

Marketplus

Monthly market outlook
October / November 2011



Contents

Asset Allocation	
It's crunch time	3
Funds in focus	5
Abbreviations	8

It's crunch time

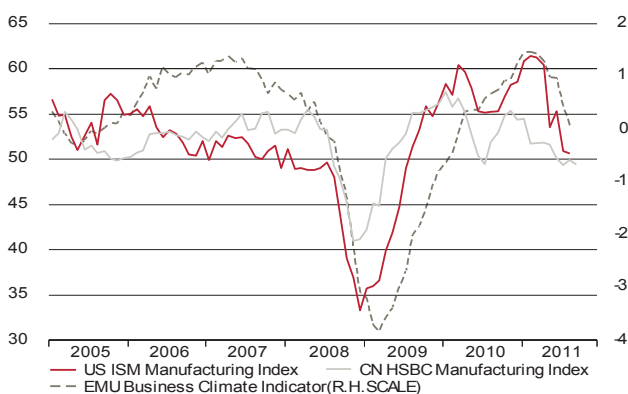
Either economic policymakers act now and introduce bold measures to save the situation or a recession can no longer be averted. If convincing political measures help improve sentiment in the financial markets and thus also in the real economy in Q4 2011, investors' risk appetite is likely to pick up again and support a potential recovery. But if policy fails, investors must expect further setbacks in the financial markets. Due to the high level of political uncertainty, we continue to clearly underweight risky assets in our investment strategy.

Review

Euro crisis and recession fears weigh on performance

Whereas most asset classes recorded a mildly positive performance in H1 2011, this was followed by a clear setback in Q3 2011. The escalation of the euro debt crisis initially triggered a bloodbath in financials. The rising risks of recession also dragged down cyclical stocks and the emerging markets, in particular. In September, commodities also came under pressure, which until then had hardly suffered at all. In the bond market, yields on AAA-rated government bonds plunged in Q3 2011. At the same time, the credit spreads of issuers with a lower credit quality rose. Tensions in the money market aggravated recession fears.

Global economy approaches recession level



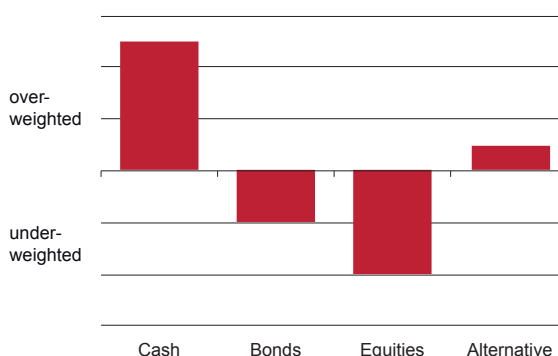
Source: Datastream, Sarasin

Macro outlook

Can a recession be prevented?

The global slowdown in growth has deepened concerns about the global sovereign debt problem and shaken confidence in the economy. The world teeters on the brink of a recession that can only be prevented if policymakers act quickly and decisively. The savings measures planned by governments in the USA and Europe are likely to slow growth further in the coming quarters if policymakers cannot agree to new fiscal packages. We expect the euro crisis will escalate further and the financial markets will force politicians to come up with a workable solution. Key interest rate cuts, quantitative easing programmes and renewed fiscal stimuli should trigger an upswing in 2012. Nonetheless, we must prepare ourselves for the possibility that the international economy will continue its zigzag course in the medium term.

Asset allocation: Cash overweighted



Source: Sarasin

Equity strategy

Difficult conditions for stocks

The economic slowdown expected by us and related reduction in earnings estimates will weigh on the equity markets until the end of the year. As the coming months bring the risk of a creeping credit crunch, it is important to monitor «external» market drivers, in addition to the equity market valuation, which looks very attractive in historical comparison. These factors mainly comprise risk premiums, risk aversion and macro indicators. If the euro debt crisis eases and the macro indicators stabilise, a recovery may take place in Q4 2011. But given the elevated macro risks, we are sticking to our cautious sector allocation for now and favour the defensive sectors of consumer staples and healthcare.

Bond strategy

A lot of central bank activity expected

If the US economy deteriorates any further, the Fed might be forced to introduce a third round of quantitative easing (QE3) before the end of the year. The European Central Bank (ECB) will also have to fight on various fronts in Q4 2011: we expect the ECB will continue its bond purchases, provide the money market with further liquidity and, last but not least, reverse the last two interest rate hikes. Government bonds are seriously overvalued at the moment, but in the short term, the market lacks any catalysts for a correction. These catalysts might come in the form of a trend reversal in the economy, a QE3 package by the Fed or an emerging solution to the Eurozone debt problem. European corporate bonds are pricing in a recession at current levels. We see selective opportunities in top-quality industry issuers.

