

Index Solutions – Newsletter No. 8

Enhancements in the CSIF Product Range



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As Switzerland's leading provider of indexed portfolios, with assets under management of over CHF 87 bn., our objective is to maintain the high quality of our product range in order to meet our clients' expectations at all times.

We are pleased to inform you in this newsletter about major improvements and enhancements to Credit Suisse Institutional Funds (CSIF) coming into effect on May 27, 2013.

Approval of New Funds by the Swiss Financial Market Supervisory Authority (FINMA)

On May 23, 2013, FINMA approved six new funds that will significantly expand our range:

- CSIF Switzerland Bond Index AAA-BBB 1-5 Y Blue
- CSIF Bond Aggregate World 1-5 Y ex CHF Index Blue
- CSIF World ex CH Value Weighted Index – Pension Fund
- CSIF World ex CH Small Cap Index – Pension Fund
- CSIF Canada Index Blue
- CSIF North America Real Estate Index Blue

Summary

- Approval of six new funds by FINMA
- ISAE 3402 Type II audit completed for Index Solutions
- Adjustment of benchmarks
- Adjustment of spreads in some CSIF
- Name change of some CSIF

Bond Funds with Shorter Maturities

The two new bond funds will complement our two greatest driving forces in the fixed income segment, the CSIF Switzerland Bond Index AAA-BBB Blue and the CSIF Bond Aggregate World ex CHF Index, with funds offering shorter maturities. The **CSIF Switzerland Bond Index AAA-BBB 1-5 Y Blue** and the **CSIF Bond Aggregate World 1-5 Y ex CHF Index Blue** will enable interest rate risk in the current low interest environment to be significantly reduced.

Benchmark	Duration	Return
SBI AAA-BBB	6.27	0.72%
SBI AAA-BBB 1-5 Y	2.91	0.43%
Barclays Global Aggregate ex CHF	6.15	1.62%
Barclays Global Aggregate 1-5 Y ex CHF	2.74	0.97%

Source: Credit Suisse AG, 30.04.2013

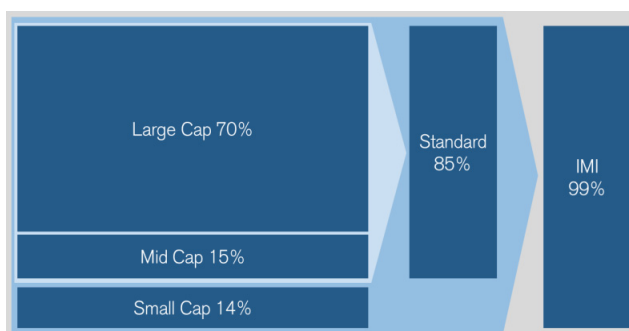
New Funds	Benchmark
▪ CSIF Switzerland Bond Index AAA-BBB 1-5 Y Blue	→ SBI AAA-BBB 1-5 Y Total Return
▪ CSIF Bond Aggregate World 1-5 Y ex CHF Index Blue	→ Barclays Global Aggregate 1-5 Y ex CHF
▪ CSIF World ex CH Value Weighted Index – Pension Fund	→ MSCI World ex Switzerland Value Weighted Index
▪ CSIF World ex CH Small Cap Index – Pension Fund	→ MSCI World ex Switzerland Small Cap Index
▪ CSIF Canada Index Blue	→ MSCI Canada Index
▪ CSIF North America Real Estate Index Blue	→ FTSE EPRA/NAREIT North America Index

Fundamentally Weighted Equity Funds

Following the successful launch of the three regional value weighted funds in 2011, these funds have grown to net assets of almost CHF 500 million. We are now expanding our range of fundamentally weighted index funds with another core component of the investment policy of Swiss pension funds, the **CSIF World ex CH Value Weighted Index – Pension Fund**.

No Small Thing: Global Small Caps

A large number of Swiss pension funds focus their investments on foreign equities in the MSCI World ex Switzerland. However, this concentrates on large and medium-sized corporates and neglects the small cap segment. These portfolios therefore miss out - either consciously or unconsciously - on around 14% of the investible market capitalization.



Source: Credit Suisse AG, MSCI, May 2013

From January 1993 to April 2013, the MSCI World Small Cap achieved an annual return that was 2.08% greater than the MSCI World Standard Index. From January 2001 to April 2013, small caps even outperformed the standard index by 5.07% p.a. If we compare the MSCI World IMI (with small caps) with the MSCI World (without small caps) then the IMI Index comes off 0.57% better per annum over the same period with virtually identical overall risk.

