



Pension Funds Novartis

What's good to know for your personal financial & retirement planning

Information events for Novartis associates

March 9, 2021 / May 20, 2021

 **NOVARTIS** | Reimagining Medicine

Agenda

- Flexibility is key: The Novartis pension plans in Switzerland
 - The Novartis defined contributions concept at a glance
 - Investment allocation: 4 basic strategies to choose from
 - New: «Sustainable» investment strategy as a 5th option
 - The LifeCycle model as a 6th strategy: The way it works
- Presentation Vermögenszentrum (VZ)
 - Key factors of the risk structure
 - Impact of the risk structure
 - Payout of retirement benefits

www.pensionskassen-novartis.ch

Flexibility is Key: The 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 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 their partner in the same amount as the retirement pension („joint life“ annuity).

Flexibility is Key: The Swiss Pension Plans (2)

- **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**.
- As from January 2016, the **Management Pension Fund** also offers a choice of contribution scales and investment strategies.

The Novartis defined contributions concept at a glance

Risk 0 – 220'000	150'000 – 220'000	Novartis Pension Fund 2 (PF 2) <ul style="list-style-type: none">• Standard contributions of employer and insured members in ratio 2 : 1• Savings process in defined contributions plan (interest = investment performance)• Retirement benefits: lump sum• Risk benefits (death/disability): accrued capital, at least 400% of insured salary• Individual choice of investment strategy
	Savings 0 – 150'000	Novartis Pension Fund 1 (PF 1) <ul style="list-style-type: none">• 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 (max. 50%)• Risk benefits (death/disability) in the form of a pension• Additional savings plan from age 40

Asset allocation: 4 basic strategies for selection

	Money Market	Bonds ^{Plus}	Equity 25 ^{Plus}	Equity 40 ^{Plus}
Cash	100.0%			
	100.0%			
Fixed income		80.0%	60.0%	45.0%
Bonds CHF Foreign		10.0%	10.0%	5.0%
Bonds Global (hCHF)		50.0%	30.0%	30.0%
Corporate Bonds Global (hCHF)		20.0%	20.0%	10.0%
Equity			25.0%	40.0%
Equity Switzerland			5.0%	10.0%
Equity World			17.0%	20.0%
Equity World (hCHF)				5.0%
Equity Emerging Markets			3.0%	5.0%
Real Estate		20.0%	15.0%	15.0%
Real Estate Switzerland		20.0%	15.0%	10.0%
Real Estate World (hCHF)				5.0%
Total	100.0%	100.0%	100.0%	100.0%
FX Exposure	0.0%	0.0%	20.0%	25.0%

New: Sustainable investment strategy

Background

- The Pension Fund Novartis (PF1) was among the early adopters of the idea to introduce **Environmental, Social & Governance (ESG) criteria** to its investment strategy almost 20 years ago.
 - The current ESG guidelines are available on the Pension Funds' website:
https://www.pensionskassen-novartis.ch/E_Anlagerichtlinien.pdf
- With regard to Pension Fund Novartis 2 (PF2), all of the current strategies (Money Market, Bonds ^{Plus}, Equity 25 ^{Plus}, Equity 40 ^{Plus} and LifeCycle ^{Plus}) are in conformity with the exclusion list of the **Swiss Association for Responsible Investments (SVVK–ASIR)**.
- In May last year, we complemented the existing selection with an additional, specifically designed «**ESG Strategy**», sporting similar risk-return characteristics as the current Equity 25 ^{Plus} investment option.

New: Sustainable investment strategy

«Equity 25 ^{ESG}» as a 5th investment option

- The new **UBS AST 2 BVG Equity 25 ^{ESG}** investment option joins the existing range of strategies (Money Market, Bonds ^{Plus}, Equity 25 ^{Plus}, Equity 40 ^{Plus} and LifeCycle ^{Plus}) as an additional, particularly sustainable variant.
 - The underlying asset classes of the new strategy follow a multiple research **screening process** in order to make a meaningful contribution to a more sustainable world.
 - The applied **sustainability policies** exclude certain companies and prefer companies with a high ESG score and with a strong climate awareness
 - ... and seek to **vote** consistently in line with recognized ESG-principles.
- The new Equity 25 ^{ESG} investment option has a very similar **risk/return profile** as the existing Equity 25 ^{Plus} strategy,
 - ... with only slightly higher Total expense ratio (TER) and switching costs (dilution levies).

Sustainable investment strategy

«Equity 25 ESG»: Comprehensive policy / approach

Index	ESG - Approach				
	Exclusions	Climate focus	Sustainability	ESG voting	GRESB
MSCI Switzerland IMI Socially Responsible	✓		✓	✓	
Equities Global Climate Aware	✓	✓	✓	✓	
MSCI Emerging Markets Socially Responsible	✓		✓	✓	
Global Bonds Climate Aware	✓	✓			
Global Corporate Bonds Climate Aware	✓	✓	✓		
Swiss Real Estate Securities Selection Passive					✓

Climate Focus: Meaningful carbon reduction and aligned to forward-looking carbon reduction targets

Sustainability: Strategies with sustainability/SI policies playing a significant role in the investment process

ESG-Voting: Seek to vote consistently and in line with UBS governance principles across all portfolios

