INSINGER GILISSEN
A QUINTET PRIVATE BANK

YOUR RISK PROFILE AT INSINGERGILISSEN

An explanation of the risks and returns

March 2024

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1. INTRODUCTION

Dear client, you currently invest some or all of your capital at InsingerGilissen, intend to do so or are considering doing so. The idea behind your investment is to achieve specific financial objectives, for instance to increase the amount of capital or retain your purchasing power. You may also invest with a view to a future purchase, such as a second home, or to earn income to cover living expenses or pay care costs. When it comes to investing, it is always important to know how much return you would like or need to earn and how much risk you are able and willing to take.

To this end, we use a number of risk profiles, each with its own characteristics and strategic weight in the individual asset classes. This risk profile is not just a reflection of your risk appetite, it also indicates the potential return that can be earned on your investment.

This brochure tells you more about the relationship between risk and return and the different risk profiles used at InsingerGilissen, allowing you to obtain greater insight into how your investments are matched to your personal, financial situation.

2. WHAT ARE THE DIFFERENT RISK PROFILES AND HOW ARE THESE STRUCTURED?

2.1 What do we understand by risk?

There are several definitions of the term risk. In the context of establishing the correct risk profile, we view risk as “the risk of you not succeeding in achieving your financial objectives”. A good gauge for determining your risk profile is the extent to which the actual annual return on the asset classes contained in your investment portfolio may deviate from the average return on these asset classes over a multi-year period. This is called standard deviation.

The riskier your investments, the greater the deviation from the historical average return could be. Each risk profile has its own risk/return characteristics. The general rule is the higher the historical average return, the greater the risk that the actual return will deviate from this.

2.2 Diversification across asset classes

Within each risk profile, the invested capital is allocated across the different asset classes. We distinguish the following asset classes:

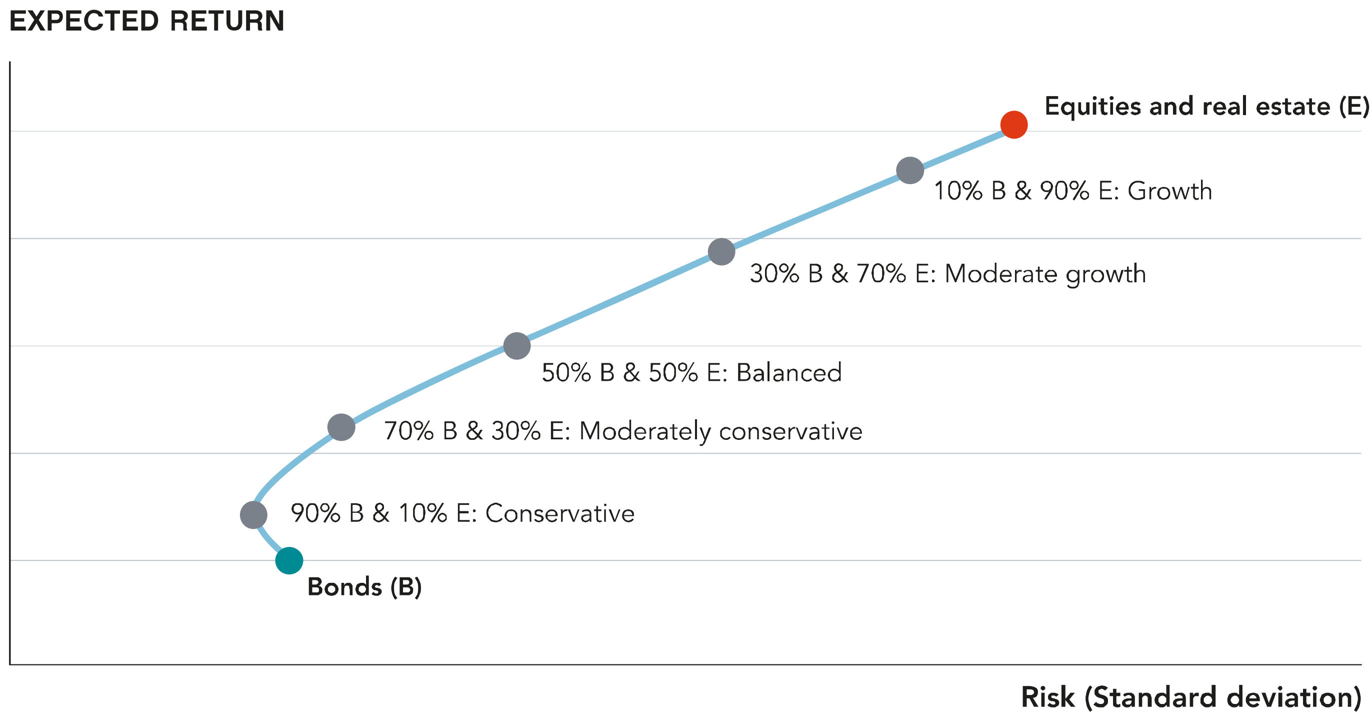
- Equities and derivates
- Real estate
- Alternatives
- Non-traditional bonds
- Non-investment grade bonds
- Investment grade bonds
- Cash

