

## Credit Suisse Swiss Pension Fund Index

4th Quarter 2010



### Performance of Swiss Pension Funds as at December 31, 2010

- BVG target exceeded
- Growing equity component
- Swiss franc at a steady high

# Credit Suisse Swiss Pension Fund Index 4th Quarter 2010

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## Index versus Mandatory Minimum Rate of Return since January 2000

### Upbeat Mood at Year-End

The Credit Suisse Swiss Pension Fund Index (blue line in chart 1a), which started with a value of 100 at the beginning of 2000, is enjoying a sunny winter. In the reporting quarter, the index rose by

1.28 points, or 1.03%, to 125.33 points as of December 31. Both October (1.28%) and December (0.45%) contributed to the positive performance, while a negative trend of -0.69% was observed in November. The BVG mandatory minimum rate of return (the red line in chart 1a, which also started with a baseline of 100 as of January 2000), improved by another 0.5% or 0.67 points in the re-

porting quarter, climbing to 136.71 and reducing the difference to 11.38 points. The index posted a 3.01% return for the 2010 investment year, thereby outperforming the BVG target by 1.01%. The annualized return of the Credit Suisse Swiss Pension Fund Index (table 1c) was 2.07% as at December 31, 2010, compared to the annualized BVG mandatory minimum rate of return, which is 2.88%.

Chart 1a: Credit Suisse Swiss Pension Fund Index



Table 1a

Credit Suisse Swiss Pension Fund Index 1.1.2000–31.12.2010

	Jan	Feb	March	April	May	June	July	Aug	Sep	Oct	Nov	Dec	Annual return
<b>2000</b>	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%
<b>2001</b>	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%
<b>2002</b>	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%
<b>2003</b>	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%
<b>2004</b>	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%
<b>2005</b>	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%
<b>2006</b>	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%
<b>2007</b>	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%
<b>2008</b>	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%
<b>2009</b>	109.40	106.38	108.02	111.24	112.43	113.27	116.69	118.21	119.61	119.10	119.84	121.68	10.86%
<b>2010</b>	121.42	122.79	124.59	125.15	124.24	121.57	123.23	122.32	124.05	125.64	124.77	125.33	3.01%

**Table 1b**

**Performance Contribution (Monthly)**

**Credit Suisse Swiss Pension Fund Index 1.1.2010–31.12.2010**

2010	Jan	Feb	March	April	May	June	July	Aug	Sep	Oct	Nov	Dec	YTD
Liquidity	-0.09%	-0.03%	0.09%	-0.09%	-0.22%	0.31%	-0.02%	0.19%	0.06%	-0.10%	0.07%	0.31%	0.49%
CHF bonds	0.24%	0.21%	-0.01%	0.11%	0.34%	-0.04%	0.08%	0.29%	-0.13%	0.00%	-0.08%	-0.25%	0.75%
Foreign currency bonds	0.07%	0.09%	-0.15%	0.14%	0.17%	-0.48%	0.14%	-0.19%	0.06%	0.18%	-0.35%	-0.41%	-0.72%
Swiss equities	-0.07%	0.38%	0.57%	-0.27%	-0.58%	-0.30%	0.16%	-0.07%	0.32%	0.37%	-0.17%	0.53%	0.87%
Foreign equities	-0.46%	0.41%	0.73%	0.40%	-0.56%	-1.48%	0.74%	-1.02%	0.87%	0.72%	-0.20%	0.03%	0.14%
Alternative investments	-0.02%	0.03%	-0.01%	0.10%	0.00%	-0.15%	-0.01%	-0.06%	0.06%	0.13%	0.03%	0.01%	0.10%
Real estate	0.10%	0.02%	0.24%	0.05%	0.07%	-0.04%	0.26%	0.07%	0.20%	0.00%	0.00%	0.26%	1.24%
Mortgages	0.01%	0.02%	0.00%	0.01%	0.03%	0.01%	0.00%	0.02%	-0.01%	0.00%	0.00%	-0.01%	0.08%
Other	0.00%	0.01%	0.01%	0.01%	0.00%	-0.02%	0.00%	0.00%	0.00%	0.01%	0.00%	0.00%	0.01%
Total	-0.21%	1.14%	1.48%	0.45%	-0.75%	-2.20%	1.38%	-0.75%	1.43%	1.29%	-0.70%	0.46%	3.01%

