



Good Result Under Difficult Conditions

Ladies and Gentlemen

1. Performance and Investments in 2015

The financial year began with a bolt from the blue in mid-January 2015, as the Swiss National Bank caught many investors on the hop by abandoning its minimum exchange rate for the CHF against the EUR. The expansion of negative interest rates in Switzerland was also an ongoing issue for Swiss pension funds.

This made for a less-than-straightforward investment climate, but the Schindler Pension Fund still managed to turn in a satisfactory performance of +2.70% for the 2015 financial year.

As in the previous five years, the Pension Fund succeeded in beating the average performance posted by the pension funds in the UBS pension fund performance comparison (+0.70%).

Our significant overweighting of Swiss real estate and alternative investments were factors in this comparatively good result.

Details of Investment Performance

The Pension Fund's positive performance is attributable primarily to Swiss real estate (+6.7%), private equity (+7.8%) and Swiss equities (+3.7%).

In view of the lower level of interest rates, the Pension Fund's own real estate holdings were revalued upwards by around another 5%. Our property holdings, which mainly consist of apartments in the lower and medium rent range, continue to distinguish themselves with a very low vacancy rate of 1% on average. Pleasing results were also generated by our indirect real estate holdings (via investment foundations, investment funds and investment companies), which account for around one-third of the total.

Swiss equities benefited from the relatively high proportion of small and medium-sized enterprises, which fared significantly better than the stocks which make up the SMI.

Private equity, at 5.1% the largest asset class within alternative investments, benefited once again from increases in value.

With the exception of the USD and JPY, all currencies lost significant ground against the Swiss franc. This had a substantially negative impact on results on foreign currency bonds (-4.3%), foreign equities (-0.8%) and insurance-linked securities (+0.5%).

Feldbreite Real Estate Projects in Emmen

The first tenants will move into apartments in the joint building project with Luzerner Pensionskasse pension fund from March 1, 2016, onwards. The last apartments will be ready for tenants in September 2016. At the time of writing, half of the apartments are already under lease. Costs will be kept within budget, and as things stand the development will be a very satisfactory real estate project.

The project for plots A3 and B2 (gifted by the ASF) was delayed as the result of objections. A revised building application was submitted in the summer of 2015, and we expect the construction permit for our project to be granted in the second quarter of 2016.

2. Cover Ratio

The cover ratio has fallen from 115.6% (end-2014) to approximately 114%. The investment performance would actually have been sufficient to maintain the cover ratio at more or less its previous level. However, in view of the low-interest environment and further increases in life expectancy – on average, a 65-year-old man can now expect to live for a further 19.8 years, or 0.8 years more than five years ago – the Board of Trustees has decided to increase the provision for the planned reduction in the actuarial interest rate from 3.0% to 2.5%, and the transition from the actuarial to the generational method of calculation, to its maximum. In contrast to the actuarial method, the generation method already factors in the future increase in life expectancy. Both measures will result in a higher level of cover capital for pensioners. The corresponding charge to the operating account for 2015 is approximately CHF 36 million.

Persistently low interest rates and rising life expectancy will also impact on the conversion rate, and thus retirement benefits. The Board of Trustees will probably decide in the spring of 2016 about any further reduction in the conversion rate, higher savings contributions and additional compensatory measures. These will then come into effect from January 1, 2018. You will receive more detailed information in the early summer of 2016.

3. Investment Strategy from October 1, 2015

Owing to negative interest rates and major fluctuations in exchange rates, the Board of Trustees decided to make the following changes to investment strategy with effect from October 1, 2015:

- Cash and other liquidity to be reduced from 2.5% to 1.0%
- Foreign currency bonds to be increased from 3.5% to 4.0% The greater part of the foreign exchange risks attached to these investments will now be hedged
- Foreign equities to be increased from 16.0% to 16.5%

