THE IFA's
Wealth
Gram

LA TRIBUNE MENSUELLE
DES MEMBRES DU GSCGI

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N°21 - Octobre 2013

HEDGE FUNDS: A DYNAMIC APPROACH TO EQUITY MARKETS

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EDITORIAL

La Bourse ou la Vie!

Aux bourses, citoyens …du GSCGI et de L'ASG.

Il paraît que les gérants indépendants sont faits de ce bois qui forge les petits entrepreneurs: le courage de fonder une entreprise et la persévérance pour la faire fructifier contre vents et marées!

Qu'il soit «one man show» ou gérant de taille moyenne, tout gérant indépendant est confronté à une décision cruciale actuellement: un vrai «business case».

Quels bénéfices retire-t-il des associations professionnelles qui défendent les intérêts de sa profession? Et quels coûts supporte-t-il pour le financement de ces associations, dont il est membre?

La fameuse analyse «Cost–Benefits Analysis»!

Après avoir décidé de la valeur de la défense des intérêts de sa petite entreprise, alors le gérant indépendant est à même de définir le budget qu'il veut allouer à ce domaine. C'est une vraie décision de gestion. Point barre.

Nul besoin de se lamenter, de dire qu'on aurait dû réagir il y a 10 ans – ***«y avait qu'à»*** – et de se plaindre que personne ne défend les intérêts des gérants indépendants.

Concrètement, une cotisation de moins de 1000 francs payée au GSCGI par exemple, c'est «peanuts»! A la place, c'est dix fois plus que chaque gérant indépendant devrait INVESTIR dans le Lobby qui défend ses intérêts pour s'assurer que le groupement qui le défend, dispose d'une logistique suffisante pour remplir sa mission de défense. Que diable, croyez-vous que les autres intérêts économiques payent pour leurs Lobbys!

On n'a rien sans rien...

En cela, les petits gérants indépendants ont apparemment adopté un comportement de vrais enfants gâtés, qui ont toujours bénéficié à titre gracieux de:

— **C**_lients qui les ont suivis de chez leurs employeurs d'avant…

— **R**_echerche des grandes banques distribuées gratuitement…

— **I**_nvitations à déjeuner aux hôtels de Genève envoyées par les Brokers…

— **S**_ecret bancaire «hérité» de la WWII, permettant des marges hors normes bien longtemps…

— **E**_tonnement que leur Paradis *(fiscal)* s'avère un mirage éternel!

Pourtant mis bout à bout: c'était écrit dans la première lettre...

C R I S E

Jetez-moi la première pierre, si vous pouvez me citer la dernière fois qu'un gérant indépendant a commencé à monter un business comme «Steve Jobs dans un garage» et non dans un bureau de luxe...

Résultat des courses: La Bourse ou la Vie!

Ou bien, ces gérants décident de se «lever un impôt de guerre extraordinaire» au sein de leurs pairs via une Cotisation spéciale pour renforcer les associations qui les représentent et les défendent...

Ou bien, ces mêmes gérants seront défendus avec des moyens «bout de ficelles» escomptant un succès au mieux limité, ou pire inexistant ...et les conséquences *(inéluctables?)* quant à leur **SUR…VIE**.

Messieurs les Gérants, tirez les premiers …les cordons de votre bourse.

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HEDGE FUNDS: A DYNAMIC APPROACH TO EQUITY MARKETS

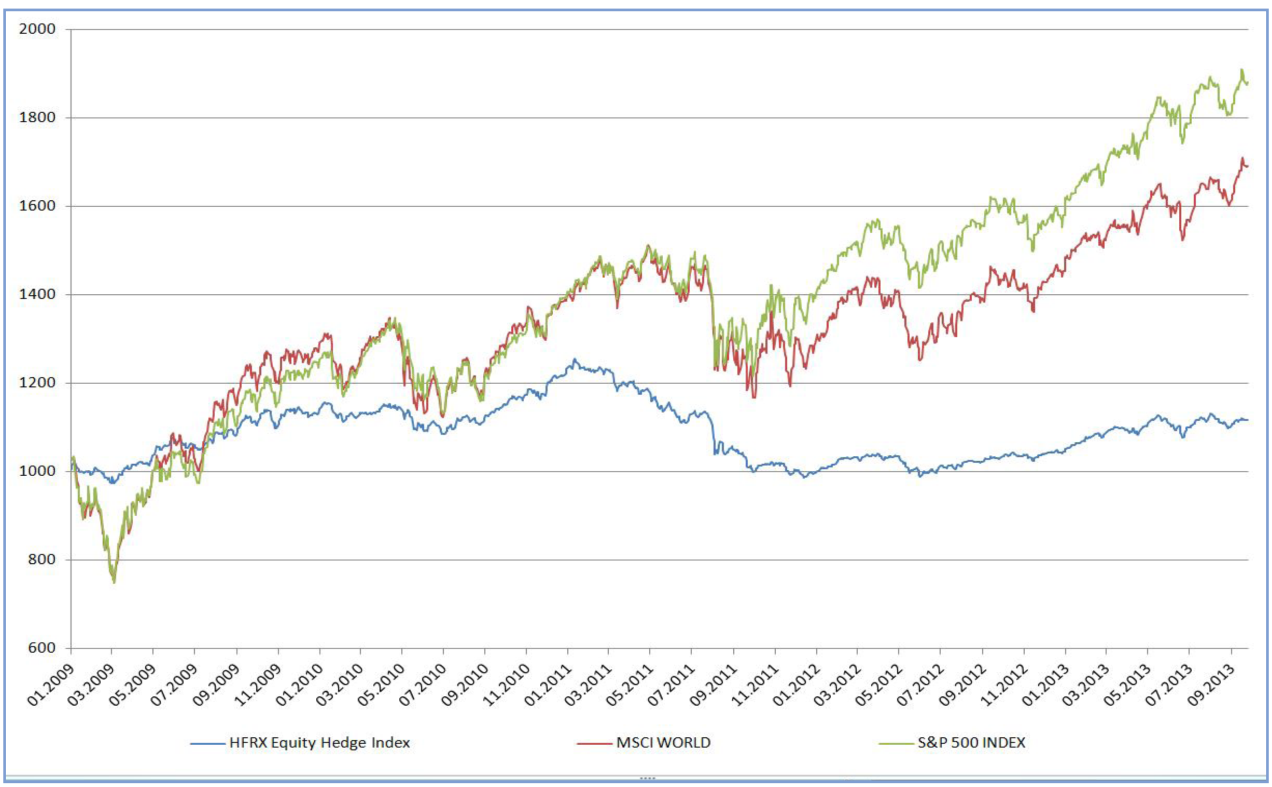
Between Regulatory Risk and the end of Quantitative Easing, Eurofin Alternative Asset Management response to Hedge Fund critics: a dynamic approach to equity markets

by Laurent Chevallier, Eurofin Capital SA, www.eurofincapital.com

Fair enough, the last 4-5 years have been difficult for Hedge funds and especially Equity Hedge funds relative to traditional asset classes. *(see bottom right graph)*

This has led many investors to dump Hedge Funds because they don't feel HF's performance is high enough to compensate them fairly for the lack of transparency, lower liquidity and higher fees that are the acrimonious factors.

One of the main reasons for this under-performance is that exogenous macro factors *(US debt ceiling, EU Crisis, Fukushima, the Chinese hard landing…)* have greatly influenced, hence inhibited, hedge fund managers to increase risk exposures. The fact that Central bankers and politicians have been massively involved made the markets very binary and made it very difficult to shift portfolios around.



