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### **EXCELLENT INVESTMENT PERFORMANCE IN THE FIRST HALF OF 2005 – INSTITUTIONAL INVESTORS FAVOUR DIRECT INVESTMENTS IN SWISS RESIDENTIAL PROPERTY.**

Nyon/Zürich, 29 September 2005 – The results of the latest *Swiss Institutional Survey* ([www.institutionalsurvey.ch](http://www.institutionalsurvey.ch)) as at 30 June 2005 make good reading. The *Swiss Institutional Survey* is a regular online opinion poll of Swiss institutional investors such as private and public sector occupational benefit schemes, group and joint foundations, health insurance schemes, insurance companies. It is organised by *Lusenti Partners* while *Credit Suisse Asset Management (CSAM)* supports the survey as a sponsor. 151 institutional investors with total assets worth CHF 180 billion took part in the survey.

#### **Excellent investment performance in the first half of 2005**

For the first six months, the performance (weighted by assets) achieved by the survey respondents amounted to a pleasing 5.6% (or 5.9% without the weighting). The most successful performance was reported by private sector funds, with 6.1%, followed by the group and joint foundations, 6.0%. These numbers are confirmed by the *CSAM Pension Fund Index* with a performance of 6.12% during the same period. The highest yields were achieved by investors in equities (Swiss equities 11.2%, foreign equities 11.3%). The hedge funds draw up the rear of the ranking with just 1.3%, while private equity investments yielded 7.2%

#### **Coverage ratio improves significantly at private sector pension funds**

The average coverage ratio (weighted by assets) of the private sector pension funds rose further as at 30.6.2005 to 107.3%; the unweighted result is even better: 109.9%. The result of the public sector funds reaches 94.1%. This group, in which the occupational benefit schemes are allowed by law to keep a coverage ratio below 100%, shows an average target value (not weighted by assets) of 96.7%; in other words, for these institutions, the desired financial equilibrium is not yet restored. The situation of the group and joint foundations

stagnated: the weighted coverage ratio is now under 101.4%, unweighted less than 103.2%. All in all, it is too soon to claim the pension crisis is behind us, because the value of the fluctuation reserves (average value 6%) is still too low to offset any major fall on the stock markets or a steep rise in interest rates. Significant progress has, however, been made.

### **Real estate investments: low geographical diversification for direct real estate investments**

The latest edition of the survey focused on investment patterns in the real estate sector. On average, the survey respondents hold 12.6% of their total assets in direct real estate and 4.9% in indirect ownership (through mutual funds, investment foundations, stock-exchange listed companies, etc.). Property is the third most important investment category and undoubtedly one of the core investment forms.

Average performance on properties in direct ownership was 2.9% in the first half and 4.9% on indirectly owned properties: this is slightly lower than the average figures for the past five years: 5.1% for direct investments and 6.1% for indirectly held real estate.

The survey respondents favour real estate investments essentially because of the diversification aspect (i.e. the low correlation to other investment categories), low volatility, stable cash flows and not least performance. The respondents indicate that they choose direct investments because of the direct control and better overview and in cases where they hold substantial overall assets. They appreciate indirect investments for their liquidity, diversification and optimisation of management and resources.

The strong local emphasis for property in direct ownership is striking, especially in the case of public sector pension funds (95% of the properties in direct ownership are located in the home canton or home region). Private sector pension funds hold 71% of their properties in the home canton or home region and so achieve a better degree of diversification. Properties in indirect ownership show a significantly higher geographical diversification.

In an international comparison, another typical feature of real estate investments by Swiss institutions is the distinct preference for residential properties: 80% of all properties held by the medium-sized institutions and 63% of those owned by their large counterparts are in this segment.

Participants currently believe that the main risks on property investments are presented by the possibility of interest rates rises, valuation changes on the financial markets, a price collapse on the property markets and a higher vacancy rate. The likely performance in the immediate future is regarded as average in Switzerland and Western Europe, above average in Asia and in the emerging markets and below average in the United States.

## **Facilitation of home ownership – cash payment preferred to mortgaging**

Less than 5% of insured persons use the home ownership facility offered by the schemes belonging to the 2<sup>nd</sup> pillar as a source of financing for their own home. The amounts drawn differ, amounting on an overall average to between CHF 70,000 and CHF 100,000. Although less advantageous for tax purposes, the cash payment variant is distinctly more popular (80.8% of all cases) than the mortgaging solution.

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151 Swiss institutions with overall assets worth CHF 180 billion took part in the survey as at 30.6.2005. The respondents included 97 private sector occupational benefit schemes and 26 public sector schemes, 18 group and joint foundations, 11 health insurance funds and insurance companies. They were divided into four asset categories for analysis purposes.

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**More detailed information** – in particular the survey questionnaire and the results of previous surveys - can be consulted on the Internet at:

[www.institutionalsurvey.ch](http://www.institutionalsurvey.ch)

### **Press contact and orders for the latest survey report:**

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