

Profond



Annual Report

—  
2019



# Contents

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<b>Foreword</b>	<b>5</b>
Peter E. Bodmer and Laurent Schlaefli	5
<b>Review of 2019</b>	<b>6</b>
Investment performance	6
The main points in brief	8
<b>Profond at a glance</b>	<b>10</b>
<b>Customer portrait</b>	<b>12</b>
Acer	12
<b>Employee portrait</b>	<b>14</b>
Monika Schraner	14
<b>Annual financial statements</b>	<b>16</b>
Balance sheet	17
Operating result	18
Notes	20
Auditor's report	41
Pension insurance expert's report	43



# Above-average return on investment – new administration system

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Dear Sir or Madam,

Profond is on the right track – 2019 was a successful financial year. At 13.5%, we reported an above-average return on investment and strengthened the financial stability of our company. Profond can look back on another year with healthy growth, a high interest rate and a stable customer base. This is because 99% of existing customers have remained loyal to Profond. As part of the digital transformation, we also launched a new process-oriented administration system that can support our customers even more efficiently.

The high return on investment proves once again that the investment strategy Profond has pursued since it was founded delivers a good performance in the long term despite fluctuations. Despite the negative return of –4.2% in the previous year, which was 1.1 percentage points lower than the average performance of other pension funds, the performance of Profond's investments was 13.5% in 2019 and thus 2.4 percentage points higher than the overall average of other pension funds according to the UBS Pension Fund Performance Report (January 2020).

Due to this sustainable performance, Profond had the honour of achieving two first places in the pension fund comparison by newspaper SonntagsZeitung and magazine Finanz und Wirtschaft: We won both the award for the “Best return on investment over 10 years” and for the “Highest interest rate over 10 years”.


In the reporting year, there were also changes in the company's management. In addition to the election of the new Chairman of the Foundation Board Peter E. Bodmer (in July 2019), Mirjam Staub-Bisang was

replaced in the employer representative body by Stephan Schelling. The Foundation Board was given additional reinforcement with two assessors – Brigitte Bitterli in the legal field and Dieter Stohler in BVG.


Profond's “Strategy 2018–2020”, which has the aim of better customer service and a more pleasant customer experience by means of digital transformation, was also successfully implemented and further developed this year. We have achieved key milestones such as starting up an online portal for new-business quotes and the successful launch of the new administration system on 1.1.2020.

This annual report focuses on our customers and employees. We would like to thank the latter for their tireless efforts and their excellent performance in the past year. Moreover, we would also like to thank all our customers, business partners and pensioners for their effective collaboration and their confidence in us. Their loyalty and trust are the greatest motivation for our work and fuel our mission to sustainably ensure the prosperity of employees and insured members in old age.

Zurich, June 2020



Peter E. Bodmer  
Chairman of the  
Foundation Board



Laurent Schlaefli  
Managing Director

# Review of 2019

## Investment performance – successful investment year thanks to a resilient global economy

The decade ended in 2019 with a particularly good stock-market year. All the important asset classes gained significantly. Although most market observers' expectations were cautious to negative, the markets developed very positively in defiance of all the pessimistic forecasts. The global economy proved more resilient than expected. Trade wars and various political uncertainties, such as Brexit, only hurt stock market prices for a short period. The recent easing of monetary policy, particularly by the Federal Reserve, also had a supporting effect. A new record volume of bonds with negative yields was reached, which further inten-

sified the global investment crisis. Investment markets will also have to face various challenges again in 2020. The good news, however, is that less happened than expected.

Profond had an extremely successful investment year. The portfolio's total return was 13.5%. Swiss equities at 31.7% and foreign equities at 20.7% in particular contributed to this encouraging result. At an increase of 11.6%, emerging market equities were somewhat more subdued, but also clearly positive.

### Summary of investment performance

Asset class	Share of the portfolio as of 31.12.2019	Contribution to the result	Performance	Benchmark
<b>Equities</b>	<b>52.2%</b>			
Domestic	22.2%	6.1%	31.7%	31.8%
Foreign	30.0%	5.9%	20.7%	20.7%
<b>Bonds</b>	<b>11.0%</b>			
Swiss francs	4.7%	0.0%	0.8%	3.1%
Foreign currency	6.3%	0.2%	2.6%	1.6%
<b>Real estate</b>	<b>26.0%</b>	<b>1.3%</b>	<b>4.6%</b>	<b>5.2%</b>
<b>Alternative investments</b>	<b>3.6%</b>	<b>0.1%</b>	<b>3.5%</b>	<b>5.3%</b>
<b>Liquidity</b>	<b>7.2%</b>	<b>0.0%</b>	<b>- 0.4%</b>	<b>- 0.7%</b>
<b>Total*</b>	<b>100.0%</b>	<b>13.5%</b>	<b>13.5%</b>	<b>14.1%</b>

\*figures rounded

Investments in Swiss bonds generated a return of 0.8% in the past year. Bonds in foreign currencies closed the year at 2.6%. With many bonds trading with negative yields to maturity, this asset class continues to represent a major challenge. Moreover, banks continue to charge us a negative interest rate of -0.6% on average on cash.

At 4.6%, our directly and indirectly held real estate investments delivered a substantial return. The largest part of this is rental income, which thus makes a very stable contribution to total return.

The return on alternative investments last year was 3.5%. Profond was able to divest its directly held infrastructure investments abroad during the year. However, we made continuous purchases in private equity, private debt and infrastructure via indirect investment products. These long-term oriented investments are intended to extend and diversify the basis of current income in the portfolio.

**Composition of assets**

As of the end of 2019, the equity ratio was 52.2%. Due to the strong performance of equity investments, this proportion is above our strategic ratio of 49%.

Bonds made up 11% of the total volume. Because a very large number of bonds can only be expected to have minimally positive coupon income, Profond remains underweight in this asset category.

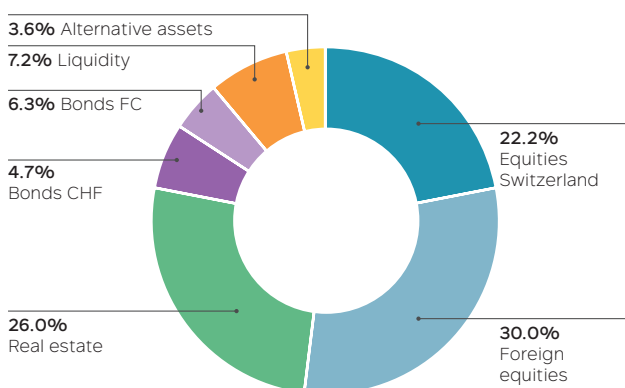
Profond had invested 26% in real estate as of the end of the year. Due to the growth of the pension fund, the strong performance of the total portfolio and distributions by real estate vehicles, this proportion fell during the year.

The share of alternative investments was 3.6% at the close of the year. Profond will carry on continuously increasing this asset class's share of total investments to up to 10%.

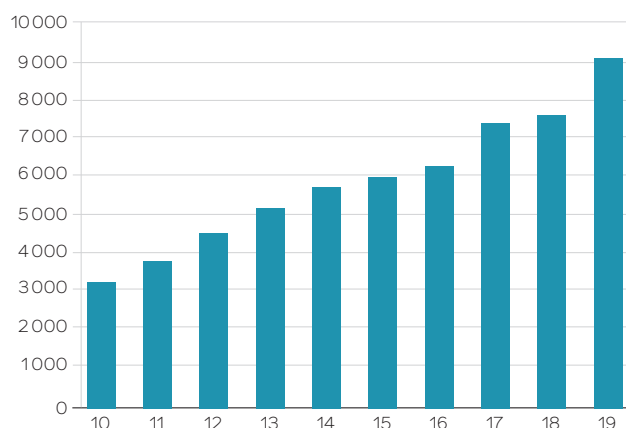
**Outlook**

Like every year, the outlook is influenced by many uncertainties. Market participants outdo each other with countless forecasts. The low interest rate level and the investment crisis will remain with us for the foreseeable future. Profond addresses these challenges with its sustainable, long-term and real value-oriented investment strategy.