The investment strategy as of October 1, 2015, is thus as follows:

in %	As at 31.12.2015	Strategy to 30.9.2015	Strategy from 1.10.2015	Bandwidths
Cash and other	2.8	2.5	1.0	0 - 15%
CHF bonds	15.6	16.5	16.5	+/-10%
For. curr. bonds (hedged)	4.4	3.0	4.0	+/-3.0%
Swiss equities	12.7	10.0	10.0	+/-3.0%
Foreign equities	16.0	16.0	16.5	+/-3.0%
Swiss real estate	30.9	33.0	33.0	+/-7.0%
Alternative internat. real estate	2.2	2.0	2.0	+/-2.0%
Private equity	5.1	6.0	6.0	+/-2.0%
Hedge funds	2.7	2.0	2.0	+/-2.0%
Ins.-linked securities	4.2	4.0	4.0	+/-1.0%
Alternative bonds	1.1	2.0	2.0	+/-2.0%
Commodities	0.1	0.0	0.0	0 - 2%
Infrastructure	2.2	3.0	3.0	+/-2.0%
	100.0	100.0	100.0	

The investment strategy results in the following allocation across the four basic sectors:

Par-value investments/bonds	22.8	22.0	21.5
Equities	28.7	26.0	26.5
Swiss real estate	30.9	33.0	33.0
Alternative investments	17.6	19.0	19.0
	100.0	100.0	100.0

Also as a result of the low-interest phase, the Board of Trustees has decided to increase the target bandwidth for the cover ratio (=the level of fluctuation reserves) from 114% – 122% to 116% – 124%.

4. Miscellaneous Actuarial Information

a) Interest on Retirement Assets in 2015

Interest of 2.05% will be paid on retirement assets for 2015. This interest is composed as follows:

Minimum BVG interest rate	1.75 points
Contribution from the Alfred Schindler Fund*	0.30 points
Total	2.05%

*=Compensatory measures connected with the reduction in the conversion rate up to 2017.

b) Interest on Retirement Assets for Withdrawals up to November 30, 2016

In 2016, **interest** on retirement assets belonging to persons withdrawing from the fund before November 30, 2016, will be paid at the new **minimum BVG interest rate of 1.25%**.

c) Pension Payments in 2016

In view of investment performance, the actuarial interest rate of 3% and the current cover ratio, the Board of Trustees has decided not to adjust pensions for 2016.

d) Thresholds in 2016

The thresholds applied by the Schindler Pension Fund are not being adjusted, and remain as follows:

	2015 / 2016
Minimum annual salary	21'150
Coordination deduction	14'100
Maximum insured salary	155'100

5. Implementation of the Minder Initiative

The Pension Fund exercised its shareholder voting rights under the ERCO (Ordinance against Excessive Remuneration in Listed Companies Limited by Shares) at more than 40 annual general meetings of companies in which it holds shares directly. Details of the way in which these votes were exercised are available on the Pension Fund website (www.schindler-pk.ch).



6. Elections to the Board of Trustees for the 2016–2018 Period of Office

Effective at the end of 2015, René Zbinden (INV) stepped down after over 20 years as an employee representative on the Board of Trustees and member of the Investment Committee. Martin Allgäuer (SDB) was elected as his successor.

All other members of the Board of Trustees were re-appointed for a further period of office. Long-serving member and employee representative Adriano Linguanotto (SZH) was appointed by the Board of Trustees as the new member of the Investment Committee.

7. Revision of Pension Fund Rules as of April 1, 2015

The Board of Trustees has revised Art. 4.4 of the Pension Fund Rules. Where salary is adjusted by any amount at all in the course of a financial year, the insured salary will now be amended immediately. Art. 4.7 is cancelled without substitute, i.e. in the future, the insured salary will also be reduced if the coordination deduction is increased. It will now be possible to retain vested rights in connection with Art. 4.8 of the Pension Fund Rules only from the age of 58, and only where the previous insured salary remains insured. Insureds who still hold vested rights will have their insured salary reduced to the level set out in the Rules as of April 1, 2016. HR officers will contact in April those insureds who face a significant reduction in insured salary because they are no longer able to retain vested rights.

Should you require any further information, please do not hesitate to contact members of the Board of Trustees or the Management.

Yours sincerely

Schindler Pension Fund

Heinz Risi
Chairman of the Board of Trustees

Mario Passerini
Managing Director

Ebikon, January 2016