

NN First Class Return Fund - Passief

Fund in Scope

All data as of end June 2019



- The NN First Class Selective Passive Return Fund returned 1.4%
- A strong April was followed by a weak May, but June printed very positive returns again
- Next to equities, fixed income contributed positively while real estate and commodities slightly detracted

Performance

Following a strong first quarter, the second quarter of 2019 was also positive for global equities and fixed income. However, this quarterly performance was not realized in a straight line. A strong April was followed by a weak May, but June printed very positive returns. The rhythm was set by the ups and downs in political risk, the assessment of their potential negative impact on the growth outlook and a U-turn in the monetary policy outlook. The biggest game-changer was the escalation of trade uncertainty stemming from ongoing US-China trade tensions. Following the increase in trade tensions, a monetary policy turn from the Fed and ECB elicited a positive reaction as markets anticipated that central banks would ease policy enough to save the economy. Equity markets turned in a positive performance for the quarter across all regions in their own currencies. The ride however was quite bumpy as the Goldilocks-like rally continued in April but dissipated in May following the flare-up of trade tensions. The contribution from the passive equity strategies to the total return of the fund was positive (+1.5%).

Overall the active strategies in the spread markets contributed positively as well, approximately 0.5%. Fixed income spreads tightened during the quarter. Except for the global high yield strategy all the fixed income strategies outperformed their benchmarks. Commodities on the other hand detracted from performance both. This was also the case for the investments in global real estate, the asset class that showed a negative absolute performance next to commodities. The hedge fund replication strategy on the other hand outperformed its benchmark and added slightly to performance.

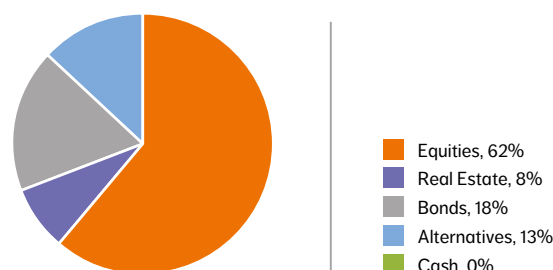
Statistics

ISIN code	NL0011327549
Inception date	februari 2016
Ongoing charges	0.4%

Outlook

Our base case is for an extended escalation of trade tensions. In this scenario, the US and China talk and fight at the same time while the threat of tariffs continues to hang over other regions. As a result, business confidence and capex spending remain muted but the profit buffer built up over the past few years, combined with policy easing in various regions, should keep employment and consumption growth at relatively resilient levels. Markets currently expect that the Fed, other central banks and fiscal policymakers will largely succeed in cushioning the fallout from trade risks. As a result, US and global growth momentum will slow from last year's pace, but remain well within positive territory. This combined outlook for growth and monetary policy does not call for a sharp widening of equity and credit risk premiums add therefore continue to be supportive for equities and spreads..

Asset Class allocation



Source: NN IP Performance Measurement Europe

Fund description

NN First Class Selective Passive Return Fund is a mixed fund that offers a carefully selected and diversified investment. The fund invests in multiple asset classes including equities, fixed income and alternative investments. The fund mainly invests in NN IP mutual funds and not by NN IP managed funds, including

index funds and ETFs. The fund uses a risk return assumption model to periodically determine the allocation to the asset classes. The fund strives to achieve a diversified portfolio that provides an attractive return per unit of risk.

Performance (%) (Net)	3 Months	YTD	1 year	3 year
NN FC Selective Passive Return Fund	1.4	13.0	5.9	7.3

Equities	3 Months (%)	Weight (%)
Blackrock ISF-World index-EURIA	2.6	17.4
BlackRock Emerging Markets Index Sub-Fun	-0.9	10.5
iShares Core MSCI World ETF	2.5	17.3
Vanguard Global Stock Index Fund Institu	2.5	17.3

Real Estate*	3 Months (%)	Weight (%)
NN (L) Global Real Estate	-1.8	7.5

* Based on the gross performance of the funds (non-weighted)

Source: NN IP Performance Measurement Europe, all figures are at end June 2019.

Bonds*	3 Months (%)	Weight (%)
NN Euro Credit Fund	2.3	4.4
NN (L) Global High Yield	1.5	4.4
NN (L) Emerging Markets Debt HC (euro)	3.3	2.1
NN (L) Emerging Markets Debt LB	3.8	6.6

Commodities*	3 Months (%)	Weight (%)
NN (L) Commodity Enhanced	-2.4	6.3

Hedge Funds*	3 Months (%)	Weight (%)
NN (L) Alternative Beta	0.7	6.3

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