

Profond



Annual Report

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2018

# Profond at a glance

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**102.9%**

Cover ratio

**6.8%**

Conversion rate

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**CHF 7.5 bn**

Assets under management

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**45 885**

Insured members

**0.36%**

Total expenses for asset  
management

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**- 4.2%**

Return

**1.5%**

Interest

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From left to right: Laurent Schlaefli, Mirjam Staub-Bisang, Peter E. Bodmer

# Challenges successfully mastered – strategy on track

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Dear Sir/Madam,

Profond can look back on a successful financial year – despite the strong headwinds on the equity markets. Profond's very stable customer base and strong growth in 2018 enabled this, with 98% of existing customers remaining loyal to Profond and some 4400 new insured members joining. We see loyalty and growth as a sign that existing and new customers appreciate our strategy of creating sustained value for our members.

The only disappointment during the reporting year was the very subdued mood on equity markets, which pushed the total return on Profond's investments into negative territory at – 4.2%. Considering Profond's equity allocation of about 50%, we managed to weather the storm quite well. After all, despite adverse conditions, the portfolio only performed slightly worse than the Swiss pension fund average. According to the UBS Pension Fund Performance Report, the average return was – 3.28% (with an average equity allocation of approximately 28%).

Profond's strategy 2018–2020 aims to further improve customer service and customer experience through digital transformation – and to enhance efficiency. We reached significant milestones in this area during the year under review.

We are on track in implementing our business strategy. The basis for a successful future under our new president, Peter E. Bodmer, has been laid. The adopted strategy will be vigorously pursued under the new chairmanship.

This Annual Report focuses on our employees and our customers. The former deserve our thanks for their outstanding performance during the past year. In addition to managing our considerable growth and many new insured members, they coped with the initial phase of our digital transformation that is now underway. We would also like to thank all our customers and business partners for their effective collaboration and their confidence in us. We see their trust and loyalty as an incentive to do our best each day so that our employees and insured members can look ahead to the future with confidence.

Zurich, June 2019



Mirjam Staub-Bisang  
Chairwoman of the  
Board of Trustees



Laurent Schläefli  
Managing Director

# Review of financial year 2018

## Investment performance – market events dominated by major political uncertainty

2018 was not an easy year for investors, as it was marked by heavy turbulence. Nervousness was caused by political events, such as the trade conflict between the United States and China. The revised growth forecast for the global economy issued by the International Monetary Fund also had a negative impact on the markets. No year-end rally occurred in 2018 – on the contrary, the unresolved geopolitical risks led to a considerable sell-off on stock markets worldwide during the fourth quarter. Almost all of the major indices experienced double-digit declines. 2018 was thus the weakest year for equity markets since the financial crisis. But equity markets were not the only ones to buckle under the strain; almost all other asset classes recorded negative performance as well.

The return on Profond's overall portfolio, which is characterised by a high proportion of equities and real estate, was -4.2% (benchmark: -4.2%). This negative result was due in particular to Swiss equities and foreign equities, which declined by -13.3% and -9.4% respectively. Equities in emerging countries were also unable to escape the trend, falling by -8.8%. The previous year had been extremely positive.

### Summary of investment performance

Asset class	Average share of portfolio	Contribution to the result	Performance	Benchmark
<b>Equities</b>	<b>50.0%</b>			
Domestic	21.1%	-2.8%	-13.3%	-13.7%
Foreign	28.9%	-2.7%	-9.4%	-9.3%
<b>Bonds</b>	<b>11.5%</b>			
Swiss francs	5.1%	0.0%	0.0%	0.1%
Foreign currency	6.4%	-0.2%	-1.9%	-1.3%
<b>Real estate</b>	<b>31.1%</b>	<b>1.4%</b>	<b>4.7%</b>	<b>4.9%</b>
<b>Alternative investments</b>	<b>2.9%</b>	<b>0.1%</b>	<b>4.9%</b>	<b>1.9%</b>
<b>Liquidity</b>	<b>4.5%</b>	<b>0.0%</b>	<b>-0.6%</b>	<b>-0.7%</b>
<b>Total*</b>	<b>100.0%</b>	<b>-4.2%</b>	<b>-4.2%</b>	<b>-4.2%</b>

\*figures rounded

Bonds in foreign currencies generated a yield of -1.9%. A rise in interest rates as well as very high hedging costs in US dollars (approximately 3.5%) made themselves felt in this asset class. In principle, Profond always hedges foreign currency risk for nominal value items such as bonds. Bonds denominated in Swiss francs closed unchanged.

On the other hand, real estate posted unusually good performance at 4.7%. It thus contributed 1.4% to the total return. This good result is due to the absence of set-up and transaction costs, which had a negative impact on returns in previous years. What is more, Profond realised sales with proceeds above book value during the reporting year.

The return on alternative investments last year was 4.9%. Worth noting is the contribution of 7.5% from infrastructure investments. This was partly due to good weather conditions – photovoltaic systems and wind farms were running at full output.

Profond continues to generate high positive cash flows due to running rental income from properties, dividend income and the advantageous structure of insured members and investments. Consequently, we are well able to withstand a major correction on the equity markets without having to fear liquidity bottlenecks. This ensures our financial stability.

Managed assets grew by 2.7% or CHF 200 million, amounting to approximately CHF 7.5 billion at the end of 2018.

**Composition of assets**

The allocation to equities in the year under review was 50% on average. At the end of the year, the equity ratio was 46.2%.

The average share of real estate in the overall portfolio was 31.1%.

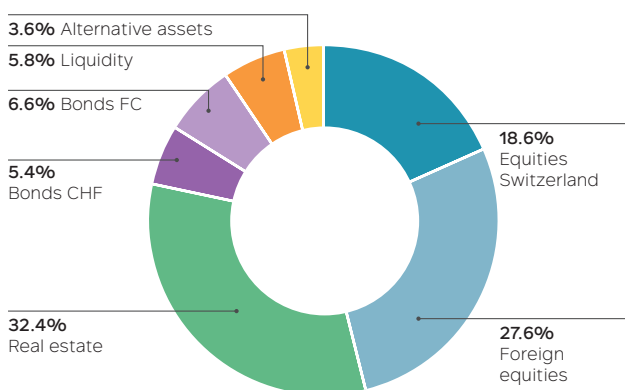
This year the average allocation to bonds was 11.5%. Book yields for bonds are still at a very low level or, in some cases, even negative. Liquidity was 5.8% at the end of the year.

The share of alternative investments was 3.6% at the close of the year. Over the next few years, this figure will increase to around 10% by means of globally and indirectly diversified investments. This allocation will further diversify our portfolio. In the long term, the contribution to earnings made by alternative investments will exceed the contributions by interest bearing securities and liquidity.

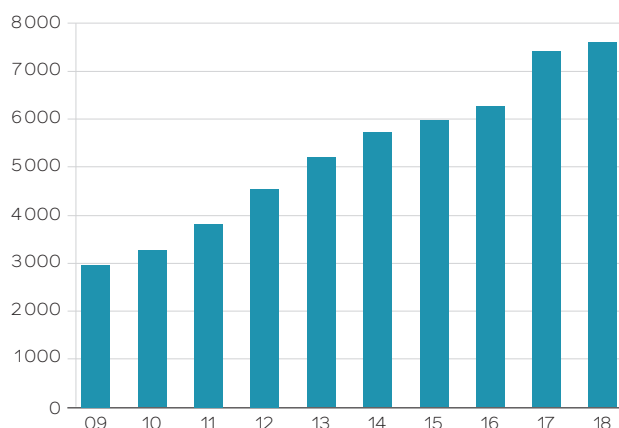
**Outlook**

Some financial market specialists are forecasting a challenging market environment for 2019. This is mainly due to continued political uncertainty. However, as 2018 has dramatically shown, predictions are difficult to make and are often found to be inaccurate. Profond will adhere to its proven long-term investment strategy, as it will enable us to achieve above-average returns in the long term. Since it was founded in 1991, Profond has achieved an average annual return of over 5%.

**Distribution of assets under management as of 31.12.2018**



**Assets (in CHF m)**



## The main points in brief

### Interest

Profond pursues a sustainable interest rate policy. This means, among other things, that in years in which we achieve very good performance we make provisions for years with less impressive performance. This allows us to continue to provide high benefits to our insured members in future. In 2018, we paid 1.5% interest on the retirement assets of actively contributing members in both mandatory and supplementary insurance – an interest rate that is 0.5 percentage points above the OPA interest rate prescribed by the Federal Council. Since it was founded in 1991, Profond has provided an average annual return of 4%.

### Technical interest rate and cover ratio

Profond intends to continue offering its insured members above-average benefits and financial stability in the future. For this reason, and because Profond is committed to an equitable distribution of benefits between actively contributing members and pensioners, the Foundation Board decided to reduce the technical interest rate from 3.0% to 2.75% as of 31.12.2018. This reduction in the technical interest rate leads to a reduction of the cover ratio by 1.4 percentage points. With the new technical interest rate of 2.75%, the cover ratio after payment of interest is 102.9% (previous year: 112.6%).

### Affiliates and insured members

The number of insured members increased by more than 4400, which corresponds to an increase of 10.7% as at 31.12.2018. As at 1.1.2019, the number of insured members had grown by around 6000 – of which 98% are actively contributing members. The number of affiliated companies grew by 3.6%.

