



WEISSHORN

ASSET MANAGEMENT SA

Swiss Dividend

Current market environment

- Yields on two-year Swiss bonds have returned to negative territory (black line). The return gap between bonds and equities (gross of tax) has continued to widen as central banks have lowered their interest rates.
- For investors looking for income, dividends can be an attractive option.

Swiss Market Index Dividend Yield (red, excluding capital gains) vs Swiss 2-Year Bond Yield (black)



Source: Bloomberg



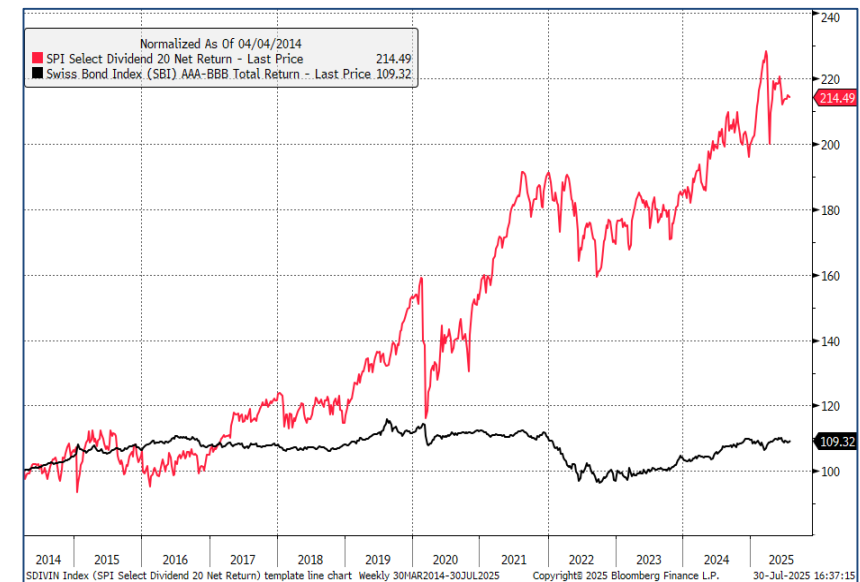
Swiss dividends vs Swiss bonds

- Dividends come with higher volatility though and requires a longer investment horizon.
- Although volatility is higher with respect to bonds, the risk-adjusted return measured by the Sharpe ratio is more attractive for a dividend strategy over the medium-term.
- Over time, dividend-paying stocks can offer both capital appreciation and a steady income stream, making them a compelling choice for balanced medium-term portfolios.

Volatility and Sharpe Ratio

Higher Volatility	
5 Year annualized Volatility	
Swiss Bond Index	4.45
SPI Select Dividend 20	13.92
BUT	
Higher return-risk tradeoff	
5 Year annualized Sharpe Ratio	
Swiss Bond Index	0.12
SPI Select Dividend 20	0.86

SPI Select Dividend 20 (red, net of tax) vs Swiss Bond Index (black)



Source: Bloomberg



Compounding effect

- During market downturns, dividends serve as a cushion, helping to offset losses.
- Over the long term, the compounding effect of reinvested dividends can significantly boost total returns.
- The chart compares the performance of the Swiss Market Index without dividends (black line) and the Swiss Market Index including dividends gross of tax (red line).

Swiss Market Index Total Return (red) vs Swiss Market Index Price Return (black)



Source: Bloomberg



Why are dividend a good long-term strategy?

- **Intrinsic value:** dividends generate cash flows, creating inherent value for investors.
- **Volatility buffer:** dividends can help mitigate volatility, as the yield increases when the stock price falls, making the stock more attractive.
- **Indicator of success:** dividends often reflect a successful business model and a company's ability to generate sustainable cash flows through sound financial management.
- **Pricing power:** dividends grow in line with nominal cash flows, helping to preserve their purchasing power compared to fixed-income alternatives. As such, dividends can act as a hedge against inflation.
- **Defensive characteristics:** historically, high-dividend stocks have performed well during market downturns, offering a prudent way to add defense and diversification to equity portfolios.
- **Compounding effect:** dividends have a powerful compounding effect, which can account for approximately 50% of total long-term shareholder returns.



Why are dividend a good long-term strategy?

