

Guidelines

**Novartis Pension Funds –
your choice of investment strategy**



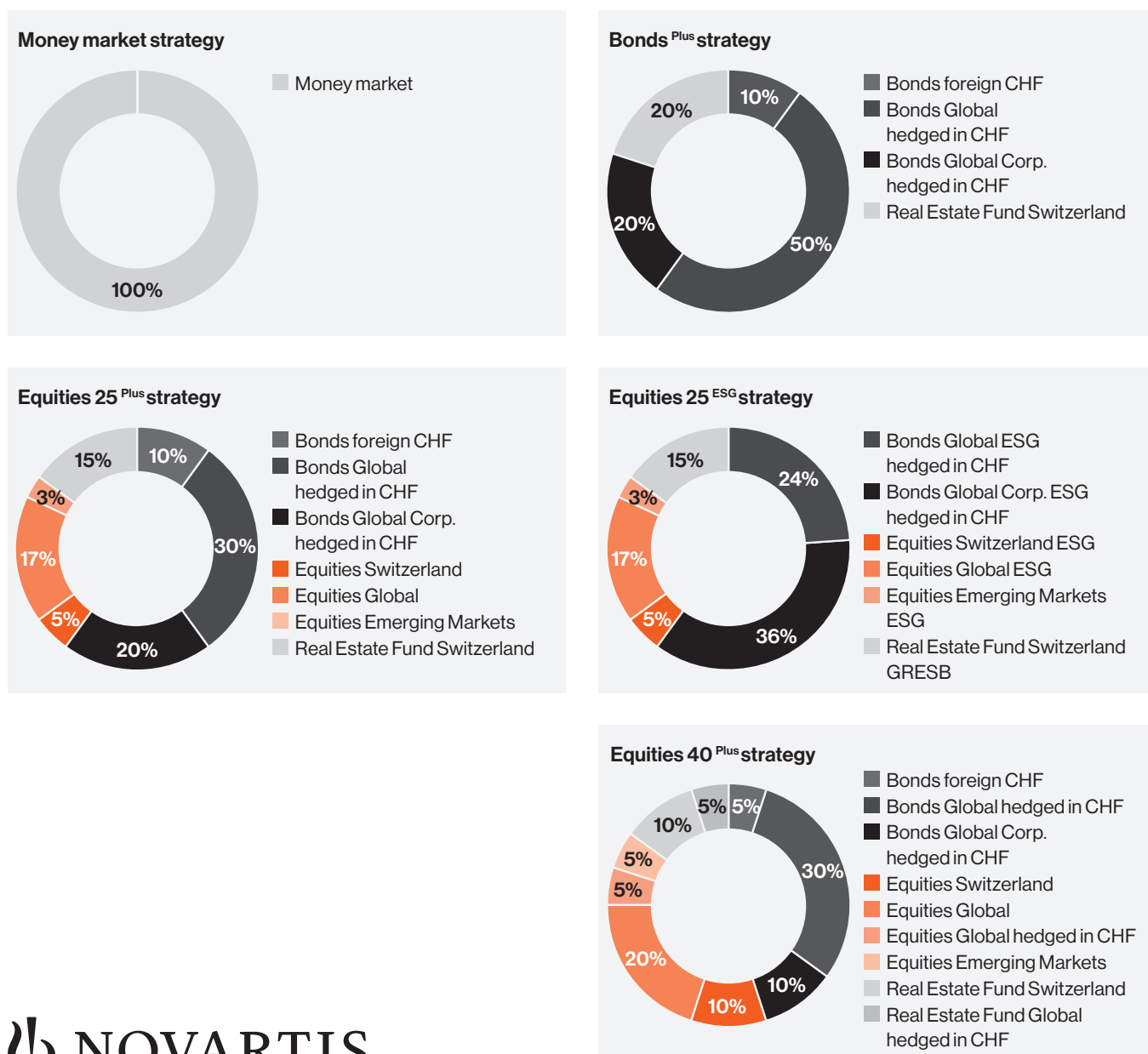
Novartis Pension Funds – your choice of investment strategy

