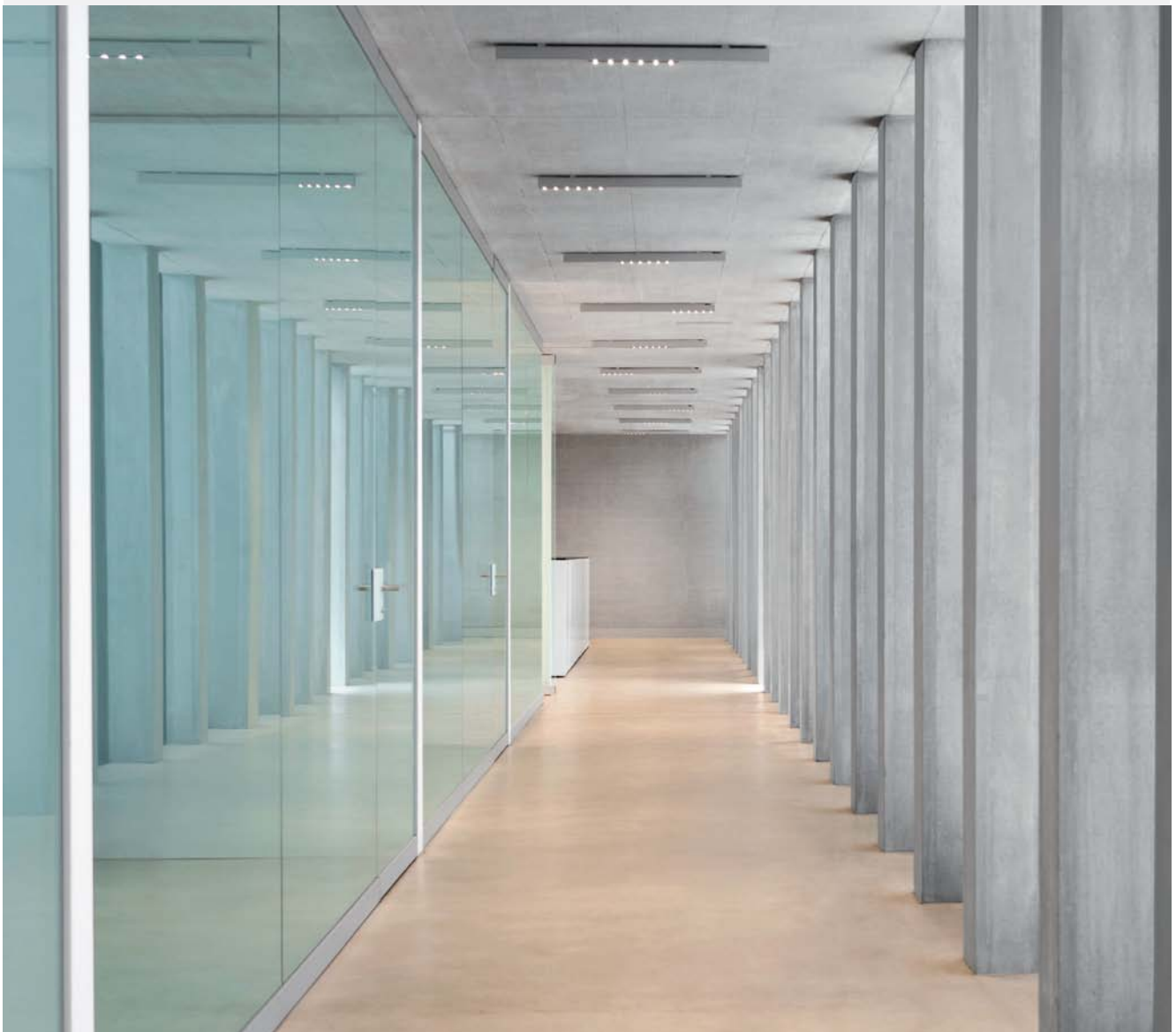


## Credit Suisse Swiss Pension Fund Index Q1 2018

### Q1 2018: **-1.33%**

- Performance correction in Q1 2018
- Negative contribution from all asset classes except real estate and mortgages
- Equity component shows a fall



Historical performance indications and financial market scenarios are not reliable indicators of future performance.

# Index versus Mandatory Minimum Rate of Return since January 2000

## Market Review

Global economic growth slowed at a high level in the first quarter of this year, while inflation showed signs of an increase. The world's stock markets ended the quarter lower with sharply higher volatility. Core government bonds were stable, while the US dollar weakened against major currencies. Commodities rose on a quarter-on-quarter basis.

