

Credit Suisse Swiss Pension Fund Index Q2 2016

YTD 2016: 1.50%

Q2 2016: 2.00%

Distinctly positive second quarter, with slowdown in June

Further rise in liquidity

Foreign real estate in demand for diversification



Index versus Mandatory Minimum Rate of Return since January 2000

Credit Suisse Swiss Pension Fund Index Turns Distinctly Positive in Q2 after Falling at Start of Year

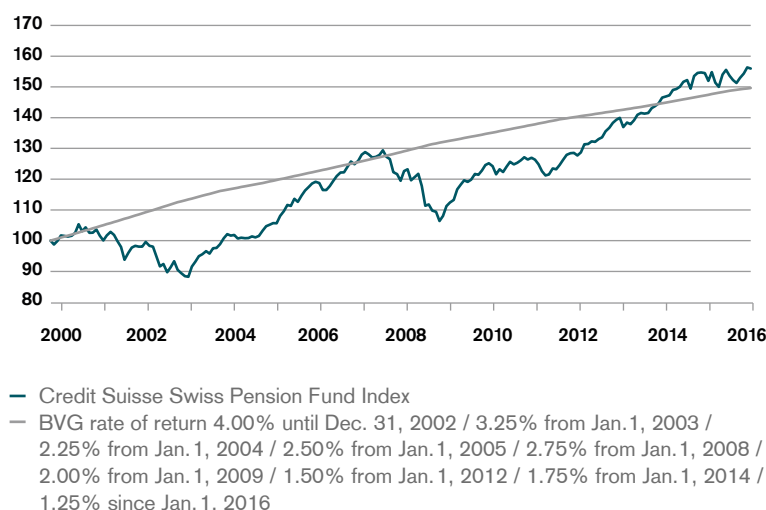
In the reporting quarter the index advanced by 3.05 points (2.00%) to 155.97 points as of June 30, 2016, from a baseline of 100 at the start of 2000. After a very positive showing in April (0.94%) and May (1.29%), the index suffered a slight slowdown in June (0.24%).

The recovery in domestic equities and bonds accounted for the lion's share of the increase in the Pension Fund Index. The positive result for the reporting quarter was mainly due to Swiss equities (0.48%) and bonds (0.40%), followed by foreign equities (0.40%), real estate (0.37%), foreign currency bonds (0.23%), alternative investments (0.18%), and mortgages (0.02%). By contrast, only the liquidity asset class made a negative contribution in the second quarter (-0.08%).

The BVG mandatory minimum rate of return (1.25% p.a. since January 2016) rose by 0.46 percentage points (0.31%) to 149.66 in the reporting quarter, likewise from a baseline of 100 at the start of 2000. The return of the Credit Suisse Swiss Pension Fund Index is therefore 1.69% above the BVG requirement in the reporting quarter.

The annualized return of the Credit Suisse Swiss Pension Fund Index (since January 1, 2000) is 2.73% as of June 30, 2016. This contrasts with an annualized BVG mandatory minimum rate of return of 2.47%.

Chart 1a:



Scale: Index level

The Credit Suisse Swiss Pension Fund Index is calculated on the basis of the returns realized by Swiss pension funds (prior to deducting management costs) whose assets are held at Credit Suisse under a global custody arrangement. Asset management and advisory tasks, however, are performed by the pension funds themselves or by third parties. In its role as global custodian, Credit Suisse has no influence on the performance of individual pension funds.

Table 1a: Credit Suisse Swiss Pension Fund Index

Jan. 1, 2000–Jun. 30, 2016

	Jan.	Feb.	Mar.	Apr.	May	Jun.	Jul.	Aug.	Sep.	Oct.	Nov.	Dec.	Annual return
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%
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%
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%
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%
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%
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%
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%
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%
2008	122.25	121.64	119.45	122.61	123.22	119.65	120.65	121.72	117.76	111.35	111.77	109.76	-13.25%
2009	109.40	106.38	108.02	111.24	112.43	113.27	116.69	118.21	119.61	119.10	119.84	121.68	10.86%
2010	121.42	122.79	124.59	125.15	124.24	121.57	123.23	122.32	124.06	125.64	124.77	125.33	3.01%
2011	126.09	127.10	126.37	126.95	126.32	124.84	122.56	121.22	121.52	123.47	123.19	124.63	-0.56%
2012	126.33	127.90	128.42	128.55	127.69	128.72	131.33	131.44	132.31	132.13	133.04	133.61	7.21%
2013	135.56	136.71	138.31	139.33	139.95	136.91	138.40	137.89	139.14	140.95	141.50	141.30	5.76%
2014	141.53	143.11	143.80	144.68	146.55	146.91	147.27	149.01	149.32	150.06	151.64	152.23	7.73%
2015	149.45	153.54	154.53	154.71	154.51	151.98	154.82	151.40	149.99	154.04	155.54	153.67	0.95%
2016	152.24	151.26	152.92	154.35	156.35	155.97							1.50%

