

Portfolio & Market Environment

For the fourth time this year the on-going general positive trend in the Swiss equity market was stopped abruptly. While the earlier seen setbacks in January, March and in August were “only” about 4.5%, the correction experienced in October with almost 9% was much heavier. But no real fundamental news to justify that was released. Europa is still not growing faster, which had to be expected because of the political situation in the Ukraine, and this of course also has an impact on the results of Swiss companies. But overall, the earning season so far was slightly above expectations and without bigger negative surprises. Therefore many stocks regained momentum very fast and the Swiss market closed the month almost unchanged. After a volatile month, SaraSelect had a performance of -0.29% and could catch up a notch versus benchmark. The index was -0.46% lower.

The biggest positive performance contributions in October came from Kaba (+5.71%), Sika (+3.56%), Bell (+3.21%) and Lem (+1.26%). The two technology companies Logitech (+10.57%) and Ascom (+5.22%) also had some nice gains. The biggest negative contributors were the heavyweights Phoenix Mecano (-3.97%) and Daetwyler (-3.26%) as well as Adval Tech (-7.73%) and Schaffner (-5.60%). EMS-Chemie (-12.96%) were impacted after publishing a slow-down in business in Q3. We took advantage of the lower prices and slightly increased our exposure. On the other side, Kaba was reduced a bit due to valuation reasons.

Investors still show a lot of cautiousness in less liquid stocks and small caps over proportionally suffered with -1.61%. The SMIM (-0.91%) as well as the blue chip segment (+0.03%) outperformed last month.

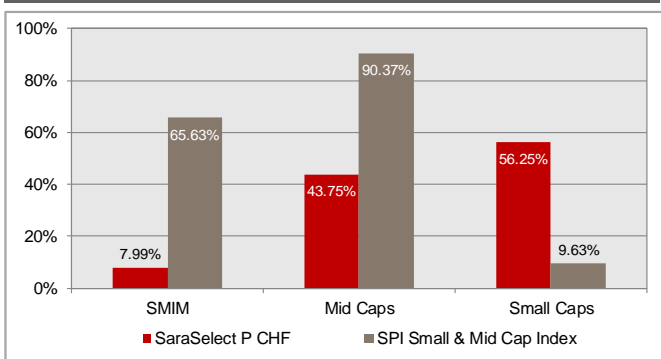
Noticed...

October again showed in an impressive way which direction the equity markets will take over the course of the next months and quarters. The ample and (too) cheap liquidity has to be allocated and is influencing the relative valuations. Because most countries and their citizens have high debt levels and structural deficits, growth accompanied by inflation seems to be the only way out of these financial constraints. Therefore interest rates over all maturities have to remain low which should give equity markets some further support.

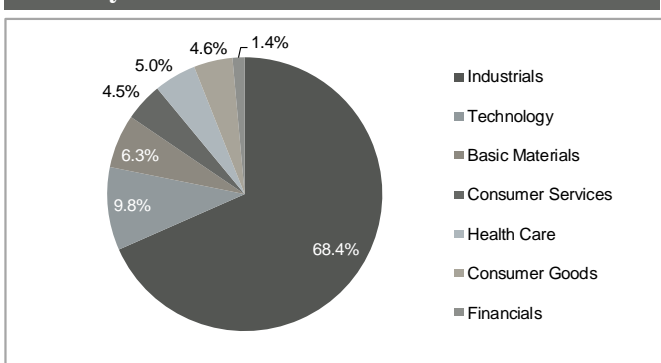
In today’s market environment, the focus on balance sheets and quality has partially been lost to growth and leveraged business models. The day the system is confronted with certain shocks, the attention on quality and stability will re-emerge. The SaraSelect portfolio with many so far rather neglected more industrial companies with strong balance sheets does have a valuation gap of 30% on an EV/EBITDA basis. Here a substantial catch-up potential is arising, especially because the winter months have better seasonal performance patterns.