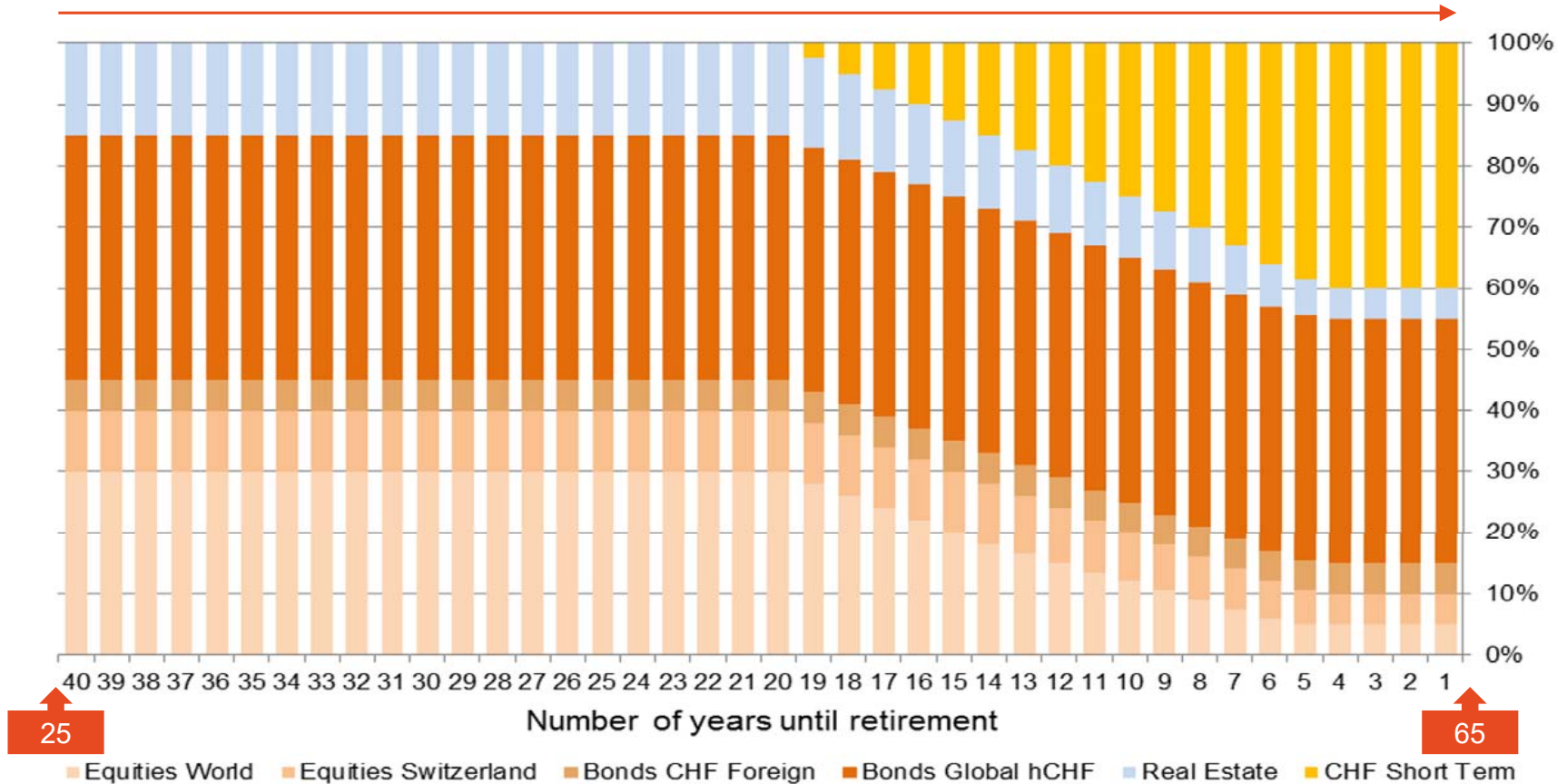
GRESB: Independent organization committed to assessing the environmental, social and governance performance of real estate portfolios across the world. GRESB is now recognized as the leading global sustainability benchmark.

“LifeCycle”-Model as a 6th strategy

- 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 and MPF
 - Favorable pricing conditions
 - Reasonably staggered age-brackets so as not to unnecessarily complicate the setup (5-year “vintages” rather than 1 or 10-year spreads)

"LifeCycle"-Model: The way it works

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





VZ VermögensZentrum

Introduction

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

Question and Answer Session



Karl Flubacher, Executive Board Member

Karl Flubacher, MA in Economics and Business Administration, is Associate Partner at VZ VermögensZentrum. He regularly gives public and company-internal seminars. He specializes in sophisticated retirement and inheritance planning strategies.