More information on these asset classes can be found in chapter 4.

Each asset class has different risk and return characteristics. The ratio of these asset classes differs in each risk profile.

Graph 1 depicts the risk/return characteristics of the different risk profiles. The graph shows the relationship between expected return and risk for an investment portfolio containing bonds, equities and real estate.

Graph 1: risk/return characteristics of the risk profiles



The vertical axis gives the expected return and the horizontal axis the risk. Risk is depicted as the standard deviation. This shows how large the spread of the historical return is and how much it can deviate from the average return. The higher the standard deviation, the less certainty that the average return will be earned.

- The blue curve gives the expected returns and corresponding risks for possible combinations of bonds, equities and real estate.
- The green dot at the lower left end of the purple curve shows the expected return and corresponding risk for an investment portfolio that only comprises bonds. A portfolio containing only bonds has a low expected return and a low level of risk, but not the lowest risk
- The red dot at the upper right end of the purple curve shows the expected return and corresponding risk of an investment portfolio that only comprises equities and real estate. A portfolio containing only equities and real estate has the highest expected return but also the highest risk.
- The grey dots on the purple curve show the expected returns and corresponding risk for specific combinations of bonds, equities and real estate.

In general, adding equities and real estate to an investment portfolio leads to a higher expected return and higher risk, but not always. The risk and return characteristics of an investment portfolio containing only bonds can be improved by adding some equities and real estate. Equities and real estate may be riskier, but we expect them to yield higher returns in the long term.

The different risk profiles allow us to provide greater insight into the risks and opportunities of investment. In addition to diversification across asset classes and the specific risks of investment instruments, the time at which investments are bought or sold can also affect the ultimate return.

2.3 Five different risk profiles

We apply the following risk profiles:
1. Conservative
2. Moderately conservative
3. Balanced
4. Moderate growth
5. Growth

A risk profile corresponds to the composition of a specific investment portfolio constructed from individual asset classes. Further on in the text you will find the allocations of the individual asset classes per risk profile. The allocation gives the minimum and maximum percentages for an asset class within a specific risk profile. We use two terms here: Strategic weights and Bandwidth.

Depending on our investment outlook, the weightings within the asset classes may vary according to risk profile but they always remain within the profile's bandwidth. For each of our risk profiles, we state the bandwidths within which the individual asset classes may vary on implementation of the investment policy. We also maximise a combined limit for a few asset classes. For each of our risk profiles, we have determined a so-called strategic asset allocation (intended long-term average distribution) based on historical and expected risk and return characteristics. This strategic asset allocation is reflected in the strategic weightings of the asset classes in your risk profile. Using new techniques, models and market expectations, we periodically review the strategic weightings in your investment profile. And if this leads to more attractive expected risk and return characteristics, we adjust the norm weightings. Of course, the strategic weightings remain within the ranges (bandwidths) of your risk profile.

In the analyses you can see what an investment of 1 million euros would yield in a specific risk profile with a confidence interval of 90%. This means that in a fifteen years term, ninety percent of the outcomes expectedly fall somewhere between the optimistic and pessimistic scenarios. Five percent of the outcomes could therefore be worse than the pessimistic scenario, while five percent of the outcomes could be better than the optimistic scenario. Historical statistical data over a longer term have been used here, based on the strategic allocation of the investments of each risk profile. We take into account a large number of different economic scenarios in the process. The calculated returns are before the deduction of fees and taxes; net returns will consequently be lower. Please also note that the historical data that form the basis of our return expectations do not provide a reliable indicator of future performance. Investing remains a trade-off between return opportunities and potential investment risks, such as default risk, liquidity risk and market risk.

