

Credit Suisse Swiss Pension Fund Index Q2 2021



Credit Suisse Swiss Pension Fund Index

Comparison of Swiss pension funds

Q2 2021: 3.30%

YTD 2021: 6.19%

- Ongoing upward trend
- Q1 gains exceeded
- Highly positive return contribution from Swiss equities

Market review

Service sector activity picked up as vaccinations progressed in major economies. Global equity markets ended the quarter higher and volatility decreased further. Major government bond yields were mixed, and the US dollar was generally slightly lower against major currencies in Q2 2021.

- Service sector activity revived as vaccinations progressed and COVID-19 infection rates declined in most major economies. Inflation increased in many countries, partly driven by base effects from second quarter weakness in the previous year but also due to price pressures from global goods supply shortages, higher shipping costs, and the recovery in services. In the US, fiscal stimulus continued to support household disposable income and consumption. The European resurgence lagged behind the US due to slower vaccination rates, but gathered pace in June. In China, growth moderated as supply issues disrupted manufacturing. Some emerging economies – most notably India but also various countries in Latin America – were hit by large waves of COVID-19 cases.
- The US Federal Reserve (Fed) kept rates close to zero and continued large-scale asset purchases, but signaled discussions on asset purchase reductions could start soon amid upgraded economic projections. The European Central Bank and the Bank of Japan continued asset purchases and kept rates unchanged. By contrast, the Bank of England reduced the pace of asset purchases.
- The anticipation of fading social distancing requirements and the effects of economic reopening had a positive impact on global equity market prices in Q2 2021. Compared with Q1 2021, the US equity market gained 8.9%. European equity markets underperformed the US equity market, ending the quarter 5.8% higher. The Swiss equity market gained 9.5% and was one of the stronger markets. In emerging markets, stocks in the Latin America region outperformed, whereas Asia underperformed. Information technology, real estate, and communication services outperformed utilities, industrials, and materials, which were the worst underperformers. The Chicago Board Options Exchange Market Volatility Index (VIX) increased significantly in May, and then decreased again towards the end of Q2 2021. The global banks index underperformed global equity markets, while European bank stocks underperformed world bank stocks in Q2 2021. At the end of Q2 2021, world bank stocks traded 5.2% higher compared with Q1 2021.
- In fixed income, following US inflation numbers and the June Federal Open Market Committee (FOMC) meeting, the US yield curves flattened somewhat. Credit spreads remained at a tight level. Both investment-grade and emerging-market hard-currency sovereign bonds delivered a positive return in Q2 2021. Furthermore, shorter-duration segments, such as high yield, continued to be resilient, and corporate default rates normalized further globally, especially in the US and Europe.
- The US dollar ended Q2 2021 slightly lower against other major currencies. The outcome of the June FOMC meeting supported the US dollar and helped recoup some of its losses in the first half of the quarter. Low-yielding currencies such as the Japanese yen, the Swiss franc, and the euro suffered the most after the Fed meeting. Nevertheless, with the European recovery stronger than initially expected, the euro gained nearly 1% against the US dollar in Q2 2021. The Swiss franc held up well, gaining almost 2% against the US dollar in Q2 2021, while both the British pound and the Japanese yen moved sideways over the period. More cyclical currencies had a mixed performance in Q2 2021, with the Canadian dollar gaining while the Australian dollar declined against the US dollar.
- Commodities extended their recovery in Q2 2021 and the Credit Suisse Commodities Benchmark ended the quarter 16% higher. Energy markets and oil outperformed as demand recovered amid COVID-19 vaccination progress and continued OPEC+ supply restraint helped shrink global inventories. Agriculture prices rose due to declining crop inventories and mixed harvests in Latin America. Industrial metals gained as well, whereas precious metals underperformed.

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.

Credit Suisse Swiss Pension Fund Index: Ongoing upward trend

■ The Pension Fund Index rose by 6.57 points, or 3.30%, in the quarter under review; this gives a change of 6.19% since the start of the year. The index stood at 205.78 points as of June 30, 2021, having risen from a baseline of 100 at the beginning of 2000. The momentum seen in the first quarter was maintained, with April (+0.69%) and May (+0.72%) surpassed by a very strong June (+1.86%).

