Global Investment Reporting

Credit Suisse
Swiss Pension Fund Index

2nd Quarter 2006

Performance of Swiss Pension Funds as at June 30, 2006

- All segments fell below the BVG/LPP target again
- Lower return for the same risk
- Active risk reduction

Index

Performance of Swiss Pension Funds based on Global Custody data of Credit Suisse as at June 30, 2006

Index versus Mandatory Minimum Rate of Return since January 2000

At the same level as at the end of last year

Owing to changing market conditions, the Credit Suisse Swiss Pension Fund Index (blue line in chart 1a) could not manage to continue the long-lasting upward trend of the previous seven quarters and fell by 2.71 points or 2.27%. Rising interest rates and a somewhat less stable market environment meant that the pillar 2 assets managed by Swiss pension funds dropped for the first time in a long time. Extrapolated assets under management fell by around CHF 13.5 billion to less than CHF 580 billion in the second quarter of 2006.

The BVG/LPP minimum rate of return (the red line in chart 1a, rebased to 100 as at January 2000) rose a further 0.76 points (or 0.62%) during the period under review, from 122.48 to 123.24. As the index fell 2.89% below the statutory requirement in the second quarter, the quarter-on-quarter performance gap increased for the first time in a long time by 3.46 points to 6.80 points (compared to 3.34 at the end of the previous quarter).

