

# SWISSQUOTE

FINANCE AND TECHNOLOGY UNPACKED

30-PAGE  
REPORT

**GAMING**  
Is it time for  
Microsoft  
to bow out?

**FINANCE**  
Stock  
Wars

**ANALYSIS**  
The kawaii  
recipe

DOSSIER

# MOROCCO ON THE RISE



AEROSPACE  
AUTOMOTIVE  
RENEWABLE ENERGY





MB&F  
HM6 "Space Pirate"



Gaby Wormann  
Mecre



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Legacy Machine 101



Frank Buchwald  
Nixie Machine

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# The lion awakens



By Marc Bürki,  
CEO of Swissquote

**S**wissquote Magazine's special report this year showcases Morocco, a country which is dear to me, and one of the most dynamic on the African continent. After delving into South Korea, Brazil, the city of Shanghai and Scandinavia last year, our focus now shifts to this region of the world, brimming with hope and promise. Along with questions and challenges.

With its political stability, Morocco gleams like a rare gem along the African stretch of the Mediterranean. This relatively sound environment, underpinned by a reform-friendly regime, offers fertile ground for the country's **modernisation**. The most recent Global Competitiveness Report from the World Economic Forum, which covers 140 countries, ranked Morocco 42nd in terms of mobile phone subscriptions, 33rd for the quality of its railway network and as high as 22nd for the impact of regulations on foreign direct investment on the business climate. And based on the government's latest forecasts, that's just the start. Average annual GDP growth is expected to rise from 3.3% between 2012 and 2016 to more than 5% between 2017 and 2021.

Of course, Morocco still has a long way to go before it reaches the economic stature of the most advanced countries or can achieve the same status as the Four Asian Tigers. The **government** faces huge chal-

lenges with the much-needed overhaul of the education sector and the lack of local innovation.

Even so, the report by our journalists in the country points to its swift progress. And some of that has come as a surprise. Who would have thought that **Casablanca**, historically the kingdom's economic capital, would become a worldwide aeronautics hub? Meanwhile, **Tangier**, a hotbed for the automotive industry, has undergone a complete facelift and expanded its tourist and commercial ports, offering strategic transfer points just 15 kilometres from the Spanish coastline. The kingdom has also emerged as a favourite destination for investing in renewable energy, often coming from the Old Continent. So much so that it is set to host COP22 in Marrakesh in November 2016.

But don't let that fool you. Morocco's appeal for European countries and investors is irrefutable, but what King Mohammed VI truly dreams of is leading his country towards an African and universal destiny. The kingdom is the continent's leading investor in West Africa and has been gently extending its influence there while nurturing its relations with the Gulf states. Things are happening in Morocco! Should we see what's happening in 10 years?

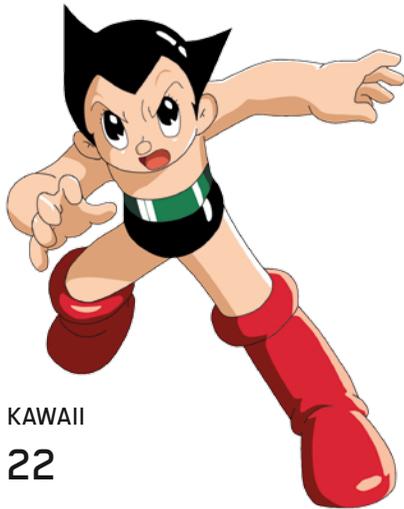
Enjoy!

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DOSSIER

# MOROCCO ON THE RISE

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**PUBLISHER**  
Swissquote  
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1196 Gland - Suisse  
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**PRINTING, BINDING  
AND DISTRIBUTION**  
Stämpfli Ltd.  
Wölflistrasse 1 - 3001 Berne  
www.staempfli.com

**ADVERTISING**  
Mediensatellit  
Baslerstrasse 30 - 8048 Zurich  
www.mediensatellit.ch

**WEMF**  
REMP 2015: 49,471 ex. Print run: 60,000 ex.



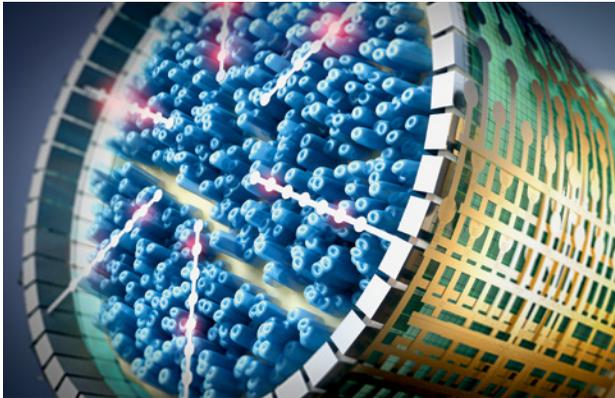
printed in  
switzerland

**SUBSCRIPTION**  
CHF 40 FOR 6 ISSUES  
www.swissquote.ch/magazine

AFP / FREDERIC J. BROWN - KEYSTONE / STEFFEN SCHMIDT - ANNAIS FERREIRA - NESTLÉ - MICHAËL OTTENWAELETER

# SCANS

*health*  
HEALING ELECTRICAL IMPULSES



GSK

GlaxoSmithKline and Alphabet (Google) have joined forces and created a joint-venture company, Galvani Bioelectronics, to develop medical treatments using electrical signals. They will invest \$715 million in this company over the next seven years. The objective is to create miniature electronic devices that can be attached to a nerve and modify the signals transmitted along the nerve. This technology should help reduce nerve inflammation in patients suffering from arthritis and diabetes and help people who are asthmatic by opening up the respiratory tracts.  



“Shopping centres aren’t dead. They are still a place where we meet up and spend time with friends.”

**Dick Johnson,**  
CEO of Foot Locker,  
US sportswear and  
footwear retail company.



British actress and model Suki Waterhouse, brand ambassador for Amazon Fashion, takes a break at the opening of the company’s new photography studio in London.



# 17%

The return on equity, i.e. approximately 200 million Swiss francs, for the international banking group Mirabaud. This makes it the most profitable private bank in Geneva’s financial centre, ahead of Pictet (14%), Lombard Odier (11%) or Edmond de Rothschild (4.6%) according to *Le Temps*.

*packaging*  
LIGHTWEIGHT, UNBREAKABLE BOTTLES

The specialist Swiss packaging manufacturer, based in the canton of Vaud, has just started producing bottles made from toughened glass. The company has been testing this production method since 2013. This technology was developed by Emhart Glass, part of the Zurich-based Bucher Group. The technique involves heating the bottles to 700 degrees before submerging them rapidly in a cooling trough. This enables lighter but tougher glass bottles to be produced—these bottles can be dropped from a height of 1.5 m without smashing. This new technique could ultimately revolutionise the glass bottle recycling market, which is currently dominated by PET bottles.  



VETROPACK

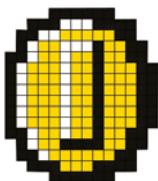


REUTERS / SUZANNE PLUNKETT

*fashion***MADE IN AMAZON**

Amazon has set its sights on becoming a clothing giant. The e-commerce company already has a 7% market share for clothing sold in the US, and this should increase to 19% by 2020, according to Morgan Stanley. Amazon currently sells mainly socks, trainers, t-shirts and other low value-added items. However, Amazon recently launched its own line

of mid-range clothing, under the Franklin & Freeman, Scout + Ro and Society New York labels, and is attracting more and more established brands who want to take advantage of Amazon's logistics network and vast clientele. Distribution giants such as Walmart, Target and Macy's are losing out the most as a result. AMZN

*banking***UBS PIONEERS A NEW TYPE OF VIRTUAL MONEY**

this currency is based on Blockchain technology. In contrast to Bitcoin, USC is not intended to be used for payments between individuals but for transactions between financial institu-

tions—notably securities trading—and to help reduce the cost. The Utility Settlement Coin will be launched in 2018. BNY Mellon, Deutsche Bank and Santander, as well as the broker ICAP have all lent their support to this new currency. But there is also another new virtual money project, under the auspices of the R3 Group, that has garnered the support of 45 financial institutions—and it might just leave USC in the shade. UBSN

**RANKING****THE TOP FIVE STEEL-PRODUCING COUNTRIES**  
(IN MILLIONS OF METRIC TONNES IN 2015)

1. CHINA  
803.83
2. JAPAN  
105.15
3. INDIA  
89.58
4. US  
78.92
5. RUSSIA  
71.11

Source: World Steel Association

**TOP FIVE COFFEE-CONSUMING COUNTRIES**

(LITRES PER PERSON IN 2016)

1. THE NETHERLANDS  
260.4
2. FINLAND  
184.9
3. CANADA  
152.1
4. SWEDEN  
141.9
5. GERMANY  
129.2

Source: Euromonitor

**TOP FIVE BESTSELLING CARS WORLDWIDE**

(UNITS SOLD IN THE FIRST HALF OF 2016)

1. TOYOTA COROLLA  
634,298
2. VOLKSWAGEN GOLF  
500,630
3. FORD F-SERIES  
478,384
4. FORD FOCUS  
367,479
5. HYUNDAI ELANTRA  
363,490

Source: F2M Global  
Mobility Database

SCANS

KICKSTARTER



LEIF

**LEIF  
AN ALARM  
FOR YOUR WALLET**

Leif is a smart card that can be slipped into your wallet and warns you if you have forgotten your wallet or if it is stolen. Through a bluetooth connection, the card sends a message if the wallet and its owner are more than 10 m apart. If this happens, Leif transforms into a geolocatable spy. The card's location and name of the location is shown on Google Maps. If this happens to be a restaurant or public place, the phone number will also be displayed. To avoid annoying, false alarms, each time that the wallet is left somewhere on purpose (when the owner is at home, for example), you can program an exclusion zone which deactivates the app.

FUNDS RAISED  
\$38,507

AVAILABILITY  
JANUARY 2017



“It doesn't make any sense to use a vehicle that weighs 2 tonnes to deliver an order that weighs just 2 kg”

**Don Meiji**

CEO of Domino's Pizza, announcing the launch of deliveries using drones.

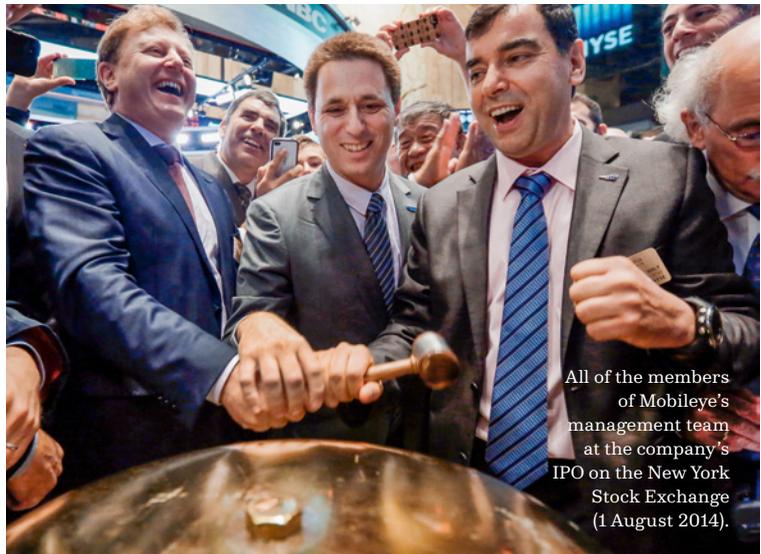


**\$204 billion**

Revenue that will be generated by cloud computing in 2016, according to the business intelligence firm, Gartner. In 2015, this method for remotely storing electronic data brought in \$175 billion, with a 16.5% increase expected for 2016.

*automobile*

**FLAT-PACK ROBOTIC CAR**



All of the members of Mobileye's management team at the company's IPO on the New York Stock Exchange (1 August 2014).

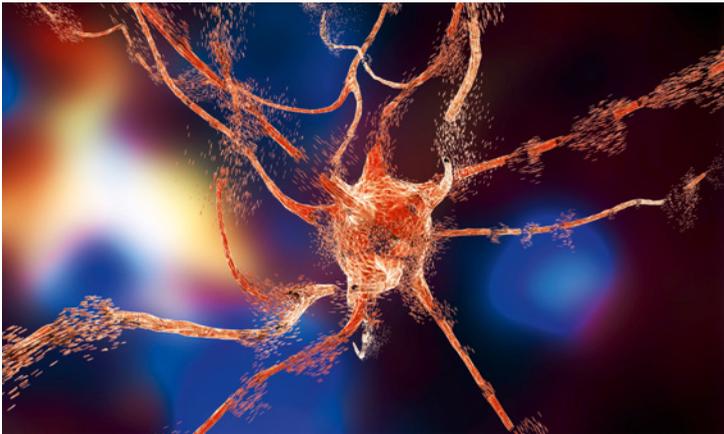
KEYSTONE / RICHARD DREW

Google, Uber, Alibaba, Ford, BMW and General Motors are just some of the companies which currently have a robotic car project on the back burner. One of the most interesting initiatives is proposed jointly by Delphi, a car electronics and navigation system components supplier based in Britain, and Mobileye,

an Israeli start-up that manufactures smart cameras. These two firms have joined forces to develop an operating system which could be adopted by any car manufacturer and integrated into its vehicles to make them self-driving. This system will hit the market in 2019.

— DLPH — MBLV

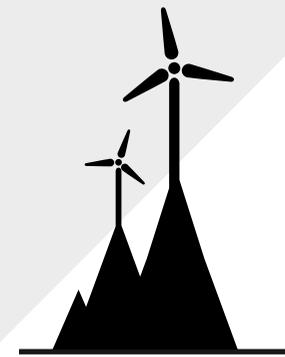
*pharmaceuticals*  
NOVARTIS AND NEUROLOGY



AFP / SCIENCE PHOTO LIBRARY / KATERYNA KON

Neurology accounts for only 13% of Novartis's sales, but the Basel-based group has set itself the target of becoming the leader in this field. The company has just announced positive results from its phase III clinical trial for a new treatment for a type of multiple sclerosis that affects a quarter

of all MS sufferers, representing a market worth \$20 billion per year. Novartis already markets Gilenya, a treatment that earned the company \$2.77 billion in 2015, and the generic drug Glatopa, through its subsidiary Sandoz. Novartis is also developing two Alzheimer drugs.  NOVNI



**+17%**

Increase in revenue over the past year for the eight largest wind turbine manufacturers, including the Danish company Vestas and the German firm Enercon. These companies have generated a total of €27 billion.

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## SCANS



“We’ll make them lose again”

**Anthony Tan**

CEO of Grab, a transportation service that is looking to take market share away from Uber and Didi in Asia.



**\$600**

The cost of an EpiPen, an injectable pen used to treat serious allergic reactions. In 2008, an EpiPen cost less than \$100. This phenomenal increase in price is thanks to the US pharmaceutical group Mylan, which bought the rights to this product in 2007 from Merck.

## tourism

## THE CHINESE CATCH THE CRUISE BUG

Cruise operators are reaping the benefits of the new Chinese middle classes' appetite for taking holidays. Last year, 2.5 million went on a cruise, i.e. 44% more than in 2014. The Swiss company, MSC, has made Shanghai the home port for the MSC Lirica, one of the jewels in the company's fleet of cruise liners. Royal Caribbean

Cruises and Carnival Cruise have also redeployed several ships to China. But they have had to adapt the cruises that they offer to suit the tastes of their Chinese clientele. Spas and bars have been ripped out and replaced by restaurants, casinos and shops.

— RCL — CCL



Chinese tourists from a Royal Caribbean Cruises ship land in the South Korean city Incheon, west of Seoul.

NEWS.COM / YONHAP NEWS / YNA

## FLOP

## Google gives up live streaming

In mid-September, Google delivered the fatal blow to Hangouts On Air, its streaming service. Launched in 2012, this platform has welcomed guests such as Barack Obama. Hangouts On Air offered several unique features, such as Q&A which enabled speakers to reply to audience questions

in real time, Showcase which pointed users to other online content that Google wanted to promote and Applause, which allowed viewers to give a “thumbs up” or “thumbs down” to a live broadcast. But this service was never going to be able to last in the face of competition from YouTube

Live, launched a year later. The decision to stop Hangouts On Air is part of a wider global strategy aimed at redefining Google+, which has taken over the Hangouts offering. Google wants to create a centralised platform which connects people who share the same passions. — GOOG

WORLD'S  
**FIRST**

THE HYDRO  
MECHANICAL  
HOROLOGISTS

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Luz ERn : **Les Ambassadeurs** | in TERLAKEn : **Kirchhofer** |  
ST MORITZ: **Embassy - La Serlas** | zu RiCH: **Les Ambassadeurs** |

HYTWATCHES.COM

## SCANS



# 4%

The percentage of all road journeys worldwide made by transportation services like Uber. This is expected to rise to 25% by 2030, according to a study carried out by Morgan Stanley.

## telecoms

## SATELLITE COMMUNICATION TAKES A DIP

The spectacular slowdown experienced by the shipping and offshore oil industry, in the wake of the decline in the price per barrel, has claimed an unexpected victim: satellite communication providers, who count these sectors amongst their clients. The British company Inmarsat has seen revenues from the maritime sector fall by 4.5% and 0.5% in the first and second quarter of 2016 respectively. The company's share price has dropped more than 50% since the start of the year. The Luxembourg-based company SES and US firms EMC Connected and Iridium Communications are amongst other significant players in this sector.

— ISAT



“We are a tech company, not a media company. We provide the tools, not the content.”

**Mark Zuckerberg,**

CEO of Facebook, replying to a student who asked him if the social network was becoming an editor.

## food

## TECTONIC SHIFTS IN THE AGRIFOOD INDUSTRY

The agrifood industry is in the middle of a shakeup. After the announcement of the Dow-DuPont merger, followed by a statement publicising that the Swiss company Syngenta had been bought by the Chinese firm ChemChina for \$43 billion, the German chemicals company Bayer has bought the US giant Monsanto for \$66 billion. These new tie-ups are due to a reduction in demand, following the slump in agricultural commodities. But they will also increase the concentration in a sector where these six groups already control 75% of the market. Farmers fear that these mega-firms will take advantage of their monopoly over the market to drive up seed, fertiliser and pesticide prices.



The chairman of ChemChina with a model of a chemical factory at the company's headquarters in Beijing.

LIANG ZI / AFP

MANUFACTURE DE HAUTE HORLOGERIE



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# TRENDS



*the figure*

ROB SHUTER

VODAFONE INSTITUT

## Rob Shuter heads home

Position  
CEO of MTN  
(starting in  
July 2017)

Nationality  
South African

Age  
48

South African-born Rob Shuter is set to take over as head of MTN, a multinational based in Johannesburg, starting on 1 July 2017. MTN is Africa's largest operator in the continent's fast-growing market of mobile telecommunications, with 230 million subscribers across 22 countries. Until his move, Mr Shuter remains chief of European operations for the UK telecoms company Vodafone. He has previously worked for Vodacom, the

African subsidiary of his current employer, and two South African banks, Standard Bank and Nedbank. The future CEO was chosen to bring his experience gained in the more mature European telecommunications market to stabilise MTN and guide its continuing expansion. He will also have to clear a sizeable hurdle on the operator's growth path: a \$1.7 billion fine levied by Nigeria for failing to disconnect 5.1 million unregistered Nigerian users, which had raised fears of criminal activity.



*the country*

FRANCE

## Growth slows to a halt

The French economy is slowing down. The European nation recorded no GDP growth in the second quarter of 2016, following a meagre 0.7% jump in the first quarter, according to the National Institute of Statistics and Economic Studies (Insee). Its economy has stagnated mainly due to a drop in investments (-0.4%, against 1.3% in the first quarter) and production (-0.2%, after +0.7%) following social unrest sparked when some of the country's leaders tried to push through new labour laws that would give companies greater leeway in terms of redundancies and working hours. Household consumption, up 1.2% in the first quarter, remained virtually idle in the second quarter. Other sectors of the French economy, such as tourism, have suffered in the aftermath of the attacks that have struck the country since the beginning of the year.

