

Credit Suisse Swiss Pension Fund Index Q1 2021



Credit Suisse Swiss Pension Fund Index

Comparison of Swiss pension funds

Q1 2021: 2.79%

YTD 2021: 2.79%

- Ongoing gains
- Year begins with a significant gain
- Extremely positive return contribution from foreign equities

Market review

The ongoing restrictions due to COVID-19 weighed on activity in the service sector again in the first quarter of 2021; this contrasted with greater resilience on the goods side. Global equity markets advanced in the first quarter, amid reduced volatility. Yields on key government bonds rose, while the US dollar gained ground against the major currencies.

- The rapid global spread of the COVID-19 pandemic at the start of 2020 brought stricter government controls, travel bans, as well as other measures, and culminated in an economic downturn. Sectors such as commercial real estate, retailing, aviation, tourism, catering, and energy were particularly affected. Efforts to contain the pandemic resulted in a recession in the first half of 2020. Major central banks and governments responded using unprecedented monetary and fiscal policy stimulation measures. Although markets and the world economy developed positively after the easing of restrictions in Europe, the US, and Asia in the period from May to August, the recovery leveled off in the closing months of 2020 and first few months of 2021 due to high unemployment and burgeoning corporate debt. In addition, a resurgence in COVID-19 infections across Europe, the US, and some Asian countries in September 2020 led to the introduction of new local and national restrictions on economic activity that were extended well into the first quarter of 2021. The approval of vaccines as of December 2020 along with the start of mass vaccination programs increased the prospects of a normalization beginning in the second quarter of 2021. The situation nevertheless remains challenging given the need to curb COVID-19 infection rates as well as stem the emergence of new strains that the vaccines may not be so effective at countering.
- The pandemic containment measures brought in during the winter hurt the service sector; this contrasted with greater resilience in the goods sector. In the US, fiscal incentives boosted household disposable incomes and helped drive consumption. Fiscal policy in Europe, meanwhile, was less stimulative; accompanied by tighter restrictions on mobility, this led to a shrinkage of economic activity. Even China experienced a slowdown in its economic recovery as policy effects became less supportive. Vaccination rates increased, with the US and UK making better progress than other major economies. Monetary policy remained supportive. The US Federal Reserve kept interest rates close to zero. The central bank continued its extensive asset purchases and signaled that it would go on pursuing supportive monetary policies in the coming years, notwithstanding the brighter economic outlook. The European Central Bank (ECB) and the Bank of Japan (BoJ) continued to purchase assets as well as ease lending conditions. The Swiss National Bank (SNB) and the Bank of England left their key interest rates unchanged. Meanwhile, central banks in some emerging-market countries decided to raise interest rates.
- The prospect of less stringent social-distancing requirements and a reopening of the economy cheered global equity markets in the first quarter of 2021. The US equity market advanced 5.4% versus the closing quarter of 2020. Equity markets in Europe outperformed their US counterpart to end the quarter with gains of 9.0%. The over 5% advance posted by Swiss equities was poor by comparison. As for emerging markets, equities in the Europe, Middle East, and Africa regions were positive; this contrasted with a below-average showing for Latin America. Energy, financials, and industrials outperformed consumer staples, utilities, and healthcare, which were the worst performers. The Chicago Board Options Exchange Market Volatility Index (VIX) rose toward the end of January 2021, only to fall again at the end of the first quarter. Global bank stocks outperformed the global equity market in the first quarter, while European banks underperformed their global peer group. At the end of the first quarter of 2021, listed global bank stocks were 20.2% up on their level in the fourth quarter of 2020.
- In the area of fixed income investments, the yield curve steepened. Spreads increased slightly versus the fourth quarter of 2020, though they remained at low levels. The rise in government bond yields affected asset classes with longer

The Credit Suisse Swiss Pension Fund Index is calculated on the basis of the equally weighted gross returns (prior to deducting management costs) realized by Swiss pension funds whose assets are held at Credit Suisse under a global custody arrangement. Asset management and advisory tasks, however, are performed by the pension funds themselves or by third parties. In its role as global custodian, Credit Suisse has no influence on the performance of individual pension funds.

maturities, in particular investment grade and hard currency sovereign bonds from emerging markets, both of which posted negative returns for the first quarter of 2021. In contrast, segments with a shorter maturity – such as high-yield bonds – proved more resilient. Corporate default rates also returned to normal at a worldwide level.

