

# Marketplus

Monthly market outlook  
February 2009



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# Take advantage of high market volatility

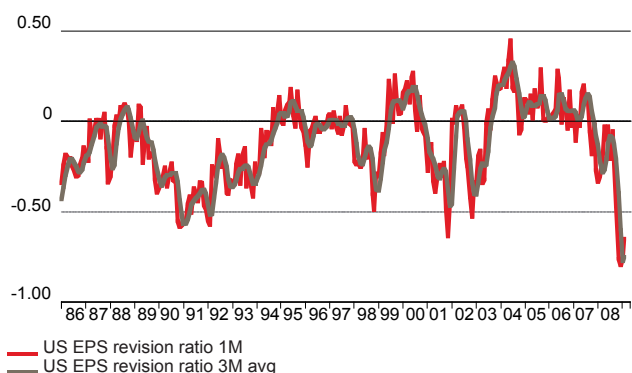
After a flash-in-the-pan rally at the beginning of the year, the equity markets, under pressure from weak macro data and disappointing corporate earnings, were soon retesting their lows from Q4 2008 at the end of January. Banks' fresh capital requirements led to strong volatility in the financial sector. We believe corporate bonds have more potential than equities in the short term. Convertible bonds also represent an attractive investment. We would use the high volatility to optimise portfolio returns by using option strategies.

## Macro outlook

### Deep recession until mid-2009

The first GDP data to be published for Q4 2008 (UK and USA) reveal that we are currently in one of the deepest global recessions in decades. Leading indicators suggest the downturn will only intensify in H1 2009. Although there are scattered signs that indicate the lowest point in the economic cycle could already occur in Q1 2009, it is still too early to issue an all clear. Nonetheless, the expansive monetary and fiscal policy in the USA fosters hope that an upswing will follow in H2 2009.

### Earnings revisions have never been so negative



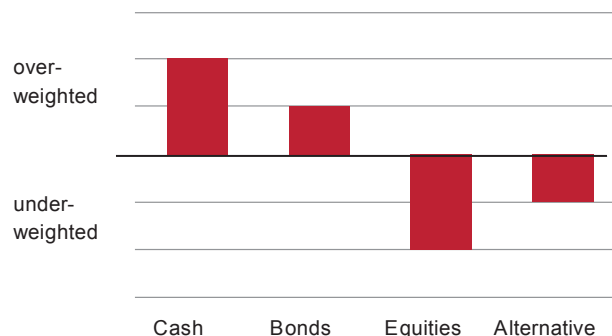
Source: Datastream

## Equity strategy

### Earnings disappointments drag on the equity market

The economic downturn last autumn is also reflected in the Q4 2008 corporate results. Sector leaders like Alcoa, Caterpillar, Microsoft and Nokia have presented results that have disappointed analysts' already dramatically reduced estimates. The depth and breadth of the downward revisions has never been so great in the 20 year history of IBES earnings estimates. Earnings look set to drop further in 2009, based on the subdued outlook for most companies. A side from the gloomy earnings forecasts, the financial sector keeps on dampening the mood among investors. January's much needed bailout and stabilisation measures have not helped to calm investors. We retain our cautious stance toward equities with a clear underweighting.

## Asset allocation: Underweight equities



Source: Sarasin

### Equity investments limited to careful stock picking

Naturally, there will always be individual companies that stand out from the crowd, even in a difficult environment. Several companies, such as Apple, even managed to spring some positive earnings surprises in the last quarter. At the moment, we are paying particular attention to solid balance sheets, healthy financing and robust business models when picking stocks.

## Bond strategy

### Interest rates are likely to drop further in coming months

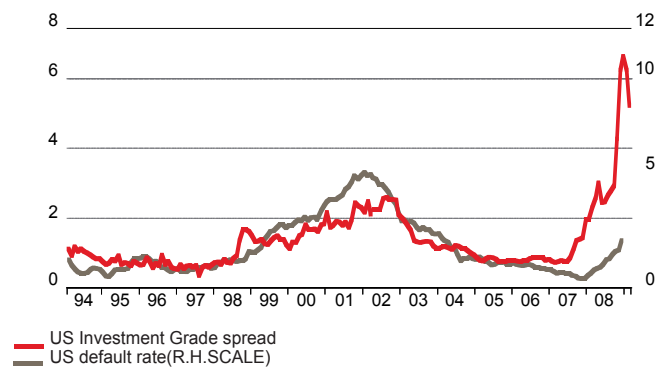
The announcements on the new bailout plans for the banking system and further economic stimulus packages have unsettled bond investors. Yields on government bonds have edged up slightly because the short-term explosion in public deficits could lead to a debt problem in the long term. We believe that the debt ratio - above all in the USA - is manageable, and we see the interest rate increase as a buying opportunity. The deflationary trends, caused by the economic downturn, should suppress inflationary fears in the coming months and lead to lower interest rates. But because real interest rates are already low, government bonds have limited potential.

