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Year-end 2011 Market Commentary on European ETFs

This challenging year was a game of two clear halves, but European ETFs proved resilient compared with the broader asset management industry

Q4 2011

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Key points

- A challenging year for European ETFs in 2011 ended with total assets in the market of USD 259.88bn and positive NNA of USD 18.23bn.

- The year was a game of two quite different halves, with the first seven months seeing clear positive inflows while the remainder of 2011 saw net monthly redemptions. USD 9.93bn entered European trackers in Q1 and USD 8.17bn during Q2. The positive trend began to slow in Q3 with inflows of USD 6.36bn, before moving into negative territory in the last quarter with USD 5.69bn outflows from European ETFs.

- The rollercoaster ride of 2011 hasn't swayed our positive view of the long-term prospects for the European ETF industry. The overall positive NNA result for the year was achieved against a backdrop of challenging underlying markets and political uncertainty – especially for the Eurozone, where most investors in European ETFs are domiciled. This was reflected in the NNA trends for European debt trackers.

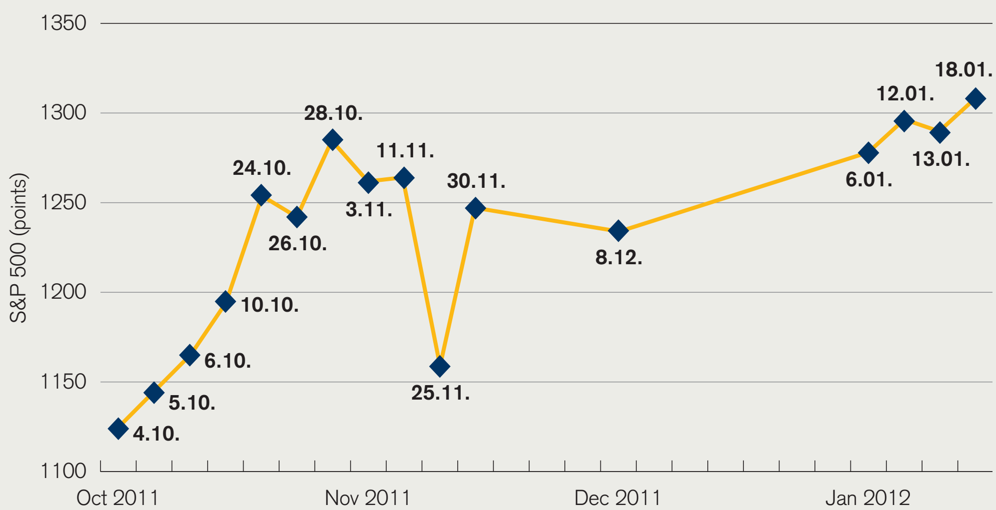
- The much larger and more established UCITS fund industry did not weather the storm as well. At the end of November 2011, its total AUM were EUR 5,425bn after recording outflows of EUR 84.5bn in the YTD[1]. The disparity in NNA between ETFs and UCITS funds is even more notable considering that nearly 90% of European ETFs are in fact UCITS funds too.[2]

- The European ETF market came under intense regulatory scrutiny in 2011. This was reflected in the divergent performance of synthetically replicated ETFs, which recorded outflows of USD 3.27bn, while physically replicated ETFs attracted inflows of USD 21.50bn over the year. The almost exclusively physically replicated US ETF market closed the year with USD 115.76bn of inflows.[3]

- We expect 2012 to be a positive year for the European ETF industry. Strong headwinds remain, with the health of the global economy uncertain and a solution to the Eurozone crisis still elusive. ETFs should however continue to be the investment wrapper of choice for a variety of different risk/return profiles this year. On 30th January, the European Securities and Markets Authority (ESMA) clarified its position on ETFs, and this should allay investor concerns over regulatory risks that were so prevalent in the market in 2011.

[1] European Fund and Asset Management Association (EFAMA), 30.11.2011
[2] Percentage given in terms of AUM, 31.12.2011
[3] Credit Suisse Trading Strategy, 31.12.2011

The effects of world events on stock market prices over Q4 2011



Source: Credit Suisse Global Strategy, Thomson Reuters DataStream, 19.01.2012

04.10.11	Moody's downgrades Italian government debt
05.10.11	The Bank of England announces £75bn Quantitative Easing (QE) package
06.10.11	The European Central Bank (ECB) announces extended Long Term Refinancing Operations (LTROs) and increased covered bond purchases
10.10.11	Sarkozy and Merkel announce they have a plan
24.10.11	Brussels summit part 1, ended 23.11.2011
26.10.11	Brussels summit part 2
28.10.11	Over the weekend Greek Prime Minister Panandreou mentions a referendum for Greece
03.11.11	Referendum plan dropped
11.11.11	Papandemos appointed new Greek Prime Minster, Monti confirmed as Italian leader, but confidence in European politicians continues to plummet
25.11.11	Discussion increases around greater fiscal union in Europe
30.11.11	Central Banks swap line interest rates cut to Overnight Index Swap (OIS) +50
08.12.11	ECB cuts policy rate and announces new liquidity measures; 3yr LTROs and decreased reserve ratio requirements for banks
06.01.12	Payrolls upside surprise
12.01.12	US retail sales data for December lower than consensus
13.01.12	S&P downgrades ratings of several European countries' government debt
18.01.12	US industrial production for December beats consensus expectations

European ETF landscape:

European ETFs proved resilient in 2011, despite the challenges of volatile underlying markets, negative asset management trends and regulatory pressure

- At the end of 2011, the European ETF market recorded total assets of USD 259.88bn, down 0.70% from USD 261.70bn at the end of September. This was against a backdrop of a 7.11% appreciation of the MSCI World index over the same period.
- Over the year, AUM were down 8.33% from the USD 283.49bn seen at the end of 2010. In comparison, the MSCI World index fell by 7.62% over the year, the Euro Stoxx 50 was down 17.05% and the S&P 500 was flat in 2011 (all in local currency).
- At year-end, 68% of total AUM was invested in equity trackers, followed by 19% in debt ETFs and 9% in commodity ETFs.
- From the total 1,313 funds domiciled and listed in Europe that were reviewed, 72% were equity ETFs, 17% debt trackers and 7% commodity ETFs.

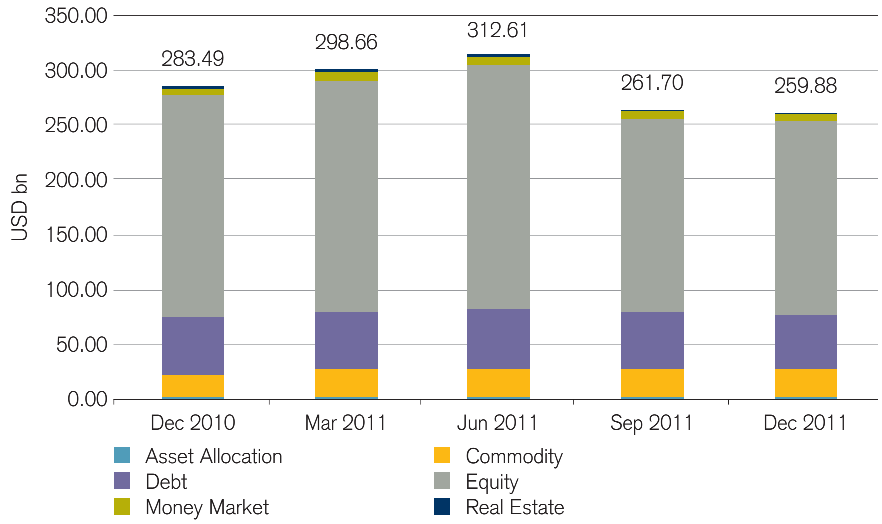
	AUM of ETFs listed and domiciled in Europe, USD bn									
Asset class	**# Funds Q4 2011**	**Q1 11**	**vs Q4 10**	**Q2 11**	**vs Q1 11**	**Q3 11**	**vs Q2 11**	**Q4 11**	**vs Q3 11**	**vs Q4 10**
Asset Allocation	26	1.75	35.03%	1.62	-7.35%	1.15	-29.08%	1.06	-7.88%	-18.27%
Commodity	93	24.69	18.62%	24.82	0.55%	25.30	1.95%	24.60	-2.77%	18.22%
Debt	218	52.56	2.20%	55.35	5.30%	53.21	-3.86%	49.60	-6.78%	-3.56%
Equity	936	210.88	4.01%	222.64	5.58%	174.79	-21.49%	177.44	1.51%	-12.49%
Money Market	13	6.50	25.43%	5.61	-13.73%	6.15	9.66%	6.03	-1.86%	16.45%
Real Estate	9	2.29	13.95%	2.58	12.33%	1.09	-57.49%	1.14	4.57%	-43.10%
Total	**1,295**	**298.66**	**5.35%**	**312.61**	**4.67%**	**261.70**	**-16.29%**	**259.88**	**-0.70%**	**-8.33%**

