



Novartis Pension Funds
Individual Investment Choice Options: What's good to know
for your personal financial & retirement planning

Information events for Novartis associates
May 20 & June 25, 2014

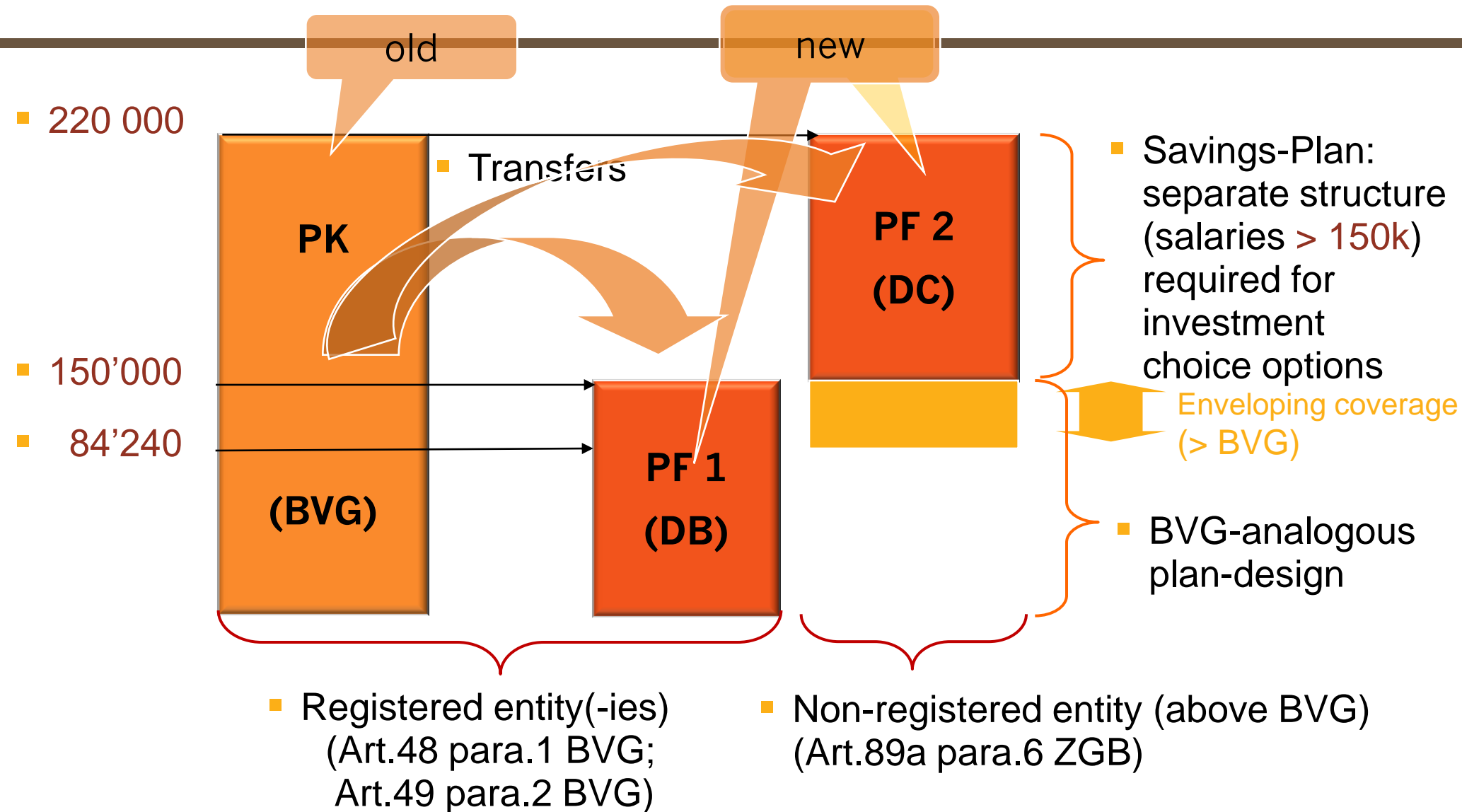
Agenda

- Flexibility is key: The Novartis pension plan concept in Switzerland
 - Structures
 - The Novartis defined contributions concept at a glance
 - Investment allocation Novartis Pension Fund 2: 4 Basic strategies to choose from
 - The LifeCycle model as a 5th strategy: The way it works
- Presentation Vermögenszentrum (VZ)
 - Key factors of the risk structure
 - Impact of the risk structure
 - Payout of retirement benefits
- Q & A Session

Flexibility is Key: The Novartis Swiss Pension Plans

- The contributions are age-related, with members being able to choose between three contribution scales (**“Standard”**, **“Standard Minus”** and **“Standard Plus”**).
 - The funding arrangements are based on a **2:1 ratio of employer and employee contributions** (if the “Standard” contribution scale is chosen).
 - **Early retirement** (also partially) is possible from age 60 onwards.
 - An **additional savings plan** has been set up instead for all insured members aged 40 or older, based on equal contributions from associates/employer.
 - At retirement, insured members may select a **lifelong survivor’s pension** for the partner in the same amount as the retirement pension („joint life“ annuity)
- **Investment strategy:** If your insured salary is partly covered in Pension Fund 2, then for your Pension Fund 2 retirement account you can choose from a variety of investment options.
 - To make this possible, the Novartis Pension Fund had to be split into two separate legal entities, i.e. the **Pension Fund 1** and **Pension Fund 2**.

Structure of the Novartis Pension Funds



The Novartis defined contributions concept at a glance

Risk CHF 0 – 220 000

CHF 150 – 220 000

Novartis Pension Fund 2 (PF 2)

- Contributions of employer and members in ratio 2 : 1
- Savings process in defined contributions plan (interest according to investment performance)
- Retirement benefits: lump sum
- Risk benefits (death/disability): accrued capital, at least 400% of insured salary
- Individual choice of investment strategy

Savings CHF 0 – 150 000

Novartis Pension Fund 1 (PF 1)

- Standard contributions of employer and insured members in ratio 2 : 1
- Savings process in defined contributions plan (minimum interest 0%)
- Retirement benefits: pension with sustainable conversion ratio / higher lump sum option (maximum 50% compared with 25% in the old plan)
- Risk benefits (death/disability) in the form of a pension
- Additional savings plan from age 40

Investment allocation PF2: 4 Basic strategies to choose from

	Money Market	Bonds	Equity 25	Equity 40
Money Market JP Morgan MM CHF	100%	0%	0%	0%
Bonds CHF SBI total AAA-BBB	0%	50 %	50%	30%
Bonds World hedged CHF Barclays Global Aggregate hCHF	0%	50 %	25%	30%
Equity World MSCI All Countries ex CH	0%	0%	20%	30%
Equity Switzerland SPI	0%	0%	5%	10%



„Default“-strategy

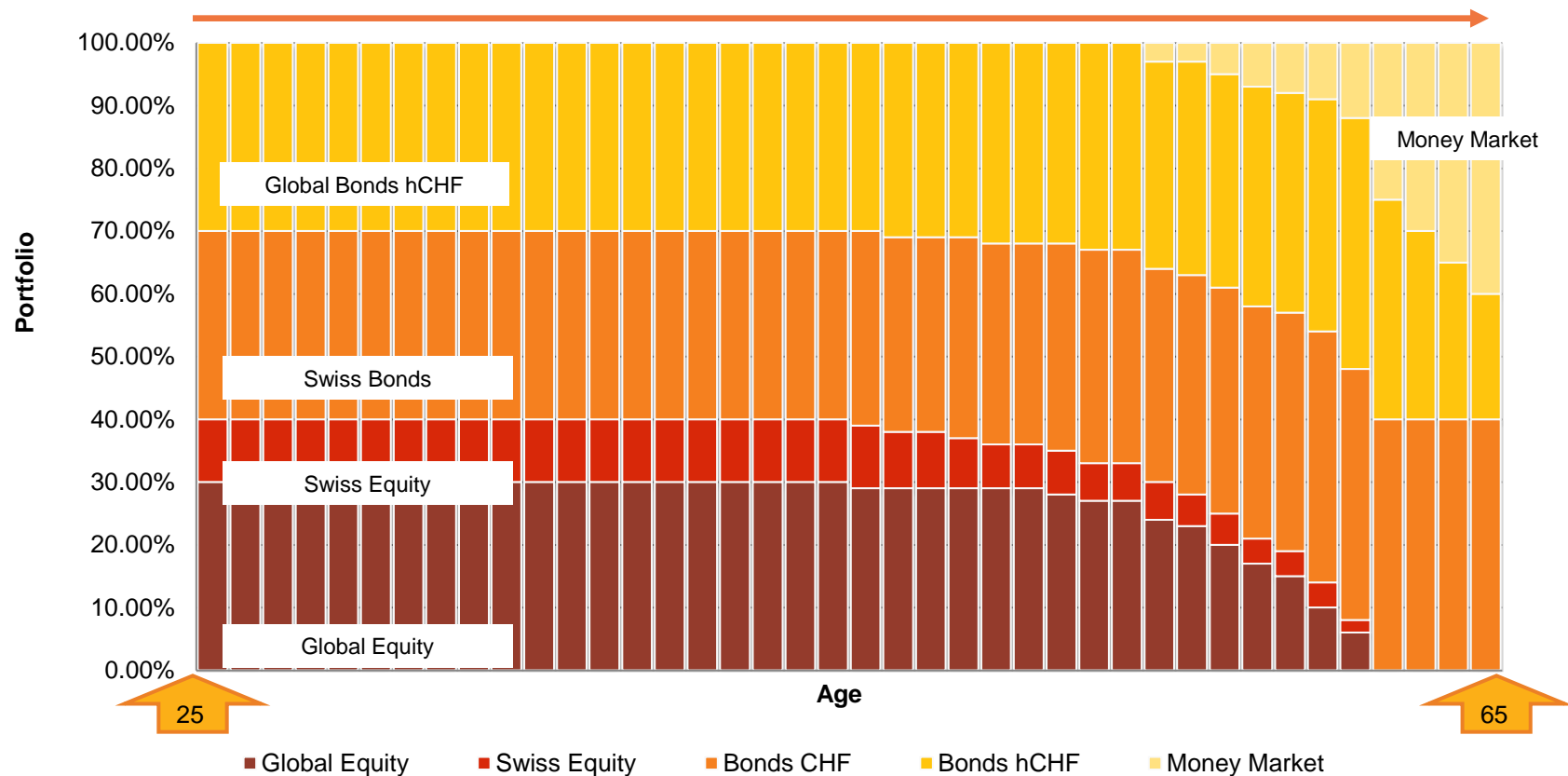
The “LifeCycle” model as a 5th strategy (2013)