### Corporate bond valuations are extremely attractive

We think corporate bonds offer more potential. Although liquidity in the secondary market remains thin, demand for corporate bonds, especially in the investment-grade segment, has risen sharply. This is evident from the heavy oversubscription of new issues. The

recordhigh credit spreads are finally attracting new investors, who are looking to profit from the extremely attractive valuation (see chart).

**US: Credit spread and default rate**



Source: Datastream

**Convertible bonds are an interesting investment**

Convertible bonds also offer a good entry opportunity in addition to corporate bonds. Convertible bonds should profit from low interest rates and a decline in credit spreads in the coming months. When the equity markets recover, we should see a revaluation of the option component.

**Alternative investments**

**Commodities are more attractive than real estate assets**

Conditions for alternative investments remain difficult. The disappointing performance in 2008 led to strong outflows of capital. High financing costs, together with the overcapacities accumulated, should keep the pressure on real estate prices. Despite the big declines in the net asset value of real estate funds, it is still too early to enter the market. On the other hand, commodity prices are in the process of stabilising. Precious metals and soft commodities have posted a strong recovery in recent weeks.

**Asset allocation**

**Defensive positioning in a volatile market environment**

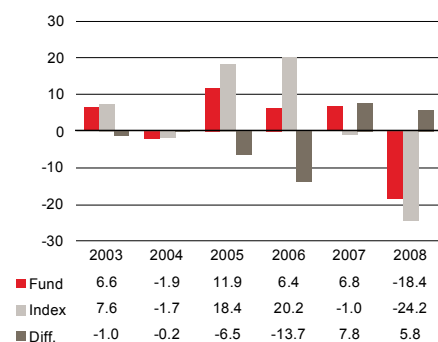
The economic environment does not favour an increase in the portfolio's risks. We remain strongly overweight in cash. Government bonds still represent a secure investment. But in our opinion, corporate bonds, which have extremely attractive valuations, offer the greatest potential. We remain underweight in equities and alternative investments. The strong volatility in the financial markets invites investors to use option strategies to profit from this situation. Investors can collect high premiums today when they write call or put options, which contributes very positively to the portfolio's return.

## LODH Obliflex Convertible (CHF) P Schroder ISF Euro Corporate

### Investment Strategy

The LODH Obliflex - Convertible (CHF) P invests in convertible bonds, equity warrants and convertible preferred shares denominated in various currencies. The fund is actively managed based on the primary analysis of economies and markets carried out by Lombard Odier Darier Hentsch. They manage the exchangerate risks also actively.

### Performance



Source: Datastream

### Portfolio Split

The portfolio contains between 50 - 100 issues. The fund is typically invested around the globe, with a focus on Europe and Asia, but also USA and Japan. Not more than 10% of the fund maybe invested in securities of any one is suer. 90% of the fund's volume is always hedged back to CHF.

### Current Fund Data and Information

Share price as of end of December 08	17.98
Fund size in millions	531
Domicile	Jersey
Asset Management	LODH
ISIN	GB0005240162
Swiss Sec.No.	141 499
Currency	CHF
EU Tax Directive Status	In Scope - Tax
Launch date	31.12.1993
Management Fee, p.a. (%)	1.00
Total Expense Ratio, p.a. (%)	1.13
Dividend payment date	-
Payment last year	None
Reference Index	UBS CB GI Foc CHF

Source: Datastream

**Legal Representatives in Switzerland** Lombard Odier Darier Hentsch & Cie, Rue de la Corratierie 11, CH-1204 Geneva

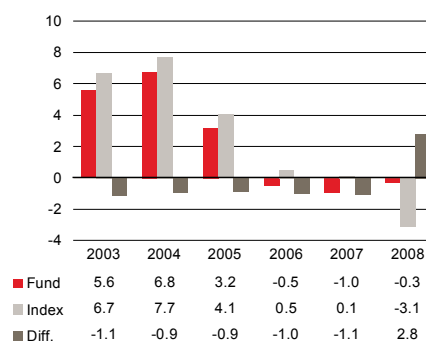
**Paying Agent** Lombard Odier Darier Hentsch & Cie, Rue de la Corratierie 11, CH-1204 Geneva

**Prospectus** Lombard Odier Darier Hentsch & Cie, Rue de la Corratierie 11, CH-1204 Geneva

### Investment Strategy

The Schroder ISF EUR Corporate Fund invests mainly in Euro denominated assets. It is actively managed and aims to outperform its benchmark by 0.75% (gross) over a market cycle. Active duration plays, credit analysis and currency plays are the most important sources for the fund's performance. The Manager also uses interest rate futures, interest rate swaps, credit default swaps and currency forwards to hedge out possible risks.

