CREDIT SUISSE

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Media Release

Commodities Declined on Weakening Fundamentals

New York, May 10, 2017 **Commodities declined in April on weakening industrial demand expectations out of China and increasing US crude inventories, according to Credit Suisse Asset Management.**

The Bloomberg Commodity Index Total Return performance was negative for the month, with 15 out of 22 Index constituents posting losses.

Credit Suisse Asset Management observed the following:

- Industrial Metals decreased 3.40%, led lower by Nickel, amid weakening demand expectations out of China as measures introduced to tighten property development and investment appear to have taken effect.
- Energy declined 2.99% as US inventories of crude remained well oversupplied relative to average historical levels despite the tightening of international crude inventories.
- Agriculture lost 1.23%. Coffee declined due to reports that US stockpiles of green coffee beans reached their highest level since the early 1990s, dampening near-term demand expectations for imports.
- Precious Metals declined 0.56% after the first round of voting in the French presidential election eased risks of the country's potential exit from the Euro.
- Livestock gained 7.42%. Live Cattle increased the most on higher exports versus a year prior along with heightened cattle headcount concerns from anticipated cold and snowy weather in the US Midwest.

Nelson Louie, Global Head of Commodities for Credit Suisse Asset Management, said: "Geo-politics continue to remain at the forefront of macroeconomic attention. Meanwhile, European economic data have been generally constructive as of late, and political stabilization may make it easier for the positive momentum to continue, which could be supportive of economically-sensitive commodities. Within the Energy sector, global crude oil and petroleum products inventories continue to tighten, partially due to the OPEC-coordinated production cuts, with a decision in May on the table as to whether or not to extend those cuts. The resulting higher prices has led to increased US crude oil production, though not enough to fully offset the production cuts or increased demand. Thus, there are some positive signs indicating the tightening may have begun as the fundamentals underlying these markets continue to slowly improve."

Christopher Burton, Senior Portfolio Manager for the Credit Suisse Total Commodity Return Strategy, added: "The National Oceanic and Atmospheric Administration signaled the possibility of a return to an El Niño phenomenon in late summer. Resulting weather events may affect the key production cycle for agricultural crops, particularly grains within the US, which may cause prices to rise. Separately, the March Jobs Report indicated that the US unemployment rate fell to its lowest level in almost ten years while wages continued to gradually increase. These statistics are suggestive of a tightening labor market and possible progress towards the US Federal Reserve's goal of sustainable maximum employment. However, the Fed still maintains its forward guidance of only two additional rate hikes this year. This slow

normalization of interest rates coupled with rising wage pressures may increase the probability that inflation overshoots expectations."

About the Credit Suisse Total Commodity Return Strategy

Credit Suisse's Total Commodity Return Strategy is managed by a team with over 30 years of experience, and seeks to outperform the return of a commodities index, such as the Bloomberg Commodity Index Total Return or the S&P GSCI Total Return Index, using both a quantitative and qualitative commodity research process. Commodity index total returns are achieved through:

- Spot Return: price return on specified commodity futures contracts;
- Roll Yield: impact due to migration of futures positions from near to far contracts; and
- Collateral Yield: return earned on collateral for the futures.

As of April 30, 2017, the Team managed approximately USD 8.7 billion in assets globally.

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Asset Management

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An investment in commodities is not a complete investment program and should represent only a portion of an investor's portfolio management strategy.