

Index Mandates – Newsletter No. 5

Expansion and Optimization in the Bond Sector



We are pleased to announce that we have again expanded our offering for institutional clients in Switzerland. Five new bond funds complement our successful Credit Suisse Institutional Fund (CSIF) family. This increases the number of index funds under this umbrella to 56. Altogether, Credit Suisse manages CHF 74 billion in indexed portfolios.

As a leading provider of indexed portfolios in Switzerland, we constantly work to expand and improve our offering. This applies both to products and to portfolio management techniques.

This newsletter informs you of innovations in our product range and our systems.

Launch of CSIF Switzerland Bond Index Domestic AAA-BBB Blue

On January 18 of this year, we successfully launched the new **CSIF Switzerland Bond Index Domestic AAA-BBB Blue Fund**. Its volume is already CHF 160 million. The Fund reflects the Swiss Bond Index (SBI) Domestic AAA-BBB with a broadly supported optimization process. The term "Blue" indicates a fund that, under the fund contract, is not allowed to lend any securities.

FINMA Approves Additional Sub-funds

On March 19, 2012, FINMA approved four more bond funds.

The new **CSIF Switzerland Bond Index Foreign AAA-BBB Blue Fund** rounds out our Swiss Franc Bond Fund offering. The funds are based on the SBI Foreign and Domestic indexes and now allow an individual weighting of domestic and foreign issuers in a single Swiss Franc bond portfolio. In today's market, adding foreign issuers to the mix appears especially attractive. Compared to domestic issuers, they are distinguished by shorter duration and significantly higher interest.

	Duration in years	Return in %	Performance YTD in %
SBI AAA-BBB Foreign	4.7	1.62	2.03
SBI AAA-BBB Domestic	6.7	0.97	0.62

Source: Credit Suisse, as at February 28, 2012

What's New, at a Glance

- Launch of CSIF Switzerland Bond Index Domestic AAA-BBB Blue
- FINMA approval of the following sub-funds:
 - CSIF Switzerland Bond Index Foreign AAA-BBB Blue
 - CSIF Bond Corporate World ex CHF Index Blue
 - CSIF Bond World ex CHF Fiscal Strength Index Blue
 - CSIF Bond EUR Fiscal Strength Index Blue
- First fundamentally weighted bond indexes
- Introduction of Barclays Point for portfolio management and risk control in bond portfolios

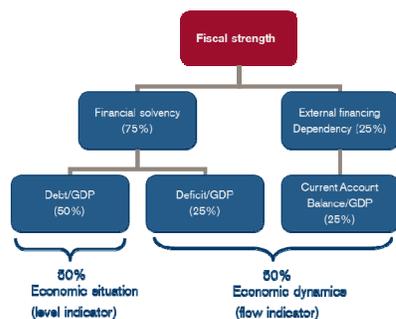
The new **CSIF Bond Corporate World ex CHF Index Blue Fund** allows individual control of the portion of corporate bonds in a globally diversified foreign currency bond portfolio. With the continuing sovereign debt problems in many countries, adding corporate bonds would appear sensible.

The market-weighted portion of corporate bonds in the broadly diversified Barclays Global Aggregate Index is currently about 16%. The advantageous valuation of corporate bonds would favor an overweight in the current low interest environment. This is due to good corporate results, successful cost-cutting programs, low refinancing costs, and financial easing.

First Funds Based on Fundamentally Weighted Bond Indexes

With the two new funds CSIF Bond World ex CHF Fiscal Strength Index Blue and CSIF Bond EUR Fiscal Strength Index Blue, we are expanding our offering in fundamentally weighted government bond funds.

These indexes are distinguished by an innovative index structure. A country's index weighting does not automatically rise with its indebtedness. Correction factors increase the weighting of stable issuers and reduce the weighting of weak ones. Thus, Credit Suisse offers an alternative to market-weighted indexes in the bond sector. In these new funds, Credit Suisse emulates the Barclays Capital Fiscal Strength Indexes, which adjust a country's weighting according to factors such as national debt, net indebtedness and current account balance. Limiting the factors to three ensures transparency and simplicity in the structure of the index.



Source: Barclays, Credit Suisse, April 2012

New Software for Managing Bond Portfolios

On March 19, we introduced Barclays Point as the management system for all indexed bond portfolios. The new system offers a precise risk model adjusted to the individual market segment, customized reporting, and comprehensive performance attribution analysis. It gives investors in all indexed bond portfolios the benefit of even better risk control and a more precise emulation of the reference index.

Significant Benefits of Barclays Point at a Glance

- Refined global risk analysis
- Improved representation of various risk factors
- Excellent data quality and data coverage
- Expanded hedging functionalities (duration and currency)
- Detailed performance attribution analysis
- Fast process performance
- Fast, flexible development of alternative benchmark proposals for specific client requests
- Indicator comparison for alternative benchmark proposals (including back testing and stress testing)

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