Vita Classic – Investment reports
June 30, 2020

Review

Important facts	
Foundation name	**Vita Joint Foundation**
Pension assets	**CHF 15.67 billion**
Annual performance 2019	**8.66%**
Average performance 2015 – 2019	**3.37% p. a.**
Coverage ratio I taking pension model into account (Art. 44 para. 2 BVV 2)	**102.1%**
Coverage ratio II without taking pension model into account (for purposes of comparison)	**102.7%**

Significant price gains

The recovery that took shape in the markets as early as the end of March continued in the second quarter. Many share indices have already returned to the level of the start of the year, and in corporate bonds, too, there was a clear fall in the risk premium – albeit to a lesser extent than in the stock market. Nevertheless, the positive performance is pitched against still rising Corona infection rates and the uncertainties that go along with them, as well as increasing debt levels and lower company profits.

Investment development

2020 performance contributions	In %
Bonds	**0.15**
Real estate	**–0.27**
Equities	**–1.48**
Alternative investments	**–0.82**
Miscellaneous (put and mortgages)	**1.43**
Total	**–0.99**

Performance as at 06/30/2020	In %
Year(s) of operation	**–0.99**
Year 1	**2.14**
3 years. p.a.	**2.63**
5 years. p.a.	**3.15**
1st quarter	**–5.27**
2nd quarter	**5.00**
3rd quarter	**n.a.**
4th quarter	**n.a.**

Consistent rebalancing pays off

As part of its strategic asset allocation, the Vita Joint Foundation has defined fixed quotas for various asset classes. If the markets move significantly – as, for example, in March of this year – this will lead to the effective quotas deviating from the targets. When there is a fall in prices on the stock markets, the proportion of equity investments will fall below the target quota if, for example, the prices of the other investments change little at the same time.

Thanks to its hedging strategy and the good diversification of its portfolio, the Vita Joint Foundation was able to carry out consistent rebalancing, even during the previous peak of the Corona crisis, and to gradually increase the proportion of equity investments at low prices to reach the target quota. The strong rise in prices in the second quarter led to the purchased equity gaining in value, resulting in overweighting. This equity could then be resold as part of a re-alignment towards the target quota at a notably higher price, thus achieving a profit.

Investment strategy

Asset structure as at 06/30/2020	In %	Target	Min.	Max.
		Strategy		
Swiss equities	6.07	6.00	3.00	9.00
Foreign equities	24.31	24.00	19.00	29.00
Total equities	**30.38**	**30.00**		
Swiss bonds	5.51	6.00	3.00	9.00
Foreign bonds	26.49	25.00	15.00	35.00
Total capital market	**32.00**	**31.00**		
Swiss real estate	9.08	8.00	4.00	12.00
Foreign real estate	4.64	5.00	2.00	8.00
Total real estate	**13.72**	**13.00**		
Mortgages	7.53	7.00	3.00	11.00
Total mortgages	**7.53**	**7.00**		
Private equity	2.35	3.00	1.00	5.00
Hedge fund	5.69	6.00	3.00	9.00
Infrastructure	1.63	2.00	0.00	4.00
Senior loans	3.95	4.00	2.00	6.00
Insurance-linked securities	0.64	1.00	0.00	3.00
Collateralized loan obligation	0.54	2.00	0.00	4.00
Total alternative investments	**14.80**	**18.00**		
Total liquidity	**0.33**	**1.00**	**0.00**	**5.00**
Total miscellaneous	**1.24**			
Total	**100.00**	**100.00**		

Ten largest positions, equities	In % of portfolio
Nestlé SA	**1.32%**
Roche Holding AG	**0.98%**
Novartis AG	**0.90%**
Apple Inc.	**0.67%**
Microsoft Corp.	**0.58%**
Amazon.com Inc.	**0.51%**
Alphabet Inc.	**0.39%**
Facebook Inc.	**0.27%**
NVIDIA Corp.	**0.25%**
Home Depot Inc.	**0.24%**
Total	**6.11%**

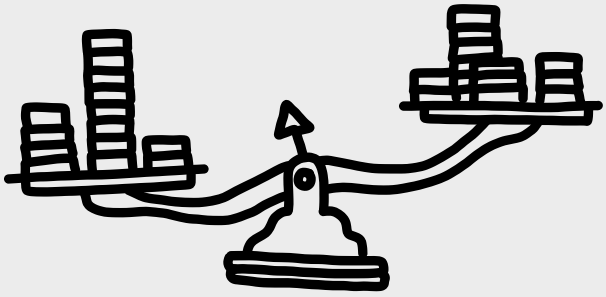
Ten largest positions, bonds	In % of portfolio
United States of America	**3.61%**
French Republic	**0.98%**
Pfandbriefbank schweizerischer Hypothekarinstitute	**0.97%**
Swiss Confederation	**0.78%**
Pfandbriefzentrale der schweizerischen Kantonalbanken AG	**0.68%**
Federal Republic of Germany	**0.44%**
Kingdom of Spain	**0.43%**
Citigroup Inc.	**0.28%**
Crédit Agricole SA	**0.26%**
AT&T Inc.	**0.25%**
Total	**8.68%**

Playing catch-up on the markets

In the second quarter, virtually all investment categories generated positive returns. Following on from equity, corporate bonds also made a positive contribution.

American equity swung clearly upwards and gained around a quarter in value, while Swiss and Japanese equities, which recorded lower profits, were nevertheless still able to achieve extremely respectable profits. With the corporate bonds, too, the USA led the way with gains of around 10%. In contrast, real estate changed little, but likewise closed the final quarter with a positive return.

The oft-cited discrepancy between the real economy and the financial markets



Most recently, there has been much talk of the discrepancy between the developments on the stock markets and the state of the global economy. The rapid surge in the equity markets has been hard for many to comprehend, particularly against the background of an economy badly stricken by the measures to counter the spread of the corona virus. The speed and the extent of the current recovery is astonishing and raises questions, but the correlations are easier to see if you understand how the price of a share is established. The price of a share corresponds to the discounted value of the dividends it is expected to yield in future. The two factors relevant to the valuation of a share are therefore the discount rate and a company's expected profits.

With the discount rate, future income is discounted to present-day value, the basis of which is the risk-free interest. The financial policy of the central banks has led to the discount rate tending to fall, which results in a greater present-day value for an investment. The second component is the risk premium, which investors require in order to hold equities. Due to the measures by the central banks to prop up the financial markets, investors are once again increasingly willing to take risks.

Alongside the discount rate, the economic prospects also play a role – since they determine the future profits and dividends of the company. Currently, many market participants remain optimistic and are expecting a rapid recovery to follow the current economic slump, at the latest by 2021. It remains to be seen, however, whether the discrepancy between the current state of the real market economy and the financial markets, shaped as they are by expectations, is really justified.

Vita Joint Foundation
Hagenholzstrasse 60 | 8050 Zurich, Switzerland
www.vita.ch

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