



## Novartis Pension Funds Individual Investment Choice Options

Information events for Novartis associates  
June 11 & 26, 2012

# Agenda

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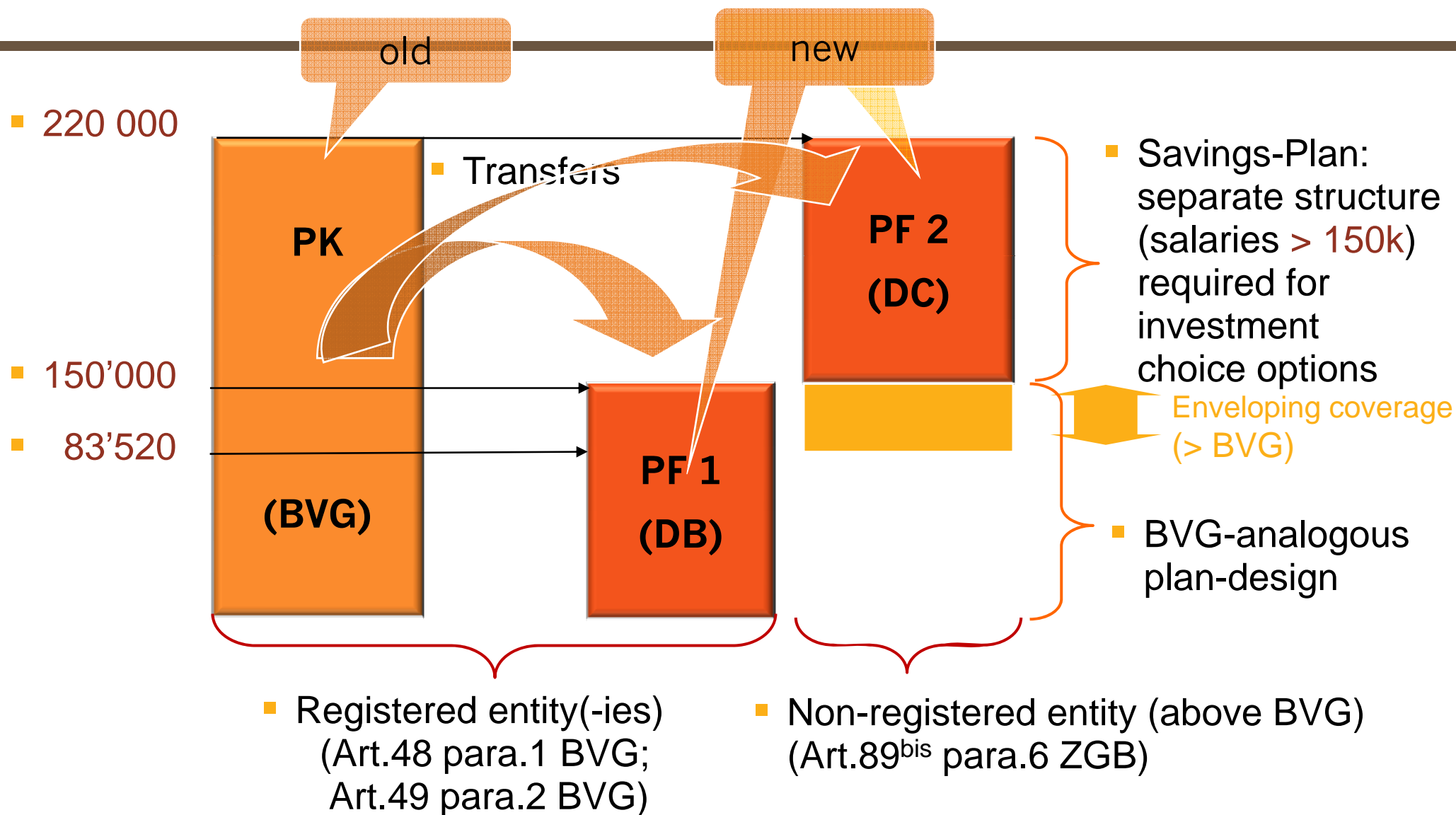
- The essentials of the new plan at a glance
- Structure of the Novartis Pension Funds
- The new defined contributions concept
- Investment allocation Novartis Pension Fund 2
- Presentation Vermögenszentrum (VZ)
  - Key factors of the risk structure
  - Impact of the risk structure
  - Payout of retirement benefits
- Annex

# The essentials of the new plan at a glance

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- The contributions in the new system are age-related, with members being able to choose between three contribution scales (**“Standard”**, **“Standard Minus”** and **“Standard Plus”**).
  - The plan has been designed so that the **target benefit remains 60%** of the last insured salary on retirement at the age of 65 if the “Standard” contribution scale is chosen.
  - **Early retirement** from age 60 onwards is still possible, but this will no longer be subsidized.
  - Novartis and insured members’ contributions are higher than under the old plan. The funding arrangements are based as before on a **2:1 ratio of employer and employee contributions** (if the “Standard” contribution scale is chosen).
- **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 new Novartis defined contributions concept

Risk CHF 0 – 220 000	CHF 150 – 220 000	<b>Novartis Pension Fund 2 (PF 2)</b> <ul style="list-style-type: none"><li>▪ Contributions of employer and members in ratio 2 : 1</li><li>▪ Savings process in defined contributions plan (interest according to investment performance)</li><li>▪ Retirement benefits: lump sum</li><li>▪ Risk benefits (death/disability): accrued capital, at least 400% of insured salary</li><li>▪ <u>Individual choice of investment strategy</u></li></ul>
	Savings CHF 0 – 150 000	<b>Novartis Pension Fund 1 (PF 1):</b> <ul style="list-style-type: none"><li>▪ Standard contributions of employer and insured members in ratio 2 : 1</li><li>▪ Savings process in defined contributions plan (minimum interest 0%)</li><li>▪ Retirement benefits: pension with sustainable conversion ratio / higher lump sum option (maximum 50% compared with 25% in the old plan)</li><li>▪ Risk benefits (death/disability) in the form of a pension</li><li>▪ Additional savings plan from age 40</li></ul>

# Investment allocation PF2 - 4 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



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**VZ VermögensZentrum**

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Winterthur  
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# Portfolio Strategies for Pension Scheme Assets

*Road Show for Novartis employees*

Basel, June 2012



## **Reception and Introduction**

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

Question and Answer session



## **Stefan Thurnherr, Managing Director**

Stefan Thurnherr is Member of the Board of the VZ VermögensZentrum. As a specialist in all Pension Scheme Subjects, he is counselling institutional clients concerning all matters of occupational benefits. He is well known from TV clips and radio interviews, because due to his great experience and his independent position, he is a popular interview partner.



