



Investment returns

Third quarter 2023



Foreword

Third quarter 2023: Lower inflation and higher interest rates.

Economic growth came under further pressure this quarter. Forecasts for the manufacturing industry had already been low in past quarters. This quarter, the forecasts for the services industry have also been revised downward globally.. The expected decline in economic activity has been reflected with negative returns in the stock market.

Central banks are depressing economic activity by further raising policy interest rates. This quarter, for the first time, interest rates were higher than inflation in the US. Investors are concerned about the sustainability of public finances, as these have become more expensive as a result of the rise in interest rates. This has a negative effect on government bond prices.

After a positive first six months, global equities were down nearly 3% this quarter. Real estate also had a negative quarter. Commodities were up around 14%, due mainly to a rising oil price. In fixed income, both higher-risk bonds and safer bonds declined in value due to the rise in interest rates.

Explanation of the results

Equity markets

Equity markets includes stocks, real estate and commodities. The main developments were:

- ✓ Global stocks decreased in value last quarter, after a positive first half of 2023. There was a price correction this quarter, as more investors are assuming a longer period of higher interest rates.
- ✓ The luxury consumer goods sector was hit the hardest. With rising interest rates and high inflation, consumers have less money to spend. The technology sector also declined. Despite the enthusiasm for artificial intelligence, consumption is expected to fall in the short term.
- ✓ Real estate markets posted negative returns last quarter, with values declining due to higher interest rates.
- ✓ The commodities market had a positive quarter, mainly due to an increase in oil prices. Russia and Saudi Arabia have decided to produce less oil, causing higher prices. Grain prices fell despite the end of the deal between Russia and Ukraine, partly due to increased grain production from Russia.

Conclusion

Due to all of the above developments, the returns on equity markets were on balance negative this quarter.



Explanation of the results

Fixed-income markets

Fixed-income securities include government and corporate bonds. The main developments were:

- ✓ Low-risk bonds showed negative returns this quarter. Investors expect interest rates to remain high for an extended period and continue to rise. This puts pressure on public finances, which was the reason for the US to lose the highest credit rating. This causes bond yields to rise.
- ✓ Bonds with a higher risk profile, such as high-yield bonds and emerging market bonds, also showed negative returns. Because the risk premium remained stable this quarter, the negative return was less than the return on bonds with a low risk profile. Short-term bonds, such as asset-backed securities, were also less affected by the rise in interest rates and produced positive returns.

Conclusion

Fixed-income returns were negative on balance this quarter.

Our strategic investment allocation remains in place

Financial markets are in flux and we analyze them continuously. This analysis leads to forecasts, which we then compare to the risk profile of our participants. This ensures that our allocation to equity markets, fixed-income markets and possibly cash continues to correspond to the risk profile of our participants.

We are maintaining our existing strategic investment allocation for all risk profiles for now. But we continue to monitor developments closely.

In conclusion

The value of investments can rise or fall.
Past performance is no guarantee of future results.



Life Cycle Investing

The tables below show returns calculated according to an investment mix that changes as a person ages. For example, when calculating the returns over the past 5 years for a 65-year-old, we assume that the person concerned was 60 years old 5 years ago.

	Returns for 35 year old participant									
	Single Manager					Multi Manager				
	Very Defensive Life Cycle	Defensive Life Cycle	Neutral Life Cycle	Offensive Life Cycle	Very Offensive Life Cycle	Very Defensive Life Cycle	Defensive Life Cycle	Neutral Life Cycle	Offensive Life Cycle	Very Offensive Life Cycle
3 - Month	-1,22%	-1,35%	-1,41%	-1,41%	-1,47%	-1,37%	-1,50%	-1,57%	-1,57%	-1,63%
1 - Year	11,01%	11,93%	12,40%	12,40%	12,86%	11,30%	12,27%	12,75%	12,75%	13,23%
3 - Year	18,82%	22,53%	24,40%	25,68%	26,29%	17,67%	16,52%	19,84%	22,62%	25,50%
5 - Year	24,69%	28,40%	30,27%	31,52%	32,15%	26,20%	26,80%	29,95%	32,46%	35,50%
Year to date	7,04%	7,63%	7,92%	7,92%	8,21%	6,93%	7,53%	7,82%	7,82%	8,12%

