Credit Suisse

Global Custody Solutions

Credit Suisse
Swiss Pension Fund Index

4th Quarter 2007

Performance of Swiss Pension Funds as of December 31, 2007

- Positive Annual Performance
- Underperformance of the BVG/LPP Minimum Interest Rate
- Alternatives Remain Popular

Index

Performance of Swiss Pension Funds based on Global Custody Data of Credit Suisse as of December 31, 2007

Index versus Mandatory Minimum Rate of Return since January 2000

Reversal into Negative Territory

The Credit Suisse Swiss Pension Fund Index (blue line in chart 1a) again returned a negative performance in the fourth quarter of 2007. While October still posted a positive result (+1.57 points), the months of November (–2.12 points) and December (–0.76 points) pushed the index into negative territory. The good performance during the first two quarters of 2007 was cut by almost a third by the negative performance of the last two quarters.

The index, which started with a baseline of 100 as of January 1, 2000, fell 1.31 points or –1.02% in the quarter under review, to close at 126.52 points. Due to this loss, the 2nd pillar assets managed by Swiss pension funds dropped by around CHF 6.5 billion to an estimated figure of around CHF 628 billion during the three-month period under review.

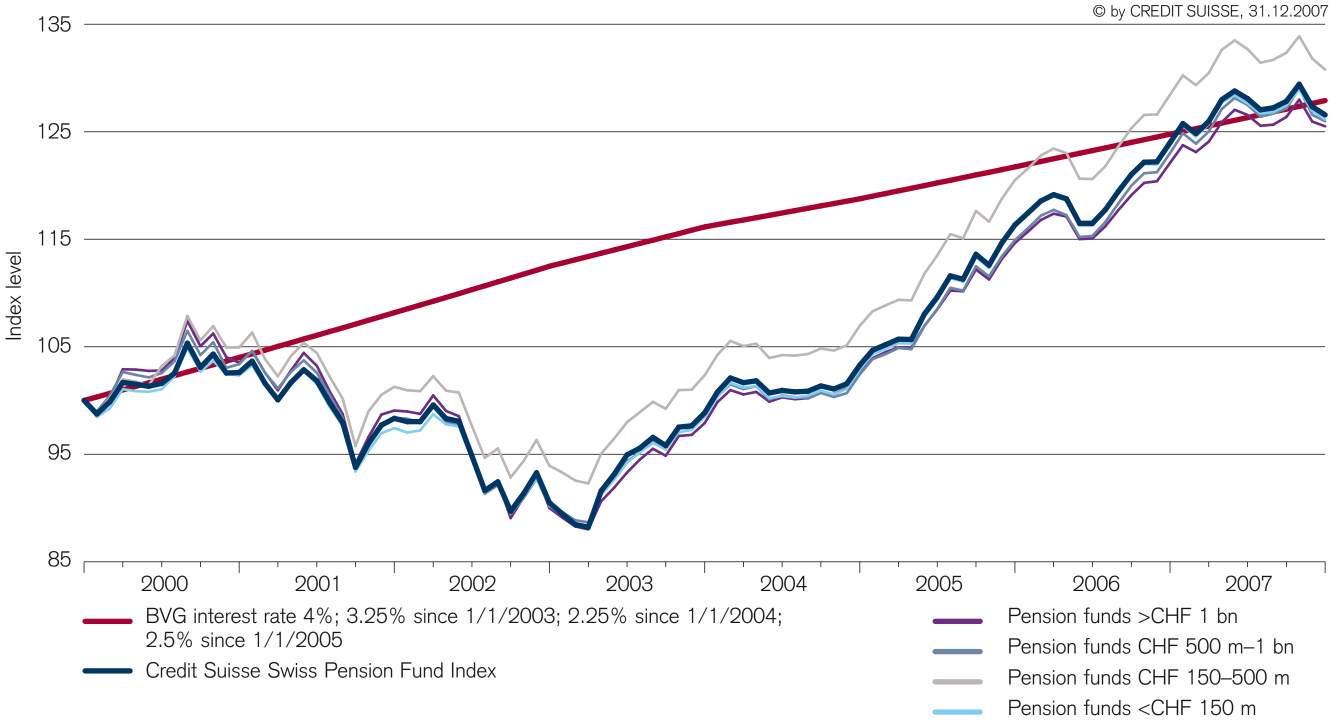
The minimum rate of return as per BVG/LPP (the red line in chart 1a, also rebased to 100 as of January 2000) rose by another 0.79 points (or 0.62%) during the period under review, climbing from 127.10 to 127.89 points. As the index again performed negatively in the fourth quarter while the BVG/LPP target continued to rise, it has reversed into negative territory compared with the