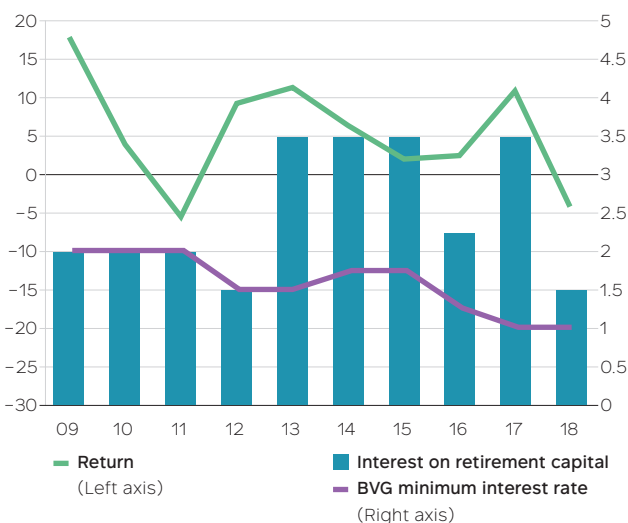
### Administrative costs

Thanks to rigorous cost management, increased efficiency and solid growth, we were able to further reduce administrative costs per insured person in 2018 – by a good 5%. These costs amounted to CHF 346 per person (previous year: CHF 366). We are making every effort to continue to reduce the costs per insured person in the coming years as well.

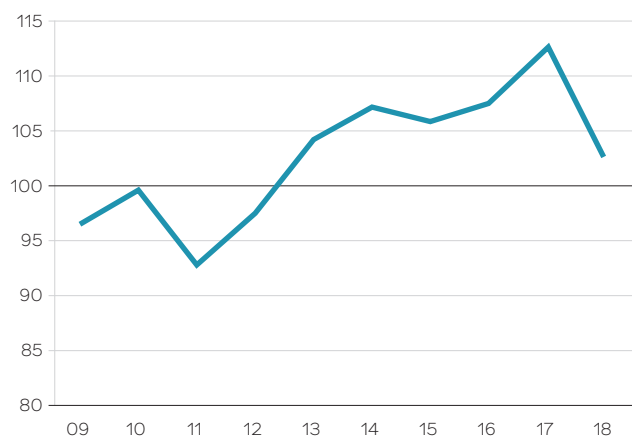
### New risk rate

A very positive claims history over the past three years has enabled Profond to reduce its risk contributions. As of 1 January 2019, both existing customers who are renewing their contracts as well as new customers will benefit from this.

Annual return and interest on retirement capital in %



Cover ratio in %





**Sustainability – topics in focus 2019**

Sustainability is an essential component of Profond’s strategy and corporate culture. We pursue an approach that takes account not only of financial but also environmental and social aspects.

Based on the positive experience that Profond has gained in recent years from its various measures in the field of sustainability, in 2018 a decision was made to maintain or expand these measures. One important decision in this regard was to align our investments with the guidelines of the Swiss Association for Responsible Investments (SVVK – ASIR). What is more, Profond plans to go beyond exercising voting and election rights for Swiss shares and begin to influence voting behaviour for foreign shares. A further measure to be implemented in 2019 involves the Investment Foundation systematically and consistently applying predefined sustainability criteria when acquiring real estate in the future. Current information on the subject of sustainability can be found on our website.

**Digital transformation**

As part of its digital transformation, Profond is switching to a modern core system from M&S Software Engineering, as well as other advanced technologies and cloud solutions from Microsoft. Profond is thus laying a technological foundation for the future.

Once customer data has been gradually transferred to the new core system in 2020, there will be more efficient, automated and uniform processes available for insured members, customers and sales partners, and they will also benefit from personal advice supported by digital tools.

**New presentation and new website**

Profond’s market presence was assessed in 2018 – in the context of the digital transformation. Profond came to the conclusion that its presentation had to be modernised and its step forward into the digital age should become more visible. In response, Profond has completely redesigned its website, to name one example. The new site design is characterised by clear navigation, simplicity and freshness. Its content has been updated and made more user-friendly.

**New offices**

Profond has set itself the goal of being even closer to its customers. It has therefore decided to open two new offices in addition to its headquarters in Zurich and its office in Crissier (western Switzerland). One office opened in Biel in autumn 2018. Another office in St. Gallen was added in spring 2019.

**Governance and segment accounting**

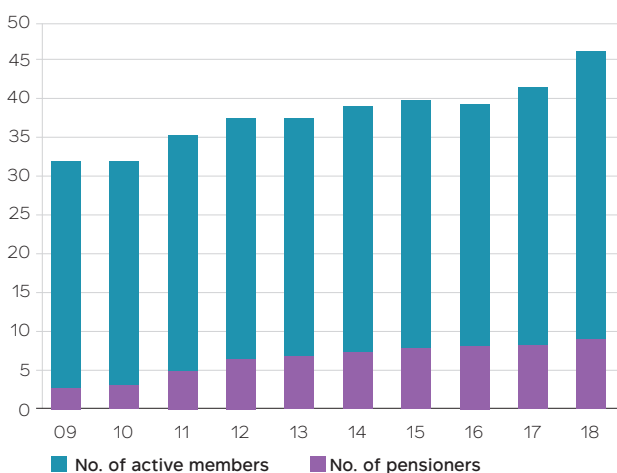
All information about Profond’s organisational structure and governing bodies, as well as details of the Executive Board and the Foundation Board, can be found on the Profond website:

[www.profond.ch/governance](http://www.profond.ch/governance)

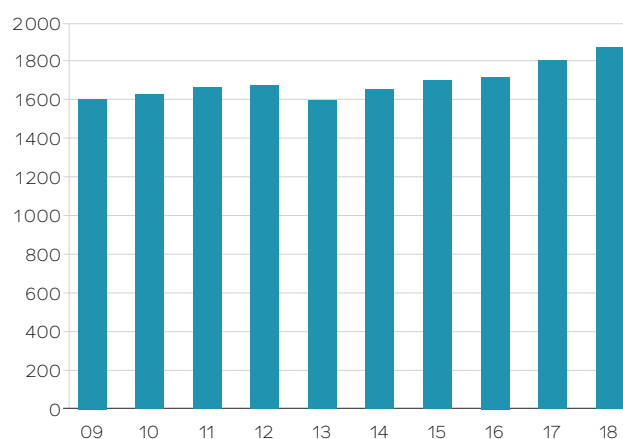
Also new on our website is Profond’s transparent segment accounting. This was previously part of the print edition of the annual report.

[www.profond.ch/segment](http://www.profond.ch/segment)

**Number of beneficiaries in 1000**



**Number of affiliated companies**



# Working for people in need

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Whether it is a natural disaster, armed conflict or epidemic – whenever emergency medical assistance is required, the teams of Médecins Sans Frontières (MSF) are there to help. And they arrive within just 48 hours – anywhere in the world. MSF is a prime example of how a collaborative partnership pays off.



Machetes, weapons, burning houses – these are the last things that 17-year-old Dicko can remember. His head and ear were injured during an outbreak of violence in Burkina Faso. “I was in the bush when they captured me. They beat me with their machetes,” says Dicko. Dicko and his family fled to a refugee camp in Barsalogho. Like thousands of other displaced persons, they had to leave all of their possessions behind. The hastily-built camp offers protection to 900 people. While doctors and nurses treat the wounds of the injured and vaccinate the children against measles, other Médecins Sans Frontières staff see to it that Dicko and his family have drinking water.

Meanwhile, MSF’s five operational centres in Paris, Brussels, Amsterdam, Barcelona and Geneva are operating in high gear. There is a flurry of activity because the group’s missions, including the one in Burkina Faso, must be coordinated. As with natural disasters, in many cases every minute counts. “We all pull together here and work with great focus,” says Valérie Bouchet, Head of Personnel Administration at the Geneva operations centre.

Valérie Bouchet has worked at MSF since 2010 and she leads a ten-member team that provides administrative assistance to colleagues working at the group’s headquarters and in the field. The team that works on behalf of staff in the field offers administrative support during their deployments and when they are at headquarters. Among other things, Valérie Bouchet and her team are responsible for salary payments, contract administration, insurance administration and managing travel budgets for field deployments.

### **Teamwork is everything – even in pensions**

There is no shortage of challenges for Valérie Bouchet and her team. For example, shortly after she joined MSF she had to take care of administrative matters for a large emergency response (in Haiti), which doubled her workload. And in 2014 there was an epidemic of Ebola fever in several West African countries, the largest outbreak since the virus was discovered in 1976. “In both cases, the performance by the group’s staff under great pressure was incredible. My colleagues are extraordinary workers. I can count on them fully at all times. We all share the same values. That’s what makes MSF what it is.”



Haibata in Barsalogo.  
(Photo: Caroline Frechard, MSF)

For Valérie Bouchet, teamwork is important not only at MSF, but also when it comes to working with external partners. That's why Médecins Sans Frontières has relied on the occupational pension solutions offered by Profond for more than ten years. "I appreciate the partnership and the long-term collaboration with Profond very much. Profond is a reliable partner with a clear vision and a long-term investment strategy. Profond offers above-average benefits and places value on financial stability. That's exactly what we're looking for. In addition, Profond is flexible and takes care of our needs. We also appreciate that Profond simplifies the administrative processes. In addition to reducing administration costs, this also makes our work easier."

#### Maintaining balance

Valérie Bouchet experiences very intense moments in the course of her work. This can be seen clearly in the example of Dicko and his family. How does she disconnect during her free time? "I'm very athletic. And I most enjoy spending my free time with my family in the mountains, where I can recharge my batteries."

Dicko at the refugee camp in Barsalogo.  
(Photo: Caroline Frechard, MSF)



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#### About Médecins Sans Frontières (MSF)

MSF is an international, independent humanitarian aid agency that provides emergency medical assistance to people. The charitable organisation was founded in 1971. MSF is comprised of 24 country sections and the international office in Geneva. The organisation received the Nobel Peace Prize in 1999.

