

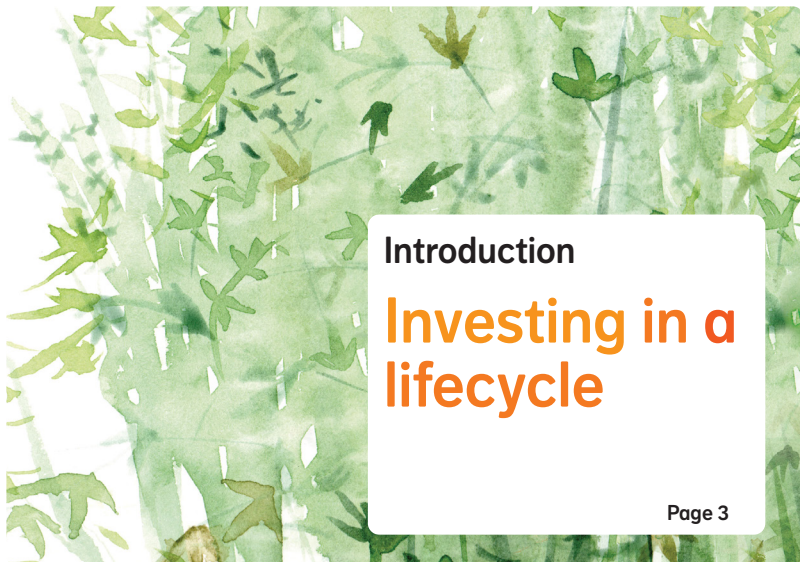
Persoonlijk Pensioen Plan Q4 2023

Actively managed



www.nn.nl/persoonlijkpensioenplan







Investing in a lifecycle

2023 was another turbulent year. The war in Ukraine continued and the attacks by the Palestinian Hamas organization in Israel sparked a new major conflict. Central banks continued to raise interest rates to curb inflation. Those increases seemed to have an effect. In contrast to the year earlier, we ended 2023 with positive returns. This partly made up for the losses from 2022.

A few things stood out about our annual returns. The index-tracking lifecycle outperformed the actively managed lifecycle. On the one hand this was due to the fact that the active managed equities underperformed their benchmark. On the other hand, this lifecycle can deviate from the portfolio by means of tactical asset allocation (TAA) and invest within certain limits in other investment categories or apply a different strategic weighing. TAA generated negative returns in 2023, which affected total returns.

The positive returns at later ages were also striking. From a certain age, depending on the chosen risk profile, we reduce the investment risk in the lifecycle and the focus shifts more to purchasing a retirement benefit. In fact, we increasingly remove the interest rate risk in the portfolio. The size of the expected retirement benefit depends on a

number of factors including the market interest rate at the time of purchase.

To reduce the interest rate risk, we use our matching funds, which are also included in this brochure. If interest rates are low, more money is needed to purchase the same retirement benefit than when interest rates are high. The matching funds reduce this interest rate risk. The value of investments in these funds rises when interest rates fall. 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 retirement benefit. As interest rates dropped in 2023, the matching funds showed positive results.

What 2024 will bring, remains to be seen. Let's hope it will be a good investment year. Shares got off to a strong start and set records on the stock exchanges. Several market researchers also predict that central banks will cautiously lower interest rates, because inflation appears to be slowly declining. At the same time, doubts are raised about China's economic growth. Both prices and demand for products are under pressure. Problems in the real estate industry are partly to blame for this. In short, things could go either way this year.



Financial markets

Lifecycle returns depend on what’s going on in the financial markets. So how did 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 6.9% 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

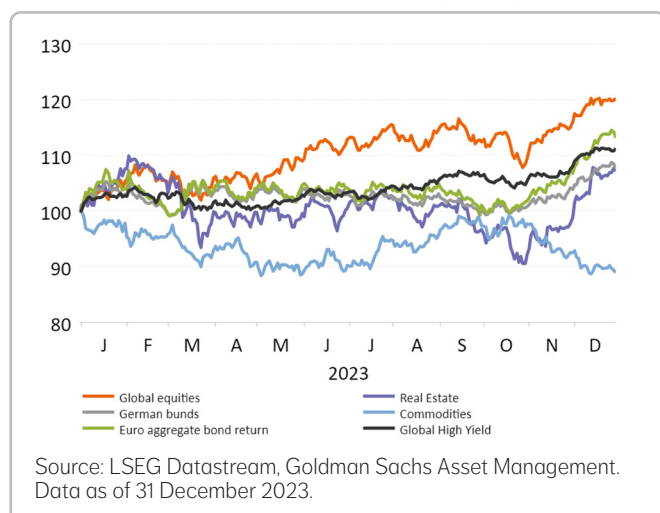
figures are in euro terms¹.

