Product Review

Credit Suisse Performance Plus Series

Recommended

Important Dates

Open / Close Date		8 September 2009 / 12 November 2009
Trade Date		27 November 2009
Capital Protection Date	**Unit Classes A&B** **Unit Class C**	27 November 2014 28 November 2016

Key Information

Investment Type		The Credit Suisse Performance Plus Series (the Fund) is a registered managed investment scheme under the Corporations Act. The Fund is comprised of 3 classes of Units.
DPA Issuer		Credit Suisse, Sydney Branch.
Responsible Entity		Credit Suisse Investments (Australia) Limited.
Underlying Investments	Class A	Australian Equities Portfolio
	Class B	Australian Resources and China Portfolio
	Class C	Index Accumulator Portfolio
Term		Unit Classes A & B - 5 years Unit Class C – 7 years
Volatility Targets		Exposure to the Underlying Investments varies according to the following volatility targets:
	Unit Class A	16%
	Unit Class B	18%
	Unit Class C	15%
Distributions		Annual distributions may be paid based on the performance of the Underlying Investments.
Issue Price		$1.00 per Unit.
Capital Protection		Capital protection applies on the Capital Protection Date only.
	Unit Classes A&B	$1.00 per Unit.
	Unit Class C	$1.21 per Unit.
Exposure		Exposure to the Underlying Investments will vary between a minimum of 25% and maximum of 150%.
Minimum Amount		$50,000 across all Unit classes, with a minimum of $5,000 per Unit class.
Liquidity		Withdrawal requests can be made on a monthly basis.
Currency Hedging		The Underlying Investments in Class B are denominated in AUD and HKD. Foreign currency risk is hedged and any cost incorporated in the Fees.

Fees & Commissions

Administration and Investment Fee	For each Unit class, 0.65% p.a. of the value of the Reference Portfolio (including leverage).
Distribution Fee	The Responsible Entity may make upfront payments of 1.00% and ongoing payments of 0.25% p.a. to advisers.

What this Rating Means

The **Recommended** rating indicates that Lonsec has conviction that the fund or product can achieve its objectives and, if applicable, outperform peers over an appropriate investment timeframe. The manager or product has a number of competitive advantages in people, process and product design. The investment is a recommended entry point to access this asset class or strategy.

Using this Product

- This is General Advice only and should be read in conjunction with the Disclaimer, Disclosure and Warning on the final page.
- Lonsec views this product as equity-like exposure best suited to growth investors. Maximum percentage allocations to each asset class are outlined in Lonsec's Risk Profile Review.
- The product incorporates capital protection techniques that may provide additional comfort to more risk averse investors. Some growth and high growth investors may be more suited to investments with fund managers providing lower cost, non-capital protected and more actively managed access to these markets.
- The product provides exposure based on the volatility of price movements in the Underlying Investments. As such, investors should believe the historically high levels of volatility over the last 12 to 18 months will subside to long term averages or below average levels and have a positive view on the Underlying Investments in the medium term. The product provides exposure to the Underlying Investments based on the volatility of their price movements. Therefore product returns are at their highest relative to a direct investment in the Underlying Investments when volatility is below the target level (in this case 15% to 18%p.a.) and the Prices of the Underlying Investments trend upwards.

Product Risk Characteristics

	Low	Moderate	High
Leverage		▲	
Liquidity		▲	
Counterparty		▲	
Concentration			▲
Volatility		▲	

Risk categories are based on Lonsec's qualitative opinion of the risks inherent in the product's asset class and the risks relative to other products in the relevant Lonsec sector universe.

Lonsec Opinion of this Product

- The Credit Suisse Performance Plus Series (PPS) provides investors with a potentially enhanced exposure to the performance of up to 3 different Underlying Investments. The product aims to provide both capital growth and income over the investment term with the benefit of capital protection at maturity.

- An investor's exposure to the Underlying Investments varies between 25% and 150% and is determined by the volatility of the Underlying Investments. This is in contrast to capital protection mechanisms used in structured products over the last few years which determined exposure based on the price performance of the Underlying Investments. The basic principle is to reduce exposure to the Underlying Investments when volatility rises and increase exposure when volatility falls. Therefore product returns are greatest when the prices of the Underlying Investments trend upwards with low volatility. The product will also act to reduce exposure to any sharp sell-off in the price of an Underlying Investment provided the sell-off is accompanied by heightened volatility. Generally speaking, this was the case during 2007 and 2008 when equity and other markets recorded significant falls, although there is no guarantee that markets will behave likewise in the future.

- PPS Units have a variable level of exposure to the Underlying Investments based on a volatility target. The Underlying Investments in Class B Units have an historical volatility greater than the volatility target. This means there is a greater likelihood of exposure to the Underlying Investments in Class B being less than 100% during the investment term.

- Investors should realise that Unit classes A and B provide exposure to high conviction equity portfolios which do not periodically rebalance in the same way as broader equities indices such as the S&P/ASX 200 Index used in Unit class C.