Population  
66.7 million

GDP per capita  
in 2015  
\$37,615

Growth in 2015  
1.1%

Main economic  
sectors  
industrial  
manufacturing,  
energy, agricul-  
ture, tourism,  
transportation



This aerobatic airplane, fitted with a Siemens electric engine is only the first step. The German manufacturer, partnering with Airbus, wants to develop a hybrid aircraft by 2030.

*the innovation*

ECOLOGICAL AEROSPACE

Company  
Siemens

Launch  
2030

Number of  
passengers  
60 to 100

## Electric planes take to the skies

The aerobatic plane builder Extra Aircraft has teamed up with fellow German manufacturer Siemens to develop the world's first electric aircraft. Its maiden flight took place at the end of June 2016. Then in early July, the plane made a second flight, which lasted 10 minutes. The project has even brought in subsidies from the German government. The Siemens-built engine weighs barely 50 kg for output of 260 kilowatts, but it is powered by two batteries weighing 150 kg each. And they only provide enough juice to keep the plane in the air for 20 minutes.

However, the German manufacturer believes that the rapid advances in electric battery technology in the past few years will lead Siemens towards its goal of developing a hybrid-engine plane that can seat 60 to 100 passengers, somewhere between now and 2030. To achieve that, it has brought on board the European manufacturer Airbus. This next generation of aircraft will reduce CO<sup>2</sup> emissions by 50% while using less fuel. And being practically silent, the plane will be able to take off and land at night without disturbing nearby residents.

THE MATCH

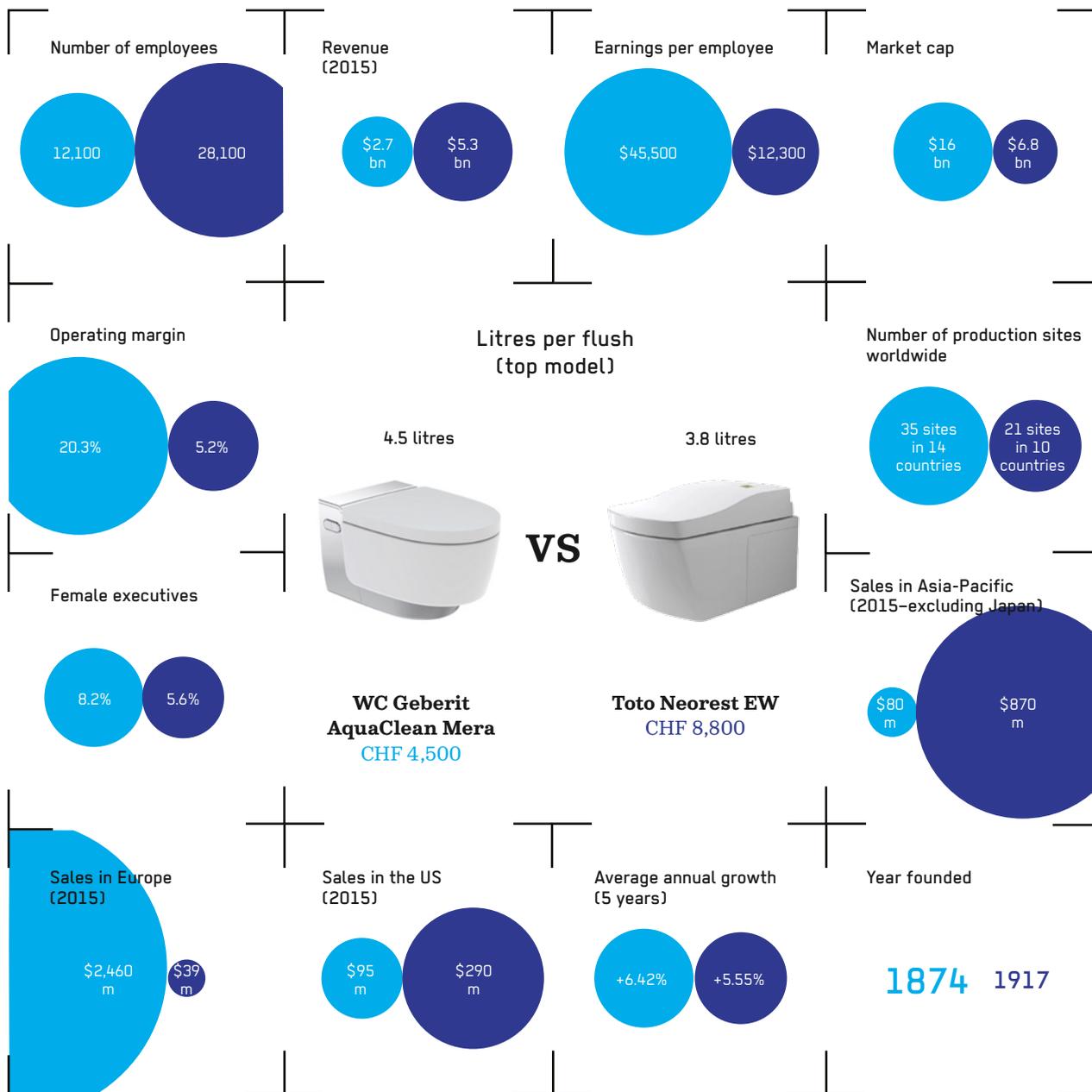
# Geberit vs Toto

BY DANIEL SCHNEIDER

Geberit's internationalisation policy continues. Since acquiring the Finnish company Sanitec in February 2015 for \$1.4 billion, the Swiss medical equipment supplier has, without a shadow of a doubt, become the European leader in its sector. Based in Rapperswil-Jona, in the canton of Saint-Gall (Switzerland), Geberit has positioned itself at the top of the range thanks to its technical innovations. The company has decided that it now wants

to break into "washlets"—toilets which have a built-in gentle water jet that offers users incredible cleanliness. This high-end WC market is booming and is experiencing double and sometimes even triple-digit growth. In Japan, where the high-tech toilet market is already well established, 70% of homes are equipped with "washlets". In Switzerland, this figure stands at only 7%, with a European average of barely 1%. The technical refinement and

sleek design of Geberit's Mera model set it apart from its competitors, with the company experiencing such strong demand that customers had to wait more than six months to take delivery of the product. These issues now seem to have been resolved, but not before this let Toto, the Japanese manufacturer who invented "washlets", get its foot in the door. In the US and Asia, Toto is still streaks ahead of Geberit.  



Sources: annual reports, Bloomberg, Reuters, MarketLine

TO BREAK THE RULES,  
YOU MUST FIRST MASTER  
THEM.

THE VALLÉE DE JOUX. FOR MILLENNIA A HARSH,  
UNYIELDING ENVIRONMENT; AND SINCE 1875 THE  
HOME OF AUDEMARS PIGUET, IN THE VILLAGE OF  
LE BRASSUS. THE EARLY WATCHMAKERS WERE  
SHAPED HERE, IN AWE OF THE FORCE OF NATURE  
YET DRIVEN TO MASTER ITS MYSTERIES THROUGH  
THE COMPLEX MECHANICS OF THEIR CRAFT. STILL  
TODAY THIS PIONEERING SPIRIT INSPIRES US TO  
CONSTANTLY CHALLENGE THE CONVENTIONS OF  
FINE WATCHMAKING.



ROYAL OAK  
PERPETUAL  
CALENDAR  
IN STAINLESS STEEL

AUDEMARS PIGUET  
*Le Brassus*

AUDEMARS PIGUET BOUTIQUES:  
GENEVA | ZÜRICH

# How Valora has (almost) done away with publishing

To counter the decline in news publishing, German retailer Valora has started selling pretzels and coffee at railway stations. And it's already paying off.

BY MARIE MAURISSE





**I**n the main hall of the Lausanne railway station stands a large kiosk—but you'll find more than just newspapers for sale there. In addition to daily papers, magazines and special editions, the kiosk also offers cigarettes, scratch cards, books, frozen treats, drinks, sandwiches and sweets. Valora's kiosk shop is a shining example of how the Basel-based group has transformed itself in recent years. News alone is no longer enough, so resellers have had to branch out into other services to keep their revenue up.

**Today, newsstands represent just 10% of Valora's total sales**

So goes the story of Valora. The retailer was founded in Olten in 1905 under the name Schweizer Chokoladen & Colonialhaus. It bought up several newsstands in the 1990s when the news industry was flourishing, but the good times didn't last. Amidst an unrelenting decline in newspaper sales, Valora—whose head office is in Muttens, near Basel—had to start making major changes in 2011. It was out of the question for the company to give up its kiosks, centrally located in busy areas, such as railway stations, with easy access for customers. But to ensure their ▶



KEYSTONE / MARCEL BIERI

The k kiosk at Bern railway station, a symbolic spot for Valora. Since buying 178 outlets from Naville in 2014, the retail group from Basel has massively expanded throughout Switzerland.

**ANALYST OPINION**

**“THE GROUP IS IN A POSITION TO SUCCEED IN ITS STRATEGIC REALIGNMENT”**

When it announced its results for the first half of 2016, Valora exceeded both market and expert expectations, including those of Christian Weiz at Baader Helvea. “The group is in a position to succeed in its strategic realignment,” says Mr Weiz. Still, it was a risky bet. “High exposure to dwindling news and tobacco sales can be seen as a weakness,” he adds. “But Valora was able to adapt to the changing environment by offering more food and drink relative to other services. They have also started to offer financial services, such as Bob Finance.” Like his colleagues, the Baader Helvea analyst, who monitors the stock’s movements daily, speaks highly of the company’s management. CEO Michael Müller and CFO Tobias Knechtle in particular were able to make a hairpin turn without losing control, which bodes well for Valora’s

future. That’s why Baader Helvea recommends investing in Valora, with a price target of 298 Swiss francs, demonstrating growth potential of over 10%.

At Zurich Cantonal Bank, Marco Strittmatter also believes that Valora is promising, even though there are still more challenges to overcome. “Falling tobacco and newspaper sales at kiosks must be offset by an increase in food and drink sales,” he says. “This is far from simple, especially since Brezelkönig’s points of sale in Switzerland seem to be nearly saturated.” Strittmatter says that, at its current market price, Valora’s stock is too expensive: “The price-earnings ratio has never been so high, and yet company growth will not be any greater. On the other hand, dividend yield is still high, even with a lofty share price.”

success, the stands had to be modernised and transformed from the inside out. The best-performing vendors today are cafés and pastry shops, whereas newsstands are in a downward spiral. They represent just 10% of Valora’s sales, which totalled just over two billion Swiss francs in 2015.

Once this decision was made, the company did not sit still for long. With its eye on the press sector, Valora purchased Geneva-based Naville in 2014 for 90 million Swiss francs, adding the brand’s 178 points of sale to its network. Valora had little interest though in Naville Distribution, which delivers newspapers and magazines to independent kiosks, and sold the company in June 2016 to the German firm 7Days. Valora now manages some 2,549 points of sale in five countries—it’s an invaluable network.

For the rest, the company is hoping to see a boom in pretzel sales through its brands Ditsch and

Brezelkönig, as the profit margin for pretzels is much higher than for newspapers. In the first half of 2016, 9.4% of Valora's operating margin was from food products and only 2.6% was from retail sales. This efficiency is also due to the fact that Valora produces its own pretzels. By increasing the number of pretzels it produces—mainly in Germany—Valora has made substantial savings.

And customers often want to pair their pretzel with a coffee. That's why Valora is also trying to position itself in the hot beverage market. In mid-2016, Valora took the reins of 700 Starbucks- and Spettacolo-brand coffee shops all over Switzerland. The group clearly explained this move in its annual report: "Now that we have developed our concept and modernised our kiosk shops in Switzerland, we are reaping the benefits of our investments in the food industry. We see the highest potential for coffee, cold beverages and baked goods..." Germany and Luxembourg are two prime examples of the company's growing international turnover. Given these promising results, Valora stands behind its investment in the European market. Valora has begun branching out geographically and has partnered with Ditsch and Brezelkönig in France, Austria and Benelux. Around 100 new shops will open over the next three years, mainly franchises. The pretzel is set to take on the baguette on its home turf!

**SMART KIOSKS**

This change in activity has had a number of consequences. Valora fell into the red in 2015 with a net loss of 28.8 million Swiss francs, but efficient management helped the company return to profit and restore investor confidence. The results for the first half of 2016, published on 29 July, are promising. Operating margins (EBIT) reached 30.4 million Swiss francs, up 47.2%

compared with 2015. Encouraged by the good news, management also invested in the launch of a new credit platform, Bob Finance, to diversify its business. The group's head of investor relations, Mladen Tomic, declined to offer more information on the figures. "This is a minor segment within the group, but it has high potential for growth," he said.

**Valora has come a long way from the newsstands of yore, and is now designing "smart" kiosks**

Following these encouraging results, Valora has announced the departure of Rolando Benedick, planned for 2017. Mr Benedick has headed up the Board of Directors since 2008, and the announcement did not ruffle investors as his successor, Franz Julen, has been a member of the Board since 2007. René Weber, analyst at Vontobel, sees no major upheaval in the company's future: "The new chairman will continue the group transformation initiated by his predecessor."

The final touch of Valora's metamorphosis is its move to digital. The Basel-based group is developing apps that will allow customers to pay for their morning coffee using their smartphone, without having to queue. The Spettacolo app is already functional, and developers are working on other variants. Valora has come a long way from the newsstands of yore, and is now designing "smart" kiosks where takeaway breakfast is served in a matter of seconds and where customers can play the lottery or even take out a loan. At these 21st-century kiosks, it's not just about buying a newspaper anymore. 

**NUMBERS**

**2,549**

Number of points of sale held by Valora in five countries (Switzerland, Germany, France, Austria and Luxembourg).

**500**

In millions, the number of baked goods and pretzels produced by Valora each year.

**2.9%**

Valora's operating margin for the first six months of 2016, up 0.8% year-on-year.

**1.04 bn**

Revenue in Swiss francs for the Basel-based group in the first half of 2016, up 4.8% year-on-year.

**10%**

Portion of Valora's total sales from Naville kiosks.

# ANALYSIS

THE POINT OF VIEW OF SPECIALISTS

FOCUS

## Kawaii, the secret behind Pokémon

The kawaii look—a signature of the Japanese group Sanrio—is infiltrating everything. Half way between child-like innocence and ironic post-modernism, kawaii has been successfully used by several multinationals. Let's find out more.

BY JULIE ZAUGG

**G**udetama is a lazy, depressed egg yolk who whiles away his days lying on top of his egg-white, snuggled under a slice of bacon. Gudetama is the latest creation from Sanrio, the company who gave the world Hello Kitty, and has been a huge success since his debut in 2013. The bags, t-shirts, stationery and sweets dedicated to him are too numerous to count. This makes Gudetama one of the most popular characters of the kawaii-inspired family since its launch in 1974, and puts him up with Keroppi the frog, Pompompurin the labrador,

My Melody the rabbit and, of course, Hello Kitty, the cat that has single-handedly generated 75% of Sanrio's profits.

These characters can be seen adorning a huge range of products, from the most obvious (pens, erasers, soft toys) to the more obscure (saucepans, wine bottles, spectacles). More

than 50,000 different products are sold across 130 countries. Sanrio, who recorded earnings of ¥72.5 billion (695 million Swiss francs) for the last financial year, has also opened several Hello Kitty cafés and three theme parks—two in Japan and one in China—dedicated to its characters.

It was the decision taken in 2009 by Sanrio's director, Reihito Hatoyama, to stake everything on the licensing agreement that really gave the brand momentum. McDonald's, MasterCard, Yamaha, Dunkin' Donuts, EVA Air (a Taiwanese airline) and the Japanese hotel chain Keio Plaza, are amongst the brands that have obtained rights to use the Sanrio characters on their products.

Some partnerships have proved surprising, as highlighted by Manami Okazaki, the author of the book "Kawaii!: Japan's Culture of Cute". "The hard rock group Kiss launched a series of Hello Kitty dolls, and Vans, the Californian brand adored by skaters, created a Hello Kitty trainer," he says. In 2014, sales of products licenced by Sanrio totalled \$6.5 billion. The Japanese group collects, in general, 5% to 7% of the in-store sale price.

This new strategy has enabled the company to increase its profit margins. In 2015, the company's operating profit totalled ¥12.6 billion (121 million Swiss francs). These results were driven by healthy Chinese and Japanese markets but nevertheless suffered from a slowdown in Europe and strong competition from Disney's "Frozen" in the US. This explains the fall in Sanrio's share price over the last two years which, according to analysts, is also due to the uncertainty surrounding who will take

**Pokémon Go, the hit app of summer 2016, is another example of the successful use of kawaii**

over at the head of the company (Shintaro Tsuji, the founder and CEO, is 89 years old!).

The Japanese social network Line, which has recently floated on the stock market (see Swissquote Magazine 4/2016), is amongst other companies that have successfully tapped into kawaii and has created several characters that have achieved cult status in Asia, including Conny the rabbit, Sally the duck and Brown the bear. “With large round heads, big eyes and bright colours, these characters are the epitome of kawaii,” notes Tao Deng, marketing researcher at the University of Michigan. “Without them, Line would never have been able to compete with more established messaging services such as Facebook or WhatsApp.”

The Line characters are available in the form of stickers—elaborate smileys—that can be sent between the social network’s users. Sales of these stickers earned Line \$268 million in 2015, accounting for 23% of the social network’s revenue. Spin-off products are also sold in Line shops in South Korea, China, Taiwan and Japan.

Pokémon Go, the hit app of summer 2016, is another example of the successful use of kawaii. Based on the Nintendo video game created in 1996, this mobile platform developed by the American group Niantic transforms users into Pokémon hunters, chasing monsters that are more funny than scary. “The main motivation amongst female players seems to be to discover the cutest creatures, whereas male players are focussed on the competitive side of the game,” explains Tao Deng.

So how can the global infatuation with kawaii, which emerged from the post-war period in

Japan and was exported to the US in the 1980s in the form of cartoons and Japanese manga such as Astro, Sailor Moon and Doraemon, be explained? “In Asia, and Japan in particular, subscribing to kawaii culture is a way of refusing to grow up and a means of escaping the responsibilities of adulthood,” explains Tao Deng.

In Europe and North America, kawaii fans are nostalgic for their childhood and “are looking for a less hostile, simpler world”, suggests Christine Yano, an anthropologist at the University of Hawaii who has published a book on the subject. This trend explains the launch of products targeted at adults, such as the range of Swarovski products featuring Hello Kitty or the re-release of Hello Kitty dolls that first hit the shelves in the 1980s.

“The ambiguity and imperfection of some of the characters, such as Gudetama the lazy egg or Rilakkuma the disillusioned bear, have hit the right note with Generation Y and their hipster style,” specifies Manami Okazaki.

For the brands, a return to the kawaii style has intensified the consumer’s identification with the product. “Associating an inanimate object with a cute character creates empathy and a certain complicity with the brand that it is selling,” emphasises Tao Deng. This strategy works particularly well for products that are perceived as being anonymous, such as financial services and social networks. ▲

**In Europe and North America, kawaii fans are nostalgic for their childhood and “are looking for a less hostile, simpler world”**

## THE QUESTION

# The value of smart beta strategies

Smart beta portfolios are very popular at the moment. They rely on indices designed on the basis of criteria other than market capitalisation – such as low valuation, low volatility and high returns.

BY JULIE ZAUGG



**VALERIO SCHMITZ-ESSER**  
Analyst and head of index solutions at Credit Suisse



**THOMAS STEPHEN**  
Professor of Finance at Cass Business School and author of a recent report on smart beta



**DAVID SCHOFIELD**  
President of the international division of Intech and a pioneer in smart beta strategies

***“Smart beta reduces risks for investors.”***

Smart beta strategies offer three advantages. First, they reduce the risk taken by investors for a given asset class. Indices based on minimum volatility, such as the MSCI World Minimum Volatility Index, will show greater stability and allow for more withdrawals compared to the standard indices. Secondly, by choosing to invest in this type of product, investors increase their chances of benefitting from certain risk premiums. Thirdly, by combining different index types, investors profit from the often negative correlations between them. A portfolio of diversified strategies will show a good Sharpe ratio or information ratio (Editor’s note: these are two measures used to calculate risk-adjusted performance).