	Returns for 45 year old participant									
	Single Manager					Multi Manager				
	Very Defensive Life Cycle	Defensive Life Cycle	Neutral Life Cycle	Offensive Life Cycle	Very Offensive Life Cycle	Very Defensive Life Cycle	Defensive Life Cycle	Neutral Life Cycle	Offensive Life Cycle	Very Offensive Life Cycle
3 - Month	-5,36%	-3,58%	-1,41%	-1,41%	-1,47%	-5,53%	-3,73%	-1,57%	-1,57%	-1,63%
1 - Year	6,03%	9,23%	12,40%	12,40%	12,86%	6,33%	9,57%	12,75%	12,75%	13,23%
3 - Year	-1,01%	9,41%	22,14%	24,23%	26,34%	-1,73%	5,22%	19,84%	22,62%	25,50%
5 - Year	11,82%	14,77%	27,89%	30,02%	32,21%	13,43%	14,93%	29,95%	32,46%	35,50%
Year to date	2,25%	5,04%	7,92%	7,92%	8,21%	2,12%	4,95%	7,82%	7,82%	8,12%

	Returns for 55 year old participant									
	Single Manager					Multi Manager				
	Very Defensive Life Cycle	Defensive Life Cycle	Neutral Life Cycle	Offensive Life Cycle	Very Offensive Life Cycle	Very Defensive Life Cycle	Defensive Life Cycle	Neutral Life Cycle	Offensive Life Cycle	Very Offensive Life Cycle
3 - Month	-7,64%	-6,47%	-4,40%	-1,41%	-1,44%	-7,79%	-6,57%	-4,54%	-1,57%	-1,60%
1 - Year	1,40%	3,85%	7,95%	12,40%	12,62%	1,61%	4,13%	8,27%	12,75%	12,99%
3 - Year	-17,99%	-16,36%	-1,89%	18,72%	26,85%	-18,61%	-14,73%	2,48%	21,57%	25,23%
5 - Year	4,77%	2,28%	22,97%	36,25%	32,74%	5,94%	-6,51%	10,94%	31,23%	35,20%
Year to date	-1,85%	0,63%	3,81%	7,92%	8,06%	-1,98%	0,58%	3,72%	7,82%	7,97%

	Returns for 65 year old participant									
	Single Manager					Multi Manager				
	Very Defensive Life Cycle	Defensive Life Cycle	Neutral Life Cycle	Offensive Life Cycle	Very Offensive Life Cycle	Very Defensive Life Cycle	Defensive Life Cycle	Neutral Life Cycle	Offensive Life Cycle	Very Offensive Life Cycle
3 - Month	-5,93%	-6,05%	-4,08%	-4,54%	-5,75%	-6,32%	-6,37%	-4,41%	-4,80%	-5,95%
1 - Year	-0,88%	1,02%	4,09%	5,11%	5,58%	-0,86%	1,11%	4,23%	5,30%	5,84%
3 - Year	-24,64%	-22,05%	-11,67%	-2,06%	-2,66%	-26,05%	-26,56%	-13,82%	-3,46%	-3,38%
5 - Year	-4,68%	-1,11%	15,23%	16,57%	12,59%	-6,54%	-15,72%	-6,24%	3,39%	14,24%
Year to date	-3,51%	-2,19%	0,82%	1,38%	1,21%	-3,95%	-2,54%	0,47%	1,12%	1,05%

Fixed Asset Allocation

A fixed asset allocation means returns are calculated with an investment mix that does not change as a person ages. For example, when calculating the return over the past 5 years for a 65-year-old, we assume that the person concerned was 65 years of age 5 years ago. Please note that the rest of the calculations work in the same way as life cycle investing, investments are also not made according to a fixed mix.

