

# GLOBAL INVESTMENT REPORTING

CSAM Swiss Pension Fund Index  
1<sup>st</sup> Quarter 2004

**CREDIT** ASSET  
**SUISSE** MANAGEMENT



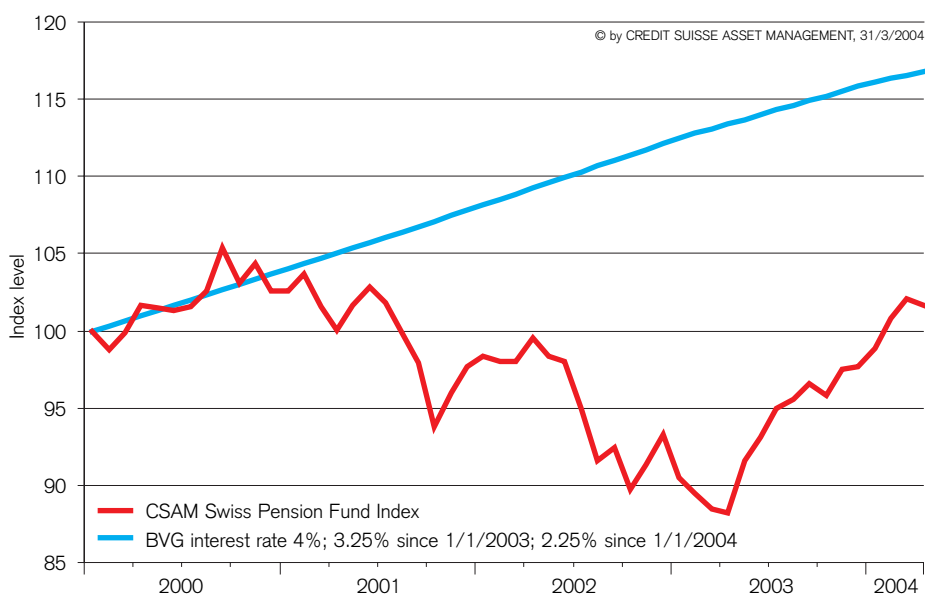
# CSAM SWISS PENSION FUND INDEX

Performance of Swiss pension funds based on Credit Suisse Asset Management's global custody data as at March 31, 2004

## Index versus minimum interest rate since January 2000

In the first quarter of 2004, the CSAM Swiss Pension Fund Index (red line in chart 1) recovered ground for the fourth quarter running – up by 2.79 percentage points from 98.86 to 101.65. Based on the CHF 440.5 billion pension fund assets as at the end of 2002 reported recently by the Federal Statistical Office (cf. <http://www.statistik.admin.ch/news/pm/0350-0403-00.pdf>), this represents an extrapolated increase in assets of around CHF 54 billion. In other words, media statements in the wake of the publication of these statistics to the effect that pension funds had lost CHF 50 billion up to 2002 reflect only half of the developments since 2000. To complete the picture it must be stated that these CHF 50 billion have already been more than recouped thanks to the latest recovery of the financial markets. However, this does not change the fact that the minimum interest rate "benchmark" (blue line in chart 1) has moved from 100 at the beginning of 2000

Chart 1: CSAM SWISS PENSION FUND INDEX



to 116.79 as at March 31, 2004, while the CSAM Swiss Pension Fund Index has now risen to 101.65, slightly above the index basis. This means that the performance for the period under review still shows a significant "gap" of 15.14 percentage points.

Table 1

	Jan.	Febr.	March	April	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.	Annual return	Cumulative return (since 2000)
<b>2000</b>	98.74	99.88	101.68	101.51	101.32	101.59	102.55	105.34	103.07	104.32	102.56	102.60	2.60%	2.60%
<b>2001</b>	103.67	101.59	100.05	101.68	102.86	101.84	99.81	97.94	93.78	95.97	97.71	98.34	-4.15%	-1.66%
<b>2002</b>	98.03	98.04	99.58	98.32	98.06	94.85	91.62	92.43	89.71	91.36	93.28	90.49	-7.98%	-9.51%
<b>2003</b>	89.45	88.45	88.23	91.59	93.15	94.94	95.58	96.56	95.80	97.53	97.65	98.86	9.25%*	-1.14%
<b>2004</b>	100.81	102.10	101.65										2.83%*	1.65%*

