CS (Lux) Global Security Equity Fund
For a Safer, Healthier and Cleaner World

CS (Lux) Global Robotics Equity Fund
Pure-play Investing in the Age of Automation

Patrick Kolb
January 2017
Introduction

Our Investment Framework

Pure-play investments

- "Pure-play" definition: >50% revenues from the security or robotics theme
- We typically invest in 30–60 stocks per fund
- 0.5%–4.0% allocated to each stock

Small-Mid Cap bias

- Our focus on pure-play companies and on innovation and entrepreneurs leads to a definite bias towards smaller companies

Long term investment horizon

- In our company analysis we take a 7–10 year view, which allows us to look beyond the short term noise, into the big picture structural forces of change
- As a result of this approach our fund turnover is typically very low

Fundamental bottom-up stock approach

- Benchmark agnostic stock selection and portfolio construction, based on fundamental analysis and conviction in the investment opportunity
- This approach often results in a high tracking error compared to the reference index of MSCI World

Source: Credit Suisse
The Security and Safety Theme
CS (Lux) Global Security Equity Fund

- Strong secular growth drivers:
  - Increasing world population, migration
  - Digitization of our society
  - Protection of our critical infrastructure
  - Stricter regulation

- Governments: Increased efforts needed to secure critical infrastructure, control the flow of people and goods, fight crime and establish high quality standards for health, food, water and environment

- Corporates: Must adhere to mandatory quality and safety standards for their products

- Various innovations (e.g. mobile payment, new breakthrough in medical treatments, cloud computing) require more security and safety solutions

All forms of security and safety-related aspects are an integral part in our daily lives and are taken for granted. This industry offers strong structural growth potential which is not reflected in current valuations, in our opinion.
Framing the Investment Opportunity
Five Attractive Sub-themes

IT Security
- Anti-virus, network security
- Electronic payment systems
- Big Data, etc.

Examples:
- Access controls
- Surveillance systems
- Identity protection, etc.

Crime Prevention
- Access controls
- Surveillance systems
- Identity protection, etc.

Examples:
- Airbag systems
- Inspection and scanning systems at airports and ports
- Signaling and braking equipments, etc.

Transportation Safety
- Food/water controls and inspections
- Control of epidemics
- Vaccines, diagnostics, etc.

Examples:
- Livestock health/pet health
- Waste management/recycling
- Testing, inspections and certifications

Sources: Autoliv Inc., Eurofins Scientific SE, IDEXX Labs Inc., Credit Suisse
Example
Digitization of Our Society

- Internet of things (IoT): Electronic devices are getting linked to the internet, such as cars, pace makers, insulin pumps, light bulbs, fridges, etc.
- Many manufacturers with little experience of cyber security are offering connected devices
- Example car industry\(^1\):
  - Over 50% of all car components have flaws and are vulnerable for car hacking\(^2\)
  - Problem self-driving cars: There are more ways to enter into a car’s network
  - In 2015 Fiat Chrysler recalled 1.4 m cars after hackers took control of a Jeep Cherokee

A new market is evolving: IT Security for vehicles

In the past, only PCs and IT networks were confronted with IT Security issues. The ongoing digitization of our society shows that we will have to care about this topic in almost all parts of our life.

CS (Lux) Global Security Equity Fund
Portfolio Structure

**Thematic allocations (in %)**

- Crime Protection: 19.8%
- IT Security: 24.1%
- Transport Safety: 14.5%
- Health Protection: 19.2%
- Environmental Security: 19.6%
- Liquid Assets: 2.8%

**Market cap allocations (in %)**

- Small Caps (< USD 1bn): 8%
- Lower Mid Caps (USD 1bn - 5bn): 36%
- Upper Mid Caps (USD 5bn - 10bn): 22%
- Large Caps (> USD 10bn): 34%

**Country allocations (in %)**

- United States: 61.0%
- United Kingdom: 7.2%
- Israel: 6.4%
- Spain: 4.8%
- Germany: 3.9%
- Netherlands: 3.7%
- Others: 10.2%
- Liquid Assets: 2.8%

**Top 10 Holdings**

- Thermo Fisher Scientific Inc.: 2.9%
- Idexx Laboratories: 2.9%
- Wabtec: 2.7%
- Eurofins Scientific: 2.7%
- Intertek Group: 2.6%
- Autoliv: 2.6%
- Mettler Toledo International: 2.6%
- Experian: 2.6%
- Wirecard: 2.5%
- dorma+kaba: 2.5%

Source: Credit Suisse, December 31, 2016
Performance Review

**Investment Policy**

The fund assets are invested worldwide in companies that are primarily active in Technology, Healthcare and Industrials, and that offer products and services related to health and environmental safety, IT security, transportation safety, and crime prevention.

**Benchmark**

MSCI World NR

**Portfolio Manager**

Dr. Patrick Kolb

**Rating Morningstar™**

(December 31, 2016)

⭐⭐⭐⭐⭐

Net Performance of the retail-tranche since inception (October 19, 2006)

Historical performance indications and financial market scenarios are not reliable indicator for current or future performance. Performance indications do not consider commissions levied at subscription and/or redemption. Where investments are made internationally, their values may fluctuate due to currency exchange rate movement.

Source: Bloomberg
The Robotics Theme
CS (Lux) Global Robotics Equity Fund

1. Labor
- Rising cost of labor in both EM and DM:
  - Higher minimum wage
  - Increasing social security
- Shortage of low-skilled labor:
  - Workers’ preference for office/creative jobs
  - Ageing population
  - Immigration controls to protect domestic workforce

2. Globalization
- Increasing competitive price pressures:
  - E-commerce breaks down market barriers
  - Robots work 24/7 with minimal light and heating
- Stricter standards around quality and purity:
  - Robotic production raises quality
  - Robotic systems perform quality control
- Stricter standards on security and safety:
  - Robotic systems reduce contamination risk
  - Automate increasing number of security systems

Robot vs. labor costs
Financial Times estimates for all-in costs per hour, 2014, EUR

Global manufacturing labor costs >USD 6 trillion\(^1\) p.a.


