

Asset investment is the backbone of occupational pension provision. A pension fund's success is determined largely by the returns on its investments. Successful asset management is all the more important

against the backdrop of today's historically low interest rates. This gives us good reason to take a closer look at asset investment at PKE in this edition of "exclusive".

Taking balanced risks in careful doses

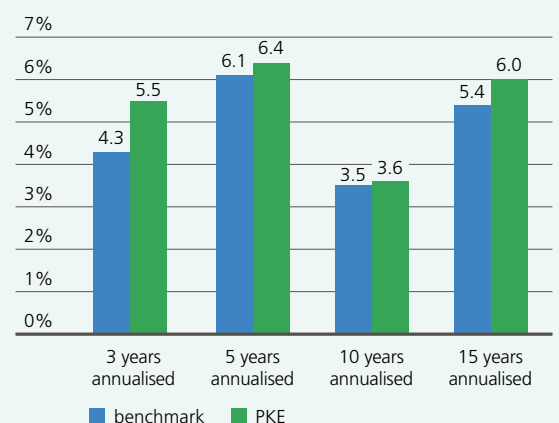
PKE's asset investment has proven very successful. In comparison with other pension funds, PKE continues to deliver a top-ranking performance. Despite the past few years' good returns, we should not lose sight of the significantly lower income expectations for the coming years.

Rolf Ehrensberger
Chief Investment Officer and member of the Executive Board

PKE has been investing its insured members' pension assets for more than 90 years. When managing these assets, our insured members' interests have always been our highest priority. We pursue a long-term investment strategy. We have always stood for sustainability, even before it became a buzzword.

However, since the very birth of asset management, it has been clear: there is no return without risk. We must take risks to generate returns, but we do so with caution, in considered, balanced doses. We do not follow every new trend and are willing to forego opportunities if need be. This is why we have not invested in Bitcoin or art.

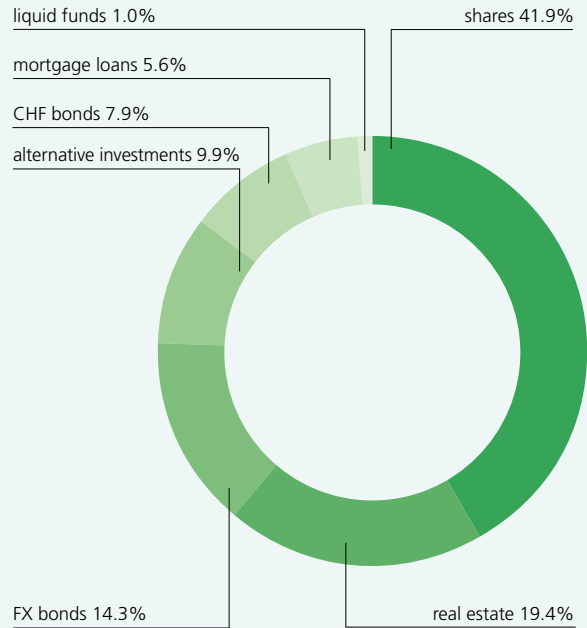
Performance



Investing pension assets is almost unthinkable without incorporating shares. They form the largest asset class in PKE's portfolio. Bonds, real estate and mortgage loans provide stability and predictable returns. They form part of our portfolio at all times. With interest rates at an all-time low worldwide, bond yields are very low, which is why we hold only few. Alternative investments enable us to balance this out. This category includes investments in infrastructure and over-the-counter securities. They are less liquid and somewhat higher risk, but the forecast returns are higher.

PKE's portfolio

As of 31 December 2017

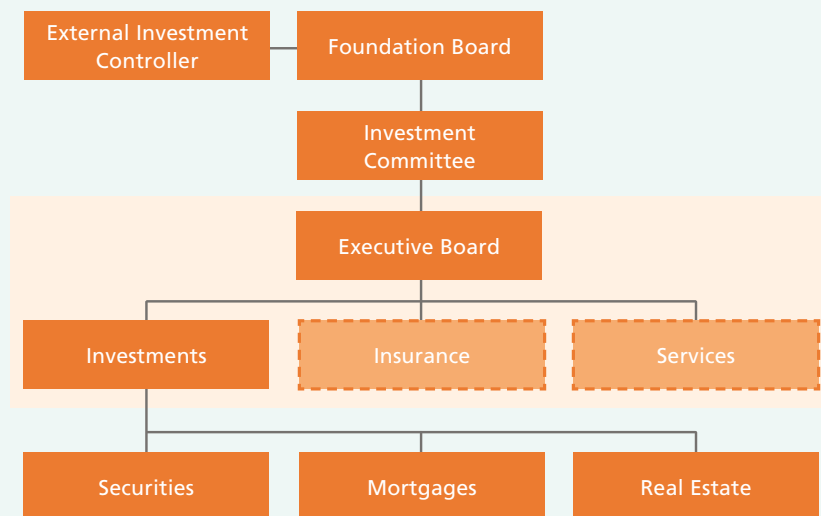


Investment organisation

At a pension fund with assets of around CHF 10 billion, solid organisation is a must. The Foundation Board assumes leadership responsibility. It defines our investment strategy and appoints the members of the Investment Committee.

