

CSAM Swiss Pension Fund Index

Global Investment Reporting
3rd Quarter 2004



CSAM Swiss Pension Fund Index

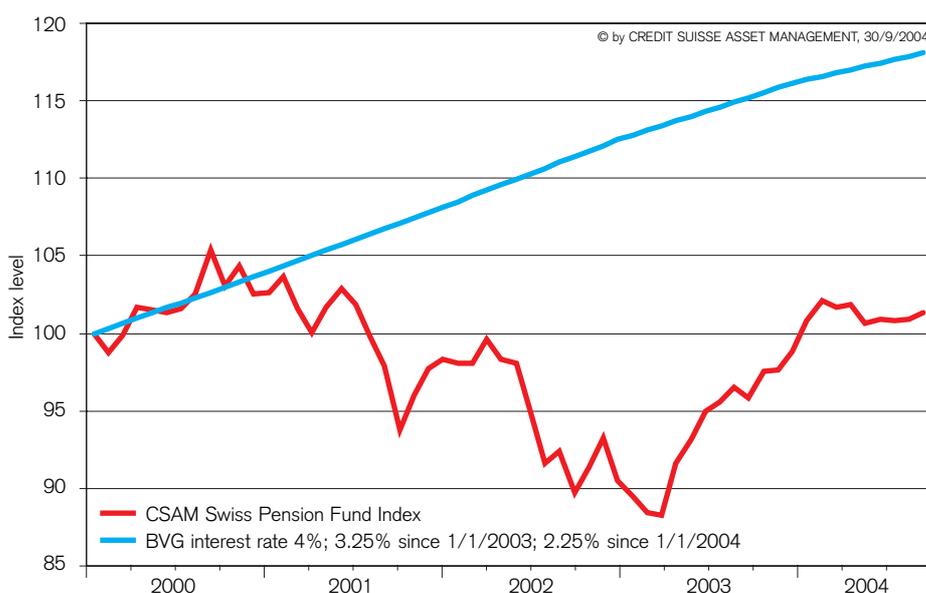
Performance of Swiss pension funds based on Credit Suisse Asset Management's global custody data as of September 30, 2004

Index versus mandatory minimum rate of return since January 2000

In the third quarter of 2004 the "CSAM Swiss Pension Fund Index" (red line in chart 1a) once again improved slightly, rising 0.42 percentage points from 100.94 to 101.36. If this trend was extrapolated to include all assets managed by independent Swiss pension funds (approximately CHF 500 billion as of September 30, 2004), the resultant increase in asset value would be more than good CHF 2 billion. The minimum rate of return required under Switzerland's BVG (occupational retirement, survivors' and disability pension) legislation (the blue line in fig. 1a, rebased to 100 as of January 2000) rose 0.66 percentage points from 117.44 to 118.10 for the period in question. As Q3 index growth was less than the increase in the BVG requirement, the performance gap increased once again compared to the previous quarter, rising from 16.50 to 16.74.

While figure 1a displays the overall performance of all pension funds contained in the "CSAM Swiss Pension Fund Index", figure 1b shows a differentiation between the following segments:

Chart 1a: CSAM Swiss Pension Fund Index



<CHF 150 m, CHF 150–500 m, CHF 500 m–CHF 1 bn. This chart makes it clear that pension funds with assets of CHF 150–500 million continue to outperform both the index and

the other pension funds significantly, while the really large pension funds have tended to lag behind the index for around two years. Though this is hardly apparent at first glance, the best-performing segment in-

Table 1

	Jan.	Febr.	March	April	May	June	July	Aug.	Sept.	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				2.83%*	1.65%*

* YTD

creased its lead in the quarter under review, posting a quarterly return of 0.58%. However, this was still not sufficient to match the BVG requirement.

