CREDIT SUISSE | ASSET MANAGEMENT

CSAM Swiss Pension Fund Index

Global Investment Reporting
1st Quarter 2005

CSAM Swiss Pension Fund Index

Performance of Swiss pension funds based on the global custody data of Credit Suisse Asset Management as at March 31, 2005

Index versus mandatory minimum rate of return since January 2000

The minimum BVG/LPP rate of return since the beginning of the year now stands at 2.50% compared to 2.25% the previous year. The BVG/LPP target curve has become slightly steeper as a result, making it again more challenging for pension funds to achieve their objectives in the current environment.

In the first quarter of 2005, the "CSAM Swiss Pension Fund Index" (red line in chart 1a) improved once again, rising 2.40 percentage points from 103.30 to 105.70. Extrapolated assets under management of autonomous Swiss pension funds for the first quarter of 2005 therefore increased by around CHF 12 billion, to more than CHF 520 billion. The BVG/LPP minimum rate of return (the blue line in chart 1a, rebased to 100 as at January 2000) rose a further 0.73 percentage points from 118.76 to 119.49 during the period under review. As the index once again rose significantly more than the statutory requirement in the first quarter of 2005, the performance gap also narrowed compared with the previous quarter, falling a further 1.67 percentage points from 15.46 to 13.79. Though performance has been positive for the last two quarters, it is still slightly disappointing that the gap has only narrowed 1.35 percentage points over the last 12 months, from 15.14 to 13.79.

Chart 1a: CSAM Swiss Pension Fund Index

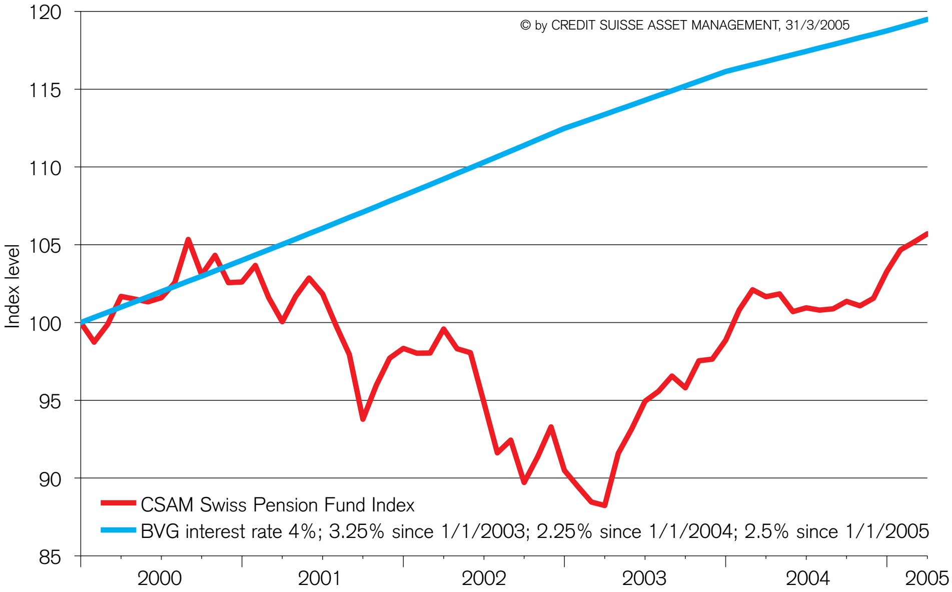


Chart 1b shows a differentiation between the following segments: <CHF 150 m, CHF 150–500 m, CHF 500 m–CHF 1 bn and >CHF 1 bn. With an index level of 109.36, pension funds with assets under management of CHF 150–500 m continue

Table 1

	Jan	Feb	March	April	May	June	July	Aug	Sep	Oct	Nov	Dec	Annual return	Cumulative return (since 2000)
2000	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%
2001	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%
2002	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%
2003	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%
2004	100.81	102.10	101.65	101.84	100.69	100.94	100.79	100.87	101.36	101.07	101.56	103.30	4.49%	3.30%
2005	104.68	105.18	105.70										2.33%	5.70%

to outperform other pension funds. With regard to quarterly performance it was the CHF 500 m–1 bn category that achieved the best result in the period under review (2.4% or 2.45 percentage points to an index level of 104.88), followed closely by the <CHF 150 m category (2.39% or 2.46 percentage points to 105.33). The category >CHF 1 bn achieved a plus of 2.15% or 2.21 percentage points to 104.95. Pleasingly, therefore, all segments managed to further close the gap to the BVG/LPP target by between 1.47 and 1.72 percentage points.

