

Schroders



# Portfolio and Performance Review The Swiss Helvetia Fund, Inc.

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# Agenda

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- 01 Performance
- 02 Portfolio positioning
- 03 Outlook
- 04 Conclusion
- 05 Is a Swiss only focus still opportune?



Performance

# Performance overview

## NAV and price performance in USD

### Net asset value

Performance in USD %	H2 2014	2015	2016	YTD 2017	06/30/14 – 05/31/17	12/31/14 – 05/31/17	05/31/16 – 05/31/17
<b>NAV (US GAAP) as per quarterly filings</b>	<b>-7.78</b>	<b>2.96%</b>	<b>-2.19%</b>	<b>19.90%</b>	<b>11.35%</b>	<b>20.75%</b>	<b>19.31%</b>
Swiss Performance Index, SPI	-6.06	2.58%	-4.05%	20.11%	11.07%	18.22%	18.30%
<b>Difference NAV as per quarterly filings</b>	<b>-1.72</b>	<b>+0.38%</b>	<b>+1.86%</b>	<b>-0.21%</b>	<b>0.28%</b>	<b>2.53%</b>	<b>1.01%</b>

### Share price

Performance in USD %	H2 2014	2015	2016	YTD 2017	06/30/14 – 05/31/17	12/31/14 – 05/31/17	05/31/16 – 05/31/17
<b>Share price SWZ</b>	<b>-8.91</b>	<b>1.41%</b>	<b>-0.24%</b>	<b>22.62%</b>	<b>13.08%</b>	<b>24.06%</b>	<b>24.82%</b>
Swiss Performance Index, SPI	-6.06	2.58%	-4.05%	20.11%	11.07%	18.22%	18.30%
<b>Difference</b>	<b>-2.85</b>	<b>-1.17%</b>	<b>+3.81%</b>	<b>+2.51%</b>	<b>2.01%</b>	<b>+5.84%</b>	<b>6.52%</b>

Source: Schroders, Citi and JPM for Fund performance, Bloomberg for index performance, 31 May 2017; year-to-date performance as at 31 May 2017. The returns presented represent past performance and are not necessarily representative of future returns, which may vary.

# Performance Comments

## Driving factors for relative performance of NAV

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Since July 1, 2014:

- Since Schroders took over as Fund adviser, relative performance has been moderately positive after fees
- After an initial transition period, i.e. since 31 Dec 2014, relative performance has been positive by 2.53%
- Private equity positions, taken over from predecessors, impacted absolute and relative performance
  - Legacy contribution to relative performance since July 1 2014: approx. 3.7%
  - Despite lack of liquid market to trade on, private equity positions have been actively reduced by 54%

Last 12 months:

- Stock selection has been positive
- The Fund's overweight in the well performing small & mid cap segment has also been positive
- Of the biggest 5 overweights (as per 31 May 2017), 4 contributed positively (in absolute and relative terms)

Year-to-date:

- Stock selection has been positive
- Relative performance has been slightly behind the SPI due to private equity, cash and fees
- All our biggest 5 overweights (as per 31.5.17), contributed positively (in absolute and relative terms)

Source: Schroders, Periods ending 31 May 2017.

The returns presented represent past performance and are not necessarily representative of future returns, which may vary.

# Performance attribution – stock level

## Top & Bottom 10 contributions to relative performance YTD 2017

### Top ten stock contributions (USD)

		Total effect %
Logitech	(over)	0.6
Belimo	(over)	0.3
Swiss Re	(under)	0.3
Cembra	(over)	0.2
Sonova	(over)	0.2
Zurich Insurance	(zero)	0.2
Sunrise	(over)	0.2
VAT Group	(over)	0.2
SFS	(over)	0.1
Syngenta	(over)	0.1

### Bottom ten stock contributions (USD)

		Total effect %
VZ Holding	(over)	-0.3
Implenia	(over)	-0.2
Kuros	(over)	-0.2
AMS	(zero)	-0.1
Sika	(zero)	-0.1
Airopack	(over)	-0.1
Partners Group	(zero)	-0.1
ABB	(zero)	-0.1
Roche	(under)	-0.1
Straumann	(zero)	-0.1

Source: Schroders, FactSet, 31 May 2017; "over" means overweight and "under" means underweight compared to Swiss Performance Index; "zero" means no position.