- The **LifeCycle** solution works like a kind of “**autopilot**” that automatically factors in the investment horizon and risk.
 - The fundamental concept is based on the assumption that the capacity to cope with investment volatility generally decreases the closer one gets to retirement. For this reason, the portion of Equities in the portfolio is gradually reduced.
 - In view of a **smooth implementation**, focus was on simplicity:
 - Build-up based on the same indexed funds as already used by PF2
 - Moderate implementation costs
 - Favorable pricing conditions largely maintained
 - Reasonably staggered age-brackets so as not to unnecessarily complicate the setup (5-year “vintages” rather than 1 or 10-year spreads).
- The concept which was developed in collaboration with UBS was successfully launched at the beginning of 2013.

LifeCycle: The way it works

Example AST LifeCycle Funds 2050 for 25 to 30-year-old participants (2013)

Glide path management: gradually reducing risk up to the time of retirement



Source: UBS Global Asset Management. For illustrative purposes. Final implementation can deviate from the above.



VermögensZentrum



Retirement Planning
Tax Consulting
Mortgage Consulting
Inheritance Planning
Asset Management

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Portfolio Strategies for Pension Scheme Assets

Road Show for Novartis employees

Basel, May/June 2014

Introduction

1. Derivation of Risk Structure
2. Impact on Risk Structure
3. Payout of Individual Pension Scheme Old Age Savings

Question and Answer Session



Stefan Thurnherr, Managing Director

Stefan Thurnherr is Board Member of the VZ VermögensZentrum. As a specialist in all pension scheme subjects, he is consulting institutional clients concerning any matter related to occupational benefits. Due to his great experience and independent position, he is a popular interview partner and, thus, generally well known from TV clips and radio interviews.



Karl Flubacher, Head of Basle Branch

Karl Flubacher, MA in economics and business administration, is Director at VZ VermögensZentrum. He regularly conducts public and company-internal seminars. Major key-themes of his work are sophisticated retirement and inheritance plannings.

Reception and Introduction

1. Derivation of Risk Structure

2. Impact on Risk Structure

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Question and Answer Session

Definition of Risk Structure

Objective Factor

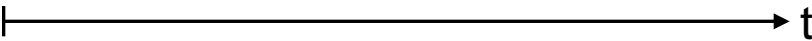
Investment Horizon

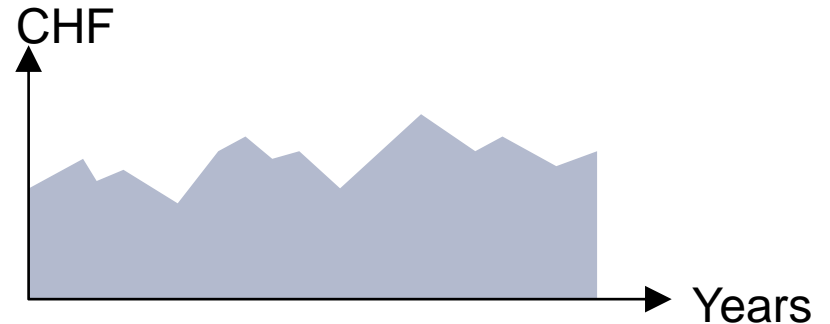
For how long should the capital be invested?

Subjective Factor

Risk Tolerance

Which value fluctuation is acceptable?

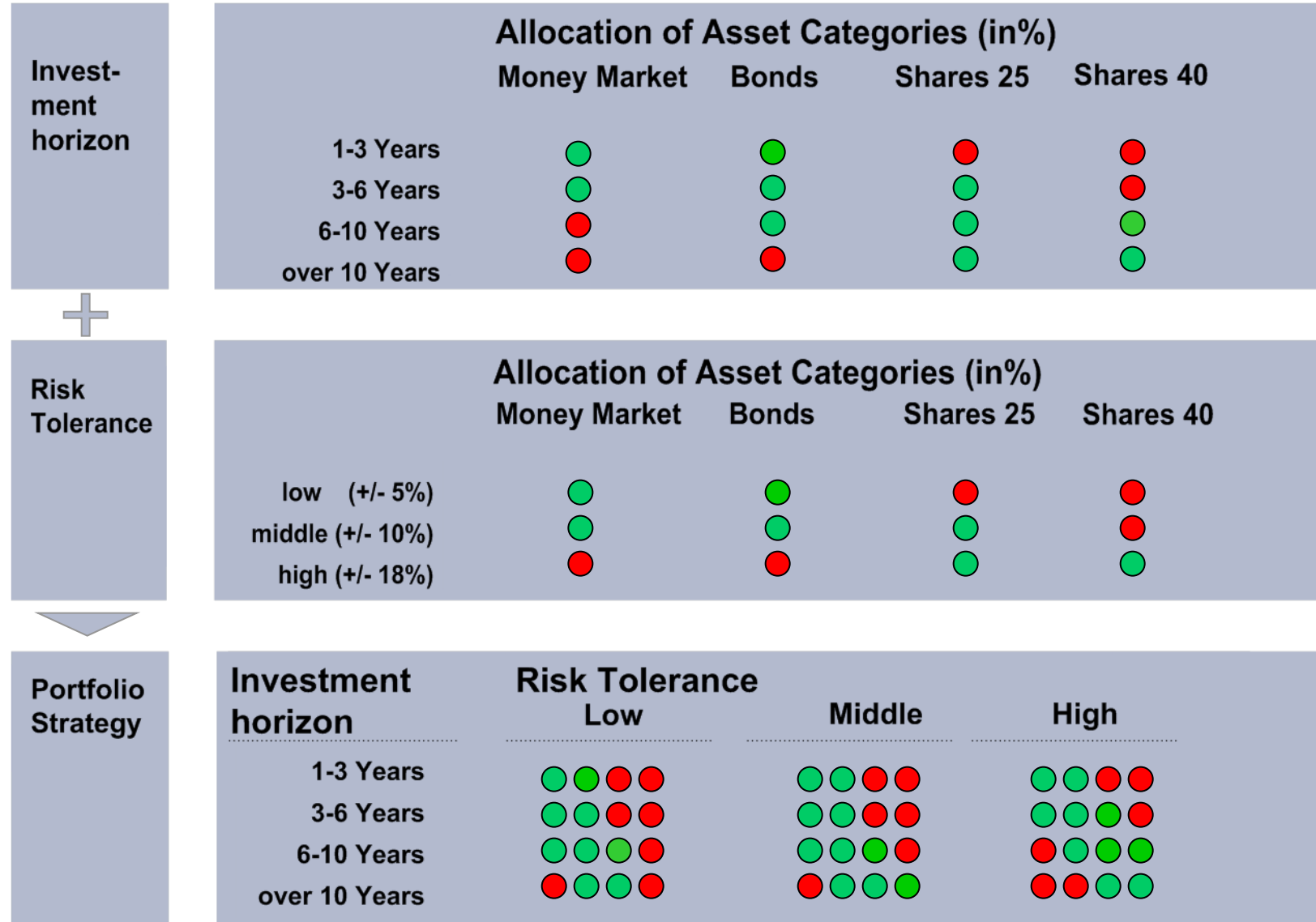
				
Year	2014	2015	2016	...
Age	50	51	52	...



