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Outstanding Investment Performance by Swiss Pension Funds in 2005 – Coverage Ratio Increases Significantly

Nyon/Zurich, 4th April 2006 – The 1st part of the 6th edition of the *Swiss Institutional Survey* (www.institutionalsurvey.ch) as of 31 December 2005 provides interesting and valuable information on developments in the Swiss pension scene. *Institutionalsurvey.ch* is a six-monthly online survey of investment issues at Swiss occupational benefit schemes, such as private and public sector pension funds, collective and group occupational pension schemes. The survey is organized by *Lusenti Partners*, with support from *Credit Suisse* as a sponsor. 162 institutional schemes with total assets of CHF 189.4 billion took part in the 2005 survey.

The detailed report with a commentary on the charts and an example of a *Peer Group Comparison* – individualised comparison of participants key data - is attached.

The Swiss Institutional Survey Sentiment Barometer, a new sentiment indicator

The Sentiment Barometer was compiled for the first time in the 6th edition (return date 31.12.2005). It deals with investment, actuarial and administrative issues. The replies by the participants indicate that sentiment in occupational benefit circles is generally positive. There are few signs of dissatisfaction. Overall, the schemes are optimistic over the aspects which they themselves control – such as costs, management, controlling, reporting, asset allocation. In the areas in which they are dependent on external services, confidence is, however, lower. The level of the conversion rate – which is set by the authorities - and investment market risks are causing some concern to survey participants; however, they are optimistic regarding the coverage ratio (i.e. the ratio between pension benefits and assets) of their particular scheme.

The assets fluctuation reserves (i.e. the reserves used to compensate fluctuations in asset values caused by market changes) are between 7.3% and

11.6% on average, depending on the nature of the scheme and the size of its assets. These values are satisfactory as they enable the schemes in principle to set a higher performance objective in making their investments. However, the strategic target values - around 14.5% - for this specific category of reserves have not yet been achieved.

Average historical volatility of investments by participants: between 6% and 7%

In addition to the Sentiment Barometer, in this edition of the *Swiss Institutional Survey* the actual historical volatility – effective and strategic - of the investments made by participants was, for the first time, determined with their present asset allocation. The average volatility has accordingly been calculated at between 6% and 7%. This figure is explained by the fact that roughly half of the investments are made in asset classes with low volatility, such as cash, bonds in CHF, direct real estate and mortgages.

Average net performance reaches 11% thanks to equity investments – all investment categories yield positive results

The average net performance is 11% after deduction of all costs, which is attributable in large measure to the excellent performance of equities – Swiss equities +30.5%, foreign equities +25.8%. Another astonishing and exceptional factor is that all investment categories ended on a positive note; in the short term, this suggests higher correlations. Apart from equities, bonds denominated in foreign currencies (+7%), indirect and direct property investments and alternative investments made a strong contribution to the positive outcome.

Increase in the coverage ratio (ratio between pension benefits and assets) for all categories of pension schemes, in particular in the private sector

The coverage ratio showed a significant improvement on the previous year by ca. 7 percentage points, especially in the case of the benefit schemes established under private law. In the case of the collective and joint foundations and benefit schemes incorporated under public law, the increase was distinctly lower, but still reached ca. 1.2 percentage points.

Prudent asset allocation, subdued expectations for the current year

Despite the exceptional success of investments in 2005, the annual forecasts by participants point to rather cautious expectations: in other words, there is no sign of euphoria. Only slight disparities were established between effective

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and strategic asset allocation. Cash is the only asset category to be distinctly overweighted – by more than 3 percentage points.

The prevailing assumption is that interest rates will rise slightly in all currencies (by just 40 basis points), equity yields are expected to be in the fairly low single figure range (slightly above 5%), while the Swiss franc is unlikely to strengthen against the euro and the US dollar.

The second part of the Survey – with the special topic “Added Value in Institutional Asset Management” - will be made public on April 25th.

More detailed information is available on the Internet at:

www.institutionalsurvey.ch

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P. S. All the Survey participants receive without charge an individualized comparison of their key figures – a Peer Group Comparison – which has been greatly expanded by information about volatility and historical statistics, in order to add value for participants.

Press Release

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