

Market analysis

The global economy is still showing reasonable growth, with around 3% expected for the whole of 2024. This is comparable to the growth achieved in 2023 and that expected in 2025. Beneath this apparent stability, however, a number of shifts are taking place, both over time and for the various regions. 2024 therefore seems to be a year with two different faces. It started stronger than expected, mainly thanks to the US and Chinese economies, but the global economy now clearly seems to be cooling.

The Chinese economy grew by more than 5% year-on-year in the first quarter of this year, but is not expected to be able to maintain that growth rate and is more likely to achieve growth of a maximum of 5% for the whole of 2024. In contrast to China, the Japanese economy got off to a difficult start this year, but has since recovered strongly. Nevertheless, growth of the Japanese economy for the whole of 2024 is unlikely to be above 1%. Finally, economic growth in the eurozone has failed to really get going all year. In the second quarter, the eurozone economy grew by only 0.6% year-on-year. This is not expected to be much higher in the coming period, so that growth in the eurozone is likely to remain at a maximum of 1% for the whole of 2024.

For 2025, growth expectations at regional level are somewhat closer together, however, at least for developed economies. For example, the IMF expects growth of the US economy to fall back towards 2% in the course of 2025, while in the eurozone, growth is in fact expected to speed up towards 1.5%. For the UK, Japan and Canada, among others, the IMF also expects growth to be higher in 2025 than in 2024. This means that in 2025 the US will no longer need to be the only engine of growth among developed economies, which it was in fact in 2024.

The global economy as a whole therefore appears to be developing in a fairly stable manner, despite the underlying shifts, but that masks the fact that the risks of a different, less favourable outcome have in fact increased recently. Persistently (too) high inflation is no longer the main risk scenario; the increasing threat of a recession is more of a problem. Confidence indicators indicate that industry in particular is going through a difficult period. This applies most to Europe (and within Europe, especially to Germany), but producer confidence in industry in the US and China has also been indicating below-average growth for a considerable time now.

Developments within the labour market also seem to be a factor that increasingly determines the economic outlook. In the past, unemployment was often seen as a 'lagging indicator' (unemployment often only increased when a recession was already coming to an end), but that has changed, partly due to the increased importance of consumer spending for economic growth. A sharp deterioration in the labour market may also prove to be the start of a recession through lower consumer spending.

Besides developments within the labour market, election results – more than 40% of the world's population will go to the polls this year – and geopolitical risks will continue to determine the economic outlook. Most prominent in this regard in the short term is the US presidential election, but in Europe too (for example in Germany and France) political instability can influence future economic policy.

As for geopolitical risks, the ongoing war in Ukraine and the conflict between Israel and Hamas in Gaza (and now also Hezbollah in Lebanon) still look to be the biggest threats to the global economy in the near term. What is striking, however, is that where in the past conflict situations (certainly in the Middle East) often influenced the global economy through a higher oil price, that currently seems not to be the case.

Finally, the opacity of the Chinese economy, particularly the Chinese housing market and banking sector, remains problematic. The Chinese government (and the central bank) recently announced another major package of incentive measures to support the Chinese economy and capital market. The question remains whether this step can reverse the unfavourable demographic and economic outlook, as long as these incentives are unaccompanied by structural reforms.

After rising in the first half of 2024, government bond yields declined in the third quarter. In Europe, the decline ranged from 25 basis points (e.g. in the UK, Sweden and Switzerland) to around 50 basis points (e.g. in Germany, the Netherlands and Spain). On balance therefore, the 10-year euro swap rate returned to close to its level at the beginning of 2024 (approx. 2.4%) as was also the case for 10-year yields in the US (around 3.8%). Bond yields also declined outside Europe and the US, and to a similar degree in most cases, falling by 25-50 basis points.