Risk/return positions

Compared with Q4 2004, the annualized risk/return ratios of individual pension funds on specific reference dates since January 2000 (see chart 2) once again moved slightly in the opposite direction to that suggested by current theory, which states that higher risk is rewarded with a higher return. Based on accumulated data stretching back to the year 2000, we must assume that it will be some time yet before the inclination of the line shifts in accordance with "theoretical" market reality.

Chart 1b: CSAM Swiss Pension Fund Index on the basis of segment size

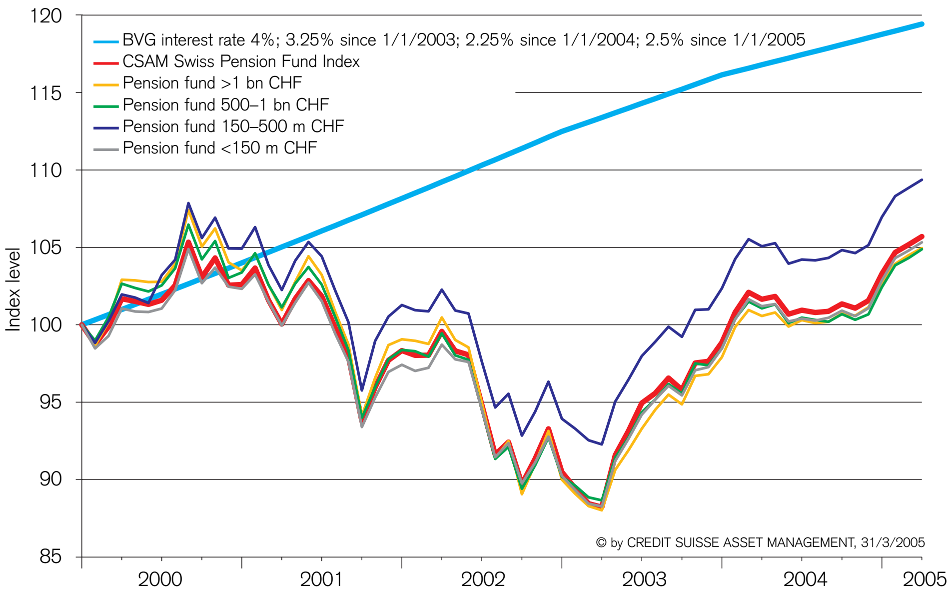
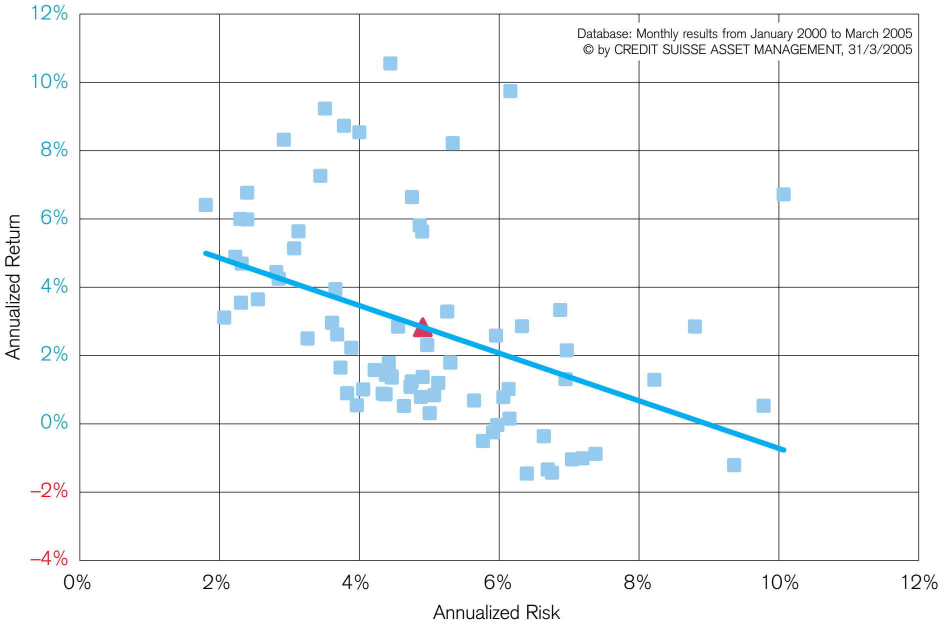


