BeFrank Sustainable Lifecycle

Q2 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.

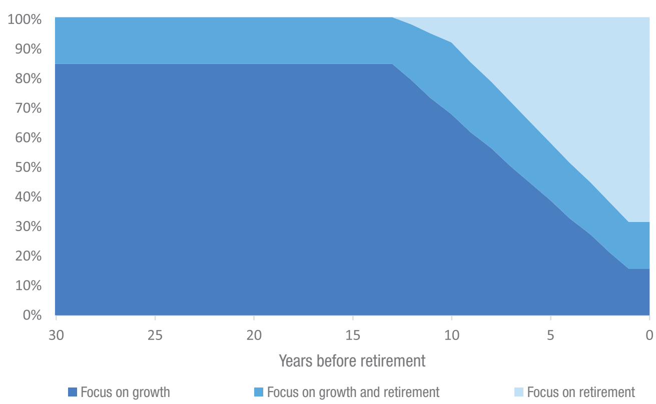
The lifecycle consists of three parts, also called building blocks:

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

- 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

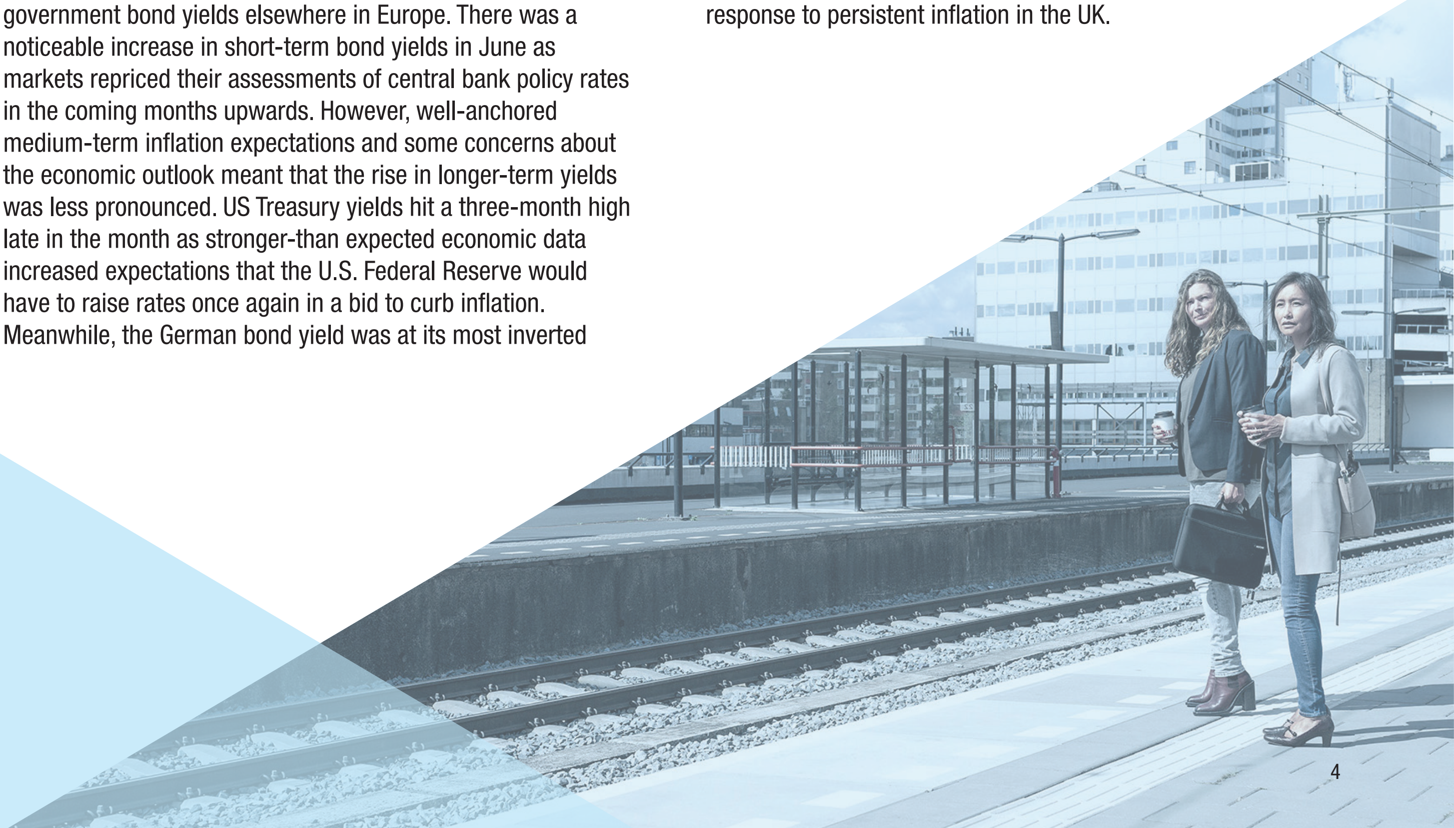
The focus on growth and retirement is filled with “safe” investments in government bonds and corporate bonds with high credit ratings. Developments in interest rates are important here, and the credit spread is also important for corporate bonds. The credit spread is the surcharge on the interest rate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

