Managing Large Portfolios in the Current Market Environment – the SNB Experience

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SCHWEIZERISCHE NATIONALBANK
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Agenda

Historical review: Balance sheet & Diversification

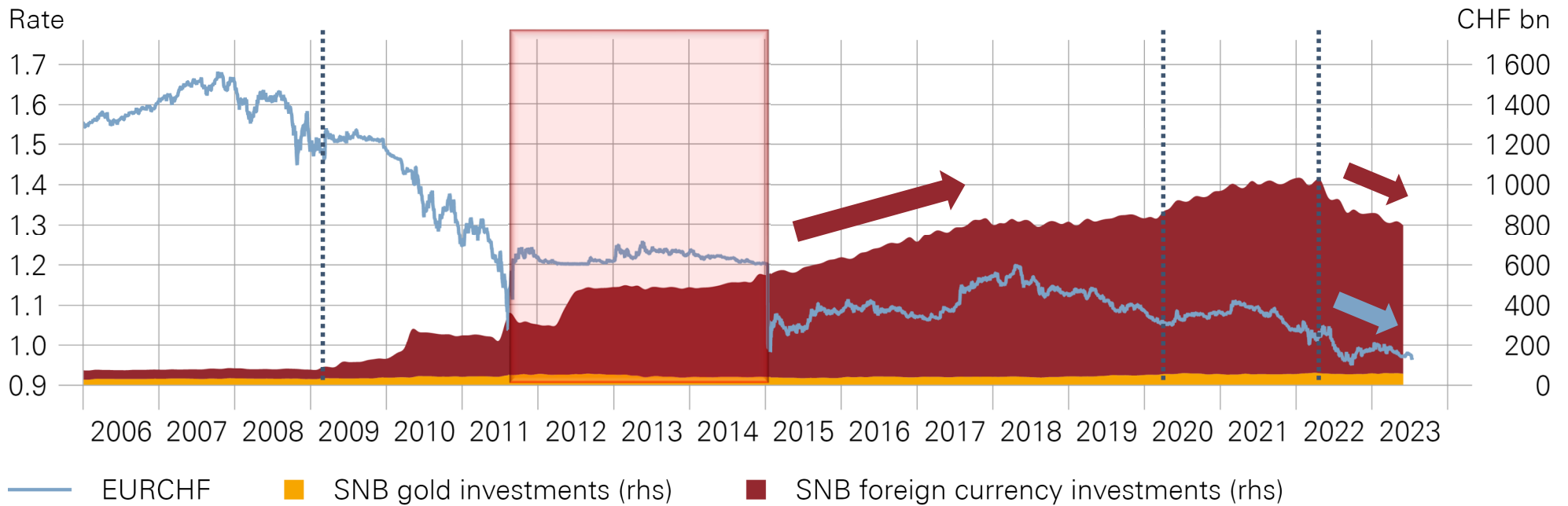From Long-term Asset Allocation to Implementation

Summary

Historical review: Balance sheet & Diversification

From Long-term Asset Allocation to Implementation

Summary

FX reserves as a derivative of SNB's monetary policy

EURCHF VS SNB'S FOREIGN CURRENCY AND GOLD INVESTMENTS

Sources: Bloomberg, SNB

SNB's investment policy should support monetary policy and contribute to the robustness of its balance sheet

Broad diversification in liquid markets

Key criteria

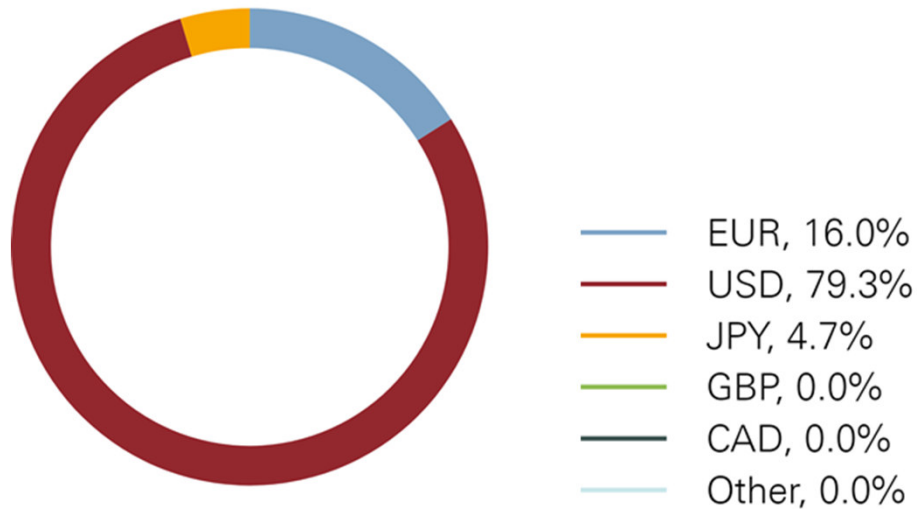| Liquidity	Currencies	Concentration risk	Credit risk

Which markets are able to absorb the portfolio sizes?