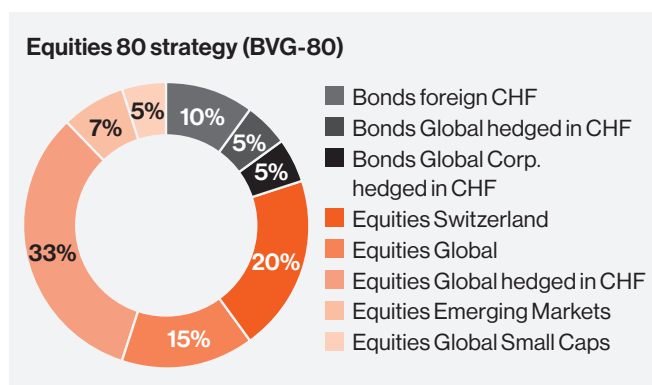
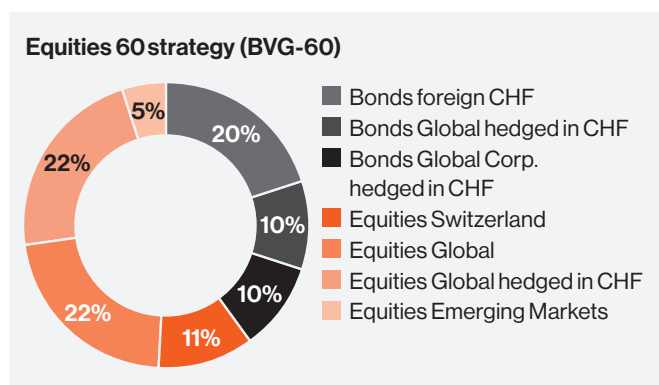
At a glance

- The pension plans of **Novartis Pension Fund 2** and the **Novartis Pension Fund 3** provide you with the option to select the investment of your nonmandatory retirement savings.
- To this end, both **Novartis Pension Fund 2** and the **Novartis Pension Fund 3** offer efficient investment solutions in collaboration with the **UBS Investment Foundation**.
- Choose an investment option from the seven available strategies or an investment option that, to some extent, automatically adapts to your age (LifeCycle model).

Strategies to choose from

You can determine your **individual strategy** yourself. A range of **passive investment strategies** is available to you, depending on your investment goals, investment horizon, or personal preferences. If you do not select a particular option, your assets are invested in the Money market strategy in CHF.





Your optimal risk strategy

The optimal risk strategy is determined by numerous factors:

- Individual factors, such as your investment experience and your financial situation, your personal objectives with regard to this portfolio and also your familiarity with certain investment products.
- Objective factors, such as the time horizon of the investment and the economic conditions at the time of investment.

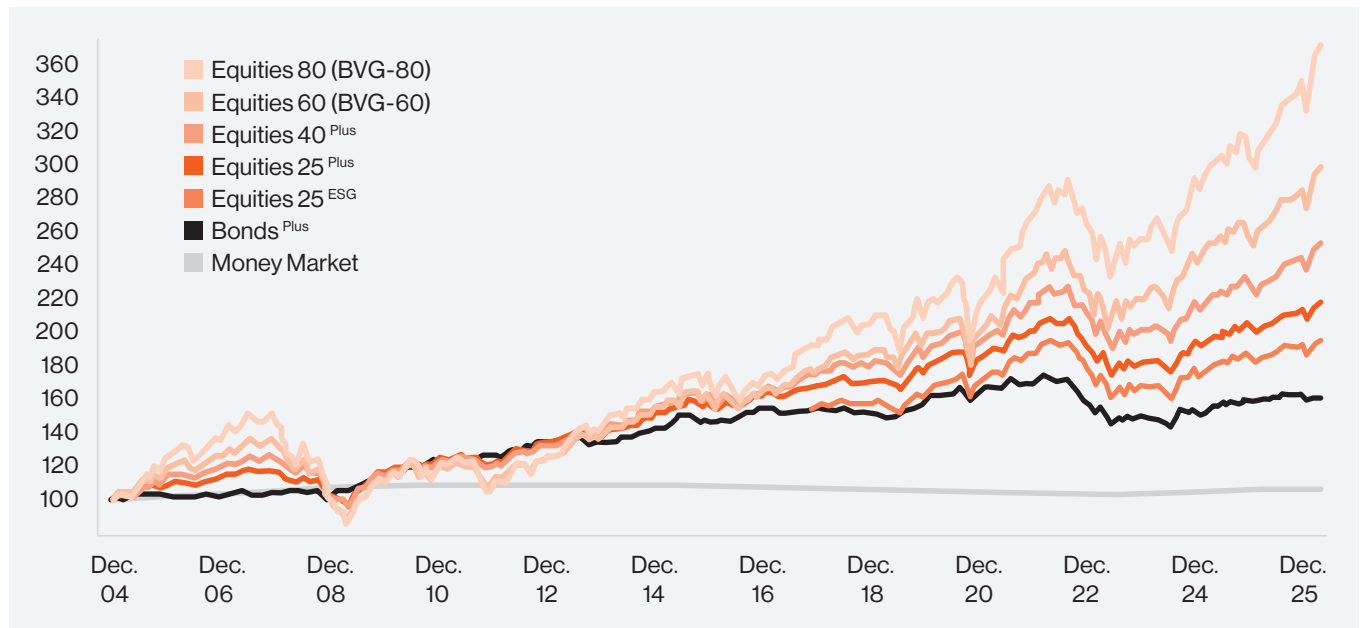
The following chart compares the **investment horizon** (in years to retirement or exit) with suitable strategies, without taking into account your individual risk tolerance.

