

GLOBAL INVESTMENT REPORTING

CREDIT SUISSE ASSET MANAGEMENT
CSAM SWISS PENSION FUND INDEX
1st QUARTER 2003

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The reason to invest.



Performance of Swiss pension funds based on Credit Suisse Asset Management's global custody data as at March 31, 2003

Index versus minimum interest rate since January 2000

The CSAM Swiss Pension Fund Index deteriorated further in the first three months of the year (red line in chart 1), from 90.49 at the end of Q4\2002 to 88.23 at the end of Q1\2003 (table 1). Projecting this 2.5% deterioration onto the autonomous Swiss pensions funds' total assets under management (approx. CHF 400 billion) gives a performance-related decrease of around CHF 10 billion in the asset base. However, it should be noted that the negative performance is mainly attributable to unrealized losses, and that volatility on this scale is an expected systematic risk. The real cause for concern remains the big performance gap between the index and the prescribed minimum interest rate (blue curve), which has widened by another 3%+ over the last quarter, taking the spread to more than 25% since January 2000.

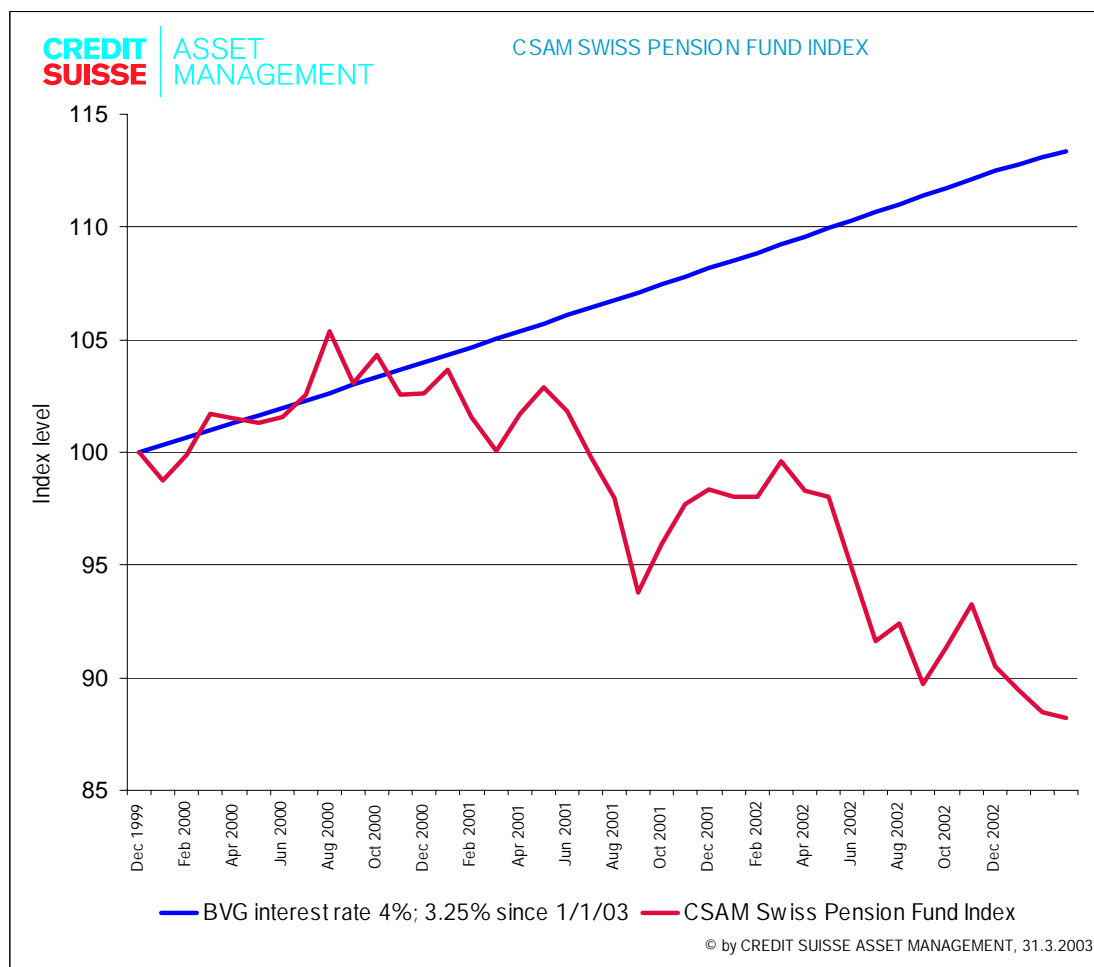


Chart 1

Jan 00	Feb 00	Mar 00	Apr 00	May 00	Jun 00	Jul 00	Aug 00	Sep 00	Oct 00	Nov 00	Dec 00
98.74	99.88	101.68	101.51	101.32	101.59	102.55	105.34	103.07	104.32	102.56	102.60
Jan 01	Feb 01	Mar 01	Apr 01	May 01	Jun 01	Jul 01	Aug 01	Sep 01	Oct 01	Nov 01	Dec 01
