

IMPRINT

Editor: Bank CIC (Switzerland) Ltd.
Marketing and Products
Marktplatz 11 – 13
P.O. Box 216
4001 Basle, Switzerland

Authors: Markus Allemann, Roger Baumann,
Marco Bider, Reto Fünfgeld, Mario Geniale,
Stefan Kron, Claudio Meiger.
Editorial deadline: 19.06.2009

perspectives

03/2009 QUARTERLY MARKET OUTLOOK

CIC BANQUE CIC |SUISSE|



DEAR READER

Perspectives for you. Welcome to the first edition of our new CIC “Perspectives” newsletter, which as the successor to “Quarterly Market Perspectives” has a range of

new content and a new image. We hope that our fresh and clear layout provides a quick and convenient way to catch up with the key issues.

Our financial experts will summarise the most important economic events for you from the past three months and provide an overview of current and expected developments in the key markets. You will get interesting insights into the strategic thinking of our analysts. You can also read our new columns, in each of which key players give their frank and open views on a contemporary issue.

Happy reading!

Roger Baumann
Chief Investment Officer
roger.baumann@cic.ch

Economic perspectives

The financial crisis seems to be drifting towards its conclusion; we are not expecting any major writedowns from financial institutions in the second half of 2009. However, the next few years will still have to be spent dealing with the fallout from the measures taken to counter the financial crisis and the resulting recession, the worst of its kind since World War II.

While we can expect growth figures to pick up from the third quarter onwards as a result of the baseline effect, the upturn is likely to be very weak in comparison to previous economic cycles. Growth over the coming years is set to remain below the long-term potential as a result of historically high government and consumer debt levels in industrialised countries. The colossal sums of money used to support economies and historically low interest rates will combine to form a new bubble. The most likely scenario is thus a rise in inflation.

An inflationary exit from the recession

In the current climate, government bonds are unattractive. We see a number of interesting investment opportunities in inflation-linked and corporate bonds. In general, we recommend investments with short to medium maturities. In the event of setbacks it is a good idea to increase a portfolio's equity component, with a focus on the emerging markets and the US. We believe that these countries will be the quickest to recover. Commodity investments (oil and gold) should be included in every portfolio, as the megatrend of rising commodity prices remains intact. In terms of currencies, we expect the USD and GBP to depreciate, while the EUR is set to remain stable against the CHF thanks to the help from the Swiss National Bank.

“The economy appears to be stabilising at a low level; however, in terms of corporate earnings we are yet to receive the all-clear.”

The markets

Equity investors experienced an emotional rollercoaster in 2009, with the markets going up and down faster than a yo-yo on a short string. In the first two months of the year, equity indices lost between 20 and 30%, only to stage an unprecedented rally in March and April that recouped all these losses. The economy appears to be stabilising at a low level; however, in terms of corporate earnings we are yet to receive the all-clear. The markets are anticipating a recovery in the next two to three quarters, stock valuations are low and dividend yields are high; as a result we recommend investing in equities from first-class companies when prices are weak.

SWISS EQUITIES

The Swiss equity market has experienced a turbulent period. The second quarter of 2009 was dominated by a strong recovery. Financial and insurance stocks were able to benefit most from the recovery, however, luxury goods stocks **Richemont SA** and **Swatch Group** were also given a new lease of life. Index heavyweights Nestlé, Roche and Novartis posted disappointing performances. It is hard to judge future performance. Provided banks do not release any more bad news, we have seen the bottom of the market. We recommend **Swisscom** as a Swiss stock with potential: its low valuation, attractive dividend yield and stability even during difficult periods help the stock stand out.

EUROPEAN EQUITIES

Despite a severe and most likely prolonged recession, we are upbeat about the performance of the European equity indices as at the end of the year. On the one hand, initial indicators are pointing to the economic cycle having reached a turning point, while on the other hand, the valuation appears attractive. We expect that markets will remain volatile and are therefore trying to exploit market timing to sell strong stocks and buy weak ones. In terms of sector weighting, we consider defensive and cyclical sectors to be equally attractive and therefore recommend a healthy mix of the two. We think that equities from the oil & gas sector (**ENI SPA**, **Royal Dutch Shell Plc**) and commodity sector (**Rio Tinto Plc**, **BHP Billiton Plc**) are particularly attractive.

