

## Direct Investments: Fixed-Income Investments

### Product Class Documentation

This document explains the characteristics, benefits and risks of direct fixed-income investments. The knowledge acquired should help you when making investment decisions. If you have any further questions, please contact your client advisor.

#### Characteristics

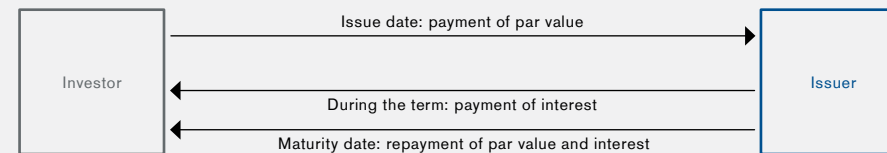
Fixed-income investments are short- to long-term debt securities (e.g. bonds). The term is usually up to 30 years.

A debt security generally certifies the right to redemption of the investment amount (par value) and any interest payments (coupons). The repayment is made at the end of the term (maturity date).

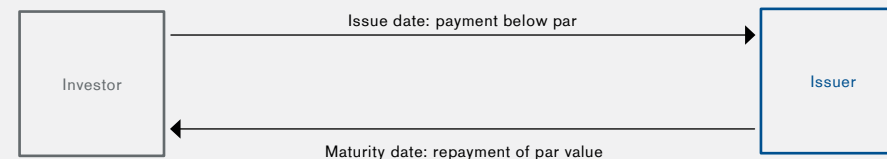
Fixed-income investments may be issued by companies, banks, or the public sector (e.g. federal government, municipalities). The main characteristics of fixed-income investments are set out upon issue in an issue prospectus.

Fixed-income investments can usually be traded on the secondary market during the term.

#### Example: Conventional Bond



#### Example: Zero Coupon Bond



#### Possible Benefits

- Stability
- Tradability
- Steady yield in the case of coupon bonds

#### Possible Risks

- Market risk (interest rate risk)
- Credit risk (issuer and guarantor risk)
- Liquidity risk
- Foreign currency risk

#### Typical Fixed-Income Direct Investments

Traditional bonds, variable-interest debt obligations, zero coupon bonds, callable bonds, and convertible bonds.

## Other Features

### Main Characteristics of Fixed-Income Investments

- **Par value** – amount to be repaid to the investor on the maturity date.
- **Coupon** – interest amount due annually expressed as a percentage of the bond's par value.
- **Maturity date** – a bond's final payment date on which the principal (and all outstanding interest) becomes due for payment.
- **Provisions on premature or partial redemption** – issuer's right to redeem an outstanding bond prior to maturity in full or, in the case of sinking fund provisions, partially at a specific redemption price via a sinking fund.
- **Issuer guarantees** – undertakings from the issuer, set out in a formal bond contract, to perform or to refrain from certain activities in order to provide investors with additional security.

### Special Characteristics of Convertible Bonds

Convertible bonds have a fixed term and a set interest rate. Holders have the right to convert the bond into issuer's equity in a predefined ratio during a specified conversion period. Mandatory convertible notes are a special type of convertible bond. In the case of mandatory convertible notes, conversion to equity is mandatory by the maturity date at the latest. If a conversion takes place, you become a shareholder as opposed to a creditor. Further information on the risks associated with equity investments can be found in the documentation on product classes covering direct investments in equities issued by Credit Suisse (Switzerland) Ltd.

### Special Characteristics of Callable Bonds

For fixed-interest investments with call rights, the issuer may call and redeem the debt security early if interest rates fall.

### Bond Ratings

A bond's quality is determined by the issuer's financial capacity to make interest payments and to repay the par value in full upon maturity. The issuer's financial position is evaluated by credit rating agencies. These also issue ratings for the bonds offered. A rating of this kind helps to assess the credit quality of the bond compared with other bonds. Moody's and Standard & Poor's (S&P) are two major independent credit rating agencies, which evaluate the credit quality of bonds and assign the following ratings to them.

