

Market analysis

After the global economy started strongly against expectations in 2024, driven mainly by the US economy, this positive trend has now softened to some extent. The US economy has been growing at 1.4% annualised since the first quarter, but is still nevertheless a long way from a possible recession despite this cooling. The eurozone, which was still close to a recession in the two quarters before the turn of the year, seems to be gradually emerging from a period of economic stagnation. A slight increase in economic growth is visible, with the southern eurozone countries being the main driving force. In China, expectations were low, leaving room for positive surprises. In the first quarter, the Chinese economy managed to grow faster than the 5% target, thanks in part to an accommodative fiscal government policy.

For the time to come, the most plausible scenario appears to be that the US economy will continue to outperform the European economy in absolute terms. For example, the IMF expects economic growth of around 0.9% for the eurozone and 2.1% for the US for the whole of 2024. However, the IMF expects a further convergence of both regions towards economic growth of 1.7% in 2025. This therefore suggests that the US will see slower growth compared to 2023. So far, the US economy has proved to be more robust than expected, but the lagged effects of tighter monetary policy, the gradual weakening of fiscal policy, and a weakening of the labour market are still expected to weigh on overall demand.

This last development has been visible in the US for some time. Since the low of 3.4% in April 2023, the unemployment rate has already risen to 4.0%. As a result, the labour market is under somewhat less pressure, although even by US standards, it remains very tight. The Congressional Budget Office (CBO) and Federal Reserve Bank of St. Louis estimates the current natural unemployment rate (the level at which inflation remains stable) at 4.2%. As a result, we can expect some upward pressure on wages and prices in the period ahead, but the difference has since been fairly normalised.

This normalisation is also visible in what are known as the sentiment indicators, all of which are now around an average level. This does not unequivocally indicate an expected expansion or contraction of the US economy and is therefore in line with the expectations outlined by the IMF.

Finally, Americans will go to the polls in November for the presidential election. Without anticipating the outcome, political elections can lead to short-sighted and inefficient public investment to bind voters, and the run-up to the election may impact consumer and business confidence in the US.

Following the rise in interest rates during the first quarter, interest rates on government bonds continued to rise in the second quarter of 2024, particularly until the European elections in the second week of June. Following Macron's announcement to hold new parliamentary elections, there was strong risk-off sentiment in the market, causing rates on 'safe' European government bonds to fall sharply. For example, the yield on 10-year German government bonds fell by about 30 basis points in the second week of June. Despite this correction, the yield on 10-year German government bonds increased by 20 basis points during the quarter (YTD + 48bp). Dutch government bonds showed a similar picture, with an increase of 23 basis points. Whereas during the first quarter interest rates on Southern European government bonds rose less sharply than those on German and Dutch government bonds, this was no longer the case in the second quarter. The Spanish 10-year yield rose by 29 basis points to 3.4% in the second quarter of 2024. France, however, reigned supreme; amid political turmoil, the 10-year yield rose 51 basis points to 3.3%. As a result, interest rates have been rising steadily since the beginning of the year and investors seem to be coming back increasingly to their optimistic outlook at the beginning of the year.

Interest rates on most bond markets also rose outside Europe. In the US, 10-year interest rates rose sharply during the first month of the quarter, before declining again during the rest of the quarter. On balance, the US 10-year yield ended the quarter 10 basis points higher. The volatility in US interest rates during the quarter was mainly driven by macroeconomic data that was sometimes below and sometimes above expectations, which had implications for the Fed's expected interest rate policy. Key market indicators were mainly inflation and employment data.

Fund strategy and results

Interest rates rose in the second quarter, mainly on longer maturities, which led to a steepening of yield curves. The rise in swap rates was higher at short maturities, which slightly increased the difference between state and swap rates. Country spreads also rose, especially on French and Italian bonds. Inflation expectations moved sideways in line with the uneventful oil price.

The driving forces behind these movements were divided into three themes. First of all, as in the first quarter, macro data was better than expected. Growth continued to be good, not least driven by continued expansionary government policies in many countries. This also keeps inflation above the ECB target at levels, particularly in the services sector where wages determine a large part of price developments. Secondly, the attitude of central bankers is now truly changing. There is increasing confidence that they are achieving their objective of stable inflation, which means that policy can be further 'normalised'. This further means that interest rates can be reduced, illustrated by the first ECB rate cut last June, but also that central bank balance sheets can be reduced. The ECB announced that it would reduce the PEPP programme in addition to the APP, but this process will take many years to complete. Finally, there was some political turmoil. The 'right-wing rally' that was already expected in many countries was also visible in the European elections. The market reaction was calm, but the loss of Macron's party was such that Macron felt it necessary to announce French parliamentary elections. Markets reacted strongly to this, and there was a strong risk-off reaction with falling interest rates and rising country spreads. Even the term 'euro crisis' reared its head once more. Our expectation is that things will not go this fast in the short term, but it may come as no surprise to anyone that the French tax situation will come under pressure once and for all. The country has been doing poorly in fiscal policy for years, but markets have long been able to ignore this with the generous ECB policy. In the coming years, France will have to implement reforms to maintain its AA rating.