***“This approach costs less than active management.”***

Smart beta indices outperform both active asset managers and passive strategies based purely on market capitalisation. The former tend to bill their services at high prices and lack consistency. Some merely track indices without providing other services. As for the latter, the research that we have conducted at Cass Business School shows that their returns are almost always below those of strategies based on valuation, dynamism and equal weighting of companies. Smart beta combines the best of both worlds: the discipline and affordability of passive strategies and the good investment ideas of active management strategies that seek to take advantage of market anomalies.

***“Smart beta is a good fit for patient investors.”***

Smart beta strategies are particularly well-suited to investors looking for returns over the long term and who are able to wait out the relatively long periods during which this type of product will underperform. They are also a good fit for individuals seeking higher returns than they would find with a traditional passive strategy, but who do not have the budget to hire a manager. A smart beta portfolio gives investors exposure to a number of different factors—such as a company’s size or value—which generally outperform in comparison with an index based on market capitalisation. But it is sometimes necessary to wait several years before seeing this result. For example, during the entire second half of the 1990s, large-cap shares systematically outperformed value-based shares.

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MICHAËL OTTENWALTER

Dossier prepared by  
Ludovic Chappex,  
Benjamin Keller  
and Stéphanie Wenger

Mohammed VI  
Bridge in Rabat



## DOSSIER

# MOROCCO: ON THE RISE

**The economic driver of North Africa, Mohammed VI's kingdom is intensifying its efforts to expand its industry. A look into this rapidly developing country.**

BY BENJAMIN KELLER

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“ Things are happening in Morocco! Things are happening in Morocco!” The enthusiastic taxi driver races down the wide boulevard along the Port of Casablanca. In his tiny, rumbling Peugeot 205, he resembles a giant stuffed into a tin can as he stretches a hand out towards the buildings that have recently cropped up in the kingdom's economic capital. “ To the right is the new train station,” he says pointing to the Casa-Port Railway Station, an elegant, parallelepiped glass structure opened in 2014. “ There, to the left, look at the hotels,” he insists, pointing to the white towers of the Sofitel, Novotel and Ibis. “ It's not perfect yet, but things are moving forward!” >



Morocco is indeed moving forward, and it's obvious. In the white city, signs of modern life can be seen everywhere. The new red tram is a symbol. Built by the French group

**New train stations, roads, ports and neighbourhoods are being built across all the country's major cities. Construction never stops.**

Alstom, the line opened in late 2012. The tramcars meander through the art-deco buildings of the city centre before connecting them to the working-class neighbourhoods. "There are people who had never seen the sea," says Abderrahim, a former sailor about 50 years old, dressed in a yellow polo with his cap on backwards.

One year before Casablanca, the capital of the Kingdom of Morocco, Rabat, inaugurated its new tram. New train stations, roads, ports and neighbourhoods are being built across all the country's major cities. Construction never stops. Projects are being launched one after the other.

The sixth-largest economy in Africa is one of what the consulting firm McKinsey calls the African "growth stars". These countries, which include Rwanda, Ethiopia and Kenya, together generate one-fifth of Africa's gross domestic product (GDP). They set themselves apart with their high rates of growth and stability, do not rely solely on natural resources and are working to "actively" reform their economies and boost competitiveness. Morocco also came in second behind South Africa in the latest attractiveness survey of African countries by the financial audit firm Ernst & Young.



## BRIDGING THE GAP WITH EUROPE

"Morocco has made undeniable advances economically, socially and in terms of individual freedoms and civil and political rights," says Jean-Pierre Chauffour, the lead country economist for Morocco at the World Bank. "Since the late 1990s, the country has stepped up its rate of growth, nearly doubling its GDP per capita and starting to reduce the gap in standard of living compared with southern European countries."

The increase in wealth has brought longer life expectancy and slashed poverty rates (the percentage of people living on \$2.15 per day has gone from 15.3% in 2001 to 4.2% in 2014). Access to basic public services such as primary education has improved, and public infrastructure—water, electricity and transport—has developed considerably. The main issues to be

## TOURISM HOLDING STRONG

The Moroccan tourism industry has held up far better than that in other Arab countries. Morocco has not been the victim of any terrorist attacks since the Marrakesh bombing in 2011 and has seriously toughened its security measures. That said, the number of foreign visitors fell 2.6% to 4.2 million in the first half of 2016 compared with a year earlier. But a survey from the Ministry of Tourism highlighted the kingdom's high domestic tourism, with 5.3 million overnight stays recorded in 2014, reflecting the growing number of Moroccans who travel for leisure. Agadir in the southwest and Marrakesh in the south are favourite destinations for foreign and Moroccan tourists alike.



MICHAËL OTTENWÄELTER

The medina in Casablanca, a peaceful pedestrian haven in the heart of a bustling city of 5 million people.



JONATHAN MCINTOSH

Casablanca's efficient and modern new tramway, which opened in December 2012, honours the country's economic capital. It has reduced road traffic in the city centre while creating hundreds of jobs.

addressed are poverty, which has virtually not decreased in rural areas, and inequality, which remains high.

Mohammed VI's ascent to the throne in 1999 following the death of his father, Hassan II, helped drive reforms," Chauffour says. "New laws have been passed to liberalise and further open the economy, privatise certain public enterprises, restructure the financial system and improve public governance." The amendments to the constitution in 2011 were one measure taken by Mohammed VI in response to the "Movement of 20 February", the wave of protests that swept Morocco at the beginning of the Arab Spring but fell short of breaking out into revolution. For the first time, protesters dared speak out against the regime, calling for more democracy and rights and denouncing corruption and

abuse of power. After opting for repression, the monarchy ended up voting for fundamental reforms that reinforced the prerogatives of the parliament and government. Early legislative elections were also held. The Islamist-led Party for Justice and Development came out the winner. Having referred to the period following the Arab Spring as a "calamitous autumn", the king nevertheless remains the supreme political leader.



## LOOKING TO ASIAN DRAGONS

Political protest seems to have subsided, perhaps quelled by the monarch's spending on the country's economic development. That marked a shift away from the kingdom's typically low investments. Substantial resources have been poured into invigorating a diverse range

of industries, from aerospace and renewable energy, to the automotive and textile sectors. The National Pact for Industrial Emergence, later renamed the Industrial Acceleration Plan, was launched in 2008. One of the main focuses of the programme is to set up industrial clusters throughout the country—the idea being to develop regional autonomy—all driven by heavy investment in infrastructure (ports, motorways, railway links, energy, etc.).

Morocco has the advantage of geographical proximity to Europe and cheap labour to lure foreign companies, while throwing in tax and other incentives. The intention is to gradually integrate the value chain. "That's the strategy taken by the Asian dragons," says Wassini Arrassen, head economist at Capital Gestion Group, an investment banking firm based in Casablanca. "Ecosystems gradually develop >

with adequate local integration to ensure technology transfers take place. Once enough Moroccans can manufacture certain products, national companies can emerge.”



## THE CHALLENGE OF INNOVATION

Automotive and aerospace (see report on p. 34) are the two industries where the strategy has so far had the most success. Although local integration is growing, not many Moroccan companies have developed yet. Of the 150 car manufacturers operating in the country—including Renault in Tangier and soon PSA in Kenitra (both in the north)—only seven are Moroccan-owned. The situation is similar in aerospace. Mr Chauffour from the World Bank points out that, on the whole, Moroccan companies are generally “less dynamic and innovative”. He also says that they tend to

be relatively small and less structured, with little international development.

Despite this, the industrial programmes have had an impact on the economy. In 2015, Morocco’s typically high trade deficit hit a ten-year low. The automotive industry, which became the leading exporter in 2014, grew in value by 20.9% last year to nearly 5 billion Swiss francs. Aerospace climbed 4.5% to more than 700 million Swiss francs. The Ministry of Economy and Finance stated that economic growth, traditionally driven by domestic consumption, has increasingly come from high value-added industries in the past three years.

But Morocco will be facing challenges in 2016, as will many emerging countries. The World Bank expects growth to come out at 1.7%, down from the 3.8% average between 2013 and 2015, before picking up again in 2017.



MICHAËL OTTENWÄELTER

**The automotive industry, which became the leading exporter in 2014, grew in value by 20.9% last year**



MICHAËL OTTENWÄELTER

Working with new tools, an apprentice of the Moroccan Aerospace Institute (Institut des métiers de l’aéronautique or IMA). The IMA, based in Nouaceur near Mohammed V Airport in Casablanca, trains more than 600 students a year. They are almost immediately snapped up by the many aerospace companies operating in the region.

The kingdom, whose main trade partner is the European Union, is experiencing the impact of economic slowdown and sluggish growth on the Old Continent. “Morocco is dependent on the international economy, which is not in its favour,” says Mr Arrassen from Capital Gestion Group. “But the slowdown won’t last forever. When the global economy picks up again, the country will be on the starting blocks.”

Growth has also suffered from the drought that hit Morocco in autumn



A public fountain in Casablanca, near the Hassan II Mosque. This buzzing, business-friendly coastal city is home to 80% of the country's economic activity.

2015. The Green Morocco Plan was launched in 2008 to upgrade and diversify the farming industry, which accounts for about 13% of the economy and supplies four million jobs. But the sector remains highly dependent on weather conditions. Not counting farming, Morocco's GDP is expected to grow 2.5% in 2016. "On top of being vulnerable to weather, agriculture must also cope with the European Union's extremely protectionist agricultural policy, which impedes Moroccan producers with a number of hurdles," Arrassen says. "The only option is to diversify our client portfolio."



## STRUCTURAL WEAKNESSES

The Italian analyst Riccardo Fabiani,

a specialist in the Middle East and North Africa at the political risk consulting firm Eurasia Group, believes that Morocco's development policy will be stifled if other more deep-seated issues are not solved. "Leading international organisations have identified these problems: one of the region's lowest education levels, lack of competition in domestic sectors, often dominated by firms close to the monarchy and poor economic governance," he says. "Meanwhile, the public authorities are incapable of tackling these structural weaknesses."

So what should they do? "Some issues need a long-term strategy spanning at least 10 years," Fabiani says. "That would mainly be in education. Competition and governance would require a serious commitment from the government. Why has the

Competition Council failed to act? Why has there been no real justice reform?" he asks. "The monarchy and the 'makhzen' (entourage of the king and the court) oppose reforms that could weaken their political power and economic interests. The businessmen who benefit from this lack of competition and governance are often tied to the monarchy and play a key role in supporting this institution."

King Mohammed VI focusses much more on business than his father did and is heavily involved in economic strategy. Through investment holding companies, he owns all or part of certain industry leaders, such as Attijariwafa Bank, the number-one banking and finance group in the Maghreb. Officially, the idea is to create "national champions" to move the economy forward. But >



MICHAEL OTTENWÄLTER

Mohammed VI Bridge on the outskirts of Rabat was inaugurated in July 2016. At an estimated cost of €295 million, this 950-metre long piece of infrastructure was built by the China Railway Major Bridge Engineering Group.

some see this as the king's predatory manoeuvring and believe that his affairs in the private economy hinder competition and turn away local and foreign investors.

**“When the global economy picks up again, the country will be on the starting blocks”**

Wassini Arrassen, Capital Gestion Group

“The lack of competition is hard either to deny or prove,” Mr Fabiani says. “It often means pressure on other firms that want to break into protected sectors.

“There is no formal ban, but more of a buddy system that keeps competitors from defying the standing monopolies and oligopolies. As a result, many industries are controlled by royal holding compa-

nies (see p. 51). They dominate their sector while up against watered-down competition, i.e. local entrepreneurs that agree to a lopsided share of the market in exchange for working in cohorts

with the monarchy. This system has a negative impact on prices, the labour market, economic efficiency and Morocco's appeal for foreign investors.” The “Movement of 20 February” is far from over. ▲

#### WARY OF EUROPE

The European Union is Morocco's main trade partner, but King Mohammed VI is increasingly shifting his sights southward. The monarch distrusts the old colonial powers, which he accuses of neo-colonialism and trying to destabilise Arab countries.

The kingdom intends to play a more important role in Africa, where it is the second largest African investor. In July 2016, Morocco announced that it hopes to rejoin the African Union, after withdrawing in

1984 when the AU admitted the Sahrawi Arab Democratic Republic (SADR) as a member. The SADR asserts its sovereignty over all of Western Sahara, while Morocco claims and controls 80% of the territory.

Ties with the Gulf countries are also tightening by the day, and investments from the region in Morocco have exploded. One of the sons of King Salman of Saudi Arabia even chose Morocco to celebrate his wedding over the summer!

# A GROWING COUNTRY

**POPULATION** 34.4 MILLION  
**AREA** 710,850 KM<sup>2</sup>  
**SYSTEM OF GOVERNMENT** CONSTITUTIONAL MONARCHY  
**CURRENCY** MOROCCAN DIRHAM (CHF 1 = ABOUT MAD 10)



**GDP PER CAPITA**  
\$2,871



**MINIMUM MONTHLY WAGE**  
MAD 2,370\*

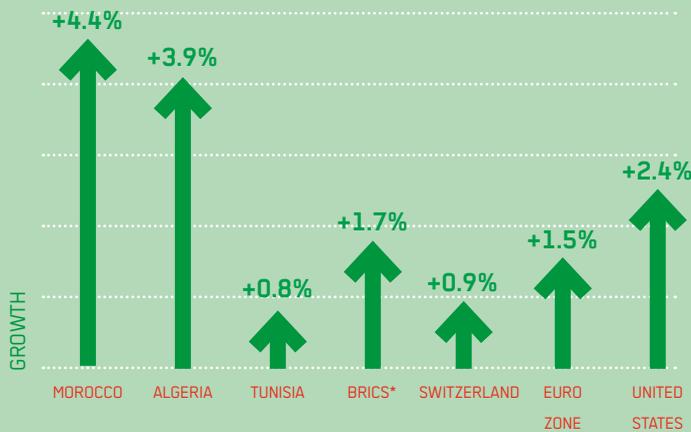


**UNEMPLOYMENT RATE**  
9.7%



**INFLATION**  
1.6%

\* about CHF 240

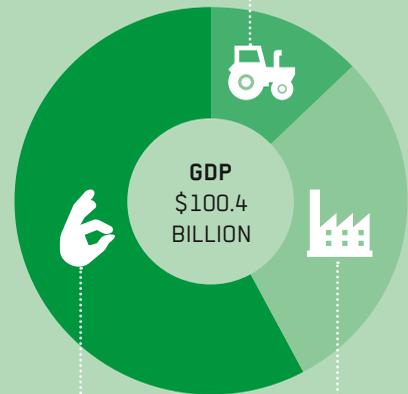


(\*Brazil, Russia, India, China, South Africa)

## AGRICULTURE

(cereals, fruits, vegetables, livestock, fishing)

13%



**SERVICES**  
(tourism, finance, insurance, retail, property, telecommunications)  
57.7%

**INDUSTRY**  
(textiles, leather goods, food processing, electronics, IT, automobile manufacturing, aerospace, mining, refining, chemicals)  
29.3%

# CASABLANCA, FLYING HIGH

In less than 15 years, Casablanca has emerged as an industrial hub of choice for the world's aerospace leaders. Boeing, Bombardier, Safran and Airbus all produce aircraft parts there. Here, we journey into the heart of an industry that is driving the Moroccan economy.

BY LUDOVIC CHAPPEX / COLLABORATION: BENJAMIN KELLER  
PHOTOS: MICHAËL OTTENWALTER



The sumptuous surroundings of Matis Aerospace's HQ.

**F**rom behind his control panel, the front desk manager activates the large metal door to lock down the entrance to the site. "Hello, and welcome to Matis Aerospace!" We are now inside the fences that secure the perimeter stretching kilometres around the grounds of the heavyweight of Moroccan aerospace. The emblem of this industry is Matis Aerospace, a joint venture between Boeing, the French group Safran and Royal

Air Maroc, which has since sold its stake. Today, it employs more than 1,000 people. The firm is one of the 110 companies currently operating in Nouaceur Province on a vast plain developed near Mohammed V Airport in Casablanca. These businesses form an ecosystem geared entirely towards aviation and aerospace. They export goods totalling more than \$1 billion every year, with average annual growth of 17%. Ahead of us, at the end of a wide,

paved driveway, stands a massive rectangular building. Inside, electric cabling is assembled for planes, but the façade and entrance suggest it could be a museum. "From the start, the site was designed as a showcase for Moroccan aerospace," says Zahira Bouaouda, director of finance of Matis Aerospace, as she welcomes us into her brightly-lit office. "When the facility opened in late 2002, Matis Aerospace was the first company in the region with that level of prestige."



Matis Aerospace is one of Morocco's juggernauts and specialises in cabling, as seen in its XXL hangar.



One of Matis Aerospace's workers, focused on her task. The firm employs a strong majority of women.



**“From the start, the site was designed as a showcase for Moroccan aerospace”**

Zahira Bouaouda, director of finance of Matis Aerospace

Once past the flashy offices, we enter the hangar and are quickly plunged back into the reality of a large-scale industrial contractor. The space is at least the size of four football pitches, full of hundreds of employees—almost exclusively women—diligently going about their tasks. “Women are typically more comfortable with this type of precision work, which requires dexterity and meticulousness,” Bouaouda says. In other countries such as Mexico, the opposite is true. Aerospace contractors employ a majority of men.

The customers of Matis Aerospace include Boeing, Airbus, Safran and Dassault. And Matis, like other companies in the region specialised

in assembly, cabling systems or maintenance, stands as a model of the country's industrial policy. The Ministry of Economy is proud to claim that 50% of the planes flying in the world bear the mark of Morocco.

#### TAX BENEFITS

Tangier is automotive. Casablanca is aerospace. That basically sums up how the government breaks it down. The regime first decided to turn the “white city” into the Mecca for aerospace because Casablanca has always been home to the headquarters of Royal Air Maroc, close to Mohammed V Airport. And Casablanca appeals to the world's leading aerospace firms due to three key factors: cheap labour, political sta-

bility and geographical proximity to Europe. Toulouse, an aviation and aerospace hub and the headquarters of Airbus, is only two days away by lorry. The south of Spain can be reached in less than a day. On top of that are the myriad tax incentives that the government has gradually introduced to attract the industry's darlings from around the world. And that strategy has worked. Totalling only ten or so less than 15 years ago, the number of companies operating in the region has exploded. Even the Canadian giant Bombardier opened its own plant in Nouaceur at the end of 2014 and currently employs more than 700 people.

Another newcomer to the region is Ratier Figeac Maroc (RFM). This ▶

more moderately sized company is owned by the US group UTC Aerospace Systems, which also has facilities in Toulouse. The 120-strong subsidiary manufactures cockpit equipment such as levers and controls. With its modern architecture in glass and concrete, the 4,800-m<sup>2</sup> plant meets the latest energy standards. Chickens and ducks roam around the garden outside the building, producing fertiliser. The site director is 36-year old Christophe Delqué. As he rushes us through our visit of the blue and white workshop, the Toulouse native tells us, “We first tried sub-contracting in Vietnam, but Vietnam is far away. And we had to deal with the time difference. Morocco has the advantage of being close to us geographically, culturally and linguistically. The political environment is also very stable.”

That’s motivation enough to aim ever further and ever higher. “Potential is high in aircraft maintenance,” Delqué says. “Morocco could dominate the market. Its position with regard to Europe is similar to that of Mexico with the US 30 years ago.”

