



SARASIN

---

# Global Snapshot Monthly

September 2010





# Contents

<b>Asset Allocation</b>	<b>3</b>
<b>Investment Policy Private Banking</b>	<b>5</b>
<b>Our Investment Ideas – Recommendation of the Month</b>	<b>7</b>
<b>Equities</b>	<b>8</b>
<b>Bonds</b>	<b>10</b>
<b>Funds</b>	<b>11</b>
<b>Structured Products</b>	<b>13</b>
<b>Abbreviations</b>	<b>14</b>



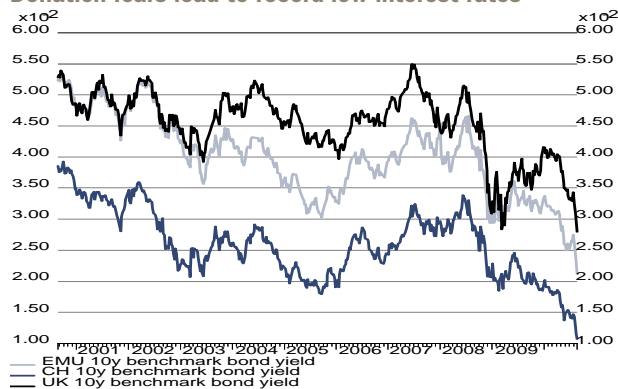
# Hope for the best, prepare for the worst

**We have sharply reduced the portfolios' equity weighting since the beginning of August and are now significantly underweight equities. While we expect in our base scenario that the US economy will achieve a soft landing in the first half of 2011, the risk of a double dip back into recession has increased in recent weeks. We cannot rule out such a scenario while the global leading indicators are in decline. Capital preservation is therefore our number one priority. In addition, we have made further reductions in commodity assets due to risk considerations. Despite the low level of interest rates, bonds are an important component of our portfolios.**

## Review: Deflation fears and flight to safe havens

Disappointing macro data from China and the USA since mid-year warn of a clear slowdown in economic growth in the second half of the year. At the beginning of August, the US Federal Reserve unsettled investors further with its announcement that it would start to buy up government bonds again. Budding deflation fears and a flight to safe havens resulted in a new record low in European interest rates. The equity markets managed to decouple initially on the back of positive corporate results, only to correct all the more sharply in recent weeks.

### Deflation fears lead to record low interest rates

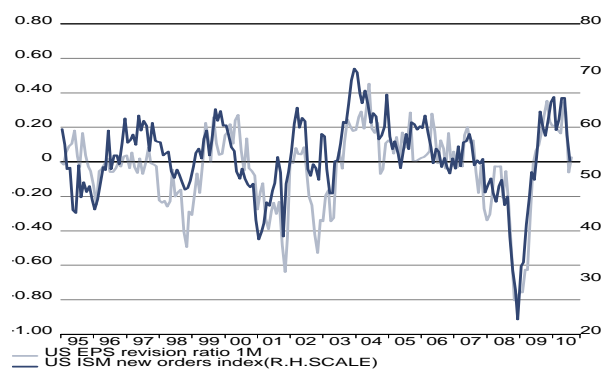


## Macro outlook: Danger of a double dip

At the moment, the major theme on the financial markets is whether the US economy will dip back into recession. Although a double-dip scenario is not our base case, it cannot be ruled out while the global leading indicators continue to decrease. There are only a few examples of a double dip in the past, most of which were preceded by serious political mistakes. Nonetheless, the risk of a double dip recession in the USA has increased significantly, based on the latest macro data. In particular, the

US housing market, which is trending lower again, and the US labour market, which did not recover as expected, are grounds for concern. These risk factors should be closely monitored in future. In Europe, the macro data remain strong, not least due to the weak euro, although it has probably peaked here as well. Growth in China will slow in the short term, although China is the most likely country to achieve a soft landing.

## US: Earnings revisions follow the ISM new orders



## Equity strategy: Defensive positioning

When the summer rally, which was driven by a decline in risk aversion and strong corporate results, came to an end, investors turned their attention once again to the macro data. The slowdown in growth expected by us should soon lead to negative earnings revisions. Analysts' earnings expectations for 2011 are excessively high compared to our estimates. Downward earnings revisions will weigh on the equity market in the coming months and limit upside potential until the end of the year. We take a defensive position with respect to our regional allocation and our sector strategy.

## Asset Allocation

### Sector weighting: Focus on defensive sectors

<b>Overweight</b>	Consumer Staples Health Care Telecom. Services
<b>Neutral</b>	Energy Financials Industrials Information Technology Utilities
<b>Underweight</b>	Consumer Discretionary Materials

Source: Sarasin

### Bond strategy: Stability for the portfolio

Despite record-low interest rates, the search for higher yields should continue to drive bond investors toward longer-dated paper as well as a slightly higher risk. Although the potential for bonds is limited due to the princely valuation, we set store by them in our portfolios because of their diversification properties. The impending slowdown in growth gives bonds momentum. Although setbacks are always possible, the risk of a selloff during this phase of the economic cycle appears slim.

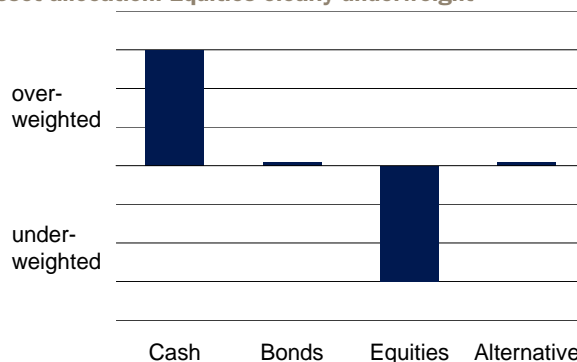
### Currencies: CHF profits from a rise in risk aversion

At the moment, the euro and the US dollar are fighting for the title of the most avoided currency. The winners are easy to spot. First, the Japanese yen profits from China's desire to buy more Japanese government bonds. Second, the Swiss franc appreciates in value as a traditional safe-haven currency. We expect these trends to continue.