- Global **economic growth** weakened after one of the best short-term performances in years. Various economic indicators showed a decline, albeit at a high level. **Inflation**, on the other hand, picked up slightly – not least due to strong wage growth in January. While the Fed raised short-term **interest rates** by 25 basis points in March, the European Central Bank left its rates unchanged – although it did hint at the possibility of a more hawkish stance. The Swiss National Bank also left interest rates unchanged, but continues to view the Swiss franc as overvalued.
- After a very strong start in January 2018, global **equity markets** ended the quarter with their first loss in two years – albeit against a backdrop of rising volatility. US and emerging-market equities were buoyed by the weaker dollar and outperformed the world index, while UK and Swiss stocks softened.

## Credit Suisse Swiss Pension Fund Index Begins 2018 with a Negative Performance

- In the first quarter, the Pension Fund index fell by –1.33% to close at a level of 170.2 points at the end of March 2018, from a baseline of 100 at the start of 2000.
- After a very strong 2017 (+8.05%), the Pension Fund Index underwent a significant correction in the first three months of 2018.
- The bulk of the correction took place in February (–1.26%), with only slight reductions being observed in January (–0.04%) and March (–0.07%).
- Equities showed the biggest fall, with Swiss equities contributing –0.65% to performance and foreign equities contributing –0.47%. CHF bonds and foreign currency bonds negatively impacted the result by –0.15% and –0.05%, respectively. The contribution from alternative investments was –0.01%.
- Real estate was the only asset class to deliver a positive contribution at +0.03%, while mortgages remained neutral.
- The negative contribution from liquidity, at –0.02%, stems from negative interest on cash holdings together with gains or losses on foreign-exchange forward transactions, which are assigned to liquidity.

- On the **bond markets**, the US Treasury curve flattened on the back of expected rate hikes and persistently muted inflation. Bond yields outside the dollar region turned positive in March due to new central bank policies and the trade dispute between the US and China. Credit spreads widened in the case of corporate bonds as well as hard-currency bonds issued by emerging markets.
- The **US dollar** weakened in anticipation of rising interest rates outside the dollar region and in light of the trade dispute and growing US budget deficit. The euro showed a marginally positive performance against the US currency on the back of robust economic figures. The Swiss franc was also stronger against the US dollar, though it lost ground against the **euro**. The UK pound continued to show a positive trend, thereby reducing some of its undervaluation.
- Commodities ended the first quarter with a positive performance. This was down to stable energy prices owing to production discipline on the part of OPEC countries as well as higher prices for agricultural products following poor weather conditions in key regions.

Chart 1



— Credit Suisse Swiss Pension Fund Index  
— BVG rate of return 4.00% until Dec. 31, 2002 / 3.25% from Jan. 1, 2003 / 2.25% from Jan. 1, 2004 / 2.50% from Jan. 1, 2005 / 2.75% from Jan. 1, 2008 / 2.00% from Jan. 1, 2009 / 1.50% from Jan. 1, 2012 / 1.75% from Jan. 1, 2014 / 1.25% from Jan. 1, 2016 / 1.00% since Jan. 1, 2017  
Scale: Index level

The Credit Suisse Swiss Pension Fund Index is calculated on the basis of the returns realized by Swiss pension funds (prior to deducting management costs) whose assets are held at Credit Suisse under a global custody arrangement. Asset management and advisory tasks, however, are performed by the pension funds themselves or by third parties. In its role as global custodian, Credit Suisse has no influence on the performance of individual pension funds.

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## Credit Suisse Swiss Pension Fund Index Is Significantly below BVG Mandatory Minimum Rate of Return

- The index of the BVG mandatory minimum rate of return (1% p.a. since January 1, 2017) rose by 0.38 points (0.25%) to 152.48 points in the reporting quarter, likewise from a baseline of 100 in January 2000. The return of the Credit Suisse Swiss Pension Fund Index is therefore –1.58% below the BVG requirement in the first quarter of 2018.
- The annualized return on the Credit Suisse Swiss Pension Fund Index (since January 1, 2000) was 2.96% as of March 31, 2018. This contrasts with an annualized BVG mandatory minimum rate of return of 2.34%.
- Pension funds with assets of between CHF 150 million and CHF 500 million once again achieved the highest annualized return (since January 1, 2000) as of March 31, 2018, at 3.15%.

