BeFrank Sustainable Lifecycle

Q4 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.

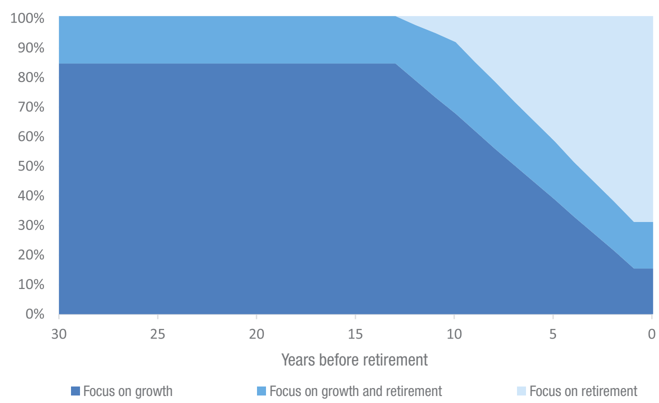
The lifecycle consists of three parts, also called building blocks:

- **Focus on growth**
  This part aims to generate attractive returns. To accomplish this, we invest in the First Class Sustainable Return Fund. The investment in this funds are managed by Triodos Investment Management and this fund invests in global equities.

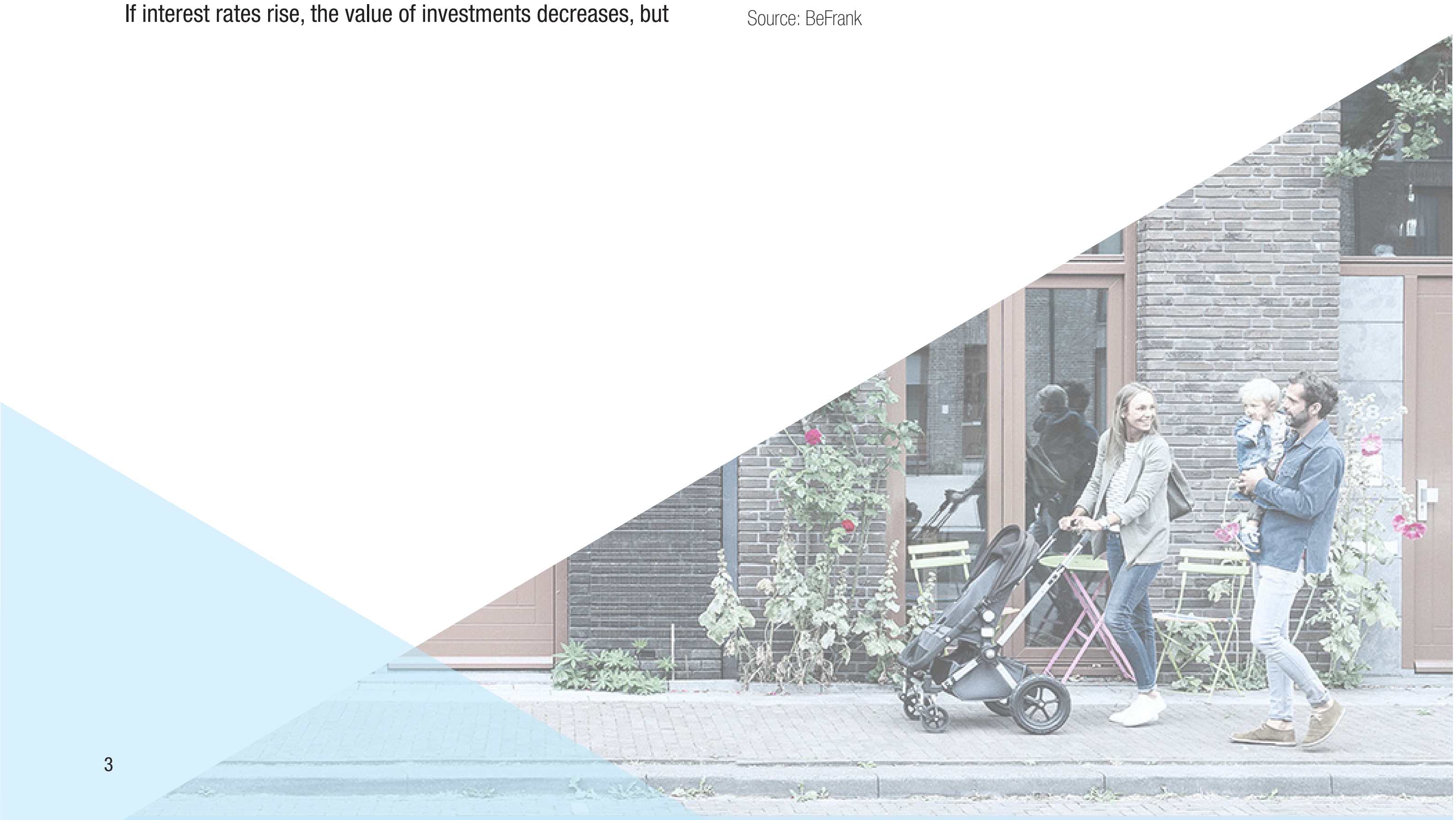
- **Focus on growth and retirement**
  This part combines generating attractive returns and reducing the investment risk ready for retirement. In order to achieve this, we invest in the Triodos Euro Bond Impact Fund. With this fund, we invest in less risky asset classes such as corporate bonds with high 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 rose by 6.9% in Q4, while emerging-market equities were up by 3.4%. The euro area was the best-performing market over the quarter, gaining 7.8%, closely followed by US equities, which rose by 7.3%. UK equities posted the weakest return from a regional perspective, but were still up by 2.4%. All sectors apart from energy rose in value over the quarter. IT posted the best return, rising by 12.7%, followed by industrials (+9.2%) and financials (+8.7%). Energy fell by 7.9%, well below the returns of the two next-worst performers – consumer staples (+1.1%) and health care (+1.6%). 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.

