

## Press release

### ABP's financial position strengthens in second half of 2009

#### Main points:

- Return on investment in 2009 = 20.2%
- Coverage ratio increases in second half of year
- Increased life expectancy has negative impact on coverage ratio

Heerlen, 21 January 2010 - ABP's financial position improved further in the second half of 2009. In 2009, ABP booked a return on investment of +20.2%. In the second half of 2009, the return was 15.1%. The improved financial position of the fund is also reflected in the coverage ratio, the ratio of assets to liabilities. In the second half of 2009, ABP's coverage ratio rose from 98% to 109%. ABP periodically carries out studies into the changes in average life expectancy. As these studies revealed that the average life expectancy of the Dutch population is greater than previously estimated, ABP has adjusted its liabilities, i.e. the pension benefits which the fund must pay out now and in future, to take this increased life expectancy into account. As a result, these liabilities have increased significantly. This has a (one-time) negative impact on the coverage ratio, causing it to decrease from 109% to 104% as of the end of 2009.

Chairman of the Board Nijpels: "It is clear that ABP's financial position also improved in the second half of 2009. The coverage ratio rose and the rates of return were good. We are on the road to recovery but remain cautious, as it is uncertain what will emerge after the next bend. Financial markets remain unpredictable."

#### Good rate of return

In the second half of 2009, ABP realised a return on investment of 15.1% or 27 billion euros. The main drivers behind this positive rate of return were stocks, real estate and corporate bonds. The return on investment over 2009 as a whole was 20.2% which equals an amount of 35 billion euros.

#### Increased life expectancy

Once every three years, ABP evaluates whether the fund's financial policy needs to be updated. In doing so, the fund also analyses the composition of the fund's participants and life expectancy. Recent prognoses from the CBS predict that the life expectancy of Dutch people will continue to increase. This means that pension funds must reserve more funds in order to be able to continue paying out pension benefits now and in future. In order to avoid presenting a too rosy picture of its financial position, ABP must therefore increase its estimated liabilities. In spite of the very significant consequences for the coverage ratio in the short term, ABP management has decided to apply the newest CBS-prognoses for the next three years. The revaluation of the liabilities was implemented by ABP as of the end of 2009. Without this revaluation, the coverage ratio would have been 109%. If one takes the increased life expectancy into account, then the liabilities increase from 190 to 201 billion euros, an increase of 11 billion euros. As a result, the coverage ratio, i.e. the ratio of assets to liabilities, decreases from 109% to 104%.