Diversification plays a major part in the expected and realized returns. We apply a minimum and maximum weighting to each asset class. The strategic weighting gives our current view of the optimum weight in each asset class. The risk profiles below also indicate whether your investment objective matches the appropriate objective of the individual risk profile.

On the right hand side of each risk profile an Investment Risk Indicator is shown. In general, the higher the risk, the higher the volatility. This volatility is depicted in the Investment Risk Indicator. The calculations are based on historical data provided by the Dutch Association of Investment Analysts (VBA). This volatility is translated into a scale of 1 to 7 and depicted in the Investment Risk Indicator using a black gauge. This enables easy comparison of the individual risk profiles.

For further information, please also see the 'Investment Risk Indicator' web page of the Dutch Banking Association (nvb.nl).

CONSERVATIVE RISK PROFILE

	Min	SW*	Max
Equities	0%	9.8%	30%
Real Estate	0%	0%	5%
Combined limit			**30%**
Investment grade bonds	50%	74.9%	100%
Non-investment grade bonds	0%	9.3%	20%
Non-traditional bonds	0%	0%	20%
Combined limit			**100%**
Alternatives	0%	4%	10%
Cash	0%	2%	30%

* Strategic weight

- In this conservative risk profile you are aiming for very small fluctuations in the value of your portfolio
- Investment horizon: one year or longer
- Objective: capital retention and/or income

Most likely outcome: €1,646,032

5% chance | Indicative annual average return: 3.4% | **5% chance**

Pessimistic outcome: €1,346,066

Optimistic outcome: €2,041,973

MODERATELY CONSERVATIVE RISK PROFILE

	Min	SW*	Max
Equities	0%	25.3%	45%
Real Estate	0%	0%	5%
Combined limit			**45%**
Investment grade bonds	30%	59%	85%
Non-investment grade bonds	0%	10.6%	20%
Non-traditional bonds	0%	0%	20%
Combined limit			**85%**
Alternatives	0%	3.1%	20%
Cash	0%	2%	30%

* Strategic weight

- In this moderately conservative risk profile you are aiming for small fluctuations in the value of your portfolio
- Investment horizon: three years or longer
- Objective: income and growth, with the emphasis on income

Most likely outcome: €1,816,628

5% chance | Indicative annual average return: 4.1% | **5% chance**

Pessimistic outcome: €1,320,544

Optimistic outcome: €2,448,804

BALANCED RISK PROFILE

	Min	SW*	Max
Equities	10%	50.1%	65%
Real Estate	0%	0%	6%
Combined limit			**65%**
Investment grade bonds	20%	34.1%	60%
Non-investment grade bonds	0%	9.3%	15%
Non-traditional bonds	0%	0%	15%
Combined limit			**60%**
Alternatives	0%	4.5%	20%
Cash	0%	2%	30%

* Strategic weight

- In this balanced risk profile you accept reasonable fluctuations in the value of your portfolio
- Investment horizon: five years or longer
- Objective: more or less equal focus on income and growth

Most likely outcome: €2,108,610

5% chance | Indicative annual average return: 5.1% | **5% chance**

Pessimistic outcome: €1,222,374

Optimistic outcome: €3,477,214

MODERATE GROWTH RISK PROFILE

	Min	SW*	Max
Equities	30%	65.1%	80%
Real Estate	0%	0%	10%
Combined limit			**80%**
Investment grade bonds	0%	21%	50%
Non-investment grade bonds	0%	7.9%	10%
Non-traditional bonds	0%	0%	10%
Combined limit			**50%**
Alternatives	0%	4%	20%
Cash	0%	2%	30%

* Strategic weight

- In this moderate growth risk profile you accept substantial fluctuations in the value of your portfolio
- Investment horizon: eight years or longer
- Objective: income and growth, with the emphasis on growth

Most likely outcome: €2,239,898

5% chance | Indicative annual average return: 5.6% | **5% chance**

Pessimistic outcome: €1,105,579

Optimistic outcome: €4,278,174

GROWTH RISK PROFILE

	Min	SW*	Max
Equities	40%	85.8%	100%
Real Estate	0%	0%	10%
Combined limit			**100%**
Investment grade bonds	0%	6%	30%
Non-investment grade bonds	0%	4.2%	10%
Non-traditional bonds	0%	0%	10%
Combined limit			**30%**
Alternatives	0%	2%	30%
Cash	0%	2%	30%

