

## Growth comes in small steps

Generating significant returns with safe investments just isn't in the cards, and such returns are smaller than ever at present. However, even in times of low interest rates, a closer look at your investment strategy can pay off. Indeed, small details can make a big difference - particularly now. **Trends, on page 4**

## Pensions with farsightedness

Safeguarding your future is becoming increasingly important, especially in retirement. Discover the key to setting up a good pension fund, and learn why you should ideally start right away. **News, on page 3**

## Skating toward success

Those who begin at an early age, ultimately succeed in achieving more. We share this view and are therefore sponsoring organizations that support promising young talent, such as Art on Ice and GCK Lions. **About us, on page 8**

**"Read how you can reap rewards from the independence of bank zweiplus"**

News, on page 2

**Discount tickets to Art on Ice**

On page 8

## Editorial



Marco Weber, CEO

**Dear Customers,**

*The door is closing on the turbulent year 2009. We are keeping a watchful eye on the markets and anticipate that the positive trend will prevail. In order to make the right investment decision amid such an environment, you need to feel secure with regard to your bank as well as your advisor.*

*In this issue of surplus, you will read how you as a customer can reap rewards from the independence of bank zweiplus, which advantages early saving for retirement brings, and which investment opportunities the current market climate offers.*

*Practice makes perfect at an early stage, not just in planning retirement, but also in playing sports. We decided in the summer to expand our sponsorship of promising young talent. As co-sponsor of LIONS NACHWUCHS, we are now providing support to up-and-coming hockey players too. With this commitment, as a young bank, we are investing in young talent and at the same time making a contribution toward the development of future talent in the field of sports.*

*I hope you thoroughly enjoy reading this issue of surplus.*

Sincerely  
Marco Weber  
CEO bank zweiplus Ltd

**Strength through values**Only independent advice  
deserves your trust

Since the outbreak of the financial crisis, it has become difficult to regain investors' trust. Issues such as independence and transparency have moved to the very top of the list of priorities. However, bank zweiplus has anticipated just such a trend. In fact, independence is incorporated in the bank's core values and is therefore manifested in its mission statement as well (see below). Independence permeates like a recurrent theme through the entire business model, extending from the product assortment and design, to the basic principles of its advisory services.

**Independence is a value**

bank zweiplus paves the way for its own customers, as well as for those of certified financial services providers, to gain open access to a comprehensive universe of financial products and services - free of any conflicting interests and independent of any specific product provider or designated investment sum. Consequently, unlike almost any other bank, bank zweiplus succeeds in providing its customers with totally independent advisory services while, at the same time, developing the best possible investment recommendations.

In contrast to numerous other banks, bank zweiplus does not dictate to its advisors which particular products should be offered in a specific timeframe. Hence, the bank provides its advisors with the necessary maneuvering room to advise customers objectively.

Following a discussion of the customer's investment goals, risk appetite and financial situation, bank zweiplus advisors compare the relevant appropriate product offerings for the client, painting a clear picture of the investment opportunities and risks. For a specific investment proposal, for instance, advisors have the possibility to choose the right fund suitable for the customer from an array of more than 4500 funds from all the renowned fund companies - a variety that not too many advisors have at their disposal. In addition, advisors are not bound by any particular investment amount when choosing products. For example, customers can open a fund custody account with a one-time deposit starting from just CHF 5000 - or savings plans from CHF 100 per month. Consequently, advisors can act in the best interest of their customers without restrictions. Indeed, these are good prerequisites for building long-term, trustworthy relationships with customers. (ma) +



# Foresight pays off

## Take advantage of the time factor for your pension

**Those who rely solely on Swiss social security (AHV) are hampered in making great leaps forward later in life. So bank zweiplus offers solutions for so-called third-pillar pensions, with which you can save more money for retirement. And it's a good idea to start right away.**

The concept PAYG (pay-as-you-go) pension-funding system has continually attracted considerable attention among the populace in recent decades. Birth rates are sinking, and our life expectancy has increased from year to year. The workforce is no longer in a position to finance the social security payments to retirees, without cuts in benefits for future pensioners. This holds true even for the Swiss social security system - despite ranking among the best pension schemes worldwide. In fact, already today the mandatory benefits from Swiss social security and pension funds cover just roughly 60% of previous earned income. And this coverage ratio is expected to deteriorate further. Hence, the government is increasingly relying on the individual responsibility of its citizens regarding retirement savings - and, in particular, promoting tax advantages for pillar 3a pension funds.