- 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

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 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 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
35 years	2,2	8,0	5,6
45 years	2,2	8,0	5,6
55 years	1,3	4,9	0,0
67 years	0,2	1,4	-6,2

Defensive

Return (%) (net)	3 months	Year to date	1 year
35 years	2,3	8,4	6,2
45 years	2,3	8,4	6,2
55 years	1,7	4,6	3,0
67 years	0,5	2,4	-4,9

Neutral

Return (%) (net)	3 months	Year to date	1 year
35 years	2,5	8,8	6,7
45 years	2,5	8,8	6,7
55 years	2,5	8,8	6,7
67 years	0,7	2,9	-4,2

Offensive

Return (%) (net)	3 months	Year to date	1 year
35 years	2,6	9,1	7,2
45 years	2,6	9,1	7,2
55 years	2,6	9,1	7,2
67 years	0,8	3,1	-4,0

Very offensive

Return (%) (net)	3 months	Year to date	1 year
35 years	2,7	9,5	7,8
45 years	2,7	9,5	7,8
55 years	2,7	9,5	7,8
67 years	0,8	3,3	-3,8

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	2,3	8,4	6,2
45 years	2,3	8,4	6,2
55 years	1,8	6,8	3,6
67 years	0,9	3,3	-3,7

Neutral - reduced risk to 15%

Return (%) (net)	3 months	Year to date	1 year
35 years	2,5	8,8	6,7
45 years	2,5	8,8	6,7
55 years	2,5	8,8	6,7
67 years	0,9	3,5	-3,5

Offensive - reduced risk to 15%

Return (%) (net)	3 months	Year to date	1 year
35 years	2,6	9,1	7,2
45 years	2,6	9,1	7,2
55 years	2,6	9,1	7,2
67 years	0,9	3,5	-3,5

Very offensive - reduced risk to 15%

Return (%) (net)	3 months	Year to date	1 year
35 years	2,7	9,5	7,8
45 years	2,7	9,5	7,8
55 years	2,7	9,5	7,8
67 years	1,0	3,7	-3,3

Variable pension benefit reduced risk to 30%

Neutral - reduced risk to 30%

Return (%) (net)	3 months	Year to date	1 year
35 years	2,5	8,8	6,7
45 years	2,5	8,8	6,7
55 years	2,5	8,8	6,7
67 years	0,9	3,7	-2,4

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	2,6	9,1	7,2
45 years	2,6	9,1	7,2
55 years	2,6	9,1	7,2
67 years	0,9	3,8	-2,4

Very offensive - reduced risk to 30%

Return (%) (net)	3 months	Year to date	1 year
35 years	2,7	9,5	7,8
45 years	2,7	9,5	7,8
55 years	2,7	9,5	7,8
67 years	1,0	3,8	-2,2

