CREDIT SUISSE

Global Custody Solutions

Credit Suisse Swiss Pension Fund Index

1st Quarter 2008

Performance of Swiss Pension Funds as of March 31, 2008

- Severe losses in the first quarter of 2008
- All segments far below the BVG/LPP minimum rate of return again
- Real estate and CHF components at an all-time high

Index

Performance of Swiss Pension Funds based on Global Custody Data of Credit Suisse as of March 31, 2008

Index versus Mandatory Minimum Rate of Return since January 2000

Reversal into Negative Territory

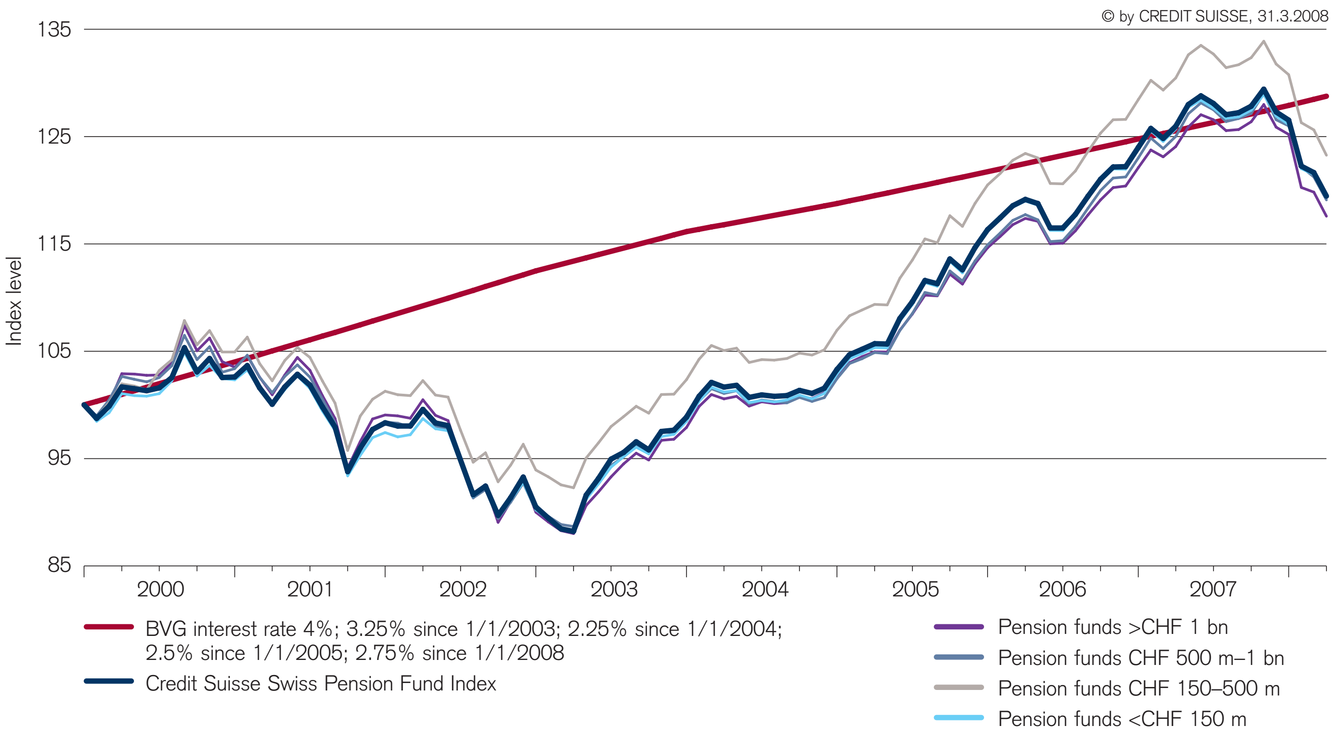
The Credit Suisse Swiss Pension Fund Index (blue line in chart 1a) turned in a negative performance in the first quarter of 2008. The weakest month was January, down 4.27 points (–3.37%), followed by March (–2.19 points or –1.80%), while the index lost 0.61 points (–0.50%) in February. If the third quarter of 2001 is not taken into account (special effects of 9/11), this represents the weakest quarterly performance since the index was launched.
The index started from a baseline of 100 as of January 1, 2000. During the quarter under review, it fell 7.07 points or –5.59% to close at 119.45 points. This decline meant that the 2nd pillar assets managed by Swiss pension funds dropped by around CHF 35 billion to an estimated figure of around CHF 595 billion during the three-month period.
The minimum rate of return as per BVG/LPP (the red line in chart 1a, also rebased to 100 as at January 2000) rose by 0.87 points (or 0.68%) during