- The US dollar rose in value against other major currencies in the first quarter of 2021. The greenback gained nearly 4% against the euro, as well as over 6% against the Swiss franc and the Japanese yen. The improved economic outlook in the US and increasing expectations of an earlier rate hike by the Fed provided support to the US dollar. Commodity-driven currencies such as the Canadian dollar and the Norwegian krone gained

Credit Suisse Swiss Pension Fund Index: Encouraging start to the year in Q1 2021

- The Pension Fund Index rose by 5.42 points, or 2.79%, in the quarter under review; this gives a change of 2.79% since the start of the year. As of March 31, 2021, the index stood at 199.21 points, based on a starting level of 100 points at the beginning of 2000. This means the year has begun with a significant gain. February (+0.63%) was surpassed by a very strong March (+2.40%), while January (–0.24%) had a slightly negative impact on the quarterly result.

ground versus the US dollar against the reflationary backdrop. Meanwhile, several EM currencies weakened versus the US dollar. The Chinese renminbi was among the best performing currencies, while the Turkish lira, Argentine peso, and Brazilian real were the worst performers against the US dollar.

- The Credit Suisse Commodities Benchmark was up 13.6% in the first quarter of 2021. Oil markets in particular performed positively, driven by increased supply from OPEC+ as well as reduced US shale production volumes. Industrial metals likewise gained on the back of Chinese demand and a shortage of global inventories. Robust demand from China also supported agricultural prices. Precious metals reacted to the rapid rise in US bond yields, with prices falling by more than 3%.
- The lion's share of positive performance in the first quarter was attributable to equities (+2.83%). Swiss equities achieved a return contribution of 0.79%, while foreign equities made a contribution of 2.04%. With a performance contribution of –0.28%, bonds (including convertible bonds) reduced the result. Real estate also turned in a positive performance at 0.31%. Alternative investments and other investments were fairly unremarkable, but nonetheless ended in positive territory. Liquidity was slightly negative (cash and FX forwards for currency hedging purposes).

Table 1: Performance contribution (quarterly)

Credit Suisse Swiss Pension Fund Index (1.1.2021–31.12.2021)

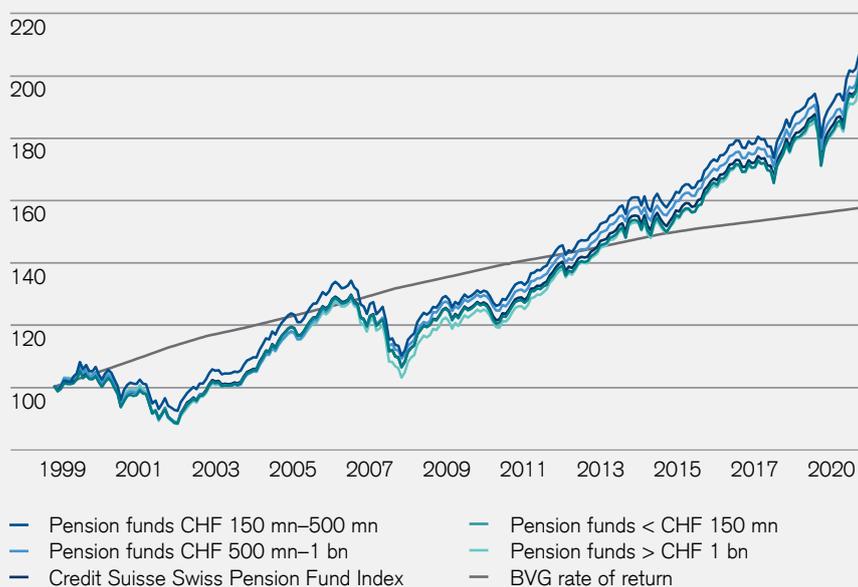
	Q1 21	Q2 21	Q3 21	Q4 21	YTD
Liquidity	–0.30%				–0.30%
CHF bonds	–0.39%				–0.39%
Foreign currency bonds	0.10%				0.10%
Convertible bonds	0.01%				0.01%
Swiss equities	0.79%				0.79%
Foreign equities	2.04%				2.04%
Alternative investments	0.21%				0.21%
Real estate	0.31%				0.31%
Mortgages	0.00%				0.00%
Other	0.02%				0.02%
Total	2.79%				2.79%

Credit Suisse Swiss Pension Fund Index above BVG mandatory minimum rate of return over long term

■ The index of the BVG mandatory minimum rate of return (1% p.a. since January 1, 2017) rose by 0.39 points (0.25%) to a level of 157.10 points in the reporting quarter from a baseline of 100 in January 2000. The return of the Credit Suisse Swiss Pension Fund Index was therefore 2.55% above the BVG requirement in the first quarter of 2021.

■ The annualized return on the Credit Suisse Swiss Pension Fund Index (since January 1, 2000) amounted to 3.29% as of March 31, 2021. This contrasts with an annualized BVG mandatory minimum rate of return of 2.14%.