Source: Credit Suisse
The Robotics Investment Opportunity

3 Sub-themes

Our framework of 3 sub-themes helps conceptualize the investment opportunity.

Our typical allocation to each:
- 40% Productivity
- 30% Quality of Life
- 30% Dangerous Tasks

Defining Robotics:
a machine or system which assists, automates or augments a physical task or cognitive process, typically operating with a high degree of autonomy and able to react to dynamic changes in surroundings

Improving Productivity

Examples:
- Factory and process automation
- Autonomous vehicles
- Robotic Process Automation
- Automated logistics and drones
- Internet of things and big data analytics
- Automated Wealth Managers

Improving Quality of Life

Examples:
- Diagnostics and Lab automation
- Surgical and therapeutic robots
- Robo vacuum cleaners and lawn mowers
- Companion robots and A.I.
- Robotic toys and entertainment
- Educational tools

Performing Dangerous Tasks

Examples:
- Search and Rescue
- Inspection/cleaning of pipelines
- Intelligent surveillance systems
- Remote environmental sensors
- Space robotics and automation
- Bomb disposal

Note: Photos owned by and used with kind permission of Fanuc, Amazon, Intuitive Surgical, iRobot, AeroVironment Inc.

Source: Credit Suisse
CS (Lux) Global Robotics
Portfolio Structure

Sub-theme exposure

- Improving Productivity: 30.0%
- Improving Quality of Life: 38.3%
- Tasks too Dangerous: 28.3%
- Cash: 3.7%

Market Cap exposure

- Smaller than 1bn: 34.0%
- Between 1bn - 5bn: 27.7%
- Between 5bn - 10bn: 10.0%
- Larger than 10bn: 24.9%
- Cash: 4.5%

Country exposure

- US: 50.8%
- Germany: 12.1%
- Japan: 11.8%
- Israel: 10.5%
- Netherlands: 5.8%
- Sweden: 4.6%
- Switzerland: 3.5%
- Cash: 1.8%
- France: 1.7%
- China: 1.2%
- Canada: 0.8%

10 largest positions

<table>
<thead>
<tr>
<th>Position</th>
<th>Company</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>KEYENCE CORP</td>
<td>2.27%</td>
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<tr>
<td>10</td>
<td>THERMO FISHER SCIENTIFIC</td>
<td>2.08%</td>
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</tbody>
</table>

Total: 21.53%

Source: Credit Suisse
Data at close of December 30, 2016

Please note that asset allocation may be subject to change from time to time without notice. Please note that the above is for illustrative purpose only and does not constitute an offer or a solicitation to buy or sell any interest or any investment. The portfolio manager has sole discretion over the investments in the fund and the investments are subject to change without notice.
Performance Review

**Investment Policy**

The fund assets are invested worldwide following a thematic approach, with a focus on three high-growth subthemes: Improving productivity; Improving quality of life and Performing dangerous tasks. Within these themes, companies invested in will have at least 50% of their exposure attributable to robotics, automation and artificial intelligence.

**Benchmark**

MSCI World NR

**Portfolio Manager**

Dr. Patrick Kolb
Angus Muirhead, CFA

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Net Performance of the retail-tranche since inception (June 30, 2016)

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2 Historical performance indications and financial market scenarios are not reliable indicator for current or future performance. Performance indications do not consider commissions levied at subscription and/or redemption. Where investments are made internationally, their values may fluctuate due to currency exchange rate movement.

Source: Bloomberg
Credit Suisse Thematic Equity Fund Range

Credit Suisse (Lux) – Global Security Equity Fund

Credit Suisse (Lux) – Global Prestige Equity Fund

Credit Suisse (Lux) – Global Robotics Equity Fund

Credit Suisse (Lux) – Infrastructure Equity Fund

Credit Suisse (Lux) – Global Emerging Market Brands Equity Fund

Credit Suisse (Lux) – Global Biotech Innovators Equity Fund

Credit Suisse (Lux) – Global Energy Winners Equity Fund

Visit our homepage for more details on the Credit Suisse Thematic Equity Funds:

https://www.credit-suisse.com
Credit Suisse (Lux) Global Robotics Equity Fund

Pure-play Investing in the Age of Automation

January 2017

“The most important question in twenty-first century economics may well be what to do with all the superfluous people?”

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Executive Summary

Reasons to Invest
Our Investment Universe
Fund Structure
Investment Process and Team
Appendix
Credit Suisse (Lux) Global Robotics Equity Fund

“Pure-play” investment in the long-term secular growth theme of Robotics and automation

Focus on entrepreneurs, innovation, technology disruption and above average growth

Investment team with extensive investment experience in Robotics

Small-Mid Cap bias with global diversification across 3 main sectors: IT, Industrials and Healthcare

Long term investment horizon with low fund turnover and high tracking error

Stock selection and portfolio construction on in-depth fundamental analysis and conviction

Source: Credit Suisse
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The Robotics Theme
Technology Advances

1. Costs
Cost of technology components (semis, memory, sensors and algorithms) driven down by:
- Moore’s Law
- Consumerization of electronic devices
- Open Source software
- Automation of IT hardware production

2. Capabilities
Greater compute power enables:
- Increased functionality
- Easier re-/programming
- Human-collaborative robots
- Fast networks allow real-time analytics

3. Indirect benefits
- Tax incentives for Capex into technology
- Robotics provide a perception of efficiency
- Robots are inorganic and can be used in a vacuum, in hot or cold environments, in sterilized and radioactive environments and in other dangerous or unpleasant situations