Table 1b: Performance Contribution (Monthly)

Credit Suisse Swiss Pension Fund Index (Jan. 1, 2016 – Jun. 30, 2016)

	Jan.	Feb.	Mar.	Apr.	May	Jun.	Jul.	Aug.	Sep.	Oct.	Nov.	Dec.	YTD
Liquidity	-0.14%	0.19%	0.16%	-0.05%	-0.18%	0.15%							0.13%
CHF bonds	0.31%	0.22%	-0.04%	-0.01%	0.08%	0.33%							0.89%
Foreign currency bonds	0.17%	-0.12%	0.01%	0.08%	0.14%	0.00%							0.30%
Swiss equities	-0.71%	-0.47%	0.15%	0.34%	0.49%	-0.36%							-0.56%
Foreign equities	-0.70%	-0.53%	0.64%	0.25%	0.58%	-0.44%							-0.21%
Alternative investments	0.03%	-0.07%	-0.05%	0.09%	0.08%	0.00%							0.09%
Real estate	0.08%	0.13%	0.22%	0.23%	0.07%	0.07%							0.80%
Mortgages	0.02%	0.01%	-0.01%	0.00%	0.00%	0.01%							0.04%
Other	-0.01%	-0.01%	0.01%	0.01%	0.01%	-0.01%							0.00%
Total	-0.94%	-0.64%	1.10%	0.94%	1.29%	-0.24%							1.50%

Chart 1b:
Credit Suisse Swiss Pension Fund Index by Segment Size

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.

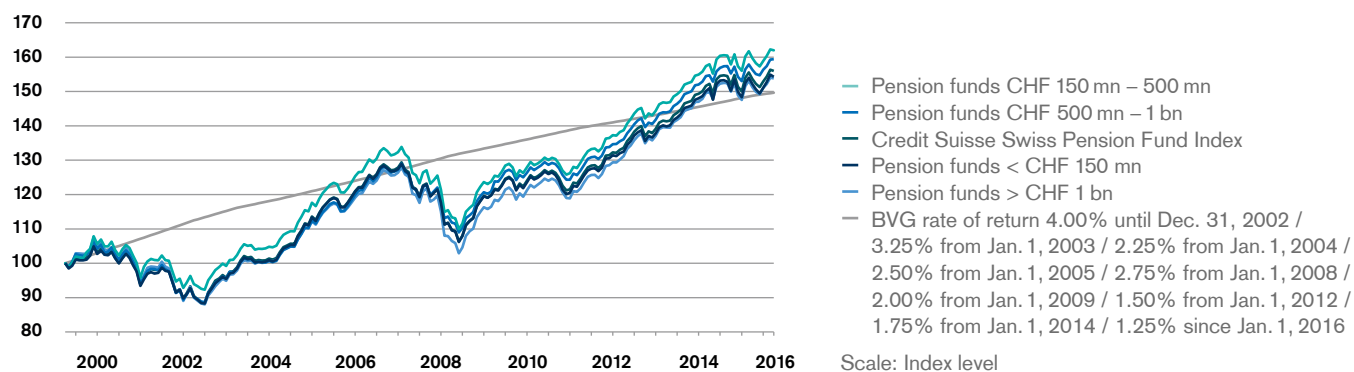


Table 1c: Performance

Jan. 1, 2000–Jun. 30, 2016

	Jan.	Feb.	Mar.	Apr.	May	Jun.	Jul.	Aug.	Sep.	Oct.	Nov.	Dec.	YTD
Credit Suisse Swiss Pension Fund Index	-0.94%	-0.64%	1.10%	0.94%	1.29%	-0.24%							1.50%
Pension funds > CHF 1 bn	-0.90%	-0.51%	1.25%	0.74%	1.23%	-0.15%							1.66%
Pension funds CHF 500 mn–1 bn	-0.82%	-0.22%	1.04%	0.69%	1.20%	0.06%							1.95%
Pension funds CHF 150–500 mn	-0.91%	-0.62%	1.03%	0.90%	1.20%	-0.17%							1.42%
Pension funds < CHF 150 mn	-1.00%	-0.81%	1.09%	1.13%	1.43%	-0.41%							1.41%