#### New investment strategy 2010-2012

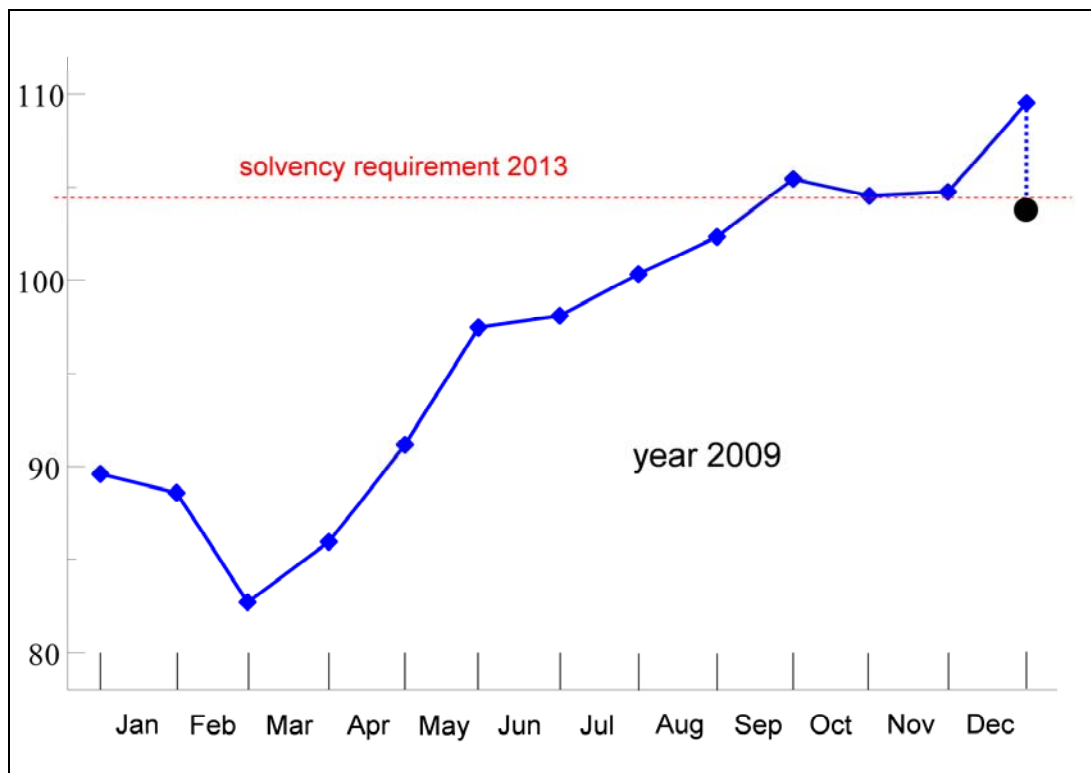
Management has determined the strategic investment policy which will be followed by ABP over the period 2010-2012. ABP has held intensive consultations on the consequences of the credit crisis and, more specifically, on the possibility of adjusting the balance between the ability to pay out pension benefits and the ambition to achieve full indexation on the one hand and the associated risks on the other.

The risk framework for the new strategic investment policy has been formulated in such a fashion as to ensure that the portfolio presented performs relatively well in a variety of economic scenarios. Although ABP's management is of the opinion that a certain level of risk is unavoidable, management has included risk limitation in the new policy in certain areas (e.g. risk associated with interest and inflation).

The main changes in the strategic portfolio are intended to provide a better picture of the trend over time of the real liabilities (taking into account the provisional indexation):

- a higher weighting factor for investments of which the rate of return is linked to inflation<sup>1</sup>;
- a decrease in the weighting factor of non-government loans;
- a decrease in the weighting factor of "stocks in developed markets";
- an increase in the weighting factor of "stocks in emerging markets".

### Changes in coverage ratio 2009



#### Explanation

The dot indicates the coverage ratio at the end of the year after taking into account the increased life expectancy and the indexation granted.

The diamond (highest point on the line) indicates what the coverage ratio would have been if no revaluation of the liabilities had been implemented and no indexation had been granted.

**Most important index numbers**

Period	2008	H1 2009	H2 2009	2009	change in 2009
<b>Fund position (%)</b>	<b>90%</b>	<b>98%</b>	<b>104%</b>	<b>104%</b>	<b>+14 percentage points</b>
<b>Capital (€billion)</b>	<b>173</b>	<b>181</b>	<b>208</b>	<b>208</b>	<b>+35 bil</b>
<b>Liabilities (€billion)</b>	<b>193</b>	<b>185</b>	<b>201</b>	<b>201</b>	<b>+8 bil</b>
<b>Nominal market interest rate (%)</b>	<b>3.6%</b>	<b>4.0%</b>	<b>3.9%</b>	<b>3.9%</b>	<b>+0.3 percentage points</b>
<b>Return on investment of portfolio (%)</b>	<b>-20.2%</b>	<b>4.5%</b>	<b>15.1%</b>	<b>20.2%</b>	
<b>Fixed income</b>	<b>0.4%</b>	<b>4.9%</b>	<b>7.5%</b>	<b>12.7%</b>	
• Government bonds	8.2%	2.8%	2.7%	5.5%	
• Corporate bonds	-2.9%	5.4%	10.1%	16.0%	
• Index linked bonds	-0.1%	5.6%	5.3%	11.2%	
<b>Equities and alternative investments</b>	<b>-36.5%</b>	<b>4.7%</b>	<b>19.1%</b>	<b>24.6%</b>	
• Equities	-39.4%	9.2%	24.1%	35.5%	
• Real estate	-30.0%	-6.8%	21.2%	13.0%	
• Infrastructure	-3.1%	-7.0%	2.3%	-4.8%	
• Private equity	-24.5%	-2.4%	11.0%	8.4%	
• Commodities	-46.2%	8.8%	13.2%	23.2%	
<b>Other investments</b>	<b>-5.7%</b>	<b>5.0%</b>	<b>6.3%</b>	<b>10.6%</b>	
• Hedge funds	-5.6%	5.6%	8.0%	14.1%	
• Innovations	7.5%	-4.4%	11.2%	6.2%	
<b>Overlay (inclusive of duration)</b>	<b>1.0%</b>	<b>-0.4%</b>	<b>2.0%</b>	<b>1.6%</b>	
<b>Composition of the investment portfolio (%)</b>					
Fixed income	44.8	44.7	38.7	38.7	-6.1
Equities and alternative investments	49.0	49.0	54.7	54.7	5.7
Other investments (including hedge funds and innovations)	6.2	6.3	6.6	6.6	0.4

