

REVIEW INVESTMENT-THESES 2010/11

A review of our investment theses and an outlook for the second half-year

Stock markets overall

1. Substantial correction of stock markets

✓ Unfortunately we were right. Markets collapsed massively in May and many are still down more than 10% ytd. Short term we expect a relief rally, before further corrections will shake up the markets even more.

2. No sustainable acceleration of economic growth

✓ The most important economic indicators suggest a decreasing dynamic. Additionally, governments will reduce spending which will further dampen economic growth.

Sectors

3. Defensive sectors

X At this point we were wrong. Despite low valuations of shares in our favoured sectors, they did not withstand the overall market fall. Midterm we feel that telcoms, utilities and pharmaceuticals will outperform growth sectors.

4. Focus on natural gas and healthcare companies

✓ Oil companies with huge natural gas reserves benefited from a change in US energy policy as consequence of the Gulf disaster. Thanks to Obama's care reform pharmaceutical companies will gain millions of new clients.

Commodities/ Real Assets

5. Overweight in physical gold and gold mining stocks

✓ Greece's almost collapse as well as the fiscal deficit of industrial countries will cause further currency fluctuations. For that reason gold will act as substitute currency. Gold mining shares have not caught up with the rising gold price yet.

Geographical regions

6. Preference of globally aligned companies rather than emerging markets

✓ Especially the Chinese stock market lost much more than globally aligned western companies. Meanwhile, Chinese shares are attractively valued and therefore offer good investment opportunities.

Bonds

7. Long term corporate bonds and government bonds

X This thesis was only partially correct. Corporate bonds achieved good returns. However German, Swiss and US government bonds strongly outperformed them. Investors should now take profits from historically low yielding government bonds.

Currencies

7. Strong USD versus EUR

✓ The USD strongly appreciated since the beginning of the year. We realized healthy profits with currencies but expect the USD to devaluate against the CHF till the end of the year. Nevertheless if a substantial correction of stock markets occurs, the USD might further benefit.