Risk Structure

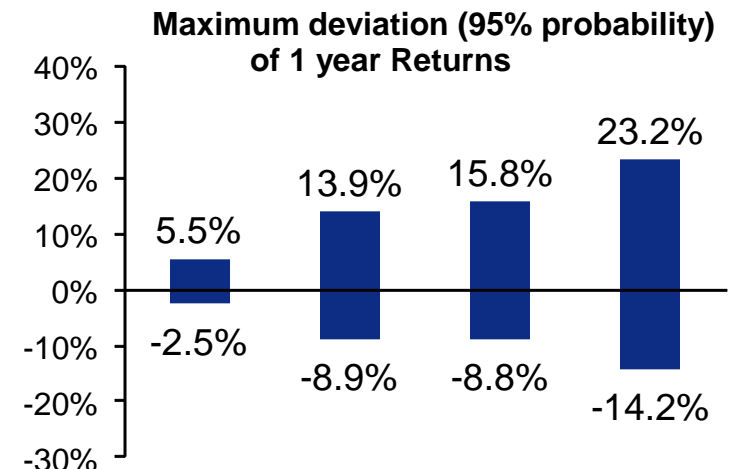
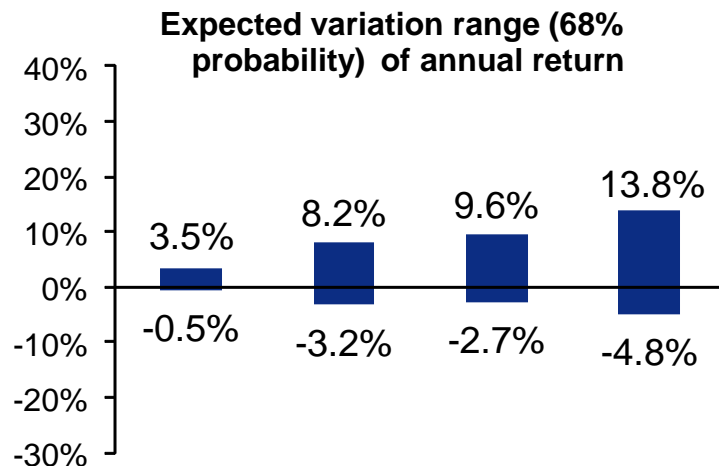
Should the capital be split into different asset categories?
How?

Derivation of the Risk Structure



Expected Return per Portfolio Strategy¹⁾

Scenario	Strategy	Expected Return ²⁾	Expected Variation Range		Best Case	Worst Case
I	Money Market	1.5%	3.5%	-0.5%	5.5%	-2.5%
II	Bonds	2.5%	8.2%	-3.2%	13.9%	-8.9%
III	Shares 25	3.5%	9.6%	-2.7%	15.8%	-8.8%
IV	Shares 40	4.5%	13.8%	-4.8%	23.2%	-14.2%



Scenario I II III IV

Scenario I II III IV

1) Fluctuation margins for return by consideration of 10 year correlations (calculated for Indices MSCI World, Barclays Capital Global Aggregate TR as well as EFFAS Swiss Government Bonds)

2) Assumption



Impact on expected Return and Risk

in CHF

Scenario	Asset Structure	Expected ¹⁾ Return	Risk Expectancy ²⁾	Expectations ³⁾		Maximum Deviation ⁴⁾	
				Positive	Negative	Best Case	Worst Case
I	Money Market	+ 1.5%	+/- 2.0%	+ 3.5%	- 0.5%	+ 5.5%	- 2.5%
		+ 1.500 CHF	+/- 2.000 CHF	+ 3.500 CHF	- 500 CHF	+ 5.500 CHF	- 2.500 CHF
II	Bonds	+ 2.5%	+/- 5.7%	+ 8.2%	- 3.2%	+ 13.9%	- 8.9%
		+ 2.500 CHF	+/- 5.700 CHF	+ 8.200 CHF	- 3.200 CHF	+ 13.900 CHF	- 8.900 CHF
III	Shares 25	+ 3.5%	+/- 6.1%	+ 9.6%	- 2.7%	+ 15.8%	- 8.8%
		+ 3.500 CHF	+/- 6.100 CHF	+ 9.600 CHF	- 2.700 CHF	+ 15.800 CHF	- 8.800 CHF
IV	Shares 40	+ 4.5%	+/- 9.3%	+ 13.8%	- 4.8%	+ 23.2%	- 14.2%
		+ 4.500 CHF	+/- 9.300 CHF	+ 13.800 CHF	- 4.800 CHF	+ 23.200 CHF	- 14.200 CHF

Investment Capital 100'000 CHF

1) Expected long-term mean return per year

2) Expected fluctuation margin per year, based on standard deviation, viz. in 68% of all cases observed

3) Expected return during one year with standard deviation (68% of all values observed)

4) Expected return during one year with 2 standard deviation (95% of all cases observed)

Reception and Introduction

1. Derivation of Risk Structure

2. Impact on Risk Structure

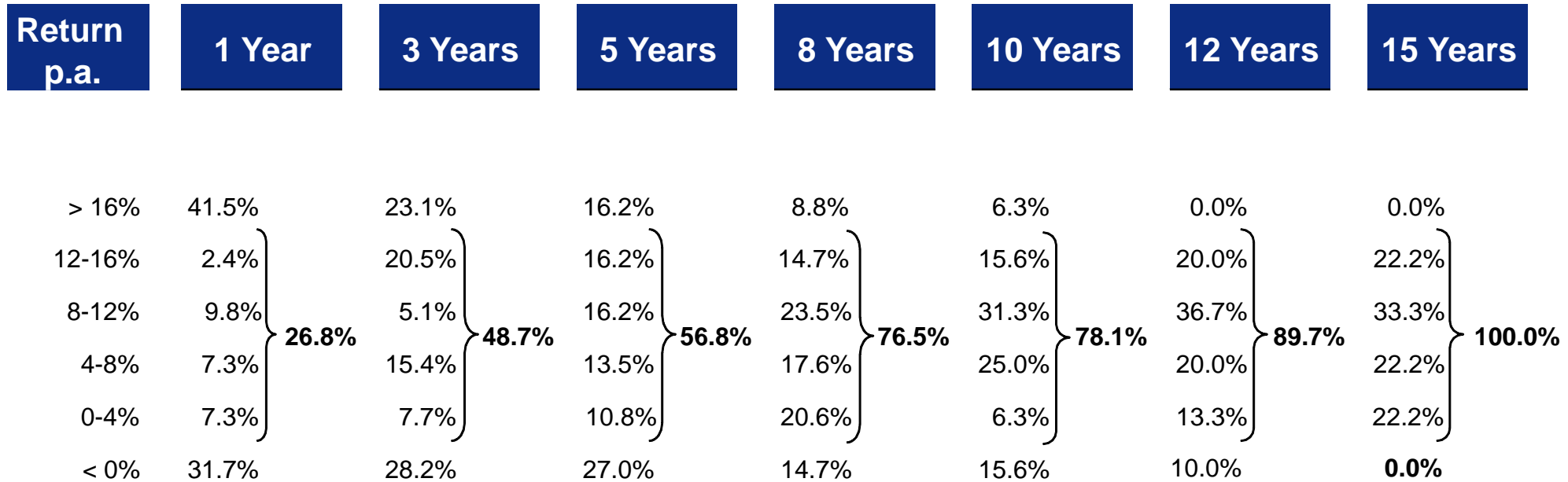
3. Payout of Individual Pension Scheme Old Age Savings

Question and Answer Session



Expected Returns for different Investment Horizons

Source: MSCI World Total Return Index (in CHF) for all 1-, 3-, 5-, 8-, 10-, 12- and 15- year time series, from 31 Dec. 1972 until 31 Dec. 2013



Since 1972, there have been five 10-year-periods, in which a negative performance appeared. The last one was 2002-2011.

The chart reveals the allocation of annual returns of the MSCI World Total Return Index (in CHF) for different investment periods 1972-2013. While an annual return of 16% or more are more frequent in shorter investment periods (e.g. 41.5% of all one-year investment periods), such a return is not within reach in case of long-term time series (> 15 years). The probability of a negative return on investment amounts to 31.7% for one-year investment periods and declines with the prolongation of the investment horizon to 15.6% (10 years). The longer the investment horizon, the more the annual returns will level off between 0% and 16%.



