Global Custody Solutions

Credit Suisse Swiss Pension Fund Index

4th Quarter of 2008

Performance of Swiss Pension Funds as of December 31, 2008

- Weakest Quarter Ever Measured
- High Level of Liquidity
- The Swiss Franc as a Safe Haven

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Performance of Swiss Pension Funds Based on Global Custody Data of Credit Suisse on December 31, 2008

Index versus Mandatory Minimum Rate of Interest since January 2000

Frosty Quarter

The Credit Suisse Swiss Pension Fund Index (blue line in chart 1a), which started with a baseline of 100 at the beginning of 2000, receded by 8.00 points or 6.80% to 109.76 points in the fourth quarter of 2008. In index points, this represents the second-largest decline since the third quarter of 2001 (9/11), and in percentage points actually the largest quarterly drop since measurement began. The weakest month by far, both in the reporting period and from the beginning of measurement, was October 2008 with a loss of 6.4 points or 5.44%. While November saw slight growth (0.42 points or 0.38%), the index slipped by 2.01 points or 1.80% again in December. The overall loss for the year was therefore 16.76 points or 13.25%.

The minimum BVG interest rate (the red line in chart 1a, also rebased to 100 as of January 2000), rose by another 0.88 points (or 0.68%) during the period under review, climbing from 130.52 to 131.40 points. As the index moved sharply downward in the fourth quarter of 2008, the gap between the BVG target increased by 7.48% or 8.89 points. For the year as a whole, the gap between the index and the BVG target grew by 20.28 points or 6.00% to a total of 21.65 points or 16.47%.

