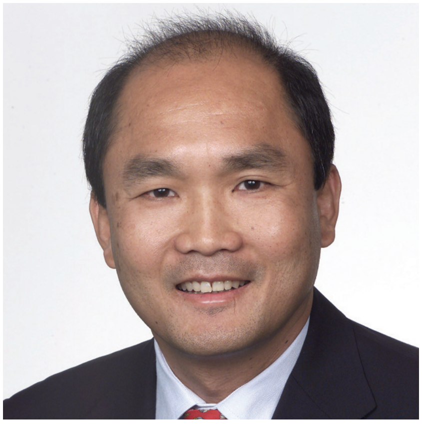
Market Update Note – Boon-Hong Yeo and David Scott

Credit Suisse Equity Fund (Lux) Asian Property



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Overview

- Volatility in Asian listed property has continued into the New Year.
- Selling has been largely indiscriminate in the Asian region.
- We remain positive on the property sector with share prices falling, offering attractive valuations and dividend yields.

We have seen considerable nervousness return to global markets in early 2008. In this Market Update, we present the views of Boon Hong Yeo and David Scott, fund managers of the Credit Suisse Equity Fund (Lux) Asian Property, explaining the current market background and their outlook.

The volatile close to 2007 in Asian listed property has continued with a vengeance in the New Year. Shifts in sentiment and share price reactions have been reminiscent of last August as the impact of US sub prime and central bank counter measures shake investor confidence to the core. Most recently, this has been compounded by further Chinese tightening measures and evidence of slowing economic activity in parts of the Asian region. Whether the more dramatic interest rate cuts by the US Federal Reserve and proposed personal tax breaks will be sufficient to ward off further deterioration in the US and global growth outlook will be important to Asian markets in the short to medium term.

Within the Asian region, selling has been largely indiscriminate, yet there are substantial and significant variations in prospects. Japan continues to see evidence of a weakening consumer and consensus GDP forecasts have again been cut for 2008. With interest rates already at exceptionally low levels, the Bank of Japan has fewer levers to effectively stimulate their economy. In context, the Japanese real estate market has seen rising rents and low vacancy rates, particularly in the central Tokyo office market. Overall, we remain underweight the Japanese market, with a preference for the large developers exposed to the quality central Tokyo office market. Australia, long considered the safe haven, was stunned by Centro Property's announcement that it is facing financing difficulties on well over US$1bn of expiring financing facilities from a recent US acquisition. Aggressive overseas expansion and financial engineering by many companies has created a cloud for much of the industry. While yields are now at attractive levels, the limited growth prospects and rising domestic interest rate environment keep us underweight the Australian market.

Our Investment Preferences

Our preference remains for the core emerging markets of Asia, which offer stronger GDP growth, anchored by China, combined with urbanisation, an emerging middle class with rising wages and associated affordability. Savings rates in the region are high by world standards. However, after delivering exceptionally strong growth again in 2007, Chinese authorities have continued tightening with the most recent measures to further curb bank loan growth and moderate food price rises. Aimed at appeasing a disgruntled provincial population, these measures will moderate growth from a high base. In context, the Chinese authorities remain committed to a growth friendly policy framework, albeit more controlled going forward. Hong Kong property continues to offer attractive rental growth, supply / demand imbalance and benefits from an easing US interest rate environment.

Our View

While we expect market analysts to further trim a range of asset value forecasts, share prices have fallen significantly, offering attractive valuation opportunities and dividend yields. Property companies are generally less geared today with net debt to equity at less than 50% compared to ratios well above 100% the decade before. While concerns over slower US growth are valid, it would likely take an outright recession in the US to alter the dynamics of Asian property given rising urbanisation and better affordability. The thoroughness in avoiding companies that are over leveraged should be matched by enthusiasm in looking for companies that were sold off in an environment of investor fears.

Overall, we remain constructive of the sector, although acknowledge there will be short term volatility brought about by on-going concerns.

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