* Strategic weight

- In this growth risk profile you accept large fluctuations in the value of your portfolio
- Investment horizon: ten years or longer
- Objective: growth

Most likely outcome: €2,353,986

5% chance	Indicative annual average return: 5.9%	**5% chance**

Pessimistic outcome: €928,884

Optimistic outcome: €5,517,739

CONSERVATIVE RISK PROFILE WITHOUT ALTERNATIVES

	Min	SW*	Max
Equities	0%	9.8%	30%
Real Estate	0%	0%	5%
Combined limit			**30%**
Investment grade bonds	50%	78.9%	100%
Non-investment grade bonds	0%	9.3%	20%
Non-traditional bonds	0%	0%	20%
Combined limit			**100%**
Alternatives	0%	0%	0%
Cash	0%	2%	40%

* Strategic weight

- In this conservative risk profile you are aiming for only very small fluctuations in the value of your portfolio
- Investment horizon: one year or longer
- Objective: capital retention and/or income

Most likely outcome: €1,630,911

5% chance	Indicative annual average return: 3.3%	**5% chance**

Pessimistic outcome: €1,328,645

Optimistic outcome: €2,027,601

MODERATELY CONSERVATIVE RISK PROFILE WITHOUT ALTERNATIVES

	Min	SW*	Max
Equities	0%	25.3%	45%
Real Estate	0%	0%	5%
Combined limit			**45%**
Investment grade bonds	30%	62.1%	85%
Non-investment grade bonds	0%	10.6%	20%
Non-traditional bonds	0%	0%	20%
Combined limit			**85%**
Alternatives	0%	0%	0%
Cash	0%	2%	40%

* Strategic weight

- In this moderately conservative risk profile you are aiming for small fluctuations in the value of your portfolio
- Investment horizon: three years or longer
- Objective: income and growth, with the emphasis on income

Most likely outcome: €1,810,254

5% chance	Indicative annual average return: 4.1%	5% chance
	Pessimistic outcome: €1,306,740	Optimistic outcome: €2,442,983

BALANCED RISK PROFILE WITHOUT ALTERNATIVES

	Min	SW*	Max
Equities	10%	50.1%	65%
Real Estate	0%	0%	6%
Combined limit			**65%**
Investment grade bonds	20%	38.6%	60%
Non-investment grade bonds	0%	9.3%	15%
Non-traditional bonds	0%	0%	15%
Combined limit			**60%**
Alternatives	0%	0%	0%
Cash	0%	2%	40%

* Strategic weight

- In this balanced risk profile you accept reasonable fluctuations in the value of your portfolio
- Investment horizon: five years or longer
- Objective: more or less equal focus on income and growth

Most likely outcome: €2,082,896

5% chance	Indicative annual average return: 5%	5% chance
	Pessimistic outcome: €1,211,113	Optimistic outcome: €3,471,909

MODERATE GROWTH RISK PROFILE WITHOUT ALTERNATIVES

	Min	SW*	Max
Equities	30%	65.1%	80%
Real Estate	0%	0%	10%
Combined limit			**80%**
Investment grade bonds	0%	25%	50%
Non-investment grade bonds	0%	7.9%	10%
Non-traditional bonds	0%	0%	10%
Combined limit			**50%**
Alternatives	0%	0%	0%
Cash	0%	2%	40%

* Strategic weight

- In this moderate growth risk profile you accept substantial fluctuations in the value of your portfolio
- Investment horizon: eight years or longer

Most likely outcome: €2,207,110

5% chance	Indicative annual average return: 5.5%	5% chance
	Pessimistic outcome: €1,092,911	Optimistic outcome: €4,238,235

GROWTH RISK PROFILE WITHOUT ALTERNATIVES

	Min	SW*	Max
Equities	40%	85.8%	100%
Real Estate	0%	0%	10%
Combined limit			**100%**
Investment grade bonds	0%	8%	30%
Non-investment grade bonds	0%	4.2%	10%
Non-traditional bonds	0%	0%	10%
Combined limit			**30%**
Alternatives	0%	0%	0%
Cash	0%	2%	40%

* Strategic weight

- In this growth risk profile you accept large fluctuations in the value of your portfolio
- Investment horizon: ten years or longer
- Objective: growth

Most likely outcome: €2,339,153

5% chance	Indicative annual average return: 5.9%	5% chance
	Pessimistic outcome: €928,268	Optimistic outcome: €5,409,982

How does this work in practice?