**Distribution of assets under management as of 31.12.2019**



**Assets (in CHF m)**



## The main points in brief

### Interest rate

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 good performance. This means we can continue to provide a high level of benefits to our insured members in the future. In 2019, we paid 3.5% interest on the retirement assets of actively contributing members in both mandatory and supplementary insurance – an interest rate that is 2.5 percentage points above the BVG interest rate prescribed by the Federal Council. Since it was founded in 1991, Profond has provided an average annual interest rate of 4%.

### Financial stability

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 2.75% to 2.5% as of 31.12.2019 and to 2.25% as of 1.1.2020. This reduction in the technical interest rate leads to a lowering of the funding ratio by 1.4 percentage points in each case. With the technical interest rate of 2.5%, the funding ratio after payment of interest is 111.4% (previous year: 102.9%).

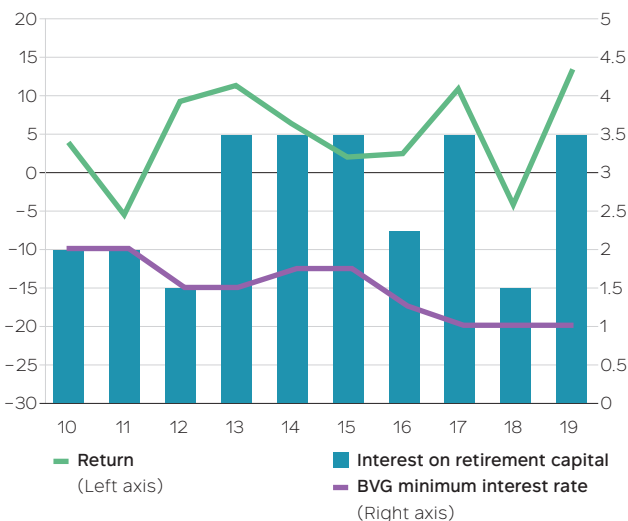
### Affiliations and insured members

The number of insured members increased by more than 6000, which is equivalent to an increase of 14% as of 31.12.2019. As of 1.1.2020, the number of insured members had additionally grown by more than 4000 – of which 98% are actively contributing members, which in turn leads to an improvement of the structure. The number of affiliations grew by 7%.

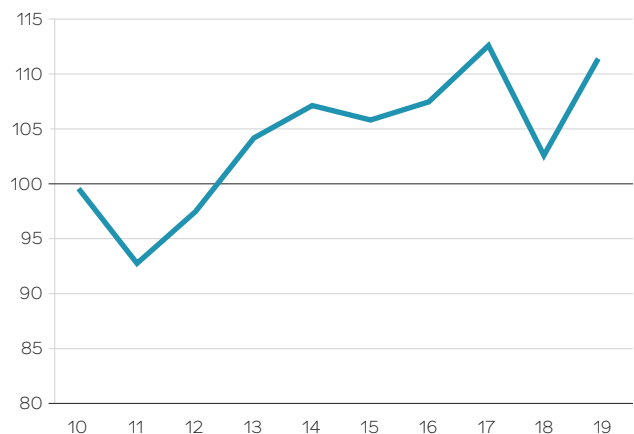
### Administration costs

Despite major investment in digital transformation, we were able to stabilise the administration costs per insured person in 2019 – thanks to rigorous cost management, increased efficiency and respectable growth. These administration costs amounted to CHF 331 per person (previous year: CHF 346). We are making every effort to continue to reduce the costs per insured person in the coming years as well.

Annual return and interest on retirement capital in %



Cover ratio in %





**Digital transformation – topic in focus in 2020**

The introduction of the new administration system lays the foundation for the digital future. There are numerous opportunities for simplified digital collaboration, particularly through “ProfondConnect”, the modern portals for employers, employees and partners. For affiliated companies, the connection of their payroll accounting systems is simplified and for insured employees, paperless and therefore quicker dialogue with Profond is simplified. Profond has set itself the target of making these digitalisation opportunities available to the largest possible proportion of its customers and insured members. The focal topic and main project in 2020 is therefore the greatest possible migration of the customer base to the new administration system.

**Sustainability**

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. Various measures were defined in 2019 and more are planned for 2020.

Current information on the subject of sustainability can be found on our website.

**Employees**

The Foundation Board and the Executive Board regard the well-being, open communication and satisfaction of employees as a key component of the corporate culture and are constantly involved in these issues. In the course of the review of sustainability in the field of compensation and benefits, Profond received the University of St Gallen’s “We Pay Fair” seal of approval, which confirms the existence of equal pay within a company. Profond encourages ongoing professional development. In order to support this in a more contemporary way, Profond launched an e-learning platform in 2019 that offers a broad range of training options and is freely available to our employees. Because one thing is clear to everyone: without skilled and customer-focused employees, it would not be possible to develop Profond so successfully.

**Governance and segment reporting**

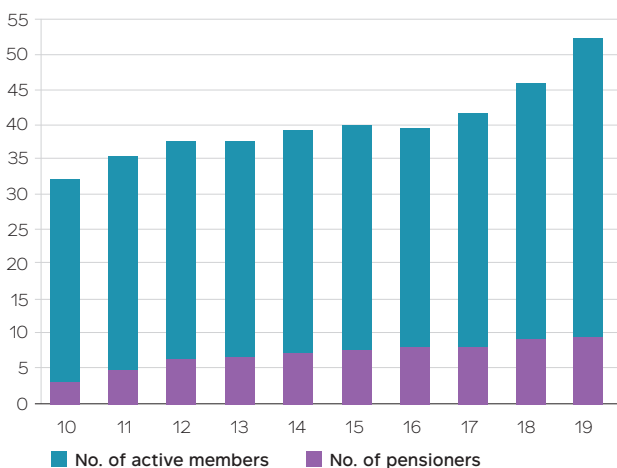
All information about Profond’s organisational structure and governing bodies, as well as details of the Executive Board and the Foundation Board, can be found on Profond’s website:

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

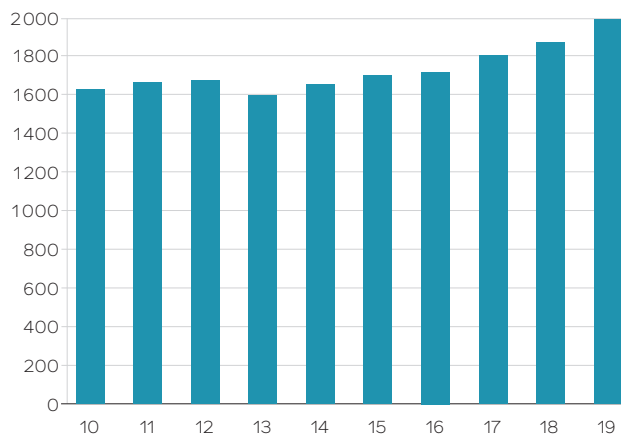
Profond’s transparent segment reporting is also available on our website.

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

**Number of beneficiaries in 1000s**



**Number of affiliated companies**



# Profond at a glance

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## Funding ratio

# 111.4%

Key figure that shows at what percentage a pension fund's obligations are covered by its assets on a specific date.