Risk/return profiles

The picture for risk/return profiles of individual pension funds (see fig. 2), based on values measured at cut-off dates and annualized since January 2000, showed few changes compared to Q2. Only three pension funds (as opposed to five in the previous quarter) show now an annualized risk of 10% or more. What is also apparent is that funds within the annualized risk band of 2%–4% have on average managed to increase their annualized return (cf. CSAM PF Index for Q2 2004). This in turn has caused the line of regression to once again become slightly steeper. This has removed us one step further from the premise of modern portfolio theory, which states that in the long term higher levels of risk are compensated by higher rates of return. The (retrospective) premium for taking on additional risk therefore continues to be clearly negative for the whole period.

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

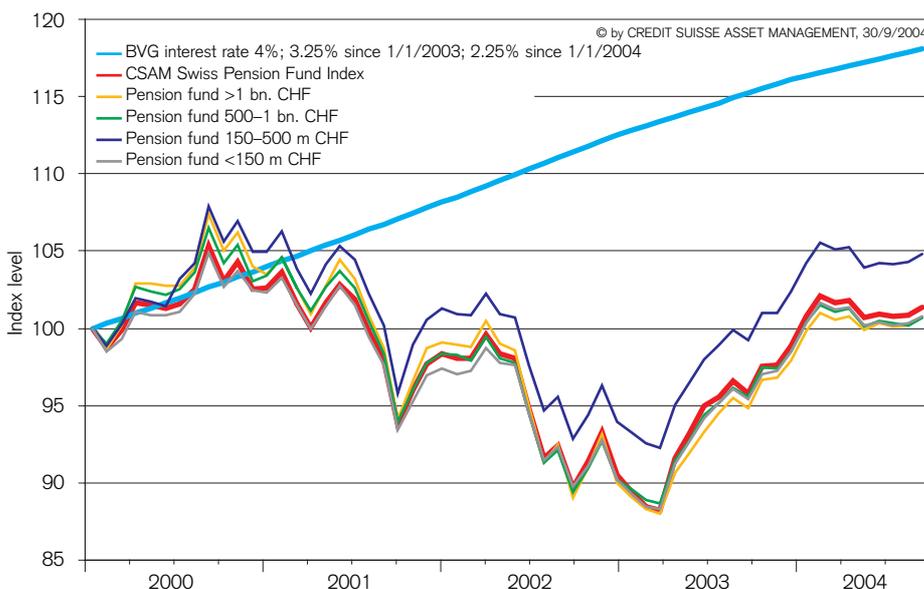
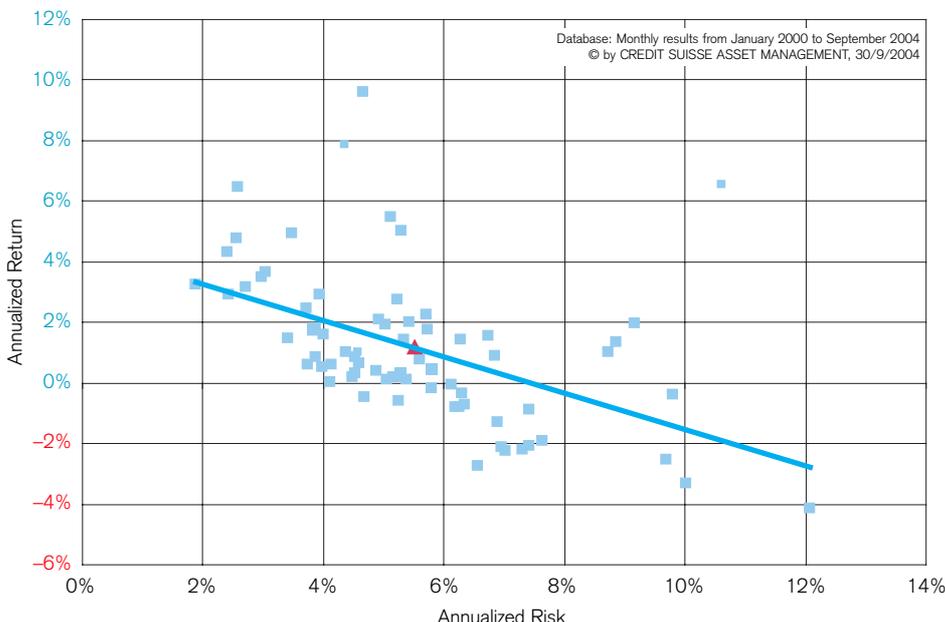


