

Investment reporting as at 31 December 2009

Macroeconomic data provide a thoroughly positive view of the economy, indicating that the recession is at an end. Figures published in the fourth quarter indicate that the US and eurozone economies grew in the third quarter. Switzerland is also on the road to recovery, having again posted quarter-on-quarter growth. However, many experts believe the crisis has not yet been completely overcome. Unemployment figures will likely continue to increase into 2010. An unemployment rate of around 5% is projected for Switzerland.

Central banks are keeping interest rates low, which is helping stock markets but raises questions and concerns about whether the recovery can be sustained. Investors around the world are currently considering the question of when and how quickly government support will be withdrawn from the system and what the effects of this will be.

Businesses likewise fared well in the second quarter, with corporate earnings generally exceeding analysts' expectations; however it should be noted that the measuring rod of the analysts was set relatively low. In the course of this positive development America's Dow Jones stock market index was able to rise above the psychologically important 10,000 mark.

However, there remains a great deal of uncertainty in the markets. For example, the state holding company of the Emirate of Dubai sent a shockwave through the markets by requesting the deferral of payments. Dubai World and its subsidiary Nakheel, which is behind projects such as the building of the artificial palm-tree-shaped island, accumulated a towering 80 billion dollars of debt. Equity markets around the world went into correction upon the news. Then in mid-December it was announced that the neighboring country Abu Dhabi was putting up ten billion dollars to support Dubai. This ensured Dubai World's ability to meet interest payments and operating expenses through the end of April 2010. Other problems are apparent on the bond markets. Investors have become cautious since rating agency Fitch downgraded Greece's credit rating. The rating agency's move was in response to the country's alarmingly high level of government debt. A downgrade has direct financial consequences for the country in the form of a higher market risk premium, thereby increasing borrowing costs. Investors are also concerned about Spain's credit standing.

Investment Performance

The Sammelstiftung Vita again generated a positive return in the fourth quarter with 1.64%. This is made even more pleasing by the fact that in October all equity markets relevant to the Sammelstiftung Vita were negative, leading to slightly negative performance for the month. A turnaround in November and an even better December more than made up for the dip. Nearly all investment holdings were up for the quarter as a whole. Euro bonds were the only negative bond performers (-2.16%) due to a slide in the euro currency in the second half of December; on the equity side Japanese stocks fell as well (-4.91%). The sentiment was fairly poor for Japanese shares in October and November due to concerns about the strength of the yen, capital raising by financial firms and continuing uncertainty over political measures implemented by the new government. December saw a turnaround, caused by a decrease in the yen. Once again emerging market equities were the top performers (8.17%), followed by US equities (5.80%); other equity investments returned between 1.11% and 1.83%.

Performance 2009

	Vita Portfolio	Benchmark	Deviation
Q1 - Q3 2009	10.86%	10.69%	0.17%
Oct 09	-0.46%	-0.39%	-0.07%
Nov 09	0.74%	0.90%	-0.16%
Dec 09	1.36%	1.36%	0.00%
Q4 2009	1.64%	1.88%	-0.24%
2009 (TWR)	12.74%	12.77%	-0.03%
2009 (MWR)	11.60%		

TWR Time Weighted Rate of Return: performance of a portfolio without accounting for fund inflows and outflows during the valuation period

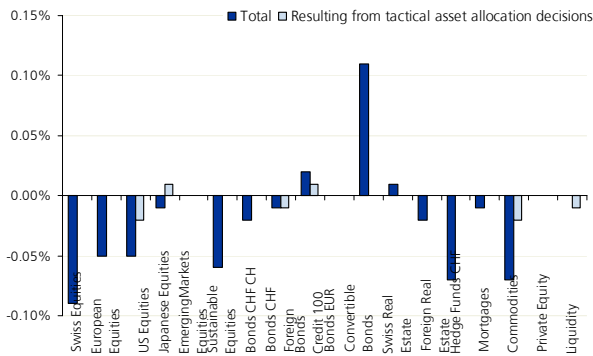
MWR Money Weighted Rate of Return: performance of a portfolio after accounting for fund inflows and outflows during the valuation period

Bonds turned in a very solid performance overall, with 1.36%. Convertibles fared best (4.86%) followed by corporate bonds (1.69%) and domestic bonds (1.07%). Domestic real estate investments were solid as usual (performance ranging between 1.35% and 1.59%), while global real estate returned a handsome 3.26%. Hedge fund investments were also up with a yield of 1.28%. Commodities continued to benefit from the general recovery (5.64%).

Return Analysis

The slight underweighting in equities meant a small decrease in performance, although this made sense in view of renewed market anxiety. Asset allocation played a minor role in the fourth quarter in general. Performance fell short of the benchmark however (1.64% vs. 1.88%) due to investment selection.

Performance contributions compared to strategy (Benchmark)

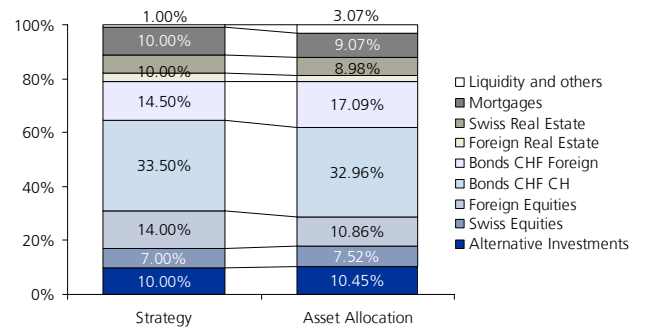


Equity managers in particular had trouble beating the benchmark. This lag was in most cases due to individual investment selection decisions. However, thanks to the high quality of our portfolios we expect to more than make up for this underperformance in the months ahead.

Asset Allocation

Despite a number of switches the portfolio structure is largely unaltered compared with the end of the third quarter. Though still overweighted in bonds, the allocation is not as large as 3 months ago. We remain underweight in equities. Differences within asset classes are however becoming greater, for example the reduced weightings in Japanese and sustainable equities in favor of Swiss equities.

Asset Allocation



The greatest difference in terms of bonds is in Bonds CHF Foreign, where the weighting has been reduced. These switches are tactical in nature and may be reversed at any time. In view of the extremely favorable short-term outlook for commodities we substantially increased exposure to this asset class while selling domestic CHF bonds, partly to raise the cash needed for payments at the start of the year.

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