Worldwide annual supply of industrial robots
IFR’s estimates for units of industrial robots shipped globally each year

"I see no limit to the capabilities of machines. I visualize a time when we will be to robots what dogs are to humans."
Claude Elwood Shannon
Mathematician and oft cited “father of information technology”
Quoted in the 1987 Omni Magazine

Source: Credit Suisse
The Robotics Theme
Real World Pressures

1. Labor

- Rising cost of labor in both EM and DM:
  - Higher minimum wage
  - Increasing social security
- Shortage of low-skilled labor:
  - Workers’ preference for office/creative jobs
  - Ageing population
  - Immigration controls to protect domestic workforce

2. Globalization

- Increasing competitive price pressures:
  - E-commerce breaks down market barriers
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Robot vs. labor costs
Financial Times estimates for all-in costs per hour, 2014, EUR

Global manufacturing labor costs >USD 6 trillion\(^1\) p.a.


Source: Credit Suisse
The Robotics Theme
Robots Everywhere

Robots offer price and performance
Increasingly factory Robots can produce higher quality product at a lower cost than humans. Lower costs and greater capabilities make Robots a beneficial solution beyond the factory, in offices, hotels, hospitals, restaurants, stations, airports and in the home.

A few examples:
1. IBM’s “Watson” A.I. in patient diagnosis
2. GEA’s fully automated dairy farm
3. Knightscope’s “K5” security guards
4. Autodesk’s algo-designed “Elbo” chair
5. Softbank’s “Peppar” waiter
6. Wealthfront’s automated asset allocation
7. Amazon’s robot cardboard box maker
8. Tesla’s “autopilot” mode
9. Therapeutic robotic seal “PARO”
10. Blue Prism’s Robotic Process Automation

As Robotics proliferate, consumers and workers will become more accustomed and familiar with working along side them.

Factory robot saturation remains low
IFR’s estimates for the average number of industrial Robots in use per 100 workers

Growth forecast for non-factory robots
Tractica’s estimates for annual global revenues from robotics, USD bn

Source: International Federation of Robotics (IFR Statistics 2016), Credit Suisse

Source: Tractica LLC (2014 report), Credit Suisse
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The Robotics Investment Opportunity

3 Sub-themes

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Improving Productivity
- Factory and process automation
- Autonomous vehicles
- Robotic Process Automation
- Automated logistics and drones
- Internet of things and big data analytics
- Automated Wealth Managers

Improving Quality of Life
- Diagnostics and Lab automation
- Surgical and therapeutic robots
- Robo vacuum cleaners and lawn mowers
- Companion robots and A.I.
- Robotic toys and entertainment
- Educational tools

Performing Dangerous Tasks
- Search and Rescue
- Inspection/cleaning of pipelines
- Intelligent surveillance systems
- Remote environmental sensors
- Space robotics and automation
- Bomb disposal

Examples:

Note: Photos owned by and used with kind permission of Fanuc, Amazon, Intuitive Surgical, iRobot, AeroVironment Inc.

Source: Credit Suisse
Illustrating the Robotics Theme
Autonomous Vehicles

Autonomous vehicles

Today, a car is not a robot. But if it could be summoned remotely to collect its owner after dinner and drive them safely home autonomously, then perceptions would gradually change.

- Advances in technology and lower costs are enabling a move from systems offering basic driver-assistance towards fully autonomous vehicles
- Autonomous vehicles are networked and therefore digital security is critical to the success of this development
- Given the socio-economic benefits governments are implementing policies to accelerate the adoption

Rationale

- Save lives: human error accounts for 93% of car accidents. Fewer accidents implies lower insurance premiums, repair costs and less traffic congestion
- Save fuel: autonomous vehicles operate with greater fuel efficiency and travel in convoy on motorways
- Less traffic: vehicle-to-infrastructure and vehicle-to-vehicle communications optimize traffic flow and enforce speed limits
- Vehicle autonomy enables vehicle sharing, implying fewer cars, less traffic and reduced carbon footprint
- Drivers become passengers, allowing more time to relax

Expected timeline for autonomous vehicles

4 phases of technology advancement

Illustrating the Robotics Theme

Internet of Things (IoT)

The Internet of Things

IoT is “the infrastructure of the information society.” By networking a wide range of physical devices, from cars, thermostats, lights, security systems, buildings, etc. data can be collected, shared (“M2M”) and analyzed in real-time, enabling new levels of automation.

- Advances in network, sensor, and micro-processor technology and lower costs allow more devices to be “connected” and controlled remotely.
- Cloud-based intelligence analyzes massive volumes of collected data (“Big Data”) to realize cost savings, efficiencies and convenience.
- Significant investment required in cyber security to allow IoT to be deployed safely.

Rationale

- Businesses will benefit from improved asset tracking, inventory control, shipping, security and energy saving.
- People may benefit from systems which can continuously monitoring their environment, and health and vital signs.
- Home appliances and city infrastructure can operate with greater intelligence and coordination to save energy and time.

Economic impact of internet of things by area in 2025

Based on the high end of annual estimates, USD trillion

<table>
<thead>
<tr>
<th>Area</th>
<th>Impact (USD trillion)</th>
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</thead>
<tbody>
<tr>
<td>Offices</td>
<td>1</td>
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<tr>
<td>Homes</td>
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<td>Retail</td>
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<td>Driving**</td>
<td>4</td>
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<tr>
<td>Personal Health</td>
<td>5</td>
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<td>Cities</td>
<td>6</td>
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<tr>
<td>Industrial*</td>
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</tbody>
</table>

* Includes factories and work sites
** Includes autonomous vehicles, navigation and reduced insurance costs

Source: Financial Times (2016), April 23/24, 2016, p. 10

“The Internet of Things has the potential to change the world, just as the internet did. Maybe even more so.”