Chart 2: Annualized risk/return comparison



Asset allocation

Compared with the second quarter there was little change in the weighting of most investment categories. Equity exposure was notably down. While foreign equity holdings fell back by a further 0.3 percentage points, Swiss equities fell more significantly (0.5%), which led to a 0.8% fall in equity exposure overall. With the exception of real estate, the remaining asset classes were less subject to change. The weighting of CHF bonds remained unchanged, and foreign currency bond holdings increased by a minimal 0.1%, which also represented the increase in overall bond exposure. Real estate exposure increased by 0.8% to 11.8%, further underlining the current appeal of this asset class. In Q1 2002 the equivalent figure for real estate was around 8%, so exposure to this category has increased by almost 50% in the interim. An interesting point to note was that alternative investments were unable to increase their weighting further compared to the previous quarter. This is the only asset class to have always increased its weighting over previous quarters. Previous growth rates of 0.2 and 0.3 percentage points may look modest, but it should be kept in mind that these increases have been generated from a low level, and the consistency with which the weighting has increased is unique to this asset class. The current 1.8% held in alternative investments represents some CHF 9 billion.

The spread within the individual investment categories (see fig. 4) has again changed little compared with the second quarter. An exception is bonds, where the spread at the upper end has decreased by some five percentage points. However, this spread re-

Chart 3: Asset allocation last four quarters

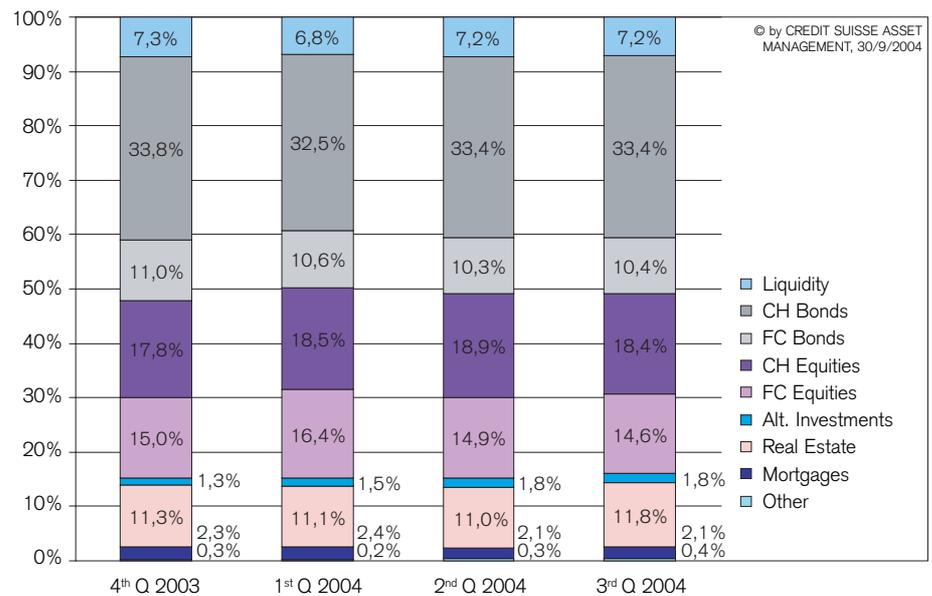
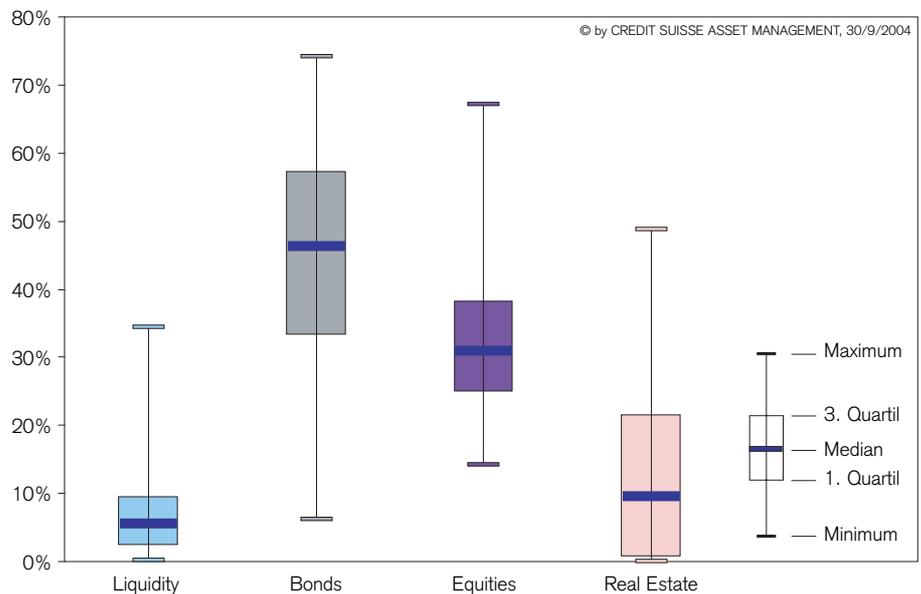


