

IMPRINT

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perspectives

04/2009 QUARTERLY MARKET OUTLOOK

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DEAR READER

How much are forecasts of financial analysts and economists worth? In fact, this is a thrilling question on which I present you my very answer: Little! By all means, when you start to

establish forecasts it's nothing but human that you are governed by actual or quite recent trends.

Consequently, this leads to the fact that the expectations are very pro-cyclical, which means in a longer time period of economic recession and bear market the earnings expectations tend to be too low and vice versa.

Given this basic phenomenon, the earnings estimates for 2010 are to be taken with some caution; time will tell if the estimates were really too low.

Therefore, it's absolutely necessary to perform an own and independent opinion regarding the developments upon the financial markets.

Happy reading!

Roger Baumann
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Economic perspectives

Several economic data which was released during the last weeks was clearly much better than economists predicted. But, by masking the expectations and focusing only on the effectively published data, you perceive a more distinguished overall picture.

Although the shock of the global economic slump could be absorbed by massive interventions on the part of countries and central banks, euphoria is however misplaced. It will last some time until the economy will be able to grow sustainably again.

The indebtedness of private persons and countries which got out of control has to be reduced to a reasonable level. Of course, this is a protracted process, possibly extending over several years. In light of this context, we anticipate a W-shaped recovery of the economic system, that is looking forward to the coming autumn one has to count anew with weaker economic indicators.

Euphoria is misplaced

Investments in government bonds are pretty unattractive. With respect to corporate bonds, one is well advised to make a selective choice given decreased credit spreads and an increasing threat of credit defaults. Equities should be rebalanced to a neutral weight since investors dispose still of considerable cash positions, whereas stocks mostly represent a clear underweight within the portfolios. Furthermore, in numerous portfolios the proportion of defensive securities is likely to prevail. In order to benefit in an optimal way from a sustainable stock market rebound, one would do well to accumulate shares from the cyclical industry as well as from the financial and technology sector in the wake of market corrections. Concerning alternative assets, we continue to favour investments in commodities and convertible bonds. In terms of currencies, we expect in the short run a higher dollar quotation which in turn should be used to reduce the dollar exposure.

»After the strong upturn during the last weeks, we anticipate a consolidation on the stock markets within the fourth quarter...«

The markets

After the stock markets reached within the first six months again their base level from the beginning of the year 2009, the subsequent release of noticeable higher than expected second quarter earnings results was a stimulus for another boost at the stock exchanges. Remarkably high dividend yields and the fact that several investors have still equities underweighted in their portfolios, are two supportive factors for the stock markets. Moreover, there is a lack of investment opportunities in other asset classes. After the upturn during the last weeks, we anticipate a consolidation on the stock markets within the fourth quarter, albeit reminding that possible stock price declines are buying opportunities.

SWISS EQUITIES

Switzerland still is struck by a recession and the overall economic crisis is not over yet. Notwithstanding this situation, the leading indicators point to a stabilization of the economy.

The Swiss economy benefits indeed from an internationally strong competitive position, as well as from sound corporate balance sheets and a faultless real estate- and job market. Foreign commerce might play a supportive role as history shows that cyclical turning points often went hand in hand with increasing foreign trade. At the beginning of 2010, the Swiss economy is likely to regain the growth path. At the time, our preferred Swiss stocks are **Nestlé**, **Swisscom** and **Swiss Re**.

EUROPEAN EQUITIES

The subsequent extraordinary rise in the market during the last two quarters was fuelled by a rerating activity of the complete equity universe. For the next quarter our projection is that the trend on the stock markets will follow more closely the company's earnings potential. There are some reasons in favour of European shares, which are on the one hand a low valuation versus other regions and on the other hand a fairly strong expansion of the forecasted gross domestic product (GDP) from -4% for this year to +0.9% for 2010.

Given these circumstances, we prefer sectors with early cyclical features such as basic resources, technology and insurance. Relating to this, it appears to us that **Rio Tinto**, **Nokia** and **Allianz** are particularly appealing.