**Table 1: Credit Suisse Swiss Pension Fund Index Level 2008–2018**

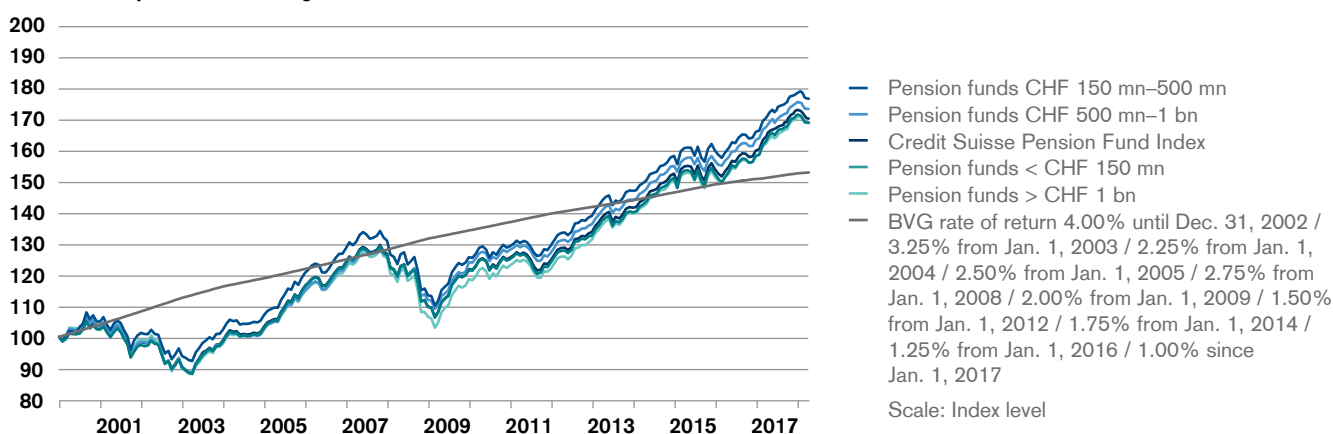
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Index	109.76	121.68	125.33	124.63	133.61	141.30	152.23	153.67	159.63	172.48
Annual return in %	-13.25	10.86	3.01	-0.56	7.21	5.76	7.73	0.95	3.87	8.05

**Table 2: Credit Suisse Swiss Pension Fund Index Level 2018**

	Jan.	Feb.	March	April	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.	YTD
Index	172.42	170.25	170.20										170.20
Annual return in %	-0.04%	-1.26%	-0.03%										-1.33%

**Chart 2:**

Performance by Pension Fund Segment Size



**Table 3: Performance by Pension Fund Segment Size, 2018**

	Jan.	Feb.	March	April	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.	YTD
Credit Suisse Swiss Pension Fund Index	-0.04%	-1.26%	-0.03%										-1.33%
Pension funds > CHF 1 bn	0.11%	-1.25%	-0.09%										-1.22%
Pension funds CHF 500 mn–1 bn	0.07%	-1.13%	-0.03%										-1.10%
Pension funds CHF 150–500 mn	-0.04%	-1.25%	-0.10%										-1.38%
Pension funds < CHF 150 mn	-0.15%	-1.31%	0.09%										-1.37%

**Table 4: Annualized Performance  
1.1.2000–31.3.2018**

	Annualized performance since January 1. 2000
Credit Suisse Swiss Pension Fund Index	2.96%
BVG rate of return	2.34%
Pension funds > CHF 1 bn	2.90%
Pension funds CHF 500 mn–1 bn	3.05%
Pension funds CHF 150–500 mn	3.15%
Pension funds < CHF 150 mn	2.91%

# Performance by Asset Class

## Monthly Returns

**Table 5: Credit Suisse Swiss Pension Fund Index 2018**

	Jan.	Feb.	March	April	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.	YTD
Liquidity	0.97%	-0.15%	0.37%										1.18%
CHF bonds	-0.64%	-0.22%	0.32%										-0.54%
Foreign currency bonds	-1.85%	0.23%	1.30%										-0.35%
Swiss equities	0.10%	-4.03%	-0.64%										-4.55%
Foreign equities	1.11%	-2.73%	-0.78%										-2.42%
Alternative investments	-0.29%	-0.21%	0.34%										-0.16%
Real estate	-0.23%	-0.21%	0.33%										-0.11%
Mortgages	-0.27%	0.03%	0.18%										-0.06%
Others	0.09%	-0.20%	0.05%										-0.06%
Total	-0.04%	-1.26%	-0.03%										-1.33%