Chart 1a: Credit Suisse Swiss Pension Fund Index

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	105.67	108.04	109.62	111.59	111.29	113.60	112.59	114.66	116.33	12.62%	16.33%
2006	117.42	118.55	119.14	118.75	116.48	116.48	117.75	119.43	121.02	122.17	122.20	123.99	6.58%	23.99%
2007	125.74	124.83	125.95	127.98	128.79	128.08	127.04	127.22	127.83	129.40	127.28	126.52	2.04%	26.52%
2008	122.25	121.64	119.45										–5.59%	19.45%

Chart 1b: Credit Suisse Swiss Pension Fund Index based on segment size



the period under review, climbing from 127.89 to 128.76 points. As the index performed negatively in the first quarter while the BVG/LPP target continued to rise, it slid further into negative territory compared with the starting date in 2000, and now lags a total of 9.29 points behind the statutory target. The shortfall relative to the BVG/LPP minimum rate of return therefore increased by 7.94 points or 6.27% quarter-on-quarter.

All Segments in Negative Territory Again

Chart 1b shows a breakdown by segment as follows: <CHF 150 million, CHF 150–500 million, CHF 500 million–1 billion and >CHF 1 billion.

All segments posted a loss for the quarter under review, so that they all fell below the BVG/LPP target at the end of March 2008 (start January 2000). In the past quarter the segment >CHF 1 billion, the best performer in the previous quarter, suffered the biggest decline, both in absolute and in relative terms (–7.61 points or –6.08%). This slightly increases the cumulative gap since 2000 compared to the other segments. The CHF 150–500 million segment, still the best overall performer, lost 7.50 points or 5.73%. The smallest segment was the best performer in the first quarter and lost 'only' 6.81 points (–5.40%), closely followed by the CHF 500 million–1 billion segment (–6.90 points or –5.48%).

The comparison of all segments since the beginning of 2000 gives the following performance (change in points / change in percentage / gap versus the BVG/LPP target in points as of March 31, 2008; see table):

Category	**Change in points 31.12.2007–31.3.2008**	**Change in percentage 31.12.2007–31.3.2008**	**Gap to the BVG/LPP target as at March 31, 2008**
>1 bn CHF	–7.61 points	–6.08%	–8.48 points
500 m–1 bn CHF	–6.90 points	–5.48%	–7.77 points
150 m–500 m CHF	–7.50 points	–5.73%	–8.37 points
<150 m CHF	–6.81 points	–5.40%	–7.68 points

Risk/Return Positions

Unchanged Gradient

In the risk/return overview, we show the rolling five-year and two-year lines. It should be noted that only portfolios which were in the index for the entire observation period are taken into account. For example, portfolios formed on June 1, 2003 are not included in the five-year rolling observation period (01.04.2003–31.03.2008), but they do form part of the rolling two-year observation period.

The line representing the five-year observation period as of the reference date, which shows the annualized risk/return positions of individual pension funds (see chart 2a), confirms the theory that higher risk is rewarded by higher returns in the long term. Although the last three quarters were all negative and rather volatile, the straight-line gradient hardly changed, not least because the quarter that fell out of the equation (Q1 2003) was also a weak quarter. Only on closer scrutiny does it become clear that the straight line moved down slightly. With a few exceptions the individual dots trended to the right, which can be explained by the increased volatility in the past few months.

