

Vita Classic – Investment reports

December 31, 2020

Review

Important facts	
Foundation name	Vita Collective Foundation
Pension assets	CHF 16.89 billion
Annual performance 2020	5.54%
Average performance 2016 – 2020	4.24% p.a.
Coverage ratio I taking pension model into account (Art. 44 para. 2 BVV 2)	n.a.
Coverage ratio II without taking pension model into account (for purposes of comparison)	n.a.

Strong finish to a turbulent year

As was the case all year, the last quarter of 2020 was also marked by uncertainty and important events. There were new developments both on the political level, for example due to the US elections, and with regard to the coronavirus pandemic and its economic implications. The stock markets, however, were mostly upbeat about these developments, ending the year with a veritable final spurt, which in many cases led to a positive annual return in the end.

Investment development

2020 performance contributions	In %
Bonds	1.46
Real estate	0.39
Equities	3.44
Alternative investments	-0.25
Miscellaneous (put and mortgages)	0.50
Total	5.54

Performance as at 12/31/2020	In %
Year(s) of operation	5.54
Year 1	5.54
3 years. p.a.	3.58
5 years. p.a.	4.24
1st quarter	-5.71
2nd quarter	5.20
3rd quarter	1.94
4th quarter	4.37

Solid returns despite major uncertainties

Most asset classes recovered significantly after the sharp slump in prices in March last year. Uncertainty about the course of the pandemic and the state of the global economy persist. Nevertheless, optimism spread among investors from the second quarter onwards. The strong upswing on the stock markets and declining risk premiums on bonds ensured that 2020 was ultimately a successful investment

year. However, the risks and challenges for the future remain: the persistently low interest rate environment, the high levels of debt and the high valuation on the equity markets continue to make it difficult to achieve good long-term returns and thus an attractive return on pension fund assets.

Investment strategy

Asset structure as at 12/31/2020	In %	Target	Min.	Max.
		Strategy		
Swiss equities	5.97	6.00	3.00	9.00
Foreign equities	25.53	24.00	19.00	29.00
Total equities	31.50	30.00		
Swiss bonds	7.18	6.00	3.00	9.00
Foreign bonds	24.67	25.00	15.00	35.00
Total capital market	31.85	31.00		
Swiss real estate	9.36	8.00	4.00	12.00
Foreign real estate	4.90	5.00	2.00	8.00
Total real estate	14.26	13.00		
Mortgages	7.32	7.00	3.00	11.00
Total mortgages	7.32	7.00		
Private equity	2.36	3.00	1.00	5.00
Hedge fund	5.43	6.00	3.00	9.00
Infrastructure	1.47	2.00	0.00	4.00
Senior loans	3.73	4.00	2.00	6.00
Insurance-linked securities	0.35	1.00	0.00	3.00
Collateralized loan obligation	0.52	2.00	0.00	4.00
Total alternative investments	13.86	18.00		
Total liquidity	1.02	1.00	0.00	5.00
Total miscellaneous	0.19			
Total	100.00	100.00		

Diversified portfolio

Besides equities, bonds also benefited from an upturn in 2020. Driven by falling (and at times negative) interest rates, they achieved very good overall performance. Compared to equities and bonds, the return on real estate investments was more modest, but remained positive. The active investment managers also collectively contributed to

Ten largest positions. equities	In % of portfolio
Nestlé SA	1.22%
Roche Holding AG	0.88%
Novartis AG	0.83%
Apple Inc.	0.74%
Microsoft Corp.	0.55%
Amazon.com Inc.	0.47%
Alphabet Inc.	0.39%
Taiwan Semiconductor Manufacturing Corp	0.36%
Samsung Electronics Co Ltd	0.35%
Tencent Holdings Ltd	0.33%
Total	6.10%

Ten largest positions. bonds	In % of portfolio
United States of America	3.94%
French Republic	1.32%
Pfandbriefbank schweizerischer Hypothekarinstitute	1.27%
Swiss Confederation	1.07%
Pfandbriefzentrale der schweizerischen Kantonalbanken AG	0.97%
Kingdom of Spain	0.60%
Federal Republic of Germany	0.49%
Crédit Agricole SA	0.25%
Canton of Geneva	0.23%
Citigroup Inc	0.21%
Total	8.95%

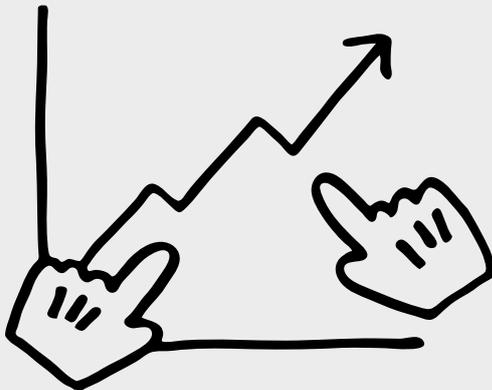
the good return. However, hedge funds, whose performance is particularly dependent on the skills of the investment managers, fell short of expectations.

In this exceptional year, the Vita Collective Foundation was able to bring the strengths of its broadly diversified investment strategy to bear and generate a pleasing return.

Revised strategic asset allocation

As it does every year, the Vita Collective Foundation reviewed its strategic asset allocation in fall 2020 to ensure that it is optimally positioned for the future. The Foundation's needs and characteristics, together with the expected returns and risks on the capital markets, play an important role here.

Vita Classic's revised pension model has a stabilizing effect on the funding ratio and thus allows a higher risk budget. In the long term, taking on higher risks will make a higher expected return possible. These new parameters were taken into account for the strategic asset allocation, which applies from January 1, 2021.



In 2021, Vita Collective Foundation will continue along the path it has taken in recent years. It tends to increase allocations to equities, real estate and illiquid investments at the expense of bonds. In terms of bonds, however, it is increasingly shifting from corporate bonds to government bonds with better credit ratings, and is thus improving the quality of the portfolio.

In addition to the 2021 strategic asset allocation, the Vita Collective Foundation has also defined an "Ambition 2025" for the first time. This will enable a somewhat broader outlook and illustrates how the investment strategy is likely to develop in the longer term. The biggest difference between the strategic asset allocation for 2021 and the "Ambition 2025" is in the area of illiquid investments such as real estate or infrastructure. These can only be built up or reduced gradually, meaning the desired target ratios take longer to achieve.

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