

Asia to the Rescue

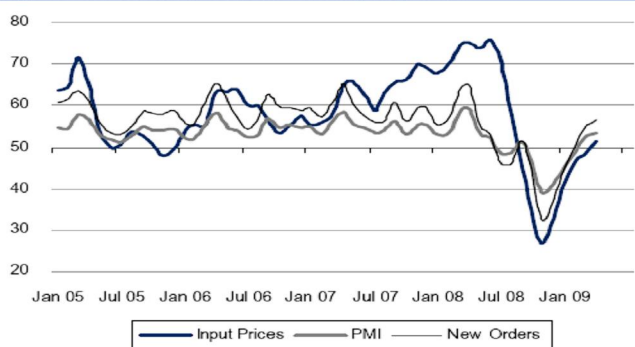
We strongly believe that future growth will come from Asia, specifically China. We believe that China will reach 8% GDP growth for 2009. India's growth should stay between 4 - 6%. These 2 countries are still showing growth as their main goals are domestic demand driven like consumption and infrastructure projects.

We have summarized below recently announced macro indicators and news, which point not only to a bottoming out of Asia's economies but indicate that the trend reversal to a positive future is already on the way.

China

- The official Purchasing Manager Index unexpectedly bounced (alike the CLSA Manufacturing PMI) to a 9 month high of 53.5 in April, indicating activity is beginning to expand again (V-shaped recovery, see graph below).
- The stimulus package of US\$ 586 bn (14% of GDP) is being used today until 2010 for infrastructure projects.
- Bank lending to corporates already reached over 90% (US\$ 600 bn) of the Government's budgeted loans for the full year 2009 (see chart below).
- March exports are dropping the slowest year to date.

Figure 2: PMI, new orders and input prices



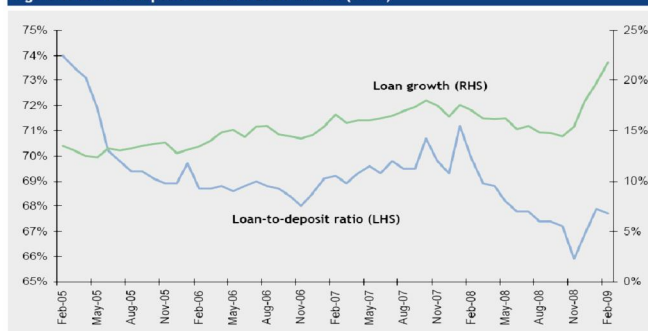
Source: Credit Suisse

- China's Forex reserves remain huge at US\$ 1,954 bn.
- Auto sales have reached record levels in March on the back of government subsidies granted.
- According to the State Council Shanghai will be transformed to become China's new financial center & maritime hub. This will boost Shanghai's economy, specifically real estate and construction plays.

Asia

- China's state owned enterprises are allowed to invest in Taiwanese companies since May 1st 2009, opening a 50 year old closed market to Chinese investments.
- India's ABN AMRO Purchasing Manager Index signalled an expansion in manufacturing in April for the first time in six months. Rising auto sales in April suggest that economic recovery remains on track.
- Asia's currencies have recouped earlier losses this year.
- Most Asian countries have lowered interest rates.
- Asian nations founded a new currency pool (as an alternative financing source to the IMF) amounting to US\$ 120 bn to secure financing needs of weaker Asian countries. The pool is financed by China, Japan and South Korea.
- Hong Kong has had their first land auction in a year, which proved to be very successful.

Figure 1: Loan-to-Deposit Ratio and Loan Growth (YoY%)



Source: CIBC

Source: J.P. Morgan

To participate in today's positive Asian macro trend we propose to invest in either:

The conservative way: Cat Asia Convert Fund (Valoren no. 058.345),

The fund invests only in Asian convertible bonds ex-Japan. The core investment theme of the fund is domestic plays in Asia with barely any export exposure. The China exposure at the moment is 30%. The current yield in CHF is 8.88% for a duration of 2.34 years. This allows you to take advantage from further tightening credit spreads. The fund performance is +19.76% year-to-date in CHF.

The plain equity way: The FIT Galileo China Fund (Valoren no. 1.356.442)

The fund invests in Chinese equities listed in Hong Kong and permits the direct participation in the Chinese H-Shares and Red Chip markets. The fund performance is +30% year-to-date in USD.

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