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	118.75	116.48	116.48	117.75	119.43	121.02	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	129.40	127.28	126.52	2.04%	26.52%

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



starting date in 2000, and lags a total of 1.33 points behind the statutory target. The shortfall relative to the BVG/LPP minimum rate of return therefore increased year-on-year by 0.59 points, or 0.46%.

Only One Segment in Positive Territory

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.

All segments posted a loss for the quarter under review, with only one segment still above the BVG/LPP target at the end of December 2007 (start January 2000). Last quarter, the > CHF 1 billion segment reported the smallest loss in performance, both in absolute and relative terms (–1.19 points/–0.94%). This time, the CHF 500 million – 1 billion segment reported the second smallest loss (–1.17 points/–0.92%). Although it is still leading the table, the CHF 150 million – 500 million segment this quarter again reported the biggest loss of 1.58 points (–1.19%). The smallest segment lost 1.30 points, or 1.02%.

Taking the entire year, only the largest segment managed to return slightly more than the BVG/LPP minimum rate (2.5%). All the other segments lost ground. The 2007 full-year comparison of all segments gives the following performance (change in points / change in percentage / gap versus the BVG/LPP target in points as of December 31, 2007; see table):

Category	Change in points 1.1.2007–31.12.2007	Change in percentage 1.1.2007–31.12.2007	Gap to the BVG/LPP target as at December 31, 2007
>1 bn CHF	+3.10 points	+2.54%	–2.70 points
500 m–1 bn CHF	+2.98 points	+2.43%	–1.90 points
150 m–500 m CHF	+2.33 points	+1.81%	+ 2.88 points
<150 m CHF	+2.36 points	+1.91%	–1.76 points

Risk/Return Positions

Unchanged

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 (31.12.2002 – 31.12.2007), but they do form part of the rolling two-year observation period.

The line representing the five-year observation period as of the reference date, which shows the annualized risk/return positions of individual pension funds (see chart 2a), confirms the theory that higher risk is rewarded by higher returns in the long term. Although the last quarter added some volatility to the picture, the straight line remained more or less unchanged. This means that a similar quarter from 2002 has dropped out of the observation period. However, if we take a closer look, it is clear that the straight line steepened very slightly and that the individual portfolio points fell slightly as regards to both return and performance.