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HEDGE FUNDS: A DYNAMIC APPROACH TO EQUITY MARKETS

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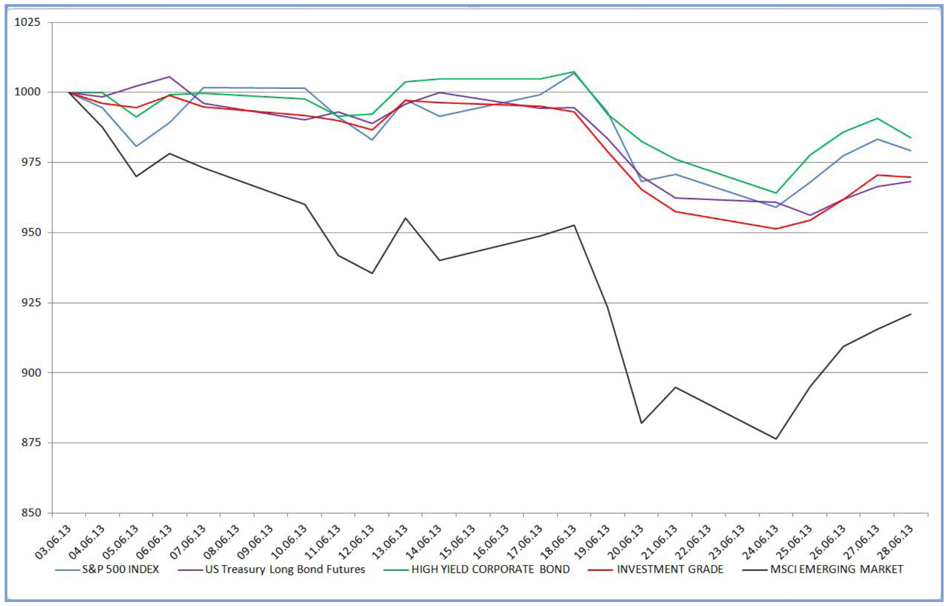
"Screwing the savers to save the debtors"

Central banks' policies *(be it the Fed, the BoJ or the SNB)* are debasing their currencies in order to create inflation, which would in turn lower the costs of the current massive de-leveraging that economies are experiencing since 2008.

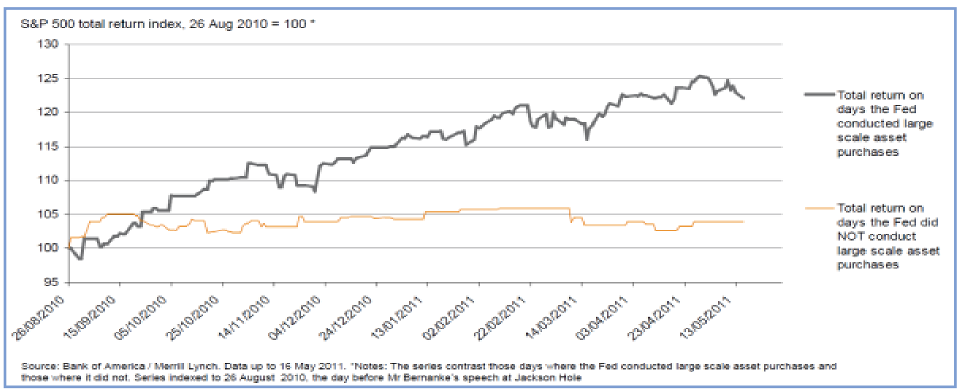
This is pushing highly reluctant investors out of bonds and into riskier assets like equities, High Yield bonds etc.

The future harmful consequences of these monetary actions were seen last June when the Fed abruptly decided to call for a potential end of QE. *(see top right graph)*



Now, what about the future?

If you are thinking that you have to be in Equities…

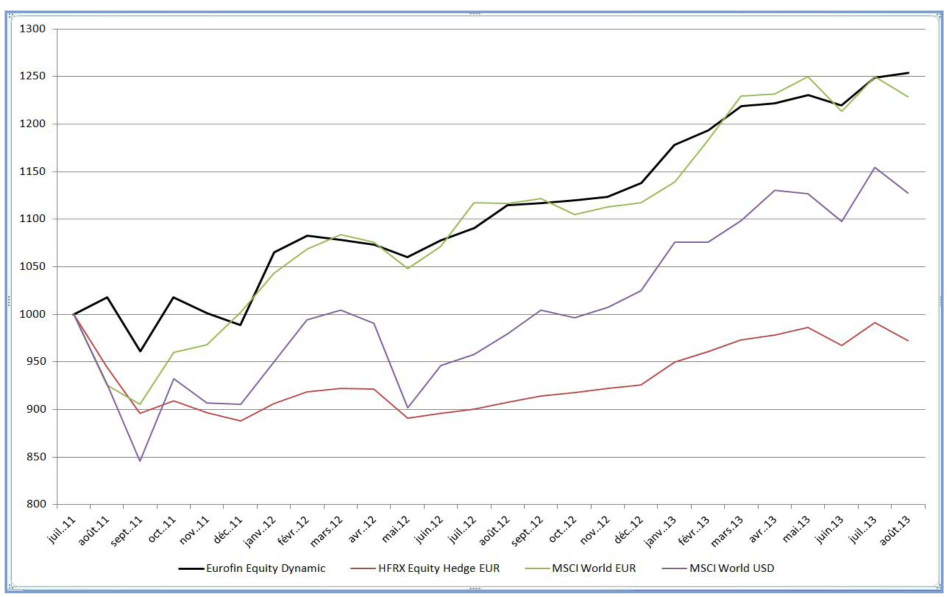


The graph on left shows the difference in return of the S&P500 between the days during Fed purchase operations and the return without the Fed being involved.

The gap between the two lines shows that equity markets rely on central banks to go up more than anything else.

Therefore the risk is what happens when they stop and therefore for investors when to add or when to exit your positions.

So we have devised a solution that will enable you to remove the timing element about your decision to go into equities. *(see graph on right)*



This is a dynamic approach to a "long only" exposure in equity markets. We have re-created what a long/short hedge fund should provide theoretically: we are aiming 2/3rd of the upside and 1/3rd of the downside in equity markets. This approach is answering this basic need of investors that, on paper, hedge funds and fund of funds should fulfill but have not since 2009. And, when they do, it is usually with much less liquidity and transparency than our own approach delivers.

We are doing this in a regulated format Luxembourg SIF with a UK FCA license. Our fund offers weekly liquidity.

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LES MEMBRES DU GSCGI

Networking & la Vie de nos Collègues d'ailleurs

FECIF's Chairman of the Board, Vincent J. Derudder, informs...

Vincent J. Derudder

FECIF's

Chairman of the Board

www.fecif.org

Fédération Européenne des Conseils et Intermédiaires Financiers

* * *

The GSCGI is a Board member of FECIF

FECIF NewsFlash 86/2013: ESMA 2014 Work Programme

The European Securities and Markets Authority (ESMA) has published its 2014 Work Programme which sets out its planned activities for 2014.

The work programme for 2014 is in line with ESMA's 2013 -2015 Multi-Annual Work Programme. In the overall ESMA work programme the legislative tasks related to ESMA's convergence and single rulebook objectives are not addressed in great detail. The work programme presents explanations around ESMA's main planned activities for 2014, as well as the budget and staff required to fulfil the tasks.

A more detailed regulatory work programme is adopted by the Board of Supervisors in the first quarter of the year concerned. This sets out a full list of the technical standards, technical advice and guidelines and recommendations, that ESMA will produce within the year.

* * *

FECIF NewsFlash 81/2013: ESMA: Guidelines on the reporting obligations for alternative investment fund managers (AIFMs)

Executive Summary

The European Securities and Markets Authority (ESMA) has published final Guidelines on the reporting obligations for alternative investment fund managers (AIFMs).