Impact of the Investment Strategy on Assets

Assumption: 50 year old, income 200.000 CHF; retirement at 65 (in CHF)

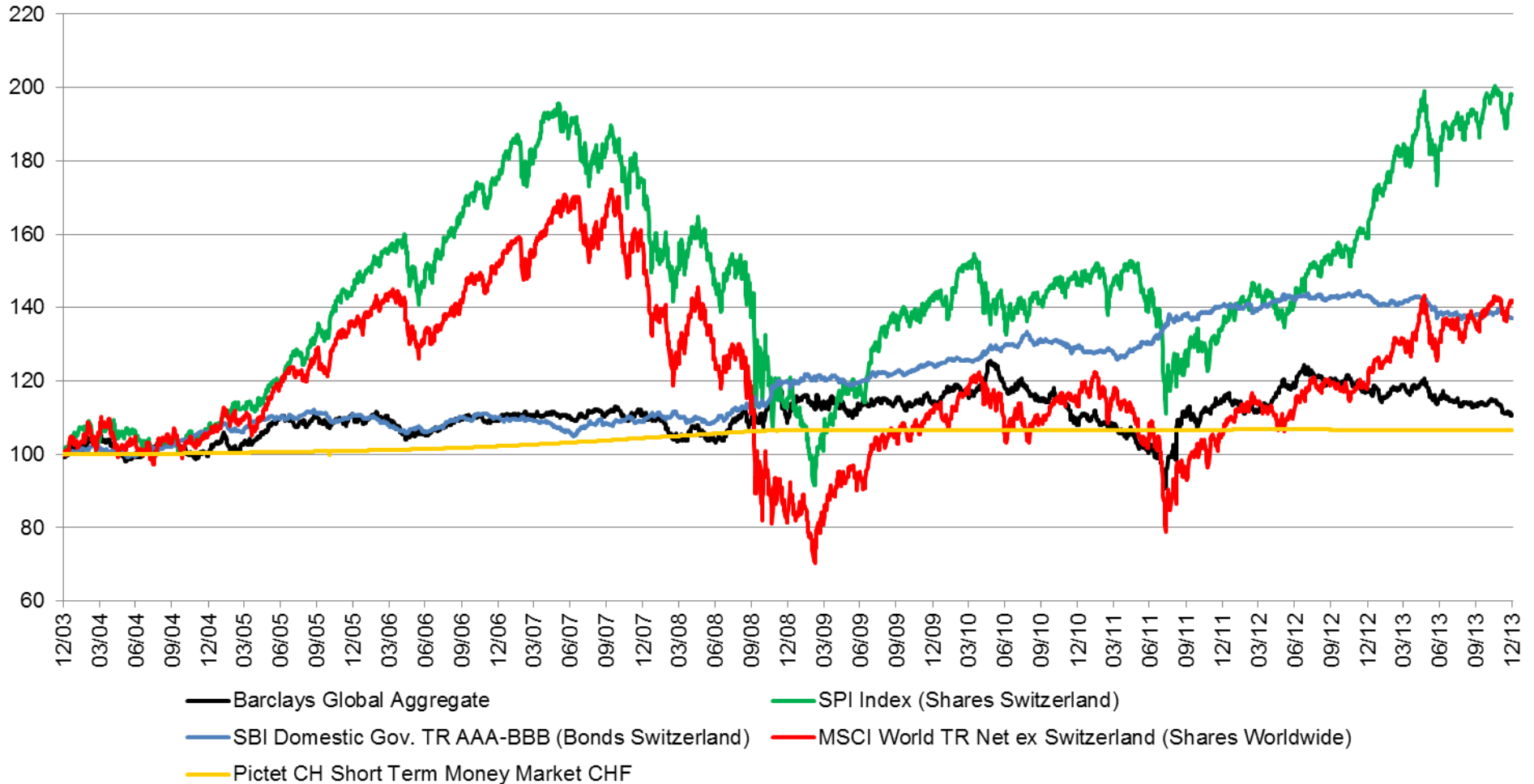
Investment Strategy	Money Market	Bonds	Shares 25	Shares 40
Old Age Savings (1 June 2014)	100.000	100.000	100.000	100.000
Expected Return	1.5%	2.5%	3.5%	4.5%
Estimated Old Age Savings (30 June 2029)	315.000	349.000	386.000	429.000

Variation: + 36%

Benchmarking

From 31 December 2003 to 31 December 2013; in CHF

Development of selected indices



Source: Bloomberg



Reception and Introduction

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Pension or Lump Sum: Comparison of criteria

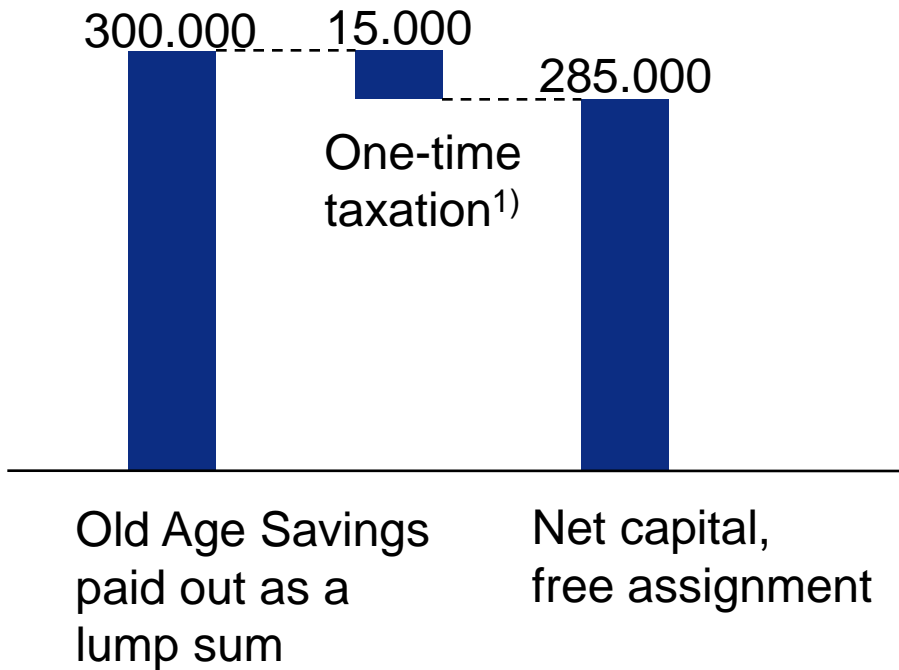
	Pension	Lump Sum
Security	High security	Security depends on asset allocation
Flexibility Pension	No Flexibility, pay-out according to pension scheme regulations	High flexibility 3–6% return / remuneration, according to income-concept
Taxes		Non-recurring taxation 3-11% (BS) Non-recurring taxation 3-10% (BL)
• Pay-out	Not applicable, no pay-out	
• Pension	Pension 100% taxable	Remuneration (from 0%) up to 100% taxable, according to income-concept
Inflationary Compensation	According to pension scheme	According to individual planning
Coverage Widow	60% of old age pension ¹⁾	Up to 100% of income ²⁾
Surviving Depend	No entitlement	According to inheritance law, testament

1) Statutory Regulation; deviations possible depending on pension scheme

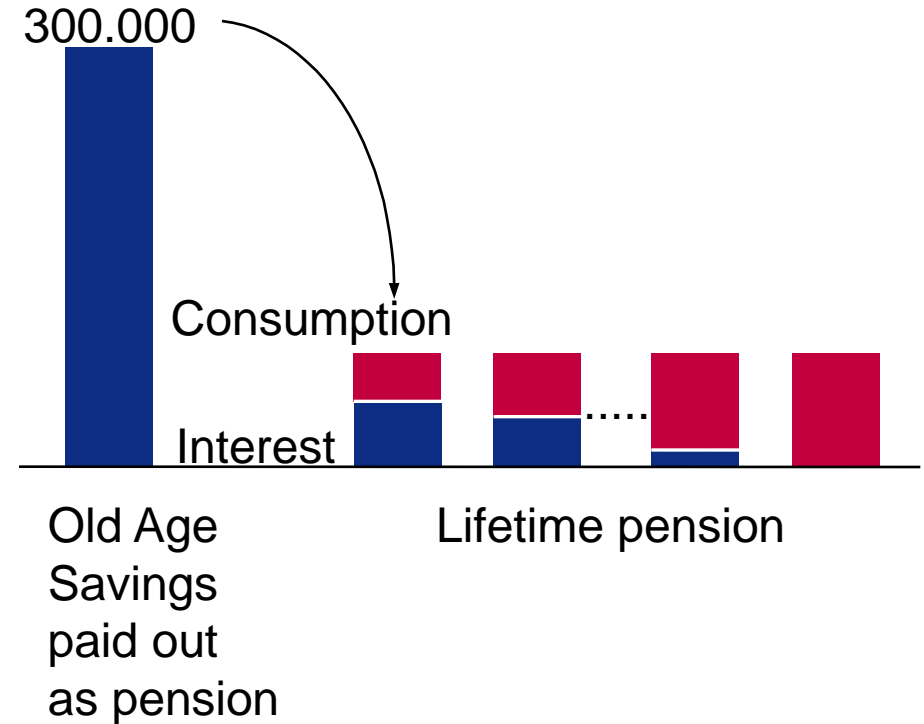
2) On condition of most-favoured treatment for widow / widower

Tax Treatment of Old Age Savings

Lump Sum Payment



Lifetime Pension ²⁾



1) Taxation separated from residual income with reduced rate of taxation (cantonal differences)

2) Taxation together with residual income (cantonal differences in income tax rate)



Lump Sum Payment with Domicile in Switzerland

Example: Married taxpayer, Age 65, domiciled in ...

