



Dr. Ernst A. Brugger
Chairman of the Board of Directors

Dear Shareholders,

Since Sustainable Performance Group (SPG) went public in August 1997, our investment approach – acquiring interests in leaders and pioneers in sustainability – has paid dividends through a period of turbulence and volatility on the stock exchange. SPG shares ended 1997 at CHF 380, below the issue price of CHF 400. But compared with the most important stock markets they did well, beating the Morgan Stanley (MSCI World) index by 4.6%.

Fast approaching a new millennium, the economy is changing at breathtaking speed. Companies which were unknown yesterday are bringing new products and services on to the market, familiar names are forging into new areas of business, while others lose their independence or go under completely. These changes make the modern market a place where success increasingly depends on the intangible values associated with a company and its products: image, media profile and the trust of the public, consumers and investors are all becoming decisive factors. Sustainability is steadily gaining importance as a vital component of these intangibles, and is thus becoming a key competitive advantage.

Often misunderstood as the one-dimensional maximisation of ecological soundness at the expense of economic success, sustainability actually aims at melding economic performance with high quality – in both ecological and social terms – in the way this performance is achieved. Businesses which are able to find the optimum combination of these objectives and make them a key element of their strategy can achieve substantial competitive advantages and sustain them over the long term.

Companies committed to sustainability – that is, to acting in an entrepreneurial manner which can be sustained – open up attractive opportunities for investors. SPG exploits these opportunities on behalf of its shareholders. A good example is one of our portfolio's core holdings, Whole Foods Market, America's largest organic supermarket chain, which is growing at 20% per year and is one of the hundred most popular companies in the United States. Another SPG interest, Interface Inc., the world leader in floorcoverings, no longer aims to sell its products, but instead to increase the benefit to its customers by means of an innovative leasing and return concept. This enables it not only to reach new customer segments, but also to massively reduce the costs of procurement, production and disposal. Interface stock gained more than 29% in 1997. Interface Inc. and Whole Foods Market, as well as other groundbreakers like Ballard Power Systems and NEG Micon, are making the benefits of sustainability part of their strategy, thus achieving a lasting, long-term competitive edge. These are the pioneers and leaders in sustainability in which the Sustainable Performance Group invests.

On behalf of the Board of Directors,

A handwritten signature in black ink, appearing to read 'E. Brugger'.

Dr. Ernst A. Brugger
Chairman