- If you make use of our discretionary portfolio management service, we adhere closely to the stated allocations, including the strategic weights and bandwidths, when constructing and managing your portfolio. Using the new tools and market expectations available to us thanks to our collaboration with BlackRock, we quarterly reassess the strategic weights. If we conclude that we can improve the risk and return characteristics of your portfolio by adjusting the strategic weights in line with changed long-term expectations, we will do so. You can find the current strategic weights of our risk profiles on our website (https://www.insingergilissen.nl/en-nl/riskprofiles).
- If you make use of our investment advice, we advise you in line with your risk profile. You hold final responsibility for whether or not you conduct investment transactions. We will inform you if your investment portfolio deviates from your chosen risk profile. We subsequently advise you on how you can bring your portfolio back in line with your risk profile.

2.4 Expected return

We set the risk and return characteristics for each risk profile using a scenario analysis. In doing so, we chart the potential return for both an optimistic and a pessimistic scenario. Potential returns are only estimates based on past returns and forecasts of future trends. They are no guarantee of future results. We also apply a 90% confidence interval when calculating returns. This means that 90% of the outcomes fall somewhere between the optimistic and pessimistic scenarios, or in other words 5% of the outcomes could be worse than the outlined pessimistic scenario and 5% of the outcomes could be better than the outlined optimistic scenario.

Below you will find a table containing the standard deviation and the most likely return per risk profile. This table is based on calculated investment results over the past few decades. The stated returns have not been adjusted for inflation and fees. The table below contains the standard deviation (SD) in the first column and then the calculated return over five, ten and fifteen years. This standard deviation acts as a risk indicator. The greater the standard deviation, the higher the volatility. This means that there is a higher risk of the historical average return not being achieved. Conversely, there is also a greater chance of the return being higher.

Standard deviation and calculated average return

Profile	SD	Rtn 5yr	Rtn 10yr	Rtn 15yr	Pessimistic 15yr	Expected 15yr	Optimistic 15yr
Conservative	4.7	3.0	3.3	3.4	1,346,066	1,646,032	2,041,973
Moderately conservative	6.5	4.0	4.0	4.1	1,320,544	1,816,628	2,448,804
Balanced	11.0	5.0	5.1	5.1	1,22,374	2,108,610	3,477,214
Moderate growth	13	6.0	5.5	5.6	1,105,579	2,239,898	4,278,174
Growth	17	6.0	6.0	5.9	928,884	2,353,986	5,517,739
Conservative without alternatives	4.8	3.0	3.3	3.3	1,328,645	1,630,911	2,027,601
Moderately conservative without alternatives	6.5	4.04	4.0	4.1	1,306,740	1,810,254	2,442,983
Balanced without alternatives	11.1	5.0	5.0	5.0	1,211,113	2,082,896	3,471,909
Moderate growth without alternatives	14.7	6	5.4	5.5	1,092,911	2,207,110	4,238,235
Growth without alternatives	18.1	6	5.9	5.9	928,268	2,339,153	5,409,982

If you wish to obtain greater insight into returns and standard deviation, your Client Advisor will be happy to present an analysis to you. This gives an indication of the bandwidth in which your investment result could move based on historical data and a forecast of future trends and could help you to decide on the choice of your risk profile.

3. DETERMINING YOUR RISK PROFILE

Our services involve customisation. This means that your personal (financial) circumstances are very important to selecting the appropriate risk profile. If you invest via a joint account, it is essential that you provide information as applicable to you both. With respect to investment knowledge and experience, we work on the basis of the knowledge of the person with whom we are in touch for investment-related matters. With respect to investment on behalf of an entity, we decide the risk profile based on the entity's financial situation and objectives. We examine the investment knowledge and experience of the bank's point of contact at the entity.

We map out these circumstances by asking you to provide the following information:
- your overall financial situation
- your objectives relating to your capital
- your investment horizon
- your knowledge and experience of investments
- your risk appetite, including a review of your capacity to bear losses

3.1 YOUR OVERALL FINANCIAL POSITION

We require information on your financial position or that of your entity.
- Assets and debts involve items such as bank and securities account balances, any property, mortgages and loans and other obligations.
- Income and expenditure involve the source and size of any periodic income and financial obligations.