#### MSF Switzerland

Five country sections – MSF Switzerland, France, Belgium, Holland and Spain – function as operational centres, overseeing and coordinating MSF's projects. The other country sections contribute to MSF's activities in the areas of personnel recruiting, fundraising and publicity, providing both medical and project-related support. The Swiss section was founded in 1981. In addition to Geneva, where 232 people work, MSF also has an office in Zurich. MSF Switzerland was active in 25 countries in 2017, working on a total of 75 projects. 92% of the donations MSF Switzerland receives directly support its social mission and projects. 8% are used for administration, fundraising and communications. MSF Switzerland's expenditures amounted to CHF 249 million in 2017. [www.msf.ch](http://www.msf.ch)

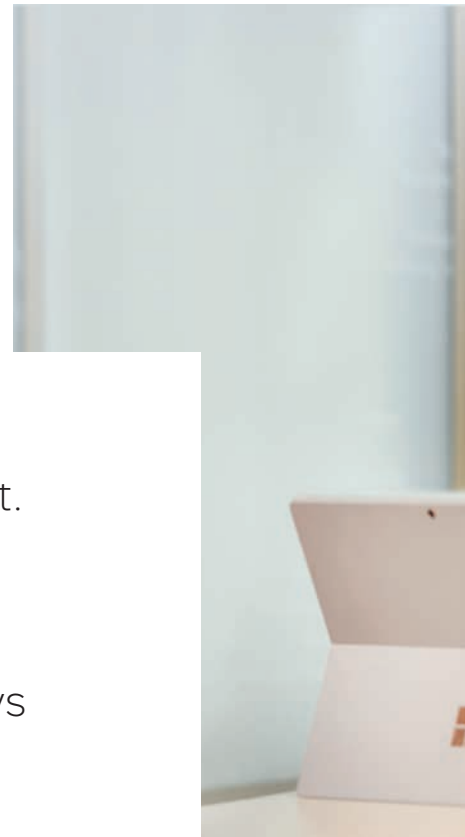
# Always on the ball

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Turin, Manchester, Valencia: When it comes to football, nothing is too much for Eva Fassnacht. But she also covers impressive distances on the tennis court as she chases after every speeding yellow tennis ball. And at Profond – where she always goes the extra mile. Eva Fassnacht is always on the ball, wherever she is.

Bern, 12 December 2018, shortly after 9.00 pm: On a bitterly cold evening, Eva Fassnacht is sitting in the stands of the Stade de Suisse, wrapped up in a thick, warm jacket. She is very excited. Her son Christian, dressed in a Young Boys shirt, has just run into the stadium with his teammates to the sound of thunderous applause. It is the sixth day of the Champions League and YB is playing in the last group game against Juventus Turin, the reigning Italian champions. Eva Fassnacht was bitten by the football bug at an early age. “My grandfather was a big FCZ fan and often took us along to matches. I have spent countless hours in football grounds – either for my son’s training or at FCZ, YB and national games.” In addition to football, Eva Fassnacht is also an enthusiastic and successful tennis player and even plays at an interclub level in the National League A (40+). “Sport is quite simply in our DNA,” laughs Eva Fassnacht, who also has a son who is a former professional snowboarder.

She finds that a strong performance and a resilient approach over an extended period are needed not only on the tennis court but also in the workplace. The Deputy Head of Technical Administration in Zurich finds the start and end of year to be particularly challenging. It is at these times that addresses, names, salaries and other details need to be changed, annual financial statements must be prepared and pension certificates must be drawn up and sent. “This is always an intense time for all of us,” says Eva Fassnacht, who has been working at Profond since 2002. Teamwork and variety are the two aspects of her job that she particularly enjoys. “No two days are the same. I have the privilege of constantly learning about new subject areas. As a result, I am continuously acquiring new knowledge and learning a lot. This is important when it comes to occupational pensions.”





She is also personally interested in the subject. “Obviously, key terms like pension fraud and conversion rates, which are often used in the context of occupational pensions, are topics that I would also discuss outside of work. Occupational pensions concern us all. We should therefore not wait until just before retirement to deal with the benefits offered by our pension fund. At that stage it might be too late to make any adjustments.” It goes without saying that Eva Fassnacht has made provisions for her own retirement.

She values the fact that her employer provides her and more than 45 000 other insured individuals with above-average benefits and prioritises security. As a result, Eva Fassnacht is relaxed about her own retirement.

Stamina, performance and passion – these all pay off in the end. This is shown not only by YB’s impressive 2:1 victory over Juventus in that premier league game on 12 December 2018, but is also demonstrated in Eva Fassnacht’s career. In 2018, she was appointed Deputy Head of Technical Administration in Zurich.

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#### Personal details

Eva Fassnacht is Deputy Head of Technical Administration German-speaking Switzerland/Ticino. She is responsible for supporting and managing the in-house pension fund.

Eva Fassnacht is a mother of three adult sons. In her spare time, she plays a lot of sports.



# A well-coordinated team

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No obstacle is too great for her, whether in her professional or personal life: Nathalie Pache, passionate horse rider and committed Team Leader at Profond, enjoys challenges.

Kermesse, Nathalie Pache's 20-year-old mare, stands there, attentive, ears pricked. She is focused on her owner and does not let her out of her sight. The connection between the show horse, which formerly enjoyed international success, and the Team Leader of Technical Administration is immediately palpable. "Gaining the trust of a horse is essentially a question of time and a cool head – just like for us humans," says Nathalie Pache, and chuckles. "Dealing with horses has made me patient. This of course also helps me at work, for instance when having to engage in a difficult conversation."

Nathalie Pache has been Team Leader of Technical Administration in Profond's Crissier office in French-speaking Switzerland for 12 years now. She has professional and staffing responsibility for the well-coordinated team of four. She is dedicated to supporting insured members, distribution partners and clients. She believes wholeheartedly in "first-class support". As such, she always looks for the optimum solution and answers all queries promptly. Nathalie Pache sets high standards for herself. What qualities does a person need to have to work in Technical Administration? "In addition to technical knowledge and extensive experience, it calls for great empathy, diplomacy, a cool head and, of course, problem-solving skills. You need to be capable of finding a solution in every situation, as challenging as it may be. I like the variety and complexity of the work."





Listening to Nathalie Pache, her passion for her work is palpable. A sense of pride can also be discerned. "I am glad that I can make a meaningful contribution to society through my work. And I feel the great trust of my employer. Of course I am proud to work for the pension fund, which has provided its insured members with the highest average interest rate for over ten years now. We have excellent benefits and we are a dynamic company. It is not surprising therefore that Profond has grown so strongly in recent years."

It goes without saying that working in Technical Administration is not always easy. How does Nathalie Pache deal with that? "Being able to look back on many years of experience in dealing with stressful situations is an asset. As is my cool head." The words are barely out of her mouth when she leaps onto Kermesse, who is already looking at her longingly, and rides off in the direction of Chabrey.

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**Personal details**

Nathalie Pache is Team Leader of Technical Administration French-speaking Switzerland.

In addition to horse riding, Nathalie Pache also enjoys hiking. And she spends lots of time with her two Jack Russell terriers.



# Annual financial statements as of 31 December 2018

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# Balance Sheet

	Notes	31.12.2018	31.12.2017
	No.	CHF	CHF
<b>Assets</b>			
<b>Investments</b>	6.4	<b>7 542 726 390</b>	<b>7 345 976 404</b>
<b>Other assets</b>			
Receivables from employers		25 941 408	20 026 423
Other receivables		19 205 196	15 620 697
<b>Total other assets</b>	7.2	<b>45 146 604</b>	<b>35 647 120</b>
<b>Prepayments and accrued income</b>		<b>382 464</b>	<b>316 831</b>
<b>Total assets</b>		<b>7 588 255 458</b>	<b>7 381 940 355</b>
<b>Liabilities</b>			
<b>Liabilities</b>			
Termination benefits and pensions		287 151 026	172 709 408
Other liabilities		8 228 710	8 098 578
<b>Total liabilities</b>	7.3	<b>295 379 736</b>	<b>180 807 986</b>
<b>Accrued liabilities and deferred income</b>		<b>640 041</b>	<b>2 128 200</b>
<b>Employer-paid contribution reserve</b>	6.7.4	<b>64 272 851</b>	<b>63 572 766</b>
<b>Non actuarial provisions</b>	7.4	<b>3 421 250</b>	<b>3 587 250</b>
<b>Pension liabilities and actuarial reserves</b>			
Active participants' liabilities	5.3	4 113 320 868	3 745 849 688
Pensioners' liabilities	5.5	2 619 128 892	2 361 787 468
Actuarial reserves	5.6	248 751 328	189 134 596
Separate free capital for pension funds	5.10	38 244 914	38 967 859
<b>Total pension liabilities and actuarial reserves</b>		<b>7 019 446 002</b>	<b>6 335 739 611</b>
<b>Reserve for fluctuations in asset value</b>	6.3	<b>205 095 578</b>	<b>796 104 542</b>
<b>Total liabilities</b>		<b>7 588 255 458</b>	<b>7 381 940 355</b>