The sooner investors set up a private pension fund, the larger the accumulated assets at retirement and the greater the tax savings too. Investors in Switzerland enjoy access to a broad selection of providers. Those who begin saving in their younger years can build up their assets for retirement at an early stage, close income gaps, or simply save money with attractive returns and enjoy tax advantages over

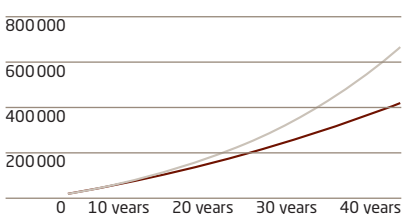
the course of time. Furthermore, the assets can be utilized prematurely or pledged, for example, for the acquisition of residential property. At the same time, homeowners can enjoy additional tax savings through indirect amortized mortgage payments through a pension account.

### Small difference in returns, big impact

Starting to save for retirement at an early stage pays off because the compound interest grows significantly over time. Moreover, the difference that results from a presumably small spread in returns ultimately becomes enormous in the end. In fact, in our example calculation, the difference amounts to almost a quarter million Swiss francs!

Mr. Fox and Mr. Miller, both age 25, pay the amount of 6566 francs into their third-pillar pension account every year for a period of 40 years until their retirement, in equal monthly payments of 547.16 francs. Mr. Miller invests in a pension 3a savings account, which yields average interest of 2%, according to our example. Mr. Fox chooses a pension fund account with BVV2-assets, for which we estimate an average return of 4%. (pk) +

#### Example of returns: Nearly a quarter million francs more in compound interest



CHF	Miller	Fox
Payments	262 640	262 640
Interest plus compound interest	139 888	386 245
Total	402 528	648 885

■ Miller 2%  
■ Fox 4%

## Tips

### Three pillars, one goal

The Swiss pension system is based on the so-called three-pillar concept, with each pillar fulfilling a particular function.

The Swiss pension system		
1 <sup>st</sup> pillar Government pension	2 <sup>nd</sup> pillar Occupational pension fund	3 <sup>rd</sup> pillar Private pension fund
AHV Ensuring minimum existence	BVG Over-obligatory pension	Restricted access pension fund (3a) Free access pension fund (3b)
Ensuring minimum existence	Preserving a standard of living	Fulfilling desires

The first pillar serves to ensure a minimum existence upon retirement. The second pillar (pension funds) contributes to maintaining the accustomed standard of living. There are underlying debates now in progress since many pension funds are underfunded due to the financial crisis. Current estimates reveal that the benefits provided by the first and second pillars would cover only 60% of previous earned income. Hence, this constitutes another reason to invest in the third pillar, which should close the pension gap, enabling investors to maintain the lifestyle to which they are accustomed upon retirement. +

### Higher returns with funds

Investors who assume more risk can usually count on higher returns - a maxim that applies to all financial investments. These include funds that are authorized for pillar 3a pensions (BVV2), which allow investment of a maximum 50% share of equities. Investors whose retirement is still far off on the horizon should not pass up such an opportunity. Indeed, if any losses should occur in the interim, in most cases investors have sufficient time to more than recoup the setback. +

# The path to growth

## How to obtain higher returns amid low interest rates

**The financial crisis has sent shivers down the spine of investors, and the central banks are keeping interest rates low - a situation that, at first glance, hardly offers any favorable opportunities. But in fact, there are some good investments out there; investors just have to take a closer look.** By Bernhard Karle, Head of Direct Customers



It was roughly one year ago when headlines regarding the bursting of the real estate bubble circulated around the world. At the time, no one could have foreseen the consequences that this would have for the globalized world, since history had never before seen such an incident. Losses were reported and financial aid packages were debated that rattled the nerves of even the most fearless people. The financial markets reacted in an extraordinary way to the prevailing situation and came under heavy pressure.

