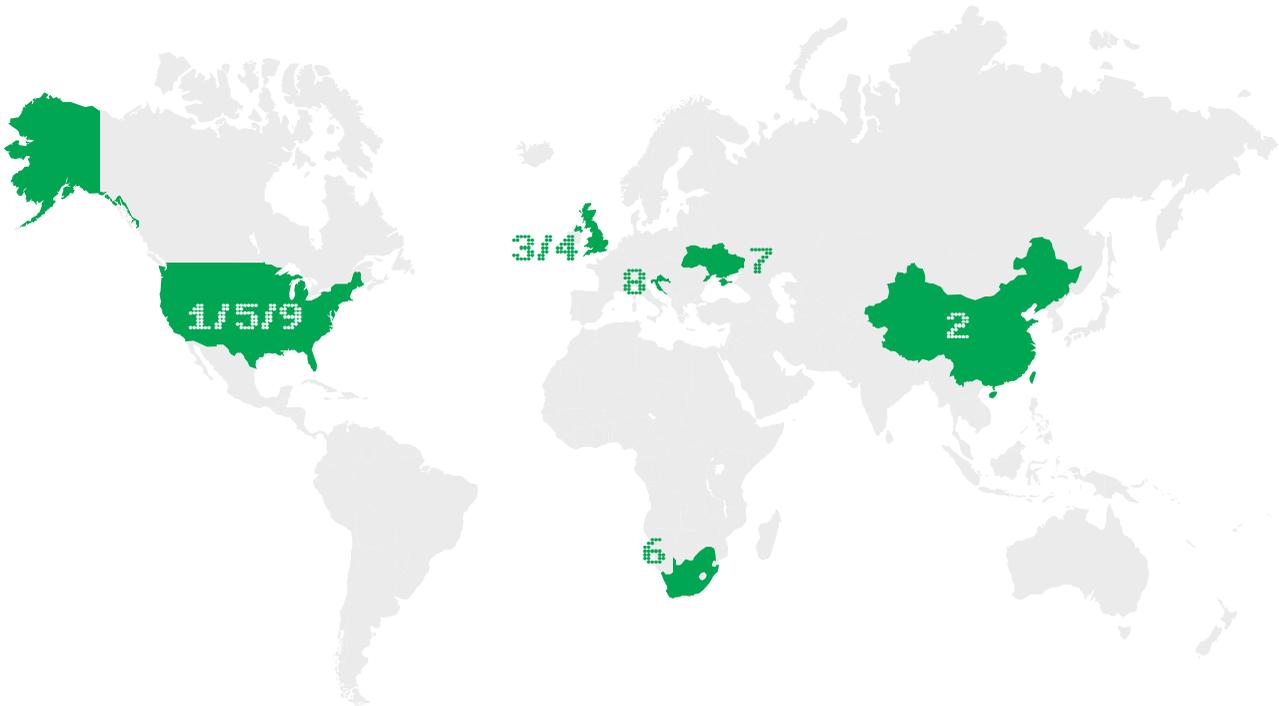
✔ LISN

PUMA SET TO LEAVE SWITZERLAND

Puma will transfer its regional centre in Oensingen, in the Canton of Solothurn, to the German brand's central office in Herzogenaurach, Bavaria in Germany. The sporting goods manufacturer employs 96 people in Oensingen, including 26 who work for Puma Switzerland. At least 80 of these jobs will be relocated to Germany. After its revenue fell 8.7% to €2.98 billion in 2013, Puma decided to consolidate its businesses in Germany. The company also plans to close its product management division in London, as well as 91 stores and a development centre in Vietnam.

✔ KER

WORLD WATCH



SHAZAM HAS A LABEL

Warner Music has launched a music label in collaboration with Shazam, the ubiquitous smartphone app that identifies songs and their artists in just a few seconds. The new record label will provide data from the 420 million Shazam users to spot promising new, unsigned artists and offer them a deal. Warner and Shazam will split the profits generated by music releases.

WMG



CHINESE FILMS IN DEMAND



Chinese e-commerce company Alibaba has teamed with the microblogging service Sina Weibo to launch a crowdfunding platform to help finance Chinese film-making. Investors in the new service will benefit from a 7% interest rate. This collective financing platform already has four projects underway, including the fourth instalment in the "Tiny Times" series, about a group of rich Chinese teenagers. The Chinese film industry is the second-largest in the world behind the United States and generated 3.1 billion Swiss francs in 2013.



UNILEVER'S GREEN PROJECTS

The consumer goods giant Unilever has recently issued a \$415 million green bond. The money raised will be set aside to finance the Anglo-Dutch firm's programmes to reduce greenhouse gas emissions, waste and water use. Green bonds were created by the World Bank in 2008 and are now gaining momentum. Toyota has issued a green bond to raise \$1.75 billion to finance loans granted on its hybrid and electric cars. And last November, EDF issued a €1.4 billion (\$1.9 billion) green bond.

ULVR

MARKS & SPENCER TAKES ON PARIS



The UK retail chain Marks & Spencer plans to open 20 food stores in Paris over the next few years. M&S's push in France is part of a vast overseas expansion plan to open 250 new stores outside the United Kingdom over the next three years. Priority regions include India, China, Russia and the Middle East.

✉ MKS

LITHIUM EXTRACTED FROM WASTE

Tesla, the California maker of electric cars, announced that it would build its own battery plant and power it using the services of Simbol Materials. Simbol has developed a ground-breaking process used to extract lithium from waste generated by geothermal power plants. Lithium is typically mined from hard rock, or obtained through the evaporation of salt water. These methods are not only slow-going and costly, but they also pollute. Simbol Materials is set to begin supplying Tesla with lithium in 2017.

✉ TSLA

GLAXOSMITHKLINE'S HIGH AMBITIONS IN AFRICA

GlaxoSmithKline has announced that it will invest £130 million in Africa over the next five years. Part of this investment will be earmarked for financing the UK pharmaceutical group's new research centre created to study the epidemiological and genetic traits of African inhabitants. The project will help develop the company's knowledge about the emergence of chronic diseases such as diabetes and heart problems on the continent. These measures aim to reduce Africa's dependence on imported medicines.

✉ GSK

MCDONALD'S SHUTS DOWN IN CRIMEA



McDonald's has announced that it would close all operations in Crimea following Russia's annexation of the territory in late March. The US fast-food chain operated three restaurants located in Simferopol, Sevastopol and Yalta. McDonald's stated that this decision was not politically motivated, but rather due to the current economic uncertainty in this region with a population of two million, and to suspended banking services. It has offered to move its 200 to 300 employees to other jobs in Ukraine.

✉ MCD

BLACK GOLD IN THE BALKANS



Croatia has recently launched a call for bidders for the exploration of oil and gas of 29 fields off its Adriatic coast. Bidding is open until 3 November. The blocks measure between 1,000 and 1,600 square kilometres and could contain up to three billion barrels of crude oil. Exploration will last approximately five years and the government estimates that this will bring in €1.8 billion to the local economy. Neighbouring Montenegro, with reserves estimated at 7 billion barrels, launched a similar tender in 2013. About twenty oil and gas companies have submitted their bid.

WALMART HITS TOWN

US retail chain Walmart boasts a strong foothold in small towns and rural regions in the United States. However, it is virtually non-existent in major city centres. Walmart intends to change this with its new convenience store format, Walmart To Go, which offers a limited selection of goods. A projected 300 of these stores will open in 2014. Walmart, known for massive stores in city outskirts, hopes to compete with gas stations and local shops, a market estimated at \$425 billion.

✉ WMT

SECTORS

AUTOMOTIVE

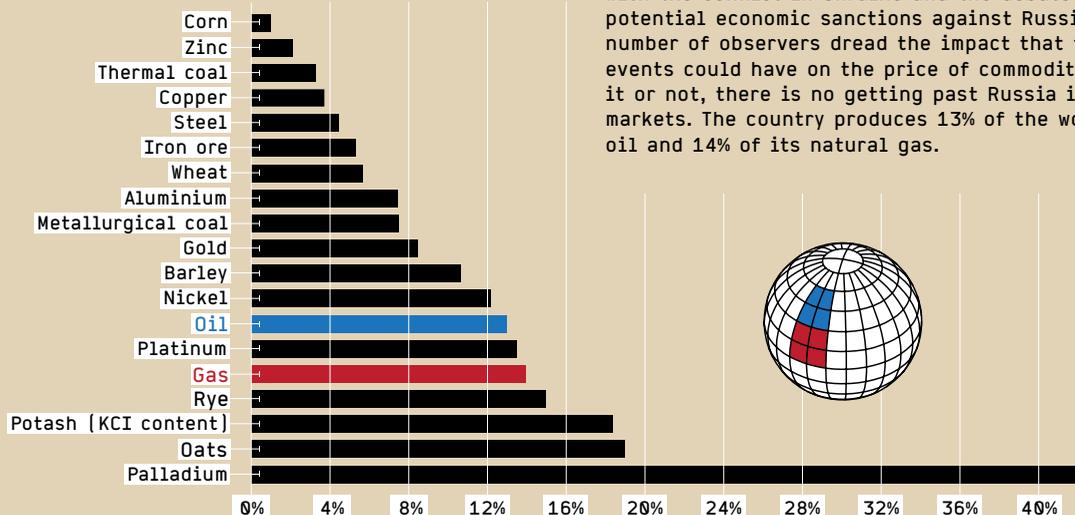
Controlling cars in the blink of an eye

Several automakers are developing systems that sense and react to movements such as hand gestures, winks or nods. The Ford Escape already features a liftgate activated by swiping a foot under the bumper to open the rear hatch. Within the next two years, BMW cars will be equipped with sensors that can recognise six different gestures. Honda is working with Apple to introduce a similar system in its vehicles. Mercedes-Benz, General Motors and Hyundai have also applied for gesture patents.

Deadly vehicles recalled

There has been an increase in safety recalls on defective cars. General Motors has recalled 4.8 million vehicles since the beginning of the year. The most serious cases involve a defect that disables the airbag system and is allegedly responsible for 13 deaths. The US government has opened an investigation into the group's attempts to conceal the problem from its customers. But General Motors is not the only automaker in hot water. Nissan had to recall nearly one million vehicles equipped with airbags that could potentially fail to deploy in the event of an accident, and Chrysler had to recall 900,000 cars due to a brake defect.

COMMODITIES



Share of Russian resources in the world economy

Russia's influence

With the conflict in Ukraine and the debate over potential economic sanctions against Russia, a number of observers dread the impact that these events could have on the price of commodities. Like it or not, there is no getting past Russia in these markets. The country produces 13% of the world's oil and 14% of its natural gas.



MEDICINE

New treatment to fight cholesterol

A new generation of molecules that fight cholesterol is about to hit the market. These molecules inhibit PCSK9, a protein that prevents the liver from eliminating bad cholesterol, especially in people suffering from a genetic form of the condition. The US group Amgen and French company Sanofi both have drugs containing these unique molecules in the stage of advanced clinical trials. Swiss Roche and US-based Eli Lilly are also active in developing the molecules.

Transparency requirements

The European Union has introduced a new law requiring researchers and pharmaceutical companies to publish the full results of their clinical trials, including any negative side effects caused by a medicine. This measure would prevent scandals such as the one involving Mediator, a weight-loss drug given to overweight diabetes patients that caused cardiovascular complications, or the Diane 35 contraceptive pill. Both have been removed from shelves. These new rules also simplify the procedure for conducting simultaneous clinical trials in different European countries, which should benefit research on rare diseases.

UPS

Chiquita



Chiquita now controls an even bigger share of the global banana market compared with its main competitor, Dole. The US group will pay \$526 million for Fyffes, the Irish company that is a leading importer and distributor on the European produce market. The deal will create synergies between the companies and slash Chiquita's tax bill.

☒ CQB

Adobe



Adobe innovates. Instead of selling its programmes on CD with updates every 18 months, the software producer has launched a monthly subscription service available through the cloud. Its Creative Suite, formerly priced at \$2,600, is now available for \$50 a month. Some 1.8 million people have already signed up for a subscription.

☒ ADBE

LinkedIn



LinkedIn has recently launched a Chinese version of its business-oriented social networking site. The company hopes to capture a share of this locally-dominated market of 140 million professionals. The English version of the platform has been available in China for about ten years but is only used by four million people.

☒ LNKD

DOWN

Asos



The online clothing store Asos has seen its profits plummet 22% to £20.1 million in six months since September 2013. This poor performance results from the UK group's expansion in China and the United States. The difference in its customers' body size in the two regions meant that it had to stock a wider variety of sizes, which put pressure on its earnings.

☒ ASC

Google



Google took a hard fall when it had to call off the sale of intelligent smoke alarms produced by Nest Labs, a company that the US group recently acquired for \$3.2 billion. It came to light that the devices, which can be deactivated by a hand movement, were too sensitive due to a defect and could be turned off simply by someone walking past.

☒ GOOGL

Etihad Airways



The European Commission has initiated a formal investigation into Etihad's stake in Air Berlin. Its current holding is 29.2%, and under the rules, ownership cannot exceed 49.9%. However, the EU's rules also stipulate that the airline must be "effectively controlled" by an EU member state to operate as a European airline, which may not be the case for Air Berlin.

☒ AB1



“Recovery is not over, but economic turnaround is coming.”

French president François Hollande, in an interview with the French newspaper Journal du Dimanche.



“We’re a million miles away from creating the search engine of my dreams.”

In his annual Founders’ Letter, Google CEO Larry Page discusses some of the company’s biggest successes and the challenges that lie ahead.



“In 2008, my slogan was ‘Yes we can’. In 2013, it was ‘Control-Alt-Delete!’”

At the annual White House Correspondents’ dinner, Barack Obama decided to poke fun at the many technical problems that have plagued the roll-out of the marketplace for his landmark health insurance reform.



“General Electric will never be so US-focused again, unless we are failing horribly.”

General Electric CEO Jeff Immelt, in an interview with BBC News about his plans to expand into developing countries.



“Italy will never be a normal country. There is in the DNA of the Italians a bit of madness, which in the overwhelming majority of cases is positive.”

In an interview with Time Magazine in May, Italian Prime Minister Matteo Renzi spoke of his plans to reform the Italian political system and his desire for a united European Union.



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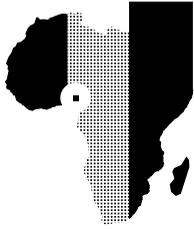
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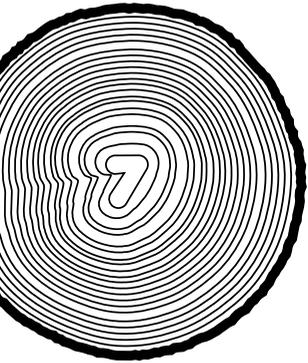
Together we go green





510

In billions of dollars, Nigeria's GDP in 2013. The West African country leads the continent's economy ahead of South Africa, which posted GDP of \$370 billion last year.



The number, in millions, of cubic metres of wood from Swiss forests used in Switzerland's economy each year. To carry that load, it would take a train more than 4,000 km long, or the distance from Switzerland to Saudi Arabia.

47%



The percentage of people living alone in Switzerland's major cities in 2014, according to the statistical yearbook published by the Swiss Cities Association [Annuaire statistique de l'Union des villes suisses]. In 2000, 36% of households were made up of one person.

9208



The number of reported cases of attempted theft in Switzerland in 2013, compared with 5,330 in 2011. This category includes fraud, phishing, spam and data damage. These economic crimes are also the most frequently reported offences.

72

The record speed in kilometres per hour of the future lift at the Guangzhou CTF Financial Centre in southern China, scheduled for completion in 2016. The average speed of a skyscraper lift is 34.5 kilometres per hour.



UP

Nuclear power in Brazil

Nuclear energy is rapidly developing in Brazil. State-owned Eletronuclear has launched the construction of a new reactor, and the contract has been awarded to the French group Areva. The completion date is set for 2018, with four to eight other projects to follow between now and 2030.

Chinese consumers

China has passed a strengthened consumer protection law. Now, consumers are entitled to return products, including online purchases, within seven days. Sellers must also obtain consent from buyers before using their data for commercial purposes.

DOWN

European chemicals

The European chemicals industry is in trouble. Industry giants such as BASF, Lanxess and Arkema are floundering against competitors from China, which receive heavy government subsidies, and the United States, whose production costs have plunged thanks to the abundant supply of cheap shale gas generated by the fracking boom.

US steel

US steel manufacturers have been hit hard by the decision of several automakers to shift to aluminium-based cars. The body of the Ford F-150 will be made almost entirely using the light metal. Auto manufacturers account for 20% of the sales revenue for US steelmakers.

Imagine

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Thurella: an organic empire in Thurgau

This Swiss company, now in the throes of a big rebrand, is an international success story. Biotta, Thurella's popular fruit and vegetable juice label, is currently exported to over 30 countries.

By Sophie Gaitzsch

Thurella's offices are located in an old-fashioned, half-timbered house nestled on the edge of the village of Tägerwilen in Thurgau. All around are fields, and Lake Geneva can be spotted in the distance. "We work with 26 farmers in the region," says Clemens Rüttimann, director since 2011 of the company that owns Biotta, an organic fruit and vegetable juice brand. "We have very local roots. All of the carrots and beets we use in our products are grown in Tägerwilen. The fruits are imported, but the juices are all produced

and bottled here." A quick glance at the production site, though, and it's clear that the 12 million bottles leaving the plant each year are not all headed to the local grocer's. More than one-third of them are shipped long distances, like one pallet we happened to spot, labelled 'Russia'. "Our beet juice, for instance, is a big hit in the United States," says Clemens Rüttimann.