**Table 6: Benchmark Indices 2018**

	Jan.	Feb.	March	April	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.	YTD
CHF bonds SBI AAA-BBB 1-15Y (TR)	-0.74%	0.09%	0.33%										-0.32%
Foreign currency bonds Bloomberg Barclays Global Aggr. (TR)	-3.47%	0.76%	2.41%										-0.40%
Swiss equities SPI (TR)	-0.13%	-4.46%	-0.67%										-5.22%
Foreign equities MSCI AC World ex Switzerland (NR)	0.81%	-2.55%	-0.84%										-2.59%
Real estate direct/ investment foundations KGASt Immo-Index (Switzerland) (TR)	0.34%	0.32%	0.34%										1.01%
Real estate funds SXI Real Estate Funds (TR)	-0.97%	-1.09%	0.21%										-1.86%

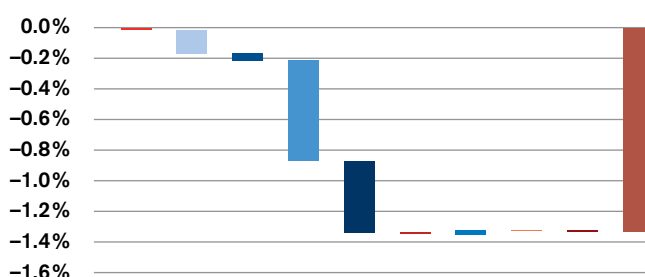
## Return Strongly Driven by Equities

- Swiss equities the most negative of all (-4.55%), but significantly better than SPI (-5.22%).
- Foreign equities strongly negative in Q1 (-2.42%), but still above MSCI AC World ex Switzerland (NR) Index (-2.59%).
- Swiss bonds with quarterly return of -0.54%, below SBI AAA-BBB 1-15Y (TR) figure of -0.32%.
- Quarterly return of -0.35% for foreign bonds, slightly above Bloomberg Barclays Global Aggr. (TR) figure of -0.40%.
- Real estate with negative quarterly return (-0.11%), but above benchmark index of -0.43% (50% KGASt and 50% SXI Real Estate Funds Broad [TR]).
- Liquidity (cash holdings, FX forwards for currency hedging) with a positive return (+1.18%) due to gains on short foreign-exchange forward contracts as a result of the sharp devaluation of the USD against the Swiss franc in the first quarter (-1.73%).

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**Chart 3:**

Performance Contribution (YTD) Credit Suisse Swiss Pension Fund Index



- Liquidity
- CHF bonds
- Foreign currency bonds
- Swiss equities
- Foreign equities
- Alternative investments
- Real estate
- Mortgages
- Other
- Total

Scale: Return in percentages (%)

# Risk/Return Positions

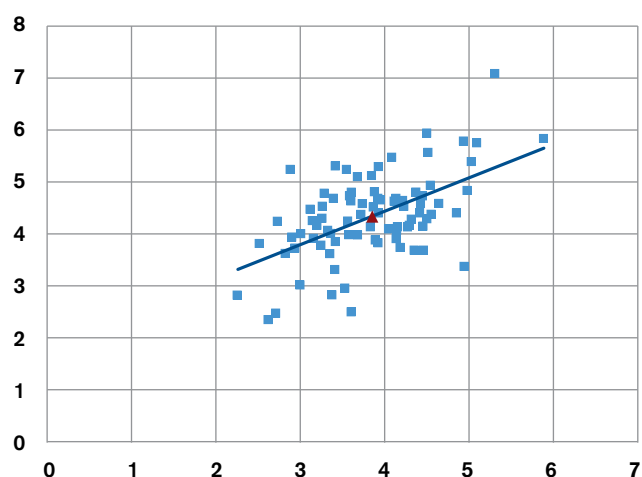
## Five-Year Line – Annualized Return Falls Sharply in Reporting Quarter, While Annualized Risk Falls Only Slightly

- The unweighted average annualized return fell by –1.00 percentage points to 4.24% between the fourth quarter of 2017 and the first quarter of 2018 on only slightly lower risk (–0.02 percentage points to 3.85%).
- The Sharpe ratio therefore deteriorated from 1.53 in Q4 2017 to 1.27 in Q1 2018.
- Medium-sized pension funds (CHF 500 million to 1 billion) continue to show the best risk/return ratio (Sharpe ratio of 1.49).
- Pension funds with an investment volume of more than CHF 1 billion have the highest median return at 4.68%; at the same time, it is here that returns are grouped closest together.
- By contrast, small pension funds with an investment volume of less than CHF 150 million exhibit a considerably greater return dispersion, and have a median return that lies somewhere in the middle compared with the other pension fund groups.