The launch of the **CSIF World ex CH Small Cap Index – Pension Fund** will enable pension funds to close a strategic gap in their investments and receive inexpensive access to this asset class.

Not All Quiet on the Western Front

In order also to facilitate a division between the US and Canada for funds without securities lending, we are launching the **CSIF Canada Index Blue** and converting

the existing CSIF North America Index Blue - Pension Fund into an index fund on the MSCI USA Index.

Increased demand for index funds on listed real estate investments has prompted us to open the **CSIF North America Real Estate Index Blue**. This component now makes the full replication of the FTSE EPRA/NAREIT Developed ex CH Index accessible to a broader group of investors.

ISAE 3402 Type II audit completed

The ISAE 3402 Audit Report (International Standards for Assurance Engagements) is increasingly being requested by international clients and is an important success factor in view of the growth of Index Solutions' client base outside of Switzerland.

Index Solutions recently subjected itself to the ISAE audit process. The audit report confirmed that our controls are designed, utilized and executed according to international directives. The audit report provides a good opportunity for the internal processes to be assessed by an independent external party and entails a prestigious seal of quality for us.

Adjustment of Benchmarks

Many institutional investors split their investments in Swiss equities into SMI securities and securities outside the SMI. In order to reflect this structure in our range of funds and also to meet the growing demand for investments in small caps, the CSIF Switzerland Mid Cap Index is being re-named the **CSIF Switzerland Small & Mid Cap Index** and will in future replicate the SPI Extra rather than the SMI MID. This index contains all securities of the SPI that are not represented in the SMI.

In order to align all CSIF on corporate bonds and aggregate indices to Barclays benchmarks, the **CSIF Bond Corporate EUR Index**, which until now has replicated the Citigroup Euro Broad Investment Grade (EuroBIG) Corporate Index, will in future replicate the Barclays Euro Aggregate Corporates Index.

Adjustment of Spreads in Some CSIF

The spreads on our CSIF are regularly reviewed and adjusted to market circumstances as required. Based on our latest analysis, we are adjusting the spreads of some Swiss

bond funds.

The conversion of the CSIF Switzerland Mid Cap Index to the CSIF Switzerland Small & Mid Cap Index entails an adjustment of the issue and redemption spreads due to the less liquid market for small caps.

Emerging markets are continuing to attract a lot of interest among investors. We have used the ongoing growth in fund net assets to renegotiate broker commissions. We are now passing on this cost saving to our clients in the form of reduced spreads.

You will find the new issue and redemption spreads in the enclosed overview.

Your Contact

For further information, please contact your Relationship Manager or the product specialists in the Index Solutions area:

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Name Changes of Some CSIF

Securities lending in some CSIF was discontinued back in the fall of 2012 due to negligible revenues. Following FINMA approval, this repositioning is now also visible in the fund names through the addition of the affix "Blue":

- CSIF US Index Blue
- CSIF Emerging Markets Index Blue
- CSIF Switzerland Real Estate Fund Index Blue

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Investment principal on bonds can be eroded depending on sale price or market price. In addition, there are bonds on which investment principal can be eroded due to changes in redemption amounts. Care is required when investing in such instruments.

Equities are subject to market forces and hence fluctuations in value which are not entirely predictable.

This investment product includes investments in Emerging Markets. Emerging Markets are located in countries that possess one or more of the following characteristics: A certain degree of political instability, relatively unpredictable financial markets and economic growth patterns, a financial market that is still at the development stage or a weak economy. Emerging markets investments usually result in higher risks such as political risks, economical risks, credit risks, exchange rate risks, market liquidity risks, legal risks, settlement risks, market risks, shareholder risk and creditor risk. Investors should be willing and financially able to accept the risk characteristics of the investments described in this document.

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New subscription and redemption spreads

The following table shows the issue and redemption spreads of Credit Suisse Institutional Funds (CSIF): in black unchanged spreads, in **green** lower spreads, in **blue** higher spreads. The changes are effective as of May 27, 2013, with the exception of the CSIF Switzerland Small & Mid Cap Index (June 21, 2013).

Issue and redemption spreads cover the transaction costs that are incurred when buying and selling securities in the fund. This ensures that existing investors are always protected against the investment costs caused by new investments. Spreads enable attractive purchase conditions for new investors, while guaranteeing the interests of all current investors.