Introduction

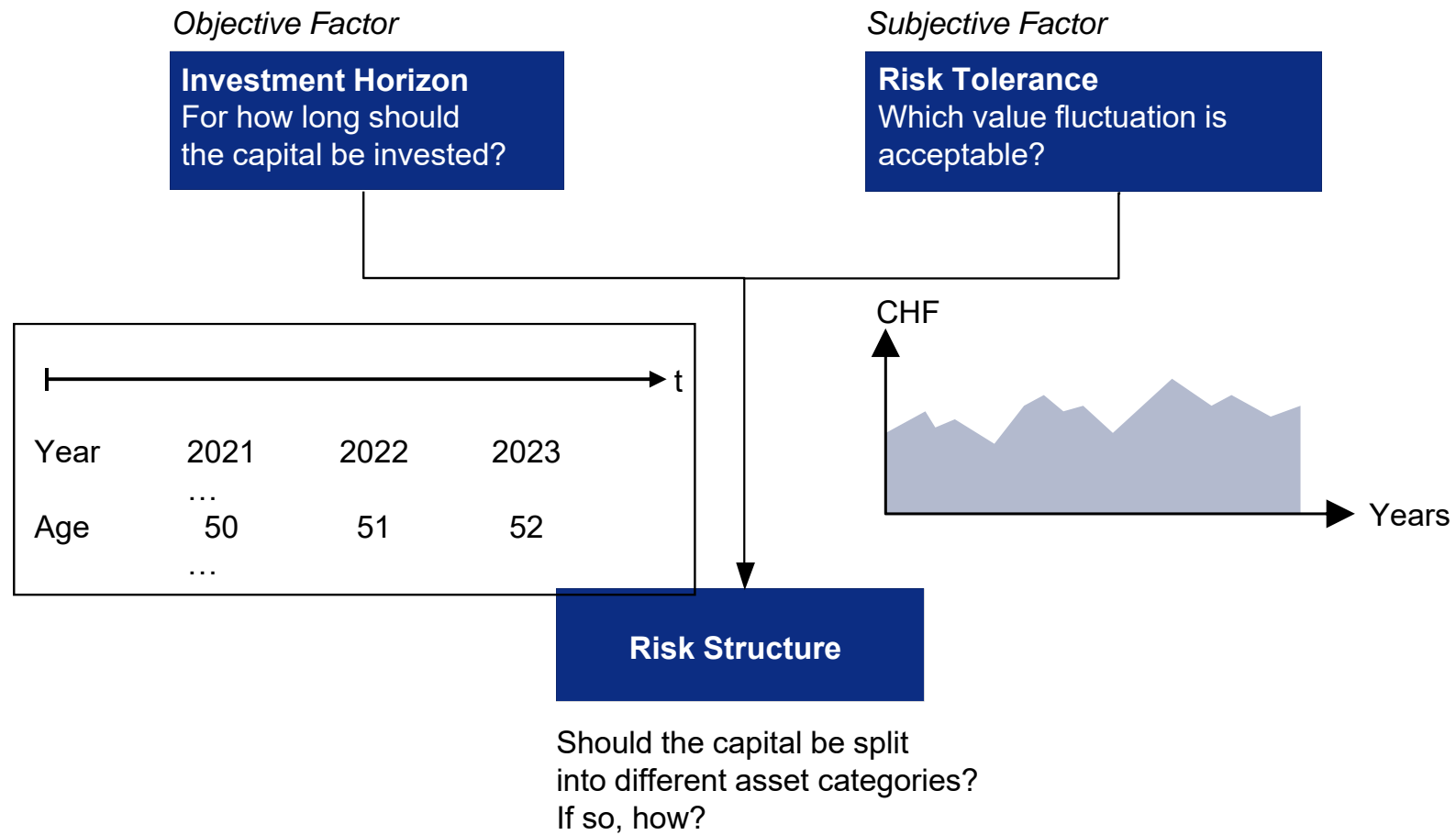
1. Derivation of Risk Structure

2. Impact on Risk Structure

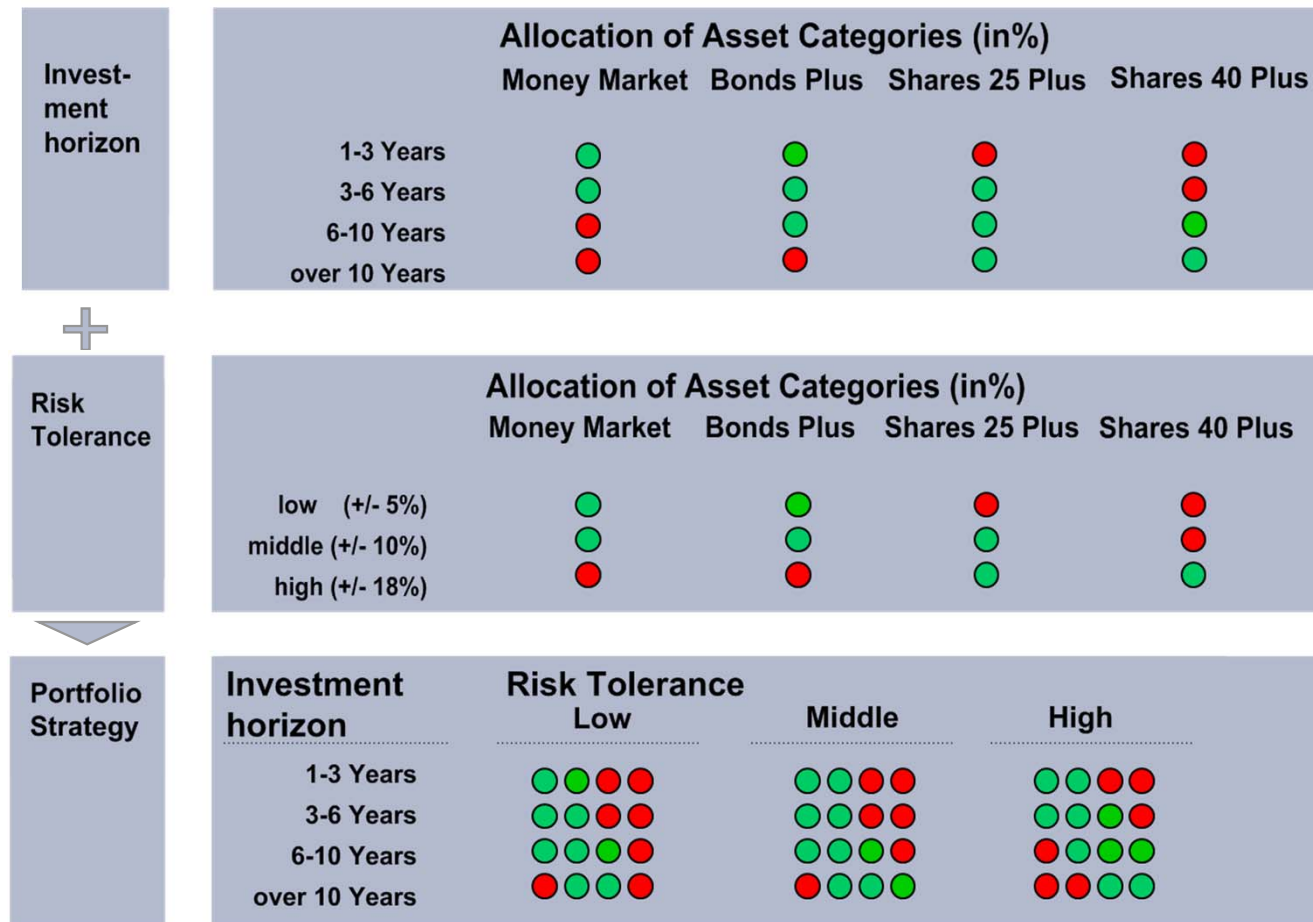
3. Payout of Individual Pension Scheme Old Age Savings

Question and Answer Session

Definition of Risk Structure

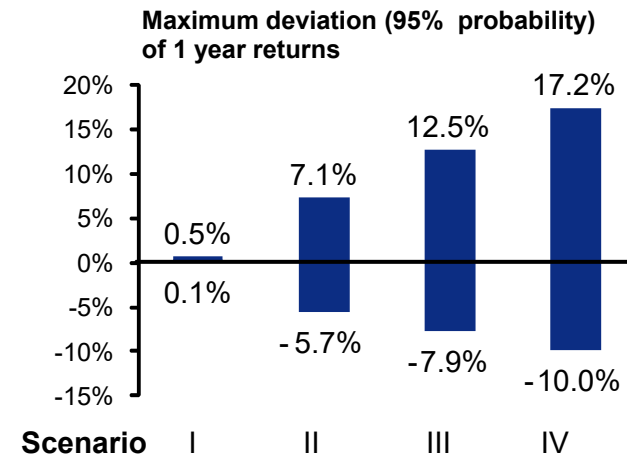
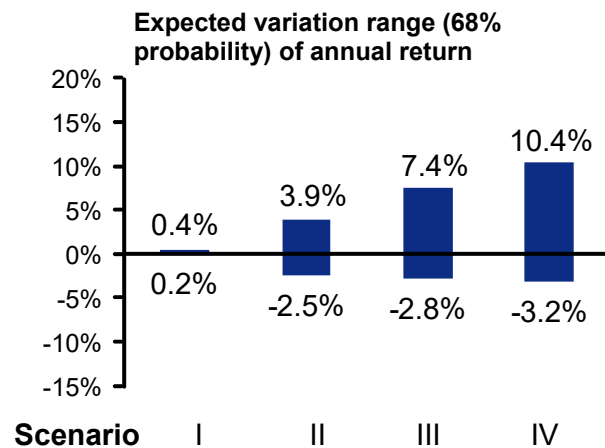


Derivation of the Risk Structure



Expected Return per Portfolio Strategy

Scenario	Strategy	Expected Return	Expected Variation Range		Best Case	Worst Case
I	Money Market	0.3%	0.4%	0.2%	0.5%	0.1%
II	Bonds Plus	0.7%	3.9%	-2.5%	7.1%	-5.7%
III	Shares 25 Plus	2.3%	7.4%	-2.8%	12.5%	-7.9%
IV	Shares 40 Plus	3.6%	10.4%	-3.2%	17.2%	-10.0%