**Figure 4:**

Annualized Risk/Return Comparison; Five-Year View, Monthly Results from April 2013 to March 2018

Q1 2017 values: average risk 3.91%, average return 5.02%



y-axis: annualized return in percent (%)

x-axis: annualized risk in percent (%)

**Table 7: Risk/Return Ratios**  
1.4.2013–31.03.2018

	Risk	Return	Sharpe Ratio
Credit Suisse Swiss Pension Fund Index	3.85%	4.24%	1.27
Pension funds > CHF 1 bn	3.90%	4.40%	1.35
Pension funds CHF 500 mn–1 bn	3.12%	4.26%	1.49
Pension funds CHF 150–500 mn	3.70%	4.18%	1.29
Pension funds < CHF 150 mn	4.06%	4.24%	1.18

**Table 8: Return Bandwidths**  
1.4.2013–31.03.2018

	Minimum	1st quartile	Median	3rd quartile	Maximum
Credit Suisse Swiss Pension Fund Index	2.33%	3.90%	4.32%	4.70%	7.08%
Pension funds > CHF 1 bn	3.00%	4.50%	4.68%	4.91%	5.83%
Pension funds CHF 500 mn–1 bn	3.71%	3.80%	4.05%	4.44%	4.76%
Pension funds CHF 150–500 mn	2.33%	3.96%	4.35%	4.63%	5.76%
Pension funds < CHF 150 mn	2.46%	3.77%	4.14%	4.70%	7.08%

Our risk/return overview shows the five-year view. It should be noted that only portfolios that were part of the index for the entire observation period are included. Portfolios created on January 1, 2014, for example, are not included in the five-year observation period (January 1, 2013–March 31, 2018).

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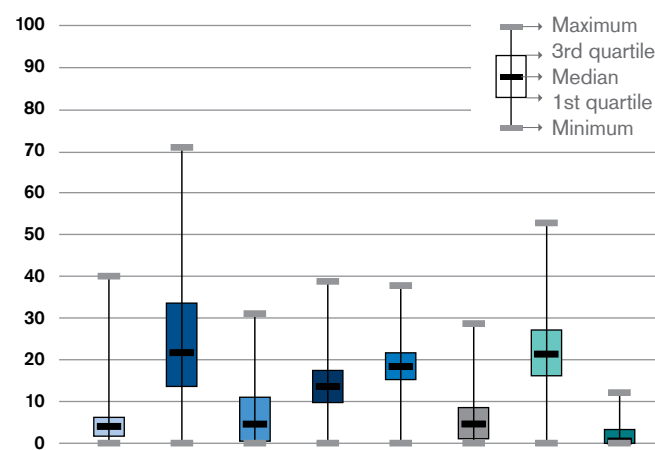
# Asset Allocation

## Equity Component Shows a Fall

- The asset allocation as of March 31, 2018, shows a shift away from foreign equities (−0.61 percentage points to 18.63%) and Swiss equities (−0.63 percentage points to 13.88%) versus the previous quarter. The decrease in the share of foreign equities is mainly due to reallocation effects, while the decline in the Swiss equities component was primarily driven by the negative development of returns.
- A slight decrease was also seen in the share of liquidity (−0.03 percentage points to 5.22%).
- All other asset classes show an increase, mainly reflecting the development of returns (with the exception of alternative investments, primarily due to allocation effects):
  - CHF bonds share +0.47 percentage points to 24.34%
  - Foreign currency bonds share +0.11 percentage points to 6.93%
  - Alternative investments share +0.18 percentage points to 5.89%
  - Real estate share +0.38 percentage points to 22.40%
  - Mortgages share +0.12 percentage points to 2.21%