Source: CS ETF Sales Strategy, Bloomberg, 31.12.2011

	NNA of ETFs listed and domiciled in Europe, USD m				
Asset class	**Q1 11**	**Q2 11**	**Q3 11**	**Q4 11**	**YTD**
Asset Allocation	-22	-136	-260	-36	-454
Commodity	1,568	-192	1,336	332	3,045
Debt	-898	1,032	296	-2,528	-2,098
Equity	7,856	8,278	4,366	-3,578	16,922
Money Market	849	-910	759	84	783
Real Estate	40	95	-140	38	32
Total	**9,393**	**8,167**	**6,357**	**-5,687**	**18,230**

Source: CS ETF Sales Strategy, Bloomberg, 31.12.2011

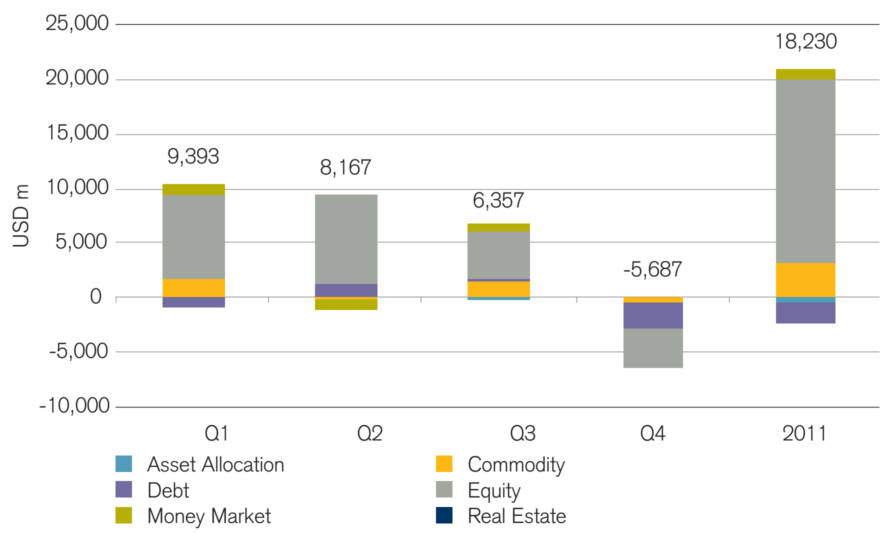
Quarterly evolution of AUM for ETFs domiciled and listed in Europe



Source: CS ETF Sales Strategy, Bloomberg, 31.12.2011

- European ETF inflows remained positive in 2011 despite high volatility in underlying markets from the beginning of H2, and amounted to a total of USD 18.23bn.
- Equity ETFs recorded inflows of USD 16.92bn, followed by inflows of USD 3.04bn in commodity trackers. 2011 was a less memorable year for debt ETFs, which posted outflows of USD 2.10bn.
- Quarterly flows remained positive until the end of Q3, albeit on a declining trend. In Q4, outflows totalled USD 5.69bn, mostly split between equity (USD 3.58bn) and debt ETFs (USD 2.53bn).
- Political uncertainty and the lack of a comprehensive solution to the euro sovereign debt crisis were key factors in investors staying with cash and avoiding beta plays, across both risky and safe assets (equity and bonds). Commodities proved not to be a safe haven for European ETF investors either, with gold experiencing sell-offs in both September and December.

NNA in ETFs domiciled and listed in Europe, per quarter and asset class

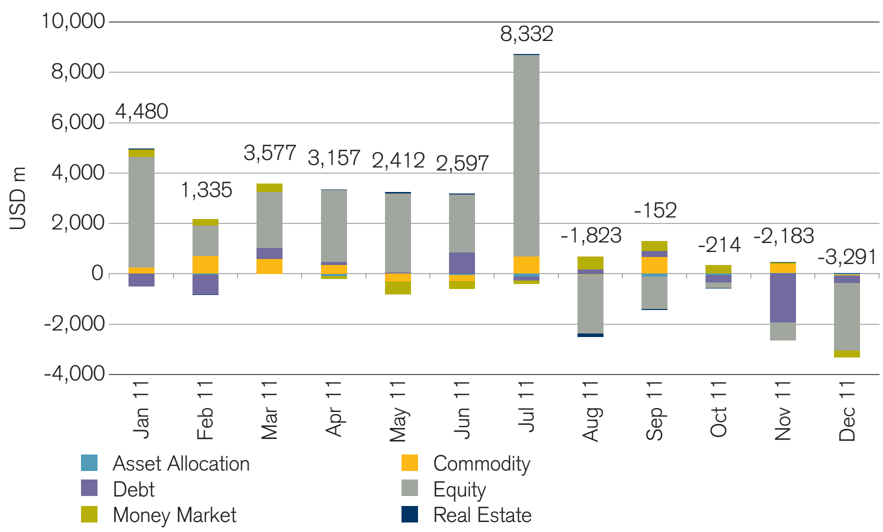


Source: CS ETF Sales Strategy, Bloomberg, 31.12.2011

ETFs fare relatively well in bruised European asset management industry

- In our last quarterly report, we highlighted the distinctly negative shift in European investor sentiment in August last year.
- Outflows slowed in October, when net flows for European ETFs ended the month close to flat, but the negative trend gathered pace again in the months that followed, resulting in outflows of USD 2.18bn and 3.29bn during November and December – together the worst two monthly results of 2011.
- November saw some of the largest outflows in European ETF history for debt ETFs, while December was characterised by remarkable risk-off trades, with investors exiting equity trackers.

2011 YTD monthly NNA in ETFs domiciled and listed in Europe, per asset class



Source: CS ETF Sales Strategy, Bloomberg, 31.12.2011

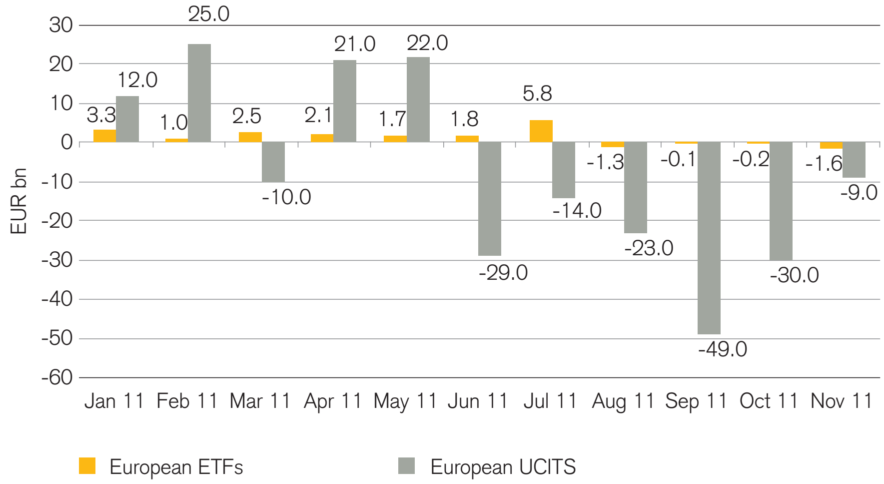
	Jan 2011	Feb 2011	Mar 2011	Apr 2011	May 2011	Jun 2011	Jul 2011	Aug 2011	Sep 2011	Oct 2011	Nov 2011	Dec 2011	YTD
Asset Allocation	7	-24	-6	-91	3	-47	-126	-28	-106	-54	48	-30	-454
Commodity	255	707	607	361	-311	-241	698	-15	653	24	349	-41	3,045
Debt	-505	-804	411	122	60	849	-129	171	254	-285	-1,935	-307	-2,098
Equity	4,389	1,227	2,239	2,840	3,145	2,292	7,999	-2,330	-1,303	-208	-712	-2,657	16,922
Money Market	286	249	315	-92	-523	-294	-143	510	393	329	39	-284	783
Real Estate	48	-20	11	17	39	39	34	-131	-43	-19	29	29	32
Total (USD m)	**4,480**	**1,335**	**3,577**	**3,157**	**2,412**	**2,597**	**8,332**	**-1,823**	**-152**	**-214**	**-2,183**	**-3,291**	**18,230**

