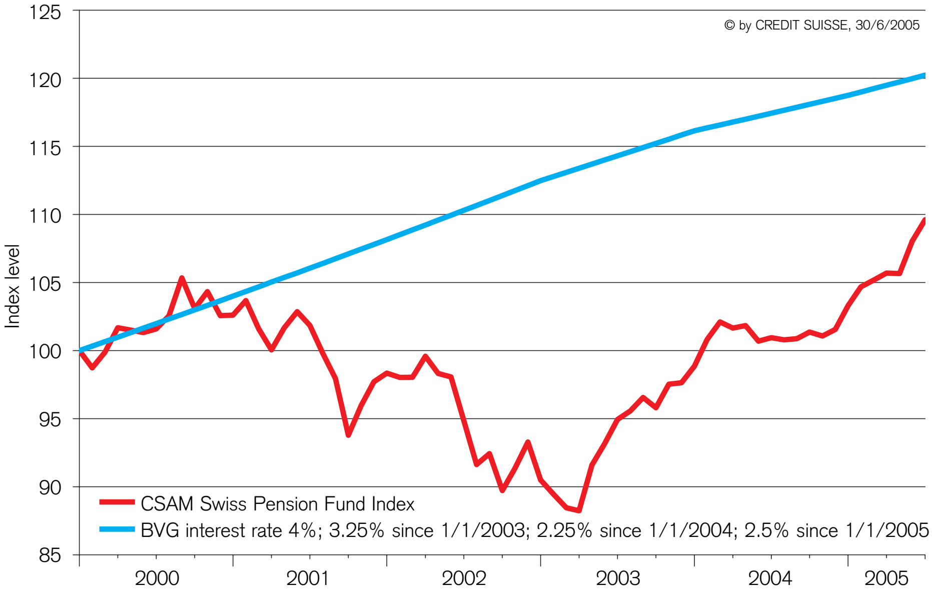
CSAM Swiss Pension Fund Index

Global Investment Reporting
2nd Quarter 2005

Performance of Swiss pension funds based on Credit Suisse Asset Management's global custody data as at June 30, 2005

Chart 1a: CSAM Swiss Pension Fund Index



Index Versus Mandatory Minimum Rate of Return Since January 2000

The "CSAM Swiss Pension Fund Index" (the red line in chart 1a) performed very well once again in the second quarter of 2005, rising 3.92 percentage points (3.71%) from 105.70 to 109.62, making these the third-best quarterly results in the index's history. Higher growth has only been achieved to date in the second quarter of 2003 (+6.71 percentage points, i.e. 7.6%) and in the fourth quarter of 2001 (+4.56 percentage points, i.e. 4.8%). However, it does mark the largest increase ever immediately following a quarter that had also performed well, i.e. without the "catch-up effect". And the fact that the last four quarters all performed positively makes the results even more impressive. Extrapolated Pillar 2 assets under management of Swiss pension funds thus increased by around CHF 19 billion to more than CHF 540 billion in the second quarter of 2005.

The BVG/LPP minimum rate of return (the blue line in chart 1a), rebased to 100 as of January 2000, rose a further 0.74 percentage points from 119.49 to 120.23 during the quarter under review. As in the first quarter of 2005 the index once again rose significantly above the statutory required rate of 2.5% since January 1, 2005, the quarter-on-quarter performance gap also narrowed considerably by an additional 3.18 percentage points from 13.79 to 10.61. The strong performance in the last two quarters has reduced the gap by an impressive 4.85 percentage points since early 2005, from 15.46 to 10.61.

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 increase of

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							6.12%*	9.62%

* YTD

4.14 percentage points (+3.78%), pension funds with assets under management of CHF 150–500 m continued to deliver the best absolute quarterly performance, raising the index level further to a new high of 113.50. In terms of relative performance, however, the category <150 m achieved the best results with +3.81% (+4.01 points to an index level of 109.34) due to the base-line effect. Runner-ups are the categories 500 m–1 bn (+3.64 points to 108.53) and >1 bn (+3.52 points to 108.47).
The quarter under review also saw an encouraging close in the gap to the BVG/LPP target of between 2.78 and 3.40 points in all quarters relative to the start date in 2000.