Higher Yield	
Dividend Yield	
Swiss Performance Index	3.04%
SPI Select Dividend 20	4.05%

Less Expensive	
12 Month Forward PE	
Swiss Performance Index	18.5x
SPI Select Dividend 20	15.6x

Same endebtness	
Net debt to EBITDA	
Swiss Performance Index	1.27
SPI Select Dividend 20	1.35

More Volatile	
5 Year annualized Volatility	
Swiss Performance Index	12.56
SPI Select Dividend 20	13.92

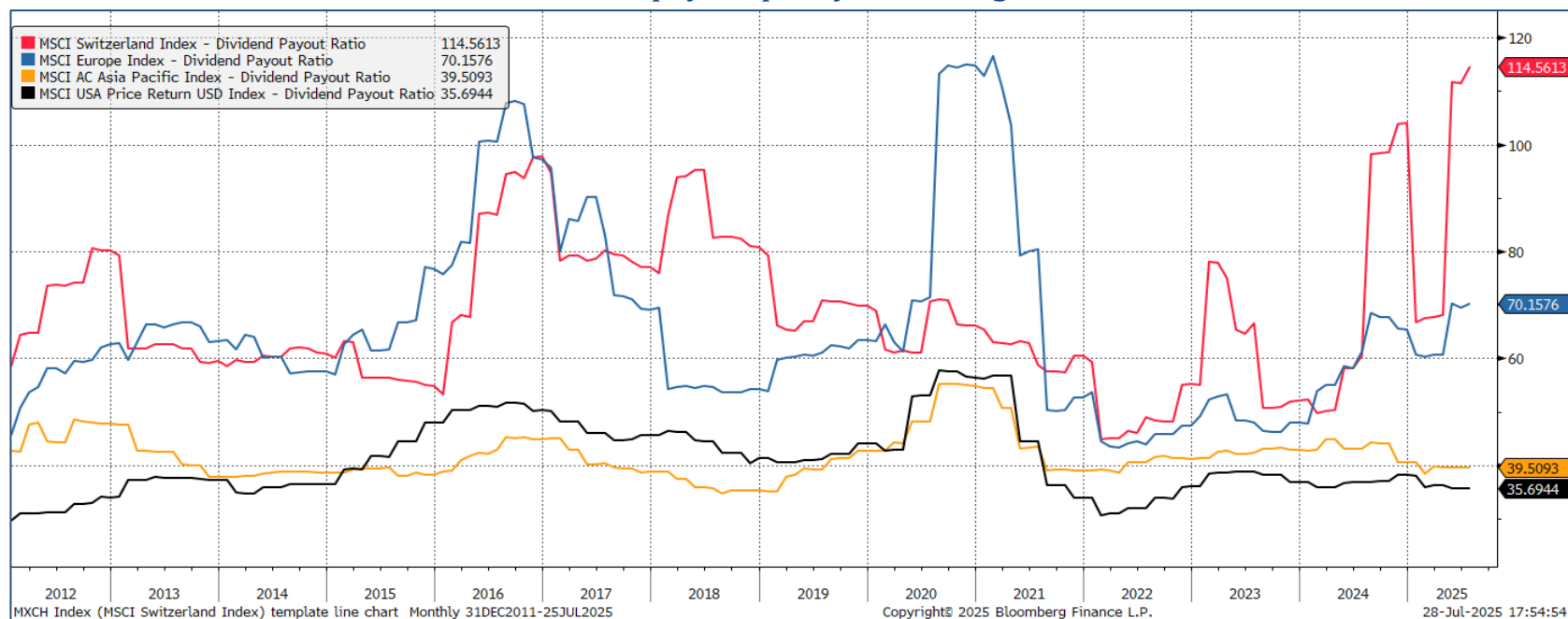
Source: Bloomberg



What are we looking for?

- Setting a dividend policy requires discipline and our commitment (reasonable payout):
 - I. Quality stocks with long-term dividend track record.
 - II. Expanding business models with strong balance sheets (growing cash flows, dividend growth potential).
- To sustainably increase dividend payments, companies must achieve consistent growth.
- True sustainability comes from investments that remain profitable over the long run.