103.67	101.59	100.05	101.68	102.86	101.84	99.81	97.94	93.78	95.97	97.71	98.34
Jan 02	Feb 02	Mar 02	Apr 02	May 02	Jun 02	Jul 02	Aug 02	Sep 02	Oct 02	Nov 02	Dec 02
98.03	98.04	99.58	98.32	98.06	94.85	91.62	92.43	89.71	91.36	93.28	90.49
Jan 03	Feb 03	Mar 03									
89.45	88.45	88.23									

Table 1

Risk/return positions

The risk/return chart as per reference date (chart 2), showing the annualized risk/return structures of the various pension funds since January 2000, has changed significantly since the last Index publication. The individual points are less clustered, i.e. the risk/return profiles have moved further apart, and the number of pension funds exceptionally low on the chart (annualized return of -10% and lower) has increased. The unweighted average annualized return has fallen from -3.3% to -3.7% (triangle) over the last quarter.

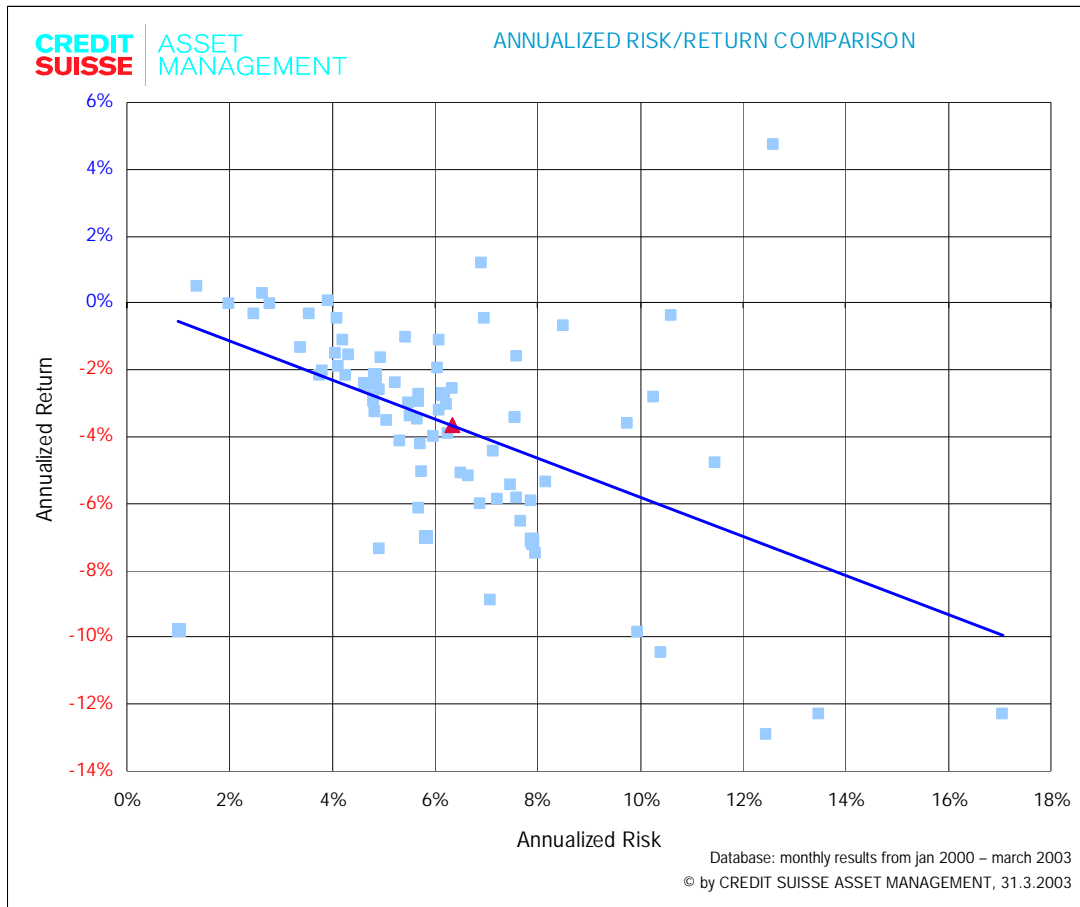


Chart 2

The declining trend curve makes bleak reading, indicating that the assumption of higher volatility risks has, on average, been punished with sharply negative performance. Even the pension funds whose target annual fluctuation risks during the observation period were in a modest range of 4-6% delivered negative performance without exception. This proves once again that, in the last three years or more, it has been almost impossible to assume the investment risks needed to meet long-term return targets without – at least temporarily – having to accept capital losses.

