

INVESTMENT REGULATIONS

Valid from 20 May 2019



This document has been translated from German. In the event of doubt, the German version is binding.



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1. General Information

These Investment Regulations for asset management set out the objectives, principles, guidelines, tasks and competencies under Art. 51a BVG and Art. 49a para. 2 lit. a BVV 2, which must be complied with when managing the assets of the pension fund (hereafter referred to as the Foundation).

Management of the assets focuses exclusively on the financial interests of the beneficiaries.

The investment objective of the Foundation is to ensure the viability of the regulatory benefit obligations for the beneficiaries, while also achieving a return on investments in line with the market. This is intended to achieve the pension fund's coverage ratio target.

1.1. Scope and application of the Regulations

These Regulations apply to all actions and transactions that must be carried out in connection with investment of the Foundation's assets. For this reason, it has both a binding effect and a guiding function for all the bodies entrusted with the organisation, implementation and control of investment activities.

1.2. Adaptation and amendment of the Regulations

These Regulations and the Investment Guidelines may be amended by the Foundation Board at any time.

Either the Chief Executive or a member of the Foundation Board may request the Foundation Board to amend or adapt the Regulations.

1.3. Entry into force

These Regulations enter into force on 20 May 2019.

2. Basic principles

The aim of the Regulations is to ensure the security, transparency and efficiency of investment activities in accordance with the objectives of the Foundation Board.

2.1. Ensuring security

The security of investments must always be assessed within the overall context of the portfolio and with regard to the fulfilment of required performance. It must be ensured by conscious, careful investment on the financial markets.

Each investment is made with a view to the investment objective, taking into account the relevant investment restrictions.

Investments must be diversified, in order to avoid individual risks. The principle of diversification comprises the distribution of all assets that must be optimised across different investment categories and the adequate distribution of credit, interest rate, market and currency risks within the overall portfolio.

Furthermore, the security of investment activities is respected by the following principles:

1. All persons involved in the investment process are responsible for compliance with the relevant regulations governing the investment of the Foundation's assets.
2. Each superior department or agent is responsible for the investment activities of subordinate bodies. Ultimate responsibility for investment activities lies with the Foundation Board.
3. Reporting recipients must obtain a comprehensive picture of the development of investments. They are responsible for critical evaluation of reports submitted. They are urged to obtain further information on any unclear issues from the reporting parties.
4. Any delegation of tasks is inextricably linked to the definition of competencies, responsibilities and reporting obligations.
5. Superior bodies have the power to issue instructions to subordinate bodies. Subordinate bodies are required to report to superior bodies.



6. External control of the investment of assets is carried out by the control body designated by the Foundation Board.

2.2. Return in line with the market

The return must be in line with the market in view of the risks incurred. The return on securities assets or the performance of the asset manager are measured against pre-defined benchmarks (see Appendix 1).

2.3. Ensuring transparency

The transparency of the Foundation's investment activities is guaranteed by the following principles:

1. Tasks, decision-making competencies, areas of responsibility and deputisation of the persons and bodies involved in the investment process are defined in 4.2.
2. All decisions of the Foundation Board and the Investment Committee are recorded in minutes.
3. Performance is measured using return and risk figures which are compared with the benchmarks defined in Appendix 1.
4. Reporting bodies must adapt the presentation, nature and scope of their reports to the needs of recipients.

2.4. Maintaining efficiency

The efficiency of investment activities requires continual optimisation of investment decisions in relation to the specific investment needs and the human resources of the Foundation. Efficiency is maintained in particular by ensuring that investment decisions are consistent with investment strategy objectives and by adapting investments to prevailing market conditions.

3. Asset Investment

3.1. Permitted asset investments

The assets of the Foundation may be invested in the asset classes listed below. Investments in securities are permitted only if they are listed on a stock exchange or traded on a regular over-the-counter market.

1. Sight and time deposits in CHF and foreign currencies
2. Bonds in CHF and foreign currencies
3. Convertible and option bonds in CHF and foreign currencies
4. Shares and similar securities of a participatory nature
5. Real estate funds
6. Collective investment schemes (e.g. investment funds, investment foundations) are treated in the same way as direct investments, provided:
 - they in turn invest in one or more of the asset classes listed in items 1 to 5;
 - the organisational form of a collective investment is regulated in such a way that the interests of pension funds participating in it are safeguarded in a comprehensible manner, this being with regard to the definition of investment guidelines, the allocation of responsibilities, the calculation of relative allocations, and the purchase and redemption of allocations; and,
 - in the event of the bankruptcy of the collective investment or its custodian bank, the assets can be segregated in favour of the investors.
7. Direct investment in real estate, provided its satisfactory and secure management and control can be ensured.
8. Alternative investments such as hedge funds, private equity, private real estate, insurance-linked securities, commodities or infrastructure are also permitted, provided the investment strategy set out in Appendix 1 provides accordingly. Alternative investments may only be implemented through diversified collective investments, diversified certificates or diversified structured products. In the case of private equity and private real estate, notwithstanding section 1, investments which are not listed on a stock exchange and which are not traded on a regular over-the-counter market are also possible (example: limited partnerships).



