

SWISS HELVETIA FUND, INC.
Form N-CSRS
September 03, 2015

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM N-CSR

CERTIFIED SHAREHOLDER REPORT OF REGISTERED
MANAGEMENT INVESTMENT COMPANIES
Investment Company Act file number: 811-05128

The Swiss Helvetia Fund, Inc.

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New York, NY 10022

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Registrant's telephone number, including area code: 1-800-730-2932

Date of fiscal year end: December 31

Date of reporting period: June 30, 2015

Item 1. Reports to Stockholders.

THE SWISS HELVETIA FUND, INC.

Dear Shareholder:

We are pleased to provide the Semi-Annual Report for The Swiss Helvetia Fund, Inc. (the Fund) for the six-month period ended June 30, 2015. We would also like to take this opportunity to thank you for the trust you have placed in Schroders since we became the Fund's investment adviser on July 1, 2014. As part of a global asset management firm with over 210 years of investment experience and approximately \$487 billion in assets under management (as of June 30, 2015), we believe our investment capabilities across global, developed and emerging markets serve as a source of investment confidence.

During the reporting period, central bank policies, Grexit concerns and China's economic uncertainty were main headlines affecting the global market, including global equities. Despite a volatile 6-month period, Swiss stocks generally fared well, outpacing global and US stocks.

In light of recent events, we expect volatility in the Swiss equity market, and in other equity markets, to persist. However, for the long-term oriented investor, we continue to believe that Switzerland is a strong choice.

Our detailed comments regarding the Swiss economy follow in our Management Discussion and Analysis. We also encourage you to visit www.swzfund.com for daily price and performance information, fund documents and investment updates. Again, we thank you for investing with us and look forward to our continued relationship.

Sincerely,

Mark A. Hemenetz, CFA

President

IMPORTANT INFORMATION CONCERNING

MANAGEMENT DISCUSSION AND ANALYSIS AND PERFORMANCE

Except as otherwise specifically stated, all information and investment team commentary, including portfolio security positions, is as of June 30, 2015. The views expressed in the Management Discussion and Analysis sections (the MD&As) are those of the Fund's portfolio manager and are subject to change without notice. They do not necessarily represent the views of Schroder Investment Management North America Inc. The MD&As contain some forward-looking statements providing current expectations or forecasts of future events; they do not necessarily relate to historical or current facts. There can be no guarantee that any forward-looking statement will be realized. We undertake no obligation to publicly update forward-looking statements, whether as a result of new information, future events, or otherwise. Any discussions of specific securities should not be considered a recommendation to buy or sell those securities. The Fund may buy, sell, or hold any security discussed herein, on the basis of factors described herein or the basis of other factors or other considerations. Fund holdings will change.

Performance quoted represents past performance and does not guarantee or predict future results.

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Management Discussion and Analysis (as of June 30, 2015)

For the six-month period ended June 30, 2015, the performance of The Swiss Helvetia Fund, Inc. (the Fund), as measured by the change in value in the Fund's net asset value (NAV), increased by 6.10% in US dollars. For the same period, the Fund's share price performance increased by 5.03%, as the discount at which the Fund traded its shares widened. This compares with an increase of 6.50% in the Swiss equity markets, as measured by the Swiss Performance Index (the Index or SPI) as measured in US dollars.

Economic environment during the period under review

Global economic review

During the first half of 2015, it became apparent to us that overall global GDP growth for the entire year was unlikely to grow at the 3% level predicted by many economists. The weak performance of the US economy in the first six months of the year was a main reason behind this disappointment. In contrast, emerging economies in Asia continued to show solid growth, as predicted. Similarly, the European economy, which was driven primarily by a lower euro but also by low rates and energy prices, lived up to expectations. And, while the breakdown of Greece's negotiations with its creditors put pressure on financial markets, as of period-end, Greece's potential exit from the Eurozone does not appear to have had a

substantial negative impact on the Eurozone's real economy.

