

HS Market Neutral Index



The advantage of enhanced alpha The convenience of an index The power of HOLT™

In the quest to deliver real financial performance, managers scour the horizons for new tools, strategies and products that might help them achieve their goals. With enhanced alpha strategies now in the spotlight, many investors are intrigued, even while recognizing that such portfolios require specialized expertise, new risk management protocols and powerful execution capabilities.

Now there is an opportunity to access this kind of advanced portfolio strategy without building the related investment infrastructure. For the first time, asset managers can refer to a truly global market neutral investment benchmark that leverages a proven algorithmic strategy, a well-recognized analytic framework and the broadest company coverage available – with Credit Suisse's HS Market Neutral Index.

Contact us

For more information on the HS Market Neutral Index please email hs.indices@credit-suisse.com or contact your Credit Suisse sales person.

HS Market Neutral Index

Combining the benefits of a well-known hedge fund approach with the simplicity of equity index investing, the HS Market Neutral Index offers investors the opportunity to participate in a rules-based investment strategy that exhibits a low correlation to other asset classes. As the latest member of the HOLTSelect™ Series, the HS Market Neutral Index extends the usage of HOLT's advanced corporate performance and valuation framework to the derivatives arena. With access to HOLT's extensive company database and sophisticated screening protocols, the HS Market Neutral Index benefits from a uniquely stringent stock selection process.

The HS Market Neutral Index represents a long/short portfolio that additionally maintains strict sector and region neutrality. As a result, it consistently outperforms in real world market conditions, delivering positive returns in each of the past 11 years. It is devised to be a tradable index; performance data is reliably measured by an independent third party and is easily accessible through conventional sources of investment news and information. Moreover, it is highly cost-efficient to implement as is, or may be used as a component to more complex strategies.

Key Details

- HS Market Neutral Index is calculated and maintained by Standard & Poor's.
- Rebalancing occurs quarterly in March, June, September and December.
- The construction process eliminates sector, region and currency bias.
- Performance is calculated in the form of excess return over the risk-free rate (i.e., LIBOR).
- Index value is calculated in US Dollars, Euros and Swiss Francs.
- Index values are published daily as:

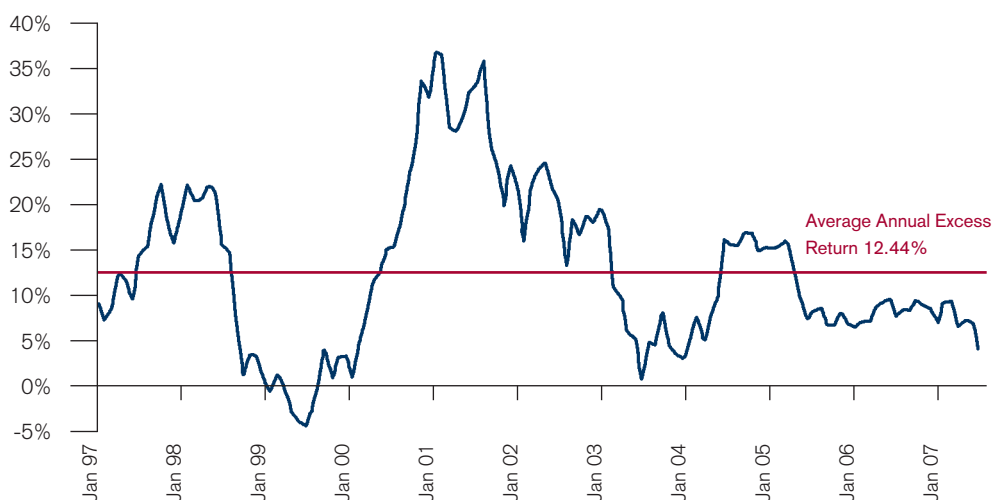


	Bloomberg Code	Reuters Code
HS Market Neutral Index	HSGMN	.HSGMN
HS Market Neutral Index EUR	HSGMNE	.HSGMNE
HS Market Neutral Index CHF	HSGMNC	.HSGMNC

HS Market Neutral Index Performance Highlights

Measured over the period beginning in January 1996, the HS Market Neutral Index has delivered an average annual excess return of 12.44%. A core concept in the construction of the Index is that the stocks that comprise the long portfolio are purchased with the proceeds from selling the stocks in the short portfolio; thus, no initial capital outlay is required. Consequently, the index measures a pure incremental return over the risk-free rate.

