Switzerland

Analysis and synthesis

September 3, 2019
The Swiss market represents less than 1% of the worldwide market capitalization with 130 companies being followed by theScreener.

The index, SLI, is currently trading close to its 52 week high and 16% above its 52 low (bi-weekly closing).

Performance since September 4, 2018: 2.1% vs. 0.0% for the DJ Stoxx 600 and 0.3% for the SP500.

The current % of stocks over their Medium Term technical trend (MTT) is 30.0%.

**Price evaluation rating**

In order to assess whether an index is correctly valued, we focus on Peter Lynch’s broadly accepted methodology of comparing the projected earnings growth and dividend with the estimated PE ratio. Based on this approach, we feel this index is currently strongly undervalued.

A “Forecasted Growth + Estimated Dividend Yield/ Estimated Price Earnings” ratio higher than 0.9 indicates that the index’s price includes a discount to growth of -13.1%.

**Earnings revision trend**

Compared to seven weeks ago, the analysts have not significantly revised their earnings estimates (changes between +1% and -1% are considered neutral). But the underlying trend has been positive since July 2, 2019 at a price of 1,537.1.

**Technical trend**

The index is currently at a level close to its 40-day moving average (changes between +1.75% and -1.75% are considered neutral). Prior to this (since August 6, 2019), the index traded below its moving average. The confirmed Technical Reverse (Tech Reverse + 1.75%) point is 2% lower.

Close to its average, the index indicates a phase of indecision regarding its trend. On the other hand, with 30.0% of stocks trending positive, it would appear there is a certain weakness in the market that isn’t being confirmed by the index.

**Performance over 5 years**

On a 5 year moving average, the performance of the index SLI is 13.3%, vs. 9.3% for the DJ Stoxx 600 and 44.8% for the SP500. During this period, the high of 1,571.8 was reached on January 2018 and the low of 1,130.1 in the month of February 2016. It’s worth noting that since 5 years ago the EUR vs. the CHF evolved negatively by -10%. The returned performance in CHF is 13.3%, vs. -1.9% for the DJ Stoxx 600 and 53.6% for the SP500.
Swiss Market (Reference SLI)
Closing price of September 3, 2019

<table>
<thead>
<tr>
<th>Index</th>
<th>Market Value</th>
<th>Perf YTD</th>
<th>Nb of Stocks</th>
<th>Mkt Cap in Bln</th>
<th>Stars</th>
<th>Sensitivity</th>
<th>G/PE Ratio</th>
<th>LT P/E</th>
<th>LT Growth</th>
<th>4wk Perf</th>
<th>% of Stocks in Uptrend</th>
</tr>
</thead>
<tbody>
<tr>
<td>SLI (CH)</td>
<td>1,495.18</td>
<td>15.4%</td>
<td>30</td>
<td>1,387.64</td>
<td>★★★★</td>
<td>1.04</td>
<td>14.9</td>
<td>12.2%</td>
<td>-0.1%</td>
<td>30.0%</td>
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</table>

Volatility

Volatility is also used as a sensitivity factor. It measures the magnitude of upward and downward movements of a stock or index. The higher the volatility, the more an index is considered as sensitive.

As of the last update, the monthly volatility of (9.4%) is lower than the last few years' average of (14.1%). The low magnitude of short term price fluctuations indicates a lull in the market.

On the other hand, long term volatility 13.6% of the index is similar to that of the index DJ Stoxx 600 (12.2%), reflecting almost identical price variations between this market and the market European.

The sensitivity factor in declining markets

The “Bear Market Factor” measures the behavior of an index in declining markets. In this context, the index SLI has a tendency to minimize the drops of the index TSC_World. This would indicate a low sensitive behaviour of the index during market corrections. The index SLI has a tendency to minimize drops in the index TSC_World by -0.11%.

The sensitivity factor in rising markets

The “Bad News Factor” measures the index’s corrections during rising international markets. In this configuration, the market slightly sanctions the index SLI when there is specific pressure in this particular economic activity. When the index declines in a rising world market its average deviation is -0.83%.

Sensitivity analysis summary

Generally speaking, the SLI index is considered as having a low sensitivity in view of two factors, the Bear Market and the Bad News, both of which indicate only a low level of sensitivity.