Currencies

Asymmetrical risks for the Swiss franc

The Swiss National Bank put a stop to the Swiss franc appreciation in Q3 2011, which resulted in asymmetrical risks in the currency market. If the European Central Bank pursues a more expansive monetary policy, it is likely to undermine the euro against the US dollar. But as the US Federal Reserve will also print more money, the trade-weighted US dollar should weaken. This increases the upward pressure on the Aussie dollar and the Japanese yen, prompting the Bank of Japan to intervene. Pound sterling is likely to feel the effects of the economic headwind for now.

Alternative assets

Commodities remain under pressure

Although commodities held up fairly well until mid-September, the economic downturn should have an adverse effect on cyclical commodities like crude oil and base metals. The broad commodity indices are likely to trend lower in the coming months. Precious metals should profit from a continued monetary easing and the high levels of uncertainty. The agricultural markets are becoming increasingly tight and the price risk in this area continues to point upwards. The longer-term outlook for commodities remains positive and, hence, sharp price declines should be used to build up strategic commodity positions. Real estate is profiting in 2011 from the flight to physical assets. However, real estate is not immune to an economic downturn and is dependent upon bank financing. We are therefore cautious on real estate assets (with a few exceptions) and are selective when it comes to choosing quality names, i.e. in prime locations with solid balance sheets.

Asset allocation

Wait patiently for the rebound

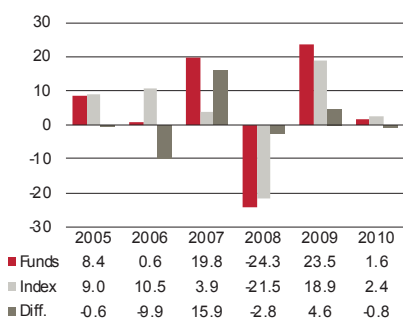
Q4 2011 will reveal whether the global economy slips into recession or whether this danger can be averted at the last moment. Since this mainly depends on political processes, which are almost impossible to forecast, we confirm our cautious investment allocation. We are sticking to our clear underweighting of equities, commodities and global real estate assets. At the same time, we stand ready to shift our high cash holdings into risky assets should the opportunity arise. But since we are currently in the middle of an economic slowdown, investors should find it worthwhile to wait patiently for the trend reversal and not to jump into the breach too soon.

BGF World Healthscience Fund A2 USD

Investment Strategy

The World Healthscience Fund seeks to maximise total return. The Fund invests globally at least 70% of its total assets in the equity securities of companies whose predominant economic activity is in healthcare, pharmaceuticals, medical technology and supplies and the development of biotechnology.

Performance (See notes on page 9)



Source: Datastream

Portfolio Split

There is no information available about the Portfolio Split of the Fund.

Current Fund Data and Information

Share price	15.58
Fund size in millions	355
Domicile	Luxembourg
Mgmt. Company / Portfolio Mgmt.	BlackRock
ISIN	LU0122379950
Swiss Sec. No.	1 211 929
Currency	USD
EU Tax Directive Status	n.a.
Launch date	10.04.2001
Management Fee, p.a. (%)	n.a.
TER, p.a. (%)	1.84
Dividend payment date	-
Payment 2009	none
Reference index	MSCI World Health Care

Source: Datastream, Lipper

Legal Representatives in Switzerland BlackRock Investment Management (UK) Limited (London), Zurich Branch, Claridenstrasse 25, P.O. Box 2118, 8022 Zurich

Paying Agent JPMorgan Chase Bank, National Association, Columbus, Zurich Branch Switzerland, Dreikönigstrasse 21, CH-8002 Zurich

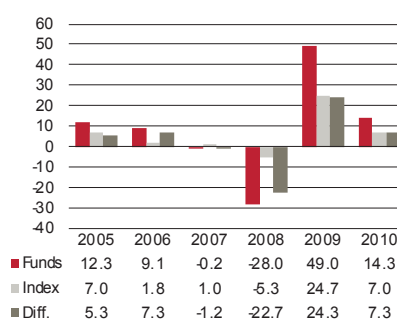
The prospectus, simplified prospectus as well as the annual and semi-annual reports are available free of charge from: BlackRock Investment Management (UK) Limited (London), Zurich Branch, Claridenstrasse 25, P.O. Box 2118, 8022 Zurich

ING (L) Renta Fd EM Debt (HC) P Hgd C EUR

Investment Strategy

The objective of the sub-fund is to achieve long-term capital growth in EUR, by investing in a diversified selection of debt instruments denominated in OECD currencies issued by issuers from low and middle income developing countries.

