

Profond

Annual Report

2016

Profond at a glance

Active
insured
members
31 091

Cover ratio
107.5%

Administration
expenditure per insured
member CHF 393

Assets under
management
CHF 6.3 bn

Conversion
rate
7%

Total expenditure
for asset
management
0.39%

Return
3.7%

Pensioners
8197

Interest
2.25%

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Award SonntagsZeitung

Profond won the award for the best interest return over ten years for the eighth consecutive year in the SonntagsZeitung 2016 pension fund comparison.



Work resolutely towards long-term goals

How can high benefits be maintained in the pension sector despite strained financial markets? Profond Board of Trustees Chairman Olaf Meyer, Managing Director Martin Baltiswiler and Chief Investment Officer Christina Böck share their thoughts on the main developments at Profond during the 2016 financial year and future challenges.

It would be fair to say that conditions were very challenging again last year due to financial market volatility. How do you rate 2016 and the result achieved by Profond?

Christina Böck: The start of the year was very unsettling with the amended regulations for savers in China. This prompted concerns that the year would not prove especially profitable for institutional investors. Then we saw more drama, including the British vote for Brexit in June and the election of Donald Trump in November. Nonetheless, the year turned out to be very positive for the financial markets, and interest rates only fell slightly. The outcome for us was a performance of 3.7 percent. This result compares well to the Swiss pension fund sector overall, even if we undershot our benchmark and are therefore not entirely satisfied. We also stand by our strategic decisions of recent years, such as our relatively low bond holding.

Martin Baltiswiler: Our insurance benefits business improved compared to the prior year in spite of the reduction in risk contributions. We anticipate that the claims experience will remain favourable, enabling us to achieve similar results over the next few years. We further reduced the deficit in our client service business. So we're heading in the right direction, even if we aren't actually in the black quite yet. Moreover, we reduced administration costs per insured person from CHF 411 to CHF 393.

Olaf Meyer: Even though we performed well, it was a challenging year and we aren't entirely happy. Our progress in reducing administration costs was good, but there is still more to do. To sum up, 2016 was a year of small steps forward.

Profond has been committed to equal interest for active members and pensioners. Now Profond is moving away from that. Why?

Olaf Meyer: Profond aims to maintain a high level of benefits for its active members as well as its pensioners, and it has paid 3.5 percent interest on retirement capital for each of the past three years. We had to pay 2.25 percent last year to comply with a requirement of the Zurich supervisory authority, which set 2.25 percent as a limit for 2016 to accelerate the accumulation of the fluctuation reserve. Our interest rate is still one percent above the minimum, but we are aiming for a much higher distribution for our insured members.



“An important factor over the next few years will be digitalisation, which is relevant to the pension sector. It will help us structure our services in a way that keeps our clients happy and our costs low.”

Olaf Meyer

How can Profond maintain these high benefit levels for its active and retired members in spite of adverse financial markets? Most pension schemes are reducing their benefit levels.

Olaf Meyer: Investments are the key. It doesn't matter how cost-disciplined we are; ultimately, the overall return on investment has to be adequate. At Profond, we want to achieve a long-term average of 4.5 percent. It's a tall order, but we believe it can be done. That's what we're working hard for.

Christina Böck: Pension schemes have long-term commitments to their insured members, and that commitment should shape their approach to investing – without losing sight of liquidity requirements, of course. Investment liquidity should remain staggered in the future and match liabilities. A long-term approach enables investments that can fluctuate over the short term but demonstrably provide higher long-term returns – one typical example being equities. Over a full business cycle, equities always post the highest return. That's why we maintain a high allocation to equities under our long-term strategy. 2016 was a rather patchy year in that regard. Although equities performed very well, they did not fully offset the poor bond performance.



“Over a full business cycle, equities always post the highest return. That’s why we maintain a high allocation to equities under our long-term strategy.”

Christina Böck

Profond strengthened its investment operation in 2016. What were the reasons for that, and what do you hope to achieve from it?

Olaf Meyer: The entire investment universe has become more complex. We still have a relatively large holding in securities in an externally managed portfolio. In addition, we invested in the development of a real estate portfolio in which we hold the properties directly. We also set up Profond Investment Foundation to provide professional management services. Moreover, we have been involved in a number of infrastructure assets via a participation management arrangement since 2016, as part of our alternative investments. Christina Böck was appointed as our first Chief Investment Officer to coordinate and manage all the investment categories. Our aim now is to optimise the investment process and its organisational

structure. At the same time, we will continue to develop the requisite expertise in-house. That way we can advance our own ideas quicker, more independently and more professionally within the context of our real asset strategy while also retaining more of the control and steering capability.

Last year, Profond also announced a change in its strategic asset allocation. To what extent have you implemented this change?

Christina Böck: We have made excellent progress, especially in real estate, where we have built up a high-quality portfolio with Swiss direct investments to achieve our long-term target return. The real estate holdings accounted for 27 percent at the end of 2016. We’re expanding the strategy now and are working on

our geographic diversification, focusing mainly on our neighbouring countries, as we have a good knowledge and understanding of those markets. We were fortunate enough to acquire a high-quality real estate portfolio in Germany for EUR 430 million at the start of 2017. With that transaction, we increased our property holding to CHF 2.2 billion.

We need to develop our professional investment capability to ensure we have the necessary expertise and managerial skill for our real estate holdings, and we are making excellent progress on that front. We made a number of alternative investments in 2016, and we purchased a biomass plant in Canton Schwyz (Switzerland), wind turbines in France and solar plants in the United Kingdom. We thoroughly analyse our investments to ensure they are compatible with our long-term target return.

Another change is compensation for intermediaries. What led to this change, and what does Profond aim to achieve as a result?

Martin Baltiswiler: Having significantly reduced our internal administration costs in recent years, we decided to adjust our intermediary compensation in 2017 and bring it in line with the market average – that was a first in the history of Profond. Now the client can choose between a net quote and conventional remuneration factored into the risk contributions. The net quote no longer includes the intermediary's remuneration in the contributions. The client pays the intermediary directly and only pays for those services that it actually needs and makes use of. The net quote promotes transparency and is a forward-looking remuneration model and, as such, belongs in the pension sector.

In the autumn, Profond merged its two locations in German-speaking Switzerland and moved into new premises in the centre of Zurich. How is that going?

Martin Baltiswiler: Early experiences have been very positive. The staff are extremely happy with their new office space. Our multi-space office concept promotes the direct exchange of information and it makes cooperation much more natural and straightforward. Whereas before we conducted our business through telephone calls between Aarau and Thalwil, now we can speak face-to-face. We have also noticed that the quality of candidates applying to work for Profond has improved and that we are now a more attractive employer.

In view of all these changes, what will stay the same at Profond going forward?

Olaf Meyer: Change is a given these days, constant change is now the norm. Nevertheless, we will remain true to our fundamental convictions, and the values and goals of Profond have not really changed either. We want to keep providing good benefits to our insured members for a competitive price. Furthermore, we have every faith in our long-term investment strategy with its high real asset share. We have to constantly adapt to find the best way.

What is Profond's objective for 2017?

Christina Böck: We face a particular challenge in the investment arena, as we aim to maintain the necessary and desired returns in this low or even negative interest rate environment. We have to keep diversifying, actively seek earnings and access new asset classes. It will take profound analysis and creativity to do that. As a result, our priority for 2017 is to keep expanding our expertise. Interesting investment opportunities are not available to everyone, so we also need to use Profond's size in a targeted way.



“We further reduced the deficit in our client service business. So we’re heading in the right direction, even if we aren’t actually in the black quite yet.”

Martin Baltiswiler

Martin Baltiswiler: Digitalisation is the main topic in the pensions business. We want to develop our systems so our insured members can access their insurance documents directly, make changes and simulations themselves – for example for salary changes, for making payments or withdrawing funds to purchase property. That way we will offer them more independence and quicker decision-making processes.

Olaf Meyer: Our main priority is to achieve our targeted return, and I am optimistic that we will do so. The challenge will be to do it while maintaining maximum stability and limiting fluctuations.

Another important factor over the next few years will be, as already mentioned, digitalisation, which is relevant to the pension sector. It will help us structure our services in a way that keeps our clients happy and our costs low. In other words, there are a lot of changes round the corner. Our primary goal for 2017, as every year, is to have satisfied clients.

2.25%

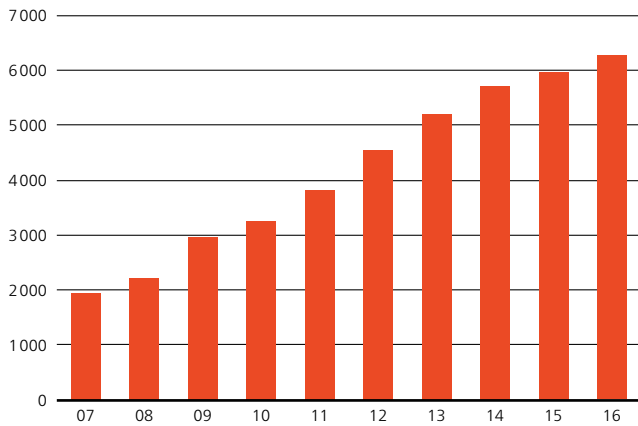
Equal treatment of active and retired members is one of Profond's fundamental principles, as is a high interest rate on retirement capital whenever possible. Profond won the award for the best interest return over ten years for the eighth consecutive year in the SonntagsZeitung 2016 pension fund comparison. In 2016, Profond applied an interest rate of 2.25 percent, which was 1 percent above the minimum legal requirement, placing the company among the top pension fund providers.



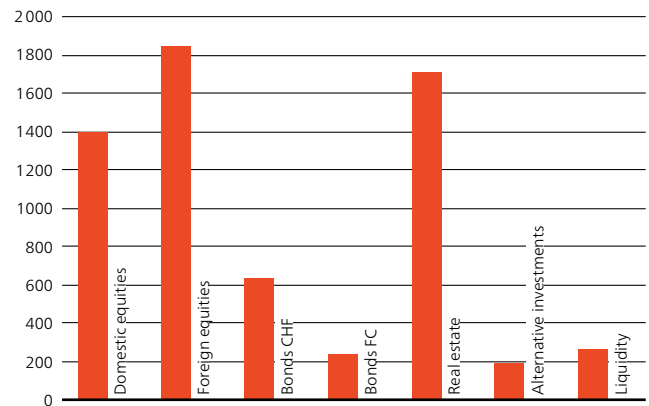
We make the most
out of your pension money.

Annual review

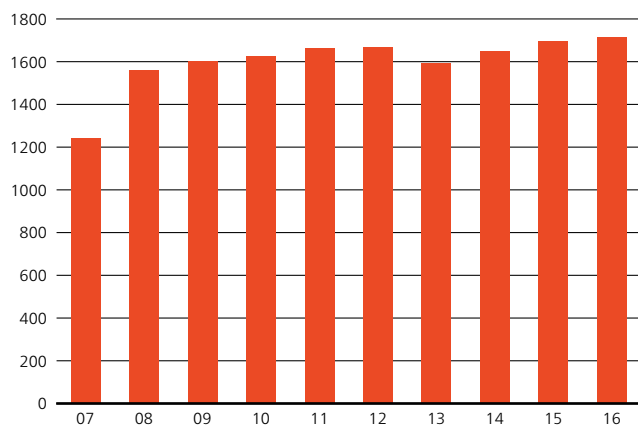
Assets (in CHF m)



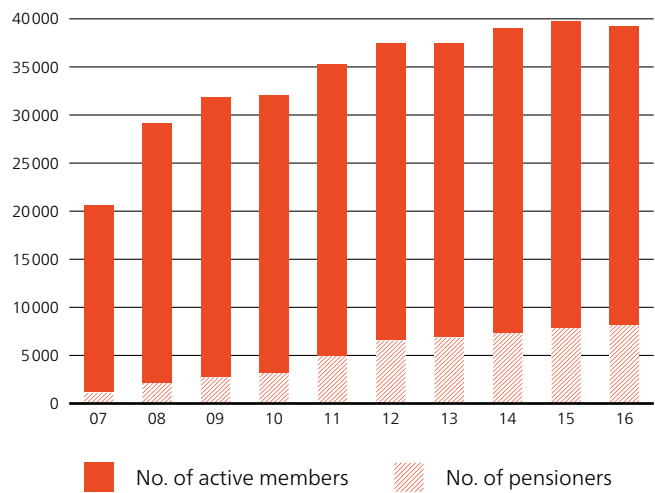
Distribution of assets under management (in CHF m)



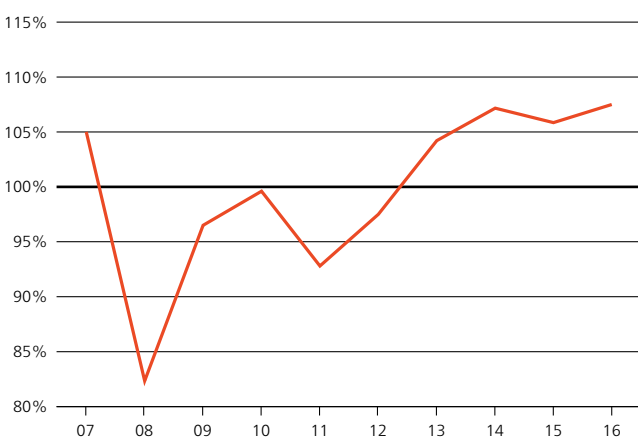
Number of affiliation partners



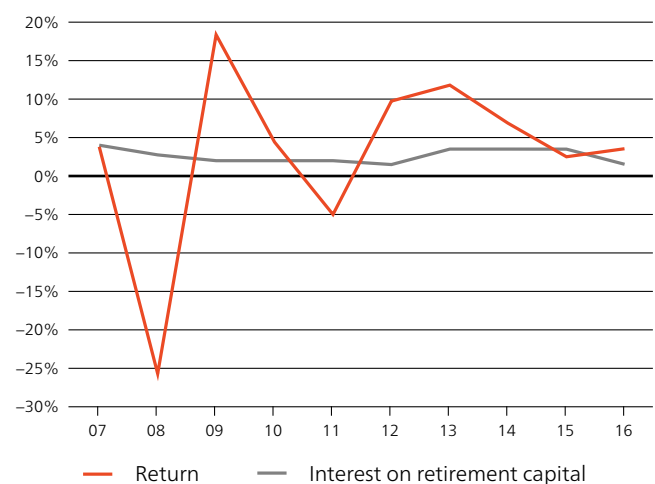
Number of beneficiaries



Cover ratio



Return and interest on retirement capital



Summary of key points

Our long-term investment strategy and its high real asset share have proven their worth again. In 2016, Profond achieved a net return of 3.7% – a relatively good result in view of the turbulent financial year and as compared to the rest of the sector, even if it is below long-term expectations.

