BeFrank Sustainable Lifecycle

Q3 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:

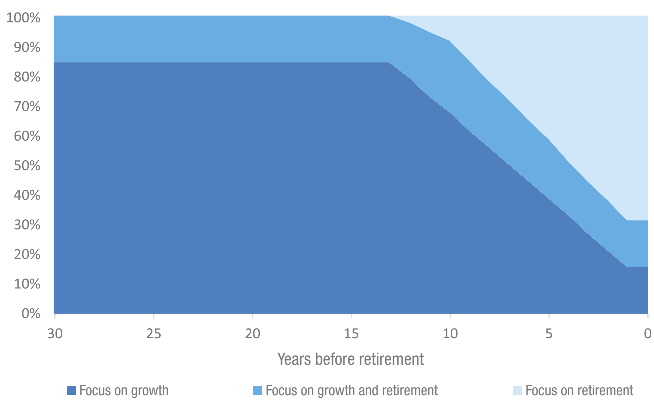
- **Focus on growth**
  This part aims to generate attractive returns. To accomplish this, we invest in the First Class Sustainable Return Fund (this fund replaces the Triodos Global Equities Impact Fund as of August 21). The investment in this funds are managed by Triodos Investment Management and this 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 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 (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 fell by 0.4% in the third quarter, while emerging-market equities rose by 0.2%. Japan was the best-performing market over the quarter, rising by 1.6%, with the UK not far behind, up by 1.5%. Eurozone equities were the worst performers, falling by 4.3%, while US equities were little changed, down by 0.1%. There was considerable dispersion at the sector level over the quarter. Energy was the best performer from a sector perspective, gaining 15%, followed by communication services, which rose by 4.7%. Utilities posted the worst return, losing 6.3%, while consumer staples was down by 3.4% and IT by 3.2%. All of these figures are in euro terms.

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.

- Bond performance was mixed in July. The US 10-year yield rose by 15 bps even though inflation was down, as strong activity data pushed yields higher. In the UK, the 10-year yield fell by 12 bps on the back of lower-than-expected inflation, while the German 10-year yield rose by a modest 6 bps. At the short end, the US two-year yield was flat. August was quite a volatile month for bonds, especially in the US, where they were relentlessly sold off, resulting in yields hitting their highest level in years. The US 10-year yield hit an intra-day peak of 4.36% on 22 August – its highest level since 2007. However, it moderated somewhat towards the end of the month, ending August up 13 bps. It was a similar story in the UK, where the 10-year yield was up 40 bps at one point but finished the month up just 5 bps. German and Japanese 10-year yields were essentially flat. Short-end rates were much less volatile, with the US two-year flat. In September, the US 10-year yield rose by 50 bps due to the Federal Reserve's higher-for-longer stance, while German 10-year yields were up by 40 bps. Japanese and UK 10-year yields moved up more modestly – by 13 bps and 5 bps respectively – as their central banks were less hawkish than the Fed. The US two-year yield rose by 20 bps.

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).

- Both the Federal Reserve and European Central Bank (ECB) hiked rates by 25 basis points (bps) in July, in line with market expectations. Interestingly, both central banks avoided providing forward guidance, stating that further policy action would be data-dependent. The Bank of Japan kept its target for 10-year Japanese government bond yields at 0%, but effectively increased the maximum level they can reach from 0.5% to 1.0%. This change was seen as an initial step towards policy normalization in Japan, although Bank of Japan Governor Kazuo Ueda said he did not expect long-term yields to actually rise to 1%. The Jackson Hole Economic Symposium was the most eagerly anticipated event in August, but Fed Chair Jerome Powell struck a balanced tone, stating his intent to continue to follow a data-dependent approach to monetary policy. The People's Bank of China surprised the markets by cutting interest rates in August, lowering the one-year medium-term lending facility by 15 bps and the seven-day reverse repo rate by 10 bps. These cuts were followed up with a 10 bps cut to the one-year loan prime rate. At its September meeting, the Federal Reserve kept policy rates unchanged, as expected, but revised its median forecast for the policy rate at the end of 2024 up by 50 bps. The ECB increased interest rates by 25 bps, in line with market expectations, while the Bank of England surprised the market by keeping rates on hold when a 25 bps raise had been expected. In Asia, both the People's Bank of China and the Bank of Japan kept their monetary policy unchanged.

