BeFrank Active Lifecycle

Q2 2023

BE FRANK

Investing in a lifecycle

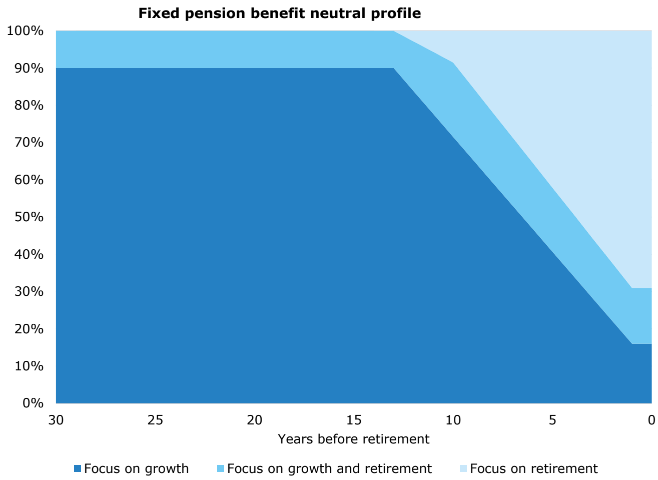
In lifecycle investing, the investment risk is automatically reduced as the retirement date approaches. We do this by gradually reducing the proportion of the pension money that we invest in risky investments (such as equities) and allocating more to low-risk investments such as government bonds.

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

- **Focus on growth**
  This part aims to generate 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

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 developed market equities rose by 6.6% in euro terms in the second quarter, whereas emerging market equities gained just 0.6%. The US was the best-performing market over the quarter, rising by 8.3%, followed by Japanese equities, which were up by 6.0%. Eurozone equities rose by 3.3% and UK equities by 1.8%. Pacific ex-Japan was the only region to fall, down by 2.2% over the quarter. There was once again considerable dispersion of returns at the sector level, with IT leading the way with a 14.3% gain. Consumer discretionary was the only other sector to post a double-digit return, gaining 10.2%. By contrast, the energy and utilities sectors both fell by 0.7% over the quarter, and materials also fell slightly.

Focus on growth and retirement

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.

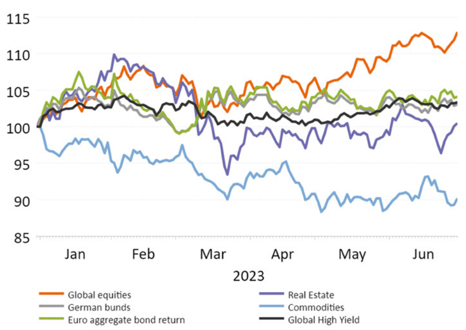
Global bond yields were little changed in April as calm returned to the markets following the turbulence of March, while corporate bonds rebounded. US yields rebounded sharply in May on hopes of a resolution of the debt ceiling issue, while UK gilt yields rose significantly due to an upwards repricing of Bank of England rate policy. There was much less upwards pressure on government bond yields elsewhere in Europe. There was a noticeable increase in short-term bond yields in June as markets repriced their assessments of central bank policy rates in the coming months upwards. However, well-anchored medium-term inflation expectations and some concerns about the economic outlook meant that the rise in longer-term yields was less pronounced. US Treasury yields hit a three-month high late in the month as stronger-than-expected economic data increased expectations that the U.S. Federal Reserve would have to raise rates once again in a bid to curb inflation. Meanwhile, the German bond yield was at its most inverted level since 1992 near the end of the quarter as two-year yields, which are most sensitive to rate expectations, had risen sharply. UK bond yields also jumped over the month, particularly at the short end of the curve.

Focus on retirement

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

The Federal Reserve hiked rates by 25 basis points (bps) in early May, taking the Federal Funds Rate to 5.00-5.25%. However, it hinted that this would be the last hike in the current tightening cycle. The European Central Bank slowed the pace of rate hikes to

Figure 1: performance of asset classes (euros)



Sources: Refinitiv Datastream, Goldman Sachs Asset Management

25 bps at its May meeting, taking the deposit rate to 3.25%, and also ended its asset purchase program reinvestments. The Governing Council made it clear that it continued to see significant upside risks to inflation and indicated that it was not yet ready to pause. The Bank of England also hiked by 25 bps at its meeting in May, taking the Bank Rate to 4.50%. It left the door open to future rate hikes if warranted by the data. Meanwhile, the People's Bank of China hinted that it would keep monetary policy supportive, prompting expectations it might cut the reserve requirement ratio for banks or cut interest rates in the coming months. The Fed paused at its June meeting after 10 consecutive hikes to wait and see how higher rates are affecting the economy. Despite this it revised the path of expected rate hikes upwards. The ECB raised rates by another 25 bps and the Bank of England hiked by a surprise 50 bps in response to persistent inflation in the UK.