In terms of monetary policy, the massive quantitative easing program of the European Central Bank (ECB) has not caused inflationary pressures. On the other hand, earlier deflation fears have proven to be misguided within the Eurozone as the headline and core inflation rates have increased since their interim lows in January 2015. In addition, the move of German Bund yields towards zero reversed from April onwards. On January 15, 2015, the Swiss National Bank (SNB) abandoned its floor of the Swiss franc against the euro of 1.20. This also led to Swiss franc interest rates becoming negative—a move that has been to a large extent reversed over the remaining course of the first six months of the year.

Swiss economic review

At the time of writing, Swiss economic data was only available for the first quarter: Swiss real GDP in the first three months of 2015 declined by 0.2% (not annualized), in large part due to the exchange rate shock after the SNB abandoned a minimum floor for the EURCHF exchange rate. As a result of worsening terms of trade, goods exports (excluding valuables) a former growth engine fell by 2.1% (not annualized). Despite this, the State Secretariat for Economic Affairs (SECO) still expects full year GDP to grow by 0.8%, which we view as optimistic. The unemployment rate in March rose to 3.3% from the 3.2% that was registered at the end of the previous year.

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Market environment during the period under review

In their original index currencies, European, US, global and Swiss equities all returned positive figures with European equities leading (+13.7%) and Swiss equities (+0.7%) lagging global and US equities. Notably, measured in US dollars, the SPI emerged as the leader once again, which comes as somewhat of a surprise given that Swiss companies do not appear to have fully digested the impact of the currency shock. The underperformance of two of the three defensive SPI heavyweights (*Nestlé* and *Roche*) as compared to their positions within the large cap Swiss Market Index (SMI) was a surprise. The best three industries were utilities, materials and financials. Small and mid-caps outperformed the overall SPI by approximately 0.5%.

Performance

The Fund's performance benefited in absolute US dollar terms from some of its larger positions, such as *Novartis*, *Syngenta*, *Roche*, *UBS* and *Lindt & Spruengli*. A few smaller holdings were also helpful for absolute performance: *Leonteq*, *Actelion*, *Basilea*, *Lonza* and *EFG*. With the exception of *Novartis* and *UBS*, these stocks also contributed positively to performance compared to the return of the SPI. With respect to the Fund's larger positions, *Nestlé* contributed slightly positively on an absolute basis but negatively on a relative basis due to the Fund's underweight position. *Swatch*,

Sonova, *Burckhardt Compression*, *Swiss Life* and *Bucher Industries* were among the stocks that contributed negatively towards relative performance.

Stock selection was a positive contributor for the period under review. Overall, there was a positive effect from stock and sector allocation on the Fund's NAV, resulting in a relative return of 1.5% in US dollars compared to the SPI, before taking into account the impact of Fund expenses, dividend reinvestments and private equity revaluations.

Private Equity Investments

The value of the Fund's private equity investments decreased during the reporting period. *Zurmont Madison Private Equity LP* distributed the proceeds from two portfolio company divestments to its limited partners, including the Fund. The reduction in the value of the Fund's investment in *Zurmont* during the period reflects the reduction in *Zurmont's* capital base as a result of those divestments, as well as the substantial reduction by *Zurmont* of the value of several of its remaining portfolio holdings. There was a negative revaluation at *Selfrag* and a negative adjustment to the valuation of the limited partnership *Aravis*.

Portfolio changes

During the six-month period ended June 30, 2015, there were 13 purchases and 12 sales of listed equities on a net basis. As of

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June 30, 2015, there are 37 listed companies held by the Fund, 6 direct investments in privately held companies and 2 participations held in private equity limited partnerships.

New Investments by the Fund

Adecco SA

Airopack Technology Group AG

ams AG

gategroup Holding AG

Sunrise Communications Group AG

Additions to Existing Investments

Credit Suisse Group AG

Dufry AG

Feintool International Holding AG

Logitech International SA

Nestlé SA

OC Oerlikon Corp. AG

Swatch Group AG

Swiss Life Holding AG

Positions Entirely Disposed of

Sika AG

Reductions in Existing Investments

Actelion, Ltd.

Basilea Pharmaceutica AG

Bucher Industries AG

Burckhardt Compression Holding AG

Clariant AG

DKSH Holding, Ltd.