Chart 2: Annualized risk/return comparison



Asset allocation

In a general comparison with Q4 2004, the weighting of investment categories has changed, particularly where the Switzerland/foreign split is concerned. Both the proportion of CHF bonds and that of Swiss equities have been reduced. The former fell by 1.1%, while the reduction in the Swiss equity component was even greater at 1.4%. The main beneficiaries of this 2.5% fall in the weighting of Swiss equities and bonds were particularly foreign equities (+0.8%) and foreign currency bonds (+0.8%). The rise of the latter came after a long ongoing decline, and they are now more or less back at their levels of Q4 2003. Real estate was another area to increase its weighting, albeit only by a very modest 0.1% to 11.8%, while the proportion of mortgages rose from 2.0% to 2.5%, the highest level yet seen in this index. This latter point also applies to alternative investments, whose increase of 0.3% more than offset the slight decline of the previous quarter and took this category to a new high.
The chart for dispersions will be more detailed from this report onward. From now on, the domestic and foreign proportions of both bonds and equities will be displayed separately. In addition, both mortgages and alternative investments will be shown.
The dispersion for CHF bonds (3.60%–71.6%) is considerably greater than that for foreign currency bonds (0%–48.8%). For equities, by contrast, the difference in dispersions is less than 3%. (Switzerland 2.8%–42%, foreign 0%–42%). It is worth noting that the maximum weighting for mortgages is more than 13%, yet that the median value is only 0.44%.