Active insured members received an interest rate of 2.25% for their retirement capital for their mandatory and extra-mandatory cover, which was again above average. The cover ratio after payment of interest is 107.5% (2015: 106.2%).

The number of affiliated companies increased by 1.3% over the prior year. However, the total number of insured persons fell to 39 288, of whom 8 197 are pensioners. Total assets grew by 5.5% or CHF 332 million and totalled in the region of CHF 6.3 bn at the end of 2016. The growth stemmed mainly from the positive return, savings contributions and capital from new affiliations.

The conversion rate for calculating old-age pensions for normal retirement was 7% for men and 6.8% for women. The incremental reduction of the conversion rate by 0.1% per annum will bring it to 6.8% for male and 6.6% for female insured members by 2018, as decided by the Board of Trustees in 2013.

New risk rate

Profond introduced a new sector-dependent risk rate on 1 January 2016. As a result, risk contributions were reduced by an impressive ca. 27% overall and the costs for disability and death apportioned in a more targeted manner. As expected, about 80% of clients benefit from the reduced risk contributions.

New premises in Zurich

In September, Profond merged its two locations in Thalwil and Aarau into one site in Zurich. This consolidation under one roof has facilitated cooperation and is conducive to direct exchanges. Furthermore, Profond's appeal has grown due to its new premises close to Zurich main station and the quality of job applicants has improved as a result.

Investment results

In 2016, the total return was 3.7%, a good result by sector comparison. Nonetheless, it was still 1.5% below the benchmark.

The market environment, which had been difficult at the start of 2016, improved significantly over the year. The fourth quarter finished off the year on a very positive note with a rally on the equity markets triggered by renewed optimism regarding growth prospects and the expectations that accompanied the election of the new US President.

As in past years, equities made the biggest contribution to the total result, with domestic and foreign equities performing on a par with each other. The highly favourable selection was the key to Swiss equities achieving this result, whereas foreign equity performance was impaired by an underweight in emerging market equities,

which performed particularly well. However, they still made a positive contribution to the result.

Bonds only made a minor contribution to the total return in 2016, with Swiss and foreign currency bonds accounting for 0.1% each. Interest rates fell until July due to deflationary concerns, but picked up again through the rest of the year. Moreover, performance was roughly in line with the benchmark. Profond again reduced its bond portfolio in the year under review, as a positive yield seemed impossible given the very poor current yields. Bond holding was nonetheless maintained at a low level, averaging 16% over the year, due to risk management considerations, i.e. diversification and liquidity management.

Real estate accounted for 0.7% of the total result for the year under review. This performance is made up of a good return on the current portfolio plus special factors relating to the Swiss property portfolio acquired at the

Return and interest (percent)

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Return	3.8	-25.7	18.4	4.4	-5.0	9.7	11.8	6.8	2.5	3.7
Interest on retirement capital	4.0	2.75	2.0	2.0	2.0	1.5	3.5	3.5	3.5	2.25

Composition of the investment result

Asset class	Ø Share	Contribution to the result	Performance	Benchmark
Equities	50.9%			
Domestic	26.1%	1.3%	5.7%	4.9%
Foreign	24.8%	1.5%	6.2%	8.0%
Bonds	16.0%			
Swiss francs	11.7%	0.1%	0.8%	1.3%
Foreign currency	4.3%	0.1%	1.9%	0.5%
Real estate	26.2%			
Domestic	22.0%	0.4%	1.9%	5.8%
Foreign	4.2%	0.3%	6.9%	5.8%
Alternative investments	2.1%	0.1%	3.6%	5.0%
Liquidity	4.8%	0.0%	0.0%	-0.7%
Total	100.0%	3.8%*		

*rounded

start of 2016. As a result, the return on domestic real estate was limited to 1.9%, which was well below the benchmark (5.8%).

Liquidity had no influence on the total result. Negative interest rates were largely avoided due to extremely dynamic management with the most precise liquidity planning and the use of fixed-term deposit accounts.

Alternative assets also posted a positive return: although the contribution to the total result was relatively low at 0.1%, the return for the entire asset class was respectable at 3.6%. This was mainly due to the small private equity allocation.

Portfolio volatility sank markedly in 2016 to 7.5% (2015: 10.6%), which was mainly due to the positively oriented markets, as they regularly entail a lower fluctuation range.

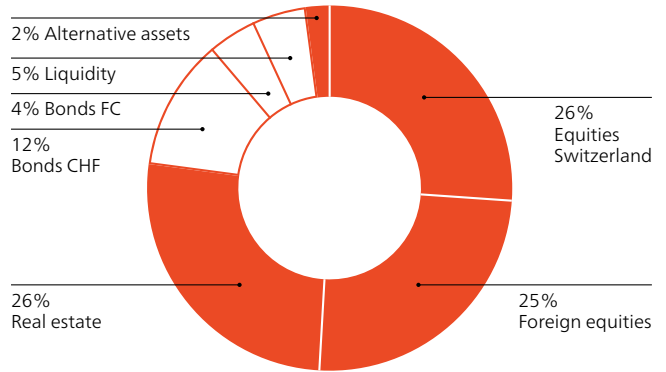
Composition of assets

The equity holding averaged close to the strategic value at 50.9% over the year. Swiss equities were overweight at an average of 6% and foreign equities were underweight at 4%. These deviations from the benchmark were bigger at the start of the year, and they were reduced throughout 2016.

There was a pronounced underweight in bonds, particularly bonds denominated in Swiss francs at 11.7% (benchmark: 19%), However, this failed to significantly influence performance, as interest rate development was fairly homogeneous worldwide.

Liquidity averaged 4.8% over the year and thus was above the reference value of 2%. The identification of real-time investment opportunities offering good risk-return ratios remains a challenge.

Distribution of assets under management



The proportion of alternative investments was increased to 2.1% in 2016, which was still below the strategic value of 3%. Profond is a consistent investor in renewable energies. During the year under review, the company acquired a district heating network in Schwyz (Switzerland), wind turbines in northern France and photovoltaic plants at three sites in the United Kingdom.

Profond adheres strictly to its strategy of hedging its foreign currency bonds, foreign real estate holdings and infrastructure investments against exchange-rate risk. Foreign equities, however, are only partially hedged. Overall, 72% of the entire portfolio is invested in Swiss francs.

Segment reporting

Since the 2014 financial year, Profond has broken its results down into the three main areas of pension provision – saving, disability and death coverage, and client service. This format provides transparency on the extent to which the incoming funds are being used for their intended purpose. Our objective is for insurance and client service to cover their costs and to credit all the savings contributions plus interest to the pension scheme. The net result of the three areas goes to the savings process and is invariably credited to the beneficiaries in full in Profond's capacity as a foundation.

Retirement benefits

The savings process is managed within the pension schemes unit. The main income is made up of contributions, benefits on entry and deposits plus the return on investments. Profond uses this income predominantly to finance lump-sum and pension payments, termination benefits, interest and reserves.

Insurance benefits

The risk process is managed within the insurance benefits unit. Practically all the income comes from clients' risk contributions. As Profond ceased to reinsure its insurance risks in 2013, it only receives a low level of compensation from loss events that occurred before then. This income is used to finance lump-sum payments in the event of disability or death plus the associated widow's and orphan's pensions.

Client service

The third area comprises all the administrative tasks underpinning Profond's business, including general client management – producing documents and statements of account for the financial statements or for entries and terminations – and client advice for purchases or on retirement inter alia. The administrative cost contributions are used to pay staff, rent premises and cover other necessary costs.

Total result for 2016

In 2016, income exceeded expenditure by CHF 87.9 million, enabling an increase in the fluctuation reserve to CHF 423.4 million. That corresponds to about 7.5% of the pension assets to be covered, which amount to CHF 5.6 billion.

Operational liquidity as the balance between (+) contribution income, (+) benefits on entry and deposits, (–) termination benefits and (–) capital and pension payments comes to CHF 82.6 million, significantly lower than the prior year.

The net investment return was CHF 230 million, a year-on-year increase of CHF CHF 92.8 million due to the higher yield.

There is a surplus in the risk process again, which was more than twice as high as in 2015 (CHF 10.8 million) and

Segment reporting (in 1000 CHF)

	Savings process	Risk process	Administration process	Total 2016	Total 2015
Contribution income	253 093	30 915	15 249	299 257	305 848
Benefits on entry and deposits	450 233	0	0	450 233	509 103
Investment income (net)	229 967	0	0	229 967	137 143
Income from reinsurance agreements	0	3 247	0	3 247	2 801
Off period earnings	9 580	0	0	9 580	191
Total income	942 873	34 162	15 249	992 284	955 086
Termination benefits	–439 108	0	0	–439 108	–367 801
Lump-sum and pension payments	–226 389	–1 436	0	–227 825	–209 566
Formation of pension assets, technical reserves, contribution reserves	–199 359	–20 000	0	–219 359	–383 019
Insurance expenditure	0	–1 914	0	–1 914	–2 050
Administration costs	0	0	–16 158	–16 158	–16 402
Off period expenditure	0	0	0	0	–60
Allocation/dissolution to fluctuation reserve	–87 920	0	0	–87 920	23 812
Total expenditure	–952 776	–23 350	–16 158	–992 284	–955 086
Result	–9903	10 812	–909	0	0

will be credited to the insured members. The positive claims development continued during the year under review.

Results for the administration process improved further. Nevertheless, there was still a deficit of just under CHF 1 million in 2016.

Pension schemes unit

Fixed assets continued to rise in 2016, by CHF 349 million in total. The investment return also increased by CHF 92.8 million to CHF 230 million. The resulting net yield of 3.7% was below the long-term target of 4.5%.

Income from savings contributions only increased slightly during the year under review, by CHF 6.8 million. Benefits on entry and deposits were down by CHF 58.9 million in total, with other deposits significantly lower than in 2015. Provided transferable vested benefits, by contrast, posted a major increase.

Savings process (in 1000 CHF)

	2016	2015
Income from savings contributions	253 093	246 315
New affiliations	91 385	127 364
Transferable vested benefits	287 557	246 194
Buy-ins	38 979	36 578
Other deposits	32 312	98 967
Benefits on entry and deposits	450 233	509 103
Return on capital	254 748	153 365
Asset management costs	-24 781	-16 222
Investment income (net)	229 967	137 143
Off period earnings	9 580	191
Total income	942 873	892 752
Contract dissolutions	-64 526	-41 966
Transferable vested benefits due to individual terminations	-339 355	-292 410
Other earnings and benefits	-35 227	-33 425
Termination benefits	-439 108	-367 801
Lump-sum payments on retirement	-60 201	-49 870
Old-age, widow's and child benefit for pensioners	-150 815	-143 456
Disability, disabled child benefit, orphan's pensions	-15 373	-15 230
Lump-sum and pension payments	-226 389	-208 556
Change in pension assets	-57 998	-137 931
Normal interest on pension assets	-43 006	-53 337
Additional interest on pension assets	-31 280	-54 921
Change in retirement capital/technical reserves as per actuarial valuation	-60 863	-90 011
Change in contribution reserves and free funds	-6 212	-7 817
Formation of pension assets, technical reserves, contribution reserves	-199 359	-344 017
Allocation/dissolution to fluctuation reserve	-87 920	23 812
Total expenditure	-952 776	-896 562
Result	-9 903	-3 810

Benefits on entry were only slightly higher than for termination (by CHF 11 million), so the balance was much lower than in 2015. Paid lump-sum and pension benefits increased by CHF 17.8 million, which was in line with expectations. Lump-sum retirement payments increased proportionally by more than pension payments, a slight deviation from the trend seen over the two preceding years.

Regarding expenses, the requirement to accumulate pension assets was reduced (– CHF 79.9 million). This was due to a massive rise in termination benefits and a marked increase in lump-sum benefits as opposed to lifelong old-age pension payments.

Income exceeded expenditure overall, resulting in a CHF 87.9 million addition to the fluctuation reserve.