Dividend payout policy across regions



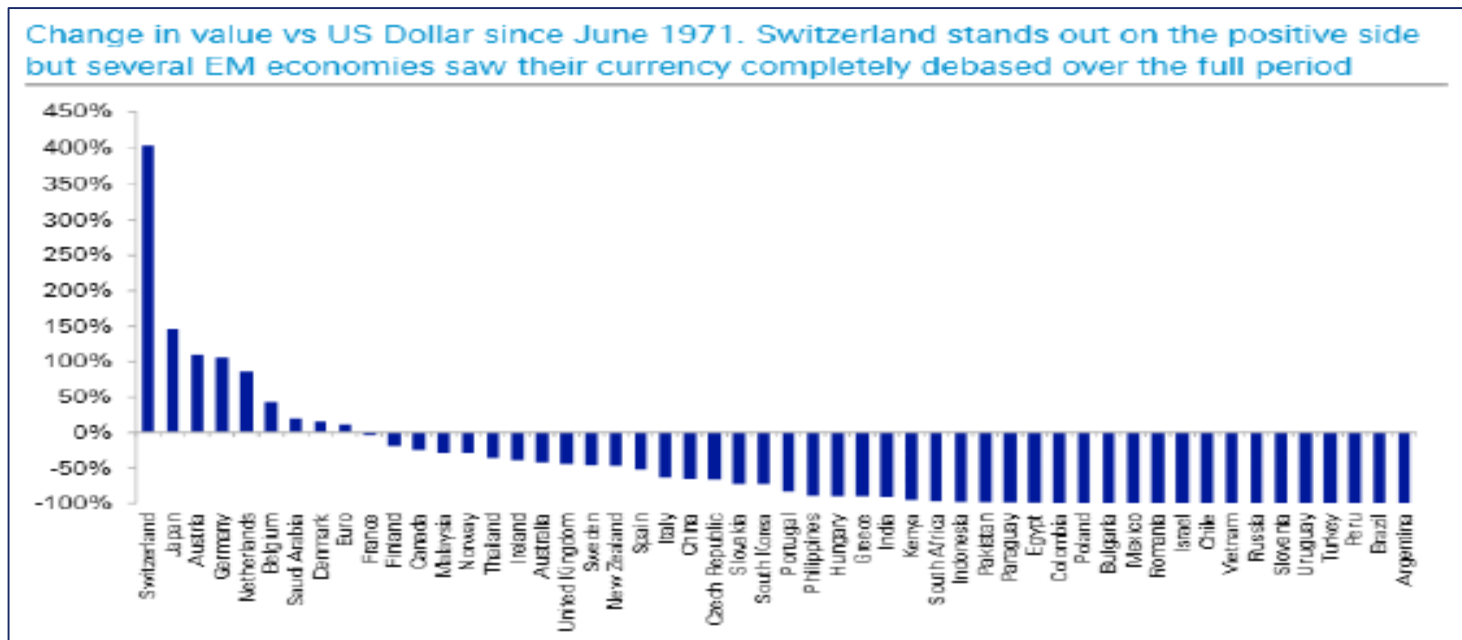
Source: Bloomberg



Why CHF?

- CHF is a proven safe-haven currency, supported by Switzerland's stable economy and strong governance.
- Since 1971, the CHF has gained more than 400% against the US dollar, **outperforming all major currencies.**
- In uncertain times investors turn to the CHF. This trend is not expected to reverse anytime soon...

Change in Value of Global Currencies vs USD since 1971



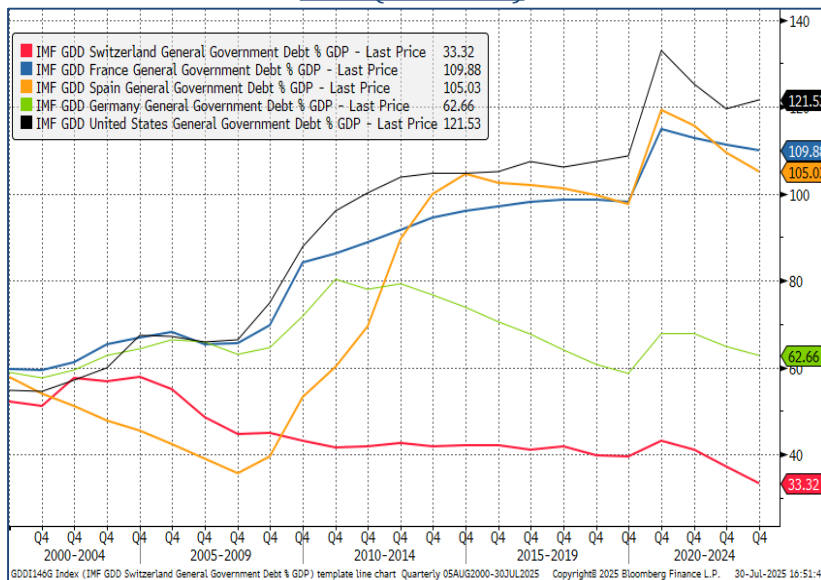
Source: Deutsche Bank



Why Switzerland?

