

## Successful Year for the Schindler Pension Fund

Ladies and Gentlemen

### 1. Investment Climate and Performance in 2019

#### Investment Climate

Having come under heavy pressure in the final quarter of 2018, the international stock markets headed in only one direction during 2019, repeatedly reaching new highs and suffering only a few minor setbacks. These significant share price increases were driven by even lower interest rates, a possible tariff agreement between the USA and China, and the postponement of Brexit into 2020. The MSCI World index advanced by a strong 25%, while gains on the Swiss SPI were as high as 30%.

In contrast to market opinion at the beginning of the year, there was no global increase in interest rates. Indeed, the Federal Reserve's three rate cuts in early 2019 came as something of a surprise. Interest rates in Switzerland also settled back further, with yields on 10-year Confederation bonds peaking at -1.1% in the middle of the year. They have edged up since, but still remain very much in negative territory.

The USD fluctuated in a narrow band of 0.97 to 1.02 against the Swiss franc in the course of the year, but lost 1.5% in total over the 12-month period. At 1.14, the EUR reached its highest point for the year in February, gradually losing value thereafter. Compared with the beginning of 2019, it closed 3.6% down on the Swiss franc overall.

#### Performance

The Pension Fund recorded a very pleasing performance of +9.8% for the year. This result is slightly lower than that of the UBS pension fund barometer (+11.07%). It nonetheless reflects the pattern of the past, in which our performance has fallen a little short of the benchmark in very good investment years, but has regularly beaten it during difficult periods. We can be proud of our long-term outperformance.

#### Details of Investment Performance

With the exception of insurance-linked securities (ILS) (-5.4%), all asset classes turned in positive results. Where ILS are concerned, one of the three funds we use had another very disappointing year owing to hurricanes, typhoons and bush fires. This holding will now be sold. The best performers were Swiss equities (+29.1%), followed by foreign equities (+21.0%). Swiss real estate – which is the highest-weighted asset class at around 32% – also achieved a pleasing return, of +7.5%.

### 2. Real Estate Projects

#### Moosaic Construction Project, Emmen / [www.moosaic-emmen.ch](http://www.moosaic-emmen.ch)

The 33 apartments at Mooshüslistrasse 6 in Emmen were completed and ready for occupation in September 2019. Of these, 31 were under lease as at the end of the year. The Mooshüslistrasse 14 building, comprising 42 apartments, will be completed in February 2020. At the time of writing, half of these apartments had been either rented or reserved. We are also able to announce that the central Switzerland branch of the *Lungenliga* respiratory diseases charity has signed a ten-year lease for the majority of the commercial space in the development.

### **Schlieren Construction Project**

The Pension Fund reached an important milestone in November 2019 with the approval by Schlieren town council of the private "Schindler-Areal" development plan – our largest construction project to date. We are still awaiting approval from the canton of Zurich, after which the plan becomes legally binding. It will result in urban densification and the upgrading of the site. It will be possible to build some 145 new apartments to replace the current 50. The next stage will be to develop the detailed construction project, followed by the planning application. Consent is not expected until the second half of 2021 at the earliest. In view of the scale of the project, the Board of Trustees is currently examining a range of financing and partnering options.

### **Purchase of the "Libelle" Property in Lucerne / [www.maihof61.ch](http://www.maihof61.ch)**

In December 2019, the Pension Fund was able to purchase the fully-rented Maihofstrasse 61/ Libellenstrasse 69 property in Lucerne. The complex, which contains 22 apartments and the local "Libelle" restaurant on the ground floor, underwent a complete renovation in 2009 under the leadership of GKS Architekten Generalplaner AG, after which it was awarded listed building status.

## **3. Actuarial Interest Rate and Conversion Rate**

In view of the further deterioration in the interest situation, the Board of Trustees has decided to reduce the actuarial interest rate from 2.5% to 1.5%. Provisions have also been created to allow this rate to be reduced once again, to 1%. The Regulations on the Creation of Provisions have been amended accordingly. The Board of Trustees does not wish to reduce conversion rates any further at this time, but if interest rates do not at least normalise somewhat, it is inevitable that this issue will have to be addressed in detail in the years to come.

