Vita Classic – Investment reports
September 30, 2023

Review

Important facts	
Foundation name	**Vita Collective Foundation**
Pension assets	**CHF 18.14 billion**
Net performance 2022	**–9.80%**
Average net performance 2018–2022	**1.59% p.a.**
Coverage ratio (Art. 44 para. 2 BVV 2)	**102.7%**

No further interest rate rises for now

In September, the Swiss National Bank decided to leave the base rate at 1.75%. It did this because, at 1.6%, inflation in Switzerland is within the range for price stability of between 0 and 2%. The U.S. Federal Reserve also placed a hold on interest rates in September. The capital markets believe that interest rates have now peaked and are already considering rate cuts. The central banks are refusing to entertain this idea yet and are reserving the right to raise interest rates even further if necessary.

Investment development

2023 performance contributions	In %
Bonds	**0.35**
Real estate	**–0.13**
Equities	**2.73**
Infrastructure	**0.01**
Alternative investments	**0.52**
Miscellaneous (mortgages, put options and FX hedge)	**–0.35**
Total	**3.13**

Net performance as at 09/30/2023	In %
Year(s) of operation	**3.13**
Year 1	**4.50**
3 years, p.a.	**1.70**
5 years, p.a.	**2.25**
1st quarter	**2.70**
2nd quarter	**1.35**
3rd quarter	**–0.93**
4th quarter	**n.a.**

Gloomy economic outlook for Europe

Over the last eighteen months, central banks started, albeit somewhat hesitantly to begin with, to raise their base rates to combat inflation. To prevent the economy from sliding into a recession, it is imperative that interest rates are raised only as far as is necessary. This is where intuition is called for, especially as the full effects of a base rate hike do not unfold for a considerable time. In many countries, inflation rates are now starting to fall. However, apart from in Switzerland, in many places they are still above the target range of 0 to 2%. The economic downturn has prompted some central banks to place a hold on interest rates, but they are not ruling out further rate rises in future. Europe's gloomy economic outlook is weighing heavily on European stock markets, while the U.S. stock market has held up better up to now thanks to more robust economic data.

Investment strategy

Asset structure as at 09/30/2023	In %	Target	Min.	Max.
		Strategy		
Swiss equities	5.74	6.00	4.00	8.00
Foreign equities	26.21	27.00	22.00	32.00
Total equities	**31.95**	**33.00**		
Swiss bonds	10.56	11.00	8.00	14.00
Foreign bonds	18.15	21.00	15.00	27.00
Total bonds	**28.71**	**32.00**		
Swiss real estate	13.45	10.00	5.00	17.00
Foreign real estate	4.43	5.00	2.00	8.00
Total real estate	**17.88**	**15.00**		
Mortgages	7.03	7.00	3.00	11.00
Total mortgages	**7.03**	**7.00**		
Infrastructure	3.05	3.00	0.00	8.00
Total infrastructure	**3.05**	**3.00**		
Private equity	4.18	3.00	0.00	5.00
Private debt	6.24	6.00	2.00	10.00
Total alternative investments	**10.42**	**9.00**		
Total liquidity	**0.78**	**1.00**	**0.00**	**5.00**
Total miscellaneous	**0.18**			
Total	**100.00**	**100.00**		

Ten largest positions: equities	In % of portfolio
Nestlé SA	**1.09%**
Novartis AG	**0.81%**
Apple Inc	**0.79%**
Roche Holding AG	**0.73%**
Microsoft Corp	**0.70%**
Alphabet Inc	**0.51%**
Amazon.com Inc	**0.39%**
Nvidia Corp	**0.37%**
Taiwan Semiconductor Manufacturing Co	**0.30%**
Samsung Electronics Co Ltd	**0.26%**
Total	**5.95%**

Ten largest positions: bonds	In % of portfolio
United States of America	**3.59%**
Pfandbriefbank schweizerischer Hypothekarinstitute	**1.99%**
Pfandbriefzentrale der schweizerischen Kantonalbanken AG	**1.35%**
Swiss Confederation	**1.05%**
French Republic	**0.35%**
Federal Republic of Germany	**0.33%**
Zürcher Kantonalbank	**0.28%**
Kingdom of Spain	**0.27%**
Luzerner Kantonalbank AG	**0.22%**
Canton of Geneva	**0.21%**
Total	**9.64%**

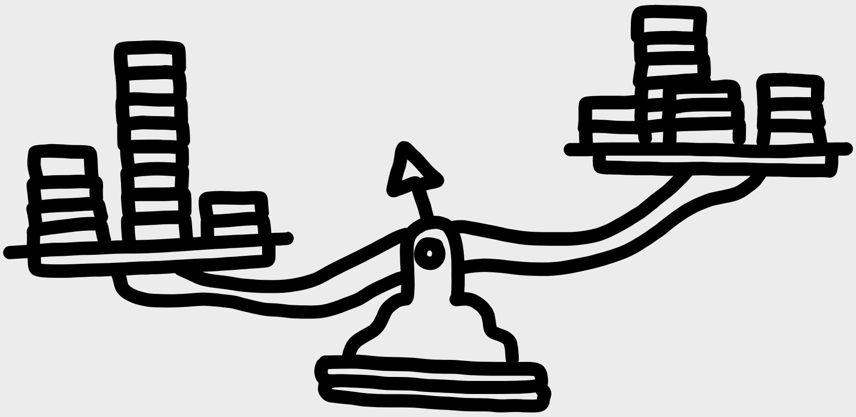
Yearly performance still positive

The third quarter is ending with negative performance for the Vita Collective Foundation investments – the first in 2023. The return for the current year remains positive though at 3.13%. Equities and foreign bonds and real estate were the source of the negative performance. While the capital markets are already dreaming of interest rate cuts, central banks are sticking to high interest rates. Although they have not raised their base rates further recently, as long as inflation rates remain outside the planned target range, a trend reversal for interest rates is unthinkable. The prospect of high interest rates persisting is fueling recession fears and weighing on the capital markets.

U.S. default averted

The U.S. national budget repeatedly gets into difficulties, and this year is no exception. In the second quarter, U.S. national debt again reached its legislative limit. At the time, Congress was able to agree on a temporary suspension of the debt ceiling, up to and including 2025, just before the deadline. The capital markets have been following this development with concern, even though in the past, insolvency has always been sidestepped.
A default by this key global trading partner would have far-reaching consequences for the world economy.

The grim outlook for the national budget and the high and rising level of national debt led the rating agency Fitch to downgrade the U.S. rating from that of a first-class debtor (AAA) to AA+ in August. Standard and Poor's had already downgraded the credit rating in 2011, as the debt ceiling could not be kept to. Moody's, the last of the three major rating agencies, has now also lowered its rating outlook for the U.S. The consequence of this is that the U.S. could find it more expensive to obtain credit. U.S. national debt 30 years ago amounted to less than a sixth of what it is today, and it currently significantly exceeds income. Taking out new loans was inexpensive in a low-interest environment, but this has changed with the higher interest rates.
Without measures to reduce government spending or increase revenue, the debt burden is likely to stay very high.



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