In any case, the government is taking great strides to make that scenario come true. Taken under the wing of the Moroccan Association of Aeronautics and Aerospace (Groupement des industries marocaines aéronautiques et du spatiales or GIMAS), aerospace companies are lavished with attention. Besides the excellent tax schemes (total tax exemption for the first five years, financial assistance to train each new employee, VAT exemption applied to equipment imported over the first two years, etc.), businesses operating

out of Nouaceur also enjoy priority access to highly skilled Moroccan employees. The Moroccan Aerospace Institute (Institut des métiers de l’aéronautique or IMA) in Casablanca, which opened in 2011, is a shining example. This campus built at the Nouaceur site offers young adults 12- to 48-week training programmes, which mainly focus on practical application to make them immediately employable. From the first day, students alternate classroom learning with hands-on experience at a company.

Just a few metres from the lunch room, mechanical diggers form trenches as part of the building’s expansion. “This new location will be used to train 600 additional students a year, doubling our capacity,” says Patrick Ménager from France. He took the position as IMA’s man-



**“Today, we work with local businesses for about 30% of our products”**

Christophe Delqué  
director of Ratier Figeac Maroc (RFM)  
manufacturer of cockpit instrument

Apprentices practicing their future profession at the Moroccan Aerospace Institute (IMA).



aging director after leaving his job as head of quality at the Safran group. “Demand from manufacturers is soaring. Ninety-six percent of our graduates are hired straight out of school.”

IMA has trained more than 3,000 people since it was founded four years ago. The majority of these students are trained to become operators and technicians (assembly, cabling systems, maintenance). “In theory we require at least two years of undergraduate study, but the thresholds may be lowered,” Ménager says. “It would be a pity to cut out potential talent just because they don’t have a proper level of French. It’s not even a key skill for some jobs.”

#### 21<sup>ST</sup> CENTURY’S TEXTILE

Aside from its demographic challenges, the more critical issue for

the Moroccan aerospace industry is whether the country can break through in terms of innovation. And that won’t be so easy. “Even though Moroccan aerospace is starting to become competitive, we’ll quickly hit a glass ceiling if no structural changes are implemented,” says Saad Laraqui, a professor at the University of Maryland University College and a former professor at the International University of Rabat. “We’ve managed to create an efficient micro-environment to attract a lot of foreign investment and develop skills in very specific areas. But that’s not the best policy,” the industry expert says. “For Morocco to make real advances in terms of quality, like what a country such as South Korea has achieved, we’d have to adopt a much more global strategy and focus more on innovation and

education. We have to embrace the 21st century instead of running on 20th-century systems.”

It’s a tough case. It touches on a major challenge for Morocco, whose top industries often offer little added value. The tasks performed are essentially limited to assembly, cabling or maintenance. Aerospace is even being referred to as the textile industry of the 21st century. But Matis Aerospace’s Director of Finance, Zahira Bouaouda, remains enthusiastic. “We’ve definitely made a step forward in the past two or three years. Our contribution extends beyond just manufacturing parts. We now come in much further upstream, in the development phase,” the executive says. “Our team of engineers, made up of Moroccans educated in Morocco, now works with Boeing, Airbus and Dassault ▶



**“Demand from manufacturers is soaring. Ninety-six percent of our graduates are hired straight out of school.”**

Patrick Ménager,  
director of the Moroccan  
Aerospace Institute (IMA)

The Moroccan Aerospace Institute trains over 600 students per year. Its enrolment will double next year.





**“One of our biggest challenges is integrating more wholly Moroccan-owned companies and contractors into our ecosystem.”**

Aref Hassani,  
director of the  
Midparc free zone



The Midparc free zone provides preferential tax conditions to newly established companies.

in designing their products. We are increasingly integrated into the process.”

But it's not exactly an independent R&D unit yet. So, what's the next step? “Tomorrow, Moroccans will be able to design most of the products themselves,” says Christophe Delqué, the director at Ratier Figeac Maroc. But the problem here is that aerospace is one of the most complex industries around, and that will take time.” The French manager points to another pitfall typical of the industry. “Moroccan suppliers still have trouble standing out in the market. Today, we work with local businesses for about 30% of our products. But that's up from less than 10% three or four years ago. And the government is making significant efforts to increase that percentage.”

#### **PUSHING FORWARD**

The regime seems determined to keep moving forward. Three years ago it launched an ambitious new project, the Midparc free zone located on the Nouaceur site. The plan is to double the zone's 63 hectares over the next two years. This free zone offers an even more attractive tax system for exports and various subsidies, including modern, modular office space provided for newcomers. The Canadian aircraft manufacturer Bombardier now occupies one of these workshops.

“One of our biggest challenges is integrating more wholly Moroccan-owned companies and contractors into our ecosystem,” says Aref Hassani, managing director of Midparc. “That will take a long time,” he admits. Midparc, still in its launch phase, is currently home to 12 companies and 1,500

employees. The stated objective is to reach 10,000 employees over the next seven years. “We've limited eligibility in the free zone to aviation and aerospace companies to avoid cannibalising all of Moroccan industry.”

Despite his outward enthusiasm, Aref Hassani openly discusses the tremendous amount of work that remains to be done. With great insight, he points to the huge challenges that lie ahead. “The number of employees trained must match the rise in demand from companies, while guaranteeing the same quality. Our main test will be to push past the stage of low value-added jobs. We're in the process of moving on to a second phase in our aerospace development. If we can't increase the number of Moroccan SMEs and include them more in production chains, we will not have fully succeeded.” ▲

# The benefits of renewable energy

From huge solar power plants to small-scale local projects, Morocco continues to attract foreign investment in renewable energy—a strategy which is turning the country into the African hub for this sector.

BY STÉPHANIE WENGER

**I**n 2016, Morocco ranked 14th in Ernst & Young's Renewable Energy Country Attractiveness Index, which measures the attractiveness of renewable energy investment opportunities in 40 different countries. Morocco has moved up the ranking considerably since its initial placing of 27th in 2010 and now tops the list for the Middle East and North Africa region.

Morocco, which will host the COP22 conference in Marrakesh in November, hopes to reach 42% renewables in its energy mix by 2020, and 52% by 2030. This is sure to attract sizeable foreign investment and will enable ambitious projects to get underway.

The Noor I solar power station, located near Ouarzazate and opened in February, already produces 160 megawatts (MW) thanks to the thermal solar process. Noor II and Noor III are to be brought online shortly and will use the same technology. This solar complex, financed by a consortium led by the Saudi Arabian company ACWA Power, will be completed by 2020 with the addition of a photovoltaic park. The complex will have a total capacity of 580 MW and power one million homes.

The Tarfaya wind farm, located on the south coast, can produce 301 MW of power. The wind farm, built and operated by Engie and Nareva (a subsidiary of SNI, a holding company controlled by the Moroccan royal family), is already fully operational and is the largest of its kind in Africa.

Several foreign companies are investing in the huge potential of the Moroccan energy sector, which they see as a bridge for developing their activities in Africa. This is true of Groupe E, the Swiss electricity provider, which joined forces in July with Platinum Power, a local operator, to create a subsidiary in Morocco. This joint-venture, known as Sarine Engineering, will develop projects, mainly in the field of hydropower, with a total capacity

of 1,000 MW. "We were looking for this kind of mandate," says Jacques Mauron, Energy Distribution Director for the Swiss group. "There is currently very little interest in investing in hydropower in central Europe as market prices haven't been attractive for the past seven years or so. The advantage of Morocco is that it is a stable country, which is not the case for all the countries in the region. Morocco's hydropower potential is relatively untapped so far, and solar and wind power will also see further development."

## INNOVATIVE BUSINESS MODELS

Morocco has a particularly interesting resource for smaller infrastructures—the energy investment company SIE. SIE's purpose is to use innovative business models across the country to entice foreign SMEs and unite them with Moroccan companies. SIE then backs out once the market has become autonomous. Numerous programmes for renovating public street lights have been launched as a result. In Salé, where one such project has just been completed, the city expects to halve its electricity bill due to the introduction of LED lighting. Other cities have followed suit, including Tiznit and Marrakesh. In Taroudant, a mini solar power station with an initial capacity of 4 MW will soon provide energy to the dairy cooperative. This power station will ultimately achieve a capacity of 14 MW.

Other sectors are benefitting from the clean energy trend. Public transport is one of these sectors, with electric buses soon to be manufactured in the coastal city of Kenitra. The potential for creating jobs is big, through programmes such as the "Green Mosques" programme, which aims at making 50,000 mosques energy self-sufficient thanks to solar panels and water heaters. Modernising these places of worship provides a significant opportunity, explains Ahmed Baroudi, Managing Director of the SIE: "Religious leaders will start to raise awareness among worshippers about saving energy. This will provide much better results than even the best publicity campaign could hope to achieve." ▀

## INTERVIEW

# “EDUCATION IS OUR BIGGEST CHALLENGE”

Mohamed Chafiki, Director of Studies and Financial Forecasts at Morocco's Ministry of Economy and Finance, answers our questions candidly. Interview.

BY LUDOVIC CHAPPEX

In a telephone interview just after our return from the country, Morocco's current Director of Studies and Financial Forecasts was happy to answer our questions on issues ranging from innovation and the monarchy to education and human rights. Here are the highlights.

**In North Africa, a region plagued by numerous problems, Morocco shines as quite the exception.**

**Why is that?**

With all the imbalance in the region, Morocco's key advantage is its political stability. That's fundamental, an aspect which economists sometimes overlook, but without which there can be no economic prosperity. This stability stems from reforms spanning the past two decades: democratisation, structural reforms and improvements to the institutional framework. I'd also like to point out that Morocco stands out from many of its neighbours in its respect for human rights. That's essential in giving the country a competitive edge. We're also in a region where the potential for progress and growth is drained by the low participation of women in the economy. And there

again, Morocco clearly sets itself apart from the rest.

**You mention respect for human rights. But Morocco has been criticised on that issue by organisations such as Amnesty International.**

We're probably the only country in the region that has responded to the monitoring mechanisms of the United Nations. For example, special representatives come regularly to inspect our prisons. I'd also like to add that we have a National Human Rights Council. There are sometimes issues that we disagree on, but the spirit is truly one of genuine democratic debate, both internally and with international organisations. And we should remember that it takes time before any perceptible impact can be felt once a law is passed.

**Isn't that a symptom of a conservative regime?**

We're not at all in a conservative mindset. We've made huge efforts to decentralise our government. And they've paid off. The progress made in recent years has been driven by the vigorous regional econ-

omies. The northern regions have experienced a growth rate of about 8%. The continuing expansion and development of the Port of Tangier, which has gained strategic importance on a global scale, has largely been financed by the liberalisation of the country's telecoms sector. That's a far cry from the traditional bureaucratic model. And the examples of this are countless.

**Morocco's current economic strength is mainly based on its cheap skilled labour, an advantage that is highly valued among foreign multinationals. That's especially the case in the automotive industry in Tangier and the aerospace industry in Casablanca. Won't the country eventually hit a glass ceiling, unless it otherwise makes a huge technological leap forward?**

To avoid that scenario, we'll continue implementing reforms and keep our economy open. But I don't see a glass ceiling, as many wholly Moroccan-owned companies play an important role in international trade. Take the example of OCP [Office Chérifien des Phosphates,



**“We’re not at all in a conservative mindset”**

## THE FORECASTER

**Mohamed Chafiki** has been the Director of Studies and Financial Forecasts at the Ministry of Economy and Finance since 2004. Before his current position, he served as Chief of Staff at the Ministry of Economy and Privatisation. He was born in 1952 in Casablanca, where he spent his childhood.

see p. 48], which operates in a very strategic market. We also have the strongest banking industry in the region, extending throughout West Africa. The same applies for property development and infrastructure construction. In the energy sector, we have recently opened a huge solar power station near Quarzazate. Morocco is an economic powerhouse. We’ve launched a number of projects and funds to support innovation, including one fund, worth 500,000,000 dirhams [about 50 million Swiss francs], aimed specifically at start-ups.

**Compared with the quality of infrastructure, education is lagging behind in Morocco. Why is that area posing such a challenge?**

It is indeed a huge challenge. It can even be considered the most crucial issue for Morocco. The number of people who have completed a professional training course is rising every year, but that won’t be enough. Our education system operates at different speeds. Graduates from top schools and universities are highly skilled and often move on to lead brilliant careers abroad.

But we have a problem with the quality of public schools. One-quarter of the country’s budget goes to education, but the money is not used properly. The Supreme Council for Education has produced some critical reports on the quality and access to basic education, such as languages, maths, etc. It’s a very brave, open and transparent assessment.

**The kingdom’s monarchy takes an interventionist approach in the country’s economy. Is that a topic that can be freely discussed within the government?**

Definitely. I believe that we live in a free country. That topic is not at all taboo. But let’s not exaggerate. No one’s going to criticise the president of a democratic country for controlling its armies, for example. If the king has a strategic vision for his country, and it is in the interests of its people, like giving priority to Africa, then why systematically oppose it? Prejudice doesn’t die down easily when it comes to Morocco. At a time when most countries in the region were experiencing periods of unrest, the king’s initiative to introduce a new constitution was a wise one, and it addressed the most progressive fringes of the Moroccan population. The powers of the head of state and the parliament have clearly been strengthened with the new constitution. All of the country’s projects are transparently displayed on the government’s website, which is fully accessible to citizens who can express criticism if they like. ◀

# Tangier conquering the Mediterranean

The long-neglected city of Tangier, on the Strait of Gibraltar, is enjoying a renaissance under Mohammed VI. The kingdom of Morocco intends to capitalise on the strategic position of its “Pearl of the North”, transforming it into a commercial, industrial and tourist centre. Report.

BY BENJAMIN KELLER

**S**eagulls whirl through the air between the two minarets at the Port of Tangier, the entrance to the Strait of Gibraltar. On the walls of the medina that dominate the bay lie cannons pointed in the direction of Spain. The calls of the seabirds mingle with the harsh sounds of pneumatic drills, power saws and car horns. In just a few weeks, the smaller of the two towers will be no more. The old mosque will be demolished. A much more imposing one will be erected in its place. This new mosque will be in line with the stature of the new port under construction, one of the flagship projects in the transformation of Tangier, a city undergoing a complete metamorphosis.

The current redevelopment of the port area includes the creation of an updated fishing port, facilities for ferries and cruise ships and a marina with 1,400 mooring spaces, which will make it one of the largest in the Mediterranean. The entire area will be covered with restaurants, cafés, a

shopping centre, upscale housing, hotels, cultural centres and a convention centre. The construction of an aerial tramway linking the port to the medina has even been planned. The marina and fishing port will be completed by the end of this year. The rest will follow.

This ambitious redevelopment follows on the heels of the transfer of the business activities of Tanger Ville port to the gigantic deep-water Tanger-Med port, located further east at the heart of the strait (see inset on p. 46). “Previously, the Tangier port was separate from the city,” says Hicham Kersit, technical director at SAPT (development company for the redevelopment of the Tanger Ville port area), contemplating his work from the old ramparts. “We are now taking a more open approach.”

There is certainly no lack of space. With the move of business operations to Tanger-Med, the city has reclaimed 80 hectares of water area ▶

Model of the new Port of Tangier. The area is undergoing a complete makeover.





## NUMBERS

**3.1**

In millions, the number of tourists the region intends to attract by 2020, compared with 900,000 in 2015. The objective is to double the number of foreign visitors and triple those arriving from other parts of Morocco.

**5.7**

In billions of dollars, the amount of foreign direct investment (FDI) received by Tangier between 2003 and 2012, which puts the city in fifth place worldwide in cumulative FDI inflows as a share of GDP, according to a report by the World Bank published in late 2015.

**+2.7%**

The annual average job growth rate from 2005 to 2012, which is three times as high as the rate nationwide.

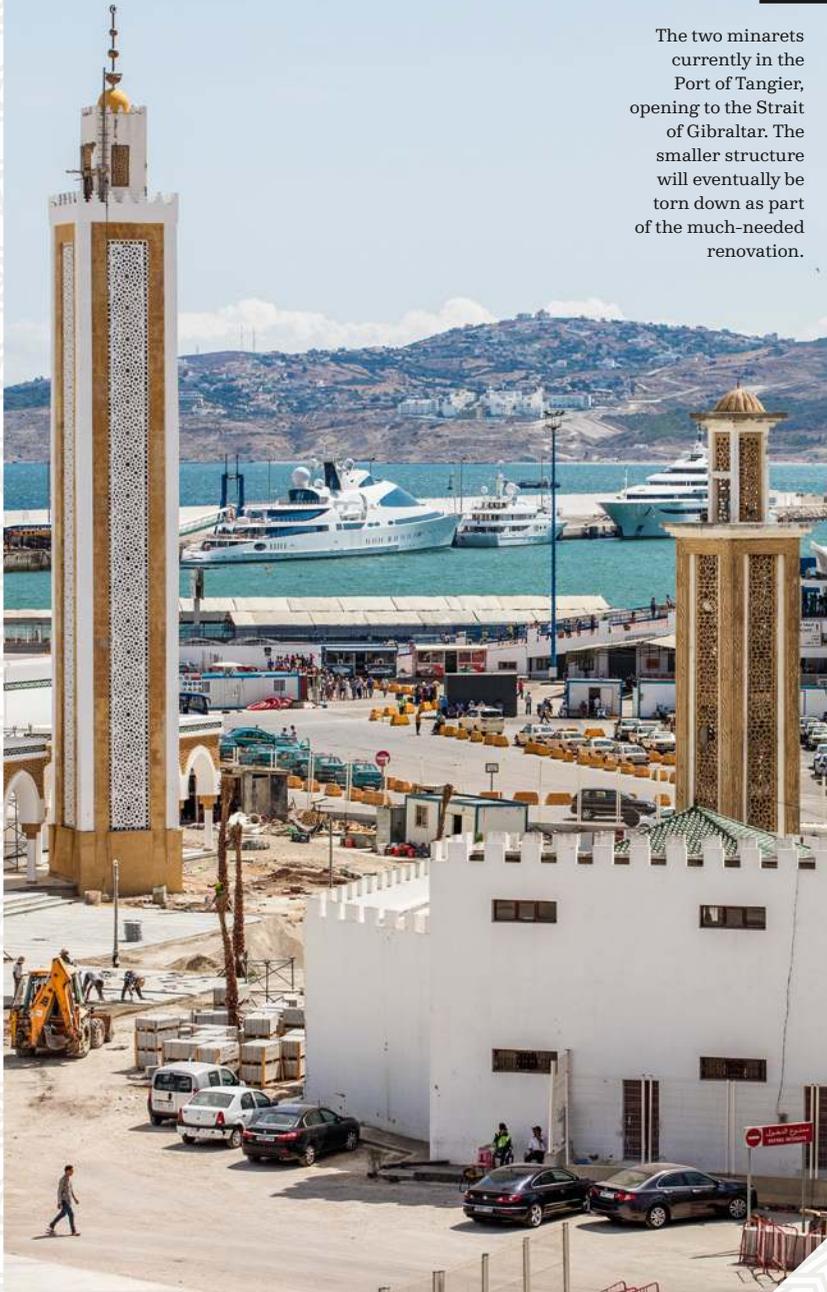
**4**

In billions of Swiss francs, the value of exports made from Tanger-Med port in 2014, which is about 20% of the value of all Moroccan exports, according to the latest figures available.

**1,446**

The number of business formation requests made during the first half of 2016, up 75% in one year, according to the Centre Régional d'Investissement (Regional Investment Centre).

The two minarets currently in the Port of Tangier, opening to the Strait of Gibraltar. The smaller structure will eventually be torn down as part of the much-needed renovation.



will be a success. As Hicham Kersit moves the safety fences to access the kasbah, a tourist couple rushes in behind us.

In addition to the port construction project, broad urban development plans have been launched, including “Tanger Métropole”. Already well under way and with a budget of over 700 million Swiss francs—as much as that of the city’s new port—it includes the construction of underground roads and car parks to relieve congestion in the city centre, development of green spaces, improvement of basic services and reorganisation of under-equipped neighbourhoods. Plus, by the end of the programme in 2017, the very first high-speed rail link in Africa will be established between Tangier and Casablanca. Travel time between the two cities will shrink from 5 hours to 2 hours and 10 minutes.

