

Marketplus

Monthly market outlook

December 2011 / January 2012



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Equities and commodities have up-side potential

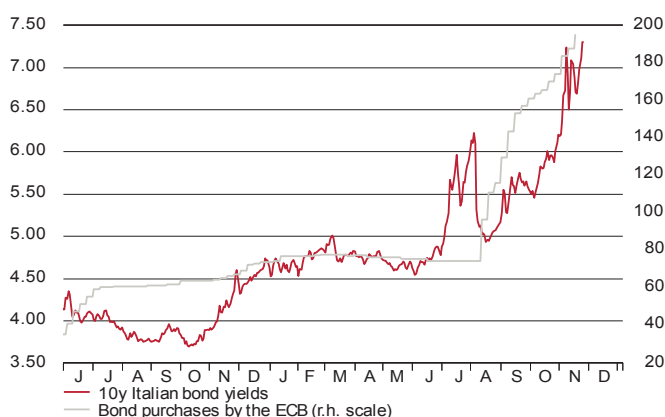
Despite the elevated political risks on both sides of the Atlantic, the news is not entirely negative. The US economy has stabilised in recent months and the emerging markets can expect a soft landing. Although some euro countries are already in recession, the low valuation of their respective equity markets indicates that a further deterioration of conditions is largely priced in. We see upside potential for the equity and commodity markets in the coming quarters, and we increased our weighting for risky assets again in November. We remain clearly underweight in bonds.

Review

Political risks dampen risk appetite

The mounting political risks put a heavy damper on investors' risk appetite in the second half of November. The easing after the European Union crisis summit in October lasted just a short while. Although in theory, policymakers now have the instruments they need to resolve the euro crisis, financial market players are not convinced that a lasting solution has been found. Periphery bond yields have continued to climb, despite the interventions of the European Central Bank (ECB).

Italian yields rise despite ECB intervention



Source: Datastream, Sarasin

If politicians fail to convince the markets of the seriousness of their savings endeavours, the ECB will be the only institution capable of preventing the default of a euro country or a credit crunch in the European banking system with a massive increase in the money supply.

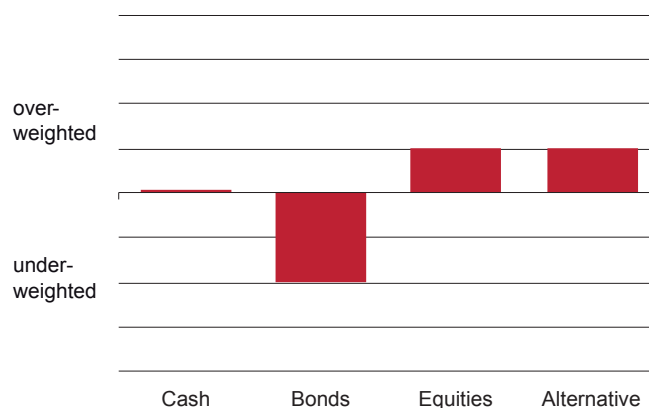
Macro outlook

Positive surprises feasible

Savings are necessary not only in Europe but also in the USA. The impasse in the US budget debate has rattled the financial markets and had a slightly dampening effect on the cyclical outlook of the US economy. The US Congress now has till mid-December to pass the economic stimulus package proposed by President Obama. If this is at least a partial success, US growth is likely to spring some

positive surprises in the coming quarters. The biggest risk to the global economy is the potential for the euro crisis to spread to the rest of the world through a credit crunch in the banking system. But so far, there are few signs of a liquidity and credit bottleneck outside the euro zone. Growth in the emerging market countries has slackened somewhat; however, policy-makers will probably try to stimulate growth via additional interest rate cuts in the coming quarters.

