

Foreword

Fourth quarter 2023: Higher stock prices driven by increase in investor confidence

Investor expectations changed considerably in the last quarter of 2023, due to sharply lower inflation in the US and EU. In the previous quarter, the market was still expecting central banks to keep policy rates high for longer to reduce inflation. However, since October 2023 the market has been pricing in a global interest rate decline in 2024.

The economy is being held back by high policy rates from both the European and U.S. central banks. Last quarter, the market forecast changed to a decline in interest rates in 2024. This had a positive effect on government and corporate bond prices, with returns for these categories of 6.6% and 5.8% respectively.

Lower policy interest rates will reduce the pressure on the economy. This has brought about a positive change in earnings expectations for businesses and real estate. Last quarter, global equities posted a return of 9.1%. Real estate also increased in value by 9.9%. Lower oil prices caused commodities to decline by 10.4% in the last quarter of 2023.

Notes to the results

Marketable securities markets

The main developments in the fourth quarter of 2023 were:

- ✓ The market priced in a faster decline in interest rates for 2024 as inflation eased. During the third quarter of 2023, the market was still expecting interest rates to remain high for an extended period of time. As a result of the changed expectations, global equities rose in value last quarter.
- ✓ Sectors that rely heavily on borrowing showed the fastest increase in value last quarter, as loans become less expensive at lower interest rates. Companies then have more money available to invest or distribute to shareholders. The consumer luxury goods and information technology sectors achieved the highest returns in the fourth quarter.
- ✓ Real estate markets posted positive returns last quarter, as the real estate sector also depends heavily on interest rates as projects are financed with loans. Earnings forecasts have also increased due to market expectations of lower interest rates.
- ✓ The commodities market experienced a negative quarter due to a decline in oil prices. Demand for oil was lower than expected this quarter, causing oil prices to fall.

Conclusion

Returns on marketable securities were on balance positive this quarter.



Notes to the results

Fixed-income markets

The main developments in the fourth quarter of 2023 were:

- ✓ Low-risk bonds showed positive returns this quarter. The market expects interest rates to fall in 2024. Existing bonds increased in value as a result. Last quarter was the best quarter for bonds in 20 years.
- ✓ Bonds with a higher risk profile, such as high-yield and emerging market bonds, also showed positive returns. The return was higher than for low-risk bonds because the risk premium also declined this quarter. The market is no longer discounting a recession, which has led to reduced risk.

Conclusion

Fixed-income returns were positive on balance this quarter.

Good to remember

The value of investments can rise or fall. Past performance is no guarantee of future results. No rights can be derived from this document.



Life Cycle Investing

The tables below show returns calculated according to an investment mix that changes as a person ages. In Life Cycle Investing, we reduce risk as a person ages. So the investment mix changes over the years. For example, when calculating the return over the past 5 years for a 65-year-old, we assume that the person concerned was 60 years of age 5 years ago. This return thus assumes a reduction in the risk of the investment mix between 60 and 65 years of age.

	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	7,69%	7,89%	7,99%	7,99%	8,09%	8,12%	8,38%	8,51%	8,51%	8,64%
1 - Year	15,26%	16,13%	16,57%	16,57%	17,00%	15,61%	16,55%	17,02%	17,02%	17,50%
3 - Year	16,12%	19,14%	20,67%	21,48%	22,20%	15,15%	14,82%	17,40%	19,29%	21,50%
5 - Year	49,36%	56,14%	59,61%	62,18%	63,14%	49,79%	48,59%	54,31%	59,18%	65,20%
Year to date	15,26%	16,13%	16,57%	16,57%	17,00%	15,61%	16,55%	17,02%	17,02%	17,50%

	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	15,25%	11,99%	7,99%	7,99%	8,09%	15,69%	12,49%	8,51%	8,51%	8,64%
1 - Year	17,47%	17,46%	16,57%	16,57%	17,00%	17,78%	17,89%	17,02%	17,02%	17,50%
3 - Year	1,60%	10,65%	18,96%	20,46%	22,22%	0,84%	7,54%	17,40%	19,29%	21,50%
5 - Year	39,51%	42,21%	56,51%	60,05%	63,16%	39,89%	37,02%	54,31%	59,18%	65,20%
Year to date	17,47%	17,46%	16,57%	16,57%	17,00%	17,78%	17,89%	17,02%	17,02%	17,50%

