

2004

Dear Shareholders

2004 was a year of two contrasting halves for SPG and its 1'500 or so shareholders: a very upbeat first half with higher than average growth was followed by six months during which the entire outperformance was eroded again. The price of SPG bearer shares fell 3.5% over the course of the entire year, while the net asset value finished 4.7% lower.

Dominant factors

What were the reasons for such divergent performances in the first and second halves and in particular for the unusually heavy correction in the last six months of 2004? Most of the companies in SPG's portfolio performed in line with the overall market in the second half of the year, but three of our biggest holdings underwent sharp corrections. The main triggers for what were in some cases significant falls in the share price of our bigger holdings in Pfizer, Intel and SEZ were company-specific events. In view of Pfizer's strong market position, we see the sharp correction prompted by potential liability claims for its Celebrex drug as purely a temporary development, and are maintaining our exposure to this stock. Because of uncertain prospects and in some cases higher inventory levels at end customers, Intel was unable to escape the general negative trend that gripped the semiconductor sector in the third quarter. A cautious approach to investment by some customers, as well as the danger of low capacity utilisation in its core markets, had a negative impact on the performance of SEZ, a supplier to the semiconductor manufacturing industry. However, we are confident that SEZ will be able to continue to expand its position in a growing niche market.

Portfolio structure

During the financial year the core of our portfolio still centred on Novozymes, ING, Geberit and Phonak. Each of these core holdings make up roughly 6% of our total portfolio. We have also gradually built up positions in sectors where energy issues are particularly relevant. With the price of oil still very high, we think efficient and clean energy technologies offer very attractive

growth opportunities in the mid-term. BG Group, one of the leading providers of natural gas, is ideally positioned to benefit from increased demand in the rapidly growing market for LNG. We have also built up a position in Vestas Wind Systems, the world leader in the development and manufacture of wind turbines. As market leader, Vestas benefits from high annual growth rates of 25%, fuelled among other things by continuously rising demand in the USA, and increasingly in China as well. Wind energy, which is extremely competitive on price, continues to play a leading role in the field of renewable energies. Apart from Vestas and BG Group, two other companies in the SPG portfolio stand to benefit from increased demand for alternative technologies: FuelCell Energy, a manufacturer of stationary high-temperature hydrogen fuel cells, and Xantrex, a producer of advanced power electronics.

Private equity investments

Some of the most promising technologies are being developed by young, rapidly growing companies that are not yet listed on the stock market. For this reason the quota of private equity investments has been further increased in 2004, in line with the investment guidelines (up to 10% of the portfolio). So far our diversification into these up-and-coming companies has paid off. Apart from our existing holdings in AgraQuest and Ormecon, which have performed as required, we have also invested in Catalytic Solutions (CSI), which develops the vital component for catalytic converters. This unique technology allows CSI to deliver a product which significantly enhances performance and reduces the cost of catalytic converters. Potential applications for the technology are widespread, ranging from automotive catalytic converters for both petrol and diesel, for gas turbines and specialty chemicals. We have also invested in the high-growth sector of water as part of the private equity allocation. Along with strategic investors such as Siemens Venture Capital and RWE, SPG is investing in the young German company Inge AG, which makes ultrafiltration membrane modules for purifying drinking water and in-

For the Board of Directors For the Investment Advisor

dustrial process water. Inge's membrane technology allows the efficient production of pure drinking water that is free from bacteria, viruses and parasites. The Australian company Agrilink is another of SPG's investments in the water management segment. This well-established company offers integrated management and control systems for monitoring weather, waterflow and soil moisture. Precision irrigation is a broad trend in the agricultural industry not only to save water and energy but also to increase the crop yield. SAM Group has representatives on the board of all five private equity companies. This ensures we can provide close support and have an active influence in ensuring the business model is implemented according to plan.

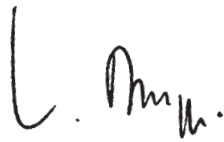
Liquidity and net asset value

As one of the few investment companies listed on the SWX Swiss Stock Exchange, SPG has consistently

traded at a premium to its net asset value (NAV) over the years. This means shareholders are free to trade their shares at any time without being penalised by a discount to the NAV. We are committed to maintaining this policy so as to ensure that investors continue to enjoy liquid trading conditions.

Conclusion and outlook

Although 2004 was disappointing particularly due to the poor performance in the second half of the year, the underlying quality of our portfolio companies is still good in terms of financing, management and strategy. This is not just our opinion, but is backed up by in-depth analysis of the companies' fundamentals. The stronger focus on very promising technologies and leading listed and unlisted companies makes us confident that SPG shares will enjoy sustainable growth on the stock market in 2005.



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