

# Prospectus for the investment group Liquid alternative investment strategies (CHF hedged)

*Investment group in the “alternative investment” category in accordance with Art. 53, cl. 1e BVV2*

*Compared to traditional investment groups, the investment group may have increased risk.*

Swiss Life Investment Foundation



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# 1 General information

The “Swiss Life Investment Foundation” is a foundation set up in 2001 in accordance with Art. 80 ff. of the Swiss Civil Code and Art. 53g ff. of the BVG by the former Swiss Life Insurance and Pension Company, now Swiss Life Ltd.

The Swiss Life Investment Foundation, based in Zurich, is subject to the supervisory oversight commission for the occupational pension system (OAK BV). The Swiss Life Investment Foundation is designed for tax-exempt occupational benefits institutions domiciled in Switzerland. Its purpose is the collective investment and management of the pension assets entrusted to it by investors.

The Swiss Life Investment Foundation is a member of KGAST (Conference of Managers of Investment Foundations), which obligates its members to meet high quality standards and comprehensive transparency requirements. The highest governing body of investment foundations, the general meeting of investors, provides all member pension funds with the opportunity to exercise direct influence. The Swiss Life Investment Foundation is comprised of several investment groups that invest in various asset classes, such as equities, bonds, BVG mixes and real estate.

This prospectus is for the Liquid Alternative Investment Strategies (CHF hedged) investment group.

# 2 Investment concept

## 2.1 Investment strategy

The Alternative Investment Strategies investment group (CHF hedged) from the Swiss Life Investment Foundation invests in a broad array of arbitrage strategies in major asset classes, such as equities, interest rates, corporate bonds, commodities and currencies.

## 2.2 Investment objective

The Alternative Investment Strategies investment group (CHF hedged) from the Swiss Life Investment Foundation aims to achieve a stable and controlled risk/return profile which simultaneously has as low a correlation with traditional asset classes as possible.

## 2.3 Investment guidelines

1. The investment group invests in a multi-asset portfolio that aims to use short positions to eliminate the systematic risk of long positions in every asset class in the portfolio and generating a positive return by deploying a series of different risk-premium strategies. The investments are not made directly but by way of the “Swiss Life Funds (LUX) Multi Asset Risk Premia” target fund. Foreign currency risks are at least 90% hedged against Swiss francs at the level of the target fund.
2. The risk-premium strategies are implemented directly within the target fund or by way of total return swaps, with investments made at any time in at least ten different risk-premium strategies. The direct investments can be made in the form of equities, fixed-income securities or derivatives. When total return swaps are used, the underlying portfolio mirrors the returns on baskets of non-discretionary, rule-based, publicly accessible risk-premium indices. The risk-premium strategies deployed within the various asset classes comprise:

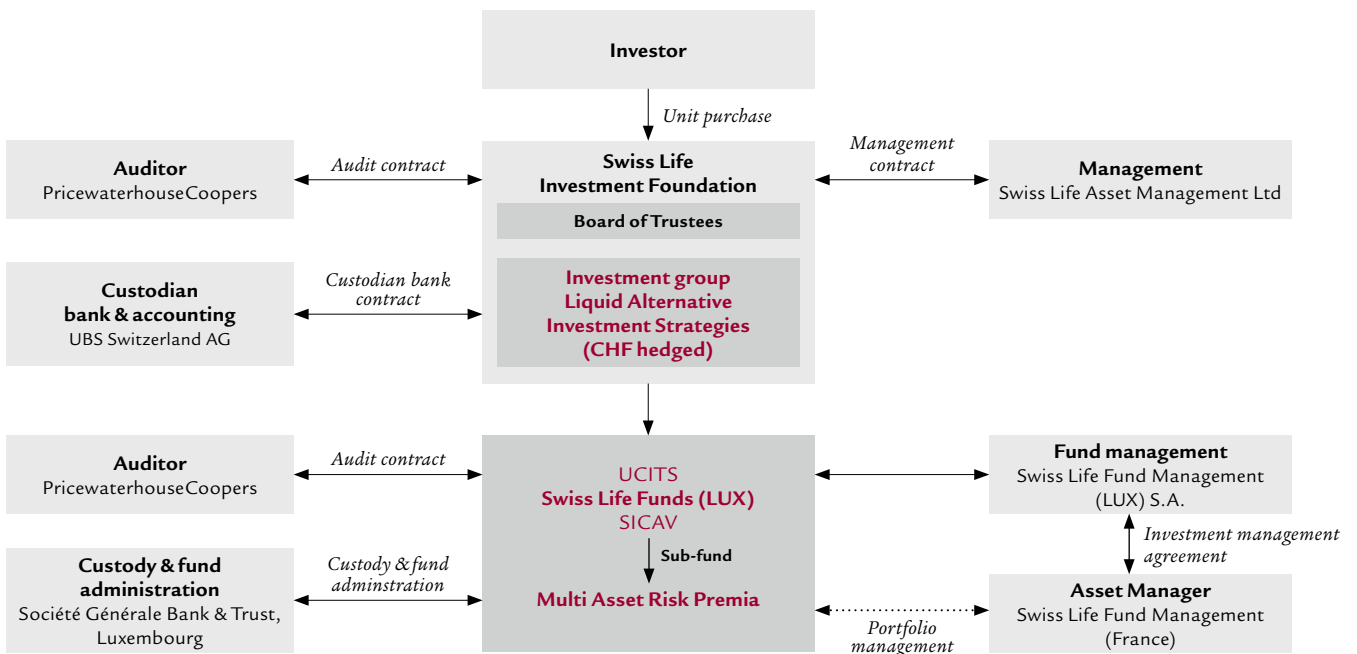
Overview of the risk-premium strategies possible for the investment group	Equities	Interest	Loans	Currencies	Commodities
Momentum	•	•	•	•	•
Mean reversion	•	•		•	•
Value	•	•	•	•	•
Carry	•	•	•	•	•
Quality	•				
Growth	•				
Size	•				
Volatility	•	•	•	•	•
Low volatility	•				
Liquidity					•
M&A arbitrage	•				
Implicit dividends	•				
Yield curve		•			
Hedge arbitrage				•	

- Carry strategies, whose aim is to generate value from assets expected to deliver higher returns than other assets with weaker returns;
  - Momentum strategies, whose aim is to generate value from assets expected to continue to develop similarly (positively or negatively) over a period in the future; and
  - Value strategies, whose aim is to exploit the trend for assets that are relatively more cost-effective to develop better than assets that are relatively more expensive; as well as
  - Other risk-premium strategies such as volatility strategies, mean reversion, liquidity, yield curve strategies and hedge arbitrage.
3. The target fund can use derivative financial instruments for the purpose of hedging and investing, including OTC derivatives such as listed futures, options and foreign currency transactions.
  4. In particular, total return swaps may be deployed to implement the risk-premium strategy at the level of the target fund. Total return swaps may comprise underlyings such as financial indices, equities, corporate bonds, interest rate products, government bonds, currencies, commodities, futures and options. Investments in such instruments are typically undertaken to increase the cost-efficiency of the portfolio's market exposure.
  5. With the use of derivatives at the level of the target fund, the investment group can achieve leverage of up to 750% of the net assets. Investments that impose an additional payment obligation on the investment group are not permissible.
  6. A maximum of 10% of the assets can be invested with the same debtor, and a maximum of 5% with the same company.
  7. In addition to sight and time deposits at first-class banks, the investment group and/or target fund may hold money market investments and money market funds for liquidity management or to collateralise the derivatives. Where there is a lack of investment opportunity, the investment group may invest in Swiss franc debt securities of debtors based in Switzerland, with a term or remaining term of up to 12 months. A minimum requirement for acquisition is an "A" rating and the average rating quality must be at least "A+". Rating quality is assessed using ratings from Standard & Poor's or Moody's.

# 3 Organisation

## 3.1 Structure of the investment group and involved parties

The organisational structure is shown in the following chart:



## 3.2 General Meeting of Investors

The highest governing body of the foundation is the General Meeting of Investors, which comprises representatives of all investors. The General Meeting of Investors meets when required by the foundation regulations, but at least once per year. For the duties and powers of the General Meeting of Investors, please see the Articles of Association and the foundation regulations of the Swiss Life Investment Foundation.