Biotta juices come in a variety of flavours, such as potato, sauerkraut, bilberry and



THURELLA

Clemens Rüttimann, director of Thurella, head of the company since 2011.



12 million bottles are produced every year.

blackcurrant, and are sold in 36 countries, including China and the United States. The company is growing fast: exports were up 18% in 2013. Thurella, which includes Biotta and Gesa – a German entity specialising in vegetable concentrates – posted revenue of 45.7 million Swiss francs last year. “Our Swiss roots are a real boon for us,” says the CEO. “From the consumer’s perspective, they are a sign of quality and security, which is extremely important in the food industry. Abroad, we are promoting ourselves as a company that operates on a human scale [editor’s note: the company has 67 employees]. Sure, the product is expensive, but there are consumer niches out there that are willing to pay more for these gauges of quality.”

“Thirty years ago, mothers would buy Biotta carrot juice at the pharmacy.”

A NEW IMAGE

Biotta is taking full advantage of consumers’ strong desire for organic products. According to Bio Suisse, revenue from organic products in Switzerland rose 12% in 2013, surpassing the two billion Swiss franc mark. At the global level, the market represents \$163 billion according to an estimate by the UK organisation Organic Monitor. “Growth in this market is being stimulated by food scandals, the creation of new labels, consumers’ growing interest in well-being, and increasing supply,” says Christine Demen Meier, head of the Entrepreneurship and Innovation department at the Ecole Hôtelière de Lausanne and holder of the Food & Beverage Chair. “Organic products are increasingly popular with the younger generations of consumers, who have grown up with a greater awareness of the principles of sustainable development.”

In an increasingly globalised and competitive organic drinks market, the brand is also

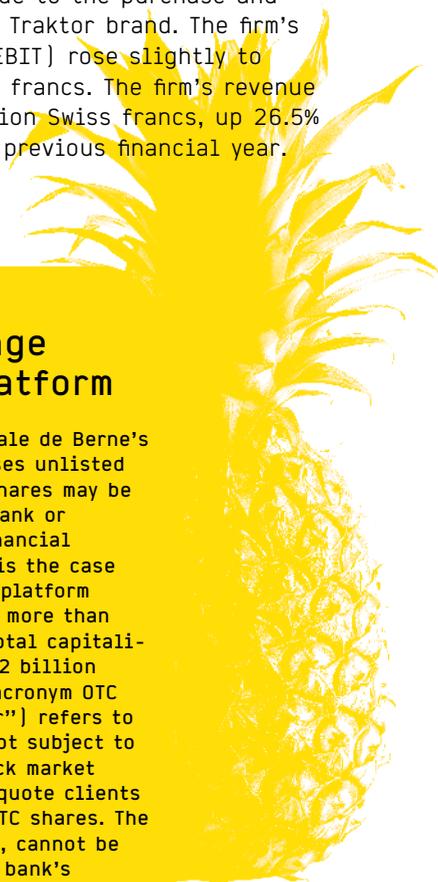
looking to attract new, younger customers by creating a new image for its vegetable juices. End- 2012, the brand bought Traktor, a Zurich-based smoothie maker founded in 2003 and now rapidly growing. The brand also launched new products in 2014: fruit and vegetable smoothie blends in small PET bottles, available in the chilled food aisle. The product design has also been completely modernised – a big difference compared with the traditional glass bottles – and a national ad campaign has been launched. “Thirty years ago, mothers would buy Biotta carrot juice at the pharmacy,” says Clemens Rüttimann. “They would give their children one glass per day, because it was healthy. Today, consumers are looking for this type of healthy product in supermarkets and train stations. To ensure a bright future for Biotta, we need to focus on this segment.”

For financial year 2013 as a whole, Thurella made a net profit of 3.37 million Swiss francs, down 13% mainly due to the purchase and integration of the Traktor brand. The firm’s operating profit (EBIT) rose slightly to 4.24 million Swiss francs. The firm’s revenue stood at 45.7 million Swiss francs, up 26.5% compared with the previous financial year.



OTC, an off-exchange trading platform

The Banque Cantonale de Berne’s OTC market comprises unlisted companies whose shares may be traded through a bank or through another financial intermediary – as is the case with Thurella. The platform currently includes more than 300 stocks for a total capitalisation of around 22 billion Swiss francs. The acronym OTC [“Over The Counter”] refers to markets that are not subject to any particular stock market regulations. Swissquote clients can buy and sell OTC shares. The procedure, however, cannot be carried out on the bank’s website; investors must contact Customer Care.

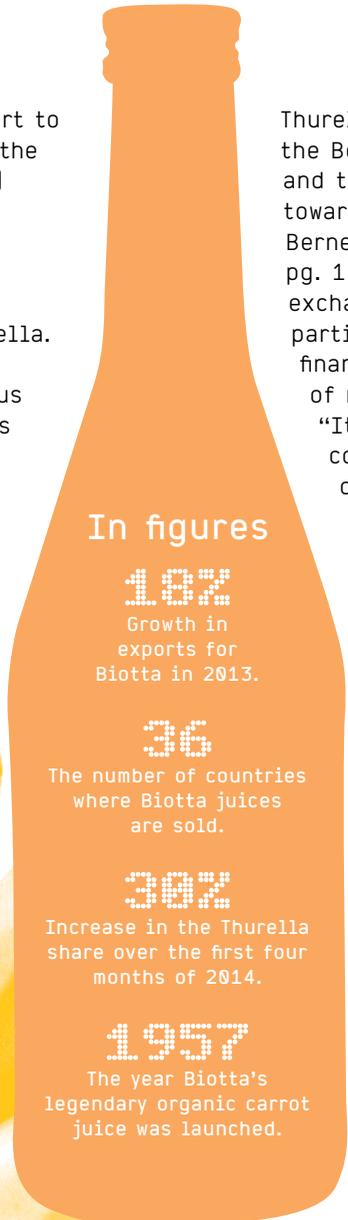


This strong growth was due in part to the sale of a cider factory that the group owned in Egnach (Thurgau) until late 2013.

RADICAL REORIENTATION

This operation ends a period of profound restructuring for Thurella. During the 2000s, the group's management followed an ambitious strategy for expansion, with lots of buyouts and an introduction on the Bern stock exchange in 2006. Then, the management's vision was to transform Thurella into a smaller, Swiss version of Coca Cola. The tactic didn't pan out. By 2009, the group was heavily indebted and posted a loss of nearly 60 million Swiss francs. In just two years, the share price dove from 600 to 30 Swiss francs, more than half of the company's 250 employees were laid off, and the management was penalised by its shareholders. It was time for a new strategy. Thurella decided to focus on the Biotta brand and separated itself from its other businesses, in particular Obi and Rittergold apple juices.

Thurella also decided to delist from the Bern stock exchange between now and the end of July and migrate towards the Banque Cantonale de Berne's OTC platform (see inset, pg. 17). "Being listed on the stock exchange requires big expenses, particularly for the auditing of financial accounts and communication of results," says Clemens Rüttimann. "It was a good idea when the company was pulling in revenue of 200 million Swiss francs, but not anymore."



In figures

18%

Growth in exports for Biotta in 2013.

36

The number of countries where Biotta juices are sold.

30%

Increase in the Thurella share over the first four months of 2014.

1957

The year Biotta's legendary organic carrot juice was launched.

Thurella's director points out that the restructuring phase is now over and that the company has gotten back to a "reasonable and appropriate size." Björn Zern, a specialist in secondary securities, head of the blog schweizeraktien.net and former editor of Swiss Equity Magazine and NZZ Equity, believes that "the 2013 annual results, especially the solid EBIT, prove that Thurella is heading in the right direction." ▲

.....Analyst's recommendation.....

"If you're a patient investor, this stock is worth a look"

"With its restructuring programme now over, Thurella is entering a new phase," says Björn Zern, a specialist of the OTC market, head of the blog schweizeraktien.net and former editor of Swiss Equity Magazin and NZZ Equity. "We will likely see an improvement in the company's results in 2014, particularly thanks to the

investments made in new 'trendy' products, and to the purchase of Traktor smoothies. Thurella's share has risen around 30% since the beginning of the year, performing markedly better than the rest of the market. Growth should continue, but don't expect a huge increase in the share price. This stock is very promising

for the long term, so investors will need to be somewhat patient. The company's return to a sustainable dividend policy is also a positive point. As for Thurella's decision to exit the stock market for the OTC market: it changes nothing for investors, as the share can still be bought and sold through any bank."

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GOING AGAINST YOUR INSTINCTS.....

Behavioural finance can help shrewd investors overcome common psychological failings better known as behavioural biases. Here is an overview of some of the most typical mistakes not to make. Thomas Pfeifferlé

In theory, human economic activity should be based on rational thinking. In practice, however, behavioural finance shows that humans are influenced by biases that impair their judgement. Professional investors are increasingly factoring

in the findings of behavioural finance, a discipline that has developed significantly since the late 20th century. Below, we have analysed five different behavioural biases that influence our decisions.

1 OVERCONFIDENCE

Overconfidence is one of the most frequently observed emotional biases in young men. It involves overestimating your own abilities, believing yourself to be better than average and considering your own information as most reliable. "Overconfidence can lead to excessive trading," says Enrico De Giorgi, who teaches behavioural finance at the University of St. Gallen. "An overly confident person tends to

react to any and all new information they receive." As a result, transaction fees are high and returns suffer. "Furthermore, overconfidence often gives rise to poor diversification," adds Mickaël Mangot, a behavioural finance consultant at BEFI Consulting and professor at the ESSEC (Ecole supérieure des sciences économiques et commerciales) business school in Paris and Singapore.

2 SELF-ATTRIBUTION

This bias stems from overconfidence. It refers to taking credit for favourable outcomes and finding excuses for unfavourable ones. These investors, when riding on the success of the market, believe that their performance is based solely on their analysis and good decisions. When they make a bad decision and carry out a poor transaction, they blame it on the market. "Self-attribution is a problem that can have long-term effects," says Enrico De Giorgi. "It distorts how we learn from our own experiences and prevents us from taking away valuable lessons."

3 FAMILIARITY BIAS

This bias leads investors to invest in assets they are "familiar" with – for instance, a Swiss person buying shares in Swiss companies or a person investing in the company where they work. "Traders are inundated with information about the country where they live, making them feel more in control," says Mickaël Mangot. "However, quantity does not mean quality. The market has generally already factored in that information. Private and exclusive information has greater value." In other words, it is wiser to invest in a distant sector that you truly understand than in a geographically close sector that you think you understand.

ON THE STOCK MARKET

4 LOSS AVERSION

This bias involves holding losing positions for too long and selling winning positions too soon. Such behaviour is the result of feeling a greater impact from losses than from gains. "When investors see that a stock they have bought is falling, they have trouble letting it go," says Enrico De Giorgi.

"First, because they don't want to admit to their mistake, and second, because they hope that it will turn around so that they can recover their loss." Conversely, when a stock they've bought rises, traders often sell it too quickly for fear of seeing it drop back down.

5 CONFIRMATION BIAS

This is when people favour information that confirms the decisions they have made and ignore information that contradicts them. It is an extremely instinctive bias that has its origin in the very way our brain functions – always trying to save its energy. It is less tiring to discard information that invalidates a choice than to take that information into account. "Self-esteem also plays a role," says Mickaël Mangot. "To maintain a positive self-image, people tend to actively seek factors that support their decisions and avoid anything that challenges them."



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ANALYSIS

ADVICE FOR INVESTORS

“The pharmaceutical sector shows that it can bounce back”

After a rough patch over the past few years, the pharmaceutical industry is regaining vigour, in particular with recent developments in cancer treatment. Agathe Bouché Berton, a financial analyst with private banking specialists Bordier & Cie, explains.



2014, F. HOFFMANN LA ROCHE LTD

A test at Roche laboratories. The Swiss company is the world leader in cancer treatment.

SWISSQUOTE MAGAZINE ▶
Pharmaceutical stocks
 are considered a defensive investment. Do they still deserve that status?

AGATHE BOUCHÉ BERTON ▶

The pharmaceutical sector deserves its status of defensive stock more than ever. It went through a

devaluation phase from 2000 to 2011, due to a lack of innovation, high pressure on prices and the anticipated “patent cliff” in 2011-2012. But since then, fundamentals have improved, with resumed innovation and resilience in a challenging environment.

What about the so-called “patent cliff”, i.e., the expiry of patents on a number of big-name drugs? What effect can it have on the financial position of major Swiss pharma groups such as Novartis and Roche?

The wave of expiring patents has had quite a strong im-

pact, with a drop in earnings for groups such as Sanofi. However, the situation was foreseeable, and companies had already initiated cost-cutting programmes. It was a rough period for some, but once they got through it, growth resumed. Novartis is facing the expiry of Diovan (high blood pressure medication), soon to be followed by the cancer treatment drug Glivec (a.k.a. Gleevec), but has shown that it is handling the situation well. Roche boasts the industry's most promising and most innovative development portfolio in Europe. The group expects growth to continue despite patents expiring at the end of the decade. This includes the breast cancer treatment Herceptin, which is likely to be offset by new innovative therapies.

Novartis has recently announced that it bought GlaxoSmithKline's oncology business, while Roche has taken over the US laboratory Iquum. Should we expect other deals of this kind among drugmakers?

We're likely to continue to see more and more deals like these due to the pharmaceutical industry's low debt levels and abundant cash flow. Furthermore, as groups need to boost innovation within their portfolios and identify new growth drivers, mergers and acquisitions will play a crucial role.

New drugs are constantly hitting the market. What major new innovations can we expect to see?

The developments to watch for over the next few months

mainly involve advances in immuno-oncology. This new approach to therapy aims to fight cancer by enhancing the patient's immune system to eliminate or reduce cancerous tumours. Some impressive results of immuno-oncology treatments have been presented at recent conferences in the United States. Product launches could begin as of 2015-2016.

“Roche and Novartis currently present a strong positioning.”

What can an investor starting out in the pharmaceutical sector hope for?

Sector growth is expected to continue, in line with the market and the current economy. New drugs will also be released over the next few months, especially from Roche. We should see a revaluation of some stocks currently trading at a discount, such as Sanofi, which will boost investor confidence.

What risks are associated with these investments?

The main risks include a potential failure or delay in the clinical development of a product and growing pressure on prices. However,

companies are making significant efforts to rein in costs and have shown their ability to offset this pressure. Competition from generic drugs is also a risk. When a generic version of a chemical molecule hits the market, it has a direct impact on sales. Revenue from the product can nose-dive by up to 80%. Sales on biological molecules generally erode more gradually and to a lesser extent. Given the high cost of developing “biosimilar” medicines, price discounts are not as high as for generic chemical molecule drugs.

What companies would make a wise investment?

Roche and Novartis currently present a strong positioning. Roche is the number one worldwide in cancer treatment and ranks among the pioneers in immuno-oncology. Sanofi is also a leader in Europe. Admittedly, the French group had its share of disappointments last year and is recovering from a patent cliff. But Sanofi is now benefiting from a wave of more positive factors, while its improving growth profile helps to rebuild investors' confidence. The group is developing high-potential molecules, such as sarilumab for rheumatoid arthritis, cholesterol-lowering alirocumab and Cerdelga used to treat Gaucher's disease. These innovations have not yet been valued by the market. ▲



Agathe Bouché Berton
Financial Analyst
Bordier & Cie
Bern, Switzerland

“The trend is definitely positive in the euro zone”

With a rebound in investments and restored confidence, both Brussels and the IMF forecast a pick-up in European growth; a loose recovery that at first may only benefit certain sectors. Credit Suisse analyst Gérald Moser explains.

SWISSQUOTE MAGAZINE ▶ Without fail, the IMF and European Commission have each pointed to an imminent economic and market recovery in Europe. Do you share their optimism?

GÉRALD MOSER ▶ A set of indices has confirmed this trend towards a gradual recovery since the beginning of the year for both consumers and companies, whose production has begun to pick up. The steadfast support of the European Central Bank (ECB), which significantly lowered its rates and may inject a lot of money into the markets if deflation risks materialise, will further reduce risk aversion in Europe. Our forecasts of eurozone growth of 1.2% in 2014 and 1.6% in 2015 are close to those of the IMF and the European Commission. Although these figures are modest in themselves, they come after a 0.4% contraction in 2013. The trend is definitely positive, even if some indices remain on the watch list. Credit continues to fall, government debt is still deep and high unemployment lingers in a number of states, especially the peripheral countries.

Will Germany continue to play a leading role in this recovery phase?

Germany alone represents more than 25% of the euro-zone economy and enjoys strong competitiveness and low unemployment. Its immigration policy and low interest rates in particular have helped restart activity in the construction sector. Germany's growth is quite naturally above average in the euro zone, expected to reach about 2% in 2014 and 2015. More importantly, this trend stems from a recovery in domestic consumption, while other eurozone countries have to settle for a mere recovery in exports.