< 3 years	3–6 years	6–10 years	> 10 years
– Money market	– Money market	– Bonds ^{Plus}	– Equities 25 ^{Plus/ESG}
– Bonds ^{Plus}	– Bonds ^{Plus}	– Equities 25 ^{Plus/ESG}	– Equities 40 ^{Plus}
	– Equities 25 ^{Plus/ESG}	– Equities 40 ^{Plus}	– Equities 60 (BVG-60)
			– Equities 80 (BVG-80)

Rule of thumb: the shorter the investment horizon, the fewer equities in the portfolio

Historical comparison of the seven investment strategies

A historical comparison of the seven available basic strategies over the last 20 years (with the exception of the ESG strategy, as the relevant underlying indices have only existed since 2017) gives the following picture: The higher the equity allocation in an investment strategy, the greater the volatility it experienced (see the highest and lowest 12-month returns!) and, at the same time, the higher the returns achieved. In the context of an insured person's individual portfolio, the return may vary due to various factors (payments in/out, etc.).



For strategies with higher equity weightings, it is also important to bear in mind the figure for the largest drop in price: due to the volatility mentioned above, these strategies may also experience sharp downward corrections from time to time. In the past, these losses have always been recouped, but every investor should be aware that this takes time – following the 2007 financial crisis, it took about six years to recoup the loss, whilst following the 2021 coronavirus crisis, it took around two years to make up for the loss.

Dec. 04 – Dec. 25	Money Market	Bonds ^{Plus}	Equities 25 ^{Plus}	Equities 25 ^{ESG*}	Equities 40 ^{Plus}	Equities 60 (BVG-60)	Equities 80 (BVG-80)
Cumulative performance	5.60%	60.92%	117.04%	26.78%	152.75%	198.13%	270.83%
Performance p.a.	0.21%	1.88%	3.09%	0.93%	3.70%	4.38%	5.27%
Risk p.a.	0.30%	3.64%	5.16%	6.33%	6.30%	8.71%	11.09%
Sharpe Ratio	0.71	0.52	0.60	0.15	0.59	0.51	0.48
Greatest loss	-5.45%	-16.42%	-16.86%	-18.06%	-24.52%	-35.31%	-44.28%
Period of greatest loss	Jan 15– Sept 22	Jul 21– Oct 22	Nov 07– Feb 09	Aug 21– Sept 22	Nov 07– Feb 09	Nov 07– Feb 09	Nov 07– Feb 09
Highest 12-month return	2.79%	13.92%	20.51%	16.05%	24.33%	30.56%	39.13%
Lowest 12-month return	-0.78%	-14.82%	-15.12%	-16.81%	-19.43%	-27.61%	-35.16%

Source: UBS Asset Management Switzerland AG; performance figures are initially based on index figures and, once the strategy has been launched, on realised returns.

*Equities 25 ESG only includes figures from May 2017 onwards, as the relevant indices did not exist prior to that date