Chart 4: Minimum and maximum values 3rd Quarter 2004



mains the widest by a substantial margin, extending from 5% to 75%. In the middle ranges there continues to be a wider spread in bonds and real estate property than in equities and liquidity.

Currency allocation

As far as currency allocation (figure 5) is concerned, a slightly increased weighting of the Swiss Franc against the euro and the US Dollar is evident. This is a trend that can now be traced back over the last four quarters. With regard to the spreads (figure 6) it is apparent that no real change has occurred for the Swiss Franc and the US Dollar, whereas the maximum is around 5% lower for the euro and around 5% higher for the remaining foreign currencies. Here too, however, there are no major changes evident in the middle quartiles.

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.

Chart 5: Development over last four quarters

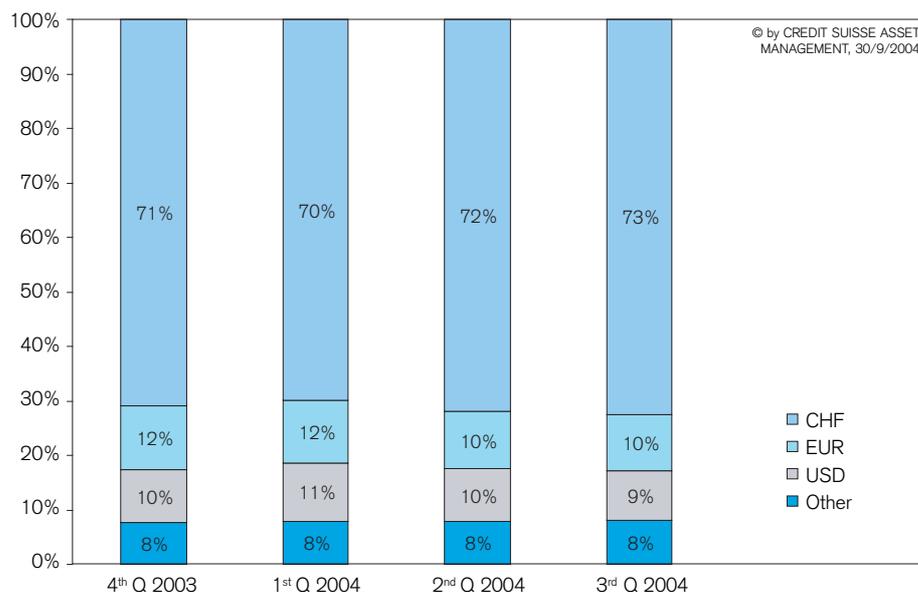
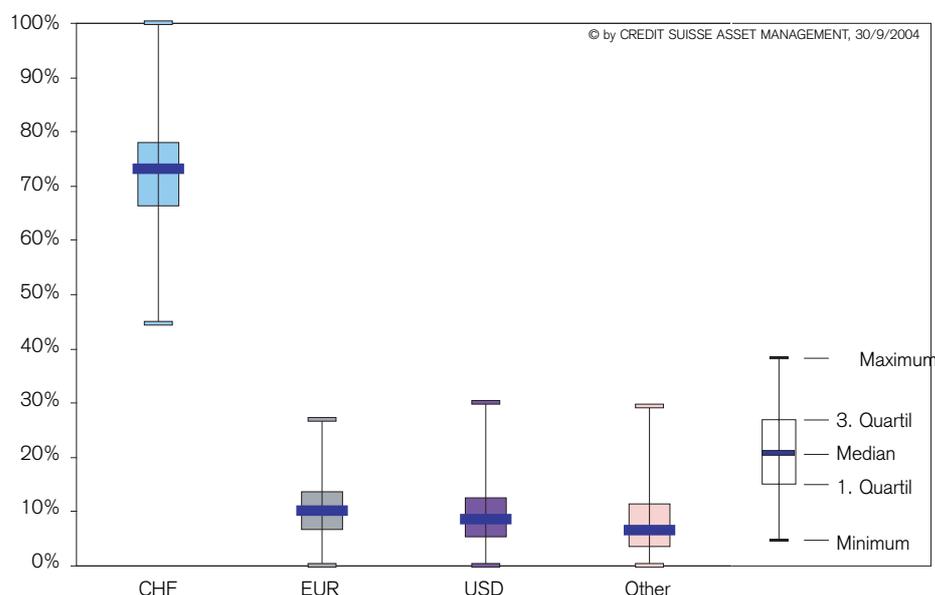


Chart 6: Maximum and minimum values previous quarter



CSAM Swiss Pension Fund Index

Credit Suisse First Boston
division Credit Suisse Asset Management
Global Investment Reporting
Giesshübelstrasse 30
CH-8070 Zurich

Telephone: + 41 1 335 75 47
E-mail: global.custody@csam.com

Disclaimer

This document was produced by CREDIT SUISSE ASSET MANAGEMENT a division of CREDIT SUISSE FIRST BOSTON (hereafter "CSAM") with the greatest of care and to the best of its knowledge and belief. However, CSAM provides no guarantee with regard to its content and completeness and does not accept any liability for losses which might arise from making use of this information.