Chart 1a: Credit Suisse Swiss Pension Fund Index

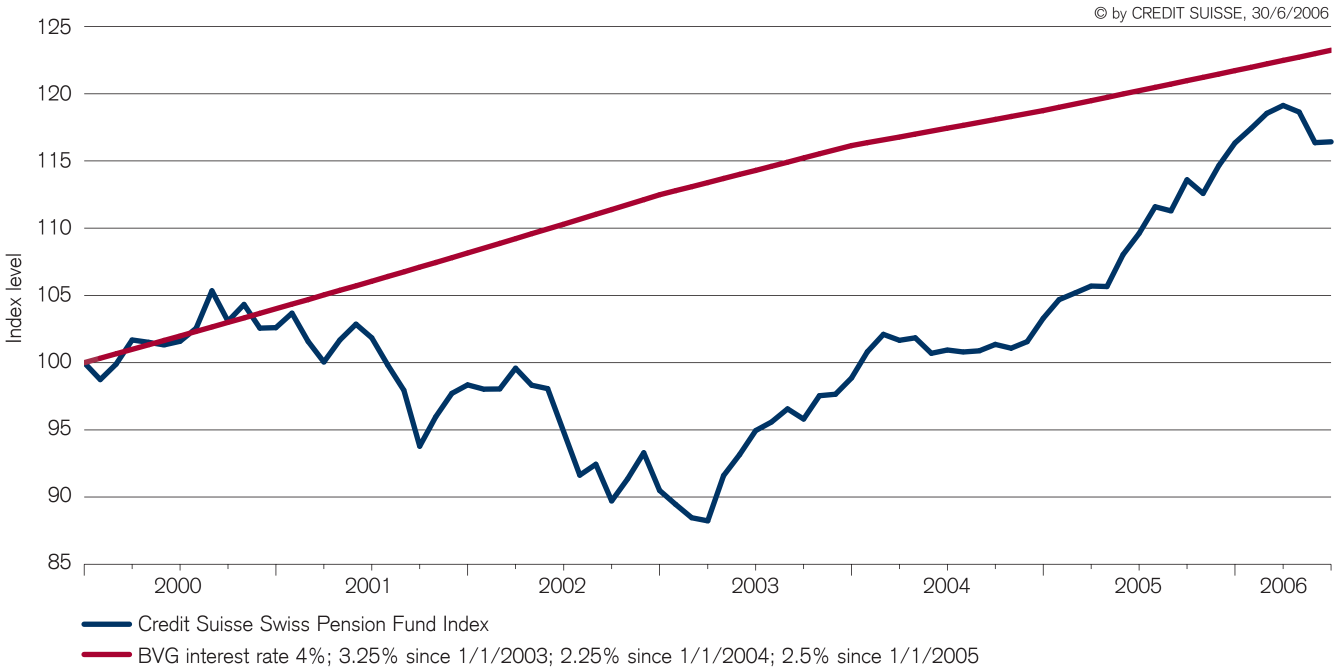
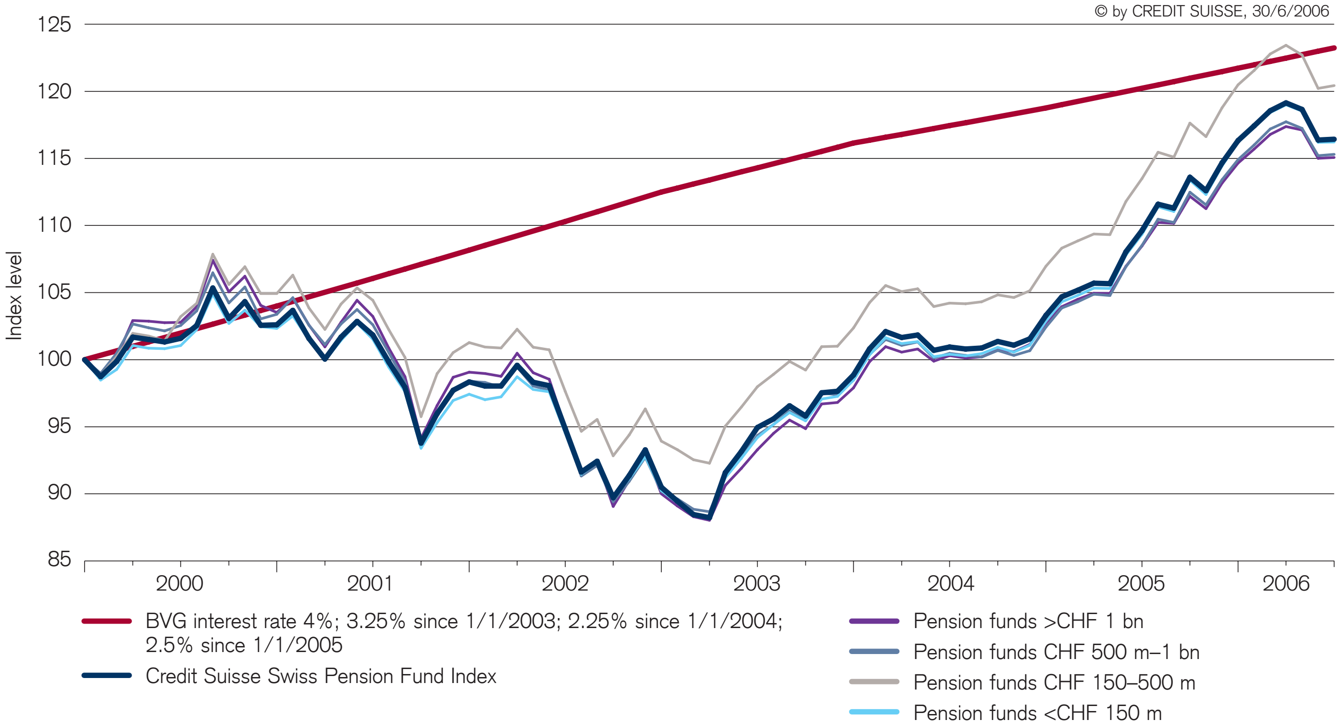


Table 1

	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	118.65	116.36	116.43							0.09%	16.43%

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



As a result it will take somewhat longer than we had hoped for the index to reach its target.
Chart 1b shows the differentiation between the following segments: assets under management of <CHF 150 million, CHF 150 million–500 million, CHF 500 million–CHF 1 billion and >CHF 1 billion.