Net return by age group

Fixed pension benefit

Very defensive

Return (%) (net)	3 months	year to date	1 year	3 years (ann.)
35 years	2.4	5.1	5.7	6.4
45 years	2.4	5.1	5.7	6.4
55 years	1.5	3.0	0.5	-2.1
67 years	0.2	1.5	-6.3	-10.0

Defensive

Return (%) (net)	3 months	year to date	1 year	3 years (ann.)
35 years	2.5	5.2	6.1	7.0
45 years	2.5	5.2	6.1	7.0
55 years	2.0	4.0	3.3	2.2
67 years	0.7	2.2	-4.6	-9.0

Neutral

Return (%) (net)	3 months	year to date	1 year	3 years (ann.)
35 years	2.6	5.4	6.5	7.6
45 years	2.6	5.4	6.5	7.6
55 years	2.6	5.4	6.5	7.4
67 years	0.9	2.5	-3.9	-8.5

Offensive

Return (%) (net)	3 months	year to date	1 year	3 years (ann.)
35 years	2.7	5.6	6.9	8.2
45 years	2.7	5.6	6.9	8.2
55 years	2.7	5.6	6.9	8.2
67 years	1.0	2.6	-3.7	-8.3

Very offensive

Return (%) (net)	3 months	year to date	1 year	3 years (ann.)
35 years	2.8	5.8	7.3	8.8
45 years	2.8	5.8	7.3	8.8
55 years	2.8	5.8	7.3	8.8
67 years	1.0	2.7	-3.5	-8.1

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	2.5	5.2	6.1	7.0
45 years	2.5	5.2	6.1	7.0
55 years	2.1	4.3	3.9	3.2
67 years	1.1	2.8	-3.3	-8.1

Neutral - reduced risk to 15%

Return (%) (net)	3 months	year to date	1 year	3 years (ann.)
35 years	2.6	5.4	6.5	7.6
45 years	2.6	5.4	6.5	7.6
55 years	2.6	5.4	6.5	7.4
67 years	1.2	2.9	-3.1	-7.9

Offensive - reduced risk to 15%

Return (%) (net)	3 months	year to date	1 year	3 years (ann.)
35 years	2.7	5.6	6.9	8.2
45 years	2.7	5.6	6.9	8.2
55 years	2.7	5.6	6.9	8.2
67 years	1.2	2.9	-3.1	-7.9

Very offensive - reduced risk to 15%

Return (%) (net)	3 months	year to date	1 year	3 years (ann.)
35 years	2.8	5.8	7.3	8.8
45 years	2.8	5.8	7.3	8.8
55 years	2.8	5.8	7.3	8.8
67 years	1.3	3.0	-2.9	-7.8

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	2.6	5.4	6.5	7.6
45 years	2.6	5.4	6.5	7.6
55 years	2.6	5.4	6.5	7.4
67 years	1.2	2.5	-1.9	-6.2

Offensive - reduced risk to 30%

Return (%) (net)	3 months	year to date	1 year	3 years (ann.)
35 years	2.7	5.6	6.9	8.2
45 years	2.7	5.6	6.9	8.2
55 years	2.7	5.6	6.9	8.2
67 years	1.2	2.5	-1.9	-6.1

Very offensive - reduced risk to 30%

Return (%) (net)	3 months	year to date	1 year	3 years (ann.)
35 years	2.8	5.8	7.3	8.8
45 years	2.8	5.8	7.3	8.8
55 years	2.8	5.8	7.3	8.8
67 years	1.2	2.5	-1.8	-6.0

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	2.7	5.6	6.9	8.2
45 years	2.7	5.6	6.9	8.2
55 years	2.7	5.6	6.9	8.2
67 years	1.4	2.9	-0.9	-4.6

Very offensive - reduced risk to 45%

Return (%) (net)	3 months	year to date	1 year	3 years (ann.)
35 years	2.8	5.8	7.3	8.8
45 years	2.8	5.8	7.3	8.8
55 years	2.8	5.8	7.3	8.8
67 years	1.4	2.8	-0.8	-4.5

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	2.8	5.8	7.3	8.8
45 years	2.8	5.8	7.3	8.8
55 years	2.8	5.8	7.3	8.8
67 years	1.5	2.9	0.1	-2.9

Developments in sustainable investing

Developments in Sustainable Investing

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 the stewardship framework, bringing together the 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 the public markets investment teams. Goldman Sachs conducted 2,219 engagements about environmental, social and governance issues with 1,587 companies, governments, and supranational, municipal or agency issuers last year[1].