- In October 10-year US Treasury yields briefly touched 5%, a level not seen since 2007. In the euro area and UK, bond yields remained range-bound in October. In Japan, 10-year government bond yields came under pressure as the market became nervous about further tweaks to the Bank of Japan’s yield curve control policy. US government bonds rallied strongly in November, with 10-year Treasury yields down by nearly 80 basis points to 4.2%. This was due to slower economic growth, falling inflation, and the US Treasury slowing the increase in the size of government bond auctions, alleviating concerns about supply. The sharp drop in US yields spilled over to other developed markets, with the decline particularly pronounced in the euro area. Yields generally fell further in December. In the US, the two- and 10-year yields were both down by around 50 basis points over the month, the UK 10-year yield by 60 basis points and the 10-year Bund yield by 45 basis points. By contrast, the Japanese 10-year yield was essentially flat.

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, European Central Bank and Bank of England all kept interest rates unchanged throughout the final quarter, with the general consensus that all three banks had reached the end of their tightening cycles. In fact, the Fed adopted a decidedly dovish tone at its December meeting, with Chair Jerome Powell suggesting that its Federal Open Market Committee (FOMC) had started discussing rate cuts. The median dot plot for the 2024 Federal funds rate, which displays the interest rate projections of individual FOMC members, was revised down from 5.1% at the September meeting to 4.6% in December. This signaled that the FOMC expected 75 basis points of rate cuts in 2024. The Bank of Japan increased the flexibility of its yield curve control policy further in October. The bank said its operations to limit the rise of 10-year bond yields beyond 1% will be discontinued in favor of a nimbler approach. In effect, the 1% level on the 10-year yield was no longer a hard limit but rather a “reference” for its market operations. Between its October and December meetings expectations increased that the Bank of Japan might soon end its negative interest rate policy. But the bank maintained the status quo in December. During the quarter the Chinese central bank said that it would keep monetary policy accommodative to support the country’s economy.