All segments fell below the BVG/LPP target again

Contrary to the previous quarter when pension funds in the segment CHF 150 million–500 million still outperformed the index, all segments have fallen below the BVG/LPP target in the quarter under review. In absolute terms, pension funds with assets under management in excess of CHF 1 billion achieved the best results quarter-on-quarter. This segment fell 2.31 points in performance (–1.96%), followed by pension funds with assets under management of CHF 500 million to CHF 1 billion (–2.43 points or –2.06%) and pension funds with assets under management of less than CHF 150 million with a loss of 2.78 points (–2.33%). At –2.99 points or –2.43%, pension funds with assets under management of CHF 150 million to CHF 500 million, which overall turned in the best performance to date, recorded the greatest loss in the second quarter. However, it still has a good lead on the other segments.
The comparison for the second quarter of 2006 produces the following breakdown per segment (change in points / change in percentage / gap to the BVG/LPP target in points as at June 30, 2006, see chart below).
The losses during the quarter under review widened the gap to the BVG/LPP target to between 2.81 and 8.17 points in all segments compared to the starting date on January 1, 2000.

Category	Change in points	Change in percentage	Gap to the BVG/LPP target as at June 30, 2006
>CHF 1 bn	–2.31 points	–1.96%	–8.17 points
CHF 500 m–1 bn	–2.43 points	–2.06%	–7.93 points
CHF 150 m–500 m	–2.99 points	–2.43%	–2.81 points
<CHF 150 m	–2.78 points	–2.33%	–7.02 points

Risk/Return Positions

Alongside the risk/return overview we show the rolling five-year and two-year overview. It should be noted that only portfolios that were in the index for the entire observation period are taken into account. For example, portfolios formed on June 1, 2002 are not taken into account in the five-year rolling observation period (30.06.2001–30.06.2006), though they do form part of the rolling two-year observation period.

Lower return for the same risk

The line representing the rolling five-year observation period as per reference date, which shows the annualized risk/return positions of individual pension funds (see chart 2a), continues to show a curve with an inclination that slightly contradicts the conventional theory that higher risk is compensated for by a higher return. Thanks to the positive performance in the seven quarters preceding the quarter under review, the line was almost totally horizontal at the end of March. In the quarter under review, however, the line again ran counter to the theory. The end of the line on the higher risk side moved down sharper than the end on the lower risk side, and the entire line moved down somewhat. This means that a slightly lower return was earned with the same level of risk.

Two-year line slightly flatter

The overview of the rolling two-year line (chart 2b, 30.06.2004–30.06.2006) on the other hand impressively confirms the theory that higher risk is rewarded with higher returns. As this line represents a shorter period, it reacts more to market changes. The line has become slightly flatter and the risk band is now 3.8%, stretching from 2.0% to 5.8% (up from 3.1% the previous quarter, stretching from 2.0% to 5.1%). It is also not surprising that the line has moved slightly downward overall, i.e. less return was achieved.

Chart 2a: Annualized risk/return comparison; rolling five-year review monthly results from June 2001 to June 2006