### Alternative assets: Underweight commodities

The heightened economic risks have a negative impact on commodity prices. Given the dampened prospects in the coming months, we have reduced our commodity positions further. Real estate assets should especially profit from the low interest rates, although they cannot avoid the fluctuations on the financial markets. We will take advantage of any opportunities to boost returns in the area of total returns.

### Asset allocation: Equities clearly underweight



Source: Sarasin

### Asset allocation: Cautious outlook

Since the negative economic news flow is expected to continue, double-dip concerns and deflation fears should escalate in the short term. The flight to safe havens will support bonds, which we have upgraded to neutral. While the upward potential is limited we cannot rule out further setbacks on the equity and commodity markets. We have protected the portfolios from major losses by clearly underweighting risky assets. Thanks to our high cash holdings, we are always able to profit from any turbulences on the financial markets.

Philipp E. Bärtschi, CFA

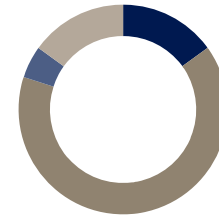
### Attractiveness of different asset classes

	Asset class	Switzerland	Euroland	UK	USA	Japan	Emerging
Money market	+						
Currencies		=	=	=	=	=	=
Equities	--	+	-	+	=	-	=
Bonds	=	-	-	=	=	+	=
		<b>Total return</b>		<b>Real estate</b>		<b>Commodities</b>	
Alternative assets	=	+		=		-	

Source: Sarasin

**Asset Allocation <defensive>**

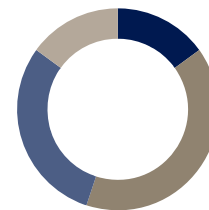
Asset Class	CHF	EUR	USD	GBP
<b>Cash</b>	<b>15.0</b>	<b>15.0</b>	<b>15.0</b>	<b>15.0</b>
<b>Bonds</b>	<b>65.0</b>	<b>65.0</b>	<b>65.0</b>	<b>65.0</b>
Home	52.5	65.0	65.0	65.0
World	12.5	0.0	0.0	0.0
<b>Equities</b>	<b>5.0</b>	<b>5.0</b>	<b>5.0</b>	<b>5.0</b>
Home	5.0	5.0	5.0	5.0
World	0.0	0.0	0.0	0.0
Developed Markets	0.0	0.0	0.0	0.0
Emerging Markets	0.0	0.0	0.0	0.0
<b>Alternative Assets</b>	<b>15.0</b>	<b>15.0</b>	<b>15.0</b>	<b>15.0</b>
Return of SAA (1985-2009)	5.4%	7.5%	8.3%	8.6%
Risk of SAA (1985-2009)	4.5%	4.6%	4.7%	5.1%



	TAA	SAA
Cash	15.0	0.0
Bonds	65.0	65.0
Equities	5.0	20.0
Alternative	15.0	15.0

**Asset Allocation <balanced>**

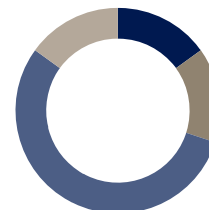
Asset Class	CHF	EUR	USD	GBP
<b>Cash</b>	<b>15.0</b>	<b>15.0</b>	<b>15.0</b>	<b>15.0</b>
<b>Bonds</b>	<b>40.0</b>	<b>40.0</b>	<b>40.0</b>	<b>40.0</b>
Home	30.0	40.0	40.0	40.0
World	10.0	0.0	0.0	0.0
<b>Equities</b>	<b>30.0</b>	<b>30.0</b>	<b>30.0</b>	<b>30.0</b>
Home	17.5	15.0	15.0	17.5
World	12.5	15.0	15.0	12.5
Developed Markets	8.5	10.5	10.5	8.5
Emerging Markets	4.0	4.5	4.5	4.0
<b>Alternative Assets</b>	<b>15.0</b>	<b>15.0</b>	<b>15.0</b>	<b>15.0</b>
Return of SAA (1985-2009)	6.6%	8.0%	9.1%	9.0%
Risk of SAA (1985-2009)	8.5%	8.5%	7.9%	8.3%



	TAA	SAA
Cash	15.0	0.0
Bonds	40.0	40.0
Equities	30.0	45.0
Alternative	15.0	15.0

**Asset Allocation <dynamic>**

Asset Class	CHF	EUR	USD	GBP
<b>Cash</b>	<b>15.0</b>	<b>15.0</b>	<b>15.0</b>	<b>15.0</b>
<b>Bonds</b>	<b>15.0</b>	<b>15.0</b>	<b>15.0</b>	<b>15.0</b>
Home	12.5	15.0	15.0	15.0
World	2.5	0.0	0.0	0.0
<b>Equities</b>	<b>55.0</b>	<b>55.0</b>	<b>55.0</b>	<b>55.0</b>
Home	30.0	27.5	27.5	30.0
World	25.0	27.5	27.5	25.0
Developed Markets	17.0	19.0	19.0	17.0
Emerging Markets	8.0	8.5	8.5	8.0
<b>Alternative Assets</b>	<b>15.0</b>	<b>15.0</b>	<b>15.0</b>	<b>15.0</b>
Return of SAA (1985-2009)	7.6%	8.2%	9.6%	9.2%
Risk of SAA (1985-2009)	12.9%	12.9%	11.8%	12.0%



