

Media Release

New research from Credit Suisse and London Business School in the Credit Suisse Global Investment Returns Yearbook 2012

Based on 112 years of international evidence, the Credit Suisse Investment Returns Yearbook addresses the extent to which major assets protect against inflation and deflation, how to invest while controlling currency risk and what rewards can be expected from investing in stocks, bonds and cash.

London 7 February 2012: **The Credit Suisse Global Investment Returns Yearbook and Sourcebook is produced by the Credit Suisse Research Institute in collaboration with London Business School authors Elroy Dimson, Paul Marsh and Mike Staunton. The 2012 Yearbook investigates how to protect against inflation and deflation, and how currency exposure should be steered. The chief findings are that bonds do well in deflation and benefit from currency hedging, and equities are not a perfect inflation hedge, but benefit from international diversification. Risk appetite, which conceptually draws these safety and risky assets together, is now rebounding. The accompanying Sourcebook provides a full update on investment performance since 1900 in all the main asset categories, and on risk and style premiums in global markets. Both books are published today.**

Nannette Hechler-Fayd'herbe, Head of Global Financial Markets Research at Credit Suisse, said: "The crisis has posed many new dilemmas for investors. While current events may appear different from the past, there are lessons to be learned from what went before, especially when we look back across the diverse experience of multiple decades and many countries."

Stefano Natella, Head of Global Equity Research at Credit Suisse, said: "Elroy Dimson, Paul Marsh and Mike Staunton are the worldwide authority on analysing long-run investment returns. The Credit Suisse Research Institute is proud to be associated with their work, which has had a major impact on investment analysis across asset classes and is widely followed by investors."

2012 Yearbook

The Yearbook comprises three articles, together with profiles of 19 national and 3 regional markets.

Inflation

The Credit Suisse Yearbook examines the attributes of stocks, bonds, cash, gold and real estate during inflationary and disinflationary times over the past 112 years. In terms of generating returns in excess of inflation, equities do well while inflation is within a low- to mid-single-digit range. In contrast, bonds generate the greatest returns in deflation times. The findings stress the continuing importance of

diversification across assets and markets, and conclude that the case for stocks is not so much their inflation hedging properties, which are limited, but that, over the long haul, investors have enjoyed a substantial equity risk premium.

Currencies

The second paper examines the impact of currency fluctuations on global portfolios. For equities, investing in a world index, rather than domestically, reduces volatility. But cross-border bond investment adds to portfolio risk, primarily through currency exposure. Short-term currency hedging is meaningful in bond portfolios, while for equities it contributes to reducing risk but to a lesser extent. However, hedging benefits decline over longer investment horizons. The paper also reveals that international investment in countries after periods of currency weakness is on average followed by superior returns; unhedged cross-border equity exposure may be more desirable at those times.

Risk Appetite

Jonathan Wilmot and Paul McGinnie from the Fixed Income Global Strategy team at Credit Suisse show with more than a decade of history how the sentiment indicator – the Credit Suisse Global Risk Appetite Index – provides useful insight into the macro situation and helps investors to time risk-on versus risk-off investment strategies.

2012 Sourcebook

The 2012 Sourcebook provides detailed historical performance data on stocks, bonds, bills, inflation and currencies for 19 countries over the period since 1900. Updated finding on worldwide equity returns and the extent to which equities have outperformed bonds and cash are also included. Equities have mostly disappointed since the beginning of 2000; but over the long run, they have beaten inflation, bonds and cash in every country. The Sourcebook reports a size premium (the amount by which smaller companies outperform larger ones) that has been positive over long intervals and many countries; a value premium (the amount by which value stocks outperform growth stocks) that has been larger than the size premium; and a momentum premium (the amount by which past winners outperform past losers) that is largest of all. These effects are volatile, and there have been extended periods when they go into reverse.

The attached presentation provides an overview of the research presented at today's press launch in London.

