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Pension solutions. Banking. Real estate.

Investment regulations

Tellco pkFLEX

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Based on Art. 6 of the articles of foundation of Tellco pkFLEX (the Foundation), the board of trustees issues the following regulations:

1 Principles

1.1

These regulations govern the principles that apply to the investment of the Foundation's assets.

1.2

These regulations are reviewed at least once a year and amended if necessary.

2 Asset management principles

2.1

Individual company pension providers are free in their choice of Tellco investment strategy and bandwidths, the creation of the fluctuation reserve and the monitoring of their risk capacity. The Foundation calculates the fluctuation reserves for the predefined Tellco investment strategies «Tellco Classic Low-risk», «Tellco Classic 10», «Tellco Classic 25» and «Tellco Classic 45» for affiliated pension providers.

The Foundation determines the Tellco investment strategy as well as the target fluctuation reserves for the pensioner pool and collective pension funds. The Tellco investment strategy and target fluctuation reserve are described in Appendix 1.

2.2

As far as the management of the assets is concerned, all statutory and regulatory investment regulations and provisions must be observed at all times, in particular the provisions of the Federal Law on Occupational Retirement, Survivors' and Disability Pension Plans (BVG) and the Ordinance on Occupational Retirement, Survivors' and Disability Pension Plans (BVV2).

The long-term risk and return features of the different asset classes must be taken into account when the investment strategies are determined.

In order to measure the investment results, a suitable benchmark must be chosen for the adopted investment strategy.

In order to exploit short-term market opportunities, the pension funds for their investment strategy and the Foundation for the pensioner pool must determine tactical bandwidths within which deviation from the investment strategy is allowed.

The investment strategy and tactical bandwidths must be reviewed periodically or in the event of exceptional occurrences and adapted if necessary.

2.3 Investment options

2.3.1 BVV2 strategy funds

The Foundation offers various investment strategies that have been adjusted to meet the needs of the pension funds, which differ as regards risk capacity and risk tolerance. The pension funds choose a strategy that suits their risk profile.

2.3.2 Other funds

The Foundation offers a number of individual funds. The pension funds compose their portfolios to suit their personal risk profiles.

2.3.3 Direct investments

Direct investments are possible from an amount in pension capital of CHF 20 million per pension fund (pension capital of active insured and pensioners). Care must be taken that the risks are suitably diversified and the restrictions with regard to individual debtors are observed. In justified cases, the Board of Trustees may reduce the limit for individual pension schemes.

2.4 Implementation

2.4.1 Asset managers

Pension providers may choose to have their pension assets managed by an asset manager (banks, securities dealers, fund managers or asset managers of Swiss collective investment schemes) subject to the supervision of the Swiss Financial Market Supervisory Authority (FINMA) or by an asset manager accredited by the Occupational Pension Supervisory Commission (OPSC). The asset manager must be accredited with the Foundation. The powers, responsibilities and liability must be governed by a written asset management mandate between the pension fund, the external asset manager and the Foundation. The agreement must explicitly mention the mutatis mutandis application of Art. 49 to 58 BVV2.

2.4.2 Advisor

The pension fund can appoint an advisor who can provide support with regard to the investment of its assets. When providing advice the advisor must comply with the regulatory and statutory provisions regarding investment vehicles as well as the provisions of Art. 49 to 58 BVV2. The Foundation only accepts securities orders from the persons authorised to issue such orders by the pension fund.

2.4.3 Delegation

The asset managers pursuant to Art. 2.4.1 can delegate their tasks to a third party. However, they remain responsible to the Foundation for compliance with Art. 49 to 58 BVV2.

2.4.4

The Foundation ensures and periodically monitors that the investment guidelines and the provisions of BVV2 are followed at all times. It also periodically reviews the performance of the investments and the asset management costs incurred for the pension funds.



2.5 Integrity and loyalty in asset management

2.5.1

Persons and institutions entrusted with the investment and management of pension assets must have a good reputation, be properly qualified to carry out these activities and in particular guarantee compliance with the provisions of Art 51 b par. 1 BVG and Art. 48 g to 48 l BVV2.

