BeFrank Sustainable Lifecycle

Q2 2022

BE FRANK

Investing in a lifecycle

In lifecycle investing, the investment risk is automatically reduced as the retirement date approaches. We do this by gradually reducing the proportion of the pension money that we invest in risky investments (such as equities) and allocating more to low-risk investments such as government bonds.

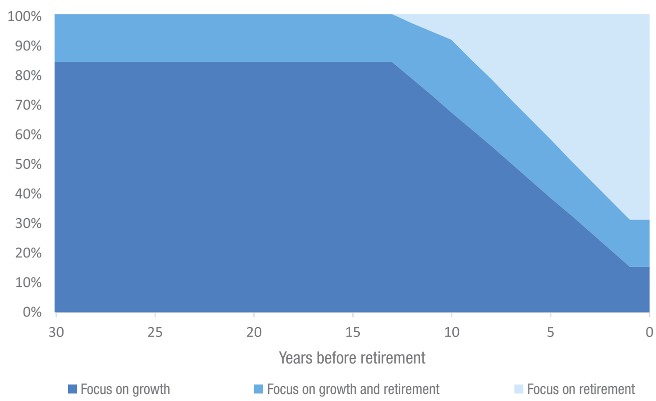
The lifecycle consists of three parts, also called building blocks:

- **Focus on growth**
  This part aims to generate attractive returns. To accomplish this, we invest in the Triodos Global Equities Impact Fund.This fund invests in global equities.

- **Focus on growth and retirement**
  This part combines generating attractive returns and reducing the investment risk ready for retirement. In order to achieve this, we invest in the Triodos Euro Bond Impact Fund. With this fund, we invest in less risky asset classes such as corporate bonds with high credit ratings and government bonds.

- **Focus on retirement**
  This part is intended to reduce interest rate risk. On retirement date, a benefit is purchased with the pension capital. The size of the pension benefit depends on a number of factors including the market interest rate at the time. If interest rates are low, more money is needed to buy the same pension benefit than when interest rates are high. The NN Liability Matching Funds reduce this interest rate risk. If interest rates fall, the returns generated by these funds increase. The reverse also applies. If interest rates rise, the value of investments decreases, but because interest rates are higher, less money is required to purchase the same pension benefit. This is how we try to 'match' the purchase of pensions with interest rate movements. We use three bond funds with different interest rate sensitivity profiles (NN Liability Matching Funds M, L, XL) that invest in European government bonds to do this. These bond funds reduce the risk associated with lower market interest rates.

Fixed pension benefit neutral profile



Source: BeFrank

Financial markets

Lifecycle returns depend on the performance of financial markets. How did markets perform over the last quarter?

Focus on growth: recession fears weigh on equities

- The second quarter was also very negative for equities. Record-high inflation, the central banks taking firm action against it, deteriorating growth rates and recession fears dominated the markets and pushed prices down. On balance, global equities (according to the MSCI World index for all countries) lost 10.7% in euros. From a regional perspective, US equities (-11.4% in euros) underperformed. This is because growth stocks have a relatively large weighting in the United States. It was precisely this segment that investors ignored this time. Furthermore, no sector managed to achieve a positive return in the second quarter. The energy sector kept the loss relatively limited, as did other defensive sectors. The IT sector was among the biggest losers, along with luxury consumer goods.

Focus on growth and retirement: extreme movements in bond markets

The focus on growth and retirement is filled with "safe" investments in government bonds and corporate bonds with high credit ratings. Developments in interest rates are important here, and the credit spread is also important for corporate bonds. The credit spread is the surcharge on the interest rate over government bonds; this is the compensation for the risk.

- The bond markets were characterized by extreme movements. Interest rates initially rose further, but at the end of the quarter there was a slight turnaround. On balance, higher interest rates had a negative impact on government bonds. Besides the rising interest the investors' concerns about economic growth were generally detrimental to corporate bonds.