Chart 1:
Performance by pension fund segment size



Scale: Index level

BVG rate of return

until 31.12.2002	4.00%
from 1.1.2003	3.25%
from 1.1.2004	2.25%
from 1.1.2005	2.50%
from 1.1.2008	2.75%
from 1.1.2009	2.00%
from 1.1.2012	1.50%
from 1.1.2014	1.75%
from 1.1.2016	1.25%
since 1.1.2017	1.00%

Table 2: Index level 2015–2021

	Jan.	Feb.	Mar.	Apr.	May	Jun.	Jul.	Aug.	Sep.	Oct.	Nov.	Dec.
2015	149.45	153.54	154.53	154.71	154.51	151.98	154.82	151.40	149.99	154.04	155.54	153.67
2016	152.24	151.26	152.92	154.35	156.35	155.97	157.73	158.65	158.62	157.48	157.73	159.63
2017	160.03	162.97	164.03	165.65	166.57	165.92	167.78	167.87	168.95	170.97	171.22	172.48
2018	172.42	170.25	170.20	172.40	171.44	171.65	173.73	172.82	173.03	170.69	170.63	166.96
2019	172.06	174.21	176.13	179.15	176.66	179.49	181.14	181.37	182.27	183.16	185.49	186.14
2020	187.09	182.86	172.81	178.56	181.12	182.65	184.03	185.99	186.43	184.18	191.06	193.79
2021	193.32	194.54	199.21									

Table 3: Monthly returns 2015–2021

	Jan.	Feb.	Mar.	Apr.	May	Jun.	Jul.	Aug.	Sep.	Oct.	Nov.	Dec.	YTD
2015	-1.83%	2.74%	0.64%	0.12%	-0.13%	-1.64%	1.87%	-2.21%	-0.93%	2.70%	0.97%	-1.20%	0.95%
2016	-0.94%	-0.64%	1.10%	0.94%	1.29%	-0.24%	1.13%	0.58%	-0.01%	-0.72%	0.16%	1.20%	3.87%
2017	0.26%	1.83%	0.65%	0.99%	0.55%	-0.39%	1.12%	0.06%	0.64%	1.20%	0.14%	0.74%	8.05%
2018	-0.04%	-1.26%	-0.03%	1.29%	-0.55%	0.12%	1.21%	-0.52%	0.12%	-1.35%	-0.04%	-2.15%	-3.20%
2019	3.05%	1.25%	1.10%	1.71%	-1.39%	1.60%	0.92%	0.13%	0.49%	0.49%	1.27%	0.35%	11.48%
2020	0.51%	-2.26%	-5.49%	3.33%	1.43%	0.84%	0.76%	1.07%	0.23%	-1.21%	3.73%	1.43%	4.11%
2021	-0.24%	0.63%	2.40%										2.79%

Table 4: Monthly returns 2021 by pension fund segment size

	Jan.	Feb.	Mar.	Apr.	May	Jun.	Jul.	Aug.	Sep.	Oct.	Nov.	Dec.	YTD
Credit Suisse Swiss Pension Fund Index	-0.24%	0.63%	2.40%										2.79%
Pension funds > CHF 1 bn	-0.20%	0.55%	2.39%										2.75%
Pension funds CHF 500 mn–1 bn	-0.23%	0.65%	2.48%										2.91%
Pension funds CHF 150–500 mn	-0.24%	0.53%	2.21%										2.50%
Pension funds < CHF 150 mn	-0.29%	0.92%	2.69%										3.33%

Table 5: Annualized returns

1.1.2000–31.3.2021

	Annualized performance since January 1, 2000
Credit Suisse Swiss Pension Fund Index	3.29%
BVG rate of return	2.14%
Pension funds > CHF 1 bn	3.21%
Pension funds CHF 500 mn–1 bn	3.35%
Pension funds CHF 150–500 mn	3.46%
Pension funds < CHF 150 mn	3.30%

Performance by asset class

Monthly returns

Table 6: Credit Suisse Swiss Pension Fund Index in 2021

	Jan.	Feb.	Mar.	Apr.	May	Jun.	Jul.	Aug.	Sep.	Oct.	Nov.	Dec.	YTD
Liquidity	-0.66%	-2.56%	-4.42%										-7.48%
CHF bonds	-0.38%	-1.32%	0.13%										-1.56%
Foreign currency bonds	-0.18%	0.22%	2.05%										2.09%
Convertible bonds	0.86%	2.29%	-0.60%										2.56%
Swiss equities	-0.84%	0.12%	6.62%										5.85%
Foreign equities	0.52%	3.83%	5.97%										10.61%
Alternative investments	0.50%	0.97%	1.67%										3.17%
Real estate	-0.59%	0.86%	1.01%										1.28%
Mortgages	0.06%	0.07%	0.11%										0.24%
Other	-0.21%	0.91%	3.29%										4.02%
Total	-0.24%	0.63%	2.40%										2.79%

Note: In addition to cash, the liquidity asset class includes money market investments and FX forwards for currency hedging purposes.

