

GLOBAL INVESTMENT REPORTING

CSAM Swiss Pension Fund Index
4th Quarter 2003

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CSAM SWISS PENSION FUND INDEX

Performance of Swiss pension funds based on Credit Suisse Asset Management's global custody data as at December 31, 2003

Index versus minimum interest rate since January 2000

In the fourth quarter of 2003, the CSAM Swiss Pension Fund Index (red line in chart 1) recovered ground for the third quarter running – up by an impressive 3.06 percentage points from 95.80 to 98.86. In absolute figures and extrapolated to the total assets managed by independent Swiss pension funds, this represents an increase in assets of approximately CHF 12 billion. Since the index hit a low in March 2003, these total assets have recovered by as much as CHF 40 billion (approx.). To draw a comparison, this CHF 40 billion corresponds to around 10 percent of Swiss gross domestic product (2002). Though the index is only 1.14 percentage points short of reaching its initial value of December 1999 (=100), i.e. its level of nominal capital preservation, the objective is naturally to be able to get back in step on a cumulative basis with the minimum interest rate curve (blue line in chart 1) or to surpass it. The value of the latter at the end of the fourth quarter of 2003 was 116.14, which gives a current performance gap of 17.28 percentage points (in March 2003 this gap was more than 25 percentage points). And here's another thought to mull over: if you extrapolate the performance of the index in 2003 (9.25 percent) to the

next few years and assume that the minimum interest rate of 2.25 percent that has applied since January 1, 2004, remains constant in the future, this gap could be closed within two years. This would, however, be an extremely optimistic scenario. If we are somewhat less optimistic, and assume an index performance of only half that of 2003 (i.e. 4.625 percent), this recovery phase would already take over six-and-a-half years, providing of course that

the minimum interest rate was not raised in the meantime – something that is rather unlikely in view of the new (informal) mechanism for determining this rate. To put these ideas into perspective, it should be added that chart 1 does not take account of the reserves accumulated by most of the pension funds. The above-mentioned performance gap of 17.28 percentage points is a purely theoretical value, which cannot be equated with the shortfall in cover.

Chart 1: CSAM SWISS PENSION FUND INDEX

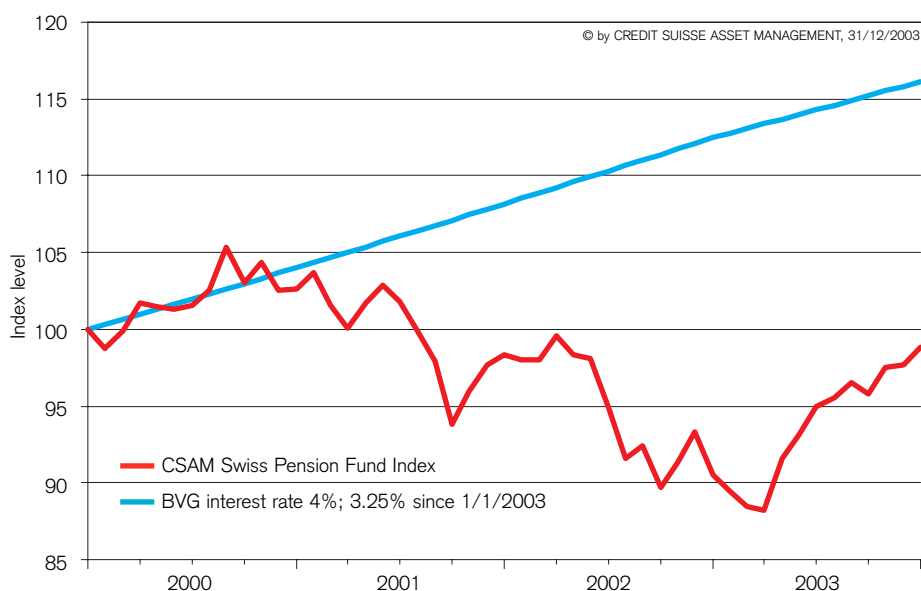


Table 1

	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%

* YTD

CSAM SWISS PENSION FUND INDEX

Risk/return positions

The annualized risk/return positions as per reference date of the various pension funds since January 2000 (chart 2) also reflect impressively on the positive performance trend that has emerged since the index was last published. The regression line has therefore moved up and the number of funds under review that have achieved a positive annualized performance since January 2000 has risen substantially. At the same time, the number of funds with an annualized performance of below minus five percent dropped from six to two in the last quarter. Despite market recovery, the rise of the regression lines and thus the (retrospective) premium for accepting additional risk in times of market volatility remain negative factors.