3.2 Objectives and horizon

We require insight into your personal and financial situation and your wishes relating to your assets in order to be able to meet your financial objectives or those of your entity. The idea is to answer questions such as:

- To what end do you wish to accrue capital?
- What are your objectives?
- How important are these objectives?
- What is the likelihood of you wanting to adjust these in the future?
- How much capital do you require for these objectives and how much needs to come from the investments?
- How long do you wish to retain the investments? How much time do you have to achieve your objectives?

3.3 Knowledge and experience of investments

In order to offer you the most appropriate services and risk profile, we also need insight into your knowledge and experience of investment. For instance, we would like to know which investment instruments you use or have used in the past, how often you conduct transactions in these and the size of these transactions. In this respect, we also want to know what level of education you enjoy, what your current and former professions are.

3.4 Risk appetite

Finally, it is important to establish your risk appetite, both at an emotional level (how do you perceive interim fluctuations in value) and a financial level (can you afford interim fluctuations in value?). Here, it is also important to understand how dependent you are on accruing capital.

Based on this information, we determine whether investment is an appropriate tool for you and for which portion of your capital. We then advise you which risk profile matches your situation. This is of course done in consultation with you. Periodically and in consultation with you, we test whether the selected risk profile continues to be appropriate for you. Changes to your personal (financial) situation may give reason to change your risk profile. It is therefore essential that you inform us in good time of any changes to your personal situation.

4. ASSET CLASSES AND INVESTMENT INSTRUMENTS

This chapter contains more information on the individual asset classes and a number of investment instruments in which we can invest on your behalf (discretionary management) or in which you can choose to invest (investment advice and execution only).

A risk profile comprises allocations to individual asset classes. Each asset class encompasses different types of investment instruments that share similar risk and return characteristics.

Each of the asset classes is described below. For detailed descriptions of the asset classes and the risks involved in the underlying financial instruments, please see our website insingergilissen.nl/ legal information under General - Service Provision Document.

Equities and derivates

Equities, or shares, are participations in the equity capital of a company. This is therefore risk- bearing capital, the value of which could drop to zero. In the event of bankruptcy, shareholders are the last to be repaid. This means that shareholders run a greater risk than investors in e.g. corporate bonds. Equities and equity-related instruments (such as derivatives, futures and warrants) generally represent a high risk combined with high potential returns. However, the risk/return potential depends on the type of investment instrument in which you invest.

At InsingerGilissen, the equities asset class includes equities, equity investment funds and equity index trackers (instruments that closely mimic an index). Mixed funds (comprising a mix of equities and bonds) are also placed in this class, given the risk that the equity component involves.

The equities asset class is divided into regions based on the country in which the company is registered. We distinguish specific regions, such as Europe, North America, Pacific and emerging markets. Derivatives (including options) are also classed under equities.

Derivatives (including options) are also classed under equities.

Real estate

This class chiefly comprises listed real estate. It can also include listed companies with a focus on infrastructure. These companies earn a large portion of their revenue from the development, management and trade in real estate or infrastructure, such as the management of toll roads and tunnels. Those investment funds, trackers and hedge funds that do not use leverage and hold a permanent exposure (net long) to the real estate market also form part of this asset class. The easy trading of these on the stock exchange means that the liquidity risk for this asset class is lower than for non-listed real estate, which we class under alternatives.

Alternatives

In this asset class, returns are not earned using conventional investments such as equities and bonds but via different, or alternative investments. These may include hedge funds that use leverage and can go net short, commodities, private equity, non-listed real estate and non-listed infrastructure. These investment instruments often have more complex characteristics or are more difficult to trade.

Inclusion of the alternatives asset class helps to diversify risk within your investment portfolio. Not only is your capital diversified across more investment instruments, these instruments also move differently in response to trends on the financial markets compared to conventional asset classes. Alternatives can provide not just greater risk diversification but also a higher return in the longer term. Alternatives often evolve independently of the prices of equities and bonds.

We apply five risk profiles with alternatives and five risk profiles without alternatives. We include alternatives in discretionary management if we expect these to contribute to a higher return or in fact reduce risk. We decide in consultation with you whether it is appropriate to include alternatives in your situation.

