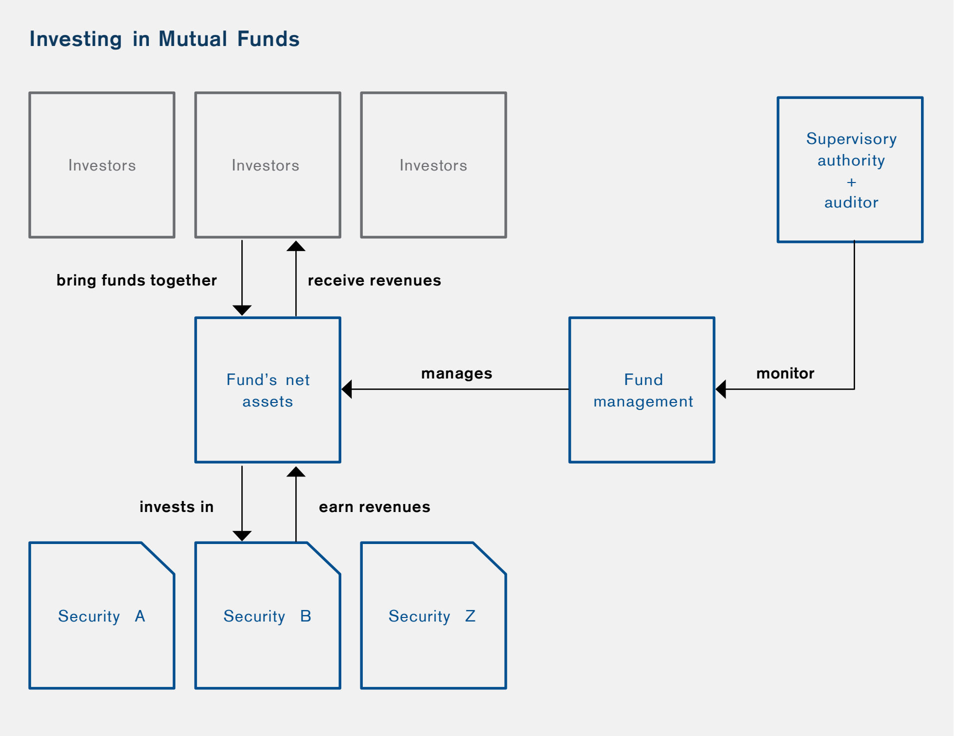
Mutual Funds
Product Class Documentation

This document explains the characteristics, benefits and risks associated with investments in mutual funds. The knowledge acquired should help you when making investment decisions. If you have any further questions, please contact your client advisor.

Characteristics
A mutual fund pools the monies of several investors to form the fund assets.
These assets are invested in a range of asset classes, such as money market investments, bonds, equities, commodities, or real estate.
The fund managers make the concrete investment decisions in line with the defined investment strategy.
Mutual funds also encompass exchange traded funds (ETFs), which generally replicate an index passively (i.e. the underlying is not actively selected). ETFs are traded on the stock exchange.

Typical Mutual Funds
Investment funds, funds of funds, real estate funds, and ETFs.



Possible Benefits

- Diversification
- Comprehensive investor protection (special assets, regulation)
- Professional fund management
- Opportunity for private investors to participate in markets that are otherwise difficult to access
- Option of investing even small amounts
- High liquidity
- ETFs: High degree of transparency; low management fees

Possible Risks

- Market risk
- Credit risk (Counterparty Risk of Swap-Based ETFs)
- Liquidity risk
- Foreign currency risk
- Tracking risk

Other Features

Classification of Mutual Funds

The universe of investment funds can be classified as follows:

- **Money market funds** invest in a diversified portfolio of money market papers or short-term fixed-interest investments such as fixed-term deposits, treasury bills, corporate and government bonds, and so forth.
- **Bond funds** invest in a diversified portfolio of bonds with fixed and variable interest.
- **Equity funds** invest in a different manner depending on the strategy – for example, in small, medium-sized, or large enterprises in a certain country or economic area.
- **Alternative investments funds** are investment funds that invest in alternative investments such as commodities or real estate:
  - **Commodity funds** usually invest in a diversified portfolio of commodities by way of equities, bonds, structured products, or derivatives. Detailed information can be found in Credit Suisse (Switzerland) Ltd.'s documentation on risk aspects of commodities.
  - **Real estate funds** invest in revenue-producing properties such as commercial real estate, business properties, or large residential complexes. You can only buy units in a real estate fund at a premium (on the NAV – net asset value). Detailed information can be found in Credit Suisse (Switzerland) Ltd.'s documentation on risk aspects of real estate.
- **Strategy funds** invest in a diversified portfolio of money market products, bonds, equities, or alternative investments.

Possible Benefits

Diversification

Investment funds diversify the risk of a lump-sum investment by investing in a broad portfolio of underlying assets such as shares, bonds, commodities, etc.

Comprehensive Investor Protection

In legal terms, investment funds/ETFs represent a special asset that is not included in the bankruptcy estate should the issuer of the investment fund become insolvent.
Investment funds/ETFs are also regulated investment instruments. They are monitored by the regulatory authorities (in Switzerland by FINMA) according to the rules applicable in their country of domicile.