Lump Sum: 250.000 CHF

Lump Sum: 750.000 CHF

Federal Tax

3'812

16'812

Canton

Schwyz	SZ	5'879
Chur	GR	7'125
Liestal	BL	8'250
Appenzell	AI	8'500
Zug	ZG	8'699
Schaffhausen	SH	9'150
Aldorf	UR	9'453
Bellinzona	TI	9'750
Genève	GE	10'938
Zürich	ZH	10'950
Bern	BE	11'671
Sion	VS	11'698
Glarus	GL	11'800
Aarau	AG	11'912
St. Gallen	SG	12'303
Solothurn	SO	12'401
Sarnen	OW	12'618
Frauenfeld	TG	13'150
Luzern	LU	13'573
Stans	NW	13'639
Herisau	AR	13'688
Delémont	JU	14'071
Basel	BS	16'751
Neuchâtel	NE	17'040
Fribourg	FR	18'705
Lausanne	VD	19'291

43'408
37'031
47'850
26'700
31'815
31'185
28'358
29'250
41'319
66'948
48'619
60'000
35'400
44'339
56'333
42'722
37'854
39'450
46'922
42'158
47'450
45'271
56'751
51'840
73'185
77'046



Reception and Introduction

1. Derivation of Risk Structure

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Question and Answer Session

The Pension Fund Team

Counselling, information, certified management systems ... and a good deal more



www.pensionskassen-novartis.ch



If you have questions ...



... do not hesitate to ask us !



As always, we're happy to help!

Annex

Retirement credits – 3 different scales to chose from

Age	Retirement credits (“Standard”) % of insured salary			Standard plus	Standard minus
	Member	Novartis	Total	Member	Member
25 – 29	3.50	7.00	10.50	5.50	1.50
30 – 34	4.00	8.00	12.00	6.00	2.00
35 – 39	4.50	9.00	13.50	6.50	2.50
40 – 44	5.00	10.00	15.00	7.00	3.00
45 – 49	6.25	12.50	18.75	8.25	4.25
50 – 54	6.75	13.50	20.25	8.75	4.75
55 – 59	7.25	14.50	21.75	9.25	5.25
60 – 65	7.75	15.50	23.25	9.75	5.75

A further credit of 3.50% applies to all members aged 40 and over. This is paid into an additional savings plan within Pension Fund 1. Half of this amount (i.e. 1.75%) is contributed by Novartis and half by members. Further contributions are paid by members and by Novartis towards risk benefits

Overview of contributions

Pension Fund 1

Age	Savings Contribution ¹		Risk Contribution ²		Additional Savings Plan Contributions ³		Total Contributions	
	Employee ⁴	Employer	Employee	Employer	Employee	Employer	Employee ⁴	Employer
up to 25	-	-	0.5%	1.0%	-	-	0.50%	1.00%
25-29	3.50%	7.0%	1.4%	2.8%			4.90%	9.80%
30-34	4.00%	8.0%	1.4%	2.8%			5.40%	10.80%
35-39	4.50%	9.0%	1.4%	2.8%			5.90%	11.80%
40-44	5.00%	10.0%	1.4%	2.8%	1.75%	1.75%	8.15%	14.55%
45-49	6.25%	12.5%	1.4%	2.8%	1.75%	1.75%	9.40%	17.05%
50-54	6.75%	13.5%	1.4%	2.8%	1.75%	1.75%	9.90%	18.05%
55-59	7.25%	14.5%	1.4%	2.8%	1.75%	1.75%	10.40%	19.05%
60-65	7.75%	15.5%	1.4%	2.8%	1.75%	1.75%	10.90%	20.05%

Overview of benefits

Pension Fund 1

Age	Death	Disability
<p>Lifelong retirement pension</p> <ul style="list-style-type: none"> • Conversion rate at age: <ul style="list-style-type: none"> - 65: 6.10% (5.42%*) - 64: 5.95% (5.30%*) - 63: 5.80% (5.18%*) - 62: 5.65% (5.06%*) - 61: 5.50% (4.94%*) - 60: 5.35% (4.82%*) of the existing retirement assets (*) Conversion rate for a survivor's pension • Lump-sum pay-out instead of pension up to max. 50% possible (time limit 3 months before retirement) <p>Retirement child pension</p> <ul style="list-style-type: none"> • 20% of pension up to age 20/25 <p>Available savings plan assets can</p> <ul style="list-style-type: none"> • be used to finance a bridging pension until to statutory (AHV) retirement age (temporary retirement pension) or • be paid out as a one-off retirement lump sum. 	<p>Spouse's or domestic partner's pension for active insured members:</p> <ul style="list-style-type: none"> • 60% of insured/current disability pension <p>Retirement pension recipient:</p> <ul style="list-style-type: none"> • 60% of retirement pension, or with the survivor's pension option 100% of retirement pension <p>Orphan's pension</p> <ul style="list-style-type: none"> • 20% of insured or current disability or retirement pension up to age 20/25 <p>Lump sum on death</p> <p>Active insured members:</p> <ul style="list-style-type: none"> • 200% of insured disability pension plus accrued savings plan assets plus • assets transferred from incentive/bonus and shift insurance on 1.1.2011 plus voluntary extra contributions since 1.1.2011 paid into retirement and savings account minus early withdrawals WEF / divorce pay-outs minus retirement/disability benefits already paid put 	<p>Disability pension</p> <ul style="list-style-type: none"> • 60% of insured salary Risk up to age 65 • From age 65 onwards: conversion of continued retirement assets with current conversion rate (at present 6.10%) <p>Disability child pension</p> <ul style="list-style-type: none"> • 20% of disability pension received up to age 20/25 <p>Disability lump sum (with 100% disability)</p> <ul style="list-style-type: none"> • Accrued savings plan assets

Overview of contributions

Pension Fund 2

Age	Savings Contribution ¹		Risk Contribution ²		Total Contributions	
	Employee ³	Employer	Employee	Employer	Employee ³	Employer
up to 25	-	-	0.4%	0.8%	0.40%	0.80%
25-29	3.50%	7.0%	0.4%	0.8%	3.90%	7.80%
30-34	4.00%	8.0%	0.4%	0.8%	4.40%	8.80%
35-39	4.50%	9.0%	0.4%	0.8%	4.90%	9.80%
40-44	5.00%	10.0%	0.4%	0.8%	5.40%	10.80%
45-49	6.25%	12.5%	0.4%	0.8%	6.65%	13.30%
50-54	6.75%	13.5%	0.4%	0.8%	7.15%	14.30%
55-59	7.25%	14.5%	0.4%	0.8%	7.65%	15.30%
60-65	7.75%	15.5%	0.4%	0.8%	8.15%	16.30%

¹on insured salary PK2 (base salary plus incentive minus CHF 150k) up to 220k base salary

²on insured salary PK2 (base salary plus incentive minus CHF 150k) up to 220k base salary

³indicates standard contribution; employees can chose to contribute 2% more or 2% less

Overview of benefits

Pension Fund 2

Retirement	Death	Disability
Lump sum on retirement <ul style="list-style-type: none">• Assets available at the time of retirement	Lump sum on death <ul style="list-style-type: none">• Assets available at the time of death,• at least 400% of insured salary	Lump sum on disability <ul style="list-style-type: none">• Assets available at the time when the disability pension starts,• at least 400% of insured salary

Secure internet platform (provided by UBS)

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UID: 1116718 Last Login: 01.Jun.2011 13:47:46 CEST

Welcome to EquatePlus

Welcome to the new EquatePlus. If you have any questions, please consult the Help section of the website or go to the Contact section to call the UBS Customer Service Center.

Open To Pension Plan

Task Description	Attend By
Please click here to inform your pension fund of your chosen investment strategy.	23 Jun.2011

Current Holdings - Portfolio Overview

Plan	Product Type	Outstanding Quantity	Estimated Current Value	Actionable Quantity	Estimated Actionable Value
NRSP	SHARE	613	33,408.50 CHF	0	0.00 CHF
NOVN	SHARE	2,737	149,166.50 CHF	2,737	149,166.50 CHF
Total of all plans			182,575.00 CHF		149,166.50 CHF

Current Holdings - Pension Plans

Plan	Plan Description	Product Type	Current Value	Value as of Date
PK2	PK2 Pension Plan	FUND	360,595.10 CHF	31.May.2011
Total of all plans			360,595.10 CHF	

Novartis Share

54.50 CHF | -0.50 CHF
01.Jun.2011 14:05:21 CEST

INTRIA | 1M 3M 1Y 5Y

Exchange: 380 SIX Swiss Exchange (Open)
High: 55.05 CHF
Low: 54.40 CHF

Calendar of Events
01.Jan.2011 - 31.Dec.2011
Please click here to find more information about the election windows for your pension plan 2 in 2011. [Show All](#)

Notice Board

Fund Price Information
Please click here to receive more information about the Pension Funds. [more](#)

Pension Plan Info
UBS dictionary of banking [more](#)

Vesting January 20, 2011
Please be advised that at vesting of N-RS19 and N-RSU19 both vehicles will be displayed as NOV19 with effective date January 20, 2011. [more](#) [Show All](#)

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Exercising the selection

(1)

Agreement > **Election** > Modeling > Confirmation

Plan Cycle Id	PK2_2011
Election Window Description	PK2 Election June 2011
Election End Date	23.Jun.2011
Submission Date	
Submitted By	

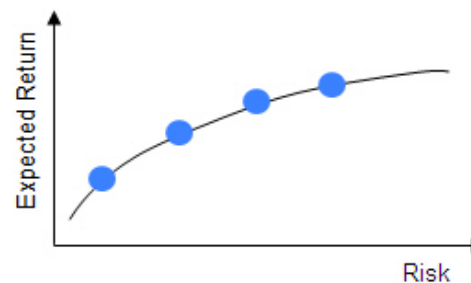
This questionnaire will help you select an investment strategy that best suits your own personal requirements, objectives and risk tolerance.