Risk/Return positions

Compared with the previous quarters, the annualized risk/return ratios of individual pension funds on specific reference dates since January 2000 (see chart 2a) show little change in inclination and thus continue to buck the conventional wisdom that higher risks yield higher returns. However, the positive performance over the past four quarters has led to a continual upward shift of the line by roughly 2%. Based on accumulated data stretching back to the year 2000, it is safe to assume that the inclination of the line will not conform to "theory" for quite a while. The impact of the weak financial markets in 2001/2002 will probably continue to be felt for some time.
But the newly added rolling two-year review (chart 2b, June 30, 2003 – June 30, 2005) presents a much different picture. Due to the shorter period under review we have captured precisely the recovery phase lasting a good two years since the index's low in

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

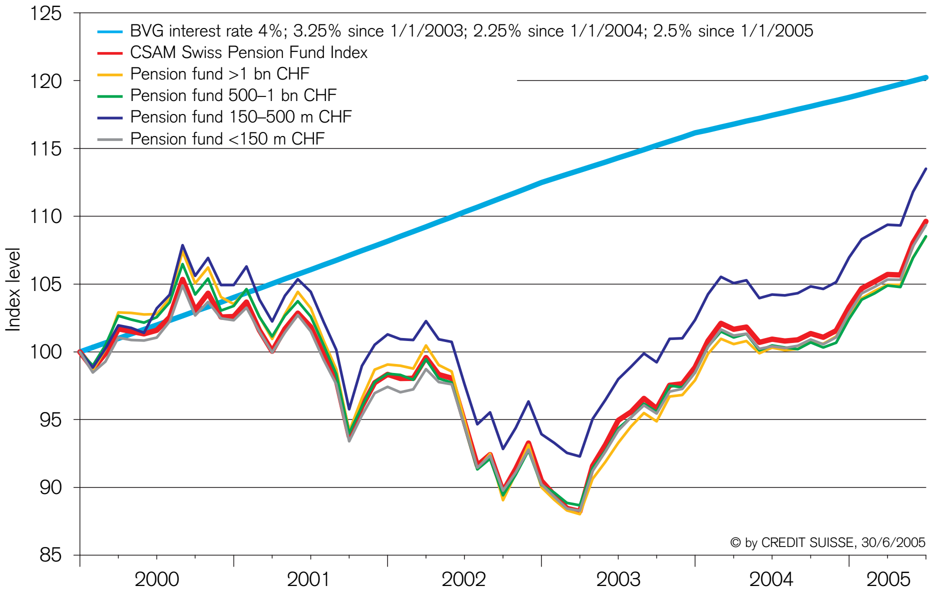
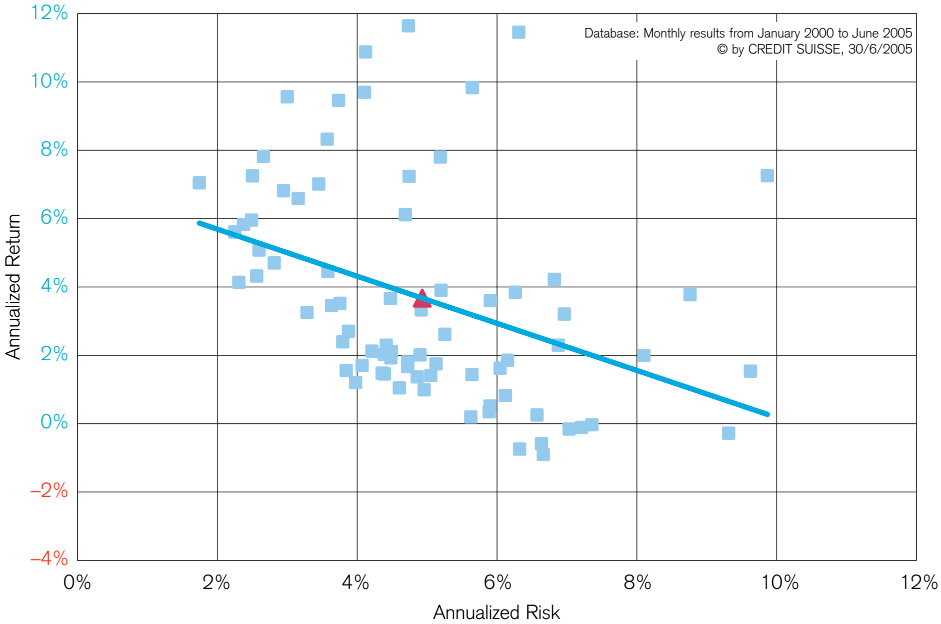