# Operative account

	Notes	2018	2017
	No.	CHF	CHF
Employee contributions	7.1	148 963 250	132 051 565
Employer contributions	7.1	205 723 648	184 024 629
Withdrawal from employer-paid contribution reserve to finance contributions	6.7.4	- 8 453 226	- 8 003 026
One-time payments and purchase amounts		53 534 113	52 074 810
Transfers to employer-paid contribution reserve	6.7.4	9 873 194	13 213 940
<b>Ordinary and other contributions and transfers-in</b>		<b>409 640 979</b>	<b>373 361 918</b>
Termination benefit transfers	5.3	386 835 092	278 846 467
Reimbursements of withdrawals for home ownership/divorce	5.3	5 562 760	4 027 755
Transfers following take-over of participants	7.7	388 588 462	266 193 021
<b>Entry lump-sum transfers</b>		<b>780 986 314</b>	<b>549 067 243</b>
<b>Inflow from contributions and entry lump-sum transfers</b>		<b>1 190 627 293</b>	<b>922 429 161</b>
Retirement pensions		- 150 040 919	- 138 963 438
Survivors' pensions		- 25 673 109	- 24 239 585
Disability pensions		- 17 206 575	- 16 991 214
Divorce pensions		- 101 553	- 6 672
Lump-sum payments on retirement		- 70 427 097	- 56 415 771
Lump-sum payments on death or disability		- 3 974 036	- 4 906 887
Use of free capital		- 5 193 112	- 12 541 076
<b>Regulatory benefits</b>		<b>- 272 616 401</b>	<b>- 254 064 643</b>
<b>Non regulatory benefits</b>		<b>- 899 083</b>	<b>0</b>
Termination benefits for leavers	5.3	- 434 372 292	- 329 012 515
Transfer of additional funds in case of collective exit	7.8	- 32 197 295	- 7 587 837
Withdrawals for encouragement of home ownership/divorce	5.3	- 16 543 015	- 18 448 486
<b>Termination benefits</b>		<b>- 483 112 602</b>	<b>- 355 048 838</b>
<b>Outflow for benefits and withdrawals</b>		<b>- 756 628 086</b>	<b>- 609 113 481</b>
Decrease (+) / increase (-) in active participants' liabilities		- 306 935 428	- 258 236 941
Decrease (+) / increase (-) in pensioners' liabilities		- 257 341 424	- 211 611 610
Decrease (+) / increase (-) in actuarial reserves		- 59 616 732	- 64 116 744
Interest on retirement savings capital		- 59 341 093	- 122 335 116
Decrease (+) / increase (-) in contribution reserves		- 700 085	- 4 004 273
Decrease (+) / increase (-) of free capital for pension funds		722 945	6 338 672
<b>Decreases (+) / increases (-) in pension liability, actuarial reserves and contribution reserves</b>		<b>- 683 211 817</b>	<b>- 653 966 012</b>

	Notes	2018	2017
	No.	CHF	CHF
Insurance benefits		1932 747	2 469 314
<b>Income from insurance benefits</b>		<b>1932 747</b>	<b>2 469 314</b>
Insurance premiums		- 148 804	- 143 864
Contributions to Security Fund BVG/LPP		- 1785 698	- 1593 559
<b>Insurance cost</b>		<b>- 1934 502</b>	<b>- 1737 423</b>
<b>Net result of insurance activities</b>		<b>- 249 214 365</b>	<b>- 339 918 441</b>
Income from capital investments		- 297 917 646	754 826 175
Investment administration expenses		- 26 327 814	- 25 522 521
<b>Net return on investments</b>	6.7	<b>- 324 245 460</b>	<b>729 303 654</b>
<b>Other income</b>	7.9	<b>682 894</b>	<b>483 243</b>
General administration		- 10 512 286	- 9 879 440
Marketing and advertising		- 3 219 438	- 3 061 429
Agent and broker activity		- 4 281 164	- 3 894 534
Auditor and actuary		- 129 658	- 210 277
Supervisory authorities		- 89 487	- 87 500
<b>Administration expenses</b>	7.6	<b>- 18 232 033</b>	<b>- 17 133 180</b>
<b>Income surplus (+) / expense surplus (-) before adding to or releasing from reserves for fluctuations in asset value</b>		<b>- 591 008 964</b>	<b>372 735 276</b>
Decrease (+) / increase (-) in reserves for fluctuations in asset value		591 008 964	- 372 735 276
<b>Income surplus (+) / expense surplus (-)</b>		<b>0</b>	<b>0</b>

# Notes

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## 1. General information and organisation

### 1.1 Legal form and objectives

Profond Pension Fund is a foundation within the meaning of Art. 80 ff. ZGB, Art. 331 OR and Art. 48 (2) BVG. The purpose of the Foundation is to administer the occupational pension within the frame-work of the BVG and also to counter the economic consequences of old age, death and disability as well as those in special emergencies caused by illness, accident or unemployment.

### 1.2 BVG/LPP registration and registration with the Security Fund

The Foundation is entered in the register of occupational pension funds of the Canton of Zurich under reference number ZH 1227 and is affiliated with the Security Fund.

### 1.3 Plan statutes and regulations

Foundation deed	of 24.08.2017
Organisational Regulations	of 01.12.2018
Pension Fund Regulations	of 01.01.2018
Partial Liquidation Regulations	of 01.01.2005/01.01.2018
Investment Regulations	of 01.11.2018
Regulations Concerning the Reserves	of 31.12.2018

### 1.4 Supreme body, management and authorised signatories

Foundation Board – Employer Representatives	Position	Term of office
Mrose Beda	Member	2017 to 2020
Murer-Chevalier Werner	Vice-President	2015 to 2020
Staub-Bisang Mirjam	President	2015 to 2020
Theilacker Willy	Vice-President	1992 to 2020
Foundation Board – Employee Representatives	Position	Term of office
Bodmer Peter E.	Member	2017 to 2020
Goetschmann Frédéric E.	Member	2016 to 2020
Mazouer Denis	Member	2016 to 2020
Platz Aldo	Member	2008 to 2020
Executive Board	Position	
Borrmann Gerold	Head of Finance and Administration	
Häberli Andreas	Investment Director	
Schlaefli Laurent	Managing Director	
Sigrist Daniel	Director of Pensions	

All members of the Foundation Board and members of the Executive Board are authorised to sign jointly with a minimum of two signatures.

<b>Investment Committee</b>	<b>Position</b>
Bodmer Peter E. (from 01.11.2018)	Member
Gysin Franz	Member
Häberli Andreas	Chairman
Staub-Bisang Mirjam (until 31.10.2018)	Interim Chairwoman

The Securities Investment Committee was dissolved and the Investment Allocation Commission was renamed the Investment Committee. Both changes took place on 1 November 2018. The Real Estate Committee was recently incorporated into the Profond Investment Foundation.

<b>Investment Committee for Alternative Investments</b>	<b>Position</b>
Bodmer Peter E. (from 01.11.2018)	Chairman
Gysin Franz (from 14.12.2018)	Member
Staub-Bisang Mirjam (until 31.10.2018)	Interim Chairwoman

<b>Management Committee</b>	<b>Position</b>
Murer-Chevalier Werner	Member
Schlaefli Laurent	Chairman
Staub-Bisang Mirjam	Member
Theilacker Willy	Member

<b>Risk Committee</b>	<b>Position</b>
Mazouer Denis	Member
Mrose Beda	Member
Platz Aldo (Chairman from 01.06.2018)	Chairman
Schlaefli Laurent	Member
Staub-Bisang Mirjam (until 31.05.2018)	Chairwoman

Profond has an internal control system (ICS) and risk management in line with the size and complexity of the pension fund.

<b>Remuneration Committee</b>	<b>Position</b>
Murer-Chevalier Werner	Chairman
Staub-Bisang Mirjam	Member
Theilacker Willy	Member

**1.5 Actuaries, auditors, advisors, supervisory authority**

**Actuary**  
Beratungsgesellschaft für die zweite Säule AG  
Dornacherstrasse 230  
4018 Basel

**Auditor**  
KPMG AG  
Badenerstrasse 172  
8036 Zürich

**Supervisory authority**  
Supervisory Authority for BVG Pensions and Foundations of the Canton of Zurich (BVS)

	2018	2017
<b>1.6 Affiliated employers</b>		
As of 01.01.	1802	1718
New participants	184	104
Departures	- 119	- 20
<b>As of 31.12.</b>	<b>1867</b>	<b>1802</b>

The departures of 119 affiliated employers were a matter of technical departures, company closures, mergers and terminations.

### 1.7 Affiliated companies

#### Directly held majority interests:

Agro Energie Schwyz AG  
B+B Holding AG  
Profond Investment Foundation  
Profond Finanzgesellschaft AG  
Tekag Holding AG

## 2. Active participants and pensioners

	2018	2017
<b>2.1 Active participants</b>		
As of 01.01.	32 812	31 091
New participants	13 513	9 241
Retirements, deaths, disability	- 670	- 517
Departures	- 8 905	- 7 003
<b>As of 31.12.</b>	<b>36 750</b>	<b>32 812</b>

## 2.2 Pensioners

	2018	2017
As of 01.01.	8 637	8 197
Active participants taking retirement	747	570
Acquisition of pensioners transferred	246	297
Departures	- 495	- 427
<b>Total number of pensions 31.12.</b>	<b>9 135</b>	<b>8 637</b>

### Breakdown by pension type

	2018	2017
Retirement pensions	5 996	5 609
Spouse's pensions	1 637	1 587
Bridging pensions	46	45
Disability pensions	925	896
Child's pensions	523	499
Divorce pensions	8	1
<b>Total number of pensions 31.12.</b>	<b>9 135</b>	<b>8 637</b>

	2018	2017
Total number of pensions 31.12.	9 135	8 637
Pensioners with more than one type of pension	- 64	- 131
<b>Total number of pensioners 31.12.</b>	<b>9 071</b>	<b>8 506</b>

## 3. Implementation of objectives

### 3.1 Characteristics of the pension plan

Profond Pension Fund provides both mandatory and supplementary cover. It operates defined contribution plans. The Foundation benefits are described in detail in the Pension Fund Regulations (valid from 1 January 2018) and specified in the pension plan for each affiliated entity.