Net return by age group
Fixed pension benefit

Very defensive

Return (%) (net)	3 months	Year to date	1 year
35 years	8,5	11,6	11,6
45 years	8,5	11,6	11,6
55 years	12,3	9,7	9,7
67 years	11,2	7,9	7,9

Defensive

Return (%) (net)	3 months	Year to date	1 year
35 years	8,6	11,9	11,9
45 years	8,6	11,9	11,9
55 years	9,9	10,5	10,5
67 years	11,9	8,7	8,7

Neutral

Return (%) (net)	3 months	Year to date	1 year
35 years	8,8	12,2	12,2
45 years	8,8	12,2	12,2
55 years	8,8	12,2	12,2
67 years	12,3	9,1	9,1

Offensive

Return (%) (net)	3 months	Year to date	1 year
35 years	9,0	12,5	12,5
45 years	9,0	12,5	12,5
55 years	9,0	12,5	12,5
67 years	12,5	9,3	9,3

Very offensive

Return (%) (net)	3 months	Year to date	1 year
35 years	9,2	12,8	12,8
45 years	9,2	12,8	12,8
55 years	9,2	12,8	12,8
67 years	12,6	9,4	9,4

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	8,6	11,9	11,9
45 years	8,6	11,9	11,9
55 years	9,4	10,7	10,7
67 years	12,6	9,5	9,5

Neutral - reduced risk to 15%

Return (%) (net)	3 months	Year to date	1 year
35 years	8,8	12,2	12,2
45 years	8,8	12,2	12,2
55 years	8,8	12,2	12,2
67 years	12,7	9,6	9,6

Offensive - reduced risk to 15%

Return (%) (net)	3 months	Year to date	1 year
35 years	9,0	12,5	12,5
45 years	9,0	12,5	12,5
55 years	9,0	12,5	12,5
67 years	12,8	9,6	9,6

Very offensive - reduced risk to 15%

Return (%) (net)	3 months	Year to date	1 year
35 years	9,2	12,8	12,8
45 years	9,2	12,8	12,8
55 years	9,2	12,8	12,8
67 years	13,0	9,7	9,7

Variable pension benefit reduced risk to 30%

Neutral - reduced risk to 30%

Return (%) (net)	3 months	Year to date	1 year
35 years	8,8	12,2	12,2
45 years	8,8	12,2	12,2
55 years	8,8	12,2	12,2
67 years	13,2	9,0	9,0

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	9,0	12,5	12,5
45 years	9,0	12,5	12,5
55 years	9,0	12,5	12,5
67 years	13,2	9,0	9,0

Very offensive - reduced risk to 30%

Return (%) (net)	3 months	Year to date	1 year
35 years	9,2	12,8	12,8
45 years	9,2	12,8	12,8
55 years	9,2	12,8	12,8
67 years	13,3	9,0	9,0

Variable pension benefit reduced risk to 45%

Offensive - reduced risk to 45%

Return (%) (net)	3 months	Year to date	1 year
35 years	9,0	12,5	12,5
45 years	9,0	12,5	12,5
55 years	9,0	12,5	12,5
67 years	14,2	9,8	9,8

Very offensive - reduced risk to 45%

Return (%) (net)	3 months	Year to date	1 year
35 years	9,2	12,8	12,8
45 years	9,2	12,8	12,8
55 years	9,2	12,8	12,8
67 years	14,2	9,8	9,8

Variable pension benefit reduced risk to 60%

Very offensive - reduced risk to 60%

Return (%) (net)	3 months	Year to date	1 year
35 years	9,2	12,8	12,8
45 years	9,2	12,8	12,8
55 years	9,2	12,8	12,8
67 years	15,0	10,0	10,0

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	**6.038** m^3	**-0,74** tons
CO_2 emissons	water consumption	waste
You can compare that with **366.972** kilometres driven	You can compare that with showering **96.300** times	You can compare that with **-74** garbage bags

Funds BeFrank Sustainable Lifecycle

First Class Sustainable Return Fund (NL)