The Index has consistently achieved strong excess returns, having delivered on a rolling basis a positive annual return in the majority of instances since January 1996.



Index returns are measured in USD
01 January 1996 – 28 September 2007

Source: Bloomberg

Other significant advantages include the Index's attractively low correlation to other asset classes – commodities, bonds and equities all demonstrate negligible statistical relationships. Among the major benchmarks, only bonds delivered lower realized volatility – an unusual achievement in an equity index. And its 1.84 Sharpe ratio eloquently summarizes the Index's superior risk-adjusted returns.

	Correlation to HS Market Neutral	Realized Volatility	Sharpe Ratio
HS Market Neutral	-	6.3%	1.84
MSCI World	-0.14	13.4%	0.19
S&P GSCI ER	0.02	20.6%	0.20
DJ Lehman Bond Comp Global	0.09	3.9%	0.32

01 January 1996 – 28 September 2007

Source: Bloomberg

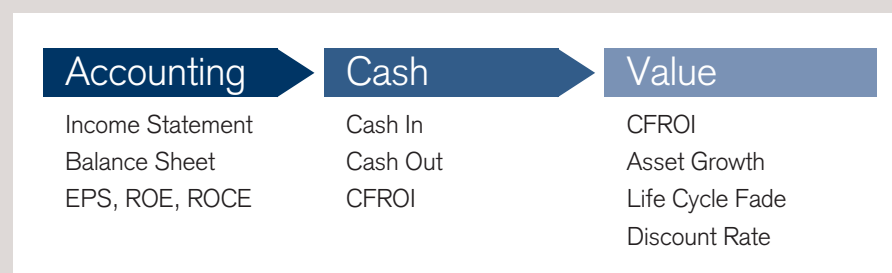
Reaching Beyond the Confines of the Long-Only Policy

Time and again, investment professionals confront the inherent inefficiencies of the long-only investment constraint. Their analyses identify securities that will outperform as well as those that will fall short – equally valuable intelligence, yet they can only take action on the long side of the equation. The most forceful position one can take on an overvalued stock is exclusion from the portfolio. Given such limitations, alpha seems ever more elusive.

In fact, once liberated from this straitjacket, shorts can reduce overall portfolio risk, leveraging the full power of investment intelligence to actually gain greater diversification than the long universe otherwise offers.

The HOLT Advantage

With its proprietary system of analytics and vast database, HOLT takes the process of investment selection to a higher level of sophistication and efficiency. HOLT's methodology converts accounting data into Cash Flow Return on Investment (CFROI[®]) data on the theory that this approach more closely approximates an entity's underlying economic performance. With the CFROI valuation framework, HOLT maintains universal comparability of company data across sectors and regions, and over time, because accounting and inflation distortions are eliminated. This unique, global perspective is supported by a proprietary database offering unparalleled coverage – over 18,000 companies in more than 59 countries, incorporating data that is rigorously analyzed and closely monitored for accuracy.



The best of HOLT is captured in its scoring model, which screens investment alternatives on the basis of three categories of highly predictive factors. The Operational category identifies companies with appealing corporate performance characteristics; the Valuation category finds stocks that are attractively valued according to the HOLT valuation model and the Momentum category highlights stocks that are gaining from positive market sentiment. The factors and categories used in the screening process have proven in back tests to consistently identify stocks that on the long dimension outperform the market and on the short dimension underperform the market.