Insurance benefits unit

Insurance benefits posted a positive result of CHF 10.8 million, more than twice as much as in 2015 (+ CHF 5.6 million). This return was achieved in spite of significantly lower risk contribution income, which was down by CHF 13.5 million relative to the prior year.

This major reduction stems from the new risk rate introduced by Profond on the basis of the industry classification introduced by the Bund (Swiss Federation) at the start of the year. As expected, about 80% of the clients benefited from this adjustment.

A reserve was formed in 2015 for the affiliation agreements extended in connection with the rate adjustment. This reserve will be dissolved from 2016 to 2018 and credited to the affiliation partners in the form of contribution discounts. These discounts made a substantial contribution to the unit's good result.

Risk process (in 1000 CHF)

	2016	2015
Income from risk contributions	30 915	44 442
Income from reinsurance agreements	3 247	2 801
Total income	34 162	47 243
Lump-sum payments on death	–1 436	–1 010
Change in retirement capital/technical reserves as per actuarial valuation	3 041	–14 707
Claims arising from death and disability	–23 041	–24 295
Formation of pension assets, technical reserves, contribution reserves	–20 000	–39 002
Risk premiums for reinsurers	–119	–139
Risk+ health and case management	–521	–653
Contributions to Guarantee Fund	–1 274	–1 258
Insurance expenditure	–1 914	–2 050
Total expenditure	–23 350	–42 062
Result	10 812	5 181

The extremely low claims burden fell again by CHF 1.3 million against the prior year to CHF 23 million. The claims burden has been lower than actuarial expectations as per the tariff bases for a number of years, leading to the risk premium reduction referred to above.

Expenditure was down by about CHF 17.7 million over the prior year. This resulted from the technical reserves accumulated in 2015 (+ CHF 14.7 million) and the reversal of provisions affecting net income in 2016 (+ CHF 3 million).

Client service unit

Client service incurred another loss, as income came to CHF 15.2 million against expenditure of CHF 16.2 million.

Since 2015, distribution remuneration for directly managed clients – booked mainly under risk process –

has been included under client service, providing a CHF 1.4 million boost to the result. Income from contributions to administrative costs was slightly higher relative to the prior year (+ CHF 0.08 million), due mainly to salary increases among the insured pool. In total, contributions to administrative costs accounted for about 60% of income as in 2015, with intermediary and distribution remuneration making up about 40%.

General administration costs fell by CHF 0.2 million, due primarily to savings in IT and a reduction in the write-down of movable assets, installations and hardware. On the other hand, marketing and advertising costs rose again in 2016 as the sales workforce for this item increased.

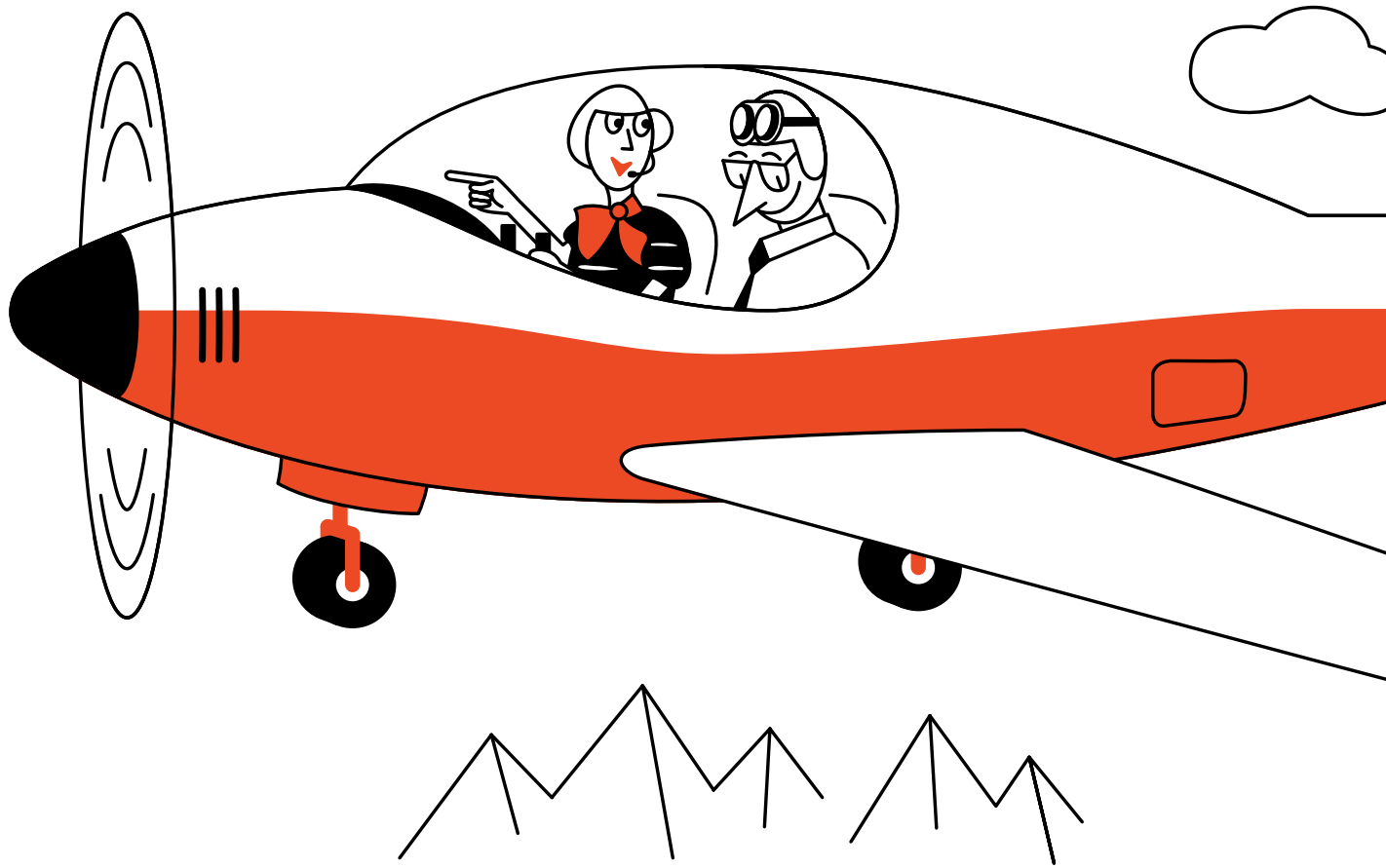
Average costs per insured person were brought below CHF 400 for the first time to CHF 393.

Administration process (in 1000 CHF)

	2016	2015
Contributions to intermediary compensation	4 819	4 797
Distribution compensation included for directly managed affiliates	1 354	1 296
Administration cost contributions	9 076	8 998
Total income	15 249	15 091
General administration costs	-9 435	-9 643
Marketing and advertising (incl. sales)	-2 279	-1 988
Intermediation and brokerage	-4 819	-4 797
Auditor, expert and supervisory authority	-217	-299
Other expenses/earnings	592	325
Administration costs	-16 158	-16 402
Off period expenditure	0	-60
Total expenditure	-16 158	-16 462
Result	-909	-1 371

80%

Profond follows a long-term real asset strategy in line with investment opportunities and increased its real asset share to approximately 80 percent in 2016. Additional investments in real estate and alternative investments offer attractive returns at low volatility while also stabilising the total return. Profond relies on highly professional staff, actively pursues an entrepreneurial investment approach and carefully assesses opportunities and risks to achieve a convincing performance in a dynamic investment environment.



We manage with
foresight and awareness.

Focus topic: Real estate

Profond's stated aim is to achieve good returns over the long term to offer its members above-average benefits. The company follows a consistent real asset strategy so it can meet this target in an increasingly difficult investment environment. That's why it has expanded its real estate holdings significantly in recent months.

Alex Schärer, Head of Profond Investment Foundation

Direct investment in real estate is a key component of Profond's investment strategy, and it has come under Profond Investment Foundation's remit since 2016. The company's direct real estate holdings are worth CHF 1.7 billion net, which corresponds to about 25 percent of retirement provisions.

All the property-related investment decisions made by Profond are motivated by long-term retention and a lifecycle perspective. We prioritise balanced diversification when selecting properties – in terms of geography, type of use and tenant. Moreover, we purchase solid properties in good locations where the earnings, location and future expectations stand to add sustainable value. Our current portfolio enables us to offer properties to let for a good rent, which is payable over the long term.

Expansion of the real estate portfolio in Switzerland ...

Profond completed a major step in the spring of 2016 when it acquired a number of properties in Switzerland with a value of approximately CHF 500 million. These properties are predominantly located in excellent micro-locations, and the commercial premises are under long-term lease. Many properties also offer the opportunity of attaining an optimum position through targeted investment. By increasing its direct real estate holdings to CHF 1.1 billion, Profond attained a sufficient size in spring 2016 to found its own investment foundation with a professional real estate team. Our increased investment volume also means we have access to more interesting properties and new opportunities for promising real estate investments.

... and in Germany

We had an exclusive opportunity to acquire a high-quality real estate package at the start of 2017, mainly located in Germany, for approximately EUR 430 million. Through this acquisition, Profond has enlarged its current portfolio of Swiss properties with various office, retail and logistics premises in good-to-very-good locations throughout Germany. They are also under long-term leases averaging ten years' duration. We wanted to acquire these



**Alex Schärer,
Head of Profond Investment
Foundation**

The civil engineering graduate from the ETH has been in charge of Profond Investment Foundation, which is fully owned by Profond Pension Fund, since September 2016. Alex Schärer holds a Master of Science in Real Estate in addition to his ETH degree and a diploma in Facility Management.

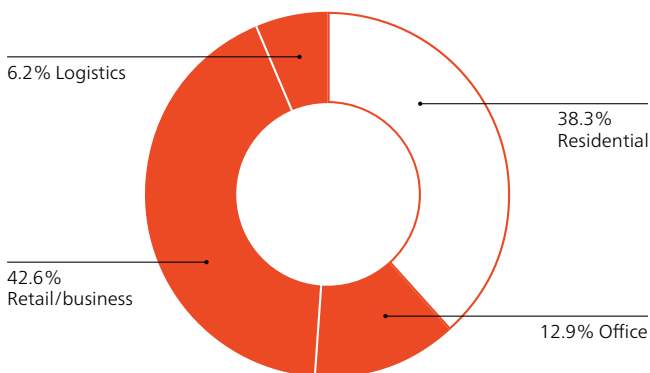
properties as direct owners to maintain full control over them. That allows us to manage and develop the properties directly without incurring extra charges. We also have a solid tenant base in Germany with good creditworthiness, including in the public sector and major retail chains, as well as very good micro-locations in promising areas. As a result, these properties will continue to provide a stable cashflow in coming years.

Professional management by Profond Investment Foundation

One year following its inception, Profond Investment Foundation is functioning well and is strongly positioned with a competent and varied team of real estate professionals. We work with external service providers whenever it is expedient, so we can maintain a lean in-house organisation and have access to the resources we need at the same time. The external managers are led and supervised by Profond’s asset managers, while our “Construction Management and Development” department is responsible for the refurbishment and development service providers. Our objective is now to identify and maximise potential and opportunities in our current Swiss portfolio and develop efficient structures for the professional management of our German real estate portfolio.

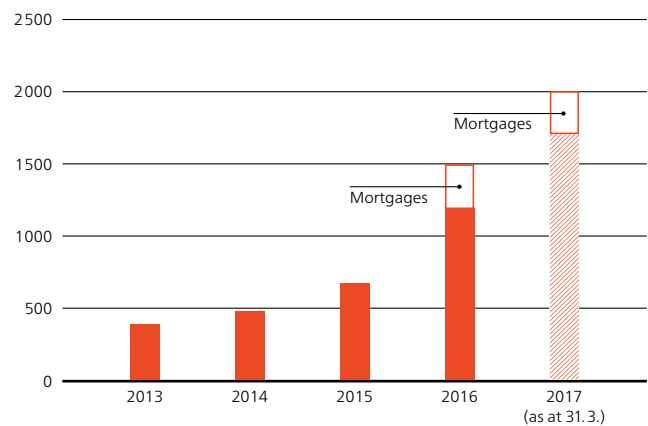
Profond will continue to expand its real estate expertise and technical means over the coming months and years. We are convinced that real estate is the key to attractive future returns at low volatility over the long term.

Utilisation mix



The Profond real estate portfolio stands out through its healthy utilisation mix of residential properties, business and logistics premises.

Real estate assets (market value in CHF m)



Profond has consistently grown its direct real estate holdings over the past one-and-a-half years as part of its real asset strategy. Key milestones were the acquisition of a comprehensive Swiss property portfolio at the start of 2016 and a real estate package in Germany at the start of 2017.

