

## Press Release Q1, 2020

### Corona crisis also impacts ABP

Heerlen/Amsterdam, April 21, 2020. **ABP was confronted with an exceptional situation in the first quarter: the fund was also impacted by the consequences of the global Corona crisis. This crisis had and has a great influence on the financial markets and, consequently, also on ABP's financial position. The fund's current coverage ratio fell from 97.8% at the end of December 2019 to 82.0% at the end of March 2020. The policy coverage ratio (the 12-month moving average) also fell, from 95.8% to 93.0%. The two most important causes of the decline in ABP's coverage ratio were a negative return of 9.8% and a substantial fall in interest rates.**

**There will be no short-term changes for the participants: services will continue to be provided and pensions will be paid on time every month. According to ABP, it is still too early to say what the consequences will be for the pensions in 2021.**

#### What will happen to the pensions in 2021?

**Chairman, Corien Wortmann-Kool:** "Our world has been turned upside down in the first months of 2020. The spread of Coronavirus has had a great impact on us all, especially the ill, those who have lost a dear one, everyone in the care and education sectors, the police, and all others who make some form of contribution in these difficult times.

The Coronavirus has also had a great influence on the financial markets and, consequently, on ABP's financial position. Interest rates have once again fallen sharply and stock exchanges have plummeted. We lost more than half of our 2019 investment returns during the course of this quarter. All in all, this has pushed down the coverage ratio. Although this certainly gives cause for concern, it is still too early to say what exactly the consequences will be. The ABP Board is keeping a close eye on the interests of our participants and employers. We respond when necessary, but as pensions are and remain a long-term issue we also, and above all, give attention to the longer term. We make sure that the pensions are paid and that we are accessible for our participants and employers. We also have a keen eye for risks on the financial markets and we will take action when necessary."

Although for the time being nothing will change for ABP's participants, this crisis is severely impacting the fund. It is still too early to say what exactly this will mean. ABP believes that it will be able to make a better estimate in the fall. On December 31, the fund will determine whether it will be necessary to cut pensions next year.

#### ABP's coverage ratios

ABP's current coverage ratio declined by 15.8% during the first quarter, from 97.8% at the end of 2019 to 82.0% at the end of March. The lower actuarial interest rate, which increased ABP's liabilities, took a chunk of about 6.5% out of the current coverage ratio and the falling stock exchanges an even greater chunk of about 10%.

The policy coverage ratio – the average of the current coverage ratios over the previous twelve months – also fell in this quarter, from 95.8% to 93.0%.

The coverage ratio of a pension fund provides an indication of whether it will be able to pay out all current and future pensions. It expresses the ratio between ABP's available assets (€420 billion) and liabilities, which are all the current and future pension payments (€512 billion).

### How did ABP's investments and liabilities fare in the first quarter of 2020?

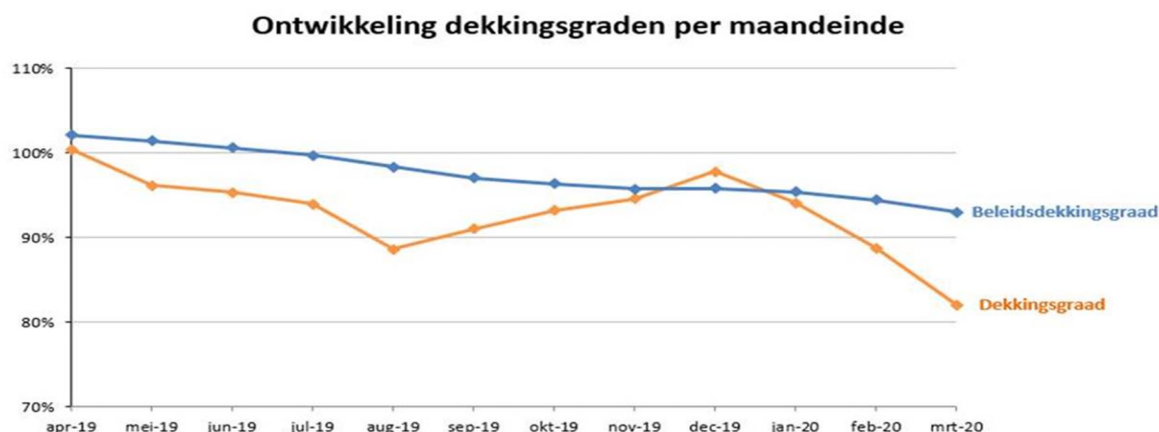
On balance, ABP recorded a negative return of 9.8% in the first quarter, equivalent to €45.4 billion. Consequently, ABP's available assets also fell during the first quarter, from €466 billion at the end of 2019 to €420 billion at the end of March 2020. The global Corona crisis caused stock exchanges to plunge into the red. This has resulted in ABP incurring a loss of 20% on its equity portfolio. Real estate and alternative investments, such as commodities, yielded a slightly negative return. A very small loss was incurred on bonds.

