BeFrank Active Lifecycle

Q1 2023

Investing in a lifecycle

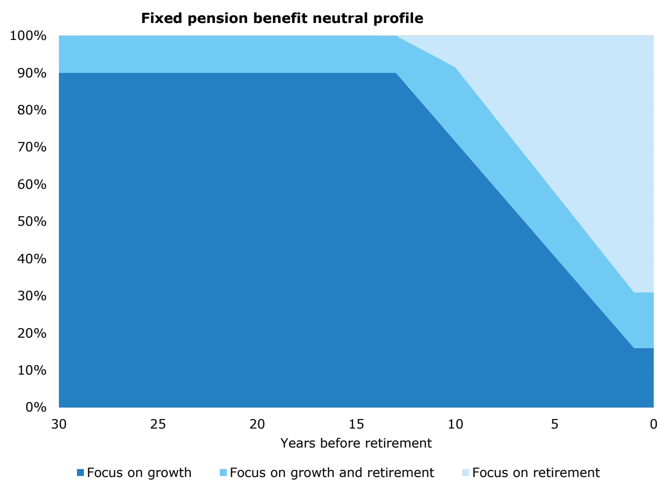
In lifecycle investing, the investment risk is automatically reduced as the retirement date approaches. We do this by gradually reducing the proportion of the pension money that we invest in risky investments (such as equities) and allocating more to low-risk investments such as government bonds.

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

- **Focus on growth**
  This part aims to generate potentially attractive returns. To accomplish this, we invest in the BeFrank First Class Return Fund, which allocates the majority of its assets to global equities, but also invests in other riskier asset classes such as high-yield corporate bonds and emerging market government bonds.

- **Focus on growth and retirement**
  This part combines generating potentially attractive returns and reducing the investment risk ready for retirement. In order to achieve this, we invest in potentially less risky investment asset classes such as green and corporate bonds with a high credit rating and Dutch mortgages (Hybrid Fund).

- **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 Liability Matching Funds (NL) 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 (Liability Matching Funds M, L, XL (NL)) that invest in European government bonds to do this. These bond funds reduce the risk associated with lower market interest rates.



Source: Goldman Sachs Asset Management

Financial markets

Lifecycle returns depend on what's going on in the financial markets. So how did the markets perform last quarter?

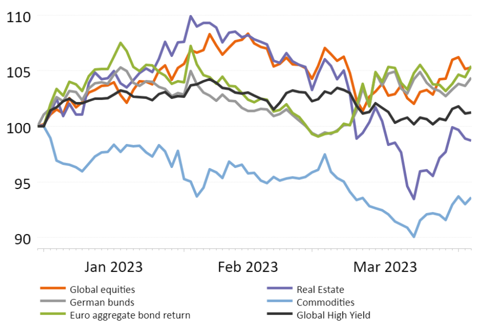
Focus on growth: a good quarter overall for equities

Equities account for the largest share of the investments in the focus on growth category. To get an idea of how this category performed, we consider what went on in the world's biggest stock markets – those of the United States and Europe.

Global equities, as measured by the MSCI World index, rose by 6.0% in euro terms in Q1. At the start of the year the stock markets were boosted by optimism about China's reopening, a further fall in gas prices in Europe and moderating inflation and wage growth in the United States. They fell back somewhat in February as investors began to expect more rate hikes by central banks after the release of stronger-than-expected economic and inflation figures. But they managed to rise again in March, despite the collapse of banks in the United States and Europe. European equities rose by 8.8% over the quarter, while US stocks gained 5.8%. There was considerable dispersion of returns at the sector level: IT led the way, gaining 19.1%, followed by telecommunication services (+16.1%) and consumer discretionary (+14.5%). At the other end of the spectrum, energy (-4.9%) and financials and health care (both -3.2%) all fell in value over the quarter.

High-yield bonds rose over the quarter, although they suffered in March in the wake of the banking crisis as investors began to fear a credit crunch, which would make it harder for lower-quality issuers to pay back their debts. Emerging-market bonds issued in local currencies also rose over the quarter, outperforming US Treasuries. Commodities fell in value over the quarter, primarily due to a drop in the price of oil. However, gold rose strongly, particularly in March, when it benefitted from safe-haven demand and the weaker US dollar.

Figure 1: performance of asset classes (euros)



Sources: Refinitiv Datastream, Goldman Sachs Asset Management

Focus on growth and retirement: bond markets generally up

When looking at corporate bonds, the credit spread is the difference between the coupon provided by a corporate bond and the corresponding government bond with the same maturity. The credit spread indicates how much extra return the investment offers compared with safer investments.