Which investment strategy is right for you depends on a variety of factors:

- Subjective factors such as your investment experience and financial situation, your personal objectives in conjunction with this portfolio as well as your level of familiarity with certain investment products.
- Objective factors such as your investment horizon and the economic environment at the time of investment.

The chart below shows the relationship between the readiness to assume risks and expected yield of the suitability of investment strategies: The higher the risk tolerance, the higher the expected return.

Please also read on this the guidelines as well as the dilution levies.



There are four available investment strategies to choose from:

- **Money market** Strategy with focus on capital preservation
- **Bonds** Low-risk strategy focusing on capital preservation and limited capital growth
- **Equities 25** Medium-risk strategy focusing on capital growth with capital preservation as a secondary objective
- **Equities 40** Higher-risk strategy focusing on capital growth

[Spotlight and Factsheet](#)

[Spotlight and Factsheet](#)

[Spotlight and Factsheet](#)

[Spotlight and Factsheet](#)

Exercising the selection

(2)

When answering the following questions you should bear in mind your specific investment objective. Please select the statement that most accurately reflects your personal preferences.

Name: Date of birth:
Investment horizon (in years) until regular retirement age (65): 14

Question 1 If you are planning to take early retirement or would like to leave the pension fund early, then please state the number of years remaining up to that date. If no information is stated, the default investment horizon (above) will be applied.

Individual investment horizon (in years):

[Info box](#)

Your investment horizon is based on your age and the time at which you want to retire or leave the pension fund. Generally speaking, longer investment horizons allow for higher-risk strategies than short-term ones, as the possibility for recouping interim losses is greater. Please note that the earliest retirement age will be at the age of 60. There is a possibility of withdrawals before that time in order to purchase owner-occupied property, in the event of divorce or upon changing the job (vested benefits rules).

Question 2 Within what range should your average annual rate of return fluctuate?

- 0% to 4%
- 2% to +10%
- 6% to +16%
- 8% to +20%

[Info box](#)

Investors who choose to accept sizeable market fluctuations can expect higher rate of returns in the long run. As such, a strategy using equities is more suitable for a longer investment horizon.

Question 3 What is the primary investment objective that you are pursuing with your voluntary pension savings?

- Capital preservation (limited risk of loss)
- Combination of capital preservation and growth

Question 4 Would you be prepared to accept an annual loss of 10% or more in order to achieve your primary investment objective?

- For a short period (up to one year)
- For a medium-term period (up to three years)
- I am not willing to accept an interim loss.

[Info box](#)

The willingness to accept interim losses is a pre-condition for higher-yielding strategies.



Document Library

The screenshot shows the Novartis Document Library web application. At the top left is the Novartis logo. At the top right are links for LANGUAGE, CONTACT, HELP, and LOGOUT. A navigation bar below the logo contains links for Home, Portfolio, Transactions, Document Library (highlighted with a red circle), Personal Data, and Pension Plans. Below the navigation bar is a banner image of a family. A user status bar shows UID: 1116718 and Last Login: 01 Jun.2011 13:47:46 CEST. The main content area is titled "Document Library / Documents" and includes a "Display Settings" button and "Expand all" / "Collapse all" controls. A "Documents" section is expanded to show "Pension Plans", which contains a table with columns for Description, Links, and Comments. The table lists various documents such as Factsheets, Guidelines, and Spotlights, with red arrows pointing to specific links. Below the table is a "Personal Bank Details" section. At the bottom, there is a disclaimer and the UBS logo.

NOVARTIS

LANGUAGE | CONTACT | HELP | LOGOUT

Home Portfolio Transactions **Document Library** Personal Data Pension Plans

UID: 1116718 Last Login: 01 Jun.2011 13:47:46 CEST

Document Library / Documents

Display Settings

Expand all Collapse all

Documents

Pension Plans

Description	Links	Comments
Factsheets	Factsheet Bonds (en)	
Factsheets	Factsheet Money Market (en)	
Factsheets	Factsheet Share 40 (en)	
Factsheets	Factsheet Share 25 (en)	
Guidelines	Guidelines - Novartis Pension Fund 2 (en)	
Information	Dilution levies - Novartis Pension Fund 2 (en)	
Spotlights	Spotlight Share 25 (en)	
Spotlights	Spotlight Share 40 (en)	
Spotlights	Spotlight Money Market (en)	
Spotlights	Spotlight Bonds (en)	

Personal Bank Details

Important legal information - please read the disclaimer before proceeding.
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Information documents examples



Guidelines

Novartis Pension Fund of investment strategy

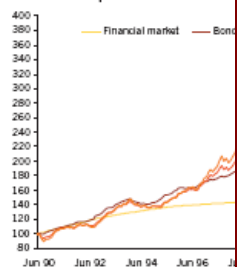


In the following graphic an appropriate (in years to retirement or exit) without

3 years	3-6 years
<ul style="list-style-type: none"> • Money Market • Bonds 	<ul style="list-style-type: none"> • Money Market • Bonds • Equities 25
<p>Rule of thumb: the shorter the time</p>	

Historical comparison of the four investment strategies. A historical comparison of the four investment strategies shows that the more equities were included in the portfolio, the higher the yield was. Each individual beneficiary of the pension plan was affected by various factors (deposits/payouts, etc.).

Historical comparison of the four investment strategies



As is clearly visible from the historical data, the role of bonds is an important one for the overall yield of the portfolio.

For example, if an investment was made in November 2007 to March 2009, the investment in the same period gave a 4.56% gain.

Nevertheless, a mixed strategy (Equities and Bonds) over the entire review period gave a higher yield.



UBS AST 2 EA BVG Equity-40 passive – N2

Data as of the end of February 2014

Portrait

- This investment group can invest in all asset classes which are in line with BVG guidelines. There are no investments in alternatives and real estate.
- Growth oriented investment strategy with higher risk as approx. 40% equities are added.
- In order to minimize the foreign-exchange risk 70% is invested directly in CHF or is hedged into CHF.

Securities no.	12,195,085
Currency of account	CHF
Issue/redemption	daily
All-in-fee	0.061%
Operating expense ratio (OER) FY 2012/2013	0.07%
Dilution levy	IN 0.17% / OUT 0.11%
Launch date	26.1.2011

Current data

Net asset value 28.2.2014	CHF	117.36
Assets of the share class (in Mio.)	CHF	76.89
– Assets of all share classes (in Mio.)	CHF	76.89
Last distribution		reinvested

Key risk figures (annualised)

	3 years	5 years
Tracking error	1.38%	n.a.
Beta	0.86	n.a.
Correlation	0.96	n.a.
Total risk	4.21%	n.a.
Sharpe ratio	1.26	n.a.
Risk-free rate (5 years) =	-0.04	

The statistical rates were calculated on the basis of logarithmic returns.

Investment categories (in %)

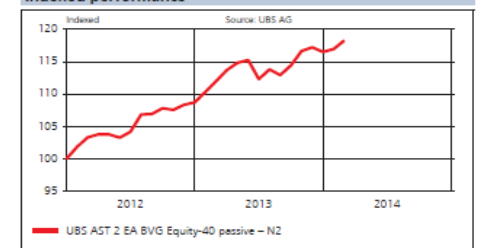
	Investment group
Foreign currency bonds (with FX-Hedge)	30.17
Foreign equities (without FX-Hedge)	29.15
Domestic Bonds in CHF	16.84
Foreign Bonds in CHF	12.79
Equities Europe	10.06
Liquid assets CHF	0.99
Real Estate Switzerland	0.00
Foreign real estates (with FX-Hedge)	0.00
Foreign real estates (without FX-Hedge)	0.00
Liquid assets FW	0.00
Foreign currency bonds (without FX-Hedge)	0.00
Convertible bond issues-/Warrant issues (with FX-Hedge)	0.00
Convertible bond issues-/Warrant issues (without FX-Hedge)	0.00
Foreign equities (with FX-Hedge)	0.00
Total	100.00

(Mit FX-Hedge) Die Anlagen sind in Fremdwährungen denominiert. Die Währungsrisiken sind jedoch weitestgehend und permanent gegenüber dem CHF abgesichert.