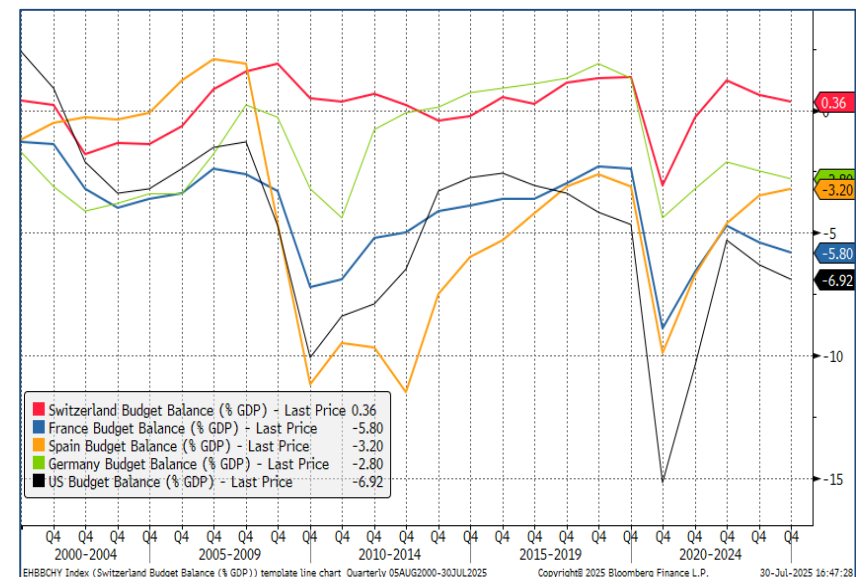
- Swiss markets exhibit lower volatility compared to global peers, reflecting economic stability and investor confidence.
- The country maintains one of the lowest unemployment rates among advanced economies, hovering around 2.5%, supported by a strong labor market and specialized industries. Another key point is that it shows a low debt-to-GDP ratio and consistently maintains a strong fiscal balance, underscoring its disciplined public finances.
- In the charts below, Switzerland appears in red, France in blue, Spain in orange, Germany in green, and the United States in black.

Debt (% of GDP)



Source: Bloomberg

Budget Balance (% of GDP)



Source: Bloomberg



Dividend Policy

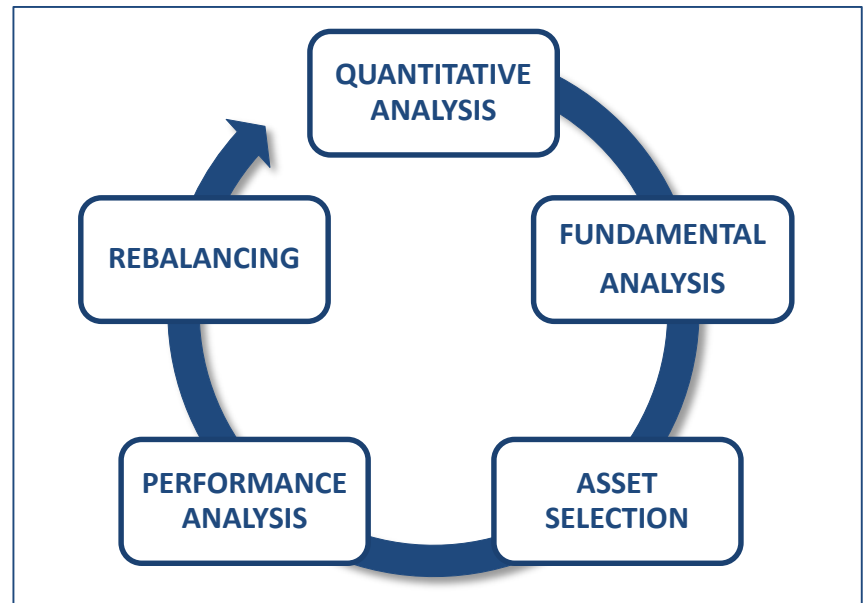
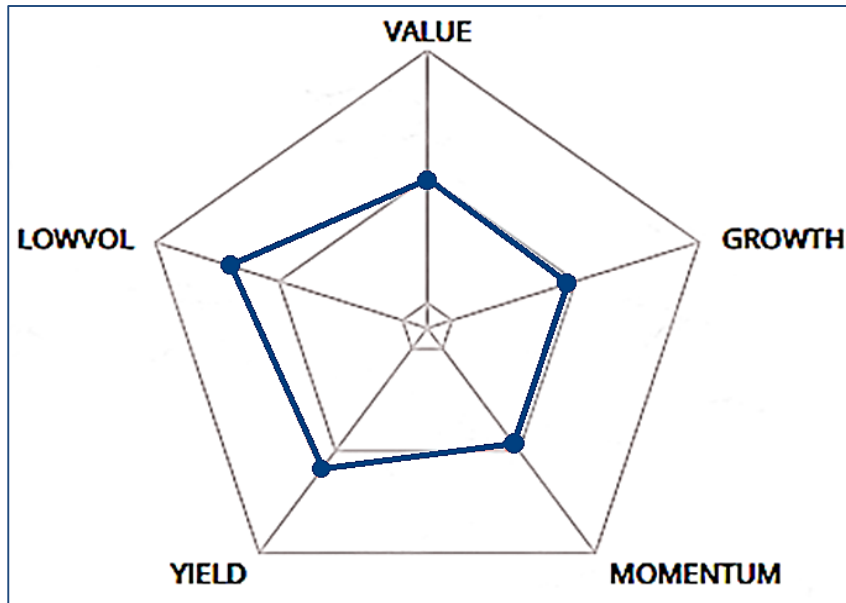
- We seek companies with a history of stable and consistently growing dividends.
- We prioritize companies that can continue paying dividends even during periods of economic uncertainty.
- In the table below, years when dividends increased are marked in blue, remained the same in white, and decreased in red.