# Performance attribution – stock level

## Top & Bottom 10 contributions to relative performance last 12 months

### Top ten stock contributions (USD)

		Total effect %
Logitech	(over)	2.3
VAT Group	(over)	0.5
Belimo	(over)	0.5
Sunrise	(over)	0.4
Novartis	(under)	0.4
Cembra Money Bank	(over)	0.4
Credit Suisse	(over)	0.4
Swiss Life	(over)	0.3
Roche	(under)	0.3
Swatch	(over)	0.3

### Bottom ten stock contributions (USD)

		Total effect %
Burckhardt Compression	(over)	-0.8
Lindt & Sprüngli	(over)	-0.7
Kuros	(over)	-0.5
LafargeHolcim	(zero)	-0.4
ABB	(zero)	-0.4
Zurich Insurance Group	(zero)	-0.4
VZ Holding	(over)	-0.3
Sika	(zero)	-0.3
Partners Group	(zero)	-0.2
AMS	(zero)	-0.2

Source: Schroders, FactSet, 31 May 2017; "over" means overweight and "under" means underweight compared to Swiss Performance Index; "zero" means no position.



Portfolio positioning



# Portfolio positioning

## As at 31 May 2017

### Top ten holdings absolute

Name	Absolute weight
Nestlé	14.3%
Novartis	13.6%
Roche	12.4%
UBS	4.8%
Richemont	3.7%
Lindt & Sprüngli (Reg.)	3.7%
Logitech	3.1%
Belimo	3.1%
Swatch (Reg.)	2.6%
Sunrise	2.4%
<b>Total</b>	<b>63.7%</b>