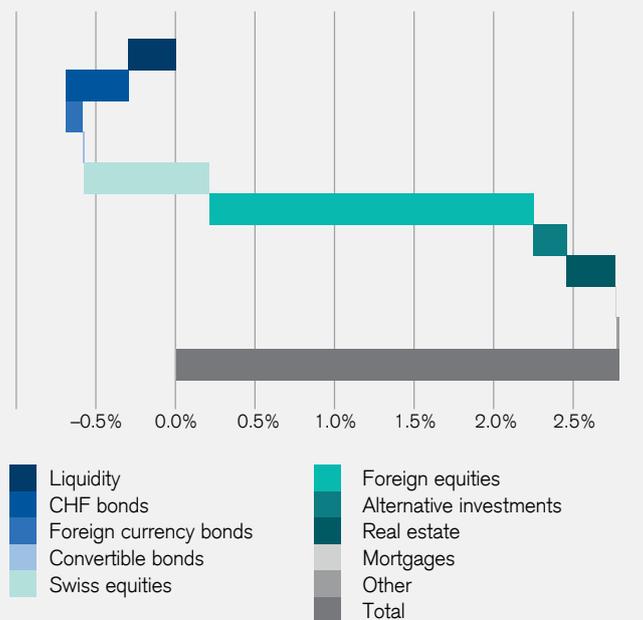
Table 7: Benchmark indices 2021

	Jan.	Feb.	Mar.	Apr.	May	Jun.	Jul.	Aug.	Sep.	Oct.	Nov.	Dec.	YTD
CHF bonds SBI AAA-BBB 1-15Y (TR)	-0.07%	-0.86%	0.39%										-0.54%
Foreign currency bonds Bloomberg Barclays Global Aggr. (TR)	-0.25%	0.01%	1.96%										1.72%
Swiss equities SPI (TR)	-1.01%	-0.44%	6.70%										5.16%
Foreign equities MSCI AC World ex Switzerland (NR)	0.22%	4.25%	6.74%										11.52%
Real estate direct/ investment foundations KGAST Immo-Index (Switzerland) (TR)	0.39%	0.28%	0.46%										1.14%
Real estate funds SXI Real Estate Funds Broad (TR)	-3.45%	1.56%	2.43%										0.43%

Positive returns in the first quarter heavily driven by equities

- Swiss equities were positive in the quarter under review (5.85%) and outperformed the SPI (TR) (5.16%).
- Foreign equities were highly positive (10.61%), but lagged behind the benchmark MSCI AC World ex Switzerland (NR) (11.52%).
- Foreign currency bonds were positive (2.09%) and ahead of the Bloomberg Barclays Global Aggr. (TR) (1.72%).
- CHF bonds were negative (-1.56%) and behind the SBI AAA-BBB 1-15Y (TR) (-0.54%).
- Real estate was positive (1.28%) and ahead of the benchmark (50% KGAST and 50% SXI Real Estate Funds Broad [TR]) (0.81%).
- Liquidity (cash, FX forwards for currency hedging) posted a negative return (-7.48%).

Chart 2:
Contribution waterfall YTD 2021



Scale: Return in percent (%)

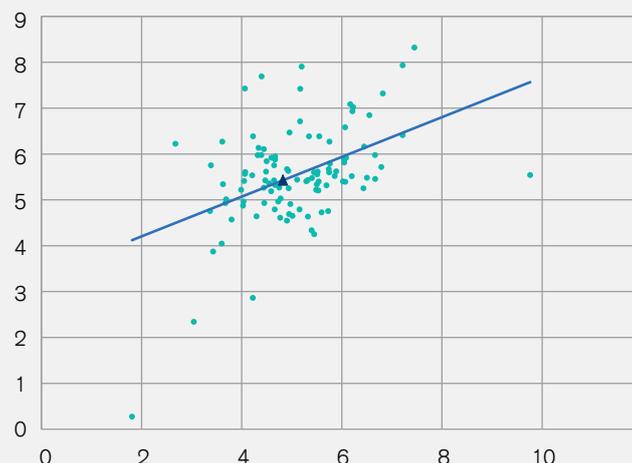
Risk/return positions

Five-year review: Rising annualized return in the reporting quarter, as annualized risk increases slightly