■ The lion's share of positive performance in the second quarter was attributable to equities (+2.26%). Swiss equities achieved a return contribution of 1.24%, while foreign equities made a contribution of 1.02%. Bonds (including convertible bonds) helped improve the result, with a performance contribution of 0.11%. Real estate also turned in a distinctly positive performance at 0.68%. Liquidity, alternative investments, and other investments were fairly unremarkable, but nonetheless ended in positive territory.

Table 1: Performance contribution (quarterly)

Credit Suisse Swiss Pension Fund Index (1.1.2021–31.12.2021)

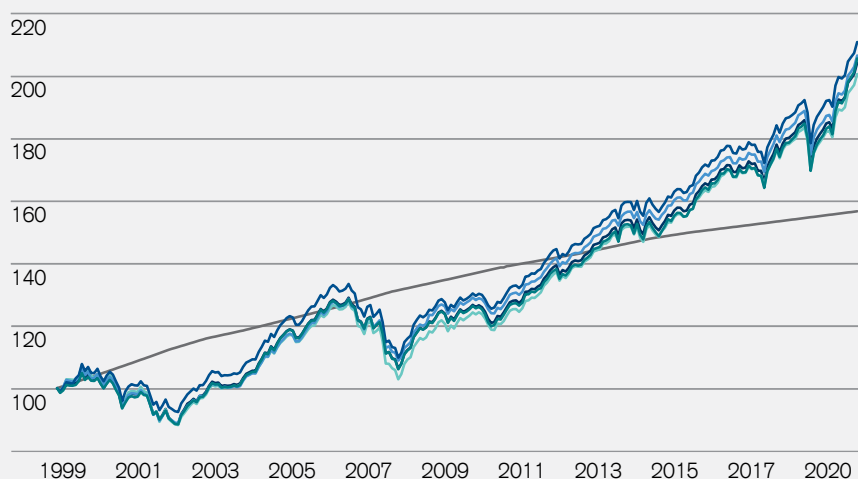
	Q1 21	Q2 21	Q3 21	Q4 21	YTD
Liquidity	-0.30%	0.07%			-0.23%
CHF bonds	-0.39%	0.09%			-0.31%
Foreign currency bonds	0.10%	0.01%			0.12%
Convertible bonds	0.01%	0.00%			0.02%
Swiss equities	0.79%	1.24%			2.06%
Foreign equities	2.04%	1.02%			3.11%
Alternative investments	0.21%	0.16%			0.38%
Real estate	0.31%	0.68%			1.00%
Mortgages	0.00%	0.00%			0.01%
Other	0.02%	0.01%			0.03%
Total	2.79%	3.30%			6.19%

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 157.49 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 3.05% above the BVG requirement in the second quarter of 2021.

■ The annualized return on the Credit Suisse Swiss Pension Fund Index (since January 1, 2000) amounted to 3.41% as of June 30, 2021. This contrasts with an annualized BVG mandatory minimum rate of return of 2.13%.

Chart 1:
Performance by pension fund segment size



— Pension funds CHF 150 –500 mn
 — Pension funds CHF 500 mn–1 bn
 — Pension funds < CHF 150 mn
 — Pension funds > CHF 1 bn
 — Credit Suisse Swiss Pension Fund Index
 — BVG rate of return

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	200.58	202.01	205.78						

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%	0.69%	0.72%	1.86%							6.19%

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%	0.69%	0.72%	1.86%							6.19%
Pension funds > CHF 1 bn	-0.20%	0.55%	2.39%	0.67%	0.70%	1.79%							6.03%
Pension funds CHF 500 mn–1 bn	-0.23%	0.65%	2.48%	0.65%	0.78%	1.81%							6.27%
Pension funds CHF 150–500 mn	-0.24%	0.53%	2.21%	0.68%	0.65%	1.73%							5.65%
Pension funds < CHF 150 mn	-0.29%	0.92%	2.69%	0.75%	0.81%	2.22%							7.28%

Table 5: Annualized returns

1.1.2000–31.06.2021

	Annualized performance since January 1. 2000
Credit Suisse Swiss Pension Fund Index	3.41%
BVG rate of return	2.13%
Pension funds > CHF 1 bn	3.32%
Pension funds CHF 500 mn–1 bn	3.47%
Pension funds CHF 150–500 mn	3.57%
Pension funds < CHF 150 mn	3.44%