## 3.3 Board of Trustees

The Board of Trustees is the highest executive body. It has all the duties which are not expressly within the remit of the General Meeting of Investors, the statutory auditors or the supervisory authority. The Board of Trustees represents the foundation to external parties. It defines the investment strategy and the investment guidelines.

The Board of Trustees comprises a minimum of five expert members who must be natural persons. The Swiss Life Investment Foundation is entitled to nominate a minority of the members of the Board of Trustees, including the chairman. The other members of the Board of Trustees are to be elected by the General Meeting of Investors. A maximum of one third of Board of Trustee members may be involved in operational management, administration or asset management at the foundation.

## 3.4 Management Board

The Management Board of the Swiss Life Investment Foundation is responsible for the day-to-day business of the foundation within the framework of the Articles of Association, the foundation regulations, the investment guidelines and any other special regulations, directives and ordinances issued by the Board of Trustees. It also executes performance controlling and coordinates cooperation with the auditor and the supervisory authority.

### **3.5 Portfolio management of the investment group**

Portfolio and asset management for the investment group have been delegated to Swiss Life Asset Management Ltd. Assets are invested through investments in the target fund “Swiss Life Funds (LUX) Multi Asset Risk Premia”.

### **3.6 The target fund**

The investment group makes investments via the Swiss Life Funds (LUX) Multi Asset Risk Premia Luxembourg investment fund, which was issued as a sub-fund of an umbrella structure with the legal form of a société d’investissement à capital variable (investment company with variable capital, or SICAV) under the name “Swiss Life Funds (LUX)”, which is registered in Luxembourg as an undertaking for collective investment in transferable securities (UCITS). The target fund is an open investment fund authorised by the Luxembourg banking supervisory authority CSSF and has been approved for distribution in Switzerland by the Swiss Financial Market Supervisory Authority (FINMA).

### **3.7 Management company of the target fund**

Swiss Life Funds (LUX) SICAV has transferred its daily operations to the fund management company with the name “Swiss Life Fund Management (LUX) S.A.” As part of its duties, the fund management company provides asset management, administration, marketing, and domiciliary agent and company secretarial services for Swiss Life Funds (LUX) SICAV. Swiss Life Fund Management (LUX) S.A. was founded on 9 November 2000 as a public limited company under the name Swiss Life Funds (LUX) Management Company for an unlimited period and in accordance with the laws of the Principality of Luxembourg. The fund management company has dual approval as an asset management company for UCITS and as an AIFM. Swiss Life Fund Management (LUX) S.A. may outsource some or all of its functions and duties to third parties, as long as it maintains responsibility for and oversight over such delegation.

### **3.8 Asset manager of the target fund**

Swiss Life Asset Management (France) is the asset manager and is responsible for the implementation of the investment strategy of the target fund, “Swiss Life Funds (LUX) Multi Asset Risk Premia”. In particular, the asset manager of the target fund is entrusted with making the investments and developing the portfolio composition of this fund. The asset manager reports on a quarterly basis to the management of the Swiss Life Investment Foundation and provides detailed information about the development of the individual underlying investments.

### **3.9 Auditor of the investment group and target fund**

The auditor is entrusted with reviewing compliance with the statutory requirements with respect to accounting, management and asset investments in accordance with Art. 10 ASV. Both the investment foundation and the target fund are reviewed by an external auditor annually. The auditor for both the investment group and the target fund is PricewaterhouseCoopers.

### **3.10 Custodian bank and administrator of the investment group and target fund**

The custodian bank and administrator are responsible for the administration, settlement and safekeeping of the investments made as well as for the related calculation of net asset value and accounting. The custodian bank and the administrator for the investment group’s target fund is Société Générale Bank & Trust, Luxembourg. The custodian bank for the investment group is UBS Switzerland AG.



# 4 Issue and redemption of claims

## 4.1 Carrying out the issue and redemption of claims

Swiss Life Asset Management Ltd, as the manager of the Swiss Life Investment Foundation, carries out the issue and redemption of claims. Claims are issued or redeemed every bank working day. Claims are not issued or redeemed on Swiss public holidays or on days on which the stock exchanges and markets in the investment group's main investment countries are closed.