The Investment department at the PKE branch is responsible for managing asset investments. Experts ensure compliance with all of the internal and external guidelines.

PKE's investment organisation



We invest for you

PKE's Investment team comprises ten qualified, experienced specialists. The work they do every day goes a long way towards PKE's

above-par investment results. Allow us to introduce the people behind the success:



The guiding principles of our daily investment activities

The Investment team at PKE achieves excellent results time and again. Various factors play important roles in making this possible.

[Stefan Kühne, Head of Securities](#)

Long-term orientation

The financial markets are subject to constant, sometimes irrational, fluctuation. This is why it is important to invest in securities with a long-term horizon in mind. Carefully weighing up opportunity and risk is key.

Disciplined implementation

Selecting investment partners and products calls for meticulous care. At PKE, the criteria according to which investments are made

and terminated are set out in clearly structured processes. Another significant factor in ensuring the success of investment activities is having one team manage our securities assets exclusively – the specialists in our Investment department. This enables us to optimise and adhere to our risk budget.

Transparent communication

Monitoring our asset investments is also important. Those responsible receive reports

and decision-making materials on a regular basis, so that they can efficiently go about their challenging task.

Forward-thinking real estate strategy

Investing in Swiss real estate is a recipe for sustainable returns. Real estate contributes significantly to stabilising returns on our pension assets.

Gaétan Kameni, Head of Real Estate

Almost 20% of PKE's pension assets are invested in real estate. PKE owns around 90 of its own properties across Switzerland, to a total value of CHF 1.4 billion. We rent out around 2 500 apartments in attractive locations, plus business and shop premises as well as office space. CHF 0.5 billion is invested in collective investments (investment and real estate funds) in Switzerland and abroad.

We manage and monitor our real estate portfolio ourselves. This includes real estate accounting and debt collection. The remaining operational tasks, such as rental and upkeep, are outsourced to external service providers on site.

Sustainability and longevity are key to our properties. With this in mind, PKE's new builds and renovations implement resource-saving and renewable energies wherever possible.



One of PKE's 90 properties: Winkelriedstrasse 34 & 36 in Zurich, housing 16 apartments (photo: Roger Frei)

Your partner for mortgages

PKE provides mortgages. They complement the fund's investments. Returns are stable and consistently positive. Thanks to mortgage liens guaranteeing the credit amount, risk is limited.

Roger Rohr, Head of Mortgages

This portfolio accounts for 5.6% of our total assets, equivalent to almost CHF 0.6 billion. We grant attractive fixed-rate mortgages with terms of two to ten years and variable-rate mortgages as well as building loans to private individuals and companies.

PKE manages its risk by assessing the suitability of borrowers and objects to be mort-

gaged. We are a reliable, long-term partner to our debtors.

Our extensive expertise enables us to provide our customers with one-to-one advisory services on all financing issues and handle mortgage business in a professional manner. Whether customers seek to realise their dream of owning their own home

or are planning a renovation, we accompany them throughout the entire process. This is what makes what we do so interesting and diverse.

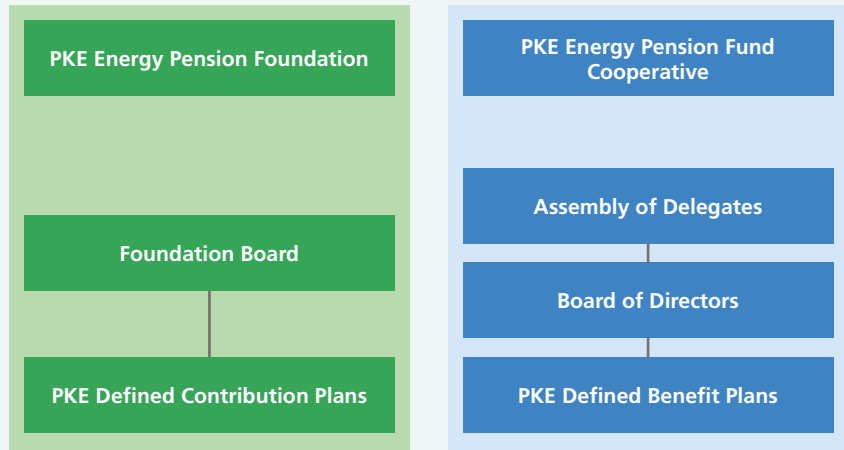
Transfers successfully concluded

As of the end of March 2018, the last 31 companies have left the PKE Energy Pension Fund Cooperative, with the vast majority having transferred to the PKE Energy Pension Foundation. With no remaining insured members, the PKE cooperative will be liquidated over the coming months.