	TAA	SAA
Cash	15.0	0.0
Bonds	15.0	15.0
Equities	55.0	70.0
Alternative	15.0	15.0

TAA = Tactical Asset Allocation; short term strategy based on return/risk expectations  
 SAA = Strategic Asset Allocation; long term strategy based on investment profiles



SARASIN

---

# Long-term

doesn't always mean

# sustainable.

But sustainable **is** always  
**long-term.**

Not every long-term investment automatically promotes sustainability. On the other hand, the type of sustainable investment offered by Bank Sarasin over the past 20 years has always represented long-standing term commitment to a better future. That goes without saying for Sarasin, a bank that places great store by processes that are socially responsible, environmentally friendly and cost effective.

If only more companies followed our example.

Tel. 0800SARASIN, [www.sarasin.ch/nachhaltigkeit](http://www.sarasin.ch/nachhaltigkeit)

---

**Sustainable Swiss Private Banking since 1841.**

# AT&T

## Telecommunication Services

**AT&T is the world's largest telecommunications company in terms of sales revenue. The group boasts a solid earnings track record over recent years and consistently pays out dividends to shareholders with a good yield (dividend yield: >6%). AT&T is profiting from growing data traffic volume and expanding wireless communication. The group today already derives 70% of its revenue from mobile telephony and fixed-line data traffic. AT&T generates solid operating cash flows and has a sound balance sheet. In the wake of the group's good 1H 2010 results, we expect that AT&T will soon announce a dividend hike and will initiate a new share buyback program.**

### Communications gaining attractiveness

AT&T impressively beat the market's expectations in 2Q10 with a 26% year-on-year increase in net profit to USD 4.0bn. The group raised its profit outlook for fiscal year 2010. The driver behind the expected good earnings trend is the group's wireless service business, which grew more than 10% yoy in 1H10. Moreover, AT&T significantly boosted its U-verse TV subscriber count. More TV subscriber additions will slow or even halt the revenue contraction in the fixed-line business. AT&T enjoys the status of being the exclusive seller of Apple wireless iPhones and iPads in the USA. Although this exclusive retailing license is heading toward a foreseeable end, we are confident that a large number of subscribers will stick with AT&T for the time being in order to avoid technical defects and capacity bottlenecks on a new service provider's network. Good cost management enabled AT&T to lift its operating margin in the fixed-line business in 2Q10 by 50 basis points yoy to 12.2%.

### Comparatively low valuation and high dividend yield

A valuation comparison reveals that AT&T is trading at a slight discount versus an international group of telecom service providers. Its valuation discount is much larger versus North American telcos, particularly compared to direct rival Verizon. Considering AT&T's ideal positioning in its home market, its competitive triple- and quad-play offering and its continued exceptional position going forward for the coming flood of wireless applications through its exclusive sales agreement with Apple (iPhones and iPads), buying AT&T is bound to turn out to be an attractive stock investment in the telecom service provider sector. The earnings outlook has additional upward revision potential given the medium-term substitutional deployment of internet-based all-IP networks since investments in standard IP (internet protocol) components cost much

less than investments in proprietary telecom hardware. Given AT&T's solid balance sheet with an equity ratio of 39% and a net debt-to-EBITDA multiple of 1.5x as well as in view of the sharp increase in earnings, we expect that the group will soon be raising its dividend and will announce another share buyback program. A dividend yield of more than 6% makes AT&T lucrative for investors.

oskar.schenker@sarasin.ch

### Share Price Performance (USD) Price (USD) 26.72



Source: Datastream

### Valuation

Data as of 25.08.2010	2009A	2010E	2011E
P/E	12.6	11.4	10.7
EPS growth (%)	-24.6	10.4	6.8
EV/Sales	1.9	1.8	1.7
Div. Yield (%)	6.2	6.3	6.5

Source: Datastream

## Equities

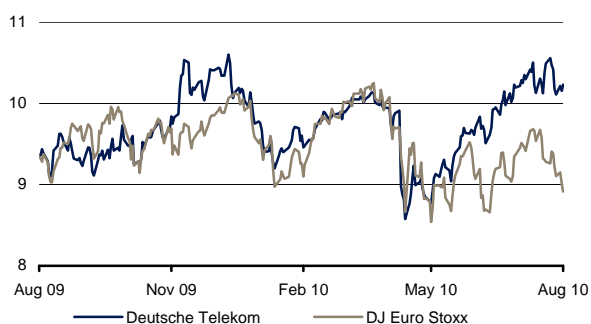
# Deutsche Telekom

## Telecommunication Services

### Valuation

Data as of 25.08.2010	2009A	2010E	2011E
P/E	13.0	13.4	13.0
EPS growth (%)	-1.3	-2.6	2.6
EV/Sales	1.3	1.4	1.4
Div. Yield (%)	7.7	7.1	7.2

### Share Price Performance (EUR) Price (EUR) 10.16



Source: Datastream

Deutsche Telekom (DT) delivered a solid set of H1 2010 numbers that beat the market's expectations. DT reported a free cash flow of EUR 2.9 billion and a net profit of EUR 1.2 billion for the period, compared with a loss a year earlier. DT announced a share buyback program ahead of the results release. The annual dividend is set at a minimum of EUR 0.70 per share through 2012. That works out to an annual dividend yield of around 7% without factoring in the additional accretive impact of the stock buyback program. DT will continue to profit from the rapid increase in wireless data traffic volume. In addition, there is growth potential in the EU markets that DT serves outside Germany. T-Mobile has achieved a turnaround in the USA and T-Systems, with its focus on information and communication technology solutions, will be able to capture additional market share thanks to big customers like Philips, Shell, Continental and Audi, and on the back of cloud computing applications.