Focus on retirement: erratic interest rate movements

For the focus on retirement, interest rate movements are important. For this we look at the monetary policy of the US Federal Reserve (Fed) and the European Central Bank (ECB).

- The Fed and the ECB reversed their previous policy forecasts in June. The Fed raised interest rates more strongly than announced and is likely to do so again in July. The ECB also hinted at an interest rate move in July and a stronger-than expected hike in September. Both central banks feel the need to protect themselves against too high inflation expectations. These can result in a negative wage-price spiral: higher wage costs lead to higher prices, which in turn lead to higher wage demands. Central bank policy initially pushed up bond yields, but in June there was an interest rate correction due to concerns about economic growth. For example, the European benchmark, the yield on 10-year German government bonds, rose to almost 2%, only to fall back in the second half of June. The rise in interest rates is also reflected in the negative quarterly returns of the Liability Matching funds.

Outlook

- Inflation remains the most important topic in the financial markets. Rising energy prices and supply shortages for all kinds of goods and services are the main causes of higher prices. Central banks are doing everything they can to curb inflation, even though this is likely to affect growth prospects in the short term. Crucial are the consequences of inflation for the consumer purchasing power and business confidence. Europe seems very vulnerable in this respect.
- The change of direction in central bank policy, tighter financial conditions and geopolitical risks continue to affect market sentiment, and recession fears can now be added to the list. All these factors have pushed up bond yields and depressed the valuations of riskier investments, including equities.
  While corporate fundamentals are still healthy, the risks to profits are increasing. Profit margins are under pressure due to rising costs and a slowdown in revenue growth. A possible recession has not yet been sufficiently incorporated into earnings expectations. Therefore further downward movements in the equity markets can't be ruled out.

Net return by age group

Fixed pension benefit

Very defensive

Return (%) (net)	3 months	Year to date	1 year
35 years	-8,3	-13,7	-10,9
45 years	-8,3	-13,7	-10,9
55 years	-11,9	-19,2	-17,6
67 years	-10,3	-17,6	-18,6

Defensive

Return (%) (net)	3 months	Year to date	1 year
35 years	-8,3	-13,7	-10,8
45 years	-8,3	-13,7	-10,8
55 years	-10,1	-16,4	-14,1
67 years	-11,5	-19,2	-19,7

Neutral

Return (%) (net)	3 months	Year to date	1 year
35 years	-8,4	-13,8	-10,7
45 years	-8,4	-13,8	-10,7
55 years	-8,4	-13,8	-10,7
67 years	-12,0	-19,9	-20,2

Offensive

Return (%) (net)	3 months	Year to date	1 year
35 years	-8,5	-13,9	-10,6
45 years	-8,5	-13,9	-10,6
55 years	-8,5	-13,9	-10,6
67 years	-12,2	-20,2	-20,3

Very offensive

Return (%) (net)	3 months	Year to date	1 year
35 years	-8,5	-13,9	-10,4
45 years	-8,5	-13,9	-10,4
55 years	-8,5	-13,9	-10,4
67 years	-12,4	-20,4	-20,5

Net return by age group

Variable pension benefit reduced risk to 15%

Defensive - reduced risk to 15%

Return (%) (net)	3 months	Year to date	1 year
35 years	-8,3	-13,7	-10,8
45 years	-8,3	-13,7	-10,8
55 years	-9,5	-15,6	-13,2
67 years	-12,4	-20,4	-20,5

Neutral - reduced risk to 15%

Return (%) (net)	3 months	Year to date	1 year
35 years	-8,4	-13,8	-10,7
45 years	-8,4	-13,8	-10,7
55 years	-8,4	-13,8	-10,7
67 years	-12,6	-20,6	-20,6

Offensive - reduced risk to 15%

Return (%) (net)	3 months	Year to date	1 year
35 years	-8,5	-13,9	-10,6
45 years	-8,5	-13,9	-10,6
55 years	-8,5	-13,9	-10,6
67 years	-12,7	-20,7	-20,7