They are subject to the fiduciary obligation to exercise due diligence and must protect the interests of the insured when carrying out their activities. To this end they must ensure that there is no conflict of interests between their personal and professional relationships.

2.5.2

Persons and institutions entrusted with the investment and management of pension assets must submit a written statement to the Foundation every year detailing any financial gain they may have enjoyed in connection with their activities on behalf of the pension scheme. It is not necessary to report minor and ordinary gifts received occasionally. Occasional gifts are one-off gifts worth a maximum of CHF 200 per case and CHF 2,000 per year. Persons and institutions that are subject to the Banking Law of 8 November 1934 do not have to submit an annual written statement.

2.5.3

All persons entrusted with the management of assets are obliged to maintain strict silence about all confidential matters. In all other respects these persons must comply with the code of conduct that applies to the Foundation (ASIP Charta).

3 Organisation

3.1 The board of trustees

The board of trustees is in particular responsible for:

- a) Adopting the investment regulations;
- b) Concluding contracts with asset managers, depositaries and advisors;
- c) Monitoring asset managers on an ongoing basis;
- d) Monitoring the performance of the investments;
- e) Monitoring the performance of the assets and the implementation of the investment strategies;
- f) Approving the risk control instruments and procedures;
- g) Monitoring the pension funds with regard to the execution of their management and control obligations.

The board of trustees can delegate tasks to an investment committee appointed by it.

3.2 The investment committee

3.2.1

The tasks of the investment committee are handled by the Investment Committee of Tellico AG.

3.2.2

The investment committee is in particular responsible for:

- a) The tactical allocation of the pool investments;
- b) Approving the securities list for the strategy and other funds;
- c) Approving the accreditation of the asset managers;
- d) Monitoring the proper implementation of the investment strategy and compliance with the regulatory and internal guidelines;
- e) periodically checking and monitoring the investment performance against the strategy and benchmark; and
- f) periodically checking the costs incurred for asset management.

3.3 The asset managers

The Foundation only appoints persons and institutions to invest and manage its pension assets who are qualified to do so and whose organisational structure guarantees compliance with the provisions of Art. 48 f and 48 g BVV2. The investment committee decides on the accreditation of asset managers.

The tasks of the asset managers are:

- a) Implementing the investment guidelines and asset allocation in accordance with the instructions of the pension fund and the Foundation;
- b) Monitoring the statutory and regulatory parameters;
- c) Submitting monthly reports to the board of trustees and the pension fund commission;
- d) Supervising the depositaries.

3.4 The auditor

The auditor audits the investments. The auditor's remit is governed by Art. 52 c of the Federal Law on Occupational Retirement, Survivors' and Disability Pension Plans of 25 June 1982 (BVG) and the recommendations of the Swiss Institute of Certified Accountants and Tax Consultants. The auditor in particular checks if:

- a) The investments comply with the statutory and regulatory provisions;
- b) Measures were implemented to ensure asset management loyalty and check whether the board of trustees sufficiently monitors compliance with the loyalty obligations;
- c) Art. 51 c BVG «Related-party transactions» was observed.



3.5 Exercise of shareholder rights

Participation rights in foreign stock corporations are usually not exercised, except in individual cases if instructed by the board of trustees.

The following provisions apply to the exercise of participation rights in stock corporations established under the Swiss Code of Obligations with their registered office in Switzerland whose shares are listed on a Swiss or foreign stock exchange:

3.5.1

The pension fund has to exercise the voting rights associated with its directly held shares on the motions included in the agenda at the company's annual general meeting.

The obligation to vote applies to the following items included in the agenda for the general meeting:

- a) Election of the members of the board of directors, the chairman of the board of directors, the members of the remuneration committee and the independent proxy;
- b) Provisions of the articles of incorporation;
- c) Compensation paid directly to the board of directors, the executive board and the advisory board by the company;
- d) Compensation paid to the members of the board of directors, the executive board and the advisory board for work done for enterprises controlled directly or indirectly by the company, unless these payments were approved by the company's general meeting.