Fund	Current Spread		New Spread	
	Subscription	Redemption	Subscription	Redemption
Swiss Equities				
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 Small & Mid Cap Index	0,03%	0,03%	0,15%	0,15%
Foreign Equities				
CSIF Eurozone Index	0,10%	0,04%	0,10%	0,04%
CSIF Europe ex Eurozone/CH Index	0,45%	0,04%	0,45%	0,04%
CSIF Europe ex CH Index	0,28%	0,04%	0,28%	0,04%
CSIF Europe ex CH Index Blue	0,28%	0,04%	0,28%	0,04%
CSIF US Index Blue	0,04%	0,04%	0,04%	0,04%
CSIF US Index - Pension Fund	0,04%	0,04%	0,04%	0,04%
CSIF US Index Blue - Pension Fund	0,04%	0,04%	0,04%	0,04%
CSIF Canada Index	0,04%	0,04%	0,04%	0,04%
CSIF Canada Index Blue	N/A	N/A	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 Blue	0,30%	0,35%	0,25%	0,30%
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 World ex CH Small Cap Index - Pension Fund	N/A	N/A	0,25%	0,20%
CSIF Europe ex CH Value Weighted Index	0,28%	0,04%	0,28%	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%
CSIF World ex CH Value Weighted Index - Pension Fund	N/A	N/A	0,14%	0,09%
CHF Bonds				
CSIF Switzerland Bond Index AAA-AA Blue	0,20%	0,00%	0,30%	0,00%
CSIF Switzerland Bond Index AAA-BBB Blue	0,20%	0,00%	0,30%	0,00%
CSIF Switzerland Bond Index AAA-BBB 1-5 Y Blue	N/A	N/A	0,30%	0,00%
CSIF Switzerland Bond Index Domestic AAA-BBB Blue	0,20%	0,00%	0,30%	0,00%
CSIF Switzerland Bond Index Foreign AAA-BBB Blue	0,20%	0,00%	0,30%	0,00%
CSIF Switzerland Bond Index Domestic Government 3-7 Blue	0,20%	0,00%	0,20%	0,00%

Fund	Current Spread		New Spread	
	Subscription	Redemption	Subscription	Redemption
Foreign Currency Bonds				
CSIF Bond EUR Index Blue	0,14%	0,00%	0,14%	0,00%
CSIF Bond USD Index Blue	0,06%	0,00%	0,06%	0,00%
CSIF Bond GBP Index Blue	0,06%	0,00%	0,06%	0,00%
CSIF Bond JPY Index Blue	0,10%	0,10%	0,10%	0,10%
CSIF Bond Rest World Currencies Index Blue	0,24%	0,00%	0,24%	0,00%
CSIF Bond World ex CH Index Blue	0,11%	0,03%	0,11%	0,03%
CSIF Bond Aggregate EUR Index	0,20%	0,00%	0,20%	0,00%
CSIF Bond Aggregate USD Index	0,30%	0,00%	0,30%	0,00%
CSIF Bond Aggregate GBP Index	0,20%	0,00%	0,20%	0,00%
CSIF Bond Aggregate JPY Index	0,10%	0,10%	0,10%	0,10%
CSIF Bond Aggregate Rest World Currencies Index	0,30%	0,00%	0,30%	0,00%
CSIF Bond Aggregate World ex CHF Index	0,22%	0,02%	0,22%	0,02%
CSIF Bond Aggregate World 1-5 Y ex CHF Index Blue	N/A	N/A	0,22%	0,02%
CSIF Bond Corporate EUR Index	0,40%	0,00%	0,40%	0,00%
CSIF Bond Corporate World ex CHF Index Blue	0,40%	0,00%	0,40%	0,00%
CSIF Bond EUR Fiscal Strength Index Blue	0,14%	0,00%	0,14%	0,00%
CSIF Bond World ex CHF Fiscal Strength Index Blue	0,11%	0,03%	0,11%	0,03%
CSIF Inflation-Linked Bond World ex Australia ex Japan ex Italy Index 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%
Real Estate				
CSIF Switzerland Real Estate Fund Index Blue	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 North America Real Estate Index Blue	N/A	N/A	0,15%	0,15%
CSIF Asia Real Estate Index	0,25%	0,25%	0,25%	0,25%

Source: Credit Suisse, May 2013

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