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%	3.30%	1.07%	-2.57%							-5.88%
CHF bonds	-0.38%	-1.32%	0.13%	0.03%	-0.05%	0.39%							-1.19%
Foreign currency bonds	-0.18%	0.22%	2.05%	-1.55%	-0.19%	2.05%							2.36%
Convertible bonds	0.86%	2.29%	-0.60%	0.74%	-0.91%	1.56%							3.96%
Swiss equities	-0.84%	0.12%	6.62%	1.07%	3.51%	4.17%							15.37%
Foreign equities	0.52%	3.83%	5.97%	1.44%	0.36%	3.36%							16.38%
Alternative investments	0.50%	0.97%	1.67%	0.61%	0.85%	0.93%							5.65%
Real estate	-0.59%	0.86%	1.01%	0.61%	0.32%	1.83%							4.09%
Mortgages	0.06%	0.07%	0.11%	0.10%	0.06%	0.05%							0.45%
Other	-0.21%	0.91%	3.29%	0.46%	1.15%	1.05%							6.82%
Total	-0.24%	0.63%	2.40%	0.69%	0.72%	1.86%							6.19%

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

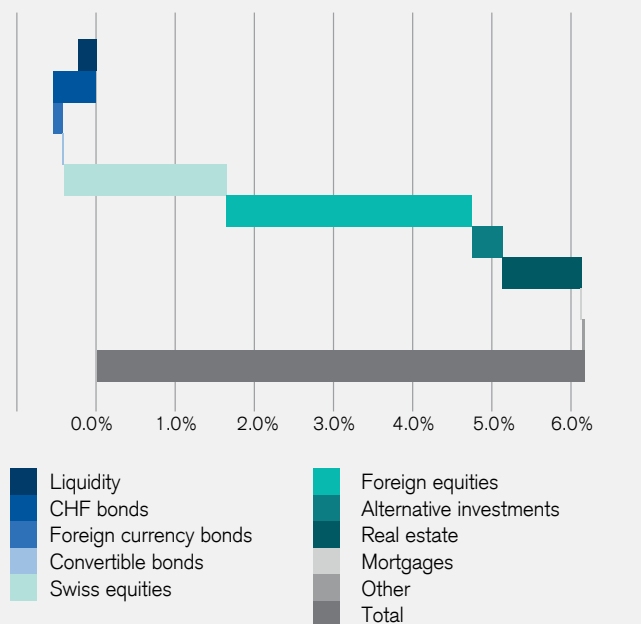
Table 7: Benchmark indices in 2021

	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%	-0.11%	-0.10%	0.20%							-0.55%
Foreign currency bonds Bloomberg Barclays Global Aggr. (TR)	-0.25%	0.01%	1.96%	-1.87%	-0.47%	1.87%							1.22%
Swiss equities SPI (TR)	-1.01%	-0.44%	6.70%	1.17%	3.45%	4.62%							15.15%
Foreign equities MSCI AC World ex Switzerland (NR)	0.22%	4.25%	6.74%	1.15%	0.06%	4.12%							17.52%
Real estate direct/ investment foundations KGAST Immo-Index (Switzerland) (TR)	0.39%	0.28%	0.46%	0.29%	0.42%	0.44%							2.31%
Real estate funds SXI Real Estate Funds Broad (TR)	-3.45%	1.56%	2.43%	0.96%	-0.43%	5.73%							6.73%

Positive returns in the second quarter heavily driven by Swiss equities

- Swiss equities were very positive in the quarter under review (8.99%), but lagged behind the benchmark SPI (TR) (9.50%).
- Foreign equities were highly positive (5.22%), but slightly underperformed the benchmark MSCI AC World ex Switzerland (NR) (5.38%).
- Foreign currency bonds were slightly positive (0.27%) and outperformed the Bloomberg Barclays Global Aggr. (TR) (-0.50%).
- CHF bonds were positive (0.38%) and ahead of the SBI AAA-BBB 1-15Y (TR) (-0.01%).
- Real estate was positive (2.69%) but lagged behind the benchmark (50% KGAST and 50% SXI Real Estate Funds Broad [TR]) (3.72%).
- Liquidity (cash, FX forwards for currency hedging) posted a positive return (1.73%).