Investment-grade corporate bonds rose in value in the first quarter, both in the US and Europe, as investors were heartened by the improved prospects for the global economy. Their credit spreads increased somewhat in March on the back of the banking crisis, but the asset class still rose in value over the month.

Focus on retirement: rising interest rates

Interest rate movements are important for the focus on retirement building block, so here we take a look at the monetary policy of the US Federal Reserve (Fed) and the European Central Bank (ECB).

Central banks had started to moderate the pace of monetary tightening towards the end of 2022, even though inflation remained well above target levels. The Fed hiked rates by 25 basis points (bps) in February, marking a further slowdown in the pace of hikes, and it did the same in March, even though some market participants believed the turbulence in the banking system might compel it to pause to ensure the financial system remained stable. However, the Fed noted the US banking system was sound and resilient and that recent developments were likely to result in tighter credit conditions for households and businesses and to weigh on economic activity, hiring and inflation. It was a similar story in Europe, with the ECB hiking rates by 50 bps in February and again in March despite Credit Suisse's troubles. ECB President Christine Lagarde made it clear that she believed inflation in the eurozone was too high, and that the region's banking sector was resilient.

Net return by age group

Fixed pension benefit

Very defensive

Return (%) (net)	3 months	year to date	1 year	3 years (ann.)
35 years	2.6	2.6	-5.9	10.5
45 years	2.6	2.6	-5.9	10.5
55 years	1.5	1.5	-13.3	0.5
67 years	1.3	1.3	-16.3	-9.5

Defensive

Return (%) (net)	3 months	year to date	1 year	3 years (ann.)
35 years	2.6	2.6	-5.7	11.3
45 years	2.6	2.6	-5.7	11.3
55 years	2.0	2.0	-9.4	5.5
67 years	1.5	1.5	-16.7	-8.1

Neutral

Return (%) (net)	3 months	year to date	1 year	3 years (ann.)
35 years	2.7	2.7	-5.5	12.1
45 years	2.7	2.7	-5.5	12.1
55 years	2.7	2.7	-5.5	11.5
67 years	1.6	1.6	-16.9	-7.5

Offensive

Return (%) (net)	3 months	year to date	1 year	3 years (ann.)
35 years	2.8	2.8	-5.3	12.9
45 years	2.8	2.8	-5.3	12.9
55 years	2.8	2.8	-5.3	12.9
67 years	1.6	1.6	-17.0	-7.2

Very offensive

Return (%) (net)	3 months	year to date	1 year	3 years (ann.)
35 years	2.9	2.9	-5.1	13.7
45 years	2.9	2.9	-5.1	13.7
55 years	2.9	2.9	-5.1	13.7
67 years	1.7	1.7	-17.0	-6.9

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	3 years (ann.)
35 years	2.6	2.6	-5.7	11.3
45 years	2.6	2.6	-5.7	11.3
55 years	2.2	2.2	-8.5	6.6
67 years	1.7	1.7	-17.0	-6.9

Neutral - reduced risk to 15%

Return (%) (net)	3 months	year to date	1 year	3 years (ann.)
35 years	2.7	2.7	-5.5	12.1
45 years	2.7	2.7	-5.5	12.1
55 years	2.7	2.7	-5.5	11.6
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Very offensive - reduced risk to 15%

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55 years	2.9	2.9	-5.1	13.7
67 years	1.7	1.7	-17.2	-6.5

Net return by age group

Variable pension benefit reduced risk to 30%

Neutral - reduced risk to 30%

Return (%) (net)	3 months	year to date	1 year	3 years (ann.)
35 years	2.7	2.7	-5.5	12.1
45 years	2.7	2.7	-5.5	12.1
55 years	2.7	2.7	-5.5	11.7
67 years	1.3	1.3	-16.7	-4.3

Offensive - reduced risk to 30%

Return (%) (net)	3 months	year to date	1 year	3 years (ann.)
35 years	2.8	2.8	-5.3	12.9
45 years	2.8	2.8	-5.3	12.9
55 years	2.8	2.8	-5.3	12.9
67 years	1.3	1.3	-16.7	-4.2

Very offensive - reduced risk to 30%

Return (%) (net)	3 months	year to date	1 year	3 years (ann.)
35 years	2.9	2.9	-5.1	13.7
45 years	2.9	2.9	-5.1	13.7
55 years	2.9	2.9	-5.1	13.7
67 years	1.3	1.3	-16.7	-4.0