Focus on growth and retirement

When looking at corporate bonds, the credit spread is the difference between the yield 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.

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 flat².

Figure 1: performance of asset classes (euros)



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).

1 LSEG. Data as of 31 December 2023.

2 Bloomberg, Haver Analytics. Data as of 31 December 2023.



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	3 years (ann.)
35 years	6.7	9.6	9.6	4.1
45 years	6.7	9.6	9.6	4.1
55 years	10.6	8.4	8.4	-2.6
67 years	11.0	7.9	7.9	-8.3

Defensive

Return (%) (net)	3 months	year to date	1 year	3 years (ann.)
35 years	6.8	9.8	9.8	4.6
45 years	6.8	9.8	9.8	4.6
55 years	8.4	8.9	8.9	0.9
67 years	11.5	8.6	8.6	-7.7

Neutral

Return (%) (net)	3 months	year to date	1 year	3 years (ann.)
35 years	6.9	10.0	10.0	5.0
45 years	6.9	10.0	10.0	5.0
55 years	6.9	10.0	10.0	5.0
67 years	11.8	9.0	9.0	-7.4

Offensive

Return (%) (net)	3 months	year to date	1 year	3 years (ann.)
35 years	7.0	10.1	10.1	5.4
45 years	7.0	10.1	10.1	5.4
55 years	7.0	10.1	10.1	5.4
67 years	11.9	9.1	9.1	-7.3

Very offensive

Return (%) (net)	3 months	year to date	1 year	3 years (ann.)
35 years	7.1	10.3	10.3	5.9
45 years	7.1	10.3	10.3	5.9
55 years	7.1	10.3	10.3	5.9
67 years	12.1	9.2	9.2	-7.2

The strategic weightings of these lifecycles can be found on www.nn.nl

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	6.8	9.8	9.8	4.6
45 years	6.8	9.8	9.8	4.6
55 years	7.8	9.0	9.0	1.7
67 years	12.0	9.2	9.2	-7.2

Neutral - reduced risk to 15%

Return (%) (net)	3 months	year to date	1 year	3 years (ann.)
35 years	6.9	10.0	10.0	5.0
45 years	6.9	10.0	10.0	5.0
55 years	6.9	10.0	10.0	5.0
67 years	12.1	9.3	9.3	-7.1

Offensive - reduced risk to 15%

Return (%) (net)	3 months	year to date	1 year	3 years (ann.)
35 years	7.0	10.1	10.1	5.4
45 years	7.0	10.1	10.1	5.4
55 years	7.0	10.1	10.1	5.4
67 years	12.2	9.4	9.4	-7.0

Very offensive - reduced risk to 15%

Return (%) (net)	3 months	year to date	1 year	3 years (ann.)
35 years	7.1	10.3	10.3	5.9
45 years	7.1	10.3	10.3	5.9
55 years	7.1	10.3	10.3	5.9
67 years	12.3	9.5	9.5	-6.9

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	6.9	10.0	10.0	5.0
45 years	6.9	10.0	10.0	5.0
55 years	6.9	10.0	10.0	5.0
67 years	12.0	8.2	8.2	-6.1

Offensive - reduced risk to 30%

Return (%) (net)	3 months	year to date	1 year	3 years (ann.)
35 years	7.0	10.1	10.1	5.4
45 years	7.0	10.1	10.1	5.4
55 years	7.0	10.1	10.1	5.4
67 years	12.1	8.2	8.2	-6.0

Very offensive - reduced risk to 30%

Return (%) (net)	3 months	year to date	1 year	3 years (ann.)
35 years	7.1	10.3	10.3	5.9
45 years	7.1	10.3	10.3	5.9
55 years	7.1	10.3	10.3	5.9
67 years	12.1	8.2	8.2	-5.9