Checklist (SLI)

<table>
<thead>
<tr>
<th>Stars</th>
<th>Weak interest since August 6, 2019.</th>
</tr>
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<tbody>
<tr>
<td>Earnings Rev Trend</td>
<td>Analysts neutral but previously positive (since July 2, 2019)</td>
</tr>
<tr>
<td>Valuation Rating</td>
<td>Strongly undervalued</td>
</tr>
<tr>
<td>MT Tech Trend</td>
<td>Market neutral but previously negative (since August 6, 2019)</td>
</tr>
<tr>
<td>4wk Perf</td>
<td>4 weeks price performance</td>
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</table>

The index has been on the “low sensitivity” level since June 25, 2019.

Bear Mkt Factor

Below average sensitivity to market corrections

Bad News Factor

Slight market sanction in case of specific pressure

The largest group in terms of market capitalization, Health Care, represents 33.0% of the Swiss market. In order of size, follow Food & Beverage with 23.4% Industrial Goods & Services with 10.2%. Groups, Travel & Leisure and Media, are absent from the market Swiss.

2019 performance of the groups of the Swiss market

Since the beginning of the year, the index SLI recorded a variation of 15.4%. The market is made up of 16 groups, in which the extreme variations were from -26.7% to 53.9%.
Since the beginning of the year, the performance of the index was 15.4%; as for the three best stocks, (PANALPINA WELTTRANSPORT (PWTN), IDORSIA LIMITED (IDIA) and AMS AG (AMS)), their performance was 78.0%, 64.9% and 64.8% respectively.

Since 12 months ago, the performance of the index has been 2.1%; the three best stocks, (PANALPINA WELTTRANSPORT (PWTN), GURIT HOLDING AG (GUR) and NESTLE AG (NESN)) recorded a performances of 61.3%, 40.0% and 37.8% respectively.

The three worst performances in 12 months were recorded by ARYZTA AG (ARYN), AUTONEUM HOLDING AG (AUTN) and GAM HOLDING AG (GAM) with -57.9%, -52.3% and -50.0%. As for the group, it recorded a variation of 2.1%.

The analysis and details of the above stock can be found on page 6.
The global rating (Global Evaluation) is a multi-criteria approach that identifies the stocks with the best valuations. This assessment is the compilation of fundamental (PE, growth, earnings revisions, dividend, etc.), technical (moving average, relative performance), and sensitivity (behaviour in declining markets and sensitivity to bad news) factors. In order to present the best selection, only companies with a market capitalization greater than $1bn and showing good earnings growth valuations, are listed. Furthermore, the eligible stocks must have a minimum rating of two stars; a neutral to positive valuation; a low to moderate sensitivity; and a minimum correlation of 0.66. In the case of a tie in the ranking, the stock’s "behaviour in declining markets" (Bear Market Factor) acts as the deciding classification element. The correlation coefficient allows to identify the stocks whose dependence on the market is the weakest. If this value is very low, less than 0.5, it means that less than 50% of the stock movements are explained by market movements. On the contrary, a number close to 1 indicates that the value is very close to the evolutions of the market. In order to present the best selection, only companies with a market capitalization higher than $1bn and showing good earnings growth valuations are listed. Furthermore, the eligible stocks must have a minimum rating of two stars; a neutral to positive valuation; a low to moderate sensitivity; and a minimum correlation of 0.66. In the case of a tie in the ranking, the stock’s "behaviour in declining markets" (Bear Market Factor) acts as the deciding classification element.
The price to earnings ratio (PE) helps to find undervalued stocks. It is commonly accepted that if the PE of a stock is lower than the PE of its reference market, the stock has upside price potential. In order to present the best selection, only companies with a market capitalization greater than $5bn and showing good earnings growth evaluations are listed. Furthermore, the eligible stocks must have; a minimum rating of two stars, a neutral to positive valuation, a low to moderate sensitivity. When the PE ratios are identical, the analysts’ 7 week earnings per share revision (7 wk EPS rev) acts as the deciding classification element.

