

## *Report of the Investment Committee 2009*

After a very difficult 2008 financial year, which ended with a drop of 12.16% in the performance of the assets under management, the year 2009 ended with an increase of about 10.6%. This good news enables us to present a cover rate of slightly over 100%, and above all to remunerate pension assets at 2.25%, i.e. a quarter percent higher than the minimum legal rate.

The period under review saw the arrival of two new banking asset management companies, Aforge Capital Management SA and EIM Long Only SA, and the termination of the contract with AXA Investment Managers. The first two companies achieved respectively a net performance calculated by our agent of 11.94% and 8.18% respectively, and the third at 10.79%. IAM and Julius Baer achieved performances of 15.85% and 14.17% respectively. The LPP 40 index progressed by 15.07% over the year 2009.

The real estate portfolio, which represents 47.2% of the global assets at the end of 2009, produced a net revenue of 5%. At end 2009, the amount of the real estate assets has been calculated by updating the dynamic rental state at the rate of 6.5%. Equity invested in real estate, which represents about 28.3% of the assets invested, yields 6.5%.

These results may lead one to think that the management of the banking assets was easy during this past period. That was far from being the case. The very strong revival of the markets beginning in March, following two very difficult months, came as a surprise to many asset managers, and few of them can claim to have imagined from the outset that this movement, as abrupt as it was large, would not be just a flash in the pan. Most share markets ended the 1st quarter down, and bond portfolio management was particularly turbulent. The flight noted in 2008 towards debtor governments was followed by fully understandable questions on the part of investors on the debt of the issuing countries. Company loans, largely neglected at the height of the crisis, benefited considerably from the support given by states to their flagship companies and to their economy in general. The major currencies also experienced particularly abrupt and unpredictable movements as economic announcements succeeded each other. Not to mention commodities, whose price rose very rapidly and significantly, traders counting on the economic recovery, encouraged by the huge stimulus programmes put in place at the national and supranational levels. The management mandates entrusted to managers with very different management styles brought us the desired protection, (almost) each of them having achieved the best performance in their turn at different times during the year.

With respect to its organisation, the Investment Committee went through some changes at the end of the year: Pierre Michel, a member of the committee since 1996 and its chairman from 2006 to 2009, has participated in the committee meetings since 1 January 2010 as a director without voting rights. He will be replaced from 16 June by Mr Marçal Decoppet, the new Managing Director.

Cristofer Gelli, former member of the Board of Trustees from 2002 to 2004 and a member of the Investment Committee from 1998 to the present, handed in his resignation with effect at the next General Assembly. A former chairman of the committee, Cristofer Gelli always displayed a high degree of professionalism in the discussions and great concern for the consequences of the choices made. The Board wishes to take this opportunity of expressing sincere thanks to him for his important contribution to the management decisions. His replacement will be made known at the General Assembly.

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During the first three months of 2010, the performance of the assets under management is posted at 2.02% (not audited). The improvement in the global economy encourages hopes for a positive result for the whole of the year 2010. One can again mention the change of reference index of the global management performance decided by the Investment Committee, with effect on 1st January 2010. It is now the LPP25. For securities managers, it remains the LPP40 and for real estate the SWX Immofond. The rationale for this decision took into particular account the disadvantage represented by the la volatility of the SWX Immofond index (+ 19.61%). Representing 30% of the synthetic index we used, it introduced into the reference an exaggerated degree of volatility compared to the real volatility of the value of our properties.

The Investment Committee

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