The benefits are calculated based on the contributed termination benefits, deposits, savings credits and interest credits less any withdrawals for home ownership or divorce payouts. On retirement, the participants have the choice of drawing their pension capital as a lifelong retirement pension (2018 conversion rate: 6.8% for men at 65 years old and 6.6% for women at 64 years old) or drawing part or all of it as a lump-sum.

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### 3.2 Financing, financing method

The financing is regulated in the Pension Fund Regulations.

The composition and amount of the contributions against the risks of death and disability, the administration costs, and the retirement credits, are regulated in the pension plans of the affiliated companies.

Average contributions are charged to cover administration costs. The risk costs vary by pension fund based on the expected losses. Retirement benefits are financed by means of contributions in the amount of the retirement credits.

The Pension Fund Regulations also regulate the buy-in and supplementary financing of contribution years, the buy-in for salary increases and the pre-financing of bridging benefits.

## 4. Significant accounting policies and valuation methods, consistency

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### 4.1 Statement of compliance with Swiss GAAP FER 26

The balance sheet, operative account and notes of the annual financial statements comply with the professional accounting recommendations of Swiss GAAP FER 26.

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### 4.2 Significant accounting policies and valuation methods

The bookkeeping, accounting and valuation comply with the provisions of the Swiss Code of Obligations and the BVG. The annual financial statements consisting of the balance sheet, operative account and notes present the actual financial situation, as required by the occupational pension legislation. In the annual financial statements the assets are valued as follows:

<b>Balance sheet items</b>	<b>Valuation method</b>
Liquidity, term deposits, receivables	Nominal value (less necessary impairment)
Bonds and equities	Market value
Indirect real estate and investment foundations	Net asset value/ stock exchange price
Direct real estate	Discounted cash flow method (DCF)
Real estate companies	Capitalised earnings value, net value of the company
Alternative investments (indirect)	Market value/net asset value
Alternative investments (direct)	Fair value
Pension capital and actuarial reserves	Expert opinion of the pension fund expert

Assets denominated in foreign currencies are translated at the exchange rate on the reporting date, transactions at the respective daily exchange rate.

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### 4.3 Changes in accounting policy and in bookkeeping

The annual financial statements have been revised and adjusted to include the previous year. Only changes to the presentation have been made. There were no corrections that changed the result.



## 5. Actuarial risks/risk benefit coverage/coverage rate

### 5.1 Type of risk benefit coverage, re-insurance

The risks of death and disability are fully covered by the Foundation.

For an affiliated company, there is a separate reinsurance agreement without surrender values (only risk insurance) and also an insurance contract for pension payments.

### 5.2 Comments on assets and liabilities from insurance contracts

There are surrender values of CHF 30 767 104.91 from an insurance contract. The pension payments are paid to Profond by the insurance company and paid on to the pensioners.

### 5.3 Development and return on savings capital in defined contribution plans

Development and return on savings capital	2018	2017
	CHF	CHF
Savings capital at the start of the year	3 745 849 688	3 379 516 945
Plus		
Employee savings contributions	129 257 773	114 089 438
Employee savings contributions (exemption from contributions)	3 627 652	3 568 305
Employer savings contributions	173 142 819	154 542 953
Employer savings contributions (exemption from contributions)	4 235 711	4 009 878
Termination benefit transfers	386 835 092	278 846 468
Termination benefit transfers for new affiliations	311 323 276	190 497 793
One-time payments and purchase amounts	50 160 691	44 852 203
Deposits from the release of non-committed funds	3 373 422	7 222 607
Deposits for withdrawals for encouragement of home ownership/divorce	5 562 760	4 027 755
Interest on savings capital*	60 498 494	122 335 116
Other credits	1 481 581	694 764
Minus		
Termination benefits for leavers	- 434 372 292	- 329 006 540
Termination benefits from terminated contracts	- 29 928 292	- 3 565 577
Withdrawals for encouragement of home ownership/divorce	- 16 543 015	- 18 448 486
Lump-sum payments on retirement/death	- 73 460 773	- 59 580 598
Transfer to pensioners' liabilities	- 206 678 936	- 134 262 400
Transfer of pensioners' retirement assets to pensioners' liabilities (disability or death)	- 1 044 783	- 13 490 936
<b>Savings capital at the end of the year</b>	<b>4 113 320 868</b>	<b>3 745 849 688</b>

\* The interest on the savings capital does not match the item in the operative account in the year under review. The reason for this is an excessively high accrual in the previous year.

The Foundation Board decided on a supplementary interest rate of 0.5% for 2018 (previous year: 2.5%). Overall, the retirement assets of active participants bore interest at 1.5% (previous year: 3.5%).

	2018	2017
	CHF	CHF
<b>5.4 Total retirement savings capital in accordance with the law on occupational pensions</b>		
Retirement savings capital in accordance with the law on occupational pensions (sample accounting)	2 224 361 979	2 015 991 582
BVG interest rate	1.00%	1.00%

	2018	2017
	CHF	CHF
<b>5.5 Development of actuarial reserves for pensioners</b>		
Status of pension capital at the start of the year	2 361 787 468	2 136 673 131
Transfer of new pensioners from active participants	206 678 936	134 262 400
Acquisition of pensioners transferred	73 527 378	67 035 107
Transfer of pension capital to new pension fund	- 156 273 1	- 291 073
Transfer of pensioners' retirement assets to pensioners' liabilities (disability or death)	1 044 783	13 490 936
Pension payments	- 193 022 156	- 180 200 909
Readjustment of technical basis	55 099 306	95 051 380
Adjustment for recalculation of pension capital	115 575 908	95 766 496
<b>Total pensioners' liabilities</b>	<b>2 619 128 892</b>	<b>2 361 787 468</b>

The Foundation Board reviews the granting of a cost of living allowance annually. In light of the lack of non-committed funds and the environment of historically low inflation that has existed for a pro-longed period, the Foundation Board decided not to grant a cost of living allowance on pensions as of 1 January 2019.

	2018	2017
	CHF	CHF
<b>5.6 Composition of, development of and explanation regarding actuarial reserves</b>		
Asset conversion rate reserve	162 554 141	120 707 518
Risk fluctuation reserve for risk of death and disability	35 636 962	28 788 711
Provision for increased life expectancy	49 259 308	33 124 967
Provision for refund of risk contributions	0	4 313 400
Separate reserves for pension funds	1 300 917	2 200 000
<b>Total actuarial reserves</b>	<b>248 751 328</b>	<b>189 134 596</b>

The following applies to the individual reserve items:

- Asset conversion rate reserve: The "liquidation method" is used to calculate retirement pension losses. This applies to all active participants from the age of 58. With this method, the existing retirement assets are converted into retirement pensions that start immediately in accordance with the Regulations, resulting in the corresponding conversion loss. The effective lump-sum withdrawal ratio of approximately 30% is taken into account.
- Risk fluctuation reserve for the risk of death and disability: The reserve was recalculated based on the current number of active participants as of 31 December 2018 with a 99% level of security.
- Increased life expectancy: The actuarial reserve for current pensions has been increased by 0.5% per annum since 2015; this has resulted in a total increase of 2.0% as at 31 December 2018.
- Refund of risk contributions: A reserve was formed for the affiliation agreements which were concluded in 2015 because of the new sector-based pricing policy introduced as at 1 January 2016. The reserve will enable settlement payments to be made in the form of contribution discounts from 2016 to 2018 in accordance with the new affiliation agreements.
- Separate reserves: These reserves are formed on the basis of agreements with the individual pension funds.

#### 5.7 Conclusions of the last actuarial report

The last actuarial report was produced as at 31 December 2018 and includes the following assessment:

	2018	2017
	CHF	CHF
Pension capital to be covered	6 981 201 088	6 296 771 752
Available pension fund assets	7 186 296 666	7 092 876 294
<b>The coverage rate was</b>	<b>102.9%</b>	<b>112.6%</b>

Excerpt from the pension insurance expert's report on the 2018 annual financial statements: "In summary, we can definitively confirm that the Foundation is able to meet its underwriting liabilities in accordance with the rules, that there are no financing deficits and that the actuarial reserves are adequate."

#### 5.8 Actuarial principles and other significant actuarial assumptions

The actuarial calculations are based on the following:

- technical interest rate: 2.75% (previous year: 3.0%)
- technical basis: BVG 2015, 2012 mortality tables
- reserves for increased life expectancy and risk fluctuations

The target reserve for fluctuations in asset value is calculated using the financial-economic method in accordance with the Investment Regulations.

### 5.9 Changes in actuarial principles and assumptions

The technical interest rate was reduced from 3.0% to 2.75% in 2018 (2017: from 3.5% to 3.0%). As a result of this change, the pensioners' liabilities had to be increased by an additional CHF 55 099 306 (previous year: CHF 95 051 380) and the technical reserves had to be increased by an additional CHF 38 310 331 (previous year: CHF 60 414 764).

### 5.10 Separate free capital for pension funds

	2018	2017
	CHF	CHF
Free capital at the start of the year	38 967 859	45 306 530
Contributions by new affiliations	3 604 953	5 500 328
Conversion of employer-paid contribution reserves into free capital	880 429	786 281
Use	- 5 193 112	- 12 541 076
Release in the event of collective departure	- 109 103	- 181 345
Interest rate	93 888	97 141
<b>Free capital at the end of the year</b>	<b>38 244 914</b>	<b>38 967 859</b>

In total, accounts with free capital were kept for 365 pension funds as of 31 December 2018 (previous year: 384). Interest of 0.25% was paid on the free capital in the year under review (previous year: 0.25%).