Stock market bubbles don't grow out of thin air. They have a solid basis in reality, but reality as distorted by a misconception.
George Soros, US investor

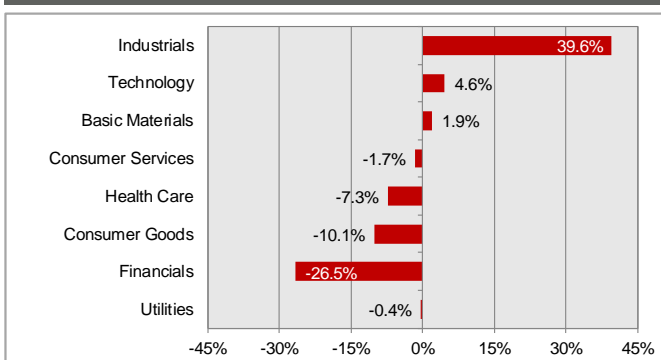
Segment Allocation



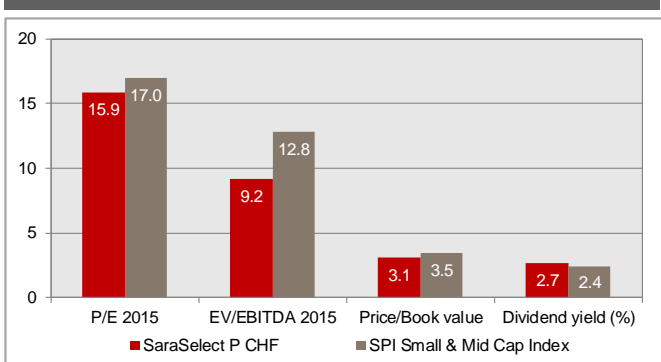
Industry Allocation



Industries relative to Benchmark



Valuation



Largest Positions

	Fund	Index
LEM Holding SA	9.44%	0.25%
Daetwyler Holding AG	7.90%	0.45%
Bossard Holding AG	7.15%	0.29%
Interroll Holding AG	6.13%	0.19%
Belimo Holding AG	5.34%	0.57%
Sika AG	5.12%	3.88%
Bachem Holding AG	5.04%	0.11%
Bobst Group AG	4.96%	0.19%
Bucher Industries AG	4.82%	0.84%
Bell AG	4.49%	0.16%
Phoenix Mecano AG	4.40%	0.15%
Huber & Suhner AG	4.00%	0.36%
CPH Chemie & Papier Holding AG	3.53%	0.08%
ALSO Holding AG	3.37%	0.07%
Kaba Holding AG	3.19%	0.92%
Total Top 15	78.89%	8.48%

Fund Profile & Key Figures

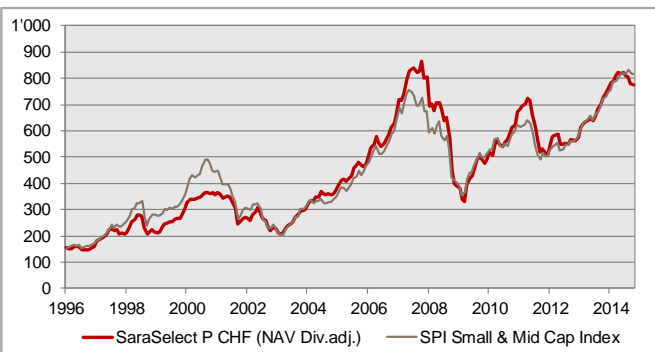
Asset Manager	VV Vermögensverwaltung AG
	Marc Possa (Deputy Pascal Marti)
Fund Mgmt Company	Sarasin Investmentfonds Ltd
Custodian Bank	Bank J. Safra Sarasin Ltd
Swiss Security No.	123406
ISIN	CH0001234068
Launch	01.02.1996
Management Fee	1.50% p.a.
Investment Style	Bottom-up stock picking
Benchmark (Index)	SPI Small & Mid Caps (SPISMC)
Fund Size	CHF 602.5mn
Net Asset Value per Unit	CHF 777.07
Hist. Volatility*	9.46% p.a.
Tracking Error*	5.77% p.a.