Performance (See notes on page 9)



Source: Datastream

Portfolio Split

The fund mainly invests in Latin American, Central and Eastern European, Asian, Middle East, Central American and African debt instruments such as (floating rates) bonds, bonds with warrants, convertibles, Brady bonds and subordinated bonds.

Current Fund Data and Information

Share price	3 798.36
Fund size in millions	315
Domicile	Luxembourg
Mgmt. Company / Portfolio Mgmt.	ING
ISIN	LU0546915058
Swiss Sec. No.	1 581 523
Currency	EUR
EU Tax Directive Status	n.a.
Launch date	11.02.1993
Management Fee, p.a. (%)	n.a.
TER, p.a. (%)	1.44
Dividend payment date	-
Payment 2009	none
Reference index	JP Morgan EMBI Global Diversified

Source: Datastream, Lipper

Legal Representatives in Switzerland ING Investment Management (Schweiz) AG, Seefeldstrasse 69, CH-8008 Zurich

Paying Agent NPB Neue Privat Bank AG, Limmatquai 1, CH-8022 Zurich

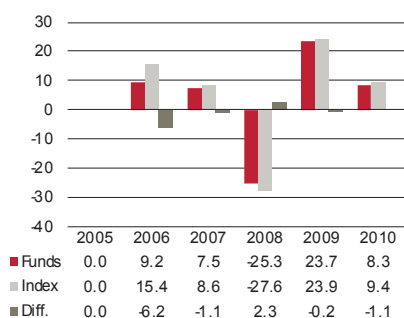
The prospectus, simplified prospectus as well as the annual and semi-annual reports are available free of charge from: ING Investment Management (Schweiz) AG, Seefeldstrasse 69, CH-8008 Zurich

Morgan Stanley Global Convertible Bond Fund A USD

Investment Strategy

The fund seeks long-term capital appreciation, measured in US dollars, through investment primarily in convertible bonds issued by companies organised or operating in either the developed or emerging markets which will be denominated in global currencies.

Performance (See notes on page 9)



Source: Datastream

Portfolio Split

Risk management ensures an adequate diversification.

Current Fund Data and Information

Share price	33.52
Fund size in millions	98
Domicile	Luxembourg
Mgmt. Company / Portfolio Mgmt.	Morgan Stanley
ISIN	LU0149084633
Swiss Sec. No.	1 427 961
Currency	USD
EU Tax Directive Status	n.a.
Launch date	18.01.2005
Management Fee, p.a. (%)	n.a.
TER, p.a. (%)	1.36
Dividend payment date	-
Payment 2009	none
Reference index	UBS Global Focus Con-vertible Bond USD Hedged

Source: Datastream, Lipper

Legal Representatives in Switzerland Morgan Stanley & Co. International plc, London, Zurich Branch, Bahnhofstrasse 92, 8001 Zurich

Paying Agent RBC Dexia Investor Services Bank S.A., Esch-sur-Alzette, Zurich Branch, Badenerstrasse 567, 8048 Zurich

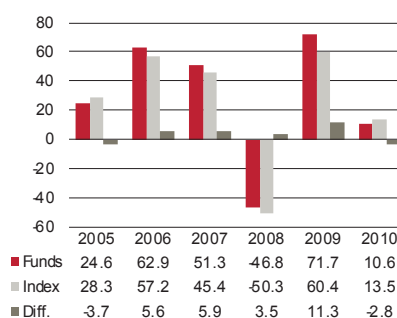
The prospectus, simplified prospectus as well as the annual and semi-annual reports are available free of charge from: Morgan Stanley & Co. International plc, London, Zurich Branch, Bahnhofstrasse 92, 8001 Zurich

Robeco Chinese Equities D EUR

Investment Strategy

Robeco Chinese Equities invests in leading listed Chinese (related) companies. The return of the country fund reflects the market development in the relevant country. The portfolio is actively managed. Exchange-rate changes are reflected in the fund's price development.

Performance (See notes on page 9)



Source: Datastream

Portfolio Split

Risk management is fully embedded in the investment process to ensure that the fund's positions remain within set limits at all times. The fund is normally fully invested.