Two-Year Line Tilted

The rolling two-year line (chart 2b, 01.04.2006–31.03.2008), which has a much stronger reaction to changes, looks much different in the quarter under review and shows a negative gradient. This is because the observation period now includes a weak quarter while a good quarter dropped out. The average (red triangle) shows that the performance is just slightly better than at March 31, 2006 (+0.27%) while the risk (volatility) has increased substantially. It is noticeable that there was little change in risk for the pension funds that reported a low annualized risk in the previous quarter, while some of the pension funds with a high risk exposure had to digest a significant increase in risk. The risk spread (difference between the highest and lowest levels of risk) increased by around 1%. In contrast, the annualized return was substantially lower, both for pension funds with a low level of risk (decline by around 2.5%) and pension funds with a high level of risk (decline of around 6% to 8%).

Chart 2a: Annualized risk/return comparison; rolling five-year review monthly results from March 2003 to March 2008

Chart 2b: Annualized risk/return comparison; rolling two-year review monthly results from March 2006 to March 2008

Asset Allocation

Real Estate at an All-Time High

The asset allocation overview shows that the weighting of liquid funds was almost unchanged at 8.2% at the end of the quarter. The exposure to CHF bonds increased slightly after the two-year low seen at the end of 2007 by 0.84% to 26.87%, while at 10.41%, foreign bonds reached the level of 2006 again. The exposure to Swiss equities (–0.92%) and to foreign equities (–0.93%) was down less than 1% in both cases. Total equity exposure dropped by 1.85%. Alternative investments, which reached a new all-time high at the end of the previous quarter, dropped slightly to 4.68% (–0.14%). As a result of falling financial markets the real estate weighting increased by 1.48% to 17.20% – a new all-time high. The mortgage weighting increased by 0.32% to 4.74%, and the "other" category was 0.18%.

The overview of asset allocation diversification shows three categories for the maximum values: CHF bonds which rose from 51% to 60.8%, foreign bonds which increased even more from 36% to 54%, and real estate which increased to just over 50%.

Chart 3: Asset allocation for the last eight quarters

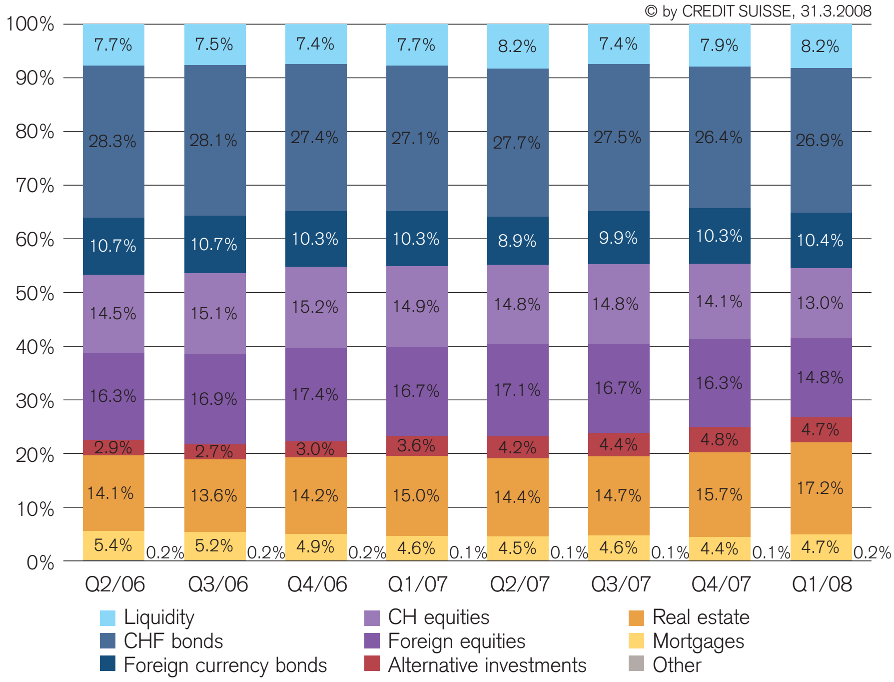
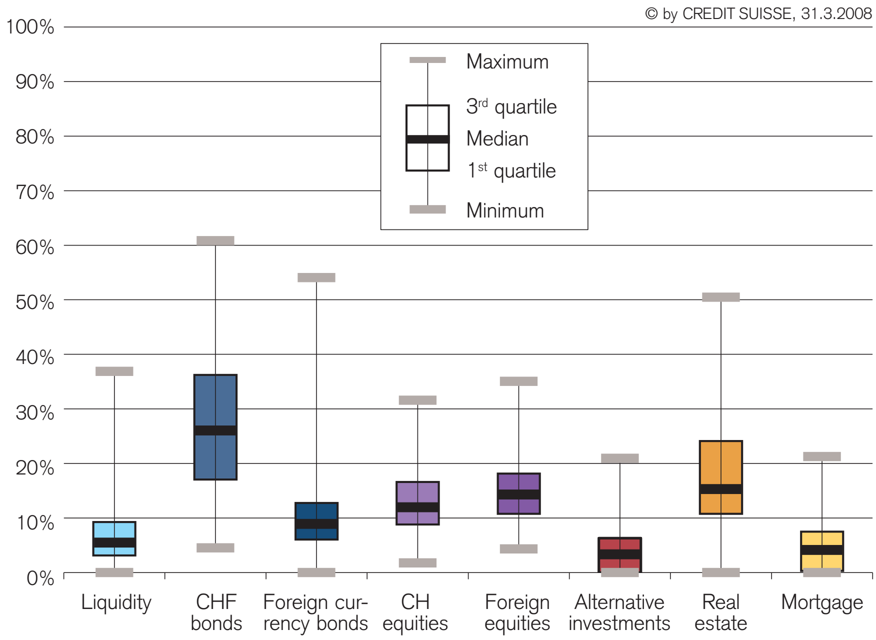


