

Q&A - Introduction of NN First Class Selective Passive Return Fund on 1 July 2015

Background to the introduction of NN First Class Selective Passive Return Fund

In the DC market, we are seeing an increasing demand for passive investment solutions. Our LifeCycle Mix is in part a passively managed solution: although the NN First Class Return Fund is an active fund, the NN Liability Matching Funds used by us are passively managed. Partly in response to the increasing demand, we have decided to also partly passively substantiate the return portfolio with the new NN First Class Selective Passive Return Fund.

existing NN First Class Return Fund. Most of the underlying assets are invested in passive funds. Per asset category we evaluate if passive funds provide the required quality and for the equity funds that is the fact.

Which underlying funds form part of the NN First Class Selective Passive Return Fund?

Based on the above criteria, we have selected the following underlying funds:

How is the NN First Class Selective Passive Return Fund composed?

The investment policy and the strategic allocation within the NN First Class Selective Passive Return Fund is the same as the

Passive funds

- BlackRock Developed World Index Fund
- iShares Core MSCI World
- Vanguard Global Stock Index Fund
- BlackRock Emerging Market Index Fund

Active NN funds

- NN (L) Invest Global Real Estate
- NN (L) Renta Fund EMD (HC)
- NN (L) Renta Fund Global High Yield
- NN Euro Credit Fund
- NN (L) Invest Commodity Enhanced
- NN (L) Invest Alternative Beta

A periodical evaluation of the funds above may result in a change of the funds selected.

How and by whom are the underlying funds selected?

The selection of the underlying funds and allocations to the underlying funds is performed by NN Investment Partners in consultation with our independent manager selection company Altis Investment Management. Adjustments to the selected underlying funds and/or the allocation can also take place as a result of the annual evaluation of the LifeCycle Mix, advice from Altis and/or the long-term performance. Although some of the underlying funds are managed passively, the fund as a whole is managed actively.

The underlying funds each have their own cost structure. The costs of these underlying funds are, however, paid from the costs of the NN First Class Selective Passive Return Fund. There is no accumulation of costs. You pay only the Ongoing charges of the NN First Class Selective Passive Return Fund and any entry and exit fees for the NN First Class Selective Passive Return Fund.

What are the costs of the new fund?

The NN First Class Selective Passive Return Fund has annual Ongoing charges of 0.40%. In addition, the fund also has statutory entry and exit fees which amount to a maximum of 0.20%.

What happens to the existing NN First Class Balanced Return Fund?

The existing, entirely actively managed, NN First Class Balanced Return Fund continues to exist and will have a new name from 1 July: NN First Class Return Fund

The costs will also be adjusted. Up until 1 July, the Ongoing charges are 0.50%; with effect from 1 July, these will be reduced to 0.40%.

Q&A - LifeCycle Active and LifeCycle Passive

As a result of the introduction of the NN First Class Selective Passive Return Fund on 1 July 2015, NN will offer two standard LifeCycle's with effect from this date:

1. the LifeCycle Active and
2. the LifeCycle Passive

The investment policy, the allocation to the underlying categories and the costs are the same. The difference is that the active variant makes use of the existing actively managed NN First Class Return Fund and the passive variant makes use of the new NN First Class Selective Passive Return Fund. More information about the new fund can be found in the "Q&A – Introduction of NN First Class Selective Passive Return Fund on 1 July 2015".

When is the LifeCycle Passive available?

The LifeCycle Passive is available with effect from 1 September 2015. From that date, you may, in consultation, make it available to your participants.

Why should I opt for LifeCycle Active or LifeCycle Passive?

Both LifeCycle's involve the same costs. The choice for the active or passive variant is therefore mainly dependent upon whether you, for the same costs, expect that the active variant offers added value in comparison with the passive variant.

I currently offer my participants LifeCycle Active, can I also offer LifeCycle Passive at the same time?

No, you can offer your participants either LifeCycle Active or LifeCycle Passive.

I currently offer my participants LifeCycle Active, can I convert this to LifeCycle Passive?

Yes, that is possible. LifeCycle Passive is available with effect from 1 September 2015. From that date you can, in consultation, switch from LifeCycle Active to LifeCycle Passive.

Are there any costs associated with the switch from LifeCycle Active to LifeCycle Passive?

NN will not charge any fees if you opt to switch from LifeCycle Active to LifeCycle Passive. However, because the NN First Class Return Fund is sold and the new NN First Class Selective Passive Return Fund is bought, participants may be faced with the entry and exit fees for both funds.

What are the differences between LifeCycle Active and LifeCycle Passive?

The ratio between the different funds in which investments are made is the same for both LifeCycle's, while the use of the three risk profiles is also the same. The Ongoing charges of the LifeCycle's and the entry and exit fees are also the same.

The difference is that the active variant makes use of the existing actively managed NN First Class Return Fund and the passive variant makes use of the new NN First Class Selective Passive Return Fund. More information about the new fund can be found in the "Q&A – Introduction of NN First Class Selective Passive Return Fund on 1 July 2015".

Can participants choose the variant in which they invest?

No, the pension fund or the employer chooses either LifeCycle Active or LifeCycle Passive.

What happens to the existing NN First Class Balanced Return Fund?

The existing NN First Class Balanced Return Fund will have a new name from 1 July 2015: NN First Class Return Fund. The costs will also be reduced. Up until 1 July, the Ongoing charges amount to 0.50%; with effect from 1 July, the Ongoing charges will be reduced to 0.40%.

What are the average Ongoing charges of the LifeCycle's?

The average Ongoing charges as shown below are equal for both LifeCycle's and based on the LifeCycle model May 2015

Average Ongoing charges LifeCycle prior 1 July 2015

	Average time weighted	Average asset weighted
Defensive	0,37%	0,32%
Neutral	0,40%	0,35%
Offensive	0,43%	0,37%

Average Ongoing charges LifeCycle Mix as of 1 July 2015

	Average time weighted	Average asset weighted
Defensive	0,32%	0,29%
Neutral	0,34%	0,31%
Offensive	0,36%	0,32%

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