

## Newsletter Edition October 2014

*„I am not engaged in what has been done. I am interested in what needs to be done.“  
(Marie Curie)*

### I. IN MEDIAS RES

#### New Investmentfund

On 15 of August 2014 the Swiss Quality Portfolio (CHF) Fund has been launched. The Swiss Quality Portfolio (CHF) Fund focuses its investments on Swiss blue chip shares, i.e. large, international and generally known and reputable companies with a high degree of both security and credit worthiness, which distinguish themselves through asset strength and profitability. The shares are among the financially strongest and most liquid within Switzerland and represent around 90 per cent of the equity capital traded on the Swiss stock market. The portfolio of the Swiss Quality Portfolio (CHF) Fund is realised up to 100 per cent in the Swiss currency (CHF).

### II. MARKET ASSESSMENT FOR AN INVESTMENT IN DIAMONDS BY CEO PATRICK DEMI

In May/June 2013 we have seen at the bond funds the first massive stress as Ben Bernanke (the former FED CEO) has pronounced the so called Tapering. As a result the prices of the bonds and shares too collapsed massively. The Scarabaeus Active Fund was one of the few bond funds which was end of June 2013 ytd (year to date) still in a positive range. Now I have started to make some thoughts how I could prevent the following problems: bond funds (and especially all conservative Investors) will be faced with the following problems in the next years.

Either the interest rates will increase again and thus all bond funds shall lose value or the interest rates will remain low and then all bond funds have a massive yield problem.

Both will lead necessarily to a higher volatility and this not only with bond funds but with stocks surely too. Furthermore I did assume and still assuming that the USD against the EUR will gain in value massively in the next years. If for example you are invested in USD-Bonds you have the problem that the bonds in USD will gain in value against the valuation in EUR but the price of the bonds (because the US-interest rates will increase) will lose value at the same time and so there is a compensation and no benefit from the increase in value of USD. And to increase the equity exposure to focus on dividend yield is not a viable alternative for conservative investors. On the contrary, I think it is very dangerous, because this lead to a fictitious security of all of them.

Why diamonds? Diamonds (are traded in USD only) are maybe the only commodity which develop fully independent from the financial markets and on the other hand are very similar to bonds because of the volatility (very stable during the crisis too) and the price increase (by an average of 6-7% p.a. during the last 50 years). Furthermore the price of a diamond is materialized by a natural and fundamental supply and demand between individuals and not by the mood of the financial markets. Gold for example is more and more victim by the whims of the financial markets. You could see this in the last months with Gold that the volatility has increased massively and it is really inappropriate as "Safe-Heaven".

With the addition of physical Diamonds in a bond fund I wanted and still wanting to prevent this kind of scenario described above and thus to reduce a bit more the volatility (goal less than 2% p.a.) of the Scarabaeus Active Fund without harming expected returns (about 5% p.a.)

Safety first has always been my motto and therefore I have decided to add up to 20% physical diamonds in the Scarabaeus Active Fund."

### III. FINANCE-NEWS

#### MiFID II

The Directive 2014/65/EU of the European Parliament and of the Council of 15 May 2014 on markets in financial instruments and amending Directive 2002/92/EC and the Ordinance on markets in financial instruments (MiFIR) are published on June 2014 in the Official Journal of the European Union.

The EU member states have now 2 years to adapt the Directive into national law. The Ordinance (MiFIR) does not need to be transposed und is directly applicable. From July 2016 this Directive aims to contribute that the investor and the integrity of the market is fully protected. The purpose of this Directive is to cover undertakings the regular occupation or business of which is to provide investment services and/or perform investment activities on a professional basis

### IV. TAXES

#### BFH-decision of 01.07.14 VIII R 53/12

The VIII. Senate of the Federal Finance Court (BFH) ruled that debt interest for the acquisition of substantial shareholding held in private assets according to § 17 German Income Tax Act (EStG) which falls in time period after the disposal of the stake from the year 2009 could not be deducted as subsequently income-related expenses in the case of capital gains.

#### CJEC, Judgement of 9 October 2014 (C-326/12), van Caster und van Caster

The European Court of Justice (CJEC) ruled that the german flat-rate taxation of gains from so-called intransparent investment foreign funds is inadmissible. This provision infringes the principle of free movement of capital between the EU Member states guaranteed from the EU-Law.

#### Switzerland and EU Member States signed the understanding on company taxation

Federal Councillor Eveline Widmer-Schlumpf and representatives of 28 EU Member states have signed a common understanding in the form of a "Joint Statement" on company taxation in Luxemburg on 14 of October 2014. The Federal Council reaffirms its intention as part of the proposed Corporate Tax Reform III to propose the abolishment of certain tax incentives, in particular those that would allow a different treatment of domestic and foreign revenues.

#### Swiss Federal Council decided for negotiating mandates with countries members for exchange of information on tax matters

Switzerland embodies that the applicable statutory requirements will be created so that all financial centre domiciled in Switzerland could start with the submission of account data of foreign taxpayers from 2017 and could deliver these data from 2018.

## V. FUND PRICES

Name Fund	NAV per share	Performance <sup>1</sup>	Performance <sup>2</sup>	Taxation <sup>3</sup>
Scarabaeus Active Fund	EUR 113.04	+ 0.53%	+ 3.84%	G, A, ES
Scarabaeus World Equity Fund	EUR 108.89	+ 0.39%	+ 5.15%	G
ACF Fund	CHF 94.18	- 1.94%	- 5.82%	
Swiss Quality Portfolio Fund	CHF 102.19	+ 0.27%	+ 2.19%	A
Fidosa Fund BLUE	CHF 109.23	+ 0.91%	+ 8.49%	G

## VI. USEFUL INFORMATION FROM THE FINANCIAL WORLD

### UCITS

The UCITS (Undertakings for Collective Investment in Transferable Securities) based on the Council Directive 85/611/EEC of 20 December 1985 on the coordination of laws, regulations and administrative provisions relating to undertakings for collective investment in transferable securities. In general the term "investment fund" will be used.

The specific characteristics of UCITS are the rules for the allowed assets, required authorisation by an European financial market authority, risk management and the custodian.

If you would like to know more about UCITS (incorporation, required documents, expenses etc.) feel free to contact us at any time.

## VII. PUBLISHER

Scarabaeus Wealth Management AG | Austrasse 15 | Post Box 673 | 9490 Vaduz | Liechtenstein

T: 00423 231 34 34 | F: 00423 231 34 38 | [www.scarabaeus.li](http://www.scarabaeus.li) | [info@scarabaeus.li](mailto:info@scarabaeus.li)

VAT-No.: 58 148 | Commercial register: FL-0002.407.156-4

## VIII. DISCLAIMER

The information and references contained in this document are prepared according to the absolute best of our knowledge. We shall, however, not assume liability for the content and its correctness, its completeness and its up-to-dateness. Furthermore it is not intended as buy or sell recommendation. This document does not result in a contractual relationship and does not create a consulting or other legal relationship. To the extent that references were made to financial products, it should be noted, that securities are usually subject to price fluctuations and could lead to the total loss of all investments. Prior to every purchase decisions it is recommended seeking advice from an external expert.

<sup>1</sup> Performance compared to the previous month

<sup>2</sup> Performance during the current calendar year (ytd)

<sup>3</sup> The income of the investment fund will be taxed in the stated  
G = Germany; A = Austria; ES = Spain