Chart 2:
Contribution waterfall YTD 2021



Scale: Return in percent (%)

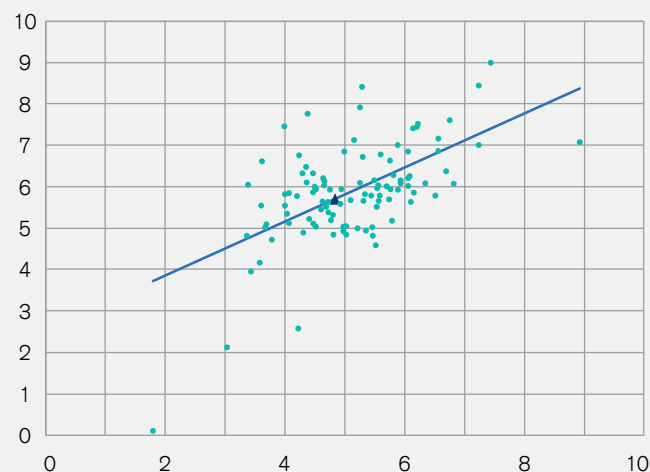
Risk/return positions

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

- The unweighted average annualized return in Q2 2021 rose by 0.27 percentage points compared with the first quarter of 2021 to 5.70% amid slightly rising risk (+0.01% to 4.84%).
- The Sharpe ratio therefore improved from 1.25 to 1.30.
- Pension funds with an investment volume of CHF 150 million to 500 million exhibited the best risk/return ratio (Sharpe ratio of 1.32).
- Pension funds with an investment volume of less than CHF 150 million showed the highest median return (5.97%).
- Pension funds with an investment volume of above CHF 1 billion showed the lowest median return (5.77%).
- Pension funds with an investment volume of less than CHF 150 million showed the lowest Sharpe ratio (1.26).

Chart 3:

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



X-axis: annualized risk in percent (%)

Y-axis: annualized return in percent (%)

▲ : Credit Suisse Swiss Pension Fund Index

Table 8: Risk/return ratios

01.07.2016–30.06.2021

	Risk	Return	Sharpe ratio
Credit Suisse Swiss Pension Fund Index	4.84%	5.70%	1.30%
Pension funds > CHF 1 bn	4.73%	5.61%	1.31%
Pension funds CHF 500 mn–1 bn	4.61%	5.47%	1.31%
Pension funds CHF 150–500 mn	4.68%	5.58%	1.32%
Pension funds < CHF 150 mn	5.26%	6.06%	1.26%

Table 9: Return bandwidths

01.07.2016–30.06.2021

	Minimum	1st quartile	Median	3rd quartile	Maximum
Credit Suisse Swiss Pension Fund Index	0.08%	5.33%	5.92%	6.33%	13.74%
Pension funds > CHF 1 bn	4.58%	5.15%	5.77%	6.63%	13.74%
Pension funds CHF 500 mn–1 bn	4.16%	5.19%	5.88%	6.14%	7.50%
Pension funds CHF 150–500 mn	0.08%	5.42%	5.94%	6.14%	7.91%
Pension funds < CHF 150 mn	4.81%	5.54%	5.97%	6.92%	8.98%

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.

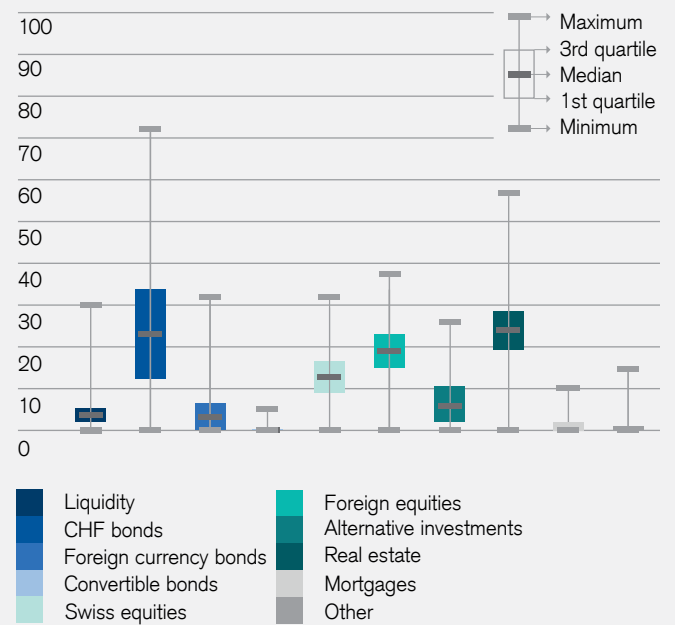
Asset allocation

Rise in real estate and Swiss equities, declines in liquidity, CHF and foreign currency bonds, and foreign equities

