

NN Liability Matching Fund - M

Fund in scope

All data as of end December 2018



- German 10-year Bund yield declined 22 bps in the third quarter to 0.25%
- We expect gradual higher yield for the safe Euro bonds
- 5-year EUR swap rate down 21 bps over the quarter; from 0.39 to 0.18%
- Positive return of 1.0% reflection of the decrease in rates; duration 4.7 years

Performance

During the fourth quarter of 2018, developed bond yields reversed the increase of the previous quarter. The underlying reason for the move was clearly different, however. In the previous quarter, bond yields mainly moved higher because of higher real yields, related to continuing strong US economic data. In the last quarter of the year, bond yields mainly declined because of lower break-even inflation due to the sharp drop in oil prices. On balance, yields on 10-year German government bond yields declined from almost 0.5% at the start of the quarter to about 0.25% at year-end and over the quarter the 5-year EUR swap rate decreased from 0.39% to 0.18%. Over the quarter the fund realized a net return of 1.0%. This increase reflects the decrease in Euro swap rates.

At the end of the quarter, the AUM of the fund amounted to € 937mln.

Outlook

Our view is that economic growth in developed markets will converge as the US fiscal “sugar high” fades. At the same time, we foresee a recovery in Europe and Japan, driven by domestic demand and a recovery from the one-off headwinds (new emission rules and natural disasters).

In this environment, we expect more Fed rate hikes and probably a first rate hike from the ECB. Combined with an expected recovery in oil prices and less supportive demand-supply dynamics for government bonds – mostly because of the end of ECB QE and the Fed’s ongoing balance sheet reduction – we expect a gradual rise in safe government bond yields. However, spikes in uncertainty might temporarily drive investors into safe government bonds.

ISIN code	NL0010290540
Inception date	March 2014
Ongoing charges	0.25%

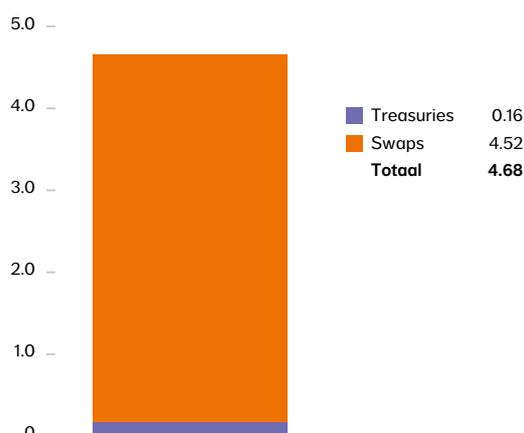
Net Performance (%)

	3 Months	Year to date	1 year	3 year (ann)	5 year (ann)
NN Liability Matching Fund M - N	1.0	1.0	1.0	0.6	1.4

Net Performance (%)

Treasuries	11.2
Swaps	0.4
Cash	88.4

Duration contribution (year)