3.2. Investments in financial derivatives

Investments in derivatives are permitted, provided their underlying is one of the permitted forms of investment listed in item 3.1. Derivatives are used primarily to fine-tune the risk structure of investments with regard to the special security needs of the Foundation. In particular, such use includes the hedging of market, interest rate and currency risks. Detailed guidelines on the use of derivatives are given in Appendix 3: Investment guidelines are set out in point 4.

3.3. Securities lending

Securities lending must comply with the general conditions and rules contained in the Collective Investment Schemes Act (Art. 55 para. 1 lit. a CISA, Art. 76 CISO and Art. 1 et seq. CISO-FINMA). Securities lending is implemented exclusively on a secured basis. Securities lending within active collective investment schemes is also permitted in principle. In addition, the provisions of point 3.5 apply - Exercise of shareholders' voting rights.

For repurchase agreements, these requirements must be applied analogously.

3.4. Investments with affiliated companies

Credits, loans, mortgages or holdings in any company affiliated to the Foundation or any company or person associated with the Foundation are strictly prohibited. This also applies if the investments are secured in any way. This does not include short-term credit balances with affiliated companies resulting from outstanding contributions.

3.5. Exercising shareholders' voting rights (Art. 49a (2) lit. b BVV 2)

Voting rights can only be exercised by the Foundation at General Meetings if direct investments are used. If collective investments are used, voting rights are not normally exercised by the Foundation at all. If a provider of collective investment schemes agrees to a voting preference, the Investment Committee must decide on whether to grant a voting preference. This is subject to any legal provisions to the contrary.

When direct investments are used, the shareholder voting rights of all Swiss companies listed in Switzerland or abroad are exercised for all items on the agenda in the interest of insured persons, which means that this also serves the long-term prosperity of the Foundation.

The continued prosperity of the Foundation will be furthered if voting positions are defined in the long-term interests of shareholders, the company and civil society.

In exercising its voting rights, the Foundation Board follows the Ethos Foundation's "Guidelines on the Exercise of Voting Rights".

The Guidelines:

- prefer a long-term investment horizon
- contribute to balanced corporate governance
- take into account the concept of sustainable development, in particular economic sustainability, and the environmental and social responsibility of the company

Abstention from voting is only possible if:

- It is unclear whether an application should be accepted or rejected.
- The share position is of a size that would lead to disproportionate costs in the exercise of voting rights.

The Foundation Board decides on the procedure for exercising voting rights, in particular in respect of the election of an external advisor.

Voting rights are exercised by a member of the Investment Committee, the Chief Executive or the external advisor.

At the request of a member of the Foundation Board, the Foundation Board shall decide, if necessary by circular resolution, whether, in the interests of the Foundation, applications other than from the Foundation Board should be supported.



The lending of shares (see point 3.3 Securities Lending) is prohibited if this makes it impossible to exercise voting rights.

The Foundation shall ensure that voting positions are disclosed in a suitable form, e.g. on the Internet or via another publication medium.

4. Organisational structure for performance of investment activities

4.1. Overview of organisational structure

The Foundation Board specifies the following organisational structure for the performance of investment activities:

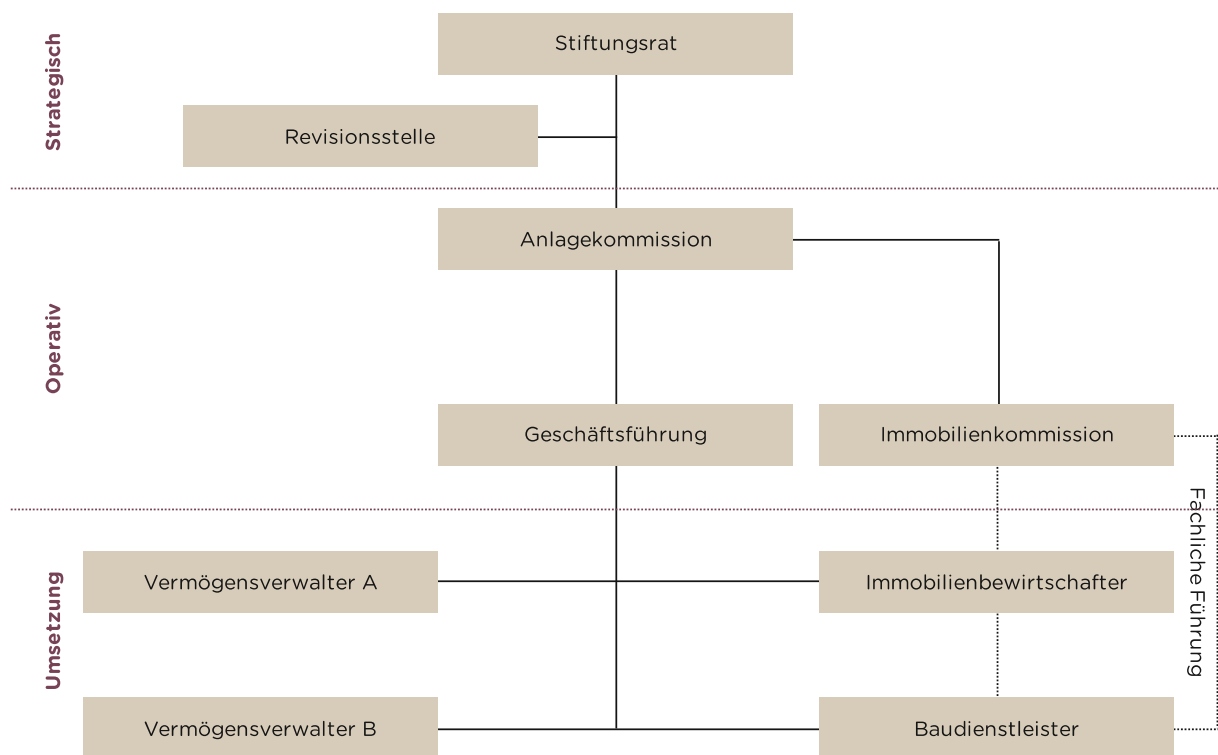


Figure 1: Organisational Structure of the Alvoso Pension Fund

The Foundation Board instructs the Investment Committee to carry out and monitor asset investment on a regular basis. The Investment Committee can include external members with specific expertise. The majority of members of the Investment Committee and also its Chairman must be members of the Foundation Board.

The Investment Committee's mandate includes advising the Foundation Board in determining the investment strategy. Operational asset management is carried out, based on an asset management contract, by a professional asset manager appointed by the Foundation Board. The Chief Executive of the Foundation is responsible for accounting and reporting to the Investment Committee and for maintaining relations with banks and asset managers.

Real estate held directly is managed, based on a property management contract, by a professional real estate manager appointed by the Foundation Board. The Chief Executive is responsible for implementing the principles set by the Foundation Board for investment in real estate and safeguards the interests of the owners. The Chief Executive is responsible for integrating the real estate accounts into the Foundation's bookkeeping, reporting to the Investment Committee and maintaining relations with the real estate manager.



The Real Estate Committee is responsible for technical management of all real estate. For indirect real estate investments, the Real Estate Committee advises the Investment Committee on investment strategy, ensuring the implementation of its resolutions and the tactical weighting of real estate investment categories, as well as the monitoring and coordination of ongoing investment activities. It submits proposals to the Foundation Board for transactions in real estate (direct and indirect investments) and extensive real estate maintenance and renovation expenditure.

Construction services enable the professional implementation of strategic and operative decisions. Responsibility for managing the company lies with the Executive Board. Responsibility for technical management lies with the Real Estate Committee.

4.2. Description of tasks in the field of asset management

The management organisation in the field of asset management of the Foundation comprises the following four levels:

1. Foundation Board
2. Investment Committee
3. Chief Executive of the Foundation
4. External asset managers

All persons involved in asset management are subject to a strict duty of confidentiality. Parallel investments (Article 48f (3) BVV 2) are prohibited. Furthermore, these persons are obliged to comply with the "ASIP Charter" or a comparable set of rules. This is intended not only to ensure compliance with the provisions of Art. 48f BVV 2 "Conflicts of interest and pecuniary advantages", but also to document the fact that asset investment activities serve the interests of the Foundation exclusively.

4.2.1. Foundation Board

Task Description

Institutional Name Foundation Board of the Alvoso Pension Fund

Post Holders Foundation Members

Function Supreme Decision-Making and Supervisory Body

Deputy The members deputize for each other

Subordinate Bodies Investment Committee

Delegated Bodies Asset Managers and Real Estate Managers

Main Tasks / Competences

1. Sets the principles and objectives of investment within the scope of the provisions of BVV 2 and in particular, Art. 50 BVV 2
2. Issues the investment regulations and guidelines
3. Sets long-term targets and investment strategy
4. Sets the ranges for tactical asset allocation
5. Decides, at the request of the Investment Committee, whether or not to enter into new banking relationships or to dissolve existing ones
6. Decides, at the request of the Investment Committee, on the allocation of asset management mandates
7. Decides on the purchase and sale of real estate, land and building rights
8. Decides, at the request of the Investment Committee, on the capitalisation rate to be applied in the valuation of real estate
9. Appoints the Investment Committee and its President
10. Monitors the proper implementation of the investment strategy
11. The Foundation Board decides annually on the preservation of the owners' interests (e.g. shareholder voting rights)
12. Assesses investment activity and reporting
13. Periodically analyses cost-efficient implementation of the investment strategy pursuant to Art. 48a para. 3 BVV 2