oskar.schenker@sarasin.ch

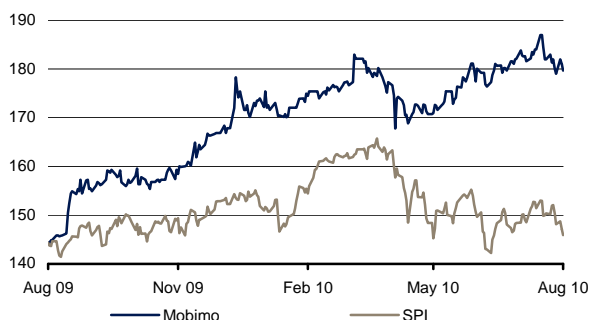
# Mobimo

## Real Estate

### Valuation Metrics

Data as of 25.08.2010	2009A	2010E	2011E
P/E	14.7	17.9	15.9
EPS growth (%)	36.8	-17.9	12.6
P/NAV	0.8	1.0	1.0
Div. Yield (%)	5.0	5.0	5.0

### Share Price Performance (CHF) Price (CHF) 181.00



Source: Datastream

With a real estate portfolio comprising a total of CHF 1.9 bn, Mobimo ranks among the leading real estate companies in Switzerland. Its business activities consist of the long-term holding and managing of commercial, industrial and residential properties, the construction and selling of owner-occupied housing and the development of commercial properties. Mobimo is stepping up development and construction of investment properties for the company's own portfolio. Mobimo's medium-term target is to have commercial real estate, housing and industrial property each account for one-third of the company's investment property portfolio. With an equity ratio of 48%, a net debt-to-equity ratio of 89% and an interest cover of 4.5x, Mobimo is soundly financed. In terms of valuation, Mobimo shares present a solid and good-returning investment in the Swiss real estate market, in our view, and we reiterate our Buy rating on the stock.

rainer.skierka@sarasin.ch

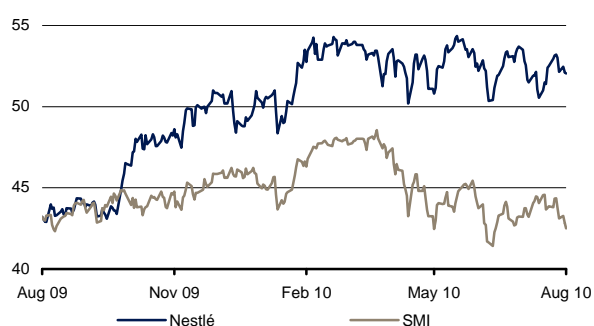
# Nestlé

## Food Beverage & Tobacco

### Valuation Metrics

Data as of 25.08.2010	2009A	2010E	2011E
P/E	17.9	16.0	14.8
EPS growth (%)	-40.2	12.0	8.3
EV/Sales	1.8	1.6	1.5
Div. Yield (%)	3.1	3.4	3.7

### Share Price Performance (CHF) Price (CHF) 52.10



Source: Datastream

Nestlé is the world's leading food company. Nestlé's dominant sales position is a reflection of its leadership in numerous product segments. Nestlé has recorded an average organic growth rate of 6.2% over the past ten years. The EBITA margin increased from 10.6% in 1998 to 14.6% in 2009. Investors have done very well being invested in Nestlé in the past. We are convinced that this will also be the case in the future. Nestlé is in an excellent position as the world's No. 1 food company. Nestlé and the entire food industry profit from the world population growth and the rising standard of living in many countries. Sales in the emerging market countries should grow from 35% today to 45% within the next ten years. We expect the operating margin will continue to improve in 2010. Compared to peers, Nestlé is still attractively valued thanks to an advantage over the competition.

patrick.hasenboehler@sarasin.ch

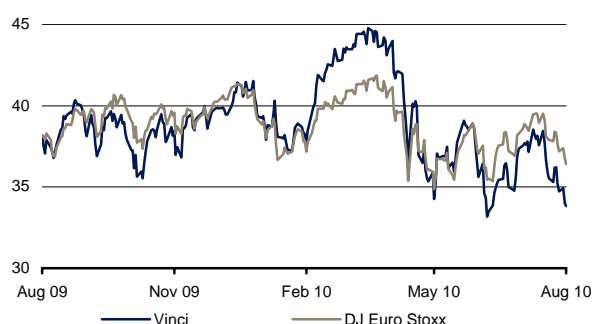
# Vinci

## Capital Goods

### Valuation Metrics

Data as of 25.08.2010	2009A	2010E	2011E
P/E	10.6	10.9	10.3
EPS growth (%)	0.3	-2.5	5.8
EV/Sales	1.1	1.0	1.0
Div. Yield (%)	4.8	4.8	5.0

### Share Price Performance (EUR) Price (EUR) 34.03



Source: Datastream

Vinci is the world's biggest concession and construction group, employing more than 160,000 people. It has operations in around 100 countries and in 2009 posted group sales of EUR 31.9 billion. The company manages more than half of France's motorway concessions, with a network of over 4,400 km. Vinci has extensive experience in structuring, implementing, and operating large-scale Public-Private Partnership (PPP) projects, which offer the company promising growth opportunities even when public spending is being cut back. Within Europe, not just France and Germany, but especially Central European countries still hold enormous potential for PPP solutions. These are all regions where Vinci is already very well established. Vinci produces a consistently good operating cash flow and higher than average operating margins. The share's valuation offers considerable upside potential and at the same time an attractive dividend yield.