The fund performed roughly in line with the benchmark in the second quarter. Some basis points were earned by an underweight interest rate position on the idea that too many rate cuts were priced in. Spread positioning also worked well for most of the quarter. The overweight in less liquid and off-benchmark loans benefited from a largely positive sentiment. In the final weeks of the quarter, however, this was somewhat reversed when sentiment quickly changed. The small position in inflation loans did not make a significant contribution to the result. However, the small plus that remained from active policy was largely offset by a pricing effect in which fund and benchmark valuation diverged slightly.

The third quarter starts with a cautious positioning. In terms of interest rates, we find the market outlook very valid and we also look for the benchmark in terms of country positioning. Valuations are no longer that attractive, the ECB is taking a step back, but there appears to be a lot of demand for fixed income securities. For the time being, these forces are keeping each other in balance. Only when the macro picture changes, or significant event risks occur, do we expect more volatility.

Interest rates moved higher in the second quarter of 2024, more long-term than short-term maturities. Credit surcharges rose, but only at the end of the quarter, as did swap spreads. Inflation expectations moved sideways, slightly above the central banks' 2% target.

After expenses, the fund had a quarterly return of -2.48% versus -2.52% for the benchmark, a positive relative return of 0.04%.

Outlook

The current 'reasonable' levels of government bond yields offer room for both further interest rate increases and potential interest rate decreases. The ECB cut its policy rate for the first time last quarter, and the interest rate market expects about two rate cuts for the coming year. If the macro-economic situation in the euro area remains robust, as it was in the first half of 2024, the scenario could repeat in which the interest rate market continues to expect policy rate cuts to be postponed. As the economic growth outlook continues to disappoint and inflationary and/or wage pressures remain high longer, there is still room for a further yield increase. In addition, employment figures can play a major role in these expectations. In June, we saw that there is scope for higher interest rates.

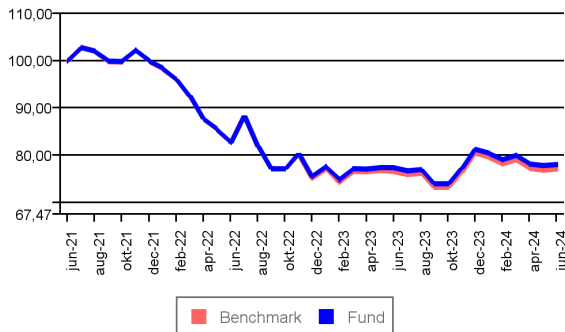
On the other hand, interest rates could fall if the economic slowdown continues as expected, and there is no reason for the ECB to further delay interest rate cuts. In addition, an idiosyncratic event such as Macron's announcement of new parliamentary elections in June, the short-lived banking crisis in March 2023, or a more significant event such as a new euro crisis, could also lead to lower interest rates. We are not sufficiently convinced of either scenario to take a tactical position. On balance, we assume that government bond yields will remain fairly flat in the coming period, but within a wide range.

Investment strategy

The objective of the ASR Pensioen Staatsobligatiefonds 10-15 Jaar is to offer an investment in a diversified portfolio of Investment Grade fixed-interest securities and long-dated instruments, primarily issued by governments 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 | 0,29 % | 0,36 % |
| 3 months | -2,48 % | -2,52 % |
| 6 months | -3,99 % | -4,23 % |
| 1 year | 0,86 % | 0,70 % |
| 3 year | -7,91 % | -8,29 % |
| 5 year | -4,58 % | -4,98 % |
| YTD | -3,99 % | -4,23 % |
| Since start (*) | -2,05 % | -2,29 % |

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

Essential fund information

| | |
|------------------------------------|--------------------------|
| NAV calculation | Daily |
| Date of incorporation | 31-10-2017 |
| Performance calculation started on | 31-10-2017 |
| 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 | Composite |
| ISIN | NL0012375182 |