Chart 1a: Credit Suisse Swiss Pension Fund Index

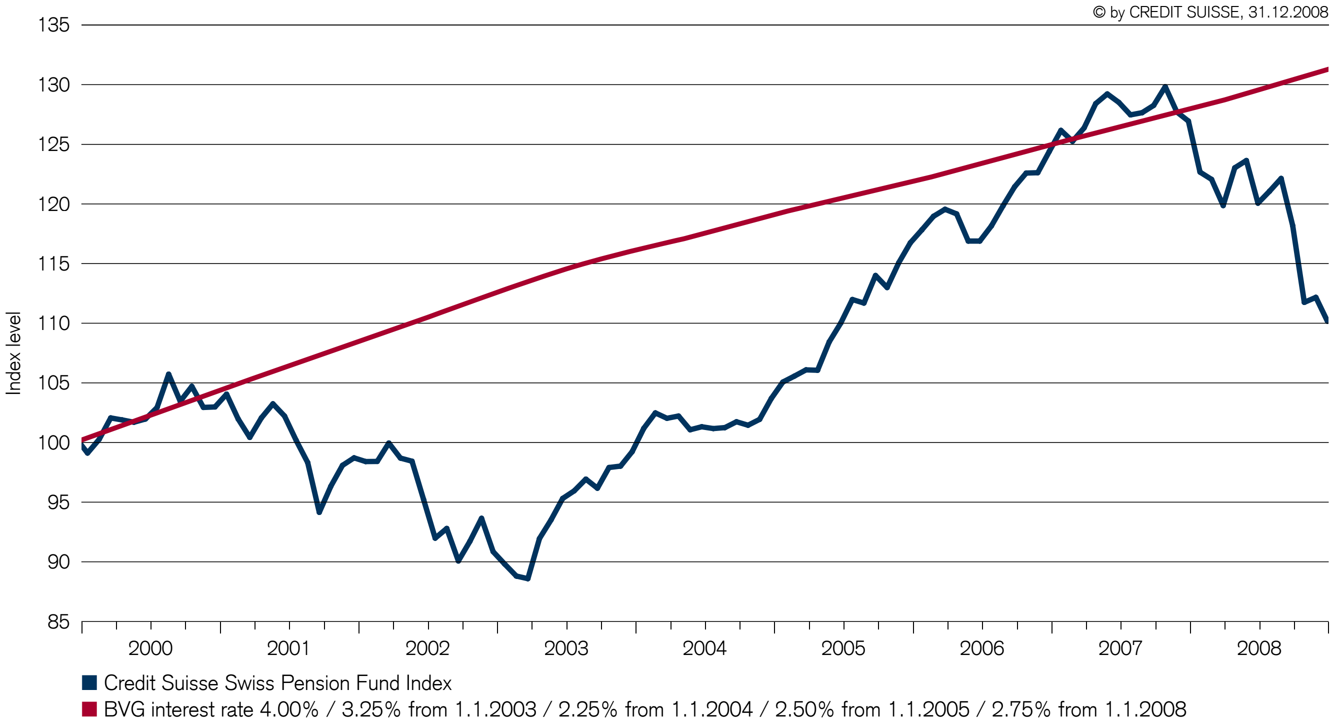
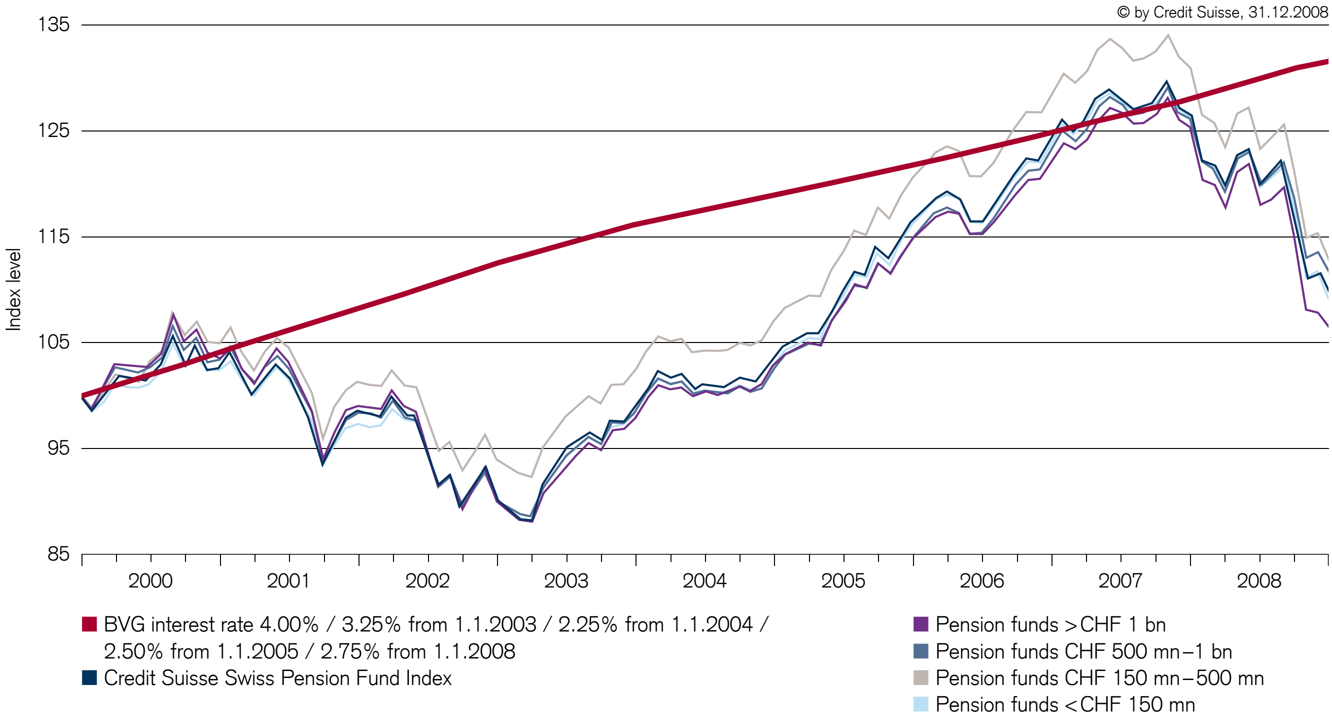


Table 1

	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%
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%	9.76%

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



Largest Segment Suffers Most

Chart 1b shows a breakdown by segment size as follows: < CHF 150 million, CHF 150–500 million, CHF 500 million–1 billion and > CHF 1 billion.
All segments reported heavy losses in the quarter under review as well as year-on-year. From the end of September to the end of December 2008, the CHF 500 million–1 billion segment suffered the smallest loss at 6.80 points or 5.73%. This was followed by the segment CHF 150 million–500 million, which fell by 8.08 points or 6.65% and the segment < CHF 150 million, which was down by 8.07 points or 6.86%.

