Global Custody Solutions

Credit Suisse Swiss Pension Fund Index

3rd Quarter 2007

Performance of Swiss Pension Funds as at September 30, 2007

- Dip in Performance
- Alternatives on the Upturn
- Expected Absolute Risk Still Falling

Index

Performance of Swiss Pension Funds Based on Global Custody Data of Credit Suisse as at September 30, 2007

Index versus Mandatory Minimum Rate of Return since January 2000

Just into Positive Territory

The Credit Suisse Swiss Pension Fund Index (blue line in chart 1a) returned a negative performance in the third quarter of 2007 for the first time since June 2006. Despite the recovery of the global financial markets in August and September, the Pension Fund Index did not manage to correct the performance slump suffered in July. The index, which started with a baseline of 100 as at January 1, 2000 together with the BVG/LPP target, fell 0.25 points or –0.19% in the quarter under review to close at 127.83 points. Due to this loss, the 2nd pillar assets managed by Swiss pension funds dropped by around CHF 1 billion to an estimated figure of just below CHF 635 billion in the three-month period under review.

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 another 0.78 points (or 0.62%) during the period under review, climbing from 126.32 to 127.10 points. Although the index performed negatively in the third quarter of 2007, it is still 0.73 points above the statutory target.

The cumulated return for the first 9 months of 2007 is 3.10%.