Variable pension benefit reduced risk to 45%

Offensive - reduced risk to 45%

Return (%) (net)	3 months	Year to date	1 year
35 years	2,6	9,1	7,2
45 years	2,6	9,1	7,2
55 years	2,6	9,1	7,2
67 years	1,3	4,6	-1,1

Very offensive - reduced risk to 45%

Return (%) (net)	3 months	Year to date	1 year
35 years	2,7	9,5	7,8
45 years	2,7	9,5	7,8
55 years	2,7	9,5	7,8
67 years	1,3	4,7	-1,0

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	9,5	7,8
45 years	2,7	9,5	7,8
55 years	2,7	9,5	7,8
67 years	1,3	5,3	0,2

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** m^3 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

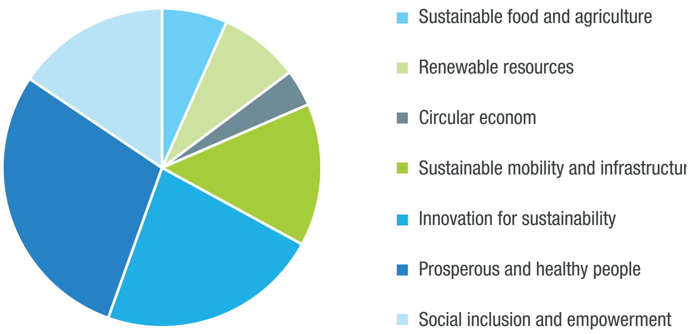
The Triodos Global Equities Impact Fund aims to generate positive impact and competitive returns from a concentrated portfolio of equities issued by large-cap companies offering sustainable solutions. Integrated financial and sustainability analysis makes impact the cornerstone of the stock selection 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)	2,89	10,03	8,56	6,78
MSCI World Index EUR	6,35	12,91	13,79	13,28

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

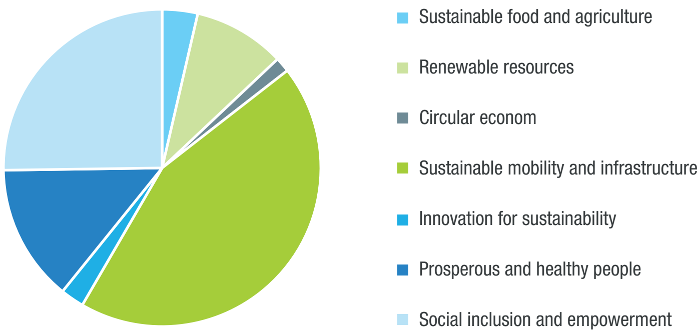
The Triodos Euro Bond Impact Fund aims to generate positive impact and stable income from a concentrated portfolio of investment-grade, euro-denominated bonds issued by listed companies, semi-public institutions, and EU member state governments. Integrated financial and sustainability analysis makes 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)	-0,05	1,75	-3,19	-5,84
Compounded Benchmark Triodos Euro Bond Impact Fund	0,19	1,96	-1,82	-4,80

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 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.

Liability Matching Fonds M-T

Return (%) (net)	3 months	Year to date	1 year	3 years (ann.)
Liability Matching Fund M-T	-0,30	0,84	-4,59	-4,64
Benchmark	-0,51	0,54	-5,12	-5,01

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

Liability Matching Fonds L-T

Return (%) (net)	3 months	Year to date	1 year	3 years (ann.)
Liability Matching Fund L-T	0,80	2,25	-9,13	-16,84
Benchmark	0,74	2,11	-9,42	-17,34

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

Liability Matching Fonds XL-T

Return (%) (net)	3 months	Year to date	1 year	3 years (ann.)
Liability Matching Fonds XL-T	-1,43	-3,77	-17,19	-26,69
Benchmark	-1,32	-3,61	-16,77	-26,85

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

Source: GSAM

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.