philipp.gamper@sarasin.ch

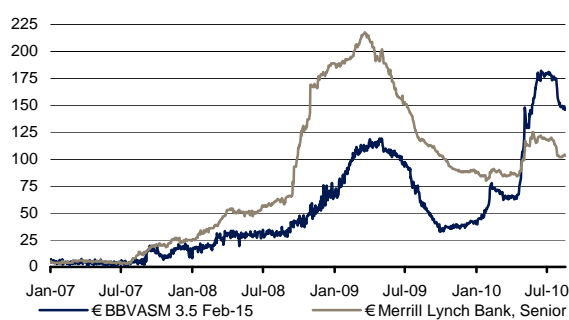
## Bonds

# BBVA

### Key financial ratios

in %	2Q10	FY09	FY08
Core Tier 1 ratio	8.1	8.0	6.2
Tier 1 ratio	9.2	9.4	7.9
NPA ratio	4.2	4.3	2.3
NPA coverage ratio	61	57	92

### Spread development (ASW, in bp)



Sources: Bloomberg, Company reports

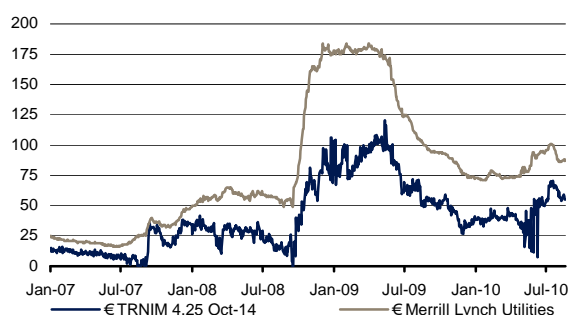
BBVA (Aa2n/AAn) reported solid 2Q10 results, with net income up by 4% q-o-q (down 18% y-o-y due to higher provisions), boosted by strong earnings power which offset higher losses on financial assets. Net interest and fee income showed resilience and largely compensated for lower trading revenues. The Core Tier 1 ratio remained unchanged at 8.1% while the Tier 1 ratio slightly declined by 20bp to 9.2% due to the CNBC acquisition (but, as an aside, proved very resilient under the extreme scenario of the euro stress tests). More importantly, after several quarters of deterioration, the NPA ratio improved to 4.2% from 4.3% in 1Q10 (mainly driven by NPA contraction in Mexico). These trends are credit positive for BBVA, which is still one of the most profitable European banks, with a strengthening capitalization and a great geographical diversification (above half of income out of Spain). We recommend the €3% Aug-15 senior bond (XS0531068897). benoit.roboux@sarasin.ch

# Terna

### Key financial ratios

	1H10	1H09	1H08
EBITDA/Net Interest	12.1	6.3	17.8
Net Debt/EBITDA	3.7	4.2	3.7
FFO/Net Debt (%)	18	19	22
FFO/Net Interest	8.3	5.0	14.1

### Spread development (ASW, in bp)



Sources: Bloomberg, Company reports

Terna (A2s/A+s) reported good 1H10 results, with revenues and EBITDA up by 14% and 12% y-o-y respectively, driven by higher power demand, the consolidation of Enel's distribution grid and higher tariffs for electricity transmission. Due to a negative change in working capital, the operating cash flow was 75% lower, not enough to offset dividends payment and a 28% increase in capex. Net debt remains unchanged, leading to a slight improvement of the leverage to 3.7 from 4.2 at 1H09 and of the FFO/net debt ratio to 18% from 19%, which is fully in line with the current ratings. The management, consistently delivering on its targets, upgraded its guidance for FY10 and expects net debt to decline on the back of higher cash flow and stable working capital, which is also credit positive. Terna's business is well managed and highly regulated and therefore at very low risk. We recommend the €4% Oct-14 bond (XS0203714802).

benoit.roboux@sarasin.ch

# Aberdeen Global - Chinese Equity A2 Acc

## Investment Strategy

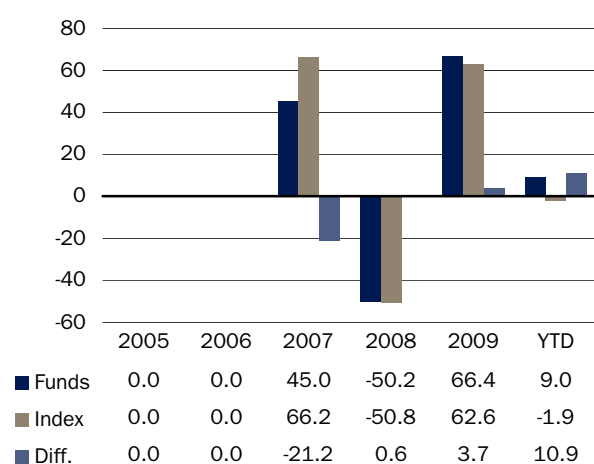
The investment aim is long-term total return by investing in Chinese equities. The Fund invests in emerging markets which tend to be more volatile than mature markets and the value of your investment could move sharply up or down.

## Portfolio Split

There is no information available about the Portfolio Split of the Fund.

irene.huber@sarasin.ch

## Performance (%)



Source: Datastream

## Current Fund Data and Information as of 30.07.10

Share price	21.13
Fund size in millions (share class)	441
Domicile	Luxembourg
Mgmt. Company / Portfolio Mgmt.	Aberdeen
ISIN	LU0231483743
Swiss Sec. No.	2'320'508
Currency	USD
EU Tax Directive Status	
Launch date	28.03.2006
Management Fee, p.a. (%)	1.75
TER, p.a. (%)	2
Dividend payment date	-
Payment 2009	none
Reference index	MSCI China TR

Source: Datastream, Lipper

Past performance does not guarantee future returns. The performance shown does not take account of any commissions and costs charged when subscribing and redeeming units.