Source: NN IP Performance Measurement Europe

Fund description

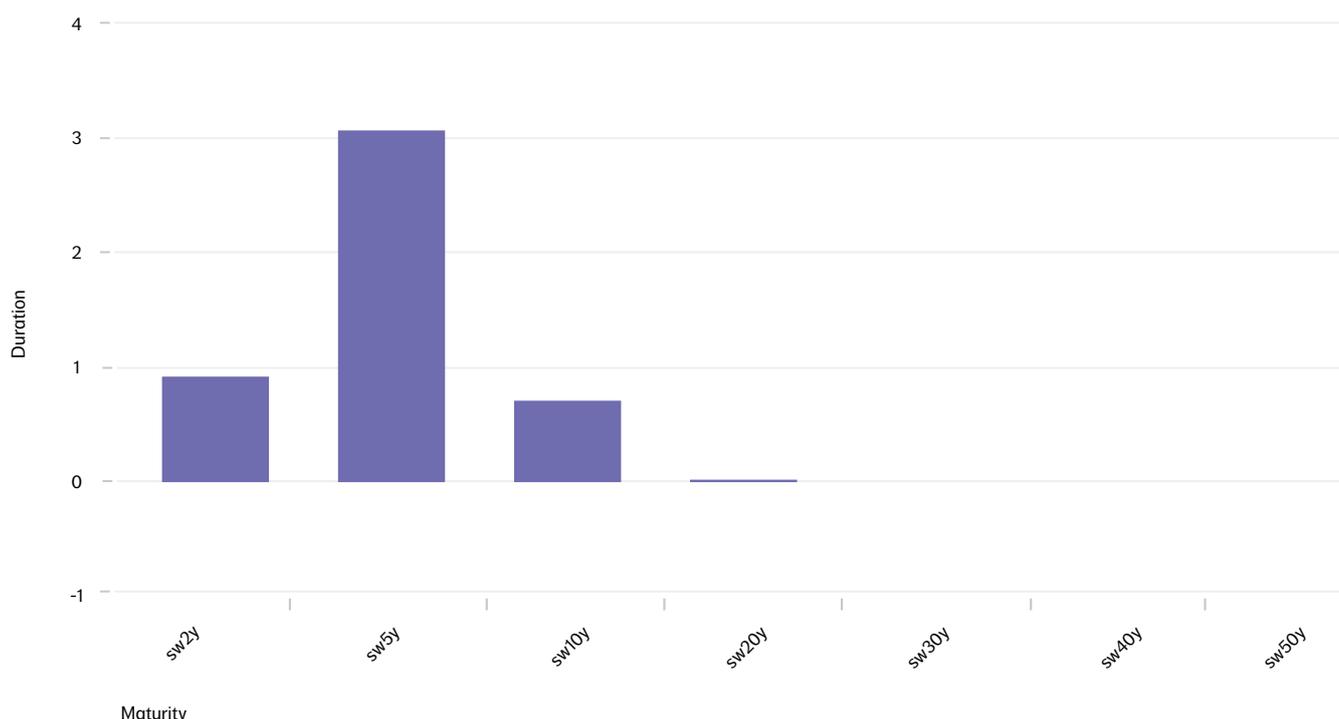
The NN Liability Matching Funds combine a matching portfolio tailored to individual pension goals with the practical advantages of a fund solution. By using three funds we are able to keep costs limited while maintaining high matching standards almost similar to a fully tailored institutional solution.

We manage three Liability Matching Funds with different interest rate sensitivity (duration) profiles. The three funds primarily invest in Euro government bonds with a AAA rating (at purchase) and a maturity at issue of 1-3 years*. Within each of the three funds we

raise the duration by interest rate swaps and bond futures. NN Liability Matching Fund (M) aims for a duration of around 4 years and LMF (L) and LMF (XL) of around 20 and 40 years respectively. The three funds are passively managed. The duration profiles of funds are constructed in such a way that when optimally combined they can closely match client specific duration profiles based on typical cashflow schemes.

* When a bond rating is downgraded or the maturity drops below 1 year we do not need to sell.

Duration allocation



Source: NN IP Performance Measurement Europe

Disclaimer

This communication is intended for MiFID professional investors only. This communication has been prepared solely for the purpose of information and does not constitute an offer, in particular a prospectus or any invitation to treat, buy or sell any security or to participate in any trading strategy or the provision of investment services. While particular attention has been paid to the contents of this communication, no guarantee, warranty or representation, express or implied, is given to the accuracy, correctness or completeness thereof. Any information given in this communication may be subject to change or update without notice. Neither NN Investment Partners B.V., NN Investment Partners Holdings N.V. nor any other company or unit belonging to the NN Group, nor any of its directors or employees can be held directly or indirectly liable or responsible with respect to this communication. Use of the information contained in this communication is at your own risk. This communication and information contained herein must not be copied, reproduced, distributed or passed to any person other than the recipient without

NN Investment Partners B.V.'s prior written consent. In relation all the funds mentioned in this document, a Key Investor Information Document (KIID) has been published containing all necessary information about the product, the costs and the risks involved. The prospectus and the Key Investor Information Document (KIID) (if applicable) and other legally required documents relating to the fund are available on www.nnip.com. Investment sustains risk. Please note that the value of any investment may rise or fall and that past performance is not indicative of future results and should in no event be deemed as such.

This communication is not directed at and must not be acted upon by US Persons as defined in Rule 902 of Regulation S of the United States Securities Act of 1933, and is not intended and may not be used to solicit sales of investments or subscription of securities in countries where this is prohibited by the relevant authorities or legislation. Any claims arising out of or in connection with the terms and conditions of this disclaimer are governed by Dutch law.