Uw vermogen om te leven

Quarterly Report Q3 2016

ABP's coverage ratio approximately at the same level for the last three quarters

Highlights:
- **Current coverage ratio remains stable: 90.7%**
- **Positive return in third quarter: 2.7% (€9.8 billion)**
- **Liabilities rise in third quarter due to declining interest rates (€9 billion)**
- **Reduction in pensions in 2017 remains a possibility**

Heerlen/Amsterdam, October 20, 2016. **ABP's financial position continued to be stable in the third quarter. The current coverage ratio rose slightly to 90.7% and at the end of the third quarter was approximately the same as it was at the end of the first two quarters. ABP posted a positive investment return of €9.8 billion in the third quarter. However, liabilities also rose by €9 billion. At the end of September, ABP had capital amounting to €381 billion.**

Chairman Corien Wortmann-Kool: 'Our coverage ratio has been stable over the three quarters of 2016: just above 90%. If we can maintain this in the fourth quarter, we will not be forced to reduce pensions in 2017. To be able to maintain or improve this coverage ratio, it is especially important that interest rates do not drop any further, because that would increase pension liabilities. And we need to continue to post positive returns. Up to the end of this quarter, we succeeded in doing so: with our investments, we earned over €30 billion (9%) for our participants in 2016. The coming months are therefore going to be critical. In part, because the need to reduce pensions continues to be an ever-present possibility. Once we prepare our balance sheet in January, we will be in a position to indicate whether or not we will be forced to implement a (limited) pension reduction.'

Outlook: Probability of Reduction/Indexation

There continues to be a possibility that ABP will be forced to reduce pensions in 2017. If, at the end of the year, the coverage ratio remains at the same level as that of the third quarter of 2016 (90.7%), then ABP would be just above the critical limit (approximately 90%) and pensions could therefore remain the same. However, the monthly coverage ratio could increase or decrease depending on interest rate levels and the return on investments. Should there be a need to reduce pensions, ABP expects to provide an initial indication of this reduction in the next quarterly report due to appear at the end of January 2017. It is expected that any pension reduction will be implemented in the second half of 2017 at the earliest.
In ABP's current estimation, the fund will not, or barely, be in a position to increase (index) pensions over the coming 5 years.

Investments and Liabilities Trends

The available assets increased to €381 billion in the third quarter. The return in the third quarter was 2.7% (€9.8 billion). A return of 9% (€31.5 billion) was achieved over the first three quarters of 2016.
Almost all asset classes showed a positive return over the third quarter. The equities portfolio achieved the highest increase (4.8%). The commodities category was the only category to post a negative return.
The value of the liabilities (the total of all pensions ABP must pay out now and in the future) increased by €9 billion to €420 billion in the third quarter. The decrease in the actuarial interest rate by 0.1% (rounded off) is the key reason for the increase in liabilities.
At the end of the third quarter of 2016, the policy coverage ratio (average of the last twelve monthly coverage ratios) was 92.5%. This is below the minimum (statutory) required level of 104.2%

Stichting Pensioenfonds ABP is gevestigd te Heerlen en ingeschreven in het handelsregister van de Kamer van Koophandel Limburg onder nummer 41074000.

Investments Outlook

The financial markets move within a narrow bandwidth; probably because recent macro-economic data does not present any cause for concern. However, this calm market environment can quickly reverse itself, because risks continue to be present. These risks primarily are of a political and economic nature. The calendar for the coming months includes the American presidential elections, the Italian referendum concerning a constitutional change and the potential termination of the ECB's asset purchase program in March 2017. These events are followed by elections in the Netherlands, France and Germany. This is making investors more nervous now that there are more frequent hints of monetary tightening in the US and a lack of clarity concerning the quantitative easing policy initiated in Europe.

Key figures	**Q3 2015**	**Q4 2015**	**Q1 2016**	**Q2 2016**	**Q3 2016**
Policy coverage ratio (%)	99.7	98.7	96.8	94.4	92.5
Coverage ratio (%)	95.8	97.2	90.4	90.5	90.7
Available assets (€ billions)*	345	351	359	372	381
Liabilities (€ billions)	360	361	397	411	420
Actuarial interest rate (%)	1.6	1.7	1.2	1.0	0.9

* the principal reasons for the change in available assets are the achieved investment return, contributions and payments.

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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 2.8 million participants and €381 billion in available assets (as at September 30, 2016).

Disclaimer

The figures in this document are partly based on estimates, and have not been verified by the external auditor or certifying actuary.

Appendix: Investment Portfolio Composition and Return

Returns are before currency hedge; some rounding differences may arise

	Weight	Q3 2016 Return		YTD 2016 Return		2015 Return	
	%	in %	in billion €	in %	in billion €	in %	in billion €
Nominal Fixed Income	**30.1**	**0.8**	**1.0**	**7.4**	**8.3**	**3.2**	**3.3**
Treasuries	8.8	0.5	0.2	6.2	2.7	1.3	0.6
Treasuries Long Duration	5.0	0.3	0.0	17.4	2.1	2.3	-0.2
Credits	13.3	1.1	0.6	5.0	2.5	5.8	2.8
Emerging Market Debt	2.9	2.1	0.2	12.6	1.1	3.2	0.1
Inflation Linked	**9.0**	**1.8**	**0.6**	**6.8**	**2.2**	**0.1**	**-0.1**
Inflation Linked Debt	9.0	1.8	0.6	6.8	2.2	0.1	-0.1
Equity	**34.6**	**4.8**	**5.6**	**5.0**	**5.9**	**7.5**	**9.8**
Equity Developed	25.9	3.7	3.2	2.3	2.1	11.7	11.0
Equity Emerging	8.7	7.8	2.4	12.9	3.9	-4.7	-1.1
Alternative investments	**26.3**	**0.5**	**0.5**	**3.4**	**3.3**	**11.2**	**9.8**
Real Estate	10.1	1.1	0.4	5.7	2.1	16.9	5.6
Private Equity	4.7	2.4	0.4	3.6	0.6	24.8	3.9
Commodities	3.9	-3.7	-0.6	3.6	0.6	-20.0	-3.2
Opportunity Fund	0.6	2.6	0.1	-3.1	-0.1	10.0	0.3
Infrastructure	2.3	1.4	0.1	6.6	0.5	13.0	0.8
Hedge Funds	4.6	0.1	0.0	-1.9	-0.4	13.0	2.4
Portfolio return (before overlay)	**99.9**	**2.1**	**7.7**	**5.7**	**19.8**	**6.7**	**22.9**
Overlay*	**0.1**	**0.6**	**2.1**	**3.3**	**11.7**	**-4.0**	**-13.5**
Interest and inflation hedge*		0.2	0.8	2.5	8.8	-0.5	-1.7
Currency hedge*		0.3	1.0	0.7	2.4	-3.5	-12.0
Other*		0.1	0.3	0.2	0.5	0.0	0.1
Total	**100.0**	**2.7**	**9.8**	**9.0**	**31.5**	**2.7**	**9.4**

* contribution to total return