Hardly any asset class escaped unscathed from the financial crisis. Stock markets, money markets and commodity markets all suffered severe setbacks. Only the gold market held its ground, and government bonds of industrialized countries saved investors from incurring price losses.

Looking at the brief period of time in retrospect, the interim results seem to reveal that the enormous intervention on the part of governments and central banks worldwide has proven to be effective. Many companies will repay their credit lines sooner than expected and

post earnings that are back in positive territory again. Optimists are even already talking about the most profitable investments that governments have ever made for their taxpayers.

### Signs of an upswing

Today, some indicators are signaling that the global economy will stage a recovery at a more rapid pace than had been anticipated, particularly in the emerging-market countries and on the old Continent (i.e. Europe). First-half corporate financial results surpassed analysts' expectations, while various companies have revised upward their earnings expectations. Against the backdrop of an abundance of available cheap money, share prices on stock markets have sky-rocketed in recent months. But one question still lingers: How can market participants invest their money sensibly amid such turbulent times?

The capital market - a key source for corporate financing - collapsed amid the bankruptcy of investment bank Lehman Brothers. In the interim, however, the

money market has once again become a more viable means for companies as well as banks to access fresh capital at relatively favorable conditions. This is evidenced by the fact that some companies have succeeded in placing very large volumes recently. The risk premiums for their bonds have come back down to a normal level in most cases, particularly because risk aversion on the part of investors has dissipated too.

If the economic data continue to remain on the positive side, this trend should prevail, and yields on corporate bonds would decline further. Hence, now could be a good time to secure the current yield levels, on the condition that the respective issuer's solvency is intact.

This should be meticulously checked on an individual case-by-case basis. In fact, even considering that overall default rates may be declining, the situation with regard to individual companies can look different. Furthermore, company valuations - for example, those compiled by major rating agencies - unfortunately have not proven to be particularly reliable sources of information in the recent past.

If the global economy succeeds in staging a faster-than-expected recovery, we should anticipate that the central banks will quickly diverge from their present easing monetary policy, in order to guard against inflation. In this case, central banks will hike their benchmark interest rates and attempt to reduce the money supply.

However, if interest rates rise, then prices for bonds with the old interest rate levels would drop sharply, particularly affecting government bonds. Such an interest rate effect on corporate bonds should be offset because, at the same time, risk premiums will decrease (see the article titled "Risk premium" in the Glossary on page 5).

You can protect your portfolio against rising interest rates with two instruments: one is inflation-linked bonds, whose nominal value increases when inflation rises; and the second is convertible bonds, which even offer the greatest potential (see the article titled "Convertible bonds" in the Glossary on page 5).

## Using commodities to counter inflation

Inflationary signals are often initially detected in commodity prices since energy costs for heating oil and gasoline are assigned a heavy weighting in any basket of goods with which price stability is measured. When these prices climb, investors can reap profits directly with an investment in commodities.

Indeed, commodity prices have increased in recent months, primarily because production volumes have been scaled back and inventory levels reduced. Amid a cyclical upswing, the demand for commodities would resurge again strongly - especially in fast-growing regions - which, in turn, should have a positive impact on prices.

Supply shortages could even emerge in the near term, if production volumes are not stepped up again soon enough. Such a scenario is not unrealistic since investments in the expansion of production volumes have been scarce in

recent years. And even if these investments materialize at this point, any initial boost in production would lag behind by a year.

Investors on the lookout for returns should consider investing a small portion of their assets in commodities, which also offer a good hedge against inflation.