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

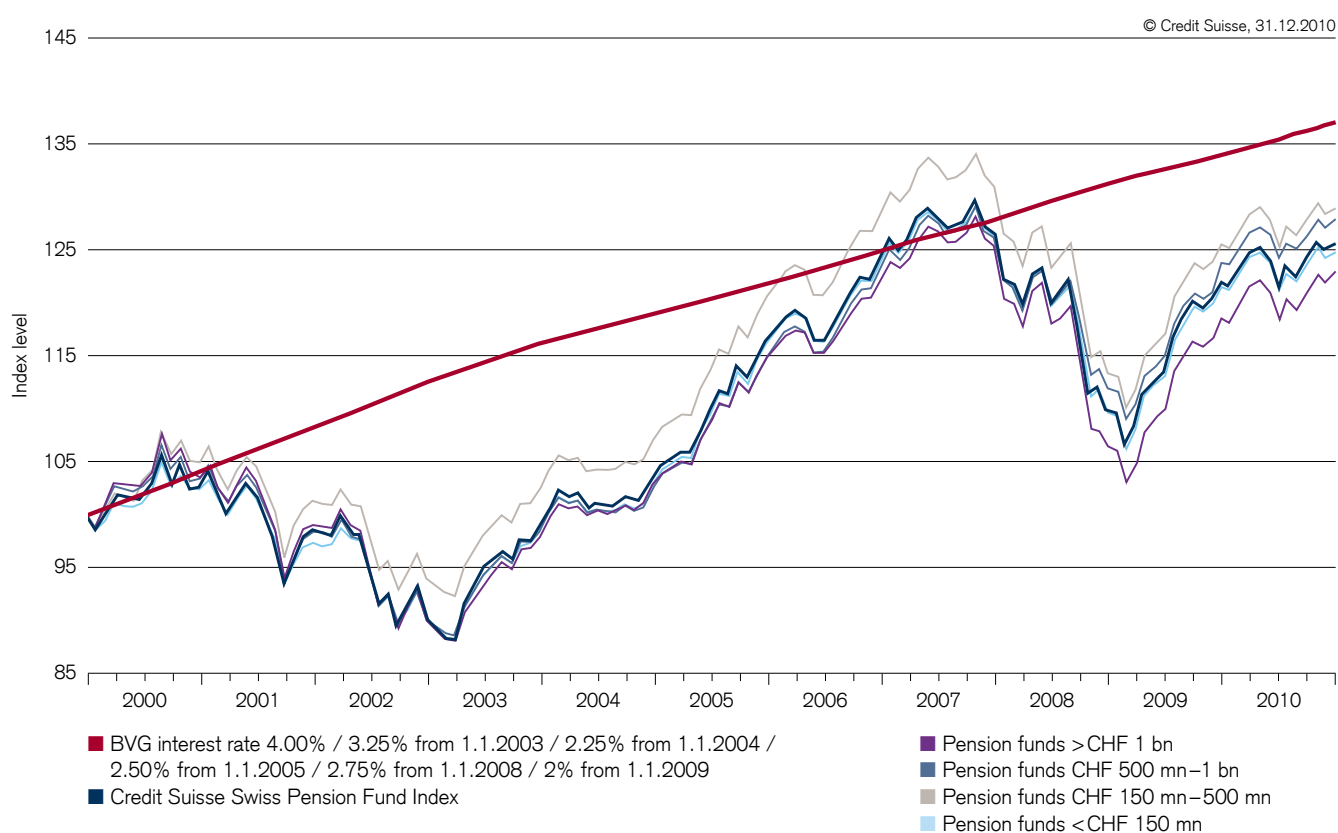


Chart 1b shows a breakdown by segment as follows: < CHF 150 million, CHF 150–500 million, CHF 500 million–1 billion and > CHF 1 billion.