New Markets and Professional Management

You can also invest in asset classes or markets that are otherwise generally unavailable to private investors, such as emerging market economies, without having to make the investment decisions yourself. This is handled for you by a professional fund management company in line with the defined investment strategy.

Small Investment Amounts

Mutual funds allow you to invest even small amounts in broadly diversified portfolios.

High Liquidity

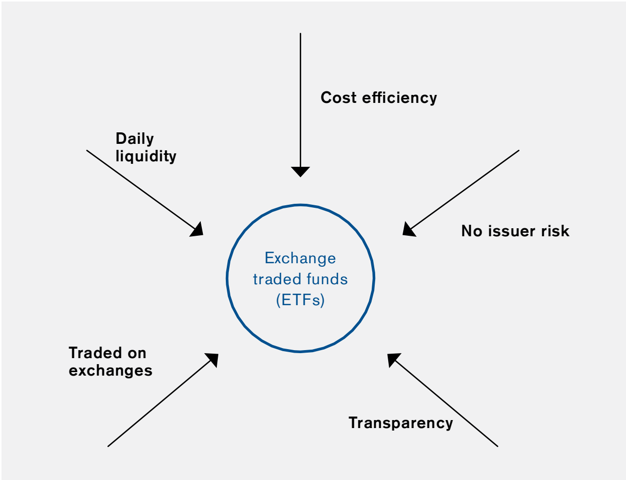
If you would like to sell mutual fund units, you can redeem the units any time at their net asset value (NAV) with the fund management company or sell them through an exchange, as with ETFs. In the case of mutual funds, the price is calculated only once a day; in the case of ETFs it is calculated continually on the exchange.

Special Features of Exchange Traded Funds

Exchange traded funds (ETFs) are listed investment funds with no specified final maturity. They are traded continuously during stock market opening hours.
As with conventional investment funds, ETFs invest in asset classes such as equities or bonds and are traded at a price that is close to the net value of the underlying asset. For this reason, the price of ETFs fluctuates over the course of the trading day.
Unlike conventional mutual funds, the ETFs referred to in this product class documentation are not actively managed by fund management companies, but replicate an index passively.
As with conventional investment funds, the investment capital represents a special asset that is not included in the bankruptcy estate should the issuer of the investment fund become insolvent (no issuer risk). ETFs should not be confused with exchange traded notes (ETNs) or exchange traded commodities (ETCs). Those products are debt obligations and thus present issuer risk.

High Degree of Transparency, Low Management Fees

Usually an ETF aims to track a certain index on a 1-to-1 basis. This allows you to keep track of the composition of the fund at all times (i.e. it is highly transparent).
ETFs are cost-effective because they are traded without issuing or redemption premiums and are subject to the usual trading fees. Moreover, management fees are lower than with conventional investment funds.



Special Types of ETFs

There are also special types of ETFs, such as swap-based, leveraged, or short ETFs.
Swap-based ETFs use swaps to track an index. Leveraged ETFs track an index, but they also use borrowed capital in addition to investment capital to achieve a higher yield. Short ETFs enable investors to participate in the negative performance of the underlying index.
Some of these products have special features, which may sometimes be very different from standard ETFs and therefore associated with increased risks.
The detailed features of the special types of ETFs can be found in the individual product descriptions, as well as in the relevant fund documentation.

Possible Risks

Potential Loss
When investing in mutual funds/ETFs, the investor may incur loss because the value of the fund may drop below the unit purchase price. The spreading of risk across a wide range of underlying assets means that the risk of total loss is relatively low.

Market Risk
The investor bears the risk that the value of the investment fund/ETF could fall during the term. This may occur due to fluctuations in the market values for the underlyings (e.g. equities, interest rates, currencies, or commodities).

Credit Risk
Counterparty Risk of Swap-Based ETFs

Swap-based ETFs do not replicate an index through the purchase of index components; rather, they use swaps for this purpose. A swap counterparty – usually another bank – agrees to pay the corresponding index performance of the ETF in question. In line with current regulations, the resulting counterparty risk within the ETF is limited to 10% of the fund's net assets.

Liquidity Risk
The liquidity of an investment fund/ETF is determined by the liquidity of the underlying assets. If the underlying assets become illiquid, redemption of fund units may be suspended for a period specified by the fund. Under certain circumstances, the fund may also be liquidated.

Currency Risk
Investors may be exposed to currency risk if (i) the underlying assets are traded in a currency other than that of the investment fund/ETF or (ii) the fund is set up in a currency other than their home currency.
Further information can be found in the risk aspect documentation on foreign currency risks issued by Credit Suisse (Switzerland) Ltd.

Tracking Risk
The yield of a mutual fund/ETF may be lower than that of an underlying index or benchmark, because the mutual fund/ETF is subject to management fees.

Other Risk Aspects
Investors may also be exposed to other risk aspects. For example, investment funds/ETFs may invest in emerging market economies and commodities or real estate. Further information on the related risks is provided in the respective risk aspect documentation issued by Credit Suisse (Switzerland) Ltd.

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