Performance Report 2017
Private Pension – 3rd Pillar

2017 Annual Report – Review

Equity investors were rewarded for the risk appetite they displayed last year. The market euphoria that began with Donald Trump's election as US President lasted throughout 2017 with few interruptions. Global economic growth was a greater-than-expected winner, with Asian regions the biggest beneficiaries. The Fed used the positive economic outlook, as well as low jobless and inflation data, to hike key interest rates in three stages, each of 0.25%. Since only the Bank of England followed suit, with just one 0.25% increase on account of a pick-up in UK inflation, the impact of the movement in interest rates was limited. Long-term interest rates barely moved at all until shortly before the year-end.

The only signs of nervousness were seen in the run-up to the elections in France. On top of that, the announcement of a snap election in the UK put European politics to the test. Emmanuel Macron's victory confirmed France's pro-European direction, while the Eurosceptic "Front National" was defeated. Brexit is also unlikely to turn out as hard as feared, after Prime Minister Theresa May failed in her bid to boost her support in parliament. Europe also showed strength in economic terms, with unemployment figures falling and inflation low. This enabled the European Central Bank (ECB) to reduce its monthly asset purchases by EUR 20 billion to EUR 60 billion in the second quarter. Interest rates remain unchanged. The ECB has thus initiated a cautious tightening of monetary policy. Also in the second quarter, Italy was forced to provide emergency aid to a number of financial institutions. These implicit state guarantees gave the financial sector an additional fillip, which in turn drove the market as a whole to new highs.

Market uncertainty did not return until the third quarter, when North Korea took provocative action with a series of missile tests. The response from the US president indicated an escalation. Tensions continued for the remainder of the year, and surfaced again at regular intervals with the launch of new tests. The financial markets remained surprisingly relaxed in the face of these threats, with the search for yield able to absorb the risk. Even on the bond markets any weakness was taken as a buying opportunity.

Additional drama was caused by the hurricanes in the Caribbean, which badly affected Mexico as well as Florida. Natural catastrophes are having an increasing impact on markets, since reinsurance investments are more and more frequently used not only by the insurance industry but also by investors in the alternative investment segment. Even after these dramatic events, which were compounded by earthquakes in Texas, the demand is so great that premiums rose only slightly as a result of the loss events.

Angela Merkel enters her final term of office a weakened figure, after a dull campaign during which her opponents, Martin Schulz's SPD, failed to make any headway. The winner of the election was the AfD, which entered parliament for the first time and thus made it very difficult for a government to be formed. As a new government led by Ms. Merkel is not expected to provide any significant new impetus, regardless of coalition partner, this factor likewise had little effect on the market. In economic terms, Europe is in a better position than it has been for a long time – and that too is unlikely to change. Catalonia's efforts to split from Spain have left the EU unscathed. East European objections to immigration policy are preoccupying the media, but not the financial markets. The euro has gained accordingly, which is likely to pose a challenge for European exporters. At the same time the Swiss franc has lost value, thereby benefiting the country's export and tourism industries. There is not much left of the Swiss franc shock in relation to the minimum cap of 1.20 to the euro once adhered to by the Swiss National Bank. The pound sterling also saw a modest strengthening in the third quarter. The euphoria on the markets is clear to see, and is a warning in itself. Equity valuations are supported by the growth in corporate profits.

In the United States, President Trump's first major breakthrough has been a long time in coming. He reached a compromise with Congress on to the debt ceiling, which was made easier by the natural disasters and the need to provide assistance. This was followed by the year-end announcement of the US tax reform – an election promise that has now been honored. As a result, the tax burden on most private individuals and companies domiciled in the US is reduced. The markets are happy, and prices are rising again on the back of expectations of greater consumption and tax savings.

It was an eventful year for Swiss real-estate investors. Investment properties are exposed to increasing competition, particularly in non-urban areas. Investment demand, particularly from pension funds, has led to a sharp rise in construction activity in recent years. This additional capacity is now being offered to the market on comparatively attractive terms. With supply increasingly exceeding demand, this is giving rise to overcapacity. In addition, this situation is increasingly reflected in the risk premiums for exchange-traded real estate funds.

In light of the continued, positive economic trends for the leading economies and buoyant market sentiment, we retained our equity overweight in the fourth quarter of 2017. We remain underweight in fixed income, and are abstaining from any larger purchases – particularly in the case of bonds with poorer credit ratings. This is because risk premiums versus government bonds fell sharply over the course of 2017.

Global economic growth is likely to continue, against a backdrop of persistently low inflation. Given strong corporate earnings, the continued high level of liquidity and the US tax reform, we expect equity markets to remain strong in 2018. Last but not least, the euro zone – as driving force – could benefit from further falls in unemployment.