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	7.0	10.1	10.1	5.4
45 years	7.0	10.1	10.1	5.4
55 years	7.0	10.1	10.1	5.4
67 years	12.9	8.6	8.6	-4.9

Very offensive - reduced risk to 45%

Return (%) (net)	3 months	year to date	1 year	3 years (ann.)
35 years	7.1	10.3	10.3	5.9
45 years	7.1	10.3	10.3	5.9
55 years	7.1	10.3	10.3	5.9
67 years	12.9	8.6	8.6	-4.9

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	7.1	10.3	10.3	5.9
45 years	7.1	10.3	10.3	5.9
55 years	7.1	10.3	10.3	5.9
67 years	13.5	8.5	8.5	-3.8



Developments in sustainable investing

Promoting renewable energy

Green bonds used to finance renewable energy projects make up the largest share of the holdings in the Goldman Sachs Green Bond fund, in which the lifecycle invests. In addition to wind and solar – the main types of renewable energy – other sources are being developed. Hydropower and bioenergy in particular are attracting increasing allocations of green bond proceeds. Renewable energy capacity is measured in megawatts (MW).

Companies and governments that issue green bonds provide this information to investors in their annual impact reporting. Goldman Sachs Asset Management, the lifecycle’s investment manager, collects the available data reported by issuers of bonds held in our portfolios. Then it prorates the numbers by the amount of the investment to yield an aggregate expected impact number for the green bond strategy¹. Applying this methodology, the Goldman Sachs Green Bond fund expects to have facilitated the addition of 254 MW of renewable energy capacity in 2022².

Case Study: Italian Utility Company

This Italian utility is principally engaged in the water, wastewater and waste-treatment sectors. The company has been raising funds in the green bond market since 2021 for projects aligned with its Green Finance Framework. As of March 2022, the utility had allocated €485 million for projects across four categories: water management, the circular economy, energy efficiency and green energy³. Results included the installation of 52 MW of solar power, the production of 75 MWh of electric energy and nearly 40,000 metric tons of greenhouse gas emissions avoided in 2020.

One of the company’s projects involves the anaerobic digestion of biowaste and sewage sludge, a process in which microorganisms break down biodegradable material in the absence of oxygen, resulting in the production of biogas – a mixture of methane and other gases. The utility has allocated proceeds from green bonds to upgrade anaerobic digestion compartments for some of the country’s largest purifiers to improve the transformation of

1 Goldman Sachs Green and Social Bond Funds Impact Report 2022. As of October 2023.

2 Goldman Sachs Green and Social Bond Funds Impact Report 2022. As of October 2023.

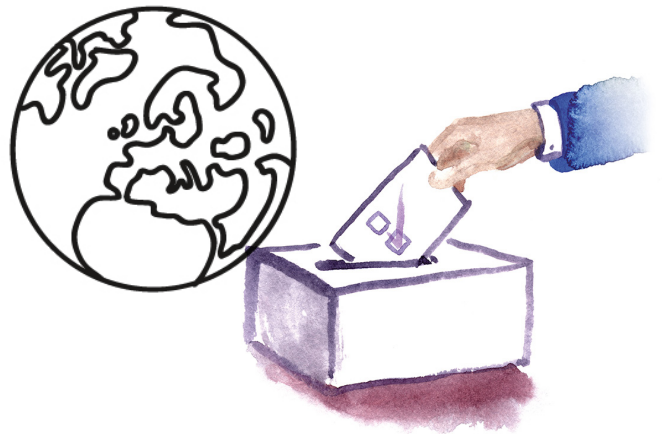
3 Company Reported Information, Green Bond Allocation and Impact Report. As of March 2022.

biogas into biomethane for introduction to the gas network and intended for vehicles⁴. It has not yet started to report on the environmental performance of this project.

As of 2022, the utility was generating nearly 64% of its power using renewable resources including hydropower, solar and biogas, with the remainder produced using fossil fuels⁵.

In practice

Within the theme “financial inclusion”, the fund has a position in AIA Group. The Hong Kong-based company offers life insurance, employee benefits and pension services across 20 markets in Asia. AIA can benefit from attractive growth in the region stemming from an aging middle class and a population of underinsured individuals. The company boasts an agency network which provides a competitive moat for the business and is underpinned by strong human capital management.