## Conversion rate

# 6.6%

The rate used to calculate the amount of the annual old-age pension.  
Example: Conversion rate of 6.6%, retirement assets = CHF 100 000 → annual pension of  $6.6\% \times \text{CHF } 100\,000 = \text{CHF } 6600$

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## Assets under management

# CHF 9.1 bn

Total retirement assets of all insured persons.

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## Interest

# 3.5%

Interest on the retirement assets. The interest rate depends, among other things, on the return achieved and may vary from year to year. It is determined by the Foundation Board.

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## Administration costs per insured person

# CHF 331

These include, in particular, costs for general administration and the support of customers, insured members and distribution partners.

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Return

**13.5%**

The ratio of total income (interest, dividends, price gains, etc.) to assets.

Awards

**3**

Two awards in the PK rating of the Sonntags-Zeitung 2019: award for the highest interest rate over 10 years (2009–2018) and award for the best investment return over 10 years (2009–2018).

“We Pay Fair” quality seal of the University of St Gallen

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Technical interest rate

**2.5%**

The technical interest rate is used to discount future benefits. The lower the rate, the higher the pension capital of a pension fund must be.

Minimum interest rate

**1.00%**

The minimum rate at which interest must be paid on BVG retirement assets (in the mandatory area). The minimum interest rate is set annually by the Federal Council.

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Total expenses for asset management

**0.33%**

The fees for managing the assets.

Insured persons

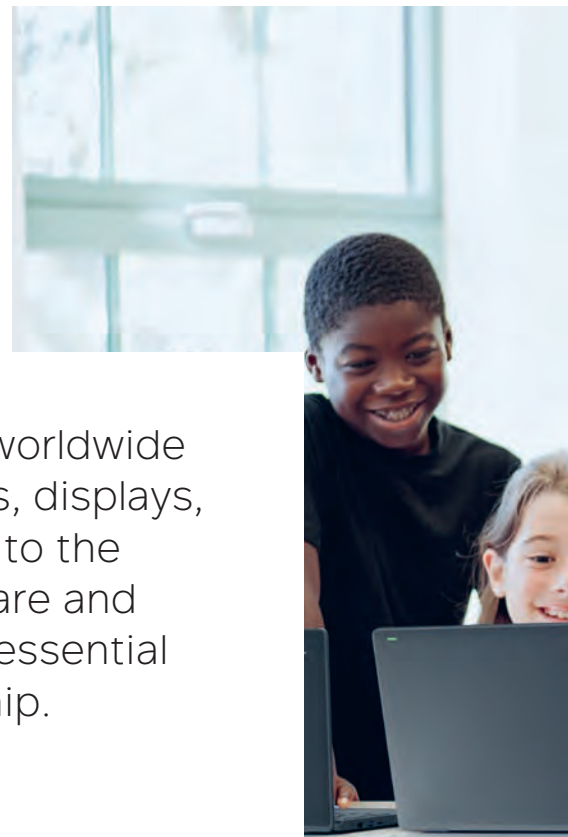
**52 083**

These include actively contributing members and pensioners.

# Commitment to the interests of employees

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Successful ITC company Acer is renowned worldwide for its products such as PCs, laptops, tablets, displays, projectors and gadgets. What is less visible to the public is how committed Acer is to the welfare and interests of its employees – for Profond an essential basis for cooperation in a spirit of partnership.



When Jean-Luc Bayel goes jogging in the woods he feels in his element. He can unwind and switch off this way. And on top of that, he has the best company. His wife and his dog accompany him. Together, they enjoy fresh air and nature and at the same time are doing something for their health. The topic of health is not just important for Jean-Luc Bayel in his private life. As vice president human resources at Acer he also makes very sure that staff are doing well. “Our employees’ working conditions and health – those are topics that the new generation in particular values increasingly. We as a business need to reconsider our conventional ways of working and transform them accordingly.”

## Climate protection is also a major priority for employees

“Our employees value the opportunity to work remotely and welcome us taking measures to improve our carbon footprint – for example, by using less plastic. At Acer, we make a point of pursuing topics that are important to our employees and this includes looking after our planet. That’s why we created Project Humanity, a global initiative that focuses on the environment and humanity.”

As part of Project Humanity, Acer offers its employees a platform for making people aware of important topics such as climate protection both internally and externally. For example, more than 1800 trees were planted in Ghana last year with the help of Acer Europe in

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### Personal details

Jean-Luc Bayel is married and has four grown-up sons. He enjoys spending weekends with his family in Paris.





Acer's mission is breaking barriers between people and technology.

collaboration with the One Tree Planted organisation. Another local initiative organised a meeting of more than 200 Acer staff and their families on Taiwan's Keelung coastline, and together they collected more than 100 kg of litter. The fact that numerous measures such as these are being carried out by volunteers shows how near to employees' hearts these projects are. And what is important to employees, Acer also supports as an employer.

#### **The employees are at the heart of everything – including when it comes to pension provision**

“Retirement provision is a sensitive issue for many. The younger members of our workforce in particular are worried about their pensions. We've found a partner in Profond where our employees feel they're in good hands. Profond is seen as a reliable pension fund.” Acer has therefore relied on collaboration with Profond for more than ten years. “We're very satisfied with the quality of our partnership. All details and information are communicated clearly and on time. We work closely together and we also have personal interaction. It's great to have found a reliable pension scheme partner in Profond.”

Acer remains committed to adhering to the United Nations' Sustainable Development Goals by leveraging its core competencies in technology, products and services to address societal and environmental needs.



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#### **About Acer**

Founded in 1976, today Acer is one of the world's top ICT companies and has a presence in over 160 countries. As Acer looks into the future, it is focused on enabling a world where hardware, software and services will infuse with one another to open up new possibilities for consumers and businesses alike. From service-oriented technologies to the Internet of Things to gaming and virtual reality, Acer's 7000+ employees are dedicated to the research, design, marketing, sale and support of products and solutions that break barriers between people and technology. Please visit [www.acer.com](http://www.acer.com) for more information.

#### **Acer in Switzerland**

With offices in Bioggio and Dietikon, Acer employs over 200 people in Switzerland. The office in Dietikon is the Swiss subsidiary responsible for sales and marketing of all products in the country, working with local channel, retail and eTail partners. The office in Bioggio (Ticino) groups all key management functions, HR, Marketing, Product Marketing, Finance, Legal, Logistics and IT under one regional hub for the EMEA. With different nationalities, our international culture is reflected in the work we do providing regional management, functional leadership and global business support.

# Just stay curious

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There's always something new to discover, both professionally and personally: Monika Schraner, ambitious amateur cyclist and dedicated employee in the "Digital Transformation" team at Profond, values freedom and flexibility in life.

Monika Schraner is definitely not bored, as she has a large number of hobbies and activities that she can pursue in her free time. "But cycling has been part of my life since I was a kid," Monika says and her eyes sparkle. "When I'm cycling, I can really switch off and enjoy the peace and quiet." This rebalancing also enables her to focus on her work with drive and enthusiasm. In general, Monika is a very open and curious person who enjoys doing new things and exciting projects.

Around three years ago, Monika joined Profond as an employee in pension fund support. Her job is to support actively contributing members. This includes handling all business events such as new entries and terminations and early withdrawals from the pension fund, telephone consultations regarding home ownership, and answering employer questions. Insured members and employers are in good hands with her, as Monika has more than twenty years of experience in the industry and she particularly enjoys contact with customers.

When the opportunity arose in autumn 2018 to work full-time in the "Digital Transformation" team for a period of time, she said yes immediately. "I'm a doer, I like trying something new, I want to actively be part of shaping things – so I didn't need to think about it for long." Monika was part of the team responsible



for the successful introduction of the new administration system for Profond's customer care. She was able to contribute with her ideas from beginning to end. "We defined what the system should look like and what it had to be able to do, tested it thoroughly, analysed errors and found solutions. I just found that very exciting. I enjoyed a lot of freedoms in the project. Of course I had guidelines I had to follow, but nevertheless I could play a part in shaping and deciding a great deal. Profond is a very modern employer. If you show an interest in a task outside of your job, there really are many opportunities to develop your skills and pursue this interest at Profond."

