



## Swisscanto (LU) Portfolio Fund Balanced B

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### Quarter report

#### 1. Market review

For over a year, the financial crisis originating from the US housing market has dominated happenings on the financial markets, and an end is not in sight. While market players were still afraid of rising inflation rates in the first half of the year, in the meantime worries about the effects on the growth of the global economy have moved to the fore. Consumption and economic growth are on the decline in the USA and Europe, unemployment is rising and the downwards spiral in certain real estate markets (USA, UK and Spain) is unbroken. Asia and the emerging markets consolidated as well, even though at a high level. Events in the banking sector escalated in the last weeks of the quarter, resulting in bankruptcies, nationalisation and involuntary mergers. The interest rates for government bonds fell, the risk mark-ups for corporate bonds reached new peaks, banks reduced their granting of loans and profit expectations had to be lowered further. This led to price losses in all risk-prone asset classes and to a flight into safe securities (government bonds, gold).

#### 2. Performance review

In the period under review, the fund's performance lagged behind that of the benchmark. The slight overweight in equities had a negative effect as equity markets lost - sometimes clearly - in value in the third quarter. In addition, it was mainly the overweight in corporate bonds within the bonds area that was negative; the credit premiums expanded to new peaks, leading to clearly lower yields from corporate bonds than from government bonds. In particular, the price losses sustained by certain borrowers from the financial sector weighed heavily. On the equities side, both the sectoral strategy and the focus on large cap growth stocks contributed positively to the performance.

##### Note concerning performance

Past performance is no indication of future performance and does not guarantee success in the future. The performance data assume that any dividends will be reinvested and do not take account of commission and costs charged for issuing and redemption of units. The calculation is performed in the fund's currency of account CHF. Returns in other currencies may rise or fall as a result of currency fluctuations.

#### 3. Outlook

Even in the event of a successful implementation of the US administration's package to prevent the failure of further banks, the fears of a global recession spreading from the USA are not unfounded. In particular, the rise in the unemployment rate and the expected decline in consumption accompanying this give cause for concern. As a result of the striking correction in commodity prices and consequently the diminishing inflationary pressure, the central banks have at least more scope again for supporting the level of business activity by means of monetary policy measures. Against this background, we are keeping the equity share at a slightly underweighted level.

##### Opportunities/risks

All investments involve risk, especially with regard to fluctuations in value and returns. In addition, investments in foreign currencies are subject to exchange rate fluctuations. The risks are described in detail in the sales prospectus.

**Additional important notes** All information published here is solely for your information and does not constitute investment advice or any other recommendation. While we have carefully researched and compiled the contents, Swisscanto cannot assume warranty for the correctness, completeness and timeliness of the information provided. The sole binding basis for the acquisition of units/shares in Swisscanto investment funds are the respective sales prospectuses and reports on activities.

**Important notes for Austria Luxembourg:** The sales prospectus, simplified sales prospectus, contractual conditions and the most recent annual or semi-annual report may be obtained free of charge from Banque et Caisse d'Epargne de l'Etat, Luxembourg, 1, place de Metz, L-2954 Luxembourg.

**Note concerning TER:** The Total Expense Ratio (TER) refers to the commission continuously charged to the fund's assets (operating expenses) and is expressed as a percentage of the fund's assets. The figure quoted relates to the amount of the TER in the past financial year or half-year and does not guarantee that the figure will be similar in the future.