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Kurzumfrage über die Anlagen Schweizer institutioneller Investoren
Enquête sur les placements des investisseurs institutionnels suisses

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Pension Fund Investments in the First Half of 2006: Very Modest Performance, but Conditions Stable

Nyon/Zurich, 3rd October 2006 – In contrast to 2005, an extremely prosperous year for investments, the first half of 2006 was less successful for Swiss pension funds. This can be seen from the 7th edition of the Swiss Institutional Survey for the period to June 30, 2006. The Swiss Institutional Survey is a semi-annual online survey among institutional investors, conducted by Lusenti Partners and sponsored by Credit Suisse. 164 institutional investors with total assets of CHF 187 billion participated in the survey.

In the appendix you will find the detailed report with comments on the charts and an example of the peer group comparison.

Pensions Barometer Indicates Sceptical Performance Outlook

The pension’s barometer covers investment, actuarial and administrative issues, and provides interesting information on the prevailing mood in pension fund circles. The barometer shows that last year’s optimism regarding the market has declined. Participants expressed the most optimism with respect to accounting, reporting/controlling, and administrative costs. As was the case at the end of last year, opinions are neutral to slightly negative when it comes to actuarial criteria such as the funding ratio, claims, conversion rates and technical interest rates.

A Positive Net Performance, but Only Just

The institutional investors who participated in the survey achieved a net overall performance of just under 0.6%, after deduction of all costs, by end June. The disappointing result can be largely explained by significant losses on foreign-currency bonds and Swiss-franc bonds (posting performances of minus 2.8% and 1.8% respectively), which could only be partially offset by the positive performance of equity and real estate investments. Swiss shares reached a performance of 3.8%, and foreign shares only 0.2% for exchange rate reasons. Direct and indirect real estate investments (up 2.5% and 3.0% respectively) in turn did a lot to bolster the overall performance. Alternative investments lagged slightly behind shares and real estate, with an average performance of around 1.0 %, while hedge funds (which gained just under 2%) did better than private equity (up 0.7%) and commodities (up 1.4%).

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Expanding Real Estate Investments

Direct real estate holdings benefited from declining investments in Swiss-franc bonds, with their share of total assets increasing to 11.7%. Foreign-currency bond exposure also increased to 12.9%, and the aggregate cash position grew from 6.1% to 7.3%. This again should be interpreted as a sign of prudence among investors.

Stable Funding Ratio

The financial equilibrium of the institutions polled remained stable in the first half of the year and showed only a slight change compared with the end of 2005. Public-sector pension institutions had a funding ratio of 96.6% at mid-year, while the ratio is now running at 108.9% for private-sector institutions.

The second part of the results, focusing on "Internal Governance and the Management of the Institution", will be released on October 23.

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For further information please see:
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