## Legal Representatives in Switzerland

BNP Paribas Securities Services, Paris, succursale de Zurich, Selnaustrasse 16, Case postale, 8022 Zurich

## Paying Agent

BNP Paribas (Suisse) S.A., Place de Hollande 2, 1204 Genève

**The prospectus, simplified prospectus as well as the annual and semi-annual reports are available free of charge from:**

BNP Paribas Securities Services, Paris, succursale de Zurich, Selnaustrasse 16, Case postale, 8022 Zurich

## Funds

# SaraBond

### Investment Strategy

The fund invests globally in variable-income and fixed-income bonds. The investment goal of the fund consists primarily in achieving high revenues on a regular basis over the long term, while at the same time maintaining the greatest possible safety of the capital invested.

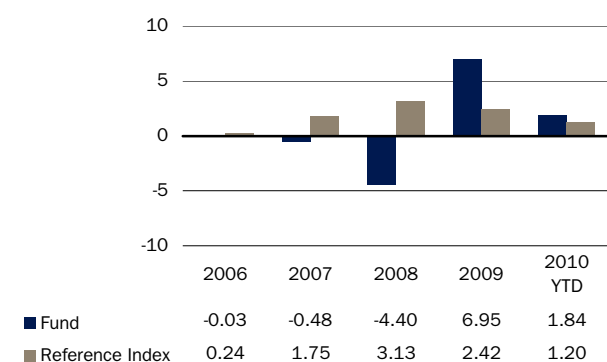
SaraBond is intended as a core investment in fixed-income paper for private investors with CHF or EUR as their reference currency.

### Portfolio Split

The fund focuses on CHF and EUR investments. Its key investment criteria are balanced risk diversification, issuer quality and optimum liquidity.

valter.rinaldi@sarasin.ch

### Performance (%)



### Current Fund Data and Information as of 30.07.10

Share price	267.71
Fund size in millions	92.34
Domicile	Switzerland
Portfolio Management	Bank Sarasin & Co. Ltd, Basel
ISIN	CH0000673886
Swiss Sec. No.	67 388
Currency	CHF
EU Tax Directive Status	In scope
Launch date	1 March 1996
Management Fee, p.a. (%)	0.75
TER, p.a. (%)	0.97
Dividend payment date	November
Reference Index	Customised Benchmark*

\*40% EMU GBI, 35% Citigroup Swiss GBI all mats., 15% Citigroup WGBI US Bond all mats., 5% Citigroup WGBI UK Bond all mats., 5% Citigroup WGBI Japanese Bond all mats.

Source: Bank Sarasin & Co. Ltd

Past performance does not guarantee future returns. The performance shown does not take account of any commissions and costs charged when subscribing and redeeming units.

### Legal Representatives in Switzerland

Bank Sarasin & Co. Ltd, Elisabethenstrasse 62, CH-4002 Basel

### Paying Agent

Bank Sarasin & Co. Ltd, Elisabethenstrasse 62, CH-4002 Basel

**The prospectus, simplified prospectus as well as the annual and semi-annual reports are available free of charge from:**

Bank Sarasin & Co. Ltd, Elisabethenstrasse 62, CH-4002 Basel

# Sarasin Dual Currency Investment (DCI)

## Investment idea

Selling stocks and shares increases the cash holdings of a portfolio. That said, traditional fiduciary or money market investments offer an unsatisfactory return in the current low interest rate environment. The Sarasin Dual Currency Investment (DCI) offers investors an opportunity to boost their returns. Investors are repaid the principal plus the interest rate earned at maturity in the base currency or the alternative currency, depending on the exchange rate level. A DCI is a suitable instrument if the investor has a connection to the alternate currency, which is used in conversion. Also, a DCI is a suitable instrument if the investor expects exchange rates to trend sideways. If the investor anticipates sharply rising or sharply falling prices, spot and forward transactions or option strategies are recommended. Based on our currency forecasts, investors with a Swiss franc portfolio containing euro assets may wish to consider a DCI with the euro as the base currency and the Swiss franc as the alternative currency. The EUR/CHF pair is likely to continue to trend sideways into Q1 2011 at a level of 1.30.

## Investment instrument

The DCI is a structured deposit, comprising a fiduciary deposit and the sale of a call option on the base currency (or investment currency) vis-à-vis an alternate currency. The following practical example shows how a DCI works in more detail.

### Numerical example as at 25.08.10

Investment amount	EUR 1,000,000
Reference currency pair	EUR-CHF
Base currency	Euro
Alternate currency	Swiss francs
Current spot rate	1.3040
Strike price	1.3210
Investment term	31 days
Interest rate p.a.	6.00%
Interest rate for EUR fiduciary business p.a.	0.38%

There are two possible scenarios at maturity:

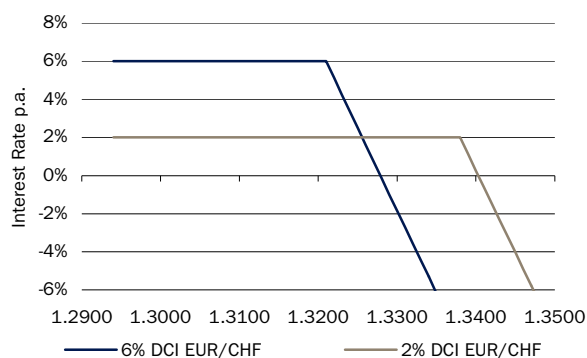
#### Scenario 1:

If the EUR-CHF exchange rate is below the strike price of 1.3210, the principal and interest earned is repaid in the base currency euro: the investor receives EUR 1,005,167 (EUR 1,000,000 \* (1+31/360\*6.00%)) after 31 days.