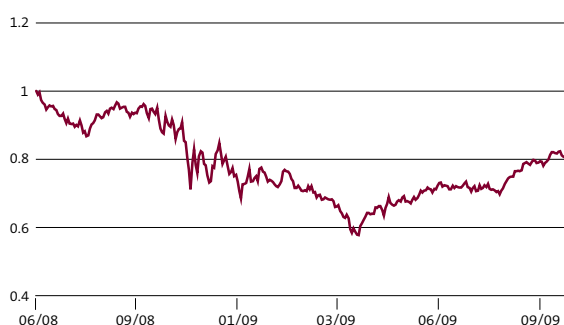
US EQUITIES

Almost three-quarter of all American corporations reported second quarter earnings standing well above the analyst's estimates. In contrast, the firm's sales figures turned out to be largely disappointing. Primarily thanks to cost cutting measures, the profit estimates could be exceeded. But as a matter of fact, the corporate profits developed poorly since they declined definitely more than 30% year over year. Consecutively, the third quarter of 2009 is earmarked to exhibit another profit loss beyond 20%, before it will again be possible to show enhanced profits in the fourth quarter. For the equity markets, we await a volatile sideward trend and recommend therefore a mix of defensive stocks like **Johnson&Johnson** and cyclical values such as **3M**.

BONDS

Despite the release of markedly promising economic data, interest rates stood firm at historically all-time lows. Investors assume that central banks won't raise key interest rates in the near future. This situation entices investors into buying bonds with a longer duration and a higher interest, in order to get an acceptable return. Sequentially, this turns out to be supportive for the bond market looking forward to the coming months. Having said that, we consider corporate bonds less favourable. On the occasion of new issues or even on the secondary market, their credit spreads versus government bonds are too narrow. Already existing positions within the portfolio, as we think, should be kept.

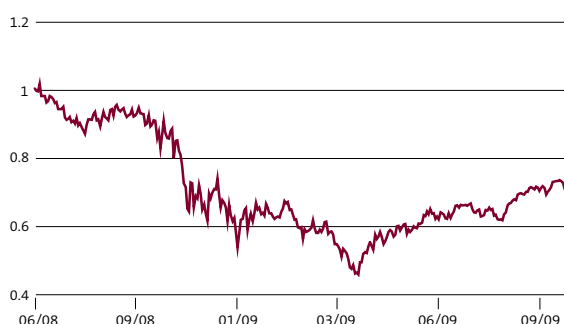
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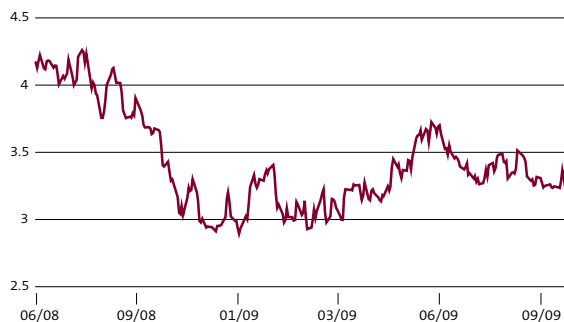
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S&P 100



Bonds Europe



The Column

With Hanspeter Bollinger, Member of the Management



Is the financial crisis already over?

DEAR READER

Since the outbreak of the financial crisis both the global economy and the stock exchanges suffered an unprecedented downswing, comparable with the Great Depression of 1929. In spite of this, many forecasters detect already a ray of hope and predict the end of the crisis and a quick recovery. Does this really correspond to the reality?

Let us take a closer look what truly happened. In the USA, the consumers were lured to purchase things which they – looking at it in an objective way – couldn't afford at all. Continuously rising prices for real estate was the telling argument for reliable security granting for a loan. For all intents and purposes, unscrupulous brokers and investment bankers made this game possible by passing the hot potato as quick as possible to investors seeking high returns. Therefore the economic boom in the US, but not only there, was essentially based on a steeply increasing indebtedness. That said the Americans are confronted with a mountain of private debt which, for most of them, will take several years to repay. During this time period, they will be constrained to slash their consumption. This produces a double effect, in fact a dilemma. On the one hand they are no longer able to continue with financing their consumption by piling up debts while on the other hand they must reimburse outstanding debt.

Regarding the state finances the situation is similar. Most of the nations lived far beyond their means during the past few years and thus have massively heightened the burden of debt. Thanks to low interest rates, a reasonably running business activity at that time, it was possible to finance all that. In the wake of the omnipresent financial crisis, enormous amounts of money had to be spent for the backing of ailing banks and the economy.

Looking back, say just one or two years ago, such oodles of amounts would have been beyond all imagination for the majority among us. Some of that money was put in the consumption, for instance by launching the louche car-scrap bonus in Germany. Even though it generated a veritable boom regarding car sales, the buyers did not purchase primarily German cars. So much the worse will be the consequences by having to swallow the bitter pill in 2010. Just imagine, for the next couple of years all these consumers which bought a new car will have no need for maintenance and repair or accessories like tires. Hence the sales of the automotive industry and its components suppliers will tumble. Similar considerations apply to other branches of the economy.

