

BeFrank Passive Lifecycle



Q1 2023

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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 Index 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.

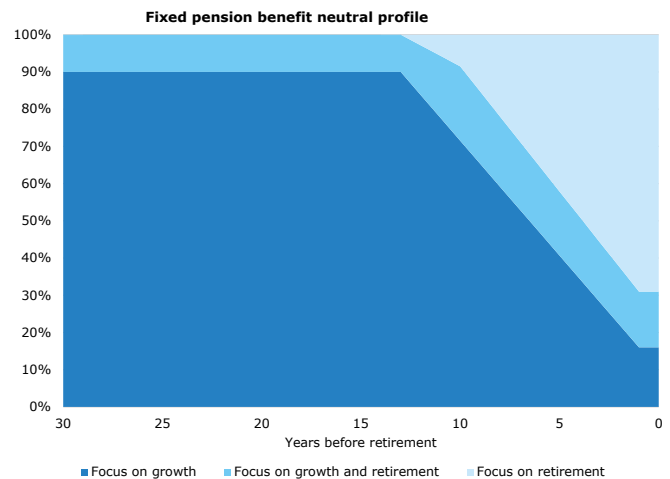
- **Focus on growth and retirement**

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 Index 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.

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.

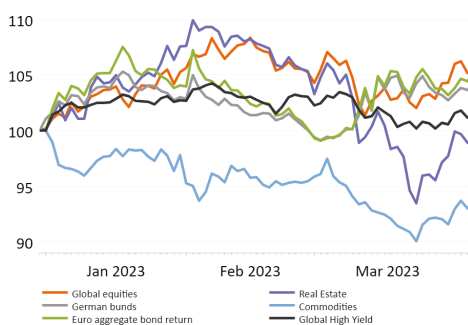
Investment-grade corporate bonds rose in value in the first quarter, both in the US and Europe, as investors were heartened by the improved prospects for the global economy. Their credit spreads increased somewhat in March on the back of the banking crisis, but the asset class still rose in value over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

Figure 1: performance of asset classes (euros)



Sources: Refinitiv Datastream, Goldman Sachs Asset Management

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	3.7	3.7	-6.6	10.0
45 years	3.7	3.7	-6.6	10.0
55 years	2.2	2.2	-13.7	0.2
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	3.9	3.9	-6.4	10.8
45 years	3.9	3.9	-6.4	10.8
55 years	2.9	2.9	-9.9	5.1
67 years	1.6	1.6	-16.8	-8.2

Neutral

Return (%) (net)	3 months	year to date	1 year	3 years (ann.)
35 years	4.0	4.0	-6.2	11.6
45 years	4.0	4.0	-6.2	11.6
55 years	4.0	4.0	-6.2	11.1
67 years	1.8	1.8	-17.0	-7.6

Offensive

Return (%) (net)	3 months	year to date	1 year	3 years (ann.)
35 years	4.2	4.2	-6.0	12.4
45 years	4.2	4.2	-6.0	12.4
55 years	4.2	4.2	-6.0	12.4
67 years	1.8	1.8	-17.1	-7.3

Very offensive

Return (%) (net)	3 months	year to date	1 year	3 years (ann.)
35 years	4.3	4.3	-5.9	13.2
45 years	4.3	4.3	-5.9	13.2
55 years	4.3	4.3	-5.9	13.2
67 years	1.9	1.9	-17.2	-7.0

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	3.9	3.9	-6.4	10.8
45 years	3.9	3.9	-6.4	10.8
55 years	3.1	3.1	-9.0	6.2
67 years	1.9	1.9	-17.1	-7.1

Neutral - reduced risk to 15%

Return (%) (net)	3 months	year to date	1 year	3 years (ann.)
35 years	4.0	4.0	-6.2	11.6
45 years	4.0	4.0	-6.2	11.6
55 years	4.0	4.0	-6.2	11.1
67 years	2.0	2.0	-17.2	-6.9

Offensive - reduced risk to 15%

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55 years	4.2	4.2	-6.0	12.4
67 years	2.0	2.0	-17.2	-6.8

Very offensive - reduced risk to 15%

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45 years	4.3	4.3	-5.9	13.2
55 years	4.3	4.3	-5.9	13.2
67 years	2.0	2.0	-17.3	-6.7

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	4.0	4.0	-6.2	11.6
45 years	4.0	4.0	-6.2	11.6
55 years	4.0	4.0	-6.2	11.2
67 years	1.7	1.7	-16.9	-4.6

Offensive - reduced risk to 30%

Return (%) (net)	3 months	year to date	1 year	3 years (ann.)
35 years	4.2	4.2	-6.0	12.4
45 years	4.2	4.2	-6.0	12.4
55 years	4.2	4.2	-6.0	12.4
67 years	1.7	1.7	-16.9	-4.5