But like with challenging cycle rides, Monika sometimes faced headwinds, mountains and heavy baggage during the project. There were sleepless nights along the way. However, thanks to her joy and enthusiasm, Monika maintained the necessary drive and was therefore able to contribute significantly to the project's success.



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#### **Personal details**

Monika Schraner is an employee in pension fund support and has been working on the introduction of the new administration system since autumn 2018.

In addition to cycling with her partner, she also spends her free time fitness training, reading, cooking and baking.

# Annual financial statements as of 31 December 2019

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# Balance Sheet

	Notes	31.12.2019	31.12.2018
	No.	CHF	CHF
<b>Assets</b>			
<b>Investments</b>	6.4	<b>9 108 865 305</b>	<b>7 542 726 390</b>
<b>Other assets</b>			
Receivables from employers		23 575 804	25 941 408
Other receivables		24 745 339	19 205 196
<b>Total other assets</b>	7.2	<b>48 321 143</b>	<b>45 146 604</b>
<b>Prepayments and accrued income</b>		<b>337 504</b>	<b>382 464</b>
<b>Total assets</b>		<b>9 157 523 952</b>	<b>7 588 255 458</b>
<b>Liabilities</b>			
<b>Liabilities</b>			
Termination benefits and pensions		187 159 021	287 151 026
Other liabilities		9 786 915	8 228 710
<b>Total liabilities</b>	7.3	<b>196 945 936</b>	<b>295 379 736</b>
<b>Accrued liabilities and deferred income</b>		<b>444 001</b>	<b>640 041</b>
<b>Employer-paid contribution reserve</b>	6.7.4	<b>72 412 216</b>	<b>64 272 851</b>
<b>Non actuarial provisions</b>	7.4	<b>2 940 250</b>	<b>3 421 250</b>
<b>Pension liabilities and actuarial reserves</b>			
Active participants' liabilities	5.3	4 836 889 521	4 113 320 868
Pensioners' liabilities	5.5	2 794 006 645	2 619 128 892
Actuarial reserves	5.6	311 958 247	248 751 328
Separate free capital for pension funds	5.10	35 451 593	38 244 914
<b>Total pension liabilities and actuarial reserves</b>		<b>7 978 306 006</b>	<b>7 019 446 002</b>
<b>Reserve for fluctuations in asset value</b>	6.3	<b>906 475 543</b>	<b>205 095 578</b>
<b>Total liabilities</b>		<b>9 157 523 952</b>	<b>7 588 255 458</b>

# Operative account

	Notes	2019	2018
	No.	CHF	CHF
Employee contributions	7.1	171 161 584	148 963 250
Employer contributions	7.1	232 473 630	205 723 648
Withdrawal from employer-paid contribution reserve to finance contributions	6.7.4	- 8 746 598	- 8 453 226
Financing by BVG Guarantee Fund subsidies		- 2 129 455	- 1 839 829
One-time payments and purchase amounts		58 408 038	53 534 113
Transfers to employer-paid contribution reserve	6.7.4	16 992 498	9 873 194
Guarantee Fund subsidies		2 129 455	1 839 829
<b>Ordinary and other contributions and transfers-in</b>		<b>470 289 152</b>	<b>409 640 979</b>
Termination benefit transfers	5.3	468 586 490	386 835 092
Reimbursements of withdrawals for home ownership/divorce	5.3	6 819 005	5 562 760
Transfers following take-over of participants	7.7	547 744 282	388 588 462
<b>Entry lump-sum transfers</b>		<b>1 023 149 777</b>	<b>780 986 314</b>
<b>Inflow from contributions and entry lump-sum transfers</b>		<b>1 493 438 929</b>	<b>1 190 627 293</b>
Retirement pensions		- 161 310 783	- 150 040 919
Survivors' pensions		- 26 724 844	- 25 673 109
Disability pensions		- 17 484 105	- 17 206 575
Divorce pensions		- 133 477	- 101 553
Lump-sum payments on retirement		- 90 402 403	- 70 427 097
Lump-sum payments on death or disability		- 11 385 344	- 3 974 036
Use of free capital and employer contribution reserve		- 9 101 223	- 5 193 112
<b>Regulatory benefits</b>		<b>- 316 542 179</b>	<b>- 272 616 401</b>
<b>Non-regulatory benefits</b>		<b>0</b>	<b>- 899 083</b>
Termination benefits for leavers	5.3	- 503 910 546	- 434 372 292
Transfer of additional funds in case of collective exit	7.8	- 22 877 471	- 32 197 295
Withdrawals for encouragement of home ownership/divorce	5.3	- 17 001 774	- 16 543 015
<b>Termination benefits</b>		<b>- 543 789 791</b>	<b>- 483 112 602</b>
<b>Outflow for benefits and withdrawals</b>		<b>- 860 331 970</b>	<b>- 756 628 086</b>
Decrease (+) / increase (-) in active participants' liabilities		- 567 775 988	- 306 935 428
Decrease (+) / increase (-) in pensioners' liabilities		- 174 877 753	- 257 341 424
Decrease (+) / increase (-) in actuarial reserves		- 63 206 919	- 59 616 732
Interest on retirement savings capital		- 155 337 203	- 59 341 093
Decrease (+) / increase (-) in contribution reserves		- 8 139 365	- 700 085
Decrease (+) / increase (-) of free capital for pension funds		2 793 320	722 945
<b>Decreases (+) / increases (-) in pension liability, actuarial reserves and contribution reserves</b>		<b>- 966 543 908</b>	<b>- 683 211 817</b>

	Notes	2019	2018
	No.	CHF	CHF
Insurance benefits		3 312 101	1 932 747
<b>Income from insurance benefits</b>		<b>3 312 101</b>	<b>1 932 747</b>
Insurance premiums		- 110 523	- 148 804
Contributions to Security Fund BVG/LPP		- 2 395 803	- 1 785 698
<b>Insurance cost</b>		<b>- 2 506 326</b>	<b>- 1 934 502</b>
<b>Net result of insurance activities</b>		<b>- 332 631 175</b>	<b>- 249 214 365</b>
Income from capital investments		1 083 172 926	- 297 318 698
Investment administration expenses		- 29 178 685	- 26 926 762
<b>Net return on investments</b>	6.7	<b>1 053 994 241</b>	<b>- 324 245 460</b>
<b>Other income</b>	7.9	<b>312 153</b>	<b>682 894</b>
General administration		- 12 556 536	- 10 512 286
Marketing and advertising		- 2 813 629	- 3 219 438
Agent and broker activity		- 4 712 716	- 4 281 164
Auditor and actuary		- 140 166	- 129 658
Supervisory authorities		- 72 207	- 89 487
<b>Administration expenses</b>	7.6	<b>- 20 295 254</b>	<b>- 18 232 033</b>
<b>Income surplus (+) / expense surplus (-) before adding to or releasing from reserves for fluctuations in asset value</b>		<b>701 379 965</b>	<b>- 591 008 964</b>
Decrease (+) / increase (-) in reserves for fluctuations in asset value	6.3	- 701 379 965	591 008 964
<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 01.01.2019
Partial Liquidation Regulations	of 31.12.2019
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
Schelling Stephan (from 01.10.2019)	Member	2019 to 2020
Staub-Bisang Mirjam (until 30.06.2019)	President	2015 to 2019
Theilacker Willy	Vice-President	1992 to 2020
Foundation Board – Employee Representatives	Position	Term of office
Bodmer Peter E. (President since 01.07.2019)	President	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	
Schmidt Svenja (since 01.01.2019)	Head of Pension Services, Deputy Managing Director	

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.	Member
Gysin Franz	Member
Häberli Andreas	Chairman
Schelling Stephan (from 01.10.2019)	Member

<b>Investment Committee for Alternative Investments</b>	<b>Position</b>
Bodmer Peter E.	Chairman
Gysin Franz	Member

The Investment Committee for alternative investments was disbanded in December 2019.

