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For the Board of Directors

For the Investment Advisor

DEAR SHAREHOLDERS

While the first half of 2006 was dominated by soaring energy and oil prices, the record temperatures experienced during this summer's heat wave have highlighted the vital role played by another resource that is essential to life: water. Sustainable Performance Group (SPG) was quick to recognise the importance of the resources Energy and Water, identifying them as two of the four core themes of its new investment strategy.

SUCCESSFUL STRATEGY CHANGE

The decision to shift the strategic orientation to four promising investment themes – not only Energy and Water, but also Healthy Living and Resource Efficiency – and to focus on small and mid-sized companies has so far had a very positive impact on portfolio performance. SPG's share price has risen 10.2% year-to-date, while the benchmark MSCI World ex Financials fell 1.7% over the same period.

WATER

The scarcity and poor quality of water as a resource will continue to support the positive performance of companies active in the supply, purification, metering and efficient use of water. With the investment theme Water, the main highlight during the first six months was the excellent performance from Geberit, the Swiss sanitary technology group, whose share price rose to new highs on the back of dynamic sales growth in Europe and the US.

STRONG PERFORMANCE IN ENERGY ...

The main drivers of this encouraging performance were the SPG portfolio holdings selected for the investment themes Energy and Healthy Living. The relentless rise in the price of fossil fuels is rapidly increasing the competitiveness of renewables such as solar, water and wind power. Photovoltaic companies such as SolarWorld and Q-Cells, as well as Vestas Wind Systems, the world's biggest manufacturer of wind turbines, benefited from rising demand for renewable energies. SPG has made provisions for the growth potential of this sector by making two new investments in Abengoa and Schrack Biogas.

The Spanish company Abengoa specialises in the manufacture of bioethanol, among other things. The use of this fuel additive, which is made from biomass (e.g. sugar cane), is particularly widespread in Brazil. Already some 20 percent of Brazilian cars use bioethanol as an additive to conventional diesel, and this biofuel is also on the verge of a breakthrough in Europe.

... AND HEALTHY LIVING

The consistently dynamic market growth in organic foods over the past six months has fuelled the share price of SunOpta and United Natural Foods. Organically produced foods have broken out of their niche and have now become mainstream products. The logical extension of this trend is of course naturally produced goods in other consumer areas, such as cosmetics, household products and textiles. Phonak, another SPG holding selected for the theme of Healthy Living, continued to expand its market share in the first half of the year and the rise of over 30% in their share price was better than expected.

RESOURCE EFFICIENCY

In an environment of limited resources and steadily rising consumer expectations, innovative companies with leading-edge technologies benefit from increased demand. We expect the companies we have invested under for the theme of Resource Efficiency to continue to enjoy higher than average growth due to relentless population growth and the associated rise in the demand for commodities.

We are convinced that the new investment strategy will continue to have a positive impact on the performance of the SPG portfolio in the second half of 2006.

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