Source: CS ETF Sales Strategy, Bloomberg, 31.12.2011

Despite the overwhelmingly bearish market sentiment at the end of 2011, we remain confident in the prospects for the European ETF industry, particularly when compared with the European UCITS fund industry as a whole.

- The last available EFAMA figures from November for the European investment fund industry show that AUM totalled EUR 5,425bn.
- In YTD 2011, NNA showed EUR 84.5bn outflows, concentrated in the second half of the year.
- In this context, the European ETF industry, which consists mostly of UCITS funds (89% in terms of AUM, as of 31.12.2011), appears relatively attractive in the eyes of investors.

Monthly NNA of European ETFs and UCITS



Source: CS ETF Sales Strategy, Bloomberg, 31.12.2011; EFAMA, 30.11.2011

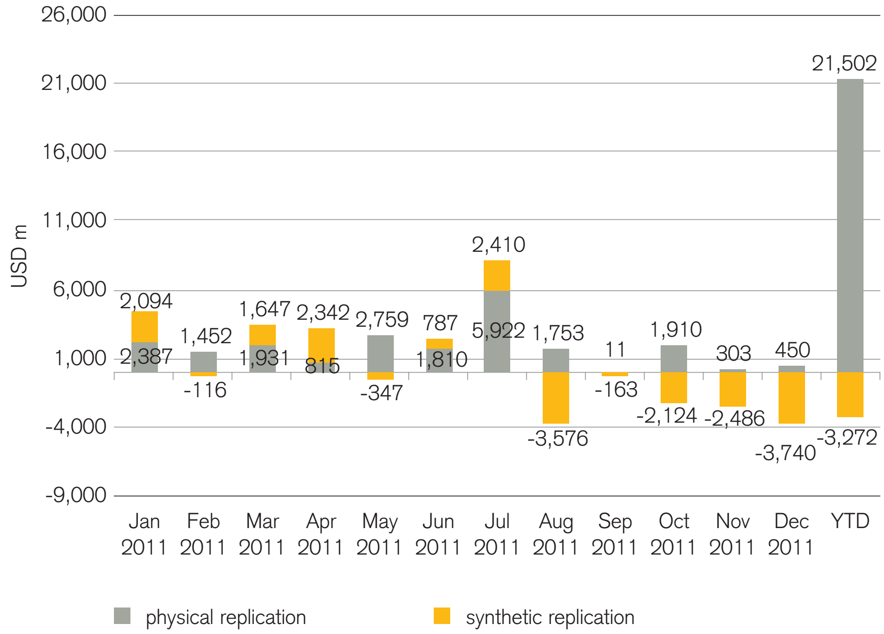
- Looking across the Atlantic at the US ETF market, 2011 was a very different year with flows totalling close to an impressive USD 115.76bn and posting only one negative month in May (USD -1.83bn).[1]
- While weak underlying macroeconomic environments in both the EU and the US were not that dissimilar to each other last year, the latter did not experience the same crisis of confidence as that faced in the Eurozone, and the US ETF market benefitted from being at a more mature, less fragmented stage. Another positive factor supporting US ETFs in 2011 was the absence of the type of intense regulatory scrutiny seen in Europe.

[1] Credit Suisse Trading Strategy, 31.12.2011

The year of the big divide: positive results for physically replicated funds, outflows concentrated mostly in synthetically replicated ETFs

- Another key factor to take into account when analysing the 2011 European ETF market is the difference in flows recorded by ETF providers using different replication methodologies.
- Looking at the monthly flows for December, November and August – the three worst months of the year in order of magnitude – we notice that in all three cases flows into physically replicated ETFs were positive, although more than offset by outflows from synthetically replicated products.
- Over the year, European synthetically replicated ETFs recorded outflows of USD 3.27bn, while physically replicated ETFs saw inflows of USD 21.50bn.
- As highlighted in the Q3 2011 Market Commentary on European ETFs, increased regulatory scrutiny had a clear impact on flows in the European market, with investors appearing to prefer cash-based ETFs.

2011 monthly NNA for ETFs domiciled and listed in Europe, per replication method



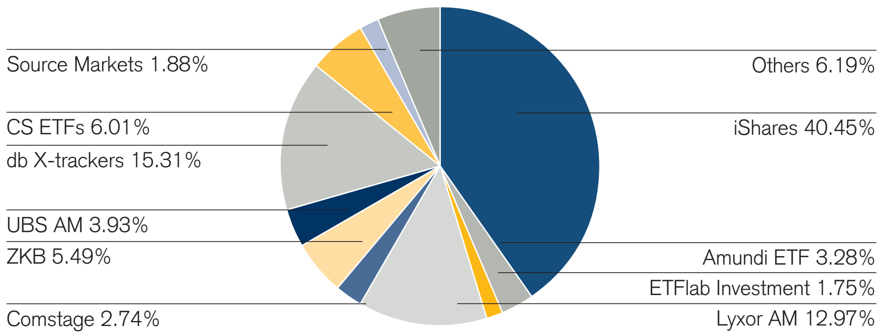
Source: CS ETF Sales Strategy, Bloomberg, 31.12.2011

Getting closer to the flows:

2011 ETF provider results

- At the end of 2011, the European ETF market was heavily concentrated with the top five providers capturing just over 80% of total market share. The providers in the second and third positions switched places at the end of July and the position of the market leader was consolidated, supported by the trend of investors favoring physically replicated ETFs.

Market share in December 2011 (AUM %)



Source: CS ETF Sales Strategy, Bloomberg, 31.12.2011

- The impact of the replication methodology chosen is also clear when we look at the NNA of the year per provider.
- The top five providers by NNA were iShares, UBS AM, Amundi ETF, ZKB and CS ETFs, four of which employ mostly, or only, physical replication.

Top ten providers of ETFs domiciled and listed in Europe by NNA

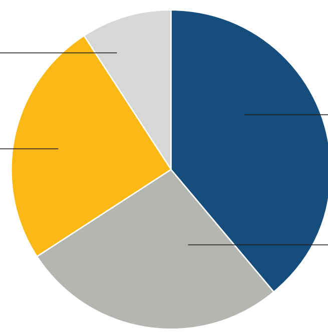
Providers	AUM (USD bn)		NNA (USD m)				
	End Dec 2011	Market share (%)	Q1	Q2	Q3	Q4	2011
iShares	105.11	40.45%	3,928	4,690	5,811	2,668	17,097
UBS AM	10.22	3.93%	2,544	1,018	884	-489	3,957
Amundi ETF	8.53	3.28%	1,401	618	840	-280	2,579
ZKB	14.27	5.49%	192	-50	991	1,108	2,241
CS ETFs	15.61	6.01%	451	1,029	329	-408	1,402
Source Markets	4.89	1.88%	1,224	1,102	-739	-489	1,098
db x-trackers	39.77	15.31%	475	950	1,155	-2,670	-91
Comstage	7.13	2.74%	119	37	-175	-975	-994
ETFlab Investment	4.54	1.75%	-232	-994	14	-321	-1,532
Lyxor AM	33.72	12.97%	-1,530	-1,123	-3,646	-3,717	-10,016