⁴ Company Reported Information, Green Bond Allocation and Impact Report. As of March 2022.

⁵ Company Reported Information, Sustainability Report. As of March 2023.


Sustainable investing


NN's investments are becoming increasingly sustainable. This is reflected, for example, in global sustainable equities, which represent a large proportion of pension investments. To give an idea of the sustainability of the global sustainable equities, we have expressed this in the CO2 footprint for the standard investment form.



Your lifecycle breakdown - Actively managed



 Your global sustainable equities, 59%


 Other funds, 41%

Did you know....

that your participants up to 56 years with a neutral/balanced profile invest for 59% in global sustainable equities?


Your global sustainable equities

Here you can see the **CO₂ footprint** (Type 1 & 2), **water consumption** and **waste generation** of companies (based on enterprise value) of the global sustainable shares within your lifecycle distribution, compared to the benchmark MSCI World (NR). The lower the CO₂ emissions, water consumption or waste production, the higher the degree of sustainability.




CO₂ emission*

Benchmark	Your equities
59 tons	6 tons





Difference in CO₂
53 tons




Footprint

90% less
than the benchmark


Equal to the CO₂ emission of:

 x 3	Household(s)
 x 11	Around the world




Water consumption*

Benchmark	Your equities
1,339 m³	160 m³





Difference in water consumption
1,179 m³




Footprint

88% less
than the benchmark

Equal to the water consumption of:

 x 11	Household(s)
 x 18,651	Showers



Waste generation*

Benchmark	Your equities
138 tons	1 ton




Difference in waste
137 tons



Footprint

99% less
than the benchmark

Equal to the waste generation of:

 x 122	Household(s)
 x 2,856	Waste bins

* Per EUR 1 million invested

Source: Nationale-Nederlanden Levensverzekering. All figures on this page are as of 31/12/2023.



First Class Return Fund II

The fund benefited from strong equity markets in the fourth quarter and generated positive quarterly return that were largely attributable to equity investments. Their relatively large weighting within the fund had an impact as well. Sustainable investments in developed markets in particular performed very strongly. Emerging markets also contributed positively, but lagged significantly behind developed market equities' absolute returns.

Fixed income securities performed well. Their small weighting within the total portfolio resulted in a smaller total contribution. Emerging market bonds had a very strong quarter and contributed the most to the fixed income portfolio. Absolute returns were even better compared with equities. Riskier corporate bonds lagged behind, but still contributed positively to total returns.

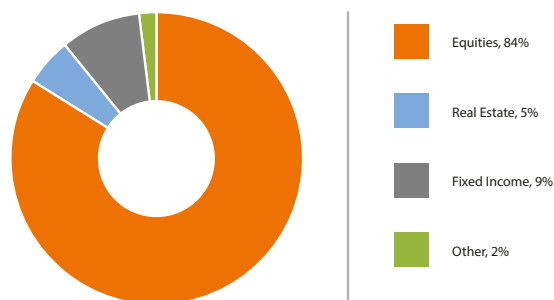
Listed real estate had a very strong quarter and also outperformed global equity investments. The positive contribution to total returns was limited by the modest weighting within the fund.

Tactical investment decisions worked out well this quarter and made a solid contribution to returns.

Return (%) (net)	3 months	year to date	1 year	3 years (ann.)
First Class Return Fund II	7.1	10.3	10.3	5.9

Statistics	
ISIN code	NL0013019243
Inception date	August 2018
Ongoing charges	0.20%