All of these projects, initiated by King Mohammed VI, aim to grow the commercial, industrial and tourism base of Morocco’s second-largest economic hub while improving the day-to-day lives of Tangerines. On the industrial front, key players have already established themselves, such as the French group Renault, which in 2012 opened the largest automobile plant in Africa in the town of Melloussa, near Tangier. The company manufactures Dacias for local and international markets. In 2015, 229,000 vehicles came off the assembly line, including 94% which were exported—via the Tanger-Med port—mainly to France, Spain and Turkey. The site employs 6,000 people. Next to the automotive sector, the textile business makes up the other industrial pillar of the region.

“The city strives to be a driving force of the Moroccan economy,” says Mayor Bachir Abdellaoui, in office for just over a year, who answered our questions in writing because he was occupied with a visit to Tangier by Mohammed VI while we were in town.

and the same amount of platform space—the equivalent of 230 football pitches. Enough for small extravaganzas such as a 107-metre illuminated fountain. “Illuminated, and musical!” says the half-smiling 38-year-old engineer, a native of the Middle Atlas.

### PROJECTS GALORE

The port is not the only responsibility of SAPT. The company has also taken on the restoration of part of the

medina, including the stone walls and the “kasbah”—or citadel—which look directly out to the seafront and which came up to the water’s edge in times past. For now, the fortress is still closed to the public, but eventually a path will be established on the fortifications offering magnificent views. Former gates have been reopened to recreate passages between the port and the old city. There is no doubt that this

At present, 70 to 80% of the Moroccan economy is concentrated in Casablanca. “We are working day and night to improve the business climate,” says the mayor, a member of the Parti de la justice et du développement (Justice and Development Party), an Islamist party that won the national legislative elections in 2011. “One of our main objectives is to eliminate any constraint that investors may come up against.”

However, Tangier is far from being the only city in the kingdom to benefit from large investments. Large-scale projects are also being implemented in Kenitra, Rabat, Fez, El Jadida and Casablanca (see our report on p. 34) as part of the country’s overall development strategy, involving the creation of industrial centres throughout the country as well as improvement of infrastructure, all within the perspective of regional autonomy. But no other city has a geographic location quite like the former diplomatic capital of Morocco.

### REGIONAL AMBITION

“The King understands the strategic role Tangier plays on a regional scale,” says Hatim Benjelloun, associate director of Public Affairs & Services, a consulting firm in image and influence based in Casablanca, and founder of the independent think tank Radius, which has just drafted a concept paper on the place of Tangier in the new economic and institutional dynamics of Morocco. “Mohammed VI is pursuing an aggressive Mediterranean policy because he is taking a very long-term perspective,” says Benjelloun, who has a degree from Sciences Po Bordeaux.

He continues: “First, there is a wish to create a powerful economic centre on the Mediterranean through industry and a strong port. The logic here is to strengthen infrastructure in order to stifle the opponent, which is Spain in this case. Mohammed VI also wants to take a leading role in Africa, or at least in Franco-phone Africa, and to do this, he must

see to it that Morocco becomes a mandatory transit point.



**“One of our main objectives is to eliminate any constraints that investors may come up against”**

*Bachir Abdellaoui, Mayor of Tangier*

To achieve this, we have not only Tangier, but also Nador West Med, another mega-port mainly involved in the energy sector that is being built near Nador (in the northeast).”

And that’s not all. “The launch of the TGV between Tangier and Casablanca, criticised by many who say that it wasn’t a priority, is in my opinion part of a long-term vision,” adds the lobbyist. “The goal there is not to shorten the distance between Tangier and Casablanca, but between Europe and Africa.” Morocco is also seriously considering the construction of a tunnel under the Mediterranean. In the meantime, Benjelloun imagines a palliative system of high-speed shuttles crossing the strait, which would shorten the travel time between Casablanca and Algeiras to 3 hours and 30 minutes.

### CONTRASTS

Before Mohammed VI acceded to the throne in 1999, Tangier saw a period of oblivion and marginalisation. A former international free zone, it had been neglected since it was united with Morocco when it gained its independence from France and Spain in 1956. A cosmopolitan city with a nefarious reputation, a hub of >



Some of Tangier’s inhabitants, chatting on the “terrasse des paresseux”.

drug-trafficking due to its proximity to the Rif region—where most of the Moroccan production of cannabis is concentrated (the country is the world’s leading producer of “kief”; see article on p. 52)—a refuge for exiles and a source of inspiration for writers and artists, Tangier saw anarchic development and a population that exploded from 150,000 at its independence to nearly one million today, which makes it the third-largest city in Morocco after Casablanca and Fez.

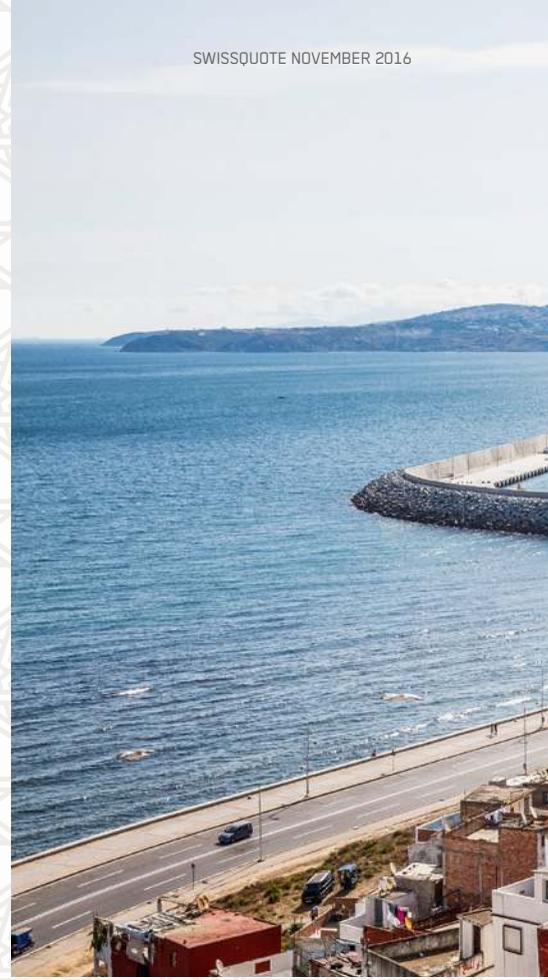
“In the 1980s and 1990s, Tangier was in the hands of speculators,” remembers Rachid Taferssiti, 71, a local figure who founded the association Al Boughaz (The Strait) in 1988, which advocates for “balanced and harmonious” development of the city. “It was a place for money-laundering, drug-trafficking and everything that comes with it. The most optimistic of Tangerines could never have imagined what is happening right now. It’s incredible. I might regret that

certain beaches from my youth have been sacrificed to road construction, but I have to admit that it’s practical. We had to make concessions.”

Taferssiti, a former bank director and author, claims to be a fan of Mohammed VI: “I’ve always been leftist, but I’ve always been ‘Mohammedist’ as well. One has to be clear-sighted. People criticise Morocco because it’s a monarchy, but I don’t see any other African, Arab or Muslim country that has accomplished what we have. The authorities listen to our association. Their doors are open to us. I was even invited to dine at the King’s table during his first visit to Tangier in 1999. It was his first official outing, and he chose Tangier and the north as his destination. It was an extraordinary gesture.”

### HUGE SHIPS

We return to the Tangier port. Hicham Kersit of SAPT is driving around the future cruise ship



### “TANGER-MED”: THE MONSTER ON THE STRAIT

**By 2019, Tangier will boast the largest commercial port on the Mediterranean.**

**Operational since 2007, the deep-water Tanger-Med port is one of the key instruments in the revival of northern Morocco and the fulfilment of the country’s new ambitions. Located on the Strait of Gibraltar, only 14 km from the Spanish coast, Tanger-Med is mainly a trans-shipment port that competes directly with Algeciras, in Spain, on the other side of the second-busiest shipping route in the world. And there is more.**

**Supported by an economic and logistic free zone, the port is used by regional industries whose development it promotes. In addition to its two container terminals,**

**it has two others dedicated solely to imports, exports and automobile trans-shipment (including one reserved exclusively for Renault). This is supplemented by rail terminals, hydrocarbon storage facilities and a passenger and vehicle port.**

**In 2015, 12,300 ships called at Tanger-Med, including 2,264 container ships, a figure that has gone up 14% in a year. And that’s not the end of it. The port, which has cost 1.3 billion Swiss francs, will soon be expanded. By the end of its expansion in 2019, it will have the capacity to process over eight million containers a year, compared with three million at present, which will make it the largest port in Africa and the Mediterranean in terms of trans-shipment.**

platform. On the pontoon opposite, giant yachts owned by the Saudi and Emirati royal families are moored, a sign of the close ties between Morocco and the Gulf states. “Right now, Tangier accommodates about a hundred port calls a year, which represents some 150,000 people,” says the young director. “This figure is below what it could be. With the new dynamic created by the port, we hope to accommodate 700,000 cruise ship passengers a year by 2020.” Morocco has a certain advantage over other southern Mediterranean countries: in Tunisia and Egypt, tourism has come to a halt due to security problems—to say nothing of Libya—while Algeria has not done much to develop its cruise ship sector.

But accommodating more visitors is not enough—an attractive tourist



View of the Port of Tangier. With these renovations, the city hopes to welcome 700,000 cruise ship visitors per year by 2020.

offering should follow. And that's exactly the point, says Hatim Benjelloun of Public Affairs & Services. "It's all very well to have an aerial tramway, but to see what?" he asks. "The offering is not yet suitable for the scale of the new port, which is supposed to attract the largest cruise ships. We've realised that tourists coming to Tangier won't spend anything."

But plans are emerging. "Work is under way to establish a real green tourism offering that will involve developing the natural heritage of the region, which is magnificent," says Benjelloun. "The other lever will consist in developing quality seaside tourism that will be as competitive as what is seen in Spain. Just outside of Tangier are beautiful beaches, inlets and a stunning coastline. There is a pristine part and a poorly exploited

part—that is, it's poorly developed. It's not enough to have tourists come to the seashore; we have to create all the infrastructure that goes with it."



**"Tangier  
is developing  
very quickly,  
too quickly  
for some"**

Hatim Benjelloun, associate director  
of the consulting firm Public Affairs & Services

The Moroccan points out an even bigger problem stemming from the previous one: "Tangier is developing very quickly—too quickly for some, and this is creating a number of disconnects in a city that has never been accustomed to such expansion. For example, there is a sheer lack of workers. One partner in the study we conducted on Tangier told me he had been looking for a development director for a year. Someone from Casablanca would be too expensive to hire, especially considering the fact that it's still difficult for a well-educated Moroccan living in Casablanca or Rabat to accept a job in Tangier. We have to create the necessary training infrastructure and make the city even more attractive to all Moroccan job-seekers. Major efforts are being made to overcome this gap." ▲

# THE PILLARS OF THE MOROCCAN ECONOMY

Phosphates, sugar and beer: a selection of the Moroccan companies that are leading the way in their sectors.

BY BENJAMIN KELLER

A phosphate reserve operated by Office Chérifien des Phosphates (OCP), near the city of Laayoune in Western Sahara.



AFP / FABEL SENNA

**Headquarters:**  
Casablanca

**CEO:**  
Mostafa Terrab

**Founded:**  
1920

**Revenue:**  
CHF 4.8 BILLION

**Employees:**  
20,709

## OFFICE CHÉRIFIEN DES PHOSPHATES

### THE FERTILISER HEAVYWEIGHT

OCP (Office Chérifien des Phosphates) is the first global exporter of phosphate in all its forms and enjoys a 28% market share. In 2014, OCP became the largest Moroccan company following the bankruptcy of Samir, an oil refiner. In February, a new fertiliser factory, costing more than 500 million Swiss francs, was opened south of Casablanca. OCP's aim is to

conquer the African market, which represents a drop in the ocean in terms of global fertiliser consumption. In Q1 2016, OCP recorded a 5% drop in revenue over one year, with analysts forecasting an improvement in the fertiliser market by the end of the year. The company is 95% owned by the State and may soon be floated on the stock market.

**Headquarters:**  
Casablanca

**CEO:**  
Mohamed Bachiri

**Founded:**  
1959

**Revenue:**  
CHF 473 MILLION  
(2014)

**Employees:**  
1,238



Assembly of a Renault Logan at the Somaca factory in Casablanca.

AFP / ABDELHAK SENNA

## SOMACA

### CARS FOR EXPORT

In August, Somaca (Société marocaine de construction automobile) celebrated rolling the 500,000th car off its production lines since 2005. 80% owned by Renault, Somaca assembles one fifth of the vehicles manufactured by the French carmaker in Morocco (with the remainder built in Renault's Tangier factory, opened in 2012). With a capacity of 80,000 vehicles per year, the Casablanca site assembles the Kangoo, Logan and Sandero models. Approximately 70% are exported, mainly to Egypt, Turkey, the Arab States of the Persian Gulf and Tunisia. Somaca is aiming to become one of the five largest manufacturers of Renaults in the world by 2019.

**Headquarters:**  
Rabat

**CEO:**  
Ali Fassi-Fihri

**Founded:**  
2012

**Revenue:**  
CHF 3 BILLION (2014)

**Employees:**  
17,000+

## ONEE

### THE PRECARIOUS STATE OF INDUSTRIAL SERVICES

According to the Court of Auditors, ONEE is the "most financially fragile" Moroccan public institution. It is also the company with the third highest revenue in Morocco. The national office for electricity and drinking water

(ONEE) was created in 2012, with the regrouping of two state-owned companies, and is one of the pillars of the country's strategic development strategy. The water division boasts 1.9 million urban customers and 12.7 million customers in rural areas, whilst the electricity division has a total of 5.3 million customers. ONEE has invested heavily over the last few years in increasing access to drinking water and electricity in rural areas. Its penetration rate borders on 100%.

**Headquarters:**  
Casablanca

**CEO:**  
François Bosco

**Founded:**  
1919

**Revenue:**  
CHF 227 MILLION

**Employees:**  
1,096

## BRASSERIES DU MAROC

### THE UNCHEERFUL BREWER

The disappointments just keep on coming for Brasseries du Maroc. The brewer, which also produces wine, has faced a rise in tax on beer since the rise to power of the Islamic PJD party (Justice and Development Party). The company's

troubles are compounded by the decision of the Moroccan distribution leader, Marjane, to take alcohol off its shelves. And on top of that, Ramadan fell in the middle of the summer... Despite all this, the brewer, a former subsidiary of the SNI which was then taken over by French group Castel in 2003, managed to increase its turnover (+0.4%) and profits (+5.6%) in 2015. Analysts recommend purchasing this stock.

**Headquarters:**  
Casablanca

**CEO:**  
Aziz Akhannouch

**Founded:**  
1959

**Revenue:**  
CHF 3 BILLION

**Employees:**  
4,000

### AKWA GROUP

## FROM CORNER SHOP TO CONGLOMERATE

Akwa Group is the leading Moroccan hydrocarbon company. The story starts in a corner shop with Ahmed Ouldhadj Akhannouch, who started out by re-selling petrol to foreign companies by the litre. Nowadays the Group manages the largest service

station network in the country, via its subsidiary Afrikaia. The conglomerate, which is still a family business, now numbers more than 60 companies in its group. Two of these companies have floated on the stock market—namely Afrikaia Gaz, a liquefied petroleum gas distributor, and Maghreb Oxygène, an industrial gas specialist. Afrikaia Gaz posted a 3.8% increase in profits in 2015 whilst Maghreb Oxygène was affected by the bankruptcy of Samir and recorded a 27.2% decline in profits. Analysts recommend holding on to positions in Afrikaia Gaz and selling those in Maghreb Oxygène.

**Headquarters:**  
Casablanca

**CEO:**  
Bertrand Vezia

**Founded:**  
1967

**Revenue:**  
CHF 1.2 BILLION  
(2014)

**Employees:**  
1,400

### SOCIÉTÉ MAROCAINE

### DES TABACS

## A MONOPOLY THAT WENT UP IN SMOKE

Société marocaine des tabacs (SMT), which is owned by the British company Imperial Tobacco, had a monopoly of the market until Emid, the Moroccan-Emirate Group, appeared on the scene. In 2011, SMT enjoyed a 97.3%

market share with its Moroccan brands (Marquise, Olympic, Bleue and Casa). This figure now stands at just 58%. In 2016, Emid also acquired manufacturing and distribution rights for brands from the Philip Morris group (Marlboro, L&M), a contract that had been previously held since 2010 by SMT. SMT's revenue plunged by 20%. At the end of 2015, the company announced that it was cutting between 100 and 300 jobs and that it would no longer supply tobacco to local tobacco producers.

**Headquarters:**  
Rabat

**CEO:**  
Abdeslam Ahizoune

**Founded:**  
1998

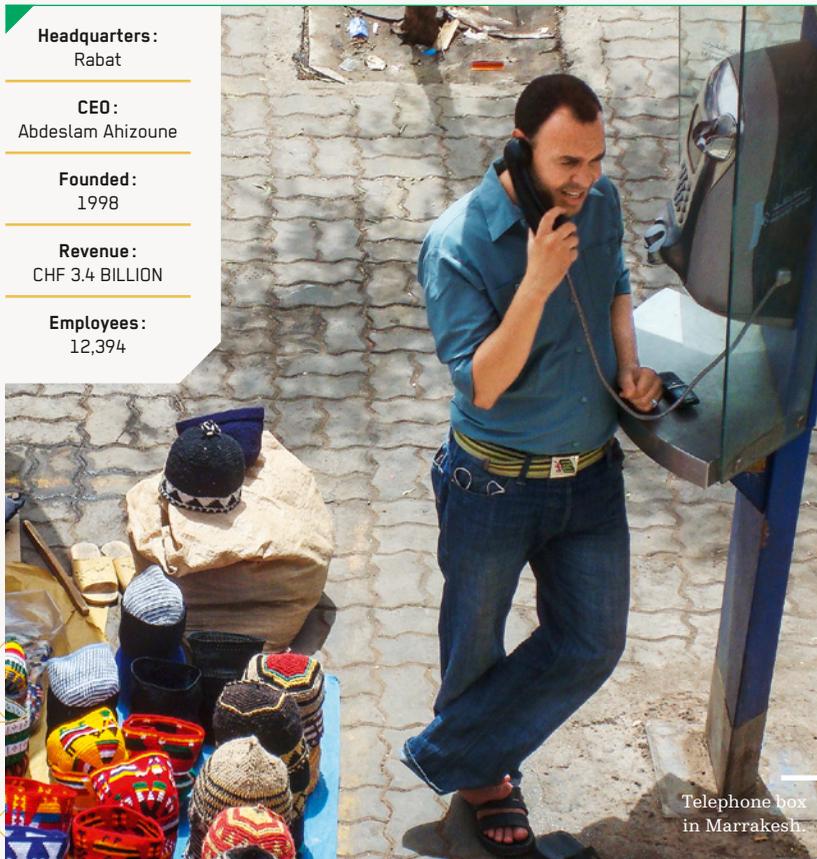
**Revenue:**  
CHF 3.4 BILLION

**Employees:**  
12,394

### MAROC TELECOM

## AFRICA CALLING

Maroc Telecom, the first Moroccan operator, went international in order to grow. And the results speak for themselves: between 2013 and 2015 the company's international revenue leapt from 27% to 41%. In the first six months of 2016, the Group posted a 3.2% increase in profits in one year. The best performances came from Sub-Saharan Africa, where revenue grew by 17.1%. The company's annual financial report states that "the growth achieved by newly-acquired subsidiaries continues, with strong performances in Côte d'Ivoire and Niger. Our long-standing subsidiaries, notably in Gabon, continue to achieve steady growth". Maroc Telecom is 53% owned by Etisalat, a telecommunications corporation based in the United Arab Emirates. Analysts advise hanging on to this stock.



