APF Quarterly update Q4 2023 DC plan

Stichting Pensioenfonds APF

Pensioenfonds APF provides a quarterly update about the developments of your investment in the DC-plan. Political tensions and wars are unfortunately still every day's business. The future is not predictable, and neither is the performance of the financial markets. The past has shown that the stock markets always recover after a war. Indeed, also now one cannot predict how long the wars in Ukraine and the Middle East will last, what the outcome will be and what impact these will have on Western economies. In these circumstances it is fortunate that we have a long-term investment horizon, that our positions are well diversified, and that we don't panic when others do. In this way we are well protected against stock market declines long term. Whatever shape or form these fluctuations take.
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. Stock markets in developed economies showed an increase of 22,6% for the full year, whereas shares in emerging markets increased by "merely" 4,9%. China represents a large share of the emerging markets valuations. The country struggles with lower growth, high youth unemployment and a real estate crisis which depressed results.

Module Rente (Interest)
In 2023 inflation figures dropped more rapidly than expected towards the central bank's target of 2%. The expectation is that central bankers will start lowering interest rates in the course of 2024. An expected drop in interest rates means that the price of bonds will go up. The longer the duration of the bond, the larger the effect.
In this module creditworthy bonds and private mortgages compose the portfolio. On balance, the value of these investments increased in the fourth quarter because of the interest rate development.

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 down and this resulted in a positive return for this module in Q4.

Overview of yields in the 4th quarter and year-to-date 2023

	Return (net[1]) Q4 2023	Return benchmark Q4 2023	Return (net[1]) Year-to-date 2023	Return benchmark Year-to-date 2023
Module Rendement	8,1%	8,2%	18,8%	17,9%
Module Rente	5,4%	6,5%	6,3%	6,8%
Module Matching	34,7%	38,3%	15,2%	18,5%

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 indicative development of the extra pension purchased from DC-capital.
The additional pension from the DC-plan depends on the development of the DC-capital and of the DC-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 DC-report we will follow a fictive 66 year old active participant having a neutral investment profile, who intends to convert the accrued DC-capital into additional pension at age 67.
This model participant has a DC-capital of € 200.000 as per the end of 2022, and the monthly deposit from the DC-premium is € 509.
We show an indication of the development of the DC-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 DC-report we will show the results for the months of January, April, July, and October:

Age 66 Conversion at age 67

Indicatie per	**Invested DC-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
1-1-2024	€ 233.255	16,9095	€ 13794	€ 9.656

Explanation 4th quarter 2023:

Return for 66-year old participant (neutral lifecycle profile):	12,5%
Deposited from DC-premium	€ 1.527

During the fourth quarter the invested DC-capital increased – including the new DC premium – by almost € 27.500 due to the positive return. The conversion factor decreased slightly due to a slightly higher interest rate resulting in a more favorable pension purchase. This doesn't yet take into account the interest rate drop of December 2023, as this will only be reflected in the conversion factors of February 2024.
On balance the expected retirement pension at age 67 as per 1-1-2024 is considerably higher than the level we saw as per 1-10-2023.

Compared to the start of 2023 we see a marked increase of the DC-capital as well as a higher expected additional retirement pension.