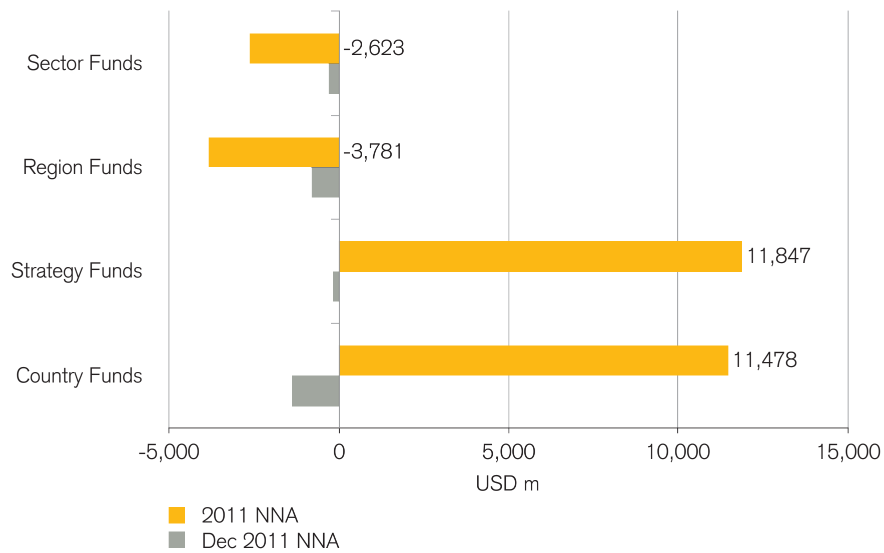
Source: CS ETF Sales Strategy, Bloomberg, 31.12.2011

Investment themes of the year: Germany and large caps

- At the end of 2011, European equity ETFs managed USD 177.44bn, mostly in single country funds (40%).
- The year ended with assets up by 1.51% compared to September. This compares with the MSCI World index rising by 7.11% over the quarter, the Euro Stoxx 50 posting an increase of 6.28% and the S&P 500 closing the quarter at +11.15% (all in local currency).
- In terms of net new assets, December saw USD 2.66bn in outflows from European equity ETFs, making it the worst month of the year for European equity trackers. Q4 was negative as a whole, recording outflows of USD 3.58bn.
- However year-to-date, equity ETFs saw USD 16.92bn of net inflows in Europe.
- Strategy and single country funds attracted the largest net inflows, with USD 11.85bn and USD 11.48bn respectively.
- The main investment themes of the year were focused on large cap stocks and Germany, which recorded inflows of USD 11.68bn and USD 6.26bn respectively[1].

AUM and NNA of equity ETFs domiciled and listed in Europe, per exposure in December 2011





Source: CS ETF Sales Strategy, Bloomberg, 31.12.2011

[1] Please note that the iShares DAX ETF is treated as large cap for the year. Due to the euro crisis that characterized 2011, we believe investors used this product as a proxy for high quality European large cap, and not simply as a country play.

Asset Class	# Funds	ETF AUM (USD bn)		ETF NNA (USD m)	
		End Dec 2011	% vs previous month end	End Dec 2011	YTD
Equity	**948**	**177.44**	**-4%**	**-2,657**	**16,922**
Country Fund	**275**	**70.22**	**-3%**	**-1,376**	**11,478**
Australia	5	0.31	-10%	-35	22
Austria	1	0.05	-1%	0	-33
Belgium	1	0.03	-3%	0	-12
Brazil	10	1.68	1%	0	-354
Canada	9	0.55	-7%	-33	310
China	17	2.50	0%	-3	-262
France	15	5.14	-9%	-417	-156
Germany	18	12.23	-8%	-277	6,257
India	10	1.50	-9%	-37	-426
Indonesia	2	0.01	3%	0	3
Italy	11	1.18	-7%	-18	341
Japan	27	5.42	-5%	-233	537
Malaysia	2	0.10	-8%	-11	-42
Mexico	3	0.08	3%	4	25
Netherlands	6	0.53	-4%	-20	88
Russia	10	1.73	-19%	-150	204
South Korea	7	0.90	-4%	0	-155
Spain	8	0.03	-2%	0	11
Sweden	9	2.05	0%	28	308
Switzerland	13	2.70	0%	40	29
Thailand	1	0.01	2%	0	5
UK	35	10.33	-1%	-94	879
US	55	21.18	1%	-123	3,903
Strategy	145	**47.30**	**-3%**	**-183**	**11,847**
Contrarian	16	1.51	-13%	-215	-271
Emerging Market-Equity	35	14.36	-5%	-266	-269
Global Equity	37	9.01	3%	-57	291
Growth	18	0.64	-10%	-42	3
Growth and Income	6	1.44	16%	206	12
Growth-Large Cap	11	18.18	-4%	202	11,679
Growth-Mid Cap	3	0.03	-10%	-3	8
Growth-Small Cap	1	0.00	-3%	0	0
Income Equity	2	1.66	-4%	-29	230
International Equity	6	0.04	26%	8	7
Value	2	0.06	0%	2	-3
Other	8	0.38	-8%	9	160
Region Fund	**226**	**44.56**	**-4%**	**-808**	**3,781**
Africa	3	0.14	-8%	-4	-49
Asia Pac Ex Japan	26	4.00	-4%	-58	-291
Asia Pacific	8	1.73	-4%	-58	410
Eastern Europe	5	0.73	-9%	-13	97
Euro Countries	32	19.06	-5%	-224	-771
Europe	87	10.34	-2%	-236	-971
Europe Ex UK	3	0.66	-6%	-6	-31
European Union	8	2.57	-11%	-136	-1,906
Geo Focused-Eqty	35	1.73	-3%	12	-390
Iberia	1	0.00	n.a.	0	6
Latin America	11	0.88	-4%	-13	-209
Middle East	1	0.00	-3%	0	1
Nordic	3	0.61	-11%	-60	157
North America	3	2.12	6%	-12	167
Sector Fund	**302**	**15.35**	**-11%**	**-290**	**-2,623**
Energy	23	1.30	7%	23	-71
Environment Friend	4	0.15	-5%	1	119
Equity/Islamic	5	0.16	-1%	3	39
Financial Service	29	1.75	-3%	-10	312
Food & Beverage	7	0.61	-5%	-30	171
Gaming & Entertainment	1	0.02	-2%	0	12

Asset Class	# Funds	ETF AUM (USD bn)		ETF NNA (USD m)	
		End Dec 2011	% vs previous month end	End Dec 2011	YTD
Health & Biotech	14	1.20	9%	7	77
Internet & Telecom	14	0.80	-12%	-80	50
Leisure Industry	4	0.06	-4%	-1	-49
Precious Metals	4	0.46	-20%	4	142
Real Estate	16	2.04	5%	106	174
Religiously Resp	1	0.01	-2%	0	7
Technology	15	0.42	-9%	-15	82
Undefined Equity	149	5.46	-25%	-305	-3,240
Utility	16	0.92	-2%	8	-447

Source: CS ETFs Sales Strategy, Bloomberg, 31.12.2011

A challenging year for debt trackers

- 2011 ended with debt ETFs managing USD 49.60bn, mostly in regional and geographically focused funds (46%). Compared to September figures, assets were down by 6.78%.
- In terms of net new assets, December saw USD 307m outflows from European debt ETFs, which added to the negative results posted in October (USD -285m) and November (USD -1.93bn), making Q4 the worst quarter of the year with a total of USD 2.53bn in outflows.
- European debt ETFs closed the year with outflows of USD 2.10bn – a by-product of the Eurozone crisis that unfolded and deepened throughout 2011, and seen in the concentration of outflows in generic government and corporate bond exposure (USD -1.77bn for the year).