Very offensive - reduced risk to 15%

Return (%) (net)	3 months	Year to date	1 year
35 years	-8,5	-13,9	-10,4
45 years	-8,5	-13,9	-10,4
55 years	-8,5	-13,9	-10,4
67 years	-12,8	-20,9	-20,8

Variable pension benefit reduced risk to 30%

Neutral - reduced risk to 30%

Return (%) (net)	3 months	Year to date	1 year
35 years	-8,4	-13,8	-10,7
45 years	-8,4	-13,8	-10,7
55 years	-8,4	-13,8	-10,7
67 years	-13,3	-21,3	-20,4

Net return by age group

Variable pension benefit reduced risk to 30%

Offensive - reduced risk to 30%

Return (%) (net)	3 months	Year to date	1 year
35 years	-8,5	-13,9	-10,6
45 years	-8,5	-13,9	-10,6
55 years	-8,5	-13,9	-10,6
67 years	-13,3	-21,4	-20,7

Very offensive - reduced risk to 30%

Return (%) (net)	3 months	Year to date	1 year
35 years	-8,5	-13,9	-10,4
45 years	-8,5	-13,9	-10,4
55 years	-8,5	-13,9	-10,4
67 years	-13,4	-21,4	-20,7

Variable pension benefit reduced risk to 45%

Offensive - reduced risk to 45%

Return (%) (net)	3 months	Year to date	1 year
35 years	-8,5	-13,9	-10,6
45 years	-8,5	-13,9	-10,6
55 years	-8,5	-13,9	-10,6
67 years	-14,0	-22,1	-20,7

Very offensive - reduced risk to 45%

Return (%) (net)	3 months	Year to date	1 year
35 years	-8,5	-13,9	-10,4
45 years	-8,5	-13,9	-10,4
55 years	-8,5	-13,9	-10,4
67 years	-14,0	-22,1	-20,7

Variable pension benefit reduced risk to 60%

Very offensive - reduced risk to 60%

Return (%) (net)	3 months	Year to date	1 year
35 years	-8,5	-13,9	-10,4
45 years	-8,5	-13,9	-10,4
55 years	-8,5	-13,9	-10,4
67 years	-14,5	-22,6	-20,4

Sustainable investing with impact

Sustainability is a concept with multiple definitions. For BeFrank, it means that together with our asset managers we invest pension contributions within available contribution schemes in a responsible manner, with an emphasis on people, the environment and society.

In the Sustainable Lifecycle, we shape this with Triodos' 'impact investment strategies'. Impact investing is a method of sustainable investing that goes beyond other well-known ways such as 'best-in-class' and 'exclusions'. The following four basic principles apply to the composition of the investment portfolio:

- Targets companies that offer sustainable products and/or have sustainable business processes
- Screens destructive and exploitative industries (e.g., fossil fuels, arms)
- Assesses company ESG practices and sustainability policies
- Encourages company transparency and public disclosure

Transition themes

Triodos invests in equities and bonds of companies, institutions and projects that drive the transition to a sustainable society. Each investment has been carefully selected for its contribution to the seven sustainable transition themes formulated by Triodos. These themes provide a comprehensive overview of the transitions the world needs to make to solve our most urgent sustainability challenges. Based on the challenges presented by global mega-trends that Triodos believes will shape the future, they are at the heart of the investment and impact management approach.

The seven transition themes are:

1. Sustainable food and agriculture
2. Renewable resources
3. Circular economy
4. Sustainable mobility and infrastructure
5. Innovation for sustainability
6. Prosperous and healthy people
7. Social inclusion and empowerment

Every investment in the Triodos portfolios must materially contribute to at least one transition theme through its products, services, and/or business operating model. Additionally, to be eligible for investment, companies must meet with Triodos' process, product and precautionary minimum standards.
Once companies are deemed eligible for investment, integrated financial and sustainability analysis is conducted to determine whether companies qualify as portfolio candidates. Triodos evaluates the company's financial value drivers and assess the potential impact of internal and external sustainability factors on future financial value, making the approach both solutions-focused and forward-looking.