Currency allocation 1997 vs. 2023 - a story of diversification
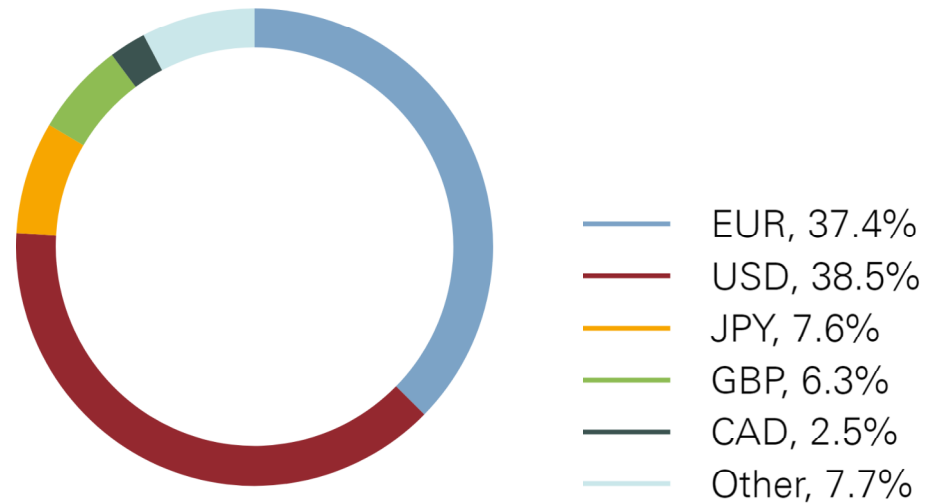
FX RESERVES:
CURRENCY ALLOCATION

As of 31.03.1997

- EUR, 16.0%
- USD, 79.3%
- JPY, 4.7%
- GBP, 0.0%
- CAD, 0.0%
- Other, 0.0%

Source: SNB

FX RESERVES:
CURRENCY ALLOCATION

As of 31.03.2023

- EUR, 37.4%
- USD, 38.5%
- JPY, 7.6%
- GBP, 6.3%
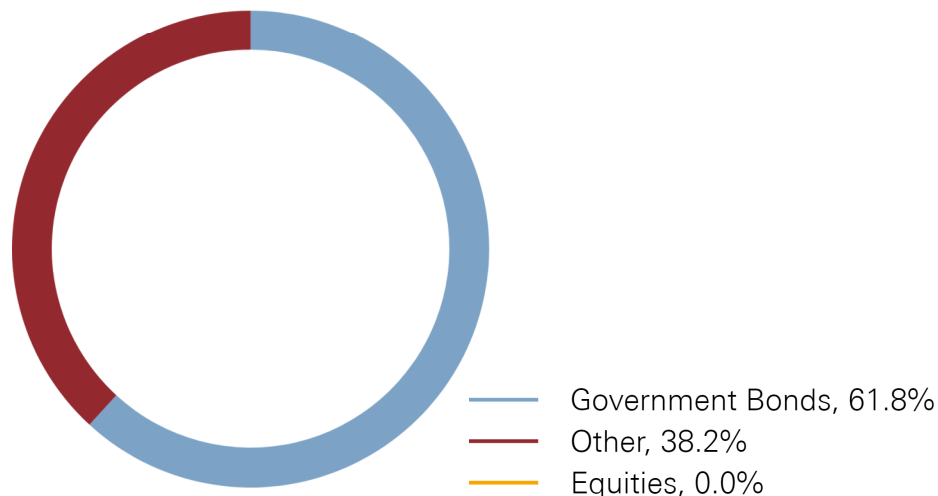- CAD, 2.5%
- Other, 7.7%

