Global perspectives H1 2008

After the turbulent times we have gone through since mid-july, and again over the last weeks, it is time for another update of our global perspectives.

The significant divergence in price action over the last six months and more specifically over the last weeks, between "Economic Sensitive" and "Economic Defensive" industries and companies tells a very straightforward story: **Recession fears are creeping into stock prices.**

As we have said before, it is obvious that mighty problems in the financial world are having an impact on the non-financial world, just as it is obvious that a significant slowdown in the US will have an impact on the rest of the world. Just how much of an impact is anybody's guess.

We would like to emphasise that economic slowdowns have never significantly worried us, as slowdowns usually also have some positive side effects, like lower inflation, lower interest rates, restructurings, enhanced productivity and finally ... recovery.

Although over the last few weeks the newsflow on the US Residential Real Estate Market has remained grim, we think the more general environment has improved significantly.

Since the eruption of the crisis in July '07, we have been worrying about a systemic financial meltdown. Accidents have happened but they haven't caused a systemic crisis yet and our conviction today is that **we won't have a meltdown notwithstanding the fact that the credit crunch is for real.**

The way out of the crisis goes through recognition of the problem, disclosures, write-offs, recapitalizations where needed, government intervention and ... lower interest rates.

Interest rates, short and long, have come down and central banks have the potential to bring short rates even lower if needed. If the credit crunch were to continue unabated, some prices beyond houses will come down and inflation-worries would be crushed along with it.

The financial services industry participants have worked very hard over the last few months to get a clear view of their exposures, to quantify potential losses, to write-off part of the losses (there is probably more to come) and ultimately to asses their capacity to maintain their business model and possibly grow it.

For some the above process has already led to the toughest of conclusions, a recapitalization being necessary. Over the last few weeks we have indeed seen some major recapitalizations at fire-sale prices: Countrywide, Citigroup, FreddieMac, Fortis, Merrill Lynch, Morgan Stanley etc ... Interbank rates have remained stubbornly high but have for the first time in many months come down somewhat. **We think the problem is being processed.**

During this turbulent period we have put in place some option-based protections at zero cash cost to the portfolios and our equity funds. If they will prove to be too conservative and possibly ill-timed, so be it. Our worries were genuine and these protections increased our and our clients' chances of staying calm.

Beyond the US Real Estate Market ...

For more than four years now, we have been advocating the 'Globalization at Work' theme. This means that a globalizing world is growing and growing strongly, with slower and faster growing areas, slower and faster periods and that **our clients' money should be invested in global companies.** We are convinced this is still 100% right on the mark.

On top of that we have had great USD-hedges in place which have shielded our investors from USD weakness. At the end of June our portfolios and funds were doing great in absolute and relative terms.

Since the end of June our funds and portfolios have underperformed substantially because we are light on 'defensive' stocks like telecoms, utilities, food, beverages and ITs and overweight "economic-sensitive" stocks, like industrials, advertising-sensitive media stocks, construction and materials related stocks. It is not so much our exposure to financials (10% to 20%) which has hurt us.

Our bond funds have NO leverage, NO exposure to asset-backed securities, NO exposure to mortgages. They are howevere underweight government bonds and overweight corporate bonds, including financials.

Our experience of previous crises, tells us there are no reasons to worry, on the contrary.

We are 'owners' of great companies, active all over the world for their manufacturing and for their revenues, huge generators of Free-Cash-Flow with very strong balance sheets and therefore little or not dependent on credit.

We have met most of the managements over the last few months and feel very confident their prospects are still healthy, even in the face of a slowing economy.

These great companies trade at **low prices**. The valuations of most of these stocks lead me to this bold statement **"a wall of worry masks a mountain of opportunity".**

Again, we have gone through turbulent times before and have hopefully learnt the lessons. We advise our clients to stay calm, focused on the fundamentals and opportunistic!

Our portfolios are going to rebound handsomely, it is just a question of when? not if!

Where does Capital*at*Work see value ?

1. There is little or no value in Goverment Fixed Income, after 4-months of 'act-first, think-later' flight-to-safety. We do have a preference for Inflation-linked Govies over Nominal Govies as discounted inflation is still low.

2. There is again value in Corporate Fixed Income. This certainly includes Financials but selectivity is key.

3. There is substantial value in Equities in general. Today it is fairly Contrarian to say that there is more value and less risk in companies which are exposed and sensitive to Global Economic Growth. Defensive stocks and industries have become expensive. We are convinced our 4-year old 'Globalization at Work' theme is still in place.

4. The USD decline versus the Euro is basically over.

5. Emerging currencies in general and Asian currencies in particular are where the value is. Their upward adjustment versus the USD and the Euro over the coming ten years is the next major move. Volatility and complexity guaranteed.

ASSET VALUATION AND EXPECTED RETURNS

Have a look at the table and accompanying graph of the available and expected returns of the basic asset classes at the end of December 2007.

Fixed Income Funds	2007 YTD 31st of December	Morningstar Peer Groups Average YTD	YTD Outperformance
Bonds at Work	–0.84%	–0,70%	–0,14%
Inflation at Work	1,94%	–0,70%	2,64%
Equity Funds			
American Equities at Work (in Usd !)	–7,24%	5,87%	–13,11%
European Equities at Work	5,05%	0,59%	4,46%
Asian Equities at Work	9,83%	5,90%	3,93%
Contrarian Equities at Work	–3,27%	–0,28%	–2,99%
Contrarian Euro Equities at Work*	–5,03%	–5,59%	N/A
Fundamental Eurostocks Index**	–2,54%	–5,59%	N/A
Asset Allocation Funds			
Global Markets	6,00%	0,70%	5,30%
Global Opportunities***	3,33%	0,70%	2,63%

* As the fund was launched in May 2007, the performance is based on the performance of the institutional mandate 'Contrarian Euro Value'.

** Performance since launch in May 2007.

*** The Global Opportunities at Work Fund is only registered in Luxembourg! Therefore, for countries outside of Luxembourg, local regulations are applicable and should be respected. In Belgium a minimum investment of 250.000 Euro is required.

If you want to know more about what we have done to protect your investments, but also why, how and when, don't hesitate to call upon your **Capital*at*Work** contact for a meeting.

For more information: www.capital*at*work.com

Ivan Nyssen, Chief Executive Officer,
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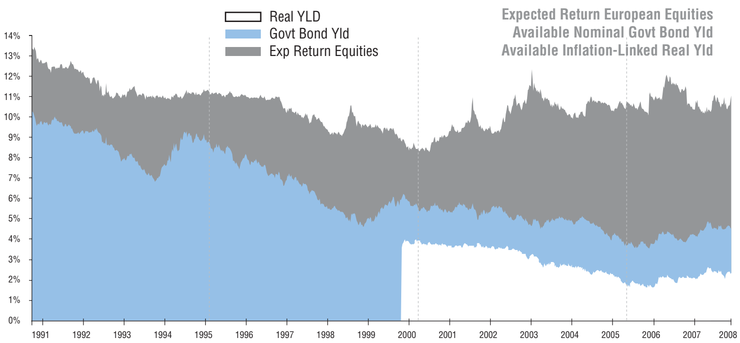

Ivan Nyssen, *Fund Manager Contrarian Equities at Work Fund and Global Opportunities at Work Fund*

23 years investment experience
Master in Economics

Between 1987 and 1994, Ivan Nyssen worked for Lehman Brothers as an Institutional Business Developer. In 1994 he joined Capital*at*Work where he holds the positions of CEO and CIO. Ivan Nyssen also manages the Contrarian Equities at Work Fund and Global Opportunities at Work Fund.