**NB:** All rates of return include the currency hedge

**Explanation of return on investment in second half of 2009**

Equities, fixed income and other investments all delivered a positive rate of return in the second half of 2009. Under equities, the investments in stocks and real estate made a positive contribution. Under stocks, emerging markets delivered a return of over 30% in the second half of 2009.

Under the fixed income investments, corporate bonds in particular performed quite well. The overall economic recovery and increasing level of confidence had a positive impact on the returns realised in this category.

Due to the strong recovery in the second half of 2009, the return on investment realised by ABP over 2009 as a whole came in at +20.2%. Under equities, the investments in stocks and commodities, which were the main causes of the negative return realised in 2008, delivered the best returns in 2009. Under stocks, the return realised in emerging markets in 2009 was over 70%.

In 2009, the currency risk – more specifically the dollar risk – in the portfolio was largely hedged. Over 2009 as a whole, the total effect of this currency hedge was positive and equalled +1.3 billion euros. In 2009, the interest related component of the pension liabilities was again partially hedged in the investment portfolio. The effect of the partial interest hedge in 2009 was slightly negative (-0.4%).

#### The investment mix in the new strategic investment policy (2009 arranged anew)

Investment mix	2009	2010-2012
<b>Government bonds</b>	10.0%	10.0%
Price indexed bonds	9.0%	12.0%
Corporate bonds	21.0%	16.0%
Alternative Inflation	7.0%	7.0%
Global Tactical Asset Allocation (GTAA) <sup>1</sup>	2.0%	3.0%
Shares in developed countries	24.0%	20.0%
Shares in upcoming markets	5.0%	7.0%
Private Equity	5.0%	5.0%
Real estate	8.0%	9.0%
Infrastructure	1.0%	2.0%
Commodities	0.0%	1.0%
Opportunity Fund	4.0%	4.0%
Hedge Funds	4.0%	4.0%
<b>Total ABP</b>	<b>100.0%</b>	<b>100.0%</b>

<sup>2</sup> These are specific types of real estate, infrastructure and innovative investments which are relatively insensitive to changes in inflation and which are characterised by a stable cash flow.