The largest loss of 8.60 points (–7.47%) was again recorded by the segment > CHF 1 billion.
The year-on-year comparison looks as follows:

Segment Size	Change in Points 1.1.2008–31.12.2008	Change in Percent 1.1.2008–31.12.2008	Spread versus BVG Target in Points 1.1.2008–31.12.2008
>1 bn CHF	–18.68 points	–14.92%	–22.20 points
500 mn–1 bn CHF	–14.18 points	–11.25%	–17.69 points
150 mn–500 mn CHF	–17.43 points	–13.33%	–20.95 points
<150 mn CHF	–16.56 points	–13.13%	–20.08 points

Risk / Return Positions

Negative Slope

Our risk/return overview shows the rolling five-year and two-year lines. It should be noted that only portfolios that were part of the index for the entire observation period are taken into account. For example, portfolios formed on June 1, 2006 are not taken into account in the five-year rolling observation period (1.1.2004–31.12.2008), but they do form part of the rolling two-year observation period.
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), contradicts the theory that higher risk is rewarded by higher returns in the long term, for the first time since this theory was formulated. As a positive quarter (Q4 2003 with a performance of almost +2%) was replaced by a very negative quarter (Q4 2008), the regressive slope is negative.
Compared to the previous quarter it is also apparent that the unweighted average annualized return (red triangle) is lower by as much as 2%, while the unweighted average annualized risk (red triangle) is around 1% higher. In the area of low-risk investments (annualized risk of 3 to 4%), the increase in risk and drop in performance are relatively modest, but for the portfolio component with a higher annualized risk, the end of the straight line fell from more than 5% to less than 2% while the risk expanded. This means that the annualized risk spread increased by as much as 0.52% (from 3.32% to 7.70%). The risk points on the rolling five-year overview therefore moved further apart.

Chart 2a: Annualized Risk/Return Comparison; Rolling Five-Year Review Monthly Results from January 2004 to December 2008

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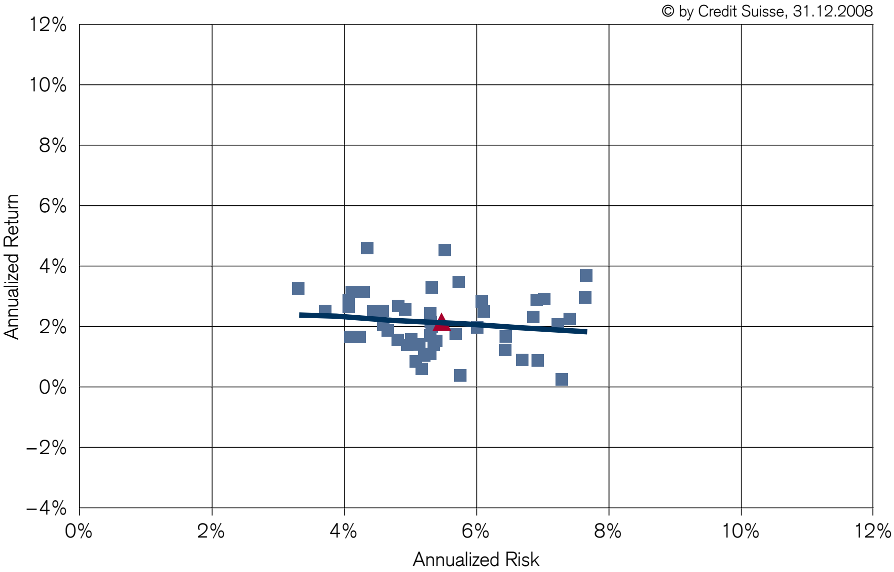

Database: Monthly results from January 2004 to December 2008

Chart 2b: Annualized Risk/Return Comparison; Rolling Two-Year Review Monthly Results from January 2007 to December 2008