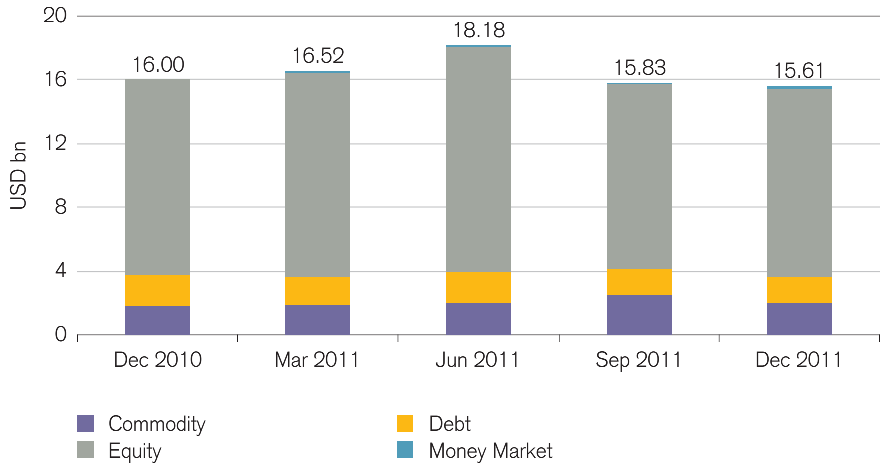
Asset Class	# Funds	ETF AUM (USD bn)		ETF NNA (USD m)	
		End Dec 2011	% vs previous month end	End Dec 2011	YTD
Debt	**224**	**49.60**	**-2%**	**-307**	**2,098**
Asset Backed Securities	1	0.18	8%	21	103
Corporate/Preferred	14	2.38	9%	241	1,259
Corporate/Preferred-High Yld	2	0.03	-22%	-7	-89
Corporate/Preferred-Inv Grade	2	0.74	-8%	-52	-176
Emerging Market-Debt	7	1.70	2%	49	-11
Global Debt	4	1.14	-5%	-42	157
Government/Agency	13	1.99	-3%	-42	-573
Government/Corporate	33	7.79	-6%	-497	-1,774
Govt/Agency-Intermediate Term	16	1.26	-9%	-81	-54
Govt/Agency-Intermediate/Long	2	0.39	-1%	0	42
Govt/Agency-Long Term	10	0.41	1%	0	108
Govt/Agency-Short Term	13	1.38	-5%	-50	171
Govt/Agency-Short/Intermed	2	0.59	0%	7	186
Govt/Corp High Yield	1	0.07	-1%	0	35
Govt/Corp Intermediate	3	1.51	0%	87	-116
Govt/Corp Long Term	6	1.36	-4%	-49	-139
Govt/Corp Short Term	3	2.36	-7%	-94	-65
Index Fund-Debt	1	0.01	-5%	0	0
Region Fund-Geo Focussed-Debt	79	23.01	0%	198	77
Sector Fund-Debt	12	1.29	-4%	3	-1,266

Source: CS ETFs Sales Strategy, Bloomberg, 31.12.2011

End of 2011: Facts and figures for the Credit Suisse ETF range

- Assets under management in Credit Suisse ETFs at the end of December totalled USD 15.61bn.
- CS ETFs closed the year with four funds exceeding USD 1bn in AUM, and five additional funds holding more than USD 0.5bn, out of the total of 58 funds listed across Europe.

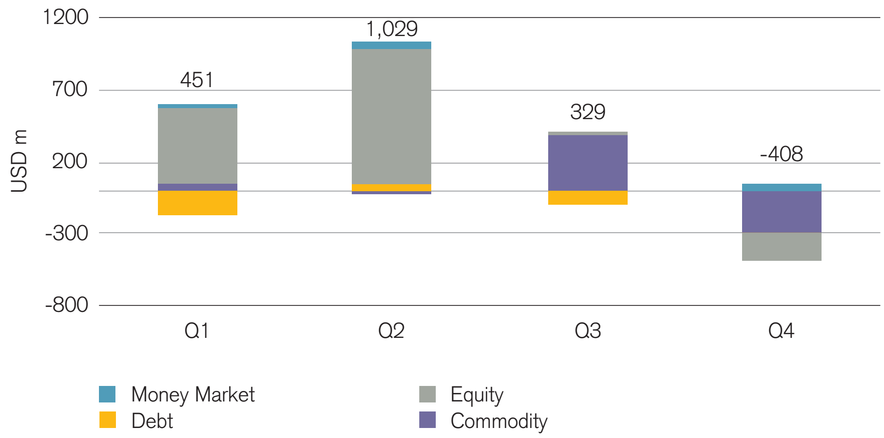
CS ETFs AUM evolution



Source: CS ETF Sales Strategy, Bloomberg, 31.12.2011

- In terms of flows, CS ETFs followed the general industry trend and posted outflows of USD 408m in Q4, with investors mainly exiting commodity and equity trackers.

CS ETFs NNA

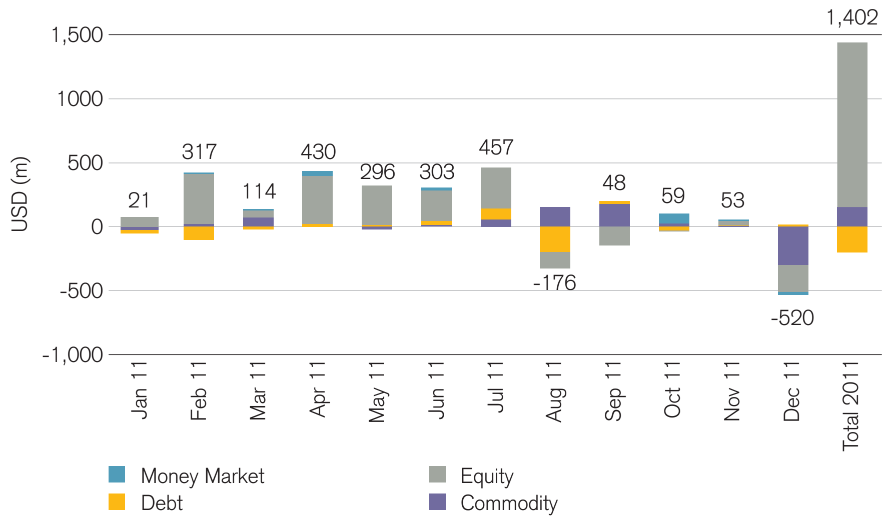


	Q1	Q2	Q3	Q4
Money Market	22	54	0	61
Equity	522	929	41	-178
Debt	-154	61	-96	-14
Commodity	61	-15	385	-277
Total (USD m)	**451**	**1,029**	**329**	**-408**

Source: CS ETF Sales Strategy, Bloomberg, 31.12.2011

- The year ended on a positive note for CS ETFs with total inflows of USD 1.40bn – well ahead of the results for the year of Europe's second and third largest ETF providers.
- Our most successful funds by NNA in 2011 were the CS ETF on S&P 500 with USD 442m inflows, the CS ETF on MSCI EMU with USD 390m inflows and the CS ETF on MSCI Emerging Markets with USD 369m inflows.