Kevin Ashton
British technology pioneer who cofounded the Auto-ID Center at MIT
Article published in the “RFID Journal”, June 22, 2009

Source: Credit Suisse

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Illustrating the Robotics Theme
Automated Wealth Managers

“Robo advisors”
The use of smart algorithms to create investment advice or solutions for clients. The current generation of robo-advisors gives clients access to smart tools to assess their own risk profile and make portfolio allocation decisions without interaction with an actual advisor.

- Advances in artificial intelligence, Big Data analytics and the Cloud have enabled these systems.
- Robo-advisors are an example of automation technology impacting the professional services sector. Until recently, Robotics mostly dealt with physical tasks, but increasingly are effective also in cognitive tasks.

Rationale

- Automation of the first steps in the advisory process can reduce costs enough to offer it to clients at the bottom of the wealth spectrum.
- The systems produce highly consistent and rational advice. Possibly more so than some human advisors.
- Human wealth advisors can also use the system to build the basis of their advice for all clients, automating these basic steps and thus saving time.
- Millennials are big fans: 90% of Wealthfront’s clients are under 50 and 60% are under 35.

Estimated growth of US robo advisory firms
Estimated AUM, USD trillion

“There is nothing so special or unique about professionals’ knowledge to suggest that some of it cannot be made easily accessible and understandable on an online basis.”

Prof. Richard Susskind OBE
Author and IT advisor to the Lord Chief Justice of England and Wales

Source: Credit Suisse

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CS (Lux) Global Robotics
Investment Framework

Pure-play investments

- “Pure-play” definition: >50% revenues from Robotics
- Universe for Robotics: ~270 companies
- “Pure-play” core universe: ~130 companies
- Fund typically invests in: 30–60 stocks
- 0.5–4.0% allocated to each stock

Small-Mid Cap bias

- Our focus on pure-play companies and on innovation and entrepreneurs leads to a definite bias towards smaller companies

Long term investment horizon

- In our company analysis we take a 7–10 year view, which allows us to look beyond the short term noise, into the big picture structural forces of change
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Fundamental bottom-up stock approach

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- This approach often results in a high tracking error compared to the reference index of MSCI World

Source: Credit Suisse
CS (Lux) Global Robotics
Portfolio Structure

**Sub-theme exposure**

- Improving Productivity: 30.0%
- Improving Quality of Life: 38.3%
- Tasks too Dangerous: 28.3%
- cash: 3.4%

**Country exposure**

- US: 50.8%
- Germany: 11.8%
- Japan: 12.1%
- Israel: 10.0%
- Netherlands: 5.8%
- Sweden: 3.0%
- Switzerland: 2.7%
- cash: 1.1%

**10 largest positions**

<table>
<thead>
<tr>
<th>Position</th>
<th>Name</th>
<th>Exposure</th>
</tr>
</thead>
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<td>1</td>
<td>KEYENCE CORP</td>
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**Market Cap exposure**

- Smaller than 1bn: 10.0%
- Between 1bn - 5bn: 34.0%
- Between 5bn - 10bn: 27.7%
- Larger than 10bn: 24.9%
- cash: 10.6%

Please note that asset allocation may be subject to change from time to time without notice. Please note that the above is for illustrative purpose only and does not constitute an offer or a solicitation to buy or sell any interest or any investment. The portfolio manager has sole discretion over the investments in the fund and the investments are subject to change without notice.

Source: Credit Suisse
Data at close of 30.12.2016
CS (Lux) Global Robotics

Key Facts

Investment Policy

The fund assets are invested worldwide in publicly listed companies following a thematic approach with a focus on three high-growth subthemes:

- Increasing productivity
- Improving quality of life
- Performing dangerous tasks

Within these sub-themes, we invest in “pure-play” companies which derive at least 50% of revenues from robotics, automation and artificial intelligence.

<table>
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<tr>
<th>Fund Information</th>
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<tbody>
<tr>
<td>Benchmark</td>
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<td>Single Swing Pricing¹</td>
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<td>Portfolio Manager</td>
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<td>Domicile</td>
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<tr>
<td>Structure</td>
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<td>Subscription/redemption</td>
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<td>ESD tax status</td>
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Sales registration: Switzerland, Liechtenstein, Italy, France, Germany, Austria, Spain, Luxembourg, Finland, United Kingdom, Netherlands, Norway, Singapore, Sweden

<table>
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<tr>
<th>Unit class</th>
<th>Valor no.</th>
<th>ISIN</th>
<th>Min. investment volume</th>
<th>Management fees p.a.</th>
<th>Distribution</th>
<th>Inception date</th>
<th>Qualified Investor</th>
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¹ SSP is a method used to calculate the net asset value (NAV) of a fund, which aims to protect existing investors from bearing indirect transaction costs triggered by incoming and outgoing investors. The NAV is adjusted up in case of net inflows and down in case of net outflows on the respective valuation date. The adjustment in NAV might be subject to a net flow threshold. For further information, please consult the sales prospectus.

* Plus 0.095% p.a. administration and custodian fees.
** Seeding class closed for new investors since 14.09.2016. Investors invested in this share class can redeem their shares daily.
Benefits and Risks

Benefits

- Exposure to an attractive niche industry that has exhibited and is expected to continue to exhibit impressive growth rates
- Increasing global competition requires an ongoing modernization and improving productivity of production facilities
- Expanding and evolving investment universe opens up new opportunities for the fund
- Stock level diversification. Typically the maximum holding in any single security is 4%.
- The fund offers diversification across 3 main sectors: technology, healthcare and industrials
- The fund manager has access to a unique global network of industry experts, allowing for superior analysis and assessment of potential investment opportunities

Risks

- Investor may lose part or all of the invested amount
- The emphasis on robotics companies can create significant exposure to certain sectors or regions
- A slowdown in the global economy could have a significant adverse impact on the sector
- Exposure to small and mid caps can result in higher short term volatility and may carry liquidity risk
- In cases of significant in- or out-flows there might be a disparity in the value date among stocks from different countries, which can result in short-term currency exposure
- Up to 40% of the fund’s assets can be invested in emerging markets and the political and economic risks in these countries may have an impact on the fund

Source: Credit Suisse
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CS (Lux) Global Robotics Equity Fund
Investment Process Overview

**Pure-play exposure to the Robotics theme**

We invest in companies which generate more than half of revenues from the sale of Robotics and automation tools and systems, or components and services which enable Robotics and automation.