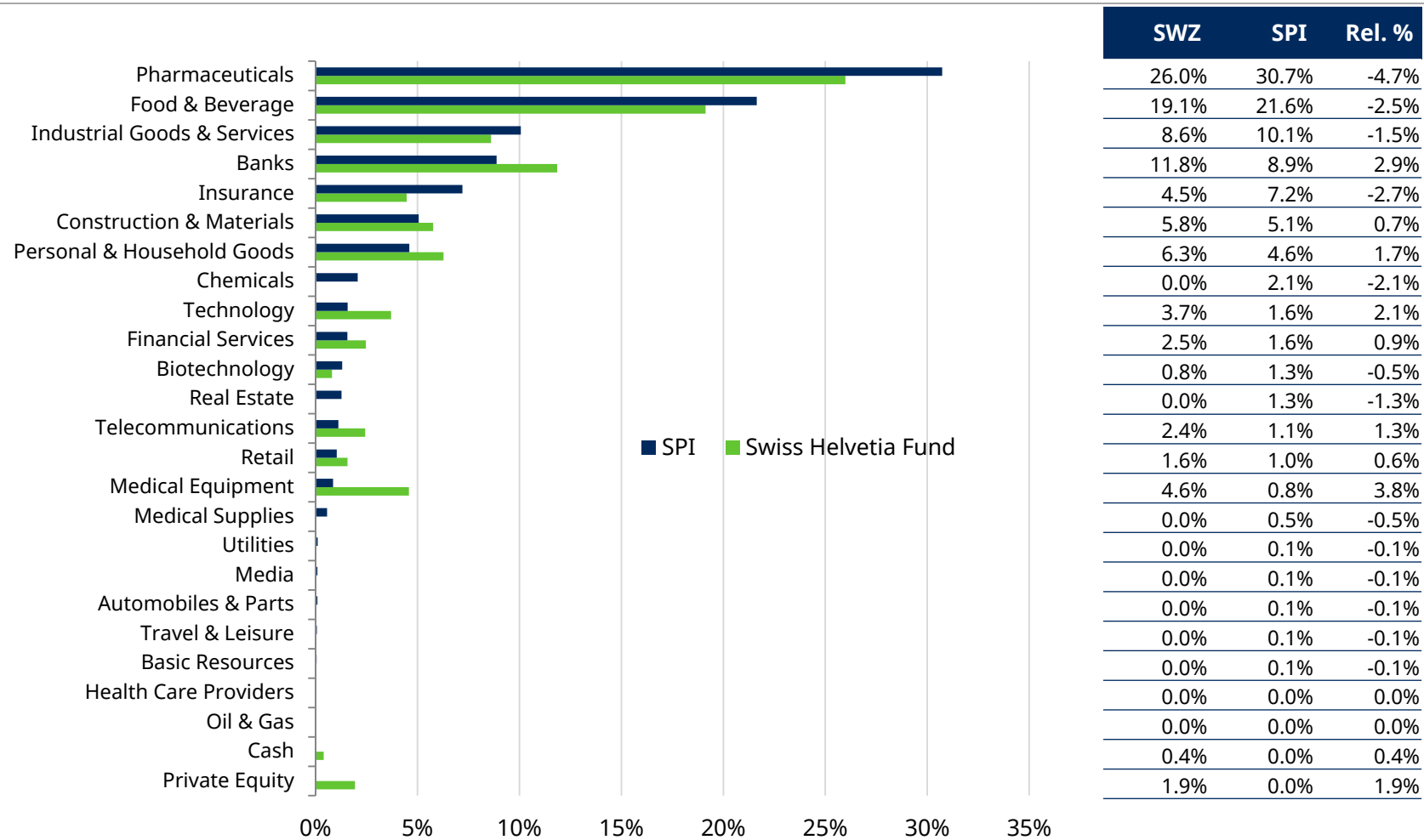
### Top five relative over/underweights

Name	Relative weight %
Lindt & Sprüngli (Reg.)	+3.1%
Belimo	+2.9%
Logitech	+2.7%
Sunrise	+2.2%
Swatch (Reg.)	+2.2%
Nestlé	-5.6%
ABB	-3.5%
Zurich Insurance	-3.3%
Novartis	-2.5%
LafargeHolcim	-2.2%

Source: Schroders, JP Morgan, Bloomberg, 31 May 2017.

# Portfolio positioning

## ICB classification



Source: Schroders, JP Morgan, Bloomberg, 31 May 2017.

# Portfolio positioning

## Changes in positioning

### Q1 2017

New Positions	Increased Positions	Decreased Positions	Sold Positions
Aryzta	UBS	Bucher	none
		GAM Holding	
		Logitech	
		Oerlikon	
		Swiss Re	

### 31 March 2017 – 31 May 2017

New Positions	Increased Positions	Decreased Positions	Sold Positions
Baloise	Credit Suisse	Belimo	Actelion
Galenica Santé	Richemont	Burckhardt Compression	Basilea
	Swatch (Reg.)	Lindt & Sprüngli (Reg.)	Syngenta
		Logitech	
		Lonza	
		Nestlé	
		Oerlikon	
		Sonova	

Source: Schroders.

# Portfolio positioning

## Key statistical measures

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### Risk measures (ex private equity)

Swiss Helvetia Fund		31 May 2017
Tracking error		2.1%
Beta		0.95
Relative VaR (95%)		1.0%
Volatility		10.7%
Active share		39.5%

### Portfolio turnover

Swiss Helvetia Fund	
Turnover in % of AuM YTD 2017	3.5%

Turnover calculation method:  
(lesser of buys or sells) / (average AuM)