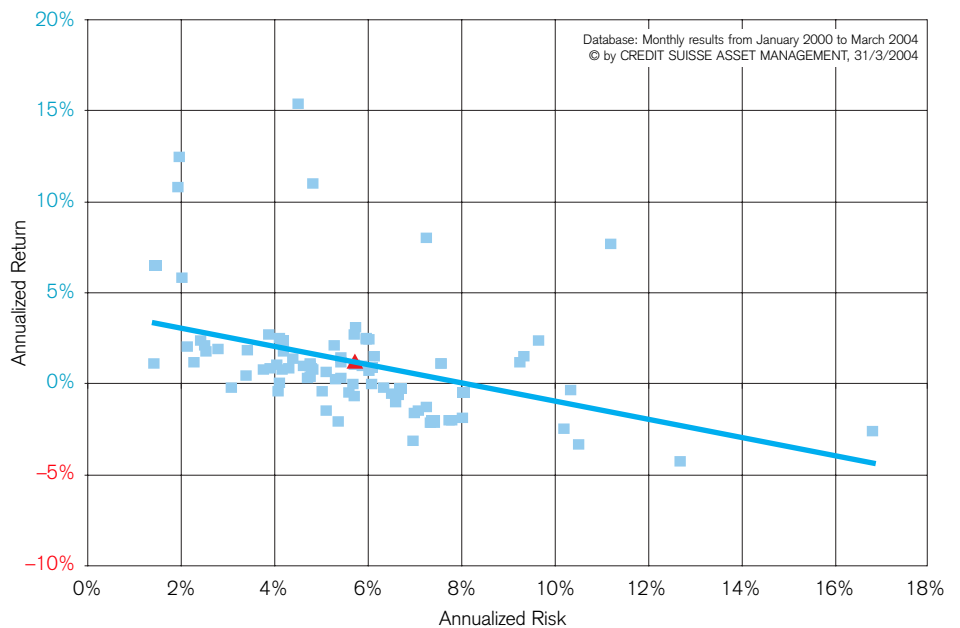
\* YTD

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## Risk/return positions

The risk/return chart as per reference date (see chart 2) showing the annualized risk/return structures of the various pension funds since January 2000 also tells an increasingly cheerful story. The number of pension funds with an average annualized return in excess of 5 percent has doubled since the last publication of the index, and happily, no pension funds are to be found in lower negative territory (less than minus 5 percent). In addition, the rise in the regression line has become less steep, and it will be interesting to see how long it is going to be before reality is again in line with the premise of (positive) risk compensation underlying modern portfolio theory. However, this chart only gives an approximate indication of this correlation, as it is only valid under the condition that the computed volatility is mainly systematic (i.e. market-related) and is not a result of the acceptance of unsystematic risks when selecting securities.

Chart 2: ANNUALIZED RISK/RETURN COMPARISON



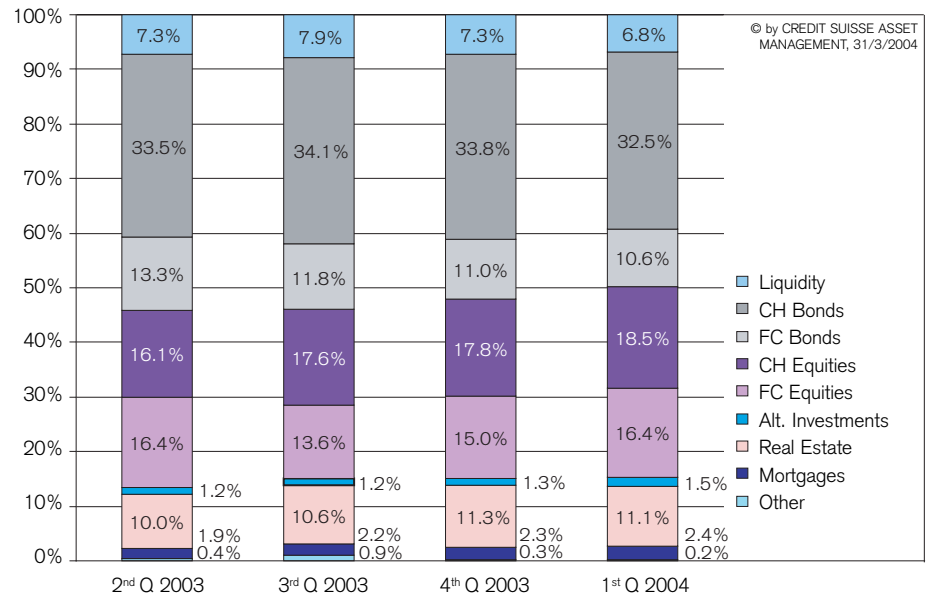
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## Asset allocation