Impact on Expected Return and Risk

in CHF

Scenario Asset Structure		Expected ¹⁾ Return	Risk	Expectations ³⁾ Positive Negative		Maximum Deviation ⁴⁾ Best Case Worst Case	
I	Money Market	+ 0.3%	+/- 0.1%	+ 0.4%	+ 0.2%	+ 0.5%	+ 0.1%
		+ 300 CHF	+/- 100 CHF	+ 400 CHF	+ 200 CHF	+ 500 CHF	+ 100 CHF
II	Bonds Plus	+ 0.7%	+/- 3.2%	+ 3.9%	- 2.5%	+ 7.1%	- 5.7%
		+ 700 CHF	+/- 3.200 CHF	+ 3.900 CHF	- 2.500 CHF	+ 7.100 CHF	- 5.700 CHF
III	Shares 25 Plus	+ 2.3%	+/- 5.1%	+ 7.4%	- 2.8%	+ 12.5%	- 7.9%
		+ 2.300 CHF	+/- 5.100 CHF	+ 7.400 CHF	- 2.800 CHF	+ 12.500 CHF	- 7.900 CHF
IV	Shares 40 Plus	+ 3.6%	+/- 6.8%	+ 10.4%	- 3.2%	+ 17.2%	- 10.0%
		+ 3.600 CHF	+/- 6.800 CHF	+ 10.400 CHF	- 3.200 CHF	+ 17.200 CHF	- 10.000 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 after one year with standard deviation (68% of all values observed)

4) Expected return after 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. 2020

Return p.a.	1 Year	3 Years	5 Years	8 Years	10 Years	12 Years	15 Years
> 16%	41.7%	21.7%	13.6%	7.3%	5.1%	0.0%	0.0%
12-16%	2.1%	19.6%	18.2%	12.2%	12.8%	16.2%	17.6%
8-12%	10.4%	10.9%	22.7%	29.3%	33.3%	32.4%	26.5%
4-8%	8.3%	17.4%	13.6%	17.1%	23.1%	27.0%	29.4%
0-4%	6.3%	6.5%	9.1%	22.0%	12.8%	16.2%	23.5%
< 0%	31.3%	23.9%	22.7%	12.2%	12.8%	8.1%	2.9%
	27.1 %	54.3 %	63.6 %	80.5 %	82.1 %	91.9 %	97.1 %

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

Impact of the Investment Strategy on Assets

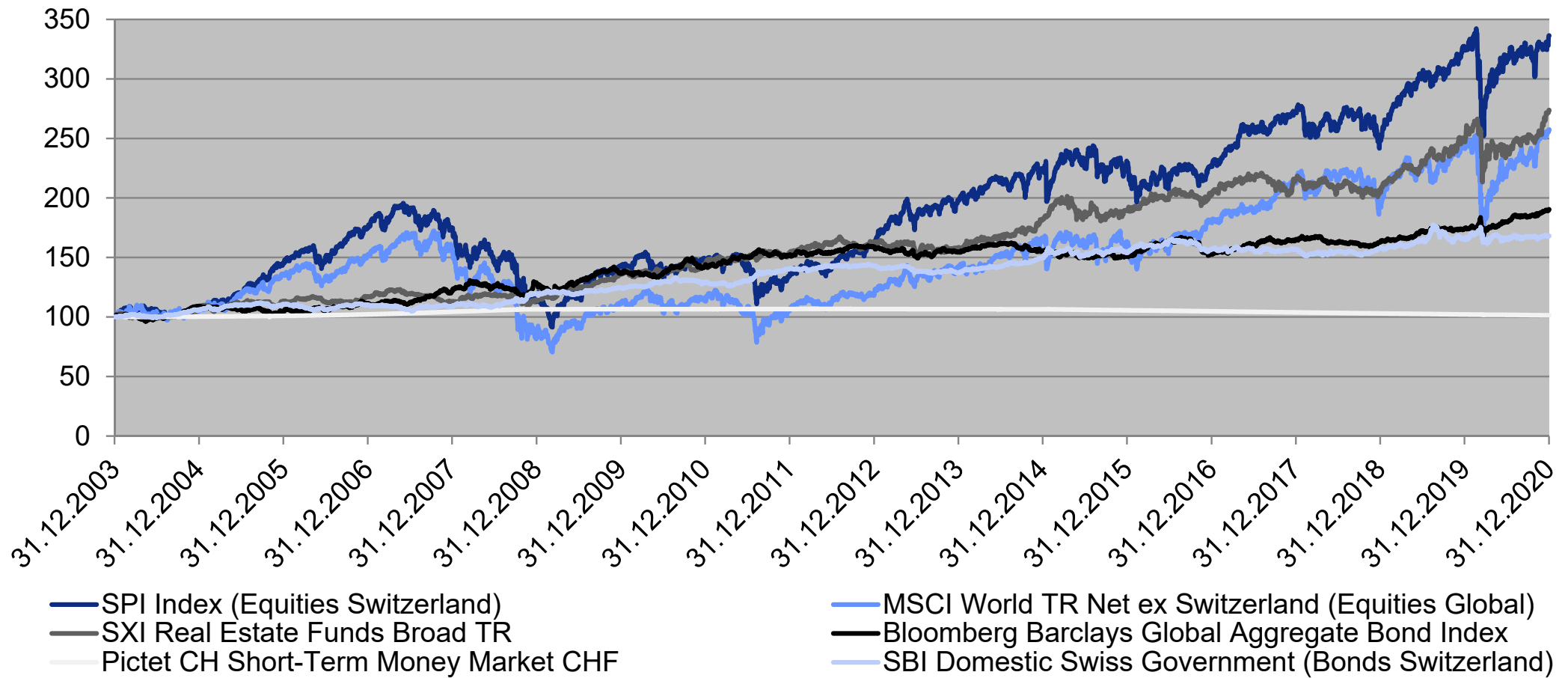
Assumption: Person is 50 years old, income 200.000 CHF; retirement at 65 (in CHF)

Investment Strategy	Money Market	Bonds Plus	Shares 25 Plus	Shares 40 Plus
Old Age Savings (1 June 2021)	100.000	100.000	100.000	100.000
Expected Return	0.3 %	0.7%	2.3 %	3.6 %
Estimated Old Age Savings (30 June 2036)	272.000	283.000	336.000	387.000

The diagram shows a horizontal line with an upward-pointing arrow on the right side. A box labeled 'Variation: + 42%' is positioned below the line, indicating the percentage increase in assets for the 'Shares 40 Plus' strategy compared to the 'Money Market' strategy over the 36-year period.