**Chart 5:**

Asset Allocation

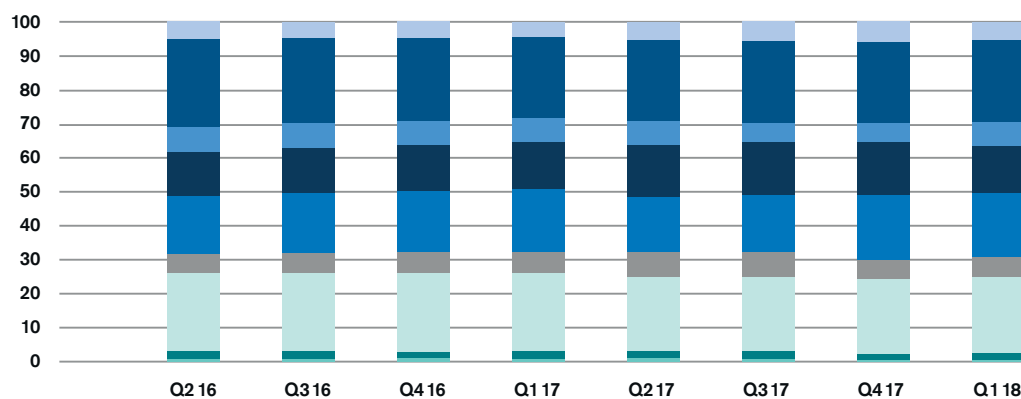


Scale: in percentages (%)

- Liquidity
- CHF bonds
- Foreign currency bonds
- Swiss equities
- Foreign equities
- Alternative investments
- Real estate
- Mortgages

**Chart 6:**

Asset Allocation over the Last Eight Quarters



Scale: in percentages (%)

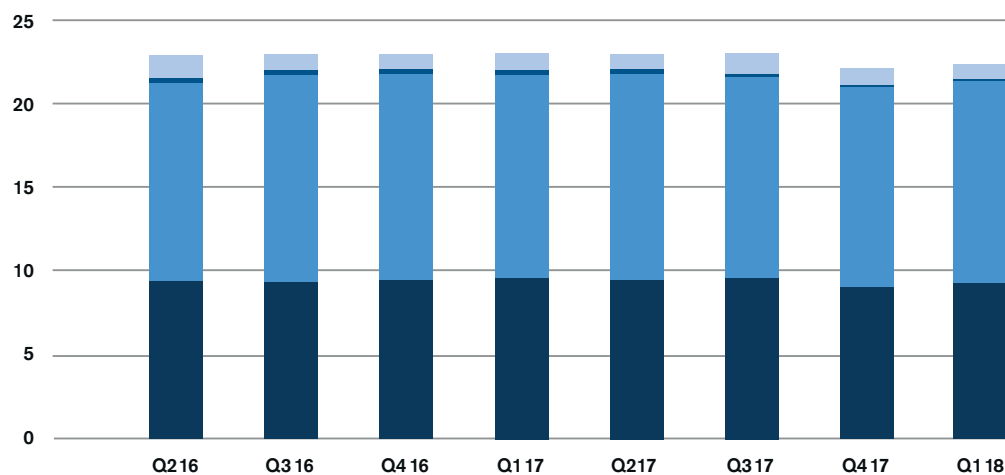
	Q2 16	Q3 16	Q4 16	Q1 17	Q2 17	Q3 17	Q4 17	Q1 18
• Liquidity	5.05%	4.66%	4.88%	4.33%	5.05%	4.98%	5.25%	5.22%
• CHF bonds	25.86%	25.05%	24.29%	24.05%	23.93%	23.76%	23.87%	24.34%
• Foreign currency bonds	7.34%	7.51%	7.07%	6.92%	7.00%	7.01%	6.82%	6.93%
• Swiss equities	12.99%	13.17%	13.31%	13.78%	13.69%	13.78%	14.51%	13.88%
• Foreign equities	16.94%	17.55%	18.20%	18.53%	18.19%	18.46%	19.24%	18.63%
• Alternative investments	5.77%	5.88%	6.16%	6.15%	6.15%	5.96%	5.71%	5.89%
• Real estate	22.92%	23.00%	23.00%	23.06%	23.14%	22.82%	22.02%	22.40%
• Mortgages	2.08%	2.12%	2.07%	2.10%	2.12%	2.10%	2.09%	2.21%
• Other	1.06%	1.05%	1.02%	1.06%	0.73%	1.15%	0.49%	0.50%

Historical performance indications and financial market scenarios are not reliable indicators of future performance.