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

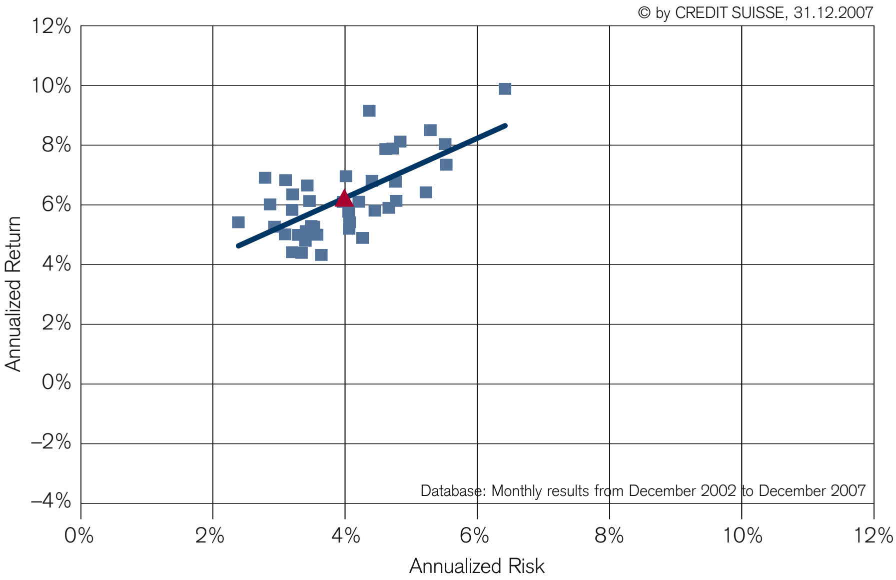


Chart 2b: Annualized risk/return comparison; rolling two-year review monthly results from December 2005 to December 2007

Two-Year Line Flatter

The rolling two-year line (chart 2b, 31.12.2005–31.12.2007), which has a much stronger reaction to changes, is flatter. This is due to the fact that the last two weaker and more volatile quarters weigh more heavily on the shorter observation period than in the previous chart. The straight line below flattened significantly quarter-on-quarter, as a positive quarter once again dropped out of the observation period and was replaced by a quarter that returned a weaker performance. As a result, the portfolios with the best annualized performance (around 12%) and an annualized risk of around 5.7% in the previous quarter's overview now appear with a slightly lower annualized risk of 5.3% but with a substantially lower annualized return of almost 8%. The portfolios on the other side of the straight line demonstrate that the annualized return for portfolios with a more or less unchanged annualized risk fell much less (around 1%).

Asset Allocation

Unstoppable Alternatives

The asset allocation overview shows that the weighting of liquid funds was slightly higher again at 7.9% at the end of the year. The exposure to CHF bonds was down 1.10% to a level not seen in the past two years, while foreign bonds increased by 0.5%. As Swiss equities (–0.67%) and foreign equities (–0.57%) both dropped, the total equity exposure was reduced by 1.24%. The trend in favor of alternative investments is unstoppable, and this asset class increased by 0.46% to 4.85%. Exposure to alternative investments increased by a whopping 90% over the last two years, while the year-on-year increase was 60%. Real estate also rose by 1%, while mortgages fell slightly (–0.1%) in the quarter under review.

At first glance, the overview of asset allocation spread shows two changes. The maximum holding of liquid funds rose again in the reporting quarter from 32.80% to 37.10%, and the maximum holding of CHF bonds dropped from around 65% to 51%.

