

# Credit Suisse Swiss Pension Fund Index Q3 2016

**YTD 2016: 3.22%**

**Q3 2016: 1.70%**

Index performance remains positive, reaching an all-time high in August 2016

Another increase in alternative investments allocation

Decrease in Swiss Franc and Euro currency allocation components



# Index versus Mandatory Minimum Rate of Return since January 2000

## The Credit Suisse Swiss Pension Fund Index continued to develop positively and reached a new all-time high in the middle of the third quarter.

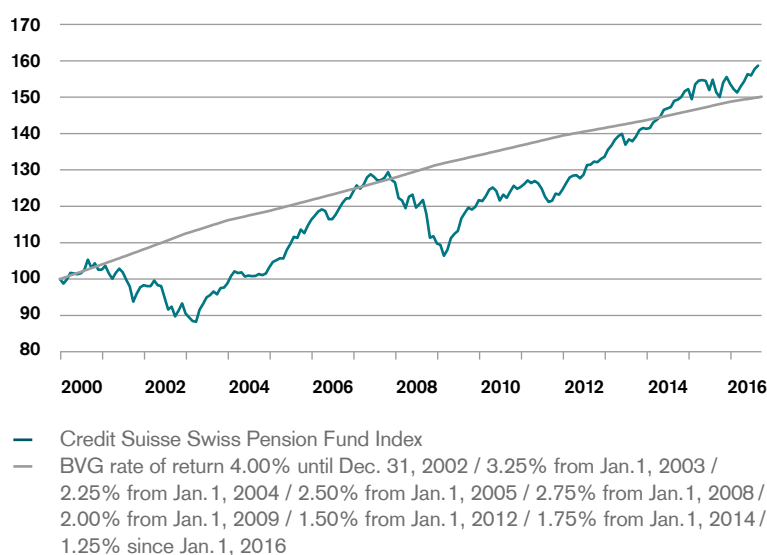
In the reporting quarter the Credit Suisse Swiss Pension Fund Index advanced by 2.65 points (1.70%) to 158.62 points as of September 30, 2016, from a baseline of 100 at the start of 2000. A new all-time high of 158.65 points was reached in August. A strong performance in July (1.13%) was followed by slower growth in August (0.58%) and a move into slightly negative territory in September (-0.01%).

All asset classes contributed to the positive performance in the reporting quarter. The bulk of the advance for the Credit Suisse Swiss Pension Fund Index was due to foreign equities, which made a positive contribution of 0.84%; this was followed by Swiss equities (0.42%), real estate (0.22%), foreign currency bonds (0.10%), Swiss bonds (0.06%), alternative investments (0.03%), others (0.02%), liquidity (0.01%), and mortgages (0.00%).

The BVG mandatory minimum rate of return (1.25% p.a. since January 2016) rose by 0.47 points (0.31%) to 150.13 points in the reporting quarter, likewise from a baseline of 100 at the start of 2000. The return of the Credit Suisse Swiss Pension Fund Index is therefore 1.39% above the BVG requirement in the reporting quarter.

The annualized return of the Credit Suisse Swiss Pension Fund Index (since January 1, 2000) is 2.79% as of September 30, 2016. This contrasts with an annualized BVG mandatory minimum rate of return of 2.46%.

Chart 1a:



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.

**Table 1a: Credit Suisse Swiss Pension Fund Index**

Jan. 1, 2000–Sep. 30, 2016

	Jan.	Feb.	Mar.	Apr.	May	Jun.	Jul.	Aug.	Sep.	Oct.	Nov.	Dec.	Annual return
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%
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%
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%
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%
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%
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%
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%
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%
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%
2009	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%
2010	121.42	122.79	124.59	125.15	124.24	121.57	123.23	122.32	124.06	125.64	124.77	125.33	3.01%
2011	126.09	127.10	126.37	126.95	126.32	124.84	122.56	121.22	121.52	123.47	123.19	124.63	-0.56%
2012	126.33	127.90	128.42	128.55	127.69	128.72	131.33	131.44	132.31	132.13	133.04	133.61	7.21%
2013	135.56	136.71	138.31	139.33	139.95	136.91	138.40	137.89	139.14	140.95	141.50	141.30	5.76%
2014	141.53	143.11	143.80	144.68	146.55	146.91	147.27	149.01	149.32	150.06	151.64	152.23	7.73%
2015	149.45	153.54	154.53	154.71	154.51	151.98	154.82	151.40	149.99	154.04	155.54	153.67	0.95%
2016	152.24	151.26	152.92	154.35	156.35	155.97	157.73	158.65	158.62				3.22%