- The stock selection methodology in the Underlying Investments for Unit classes A and B are based on research undertaken by Credit Suisse. Economic and sector views are the basis for the selection of stocks expected to benefit if these views play out over the medium to long term. The passive portfolios mean there is no ongoing monitoring of stocks within the high conviction portfolios and underperforming stocks will not be replaced over time. Investors not wishing to be exposed to this feature are advised to choose Unit Class C.

- Lonsec considers the Credit Suisse Group to be a very experienced issuer of investment products globally. The Group is extremely well resourced both in globally and in Australia.

- A key feature of PPS is that at no time can an investor be less than 25% exposed to the price movements in the Underlying Investments. This provides an advantage over other structured products in the market which have the ability to "cash lock" or not participate in any recovery of an Underlying Investment following a sharp sell-off. However, this and other features are provided at a cost to investors and reflected in the Administration and Investment Fee.

- The daily rebalancing mechanism has many positive features, however this also means investor returns at maturity are path dependent and will vary under different return and volatility scenarios. Some scenario analysis is outlined on page 4. Investors should note that these are only a guide. Generally speaking, PPS could be expected to outperform a direct investment in the Underlying Investments during periods of strong returns accompanied by average or below average volatility due to the leveraged exposure the product can achieve. In periods of significant price weakness in the Underlying Investments the capital protection features of PPS provide investors with downside protection at maturity. It is less certain in sideways trending or very volatile market conditions whether PPS or a direct investment would provide superior returns; however the higher fees associated with PPS have the potential to be a drag on performance.

- Fees are charged via the Administration and Investment Fee of 1.00% p.a. However, various components of the product pricing are based on the Issuer's costs and option hedging prices, some of which the Issuer determines in its discretion. As is often the case with structured product pricing generally, these prices will not be transparent to the investor.

Relevant Parties

The Issuer is Credit Suisse, Sydney Branch, a branch of Credit Suisse, a Swiss bank and a subsidiary of Credit Suisse Group AG. Credit Suisse is a global bank headquartered in Zurich. Credit Suisse group services clients in private banking, investment banking and asset management.

Credit Suisse Sydney Branch is a foreign authorised deposit-taking Institution (ADI) regulated by the Australian Prudential Authority.

The Responsible Entity of the Performance Plus Fund is Credit Suisse Investments (Australia) Limited, whose responsibilities and obligations are governed by PPS's constitution, the Corporations Act and general trust law.

Underlying Investments

Investors choose from three different Unit classes, as outlined below:

Unit Class	Underlying Investment	Long-term Volatility*	Volatility Targets
A	Equally weighted basket of 10 Australian shares	16.3%	16%
B	70% equally weighted basket of 9 Australian mining shares and 30% Hang Seng China Enterprise Index	21.5%	18%
C	S&P/ASX 200 Index	14.4%	15%

** A – Jan 2001 – July 2009, B & C – Mar 1996 – July 2009*

Full details of all Unit classes are outlined in the PDS in Section 4.

Investors should note the Underlying Investment for Class A Units is the price performance of only 10 of the companies in the broader S&P/ASX 200 Index. These have historically exhibited higher long term volatility than the Index but roughly in line with the volatility target for this Unit class.

The long term volatility for the Underlying Investments in the Class B Units is higher than the volatility target. This increases the likelihood of investors having less than 100% exposure to these Underlying Investments during the investment term.

How does the Product Work?

Investors apply for their choice of Unit classes in the Performance Plus Fund. On the Trade Date the amount raised will be invested in deferred purchase agreements with the Issuer. These agreements provide investors with conditional annual variable coupons and a return at maturity of at least $1.00 per Unit for Classes A&B and $1.21 per Unit for Class C.

An investment in PPS is not a direct investment in the Underlying Investment. The deferred purchase agreements provide exposure to the Underlying Investment through a notional investment referred to as a Reference Portfolio.

Unit Value

The Unit value for each class is calculated daily by taking into account the level of exposure to the relevant Underlying Investment. The level of exposure is determined by the volatility of the Underlying Investment. The basic principle is to reduce exposure to the Underlying Investments when volatility rises and increase exposure when volatility falls. The volatility target for PPS differs for each Unit Class between 15% to 18%.

The level of exposure is calculated daily and determined by the following simple calculation:

$$\frac{\text{Volatility target}}{\text{Realised volatility}}$$

Volatility is determined by calculating the annualised standard deviation of daily changes in the price of the Underlying Investment and is measured over the preceding 100 trading days. **Exposure varies between a minimum of 25% and maximum of 150%.** A full outline appears on pages 22 and 23 of the PDS.

Generally speaking product returns from PPS should be greatest when the prices of the Underlying Investments trend upwards with volatility lower than the volatility target.

At maturity investors receive the increase in Unit value (if any) after allowing for the allocation mechanism above.

Annual Coupons

The variable annual coupon is the greater of:

- 0% p.a.; or
- 50% of the annual growth of each Reference Portfolio above a High Water Mark and Hurdle Rate.

The Unit Value is adjusted to reflect any coupons paid.

Unit Class C investors also receive a fixed coupon of 3% per annum, however this will be reinvested as a further capital contribution. Investors will not receive this as cash. These amounts are capital protected at maturity.