With respect to fees, it is worth bearing in mind that some alternatives charge higher fees. These may derive from e.g. performance fees that are due if specific targets are achieved. We therefore always select these investments based on returns after the deduction of fees.

Non-traditional bonds

The non-traditional bonds sub-class comprises fixed income products or bonds with a higher risk than conventional bonds. These bonds typically have no fixed coupon attached to them or there are conditions attached to redemption of the principal. We distinguish a further five groups in this sub-class:

1. Absolute return: these are investment funds that aim to earn a consistent return via investment in fixed income products. These funds do not attempt to outperform the market, but instead aim to earn an annual target return independently of market movements. Derivatives are often used here to hedge risk. Such investments enjoy a relatively low level of risk. As these instruments do not respond in the same way as traditional bonds to changes to interest rates or credit ratings, they are classified under the non-traditional bonds sub-class. For instance, they can be used to anticipate a change to interest rates because their yields are variable.
2. Structured products with capital guarantees: these include investment products with capital guarantees and for which redemption of the principal is not linked to additional conditions, such as the final level of an index or equity price. The guarantees are issued by a financial institution. Products for which (the amount of the) redemption of the principal is linked to specific conditions are classed under equities, as investors run a greater risk of losing their initial investment here.
3. Convertible bonds: these are bonds that can be converted into a set number of shares in the issuing company. If the equity price of the issuing company rises, it also becomes more attractive to convert the bonds into equities. The price of the bonds therefore depends on the applicable yield, as well as the creditworthiness and equity price of the issuing company. After all, these aspects are closely linked in convertible bonds, given the entitlement to convert them into equities. This conversion entitlement generally makes the yields on convertible bonds lower than those on conventional bonds.
4. Direct lending: these are loans to companies or individuals. However, these are not standardised and therefore cannot be traded on the stock exchange. Banks with outstanding loans can sell these on outside the market to third parties. These loans are often linked to direct collateral (e.g. mortgages), and as a result they generally offer greater security than conventional bonds. Yet we place these in a separate sub-class as there are limitations on their trading.
5. Subordinated bonds: these bonds offer the lowest level of security in a company’s capital structure in the event of bankruptcy. Investors in subordinated bonds only receive payment after the holders of preference and regular bonds have received payment. This higher risk is usually rewarded with a higher yield.
6. Inflation-linked bonds: these are bonds whose coupon and principal amount are linked to changes in inflation. Usually, the principal amount of the bond is adjusted in line with inflation, measured by the level of a price index. The coupon rate also increases with inflation via the adjustment of the principal.

Non-investment grade bonds

Bonds with a lower credit status come under the non-investment grade sub-class. The issuing institution of these bonds therefore has a low credit rating, or creditworthiness. This means that there is a greater chance of the institution defaulting on the coupon payment or redemption. This higher risk is combined with a higher potential return.

The non-investment grade sub-class includes government bonds issued by developed countries with a lower credit rating. Another type of bond within this asset class is high yield bonds. These are bonds issued by companies with a relatively low credit rating. The high risk means that these bonds pay a correspondingly high yield (hence the name). Finally, there is also emerging market debt (i.e. bonds issued by emerging markets). This may be either individual bonds or investment funds that chiefly invest in emerging market debt.

Investment grade bonds

For a bond to be classed as investment grade, a minimum credit rating needs to have been issued by a rating agency (e.g. S&P). Within the investment grade sub-class we distinguish according to the type of issuing institution. Government bonds therefore include both governments and supranationals (e.g. the European Investment Bank (EIB)) and semi-government bodies (e.g. the Nederlandse Waterschapsbank, for the public sector). Furthermore, we distinguish between corporate bonds and bonds that are linked to collateral (also known as covered bonds):

1. Government bonds usually enjoy the highest level of creditworthiness; there is a relatively low risk of a bond’s coupon not being paid or the bond not being redeemed compared to other bond classes.
2. Corporate bonds are bonds issued by companies. Their creditworthiness is usually lower than that of government bonds. This higher risk generally translates into a higher potential return.
3. The third group, covered bonds, are bonds linked to specific collateral. The bondholder enjoys greater certainty that the issuing body will be able to redeem the bond.

Cash

Capital held in current accounts, deposits and money market funds is classed as cash. Money market funds are investment funds that invest in (short-term) deposits and other money market products with the aim of earning a higher return than liquid assets.

