

## Index Mandates – Newsletter No. 4

### Change in Fund Valuation in CSIF Bond Funds



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The objective of indexed portfolio management is to minimize the deviation between portfolio and its associated benchmark. Such deviations have mainly two causes: economic and accounting. Economic deviations are derived from an approximate replication of the index, through optimized sampling, for example. Accounting deviations arise from differing calculation methods for portfolio and benchmark returns. Accounting deviations can cover economic deviations, making it more difficult to monitor the performance of an indexed portfolio. In addition, the tracking error realized between portfolio and index is overestimated.

In the past, Credit Suisse used different prices to value indexed bond funds, than Citigroup and Barclays Capital used to calculate the indexes. In connection with increased market volatility, this has led to noticeable accounting differences between funds and benchmarks in past months, though there was no economic cause. In the future, this disrupting variable will be eliminated through an upcoming standardization of pricing sources. As a result, the realized tracking error will be reduced significantly and will reflect economic conditions.

#### Improvements at a Glance

- The valuation of all indexed bond funds will be changed to index provider prices, resulting in lower reported tracking errors.
- Issue and redemption fees will be adjusted.

#### Change in Fund Valuation

As of June 10, 2011, all bond funds replicating Swiss Exchange indexes are valued using the bid prices from the SIX Swiss Exchange (see Newsletter No. 1). Previously all CSIF bond funds were valued using the last price paid.

On December 5, 2011, the valuation of indexed foreign currency bond funds will also be changed to reflect prices from respectively Citigroup or Barclays Capital. The following funds are affected:

#### Overview of Bond Funds with New Valuation

- CSIF Bond EUR Index
- CSIF Bond EUR Index Blue
- CSIF Bond EUR Index hedged CHF
- CSIF Bond EUR 3-7 Blue
- CSIF Bond USD Index
- CSIF Bond GBP Index
- CSIF Bond JPY Index
- CSIF Bond Rest World Currencies Index
- CSIF Bond World ex CH Index
- CSIF Bond World ex CH Index Blue
- CSIF Bond World ex CH Index hedged CHF
- CSIF Bond Aggregate USD Index
- CSIF Bond Aggregate EUR Index
- CSIF Bond Aggregate GBP Index
- CSIF Bond Aggregate JPY Index
- CSIF Bond Aggregate Rest World Currencies Index
- CSIF Bond Aggregate World ex CHF Index
- CSIF Bond Corporate EUR Index
- CSIF Inflation-Linked Bond World ex Australia ex Japan ex Italy Index hedged CHF Blue
- CSIF Inflation-Linked Bond EUR ex Italy Index Blue

#### Adjustment of Issue and Redemption Fees

For those funds valued at bid prices, there will no longer be any fee to pay in favor of the fund's assets when redeeming units. In the future, the fees to pay when units are issued will correspond to the total bid-ask spread. Those new issue and redemption fees are listed in the attached overview. For Japanese government bonds and global inflation linked bonds, Citigroup and Barclays Capital apply the mid price. Thus the bid-ask spread for the funds investing in Japan and inflation linked bonds remain unchanged. The bid-ask spread for the CSIF world bond funds were adjusted based on their Japanese government bonds portion.

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. The spreads offer investors favorable purchase conditions, while guaranteeing the interests of all current investors.

These changes will be effective upon implementation of the fund valuation on December 5, 2011.

The following tables show the change in the valuation of bond funds from previous valuation to bid prices.

Buyer				
	previously		as of 05.12.2011	
Valuation	Last price paid	CHF 1'000	Bid price (bid)	CHF 999
Spreads	0.10%	CHF 1	0.20%	CHF 2
Debit	CHF 1'001		CHF 1'001	

For illustrative purposes only.

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Seller				
	previously		as of 05.12.2011	
Valuation	Last price paid	CHF 1'000	Bid price (bid)	CHF 999
Spreads	0.10%	CHF 1	0.00%	CHF 0
Credit	CHF 999		CHF 999	

For illustrative purposes only.

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## Index Mandates

### New subscription and redemption spreads

As described in the Newsletter No. 4, the valuation method for all CSIF bond funds will be changed to reflect prices from Citigroup and/or Barclays Capital.

For those funds valued at bid prices, there will no longer be any fee to pay in favor of the fund's assets when redeeming units. In the future, the fees to pay when units are issued will correspond to the total bid-ask spread. For Japanese government bonds and global inflation linked bonds, Citigroup and Barclays Capital apply the mid price. Thus the bid-ask spread for the funds investing in Japan and inflation linked bonds remain unchanged. The bid-ask spread for the CSIF world bond funds were adjusted based on their Japanese government bonds portion.