Scenario Analysis

It is very difficult to provide any certainty of investor returns during the investment term and at maturity as the exposure mechanism used in this product means returns are path dependent. This means product returns are not only dependent upon the volatility of the Underlying Investments, but the timing of any growth as this impacts the level of leverage. The following table outlines a range of possible returns given certain return and volatility scenarios:

Return on Underlying Investment % p.a.	Volatility % p.a.	Min Exposure to Underlying Investment	Max Exposure to Underlying Investment	Coupons Received	Product Return at Maturity (inc Coupons)
7	15	90.42%	123.54%	34.55%	169.11%
10	15	85.21%	125.81%	26.38%	152.76%
-12	15	75.87%	117.06%	6.35%	112.70%
6	5	150.0%	150.0%	23.42%	146.84%
0	45	25.0%	42.89%	17.63%	135.26%

The table above has been prepared by the Issuer at Lonsec's request. Neither Lonsec nor the Issuer represent that the stated returns and volatilities for the Underlying Investment represent the full range of possible outcomes. Given the active nature of the leverage and deleverage process, actual returns may not mirror those displayed above for any given combination of Underlying Investment return and volatility.

Assumptions:

- Tenor: 7 years
- Maximum / Minimum Exposure: 150% / 25% (1% Rebalance Trigger)
- Volatility Target: 15% over preceding 100 days
- Capital Protection: 100% at maturity

What Happens at Maturity?

Prior to the Capital Protection Date investors will receive a notice requiring them to advise whether they wish to hold Units after this date. The final value of Units in each class will be calculated on the Capital Protection Date and the Issuer will deliver to the Responsible Entity an equally weighted parcel of the top 20 shares within the S&P/ASX 200 Index to the value of these Units. At this point the Fund will no longer have any exposure to the Underlying Investments.

Liquidity

Units in PPS are not listed on the Australian Stock Exchange or any other exchange. Due to the nature of the investment alternatives, investors should have the intention of holding Units to maturity. Investors should be aware that any early redemption will involve the unwinding of transactions that involve crossing bid/offer spreads. As a result redemption proceeds prior to maturity may be less than the investment amount and will not be capital protected.

Risks

An investment in PPS carries a number of standard investment risks associated with domestic and international investment markets. These include economic, political, legal, tax and regulatory risks. These and other risks are outlined in Section 6 of the PDS and should be read in full and understood by investors. Lonsec considers the major risks to be:

Performance Risk – The net asset value of Units in PPS is dependent on the price performance of the Underlying Investments and the level of notional exposure which varies according to volatility levels. These can be influenced by many different factors including but not limited to interest rates, economic policies, political events, war and natural events. There is no guarantee the price movements of the Underlying Investments will lead to an increase in the Unit price over the investment term.

Exposure and Volatility Risk – The volatility feature may act to increase or decrease an investor's exposure to movements in the Underlying Investments. Where exposure exceeds 100% the effect of any decrease in the Underlying Investments will be magnified and when exposure is below 100% investors will not realise the full benefit of any increase in the Underlying Investment.

Early Maturity Risk – The Issuer may nominate early or late maturity date if there is an Adjustment Event. These include but are not limited to events such as trading suspensions of Underlying Investments or a material change to they are calculated. Any adjustment made depends on the Issuer's judgement as to whether the event has materially interfered with its ability to hedge its obligations. **Capital protection does not apply in the event of an early maturity.**

Leverage Risk – Investors may have a leveraged exposure to the Underlying Investments of up to $1.50 per $1.00 invested. The use of leverage can magnify the gains and losses of an investor's exposure to the Underlying Investments during the investment term.

Counterparty Risk – Investors are exposed to the creditworthiness of the Issuer, as returns are dependent on the Issuer performing its obligations as they fall due. These obligations rank equally with other unsecured debt liabilities of the Issuer. Credit Suisse Sydney Branch had a long and short term credit rating of A+/A-1 with a "stable outlook" from S&P as at August 2009.

Taxation

Distributions

Any distributions should be taxable in the year of receipt at an investor's marginal tax rate.

Capital Gains Tax

Any excess at maturity over the cost base should generally be taxable as a capital gain. CGT discounts should generally be available to eligible investors.

These comments constitute 'General Advice' only and Lonsec advises investors to consult a taxation specialist before making a decision to invest (or not to invest) based upon these taxation considerations. Investors should refer to Section 9 of the PDS.

Further Information

Further information can be obtained at:

www.credit-suisse.com/performanceplus

Analyst Disclosure & Certification

Analyst remuneration is not linked to the rating outcome. The Analyst(s) may hold the products(s) referred to in this document, but Lonsec considers such holdings not to be sufficiently material to compromise the rating or advice. Analyst(s) holdings may change during the life of this document. The Analyst(s) certify that the views expressed in this document accurately reflect their personal, professional opinion about the financial product(s) to which this document refers.

Date Prepared: September 2009
Analyst: Michael Elsworth
Release Authorised by: Grant Kennaway