Chart 1a: Credit Suisse Swiss Pension Fund Index

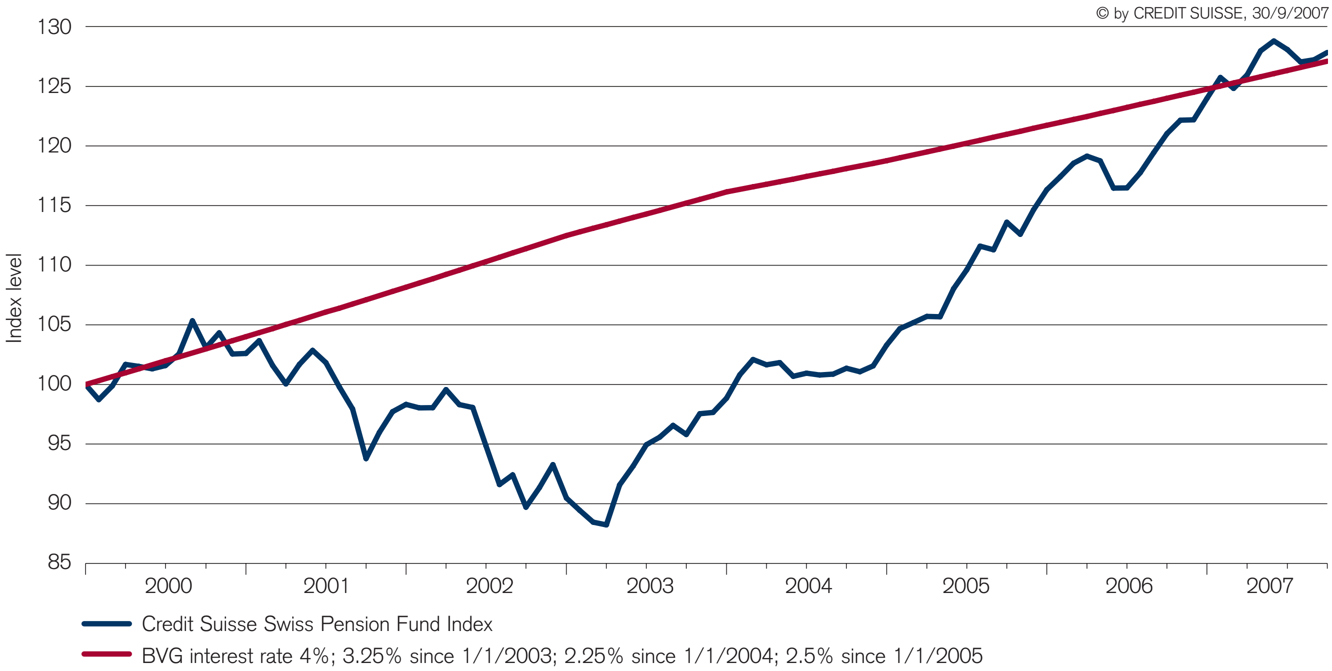
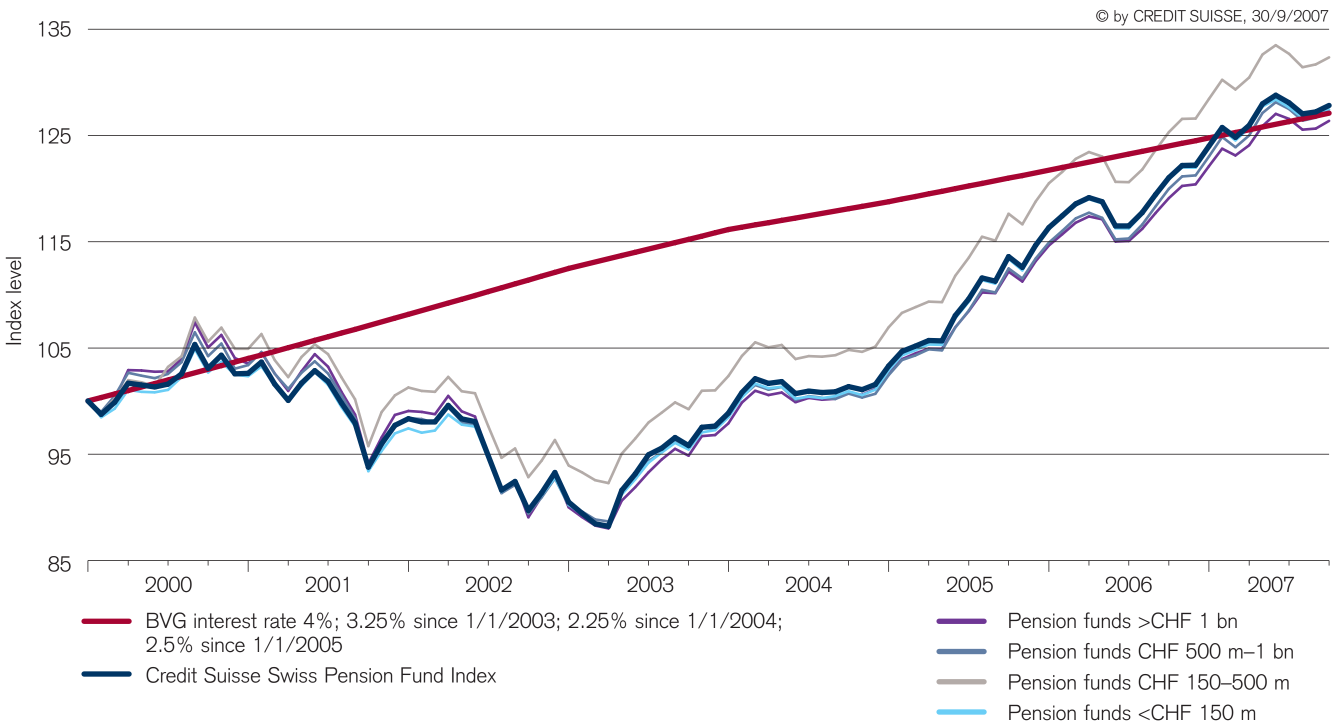


Table 1

	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	116.48	116.48	117.80	119.48	121.07	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				3.10%	27.83%

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



One Segment Fell Slightly Behind

Chart 1b shows a breakdown by segments as follows: < CHF 150 million, CHF 150 – 500 million, CHF 500 million – 1 billion and > CHF 1 billion.
All segments reported a loss for the quarter under review, with three segments still above the BVG/LPP target at the end of September 2007. Last quarter the segment > CHF 1 billion reported the smallest loss in performance, both in absolute and relative terms (–0.18 points/–0.14%). This time, the CHF 500 million – 1 billion segment reported the biggest loss (–0.33 points/–0.26%). In spite of a loss of 0.34 points (–0.26%), the CHF 150 million – 500 million segment is still leading the table. The smallest segment lost 0.21 points or 0.16%.
The quarter-on-quarter comparison gives the following performance (change in points / change in percentage / gap versus the BVG/LPP target in points as at June 30, 2007):

Category	Change in points	Change in percentage	Gap to the BVG/LPP target as at September 30, 2007
>1 bn CHF	–0.18 points	–0.14%	–0.72 points
500 m–1 bn CHF	–0.33 points	–0.26%	+0.06 points
150 m–500 m CHF	–0.34 points	–0.26%	+5.24 points
<150 m CHF	–0.21 points	–0.16%	+0.33 points

Risk / Return Positions

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 taken into account in the five-year rolling observation period (30.09.2002 – 30.09.2007), though they do form part of the rolling two-year observation period.