CS ETFs NNA



CS ETFs AUM

	Jan 2011	Feb 2011	Mar 2011	Apr 2011	May 2011	Jun 2011	Jul 2011	Aug 2011	Sep 2011	Oct 2011	Nov 2011	Dec 2011	Total 2011
Money Market	–	12	11	36	–	18	–	–	–	75	7	-21	137
Equity	76	393	54	380	309	241	317	-126	-150	-5	37	-210	1,315
Debt	-28	-104	-22	17	12	32	87	-202	19	-34	7	14	-204
Commodity	-27	17	71	-3	-24	12	54	151	179	24	2	-303	154
Total (USD m)	**21**	**317**	**114**	**430**	**296**	**303**	**457**	**-176**	**48**	**59**	**53**	**-520**	**1,402**

Source: CS ETF Sales Strategy, Bloomberg, 31.12.2011

Credit Suisse ETFs approach to selecting an ETF

CS ETFs views on the benefits and risks of different exchange traded instruments: Exchange Traded Funds, Commodities, Notes and Products

	Exchange Traded Funds (ETFs)				ETPs (ETCs and ETNs)
	UCITS		Non-UCITS		
	Physically replicated	Synthetically replicated	Physically replicated	Physically backed	
Listed on a regulated exchange	Yes	Yes	Yes	Yes	Yes
Investment objective	Exposure to the benchmark index	Exposure to the benchmark index	Exposure to the benchmark index	Exposure to the benchmark index/single underlying	Exposure to the benchmark index/single underlying
Tracking error	Low – can arise from transaction costs, optimised sampling, additional costs/ revenues (e.g. securities lending)	Low – can arise from additional costs/revenues associated with the swap	Low – can arise from transaction costs, optimised sampling, additional costs/ revenues (e.g. securities lending)	Low – can arise from transaction costs	Low – can arise from additional costs associated with the mechanics of the product (funding, swap/option pricing)
Legal structure	UCITS funds	UCITS funds	Funds outside UCITS framework (e.g. Switzerland)	Funds outside UCITS framework (e.g. Switzerland)	Debt instrument (i.e. a note)
Underlying holdings	Securities included in the index (all, or a selection of)	Index swap and securities*, which are sourced from a much wider pool than the index components	Securities included in the index	Physical underlying (e.g. gold)	N/A
Issuer risk	N/A	N/A	N/A	N/A	Yes (can be mitigated by posting of collateral)
Counterparty risk	If a securities lending programme is in place, yes. Otherwise no	Yes, due to the swap. Capped at 10% of NAV of the fund under UCITS**	If a securities lending programme is in place, yes. Otherwise, no	N/A	N/A
If issuer defaults	No loss for the investor***	No loss for the investor****	No loss for the investor	No loss for the investor	Potential loss up to 100% (can be mitigated by posting of collateral)
If counterparty defaults	If the securities lending counterparty defaults, the investor may lose the difference between the value of liquidated collateral and the cost of the re-purchased securities, if there is a shortfall	If the swap counterparty defaults, the investor may lose the difference between the value of the swap and the value of the liquidated collateral, where there is a shortfall	If the securities lending counterparty defaults, the investor may lose the difference between the value of liquidated collateral and the cost of the re-purchased securities, if there is a shortfall	No loss for the investor	See issuer risk
Fund access	Via a pool of APs, at the same level	Via a pool of APs, with one/several of them being the preferred AP(s) (the swap counterpart(ies))	Via a pool of APs, all at the same level	Via a pool of APs, all at the same level	Can vary
Transparency needs to be assessed for…	Terms of the securities lending programme, if any: (i) % of portfolio being lent (ii) type and level of collateral (iii) revenue split (iv) whether the securities lending activity is indemnified from loss due to counterparty default	■ Quality and liquidity of securities held by the fund/posted as collateral ■ Identity of swap counterparties ■ Swap pricing fairness ■ Policy re counterparty exposure (period resets? Thresholds?)	Terms of the securities lending programme, if any: (i) % of portfolio being lent (ii) type and level of collateral (iii) revenue split (iv) whether the securities lending activity is indemnified from loss due to counterparty default	Total vs partial allocation of physical commodity	■ Issuer credit rating ■ Pricing fairness ■ Liquidity

* Securities can legally belong to the fund (so called un-funded swap set up) or be posted as collateral to the fund (so called funded swap set up).
** Single-entity related risk can potentially exceed this limit, if there is relatedness – i.e. whenever prices of collateral are correlated with the swap counterparty.
*** Assuming the issuer is not involved in the securities lending programme.
**** Unless the issuer is also the/one of the swap provider(s).

Source: Credit Suisse ETF Sales Strategy 13.10.11

Credit Suisse Private Banking Global Research

The Credit Suisse Private Bank and Asset Management Investment Committee met at the beginning of 2012 to assess the global macro economic position and the new year's prospects.

The group, chaired by Stefan Keitel – CIO, Private Banking and Asset Management & Global Co-Head MACS – and vice-chaired by Giles Keating – Head of Research for Private Banking and Asset Management – sees the new year opening with modestly better equity fundamentals, as global growth improves and the Eurozone gradually delivers a list of stabilization measures (e.g. lower Italian deficit, ECB medium-term loans to banks).

Upcoming EU sovereign debt auctions are, however, seen likely to test the credibility of these measures and therefore the Investment Committee – although re-affirming their strategic (6–12+ month horizon) overweight for equities – decided to await either a dip or better technicals before a major tactical entry.

Strategic and Tactical Corner

	Tactical view (1–6 months)	Strategic view (6–12+ months)
Fixed Income	↘	↘
Equities	→	↗
AI: Commodities	→	↗
AI: Real Estate	→	↗

Source: Credit Suisse Investment Committee

The Macro Overview

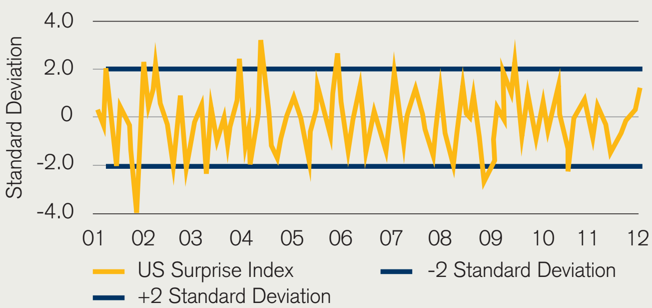
The Committee highlighted how the global PMI data have generally been stronger – with US data in particular continuing to surprise on the positive side. This trend may, though, now abate. Chinese data as well are seen to remain fairly robust.

Focussing on the Eurozone, PMI data signal a mild recession in H1. Gradually, the "list" of measures the Committee was looking at as crucial for the future of the area is being delivered, with Italian deficits smaller than target, and the European Central Bank (ECB) due to make a second large 3-year loan to banks.

In the Committee's view, inflation is likely to fall further in the coming months in most regions, and policy easing will continue, especially by the ECB.

Credit Suisse US surprise index

Our US surprise index, which contains key economic variables has reached the highest level since June 2010, reflecting the stronger-than-expected data releases.



Source; Bloomberg, Credit Suisse

Equities

The Committee still sees valuations being compelling on a long-term basis. Earnings momentum is still very weak, but is stabilizing – and our experts expect an average "beat rate" in this US earnings season. Technicals remain, in their view, neutral.

Overall, the Committee remains strategically positive on equities, but await a dip and/or better technicals to signal a tactical entry point.

Fixed Income

In the Committee's view, the upward US yield pressure from the improving economy is offset for now by the possibility of more Quantitative Easing (QE) and the Federal Reserve's commitment to keep rates low.

In Europe, better finances in Italy seem to be obscured for now by Greek uncertainty, keeping German yields low.

The Committee therefore waits for more clarity on both fronts, and remains neutral for the time being.

Positive economic data out of the US reinforce the positive view on US high yield credits, while in Europe, the Committee expresses a more cautious view and favors investment grade industrials for the time being.

Commodities

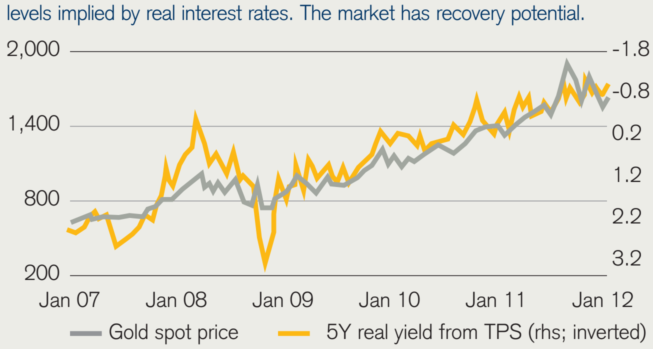
In late 2011, investors reduced gold positions to raise liquidity amid persisting funding stress. Gold has undershot to the downside but the technical uptrend remains intact. The Committee believes this creates recovery potential.

Furthermore, the Committee moved from negative to neutral on industrial metals, as this highly cyclical sector should be stabilized by the better tone in the global economy.

Finally, the Committee finds oil to be expensive, but low inventories and geopolitical risks limit the downside. Their view is that the backwardation creates yield for investors.

