CREDIT SUISSE

Responsible Entity: Equity Trustees Limited
ABN 46 004 031 298 AFSL 240975
Principal Protection & Investment Services Provider: CS Sydney Branch
ABN 17 061 700 712

Principal Protected Yield Fund
Update

August 2008

Market conditions have continued to be turbulent in the first half of 2008. Stress in the financial system arising from the sub-prime debacle and concern about higher inflation weighed on stock and bond markets during the first half of 2008. While bonds held up better than equities in general, this has negatively affected the performance of the Credit Suisse Principal Protected Yield Fund (CSPPYF), and as a result the Fund has not paid an income distribution to investors in July 2008.

As at 11 July 2008	
Unit Price	$0.9204
Valuation of Underlying Portfolio	98.2%
Income distribution paid effective 11 January 2008	2.1%
Income distribution paid effective 11 July 2008	0.0%

Inception date is 11 July 2007

Income distributions including the final payout to investors are based on the value of the underlying portfolio. This valuation reflects the leveraged return of the underlying funds (which are in $US) to be paid to investors in $A. This was 98.2%, down by 1.8% from inception, as at the planned distribution date, 11 July 2008.

The unit price for early withdrawals is $0.9204 at 11 July 2008. The reason for this is, in addition to the underlying portfolio value, the unit price is also affected by interest rate differentials between $US and $A. The unit price is calculated reflecting the present value at that date of receiving the $US return of the underlying portfolio in $A until maturity. The current unit price has been negatively affected by the rise in $A interest rates and the fall in $US interest rates between July 2007 and July 2008.

Note that this unit price calculation only affects the current exit value for investors who withdraw from the Fund before maturity; it does not affect future income distributions or the return of principal at maturity. Investors payout if they continue to hold units in the Fund is determined by reference to the value of the underlying portfolio, not the current unit price valuation. The unit price will converge towards the value of the underlying portfolio as the Fund moves closer to maturity.

Performance of the Underlying Portfolio

The broad bond market managed a modest gain in the first half of 2008 despite stress in the financial system arising from the sub-prime debacle and concern about higher inflation.

Slower growth, rising inflation and global deleveraging were the major investment themes that combined to create a major financial crisis in the first three months of 2008.

The new year started off the way 2007 had ended, price declines for just about all assets without a government guarantee accelerated in the face of forced sales by a variety of leveraged investors. Falling prices and the effective closure of some markets led to further massive losses among banks as well as the implosion of several large hedge funds and the fifth largest U.S. investment bank, Bear Stearns. Central banks had no choice but to redouble their efforts to provide the markets alternative sources of liquidity, with the US Fed Reserve (Fed) in particular taking extreme measures; by the end of the quarter the U.S. central bank had cut the federal funds rate by 2%, backstopped JPMorgan's purchase of Bear Stearns, and opened the discount window to non-deposit taking institutions for the first time since the Great Depression. Thus, far from a general stabilization, the first quarter saw a toxic combination of moderate stagflation and massive risk reduction leading to barely imaginable losses and a nearly unprecedented policy response.

During the first two months of the second quarter, it appeared to many that the worst of the 2007-2008 financial crisis might be in the past. With economic data suggesting sluggish growth but not recession, and with a raft of official liquidity measures promising to prevent severe financial crisis, investors reversed many of the risk aversion trades that had been popular in the first three months of the year. Government bond yields rose sharply across the major markets. Equities and spread markets, from corporates to mortgages to emerging market bonds, rallied strongly as investors piled back into risky assets. Unfortunately, the improvement in sentiment proved temporary. By the middle of the quarter, the market had begun to focus on the policy dilemma posed by the combination of surging food and energy prices and deteriorating consumer demand dynamics. Although actual policy rate changes were fairly limited, a noticeable increase in hawkish rhetoric from the major central banks resulted in the market re-evaluating the future path of interest rates in the developed world. As might be expected, financial markets reacted less than enthusiastically. By the end of the quarter, equity markets were back at the years' lows, credit spreads had widened sharply, and nominal and real yields were headed in opposite directions, leaving little doubt about the market's diverging expectations for inflation and growth going forward.

In this environment all three PIMCO funds experienced moderately negative absolute performance over the last six months, and as a result so did the PPYF.

Outlook

Looking forward, PIMCO expects the global economy will enjoy reasonable growth, as a generally weak developed world is offset by continued solid growth in emerging economies. The vulnerability of the global financial system to policy mistakes will make risk exposures in investment portfolios more volatile. On the positive side, however, this volatility is also likely to create more opportunities for astute investors to add value.

PIMCO continue to have a postive outlook for Emerging Markets bonds. Despite the massive volatility experienced by global financial markets during the first half of the year, economic forecasts for Emerging Markets countries remain robust.

How did CSPPYF perform to 30 June 2008?

	1 month %	3 month %	6 month %	Since Inception %*
Growth	-0.30	-0.21	-2.13	-7.96
Income	0.00	0.00	2.20	2.20
Net returns	-0.30	-0.21	0.06	-5.91
Gross returns	-0.27	-0.12	0.24	-5.59

*Date of Inception – 11 July 2007

Net Returns are calculated using pre-distribution month end mid unit prices and assumes all income is reinvested in additional units. Gross returns are calculated by adding back the Responsible Entity Fee deducted.

Past performance is not necessarily indicative of future performance. Returns are volatile and may vary from year to year.

Distribution History (CPU)

	Jan	July
2008	2.0601	-
2009		

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