The 20 top stocks classified by market capitalization

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<tbody>
<tr>
<td>NESN CH</td>
<td>NESTLE AG Food Products</td>
<td>110.94 CHF</td>
<td>39.0%</td>
<td>334.33</td>
<td>0.82</td>
<td>21.5</td>
<td>15.0%</td>
<td>5.0%</td>
<td>2.5%</td>
<td>15.5%</td>
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<tr>
<td>ROG CH</td>
<td>ROCHE HOLDING AG Pharmaceuticals</td>
<td>270.95 CHF</td>
<td>11.3%</td>
<td>236.48</td>
<td>0.94</td>
<td>12.9</td>
<td>8.6%</td>
<td>0.9%</td>
<td>3.5%</td>
<td>13.6%</td>
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<tr>
<td>NOVN CH</td>
<td>NOVARTIS AG Pharmaceuticals</td>
<td>88.13 CHF</td>
<td>18.6%</td>
<td>225.55</td>
<td>1.11</td>
<td>14.1</td>
<td>12.2%</td>
<td>-2.9%</td>
<td>3.5%</td>
<td>8.5%</td>
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<tr>
<td>ZURN CH</td>
<td>ZURICH INSURANCE GP.AG Full Line Insurance</td>
<td>354.10 CHF</td>
<td>20.8%</td>
<td>53.65</td>
<td>1.33</td>
<td>11.0</td>
<td>8.6%</td>
<td>3.3%</td>
<td>6.0%</td>
<td>19.6%</td>
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<tr>
<td>ABBN CH</td>
<td>ABB LTD N Industrial Machinery</td>
<td>18.50 CHF</td>
<td>-1.1%</td>
<td>40.61</td>
<td>1.16</td>
<td>14.7</td>
<td>12.8%</td>
<td>0.5%</td>
<td>4.1%</td>
<td>21.4%</td>
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<tr>
<td>UBSG CH</td>
<td>UBS GROUP Money Center Banks</td>
<td>10.30 CHF</td>
<td>-15.8%</td>
<td>40.27</td>
<td>1.83</td>
<td>7.6</td>
<td>6.8%</td>
<td>-5.8%</td>
<td>7.0%</td>
<td>13.3%</td>
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<tr>
<td>CFR CH</td>
<td>RICHEMONT N SA Clothing &amp; Accessories</td>
<td>74.06 CHF</td>
<td>17.6%</td>
<td>39.15</td>
<td>0.95</td>
<td>17.5</td>
<td>13.8%</td>
<td>-10.7%</td>
<td>2.9%</td>
<td>24.1%</td>
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<tr>
<td>SREN CH</td>
<td>SWISS RE AG Reinsurance</td>
<td>86.94 CHF</td>
<td>7.6%</td>
<td>32.14</td>
<td>3.11</td>
<td>9.7</td>
<td>24.0%</td>
<td>0.3%</td>
<td>6.2%</td>
<td>21.4%</td>
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<tr>
<td>CSGN CH</td>
<td>CREDIT SUISSE GROUP AG Money Center Banks</td>
<td>11.52 CHF</td>
<td>6.7%</td>
<td>29.82</td>
<td>2.21</td>
<td>6.9</td>
<td>12.8%</td>
<td>-0.1%</td>
<td>2.5%</td>
<td>14.1%</td>
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<tr>
<td>ALC CH</td>
<td>ALCON AG Medical Equipment</td>
<td>59.70 CHF</td>
<td>10.0%</td>
<td>29.54</td>
<td>0.72</td>
<td>25.2</td>
<td>17.7%</td>
<td>3.2%</td>
<td>0.3%</td>
<td>31.6%</td>
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<tr>
<td>LHN CH</td>
<td>LAFARGEHOLCIM LTD Building Materials &amp; Fixtures</td>
<td>46.45 CHF</td>
<td>14.7%</td>
<td>28.97</td>
<td>1.41</td>
<td>11.0</td>
<td>11.1%</td>
<td>-2.4%</td>
<td>4.4%</td>
<td>15.2%</td>
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<tr>
<td>LONN CH</td>
<td>LONZA GROUP AG Specialty Chemicals</td>
<td>351.90 CHF</td>
<td>38.2%</td>
<td>26.54</td>
<td>0.76</td>
<td>22.0</td>
<td>15.9%</td>
<td>3.8%</td>
<td>0.9%</td>
<td>14.1%</td>
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<tr>
<td>SCMN CH</td>
<td>SWISSCOM Integrated Telecommunications</td>
<td>494.60 CHF</td>
<td>5.3%</td>
<td>25.95</td>
<td>0.73</td>
<td>17.7</td>
<td>8.5%</td>
<td>2.8%</td>
<td>4.4%</td>
<td>11.4%</td>
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<tr>
<td>GVSN CH</td>
<td>GIVAUDAN SA Specialty Chemicals</td>
<td>2,666.00 CHF</td>
<td>17.1%</td>
<td>24.93</td>
<td>0.75</td>
<td>26.8</td>
<td>17.9%</td>
<td>1.0%</td>
<td>2.4%</td>
<td>16.4%</td>
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<tr>
<td>SCHP CH</td>
<td>SCHINDLER HOLDING AG Industrial Machinery</td>
<td>223.00 CHF</td>
<td>14.5%</td>
<td>24.21</td>
<td>0.78</td>
<td>22.8</td>
<td>15.9%</td>
<td>-2.7%</td>
<td>2.0%</td>
<td>50.7%</td>
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<tr>
<td>PGHN CH</td>
<td>PARTNERS GROUP HOLDING Asset Managers</td>
<td>806.00 CHF</td>
<td>35.2%</td>
<td>21.79</td>
<td>0.86</td>
<td>21.6</td>
<td>15.3%</td>
<td>1.6%</td>
<td>3.2%</td>
<td>7.7%</td>
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<tr>
<td>SIK CH</td>
<td>SIKAG Building Materials &amp; Fixtures</td>
<td>140.05 CHF</td>
<td>12.4%</td>
<td>20.11</td>
<td>0.94</td>
<td>20.5</td>
<td>17.6%</td>
<td>-2.2%</td>
<td>1.8%</td>
<td>14.6%</td>
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<tr>
<td>LISP CH</td>
<td>CHOC LINDT &amp;SPRUEGLI AG Food Products</td>
<td>7,225.00 CHF</td>
<td>18.4%</td>
<td>18.86</td>
<td>0.68</td>
<td>28.9</td>
<td>18.0%</td>
<td>-2.3%</td>
<td>1.6%</td>
<td>12.8%</td>
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<td>LISN CH</td>
<td>CHOC LINDT &amp;SPRUEGLI AG Food Products</td>
<td>80,400.00 CHF</td>
<td>9.7%</td>
<td>18.86</td>
<td>0.66</td>
<td>32.1</td>
<td>19.8%</td>
<td>-3.0%</td>
<td>1.4%</td>
<td>9.8%</td>
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<tr>
<td>SGSN CH</td>
<td>SQS SA Business Support Services</td>
<td>2,461.00 CHF</td>
<td>11.4%</td>
<td>18.85</td>
<td>0.77</td>
<td>25.2</td>
<td>16.3%</td>
<td>2.1%</td>
<td>3.1%</td>
<td>11.8%</td>
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</table>
**Number of Stocks**
The number of stocks in the index that can be analyzed.