US EQUITIES

The US market got off to its worst start to a year since the Great Depression of the 1930s. The start of March saw the strongest rally of recent decades, which propelled the index by over 40%. We now believe the worst of the economic crisis to be behind us, although there will be no rapid recovery. The next few months will again see high levels of volatility and correct timing will once more be the key to success. We will avoid overheated financials and make investments in the attractive utilities sector. **Exelon** and **Southern** are our favourites.

BONDS

Yields on the international bond markets rose slightly in the first six months of the year. Large volumes of new bonds were issued on the capital markets to fund government rescue packages. Meanwhile, many investors still view fixed-income paper as a safe haven and are stabilising the market against larger setbacks. At the corporate bond level, there were also a number of new issues. In view of the current low interest rates, companies think that it is a good idea to refinance long-term liabilities over the medium term. We assume that the bond market will remain well supported in the near future and recommend buying high-quality medium-term corporate bonds.

SMI



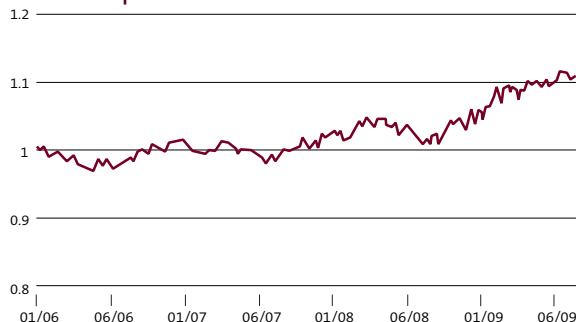
Eurostoxx



S&P 100



Bonds Europe



The Column

With Markus Allemann, Head Private Clients Basle



Learning from the Americans

DEAR READER

The roots of the financial crisis lie in the US. At first glance, the fact that Europe was a willing accomplice could seem somewhat surprising. However, if we analyse developments in banking over the last 20 years, we can see a steady progression away from the conservative Swiss banking model towards more aggressive American-style banking. International banks in particular eagerly embraced the trend, and much of what was happening across the pond was adopted without question. Americans took seats on management committees and boards of directors to add momentum to the trend. Swiss nationals were sent to the US to learn the business properly. In retrospect, we now know that not everything was going as well or as successfully as we thought. We can now say with a clear conscience that the Europeans were extremely naïve.

In any case, the lasting lesson from the crisis will be “stick to what you know!”.

We have learnt our lesson: not everything that comes out of the US is the be-all and end-all. It is a painful and lasting lesson. Sustainability is something that every business wants, but not when a deep recession is involved. In any case, the lasting lesson from the crisis will be “stick to what you know!”. This should mean that the old business model of the Swiss banks will come to the fore again. Although this model has a conservative approach, it is also strongly anchored in Swiss tradition and based on historically acquired expertise.

It is more successful because it is not speculative and focuses on a single strategy. We also want to sustainably build on and expand our client base.

The phenomenon of Europe always being more seriously hit than the US in times of economic difficulty also applies in this crisis. While there is apparently light at the end of the tunnel in the US, the headlines in Europe are still gloomy. There is no light on the horizon, only black storm clouds brewing. The reason that the Americans always emerge more quickly from a recession than the Europeans has much to do with their different mentality.

Yes, we can.

The Americans always land on their feet – they are self-assured, optimistic and innovative. They approach things in a forthright and positive way. By contrast, Europeans allow negative impressions to get the better of them, are given to grumbling and have a wait-and-see approach. This is an area where we should actually borrow from the Americans. Perhaps a European Obama would do some good at present. He at least knows how to motivate the people, with his slogan, “Yes, we can”.

Markus Allemann has been head of the Private Banking division at the Head Office in Basel since the beginning of 2007. Having held positions including head of department at Clariden Heusser and business editor of the Berner Zeitung, he has decades of experience in research and portfolio management. He writes regular columns in regional daily papers.