Asset allocation

Compared with the previous quarter, the average asset allocation of the pension funds under review developed as follows: a significant fall in foreign currency bonds (minus 0.8 percentage points) was matched by a corresponding rise in the real estate component (from 10.6 to 11.3 percent), while the foreign currency equities category demonstrated the strongest growth with 1.4 percentage points and the liquidity component dropped back again (minus 0.6 percent). Given their high component share, Swiss bonds and Swiss equities have shifted only slightly in percentage terms, by 0.3 and 0.2 points respectively.

The year as a whole was marked by a relatively high level of stability and it is not easy to identify any structural, i.e. non-market-related movements. What is noticeable – even if at a low level – is the constant rise in the

Chart 2: ANNUALIZED RISK/RETURN COMPARISON

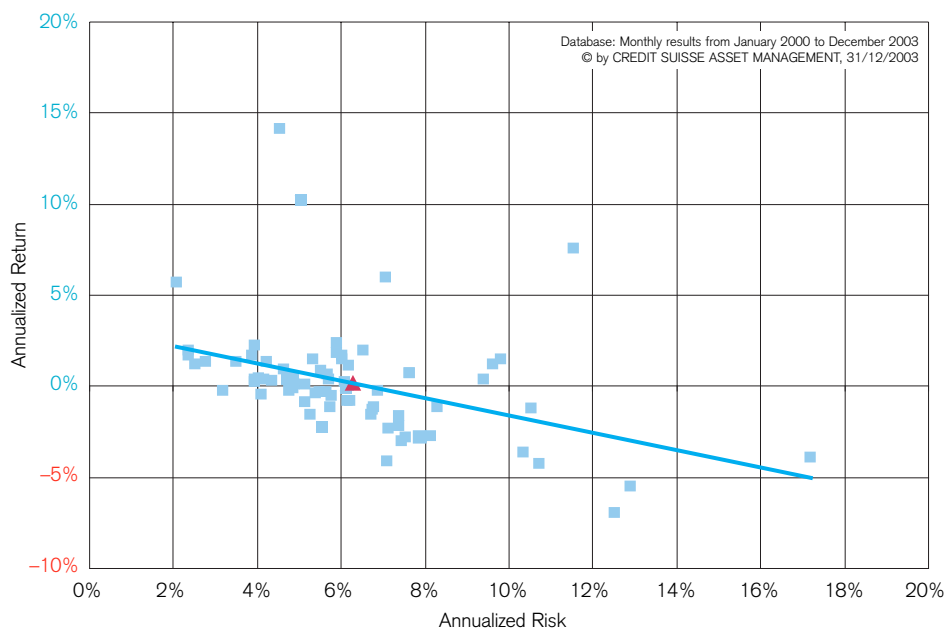
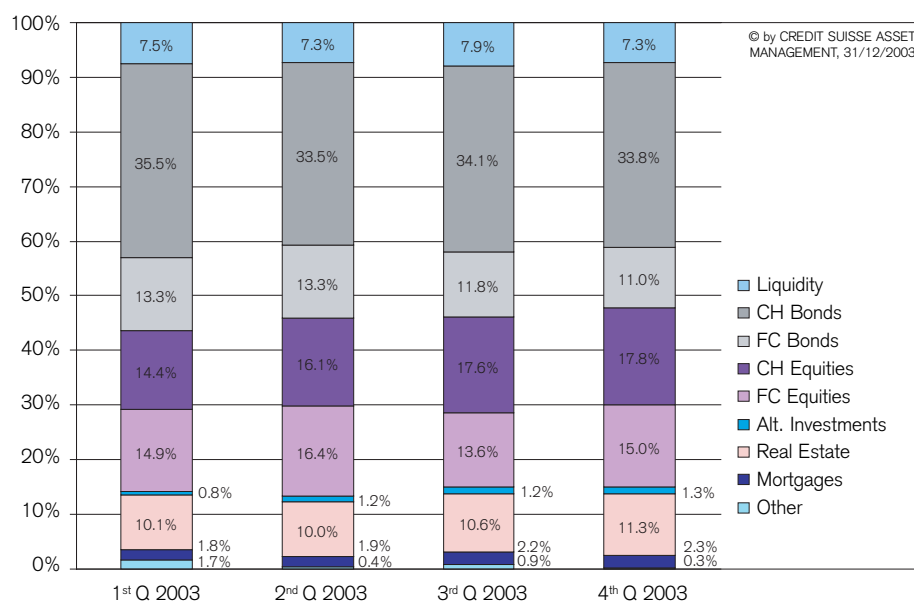