Moody's	S&P	
Aaa	AAA	The obligor has extremely strong capacity to meet its financial commitments.
Aa	AA	The obligor has very strong capacity to meet its financial commitments.
A-1, A	A	The obligor has strong capacity to meet its financial commitments but is somewhat more susceptible to the adverse effects of changes in conditions.
Baa-1, Baa	BBB	The obligor has adequate capacity to meet its financial commitments, but is more likely to be susceptible to the adverse effects of changes in conditions.
Ba	BB	The obligor is less vulnerable in the near term. There is greater uncertainty regarding the adverse effects of changes in conditions.
B, Caa, Ca	B,CCC, CC, C	If conditions were to worsen, defaults are likely or high probability of default.
C	D	Default on financial commitments.

## Possible Benefits

### Stability

Fixed-income investments are generally less volatile than equities and are therefore considered conservative investments.

### Tradability

Fixed-income investments are traded in an organized capital market (stock exchange with or without central counterparty) or over-the-counter between trading houses. Provided a counterparty can be found, they can be bought or sold before the maturity date.

### Steady Yield

With fixed-income coupon bonds, coupon payments (in contrast to equity dividends) are made at regular intervals.

## Possible Risks

### Potential Loss

During its term, the market value of a fixed-income investment may fall below the redemption price upon maturity. If issuers default on their payment obligations under a fixed-income investment, there is the risk of partial or total loss of the capital invested (further details can be found in the “Credit Risk” section).

### Market Risk (Interest Rate Risk)

Investors bear the risk that interest rate fluctuations may have a negative impact on the value of the fixed-income investment during the term.

### Credit Risk

#### Issuer Risk

Investors bear the credit risk of the issuer of the fixed-income investment. The credit risk is the danger of the obligor's insolvency. This may result in a possible partial or total loss of the capital invested.

### Guarantor Risk

The involvement of a guarantor reduces the default risk, as the guarantor ensures full or partial payment of the redemption price in the event of the issuer's insolvency. Investors bear the risk that guarantors may also not be able to meet their obligations or may become insolvent.

### Liquidity Risk

The tradability of fixed-income investments depends on whether a price has been established on the market. In an illiquid market, investors run the risk of either having to retain the fixed-income investment until the end of the term or selling it before maturity at an unfavorable price. Establishing a fair price and price comparisons can be difficult to impossible to carry out as there are sometimes no counterparties on the market.

### Foreign Currency Risk

Investors may be exposed to foreign currency risks if the fixed-income investment is placed in a currency other than the investors' home currency.

Further information can be found in the risk aspect documentation for foreign currency risk issued by Credit Suisse (Switzerland) Ltd.

### Other Risk Aspects

Investors may also be exposed to other risk aspects.

The issuer of a fixed-income investment may, for example, be located in an emerging market.

Further information on the related risks is provided in the respective risk aspect documentation issued by Credit Suisse (Switzerland) Ltd.

### Disclaimer

This document was produced by Credit Suisse (Switzerland) Ltd. (hereafter “CS”) with the greatest of care and to the best of its knowledge and belief. This document is provided for information purposes only and is for the exclusive use of the recipient. It constitutes neither an offer nor a recommendation to buy or sell financial instruments or banking services and does not discharge the recipient from exercising his/her own judgment. The recipient is advised to check that the information provided is in line with his/her own circumstances with regard to any legal, regulatory, tax, or other consequences, if necessary with the help of a professional advisor. CS does not make any representation as to the content and completeness of the document, and does not accept any liability for losses that might arise from making use of the information contained in this document. The opinions expressed in this document are those of CS at the time of writing and are subject to change at any time without notice. This document may not be reproduced either in part or in full without the written permission of CS. It is expressly not intended for persons who, due to their nationality or place of residence, are not permitted access to such information under local law. Neither this document nor copies of it may be sent or brought to the United States. Nor may it be distributed in the United States or given to a US person.

This document cannot provide information on all risks associated with financial instruments. The investor should therefore also consult the specific product documentation and the brochure issued by the Swiss Bankers Association on the “Risks of Securities Transactions (2008)” (available from the website of the Swiss Bankers Association: [www.swissbanking.org/en/home/shop.htm](http://www.swissbanking.org/en/home/shop.htm)). The specific product documentation can be ordered upon request from your relationship manager.