Still on the Rise

The line representing the five-year observation period as per reference date, which shows the annualized risk/return positions of individual pension funds (see chart 2a), is now clearly confirming the theory that higher risk is rewarded by higher returns in the long term. Apart from the fact that the straight line as a whole moved upwards thanks to the higher annualized return, it has also steepened substantially compared to the previous quarter. While the left end rose by around 0.8%, the right end rose by almost 2%, due to the fact that the extremely weak third quarter of 2002 has fallen out of the observation period. What is interesting is that the generally higher annualized return was achieved with a generally lower annualized risk.

Two-Year Line Slightly Flatter

The rolling two-year line (chart 2b, 30.09.2005–30.09.2007), which has a much stronger reaction to changes, has a flatter incline as the excellent third quarter of 2005 was replaced by the negative third quarter of 2007. In addition to its flatter inclination, the line as a whole is around 1% lower on average than in the previous quarter.
The risk bandwidth is between 2.20% and 5.69% and is only a marginal 0.03% lower than at the end of June 2007.

Chart 2a: Annualized risk/return comparison; rolling five-year review monthly results from September 2002 to September 2007

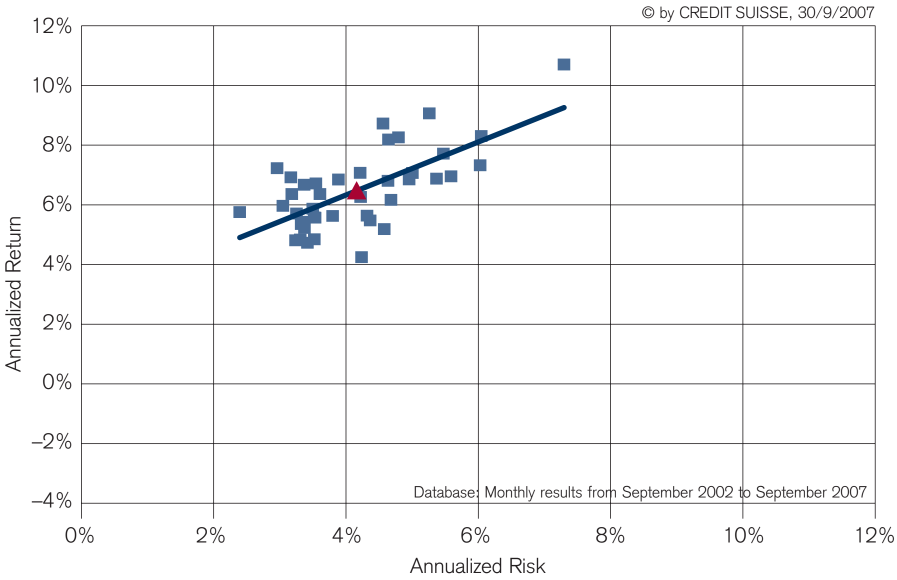


Chart 2b: Annualized risk/return comparison; rolling two-year review monthly results from September 2005 to September 2007

Asset Allocation

The asset allocation overview for the quarter under review shows that liquid funds have returned to the level of the previous quarters and now account for 7.4% (–0.84%) of holdings. Foreign bonds increased +0.96%. The trend in favor of alternative investments continued unabated in the quarter under review, and at 4.39% this asset class reached a new record level in the Pension Fund Index. Mortgages (+0.09% to 4.61%) and real estate (+0.14% to 14.69%) also have a higher weighting.

Alternative Investments Very Popular

At first glance, the overview of asset allocation spread shows two changes. The maximum holding of liquid funds dropped again from 38.48% to 32.80% in the reporting quarter, while the maximum holding of Swiss equities rose by around 4% to 38.3%.