Gold with recovery potential

Year-end profit-taking and the stronger USD have pushed gold prices below levels implied by real interest rates. The market has recovery potential.



Source: Bloomberg, Credit Suisse/IDC

Tactical view: Equities → (Inputs: Technicals →/Fundamentals →)

Equity Indices MSCI	Current	Outlook: 1–6M total return rel. to world Overall	Comments	12M Fwd PE	Inputs Tech.	Fund.
MSCI USA	1,222	→	US economic momentum has been strengthening, while policy will remain accommodative. However, valuations remain a headwind.	11.2	↗	→
MSCI Europe	1,029	→	Valuations are attractive relative to US, but risks remain due to pending bank recapitalizations and the sovereign debt crisis.	9.8	→	↘
MSCI UK	1,661	↗	Market more attractively valued than Europe and the US, while enjoying better visibility on policy than in Europe. Sector exposure also a positive.	10.0	↗	↗
MSCI Japan	447	→	Valuations are still attractive relative to historical average. However, the strong yen remains a headwind.	11.6	↘	→
MSCI Australia	832	↘	Equity valuations have improved, but are not outright cheap. Strong currency and weak metals prices have had negative impact.	10.3	→	↘
MSCI Canada	1,530	→	Earnings per share growth highest after Japan, due to strong energy prices, but valuations are still relatively demanding.	11.6	→	→
MSCI Switzerland	781	→	The market has outperformed owing to Swiss National Bank (SNB) intervention, and is trading at a premium relative to history.	11.6	↗	→
MSCI Emerging (LEA)	931	→	Inflationary pressures are easing, which leaves more room for more accommodative monetary policy, with some central banks like the People's Bank of China already easing. Valuation is not a headwind.	9.1	↘	↗

Source: MSCI Barra, Credit Suisse. Indices as of close of 9 January 2012

Tactical view: Global Fixed Income ↘ (Inputs: Technicals →/Fundamentals →)

7–10yr government bonds total return	Current 10yr yield	Citigroup TR indices	Outlook: 1–6M total return rel. to world Overall*	Comments	Inputs Tech.	Fund.
USA	1.96%	964	→	The Federal Reserve is purchasing treasury bills with long maturities.	→	→
Eurozone**	1.85%	634	→	ECB in easing mode.	→	→
UK	2.01%	1,116	→	The Bank of England is buying Gifts.	↗	→
Japan	0.98%	396	→	The Bank of Japan is keeping its key interest rates low.	↘	→
Australia	3.74%	1,517	↗	The Reserve Bank of Australia might lower interest rates further.	↗	→
Canada	1.96%	1,101	→	Central bank rates expected unchanged in the near term.	↗	→
Switzerland	0.77%	386	→	The SNB is defending its lower FX limit.	→	→

Source: Citigroup CGBI TR, Credit Suisse. Data as of 9 January 2012.

* Arrows indicate expected total return developments. Note that the bond price is inversely related to bond yield.
** Reference Citigroup Germany GBI 7–10 years

Tactical view: Commodities → (Inputs: Technicals →/Fundamentals →)

Commodity spot rates	Current	Outlook: 1–6M total return rel. to CSCB Total Return Index Overall	Comments	Inputs Tech.	Fund.
CSCB Energy index	4,826	→	Futures curves for most markets are now in backwardation. The energy sub-index now offers yield.	→	↗
CSCB Precious Metals Index	1,240	→	Gold is positive at the long-term trend is up, other markets, such as platinum or silver, look more vunerable.	→	→
CSCB Industrial Metals Index	2,967	→	Industrials should be stabilized by the better tone in the global economy.	→	→
CSCB Agricultural Index	1,251	↘	Inventories have recently been revised higher and some markets are overvalued.	→	↘
Gold	1,612	↗	Benefiting from record low interest rates and attractive valuation.	→	↗
WTI Oil	101	→	Global demand growth has recently accelerated, inventories are now below average.	↗	↗

Source: Bloomberg, Credit Suisse. Prices as of 3 October 2011. Local currency is USD.

Publication title:	**Credit Suisse Investment Committee Report**
Publication date:	**11 January 2012**

CS ETFs: Product overview

	First Listing Date	AUM (USD m, 31.12.2011)	TER (in %)	Replication
CS ETF (CH) on SMI®	15/03/2001	3,628	0.39%	full replication
CS ETF (CH) on SMIM®	09/12/2004	1,106	0.49%	full replication
CS ETF (CH) on SLI®	02/07/2007	491	0.39%	full replication
CS ETF (CH) on SBI Domestic Government 1–3	03/07/2009	285	0.21%	full replication
CS ETF (CH) on SBI Domestic Government 3–7	19/11/2003	659	0.19%	full replication
CS ETF (CH) on SBI Domestic Government 7–15	19/11/2003	103	0.25%	full replication
CS ETF II (CH) on Gold	06/10/2009	1,259	0.33%	full replication
CS ETF II (CH) on Gold – hedged CHF	06/10/2009	525	0.39%	full replication
CS ETF II (CH) on Gold – hedged EUR	06/10/2009	278	0.40%	full replication
CS ETF (Lux) on MSCI EMU Large Cap	24/10/2002	403	0.49%	full replication
CS ETF (Lux) on MSCI EMU Mid Cap	18/09/2007	157	0.52%	full replication
CS ETF (Lux) on MSCI Emerging Markets	30/06/2006	1,099	0.68%	optimized sampling
CS ETF (IE) on MSCI UK Large Cap	03/07/2009	74	0.48%	full replication
CS ETF (IE) on MSCI UK Small Cap	03/07/2009	30	0.58%	optimized sampling
CS ETF (IE) on MSCI USA Large Cap	03/07/2009	58	0.33%	full replication
CS ETF (IE) on MSCI USA Small Cap	03/07/2009	177	0.48%	optimized sampling
CS ETF (IE) on MSCI Japan Large Cap	03/07/2009	44	0.48%	full replication
CS ETF (IE) on MSCI Japan Small Cap	03/07/2009	51	0.58%	optimized sampling
CS ETF (IE) on MSCI EMU Small Cap	03/07/2009	143	0.58%	optimized sampling
CS ETF (IE) on iBoxx USD Govt 1–3	03/07/2009	50	0.23%	optimized sampling
CS ETF (IE) on iBoxx USD Govt 3–7	03/07/2009	113	0.23%	optimized sampling
CS ETF (IE) on iBoxx USD Govt 7–10	03/07/2009	8	0.23%	optimized sampling
CS ETF (IE) on iBoxx EUR Govt 1–3	03/07/2009	207	0.23%	optimized sampling
CS ETF (IE) on iBoxx EUR Govt 3–7	03/07/2009	92	0.23%	optimized sampling
CS ETF (IE) on iBoxx EUR Govt 7–10	03/07/2009	11	0.23%	optimized sampling
CS ETF (IE) on iBoxx USD Inflation Linked	03/07/2009	56	0.28%	optimized sampling
CS ETF (IE) on iBoxx EUR Inflation Linked	03/07/2009	50	0.28%	optimized sampling
CS ETF (IE) on S&P 500	19/05/2010	746	0.20%	full replication
CS ETF (IE) on EURO STOXX 50®	27/01/2010	144	0.20%	full replication
CS ETF (IE) on Dow Jones Industrial AverageSM	27/01/2010	127	0.33%	full replication
CS ETF (IE) on Nasdaq 100	27/01/2010	263	0.33%	full replication
CS ETF (IE) on FTSE 100	27/01/2010	34	0.33%	full replication
CS ETF (IE) on FTSE MIB	27/01/2010	27	0.33%	full replication
CS ETF (IE) on Nikkei 225	27/01/2010	59	0.48%	full replication
CS ETF (IE) on MSCI Pacific ex Japan	13/01/2010	39	0.48%	full replication
CS ETF (IE) on MSCI Canada	13/01/2010	144	0.48%	full replication
CS ETF (IE) on MSCI UK	13/01/2010	341	0.33%	full replication
CS ETF (IE) on MSCI USA	13/01/2010	303	0.33%	full replication
CS ETF (IE) on MSCI Japan	13/01/2010	588	0.48%	full replication
CS ETF (IE) on MSCI Europe	13/01/2010	59	0.33%	full replication
CS ETF (IE) on MSCI EMU	13/01/2010	826	0.33%	full replication
CS ETF (IE) on MSCI EM EMEA	26/08/2010	11	0.65%	swap-based
CS ETF (IE) on MSCI Russia	26/08/2010	92	0.65%	swap-based
CS ETF (IE) on MSCI South Africa	26/08/2010	20	0.65%	full replication
CS ETF (IE) on MSCI EM Latin America	26/08/2010	23	0.65%	swap-based
CS ETF (IE) on MSCI Brazil	26/08/2010	27	0.65%	full replication
CS ETF (IE) on MSCI Chile	26/08/2010	39	0.65%	swap-based
CS ETF (IE) on MSCI Mexico Capped	26/08/2010	53	0.65%	full replication
CS ETF (IE) on CSI 300	26/08/2010	77	0.50%	swap-based
CS ETF (IE) on MSCI India	26/08/2010	34	0.75%	swap-based
CS ETF (IE) on MSCI Korea	26/08/2010	18	0.65%	swap-based
CS ETF (IE) on MSCI Taiwan	26/08/2010	31	0.65%	swap-based
CS ETF (IE) on MSCI EM Asia	26/08/2010	74	0.65%	swap-based
CS ETF (IE) on MSCI Australia	26/08/2010	78	0.50%	full replication
CS ETF (IE) on MSCI World	10/02/2011	23	0.40%	swap-based
CS ETF (IE) on Credit Suisse Global Alternative Energy	10/02/2011	24	0.65%	full replication
CS ETF (IE) on Fed Funds Effective Rate	10/02/2011	6	0.14%	swap-based
CS ETF (IE) on EONIA	10/02/2011	121	0.14%	swap-based