Variable pension benefit reduced risk to 45%

Offensive - reduced risk to 45%

Return (%) (net)	3 months	year to date	1 year	3 years (ann.)
35 years	2.8	2.8	-5.3	12.9
45 years	2.8	2.8	-5.3	12.9
55 years	2.8	2.8	-5.3	12.9
67 years	1.4	1.4	-16.6	-2.0

Very offensive - reduced risk to 45%

Return (%) (net)	3 months	year to date	1 year	3 years (ann.)
35 years	2.9	2.9	-5.1	13.7
45 years	2.9	2.9	-5.1	13.7
55 years	2.9	2.9	-5.1	13.7
67 years	1.4	1.4	-16.6	-1.8

Variable pension benefit reduced risk to 60%

Very offensive - reduced risk to 60%

Return (%) (net)	3 months	year to date	1 year	3 years (ann.)
35 years	2.9	2.9	-5.1	13.7
45 years	2.9	2.9	-5.1	13.7
55 years	2.9	2.9	-5.1	13.7
67 years	1.4	1.4	-16.4	0.4

Developments in sustainable investing

Engagement

Goldman Sachs Asset Management, the manager of the lifecycle investments, has engaged with hundreds of companies around the world on a wide variety of important issues in 2022. The engagements are based on our stewardship framework, bringing together our work in three main themes: the climate transition, inclusive growth, and corporate governance. These engagements are in addition to the thousands of company interactions as well as investment research and monitoring engagement meetings conducted by our public markets investment teams. Goldman Sachs Asset Management conducted 2,219 engagements about environmental, social and governance issues with 1,587 companies, governments, and supranational, municipal or agency issuers last year[1].

Engaging on Biodiversity

Biodiversity is one of the engagement topics as biodiversity loss can represent a key investment risk related to climate change. Biodiversity has a role in ensuring the resilience of natural capital assets – which society and business depend on – and securing them for the future. However, land use change, climate change, exploitation and pollution are driving biodiversity and ecosystem loss. This loss creates risks and opportunities for society, business and investors[2].

Recognizing this risk, Goldman Sachs Asset Management seeks to engage with a targeted group of Fast-Moving Consumer Goods (FMCG) companies, a sector which includes companies having a significant impact on total global plastics and packaging waste and pollution. Through engagement, one goal is to understand the company's approach to managing risks associated with biodiversity and to promote accountability and best practices.

In 2022, Goldman Sachs Asset Management focused its stewardship work related to biodiversity on two themes:

- Plastics: Encouraging companies to disclose plastics usage and waste and to set high quality targets for plastics waste reduction.
- Land Use: Engaging with companies facing severe controversies relating to the impacts of land use in their operations focused on plastics packaging and waste.

The Global Stewardship Team of Goldman Sachs Asset Management conducted 28 thematic engagements with companies on biodiversity topics in 2022[3].

