

NN Liability Matching Fund - L

Fund in scope

All data as of end June 2019



- Good performance for the bond and equity markets in Q2
- Central bank policies and trade tensions between the US and China had a major impact on global financial markets
- The 10-year German interest rate reached a new low record and ended the quarter at -0.33%
- The 20-year EUR swap interest rate fell by 33 bps to 0.65%
- Positive return of 7.8% due to lower interest rates

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 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. The 10-year US interest rate fell from 2.41% to 2.01%, while the German 10-year interest rate fell by 28 basis points to a new low of -0.33%.

At the end of the quarter, the AUM of the fund amounted to € 2,371 mln and the overall duration of the fund was 21.5 years.

Outlook

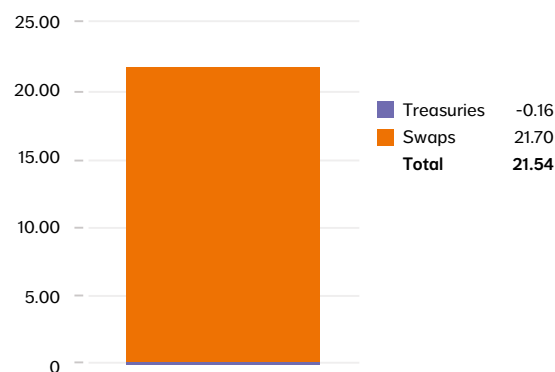
At this moment, the outlook is highly uncertain, and depends on the outcome of the trade conflict, Brexit and global growth. We see three scenarios. The first scenario is based on the current status, in which case the Fed will might decide on two 'insurance' rate cuts. The second scenario is built on a full escalation of the trade war, potentially including non-tariff measures like Chinese rare earth exports to the US. In this case, we expect the Fed to cut rates aggressively, say by 150-200 bps. In our view, this second scenario is almost as likely as the first scenario. Finally, there is a small possibility that the trade conflict will be resolved soon, in which case the Fed might decide on one or two rate hikes. All in all, this makes it difficult to have strong conviction.

ISIN code	NL0010290557
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 L - N	7.8	16.4	19.4	2.7	8.0

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

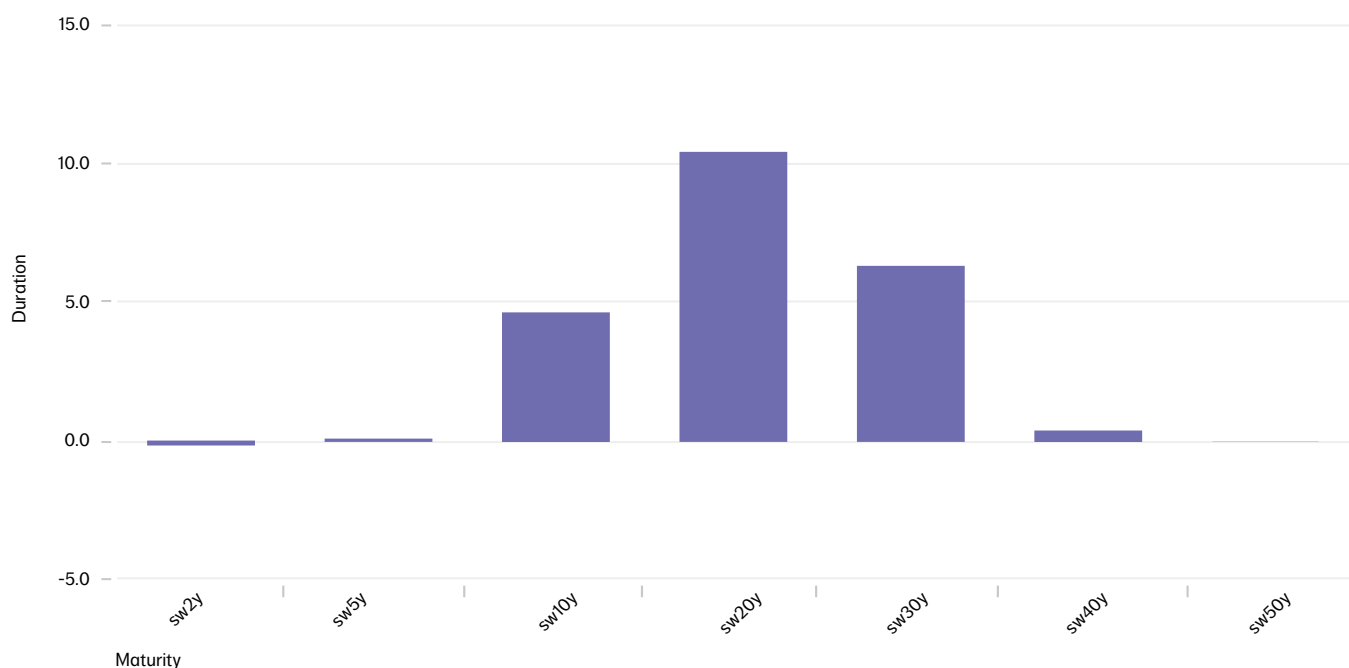
raise the duration by interest rate swaps and bond futures.

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.