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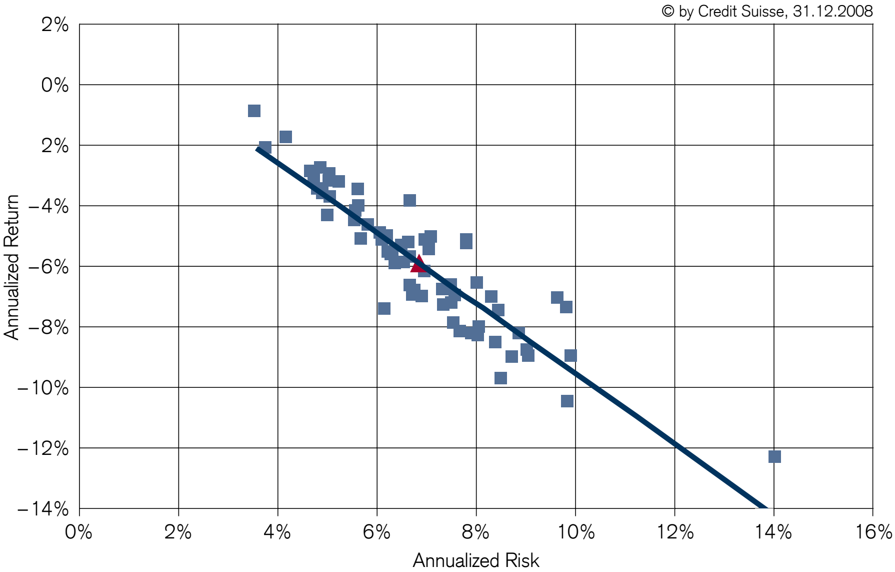


Database: Monthly results from January 2007 to December 2008

Negative Slope of Two-Year Line Increases Substantially

The rolling two-year line (chart 2b, 1.1.2007–31.12.2008), which has a much stronger reaction to changes, sends a very clear message: The regressive incline is clearly negative, which leads to the conclusion that, on average, the acceptance of higher fluctuation risks was "penalized" by a decidedly negative performance. Even pension funds that accepted only moderate annual fluctuation risk reported a negative performance, without exception. Particularly notable is the fact that the points representing the individual pension funds are grouped even closer around the straight line than in the previous quarters. Compared to the previous quarter it is also apparent that the unweighted average annualized return (red triangle) is lower by around 5%, while the unweighted average annualized risk (red triangle) is more than 1% higher. The substantial increase in the risk spread (difference between the highest and lowest annualized risk) is once again very pronounced, and also fails to show any exceptions to this rule.

Asset Allocation

Increase in Liquid Funds

The asset allocation overview shows that the weighting of liquid funds rose by 1.09% to a total of 8.84% as of December 31, 2008. The real estate weighting rose again to 18.09% (+0.67%) and mortgages increased to 5.00% (+0.38%). All three of these asset classes thereby reached a new all-time high. CHF bonds also increased (+1.08%), but still fell far short of the high recorded at the end of 2002. The exposure to foreign currency bonds (–0.20%), Swiss equities (–1.20%) and foreign equities (–1.53%) decreased. Equity exposure fell overall by 2.73%. Alternative investments, which started a new upward trend in the 2nd quarter of 2008, dropped 0.35% quarter-on-quarter, which translates into a 6.81% decline in the relative weighting (from 5.14% to 4.79%).

The overview of the asset allocation diversification shows three notable changes. The maximum real estate component rose from almost 52% to almost 55%, and the liquidity maximum increased from 35.7% to 39.3%. The maximum for both equity classes fell by around 2% each, presumably as a result of market trends, while the maximum for the two bond classes increased by around 2% each.