- The unweighted average annualized return in Q1 2021 rose by 0.69 percentage points compared with the fourth quarter of 2020 to 5.43% amid slightly rising risk (+0.02% to 4.83%).
- The Sharpe ratio therefore improved from 1.12 to 1.25.
- Medium-sized pension funds (CHF 150 million to 500 million and CHF 500 million to CHF 1 billion) exhibit the best risk/return ratio (Sharpe ratio of 1.27).
- Pension funds with an investment volume of less than CHF 150 million exhibit the highest median return (5.64%).
- Pension funds with an investment volume of above CHF 1 billion show the lowest median return (5.44%).
- Pension funds with an investment volume of less than CHF 150 million show the lowest Sharpe ratio (1.20).

Chart 3:

Annualized risk/return comparison; five-year view, monthly values from April 2016 to March 2021



X-axis: annualized risk in percent (%)

Y-axis: annualized return in percent (%)

▲ : Credit Suisse Swiss Pension Fund Index

Table 8: Risk/return ratios

01.04.2016–31.03.2021

	Risk	Return	Sharpe ratio
Credit Suisse Swiss Pension Fund Index	4.83%	5.43%	1.25
Pension funds > CHF 1 bn	4.71%	5.33%	1.26
Pension funds CHF 500 mn–1 bn	4.59%	5.21%	1.27
Pension funds CHF 150–500 mn	4.67%	5.34%	1.27
Pension funds < CHF 150 mn	5.24%	5.72%	1.20

Table 9: Return bandwidths

01.04.2016–31.03.2021

	Minimum	1st quartile	Median	3rd quartile	Maximum
Credit Suisse Swiss Pension Fund Index	0.27%	5.12%	5.48%	5.96%	8.32%
Pension funds > CHF 1 bn	4.25%	4.96%	5.44%	5.98%	6.93%
Pension funds CHF 500 mn–1 bn	4.57%	5.26%	5.52%	5.89%	7.01%
Pension funds CHF 150–500 mn	0.27%	4.91%	5.53%	5.78%	7.69%
Pension funds < CHF 150 mn	4.34%	5.28%	5.64%	6.65%	8.32%

Note: The Sharpe ratio shows the return in excess of the risk-free interest rate divided by the volatility, which is a measure of its risk.

The risk/return figures in Table 8 are annualized values for the past five years. A portfolio only contributes to the return and risk of the index during the periods in which this portfolio is included in the index. The data points in Chart 3, by contrast, show the figures for the portfolios that were part of the index at the end of the reference quarter, regardless of the date they joined the index, as well as the figures for the index itself. The data points of recently added portfolios may have been removed if the annualization led to meaningless outliers.

Asset allocation

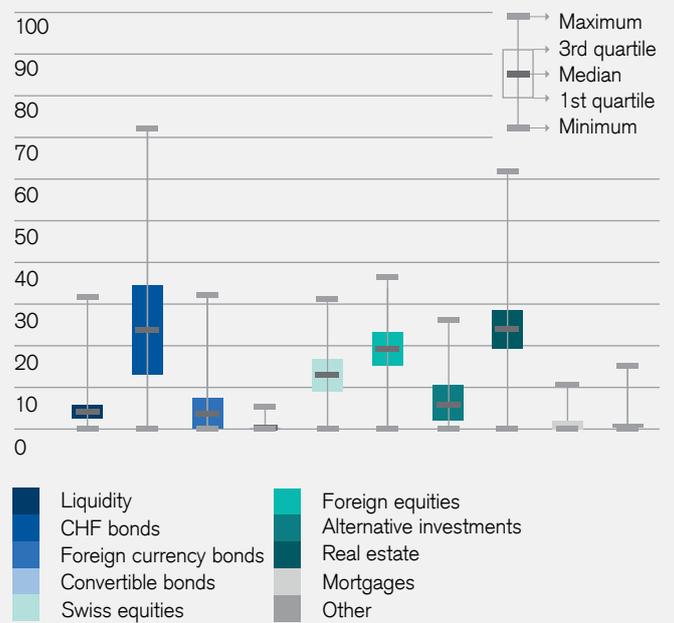
Increase in equities; declines in liquidity, CHF bonds, and real estate

■ The sharp rise in share prices led to a shift at the expense of other asset classes, with sharp decreases for liquidity, followed by CHF bonds and real estate. Alternative investments showed modest increases.