Asset allocation

The asset allocation chart (chart 3) shows that in Q1\2003, the allocation to bonds (Swiss and foreign currency) – which makes up by far the biggest percentage of the overall portfolio – fell from 49.9% to 48.8%, mainly due to market developments, while the equity allocation (Swiss and foreign currency) was again slightly lower (down from 31.2% to 29.3%). The average allocation to real estate, at 10.1%, has gone into double figures for the first time. Liquidity was further increased from 7.0% to 7.5%.

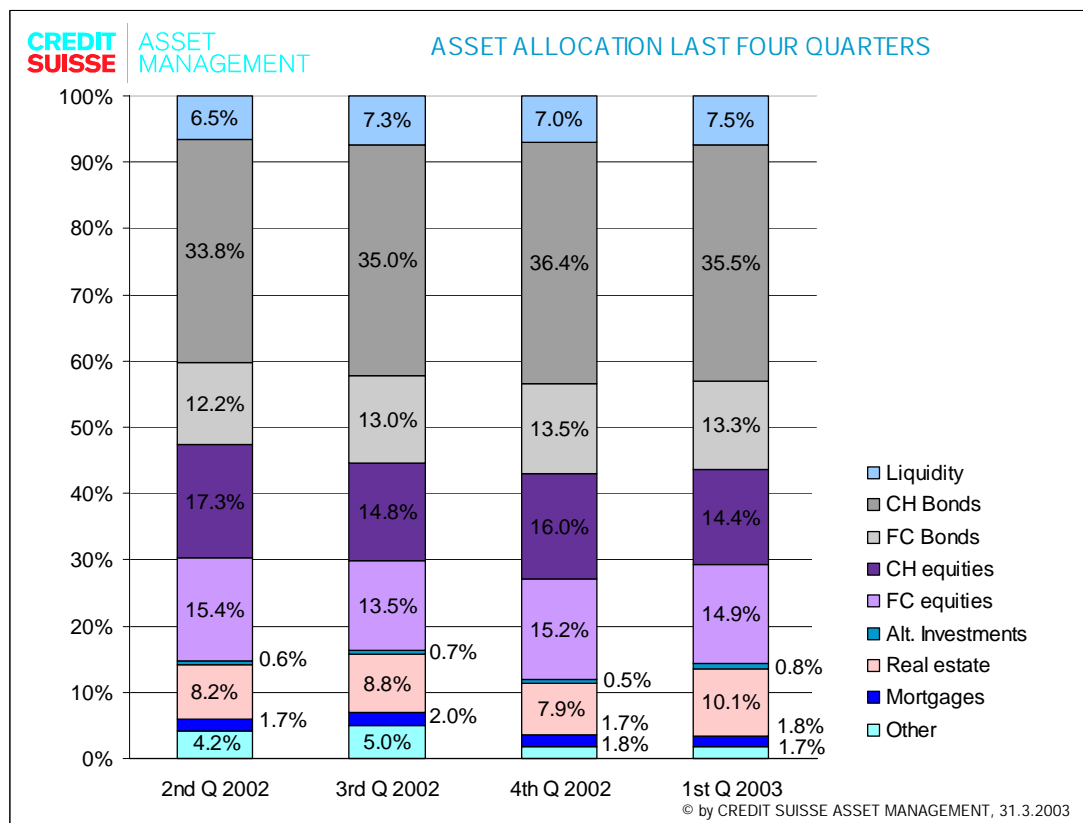


Chart 3

The allocation to alternative investments is still below the one percent mark at 0.8% – which is astonishing, considering that most of the subcategories of this asset class (hedge funds and commodities) have significantly outperformed traditional equity investments in recent times. Pension fund managers still seem to be wary of becoming involved with such investments.

Diversification across the individual asset classes (see chart 4) has further increased against the previous quarter. The average weighting of tangible assets (equities and real estate) is just below 40%, which must be seen as a positive given the latent medium-term interest rate and inflation risks. It is also encouraging to note that none of the pension funds in the index has cut its exposure to equities completely.