Climate Transition

Goldman Sachs Asset Management has long believed the transition to a more sustainable economy would be a decades-long effort; to advance that transition, more risk capital must be invested in developing new, clean technologies, especially for the highest-emitting sectors; and in solving such a complex problem lies enormous opportunity for the companies Goldman Sachs Asset Management is investing in on behalf of clients. Goldman Sachs Asset Management believes that engagement on these opportunities can promote long term value creation for shareholders.

Goldman Sachs Asset Management's Global Stewardship Team has partnered with the debt and equity investment teams to establish a framework for engagement on key risks and opportunities related to environmental matters.

1. *Disclose Material Data:*
   Promote disclosure of material greenhouse gas emissions (GHG) emissions data considered material to a company's business
2. *Set Targets*
   Encourage companies to set and disclose a target to reduce GHG emissions, where relevant and material
3. *Execute Strategy*
   Engage with companies in high-impact industries on the implementation of a robust and quantifiable climate transition strategy

The Global Stewardship Team designed these objectives by partnering with the investment teams and the Engagement Working Group, which brings together individuals from various investment teams to discuss engagement plans and share progress, to understand what data would aid in their investment process and help them make informed investment decisions on behalf of clients. Lastly, the Global Stewardship Team considered global established frameworks such as the Task Force on Climate-related Financial Disclosures (TCFD)[2].

1 These engagements may or may not relate to holdings within this product.
2 Goldman Sachs Asset Management, Stewardship Report 2022.

Example of Active Climate Engagement

Goldman Sachs Asset Management's Fixed Income investment team last year engaged with an Indian steel producer to discuss its climate transition strategy. The Fixed Income team had met previously with the company in 2020, 2021 and 2022 to discuss greenhouse gas emissions reduction. While the issuer has a 2050 net zero target for some of its locations, it faces challenges elsewhere because of its aging blast furnace fleet.

In 2022, the engagement continued to focus on how these challenges could be addressed, including plans to use carbon capture technology. Despite concerns in previous years on the viability of the use of hydrogen as a fuel source, the company remained open to exploring this further.

The Fixed Income team discussed the company's plans to expand reduction targets to its operations in other locations, including setting more ambitious targets than other steel producers in the region[1].

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	**845** m^3	**121** tons
CO2 emissons	water consumption	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

1 Goldman Sachs Asset Management, Stewardship Report 2022.

Funds BeFrank Active Lifecycle

BeFrank First Class Return Fund

The fund posted a positive quarterly net return.

Equities contributed the most to total returns. This was also the result of their large weighting within the fund, which amounted to 83.1% at the end of the quarter. Sustainable-equity investments in developed countries showed good results. Emerging-market investments lagged, but still made a positive contribution.

Fixed income funds had a small positive contribution. Returns were lower compared with equities and the funds' strategic weighting was also smaller. Local currency emerging-market bonds (EMD Local Bonds) performed well. Hard currency emerging-market bonds (EMD Hard Currency) and high-yield, riskier corporate bonds both underperformed, but did contribute positively to returns.

Listed real estate investments had a disappointing quarter as well and generated a small contribution.

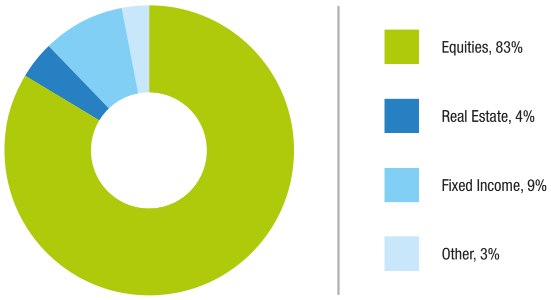
Equity investments on average significantly underperformed their respective benchmarks. Fixed income funds outperformed their benchmark, which wasn't the case for the Goldman Sachs Global High Yield (former NN) fund. The real estate fund also outperformed its benchmark. The impact on the portfolio was small because of real estate's modest weighting.