## 4.2 Issue of claims

Investors are, as a general rule, entitled to acquire as many claims as they wish within the framework set by the foundation regulations and in accordance with their own investment guidelines.

Claims are acquired through the issue of new claims by the foundation. Free trading in claims is not permitted.

## 4.3 Issue price

Claims are issued at the net asset value valid on the issue date. The equivalent value of the issue price must be paid in cash.

## 4.4 Redemption of claims

Claims are redeemed at the net asset value valid at the issue date. Free trading in claims is not permitted. In extraordinary circumstances, the Board of Trustees can defer the redemption of claims. In such a case it informs all investors concerned. In justified cases, claims can be assigned among investors, subject to the prior consent of the Management Board.

## 4.5 Redemption price

The redemption price of each claim is the net asset value on the date of redemption.

## 5 Net asset value

The authoritative net asset value of the portfolio is the consolidated value of the assets held in the portfolio, less the total amount of consolidated liabilities and provisions. The net asset value of the portfolio is calculated every bank working day with the exception of Swiss public holidays and days on which the stock exchanges and markets in the investment group's main investment countries are closed.

The basis of the calculation are the liquid assets held at the investment group level, taking account of any fees and withholding tax as well as the valuations of the investments.

# 6 Fee structure

The following fees, costs and expenses result in a reduction of the returns that can be achieved on the claims by investors.

## 6.1 Management fee

Management and administration costs are charged to the investment group and deducted from the fund's net assets for the management and administration of the foundation and the investment group. The fees are charged at the level of the investment group and the target fund. The total expense ratio (TER) of the investment group is:

Standard tranche:	0.75% (indicative)
PM tranche <sup>1)</sup> :	0.40% (indicative)

<sup>1)</sup> Only available to investors who have concluded an asset management contract or another remunerated financial services contract with Swiss Life Asset Management Ltd or another Swiss Life Group company.

## 6.2 Issuing and redemption commission

No issue or redemption commission is charged in favour of the investment group when claims are issued or redeemed.

## 6.3 Other costs and expenses

In addition to the above fees, costs and expenses, there may be additional costs, expenses and taxes at the investment group level and in the underlying target investments.

# 7 Risk information

## 7.1 Market risk

Market risk is the risk of loss based on market value fluctuations in portfolio positions as a result of changes to market-specific variables (e.g. general economic conditions, interest rates, foreign exchange rates or the credit rating of the issuer of a financial instrument). It is a general risk to which all investments are subject, i.e. the value of a certain investment may rise or fall as a result of changed market variables.

## 7.2 Leverage

Leverage refers to the use of debt capital or derivatives in order to increase exposure to an asset compared to the invested capital amount. Subject to compliance with its investment objective and its investment policy, the target fund may use derivatives in order to enter into positions in an underlying that are large in relation to its net asset value. This results in a leverage effect. The leverage effect makes it possible to increase the target fund's returns, but it may also result in higher losses for the fund.

## 7.3 Counterparty risk

The counterparty risk is the risk of loss based on the inability of the counterparty to a transaction to meet its contractual obligations. There is no guarantee that an issuer or a counterparty will not experience credit or other difficulties, resulting in the failure to meet its contractual obligations and the loss of all or a portion of the amount owed to the target fund. This risk can occur at any time if the assets are stored, expanded, committed, invested or otherwise exposed as a result of actual or implicit contractual obligations.

## 7.4 Risks in connection with the Federal Law on Occupational Retirement, Survivors' and Disability Pension Plans

Investors are responsible for obtaining approval from the relevant corporate body (e.g. board of trustees, investment committee, pension fund board etc.) for the use of alternative investment strategies with respect to risk capacity and ensuring that they do not jeopardise the purpose of the pension fund, and for defining corresponding principles with respect to the investment principle, risk/return ratio, correlation with the overall portfolio, investment forms, valuation principles, liquidity and costs.