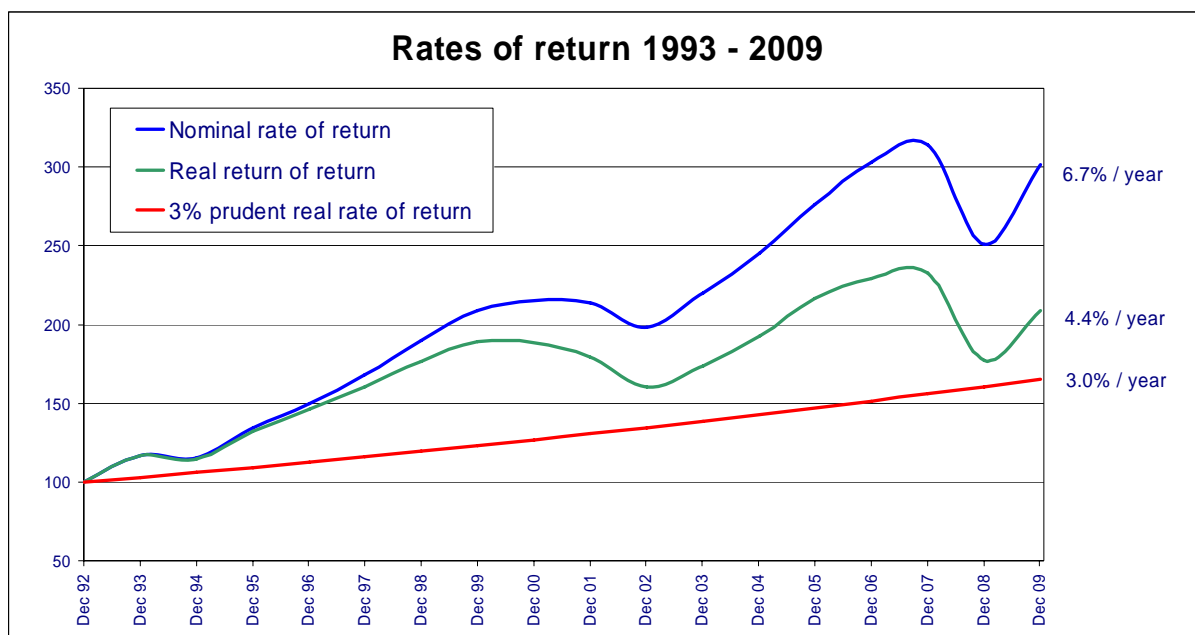
### Economic prospects

The prospects for the global economy have improved further. The recession is behind us, and growth is clearly picking up in most countries and regions. However, the recovery is expected to be slower than has historically been the norm due to the ongoing resolution of large debt positions in the financial sector and among American consumers. Government and centrally coordinated policy will again continue to encourage growth in the coming months. Inflation is expected to remain moderate as a result of ample production capacity and increased unemployment, although it is expected to increase somewhat as a result of the increased energy prices.

The combination of renewed growth, low inflation and short-term interest rates and stimulatory government policy will contribute to a relatively favourable investment climate. Companies find themselves in relatively good shape while reorganisations and restructuring operations will continue to take place in the financial sector. Nevertheless, some worrisome aspects still remain, particularly regarding the sustainability of the recovery if governments stop stimulating the economy. After all, following a financial crisis, there is greater uncertainty as to whether the economy will be able to stand on its own feet.

### Long-term rate of return

The graph below shows the cumulative nominal as well as real rate of return from 1993 to 2009. The value of every €100 invested in 1993 increased to €300 by 31 December 2009. The average annual rate of return over this period of 17 years is 6.7%. The rate of return after deducting the relevant wage inflation figure (i.e. the real rate of return) is 4.4% over the same period, which is 1.4% higher than the figure of 3% used in determining the pension premium.



## Profile

Stichting Pensioenfondsen ABP (ABP) is the industry-wide pension fund for employers and employees in government and educational institutions in the Netherlands. ABP has 2.8 million participants/clients and invested assets of over 200 billion euros (as of 31 December 2009). This makes ABP one of the three largest pension funds in the world.

## Disclaimer

This announcement states expectations for the future which are based on current assumptions and insights. ABP cannot accept any obligation to update these to accommodate future insights or events. Moreover, ABP draws attention to the fact that the expectations expressed above are subject to uncertainties and that, as a result, the ultimate returns can exhibit material divergences due, for example, to unforeseen circumstances in markets of relevance to ABP, exchange rates, the interest rate level and developments in the relevant legislation and regulations. The figures in this document are in part based on estimates and have not been verified by the auditor or the external actuary.

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