We do not invest in companies which simply use these tools as part of their business.

E.g. Google uses A.I. to deliver internet search to consumers and an advertising platform to advertisers, but it does not sell A.I. or robotics per se.

We define Robotics as a machine or system which assists, automates or augments a physical task or cognitive process, typically operating with a high degree of autonomy and able to react to dynamic changes in surroundings.

Source: Credit Suisse
## CS (Lux) Global Robotics Equity Fund
### Investment Process Detail

#### Fundamental Scorecard

| 1 | Entrepreneurial Management/ Business owners | We prefer to invest with the innovators and owners of a business |
|   |                                           | ■ Motivations are typically well aligned with ours |
|   |                                           | ■ Goals are often bigger, long-term and world changing |
|   |                                           | ■ We do not want managers who simply tick the quarterly earnings box |

| 2 | Technology/ product leader/ market disruptor | Companies with the best products… |
|   |                                            | ■ Typically enjoy pricing power |
|   |                                            | ■ Take share from legacy incumbents |
|   |                                            | ■ Grow faster than the industry average |

| 3 | Financials | Understanding the business model and the critical financial levers |
|   |            | ■ Assets, Income and cashflows dynamics |
|   |            | ■ What is the path to +ve FCF for an early stage company |
|   |            | ■ Growth and value analysis |

| 4 | Competitive moat/ Barriers to entry | Understanding competitive dynamics |
|   |                                      | ■ Porter’s Five Forces of Competition |
|   |                                      | ■ Threats/Opportunities |
|   |                                      | ■ Technology, IP, customer relationship, brand, model |

Every stock included in the fund requires a positive check in at least 3 of the 4 fundamental questions. 3 positives are typically initiated at 0.5–1.0% weight, while 4 positives are typically initiated at 1.5–2.0%.
CS (Lux) Global Robotics Equity Fund
Investment Team

Dr. Patrick Kolb (Director)

is a Senior Portfolio Manager and lead manager on the Credit Suisse (Lux) Robotics Equity Fund. He has been part of the Global Equities team at Credit Suisse since June 2005, where he initially focused on the Industrial and Technology sectors. Patrick has managed the Credit Suisse (Lux) Global Security Equity Fund since launch in March 2007. He studied at the University of Zurich, specializing in Financial Economics, and then became a research assistant and completed a PhD from the Financial Economics unit of the Department of Banking and Finance at the University of Zurich in 2005.

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Credit Suisse Thematic Equity Fund Range

Credit Suisse (Lux) – Global **Security** Equity Fund
Credit Suisse (Lux) – Global **Prestige** Equity Fund
Credit Suisse (Lux) – Global **Robotics** Equity Fund
Credit Suisse (Lux) – **Infrastructure** Equity Fund
Credit Suisse (Lux) – Global **Emerging Market Brands** Equity Fund
Credit Suisse (Lux) – Global **Biotech Innovators** Equity Fund
Credit Suisse (Lux) – Global **Energy Winners** Equity Fund

Visit our homepage for more details on the Credit Suisse Thematic Equity Funds:

[https://www.credit-suisse.com](https://www.credit-suisse.com)
Credit Suisse (Lux) Global Security Equity Fund
For a Safer, Healthier and Cleaner World

January 2017
Executive Summary

- The investment team has extensive experience with strong track record in stock picking in the safety and security sector
- The investment strategy focuses on pure players with at least 50% revenue exposure to the theme
- The long term structural growth drivers are
  1) increasing world population,
  2) digitization of our society,
  3) need for protection of our critical infrastructure and
  4) stricter regulation
- Since inception, the fund invests in five attractive sub-themes:
  - IT Security
  - Crime Prevention
  - Transportation Safety
  - Health Protection
  - Environmental Security
- A focused portfolio of 40–60 high conviction stocks based on bottom-up fundamental analysis

Source: Credit Suisse
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The Security and Safety Theme

In Theory…

The need for safety and security is a basic human need. According to the US psychologist Abraham Maslow, it ranks second only to basic physiological needs such as food, water or sleep.

Maslow’s hierarchy of needs

Maslow’s Hierarchy of Needs is a theory in psychology that Abraham Maslow proposed in his 1943 paper “A Theory of Human Motivation”, which he subsequently extended. His theory contends that as humans meet “basic needs”, they seek to satisfy successively “higher needs” that occupy a set hierarchy.