Positioning



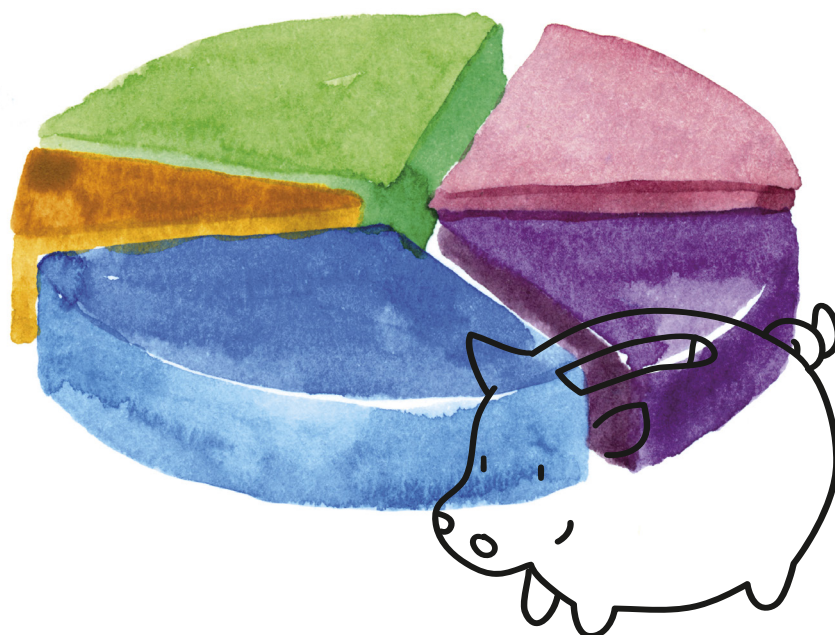
Source: Goldman Sachs Asset Management, all figures are as of 31/12/2023.

Performance

NN First Class Return Fund II - I*

Return (%) (net)*						
Equities	3 months	year to date	1 year	3 years (ann.)	5 years (ann.)	weight
Global Sustainable Equity Sleeve	7.4	16.0	16.0			63.5
MSCI World (NR)	6.8	19.6	19.6			
Enhanced Index Sustainable Global Small Caps Equity Fund (NL)	8.4	11.3	11.3			5.3
MSCI World Small Cap Index (NR)	7.8	11.8	11.8			
GS Enhanced Index Sustainable EM Equity Fund	3.0	4.3	4.3	-2.1	4.4	15.1
MSCI Emerging Markets (NR)	3.4	6.1	6.1	-1.8	4.4	
Real Estate						
GS Global Real Estate Fund	10.3	7.4	7.4	4.9	4.0	5.3
FTSE EPRA Nareit Global Real Estate Index	10.4	6.1	6.1	5.0	3.8	
Fixed Income						
GS Global High Yield	3.0	8.8	8.8			4.0
Bloomberg Barclays 70% US 30% Pan-European ex Fin Subord 2% Issuer Capped High Yield EUR (unhedged)	3.6	10.6	10.6			
GS Emerging Markets Debt HC	9.3	9.9	9.9	-5.0	0.3	2.5
J.P. Morgan Emerging Market Bond (EMBI) Global Diversified EUR (hedged)	8.5	8.4	8.4	-5.6	-0.6	
GS Emerging Markets Debt LB	4.1	10.2	10.2	0.7	2.2	2.6
J.P. Morgan Government Bond-Emerging Market (GBI-EM) Global Diversified	3.6	8.9	8.9	0.2	1.8	

* These are the net returns of the underlying strategies of the First Class Return Fund. The fund costs (ongoing charges) are only charged in the First Class Return Fund.
Source: Goldman Sachs Asset Management, all figures are as of 31/12/2023.





Hybrid Fund

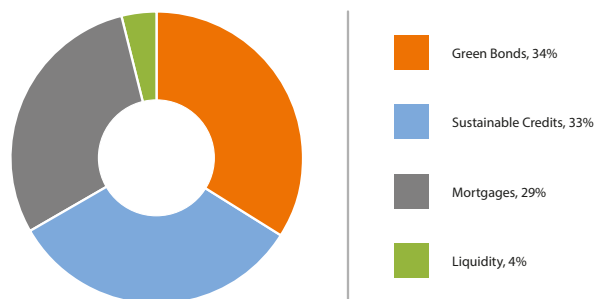
The fund posted positive quarterly returns, most of which were attributable to the sustainable credit and green bond credit portfolios.

The mortgage portfolio also achieved positive returns, but lagged behind the credit portfolio.