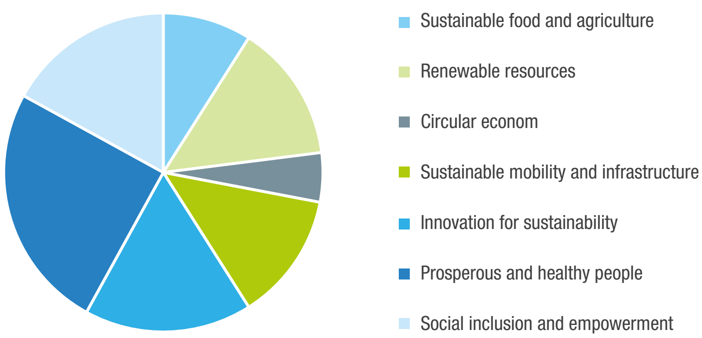
De beleggingen in het First Class Sustainable Return Fund (NL) worden beheerd door Triodos Investment Management. In de portefeuille streeft Triodos Investment Management naar positieve impact en concurrerende rendementen uit een gespreide portefeuille van aandelen uitgegeven door large-, mid- en small-cap bedrijven die duurzame oplossingen bieden. De geïntegreerde financiële en duurzaamheidsanalyse maakt impact de kern van het aandelenselectieproces. De strenge screening van Triodos op basis van de bijdrage van bedrijven aan hun transitiethema's en de naleving van hun minimumnormen resulteert momenteel in een belegbaar universum bestaande uit ongeveer 400 missiegerichte bedrijven, vergeleken met circa 6.600 bedrijven in het beleggingsuniversum.

Return (%) (net)	3 months
First Class Sustainable Return Fund (NL)	9,45
MSCI World Index EUR	6,52

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.

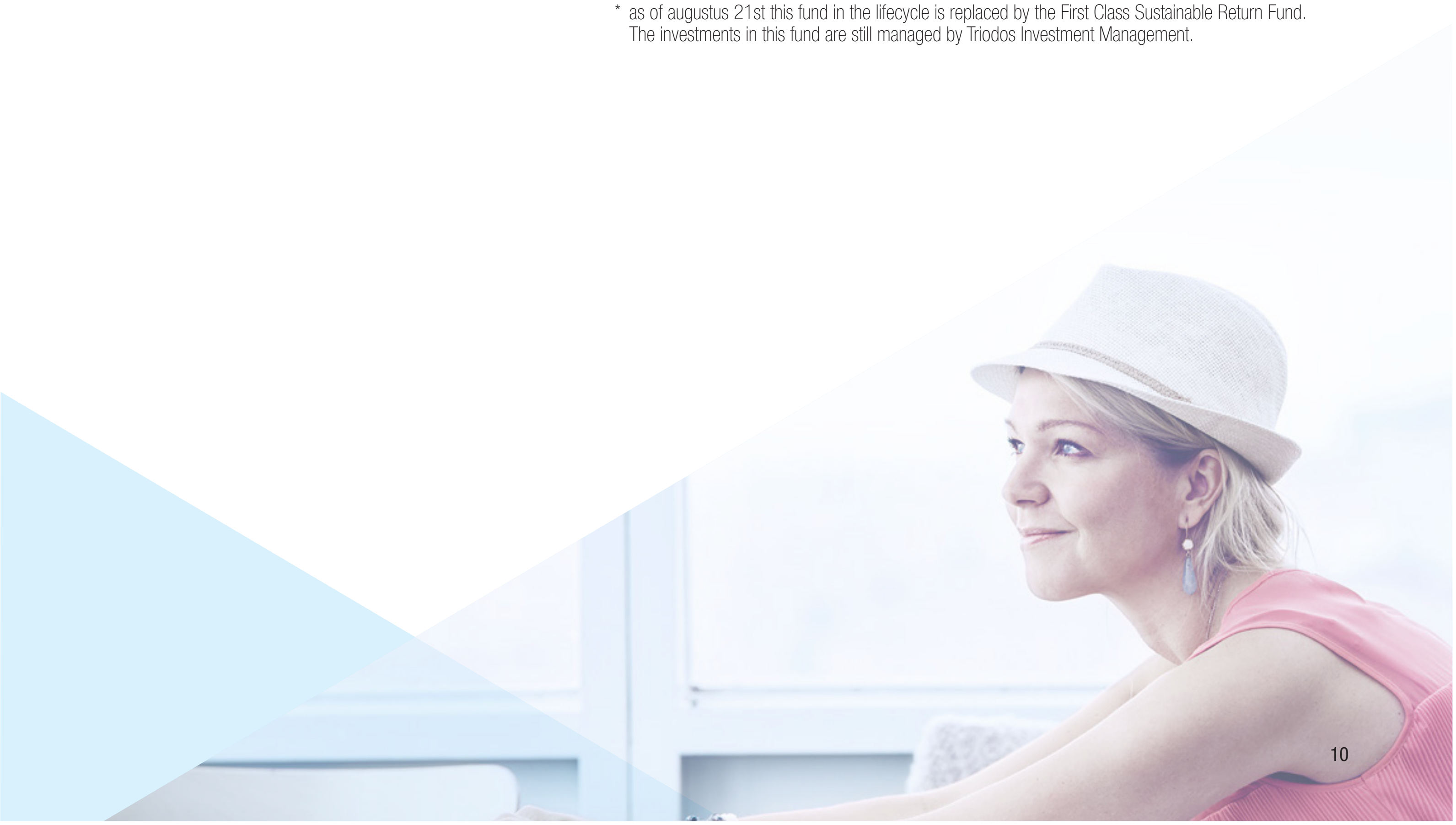
Statistics	
ISIN code	NL0015001HS4
Inception date	21/08/2023
Ongoing charges	0,32%