## **Karl Flubacher, Head of Basle Branch**

Karl Flubacher completed studies in economics at the University of Basel. He is Associate Director at VZ VermögensZentrum. He conducts regularly public and company-internal seminars. Major key-themes of his work are sophisticated retirement and inheritance plans.

Reception and Introduction

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# Definition of Risk Structure

*Objective Factor*

## Investment Horizon

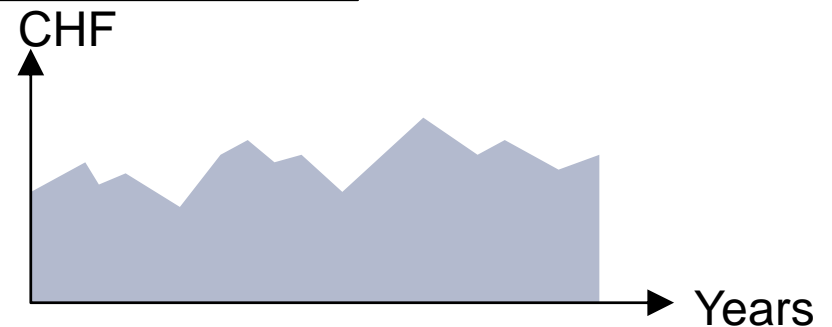
For how long should the capital be invested?

*Subjective Factor*

## Risk Tolerance

Which value fluctuation is acceptable?

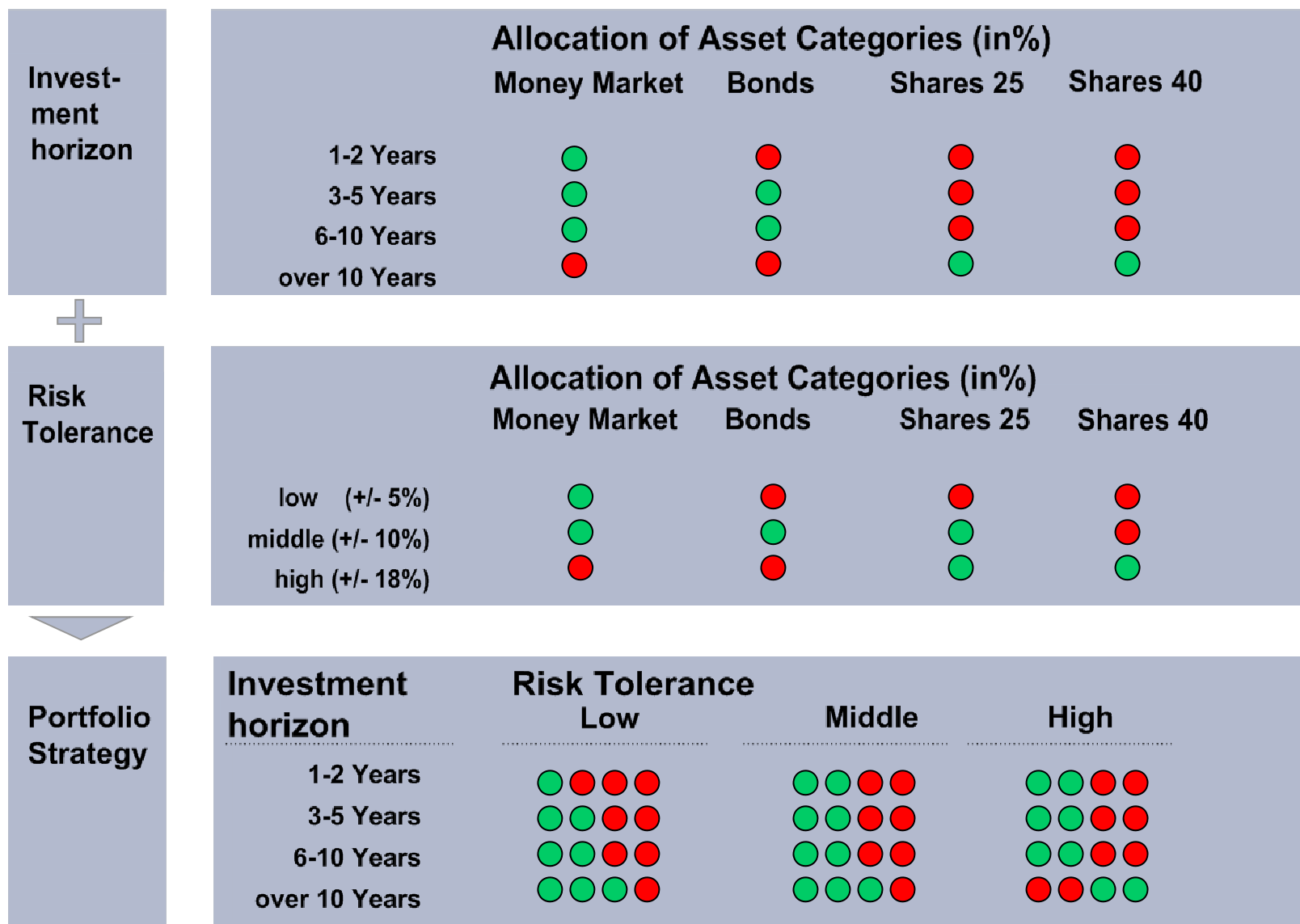
	t			
Year	2012	2013	2014	...
Age	50	51	52	...



## Risk Structure

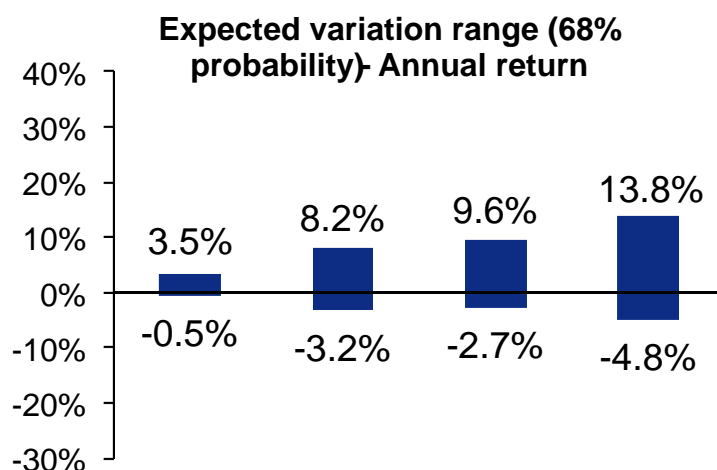
How should the capital be split in different asset categories?