Index Methodology

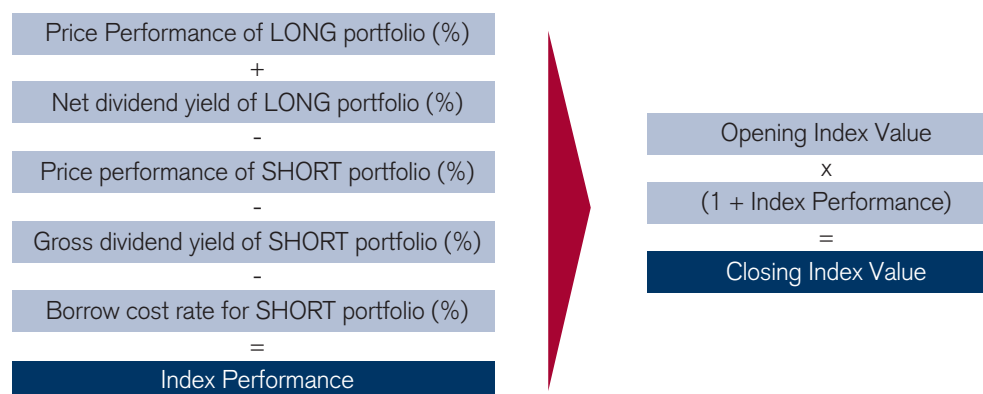
The HS Market Neutral Index utilizes the extensive proprietary framework of HOLT, Credit Suisse's corporate performance and valuation advisory service. The top 275 North American stocks by market cap, 300 European stocks by market cap and liquidity and 175 Japanese stocks by market cap are selected from the HOLT database. Candidates are then divided into ten sectors – Energy, Materials, Industrials, Consumer Discretionary, Consumer Staples, Health Care, Financials, Information Technology, Telecoms and Utilities and five currency regions – US, Canada, UK, Euro zone and Japan – creating 50 sector/region subsets.

The long portfolio is constructed by selecting the top ranking 10% of stocks in each sector; candidates for inclusion must also fall within the top third of the respective regional subset. The short portfolio is then created by matching the selected longs with the lowest ranking stocks in their corresponding sector and region, thereby ensuring market neutrality.

In the instance where there are borrowing restrictions on a candidate for the short portfolio, the lowest ranking stock in the same sector and region not already in the index is selected instead, as long as it is in the bottom third of that subset. If there is no eligible short candidate, the worst-ranking long investment matching the sector and region criteria is removed to maintain market neutrality. The resulting index has an equal number of long and short stocks (approximately 75) and is sector, region and currency neutral. This selection procedure takes place at each quarterly rebalancing.

Index Value Calculation

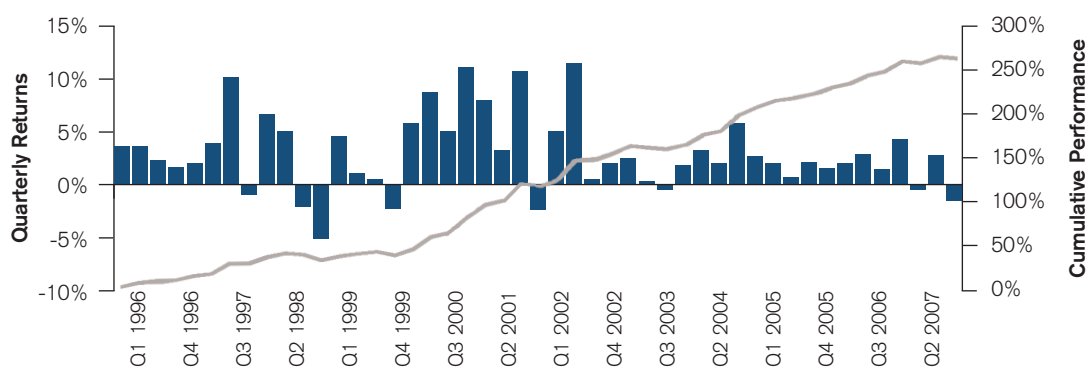
Each quarter, the value of the HS Market Neutral Index is calculated by applying a net performance rate computation to the Index value at the beginning of the period. The performance rate is derived by netting the total percent change in prices in each of the long and short portfolios, adding the net (i.e., less taxes) dividend yield of the long portfolio, and subtracting the gross dividend yield of the short portfolio. Finally, a borrowing rate for the short portfolio is subtracted to arrive at the performance rate for the period.



This shows the index calculation over a period between two consecutive quarterly rebalancing dates. The performance is measured since the start of the period. The Opening Index Value is the index level at the start of the period; the Closing Index Value is the index level at the end of the period. A borrow cost of 0.50% is assumed for the historical calculation of the index (from December 1995 until September 2007).