The voting obligation does not apply to resolutions to approve the acts of the board of directors, the financial statements or share capital increases and reductions.

The voting obligation applies to collective investment schemes if the pension fund has an enforceable voting right vis-à-vis the collective investment scheme.

The pension fund has to vote in the manner that best serves the interests of its insured.

Loaned securities have to be returned for the annual general meeting.

The pension fund may abstain from voting if this is in the best interests of the insured, i.e. if there are no important reasons to approve or reject the item under discussion.

3.5.2

The interests of the insured are deemed to be served if the voting pattern supports the lasting prosperity of the pension fund and is sustainable. Sustainability means:

- a) Healthy financial growth is more important than a high dividend (long-term autofinancing of the stock company);
- b) Sustainable financing of the company with equity is more important than the repayment of capital contributions.

In exercising its voting rights the pension fund adheres to the principles of return, security, liquidity and sustainability.

3.5.3

The pension fund must submit a comprehensive report on its compliance with its voting obligations to the insured at least once a year. The report can be submitted together with the financial statements, published on the pension fund's website, or disclosed in another suitable manner.

If the pension fund does not approve the motions of the board of directors or abstains from voting, it must explain its decision in the report.

3.5.4

The board of trustees determines the policy regarding the exercise of voting rights and defines the actual procedure for the exercise of voting rights. The implementation of this policy can be delegated – in compliance with these regulations – to a third party (voting rights committee, investment committee, portfolio manager, external advisor on voting rights, etc.). Personal attendance at general meetings is usually not required. The services of independent proxies can be used for the actual exercise of the voting rights.

4 Principles of securities investment and controlling

4.1

The Board of Trustees ensures and periodically checks that all investment strategies comply with the investment principles of Art. 71 par. 1 BVG and Art. 49 to 58 BVV2.

4.2

The investment committee must approve the use of the expanded investment options pursuant to Art. 53 to 56 and 56a par. 1 and 5 as well as Art. 57 par. 2 and 3.

4.3

The Foundation reviews all mandates on a quarterly basis. The board of trustees can delegate this task to an external investment controller.

4.4

No loans may be granted, except for mortgage debt from the pensioner pool.

4.5

Investments in real estate may only be made through collective investment schemes that invest exclusively in real estate.

4.6

Securities may be lent to banks with a short-term rating pursuant to Annex 2 in order to improve the earnings. The securities that are lent out must be secured by collateral. The details must be agreed in a securities lending contract.



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The legal regulations governing funds apply analogously (Art. 55 par. 1 a Collective Investment Schemes Act [SR 951.31], Art. 76 Collective Investment Schemes Ordinance [SR 951.311], Art. 21 et seq. of FINMA's Ordinance on Investment Funds of 24 January 2001 [SR 951.311.1]).

5 Entry into force

This Statement of Investment Policy was approved by the Board of Trustees on 29 April 2019 and will enter into force on 1 March 2019. It supersedes all previous versions of the Statement of Investment Policy.

Schwyz, 29 April 2019

Tellco pkFLEX
Board of Trustees

Thomas Kopp
Chairman

Daniel Greber
Member

In case of differing interpretations, the German text is authoritative.



Annex 1 A

Investment strategy and fluctuation reserve of pensioner pool

The following investment strategy with the corresponding bandwidths and benchmarks applies according to the resolution of the Board of Trustees of 24 July 2011:

Category Benchmark	Strategy	Strategic bandwidths
Money market Libor CHF 3 months	5.00%	0.00% – 20.00%
Swiss bonds Swiss Bond Index TR AAA-BBB	42.00%	0.00% – 80.00%
Global bonds Lehmann Aggregate Customized	3.00%	0.00% – 10.00%
Convertible bonds (hedged) UBS Convertible Global Focus Inv. Grade Hedged (CHF)	3.00%	0.00% – 5.00%
Swiss equities Swiss Performance Index	1.00%	0.00% – 2.00%
Global equities MSCI World AC free CHF	1.00%	0.00% – 2.00%
Real estate KGAST Immo-Index	40.00%	0.00% – 50.00%
Alternative investments (hedged) HFRX Global Hedge Fund Index Hedged (CHF)	5.00%	0.00% – 5.00%

The expected yield corresponds to 2.4% with a volatility of 1.3%.