	Returns for 35 year old participant									
	Single Manager					Multi Manager				
	Very Defensive Life Cycle	Defensive Life Cycle	Neutral Life Cycle	Offensive Life Cycle	Very Offensive Life Cycle	Very Defensive Life Cycle	Defensive Life Cycle	Neutral Life Cycle	Offensive Life Cycle	Very Offensive Life Cycle
3 - Month	-1,22%	-1,35%	-1,41%	-1,41%	-1,47%	-1,37%	-1,50%	-1,57%	-1,57%	-1,63%
1 - Year	11,01%	11,93%	12,40%	12,40%	12,86%	11,30%	12,27%	12,75%	12,75%	13,23%
3 - Year	18,82%	22,53%	24,40%	25,68%	26,29%	17,67%	16,52%	19,84%	22,62%	25,50%
5 - Year	24,69%	28,40%	30,27%	31,52%	32,15%	26,20%	26,80%	29,95%	32,46%	35,50%
Year to date	7,04%	7,63%	7,92%	7,92%	8,21%	6,93%	7,53%	7,82%	7,82%	8,12%

	Returns for 45 year old participant									
	Single Manager					Multi Manager				
	Very Defensive Life Cycle	Defensive Life Cycle	Neutral Life Cycle	Offensive Life Cycle	Very Offensive Life Cycle	Very Defensive Life Cycle	Defensive Life Cycle	Neutral Life Cycle	Offensive Life Cycle	Very Offensive Life Cycle
3 - Month	-5,36%	-3,58%	-1,41%	-1,41%	-1,47%	-5,53%	-3,73%	-1,57%	-1,57%	-1,63%
1 - Year	6,03%	9,23%	12,40%	12,40%	12,86%	6,33%	9,57%	12,75%	12,75%	13,23%
3 - Year	-3,17%	5,29%	19,84%	22,95%	26,52%	-3,82%	3,14%	19,84%	22,62%	25,50%
5 - Year	16,47%	16,61%	34,99%	33,38%	32,40%	18,20%	12,65%	29,95%	32,46%	35,50%
Year to date	2,25%	5,04%	7,92%	7,92%	8,21%	2,12%	4,95%	7,82%	7,82%	8,12%

	Returns for 55 year old participant									
	Single Manager					Multi Manager				
	Very Defensive Life Cycle	Defensive Life Cycle	Neutral Life Cycle	Offensive Life Cycle	Very Offensive Life Cycle	Very Defensive Life Cycle	Defensive Life Cycle	Neutral Life Cycle	Offensive Life Cycle	Very Offensive Life Cycle
3 - Month	-7,64%	-6,47%	-4,40%	-1,41%	-1,44%	-7,79%	-6,57%	-4,54%	-1,57%	-1,60%
1 - Year	1,40%	3,85%	7,95%	12,40%	12,62%	1,61%	4,13%	8,27%	12,75%	12,99%
3 - Year	-19,94%	-18,17%	-4,10%	17,85%	26,27%	-20,64%	-17,33%	-0,36%	20,92%	24,42%
5 - Year	3,53%	3,22%	24,43%	38,18%	32,18%	3,95%	-9,05%	7,54%	30,29%	34,20%
Year to date	-1,85%	0,63%	3,81%	7,92%	8,06%	-1,98%	0,58%	3,72%	7,82%	7,97%

	Returns for 65 year old participant									
	Single Manager					Multi Manager				
	Very Defensive Life Cycle	Defensive Life Cycle	Neutral Life Cycle	Offensive Life Cycle	Very Offensive Life Cycle	Very Defensive Life Cycle	Defensive Life Cycle	Neutral Life Cycle	Offensive Life Cycle	Very Offensive Life Cycle
3 - Month	-5,93%	-6,05%	-4,08%	-4,54%	-5,75%	-6,32%	-6,37%	-4,41%	-4,80%	-5,95%
1 - Year	-0,88%	1,02%	4,09%	5,11%	5,58%	-0,86%	1,11%	4,23%	5,30%	5,84%
3 - Year	-25,31%	-21,87%	-11,66%	-2,66%	-4,55%	-26,82%	-27,31%	-16,65%	-5,90%	-5,21%
5 - Year	-8,52%	-3,17%	11,46%	15,43%	14,03%	-11,17%	-13,67%	-4,15%	1,94%	15,30%
Year to date	-3,51%	-2,19%	0,82%	1,38%	1,21%	-3,95%	-2,54%	0,47%	1,12%	1,05%