After a few very rough years, the outlook seems brighter in southern European countries. Why is that?

The outlook is clearly brighter, but the gap that emerged during the crisis has yet to be filled. These countries undertook major restructuring programmes that are starting to show results. Not only are growth targets being reached, but the trend reversal has been impressive. Italy expects 0.6% growth this year. This

figure is admittedly lower than the European average, but is quite an achievement compared to the 1.8% downturn the previous year. This turnaround is partly due to the abating debt crisis and to the ECB's intervention. The central bank's support has restored confidence. This is reflected in 10-year bond rates, which have returned to levels of 3.1% to 3.2%. The other key factor in the recovery is the drop in unit labour costs in southern European countries, making some sectors more competitive. It helps level out their trade balance, even if domestic consumption is expected to remain low.

Is this growth enough to fuel consumer demand?

Before the crisis, eurozone consumption and household debt had hit excessive levels that could not be sustained. Labour costs had risen faster than productivity gains, which considerably eroded competitiveness. This current phase of readjustment means that social security contributions will freeze or even drop, as will wages. This trying period for households is likely to continue weigh-



MORRIS MAC MITZEN / REUTERS

German Chancellor Angela Merkel, pictured here at the Hanover Industrial Fair in April. Her country represents 25% of the entire eurozone economy.

ing on consumption for some time. Wages tend to stagnate as long as unemployment remains relatively high. In the macroeconomy, a substantial rise in consumption would only be felt if the job market improves. This is an important problem but should not jeopardise the economic and market recovery.

Which economic sectors will benefit from the recovery first?

Several sectors are expected to recover first, starting with financial securities and banking. Despite the ongoing contraction in credit, the recovery contributes to reducing capital risk. Banking has already improved significantly but has yet to return to its pre-crisis performance levels of 2006-2007. Even with tighter

regulations, European bank stocks boast promising potential. Stocks from a bank like BNP Paribas or an insurance company like Axa are likely to perform accordingly. Industry is also expected to benefit from the turnaround. Industrial groups have high overheads that could be spread if demand picks up. Our analysts recommend buying steel stocks such as ArcelorMittal. The stock market value of a more diversified company like Siemens, which is specialised in high technology, health-care and energy, is also expected to grow, reflecting how Germany remains the main economic driving force in the euro zone.

A large share of European countries is experiencing high unemployment, which

is affecting the purchasing power of households. Won't the consumer goods sector suffer?

Despite the sluggish recovery in consumption, the economy is generally stabilising. Some firmly rooted, mainstream brands should start to see improved earnings. For example, Adidas, a company with high exposure to demand, is likely to benefit from the stabilisation in demand. In large-scale retail, we estimate that Carrefour has the strongest positioning, and in the cosmetics sector, we recommend L'Oréal. ▀

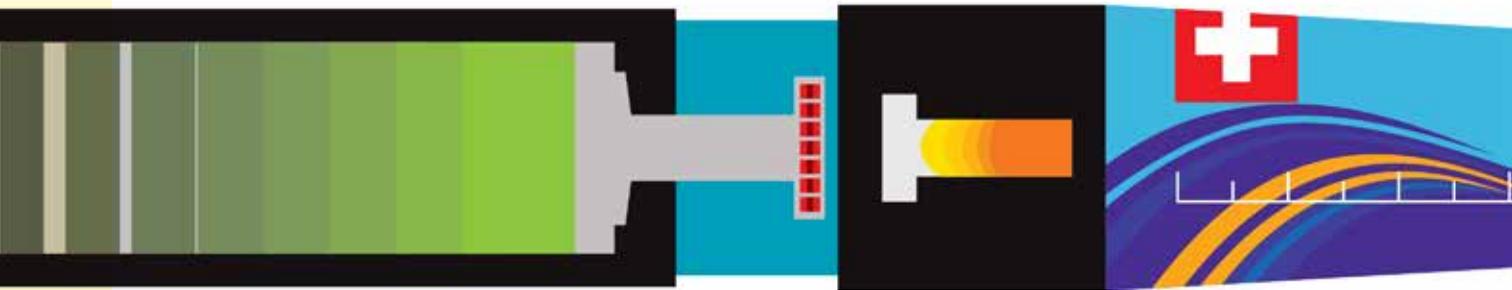


Gérald Moser
Analysis and
Research Department
Credit Suisse, Zurich

E-cigarettes take the e-power of Swiss nicotine

Nicotine is dangerous... but for some it's also valuable. The explosion in e-cigarette use is opening new doors for big nicotine producers, like Switzerland's own Siegfried.

By Jean-Christophe Piot



Lung specialists, Agatha Christie readers and one billion smokers worldwide all know it: nicotine is a poison – even in low doses. Paradoxically, though, the very alkaloid that leads to tobacco dependence is also used in products intended to help smokers quit, such as patches and gum. In addition to such medical uses of nicotine, e-cigarettes have become all the rage in recent years. Vaporisers offer an alternative to tobacco,

allowing users to inhale a wide variety of vaporised liquid blends comprising propylene glycol, various flavours and, more often than not, a hefty dose of nicotine.

And there's a good chance that nicotine comes from Switzerland: the purest form of nicotine is produced by a small number of companies including Siegfried, a Swiss firm that alone accounts for half of global production. Valued at some 600

million Swiss francs on the SIX Swiss Exchange, the Zofingen-based company is among the top performers over the last twelve months and saw its share price jump around one-third. The firm's net profit rose from €21 to €53.9 million between 2012 and 2013.

Though Siegfried (founded in 1879) has been selling nicotine to the pharmaceutical industry for over 25 years, it wasn't until

2011 that the company began receiving orders in connection with the e-cigarette market. Hesitant at first, Siegfried eventually decided to go for it when the big cigarette producers began investing in the vaporiser market. The big-name brands in this market are looking to buy high-quality alkaloids, and they trust the expertise and reputation of reliable producers such as Siegfried, Actavis (US) and Porton Fine Chemicals (China). "Siegfried has been around for a long time," says Martin Schreiber, analyst at the Zurich Cantonal Bank. "When it comes to nicotine, or any of the firm's other products for that matter, Siegfried's

substitutes, and it is still too early for doctors to grasp the potential benefit for public health as a whole. Which explains the cautious stance taken by the United States: the US FDA considers the e-cigarette to be a tobacco product, while the EU confirmed last year its status as an everyday product, thus allowing for it to be sold freely.

There are other factors too which help put the growth of the e-cigarette market into perspective for Siegfried. "Nicotine currently accounts for just 5% of the firm's revenue, about \$15 million," says Martin Schreiber. Though impressive, the boom in vaporiser use probably won't lead to a big increase in production. For starters, not all of the liquids available for sale actually contain nicotine, and when they do the doses are weak. The sector as a whole needed just 20 tonnes in 2013. This year, that figure may reach 30 tonnes. And the popularity of the e-cigarette could also drive down sales for patches and other nicotine substitutes that Siegfried helps produce.

commercial relations are based on high-quality production and the reliability of its manufacturing processes."

THE US REMAINS CAUTIOUS

Though the e-cigarette phenomenon has clearly been a boon for Siegfried's financial results and represents a serious opportunity, its effect on the company's long-term performance will likely be subdued. The biggest unknown is legal:

nobody today can predict what the distribution conditions for e-liquids (the liquids used to fill e-cigarettes) will be in the coming years. What with nicotine being a neurotoxic alkaloid, some questions remain unanswered. Does nicotine lead to smoking addiction? Can it be effectively used to help people quit smoking? To date, vaporisers have been no more effective than the conventional nicotine

Beyond the ultimately modest effect that the vaporiser trend will have, it's the overall strategy that the markets are welcoming. "Over the medium term, Siegfried will likely see its profit and operating margins rise thanks to its new facilities in China," says Martin Schreiber. "The company will likely continue to outperform." ▲

☒ SFZN



Port of Schiedam, in South Holland. Right, the Eugen Maersk, once the largest cargo ships in the world, now overtaken by the 400-metre long Mærsk Mc-Kinney Møller.

LOGISTICS: THE TRANSPORT REVOLUTION

- 34. Interview with Peter Ulber, the CEO of Panalpina
- 40. The new hubs of international trade
- 44. Cargo ships: supersizing craziness
- 48. Nearshoring: the West is moving home
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A SEA CHANGE

The goods transport industry is changing fast. After two decades of incredible growth, the giants in the sector now find themselves with excess capacity. High value-added services and IT optimisation are the name of the game.

By Ludovic Chappex

All signs are pointing to the end of the heyday of logistics and transport. The sector saw an explosion in growth between 1990 and 2010, spurred by the pick-up in globalisation as production sites moved offshore to Asia. Sea freight grew about 10% annually – three times faster than global GDP. But with the advent of the economic crisis, this impressive performance came to a screeching halt.

Today, the logistics and transport industry, like many other economic sectors, is at a turning point. “Globalisation has reached a more mature phase in its development; it is already well established,” says Michael Foeth, an analyst at Vontobel Bank. “The logistics sector continues to grow but has become structurally weaker.”

At its best, sea freight – which alone accounts for 90% of global trade – currently grows twice as fast as global GDP, i.e. around 6%. However, cargo shipping companies

continue to buy vessels of greater and greater capacity, in an effort to generate economies of scale and reduce their unit cost of transport per container. By racing ahead – the only option in this highly competitive market – they have created a troubling situation: overcapacity (see article on p. 44).

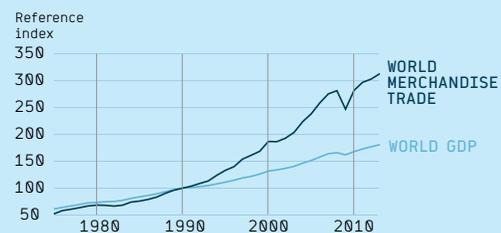
Air freight is no more reassuring, with a growth rate no higher than global GDP. “Overcapacity is even more blatant than in sea freight,” says Michael Foeth. “This is mainly due to the fact that high-tech products, which are generally shipped by plane, have become considerably smaller in size and lighter

in recent years.” Basically, tablets and smartphones have replaced computers in aircraft cargo holds. It’s gotten to the point where traditional cargo planes are not being used. As long-haul passenger aircraft have increased their capacity, these airliners are now being used to ship cargo. “A number of airlines, such as British Airways, have decided to drop their cargo divisions. Overcapacity was squeezing margins,” says Michael Foeth. “Companies that operate exclusively in freight, like the Luxembourg carrier Cargolux, have cause for concern.”

But the situation may not as grim as it sounds. Despite the

1990-2010: THE EXPLOSION OF GLOBAL TRANSPORT

SOURCES: UNCTAD SECRETARIAT, ON THE BASIS OF OECD MAIN ECONOMIC INDICATORS, MAY 2013; UNCTAD, THE TRADE AND DEVELOPMENT



bleak environment, the economy has regained some strength in the past few quarters. Some leading companies, such as Swiss-based Kuehne+Nagel, have managed to turn a large profit and even foresee strong business growth. The shrewdest companies are also introducing effective cost-cutting strategies, which primarily involve optimising their computer systems (see interview with Peter Ulber, CEO of Panalpina, on p. 34).

High value-added logistics services (special goods transport, product assembly and testing) are gaining importance. In time, this will likely benefit the most flexible companies. This trend is underpinned by the shift to nearshoring, i.e. when multinationals move their production back to or near their home country (see p. 48): Mass production remains in emerging countries, but the final steps in the assembly process prior to distribution take place in Eastern Europe or Mexico, close to the largest markets.

In this paradigm, logistics companies, following the example of Panalpina, go beyond their role as transporters to become more involved in the manufacturing chain, product assembly and testing. "It's not yet a large-scale movement, but a trend is clearly emerging. Many multinationals are bringing their production closer to their customers," says Mark Pearson, a logistics specialist and director at the consulting firm Accenture. "The logistics companies that are able to best adapt to this new scenario will score the highest points." ▲



"LOGISTICS LEADERS ARE NOW MOVING INTO TAILORED SERVICES"

For the top companies in the sector, moving products from point A to point B is no longer enough. Interview with Sebastian Heese, logistics specialist at EBS Business School in Wiesbaden, Germany.

Interview by Serge Maillard

SWISSQUOTE MAGAZINE ►

How badly has the economic crisis affected the logistics and transport sector?

SEBASTIAN HEESE ► The industry has been hit hard over the past few years, because it depends directly on product flows on a global scale. The sector continues to turn in positive figures, but activity has tailed off.

Despite the slowdown, which logistics businesses do you think have the brightest future?

They can be summed up in two words, "integrated" and "tailored". These days, many companies only handle freight. They can take a product from point A to point B by cargo ship, rail, lorry or plane. But real growth is coming from companies that can handle complex outsourcing chains. They can manage warehouses, advise their customers on what products to ship and when, while compiling large amounts of data to generate economies of scale.

Which companies are you referring to?

Logistics multinationals such as DHL, Kuehne + Nagel and DB Schenker. These companies are vying to occupy this broader service-based segment called "contract logistics". They are shifting from basic transport services to a real partnership with customers like Coca-Cola or BMW. But the customers have to agree to share all of their data.

Offering this service requires global management of very complex networks, with an office in every port in the world! And that type of network isn't built in a day.

Which of the different modes of transport is developing the fastest?

Road transport is growing particularly fast, in pace with rising home deliveries of goods and services, mainly thanks to Amazon. The express parcel delivery companies such as UPS, DHL, FedEx and the US Postal Service are the first to benefit from this development. And tomorrow, maybe new means of transport will be created. Imagine delivery by drone... Amazon CEO Jeff Bezos says he's looking into it. That could revolutionise the market!

That brings us to the next point, how is technological innovation transforming the market?

Firms should be able to create benefits from analyzing complicated and probabilistic situations. "Business Analytics" (analyzing data for insight and then using optimization tools to derive optimal strategies based on those data and insights) is increasingly important. For example, DHL trucks already take the fastest delivery routes determined by a system that tracks road traffic in real time.

“The real revolution in logistics and transport hasn’t yet taken place”

Panalpina’s new CEO, at the helm of the Swiss enterprise since June 2013, met with Swissquote Magazine at the company’s headquarters in Basel. He discussed the increasingly advanced technology used in the sector and its most promising growth drivers, namely in Africa. Interview.

By Ludovic Chappex
Photo: Vincent Calmel

Will Panalpina soon be one of the surprise performers on the Swiss stock market? The Basel-based group ranks among the leaders in global logistics and transport. It has staged a remarkable turnaround over the past few months after a bleak spell in the wake of the global financial crisis. Earnings for the first quarter of 2014 exceeded the previous year’s performance for the same period by nearly 30%, after a slight rise in revenue and profits for 2013.

Although analysts maintain their reservations (see inset p. 37), these signals suggest that the Swiss group is headed in a new direction. Its brighter outlook began in June 2013 with a change in management. Former CEO Monika Ribar stepped down to be replaced by German-born Peter Ulber, a previous management board member of the Schwyz-based competitor Kuehne+Nagel before becoming an independ-

ent consultant. The new chief wasted no time making his mark by streamlining certain cost management processes.

He believes that Panalpina’s most exciting projects are yet to come. Meet him to find out more.



Cargo aircraft operated by Panalpina.

2014 PANALPINA WORLD TRANSPORT LTD



SWISSQUOTE MAGAZINE ▶ What has driven Panalpina's strong performance over the past few months?

PETER ULBER ▶ First, the progress made in financial transparency. We improved our ability to determine which parts of the company work and which don't. We've applied this approach to the different regions and down to the lowest operating level. These processes help us identify where we are least profitable and where operations need optimising. The global climate for air and ocean freight has also improved since late 2013 and early 2014.

What are Panalpina's main strengths today?

Air freight and ocean freight remain our two fundamental strengths across the globe. We are one of the few companies with operations worldwide. Even the leaders in logistics and transport have no more than 10% of the market share. We therefore need to focus more on certain businesses

A passion for sailing

The CEO of Panalpina is anything but a newcomer to the logistics and transport sector. Before taking the lead at the Basel-based company in June 2013, Peter Ulber (aged 54) worked in various positions at the giant Kuehne+Nagel, first in Europe, then the United States, followed by South America between 1986 and 2011. He joined the management board in 2008 when he was in charge of the group's air and sea freight division, actively participating in its expansion strategy. He co-founded his own logistics and transport consulting company, Charleston Enterprise

Group, in 2011. This short-lived excursion from the sector eventually led him to the top position at Panalpina. "I spend half of my time travelling," the CEO says. "That's because our network is highly international. But when I'm not working or travelling, I like to recharge my batteries by sailing, especially in the Caribbean."

Peter Ulber is a graduate of Kühne Logistics University in Hamburg. He lives in Basel, Switzerland and Charleston, South Carolina (USA), where his family is.



River shipment of equipment used by the oil industry.

2014 PANALPINA WORLD TRANSPORT LTD

rather than try to do everything for all our customers.

Your margins in ocean freight are significantly smaller than those of Kuehne+Nagel for example. Why is that?

In terms of gross margin, we compare quite well with the top players. However, when looking at EBIT, we show a good performance in air freight but need to progress in ocean freight. This primarily means optimising our IT solutions, which are currently being modernised. This has actually been the largest investment undertaken in the history of Panalpina, representing more than 200 million Swiss francs. We have formed a partnership with the German software company SAP to build our new platform.

