MEDIA RELEASE

Lusenti Partners solutions for institutional investors

Dr Graziano Lusenti
Lusenti Partners LLC
Rue Juste-Olivier 22, CH - 1260 Nyon (VD)
Tel: ++41-22-365.70.70,
Mobile: ++41-79-20.23.967
Fax: ++41-22-361.07.36
e-mail: g.lusenti@lusenti-partners.ch
Internet: www.lusenti-partners.ch

For immediate publication

2004 was a subdued year for Swiss institutional investors.

Average performance of nearly 4% - Stabilization of the financial situation compared to year-end 2003 – Boom in indirect real estate investments – Stabilizing measures introduced by half of the institutions

---

Nyon/Zurich, December 21, 2004

The *Swiss Institutional Survey* is a quarterly online survey about the investments of Swiss institutional investors within the social insurance sector − pension funds, joint and collective foundations, health insurance schemes, etc. The survey is conducted by Lusenti Partners in Nyon with the aid of CREDIT SUISSE ASSET MANAGEMENT. The study of September 30, 2004, provided very informative insights into the financial conduct of the participants. The topic of the quarter placed a spotlight on a current problem: stabilizing measures and adjustments to investments. 163 institutional investors with total assets of CHF 169.2 billion took part in the survey.

The *Swiss Institutional Survey* provides participants with a useful management and control tool within a very short timeframe: each quarter, the participants receive a free customized and detailed dual comparison of their results according to the volume of assets and type of institution − the *Peer Group Comparison*. In addition, the statistical data are accompanied by comments and published in a *Quarterly Report,* which is made available to the participants and all interested parties free of charge (see:

www.institutionalsurvey.ch). The survey comprises two sections. The first, which is structured the same way each quarter, contains basic data such as performance, coverage ratio, asset allocation and market forecasts. The second section is devoted to a current topic (*Quarterly Focus*) which changes each quarter.

The following results are noteworthy:

The proportion of institutions with severe problems should not be overestimated:
More than half (52%) of the participants stated that it had not been necessary for them to implement stabilizing measures. It would be wrong to overestimate the number and proportion of institutions that are in severe difficulties and are forced to take corrective measures.

The stabilizing efforts are divided evenly between the areas of mandatory and extra-mandatory employee benefits but have not yet been completed:
The stabilizing efforts are divided relatively evenly between the areas of mandatory and extra-mandatory employee benefits − with the latter having had to consent to a major initiative. Measures are currently under way and are set to continue or even increase.

In terms of assets and financing, a rise in employee and employer contributions has a significant financial impact:
The stabilizing measures are being implemented via an initiative that is being borne jointly by the insured and the employer in the form of an increase in contributions.

The stabilizing measures relating to liabilities and benefits are based primarily on a reduction of the minimum interest rate:
Other measures include a reduction of the pension conversion rate, the abolishment of inflation-linked adjustments and the reduction of target benefits.

The return on assets is frequently used to finance general administration costs and asset management fees and, more infrequently, the costs of early retirement and other actuarial benefits:
76% of the participants finance at least part of these costs using the return on assets − and thus set themselves performance targets that exceed the interest rate used.

Swiss pension funds have adapted their strategic allocation independent of the development of their coverage ratio: Two-thirds of participants modified their strategic allocation between 2001 and 2004.

The modification of strategic allocation took the form of a reduction of the proportion of Swiss and foreign equities and an increase in indirect real estate investments:
In the vast majority of cases (75%), the adjustments were based on a limited reduction (between 0% and 5%) of the allocation to Swiss or foreign equities − with occasional reductions of more than 10%.

In terms of organization and structures, the two corrective measures most frequently used are the expansion of reporting and changes to regulations:
These two measures are flanked by the attendance of advanced courses and training, the re-examination of the investment strategy and the expansion of controlling.

Stability and stagnation of key financial indicators versus the situation in 2003:
Overall, key indicators can be seen to have a large degree of stability compared to the situation at end-2003. This applies to the coverage ratio, reserves for price fluctuations and the actual allocation of investments.

In 2004, the investment return did not allow for an improvement in the global financial situation of institutions − which remain vulnerable:
The results at end-September are only marginally better than the minimum interest rate (2.25%), which applied in 2004 under the Swiss Federal Law on Occupational Retirement, Survivors' and Disability Pension Funds (BVG/LPP), and global performance did not enhance the financial equilibrium of the pension institutions. The favorable fourth quarter will, on average, enable the institutions to achieve a total performance of 3%, 3.5% or 4% for the full year.

Narrowing of performance gaps between different asset classes:
At end-September, the gaps in performance had narrowed − with indirect real estate investments having generated the best results (4.3%), followed by direct real estate investments (3.2%), Swiss equities (2.9%) and foreign equities. Alternative investments fared less well (1.2%) than foreign currency and Swiss franc denominated bonds. For the full year, equities should return to first place thanks to the fourth quarter.

Perplexity about asset classes:
A certain degree of perplexity can be detected among institutional investors

with regard to the asset classes that should be overweighted from a tactical or strategic perspective.

The coverage ratio of the institutions that participated in the survey declined very slightly during the quarter…:
This ratio stood at 101.6% as of September 30, 2004, in terms of the non-weighted arithmetical mean of assets and at 100.8% in terms of the median value. A very slight decline is therefore evident versus the situation at June 30, 2004.

… but should rise again by end-2004 and reach the level of end-2003 due to the positive results in the markets during the last quarter of the year:
On the basis of fourth quarter performance, it is likely that, overall, the coverage ratio for the full year will be equivalent to that at end-2003 − or even very slightly higher.

In terms of equalization reserves, the institutions have set themselves a target of almost 14%:
The institutions are aware of the relative precariousness of their situation and are demonstrating their determination to improve their position. When asked about the level of reserves they deem appropriate, they specified an average rate of 14%.

The participants expect to see a slight rise in interest rates, stability on the foreign exchange front and a modest increase in equities:
Institutional investors are anticipating a slight rise in rates over the next 12 months (50 basis points for the Swiss franc and the euro, 70 points for the dollar). They expect to see the Swiss franc stabilize against the dollar and the euro. Equities should perform modestly, with an anticipated increase to between 5% and 6%.

###

More information can be found at www.institutionalsurvey.ch

Press Contacts :
Dr. Graziano Lusenti, Lusenti Partners LLC +41 22 365 7070
g.lusenti@lusenti-partners.ch