EFG International AG

Leonteq AG

Lonza Group AG

Syngenta AG

UBS Group AG

In the first half year of 2015, we added five new positions to the Fund: *Airopack*, *Adecco*, *gategroup*, *ams AG* and *Sunrise*.

Airopack is a small company with a focus on innovative packaging and dispenser solutions, including dispensing technology driven by air pressure without the need for chemical propellants. Its largest client is Procter & Gamble, which is offering under the Gillette brand products (razor gel) with the dispenser solution of *Airopack*.

Adecco is an international personnel and temporary employment company. We bought a position in *Adecco* in May following a change in top management. We believe that the company has been well set up by the outgoing CEO and his predecessor and is on track to reach its targets.

Travel and Leisure company *gategroup* is an independent provider of products and services for on-board passengers in trains and airplanes. Its core operation is airline catering. We had several meetings with

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management and with the company's chairman as well as with an activist shareholder. We gained confidence that the operational underperformance of the business will be addressed and therefore decided to buy a position in this stock.

ams AG is a technology company that supplies analog chips to manufacturers of electronic devices for medical, industrial and personal communication applications. We added a new position in *ams* because we believed that the market overreacted to reports that the company's business with Apple was at risk. Even in the event of a total loss of this business (approximately 9% of sales with sub-par gross margins), the approximate 20% decrease in the company's share price appeared excessive.

Sunrise Communications is a telecommunication company with operations solely in Switzerland. We believe it is a top company in a highly concentrated and attractive Swiss market with high brand loyalty. We decided to participate in the company's IPO as we like the stable nature of the business and it was priced at a discount to Swisscom, the incumbent industry leader.

We increased the Fund's positions in *Swiss Life*, *Feintool* and *OC Oerlikon* when these stocks sold off after the SNB's decision to abandon the Swiss franc minimum exchange rate to the euro. We used the volatile market environment later in the first half of 2015 to increase our positions in *Swatch* and *Credit Suisse* and to make an additional investment in *Feintool*.

We reduced several positions notably *Syngenta* and *Clariant* whose share prices were fueled by take-over rumors. With respect to *Clariant*, the price increase was sparked by rumors regarding a possible take-over by *Evonik*, which we believed was improbable. With regards to *Syngenta*, the price increase was caused by Monsanto's public announcement that it intended to acquire the company. We also used the strong performance of some of our positions, such as *Lonza*, *Actelion*, *UBS* and *Leonteq*, to take profits and to reduce several positions during the first quarter where we believe the market is underestimating the impact of the SNB's decision regarding the Swiss franc/euro exchange rate.

During the review period we completely disposed of our position in *Sika*. While the stock had performed well since our acquisition, we disposed of our position after evaluating the potential impact of an ongoing legal dispute involving the company's founding family.

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Outlook

Global economic outlook

In view of the disappointing performance of the US economy in the first six months of the year, expectations for global 2015 GDP growth have been revised downwards: in our view, it appears to be more likely that first half global growth will not reach 3% for the year as a whole. In contrast, Europe, which is driven by a weak euro, lower interest rates and low energy prices, appears to be on track for expectations calling for 1.5% to 2% growth.

In Europe, quantitative easing is in full swing and planned to last well into next year. In the US, we expect that the Fed will start to increase rates cautiously sometime in the later part of the year as the signs of stronger growth become clearer. On the one hand, inflationary pressures on consumer prices, which could trigger rate increases, are minimal and much of the downward pressure on prices is due to temporary factors, such as low energy prices. On the other hand, inflation is clearly showing up in financial and real estate markets. In any event, we do not see the recent increase in longer rates as problematic for the real economy or for equity markets as rates are still at record lows by historical standards.