Current Fund Data and Information

Share price	47.01
Fund size in millions	0
Domicile	Luxembourg
Mgmt. Company / Portfolio Mgmt.	Robeco
ISIN	LU0187077309
Swiss Sec. No.	1 812 302
Currency	EUR
EU Tax Directive Status	n.a.
Launch date	04.12.1997
Management Fee, p.a. (%)	n.a.
TER, p.a. (%)	1.73
Dividend payment date	-
Payment 2009	none
Reference index	MSCI China 10/40 TR EUR

Source: Datastream, Lipper

Legal Representatives in Switzerland SAM Sustainable Asset Management AG, Josefstrasse 218, CH-8005 Zurich

Paying Agent UBS AG, Postfach, CH-4002 Basel

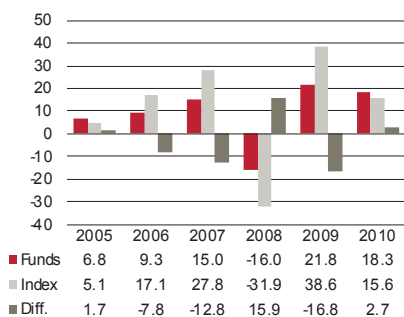
The prospectus, simplified prospectus as well as the annual and semi-annual reports are available free of charge from: SAM Sustainable Asset Management AG, Josefstrasse 218, CH-8005 Zurich

UBS (CH) Bond Fund - Convert Asia P

Investment Strategy

The fund invests primarily in convertible bonds issued by companies which have their registered office in Asia (including Japan). The portfolio is actively managed and combines the upside potential of equities with the defensive characteristics of bonds.

Performance (See notes on page 9)



Source: Datastream

Portfolio Split

Investments in foreign currencies are actively managed and not systematically hedged versus the USD.

Current Fund Data and Information

Share price	198.5
Fund size in millions	114
Domicile	Switzerland
Mgmt. Company / Portfolio Mgmt.	UBS
ISIN	CH0002791587
Swiss Sec. No.	279 158
Currency	USD
EU Tax Directive Status	n.a.
Launch date	31.12.1993
Management Fee, p.a. (%)	n.a.
TER, p.a. (%)	n.a.
Dividend payment date	-
Payment 2009	none
Reference index	UBS-Asia Convertible Bond (USD)

Source: Datastream, Lipper

Legal Representatives in Switzerland UBS Fund Management (Switzerland) AG, P.O. Box, CH-4002 Basel

Paying Agent UBS AG, P.O. Box, CH-4002 Basel

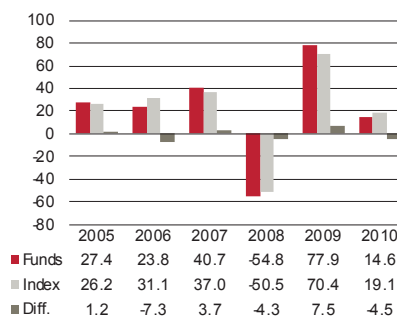
The prospectus, simplified prospectus as well as the annual and semi-annual reports are available free of charge from: UBS Fund Management (Switzerland) AG, P.O. Box, CH-4002 Basel

UBS (CH) Equity Fund - Emerging Asia P

Investment Strategy

The fund is an actively managed equity portfolio that invests in Asian emerging market shares. Investment decisions are based on a disciplined investment philosophy and careful fundamental research.

Performance (See notes on page 9)



Source: Datastream

Portfolio Split

The fund is diversified across various countries and sectors.

Current Fund Data and Information

Share price	70.89
Fund size in millions	426
Domicile	Switzerland
Mgmt. Company / Portfolio Mgmt.	UBS
ISIN	CH0000966991
Swiss Sec. No.	96 699
Currency	USD
EU Tax Directive Status	n.a.
Launch date	02.01.1995
Management Fee, p.a. (%)	n.a.
TER, p.a. (%)	2.34
Dividend payment date	-
Payment 2009	none
Reference index	MSCI EM Far East TR USD

Source: Datastream, Lipper

Legal Representatives in Switzerland UBS Fund Management (Switzerland) AG, P.O. Box, CH-4002 Basel

Paying Agent UBS AG, P.O. Box, CH-4002 Basel

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A	actual value
abs.ch	absolute change
ASW	asset swap spread
avg.	average
bn	Billion = 1000 000 000
bp	basis points
corp.	corporate
CPI	Consumer Price Index
Div. yield or DY	dividend yield
E	estimate
EBIT	earnings before interest and taxes
EPS	earnings per share
EV/EBITDA	enterprise value to earnings before interest, taxes, depreciation and amortisation
excl.	excluding
FY	financial year
GAAP	Generally Accepted Accounting Principles
GDP	gross domestic product
GNP	gross national product
gov.	government
m	million
M&A	Mergers & Acquisitions
mavg	moving average
MV/revenues	market value to revenues
n.a.	not available
p.a.	per annum
P/B	price-to-book ratio
P/E	price-to-earnings ratio
R&D	Research & Development
R.H. Scale	right hand scale
ROE	return on equity
SAA	Strategic Asset Allocation, long term strategy based on investment profiles
TAA	Tactical Asset Allocation; short term strategy based on return/risk expectations
vs.	versus
yoy	year over year

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Funds in focus

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