

**Swisscanto (LU) Equity Fund Water Invest B****October 2008 | Edition Luxembourg**

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Quarter report**1. Market review**

In the third quarter, the credit crisis that had started in the US housing market finally developed into an international financial crisis with repercussions on the global economy. In the first half of 2008, investors were still afraid of rising inflation rates and only recognised the deflationary effects of a credit crisis at a late stage. In the meantime, "Japan anxiety" is spreading. The interest rates for government bonds are falling, the risk mark-ups for corporate bonds are reaching new peaks, banks are hardly prepared to grant loans any more and profit expectations must be lowered. The closed credit market and the high level of debt in the financial sector are forcing a rigorous reduction of positions, accordingly leading to falling market prices in all risk-prone asset classes. In this environment, the world equity market lost 16% in value in USD, which is reduced to 5% in EUR thanks to the stronger USD. The biggest losers were those that had profited from rising inflation, such as oil producers, utilities and also the capital goods industry. Naturally enough, less cyclical sectors, such as household products, foodstuffs or pharmaceuticals, did better. In general, American equities (-1% in CHF) suffered less than European ones did. Emerging markets, such as Latin America or Asia ex Japan, were the great losers. Large cap growth stocks once again outperformed the overall market.

2. Performance review

In the third quarter, the fund was outpaced by the benchmark. The underweight in large cap growth stocks, in particular, made a negative contribution to the performance. In addition, the overweight in European companies cost some performance as the USD was revalued upwards in relation to the EUR. At a securities level, companies dependent on investments in the real estate sector came under pressure. Wavin, for example, markets house installations for drinking water and is suffering from the poor inflow of orders in Europe, in particular in Ireland, the United Kingdom and Germany. The American water supplier Aqua America, which supplies some 3 million people with drinking water, made a positive contribution to the performance on account of its defensive character. In the present market environment, investors appreciate the company's low level of debt and sound balance sheet.

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 EUR. Returns in other currencies may rise or fall as a result of currency fluctuations.

3. Outlook

An end of the credit crisis is not in sight. The profit-making strength of companies will decrease, even outside of the real estate sector and the financial industry. Heavily indebted companies should thus continue to be avoided. In the medium term, those companies will profit which are, on the one hand, soundly financed and, on the other hand, will profit from long-term growth trends, such as the worldwide increase in sea-water desalination plants.

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.