The actuarial interest rate also fell by 0.3%-point in the first quarter. As a result, the value of the pensions that ABP has to pay out, now and in the future, rose sharply by €36 billion from €476 billion at the end of 2019 to €512 billion at the end of March 2020.

### Investment outlook

The Coronavirus outbreak and the resultant control measures have had a great impact on the global economy. Policy-makers have mounted a rapid, large-scale response that has slightly stabilized the financial markets. In the shorter term, the limitation of freedom of movement has lowered production and is causing problems for families and businesses. It is difficult to estimate the longer-term consequences. For the time being, the IMF expects a partial recovery in 2021, while one of the CPB's four scenarios takes account of further contraction next year. However, no matter what happens, the consequences of the Corona crisis will probably be felt for years. Some of the losses will inevitably be borne by investors and, consequently, by pension funds.

Key figures	Q1 2019	Q2 2019	Q3 2019	Q4 2019	Q1 2020
Policy coverage ratio (%)	102.4	100.6	97.0	95.8	93.0
Coverage ratio (%)	99.0	95.3	91.0	97.8	82.0
Available assets (€ billion)	431	442	459	466	420
Liabilities (€ billions)	436.0	464	504	476	512
Actuarial interest rate (%)	1.1	0.8	0.4	0.7	0.4



## ABP investment portfolio composition:

	Weight in %	Q1 2020		2020		2019	
		Return in %	Return in € billion	Return in %	Return in € billion	Return in %	Return in € billion
<b>Fixed-income securities</b>	<b>41.4</b>	<b>-0.4</b>	<b>-0.8</b>	<b>-0.4</b>	<b>-0.8</b>	<b>8.7</b>	<b>14.0</b>
Government bonds	10.0	2.5	1.0	2.5	1.0	5.6	1.7
Long-term government bonds	9.5	7.3	2.5	7.3	2.5	11.7	3.5
Corporate bonds	14.7	-2.5	-1.6	-2.5	-1.6	9.4	5.3
Emerging market bonds	3.9	-12.7	-2.4	-12.7	-2.4	15.1	2.0
Inflation-linked bonds	3.3	-2.9	-0.3	-2.9	-0.3	4.7	1.6
<b>Equity</b>	<b>30.0</b>	<b>-20.1</b>	<b>-31.7</b>	<b>-20.1</b>	<b>-31.7</b>	<b>27.4</b>	<b>35.9</b>
Equities, developed countries	23.3	-19.2	-22.9	-19.2	-22.9	28.2	27.7
Equities, emerging markets	6.6	-23.2	-8.8	-23.2	-8.8	25.3	8.2
<b>Alternative investments</b>	<b>19.2</b>	<b>-9.3</b>	<b>-7.8</b>	<b>-9.3</b>	<b>-7.8</b>	<b>14.6</b>	<b>10.1</b>
Private equity	6.2	-0.1	0.0	-0.1	0.0	22.3	4.7
Commodities *	4.3	-33.3	-6.8	-33.3	-6.8	16.5	2.6
Opportunity Fund	0.2	-1.0	0.0	-1.0	0.0	-18.7	-0.2
Infrastructure	3.8	-1.1	-0.2	-1.1	-0.2	13.3	1.6
Hedge funds **	4.8	-3.9	-0.8	-3.9	-0.8	7.1	1.4
<b>Real estate</b>	<b>9.7</b>	<b>-14.2</b>	<b>-6.7</b>	<b>-14.2</b>	<b>-6.7</b>	<b>18.4</b>	<b>7.4</b>
Real estate	9.7	-14.2	-6.7	-14.2	-6.7	18.4	7.4
<b>Portfolio return (before overlay)</b>	<b>100.3</b>	<b>-10.1</b>	<b>-47.0</b>	<b>-10.1</b>	<b>-47.0</b>	<b>16.9</b>	<b>67.4</b>
<b>Overlay ***</b>	<b>-0.3</b>	<b>0.3</b>	<b>1.6</b>	<b>0.3</b>	<b>1.6</b>	<b>-0.1</b>	<b>-0.4</b>
Interest and inflation hedge ***		0.6	2.8	0.6	2.8	1.7	6.8
Currency hedge ***		-0.6	-2.8	-0.6	-2.8	-1.4	-5.7
Cash and other ***		0.4	1.6	0.4	1.6	-0.4	-1.6
<b>Total</b>	<b>100.0</b>	<b>-9.8</b>	<b>-45.4</b>	<b>-9.8</b>	<b>-45.4</b>	<b>16.8</b>	<b>66.9</b>

## Profile

The General Pension Fund for Public Employees (ABP) is the industry-wide pension fund for employers and employees of government and educational institutions in the Netherlands. ABP has three million participants and €420 billion in available assets (at March 31, 2020).