**Table 1b: Performance Contribution (Monthly)**

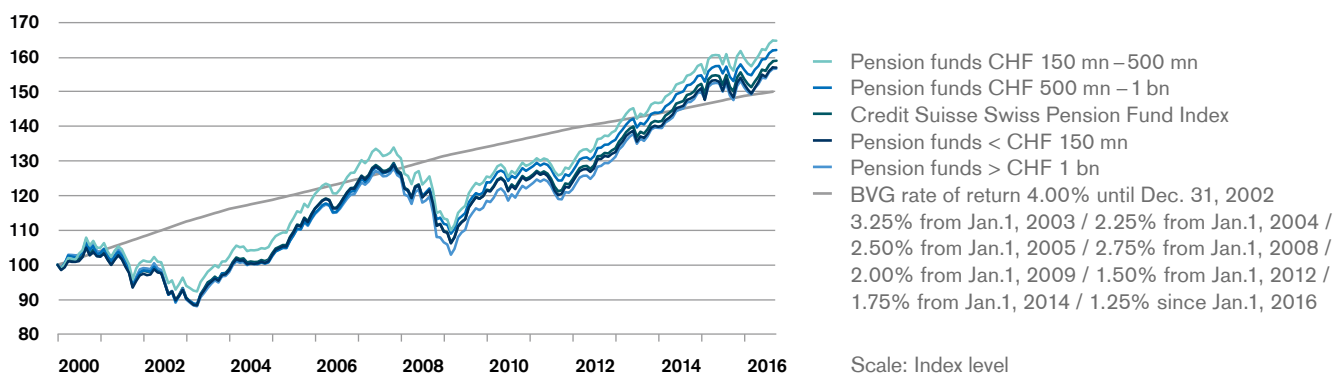
Credit Suisse Swiss Pension Fund Index (Jan. 1, 2016 – Sep. 30, 2016)

	Jan.	Feb.	Mar.	Apr.	May	Jun.	Jul.	Aug.	Sep.	Oct.	Nov.	Dec.	YTD
Liquidity	-0.14%	0.19%	0.16%	-0.05%	-0.18%	0.15%	0.04%	-0.09%	0.07%				0.14%
CHF bonds	0.32%	0.22%	-0.04%	-0.01%	0.08%	0.33%	0.06%	-0.02%	0.02%				0.95%
Foreign currency bonds	0.17%	-0.12%	0.01%	0.08%	0.15%	0.00%	0.03%	0.12%	-0.05%				0.40%
Swiss equities	-0.71%	-0.48%	0.15%	0.34%	0.50%	-0.36%	0.28%	0.15%	-0.01%				-0.14%
Foreign equities	-0.71%	-0.53%	0.64%	0.26%	0.59%	-0.44%	0.63%	0.32%	-0.10%				0.64%
Alternative investments	0.03%	-0.07%	-0.05%	0.09%	0.08%	0.00%	-0.04%	0.06%	0.01%				0.13%
Real estate	0.08%	0.13%	0.22%	0.23%	0.07%	0.07%	0.13%	0.04%	0.05%				1.03%
Mortgages	0.02%	0.01%	-0.01%	0.00%	0.00%	0.01%	0.00%	0.00%	0.00%				0.04%
Other	-0.01%	-0.01%	0.01%	0.01%	0.01%	-0.01%	0.01%	0.01%	0.00%				0.02%
Total	-0.94%	-0.64%	1.10%	0.94%	1.29%	-0.24%	1.13%	0.58%	-0.01%				3.22%