Benchmarking

Development of selected indices (from 31 December 2003 to 31 December 2020; in CHF)



Source: Bloomberg

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Question and Answer Session

Pension or Lump Sum: Comparison of Criteria

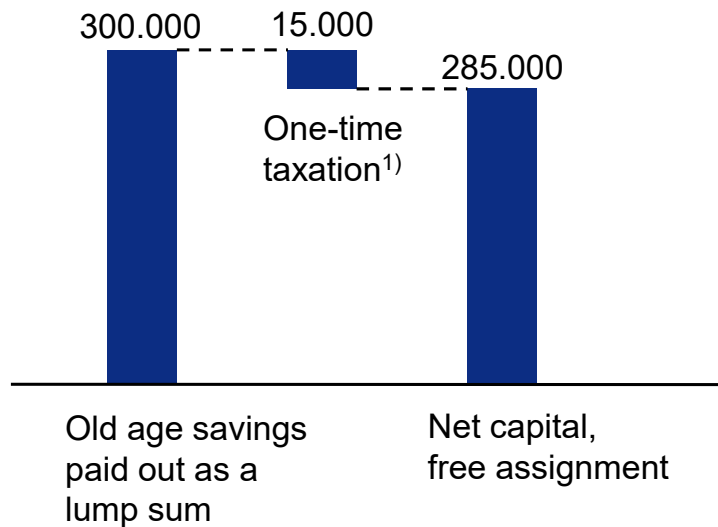
	Pension	Lump Sum
Security	High security	Security depends on asset allocation
Flexibility	No flexibility	High flexibility
Pension	Pay-out according to pension scheme regulations	3-6% return / remuneration, according to income-concept
Taxes		
• Pay-out	Not applicable, no pay-out	Non-recurring taxation 3-11% (BS) Non-recurring taxation 3-10% (BL)
• 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

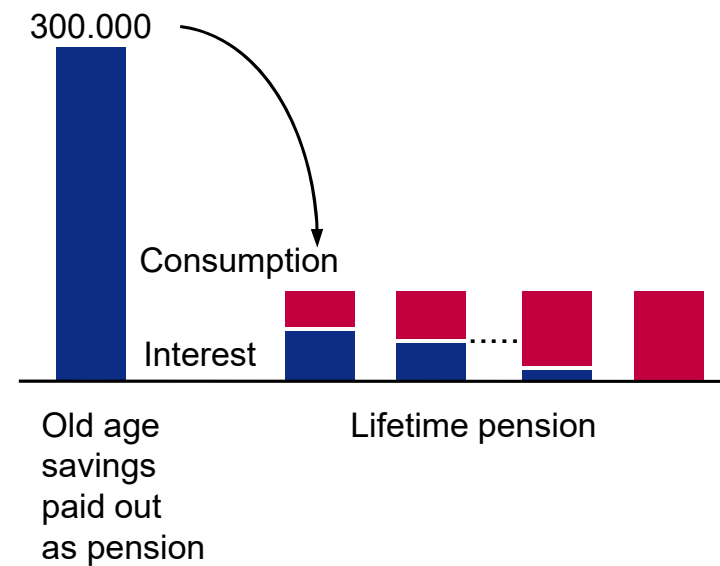
2) On condition of most-favoured treatment for widow / widower

Tax Treatment of Old Age Savings (in CHF)

Lump Sum Payment



Lifetime Pension²⁾

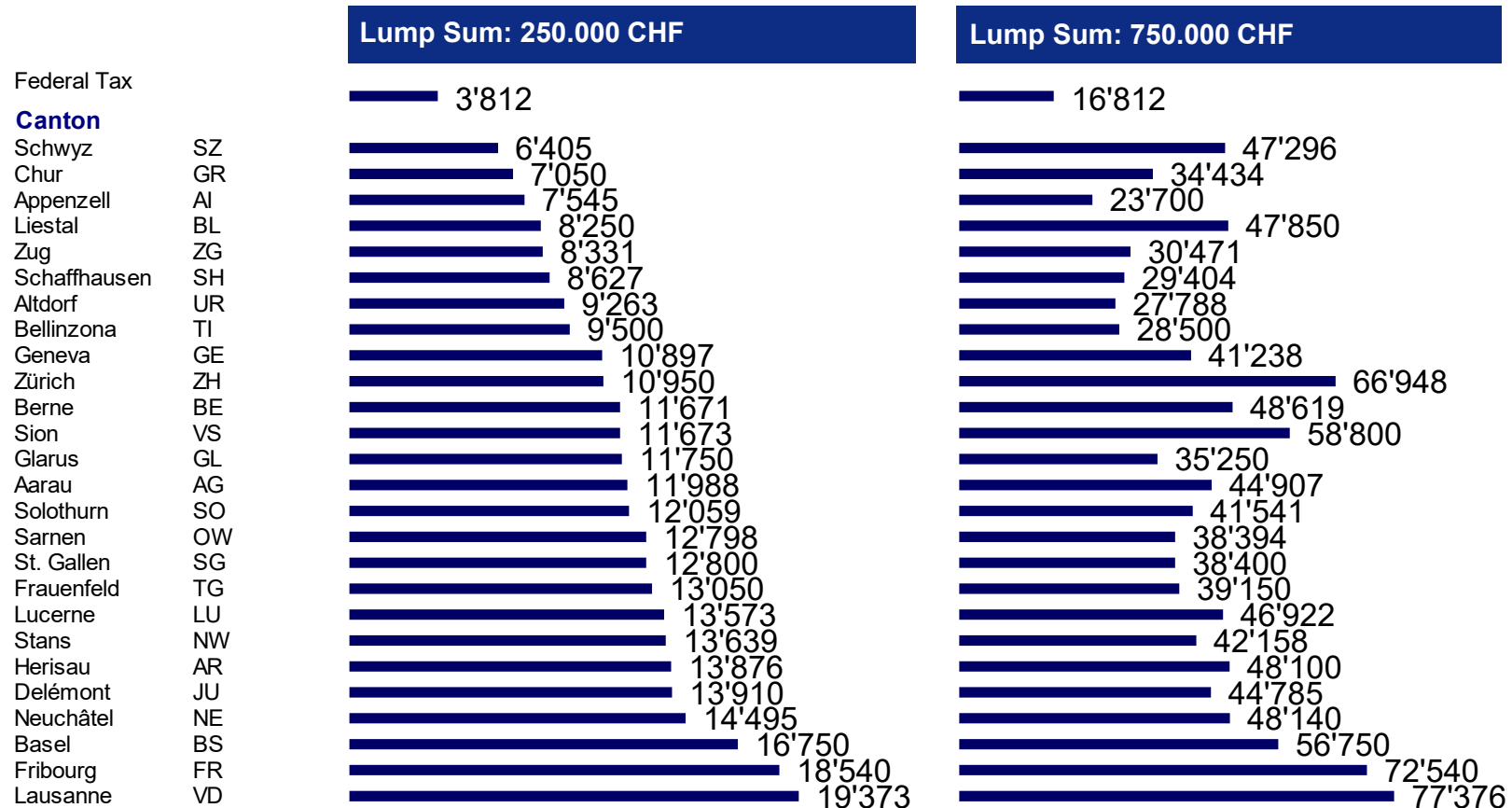


1) Taxation separated from residual income with reduced rate of taxation (cantonal differences)

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

Lump Sum Payment with Domicile in Switzerland

Example: Person is married, 65 years old, domiciled in...