5. OUR INVESTMENT POLICY

Our investment strategy encompasses a number of key elements.

Investment policy and philosophy
Our investment philosophy is the core of our investment policy. The following values and ambitions apply to this philosophy.

Client interests
As our client, your interests come first when we make investment decisions.

Integrity
We act ethically and with integrity in the interests of all our stakeholders, including our clients, legislators and supervisors.

Stewardship
We manage all the assets entrusted to us with due care.

Professionalism/investment expertise
We are professional in implementing our investment policy and the decisions we take as part of this. We do this using an expert team that possesses excellent investment qualities.

Transparency
We are fully transparent in our decision-making, explanations and reporting. This means that we are open about explaining our investment policy and the fees involved in investment.

Active investment policy

We conduct active investment. We do so in order to achieve your investment objective and with the ambition of earning a sound return in the long term. This means that we actively attempt to anticipate market trends. In doing so, for each risk profile we apply a strategic asset allocation that is determined based on historical and expected risk/return characteristics for the long term. The strategic asset allocation is expressed in the strategic weights in your risk profile.

Economic trends have a significant impact on financial markets and also on the return on your investments. In our investment policy these trends determine the current weights, also known as tactical allocation. Our aim here is to restrict the risk run by your investment portfolio in times
of economic uncertainty or conversely to increase it when the economic outlook is positive. This tactical asset allocation may deviate from the strategic allocation, but always remains within the bandwidth of your risk profile.

Our investment policy is based on our investment convictions, the most important of which are described below:

The importance of diversification

Asset classes respond differently and sometimes in opposite directions to economic movements. Diversification across and within asset classes is therefore important in order to control risk. The choice of investment instruments and their corresponding risk/return characteristics plays a major part here. Broad diversification across countries (geographic diversification) and sectors (sector diversification) is important to controlling risk as well.

Investing in what we understand

The financial markets are constantly in flux, and this also applies to investment products and instruments. These can be complex, making it difficult to estimate the risk involved. We base our investment decisions on fundamental analysis, whereby we only invest in what we understand and can scrutinise thoroughly.

Return, risk and fees

Investment is not just about the expected return. It is an overall weighing-up of return, investment risk and fees. The fees involved are therefore included in the overall assessment of any investment.

Going against the market consensus

In our investment policy we focus on earning a return at an acceptable level of risk. Our policy may therefore go against the market consensus if we believe that the risks are too high in relation to the expected return. We will avoid specific asset classes, regions or sectors if we think that they involve excessive risk.

Preference for quality

We have a strong preference for quality in our investments. When selecting companies we seek robust balance sheets and earnings growth, and consistent investment performance is important in the case of investment funds. This type of high-quality investment generates better risk/return characteristics over the long term than the general market.

6. GLOSSARY

Asset allocation:
how capital is divided across the individual asset classes of equities, real estate, alternatives, investment grade bonds, non-investment grade bonds, non-traditional bonds and cash.

Asset class:
a group of investment instruments.

Confidence interval:
an indicator of the accuracy of measured values. It also indicates the reliability of an estimate.

Covered bonds:
a specific type of bond that offers its holders some kind of extra security.

Creditworthiness:
the extent to which a party is in a position to pay interest on and redeem a loan.

Credit rating:
an assessment of the creditworthiness of a company, bank or other type of financial institution, financial product or country.

Derivatives:
derived financial products used to hedge risk or to speculate on the market.

Index trackers:
also known as ETFs. These funds mimic a specific index or combination of indices.

Investment horizon:
the period that you can and want to retain your investments.

Investment instrument:
an investment that you can buy or sell and that has its own specific risk/return characteristics.

Investment objective:
the reason why you are investing. You envisage investing for a specific period and achieving a specific end value.

Private equity:
investment in companies not listed on the stock exchange.

Purchasing power:
the amount of goods and services one unit of currency can buy.

Risk profile:
indicates the amount of risk an investor can take financially and emotionally on his or her capital.

Scenario analysis:
a method for determining the nature and scale of risks. This is done by assessing the financial implications of changes (in e.g. interest rates, economic growth and inflation) and depicting them in a projection of the future.

Standard deviation:
a gauge of risk.

Strategic asset allocation:
the investment mix applied to capital across individual asset classes for the long term.

Tactical asset allocation:
short-term asset allocation, in which an attempt is made to take advantage of the short-term return expectations of asset classes.

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