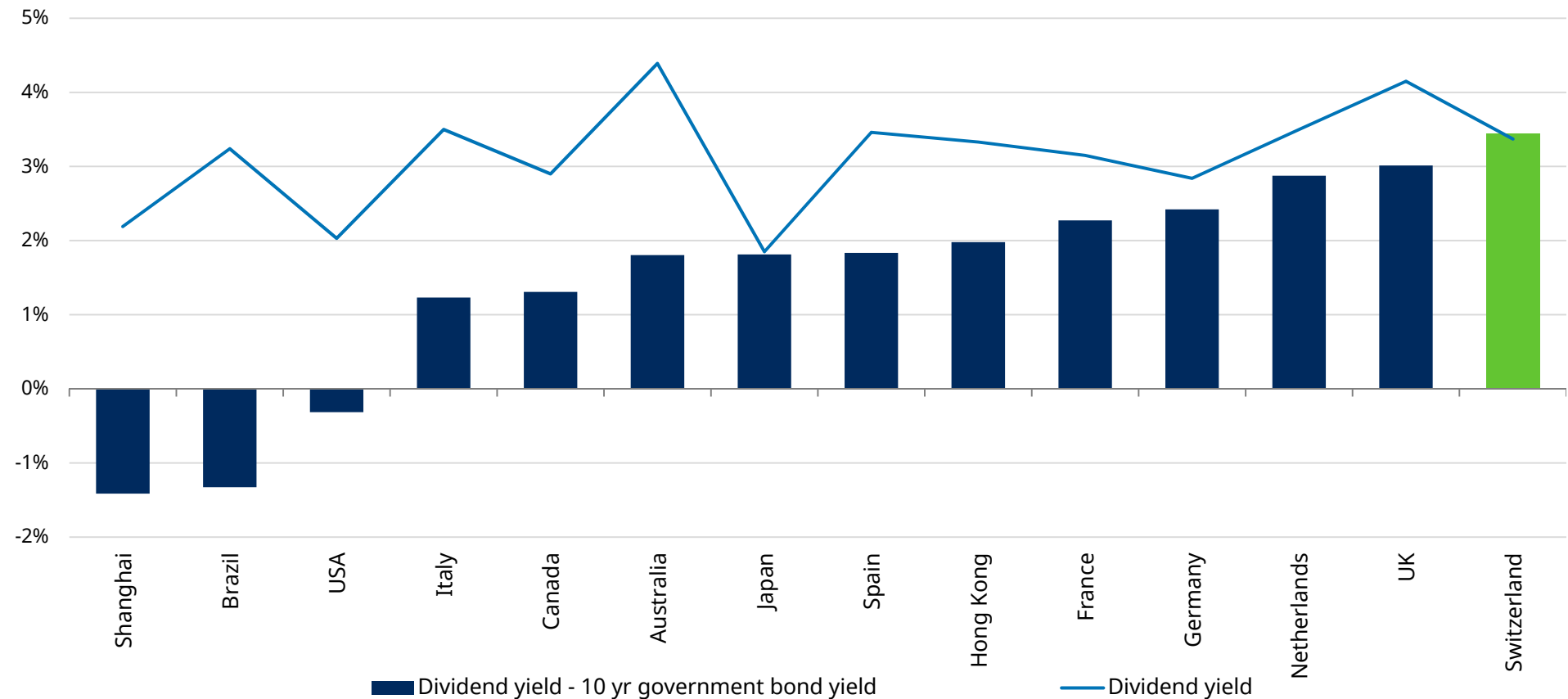
Source: Schroders, Charles River, Prism, 31 May 2017.



Outlook