# Derivation of the Risk Structure

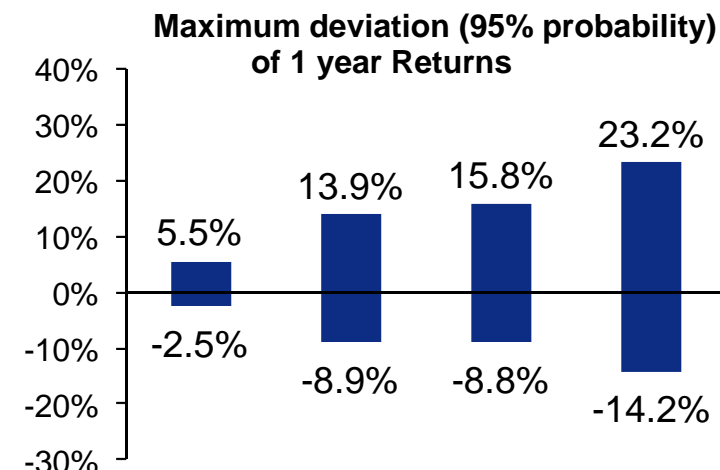


# Expected Return per Portfolio Strategy<sup>1)</sup>

Szenario	Strategy	Expected Return <sup>2)</sup>	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%



**Szenario** I II III IV



**Szenario** I II III IV

1) Fluctuation margins for return under consideration of 10 year correlation (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

Szenario Asset Structure		Expected <sup>1)</sup> Return	Risk Expectancy <sup>2)</sup>	Expectations <sup>3)</sup> Positive Negative		Maximum Deviation <sup>4)</sup> 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)

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# 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. 2011

Return p.a.	1 Year	3 Years	5 Years	8 Years	10 Years	12 Years	15 Years
> 16%	41.0%	29.7%	20.0%	18.8%	6.7%	3.6%	0.0%
12-16%	2.6%	16.2%	17.1%	9.4%	26.7%	21.4%	32.0%
8-12%	7.7%	2.7%	11.4%	25.0%	23.3%	39.3%	36.0%
4-8%	7.7%	16.2%	17.1%	21.9%	26.7%	21.4%	24.0%
0-4%	7.7%	5.4%	8.6%	12.5%	0.0%	7.1%	8.0%
< 0%	33.3%	29.7%	25.7%	15.5%	16.7%	7.1%	0.0%
	25.6%	40.5%	54.3%	68.8%	76.7%	89.3%	100.0%

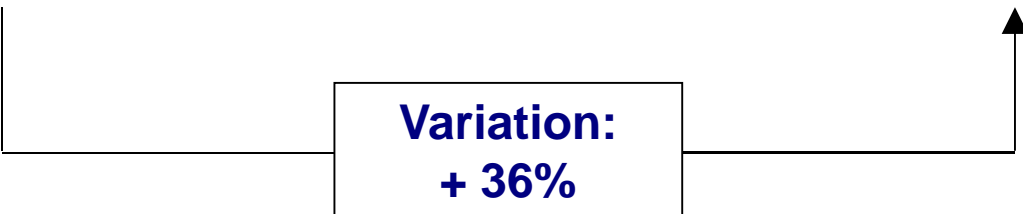
Since 1972 there have been five 10-year-periods, in which a negative performance appeared  
The last one was from 2002 – 2011.

The chart reveals the allocation of annual returns of the MSCI World Total Return Index (in CHF) for different investment periods from 1972 – 2011. An annual return of 16% or more are more frequent in shorter investment periods (e.g. 41% 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 33.3% for one-year investment periods and declines with the prolongation of the investment horizon to 16.7% (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 the Assets

Assumption: male, 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 2012)	100'000	100'000	100'000	100'000
Expected Return	1.5%	2.5%	3.5%	4.5%
Estimated Old Age Savings (30 June 2027)	315'000	349'000	386'000	429'000