### 5.11 Funded status under article 44 BVV/OPP 2

	2018	2017
	CHF	CHF
Total assets	7 588 255 458	7 381 940 355
Liabilities	- 295 379 736	- 180 807 986
Accrued liabilities and deferred income	- 640 041	- 2 128 200
Employer-paid contribution reserve	- 64 272 851	- 63 572 766
Non actuarial provisions	- 3 421 250	- 3 587 250
Separate free capital for affiliations	- 38 244 914	- 38 967 859
<b>Available pension fund assets</b>	<b>7 186 296 666</b>	<b>7 092 876 294</b>
Active participants' liabilities	4 113 320 868	3 745 849 688
Pensioners' liabilities	2 619 128 892	2 361 787 468
Actuarial reserves	248 751 328	189 134 596
<b>Pension capital to be covered</b>	<b>6 981 201 088</b>	<b>6 296 771 752</b>
<b>Surplus cover</b>	<b>205 095 578</b>	<b>796 104 542</b>
<b>Coverage rate</b>	<b>102.9%</b>	<b>112.6%</b>

## 6. Explanatory notes on investments and net return on investments

### 6.1 Organisation of investment activities, investment advisor, investment manager and investment rules and regulations

The Foundation Board decides on the nature and execution of the asset management and supervises the investment activities. It has recorded the organisation of the asset management and the objectives, principles and competencies in the Investment Regulations.

Custodian bank	Credit Suisse AG
Property manager	Apleona Real Estate AG
<b>Asset manager</b>	<b>Type of authorisation</b>
ARTICO Partners AG	FINMA
Credit Suisse AG	FINMA
Partners Capital LLP	FCA (Financial Conduct Authority UK)
PK Asset AG	Occupational Pension Supervisory Commission OPSC
Swiss Life Asset Management AG	FINMA
UBS AG	FINMA
VI Vorsorgeinvest AG	FINMA

### 6.2 Expansion of investment possibilities (Article 50 paragraph 4 BVV/OPP 2) with coherent explanation of the compliance with certainty and risk allocation (Article 50 paragraphs 1–3 BVV/OPP 2)

	Category limit pursuant to Art. 55 BVV 2 as a % of the total assets	Category limit pursuant to the Investment Regulations as a % of the total assets	Current holdings as a % of total assets
Equities	0–50	30–55	46.2
Total real estate	0–30	10–40	32.4
Real estate in other countries	0–10	0–15	10.4
Direct infrastructure	0	0–10	2.2

- Equities, total real estate and real estate in other countries: The ranges of the investment categories are set up so that the investment ratios would passively exceed the BVV/OPP 2 limits in the event of (major) market movements with no costs being incurred for immediate rebalancing (particularly in the case of illiquid assets such as real estate). These increased ratios are to be viewed as temporary and not strategic in nature.
- Direct infrastructure: In derogation from Article 53 (4) BVV/OPP 2, non-diversified individual investments are also permitted. This also applies to investments wholly owned by the subsidiary Profond Finanzgesellschaft AG. These holdings of infrastructure assets with a focus on renewable energy in Switzerland and other countries are held as a run-off portfolio; no further direct investments will be acquired.

The Foundation manages all of its investments with the same level of care, irrespective of whether they are traditional investments or alternative investments such as direct infrastructure. There are implementation concepts for the management and monitoring of the infrastructure investments. In addition, external expert advisers are involved on an ongoing basis. Overall, the investments are sufficiently diversified and this ensures the purpose of the pension fund.

### 6.3 Target reserve for fluctuations in asset value and calculation of the reserve

The target reserve for fluctuations in asset value is calculated using the so-called financial-economic method. With this method, the reserve for fluctuations in asset value is determined on the basis of the risk/return characteristics of the investment categories for the investment strategy in order to provide the required interest rate on the liabilities over a one-year horizon with adequate security. The target amount of the reserve for fluctuations in asset value is expressed as a percentage of the pension capital (including actuarial reserves), aiming at a 97.5% level of security for the year. This target amount is reviewed annually and adjusted according to the current situation, while observing the principle of consistency in the calculation method.

The volatility of the investment strategy is 7.11% (previous year: 7.01%), and the target reserve for fluctuations in asset value is 14.21% of the pension capital (previous year: 13.51%).

	2018	2017
	CHF	CHF
Status of the reserve for fluctuations in asset value at the start of the year	796 104 542	423 369 266
Decrease (-) / increase (+) charged to the operative account	- 591 008 964	372 735 276
Reserve for fluctuations in asset value at the end of the year	205 095 578	796 104 542
Target reserve for fluctuations in asset value	992 028 675	850 396 644
Reserve deficit in the reserve for fluctuations in asset value	- 786 933 097	- 54 292 102

6.4 Breakdown of investments into investment categories

	Assets 2018	Effective proportion	Strategy	Range	Assets 2017	Effective proportion
	TCHF	%	%	%	TCHF	%
<b>Liquidity / receivables</b>	<b>435 800</b>	<b>5.8</b>	<b>2</b>	<b>0–10</b>	<b>278 917</b>	<b>3.8</b>
Liquidity	435 800				278 917	
<b>Nominal assets</b>	<b>907 404</b>	<b>12.0</b>	<b>17</b>		<b>671 109</b>	<b>9.1</b>
CHF-denominated bonds	406 626	5.4	13	5–25	384 970	5.2
Foreign currency bonds	500 778	6.6	4	0–10	286 139	3.9
<b>Equities</b>	<b>3 483 473</b>	<b>46.2</b>	<b>49</b>	<b>30–55</b>	<b>3 839 261</b>	<b>52.3</b>
Domestic equities	1 400 537	18.6	20	15–30	1 627 615	22.2
Foreign equities	1 712 665	22.7	24	15–30	1 830 610	24.9
EMMA equities	370 271	4.9	5	0–8	381 036	5.2
<b>Real estate</b>	<b>2 444 111</b>	<b>32.4</b>	<b>27</b>	<b>10–40</b>	<b>2 328 332</b>	<b>31.7</b>
Swiss real estate	1 662 902	22.0	24	10–30	1 576 730	21.5
Direct real estate	1 343 846	17.8			1 282 690	17.5
Indirect real estate	319 056	4.2			294 040	4.0
Real estate in other countries	781 209	10.4	3	0–15	751 602	10.2
Direct real estate	491 296	6.6			479 351	6.5
Indirect real estate	289 913	3.8			272 251	3.7
<b>Alternative investments</b>	<b>271 938</b>	<b>3.6</b>	<b>5</b>	<b>0–15</b>	<b>228 356</b>	<b>3.1</b>
Private equity	19 485	0.3	1	0–3	32 334	0.4
Private markets	67 796	0.9	0	0–10	0	0.0
Direct infrastructure	169 239	2.2	4	0–10	165 003	2.2
Other*	15 418	0.2	0	0–6	31 019	0.4
<b>Investments</b>	<b>7 542 726</b>	<b>100.0</b>			<b>7 345 975</b>	<b>100.0</b>

\* This item includes perpetual bonds which must be reported under “alternative investments” according to BVV/OPP 2.

Total assets include unhedged foreign currencies in the amount of CHF 2.109 bn or 28.0% (previous year: CHF 2.126 bn or 28.8%). We can confirm compliance with the investment restrictions for individual debtors stipulated in Articles 54, 54a and 54b BVV/OPP 2.

Directly-owned properties

	2018	2017
	CHF	CHF
As of 01.01.	16 460 000	16 747 000
Adjustment to market value	- 830 000	- 287 000
<b>As of 31.12.</b>	<b>15 630 000</b>	<b>16 460 000</b>

For the valuation (method of estimation: market value based on discounted cash flow) of the properties in Brugg (in Hauptstrasse and in Annerstrasse) by PricewaterhouseCoopers AG, discount rates of 3.45% (previous year: 3.45%) and 3.57% (previous year: 3.57%), respectively, were used. It is planned to transfer these properties to Profond Investment Foundation in 2019.

### 6.5 Current (open) financial derivative instruments

Exposure effect of currency forwards	Market values 2018	Market values 2017	Level of exposure 2018	Level of exposure 2017
	CHF	CHF	CHF	CHF
CHF	0	0	759 721 020	705 851 851
AUD	449 101	- 730 729	- 12 378 763	- 13 210 590
EUR	4 415 151	- 6 006 820	- 566 782 033	- 613 303 879
USD	867 268	369 698	- 141 769 519	- 32 746 623
GBP	1 137 337	- 1 015 691	- 38 783 589	- 46 590 759
SEK	7 116	0	- 7 116	0

In order to reduce foreign currency risk, foreign currencies are strategically hedged with currency forwards.

### 6.6 Open commitments

In connection with private market investments, an open commitment of CHF 53 720 730 (previous year: CHF 7 565 487), which is made available on demand, remains as of the balance sheet date.

The increase compared to the previous year relates to the new investments in the private markets category.