The opinions expressed in this document are those of CSAM at the time of writing and are subject to change at any time without notice. If nothing is indicated to the contrary, all figures are unaudited. This document is provided for information purposes only and is for the exclusive use of the recipient. It does not constitute an offer or a recommendation to buy or sell financial instruments or banking services and does not release the recipient from exercising his/her own judgement. The recipient is in particular recommended to check that the information provided is in line with his/her own circumstances with regard to any legal, regulatory, tax or other consequences, if necessary with the help of a professional advisor.

This document may not be reproduced either in part or in full without the written permission of CSAM. It is expressly **not** intended for persons who, due to their nationality or place of residence, are not permitted access to such information under local law.

Every investment involves risk, especially with regard to fluctuations in value and return. It should be noted that historical returns and financial market scenarios are no guarantee of future performance. Investments in foreign currencies involve the additional risk that the foreign currency might lose value against the investor's reference currency.

Alternative investments, derivatives and structured products are complex investment vehicles which typically involve higher risk and are only intended for investors who both understand and accept the associated risks. Investments in emerging markets are generally far more volatile than investments in traditional markets. More detailed information about the risks of trading in securities can be found in the brochure "Special Risks in Securities Trading", issued by the Swiss Bankers Association.

© 2004 Copyright by CREDIT SUISSE ASSET MANAGEMENT

www.csam.com/ch