In Brief

Managed fund portfolios (MFPs) with excellent results

In the first five months, the managed fund portfolios (MFPs) were able to significantly outperform the market index – by over 3% in CHF and almost 2% in EUR (balanced strategies). The conservative decision taken at the start of the year to underweight equities, coupled with successful fund selection (80% of the equity funds selected outperformed their benchmark) contributed significantly to this positive result. Sector investments in the energy and commodity segments also contributed to this outperformance.

Anniversary Savings Account number 1 on comparis.ch

A Swiss-wide comparison of interest rates on savings accounts by the leading comparison website comparis.ch ranked the Anniversary Savings Account from Banque CIC (Suisse) number 1 (www.comparis.ch, as at 18.06.2009). You too can benefit from our attractive anniversary interest rate of 2%*.



We look forward to presenting you with your own savings stocking when you open an account. You can also order your personal contract proposal online:
www.cic.ch/jubilaeumszins

*Anniversary Savings Account notice: changes to terms and conditions

With immediate effect, changes to the interest rate will be announced three months in advance at www.cic.ch. The bank reserves the right to amend the terms and conditions of the Anniversary Savings Account at any time. Any changes to the terms and conditions will likewise be announced three months in advance at www.cic.ch.

Emerging markets (EMMA) with potential: CIC to launch basket

Investments in emerging market equities promise high yields, but are subject to high levels of risk on individual investments. We are therefore launching a basket of proven investment funds in selected EMMA countries: In China and Hong Kong, an upswing in consumption will be able to stimulate domestic demand.

South-East Asia has a healthy banking system that is still able to provide the economy with sufficient credit.

The Black Sea region is able to benefit from a closer relationship with the EU and rising oil prices.

Commodity-rich Latin America is likely to be the envy of the world once the global economy begins to recover.

With such growth potential, the current valuation of the respective stock markets means that now is an attractive time to build up a participation in the emerging markets. ISIN: CH0102411946

Rating*	Fund Viewer	ISIN	Last	YTD	1Yr
★★	CIC CH FD-BOND CHF-A	LU0111724745	1 000.80	1.31%	4.85%
★★	CIC CH FD-BOND EUROPE-A	LU0111725122	596.36	2.04%	5.75%
★★★	CIC CH FD-BOND CONVERT-A	LU0111727094	974.71	6.77%	-0.94%
★★	CIC CH FD-ACTION SWISS-B	LU0111727847	1 473.88	7.83%	-23.03%
★★★★★	CIC CH FD-ACTION EUROPE-B	LU0111728902	1 125.86	-2.83%	-22.40%
★★★	CIC CH FD-ACTION AMERICA-B	LU0111729546	811.91	-2.84%	-21.40%
★★★	CIC CH FD-STRATEGY GLB CHF-A	LU0111730049	867.81	4.56%	-16.29%
★★★	CIC CH FD-STRATEGY GLB EUR-A	LU0111730395	477.31	4.35%	-9.91%

* Ratings by Morningstar

CIC CH-FUND – LONG TERM STRATEGY

The balanced, long-term investment strategy and the broadly diversified portfolio of the CIC CH Fund - Strategy Global (CHF) enables you to participate in the performance of the key markets while benefiting from a high level of diversification. The fund invests in a number of different asset classes such as equities, bonds, convertible bonds, commodities and cash. The fund's active management aims to generate excess returns compared to the benchmark while keeping risk to a minimum. As at the end of May, the CIC CH Fund - Strategy Global (CHF) had outperformed its benchmark by almost 0.5% at 3.3%.

CIC CH-Fund – Strategy Global (CHF)



BANQUE CIC |SUISSE|

The bank for private and business clients

Basle, Fribourg, Geneva, Lausanne, Locarno, Lugano, Neuchâtel, Zurich
T 0800 242 124

www.cic.ch

DISCLAIMER The expected returns and estimated risk are not reliable indicators of future profits or future risks. The effective returns can deviate significantly from these values, and past positive performance is no guarantee of future returns. The conditions contained in this document are purely indicative and subject to amendment at any time.

Bank CIC (Switzerland) Ltd. gives no guarantee as to the reliability and completeness of this document and rejects any liability for losses which may result from its use.