Table 1d: Annualized Performance

Jan. 1, 2016–Jun. 30, 2016

	Annualized performance since January 1, 2000
Credit Suisse Swiss Pension Fund Index	2.73%
BVG rate of return	2.47%
Pension funds > CHF 1 bn	2.64%
Pension funds CHF 500 mn–1 bn	2.87%
Pension funds CHF 150–500 mn	2.97%
Pension funds < CHF 150 mn	2.66%

Risk/Return Positions

Five-Year Line—Annualized Return Rises Significantly while Annualized Risk Falls Marginally

The line showing the five-year annualized risk/return positions of the individual pension funds (see Chart 2a) moved significantly upward in the second quarter of 2016 and became steeper again. The unweighted average annualized return rose to 4.55% in the reporting quarter (+0.66 percentage points), while the unweighted average annualized risk fell to 4.14% (–0.04 percentage points; red triangle). As of June 30, 2016, just under 40% of pension funds had an annualized risk of less than 4%; as of March 31, 2016, it was 38%. There are still two pension funds with an annualized risk of more than 6%.

Chart 2a:
Annualized Risk/Return Comparison; Five-Year View,
Monthly Results from July 2011 to June 2016



y-axis: Annualized return in percent (%)
x-axis: Annualized risk in percent (%)

Table 2a: Key Figures

Jul. 1, 2011 – Jun. 30, 2016

	Risk	Return	Sharpe ratio
Credit Suisse Swiss Pension Fund Index	4.14%	4.55%	1.23
Pension funds > CHF 1 bn	4.20%	4.62%	1.22
Pension funds CHF 500 mn–1 bn	3.55%	4.54%	1.39
Pension funds CHF 150–500 mn	3.87%	4.67%	1.32
Pension funds < CHF 150 mn	4.45%	4.47%	1.12

Table 2b: Return Bandwidths

Jul. 1, 2011 – Jun. 30, 2016

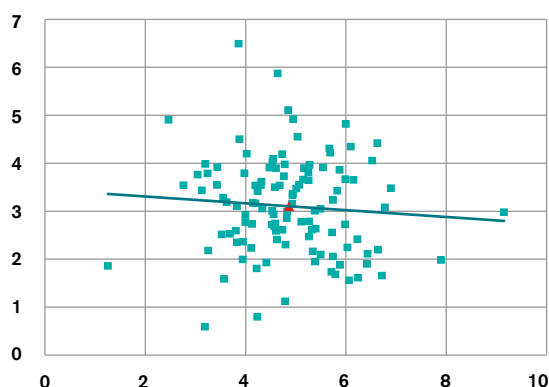
	Minimum	1st quartile	Median	3rd quartile	Maximum
Credit Suisse Swiss Pension Fund Index	1.47%	4.26%	4.84%	5.30%	6.69%
Pension funds > CHF 1 bn	2.98%	4.06%	4.57%	5.49%	6.69%
Pension funds CHF 500 mn–1 bn	3.80%	4.30%	4.70%	4.83%	5.09%
Pension funds CHF 150–500 mn	1.47%	4.38%	4.86%	5.28%	6.19%
Pension funds < CHF 150 mn	3.24%	4.25%	4.92%	5.41%	6.18%

Our risk/return overview shows the five-year and two-year views. It should be noted that only portfolios that were part of the index for the entire observation period are included. For example, portfolios created on January 1, 2013, are not included in the five-year observation period (July 1, 2011–June 30, 2016) but do form part of the two-year observation period.