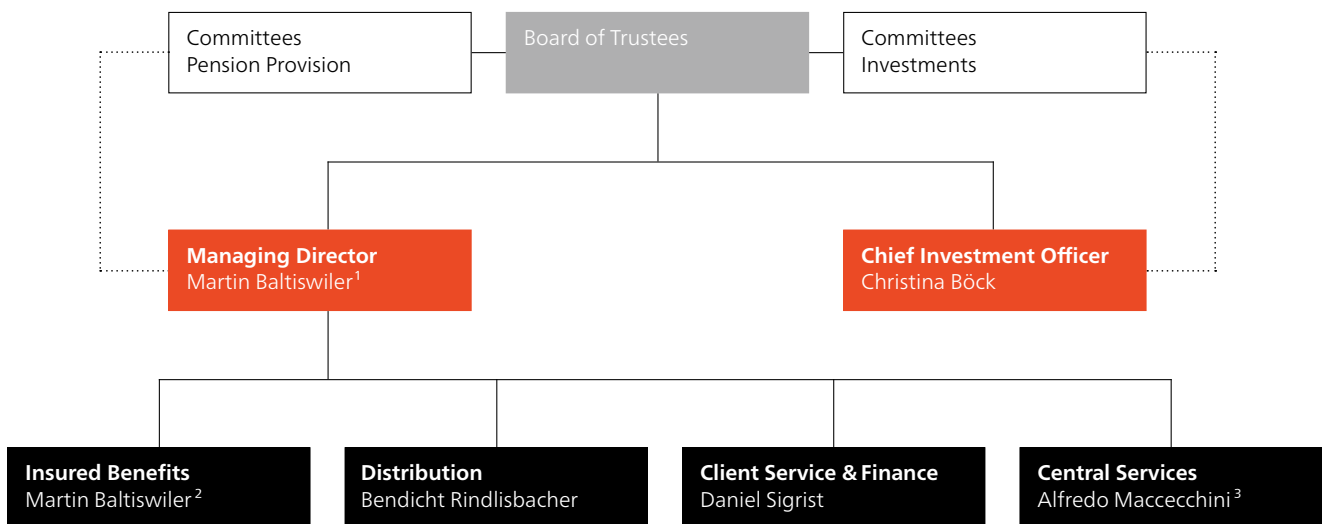
7%

Profond is committed to providing its members with good benefits by applying a high interest rate to active members' retirement capital and a high conversion rate. In 2016, the conversion rate was 7 percent. The above-average benefits are based on a long-term real asset strategy, coupled with an entrepreneurial mindset and actions. Profond will reduce the conversion rate to 6.8 percent by 2018 to maintain a balance between active members and pensioners in future.



We offer
above-average benefits.

Pension governance



¹ from 1.1.2017 Laurent Schlaefli

² from 1.1.2017 Daniel Sigrist a. i.

³ until 31.8.2016, from 1.9.2016 Bendicht Rindlisbacher a. i.

Pension governance at Profond aims to balance the interests of our different stakeholder groups. It is based on the composition of the Executive Board and its monitoring. According to BVG 51 a, the Board of Trustees is responsible for the overall management and supervision of executive management. It delegates duties to executive management and committees in order to ensure their execution. The delegation of duties to third parties is restricted by law.

The Board of Trustees has entrusted the Managing Director with all the main roles relating to distribution, client service, actuarial practice and internal services. Each Executive Board member is responsible for the result of their own business area. The Managing Director is responsible for the Board members reporting to him and their operational areas.

The other main operational area at Profond is investment, which is a responsibility of the Chief Investment Officer. Investment activities involve the allocation to securities, real estate and alternative investments. Both of these operational areas include a committee with at least one Board of Trustees member to ensure cohesion between the Board of Trustees and the committee. The Board of Trustees directly oversees those people responsible for executive management.

The Board of Trustees has also delegated special monitoring duties to committees, which comprise a cross-disciplinary function spanning all the business areas, such as risk management and the internal control system. These are the Risk Committee, Compensation Committee and Management Committee.

Board of Trustees



Josef Bernet



Frédéric E. Goetschmann



Andreas Höchli



Denis Mazouer



Olaf Meyer



Werner Murer-Chevalier

Josef Bernet (from 2008 to May 2016), employee representative; businessman; Head of Finance, Municipality of Frick

Frédéric E. Goetschmann (since June 2016, in an advisory capacity from 2015), employee representative; lic. rer. pol.; CFO Quickline Holding AG; other mandates: Board of Trustees Profond Investment Foundation* (since January 2016), Director of QL AG, QL Business AG, QL Net AG, QL Regio Basel AG and QL Münchenbuchsee AG

Andreas Höchli (since 1992), Vice Chairman, employer representative; Dr. iur. Lawyer; Partner in chkp. ag Rechtsanwälte und Notariat; Member of the Management Committee and Compensation Committee (from 2013 to February 2016) plus the Risk Committee and Alternative Investment Committee (since 2015); other mandates: Chairman of the Board of Trustees of Profond Investment Foundation* (since January 2016), Director of B+B Holding AG*, B+B Vorsorge AG*, Rumex Immobilien-Aktiengesellschaft*, Simmen Verwaltungs-AG*, Tekag Holding AG*, Chairman of the Board of Trustees of Palmhof-Stiftung

Denis Mazouer (since June 2016, in an advisory capacity from 2015), employee representative; lic. ès sc. éc, PF Expert SKPE, SAV Actuary; Consulting Actuary, DMSP; Member of the Risk Committee (since December 2016)

Olaf Meyer (since 2012), Chairman, employee representative; Prof. Dr. rer. pol.; Lecturer at the University of Geneva, Head of the Finance Field of Competence at Kalaidos FH Zurich; Member of the Securities Investment Committee (since 2013), Chairman of the Alternative Investment Committee and the Risk Committee (since 2015) and the Compensation and Management committees (since 2013); other mandates: Board of Trustees of Profond Investment Foundation* (since January 2016), Board of Trustees of SaraFlip (until April 2016), Director of B+B Holding AG*, B+B Vorsorge AG* and Chairman of the Board of Directors of TAF Consulting AG

Werner Murer-Chevalier (since 2015), employer representative; Dr. phil. I, Workplace and Organisational Psychology; Managing Partner and Chairman of the Board of Directors mpw Beratungsteam AG; Member of the Compensation Committee and Management Committee (since March 2016); other mandates: Board of Trustees of mpw-Stiftung

* Companies owned by Profond



Aldo Platz



Ursula Schläpfer



Mirjam Staub-Bisang



Willy Theilacker



Beda Mrose

Aldo Platz (since 2008), employee representative; fed. cert. accountant; Head of Finance and Accounting, Human Resources and Patient Administration, Center da sandà Engiadina Bassa

Ursula Schläpfer (from 2008 to May 2016), employee representative; fed. cert. accountant; Head of Finance, Grand Casino Baden AG

Mirjam Staub-Bisang (since 2015), employer representative; Dr. iur. Lawyer, MBA INSEAD; CEO and Director Independent Capital Group AG; Member of the Securities Investment Committee (since February 2016) and the Alternative Investment Committee (since January 2016); other mandates: Director of Bellevue Group Ltd., Palladio Real Estate AG and INSEAD, President of the Board of Trustees of the MBA for Women Foundation, Member of the Board of Trustees of Bata Shoe Foundation and Zoo-Stiftung

Willy Theilacker (since 1992), Vice Chairman, employer representative; fed. cert. accountant/controller; Theilacker & Partner AG; Member of the Securities Investment Committee (from 2009 to August 2016) and the Management Committee and Compensation Committee (since 2013); other mandates: Chairman of the Board of Trustees of Stiftung RgZ, B+B Holding AG* and B+B Vorsorge AG*, Director of Linkgroup

In an advisory capacity:

Beda Mrose (since October 2016), lic. iur. Lawyer, M.B.L. HSG; chkp. ag Rechtsanwälte und Notariat; Member of the Risk Committee (since December 2016)

* Companies owned by Profond

Executive Board



Martin Baltiswiler



Christina Böck



Alfredo Maccacchini



Bendicht Rindlisbacher



Daniel Sigrist

Martin Baltiswiler (since 2013), fed. cert. business economist HWV, fed. cert. pension fund manager; Managing Director, Chief Executive Officer; Member of the Risk Committee (since 2015)

Christina Böck (since August 2016), Business Administration graduate, Diplôme Hautes Etudes Commerciales Paris; Chief Investment Officer; Member of the Securities Investment Committee and Alternative Investment Committee (since August 2016); external mandates: Director of Tekag Holding AG*

Alfredo Maccacchini (from 2015 to August 2016), Business Economist FH, post-graduate studies in HRM and EMBA; Head of Central Services

Bendicht Rindlisbacher (since 2015), Business Economist FH, fed. cert. Head of Marketing; Head of Distribution; external mandates: Lecturer in Marketing and Insurance at the Verband für Berufsbildung im Versicherungswesen (vocational training institute for insurance studies)

Daniel Sigrist (since May 2016), fed. cert. private insurance expert (incl. social insurance), fed. cert. pension fund manager; Head of Client Service and Finance, Deputy Managing Director; Member of the Risk Committee (since December 2016)

Management bodies

Members in alphabetical order

Board of Trustees

The Board of Trustees is responsible for managing and monitoring the Foundation, ensures compliance with legal requirements and determines the strategic goals and underlying principles as well as the means through which they are achieved. It determines the organisation of the Foundation, ensures its financial stability, oversees the Executive Board and selects the auditor and expert in occupational provisions. The term of the Board of Trustees is four years. The current term will end on 31 May 2020.

Josef Bernet (from 2008 to May 2016), employee representative

Frédéric E. Goetschmann (since June 2016, in an advisory capacity since 2015), employee representative

Andreas Höchli (since 1992), Vice Chairman, employer representative

Denis Mazouer (since June 2016, in an advisory capacity since 2015), employee representative

Olaf Meyer (since 2012), Chairman, employee representative

Werner Murer-Chevalier (since 2015), employer representative

Aldo Platz (since 2008), employee representative

Ursula Schlöpfer (from 2008 to May 2016), employee representative

Mirjam Staub-Bisang (since 2015), employer representative

Willy Theilacker (since 1992), Vice Chairman, employer representative

In an advisory capacity:

Beda Mrose (since October 2016)

Number of meetings in the year under review: 12

Securities Investment Committee

The Board of Trustees entrusts the Securities Investment Committee with the implementation of the investment strategy. It selects the portfolio managers, manages proprietary mandates, deals with the custodian bank and reports to the Board of Trustees every month. One of the committee's main tasks is to issue specifications

and management mandates to portfolio managers, and propose improvements to the investment regulations and general investment guidelines, especially regarding strategic asset allocation. It also monitors investment operations and results. The Head of Investment chairs the committee, which is composed of internal and external members and meets a minimum of four times a year.

Christina Böck (since August 2016), Chief Investment Officer

Andreas Häberli (since 2012, Chairman), Business Economist KSZ; Consultant

Olaf Meyer (since 2013), Board of Trustees

Mirjam Staub-Bisang (since February 2016), Board of Trustees

Willy Theilacker (from 2009 to August 2016), Board of Trustees

In an advisory capacity:

Martin Baltiswiler (since 2013), Managing Director

Peter Birchmeier (since 2012), Head of Investment Controlling

Number of meetings in the year under review: 6

Real Estate Investment Committee

On 19 January 2016, Profond Pension Fund established Profond Investment Foundation. All the properties held directly by the Pension Fund have been transferred to the Foundation. Profond Pension Fund is the sole owner of Profond Investment Foundation. As a result, Profond Pension Fund no longer requires a Real Estate Committee. Profond Investment Foundation founded its own Real Estate Committee.

Alternative Investments Committee

The Alternative Investments Committee was established in 2015. It has developed an investment strategy for alternative investments, which was submitted to the Board of Trustees. The Alternative Investments Committee is involved in the acquisition and the management of direct infrastructure assets.

Hans-Christian Angele (since June 2016); dipl. Agr. Eng. ETH, Executive MBA HSG; Member of the Executive Board and Partner in Ernst Basler+Partner AG (EBP)

Christina Böck (since August 2016), Chief Investment Officer

Valentin Gerig (since October 2016, in an advisory capacity since 2015), Dr. oec. HSG; Owner/Managing Director and Director of Gerig & Partner AG; other mandates: Director of Agro Energie Schwyz AG, Swiss Metering AG, RPS Regel Pool Schweiz AG and Appenzeller Wind AG

Andreas Höchli (since 2015), Board of Trustees
Olaf Meyer (since 2015, Chairman), Board of Trustees
Mirjam Staub-Bisang (since January 2016), Board of Trustees

In an advisory capacity:

Peter Birchmeier (since 2015), Head of Investment Controlling

Number of meetings in the year under review: 13
Number of telephone conferences in the year under review: 8

Compensation Committee

The Compensation Committee advises the Board of Trustees on the nomination and compensation of the members of the Board of Trustees, committees and Executive Board. It also sets the budgets for personnel costs in cooperation with the Board of Trustees and Executive Board.

Andreas Höchli (from 2013 to February 2016), Board of Trustees
Olaf Meyer (since 2013, Chairman), Board of Trustees
Werner Murer-Chevalier (since March 2016), Board of Trustees
Willy Theilacker (since 2013), Board of Trustees

In an advisory capacity:

Petra de Capitani (since September 2016), Head of Human Resources
Alfredo Maccacchini (from 2015 to August 2016), Head of Central Services
Bendicht Rindlisbacher (since September 2016), Head of Distribution

Number of meetings in the year under review: 5

Management Committee

The Management Committee maintains the flow of information between the Board of Trustees and Executive Board between Board of Trustees' meetings, structures the Board of Trustees' decisions in cooperation with the Executive Board and prepares the Board of Trustees' meetings.