## **4. Cover Ratio**

The cover ratio rose from 111.56% to approx. 116% over the year. This already factors in the impact of the lower actuarial interest rate and the additional provisions, as well as the extra-mandatory interest paid on retirement assets (see 6a). This means that we are once again within the lower band of our target fluctuation reserve, but still some way off the level required to achieve disposable assets (124%).

## 5. Investment Strategy

In 2019, the Board of Trustees had the investment strategy reviewed by an external provider, after which it decided to continue pursuing it unchanged. With an equity allocation of 29% and real estate holdings accounting for 32%, the Schindler Pension Fund is relatively defensively positioned. The Pension Fund expects this investment strategy to generate an annual performance of approximately 2.4% in the medium term.

in percent	As at 31.12.2019	Strategy 2020	Bandwidths
Cash and other	1.6	1.0	0 - 15%
CHF bonds	16.7	16.5	+/-10%
For. curr. bonds (hedged)	4.0	4.0	+/-3.0%
For. curr. bonds	0.8	0.0	0 - 5%
Swiss equities	11.4	10.0	+/-3.0%
Foreign equities	17.4	16.5	+/-3.0%
Swiss real estate	31.7	33.0	+/-5.0%
Alternat. int. real estate	1.6	2.0	+/-2.0%
Private equity	4.9	6.0	+/-2.0%
Hedge funds	1.6	2.0	+/-2.0%
Ins.-linked securities	3.0	4.0	+/-1.0%
Alternative bonds	2.5	2.0	+/-2.0%
Commodities	0.0	0.0	0 - 2%
Infrastructure	2.8	3.0	+/-2.0%
	100.0	100.0	

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

Par-value securities/bonds	23.1	21.5
Equities	28.8	26.5
Swiss real estate	31.7	33.0
Alternative investments	16.4	19.0
	100.0	100.0

## 6. Miscellaneous Actuarial Information

### a) Interest on Retirement Assets in 2019

In view of the Pension Fund's pleasing performance, the Board of Trustees has decided to pay interest on retirement assets at the rate of 2.5% for 2019.

### b) Interest on Retirement Assets for Withdrawals up to November 30, 2020

In 2020, interest on retirement assets belonging to persons withdrawing from the Fund or drawing benefits as the result of a claim before November 30, 2020, **will be paid at the minimum BVG interest rate of 1.0%**.

### c) Pension Payments in 2020

With the actuarial interest rates used to calculate coverage capital for pensions and interest on retirement assets both standing at 2.5%, active members and pensioners were treated equally in 2019 in terms of the interest paid on their capital. The Board of Trustees has therefore decided not to increase pensions for 2020, or to pay any additional one-off bonus.

#### d) Thresholds in 2020

The thresholds applied by the Schindler Pension Fund have not been adjusted with effect from January 1, 2020, and remain as follows:

	2019/2020
Minimum annual salary	21,150
Coordination deduction	14,100
Maximum insured salary	155,100

### 7. Exercise of Shareholder Rights

The Pension Fund exercised its shareholder voting rights at more than 30 annual general meetings of companies in which shares are held directly, in accordance with ERCO (the Ordinance Against Excessive Remuneration in Listed Companies Limited by Shares). Details of the way in which these rights were exercised can be found on the Pension Fund website ([www.schindler-pk.ch](http://www.schindler-pk.ch)).

### 8. Changes to the Board of Trustees

Heinz Risi, long-serving Chairman of the Board of Trustees, stepped down as at April 30, 2019, upon his retirement. Georg Jenni, CFO of Schindler Switzerland, was appointed as the new employer representative. Existing trustee Adrian Boutellier was elected by the Board of Trustees as its new Chairman with effect from May 1, 2019.

Managing the Pension Fund is becoming increasingly complex, demanding an in-depth knowledge of both investments and actuarial issues. Consequently, in November 2019 the Board of Trustees issued guidelines for its members' own basic and further training for the first time. In the future, it will examine one particular area in detail each year.

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



Adrian Boutellier  
Chairman of the Board of Trustees



Mario Passerini  
Managing Director

Ebikon, February 2020