Source: SNB

From a traditional central bank to a professional investment manager

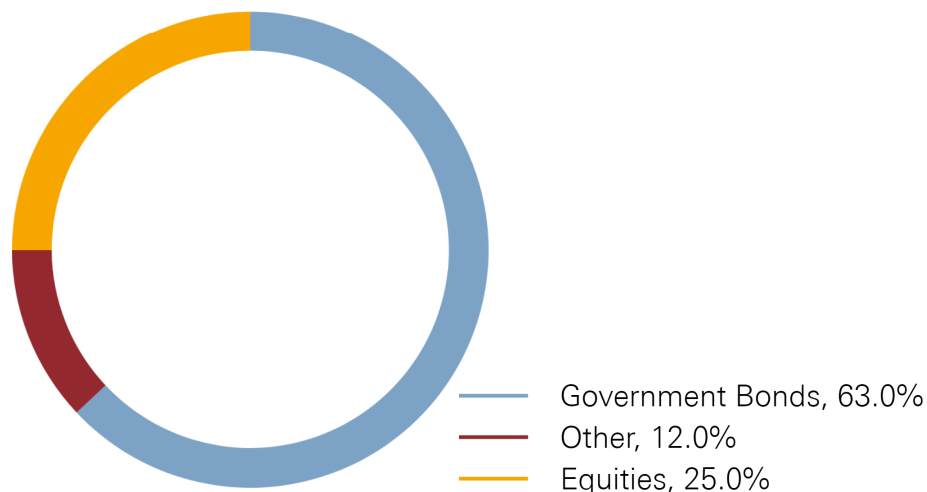**FX RESERVES:**
INVESTMENT CATEGORIES[1]

As of 31.03.1997

- Government Bonds, 61.8%
- Other, 38.2%
- Equities, 0.0%

1 including deposits at central banks and BIS

Source: SNB

FX RESERVES:
INVESTMENT CATEGORIES[1]

As of 31.03.2023

- Government Bonds, 63.0%
- Other, 12.0%
- Equities, 25.0%
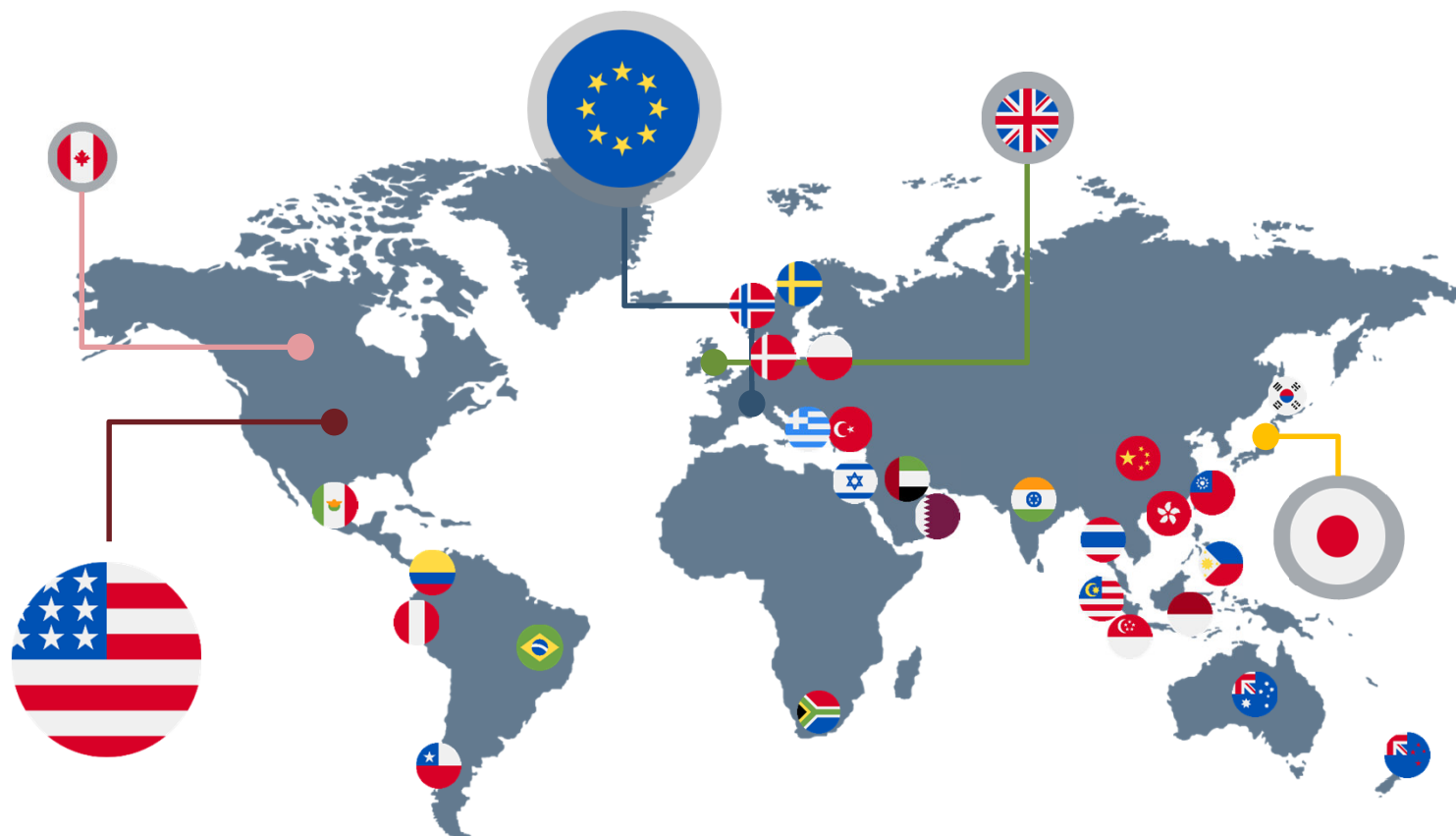
1 including deposits at central banks and BIS

