BeFrank Sustainable Lifecycle

Q4 2022

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.

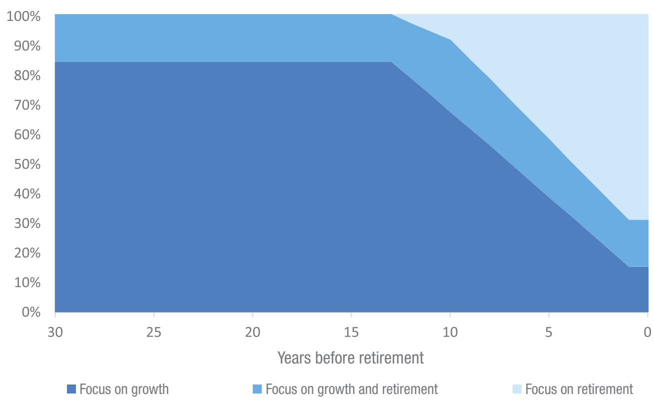
The lifecycle consists of three parts, also called building blocks:

- **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: volatile quarter for equities

- Global equities had something to make up for in the fourth quarter, after a September month with the biggest losses in twenty years. Investors' risk appetite increased in October and November, in response to the less hawkish tone of the US central bank and tentative signs of a moderation in inflation. The milder than expected weather in Europe also contributed, as it was beneficial for energy consumption in the region. In December, investors became risk averse again though, and equity prices fell. On balance, however, global equities (according to the MSCI World index for all countries) posted a modest quarterly gain of 0.87% in euros. European equities (+9.62% in euros) benefited from the rise of the euro against the US dollar. US equities, on the other hand, lost ground due to the weaker dollar (-1.67% in euros). In sector terms, the energy, industrial, materials and financial sectors performed well, while consumer discretionary, telecom and IT were among the biggest losers.

Focus on growth and retirement: bond markets slightly less instable

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.

- During the fourth quarter, European capital market interest rates were erratic, on balance interest rates rose in the quarter, which led to negative yields for government bonds. In the fourth quarter, on the other hand, credit spreads on high-quality European corporate bonds (investment grade) decreased significantly. Over 2022, however, credit spreads have risen sharply on balance, this has led to negative returns for both government bonds and corporate bonds.

Focus on retirement: aggressive tone ECB pushesup interest rates

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). (ECB).

- In the US, inflation dynamics were somewhat more promising at the end of 2022. In response, the Fed has slowed the pace of rate hikes. However, the US central bank has reiterated that interest rates will continue to rise until a clear cooling of the US labor market and wage growth. However, recent readings still point to a tight market. Still, the end of the Fed's hiking cycle seems to be approaching. In Europe, the picture looks different. Inflation has risen to higher levels than in the US, although here too the peak in headline inflation seems to be behind us. However, ECB President Christine Lagarde struck a surprisingly sharp tone in December, following the expected rate hike of 0.5 percentage points. According to her, the markets should expect further interest rate hikes in the first months of 2023, despite the recession risk in Europe. Lagarde also announced that the ECB will start reducing its bond holdings in March. The ECB's hawkish tone pushed up European bond yields. The yield on 10-year German government bonds rose by 64 basis points in December, to the highest level since 2011.

Outlook

- Although some central banks are already raising interest rates less quickly, a change in their monetary policy is not yet in sight. Inflation is still too high, and the US labor market still seems tight. The latter is an important indicator for the Fed. Central banks will therefore keep their interest rates at higher levels for a longer period, despite the risks to economic growth. On the positive side, Europe seems to have averted an energy crisis this winter. Gas prices have fallen sharply recently, and this may alleviate some of the concerns about economic growth. A mild recession in Europe can be assumed.

- In 2022, higher real interest rates have led to a decline in asset valuations. The expectations for 2023 are that developments in macroeconomics and corporate fundamentals will again play a greater role in the financial markets. A point of attention is that the markets may have not discounted all the bad news about corporate profits yet. Meanwhile, the investor sentiment remains negative. In the short term, it is wise to remain cautious. Over the medium term, the gradual normalization of inflation and the subsequent pause in interest rate hikes will put a floor under valuations and pave the way for a sustainable market recovery once growth prospects pick up.