What exactly will these new IT solutions bring you?

We will be able to boost our productivity on a global scale while better integrating our operations. Until now, a lot of information flowed through

the company using dated formats, such as paper documents or phone calls. A lot of things will sharpen up behind the scenes in the months to come, even if customers don't notice.

What has been your personal influence in these changes?

I've spent most of my life in the logistics and transport industry. But I think that working as a consultant for a couple of years (see inset p. 35), therefore being on the perimeter of the system, was beneficial. Seeing the industry through the eyes of a consultant has taught me to challenge its practices. Some approaches, which seemed completely natural when I was part of the business, looked very different when I saw them from outside. You arrive at other conclusions that way.

What kinds of conclusions?

It's my personal opinion, but I think that the real revolution in logistics and transport hasn't yet taken place.

We can expect major shifts to come over the next ten years.

Can you explain?

I feel that our industry needs to reinvent itself, and it will. Take the trend of nearshoring, for example, which refers to multinationals that move their production back to or near their consumer markets (see article p. 48). That means that products are assembled much closer to the end consumer. As a result, companies like Panalpina will be increasingly involved in the final assembly, configuration and testing process, and in the customisation of products. That's a real change. Traditionally, there has always been a clear separation between the transport chain and the manufacturing chain.

Are there any examples of this trend?

Yes, but it's only just the beginning! For example, for a telecommunications company we currently handle the transport of components from

China to a logistics hub in Brazil. There, we assemble the products and perform operational tests. Then we distribute the products in the country. The advantage for a company like ours is that we don't leave the transport chain. Before, logistics companies used to carry goods from point A to point B, for example from a warehouse to an assembly plant. Then we'd come back later for the second transport phase to the end consumers.

How will this revolution impact your industry?

A lot of local and regional companies won't be able to keep up at that level. This will lead to market consolidation. Structures will need to be very light and flexible to adapt to the new reality. From this point of view, Panalpina is very well positioned. We don't own any fleets or heavy infrastructure.

While we're on that topic, how do you view the problems of overcapacity currently plaguing cargo ship owners? It's a huge problem for the industry. But you have to understand that the companies operating in the sector don't really have any other choice. They know that they won't be competitive if they don't buy bigger ships because they can't lower their shipping costs per container. The latest generation of cargo ships can transport up to 18,000 TEUs, reducing costs by 30% compared to the previous generation. And the plans for the next generation are already on the table! The ships will be able to transport 24,000 TEUs, lowering costs

OVER THE ALPS

With its strong positioning in air and ocean freight forwarding, Panalpina snatched up further market share in 2013. But the company is facing a woeful economy.

Its beginnings date back to the 1930s with trading on the Rhine River. The company then stood out by offering haulage services to connect northern and southern Europe in the 1950s. Today, Panalpina ranks among the five largest air and ocean freight operators worldwide.

In both air and maritime shipping, the Basel-based

company boasted growth of 6% in the first quarter of 2014, twice the market average. With its new CEO, Peter Ulber, at the reins, Panalpina has also been cleaning up its books to boost financial transparency. This has enabled the group to more effectively

identify the business sectors where it should optimise its operations and improve its profitability.

The group is also actively developing its high value-added services, such as sensitive or hazardous shipments requiring constant temperature control and so-called LCL (Less-than Container-Load) sea transport, which involves combining consignments from different companies to fill a single container.

While underlining the company's positive performance, analysts also point to the squeeze on prices. This pertains especially to air freight, a sector that accounts for 40% of Panalpina's gross revenue. This volatility has pushed Credit Suisse to adopt a prudent approach. The bank has maintained a SELL recommendation on the share in its latest report issued on 2 May.

Revenue
2013
6.75 billion
Swiss francs

Staff
15,000

CEO
Peter Ulber

 PWTN



2014 PANALPINA WORLD TRANSPORT LTD

by approximately another 30%. Basically, if you don't invest, you're no longer competitive in the market. And if you do, you're stuck with excess capacity. There's really no win-win solution for these companies right now. Only the strongest will survive.

In what services does Panalpina stand out the most?

One of our specialities is temperature-controlled transport services. From the production facility to the final destination, we guarantee that an exact temperature range will be maintained along the whole chain, using monitoring sensors and cold storage units. For example, for the Swiss company CSL Behring, we transport blood plasma samples from Switzerland to our gateway in Luxembourg in refrigerated trucks. The samples are then loaded into planes where the temperature is regulated and continuously controlled until the shipment reaches Alabama. From there, the goods are again transported by truck to the final destinations.

To do this, we operate using our own leased planes, two Boeing 747-8 freighters. This setup gives us seamless control over the transport chain. We decide when the plane takes off and we control the temperature, both on the ground and in the air. That level of direct control is unique in the market. When looking at the logistics market as a whole, this type of service is pretty specialised.

Transporting equipment for the oil and gas industry



Oil industry equipment transport has been the lifeblood of Panalpina for decades.

is also one of Panalpina's long-standing businesses. Are you going to continue developing your activities in this sector?

Absolutely. We want to remain highly active in this area. It's part of the company's DNA. Constraints are tighter than in other logistics sectors. We have to be able to work in remote geographical areas or on offshore rigs. The rules are also fairly different. We have to meet specific safety and quality standards. All that requires special expertise.

Our work typically starts in the big centers of production such as Aberdeen, Singapore or Houston where we pick up equipment. This equipment is then flown to Luxembourg where it is loaded onto another plane that flies south to the city of Pointe-Noire in Congo. From there, the equipment is transported by boat

down the West African coast to different production sites. This is an example of how we tailor services along the entire transport chain.

Road and rail transport are not your priorities. Is that because your competitors are already well developed in these sectors?

Compared with the largest groups, we are actually quite small. We don't own fleets of trucks. To be able to compete on the road transport market, you need to build a large network and then feed it. It's a very different approach from ours, which is based on a highly flexible network. In other words, we build our logistics strategy in line with our clients' needs. We don't try to fit it into a pre-established network. That's why we rent most of the means of transport that we use, or outsource part of the service, especially the last mile for



deliveries. We work with hundreds of sub-contractors.

You are currently one of the world leaders in so-called LCL (Less-than-Container Load) sea transport. What does that sector offer?

We are indeed one of the few companies to offer this service. It's actually much more profitable than loading standard containers, once the necessary infrastructure is in place. LCL involves combining consignments from different companies to fill a single container. This creates higher margins. We added 41 new LCL services to our network in 2013, which took us to a total of 450 LCL services worldwide. And we plan to reach 500 LCL services by the end of 2014.

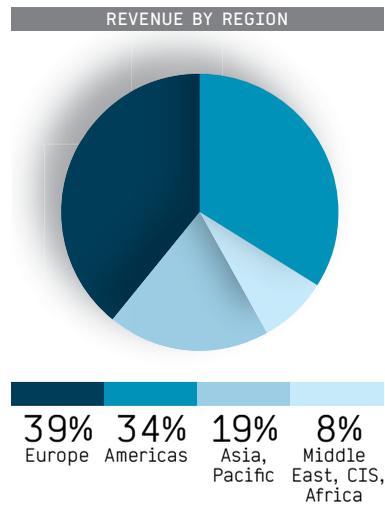
Which regions of the world are likely to develop over the next few years?

We currently generate approximately one third of our revenue in Europe, one third in the United States and one third in Asia and Africa. We believe that the markets in Africa and the Middle East will gain importance. This region, with headquarters in Dubai, where our regional headquarters is located, grew 20% in terms of gross profit last year. We want to develop our infrastructure in West Africa over the next few years through a mix of organic growth and small acquisitions. In that region, we will mainly focus on the oil and gas sectors and telecommunications.

Why should a private investor choose Panalpina?

I think the winners in logistics will be those with an integrated global network, which is the case for Panalpina. We are one of the few companies that can offer

this. Furthermore, our profitability is improving and our shareholder structure is very healthy. We have no debt and are therefore independent in that respect. That means we can make very quick decisions. Finally, we own practically no transport means, making us extremely agile compared with some other companies in the sector.  PWTN



The new hubs of international trade

Rotterdam, Hamburg and Singapore are no longer the world's logistics hot spots. China, Dubai and soon the Caribbean have taken over as the new global leaders in shipping.

By Serge Maillard



Every year, the “Westline Theory” is confirmed a bit more. This hypothesis developed by British economist Martin Stopford in the late 1980s describes how the commercial centre of maritime trade has gradually shifted westward over the centuries. Trade moved from Mesopotamia to Rome, from Venice to Amsterdam, then London, and from North America to Japan before reaching China and the Pacific region at the beginning of the second millennium.

For now, however, China takes the pole position in transport and logistics. The country has surpassed Dutch and German docks and is

now home to seven of the world's ten largest trade ports, with Shanghai topping the list. But other giants are looming on the horizon. On route towards Europe, the ambitious city of Dubai also stands out as a leading platform for the transportation of goods, but has no intention of stopping there. The city is currently expanding its port facilities and expects to outstrip Shanghai by 2030 as the largest port on the globe.

At the other end of the world, the expansion of the Panama Canal is bringing new vitality to the Caribbean as a hub for shipments towards the United States. ▲



“China’s most important trade partners are not the United States or Europe, which offer low margins, but Latin America and Africa.”

WALTER RADEBACHER

CHINA: the south-south trade route

“China is admittedly experiencing a slump, but remains a huge market for the transport and logistics sector,” explains Richard Armstrong, CEO of the US logistics consultancy Armstrong & Associates. He points out that the Asia-Pacific region, with China currently at its epicentre, accounts for about half of international trade. The port of Shanghai, the busiest on the planet, saw 744 million tons of merchandise pass through in 2012, including more than 32 million TEUs. This volume equals one-quarter of China’s foreign trade. In addition to Shanghai, the Chinese port facilities in Tianjin, Guangzhou, Ningbo, Suzhou, Qingdao and Dalian all rank in the world’s top 10 biggest ports.

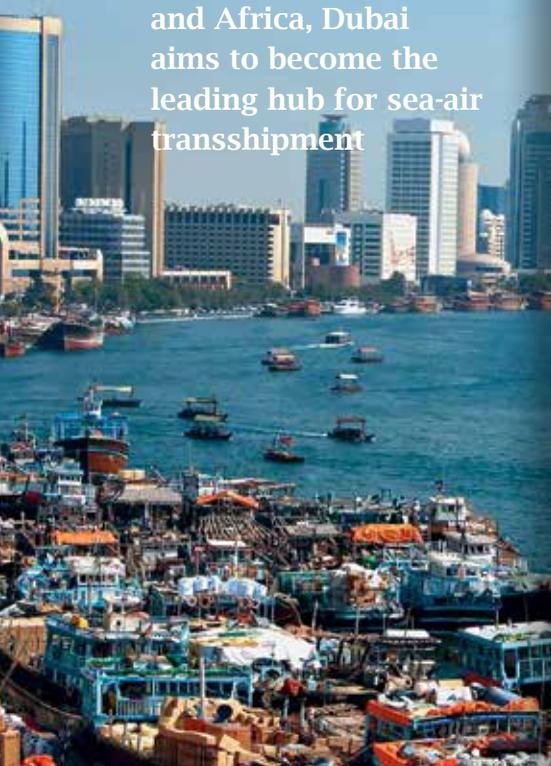
China continues to develop its trade relations with emerging nations, which has increased south-south shipping flows. Demand for raw materials has fuelled this trend. “China’s most important trade partners are not the United States or Europe, which offer low margins, but Latin America and Africa,” explains Carlos Córdón, logistics professor at IMD Business School in Lausanne. The country has become Brazil’s main trade partner, while also forging increasingly tight relations with African countries, such as Guinea, rich in mineral resources.



CARLOS BARRERA, S&P / REUTERS

ISTOCK

At the crossroads between Asia, Europe and Africa, Dubai aims to become the leading hub for sea-air transshipment



DUBAI: the future largest port in the world

This Emirati city is known for supersizing its construction sites. The transport and logistics sector is no exception. The expansion of the port of Jebel Ali began in 2001 and is planned to continue until 2030. The infrastructure is expected to turn Dubai into the largest port on earth, with a capacity of handling 55 million TEUs per year (versus 14 million currently). "This expansion project is spearheaded by the government, which has invested massively in its construction," says Wolfgang Stölzle, professor of logistics management at the University of St. Gallen.

Located at the crossroads between Asia, Europe and Africa, Dubai aims to become the leading hub for sea-air transshipment. A growing proportion of cargoes from Southeast Asia and Hong Kong are arriving by boat in Dubai before being dispatched to Europe by air or road transport. "Transit through Dubai is shorter than the traditional, purely maritime route between Asia and Europe," says logistics expert Richard

Armstrong. "The sector leaders, who compete fiercely to offer faster, less expensive routes, are trying to boost their capacity in Dubai," he explains. "For logistics companies, the development of infrastructure in Middle Eastern countries is good news." In neighbouring Oman, the construction of the new "South Batinah Logistics Hub", also set for inauguration in 2030, reflects the sultanate's drive to become another regional cargo hub.

"The advantage of Dubai is that it already has efficient infrastructure in both air and sea transport along with storage warehouses," points out Patrick Burnson, a San Francisco-based logistics expert and executive editor of the specialised review "Logistics Management". "Emirates Sky Cargo is also one of the largest air cargo companies in the world," he adds. The American expert also applauds the pioneering role of the Swiss logistics company Panalpina, "one of the first to develop its operations in the Middle East."

REUTER WARGHESE / REUTERS

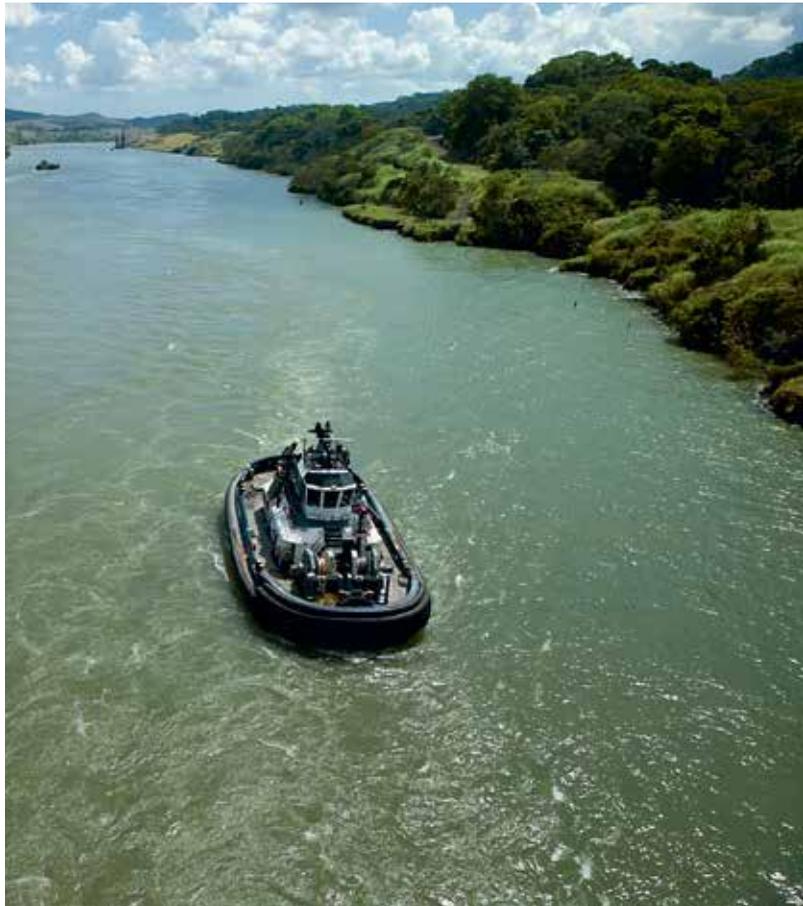


CARIBBEAN: the return of shipments to the US

The expansion of the Panama Canal, planned for completion by 2015, offers a new outlook for logistics in the Caribbean. "Foreign investment is particularly high in Jamaica and in Panama, both of which China plans to turn into regional hubs to serve both North America and Europe," explains Patrick Burnson.

Jamaica is the closest island to Panama and already boasts the seventh largest natural port in the world, Kingston Harbour. The country now plans to expand its infrastructure further to accommodate very large ships, develop its sea-air transshipment capacity and promote its special economic zone. If carried through, these projects will cost an estimated \$8 billion to \$10 billion.

Aiming to profit from the expansion of the Panama Canal, other projects for deepwater ports have sprung up in the Bahamas, Dominican Republic, Costa Rica and Colombia. "Logistics leaders on the North American market, like C.H. Robinson, could benefit from this development," says Patrick Burnson.



ISTOCK

"Foreign investment is particularly high in Jamaica and in Panama, both of which China plans to turn into a regional hub."



ISTOCK

CARGO SHIPS: OUTSIZING MAY NOT PAY

The number and size of cargo ships have increased significantly over the past few years, despite the global economic slowdown, making the leading shipping companies less competitive.

By Serge Maillard

Sea freight, the cornerstone in the international transport of goods, has tripled since the 1970s. Every year, more than eight billion tons of merchandise are hauled by more than 50,000 vessels across the planet.