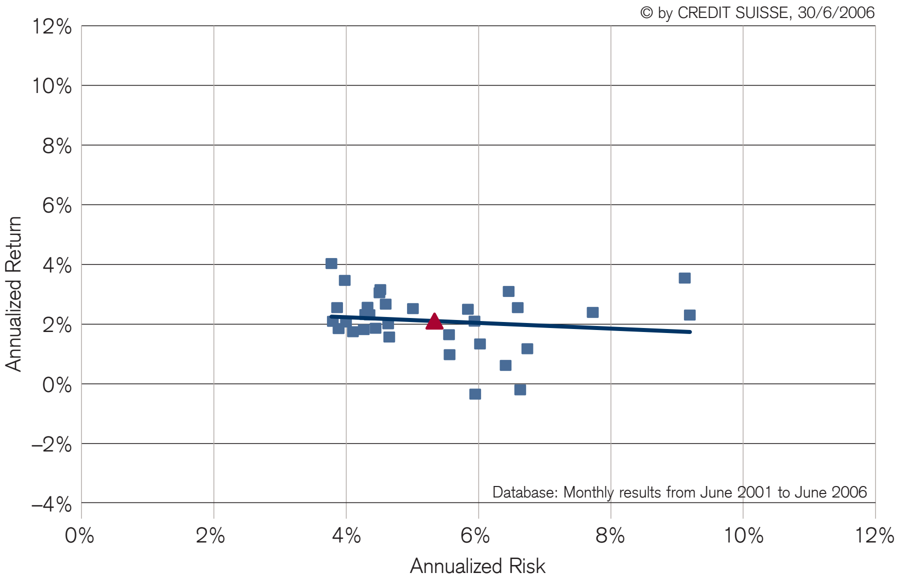
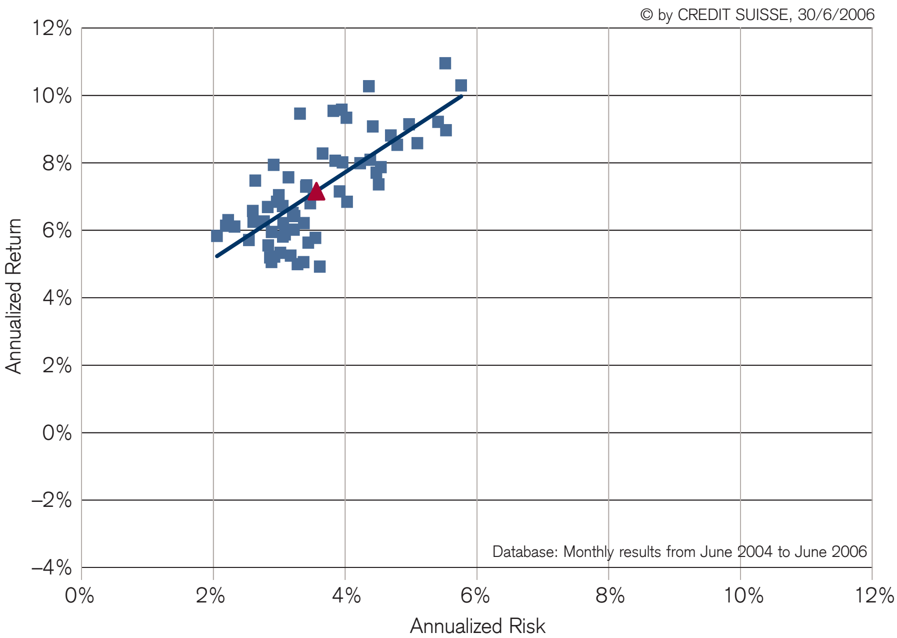


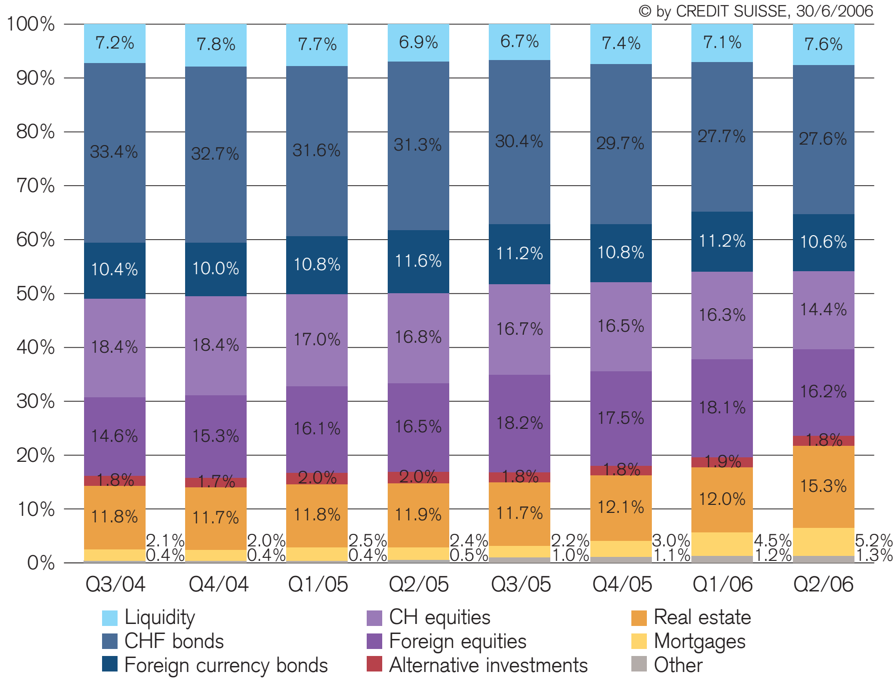
Chart 2b: Annualized risk/return comparison; rolling two-year review monthly results from June 2004 to June 2006