Name	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
PARTNERS GROUP HOLDING AG	0.0	0.0	0.0	0.0	2.7	4.3	4.3	4.5	5.0	5.5	6.3	7.3	8.5	10.5	15.0	19.0	22.0	25.5	27.5	33.0	37.0	39.0	42.0
ZURICH INSURANCE GROUP AG	1.0	2.5	4.0	7.0	11.0	15.0	11.0	16.0	17.0	17.0	17.0	17.0	17.0	17.0	17.0	18.0	19.0	20.0	20.0	22.0	24.0	26.0	28.0
SWISS LIFE HOLDING AG-REG	0.0	0.0	4.0	5.0	7.0	17.0	5.0	2.4	4.5	4.5	4.5	5.5	6.5	8.5	11.0	13.5	16.5	20.0	21.0	25.0	30.0	33.0	35.0
BANQUE CANTONALE VAUDOIS-REG	0.0	0.2	0.3	0.5	0.7	4.7	3.0	3.1	3.2	3.2	3.2	3.2	3.2	3.3	3.3	3.3	3.5	3.6	3.6	3.7	3.8	4.3	4.4
SWISSCOM AG-REG	19.9	12.9	13.9	15.9	17.0	20.0	19.0	20.0	21.0	22.0	22.0	22.0	22.0	22.0	22.0	22.0	22.0	22.0	22.0	22.0	22.0	22.0	22.0
KUEHNE + NAGEL INTL AG-REG	0.6	0.7	0.9	1.1	1.5	4.4	2.3	2.3	4.3	3.9	3.5	5.9	7.0	5.0	5.5	5.8	6.0	4.0	4.5	10.0	14.0	10.0	8.3
NOVARTIS AG-REG	1.0	1.0	1.1	1.2	1.4	1.6	2.0	2.1	2.2	2.3	2.3	2.5	2.6	2.7	2.8	2.8	2.9	3.0	3.0	3.1	3.2	3.3	3.5
SGS SA-REG	0.3	0.4	0.5	2.0	0.8	1.4	2.0	2.4	2.6	2.6	2.3	2.6	2.7	2.7	2.8	3.0	3.1	3.2	3.2	3.2	3.2	3.2	3.2
NESTLE SA-REG	0.7	0.7	0.8	0.9	1.0	1.2	1.4	1.6	1.9	2.0	2.1	2.2	2.2	2.3	2.3	2.4	2.5	2.7	2.8	2.8	3.0	3.0	3.1
FLUGHAFEN ZURICH AG-REG	0.0	0.0	0.0	0.2	0.6	0.9	1.0	1.5	1.4	1.9	1.9	2.0	2.7	6.2	6.4	6.5	6.9	0.0	0.0	0.0	3.5	5.3	5.7
HOLCIM LTD	0.8	1.0	1.1	1.4	1.7	2.9	0.0	1.4	1.4	1.0	1.1	1.2	1.2	1.5	2.0	2.0	2.0	2.0	2.0	2.2	2.5	2.8	3.1
ROCHE HOLDING AG-GENUSSCHEIN	1.5	1.7	2.0	2.5	3.4	4.6	5.0	6.0	6.6	6.8	7.4	7.8	8.0	8.1	8.2	8.3	8.7	9.0	9.1	9.3	9.5	9.6	9.7
LOGITECH INTERNATIONAL-REG	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.8	0.2	0.3	0.5	0.6	0.6	0.7	0.7	0.8	0.9	1.0	1.1	1.2	1.3
GALENICA AG	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	1.7	1.7	1.8	1.8	2.1	2.2	2.3
EMMI AG-REG	0.0	0.0	1.6	2.6	2.6	2.6	2.6	3.0	3.4	3.4	3.6	3.8	3.8	4.9	5.9	10.0	9.0	12.0	13.0	14.0	14.5	15.5	16.5
CIE FINANCIERE RICHEMO-A REG	0.5	0.6	1.6	1.7	2.1	1.2	0.3	0.4	0.5	0.6	1.0	1.4	1.6	1.7	1.8	1.9	2.0	1.0	2.0	3.3	3.5	2.8	3.0
GIVAUDAN-REG	7.7	14.5	15.4	16.6	17.8	18.4	9.4	20.6	21.5	22.0	36.0	47.0	50.0	54.0	56.0	58.0	60.0	62.0	64.0	66.0	67.0	68.0	70.0
VONTOBEL HOLDING AG-REG	0.8	1.1	1.2	1.6	2.0	2.0	1.2	1.4	1.4	1.1	1.2	1.3	1.6	1.9	2.0	2.1	2.1	2.3	2.3	3.0	3.0	3.0	3.0
ENEL SPA	0.3	0.6	0.5	0.6	0.4	0.4	0.4	0.3	0.3	0.2	0.2	0.1	0.1	0.2	0.2	0.2	0.3	0.3	0.4	0.4	0.4	0.4	0.5
ENGIE	0.0	0.0	0.5	0.7	1.1	2.1	2.2	1.5	1.5	1.5	1.5	1.2	1.0	1.0	0.9	0.7	0.8	0.0	0.5	0.9	1.4	0.8	1.5
ENI SPA	0.8	0.8	1.4	1.3	1.3	1.4	1.2	1.0	1.0	1.1	1.1	1.1	1.0	0.8	0.8	0.8	0.8	0.6	0.7	0.9	0.9	1.0	1.0
TOTALENERGIES SE	1.0	1.8	1.5	1.7	2.0	2.2	2.3	2.3	1.1	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.7	0.7	1.7	1.5	3.1	3.3
FDJ UNITED	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.5	0.9	1.2	1.4	1.8	2.1



