



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

Dear Shareholders,

The first half of 1999 was a very successful period for Sustainable Performance Group (SPG). On June 30, 1999, the net asset value (NAV) of the share was CHF 494.40, corresponding to a gain of 21.6% for the first six months of the year. On the same day the share price was CHF 504, a gain of 22.3% for the period. SPG posted net earnings of CHF 19.5 million in the first half of 1999. On June 30, 1999, SPG's portfolio contained 26 companies in 10 different countries.

The capital increase approved by shareholders at last year's annual general meeting also went off very successfully. By the close of subscription on June 29, 1999, more than 76,000 shares with a par value of CHF 200 had been placed with existing and, under the free subscription, new shareholders. The subscription price of the new shares was CHF 491. The payment date for the share capital was July 6, 1999. On the same date the nominal share capital came to CHF 59.6 million; the rights issue thus raised CHF 36 million in new funds. This gives SPG total assets of CHF 152.5 million, making it one of Europe's largest instruments for global sustainability-related investments.

The main reason for the SPG share's good performance was the portfolio's core holdings, which did particularly well during the first six months. Whole Foods Market, NEG Micon, Lucent Technologies and Sony made a substantial contribution to SPG's above-average gains. All these companies rank among the leaders in their market, and thanks to a sustainability-driven strategy are extremely well placed to continue growing in future.

SPG's portfolio is structured to ensure stability, with a balanced mixture of pioneering and leading companies in different sustainability-related growth industries, and is geared to high growth. These two factors, stability and growth, are an excellent basis for SPG shares to continue posting a good performance in future.

On behalf of the Board of Directors,

Dr Ernst A. Brugger  
Chairman



**Reto Ringger**, Managing Director,  
Sustainable Asset Management

Dear Shareholders,

Six months ago, in the last SPG annual report, we presented SAM's study on sustainability in the food industry. Only shortly afterwards, events confirmed the findings of this study on important sustainability-related criteria for companies in this industry.

The greatest risk for the food industry arose in the form of the discovery of highly toxic dioxin in animal feed and food produced in Belgium using animal products. The problem suddenly faced by Coca-Cola was just as serious: when fears of contaminated cans arose, the Belgium government banned almost all Coca-Cola beverages in response to pressure from consumers. As a result, the company's Belgian market share fell from 85% to 0% for a few weeks. Even in the far-away Central African Republic, the health minister declared that Coke should not be drunk until further notice.

At the same time, consumer resistance to genetically modified (GM) foods became increasingly apparent, especially in Europe. This development confirms that people are increasingly factoring sustainability into their day-to-day buying decisions. Under these circumstances, food manufacturers will find that credibility, a good image and a consistently high level of product transparency will grow in importance, ultimately becoming the only means by which they can differentiate themselves from the competition. This trend is not confined to the food industry. Other sectors such as automobiles, energy and tourism also face similar concerns.

These rapid developments also represent a challenge to SAM's research: how do we assess the sustainability of potential investments for SPG's portfolio as thoroughly as possible? In response to these demands we are cooperating with institutions and experts in Switzerland and abroad in different areas of sustainability, including developing standardised analysis methods for environmental reporting, formulating international definitions and the quantification of social criteria, and measuring intellectual capital management. Seven sustainability analysts, specialising in different industries, now work in SAM's research team.

SAM's sustainability ratings have also gained in importance in the financial markets and with stock-exchange-listed companies. German chemical company Henkel, for example, published SAM's sustainability rating and a description of SPG's investment philosophy in its annual environmental report.

On pages 11 to 14 you will find reports and sustainability ratings for two of the companies represented in SPG's portfolio: Geberit and NEG Micon.

Yours sincerely,