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Index Solutions Newsletter



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Exclusion of controversial weapons producers from all Credit Suisse Index Funds

Controversial weapons such as cluster bombs, anti-personnel mines as well as nuclear, biological, and chemical warfare agents are either banned by international conventions or subject to severe restrictions. There has recently been an increase in the number of investors who no longer wish or are allowed to invest in controversial weapons producers. To meet our investors' requirements and as a sign of responsible investing, Credit Suisse Index Funds will in future no longer invest in the securities of controversial weapons producers. The basis for defining these stocks is the exclusion list of the Swiss Association for Responsible Investments (SVVK - ASIR). Controversial weapons producers have a negligible weighting in global equity and bond indices, so our index funds will retain their high replication quality despite the exclusion of these securities.

Expanded investment horizons

In almost no other country is the equity market as concentrated as it is in Switzerland, with heavyweights Roche, Novartis, and Nestlé together accounting for almost 54 percent of the SMI[®]. This concentration on a few equities represents cluster risk, particularly for Swiss investors with an overweight stance on their domestic market. However, investors can now significantly reduce this risk by using factor-based strategies and more broadly spread indices.

Credit Suisse Index Solutions is the largest provider of index funds on equities in Switzerland. Around CHF 8 billion are invested in our index funds on the SPI[®], reflecting the deep roots we have in our domestic market. And the demand for index-based funds is growing all the time. This is reason enough for us to tell you about the changing landscape of Swiss equity indices in this newsletter.

Overview of the landscape of Swiss equity indices

Credit Suisse gives investors the choice of seven index funds on the Swiss equity market. The standard indices SPI[®], SPI 20[®], SMI[®], and MSCI Switzerland are weighted by market capitalization. All four demonstrate similar sector weightings and the known concentration risks.

The MSCI Switzerland IMI Minimum Volatility Index differs by using its 37 stocks to aim for minimal absolute risk. The weightings of the individual sectors lie between the market-weighted standard indices and the SPI Multi Premia[®] Index.

Swiss equity indices

Index provider	Fund	Benchmark	Market capitalization index in CHF billions	Number of stocks in the index	Segment by market capitalization			Weighting method
					Large cap	Mid cap	Small cap	
SIX	CSIF (CH) Equity Switzerland Total Market Blue	SPI® (TR)	1,197	213	x	x	x	Capital weighted
	CSIF (CH) Equity Switzerland Large Cap Classic Blue	SPI 20® (TR)	974	20	x			Capital weighted
	CSIF (CH) Equity Switzerland Large Cap Blue	SMI® (TR)	776	20	x			Capital weighted
	CSIF (CH) Equity Switzerland Small & Mid Cap	SPI Extra® (TR)	223	193		x	x	Capital weighted
	CSIF (CH) Equity SPI Multi Premia Blue	SPI Multi Premia® (TR)	–	60	x	x	x	Alternative weighted
MSCI	CSIF (CH) Equity Switzerland Blue	MSCI Switzerland (TR)	1,061	38	x	x		Capital weighted
	CSIF (CH) Equity Switzerland Minimum Volatility Blue	MSCI Switzerland IMI Minimum Volatility (TR)	–	40	x	x	x	Alternative weighted

Source: Credit Suisse, data as at December 31, 2018

Sector allocation of Swiss indices – it's your choice

What are the sector weightings of the seven currently available Credit Suisse Index Funds? The table shows these and also gives clear indications about the source of concentration risk. The broader the index, the less the balance is tipped towards heavyweights Roche, Novartis, and Nestlé. The SPI Extra® Index and SPI Multi Premia® Index have the best diversification among the various sectors in the Swiss economy of the aforementioned indices.

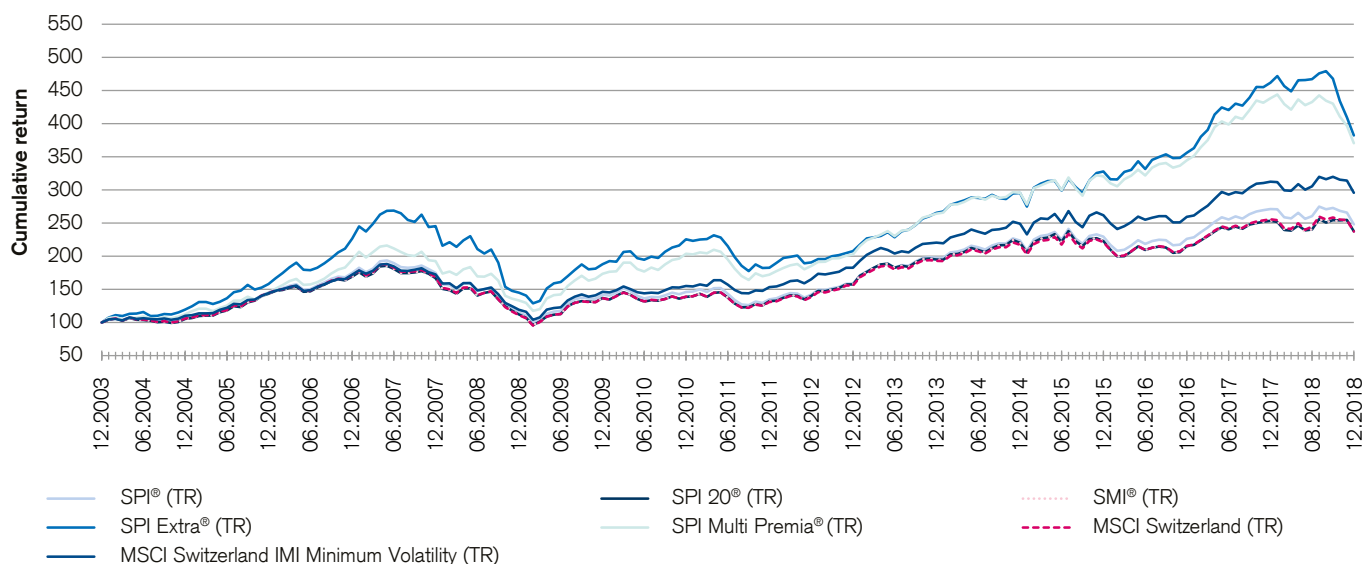
Top 10 positions by sector	SPI®	SPI 20®	SMI®	SPI Extra®	SPI MPI®	MSCI CH	MSCI MV
Health Care	29%	36%	35%	6%	3%	31%	20%
Consumer Goods	23%	28%	25%	3%	10%	26%	10%
Financials	13%	16%	18%	11%	6%	15%	13%
Industrials	5%	7%	7%	7%	9%	6%	16%
Technology	–	–	–	2%	–	–	–
Telecommunications	–	–	–	–	4%	–	6%
Consumer Services	–	–	–	–	–	–	–
Basic Materials	–	–	–	2%	3%	–	–

