



## 1- Macroeconomic Scenario

**In the global scenario, the key event was the monetary policy meeting of the U.S. central bank, the Fed, which signaled the continued reduction in the pace of asset purchases and the maintenance of basic interest rates between 0.00% and 0.25% at least until the H1 2015.** The U.S. GDP growth should stay stable in the first quarter compared to the Q4 2013 (2.6%), due to the negative influence of the cold winter, but should re-accelerate in Q2, with growth of around 3.0 %.

Looking to Europe, the European Central Bank (ECB) opted to not reduce interest rates and did not announce any new asset purchases, despite the risk of deflation. The Central Bank's new projections show a gradual recovery of the region's economy, which should grow 1.2% in 2014. The inflation projection for 2014 was revised down slightly from 1.1% to 1.0%.

In China, the government announced its targets for the economy in 2014. GDP growth was maintained at 7.5% – in line with the view of the market –, while inflation was kept at 3.5%. The data released during the month continued to indicate a deceleration of activity. Another point to be highlighted was the determination of the Central Bank (PBoC) to expand the fluctuation band of the yuan to the dollar from 1% to 2% around the daily value set by the institution. This movement is an important sign in the direction of pro-market reforms to the country's exchange rate system, increasing its flexibility.

Another highlight was the increased tension over the invasion of the Crimea by Russia.

**In the internal context, the combination of a more challenging environment for emerging economies along with the deterioration of the country's public accounts led Standard & Poor's (S&P) to downgrade Brazil's credit note for local debt (from A- to BBB+) and external debt (from BBB for BBB-).** As reasons for the rating revision, the agency cited the deterioration of the government's fiscal accounts, reduced capacity to respond to shocks and weaker outlook for economic growth. At the same time, S&P set a stable outlook for the rating – in other words, it understands that Brazil's investment grade status should be maintained if the scenario with which it is working is confirmed.

The Central Bank raised the interest rate by 0.25% on April 2<sup>nd</sup> to 11.00%, but has already indicated the end of the cycle despite the higher weather-related food inflation. Despite the recovery in growth indicators earlier this year, economic fundamentals continue to indicate sluggish expansion ahead. Meanwhile, unemployment remains at historical lows. President Dilma continues to lead in the voting polls, but her approval rating has fallen. Brazilian assets posted a strong appreciation during the month.

## Financial indicators

Indice	Jan-14	Feb-14	Mar-14	Apr-14	May-14	Jun-14	Jul-14	Aug-14	Sep-14	Oct-14	Nov-14	Dec-14	2014	Last 12m	Last 24m	Last 36m
CDI (interbank deposit)	0,84%	0,78%	0,76%										2,40%	8,88%	17,07%	30,42%
IIMA-Geral ex-C*	-0,79%	2,64%	0,69%										2,52%	1,97%	14,83%	32,79%
Ibovespa	-7,51%	-1,14%	7,05%										-2,12%	-10,54%	-21,86%	-26,52%
IBrX **	-8,15%	-0,32%	6,89%										-2,14%	-3,23%	-5,44%	-6,92%
Saving Accounts	0,61%	0,55%	0,53%										1,70%	6,57%	13,21%	21,58%
USD	3,57%	-3,83%	-3,02%										-3,40%	12,36%	24,18%	38,92%
CPI (IPCA)	0,55%	0,69%	0,92%										2,18%	5,19%	12,12%	17,99%
IGP-DI (FGV)	0,40%	0,85%	1,48%										2,75%	7,55%	16,15%	20,02%
Actuarial Target***	0,73%	1,18%	1,81%										3,76%	11,85%	26,53%	37,28%

\* Previ Novartis benchmark for fixed income

\*\* Previ Novartis benchmark for equities

\*\*\* IGP-DI + 4% p.a.