## Opportunities in foreign currencies

Most of the central banks are currently pursuing a similar monetary policy aimed at maintaining low interest rates. Hence, the idea of investing in the interest rate differential between currencies alone is no longer that practical. But this should not stop investors from considering such investments anyway, which are attractive not just due to the currency.

For instance, the Swiss National Bank (SNB) is pursuing an active foreign-exchange policy, embracing a weaker Swiss franc. Recent months have seen the SNB intervening in the market when the Swiss franc exchange rate has dipped below the 1.50 mark versus the euro and massively selling off the Swiss currency. So investments in foreign currencies - such as the US dollar or euro - can certainly be attractive.

## Individual investment decisions

Determining which asset class is the right one for you and how you should invest in it can best be achieved in a meeting together with your customer advisor, through clarifying your investment goals and taking into account the possible investment horizon and your risk appetite as well. Such analysis also involves reviewing asset structures and developing relevant investment proposals, thereby providing a good basis for your individual investment decisions. Moreover, you can rest assured that you have made the right decision too - even amid a difficult market environment, in particular.

# Glossary

## Convertible bonds

Convertible bonds feature a combination of two different investments in one. First, it's a bond. The investor provides the issuing company with credit and becomes its creditor. In return, the investor receives interest just like any other bond. Convertible bonds should be considered only from companies with good credit ratings.

Second, convertible bonds feature an option component, with which investors count on an advancing share price of the issuing company. This component in some cases precipitously gains value if the relevant share price rises, because the investor has the right to exchange the convertible bond into a predetermined number of shares.

Analysis of convertible bonds requires complex know-how. Settlement of the conversion - if it is profitable - is also an elaborate process. Hence, it is a good idea to leave the selection of the individual investments to professionals. We would be happy to recommend an appropriate investment fund. ☺

## Risk premium

The interest that an issuer pays for its bonds and other credit instruments is determined by the prevailing general interest rate level only to a certain extent. In addition, a surcharge is payable depending on the issuer's individual credit rating. The extent of such a surcharge is derived from the so-called risk premium, which indicates how much more an issuer must pay on the market compared with a risk-free investment in top-rated government-issued paper. During the financial crisis, risk premiums for many companies - even healthy firms - surged to all-time record-high levels, from which they are now gradually recovering. ☺

## Forecasts

### Macro-economy

#### The beginning of a cyclical upswing

- + The global economy is recovering from the deepest recession since the Second World War
- + Monetary and fiscal policy should continue to follow an expansionary course in order to temper the structural headwinds from deleveraging and rebalancing
- + Central banks will keep interest rates low with unconventional instruments
- + The record-high output gaps point to global deflation risks
- + We forecast an economic upswing by the first half of 2010, with a dampened medium-term outlook

### Equity market

#### Ideal environment for stocks

- + Stock markets are hitting record year-to-date highs, and the technical analyses are lending support
- + New investors are being lured to the market, risk aversion is diminishing and the abundance of liquidity is looking for profitable investments
- + Overweight emerging markets, and focus on high-quality, high-growth cyclical investments

## Economic outlook

**Expansionary monetary policy and a cyclical recovery worldwide promise significant potential returns on stocks. Improving newsflow from the corporate world should continue to boost stocks in the coming months. Abundant liquidity holdings - which hardly generate returns - are expected to reshuffle into equities. And real estate markets promise new opportunities too.**

Global equity markets continued to gain terrain in recent weeks. The Chinese stock market was the only one that suffered a severe setback as concerns over government intervention triggered uncertainty among investors. US equity markets continue to pick up ground, climbing to new year-to-date highs. The S&P 500 index, in particular - the most widely watched US index besides the Dow Jones - succeeded in breaking through key technical resistance at end-August. Such support will likely lure new investors to the market.