HS Market Neutral Index Performance in Depth

Credit Suisse's suite of HOLTSelect indices has a strong history of generating alpha and significantly outperforming certain major benchmark indices worldwide. The HS Market Neutral Index has exhibited consistent excess returns quarter by quarter, year by year, since 1996.

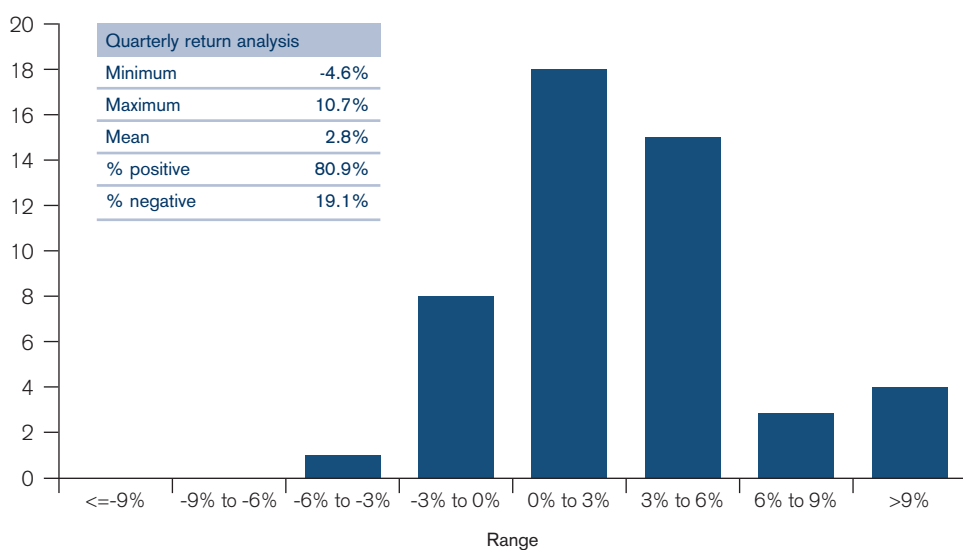


Index returns are measured in USD over calendar quarters and represent the excess return over the risk-free rate

01 January 1996 – 28 September 2007

Source: Bloomberg

Number of instances



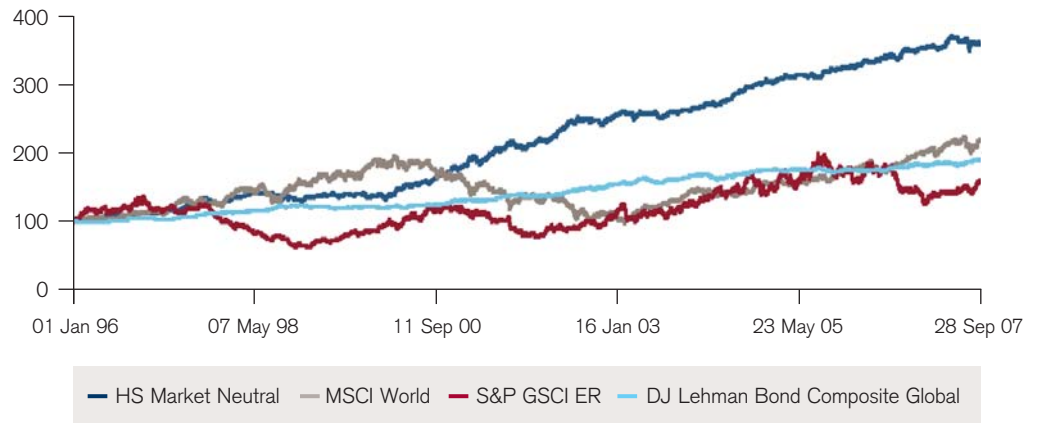
Index returns are measured in USD over calendar quarters and represent the excess return over the risk-free rate