ESMA's Guidelines, which relate to the Alternative Investment Fund Managers Directive (AIFMD), will require AIFMs — which includes hedge funds, private equity and real estate funds — to regularly report certain information to national supervisors. The Guidelines clarify provisions of the AIFMD on required information, which will help to have a more comprehensive and consistent oversight of AIFMs' activities.

ESMA has also published an Opinion that proposes introducing additional periodic reporting including such information as Value-at-Risk of AIFs or the number of transactions carried out using high frequency algorithmic trading techniques.

Analysis

One of the key objectives of the AIFMD is bringing the alternative fund world under supervision thus providing more transparency to investors and regulators. As the AIFMD came into force in July, both AIFMs and national supervisors now need to prepare for their regulatory filings as it is stated in these reports which will enable supervisors to monitor the systemic risks of AIFs. In order to achieve this objective, national supervisors should receive all the necessary information in order to ensure an appropriate overview of the sector.

...cont'd on page 7

LES MEMBRES DU GSCGI

Networking & la Vie de nos Collègues d'ailleurs

FECIF's Chairman of the Board, Vincent J. Derudder, informs...

...cont'd from page 6

The full version of these excerpts contains Brussels' documents.

The guidelines and the Opinion help to standardise the reporting across the EU. They also facilitate the exchange of information between national regulators, ESMA and the ESRB.

Managers need to report investment strategies, exposure and portfolio concentration. According to the Guidelines, key elements AIFs will have to report to national supervisors include information on:

Portfolio concentration:

- the breakdown of investment strategies of AIFs
- the principal markets/ instruments in which an AIF trades;
- total value of assets under management of each AIF managed;
- turnover of the AIFs; and
- principal exposures and most important portfolio concentration of the AIFs.

The key elements of the additional information proposed by ESMA's Opinion would include:

Risk profile:

- AIFs' risk measures;
- the liquidity profile of the AIFs; and
- the leverage of the AIFs.

The Guidelines will be translated into the official languages of the EU. National competent authorities will then have two months from the date of the publication of translations on ESMA's website, to confirm to ESMA whether they comply or intend to comply with the Guidelines by incorporating them into their supervisory practices.

Sources

You will find attached both the Guidelines and the Opinion *...to the full version article*.

* * *

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PLACEMENTS & TECHNIQUES DE GESTION

+10% en Hedge Funds: encore possible?

FUNDANA

Que disent les indices?

Cela semble difficile à envisager au vu des performances affichées par les indices. L'indice HFRX Global Hedge Fund Index est au 18 septembre à seulement +4.6%. L'indice Crédit Suisse Hedge Fund Index affiche à fin août un maigre +4.0%. A priori, pas vraiment une bonne nouvelle pour les investisseurs.

La réalité

Pourtant, ces indices globaux dissimulent une réalité bien plus nuancée qu'il n'y paraît à première vue. En effet, il y a une divergence massive entre les différentes stratégies.

Les meilleurs sous-indices HFRX sont Convertible Arbitrage, Event Driven ainsi que Equity Hedge, avec des performances respectives de +10.7%, +9.7% et +7.2%.

A l'opposé, les moins bonnes sont Macro/CTA à -2.0% et Relative Value Arbitrage seulement à +1.8%!

Il est ensuite encourageant de constater que les Fonds de Hedge Funds orientés actions ont aussi eu de bonnes performances sur les 12 derniers mois puisque selon Hedgegate *(www.hedgegate.ch, Focused Equity Hedged index)*, ils sont en hausse de 9.4% à fin juillet.

Trois bonnes nouvelles

A vrai dire, il y a trois bonnes nouvelles pour les investisseurs!

Tout d'abord, certaines des stratégies performantes de cette année, telle que l'Equity Hedge, sont simples à comprendre, à monitorer, sont liquides et n'utilisent pas de levier.

Ensuite, les investisseurs romands peuvent se réjouir car il existe plusieurs Fonds de Hedge Funds locaux — ***et concentré sur les stratégies gagnantes de cette année*** — avec des performances que nos compétiteurs internationaux envient.

Enfin, et surtout, la dernière bonne nouvelle est qu'il est encore possible de faire du 10% avec certaines stratégies Hedge Funds!

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Beyond Taper-phobia: Emerging Markets revisited

It's been a tough year for emerging markets (EM). Their long-term growth potential has been outweighed by a gradual re-setting of expectations, changing monetary policy and rising idiosyncratic risks. EM equities have continued their two-year under-performance against their developed counterparts, while emerging market debt has struggled over the summer.

However, supported by the Fed's decision not to taper, EM performance and the outlook have begun to turn.

The macro backdrop

EM equities have under-performed developed markets (DM) for more than two years as long-term growth expectations have been rebased. The negative sentiment has been further exacerbated by uncertainty around US monetary policy and its impact on economies with higher vulnerability to capital outflows such as Turkey, India and Indonesia.

However, September has seen the beginnings of a turnaround driven by an uptick in economic data, relative to reduced expectations. On one hand, a cyclical recovery in DM has driven some of the recent EM improvement, especially on the sentiment front. On the other hand, better data has emerged from parts of EM, especially China.

September's equity performance is being echoed in ETP flows, both at the broad level as well as single countries where fundamentals look more constructive. However, recent positioning data shows global funds remain underweight EM equities. With the EM turnaround potentially gaining pace as the overhang of immediate tapering uncertainty subsides, many investors could find themselves under-positioned for a further leg up in EM equities. Yet, looking forward, the ultimate waning of US quantitative easing and/or stronger US dollar – ***which have weighed on performance in the past*** – remains a key risk in EM investing.

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Beyond Taper-phobia: Emerging Markets revisited

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Differentiation is key

Emerging markets may have struggled this year but some economies have been more vulnerable than others. One example of such a country is Indonesia. A combination of an unexpected inflation spike, substantial exposure to foreign investment *(>30% of government bonds are foreign-owned)*, and a rapid run down in foreign exchange reserves forced Indonesia's central bank to hike rates by 1.5% within a period of 2 months. While this temporarily protects the Indonesian Rupiah from depreciating further, it inevitably strains the fragile economic growth already in decline.

Differentiation is increasingly prominent in EM investing, and this is reflected in the divergence of emerging market performance and single country flows. South Korea, for example, benefited from an increasing current account surplus and strong trade ties with the US as well as other emerging economies, and attracted the most single country EM inflows YTD.

Korea and Taiwan have also been bright spots this year both in equity market and currency performance. YTD, Korean and Taiwanese equities have outperformed broad Emerging Markets by 5% and 12% respectively. In the case of Korea Q2 GDP continued an upside growth surprise that indicates the sharpest recovery in two years. Simultaneously, its current account surplus *(at 5.64% of GDP, Bloomberg as at June, 2013)* is amongst the highest in emerging economies, and globally, driven by a strong uptick in exports. As for Taiwan where the current account surplus stands at 10.96% of GDP *(Bloomberg, as at June 2013)*, its strong trade linkages with the US tech sector position it favourably.

Tactical opportunities: China and Brazil

China has been leading the recent data uptick in emerging markets with increasing investment spending and credit growth likely to put the country on track to achieve the growth target of 7.5% for this year – a gesture welcomed by the market. In the long term however, this signals a potentially slower pace of reform from an increasingly debt-laden investment-led growth model to a more balanced and sustainable economy. Going into the year end, we expect more clarity around the balance between reform and growth at the annual party plenum in Beijing – the first full year wrap for the new government, and investors are likely to position favourably beforehand given recent data improvement. The implication is a tactical opportunity in Chinese equities, despite long-term reservations about the difficult growth model transition.