- Foreign equities +1.07% to 20.10%
- Swiss equities +0.57% to 13.83%
- Mortgages +0.13% to 1.46%
- Alternative investments +0.09% to 6.69%
- Liquidity -0.87% to 3.84%
- CHF bonds -0.29% to 24.44%
- Real estate -0.29% to 23.87%
- Foreign currency bonds -0.12% to 4.98%
- Convertible bonds -0.05% to 0.33%

Chart 4:

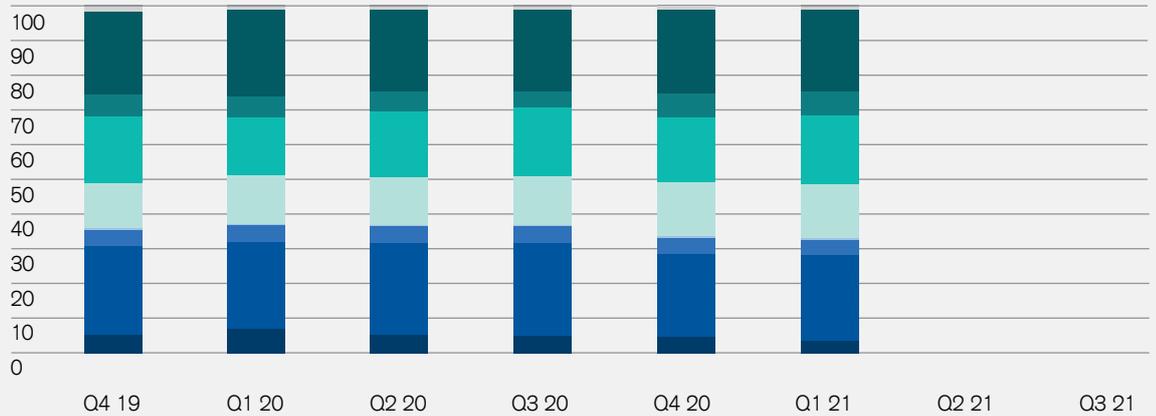
Asset allocation



Scale: In percent (%)

Chart 5:

Asset allocation at the end of the quarter for the last eight quarters (start of new analysis method at the end of Q4 2019)



Scale: In percent (%)

	Q4 19	Q1 20	Q2 20	Q3 20	Q4 20	Q1 21	Q2 21	Q3 21
Liquidity	5.55%	6.00%	5.21%	4.86%	4.71%	3.84%		
CHF bonds	25.60%	26.40%	26.14%	26.03%	24.73%	24.44%		
Foreign currency bonds	5.23%	5.15%	5.25%	5.22%	5.10%	4.98%		
Convertible bonds	0.37%	0.34%	0.37%	0.37%	0.38%	0.33%		
Swiss equities	13.28%	12.55%	12.89%	12.97%	13.26%	13.83%		
Foreign equities	18.53%	16.23%	17.56%	18.13%	19.03%	20.10%		
Alternative investments	6.20%	6.69%	6.52%	6.46%	6.60%	6.69%		
Real estate	23.46%	24.74%	24.15%	24.08%	24.16%	23.87%		
Mortgages	1.36%	1.44%	1.35%	1.35%	1.33%	1.46%		
Other	0.43%	0.46%	0.58%	0.53%	0.69%	0.45%		

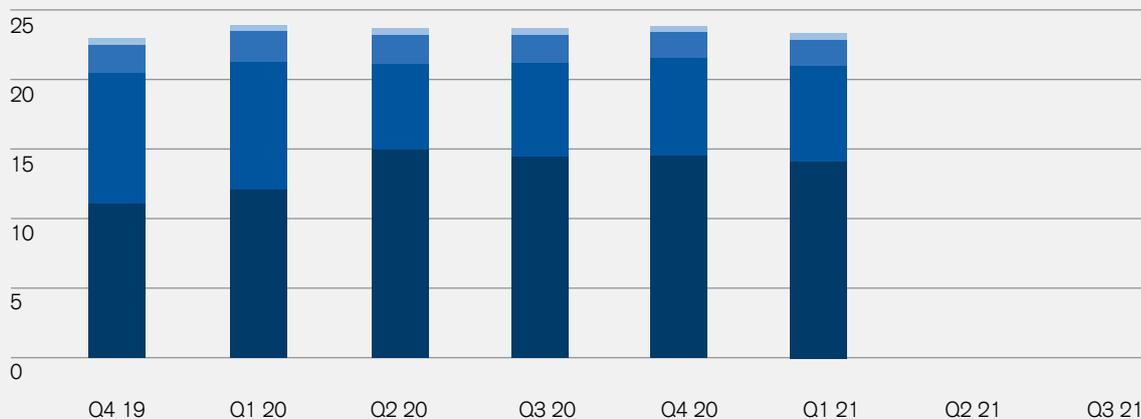
Small reduction in real estate

- The overall share of real estate fell slightly at the end of the first quarter of 2021 (−0.29% to 23.87%).
- Swiss real estate decreased (−0.40% to 20.90%: direct −0.31% to 14.46%; indirect −0.09% to 6.44%).