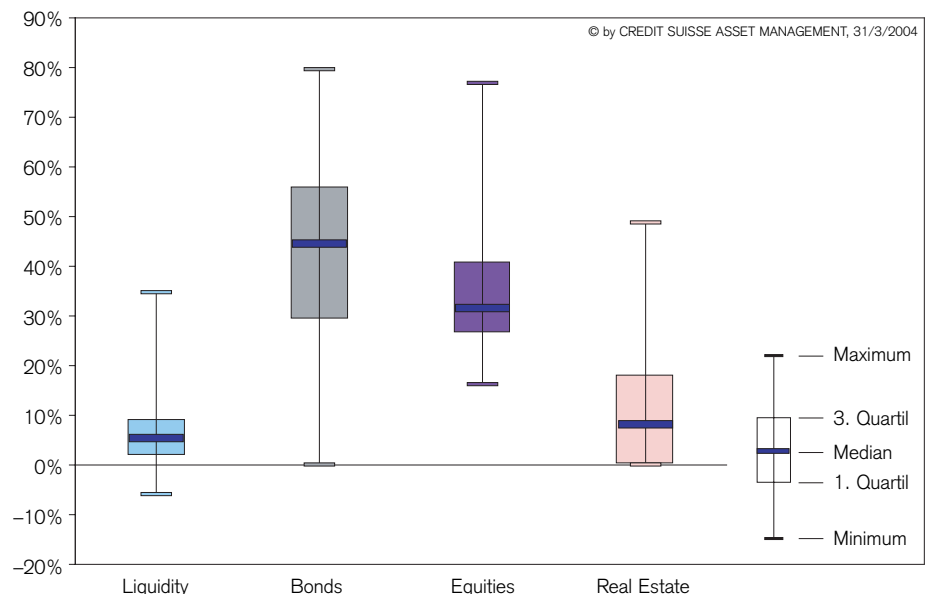
Asset allocation shifts during the last quarter resulted in an even lower liquidity component and a decrease in the bond component of 1.7 percentage points (from 44.8 to 43.1 percent), set off by an advance of 2.1 percentage points (from 32.8 to 34.9) in equities (see chart 3). A year ago, conditions on the market were reflected by an equity component of only 29.3 percent. Real estate activity seems to be taking a breather, as this component has suffered a slight decline for the first time in 12 months. The proportion of alternative investments is growing slowly, but surely. In absolute figures, this component is already worth around CHF 7 billion if total pension fund assets are set at CHF 490 billion.

The spread of individual investment categories (see chart 4) has changed only slightly since the last quarter. Only the spreading of equities within the "middle range" and between the first and third quartiles has widened. In general it is noticeable that the spread of bonds and real estate within the middle range is greater than for equities. Among other things, this could have been caused by the fact that an "escape" from the middle range, if it turns out that the investment decisions were wrong, is more risky in the case of equities than bonds or real estate. As can be expected, the most homogeneous picture is presented by the middle range spread for the liquidity component. In view of the low return on this investment segment, this does not come as a surprise.