Sources: Itaú, Bradesco, Brasil Plural

## 2- Investments

## Investments

Asset Manager	Fixed Income		Equities		Total	
	BRL mio	%	BRL mio	%	BRL mio	%
Bradesco	237,8	32,0%	55,7	7,5%	293,5	39,5%
Itaú Unibanco	151,5	20,3%	31,4	4,2%	182,9	24,5%
Western	223,1	29,9%	45,8	6,1%	268,9	36,0%
<b>Total</b>	<b>612,4</b>	<b>82,2%</b>	<b>132,9</b>	<b>17,8%</b>	<b>745,3</b>	<b>100,0%</b>

## Allocation in Equities

	Apr-13	May-13	Jun-13	Jul-13	Aug-13	Sep-13	Oct-13	Nov-13	Dec-13	Jan-14	Feb-14	Mar-14
Previ Novartis	22%	19%	19%	19%	17%	17%	18%	17%	17%	17%	17%	18%
Market*	19%	18%	17%	18%	16%	18%	18%	18%	17%	16%	17%	ND

\* Source: Club of Investments Towers Watson (median)

## 3- Performance

## Portfolio Previ Novartis - performance by type of investment

Segment	Jan-14	Feb-14	Mar-14	Apr-14	May-14	Jun-14	Jul-14	Aug-14	Sep-14	Oct-14	Nov-14	Dec-14	2014	Last 12m	Last 24m	Last 36m
Fixed Income	-0,90%	2,74%	0,65%										2,48%	0,93%	14,66%	33,01%
Equities	-8,19%	-0,46%	6,00%										-3,13%	-3,81%	-4,24%	-6,49%
<b>Total</b>	<b>-2,16%</b>	<b>2,20%</b>	<b>1,58%</b>										<b>1,57%</b>	<b>0,19%</b>	<b>10,58%</b>	<b>24,01%</b>

## Quota Previ Novartis - net performance

	Jan-14	Feb-14	Mar-14	Apr-14	May-14	Jun-14	Jul-14	Aug-14	Sep-14	Oct-14	Nov-14	Dec-14	2014	Last 12m	Last 24m	Last 36m
<b>Profitability %</b>	<b>-2,17%</b>	<b>2,18%</b>	<b>1,58%</b>										<b>1,54%</b>	<b>0,02%</b>	<b>10,34%</b>	<b>23,67%</b>

Previ Novartis' portfolio continued its growth trajectory, which began in February. In March reached a return of +1.58% and +1.57% in the first quarter.

Uncertainty about the level of inflation and the monetary policy response will remain until the new government takes office in 2015. Until then, the yield curve will continue embedding premiums proportional to these uncertainties. As a consequence, the volatility will remain strong during this year.

## 4- Fixed Income

### Fixed income performance

Asset Manager	Jan-14	Feb-14	Mar-14	Apr-14	May-14	Jun-14	Jul-14	Aug-14	Sep-14	Oct-14	Nov-14	Dec-14	2014	Last 12m	Last 24m	Last 36m
Bradesco	-0,76%	2,56%	0,62%										2,41%	0,87%	14,67%	32,69%
Itaú Unibanco	-0,80%	2,66%	0,71%										2,56%	1,92%	15,13%	32,86%
Western	-1,12%	2,99%	0,63%										2,48%	0,44%	14,40%	33,54%
Bench. IMA-Geral ex-C	-0,79%	2,64%	0,69%	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%	2,52%	1,97%	14,83%	32,79%

Brazilian bonds started the month falling, reflecting the inflation expectations deterioration. However, two news helped the market to recover in the second half of the month: the S&P downgraded the rating of Brazil's debt one notch to BBB-, but surprisingly, the market paid more attention to the change in outlook from "negative" to "neutral", which indicates the possibility of loss of "investment grade" is out. Another positive surprise was the election poll (CNI/Ibope), indicating significant drop in approval of Rousseff's government, from 43% in Nov-13 to 36% now, indicating a more complicated reelection campaign.

The slight flattening of the yield curve was positive for the fixed income portfolio of Previ Novartis.

Itaú was the only asset manager who has exceeded the benchmark in March and also in the first quarter, confirming the position of best fixed income asset manager in the last two years.