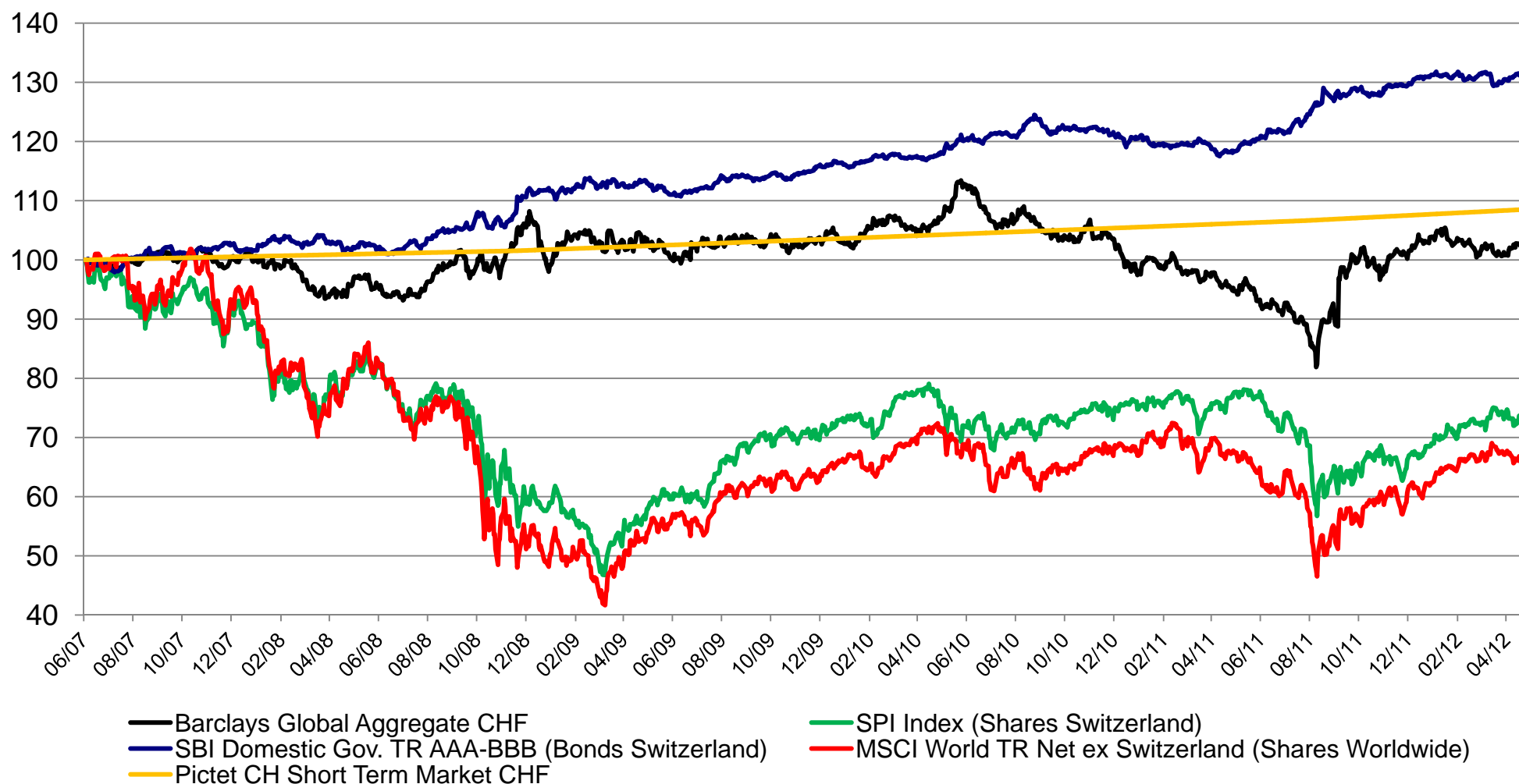


**Variation:  
+ 36%**

# Benchmarking I

From 01 June 2007 to 30 April 2012; in CHF

## Development of selected indices

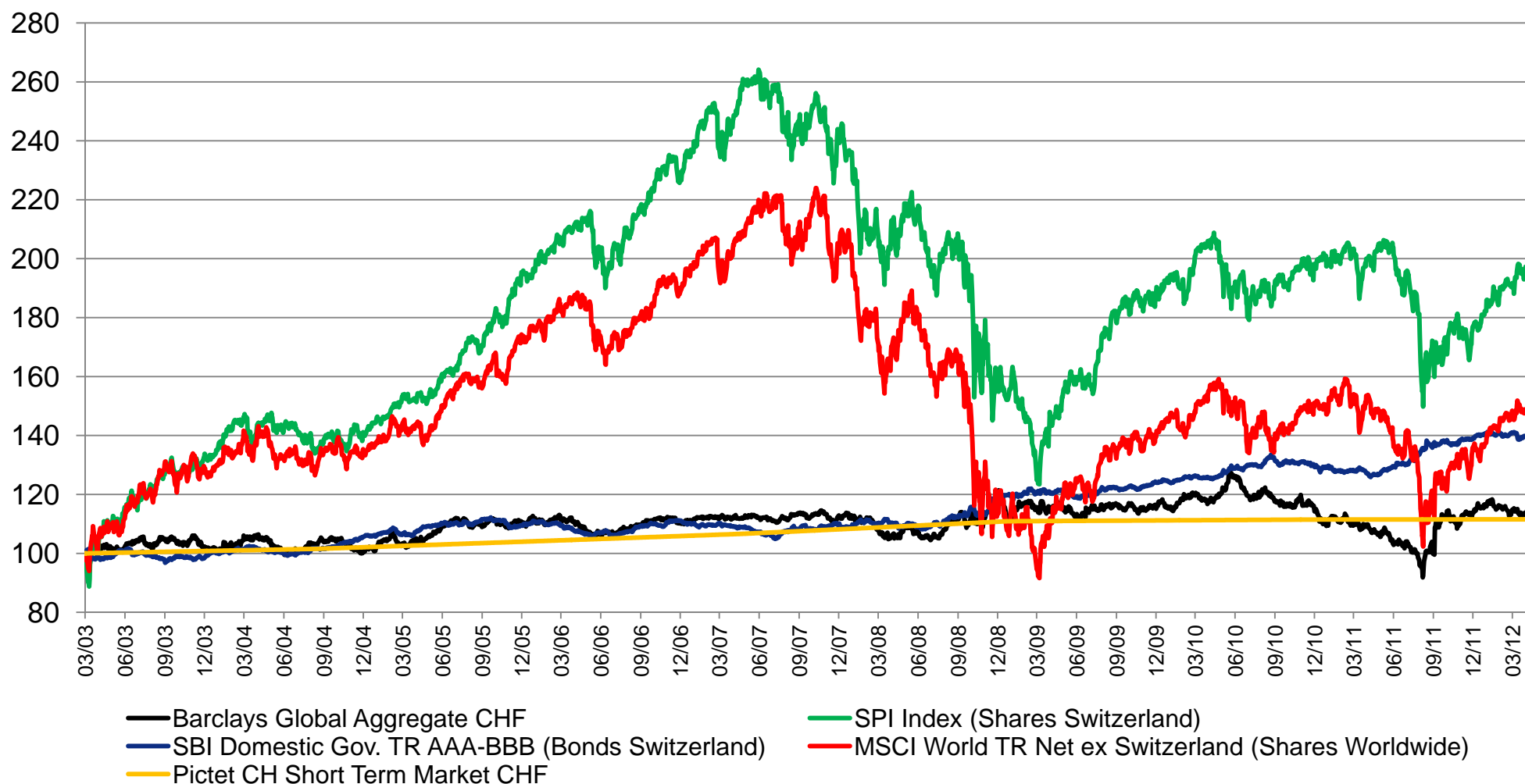


Source: Bloomberg

# Benchmarking II

From 03 March 2003 to 30 April 2012; in CHF

## Development of selected indices



Source: Bloomberg

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Question and Answer session

# Pension or Lump Sum: Comparision of criterias

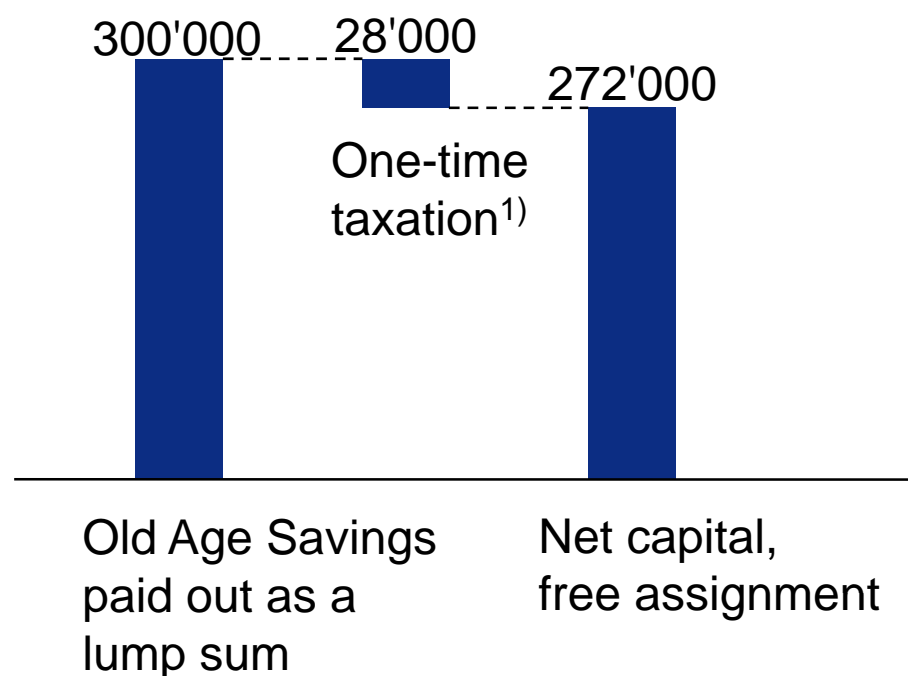
	Pension	Lump Sum
Security	High security	Security depends on asset allocation
Flexibility	No Flexibility,	High flexibility
Pension	pay-out according to pension scheme regulations	3,5–7% return / remuneration, according to income-concept
Taxes		
• Pay-out	Not applicable, no pay-out	Non-recurring taxation 3-11% (BS) Non-recurring taxation 3-20% (BL)
• Pension	Pension 100% taxable	Remuneration (from 0%) up to 100% taxable, according to income-concept
Inflationary Comensation	According to pension scheme	According to individual planning
Coverage Widow	60% of old age pension <sup>1)</sup>	up to 100% of income <sup>2)</sup>
Surviving Depend	No entitlement	According to inheritance law, testament

