# Vita Classic – Investment reports
March 31, 2023

## Review

| Important facts | |
|---|---|
| Foundation name | **Vita Collective Foundation** |
| Pension assets | **CHF 18.13 billion** |
| Net performance 2022 | **–9.80%** |
| Average net performance 2018–2022 | **1.59% p.a.** |
| Coverage ratio (Art. 44 para. 2 BVV 2) | **103.0%** |

### Capital markets defy the banking crisis
The capital markets began the new year with a small price explosion. The apparent slowdown in the cycle of interest rate hikes, declining general inflation, falling energy prices and the abolition of the zero COVID policy in China made investors optimistic. But the good mood was brief. The collapse of U.S. banks and the associated doubts about global financial stability have weighed on the markets since March.

## Investment development

| 2023 performance contributions | In % |
|---|---|
| Bonds | **0.51** |
| Real estate | **0.05** |
| Equities | **2.24** |
| Infrastructure | **0.00** |
| Alternative investments | **0.11** |
| Miscellaneous (mortgages, put options and FX hedge) | **–0.31** |
| **Total** | **2.60** |

| Net performance as at 03/31/2023 | In % |
|---|---|
| Year(s) of operation | **2.60** |
| Year 1 | **–4.45** |
| 3 years, p.a. | **3.89** |
| 5 years, p.a. | **2.24** |
| 1st quarter | **2.60** |
| 2nd quarter | **n.a.** |
| 3rd quarter | **n.a.** |
| 4th quarter | **n.a.** |

### Core inflation remains constantly high
Global inflation rates remain at a high level in many countries and continue to lie considerably above the target mark of 2 percent – despite measures initiated by central banks. Now inflation is indeed slackening off, but core inflation, which excludes fluctuation-prone prices for food and energy, remains stubbornly high and recently increased in the eurozone. Accordingly, interest rates need to be increased further to dampen economic demand, ultimately leading to a fall in inflation. Yet interest rate increases pose the risk of growth weakening and inflation remaining high. Technical experts are already expecting interest rate reductions in the second half of the year. Time will tell, as the year progresses, whether the balancing act of an inflation reduction without a collapse in economic growth will succeed. Nervousness on the financial market will likely stay high.

## Investment strategy

| Asset structure as at 03/31/2023 | In % | Target | Min. | Max. |
|---|---|---|---|---|
| | | Strategy | | |
| Swiss equities | 5.99 | 6.00 | 4.00 | 8.00 |
| Foreign equities | 26.55 | 27.00 | 22.00 | 32.00 |
| **Total equities** | **32.54** | **33.00** | | |
| Swiss bonds | 10.75 | 11.00 | 8.00 | 14.00 |
| Foreign bonds | 18.83 | 21.00 | 15.00 | 27.00 |
| **Total bonds** | **29.58** | **32.00** | | |
| Swiss real estate | 12.10 | 10.00 | 5.00 | 17.00 |
| Foreign real estate | 4.72 | 5.00 | 2.00 | 8.00 |
| **Total real estate** | **16.82** | **15.00** | | |
| Mortgages | 6.89 | 7.00 | 3.00 | 11.00 |
| **Total mortgages** | **6.89** | **7.00** | | |
| Infrastructure | 2.69 | 3.00 | 0.00 | 8.00 |
| **Total infrastructure** | **2.69** | **3.00** | | |
| Private equity | 3.94 | 3.00 | 0.00 | 5.00 |
| Hedge funds | 0.06 | 0.00 | 0.00 | 7.00 |
| Private debt | 6.45 | 6.00 | 2.00 | 10.00 |
| **Total alternative investments** | **10.45** | **9.00** | | |
| **Total liquidity** | **0.85** | **1.00** | **0.00** | **5.00** |
| **Total miscellaneous** | **0.18** | | | |
| **Total** | **100.00** | **100.00** | | |