Portfolio monitoring

- Primarily Swiss companies, with a small portion of European firms to provide diversification.
- Monitoring of dividend policy changes.
- Expected dividend growth rate.
- Assessment of earnings quality: high earnings predictability.
- Cash flow statement analysis.



Source: Silex

Pitfalls to avoid



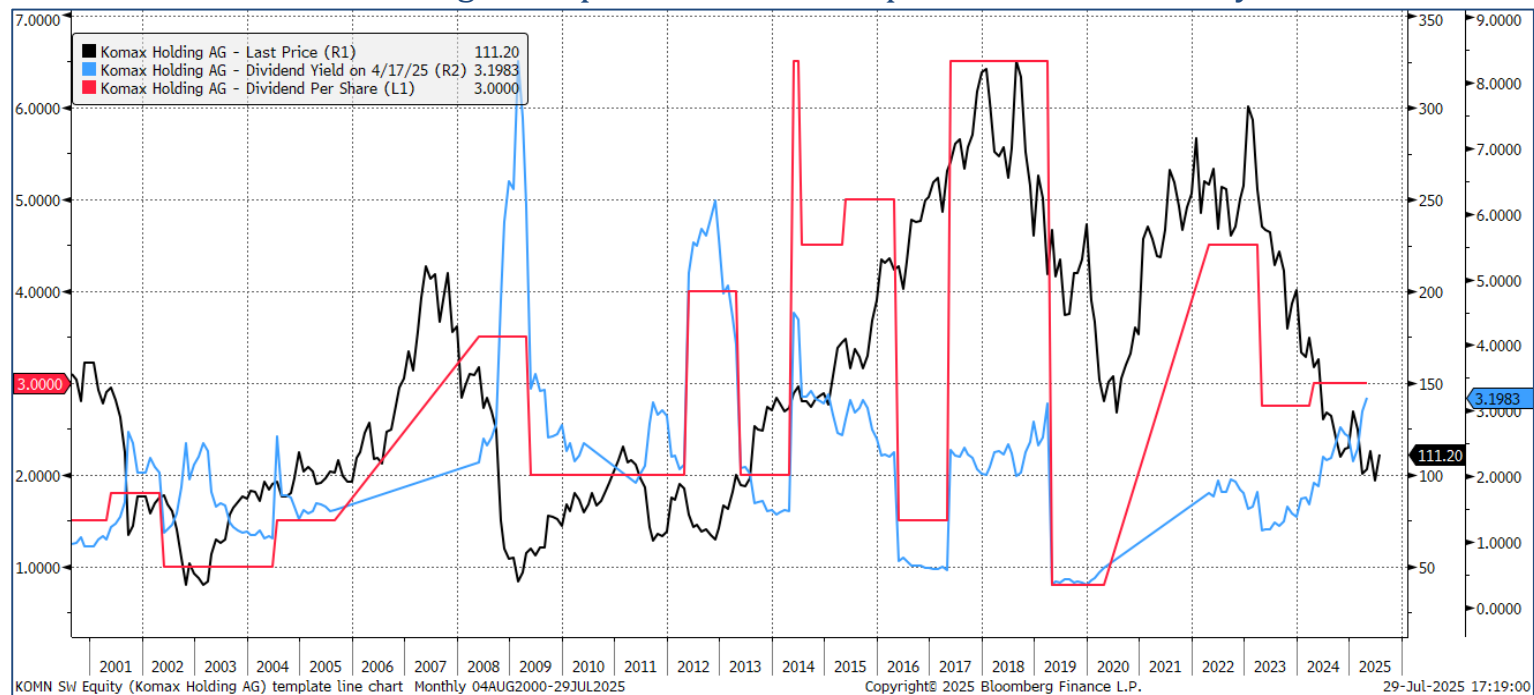
- A high dividend yield does not always translate into high shareholder returns.
- Selecting investments purely on high dividend screening is dangerous, a high dividend yield is not always a sign of good health and sustainable business model.
- A high dividend yield could sometimes be a sign of weakness in the business model and upcoming troubles. The market anticipates a future dividend cut and is selling the security ahead of the announcement.
- A high dividend yield may imply a lack of business opportunities as a going concern. The company returns money to shareholders because it has surplus cash and no investment opportunities. If it happens too frequently, the cashflow generation would attract competitors, margins would fall. If the company does not reinvest, it has no future.
- **All this means, an active management is required in a dividend strategy. Identify the pitfalls and position for long term sustainable investment strategy.**

What we try to avoid



- High dividends are sometimes not sustainable: example of Komax Holding AG.
- As the graph shows, Komax's dividend per share (in red) has been particularly volatile over the years, alternating between significant increases and sharp declines.
- Frequent or unpredictable variations may reflect sensitivity to economic cycles, dependence on annual results, or a lack of a clearly defined dividend policy