Best regards

CREDIT SUISSE PRIVILEGIA
Pillar 3 pension foundation

Robert Wagner
Chairman of the Board of Trustees

Rocco Baldinger
Manager

2017 Performance

Pension Account – 3rd Pillar: Solid Growth

In 2017 too, our account holders with a Pension account – 3rd pillar were able to benefit from a preferential interest rate[1]. Unlike most other foundations, the Credit Suisse Privilegia Pillar 3 pension foundation was able to maintain an attractive interest rate.

Saving with Securities – 3rd Pillar: Strong Returns

All seven securities solutions reported a positive return for 2017. The actively managed as well as the indexed investment groups ended the year with a very encouraging performance and were able to benefit from the positive trend on equity markets. A long-term view shows that investing in one of the seven broadly diversified investment groups pays off. For example, the annualized performance of the actively managed CSA Mixta-BVG investment group since its launch in 1974 is 5.62%.

Performance Figures as of December 29, 2017

Actively managed investment groups	ø Equity component	Return in 2017
CSA Mixta-BVG Basic	0%	0.9%
CSA Mixta-BVG Defensiv	25%	5.2%
CSA Mixta-BVG	35%	7.1%
CSA Mixta-BVG Maxi	45%	8.8%

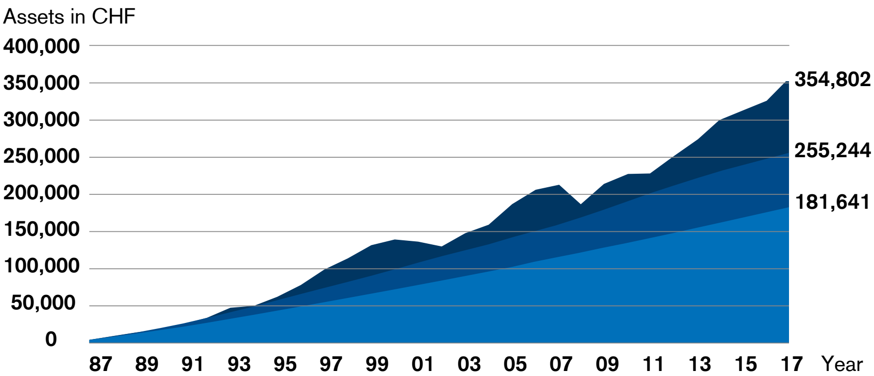
Indexed investment groups	ø Equity component	Return in 2017
CSA Mixta-BVG Index 25	25%	4.3%
CSA Mixta-BVG Index 35	35%	6.2%
CSA Mixta-BVG Index 45	45%	8.1%

New: CSA Mixta-BVG Investment Groups with a 75% Equity Component

Thanks to a higher equity component of 75%, the two new securities solutions enable you to take greater advantage of the future performance of equity markets and maximize your return opportunities in the long term.

Retirement Savings Including and Excluding Securities Solution – 3d Pillar (net performance)

Between January 1, 1987, and December 31, 2017, the highest possible amount allowed by law was paid in at the beginning of every year, which comes to a total of CHF 181,641. The additional income from the CSA Mixta-BVG investment group versus the Pension account – 3rd pillar was CHF 99,558.



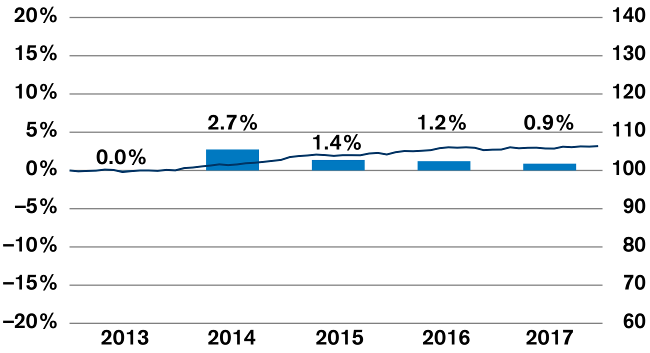
● Contributions	Total	CHF	181,641
● Pension account – 3rd pillar	Average interest rate 2.12% p.a. Final net worth	CHF	255,244
● Saving with securities – 3rd pillar (CSA Mixta-BVG investment group)	Average rate of return 3.59% p.a. Final net worth	CHF	354,802
Additional income from CSA Mixta-BVG compared with Pension account – 3rd pillar		**CHF**	**99,558**

1 The interest rate is preferential compared to the current interest rates for Credit Suisse (Switzerland) Ltd. savings account products. The interest rate is variable. Interest rate from January 1 to May 31, 2017 = 0.55%, from June 1 to December 31, 2017 = 0.35%.