#### Scenario 2:

If the EUR-CHF exchange rate is above the strike price, the principal and interest earned is repaid in the alternate currency Swiss francs at the strike price of 1.3210: the investor receives CHF 1,327,825 (EUR 1,005,167 \* 1.3210) after 31 days. The investor could sustain a loss if the exchange rate of the reference currency pair rises above the strike price.

#### Payoff on a EUR-CHF DCI: Base currency EUR



DCI are tailor-made solutions that are composed in accordance with a client's personal needs and wishes. Investors can reduce the conversion risk by choosing a strike price that is further away from the spot rate, which implies a lower coupon, however. If, say, in the aforementioned example investors chose a higher strike price of 1.3380, they would receive a coupon of 2%.

stefan.hess@sarasin.ch

## Abbreviations

A	actual value
abs.ch	absolute change
ASW	asset swap spread
avg.	average
bn	billion
bp	basis points
corp.	corporate
CPI	Consumer Price Index
Div. yield or DY	dividend yield
E	estimate
EBIT	earnings before interest and taxes
EPS	earnings per share
EV/EBITDA	enterprise value to earnings before interest, taxes, depreciation and amortisation
excl.	excluding
FY	financial year
GAAP	Generally Accepted Accounting Principles
GDP	gross domestic product
GNP	gross national product
gov.	government
m	million
M&A	Mergers & Acquisitions
mavg	moving average
N.A.	not available
p.a.	per annum
P/B	price-to-book ratio
P/E	price-to-earnings ratio
P/NAV	price/net asset value
R&D	Research & Development
R.H. Scale	right hand scale
ROE	return on equity
SAA	Strategic Asset Allocation, long term strategy based on investment profiles
TAA	Tactical Asset Allocation; short term strategy based on return/risk expectations
vs.	versus
yoy	year over year

**Disclosure**

None.

**Important information**

This publication, issued by Bank Sarasin & Co. Ltd ("BSC") is based on publicly available information, information sources and data ("the information") whose reliability is beyond question. Nonetheless, BSC accepts no responsibility, either express or implied, for errors or incompleteness of the information provided. Possible errors in this information do not constitute grounds for liability, either directly or indirectly. In particular, neither BSC nor its shareholders or employees are responsible for the accuracy or continuing accuracy of the opinions, appraisals, conclusions, plans or details of investment funds, their investment strategies, the economic environment, the market, competitive or regulatory environment, etc. Even if this publication has been issued in the context of an existing contractual relationship, BSC's liability is restricted to gross negligence or wilful misconduct. Furthermore, BSC accepts no liability for minor errors of fact. In any case, the liability of BSC is limited to typical expectable damages, and liability for any indirect damages is expressly excluded.

Insofar as factual information and the opinions of third parties (interpretations and estimates) are presented, the relevant sources are indicated. Our own value judgements (projections and forecasts) which reflect the outcome of work undertaken by BSC's Research department, are not expressly marked or indicated. The substantive principles and benchmarks underlying our own value judgements are set down in our research methodology principles.

In producing the research, the following valuation principles and methods were applied: The analysts' investment decisions are based on an analysis of the business model of the company concerned, the market in which the company is active, and general market characteristics (Porter analysis: barriers to market entry, bargaining power of suppliers, bargaining power of customers, threat of substitute products, level of competition). The analysts compare their results with current market expectations and the corresponding data for the company's peer group. Different valuation models are used depending on the industry. Among the most important of these are the price/earnings (P/E) ratio, price-to-book (P/B) ratio, enterprise value-to-sales (EV/sales), enterprise value to earnings before interest, tax, depreciation and amortisation (EV/EBITDA), enterprise value to earnings before interest and tax (EV/EBIT) and dividend yield (ratio of dividend to current share price). We do not set any share price targets for companies covered by our Equity Research. The present financial analysis has been prepared in compliance with the «Directives on the independence of financial research» published by the Swiss Bankers Association in January 2008. The present financial analyses/research results have not been made available to the issuer before their disclosure or publication.

This publication is a marketing communication from BSC, which is purely for information purposes and which does not claim to represent a comprehensive portrayal of product characteristics. This publication does not constitute a quotation, an offer or a solicitation of an offer for the purchase or sale of an investment or other specific product, and is not a substitute for obtaining advice and a risk appraisal from your personal advisor – which we expressly recommend before making any investment decision. BSC may at any time perform services to buy, sell, subscribe to or redeem funds which are mentioned in this publication, or act as a client or authorised representative. It is possible that BSC may receive sales commissions for portfolio management fees in respect of certain funds referred to in this publication. Such fees are for the use of the BSC sales channel and do not generally accrue to the investors. Where future price trends are presented in the context of this publication, these trends and/or the recommendations derived from them are based, amongst other things, on forecasts of future trends on the financial markets and corresponding simulations. These forecasts and simulations are in turn based primarily on past experience and concrete historical performance data. We would like to explicitly remind you that historical performance data, forecast calculations and other simulations are not a reliable indicator of future trends. We can therefore give no guarantee that the forecast values from the calculation models will actually be reflected in fact. Fees and costs are not taken into account in the performance calculation.