Net return by age group
Fixed pension benefit

Very defensive

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

Defensive

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

Neutral

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

Offensive

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

Very offensive

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

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

Neutral - reduced risk to 15%

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

Offensive - reduced risk to 15%

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

Very offensive - reduced risk to 15%

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

Variable pension benefit reduced risk to 30%

Neutral - reduced risk to 30%

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

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	-5,5	3,2	5,8
45 years	-5,5	3,2	5,8
55 years	-5,5	3,2	5,8
67 years	-7,2	-3,7	-3,1

Very offensive - reduced risk to 30%

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

Variable pension benefit reduced risk to 45%

Offensive - reduced risk to 45%

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

Very offensive - reduced risk to 45%

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

Variable pension benefit reduced risk to 60%

Very offensive - reduced risk to 60%

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

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 CO_2 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 CO_2 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 30/06/2023. Participants can find the savings associated with the value of their investments on their BeFrank personal pension page.

40 tons

CO_2 emissons

You can compare that with **366.972** kilometres driven

6.038 m³

water consumption

You can compare that with showering **96.300** times

-0,74 tons

waste

You can compare that with **-74** garbage bags

Funds BeFrank Sustainable Lifecycle

Triodos Global Equities Impact Fund*

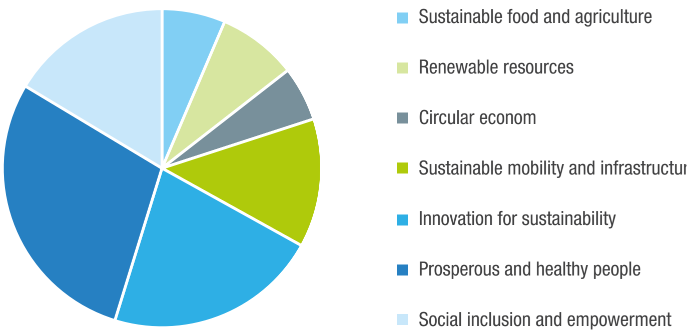
The Triodos Global Equities Impact Fund aims to generate positive impact and competitive returns from a concentrated portfolio of equities issued by large-cap companies offering sustainable solutions. Integrated financial and sustainability analysis makes impact the cornerstone of the stock selection 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 out-perform 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)	-4,36	5,23	8,32	3,61
MSCI World Index EUR	-0,36	12,50	12,87	11,85

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.

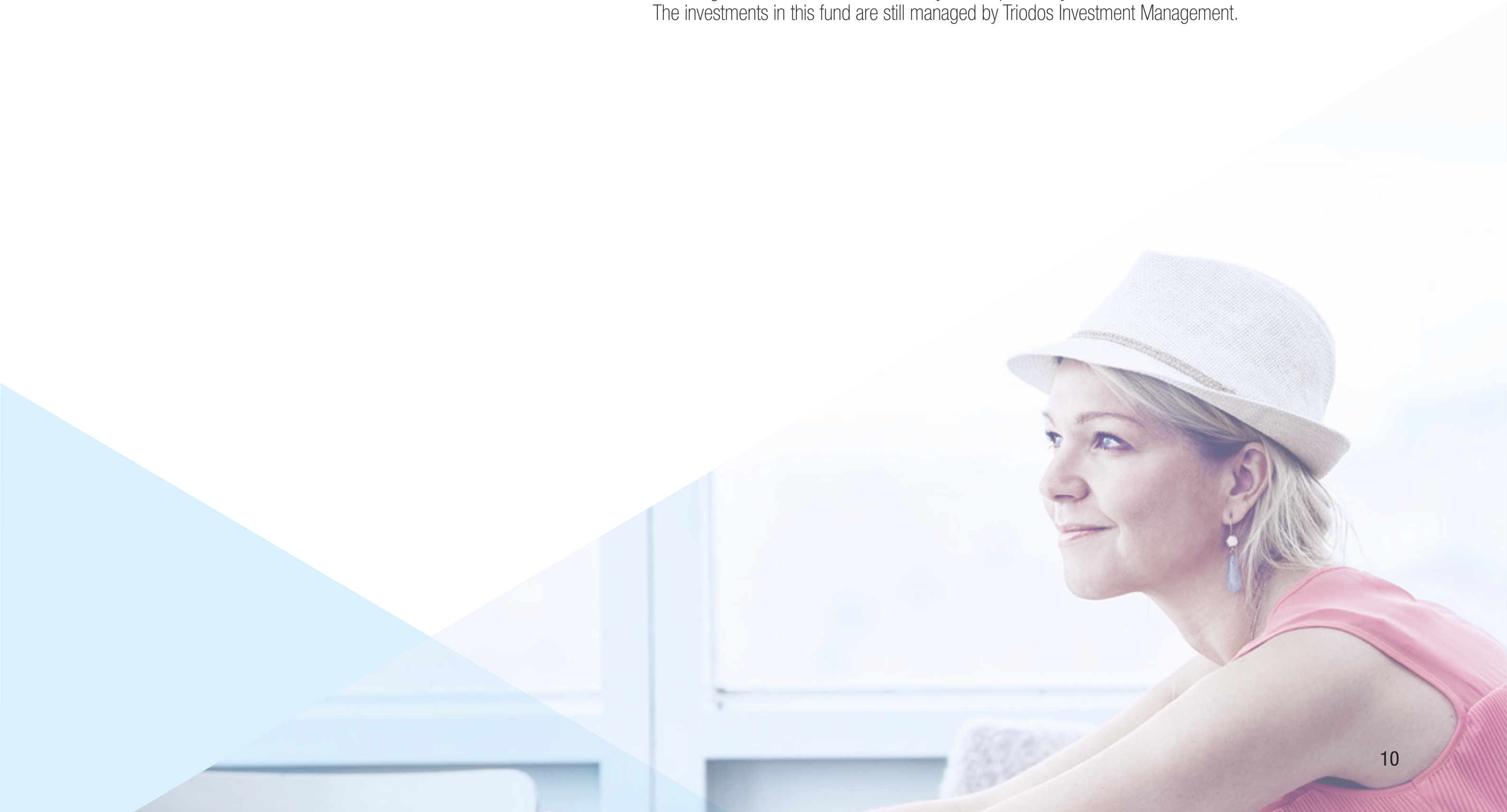
Statistics	
ISIN code	LU1782629478
Inception date	07/09/2018
Ongoing charges	0,61%