Chart 3: Asset Allocation for the Last Eight Quarters

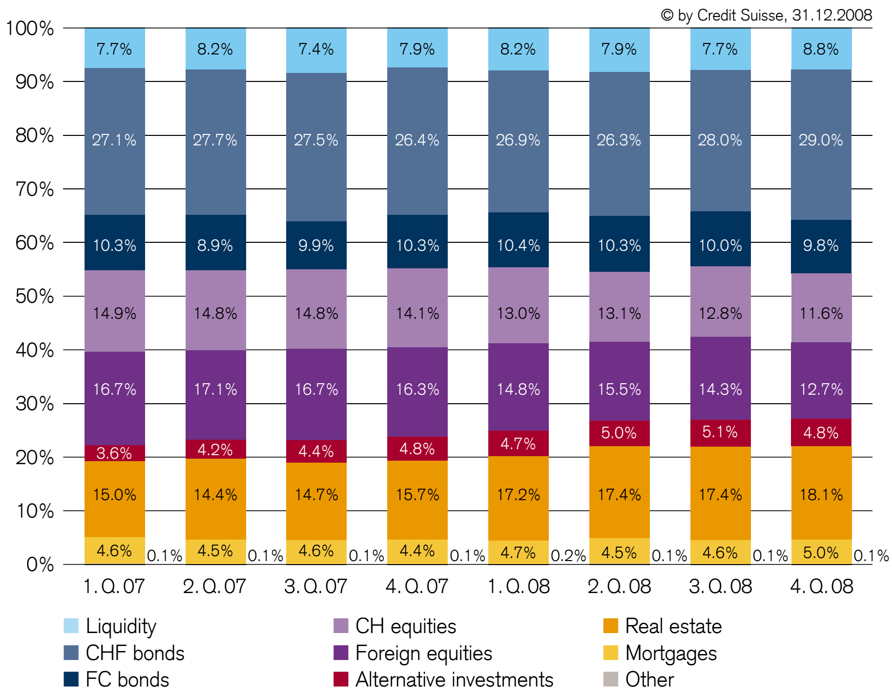
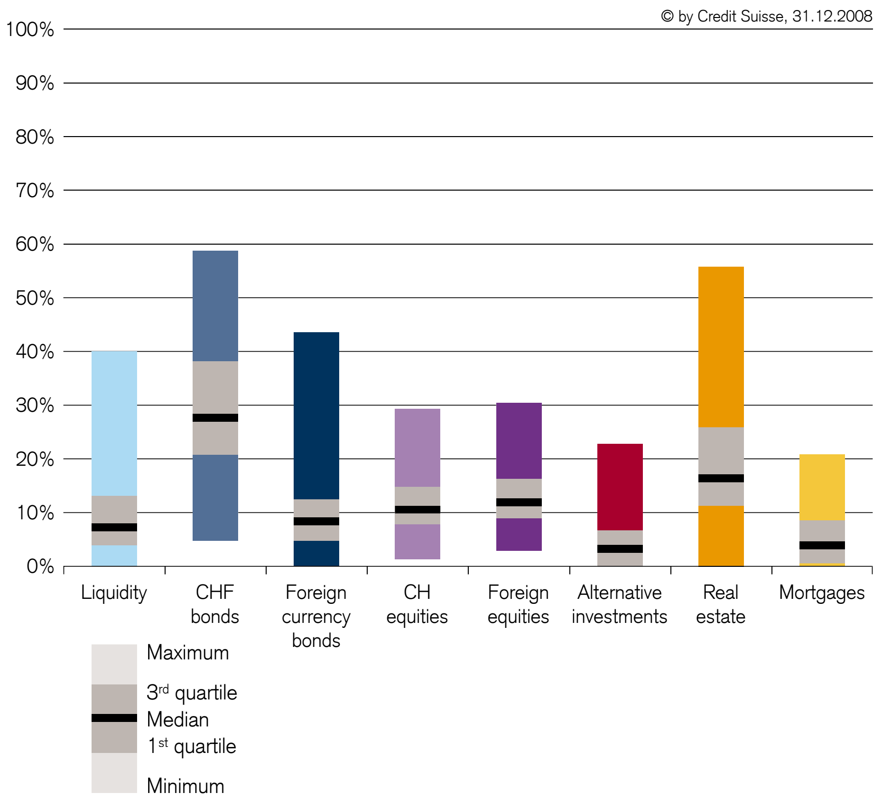


Chart 4: Minimum and Maximum Values 4th Quarter 2008



Currency Allocation

The Swiss Franc as a Safe Haven

CHF exposure rose by another 1.50% and reached a new all-time high, mainly to the detriment of the USD (–0.7%) and the EUR (–0.3%). The weighting of all the other currencies, i.e. GBP, JPY and "other," was also smaller.