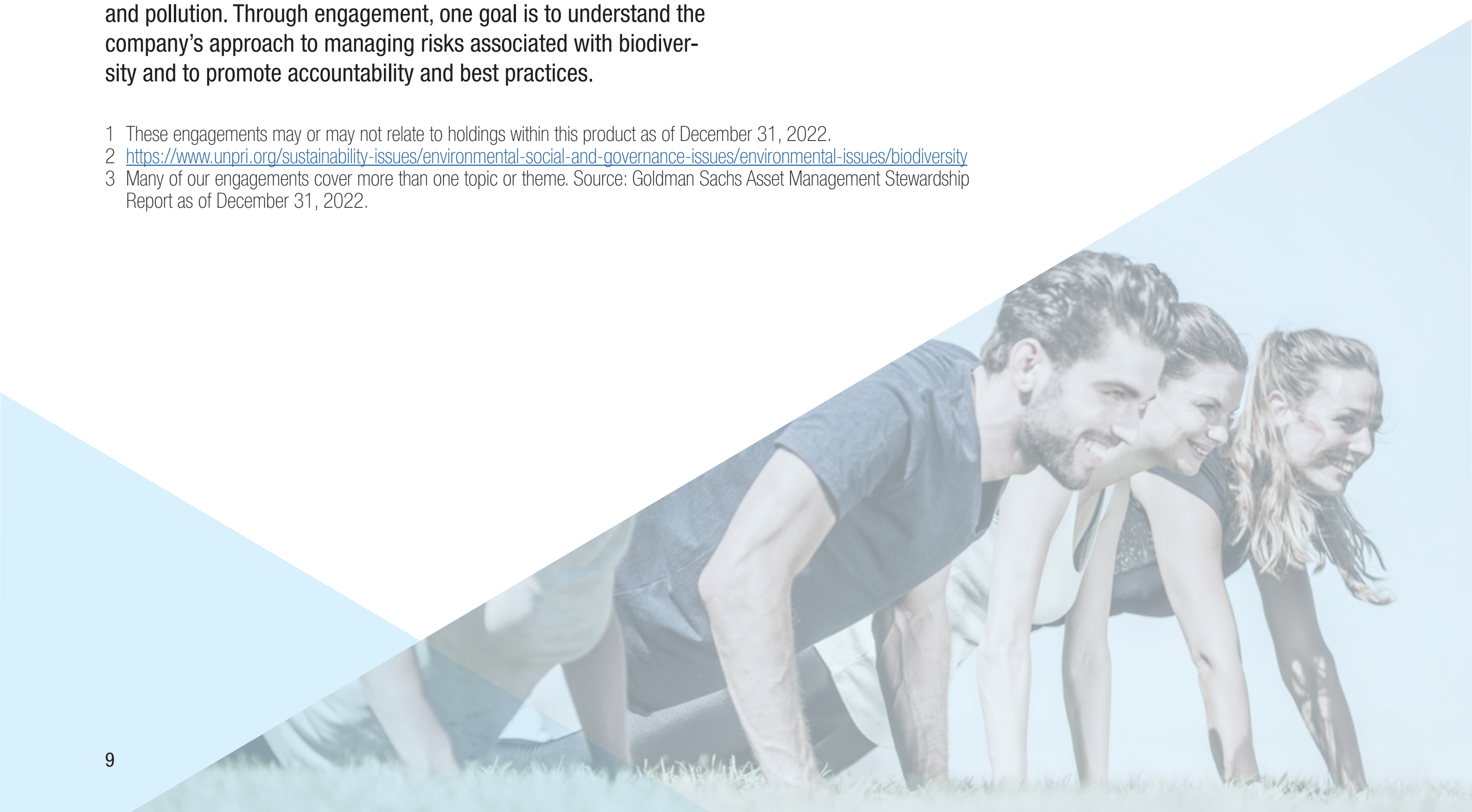
Plastics

In the investment manager's view, Fast-Moving Consumer Goods companies can have a significant impact on total global plastics and waste.

The Global Stewardship Team has engaged with some of the largest FMCG companies on how they are approaching key risks and opportunities related to plastics, packaging and waste.

The goal of these engagements is to seek to encourage companies to disclose their plastics usage and to increase disclosure of plastics waste and pollution resulting from their operations. The team also seek to encourage them to set and disclose high quality targets for plastics waste reduction.

1 These engagements may or may not relate to holdings within this product as of December 31, 2022.
2 https://www.unpri.org/sustainability-issues/environmental-social-and-governance-issues/environmental-issues/biodiversity
3 Many of our engagements cover more than one topic or theme. Source: Goldman Sachs Asset Management Stewardship Report as of December 31, 2022.



Land Use
Land degradation, or the decline of economic and biological productivity of land due to human treatment, costs the world $6.3 trillion annually (source: University of Cambridge Institute for Sustainability Leadership, 2020).

In response, the Global Stewardship Team has been engaging with companies facing controversies relating to the impacts of land use in their operations. These conversations address key issues such as deforestation, ecological impact of manufacturing and end products, and sustainable agriculture.

Example of active engagement
The Global Stewardship Team in 2022 engaged with the chief sustainability officer and ESG team of a consumer staples company in Singapore. They discussed the biodiversity management and remediation plan after a deforestation incident at a group company. The company had received criticism concerning palm oil plantation operations, and in 2021 it acknowledged that a group company had not done enough to compensate local residents for poor business practices that included razing part of one of the planet's richest biodiversity regions.

The consumer staples company explained its social and environmental policy to conserve biodiversity and cultural value as well as to protect High Conservation Value areas. It conducts biodiversity assessments internally and also utilizes external resources such as Roundtable on Sustainable Palm Oil Radar Alerts for Detecting Deforestation in their assessments.