Sustainability Impact

The sustainability of an investment fund is determined by several factors. We request data on CO_2 emissions, water consumption and waste generation from our (underlying) investment funds and their benchmarks. In the benchmark, sustainability criteria are not considered. Comparing these data provides insight into the savings of CO_2 emissions, water consumption and waste production of our sustainable funds compared to the benchmark. Note: these are factors that say something about sustainability, but the impact on sustainability is also determined by other factors such as the exclusion of certain sectors or companies. The overview below shows the savings per million EUR invested in the combination of the Triodos Global Equities Impact Fund and the Triodos Euro Bond Impact Fund, based on figures as of 31/12/2021. Participants can find the savings associated with the value of their investments on their BeFrank personal pension page.

5,9 tons	**4.780** m^3	**-3,11** tons
CO_2 emissons	water consumption	waste
You can compare that with **53.119** kilometres driven	You can compare that with showering **76.234** times	You can compare that with **-311** garbage bags

Funds BeFrank Sustainable Lifecycle

Triodos Global Equities Impact Fund

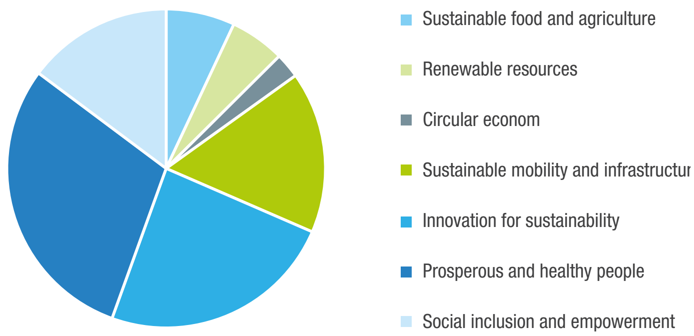
The Triodos Global Equities Impact Fund aims to generate positive impact and competitive returns from a concentrated portfolio of equities issued by large-cap companies offering sustainable solutions. Integrated financial and sustainability analysis makes impact the cornerstone of the stock selection process. Triodos' strict screening based on companies' contribution to their transition themes and compliance with their minimum standards, currently results in an investable universe comprised of approximately 200 mission-aligned companies, compared to circa 1,600 companies in the fund's reference index (MSCI World).As impact investing does not intend to invest in line with the benchmark or to outperform the benchmark, the composition of the investments will differ significantly from the reference benchmark and therefore there may be major differences between the fund's returns and the reference benchmark.

Return (%) (net)	3 months	Year to date	1 year
Triodos Global Equities Impact Fund (I-II-cap)	-8,49	-13,87	-9,49
MSCI World Index EUR	-11,40	-13,66	-3,18

As impact investing does not intend to invest in line with the benchmark or to outperform the benchmark, the composition of the investments will differ significantly from the reference benchmark and therefore there may be major differences between the fund's returns and the reference benchmark.

Statistics	
ISIN code	LU1782629478
Inception date	07/09/2018
Ongoing charges	0,61%