Chart 4: Minimum and maximum values 1st Quarter 2008



Currency Allocation

The currency allocation shifts are not spectacular, but still interesting. Apart from the exposure to CHF, which increased by 2.4% and reached a new record high, only the GBP exposure increased (+0.13%). All other currencies lost ground: EUR –0.24%, USD –0.82%, JPY –0.13%. "Other currencies" lost the most at –1.36%.

Figure 6 shows three notable changes from the previous quarter. The GBP maximum rose by 10.90% to 15.62%, the EUR maximum increased by 17.3% to 52.09%, and the maximum for "other currencies" fell substantially by 17% to 26.85%.

Chart 5: Development for the last eight quarters

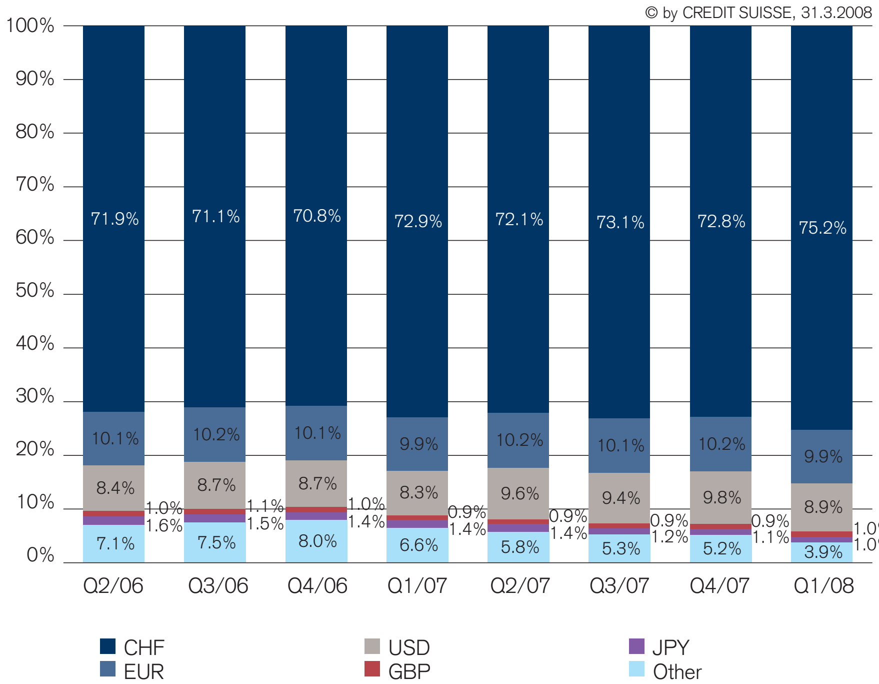
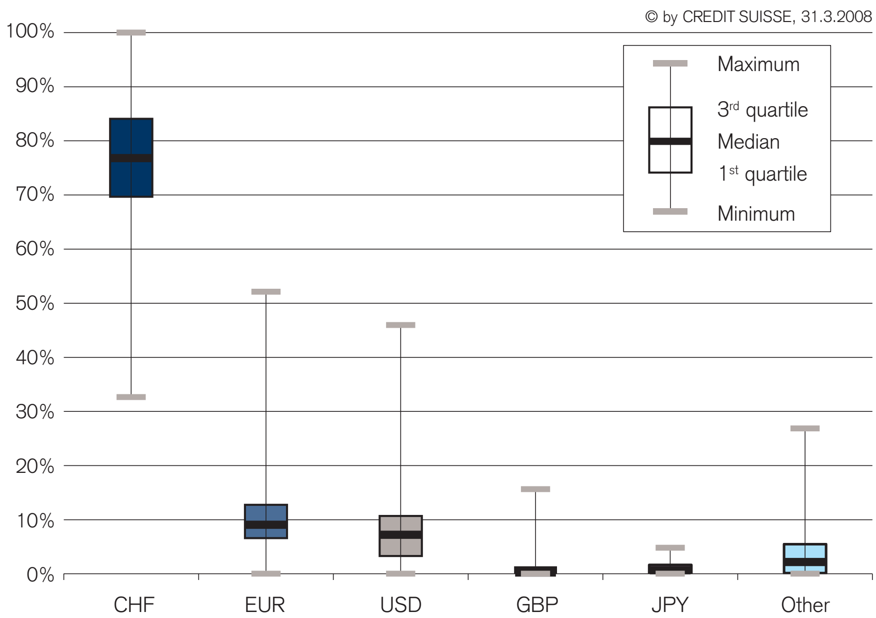


Chart 6: Maximum and minimum values previous quarter



Expected Absolute Risk