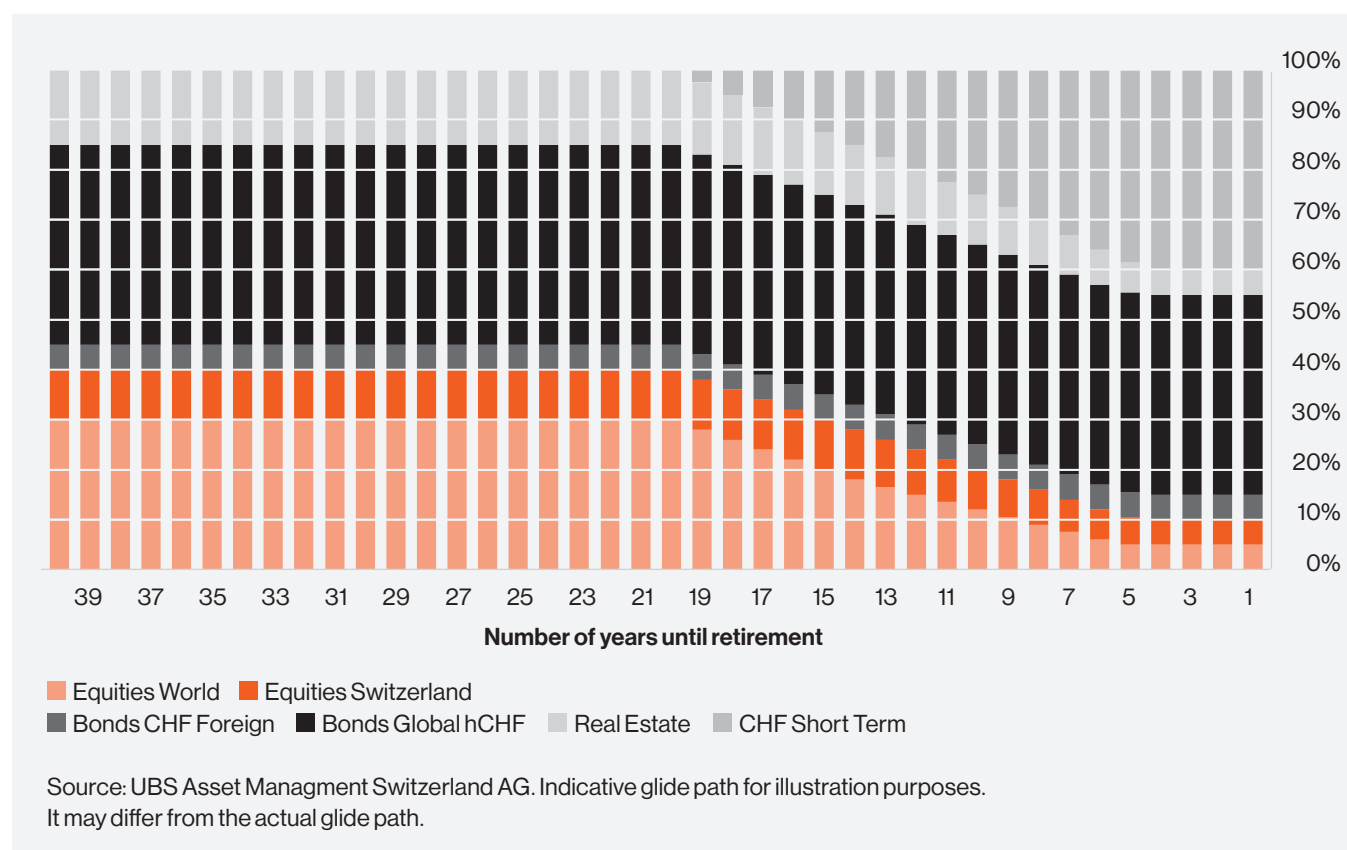
LifeCycle model as 8th strategy option

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 risk tolerance generally decreases the closer one gets to retirement. For this reason, the weighting of equities in the portfolio is gradually reduced, down to 5% Equities Switzerland and 5% Equities World. In the last years before reaching the age of retirement, the portfolio therefore still includes, along with 5% Real Estate Switzerland, investment categories that are intended to act as “yield drivers” and at the same time serve to diversify the portfolio.

For example, if you opt for the LifeCycle solution at age 25, 40% of the pension assets are invested in equities. Without any action on your part, the equities weighting at the age of 50 will have decreased to just 30%. In the last years before reaching the age of retirement, only 10% of the pension assets are invested in equities, while most of the assets are invested in bonds.

But bear in mind that the investment horizon is also influenced by personal circumstances, such as early retirement, a change of job or a planned early withdrawal for home ownership purposes. This also needs to be considered when choosing the investment strategy that matches your needs.

Glide path management: gradual risk reduction until retirement age



Sustainability

All strategies (Money Market, Bonds^{Plus}, Equities 25^{Plus}, Equities 40^{Plus}, Equities 60 (BVG-60), Equities 80 (BVG-80) and LifeCycle^{Plus}) are in conformity with the exclusion list of the Swiss Association for Responsible Investments (SVVK-ASIR). Furthermore, there is the Equity 25^{ESG} strategy, sporting similar risk-return characteristics as the classic Equity 25^{Plus} investment option but designed to make a meaningful contribution to a more sustainable world. The underlying sustainability policies take into account the contribution of companies to a low-emission economy both in the composition of the portfolio and through active engagement with those companies that need to adapt their business models most in order to achieve climate targets. Preference is generally given to companies with a high Environmental, Social & Governance (ESG) standard and climate awareness. In addition, voting rights are consistently exercised in accordance with recognized ESG principles.

Contact

If you have any questions or require any further explanations, please do not hesitate to contact the Pension Fund team.

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