Alongside China, Brazil is staging a stealth summer rally. China is Brazil's biggest trade partner and major importer of soft commodities and iron ore - as demand from China picked up amidst better economic data, Brazil followed. At the same time, domestic Q2 growth surprised on the upside as inflation stabilised, giving the central bank breathing room in policy setting, a potential turning point for subdued investor sentiment. From a valuation standpoint, Brazilian equities trade at 1.5x price to book, the lowest in Latin America, and significantly lower than the second largest Latam economy, Mexico, that trades at 2.9x.

Implementation summary

Theme	Strategy	Relevant ETFs
Broad EM Equity	Tactical	iShares MSCI Emerging Markets UCITS ETF (**IEEM**) iShares MSCI Emerging Markets Minimum Volatility UCITS ETF (**EMMV**)
EM Debt	Relief rally in FX; medium-term preference for external debt	iShares Emerging Markets Local Government Bond UCITS ETF (**IEML**) iShares J.P. Morgan $ Emerging Markets Bond UCITS ETF (**IEMB**)
Single Country: Fundamentals	Korea, Taiwan	iShares MSCI Korea UCITS ETF (**IKOR**) iShares MSCI Taiwan UCITS ETF (**ITWN**)
Single Country: Tactical/ Cyclical	China, Brazil	iShares China Large Cap UCITS ETF (**FXC**) iShares MSCI Brazil UCITS ETF (**IBZL**)

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La nouvelle notion d'investisseur qualifié: conséquences pour les gérants indépendants

ALTENBURGER

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Me Cecilia Peregrina

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La révision de la loi sur les placements collectifs de capitaux («LPCC») et de son Ordonnance d'application («OPCC») est entrée en vigueur le 1er mars 2013. Cette révision a profondément modifié le cadre légal préexistant. En particulier, le concept «d'appel au public» a été remplacé par la notion de «distribution» et la définition de l'investisseur qualifié a été revue.

De manière à concrétiser ces concepts, la FINMA a révisé sa Circulaire 08/8 relative à l'appel au public en adoptant la nouvelle «Circulaire FINMA 2013/9: Distribution de placements collectifs» *(ci-après la «Circulaire FINMA 2013/9»)* qui est entrée en vigueur le 1er octobre 2013.

Cette Circulaire précise la notion de distribution ainsi que celle d'investisseur qualifié. Elle clarifie ainsi dans une certaine mesure le statut des gérants de fortune indépendants, notamment lorsqu'ils se voient proposer des placements collectifs pour leurs clients. En effet, ni la LPCC, ni l'OPCC ne répondent à la question de savoir si un gérant indépendant peut ou non être assimilé à un investisseur qualifié.

La définition de l'investisseur qualifié

La LPCC révisée introduit deux catégories d'investisseurs qualifiés:

- **Les investisseurs qualifiés soumis à surveillance**, tels que les banques, les négociants en valeurs mobilières, les directions de fonds, les gestionnaires de placements collectifs et les assurances ***(Investisseurs Qualifiés de Première Catégorie)***;
- **Les autres investisseurs qualifiés** ***(Investisseurs Qualifiés de Deuxième Catégorie)*** dont font notamment partie:

  1. **Les caisses de pension** dont la trésorerie est gérée à titre professionnel;
  2. **Les particuliers fortunés** lorsqu'ils demandent par écrit à être considérés comme tels *(clause «d'opt-in»)*.

  L'OPCC définit le particulier fortuné comme un investisseur qui:

  — prouve (i) avoir les connaissances nécessaires pour comprendre les risques des placements du fait de sa formation et de son expérience professionnelle ou d'une expérience comparable dans le secteur financier et (ii) disposer d'une fortune d'au moins CHF 500'000.--; ou

  — confirme par écrit disposer d'une fortune d'au moins CHF 5 millions dont au maximum CHF 2 millions en valeurs patrimoniales immobilières.

  La Circulaire FINMA 2013/9 ne concrétise pas les termes «formation», «expérience professionnelle» ou «expérience comparable». Elle précise uniquement que l'expérience est considérée comme comparable, lorsque l'investisseur a effectué en moyenne dix transactions d'une taille significative par trimestre au cours des quatre trimestres précédents sur le marché concerné. Ces précisions sont reprises de la Directive MiFID. Cependant, la FINMA ne fournit aucune information concernant la manière dont ces critères devront être appliqués en pratique.

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La nouvelle notion d'investisseur qualifié: conséquences pour les gérants indépendants

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Partant et comme l'indique la FINMA, il appartient à chaque intermédiaire financier d'arrêter ses propres critères et de fixer la manière de prouver qu'ils sont remplis pour chaque client ayant fait l'«opt-in».

De plus, la question de savoir si un gérant indépendant pourrait, le cas échéant, se contenter d'obtenir une copie de la déclaration écrite d'«opt-in» signée par le client dans le cadre de sa relation avec la banque dépositaire n'a pas été tranchée par la FINMA.

3. Font également partie de la deuxième Catégorie des Investisseurs Qualifiés, **les investisseurs ayant conclu un contrat de gestion de fortune** avec un gérant indépendant pour autant que les conditions suivantes soient remplies:

   — le contrat de gestion est passé en la forme écrite;

   — le gestionnaire est soumis à la loi sur le blanchiment d'argent;

   — le gestionnaire est soumis aux règles de conduite édictées par une organisation professionnelle et reconnues comme exigences minimales par la FINMA; et

   — le contrat de gestion de fortune est conforme aux directives reconnues d'une organisation professionnelle.

   Toutefois, une clause d'«opt-out» a été aménagée par la LPCC. Ainsi, l'investisseur peut déclarer par écrit ne pas souhaiter être considéré comme un investisseur qualifié.

   L'OPCC précise d'ailleurs qu'il appartient aux gérants indépendants, d'informer les investisseurs ayant conclu un tel contrat de gestion de fortune (i) qu'ils sont considérés comme des investisseurs qualifiés, (ii) de les éclairer sur les risques qui en découlent et (iii) de leur signaler qu'ils disposent d'une clause d'«opt-out». Il vaudrait mieux en principe fournir ces informations dans le contrat de gestion de fortune.

Les gérants de fortune indépendants sont-ils des investisseurs qualifiés? La FINMA a refusé d'inclure les gérants indépendants dans la liste des investisseurs qualifiés. Ils ne font donc partie ni de la Première, ni de la Deuxième Catégorie des Investisseurs Qualifiés.

Activités de distribution déployées par le gérant indépendant envers ses clients: Nécessité d'obtenir une licence de distributeur

La notion de distribution a été précisée dans le cadre de la Circulaire FINMA 2013/9. En substance, elle englobe toute proposition ou publicité pour des placements collectifs qui ne s'adresse pas exclusivement aux Investisseurs Qualifiés de Première Catégorie.

Ainsi, en principe, tout type d'activité visant l'acquisition de parts de placements collectifs par un Investisseur Qualifié de Deuxième Catégorie constitue de la distribution soumise à autorisation de la part de la FINMA.

La LPCC aménage un certain nombre d'exceptions à ce principe et permet notamment aux gérants indépendants de proposer des placements collectifs à leurs clients sans pour autant avoir besoin d'une licence FINMA de distributeur, si certaines conditions sont remplies. En effet, n'est pas considérée comme de la distribution, la mise à disposition d'informations et l'acquisition de fonds:

— faites à l'instigation ou à la demande de l'investisseur, en d'autres mots sans intervention ni prise de contact préalable de la part du gérant indépendant;

— faites dans le cadre d'un contrat de gestion de fortune passé en la forme écrite avec un gérant indépendant, pour autant que ce dernier remplisse les conditions visées ci-dessus sous chiffre 3;

— faites dans le cadre d'un contrat de conseil passé en la forme écrite avec un gérant indépendant qui remplit les conditions visées ci-dessus sous chiffre 3 et pour autant que le contrat de conseil vise une relation de conseil à titre onéreux sur le long terme.