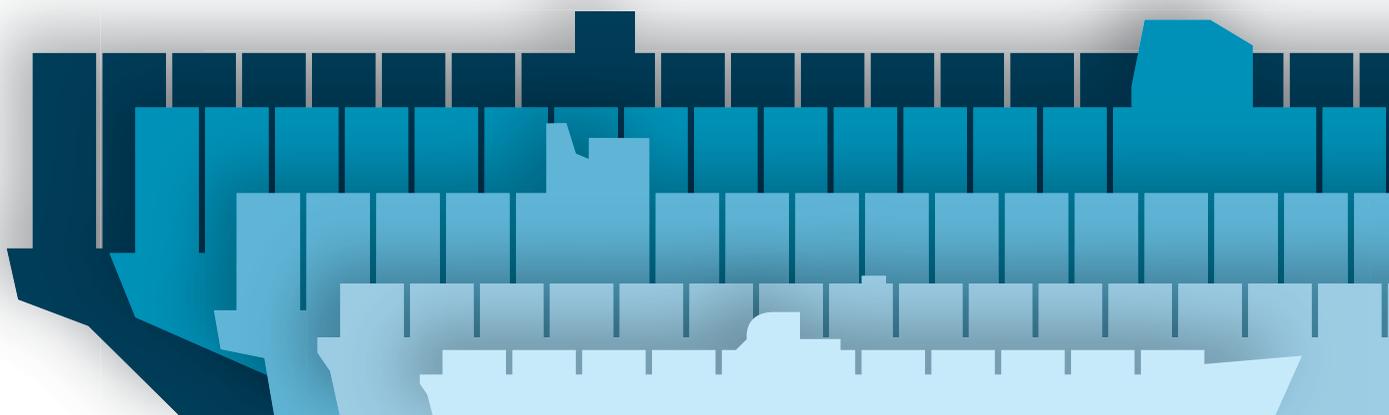
Ninety percent of the goods shipped in the world take

a sea route at some point in their journey. With that in mind, the explosion in the number of cargo ships and their size hardly comes as surprising.

The market is dominated by shipping giants such as Danish group A.P. Møller-Mærsk (600 ships in service),

Geneva-based MSC, the French company CMA CGM, Evergreen in Taiwan and COSCO in China. Ship owners transported nearly 160 million TEUs in 2013, according to the United Nations.

In contrast to these impressive figures, the sector is experiencing a downturn. The cause? Temporary overcapacity. Basically, supply exceeds demand. "Shipping companies ordered a lot of cargo ships before the financial crisis, during the boom years," explains Carlos Córdón, professor at IMD Business School in Lausanne. "But building a boat takes time, one to two years on average. By the time they were delivered, demand had flagged considerably." As a result, the "Baltic Dry Index" (BDI), a price index for the transport of raw materials by sea which hit a peak of more than 10,000 points in 2007, collapsed over the following years (see figure p. 46).



1956

EARLY CONTAINER SHIPS

Capacity: 500-800 TEUs
Dimensions: 139 x 17 x 9 m

1980

PANAMAX

Capacity: 3,000-3,400 TEUs
Dimensions: 250 x 32 x 12.5 m

1988

POST PANAMAX

Capacity: 4,000-5,000 TEUs
Dimensions: 285 x 40 x 13 m

“Shipping companies ordered a lot of cargo ships before the financial crisis, during the boom years.”

After soaring before the crisis on the back of fast-growing trade with China, sea freight prices abruptly changed direction. The industry shifted from undercapacity to overcapacity in the space of a few months. Rates collapsed, especially on the busiest international sea trade routes. Carlos Cordón illustrates this point, “It is now less expensive to send cargo from Jakarta to Rotterdam, a high-traffic connection covered by the major transporters, than from Jakarta to a neighbouring Indonesian island!” In response to falling orders and prices, some shipping companies are now scaling back their existing fleet. For example, the Japanese group Mitsui Line has decided to demolish

all of its vessels over 15 years old.

The companies A.P. Møller-Mærsk, MSC and CMA CGM [the latter two are not listed on the stock market], which together represent 40% of global container capacity, have formed their own alliance called P3. The idea is to share the space available aboard their ships to avoid operating with overcapacity,

even if this means leaving some ships docked. Companies also practise “slow steaming”, i.e. operating at reduced speed, on their shipping lines to save fuel costs.

“The very large ships face another problem,” says Richard Armstrong of Armstrong & Associates. “They are so big that some harbours, such as Savannah in the United States or southern Vietnam, cannot accommodate them. As a result, they are limited to sailing the most traditional routes like Shanghai-Hamburg.” Then why are shipping companies, in light of these shortcomings and

Increasingly large ships

The new generations of cargo ships can handle an ever larger number of TEUs. Each vessel in the new Triple E class can ship some 18,000 TEUs, three times as many as the 2000 generation of container ships.



2014

NEW PANAMAX

Capacity: 12,500 TEUs
Dimensions: 366 x 49 x 15.2 m

2013

TRIPLE E

Capacity: 18,000 TEUs
Dimensions: 400 x 49 x 15.2 m

the concerns about overcapacity, still ordering ever higher-tonnage container ships? Therein lies the rub: the race to outsize everyone else is far from over. Proof positive is the new “E-class” series from world leader A.P. Møller-Mærsk — twenty ships of monumental proportions [see inset p. 47].

Sebastian Heese, logistics specialist at EBS Business School in Wiesbade, Germany has identified a number of factors that explain this phenomenon. “Shipping companies can expect an eventual recovery in growth, which will justify the enhanced capacity on the major international routes. They therefore anticipate an increase in the trade of goods on a global scale.” However, order prices on large vessels from shipyards have also dropped due to the

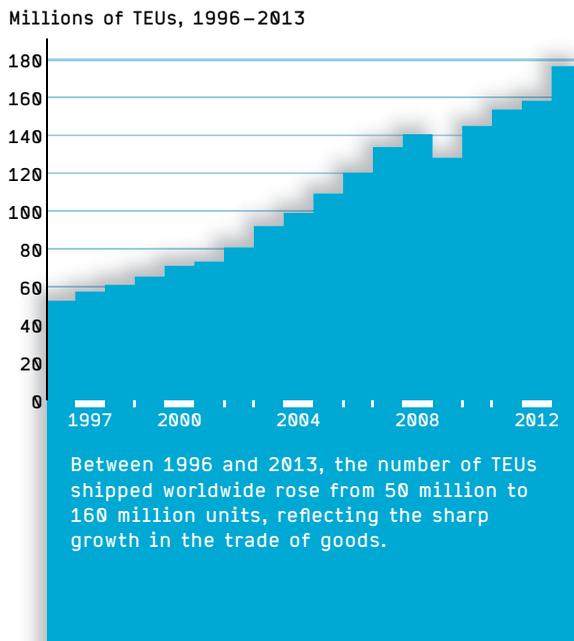
recession, only making matters worse.

“The bigger the ships, the greater the economies of scale.”

Heese believes that logistics companies are locked into a vicious circle. “If there was only one player on the market, it would obviously make the rational choice of stabilising or even reducing the size of its new container ships to limit supply,” the expert says. But that’s not what’s happening. To remain competitive, ship builders try to cut their

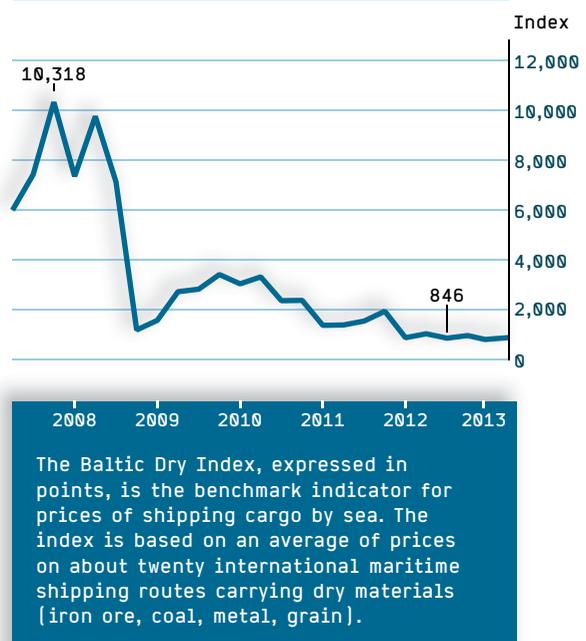
costs further than the competition through economies of scale. “The bigger the ships, the greater the economies of scale, in both the transport of goods and fuel costs. That’s how ship building has developed historically,” he explains, “and these companies don’t want to change their long-term strategy. The snag is that they are all pursuing this strategy at the same time, and on a large scale, which merely aggravates the problem of overcapacity,” Heese warns. “They all want to cut costs through economies of scale, even if that means temporarily making the situation worse.” The shipping companies think their options have not changed, even in a sluggish macroeconomic environment. It’s either expand or expire. And more importantly, hold up until more favourable winds blow. ▲

A THREEFOLD INCREASE IN VOLUME



SOURCES: DREWRY SHIPPING CONSULTANTS, CONTAINER MARKET REVIEW AND FORECAST 2008/2009 AND CLARKSON RESEARCH SERVICES, CONTAINER INTELLIGENCE MONTHLY.

THE BENCHMARK INDEX IS COLLAPSING



SOURCE: UNCTAD



Cargo ships: heavyweights in the ring

Inaugurated in July 2013, the Mærsk Mc-Kinney Møller container vessel is the world's largest ship in service, totalling 400 m in length and 59 m in width, with a cargo capacity of more than 18,000 TEUs, i.e. nearly 200,000 tons. This behemoth is the first in a new fleet of 20 gargantuan vessels called the Triple E-Class. It was built by Daewoo Shipbuilding & Marine Engineering for the world's shipping leader, the Danish group A.P. Møller-Mærsk.

The Mærsk Mc-Kinney Møller dethroned the Marco Polo from the French group CMA CGM, which had itself robbed the title from another A.P. Møller-Mærsk ship, the Emma Mærsk.

In December 2013, another major Korean ship builder, Samsung (no, they don't just make electronics!) unveiled the new future title holder, the Shell Prelude, at 488 m in length (longer than the Empire State Building is high) and 74 m wide. It even outsizes the Seawise Giant, the largest ship ever built, which sank during the Iran-Iraq War. The Shell Prelude is designed as a floating liquefied natural gas platform and weighs in at an estimated cost of between \$10.8 billion and \$12.6 billion. It will be used at a gas field off the coast of Australia. Some observers criticise the use of the word "ship", referring to it as more of a "platform". The vessel is not self-propelled, therefore has to be pulled by other boats, and will remain anchored almost permanently in the same place.

IN THE WEST, YOU CAN GO HOME AGAIN

Many US and European companies, mostly in the tech sector, are following Apple's lead by relocating to their home country or neighbouring countries.

By Serge Maillard

As new transport hubs develop in the south, some western companies are bringing their production back home. Apple is a prime example of this shift. The Cupertino-based giant, which currently assembles its products in China, announced last November that it would open a new plant east of Phoenix, Arizona, to manufacture iPhone screens. The relocation will create some 700 jobs.

Like Apple, several North American companies, such as Ford, Intel and DuPont, have decided to return part of their production to the United States or Mexico. Barack Obama, who has launched a campaign for relocalization and the "Made in USA" label by asking companies to "bring our jobs home", has applauded these efforts.

Similarly, some companies on the old continent have decided to move back to Eastern Europe or even their own country. For example in the United Kingdom, clothing manufacturers such as Topshop and Marks & Spencer have relocated part of their production to the UK. Rossignol, the French ski manufacturer, has also transferred its factory back from Taiwan to France. This trend has been dubbed "nearshoring", as opposed to "offshoring", which was long considered by multinationals to be a cure-all solution.

According to a report by the consulting firm AlixPartners, companies that nearshore primarily aim to cut logistics and freight costs while reducing shipping times to Western consumers. Public pressure and carbon taxes have given brands even more reason to pay attention to the environmental impact of the transportation of products manufactured on the other side of the world. Companies can also promote their economic "patriotism" by relocating production and jobs close to home in a period of economic slowdown.

Some automobile factories in Europe had to cease operations following the tsunami in Japan

This strategic about-face also offers greater security. "These companies are now realising how fragile a very fragmented global logistics chain can be. Problems faced by a single subcontractor can disrupt production entirely," explains Carlos Cordón from IMD Business School. Some automobile factories in Europe had to cease operations following the tsunami in Japan. This was the case for General Motors in Zaragoza, Spain, simply due to parts shortages. Keeping production close to the consumer means companies can respond more quickly when problems arise.

The dwindling disparity in labour costs across the planet offers the clinching argument in favour of nearshoring. Shanton Wilcox,



An employee of the French company Rossignol at its Sallanches factory, where the brand's skis are produced. A pioneer in the "made in France" movement, the group has decided to increase its production in the Alps [10 January 2013].

PHILIPPE DESMAGES / AFP

a logistics expert, explained this point in "Fleet Owner" magazine, "Mexico is now the number two car exporter in the world and that's because labour rates are equalising between Asia, Mexico and South America now." Wilcox predicts that nearshoring will pick up over the next five years.

Richard Armstrong, CEO of Armstrong & Associates and a consultant, takes a more reserved approach to the phenomenon's impact on the logistics market. "Nearshoring mainly involves

electronics and highly automated production lines," he points out. "Labour-intensive goods, i.e. the vast majority of goods transported in terms of volume, are still manufactured in Asia." He believes that nearshoring will first affect air freight, as this is the most commonly used means for shipping quality materials and components. This could further cripple an industry that is still struggling to get back on its feet after the global economic crisis. The air cargo sector grew only 1.4% in 2013. ▲

Giants under the microscope

Logistics firms must adapt to a difficult economic context. A review of several leaders.

Par Ludovic Chappex, Benjamin Keller,
Serge Maillard et Julie Zaugg



A.P. MØLLER-MÆRSK

The Danish shipping giant is experiencing anaemic demand and sector overcapacity. To remedy the situation, it has recently forged an unprecedented alliance.

A.P. Møller-Mærsk is the leading owner of container ships in the world. But the Danish conglomerate also dabbles in other areas, such as oil exploration, terminal management and ship building. "It provides the most reliable service in the shipping sector, especially when it comes to meeting delivery deadlines, and at the best price," says Jesper Christensen, an analyst at Alm.Brand. "This sets it apart from the competition." And the environment is indeed competitive. "There are approximately 100 shipping companies

operating worldwide," he says. "About twenty of them cover the Asia-Europe routes. In that kind of environment, it's impossible to raise your prices."

While maritime transport was being hit hard by the economic crisis, ship owners overbought vessels and now have too much capacity. Despite this bleak analysis, A.P. Møller-Mærsk is faring rather well. "The conglomerate has managed to offset its shipping business with its other divisions during this rough period," says Jesper Christensen.

And the sector is about to experience a real revolution. The three leading shipping companies – A.P. Møller-Mærsk, MSC and CMA CGM – have formed an alliance called P3 to pool the capacity of their 255 ships and optimise their fill rates. "They can cut costs by 8%," says Frode Mørkedal, an analyst at Platou Markets. This outlook has prompted him to put a BUY recommendation on A.P. Møller-Mærsk.

2013
revenue
266 billion
Danish krone
[42.5 billion
Swiss francs]

Staff
88,909

CEO
Nils Smedegaard Andersen

AMKBF



FEDEX

A pioneer in express air transport, FedEx dominates the US market.

The cardboard envelopes with the blue and red FedEx logo have become synonymous with fast delivery service. "The company practically invented the model for express air transport service in the early 1970s," says David Ross, analyst at Stifel, Nicolaus & Co. "Today, it dominates the

air freight market in the United States and boasts a strong foothold in Asia." The Tennessee-based group even began to erode the market share of its competitor UPS in ground transport in the United States. "It is often the least expensive and the fastest," says David Ross. This comes from its unique business model based on outsourcing. "Unlike UPS, FedEx does not have its own fleet of lorries and doesn't employ drivers directly. This costs less and gives it greater flexibility."

However, its air division suffers from overcapacity. "The company is replacing a number of its planes with more fuel-efficient ones," says Macquarie analyst Kelly Dougherty. "This is expected to improve the division's profitability by about \$1.6 billion by May 2016." She believes this makes FedEx a very attractive investment.

2013
Revenue
\$ 44.3 billion

Staff
More than
300,000

CEO
Frederick W. Smith

FDX




RINO CHIU / ZUMA PRESS / NEWSCOM

DHL

The German group has the most extensive worldwide delivery network. However, over the next few years, it will focus on its logistics businesses.

DHL belongs to the German giant Deutsche Post, which acquired the company about 15 years ago when it decided to invest in the global logistics market. The firm was founded in 1969 to provide courier services between San Francisco and Honolulu. Today, it is one of the world's leading logistics and freight operators. The company boasts the most well-developed international mail transport network. "DHL dominates the market in emerging countries, while its competitors FedEx and UPS are more focused on the United States," says Davy analyst Stephen Furlong. "The company

also offers high coverage in Asia, and of course in Europe. However, the Bonn-based group faces increasingly fierce competition in Europe from UPS, which now generates 50% of its international revenue on the continent.

