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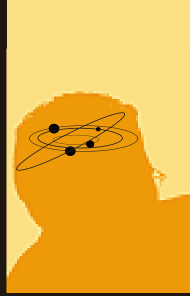
PWM

PROFESSIONAL WEALTH MANAGEMENT

SOLUTIONS FOR EUROPEAN DISTRIBUTORS



INTRODUCTION

DIVIDEND YIELD FOCUS ENTERS EQUITY MARKET

An uncertain investment environment should not discourage investors seeking market gains through a diversified portfolio including high-yielding equities

Equity investors have faced an increasingly challenging investment environment in 2003, as economic and geopolitical uncertainty has continued to impact global stock markets. While an early resolution to the war in Iraq has removed one major uncertainty, investors' renewed focus on economic fundamentals has in turn brought the prevailing difficult market conditions back to the forefront of concerns.

When coupled with the three years of negative equity returns between 2000 and 2002, it is not surprising that growing numbers of investors have adopted a more cautious approach to equity investing.

Equally significant is the much changed economic environment we are now living in, compared with the 1980s and early-to-mid-1990s. During this period, high inflation enabled companies to generate robust top line sales growth through ever-increasing price rises.

This, in turn, boosted earnings growth and, ultimately, drove share prices higher. These factors played a central role in shaping investor expectations that stock markets could generate double-digit returns indefinitely, interrupted by short, sharp bear markets.

With inflation in the major economies now firmly under control, pricing power is likely to be far less effective as a strategy for improving sales and earnings. Cost cutting is likely to be the key driver in the short to medium term, although this is more effective in boosting profits, rather than top-line growth.

MODEST RETURNS

Given this new investment climate, at Credit Suisse Asset Management (CSAM), we expect annual returns from equities to be more modest, and in the region of 7 to 8 per cent over the next five to 10 years. Also, the general market consensus that interest rates in the major economies are likely to remain at relatively low levels for the foreseeable future means that yields available from core fixed-income and money-market asset classes are currently not particularly attractive.

At first glance, it would appear that investors have little room for manoeuvre in the current climate of modest stock market returns, and relatively low fixed-income or cash yields. A more detailed investigation, however, reveals that there are some attractive investment strategies, which may prove rewarding for investors contemplating an equity market investment.

With investors seeking products that have the potential to out-perform in the current environment, one such equity investment strategy is now available. This focuses on companies that generate high dividend yields, which are now favourably comparable to yields available from fixed-income and cash products, as well as offering investors the potential capital growth of a stock market investment.

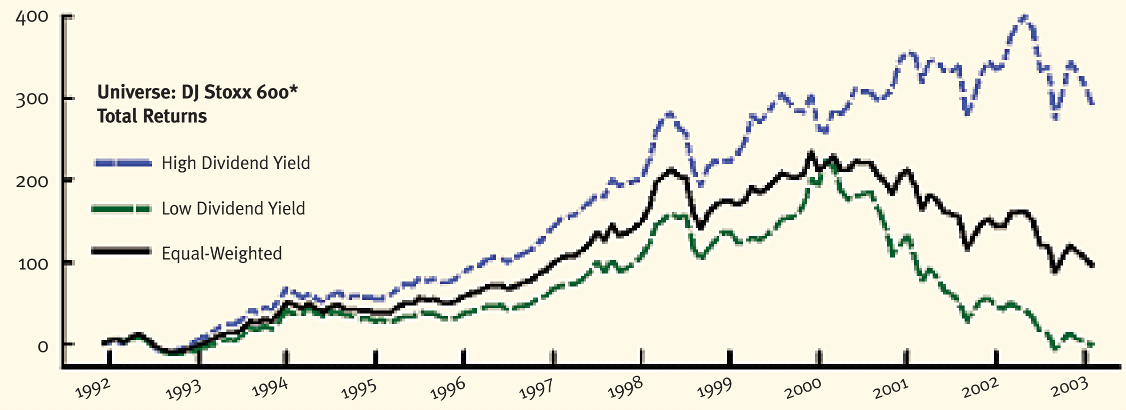
There are currently a number of well-managed European companies where the dividend yield is significantly above the yield on 10-year government bonds. The average dividend yield for European equities is approximately 3.9 per cent, against a yield of 4.1 per cent on 10-year German government bonds (source: CSAM; 30 April 2003). With the equity yield differential

'A detailed investigation reveals that there are some attractive investment strategies, which may prove rewarding for investors contemplating an equity market investment'

Tom Mann, CSAM

1

An analysis of historical returns shows out-performance of stocks with an income bias

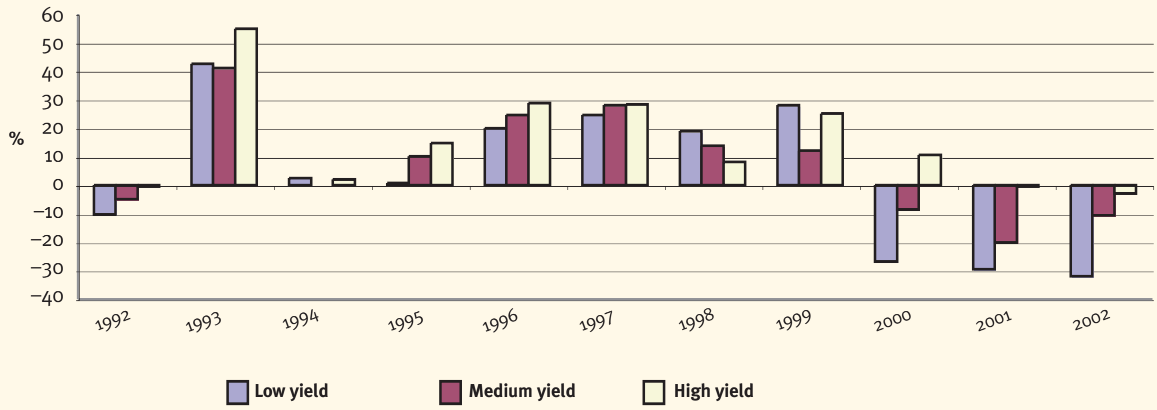


* The DJ Stoxx index contains 600 of the largest European stocks

Source: Citigroup

2

Annual total returns of high, medium and low-yielding stocks



Source: Citigroup; CSAM

High-yielding stocks have out-performed over most economic periods

compared to that of bonds now so attractive, this makes for a compelling investment case.