1) Statutory Regulation; Deviations possible depending on pension scheme

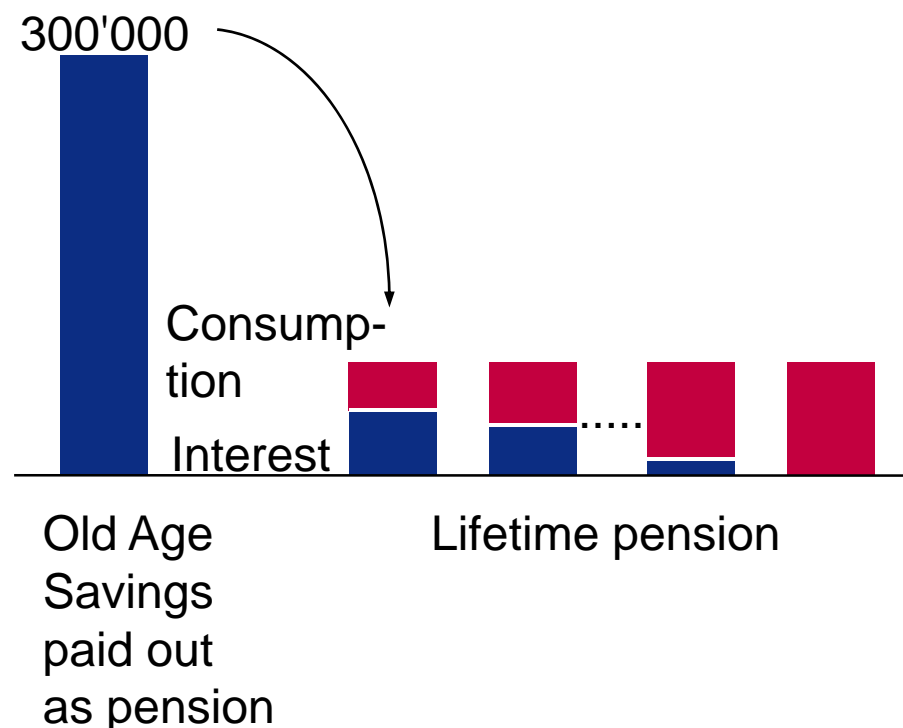
2) Under condition of most-favoured treatment for widow / widower

# Tax Treatment of Old Age Savings

## Lump Sum Payment



## Lifetime Pension <sup>2)</sup>



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

Exemple: Married taxpayer, Age 65, (TaxWare) Domicile in ...

		Lump Sum: 250'000 CHF	Lump Sum: 750'000 CHF
Federal Tax		3'832	16'832
<b>Canton</b>			
Schwyz	SZ	5'528	40'817
Chur	GR	7'312	38'006
Liestal	BL	8'300	67'778
Appenzell	AI	8'691	27'300
Zug	ZG	8'757	31'835
Schaffhausen	SH	9'150	31'183
Altdorf	UR	9'452	28'358
Bellinzona	TI	9'850	29'550
Genève	GE	10'938	41'319
Zürich	ZH	10'950	70'709
St. Gallen	SG	11'352	51'982
Glarus	GL	11'600	34'800
Bern	BE	11'690	48'697
Sion	VS	11'912	60'000
Sarnen	OW	12'618	37'854
Solothurn	SO	12'745	43'903
Luzern	LU	12'786	44'202
Frauenfeld	TG	13'300	39'900
Stans	NW	13'559	41'910
Herisau	AR	13'687	47'450
Delémont	JU	14'068	45'268
Aarau	AG	16'208	60'015
Basel	BS	16'750	56'751
Neuchâtel	NE	17'400	52'200
Fribourg	FR	18'262	71'452
Lausanne	VD	19'391	77'415



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**Question and Answer session**

# The Pension Fund Team

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



If you have questions ...



... do not hesitate to ask us !



[www.pensionskassen-novartis.ch](http://www.pensionskassen-novartis.ch)



As always, we're happy to help!

# Annex

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## 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 <sup>1</sup>		Risk Contribution <sup>2</sup>		Additional Savings Plan Contributions <sup>3</sup>		Total Contributions	
	Employee <sup>4</sup>	Employer	Employee	Employer	Employee	Employer	Employee <sup>4</sup>	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><b>Lifelong retirement pension</b></p> <ul style="list-style-type: none"> <li>• Conversion rate at age: <ul style="list-style-type: none"> <li>- 65: 6.10% (5.42%*)</li> <li>- 64: 5.95% (5.30%*)</li> <li>- 63: 5.80% (5.18%*)</li> <li>- 62: 5.65% (5.06%*)</li> <li>- 61: 5.50% (4.94%*)</li> <li>- 60: 5.35% (4.82%*)</li> </ul> </li> <li>of the existing retirement assets</li> <li>(*) Conversion rate for a survivor's pension</li> <li>• Lump-sum pay-out instead of pension up to max. 50% possible (time limit 3 months before retirement)</li> </ul> <p><b>Retirement child pension</b></p> <ul style="list-style-type: none"> <li>• 20% of pension up to age 20/25</li> </ul> <p><b>Available savings plan assets</b> can</p> <ul style="list-style-type: none"> <li>• be used to finance a bridging pension until to statutory (AHV) retirement age (temporary retirement pension) or</li> <li>• be paid out as a one-off retirement lump sum.</li> </ul>	<p><b>Spouse's or domestic partner's pension</b> for active insured members:</p> <ul style="list-style-type: none"> <li>• 60% of insured/current disability pension</li> </ul> <p>Retirement pension recipient:</p> <ul style="list-style-type: none"> <li>• 60% of retirement pension, or with the survivor's pension option 100% of retirement pension</li> </ul> <p><b>Orphan's pension</b></p> <ul style="list-style-type: none"> <li>• 20% of insured or current disability or retirement pension up to age 20/25</li> </ul> <p><b>Lump sum on death</b></p> <p>Active insured members:</p> <ul style="list-style-type: none"> <li>• 200% of insured disability pension plus accrued savings plan assets plus</li> <li>• 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</li> </ul>	<p><b>Disability pension</b></p> <ul style="list-style-type: none"> <li>• 60% of insured salary</li> <li>Risk up to age 65</li> <li>• From age 65 onwards: conversion of continued retirement assets with current conversion rate (at present 6.10%)</li> </ul> <p><b>Disability child pension</b></p> <ul style="list-style-type: none"> <li>• 20% of disability pension received up to age 20/25</li> </ul> <p><b>Disability lump sum</b> (with 100% disability)</p> <ul style="list-style-type: none"> <li>• Accrued savings plan assets</li> </ul>