Performance (in %)

	Investment group
03.2013	1.52
04.2013	1.00
05.2013	0.38
06.2013	-2.54
07.2013	1.32
08.2013	-0.76
09.2013	1.30
10.2013	1.96
11.2013	0.48
12.2013	-0.60
01.2014	0.38
02.2014	1.14
2014 YTD	1.52
2013	7.17
2012	8.73
2011 (since launch 01.2011)	-0.32
Ø p.a. 2 years	6.99
Ø p.a. 3 years	5.33
since launch (26.1.2011)	17.91

Indexed performance

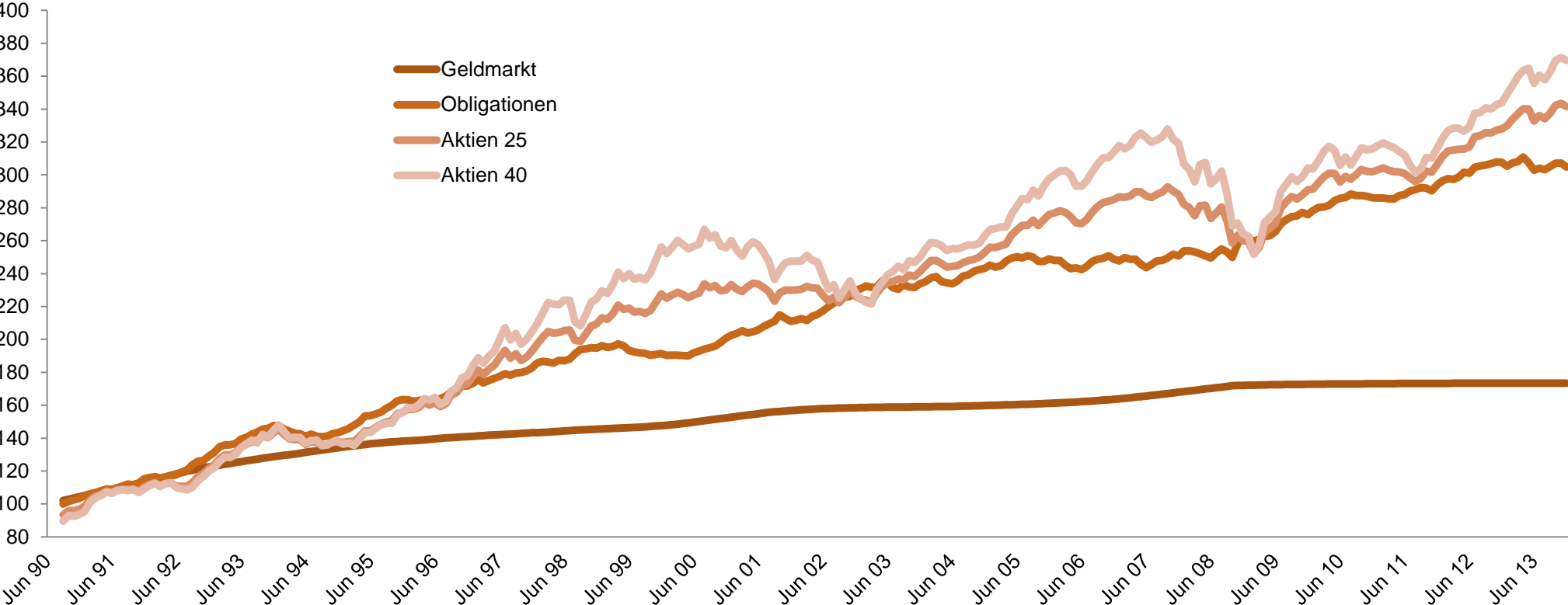


Past performance is no guarantee of future trends. The performance shown does not take account of any commissions and costs charged when subscribing to and redeeming units.

Summary with BVV2 comparison (in %)

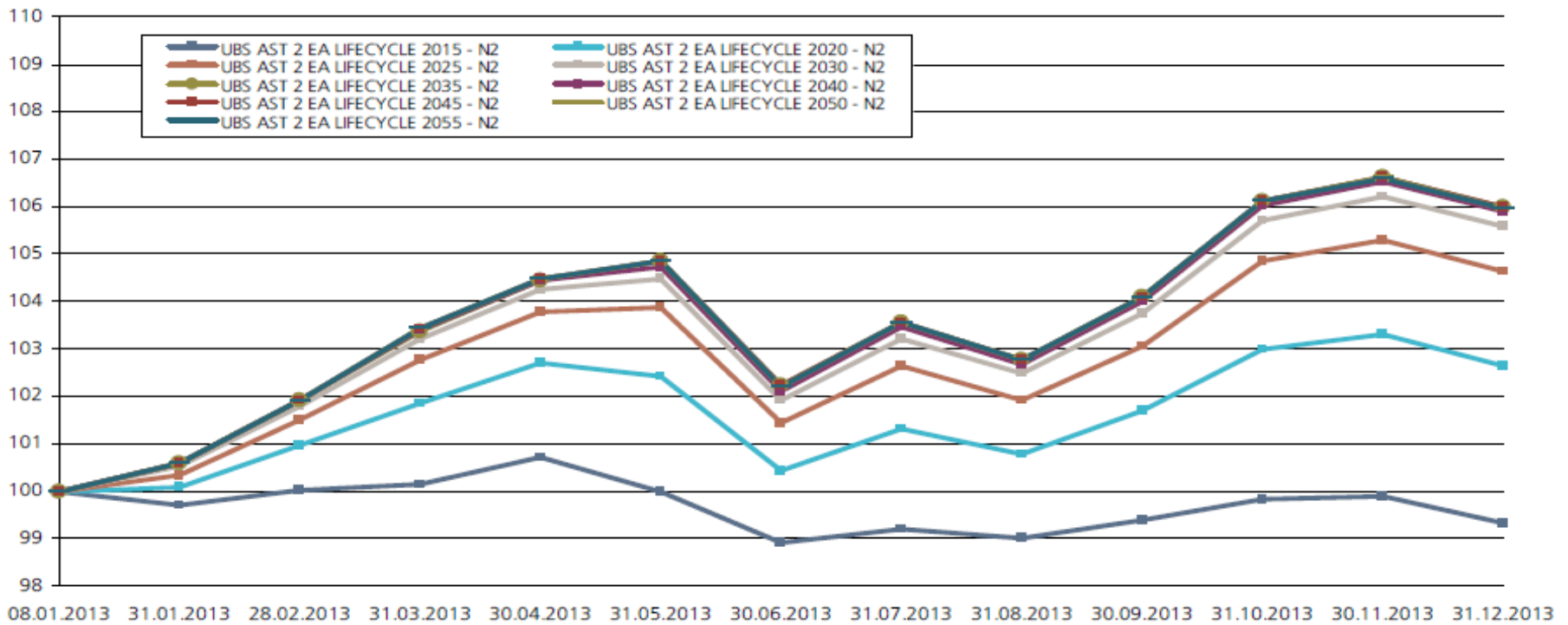
	Investment group	BVV2-Max
Total Investments in CHF	40.7	100.0
Total investments in foreign currencies (with FX-Hedge)	30.2	100.0
Total investments in foreign currencies (without FX-Hedge)	29.2	30.0
Total	100.0	n.m.
Total nominal values	60.8	100.0
Total Equities	39.2	50.0
Total real estate	0.0	30.0
Total Alternative Assets	0.0	15.0
Total	100.0	n.m.
Real Estate Switzerland	0.0	30.0
Total foreign real estates	0.0	10.0
Real estate total	0.0	30.0