### Performance



Source: Datastream

### Portfolio Split

The portfolio contains 50 - 150 issues. At least 80% of the fund's volume is invested in investment grade corporate bonds, denominated in Euros. A maximum of 20% may be invested in High Yield or Emerging Markets Debt or in Convertibles. Derivatives are used to hedge and obtain active risks in the fund.

### Current Fund Data and Information

Share price as of end of December 08	13.28
Fund size in millions	250
Domicile	Lux
Asset Management	Schroder
ISIN	LU0113257694
Swiss Sec.No.	1 121 567
Currency	EUR
EU Tax Directive Status	In Scope - Tax
Launch date	21.09.2000
Management Fee, p.a. (%)	1.00
Total Expense Ratio, p.a. (%)	1.28
Dividend payment date	-
Payment last year	None
Reference Index	ML EMU Large Cap

Source: Datastream

**Legal Representatives in Switzerland** Schroder & Co. Bank AG, Central 2, CH-8021 Zurich

**Paying Agent** Schroder & Co. Bank AG, Central 2, CH-8021 Zurich

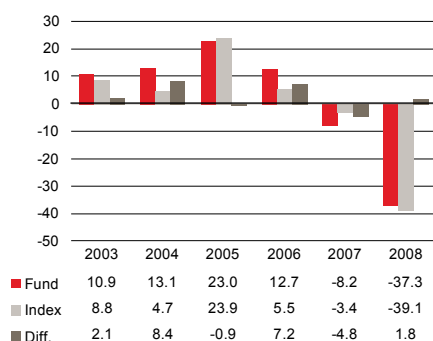
**Prospectus** Schroder & Co. Bank AG, Central 2, CH-8021 Zurich

## ING Inv. Global High Dividend

### Investment Strategy

The ING Invest Global High Dividend Equity Fund invests globally in equities paying above average dividends. It is actively managed and aims to outperform its benchmark consistently. The Management refers to Mr. Albert Einstein, who said: Compound Interest is "the greatest mathematical discovery of all time". The investment approach reduces the level of risk, while enhancing the expected performance.

### Performance



Source: Datastream

### Portfolio Split

The portfolio contains roughly 100 - 130 stocks. Every holding is almost equally weighted. On average, more than 50% of the fund is allocated to North American companies, around one third to European stocks. The fund, however, is traded in Euro. The Management prefers large and mid caps offering an attractive dividend yield.

### Current Fund Data and Information

Share price as of end of December 08	184.71
Fund size in millions	231
Domicile	Lux
Asset Management	ING
ISIN	LU0146257711
Swiss Sec.No.	1406973
Currency	EUR
EU Tax Directive Status	In Scope - No Tax
Launch date	03.05.2002
Management Fee, p.a. (%)	1.20
Total Expense Ratio, p.a. (%)	1.49
Dividend payment date	-
Payment last year	None
Reference Index	MSCI World

Source: Datastream

**Legal Representatives in Switzerland** ING Bank (Switzerland) SA, 30 avenue de Frontenex, CH-1211 Geneva 6

**Paying Agent** ING Bank (Switzerland) SA, 30 avenue de Frontenex, CH-1211 Geneva 6

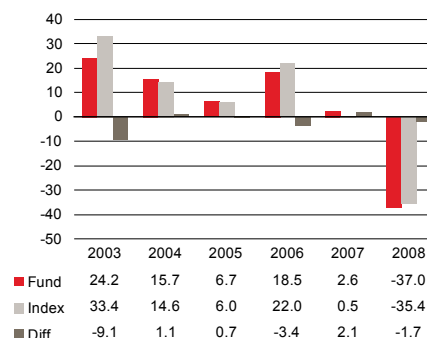
**Prospectus** ING Bank (Switzerland) SA, 30 avenue de Frontenex, CH-1211 Geneva 6

## JPMF US Value Fund

### Investment Strategy

The JP Morgan Fund's - US Value Fund invests in American stocks exclusively. It is actively managed and aims to outperform its benchmark consistently. The Management believes that undervalued companies outperform the market in the longer run. Short term, however, periods of underperformance occur on a regular basis.

### Performance



Source: Datastream

### Portfolio Split

The portfolio contains roughly 80 - 100 stocks. The weighting in each holding is typically lower than 6%. Financials, Energy, and Consumer stocks make up the biggest part of the portfolio.