**Table 1c**

Performance 1.1.2010–31.12.2010													
2010	Jan	Feb	March	April	May	June	July	Aug	Sep	Oct	Nov	Dec	YTD
Credit Suisse Swiss Pension Fund Index	-0.21%	1.13%	1.47%	0.45%	-0.73%	-2.14%	1.36%	-0.74%	1.42%	1.28%	-0.69%	0.45%	3.01%
Pension funds >CHF 1 bn	-0.30%	1.12%	1.67%	0.54%	-0.94%	-2.01%	1.57%	-0.82%	1.58%	1.28%	-0.62%	0.67%	3.73%
Pension funds CHF 500 mn–1 bn	-0.09%	1.12%	1.29%	0.39%	-0.50%	-1.89%	1.20%	-0.55%	1.12%	1.19%	-0.60%	0.54%	3.20%
Pension funds CHF 150 mn–500 mn	-0.21%	1.12%	1.43%	0.38%	-0.80%	-2.02%	1.39%	-0.63%	1.32%	1.20%	-0.74%	0.39%	2.81%
Pension funds <CHF 150 mn	-0.21%	1.14%	1.45%	0.47%	-0.67%	-2.29%	1.32%	-0.81%	1.47%	1.33%	-0.70%	0.40%	2.84%

**Annualized Return  
of 2.07%**

**Table 1d**

Annualized return 1.1.2000–31.12.2010	Annualized performance since 1.1.2000
Credit Suisse Swiss Pension Fund Index	2.07%
BVG interest rate	2.88%
Pension funds >CHF 1 bn	1.89%
Pension funds CHF 500 mn–1 bn	2.26%
Pension funds CHF 150–500 mn	2.34%
Pension funds <CHF 150 mn	2.04%

## Risk/Return Positions

### Negative Trend of Five-Year Line

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, 2008, are not taken into account in the five-year rolling observation period (1.1.2006–31.12.2010), but they do form part of the rolling two-year observation period.

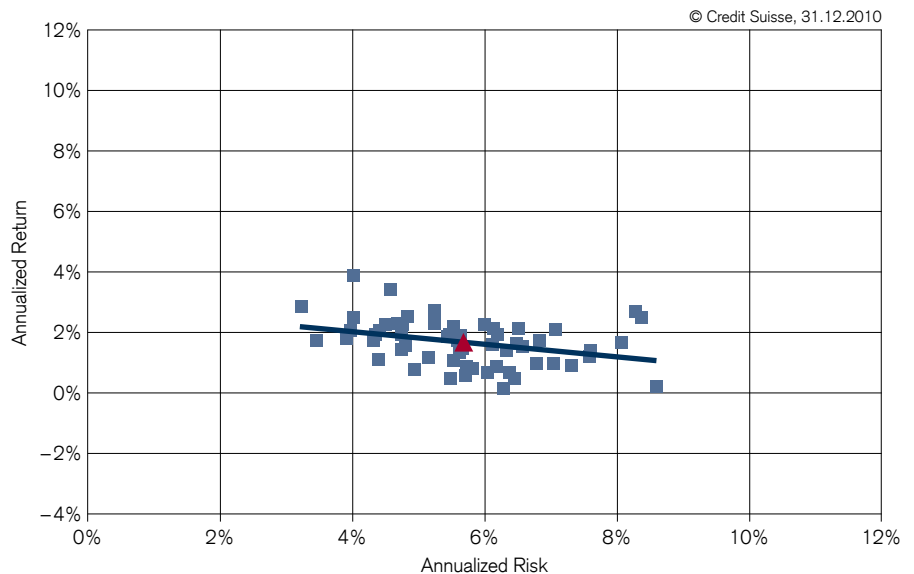
The presentation of the rolling five-year view on the cut-off date of the annualized risk-return positions of the individual pension funds (see chart 2a) has hardly changed since the last index publication. As at December 31, 2010, the regressive curve is negative, showing that one of the premises of modern portfolio theory, which states that higher (systematic, i.e. market-driven) risk is offset by higher returns, may not prove true, depending on the timing of entry seen over a period of several years.

Compared to the previous quarter, the unweighted average annualized return has fallen slightly to 1.67% as did the unweighted average annualized risk (red triangle) which dropped to 5.68%. Five pension funds remain in the low-risk investment area (annualized risk of 3 to 4%). As in the previous quarter, there are still four pension funds in the high-risk investment area (annualized risk of over 8%). It is pleasing to note that in the fourth quarter of 2010 all pension funds posted a positive annualized five-year return.