Breakdown by theme



Source: Triodos Investment Management

* as of augustus 21st this fund in the lifecycle is replaced by the First Class Sustainable Return Fund. The investments in this fund are still managed by Triodos Investment Management.



Triodos Euro Bond Impact Fund

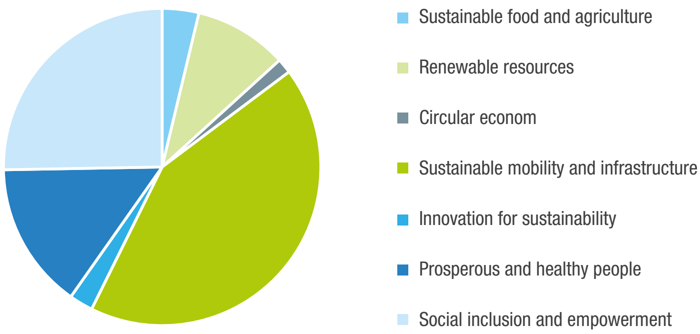
The Triodos Euro Bond Impact Fund aims to generate positive impact and stable income from a concentrated portfolio of investment-grade, euro-denominated bonds issued by listed companies, semi-public institutions, and EU member state governments. Integrated financial and sustainability analysis makes 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)	-0,36	1,38	0,78	-6,30
Compounded Benchmark Triodos Euro Bond Impact Fund	-0,10	1,85	1,99	-5,29

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?
In the recent quarter, the 10-year German government bond yield rose by 0.45% to 2.84%. One of the reasons for this is persistent inflation, which is expected to remain at relatively high levels for longer than initially priced in. The increase for government bonds with a longer maturity was higher. The longer the duration of a fund, the higher the effect of interest rate rise on a fund.
As a result, the Liability Matching Fund (XL) (NL) showed the most negative return over the past quarter. Because these funds have been set up to hedge the risk of an interest rate increase or decrease on the pension to be purchased at retirement, a negative return for a 67-year-old is not necessarily disadvantageous.
The pension to be purchased has also become cheaper.
Looking ahead, the market expects the ECB to maintain its current policy rate into 2024.

Liability Matching Fonds M-T

Return (%) (net)	3 months	Year to date	1 year	3 years (ann.)
Liability Matching Fund M-T	0,04	0,89	0,13	-4,70
Benchmark	-0,01	0,53	-0,63	-5,02

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	-9,54	-7,50	-8,04	-19,73
Benchmark	-9,54	-7,63	-8,55	-20,13

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	-18,12	-21,21	-23,18	-31,50
Benchmark	-17,91	-20,88	-22,92	-31,56

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.