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Thank you

Back up

3 contribution scales to choose from

e.g. Pension Fund Novartis 1

Age	Retirement credits ("Standard") % of insured salary			Standard plus	Standard minus
	Member	Novartis	Total	Member	Member
25 – 29	4.00	8.00	12.00	6.00	2.00
30 – 34	4.60	9.20	13.80	6.60	2.60
35 – 39	5.20	10.40	15.60	7.20	3.20
40 – 44	5.80	11.60	17.40	7.80	3.80
45 – 49	7.00	14.00	21.00	9.00	5.00
50 – 54	7.60	15.20	22.80	9.60	5.60
55 – 59	8.20	16.40	24.60	10.20	6.20
60 – 65	8.80	17.60	26.40	10.80	6.80

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** (disability & death)

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	4.0%	8.0%	0.6%	1.2%			4.60%	9.20%
30-34	4.6%	9.2%	0.6%	1.2%			5.20%	10.40%
35-39	5.2%	10.4%	0.6%	1.2%			5.80%	11.60%
40-44	5.8%	11.6%	0.6%	1.2%	1.75%	1.75%	8.15%	14.55%
45-49	7.0%	14.0%	0.6%	1.2%	1.75%	1.75%	9.35%	16.95%
50-54	7.6%	15.2%	0.6%	1.2%	1.75%	1.75%	9.95%	18.15%
55-59	8.2%	16.4%	0.6%	1.2%	1.75%	1.75%	10.55%	19.35%
60-65	8.8%	17.6%	0.6%	1.2%	1.75%	1.75%	10.95%	20.55%

¹ on insured salary PK1 (base salary plus incentive minus social security offset) up to CHF 150k

² on insured salary risk (base salary minus social security offset) up to CHF 220k base salary

³ on total insured salary (base salary plus incentive minus social security offset) up to CHF 220k base salary

⁴ indicates standard contribution; employees can chose to contribute 2% more or 2% less

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: 5.35% - 64: 5.21% - 63: 5.07% - 62: 4.95% - 61: 4.83% - 60: 4.71% of the accrued retirement plan assets. • 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

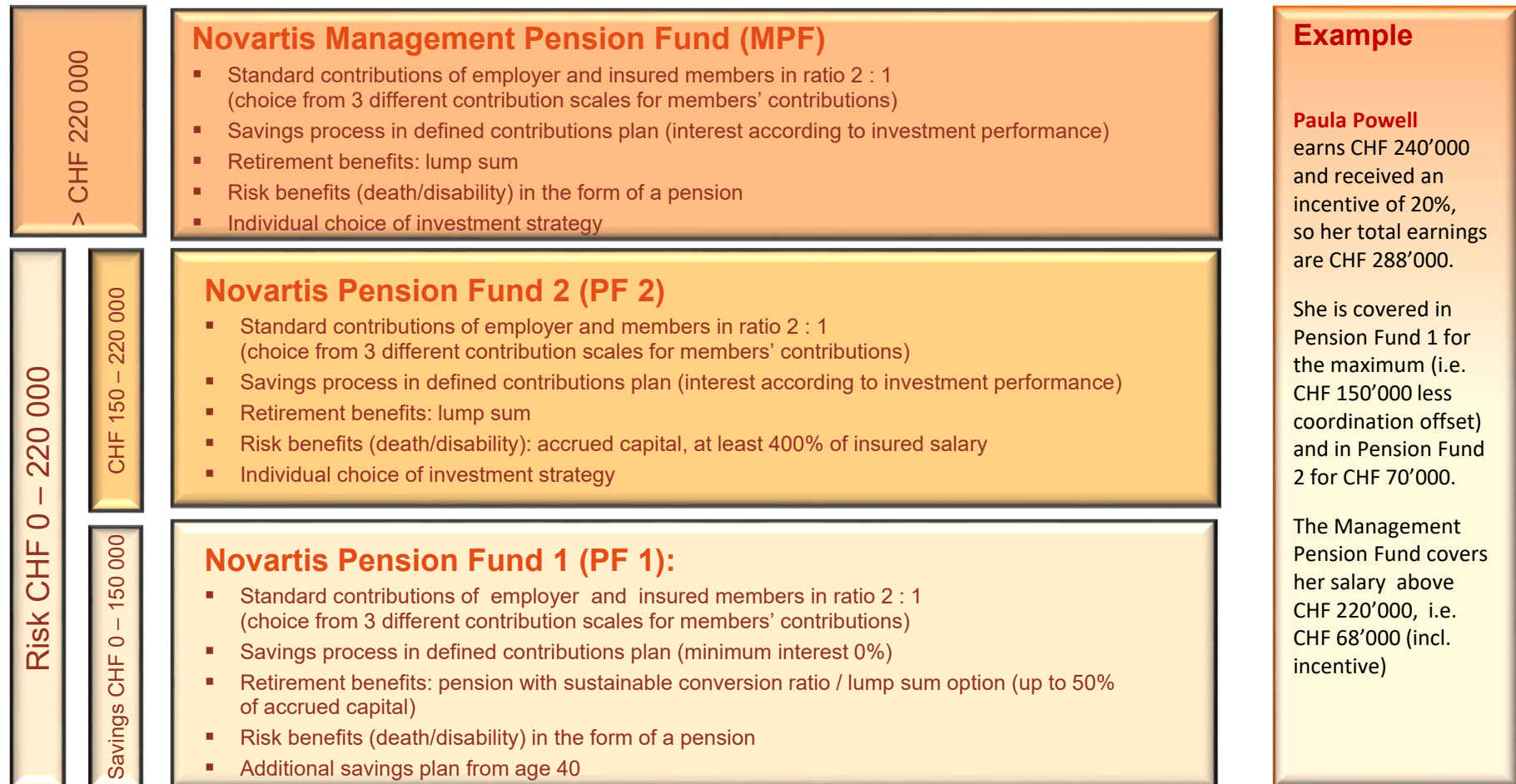
Pension Funds Novartis

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

Management Pension Fund: A top-up plan



Secure internet platform (provided by *Equatex*)

The screenshot displays the EquatePlus web platform interface for Novartis. The top navigation bar includes the Novartis logo, a 'Powered by EquatePlus' tagline, and menu items for Overview, Library, and Help. A user profile for 'MARKUS' is visible in the top right.

The main content area features a large banner with the text 'Welcome to EquatePlus Information about your PF1 assets available' and a 'Read more' button. Below this, a 'YOUR TASKS' section shows a green checkmark and a 'YOUR PORTFOLIO' section displays the 'Estimated Gross Value' as 'SFR. 656'458.64'.

The interface is divided into several panels. The 'SHARE PRICE' section shows the price of 'SFR. 79.12' as of '24.02.2021 16:22 - OPEN' with a '0%' change. The 'Management Pension Fund' section shows the 'Estimated gross value' and a 'TOTAL' value of 'UBS AST 2 EA LifeCycle Plus 2025'.

