

## Media Release

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# Sarasin's Strategy Outlook: The Smoke is Starting to Clear Revealing Investment Opportunities

The Sarasin Group has identified some encouraging signals that the smoke is starting to clear from the inferno fed by the global liquidity crisis. Written by Chief Investment Officer, Burkhard Varnholt, and Chairman of the Investment Policy Committee, Guy Monson, the Strategy Outlook points to a slowing in various negative trends as a result of strong government intervention. It identifies several opportunities in various asset classes as a result of economic trends.

The risk in the months ahead is that the orderly deceleration in world growth experienced in the first half of 2008 devolves into a disorderly collapse, with the implosion of Lehman Brothers in September providing a stark warning. Sarasin believes action by the US Federal Reserve and other governments – including efforts to impact the availability of credit directly – will mitigate that risk by slowing deceleration, and that the promise of sustained intervention is already having stabilizing effects. While deflation will remain a risk, Sarasin does not expect it to become a reality.

### **Guy Monson, Chairman of the Investment Policy Committee of the Sarasin Group**

"Fires are still burning across the world's economies, and many of them – including those in Detroit – will burn for sometime. But in other areas, with many of them incorporated in our themes 'Security of Supply' and the 'Strong Get Stronger', the smoke is beginning to clear. Initial opportunities for investors are emerging."

### **Burkhard Varnholt, Chief Investment Officer of the Sarasin Group**

"Investors should remain cautious. But they shouldn't allow smoke to blind them to the opportunities we can now see if we do not allow ourselves to be overcome by the general economic gloom. Recently we have seen prices for the best financial assets stabilize, record issuance of investment-grade European bonds, flatter equity markets, dramatically reduced inflation, and reduced volatility. Risk aversion is easing."

### **Sarasin's Investment Strategy targets emerging opportunities**

Sarasin favours shortening maturity duration on fixed interest holdings, continuing to diversify into Government/Hybrid bank and related agency issues, structures that carry similar risks to Treasuries in the short-term, but which offer more attractive yields. Sarasin will continue gradually to switch government issues into senior bank and prime corporate debt which it sees as a compelling long-term asset class for investors today.

After the scramble for Dollars with record inflows into the US – although concentrated almost exclusively in short term Treasuries and deposits – coupled with US industrial production continuing to deteriorate, a rate cut close to 0% and the promise of further direct Federal Reserve intervention in the bond markets, Sarasin is starting to shift away from a US-Dollar-neutral strategy to hedging material positions in Euro and Yen portfolios.



Regionally Sarasin favours Japan in the longer term and the UK more immediately because of the extraordinary currency declines. The Japanese economy has not yet been subject to the same sort of excesses as elsewhere. UK equities with close to 65% of revenues coming from international earnings should generate extraordinary translational windfalls, with Sterling falling faster and more aggressively than any other major currency.

The new quarterly Strategy Outlook will be released at the beginning of each quarter. If you would like to receive a copy each quarter, please contact [media@sarasin.ch](mailto:media@sarasin.ch) or visit [www.sarasin.com](http://www.sarasin.com).

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The Sarasin Group has its roots as a leading Swiss private bank. As an international financial service provider committed to sustainability, the Group is now represented in 18 locations in Europe, the Middle East, and Asia. By end of June 2008 it managed total client assets of CHF 81.4 billion and employed around 1,300 staff. Its majority shareholder is the AAA-rated Dutch Rabobank.

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