14. Adopts the investment and management strategy for real estate
15. Can at any time adopt further provisions to restrict or control investment activity
16. All resolutions of the Foundation Board are recorded in writing

4.2.2. Investment Committee

Task Description

Institutional Name Investment Committee of the Alvos Pension Fund

Post Holder Members of the Investment Committee

Post Description Executive Body for the Operational Management of Investments

Deputy The members of the Investment Committee deputize for each other

Advisory Bodies Real Estate Committee

Subordinate Bodies Chief Executive

Delegated Bodies Asset Managers and Real Estate Managers

Adoption of resolutions Simple majority; at least half of the members must be present to pass resolutions

Main Tasks / Competences

1. Prepares the basis for decisions on the investment strategy and its tactical ranges
2. Proposes to the Foundation Board the creation of new banking relationships or the dissolution and modification of existing ones
3. Proposes to the Foundation Board the granting of asset management mandates to third parties
4. Operational implementation of the investment strategy
 - Allocation of funds to the banking institutions concerned
 - Decision on the investment of new inflows of funds
5. Coordinates and controls ongoing investment activities (asset managers and real estate managers)
6. Submits proposals to the Foundation Board for transactions in direct or indirect real estate investments as well as extensive renovation and maintenance work
7. Submits proposals to the Foundation Board for the capitalisation rate to be applied in the valuation of real estate

Reporting Obligations

The Investment Committee reports to the Foundation Board on a quarterly basis. In particular, the following issues must be addressed:

1. Performance of the portfolio and the benchmark (review)
2. Short and medium-term outlook
3. Portfolio structure and tactical changes
4. Comparison of current portfolio structure with strategy and tactical ranges
5. Type and scope of derivatives business incl. share of OTC derivatives
6. Level of utilisation of limits for the use of derivatives
7. Confirmation of compliance with investment guidelines and tactical ranges
8. Real estate report

4.2.3. Real Estate Committee

The Real Estate Committee consists of one to three members. It meets monthly.

Task Description

Institutional Name Real Estate Committee of the Alvos Pension Fund

Post Holder Professionals from the real estate sector

Post Description Legislative Body for planning investments in direct and indirect real estate investments

Deputy The members of the Real Estate Committee deputize for each other

Subordinate Bodies None



Authorised Bodies Real estate managers, construction service providers and real estate trustees, based on separate mandate

Adoption of resolutions The Real Estate Committee adopts the proposals to the Investment Committee by a simple majority. It is a preparatory and advisory body. Decision-making on transactions is carried out by the Investment Committee

Main Tasks / Competences

1. Prepares the criteria for decision-making on investment and divestment in direct and indirect real estate investments
2. Submits proposals to the Investment Committee for the purchase or sale of direct and indirect real estate investments in accordance with the real estate investment guidelines (see Appendix 4). The Real Estate Committee can dispose of up to 10% of the real estate quota (basis: last revised annual accounts) for investments. -If investment exceeds this amount, the approval of the Investment Committee must be obtained
3. Submits proposals to the Investment Committee for comprehensive auditing and maintenance work in respect of real estate
4. Submits proposals to the Foundation Board for the capitalisation rate to be used when valuing real estate
5. Practical expert advice for the Investment Committee
6. Professional management by real estate managers, construction service providers and real estate trustees

Reporting Obligations

The Investment Committee reports to the Foundation Board on a quarterly basis. In particular, the following issues must be addressed:

1. Status of the properties examined in the real estate search
2. Significant changes in the status of the real estate portfolio (e.g. vacancies, rent adjustments, etc.)
3. Report on planned and ongoing renovation and maintenance works

4.2.4. Chief Executive

Task Description

Institutional Name Chief Executive of the Alvoso Pension Fund

Post Holder Chief Executive

Post Description Executive Body for management of the pension scheme. Is available to advise the Foundation Board and the Investment Committee and takes minutes of their meetings.

