

Vita Classic – Investment reports

September 30, 2022

Review

Important facts	
Foundation name	Vita Collective Foundation
Pension assets	CHF 17.16 billion
Net performance 2021	8.49%
Average net performance 2017–2021	5.01% p.a.
Coverage ratio (Art. 44 para. 2 BVV 2)	99.8%

Combating inflation has priority

The inflation target of many central banks is an average of two percent. However, inflation in many countries worldwide is well above the target. Accordingly, the central banks once again sharply raised interest rates in Q3 2022. By doing so, they declared war on the inflation rates that had reached double digits in the Eurozone at the end of September. This has stoked fears of recession and continued to put the equity and bond prices under pressure.

Investment development

2022 performance contributions	In %
Bonds	-4.16
Real estate	-0.23
Equities	-7.17
Infrastructure	0.13
Alternative investments	0.46
Miscellaneous (Mortgages, put options and FX hedge)	-0.09
Total	-11.06

Net performance as at 09/30/2022	In %
Year(s) of operation	-11.06
Year 1	-9.30
3 years. p.a.	1.28
5 years. p.a.	1.70
1st quarter	-3.30
2nd quarter	-5.96
3rd quarter	-2.20
4th quarter	n.a.

Dim prospects of growth

To date, the base interest rate increases of the Swiss National Bank have had little impact on the Swiss economic cycle. The relatively moderate inflation has had no noticeable effect on consumer behavior. For the most part, this was probably due to the lifting of the coronavirus measures.

Moreover, the good condition of the labor market has been supportive: at the end of September, the unemployment rate in Switzerland was 1.9%. Energy supply and the development of the world economy will be decisive for the further course of the economic cycle.

Investment strategy

Asset structure as at 09/30/2022	In %	Target	Min.	Max.
		Strategy		
Swiss equities	5.20	6.00	4.00	8.00
Foreign equities	22.74	27.00	22.00	32.00
Total equities	27.94	33.00		
Swiss bonds	10.78	11.00	8.00	14.00
Foreign bonds	19.30	21.00	15.00	27.00
Total bonds	30.08	32.00		
Swiss real estate	12.54	10.00	5.00	17.00
Foreign real estate	5.18	5.00	2.00	8.00
Total real estate	17.72	15.00		
Mortgages	7.20	7.00	3.00	11.00
Total mortgages	7.20	7.00		
Infrastructure	2.37	3.00	0.00	8.00
Total infrastructure	2.37	3.00		
Private Equity	4.34	3.00	0.00	5.00
Hedge funds	0.36	0.00	0.00	7.00
Private debt	6.31	6.00	2.00	10.00
Total alternative investments	11.01	9.00		
Total liquidity	2.75	1.00	0.00	5.00
Total miscellaneous	0.93			
Total	100.00	100.00		

Ten largest positions. Equities	In % of portfolio
Nestlé SA	1.10%
Roche Holding AG	0.89%
Apple Inc	0.70%
Novartis AG	0.63%
Microsoft Corp	0.56%
Amazon.com Inc	0.34%
Alphabet Inc	0.34%
Taiwan Semiconductor Manufacturing Co	0.26%
Zurich Insurance Group AG	0.23%
Tencent Holdings Ltd	0.21%
Total	5.26%

Ten largest positions. Bonds	In % of portfolio
United States of America	3.91%
Pfandbriefbank schweizerischer Hypothekarinstitute	1.83%
Pfandbriefzentrale der schweizerischen Kantonalbanken AG	1.40%
Swiss Confederation	1.34%
French Republic	0.47%
Federal Republic of Germany	0.37%
Zürcher Kantonalbank	0.28%
Canton of Geneva	0.25%
Kingdom of Spain	0.23%
European Investment Bank	0.19%
Total	10.27%

Financial markets continue to be under pressure

The investment markets began Q3 2022 with positive indicators. However, central banks' renewed sharp interest increases and the emerging recession unsettled the equity and bond markets, leading to the quarter overall turning in a negative result. All of the investment categories, led by

equities and bonds, contributed to the negative result. Only the alternative investments, including infrastructure, made positive contributions. The portfolio of the Vita Collective Foundation closed the third quarter with a provisional performance of -11.06%.

Sustainable rental income growth moves to the forefront

Ever since higher returns can be had from ten-year federal bonds, real estate has become less attractive versus risk-free investments. In recent months, listed real estate funds have plunged in value. The Vita Collective Foundation invests almost entirely in real estate via investment funds. Investment groups of investment foundations are not traded on the stock market, but rather at their net asset value. Consequently, they are not subject to market fluctuations, which is an advantage. What all real estate investments have in common is the valuation of the property itself. The interest rate increase will probably depress real estate value in the medium term. Value increases due to falling discount rates are probably a thing of the past. Landlords can be expected to raise their rents - even if with some delay. This would be good for real estate values.

Apartment rents in Switzerland are tied to the reference mortgage rate. The latter will probably rise for the first

time since its introduction in 2008. Moreover, landlords will probably pass on part of the accrued inflation and general higher costs to the tenants. Rent increases could partially compensate for the negative effects, such as higher discount rates and financing costs, in some cases completely. Economic developments and the shortage in supply currently point to an increase in rents. The decline in building permits for rented apartments and the decreased vacancy rate are being met by increasing immigration, as well as an increasing demand for rented apartments due to the higher financing costs of residential property.

The "Swiss Real Estate" portfolio of the Vita Collective Foundation is widely diversified, with approximately 80% invested in residential properties in good locations.



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