# Overview of contributions

## *Pension Fund 2*

Age	Savings Contribution <sup>1</sup>		Risk Contribution <sup>2</sup>		Total Contributions	
	Employee <sup>3</sup>	Employer	Employee	Employer	Employee <sup>3</sup>	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%

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

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

<sup>3</sup>indicates standard contribution; employees can chose to contribute 2% more or 2% less



# Overview of benefits

## *Pension Fund 2*

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



# Pertinent provisions in the Regulations (01.01.2011)

## *Pension Fund 2*

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### *Art.5 Retirement credits and retirement assets*

2. The following provisions apply to the operation of a retirement account:
  - a. The insured person may choose between three to five investment strategies. Accordingly, the performance as in Paragraph 1 is calculated on the basis of the positive or negative outcome actually achieved with the investment in the category selected (after deduction of expenses). There is no guarantee as regards interest or the capital invested.
  - b. The performance is calculated monthly on the balance of the retirement account at the end of the previous month and credited or debited to the retirement account at the end of each calendar month. The retirement credits of the calendar month concerned are added to the retirement assets.
  - c. If a joining fee or voluntary extra contributions are paid in, these are treated in the same way as the calendar month concerned.
  - d. Tritt ein Versicherungsfall ein oder scheidet ein Versicherter während des Kalenderjahres aus der Pensionskasse 2 aus, wird die Performance für das laufende Kalenderjahr aufgrund des tatsächlich erzielten Anlageergebnisses bis zum Ende des betreffenden Monats bestimmt.
3. In the case of full disability, the retirement assets available at the start of entitlement to a disability pension from the Pension Fund are paid out as a lump sum on disability.
4. In the case of partial disability, the retirement assets at the start of entitlement to a disability pension from the Pension Fund are divided up according to the entitlement to a disability pension from the Pension Fund (or entitlement to a disability lump sum from Pension Fund 2). The retirement assets corresponding to the disability part are paid out as a disability lump sum to the partially disabled insured person and the retirement assets corresponding to the active part are continued as for a fully active insured person. The insured remuneration is determined according to Article 4 on the base salary that continues to be paid.
5. If the insured remuneration is discontinued the retirement assets are continued without any further retirement credits as described in Paragraph 2.

# Pertinent provisions in the Regulations (01.01.2011)


## *Pension Fund 2*

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### *Art.6 Choice of investment strategy*

1. The insured person can choose between three to five investment strategies with different risk profiles (Appendix 4). If the right to choose is not exercised, the retirement assets are automatically invested in the strategy of "Bonds".
2. The Board of Trustees decides on the focus and composition of the investment strategies available and chooses the provider or providers and investment funds.
3. The performance is based on the retirement assets and the actual yield from the selected investment strategy. There is no entitlement to a certain interest or a nominal value guarantee as regards the invested capital.
4. The insured person may exercise his/her right to choose once a month using the form provided. This choice remains effective as long as the insured person makes no new decision. Pension Fund 2 must likewise be notified of a new decision in writing by means of the form provided. The form must reach Pension Fund 2 not later than five working days before the end of the month, so that the instructions can be acted on the following month. If the allocation decision is announced too late to be acted on the following month, it will be taken into account the month after.
5. The values of an investment category may change in the period between the allocation decision and the actual investment.

# Secure internet platform (provided by UBS)


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HomePortfolioTransactionsDocument LibraryPersonal DataPension Plans



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 Request

Task Description	Attend By
<a href="#">Please click here to inform your pension fund of your chosen investment strategy.</a>	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

INTRA

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 NOVNI9 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	

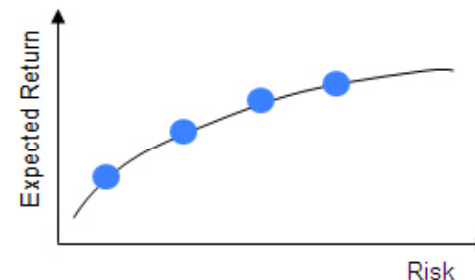
This questionnaire will help you select an investment strategy that best suits your own personal requirements, objectives and risk tolerance.

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

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**Documents**


☐ Pension Plans

Description	Links	Comments
Factsheets	<a href="#">Factsheet Bonds (en)</a>	
Factsheets	<a href="#">Factsheet Money Market (en)</a>	
Factsheets	<a href="#">Factsheet Share 40 (en)</a>	
Factsheets	<a href="#">Factsheet Share 25 (en)</a>	
Guidelines	<a href="#">Guidelines - Novartis Pension Fund 2 (en)</a>	
Information	<a href="#">Dilution levies - Novartis Pension Fund 2 (en)</a>	
Spotlights	<a href="#">Spotlight Share 25 (en)</a>	
Spotlights	<a href="#">Spotlight Share 40 (en)</a>	
Spotlights	<a href="#">Spotlight Money Market (en)</a>	
Spotlights	<a href="#">Spotlight Bonds (en)</a>	

☐ Personal Bank Details

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# Information documents examples



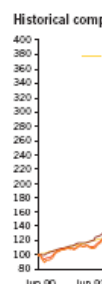
UBS Investment Foundation



In the following  
(in years to retirement)

3 years
• Money Market
• Bonds
Rule of

Historical comparison  
A historical comparison picture: the movement of fluctuations in each individual of various factors



## Guidelines

Novartis Pension Fund  
of investment strategy

As is clearly visible  
important role

For example, in  
November 2001  
the same period

Nevertheless, a  
entire review period



## UBS AST 2 BVG Equity-40 passive I-SI

Data as of the end of April 2012

### 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%
Dilution levy	IN 0.17% / OUT 0.18%
Launch date	26.1.2011
Benchmark	Customized Benchmark