## Increase in Swiss Real Estate

- After falling to a two-year low at the end of 2017, real estate showed an increase of +0.38 percentage points to 22.40% as of the end of Q1 2018.
- The development is almost entirely due to increases in Swiss real estate investments, with direct real estate investments up +0.24 percentage points to 9.33% and indirect real estate investments +0.13% higher at 12.00%.
- At 0.92%, the share of indirect real estate investments abroad remains at its lowest level since the fourth quarter in 2016.

**Chart 7:**  
Real Estate Allocation for the Last Eight Quarters



Scale: in percentages (%)

● Foreign real estate, indirect	1.34%	0.93%	0.84%	0.96%	0.97%	1.01%	0.92%	0.92%
● Foreign real estate, direct	0.28%	0.29%	0.31%	0.32%	0.34%	0.33%	0.15%	0.16%
● Swiss real estate, indirect	11.88%	12.37%	12.31%	12.15%	12.13%	11.85%	11.87%	12.00%
● Swiss real estate, direct	9.42%	9.41%	9.54%	9.63%	9.70%	9.63%	9.09%	9.33%
Total	22.92%	23.00%	23.00%	23.06%	23.14%	22.82%	22.02%	22.40%

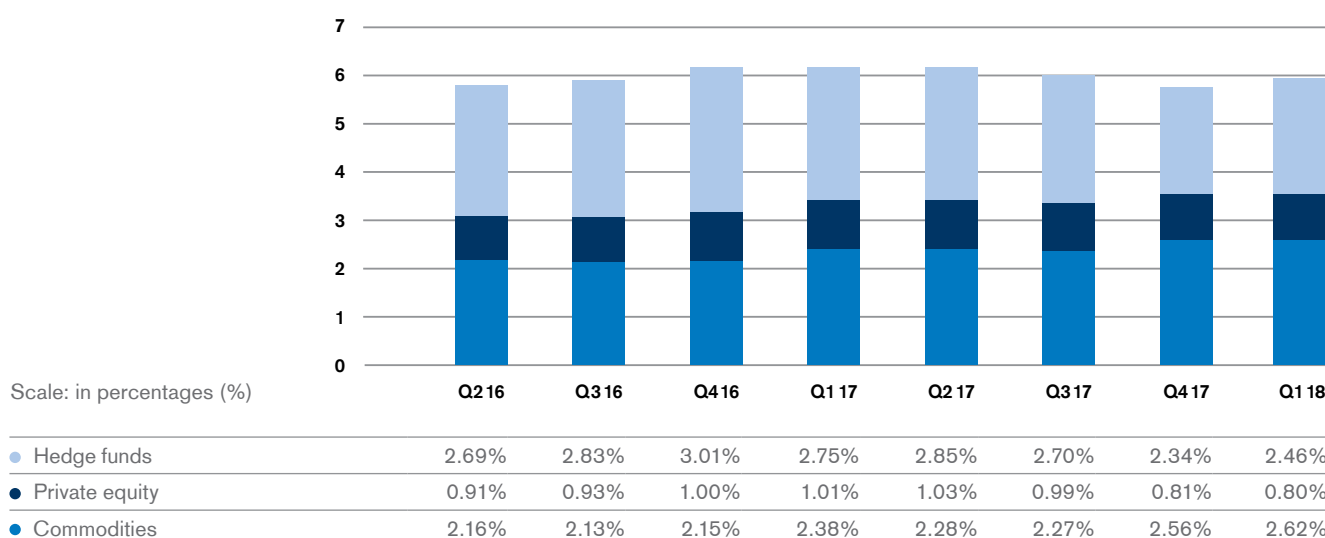


## Increase in Alternative Investments Component

- The alternative investments component increased again compared with the previous quarter (+0.18 percentage points to 5.89%).
- The hedge funds component showed the biggest increase (+0.12 percentage points to 2.46%).
- The commodities component rose by +0.06 percentage points to 2.62%.
- The private equity component fell slightly once again (–0.01 percentage points to 0.80%) to its lowest level since the fourth quarter 2015.

**Chart 8:**

Allocation of Alternative Investments for the Last Eight Quarters



## Modified Duration

- The modified duration for the overall index fell in the reporting quarter and stood at 5.86 as of March 31, 2018 (end 2017: 5.95).
- Pension funds with assets of between CHF 500 million and CHF 1 billion exhibited the highest modified duration at the end of March 2018 of 6.32.
- The lowest modified duration of 5.62 as of the end of March 2018 was shown by pension funds with assets of between CHF 150 million and CHF 500 million.