Si aucune des exceptions ci-dessus n'est remplie, le gérant...

Cet article est disponible en version intégrale sur le website -- www.gscgi.ch -- en zone "membres"

Me Stéphanie Hodara El Bez & Me Cecilia Peregrina
www.altenburger.ch

ALTENBURGER

THE IFA's Wealth Gram
LA TRIBUNE MENSUELLE DES MEMBRES DU GSCGI
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Vol. II - N° 21 - Octobre 2013

Is there a case for further globalization in the Indian insurance sector?

The liberalization story so far…

The Indian insurance industry has witnessed an interesting decade following its liberalization in 2000 wherein it was opened to foreign players for the first time *(with a cap of 26%)*. Prudential, Allianz, Standard Life, AIG and SunLife were some of the earliest entrants, followed by New York Life, Metlife, Aviva, AXA, etc. Since most of the private-sector entrants are JVs with foreign partners, all references to 'private-sector insurers' are meant to be synonymous with the JVs co-owned by foreign players. The private players gained traction since 2000, with rapid growth in market share, penetration and density in both life and non-life segments. Demand was fuelled by the growing economic base, disposable income/purchasing power, young median age and increasing awareness. In fact, its growth has been amongst the fastest witnessed in the industry globally. The Industry's premium size was INR 3.4tn in 2012, a CAGR of 20% between 2001 and 2012. Market share of the private players picked up rapidly to 31% by 2012. Despite the onset of the Indian economic story from 1992 itself, the growth in both insurance penetration and density was actually sluggish during 1990s. Thereafter, it picked up rapidly during the 2000s, coinciding with the entry of the foreign players and indicating the incremental benefit achieved by their influx. However, India's penetration level still lags most Asian and developed markets - indicating potential headroom for growth.

While the decadal economic story created a platform for initial volume growth, the industry is poised at an interesting juncture. Volume focus and high spending on distribution channels took a toll on companies' profitability. The focus in the last decade was on setting up a base. Many insurers, including public sector ones, often resorted to reckless underwriting to build volumes at the cost of underwriting losses. While investment income was a savior, the industry is now feeling the pain of accumulated losses. While this situation does not in any manner reduce the long-term prospects of the industry, nevertheless companies need to rejig their operating models to achieve the next stage of development. The high cost of developing physical networks and retaining quality agents is putting the emphasis on technology for sales reach and operational processes. Cost of customer acquisition has become high. High operating expenditures ate away profits in the chase for topline. However, there is now a visible strategic shift from topline to bottomline to create a sustainable sector. Cost control and operational efficiencies are now in focus. Companies are monitoring physical expansion closely. Technology across the value chain is now a key differentiator. Online marketing tools are penetrating the retail market further. The regulator, IRDA, has promoted technology usage through several measures. Investments have gone into technologies related to internal processes and marketing/distribution capabilities to reduce overheads and commissions, though agent network still holds importance in regions where online penetration is low. Firms are exploring tie-ups with shopping malls, housing societies, office complexes for temporary Points of Sale as a low-cost delivery mechanism. Insurers are realizing a shift in product approach is imminent. Insurance is still a push-product here. Most people, including educated ones, view it for tax-saving or high returns, rather than for protection/social security as per life stage needs. While this is a lack of customer maturity, the private-sector life insurers were also enjoying the advantage of pitching high/guaranteed returns of ULIP products *(Unit-Linked Insurance Products)*, a reason for the disproportionate share of ULIPs in private insurers' product portfolio. However, private insurers are now focusing on traditional products, with many new products introduced in the last few months.

How can foreign players help to build service-differentiators further, in the current context of the industry…

Foreign players have helped bring in valuable capital, an established brand name as well as global expertise in developing the business.

Foreign players bring in their strategic expertise gained from their experiences globally, and this is invaluable in growing the Indian insurance pie further. Going forward, they can play a key role in bringing in know-how on innovative product development, technology initiatives and client servicing tools which are relevant to this stage of the industry. Foreign players have made the product market more dynamic since the time they have been in this industry. The objective of making products as per specific lifestage-needs has started gaining ground. Insurers are exploring options in products targeting specific people, ages, needs, conveniences and pricing. This is where the expertise of foreign players can hold key. Inflation of hospitalization costs, a plethora of lifestyle diseases and medical advancements continue to boost demand for health insurance. Some product types which firms are keen to explore in health insurance include outpatient

...cont'd on page 13

L'AVIS DE L'ANALYSTE

Is there a case for further globalization in the Indian insurance sector?

...cont'd from page 12

treatments, emergency services, insurance with health/wellness programs, health savings accounts, rural health products, products for lower income groups etc. The other major component of non-life insurance pie, motor insurance, is expected to grow in line with auto sales. Possible product innovations here that global firms might bring in include 'pay as you drive' or 'behavior based pricing'. Growth in rural income following employment programs, higher MSPs of agri-produce and better monsoon can enhance opportunities for micro-insurance. Insurers need to build capabilities to manage channels for this, like self-help groups, business correspondents and micro-finance institutions. ULIP as a product is not dead despite the cut in commissions. These might still be relevant for higher-income clients. However, some of these might be relatively complicated products, and the key to increase investor density is to use simpler products which they can easily understand.

Private insurers have played a pivotal role in bringing into focus the practice areas for technology. While the focus initially has been on developing the physical network, the high cost of customer acquisition is making this increasingly prohibitive. Technology is a focus area that can bring in differentiation going forward. Some initiatives widely implemented globally, and which have been/are being studied here are — online sales channels *(financial portals, links to websites of specific events to establish a Point of Sale, price aggregator websites)*, customer servicing methods *(online policy issuance, online claims registration/monitoring, online portfolio)*, operations *(business lead sourcing, automation of functions)*. E-distribution platforms will help reduce the effort and time required to scale-up a physical network, deepening the online sale of policies will help save commission costs, and automating administration processes can enable faster turnarounds. Ability to develop such initiatives on-ground can help enhance the customer experience and build value-differentiators.

Another feature that may emerge is the ability to break-up the value-chain and outsource functions. Most insurers perform tasks themselves — product development, administration, investments, processing and distribution. As overheads exert pressure and technology enables outsourcing, insurers may explore that option. This is already being seen globally, with INEAS in Europe and General Life in USA already using an e-business, outsourcing model with cost advantages.

Conclusion

The FDI limit of 26% remains a contentious issue. An opinion against the entry of foreign capital has been that insurers can instead look at domestic markets for capital, as foreign ownership would lead to forex outflow due to profit repatriation. However, influx of further foreign players by increasing the FDI limit would bring in capital inflows. Even influx of foreign players at existing FDI limit would give exit opportunities to existing promoters who might be looking for making a return on the investments they made so far. The point to stress is that, short-term concerns notwithstanding, the long-term potential of the industry remains intact. Improvement in the economy, disposable incomes and awareness levels should yield healthy growth rates in volumes. The current demographic profile in terms of median age and increase in life expectancy of the current generation of young Indians will be a key growth driver. In favour of liberalization, the industry has grown further than what it would have otherwise achieved. However, the industry still remains under-penetrated. There is an opportunity to garner profitable growth by bringing in innovative products as per specific needs, realigning distribution strategies and leveraging technology. Foreign players who can specifically bring in tested strategies in these areas might still smell an opportunity.

