



For the Board of Directors

Dear Shareholders

Everyone is talking about climate change. A theme that has been an integral part of the Sustainable Performance Group's (SPG) investment strategy for many years is finally attracting the attention it deserves in political and economic circles. The consequences of climate change are being discussed in multinational organisations, at conferences, or in detailed studies by reputable scientists. The publication last autumn of the "Stern Review on the Economics of Climate Change" finally catapulted the problem onto the global agenda. This report by Sir Nicholas Stern, former Chief Economist at the World Bank and advisor to the British government, highlights the economic consequences of global warming. The climate study published in February 2007 by the UNO International Panel on Climate Change (IPCC) further underlined how critical the situation is. For the first time IPCC experts have been able to confirm a link between man-made greenhouse gases and global warming.

The theme of climate change is closely linked to mega trends such as renewable energies, efficient use of water, dwindling natural resources and a healthy lifestyle. These trends have been the focal point for SPG since it was founded, and for the past two years have also been the explicit focus of its new investment strategy. The decision to concentrate on these themes in portfolio construction and to invest in innovative, forward-looking small and mid-sized companies, has proven to

be the right one. The SPG share price rose almost 19% last year, comfortably beating the benchmark MSCI World ex Financials.

SPG's consistent track record is attributable, on the one hand, to the strong performance of the listed companies that account for the bulk of the SPG portfolio. They benefit from soaring demand for environmentally friendly and energy-efficient products and services. On the other hand, the dynamic performance of its private equity investments has given SPG a solid platform for future growth. The portfolio is very well balanced: as of 31 December 2006 it comprised 43 listed and seven unlisted companies. Around three-quarters of the portfolio's assets are now invested in small and mid-sized companies.

BACKING THE RIGHT INVESTMENT THEMES

Of the four investment themes that SPG concentrates on, "Energy" was once again the most lucrative. In August 2006 the price of crude oil shot up to a record of USD 78 per barrel or more, but eventually eased back to between USD 50 and 60. This has made renewable energy a more competitive option. Last year's strong performance was partly down to the successful selection of attractive companies in this sector.

Star performer in the portfolio was Vestas Wind Systems, a Danish manufacturer of wind turbines. SPG has been

Reto Ringger
CEO
SAM Group



For the Investment Advisor

invested in this company for many years, and saw the value of its stake appreciate by more than 130% last year. Other portfolio holdings in the energy sector, such as SolarWorld or Schmack Biogas, also performed better than average.

“Water” was the other investment theme that did particularly well. A concerted effort is now being made worldwide to use this life-giving resource more efficiently. The main challenges include securing a reliable supply of clean water across the globe, and the urgent need for investment to overhaul the ageing infrastructure in many countries. The consequences of climate change are clearly making themselves felt here as well: drought and water shortages on the one hand contrast with flooding and rising sea levels on the other. The water companies selected by SPG stand to benefit from these trends, which are likely to become even more pronounced in the years to come.

Under the theme of “Resource Efficiency”, companies which develop and commercialise innovative solutions for the future are especially successful. New material technologies, the management of material flows and sustainable use of natural resources are key areas where innovative companies are active.

Examples include industrial groups such as Novozymes, Georg Fischer and Roper Industries, all of whom posted strong results last year.

The fourth global mega trend that SPG focuses on is “Healthy Living”. Escalating healthcare costs, an ageing population in industrialised countries and the widespread problem of obesity underline the growing importance of health and well-being. SPG invests in companies which specialise in natural, organic and healthy food and food ingredients. Because consumers have more faith in nutrition of this quality, this market segment is experiencing disproportionately high growth rates. The same applies to products and services that help to promote physical well-being or fitness.

The companies singled out by SPG under these focused investment themes are those which stand to benefit from the trends mentioned. Backed by SAM’s in-depth company analysis, SPG is expert at identifying potentially successful companies, thereby laying the foundation for a consistently solid performance for our shareholders. Our results for the 2006 financial year confirm that we are on the right track with this strategy.

We would like to thank all our shareholders for their interest in the company and their continuing support.

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

Prof. Ernst A. Brugger

A handwritten signature in black ink, appearing to read 'Reto Ringger'.

Reto Ringger