<b>Management Committee</b>	<b>Position</b>
Bodmer Peter E. (from 01.07.2019)	Member
Murer-Chevalier Werner	Member
Schlaefli Laurent	Chairman
Staub-Bisang Mirjam (until 30.06.2019)	Member
Theilacker Willy	Member

<b>Risk Committee</b>	<b>Position</b>
Häberli Andreas	Member
Mazouer Denis	Member
Mrose Beda	Member
Platz Aldo	Chairman
Schlaefli Laurent	Member

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>
Bodmer Peter E. (from 01.07.2019)	Member
Murer-Chevalier Werner	Chairman
Staub-Bisang Mirjam (until 30.06.2019)	Member
Theilacker Willy	Member

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

**Actuary**  
Beratungsgesellschaft für die zweite Säule AG  
Accredited pension fund actuary Ernst Sutter  
Dornacherstrasse 230  
4018 Basel

**Auditor**  
KPMG AG  
Räffelstrasse 28  
8036 Zürich

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

	2019	2018
<b>1.6 Affiliated employers</b>		
As of 01.01.	1867	1802
New participants	250	184
Departures	- 118	- 119
<b>As of 31.12.</b>	<b>1999</b>	<b>1867</b>

The departures of 118 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

	2019	2018
<b>2.1 Active participants</b>		
As of 01.01.	36750	32812
New participants	17819	13513
Retirements, deaths, disability	- 702	- 670
Departures	- 11311	- 8905
<b>As of 31.12.</b>	<b>42556</b>	<b>36750</b>

## 2.2 Pensioners

	2019	2018
As of 01.01.	9 135	8 637
Active participants taking retirement	749	747
Acquisition of pensioners transferred	200	246
Departures	- 492	- 495
<b>Total number of pensions 31.12.</b>	<b>9 592</b>	<b>9 135</b>

### Breakdown by pension type

	2019	2018
Retirement pensions	6 312	5 996
Spouse's pensions	1 647	1 637
Bridging pensions	43	46
Disability pensions	953	925
Child's pensions	560	523
Divorce pensions	12	8
<b>Total number of pensions 31.12.</b>	<b>9 527</b>	<b>9 135</b>

	2019	2018
Total number of pensions 31.12.	9 527	9 135
Pensioners with more than one type of pension*	0	- 64
<b>Total number of pensioners 31.12.</b>	<b>9 527</b>	<b>9 071</b>

\* From 2019 only pensioners will be counted in the above table. In past years, the number of pensions were counted.

## 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 2019) 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 (2019 conversion rate: 6.6% for men at 65 years old and 6.4% 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:

Balance sheet items	Valuation method
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

No changes were made in the reporting year.



## 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). This agreement was terminated as of 31 December 2019. There is also an insurance contract for pension payments.

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

There are surrender values of CHF 29 618 994.44 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	2019	2018
	CHF	CHF
Savings capital at the start of the year	4 113 320 868	3 745 849 688
Plus		
Employee savings contributions	149 769 210	129 257 773
Employee savings contributions (exemption from contributions)	3 916 581	3 627 652
Employer savings contributions	197 324 747	173 142 819
Employer savings contributions (exemption from contributions)	4 580 436	4 235 711
Termination benefit transfers	468 586 490	386 835 092
Termination benefit transfers for new affiliations	499 049 906	311 323 276
One-time payments and purchase amounts	54 480 796	50 160 691
Deposits from the release of non-committed funds	3 927 242	3 373 422
Deposits for withdrawals for encouragement of home ownership/divorce	6 819 005	5 562 760
Interest on savings capital	155 782 303	60 498 494
Other credits*	6 547 116	1 481 581
Minus		
Termination benefits for leavers	- 503 910 546	- 434 372 292
Termination benefits from terminated contracts	- 22 561 468	- 29 928 292
Withdrawals for encouragement of home owner-ship/divorce	- 17 001 774	- 16 543 015
Lump-sum payments on retirement/death	- 100 166 118	- 73 460 773
Transfer to pensioners' liabilities	- 180 493 951	- 206 678 936
Transfer of pensioners' retirement assets to pensioners' liabilities (disability or death)	- 3 081 322	- 1 044 783
<b>Savings capital at the end of the year</b>	<b>4 836 889 521</b>	<b>4 113 320 868</b>

\* This item consists of retroactive changes and corrections.

Due to accruals and interest credits from taking over new affiliations, there are differences to the operative account in respect of interest on savings and lump-sum payments on retirement/death.

The Foundation Board decided on a supplementary interest rate of 2.5% for 2019 (previous year: 0.5%). Overall, the retirement assets of active participants bore interest at 3.5% (previous year: 1.5%).

	2019	2018
	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)	2 553 869 335	2 224 361 979
BVG interest rate	1.00%	1.00%

	2019	2018
	CHF	CHF
<b>5.5 Development of actuarial reserves for pensioners</b>		
Status of pension capital at the start of the year	2 619 128 892	2 361 787 468
Transfer of new pensioners from active participants	180 493 951	206 678 936
Acquisition of pensioners transferred	41 770 733	73 527 378
Transfer of pension capital to new pension fund	- 307 724	- 156 2731
Transfer of pensioners' retirement assets to pensioners' liabilities (disability or death)	3 081 322	1 044 783
Pension payments	- 205 653 209	- 193 022 156
Readjustment of technical basis	59 887 599	55 099 306
Adjustment for recalculation of pension capital	95 605 081	115 575 908
<b>Total pensioners' liabilities</b>	<b>2 794 006 645</b>	<b>2 619 128 892</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 prolonged period, the Foundation Board decided not to grant a cost of living allowance on pensions as of 1 January 2020.

	2019	2018
	CHF	CHF
<b>5.6 Composition of, development of and explanation regarding actuarial reserves</b>		
Asset conversion rate reserve	195 322 966	162 554 141
Risk fluctuation reserve for risk of death and disability	49 504 915	35 636 962
Provision for increased life expectancy	65 829 449	49 259 308
Separate reserves for pension funds	1 300 917	1 300 917
<b>Total actuarial reserves</b>	<b>311 958 247</b>	<b>248 751 328</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 2019 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 2.5% as at 31 December 2019.
- Separate reserves: These reserves are formed on the basis of agreements with the individual pension funds (e.g. for frequent/pending claims).

### 5.7 Conclusions of the last actuarial report

The last actuarial report was produced as at 31 December 2019 and includes the following assessment:

	2019	2018
	CHF	CHF
Pension capital to be covered	7 942 854 413	6 981 201 088
Available pension fund assets	8 849 329 956	7 186 296 666
<b>The coverage rate was</b>	<b>111.4%</b>	<b>102.9%</b>

Excerpt from the pension insurance expert's report on the 2019 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: 2.5% (previous year: 2.75%)
- 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 2.75% to 2.50% in 2019 (2018: from 3.0% to 2.75%). As a result of this change, the pensioners' liabilities had to be increased by an additional CHF 59 887 599 (previous year: CHF 55 099 306) and the technical reserves had to be increased by an additional CHF 47 009 225 (previous year: CHF 38 310 331).