The analyst David Ross from Stifel, Nicolaus & Co. points to a relative weakness in the group. "By continuing to make acquisitions, it has a number of incompatible IT platforms in its freight shipping division that have to be standardised." DHL has recently unveiled its "Strategy 2020" which targets

growth of 10% in logistics businesses and of 3% in parcel delivery. The strategy will be based on three pillars. "Providing tailored solutions, expanding further in high-growth emerging markets – mainly in Asia, Latin America and Africa – and eCom-merce-related logistics," says Roger Cook, CEO of the Global Forwarding Division. In the latter area, the firm will be able to draw on the vast experience and expertise gained by Deutsche Post in Germany.

2013 Revenue € 55 billion

Staff 280,000

CEO Ken Allen

DPW



2013 Revenue \$ 55.4 billion

Staff 395,000

CEO Scott Davis

UPS



United States, it holds 70% of the ground transport market. All the parcels transported by the company are managed from its hub in Louisville, Kentucky, and in regional centres, like Cologne and Shanghai.

The group was one of the first to invest in a real-time computerised tracking system. "All of the delivery and inventory management processes are automated,"

says Helane Becker. But the group's centralisation can also work against it. "Its network was paralysed last winter due to heavy snowfall in Louisville." However, UPS boasts another major asset. With its ground network, it is best poised to benefit from the enormous e-commerce market, currently the fastest-growing sector in the postal industry, says Kelly Dougherty, an analyst at Macquarie. Analysts are issuing "hold" recommendations, predicting that the firm will maintain its performance.

UPS

Famous for its brown delivery trucks, the company is everywhere on US roads. UPS stands out with its real-time tracking technology.

Founded in Seattle in 1907, UPS is one of the leading ground transport companies. "It manages daily shipping flows that represent 6% of US GDP and 3% of global GDP," says Helane Becker, a Cowen analyst. In the

C.H. ROBINSON

This intermediary dominates the transportation of merchandise in the United States. The company has initiated a transformation to capture part of the international and rail market.



C.H. ROBINSON ALL RIGHTS RESERVED



2014 DEUTSCHE POST AG

ACCENTURE

The world leader in corporate and government consulting also provides outsourcing and logistics services.

2013
Revenue
\$ 28.6 billion

Staff
289,000

CEO
Pierre Nanterme

ACN



2014 ACCENTURE

C.H. Robinson has carved out a unique niche in the road transportation sector: it acts as an intermediary between sellers of goods and transportation companies. "It holds 22% of the market in the United States, putting it in a leading position," says FBR analyst John Mims. "But its competitors – smaller, more flexible and

powered with more recent computer systems – are getting aggressive with prices."

This means shrinking margins for the Minnesota-based firm. "Its growth is expected at 5% to 10% over the next few years, compared with 15% previously," the analyst points out. The firm will continue to develop internationally in the future. It began by acquiring the freight forwarder Phoenix International, active in the trans-Pacific trade lanes, at the end of 2012. Another source of growth is intermodal transportation, which involves more than one mode among road, rail or sea transport. "The improvement in rail and fluctuating oil prices have led to a rise in demand for these solutions," says Matthew Young, an analyst at Morningstar. "C.H. Robinson remains an attractive investment, but especially in the long term," says John Mims.



2013
Revenue
\$ 12.8 billion

Staff
More than
11,000

CEO
John Wiehoff

CHR



Accenture is the epitome of a modern multinational. Listed on the New York Stock Exchange, with its headquarters in Dublin, the company is run by a Frenchman and has offices in more than 200 cities across 56 countries. In terms of revenue, Accenture ranks at the top of the world's consulting firms—a considerable feat, as it was once part of US giant Arthur Andersen, a name which would later be associated with the 2002 Enron scandal.

Accenture provides consulting in management, technology and outsourcing services for companies and governments. Its clients include more than 75% of the Fortune Global 500 (top global companies by revenue). In logistics, the firm offers supply chain expertise and outsourcing services. employs 15,000 consultants and has more than 40,000 people working in outsourcing across all continents worldwide.

Most analysts expect the group to outperform the market, as has been anticipated since June 2011.



NORBERT DENTRESSANGLE

2013
Revenue
€ 4 billion

Staff
37,000

CEO
Hervé
Montjotin

 GND



NORBERT DENTRESSANGLE

The French leader in European road transport continues to grow through takeovers.

Most people recognise the company for its large, bright red lorries smacked with the “ND” logo. With more than 37,000 employees across 27 countries, the French group Norbert Dentressangle ranks among the leading road transporters in Europe. The company also claims to have the largest fleet on the continent, with 8,000 vehicles and more than 10,000 trailers. In logistics, it boasts nearly 8 million square metres in warehouse surface area. Norbert Dentressangle founded the eponymous company in 1979. Today, the Lyon-based group now generates 60% of its €4 billion in revenue outside France, principally in the United Kingdom and Spain.

Since 2007, Norbert Dentressangle has grown fast through its acquisition strategy. That same year, it took over one of its main competitors, the Norwe-

gian company Christian Salvesen, thus doubling its size. The group went on to acquire UK company TDG, the businesses of Schneider Logistics International in the United States and China and the “Freight Forwarding” business of French group Daher. In May 2014, Norbert Dentressangle announced that it would buy nine warehouses in France from MGF.

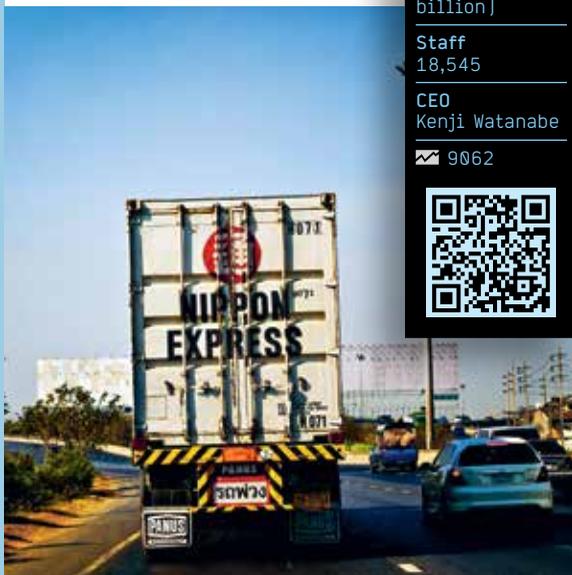
As reported in the Financial Times, the consensus of five analysts covering Norbert Dentressangle has given the company an “outperform” recommendation, with a median 12 month price target of €130. The share price has doubled from €60 to €123 between May 2013 and May 2014. The group announced strong earnings in the first quarter, with annual revenue growth of 5.5%. Growth in the transport business came out at 4.1% and, more outstandingly, in logistics at 8.4%.

NIPPON EXPRESS

The Japanese logistics giant steps up its international expansion.

A world leader in logistics, Nippon Express generates almost 90% of its revenue in Japan. Established in 1937, the company offers a highly diversified range of services including air and sea freight, special road transport and customised logistics services. Nippon Express is currently expanding internationally. It already boasts a foothold in more than 40 countries, with extensive operations in North America. Over the past few years, the company has developed partnerships with the local automotive industry.

At the end of 2013, Nippon Express bought 67% of Panasonic's logistics division. The appeal of Nippon Express has faded somewhat with analysts due to the impact in recent years of Japan's poor economy and global economic uncertainty. However, most analysts still recommend holding its shares. Only a minority of observers believe that the stock could soon outperform the market.



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2012
 Revenue
 ¥ 1,612,327
 (CHF 14 billion)
 Staff
 18,545
 CEO
 Kenji Watanabe
 9062



KUEHNE+NAGEL

Based in Schindellegi in the canton of Schwyz, this world leader in logistics sets itself apart with its very tight cost management.



2013
 Revenue
 € 20.93 billion
 Staff
 62,744
 CEO
 Detlef Trefzger
 KNIN



Rigour, meticulousness and a sense for strategy have been Kuehne+Nagel's strengths since its beginnings. The company was founded in Bremen, Germany in the late 19th century and settled in the canton of Schwyz in 1975. Its practice of hunting down needless costs has become its trademark. Kuehne+Nagel is one of the world's giants in logistics and transport, with nearly 63,000 employees working in about a hundred different countries.

Like its Basel-based competitor Panalpina, Kuehne+Nagel ventures beyond the mere transport of goods. The group now stands as a leader in customised and integrated logistics solutions. For example, Kuehne+Nagel handles the quality control of textiles for the retailer C&A, and supplies its European stores with the clothing they sell. The Swiss company also provides special transport solutions for the automotive, aerospace and pharmaceutical industries.

Analysts praise Kuehne+Nagel for its quality management, excellent cost control, positive growth outlook and ability to gain market share in a sector that remains extremely fragmented. However, the outlook for the company's share price remains uncertain due to the fact that the sea and air freight sectors are still highly dependent on the global economy. Credit Suisse maintains its HOLD recommendation.

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Amazon's logistics centre. Shipments are delivered in less than 24 hours to Amazon Prime members in the United States, even on Sundays.

Amazon and the challenges of e-commerce

Massive growth in online shopping has created logistical challenges. The giants in this sector are setting a common goal: optimize by reducing costs and delivery times.

By Benjamin Keller

Looking for new shoes? A plasma TV? The latest iPhone? A quick search online, a few clicks, and the next day, your order may arrive. Since the launch of the Amazon bookstore in the early 1990s, online shopping has expanded to cover virtually any product imaginable. The global market represented more than one thousand billion dollars in 2013, according to eMarketer. And it's growing fast, up 18% last year. In Switzerland, sales have reached 6.25 billion Swiss francs, i.e. growth of nearly 10%, according to the Swiss Association of distance selling (ASVAD). This development has created huge challenges in logistics.

Managing the storage and preparation of goods and meeting tight delivery times are the two main challenges to overcome, says Patrick Kessler, President of the ASVAD, a group that represents 80% of the online merchants in Switzerland. "The high competition means that they have to deliver at an increasingly fast rate while ensuring product availability."

To do so, the largest e-tailers have developed integrated, ultra-optimised solutions. Amazon remains the benchmark: anything can be purchased on the website of the world's e-commerce leader, from beauty products to fine art, and at unbeatable prices. Shipments



are delivered in record time – less than 24 hours for Prime members – and now even on Sunday in the United States. How do they do it? The group founded by Jeff Bezos has nearly a hundred warehouses, each covering tens of thousands of square metres, where everything has been designed for maximum efficiency.

“CHAOTIC STORAGE”

In Amazon’s sorting centres, items are not organised by category, as in a supermarket, but rather completely at random—thus the term, “chaotic storage.” This reduces the average time it takes employees in charge of picking items and saves room by filling even the smallest space on shelves after each order. The routes of workers, who prepare several orders at a time, are then determined by software. Everything is computerised using the bar codes on the products.

Computerisation is also key for planning deliveries at dates set by customers. “Programmes used to be designed simply to deliver as fast as possible,” says French researcher Bruno Durand, a specialist in urban logistics and e-commerce.

“Today, speed is not always required by consumers because they know it comes at a cost. However, they want to be able to receive their order within a certain time frame or on a specific date,” he says. “For vendors, special software had to be developed. At first, Ikea was unable to deliver one month after the order was placed!”

For e-commerce giants, optimising logistics processes is even more important as it helps lower costs. Logistics costs are much higher than for a traditional store, especially when shipping is offered for free to attract new customers. And this is very common. “Logistics is not free,” says Bruno Durand. “But online buyers don’t like paying for that service.”

These operating costs are difficult to offset. This can at least partly explain the speed of

execution required of employees by Amazon and other distance selling mastodons, such as the Berlin-based fashion retailer Zalando. These sellers are frequently criticised for the working conditions imposed on employees. However, this may no longer apply in the near future, following Amazon’s acquisition of US robotics manufacturer Kiva Systems in 2012. Kiva’s machines can go pick specific items off the shelves by themselves. Last October, almost 1,400 robots were rolled out at the firm led by Jeff Bezos.

DELIVERY BY AIR

Amazon is also looking to automate shipments. In late 2013, the group created a buzz when it unveiled its Prime Air project. The goal: provide customers with 30-minute

delivery service using drones. At the same time, Amazon would control shipment in the notorious “last mile” (see inset p. 59), where the company is still forced to go through service providers such as the post office. Amazon explains that it will “take some number of years” before the drones can be used commercially. Is it a realistic project? “It will come eventually,” Bruno Durand believes.

“Other logistics specialists such as DHL and post offices have also mentioned this option. But it is early yet. On top of technical problems, the issue of flight authorisations remains.”

The specialist stresses that a company like Amazon, which only operates online and develops its own logistics systems is an exception in e-commerce. “It’s not seeing the wood for the trees. Amazon handles such large volumes that the group had to invent its own solutions, because nothing like that had ever existed on the market.” Most e-tailers are small companies that make three or four transactions a day. He adds, “These mini online shops don’t have the resources to develop an effective logistics system and have to use external specialists.” ▲



Amazon has nearly a hundred warehouses, each covering tens of thousands of square metres

Battle over the “last mile”

Managing what is known as the “last mile”—the part that includes the customer’s door-step—is one of the most complex aspects of e-commerce delivery. In contrast to traditional shipments between professionals (B2B, or business to business), e-commerce involves shipping parcels to retail customers (B2C, or business to consumer). It requires an entirely different structure. “It means delivering a single parcel to millions of different households at the same time. While in B2B, large quantities of supplies are shipped to only a few thousand stores or other companies,” says French researcher Bruno Durand, a specialist in urban logistics and e-commerce.

The “last mile” is generally handled by the national post office. In Switzerland, the Post handled 83% of shipments of parcels of less than 20 kg in 2012 out of a total of 116 million packages, according to the Swiss Federal Postal Services Commission (Commission fédérale de la poste). The remainder is covered by private companies (couriers, express operators such as DHL and UPS, etc.). “The main

difficulty consists in reaching the recipients, who are not always home when delivery is made,” says Bruno Durand. The likelihood of the first delivery attempt failing varies between 10% and 40%, depending on the transporter, with Swiss Post being the most efficient. “The parcel needs to be taken back, stored and delivered later. All that is expensive.”

There are alternatives to home delivery. First is the pick-up point, i.e. neighbourhood shops that serve as parcel pick-up and drop-off centres. The same thing is happening with post boxes. Another option is to have the customer come to them. “A growing number of online stores offer consumers the option of picking up products at the store [‘click and collect’] or at a depot [‘drive-through’],” says Bruno Durand. This solution has the advantage of saving on shipping costs. The specialist believes that all of these options will most likely be available at the same time.

The post office’s hegemony over the “last mile” could weaken in the future. “If the number of parcels doubles, other service

providers will move in,” says Patrick Kessler, the President of the Swiss Association of distance selling. Switzerland’s yellow giant, whose shipping centres “often operate at full capacity”, according to spokesperson Nathalie Dérobert Fellay, is nonetheless very active. Swiss Post plans to boost its sorting capacity by 25% between now and 2015 and offers a wide selection of other services, including post boxes.

This strategy is geared to offset the plans of large e-tailers to control the entire distribution chain in order to lower prices and speed up shipments even further, a phenomenon which Swiss Post says it is watching “closely”. In Switzerland, some companies already circumvent postal services, such as the Swiss supermarket chain Coop, which has its own delivery staff for its online supermarket coop@home. Is this a strategy that Amazon might be tempted to follow? “For now, they don’t have a private delivery fleet, except for the Amazon Fresh food service in the United States,” says Bruno Durand. “But in the future, who knows?”



A drone prototype being tested by Amazon for its deliveries. The US company wants to develop the service for commercial use as early as 2015.

Going for the Gold

Though the past few years have seen a decrease in physical demand for gold, there are indications that a revival is taking place in two key markets, India and China.

By Peter Rosenstreich

Expect the passionate debate surrounding the pros and cons of investing in gold to continue. Our view on the long-term prospects for the precious metal is decidedly bearish. However, in the medium term, the down-sides look limited, with even some potential upsides as renewed physical demand accelerates in India.

In recent years, gold has lost some of its luster as an investable asset. The theories that once drove gold prices have all but vanished, thereby undermining the rationale for buying it. The precious metal's non-reaction to geopolitical uncertainties, such as those in Syria and Ukraine, suggests that gold is no longer playing its classic safe-haven role. Also though, inflationary fears stirred by quantitative easing have failed to materialize, the price of gold has skyrocketed. An indication that the status of gold as a hedge against inflation hasn't stood up to the real-life test. Perhaps most damaging was the breakdown of gold as a hedge for stocks during the financial crisis. It looks as if gold is increasingly following the same trends as traditional assets, diminish-

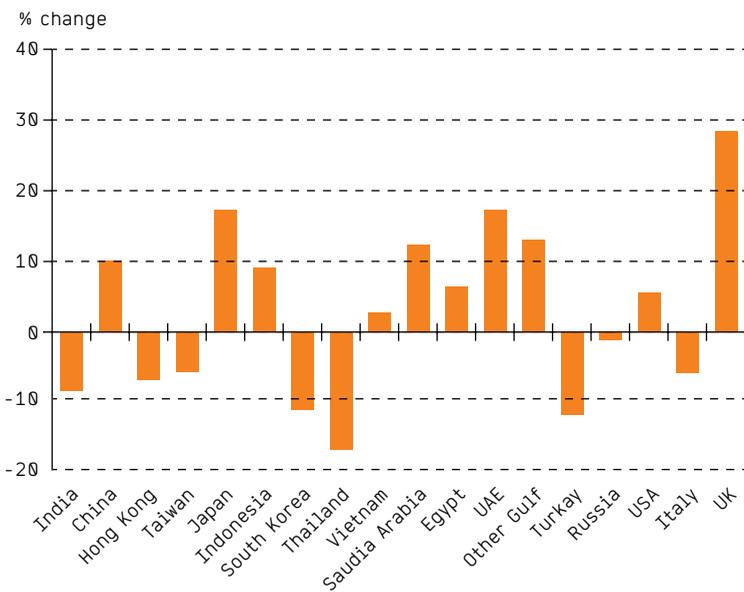
ing the benefits of portfolio diversification for most investors. The result? As private investors search for other, more suitable instruments, outflows from gold are reaching record numbers. Still, for emerging markets that struggle with government protectionism and the official manipulation of domestic currency, gold remains a critical investable asset. So while the securitization of gold products has fallen out of favor in developed nations, the demand

for physical gold has gained importance in emerging markets.