### Positive Trend for Two-Year Line

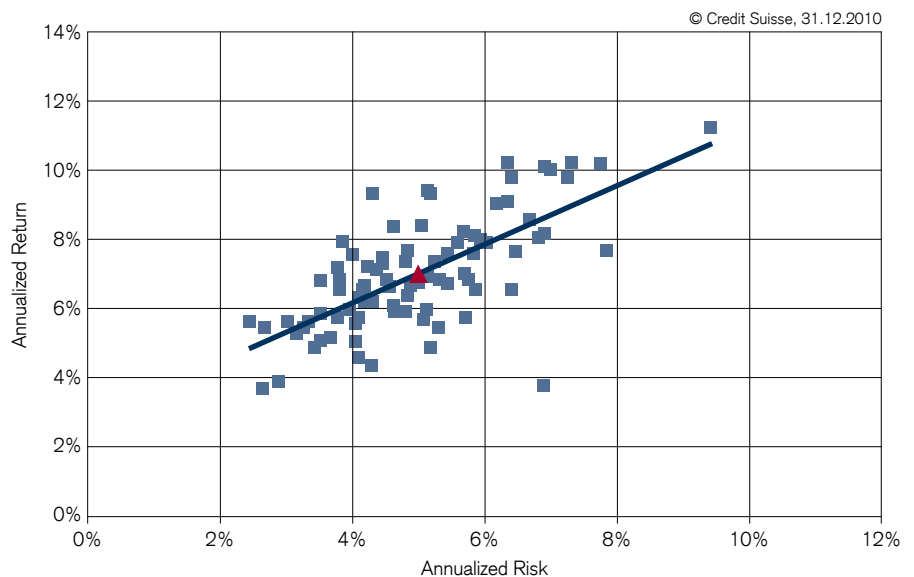
The rolling two-year line (chart 2b, 1.1.2009–31.12.2010), which has a much stronger reaction to changes, confirms the theory that higher risk is re-

**Chart 2a: Annualized Risk/Return Comparison; Rolling Five-Year Review**  
Monthly Results from January 2006 to December 2010



Database: Monthly results from January 2006 to December 2010

**Chart 2b: Annualized Risk/Return Comparison; Rolling Two-Year Review**  
Monthly Results from January 2009 to December 2010



Database: Monthly results from January 2009 to December 2010

warded by higher returns in the long term. This statement must be treated with caution, however, as this is a rolling presentation of the past 24 months. The fact that three negative months (fourth quarter 2008) dropped out of the chart explains not only why the line changed

from a negative to a positive trend but also the sharp increase in return and drop in risk. The unweighted average annualized return is 6.98%, while the unweighted average risk is 4.95% (red triangle).

## Asset Allocation

### Growing Equity Component

The asset allocation overview shows that the weighting of liquid funds dropped (-0.40%). The exposure to Swiss franc bonds (-2.2%), real estate (-0.1%) and mortgages (-0.1%) was also reduced while the exposure to Swiss equities (+0.2%), foreign equities (+1.3%) and alternative investments (+0.3%) increased.