It was notable that the decline in yields in the third quarter in the eurozone did not lead to a 'flight to safety': yields on Italian, Spanish and Greek bonds for example declined more sharply than yields on German government bonds. Yield differentials in the eurozone thus remained relatively narrow, ranging from 2.2% on German 10-year government bonds to around 3% on French, Spanish and Greek government bonds. The highest bond yields in the eurozone were in Italy (3.5% for 10-year paper), but this was still lower than the 4% for instance on British government bonds. It was also notable that the yield curve steepened, with short-term (e.g. 2-year) rates falling faster than yields on longer-term (e.g. 30-year) bonds.

Fund strategy and results

As in the second quarter, there was a sharp steepening of the yield curve in the third quarter. The big difference was that this time, the steepening happened in a declining interest-rate environment, while in the second quarter rates were rising. After more than two years, the rate on German 2-year bonds fell below the German 10-year yield at the end of the third quarter, with the 2-year rate declining by nearly 0.80% compared to an 'only' 0.40% decline in the 10-year yield, closing the quarter at 2.12%.

Spreads between countries on average moved sideways, with certain variations. Notably enough, lower-rated countries such as Greece, Spain, Portugal and Italy performed significantly better than AA-rated countries such as France and Belgium, and even the Netherlands with its AAA rating. All this was due to the continuing fiscal turmoil in France, where new Prime Minister Barnier is facing a challenge to raise sufficient political support in order to prepare a budget to be assessed by investors, the rating agencies and the European Commission. This fundamental reason, in combination with a withdrawal by the ECB, has caused investors to criticise the fiscal situation in individual countries. Countries with a long track record of striving to keep government finances under control are being rewarded, although there are various qualifications to this in the case of Italy.

Another notable movement was the development of the oil price and the related movement in inflation swaps. Although the world is to some extent on fire, and the oil producers are directly or indirectly involved in this, the oil price fell sharply. This is largely due to the situation in the US, where oil production has risen sharply in recent years, and in this year as well. This is inextricably linked to the upcoming presidential election, in which inflation is a prominent theme, with the geopolitical importance of keeping countries such as Russia and Iran under pressure as an additional factor. Another factor depressing oil prices is the slowdown in economic growth. Growth is weak, especially in China and Europe, and this also has an effect on inflation. The ECB was thus able to again reduce its policy interest rate in September, and the market is expecting the ECB to continue to do so in the coming months. This does not mean that all interest rates will decline in tandem. Even after the steepening seen in recent months, yield curves are still historically very flat and the combination of high budget deficits and contracting central bank balance sheets means that the markets will have to absorb a wave of new debt paper in 2025 as well.

The fund outperformed its benchmark in the third quarter. Our interest-rate positioning was neutral, and thus had no effect on the result, while profits were booked on our curve positions and country selections. Credit risk in the fund was largely neutral to slightly underweight, apart from the closing weeks of the quarter when credit risk was added. Firstly, the fund was overweight in the shorter maturities where the decline in rates was the sharpest during the quarter, in anticipation of a steepening of the curve. Our country selections, in terms of both maturity and at overall level, also made a positive contribution. The fund was heavily underweight in Belgium and France, and overweight in a range of other countries and semi-government paper. This was a good choice, given the poor returns in France and Belgium. Our decision to go for 15-year maturities in Finland and to avoid the 30+-year maturities in all countries also worked well. We reduced our underweight in France towards the end of the quarter to safeguard our profits and the return on France came close to that on A-rated Spain. The only clearly negative contribution came from our underweight in Ireland. We reduced our position in Ireland when the return here came close to the returns on Dutch bonds, but with hindsight this was premature.

We enter the final quarter of 2024 with a continuing but smaller underweight in Belgium and France, as a result of which we have a slight net overweight in credit risk compared to the benchmark. The fund is also anticipating a further steepening of the yield curve. Interest-rate positioning continues to be neutral, and our base case is that the steepening will take place mainly in the mid-length maturities. Interest rates moved lower in the third quarter of 2024, with a greater decline in the shorter maturities. Credit spreads moved sideways, with the usual variations between countries. Inflation forecasts have fallen sharply to levels slightly below the central banks' target of 2%.

After expenses, the fund had a quarterly return of 5.05% versus 4.89% for the benchmark, a positive relative return of 0.16%.