Very offensive - reduced risk to 30%

Return (%) (net)	3 months	year to date	1 year	3 years (ann.)
35 years	4.3	4.3	-5.9	13.2
45 years	4.3	4.3	-5.9	13.2
55 years	4.3	4.3	-5.9	13.2
67 years	1.8	1.8	-16.9	-4.3

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	4.2	4.2	-6.0	12.4
45 years	4.2	4.2	-6.0	12.4
55 years	4.2	4.2	-6.0	12.4
67 years	2.1	2.1	-16.9	-2.3

Very offensive - reduced risk to 45%

Return (%) (net)	3 months	year to date	1 year	3 years (ann.)
35 years	4.3	4.3	-5.9	13.2
45 years	4.3	4.3	-5.9	13.2
55 years	4.3	4.3	-5.9	13.2
67 years	2.1	2.1	-16.9	-2.2

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	4.3	4.3	-5.9	13.2
45 years	4.3	4.3	-5.9	13.2
55 years	4.3	4.3	-5.9	13.2
67 years	2.3	2.3	-16.8	0.0

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 year¹.

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 investors².

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 2022³.

Plastics

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

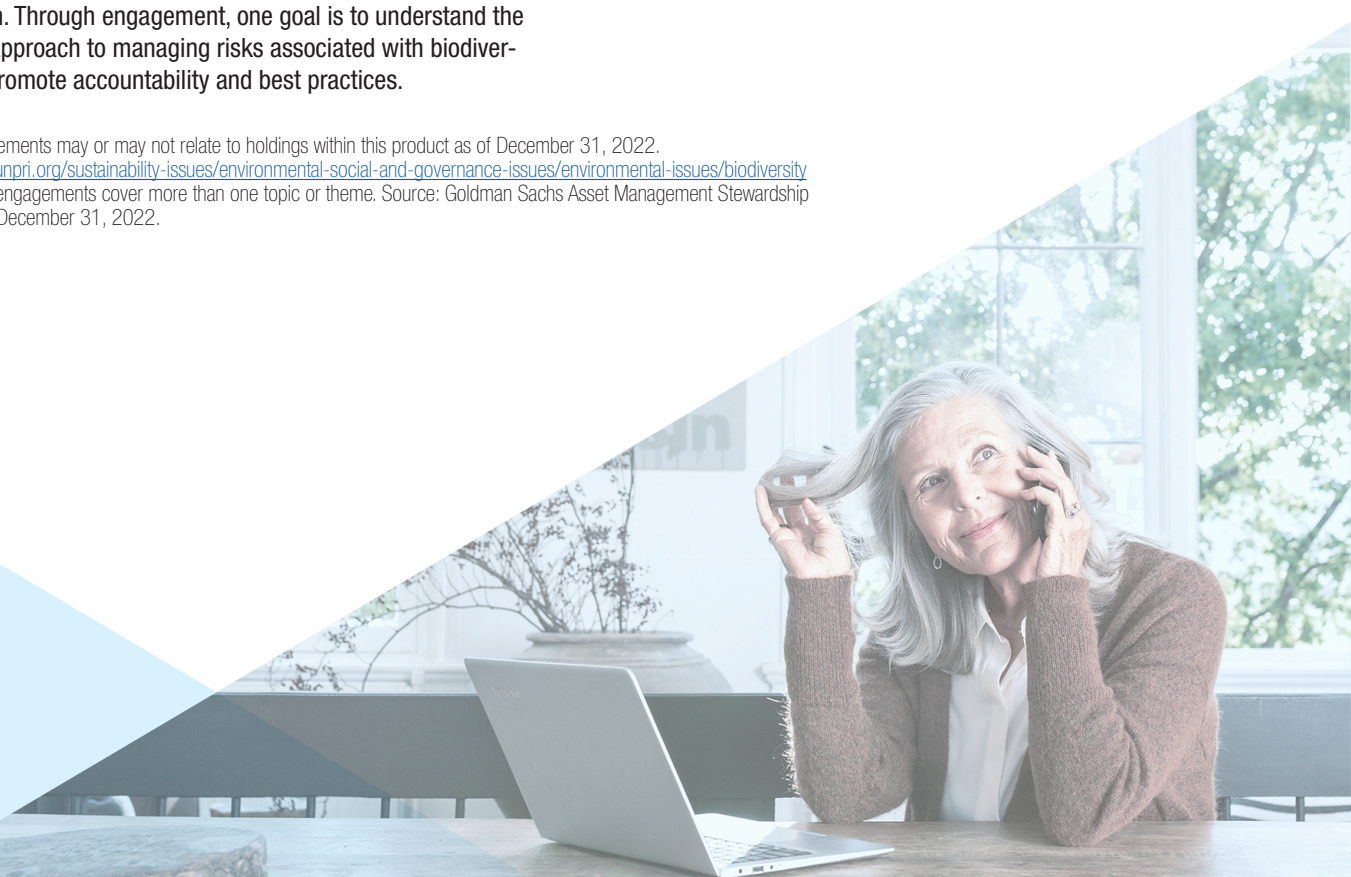
The Global Stewardship Team has engaged with some of the largest FMCG companies on how they are approaching key risks and opportunities related to plastics, packaging and waste.

