

# 2002 For the Board of Directors

## Dear Shareholders,

The year 2002 will go down in history as a year of disappointed expectations, possibly even of lost illusions – disappointed expectations, because the forecasts of the many pundits who predicted an economic upturn in the second half of 2002 did not come true, and lost illusions, because things that we could supposedly take as certain, e.g. financial statements audited by outside specialists, are not necessarily so.

Last year's chain of events has brought home to us that nothing is as consistent as change. This was apparent not only in increasingly frequent incidents of violence and terror, but also in the stock markets. Little more than two years ago the Neuer Markt in Germany and its Swiss counterpart, the SWX New Market, were feted as stars; now, at record lows, they are being wound up. Scandals and excessively euphoric expectations irreparably damaged the image of both indices. Even established stock market indicators such as the S&P 500, the German DAX or the Swiss SPI lost about 33%, 40% and 22%, respectively, in the past year. The figures for the past two years are even more devastating; the SPI, for instance, fell more than 40% in 2001 and 2002. One needs to go back to the oil crisis of 1973–74 to find a crash of this magnitude.

History tells us that the setbacks of the past 12 to 24 months do not fit any normal patterns. Just as exceptional is the negative performance of the portfolio of the Sustainable Performance Group (SPG).

The price of SPG bearer shares fell by 35% last year and the net asset value by 33.9%. Gratifyingly – and in contrast to most listed Swiss investment companies – SPG's shares still trade at a premium of 4.6% over their NAV. This premium is evidence of our investors' continuing confidence in the investment philosophy of SPG.

One of SPG's most significant milestones last year was without doubt the fifth anniversary of its listing. The Board of Directors used this occasion as an opportunity to sit down with the investment adviser SAM Sustainable Asset Management and review and slightly revise SPG's investment strategy. One objective of this reorientation is to reduce the number of participations to a maximum of 15 to 20 positions. This would allow an even better supervision of SPG's long-term holdings without any substantial changes to risk diversification. We also took the opportunity to review our methodological procedures yet again, and were able to introduce further improvements. We did not change our investment horizon: sustainability is, after all, long-term by definition. Short-term profit maximization at the expense of longer-term competitiveness is not part of SPG's investment concept. Therefore it will always be a goal of SPG to include in its investment universe companies that have successfully integrated sustainability into their corporate strategy with a view to generating long-term shareholder value.



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

**Prof. Ernst A. Brugger**  
Chairman of the Board of Directors

**Dear Shareholders,**

“Loss of confidence” is probably the key phrase that sums up the past year. Never before have so many companies lost so much credibility in such a short period of time as in 2002. The list of examples is long and by now widely known. It has become clear that confidence is the basis for the sustained development of a company. Building up and systematically maintaining credibility is a key challenge for management. Given the explosive nature of the subject, it is not surprising that the World Economic Forum (WEF) has taken up the issue and that the watchword for this year's meeting of the international political and business elites was “building trust”. In the run-up to the conference a survey was carried out among 40 companies and was presented in the form of a publication entitled “CEOs Responding to the Leadership Challenge”. The case studies presented in the study are based on the results of the survey and on other data, including statistics provided by SAM.

SPG's investment strategy is based on the same know-how as what went into the WEF study. However, the investment concept developed specifically for SPG does not focus on the major players in the various sectors alone. Rather, it identifies those businesses that are believed to have the greatest growth potential based on sustained corporate management, regardless of company size. Identifying leading companies calls for an extensive process of analysis that begins with a detailed, sustainability-specific questionnaire and ends with an assessment of numerous key financial data.

In this way, SAM sieves out the leading companies in a given sector (best-in-class approach). You will find detailed information on the criteria applied by SAM and the method used to assess corporate sustainability at [www.sam-group.com](http://www.sam-group.com).

During the course of the current review of investment strategy and in light of the experiences of recent years, the Board of Directors has decided to modify the investment concept. The original division of the portfolio into sustainability leaders and pioneers has been dropped in favor of a simpler weighting. Now, instead of making the size of a company an important investment criterion, the assessment looks solely at its growth potential based on its focus on sustainability. Up to 20 holdings are now subdivided into seven to ten core holdings accounting for up to 65% of the value of the portfolio. These holdings are complemented by another seven to ten satellite positions with a maximum portfolio value of 35% to increase diversification.

In the annex you will find an overview of all SPG's holdings. The companies are no longer arranged according to the categories of leaders and pioneers, but according to their weighting in the portfolio. The largest holdings, including Unilever, Royal Dutch/Shell, Novozymes, Geberit and Swiss Re, are placed at the beginning. We hope you will find the descriptions informative.



**Reto Ringger, CEO**  
SAM Sustainable Asset Management