Breakdown by theme



Source: Triodos Investment Management

Triodos Euro Bond Impact Fund

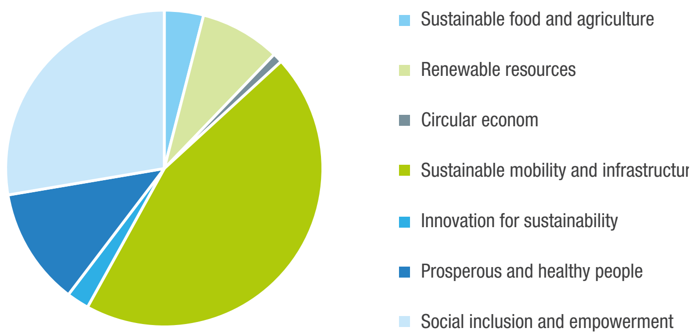
The Triodos Euro Bond Impact Fund aims to generate positive impact and stable income from a concentrated portfolio of investment-grade, euro-denominated bonds issued by listed companies, semi-public institutions, and EU member state governments. Integrated financial and sustainability analysis makes impact the cornerstone of the bond selection process. Triodos' strict screening based on issuers' contribution to their transition themes and compliance with their minimum standards, currently results in an investable universe comprised of approximately 1,500 mission-aligned bonds, compared to over 5,000 in the fund's reference index.

Return (%) (net)	3 months	Year to date	1 year
Triodos Euro Bond Impact Fund (I-II-cap)	-7,01	-12,56	-13,07
Compounded Benchmark Triodos Euro Bond Impact Fund	-7,07	-12,16	-12,70

As impact investing does not intend to invest in line with the benchmark or to outperform the benchmark, the composition of the investments will differ significantly from the reference benchmark and therefore there may be major differences between the fund's returns and the reference benchmark.

Statistics	
ISIN code	LU1782629122
Inception date	07/09/2018
Ongoing charges	0,36%

Breakdown by theme



Source: Triodos Investment Management

NN Liability Matching funds

The three Liability Matching funds have different interest rate sensitivity profiles (NN Liability Matching Fund M, L and XL). They invest in a combination of euro-denominated interest rate swaps, high-quality money market funds, high-quality government bonds and cash. The interest rate sensitivity of the funds can be increased using interest rate swaps and bond futures. The NN Liability Matching Fund M strives for an interest rate sensitivity of approximately 4 years and L and XL of approximately 20 and 40 years, respectively. The three NN Liability Matching funds have different interest rate profiles that are composed in such a way that, used in combination, they can offer the best possible match in the period leading up to retirement.

What did the interest rate do?
The 10-year German Bund yield has risen for most of the second quarter, even towards 2%. In the second half of June, however, fears of a sharp slowdown in growth prevailed, causing interest rates to fall again. On balance, interest rates nevertheless ended the quarter considerably higher. The longer the duration of a fund, the greater the effect on a fund. As a result, the XL fund in particular showed a strong negative return over the past quarter. Because these funds are set up to cover the risk of an interest rate rise or fall on the pension to be purchased in retirement, a negative return for a 67-year-old is not necessarily disadvantageous because the pension to be purchased has also become cheaper.

Returns

NN Liability Matching Fonds M-T

Return (%) (net)	3 months	Year to date	1 year
NN Liability Matching Fund M-T	-3,57	-7,50	-8,53
Benchmark	-3,63	-7,50	-8,59

Statistics	
ISIN code	NL0013040348
Inception date	November 2018
Ongoing charges	0,15%

NN Liability Matching Fonds L-T

Return (%) (net)	3 months	Year to date	1 year
NN Liability Matching Fund L-T	-19,53	-30,27	-31,20
Benchmark	-19,74	-30,42	-31,55

Statistics	
ISIN code	NL0013040355
Inception date	November 2018
Ongoing charges	0,15%

NN Liability Matching Fonds XL-T

Return (%) (net)	3 months	Year to date	1 year
NN Liability Matching Fund XL-T	-30,63	-42,69	-42,35
Benchmark	-30,76	-42,73	-42,52

Statistics	
ISIN code	NL0013040363
Inception date	November 2018
Ongoing charges	0,15%

Source: NNIP

Disclaimer

The purpose of this report is to provide insight into the investments within the lifecycle of BeFrank and is not an investment advice. The performance overview has been compiled with care by BeFrank. No rights can be derived from this information. The returns in the report are after deduction of the fund costs but exclude the management costs charged by BeFrank.