Growth in emerging markets shrank in 2013, which had the effect of diminishing average consumer disposable income. Consequently, physical demand for gold in the key markets of China and India slowed. And without the backstop of physical demand, gold fell rapidly.

The sharp drop in gold prices was also intensified by a

Jewelry demand by country in tons
Q1 2014 vs Q1 2013, % change



SOURCE: GFMS, THOMSON REUTERS, WORLD GOLD COUNCIL

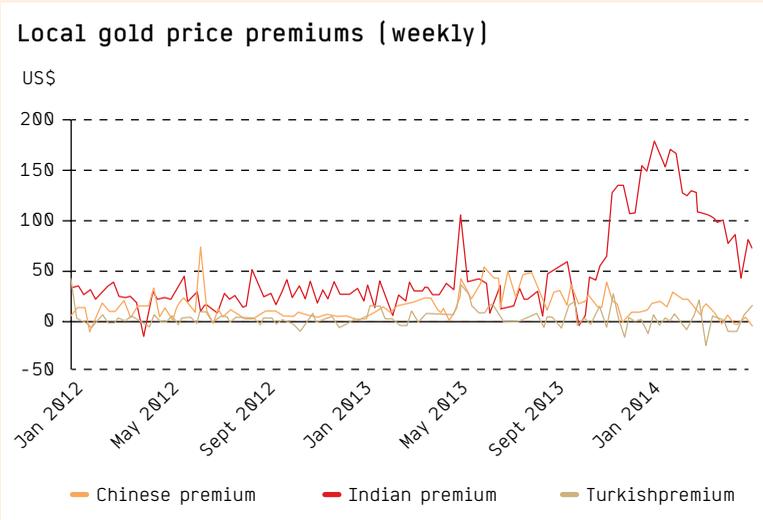


Peter Rosenstreich,
Head of Market Strategy

policy adjustment in India. First, a shift in US Federal Reserve policy in 2013 led to a mass exodus of capital from India. Policymakers hastily slapped tariffs and import restrictions on gold to halt an all-out collapse of the rupee and to reduce the record-breaking account deficit. While the usefulness of those initiatives is arguable, the protectionist stance did prove highly effective in slowing demand from the world's second-largest gold user. Total consumer demand fell 41% between first quarter 2013 and first quarter 2014. Over the same period, demand from the traditionally stable jewelry sector dropped 8%, compared with a 9% increase in China.

In May of this year, the sixteenth general elections in India produced a stunning victory for the conservative Bharatiya Janata Party (BJP). The win gives BJP leader Narendra Modi a clear mandate to push forward his pro-business and pro-gold economic agenda. This will include a slow lifting of the restrictions on gold (expected to begin by mid-summer). The reduction on trade duties should allow Indian gold imports to return to normal levels: the country is currently importing 25 tons a month compared with 78 tons prior to government intervention.

THELERY PAREL



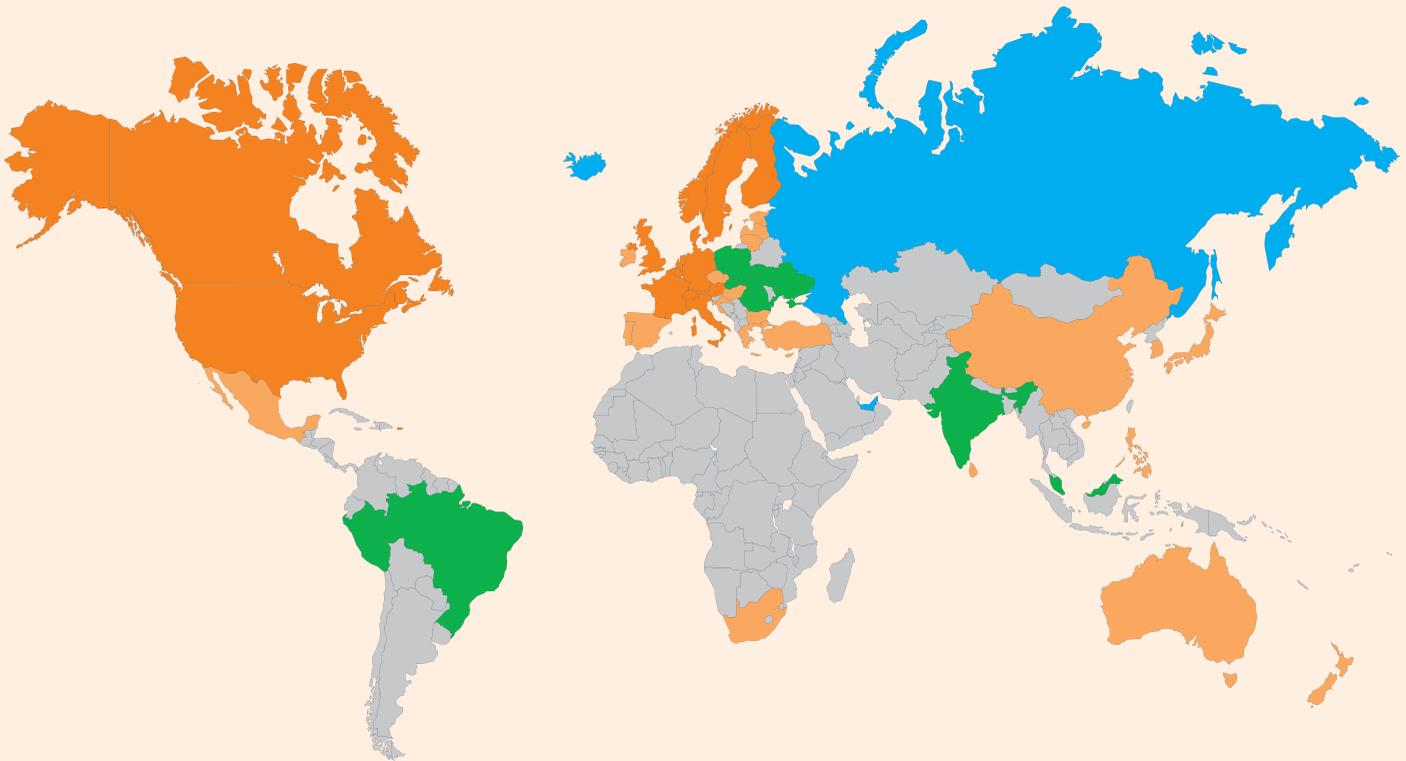
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- Local prices in Shanghai and Istanbul moved to a discount during the quarter, signaling a relaxation in the tight market conditions that prevailed during much of last year.
- India was the exception – premiums started the year at near-record levels before tailing off as import curbs continued to restrict demand.

With economic conditions in China beginning to improve and artificial barriers to trade in India set to be removed, gold may soon regain all of its former glory. ▲

MAP OF SWISSQUOTE'S GLOBAL TRADING ACTIVITIES

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- ONLINE DEFERRED EXECUTION
- BY TELEPHONE
- RESTRICTED TRADING

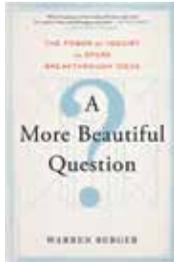
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TO READ

A MORE BEAUTIFUL QUESTION

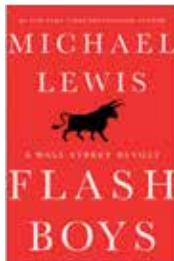
By Warren Berger (Bloomsbury, 2014)



As we grow up, we stop asking “why”. Yet it’s a vital question which journalist and author Warren Berger believes can help companies identify and solve problems, thereby improving their business. He posits that companies like Google and Netflix are successful because they have never ceased asking the questions “Why?” and “How?”, without which innovation would cease to exist.

FLASH BOYS

By Michael Lewis (W.W. Norton, 2014)



The author of bestsellers *Moneyball* and *The Big Short* now tackles high-frequency traders (HFTs), who he accuses of manipulating trades with their super-fast computer trading systems that keep them a step ahead of everyone else. In *Flash Boys*, Lewis tells the story of the Canadian trader who led the investigation after realising that he was being continually outwitted by HFTs.

TO DOWNLOAD

MORE EFFECTIVE BROWSING

[Android]



This extremely fast mini browser for smart-phones is simple, attractive and easy to use, featuring all the best functions of its rivals. Icons of the most visited pages appear on the home page, and more bookmarks can be added using the + symbol. Other advantages include less energy use and greater confidentiality and security than most free apps.

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Free

EASY MONEY MANAGEMENT

[iPhone, iPad, Android]



Tracking day-to-day spending is now super-simple using Spendeo, which not only analyses the data entered (each expense is listed by category) and compares them to income, but also offers valuable budget management tips. After a few weeks of use, Spendeo draws conclusions and provides graphs to show where your money goes.

Spendee
Free

HANDWRITING CALCULATOR

[iPhone, iPad, Android]



Solving advanced mathematical problems is now possible with this app based on handwriting recognition technology. The user enters a handwritten mathematical equation on the screen. MyScript converts the numbers and symbols into digital text and then solves the problem.

MyScript Calculator
Free

UNIVERSAL CONVERTER

[iPhone, iPad, Android]



Who needs to download a separate app for each unit of conversion? Speed, weight, length, distance, volumes, etc. are all included in this multi-function app that can also calculate mortgage interest rates and the exchange rates of 167 currencies.

Converter Plus
Free



“There is no age limit
or contraindication to
practising kitesurfing.”

SPORT

Kitesurfing has the wind in its sails

As the days grow warmer, the first blow of a breeze brings in what looks like strange, multi-coloured birds gliding across the lakes of Switzerland. The kitesurfers are back.

By Salomé Kiner

Kitesurfing is a surface water sport that uses a giant kite. At first glance, it may look dangerous. But as impressive as it is, kitesurfing is not an extreme sport or some crazy pastime. This relatively young discipline combines boarding and gliding and has become increasingly popular on Swiss lakes over the past few years.

Although there is no official listing, it is estimated that there are nearly 3,000 kitesurfers in Switzerland. The sport appeals to a wide variety of enthusiasts. There are windsurfers, drawn by this more technical and less cumbersome alternative, and snowboarders, who enjoy a similar gliding sensation on a board of the same size during the off-season.

But, on the whole, kitesurfing attracts sports enthusiasts who are simply curious to try out something new.

Technology has made kitesurfing suitable to almost anybody, explains André Simone, the founder of Bière-based store and school Kiteshop and president of the Kitesurfer Association.

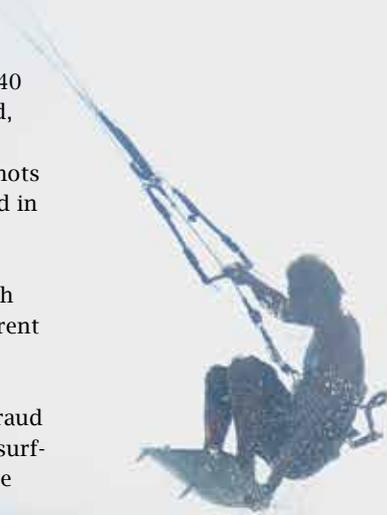
Tips for beginners

A complete set of equipment (board, sail, harness and wetsuit) costs at least 1,500 Swiss francs. Kitesurfing is not an excessively dangerous sport but is not risk-free, especially near land, where collisions and falls are the most painful. An initiation with a class or a professional is highly recommended before hitting the water. Kitesurfing is allowed on all Swiss waterways.

“As long as you love the water, of course, there is no age limit or contraindication to practicing kitesurfing,” he points out. “Physically, it uses the abdominal muscles a lot, but doesn’t strain the limbs as some may think! A four- to five-hour initiation is enough to set sail on the water.” Like many of its watersport cousins, kitesurfing depends on the weather. From April to September, a kitesurfer can generally enjoy an average of 40 “surfable” days. In Switzerland, like anywhere else, the sport requires a wind speed of 10 knots (about 20km/h) to be practised in the right conditions.

Advanced kitesurfers can reach impressive speeds — with current record-holder Alex Caizergues clocked at 104.8 km/h on 12 November 2013 in Salin-de-Giraud in southern France — but kitesurfing can be practiced as a gentle sport, at least at first. Former

expert windsurfer and architect Mathias Jenny, age 44, fresh from two weeks of boarding in Brazil, sums up how addictive kitesurfing can be. “You learn fast, you progress fast and the fun you have increases at the same pace! The sport offers unrivalled sensations of speed and freedom.” ▲



ADDRESSES

FRENCH-SPEAKING SWITZERLAND

KITESHOP

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Ch. de la Montagne 11
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Tel. 079 204 44 77
www.kiteshop.ch

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www.kitesailing.ch

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Kirchbergstrasse 25
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Tel. 034 424 06 16
www.radixweb.ch

ANDY'S KITESHOP

Aeschstrasse 7
6410 Goldau
Tel. 041 857 00 99
www.kite-shop.ch



Four famous kitesurfing spots

YVONAND

{Lake Neuchâtel, Vaud region}
It's a favourite spot among the French-speaking Swiss. The upshots include its sandy beach and suitability for any level. Due to the lake's popularity with bathers in the summer, kitesurfing is not allowed between 15 June and 15 August.

PORT D'ALLAMAN

{Lake Geneva, Vaud region}
The pebble beach is a favourite among nature lovers. The lack of parking wards off the throngs. Suitable for beginners.

SILVAPLANA

{Lake Silvaplana, Grisons region}
“Switzerland's Kitesurfing Mecca” has gained international renown. Warning: The altitude at Lake Silvaplana is 1,800 metres, making the water cooler here than elsewhere. A wetsuit is a must.

SISIKON

{Lake Lucerne, Uri region}
A lake surrounded by cliffs, very popular with kitesurfers, where the ultimate experience is to start from a boat.

Find all spots and information at www.unhooked.ch and www.kitesurf.ch.

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AUTO

SMALL IN SIZE, BIG IN PERFORMANCE

Audi has shaken up the auto industry with the S1, a compact city car with a turbocharged engine and four-wheel drive. Prestige is not about size after all.

By Philipp Müller

AUDI S1

Length: 3975 mm

Power: 231 ch

0 – 100 km/h: 5.8 s

Price: from 39,950



Small GTs have sparked newfound interest among automakers over the past few years. There's no point in listing them: each European automaker has come out with one, concealing a small turbocharged engine under the bonnet and delivering well over 150 horsepower. And as the borders between segments are increasingly fluid, these pretty babies are rapidly being fitted with high-tech features that were once the exclusive domain of their full-size counterparts. These powerful city cars, decked out like luxury limousines, are popping up everywhere.

Among the pack, finding the key to differentiation can be challenging. Some makers opt for an automatic transmission, while others opt for an endless list of personalised options. Abarth went down the miniaturisation- nostalgia route. These Lilliputian hot rods – the 695 Biposto model can produce up to 190 horsepower, twice that of a basic Fiat 500 TwinAir – have a sweet 1960s charm despite their cutting-edge technology. Nissan took an offbeat approach by decking out its little Juke crossover with very exclusive fittings from Nismo (Nissan Motorsport) – usually reserved for Z and

GT-R coupe models – to rev it up to 200 horsepower.

The all-powerful automaker with the four-ring emblem has decided to shoot for the premium end of the market

Until now, major automakers had rarely used their high-end labels to take on the small sports car market. The

ABARTH 695 BIPOSTO

Length: 3657 mm

Power: 190 ch

0 – 100 km/h: 5.9 s

Price: from 49,000



Audi A1 Sport, technically similar to its cousins, the Seat Ibiza Cupra and Skoda Fabia RS, just about stood out from the crowd. Won by this experience, however, the all-powerful automaker with the four-ring emblem has decided to shoot for the premium end of the market. With the S1, Audi hopes to outdo the VW Polo R WRC, which currently holds the benchmark in terms of power (a 220 hp, 2-litre turbo engine and 350 Nm of torque).

Heralding its new ambitions, Audi launched the A1 Quattro in 2012. Only 333 of these 256 horsepower mini torpe-

does were built, mechanically modelled after the TTS coupe and featuring Audi's quattro all-wheel drive system. The Ingolstadt-based company once again caused a stir at this year's Geneva Motor Show with the S1, this time a series car. Luca de Meo, Audi's sales and marketing chief, did not mince his words in claiming that no other small car takes sophistication this far. To grab the top spot on the B-segment podium, the S1 has stockpiled weapons never seen before at this end of the market. Its 2-litre 4-cylinder turbo-charged engine with a dual (direct and indirect) injec-

tion system designed after the S3, its four-link rear axle and the quattro all-wheel drive unleash its 231 horsepower onto the road.

