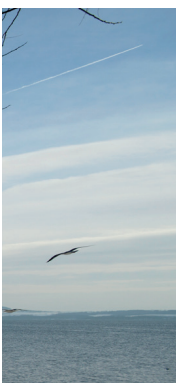




# Analyse February 2019

Tech sets the tone





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## Bonhôte Group news

### NEW HIRE IN LAUSANNE

Max Mooser, who has 12 years of experience in wealth management, has joined our Lausanne branch as senior private client manager. He is 43 years old and has a master's degree in psychology as well as an MBA from the University of San Diego, California.

### ACHIEVEMENTS OF OUR YOUNG SPORTS AMBASSADORS IN 2018

For the young athletes sponsored by Bonhôte, some of the 2018 highlights were as follows: sailor Maud Jayet qualified for the Olympic Games in Tokyo, showjumpers Mathilde Cruchet and Antony Bourquard qualified for the prestigious CHI Geneva equestrian event, and freeride skier Elisabeth Gerritzen finished in third place in the first world cup qualifier in Japan.

### BONHÔTE IN THE PRESS

Our experts were in demand in Switzerland's French- and German-speaking media in 2018. You can find excerpts from the main articles mentioning Bonhôte at [bonhote.ch/press](http://bonhote.ch/press).

In collaboration with Le Temps

**A small number of stocks, mainly American ones, dominate the global stockmarket league table. They consist principally of companies that originally launched in the technology sector and have now conquered the digital world.**

The internet and other technologies are omnipresent in our day-to-day lives, particularly through the computers, smartphones and services we use. Seven of the world's top 10 companies by market capitalisation operate in the tech sector. Five of them are known as the GAFAM stocks, i.e. Alphabet (parent company of Google), Amazon, Facebook, Apple and Microsoft, and the other two are Chinese (Tencent and Alibaba). There are still three "outsiders" in the top 10: Warren Buffet's conglomerate Berkshire Hathaway (market cap of USD 503 billion), pharmaceuticals giant Johnson & Johnson (USD 351 billion) and banking group JP Morgan (USD 348 billion).

The rankings fluctuate according to newsflow affecting the companies. Last summer, Apple became the world's first company to achieve a market capitalisation of over USD 1,000 billion. This is roughly the same as the market cap of the world's entire aviation industry. At the end of 2018, however, a build-up of bad news and fears stemming from the trade war between China and the USA caused a major stockmarket correction, resulting in Microsoft (market cap USD 816 billion) rising to the top of the league table, pushing Apple (USD 779 billion) down to second place. Microsoft owes its success to its firm grip on intellectual property, large sales of its Windows software services, its acquisition of social network LinkedIn and its Cloud Enterprise storage solution.

#### Reasons for tech dominance

The reasons for this stockmarket dominance can be found in industrial innovations. Although technology is now in the limelight, in the past it was railway companies, airlines and oil majors. In 2011, Exxon Mobil reigned over the stockmarket, having been the world's largest company by market cap for a long time. But then came the digital revolution, which has completely disrupted all sectors. The internet and social media control connections across the world and store private data, to the great benefit of consumers, who can access information (for example through search engines) at lower cost.

## TECH SETS THE TONE

This near-monopoly results in unrivalled profit margins. The tech giants are making colossal profits. They are also buying up successful small companies and start-ups in order to avoid competition.

#### Winner takes all

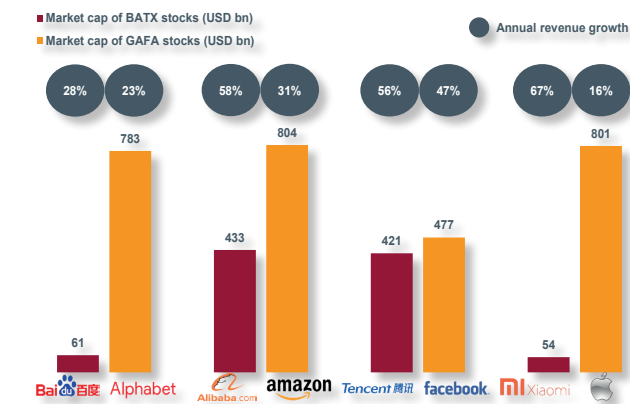
The success of tech companies is causing a "winner takes all" effect. Before coming up with products and services that are now unavoidable, these "winners" operated in niche businesses. Originally, Amazon sold books, for example. It now leads the market for storing data in the cloud and even owns a chain of organic food shops. Google used to be just a search engine. It now owns YouTube and is developing self-driving vehicles. Apple, which was almost bankrupted by its Mac computers, now makes luxury smartphones. These companies take advantage of large network effects and economies of scale.