Obtaining the Yearbook and Sourcebook

The Yearbook is also available as a free download [here](#). The Sourcebook is a hard-copy publication and cannot be sent electronically. Copies of both publications can be requested from one of the press contacts listed below.

Press requests

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Charts and analysis

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Credit Suisse Research Institute

The Credit Suisse Research Institute identifies and provides insights on global themes and trends. The objective of the Credit Suisse Research Institute is to provide clients with leading-edge advice by leveraging internal and external expertise, thus reinforcing Credit Suisse's integrated global bank approach. The Institute conducts research on new fundamental topics, working with some of the world's leading experts, academics and institutions and Credit Suisse's global network of 400 analysts, and makes this available throughout the Bank for the business units to create innovative products, solutions and services for Credit Suisse's clients.

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London Business School

London Business School's vision is to have a profound impact on the way the world does business. The School is consistently ranked among the best in the world for its full-time MBA programme*. In research, the School is ranked top ten and holds the highest average research score of any UK academic institution**. The School's faculty, from over 30 countries, is grouped into seven subject areas – Accounting; Economics; Finance; Management Science and Operations; Marketing; Organisational Behaviour; and Strategy and Entrepreneurship. Additionally it has four research centres: Aditya Birla India Centre, Centre for Corporate Governance, Collier Institute of Private Equity, and Deloitte Institute of Innovation and Entrepreneurship. Studying at the School provides access to an unmatched diversity of thought. With a presence in four international cities – London, New York, Hong Kong and Dubai – the School is well positioned to equip students from more than 100 countries with the capabilities needed to operate in today's business environment. Students further benefit from our 33,500 alumni from more than 130 countries, who provide a wealth of knowledge, business experience and worldwide networking opportunities. The School awards over 1,000 degrees every year, across MBA, Executive MBA, EMBA-Global, Masters in Finance, Masters in Management, Sloan MSc and PhD programmes. The Executive Education team offers a portfolio of over 25 open programmes as well as custom-designed programmes developed to meet the specific needs of individuals and their organisation. Annually, over 7,000 participants attend executive programmes that are led by many of the world's leading business thinkers. www.london.edu

*London Business School was ranked number one globally for its MBA programme in 2009, 2010 and 2011. ** Research Assessment Exercise (RAE) 2008

The Credit Suisse Global Investment Returns Yearbook 2012 draws on the Dimson-Marsh-Staunton database, which now covers 112 years of investment returns for all the main asset categories in Australia, Belgium, Canada, Denmark, Finland, France, Germany, Ireland, Italy, Japan, the Netherlands, New Zealand, Norway, South Africa, Spain, Sweden, Switzerland, the UK, the US, and three continental and worldwide indexes. The Credit Suisse Global Investment Returns Yearbook 2012 contains the three papers described above, plus a summary of long-run investment performance for every Yearbook country. Yearbook: A4 full-color glossy, hard-copy or PDF, 64 pages, 25 chapters, 101 figures/tables. **ISBN 978-3-9523513-6-9.**

The Credit Suisse Global Investment Returns Sourcebook 2012 contains fully up-to-date information on long-run capital market history for 19 countries and 3 regions. Chapter 1 presents long-run evidence on equity, bond and Treasury bill returns, and the impact of inflation and exchange rates. Chapter 2 presents historical evidence and forward-looking projections of investment risk, the equity premium, and the bond maturity premium. Chapter 3 provides long-run global evidence on the small-firm, value/growth, and momentum effects. Other chapters contain detailed statistical analysis of the performance of five asset classes in each market over the last 112 years, including a statistical review of returns and risk premia, performance charts, analyses of return dispersion, histograms of excess returns, tables of multi-year performance, index levels, selected annual returns, and data sources. Sourcebook: A4 color, perfect-bound only, 202 pages, 26 chapters, 216 figures/tables, 111 references. **ISBN 978-3-9523513-7-6.**