The Swiss index universe is expanding

The risks of sector concentration always used to be a challenge for those investing in the Swiss equity market. The following table and graph show that this is very much a thing of the past, as investors now have more investment options to choose from. It is clear that despite the disappointing performance in 2018, the SPI Multi Premia® Index and SPI Extra® Index performed retrospectively much better than the standard indices.

Comparison financial metrics

Index provider	Benchmark	Annualized return	Return 2018	Annualized risk	Max. drawdown
SIX	SPI® (TR)	6.25%	–8.57%	12.31%	–48.84%
	SPI 20® (TR)	5.94%	–6.29%	12.37%	–48.32%
	SMI® (TR)	5.89%	–7.04%	12.40%	–48.32%
	SPI Extra® (TR)	9.35%	–17.23%	14.40%	–52.01%
	SPI Multi Premia® (TR)	9.12%	–15.51%	13.02%	–45.55%
MSCI	MSCI Switzerland (TR)	5.93%	–7.14%	12.39%	–49.18%
	MSCI Switzerland IMI Minimum Volatility (TR)	7.49%	–5.38%	11.33%	–44.78%



Past performance and financial market scenarios are not reliable indicators of future performance. Data interval: 12.2003 to 12.2018
Sources: Factset, SIX, Credit Suisse, data as at December 31, 2018

One look at the performance graph confirms that the index of small- and medium-sized companies (SPI Extra®) has annually outperformed the SPI® by 3.1 percent.

Flexibility in your portfolio construction

Credit Suisse Index Solutions enables you to choose the Swiss equity profile that best suits your personal investment goals. Our wide range of index funds on the Swiss equity market gives you enormous flexibility and allows you to individualize your portfolio. Please find below our seven index funds:

Fund	Benchmark	FA ¹	Ongoing charge FA	QA ¹	Ongoing charge QA
CSIF (CH) Equity Switzerland Total Market Blue	SPI® (TR)	CH0190771862	0.15	CH0348228609	0.10
CSIF (CH) Equity Switzerland Large Cap Classic Blue	SPI 20® (TR)	CH0384998453	0.15	-	-
CSIF (CH) Equity Switzerland Large Cap Blue	SMI® (TR)	CH0214404714	0.15	-	-
CSIF (CH) Equity Switzerland Small & Mid Cap	SPI Extra® (TR)	CH0222624659	0.18	CH0348319861	0.16
CSIF (CH) Equity SPI Multi Premia Blue	SPI Multi Premia® (TR)	CH0334031207	0.47	CH0334031215	0.37
CSIF (CH) Equity Switzerland Blue	MSCI Switzerland (TR)	CH0336206732	0.21	-	-
CSIF (CH) Equity Switzerland Minimum Volatility Blue	MSCI Switzerland IMI Minimum Volatility (TR)	CH0334161509	0.33	CH0334161517	0.28

¹ Q share classes are reserved for qualified investors, whereas the F share class can be subscribed to by both qualified and private investors. Denominations containing the letter A indicate distributing share classes.

By international standards, Swiss companies show excellent valuations under ESG criteria. ESG refers to the inclusion of environmental and social aspects as well as responsible governance. All benchmarks we replicate have a high ESG score and a good ESG rating.

Fund	Benchmark	ESG score ²	ESG rating ²
CSIF (CH) Equity Switzerland Total Market Blue	SPI® (TR)	6.8	A
CSIF (CH) Equity Switzerland Large Cap Classic Blue	SPI 20® (TR)	7.0	A
CSIF (CH) Equity Switzerland Large Cap Blue	SMI® (TR)	7.1	AA
CSIF (CH) Equity Switzerland Small & Mid Cap	SPI Extra® (TR)	5.8	A
CSIF (CH) Equity SPI Multi Premia Blue	SPI Multi Premia® (TR)	6.6	A
CSIF (CH) Equity Switzerland Blue	MSCI Switzerland (TR)	6.9	A
CSIF (CH) Equity Switzerland Minimum Volatility Blue	MSCI Switzerland IMI Minimum Volatility (TR)	7.4	AA

² The MSCI-ESG scores are on a scale of 0 to 10 and match up with a specific MSCI-ESG rating. They are based on a variety of qualitative and quantitative criteria. Source: Credit Suisse, data as at December 31, 2018



Source: Credit Suisse, otherwise specified.

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