### Current data

Net asset value 30.4.2012	CHF	102.98
Assets of the share class (in Mio.)	CHF	57.67
- Assets of all share classes (in Mio.)	CHF	57.67
Last distribution		reinvested

### Key risk figures (annualised)

	3 years	5 years
Tracking error	n.a.	n.a.
Beta	n.a.	n.a.
Correlation	n.a.	n.a.
Total risk	n.a.	n.a.
Sharpe ratio	n.a.	n.a.
Risk-free rate (5 years) = 0.17%		

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

### Investment categories (in %)

	Investment group
Foreign currency bonds (with FX-Hedge)	30.01
Foreign equities (without FX-Hedge)	29.99
Domestic Bonds in CHF	15.46
Foreign Bonds in CHF	14.16
Equities Switzerland	9.99
Liquid assets CHF	0.39
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
<b>Total</b>	<b>100.00</b>

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

### Performance (in %)

	Investment group
05.2011	-0.46
06.2011	-1.25
07.2011	-2.36
08.2011	-1.48
09.2011	1.00
10.2011	2.20
11.2011	-0.02
12.2011	1.94
01.2012	1.86
02.2012	1.44
03.2012	0.43
04.2012	0.00
2012 YTD	3.80
2011	-0.79
since launch (26.1.2011)	2.98

### Indexed performance



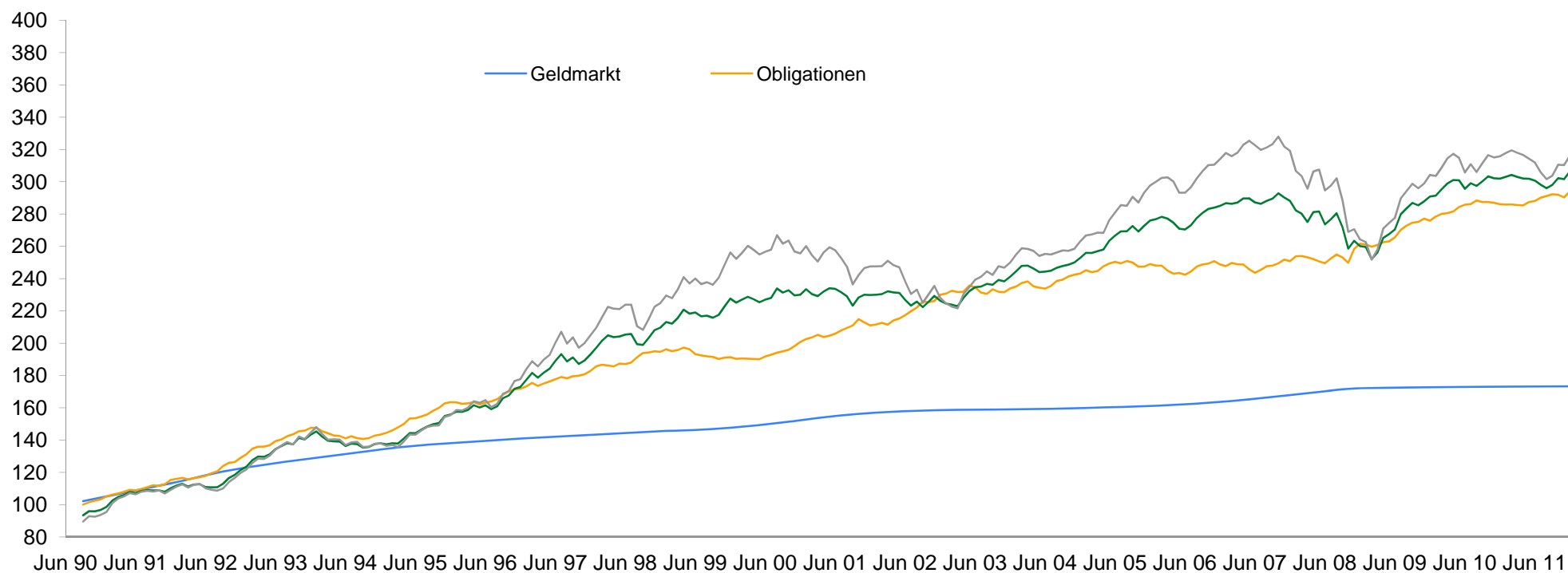
Past performance is no guarantee of future trends. The performance shown does not take account of any commissions and costs charged when subscribing to and redeeming units.

### Summary with BVV2 comparison (in %)

	Investment group	BVV2-Max
Total investments in CHF	40.0	100.0
Total investments in foreign currencies (with FX-Hedge)	30.0	100.0
Total investments in foreign currencies (without FX-Hedge)	30.0	30.0
<b>Total</b>	<b>100.0</b>	<b>n.m.</b>
Total nominal values	60.0	100.0
Total Equities	40.0	50.0
Total real estate	0.0	30.0
Total Alternative Assets	0.0	15.0
<b>Total</b>	<b>100.0</b>	<b>n.m.</b>
Real Estate Switzerland	0.0	30.0
Total foreign real estates	0.0	10.0
<b>Real estate total</b>	<b>0.0</b>	<b>30.0</b>