Historical Performance



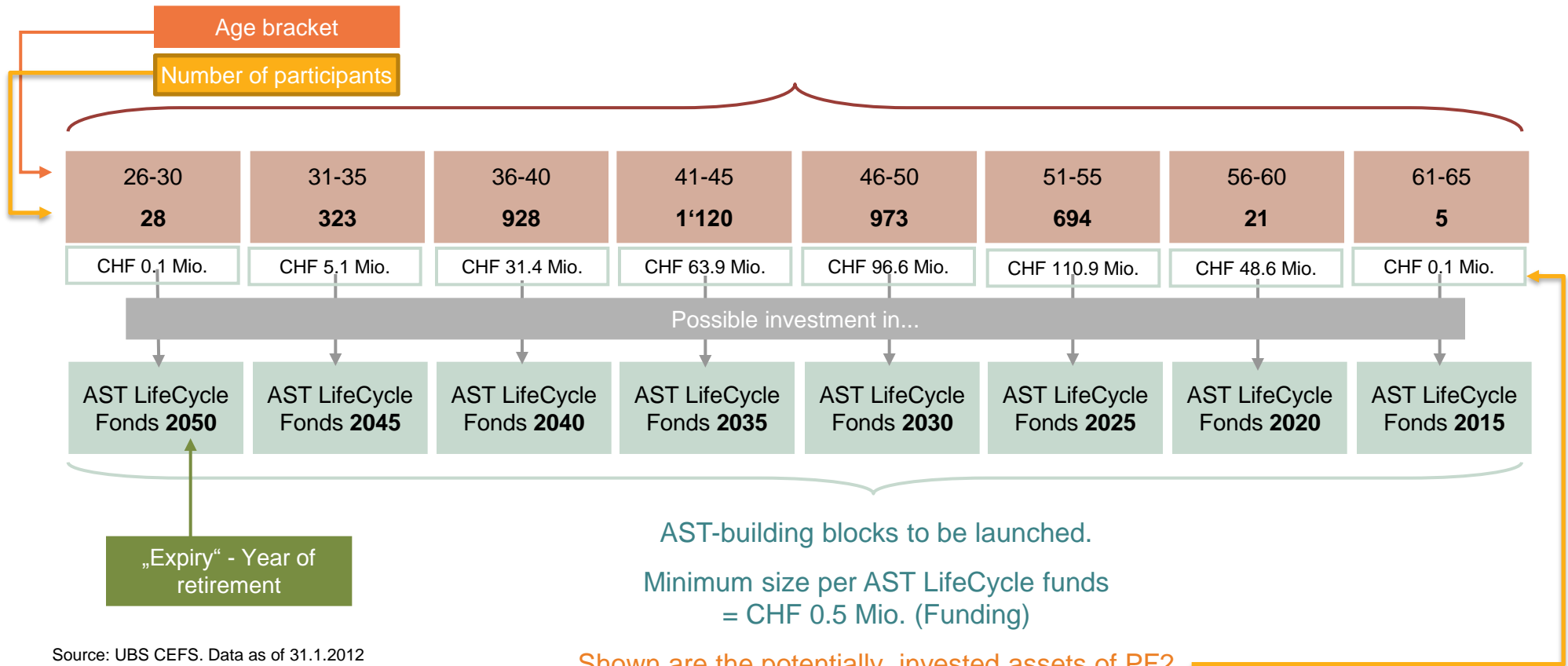
Performance LifeCycle Funds

Anlagekategorie	Return (%)			
	Monat 01.12.2013 - 31.12.2013	Quartal 01.10.2013-31.12.2013	Ytd 08.01.2013-31.12.2013	s/Inception 08.01.2013
UBS AST 2 EA LIFECYCLE 2015 - N2	-0.54	-0.06	-0.66	-0.66
UBS AST 2 EA LIFECYCLE 2020 - N2	-0.63	0.94	2.64	2.64
UBS AST 2 EA LIFECYCLE 2025 - N2	-0.64	1.52	4.62	4.62
UBS AST 2 EA LIFECYCLE 2030 - N2	-0.60	1.74	5.57	5.57
UBS AST 2 EA LIFECYCLE 2035 - N2	-0.60	1.82	5.99	5.99
UBS AST 2 EA LIFECYCLE 2040 - N2	-0.58	1.84	5.91	5.91
UBS AST 2 EA LIFECYCLE 2045 - N2	-0.60	1.81	5.98	5.98
UBS AST 2 EA LIFECYCLE 2050 - N2	-0.60	1.81	5.97	5.97
UBS AST 2 EA LIFECYCLE 2055 - N2	-0.60	1.80	5.96	5.96



LifeCycle model: Concept / Structure

Number of insured members / possible participants per AST Life Cycle Fund (“Vintage”)



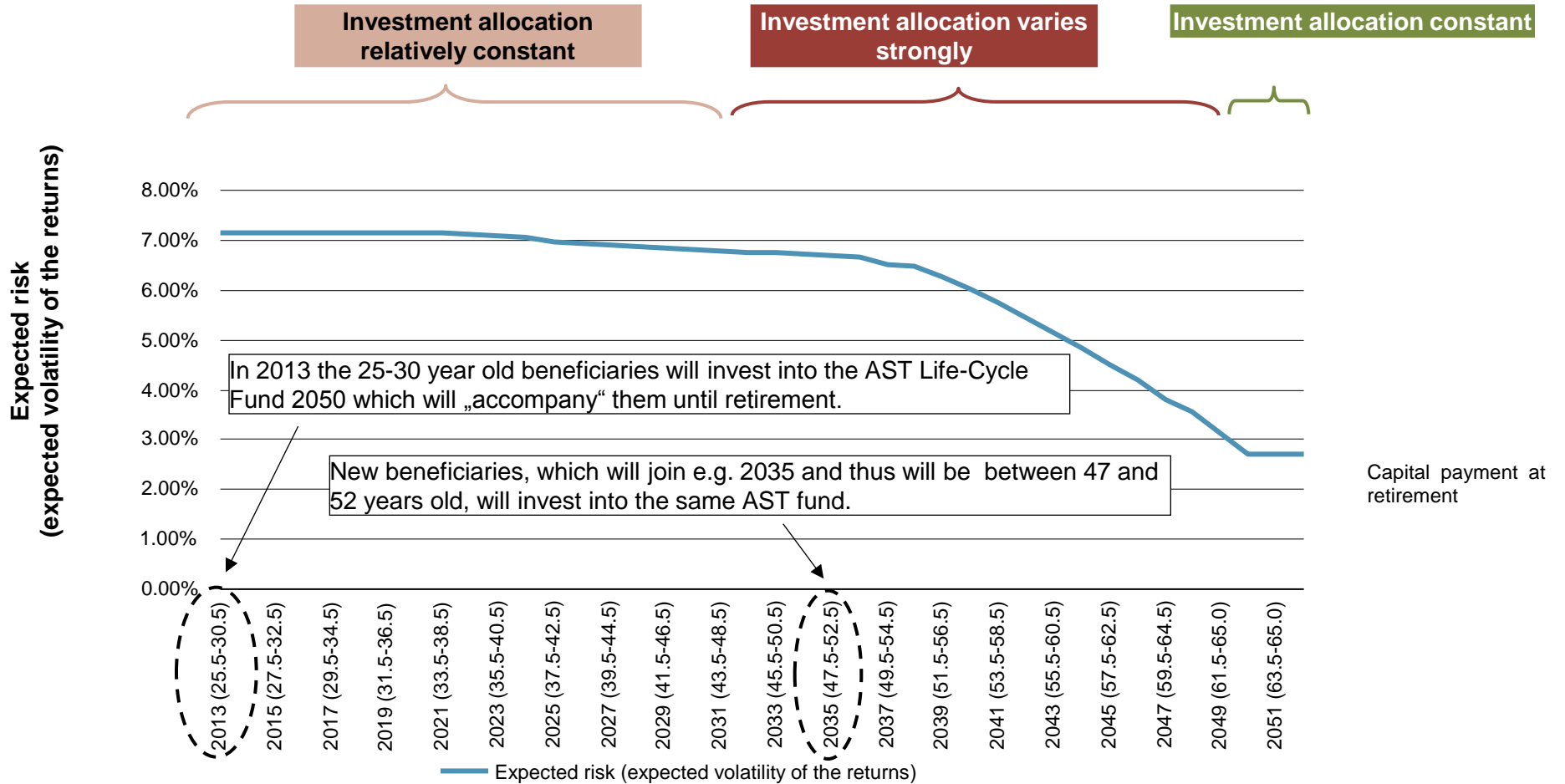
Shown are the potentially invested assets of PF2 per age group (100% of the participants)

Source: UBS CEFS. Data as of 31.1.2012

LifeCycle model: Glide path management built in

In compliance with "BVV2" investment regulations

Example „Vintage 2050“



For illustrative purposes only. Assumptions and calculations by UBS Global Asset Management. The risk figures are based on UBS' own long-term, forward looking assumptions.

“Dilution Protection” (Transaction Fee)

As per January 2014

Objective

- Changing the strategy means that the portfolio manager has to buy and sell positions accordingly.
- The rebalancing costs are the higher the more often such transactions take place.
- Without an appropriate compensating mechanism the costs are borne by all investors, affecting their performance.
- The dilution levies shall protect the existing investors by allocating the transaction costs to those who cause them (cost-by-cause principle)

▪ Money Market	0.00 % / 0.00% (in/out)
▪ Bonds	0.20 % / 0.23 % (in/out)
▪ BVG Equity-25	0.17 % / 0.12 % (in/out)
▪ BVG Equity-40	0.17 % / 0.11 % (in/out)
▪ LifeCycle 2015	0.14 % / 0.09 % (in/out)
▪ LifeCycle 2020	0.17 % / 0.11 % (in/out)
▪ LifeCycle 2025	0.18 % / 0.12 % (in/out)
▪ LifeCycle 2030-2055	0.17 % / 0.11 % (in/out)

Fees

- **Overall annual fee: 0.061%**
(TER)

- **The flat rate includes:**
 - Portfoliomanagement
 - Reporting
 - Broker's fees
 - Administration
 - Custodian fee
 - Client services