An analysis of historical returns over the last 10 years demonstrates that by focusing on equities with an income bias, attractive returns have been generated for significant periods of time (See Chart 1).

Over the last 10 years, high-yielding stocks have, on the whole, out-performed the wider European stock market and despite there being periods of under-performance, these have been for very short periods only. (See Chart 2.)

STRATEGY

An equity investment strategy that seeks to take advantage of the more modest returns expected from stock markets by generating a high level of income comparable to other asset classes, as well as offering potential for capital gains traditionally associated with a stock market investment, provides investors with an attractive product proposition.

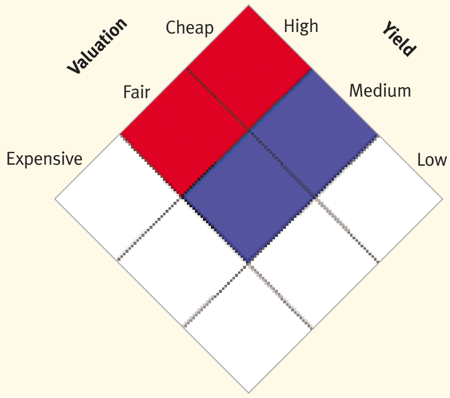
Forward thinking investment managers need to pro-actively deliver new and innovative products to satisfy investors' expectations in this area. At CSAM, we hope to leverage our proven ability in successfully managing UK equity income products for many years into a European equity income product.

The aim of this new product is to produce a dividend yield significantly greater than that generated by the MSCI Europe index. Central to achieving this objective will be the role of CSAM's research analysts, who provide portfolio managers with proprietary insights into stocks. These are then combined with an income filter to identify not simply stocks that generate high yields, but ones where such yields are sustainable and repeatable.

CSAM's portfolio management team is also focussed on identifying opportunities to invest in companies able to manage their businesses effectively and profitably. These are essentially organisations whose profitability is not solely dependent on the prevailing economic conditions but where action by management to re-shape the business can create value for shareholders.

3

Credit Suisse Asset Management's European Equity Income product selects stocks that have an above average yield and are attractively valued



Using the 'diamond' approach, portfolio managers can identify those stocks that are attractively ranked and rated.

Research can be used to build long-term dividend discount models. This should be the primary method for assessing the robustness of a stock's dividend yield, by establishing the sustainability of a company's cash-flow generation. The analysts can then rank stocks by attractiveness within each sector as offering cheap, fair or expensive value. Using this output, the portfolio managers divide the universe of stocks into high, medium and low yield segments. (See Chart 3.)

Key benefits

A successful investment vehicle in this asset class:

- **Offers a compelling strategy for clients faced with more modest equity market returns by seeking to produce a significant part of the expected return through investment in companies paying high dividends;**
- **Provides a European equity product that aims to generate an attractive dividend yield, together with the potential to benefit from the capital appreciation of stock markets;**
- **Builds a diversified portfolio by focusing on well-managed companies whose profitability is not solely dependent on prevailing economic conditions; and**
- **Leverages CSAM's experience in successfully managing UK equity income products, and the insights provided by in-house research analysts, to provide investors with the opportunity to generate attractive returns from an equity investment.**

'Research can be used to build long-term dividend discount models. This should be the primary method for assessing the robustness of a stock's dividend yield'

The income filter is used to overlay our tried and tested investment process for investing in European equities, where portfolio managers adopt a bottom-up approach to stock picking, driven by the fundamental research generated by our in-house research analysts.

It is then the responsibility of the portfolio management team to decide how much of a company to buy for the portfolio. The portfolio managers arrive at their decisions by combining a rigorous approach to assessing the analysts' stock recommendations, supplemented by their own independent research gained from external broker research and personal broker contact.

Portfolio managers are also responsible for executing the appropriate risk control measures in the management of the portfolio, in line with the product's specific risk/return objectives. This portfolio level control is then augmented by the investment house's overall risk control system, where an independent risk management function also assesses the risk profile of the portfolio.

TARGET MARKET

The investment strategy of European equity income products is likely to prove attractive to a diverse range of investors. These may include equity investors whose expectations of double digit returns have been eroded by three years of stock market declines, and are seeking a higher proportion of their expected returns to come from sustainable dividend yields generated by well-managed companies. Alternatively, such a vehicle may also appeal to investors looking to make a trade-off between equities and bonds, but want the added bonus of any potential upside that can be obtained from equities.

Tom Mann, portfolio manager, European equities, Credit Suisse Asset Management

CORPORATE STATEMENT

Credit Suisse Asset Management (CSAM) is one of the world's largest asset managers and one of the few with a truly global platform. CSAM has more than 2142 employees in 22 offices across three regions worldwide, clients in more than 50 countries and total assets under management of more than US$297.4bn as at December 31, 2002. We offer a full range of financial investment products and services to institutional, retail and private clients.

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