Chart 2a: Annualized risk/return comparison; Monthly results from January 2000 to June 2005



early 2003. This overview confirms that higher risks are rewarded by higher returns. Because of the shorter period under review, this figure should change much more flexibly from quarter to quarter than the one in chart 2a.

Asset allocation

The 0.8% decline in liquidity to 6.9% clearly stands out in this quarter. In addition, in comparison to the first quarter of 2005, the ratio of Swiss francs to foreign currencies continued to shift in the latter's favor. While the CHF bond allocation fell by 0.3%, the reduction in Swiss equities was lower this time, at 0.27%. Foreign equities and foreign currency bonds continued to benefit (+0.40% and +0.8%, respectively). The latter rose slightly for the second consecutive time after a long and steady decline and again reached the level they had attained in the third quarter of 2003. Real estate showed another modest 0.1% increase to 11.9%, while the share of mortgages slipped slightly from 2.5% to 2.4%. Alternative investments remained at the level of the preceding quarter (2.0%).

Interestingly, the overview of asset allocation diversification shows no significant change in the maximum values. What does stand out, however, is the fact that the minimum values have increased for both foreign currency bonds and foreign equities, from 0% to 3.5 and 4.5%, respectively. This means that every pension fund included in the index now has investments in these asset classes. There are still some funds, however, that hold no alternative investments and only negligible units of real estate (0.04%) or mortgage investments (0.022%).

Chart 2b: Annualized risk/return comparison; rolling two-year review monthly results from June 2003 to June 2005

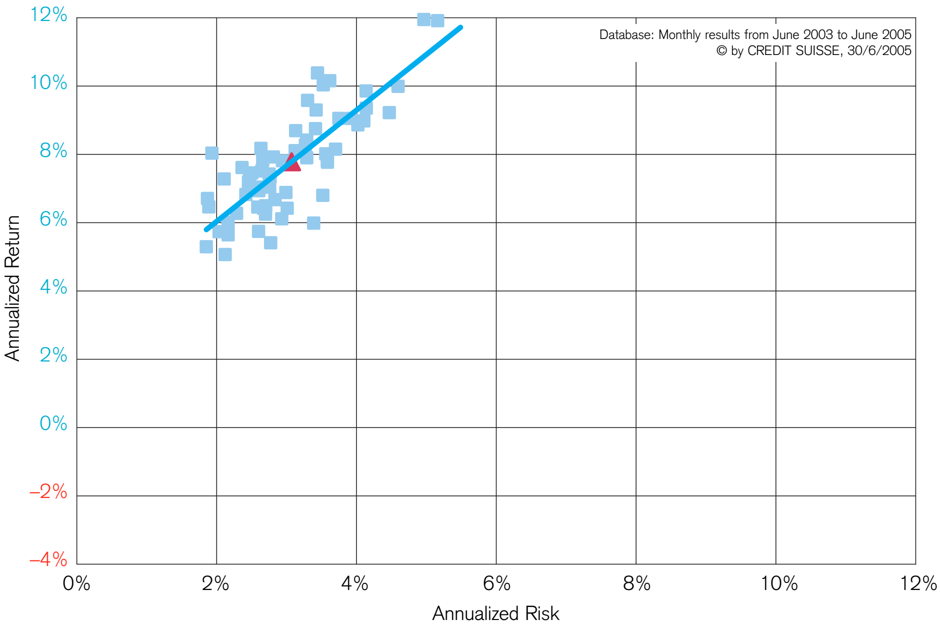
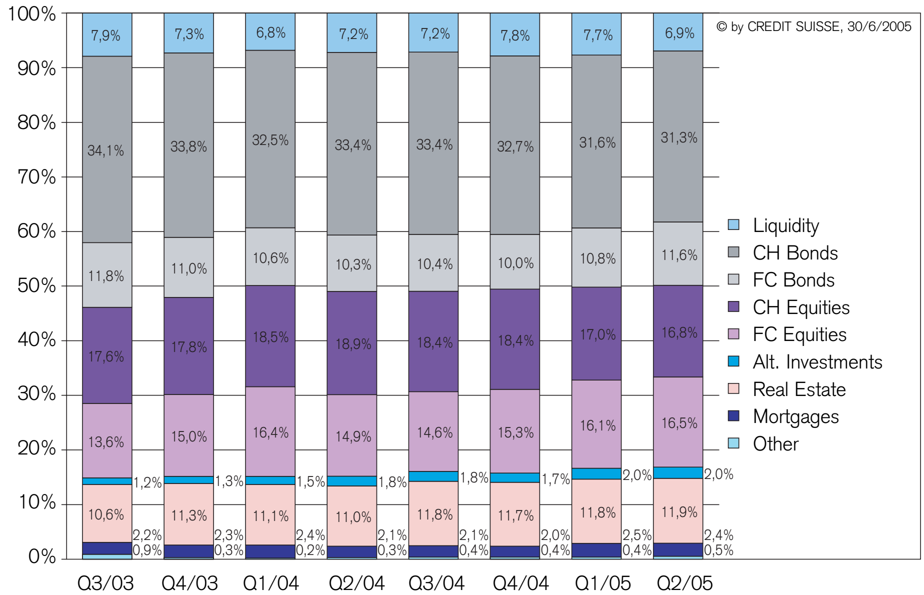