Outlook

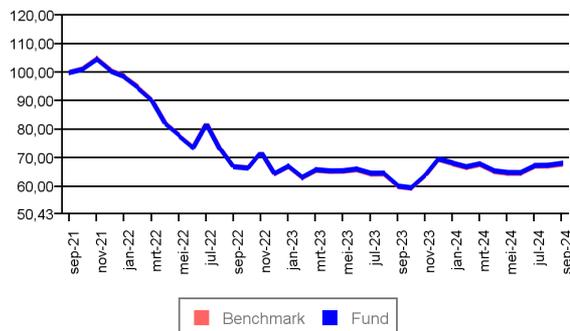
After a period of rising yields, bond yields declined again in the third quarter to levels close to those seen at the start of 2024. The bond markets appear to have shifted their focus from fear of inflation to fear of recession, even though yields are still a long way from the zero or negative levels seen before 2022. For now, we do not see any signs of an imminent severe economic downturn in the macroeconomic figures, and we therefore see no reason for thinking that the decline in bond yields has much further to go from current levels. On the other hand, it is fairly certain that the central banks will continue to cut their base rates in the coming period. This means that the potential for a significant rise in bond yields is also limited. With our expectation for lower short-term rates and flat bond yields (albeit with the potential of plenty of volatility), we expect the yield curve to steepen gradually while maintaining a neutral stance with respect to the outlook for government bonds.

Investment strategy

The objective of the ASR Pensioen Staatsobligatiefonds 15+ Jaar is to offer an investment in a diversified portfolio of Investment Grade fixed-interest titles and long-dated instruments, primarily issued by government bodies and denominated in euros. The investment policy aims to generate a target return over a three-year period that at least equals the return on the established representative benchmark, after deduction of all costs applicable to this mandate. The fund is managed in compliance with the ESG policy drafted by the Manager.

Historical indexed return

Indexation based on returns of not more than 3 years



Return *)	Fund	Benchmark
1 month	1,04 %	0,91 %
3 months	5,05 %	4,89 %
6 months	0,19 %	0,10 %
1 year	13,21 %	13,01 %
3 year	-11,95 %	-12,11 %
5 year	-8,32 %	-8,60 %
YTD	-2,17 %	-2,43 %
Since start (*)	-2,98 %	-3,15 %

(*) period exceeding 1 year is annualised and is net based

Essential fund information

NAV calculation	Daily
Date of incorporation	30-11-2017
Performance calculation started on	30-11-2017
Fund administrator	ASR Vermogensbeheer N.V.
Fund manager	Marèn Klap
Entry charge (maximum)	0,10 %
Exit charge (maximum)	0,10 %
Ongoing Charges Ratio (OCR)(*)	0,20 %
Country of domicile	NL
Currency	EUR
Benchmark	BofA ML 15+ Year AAA-AA Euro Government (EG68)
ISIN	NL0012625032

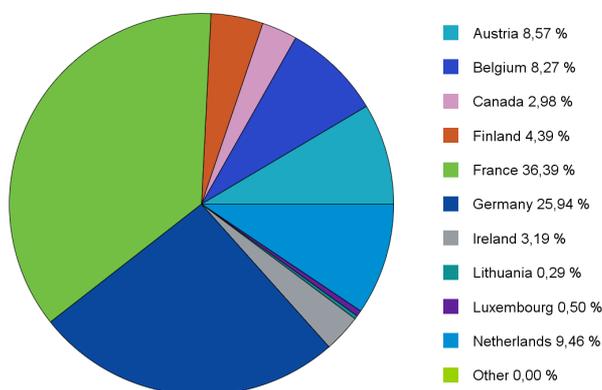
(*) The Ongoing Charges Ratio (OCR) consists of the management fee (0,10%) and the service fee (0,10%) (excluding costs which can be allocated directly to transactions) and the costs of the underlying investments.