Source: SNB

Since 2015, the share of equity investments in total foreign exchange reserves has increased and market coverage has broadened

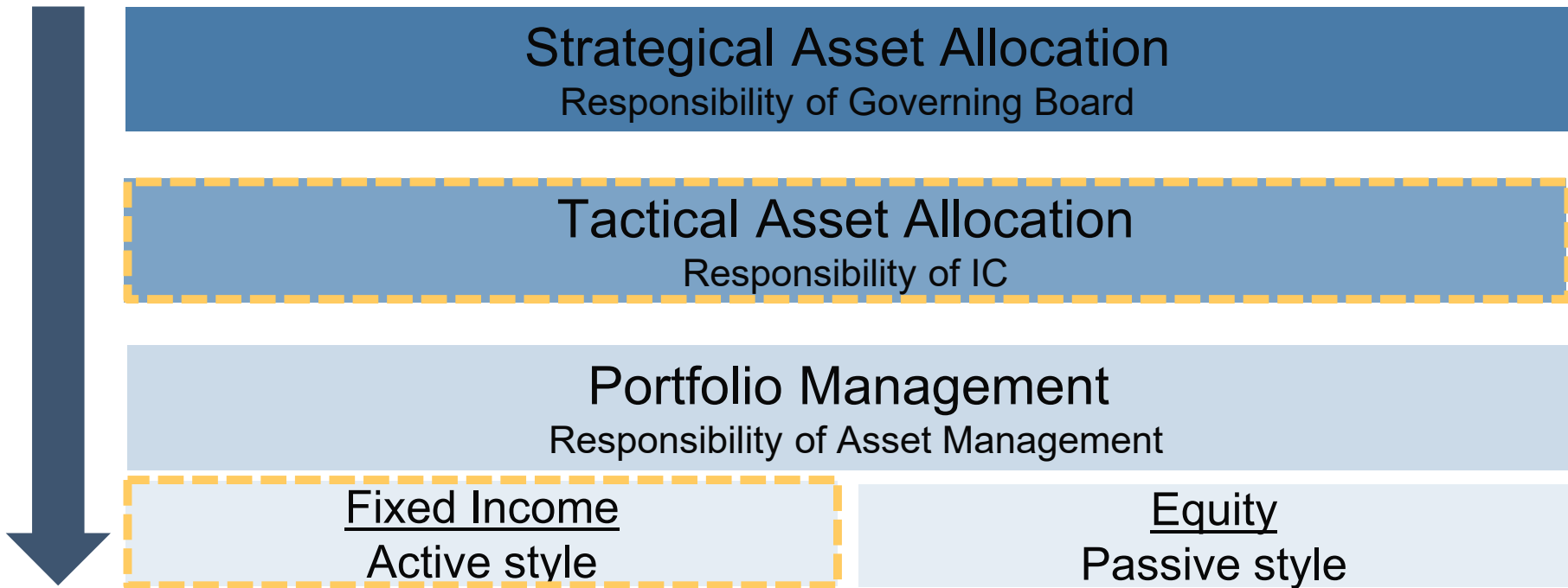| Year	# Stocks
2005	> 1'500
2013	> 5'700
2015	> 6'600

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Historical review: Balance sheet & Diversification

From Long-term Asset Allocation to Implementation

Summary

Different layers of Asset Allocation

Strategical Asset Allocation
Responsibility of Governing Board

Tactical Asset Allocation
Responsibility of IC

Portfolio Management
Responsibility of Asset Management

Fixed Income
Active style

Equity
Passive style

From the principle of a market cap based portfolio we deviate in some well defined cases

No Shares of **medium and large-cap banks**

Active portfolio management

Exclusions

Avoidance of conflicts of interest

Voting

ESG criteria

No **Swiss companies**

Norms-based screening

Historical review: Balance sheet & Diversification

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Summary

SNB BNS

Summary

- **Support MP and contribute to the robustness of the balance sheet**

- **Broad diversification in liquid markets**

| 76% of global bond markets | 96% of global equity markets (DM and EM) |

- No true alternatives to the G4 government bond markets (yet)
  - CHF 740 bn of FX reserves → 5% = CHF 37 bn
- Different layers of Asset Allocation, incl. actively managed portfolios

Thank you for your attention!

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