Chart 3: Asset allocation last eight quarters



Currency allocation

As the asset allocation chart shows (chart 5), the proportion of Swiss francs continued to decline. The Swiss franc's weaker position against several currencies is the likely cause of the 1.33% decrease. The reduced weighting benefited the USD by +0.58%, the EUR by +0.28% and the remaining currencies by +0.57%.

Chart 4: Minimum and maximum values 2nd Quarter 2005

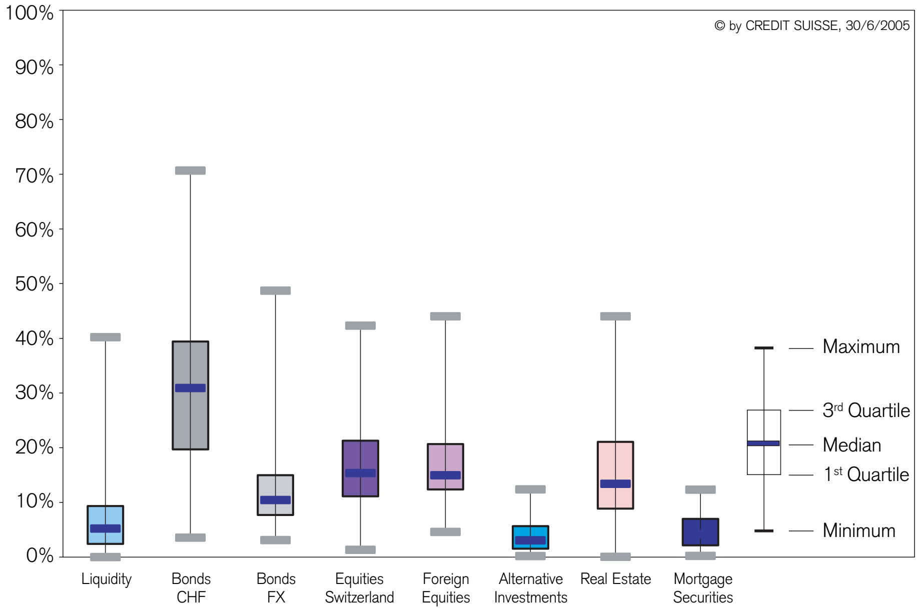


Chart 5: Development over last eight quarters

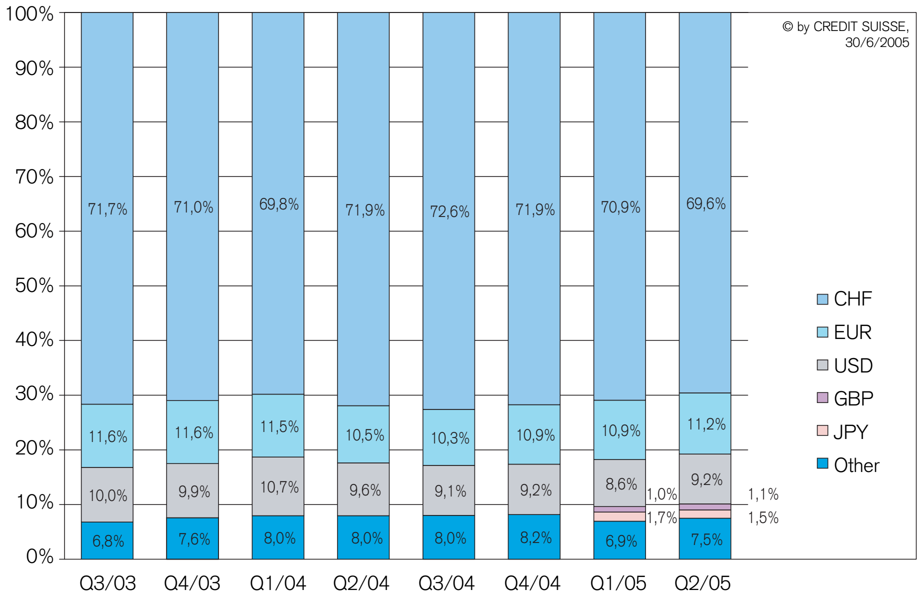


Chart 6 reveals that the maximum JPY value of approximately 15% dropped sharply to 5.92%, while quartiles 2 and 3 remain practically unchanged at 0.25% to 2.13%.