**Chart 3: ASSET ALLOCATION LAST FOUR QUARTERS**



**Chart 4: MINIMUM AND MAXIMUM VALUES 1<sup>ST</sup> QUARTER 2004**



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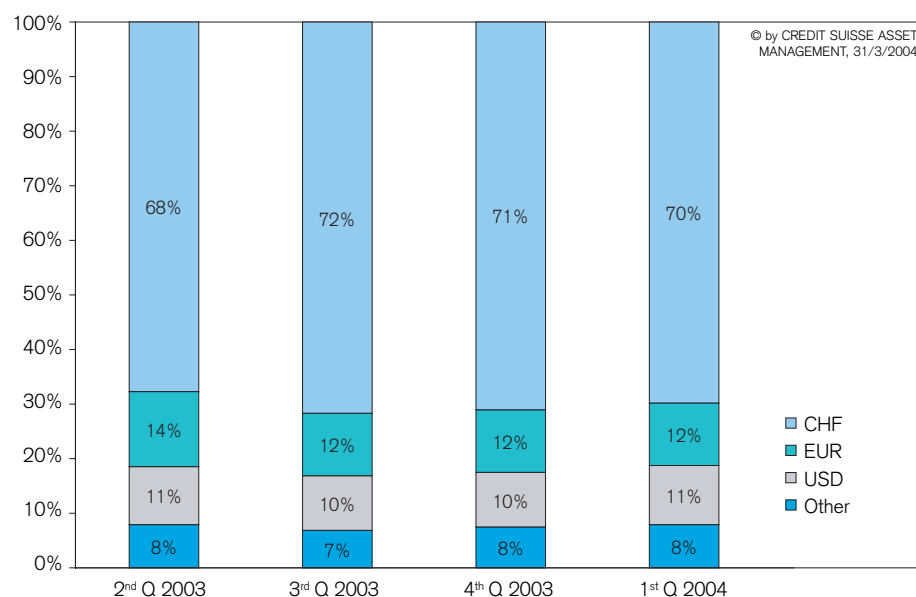
## Currency allocation

The last quarter saw only minor shifts in both the currency allocation (chart 5) and the bandwidths of the individual currencies (chart 6). Chart 6 is now also presented in quartile form like the asset allocation spread chart (Chart 4). All currencies have a narrow bandwidth between the first and third quartile, which means that, as with equities, most of the pension funds are somewhat reluctant to take on currency exposures that deviate strongly from the average.

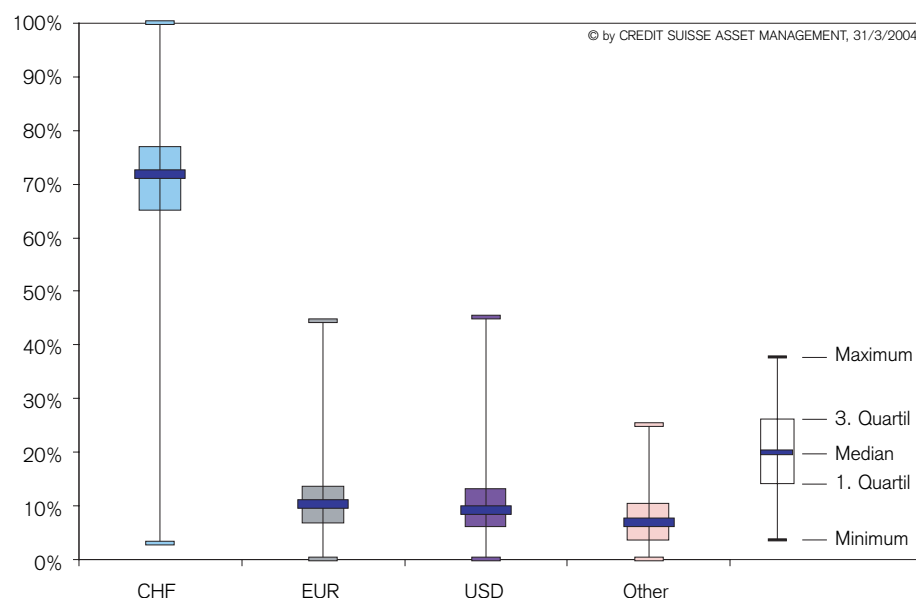
## Important information

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 revised 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.

**Chart 5: DEVELOPMENT OVER LAST FOUR QUARTERS**



**Chart 6: MAXIMUM AND MINIMUM VALUES PREVIOUS QUARTER**



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