Tactical investment decisions contributed negatively to returns. This was mainly due to the underweight equity position. As a result, the portfolio benefited less from rising equity prices. Within fixed income, active decisions contributed negatively as well, which was mainly the result of an overweight position in US and an underweight position in German government bonds. Derivatives linked to commodity price developments also made a negative contribution.

Return (%) (net)	3 months	year to date	1 year	3 years (ann.)
BeFrank First Class Return Fund	2.8	5.8	7.3	8.8

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

Positioning



Source: Goldman Sachs Asset Management, all figures are as of 30/06/2023.

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	5.3	11.5				63.9
MSCI World (NR)	6.4	12.6				
Enhanced Index Sustainable Global Small Caps Equity Fund	1.8	4.0				5.0
MSCI World Small Cap Index (NR)	2.8	5.3				
GS Enhanced Index Sustainable EM Equity Fund	0.7	1.8	-3.3	3.3	2.4	14.3
MSCI Emerging Markets (NR)	0.5	2.6	-2.5	3.3	2.3	
Real Estate						
GS Global Real Estate	0.8	-0.5	-8.2	4.5	1.8	4.2
GPR 250 Global 10/40 (NR)	-0.1	-1.6	-9.1	4.5	1.5	
Fixed Income						
GS Global High Yield	0.7	2.1	5.6			4.2
Bloomberg Barclays 70% US 30% Pan-European ex Fin Subord 2% Issuer Capped High Yield EUR (unhedged)	1.5	3.7	6.0			
GS Emerging Markets Debt HC	1.7	2.9	5.6	-4.1	-1.2	2.5
J.P. Morgan Emerging Market Bond (EMBI) Global Diversified EUR (hedged)	1.6	2.8	4.2	-5.0	-1.7	
GS Emerging Markets Debt LB	0.4	2.7	3.4	0.5	-0.3	2.4
J.P. Morgan Government Bond-Emerging Market (GBI-EM) Global Diversified	0.3	2.4	3.7	-1.6	-1.2	

* 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 30/06/2023.

Hybrid Fund

The fund posted a positive quarterly net return.

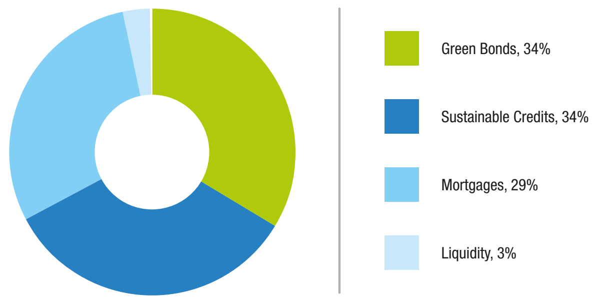
The sustainable credit and green bond credit portfolios both contributed to returns. The mortgage portfolio also had a positive quarter and outperformed corporate bonds. The portfolio's contribution was lower due to its smaller weighting.

The sustainable credit portfolio performed in line with the benchmark, while the green bond portfolio outperformed its benchmark. On balance, the outcome was a positive selection effect.

Return (%) (net)	3 months	year to date	1 year	3 years (ann.)
Hybrid Fund	1.0	2.3	-0.5	-3.5

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

Positioning



Source: Goldman Sachs Asset Management, all figures are as of 30/06/2023.

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?
The macroeconomic environment remains uncertain, as persistent and sticky inflation means that central banks may persist with rate hikes in pursuit of their inflation reduction objectives. After ten consecutive rate hikes, the US Federal Reserve paused in June, Fed Chairman Powell indicating that more information is needed to determine next steps. In contrast to the Fed, the ECB raised its benchmark rate by 25 basis points to 3.5%, with ECB President Lagarde signaling further hikes are ahead.

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	-0.3	0.8	-4.6	-4.6
Bloomberg Barclays Euro Treasury AAA 1-3 Yr Downgrade Maturity Tolerant, incl derivatives to increase duration (M)	-0.5	0.5	-5.1	-5.0

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	0.8	2.3	-9.1	-16.8
Bloomberg Barclays Euro Treasury AAA 1-3 Yr Downgrade Maturity Tolerant, incl derivatives to increase duration (L)	0.7	2.1	-9.4	-17.3

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	-1.4	-3.8	-17.2	-26.7
Bloomberg Barclays Euro Treasury AAA 1-3 Yr Downgrade Maturity Tolerant, incl derivatives to increase duration (XL)	-1.3	-3.6	-16.8	-26.9

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

Source: Goldman Sachs Asset Management, all figures are as of 30/06/2023.

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.