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
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.

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 4,500 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 5,000 – 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 zweipluss 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%.

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

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Higher returns with funds

Investors who assume more risk can usually count on higher returns - a maximum 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 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 skyrocketed 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 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.

By Bernhard Karle, Head of Direct Customers
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.
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 cycicals 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  ● Energy  ➤ Healthcare
+ Industrials  ● Commodities/materials  ● Telecommunications
+ Technology  ● Consumer goods  ● Utilities
+ Energy  ● Commodities/materials  ● Consumer goods
+ Consumer goods  ● Utilities  ● Cyclical consumer goods

Asset classes: Further expand equity allocation

+ Overweight  ● Neutral  ➤ Underweight

Bonds

Equities

Money market

Alternatives

Source: Bank Sarasin
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 products 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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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.

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
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.)

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

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- 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 ________________________________

**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

All prices include a 10% booking fee and exclude a shipping and handling fee of CHF 8 per order. The offer is limited to 2,000 tickets.