

→ ABP Quarterly Report, first quarter 2004

Further recovery in 1st quarter of 2004; coverage ratio rose to 112%

Main points:

- Return for first quarter: +4.3%
- Coverage ratio (given nominal interest rate of 4%) rose from 109% to 112%
- Active investment policy successful in 2003: good Z score
- ABP's voting behaviour now reported on at website: www.abp.nl

Heerlen, 15 April – Pension fund ABP achieved a return of +4.3% in the first quarter of 2004. During that period fund assets grew by EUR 6 billion, from EUR 150 billion to EUR 156 billion. Liabilities rose by EUR 1 billion, from EUR 138 billion to EUR 139 billion. The coverage ratio (calculated in accordance with the Pensions and Insurance Board standard at a nominal interest rate of 4%) rose from 109% to 112%.

Financial director Dick Sluimers is satisfied with the financial recovery that is continuing in this quarter, but talks down expectations. Mr Sluimers says: 'At the moment we are clearly ahead of the schedule set out in the ABP Recovery Plan. The only thing causing me concern remains the fall in real interest rates. It makes it impossible to say much at present about a return to full indexation and about the level of pension premiums in future.'

Most important key figures

	year end 2003	1 st quarter 2004	up to end of 1 st quarter 2004	change in 2004
Fund position (%) (coverage ratio at 4% nominal interest rate)	109	112	112	+3
Assets (EUR billion)	150.2	156.2	156.2	+6.0
Liabilities (EUR billion)	137.8	138.9	138.9	+1.2
Returns on investment portfolio* (%)				
Fixed income securities	0.3	3.7	3.7	
Shares and property	9.7	6.9	6.9	
• Shares	12.6	5.7	5.7	
• Property and property funds	14.2	11.1	11.1	
• Private equity	1.5	2.7	2.7	
• Commodities	-0.7	12.9	12.9	
Other investments	5.2	5.0	5.0	
Total **	11.0	4.3	4.3	
Composition of investment portfolio (%)				
Fixed income securities	46	45	45	-1
Shares and property	52	53	53	+1
Other investments	2	2	2	0

* The breakdown of the returns for each asset category excludes the results of US Dollar hedging.

** The total return includes the results of US Dollar hedging.

The first quarter of 2004 produced an investment result of 4.3%. January and February were good months, in which results of approx. 2% per month were achieved. The Madrid bombing in March led to uncertainty, which immediately had a negative impact on share price movements.

Fixed income securities continued to fare well. Contrary to expectations, interest rates actually fell by 0.5%, leading to a return of 3.7% on fixed-income securities. Shares and alternative investments showed great fluctuations but on balance achieved a large increase. A return of 6% was realised on shares and 11% on property. The category that performed best was commodities, achieving a return of 13%. (The returns specified for the various investment categories exclude the results of US Dollar hedging).

Other developments during the first quarter

Active Investment Policy pays off

With its active investment policy, ABP aims to achieve a return in excess of a standard set in advance, also known as the benchmark. The additional return demonstrates the quality of the implementation of the pension fund's investment policy.

In 1998 a standard was developed for sectoral pension funds in order to evaluate the quality of the implementation of investment policy, the so-called Z score. The Z scores for 2003 and for the period 1999-2003 were recently announced. The Z score compares the actual return with the return of the standard portfolio as agreed by each sectoral pension fund with its management committee. An adjustment is applied for risk and costs. In 2003, ABP scored 1.74, resulting in a score of 1.53 for its return over the period 1999-2003. This result places ABP amongst our country's best performing sectoral pension funds.

Corporate Governance

During the past quarter ABP ensured that its voice was heard by multinationals at shareholders' meetings and when unexpected events arose. ABP endorses the recommendation that institutional investors should exercise active control as shareholders and render account for how they do so. Since the start of April, ABP has accounted for its voting behaviour at its website: www.abp.nl.

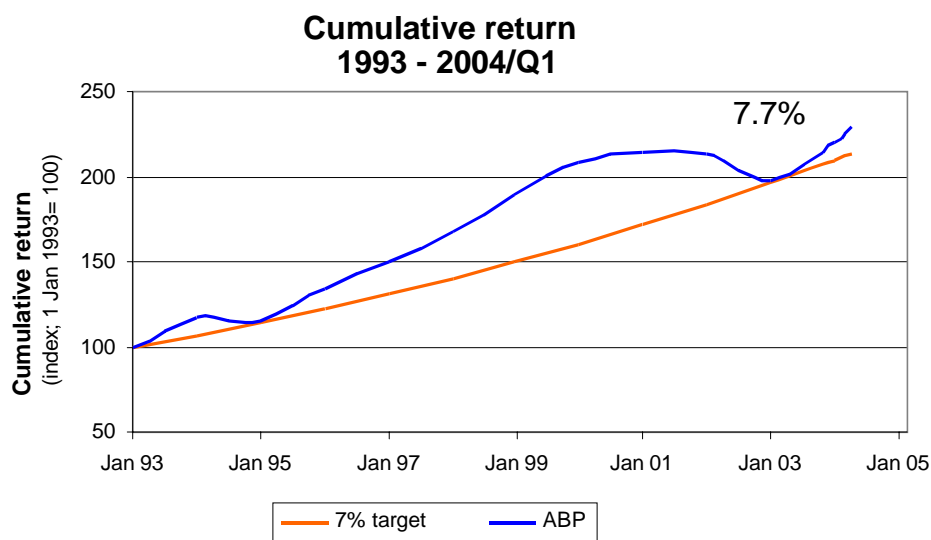
Market prospects: less favourable risk/return ratio

The investment climate is one of high valuations and a less favourable risk/return ratio. In 2003, economic policy stimuli and efforts made by companies brought about a great improvement in confidence amongst investors in shares and property. The improvement in prospects has not yet prompted a rise in interest rates, although this will be required in order to achieve balanced economic growth over the longer term. This makes the risks for the bonds markets substantial. For the time being it seems likely that monetary policy stimuli will continue to be applied, particularly in the US.

Although it remains most likely that the economic recovery will broaden out, the downward risks that are clearly present cannot be trivialised, as valuation levels on the financial markets allow little scope for disappointments. There remain doubts as to the sustainability of the economic recovery over the longer term, as long as growth fails to take hold in the US jobs markets and European consumers keep a tight hold of their purse strings. Imbalances in international payments remain of concern, with the Asian central banks being the major financers of American deficits. Furthermore, the Madrid bombings recently reminded us of the barely calculable risk of terrorism.

Long-term returns

The graph below shows the cumulative return since 1993. The value of each EUR 100 invested in 1993 had grown to EUR 230 by March 2004. The average annual return was 7.7% and therefore above the annual target of 7%.



Profile

Stichting Pensioenfond ABP (ABP) is the sectoral pension fund for employers and employees amongst government and educational institutions in the Netherlands. ABP has 2.5 million customers and assets under management of EUR 156 billion (as at 31 March 2004). This makes ABP the second largest pension fund in the world.

Disclaimer

This report contains expectations for the future, based on current insights and assumptions. ABP does not accept any obligation to provide public updates in response to future insights or events. ABP would also point out that the expectations expressed are necessarily susceptible to uncertainties, which means that the returns actually realised may vary significantly, for instance due to unforeseen circumstances in ABP's relevant markets, exchange rates, interest rates and developments in statute and regulations. The figures in this document are based partly on estimates and have not been verified by the auditor or external actuary.

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This quarterly report can also be found at our website: www.abp.nl