

Equity Portfolio

19 May 2010

Investment Committee

Summary

The fear about global growth in the wake of the debt crisis has led to increased volatility in the equity markets.

The global economy is in recovery mode in response to massive monetary and fiscal stimulus that is still supporting growth. Fundamental figures are also proving this, not the least a return to job growth in the US. Therefore, we remain cautiously positive on the outlook for the equity market.

Companies have generally been reporting better than expected earnings and an extra positive is that more companies are now seeing increased earnings from top line growth and not just from cost cutting.

The latest weakening of the euro is being seen as an advantage for our European based and export oriented companies. These companies have for an extended period suffered from a strong euro.

Stock prices have not kept pace with the increase in corporate earnings. Measured relative to the earnings generated in larger global companies, one may conclude that shares are not expensive when compared with the return you get on a bond investment. We therefore still expect equities to outperform bonds in 2010.

As we have a well diversified portfolio comprising both cyclical and more defensive positions, we have decided not to make changes to our present positions.

We are also maintaining our present overweight on the asset class.

Editors

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