Telephone box in Marrakesh.



**Headquarters:**  
Casablanca

**CEO:**  
Abdelhamid Addou

**Founded:**  
1957

**Revenue:**  
CHF 1.3 BILLION

**Employees:**  
3,091

### ROYAL AIR MAROC

## A COVETED PHOENIX

Following two restructuring plans, Royal Air Maroc (RAM) is finally steadying the ship. Since the “Open Sky” agreement came into force in 2008 and opened the airspace to European low-cost airlines, Morocco’s national airline has been teetering on the verge of economic disaster. RAM recovered in 2013, even if profits remained thin (20 million Swiss francs in 2015). In April, Qatar Airways declared its interest in acquiring a 25 to 49% stake in the airline’s capital, which is currently 98% publicly owned. Qatar Airways is looking to strengthen its position in West Africa, a region where Royal Air Maroc remains the number one carrier.

**Headquarters:**  
Casablanca

**CEO:**  
Mohammed Fikrat

**Founded:**  
1929

**Revenue:**  
CHF 697 MILLION

**Employees:**  
2,000

### COSUMAR

## ALL THE SUGAR IN THE KINGDOM

All the mint tea in Morocco is sweetened by Cosumar. The Group became the country’s sole sugar producer

and the third largest in Africa, after buying out four public companies in its sector in 2005. Cosumar, specialists in sugar extraction, refining and packaging, is owned by SNI (Société nationale d’investissement). From 2013, the SNI pulled out, transferring 27.5% of its share to Wilmar, a company based in Singapore. That same year, Cosumar started exporting and in 2015 the Group recorded a 15.3% increase in turnover, thanks to record production of white sugar. Analysts suggest investing in this stock.

**Headquarters:**  
Casablanca

**CEO:**  
Hassan Ouriagli

**Founded:**  
1966

**Revenue:**  
CHF 3.3 BILLION

**Employees:**  
80 (as estimated by *Jeune Afrique* at the start of 2015)



## SOCIÉTÉ NATIONALE D’INVESTISSEMENT

Is Mohammed VI’s holding company a “business incubator” or a way for the royal family to gain a stranglehold on the country’s economy?

The SNI (Société nationale d’investissement) is a private holding company controlled by the Moroccan royal family. The company is involved in key sectors of the economy: construction, mines, distribution, finance, telecommunications, energy and real estate. The SNI owns Nareva, for example, a major player in the renewable energy sector (a sector which has seen massive investment from Morocco). The company

also owns Marjane, a leading distribution chain, and holds a 48% stake in Attijariwafa Bank, the leading banking and financial group in the Maghreb region. SNI officially defines itself as a “business incubator and developer”. It then transfers its stake in these companies once they have reached the “long-term development stage”. However, analysts paint a picture of weakened competition, and a negative impact on prices and the attractiveness of Morocco to foreign investors.

# HIGH ON CANNABIS FARMING

The movement to legalise the sale of cannabis is getting stronger in Morocco, the world's leading producer of cannabis resin. Insights.

BY STÉPHANIE WENGER

A heavily guarded cannabis plantation near Chefchaouen in the Rif, Morocco's main cannabis-growing region. Hemp farming has been officially banned in the territory since 1956, but in practice, attitudes are more tolerant.



**I**n northern Morocco off the road around Chefchaouen or Ketama further south, it is not uncommon to spot the green, star-shaped plants proudly stretching towards the sky, giving off their pungent odour. In its World Drug Report 2016, the United Nations Office on Drugs and Crime (UNODC) pointed to Morocco as the world's largest cannabis-resin producer, ahead of Afghanistan. And Europe is its top market. Official statis-

tics released by the government in 2013 show that more than 47,000 hectares are used to grow cannabis, yielding 700 tonnes a year. Most of that production is exported. Another report from the UNODC indicates that the surface area used for cannabis cultivation is shrinking, down from an estimated 120,500 hectares in 2004.

The authors attribute this considerable decrease to a combination of factors, including an adverse climate, the government's awareness campaign encouraging Riffian farmers to stop growing cannabis illegally and measures taken by the authorities to eradicate it. But these measures have had a somewhat limited impact in fighting crime. The International Narcotics Control Board (INCB) reported seizing 70 tonnes in 2014, only 10% of total production.

This repressive approach and the incentives to grow other crops have failed to meet their objectives. And that has shifted Morocco's debate on cannabis in a different direction in the past few years. Two bills to legalise cannabis have even been presented to Parliament. This draft legislation was first supported by the Authenticity and Modernity Party (PAM), a political party founded by one of the king's advisors in 2008. The long-standing but relatively conservative Istiqlal—or Independence Party—later joined in. In April, Morocco's Islamist Party for Justice and Development reiterated its patent opposition to any form of legalised cannabis farming.

“One of our proposals aims to legalise the use of cannabis and hemp for therapeutic and industrial purposes,

and the other to pardon thousands of Moroccans who have been prosecuted for growing cannabis,” says Mehdi Bensaïd, an outgoing Parliament member and a fervent supporter of the draft legislation. Current Moroccan law likens cannabis growers to drug traffickers who risk prison sentences of up to 10 years.

**“I have already been contacted by Swiss and Canadian companies that wanted to know if the legislation would go through any time soon”**

Mehdi Bensaïd, outgoing Parliament member of the Authenticity and Modernity Party (PAM)

“These changes have a number of objectives, including to allow Moroccans live legally, benefit from social programmes available to other employees and farmers and contribute to wealth creation by investing in different sectors,” Mr Bensaïd says. “I have already been contacted by Swiss and Canadian companies that wanted to know if the legislation would go through any time soon.”

Another financial advantage that the project's proponents are hoping for is more tax revenue. A national agency would be in charge of regulating the cannabis trade to prevent illegal dealing. An example from the US could serve as a reference. In the state of Colorado, where the legalised sale of cannabis is taxed, tax revenue amounted to \$135 million ▶



REUTERS / RAFAEL MARCHANTÉ

in 2015 (see inset below). One quarter of that money was used to build schools. But this may not accurately reflect the potential for Morocco, which, unlike Colorado, does not plan to legalise the recreational use of cannabis.

## EXPERIMENTS THROUGHOUT THE KINGDOM

The government's fight against illegal cannabis farming does not mean that it cannot explore new options to develop strains containing lower levels of THC. Over the past few years, research has even been carried out on the potential of hemp farming. For example, the highly respected Moroccan Royal

Gendarmerie Research and Technical and Scientific Analysis Laboratory (LARATES) has conducted tests on industrial hemp farming in five regions throughout the country, with the help of the National Institute for Agricultural Research (INRA). "The plant grew very fast, as if the growth cycle had been shortened," says Professor Hamid Stambouli, who highlights the difference with the "drug" variety of cannabis. "It has many applications, including in the automotive industry, construction and on road signs," the scientist says. "We've also led experiments on hemp oil, which is rich in fatty acids with a better composition than olive oil. The hard

part is extracting it without any traces of THC."

To grow industrial hemp, levels of any psychoactive substance would have to be limited. And that would mean infrastructure to monitor production. Growing different, non-toxic varieties would also force farmers to learn new techniques, requiring efforts and resources. Mr Stambouli doubts that farmers are ready to take that step: "They aren't yet motivated to move on to another strain. They have to understand the opportunities to make sure their efforts won't be in vain." A UNODC report published in 2005 estimated gross annual household income from illegal cannabis farming at 38,900 dirhams (about 3,900 Swiss francs). That's a comfortable sum, compared with the national GDP per capita of 14,843 dirhams (1,500 Swiss francs).

## THE AMERICAN TEXTBOOK CASE

*The legalisation of cannabis has generated phenomenal revenue in the US. Enough to inspire other pot-producing countries.*

In the US, 86% of the population live in a state where marijuana usage (medical, recreational or cannabidiol only) is now legal. Today that market is worth \$5.4 billion (\$4.6 billion in 2014). In Colorado, 16,000 jobs were created in the first year after cannabis was legalised in 2014. **And nationwide, annual market growth could reach 30% per year, over the next five years, according to ArcView Market Research.** More to the point for Morocco, which is leaning towards strictly medical or industrial use, sales of medicinal cannabis totalled \$4.2 billion in the US in 2014 (92% of market revenue).

However, the study conducted for the fourth consecutive year by ArcView Market Research and New Frontier Data suggests that the recreational cannabis market is where it's at. "Certain American states are producers. Uruguay will become one. A number of Israeli companies excel in making medicinal cannabis. And Croatia

is about to legalise hemp oil. So where does that leave Morocco?" wonders Christian Ben Lakhdar, a lecturer at Lille 2 University in France and expert in the drug economy. He also co-authored a report for the French think tank Terra Nova, "Cannabis: réguler le marché pour sortir de l'impasse" (Cannabis: regulating the market to break the deadlock). "The country is losing market share in illegal trade and significant inflows of foreign currencies," the professor says. Industrial hemp is another fast-growing market, but other countries have long had a firm grounding, including China, the world leader, and France, the largest European producer.

But all that talk is quite far from the problems faced by farmers of the Moroccan Rif. In their article published in 2013, the researchers Pierre Arnaud Chouvy and Kenza Afsahi highlighted that many hybrid strains, with a higher yield and THC content, are grown in Morocco to please European consumers. That's enough to make one think harder about the official data on the number of hectares of farmland and the advantages of legalisation for Moroccan producers.

The outgoing parliamentarian Mehdi Bensaïd, who has met some of these growers, sums up their position: "They're afraid that costs will fall if the plant is legalised. So the government has to step in and assess industry potential. For now, we have no figures or field studies. So it's still hard to estimate the potential gains for the government and which regions would be affected."

Meanwhile, manufacturers are stuck with few options. Aziza Chaoui, a Moroccan architect and entrepreneur who works between Morocco and Canada, says, "We planned to use hemp for insulation. It's a low-cost, natural material that insulates 20% better than straw. But one of our clients, a city government, has refused. Changing mindsets is not easy. For another institution, we suggested using hemp straw mixed with soil to insulate their building's interior. I hope the project will go through." The debate has begun, initiatives are out there, and the legalisation of cannabis could very well become a key issue for the next government. ▽



# Life is short – so start thinking ahead.

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# STOCK WARS

Competition is heating up between the world's top financial exchanges. With record-smashing IPOs on the line, some market operators are hoping to create synergies through merger deals. The uncertainty surrounding Brexit will likely disrupt the current market forces.

BY CLÉMENT BÜRGE

**T**he New York Stock Exchange was celebrating on 19 September 2014. Alibaba had just floated for \$25 billion—the largest IPO ever. It wasn't easy attracting the Chinese e-commerce giant. NYSE fought hard to outdo its two biggest rivals: Hong Kong, which was the “natural” choice for a Chinese company, and London, which offered financial promises and even enlisted Boris Johnson—then Mayor of London—in an attempt to woo Jack Ma.

The struggle to win the Alibaba listing perfectly illustrates the fierce competition between the world's leading stock markets today. It's an unprecedented situation: “When stock exchanges first appeared in the 18th century, they were much more nationally focused. Their main purpose was to finance companies in their respective countries,” says Laure Corre, research director at CNRS.

In the 1980s, free circulation of capital and the rising power of new

industrialised countries opened the way for stock exchanges to become more globalised. But things really sped up at the turn of the 21st century. Companies can now float anywhere in the world thanks to new technologies and real-time information sharing. According to Bloomberg, the number of companies listing outside their country of origin has doubled in the last two years.

**The number of companies listing outside their country of origin has doubled in the last two years**

But why list in a different country? “Companies hope that doing so will lead to a better valuation, especially on exchanges that have more investors, more capital and more experts who are familiar with the industry,” says Philippe Espinasse, author of “IPO: A Global Guide”.

There are two underlying trends in the sector today. First, more exchanges are forging alliances. Milan and London joined forces in 2007, and Euronext and NYSE merged between 2007 and 2014. Second, exchanges are starting to specialise. Zurich is a hub for pharmaceuticals, Frankfurt for car companies and London for commodities.

These trends are strategies for survival. Stock exchanges are companies like any other, and more often than not they're listed too. Each IPO generates revenue for them. Their business model rests on four pillars: listings, trading, interbank clearing and financial analysis.

Exchanges tend to be dependent upon one another, which is why the UK's decision to leave the EU has triggered such a wave of uncertainty. The LSE may lose its status as Europe's largest exchange—and when it falls, another will surely rise in its place...

## DEUTSCHE BÖRSE THE INDEPENDENT



Following several abandoned merger attempts, Deutsche Börse may finally join forces with the London Stock Exchange. But Brexit has politicised the deal to a great extent.

The Frankfurt Stock Exchange was established as the “official” German Stock Exchange in 1949, just after the end of World War II. It was long seen as a major potential challenger internationally. Whereas Euronext focuses on stocks, Deutsche Börse is the world leader in derivatives. It offers 1,400 ETFs and 1.4 million derivative products. It also specialises in a handful of major industries, such as carmakers (BMW, Mercedes) and pharmaceuticals (Bayer).

One of the exchange’s biggest innovations has been the creation of listing standards. “Listing standards may be less strict for smaller companies,” says Heiner Seidel, spokesperson for Deutsche Börse. “For example, they may have fewer documents to submit about their business, or lower capital requirements to comply with.”

This year, the Frankfurt Stock Exchange plans to merge with the London Stock Exchange (LSE). Two previous attempts to come together—in 2002 and 2004—failed. In 2012, plans to merge with NYSE Euronext were

also abandoned. But after the UK’s vote on 23 June to leave the EU, a merger with the LSE looks more attractive than ever. Several European countries, however, have said that they would oppose such a deal.

**COMPANIES LISTED:** 599  
**MARKET CAP:** \$1,654 BILLION  
**REVENUE:** €2.4 BILLION  
**EMPLOYEES:** 5,283  
**STATUS:** PUBLIC

## EURONEXT THE TECH- FRIENDLY EXCHANGE



The European exchange specialises in SMEs and tech stocks.

Euronext was formed in 2000 through the merger between the Paris, Amsterdam and Brussels stock exchanges. “We wanted to reach a critical size and become more competitive worldwide,” says Anthony Attia, CEO of Euronext Paris. The firm later expanded its network, adding the Lisbon stock exchange and a branch of the London stock exchange. Euronext merged with NYSE in 2007, then completed an IPO and became a stand-alone company again in 2014.

Today “investors have access to five different markets through a single platform,” says Anthony Attia. “There’s no other offer like it in the world.” In 2015, Euronext’s revenue rose 10%, to €519 million. The company also

won two big listings: Dutch bank ABN Amro for €3.3 billion, and Europcar for €854 million.

The European trading platform is now looking to specialise in two areas: tech stocks and SMEs. “We currently have 360 tech companies,” says Anthony Attia. “It’s advantageous for firms to list alongside other companies from the same sector. They gain more media attention and investors are more familiar with the sector.”

The SME market is also promising. “These companies are not as familiar with stock markets,” adds Anthony Attia. “We have introduced special measures to support them, including a university where heads of SMEs receive training on the exchange’s rules.” Since the programme’s launch in 2013, some 750 SMEs have listed on Euronext.

Anthony Attia sees Brexit as an opportunity: “We’re going to look at the situation in detail. Of course, we’re open to companies who lose their European status. We also think it’s unacceptable to conduct business in euros in a non-European country.” The LSE does most of its trading and clearing in euros. But Euronext hasn’t decided on a particular strategy yet: “We first need to know which direction the UK is headed.”

**COMPANIES LISTED:** 1,061  
**MARKET CAP:** \$3,421 BILLION  
**REVENUE:** € 518.5 MILLION  
**EMPLOYEES:** 652  
**STATUS:** PUBLIC

## THE WORLD'S 20 LARGEST STOCK EXCHANGES

Number  
of companies  
listed

Capitalisation  
(in billions  
of dollars)

Number of companies listed	Rank	Exchange	Capitalisation (in billions of dollars)
2,330	1.	NYSE	18,832
2,877	2.	Nasdaq	7,513
3,533	3.	Tokyo	4,985
1,110	4.	Shanghai	3,870
2,629	5.	LSE	3,589
1,061	6.	Euronext	3,421
1,790	7.	Shenzhen	3,157
1,924	8.	HKEX (Hong Kong)	3,101
3,473	9.	TMX (Toronto)	1,936
599	10.	Deutsche Börse	1,654
5,986	11.	Bombay	1,632
1,839	12.	National Stock Exchange of India	1,603
266	13.	SIX	1,463
2,002	14.	Korea Exchange	1,354
2,082	15.	Australian Securities Exchange	1,314
852	16.	Nasdaq OMX Nordic Exchange	1,285
374	17.	Johannesburg Stock Exchange	1,075
902	18.	Taiwan	841
353	19.	BM&F Bovespa (Sao Paulo)	740
3,588	20.	BME Spanish Exchanges	691

SIX

### THE PHARMA HUB

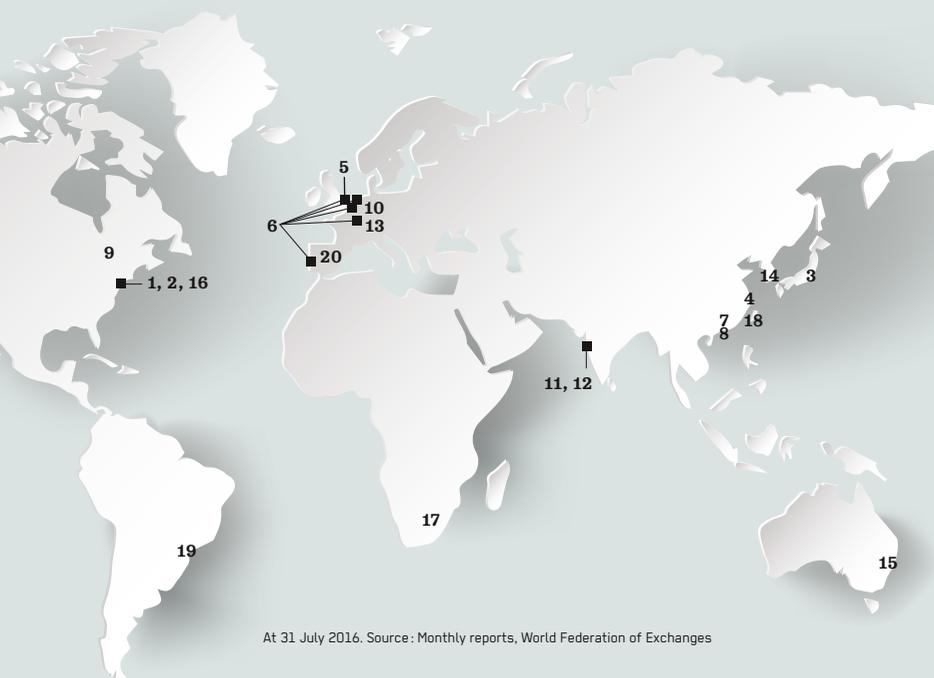
The Zurich-based exchange has attracted Switzerland's pharmaceutical giants and is specialising in life sciences.



SIX Swiss Exchange has stayed out of the rivalries between the world's top financial markets, capitalising instead on the strength of Switzerland's traditional industries and on the small size of its market. "We are specialising in sectors where Swiss companies excel, such as life sciences. About 40% of the European companies listed on our exchange are life sciences companies, such as Roche and Novartis," says Marco Estermann, who oversees innovation strategy at SIX. By specialising in this area, the Swiss exchange has attracted international pharmaceutical companies, such as Italy's Cassiopea in 2015. Private banking is another competitive sector, according to one analyst.

SIX also has another advantage: a large pool of investors based in-country. "Given the amount of assets managed in Switzerland, we can compare ourselves to some of the bigger financial hubs," says Marco Estermann.

