

Vita Classic – Investment reports

June 30, 2022

Review

Important facts	
Foundation name	Vita Collective Foundation
Pension assets	CHF 17.69 billion
Net performance 2021	8.49%
Average net performance 2017–2021	5.01% p.a.
Coverage ratio (Art. 44 para. 2 BVV 2)	104%

Central banks increase base rates

As a reaction to rising inflation, the U.S. central bank, the Federal Reserve, raised base rates in mid-March for the first time since 2018. Further increases in U.S. base rates occurred in May and June. Surprisingly, in mid-June the Swiss National Bank also increased the interest rates at which business banks can obtain money, acting before the European Central Bank. Further interest hikes and recession worries put stock and bond markets under pressure in the second quarter of 2022.

Investment development

2022 performance contributions	In %
Bonds	-3.36
Real estate	-0.22
Equities	-5.88
Infrastructure	0.02
Alternative investments	0.42
Miscellaneous (Mortgages, put options and FX hedge)	-0.13
Total	-9.15

Net performance as at 06/30/2022	In %
Year(s) of operation	-9.15
Year 1	-7.16
3 years. p.a.	2.32
5 years. p.a.	2.46
1st quarter	-3.30
2nd quarter	-6.04
3rd quarter	n.a.
4th quarter	n.a.

Effects of increasing interest rates

Ongoing concerns about inflation figures prompted some central banks to increase interest rates – substantially in some cases – and to scale back their economic programs. In the first half of 2022, this led to corresponding price falls for bonds. But bonds were not the only thing to suffer: The looming bottlenecks in energy and food supplies as a result of the ongoing war in Ukraine took their toll on stock markets. The Chinese stock market formed a positive exception in June, thanks to the easing of Covid-19 restrictions.

The "Real Estate Switzerland" investment category, popular among pension funds, also failed to escape the increasing interest rates. The low-interest environment had favored real estate investments in previous years. Total returns were heavily driven by value increases. As interest rates increase, both rental income and alternatives such as government and corporate bonds with high creditworthiness should increasingly become a focal point.

Investment strategy

Asset structure as at 06/30/2022	In %	Target	Min.	Max.
		Strategy		
Swiss equities	5.47	6.00	4.00	8.00
Foreign equities	24.26	27.00	22.00	32.00
Total equities	29.73	33.00		
Swiss bonds	10.70	11.00	8.00	14.00
Foreign bonds	20.30	21.00	15.00	27.00
Total bonds	31.00	32.00		
Swiss real estate	11.27	10.00	5.00	17.00
Foreign real estate	5.04	5.00	2.00	8.00
Total real estate	16.31	15.00		
Mortgages	7.06	7.00	3.00	11.00
Total mortgages	7.06	7.00		
Infrastructure	2.20	3.00	0.00	8.00
Total infrastructure	2.20	3.00		
Private Equity	4.19	3.00	0.00	5.00
Hedge funds	1.61	0.00	0.00	7.00
Private debt	5.78	6.00	2.00	10.00
Total alternative investments	11.58	9.00		
Total liquidity	1.42	1.00	0.00	5.00
Total miscellaneous	0.70			
Total	100.00	100.00		

Ten largest positions. Equities	In % of portfolio
Nestlé SA	1.15%
Roche Holding AG	0.87%
Apple Inc	0.72%
Novartis AG	0.70%
Microsoft Corp	0.65%
Alphabet Inc	0.41%
Amazon.com Inc	0.32%
Taiwan Semiconductor Manufacturing Co	0.29%
Tencent Holdings Ltd	0.25%
Zurich Insurance Group AG	0.24%
Total	5.60%

Ten largest positions. Bonds	In % of portfolio
United States of America	4.30%
Pfandbriefbank schweizerischer Hypothekarinstitute	1.79%
Pfandbriefzentrale der schweizerischen Kantonalbanken AG	1.37%
Swiss Confederation	1.35%
French Republic	0.61%
Federal Republic of Germany	0.46%
Kingdom of Spain	0.38%
Zürcher Kantonalbank	0.29%
Canton of Geneva	0.24%
European Investment Bank	0.20%
Total	10.99%

High inflation and interest take their toll on financial markets

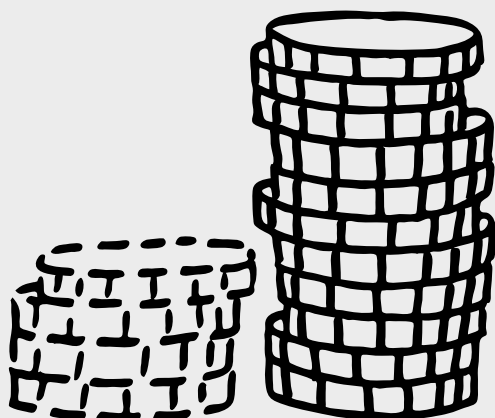
The ongoing geopolitical tensions and inflationary environment continued to take their toll on financial markets in the second quarter of 2022. With the exception of alternative investments, including infrastructure, all investment categories made a negative contribution to performance. Equities were particularly heavily affected, followed by bonds.

Even real estate investments saw slightly negative development in the second quarter. The hedging strategy pursued by the Vita Collective Foundation with respect to equities was able to dampen the losses somewhat.

In the first half of 2022, the portfolio's provisional performance is -9.15 percent.

Inflation: Here to stay

Inflation is here to stay. The large increases in energy prices, the interruption of global supply chains due to the Ukraine crisis, and inflationary effects of the COVID-19 pandemic have led to inflation rates in several countries that are considerably above the values in previous years. In 2021 inflation was still classed as temporary, which is why the national banks didn't consider there to be any immediate need to tackle it. The change in the assessment of inflation risks prompted the start of monetary policy reactions. Hence the U.S. Federal Reserve increased the base rate by 0.25 percentage points in March 2022, with further central banks following on. The challenge for national banks is to only raise interest rates to the extent necessary without stalling the upswing seen after the COVID-19 slump and allowing the economy to slide into a recession. Experts are predicting the decline of external shocks and so a fall in inflation rates next year. However, inflation can be expected to remain close to the target value of central banks. So it is clear that the era of very low inflation rates is likely to remain a thing of the past.



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