Two-Year Line–Fall in Annualized Return and Virtually No Change in Risk

Compared with Q1 2016, the two-year line (Chart 2b, July 1, 2014–June 30, 2016) has fallen slightly and now shows a more negative gradient. The unweighted average annualized return (red triangle) fell slightly in the reporting quarter to finish at 3.04% (–0.08 percentage points), while the unweighted average risk was virtually unchanged at 4.88% (+0.01 percentage points).

Chart 2b:
Annualized Risk/Return Comparison; Two-Year View,
Monthly Results from July 2014 to June 2016



y-axis: Annualized return in percent (%)
x-axis: Annualized risk in percent (%)

Table 2c: Key Figures

Jul. 1, 2014–Jun. 30, 2016

	Risk	Return	Sharpe ratio
Credit Suisse Swiss Pension Fund Index	4.88%	3.04%	0.80
Pension funds > CHF 1 bn	4.71%	3.06%	0.83
Pension funds CHF 500 mn–1 bn	4.24%	3.21%	0.85
Pension funds CHF 150–500 mn	4.56%	3.08%	0.89
Pension funds < CHF 150 mn	5.34%	2.97%	0.70

Table 2d: Return Bandwidths

Jul. 1, 2014–Jun. 30, 2016

	Minimum	1st quartile	Median	3rd quartile	Maximum
Credit Suisse Swiss Pension Fund Index	0.59%	2.40%	3.08%	3.79%	6.49%
Pension funds > CHF 1 bn	1.58%	2.05%	2.99%	3.64%	6.49%
Pension funds CHF 500 mn–1 bn	1.80%	2.40%	3.17%	3.53%	3.81%
Pension funds CHF 150–500 mn	0.59%	2.72%	3.15%	3.89%	5.87%
Pension funds < CHF 150 mn	1.12%	2.23%	2.99%	3.86%	4.91%

Asset Allocation

Real Estate Remains High – Reduction in Foreign Equities

Compared with the previous quarter, the asset allocation of June 30, 2016, shows very little change. Despite a slight fall, the real estate component remains at the very high level of 22.92% (–0.13 percentage points). The most marked change is a reduction in the foreign equities category to 16.94% (–0.38 percentage points), which is now close to its lowest point in two years.

The Swiss and foreign bond allocations were virtually unchanged at 25.86% (+0.01 percentage points) and 7.34% (–0.03 percentage points) respectively.

Slight increases occurred in alternative investments (+0.13 percentage points to 5.77%) and Swiss equities, which rose to 12.99% from the low point of the first quarter (+0.09 percentage points). Liquidity increased for the third quarter in succession, and is now back above 5% (+0.17 percentage points to 5.05%). Furthermore, mortgages showed a slight increase to a two-year high of 2.08% (+0.03 percentage points).

Chart 3:

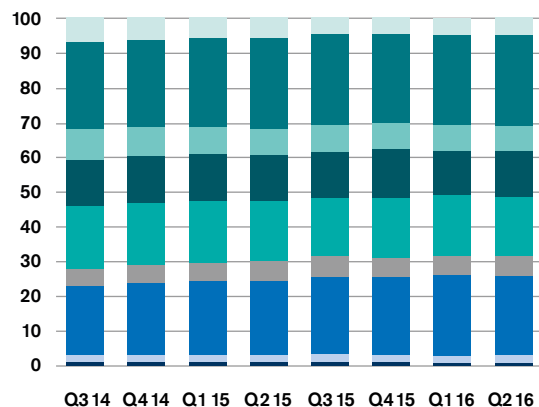
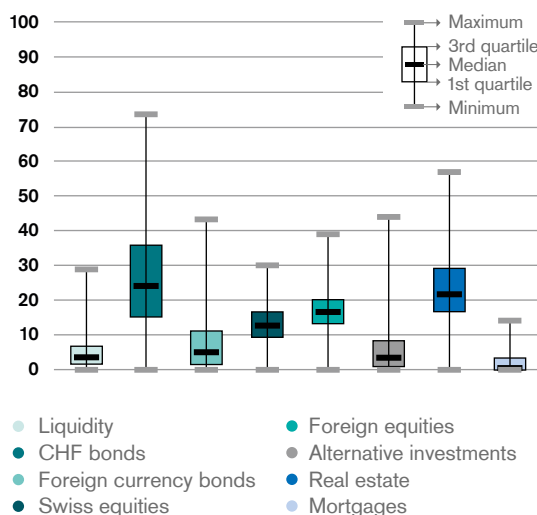