Free Investing

Single manager	3 - Month	1 - Year	3 - Year	5 - Year	Year to date
AEAM World Equity Index Fund (EUR)	-2,64%	15,91%	22,60%	34,36%	10,41%
AEAM Global Real Estate Fund	-6,10%	-7,76%	-5,52%	-11,88%	-7,12%
AEGON Global Commodity Fund (EUR)	14,64%	7,44%	103,88%	18,10%	4,04%
AEGON Core Eurozone Government Bond Index Fund	-3,00%	-5,29%	-26,57%	-23,85%	-2,70%
AEGON Emerging Market Debt Fund (EUR)	-4,02%	2,44%	-29,89%	-33,92%	-4,30%
AEGON Global High Yield Fund (EUR)	-1,08%	2,75%	-12,09%	-18,01%	0,03%
AEGON European Credit Fund	-0,22%	1,83%	-14,08%	-10,76%	1,09%
AEGON ABS Fund	0,47%	2,50%	-1,69%	-2,30%	2,30%
AEAM Money Market Euro Fund	1,04%	2,91%	1,84%	1,36%	2,47%

Multi manager	3 - Month	1 - Year	3 - Year	5 - Year	Year to date
Global Equity (passive hedged)	-2,89%	17,81%	26,09%	38,50%	11,67%
Global Equity (active hedged)	-2,71%	18,37%	22,99%	45,03%	13,67%
Socially Responsible Equity (passive hedged)	-3,90%	17,75%	26,15%	46,54%	11,63%
AEGON Global Commodity Fund (EUR)	14,64%	7,44%	103,88%	18,10%	4,04%
Emerging Markets Equity (active)	-1,61%	5,33%	4,02%	25,70%	3,65%
Global Listed Real Estate (passive hedged)	-3,17%	-2,55%	0,61%	-6,81%	-5,39%
AEGON Core Eurozone Government Bond Index Fund	-3,00%	-5,29%	-26,57%	-23,85%	-2,70%
Corporate Bonds (active)	0,41%	4,22%	-10,11%	-3,83%	2,71%
Global Corporate Bonds ex. Financials (passive hedged)	-2,66%	0,48%	-17,80%	-8,19%	-0,90%
Global High Yield Bonds (active hedged)	0,24%	8,71%	-1,52%	2,69%	3,96%
Emerging Markets Bonds (active)	-2,72%	12,04%	-15,29%	-11,42%	2,37%
Inflation Linked Bonds - Germany (Passive)	-3,28%	-0,56%	-4,43%	-3,99%	-1,16%
AEAM Money Market Euro Fund	1,04%	2,91%	1,84%	1,36%	2,47%

Good to know:

Free Investing

- The table on Free Investing shows the provisional return on the starting balance for a period through September 30, 2023.
- That time period is, for example, the past quarter or year. In reality, new contributions are paid in monthly. An employee's total return may therefore differ from that shown.
- The figures in the table include fund managers' fees, but exclude fees charged by Aegon Cappital. which vary per employer.

Life Cycle Investing

- The tables on Life Cycle Investing shows the provisional return on the starting balance for a period through September 30, 2023. That time period is, for example, the past quarter or year. In reality, new contributions are paid in monthly. An employee's total return may therefore differ from that shown.
- The figures in the tables include fund managers' fees, but exclude fees charged by Aegon Cappital. which vary per employer.
- In the second halves of 2021 and 2022, the investment mix improved incrementally. We have included these improvements in the above figures.
- The highly defensive and highly offensive profiles have been available since July 1, 2021. The table also shows returns prior to that. These are the returns that would have been achieved if these profiles had been available at that time. This enables proper comparison between profiles.
- Any cash calls and dividends from the Aegon Liability Matching Fund II are offset against the Aegon Diversified Bond Fund II on the Single Manager funds side. And with Euro Government Bonds Extra Long (passive) on the Multi Manager funds side. From October 2022, cash calls and dividends from LiMa will be offset against the Aegon Fixed Income Stability Fund and the MM Fixed Income Stability Fund.
- For the 3 and 5-year periods, we rebalance on an annual basis, with no entry and exit fees, on each occasion 12 months from the start of the measurement period.