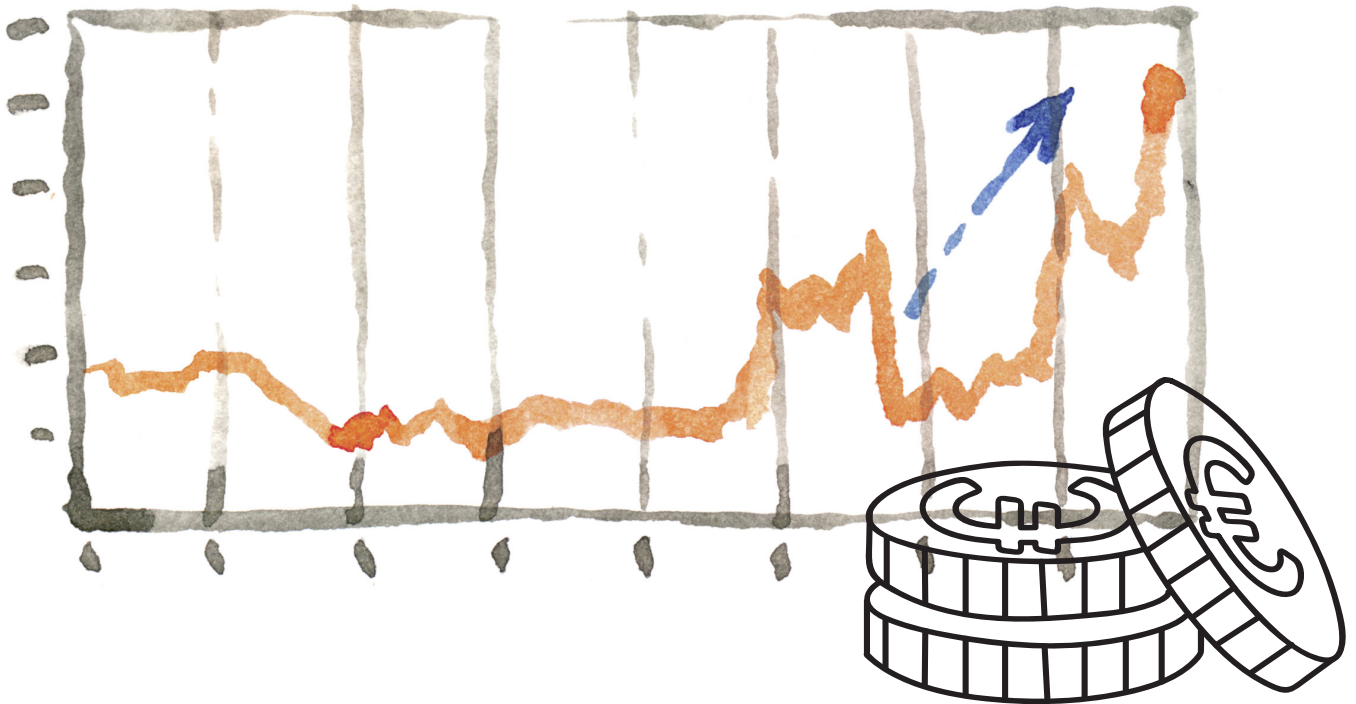
Return (%) (net)	3 months	year to date	1 year	3 years (ann.)
Hybrid Fund	4.9	7.1	7.1	-3.2

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

Positioning



Source: Goldman Sachs Asset Management, all figures are as of 31/12/2023.



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 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.

Liability Matching Fund (M) (NL) - T

Return (%) (net)	3 months	year to date	1 year	3 years (ann.)	5 years (ann.)
Liability Matching Fund (M) (NL) - T	5.1	6.0	6.0	-3.1	-1.3
Bloomberg Barclays Euro Treasury AAA 1-3 Yr Downgrade Maturity Tolerant, incl derivatives to increase duration (M)	4.9	5.5	5.5	-3.5	-1.7

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.)	5 years (ann.)
Liability Matching Fund (L) (NL) - T	19.4	10.5	10.5	-14.9	-3.8
Bloomberg Barclays Euro Treasury AAA 1-3 Yr Downgrade Maturity Tolerant, incl derivatives to increase duration (L)	19.1	10.0	10.0	-15.4	-4.3

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.)	5 years (ann.)
Liability Matching Fund (XL) (NL) - T	31.3	3.4	3.4	-25.0	-5.5
Bloomberg Barclays Euro Treasury AAA 1-3 Yr Downgrade Maturity Tolerant, incl derivatives to increase duration (XL)	31.2	3.8	3.8	-25.1	-5.6

Statistics

ISIN code	NL0013040363
Inception date	November 2018
Ongoing charges	0.15%

Source: Goldman Sachs Asset Management, all figures are as of 31/12/2023.

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