The firm explained its remediation response to the deforestation grievance and the implementation of a "No Deforestation" framework across its supply chain. The company has also begun providing training to increase education and communication with employees on its code of conduct. It has also taken steps to improve senior oversight of operations. The Global Stewardship Team will continue to monitor the status of the remediation and restoration plan related to the deforestation incident.

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 considered. Comparing these data provides insight into the savings of CO2 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 BeFrank First Class Return 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.

40 tons
CO2 emissons

845 m³
water consumption

121 tons
waste

You can compare that with **366,972** kilometres driven

You can compare that with showering **13,477** times

You can compare that with **12,100** garbage bags

Source: BeFrank

Funds BeFrank Active Lifecycle

BeFrank First Class Return Fund

The fund had a positive net quarterly return.

Equities made the biggest contribution to returns within the portfolio. This was partly due to their large weighting within the fund, which amounted to 83.7% at the end of the quarter. Investments in sustainable (large cap) equities in developed countries showed good results. Emerging markets investments lagged in comparison. They achieved lower returns than their benchmark but did make a positive contribution.

Fixed-income securities generated a smaller positive contribution as returns were lower compared with equities and because of their smaller strategic weighting. Local currency emerging market bonds (EMD local bonds) performed well. High-yielding, more risky corporate bonds, and hard currency emerging market bonds (EMD Hard Currency) lagged local currency bonds. These investments fell behind their benchmark but did deliver a positive contribution.

Listed real estate investments had a slightly negative contribution.

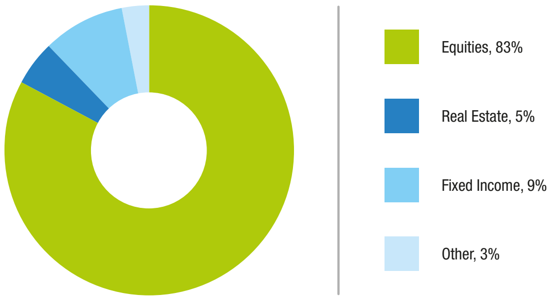
On average, equity investments fell behind their respective benchmarks. So did fixed-income funds, except for the EMD Local Bonds fund investment. The real estate fund outperformed its benchmark. The impact was small due to real estate's small weighting within the portfolio. On balance, the selection effect within the portfolio was negative.

Tactical investment decisions contributed negatively to returns this quarter. This was mainly the result of the underweighted equity position and the portfolio benefiting less from rising equity prices. The contribution to returns was negative overall due to this underweighting and because of the tactical region and sector preferences. The small active positions in indirect real estate and tactical choices within the fixed-income portfolio also made, to a lesser extent, a negative contribution.

Return (%) (net)	3 months	year to date	1 year	3 years (ann.)
BeFrank First Class Return Fund	2.9	2.9	-5.1	13.7

Statistics	
ISIN code	NL0013019219
Inception date	January 2019
Ongoing charges	0.20%

Positioning



Source: Goldman Sachs Asset Management, all figures are as of 31/03/2023.

Performance

BeFrank First Class Return Fund*

Return (%) (net) Equities	3 months	year to date	1 year	3 years (ann.)	5 years (ann.)	weight**
Global Sustainable Equity Sleeve (as of April 2022)	5.9	5.9				63.2
MSCI World (NR)	5.8	5.8				
Enhanced Index Sustainable Global Small Caps Equity Fund***	2.2	2.2				5.1
MSCI World Small Cap Index (NR)	2.4	2.4				
GS Enhanced Index Sustainable EM Equity Fund	1.1	1.1	-8.7	8.3	1.9	15.1
MSCI Emerging Markets (NR)	2.1	2.1	-8.5	8.2	1.6	
Real Estate						
GS Global Real Estate	-1.3	-1.3	-20.0	7.5	3.5	4.9
GPR 250 Global 10/40 (NR)	-1.5	-1.5	-20.1	7.3	3.6	
Fixed Income						
GS Global High Yield	1.4	1.4	-2.8			4.2
Bloomberg Barclays 70% US 30% Pan-European ex Fin Subord 2% Issuer Capped High Yield EUR (unhedged)	2.2	2.2	-1.9			
GS Emerging Markets Debt HC	1.1	1.1	-9.8	-0.7	-2.6	2.5
J.P. Morgan Emerging Market Bond (EMBI) Global Diversified EUR (hedged)	1.2	1.2	-9.9	-1.9	-2.9	
GS Emerging Markets Debt LB	3.6	3.6	1.7	1.4	-0.4	2.4
J.P. Morgan Government Bond-Emerging Market (GBI-EM) Global Diversified	3.3	3.3	1.7	1.2	0.1	

* These are the net returns of the underlying strategies of the BeFrank First Class Return Fund. The fund costs (ongoing charges) are only charged in the BeFrank First Class Return Fund.