Andreas Höchli (from 2013 to February 2016), Board of Trustees

Olaf Meyer (since 2013, Chairman), Board of Trustees
Werner Murer-Chevalier (since March 2016), Board of Trustees

Willy Theilacker (since 2013), Board of Trustees

Number of meetings in the year under review: 13

Risk Committee

The Risk Committee was established following the completion of the "Integrated Risk Management" project. It has been monitoring and managing Profond's key risks since 2015. The Risk Committee also monitors the implementation of the measures proposed by the risk owners and reports to the Executive Board and Board of Trustees.

Martin Baltiswiler (since 2015), Managing Director
Andreas Höchli (since 2015), Board of Trustees
Denis Mazouer (since December 2016), Board of Trustees
Olaf Meyer (since 2015, Chairman), Board of Trustees
Beda Mrose (since December 2016), Observer Board of Trustees
Daniel Sigrist (since December 2016), Head of Client Service & Finance

Number of meetings in the year under review: 1

Executive Board

The Executive Board is responsible for the operational management within the guidelines set by the Board of Trustees, and it issues the required guidelines for the internal organisation.

Martin Baltiswiler (since 2013), Managing Director, Chief Executive Officer
Christina Böck (since August 2016), Chief Investment Officer
Bendicht Rindlisbacher (since 2015), Head of Distribution
Alfredo Maccacchini (from 2015 to August 2016), Head of Central Services
Daniel Sigrist (since May 2016), Head of Client Service & Finance

External partners and management bodies

Auditor

The auditor is Progressia Wirtschaftsprüfung AG, Wädenswil. Roger Boccali, lead auditor, has been in charge of the mandate since 2010. The auditor is proposed by the Executive Board and selected for a one-year term by the Board of Trustees. It performs its mandate of providing a complete audit report to the Board of Trustees within the applicable legal framework, according to the principles of good professional practice and the criteria of the national auditing standard.

Expert in occupational provisions

The expert in occupational provisions is the Beratungsgesellschaft für die zweite Säule AG. The leading expert, Ernst Sutter, has been approved by the Oberaufsichtskommission Berufliche Vorsorge (an independent supervisory authority) as an occupational provisions expert.

External supervision

Profond is an occupational pensions institution under the supervision of the BVG- und Stiftungsaufsicht des Kantons Zürich (Canton Zurich pensions and foundation supervisory body).

Management of risks, guidelines and voting rights

Risk management

Generating investment returns as well as all the other operations of a pension fund entail a number of risks. A professional approach to unwanted events is therefore indispensable. That's why Profond has implemented a new integrated risk management approach at the beginning of 2016. This approach systematically identifies, analyses, assesses and prioritises risks and defines commensurate measures and controls. It is also integrated with the internal control system (ICS) to ensure the measures ordered are also executed.

The new risk management approach evaluates risks on the basis of the following six metrics: qualitative and quantitative extent of the loss, time it takes to recognise the event, method of managing the event, and controlling and maintaining awareness of the risk exposure. This method enables risks to be characterised individually and changes to be recognized. The Board of Trustees and Executive Board are informed promptly, enabling them to take appropriate action relatively quickly and thus better manage risks.

Internal control system

Profond has an internal control system (ICS), designed according to international standards, which is adapted to Profond's requirements on an ongoing basis and consistently upgraded. All the staff are informed of the ICS and receive training in its workings. An internal audit is conducted every year, which includes random checks on whether the defined measures in the ICS are being complied with.

Integrity and loyalty

Profond applies the rules of the Swiss pension fund association ASIP, i.e. the ASIP Charter and professional guidelines, which stipulate adherence to the loyalty and integrity requirements of the BVG. The Board of Trustees, Executive Board and employees all commit to observing these principles upon joining the company. The members of the Board of Trustees, committees and Executive Board also confirm every year that they will comply with legal, regulatory and loyalty requirements.

Exercising voting rights for listed Swiss companies

Profond already exercised its voting rights for listed companies and disclosed its voting behaviour on its website prior to the mandatory implementation of the Minder initiative. Profond bases its voting behaviour on the recommendations of zRating AG, which supports institutional investors in upholding shareholders' rights through detailed corporate governance research and voting recommendations.

Shareholder and/or beneficiaries' interests are prioritised when voting on all issues. For further details on Profond's voting behaviour, click on the following link:
www.profond.ch/anlagen/ausuebungstimmrechte

Voting rights are not exercised as a rule for companies based outside Switzerland.

3.7%

The long-term investment strategy and its high real asset share have proven their worth again. Profond achieved a good result by industry comparison in 2016, with earnings of 3.7 percent. Earnings are distributed directly to insured members as far as possible in the form of a high interest rate. Profond aims to achieve a long-term return of 4.5 percent through the active and professional management of retirement provisions.



We go the extra mile
to add value.

Annual financial statements as of 31 December 2016

Balance sheet

	Notes No.	31.12.2016 CHF	31.12.2015 CHF
Assets			
Investments			
Liquid assets		175 674 082	380 368 135
Receivables	7.1	17 129 434	20 818 925
Receivables from members		25 169 781	22 838 539
Current accounts	7.2	88 741 250	47 424
Securities		5 994 058 373	4 875 940 881
Properties	7.3	16 747 000	668 638 078
Total investments		6 317 519 920	5 968 651 982
Accrued income	7.4	5 179 261	11 264 230
Assets from insurance contracts	8.4	0	10 900 000
Total assets		6 322 699 181	5 990 816 212
Liabilities			
Accounts payable	7.5	1 484 813 368	1 164 734 414
Deferred income	7.6	1 645 639	2 478 122
Employer contribution reserves for pension plans	5.10	59 568 752	53 898 347
Non-technical reserves	7.7	3 119 697	6 958 687
Pension assets and technical reserves			
Pension assets of active insured members	5.2	3 379 516 945	3 259 821 756
Pension assets for pensioners	5.5	2 136 673 131	1 990 693 310
Technical reserves	5.7.1	125 017 853	170 368 817
Separate free capital affiliations	5.8	45 306 530	44 764 382
Separate reserves for pension plans	5.9	0	9 909 900
Total pension assets and technical reserves		5 686 514 459	5 475 558 165
Fluctuation reserve	6.2	423 369 266	335 449 477
Total liabilities		6 322 699 181	5 990 816 212

Operating result

	Notes No.	2016 CHF	2015 CHF
Employee contributions	5.3	125 470 706	128 567 737
Employer contributions	5.3	173 785 429	177 280 524
Withdrawals from employer contribution reserves for financing contributions		-6 194 832	-7 246 964
Single deposits and purchase sums		54 076 714	111 992 284
Deposits in employer contribution reserves		12 446 648	12 016 645
Ordinary and other contributions and deposits		359 584 665	422 610 226
Transferable vested benefits		378 942 219	373 558 418
Deposits in free funds on acquisition of insured portfolios		7 157 591	14 065 180
Deposits for early withdrawals to purchase property/divorce		3 805 295	4 474 988
Deposits in separate pension plan reserves		0	242 389
Benefits on entry		389 905 105	392 340 975
Inflow from contributions and benefits on entry		749 489 770	814 951 201
Retirement benefits		-127 915 556	-121 453 376
Survivors' pensions		-23 706 244	-22 778 430
Disability pensions		-14 565 372	-14 454 108
Lump-sum payments on retirement		-57 633 267	-47 945 306
Lump-sum payments in the event of death and disability		-4 003 988	-2 935 016
Regulatory benefits		-227 824 427	-209 566 236
Supplementary benefits	7.8	-16 500 889	-14 635 537
Transferable vested benefits on termination		-403 881 049	-334 376 233
Early withdrawals to purchase property/divorce		-17 874 222	-16 550 410
Dissolution of free funds/employer contribution reserves for departure of insured pools		-851 619	-2 239 184
Outflow for benefits and early withdrawals		-666 932 206	-577 367 600
Formation of pension assets for active insured members		-57 997 807	-144 410 574
Formation of pension assets for pensioners		-136 123 680	-104 507 171
Dissolution of technical reserves (formation in prior year)		55 260 864	-18 024 794
Interest on savings capital		-74 286 243	-108 258 508
Formation of contribution reserves		-12 583 146	-13 793 379
Dissolution of contribution reserves for financing contributions		6 194 832	7 246 964
Dissolution of contribution reserves		717 909	1 682 689
Formation of free funds		-542 148	-2 954 132
Formation of pension assets, technical reserves and contribution reserves		-219 359 419	-383 018 905
Insurance benefits		884 677	1 000 382
Profit shares from insurance		2 362 205	1 800 332
Income from insurance benefits		3 246 882	2 800 714
Risk premiums		-118 550	-139 260
Cost premiums		-521 811	-653 043
Contributions to Guarantee Fund		-1 273 916	-1 257 655
Insurance expenditure		-1 914 277	-2 049 958
Net result from insurance part		-135 469 250	-144 684 548

	Notes No.	2016 CHF	2015 CHF
Interest on liquid assets, receivables		-912 757	-67 798
Default interest on transferable vested benefits		-807 199	-1 041 942
Income from securities		232 351 744	127 963 926
Income from real estate		24 116 178	26 510 806
Investment administration expenditure		-24 780 690	-16 221 932
Net investment result	6.4	229 967 276	137 143 060
Other income	7.9	10 172 102	515 504
Other expenses		0	-59 750
General administration costs		-9 435 720	-9 642 584
Marketing and advertising		-2 278 623	-1 987 555
Intermediation and brokerage		-4 819 343	-4 796 637
Auditor and expert for occupational provisions		-184 559	-231 387
Supervisory authorities		-32 094	-68 098
Administration expenses		-16 750 339	-16 726 261
Income surplus prior to formation of fluctuation reserve (Prior year expenditure surplus prior to dissolution of fluctuation reserve)		87 919 789	-23 811 995
Formation of fluctuation reserve (prior year dissolution)		-87 919 789	23 811 995
Expense or income surplus		0	0

Notes

1. Principles and organisation

1.1 Legal form and purpose

There is a Foundation under the name "Profond Pension Fund" within the meaning of Art. 80 et seq. of the Swiss Civil Code (ZGB), Art. 331 Code of Obligations (CO) and Art. 48 para. 2 BVG.

The purpose of the Foundation is to provide occupational provisions in accordance with the BVG and counter the economic consequences of old age, death and disability as well as special emergencies caused by illness, accident or unemployment.

1.2 Registration of BVG and Guarantee Fund

The Foundation is included in the register of occupational provisions of Canton Zurich under regulation number ZH 1227 and affiliated with the Guarantee Fund.

1.3 Details of certification and regulations

Foundation deed	of 13.06.2008
Organisational regulations	of 01.01.2013
Pension fund regulations	of 01.01.2016
Partial liquidation regulations	of 01.01.2005
Investment regulations	of 27.10.2015 (valid from 26.05.2016)
Reserving regulations	of 31.12.2016

1.4 Governing body

The Board of Trustees comprises the following members:

Employer representatives

	Function	Term
Höchli Andreas	Vice Chairman	1992 to 2020
Murer-Chevalier Werner	Member	2015 to 2020
Staub-Bisang Mirjam	Member	2015 to 2020
Theilacker Willy	Vice Chairman	1992 to 2020

Employee representatives

	Function	Term
Bernet Josef (until 31.05.2016)	Member	2008 to 2016
Goetschmann Frédéric (from 01.06.2016, observer until 31.05.2016)	Member	2016 to 2020
Mazouer Denis (from 01.06.2016, observer until 31.05.2016)	Member	2016 to 2020
Meyer Olaf	Chairman	2012 to 2020
Platz Aldo	Member	2008 to 2020
Schläpfer Ursula (until 31.05.2016)	Member	2008 to 2016

Other representatives

	Function	Term
Mrose Beda (from 01.10.2016)	Observer	2016 to 2017

Securities Investment Committee

	Function
Böck Christina (from 15.08.2016)	Member
Häberli Andreas	Chairman
Meyer Olaf	Member
Staub-Bisang Mirjam (from 01.02.2016)	Member
Theilacker Willy (until 31.08.2016)	Member

Investment Committee for direct real estate investments

Following the founding of the Profond Investment Foundation and transfer of real estate, the entire Investment Committee for direct real estate investments was dissolved.