	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	19,20%	17,96%	13,36%	7,99%	8,04%	19,53%	18,40%	13,85%	8,51%	8,58%
1 - Year	16,36%	18,21%	17,42%	16,57%	16,78%	16,53%	18,60%	17,82%	17,02%	17,25%
3 - Year	-13,07%	-10,29%	0,84%	16,01%	22,78%	-13,82%	-8,65%	4,76%	18,61%	21,25%
5 - Year	30,09%	25,01%	46,99%	62,52%	63,91%	29,85%	14,58%	36,63%	57,81%	64,86%
Year to date	16,36%	18,21%	17,42%	16,57%	16,78%	16,53%	18,60%	17,82%	17,02%	17,25%

	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	15,09%	15,22%	12,16%	12,84%	14,62%	15,04%	15,31%	12,31%	13,10%	15,00%
1 - Year	10,66%	12,26%	12,81%	14,09%	15,60%	10,08%	11,93%	12,55%	14,05%	15,79%
3 - Year	-19,30%	-16,90%	-8,38%	-0,72%	-0,99%	-20,83%	-20,45%	-9,84%	-1,69%	-1,81%
5 - Year	9,62%	13,35%	31,23%	39,79%	38,82%	6,53%	-4,38%	9,32%	25,74%	39,09%
Year to date	10,66%	12,26%	12,81%	14,09%	15,60%	10,08%	11,93%	12,55%	14,05%	15,79%

Fixed Mix

A fixed investment mix means that returns are calculated for 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 also 65 years of age 5 years ago. Please note! The other calculations are the same as for Life Cycle investing. This table is added because many other pension providers show a fixed-mix table as well, thus making comparison easier. In reality, we invest according to the Life Cycle principle, as shown in the above table.

	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	7,69%	7,89%	7,99%	7,99%	8,09%	8,12%	8,38%	8,51%	8,51%	8,64%
1 - Year	15,26%	16,13%	16,57%	16,57%	17,00%	15,61%	16,55%	17,02%	17,02%	17,50%
3 - Year	16,12%	19,14%	20,67%	21,48%	22,20%	15,15%	14,82%	17,40%	19,29%	21,50%
5 - Year	49,36%	56,14%	59,61%	62,18%	63,14%	49,79%	48,59%	54,31%	59,18%	65,20%
Year to date	15,26%	16,13%	16,57%	16,57%	17,00%	15,61%	16,55%	17,02%	17,02%	17,50%

	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	15,25%	11,99%	7,99%	7,99%	8,09%	15,69%	12,49%	8,51%	8,51%	8,64%
1 - Year	17,47%	17,46%	16,57%	16,57%	17,00%	17,78%	17,89%	17,02%	17,02%	17,50%
3 - Year	-0,76%	6,67%	17,22%	19,40%	22,43%	-1,47%	5,14%	17,40%	19,29%	21,50%
5 - Year	42,57%	40,46%	60,35%	61,70%	63,45%	42,93%	33,97%	54,31%	59,18%	65,20%
Year to date	17,47%	17,46%	16,57%	16,57%	17,00%	17,78%	17,89%	17,02%	17,02%	17,50%

	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	19,20%	17,96%	13,36%	7,99%	8,04%	19,53%	18,40%	13,85%	8,51%	8,58%
1 - Year	16,36%	18,21%	17,42%	16,57%	16,78%	16,53%	18,60%	17,82%	17,02%	17,25%
3 - Year	-14,85%	-11,97%	-1,19%	15,37%	22,33%	-15,60%	-10,94%	2,22%	18,11%	20,61%
5 - Year	25,30%	23,23%	45,14%	62,61%	62,55%	24,47%	9,93%	29,42%	55,64%	63,06%
Year to date	16,36%	18,21%	17,42%	16,57%	16,78%	16,53%	18,60%	17,82%	17,02%	17,25%