Asset Allocation

When looking at the asset allocation overview it is clear that the relative weighting of the real estate component has increased significantly from 12% to 15%, which represents a new record. This can be explained by two facts: firstly and mainly, the equity and bond components decreased as a result of weaker financial markets, and secondly, assets were shifted actively into real estate, which resulted in the much higher weighting. As mentioned above, the relative weighting for bonds fell by 0.7% overall. CHF bonds fell only slightly (–0.1%), and foreign currency bonds also fell only moderately (–0.6%). In contrast, the relative decrease for equities was significant at –3.8% in total (Switzerland –1.9%, foreign equities –1.9%) and reflects developments on the markets.
Mortgages increased by 0.7%, a new record, and liquidity is also up. The other asset classes did not see any significant changes.

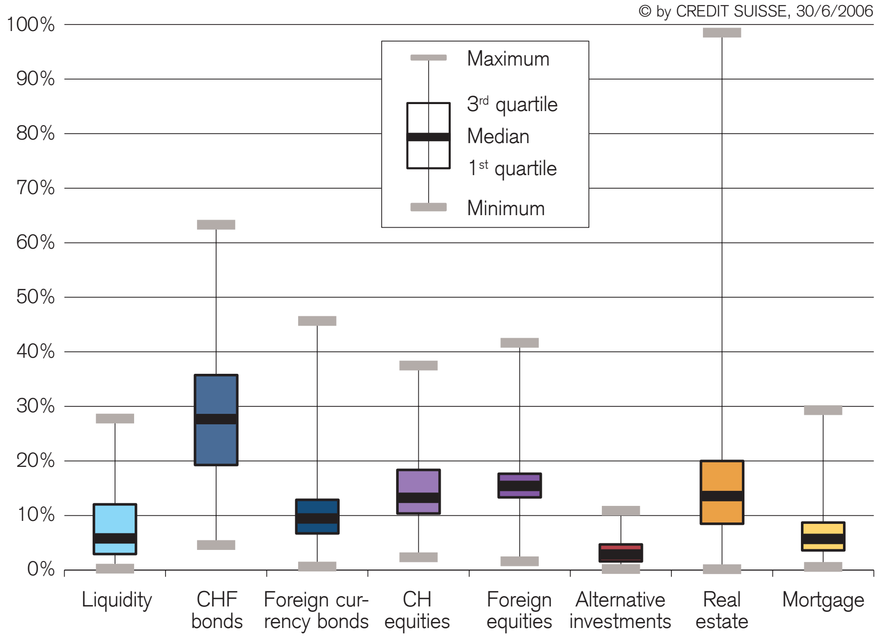
Chart 3: Asset allocation last eight quarters



Real estate jumps in relative terms

In the overview of asset allocation spread it is particularly notable that there is now at least one investor who holds 98% of its assets in the form of real estate. The median values, however, moved up only slightly. What is also notable is the decrease in the maximum values for CHF bonds by around 10% and Swiss equities by around 5% as well as the increase of alternative investments by around 15%. As far as the latter is concerned, the median value is also up.

Chart 4: Minimum and maximum values 2nd Quarter 2006



Currency Allocation

On average the currency allocation has changed very little. The CHF weighting increased by around 1.1% and is above 70% for the first time since the first quarter of 2005. The other currencies all changed by less than half a percent (EUR –0.4%, USD +0.1%, GBP –0.1%, JPY –0.2%, others –0.5%).

Chart 6 shows three notable changes from the previous quarter. Both the CHF maximum and minimum levels are at 100% and 0% (max./min. previous quarter approx. 97%/39%), and the USD maximum has risen significantly from around 29% to over 70%. The maximum level of GBP has also increased from less than 5% to more than 10%.

