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Management Report
2nd Quarter 2009

Economic developments in the second quarter of 2009

The synchronous global economic downturn continued during the second quarter of 2009. With the exception of a few emerging market countries, real overall economic growth rates everywhere suffered a sharp nosedive. On the other hand, a number of poll-based sentiment indicators that measure consumer confidence for example, as well as composite leading indicators that focus on orders received, recorded a slight improvement for the first time in many quarters. In spite of an increase in unemployment, the disposable income of the important US consumers also went up, thanks to government support measures and lower taxes. Generally, though, US consumers decided to save this extra income for a rainy day, which resulted in a significant increase in savings during the quarter, and restraint in private consumption. The situation on the labour market, both in the USA and the eurozone, has once again deteriorated.

Lower energy prices compared with the previous year, coupled with a weak economic environment, caused inflation to fall yet again, bringing it close to the deflation threshold. Central banks worldwide have taken far-reaching measures in support of the economy and financial markets, slashing interest rates and running what is, from an historical perspective, an extremely expansionary monetary policy.

Developments on financial markets in the second quarter of 2009

Markets, which had started to recover in March, saw an even stronger improvement in April. By the middle of May, however, equity markets were showing signs of fatigue, and at the end of the quarter they were moving sideways, displaying a high degree of volatility. Nevertheless, the second quarter proved to be very gratifying for equity investors, and the MSCI Euro rose by 16%, a leap that has not been seen for many years. In the performance league tables, emerging markets were clearly in the lead, as they were during the first quarter, recording an increase of well over 20%. Industries that are sensitive to business cycles, such as materials, finance and technology, did significantly better than the defensive sectors, including healthcare, telecoms and distributors.
Signs of recovery were also reflected in raw material markets. The spot price for oil rose by over 40%, and metal prices, too, staged a strong come-back.

Unlike equities, government bonds in the most important markets (expressed in local currencies) were marginally negative overall. US government bonds suffered from a loss of trust as a result of the massive increase in the national debt, triggered by the bailout programmes for businesses and financial markets. European government bonds, by contrast, performed significantly better, although yields remain quite low.
The situation for corporate bonds has been markedly different. They have benefited from an upswing in confidence rooted in the expectation of a more favourable business environment, rising equity prices and falling equity price volatility. The yield spread between corporate and government bonds has, however, narrowed. The liquidity squeeze that affected corporate bonds last winter has visibly eased.
The value of the euro against the other two reference currencies, the US dollar and the Japanese yen, rose appreciably. However, the British pound and the Australian dollar, both pro-cyclical currencies, fared even better than the euro. The exchange rate between the Swiss franc and the euro only moved marginally in favour of the latter.

Performance of the share value

During the first quarter of 2009, the value of the A-share increased by 5.15%, from EUR 131.30 to EUR 138.07, and in the same period the B-share increased by 0.37%, from EUR 139.73 to EUR 140.26 (since the beginning of 2009: A-share +1.37%; B-share +0.61%).

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