Letter from the President and the Fund Managers
March 2011

2010: Return to growth

It may well be that 2009 has gone down in history as the year when the renewed economic upturn occurred after the crisis. Summing up 2010 in one concise expression is much more difficult. Several things happened, one after the other, in rapid succession, each one in turn having an impact on the way the markets developed: sovereign-debt crisis, loss of confidence in the euro, fears of a return to recession, but also support for the global economy through accommodative monetary policies and an improvement in the business cycle.

Taken all in all, 2010 will continue to be remembered as a good vintage for the markets in assets other than bonds, particularly thanks to the upswing in the markets during the last quarter. The most spectacular increases were posted by commodities.

Traditional segment: improved diversification in management approaches

The first of July 2010 marked an important milestone in the management of the traditional segment, given that since then management has been conducted in accordance with two complementary approaches. On the one hand, “relative management” sets out to create added value in relation to the strategic allocation by practising dynamic tactical allocation between asset classes and by selecting markets, sectors and instruments. On the other hand, a so-called risk-budget management applies the lessons learnt from the 2008 crisis and concentrates on “steering” the allocation risk and the potential loss associated with it. The Foundation Board has decided to opt for this management diversification in order to avoid big losses should one or several new financial crises occur, whilst maintaining the potential for the long-term performance of the strategic allocation of the CPIC portfolio.

Conservative segment: stable development in conformity with the objectives

Contrary to the traditional segment, the conservative segment has not undergone any change in management approach since its launch. It continues to avoid those asset classes that are susceptible to major fluctuations and concentrates on investments in bonds and real estate. In the context of a highly accommodative monetary policy, there is still no return on assets held in cash, whereas medium and long-term bonds have generated attractive returns and are benefiting from a fall in long rates lasting into the autumn.

The trend in the value of CPIC shares from 30 June 2010 to 31 December 2010 was as follows: for the A share (growth segment in EUR) EUR +6.98%, CHF -7.36%, GBP -4.15% and USD -11.19% and for the B share (conservative segment in EUR) EUR +1.99%, CHF -9.47%, GBP -6.34% and USD -13.22%. Following on from the flat curve in the first half-year, CPIC managed to generate attractive results for its beneficiaries during the second half of the year and thus completed 2010 with a performance of +7.26% for its A share and +2.02% for its B share.

Growth segment in CHF: In the aftermath of the renewed revaluation of the Swiss franc relative to the euro, the Foundation Board is now envisaging the launch of a growth segment in CHF with a view to offering currency security to beneficiaries living in Switzerland or outside of the euro zone who wish to avoid erosion in the value of their savings and the risk of suffering from knock-on effects due to fluctuations in the euro.