**Chart 1b:**  
**Credit Suisse Swiss Pension Fund Index by 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**

Jan. 1, 2000–Sep. 30, 2016

	Jan.	Feb.	Mar.	Apr.	May	Jun.	Jul.	Aug.	Sep.	Oct.	Nov.	Dec.	YTD
Credit Suisse Swiss Pension Fund Index	-0.94%	-0.64%	1.10%	0.94%	1.29%	-0.24%	1.13%	0.58%	-0.01%				3.22%
Pension funds > CHF 1 bn	-0.90%	-0.51%	1.25%	0.74%	1.23%	-0.15%	1.19%	0.59%	0.03%				3.50%
Pension funds CHF 500 mn–1 bn	-0.82%	-0.22%	1.04%	0.69%	1.20%	0.06%	1.05%	0.51%	0.06%				3.61%
Pension funds CHF 150–500 mn	-0.91%	-0.62%	1.03%	0.90%	1.20%	-0.17%	1.14%	0.55%	-0.04%				3.11%
Pension funds < CHF 150 mn	-1.00%	-0.81%	1.09%	1.13%	1.43%	-0.41%	1.10%	0.63%	-0.03%				3.14%

**Table 1d: Annualized Performance**

Jan. 1, 2000–Sep. 30, 2016

	Annualized performance since January 1, 2000
Credit Suisse Swiss Pension Fund Index	2.79%
BVG rate of return	2.46%
Pension funds > CHF 1 bn	2.71%
Pension funds CHF 500 mn–1 bn	2.92%
Pension funds CHF 150–500 mn	3.02%
Pension funds < CHF 150 mn	2.73%

# Risk / Return Positions

## Five-Year Line – Annualized Return Rises Significantly while Annualized Risk Continues to Fall

The line showing the five-year annualized risk/return positions of the individual pension funds (Chart 2a) shifted slightly to the left in the third quarter of 2016 and became significantly steeper. The unweighted average annualized return rose to 5.47% in the reporting quarter (+0.92 percentage points), while the unweighted average annualized risk fell to 3.93% (-0.21 percentage points; red triangle). As of September 30, 2016, just under 51% of pension funds had an annualized risk of less than 4%; as of June 30, 2016, it was 40%. There are only two pension funds with an annualized risk of more than 6%.

**Chart 2a:**  
Annualized Risk/Return Comparison; Five-Year View,  
Monthly Results from October 2011 to September 2016



y-axis: Annualized return in percent (%)  
x-axis: Annualized risk in percent (%)

**Table 2a: Key Figures**

Oct. 1, 2011 – Sep. 30, 2016

	Risk	Return	Sharpe ratio
Credit Suisse Swiss Pension Fund Index	3.93%	5.47%	1.54
Pension funds > CHF 1 bn	3.96%	5.66%	1.56
Pension funds CHF 500 mn–1 bn	3.36%	5.44%	1.72
Pension funds CHF 150–500 mn	3.70%	5.46%	1.62
Pension funds < CHF 150 mn	4.21%	5.42%	1.41

**Table 2b: Return Bandwidths**

Oct. 1, 2011 – Sep. 30, 2016

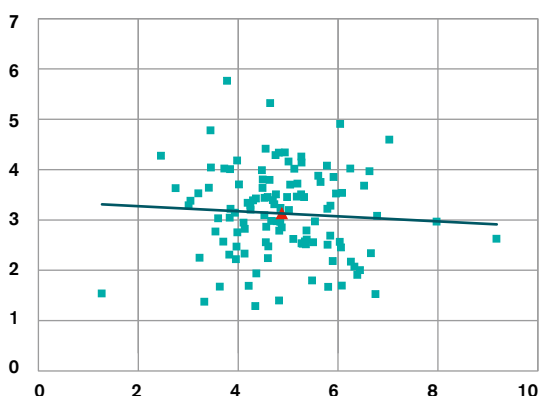
	Minimum	1st quartile	Median	3rd quartile	Maximum
Credit Suisse Swiss Pension Fund Index	1.99%	5.07%	5.67%	6.26%	8.29%
Pension funds > CHF 1 bn	4.43%	4.85%	6.07%	6.40%	8.29%
Pension funds CHF 500 mn–1 bn	4.45%	5.26%	5.48%	5.67%	6.09%
Pension funds CHF 150–500 mn	1.99%	5.25%	5.71%	6.26%	7.49%
Pension funds < CHF 150 mn	3.62%	5.07%	5.84%	6.40%	7.54%

Our risk/return overview shows the two-year and five-year views. It should be noted that only portfolios that were part of the index for the entire observation period are included. For example, portfolios created on January 1, 2013, are not included in the five-year observation period (October 1, 2011–September 30, 2016) but do form part of the two-year observation period.