As in watch and jewellery making, complexity costs money. At 39,950 Swiss francs, the price tag of this modern-day Fabergé egg therefore comes as no surprise. The five-door Sportback version is just as short (3.98 m) but costs an additional 900 Swiss francs. The S1 has a standard six-speed manual gearbox, but as with any good premium product, services are included in the price. Anything beautiful is expensive. But in the

MINI COOPER S

Length: 3820 mm

Power: 192 ch

0 – 100 km/h: 6.8 s

Price: from 30,700



era of “small is beautiful”, compactness becomes an asset, as do the limited weight and savings at the pump (7 l/100 km).

THE COMPETITION IS MOVING IN Audi’s traditional adversaries are just as eager to occupy each market niche, even if it means creating new ones. But they did not think it wise to touch the A1/S1 line. Mercedes will once again turn to Smart to cover that territory. Poor judgement? The Smart Forfour Brabus did not leave a lasting mark. Considering the success of the A45 AMG, the most powerful and expensive hatchback in segment C, one might think that a Mercedes just one notch down would have something to offer.

The automotive press has been speculating about an authentic BMW compact for a while now, but in Munich, focus remains on the electric i3. BMW continues to outsource its exclusive small cars to its subsidiary Mini, the make that has risen to the top of the ranks in barely fifteen years. With yet another version released early this year, the English classic has kept its retro style. This third generation is bulkier (10 cm longer, 4.4 cm wider), but still aspires to the status of sports car. The new Cooper S also now has a 2-litre engine, turbo of course, which should eventually lead to a not-so-shabby John Coopers Works version. A little French bomb is likely

to emerge from Sochaux, in the form of a lighter, more powerful Peugeot 208 R. With plans in the works, the Ford Fiesta RS could warm the hearts of those nostalgic for the Focus RS.

As automakers seek to reduce fuel consumption and emissions, increasing the power of small cars does not seem such an odd choice. This strategy helps attract customers from higher segments, the so-called downsizers. And there are more and more of them. So a pocket rocket, even supercharged, is not yet considered completely outrageous. It is part of a greater movement towards everything “lighter, more compact, faster” fuelled by all electronic devices. ▲

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TRAVEL

Taking it slow

Since its invention in the early 19th century, train travel has been celebrated by poets, artists and adventurers. To this day, it remains one of the best ways to soak up the scenery, all the while being lulled by the wheel's soothing roll. Here, a selection of five one-of-a-kind train journeys.

By Salomé Kiner



DR

MOST LEGENDARY
Orient Express
 Europe

Best season:
 The Paris-Istanbul journey takes place only once each year.
Next departure: 29 August 2014.

Price: from 8,500 Swiss francs per person.
For more information:
www.vsoe.com

The epitome of glamour: unlike the Trans-Siberian, the Orient Express was not designed for practical reasons, but for a wealthy and romantic clientele. Inaugurated in 1883, the train nicknamed "The King of Trains, the Train of Kings" has carried the likes of Leo Tolstoy, Marlene Dietrich and Mata Hari. It is where Agatha Christie met her husband, and it was the setting for a scene in a James Bond film. And, of

course, the 1918 Armistice was signed in car 2419.

Although the line still runs along the 3,094 km between Paris and Istanbul, the journey no longer takes place aboard the legendary train cars – now historical monuments. A faithful replica of its elders, which now sit in a museum, the Venice-Simplon-Orient-Express features a similar top-notch experience – the cars do not feature Wi-Fi or climate

control, but instead passengers will find coal boilers and Murano stained glass. Departing from (or heading to) Paris, London, Istanbul, Budapest, Prague, Venice, Vienna and Brussels, the company offers a variety of itineraries to one or more of these cities. The most classic (and the most expensive) is the historic Paris-Istanbul journey, lasting 6 days and 5 nights with overnight stops in Budapest and Bucharest.

MOST ADVENTUROUS
The Trans-Siberian
 Russia

Best season:
 From September to October, or in the middle of winter.
Price: from 1,200 to 13,000 Swiss francs depending on the length of stay and railway line.
For more information:
www.goldeneagleluxurytrains.com,
www.yoxel-moxel.ch



Steam swirling from a samovar, babushkas dotted along the tracks and steppes stretching as far as the eye can see... Such is the atmosphere that awaits the traveller on the Trans-Siberian Railway. The czar initially came up with the idea of building the railway to connect the two end points of his empire. Still today, this train journey attracts lovers of wide open spaces and long hauls that leave the traveller with plenty of time to think.

The adventure from Moscow to Vladivostok takes passengers across no less than 9,288 km of tracks and through more than 990 stations, two continents and seven time zones. The train ride can be made without stops (7 days and 7 nights). However, it is worth planning at least a two-week journey to leave time to explore the historic towns of Irkutsk, Yekaterinburg and Kazan.

Rather than taking one of the foreign luxury companies that run on the Trans-Siberian line, one might opt for the Rossiya, a national passenger train that guarantees an authentic journey off the beaten path. The services offered by the operator Golden Eagle feature less local zest but greater comfort to match that of a luxury hotel, including private bathrooms and music entertainment on board.



GOLDEN EAGLE LUXURY TRAINS

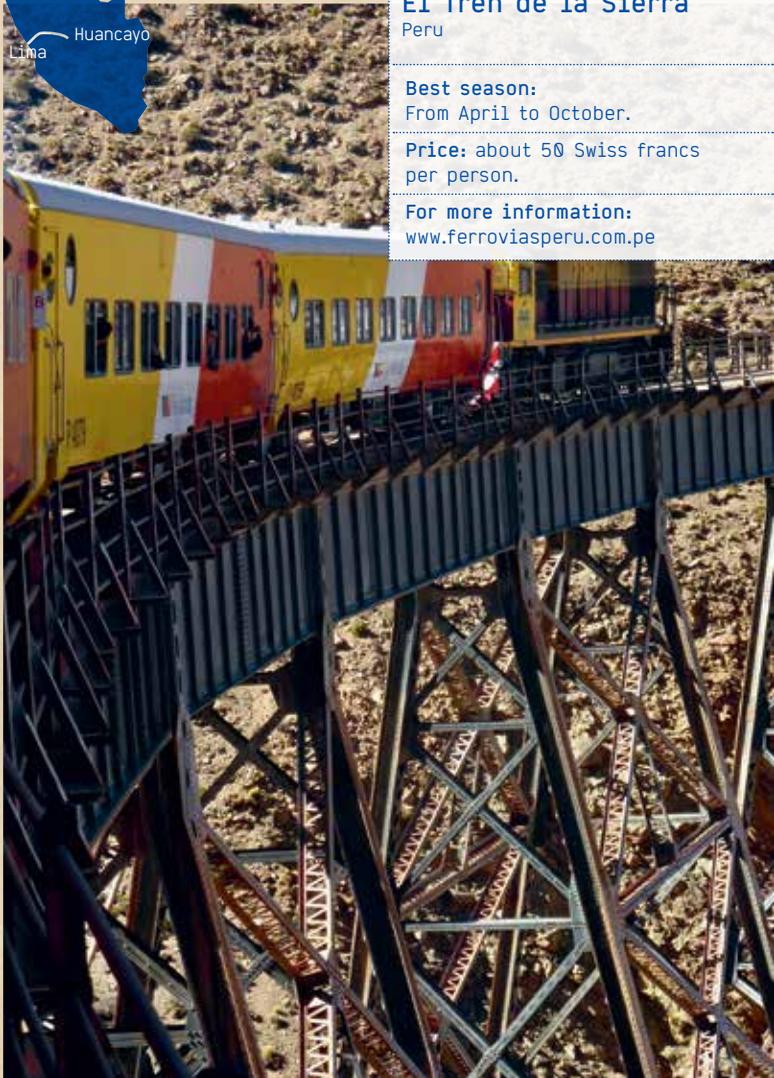


MOST BREATHTAKING
El Tren de la Sierra
 Peru

Best season:
 From April to October.

Price: about 50 Swiss francs per person.

For more information:
www.ferroviasperu.com.pe



The train ride up the 4,800 metres to the top of the Sierra is not for the weak at heart. The twelve hours from Lima to Huancayo can be gruelling, and involve travelling over roughly sixty bridges, just as many tunnels and over a thousand bends. Oxygen can be scarce, and not all stomachs can handle the change in altitude. But the nurses on board carry coca tea with them to ensure the safety and health of all passengers. Nestling in the slopes of the Andes, dangling atop steep cliffs or chugging along the shores of glacier lakes, this legendary railway is one of the highest in the world and one of the most thrilling train rides around.

DR. HAUS

MOST LUXURIOUS
Rovos Rail
 Africa

Best season:
 All year. High demand: make sure you reserve well in advance.

Price: from 4,900 Swiss francs for 6 days (Cape Town – Victoria).

For more information:
www.rovos.com

After Cape Town and Pretoria come the Victoria Falls, the highlight of the breathtaking journey with Rovos Rail. With its authentic 1930s Pullman cars and its Observation Car, this palace on wheels is one of the most luxurious trains in the world and a source of great pride in Africa. Itiner-

aries include journeys through the savannahs, along the Indian or Atlantic coasts, and visits to natural reserves and gold mines. Safaris, a cruise on the Zambezi and a visit to one of the leading South African vineyards are also available as optional tours.



Cape Town



BELOW: IMAGES



MOST EXOTIC
Eastern & Oriental
Express

Asia

Best season:

Outside the monsoon season, from October to April.

Price: from 3,700 to 7,500 Swiss francs for 3 to 6 nights.

For more information:

www.easternandorientalexpress.com



RODOLFO TRILL

From Singapore to Bangkok, dubbed the “Venice of the East”, the Eastern & Oriental Express is a high-end train journey with a stop-off in Kuala Lumpur, Malaysia. This exceptional 2,000 km route meanders through tropical forests, rice paddies and tea fields. The train also stops off at the River Kwai Bridge and the main cultural and religious sites for guided tours.

It is heaven on wheels for aesthetes (mandatory dinner dress code) and gourmands, as the Eastern & Oriental Express never leaves the station without a renowned chef on board. ▲

SHOP



A throwback lounge

In 1940, designer Charlotte Perriand created the Tokyo lounge chair, inspired by a trip to Japan and a variation on the legendary LC4 by Le Corbusier. The Tokyo was not available until 71 years later, in 2011, thanks to the Italian furniture manufacturer Cassina. Featuring 12 curved strips, it comes in teak, beech or bamboo.

www.cassina.com

About \$6,100



Reinventing the wheel

Potholes, cobblestone and other dangers hidden in the pavement are just a few of the everyday challenges faced by cyclists. After four years of research and development, mechanical engineer and industrial designer Sam Pearce has come up with Loopwheels. These suspension wheels for bicycles—spokes are replaced with an integrated carbon suspension system—absorb shocks and guarantee a more comfortable ride.

www.loopwheels.com

About \$700 for the Loopwheels,
\$2000 for the bike with Loopwheels included



Park it in style

For two young designers from Berlin, a bicycle is not just a means of transportation, but a lifestyle accessory. The German company Mikili specialises in making stylish bicycle racks that come in three versions, Slit, Kappô and Tian. These racks proudly show off your two-wheeler in any indoor space, without getting in the way.

www.mikili.de

About \$360



Automatic drone

The fully automatic LA100 drone aircraft in carbon fibre designed by Lehmann Aviation features a GoPro Hero camera and Wi-Fi. Just enter the flight path and altitude into its system to launch the drone and wait for it to come back to you after five minutes of flight.

www.lehmannaviation.com

About \$1,300



See the deep blue sea

The 324 & 325 Wide Angle Scuba Series dive mask by Liquid Image lets you bring home souvenirs from the underwater landscape. The embedded wide angle camera takes 12 megapixel images and records up to two hours of HD video, all hands free.

www.liquidimageco.com

About \$290



Origami kayak

Founder Anton Willis did not have room to keep his kayak in his small flat in San Francisco, so he designed a kayak that he could fold. Inspired by the art of origami, the Oru Kayak can be folded in five minutes to form its own case. The start-up launched its project on a crowdfunding platform in 2012. It took barely five minutes to raise the \$80,000 dollars necessary to start production.

www.orukayak.com

About \$1,800

Better than a BBQ

The Big Green Egg multi-function cooker can be used to prepare food in all sorts of ways. You can grill—directly or indirectly—bake, smoke, steam and more. With its double ceramic wall derived from the kamado, a traditional ceramic Japanese oven that dates back about 3,000 years, you can control the temperature to the degree.

www.biggreenegg.com

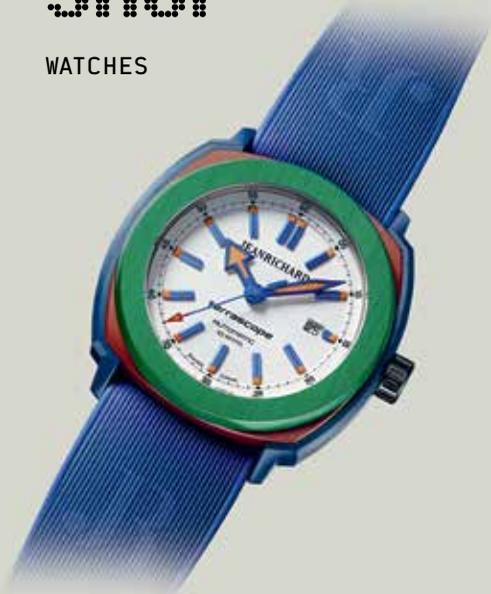
About \$2,600

(medium size, all accessories included)



SHOP

WATCHES



Celebrating colour

JeanRichard welcomes spring with the Terrascope, an aluminium timepiece that comes in a mix of bold colours. The watch features a finely-ribbed rubber strap donning the JR signature.

www.jeanrichard.com

About \$4,100

Panerai goes for the red gold

The eight-day power reserve is part of Panerai's history. This tradition lives on in the Luminor Marina 8 Days Oro Rosso P.5000 calibre. The new automatic model is available in red gold, an alloy containing copper to achieve that vibrant colour and platinum to prevent the metal from oxidizing.

www.panerai.com

About \$21,700



Back to its roots

This year the watch-makers at Eterna are offering a contemporary version of a style from 1948. To better suit today's taste, the 1948 Legacy sports a case that measures 41.50 mm in diameter and features a rose gold and stainless steel bezel.

www.eterna.com

About \$8,500



Neither round nor square

With its octagonal rose gold case, Bulgari's Octo Velocissimo automatic watch features three subdials set out in a V formation on the face, with the minutes positioned at 3 o'clock, hours at 6 o'clock and seconds at 9 o'clock. This is all balanced on a black hand-polished lacquered dial. The strap is made from alligator skin and has a rose gold buckle.

www.bulgari.com

About \$26,000



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In each Swissquote Magazine, an artist describes his or her creative process. Following Zurich stylist Julian Zigerli, Nicole Seiler now writes about her choreography.

“I use my eyes”

By Nicole Seiler

“My ideas come when I least expect them, like after a conversation or a party. They can arise at an exhibition, at the Palais de Tokyo in Paris for example, or when I go back and watch a film by David Lynch. It’s an intuitive and solitary process, which is always rather mysterious. My mind has to be free. That’s why travel and facing the unknown foster creativity.

Shiver, my last show, began with a desire to work with animation. I tested a new form of technology while on a trip to Berlin. I filmed bodies in motion using an infrared camera. The images were then transformed by a software program and projected in real time onto the bodies, which became screens.

After the first tests, dealing with the theme of film noir seemed an obvious choice. The show may bring to mind films by Hitchcock, Argento or Lynch. However, I didn’t stop at films or directors. I dug deeper into symbols, genres and atmospheres.

Creating the show took three months of rehearsals with the dancers, costume designer, videographer, light engineer, composer and set designer. At the Arsenic in Lausanne, we were lucky enough to have the use of a studio that could be darkened and that featured a sophisticated sound system. The rehearsals are like a huge laboratory where we try tons of things. Sometimes we throw out a whole week of rehearsals. But these parts may somehow resonate in the show.

When I work with the dancers, it’s like a ping pong game. I don’t show them anything. I talk. They come up with their interpretation. And so on and so forth. I try to establish lasting relationships with my team. I like good



ZIGLER STYLING

Born in Zurich in 1970, Nicole Seiler studied at the Teatro Dimitri performing arts school in the Canton of Ticino. She went on to train at Rudra, the dance school founded by Maurice Béjart in Lausanne, the city where she founded her company in 2002. Held throughout Switzerland and abroad, her shows and multi-media performances delve into the study of the body, sound and image, often experimenting with new technologies.

dancers with a strong personality, who understand my language. I have images in mind, but sometimes they’re not very clear. Excellent communication is therefore essential.

Some choreographers need their bodies to create. I use my eyes. In this way, I’m my first viewer. I don’t think about the audience so much during the production phase, because that could hinder the creative process. But when the show is performed, I generally take notice of any meaningful critiques.” ◀



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