

Credit Suisse Momentum Index



The Credit Suisse Momentum Index

A rules-based approach that relies on four popular financial concepts

The Credit Suisse Momentum Index is a rules-based **global multi-asset** index that implements a unique and flexible momentum-driven strategy.

Index Features

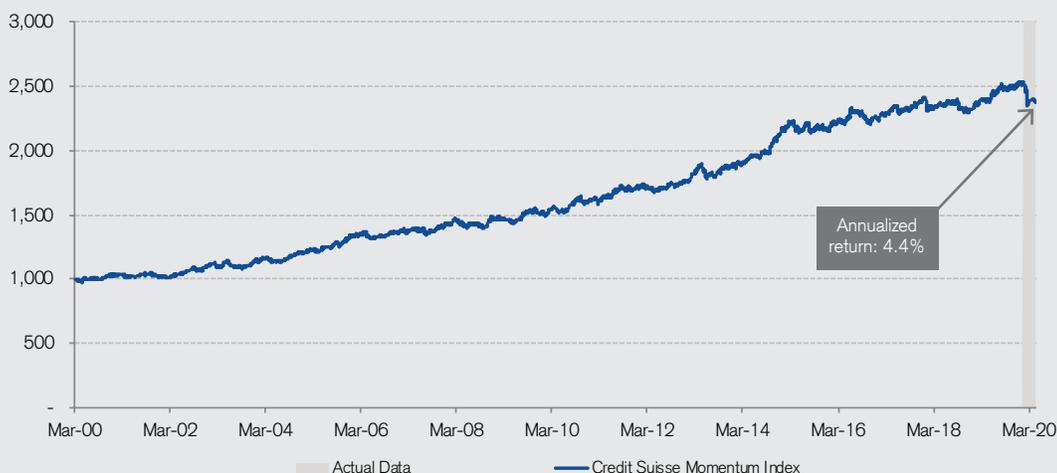
- **Diversification:** the Index's underlying components are diversified across four regions and three asset classes in an effort to generate consistent returns over time.
- **Momentum:** the trend following strategy of the Index is intended to gain exposure to components that exhibit the strongest trends while reducing exposure to components with weaker trends.
- **Risk-Adjusted Weightings:** Index components are weighted inversely to their risk in an attempt to build a risk-balanced allocation.
- **Risk Control:** the Index targets an annualized volatility of 5% or less to help stabilize returns.

Index at a glance

- **A diversified range of components** affording exposure to multi-asset and global opportunities.
- An **innovative momentum strategy** applied monthly that **dynamically allocates** across its components to adapt to various market conditions.
- **A monthly and daily rebalancing** with the goal of maintaining volatility near 5% and stabilize the overall level of risk of the Index.

Historical Index Performance

Actual and simulated performances for the Credit Suisse Momentum Index



Source: Credit Suisse. Bloomberg. Data collected from March 31, 2000 to May 21, 2020. The Credit Suisse Momentum Index went live on February 12, 2020. Any data shown prior to the live date is simulated. Past performance is no indication or guarantee of future performance. The return results provided herein are illustrative only and were derived by means of a retroactive application of a back-casted model designed with the benefit of hindsight. These back-casted, hypothetical, historical annualized Index returns have inherent limitations. No representation is made that in the future the Index will have the returns shown. Alternative modeling techniques or assumptions might produce significantly different results and may prove to be more appropriate. Actual annualized returns may vary materially from this analysis. The Index returns are net a 0.5% p.a. index calculation fee. The Index also contains embedded transaction costs and holding costs. The Index could underperform relative to other indices, including equity indices. In addition, the Index is an excess return index: it reflects the return of components net of the cost of funding a hypothetical investment in them.

Diversification: Seeking opportunities in different market cycles



Different asset classes often behave differently in various market environments. Diversification can mitigate the risk exposure to any particular asset class or region.

The Credit Suisse Momentum Index offers exposure to ten liquid underlyings across four regions and three asset classes to try to protect against market unpredictability as well as benefit from growth opportunities in different market cycles.

The Index is rules-based and cannot be invested in directly. Diversification does not guarantee positive performances nor prevent negative performances.

A 3-step rebalancing process built upon key financial concepts



Each month, two different mechanisms are implemented:

- The exposure to the components is adjusted based on a momentum strategy (“Momentum”)
- Weights are allocated to each component based on their volatility (“Risk-Adjusted Weights”)

Each day, a further mechanism is implemented:

- The Index is monitored with the goal of maintaining volatility near 5%



Momentum: Seeking to benefit from trends in various market environments

The concept of momentum in finance is based on the observation that the recent past performance of an asset tends to predict its short-term future performance.

1. In order to identify upward and downward trends, the Index will calculate a momentum signal for each component by observing its price over short-term and long-term horizons.

The components are then ranked in the descending order of their momentum signal: the larger the momentum signal, the stronger the trend.

2. The Index is designed to strengthen its exposure to components which have the best performances. It takes long positions (i.e. buys) in the top eight components and short positions (i.e. sells) in the bottom two components. This provides opportunities to benefit from both rising and falling market conditions.

This process is repeated on a monthly basis.



Risk-Adjusted Weights: Balancing risk contribution from all components

Volatility is the amount of variation in a component's price over time. It can also be a risk indicator: in most cases the higher the volatility of a component, the higher the perceived risk on the component.