### Current Fund Data and Information

Share price as of end of December 08	10.33
Fund size in millions	251
Domicile	Lux
Asset Management	JP Morgan
ISIN	LU0119066131
Swiss Sec.No.	1145211
Currency	USD
EU Tax Directive Status	In Scope - No Tax
Launch date	20.10.2000
Management Fee, p.a. (%)	1.50
Total Expense Ratio, p.a. (%)	1.90
Dividend payment date	-
Payment last year	None
Reference Index	MSCI USA Value

Source: Datastream

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

**Paying Agent** J.P. Morgan (Suisse) SA, 8, rue de la Confédération, PO Box 5507, CH-1211 Geneva 11

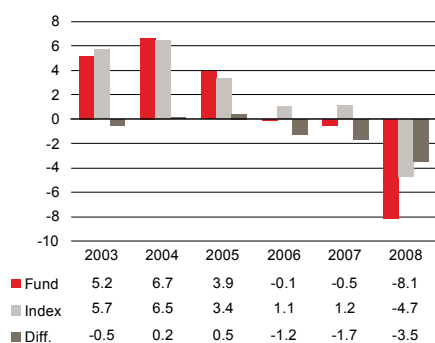
**Prospectus** J.P. Morgan (Suisse) SA, 8, rue de la Confédération, PO Box 5507, CH-1211 Geneva 11

## LODH Invest Euro Corporate

### Investment Strategy

The LODH Invest Euro Corporate Fund invests in Euro denominated bonds. It is actively managed and aims to outperform its benchmark by 0.60% (gross) over a market cycle. The most important sources for the fund's performance are the credit and the sector strategy. The Manager believes that avoiding "blow-ups" is critical for generating positive excess returns. Consequently, they do not take active duration bets.

### Performance



Source: Datastream

### Portfolio Split

The portfolio contains 40 - 70 issues. Since it is a high conviction portfolio, there are no restrictions on sector weightings. More than 75% of the fund's assets must be invested in AAA - A rated bonds. Derivatives are rarely used to reduce risks in the fund.

### Current Fund Data and Information

Share price as of end of December 08	12.64
Fund size in millions	55
Domicile	Lux
Asset Management	LODH
ISIN	LU0095725387
Swiss Sec.No.	992 515
Currency	EUR
EU Tax Directive Status	In Scope - Tax
Launch date	08.04.1999
Management Fee, p.a. (%)	0.75
Total Expense Ratio, p.a. (%)	0.96
Dividend payment date	-
Payment last year	None
Reference Index	ML EMU Corp

Source: Datastream

**Legal Representatives in Switzerland** Lombard Odier Darier Hentsch & Cie, Rue de la Corratierie 11, CH-1204 Geneva

**Paying Agent** Lombard Odier Darier Hentsch & Cie, Rue de la Corratierie 11, CH-1204 Geneva

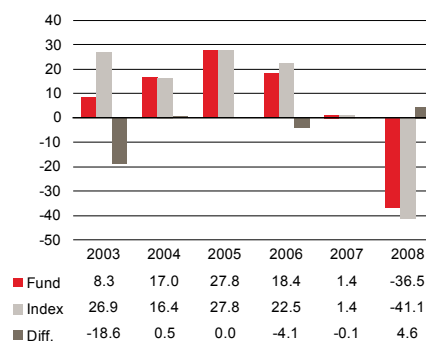
**Prospectus** Lombard Odier Darier Hentsch & Cie, Rue de la Corratierie 11, CH-1204 Geneva

## Vontobel European Value

### Investment Strategy

The Vontobel Fund - European Value Equity fund invests at least two thirds of the fund in top quality European companies and their local currencies. One third can be invested in companies based in the Eastern Mediterranean part (e.g. Turkey and Israel). The Fund's investment strategy is based on a value investment approach.

### Performance



Source: Datastream

### Portfolio Split

The portfolio contains on average 30 - 50 positions. Individual position size is determined by the degree of under valuation (their intrinsic value versus market value) and the investment team's comfort level in the business. Initial positions will range between 1 - 3% of the portfolio.

### Current Fund Data and Information

Share price as of end of December 08	123.03
Fund size in millions	174
Domicile	Lux
Asset Management	Vontobel
ISIN	LU0153585137
Swiss Sec.No.	1 473 236
Currency	EUR
EU Tax Directive Status	Out of Scope
Launch date	20.11.2002
Management Fee, p.a. (%)	1.65
Total Expense Ratio, p.a. (%)	2.05
Dividend payment date	-
Payment last year	None
Reference Index	MSCI Europe Value

Source: Datastream

**Legal Representatives in Switzerland** Vontobel Fonds Services AG, Dianastrasse 9, CH-8022 Zurich

**Paying Agent** Bank Vontobel AG, Bahnhofstrasse 3, CH-8022 Zurich

**Prospectus** Vontobel Fonds Services AG, Dianastrasse 9, CH-8022 Zurich

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