Letter from the President and the Fund Managers
July 2012

Review of events

During the first three months of the year, the financial markets got off to their best start since 1998. That being so, the recovery was particularly marked for those securities that had found themselves in difficulty in 2011, such as bank shares and government bonds issued in the peripheral countries of the euro zone.
Despite that, the improvement in the general environment is no more than superficial, and the progress made has been due, above all, to the exceptional measures adopted by the governments and central banks in the wake of the financial crisis of 2007/2008. Moreover, the good results published in the first quarter (at least compared with expectations), particularly in the USA, have contributed to containing the corrective movements initiated at the beginning of April. The investment categories with the highest risks posted remarkable gains.
From April onwards, however, the climate prevailing on the marketplace has been coloured by much greater caution. After the inconclusive Greek general election of 6 May, ascertaining the impossibility of forming a government in that country, the market players took cognisance of the immediate risk of Greece defaulting and the possibility of that country making a hasty withdrawal from the euro zone. Such a development would have unpredictable consequences for the rest of the economic and monetary union. In addition, the situation has become critical in Spain, where the need to recapitalise the local banks is turning out to be too daunting a task for the government, while the austerity measures are causing a strong contraction in the economy. There is no rapid solution available to these problems, since it would be bound to entail a certain form of shared responsibility for part of the European debt and even all of it and would require the countries to abandon their sovereignty. The treaties in their current form do not permit such a course of action, and the European Central Bank (ECB) is not in a position to do anything to cushion the negative effects of the crisis. What it boils down to when all is said and done is that those in positions of political authority must shoulder responsibility for the future of the economic and monetary union and, if necessary, adapt the treaties.

General economic situation:

At the European summit at the end of June, the European leaders recognised the need to prevent the bank crisis from spilling over to their respective governments as well. For this reason, a single banking supervisory mechanism is to be put in place before the end of the year. In addition, the European stability mechanism (ESM) is going to be capable of recapitalising the banks directly, provided they satisfy the necessary criteria, meaning that such measures of financial assistance will not have an impact on government finances. On the other hand, there is no mention of a cross-border guarantee of bank deposits, nor a timetable for a budgetary union, nor any additional financial commitments towards the ESM.
Worldwide growth is being affected by the turmoil in Europe. The emerging markets are pulling through substantially better, even though the largest countries, like China, India and Brazil, are undergoing a hiatus in their rate of growth. Nonetheless, the easing of monetary policies and the cyclical measures taken to stimulate the Chinese

economy ought to improve the prospects for the world economy. The effects of these actions will, of course, only become evident with a certain time lag. Turning to the USA, that country now constitutes the sole remaining island of growth (with the exception of Switzerland). It is, however, appropriate to question how long it is going to be possible to keep this growth rate going independently of the global conditions.

As a result of the divergence in the economic situations between Europe and the USA, the US dollar has appreciated in value relative to the euro and also relative to the Swiss franc. The exchange rate between the euro and the Swiss franc has been hovering close to the exchange-rate floor supported by the Swiss National Bank.

The trends in the value of CPIC shares from 31 December 2011 until 30 June 2012 have been as follows: “segment A” (growth segment in EUR) +3.43% in EUR, “segment B” (conservative segment in EUR) +1.66% in EUR and “segment C” (growth segment in CHF) 1.27% in CHF.