Chart 3: Asset allocation for the last eight quarters

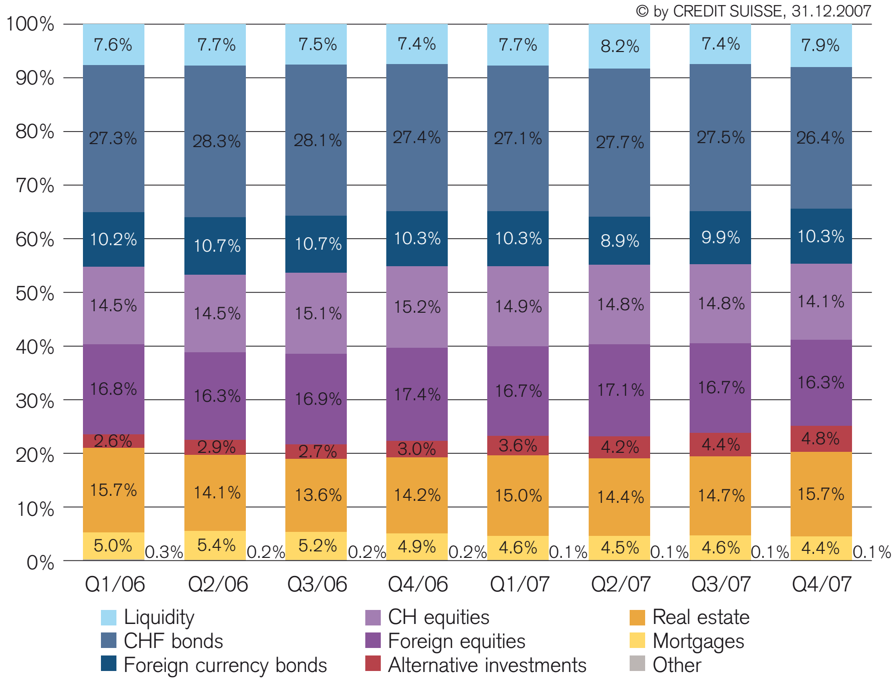
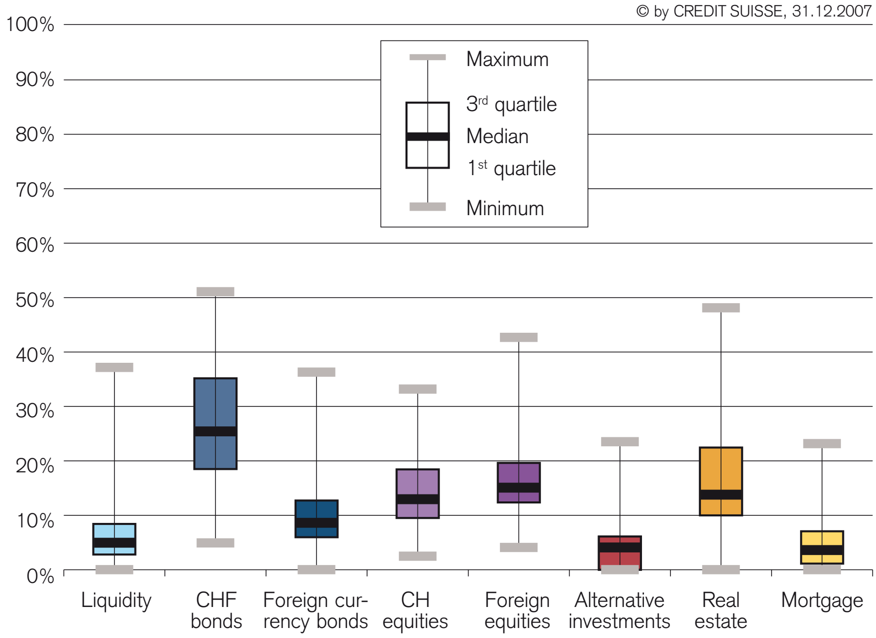


Chart 4: Minimum and maximum values 4th Quarter 2007



Currency Allocation

The currency allocation overview paints a very stable picture, with small changes in the exposure to CHF, which decreased to 72.8%, and the USD holding, which increased to 9.8%. The other changes only concern the basis point area.

With a single exception, chart 6 again shows little significant change from the previous quarter. The exception concerns the maximum holding of "other" currencies, which rose by almost 5% to 43.80%.