# Investment outlook

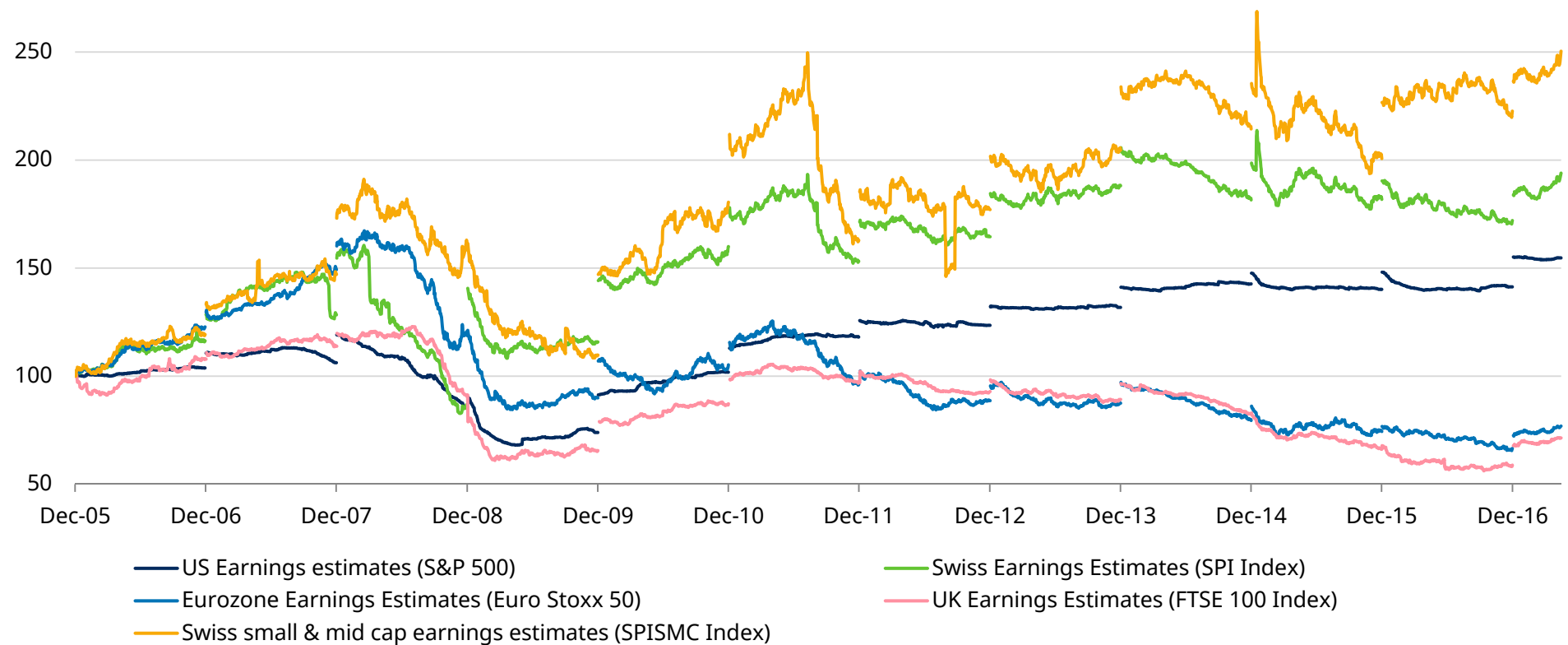
## Global comparison of dividend yield versus government bond yield