Asset allocation: Slightly overweight in risky assets



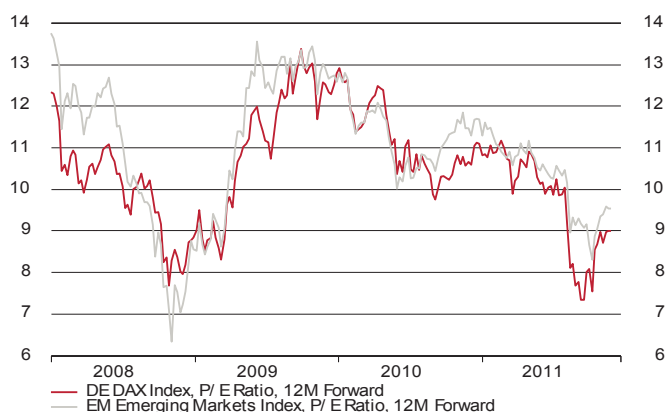
Source: Sarasin

Equity strategy

Upside potential for equities

Given the negative news and elevated political risks, we are not surprised that most investors have a low appetite for risk. Cash holdings are high and the majority of investors hold far fewer stocks than advisable for their long-term investment goals. This negative sentiment provides a good basis for equities' future performance. The stabilisation of the US economy and the potential for positive surprises in the next few months also favours dividend-bearing securities. Last but not least, equities carry a very high risk premium, which means a big proportion of the potential risks is already priced into current share prices.

Price/earnings (PE) ratio is less than 10



Source: Datastream, Sarasin

In aggregate, we have adopted a slightly cyclical sector strategy. We have upgraded energy and consumer discretionary and downgraded consumer staples and telecommunications. At a regional level, we continue to favour the emerging markets, which offer the greatest upside potential.

Bond strategy

Risks outweigh potential

The risk/reward ratio of government bonds is unattractive because yields are low. Since we expect interest rates to increase in the medium term, the risk of a negative yield is high. Regarding corporate bonds, the decline in credit spreads should more than offset the interest rate risk. On the other hand, we remain cautious toward banking bonds on account of the elevated risks in the banking system. We prefer the bonds of solid companies from defensive sectors.

Currencies

Volatility in EUR/USD pair remains strong

Since many investors believe that a lasting solution to the euro debt crisis can only be achieved through a significant weakening of the euro, pressure on the euro is likely to continue. But at the same time, the reduction of European banks' exposure to risky assets is likely to lead to portfolio flows in euros, which should help to stabilise the currency. As the Federal Reserve still has scope to expand the US money supply further, which would weaken the US dollar, volatility in the EUR/USD pair should remain elevated.

Alternative assets

Demand-driven commodities

Besides the daily speculative fluctuations in the commodity markets, commodity prices are primarily driven by real demand. Since energy demand, in particular, is likely to pick up in 2012 with a stabilisation of the US economy, we expect the price of oil to increase. The more cyclical industrial metals should also post gains once China's economic policymakers take their feet off the brake pedal. We remain optimistic towards gold investments, which should profit from a more relaxed monetary policy in the euro zone and emerging market countries.

Asset allocation

Slight overweighting in equities

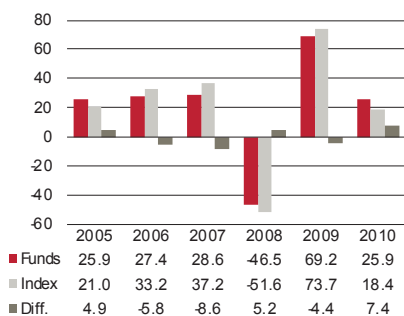
We slightly increased the risky assets again in November. We reduced the portfolio's exposure to total return securities and bonds in favour of a stronger equity and commodity weighting. Due to the high political risks, we are just slightly overweight in equities, despite their significant upside potential. We expect investors' risk aversion to subside, which with a confident macro outlook, should favour a further build-up of risky assets.

Aberdeen Global – Asia Pacific Equity A2 Acc

Investment Strategy

The aim of the fund is long-term total return by investing in Asia Pacific equities excluding Japan.