Chart 4:



Scale: In percent (%)

	Q3 14	Q4 14	Q1 15	Q2 15	Q3 15	Q4 15	Q1 16	Q2 16
Liquidity	7.01	6.51	5.86	5.86	4.71	4.74	4.88	5.05
CHF bonds	24.91	24.89	25.27	25.89	25.91	25.44	25.85	25.86
Foreign currency bonds	8.79	8.34	7.94	7.63	7.82	7.59	7.37	7.34
Swiss equities	13.44	13.36	13.36	13.11	13.20	13.75	12.90	12.99
Foreign equities	17.94	17.82	17.80	17.38	16.85	17.30	17.32	16.94
Alternative investments	4.87	5.26	5.34	5.49	5.93	5.59	5.64	5.77
Real estate	19.73	20.48	21.00	21.35	22.15	22.37	23.05	22.92
Mortgages	2.06	2.04	2.07	2.01	2.01	2.01	2.05	2.08
Other	1.25	1.29	1.36	1.28	1.42	1.22	0.95	1.06

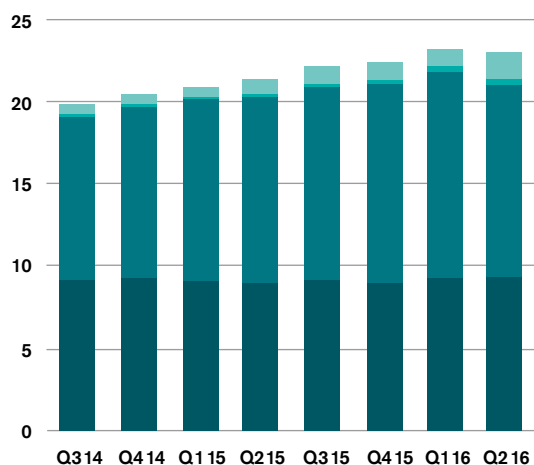
Scale: In percent (%)

Foreign Real Estate at Record Level

Within the real estate asset class there was a slight shift from Swiss real estate (–1.47 percentage points to 92.93%) to foreign real estate (7.07%) in the reporting quarter. While the share of direct investments in real estate in Switzerland (+0.08 percentage points to 9.42%) and abroad (0.28%) remained virtually unchanged, the proportion of indirect real estate investments in Switzerland showed its first marked fall after rising continuously for the past two years (–0.54 percentage points to 11.88%). At the same time, the proportion of

indirect real estate investments abroad reached a record high of 1.34% (+0.33 percentage points), showing that this asset class is in demand as a form of diversification.

Chart 5:



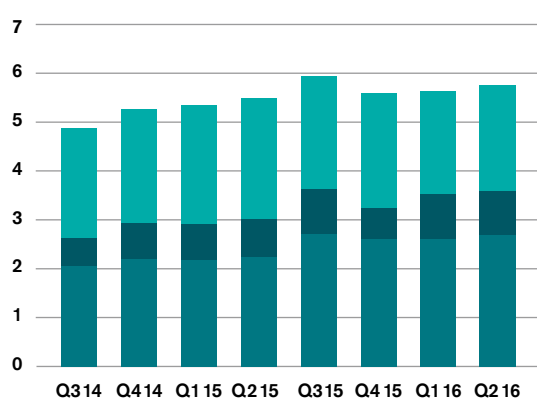
	Q3 14	Q4 14	Q1 15	Q2 15	Q3 15	Q4 15	Q1 16	Q2 16
Foreign real estate, indirect	0.56	0.61	0.70	0.89	1.02	0.98	1.01	1.34
Foreign real estate, direct	0.12	0.17	0.15	0.15	0.20	0.26	0.28	0.28
Swiss real estate, indirect	9.88	10.41	11.07	11.25	11.82	12.10	12.42	11.88
Swiss real estate, direct	9.18	9.29	9.08	9.06	9.11	9.03	9.34	9.42

Scale: In percent (%)

Increase in Alternative Investments

The slight increase in the proportion of alternative investments is attributable to quarter-on-quarter increases in the share of hedge funds (+0.09 percentage points to 2.69%) and the share of commodities (+0.06 percentage points to 2.16%). On the other hand, the share of private equity fell slightly (–0.03 percentage points to 0.91%).