### 5.10 Separate free capital for pension funds

	2019	2018
	CHF	CHF
Free capital at the start of the year	38 244 914	38 967 859
Contributions by new affiliations	5 948 992	3 604 953
Conversion of employer-paid contribution reserves into free capital	273 126	880 429
Use	- 5 173 981	- 1 819 690
Contributions to active members' pension capital	- 3 927 242	- 3 373 422
Release in the event of collective departure	0	- 109 103
Interest rate	85 784	93 888
<b>Free capital at the end of the year</b>	<b>35 451 593</b>	<b>38 244 914</b>

In total, accounts with free capital were kept for 400 pension funds as of 31 December 2019 (previous year: 365). 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

	2019	2018
	CHF	CHF
Total assets	9 157 523 952	7 588 255 458
Liabilities	- 196 945 936	- 295 379 736
Accrued liabilities and deferred Income	- 444 001	- 640 041
Employer-paid contribution reserve	- 72 412 216	- 64 272 851
Non actuarial provisions	- 2 940 250	- 3 421 250
Separate free capital for affiliations	- 35 451 593	- 38 244 914
<b>Available pension fund assets</b>	<b>8 849 329 956</b>	<b>7 186 296 666</b>
Active participants' liabilities	4 836 889 521	4 113 320 868
Pensioners' liabilities	2 794 006 645	2 619 128 892
Actuarial reserves	311 958 247	248 751 328
<b>Pension capital to be covered</b>	<b>7 942 854 413</b>	<b>6 981 201 088</b>
<b>Surplus cover</b>	<b>906 475 543</b>	<b>205 095 578</b>
<b>Coverage rate</b>	<b>111.4%</b>	<b>102.9%</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. Profond Pension Fund is also currently Profond Investment Foundation's sole investor. Profond Investment Foundation owns real estate in Switzerland, Germany and Austria. The Investment Foundation's Foundation Board is composed of members of Profond Pension Fund's Investment Foundation. The investment decisions are in particular taken by the Committee for real estate investments. This consists of three external real estate experts and two members from Profond Pension Fund.

Custodian bank	Credit Suisse AG
Property manager	Apleona Real Estate AG
<b>Asset manager</b>	<b>Type of authorisation</b>
Ardian Investment UK Ltd.	FCA (Financial Conduct Authority UK)
ARTICO Partners AG	FINMA
Credit Suisse AG	FINMA
Partners Capital LLP	FCA (Financial Conduct Authority UK)
Profond Investment Foundation	Occupational Pension Supervisory Commission OPSC
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. 5 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	52.2
Infrastructure	0	0-5	1.0
Foreign currencies without currency hedging	0-30	15-43	30.4

- Equities, foreign currencies without currency hedging: 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. These increased ratios are to be viewed as temporary and not strategic in nature.
- Infrastructure: In derogation from Article 53 (4) BVV/OPP 2, non-diversified non-collective individual investments are permitted. Direct holdings of infrastructure assets with a focus on renewable energy in Switzerland 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. For the infrastructure investments, 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. The asset allocation is confirmed by means of an ALM study.

### 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 7.13% (previous year: 7.11%), and the target reserve for fluctuations in asset value is 13.09% of the pension capital (previous year: 14.21%).

	2019	2018
	CHF	CHF
Status of the reserve for fluctuations in asset value at the start of the year	205 095 578	796 104 542
Decrease (-) / increase (+) charged to the operative account	701 379 965	- 591 008 964
Reserve for fluctuations in asset value at the end of the year	906 475 543	205 095 578
Target reserve for fluctuations in asset value	1 039 719 643	992 028 675
Reserve deficit in the reserve for fluctuations in asset value	- 133 244 100	- 786 933 097

6.4 Breakdown of investments into investment categories

	Assets 2019	Effective proportion	Strategy	Range	Assets 2017	Effective proportion
	TCHF	%	%	%	TCHF	%
<b>Liquidity / receivables</b>	<b>660 422</b>	<b>7.2</b>	<b>2</b>	<b>0–10</b>	<b>435 800</b>	<b>5.8</b>
Liquidity	660 422				435 800	
<b>Nominal assets</b>	<b>1 001 766</b>	<b>11.0</b>	<b>18</b>		<b>907 404</b>	<b>12.0</b>
CHF-denominated bonds	427 988	4.7	12	3–20	406 626	5.4
Foreign currency bonds	573 778	6.3	6	2–10	500 778	6.6
<b>Equities</b>	<b>4 753 259</b>	<b>52.2</b>	<b>49</b>	<b>30–55</b>	<b>3 483 473</b>	<b>46.2</b>
Domestic equities	2 019 170	22.2	20	15–30	1 400 537	18.6
Foreign equities	2 292 999	25.2	24	15–30	1 712 665	22.7
EMMA equities	441 090	4.8	5	0–8	370 271	4.9
<b>Real estate</b>	<b>2 366 321</b>	<b>26.0</b>	<b>28</b>	<b>15–40</b>	<b>2 444 111</b>	<b>32.4</b>
Swiss real estate	1 545 556	17.0	19	10–30	1 662 902	22.0
Direct real estate	1 204 422	13.2			1 343 846	17.8
Indirect real estate	341 134	3.8			319 056	4.2
Real estate in other countries	820 765	9.0	9	5–15	781 209	10.4
Direct real estate	522 510	5.7			491 296	6.6
Indirect real estate	298 255	3.3			289 913	3.8
<b>Alternative investments</b>	<b>327 097</b>	<b>3.6</b>	<b>3</b>	<b>0–15</b>	<b>271 938</b>	<b>3.6</b>
Private equity	7 060	0.1	0	0–3	19 485	0.3
Private markets	227 774	2.5	1	0–10	67 796	0.9
Infrastructure	92 263	1.0	2	0–5	169 239	2.2
Other*	0	0.0	0	0–3	15 418	0.2
<b>Investments</b>	<b>9 108 865</b>	<b>100.0</b>			<b>7 542 726</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 2.766 bn or 30.4% (previous year: CHF 2.109 bn or 28.0%). The investment limits under Articles 54, 54a and 54b BVV2 were complied with.

Direct properties by type of use

	2019	2018
	CHF	CHF
<b>Switzerland</b>		
Commercial	35.21%	33.07%
Mixed	24.73%	25.62%
Residential	40.06%	41.31%
<b>Other countries</b>		
Commercial	100.00%	100.00%

### Direct properties broken down by ownership

	2019	2018
	CHF	CHF
<b>Switzerland</b>		
Directly-owned properties	1.29%	1.16%
Properties owned by Profond Investment Foundation	98.71%	98.84%

### Directly-owned properties

	2019	2018
	CHF	CHF
As of 01.01.	15 630 000	16 460 000
Adjustment to market value	- 80 000	- 830 000
<b>As of 31.12.</b>	<b>15 550 000</b>	<b>15 630 000</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 Wüest Partner AG, discount rates of 3.40% (previous year: 3.45%) and 3.40% (previous year: 3.57%), respectively, were used. It is planned to transfer these properties to Profond Investment Foundation in 2020.

### Properties owned by Profond Investment Foundation

	2019	2018
	CHF	CHF
<b>Switzerland</b>		
Gross asset value/total assets	1 591 541 853	1 693 714 983
Net asset value/equity	1 188 871 746	1 328 215 614
<b>Other countries</b>		
Gross asset value/total assets	567 215 601	583 389 783
Net asset value/equity	522 509 630	491 296 485

For the valuation (method of estimation: market value based on discounted cash flow) of the properties by Wüest Partner AG, average discount rates of 3.20% (previous year: 3.31%) for Switzerland and 4.21% (previous year: 4.34%) for other countries were used. The WAULT (weighted average unexpired lease term) was an average of 5.57 years (previous year: 6.17) for Switzerland and 9.65 years (previous year: 10.29) for other countries.