- The rise in real estate and Swiss equities led to a shift at the expense of other asset classes, with decreases for CHF bonds, followed by foreign currency bonds, foreign equities, and liquidity.
- Swiss equities +0.38% to 14.21%
- Foreign equities -0.23% to 19.88%
- Mortgages -0.05% to 1.42%
- Alternative investments +0.02% to 6.71%
- Liquidity -0.25% to 3.59%
- CHF bonds -0.41% to 24.03%
- Real estate +0.79% to 24.66%
- Foreign currency bonds -0.27% to 4.71%
- Convertible bonds -0.01% to 0.32%

Chart 4:

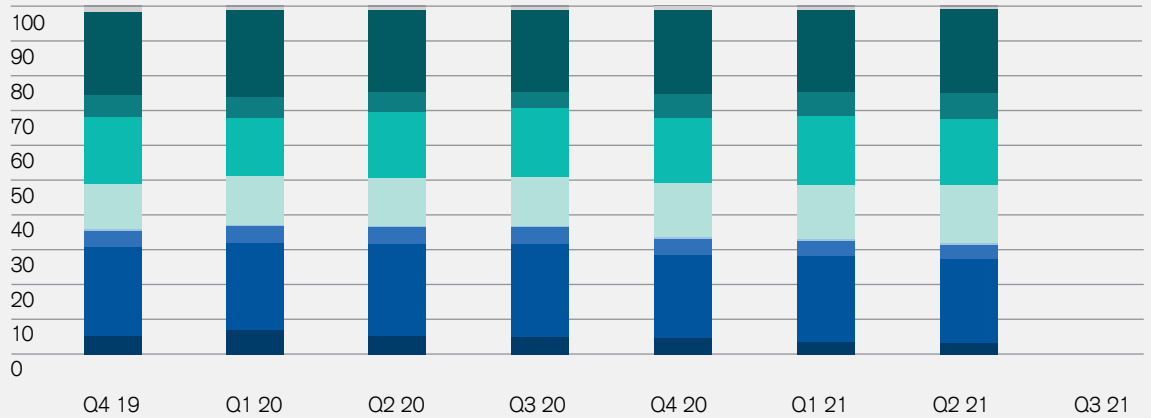
Asset allocation



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 (%)

■ Liquidity	5.55%	6.00%	5.21%	4.86%	4.71%	3.84%	3.59%
■ CHF bonds	25.60%	26.40%	26.14%	26.03%	24.73%	24.44%	24.03%
■ Foreign currency bonds	5.23%	5.15%	5.25%	5.22%	5.10%	4.98%	4.71%
■ Convertible bonds	0.37%	0.34%	0.37%	0.37%	0.38%	0.33%	0.32%
■ Swiss equities	13.28%	12.55%	12.89%	12.97%	13.26%	13.83%	14.21%
■ Foreign equities	18.53%	16.23%	17.56%	18.13%	19.03%	20.10%	19.88%
■ Alternative investments	6.20%	6.69%	6.52%	6.46%	6.60%	6.69%	6.71%
■ Real estate	23.46%	24.74%	24.15%	24.08%	24.16%	23.87%	24.66%
■ Mortgages	1.36%	1.44%	1.35%	1.35%	1.33%	1.46%	1.42%
■ Other	0.43%	0.46%	0.58%	0.53%	0.69%	0.45%	0.46%

