

Index Mandates – Newsletter No. 1

CSIFs: Improvements and amendments



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As the leading provider of indexed portfolios in Switzerland, Credit Suisse is constantly working to further develop and enhance its products for you. Currently with a total of 50 index-tracking funds and assets for CHF 37 billion, the Credit Suisse Institutional Funds (CSIF) family of funds offers almost unlimited opportunities for constructing institutional portfolios.

This inaugural Index Mandates Newsletter will provide information on four significant improvements and amendments to CSIF funds, which will be implemented from June 10 to 20, 2011.

Transaction Costs

Subscription and redemption fees (known as “spreads”) cover the transaction costs incurred when buying and selling securities in the fund. Those spreads are always paid to the fund's assets, and guarantee that existing investors are protected at any time from the transaction costs caused by new investments or redemptions.

Evolving market conditions over time translated into bid-ask spread changes for bonds and reduced transaction costs for equities.

On the equity side, Credit Suisse now benefits of more favorable conditions from external brokers due to a significant increase in assets under management in indexed portfolios over time. This development allowed us to decrease the subscription and redemption fees for 23 equity and indirect real estate funds.

On the fixed income side, we aligned spreads with updated market conditions (bid-ask) by distinguishing between the benchmarks in a more precise way (among government bonds from various countries, corporate bond and investment-grade indices). This will result in higher spreads for 11 funds and lower spreads for five funds (see attached table).

Improvements and amendments at a glance

- **Improved subscription and redemption spreads aligned to updated transaction costs**
- **The valuation of all indexed CHF bond funds will be changed to Swiss Exchange bid prices, resulting in a lower tracking error**
- **Option to set up currency-hedged unit classes**
- **Launch of a new fund with no securities lending: CSIF Switzerland Bond Index AAA-BBB Blue**

The new spreads offer you attractive purchase conditions, while guaranteeing the interests of all current investors.

For a typical balanced indexed portfolio, spreads will decrease by an average of 13% for subscriptions and 14% for redemptions. These changes will be effective on June 10, 2011.

Change in Fund Valuation

All Swiss Exchange bond indexes are calculated using the bid prices from the SIX Swiss Exchange. Previously, CSIF bond funds were valued using the last price paid. The use of different prices between fund accounting and the index artificially increased the tracking error and made it more difficult to monitor performance based on historical returns.

As a result, the valuation method for the following funds will be changed on June 10, 2011, to the SIX Swiss Exchange bid price:

- CSIF Switzerland Bond Index AAA - AA
- CSIF Switzerland Bond Index AAA - AA Blue
- CSIF Switzerland Bond Index AAA - BBB
- CSIF Switzerland Bond Domestic Gov. 3-7 Blue

As the funds will be valued at bid prices, there will no longer be any fees charged to the fund's assets when redeeming units. In the future, the subscription fees will correspond to the total bid-ask spread.

Currency-Hedged Share Classes

For all funds invested in foreign currencies (non CHF), the fund prospectus now provides the possibility of setting up one or more currency-hedged unit classes. These classes will be identified with the suffix "H" (for "hedged").

The first currency-hedged unit class of the CSIF Bond World ex CH Blue will be launched on June 20, 2011.

New CHF Bond Fund without Securities Lending

Credit Suisse is expanding the successful range of Credit Suisse Institutional Funds to include an additional fund: CSIF Switzerland Bond Index AAA-BBB Blue. The new fund is identical to CSIF Switzerland Bond Index AAA-BBB set up in 2008, but the Blue fund will not lend securities. Both funds track the Swiss Bond Index AAA-BBB with a well established optimization process. Together, the two funds will manage CHF 3.3 billion in assets. The new fund will be launched on June 15, 2011.

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New subscription and redemption spreads

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On the fixed income side, we aligned spreads with updated market conditions (bid-ask) by distinguishing between the benchmarks in a more precise way (among government bonds from various countries, corporate bond and investment-grade indices). This will result in higher spreads for 11 funds and lower spreads for five funds.

For a typical balanced indexed portfolio, spreads will **decrease by an average of 13% for subscriptions and 14% for redemptions**. These changes will be effective on June 10, 2011.

New subscription and redemption spreads are listed in the following table: in black unchanged spreads, in **green lower spreads**, in **gray higher spreads**.