- Foreign real estate increased slightly (+0.11% to 2.97%).

Chart 6:

Real estate allocation at the end of the quarter for the last eight quarters (start of new analysis method at the end of Q4 2019)



Scale: In percent (%)

■ Swiss direct investments / investment foundations	11.20%	12.07%	14.97%	14.78%	14.77%	14.46%
■ Swiss investment funds	9.26%	9.62%	6.14%	6.30%	6.53%	6.44%
■ Foreign hedged	2.03%	2.13%	2.12%	2.07%	1.98%	1.99%
■ Foreign unhedged	0.97%	0.92%	0.92%	0.93%	0.89%	0.98%
Total	23.46%	24.74%	24.15%	24.08%	24.16%	23.87%

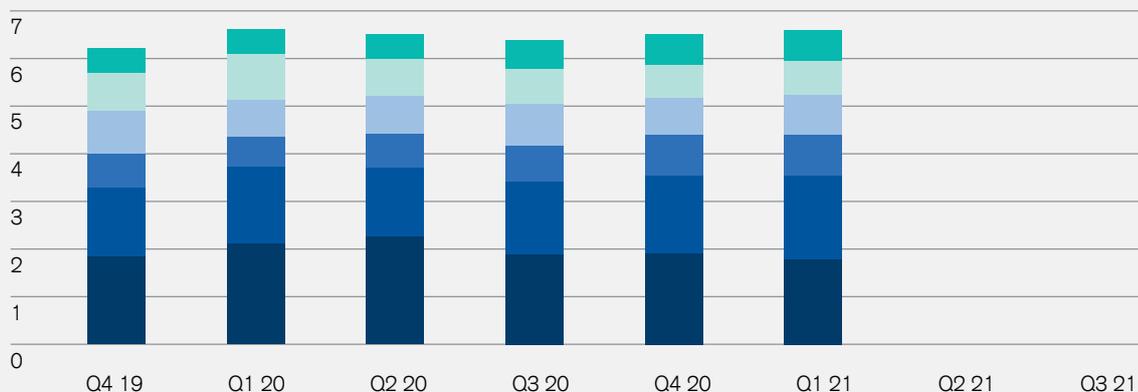
Slight increase in alternative investments component

- The alternative investments component increased slightly compared with the previous quarter (+0.09% to 6.69%).
- Private equity showed the biggest increase (+0.12% to 1.63%).

- The infrastructure component also increased (+0.03% to 0.90%).
- The commodities weighting was up slightly (+0.01% to 0.77%).
- The hedge funds (−0.05% to 1.91%) and insurance-linked components decreased slightly (−0.03% to 0.79%).

Chart 7:

Allocation of alternative investments at the end of the quarter for the last eight quarters (start of new analysis method at the end of Q4 2019)



Scale: In percent (%)

	Q4 19	Q1 20	Q2 20	Q3 20	Q4 20	Q1 21
■ Hedge funds	1.87%	2.01%	2.02%	1.96%	1.96%	1.91%
■ Private equity	1.38%	1.54%	1.45%	1.49%	1.51%	1.63%
■ Commodities	0.60%	0.66%	0.66%	0.68%	0.76%	0.77%
■ Insurance-linked	0.92%	0.98%	0.89%	0.83%	0.82%	0.79%
■ Infrastructure	0.86%	0.92%	0.92%	0.89%	0.87%	0.90%
■ Senior loans	0.58%	0.58%	0.58%	0.60%	0.69%	0.69%
Total	6.20%	6.69%	6.52%	6.46%	6.60%	6.69%

Modified duration

- The modified duration for the overall index increased to 5.30 as of March 31, 2021.
- Pension funds with assets of between CHF 500 million and CHF 1 billion exhibited the highest modified duration (6.18) as of the end of March 2021.

- The lowest modified duration as of the end of March 2021 (4.00) was observed in pension funds with investment assets of below CHF 150 billion.

Table 10: Modified duration in 2021 (at month-end)

	Jan.	Feb.	Mar.	Apr.	May	Jun.	Jul.	Aug.	Sep.	Oct.	Nov.	Dec.
Credit Suisse Swiss Pension Fund Index	5.25	5.27	5.30									
Pension funds > CHF 1 bn	5.91	5.91	5.77									
Pension funds CHF 500 mn–1 bn	6.07	5.96	6.18									
Pension funds CHF 150–500 mn	4.97	5.10	5.23									
Pension funds < CHF 150 mn	4.09	4.01	4.00									

Note: The modified duration indicates the direct sensitivity of the bond price (in percentage terms) to a 1% change in the market interest rate. Only direct bond investments are used in calculating the modified duration; collective investments are excluded.