*Time period 3 years, monthly observation

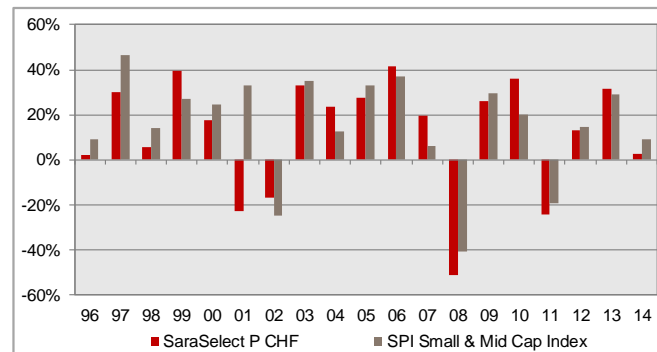
Performance Overview

	YTD	1 Month	1 Year	3 Years	5 Years	10 Years	since Launch
Fund	2.68%	-0.29%	6.81%	13.33% p.a.	9.62% p.a.	8.18% p.a.	9.01% p.a.
Index	9.34%	-0.46%	13.23%	16.34% p.a.	10.38% p.a.	9.51% p.a.	9.27% p.a.

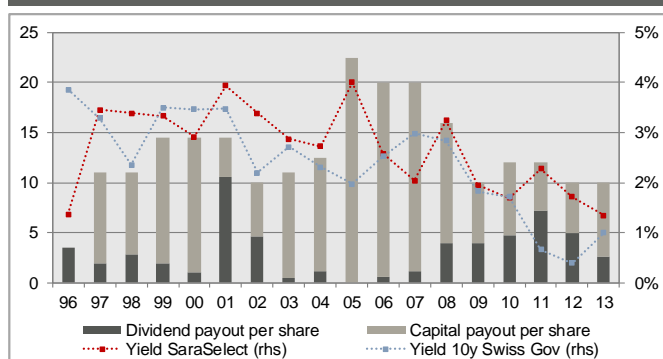
Cumulative Performance since Inception



Yearly Performance since Inception



Distributions per share



Year	Dividend	Capital Gain*	Total
2013	2.60	7.40	10.00
2012	5.00	5.00	10.00
2011	7.20	4.80	12.00
2010	4.80	7.20	12.00
2009	4.00	6.00	10.00
2008	4.00	12.00	16.00
2007	1.20	18.80	20.00
2006	0.60	19.40	20.00
2005	0.00	22.50	22.50
2004	1.20	11.30	12.50

*Not subject to income tax for private investors domiciled in Switzerland

Monthly Performance

		Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Year
2014	Fund	3.41%	0.57%	3.13%	1.42%	-0.65%	0.67%	-1.44%	-0.70%	-3.27%	-0.29%			2.68%
	Index	1.42%	4.05%	0.52%	1.30%	1.67%	0.63%	-0.41%	2.08%	-1.72%	-0.46%			9.34%
2013	Fund	6.21%	2.56%	1.10%	0.51%	1.32%	-1.09%	2.60%	4.26%	2.86%	3.48%	1.98%	2.01%	35.45%
	Index	4.68%	4.38%	0.90%	1.35%	2.36%	-3.21%	4.25%	0.97%	2.96%	4.06%	1.70%	1.83%	31.13%
2012	Fund	7.50%	5.59%	0.84%	0.59%	-6.47%	0.14%	0.91%	-0.88%	2.90%	-0.04%	-0.99%	2.84%	12.98%
	Index	4.19%	3.76%	0.73%	1.50%	-5.88%	0.98%	3.03%	0.09%	2.23%	0.58%	1.58%	1.27%	14.59%
2011	Fund	1.51%	1.54%	1.25%	2.91%	-1.08%	-6.91%	-8.06%	-8.32%	-7.45%	2.80%	-3.49%	-0.99%	-24.21%
	Index	-1.08%	0.91%	0.28%	2.53%	-1.49%	-5.70%	-7.56%	-6.66%	-4.36%	5.73%	-2.87%	0.12%	-19.11%
2010	Fund	4.61%	-1.94%	8.48%	2.83%	-3.34%	-1.12%	3.16%	1.29%	3.59%	5.02%	1.26%	8.02%	35.99%
	Index	2.57%	-0.63%	7.71%	0.50%	-4.95%	-1.19%	2.40%	-1.10%	4.81%	3.19%	1.27%	4.45%	20.06%
2009	Fund	-2.24%	-11.31%	-2.41%	18.43%	7.13%	1.61%	6.81%	6.58%	2.73%	-2.06%	-2.88%	3.79%	25.93%
	Index	-2.89%	-8.32%	2.74%	14.33%	5.06%	1.12%	5.46%	5.56%	4.62%	-3.81%	0.50%	3.65%	29.65%

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