Chart 3: Asset allocation for the last eight quarters

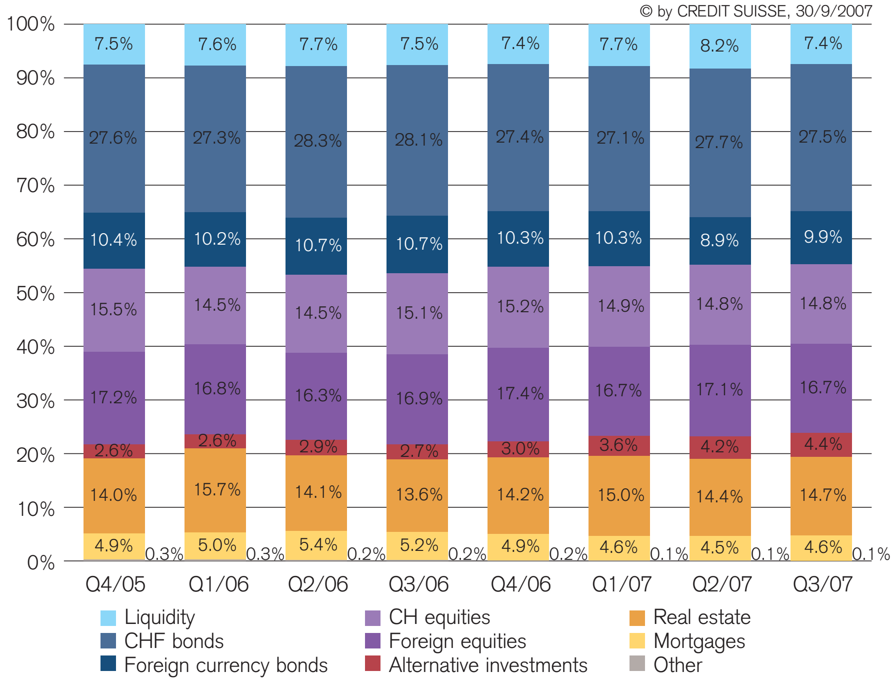
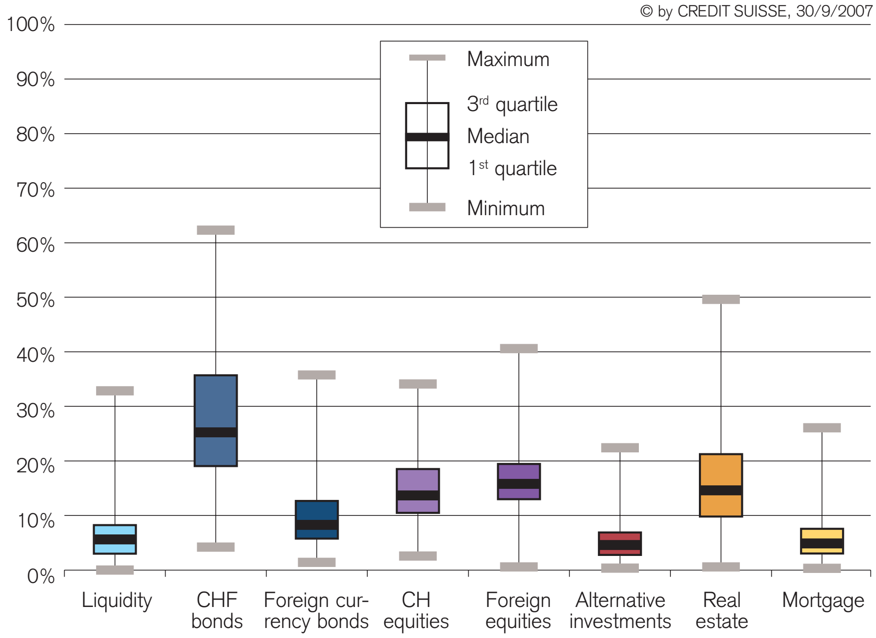


Chart 4: Minimum and maximum values 3rd Quarter 2007



Currency Allocation

According to the currency allocation overview, CHF holdings increased by 1% from 72.1% to 73.1%, thus reaching a new multi-year high in the Pension Fund Index. This high goes to the debit of all the other currencies, with the JPY (–0.25%) and "other" currencies (–0.53%) posting the biggest decline.

