Investment reporting as at 30 June 2008

Following the rescue package for Bear Stearns and other interventions by various central banks, the markets picked up noticeably at the end of March, then especially in April. The more buoyant underlying market sentiment made borrowing easier again for companies, and the indicators for investor risk-tolerance improved. In May, most economists still assumed that the credit crisis would not have too great an impact on global economic growth. The view then was that rising inflation fuelled by high oil prices was the only potential risk. But this time, too, the recovery did not last. Negative news, primarily from the USA but subsequently also from other regions, led to renewed plunges in stock prices. The high price of food and energy started to unsettle consumers. Production figures have dropped, employees are starting to worry about their jobs, and in some regions (especially in the USA), consumers are also having to come to terms with falling house prices. The outlook is not great, especially given that the crisis in the banking sector does not appear to be over. Uncertainty in the markets, especially in the financial sector, is still considerable, and the high rate of inflation is making it difficult for the central banks to juggle growth-inducing measures with price stability.

Following gratifying price increases in April and continued positive returns in May, June saw a strong downwards adjustment in share prices. All the same, some regions still managed to record a positive return for the quarter as a whole. With an increase of 8.36%, Japanese equities in particular had a very successful quarter. Also on a positive footing were emerging markets equities (with growth of 2.77%) and European equities (1.17%), while Swiss and US equities posted negative performance (- 1.26% and -2.19% respectively). All told, equities recorded a small increase of 0.37%. Despite or even because of the recent drop in share prices and the – for the most part – negative reports and indicators, it is unfortunately still not clear whether the downturn has bottomed out yet. An undisputed fact now is that shares, apart from perhaps in the USA, are considerably undervalued.

The high rate of inflation has not only dented consumer confidence, it has placed considerable pressure on the bond markets, too. Apart from convertible bonds (growth of 2.11%), all bond investments lost ground in the second quarter.

Hardest hit were Credit 100 bonds (down 1.47%), followed by Swiss bonds (-1.17%). Heavy investment in Swiss franc bonds meant that we posted an overall loss of -0.92% for the fixed-interest bonds.

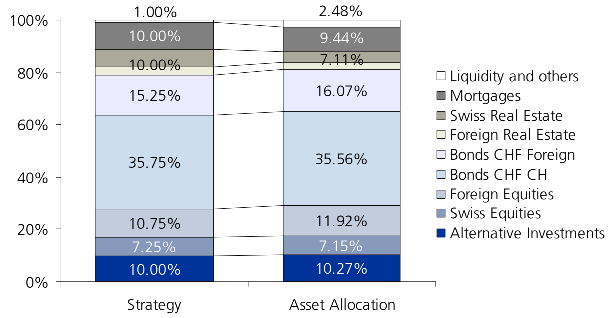
With the problems in the real-estate market far from over and, if anything, even more severe, investments in global real estate suffered a drop of 9.91% in the last quarter. With a return of 1.65%, Swiss real estate posted stable and indeed highly gratifying growth figures.

The main profiteer from the high raw materials and energy prices was the commodities fund, with an 11.84% increase in value.

Asset allocation

On June 30, 2008, too, all investment classes remained within the strategic ranges of the defined asset structure. Compared with the structure as at March 31, the equities exposure has been reduced. Various changes within the equities portfolio itself are attributable to tactical decisions and different developments in the individual regions.

Asset allocation



The average asset structure shows as in the first quarter of 2008 that the equity ratio is overweighted. This affects all equity investments because the tactical orientation calls for a corresponding weighting. That said, the degree of overweighting varies from region to region. Bond investments are slightly underweighted, the same continuing to apply to investments in Swiss residential real estate. It is still difficult to find suitable real-estate properties in Switzerland and this is why we were unable to increase this position to any great extent.

Investment performance

In this quarter, the time-weighted return of the portfolio reached -0.23%, thus marginally surpassing the benchmark of -0.37%.

Performance 2007

	Vita Portfolio	Benchmark	Deviation
Q1 2008	**-4.20%**	**-4.20%**	**0.00%**
Apr 08	2.14%	2.17%	-0.03%
Mai 08	0.34%	0.16%	0.18%
Jun 08	-2.65%	-2.63%	-0.02%
Q2 2008	**-0.23%**	**-0.37%**	**0.14%**
2008 (TWR)	**-4.32%**	**-4.55%**	**0.23%**
2008 (MWR)	-4.20%		

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

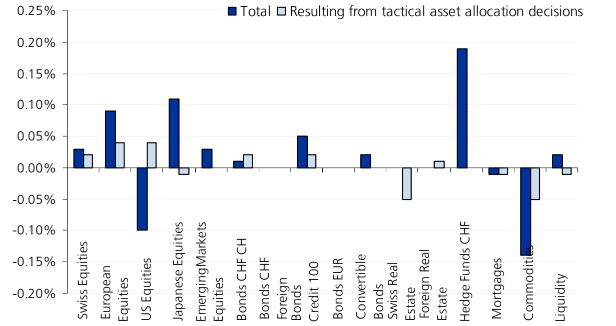
MWR Money Weighted Rate of Return: performance of a portfolio after accounting for fund inflows and outflows during the valuation period

This outperformance relative to the benchmark emanated from investments in both equities and bonds.

Return analysis

In this quarter again, the outperformance relative to the benchmark was attributable to the securities selected. Investments in hedge funds performed particularly well again, while most equity and bond investments made a positive contribution to the result too.

Performance contributors compared to strategy (benchmark)



By contrast, the choice of markets had little or no influence overall on performance.

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