



Swisscanto (LU) Money Market Fund EUR

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Quarter report

1. Market review

As expected, European growth figures for the second quarter of 2008 were significantly lower than Q1, with the EU statistics office publishing negative quarter-on-quarter GDP (a first since the Euro's introduction almost a decade ago). These figures are clearly representative of the current state of the global economy, as production costs have continued to increase and consumer confidence has continued to suffer in the face of rising food and energy costs along with a relentless weakening of the European housing market. Despite the weakness in economic growth and the potential to exacerbate this, the European Central Bank maintained its inflation fighting stance over the quarter, and increased Official Rates by 25 basis points to a seven year high of 4.25%, intent also on avoiding a potential wage/price spiral. This, along with a recent downward correction in Oil prices, gave way to a slight drop in consumer price inflation, which now stands at 3.8% on the year. Inflation still remains uncomfortably high when compared to the official target rate of 2%, and will no doubt continue to be the main focus of European Central Bank policy over the coming months. EURIBOR rates rose slowly during the period under review, with a noticeable upward move in September, as the financial crisis deteriorated once again.

2. Performance review

The allocation to credit issuance in the fund has once again remained very conservative during the period under review, in light of the ongoing adverse conditions seen in the financial markets. In an attempt to increase the overall maturity of the fund, the portfolio managers have once again invested maturities and new inflows into longer dated, high grade credit and ECP issues wherever possible, since liquidity and issuance at this part of the funds maturity spectrum has been scarce.

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

The European Central Bank remains focused on its battle with inflation, and as witnessed during the third quarter of this year, seems prepared to take whichever means necessary to control this area of the economy, despite the obvious potential downside risk to economic growth. The portfolio managers will maintain their conservative stance in view of the continued state of the financial markets, and will endeavour to add to increase the funds exposure in the higher grade credit and ECP paper at the longer end of our maturity spectrum.

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.