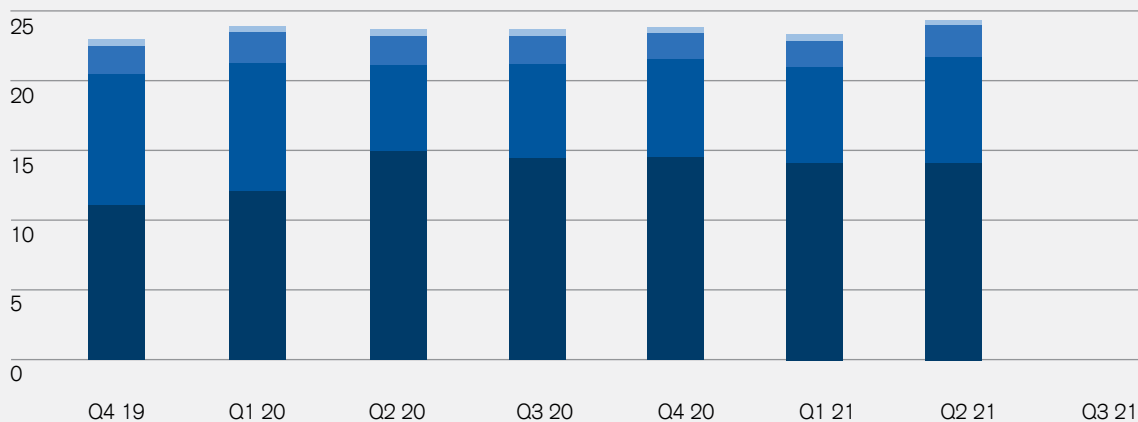
Significant increase in real estate

■ The overall share of real estate rose significantly at the end of the second quarter of 2021 (+0.79% to 24.66%).

■ Swiss real estate increased significantly overall (+0.77% to 21.66%), (direct -0.11% to 14.35%; indirect 0.88% to 7.32%).

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 (%)

	Q4 19	Q1 20	Q2 20	Q3 20	Q4 20	Q1 21	Q2 21	Q3 21
■ Swiss direct investments / investment foundations	11.20%	12.07%	14.97%	14.78%	14.77%	14.46%	14.35%	
■ Swiss investment funds	9.26%	9.62%	6.14%	6.30%	6.53%	6.44%	7.32%	
■ Foreign hedged	2.03%	2.13%	2.12%	2.07%	1.98%	1.99%	2.04%	
■ Foreign unhedged	0.97%	0.92%	0.92%	0.93%	0.89%	0.98%	0.96%	
Total	23.46%	24.74%	24.15%	24.08%	24.16%	23.87%	24.66%	

Increase in private equity component

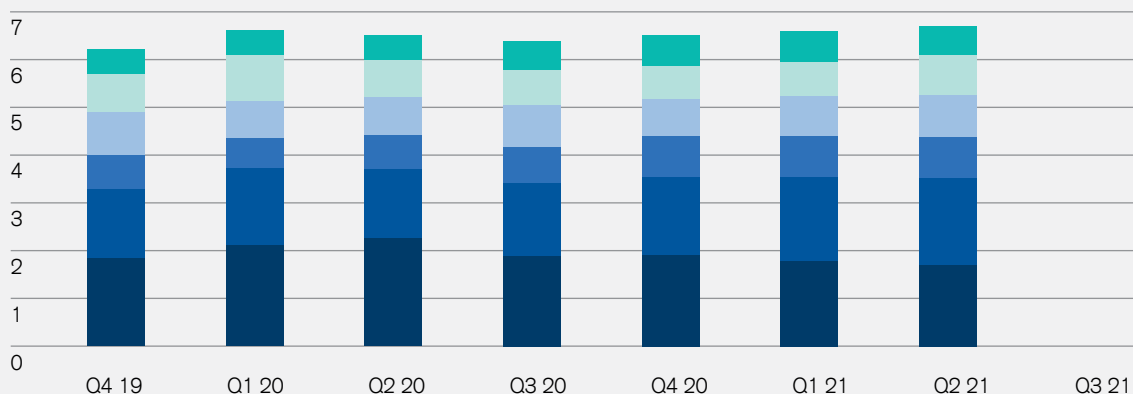
- The alternative investments component increased slightly compared with the previous quarter (+0.02% to 6.71%).
- Private equity showed the biggest increase (+0.11% to 1.74%).
- The infrastructure component likewise increased (+0.06% to

0.96%).

- The insurance-linked component decreased slightly (–0.06% to 0.73%).
- Senior loans (–0.05% to 0.64%), hedge funds (–0.02% to 1.89%) and commodities (–0.01% to 0.75%) also saw minor decreases.

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	Q2 21
Hedge funds	1.87%	2.01%	2.02%	1.96%	1.96%	1.91%	1.89%
Private equity	1.38%	1.54%	1.45%	1.49%	1.51%	1.63%	1.74%
Commodities	0.60%	0.66%	0.66%	0.68%	0.76%	0.77%	0.75%
Insurance-linked	0.92%	0.98%	0.89%	0.83%	0.82%	0.79%	0.73%
Infrastructure	0.86%	0.92%	0.92%	0.89%	0.87%	0.90%	0.96%
Senior loans	0.58%	0.58%	0.58%	0.60%	0.69%	0.69%	0.64%
Total	6.20%	6.69%	6.52%	6.46%	6.60%	6.69%	6.71%

Modified duration

- The modified duration for the overall index decreased slightly to 5.19 as of June 30, 2021.
- Pension funds with assets of between CHF 500 million and CHF 1 billion exhibited the highest modified duration (6.04) as of the end of June 2021.