SIX is small as far as stock exchanges go, which makes it incredibly efficient. It takes just three to six months to complete a listing with SIX, versus twelve to twenty-four months for most competitors. The only other exchange offering service that fast—according to a ranking



At 31 July 2016. Source: Monthly reports, World Federation of Exchanges

by Ernst & Young—is NASDAQ Dubai. SIX also offers competitive rates: an IPO costs a few thousand Swiss francs, versus several tens or hundreds of thousands at other exchanges. “Our business model focuses on generating revenue more through trading than listing,” says Marco Estermann. That explains why 15% of the companies listed on SIX are foreign.

**COMPANIES LISTED: 266**  
**MARKET CAP: \$1,463 BILLION**  
**REVENUE: CHF 1.8 BILLION**  
**EMPLOYEES: 3,822**  
**STATUS: PRIVATE**

## HKEX THE PRIDE OF CHINA



With better stability and more experience than continental Chinese stock exchanges, Hong Kong has become the market of choice for Chinese state-run companies.

Hong Kong’s stock exchange has one huge advantage over its rivals: it’s located in China, but isn’t entirely controlled by China. It’s more stable and has more experience than other Chinese stock markets, and is governed by a code of laws inherited from Britain. That’s why so many Chinese companies—especially state-run companies—want to list there.

To bring itself closer to continental China, the Hong Kong exchange launched a partnership with the Shanghai exchange, giving Chinese investors access to Hong Kong stocks and vice-versa.

The Hong Kong exchange plans to form a similar alliance with Shenzhen in November 2016.

The Hong Kong stock exchange (HKEX) raised HK\$1,100 billion (about 140 billion Swiss francs) over the last two years, making it the world’s most active exchange, ahead of New York. During the past decade, the Hong Kong exchange also attracted three of the ten biggest IPOs ever: Agricultural Bank of China in 2010, for \$19.2 billion; Industrial and Commercial Bank of China in 2006, for \$19 billion; and AIA in 2010, for \$17 billion.

The exchange now appears to be resting on its laurels. “Compared with other exchanges, Hong Kong has changed little in recent years,” says Philippe Espinasse, author of “IPO: A Global Guide”. “It hasn’t done much to diversify its platform internationally, and remains for the most part an exchange for Chinese companies.” But Hong Kong and two other exchanges are preparing for the three-way listing of the oil company Aramco. The Saudi Arabian oil giant is estimated to be worth \$2,000 billion.

**COMPANIES LISTED: 1,924**  
**MARKET CAP: \$3,101 BILLION**  
**REVENUE: HKD 13.4 BILLION**  
**(CHF 1.7 BILLION)**  
**EMPLOYEES: 1,502**  
**STATUS: PUBLIC**

## JAPAN EXCHANGE GROUP THE REVENANT



To rise from a long-term slump, the world’s largest stock ex-

change outside the United States has specialised in blockchain and high-frequency trading.

The Tokyo Stock Exchange is the fourth-largest bourse in the world and the biggest operating outside the United States. Its main index, the Nikkei 225, has long been considered a barometer of the Asian economy. But the performance of Japan’s leading stock exchange has slowed significantly since the beginning of the decade. What happened? Japan’s economic crisis and three large market crashes between 2005 and 2006, draining investor confidence. As a result, the number of companies listed on the stock exchange plummeted from 198 in 2006 to only 22 in 2010.

To pull itself out of that rut, the Tokyo Stock Exchange merged with the Osaka Securities Exchange in 2012 to form the Japan Exchange Group. The new alliance now had a platform that could handle more derivatives trading. It also introduced a number of technological reforms, being one of the first to explore the potential of blockchain technology and integrate it into its platform. The Japan Exchange Group now plans to hook up with the Chicago Stock Exchange using infrastructure designed for high-frequency trading (HFT). Let’s hope that the 105 IPOs launched in 2015 are a sign that the Tokyo Stock Exchange is finally recovering.

**COMPANIES LISTED: 3,533**  
**MARKET CAP: \$4,985 BILLION**  
**REVENUE: ¥114.7 BILLION**  
**(CHF 1.1 BILLION)**  
**EMPLOYEES: 975**  
**STATUS: PUBLIC**

## NYSE THE AMERICAN DREAM



The world's largest stock market has a powerful media presence, which helps it attract companies from around the world.

The New York Stock Exchange (NYSE) is by far the largest exchange in the world. It has a market cap of around \$19,000 billion, versus \$7,500 billion for Nasdaq in the number-two spot. After its merger with Euronext in 2007, it was bought in 2013 by the US group Intercontinental Exchange (ICE), which runs some 20 trading platforms and specialises in derivatives.

NYSE recently completed the super-sized IPOs of Alibaba, Ferrari and Visa. The world's biggest companies all dream of listing there. But why?

First, NYSE brings together the largest pool of investors in the world. "A big company almost has to float in New York, because it's the only exchange with enough investors to finance a big IPO," says one analyst.

Companies also like the regulatory framework of NYSE, which is a pioneer in shares without voting rights—which leaves control of a company to a small group of shareholders.

The exchange's media exposure is also a plus, with a bell-ringing ceremony to mark the start of each trading day before the cameras of the world's biggest

media outlets. "Like any trend, it makes you look good if you're listed alongside the most prestigious firms in the world," says the analyst. "That's why Ferrari floated there in 2015."

**COMPANIES LISTED:** 2,330  
**MARKET CAP:** \$18,832 BILLION  
**REVENUE (ICE):** \$3.3 BILLION  
**EMPLOYEES (ICE):** 5,500  
**STATUS:** PUBLIC

## LONDON STOCK EXCHANGE IN THE AFTERMATH OF BREXIT



As the UK prepares to leave the European Union, the London Stock Exchange is getting ready to merge with Deutsche Börse.

When the UK voted to leave the EU on 23 June, it cast a big shadow on the world's fifth-largest stock market. The new agreement between the UK and the EU will have big implications for the London Stock Exchange (LSE). "When the UK leaves Europe, the LSE will lose its euro trading and clearing businesses, two of the exchange's more lucrative activities," says Sofia Ramos, a specialist in stock-exchange competition at the ESSEC Business School in Paris. Plus, European companies probably won't want to list on exchanges outside the EU for regulatory reasons.

That's why the merger plans initiated in March between the London and Frankfurt exchanges are more vital than ever. "It's a way for the LSE to keep one foot

in the EU," says Sofia Ramos. But several European countries—such as France, Belgium and Portugal—say they oppose the deal. They fear it will hurt their own capital markets.

Together, the LSE (which has already merged with the Milan stock exchange) and Deutsche Börse would become the biggest stock exchange revenue-wise. "They'll achieve huge economies of scale, reducing costs and attracting investors, says Sofia Ramos. If the merger doesn't go through, both groups say they'll have to lay off 1,250 people.

**COMPANIES LISTED:** 2,629  
**MARKET CAP:** \$3,589 BILLION  
**REVENUE:** £2.4 BILLION  
**EMPLOYEES:** 5,551  
**STATUS:** PUBLIC

## NASDAQ ELECTRONIC BEFORE THE REST



The tech-heavy kid brother to the New York Stock Exchange has grown along with its sector to become the second-largest stock exchange in the world.

The Nasdaq opened in 1971 as the first stock market to introduce electronic trading. This revolutionised the industry, where nearly everything was done by telephone until 1987. Its technological edge naturally attracted the most innovative companies, and that is how the Nasdaq set itself apart from the NYSE to become the American stock exchange for start-ups. Another advantage for young companies

was that a listing on the Nasdaq cost 70% to 80% less than on the NYSE. Transparency and capital requirements were also lower.

Since then, the Nasdaq has grown with its sector to become the second-largest stock exchange in the world. The start-ups from the early days are now tech giants. Apple, Microsoft, Alphabet (Google) are still listed on it.

In 2007, Nasdaq bought OMX, a platform covering the stock ex-

changes in Stockholm, Copenhagen, Helsinki, Reykjavik, Tallinn, Riga, Vilnius and Erevan. The group then bought some of the services businesses owned by Thomson Reuters, a media group, in 2013. In 2016, Nasdaq acquired the International Securities Exchange, an options exchange operator.

**COMPANIES LISTED: 2,877**

**MARKET CAP: \$7,513 BILLION**

**REVENUE: \$2.1 BILLION**

**EMPLOYEES: 3,824**

**STATUS: PUBLIC**

## Investment ideas in a low yield environment?

Find the suitable mixed fund on [swissquote.ch/funds](http://swissquote.ch/funds)

# Is it time for Microsoft to bow out?

Fifteen years after first venturing into the video game market, the US tech giant is struggling to compete with its main rival, Sony. Analysis.

BY MICHEL BECK

**I**n July 2016, Microsoft, beaten and battered as has rarely been seen before, congratulated itself for selling more video game consoles than Sony. And that's definitely something to brag about. Sony's PlayStation 4 has dominated the market since both manufacturers released their respective devices in November 2013. Since then, the Japanese group has unloaded more than 40 million machines, while the Xbox One has clocked in at barely more than 20 million units. That comes out to a 2-to-1 advantage for Sony. The gap is huge and completely disproportionate compared with the previous generation. The Xbox 360 sailed along quite happily for several years before PlayStation 3, released a year late, caught up. But to claw into some of Sony's market, Microsoft has spent colossal sums of money since it moved into video games in November 2001. Robbie Bach, the former Microsoft employee and "father" of the very first Xbox (24 million units sold), revealed last year that his company had

lost between \$5 billion and \$7 billion on that project alone.

The new and improved second generation achieved decent success, selling more than 85 million units. That performance ranked it just behind the PlayStation 3 (86 million), but it still trailed far behind Nintendo's Wii (102 million). However, these impressive figures covered up a less glorious reality lurking in the company's books. In 2013, some analysts estimated that the Xbox division was losing between \$2 billion and \$3 billion. Per year. Many observers wondered back then if Microsoft wouldn't be wise to bow out altogether from the industry, which is like playing in a minefield. Consoles are an expensive business that forces most builders to make products whose total production cost is higher than the retail price. For example, an Xbox One sold for \$499 at the beginning of its product life cycle actually cost the manufacturer \$471 just for the parts. And we're talking the bare cost of producing the machine itself.



That doesn't include the money poured into research and development or even marketing.

**To claw into some of Sony's market, Microsoft has spent colossal sums**

But Microsoft is a stubborn company. Despite the challenges faced by its Xbox One and a gaming division weighing down its books with a 9% decline (\$152 million) in the first quarter of the 2016 financial year, the

## INTERVIEW



Laurent Michaud,  
Digiworld  
Institute

## “ MICROSOFT HAS NOT GIVEN UP HOPE OF BECOMING NUMBER ONE ”

Laurent Michaud, Head of Consumer Electronics and Digital Entertainment at Digiworld Institute, says the battle is not yet over for the firm from Redmond.

### With its new Xbox One S consoles, can Microsoft catch up to Sony?

Microsoft will likely extend the sales cycle of its machine by a few months and sell a few hundred thousand more. That won't fundamentally change anything in the current situation, with Sony's PlayStation 4 clearly dominating this generation. Meanwhile, Nintendo has missed the mark compared with its previous model. Microsoft has managed to do alright but actually not as well as it thought it would when it first launched the Xbox One. I don't see how the current trend could be reversed. Xbox One might bounce back, but that won't have any major impact on the overall performance of machine sales.

### But Microsoft announced strong sales in July...

That's communication, and it's totally natural. Any slightly positive indicator is worth squeezing. In July, console ▶



REUTERS / LUCY NICHOLSON

### Xbox vs. PlayStation.

This visitor at the famous Electronic Entertainment Expo (E3) in Los Angeles seems to have made his choice.

American giant has recently rolled out new versions of its star console. With several models available, the Xbox One S (S for Slim) is 40% more compact and features new technological enhancements, including automatic display upscaling to fit 4K televisions. The base model of the Xbox One S also attacks on the price front, starting at \$299. That could make it a hit come Thanksgiving and into the holiday season. Microsoft says that the first copies of the new consoles, launched in the United States and United Kingdom in early August, quickly sold out. However, as usual, the firm, founded by Bill Gates, does not disclose any sales figures. ▶

This information has been replaced in recent months with the more obscure MAU (monthly active users) released by the Xbox Live online service.

**In a delicate position, Microsoft prefers to gush over future projects**

When we contacted them, the tech group enthusiastically discussed the many hours (1.55 billion) spent playing on its machine. But when asked about the touchy issue of profitability at the Xbox division, they spouted out a more laconic “We’re proud of our position on the market,” carefully dodging the question asked. Although it is impossible to get any accurate figures on Microsoft’s gaming business (all plonked under “More personal computing” in its financial reports), it can be estimated at around 7% of total revenue. It therefore comes as no surprise that the subject is a dicey one. To make matters worse, some analysts, such

as Michael Pachter at Wedbush Securities, forecast a slow decline in the console market over the next few years.

This puts Microsoft in a delicate position. So the company prefers to gush over its future projects, including its next console, Project Scorpio, set to hit the market in 2017. The new machine has already been announced as a premium product. The Scorpio will not wholly replace the current generation but offer an alternative for the most demanding players, similar to the Elite controller for the Xbox One, which sells for nearly three times the price of the basic controller. The device will also officially catapult Microsoft into the very tech-intensive war of virtual reality. In the meantime, Sony remains a step ahead with its PlayStation 4 virtual reality headset scheduled for release in October 2016. Microsoft seriously risks falling even further behind but probably prefers to curb the damage on this generation to better prepare the next one. And perhaps, one day, finally take first place... ▲

sales represented a tiny share of what they can sell at the end of the year during the highest sales peaks.

**In virtual reality, Sony seems to have a wide open road stretching out before it, doesn't it?**

Expectations are high for Sony’s VR headset, and in the other camp, Microsoft has nothing to retaliate with. We’ll have to wait for the next generation to see how they’ll position themselves in terms of rethinking the video entertainment experience.

**Will Microsoft ever make money with its Xbox division?**

The cards are dealt all over again with each generation of machines. Nintendo only sold 25 million Gamecubes before moving on to sell more than 100 million Wii consoles. Just because Microsoft lost the eighth generation campaign doesn’t mean they won’t win the ninth! They have not given up hope of becoming number one. When they began operating on the market, the managers said, “We’re here for at least 25 years.” So we’ll have to assess the situation after 25 years in the industry. More importantly, we have to understand that Microsoft isn’t in it just for the sake of gaming and players. They’re out to take over the digital household. That means the box that hooks up to your television set, which is becoming the latest channel for delivering content inside the household. Everything related to having a connected home will in one way or another go through some sort of box, either through an access point or software. All the tech giants—including Google, Apple, Facebook, Amazon and Microsoft—are preparing for the future of how we use entertainment, health care, home automation and everything else we do every day. ▲



Microsoft press conference held at E3 in Los Angeles in June 2016. The US tech company took the opportunity to announce the release of its new Xbox One S, a more compact and slightly more advanced iteration of the original version.

AFP / FREDERIC J. BROWIN



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and get ready for take off!



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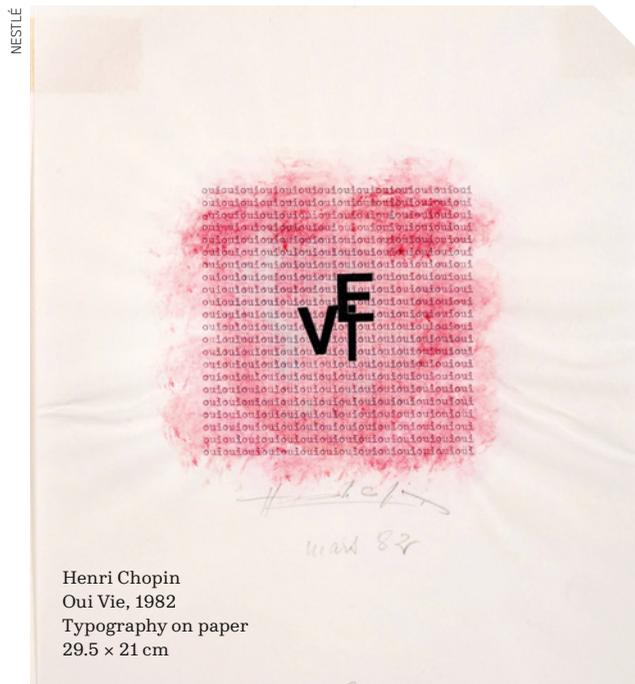
In each issue, “Swissquote Magazine” looks at the image of a listed company through an aspect of its communication or identity. This summer, our columnist wandered through Nestlé’s art collection at the Jenisch Museum in Vevey. Report.

# Nestlé: is less more?

BY RINNY GREMAUD

**W**hat’s surprising, at first, is the stark contrast in size. Nestlé has an art collection comprising 300 works—certainly of exquisite quality. But compared with BCV and UBS, which have amassed some 2,000 and 30,000 works respectively, Nestlé’s collection seems, well, puny. Yes, puny (not the first adjective that comes to mind when you think of Nestlé). For its 150th anniversary, the world’s leading food group exhibited its collection at the Jenisch Museum in Vevey and opened its global headquarters—an architectural gem designed by Jean Tschumi which houses some of the company’s art—to the general public.

I delighted in perusing the installations of Ellsworth Kelly, Alexander Calder and Ulrich Rückriem on display at the company’s headquarters. And I savoured each step of my stroll among the works of Picasso, Warhol, Tinguely and Fischli & Weiss at the Jenisch. But as the excitement began to wane, I was left wondering: is that it? I mean, where the heck were the Jeff Koons? Admittedly, I expected more from a multinational



Henri Chopin  
Oui Vie, 1982  
Typography on paper  
29.5 × 21 cm

with an annual profit of 9.1 billion Swiss francs.

It’s just that usually when you combine art and big money, you get more: more extravagance, more grandeur, bigger price tags... not to mention a coherent strategy—if not communication-wise, at least investment-wise.

Nestlé’s collection, though, is in a league of its own. The works are monumental yet humble, ironic yet reassuring. But when taken as a whole, they don’t appear to say anything in particu-

lar about the company. There’s no overarching message, no storyline. To be honest, it feels more like a private collection.

Yet, if we look at how the works were assembled, we start to see why. Nestlé purchased its first works of art in 1960, upon completion of Jean Tschumi’s stunning building on the outskirts of Vevey. Certain parts of the building were specially designed to accommodate art, and so the company had no choice but to buy up enough works to fill the space. But Nestlé

didn’t buy another piece until 30 years later, when an art aficionado took over as chairman of the board. Starting in the ’90s, the company’s leaders began one by one to expand the collection, each adding works reflecting their own personality and tastes.

This explains why the collection feels more like an inheritance than a strategic investment. Passed on like family jewels from one CEO to the next, the collection was exhibited briefly to mark the company’s anniversary before once again fading into oblivion. The works at the headquarters have since reverted to their strictly decorative function, adorning spaces where time-crunched executives hurry from meeting to meeting, too busy to stop and appreciate them.

But perhaps most revealing in Nestlé’s relationship with art is something we tend to forget—something concealed by the company’s image as a leading multinational. Even if the Vaud-based food manufacturer did own a few Jeff Koons, it wouldn’t help them sell any more mayonnaise or fish fingers. ▲

# Invest in the most sustainable Health Care Fund: The Ronald McDonald Kinderstiftung™.

The Ronald McDonald Kinderstiftung is running seven parents' houses in Switzerland. These houses are close to children's hospitals: in Basel, Bern, Lucerne, St. Gallen, Bellinzona and Geneva. They provide a home away from home for parents so they can stay close to their seriously ill children, under the motto "Closeness helps healing". To date over 14,200 families have spent a total of 116,000 nights in the Swiss Ronald McDonald Houses.

Help us with your donation. Thank you.  
[www.ronaldmcdonald-house.ch](http://www.ronaldmcdonald-house.ch)



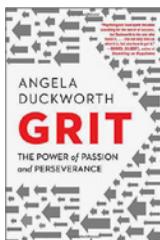
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## TO READ

**GRIT**

By Angela Duckworth (Scribner)



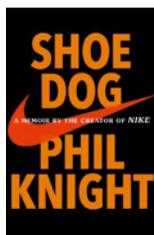
According to the psychology and education expert Angela Duckworth, grit is the most essential character trait for attaining success—even more than one's IQ.