Deputy appointed by the Foundation Board at the request of the post holder

Delegated Bodies Asset Managers and Real Estate Managers

Decision-making Decides independently within its area of responsibility

Main Tasks / Competences

1. Advising the Investment Committee and the Foundation Board in determining the investment strategy and its implementation
2. Accounting and reporting by the pension fund
3. Allocation and withdrawal of funds to and from eligible banks
4. Safeguarding the interests of the owners (e.g. voting rights at the General Meeting)
5. Maintaining relations with banks, asset managers, real estate managers and other pension fund mandate holders

Reporting obligations

The Chief Executive reports to the Foundation Board at least quarterly. He is supported in this by external mandate holders of the pension fund (asset managers, bank representatives, real estate managers, etc.). In particular, the following issues must be addressed:

1. Liquidity planning and outstanding receivables
2. Summary of asset investments from the perspective of investment controlling



4.2.5. External asset managers

Task Description

Institutional Name External Asset Manager of the Alvosio Pension Fund

Post Holder Mandate Bank

Post Description Executive Body for the Management of Securities Assets.

Deputy Regulated by the Mandate Bank itself.

Delegated Bodies Asset Managers and Fund Managers

Decision-making Decides independently within the scope of the asset management agreement

Main Tasks / Competences

1. Implementation of portfolio management of individual securities segments within the scope of the defined asset management agreement
2. Implementation of the investment strategy at securities level in compliance with legal and regulatory requirements
3. Ensures that it meets the requirements of Art. 48f - g BVV 2
4. Reports quarterly to the Investment Committee on the development of securities investments and confirms compliance with contractual requirements and investment guidelines.

Reporting Obligations

The Asset Manager reports to the Foundation Board at least quarterly. In particular, the following issues must be addressed:

1. Performance of the portfolio and the benchmark (review)
2. Expected development in the short to medium term (outlook)
3. Portfolio structure and changes made during the reporting period
4. Comparison of current portfolio structure with strategy and tactical ranges
5. Type and scope of derivatives business incl. share of OTC derivatives
6. Level of utilisation of limits for the use of derivatives
7. Transactions carried out during the reporting period

4.2.6. Real estate manager

Task Description

Institutional Name Real Estate Manager of the Alvosio Pension Fund

Post Holder eidg. dipl. Real Estate Trustee

Post Description Executive Body for the Management of Real Estate Assets.

Deputy Regulated by the mandate holder itself.

Decision-making Decides independently within the scope of the real estate management agreement

Main Tasks / Competences

1. Performance of the management of the real estate portfolio directly owned by Alvosio Pensionskasse within the scope of the defined management contract
2. Implementation of the investment strategy at real estate level in compliance with legal and regulatory requirements
3. Ensures that it meets the requirements of Art. 48f - g BVV 2
4. Reports quarterly to the Real Estate Committee on the development of real estate investments and confirms compliance with contractual requirements and investment guidelines

Reporting Obligations

The Real Estate Manager reports to the Real Estate Committee at least quarterly in accordance with the specifications of the management contract. In particular, the following issues must be addressed:

1. Performance of the property portfolio
2. Development of the letting situation and number of vacancies
3. Changes in valuation during the reporting period



4. Transactions carried out during the reporting period
5. Necessities and development of ordinary and extraordinary maintenance works.

4.2.7. Construction Service Provider

Task Description

Institutional Name Construction Service Provider for the Alvos Pension Fund

Jobholders Professionals (planners, consultants, craftsmen)

Deputy Regulated by the mandate holder itself.

Decision-making Decides independently within the scope of the contractual agreement

Main Tasks / Competences

1. Performance of construction services within the scope of the defined contract
2. Reports to the Real Estate Committee within the scope of the contractual agreement on the development of the works

Reporting Obligations

The construction service provider reports to the Real Estate Committee in accordance with contractual agreements.



5. Workflow organisation of the investment process

5.1. Overview of organisational structure

The investment process is the process from the target-orientated investment decision (investment strategy) through to the investment of specific assets on the capital market. In addition, the investment process includes permanent review and adjustment of investments with a view to achieving the investment objective. The most important process steps and the classification of the departments involved are summarised in the following function diagram:

Process step	Frequency	Proposal	Decision	Implementation
Strategic Allocation	Annually	IC	FB	AM
Tactical Ranges	As required	IC	FB	AM
Tactical Allocation	As required	AM	AM/IC	AM
Selection of Securities	As required	AM	AM/IC	AM
Selection of Real Estate	As required	IC	FB	REM
Mandate	As required	IC	FB	CE (incl. ongoing monitoring)

Table 1: Process Organisation of the Alvoso Pension Fund

FB = Foundation Board

IC = Investment Committee

CE = Chief Executive

AM = Asset Manager

REM = Real Estate Manager

5.2. Reporting and control tasks

5.2.1. Basic principles

Investments and their management must be monitored on an ongoing basis. The various items monitored must be reported on periodically and at appropriate hierarchical levels, so that the corporate bodies responsible have meaningful information at their disposal.

This reporting must ensure that the individual levels of competence concerned are informed in such a way that they can exercise the management responsibility assigned to them. Reporting is based on bottom-up reporting by the departments involved in the investment process. Each department is required to perform certain internal control and monitoring functions defined in these regulations, in order to verify the achievement of objectives.