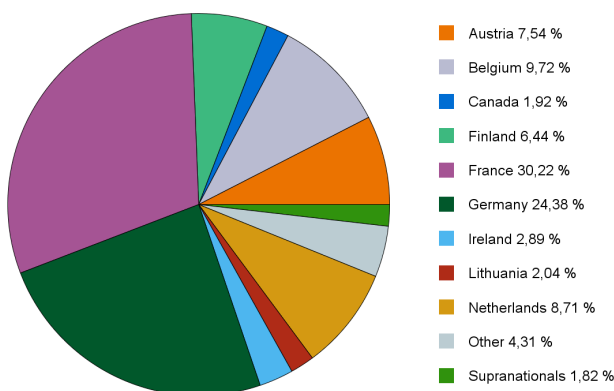
(*) The Ongoing Charges Ratio (OCR) consists of the management fee (0,10%) and the service fee (0,10%) (excluding costs which can be allocated directly to transactions) and the costs of the underlying investments.

Fund facts and prices

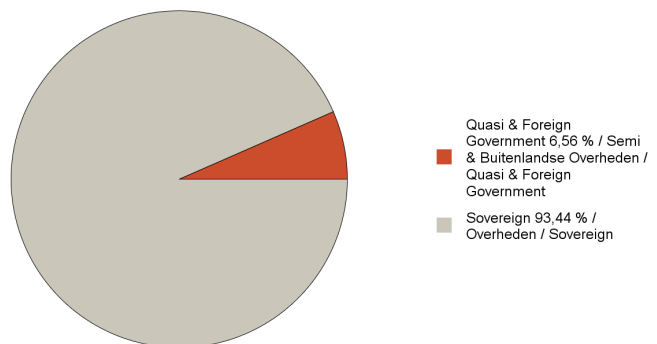
| | |
|--------------------------------------|--------------|
| Total assets (x 1,000) | € 671.327,07 |
| Number of outstanding units (x1,000) | 11.812,33 |
| Net asset value per unit | 56,83 |
| Highest price in period under review | 57,57 |
| Lowest price in period under review | 56,32 |
| Dividend | None |

| 10 largest holdings | ISIN | Country | % |
|----------------------------|--------------|---------|--------|
| FRANKRIJK 1.25% 25/05/2038 | FR0014009062 | France | 6,43 % |
| DUITSLAND 2.4% 15/11/2030 | DE000BU27006 | Germany | 4,95 % |
| FRANKRIJK 1.75% 25/06/2039 | FR0013234333 | France | 4,92 % |
| DUITSLAND 2.5% 15/08/2054 | DE000BU2D004 | Germany | 3,76 % |
| DUITSLAND 0% 15/08/2030 | DE0001030708 | Germany | 3,68 % |
| FRANKRIJK 4% 25/10/2038 | FR0010371401 | France | 3,40 % |
| OOSTENRIJK 0.9% 20/02/2032 | AT0000A2WSC8 | Austria | 2,92 % |
| FRANKRIJK 0% 25/11/2031 | FR0014002WK3 | France | 2,83 % |
| DUITSLAND 0% 15/08/2050 | DE0001030724 | Germany | 2,67 % |
| DUITSLAND 0% 15/08/2050 | DE0001102481 | Germany | 0,11 % |
| BELGIE 1% 22/06/2031 | BE0000335449 | Belgium | 2,58 % |

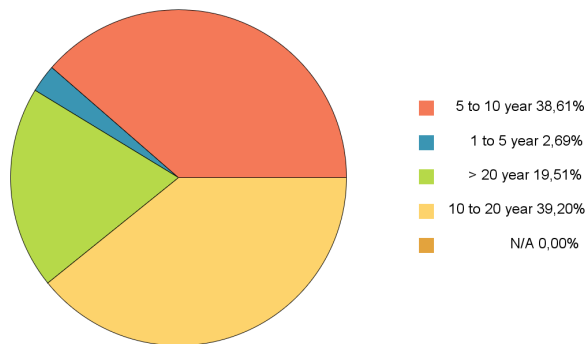
Country concentration



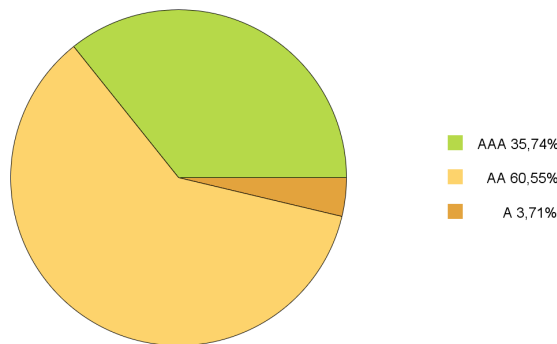
Industry concentration



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.