Net return by age group
Fixed pension benefit

Very defensive

Return (%) (net)	3 months	Year to date	1 year
35 years	2,1	-15,6	-15,6
45 years	2,1	-15,6	-15,6
55 years	1,1	-22,9	-22,9
67 years	-0,7	-23,8	-23,8

Defensive

Return (%) (net)	3 months	Year to date	1 year
35 years	2,2	-15,5	-15,5
45 years	2,2	-15,5	-15,5
55 years	1,6	-19,0	-19,0
67 years	-0,3	-24,9	-24,9

Neutral

Return (%) (net)	3 months	Year to date	1 year
35 years	2,4	-15,4	-15,4
45 years	2,4	-15,4	-15,4
55 years	2,4	-15,4	-15,4
67 years	0,0	-25,7	-25,7

Offensive

Return (%) (net)	3 months	Year to date	1 year
35 years	2,5	-15,4	-15,4
45 years	2,5	-15,4	-15,4
55 years	2,5	-15,4	-15,4
67 years	0,1	-25,7	-25,7

Very offensive

Return (%) (net)	3 months	Year to date	1 year
35 years	2,7	-15,3	-15,3
45 years	2,7	-15,3	-15,3
55 years	2,7	-15,3	-15,3
67 years	0,1	-25,9	-25,9

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	2,2	-15,5	-15,5
45 years	2,2	-15,5	-15,5
55 years	1,7	-15,5	-15,5
67 years	0,1	-25,8	-25,8

Neutral - reduced risk to 15%

Return (%) (net)	3 months	Year to date	1 year
35 years	2,4	-15,4	-15,4
45 years	2,4	-15,4	-15,4
55 years	2,4	-15,4	-15,4
67 years	0,2	-26,0	-26,0

Offensive - reduced risk to 15%

Return (%) (net)	3 months	Year to date	1 year
35 years	2,5	-15,4	-15,4
45 years	2,5	-15,4	-15,4
55 years	2,5	-15,4	-15,4
67 years	0,2	-26,1	-26,1

Very offensive - reduced risk to 15%

Return (%) (net)	3 months	Year to date	1 year
35 years	2,7	-15,3	-15,3
45 years	2,7	-15,3	-15,3
55 years	2,7	-15,3	-15,3
67 years	0,3	-26,2	-26,2

Variable pension benefit reduced risk to 30%

Neutral - reduced risk to 30%

Return (%) (net)	3 months	Year to date	1 year
35 years	2,4	-15,4	-15,4
45 years	2,4	-15,4	-15,4
55 years	2,4	-15,4	-15,4
67 years	0,6	-26,0	-26,0

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	2,5	-15,4	-15,4
45 years	2,5	-15,4	-15,4
55 years	2,5	-15,4	-15,4
67 years	0,6	-26,0	-26,0

Very offensive - reduced risk to 30%

Return (%) (net)	3 months	Year to date	1 year
35 years	2,7	-15,3	-15,3
45 years	2,7	-15,3	-15,3
55 years	2,7	-15,3	-15,3
67 years	0,7	-26,0	-26,0

Variable pension benefit reduced risk to 45%

Offensive - reduced risk to 45%

Return (%) (net)	3 months	Year to date	1 year
35 years	-4,2	-17,5	-15,5
45 years	-4,2	-17,5	-15,5
55 years	-4,2	-17,5	-15,5
67 years	-6,5	-27,2	-26,3

Very offensive - reduced risk to 45%

Return (%) (net)	3 months	Year to date	1 year
35 years	2,7	-15,3	-15,3
45 years	2,7	-15,3	-15,3
55 years	2,7	-15,3	-15,3
67 years	1,1	-26,3	-26,3

Variable pension benefit reduced risk to 60%

Very offensive - reduced risk to 60%

Return (%) (net)	3 months	Year to date	1 year
35 years	2,7	-15,3	-15,3
45 years	2,7	-15,3	-15,3
55 years	2,7	-15,3	-15,3
67 years	1,5	-26,3	-26,3

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 CO2 emissions, water consumption and waste generation from our (underlying) investment funds and their benchmarks. In the benchmark, sustainability criteria are not conside¬red. Comparing these data provides insight into the savings of CO2 emissions, water consumption and waste production of our sustaina¬ble 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 30/06/2022. Participants can find the savings associated with the value of their investments on their BeFrank personal pension page.

