PUBLICA’s Investment Beliefs
1. **Mandate**

We invest exclusively in the interest of our active members and pension recipients. While appropriately limiting risks, we aim to generate a return sufficient to protect active members and pension recipients against the economic consequences of old age, disability and death, and also ensure that the promised benefits can always be paid out in a timely manner.

2. **Defining the strategic asset allocations**

**Strategic asset allocations**
The most important decision we take is defining the strategic asset allocations, which prescribe the distribution of assets across the various asset classes, such as equities, government bonds, corporate bonds, commodities and real estate. This accounts for at least 90% of our investment performance. The strategic asset allocations are based on PUBLICA’s long-term investment policy and are derived from an asset and liability management (ALM) process that takes account of the liabilities and prescribed risk budget of the pension plans within PUBLICA.

**Risk budget**
We set the risk budget for each strategic asset allocation when conducting our review of PUBLICA’s long-term investment policy. This sub-process takes account of the pension plans’ financial and structural risk capacity, the benefit objectives and the risk tolerance of the risk-bearing entities. When defining the risk budget, we currently use the Conditional Value at Risk (average of the 5% worst scenarios) and the target return.

**Investment horizon**
Our liabilities are long-term, since the expected liquidity requirement in the event of a partial liquidation is low. This enables us to exploit the benefits of a long-term horizon (for example tolerating short-term fluctuations in value and capturing illiquidity premiums), especially where the open pension plans are concerned. In the ALM process we employ a strategic horizon of 10 years. Since risk premiums are cyclical, we review the key assumptions of the ALM process (in particular the risk/return assumptions for each asset class and the development of the funded ratio) on a regular basis. If this reveals that material assumptions have changed substantially since the previous year, the entire review of the strategic asset allocations is started afresh.

**Diversification**
We capture a large number of different risk premiums. This diversification allows us to reduce the risk for the portfolio as a whole.

**Portfolio construction**
A portfolio is more than the sum of its parts, because the various asset classes behave differently. For that reason, we examine each asset class and portfolio component not just in isolation but also in terms of its contribution to overall risk and return.

**Investment decisions**
We base our investment decisions on sound data and well-founded scientific principles. In the ALM process we use realistic, well-founded risk/return assumptions for the individual asset classes.
3. Implementing the strategic asset allocations

**Responsible investment**
PUBLICA’s responsible investment approach is divided into two areas:

– actively exercising shareholder rights: we regularly review investments on the basis of objective criteria and seek dialogue with critical companies (screening and engagement), and exercise voting rights.

– ESG risk analysis (E = Environmental; S = Social; G = Governance): as part of extended risk management, we conduct a regular risk analysis according to ESG criteria to assess risks (including reputational risks) that are difficult to quantify and could result in tangible financial losses to the assets managed by PUBLICA.

**Transparency**
We aim to construct a portfolio that is simple, functional and transparent. We do not make investments in non-transparent products. This means we have a detailed overview of all the assets in the strategic asset allocations at all times.

**Benchmark**
We carefully define a benchmark for each asset class that provides the most efficient representation of the desired risk/return profile from the perspective of the strategic asset allocations.

**Investment style**
In largely efficient markets, very few asset managers are in a position to select individual securities successfully and put together a portfolio that consistently outperforms the market without additional risks and after deduction of all costs. It is difficult for PUBLICA to identify these managers and invest the appropriate amounts in their products. For this reason, our internal and external asset managers make investments in liquid asset classes in line with or close to an index. In the case of more illiquid asset classes (private markets) we pursue a “buy and maintain” approach.

**Selection of asset managers and form of implementation**
The same stringent requirements apply to both internal and external asset managers. PUBLICA selects the most capable partners for each asset class on the basis of a clearly structured process. Where possible, a back-up solution is put in place for each asset class. This redundant approach means that another asset manager can step in promptly if required.

**Tactical asset allocation and disciplined rebalancing**
We make tactical decisions, i.e. temporarily overweighting and underweighting relative to the strategic asset allocation, with a view to generating added value (a higher net return or lower risk) over the medium term.
4. Monitoring the strategic asset allocations

Risk management
We identify, measure, monitor and manage risks and returns for the assets of each strategic asset allocation as a whole. Internal and external parties ensure that invested assets are managed in accordance with the specifications and the risk budget for the strategic asset allocations is adhered to. We minimise risks that are not compensated by a premium.

Management information strategy
We ensure that those responsible are provided with meaningful information relevant to the performance of their management tasks.

5. Best governance

Governance
We separate advice, decision-making and controlling in order to avoid conflicts of interest wherever possible. We apply the four-eyes principle. Clear and transparent management and decision-making processes generate added value. The Board of Directors bears overall responsibility for asset management. It issues the Investment Guidelines and strategic asset allocations. Its detailed remit is set out in the Investment Guidelines (publica.ch).

People
Our investments are managed by experts who meet stringent professional requirements and demonstrate respect, integrity and loyalty.