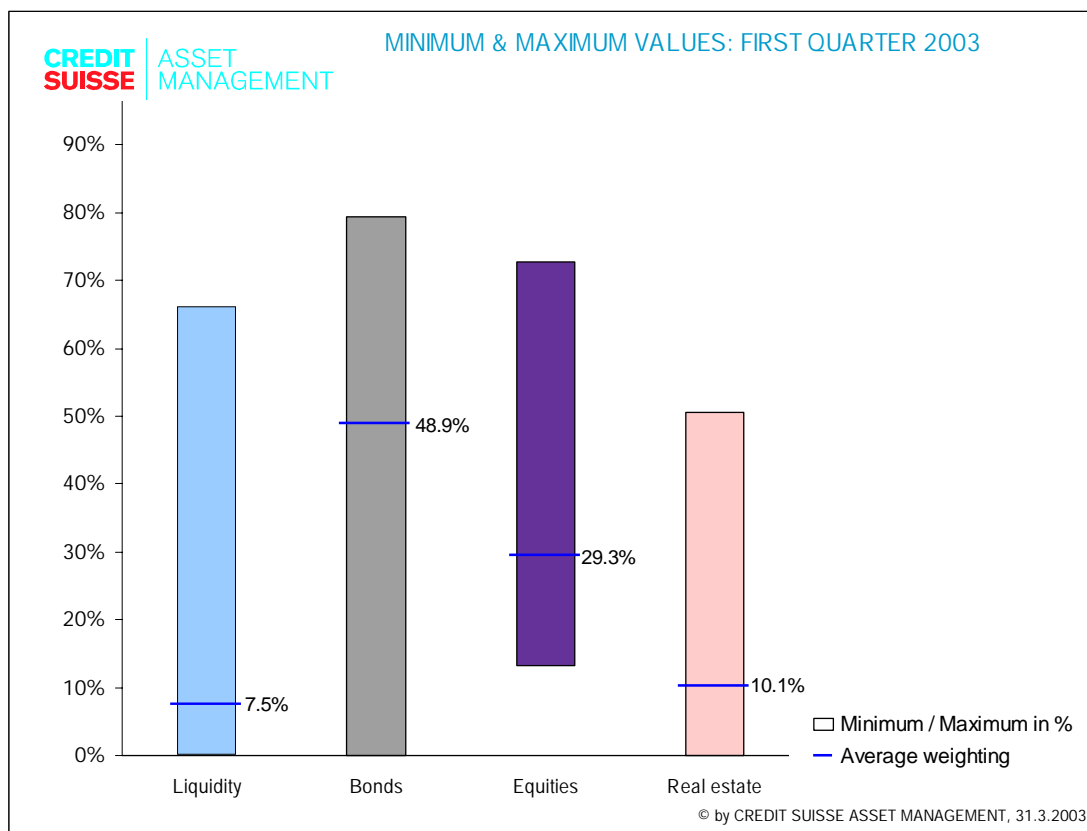


Chart 4

Currency allocation

The currency allocation (see chart 5) has been heavily influenced by the weakness of the dollar, although it can be assumed that exposure to the dollar has to some extent also been actively reduced. As a result, the allocation to Swiss francs was at a high level at the end of Q1\2003.