26,2 tons CO2 emissons	**6.735** m³ water consumption	**-2,05** tons waste
You can compare that with **240.275** kilometres driven	You can compare that with showering **107.411** times	You can compare that with **-205** garbage bags

Funds BeFrank Sustainable Lifecycle

Triodos Global Equities Impact Fund

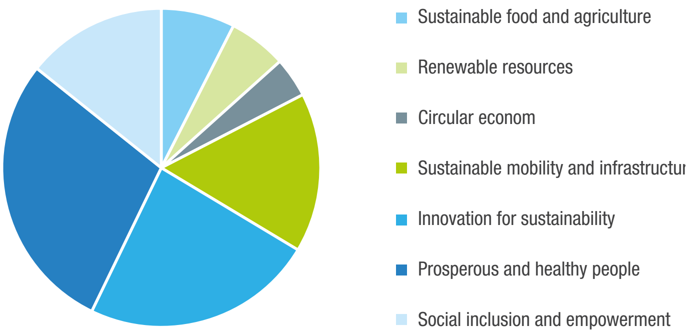
The Triodos Global Equities Impact Fund aims to generate positive impact and competitive returns from a concentrated portfolio of equities issued by large-cap companies offering sustainable solutions. Integrated financial and sustainability analysis makes impact the cornerstone of the stock selection 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	3 years (ann.)
Triodos Global Equities Impact Fund (I-II-cap)	2,94	-15,17	-15,17	1,20
MSCI World Index EUR	0,33	-12,98	-12,98	6,61

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

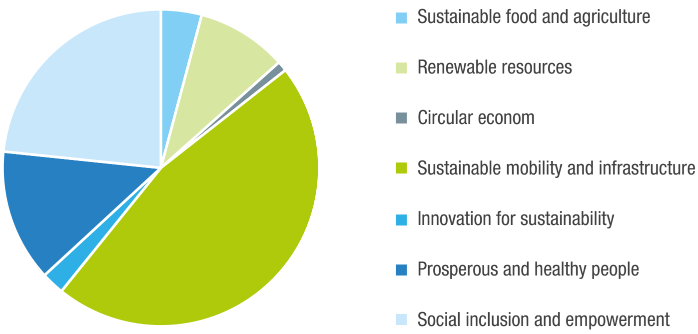
The Triodos Euro Bond Impact Fund aims to generate positive impact and stable income from a concentrated portfolio of investment-grade, euro-denominated bonds issued by listed companies, semi-public institutions, and EU member state governments. Integrated financial and sustainability analysis makes 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	3 years (ann.)
Triodos Euro Bond Impact Fund (I-II-cap)	-0,59	-16,89	-16,89	-6,04
Compounded Benchmark Triodos Euro Bond Impact Fund	0,13	-15,42	-15,42	-5,12

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?
In December, there was a sharp rise in interest rates in the eurozone. The main reason for this was the last ECB meeting of the year. As expected, the ECB raised its interest rate by 0.5 percentage points, but it surprised with a negative outlook for inflation. According to the new ECB estimates, it will take another three years before inflation reaches the 2% target, so several substantial interest rate hikes are expected in the first months of 2023. In December, the 10-year German Bund yield rose by 64 basis points to 2.57%, the highest level since 2011. The longer the duration of a fund, the greater the effect on a fund. As a result, the XL fund showed the most negative return over the past quarter, although this was considerably less negative than in previous quarters of 2022. 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.

NN Liability Matching Fonds M-T

Return (%) (net)	3 months	Year to date	1 year	3 years (ann.)
NN Liability Matching Fund M-T	-0,75	-12,48	-12,48	-4,59
Benchmark	-1,16	-12,71	-12,71	-4,94

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	3 years (ann.)
NN Liability Matching Fund L-T	-0,58	-38,03	-38,03	-14,27
Benchmark	-0,99	-38,27	-38,27	-14,81

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	3 years (ann.)
NN Liability Matching Fund XL-T	-2,49	-50,68	-50,68	-19,37
Benchmark	-2,56	-50,55	-50,55	-19,66

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.