Talent and genius are secondary to perseverance, tenacity and passion. These conclusions are the fruits of 10 years of research and investigations by the author, an intellectual held in such high esteem that she is regularly consulted by the White House. The book also explains how to develop these essential qualities in oneself and how to help others cultivate them.

From 15 Swiss francs

**SHOE DOG**

By Phil Knight (Scribner)



Phil Knight, 78, is the founder of Nike. This book recounts his memoirs, which are of particular interest given the paltry number of interviews he has given during his

career. He tells of his company's uncertain beginnings, when it was a mere distributor of Japanese sneakers, and then recounts its climb to the top. Several books have already been written about Nike, but this one offers the added value of an insider's account. Phil Knight tells his story in a confidential tone. In this book, he also speaks of his family—especially his imposing father, whose respect he strove to earn.

From 15 Swiss francs

## TO DOWNLOAD

**Hotspot Shield**  
**BYPASS WEBSITE**  
**BLOCKING**


Certain countries block access to websites that are useful or even essential for trav-

ellers, especially travellers on business trips (airline websites, for example). This app's virtual private network (VPN) bypasses blocking, making it possible to access these websites. It does this by allowing user access to servers in countries with no restrictions. The only drawback: ads and unreliable connectivity.

Free

Apple Store, Google Play

**Memrise**  
**LANGUAGE**  
**BASICS**


Developed by two neuroscientists specialising in memory, Memrise doesn't

claim to teach you a foreign language—just the basics for visiting a foreign country. Using audiovisual games and flashcards, this fun learning method teaches you keywords in multiple languages (the Romance languages being the best supported). The “Partial Polyglot” option makes it easy to memorise entire sentences.

Free

Apple Store, Google Play

**Mobile Passport**  
**SAVE TIME**  
**AT US CUSTOMS**


Designed by US Customs and Border Protection, this app allows you to enter all

the information on your passport, then fill in and save a US customs form. Once you arrive in America, just “present” Mobile Passport at the designated self-service kiosks. This allows you to avoid a long queue after hours of flying!

Free

Apple Store, Google Play

**Units Plus**  
**QUICK**  
**CONVERSIONS**


Though its interface may be simplistic, Units Plus is one of the best unit

conversion apps out there—for any kind of unit. When open, it updates currency conversion rates every 15 minutes. It also converts weight, length, area, volume, distance, temperature, speed and much more. Especially useful for travel.

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Apple Store, Google Play



CARS

## Alfa Romeo's fancy new saloon

The Italian manufacturer makes a stunning return to premium cars.

BY PHILIPP MÜLLER

### ALFA ROMEO GIULIA, SPORTY IN ESSENCE



**ENGINE:** TURBO-CHARGED, 4 IN-LINE CYLINDERS, 1,995 CM<sup>3</sup>  
**POWER:** 200 HP AT 5,000 RPM  
**0 TO 100 KM/H:** 6.6 SEC.  
**STARTING PRICE:** CHF 45,850

**T**he diva has finally made her grand, long-awaited entrance! After its 2015 premier, the Quadrifoglio Verde model – packed with a 510 hp V6 engine of Ferrari influence – has recently earned the title of fastest saloon on the Nürburgring racetrack. Now that's quite a ticket to promote tamer versions of the Giulia, such as the 2.0 litre Turbo MultiAir petrol engine. Its 200 hp

and 330 Nm of torque have no trouble pumping up this medium-sized (4.64 m long) and relatively lightweight (no more than a tonne and a half) saloon, featuring a sharp design to boot. She easily stands as the little cousin to Maserati's Ghibli! Alfa Romeo made a name for itself as a precursor in developing elegant, modern sports saloons in the '50s. Despite straying a bit, the Italian carmaker has never completely deserted the segment. But with the Giulia, the Milan-based manufacturer has taken all necessary steps to regain lost ground – notably with the return of rear-wheel drive, the standard for excellent road handling, and a unique platform that

makes the Giulia the paradigm of balance. And comfort. In addition to this 200 hp version, which already comes with the fine ZF 8-speed automatic transmission, a 280 hp four-wheel drive adaptation is scheduled for release by the end of the year. Just what it takes to melt Swiss hearts. With performance and style naturally part of the package, the demanding premium market is also synonymous with binging on high-tech features. On this, Alfa Romeo holds its own but does not dispute the leadership of Mercedes-Benz, BMW and Audi. However, the Giulia tops the Euro NCAP crash-tests ratings, confirming it as a solid car, worth its price. ▲



**JAGUAR XE, THE FELINE**

Very similar to Alfa Romeo's Giulia in its definition, the "little" Jaguar also plays on its charm and dynamism. The rear-wheel drive charges up to 340 hp. Sleek design and average liveability. 2.0 Turbo 8-speed automatic. From CHF 44,900



**AUDI A4, THE ROCK**

A sure bet for the nth time in 2015, Audi's A4 emphasises perceived quality and cutting-edge technical features (Virtual Cockpit). Decent front-wheel drive combined with an unassuming style. Power up to 354 hp (S4 quattro). 2.0 TFSI S-tronic. From CHF 49,050



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## TRAVEL

# Road to the end of the world

Unlike Argentina—a tourist magnet—the Chilean Patagonia remains an untamed and unspoiled travel destination owing to Chile’s harsh climate and fragmented territory. But for those who aren’t put off by the obstacles, this region “at the end of the world” offers a wealth of film-worthy landscapes. Just hop in a car and take a trip down the Carretera Austral, the famed Chilean portion of the Pan-American Highway. Come with us as we explore this legendary road.

BY SALOMÉ KINER

Torres del Paine  
National Park in  
Patagonia.



**T**hough considered one of the world's best road trips alongside Route 66 and the Road of the Kasbahs, the Carretera Austral—or Ruta 7—is a much newer road. Its construction began in 1976, under Augusto Pinochet. In an effort to ensure the sovereignty of the Chilean territory against Argentina, the General drew up plans for an ambitious highway system. The goal was to link north and south, and to make isolated villages along the country's border more accessible. The result was 1,240 km of road spanning from Puerto Montt in the north to Villa O'Higgins in the south—with fjords, majestic glaciers, phosphorescent lakes, giant ferns and chiselled mountain peaks scattered along the way. The region “at the end of the

world” has no doubt earned its nickname, and a stretch of the road bears the same name too.

Hubert Vereecke specialises in South America at the travel agency Au Tigre Vanillé. He can't say enough about the variety of activities made possible by the extraordinary diversity of the Chilean Patagonia: “The environment is relatively hostile to humans, so civilisation was late to settle there. It's not so much a cultural destination, as it is a

paradise for nature lovers. People go there to trek, ride horses, sail the waters of Cape Horn, visit Ushuaia (Editor's note: nearby Argentinian city), fish for salmon barehanded, see camelids in their natural habitat and fly over glaciers in a helicopter.” Ruta 7 and its spectacular landscapes make for a trip unlike any other. It's up to each person to plan their own excursions depending on what they want to see. Here's a taste of what the region has to offer, from north to south. >

#### GETTING AROUND

You can get to Puerto Montt by plane from Santiago. Once there, renting a car is easy. Hertz and Europcar let you return your vehicle in Punta Arenas, at the southern tip of Patagonia. It's a good idea to always have a can of petrol on hand,

as refuelling points are few and far between. Hire a 4x4 vehicle if you can, as only half of the Carretera Austral is paved. For Torres del Paine, an air route linking Santiago and Puerto Natales will open in December 2016.

## 1. Chiloé Island



Chiloé is 60 km from Puerto Montt, the starting point of Ruta 7. The island is home to a nature reserve where penguins can be seen roaming about. Visitors love Chiloé's wooden churches and palafitos (houses on stilts). The inhabitants are very superstitious and have given the island somewhat of a mystical aura through their traditional myths recounting the adventures of legendary characters inspired by the sea. Once there, be sure to try a platter of oysters and eat plenty of fresh salmon!

DANIEL DIAZ / GIRA

Nestled within the greenery of the "enchanted forest", among liana vines and hummingbirds, is Ventisquero Colgante—a glacier suspended in the jungle. There are several ways to get there. You can hike three hours to a breathtaking panoramic viewpoint, where icefalls treat visitors to a wonderful symphony of sounds. Or you can get there by kayak and explore around the base of the waterfall produced by the receding glacier. Be sure to also visit the Del Ventisquero thermal baths and the artisanal village of Puyuhuapi.

## 2. Queulat National Park



DR

## 3. General Carrera Lake



General Carrera Lake straddles the border between Chile and Argentina, and tourists love snapping photos of its milky blue waters. Over the course of several millennia, its glacial waters have sculpted one of the country's biggest attractions: the marble caves. The caves are made of marble blocks that fell from the adjacent cliffs, but that appear to emerge from the depths of the water. You can visit these stunning aquatic chapels by boat. "I always advise visitors to spend several days at each site," says Ximena Dipp, who manages the Awa hotel in Puerto Varas and specialises in the region. "In Chile, the weather can change quickly. It's not uncommon to see rain, snow and sunshine all within the span of just a few hours. If you're going hiking on a glacier, you want the conditions to be just right."

ANNA S. LEONETTI / GIRA

## 4. Torres del Paine National Park



REEVE JOLLIFFE

Though expansion of Ruta 7 is in the works, for now the highway ends at Villa O'Higgins, a cul-de-sac village that you can only leave by ferry. But it's worth continuing on to Torres del Paine National Park—a Mecca for trekkers who come to brave the trails of the famed W route. It's perhaps the most well-known part of the Chilean Patagonia, and the most pristine. You'll find trees growing at right angles, mountain peaks that pierce the sky and gusts of wind that'll rip the door off your car if you're not careful. "You'll need to pack a Gore-Tex outfit, walking shoes and emergency batteries, as electronic devices don't do well in the cold," says Ximena Dipp, who used to manage the Awasi hotel. The hotel organises personalised excursions for its guests: climbing Grey glacier, birdwatching, kayaking, mountain biking or horseback riding with a gaucho (the name for Andean cowboys known for their outstanding courage). Ximena Dipp also recommends Antares Patagonia, a travel agency "that can satisfy even the most extreme travellers." ▲

## Exceptional accommodation

After a long day of exploring out on the rugged road, there's nothing better than the comfort of a soft, cosy bed. The Carretera Austral offers a number of luxurious, eco-friendly lodges, all of which offer guided excursions. Here are some of the best.

### HOTEL AWA

A culinary and architectural alternative to the rather bland city of Puerto Montt. An ideal base for preparing your trip, with views of the Osorno volcano and Lake Llanquihue. Opens 1 October.

**PRICE:** FROM 340 SWISS FRANCS FOR TWO PEOPLE.  
[WWW.HOTELAWA.CL](http://WWW.HOTELAWA.CL)

### PUYUHUAPI LODGE & SPA

Just 6 km from Queulat National Park. Accessible by ferry only. The lodge is built entirely of wood and slate, and looks out over Dorita Bay. It also has private thermal baths.

**PRICE:** 790 SWISS FRANCS FOR TWO PEOPLE (FULL BOARD, OPEN BAR, GUIDED TOURS AND SPA INCLUDED).  
[WWW.PUYUHUAPILODGE.COM](http://WWW.PUYUHUAPILODGE.COM)

### TERRA LUNA PATAGONIA

At the foot of General Carrera Lake. Bungalows and mini-chalets. Helicopter excursions and boat tours of the marble chapels.

**PRICE:** FROM 250 SWISS FRANCS FOR TWO PEOPLE (OVERNIGHT STAY WITHOUT EXCURSION).  
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# BOUTIQUE

## TEAMWORK

Famous for his Wave City collection of tables with a 3D-printed base inspired by the futuristic film "Inception", the Cypriot designer Stelios Mousarris has dreamt up another sculptural oddity. The Holding On coffee table depicts eight athletes in bronze valiantly lifting a heavy block of black plywood off the floor.

[www.mousarris.com](http://www.mousarris.com)

About 6,000 Swiss francs



## A PULLEY TO DECORATE YOUR HOME

To work out at home without turning your living room into a fitness centre, welcome SlimBeam. This adjustable pulley brings together tasteful design and functionality to maintain muscle tone and mass. Available in several colours and made with premium wood, the device can be used to perform more than 200 exercises to strengthen the back, arms, shoulders, abs and legs.

[www.nohrd.com](http://www.nohrd.com)

About 1,600 Swiss francs



## THE DIY TOOL BRACELET

It's not just another fine-looking piece of jewellery. Like the Swiss army knife, the Tread bracelet by the US brand Leatherman contains 29 tools hidden in its links. Fitted with a cutting hook, screwdrivers, Allen keys, Torx keys and even a bottle opener, the gadget is adjustable down to the half-centimetre and can be customised with whichever tools the wearer chooses.

[www.leatherman.fr](http://www.leatherman.fr)

About 229 Swiss francs

## OFF THE BEATEN (FOOTBALL) PATH

The Swiss brand Footjeboal offers a collection of T-shirts drawing on the universe of football. And they're not just your everyday team shirt. The printed models with stylish graphics call all the shots on quirkiness, with references to some of the legendary symbols of the world's most popular sport. We particularly like the shirt dedicated to France, sporting a player dressed as a rooster.

[www.footjeboal.com](http://www.footjeboal.com)

49 Swiss francs



**BIO-FIREPLACE**

Made of Castle Stone (a stone powder mixed with synthetic resins), the Milano fireplace has the look of solid concrete but doesn't weigh a ton. Featuring a ceramic burner in stainless steel with an adjustable flame, it burns bioethanol and does not give off any smoke or odours, just steam and carbon dioxide. The hearth can be moved from room to room and used either indoors or outdoors.

[www.rubyfires.com](http://www.rubyfires.com)  
1,090 Swiss francs

**CONVERTIBLE OTTOMAN**

For its Autumn/Winter collection, the French furniture designer Roche Bobois has come out with a fun but stylish modular chair. A concave disk in the cushion can be tilted or reclined however you want. The seat turns into the back of an armchair, lounge chair or a playground for children, in the spirit intended by its German designer, Stefan Heiliger.

[www.roche-bobois.com](http://www.roche-bobois.com)  
2,210 Swiss francs

**THE WRIST COACH**

The Spartan Ultra, the latest creation from the highly respected Finnish manufacturer Suunto, is the multi-sport athlete's best friend. With its colour touch screen, the device provides medical and sport metrics for a comprehensive range of activities, including running, cycling, swimming, hiking and ski touring. The watch also has a battery life of 26 hours and a GPS navigation feature showing the best route while training.

[www.suunto.com](http://www.suunto.com)  
About 699 Swiss francs

**MOLESKINE'S REVOLUTION**

The Milan-based manufacturer, Moleskine, is rejuvenating its famous notebooks with the launch of the Smart Writing Set. The three-piece kit includes a smart pen, a paper tablet and an app used to store and share notes from a smartphone. That means ideas can spill onto paper and transfer directly to the screen, without having to take a photo or use a scanner.

[www.moleskine.com](http://www.moleskine.com)  
269 Swiss francs



# BOUTIQUE

## WATCHLIST

### FOR THE STYLISH DRIVER

New in this year's **Cartier** men's collection, the **Drive** watch has all the makings of a future classic. With a cushion-shaped case available in steel or pink gold, this timepiece features an automotive-inspired design. Take for instance its guilloché dial with motifs resembling a radiator grille, or its bolt-shaped crown.

[www.cartier.com](http://www.cartier.com)  
5,850 Swiss francs



### FOR THE TRAVELLING ATHLETE

The **Aquanaut** is **Patek Philippe's** sports watch of choice. Perhaps it's the octagonal bezel with softened angles, or the dial with raised motifs mimicking the bracelet design. Sporting a pink gold finish, reference 5164R is embellished with a brown dial and numbers ornamented with luminescent gold. Ideal for any globetrotter, this timepiece can display two time zones and includes a day/night indicator display.

[www.patek.com](http://www.patek.com)  
45,000 Swiss francs



### REVISITING THE CLASSIC

**Maurice Lacroix** has rejuvenated the **Calypso** with Aikon, a new take on his bestseller from the 1990s. Of the three models, an honourable mention goes to the 44 mm variant. Equipped with high-precision quartz movement, the sports edition is characterised by a high-visibility dial available in silver, black or light blue. And its large bezel is firmly grasped between six "arms" symbolising strength and durability.

[www.mauricelacroix.com](http://www.mauricelacroix.com)  
1,190 Swiss francs



### ALWAYS AT HAND

A nod to the early 20th century, when pocket watches were the most coveted of timepieces, the **Montblanc 4810 Orbis Terrarum Pocket Watch** celebrates the golden age of transatlantic travel. Released for the brand's 110th anniversary, this watch is equipped with a world time complication and a dial made of sapphire jewel disks. The gems are stacked atop one another and represent the Earth's continents as observed from the North Pole.

[www.montblanc.com](http://www.montblanc.com)  
8,700 Swiss francs



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**YANN TISSOT**  
CO-FOUNDER AND CEO  
OF L.E.S.S.  
BORN 17 OCTOBER 1978  
IN LAUSANNE



And the winner (again) is...L.E.S.S. ! In September 2016, the start-up founded by Yann Tissot and Simon Rivier took first place in the Top 100 Swiss Startup Award ranking for the second year in a row. The young company began at the Swiss Federal Institute of Technology in Lausanne (EPFL) in 2012 to develop next-generation lighting for industry. Its nano-active fibres, as thin as human hair, are already used by watchmakers in their microscopes and to inspect components. L.E.S.S. (for Light Efficient Systems) raised 3 million Swiss francs in 2015 and now aims to move into the screens market and the automotive industry. What are the advantages of its technology? Compared with LEDs, the fibres consume less energy, produce better-quality light, give off virtually no heat and take up very little space. Yann Tissot invented the technology. He holds a PhD in optics from EPFL and completed his training in business management and entrepreneurship at the University of Oxford and Babson College in Boston.

DR

## JAMES BOND, SILENCE AND MAMACITA

### A KEY EVENT FROM YOUR CHILDHOOD ?

A lengthy, trying stay in hospital, the outcome of which was highly uncertain. It marked a turning point in my life and forged a good part of my personality.

### THE PROFESSION YOU WOULD HAVE LIKED TO DO ?

Architect. I've always been fascinated with technical and artistic creation.

### YOUR SECRET HOBBY ?

For the past few months I've been communicating with my son in a strange, ridiculous language, and we're apparently the only two who understand it.

### SOMETHING THAT INSPIRED YOU RECENTLY ?

Silence.

### A SONG THAT SUMS YOU UP ?

*Les Lacs du Connemara* by Michel Sardou (laughs).

### A PLACE THAT MADE AN IMPACT ON YOU – AND WHY ?

Silicon Valley for that positive American attitude at its finest, and for the feeling that anything is possible as long as you try and that failure is just a constructive step in the entrepreneurial adventure.

### THE FILM THAT YOU WOULD HAVE LIKED TO EXPERIENCE ?

James Bond, obviously.

### THE IDEAL WOMAN ?

No, I won't say a James Bond girl.

### THE IDEAL MAN ?

Definitely not James Bond!

### THE IDEAL ANIMAL ?

My answer may sound a bit cliché, but I'll say it anyway. As a former swimmer, I'd say the dolphin. It's strong, elegant and intelligent, it glides incredibly well and apparently it communicates well with a sense of humour.

### YOU MAKE 5,000 SWISS FRANCS ON THE STOCK EXCHANGE. WHAT DO YOU DO WITH THE MONEY ?

I'd reinvest it in humanitarian crowdfunding or in an entrepreneurial project in an emerging country with a person and approach that I like. It'd be a way for me to come full circle.

### YOUR FAVOURITE WORD AND YOUR FAVOURITE SWEAR WORD ?

A nice word: "mamacita". Not its current use in Spanish for an attractive woman, but for its original meaning of "little mom". A swear word: "et merde" ("ah, shit"). ▲



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