Fund facts and prices

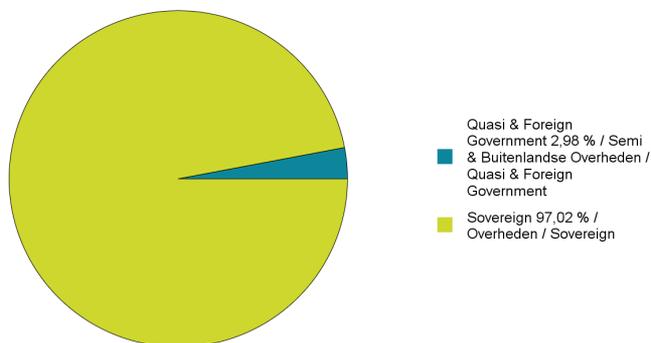
Total assets (x 1,000)	€ 372.382,33
Number of outstanding units (x1,000)	9.052,47
Net asset value per unit	41,14
Highest price in period under review	41,78
Lowest price in period under review	40,38
Dividend	None

10 largest holdings	ISIN	Country	%
FRANKRIJK 2% 25/05/2048	FR0013257524	France	8,19 %
DUITSLAND 2.5% 15/08/2046	DE0001102341	Germany	6,76 %
FRANKRIJK 3% 25/05/2054	FR001400FTH3	France	6,71 %
DUITSLAND 0% 15/08/2050	DE0001030724	Germany	5,06 %
DUITSLAND 0% 15/08/2050	DE0001102481	Germany	0,92 %
FRANKRIJK 3.25% 25/05/2055	FR001400OHF4	France	5,96 %
DUITSLAND 1.25% 15/08/2048	DE0001102432	Germany	5,25 %
DUITSLAND GROEN 1.8% 15/08/2053	DE0001030757	Germany	5,22 %
FRANKRIJK 4% 25/04/2055	FR0010171975	France	5,12 %
FRANKRIJK 2.5% 25/05/2043	FR001400CMX2	France	3,73 %
OOSTENRIJK 3.15% 20/10/2053	AT0000A33SK7	Austria	3,17 %

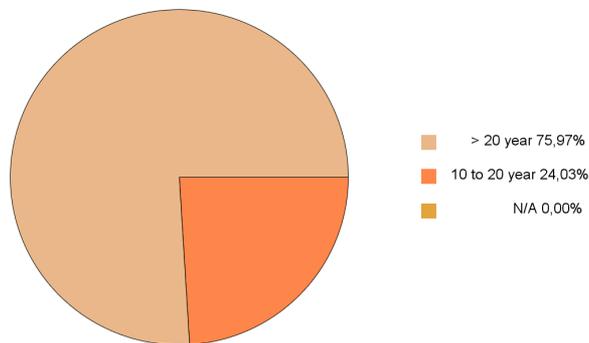
Country concentration



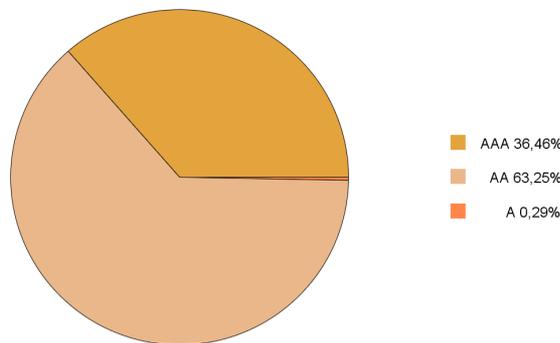
Industry concentration



Duration



Rating



Fund Governance

Als institutionele belegger toont a.s.r. haar maatschappelijke verantwoordelijkheid onder meer door toepassing van ethische en duurzaamheidscriteria in haar beleggingsbeleid. Alle beleggingen die beheerd worden door ASR Vermogensbeheer N.V. worden gescreend op basis van het a.s.r. SRI-beleid (Socially Responsible Investment), zoals sociale en milieuaspecten. Landen en ondernemingen die niet hieraan voldoen worden uitgesloten. De screening van ondernemingen is gebaseerd op externe, onafhankelijke research van Vigeo Eiris (www.vigeoeiris.com/en/vigeo-eiris-rating/) conform Arista standaarden. Daarnaast is er een externe, onafhankelijke certificering door Forum Ethibel (forumethibel.org/content/home.html) via een halfjaarlijkse audit van de beleggingsportefeuille van ASR Vermogensbeheer N.V.