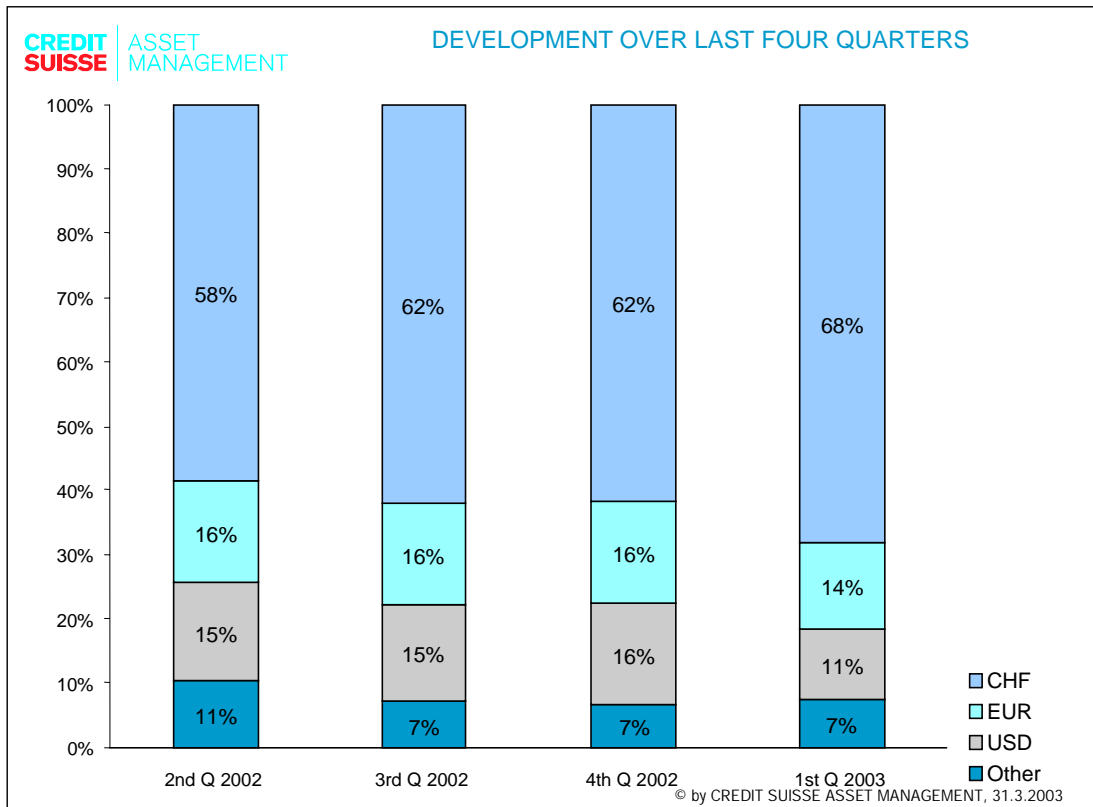


Chart 5

Chart 6 shows the usual picture for the currency allocation bandwidths. The only new development since the previous quarter has been that some pension funds have cut their allocations to foreign currencies completely, as shown by some maximum allocation to Swiss francs of 100%.

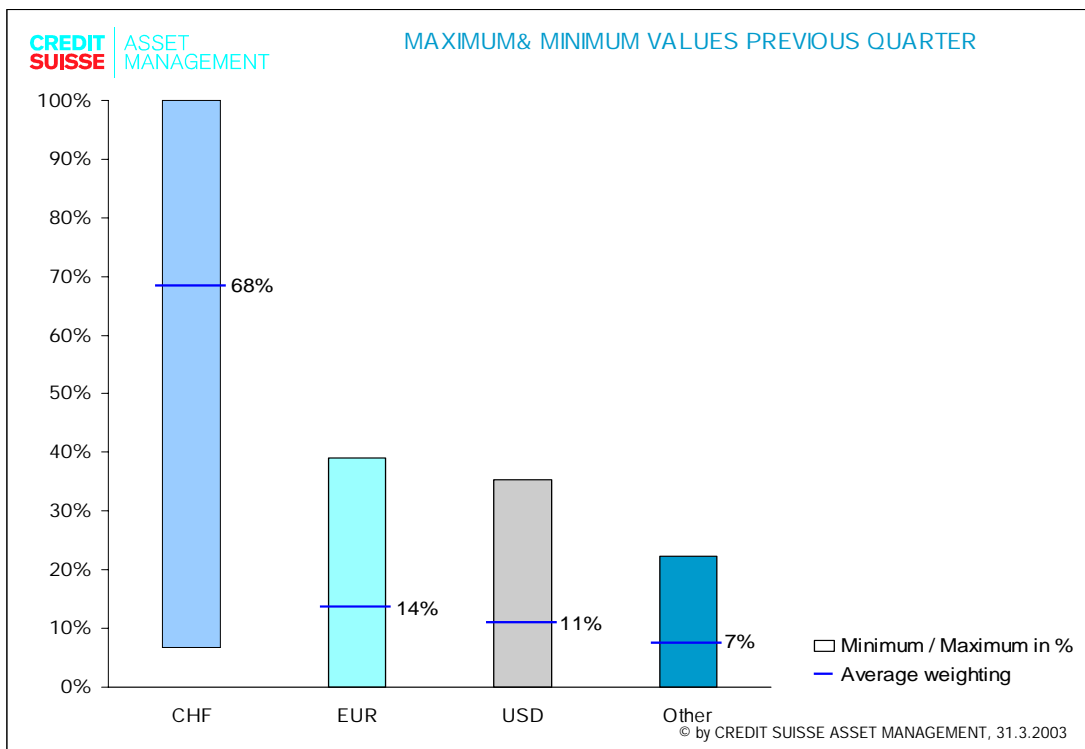


Chart 6

Closer to home

When interpreting these figures it must be kept in mind that the CSAM Swiss Pension Fund Index is not an artificially constructed performance index, but an index that is based on actual pension fund data. The result is that the index is “alive”, which significantly increases its informative value regarding the current investment behavior of Swiss pension funds. On the other hand, the fact that it is constantly updated limits the comparability of data over time. The index is nevertheless an up-to-date indicator, especially as very accurate pension fund data remains unavailable.

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