Chart 6 shows that, compared to the previous quarter, the USD again lost considerable ground from a maximum of around 30% to a maximum of around 25% (following a weighting of almost 50% at the end of Q2). The EUR maximum also dropped slightly from 36% to 32%.

Chart 5: Development for the Last Eight Quarters

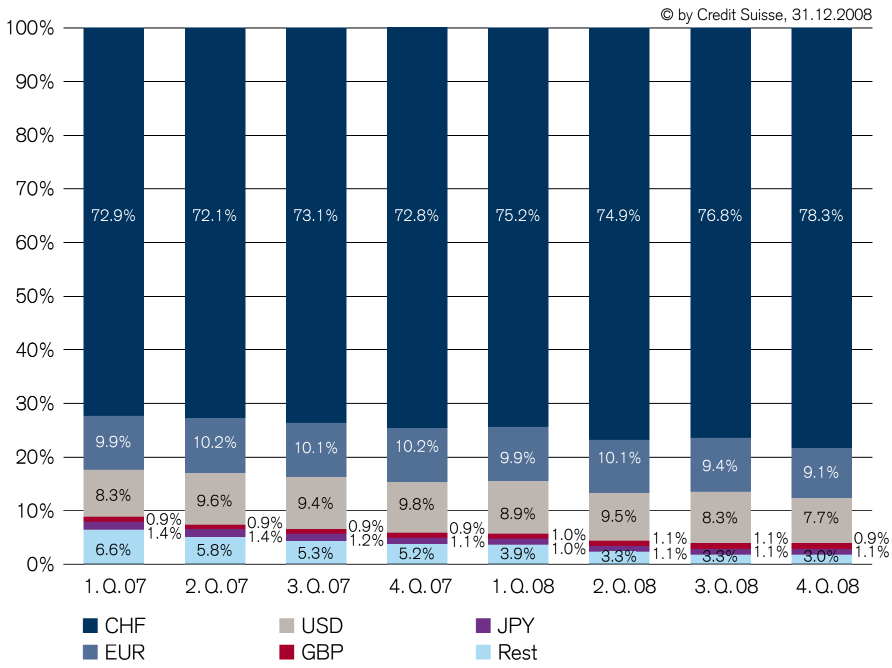
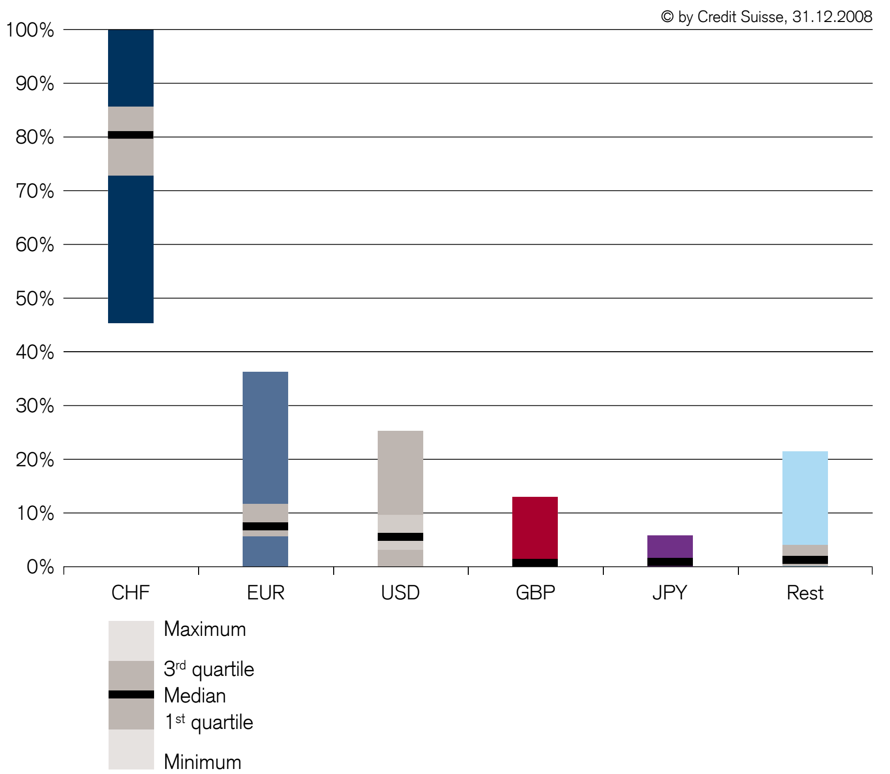


