

Vita Classic – Investment reports

March 31, 2020

Review

Important facts	
Foundation name	Vita Joint Foundation
Pension assets	CHF 14.98 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)	98.4%
Coverage ratio II without taking pension model into account (for purposes of comparison)	99.6%

The coronavirus determines the markets

Very good investment returns were the hallmark of 2019. However, these were followed by a drastic correction in the first quarter of 2020 – triggered by the outbreak of the novel coronavirus. After a very positive beginning to the year, a marked slump began at the end of February. The unprecedented government and central bank intervention, which flooded the market with billions, ensured that towards the end of March the first market participants had already regained confidence, resulting in a partial recovery.

Investment development

2020 performance contributions	In %
Bonds	-1.47
Real estate	-0.47
Equities	-6.08
Alternative investments	-0.92
Miscellaneous (put and mortgages)	3.67
Total	-5.27

Performance as at 03/31/2020	In %
Year(s) of operation	-5.27
Year 1	-1.02
3 years, p.a.	1.39
5 years, p.a.	1.99
1st quarter	-5.27
2nd quarter	n. a.
3rd quarter	n. a.
4th quarter	n. a.

The hedging of the Vita Joint Foundation is working

The Vita Joint Foundation has been pursuing various hedging strategies for years. These include United States Treasuries, certain hedge fund strategies and equity hedging. This protection paid off in the corona crisis. Nevertheless, the falling prices also hit the investments of the Vita Joint Foundation. Apart from a loss on equity investments – especially at the outset of the crisis – distortions were also observable on the bond markets. Nevertheless, it was possible to keep the loss in the first quarter within bounds at a provisional -5.27% at the portfolio level.

It was a mixed picture when it came to real estate and alternative investments. To date, the corona crisis has had few repercussions on the real estate investments of the Vita Joint Foundation in Switzerland, where the net inventory values actually improved slightly. The real estate portfolio of the Vita Joint Foundation is focused on residential properties and very conservatively oriented as a result. Only a small portion is invested in business properties. However, the long-term effect of the crisis will only be evident in a few months. Business properties will be affected by payment deferrals and defaults.

Investment strategy

Asset structure as at 03/31/2020	In %	Target	Min.	Max.
		Strategy		
Swiss equities	5.99	6.00	3.00	9.00
Foreign equities	22.06	24.00	19.00	29.00
Total equities	28.05	30.00		
Swiss bonds	5.37	6.00	3.00	9.00
Foreign bonds	26.80	25.00	15.00	35.00
Total capital market	32.17	31.00		
Swiss real estate	9.41	8.00	4.00	12.00
Foreign real estate	4.58	5.00	2.00	8.00
Total real estate	13.99	13.00		
Mortgages	7.14	7.00	3.00	11.00
Total mortgages	7.14	7.00		
Private equity	2.53	3.00	1.00	5.00
Hedge fund	5.97	6.00	3.00	9.00
Infrastructure	1.79	2.00	0.00	4.00
Senior loans	3.55	4.00	2.00	6.00
Insurance-linked securities	0.95	1.00	0.00	3.00
Collateralized loan obligation	0.54	2.00	0.00	4.00
Total alternative investments	15.33	18.00		
Total liquidity	0.10	1.00	0.00	5.00
Total miscellaneous	3.22			
Total	100.00	100.00		

Ten largest positions, equities	In % of portfolio
Nestlé SA	1.40
Roche Holding AG	1.07
Novartis AG	0.89
Microsoft Corp	0.54
Apple Inc	0.54
Amazon.com Inc	0.42
Alphabet Inc	0.36
Zurich Insurance Group AG	0.26
Visa Inc	0.24
NVIDIA Corp	0.23
Total	5.95

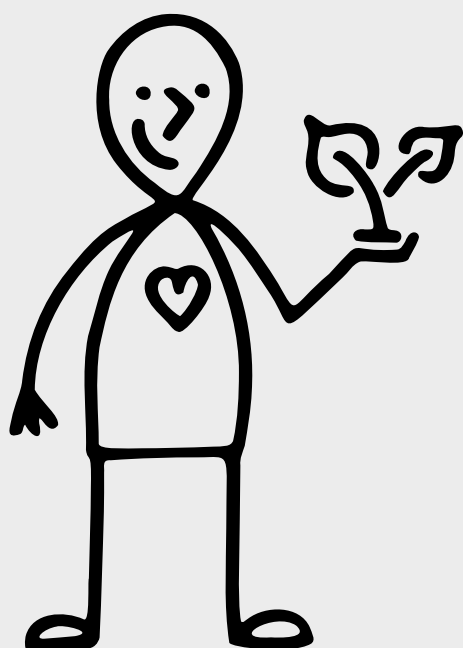
Ten largest positions, bonds	In % of portfolio
United States of America	3.62
French Republic	0.97
Swiss Confederation	0.90
Pfandbriefbank schweizerischer Hypothekarinstitute	0.89
Pfandbriefzentrale der schweizerischen Kantonalbanken AG	0.68
Federal Republic of Germany	0.44
Kingdom of Spain	0.37
AT&T Inc	0.29
Crédit Agricole SA	0.27
Citigroup Inc	0.26
Total	8.69

Long-term returns remain good

Although the first quarter of 2020 will go down in history as one of the worst since records began, the returns achieved by the Vita Joint Foundation are still good over a longer period. Since the 2008 financial crisis, equities have realized a remarkably good performance and other investments, such as real estate, enjoyed very good returns. The resultant

high valuation level is also one reason for the plunge in recent weeks. Considered over a longer period of five years, for example, the annualized return of the Vita Joint Foundation is still attractive by historical comparison.

Turbulence on the oil market



Most countries have taken measures to restrict the spread of the novel coronavirus. The lockdown prescribed in this context brought about an enormous reduction in energy requirements; transport services in particular were in less demand. This has resulted in a huge decline in the demand for fossil fuels. In addition, rather too much oil has been produced for some time, a fact which relates in particular to the rise and situation of the shale oil producers in the U.S.. Many oil-exporting countries are dependent on the revenues from their oil sales, which restricts their readiness, and in part their ability, to enforce production cuts.

The collapse of the economy and the side effects of the lockdown have resulted in a relatively high supply of oil encountering rapidly diminishing demand. The fact that oil storage capacity in some regions was already well-stocked acted as an additional factor promoting the price collapse of the black gold, which by the end of the quarter had reached a historic low. Although a certain recovery in oil prices is to be expected in the long term – after all, the (variable) costs of the producers constitute a lower threshold – prices that have not been seen for many years are a realistic scenario. This is all the more to be expected if the lockdown lasts longer or the economy recovers more slowly than assumed.

The Vita Joint Foundation no longer invests in commodities and liquidated these investments several years ago. The Vita Joint Foundation does not hold emerging market bonds in its portfolio either. Several emerging markets have been severely affected by the declining oil price and their bonds have consequently decreased substantially in value.

Disclaimer: This publication has been prepared with the greatest possible care. With regard to content, the Vita Joint Foundation disclaims any responsibility for the currentness, completeness and accuracy of data.

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