- The lowest modified duration as of the end of June 2021 (4.03) was observed in pension funds with investment assets of below CHF 150 million.

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	5.25	5.22	5.19						
Pension funds > CHF 1 bn	5.91	5.91	5.77	5.51	5.37	5.35						
Pension funds CHF 500 mn–1 bn	6.07	5.96	6.18	6.01	6.29	6.04						
Pension funds CHF 150–500 mn	4.97	5.10	5.23	5.35	5.26	5.31						
Pension funds < CHF 150 mn	4.09	4.01	4.00	4.00	4.10	4.03						

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.

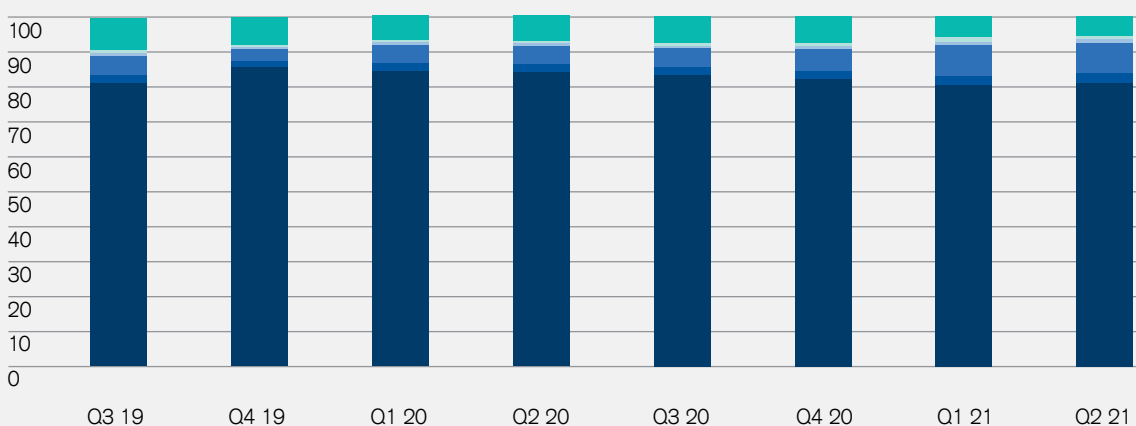
Currency allocation

Increase in Swiss franc component in the second quarter of 2021

- The current reporting quarter saw a shift from the USD component to the CHF component, the share of which rose to 80.50% (+0.37%).
- The USD component decreased (-0.28% to 8.36%). The JPY component (-0.13 to 0.85%) and the other currencies (-0.06 to 7.03%) also showed a decrease.

- The EUR component (+0.09% to 2.53%) increased slightly, while the GBP component (+0.00% to 0.73%) remained unchanged.

Chart 8:
Currency allocation for the last eight quarters



Scale: In percent (%)


	Q3 19	Q4 19	Q1 20	Q2 20	Q3 20	Q4 20	Q1 21	Q2 21
■ CHF	81.33%	84.57%	84.05%	83.82%	83.14%	82.04%	80.13%	80.50%
■ EUR	2.31%	2.24%	2.33%	2.31%	2.27%	2.11%	2.44%	2.53%
■ USD	5.43%	4.41%	5.30%	5.31%	5.58%	6.23%	8.64%	8.36%
■ GBP	0.80%	0.78%	0.78%	0.76%	0.75%	0.80%	0.73%	0.73%
■ JPY	0.73%	0.57%	0.63%	0.70%	0.70%	0.75%	0.98%	0.85%
■ Other	9.40%	7.43%	6.95%	7.10%	7.56%	8.08%	7.09%	7.03%

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%	-0.74%	0.15%	-0.31%							1.35%
USD	0.64%	1.76%	3.96%	-3.09%	-1.39%	2.78%							4.57%
GBP	1.10%	3.61%	2.59%	-2.75%	1.24%	-0.12%							5.68%
JPY	-0.75%	0.00%	0.24%	-2.04%	-1.47%	1.30%							-2.73%

Data source: Credit Suisse, unless otherwise specified.

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



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