#### Chinese giants lying in wait

Does the sharp correction in US tech companies' share prices in late 2018 spell the end for their dominance? The answer is no, at least not yet. These giants have billions of users and vast amounts of data, which gives them a strong foundation. However, their power is being challenged by fast-growing Asian rivals. They include the Chinese web giants known by the acronym BATX (Baidu, Alibaba, Tencent and Xiaomi). China intends to step up its "Made in China 2025" plan, through which it aims to become self-sufficient in all key technologies.

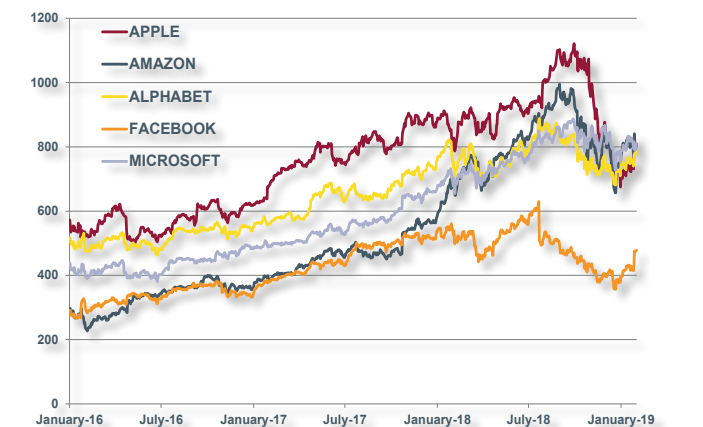
Unlike Europe, China has put in place measures to protect its domestic market by favouring local players. This is the real issue in the trade war that Donald Trump is waging against China. Beijing's desire to become a major technological power worries Washington. It is a reasonable concern, given that US tech companies are struggling to maintain the constant pace of innovation and that their new products are cannibalising the ones they already have on the market.

Fig. 1. The BATX are jostling for position with the GAFAM



Source: Bloomberg, Statista

Fig. 2. Market cap of GAFAM stocks (USD bn)



Source: Bloomberg

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## WHEN THE UNEXPECTED HAPPENS

**An event such as an accident, illness or stroke can impair our faculties, either temporarily or permanently. While it is quite common to carry out inheritance planning by drafting a will or a contract of inheritance, few consider the risk of losing their capability of judgment. However, there is a solution: the Advance Care Directive.**

### What is an Advance Care Directive?

An advance care directive allows a person with capacity to act to appoint another party to represent him or her for specific purposes in the event that he or she is no longer capable of judgement. In the absence of an advance care directive, most legal acts will be governed by the Adult Protection Authority, which will appoint a curator.

### When is an Advance Care Directive appropriate?

Here are some examples of when an advance care directive can prove very useful:

A woman owns a large investment portfolio that is being managed by a bank. She falls ill and becomes incapable. The advance care directive allows the asset management agreement with the bank to be adjusted to the woman's new situation.

A man is the joint owner of real estate with his wife, on which they have a joint mortgage. He becomes incapable of judgement following a stroke. In this situation the wife cannot renew the mortgage or sell the house because those legal acts require the consent of both spouses. Without an advance care directive, a married couple can only represent each other with respect to basic acts such as ordinary dealings regarding income or managing correspondence. With an advance care directive, a deadlocked situation can be avoided.

A manager and shareholder in a limited liability company becomes incapable following a ski accident. Without specific measures he cannot be represented by his wife in the company's shareholders' meeting. If he is also the sole signatory on the company's bank accounts, they will be frozen. With an advance care directive, however, his company could continue operating without any interruption.

### What does the appointee have to do?

Under the advance care directive, the appointee acts on behalf of the client in all his/her legal relationships with third parties (insurance companies, authorities etc.). The appointee deals with the client's movable property and real-estate assets – including handling a mortgage and arranging the sale of a property – based on the client's wishes.

### What form must an advance care directive take?

An advance care directive shall be either handwritten, dated and signed by the client, or publicly authenticated by a notary. Although there is no obligation to register the directive, we recommend recording its existence and the place where it is kept with the Swiss Civil Register Office.

### Who ensures the proper execution of the directive?

If the client becomes incapable, the Adult Protection Authority verifies the form and validity of the directive, as well as the client's capacity of judgement. This is why the appointee's duties must be defined as clearly as possible in the directive, in order to avoid any ambiguity. The appointee may also ask the Adult Protection Authority to interpret the directive and to add clarifications to related matters.

### Who can be appointed as appointee?

The appointee can be a natural person or a legal entity. We advise appointing a second appointee who can stand in for the first appointee. This avoids any risk of the directive becoming invalid, for example if the first appointee were to die. Clearly, by appointing a qualified appointee who has the knowledge and skills required to fulfil his/her duties, people can plan for the unexpected and spare both themselves and their loved ones a great deal of trouble.

**Bonhôte Services is able to act as appointee; please contact any member of our team if you would like more information.**