01 January 1996 – 28 September 2007

Source: Bloomberg

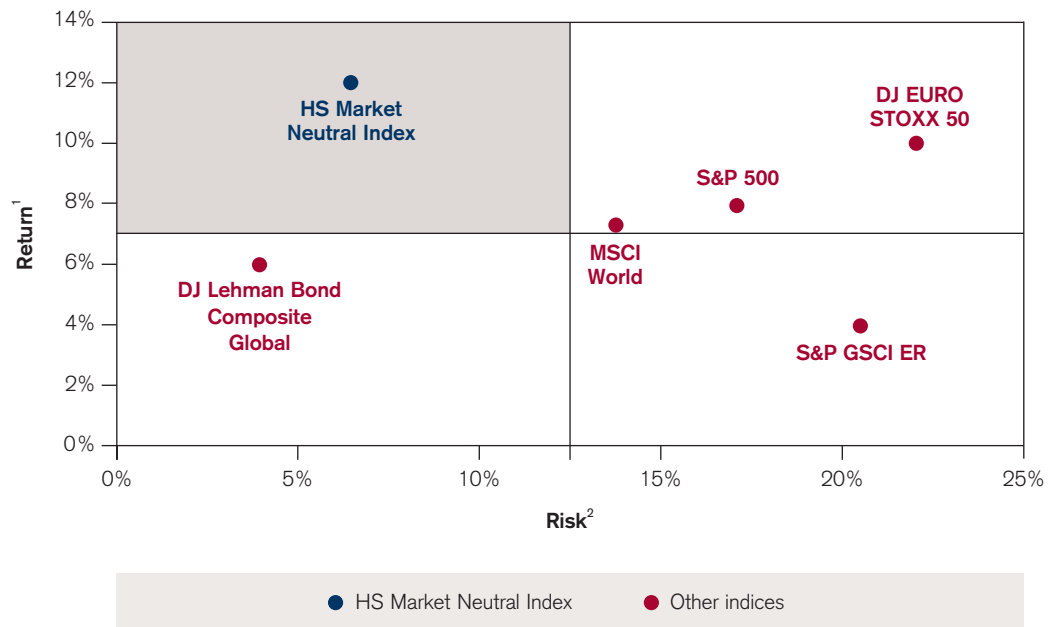
The risk/return profile of the HS Market Neutral Index also compares favorably with a range of market benchmarks.

Returns comparison



01 January 1996 – 28 September 2007

Source: Bloomberg

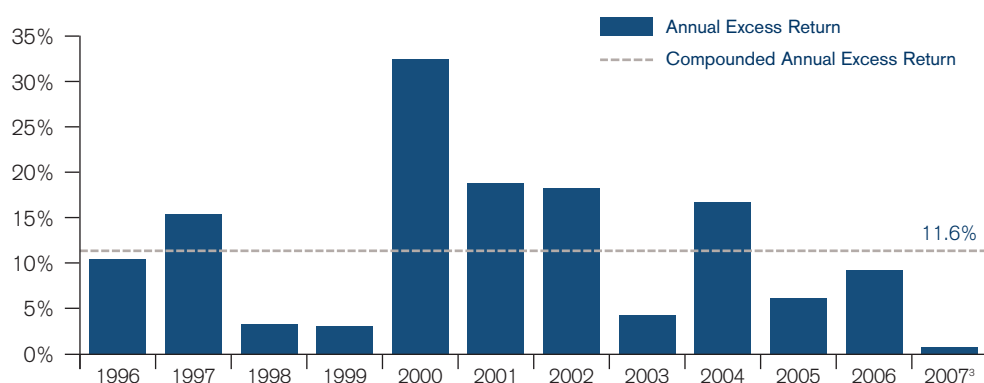


¹Compounded annual return from 01 January 1996 to 28 September 2007

²Annualized realized volatility from 01 January 1996 to 28 September 2007

Source: Bloomberg

Because of its relative insulation from overall market volatility, the HS Market Neutral Index has provided significant downside protection; in fact, since 1996, it has not exhibited any negative years.

