



Swiss Equity Discovery Fund

Monthly report – December 2009

Profile

Base currency:	CHF
NAV calculation:	Weekly
Liquidity:	Weekly
Mgmt & admin. fee:	1.5% p.a.
Performance fee:	10% over hurdle rate CHF 6 months Libor
Incorporation:	Switzerland
Administrator:	Caceis Fastnet (Suisse) SA, Nyon
Custodian:	Swissquote Banque SA, Gland
Valor / ISIN:	3571707 / CH0035717070
Bloomberg:	SWEQDIS SW
Restrictions:	Not for distribution in the US or to US persons
Front load:	None

The Swiss Discovery Fund is an open-end Swiss registered equity fund, investing in Swiss companies whose value is misunderstood / mispriced by the market.

Using primary research and own valuation metrics, the fund aims to return 15% over the medium to long-term with a concentrated portfolio of between 20 to 30 companies and a low turnover.

The fund may optimize return, by a flexible strategy of reducing exposure to 50%, respectively increasing it to 150%, by means of futures.

Comment – December 2009

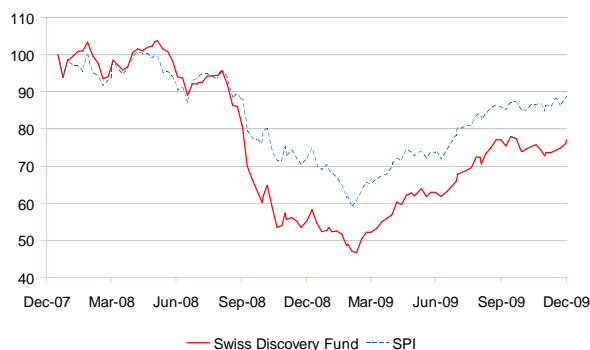
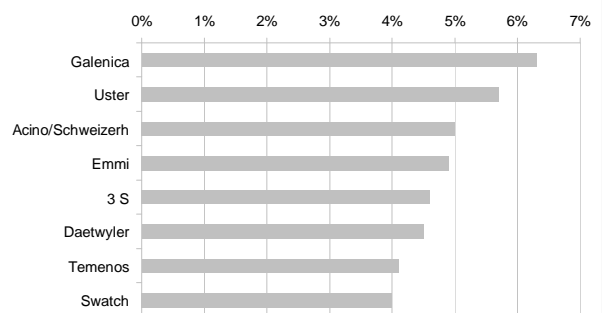
Investment policy

No more consolidation in December! Money flowed into equities, mostly through futures, which explains the outperformance of bigger companies. It seems that a few institutions were quite eager to raise the asset class "equities" before year-end. Despite our bias towards small & mid caps, we did better than Mr. Market thanks to our active stock picking. We believe this trend will go on in 2010 and feel we are well prepared for it. We didn't add new companies to the list, but increased selected positions.

Performance analysis and top fund positions

Positive performers this month were 3S (merger with Meyer Burger creates a winning team!), Daetwyler (positive news on both acquisition front and cost savings through outsourcing), Day Software and Uster Tech, all up between 14 to 18 %. Temenos, Logitech & Acino were up above 9 % as well. Negative contributors were marginal, with Cie Fin Tradition, ADB Global & Komax, down 2 to 3 %.

Top Fund positions



The Swiss Discovery Fund went up 5.9 % in December to CHF 77.09 per share, while the Swiss Performance Index (SPI) gained 4.4 %.

Year-to-date the fund increased by 39.6 % while the SPI was up 23.2 %.

Since inception, the fund is down 22.9 %, vs. down 11.5 % for the SPI.

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Year
2009	-3.3%	-8.3%	6.5%	9.4%	8.6%	1.5%	7.7%	6.8%	6.4%	-4.0%	-1.6%	5.9%	39.6%
2008		3.4%	-4.7%	3.5%	3.1%	-7.8%	-3.1%	2.8%	-14.7%	-23.5%	-7.6%	-3.6%	-44.8%

Outlook and strategy

Unlike the rocky start of both 2008 & 2009, we may experience the unfolding of a more "normal newyear's rally" to kick off the new decade. Institutions may be more inclined to invest in equities, as they have stayed put for a long time and are therefore massively underinvested. Valuation in general is reasonable and, last but not least, sovereign bonds in certain countries are less sovereign than they were...

The Swiss Discovery Fund may experience lower returns than the market in the short term. We are convinced that it will do well over mid to long term, due to its disciplined approach to fundamental valuation and over-exposure to defensive sectors.

Pierre Cloux, Investment Advisor