1 Source: Credit Suisse
... and Reality

- Strong secular growth drivers:
  - Increasing world population, migration
  - Digitization of our society
  - Protection of our critical infrastructure
  - Stricter regulation

- Governments increase efforts to secure their critical infrastructure, control the flow of people and goods, fight crime and establish high quality standards for health, food, water and environment

- Corporates must adhere to mandatory quality and safety standards for their products

- Various innovations (e.g. mobile payment, new breakthrough in medical treatments, cloud computing) require more security and safety solutions

- All forms of security and safety-related aspects are an integral part in our daily lives and are taken for granted

The security and safety industry sector offers strong structural growth potential which is not reflected in the current valuations, in our opinion

Source: Credit Suisse
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## Investment Universe

Broadly Diversified in Niches

<table>
<thead>
<tr>
<th>Market capitalization</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Healthcare:</strong> ~20% of the investment universe</td>
</tr>
<tr>
<td>- Vaccines</td>
</tr>
<tr>
<td>- Analysis of water, air and soil</td>
</tr>
<tr>
<td>- Patient monitoring systems</td>
</tr>
<tr>
<td>- Medical robotics</td>
</tr>
<tr>
<td>- …</td>
</tr>
</tbody>
</table>

| **Technology:** ~30% of the investment universe |
| - Antivirus software |
| - Firewalls |
| - Big data |
| - Electronic payment systems |
| - … |

| **Industrials:** ~50% of the investment universe |
| - Airbags |
| - Airport and port security |
| - Surveillance systems |
| - Management of hazardous goods |
| - Industry 4.0 |
| - … |

Source: Credit Suisse
Framing the Investment Opportunity
Five Attractive Sub-themes

**IT Security**
- Anti-virus, network security
- Electronic payment systems
- Big Data, etc.

**Crime Prevention**
- Access controls
- Surveillance systems
- Identity protection, etc.

**Transportation Safety**
- Airbag systems
- Inspection and scanning systems at airports and ports
- Signaling and braking equipments, etc.

**Health Protection**
- Food/water controls and inspections
- Control of epidemics
- Vaccines, diagnostics, etc.

**Environmental Security**
- Livestock health/pet health
- Waste management/recycling
- Testing, inspections and certifications

Sources: Autoliv Inc., Eurofins Scientific SE, IDEXX Labs Inc., Credit Suisse
Illustrating the Security and Safety Theme

Digitization of Our Society

- Internet of things (IoT): Electronic devices are getting linked to the internet, such as cars, pace makers, insulin pumps, light bulbs, fridges, etc.
- Many manufacturers with little experience of cyber security are offering connected devices
- Example car industry:
  - Over 50% of all car components have flaws and are vulnerable for car hacking
  - Problem self-driving cars: There are more ways to enter into a car’s network
  - In 2015 Fiat Chrysler recalled 1.4 m cars after hackers took control of a Jeep Cherokee

A new market is evolving: IT Security for vehicles

---

In the past, only PCs and IT networks were confronted with IT Security issues. The ongoing digitization of our society shows that we will have to care about this topic in almost all parts of our life.


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Illustrating the Security and Safety Theme
Big Data and Algorithms

Usage of bulk data to build an individual’s profile

- New technologies are available to analyze information about individuals via data explosion generated e.g. by smartphones
- Researchers from the Stanford University showed that telephone metadata (information about calls and text messages, such as time and length) can reveal a surprising amount of personal detail, such as health details.¹

Due to increases in computing power and mapping technologies, governments and companies can build individual profiles and consumption patterns by pulling together email accounts, social media profiles and other records. The discussion about security and privacy issues will continue.

Illustrating the Security and Safety Theme
Ageing US Infrastructure

- Roads, bridges, water systems: Large parts of the US infrastructure needs to be refurbished
- It could cost up to USD 4 trillion in lost gross domestic product by 2025
- Needed infrastructure investments in the United States:
  - Surface transportation: USD 2 trillion
  - Water/wastewater systems: USD 150 billion
  - Electricity: USD 934 billion
  - Airports: USD 157 billion
  - Inland waterway/marine ports: USD 37 billion

Attractive long term investment areas are infrastructure surveillance, testing, inspection and certification as well as waste management


Source: Credit Suisse
Illustrating the Security and Safety Theme
Hacking: A Growing Concern

- The median number of days to discover compromises is 146 days in 2015. However, some breaches can remain undetected for years\(^1\).
- Internet of things (IoT) offers attractive business opportunities, but the more objects connect, the greater the dangers.
- Some statistics\(^2\):
  - >4,000 companies have been hacked in 2014
  - >800 million individuals were victims of cyber crimes where their personal data was stolen
  - 70% most commonly used IoT devices that contain vulnerabilities
  - 97% mobile apps unintentionally reveal information of potential benefit to hackers
  - 1.5 million average number of attacks per week

Hacking and how it is done

Hacking, phishing and malicious attacks are attractive for criminals, ideologically driven protesters and for some governments. We believe leading companies will see attractive business opportunities.

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Source: Credit Suisse
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Our Investment Framework

**CS (Lux) Global Security Equity Fund** focuses on 5 sub-themes
- IT Security: ~ 25% of the portfolio
- Crime Prevention: ~ 20% of the portfolio
- Transportation Safety: ~ 15% of the portfolio
- Health Protection: ~ 20% of the portfolio
- Environmental Security: ~ 20% of the portfolio

Our investment universe is made up of approximately 220 companies. We invest in 40–60 stocks, with a maximum allocation of 3–4% per holding.

Pure-play investments: Our investment universe is made up of companies with **at least 50%** in revenues attributable to the theme. Focus on innovation and entrepreneurs leads to a positive bias towards small and mid cap companies.

**Bottom-up stock selection** based on fundamental analysis.
We have a multi-year investment horizon of 7–10 years and typically a low turnover ratio.
Up to 20% of the strategy’s assets can be invested in emerging markets.
Our approach is benchmark-agnostic, however, the MSCI World Index may be used as a reference index.