Chart 5: Development for the last eight quarters

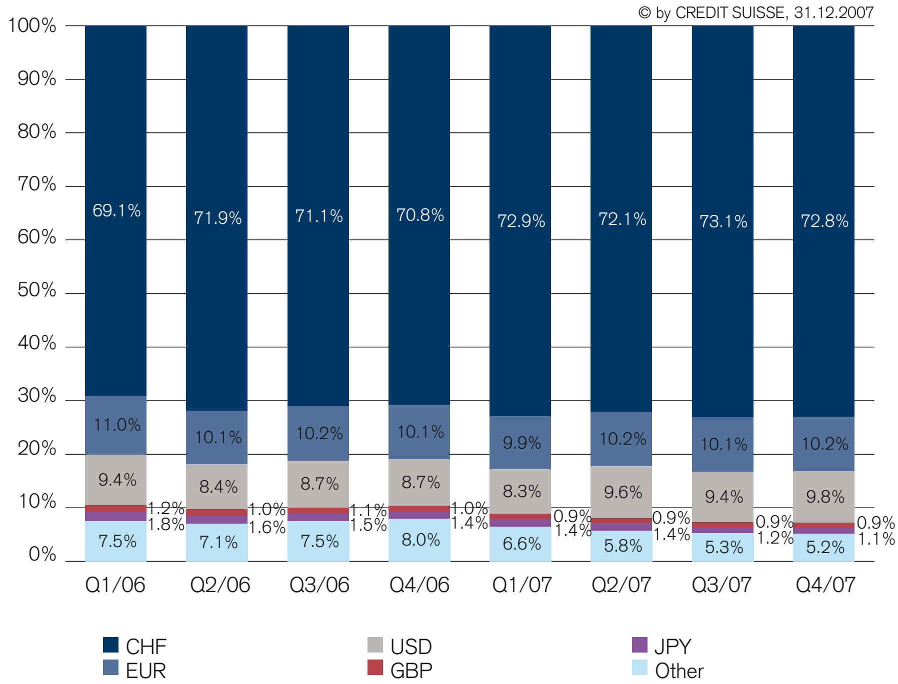
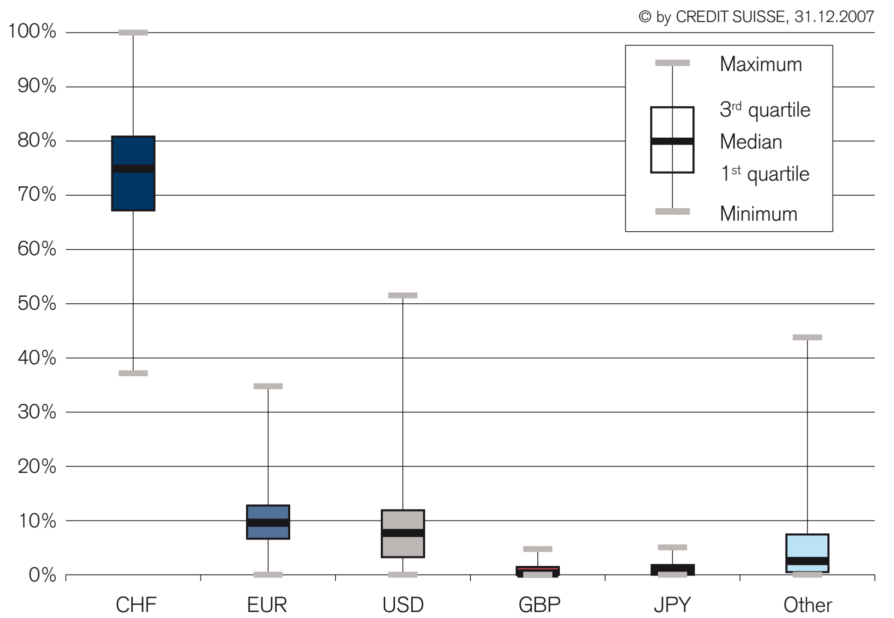