## 7.5 Legal risks

The Liquid Alternative Investment Strategies investment group (CHF hedged) offered by the investment foundation mainly invests in a fund domiciled in Luxembourg, which is not subject to Swiss law and is outside of Swiss jurisdiction. As a result, the rights and obligations of the Liquid Alternative Investment Strategies investment group (CHF hedged) offered by the Swiss Life Investment Foundation may deviate from the standards that apply in Switzerland. In particular, the associated level of investor protection may be weaker than for comparable investments under Swiss law and with jurisdiction in Switzerland.

## 7.6 Deviations from investment guidelines

There may be temporary deviations from defined investment guidelines as a result of external factors, such as market value changes and net inflows of funds. Such passive deviations must be corrected within an appropriate period of time while safeguarding the interests of the Liquid Alternative Investment Strategies investment group (CHF hedged) and in observance of market conditions.

## 8 Taxes

### 7.7 Operational risks

Operational risks refer to the company's risk of loss as a result of unsuitable internal processes and disruptions related to people and systems at the company, the management company and/or their agents and service providers or as a result of external events; they include legal and documentation risks as well as risks related to trading, settlement and valuation processes carried out on behalf of the company.

### 7.8 Political risks

It is possible that investments in the Liquid Alternative Investment Strategies investment group (CHF hedged) offered by the Swiss Life Investment Foundation may be subject to political risks, e.g. risks as a result of nationalisations, expropriations, confiscatory taxes, devaluations of currencies, foreign exchange controls, social or political instability, military conflicts or government restrictions

### 7.9 Tax risks

There is a risk that future, unforeseeable tax consequences in individual countries and country-specific regulations will have a negative impact on the returns of the Liquid Alternative Investment Strategies investment group (CHF hedged). The tax burden may already be known when the investment is made and consciously accepted as part of the investment decision, or it may become clear over the course of the investment as a result of changes in the relevant domestic or foreign legislation and/or taxation. Neither the Swiss Life Investment Foundation nor the asset manager is liable for any tax consequences.

### 7.10 Country risks

Investments in a particular country or a particular group of countries may be concentrated. Such concentrations expose the Liquid Alternative Investment Strategies investment group (CHF hedged) to the risk of disadvantageous social, political and economic developments in this country or these countries.

Because its income and assets are intended solely for occupational pensions, the investment foundation is exempted from direct federal, cantonal and municipal taxes (Art. 80, cl. 2 of the Federal Law on Occupational Retirement, Survivors' and Disability Pension Plans of 25 June 1982 [BVG] in conjunction with Art. 23, cl. 1d of the Federal Act on the Harmonisation of Direct Taxation at Cantonal and Communal Levels of 14 December 1990 [DTHA]).

The distribution of income by the foundation is subject to federal withholding tax (35% of gross income distributed). The foundation requests reimbursement of this tax on behalf of investors. If income is distributed, this is done without deducting the withholding tax and investors do not have to request reimbursement.

# 9 Further information

## **Investment category**

Alternative investments (art. 53, cl. 1e BVV 2). The claims are considered to be a collective investment (Art. 56 BVV 2).

## **Swiss security number**

Liquid Alternative Investment Strategies investment group (CHF hedged):

Standard tranche: 43 583 003

PM tranche<sup>1)</sup>: 43 583 004

<sup>1)</sup> Only available to investors who have concluded an asset management contract or another remunerated financial services contract with Swiss Life Asset Management Ltd or another Swiss Life Group company.

## **Accounting year**

1 October to 30 September

## **Accounting unit**

Swiss francs (CHF)

## **Distribution policy**

The investment group's net income is generally reinvested annually. The Board of Trustees can decide to distribute net income to investors in proportion to the number of claims they own.

## **Publications**

The articles of association, foundation regulations, investment guidelines, this prospectus and annual and quarterly reports are available at [www.swisslife.ch/anlagestiftung](http://www.swisslife.ch/anlagestiftung).

## **Amendments and entry into force**

Amendments to the prospectus are requested by the Management Board and approved by the Board of Trustees. The amended prospectus is immediately sent to all investors in the investment group in a suitable manner.

This prospectus enters into force by resolution of the Board of Trustees as at 4 September 2018.



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