Source: Credit Suisse
Portfolio Structure

Thematic allocations (in %)

- Crime Protection: 19.6%
- IT Security: 24.1%
- Transport Safety: 14.5%
- Health Protection: 19.2%
- Environmental Security: 19.6%
- Liquid Assets: 2.8%


Country allocations (in %)

- United States: 61.0%
- United Kingdom: 7.2%
- Israel: 6.4%
- Spain: 4.8%
- Germany: 3.9%
- Netherlands: 3.7%
- Others: 10.2%
- Liquid Assets: 2.8%

Market cap allocations (in %)

- Small Caps (< USD 1bn): 34%
- Lower Mid Caps (USD 1bn - 5bn): 36%
- Upper Mid Caps (USD 5bn - 10bn): 8%
- Large Caps (> USD 10bn): 22%

Top 10 Holdings

1. Thermo Fisher Scientific Inc. 2.9%
2. Idexx Laboratories 2.9%
3. Wabtec 2.7%
4. Eurofins Scientific 2.7%
5. Intertek Group 2.6%
6. Autoliv 2.6%
7. Mettler Toledo International 2.6%
8. Experian 2.6%
9. Wirecard 2.5%
10. dorma+kaba 2.5%

Please note that asset allocation may be subject to change from time to time without notice. Please note that the above is for illustrative purpose only and does not constitute an offer or a solicitation to buy or sell any interest or any investment. The portfolio manager has sole discretion over the investments in the fund and the investments are subject to change without notice.

Performance Review

Investment Policy

The fund assets are invested worldwide in companies that are primarily active in Technology, Healthcare and Industrials, and that offer products and services related to health and environmental safety, IT security, transportation safety, and crime prevention.

Benchmark
MSCI World NR

Portfolio Manager
Dr. Patrick Kolb

Rating Morningstar™
(December 31, 2016)

Historical performance indications and financial market scenarios are not reliable indicator for current or future performance. Performance indications do not consider commissions levied at subscription and/or redemption. Where investments are made internationally, their values may fluctuate due to currency exchange rate movement.

Net performance in USD (rebased to 100) and yearly performance

For the evaluation of the performance data please be aware that the fund has been restructured and relaunched with effect of 02 May 2013. For the restructuring all assets and liabilities of the former CS EF (Lux) Global Security B have been transferred to CS (Lux) Global Security Equity Fund B USD. Fund management and investment policy remained unchanged. The data provided in this document reflect the performance of the CS EF (Lux) Global Security B as well as the performance of the CS (Lux) Global Security Equity Fund B USD. Past performance, whether actual or simulated, does not guarantee future results.

Net performance in USD

<table>
<thead>
<tr>
<th></th>
<th>1 month</th>
<th>3 months</th>
<th>YTD</th>
<th>1 year</th>
<th>3 years</th>
<th>5 years</th>
<th>ITD</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fund</td>
<td>-0.26</td>
<td>-2.44</td>
<td>2.62</td>
<td>-0.31</td>
<td>16.88</td>
<td>69.37</td>
<td>91.90</td>
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<tr>
<td>Benchmark</td>
<td>1.44</td>
<td>0.00</td>
<td>5.00</td>
<td>3.15</td>
<td>11.53</td>
<td>60.17</td>
<td>50.38</td>
</tr>
</tbody>
</table>

1 Historical performance indications and financial market scenarios are not reliable indicator for current or future performance. Performance indications do not consider commissions levied at subscription and/or redemption. Where investments are made internationally, their values may fluctuate due to currency exchange rate movement.

Sources: IFS, LIPPER, Credit Suisse/IDC
Last data point: November 30, 2016
Key Future Themes

- Big Data
- Internet of (Every-)Things
- Artificial Intelligence/Robotics
- Healthcare IT
- Industry 4.0
- Mobile security
- Autonomous vehicles, ships and drones
- Risk management and compliance
Key Data

Investment Policy

The fund’s assets are invested worldwide in companies offering products and services connected with IT security, healthcare, environmental protection, transport safety and security, and crime prevention. The main focus is on the technology, healthcare and industrial sectors.

Fund Information

<table>
<thead>
<tr>
<th>Unit class</th>
<th>Valor no.</th>
<th>ISIN</th>
<th>Min. investment volume</th>
<th>Management fees p.a.</th>
<th>Distribution</th>
<th>Inception date</th>
<th>Qualified Investor</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>USD share class B</strong></td>
<td>21007211</td>
<td>LU0909471251</td>
<td>1 unit</td>
<td>1.92%</td>
<td>No</td>
<td>02.05.2013**</td>
<td></td>
</tr>
<tr>
<td><strong>CHF share class BH</strong></td>
<td>21007212</td>
<td>LU0909471681</td>
<td>1 unit</td>
<td>1.92%</td>
<td>No</td>
<td>02.05.2013**</td>
<td></td>
</tr>
<tr>
<td><strong>EUR share class BH</strong></td>
<td>21007214</td>
<td>LU0909472069</td>
<td>1 unit</td>
<td>1.92%</td>
<td>No</td>
<td>02.05.2013**</td>
<td></td>
</tr>
<tr>
<td><strong>USD share class IB</strong></td>
<td>22331370</td>
<td>LU0971623524</td>
<td>USD 0.5 million</td>
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<td>No</td>
<td>17.09.2013</td>
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<td>No</td>
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<tr>
<td><strong>CHF share class UBH</strong></td>
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<td>LU1144416515</td>
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<td>No</td>
<td>27.02.2015</td>
<td></td>
</tr>
<tr>
<td><strong>EUR share class UBH</strong></td>
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<td>LU1144416606</td>
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<td>1.15%</td>
<td>No</td>
<td>27.02.2015</td>
<td></td>
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<tr>
<td><strong>USD share class EB</strong></td>
<td>23899296</td>
<td>LU1042675485</td>
<td>1 unit</td>
<td>0.90%</td>
<td>No</td>
<td>02.04.2015**</td>
<td></td>
</tr>
<tr>
<td><strong>USD share class DB</strong></td>
<td>27799770</td>
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<td>AM mandate</td>
<td>0.00%*</td>
<td>No</td>
<td>07.05.2015**</td>
<td>QI</td>
</tr>
<tr>
<td><strong>CHF share class IBH</strong></td>
<td>33386661</td>
<td>LU1457602594</td>
<td>USD 0.5 million</td>
<td>0.90%</td>
<td>No</td>
<td>02.08.2016</td>
<td>QI</td>
</tr>
</tbody>
</table>