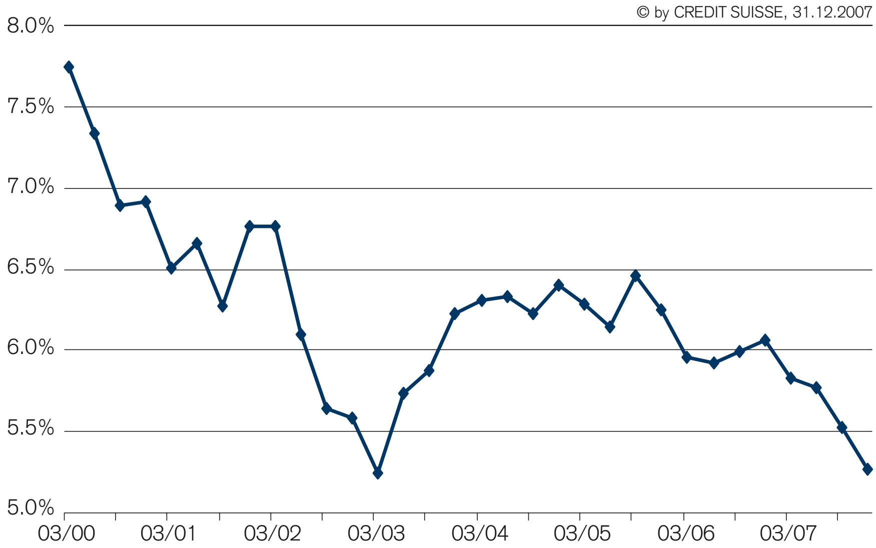
Chart 6: Maximum and minimum values previous quarter



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 from the last quarter of 2005, a decrease in risk and volatility became evident – a trend that continued unabated in the quarter under review. The increase in risk identified in the fourth quarter of 2006 was therefore short-lived, and the risk decreased even further by 0.25% to 5.27% in the reporting quarter. If the risk had decreased by just a little more, we would have seen a new record low (March 2003 at 5.25%).

Chart 7: Expected volatility per reference day (annualized)



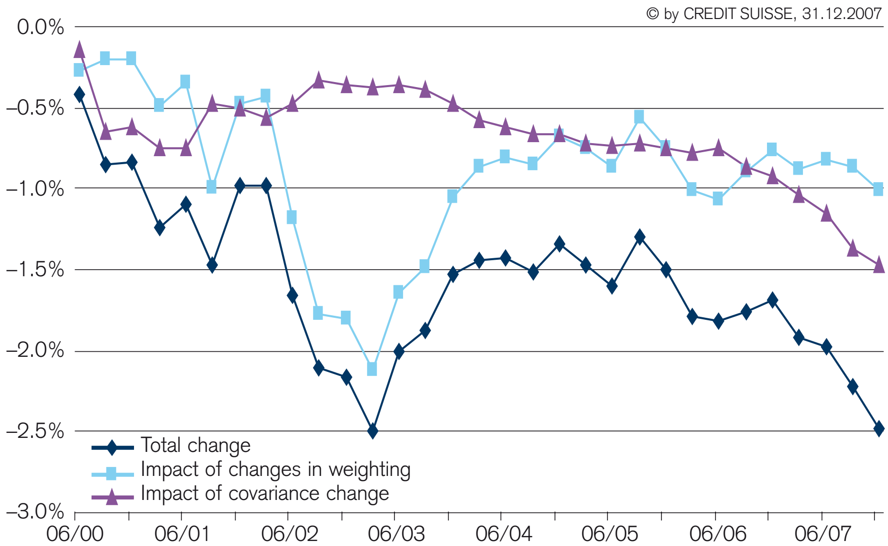
The expected absolute risk for each reference date corresponds to the anticipated volatility of the index. This was calculated on the basis of the spread of returns of selected indices as well their dependencies over the last 10 years, and on the index's corresponding asset allocation.

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 as 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 2002 and 2003 – were caused mainly 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 canceled by the impact of the weighting changes. In contrast to the third quarter of 2007, both the change in weighting (active adjustment to the asset allocation) and the covariance change had an impact on the still decreasing expected volatility, which, as mentioned above, is slowly approaching its record low of March 31, 2003.

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.

Contact

Credit Suisse
Global Custody Solutions
Giesshübelstrasse 30
P.O. Box 800
CH-8070 Zurich

Telephone:
+41 44 335 75 47
E-mail:
global.custody@credit-suisse.com

www.credit-suisse.com