Expected absolute risk

For the new expected absolute risk chart, we adjusted the basis for the data to match the CSAM Swiss Pension Fund Index so that this overview also covers the time period from January 1, 2000.
Chart 7 now shows an expected absolute volatility (respectively, the risk) of nearly 8% for early 2000. This risk was subsequently reduced over three years (by March 2003) to approximately 5.25%. Since the low for this period, the institutions included in the CSAM Pension Fund Index have again raised expected absolute risk until mid-2005 continually to nearly 6.5%.

Chart 6: Maximum and minimum values previous quarter

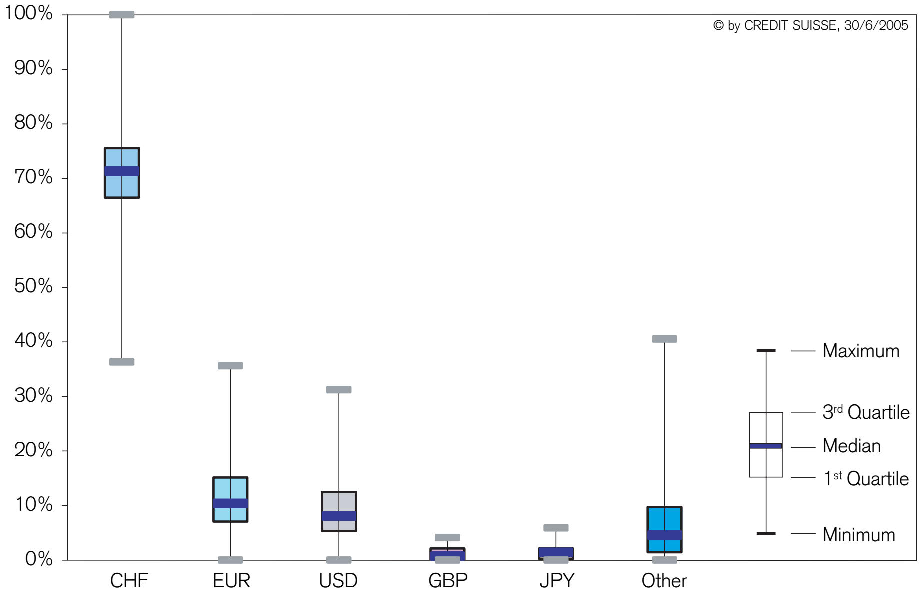
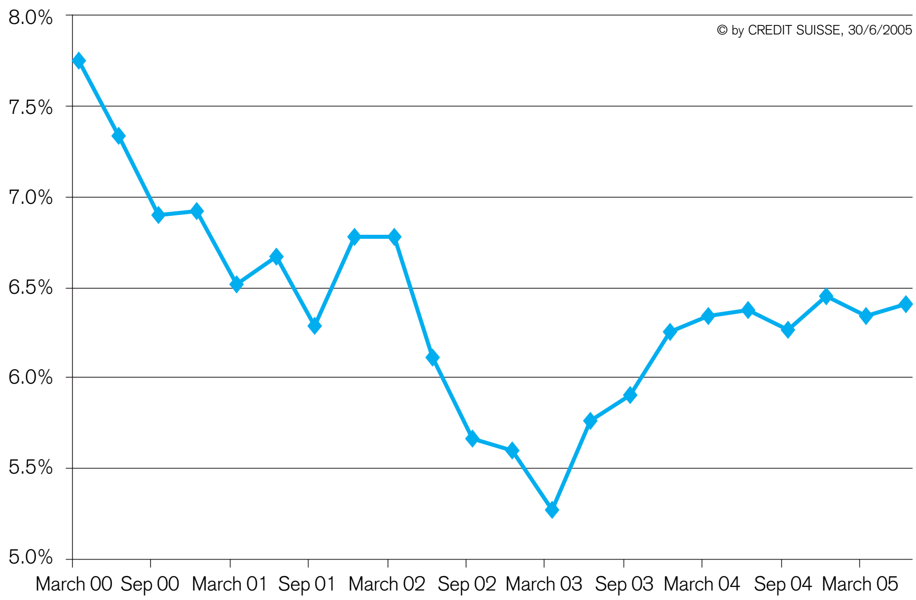