**Mkt Cap in $bn**
This number represents the Market Capitalization in USD bn. It is calculated by multiplying a firm's share price by the number of outstanding shares. For reasons of comparison, all results are in USD.

**Valuation Rating**
Our Valuation Rating indicates if a stock is "expensive" or "cheap" relative to its growth potential. This is used to determine whether or not the investor is paying a premium for anticipated growth.

To estimate a stock's value relative to its current price, our Valuation Rating combines:
- stock price
- projected earnings
- projected earnings growth
- dividend

We establish our rating by combining these elements.

There are five ratings, ranging from strongly undervalued 🟢 to strongly overvalued 🔴.

**Stars**
theScreener's star rating system is designed to enable you to identify high-quality stocks quickly and easily.

In this easy-to-use rating system, stars are earned for each element specified below:
- Earnings Rev Trend 🟢 = ★★★★★
- Valuation Rating 🟢 = ★★★★★
- MT Tech Trend 🟢 = ★★★★★
- 4 week Relative Performance > 1% = ★★★★★

Therefore, a stock can earn a maximum of four stars. The lowest rating a stock can have is no stars.

Once a stock has earned a star, it will keep it until:
- Earnings Rev Trend becomes negative 🟢
- Valuation Rating becomes negative 🟢
- MT Tech Trend becomes negative 🟢
- 4 week Relative Performance drops below -1% (<-1%) Div
This is the dividend in % for the next 12 months.

Even if the same number is shown, the dividend value can appear in one of four colors, depending on the earnings coverage:
- 0%, no dividend
- 4%, the dividends are covered (between 0% and 40% of earnings)
- 4%, the dividends represent 40% and 70% of earnings
- 4%, the dividends are higher than 70% of earnings, which implies that the dividend coverage is not guaranteed.