Although BSC has taken steps to avoid or disclose conflicts of interest, BSC can give no guarantees in this regard. Therefore BSC accepts no liability for damages arising from such conflicts of interest. If the organisational or administrative measures taken by the Bank should, on the basis of reasonable judgement, be deemed to be insufficient to guarantee the avoidance of a risk of damage to client interests, then the Bank will unambiguously clarify the type and/or cause of the conflicts of interest to the client. It is impossible to rule out the possibility that a business connection may exist between a company which is the subject of research and a company within the Sarasin Group, from which a potential conflict of interest could result. As a client, you will be informed of any relevant potential conflicts of interest in financial research distributed by the Bank. Discrepancies may emerge in respect of our own financial researches from the twelve months preceding publication, relating to the same financial instruments or issuers. BSC is regulated by the Swiss Financial Market Supervisory Authority (FINMA).

### **Investment**

Before you make an investment, we recommend that you obtain detailed information about the product in question. Investments should only be made on the basis of the current prospectus. This document must not be transferred to persons in a country other than the country where you received said document. If persons resident in other countries receive this report, then they must observe the applicable sales restrictions for the products in question. This publication first appeared on 26th August 2010. Updates are not envisaged. Opinions expressed in the publication and prices quoted can be changed at any time without prior notice. The entire content of this publication is protected by copyright law (all rights reserved). The use, modification or duplication in whole or part of this document is only permitted for private, non-commercial purposes by the interested party. When doing so, copyright notices and branding must neither be altered nor removed. Any usage over and above this requires the prior written approval of BSC. The same applies to the circulation of this publication.

### **Ratings Equity Research**

The rating system used by Equity Research has three levels: "Buy", "Neutral" and "Reduce". "Buy" rated companies are expected to outperform the benchmark by at least 5% in the subsequent 12 month period, while "Reduce" rated companies are expected to under perform the benchmark by at least 5%. "Neutral" rated companies are expected to perform within a range of +/-5% in the subsequent 12 month period versus the benchmark. These figures are pure reference values and should in no way be understood as a binding statement concerning the effective development of a company, which may in certain cases be very different. The respective benchmarks are the SMI or SPI for Swiss companies, Dow Jones EuroStoxx for European companies, S&P 500 for US companies and MSCI World for all other companies. No price targets are set for any companies covered by Equity Research. Companies rated as a "Buy" are added to the respective regional Buy list of Switzerland, Europe, USA or the list of Large Global Players. The Top Recommendation is generated from these regional Buy Lists. It comprises the best ideas out of each region and factors in the regional and sector strategy of Bank Sarasin.

Bank Sarasin & Co. Ltd  
Sarasin Research  
Löwenstrasse 11  
P.O. Box  
CH-8022 Zürich  
Switzerland  
T: +41 44 213 94 76  
F: +41 44 213 92 66  
research@sarasin.ch

© Copyright Bank Sarasin & Co. Ltd. All rights reserved.

Sarasin-Alpen undertakes all reasonable measures to ensure the reliability of the information included in this publication. The information and opinions contained herein constitute neither an invitation nor an offer or recommendation to use a service, to buy/sell investment instruments, nor to perform any other transaction, but serve purely for marketing and information purposes. In addition, the information is not intended for distribution to or for use by individuals or legal entities that are citizens of a country, or have their domicile or registered offices in a country where the distribution, publication, provision or use of this information would violate applicable laws or regulations, or in a country in which Sarasin-Alpen would have to comply with registration or approval requirements. It should also be noted that all investments carry a certain amount of risk and should not therefore be entered into without first obtaining professional advice.

#### Distribution in Bahrain:

The information has been distributed by Sarasin-Alpen (Bahrain) B.S.C. (c). Related financial products or services are only available to “Accredited Investors” as defined by the Central Bank of Bahrain. Sarasin-Alpen (Bahrain) B.S.C. (c) is duly licensed and regulated by the Central Bank of Bahrain.

#### Distribution in Qatar:

This information has been distributed by Bank Sarasin-Alpen (Qatar) LLC. Related financial products or services are only available to wholesale customers with liquid assets of over USD 1 million, and have sufficient financial experience and understanding to participate in financial markets, in a whole-sale jurisdiction. Bank Sarasin-Alpen (Qatar) LLC is duly authorised and regulated by Qatar Financial Centre Regulatory Authority (QFCRA).

#### Distribution in UAE:

This information has been distributed by Bank Sarasin-Alpen (ME) Limited, Dubai, UAE. Related financial products or services are only available to clients as defined by the DFSA and to wholesale customers. Bank Sarasin-Alpen (ME) Limited is duly authorized and regulated by Dubai Financial Services Authority (DFSA).

#### Distribution in Oman:

This information has been distributed by Sarasin Alpen LLC. Related financial products or services are only available to qualified investors with liquid assets of over USD 1 million, and have sufficient financial experience and understanding to participate in financial markets and are aware of the risks and rewards of any potential investments related to such products. Sarasin Alpen LLC is duly authorised and regulated by the Capital Market Authority (CMA).



SARASIN

---

Keep your eye on  
the prize.

We already have  
several.

World's Best Private Bank for Portfolio Management

World's Most Innovative Private Bank

Global Private Banking Awards 2009

Outstanding Private Bank – Europe

Private Banking International

Best Research House/Consultant in ESG

Investment & Pensions Europe and TBLI Group

Rating «summa cum laude»

Eric Sarasin – most credible Swiss banker

Elite Report 2010

We hope you will believe us when we say that we do not purposefully seek these awards – they merely provide welcome confirmation that our focus on sustainable investment is the right approach. Most importantly, these awards spur us on to maintain our exceptionally high standards as an award-winning bank. Would you like to find out more?

[www.sarasin.com](http://www.sarasin.com)

---

**Sustainable Swiss Private Banking since 1841.**