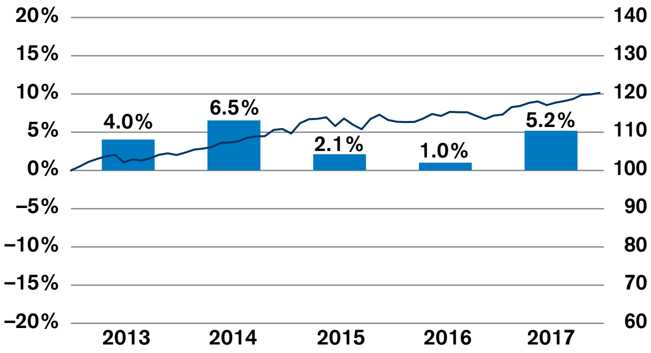
Performance Overview for the Last Five Years

Actively Managed Investment Groups

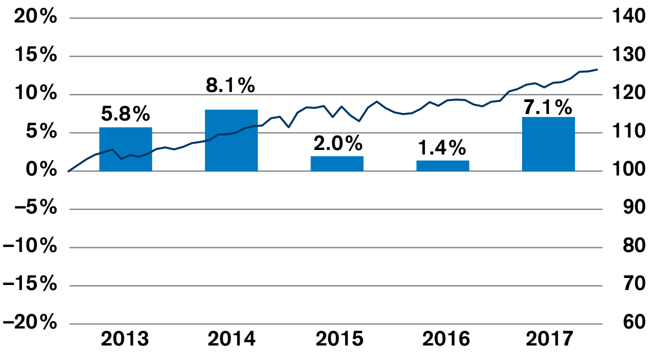
CSA Mixta-BVG Basic



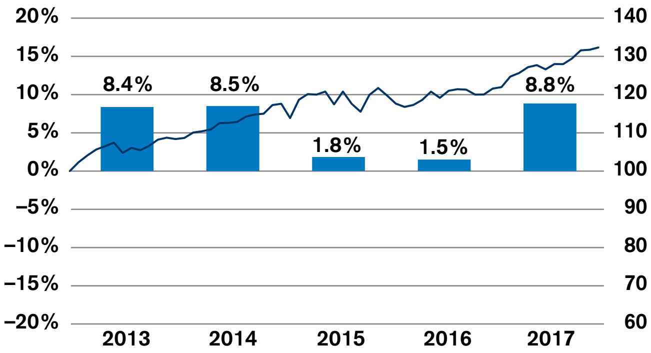
CSA Mixta-BVG Defensiv



CSA Mixta-BVG

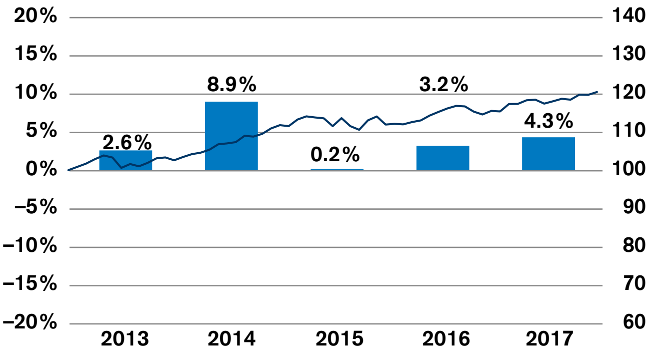


CSA Mixta-BVG Maxi

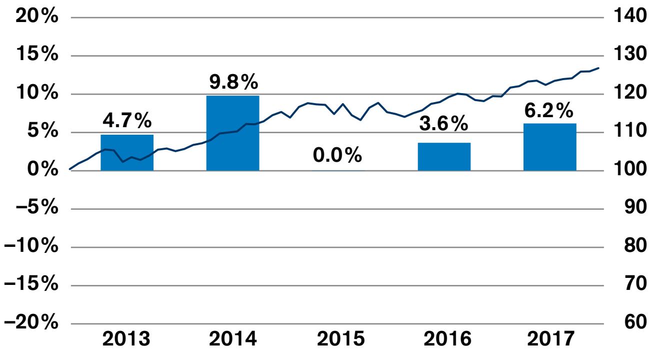


Indexed Investment Groups

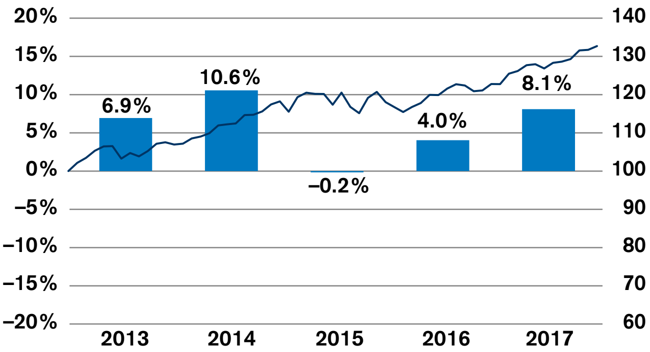
CSA Mixta-BVG Index 25



CSA Mixta-BVG Index 35



CSA Mixta-BVG Index 45



● Annual performance in % (left-hand scale)
— Net asset value (indexed)

Source of data: Credit Suisse Investment Foundation
A positive performance in the past is no guarantee of positive performance in the future.

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