

Pensioenfonds APF provides a quarterly update about the developments of your investment in the BP-plan. The last quarter one observed that prices on the global financial markets fluctuated largely. There is a lot of uncertainty, in particular due to the increase in interest rates, global tensions, and war between countries. There are also changes in globalisation: the interregional trade (among others in Asia-Pacific and Africa) is growing as the result of an increasing number of regional trade agreements.

It remains important not to be influenced by the short-term market developments, and to stick to the long-term investment policy of the chosen Lifecycle.

Module Rendement (Return)

In this module worldwide investments are made in equities, and these performed well in 2023 so far. Stock markets moved up and down monthly. After the upward trend during the first half of 2023 in the third quarter prices dropped due to the assessment by investors that central banks will maintain interest rates at a higher level for longer, which will be a drag on growth.

Module Rente (Interest)

Central bankers are sometimes characterized as two types of birds: doves and hawks. The hawks, who are more stringent as to the restraint of inflation, have the upper hand lately. The central banks have indicated that interest rates will stay high for a longer period. A higher rate for new bond issues implies that the price of outstanding bonds will drop. For short-term bonds the difference is not material, but especially bonds with long duration will show a price drop.

In this module creditworthy bonds and private mortgages compose the portfolio. On balance, the value of these investments went down in the third quarter because of the higher interest rate.

Module Matching

For this module investments are made in interest derivatives that are highly interest rate sensitive in combination with liquidities. The purpose of this module is to hedge the risk of a drop in interest rates at the moment of pension purchase at retirement. To a large extent this already occurs in the Module Rente. The module Matching is required to offer adequate protection for long duration exposure. The interest rate of bonds with long duration went up and this resulted in a negative return for this module in Q3.

Overview of yields in the 3rd quarter and year-to-date 2023

	Return (net ¹) Q3 2023	Return benchmark Q3 2023	Return (net ¹) Year-to-date 2023	Return benchmark Year-to-date 2023
Module Rendement	-1,4%	-2,5%	9,9%	9,0%
Module Rente	-1,4%	-1,6%	0,9%	0,3%
Module Matching	-18,7%	-18,7%	-14,5%	-14,4%

Your realised return depends on the selected risk profile and your age. You will find this in our regular reports indicating the returns of the different Lifecycles.

¹ These are yields, corrected for all investment expenses. The return of the benchmark is always shown gross (without correction for costs). The return in de module is, therefore, not exactly comparable to the benchmark but it provides a good indication.

The returns of the Lifecycles for recent years are shown on the [website](#). The level of the pension that can be purchased also depends on the conversion factor, which fluctuates monthly; see the next paragraph.

Example of the movement of the extra pension purchased from BP-capital.

The additional pension from the BP-plan depends on the development of the BP-capital and of the BP-conversion factors. The conversion factors are determined monthly. The conversion factors for month M are based on a reference moment for the interest rate as per the end of month M-2.

In our quarterly BP-report we will follow a fictive 66 year old active participant having a neutral investment profile, who intends to convert the accrued BP-capital into additional pension at age 67.

This model participant has a BP-capital of € 200.000 as per the end of 2022, and the monthly deposit from the BP-premium is € 509.

We show an indication of the development of the BP-capital and the gross annual pension that can be purchased for this amount. Next to that we show the purchased surviving partner pension set at 70% of the retiree pension.

In our quarterly BP-report we will show the results for the months of January, April, July, and October:

Age 66

Conversion at age 67

Indicatie per	Invested BP-capital	Conversion factor	Retirement Pension	Surviving Partner Pension
1-1-2023	€ 200.000	17,9479	€ 11.143	€ 7.800
1-4-2023	€ 210.272	16,7210	€ 12.575	€ 8.803
1-7-2023	€ 215.739	17,1302	€ 12.594	€ 8.816
1-10-2023	€ 205.886	16,9287	€ 12.162	€ 8.513

Explanation 3rd quarter 2023:

Return for 66-year old participant (neutral lifecycle profile):	-5,25%
Deposited from BP-premium	€ 1.527

During the third quarter the invested BP-capital went down – despite the new BP premium – by almost € 10.000 due to the negative return. The conversion factor decreased slightly due to a higher interest rate resulting in a more favorable pension purchase. On balance the expected retirement pension at age 67 as per 1-10-2023 is lower than the level we saw as per 1-7-2023.

However, compared to the start of 2023 we still see an increased Invested BP-capital as well as a higher expected additional retirement pension.