

Explanations of return, risk, and costs



1. Expected return

Credit Suisse's capital market assumptions represent the bank's long-term assessment (more than five years) of economic growth, inflation and the financial market. They serve as the basis for calculating strategic asset allocation and the expected risk and return for the individual investment groups¹ of the Credit Suisse Investment Foundation (CSA) and Credit Suisse Investment Foundation 2 (CSA 2). Capital market assumptions are updated annually.

The expected return of the investment groups is calculated using econometric models over a period of five years. It is presented in both arithmetic and geometric form and is intended to enable an estimation of the performance of the asset classes underlying the investment groups. The expected performance is calculated for all important asset classes.

Accordingly, the expected return of the investment groups indicates the (estimated) average return calculated for the future based on the expected returns of the individual asset classes contained in the investment groups.

2. Expected risk

The volatility estimate², which is also established on the basis of capital market assumptions, is based on a "point estimate." This is calculated using conventional methods³. The volatility always factors in autocorrelation.

The expected volatility of an investment group represents the estimated average degree of dispersion in terms of expected return, and thus the expected assets in five years (expressed as a value per year).

3. Note

Because the expected return and risk mentioned in paras. 1 and 2 are, by their very nature, based on rough estimates of future economic growth and inflation rates, as well as financial markets, investors must be aware that the actual returns and losses may be much lower or much greater, respectively, than the volatility estimates suggest.

¹ (Mixta) investment groups

² Volatility expresses the risk of an investment

³ Clustering and shrinkage in particular

4. Costs as operating expense ratio TER_{KGAST}

Costs are not factored into the expected values for return and risk (in line with paras. 1 and 2); they reduce the performance of the investments.

The costs incurred for management of the investment groups are summarized under the term "Operating expense ratio TER_{KGAST}." The calculation of the operating expense ratio TER_{KGAST} is determined by the Conference of Investment Foundation Managers (KGAST), the association for investment foundations.

The operating expense ratio TER_{KGAST} expresses the total of the commissions and costs that are charged to the assets of the investment group (operating expenses) on an ongoing basis. It is represented as a percentage of net assets.

The investment groups are funds of funds.
In addition to the costs of the respective investment group,

the weighted costs of the target fund are also included in the calculation of the operating expense ratio TER_{KGAST}. Because the composition of the investment groups changes over time, the operating expense ratio TER_{KGAST} is subject to certain fluctuations. For this reason, it cannot be displayed as a fixed value. The issuers of the investment groups, i.e. the Credit Suisse Investment Foundations, aim to keep the operating expense ratio TER_{KGAST} as stable as possible.

The operating expense ratio TER_{KGAST} is calculated once a year for the preceding 12 months. The calculation is based on the commissions and costs shown in the income statement as of June 30.

Following verification by the auditors, the operating expense ratio TER_{KGAST} is published in the fact sheet of the respective investment group, in the list of conditions for the Credit Suisse Investment Foundations, and in the annual reports of the Credit Suisse Investment Foundations.



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