Mostly positive surprises coming from the leading indicators and better-than-expected reported Q2 GDP growth data have prompted us to revise upward our GDP forecasts for 2009 and 2010. We anticipate a V-shaped cyclical recovery by H1 2010. Economic data released in the coming quarters should confirm this viewpoint, compelling consensus to revise upward its forecasts too. Still, we foresee considerable risks of renewed weakening of the economic environment in H2 2010. (jp) +

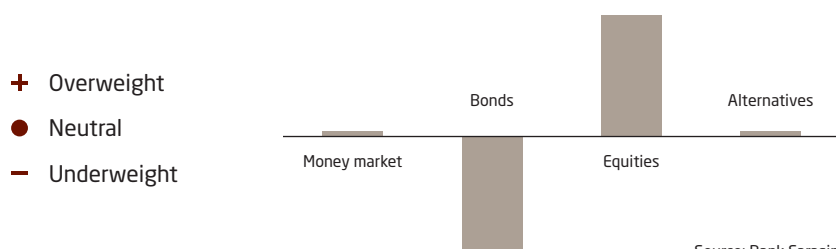
## For your portfolio

- + Underweight bonds: Government bonds look unattractive, corporate bonds harbor little potential
- + Overweight equities: Risk aversion is dissipating amid the upswing
- + Focus on high-quality cyclicals with growth and operating leverage
- + Overweight emerging markets, neutral on Japan/USA, caution toward EU
- + Underweight alternatives: Neutral on total return, gradually build up positions in real estate
- + Overweight commodities: Real as well as financial demand are driving prices

### Sector weightings

- + Financials
- + Industrials
- + Technology
- Energy
- Commodities/materials
- Consumer goods
- Utilities
- Cyclical consumer goods
- Healthcare
- Telecommunications

### Asset classes: Further expand equity allocation



# Customer center

## Exclusive service in Zurich

At nine o'clock in the morning, bank zweiplus opens its doors on Talstrasse in the heart of Zurich. Marlene Frank and her team of four have already reviewed the current market conditions and discussed the day's agenda. The beginning of the day is usually characterized by brisk business activity. The first customer advisory consultations are taking place either telephonically or personally in one of the state-of-the-art conference rooms. Thanks to bank zweiplus's unique business model, its customer advisors have a vast universe of investment pro-

ducts at their disposal, enabling them to provide comprehensive and particularly independent advisory services that are free of conflicting interests. At the same time, this requires broad-based expertise. The staff's extensive knowledge of languages also constitutes a positive factor at the Zurich Customer Center, where five languages are spoken. Hence, the bank is able to ensure that no difficulties in understanding arise with the lion's share of customers. The customer center is open until 5:00 p.m. (ma) +

Employees in the spotlight:

**"Only a good team can offer good services."**



**Marlene Frank**, Head of Zurich Customer Center (pictured fourth from left), has worked in the customer advisory services business for 14 years. Her formula for a successful customer center with satisfied customers is "teamwork."

She is strongly convinced that only a well-functioning team can ideally lay the foundation for providing bank zweiplus customers with in-depth, individual and independent advisory services. +

#### Important information

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#### Publishing and editorial

bank zweiplus Ltd  
P.O. Box  
Bändliweg 20  
CH-8048 Zurich  
surplus@bankzweiplus.ch

#### Editor-in-chief

Michaela Alt (ma)  
michaela.alt@bankzweiplus.ch

#### Editorial staff

Silvan Franchetto (sf), Bernhard Karle (bk), Patrik Kauffmann (pk), Dr. Jan Amrit Poser (jp), Marco Weber (mw)

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Rüdigerstrasse 12  
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www.aebivoelkerund.com

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#### Subscriptions

Send an e-mail to  
surplus@bankzweiplus.ch

# Step by step on the road to success

## Committed to ice hockey and figure skating

Everyone likes to watch great performances. However, such feats don't just occur by happenstance, but rather they take long, hard preparation. This is a mindset that we share and eagerly support - in figure skating as well as ice hockey.



