APF quarterly update Q4 2022 BP plan

Stichting Pensioenfonds APF

From now on, APF Pension Fund will prepare an update about the developments of your investments after each quarter. Short and to the point, 2022 was not a good year for investors. The war in Ukraine, the strong increase of interest rates, high inflation and the aftermath of the corona crisis left their mark.

Module Rendement (Return)

In this module investments are made in the stock market which performed badly in 2022. Importantly, there is no reason to panic about this. Bad investment years do occur from time to time, but with a well-diversified basket of shareholdings, the good years will make all the difference for the long-term returns.
In 2022 the central banks increased interest rates. Consequently, borrowing becomes more expensive and investing gets harder for consumers and companies. That leads to fear of a recession, postponement of consumption and declining stock market prices.
Stocks in Emerging Markets also showed negative returns. China was facing increasing corona infection numbers, and this caused downward pressure on share prices.

Module Rente (Interest)

Investments are made in creditworthy bonds and private loans for this module. The prices in this category declined during the year 2022 and equally in the 4th quarter. As a result of the interest rate increases, newly issued bonds offer a higher interest rate so that "older" bonds become less attractive to investors. The negative effect of this development is largest for bonds with a longer duration. We invest in creditworthy bonds which normally show moderate price movements. In 2022 these price movements were extraordinarily large because of the sharp and swift increase in rates.

Module Matching (Interest rate hedging)

For this module investments are made in derivatives which are highly sensitive to interest rate changes in combination with cash. The objective of this module is to hedge the risk of an unfavourable interest rate drop when converting of BP-capital into pension rights upon retirement. To a large extent this risk is already covered by module Rente. The module Matching, however, is necessary to provide adequate coverage for the long duration exposure. The sharp increase in interest rates led to a very negative yield for this module.

	Yield (net[1]) Q4 2022	Yield benchmark Q4 2022	Yield (net[1]) Full Year 2022	Yield benchmark Full Year 2022
Module Rendement	5,0%	5,5%	-18,5%	-17,3%
Module Rente	-2,0%	-1,2%	-17,4%	-16,9%
Module Matching	-5,2%	-5,1%	-67,3%	-66,5%

Yields for the Lifecycles depend on the selected risk profile and your age. As the Module Matching is primarily used in period before retirement, the Lifecycle yields for older active participants have been the worst[2].

The past year was turbulent for stock markets. During such times share prices usually drop harder than bonds, and bonds offer some capital protection. In 2022 we observed an extraordinary development: both stocks and bonds strongly declined in value simultaneously without any place to take shelter. In the past lesser stock market years turned out as good starting points for the future. Let's hope that 2023 marks the starting point for positive returns.

[1] These are yields corrected for direct investment costs. The yield of the benchmark is always shown gross (without correction for costs). No exact comparison can, therefore, be made between the yield of the module and that of the benchmark, but it provides a good indication.

[2] There are three lifecycles for the BP-plan: Lifecycle Neutral, Lifecycle Offensive and Lifecycle Defensive. In every lifecycle a certain combination of these three modules applies. The yields of the different lifecycles can be found here