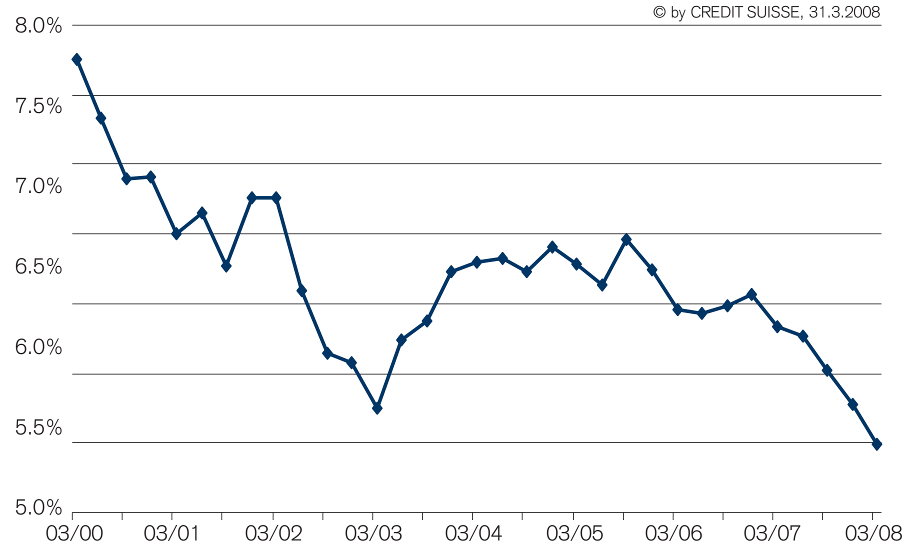
From chart 7, it is clear that the expected absolute volatility (i.e. risk) was almost 8% at the beginning of 2000. This figure was then successively reduced to around 5.25% within a period of three years (March 2003). The expected absolute risk for the funds included in the Credit Suisse Swiss Pension Fund Index subsequently climbed from this low (in terms of the observation period), rising continuously to around 6.50% by September 2005. As from the last quarter of 2005, a decrease in risk and volatility became evident – a trend that continued unabated in the quarter under review. The increase in risk identified in the fourth quarter of 2006 was therefore short-lived, and the risk decreased even further by 0.28% to 4.99% in the reporting quarter, which represents a new low.