According to the Net Quant investment's club, of Towers Watson, the performance of Previ Novartis fixed income portfolio was placed in the 18<sup>th</sup> position among 34 funds with the same benchmark, in the period of 12 months (Mar13 – Feb14). Analyzing longer periods, the performance of Previ Novartis was excellent compared to other funds: in the last 3 years, in 4<sup>th</sup> position among 22 funds and, in the last 5 years, 3<sup>rd</sup> position among 21 funds.

## 5- Equities

### Equities performance

Asset Manager	Jan-14	Feb-14	Mar-14	Apr-14	May-14	Jun-14	Jul-14	Aug-14	Sep-14	Oct-14	Nov-14	Dec-14	2014	Last 12m	Last 24m	Last 36m
Bradesco	-8,15%	-0,50%	5,95%										-3,17%	-3,34%	-2,70%	-3,52%
Itaú Unibanco	-8,26%	-0,29%	6,25%										-2,81%	-2,96%	-3,47%	-5,03%
Western	-8,17%	-0,54%	5,88%										-3,30%	-5,00%	-6,52%	-10,33%
Benchmark IBrX	-8,15%	-0,32%	6,89%	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%	-2,14%	-3,23%	-5,44%	-6,92%

Despite the reduction in Brazil's sovereign rating by Standard & Poor's, the Stock Exchange in Brazil had a strong increase in March and reduced losses of 2014. IBrX rose 6.89%, but still accumulating a 2.14% fall in the year. The flow of foreign investors was crucial to the positive performance, registering strong inflow of USD 2.9 billion. This recovery was driven by increased investor confidence regarding the worldwide Stock Exchange and, in particular, due to the reduction of President Dilma's popularity.

In March, the best performances of the Stock Exchange came from state-owned companies, since they could be benefited from the declining popularity of the government. With this, "Oil" (*Petrobras* PN +16.1%) and "Electric Power" (*Eletrobras* +19.7%, *CESP* +18.4% and *Copel* +18.0%) had strong appreciation. On the other hand, the worst performance came from the export sectors, such as "Mining" (*Bradespar* -7.6%, *Vale* -2.5%) and "Pulp & Paper" (*Suzano* -5.6%), due to the appreciation of BRL against USD.

As in the fixed income, *Itaú* had the best performance in both March and Q1.

*Western* had the worst performance in March, as well as in the Q1 and in the last 12, 24 and 36 months. As part of "ALM" and "Investments Profile" projects, we are selecting new managers for each asset class and *Western* definitely will not be chosen (at least for equities).

The bad result in March was justified by *Western* due to its position above the benchmark in "Retail" (*Magazine Luiza*) and "Pulp and Paper" (*Suzano*). *Magazine Luiza* lost value due to market expectations with increased delinquency; *Suzano* was strongly impacted by the BRL appreciation.

According to Net Quant investment club, of Towers Watson, the performance of Previ Novartis equity portfolio was placed in 29<sup>th</sup> position among 48 funds with the same benchmark, in the period of 12 months (Mar13 – Feb14). In the last 3 years, in 11<sup>th</sup> position among 31 funds and, in the latest 5 years, in 11<sup>th</sup> position among 27 funds.

## 6- Global Performance per Asset Manager

	Jan-14	Feb-14	Mar-14	Apr-14	May-14	Jun-14	Jul-14	Aug-14	Sep-14	Oct-14	Nov-14	Dec-14	2014	Last 12m	Last 24m	Last 36m
<b>Bradesco</b>																
Profitability	-1,98%	2,00%	1,59%										1,57%	0,14%	10,86%	24,71%
Equity allocation*	16,1%	18,2%	19,0%										17,8%	15,9%	18,4%	18,6%
<b>Itau Unibanco</b>																
Profitability	-2,11%	2,17%	1,61%										1,62%	1,24%	11,17%	24,46%
Equity allocation*	16,7%	16,3%	17,2%										16,7%	19,7%	20,9%	20,7%
<b>Western</b>																
Profitability	-2,38%	2,39%	1,49%										1,44%	-0,61%	9,68%	22,68%
Equity allocation*	16,8%	16,3%	17,0%										16,7%	18,9%	20,4%	21,1%