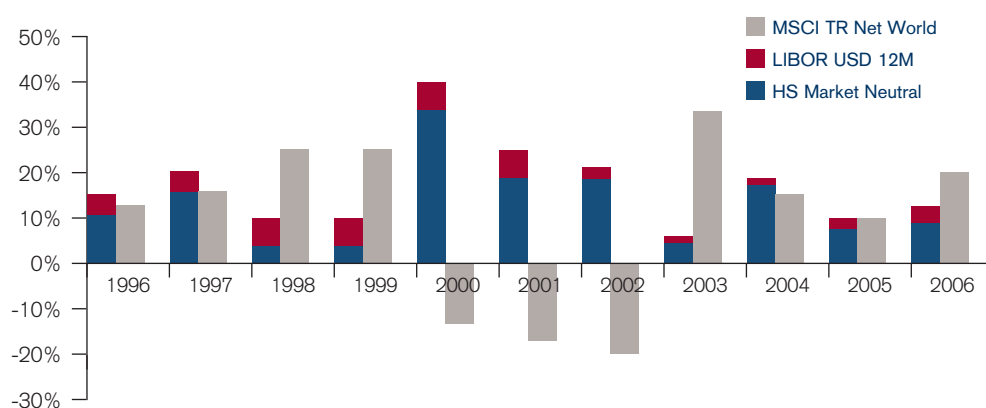


Index returns are measured in USD over calendar years and represent the excess return over the risk-free rate

^aThe performance for 2007 is the performance for the first nine months of the year (not annualized)
01 January 1996 – 28 September 2007

Source: Bloomberg

The Index has performed well in bearish equity markets: due to its slightly negative correlation with the overall market, strong positive results have been obtained during deep market downturns. The graph below illustrates annual total returns for the HS Market Neutral Index (i.e., the Index's excess returns plus LIBOR) as compared to the annual total returns for the global market as represented by the MSCI World Index.

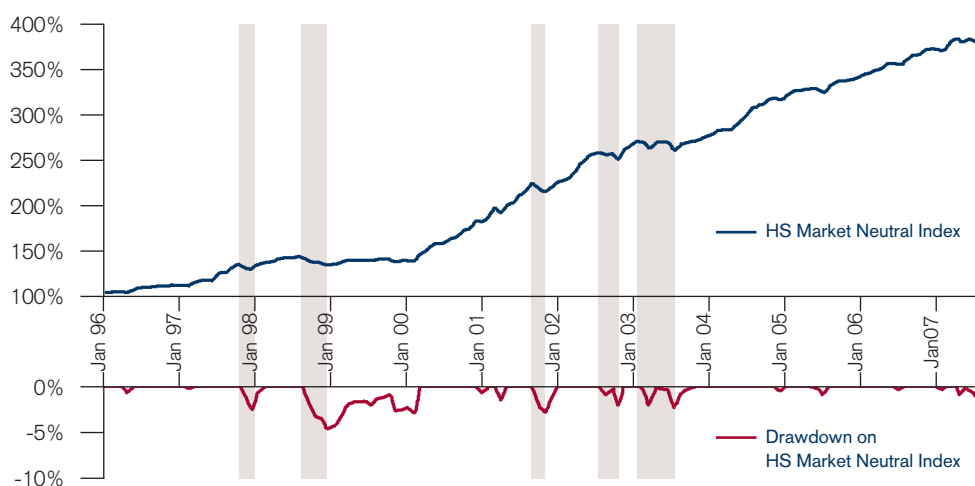


January 1996 – December 2006

Source: Bloomberg

HS Market Neutral Index returns are measured in USD over calendar years and represent the excess return over the risk-free rate. MSCI World returns are measured in USD over calendar years and are calculated with net dividends reinvested. LIBOR USD 12M is measured as the first available fixing in the relevant calendar year.

The HS Market Neutral Index has also featured an exceptional level of containment with respect to drawdowns. No drawdown on the HS Market Neutral has exceeded six months.



	Aug 98 – Dec 98	Sep 01 – Nov 01	Oct 97 – Dec 97	Feb 03 – Aug 03	Aug 02 – Nov 02
Depth	-7.0%	-4.4%	-4.0%	-3.8%	-3.4%
Length (no. of months)	4	2	2	6	3

As compared to the other asset classes, HS Market Neutral drawdowns have been smaller in size and shorter in duration with the exception of bonds.