SIX BBG Ticker	Xetra BBG Ticker	Borsa BBG Ticker	LSE BBG TIcker		Euronext Paris BBG Ticker
CSSMI SW	XMT GY				
CSSMIM SW					
CSSLI SW					
CSBGC3 SW					
CSBGC7 SW					
CSBGC0 SW					
CSGOLD SW					
CSGLDC SW					
CSGLDE SW					
CSEMUL SW	XMHA GY	CSEMUL IM	CEUL LN	CEL1 LN	CEUL FP
CSEMUM SW	XMHC GY	CSEMUM IM	CEUM LN	CEM1 LN	CEUM FP
CSEM SW	XMHB GY	CSEM IM	CSEM LN	CM1 LN	CSEM FP
CSUKL SW	SXRC GY	CSUKL IM	CUKL LN		CUKL FP
CSUKS SW	SXRD GY	CSUKS IM	CUKS LN		CUKS FP
CSUSL SW	SXRF GY	CSUSL IM	CUSL LN	CUL1 LN	CUSL FP
CSUSS SW	SXRG GY	CSUSS IM	CUSS LN	CUS1 LN	CUSS FP
CSJPL SW	SXRH GY	CSJPL IM	CJPL LN		CJPL FP
CSJPS SW	SXRI GY	CSJPS IM	CJPS LN		CJPS FP
CSEMUS SW	SXRJ GY	CSEMUS IM	CEUS LN	CES1 LN	CESL FP
CSBGU3 SW	SXRK GY	CSBGU3 IM	CBU3 LN	CU31 LN	CBU3 FP
CSBGU7 SW	SXRL GY	CSBGU7 IM	CBU7 LN	CU71 LN	CBU7 FP
CSBGU0 SW	SXRM GY	CSBGU0 IM	CBU0 LN	CU01 LN	CBU0 FP
CSBGE3 SW	SXRN GY	CSBGE3 IM	CBE3 LN	CE31 LN	CBE3 FP
CSBGE7 SW	SXRP GY	CSBGE7 IM	CBE7 LN	CE71 LN	CBE7 FP
CSBGE0 SW	SXRQ GY	CSBGE0 IM	CBE0 LN	CE01 LN	CBE0 FP
CSBILU SW	SXRR GY	CSBILU IM	CBIU LN	CIU1 LN	CBIU FP
CSBILE SW	SXRS GY	CSBILE IM	CBIE LN	CIE1 LN	CBIE FP
CSSPX SW	SXR8 GY	CSSPX IM	CSPX LN	CSP1 LN	CSPX FP
CSSX5E SW	SXRT GY	CSSX5E IM	CSX5 LN	CS51 LN	CSX5 FP
CSINDU SW	SXRU GY	CSINDU IM	CIND LN	CID1 LN	CIND FP
CSNDX SW	SXRV GY	CSNDX IM	CNDX LN	CNX1 LN	CNDX FP
CSUKX SW	SXRW GY	CSUKX IM	CUKX LN		CUKX FP
CSMIB SW	SXRY GY	CSMIB IM	CMIB LN	CMB1 LN	CMIB FP
CSNKY SW	SXRZ GY	CSNKY IM	CNKY LN		CNKY FP
CSPXJ SW	SXR1 GY	CSPXJ IM	CPXJ LN	CPJ1 LN	CPXJ FP
CSCA SW	SXR2 GY	CSCA IM	CSCA LN		CSCA FP
CSUK SW	SXR3 GY	CSUK IM	CSUK LN		CSUK FP
CSUS SW	SXR4 GY	CSUS IM	CSUS LN	CU1 LN	CSUS FP
CSJP SW	SXR5 GY	CSJP IM	CSJP LN		CSJP FP
CSEU SW	SXR6 GY	CSEU IM	CSEU LN	CSE1 LN	CSEU FP
CSEMU SW	SXR7 GY	CSEMU IM	CEU LN	CEU1 LN	CEMU FP
CSEMEM SW	CEBA GY	CSEMEM IM	CEME LN	CME1 LN	CEME FP
CSRU SW	CEBB GY	CSRU IM	CSRU LN	CRU1 LN	CSRU FP
CSZA SW	CEBC GY	CSZA IM	CSZA LN	CZA1 LN	CSZA FP
CSEMLA SW	CEBD GY	CSEMLA IM	CEML LN	CML1 LN	CEML FP
CSBR SW	CEBE GY	CSBR IM	CSBR LN	CBR1 LN	CSBR FP
CSCL SW	CEBF GY	CSCL IM	CSCL LN	CCL1 LN	CSCL FP
CSMXCP SW	CEBG GY	CSMXCP IM	CMXC LN	CMX1 LN	CMEX FP
CSCSI3 SW	CEBH GY	CSCSI3 IM	CCSI LN	CCS1 LN	CCSI FP
CSIN SW	CEBI GY	CSIN IM	CSIN LN	CIN1 LN	CSIN FP
CSKR SW	CEBJ GY	CSKR IM	CSKR LN	CKR1 LN	CSKR FP
CSTW SW	CEBK GY	CSTW IM	CSTW LN	CTW1 LN	CSTW FP
CSEMAS SW	CEBL GY	CSEMAS IM	CEMA LN	CEA1 LN	CEMA FP
CSAU SW	CEBM GY	CSAU IM	CSAU LN	CAU1 LN	CSAU FP
CSWD SW	CEBN GY	CSWD IM	CSWD LN	CWD1 LN	CSWD FP
CSAE SW	CEBP GY	CSAE IM	CSAE LN	CAE1 LN	CSAE FP
CSFF SW	CEBQ GY	CSFF IM	CSFF LN	CFF1 LN	CSFF FP
CSEO SW	CEBR GY	CSEO IM	CSEO LN	CEO1 LN	CSEO FP

Source: CS ETF Sales Strategy, 31.12.2011

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Database and methodology

Our analysis is based on Bloomberg data. Only ETFs listed and domiciled in Europe were considered. ETFs for which data was not regularly published were not included. For AUM figures market prices were taken into account in USD; for NNA figures we worked on outstanding shares, at average period NAV, so as to provide trends net of market movements. Again, the currency was USD for the sake of consistency across the field.

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