Source: Schroders, Bloomberg, 15 May 2017.

# Investment outlook

## Global comparison of earnings expectations



Source: Schroders, Bloomberg, 15 May 2017; all earnings converted into USD.

# Investment outlook

## Still positive environment, but not without risks

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Equity market sentiment has switched from political risk to focus on macro-economic factors:

- Eurozone growth continues to strengthen, but US, China and Japan leading indicators weakened
- US consumer sentiment continues to recover (as indicated by the University of Michigan Index)
- But US business investment spending remains subdued

Global monetary policy should remain accommodative:

- inflation appears to have peaked as energy prices have started to retreat again
- In view of fragile recoveries, central banks and governments are still promoting loose monetary policy
- Bond yields seem to have peaked for now

Risks:

- The lack of investment alternatives rather than fundamentals has driven stock prices higher
- Valuations are expensive on an absolute basis
- Volatility has receded

We expect stock markets to benefit from the economic recovery, low inflation, and monetary / fiscal stimulus. Swiss stocks, which are typically internationally diversified and have strong market shares, should benefit.

Source: Schroders, 31 May 2017. Views expressed are the portfolio management team's view and not necessarily a «house view».





Is a Swiss only focus still opportune?

# Is a Swiss only fund still opportune?

Of the many broadening solutions, we explore Swiss vs. European focus

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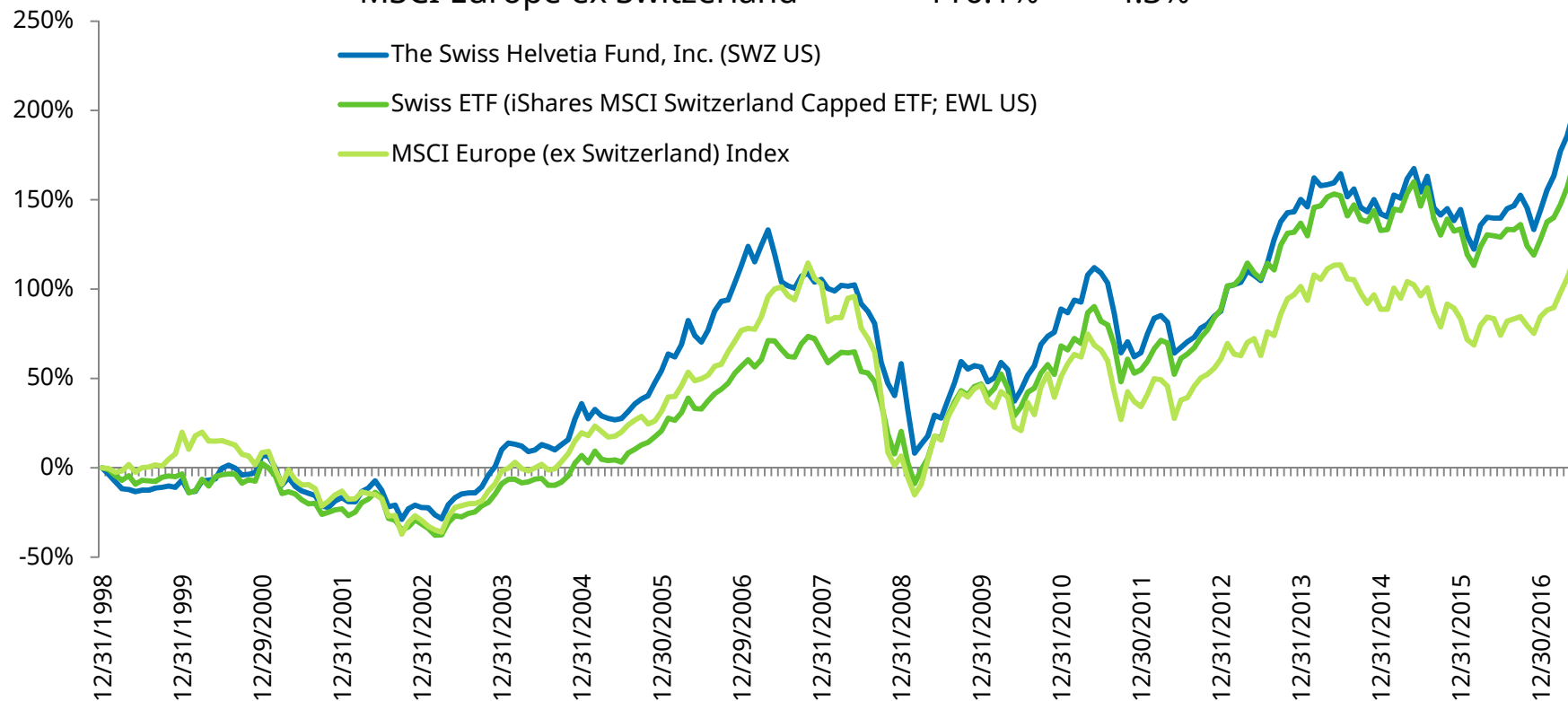
- Equity markets are driven by earnings in the long-term
- Measured in US dollars, Swiss stocks have historically enjoyed strong earnings growth (cf. page 14)
- Over multiple time periods, the Swiss stock market has outperformed its European peers
- In the past, the Swiss focus has been beneficial
- In assessing whether their investment focus should be broadened, we believe investors should consider aspects beyond short-term earnings catch up potential; long-term structural aspects are key to a successful portfolio
- While the French election outcome might become a turning point in addressing Europe's structural issues, we advise waiting for evidence before concluding that short term risks/volatility have materially declined

Source: Schroders, 31 May 2017. Views expressed are the portfolio management team's view and not necessarily a «house view».

# Performance of The Swiss Helvetia Fund

## Compared to ETF and European Index since introduction of the EURO

Total return:	The Swiss Helvetia Fund, Inc.	199.2%	6.1% p.a. (since year end 1998)
	ETF on Swiss stocks	170.1%	5.5% "
	MSCI Europe ex Switzerland	116.1%	4.3% "



Source: Schroders, Bloomberg 31 May 2017.

The returns presented represent past performance and are not necessarily representative of future returns, which may vary.

# Important Information

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**The Fund is a closed-end investment product. Common shares of the Fund are only available for purchase/sale on the NYSE at the current market price. An investment in the Fund is not a deposit of a bank and is not insured or guaranteed by the Federal Deposit Insurance Corporation or any other government agency.**

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**Definitions:** Active share represents the proportion of stock holdings in the fund that is different from the composition found in the benchmark. Beta measures the sensitivity of the fund to the movements of its benchmark. Volatility is measured by Standard deviation, which is the risk or volatility of an investment's return over a particular time period; the greater the number, the greater the risk. Tracking error is the difference between the price behavior of a position or a portfolio and the price behavior of a benchmark. VaR is Value at Risk, a widely used risk measure of the risk of loss on a specific portfolio of financial exposures.

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