Chart 3: Asset allocation last four quarters

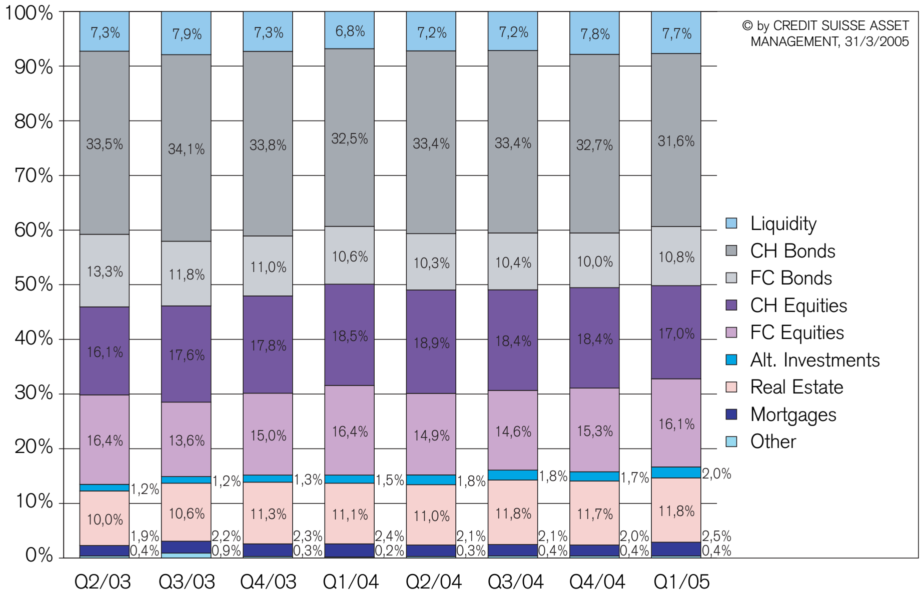
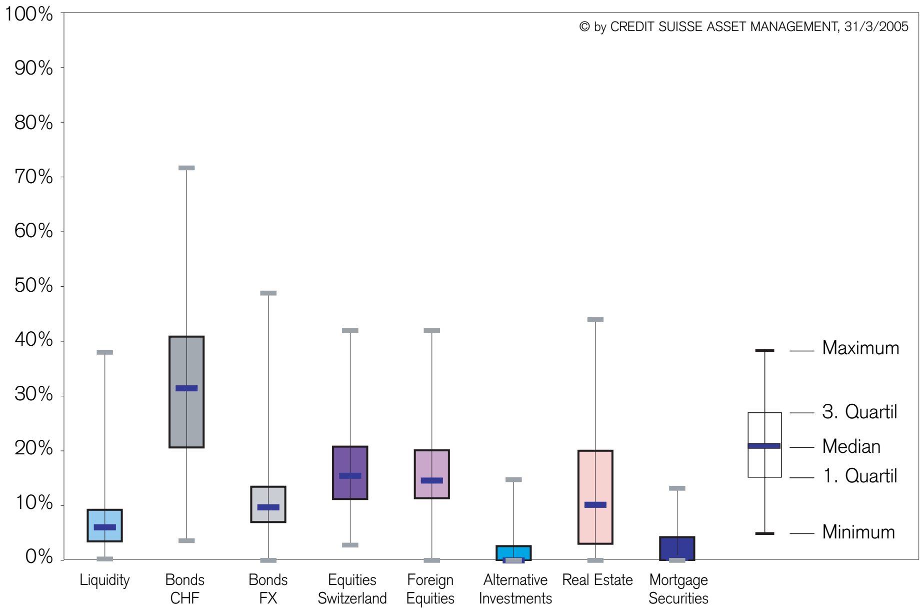