Chart 6: Minimum and Maximum Values 4th Quarter 2008



Expected Absolute Risk

Risk Exposure Continues to Fall

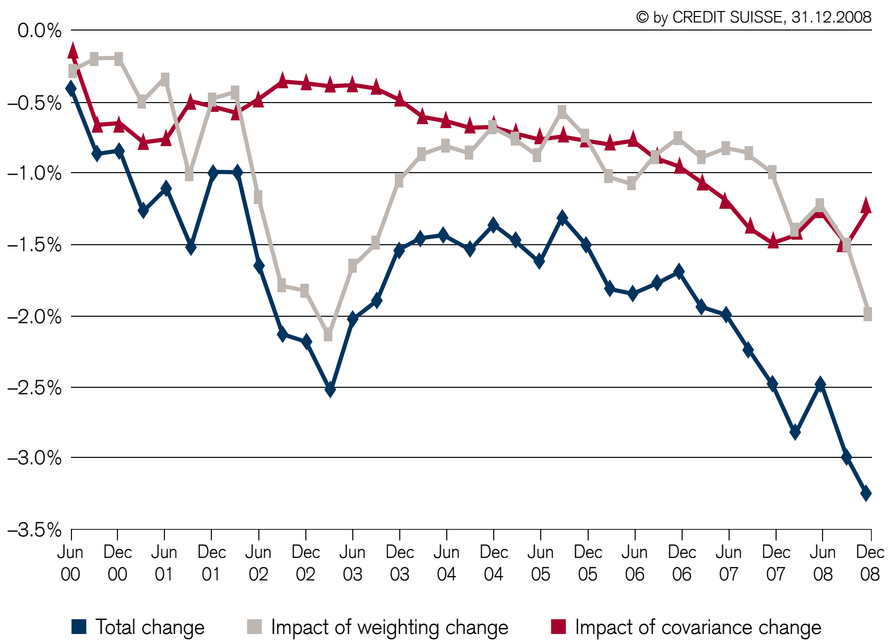
From chart 7, it is clear that the expected absolute volatility (i.e. risk) was almost 8% at the beginning of 2000. This figure was then successively reduced to around 5.25% within a period of three years (March 2003). The expected absolute risk for the funds included in the Credit Suisse Swiss Pension Fund Index subsequently climbed from this low (relative to the observation period), rising continuously to around 6.50% by September 2005. From the last quarter of 2005, a decrease in risk and volatility became evident. After a downward trend of almost three years, the previous quarter brought a noticeable countermovement, which was more than compensated by an even stronger trend movement in the last two quarters. Expected risk fell substantially from 4.77% to 4.52%, its lowest level since measuring started.

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, i.e. a lower level of volatility and dependencies (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 following 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 the last quarter of 2007 and the first quarter of 2008, anticipated volatility started rising as a consequence of the market turbulence, but the pension funds overcompensated this trend by actively shifting weight to other asset classes, which generally did reduce volatility. In the last quarter we have now seen a substantial increase in the expected risk (increase in volatility) faced by the markets, and an even more noticeable reaction by market players, who actively reduced their risk exposure by shifting weight to other asset classes, which mostly explains the abovementioned decrease in risk.

Chart 7: Anticipated Volatility per Reference Date (Annualized)

The expected absolute risk for each reference date corresponds to the anticipated volatility of the index, which 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: Explanation of Cumulative Change in Expected Volatility Total 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. 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.

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