Chart 6 again shows only one notable change quarter-on-quarter, with the maximum US dollar holding rising by around 10% to almost 48%, thereby outstripping the euro maximum by far.

Chart 5: Development for the last eight quarters

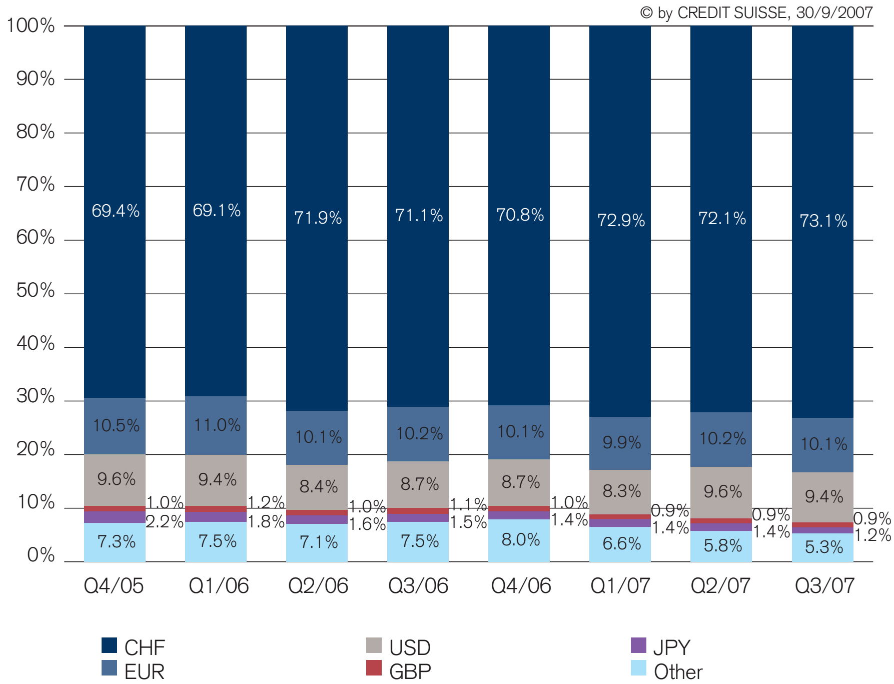
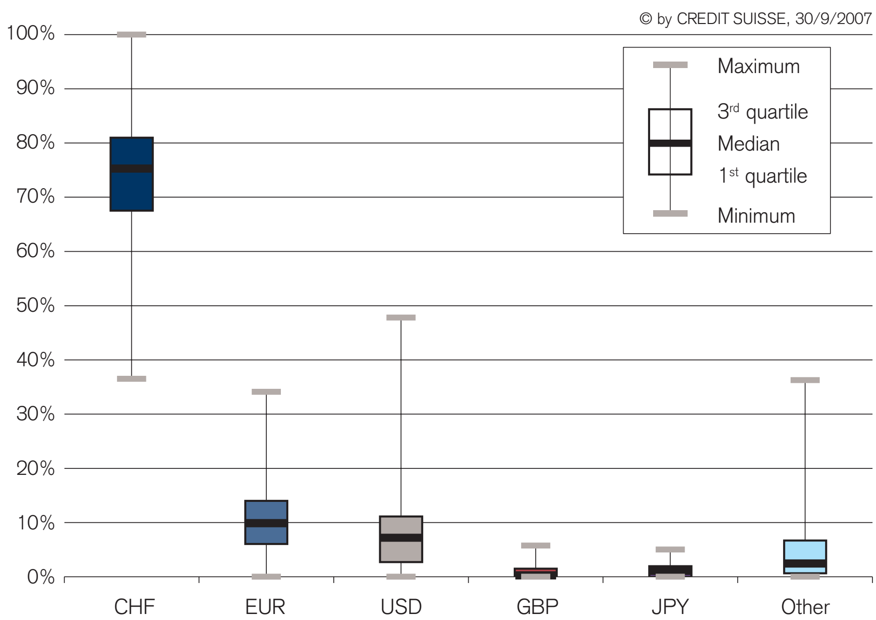