Investment Committee for alternative investments	Function
Angele Hans-Christian (from 01.06.2016)	Member
Böck Christina (from 15.08.2016)	Member
Gerig Valentin (from 01.10.2016, observer until 30.09.16)	Member
Höchli Andreas	Member
Meyer Olaf	Chairman
Staub-Bisang Mirjam (from 01.01.2016)	Member

Address

Profond Vorsorgeeinrichtung
Zollstrasse 62
8005 Zürich

1.5 Expert, auditor, custodian bank, supervisory authority, asset management**Expert in occupational provisions**

Beratungsgesellschaft für die
zweite Säule AG
Dornacherstrasse 230
4018 Basel
Ernst Sutter
Dipl. Math. ETH
Qualified pension insurance expert

Auditor

Progressia Wirtschaftsprüfung AG
Seestrasse 194
8820 Wädenswil
Roger Boccali, lead auditor
Qualified auditor
Licensed audit expert

Administration and accounting

Profond Vorsorgeeinrichtung
Zollstrasse 62
8005 Zürich

Custodian bank

Credit Suisse AG
Giesshübelstrasse 40
8070 Zürich

Asset manager

ARTICO Partners AG¹⁾
Credit Suisse AG¹⁾
PK Assets AG²⁾
GAM Investment Management (Switzerland) Ltd
(terminated on 08.06.2016)¹⁾
Swiss Life Asset Management Ltd¹⁾
UBS AG¹⁾
VI VorsorgeInvest AG¹⁾

¹⁾ Approved by FINMA

²⁾ Approved by OAK

Property manager, direct real estate investments

Bilfinger Real Estate AG, Wallisellen

Supervisory authority

BVG- und Stiftungsaufsicht des
Kantons Zürich (BVS)

Related companies

Agro Energie Schwyz AG
B+B Holding AG (acquisition by Profond as at 01.07.2013)
chkp. ag Rechtsanwälte Notariat
EBP Schweiz AG
Gerig & Partner AG
Independent Capital Group AG
Profond Investment Foundation
Profond Finanzgesellschaft AG
Quickline Business AG
TAF Consulting AG
Theilacker & Partner AG

1.6 Affiliated employers

	2016	2015
As of 01.01.	1 696	1 649
New members	59	144
Departures	-37	-97
As of 31.12.	1 718	1 696

2. Active insured parties and pensioners**2.1 Active insured parties**

	2016	2015
As of 01.01.	31 983	31 129
New members	8 300	7 867
Retirements, deaths	-550	-529
Departures	-8 642	-6 484
As of 31.12.	31 091	31 983

2.2 Pensioners

	2016	2015
As of 01.01.	7 877	7 456
Active members taking retirement	681	624
Acquisition of retirement portfolios	50	292
Departures	-411	-495
As of 31.12.	8 197	7 877

Breakdown by pension type

Old-age pensions	5 246	4 980
Surviving spouse's pension	1 537	1 510
Bridging pensions	41	54
Disability pensions	866	845
Child benefit	507	488
Total	8 197	7 877

3. Fulfilment of objective**3.1 Note on the pension plan**

The Foundation benefits are outlined in detail in the pension fund regulations (valid from 1 January 2016) and set out in the pension plan per affiliated entity. An overview of benefits is detailed below:

Risk provisioning**Disability**

- Disability pension
- Child benefit

Death

- Surviving spouse's pension/partner's pension
- Orphan's pension
- Lump sum payable at death

Pension schemes

Retirement

- Old-age pension
- Child benefit
- Bridging pension
- Surviving spouse's old-age pension

Termination and premature payouts

- Termination benefits
- Advance withdrawal, pledging and divorce

3.2 Financing, financing method

The financing is regulated in the pension fund regulations.

The composition and amount of the contributions for death and disability risks, administration costs and retirement credits are regulated in the pension plans of the affiliated companies.

Average amounts are charged to settle risk and administration costs. The pension scheme is financed through contributions to the amount of the retirement credits.

The pension fund regulations also regulate the purchase and post-financing of contribution years, the purchase of salary increases and the pre-financing of bridging benefits.

3.3 Further information on the pension fund activity

The Foundation performs the following functions independently:

- Management
- Actuarial administration
- Advice, support and sales
- Finance and securities accounting
- Risk+ Health Service
- Investment controlling and reporting

4. Evaluation and financial accounting principles

4.1 Confirmation of financial reporting in compliance with Swiss GAAP FER 26

The balance sheet, operating result and notes to the annual financial statements comply with the professional recommendations on financial accounting in Swiss GAAP FER 26.

4.2 Accounting and evaluation principles

The accounting, reporting and valuation principles comply with BVG requirements. The annual financial statements comprising the balance sheet, operating result and notes represent the actual financial situation as required by occupational pension legislation. The assets in the annual financial statements are valued as follows:

Assets	Valuation method
Nominal values	
Liquidity	Market value
Receivables	Nominal value
Bonds in Swiss francs	Market value
Foreign currency bonds	Market value
Equities	
Equities Switzerland	Market value
Foreign equities	Market value
Real estate	Market value
Alternative investments	Market value
Accrued income	Nominal value

Assets nominated in foreign currencies are converted on the relevant balance sheet date into income and expenses at the rate applicable on that date.

The discounted-cash-flow method is applied for the calculation of portfolio properties.

Alternative investments include direct investments. They are reported at the acquisition value if purchased after 30 June.

4.3 Change of valuation, accounting and financial reporting principles

The valuation principles have not been changed since the prior year. Some reclassifications were made to a number of positions in the operating result. The positions in question are as follows:

	Adjusted	Previous	Difference
	CHF	CHF	CHF
Formation of pension assets for active insured members	-144 410 574	-137 931 110	-6 479 464
Formation/dissolution of technical reserves	-18 024 794	-24 504 258	6 479 464
			0
Interest on liquid assets, receivables	-67 798	2 948	-70 746
Income from securities	127 963 926	127 893 180	70 746
			0
Deposits in separate pension plan reserves			
Benefits on entry	242 389		242 389
Ordinary and other contributions and deposits		242 389	-242 389
			0

5. Actuarial risks/risk cover/cover ratio

5.1 Nature of risk cover, reinsurance

The risks of death and disability are borne in full by the Foundation. The reinsurance treaty with PKRück Lebensversicherungsgesellschaft für die betriebliche Vorsorge AG in Vaduz PL was dissolved effective 31 December 2013. The definitive statement of account with PKRück was issued in August 2016 on balance of all claims.

There is a separate reinsurance treaty for an affiliated company without surrender values (pure risk insurance).

5.1.1 Profit shares from insurance

In 2016, the Foundation received a surplus from insurance contracts for 2015. The allocation was regulated in accordance with the reserving regulations valid from 31 December 2016.

5.2 Development of pension capital for active insured parties

Development and interest on savings	2016	2015
	CHF	CHF
Savings capital at the start of the year	3 259 821 756	3 020 914 462
Plus		
Employee savings contributions	1 080 107 68	1 057 741 152
Employee savings contributions (exemption from contributions)	3 437 431	3 144 095
Employer savings contributions	1 450 823 59	1 405 741 192
Employer savings contributions (exemption from contributions)	3 950 201	3 583 201
Transferable vested benefits	3 265 361 98	2 831 191 915
Transferable vested benefits for new affiliations	91 385 159	1 273 641 69
Deposits from the dissolution of free funds	4 176 900	5 433 896
Deposits for early withdrawals to purchase property/divorce	3 805 295	4 474 988
Interest on savings capital	73 426 797	1 070 348 10
Other credits	56 149	208 582
Minus		
Transferable vested benefits on termination	-339 345 400	-292 407 986
Transferable vested benefits from contract dissolutions	-64 526 128	-41 966 338
Early withdrawals to purchase property/divorce	-17 874 222	-16 550 409
Lump-sum payments for retirement/death	-60 201 008	-49 870 380
Transfer to pensioners' pension assets	-148 369 169	-128 176 169
Transfer of pensioners' retirement assets to pensioners' retirement capital (disability and death)	-985 6141	-12 872 424
Savings capital at the end of the year	3 379 516 945	3 259 821 756

The Board of Trustees decided on a supplementary interest rate of 1% for 2016. Overall, the retirement assets of active insured parties incurred interest of 2.25%.

5.3 Breakdown of pension plan contributions

	2016 CHF	2015 CHF
Employee savings contributions	108 010 768	105 741 152
Employee risk contributions	14 305 207	19 646 356
Employee administrative contributions	3 154 731	3 180 229
Total employee contributions	125 470 706	128 567 737
Employer savings contributions	145 082 359	140 574 192
Employer risk contributions	22 782 862	30 888 564
Employer administrative contributions	5 076 879	4 943 680
Core financing contributions	814 747	823 925
Cost contributions for extraordinary expenses	28 582	50 163
Total employer contributions	173 785 429	177 280 524

5.4 Sum of retirement assets as per the BVG

	2016 CHF	2015 CHF
BVG retirement assets (shadow accounting)	1 864 751 354	1 819 023 555
BVG interest rate	1.25%	1.75%

5.5 Development of retirement assets for pensioners

	2016 CHF	2015 CHF
Balance of pension assets at the start of the year	1 990 693 310	1 873 313 715
Transfer of new pensioners from active members	148 369 169	128 176 169
Transfer of acquired retirement portfolios	10 921 219	70 003 385
Transfer of pensioners' retirement capital	985 614	12 872 424
Adjustment for recalculation of pension assets	-23 166 708	-93 672 383
Balance of pension assets at the end of the year as per detailed expert calculation	2 136 673 131	1 990 693 310

5.6 Result of the last actuarial valuation

The last actuarial valuation is applicable up to 31 December 2016 and includes the following:

	31.12.2016 CHF	31.12.2015 CHF
Pension assets to cover	5 641 207 929	5 420 883 883
Available pension fund assets	6 064 577 195	5 756 333 360
The cover ratio was	107.5%	106.2%

5.7 Technical principles and other relevant actuarial assumptions

The actuarial calculations are based on the following:

- technical interest rate: 3.5%
- technical principles: BVG 2015, 2012 accounting tables, prior year BVG 2010, 2007 accounting tables
- Reserve strengthening for life expectancy and risk fluctuations

The regulatory and technical differences at the time of pension conversion are compensated through the reserve for the conversion rate. The capital withdrawal ratio is in the region of 30%.

The target value fluctuation reserve is now calculated using the financial-economic method as per the investment regulations.

5.7.1 Technical reserves

	2016 CHF	2015 CHF
Asset conversion rate reserve	68 473 194	74 908 399
Risk fluctuation reserve for death and disability risks	27 968 065	27 281 757
Reserve strengthening for life expectancy	19 978 451	55 853 389
Risk contribution refund reserve	8 598 143	12 325 272
Total technical reserves	125 017 853	170 368 817

The following applies to the individual provision items:

- Asset conversion rate reserve: The liquidation method is used to calculate superannuation losses. This applies to all active insured members from the age of 58. The retirement assets are converted into retirement pensions starting with immediate effect as per the regulations thus providing the corresponding conversion loss. The effective capital withdrawal ratio of about 30% is taken into account.
- Risk fluctuation reserve for death and disability risks: The reserve was recalculated based on the current active insured pool as of 31 December 2016 with a security level of 99%.
- Life expectancy strengthening: The actuarial reserve for current pensions has been strengthened by 0.5% per annum since 2010; that gives a strengthening of 3.5% as of 31 December 2016. This reserve was partially dissolved with the conversion to the BVG 2015 technical principles as of the end of 2016.
- Refund of risk contributions: A reserve was formed for the affiliation agreements concluded in 2015 due to the introduction of a new sector-dependent pricing policy as of 1 January 2016. The reserve will enable settlement payments in accordance with the new affiliation agreements in the form of contribution discounts from 2016 to 2018. The first dissolution was in 2016.

All the technical reserves have been fully and sufficiently developed.

5.8 Separate free capital affiliations

	2016 CHF	2015 CHF
Free funds at the start of the year	44 764 382	43 535 479
Contributions by new affiliations	7 157 591	14 065 180
Use	–6 450 871	–13 739 504
Dissolution in the event of collective termination	–273 828	–840 199
Interest	109 256	1 743 426
Free funds at the end of the year	45 306 530	44 764 382

Accounts with free funds were under management for 390 pension plans (prior year 409) as of 31 December 2016. The free funds incurred interest of 0.25% during the year under review.

5.9 Separate reserves for pension plans

	2016 CHF	2015 CHF
Balance at the start of the year	9 909 900	12 005 068
Formation of assets	0	242 389
Dissolutions	-9 909 900	-2 337 557
Balance at the end of the year	0	9 909 900

5.10 Employer contribution reserves for pension plans

	2016 CHF	2015 CHF
Employer contribution reserves for individual pension plans without waiver of rights, as of 01.01.	53 898 347	49 034 621
Deposits	12 446 647	12 016 644
Use for financing contributions	-6 194 832	-7 246 964
Dissolution in the event of collective termination	-577 791	-1 398 985
Interest	136 499	1 776 734
Other applications	-140 118	-283 703
Total employer contribution reserves without waiver of rights	59 568 752	53 898 347

There are no employer contribution reserves to which the employer has waived its right. The employer contribution reserves incurred interest of 0.25% in 2016.

5.11 Cover ratio as per Art. 44 BVV 2

	31.12.2016 CHF	31.12.2015 CHF
Total assets	6 322 699 181	5 990 816 212
Liabilities	-148 481 368	-116 473 414
Deferred income	-1 645 639	-2 478 122
Employer contribution reserves for pension plans	-59 568 752	-53 898 347
Non-technical reserves	-3 119 697	-6 958 687
Separate free capital affiliations	-45 306 530	-44 764 382
Separate reserves for pension plans	0	-9 909 900
Available assets	6 064 577 195	5 756 333 360
Pension assets of active insured members	3 379 516 945	3 259 821 756
Pension assets of pensioners	2 136 673 131	1 990 693 310
Technical reserves	125 017 853	170 368 817
Pension assets to cover	5 641 207 929	5 420 883 883
Excess cover	423 369 266	335 449 477
Cover ratio	107.5%	106.2%

6. Note on investments and the net result from investments

6.1 Organisation of investment activity, investment regulations

The Board of Trustees decides on the nature and performance of the asset management and monitors the investment activities.

It determined the investment organisation, the objectives, principles and competencies in the investment regulations.

6.2 Target size and calculation of the fluctuation reserve

The target size of the fluctuation reserve will be calculated according to the financial-economic method from 2016 (it was the average value method in 2015). This method is used to define the investment strategy's fluctuation reserve based on the investment categories' risk/return characteristics, which gives a minimum required interest rate with adequate security for the liabilities over a one-year horizon. The target size of the fluctuation reserve is given as a percentage of the liabilities, with a target security level of 97.5% over a year. The amount of this target size is reviewed annually and adjusted in line with the current situation, whereby the principle of consistency remains as a constant in the calculation method.