### 6.5 Current (open) financial derivative instruments

Exposure effect of currency forwards	Market values 2019	Market values 2018	Level of exposure 2019	Level of exposure 2018
	CHF	CHF	CHF	CHF
CHF	0	0	891915234	759721020
AUD	22583	449101	-9481455	-12378763
EUR	4613545	4415151	-546269990	-566782033
USD	6281292	867268	-326305718	-141769519
GBP	82369	1137337	-9858071	-38783589
SEK	0	7116	0	-7116

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 and infrastructure investments, an open commitment of CHF 177 885 933 (previous year: CHF 53 720 730), 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 and infrastructure category.

### 6.7 Comments on net return on investments

	2019	2018
	CHF	CHF
<b>Liquidity</b>	<b>- 3 581 836</b>	<b>- 2 605 468</b>
- Interest income	- 2 107 453	- 1 218 884
- Foreign currency adjustments	- 734 392	- 568 112
- Interest on termination benefits	- 739 991	- 818 472
<b>Nominal assets</b>	<b>17 751 329</b>	<b>- 9 264 644</b>
- Interest income	11 559 092	7 819 881
- Net currency gains	6 192 237	- 17 084 525
<b>Equities</b>	<b>954 229 192</b>	<b>- 407 497 873</b>
- Dividends	143 180 145	101 754 355
- Net currency gains	811 049 047	- 509 252 228
<b>Real estate</b>	<b>103 572 348</b>	<b>109 935 870</b>
- Distribution of profits	36 602 987	12 002 954
- Valuation gains and net currency gains	66 969 361	97 932 916
<b>Alternative investments</b>	<b>11 201 893</b>	<b>12 113 417</b>
- Distribution of profits	8 239 768	7 616 308
- Valuation gains and net currency gains	2 962 125	4 497 109
<b>Administration expenses for investments</b>	<b>- 29 178 685</b>	<b>- 26 926 762</b>
- Administration expenses	- 2 329 724	- 2 578 146
- Asset management costs	- 7 708 408	- 5 749 465
- Third-party costs*	746 436	- 1 968 675
- TER costs	- 19 886 989	- 16 630 476
<b>Net return on investments</b>	<b>1 053 994 241</b>	<b>- 324 245 460</b>

\* Costs from 2018 that relate to the sale of alternative investments were settled in the reporting year. These costs were intentionally not invoiced until the final sale.

### Notes on asset management costs

Investments	2019	2018
	CHF	CHF
Transparent investments	8 866 629 401	7 542 726 390
Non-transparent investments	242 235 904	0
<b>Total investments</b>	<b>9 108 865 305</b>	<b>7 542 726 390</b>
Cost transparency ratio	97,34%	100,00%

The non-transparent investments consist of the following items: Ardian Infrastruktur V CHF 465 209, ASF Peace Co-Invest L.P. CHF 11 052 228, Brookfield Infrastructure Fund CHF 2 827 186, Mellifera CHF 225 087 465, Mercure Holding SCA CHF 2 790 687 and Patrimonium Prepaid Gesundheitsimmobilien CHF 13 129.

Investments	2019	2018
	CHF	CHF
Directly booked asset management costs	9 291 696	10 296 286
Total of all key cost figures in Swiss francs for collective investments	19 886 989	16 630 476
<b>Booked asset management costs according to the operative account</b>	<b>29 178 685</b>	<b>26 926 762</b>
As a percentage of cost-transparent investments	0,33%	0,36%

	2019	2018
<b>Asset management performance</b>	<b>13,5%</b>	<b>- 4,2%</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. In the case of foreign investments, the voting right is exercised via portfolio managers.

### 6.7.4 Comments on employer-paid contribution reserves

	2019	2018
	CHF	CHF
Employer-paid contribution reserves for individual pension funds without waiver of use, status as at 01.01.	64 272 851	63 572 766
Deposits	16 992 498	9 873 194
Use for financing contributions	- 8 746 598	- 8 453 226
Release in the event of collective departure	- 8 279	0
Interest rate	174 870	160 546
Conversion of employer-paid contribution reserves into free capital	- 273 126	- 880 429
<b>Total employer-paid contribution reserves without waiver of use</b>	<b>72 412 216</b>	<b>64 272 851</b>

There are no employer-paid contribution reserves with waiver of use. The employer-paid contribution reserves accrued interest at 0.25% in 2019 (previous year: 0.25%).

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

### 7.1 Breakdown of pension fund contributions

	2019	2018
	CHF	CHF
Employee savings contributions	149 769 210	129 254 773
Employee risk contributions	17 147 391	16 076 994
Employee administrative contributions	4 244 983	3 631 483
<b>Total employee contributions</b>	<b>171 161 584</b>	<b>148 963 250</b>
Employer savings contributions	197 324 747	173 142 819
Employer risk contributions	27 400 981	25 771 436
Employer administrative contributions	6 687 275	5 823 909
Basic contributions	1 021 158	937 699
Cost contributions for extraordinary expenses	39 469	47 785
<b>Total employer contributions</b>	<b>232 473 630</b>	<b>205 723 648</b>

### 7.2 Other assets

	2019	2018
	CHF	CHF
Receivables from employers	23 575 804	25 941 408
Cash and cash equivalents from operating activities	7 144	5 421
Receivables from pension funds	3 141 619	3 486 602
Withholding tax	18 891 694	14 070 616
Other credited assets	168 407	255 453
Movable goods, IT, renovations	2 500 767	1 364 485
Rent deposits	35 708	22 619
<b>Total other assets</b>	<b>48 321 143</b>	<b>45 146 604</b>

### 7.3 Liabilities

	2019	2018
	CHF	CHF
Commitments to departed participants	138 163 576	135 731 518
Commitments to pensioners	9 379 388	8 108 320
Early receipt of termination benefits	4 414 257	6 251 666
Early receipt of new affiliations	28 369 974	128 163 381
Obligations from new affiliations*	6 831 826	8 896 141
Other creditors	9 786 915	8 228 710
<b>Total liabilities</b>	<b>196 945 936</b>	<b>295 379 736</b>

\* As of 31 December 2019, it was not yet possible for all new affiliations from 2018 and 2019 to be definitively finalised. This was a matter of take-overs of foundations for which the take-over agreements are still pending and the remaining funds have not yet been definitively recognised.

#### 7.4 Non actuarial provisions

	2019	2018
	CHF	CHF
Provisions for deferred real estate capital gains tax from transfer to Profond Investment Foundation * <sup>1</sup>	2 060 000	2 525 000
Provisions for deferred real estate capital gains tax * <sup>2</sup>	880 250	896 250
<b>Total non actuarial provisions</b>	<b>2 940 250</b>	<b>3 421 250</b>

\*<sup>1</sup> The change was recorded directly via the bank account (payment to the tax office).

\*<sup>2</sup> The change was recorded via net income from investments.

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

#### 7.5 Investments with the employer

Investments with the employer	2019	2018
	CHF	CHF
Profond Investment Foundation		
Current accounts	1 036 296	16 386 267
Holdings	1 707 295 146	1 815 652 809
Asset dedication	100 000	100 000
<b>Total Profond Investment Foundation</b>	<b>1 708 431 442</b>	<b>1 832 139 076</b>

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

Net income from investments with the employer	2019	2018
	CHF	CHF
Profond Investment Foundation		
Valuation adjustment	71 184 063	92 609 796
TER costs	- 8 606 570	- 8 936 928
<b>Total Profond Investment Foundation</b>	<b>62 577 493</b>	<b>83 672 868</b>

Foreign currency valuations are not included in the above table.