Chart 5: Development over the last eight quarters

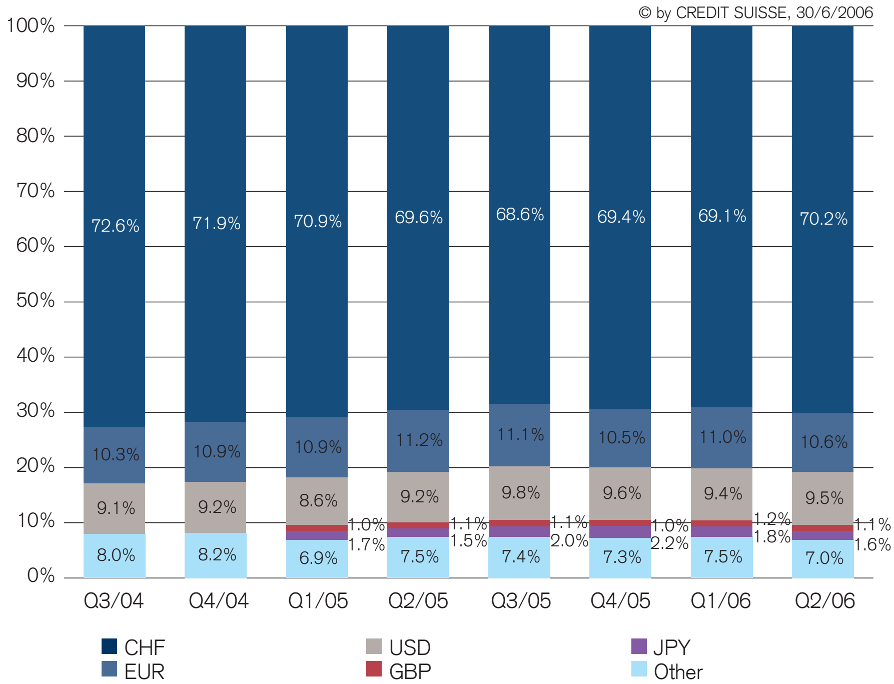
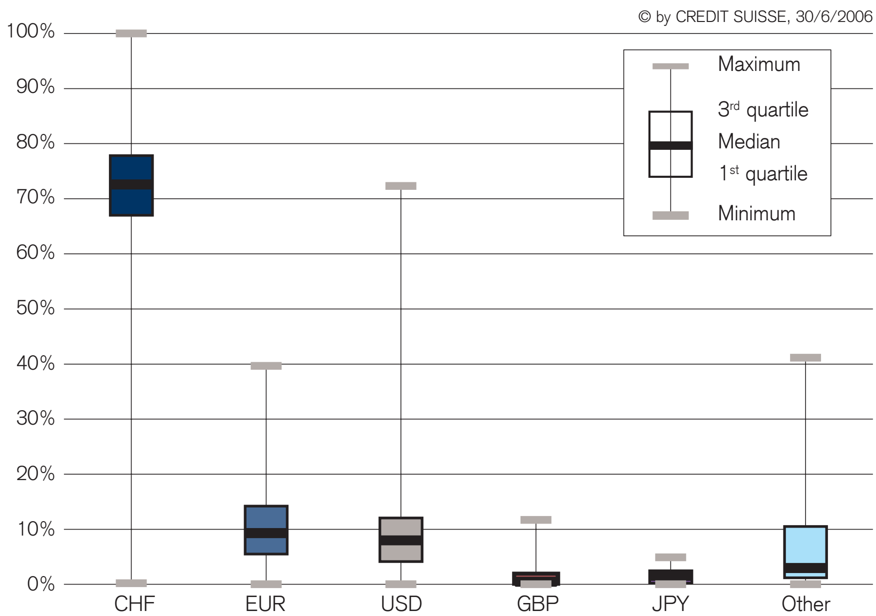