All departments tasked with the Foundation's asset investment activities are responsible for bringing to the immediate attention of the Investment Committee and the Foundation Board any events that substantially endanger or could substantially endanger the value of the investments.

5.2.2. Information and Reporting Scheme at a Glance

Content	Author	Recipients	Frequency
Investment structure, comparison with strategy and benchmarks, ranges, performance, exposure to derivatives	AM	IC	Monthly
Investment structure, comparison with strategy and benchmarks, ranges, performance,	IC	FB	Quarterly



exposure to derivatives, asset development, changes in tactical allocation, confirmation that investment guidelines have been complied with			
Short Commentary on Real Estate: General situation, tenants, special events, etc.	REM	IC	Quarterly
Real Estate Report: Return on individual properties (gross, net and return on equity) and asset values per property	IC	FB	Annually
Violation of investment directives and trading rules	All	IC/FB	Immediate
Asset development, investment strategy, market development, confirmation that investment guidelines have been complied with, exposure to derivatives, performance	FB	B	Annually
Control Body Report	CB	FB	Annually

Table 2: Information and Reporting Scheme of the Alvoso Pension Fund

FB = Foundation Board

IC = Investment Committee

CE = Chief Executive

AM = Asset Manager

REM = Real Estate Manager

CB = Control Body

B = Beneficiaries

6. ASIP Charter

On 19 October 2009, the Alvoso Pension Fund joined the Swiss Pension Fund Association - ASIP. Through this membership, the Foundation is subject to the ASIP Charter. In this way, the Alvoso Pension Fund complies with the applicable legal provisions on loyalty in asset management and offers insured persons a guarantee that the assets of the pension fund will be used exclusively for their benefit and that any misuse will be avoided.

Lachen, 20.05.2019

The Foundation Board of the Alvoso Pension Fund:

.....
Remo Schällibaum, President Wolfgang Fanger, Member Investment Committee



Appendix I: Strategic Asset Structure and Benchmark

1. Strategic Asset Structure and Tactical Ranges

For each category, a strategic weighting target and a range based on its contribution to the strategy is set out in the table below. The upper and lower tactical ranges define the maximum permissible deviations from the strategic target structure. These are intervention points. Compliance with the tactical ranges is reviewed on a monthly basis.

Asset Class	Minimum	Strategy	Maximum	Limits - BVV2
Liquidity	0.00%	0.00%	25.00%	
Bonds CHF	5.00%	21.50%	40.00%	
Bonds FW	2.50%	7.50%	30.00%	
Bonds Inflation-linked	0.00%	5.00%	10.00%	
Bonds High Yield	0.00%	4.00%	8.00%	
Bonds Emerging Markets	0.00%	2.00%	8.00%	
Bonds Convertible	0.00%	7.12%	12.00%	
Total Bonds & Liquidity	20.00%	47.00%	70.00%	
Real Estate Switzerland	5.00%	12.00%	18.00%	
Foreign Real Estate	0.00%	3.00%	6.00%	max. 10%
Real Estate Total	5.00%	15.00%	20.00%	max. 30%
Equities Switzerland	5.00%	13.00%	20.00%	
Equities Global	10.00%	20.00%	30.00%	
Equities Emerging Markets	0.00%	3.00%	6.00%	
Equities Total	25.00%	36.00%	40.00%	max. 50%
Private Equity	0.00%	2.00%	5.00%	
Private Real Estate	0.00%	0.00%	5.00%	
Fund of Hedge Funds	0.00%	0.00%	0.00%	
Insurance-linked securities (including cat bonds)	0.00%	0.00%	0.00%	
Alternative Investments	0.00%	2.00%	10.00%	max. 15%
Total		100.00%		
CHF Share after Whf. Hedging	70.00%	74.50%		

This appendix replaces the Investment Guidelines of 1 January 2018 and will enter into force on 20 May 2019.

Investment currencies after hedging	Minimum	SAA Total	Max
CHF	70.00%	74.50%	
EUR		8.00%	
USD		7.00%	
GBP		3.60%	
JPY		1.50%	
Miscellaneous		5.40%	
Total		100.00%	

Table 3: Strategic asset structure and tactical ranges of the Alvosio Pension Fund



2. Strategic Benchmark

For each asset class, a transparent market index is set as a benchmark. With the help of these indices and the neutral weighting based on the strategic asset structure, a cash-specific benchmark index is calculated. Based on this composite comparative index, the added value of the "active" investment policy compared with a purely "passive", so-called indexed investment can be determined and assessed.