* Additional charge: administration- and custody fees 0.095% p.a.
** The fund was originally launched on 19.10.2006 as a FCP (fonds commun de placement)

1 SSP is a method for calculating a fund’s net asset value (NAV). Its purpose is to protect existing investors from having to finance indirect transaction costs that result from investors entering and exiting the fund. The NAV is adjusted up in case of net inflows and down in case of net outflows on the respective valuation date. The adjustment in NAV might be subject to a net flow threshold. For further information, please consult the sales prospectus.
Benefits and Risks

**Benefits**
- Globally diversified portfolio with exposure to an attractive secular growth theme
- Expectation of strong long-term growth in security and safety-related products and services
- Broad diversification across themes and sectors: health protection, IT security, environmental security, transport safety, crime prevention

**Risks**
- Investor may lose part or all of the invested amount
- Focus on security and safety companies can lead to significant sector/regional exposures
- A slowdown of the world economy might impact the security and safety sector
- Liquidity risk (exposure to small caps)
- Equity markets can be volatile in the short term
- Due to the possibility of increased exposure to the emerging markets the fund may be affected by political and economic risks in these countries
- In cases of significant in- or outflows there might be a disparity in the value date among stocks from different countries, which can result in short-term currency exposure

Source: Credit Suisse
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Investment Process (1/3)

Idea Sourcing
MSCI World and related companies

Investment Universe
Five main investment themes

Security Universe
- ~200 Stocks
- > 50% security/safety exposure

Qualitative analysis
- Technology/product leader
- Entrepreneurial manager
- Niche player

Quantitative screen
- Financials
- Momentum
- Valuation

Growth analysis
- Sustainable and significant above market growth rate
- Barriers to entry

Portfolio Construction
40–60 Stocks

Risk control, performance measurement and attribution

Source: Credit Suisse
Investment Process (2/3)

Based on various sources (e.g. daily newspapers, reports from academic institutions/think tanks, Bloomberg, internet etc.), we screen our investment universe on several criteria:

| Qualitative analysis | Quantitative analysis | Growth analysis |

Investment decisions are taken only after a careful analysis of these criteria supported by internal and external research, discussion with analysts and regular company visits.

We regularly meet with safety and security specialists. They give us their opinion about the security and safety sector but also try to anticipate new trends.

We tend to have a high conviction portfolio. This leads to a relatively concentrated portfolio with between 40 and 60 stocks.

The weight of each position is determined by a combination of qualitative and quantitative criteria such as:

- Entrepreneurial Management/Business owner
- Technology/product leader, market disruptor, niche player
- Financials, momentum, valuation
- Competitive moat, barriers to entry, growth potential

Source: Credit Suisse
### Investment Process (3/3)

#### Fundamental Scorecard

<p>| | | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Entrepreneurial Management/ Business owners</td>
<td>We prefer to invest with the innovators and owners of a business&lt;br&gt;■ Motivations are typically well aligned with ours&lt;br&gt;■ Goals are often bigger, long-term and world changing&lt;br&gt;■ We do not want managers who simply tick the quarterly earnings box</td>
</tr>
<tr>
<td>2</td>
<td>Technology/ product leader/ market disruptor</td>
<td>Companies with the best products…&lt;br&gt;■ Typically enjoy pricing power&lt;br&gt;■ Take share from legacy incumbents&lt;br&gt;■ Grow faster than the industry average</td>
</tr>
<tr>
<td>3</td>
<td>Financials</td>
<td>Understanding the business model and the critical financial levers&lt;br&gt;■ Assets, Income and cashflows dynamics&lt;br&gt;■ What is the path to +ve FCF for an early stage company&lt;br&gt;■ Growth and value analysis</td>
</tr>
<tr>
<td>4</td>
<td>Competitive moat/ Barriers to entry</td>
<td>Understanding competitive dynamics&lt;br&gt;■ Porter’s Five Forces of Competition&lt;br&gt;■ Threats/Opportunities&lt;br&gt;■ Technology, IP, customer relationship, brand, model</td>
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Every stock included in the fund requires a positive check in at least 3 of the 4 fundamental questions. 3 positives are typically initiated at 0.5–1.0% weight, while 4 positives are typically initiated at 1.5–2.0%.

Source: Credit Suisse
Investment Team

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Investment Process
Porters Five Forces of Competition

Possible strategies for market leaders
- Economies of scale/scope, operational leverage
- Switching costs
- Cost advantages

Possible strategies for firms with a superior technology
- Learning curve advantages
- Market entry barriers
- Presence of substitute products

Possible strategies for niche players
- Uniqueness of the products
- Key employees (e.g. in R&D)
- Buyer concentration

The five forces model from Michael Porter is a highly valuable framework to understand the competitive intensity and therefore attractiveness of a market.

Porter’s Five Forces-Framework

- Competitive rivalry within an industry
- Bargaining power of customers
- Threat of new entrants
- Threat of substitute products
- Bargaining power of suppliers

Credit Suisse Thematic Equity Fund Range

- Credit Suisse (Lux) – Global Security Equity Fund
- Credit Suisse (Lux) – Global Prestige Equity Fund
- Credit Suisse (Lux) – Global Robotics Equity Fund
- Credit Suisse (Lux) – Infrastructure Equity Fund
- Credit Suisse (Lux) – Global Emerging Market Brands Equity Fund
- Credit Suisse (Lux) – Global Biotech Innovators Equity Fund
- Credit Suisse (Lux) – Global Energy Winners Equity Fund

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Equities are subject to market forces and hence fluctuations in value, which are not entirely predictable.

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