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The author works with a leading capital markets company in Mumbai, India. Views expressed are entirely personal. This article is for information purposes only, and does not construe to be an investment advice or solicitation. Any action taken by you is your responsibility alone.

And They're...Not Off

According to a BARRON's article as of September 28, 2013, Hedge funds, now permitted to market themselves, are unsure of how to proceed.

(...) New JOBS Act rules, which went into effect last Monday, lifted the 80-year ban on "general solicitation" (...)

(...) Hedge funds that agree to operate under a new part of the law will be able to advertise, sponsor events, provide more information on their Websites, and generally market themselves, as well as allow their managers to speak more freely to the press and at public events (...)

(...) So what's the problem? ...asks the author Beverly Goodman.

In Switzerland too, FINMA is regulating "funds' distribution" under the revised LPCC law *(read more details on Altenburger's article in this Wealth Gram issue, pages 10 & 11)*, but it seems that less restrictive rules, than the SEC in the United States, are going to be applied in our country instead.

(...) the SEC wants to ensure that only accredited investors—people with at least $200,000 in annual income or $1 million in investable assets (...)

(...) The proposed rules, issued alongside the final rules, indicate that there could be a whole lot more regulation in the offing (...)

(...) The SEC wants feedback from the industry on a variety of potential restrictions, many of which look like the standards that mutual funds are held to—such as a uniform approach to reporting performance figures and filing marketing materials with the SEC 15 days before implementing them. The SEC is essentially asking the industry to self-regulate (...)

(read more on: http://online.barrons.com/article/SB50001424053111903533504579093452958299422.html?mod=BOL_hps_mag)

Apparently, the SEC will be paying particular attention to the concept of using "performance claims" in the funds' marketing efforts.

Moreover, new regulation is inspiring lots of questions from entities being regulated across the Atlantic, while answers from regulators remain sparse, if not confusing. Same thing over here!

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China's smog polluting Fuji, new study says

(...) A Japanese study is claiming that toxic air pollution from China is to blame for high mercury levels atop beloved Mount Fuji. (...)

Alors que la Chine et le Japon se dispute des territoires dans le Pacific *(animosités historiques)*, selon le "Japan Times" *(http://www.japantimes.co.jp/news/2013/10/05/national/chinas-smog-polluting-fuji-new-study-says/)* une nouvelle raison de dispute a emergé: la pollution chinoise qui affecte le légendaire Mont Fuji, qui a été distingué par le label "UNESCO" en juin dernier.

C'est un privilège très rare pour un bien naturel d'être inscrit au patrimoine mondial de l'UNESCO *(la liste 2013, où figure également l'Etna, la Villa Médicis et la station baleinière Red Bay au Canada)*!

Pour les Japonais, le Mont Fuji, qui domine la plaine du Kanto *(région de Tokyo)* de ses 3'776 mètres, est bien plus qu'un symbole national. Au-delà de représenter un repère géographique *(grâce à son immuabilité)*, ce "volcan" est un symbole spirituel, la "Montagne" par excellence que vénère le culte shinto *(animisme et religion première du Japon qui coexiste avec le bouddhisme)*. On comprend bien ainsi que, le mercure *(selon cette étude)* étant monté très fortement — ***...Mercury levels around the top of the mountain were up to double the levels detected in other places free of heavy pollution...*** — les Japonais soient autant inquiets!

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In Globo Continued on page 15

IN GLOBO

CONTINUED FROM PAGE 14

Genève dans la partie physique

Dans un article du même titre publié dans L'AGEFI du 30 septembre 2013, l'auteur Stéphane Graber s'intéresse à la 34e édition de la *"...célèbre rencontre du Bürgenstock sur le marché des dérivés..."* qui s'est tenue à Genève la semaine dernière à l'Intercontinental Hotel, lieu à forte valeur symbolique ayant accueilli par le passé les réunions historiques de l'OPEC.

Il souligne également *"...les principales caractéristiques et particularités du négoce «local» de matières premières..."* l'aspect physique de leur commerce, sans oublier d'attirer l'attention du lecteur sur le fait que *"... la Suisse compte actuellement parmi les pays qui n'ont pas encore concrétisé leur démarche réglementaire en ce qui concerne les titres négociés de gré à gré..."*.

La Suisse devra-elle s'aligner bientôt sur la réglementation européenne EMIR *(règlement européen sur les infrastructures de marché)*?

(...) Tout en appelant à une régulation intégrant les spécificités du trading physique. Comme dans le domaine bancaire, une charge trop élevée risque de pénaliser durement les entreprises plus petites avec des activités de niche. Et forcer l'industrie à une consolidation (...)

Read more on: http://agefi.com/une/detail/artikel/geneve-dans-la-partie-physique.html

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Passive funds losing cost edge

According to a FT article *(Oct. 4, 2013)*, ***...Passive funds that allow investors to track the performance of worldwide stock markets are starting to lose their competitive edge on prices as providers of actively managed funds cut their fees...***

Elaine Moore, the author, highlighted that ***...The Investment Management Association reported in September that tracker funds now accounted for 9.6 per cent of total funds under management by unit trusts – a larger proportion than ever before...*** thus underlying why the emerging trend is increasingly important to global investors' investment process analysis.

Read more on: http://www.ft.com/intl/cms/s/0/a57ef384-2b49-11e3-a1b7-00144feab7de.html#axzz2gvdLJPRW

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London still top financial centre but ratings fall

(...) The UK capital remains at the top of the six-monthly ranking of global financial centres by consultancy Z/Yen, but its ratings fell by more than any other location in the top 25, including New York, Hong Kong and Singapore, which suffered smaller declines. (...)

(...) London has led the Global Financial Centres Index since its launch in 2007, despite the turmoil of the banking crisis and problems in the eurozone. (...)

Read more on: http://www.ft.com/intl/cms/s/0/5340b848-2787-11e3-8feb-00144feab7de.html#axzz2gMAWjE96

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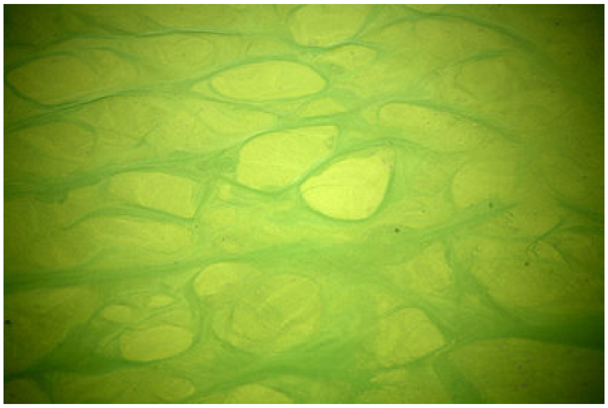
Earth's Oxygen: A Mystery Easy to Take for Granted

According to a NYTs article *(Oct. 3, 2013)*, ***...It took billions of years for Earth's atmosphere to have enough oxygen to keep animals like us alive. Scientists are still making fundamental discoveries about the element's history...***



Carl Zimmer, the author, speaks about the fascinating description of these discoveries by highlighting the works of Dr. Canfield and his forthcoming book on the subject, titled **"Oxygen: A Four Billion Year History"**.

Read more on: http://www.nytimes.com/2013/10/03/science/earths-oxygen-a-mystery-easy-to-take-for-granted.html?ref=science&_r=0

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LA REUNION MENSUELLE DU GSCGI

E-MERGING, le réseau des experts indépendants de la finance — www.e-merging.com

Conférence du 20 septembre 2013 à Genève; article de Camille Richard, c.richard@lombardodier.com

Devenez acteurs du changement et vivez l'expérience E-MERGING

E-MERGING, le premier réseau social dédié aux experts indépendants de la finance a été créé en mars 2009.

