

## → Press release ABP, first half year of 2008

### Main points

- Return on investments over first half of 2008 is -5.1%.
- Coverage ratio mid-2008 was 132%.
- The credit crisis is doing damage. Equities and real estate in particular have been seriously affected. Alternative investments are dampening the negative effects.
- This autumn, the ABP Board of Trustees will take a decision on indexing 2009 on the basis of the coverage ratio as of 31 October 2008.

**Amsterdam, 17 July 2008 – The *Stichting Pensioenfonds ABP* announces that the return on investments over the first half of 2008 was -5.1%. As a result, the assets held by ABP are now valued at €205 billion. The value of the nominal pension liabilities hardly changed at all and remained at €155 billion. The coverage ratio after the first half of 2008 was 132%.**

In spite of the major shocks experienced by the equities markets, the effect on ABP's investment portfolio has remained relatively limited. This was due primarily to the effective diversification within the fund's investment portfolio and investments in so-called alternative investment categories. The most important negative contributions came from equities (-14.8%) and real estate (-8.0%). Alternative investments made a positive contribution to the overall result. The return on commodities was very high (+44.1%) and the contributions from hedge funds (+7.2%), private equity (+3.0%) and infrastructure (+1.3%) were positive.

ABP's coverage ratio has been volatile over the last six months as a result of the turmoil in the financial markets. By definition, our financial buffers are intended to absorb the effects of such fluctuations. ABP still complies amply with the buffer requirements set down by law, 125%, but the present coverage ratio is below the limit of 135% above which full indexing is possible. Based on the situation as of 31 October, the ABP Board of Trustees will determine the degree of indexing that will be effective as of 1 January 2009.

Mr. Brinkman (Chairman of the Board of Trustees of ABP): "The ABP Pension Fund is also not immune to the effects of the credit crisis. In spite of the excellent global diversification of our investments over different economies and types of investments, we have to enter a negative return on our investments into the books over the first half of 2008. The actual amount of damage done to our financial position has remained relatively limited primarily due to the fact that, over the past years, we have significantly increased our investments in so-called alternative investments, such as commodities, hedge funds, private equity and infrastructure. Our biggest concern now stems from a stagnating economy in combination with an increase in inflation that are impacting overall sentiment. A positive note for a long-term investor such as ABP can be found in the fact that the present market also provides opportunities to make interesting investments at an attractive price."

### Development of the financial position

Over the first half of 2008, the coverage ratio decreased by 7.8 percentage points. The following factors are responsible for this development:

	Effect on coverage In % points
return on investments	-5,1
effect of interest on liabilities	-2,4
increase in capital market interest rate	1,5
denominator effect	-1,8
total effect on coverage ratio	-7,8

The coverage ratio decreased in the first place as a result of the negative return realised on capital. The liabilities increased as a result of the addition of interest, but this was partly compensated by the decrease in liabilities as a result of the slight increase in the capital market interest rate. The denominator effect arises the value of the capital exceeds the liabilities. Amongst other factors, this reflects the negative return realised on the financial buffer of ABP.

### Return on investments – first six months of 2008

Over the first six months of 2008, the ABP investment portfolio achieved a return of -5.1%. The three-year average return currently stands at 4.7%. The five-year average return is 7.6%.

During the first half of 2008, commodities performed exceptionally well (+44.1%) as a result of the rise in oil prices. Within equities and alternative investments, the private equity category (3.0%) and infrastructure category (1.3%) also performed positively, as did absolute return strategies (7.2%). As a result of the ongoing credit crisis in the USA, the return realised on equities (-14.8%) over the first half of 2008 lagged behind the other categories by a wide margin. Real estate also achieved a negative return (-8.0%). Hedging of the dollar risk in the investment portfolio has had a positive effect on the return this year. The American dollar weakened by about 7.2% compared to the euro.

## Key figures

	end of 2007	First half year 2008	Change 2008
<b>Fund position (%)</b>	<b>140%</b>	<b>132%</b>	<b>-8%</b>
<b>Capital (€billion)</b>	<b>217</b>	<b>205</b>	<b>-12</b>
<b>Liabilities (€billion)</b>	<b>155</b>	<b>155</b>	<b>0</b>
<b>Return on investment portfolio (%)</b>	<b>3.8%</b>	<b>-5.1%</b>	
<b>Fixed income</b>	<b>1.9%</b>	<b>-0.5%</b>	
<b>Equities and alternative investments</b>	<b>5.2%</b>	<b>-9.1%</b>	
• Equities	5.3%	-14.8%	
• Real estate (incl. real estate funds)	-9.4%	-8.0%	
• Infrastructure	21.0%	1.3%	
• Private equity	29.4%	3.0%	
• Commodities	31.0%	44.1%	
<b>Other investments</b>	<b>13.2%</b>	<b>6.0%</b>	
• Absolute return strategies	14.4%	7.2%	
• Participations	14.8%	-2.5%	
• other	-4.7%	0.6%	
<b>Composition of the investment portfolio (%)</b>			
Fixed income	40.4	41.3	+0.9
Equities and alternative investments	55.2	53.4	-1.8
Other investments	4.4	5.3	+0.9
<b>Development in the financial markets</b>			
Capital market interest rate (%)	4.85	4.95	+0.10

