

**Swisscanto (LU) Equity Fund Selection Technology B**

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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. 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 connection, the technology sector reacted more violently to market uncertainties, which once again affected semiconductor stocks in particular, but also alternative technology securities, especially those in the solar sector. The software and hardware sectors developed best, because these companies normally conclude rather long-term agreements with customers and thus react to new market conditions later in the cycle and with less volatility. Among the winners were SAP and Alliance Data Systems. The lists of losers is long; one should mention Research in Motion (profit warning at the end of September), Nortel, Mastercard and MEMC Electronics, which is active in the solar sector. In Japan, Nintendo and Toshiba suffered in particular.

**2. Performance review**

In the third quarter, the fund lagged somewhat behind the benchmark. July and turbulent September were particularly difficult. In August, when the relatively stable figures for the second quarter were presented, the market calmed down and a part of the underperformance was made good. The underweight in the semiconductor sector paid off; on the other hand, the positions in solar technology and the underweight in Hitachi had a negative effect.

**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**

Although technology companies have had a relatively robust course of business up to now, the turbulence in the financial sector and the increasingly weak economic situation have had a negative influence on technology investors as well. The majority of companies have, it is true, so far confirmed their outlook for the whole year, but some have nonetheless become slightly more cautious. The figures for the second quarter thus helped the sector to calm down. We are assuming that the uncertainties in the market will be allayed in the medium term, but are expecting that the growth forecasts in the technology sector will diminish slightly in the coming year on account of worldwide economic trends. We regard many technology securities, above all in the software sector, as attractively valued. In principle, we favour companies with an outstanding range of products and a strong market position.

**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.