### 6.7 Comments on net return on investments

	2018	2017
	CHF	CHF
<b>Liquidity</b>	<b>- 2 605 468</b>	<b>- 309 146</b>
- Interest income	- 1 218 884	- 463 316
- Foreign currency adjustments	- 568 112	738 087
- Interest on termination benefits	- 818 472	- 583 917
<b>Nominal assets</b>	<b>- 9 264 644</b>	<b>2 860 481</b>
- Interest income	7 819 881	7 866 481
- Net currency gains	- 17 084 525	- 5 006 000
<b>Equities</b>	<b>- 407 497 873</b>	<b>736 598 200</b>
- Dividends	101 754 355	99 964 349
- Net currency gains	- 509 252 228	636 633 851
<b>Real estate</b>	<b>109 935 870</b>	<b>8 132 634</b>
- Distribution of profits	12 002 954	17 805 727
- Valuation gains and net currency gains	97 932 916	- 9 673 093
<b>Alternative investments</b>	<b>12 113 417</b>	<b>7 544 006</b>
- Distribution of profits	7 616 308	5 737 165
- Valuation gains and net currency gains	4 497 109	1 806 841
<b>Administration expenses for investments</b>	<b>- 26 926 762</b>	<b>- 25 522 521</b>
- Administration expenses	- 2 578 146	- 2 668 197
- Asset management costs	- 5 749 465	- 5 360 084
- Third-party costs	- 1 968 675	- 2 611 398
- TER costs	- 16 630 476	- 14 882 842
<b>Net return on investments</b>	<b>- 324 245 460</b>	<b>729 303 654</b>



### Notes on asset management costs

Investments	2018	2017
	CHF	CHF
Transparent investments	7 542 726 390	7 345 976 404
Non-transparent investments	0	0
<b>Total investments</b>	<b>7 542 726 390</b>	<b>7 345 976 404</b>
Cost transparency ratio	100.00%	100.00%

Investments	2018	2017
	CHF	CHF
Directly booked asset management costs	10 296 286	10 639 679
Total of all key cost figures in Swiss francs for collective investments	16 630 476	14 882 842
<b>Booked asset management costs according to the operative account</b>	<b>26 926 762</b>	<b>25 522 521</b>
As a percentage of cost-transparent investments	0.36%	0.35%

	2018	2017
<b>Asset management performance</b>	<b>- 4.2%</b>	<b>11.3%</b>

Performance is calculated based on the time-weighted rate of return (TWR) calculation method.

#### 6.7.1 Dealing with retrocessions

The companies commissioned with asset management have made a contractual commitment not to collect any retrocessions, or if they have received retrocessions, to pass these on in full to Profond Pension Fund.

The Foundation has also sought confirmations from the institutions regarding any retrocessions that they received or were due to receive. These confirmations have been received and do not indicate that any retrocessions were paid to any closely related or third parties.

The Foundation received no retrocessions during the year under review.

### 6.7.2 Loyalty provisions

Profond applies the rules of the ASIP sector association, namely the ASIP Charter and the professional guidelines, which are based on compliance with the loyalty and integrity regulations of the BVG. Upon joining, the Foundation Board, Executive Board and employees confirm that they will adhere to these regulations. The members of the Foundation Board, the committees and the Executive Board also confirm each year that they meet the legal and regulatory requirements and comply with the loyalty regulations.

As per the loyalty provisions, and pursuant to Art. 48f and 48g BVV/OPP 2, loyalty declarations were requested from the persons and institutions charged with investing and managing the pension assets. These were fully answered.

### 6.7.3 Exercise of voting rights

Profond exercises its voting rights for listed Swiss companies. Profond's voting behaviour can be viewed on its website. In all transactions to be voted on, efforts are made to see that the interests of the shareholders or beneficiaries are taken into account as far as possible. Profond's voting behaviour is based on the recommendations of Inrate, which supports institutional investors in exercising their shareholder rights by providing detailed corporate governance research and voting recommendations.

### 6.7.4 Comments on employer-paid contribution reserves

	2018	2017
	CHF	CHF
Employer-paid contribution reserves for individual pension funds without waiver of use, status as at 01.01.	63 572 766	59 568 752
Deposits	9 873 194	13 213 940
Use for financing contributions	- 8 453 226	- 8 003 026
Release in the event of collective departure	0	- 578 412
Interest rate	160 546	157 793
Conversion of employer-paid contribution reserves into free capital	- 880 429	- 786 281
<b>Total employer-paid contribution reserves without waiver of use</b>	<b>64 272 851</b>	<b>63 572 766</b>

There are no employer-paid contribution reserves with waiver of use. The employer-paid contribution reserves accrued interest at 0.25% in 2018 (previous year: 0.25%).

## 7. Comments on other balance sheet and operative account positions

### 7.1 Breakdown of pension fund contributions

	2018	2017
	CHF	CHF
Employee savings contributions	129 254 773	114 089 438
Employee risk contributions	16 076 994	14 696 656
Employee administrative contributions	3 631 483	3 265 471
<b>Total employee contributions</b>	<b>148 963 250</b>	<b>132 051 565</b>
Employer savings contributions	173 142 819	154 542 953
Employer risk contributions	25 771 436	23 300 418
Employer administrative contributions	5 823 909	5 278 229
Basic contributions	937 699	857 667
Cost contributions for extraordinary expenses	47 786	45 362
<b>Total employer contributions</b>	<b>205 723 649</b>	<b>184 024 629</b>

### 7.2 Other assets

	2018	2017
	CHF	CHF
Receivables from employers	25 941 408	20 026 423
Cash and cash equivalents from operating activities	5 421	8 186
Receivables from pension funds	3 486 602	1 007 725
Withholding tax	14 070 616	12 790 140
Other credited assets	255 453	155 599
Movable goods, IT, renovations	1 364 485	1 490 426
Rent deposits	22 619	168 621
<b>Total other assets</b>	<b>45 146 604</b>	<b>35 647 120</b>

### 7.3 Liabilities

	2018	2017
	CHF	CHF
Commitments to departed participants	135 731 518	91 122 917
Commitments to pensioners	8 108 320	7 154 239
Early receipt of termination benefits	6 251 666	4 628 870
Early receipt of new affiliations	128 163 381	69 803 382
Obligations from new affiliations in 2018*	8 896 141	0
Other creditors	8 228 710	8 098 578
<b>Total liabilities</b>	<b>295 379 736</b>	<b>180 807 986</b>

\* As of 31.12.2018, it was not yet possible for all new affiliations from 2018 to be definitively finalised. This was a matter of take-overs of foundations for which the take-over agreement is still pending and the remaining funds have not yet been definitively recognised.

<b>7.4 Non actuarial provisions</b>	<b>2018</b>	<b>2017</b>
	CHF	CHF
Provisions for deferred real estate capital gains tax from transfer to Profond Investment Foundation	2 525 000	2 525 000
Provisions for deferred real estate capital gains tax	896 250	1 062 250
<b>Total non actuarial provisions</b>	<b>3 421 250</b>	<b>3 587 250</b>

The real estate capital gains tax is calculated on the basis of the difference between the taxable acquisition cost and the current market value.

<b>7.5 Investments with the employer</b>	<b>2018</b>	<b>2017</b>
	CHF	CHF
<b>Profond Investment Foundation</b>		
Current accounts	16 386 267	44 074 993
Holdings	1 815 652 809	1 749 546 699
Asset dedication	100 000	100 000
<b>Total Profond Investment Foundation</b>	<b>1 832 139 076</b>	<b>1 793 721 692</b>
<b>Agro Energie Schwyz AG</b>		
Holdings	53 261 326	50 455 317
<b>Total Agro Energie Schwyz AG</b>	<b>53 261 326</b>	<b>50 455 317</b>

Forward exchange transactions for foreign currency hedging are not included in the investments with the employer.

<b>Net income from investments with the employer</b>	<b>2018</b>	<b>2017</b>
	CHF	CHF
<b>Profond Investment Foundation</b>		
Valuation adjustment	92 609 796	- 20 130 291
TER costs	- 8 936 928	- 7 850 599
<b>Total Profond Investment Foundation</b>	<b>83 672 868</b>	<b>- 27 980 890</b>
<b>Agro Energie Schwyz AG</b>		
Valuation adjustment	806 009	- 2 321 959
<b>Total Agro Energie Schwyz AG</b>	<b>806 009</b>	<b>- 2 321 959</b>

Foreign currency valuations are not included in the above table.

<b>7.6 Administration expenses</b>	<b>2018</b>	<b>2017</b>
	CHF	CHF
Administration expenses according to the operative account	18 232 033	17 133 180
Expenses for insurance benefits paid	- 1915 497	- 1758 026
Other income (relevant to administration costs)	- 302 707	- 217 140
<b>Total administration expenses (adjusted)</b>	<b>16 013 829</b>	<b>15 158 014</b>

Profond Pension Fund is a fully autonomous foundation. All insurance services (e.g. for disability) are therefore provided internally and, pursuant to Swiss GAAP FER 26, are recognised as administration expenses instead of insurance cost. The administration expenses are therefore reduced by this item.

Other income comprises income from services that the Foundation provides and thus reduces the administration expenses.

<b>7.7 Additions to number of insured persons</b>	<b>2018</b>	<b>2017</b>
	CHF	CHF
Transfers of termination benefits	311 323 276	190 497 793
Transfers of free capital and employer-paid contribution reserves	3 604 953	5 500 328
Transfers of pensioners' liabilities	73 527 378	67 035 107
Transfers of actuarial reserves	132 855	3 159 793
<b>Total transfers following take-over of participants</b>	<b>388 588 462</b>	<b>266 193 021</b>

<b>7.8 Departures of insured persons</b>	<b>2018</b>	<b>2017</b>
	CHF	CHF
Transfer of termination benefits	29 928 292	3 565 577
Transfer of free capital and employer-paid contribution reserves	109 103	759 758
Transfer of pensioners' liabilities	1 562 731	291 073
Transfer of actuarial reserves	24 855	0
Transfer of reserve for fluctuations in asset values	572 314	2 971 429
<b>Total transfer of additional funds in case of collective exit</b>	<b>32 197 295</b>	<b>7 587 837</b>

## 7.9 Other income

	2018	2017
	CHF	CHF
Other income	22 839	18 168
Withholding tax commission	30 068	28 871
Encouragement of home ownership fees	76 800	61 600
Services to third parties	173 000	108 500
Income from the release of non-committed funds without beneficiaries	380 187	0
Income from receivables written off	0	266 104
<b>Total use of free capital and employer contribution reserves</b>	<b>682 894</b>	<b>483 243</b>

## 8. Supervisory authority requirements

There are no supervisory authority requirements.

