

# Vita Classic – Investment reports

## December 31, 2022

### Review

| Important facts                        |                                   |
|--|-----------------------------------|
| Foundation name                        | <b>Vita Collective Foundation</b> |
| Pension assets                         | <b>CHF 17.53 billion</b>          |
| Net performance 2022                   | <b>-9.80%</b>                     |
| Average net performance 2018–2022      | <b>1.59% p.a.</b>                 |
| Coverage ratio (Art. 44 para. 2 BVV 2) | <b>100.1% (indicative)</b>        |

### 2022 – A challenging year for investors

An eventful and challenging investment year is coming to an end. One-time effects such as the Russian invasion of Ukraine and the accompanying fears of an energy shortage alongside pandemic-related supply chain bottlenecks, exacerbated by China's zero-Covid policy, led to record rates of inflation, signaling the end of an era of low interest rates. Geopolitical tensions and further increases in interest rates stoked fears of a recession and sent the equity and bond markets into a decline.

### Investment development

| 2022 performance contributions                      | In %         |
|---|--------------|
| Bonds   | <b>-4.15</b> |
| Real estate   | <b>-0.23</b> |
| Equities  | <b>-5.82</b> |
| Infrastructure                                      | <b>0.17</b>  |
| Alternative investments                             | <b>0.20</b>  |
| Miscellaneous (mortgages, put options and FX hedge) | <b>0.03</b>  |
| <b>Total</b>  | <b>-9.80</b> |

| Net performance as at 12/31/2022 | In %         |
|----------------------------------|--------------|
| Year(s) of operation             | <b>-9.80</b> |
| Year 1                           | <b>-9.80</b> |
| 3 years, p.a.                    | <b>1.05</b>  |
| 5 years, p.a.                    | <b>1.59</b>  |
| 1st quarter                      | <b>-3.30</b> |
| 2nd quarter                      | <b>-5.96</b> |
| 3rd quarter                      | <b>-2.25</b> |
| 4th quarter                      | <b>1.47</b>  |

### Supply chains still experiencing bottlenecks

In addition to the health-related consequences, the global outbreak of Covid around three years ago has also left its mark on supply chains. Government lockdowns crippled certain sectors of the economy. Employees worked from home where possible, were made to do short-time work or lost their jobs entirely. Gastronomy, tourism, the hotel business and the retail trade were particularly badly affected. Decreases in production and tighter border controls in addition to partial shutdowns of ports led to global supply chain bottlenecks.

The already strained system was subjected to further stress in 2022 by the war in Ukraine, driving up prices for energy and groceries, and also by China's continuing zero-Covid policy. Limited supply due to bottlenecks is being met with increased demand for goods due to Covid-related catch-up effects. This is all leading to a general increase in prices.

## Investment strategy

| Asset structure as at 12/31/2022     | In %          | Target        | Min.        | Max.        |
|--------------------------------------|---------------|---------------|-------------|-------------|
|                                      |               | Strategy      |             |             |
| Swiss equities                       | 5.59          | 6.00          | 4.00        | 8.00        |
| Foreign equities                     | 24.35         | 27.00         | 22.00       | 32.00       |
| <b>Total equities</b>                | <b>29.94</b>  | <b>33.00</b>  |             |             |
| Swiss bonds                          | 10.72         | 11.00         | 8.00        | 14.00       |
| Foreign bonds                        | 19.07         | 21.00         | 15.00       | 27.00       |
| <b>Total bonds</b>                   | <b>29.79</b>  | <b>32.00</b>  |             |             |
| Swiss real estate                    | 12.29         | 10.00         | 5.00        | 17.00       |
| Foreign real estate                  | 5.08          | 5.00          | 2.00        | 8.00        |
| <b>Total real estate</b>             | <b>17.37</b>  | <b>15.00</b>  |             |             |
| Mortgages                            | 7.06          | 7.00          | 3.00        | 11.00       |
| <b>Total mortgages</b>               | <b>7.06</b>   | <b>7.00</b>   |             |             |
| Infrastructure                       | 2.61          | 3.00          | 0.00        | 8.00        |
| <b>Total infrastructure</b>          | <b>2.61</b>   | <b>3.00</b>   |             |             |
| Private equity                       | 3.95          | 3.00          | 0.00        | 5.00        |
| Hedge funds                          | 0.06          | 0.00          | 0.00        | 7.00        |
| Private debt                         | 6.31          | 6.00          | 2.00        | 10.00       |
| <b>Total alternative investments</b> | <b>10.32</b>  | <b>9.00</b>   |             |             |
| <b>Total liquidity</b>               | <b>2.45</b>   | <b>1.00</b>   | <b>0.00</b> | <b>5.00</b> |
| <b>Total miscellaneous</b>           | <b>0.46</b>   |               |             |             |
| <b>Total</b>                         | <b>100.00</b> | <b>100.00</b> |             |             |