Investment volatility is 6.88% and the target size of the fluctuation reserve is 13.23% of pension assets.

	2016	2015
	CHF	CHF
Balance of the fluctuation reserve at the start of the year	335 449 477	359 261 472
Account of the operational account (prior year dissolution)	87 919 789	– 23 811 995
Fluctuation reserve at the end of the year	423 369 266	335 449 477
Target value for the fluctuation reserve	746 331 809	608 000 000
Reserve deficit for the fluctuation reserve	– 322 962 543	– 272 550 523

6.3 Presentation of the investments by investment category

	Assets 2016 TCHF	Proportion effective %	Strategy %	Range %	Assets 2015 TCHF	Proportion effective %
Liquidity	175 674	2.8	2	0–10	380 368	6.3
Cash accounts asset management	132 825				334 499	
Cash accounts general ledger	42 849				45 869	
Receivables, accrued income	136 219	2.2		0–10	65 868	1.1
Current accounts	88 741				47	
Other receivables	42 299				43 657	
Accrued income	5 179				11 264	
Assets from insurance contracts	0				10 900	
Investments in nominal assets	873 244	13.8	23		1 114 276	18.6
Bonds in Swiss francs	637 727	10.1	19	5–25	703 083	11.7
Foreign currency bonds	235 517	3.7	4	0–10	411 193	6.9
Equities	3 239 103	51.2	49	30–55	3 088 200	51.5
Domestic equities	1 398 978	22.1	20	15–30	1 627 407	27.1
Foreign equities	1 840 125	29.1	29	15–30	1 460 793	24.4
Real estate	1 708 460	27.0	23	10–40	1 181 513	19.7
Real estate Switzerland	1 450 992	22.9	20	10–30	933 933	15.6
<i>Direct real estate</i>	<i>1 164 921</i>	<i>18.4</i>			<i>668 638</i>	<i>11.2</i>
<i>Indirect real estate</i>	<i>286 071</i>	<i>4.5</i>			<i>265 295</i>	<i>4.4</i>
Foreign real estate	257 468	4.1	3	0–10	247 580	4.1
<i>Indirect real estate</i>	<i>257 468</i>	<i>4.1</i>			<i>247 580</i>	<i>4.1</i>
Alternative investments	189 999	3.0	3	0–15	160 591	2.7
Private equity	38 678	0.6	1	0–3	43 195	0.7
Infrastructure*	119 657	1.9	2	0–10	0	0.0
Other **	31 664	0.5	0	0–3	117 396	2.0
Total assets	6 322 699	100.0			5 990 816	100.0

Unhedged foreign currencies of CHF 1.777 bn (28.1%) are included under total assets.

* This position comprises Profond Finanzgesellschaft AG and a direct holding in Switzerland valued according to the discounted-cash-flow method.

Profond Pension Fund founded Profond Finanzgesellschaft AG on 2 August 2016 and owns 100% of the equity capital of CHF 1 000 000.

Profond Finanzgesellschaft AG initiated future-oriented, long-term direct investments in clean energy production plants (solar, wind) during the year under review. Some of these companies are still under development. The Board of Directors of Profond Finanzgesellschaft AG decided that the first financial statements of the company would be issued and audited as of 31 December 2017 – over-long fiscal year.

Profond Pension Fund also raised additional finance for Profond Finanzgesellschaft AG through partial subordinations, in addition to the equity capital.

The holding in Profond Finanzgesellschaft AG is valued at the acquisition cost in the current financial statements, loans and accrued interest are given at nominal value.

The Board of Trustees of Profond Pension Fund deems the holding and the granted loans and accrued interest to be recoverable.

** This position includes bonds, which must be reported under alternative investments as per BVV 2 and the investment regulations.

Report as per Art. 54 BVV 2

We can confirm compliance with the investment restrictions of individual debtors as per Art. 54, 54a and 54b BVV 2.

Report as per Art. 50 BVV 2

The investment regulations enacted by the Board of Trustees extend the limits of BVV 2 with their tactical bandwidths.

a) Evidence of compliance with Art. 50 para. 1 BVV 2

(Selection, management and monitoring)

The principles of investment regulations regarding security, income in line with the market and diversification were complied with during the year under review.

The portfolios are divided into individual investment categories. Asset management activities are monitored by a qualified investment committee, which refers (inter alia) to documents provided by the internal investment-controlling body. The Foundation investment committee issues periodic reports to the Board of Trustees on the composition and performance of the portfolio.

b) Evidence of compliance with Art. 50 para. 2 BVV 2

(Risk capacity, no compromise of the pension fund objective)

The Board of Trustees reviewed and approved the investment strategy for the year under review, which was created using contemporary portfolio-theoretical approaches based on risk and earnings ratios. Investments remained within the tactical range during the year under review.

The investment regulations stipulate the formation of a fluctuation reserve.

The purpose of the fund is not jeopardised by the partial deviation from the investment guidelines under BVV 2.

c) Evidence of compliance with Art. 50 para. 3 BVV 2

(Risk diversification in different investment categories, regions, sectors and debtors)

Debtor diversification is ensured. Risk diversification in different investment categories, regions and sectors, in accordance with the investment regulations, mitigates the risk of losses.

d) Evidence of compliance with Art. 50 para. 4 BVV 2

(Expansion of investment opportunities)

Based on the above observations and basic considerations, Art. 50 BVV 2 was complied with during the year under review.

6.4 Explanations of the net investment result

	2016 CHF	2015 CHF
Bond interest income	11 067 959	19 521 076
Equity dividends	91 024 649	95 514 034
Liquidity, money market interest income	-912 757	-67 798
Earnings from alternative investments	2 559 063	1 628 354
Default interest on transferable vested benefits	-807 199	-1 041 942
Net gain Profond Investment Foundation	20 463 234	0
Net gain from securities	127 700 073	11 300 462
Total net result from securities	251 095 022	126 854 186
Rental income	536 483	23 359 103
Income from construction interest, compensation	0	518 840
Administration costs	0	-903 722
Maintenance costs	0	-2 208 829
Total net income from real estate	536 483	20 765 392
Adjustments to market value	-646 073	7 869 157
Deferred real estate capital gains tax/taxes	3 762 534	-2 123 743
Total real estate value adjustments	3 116 461	5 745 414
Management fees	-4 993 887	-4 208 439
Transaction costs (bank costs/stamp duty)	-2 661 366	-2 522 624
Custody fees	-419 193	-444 005
TER costs securities	-6 807 526	-5 810 394
TER costs Profond Investment Foundation	-6 898 244	0
Investment expansion and management costs	-1 030 368	-570 854
Third-party securities costs	-412 924	-383 439
Third-party alternative investment costs	-136 367	-99 785
Investment committees' costs	-807 602	-1 287 641
Real estate expansion and management costs	0	-431 918
Direct third-party costs for real estate*	-613 213	-462 833
Total investment administration expenditure	-24 780 690	-16 221 932
Net investment result	229 967 276	137 143 060

* The costs for the year under review relate to the costs arising from the transfer of properties to Profond Investment Foundation.

Notes on asset management costs

	2016 CHF	2015 CHF
Transparent investments	6 316 519 920	5 949 037 825
Non-transparent investments	1 000 000	19 614 157
Total investments	6 317 519 920	5 968 651 982
Cost transparency ratio	99.98%	99.67%

The non-transparent investments include Profond Finanzgesellschaft AG, which will issue its first results as at 31 December 2017.

Investments

	2016 CHF	2015 CHF
Directly booked asset management costs	11 074 920	10 411 538
Sum of all key figures in Swiss francs for collective investments	13 705 770	5 810 394
Registered asset management costs as per operating result	24 780 690	16 221 932
As a percentage of cost-transparent investments	0.39%	0.27%

6.4.1 Performance of total assets

	2016 %	2015 %
Asset management performance	3.7	2.5

6.4.2 Loyalty provisions and retrocession procedure

The companies commissioned with asset management have made a contractual commitment not to collect any retrocessions, or if they have received retrocessions, to transmit them in full to Profond Pension Fund.

The Foundation also received confirmations from the institutions regarding any received or due retrocessions. These confirmations have been received and make no reference to any retrocessions to any related persons or third parties.

The Foundation received no retrocessions during the year under review.

As per the loyalty provisions, loyalty declarations were requested, as per Art. 48f and 48g BVV2, from the persons and institutions charged with investing and managing the assets. Some institutions failed to answer the questions in full. The Board of Trustees is pursuing the matter.

7. Notes on other positions in the balance sheet and operating statement

7.1 Receivables

	2016 CHF	2015 CHF
Withholding tax/tax at source securities	14 818 373	15 581 098
Receivables from reinsurers	0	450 000
Receivables from foundations (loss reserves)	383 612	534 713
Other receivables	239 387	1 872 952
Receivables from new affiliations	0	1 040 475
Movable assets, EDP, renovation	1 489 414	325 178
Rental deposits	198 648	198 628
Receivables for real estate	0	815 881
Total receivables	17 129 434	20 818 925

7.2 Current accounts

	2016 CHF	2015 CHF
Current account Profond Vereinigung	0	47 424
Current account Profond Investment Foundation (CHF)	39 832 245	0
Current account Profond Investment Foundation (EUR)	46 573 822	0
Current account Profond Finanzgesellschaft AG	2 335 183	0
Total current accounts	88 741 250	47 424

7.3 Real estate

	2016 CHF	2015 CHF
Hauptstrasse and Annerstrasse, Brugg	16 747 000	16 641 479
Remaining real estate	0	512 767 114
Total	16 747 000	529 408 593
Real estate under construction	0	65 812 265
Prepayments for real estate	0	73 417 220
Total real estate	16 747 000	668 638 078

Notes on properties

	2016 CHF	2015 CHF
As at 01.01.	668 638 078	475 469 740
New members	10 818 840	111 881 961
Transfer to Profond Investment Foundation	-661 563 845	0
Adjustment to market value	-646 073	7 869 157
Advance payments	-500 000	73 417 220
As of 31.12.	16 747 000	668 638 078

Capitalisation interest rates of 3.61% or 3.66% were applied to the valuation of the real estate in Brugg.

With the exception of the real estate in Brugg, all properties were transferred to the newly established Profond Investment Foundation retroactively from 1 January 2016.

7.4 Accrued income

	2016 CHF	2015 CHF
Accrued interest	4 456 737	8 187 088
Accrued interest to related parties	487 664	0
Miscellaneous deferred income	234 860	3 077 142
Total accrued income	5 179 261	11 264 230

7.5 Liabilities

	2016 CHF	2015 CHF
Commitments to departed members	72 633 560	75 495 499
Commitments to pensioners	7 469 267	4 752 241
Premature inception of transferable vested benefits	2 895 107	6 739 685
Premature inception of new affiliations	57 771 696	18 252 836
Other creditors	7 711 738	11 233 153
Total liabilities	148 481 368	116 473 414

7.6 Deferred income

	2016 CHF	2015 CHF
Real estate deferrals	0	197 257
Miscellaneous deferred income	1 645 639	2 280 865
Total deferred income	1 645 639	2 478 122

7.7 Non-technical reserves

	2016 CHF	2015 CHF
Reserves for deferred real estate capital gains tax from transfer to Profond Investment Foundation	2 000 000	0
Reserves for deferred real estate capital gains tax	1 119 697	6 958 687
Total non-technical reserves	3 119 697	6 958 687

7.8 Supplementary benefits

	2016 CHF	2015 CHF
Use of employer contribution reserves	140 118	283 703
Use of free funds	6 450 871	12 014 276
Use of separate reserves for pension plans	9 909 900	2 337 558
Total supplementary benefits	16 500 889	14 635 537

7.9 Other income

	2016 CHF	2015 CHF
Income from the dissolution of separate reserves	3 033 000	35 127
Income from the dissolution of reinsurance PKRück	5 725 573	0
Dissolution of unnecessary reserve prior year interest	640 387	155 507
Income from services for third-party mandates	55 010	136 395
Miscellaneous income	718 132	188 475
Total other income	10 172 102	515 504

8. Other information with regard to the financial situation**8.1 Interest**

The retirement capital of the active insured parties incurred interest at the reference rate of 2.25%.

8.2 Partial liquidations

The partial liquidations are duly processed in accordance with the partial liquidation regulations approved on 31 December 2010 and valid from January 2005. The pending and completed partial liquidations are managed in a separate process comprising a period of two years. This process forms the basis for the review of the partial liquidations by the inspection body, in addition to the partial liquidation regulations.

In 2016, the following suspected cases of partial liquidation as of 31 December 2015 were reviewed and executed:

Current partial liquidation status	Reduction in holding	Restructuring	Dissolutions of affiliation agreements	Total
Number of examined affiliations				1 937
Suspected cases	20	16	99	135
Positive decision	7	4	84	95
Negative decision	8	12	9	29
Decision pending	5	0	6	11
Executed	11	16	92	119
Pending	9	0	7	16

In total, CHF 1 969 257 was remitted to the fluctuation reserves from contract dissolutions.

8.3 Financial commitments

Profond Pension Fund has entered commitments to private equity limited partnerships in the amount of CHF 55 750 200. Following the deduction of the previously paid sum of CHF 49 378 785, an outstanding liability of CHF 6 371 415 remains at the balance sheet date.