Since summer 2009, bank zweiplus has acted as new co-sponsor of **LIONS NACHWUCHS**,

which combines the ice-hockey organizations GCK Lions Nachwuchs, ZSC Lions Nachwuchs and Elite Lions. The commitment offers 700 adolescents age 4-20 from the Zurich region the opportunity to pursue the sport of ice hockey at the amateur as well as professional level. **LIONS NACHWUCHS** has been operating for eight years and ranks among the leading sponsors of young, promising ice hockey talent in Switzerland. It actively supports goal- and performance-oriented training as well as sponsors tournaments featuring fairness on and off the ice rink, fostering outstanding achievement in life.



**talent team zweiplus**  
Art on Ice

Sponsoring promising young Swiss talent and paving the way for a successful breakthrough to the international arena is also the declared goal of the project called "**talent team zweiplus Art on Ice.**" In fact, bank zweiplus and Art on Ice Production AG are providing monetary support to the largest privately financed sponsoring program in the realm of figure skating ever undertaken in Switzerland to date. Nine young, promising athletes are currently training and preparing for their future leap onto the world stage - following in the footsteps of past figure skaters such as Sarah Meier and Stéphane Lambiel. (sf) +



## Glide to the event

### Art on Ice: CHF 20 cheaper

The world's top figure skaters interplaying with music stars and an extravagant light show will certainly melt the ice away. As a surplus reader, you can receive a CHF 20 discount for this extraordinary, spectacular event in the

categories 1 to 5 for the two evening shows in Lausanne (9 and 10 March 2010 at 7:30 p.m.) and for the subsequent shows in Zurich (6 March 2010 at 2:00 p.m. and 7 March 2010 at 1:00 p.m.). This special offer is limited to 2000

tickets. So how do you obtain tickets? Simply complete and fax or mail the reply form (next page) in an envelope - and Art on Ice will surely fascinate you! (sf) +

**"Growth will be realized, with the right values."**

Marco Weber



**Discount tickets  
to Art on Ice**

## I hereby place this binding order for the following number of admission tickets for Art on Ice 2010:

- Zurich «Hallenstadion» Saturday, 6 March 2010 (2:00 p.m.)
- Zurich «Hallenstadion» Sunday, 7 March 2010 (1:00 p.m.)

Number \_\_\_\_ Category 1 in Zurich for CHF 138 (instead of CHF 158)  
Number \_\_\_\_ Category 2 in Zurich for CHF 108 (instead of CHF 128)  
Number \_\_\_\_ Category 3 in Zurich for CHF 78 (instead of CHF 98)  
Number \_\_\_\_ Category 4 in Zurich for CHF 58 (instead of CHF 78)  
Number \_\_\_\_ Category 5 in Zurich for CHF 38 (instead of CHF 58)

### My data

Credit card number \_\_\_\_\_

Expiration date \_\_|\_\_

VISA    Master Card    AMEX

### Mailing address for tickets

Name/first name \_\_\_\_\_

Street/no. \_\_\_\_\_

Country/Post code/city \_\_\_\_\_

Telephone (during business hours) \_\_\_\_\_

E-mail \_\_\_\_\_

- Lausanne «Patinoire de Malley» Tuesday, 9 March 2010 (7:30 p.m.)
- Lausanne «Patinoire de Malley» Wednesday, 10 March 2010 (7:30 p.m.)

Number \_\_\_\_ Category 1 in Lausanne for CHF 128 (instead of CHF 148)  
Number \_\_\_\_ Category 2 in Lausanne for CHF 108 (instead of CHF 128)  
Number \_\_\_\_ Category 3 in Lausanne for CHF 88 (instead of CHF 108)  
Number \_\_\_\_ Category 4 in Lausanne for CHF 68 (instead of CHF 88)  
Number \_\_\_\_ Category 5 in Lausanne for CHF 48 (instead of CHF 68)

### If my designated seat category is sold out, I would like

- in the next-higher category    in the next-lower category

Please mail this reply form in an envelope to the following address:

**Art on Ice Production AG  
Breitackerstrasse 21  
CH-8702 Zollikon**

Or fax the reply form to: +41 (0)44 315 40 29  
For further information about the event,  
visit the website at [www.artonice.com](http://www.artonice.com)