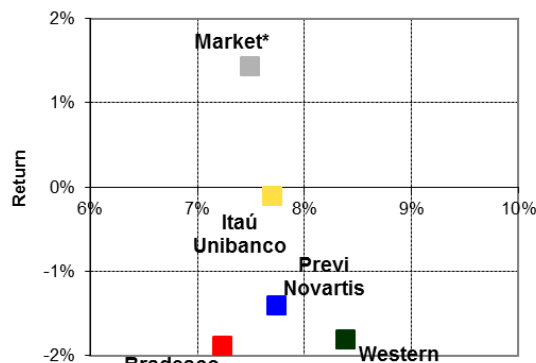
\* The asset manager is free to decide the allocation in equities within the limits between 10-25%, according to the current investment policy

## 7- Risk Analysis

**VaR (5%) - 12 months (Mar/13 to Feb/14)**

Asset Manager	Fixed Income	Equities	Global
Bradesco	6,62%	24,66%	7,23%
Itaú Unibanco	6,49%	25,44%	7,70%
Western	7,25%	26,94%	8,38%
Previ Novartis	6,82%	25,71%	7,74%
Market*	6,48%	25,58%	7,49%

\* Source: Club of Investments Towers Watson

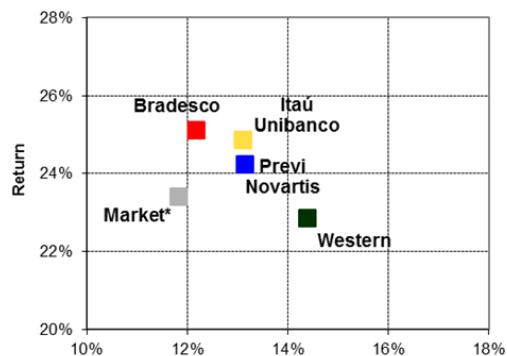


VaR (5%)

**VaR (5%) - 36 months (Mar/11 to Feb/14)**

Asset Manager	Fixed Income	Equities	Global
Bradesco	8,04%	51,33%	12,17%
Itaú Unibanco	8,14%	52,40%	13,11%
Western	8,63%	56,72%	14,39%
Previ Novartis	8,16%	53,63%	13,14%
Market*	7,72%	52,90%	11,83%

\* Source: Club of Investments Towers Watson



VaR (5%)

## 8- Information about participants

### Sponsors and participants

Sponsors	Active Members	Vesting	Retired members	Total
Novartis Biociências	2.058	314	437	2.809
Sandoz	460	73	9	542
Saúde Animal	117	20	18	155
Gerber*	41	0	0	41
Previ Novartis	0	1	1	2
<b>Total</b>	<b>2.676</b>	<b>408</b>	<b>465</b>	<b>3.549</b>

\* In process of withdraw sponsorship.

### Active members distribution

Plan of benefits	Apr-13	May-13	Jun-13	Jul-13	Aug-13	Sep-13	Oct-13	Nov-13	Dec-13	Jan-14	Feb-14	Mar-14
Plan A	16%	16%	16%	15%	15%	15%	15%	15%	16%	16%	16%	16%
Plan D	84%	84%	84%	85%	85%	85%	85%	85%	84%	84%	84%	84%

### Retired members by type of benefits

Payment options	Apr-13	May-13	Jun-13	Jul-13	Aug-13	Sep-13	Oct-13	Nov-13	Dec-13	Jan-14	Feb-14	Mar-14
Lifetime annuity	74%	74%	75%	76%	74%	74%	74%	74%	75%	74%	75%	68%
Financial income	26%	26%	25%	24%	26%	26%	26%	26%	25%	26%	25%	32%

\*\* Base at the benefit value.

## 9- Main Projects in Progress

The Asset Liability Management (ALM) project is ready and still waiting for approval of the Brazilian National Complementary Pension Plan Superintendency ("PREVIC") to be implemented.

The project "Investments Profile" is at final managers' selecting phase for each class of asset. We are also waiting for the approval of the Brazilian National Complementary Pension Plan Superintendency ("PREVIC") for its implementation.