Il regroupe les professions suivantes: gérants de fonds indépendants, consultants RH, fournisseurs de solutions informatiques, fiduciaires, avocats, Family Offices et gérants de fortune indépendants.

Ce réseau offre à ses membres la possibilité de rencontrer et de collaborer avec des experts d'autres disciplines ou juridictions en échangeant leurs idées et expertise, en créant des partenariats d'affaire, en engageant de nouveaux talents, ou en identifiant des cibles de fusions & acquisitions.

Le réseau s'est développé à l'international avec le lancement d'une boutique en ligne où les membres peuvent acheter, à des prix préférentiels, des outils et services proposés par les partenaires d'E-MERGING.

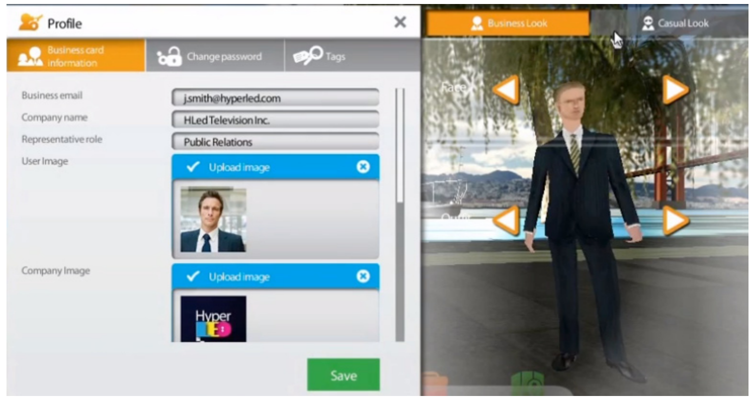
Parmi ces produits, nous trouvons des «country manuals», un outil de «name checking» sur demande, ainsi que des formations e-learning expliquant les réglementations en matière de services financiers dans les différentes juridictions.

Virtual FinFair

L'équipe E-MERGING souhaitait aller plus loin dans le développement de cet écosystème professionnel en organisant le premier salon financier virtuel en 3D: Virtual FinFair, qui se déroulera sur 12 heures, le 6 novembre 2013.

Cet événement s'adresse à l'ensemble des membres du réseau, soit près de 1'000 sociétés qui emploient plus de 10'500 collaborateurs, répartis dans 49 pays et totalisant 314 milliards de dollars d'actifs sous gestion, ainsi qu'aux invités des exposants.

Dans cet environnement, les visiteurs pourront, à l'aide d'un personnage virtuel appelé «avatar», explorer les pavillons et allées du salon, télécharger de la documentation des exposants et échanger des cartes de visite. Il auront aussi la possibilité de «chatter» ou «skyper» avec les autres visiteurs, d'assister à des présentations et conférences et d'interagir avec les orateurs.



«C'est la première fois qu'un rendez-vous virtuel en trois dimensions est organisé dans le secteur des services financiers. Il constitue le moyen le plus efficace de regrouper notre réseau mondial en pleine croissance», commente Olivier Collombin, responsable des activités dédiées aux gérants indépendants chez Lombard Odier et fondateur de la plateforme E-MERGING. ***«Sans vols ni réservations d'hôtel à prévoir pour les personnes intéressées à y participer, l'empreinte carbone de l'événement est quasi nulle».***

THE IFA's Wealth Gram

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LA REUNION MENSUELLE DU GSCGI

Excerpts from the 34th SFOA Bürgenstock Forum daily reports -- www.sfoa.org

"SFOA presented this year's meeting in partnership with the Futures Industry Association (FIA), a logical pairing with both organizations sharing the same issues. The choice of Geneva as a new location was equally logical, as this beautiful city is an important center for the derivatives industry."

"Beyond the warm welcome addressed by SFOA Chairman, Otto Nägeli, and Walt Lukken, President & Chief Executive Officer, Futures Industry Association, the participants were also welcomed by Guillermo Valles Galmés, Director, Division for International Trade in Goods and Services and Commodities, UNCTAD *(United Nations Conference on Goods and Trade and Development)*. The close association between UNCTAD and SFOA goes back many years. They jointly launched the Emerging Markets Forum, which has been an essential part of the meeting since 1999. As the organization approaches its 50th anniversary, it looks back a long history of helping developing nations adjust and prepare for international markets by building up industry knowledge. The fact that 50% of trades today originate from and among emerging nations testifies to this organization's success in helping these countries join the global marketplace. And yet, five years after the crisis, he sees many underlying vulnerabilities and feels the industry and systems are less prepared today than they were back then. A sobering thought. UNCTAD is calling for a redesign of the global financial structure in the post Bretton Woods world to encourage these emerging economies. Such a move would foster sustainable growth and be conducive to creating a fair trading system and a level playing field."

"David Wright, Secretary General, International Organization of Securities Commissions (IOSCO), looks back on a brilliant career in international relations, including his contributions to the successful WTO Uruguay Round. The current international regulatory revision is now in its 7th year. The vast number of international work streams involved bears the danger of there being too many cooks in the kitchen, resulting in difficult coordination. Because on the global level work is conducted on a consensus basis, the standards that result may not be as grandiose as originally intended. The Financial Stability Board was set up to ensure that all members commit to implementing the regulations agreed upon. But one of the greatest challenges still faced after seven years is a lack of data. He sees a real need for ex-ante analysis, to take a closer look at the economic effect of how policies interact, as well as challenges emerging with the technical implementation of political declarations made at the G29 level by heads of states.

He spoke of the divergence in rulemaking among the various jurisdictions, while there are high-level agreements for "substituted compliance", these agreement contain "hidden ambiguities" that are proving difficult to resolve.

The derivatives market is a critical part of the overhaul of the financial regulatory system. Though plenty of progress has been made, it is being driven on the local level and then cobbled together on the global level. Mr. Wright would prefer to see change launched on a global level to work its way downward. We still have a long way to go, it seems.

Mr. Wright also went on to talk about the positive aspects and potential of the derivatives industry, particularly its important role in the interlinking of physical and financial markets, as well as their importance in terms of price discovery and transparency.

He mentioned yesterday's speech by International Monetary Fund Chief Christine Lagarde to the United Nations General Assembly, in which she pointed out the IMF's role in protecting the planet from environmental damage. She pointed out the need for 21st century financial policies to meet 21st century challenges. The same applies for the new regulatory body for the financial industry. It needs to be implemented in a coherent manner to avoid simply displacing systemic risk elsewhere. Its important to make changes now when there are just a handful of large capital markets, for it will be much more difficult in the future in a world with many more large capital markets. Needed are more granular standards set on a global level and stronger institutions with some enforcement powers."