Chart 7: Expected volatility on reference date (annualized)



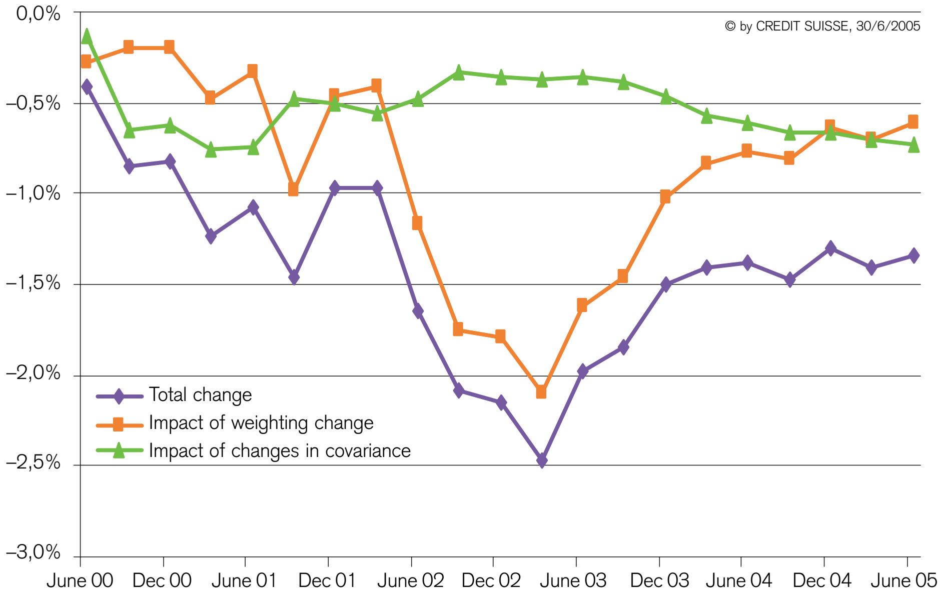
The expected absolute risk for each reference day corresponds to the anticipated volatility of the index. This was calculated on the basis of the spread of returns of selected indices as well their dependencies over the last 10 years, and on the index's corresponding asset allocation.

Chart 8 illustrates that the risk reduction (March 2000 to March 2003) and risk increase (March 2003 – June 2005) are not solely attributable to calmer markets and lower volatility (and vice versa). The changes in risk, particularly in 2002 and 2003, were chiefly the result of actively adjusted asset allocations on the part of the pension funds.

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 difficult to obtain.

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



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