	2019	2018
	CHF	CHF
<b>7.6 Administration expenses</b>		
Administration expenses according to the operative account	20 295 254	18 232 033
Expenses for insurance benefits paid	- 2 650 911	- 1 915 497
Other income (relevant to administration costs)	- 312 153	- 302 707
<b>Total administration expenses (adjusted)</b>	<b>17 332 190</b>	<b>16 013 829</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.

	2019	2018
	CHF	CHF
<b>7.7 Additions to number of insured persons</b>		
Transfers of termination benefits	499 049 906	311 323 276
Transfers of free capital and employer-paid contribution reserves	5 948 992	3 604 953
Transfers of pensioners' liabilities	41 770 733	73 527 378
Transfers of actuarial reserves	974 651	132 855
<b>Total transfers following take-over of participants</b>	<b>547 744 282</b>	<b>388 588 462</b>

	2019	2018
	CHF	CHF
<b>7.8 Departures of insured persons</b>		
Transfer of termination benefits	22 561 468	29 928 292
Transfer of free capital and employer-paid contribution reserves	8 279	109 103
Transfer of pensioners' liabilities	307 724	1 562 731
Transfer of actuarial reserves	0	24 855
Transfer of reserve for fluctuations in asset values	0	572 314
<b>Total transfer of additional funds in case of collective exit</b>	<b>22 877 471</b>	<b>32 197 295</b>

## 7.9 Other income

	2019	2018
	CHF	CHF
Other income	38 416	22 839
Withholding tax commission	35 837	30 068
Encouragement of home ownership fees	76 400	76 800
Services to third parties	161 500	173 000
Income from the release of non-committed funds without beneficiaries	0	380 187
<b>Total use of free capital and employer contribution reserves</b>	<b>312 153</b>	<b>682 894</b>

## 8. Supervisory authority requirements

The supervisory authority remarked that the investment in real estate should be presented in more detail. This was done in section 6.4. In addition, Profond is in dialogue with the supervisory authority regarding the treatment of single-investor investment foundations.

## 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 23 November 2017 and valid from 1 January 2018. The pending and completed partial liquidations are presented in a separate listing covering a period of two years.

In 2019, the following suspected cases of partial liquidation as of 31 December 2018 were reviewed and executed:

Current status regarding partial liquidation	Decrease in number of participants	Restructuring	Termination of affiliation agreements	Total
Number of affiliations examined				149
Suspected cases	139	0	10	149
Positive decision	0	0	7	7
Negative decision	139	0	3	142
Decision pending	0	0	0	0
Executed	139	0	9	148
Pending	0	0	1	1

In 2019, there were no transfers to the reserve for fluctuations in asset value (previous year: CHF 572 314) on contract terminations.

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#### 9.2 Contingent liabilities

There are contingent liabilities of up to CHF 5 000 000 (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 2019, CHF 167 783 of this had been used.

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#### 9.4 Legal proceedings in course

There are currently no substantial legal proceedings in course.

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#### 9.5 Reduction in technical interest rate as of 1 January 2020

The Foundation Board of Profond Pension Fund decided to decrease the technical interest rate to 2.25% as of 1 January 2020. This reduces the funding ratio by around 1.4 percentage points.

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

None.





**KPMG AG**  
Räffelstrasse 28  
PO Box  
CH-8036 Zurich  
  
+41 58 249 31 31  
kpmg.ch

## **Report of the Statutory Auditor to the Board of Foundation of the Profond Vorsorgeeinrichtung, Zurich**

### **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 2019.

### **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 the foundation's deed of formation and the regulations. This responsibility includes designing, implementing and maintaining an internal control system 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 system 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 2019 comply with Swiss law and with the foundation's deed of formation and the regulations.

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

#### **Report on Other 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, 2 April 2020



Beratungsgesellschaft  
für die zweite Säule AG  
Dornacherstrasse 230  
4018 Basel  
www.berag.ch

## Report of the Swiss accredited pension actuary on the 2019 financial statements

The actuarial report prepared as of 31.12.2019 is still based on the calculation principles of the BVG 2015 Periodic Table 2012. The increase of life expectancy has already been taken into account until 31.12.2019, in regards to the calculation of the actuarial reserves and the technical provisions, whereby the presumed further increase in life expectancy until 31.12.2019 has already been taken into account in the calculation of the actuarial reserves and the technical provisions. The technical interest rate was reduced from 2.75% to 2.50% as of 31.12.2019, which has resulted in one-off costs of CHF 106.9 million for the increase in the actuarial mathematical reserves and technical provisions, and has reduced the coverage ratio by 1.5 percentage points. There is thus a positive margin between the technical interest rate and the target return, as well as the expected return. The executions in the framework of the analysis of the actuarial parameters provide sufficient justification for the currently still existing difference of 0.67 percentage points between the technical interest rate of the Foundation and the technical reference interest rate according to FRP 4.

The coverage ratio has risen from 102.9% to 111.4% within one year. The reason for this increase in the coverage ratio is the excellent development of the capital markets and the resulting overall performance of 13.5%. The comparatively high target return is due to the funds required to increase the technical reserves and provisions in view of the reduction in the technical interest rate and the interest rate of 3.50% on retirement assets. A direct consequence of this development in the coverage ratio is the significant increase in the value fluctuation reserve; it has risen from just over 20% to just under 90% of its target value. Therefore, there is no mandatory adjustment of the investment risks currently.

The development of the underwriting risks of disability and death in the active insured population remains good to very good. The proven risk and cost surplus was again slightly higher than last year, despite the reduction in regulatory risk and cost contributions in previous years.

An increasing burden on the technical result derives from the conversion losses, without putting the foundation in financial difficulties. A tendency towards an increasing number of new pensioners can be expected, because on the one hand more and more insured persons are reaching retirement age and on the other hand, the number of active insured has generally increased strongly in recent years due to the growth of the foundation. The further reduction of the conversion rate, which has already been decided upon, will lead to an ever-smaller reduction in relief over time, as long as no reduction of the conversion rate can be made in the mandatory area. The technical provision already formed for future conversion losses currently covers the requirement for approximately 8 years.

The actuarial risks in the portfolio of pensioners are also taking a favourable course for the foundation. A surplus can again be shown for the past year. It continues to be the case that the share of pension cover capital in total pension capital has not increased. The foundation's actuarial structure is therefore stable and robust.

In conclusion, we can confirm that the foundation is able to meet its regulatory actuarial obligations. The analysis of the sources of profit and loss also shows that the financing is sufficient. The technical reserves and provisions have been created and segregated in accordance with the principles and professional guidelines of the Swiss Chamber of Pension Fund Experts. No immediate measures are required.

Basel, 07.04.2020

Beratungsgesellschaft  
für die zweite Säule AG

Ernst Sutter  
Dipl. Pensionsversicherungsexperte  
Dipl. Math. ETH

Willy D. Kranz  
Pensionskassenberater  
MSc. UZH in Physik

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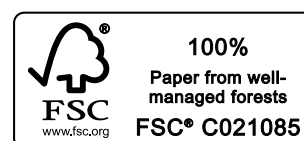
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# Profond

## **Head Office**

Profond Vorsorgeeinrichtung  
Zollstrasse 62  
8005 Zürich  
058 589 89 81

## **Seat in Western Switzerland**

Profond Institution de prévoyance  
Rue de Morges 24  
1023 Crissier  
058 589 89 83

## **Office**

Profond Vorsorgeeinrichtung  
Hans-Hugi-Strasse 5  
2502 Biel  
058 589 89 81

## **Office**

Profond Vorsorgeeinrichtung  
Vadianstrasse 59  
9000 St. Gallen  
058 589 89 81

[info@profond.ch](mailto:info@profond.ch)  
[www.profond.ch](http://www.profond.ch)