Two detailed panels, PK1 and PK2, are highlighted with a yellow border. PK1 shows the 'Estimated gross value' and a 'TOTAL' value of 'SFR. 656'458.64'. PK2 shows the 'Estimated gross value' and a 'TOTAL' value of 'SFR. 656'458.64'. Both panels include a 'Switch strategy' button and a 'Plan details' button. An orange arrow points to the 'TOTAL' value in PK1 with the text 'PK1-holdings included'. Another orange arrow points to the 'Switch strategy' button in PK2 with the text 'Ad-hoc Newsletter (quarterly updates)'.

Exercising the selection

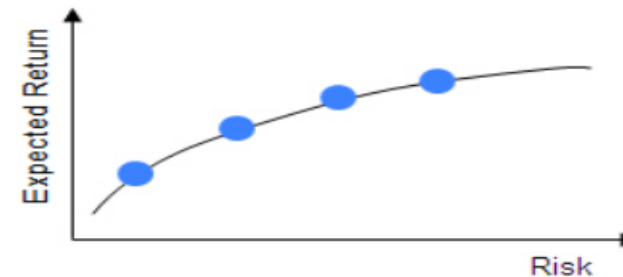
(1)

This questionnaire will help you select an investment strategy that best suits your own personal requirements, objectives and risk tolerance. Kindly note that for the below mentioned strategies the target returns should be considered over a medium to long term horizon. In the short term deviations due to market moves can occur.

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 five 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
- **LifeCycle Fund 2025** Strategy with dynamic adjustments of the risk profile based on the remaining investment horizon

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

Exercising the selection

(2)

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. Over a short term horizon there is a possibility that these bandwidths can be exceeded due to market moves.

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

- ☐ Capital preservation (limited risk of loss, but also limited performance potential)
- ☐ Combination of capital preservation and capital growth
- ☐ Capital growth (higher performance potential, but also higher risk of loss)

Info box

A preference for capital preservation points to a portfolio weighted heavily towards money market and/or bond investments. Although equity portfolios normally enable higher returns to be made, significant fluctuations must also be accepted.

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.

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PENSION PLANS

COMPENSATION PLANS

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2020 (17)

22.04.2020	Pension Plan	Dilution levies - Novartis Pension Funds (en)
01.04.2020	Pension Plan	Market Review and Performance Update 2020 Q1 (en)
31.03.2020	Pension Plan	Factsheet Equity 40 Plus (en)
31.03.2020	Pension Plan	Factsheet Equity 25 Plus (en)
31.03.2020	Pension Plan	Factsheet Bonds Plus (en)
31.03.2020	Pension Plan	Factsheet Money Market (en)
31.03.2020	Pension Plan	Factsheet UBS AST 2 EA LifeCycle 2035 - N2 (en)
31.03.2020	Pension Plan	Factsheet UBS AST 2 EA LifeCycle 2020 - N2 (en)
31.03.2020	Pension Plan	Factsheet UBS AST 2 EA LifeCycle 2060 - N2 (en)

Information material

Examples



Guidelines Novartis Pension Funds of investment strategy



8 | GUIDELINES – NOVARTIS PENSION FUNDS – YOUR CHOICE OF INVESTMENT STRATEGY

Novartis Pension Funds strategy

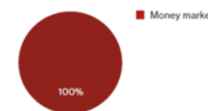
At a glance

- The pension plans of Novartis provide you with the option to choose between an investment strategy or an investment option.
- To this end, both Novartis Pension Funds offer efficient investment solutions.
- Choose between an investment strategy or an investment option.

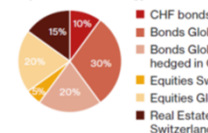
Strategies to choose from

You can determine your individual investment strategy at your disposal depending on your personal preference. If you do not, the Novartis Pension Funds Bonds Plus strategy (Pension Funds Bonds Plus) is recommended.

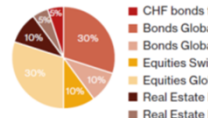
Money market strategy



Equities 25 Plus strategy



Equities 40 Plus strategy



Your optimum risk strategy

The optimum risk strategy is determined by the following factors:

- Individual factors, such as your objectives with regard to this investment.
- Objective factors, such as the time horizon of the investment and the economic situation at the time of investment.

Your choice of investment strategy with Equity 40 Plus

A good pension plan solution takes into account the personal needs of the investor. Your pension plan guidelines contain an overall view of the options you can choose from.

For whom is a pension plan strategy of Equity 40 Plus suitable?

The opportunity of capital gain with shares is countered by a higher risk of fluctuations in value. A willingness to accept interim losses is therefore necessary for a pension plan option with shares. Therefore, in addition to your high risk tolerance, your very long investment horizon of over ten years allows you to offset interim losses.

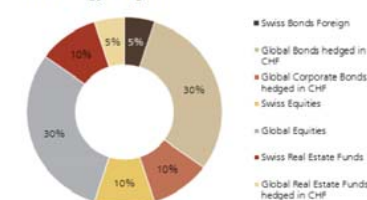
Choose this option if you:

- Would like to make use of the opportunity for capital growth
- Have a very long investment horizon of more than ten years
- Are willing to accept short-term losses

Your pension plan strategy with Equity 40 Plus

As a shareholder you participate in the profit growth of some of the largest and most well-known companies. These potential returns are countered by a higher risk of fluctuations in value due to the ups and downs on the international stock exchanges. The 40% equities can have a significant impact on the returns performance of your pension plan funds particularly in periods of strong fluctuations in share markets. The growth orientation is therefore countered by an increased risk.

Your strategy at a glance



Benefit from economic growth

Investing in shares allows you to benefit from the economic growth of international companies. This provides you with the opportunity of long-term capital growth.

Some stability with bonds resp. diversification with real estate

Bonds have performed solidly in the last twenty years. Regular income (interest payments) from bonds also has a stabilizing effect. This is routinely reinvested by our portfolio managers. Investments in real estate diversify the portfolio as well.

Risk profile

Adding 40% equities as well as 15% real estate to the bond portfolio allows you to invest in a growth-oriented manner with medium risk. In order to minimize the foreign exchange risk 75% is invested directly in CHF or is hedged into CHF. However, it cannot be guaranteed that investors will be able to recover at all times the full amount of the capital they have invested.

The Equity 40 Plus strategy provides you with:

- An opportunity for long-term capital growth
- Certain stability and diversification with 45% bonds as well as 15% real estate
- A growth-oriented portfolio with increased risk

Professional and regulated pension plan

Your pension savings will be managed professionally in a Swiss Investment Foundation and in accordance with regulatory specifications. Swiss Investment Foundations are tax-exempt institutions for the collective investment of the assets of Swiss pension funds. They are monitored by the Supervisory Commission for Occupational Pensions (OAK BV).

Dilution protection resp. transaction costs

Any redeployment to another strategy creates costs and is charged to the individual investor as dilution protection with each transaction. The extent of these costs is shown separately on the factsheet. The dilution protection charged is refunded in full to the corresponding strategies. This ensures that the other investors are protected against transaction costs.