Currency allocation

Decrease in Swiss franc component in the first quarter of 2021

- The current reporting quarter saw a shift at the expense of the CHF component, whose share fell to 80.13% (−1.91%).
- The USD component rose sharply (+2.41% to 8.64%). The EUR (+0.33% to 2.44%) and JPY (+0.23% to 0.98%) components also showed an increase.

- The GBP (−0.07% to 0.73%) as well as the other currencies decreased.

Chart 8:
Currency allocation for the last eight quarters

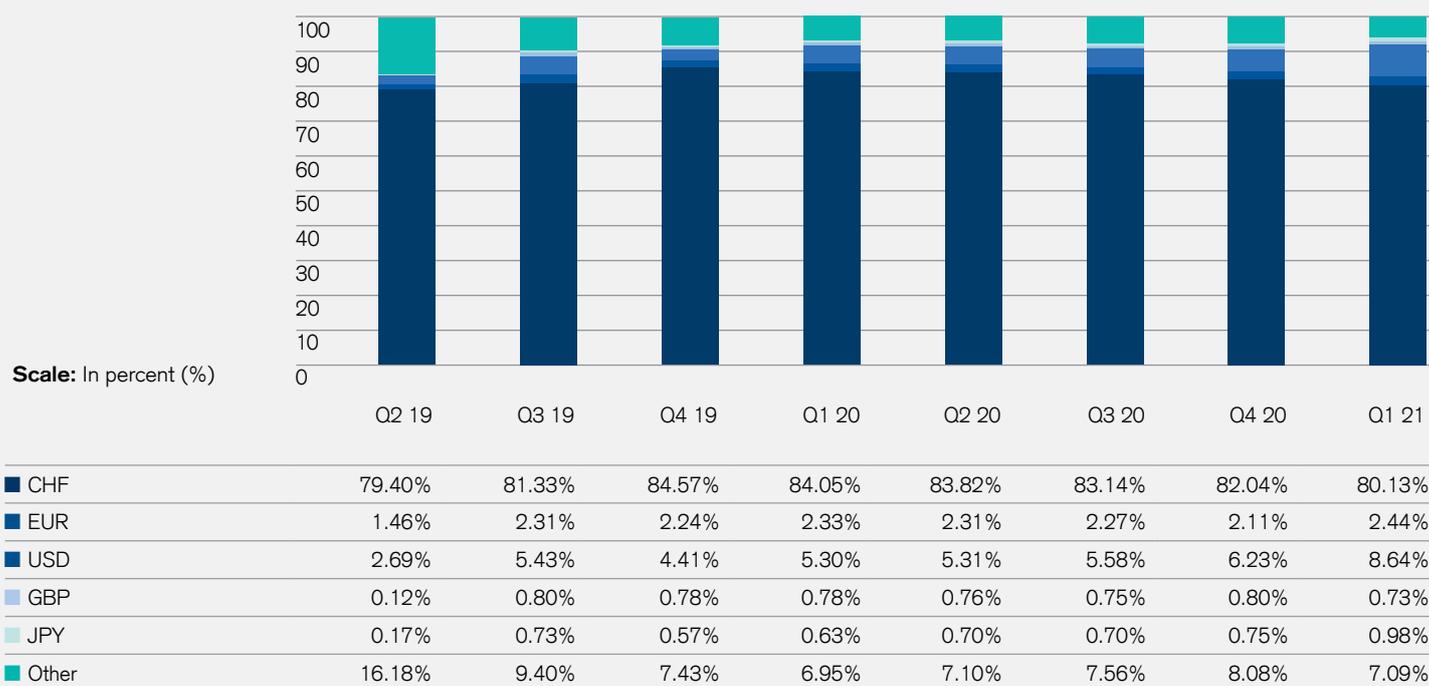


Table 11: Foreign exchange rates against the CHF in 2021

	Jan.	Feb.	Mar.	Apr.	May	Jun.	Jul.	Aug.	Sep.	Oct.	Nov.	Dec.	YTD
EUR	−0.07%	1.67%	0.66%										2.27%
USD	0.64%	1.76%	3.96%										6.47%
GBP	1.10%	3.61%	2.59%										7.46%
JPY	−0.75%	0.00%	0.24%										−0.52%

Data source: Credit Suisse, unless otherwise specified.

Past performance and financial market scenarios are not reliable indicators of future results.

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