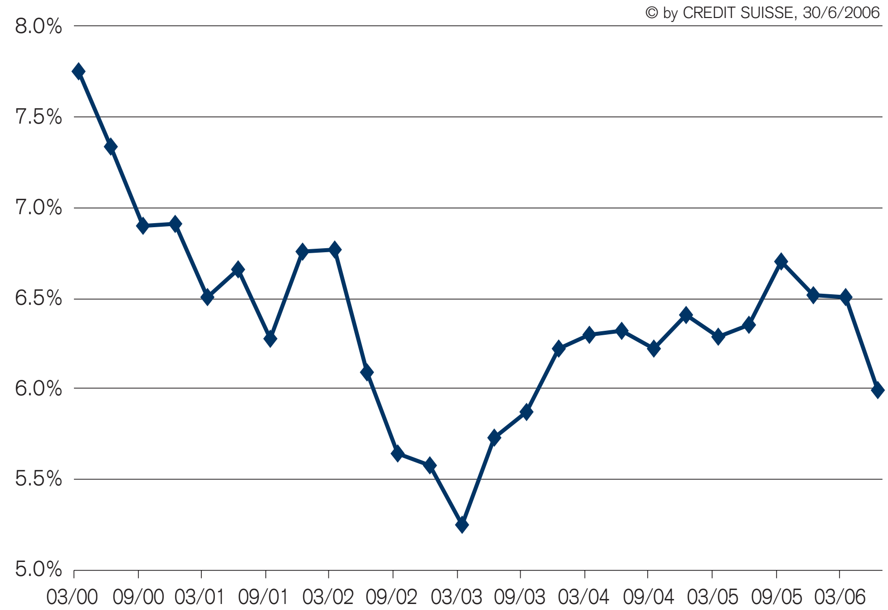
Chart 6: Maximum and minimum values previous quarter



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 risk was then successively reduced to around 5.25% within a period of three years (March 2003). This was the lowest value during the period under observation, and the expected absolute risk for the pension funds included in the Credit Suisse Swiss Pension Fund Index subsequently rose continuously to around 6.70% by September 2005. The last quarter of 2005 then saw another decrease in risk, i.e. volatility, which accelerated again in the second quarter of 2006 after a short breather in the first quarter. The pension funds included in the index show an expected absolute risk of 6.00% for their portfolios at the end of June 2006, 0.5% less than at the end of the previous quarter.

Chart 7: Expected volatility per reference day (annualized)

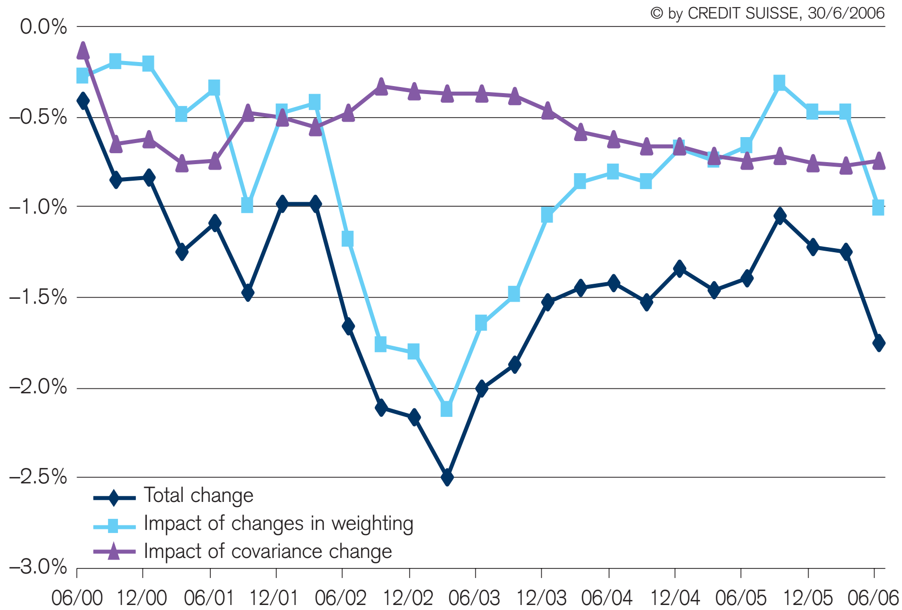


The expected absolute risk for each reference date corresponds to the anticipated volatility of the index. This was calculated on the basis of the spread of returns of selected indices as well their dependencies over the last 10 years, and on the index's corresponding asset allocation.

Active risk reduction

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 the years 2002 and 2003, were mainly caused by adjustments in the asset allocation. The increase in risk witnessed from the middle of 2003 to September 2005 – dampened down slightly as a result of falling covariances – was likewise caused by changes in the weightings of asset classes. While the last quarter of 2005 already saw an active reduction of risk on the part of the pension funds, the reduction in the second quarter of 2006 is also clearly due to the behavior of the investors and not to any differences in the covariances, which actually rose slightly.

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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