| Ten largest positions: equities       | In % of portfolio |
|---------------------------------------|-------------------|
| Nestlé SA                             | 1.13%             |
| Roche Holding AG                      | 0.81%             |
| Novartis AG                           | 0.71%             |
| Apple Inc.                            | 0.60%             |
| Microsoft Corp.                       | 0.50%             |
| Alphabet Inc.                         | 0.31%             |
| Taiwan Semiconductor Manufacturing Co | 0.29%             |
| Tencent Holdings Ltd                  | 0.27%             |
| Amazon.com Inc.                       | 0.26%             |
| Cie Financière Richemont              | 0.26%             |
| <b>Total</b>                          | <b>5.14%</b>      |

| Ten largest positions: bonds                             | In % of portfolio |
|--|-------------------|
| United States of America                                 | 3.68%             |
| Pfandbriefbank schweizerischer Hypothekarinstitute       | 1.77%             |
| Pfandbriefzentrale der schweizerischen Kantonalbanken AG | 1.38%             |
| Swiss Confederation                                      | 1.17%             |
| French Republic  | 0.44%             |
| Federal Republic of Germany                              | 0.36%             |
| Zürcher Kantonalbank                                     | 0.29%             |
| Kingdom of Spain   | 0.26%             |
| Canton of Geneva   | 0.23%             |
| European Investment Bank                                 | 0.16%             |
| <b>Total</b>   | <b>9.74%</b>      |

### Central banks maintain their course

The final quarter of 2022 got off to a promising start. There was much to indicate that central banks would be able to slow down base rate hikes and that inflation rates had peaked. Financial markets were also buoyed by China's announcement that it was easing its strict zero-Covid policy. But despite economic data that was generally better

than expected, central banks continued their cycle of interest rate hikes in December. They are therefore sending a clear signal that they intend to steer inflation further in the direction of 2 percent. This dampened investors' risk tolerance in December. Nevertheless, Q4 was the only quarter of 2022 to close on a positive note.

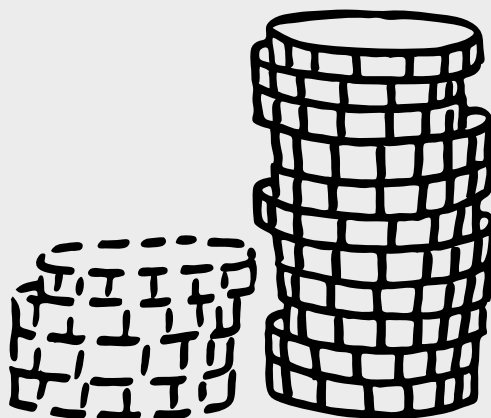
## Reduction of foreign currency risks pays off

In 2021, the Vita Collective Foundation revised its currency hedging strategy. In addition to an adjustment of the system, the foundation also decided to further reduce foreign currency risks. This primarily increases the stability of the portfolio.

The increase in the hedging took place in two tranches: for the euro at the beginning of January 2022, and for the U.S. dollar in the middle of the year. The hedging of the euro particularly demonstrated its worth in 2022. After the Swiss National Bank (SNB) unexpectedly raised its base rates in the middle of June, before the European Central Bank (ECB), the value of the euro fell below one Swiss franc. The ECB was late in reacting to the high rates of inflation and moved away from its extremely loose monetary policy in July. Alongside burgeoning fears of a recession, uncertainty with regards to a potential energy shortage is also weighing down upon the euro. In this tense environment the Swiss franc lived up to its reputation as a "safe haven."

The U.S. Federal Reserve was one of the first central banks to end its zero-interest policy in spring. Despite inflationary pressure, the U.S. economy proved to be robust, not least thanks to the strong job market. This allowed the U.S. dollar to gain against the Swiss franc over the course of the year.

Changes in exchange rates can have a significant impact on the return on investment. In the past the Swiss franc has appreciated against many currencies. So it makes sense to hedge currency risks. The Vita Collective Foundation invests in a broadly diversified portfolio, and thus holds a large portion of its assets internationally and therefore in foreign currencies. Obligations must nonetheless be met in Swiss francs, which is why hedging the currency risks appropriately is a fundamental requirement.



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