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

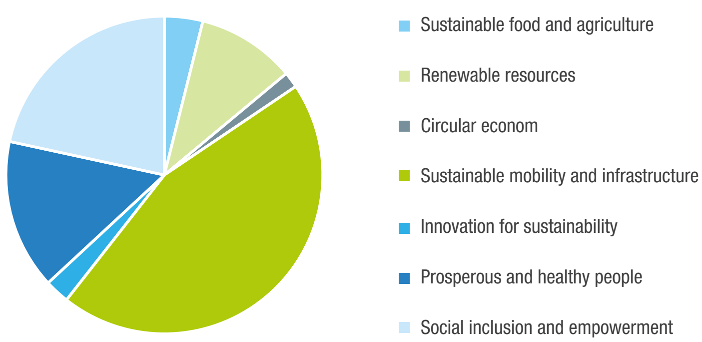
The Triodos Euro Bond Impact Fund aims to generate positive impact and stable income from a concentrated portfolio of investment-grade, euro-denominated bonds issued by listed companies, semi-public institutions, and EU member state governments. Integrated financial and sustainability analysis makes 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)	5,31	6,76	6,76	-4,94
Compounded Benchmark Triodos Euro Bond Impact Fund	5,34	7,29	7,29	-4,03

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

Liability Matching funds

The three Liability Matching funds have different interest rate sensitivity profiles (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 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 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?
De Federal Reserve, de Europese Centrale Bank en de Bank of England hielden hun rentetarieven gedurende het vierde kwartaal alle onveranderd. De algehele consensus was daarbij dat de drie banken het einde van hun respectievelijke verkrappingscyclus hadden bereikt. De Fed nam tijdens haar bijeenkomst in december zelfs een onmiskenbaar accomoderende toon aan. Voorzitter Jerome Powell suggereerde dat het Federal Open Market Committee (FOMC) was begonnen te praten over renteverlagingen. De mediaan in een grafiek die de renteprojecties van individuele FOMC-leden weergeeft, werd voor de Federal Funds-rente in 2024 neerwaarts bijgesteld van 5,1% tijdens de bijeenkomst in september naar 4,6% in december. Dit gaf aan dat het FOMC in 2024 een renteverlaging van 75 basispunten verwachtte.

Liability Matching Fonds M-T

Return (%) (net)	3 months	Year to date	1 year	3 years (ann.)
Liability Matching Fund M-T	5,08	6,01	6,01	-3,15
Benchmark	4,93	5,48	5,48	-3,48

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	19,42	10,46	10,46	-14,94
Benchmark	19,12	10,03	10,03	-15,40

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	31,25	3,41	3,41	-25,03
Benchmark	31,17	3,79	3,97	-25,10

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

Source: GSAM

Disclaimer

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