Komax Holding share price and dividend per share vs dividend yield



Source: Bloomberg

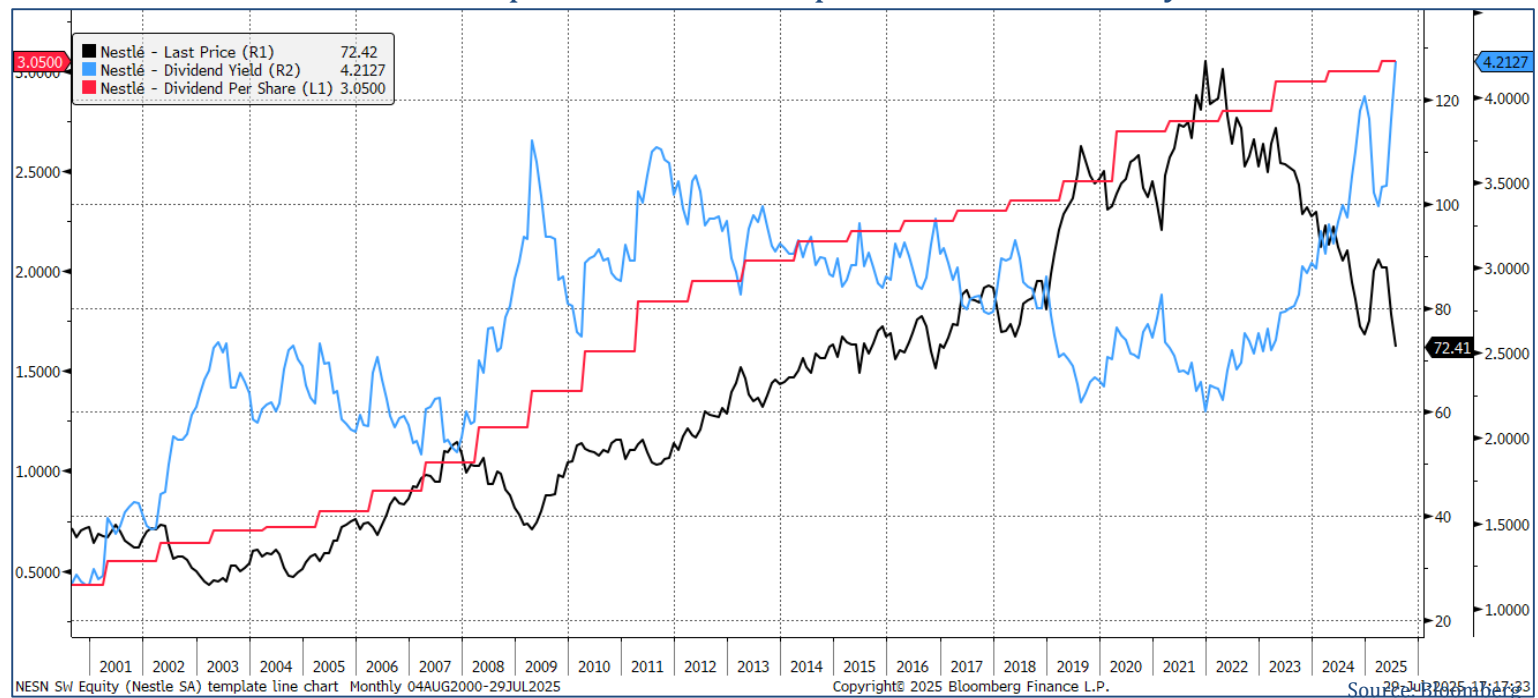


What we like



- Regular dividend increase: example of Nestlé in 2005-2025.
- 20-year regular dividend increase (red line). Share price increase (black line).
- Dividend yield (blue line).

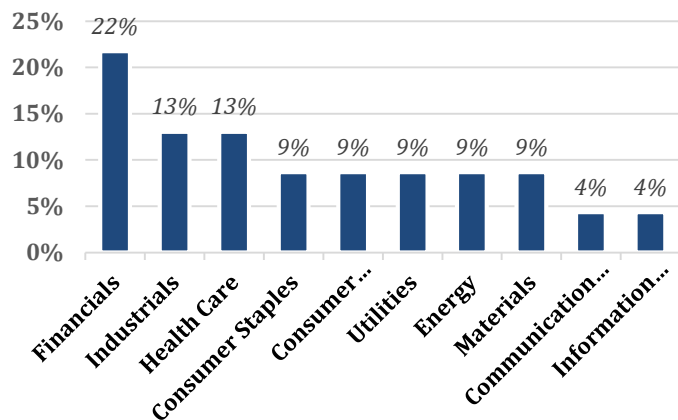
Nestlé share price and dividend per share vs dividend yield



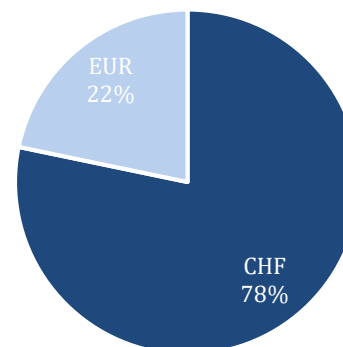
Portfolio details

	Swiss Dividend	Swiss Performance Index
Average PE	18.91	18.52
Average P/CF	16.96	15.26
Average ROE	25%	15%
Dividend Yield	4.10%	3.04%
Total Debt/Total Equity	121.05	140.93
Average Market Cap. (bn. CHF)	55.02	9.01
Nb of stocks	23	205

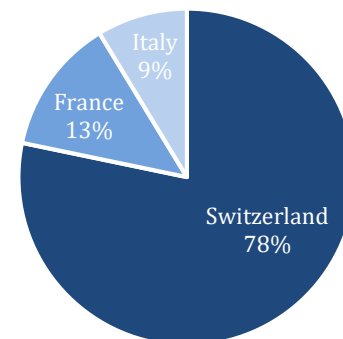
Sector Exposure



Currency Exposure



Country Exposure



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