The Credit Suisse Momentum Index is rebalanced on a monthly basis to ensure that more weight is allocated to components with perceived lower risk, while mitigating the volatility of the Index.

1. The weight allocated to each component, whether long or short, is proportional to the inverse of its risk (measured as its realized volatility). The higher the risk, the lower the weight.
2. Weights are then adjusted monthly to target 5% volatility for the weighted long/short allocation. This is called the Risk-Adjusted Momentum Allocation.



Risk Control: Aiming for stability¹

The volatility of the Index is monitored on a daily basis in order to maintain volatility near 5%.

The Index's exposure to the Risk-Adjusted Momentum Allocation is systematically adjusted based on its realized volatility:

- If the realized volatility of the Risk-Adjusted Momentum Allocation is lower than 5%, the Index will be fully allocated to the Risk-Adjusted Momentum Allocation.
- However, if the realized volatility of the Risk-Adjusted Momentum Allocation is greater than 5%, the Index will decrease its exposure to the Allocation and allocate exposure instead to non-remunerating cash².

The 5% volatility (risk) control mechanism intends to stabilize the performance of the Index and seeks to avoid very large positive or negative returns.

¹ Although the Index employs a mechanism designed to limit its volatility, no assurance can be given that it will achieve its volatility target. The actual realized volatility may differ from the Index's volatility target, which could negatively impact the performance of the Index, and the volatility-limiting mechanism may reduce the performance of the Index in rising markets.

² Any exposure to cash is non-remunerating, meaning it does not earn interest. The greater the exposure to cash, the smaller the impact on the Index from market fluctuations and, consequently, the lower the potential for gains or losses. In addition, the Index is an excess return index: it reflects the return of components net of the cost of funding a hypothetical investment in them. As such, the Index returns could be negatively affected if this cost of funding were to increase. The Index also has a 0.5% p.a. index calculation fee deducted on a daily basis and contains embedded transaction costs and holding costs.

About the Index

Index Key Characteristics

Bloomberg Ticker	CSEAMTM5 Index
Asset Class	Multi-Asset
Geographical Focus	Global
Currency	USD
Launch Date	February 12, 2020
Type of Return	Excess Return (it reflects the return of components net of the cost of funding)
Index Sponsor	Credit Suisse International
Calculation Agent	Credit Suisse International
Index Fees	0.5% p.a. deducted daily (the Index also contains embedded transaction costs and holding costs)

For more information about the Index, please visit: <https://indices.credit-suisse.com/CSEAMTM5>



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Credit Suisse as of year-end 2019



Structured Products House of the Year
GlobalCapital Global Derivatives Awards, 2019

**Americas Structured Note Awards (US Investor Solutions)
for Credit Suisse Ravenpack AIS Index**
mtn-i, 2019

**Americas Derivatives House of the Year
Structured Products House of the Year**
GlobalCapital Americas Derivatives Awards, 2018

Insurer Deal of the Year
Risk Awards, 2017

Source: Credit Suisse. Full Year 2019 Financial Results (2019 Annual Report published in March 2020).

Key considerations related to the Index

- The Index is rules-based and cannot be invested in directly.
- There is no assurance that the strategy on which the Index is based will be successful in producing positive returns. The Index may not rise in value and may not outperform any alternative portfolio or strategy that tracks the reference assets. The Index utilizes components that reference futures contracts. The Index may underperform a similar investment linked to the spot prices or current levels of the underlying assets tracked by the futures contracts included in the components.
- The Index has a limited operating history and may perform in unanticipated ways. Past performance is no indication or guarantee of future performance. No actual investment which allowed tracking of the performance of the Index was possible before February 12, 2020. The return results provided herein are illustrative only and were derived by means of a retroactive application of a back-casted model designed with the benefit of hindsight. These back-casted, hypothetical, historical annualized Index returns have inherent limitations. No representation is made that the Index will have such returns in the future. Alternative modeling techniques or assumptions might produce significantly different results and may prove to be more appropriate. Actual annualized returns may vary materially from this analysis.
- The Index involves risks associated with equity markets, sovereign bonds, national markets, crude oil and precious metals markets, among others. The Index also bears the risk of currency fluctuations.
- The aggregate Index components weights may be higher or lower than 100%. Weights higher than 100% may increase risk and magnify gains or losses. Weights less than 100% may underperform a fully invested strategy in some circumstances.
- The Index is an excess return index (it reflects the return of components net of the cost of funding a hypothetical investment in them) and has a 0.5% p.a. index calculation fee deducted on a daily basis.
- The Index contains embedded transaction costs and holding costs. The impact of these costs will vary through time. Higher turnover among the Index components will result in larger transaction costs and lower Index returns. Larger exposures (whether positive or negative) to the Index components will result in larger holding costs and lower Index returns.
- Although the Index employs a mechanism designed to limit its volatility, no assurance can be given that it will achieve its volatility target. The actual realized volatility may differ from the Index's volatility target, which could negatively impact the performance of the Index, and the volatility-limiting mechanism may reduce the performance of the Index in rising markets.
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- The Index has short exposure to two components at any given time. If these components exhibit positive returns, this will have a negative impact on the Index returns. As such, the Index returns may be negative even when all the Index components have positive returns.

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