A deed of pledge worth CHF 150 000 000 was concluded in the framework agreement for loans between Profond Pension Fund and Credit Suisse AG, dated 11 December 2016.

8.4 Notes on assets and liabilities from insurance contracts

As mentioned in 5.1, the Foundation dissolved the reinsurance treaty with PKRück Lebensversicherungsgesellschaft für die betriebliche Vorsorge AG in Vaduz PL with effect from 31 December 2013. All claims from the reinsurance treaties are settled with the definitive statement of account of 3 August 2016.

8.5 Pending issues with the supervisory authority

Letter on the pension fund regulations valid from 1 January to 1 November 2016:

- The supervisory authority pointed out that two articles in the pension fund regulations need to be amended. One article has since been amended, and the other one is in the process of being amended.

Letter on 2015 reporting dated 1 November 2016:

- all pending items and requirements related to the annual financial statements have been implemented.

8.6 Ongoing legal proceedings

An objection was raised pertaining to a partial liquidation process. The amount in dispute is in the region of CHF 53 000. No reserve has been formed for this amount. A ruling is anticipated in 2017.

9. Events after the balance sheet date

There were no material events between the balance sheet date and the approval of the annual financial statements by the Board of Trustees, with the exception of the issue detailed below, which may impact the informative value of the 2016 annual financial statements and/or which must be disclosed here.

The supervisory authority issued a decree with effect from 5 January 2017. An appeal against this decree was filed with the Federal Administrative Court. This issue has no financial repercussions for these annual financial statements.

PROGRESSIA

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An den Stiftungsrat der

Profond Vorsorgeeinrichtung, Thalwil

Bericht der Revisionsstelle zur Jahresrechnung

Als Revisionsstelle haben wir die beiliegende Jahresrechnung der Profond Vorsorgeeinrichtung bestehend aus Bilanz, Betriebsrechnung und Anhang für das am 31. Dezember 2016 abgeschlossene Geschäftsjahr geprüft.

Verantwortung des Stiftungsrates

Der Stiftungsrat ist für die Aufstellung der Jahresrechnung in Übereinstimmung mit den gesetzlichen Vorschriften, der Stiftungsurkunde und den Reglementen verantwortlich. Diese Verantwortung beinhaltet die Ausgestaltung, Implementierung und Aufrechterhaltung einer internen Kontrolle mit Bezug auf die Aufstellung einer Jahresrechnung, die frei von wesentlichen falschen Angaben als Folge von Verstössen oder Irrtümern ist. Darüber hinaus ist der Stiftungsrat für die Auswahl und die Anwendung sachgemässer Rechnungslegungsmethoden sowie die Vornahme angemessener Schätzungen verantwortlich.

Verantwortung des Experten für berufliche Vorsorge

Für die Prüfung bestimmt der Stiftungsrat neben der Revisionsstelle einen Experten für berufliche Vorsorge. Dieser prüft periodisch, ob die Vorsorgeeinrichtung Sicherheit dafür bietet, dass sie ihre Verpflichtungen erfüllen kann und ob die reglementarischen versicherungstechnischen Bestimmungen über die Leistungen und die Finanzierung den gesetzlichen Vorschriften entsprechen. Für die für versicherungstechnische Risiken notwendigen Rückstellungen ist der aktuelle Bericht des Experten für berufliche Vorsorge nach Artikel 52e Absatz 1 BVG in Verbindung mit Artikel 48 BVV 2 massgebend.

Verantwortung der Revisionsstelle

Unsere Verantwortung ist es, aufgrund unserer Prüfung ein Prüfungsurteil über die Jahresrechnung abzugeben. Wir haben unsere Prüfung in Übereinstimmung mit dem schweizerischen Gesetz und den Schweizer Prüfungsstandards vorgenommen. Nach diesen Standards haben wir die Prüfung so zu planen und durchzuführen, dass wir hinreichende Sicherheit gewinnen, ob die Jahresrechnung frei von wesentlichen falschen Angaben ist.

Eine Prüfung beinhaltet die Durchführung von Prüfungshandlungen zur Erlangung von Prüfungsnachweisen für die in der Jahresrechnung enthaltenen Wertansätze und sonstigen Angaben. Die Auswahl der Prüfungshandlungen liegt im pflichtgemässen Ermessen des Prüfers. Dies schliesst eine Beurteilung der Risiken wesentlicher falscher Angaben in der Jahresrechnung als Folge von Verstössen oder Irrtümern ein. Bei der Beurteilung dieser Risiken berücksichtigt der Prüfer die interne Kontrolle, soweit diese für die Aufstellung der Jahresrechnung von Bedeutung ist, um die den Umständen entsprechenden Prüfungshandlungen festzulegen, nicht aber um ein Prüfungsurteil über die Wirksamkeit der internen Kontrolle abzugeben. Die Prüfung umfasst zudem die Beurteilung der Angemessenheit der angewandten Rechnungslegungsmethoden, der Plausibilität der vorgenommenen Schätzungen sowie eine Würdigung der Gesamtdarstellung der Jahresrechnung. Wir sind der Auffassung, dass die von uns erlangten Prüfungsnachweise eine ausreichende und angemessene Grundlage für unser Prüfungsurteil bilden.

 Mitglied von EXPERTsuisse

Freienbach - Wädenswil - Fribourg

PROGRESSIA

WIRTSCHAFTSPRÜFUNG AG

Prüfungsurteil

Nach unserer Beurteilung entspricht die Jahresrechnung für das am 31. Dezember 2016 abgeschlossene Geschäftsjahr dem schweizerischen Gesetz, der Stiftungsurkunde und den Reglementen.

Berichterstattung aufgrund weiterer gesetzlicher und anderer Vorschriften

Wir bestätigen, dass wir die gesetzlichen Anforderungen an die Zulassung (Art. 52b BVG) und die Unabhängigkeit (Art. 34 BVV 2) erfüllen und keine mit unserer Unabhängigkeit nicht vereinbaren Sachverhalte vorliegen.

Ferner haben wir die weiteren in Art. 52c Abs.1 BVG und Art. 35 BVV 2 vorgeschriebenen Prüfungen vorgenommen. Der Stiftungsrat ist für die Erfüllung der gesetzlichen Aufgaben und die Umsetzung der statutarischen und reglementarischen Bestimmungen zur Organisation, zur Geschäftsführung und zur Vermögensanlage verantwortlich.

Wir haben geprüft, ob

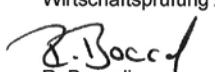
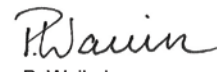
- die Organisation und die Geschäftsführung den gesetzlichen und reglementarischen Bestimmungen entsprechen und ob eine der Grösse und Komplexität angemessene interne Kontrolle existiert;
- die Vermögensanlage den gesetzlichen und reglementarischen Bestimmungen entspricht;
- die Alterskonten den gesetzlichen Vorschriften entsprechen;
- die Vorkehrungen zur Sicherstellung der Loyalität in der Vermögensverwaltung getroffen wurden und die Einhaltung der Loyalitätspflichten sowie die Offenlegung der Interessenverbindungen durch das oberste Organ hinreichend kontrolliert wird;
- die freien Mittel oder die Überschussbeteiligungen aus Versicherungsverträgen in Übereinstimmung mit den gesetzlichen und reglementarischen Bestimmungen verwendet wurden;
- die vom Gesetz verlangten Angaben und Meldungen an die Aufsichtsbehörde gemacht wurden;
- in den offen gelegten Rechtsgeschäften mit Nahestehenden die Interessen der Vorsorgeeinrichtung gewahrt sind.

Bezüglich der Bewertung der Position Alternative Anlagen (Teilbereich Infrastruktur) verweisen wir auf die Erläuterungen unter Ziffer 6.3 des Anhangs zur Jahresrechnung.

Wir bestätigen, dass die diesbezüglichen anwendbaren gesetzlichen, statutarischen und reglementarischen Vorschriften eingehalten sind.

Wir empfehlen, die vorliegende Jahresrechnung zu genehmigen.

Progressia
Wirtschaftsprüfung AG

	
R. Boccali dipl. Wirtschaftsprüfer zugelassener Revisionsexperte (Leitender Revisor)	P. Waibel dipl. Steuerexperte zugelassener Revisor

Wädenswil, 30. März 2017

Beilage:

- Jahresrechnung bestehend aus Bilanz, Betriebsrechnung und Anhang

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Bericht des Pensionsversicherungsexperten zur Jahresrechnung 2016

Das per 31.12.2016 erstellte Versicherungstechnische Gutachten basiert auf den neuen Rechnungsgrundlagen BVG 2015 Periodentafel 2012. Es wird im Gutachten auch aufgezeigt, dass der Grundlagenwechsel dank der in den vergangenen Jahren gebildeten technischen Rückstellungen für die Finanzierung der weiter steigenden Lebenserwartung erfolgsneutral hat vorgenommen werden können. Zusammen mit der Einführung der neuen Rechnungsgrundlagen und der per 01.01.2016 erfolgten Senkung des Umwandlungssatzes haben technische Rückstellungen teilweise aufgelöst werden können. Ausserdem führt die Neudefinition der Zielwertschwankungsreserve per 01.01.2016 zu einem höheren Reservebedarf.

Die neuen Rechnungsgrundlagen BVG 2015 bestätigen auch die aus der praktischen Erfahrung der letzten Jahre gewonnene Erkenntnis, dass die Risiken Tod vor dem Rücktrittsalter und Invalidität im Erwartungswert deutlich weniger kosten als gemäss den alten Grundlagen BVG 2010. Klar bestätigt wird auch die Tatsache, dass die per 01.01.2016 spürbar reduzierten reglementarischen Risikobeiträge weiterhin ausreichend sind.

Die festgestellte Erhöhung des Deckungsgrades um 1.3% von 106.2% auf 107.5% ist hauptsächlich auf die erzielte Performance von 3.7% und die reduzierte Verzinsung der Altersguthaben mit 2.25% zurückzuführen. Die realisierte Erhöhung des Deckungsgrades um 1.3% hat trotz namhafter Erhöhung der Zielwertschwankungsreserve zu einer prozentualen Senkung des Wertschwankungsreservereduzits geführt; Defizit per 31.12.2015 44.8% und Defizit per 31.12.2016 43.3%.

Der Bestand an angeschlossenen Vorsorgewerken hat im 2016 um 22 von 1696 auf 1718 zugenommen.

Der aktive Versichertenbestand dagegen hat im Berichtsjahr leicht abgenommen; im Zuge dieser Entwicklung sind die Versicherten im Durchschnitt 0.3 Jahre älter geworden. Der Risikoverlauf war einmal mehr deutlich besser als aufgrund der verwendeten Rechnungsgrundlagen hätte erwartet werden können. Obwohl der Bestand abgenommen hat, resultiert beim Altersguthaben ein beachtliches Wachstum, so dass das Verhältnis zwischen dem Altersguthaben der aktiven Versicherten und dem Rentendeckungskapital sich im Berichtsjahr nicht verschlechtert hat; es beträgt unverändert 1.62 zu 1.

Der Rentnerbestand demgegenüber hat wiederum deutlich zugenommen. Den Neuzugängen stehen jedoch wie im Vorjahr ca. 55% Abgänge gegenüber. Dies ist der Grund dafür, dass sich das Kapitalverhältnis zwischen den aktiven Versicherten und den Rentenbezüglern in den letzten Jahren nicht verschlechtert hat. Wie eine Kurzanalyse der möglichen weiteren Entwicklung des Rentnerbestandes, ohne Berücksichtigung von weiteren Zu- und Abgängen im aktiven Versichertenbestand, in den nächsten 5 Jahren gezeigt hat, sollte sich dieses Kapitalverhältnis auch in den nächsten Jahren nicht wesentlich verschlechtern. Der Sterblichkeitsgewinn im Rentnerbestand ist geringer ausgefallen als im Vorjahr. Höher als im Vorjahr dagegen sind die Umwandlungsverluste ausgefallen; dies vor allem deshalb, weil deutlich mehr Alterskapital verrentet worden ist.

Die vorgenommenen Beurteilungen der Sollrendite, der erwarteten Rendite und des technischen Zinssatzes zeigen, dass beim technischen Zinssatz Bedarf nach einer Senkung besteht. Ohne Senkung des technischen Zinssatzes ist es nicht möglich, die für die Sicherstellung der Finanzierung notwendige Äufnung der Wertschwankungsreserve zeitnah vorzunehmen. Handlungsbedarf besteht auch beim Umwandlungssatz. Zurzeit fallen jährlich durchschnittliche Umwandlungsverluste von ca. CHF 15 Mio. an.

Auch wenn aus unserer Sicht beim technischen Zinssatz und beim Umwandlungssatz Handlungsbedarf besteht, können wir summarisch bestätigen, dass die Profond ihre reglementarischen versicherungstechnischen Verpflichtungen erfüllen kann, keine Finanzierungsdefizite bestehen und die technischen Reserven und Rückstellungen ausreichend sind. Es drängen sich keine Sofortmassnahmen auf. Geschäftsführung und Stiftungsrat der Profond haben jedoch wie jedes Jahr bereits Termine für Arbeitssitzungen anberaunt, um die Überprüfung und allenfalls Anpassung einzelner technischer Parameterwerte der Profond vorzubereiten.

Basel, 23.03.2017

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