Swiss economic outlook

In the first quarter of 2015, Swiss earnings estimates fell about 12%, as measured in Swiss francs, due to the strength of the Swiss currency after the SNB's decision to abandon the floor for the exchange rate against the

euro. In the second quarter, Swiss earnings estimates stabilized and increased somewhat, and analysts now expect flat earnings for the SPI compared to 2014. The SPI was also almost flat in the first six months in 2015 as measured in Swiss francs (up 6.5% in US dollars). And, while the Swiss economy's impressive growth since 2011 appears to have been put on hold during the review period, we do not believe that the overall environment has changed. That said, the aggressive expansionary monetary policy around the globe is a main driver of equity markets, and earnings, which would normally be a major driver of equity markets, do not play as significant a role in such a liquidity-driven environment.

Investment view

In brief, we continue to be positive on prospects for the equity market. We believe that liquidity injected by central banks is so significant and other asset classes, in particular bonds, are offering such low yields, that the additional money created by central banks will eventually flow into equities. Nonetheless, given what we view as an elevated level of stock prices, we are sensitive to the possibility of increased volatility or even a substantial temporary setback. As potential triggers for intermediate corrections, we still see the same risk factors that were identified throughout 2014: geopolitics, market over-reactions to central bank statements and lack of macroeconomic growth (generating a lack of earnings growth) and ill-designed or absent reforms in Europe. Stock markets have been more volatile in the

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first half of 2015, which is typical for the later stages of a bull market. While this can be disconcerting to investors in general, we believe it offers opportunities to active, price-conscious investors to invest in stocks that have been unduly corrected and are still attractive from a long-term perspective.

Ultimately, we continue to believe that Swiss equities are a good investment, especially in the long term. Many Swiss companies are global leaders in their industry and we believe that Swiss companies will be able to cope successfully with a strong Swiss franc, as they have done over the last several decades.

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Schedule of Investments by Industry (Unaudited)

June 30, 2015

No. of Shares	Security	Fair Value	Percent of Net Assets
Common Stocks 91.11%			
Banks 6.71%			
2,000	Banque Cantonale Vaudoise Offers consumer loans, treasury management, pension funds, investment management services, trades in commodities, advises on mergers and acquisitions and offers securities brokerage services. (Cost \$1,083,902)	\$ 1,240,169	0.33%
358,600	Credit Suisse Group AG¹ A global diversified financial services company with significant activity in private banking, investment banking and asset management. (Cost \$8,799,009)	9,861,452	2.61%
261,796	EFG International AG A global private banking group offering private banking and asset management services. (Cost \$2,837,590)	3,711,730	0.98%
496,500	UBS Group AG¹ Provides retail banking, corporate and institutional banking, wealth management, asset management and investment banking. (Cost \$6,510,843)	10,535,118	2.79%
		25,348,469	6.71%
			Percent
No. of Shares	Security	Fair Value	of Net Assets
Biotechnology 6.52%			
54,000	Actelion, Ltd. Focuses on the discovery, development and commercialization of treatments to serve critical, unmet medical needs. (Cost \$2,458,061)	\$ 7,904,553	2.09%
40,000	Basilea Pharmaceutica AG² Conducts research into the development of drugs for the treatment of infectious diseases and dermatological problems. (Cost \$2,929,973)	5,024,878	1.33%
1,600,000	Evolva Holding SA² Discovers and provides innovative, sustainable ingredients for health, nutrition and wellness. (Cost \$1,272,422)	2,807,768	0.74%
54,000	Lonza Group AG Produces organic fine chemicals, biocides, active ingredients, and biotechnology products. The company operates production sites in China, Europe and the United States. (Cost \$5,103,212)	7,216,949	1.91%

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3,029	NovImmune SA^{2,3}	1,708,077	0.45%
	Discovers and develops therapeutic monoclonal antibodies (mAbs) to treat patients suffering from immune-related disorders. (Cost \$1,551,109)		
		<u>24,662,225</u>	<u>6.52%</u>

See Notes to Financial Statements.