Expected Risk at New Low

The expected absolute risk for each reference date corresponds to the anticipated volatility of the index. This was calculated on the basis of the spread of returns on selected indices as well their dependencies over the last 10 years, and on the index's corresponding asset allocation.

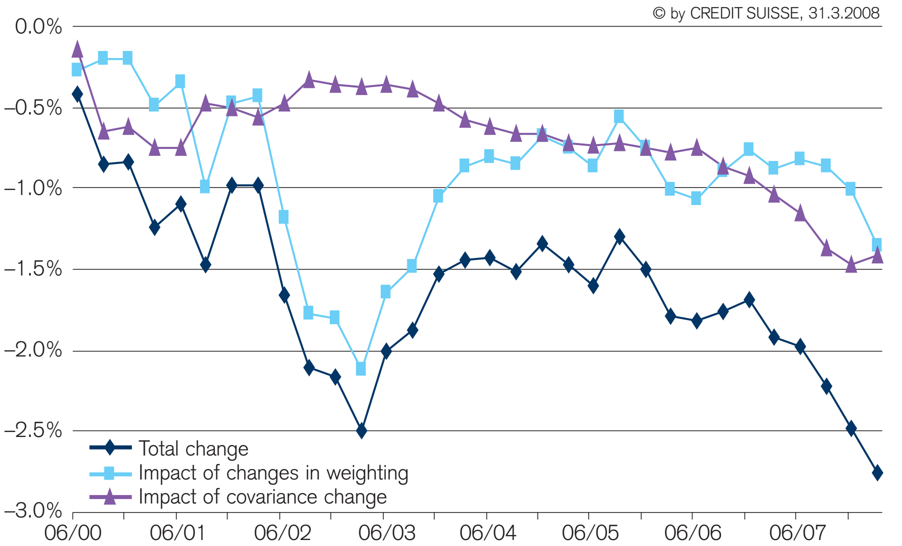
Chart 8 demonstrates that the reduction in risk (March 2000 to March 2003) and increase in risk (March 2003 to December 2005) cannot be explained merely by the calming of the markets and their dependencies, i.e. a lower level of volatility (and vice versa). Rather, the changes in risk – particularly in 2002 and 2003 – were caused mainly by adjustments to asset allocation. The increase in risk witnessed from the middle of 2003 to September 2005 – reduced slightly by falling covariances – was likewise caused by changes to the weightings of the asset classes. Whereas from July 2005 to June 2006 the reduction in risk was caused both by covariance changes and adjustments to weightings, it became clear in the following four quarters that although the continuously falling covariance change (decreasing volatility) reduced the expected risk, this reduction was moderated or, as in the third and fourth quarters of 2006, even canceled by the impact of the weighting changes. However, this picture changed substantially in the past two quarters. While expected volatility is starting to rise due to the turbulence on the markets, we notice that pension funds are actively changing their allocation, which pushed the cumulated expected risk down to a new low.

Chart 7: Expected volatility per reference day (annualized)



The expected absolute risk for each reference date 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.

Chart 8: Explanation of cumulated change in expected volatility overall Index (annualized)



Important Information

When interpreting these figures, it must be kept in mind that the Credit Suisse 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 difficult to obtain.

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