...we will face the real challenges not before it is imperative to charge interests...

The above presented effects as well as the extremely expansive monetary policy of the central banks supplying the markets play a role in explaining the present rebound on the stock exchanges. Indeed, it is largely undetermined how long such a recovery is likely to persist. In any case, the fundamental economic development analogical to the companies' earnings trend will not be able to keep pace. The taken measures in order to support the business activity will run out any time soon. Thanks to the unparalleled assistance on the part of the governments of the concerned countries, the financial crisis may be over at first glance. But we will face the real challenges not before it is imperative to charge interests on the immense outstanding debts which resulted by managing the financial crisis, and finally to repay them.

Hanspeter Bollinger as member of the management is since 2006 responsible for the Swiss-German and Ticino Private Banking domain. His skills and expertise are characterized by a decade-long experience within the investment business. Formerly, he was member of the management at Credit Suisse Fides.

In Brief

New CIC e-Banking

Banque CIC (Suisse) has fully updated its e-Banking system. The update focused in particular on expanding existing functions, user-friendliness and security. To ensure the switchover is as smooth as possible for existing e-Banking users, Banque CIC (Suisse) will continue to operate the old e-Banking system until the end of 2009.

For further information on the changes, please contact our e-Banking hotline on 0800 630 510.

Two-thirds of the Swiss don't know the interest rate of their savings

More than 212 billions Swiss Francs are placed with Swiss Banks in the form of saving deposits. The results of a study by order of Banque CIC (Suisse) show that more than two-thirds of the Swiss don't know the interest rate of their savings. If the savings were put at the average interest rate of the best five providers, the savers could earn 2.2 billions p.a. - this equals an average additional revenue of about 950 Swiss Francs per household.

The official press release is provided on our website: www.cic.ch.

Investment Focus: Is there a turning point within the banking sector?

Regarding the cycle of the banking crisis, the banking sector has reached an advanced state: Pertaining the European and American banking sector, declining real estate prices, toxic securities, anaemic business activity, credit defaults and the demand for capital have caused a slump of almost eighty percent. It is to be expected that the sector will experience another obstacle by regulatory modifications and political interventions.

We consider this however as a last hurdle for the banking branch before it is finally able go back to normality thanks to an improved competitive environment. Given a still high-risk state, we continue to recommend not overweighing the banking sector. All the same, we believe that every portfolio might contain a position of financials.

CIC FUNDS

Rating*	Fund Viewer	ISIN	Last	YTD	1Yr
★★	CIC CH FD-BOND CHF-A	LU0111724745	1'044.06	5.61%	6.30%
★★	CIC CH FD-BOND EUROPE-A	LU0111725122	620.91	5.91%	5.98%
★★	CIC CH FD-BOND CONVERT-A	LU0111727094	1'007.47	10.46%	5.61%
★	CIC CH FD-ACTION SWISS-B	LU0111727847	1'628.34	18.72%	-10.66%
★★★	CIC CH FD-ACTION EUROPE-B	LU0111728902	1'214.15	4.37%	-10.16%
★★★	CIC CH FD-ACTION AMERICA-B	LU0111729546	893.74	7.17%	-9.06%
★★★	CIC CH FD-STRATEGY GLB CHF-A	LU0111730049	908.92	9.37%	-8.94%
★★★	CIC CH FD-STRATEGY GLB EUR-A	LU0111730395	501.43	9.33%	-3.40%

* Ratings by Morningstar as of 18.09.2009

PRODUCT PRESENTATION: ALTERNATIVE MANDATE

In order to fit the needs of our demanding clientele, Banque CIC (Suisse) offers a new mandate. The Alternative mandate is designed to fulfil the wishes of clients who seek to delegate their investment duties to a team of dedicated and professional investors, with the aim to concentrate investments on conviction trades that may arise in a wide investment universe, without any binding benchmark to follow, that might have led to disappointment in the past. The investment universe will mostly be composed of mutual funds, ETFs and hedge funds. Opportunities

will be caught on the fixed income side, as well as in equity markets, commodity or volatility asset classes, or any listed promising investment class that would come through Banque CIC (Suisse)'s strict investment and fund selection process. This investment mandate might be used as a sole investment style or in conjunction with other traditional investments, in a tailored and personalized way. For further information, please do not hesitate to contact your relationship manager.



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