

Swiss public broadcaster's scheme kickstarts 2023 with new investment strategy

By [Sandra Sparrowhawk](#) 14 February 2023

Central banks' aggressive interest rate hikes had an impact on all asset classes in the SFr3.5bn (£3.2bn) Pensionskasse SRG SSR's portfolio last year, with the fund generating a return of minus 14.3 per cent. Following a periodic investment strategy review last autumn, the scheme has adjusted its investment strategy for this year in a bid to diversify and protect the portfolio from market turmoil, says Emmanuel Vauclair, managing director of the pension fund.

Pensionskasse SRG SSR, which serves more than 9,000 members, reviews its investment strategy at least triennially.

The defined contribution plan, founded as an autonomous scheme in Bern in 2002, recently replaced its long-term investment strategy, dating back to September 2020, with a new strategic asset allocation, effective from January 1 2023.

The new strategy follows an asset and liability management study carried out by Ortec Finance and a subsequent review conducted by the scheme's investment committee in September last year.

In line with its new strategic breakdown, the pension fund's board of trustees have decided to manage Swiss mortgages (collective investments) as a separate division. Swiss mortgages, which were previously categorised as a sub-asset class within Swiss franc-denominated bonds, now have a target allocation of 5 per cent of total assets.

"The reason behind the decision to list mortgages, which have a similar risk/return profile to first-class Swiss bonds, separately is to increase the pension fund's diversification for nominal values," Vauclair says.

Geopolitical tensions

Amid heightened geopolitical and economic uncertainty, the pension fund has also changed its allocations to some other asset classes.

It has increased its exposure to insurance-linked securities by 1 percentage point, to 5 per cent, at the expense of foreign-currency bonds.

According to Vauclair, the fact that insurance-linked securities have little correlation with traditional assets, such as equities, bonds and real estate, had a stabilising effect on the portfolio in 2022.

The board of trustees has also decided to drop the scheme's 3 per cent strategic exposure to emerging market bonds in favour of a higher allocation to global equities.

Vauclair says the move is the result of negative performance observed in the asset class during the past decade.

"The correlation to global equity markets has also turned out to be higher than expected. In addition, there are some concerns about the future development of the world's geopolitical situation," he says.

The scheme is particularly concerned that emerging markets' decorrelation from global stock markets has not materialised, while it is also keeping a close eye on the tensions between China and Taiwan as the two countries make up around half of the MSCI Emerging Markets Index.

Infrastructure considerations

With many European pension funds already venturing into income-delivering alternatives like infrastructure, Pensionskasse SRG SSR's board of trustees have also debated a possible entry into the infrastructure market.

However, following an in-depth analysis, the board has decided to temporarily refrain from investing in infrastructure, concluding that the risks in this "young sector" were not being adequately compensated.

But the pension fund is edging closer to its 1 per cent medium-term target allocation to Swiss private equity. The asset class is now separate from opportunistic investments, which it previously sat under.

In 2019, the scheme made an initial SFr5mn investment with Renaissance Evergreen and has since invested a further SFr10mn in the Renaissance fund, taking its total commitments to the fund to SFr15mn as at the end of 2021.

It has also made private equity commitments worth SFr5mn each to Credit Suisse Asset Management and UBS Asset Management's Swiss Entrepreneurs Fund, while also allocating to Swisscanto Invest's

Pensionskasse SRG SSR's strategic asset allocation as of January 1 2023			
	Tactical bandwidths		
Asset class	Target	Minimum	Maximum
Short-term investments and liquidity	1%	0%	5%
Bonds SFr	27%	22%	32%
Mortgages SFr	5%	3%	7%
Bonds foreign currencies	11%	8%	14%
Swiss equities	6%	4%	8%
Global equities	19%	15%	23%
Emerging market equities	4%	3%	5%
Swiss private equity	1%	0%	2%
Insurance-linked securities	5%	3%	7%
Opportunistic assets	0%	0%	4%
Swiss properties	16%	12%	20%
International properties	5%	4%	6%
Total	100%		

Source: Pensionskasse SRG SSR – Investment Strategy

Wachstumsfonds.

Vauclair says the pension fund intends to make Swiss private equity investments via either existing products or by making a commitment to a new fund.

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