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Schedule of Investments by Industry (Unaudited)

June 30, 2015

(continued)

No. of Shares	Security	Fair Value	Percent of Net Assets
Common Stocks (continued)			
Chemicals 3.62%			
72,000	Clariant AG Develops, produces, markets and sells specialty chemical products for various end markets. (Cost \$1,206,134)	\$ 1,476,133	0.39%
30,000	Syngenta AG¹ Produces herbicides, insecticides, fungicides, and seeds for field crops, vegetables, and flowers. (Cost \$9,789,179)	12,198,384	3.23%
		13,674,517	3.62%
Construction & Materials 3.61%			
3,375	Belimo Holding AG World market leader in damper and volume control actuators for ventilation and air-conditioning equipment. (Cost \$7,119,603)	8,053,341	2.13%
100,000	Implenia AG Provides construction, civil and underground engineering services. Implenia's projects include residential and industrial buildings, tunnels, bridges and roads. The company also provides real estate and facilities management and marketing services. (Cost \$6,306,426)	5,590,926	1.48%
		13,644,267	3.61%
			Percent
No. of Shares	Security	Fair Value	of Net Assets
Financial Services 2.63%			
100,000	GAM Holding AG An independent, well-diversified asset management business, with a focus on the manufacturing and distribution of investment products and services. (Cost \$1,678,844)	\$ 2,102,616	0.56%
21,460	Leonteq AG A technology and service platform with a leading position in structured investment products in Switzerland. (Cost \$2,008,112)	3,729,179	0.99%
17,000	VZ Holding AG Provides independent financial advice to private individuals and companies. The company consults on investment, tax and inheritance planning and provides advice regarding insurance products and coverage.	4,092,879	1.08%

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(Cost \$2,809,082)

		9,924,674	2.63%
Food & Beverage	15.20%		
273	Lindt & Sprungli AG¹	17,083,131	4.53%
	Major manufacturer of premium Swiss chocolates. (Cost \$6,930,228)		
558,143	Nestlé SA¹	40,313,148	10.67%
	Largest food and beverage processing company in the world. (Cost \$11,614,346)		
		57,396,279	15.20%

See Notes to Financial Statements.

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Schedule of Investments by Industry (Unaudited)

June 30, 2015

(continued)

No. of Shares	Security	Fair Value	Percent of Net Assets
Common Stocks (continued)			
Industrial Goods & Services 7.91%			
46,000	Adecco SA Provides personnel and temporary help, and offers permanent placement services internationally for professionals and specialists in a range of occupations. (Cost \$3,500,317)	\$ 3,735,916	0.99%
28,000	Bucher Industries AG Manufactures food processing machinery, vehicles and hydraulic components. Produces fruit and vegetable juice processing machinery, farming machinery and outdoor equipment. (Cost \$9,023,161)	6,968,915	1.85%
25,000	Burckhardt Compression Holding AG¹ Produces compressors for oil refining and the chemical and petrochemical industries, industrial gases, and gas transport and storage. (Cost \$7,425,952)	9,476,485	2.50%
50,000	DKSH Holding, Ltd. An international marketing and services group. The company offers a comprehensive package of services that includes organizing and running the entire value chain for any product. (Cost \$3,707,106)	3,616,714	0.96%
Percent			
No. of		Fair	of Net
Shares	Security	Value	Assets
Industrial Goods & Services (continued)			
25,350	Feintool International Holding AG Manufactures integrated systems for fineblanking and forming technologies. The company produces presses and special tooling capable of manufacturing precision parts, automation systems, riveting machines and extruded plastic and metal components. (Cost \$2,236,606)	\$ 2,373,469	0.63%
301,000	OC Oerlikon Corp. AG Produces industrial equipment to manufacture solar energy modules, place coatings, extract processing gases, manufacture textiles, and transmit power using mechatronic driveline components. (Cost \$3,597,167)	3,687,818	0.98%
		29,859,317	7.91%
Insurance 3.47%			
8,581	Helvetia Holding AG Provides a broad range of life, casualty, liability, accident and transportation insurance.	4,907,757	1.30%

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(Cost \$3,909,132)

35,700	Swiss Life Holding AG	8,178,664	2.17%
	Provides life insurance and institutional investment management.		
	(Cost \$8,217,923)		
		<hr/>	<hr/>
		13,086,421	3.47%

See Notes to Financial Statements.

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Schedule of Investments by Industry (Unaudited)

(continued)