Chart 4: Minimum and maximum values 1st Quarter 2005

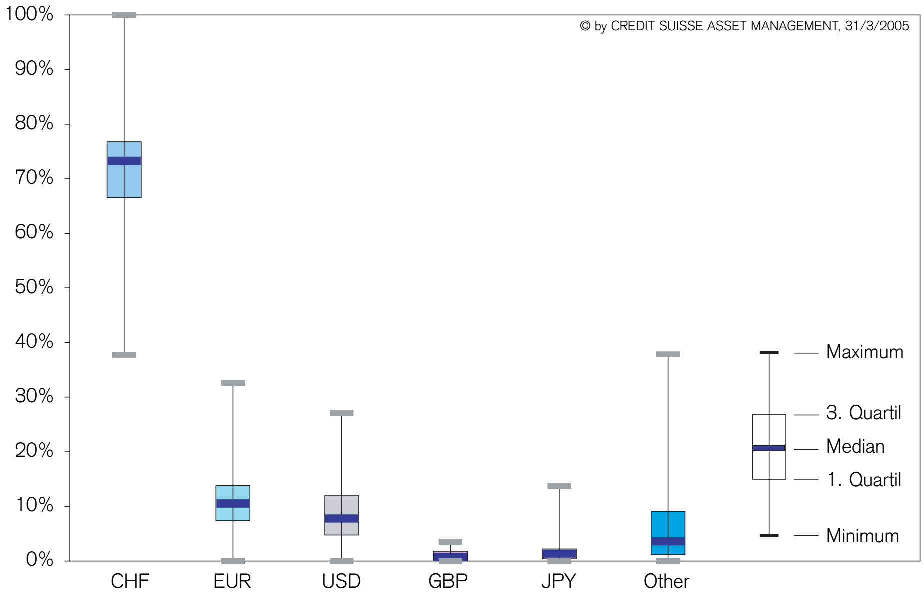


Currency allocation

In the overview of currency allocations (see chart 5) we show the GBP and JPY currencies for the first time. As can be seen on the chart, the proportion of Swiss francs has fallen by one percent. Another to fall was the USD, down 0.6%. As EUR holdings do not appear to have changed, the beneficiaries are particularly GBP and JPY.
Where currency dispersions are concerned (see chart 6), it is apparent that the EUR dispersion has increased somewhat and that of the USD contracted slightly, while for CHF there is no clear shift in either direction. Looking at the newly displayed currencies in the table, it is clear that there is a much greater dispersion for JPY than there is for GBP. Where the "other" category is concerned, dispersion is much greater than it is for EUR and USD, whereas in our last report these three categories looked very similar.

Chart 5: Development over last eight quarters

Chart 6: Maximum and minimum values previous quarter

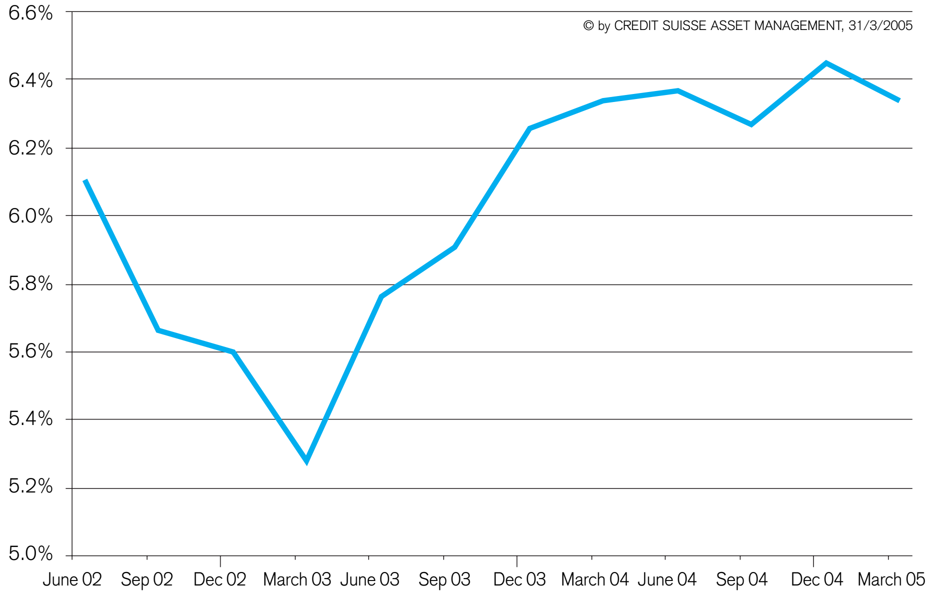


We first published the "CSAM Swiss Pension Fund Index" in 2002, and have continually developed and professionalized it since then. As a result of the index's increasing popularity, we have now decided to take a further expansionary step. For the first time this quarter we not only provide a review of the past, but also open up new dimensions by casting our eye into the future.

Expected absolute risk

Up until now, the index only considered historical performance figures (return as well as risk). Going forward we will also include evaluations of expected absolute risk. The expected absolute risk for each reference day corresponds to the anticipated volatility of the index. This was calculated on the basis of the spread of returns of selected indices as well their dependencies over the last 10 years, and on the index's corresponding asset allocation.
The chart (see chart 7) illustrates that the current expected risk of 6.3% (annualized volatility) equates to that of a balanced mixed portfolio management mandate (35% equity weighting and 30% foreign currency weighting). The expected risk of the index fell sharply to March 2003, but has risen markedly in the last two years from 5.3% to 6.3%. This rise is above all due to the shift in asset allocation toward greater equity weighting (from 25% to 33%) and foreign currency weighting (from 26% to 30%). At the same time, there has been a decrease in volatility in the capital markets, which has had a dampening effect on the expected risk; without this effect, the expected risk of the index would have risen by a further 0.4%.

Chart 7: Expected absolute risk



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.

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