**Table 9: Modified Duration 2018**

	Jan.	Feb.	March	April	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.
Credit Suisse Swiss Pension Fund Index	5.93	5.88	5.86									
Pension funds > CHF 1 bn	6.04	6.03	6.13									
Pension funds CHF 500 mn–1 bn	6.39	6.37	6.32									
Pension funds CHF 150–500 mn	5.78	5.72	5.62									
Pension funds < CHF 150 mn	5.93	5.87	5.86									

Note: The modified duration indicates the direct sensitivity of the bond price (in percentage terms) to a 1% change in the market interest rate. Only direct bond investments are used in calculating the modified duration; collective investments are excluded.

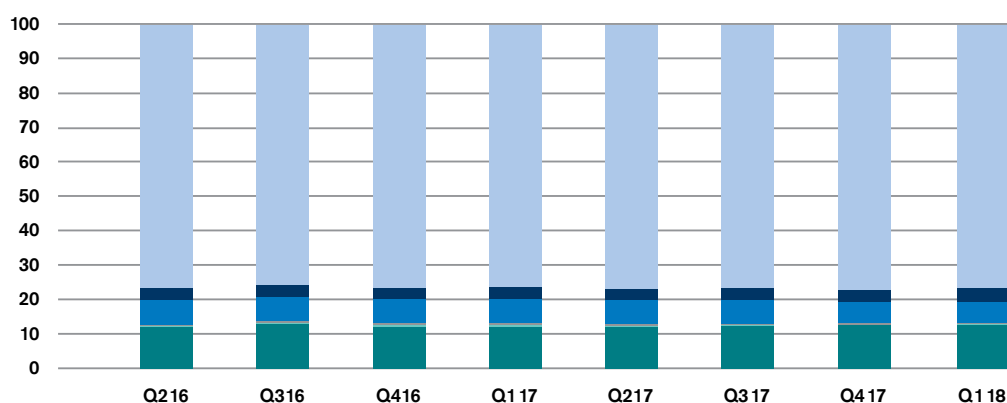
# Currency Allocation

## Further Shift into Swiss Franc in First Quarter

- As in the previous quarter, there was evidence of a further active shift into the Swiss franc at 77.52% (+0.39 percentage points). The Swiss franc allocation consequently reached its highest level since the end of 2015.
- All foreign currencies showed a reduced allocation compared with the previous quarter.
- The EUR component decreased by –0.05 percentage points to 3.19%, despite the rise in the EUR exchange rate against the Swiss franc.
- The USD component declined, primarily due to the devaluation of the USD relative to the Swiss franc.
- A clear decrease could be seen for the other currencies component (–0.17 percentage points to 12.28%) and the USD component (–0.14 percentage points to 6.09%).
- Slight reductions were seen also seen for the JPY component (–0.02 percentage points to 0.50%) and the GBP component (–0.02 percentage points to 0.42%).

**Chart 9:**

Currency Allocation for the Last Eight Quarters



Scale: in percentage (%)

	Q216	Q316	Q416	Q117	Q217	Q317	Q417	Q118
● CHF	76.47%	75.62%	76.38%	76.17%	76.68%	76.49%	77.13%	77.52%
● EUR	3.46%	3.33%	3.23%	3.33%	3.34%	3.47%	3.24%	3.19%
● USD	7.04%	7.03%	7.06%	7.20%	6.93%	6.86%	6.23%	6.09%
● GBP	0.45%	0.41%	0.43%	0.44%	0.46%	0.44%	0.44%	0.42%
● JPY	0.47%	0.54%	0.52%	0.44%	0.47%	0.47%	0.52%	0.50%
● Other	12.11%	13.06%	12.39%	12.42%	12.12%	12.27%	12.45%	12.28%

**Table 10: Foreign Exchange Rates against the CHF, 2018**

	Jan.	Feb.	March	April	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.	YTD
EUR	–1.04%	–0.47%	2.18%										0.64%
USD	–4.61%	1.66%	1.33%										–1.73%
GBP	0.28%	–1.50%	3.16%										1.90%
JPY	–1.55%	4.00%	1.67%										4.09%

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Global Custody Solutions

Uetlibergstrasse 231

CH-8045 Zurich

[global.custody@credit-suisse.com](mailto:global.custody@credit-suisse.com)[credit-suisse.com/globalcustody](https://credit-suisse.com/globalcustody)

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