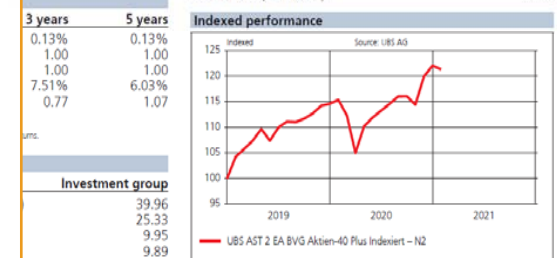


UBS Investment Foundation 2

UBS AST 2 EA BVG Equity-40 Plus passive – N2

Data as of the end of January 2021

Performance (in %)	Investment group
02.2020	-2.66
03.2020	-6.54
04.2020	4.97
05.2020	1.57
06.2020	1.21
07.2020	1.19
08.2020	1.24
09.2020	0.01
10.2020	-1.41
11.2020	4.83
12.2020	1.75
01.2021	-0.59
2019	0.18%
IN 0.09% / OUT 0.04%	
26.1.2011	
2021 YTD	-0.59
2020	6.50
2019	14.62
2018	-4.41
2017	8.55
Ø p.a. 2 years	7.90
Ø p.a. 3 years	5.07
since launch (26.1.2011)	69.29



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	24.9	100.0
Total investments in foreign currencies (with FX-Hedge)	49.8	100.0
Total investments in foreign currencies (without FX-Hedge)	25.3	30.0
Total	100.0	n.m.
Total nominal values	45.0	100.0
Total Equities	40.3	50.0
Total real estate	14.7	30.0
Total Alternative Assets	0.0	15.0
Total	100.0	n.m.
Real Estate Switzerland	9.9	30.0
Global Real Estate Funds hedged in CHF	4.8	10.0
Total	14.7	30.0

% Currency risk is largely and permanently

Sustainable investment option

«Equity 25 ESG»: Indices

Portfolio	Benchmark	Currency	Security Description	Weights current portfolio	Weights ESG portfolio
	Equity			25.00%	25.00%
UBS AST 2 EA BVG Equity-25 ^{Plus}	SPI® (Total Return)	CHF	UBS (CH) IF - Equities Switzerland Passive All I-X	5.00%	
	MSCI World ex Switzerland (net div. reinv.) (in CHF)	CHF	UBS (CH) IF 2 - Equities Global Passive I-X	17.00%	
	MSCI Emerging Markets (net div. reinv.) (in CHF)	CHF	UBS (CH) IF - Equities Emerging Markets Global Passive II (CHF) I-X	3.00%	
UBS AST 2 EA BVG Equity-25 ^{ESG}	MSCI Switzerland IMI Extended SRI 5% Issuer Capped NTR CHF	CHF	UBS ETF (CH) – MSCI Switzerland IMI Socially Responsible (CHF) A-acc		5.00%
	MSCI World ex Switzerland (net div. reinv.) (in CHF)	CHF	UBS (CH) IF 2 - Equities Global Climate Aware II I-X		17.00%
	MSCI Emerging Markets SRI 5% Issuer Capped Total Return Net	USD	UBS ETF – MSCI Emerging Markets Socially Responsible UCITS ETF (USD) A-acc		3.00%
	Fixed Income			60.00%	60.00%
UBS AST 2 EA BVG Equity-25 ^{Plus}	SBI® Foreign AAA-BBB (Total Return)	CHF	UBS (CH) IF - Bonds CHF Ausland Passive I-X	10.00%	
	Bloomberg Barclays Global Aggregate Bond Index (hedged in CHF)	CHF	UBS (CH) IF - Global Aggregate Bonds Passive (CHF hedged) II I-X	30.00%	
	Bloomberg Barclays Global Aggregate Corporate Index (hedged in CHF)	CHF	UBS (CH) IF - Global Corporate Bonds Passive (CHF hedged) II I-X	20.00%	
UBS AST 2 EA BVG Equity-25 ^{ESG}	FTSE Climate Risk-Adjusted World Government Bond Index (Climate WGBI; hedged CHF)	CHF	UBS (CH) IF- Global Bonds Passive Climate Aware (CHF hedged) II		24.00%
	Bloomberg Barclays Global Aggregate Corporate Index (hedged in CHF)	CHF	UBS (CH) InvF – Global Corporate Bonds Climate Aware (CHF hedged) II		36.00%
	Real Estate			15.00%	15.00%
UBS AST 2 EA BVG Equity-25 ^{Plus} Passive	SIX® Real Estate Funds (TR)	CHF	UBS (CH) IF 3 - Swiss Real Estate Securities Selection Passive II I-X	15.00%	
UBS AST 2 EA BVG Equity-25 ^{ESG}	SIX® Real Estate Funds (TR)	CHF	UBS (CH) IF 3 - Swiss Real Estate Securities Selection Passive II I-X		15.00%
			Total	100.00%	100.00%

“Dilution Protection” (Transaction Fee)

- 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 ^{Plus}	0.14 % / 0.04 % (in/out)
■ BVG Equity-25 ^{Plus}	0.15 % / 0.05 % (in/out)
■ BVG Equity- 25 ^{ESG}	0.26 % / 0.11 % (in/out)
■ BVG Aktien-40 ^{Plus}	0.09 % / 0.04 % (in/out)
■ LifeCycle ^{Plus} 2020	0.11 % / 0.03 % (in/out)
■ LifeCycle ^{Plus} 2025 - 2030	0.10 % / 0.03 % (in/out)
■ LifeCycle ^{Plus} 2035 - 2060	0.09 % / 0.04 % (in/out)

PF2 / MPF: Performance Overview 2019/20

Fund strategy	FY 2019	Q1 2020	Q2 2020	Q3 2020	FY 2020	January 2021
Money Market	-0.89%	-0.30%	-0.43%	-0.57%	-0.84%	-0.06%
Bonds ^{Plus}	8.17%	-1.73%	1.55%	2.85%	5.39%	-1.20%
Equities 25 ^{Plus}	12.55%	-6.65%	-0.39%	1.75%	6.15%	-0.89%
Equities 25 ^{ESG *}			1.33%	3.63%	8.27%	-1.03%
Equities 40 ^{Plus}	14.58%	-8.43%	-1.20%	1.22%	6.44%	-0.59%
LifeCycle ^{Plus} 2025 (illustrative)	6.60%	-2.99%	0.38%	1.46%	3.37%	-0.54%
LifeCycle ^{Plus} 2060 (illustrative)	14.62%	-8.37%	-1.14%	1.11%	6.33%	-0.59%
Total	9.70%	-4.55%	0.12	1.74%	5.09%	-0.82%

*) since inception, May 2020

- So far, 40 participants have selected the new **Equities 25 ^{ESG}** strategy (34 in PF2 / 6 in MPF)