Chart 3: ASSET ALLOCATION LAST FOUR QUARTERS

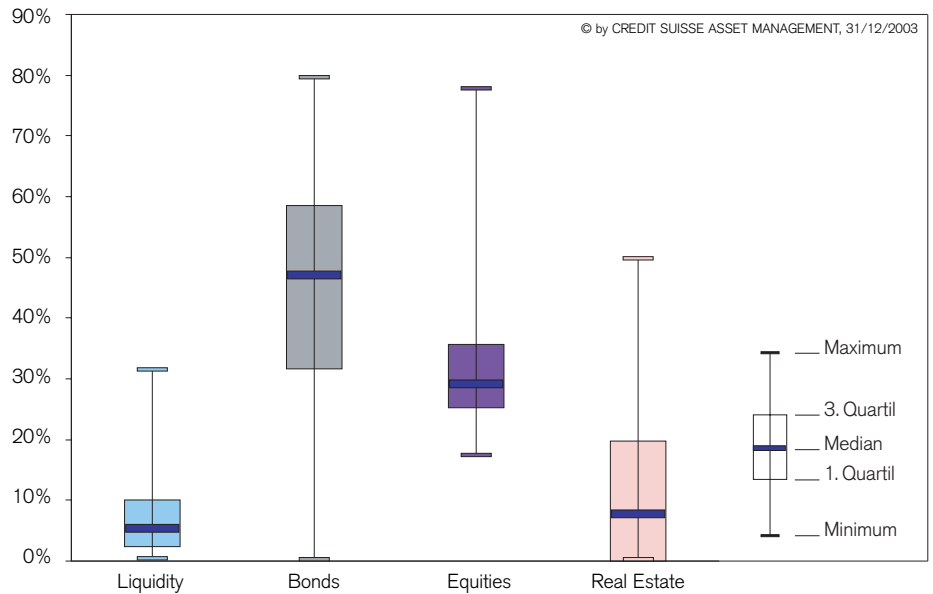


CSAM SWISS PENSION FUND INDEX

mortgages (from 1.8 to 2.3 percentage points) and alternative investments (from 0.8 to 1.3 percentage points) components. In the case of mortgages, at least, this trend cannot be explained by market performance alone. This gives grounds for the assumption that, in spite of tough competition in the mortgage market, the granting of mortgages by pension funds (directly or indirectly via investment foundation claims) has become more common. The same applies for the performance of the real estate component, even if at a significantly higher level. On account of the large bandwidths, the spread of individual investment categories (chart 4) has been slightly modified and presented in greater detail compared with previous analyses. The additional indication of the quartile distribution is new. Specifically, the lowest area formed by the line between the minimum and the lower end of the thick shaded bar represents the bandwidth area, which covers the 25 percent of pension funds with the lowest respective components (first quartile). Similarly, the fourth quartile above the thick shaded bar includes the 25 percent of pension funds with the highest component in each case. The thick shaded bar in the middle covers the second and third quartiles and is therefore of particular interest because it includes 50 percent of the pension funds (in other words the "broad average").

As the chart shows, this middle range in the area of equities and liquidity is relatively narrow, whereas for bonds and real estate it is comparatively broad at 30 and 20 percentage points respectively.

Chart 4: MINIMUM & MAXIMUM VALUES 4TH QUARTER 2003



CSAM SWISS PENSION FUND INDEX

Currency allocation

The last quarter saw no noteworthy shifts in either the currency allocation (chart 5) or the bandwidths of the individual currencies (chart 6). Taking the year as a whole, the CHF component rose only slightly compared with foreign currencies, which might seem quite surprising in view of the continued weakness of the dollar. However, it should be remembered that any derivative foreign currency transactions designed to hedge against dollar exposure are not included in this analysis. This makes it impossible to use this as a basis to make a conclusive assessment of the behavior of pension funds in the face of currency risks.