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	61.27
Fund size in millions	4485
Domicile	Luxembourg
Mgmt. Company / Portfolio Mgmt.	Aberdeen
ISIN	LU0011963245
Swiss Sec. No.	608 236
Currency	USD
EU Tax Directive Status	n.a.
Launch date	06.10.1994
Management Fee, p.a. (%)	1.75
TER, p.a. (%)	1.97
Dividend payment date	-
Payment 2009	none
Reference index	MSCI AC Asia Pacific ex Japan TR USD

Source: Datastream, Lipper

Legal Representatives in Switzerland BNP Paribas Securities Services, Paris, succursale de Zurich, Selnaustrasse 16, P.O. Box, 8002 Zurich

Paying Agent BNP Paribas Securities Services, Paris, succursale de Zurich, Selnaustrasse 16, P.O. Box, 8002 Zurich

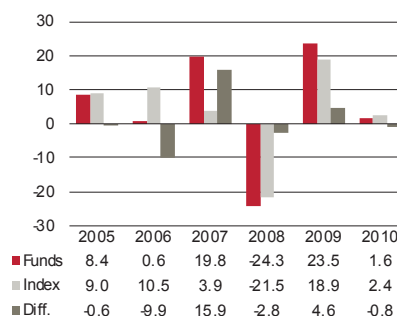
The prospectus, simplified prospectus as well as the annual and semi-annual reports are available free of charge from: BNP Paribas Securities Services, Paris, succursale de Zurich, Selnaustrasse 16, P.O. Box, 8002 Zurich

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	15.83
Fund size in millions	330
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. (%)	1.50
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 Asset Management Switzerland Limited, Claridenstrasse 25, P.O. Box 2118, 8022 Zurich

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

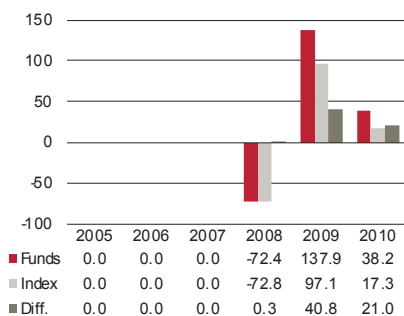
The prospectus, simplified prospectus as well as the annual and semi-annual reports are available free of charge from: BlackRock Asset Management Switzerland Limited, Claridenstrasse 25, P.O. Box 2118, 8022 Zurich

BNP Paribas L1 Equity Russia C C

Investment Strategy

This compartment invests primarily in Russian equities. It may also, on an ancillary basis, invest in other financial instruments. The fund is advised by KIT Fortis Investments, headquartered in St Petersburg and is fully exposed to Russian ruble currency risk. The manager may use derivatives to take market exposure or to hedge equity positions.

Performance (See notes on page 9)



Source: Datastream

Portfolio Split

The portfolio consists of two parts: a Core and a Best Ideas portfolio. The first is actively managed within the benchmark universe and generally invests in large cap securities with the objective to ensure liquid market exposure. The second generally invests in small and medium cap stocks not included in the benchmark and focuses on adding value by stock picking supported by on the ground research capabilities.

Current Fund Data and Information

Share price	90.07
Fund size in millions	352
Domicile	Luxembourg
Mgmt. Company / Portfolio Mgmt.	BNP Paribas
ISIN	LU0269742168
Swiss Sec. No.	2 717 788
Currency	EUR
EU Tax Directive Status	n.a.
Launch date	06.03.2007
Management Fee, p.a. (%)	n.a.
TER, p.a. (%)	2.1
Dividend payment date	-
Payment 2009	none
Reference index	MSCI Russia 10-40 TR

Source: Datastream, Lipper

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2, Place de Hollande, 1204 Geneva

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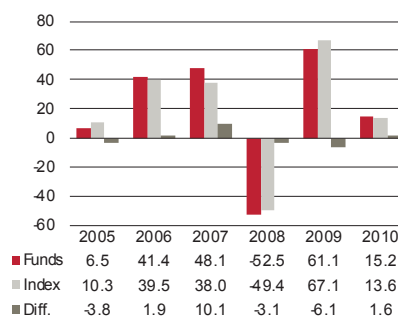
The prospectus, simplified prospectus as well as the annual and semi-annual reports are available free of charge from: BNP Paribas (Suisse) S.A.,
2, Place de Hollande, 1204 Geneva

JF Greater China A Dis USD

Investment Strategy

The investment objective is to provide longterm capital growth by investing primarily in companies from the People's Republic of China, Hong Kong and Taiwan (Greater China). The process is an active style of portfolio management which focuses primarily on stock selection conducted by experienced specialists located within the region. It offers the greatest opportunities to add value to portfolios by providing significant outperformance in a disciplined manner.