Chart 3: Asset Allocation for the Last Eight Quarters

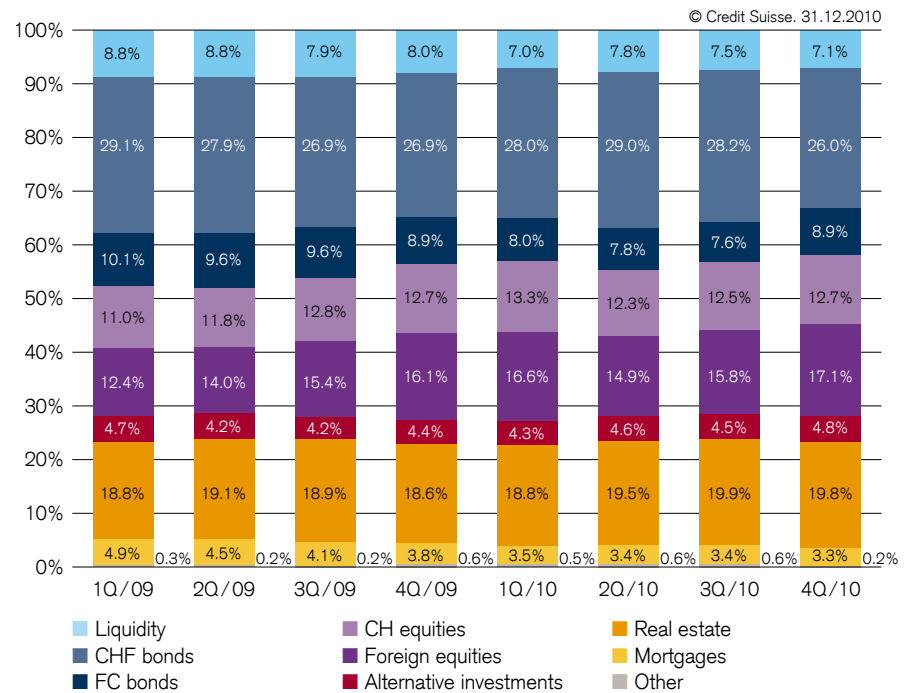
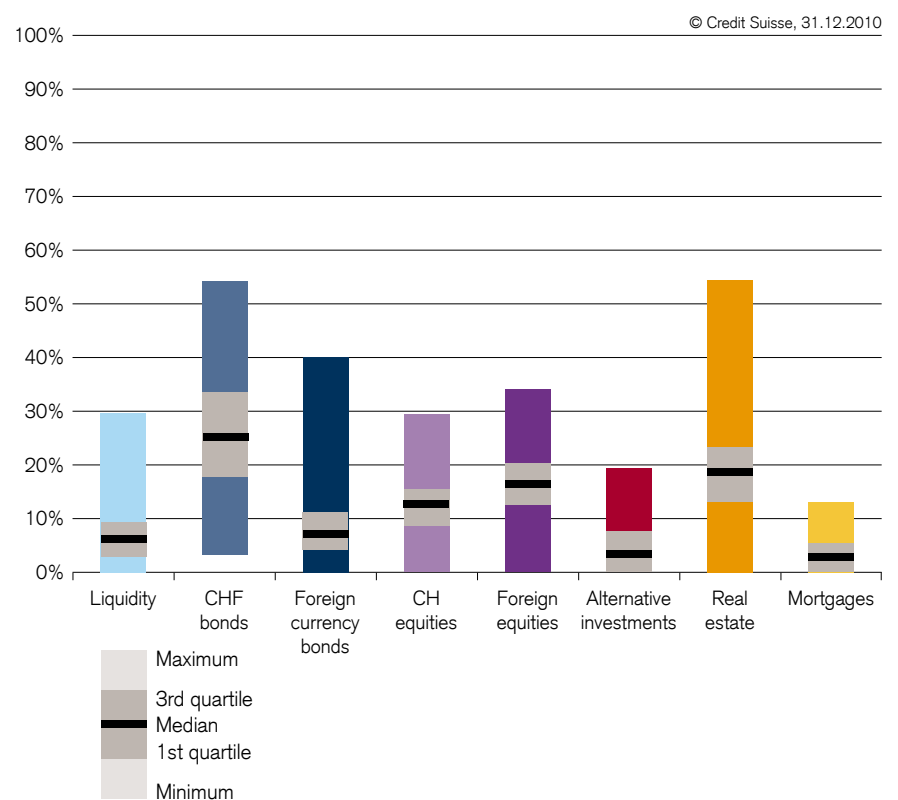


Chart 4: Minimum and Maximum Values 4th Quarter 2010



## Currency Allocation

### Swiss Franc at a Steady High

The currency allocation shows that the foreign currency exposure increased versus the Swiss franc by 2.2% in the reporting quarter.