**Earnings Rev. Trend**
The symbol 🟢 shows that compared with their earnings revisions of seven weeks ago, the analysts have now raised their estimates (7wk EPS Rev; > 1%); the symbol 🟢 indicates that compared with their earnings revisions of seven weeks ago, the analysts have now lowered their estimates (7wk EPS Rev < -1%).

When the earnings revisions (7wk EPS Rev) fall between +1% and -1%, the trend is considered to be neutral 🟢.

The symbol 🟢 indicates that the last significant revisions have been trending positive.

The symbol 🟢 indicates that the last significant revisions have been negative.

**7wk EPS Rev**
This is an abbreviation for 7 week Earnings Per Share Revision. This column indicates the value of these revised earnings. A figure of 2.8 signifies that compared with seven weeks ago, the analysts have now revised and raised their estimates by 2.8%. On the contrary, a negative number means that the earnings would have been revised lower.

**G/P/E Ratio**
In order to establish our Valuation Rating, we calculate the estimated growth of future earnings (LT Growth) plus dividend in %, divided by the estimated future PE ratio (Long Term P/E).

**LT PE**
This is the relationship between the price (P) and the estimated long-term future earnings (E LT).

**LT Growth**
This is the estimated annual growth rate of future earnings, normally projected over the next two to three years.

**MT Tech Trend**
The MT Tech Trend indicates the current trend, positive 🟢 or negative 🔴, and the Tech Reverse indicates up to which price this trend will remain valid. When a price falls to 1.75% above or below the Tech Reverse, the MT Tech Trend is considered neutral 🟢.

Once the price breaks out of the +1.75% neutral zone, the MT Tech Trend will change to positive.

The symbol 🟢 indicates that the previous MT Tech Trend was positive.

The symbol 🟢 indicates that the previous MT Tech Trend was negative.

**4wk (Rel) Perf.**
This figure measures the performance of a stock relative to its national or regional index results (adjusted for four weeks ago). As for an index, it measures the net performance over 4 weeks.

**Bad News Factor**
To determine the "Bad News Factor" we analyze a stock's declines in rising markets. In this purely objective analysis, the actual reasons for a stock's behavior are not important.

If a stock price falls while its relative index goes up, it can be assumed that the stock's performance has been affected by bad news - hence the name, "Bad News Factor".

Here a stock's movements are measured on a bi-weekly basis, during a sliding 52 week period. Every time a stock drops while its reference index rises, the difference is calculated in %, integrated into a yearly average and expressed in basis points. The higher the "Bad News Factor," the more a stock has proven to be sensitive to bad news.

The lower the "Bad News Factor," the less the stock has proven to be sensitive to bad news.

**Bear Market Factor**
To determine the "Bear Market Factor" we analyze a stock's price movements in declining markets.

This is the analysis of the movements, in a bi-weekly intervals, during a sliding 52 week period.

The higher the "Bear Market Factor," the greater the probability a stock would drop when its relative index drops.

A "Bear Market Factor" that is strongly negative means the stock has been more resistant to losses in declining markets.

**Sensitivity**
Stock price developments are generally volatile and contain high risks that can result in a total loss. Based on a stock's historical behaviour, stocks are classified by sensitivity level. These sensitivity levels have to be considered solely in relative historical comparison to other stocks. Please note that even "Low Sensitivity" stocks are equities and therefore high risk investments that can lose up to all of their value, and that past performance is no indication of current or future performance.

"Sensitivity" is determined by measuring the "Bear Market Factor" and the "Bad News Factor" against its benchmark.

There are three grades of sensitivity levels:
- Low Sensitivity: The sensitivity indicators fall below the world reference average.
- Moderate Sensitivity: The sensitivity indicators are situated higher than the world reference average, but lower than standard deviation.
- High Sensitivity: The sensitivity indicators are at levels higher than standard deviation.

**Volatility 12 M**
Volatility measures the magnitude of upwards and downwards movements of a stock or index. The volatility 12 M shows the average volatility over the last 12 months.

**% of Stocks in Uptrend**
This is the percentage of stocks in a given list that have a positive Medium Term Technical Trend. If, for example, the aggregate of Technology / World, (which is made up of 458 stocks) has 8% "of stocks in Uptrend," it means that 38 of the stocks within that aggregate have a positive Medium Term Technical Trend.

**Beta**
Beta is often used as a measure of sensitivity. Where a Beta is greater than 100, the stock is more volatile than its reference index.

**Correlation**
Correlation is the degree of similarity (in %) in which a stock fluctuates in relation to its reference index.

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