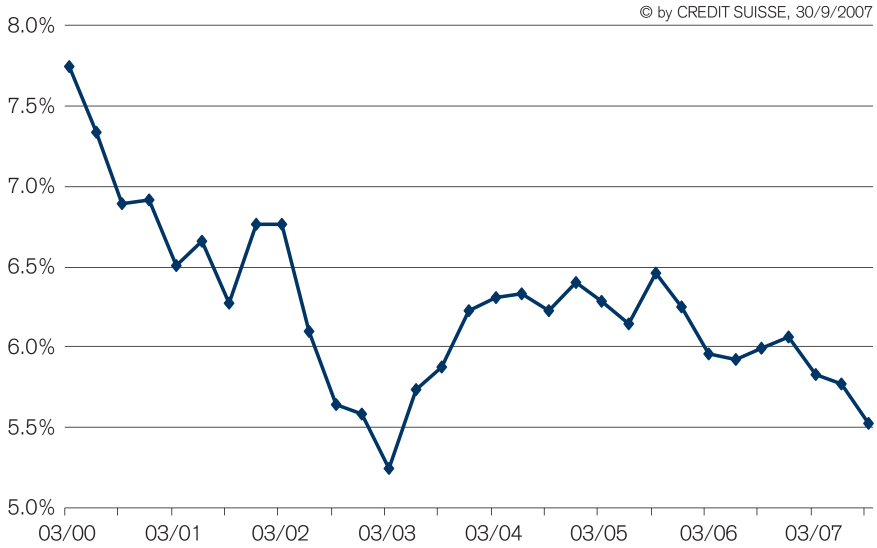
Chart 6: Maximum and minimum values previous quarter



Expected Absolute Risk

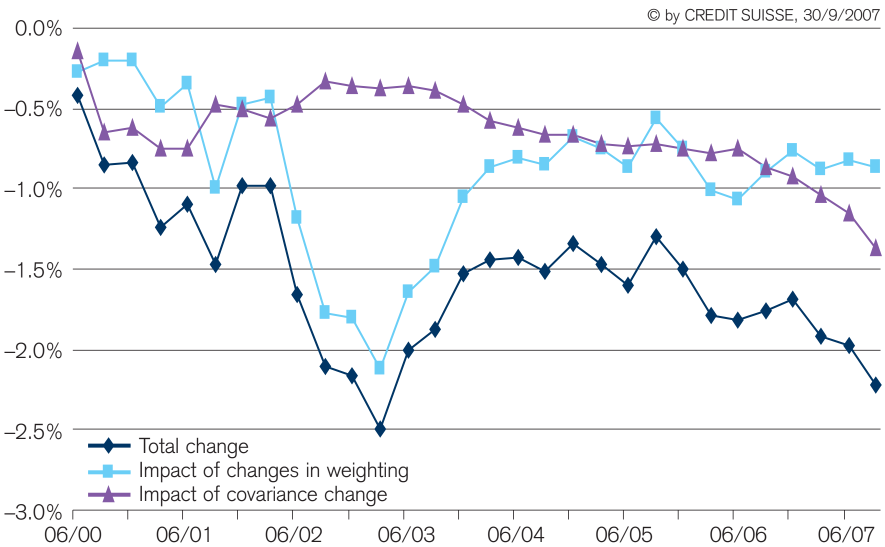
From chart 7 it is clear that the expected absolute volatility (i.e. risk) was almost 8% at the beginning of 2000. This figure was then successively reduced to around 5.25% within a period of three years (March 2003). The expected absolute risk for the funds included in the Credit Suisse Swiss Pension Fund Index subsequently climbed from this low (in terms of the observation period), rising continuously to around 6.50% by September 2005. As of the last quarter of 2005, a decrease in risk and volatility became evident – a trend that continued until September 2006. The increase in risk identified in the last quarter of 2006 was short-lived, and the risk decreased even further in the quarter under review by 0.22% to 5.55%, thereby reaching the lowest level since 2003.

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)



Expected Risk Still Falling

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 the years 2002 and 2003 – were mainly caused 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 last 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 cancelled by the impact of the weighting changes. While the influence of the weighting changes is still neutral in the month under review (active adjustment in asset allocation), the covariance change has a strong impact again on the decreasing expected volatility, which is slowly approaching its lowest level of March 31, 2003.

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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