## Two-Year Line – Marginal Rise in Annualized Return and No Change in Risk

Compared with Q2 2016, the two-year line (Chart 2b, October 1, 2014–September 30, 2016) rose marginally and remains on an unchanged gradient. The unweighted average annualized return (red triangle) increased slightly in the reporting quarter to finish at 3.07% (+0.03 percentage points), while the unweighted average risk was unchanged at 4.88%.

**Chart 2b:**  
Annualized Risk/Return Comparison; Two-Year View,  
Monthly Results from October 2014 to September 2016



y-axis: Annualized return in percent (%)  
x-axis: Annualized risk in percent (%)

### Table 2c: Key Figures

Oct. 1, 2014–Sep. 30, 2016

	Risk	Return	Sharpe ratio
Credit Suisse Swiss Pension Fund Index	4.88%	3.07%	0.82
Pension funds > CHF 1 bn	4.72%	3.20%	0.89
Pension funds CHF 500 mn–1 bn	4.23%	3.23%	0.86
Pension funds CHF 150–500 mn	4.56%	3.09%	0.91
Pension funds < CHF 150 mn	5.35%	2.97%	0.72

### Table 2d: Return Bandwidths

Oct. 1, 2014–Sep. 30, 2016

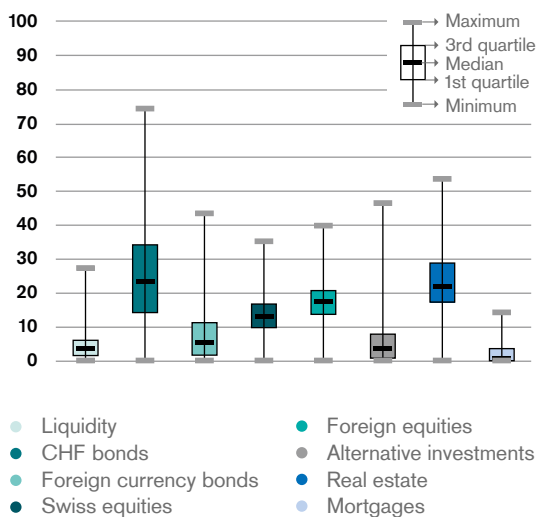
	Minimum	1st quartile	Median	3rd quartile	Maximum
Credit Suisse Swiss Pension Fund Index	1.29%	2.53%	3.20%	3.70%	5.76%
Pension funds > CHF 1 bn	1.67%	2.68%	3.14%	3.70%	5.76%
Pension funds CHF 500 mn–1 bn	1.69%	2.56%	2.82%	3.34%	4.25%
Pension funds CHF 150–500 mn	1.29%	2.78%	3.31%	3.70%	5.32%
Pension funds < CHF 150 mn	1.40%	2.33%	2.97%	3.79%	4.90%

# Asset Allocation

## Significantly Higher Foreign Equities Component – Reduction in Swiss Bonds

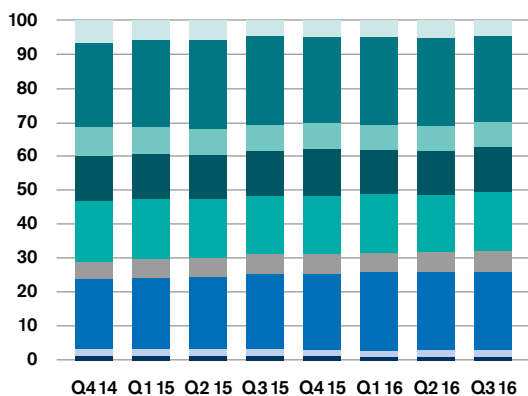
The asset allocation as of September 30, 2016, shows some significant changes. The foreign equities component increased significantly to 17.55% (+0.61 percentage points). On the other hand, the CHF bonds component declined to 25.05% (–0.81 percentage points) to reach a 12-month low. The liquidity component also fell to 4.66% (–0.39 percentage points), although it had risen in the previous quarter. There was also an increase in Swiss equities (+0.18 percentage points to 13.17%), foreign currency bonds (+0.17 percentage points to 7.51%), and real estate (+0.07 percentage points to 23.00%). As in the prior three quarters, the alternative investments component increased (+0.11 percentage points to 5.88%) while the mortgages component rose for the third quarter in succession (+0.04 percentage points to 2.12%). “Others” remained virtually unchanged (–0.01 percentage points to 1.05%).

