

Report 2011 of the Investment Committee of COPRE

Retrospective 2011, a very difficult year for stock markets

2011 was an extremely difficult year for stock markets, punctuated by several exceptional factors. Apart from the natural disaster in Japan which had a major impact on global supply chains, it was primarily the political conditions that generated huge turbulence on the markets, not always justified by the fundamentals. From the beginning of the year the geopolitical troubles in the Middle East provoked strong fluctuations on the financial markets. And since the sovereign debt crisis in Europe, which aggravated the economic situation in the euro zone, the global financial market has trembled continuously, and the political tensions surrounding the debt ceiling of the United States has caused concern to a great number of investors. This has encouraged the significant increase in gold prices. For the first time the USA has lost its AAA rating, and emerging countries are running into more and more structural difficulties, whereas they are still the driving force of growth.

In the last quarter the situation calmed down somewhat. We noted a degree of stabilisation of the economic situation, in particular in the USA and emerging countries, political progress in the European monetary crisis, thanks especially to the adoption of a series of measures aimed at reducing states' debts, and new programmes for purchasing bonds of peripheral countries by the European Central Bank (ECB). Spontaneously and despite a great deal of volatility, this led to a tangible recovery of the stock markets. On the technical level, the year 2011 presented us with particular challenges. The markets sometimes got carried away by a degree of irrationality and panic.

With respect to Switzerland, the loss of impetus for growth is mainly due to the overvaluation of the franc and the degradation of the EU economies, which are Switzerland's principal economic partners. The introduction of a floor level against the euro at the beginning of September put a stop to the appreciation of the franc which has since remained stable, despite a level that remains high and penalises exports of goods and services.

« Crisis » is undoubtedly a key word in economic circles in 2011.

The performance of COPRE's assets at 31 December 2011 was 1.01%, i.e. 0.56% less than the reference index. This figure is encouraging, as the average 2011 performance in the national survey carried out by Watson Wyatt for the ASIP (Swiss Association of Pension Fund Institutions) was -0.2%, and the positioning of the Copré portfolio on a significant real estate base enabled us to present a positive performance.

The « CRISP » programme

What progress has been made on the «CRISP» programme initiated in 2010 with the aim of reducing Costs and Risks and improving the Image, Systems and Benefits?

In terms of cost, the fees of our financial agents have been renegotiated, with a reduction of 20% for some of them. The implementation of a mandate in index-linked management and its expansion during the year has permitted a substantial reduction in costs. A study to optimise the costs of financial transactions and an audit of the functioning of the real estate management have enabled an inventory to be taken and a verification of the conformity of the benefits offered by our partners compared to the

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market. We wish to thank the two service providers who carried out these analyses free of charge, and in particular one of our affiliates, the company SPG Intercity Geneva SA. Lastly, the pricing applied to the commercialisation of Copré has been reviewed.

The specific risk has been lowered through an increase in index-based management.

The systems have been impacted by the improvement in the services of our real estate asset manager: automation of the data input in the agencies gérances, reporting and dashboards.

It is worth noting that the members of the Investment Committee devoted a great deal of time to these different tasks.

Nor have the benefits been neglected: in order to sustain the balance sheet, the technical rate has been lowered from 4% to 3.5%, involving a drop in the degree of cover of 1.2%, and in the calculation of the rate of evaluation of the real estate assets (the technical rate being one of the parameters of this calculation). The Board of Trustees has decided to set the rate of evaluation at 6.25%, moving from 6.5% to 6.25% has made it possible to update an additional valuation of our properties by CHF 9 million and to approach the market valuation. This revaluation of our real estate portfolio and the attribution of 0.75% on savings accounts at 31.12.2011 have permitted Copré to maintain a degree of cover at 100%.

We wish to thank all Copré's partners who have agreed to move to reduce their costs while maintaining a quality of service with high added value.

The pursuit of cost reduction will constantly be the focus of attention in 2012. The Investment Committee will suggest following the recommendations of the two reports initiated in 2011. For the real estate part, it will be a question of inviting offers for certain services and of continuing the focus on real estate while limiting external costs. For the securities part, it will imply implementing the recommendations, i.e. optimising transaction costs, and continuing to examine attentively the agents that actively manage our assets but who no longer come up to our expectations in terms of performance, as this active management costs considerably more than index-based management.

The systems will be strengthened by the appointment to the Investment Committee of a new member who is an expert in real estate.

These were and are the subjects to be handled with the full commitment of the members of the Investment Committee.

The Investment Committee

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