Chart 6:



	Q3 14	Q4 14	Q1 15	Q2 15	Q3 15	Q4 15	Q1 16	Q2 16
Commodities	2.23	2.32	2.42	2.47	2.29	2.33	2.10	2.16
Private equity	0.59	0.74	0.73	0.77	0.93	0.64	0.94	0.91
Hedge funds	2.05	2.20	2.19	2.24	2.70	2.62	2.60	2.69

Scale: In percent (%)

Modified Duration – Interest Rate Sensitivity Continues to Rise

The modified duration increased again in this reporting quarter and stood at 6.13 as of June 30, 2016; we attribute this primarily to issuer-driven duration changes within the indices.

Table 3a: Modified Duration¹

Jan. 1, 2016–Jun. 30, 2016

	Jan.	Feb.	Mar.	Apr.	May	Jun.	Jul.	Aug.	Sep.	Oct.	Nov.	Dec.
Credit Suisse Swiss Pension Fund Index	5.80	5.91	5.96	5.91	5.96	6.13						
Pension funds > CHF 1 bn	5.66	5.81	5.95	6.01	6.00	6.20						
Pension funds CHF 500 mn–1 bn	6.30	6.36	6.05	6.37	6.43	6.53						
Pension funds CHF 150–500 mn	5.90	6.02	6.10	5.86	5.94	6.22						
Pension funds < CHF 150 mn	5.70	5.79	5.80	5.82	5.84	5.92						

¹ Note: The modified duration indicates the direct sensitivity of the bond price (in percentage terms) to a 1% change in the market interest rate. Only direct bond investments are used in calculating the modified duration; collective investments are excluded.

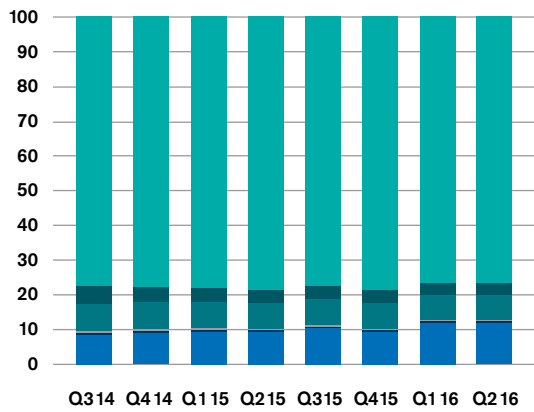
Currency Allocation

Swiss Franc Component Reduced

In line with the asset allocation, the currency allocation also showed virtually no change in the second quarter of 2016. The Swiss franc component showed a marginal rise to 76.47% (+0.05 percentage points). The euro component fell to 3.46% (-0.13 percentage points). There were also minimal reductions for the USD, GBP,

and JPY currencies, while the share of the remaining currencies rose to 12.11% (+0.23 percentage points).

Chart 7:



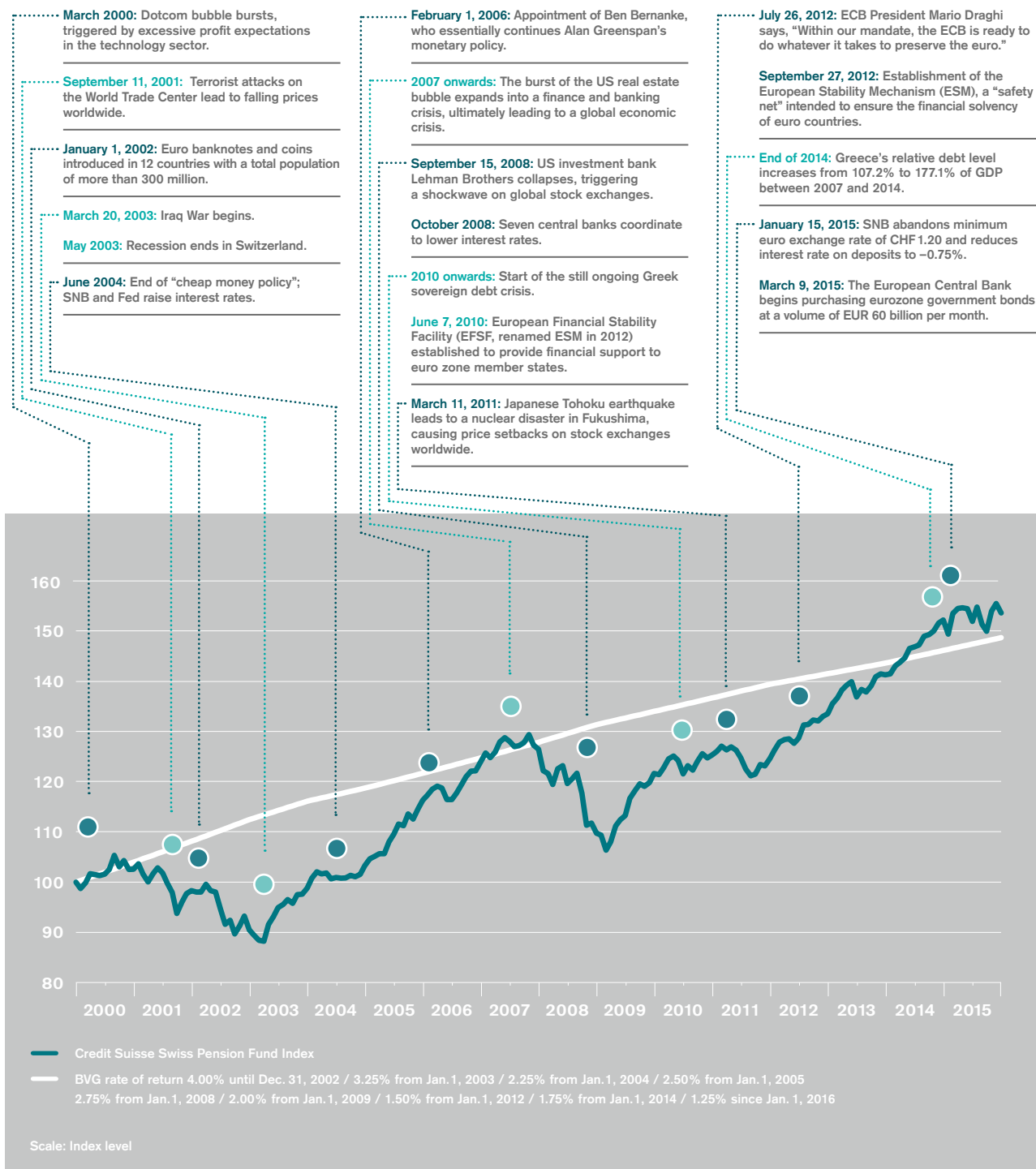
	Q3 14	Q4 14	Q1 15	Q2 15	Q3 15	Q4 15	Q1 16	Q2 16
● CHF	77.49	77.69	77.93	78.51	77.41	78.63	76.42	76.47
● EUR	4.96	4.45	4.21	3.86	3.85	3.68	3.59	3.46
● USD	7.80	7.70	7.39	7.36	7.39	7.37	7.10	7.04
● GBP	0.58	0.54	0.50	0.47	0.46	0.45	0.49	0.45
● JPY	0.64	0.55	0.63	0.52	0.54	0.57	0.51	0.47
● Other	8.52	9.06	9.34	9.28	10.35	9.30	11.88	12.11

Scale: In percent (%)

Credit Suisse

Swiss Pension Fund Index

“On the market’s pulse since 2000.” The Pension Fund Index reflects the asset development of more than 130 pension funds with an overall combined asset value of approximately CHF 120 billion held at Credit Suisse under a global custody arrangement.





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The Credit Suisse Swiss Pension Fund Index is calculated on the basis of the stated performance of the Swiss pension funds whose assets are held at Credit Suisse under a global custody arrangement. Asset management and advisory tasks, however, are performed by the pension funds themselves or by third parties. In its role as global custodian, Credit Suisse has no influence on the performance of individual pension funds. As a leading provider of global custodian services, Credit Suisse is able to prepare broadly-based and representative analyses of the Swiss pension fund business. At system level, the data provides a very up-to-date picture of current investment activities relating to second-pillar assets, since second-pillar pension funds (excluding institutions with complete coverage) manage around 80 percent of all such assets. 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 based on actual pension fund data. Consequently, 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 highly accurate pension fund data remains difficult to obtain.