** The figures shown in the weighting column are based on the model weighting. This means that the returns shown cannot be traced back to this report.
Source: Goldman Sachs Asset Management, all figures are as of 31/03/2023.

*** The new fund started in September 2022.

Hybrid Fund

The fund had a positive net quarterly return.

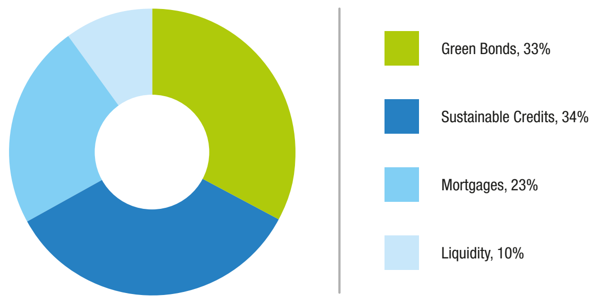
The sustainable credit portfolio and the green bond credit portfolio performed well and added to total returns. The mortgage portfolio also had a positive quarter and posted a slightly positive return contribution but lagged corporate bonds.

The sustainable credit portfolio outperformed the benchmark, while the green bond portfolio lagged its benchmark. These outcomes more or less offset each other, which resulted in a very limited negative overall selection effect.

Return (%) (net)	3 months	year to date	1 year	3 years (ann.)
Hybrid Fund	1.3	1.3	-9.2	-2.2

Statistics	
ISIN code	NL0013696354
Inception date	November 2019
Ongoing charges	0.21%

Positioning



Source: Goldman Sachs Asset Management, all figures are as of 31/03/2023.

Liability Matching funds

The three Liability Matching funds have different interest rate sensitivity profiles (Liability Matching Fund (M) (NL), Liability Matching Fund (L) (NL) and Liability Matching Fund (XL) (NL)). 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 is enhanced with interest rate swaps and bond futures.

The Liability Matching Fund (M) (NL) strives for an interest rate sensitivity of about 4 years and (L) (NL) and (XL) (NL) of approximately 20 and 40 years, respectively. The three 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 rates do?

Market views on the possible direction monetary policy in major economies will take have seen notable shifts over the past quarter. For instance, the market-implied Federal Reserve interest rate peaked at 5.7% in early March due to overheating fears, before falling to a 4.6% low on credit crunch concerns. The recent banking industry turmoil creates new uncertainty and further complicates central bankers' tasks. We expect the interest rate increase cycles in the U.S., the U.K. and the eurozone to end in the second quarter.

Performance

Liability Matching Fund (M) (NL) - T

Return (%) (net)	3 months	year to date	1 year	3 years (ann.)
Liability Matching Fund (M) (NL) - T	1.1	1.1	-7.7	-4.4
Bloomberg Barclays Euro Treasury AAA 1-3 Yr Downgrade Maturity Tolerant, incl derivatives to increase duration (M)	1.1	1.1	-8.1	-4.8

Statistics	
ISIN code	NL0013040348
Inception date	November 2018
Ongoing charges	0.15%

Liability Matching Fund (L) (NL) - T

Return (%) (net)	3 months	year to date	1 year	3 years (ann.)
Liability Matching Fund (L) (NL) - T	1.4	1.4	-27.5	-16.0
Bloomberg Barclays Euro Treasury AAA 1-3 Yr Downgrade Maturity Tolerant, incl derivatives to increase duration (L)	1.4	1.4	-27.8	-16.6

Statistics	
ISIN code	NL0013040355
Inception date	November 2018
Ongoing charges	0.15%

Liability Matching Fund (XL) (NL) - T

Return (%) (net)	3 months	year to date	1 year	3 years (ann.)
Liability Matching Fund (XL) (NL) - T	-2.4	-2.4	-41.7	-24.8
Bloomberg Barclays Euro Treasury AAA 1-3 Yr Downgrade Maturity Tolerant, incl derivatives to increase duration (XL)	-2.3	-2.3	-41.6	-25.0

Statistics	
ISIN code	NL0013040363
Inception date	November 2018
Ongoing charges	0.15%

Source: Goldman Sachs Asset Management, all figures are as of 31/03/2023.

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.