BeFrank Sustainable Lifecycle

Q1 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.

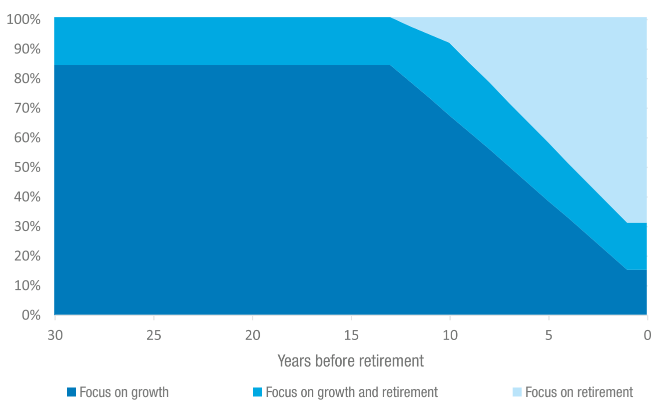
The lifecycle consists of three parts, also called building blocks:

- **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: difficult start for global equities

- The first quarter was dominated by two major events. The first was a string of inflation data that surprised on the upside, followed by a brutal hawkish shift by central banks. They will raise policy rates more quickly. The second event that hit the markets was the Russian invasion of Ukraine. Equities fell sharply after that, although a recovery followed at the end of the quarter. On balance, global equities (according to the MSCI World index for all countries) lost 4.5% in local currency. This marked the second-worst start to the year since 2010, the corona-impacted first quarter of 2020 being the worst. From a regional perspective, the Eurozone lagged, declining 9.1%. The region's high vulnerability to economic sanctions and its heavy dependence on Russian energy supplies are having a big impact on the growth outlook. All in all, developments in the financial markets were unfavourable for equities.

Focus on growth and retirement: higher interest rates unfavourable for corporate bonds

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.

- Because of all the uncertainty, interest rates have risen sharply, this has a negative impact on government bonds. The credit spreads also have widened. This was generally detrimental to corporate bonds, which had a difficult and volatile quarter.

Focus on retirement: central bank policy shift pushes up 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).

- Persistently high inflation caused a shift in the regimes of central banks. The Fed is expected to raise interest rates significantly this year and will also start reducing its balance sheet. The ECB followed suit by announcing an accelerated tapering process and keeping the door open to raising rates this year. The regime shift of the major central banks and fears of even higher inflation are still making investors nervous, as evidenced by the sharp rise in bond yields. The European benchmark, the yield on 10-year German government bonds, ended the quarter 69 basis points higher. The rise in interest rates is also reflected in the negative quarterly returns of the Liability Matching funds.

Outlook

- Market sentiment will be determined in the coming period by interest rate and inflation developments and geopolitical risks. The fallout of the armed conflict will also complicate monetary policy decisions. Will central banks revise their policy stance in view of the latest escalation and subsequent economic risks? For the time being it appears that inflation fears are bigger than growth fears. What seems clear is that the new policy regime will be less supportive than the previous one and that we must be prepared to live through a period of higher market volatility and less directionality. This will be reflected in lower valuation metrics as well as higher required risk premiums.
- In the near term, inflation risks are clearly to the upside as commodity prices remain the main driver of headline inflation rates. In the more medium term, however, the trajectory of underlying inflation has become even more uncertain than it already was. This is because the inflation spike acts as an additional drag on consumers' real disposable income while it also eats into the real profits of a considerable part of the business sector. Strong upward inflationary pressures increase the likelihood of a further rise in interest rates. For European interest rates, we wonder whether the increases that the market is currently expecting are justified. These expectations have caused German government bond yields to rise sharply. The two or even three rate hikes that the market is pricing in for this year seem exaggerated, as the growth outlook for Europe has become bleaker.