The target fluctuation reserve is 5.2%.

Schwyz, 24 July 2012



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Annex 1 B

Tellco investment strategy and fluctuation reserve for collective pension fund 1 (Start-up) «Tellco Classic 10»

In accordance with the resolution passed by the Board of Trustees on 31 January 2019, the following Tellco investment strategy applies with the corresponding ranges:

Category	Strategy	Strategic ranges
Money market	1.00 %	0.00 % – 6.00 %
Swiss bonds	20.00 %	15.00 % – 25.00 %
Global bonds	5.00 %	0.00 % – 10.00 %
Global bonds (hedged)	37.00 %	32.00 % – 42.00 %
SME loans Switzerland	5.00 %	0.00 % – 10.00 %
Swiss equities	5.00 %	0.00 % – 10.00 %
Global equities	5.00 %	0.00 % – 10.00 %
Swiss real estate	17.00 %	12.00 % – 22.00 %
Global real estate (hedged)	5.00 %	0.00 % – 10.00 %

The expected yield corresponds to 2.7 % with a volatility of 2.6 %.

The target fluctuation reserve is 7.3 %.

Schwyz, 29. April 2019

Board of Trustees

Thomas Kopp
Chairman

Daniel Greber
Member



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Annex 1 C

Tellco investment strategy and fluctuation reserve for collective pension fund 2 (SME) «Tellco Classic 25»

In accordance with the resolution passed by the Board of Trustees on 31 January 2019, the following Tellco investment strategy applies with the corresponding ranges:

Category	Strategy	Strategic ranges
Money market	1.00 %	0.00 % – 6.00 %
Swiss bonds	15.00 %	10.00 % – 20.00 %
Global bonds	10.00 %	5.00 % – 15.00 %
Global bonds (hedged)	20.00 %	5.00 % – 25.00 %
SME loans Switzerland	5.00 %	0.00 % – 10.00 %
Swiss equities	11.00 %	6.00 % – 16.00 %
Global equities	15.00 %	10.00 % – 20.00 %
Swiss real estate	14.00 %	9.00 % – 19.00 %
Global real estate (hedged)	9.00 %	4.00 % – 14.00 %

The expected yield corresponds to 3.5 % with a volatility of 4.4 %.

The target fluctuation reserve is 15.4 %.

Schwyz, 29. April 2019

Board of Trustees

Thomas Kopp
Chairman

Daniel Greber
Member



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Annex 2

Minimum rating according to S&P

According to the resolution of the Board of Trustees of 24 July 2012, the following minimum rating applies for securities lending under the S&P:

Securities lending

Investment grade

Schwyz, 24 July 2012



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Annex 3

Valuation principles

Assets are measured in accordance with Swiss GAAP FER 26 at the current prices on the reporting date, without any smoothing effects, with current prices generally referring to the market values on the reporting date:

1. Account balances and money market investments are measured at nominal value.
2. Bonds, equities and units in collective investment schemes are measured at the stock exchange price on the reference date, but medium-term notes are measured at nominal value at the most. The prices obtained by the Foundation apply.
3. Currencies are measured at market value on the reference date. The rates obtained by the Foundation apply.
4. Loans (mortgages from the pensioner pool) are measured at nominal value and must be tested for impairment.
5. Alternative investments are recognised in the balance sheet at the most recent net asset value as calculated in accordance with sector principles and considering the cash flows since the calculation. As a result, the valuation might be delayed by approximately three months.

Schwyz, 24 July 2012