| Ten largest positions: equities | In % of portfolio |
|---|---|
| Nestlé SA | 1.22% |
| Apple Inc | 0.81% |
| Roche Holding AG | 0.76% |
| Novartis AG | 0.74% |
| Microsoft Corp | 0.65% |
| Alphabet Inc | 0.38% |
| Taiwan Semiconductor Manufacturing Co | 0.33% |
| Cie Financière Richemont | 0.32% |
| Nvidia Corp | 0.31% |
| Amazon.com Inc | 0.31% |
| **Total** | 5.83% |

| Ten largest positions: bonds | In % of portfolio |
|---|---|
| United States of America | 3.76% |
| Pfandbriefbank schweizerischer Hypothekarinstitute | 1.85% |
| Pfandbriefzentrale der schweizerischen Kantonalbanken AG | 1.31% |
| Swiss Confederation | 1.20% |
| French Republic | 0.46% |
| Federal Republic of Germany | 0.36% |
| Kingdom of Spain | 0.28% |
| Zürcher Kantonalbank | 0.28% |
| Canton of Geneva | 0.22% |
| Credit Suisse Schweiz AG | 0.17% |
| **Total** | 9.72% |

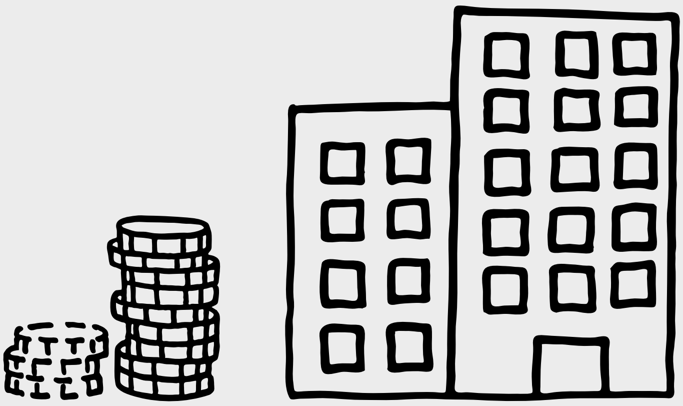
### Higher illiquid allocations

The investment year 2022 was characterized by losses in liquid assets. Bonds and equities saw considerable value decreases. Illiquid investments, particularly the asset class "Real Estate Switzerland," have been affected minimally by the interest rate increases to date; their value remaining stable. This stability has led to a higher allocation as a percentage of overall assets. Thanks to a prudent investment strategy, the Vita Collective Foundation is able to handle this well. Many pension funds have reached the upper quota bandwidth for their real estate investments and are therefore carrying out selective sales. This means that the Vita Collective Foundation can continue strengthening its positions through targeted purchases.

## Diversification and banking crisis

As if fighting inflation without stalling economic growth were not challenging enough, uncertainties in the banking sector are now also taking their toll on the capital markets. What happened? At the start of March, Silicon Valley Bank (SVB), which specializes in start-ups, got into difficulties. In the low-interest environment, many banks, including the SVB, invested their liquidity in secure U.S. government bonds with a long term and securitized mortgage loans. The increase in base rates announced by the U.S. Federal Reserve in 2022 led to a fall in bond prices. At the same time, the flow of money from venture capitalists for start-up companies dried up. To cover their daily expenses, the latter increasingly had to draw money from the SVB. To provide liquidity, the SVB was forced to sell its securities at a high loss. Following these losses, the SVB was for a short time unable to pay back its customers' savings deposits. This news spread like wildfire, and the result was a classic bank run. The SVB had to be rescued by the Federal Reserve. Other regional U.S. banks such as Signature Bank and First Republic Bank likewise found themselves under pressure. Signature Bank was closed by the New York State Department of Financial Services and sold to Community Bancorp. In the case of First Republic Bank, major banks initially tried to shore up the struggling bank with a financial injection of USD 30 billion, before it was then taken over by JP Morgan Chase. Credit Suisse in Switzerland, which was already on the rocks, was also sucked into the banking maelstrom and had to be rescued by UBS.

The Vita Collective Foundation has a broadly diversified investment portfolio. At the end of 2022, so prior to the turbulence, the banks mentioned accounted for a share of 0.2 percent of the overall assets. Consequently, the anticipated effect on returns is low.





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