	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	15,09%	15,22%	12,16%	12,84%	14,62%	15,04%	15,31%	12,31%	13,10%	15,00%
1 - Year	10,66%	12,26%	12,81%	14,09%	15,60%	10,08%	11,93%	12,55%	14,05%	15,79%
3 - Year	-19,60%	-16,65%	-8,35%	-1,66%	-2,83%	-21,14%	-20,90%	-11,89%	-3,97%	-3,54%
5 - Year	2,30%	9,37%	25,25%	36,84%	36,71%	-1,22%	-5,60%	5,13%	19,33%	36,70%
Year to date	10,66%	12,26%	12,81%	14,09%	15,60%	10,08%	11,93%	12,55%	14,05%	15,79%

Free Investing

Single manager	3 - Month	1 - Year	3 - Year	5 - Year	Year to date
AEAM World Equity Index Fund (EUR)	9,10%	20,46%	18,94%	68,16%	20,46%
AEAM Global Real Estate Fund	9,93%	2,10%	-1,83%	-0,48%	2,10%
AEGON Global Commodity Fund (EUR)	-10,43%	-6,81%	60,32%	39,24%	-6,81%
AEGON Core Eurozone Government Bond Index Fund	6,61%	3,73%	-21,75%	-19,18%	3,73%
AEGON Emerging Market Debt Fund (EUR)	7,34%	2,73%	-28,28%	-25,64%	2,73%
AEGON Global High Yield Fund (EUR)	4,96%	4,99%	-12,07%	-8,67%	4,99%
AEGON European Credit Fund	5,11%	6,25%	-11,35%	-5,37%	6,25%
AEGON ABS Fund	0,45%	2,76%	-1,71%	-1,14%	2,76%
AEAM Money Market Euro Fund	1,06%	3,55%	2,99%	2,62%	3,55%

Multi manager	3 - Month	1 - Year	3 - Year	5 - Year	Year to date
Global Equity (passive hedged)	10,00%	22,84%	23,79%	76,14%	22,84%
Global Equity (active hedged)	10,26%	25,33%	21,86%	84,88%	25,33%
Socially Responsible Equity (passive hedged)	9,60%	22,35%	25,19%	83,26%	22,35%
AEGON Global Commodity Fund (EUR)	-10,43%	-6,81%	60,32%	39,24%	-6,81%
Emerging Markets Equity (active)	4,48%	8,29%	-6,43%	39,24%	8,29%
Global Listed Real Estate (passive hedged)	12,91%	6,82%	3,08%	11,49%	6,82%
AEGON Core Eurozone Government Bond Index Fund	6,61%	3,73%	-21,75%	-19,18%	3,73%
Corporate Bonds (active)	5,82%	8,69%	-6,87%	2,38%	8,69%
Global Corporate Bonds ex. Financials (passive hedged)	6,95%	5,98%	-13,50%	-1,35%	5,98%
Global High Yield Bonds (active hedged)	6,26%	10,46%	-1,66%	14,48%	10,46%
Emerging Markets Bonds (active)	8,82%	11,39%	-13,32%	-1,29%	11,39%
Inflation Linked Bonds - Germany (Passive)	4,30%	3,10%	-2,53%	0,72%	3,10%
AEAM Money Market Euro Fund	1,06%	3,55%	2,99%	2,62%	3,55%

Good to know

Life Cycle Investing

- The tables on Life Cycle Investing shows the provisional return on the starting balance for a period through December 31, 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 Cappelital, which vary per employer.
- In the 2021, 2022 and 2023 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.

Difference between Life Cycle and fixed mix

- With fixed mix returns, the age of participants is held constant. The Life Cycle returns take account of the change in age.
- As a participant approaches retirement, we reduce their risk. We do this by adjusting the investment mix. With a fixed mix, the investment mix is kept constant; the Life Cycle returns take account of a changing investment mix. The Life Cycle returns table is thus a better reflection of how a participant's investments perform within our risk profiles.
- We publish both tables because other pension providers show the fixed mix as well.

Free Investing

- The table on Free Investing shows the provisional return on the starting balance for a period through December 31, 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 Cappelital, which vary per employer.