Funds	Current Spread		New Spread	
	Subscription	Redemption	Subscription	Redemption
Swiss Equities				
CSIF Switzerland Total Market Index	0.05%	0.05%	0.05%	0.05%
CSIF Switzerland Total Market Index Blue	0.05%	0.05%	0.05%	0.05%
CSIF Switzerland Large Cap Index	0.05%	0.05%	0.03%	0.03%
CSIF Switzerland Mid Cap Index	0.05%	0.05%	0.03%	0.03%
Foreign Equities				
CSIF Eurozone Index	0.05%	0.05%	0.04%	0.04%
CSIF Europe ex Eurozone/CH Index	0.50%	0.05%	0.45%	0.04%
CSIF Europe ex CH Index	0.25%	0.05%	0.24%	0.04%
CSIF Europe ex CH Index Blue	0.25%	0.05%	0.24%	0.04%
CSIF US Index	0.05%	0.05%	0.04%	0.04%
CSIF US Index Pension Fund	0.05%	0.05%	0.04%	0.04%
CSIF North America Index Blue Pension Fund	0.05%	0.05%	0.04%	0.04%
CSIF Canada Index	0.05%	0.05%	0.04%	0.04%
CSIF Japan Index	0.05%	0.05%	0.04%	0.04%
CSIF Japan Index Blue	0.05%	0.05%	0.04%	0.04%
CSIF Pacific ex Japan Index	0.10%	0.10%	0.08%	0.08%
CSIF Pacific ex Japan Index Blue	0.10%	0.10%	0.08%	0.08%
CSIF Emerging Markets Index	0.85%	0.65%	0.65%	0.45%
CSIF World ex CH Index	0.10%	0.05%	0.09%	0.04%
CSIF World ex CH Index Pension Fund	0.10%	0.05%	0.09%	0.04%
CSIF Europe ex CH Enhanced	0.35%	0.15%	0.24%	0.04%
CSIF US Enhanced Pension Fund	0.15%	0.15%	0.04%	0.04%
CSIF Japan Enhanced Pension Fund	0.15%	0.15%	0.04%	0.04%

Fixed Income CHF				
CSIF Switzerland Bond Index AAA-AA	0.10%	0.10%	0.20%	0.00%
CSIF Switzerland Bond Index AAA-AA Blue	0.10%	0.10%	0.20%	0.00%
CSIF Switzerland Bond Index AAA-BBB	0.10%	0.10%	0.20%	0.00%
CSIF Switzerland Bond Index AAA-BBB Blue	-	-	0.20%	0.00%
CSIF Switzerland Bond Domestic Government 3-7 Blue	0.10%	0.10%	0.20%	0.00%
Fixed Income Foreign Currencies				
CSIF Bond EUR Index	0.05%	0.05%	0.07%	0.07%
CSIF Bond EUR Index Blue	0.05%	0.05%	0.07%	0.07%
CSIF Bond EUR Index hedged CHF	0.05%	0.05%	0.07%	0.07%
CSIF Bond EUR 3-7 Blue	0.05%	0.05%	0.05%	0.05%
CSIF Bond USD Index	0.05%	0.05%	0.03%	0.03%
CSIF Bond GBP Index	0.05%	0.05%	0.03%	0.03%
CSIF Bond JPY Index	0.05%	0.05%	0.10%	0.10%
CSIF Bond Rest World Currencies Index	0.05%	0.05%	0.12%	0.12%
CSIF Bond World ex CH Index	0.05%	0.05%	0.07%	0.07%
CSIF Bond World ex CH Index Blue	0.05%	0.05%	0.07%	0.07%
CSIF Bond World ex CH Index hedged CHF	0.05%	0.05%	0.07%	0.07%
CSIF Bond Aggregate USD Index	0.10%	0.10%	0.15%	0.15%
CSIF Bond Aggregate EUR Index	0.10%	0.10%	0.10%	0.10%
CSIF Bond Aggregate GBP Index	0.10%	0.10%	0.10%	0.10%
CSIF Bond Aggregate JPY Index	0.10%	0.10%	0.10%	0.10%
CSIF Bond Aggregate Rest World Currencies Index	0.10%	0.10%	0.15%	0.15%
CSIF Bond Aggregate World ex CHF Index	0.10%	0.10%	0.12%	0.12%
CSIF Bond Corporate EUR Index	0.25%	0.25%	0.20%	0.20%
CSIF Inflation-Linked Bond World ex Australia ex Japan Index hedged CHF Blue	0.20%	0.20%	0.12%	0.12%
CSIF Inflation-Linked Bond EUR ex Italy Index Blue	0.20%	0.20%	0.08%	0.08%
Real Estate				
CSIF Switzerland Real Estate Fund Index	0.20%	0.20%	0.15%	0.15%
CSIF Europe ex CH Real Estate Index	0.55%	0.30%	0.35%	0.15%
CSIF North America Real Estate Index Pension Fund	0.15%	0.15%	0.15%	0.15%
CSIF Asia Real Estate Index	0.30%	0.30%	0.25%	0.25%

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