Performance (See notes on page 9)



Source: Datastream

Portfolio Split

JPMF JF Greater China Fund offers investors the opportunity to capture the investment opportunities that China's rapid expansion present, through a wider exposure to the Greater China region including mainland China, Hong Kong and Taiwan.

Current Fund Data and Information

Share price	24.3
Fund size in millions	273
Domicile	Luxembourg
Mgmt. Company / Portfolio Mgmt.	J.P. Morgan
ISIN	LU0117841782
Swiss Sec. No.	1 195 199
Currency	USD
EU Tax Directive Status	n.a.
Launch date	18.05.2001
Management Fee, p.a. (%)	1.50
TER, p.a. (%)	1.9
Dividend payment date	-
Payment 2009	none
Reference index	MSCI Golden Dragon TR USD

Source: Datastream, Lipper

Legal Representatives in Switzerland J.P. Morgan (Suisse) SA,
8, rue de la Confédération, P.O. Box 5507, 1211 Geneva 11

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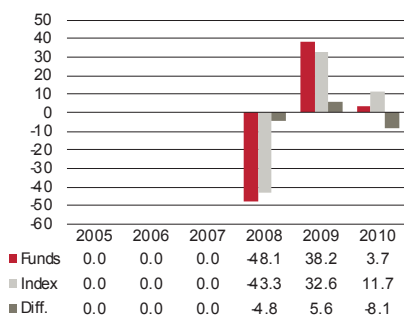
The prospectus, simplified prospectus as well as the annual and semi-annual reports are available free of charge from: J.P. Morgan (Suisse) SA,
8, rue de la Confédération, P.O. Box 5507, 1211 Geneva 11

JPM Euroland Select Equity A acc EUR

Investment Strategy

The aim of the Fund is to achieve a return in excess of Eurozone equity markets by investing primarily in companies of countries which are part of the Eurozone (the "Euroland Countries").

Performance (See notes on page 9)



Source: Datastream

Portfolio Split

This is a core fund for investors who are looking for a diversified exposure to eurozone stock markets.

Current Fund Data and Information

Share price	6
Fund size in millions	58
Domicile	Luxembourg
Mgmt. Company / Portfolio Mgmt.	JPMorgan
ISIN	LU0308871747
Swiss Sec. No.	3 231 025
Currency	EUR
EU Tax Directive Status	n.a.
Launch date	25.07.2007
Management Fee, p.a. (%)	1.50
TER, p.a. (%)	1.9
Dividend payment date	-
Payment 2009	none
Reference index	MSCI EMU TR EUR

Source: Datastream, Lipper

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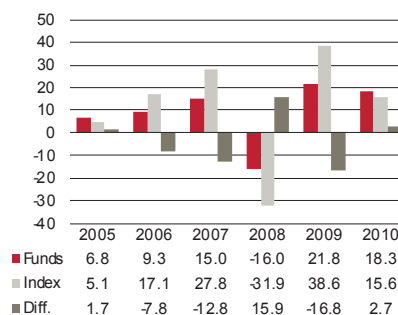
The prospectus, simplified prospectus as well as the annual and semi-annual reports are available free of charge from: J.P. Morgan (Suisse) SA, 8 rue de la Confédération, P.O. Box 5507, 1211 Geneva 11

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	193.64
Fund size in millions	107
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. (%)	1.80
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

A	actual value
abs.ch	absolute change
ASW	asset swap spread
avg.	average
bn	Billion = 1 000 000 000
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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