## 9. Further information regarding financial situation

### 9.1 Partial liquidations

The partial liquidations are being duly processed in accordance with the partial liquidation regulations approved on 31 December 2010 and valid from January 2005. The pending and completed partial liquidations are presented in a separate listing covering a period of two years.

In 2018, the following suspected cases of partial liquidation as of 31 December 2017 were reviewed and executed:

Current status regarding partial liquidation	Decrease in number of participants	Restructuring	Termination of affiliation agreements	Total
Number of affiliations examined				1901
Suspected cases	3	0	76	79
Positive decision	3	0	27	30
Negative decision	0	0	48	48
Decision pending	0	0	1	1
Executed	3	0	75	78
Pending	0	0	1	1

A total amount of CHF 572 314 (previous year: 2 971 429) was transferred to the reserve for fluctuations in asset value from terminated contracts.

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**9.2 Contingent liabilities**

There are contingent liabilities of up to CHF 7 000 000 (performance-related increase in purchase price) in connection with investments in the alternative investment "Infrastructure".

A rent guarantee of CHF 130 000 was issued for the office premises in Zurich instead of a rent deposit account.

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**9.3 Pledge of assets**

A deed of pledge in the amount of CHF 150 000 000 was agreed in the framework agreement for loans between Profond Pension Fund and Credit Suisse AG, dated 11 December 2016. As of 31 December 2018, CHF 277 368 of this had been used.

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**9.4 Legal proceedings in course**

There are currently no substantial legal proceedings in course.

## **10. Events subsequent to the balance sheet date**

None.



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Report of the Statutory Auditor to the Board of Foundation of the

**Profond Vorsorgeeinrichtung, Zurich**

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### **Report of the Statutory Auditor on the Financial Statements**

As statutory auditor, we have audited the accompanying financial statements of Profond Vorsorgeeinrichtung, which comprise the balance sheet, operating account and notes for the year ended 31 December 2018.

#### *Foundation Board's Responsibility*

The Foundation Board is responsible for the preparation of the financial statements in accordance with the requirements of Swiss law and with the foundation's deed of formation and the regulations. This responsibility includes designing, implementing and maintaining an internal control relevant to the preparation of financial statements that are free from material misstatement, whether due to fraud or error. The Foundation Board is further responsible for selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

#### *Responsibility of the expert in occupational benefits*

In addition to the auditor, the Foundation Board appoints an expert in occupational benefits to conduct the audit. The expert regularly checks whether the occupational benefit scheme can provide assurance that it can fulfil its obligations and that all statutory insurance-related provisions regarding benefits and funding comply with the legal requirements. The reserves necessary for underwriting insurance-related risks should be based on the latest report provided by the expert in occupational benefits in accordance with Article 52e paragraph 1 of the Occupational Pensions Act (OPA) and Article 48 of the Occupational Pensions Ordinance 2 (OPO 2).

#### *Auditor's Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Swiss law and Swiss auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control relevant to the entity's preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control system. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### *Opinion*

In our opinion, the financial statements for the year ended 31 December 2018 comply with Swiss law and with the foundation's deed of formation and the regulations.





*Profond Vorsorgeeinrichtung, Zurich*  
*Report of the Statutory Auditor*  
*on the Financial Statements*  
*to the Board of Foundation*

*Other Matter*

The financial statements of Profond Vorsorgeeinrichtung for the year ended 31 December 2017 were audited by another auditor who expressed an unmodified opinion on those statements on 6 April 2018.

**Report on additional legal and other requirements**

We confirm that we meet the legal requirements on licensing (Article 52b OPA) and independence (Article 34 OPO 2) and that there are no circumstances incompatible with our independence.

Furthermore, we have carried out the audits required by Article 52c paragraph 1 OPA and Article 35 OPO 2. The Foundation Board is responsible for ensuring that the legal requirements are met and that the statutory and regulatory provisions on organisation, management and investments are applied.

We have assessed whether

- organisation and management comply with the legal and regulatory requirements and whether an internal control exists that is appropriate to the size and complexity of the foundation;
- funds are invested in accordance with legal and regulatory requirements;
- the occupational pension accounts comply with legal requirements
- measures have been taken to ensure loyalty in fund management and whether the Governing Body has ensured to a sufficient degree that fund managers fulfil their duties of loyalty and disclosure of interests;
- the available funds or discretionary dividends from insurance contracts have been used in compliance with the legal and regulatory provisions;
- the legally required information and reports have been given to the supervisory authority;
- the pension fund's interests are safeguarded in disclosed transactions with related entities.

We confirm that the applicable legal and statutory requirements have been met.

We recommend that the financial statements submitted to you be approved.

KPMG AG

Erich Meier  
*Licensed Audit Expert*  
*Auditor in Charge*

Carole Gehrer  
*Licensed Audit Expert*

Zurich, 28 March 2019



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## Bericht des Pensionsversicherungsexperten zur Jahresrechnung 2018

Das per 31.12.2018 erstellte versicherungstechnische Gutachten basiert unverändert auf den Rechnungsgrundlagen BVG 2015 Periodentafel 2012. Dabei ist bei der Berechnung der Rentendeckungskapitalien sowie der technischen Rückstellungen der mutmasslich weiteren Zunahme der Lebenserwartung bis 31.12.2018 bereits Rechnung getragen worden. Der technische Zinssatz ist per 31.12.2018 von 3% auf 2.75% gesenkt worden, was einmalige Kosten für die Erhöhung des Rentendeckungskapitals und der technischen Rückstellungen von CHF 93.4 Mio. verursacht und zu einer Abnahme des Deckungsgrades um 1.4%-Punkte geführt hat. Es besteht damit wieder eine positive Marge zwischen dem technischen Zinssatz und der Sollrendite sowie der erwarteten Rendite. Die Ausführungen im Rahmen der Analyse der versicherungstechnischen Parameter stellen eine ausreichende Begründung für die zurzeit noch bestehende Differenz von 0.75 %-Punkten zwischen dem technischen Zinssatz der Stiftung und dem technischen Referenzzinssatz gemäss FRP 4 dar.

Der Deckungsgrad ist innert Jahresfrist von 112.6% auf 102.9% gesunken. Der Rückgang des Deckungsgrades erklärt sich einerseits durch die negative Entwicklung der Kapitalmärkte und der dadurch erzielten Gesamtpformance von -4.2%. Andererseits ist dieser durch die vergleichsweise hohe Sollrendite — aufgrund des Mittelbedarfs für die Erhöhung der technischen Reserven und Rückstellungen angesichts der Senkung des technischen Zinssatzes — bedingt. Eine direkte Folge dieser Entwicklung des Deckungsgrades ist die Abnahme der Wertschwankungsreserve; sie hat von etwas über 90% auf etwas über 20% ihres Zielwertes abgenommen. Die Anlagerisiken sollten darum zurzeit nicht erhöht werden.

Der Verlauf der versicherungstechnischen Risiken Invalidität und Tod im aktiven Versichertenbestand ist unverändert gut bis sehr gut. Der nachgewiesene Risiko- und Kostenüberschuss ist trotz der in den Vorjahren vorgenommenen Reduktion der reglementarischen Risiko- und Kostenbeiträge nochmals etwas höher ausgefallen als im Vorjahr.

Eine zunehmende Belastung des technischen Ergebnisses ergibt sich bei den Umwandlungsverlusten, ohne dass dadurch die Stiftung in eine finanzielle Schieflage geraten würde. Es ist tendenziell mit einer zunehmenden Zahl von Neurentnern zu rechnen, weil einerseits immer mehr Versicherte das Rentenalter erreichen und andererseits die Kapitalbezugsquote abnimmt. Die bereits beschlossene weitere Senkung des Umwandlungssatzes wird im Verlauf der Zeit eine immer kleinere Entlastung bewirken, solange im Bereich des Obligatoriums keine Senkung des Umwandlungssatzes vorgenommen werden kann. Die bereits gebildete technische Rückstellung für künftige Umwandlungsverluste deckt aktuell in etwa den Bedarf von 5 Jahren ab.

Auch im Rentnerbestand nehmen die versicherungstechnischen Risiken einen für die Stiftung günstigen Verlauf. Für das abgelaufene Jahr kann wiederum ein Überschuss ausgewiesen werden. Es ist auch nach wie vor so, dass der Anteil des Rentendeckungskapitals am gesamten Vorsorgekapital kaum zugenommen hat. Die versicherungstechnische Struktur der Stiftung ist somit stabil beziehungsweise robust.

Abschliessend können wir summarisch bestätigen, dass die Stiftung ihre reglementarischen versicherungstechnischen Verpflichtungen erfüllen kann. Die Analyse der Gewinn- und der Verlustquellen zeigt auch, dass die Finanzierung ausreichend ist. Die technischen Reserven und Rückstellungen sind den Grundsätzen und Fachrichtlinien der Schweizerischen Kammer der Pensionskassenexperten entsprechend gebildet und ausgeschieden. Es drängen sich keine Sofortmassnahmen auf.

Basel, 29.03.2019

Beratungsgesellschaft  
für die zweite Säule AG

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dipl. Pensionsversicherungsexperte  
Diplom Mathematiker ETH

Malgorzata Zielinska  
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For the English version of the report please click [here](#).

# Publication details

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**Issued by**

Profond Pension Fund

**Production**

Dynamics Group AG

**Photography**

profifoto.ch – Michael Kessler

**Translation**

Acolad Switzerland

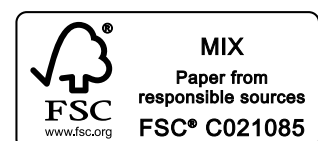
**Printed by**

Cavelti AG, Customer of Profond since 2004

**Circulation**

150 English / 2100 German / 600 French / 200 Italian

The German version takes precedence.



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