Chart 4:



Scale: In percent (%)

Chart 3:



	Q4 14	Q1 15	Q2 15	Q3 15	Q4 15	Q1 16	Q2 16	Q3 16
Liquidity	6.51	5.86	5.86	4.71	4.74	4.88	5.05	4.66
CHF bonds	24.89	25.27	25.89	25.91	25.44	25.85	25.86	25.05
Foreign currency bonds	8.34	7.94	7.63	7.82	7.59	7.37	7.34	7.51
Swiss equities	13.36	13.36	13.11	13.20	13.75	12.90	12.99	13.17
Foreign equities	17.82	17.80	17.38	16.85	17.30	17.32	16.94	17.55
Alternative investments	5.26	5.34	5.49	5.93	5.59	5.64	5.77	5.88
Real estate	20.48	21.00	21.35	22.15	22.37	23.05	22.92	23.00
Mortgages	2.04	2.07	2.01	2.01	2.01	2.05	2.08	2.12
Others	1.29	1.36	1.28	1.42	1.22	0.95	1.06	1.05

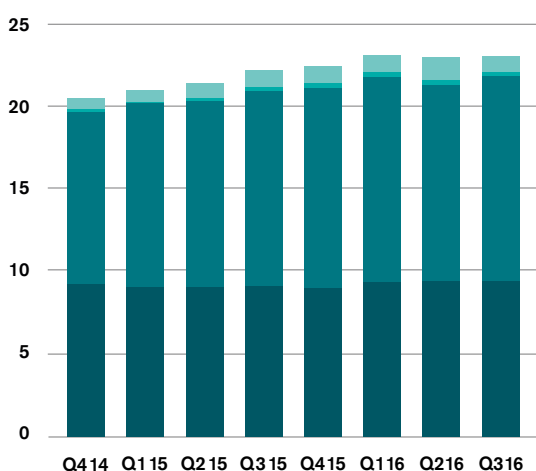
Scale: In percent (%)

### Increase in Indirect Swiss Real Estate

Within the real estate asset class there was a shift from foreign real estate (-1.77 percentage points to 5.31%) to Swiss real estate (94.69%), in contrast to the previous quarter. While the share of direct investments in real estate in Switzerland (-0.01 percentage points to 9.41%) and abroad (+0.01 percentage points to 0.29%) remained virtually unchanged, the proportion of indirect real estate investments in Switzerland showed another rise after a brief dip in the previous quarter (+0.49 percentage points to 12.37%). At the same time,

the proportion of indirect real estate investments abroad matched the end-2015 level at 0.93% (-0.41 percentage points).

Chart 5:



	Q4 14	Q1 15	Q2 15	Q3 15	Q4 15	Q1 16	Q2 16	Q3 16
Foreign real estate, indirect	0.61	0.70	0.89	1.02	0.98	1.01	1.34	0.93
Foreign real estate, direct	0.17	0.15	0.15	0.20	0.26	0.28	0.28	0.29
Swiss real estate, indirect	10.41	11.07	11.25	11.82	12.10	12.42	11.88	12.37
Swiss real estate, direct	9.29	9.08	9.06	9.11	9.03	9.34	9.42	9.41

Scale: In percent (%)

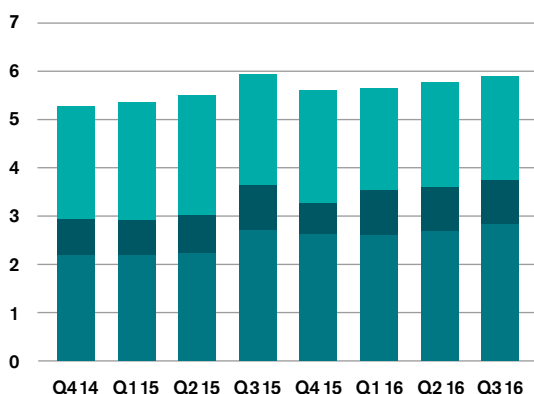


## Another Increase in Alternative Investments Allocation

The increase in the proportion of alternative investments is attributable to the hedge funds category (+0.14 percentage points to 2.83%), as in the previous quarter. The share of private equity also

increased slightly (+0.02 percentage points to 0.93%). On the other hand, the share of commodities fell to 2.13% (–0.03 percentage points).