Net return by age group

Fixed pension benefit

Very defensive

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

Defensive

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

Neutral

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

Offensive

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

Very offensive

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

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	-5,9	-5,9	0,2
45 years	-5,9	-5,9	0,2
55 years	-6,7	-6,7	-1,7
67 years	-9,1	-9,1	-8,6

Neutral - reduced risk to 15%

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

Offensive - reduced risk to 15%

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

Very offensive - reduced risk to 15%

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

Variable pension benefit reduced risk to 30%

Neutral - reduced risk to 30%

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

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	-5,9	-5,9	1,0
45 years	-5,9	-5,9	1,0
55 years	-5,9	-5,9	1,0
67 years	-9,3	-9,3	-7,3

Very offensive - reduced risk to 30%

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

Variable pension benefit reduced risk to 45%

Offensive - reduced risk to 45%

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

Very offensive - reduced risk to 45%

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

Variable pension benefit reduced risk to 60%

Very offensive - reduced risk to 60%

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

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.

Funds BeFrank Sustainable Lifecycle

Triodos Global Equities Impact Fund

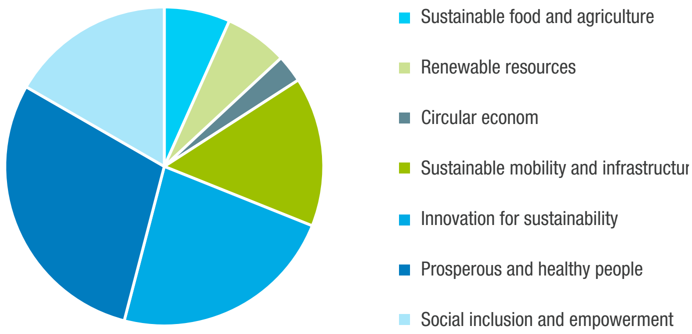
The Triodos Global Equities Impact Fund aims to generate positive impact and competitive returns from a concentrated portfolio of equities issued by large-cap companies offering sustainable solutions. Integrated financial and sustainability analysis makes impact the cornerstone of the stock selection 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
Triodos Global Equities Impact Fund (I-II-cap)	-5,88	-5,88	2,30
MSCI World Index EUR	-2,55	-2,55	16,76

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

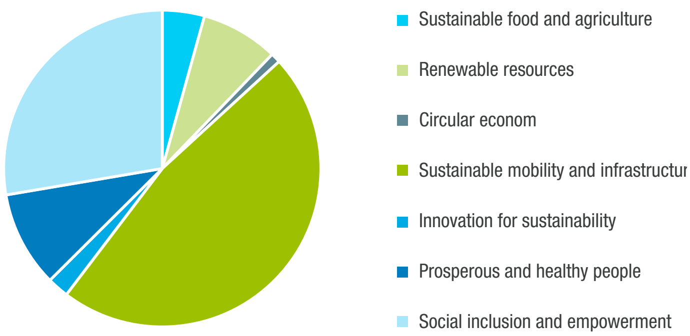
The Triodos Euro Bond Impact Fund aims to generate positive impact and stable income from a concentrated portfolio of investment-grade, euro-denominated bonds issued by listed companies, semi-public institutions, and EU member state governments. Integrated financial and sustainability analysis makes 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
Triodos Euro Bond Impact Fund (I-II-cap)	-5,96	-5,96	-7,24
Compounded Benchmark Triodos Euro Bond Impact Fund	-5,48	-5,48	-6,34

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 fact that long-term interest rates rose in December was in line with the more aggressive comments from central banks. For example, the yield on 10-year German government bonds rose, on balance, by 0.17 percentage point to -0.18%. This increase was relatively substantial compared to that of the US 10-year yield (up 0.07%-point to 1.51%) and that of the German 2-year yield (up 0.12%-point to -0.62). The longer the duration of a fund, the greater the effect on a fund. As a result, the XL fund in particular shows a strong negative return over the current year. 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.

Returns

NN Liability Matching Fonds M-T

Return (%) (net)	3 months	Year to date	1 year
NN Liability Matching Fund M-T	-4,08	-4,08	-5,36
Benchmark	-4,02	-4,02	-5,45

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
NN Liability Matching Fund L-T	-13,35	-13,35	-14,53
Benchmark	-13,31	-13,31	-15,02

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
NN Liability Matching Fund XL-T	-17,38	-17,38	-16,16
Benchmark	-17,29	-17,29	-16,49

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.