Chart 5: Development for the Last Eight Quarters

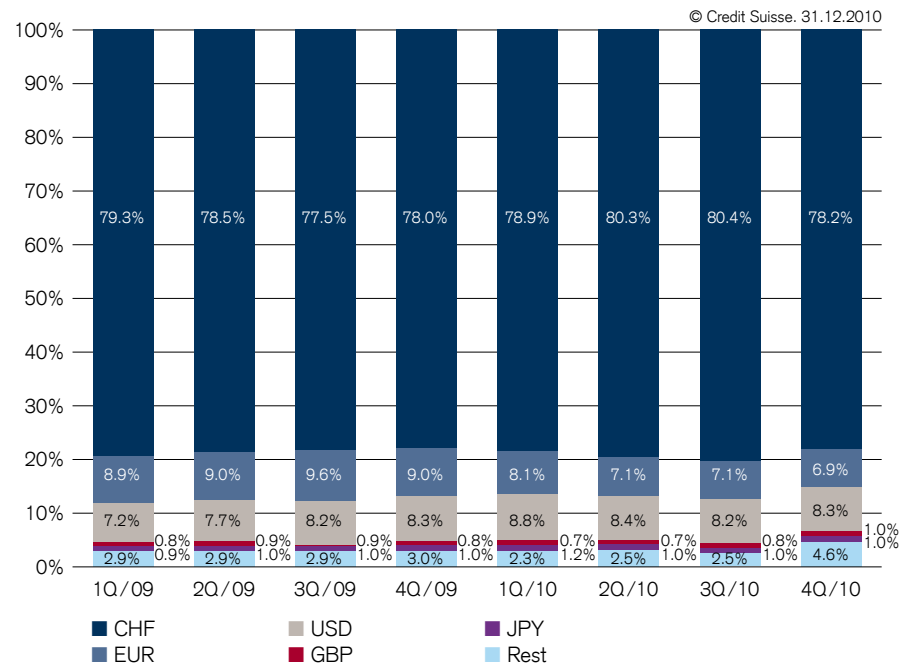
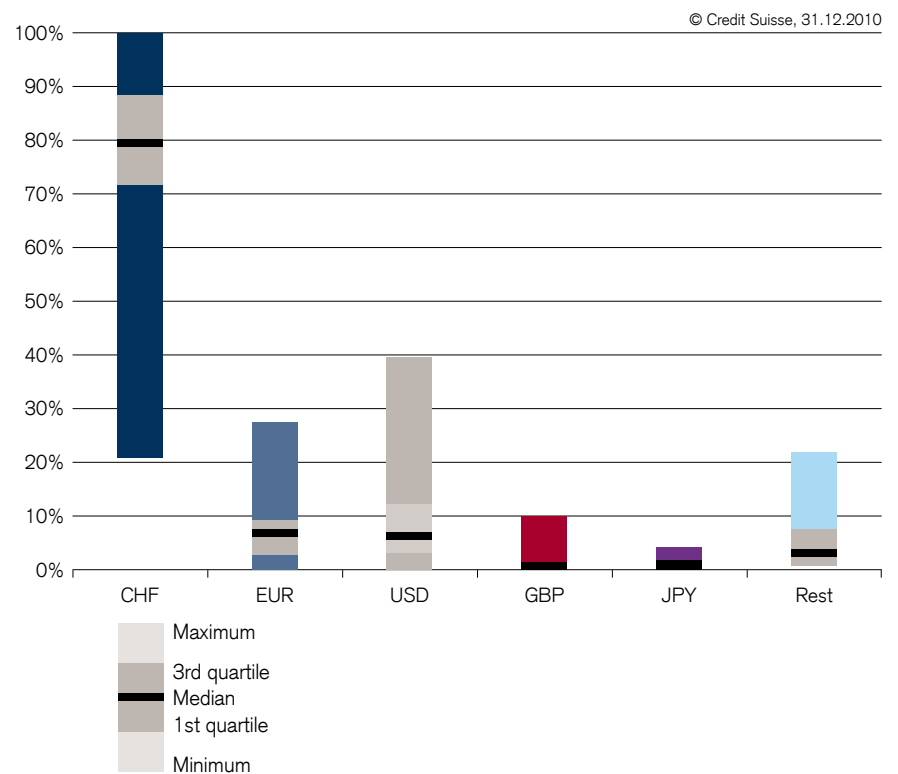


Chart 6: Minimum and Maximum Values 4th Quarter 2010





## Important Information

The data relates exclusively to autonomous Swiss pension funds for whom Credit Suisse acts as global custodian. This means that the underlying assets are centrally held in safekeeping by Credit Suisse where they are managed by a number of internal and external asset managers. As a leading provider of global custodian services, Credit Suisse is able to prepare broadly-based and representative analyses of the Swiss pension fund business. At system level the data provides a very up-to-date picture of the current investment activities pertaining to second pillar assets, as the autonomous pension funds manage around 80% of all such assets.

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 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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