

Pensioenfonds APF provides a quarterly update about the developments of your investment in the BP-plan. Looking at the recent increase of share prices one might think that all is well in the world. But if you follow the news, this is definitely not so. Stepping in and out on the stock market aiming at a nice investment return is called “timing the market”. To do this well one would need to know how stock market prices will move in the short term. In practice this cannot be done successfully. The long-term horizon of investing is much more important than “timing”. Young participants with a long horizon until retirement can (and should) invest to a larger extent in the stock market than participants that are nearer retirement age. It remains crucial not to be influenced by short term price developments and to stick to the long-term pension plan. For someone aged 25 we might be talking about more than 60 years!

Module Rendement (Return)

In this module worldwide investments are made in equities and these performed well in 2023 so far. Looking at returns of 11,5% so far this year, one would expect that all is well globally. But this is not the case; the past period saw troubles in France and the war in Ukraine with a counteroffensive in full swing. Central banks around the world are raising interest rates to cool down economic growth, and curb inflation. So far, investors do not get too nervous about all this, and share prices continued the upward trend of Q1, 2023, in particular for the American technology companies.

Module Rente (Interest)

In this module creditworthy bonds and private mortgages compose the portfolio. On balance, the value of these investments remained unchanged.

One can distinguish different interest rates for different durations along the yield curve. But something remarkable can be observed. The short term rates are going up, but long term interest rates are going down. As a result, investments in this module with longer durations show a small increase in value this quarter.

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 rate 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 down and this resulted in a modest positive return for this module in Q2.

Overview of yields in the 2nd quarter and year-to-date 2023

	Return (netto1) Q2 2023	Return benchmark Q2 2023	Return (netto1) Year-to-date 2023	Return benchmark Year-to-date 2023
Module Rendement	5,0%	5,5%	11,5%	11,7%
Module Rente	0,1%	0,1%	2,2%	2,0%
Module Matching	0,6%	0,7%	5,1%	5,4%

¹ These are yields, corrected for all investment expenses. The return of the benchmark 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.

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.

The positive returns for this quarter are nice to report, but ultimately investors need to remain focused on much longer time periods. 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, 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				

Explanation 2nd quarter 2023:

Return for 66-year old participant (neutral lifecycle profile): 1,87%
 Deposited from BP-premium € 1.527

The conversion factor increased due to a lower interest rate which lowers the pension amount. This decrease is compensated by the BP-premium deposit and the positive return on investments.