## Economic prospects

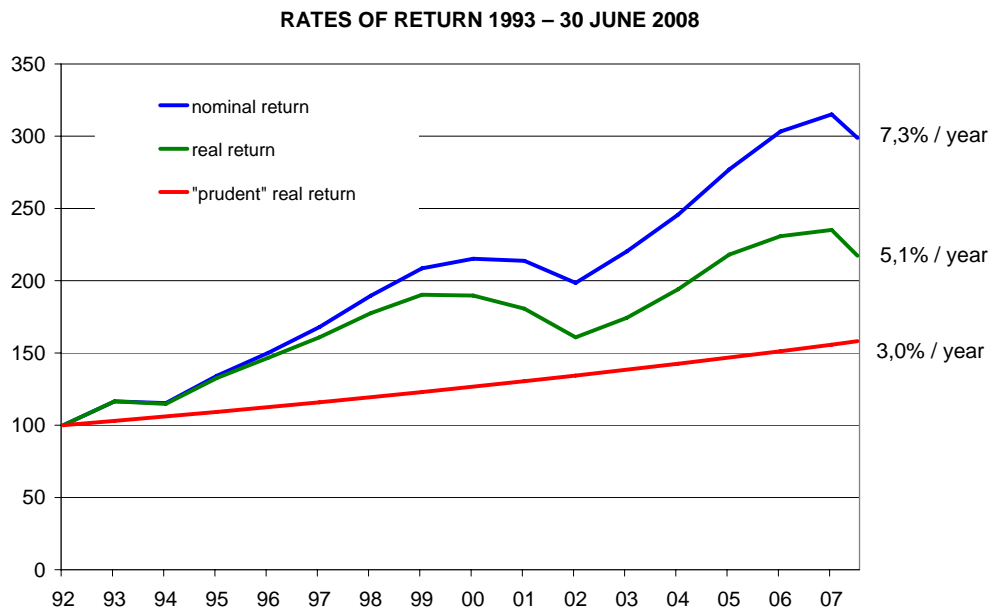
Calm weather has not yet returned to the financial markets. Whereas at the beginning of this year the focus of financial fear was on the possible consequences of the credit crisis, the main factor presently having a negative impact on overall sentiment in the financial markets is the fear of stagflation (economic stagnation accompanied by inflation). Up to a point, this is understandable, as inflation rates in practically every part of the world have now reached levels not seen in at least a decade. However, the main factors behind this increase are the steep increases in the price of oil and food. In contrast, the price increases for other goods and services continue to show a much more moderate trend. Intense international competition plays a role here, as it makes it much more difficult to pass on an increase in the cost of commodities to the end user.

At the same time, the overall economic news is actually not disappointing. Although consumer confidence has decreased around the world and the contraction in the American real estate market is continuing unabated, actual economic growth rates are continuing at a reasonable level. For example, the growth rate numbers released over the first quarter were actually a relief – in Europe and Japan as well as in the emerging markets. Over the coming months, we expect the economy in the USA to show signs of a slight recovery, also due in part to the economic stimulation measures. The economic growth rate in the euro zone will probably slow down a bit. Growth rates will probably also slow down somewhat in the emerging markets but should still remain at respectable levels. Under such conditions, inflation can decrease only gradually, whereby the development of energy prices remains the largest risk factor.

In spite of our slightly optimistic outlook for the economy, the uncertainty experienced by the financial markets may continue for some time to come. Although in the medium to long term equities may very well deliver good results – valuations, for example, are now at historically low levels – relatively large fluctuations can be expected in the price of equities over the coming months. Risk diversification will therefore remain an important aspect. In addition, the present uncertainty in the financial markets provides opportunities for investors with a long-term financial horizon. By taking advantage of exaggerated (negative) sentiments, it becomes possible to purchase investments at attractive price levels.

## Long-term return

The diagram below shows the cumulative return since 1993, both in nominal and in real terms. An investment of €100 made in 1993 increased in value to a total of €299 by 30 June 2008. The average annual return is 7.3%. The return after deduction of the wage inflation (real return) is 5.1% over the same period, which is a bit more than 2 percentage points higher than the 3% used in determining the pension premiums.



## PROFILE

Stichting Pensioenfonds ABP (ABP) is the industry wide pension fund for employers and employees in government and educational institutions in the Netherlands. ABP has 2.7 million clients and invested assets of €205 billion (as of mid-2008). This makes ABP one of the three largest pension funds in the world.

## DISCLAIMER

This announcement contains future expectations. They are based on current assumptions and insights. ABP is not obliged to publicly update these as a result of future insights or events. Furthermore, ABP points out that the expressed expectations are subject to insecurities perforce, as a result of which ultimate returns can substantively deviate, for instance due to unforeseen circumstances in markets relevant to ABP, exchange rates, the interest rate level and developments in legislation. The figures in this document are partly based on estimates and have not been verified by the auditor or external actuary.

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