

NN First Class Return Fund II - N

Fund in Scope

All data as of end March 2020



- Equities were the main driver of the negative result
- Real estate was the worst performing asset class
- Tactical asset allocation and fund selection added to performance

Performance

The first quarter of 2020 was one of the worst ever in equity markets, as the spread of the coronavirus outside China spurred a flight to safe havens. Interest rates on government bonds dipped, while more risky asset classes were also hit hard. The corona crisis and the accompanying lockdown measures took a firm grip on the economy, financial markets and policymakers. Volatility soared to record highs, equity markets plunged almost 35%. The result this quarter was mainly driven by the equity strategies which from a benchmark perspective contributed approximately -14% to total return. Stock selection on the other hand was very positive and added 4.4%. Especially the NN Duurzaam Aandelen Fonds performed well from a relative perspective and clearly outperformed its benchmark.

With spreads widening and yields increasing the fixed income funds also printed double digit losses. Within the alternative strategies we saw negative contributions as well. In this space real estate was the worst performing asset class (-27%). Given the relatively low allocation it contributed -1.5% to overall performance. Overall fund selection contributed positively as on average the strategies managed to outperform their benchmarks, while tactical asset allocation contributed positively to total return as well. In total active management was able to add 4.0% to performance during this difficult quarter.

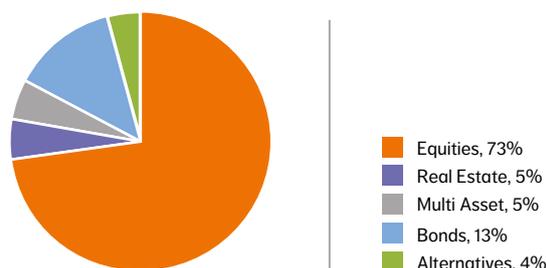
Statistics

ISIN code	NL0013019235
Inception date	July 2018
Ongoing charges	0.4%
Morningstar	★★★★★

Outlook

For investors, it will be crucial to assess whether the economic recovery (and hence the market recovery) will be V-shaped or whether permanent damage has been done that will seriously limit the speed of the healing process. Equity markets currently only price a 15-20% earnings fall for 2020, which we consider overly optimistic. For now, we cautiously estimate the 2020 decline in earnings at 25%. However, depending on the length of the lockdowns and the time it takes for the global economy to return to normal, the impact on company profits could be much bigger. For now we remain cautious, given the ongoing uncertainty about the duration and depth of the downturn.

Asset Class allocation



Source: NN IP Performance Measurement Europe

Performance

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	3 Months	Year to date	1 Year	3 Year (ann)	5 Year (ann)
Net return (%)	-13.4	-13.4	3.2	1.8	2.0

Current allocation of the underlying strategies*

Equities	3 Months	BM	Year to date	BM	1 Year	BM	3 Year (ann)	BM	5 Year (ann)	BM	Weight**
NN Duurzaam Aandelen Fonds	-12.7	-19.2	-12.7	-19.2	3.7	-8.3	6.3	1.1	5.6	2.8	60.7
NN Enhanced Index Sustainable EM Equity Fund	-21.5	-21.8	-21.5	-21.8	-14.7	-15.8	-0.4	-2.5	0.8	-0.8	12.2
Real Estate	3 Months	BM	Year to date	BM	1 Year	BM	3 Year (ann)	BM	5 Year (ann)	BM	Weight**
NN Global Real Estate	-27.2	-26.9	-27.2	-26.9	-22.0	-22.2	-4.2	-5.1	-2.8	-2.6	5.0
Multi Asset	3 Months	BM	Year to date	BM	1 Year	BM	3 Year (ann)	BM	5 Year (ann)	BM	Weight**
NN (L) Multi Asset Factor Opportunities	-12.2	-0.1	-12.2	-0.1	-3.5	-0.4	-1.3	-0.4			5.0
Bonds	3 Months	BM	Year to date	BM	1 Year	BM	3 Year (ann)	BM	5 Year (ann)	BM	Weight**
NN (L) Global High Yield	-15.0	-13.7	-15.0	-13.7	-11.3	-9.9	-2.3	-1.9	0.5	0.7	4.5
NN (L) Emerging Markets Debt HC	-15.1	-13.9	-15.1	-13.9	-10.9	-9.5	-2.4	-2.2	1.4	0.7	2.5
NN (L) Emerging Markets Debt LB	-13.5	-13.3	-13.5	-13.3	-4.5	-4.3	-2.3	-1.6	-0.6	-0.2	6.1
Hedge Funds	3 Months	BM	Year to date	BM	1 Year	BM	3 Year (ann)	BM	5 Year (ann)	BM	Weight**
NN (L) Alternative Beta	-6.8	-8.2	-6.8	-8.2	-5.0	-6.7	-1.0	-4.3	-0.3	-3.5	4.0

* The underlying strategies of the NN First Class Return Fund II are the gross returns. The fund costs (ongoing charges) will only be reflected in the returns of the NN First Class Return Fund II.

** The figures shown in the "weight" column are based on the model weights at quarter end. Therefore the returns cannot be calculated based on these weights.

Source: NN IP Performance Measurement Europe

Benchmarks (In the same order as the funds in the table above)

- MSCI World (NR)
- MSCI Emerging Markets (NR)
- MSCI Emerging Markets (NR)
- GPR 250 Global 10/40 (NR)
- Euribor 1-month
- Bloomberg Barclays Euro-Aggregate Corporate
- Bloomberg Barclays 70% US 30% Pan-European ex Fin Subord 2% Issuer Capped High Yield EUR (hedged)
- J.P. Morgan Emerging Market Bond (EMBI) Global Diversified EUR (hedged)
- J.P. Morgan Government Bond-Emerging Market (GBI-EM) Global Diversified
- Bloomberg Commodity (TR) EUR (hedged)
- HFRX Global Hedge Fund EUR (hedged)

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