

Vita Classic – Investment reports

June 30, 2019

Review

Important facts as at 12/31/2018	
Foundation name	Vita Joint Foundation
Pension assets	CHF 14 billion
Annual performance 2018	-3.08%
Average performance 2014 – 2018	3.28% p.a.
Coverage ratio I taking pension model into account (Art. 44 para. 2 BVV 2)	100%
Coverage ratio II without taking pension model into account (for purposes of comparison)	101.9%

Good performance in the second quarter

The first major correction occurred in early May, wiping out a substantial part of the price gains made in the year thus far. Stock markets showed weakness only briefly, however, as prices had traded back up near their historic highs by mid-May already. Favorable market movements in the first half of June contributed to the solid performance of equities. Total return on bonds was positive as well, contributing substantially to the good performance recorded for the Vita Joint Foundation portfolio.

Investment development

2019 performance contributions	In %
Bonds	1.54
Real estate	0.76
Equities	4.13
Alternative investments	0.22
Miscellaneous (Put and Mortgages)	-1.38
Total	5.27

Performance as at 06/30/2019	In %
Year(s) of operation	5.27
Year 1	2.60
3 years, p.a.	4.05
5 years, p.a.	3.54
1st quarter	4.01
2nd quarter	1.21
3rd quarter	n/a
4th quarter	n/a

Interest rates staying low

The second quarter picked up where the solid first quarter left off, but with heightened overall market volatility. Fears have proven unfortunately true, as the US will likely cut interest rates. Such a move would limit central banks' ability to raise interest rates, which means limited potential for normalizing monetary policy for a longer period to come. These developments are reflected in a very flat yield curve. For example, ten-year bond yields are only slightly higher than bonds with short maturities. This, in combination with increased risks to corporate bonds, among others,

further detracts from the attractiveness of bond investing. The Vita Joint Foundation has recorded a solid average annual return of 3.54% for the past five years thanks to a protracted stock market rally and positive returns on private equity and other non-public investments. Bonds, which are an important stabilizing element in the portfolio, also performed positively, within modest limits. It remains challenging to structure the portfolio so as to yield stable long-term returns at a good level in an environment in which returns are lower than anticipated.

Investment strategy

Asset structure as at 06/30/2019	In %	Target	Min.	Max.
		Strategy		
Swiss equities	6.23	6.00	3.00	9.00
Foreign equities	23.18	22.00	17.00	27.00
Total equities	29.41	28.00		
Swiss bonds	5.54	5.00	2.00	8.00
Foreign bonds	28.51	25.00	15.00	35.00
Total capital market	34.05	30.00		
Swiss real estate	8.01	8.00	4.00	12.00
Foreign real estate	5.13	5.00	2.00	8.00
Total real estate	13.14	13.00		
Mortgages	5.91	7.00	3.00	11.00
Total mortgages	5.91	7.00		
Private equity	1.99	3.00	1.00	5.00
Hedge fund	5.89	6.00	3.00	9.00
Infrastructure	1.75	2.00	0.00	4.00
Senior loans	3.74	4.00	2.00	6.00
Insurance-linked securities	1.43	3.00	0.00	5.00
Collateralized loan obligation	0.58	3.00	0.00	5.00
Total alternative investments	15.38	21.00		
Total liquidity	1.91	1.00	0.00	5.00
Total miscellaneous	0.20			
Total	100.00	100.00		

Ten largest positions, equities	In % of portfolio
Nestlé SA	1.36%
Novartis AG	0.96%
Roche Holding AG	0.86%
Apple Inc.	0.41%
Microsoft	0.38%
Amazon.com Inc.	0.36%
Visa Inc.	0.29%
Alphabet Inc.	0.28%
UBS Group AG	0.25%
Cie Financiere Richemont SA	0.24%
Total	5.39%

Ten largest positions, bonds	In % of portfolio
United States of America	3.30%
French Republic	1.21%
Pfandbriefbank schweizerischer Hypothekarinstitute	1.10%
Swiss Confederation	0.97%
Central mortgage bond institution of the Swiss cantonal banks	0.82%
Kingdom of Spain	0.44%
Federal Republic of Germany	0.37%
Crédit Agricole SA	0.34%
Total SA	0.29%
Oesterreichische Kontrollbank	0.27%
Total	9.11%

Solid results despite increased market volatility

Increasing the allocation in equities over the last few years has helped the Vita Joint Foundation portfolio achieve good returns, including in the second quarter of 2019. The return for the first half of the year was thus a respectable 5.27%. This good performance caused a slight improvement in the

coverage ratio. Equities gained 1.92% between April and June, while bonds generated a similarly beneficial 1.88% return for the portfolio. Bonds thus contributed substantially to the good overall result. Real estate also performed well, returning more than 1.0%.

Responsible investing in «senior citizens' housing properties»



Responsible investing is a high priority for the Vita Joint Foundation and a cornerstone of investment strategy. Portfolio positions are reviewed quarterly for adherence to environmental, social and governance (ESG) responsibility criteria. A score is calculated for each position and for the overall portfolio, and the portfolio's carbon footprint is also determined and analyzed using dedicated software. The Vita Joint Foundation takes a proactive approach to sustainability, monitoring the Foundation's portfolio and asset managers for adherence with sustainability criteria. The Foundation maintains active dialogue with asset managers and exercises its voting rights. The Vita Joint Foundation also makes investments directly on its own, and supports projects that have positive ESG impact, aiming to reduce greenhouse gas emissions from properties in the «Swiss Real Estate» portfolio by 20% by the year 2020. Much of this reduction has already been achieved.

Investment in senior citizens' housing properties is a long-term focus, including projects such as 40 smaller, age-appropriate, financeable condominiums being built in Bazenheid (St. Gallen Canton) and 77 in Ilanz (Grisons Canton). The Vita Joint Foundation has launched a concept entitled «Assisted Living – Services for Life» designed to afford senior citizens semi-independent living in a familiar environment.

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