Chart 6:



	Q4 14	Q1 15	Q2 15	Q3 15	Q4 15	Q1 16	Q2 16	Q3 16
Commodities	2.32	2.42	2.47	2.29	2.33	2.10	2.16	2.13
Private equity	0.74	0.73	0.77	0.93	0.64	0.94	0.91	0.93
Hedge funds	2.20	2.19	2.24	2.70	2.62	2.60	2.69	2.83

Scale: In percent (%)

## Modified Duration – Evidence of Stabilization

The modified duration decreased slightly in the reporting quarter and stabilized at 6.10% as of September 30, 2016; we attribute this to a flattening of the yield curve with the corresponding positioning in the portfolios.

Table 3: Modified Duration<sup>1</sup>

Jan. 1, 2016–Sep. 30, 2016

	Jan.	Feb.	Mar.	Apr.	May	Jun.	Jul.	Aug.	Sep.	Oct.	Nov.	Dec.
Credit Suisse Swiss Pension Fund Index	5.80	5.91	5.96	5.91	5.96	6.13	6.07	6.09	6.10			
Pension funds > CHF 1 bn	5.66	5.81	5.91	6.01	6.00	6.20	6.12	6.13	6.18			
Pension funds CHF 500 mn–1 bn	6.30	6.36	6.42	6.37	6.43	6.53	6.50	6.56	6.57			
Pension funds CHF 150–500 mn	5.90	6.02	6.07	5.86	5.94	6.22	6.09	6.11	6.10			
Pension funds < CHF 150 mn	5.70	5.79	5.80	5.82	5.84	5.92	5.92	5.93	5.94			

<sup>1</sup> 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.

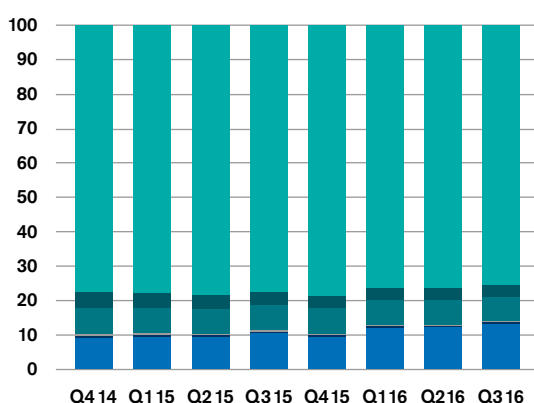
# Currency Allocation

## Fall in Swiss Franc and Euro Components

The currency allocation in the third quarter of 2016 showed a fall in the CHF and EUR components. In contrast to the previous quarter, the Swiss Franc component fell to 75.62% (–0.85 percentage points). As in the previous quarter, the Euro component also declined (–0.13 percentage points to 3.33%).

The share of the remaining currencies rose compared with the preceding quarter to 13.06% (+0.95 percentage points). There were virtually no changes for the GBP and USD currencies, while the JPY component increased slightly to 0.54% (+0.07 percentage points).

Chart 7:



	Q4 14	Q1 15	Q2 15	Q3 15	Q4 15	Q1 16	Q2 16	Q3 16
● CHF	77.69	77.93	78.51	77.41	78.63	76.42	76.47	75.62
● EUR	4.45	4.21	3.86	3.85	3.68	3.59	3.46	3.33
● USD	7.70	7.39	7.36	7.39	7.37	7.10	7.04	7.03
● GBP	0.54	0.50	0.47	0.46	0.45	0.49	0.45	0.41
● JPY	0.55	0.63	0.52	0.54	0.57	0.51	0.47	0.54
● Other	9.06	9.34	9.28	10.35	9.30	11.88	12.11	13.06

Scale: In percent (%)

1 win shows ambition.  
**7 wins** prove competence.

We have once again won  
the following awards:

Best Swiss Global Custodian 2016  
Best European Global Custodian 2016

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We continue to strive to be the best.

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**Important Note**

The Credit Suisse Swiss Pension Fund Index is calculated on the basis of the stated performance of the Swiss pension funds 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. 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 current investment activities relating to second-pillar assets, since second-pillar pension funds (excluding institutions with complete coverage) manage around 80 percent 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.