As of 1 April 2018, PKE has successfully processed the transfers of the around 3 300 active participants and pensioners. Over the last five years, around 110 companies with pension assets of approximately CHF 4.2 billion and 11 500 active participants and pensioners have transferred from the PKE Energy Pension Fund Cooperative to the PKE Energy Pension Foundation.

The liquidation of the PKE cooperative shall have no effect on the PKE pension foundation. The two pension funds have always been entirely separate in both legal and financial terms. On the contrary, the pension foundation has benefitted from transfers from the cooperative over the past few years and has grown significantly. With around 24 000 active participants and pensioners and assets of almost CHF 10 billion, the PKE Energy Pension Foundation is now one of the largest pension funds in Switzerland and by far the largest in the energy sector.

PKE: two independent pension funds

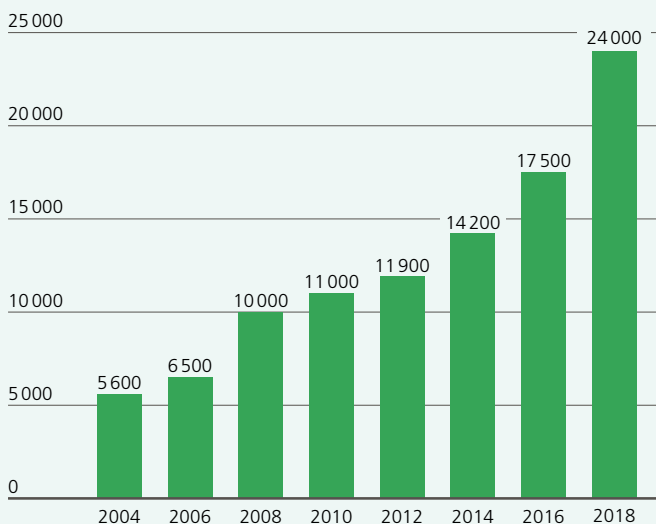


Before switching to the PKE Energy Pension Foundation, most companies looked into joining other pension funds. Although some quoted higher conversion rates, almost all of the companies and their employees decided to transfer to the PKE pension foundation. This speaks to the quality

and security PKE offers its insured members and employers.

PKE Energy Pension Foundation performance

no. of beneficiaries



Concise and to the point – PKE’s explanatory videos

Pension provision is a complicated topic. PKE’s new explanatory videos make it more approachable.

PKE has put together three short videos on Switzerland’s three-pillar principle and the first and second pillars of pension provision. We explain complex topics in an understandable, appealing and concise manner.

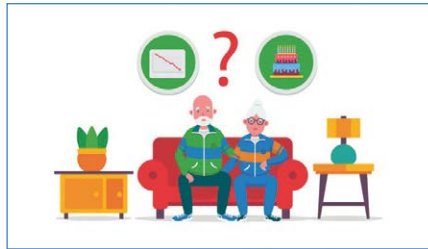
Take a look at our videos (available in German, French and Italian): www.pke.ch/videos-de.

Further videos on pension topics are in planning. We look forward to providing you

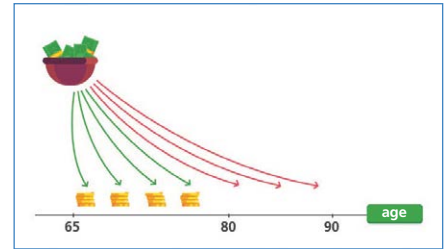
with more short, informative videos that get straight to the point. Please feel free to consult our website now and again to check on our progress.



“To safeguard sufficient pension provision for the future, the three-pillar system must remain intact.”



“The two great challenges we face are interest rates at historic lows and increasing life expectancy.”



“As society grows ever older, capital has to last for a longer payment period.”

PKE website adapted

With all participants and pensioners being insured by the PKE Energy Pension Foundation as of 1 April 2018, the website has been adapted accordingly. The information about the PKE Energy Pension Fund Cooperative has been removed.

This has made our website easier to manoeuvre and more compact. Information, fact sheets and forms can now be found more quickly. The proven structure featuring main tabs for active participants, pensioners and companies remains unchanged. As ever, it is available in German, French and Italian. Should your question not be answered on our website, please do not hesitate to give us a call or send us an e-mail. We’re here for you.



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