Read more on www.sfoa.org

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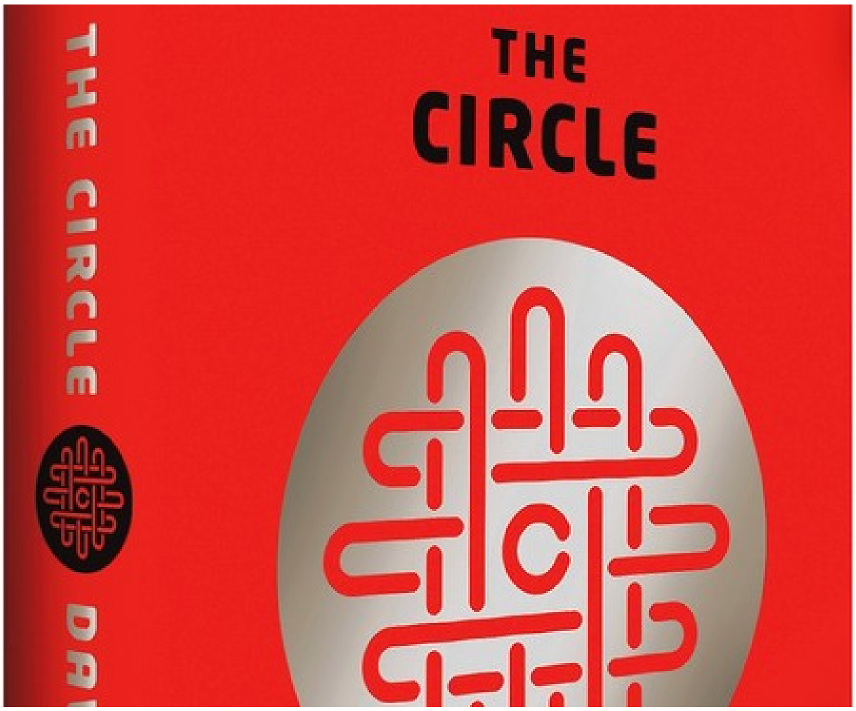
BOOK REVIEW

The Circle, By Dave Eggers



The Circle is the exhilarating new novel from Dave Eggers, best-selling author of A Hologram for the King, a finalist for the National Book Award.

When Mae Holland is hired to work for the Circle, the world's most powerful internet company, she feels she's been given the opportunity of a lifetime...

Read more: http://www.amazon.com/The-Circle-Dave-Eggers/dp/0385351399

* * *

Dave Eggers' New Novel "The Circle" Scathingly Mocks The Silicon Valley Cult

Anyone working in tech or any modern workplace *(or who likes good fiction)* should check out the excerpt from forthcoming novel "The Circle" by Dave Eggers that appears in the New York Times Magazine. It tells the story of a young woman recruited by a friend to work at a gleaming tech company called Circle, which is a hardware and social networking company that bears a resemblance to Google, Facebook, and Apple.

Read more: http://www.businessinsider.com/the-circle-by-dave-eggers-2013-9

* * *

Dave Eggers' "The Circle" Takes Vengeance on Google, Facebook

With its entrails and killing floors, Upton Sinclair's "The Jungle" was that rare novel that changed how the world saw business.

We've finally got a "Jungle" for our own times, a vivid, roaring dissent to the companies that have coaxed us to disgorge every thought and action onto the Web.

This novel is "The Circle," by Dave Eggers, and it carries the potential to change how the world views its addicted, compliant thrall to all things digital. If you work in Silicon Valley, or just care about what goes on there, you need to pay attention to it and its message.

Readers will have to wait until Oct. 8 to buy the novel. The more relevant question is why they have had to wait so long for a work that fully challenges the orthodoxies of our information era. Is it not remarkable that in less than 10 years it has become taboo not to share one's inner life online?

Read more: http://online.wsj.com/article/SB10001424127887323342404579081503189753492.html

* * *

We Like You So Much and Want to Know You Better

(...) My God, Mae thought. It's heaven. (...)

When Mae Holland is hired to work for the Circle, the world's most powerful internet company, she feels she's been given the opportunity of a lifetime...

Read more: http://www.nytimes.com/2013/09/29/magazine/dave-eggers-fiction.html

* * *

Excerpts prepared by:
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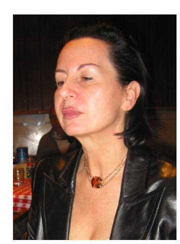

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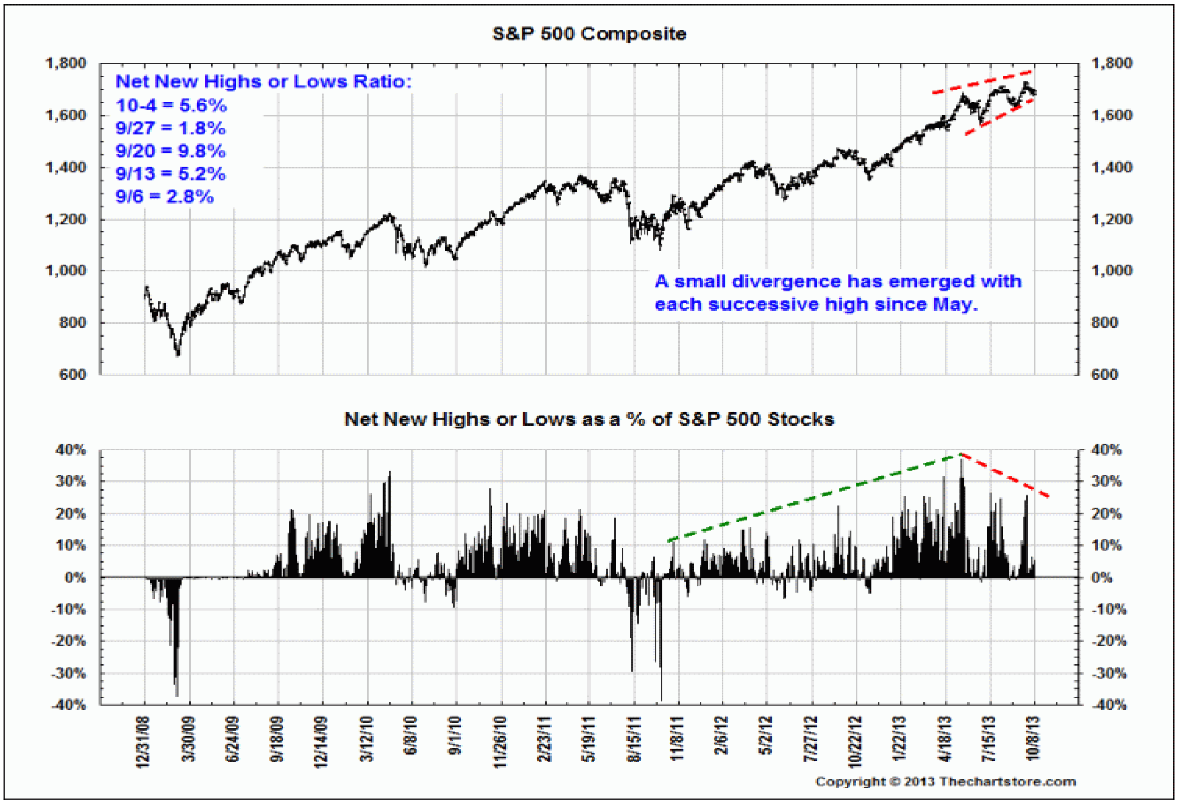
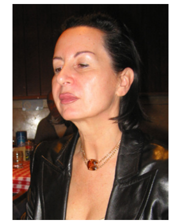
CLIN D'OEIL À L'HISTOIRE

S&P 500 ...at the End of the Road?

FINARC Financial Analysis Research Consulting





The histogram at the bottom of the historical *(2008-2013)* graph *(on left)* highlights how Net New Highs or Lows evolved as a percent of S&P 500 stocks over the indicated period. The evident divergence of this indicator from the index nominal price behavior of recent months hints to a possible market peak!

<u>Historical Graph:</u>

courtesy of The Chart Store
www.thechartstore.com

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CALENDRIER DES PROCHAINES REUNIONS MENSUELLES

Octobre 18, 2013/Genève — Orateur: Dr. Prof. Xavier OBERSON, Oberson & Associés

Novembre 8, 2013/Genève — Orateur: Laurent Chevallier, EUROFIN CAPITAL, Membre du GSCGI

Novembre 29, 2013/Genève — Orateur: Mme Anne HÉRITIER LACHAT, Présidente, FINMA

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