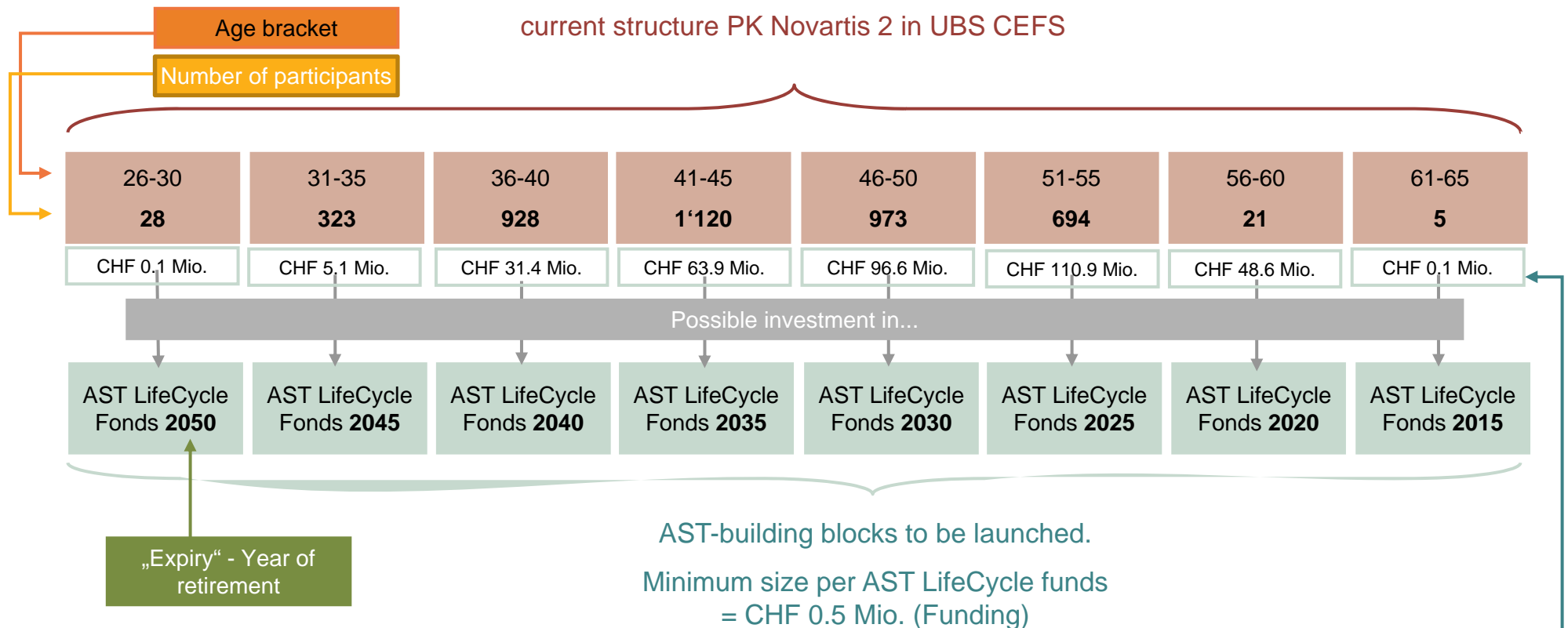
# Historical Performance





# Life Cycle Strategy - Implementation proposal

Current structure of beneficiaries/volumes per suggested AST LifeCycle Fund



Source: UBS CEFS. Data as of 31.1.2012

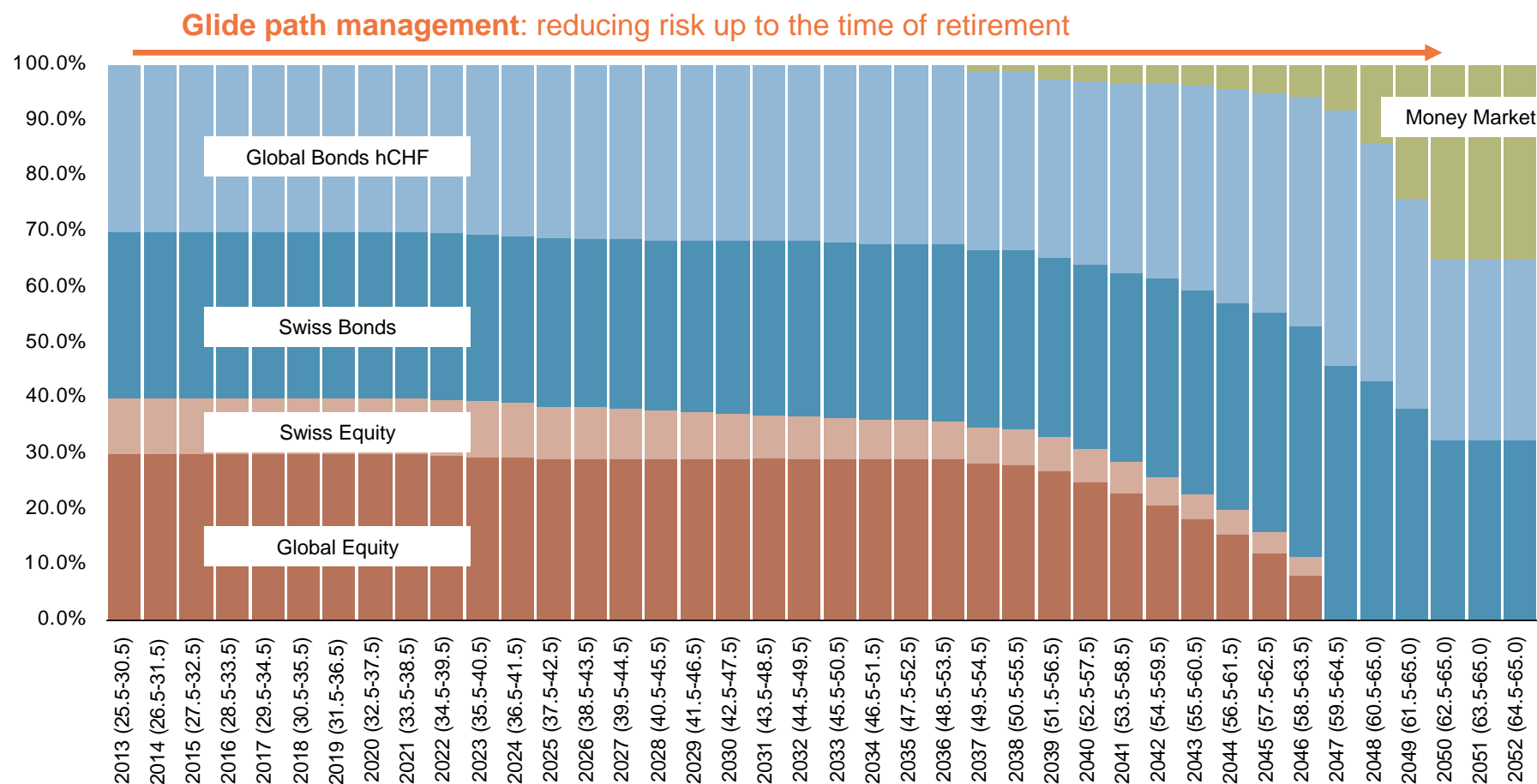
Shown are the currently invested assets of PK Novartis 2 per age group (100% of the participants)

# Life Cycle Strategy - Implementation proposal

(2)

## Allocation example AST LifeCycle Funds 2050

For participants, who will be 25-30 years old in 2013



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

# Dilution protection

## Presently valid conditions (September 2011)

---

### Dilution levies are a fair mechanism...

- **Money Market (Valor 12196175)**      **0.00% / 0.00%**    **(in/out)**
- **AST Bonds (Valor 12195053)**      **0.20% / 0.23%**    **(in/out)**
- **BVG Equity-25 (Valor 12195060)**      **0.18% / 0.18%**    **(in/out)**
- **BVG Equity-40 (Valor 12195085)**      **0.18% / 0.18%**    **(in/out)**

- **The dilution levies shall protect the existing investors and is not an additional fee for the asset managers.**
- **The extent of the dilution levies is examined regularly and adjusted to prevailing market conditions.**
- **In order to guarantee transparency in the future these levies are shown on the respective fact sheets.**

**... to protect the long term investor from a dilution of his performance.**