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

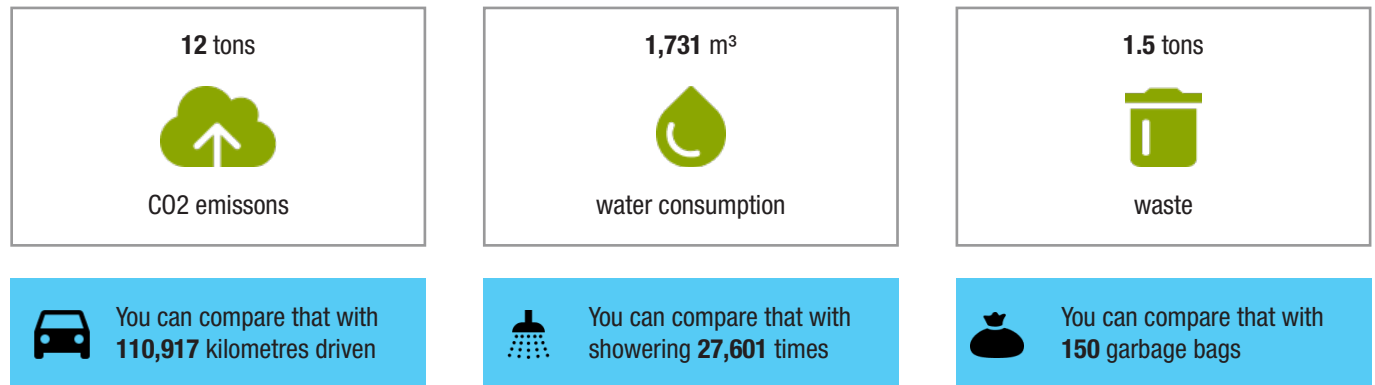
group company had not done enough to compensate local residents for poor business practices that included razing part of one of the planet's richest biodiversity regions.

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 Index 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.



Source: BeFrank



Funds BeFrank Passive Lifecycle

BeFrank First Class Return Index

The fund benefited strongly from rising equity prices in the first quarter and posted a positive net quarterly return.

In addition to the positive contribution of equity investments to total returns, fixed-income securities' contribution was slightly positive. Listed real estate investments made no contribution this quarter.

Return (%) (net)	3 months	year to date	1 year	3 years (ann.)
BeFrank First Class Return Index	4.3	4.3	-5.9	13.2

Statistics

ISIN code	NL0013089006
Inception date	January 2019
Ongoing charges	0.15%

Positioning



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



Performance

BeFrank First Class Return Index

Return (%) (net)			
Equities	3 months	year to date	weight*
Northern Trust World ESG	6.0	6.0	65.0
MSCI World Net TR Index	5.8	5.8	
Northern Trust Emerging Markets ESG	2.6	2.6	15.2
MSCI NT EM Custom ESG NR EUR	2.4	2.4	
Northern Trust World Small Cap ESG Low Carbon Index FGR Fund K EUR Dist	2.6	2.6	5.1
MSCI World Small Cap Custom ESG Low Carbon Index	2.4	2.4	
Real Estate			
Northern Trust Developed Real Estate ESG index fund	-0.4	-0.4	4.9
FTSE EPRA Nareit Global Real Estate Index	-1.4	-1.4	
Fixed Income			
Northern Trust EMD LC GV Bond	2.7	2.7	5.0
BBG Barclays EM LC Government 10% Country Cap index	3.0	3.0	
GS Global High Yield	1.4	1.4	4.3
Bloomberg Barclays 70% US 30% Pan-European ex Fin Subord 2% Issuer Capped High Yield EUR (unhedged)	2.2	2.2	

* 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, alle cijfers zijn per 31/03/2023.

Hybrid Index Fund

The fund posted a positive net quarterly return.

Within the portfolio, the passively managed credit portfolio and the green bond portfolio performed well and added to total returns. Both performed worse than the benchmark. The mortgage portfolio also contributed to returns, ending the quarter on a positive note, but lagged behind corporate bonds.

Return (%) (net)	3 months	year to date	1 year	3 years (ann.)
Hybrid Index Fund	1.0	1.0	-9.4	-2.3

Statistics

ISIN code	NL0013995152
Inception date	November 2019
Ongoing charges	0.21%

Positioning



Source: Goldman Sachs Asset Management, alle cijfers zijn per 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.