Bij het beheer van vermogen selecteert a.s.r. op basis van best practices en products volgens de ESG-criteria (Environmental, Social en Governance). Dit betreft alle beleggingen in landen (staatsleningen) en in ondernemingen (aandelen en bedrijfsobligaties) die het best scoren en passend zijn binnen de beleggingsrichtlijnen. Daarnaast investeert a.s.r. in bedrijven die een duurzame bijdrage leveren aan de maatschappij.

Ook hanteert a.s.r. een strikt uitsluitingsbeleid ten aanzien van controversiële activiteiten van landen en ondernemingen. Dit betreft bijvoorbeeld producenten van controversiële of offensieve wapens, nucleaire energie, de gokindustrie, tabak en kolen. Tevens eist a.s.r. dat bedrijven voldoen aan internationale conventies op het gebied van milieu, mensen- en arbeidsrechten. Voor de beleggingen in staatsleningen sluit a.s.r. landen uit die slecht scoren in de Freedom in the World Annual Report en de Corruption Perception Index. ASR is ondertekenaar van UNPRI en UNGC. Tevens voldoet a.s.r. aan de Code Duurzaam Beleggen voor verzekeraars van het Verbond van Verzekeraars, die sinds 1 januari 2012 van kracht is.

Sustainability Policy

a.s.r. is an institutional investor that show its social responsibility, for instance by applying ethical and sustainability criteria to investment selection. All assets under management by ASR Vermogensbeheer N.V. are screened using the a.s.r. SRI (Social Responsible Investment) policy, such as social and environmental aspects. Countries and corporations that do not meet these requirements are excluded. The screening of corporations is based on external independent research by Vigeo Eiris (www.vigeoeiris.com/en/vigeo-eiris-rating/) certified to the independent ARISTA standard. Furthermore, the ASR Vermogensbeheer N.V.'s asset portfolio is externally and independently certified by Forum Ethibel (forumethibel.org/content/home.html) in semi-annual audits.

a.s.r.'s asset management selects investments based on best practices en products according to ESG-criteria (Environmental, Social and Governance). This applies to all investments in countries (sovereign debt) and in corporations (shares and corporate bonds) that score the best in and are appropriate to the policy guidelines. Furthermore, a.s.r. invest in corporations that make sustainability contributions to society.

a.s.r. also have a strict policy excluding controversial activities of countries and corporations. This applies to producers if controversial or offensive weapons, nuclear energy, the gambling industry, tobacco and coal. Furthermore, a.s.r. require that corporations comply with international agreements concerning environment, human and labor rights. For sovereign debts investments a.s.r. exclude countries that score low in the Freedom in the World Annual Report and the Corruption Perception Index. a.s.r. have signed the UNPRI and UNGC. Furthermore, a.s.r. comply with the Code Duurzaam Beleggen (Code for Sustainable Investing) for the insurance industry issued by the Vereniging van Verzekeraars (Union of Insurers), that came into force January 1, 2002.

An investment in the fund is subject to market fluctuations and to the risks inherent to investing in movable securities. The value of the investments and their revenue can increase as well as decrease. It is possible that investors will not get back the initially invested capital. The value of your investments may fluctuate and results achieved in the past offer no guarantee for the future. This publication in itself is not an offer to buy any security or an invitation to make a bid for this security. The decision to buy units in fund must be taken exclusively on the basis of the Information Memorandum. The Information Memorandum has information about the product, the investment policy, the costs and risks. Please read the Information Memorandum. The Information Memorandum and other information is available from a.s.r. or via www.asr.nl.

This is a marketing communication. Please refer to Information Memorandum before making any final investment decisions. Past performance does not predict future returns.