	HS Market Neutral	MSCI World	S&P GSCI ER	DJ Lehman Bond Comp Global
Depth	-7.0%	-48.4%	-52.5%	-3.6%
Length (no. of months)	4	30	26	3
Period	Aug 98 – Dec 98	Mar 00 – Sep 02	Dec 96 – Feb 99	May 03 – Aug 03

Based on calendar monthly returns from January 1996 to September 2007

Source: Bloomberg

HS Market Neutral Index – Extension Opportunities

The HS Market Neutral Index lends itself to a variety of portfolio applications, and can readily serve as a building block for more complex investment strategies. For example, derivative products can be constructed to combine a specific level of capital protection with a certain participation in positive gains in the Index. Credit Suisse also offers Delta one exposure to the index through swaps, certificates and note wrappers.

In Brief – Benefits of the HS Market Neutral Index

- A rules-based strategy
- Replicates a hedge fund absolute return approach in the form of an equity index
- Truly market neutral – maintains “paired” long and short positions
- Preserves sector and region neutrality
- Utilizes HOLT’s consistent and rigorous methodology and unique, global database
- Historical performance -1.84 Sharpe ratio, measured over 11 years, exemplifies consistently strong returns with relatively low volatility
- Slightly negative correlation with the market provides protection in uncertain or bearish market conditions

Key Statistics for the HS Market Neutral Index

	HS Market Neutral	MSCI World	S&P GSCI ER	DJ Lehman Bond Comp Global
Cumulative Index Return	263.6%	122.5%	60.2%	92.5%
Compounded Annual Return	11.6%	7.0%	4.1%	5.7%
Volatility	6.3%	13.4%	20.6%	3.9%
Sharpe Ratio ⁴	1.84	0.19	0.20	0.32
Correlation with HS Market Neutral	–	-0.14	0.02	0.09
Mean Quarterly Return	2.8%	2.0%	1.5%	1.4%
Maximum Quarterly Return	10.7%	20.7%	21.2%	6.0%
Minimum Quarterly Return	-4.6%	-18.7%	-18.6%	-2.6%
% Positive Quarterly Returns	80.9%	66.0%	61.7%	72.3%
Maximum Drawdown ⁵	-7.0%	-48.4%	-52.5%	-3.6%
Maximum Drawdown Start	Aug-98	Mar-00	Dec-96	May-03
Maximum Drawdown End	Dec-98	Sep-02	Feb-99	Aug-03

Data is from 01 January 1996 to 28 September 2007; HS Market Neutral and S&P GSCI ER are both excess return indices; all indices are denominated in USD

Source: Bloomberg

⁴Assumes a risk-free rate of 4.5% for indices which are not excess return

⁵Based on calendar monthly returns from January 1996 to September 2007



The Index is the exclusive property of and currently sponsored by Credit Suisse Securities (Europe) Limited (the "Index Creator") which has contracted with Standard & Poor's* (the "Index Calculation Agent") to maintain and calculate the Index. None of the Index Creator, and/or any of its affiliates or the Index Calculation Agent has any obligation to take the needs of any person into consideration in composing, determining or calculating the Index (or causing the Index to be calculated). In addition, neither the Index Creator, and/or any of its affiliates or the Index Calculation Agent makes any warranty or representation whatsoever, express or implied, as to the results to be obtained from the use of the Index and/or the level at which the Index stands at any particular time on any particular day or otherwise, and neither the Index Creator and/or any of its affiliates or the Index Calculation Agent shall be liable, whether in negligence or otherwise, to any person for any errors or omissions in the Index or in the calculation of the Index or under any obligation to advise any person of any errors or omissions therein. Past performance cannot be considered a guarantee of, nor necessarily a guide to, future performance of the Index.

The Index rules may be amended by the Index Creator at any time and no assurance can be given that any such amendment would not be prejudicial to the user of the Index or investors in financial instruments which reference the Index.

The Index Creator is authorised and regulated by the Financial Services Authority of 25 The North Colonnade, Canary Wharf, London E14 5HS.

* "Standard & Poor's" is a trademark of The McGraw-Hill Companies, Inc.

CREDIT SUISSE SECURITIES (EUROPE) LIMITED

One Cabot Square
London E14 4QJ

www.credit-suisse.com