Important note

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 5: DEVELOPMENT OVER LAST FOUR QUARTERS

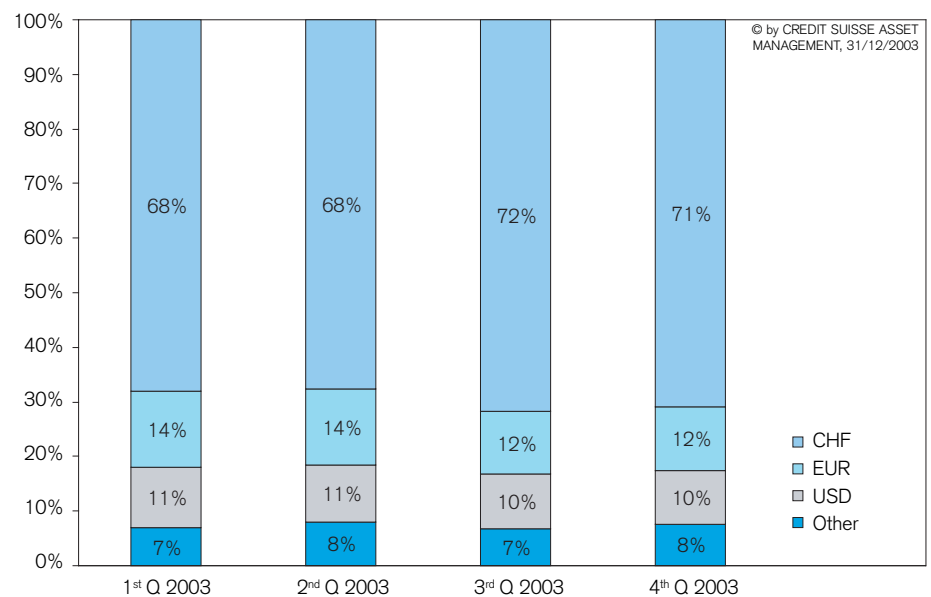
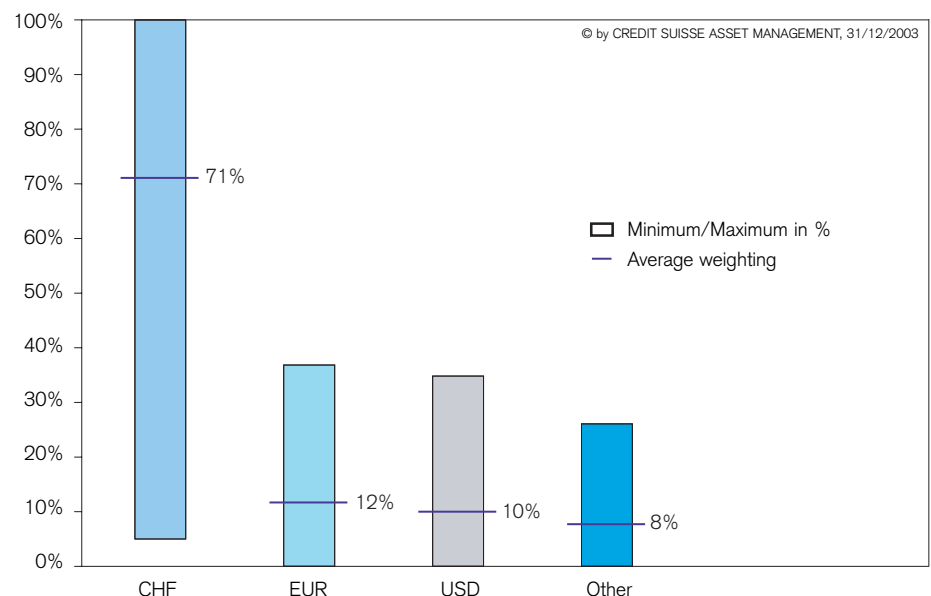


Chart 6: MAXIMUM & MINIMUM VALUES PREVIOUS QUARTER



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