These changes will be effective on December 5, 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
<b>Swiss Equities</b>				
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	0.03%	0.03%	0.03%	0.03%
CSIF Switzerland Mid Cap Index	0.03%	0.03%	0.03%	0.03%
<b>Foreign Equities</b>				
CSIF Eurozone Index	0.04%	0.04%	0.04%	0.04%
CSIF Europe ex Eurozone/CH Index	0.45%	0.04%	0.45%	0.04%
CSIF Europe ex CH Index	0.24%	0.04%	0.24%	0.04%
CSIF Europe ex CH Index Blue	0.24%	0.04%	0.24%	0.04%
CSIF US Index	0.04%	0.04%	0.04%	0.04%
CSIF US Index Pension Fund	0.04%	0.04%	0.04%	0.04%
CSIF North America Index Blue Pension Fund	0.04%	0.04%	0.04%	0.04%
CSIF Canada Index	0.04%	0.04%	0.04%	0.04%
CSIF Japan Index	0.04%	0.04%	0.04%	0.04%
CSIF Japan Index Blue	0.04%	0.04%	0.04%	0.04%
CSIF Pacific ex Japan Index	0.08%	0.08%	0.08%	0.08%
CSIF Pacific ex Japan Index Blue	0.08%	0.08%	0.08%	0.08%
CSIF Emerging Markets Index	0.65%	0.45%	0.65%	0.45%
CSIF World ex CH Index	0.09%	0.04%	0.09%	0.04%
CSIF World ex CH Index Pension Fund	0.09%	0.04%	0.09%	0.04%
CSIF Europe ex CH Value Weighted Index	0.24%	0.04%	0.24%	0.04%
CSIF US Value Weighted Index - Pension Fund	0.04%	0.04%	0.04%	0.04%
CSIF Japan Value Weighted Index	0.04%	0.04%	0.04%	0.04%
<b>Fixed Income CHF</b>				
CSIF Switzerland Bond Index AAA-AA	0.20%	0.00%	0.20%	0.00%
CSIF Switzerland Bond Index AAA-AA Blue	0.20%	0.00%	0.20%	0.00%
CSIF Switzerland Bond Index AAA-BBB	0.20%	0.00%	0.20%	0.00%
CSIF Switzerland Bond Index AAA-BBB Blue	0.20%	0.00%	0.20%	0.00%
CSIF Switzerland Bond Domestic Government 3-7 Blue	0.20%	0.00%	0.20%	0.00%

Funds	Current Spread		New Spread	
	Subscription	Redemption	Subscription	Redemption
<b>Fixed Income Foreign Currencies</b>				
CSIF Bond EUR Index	0.07%	0.07%	0.14%	0.00%
CSIF Bond EUR Index Blue	0.07%	0.07%	0.14%	0.00%
CSIF Bond EUR Index hedged CHF	0.07%	0.07%	0.14%	0.00%
CSIF Bond EUR 3-7 Blue	0.05%	0.05%	0.10%	0.00%
CSIF Bond USD Index	0.03%	0.03%	0.06%	0.00%
CSIF Bond GBP Index	0.03%	0.03%	0.06%	0.00%
CSIF Bond JPY Index	0.10%	0.10%	0.10%	0.10%
CSIF Bond Rest World Currencies Index	0.12%	0.12%	0.24%	0.00%
CSIF Bond World ex CH Index	0.07%	0.07%	0.11%	0.03%
CSIF Bond World ex CH Index Blue	0.07%	0.07%	0.11%	0.03%
CSIF Bond World ex CH Index hedged CHF	0.07%	0.07%	0.11%	0.03%
CSIF Bond Aggregate USD Index	0.15%	0.15%	0.30%	0.00%
CSIF Bond Aggregate EUR Index	0.10%	0.10%	0.20%	0.00%
CSIF Bond Aggregate GBP Index	0.10%	0.10%	0.20%	0.00%
CSIF Bond Aggregate JPY Index	0.10%	0.10%	0.10%	0.10%
CSIF Bond Aggregate Rest World Currencies Index	0.15%	0.15%	0.30%	0.00%
CSIF Bond Aggregate World ex CHF Index	0.12%	0.12%	0.22%	0.02%
CSIF Bond Corporate EUR Index	0.20%	0.20%	0.40%	0.00%
CSIF Inflation-Linked Bond World ex Australia ex Japan ex Italy Index hedged CHF Blue	0.12%	0.12%	0.12%	0.12%
CSIF Inflation-Linked Bond EUR ex Italy Index Blue	0.08%	0.08%	0.08%	0.08%
<b>Real Estate</b>				
CSIF Switzerland Real Estate Fund Index	0.15%	0.15%	0.15%	0.15%
CSIF Europe ex CH Real Estate Index	0.35%	0.15%	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	0.25%	0.25%	0.25%	0.25%

Source: Credit Suisse, November 2011

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.

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