Asset class	Benchmark
Bonds CHF	Swiss Bond Index AAA-BBB
Bonds FW	JPM Global Government Bond Index
Bonds Inflation-linked	Barclays World Inflation Linked Index
Bonds High Yield	Merrill Lynch Global High Yield Index
Bonds Emerging Markets	JPM EMBI Global Composite Index
Convertible Bonds	TR CV Global Investment Graded Hedged (EUR)
Real Estate Switzerland	SXI Real Estate Funds Index
Foreign Real Estate	SXI Real Estate Funds Index/MSCI ACWI Real Estate Index
Equities Switzerland	Swiss Performance Index
Equities Global	MSCI World ex Switzerland Index
Equities Emerging Markets	MSCI Emerging Markets Index
Alternative Investments	Hedge Fund Research HFRX Global Hedge Fund CHF Index

Table 4: Benchmark Indices

Appendix II: Value Fluctuation Reserves (Art. 48e BVV2)

To compensate for fluctuations in value on the assets side of the balance sheet and to guarantee the necessary interest on liabilities, value fluctuation reserves are formed on the liabilities side of the commercial balance sheet.

The necessary target value of the fluctuation reserves is determined using the so-called “financial-economic method”. In this financial-economic procedure, the fluctuation reserve is determined based on the return and risk characteristics of the investment classes within the investment strategy; this permits, with sufficient certainty, a required minimum return on the tied pension capital over a horizon of one year. The target value of the fluctuation reserve is expressed as a percentage of liabilities.

C-alm calculates the following vola factors, based on stability and safety levels, to calculate the value fluctuation reserves:

Stability	0.05	0.04	0.03	0.02	0.01	0	-0.01	-0.02	-0.03	-0.04	-0.05
Safety level	91.5%	93.0%	94.5%	96.0%	97.2%	98.0%	98.5%	98.8%	99.0%	99.2%	99.4%
Vola factor	1.83	1.92	02:02	02:15	02:29	02:42	02:52	2.60	2.67	2.74	2.83



For the current strategy, from 1 January 2018, with a volatility of around 8 percent and a safety level of 96 percent, this results in a target value fluctuation reserve of 17 percent of pension capital.

When determining the basis for calculating the value fluctuation reserves, the principle of consistency must be kept to and the current situation on the capital markets must also be taken into account. The appropriateness of the target figure is reviewed periodically by the Foundation Board, or whenever extraordinary events require it; and, if necessary, it is adjusted and recorded in minutes. The target defined is disclosed in the Notes to the Annual Financial Statements. Changes in the basis of the principles must be explained in the Notes to the Annual Financial Statements, taking into account the requirements of Swiss GAAP FER 26.



Appendix III: Investment Guidelines

1. Provisions on Investment in Securities

Only the investment classes listed exhaustively in point 3.1 of the Investment Regulations are permitted.

The Investment Guidelines must be specified in the context of the mandate to the Investment Committee and to the Asset Manager and Real Estate Manager.

2. Provisions on Investment in Alternative Investments

Alternative investments, such as hedge funds, private equity, insurance-linked securities, commodities or infrastructure, are permitted. There is a maximum limit of 3% of total assets per individual investment. Individual investments through diversified collective investments, diversified certificates or diversified products are not subject to this restriction.

3. Provisions on Investment in Real Estate

Real estate is purchased exclusively for capital investment purposes. Investment in real estate must not create any leverage effect, however. Exempted from this rule is lending against real estate as a way of temporarily obtaining liquidity in the context of real estate management; this being up to a maximum of 30% of the market value of the real estate portfolio. Such loans are repayable within 24 months.

4. Provisions on the Use of Derivatives

Derivatives are used exclusively in accordance with the provisions of Art. 56a BVV2 and the Federal Social Insurance Office's technical recommendation on the use and presentation of derivative financial instruments of 15 October 1996.

4.1. Purposes of the use of derivatives

Derivatives are primarily used to fine-tune the risk structure of the investments with regard to the special security needs of the Foundation. In particular, such use includes the hedging of market, interest rate and currency risks.

Details regarding the use of derivatives must be specified in the mandate to the asset managers.

4.2. Maintaining Fungibility

In order to ensure tradability at all times, derivatives must be traded on regulated markets in Germany and abroad.

Off-exchange derivatives transactions (OTC trading) are only permitted with counterparties approved by the Foundation Board, subject to the applicable credit restrictions.

4.3. Inclusion of derivatives in calculation of the ratio

Open derivative positions must be taken into account whenever calculating the ratios issued or required by legislative or regulatory rules.

4.4. Limits on the use of derivatives

4.4.1. Limits based on credit risks

The direct counterparty must have a minimum rating of A (Standard & Poor's or equivalent).

For debt claims from open derivative positions (positive market values) against OTC counterparties, the debtor restrictions and diversification provisions under BVV 2 must be taken into account.

The derivatives are offset against the debtor restrictions on the basis of the BVV 2 exposure of the derivatives.

4.4.2. Limits based on key figure regulations

Limits and restrictions on investment activity must be observed, taking into account BVV 2 exposure.



5. Debt financing

As a matter of principle, the Alvoso Pension Fund does not take up any external funding.

The lending of securities by means of Lombard loans or in any other form is strictly prohibited. The creation of leverage (implicit borrowing) by means of derivative instruments is also strictly prohibited.

Excluded from this rule is lending against real estate in accordance with item 3 of the Investment Guidelines.

6. Valuation Principles

6.1. Valuation of Securities Investments

In principle, all assets must be valued at market value as at balance sheet date. The decisive factor here are the prices as determined by the custodians. Otherwise, the provisions of Art. 48 BVV 2 or Swiss GAAP FER No. 26, item 3, apply.

6.2. Valuation of Real Estate

Market value is determined for each property based on expected net rental income, taking into account a capitalisation interest rate commensurate with the risk involved. As a rule, this corresponds to the capitalisation interest rate periodically set by the Foundation Board in the requirement profile for real estate, plus a margin for maintenance, operation and management. The refurbishment costs that will be necessary in the coming years to maintain value (refurbishment costs that cannot be passed on under tenancy law) must be taken into account when determining market value.

In the case of new acquisitions in the current accounting year, the purchase price may correspond to the market value.



Appendix IV: Real Estate Investment Guidelines

1. Background

Implementation of the strategic investment guidelines of the Investment Committee or the board of trustees.

Share of direct or indirect real estate investments - Switzerland:	Minimum	5%
	Strategy	12%
	Maximum	18%
Percentage of real estate funds and shares - abroad:	Minimum	0%
	Strategy	3%
	Maximum	6%
Percentage of real estate - total:	Minimum	5%
	Strategy	15%
	Maximum	20%

2. Decision criteria for direct investments - Switzerland

2.1. Location

Entire Zurich cantonal territory including the City of Zurich and neighbouring cantons of Aargau to Aarau, Zug to the City of Zug, Schwyz, Glarus to Ziegelbrücke, St. Gallen to Wil, Weinfelden, Thurgau, Schaffhausen to the City of Schaffhausen.

In principle, the locations should be connected to the S-Bahn network of the ZVV. This enables quick access and, thanks to its good level of development, the demand for apartments is correspondingly high and the range of yield fluctuations correspondingly small.

Good macro and micro-situation quality.

2.2. Properties

Apartment buildings with a good mix of tenants and apartments. At least 8 apartments per individual property. No small apartments (1 to 1 ½ room), max. 20% 2 ½ room apartments.

No base vacancies; annual change of tenant not exceeding 15%.

Office, commercial or retail space not exceeding 20% of rental income.

The following properties must be analysed on a case-by-case basis:

- The acquisition of a property with planning permission and with a building cost and an initial letting guarantee.
- Existing and redevelopment properties with development potential.

2.3. Investments

Individual properties from CHF 3.0 million up to a maximum of CHF 15.0 million

2.4. Expected Return

Sustainable gross yield within the usual market range. Depending on the characteristics of the property and the features of its location that make it suitable for use.

2.5. Initial Clarification Contact

The Real Estate Committee appoints an expert who is responsible for the initial clarification during the purchase of direct real estate. The documentation of potential real estate purchases must always be sent to the Real Estate Committee for an initial perusal.

2.6. Searching for Properties



The Real Estate Committee regularly sifts through the relevant Internet pages and orders appropriate property information for examination. The Real Estate Committee issues search mandates on a case-by-case basis using the above-mentioned criteria.

2.7. Procedure and Proposal

The Real Estate Committee's expert examines the properties received within a reasonable period of time in accordance with the decision criteria and then assesses them together with the Real Estate Committee. The latter submits a proposal to the Investment Committee.

In the event of refusal, the files as well as a letter of refusal will be sent back directly to the offerers by the Real Estate Committee. A list is kept of the properties looked at, and the main reasons for refusal are documented.

If the proposal is generally positive, an in-depth market valuation will be carried out in accordance with the specifications of the Swiss Valuation Manual, SVKG + SEK/SVIT, 2005 edition. This research will take place within a reasonable period of time, normally within 10 working days. The result is submitted to the Investment Committee as a proposal.

2.8. Contract Preparation

If the report is positive, purchase negotiations will be conducted by members of the Real Estate Committee or, if necessary, by an external mandate holder. The Investment Committee will be informed periodically of the progress of negotiations. The contract of sale will be sent to the Investment Committee, together with a written statement from the Real Estate Committee.

The purchase conditions will be agreed with the seller on a case-by-case basis, by mutual arrangement.

2.9. Signatures

The signing of the contract of sale during notarisation or transfer of ownership is regulated on a case-by-case basis.