

# Quarterly report

## Second quarter of 2010

- **Cover ratio:** **99%**
- **Assets under management:** **€90.5 billion**
- **2010 return over second quarter:** **-1.2%**
- **2010 return to end of second quarter:** **4.0%**

Pensioenfonds Zorg en Welzijn suffered a loss on investments of 1.2% in the second quarter. The return in the first half of 2010 was positive and amounted to +4.0%.

Concerns about the creditworthiness of a number of European countries led to negative sentiment in the financial markets. This was intensified by doubts about the strength of the economic recovery.

The assets under management at the end of the second quarter of 2010 amounted to €90.5 billion. The average long-term interest rate fell by almost half a percentage point in the second quarter to 3.19%. As a consequence the cover ratio of Pensioenfonds Zorg en Welzijn stood at 99% at the end of the second quarter.

**Peter Borgdorff, Managing Director of Pensioenfonds Zorg en Welzijn:** "The fall in asset prices and interest rates in the second quarter had a negative impact on the cover ratio which as a consequence stood at just under 100% at the end of the quarter. That is ten percentage points below the cover ratio at the end of the first quarter, a large swing but consistent with the fluctuating economic picture we have seen in the past two years."

Decisions on indexation and contributions are taken at the end of each year and come into effect on 1 January of the following year. The current level of the cover ratio falls within the parameters of the recovery plan.

### Key figures\*

	<i>Yearly average</i>	<i>Cumulative</i>					
	<i>since 1971</i>	<i>2010</i>	<i>Q2 2010</i>	<i>Q1 2010</i>	<i>Q4 2009</i>	<i>Q3 2009</i>	<i>Q2 2009</i>
Cover ratio (quarter end)			99%	109%	108%	107%	100%
Total return	8.0%	4.0%	-1.2%	5.2%	4.2%	9.1%	8.4%

\* The total return includes the result of the interest rate and inflation mandate. The 2010 figures are provisional.

## Cover ratio

The cover ratio fell from 108% to 99% in the first half of 2010. The decline in the long-term interest rate, from 3.89% at the beginning of this year to 3.19% at the end of June, had a negative impact of fourteen percentage points on the cover ratio. The combined effect of the return, the addition of interest to the provision for pension liabilities and the hedging of the interest rate risk had a positive impact of five percentage points on the cover ratio. Pensioenfonds Zorg en Welzijn has a policy of hedging part of the interest rate risk on its liabilities.

## Investment portfolio and return

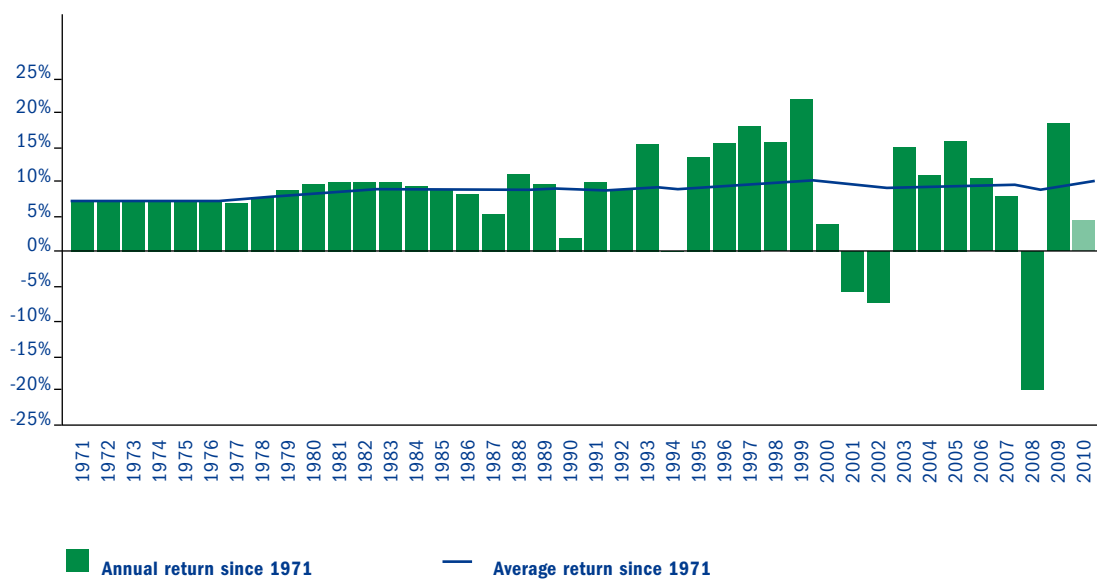
	<i>Investments</i>		<i>Return</i>	
	<i>30-06-2010</i>		<i>YTD 2010</i>	<i>Q2 2010</i>
	<i>in mln €</i>	<i>in %</i>	<i>in %</i>	<i>in %</i>
<b>Equities</b>	<b>58,330</b>	<b>64.5%</b>	<b>0.1%</b>	<b>-4.1%</b>
Liquid Equities	27,657	30.6%	-3.1%	-7.6%
Private Equity	6,239	6.9%	11.5%	6.3%
Real Estate	13,661	15.1%	-0.8%	-3.9%
Alternatives	4,826	5.3%	2.0%	-0.6%
Structured Credit	1,416	1.6%	11.2%	-0.9%
Infrastructure	1,152	1.3%	-2.5%	-0.4%
High Income Bonds	3,379	3.7%	9.3%	2.9%
<b>Commodities</b>	<b>6,141</b>	<b>6.8%</b>	<b>-12.0%</b>	<b>-14.4%</b>
<b>Interest Rate and Inflation Risk</b>	<b>26,259</b>	<b>29.0%</b>	<b>16.9%</b>	<b>8.8%</b>
Interest rate and inflation mandate	20,835	23.0%	22.1%	10.9%
Non-euro Inflation Linked Bonds	1,618	1.8%	3.2%	2.6%
Credits	3,771	4.2%	4.0%	0.9%
Microfinance Debt	35	0.0%	0.2%	-0.2%
<b>Other</b>	<b>-243</b>	<b>-0.3%</b>	<b>11.1%</b>	<b>10.6%</b>
<b>Total</b>	<b>90,487</b>	<b>100.0%</b>	<b>4.0%</b>	<b>-1.2%</b>

The second quarter fell into two distinct periods. In the first few weeks, optimism prevailed. The economic data was good and pointed to a continuing economic recovery. Non-economic factors then put a spanner in the works. Renewed concerns about the sustainability of European government finances and the financial health of a number of European banks led to a deterioration in sentiment. In the final month of the quarter, doubts also grew about the strength of the economic recovery following disappointing economic data from the US, China and elsewhere.

The fickle sentiment resulted in a portfolio return of -1.2% in the second quarter. Amongst others large price losses were recorded on equities and listed real estate. The fall in the price of oil was the main reason for the losses on commodities.

In the case of high income bonds, price gains were recorded on the various types of credits and on the financing of emerging market debt denominated in local currencies. The fall in the value of the euro had a positive impact on the latter investment category, as in the previous quarter.

### Returns since 1971



2010 is over the first six months

The average annual return since 1971, the year of inception of the pension fund, is 8.0%. The chart above shows the returns since 1971. It clearly demonstrates that a broadly diversified portfolio can generate a high and relatively stable return in the long term, even if the annual return fluctuates widely, as in recent years. This underlines Pensioenfonds Zorg en Welzijn's long-term view.

## **Profile of Pensioenfonds Zorg en Welzijn**

Pensioenfonds Zorg en Welzijn is responsible for the pension policy and pension assets of over 2.3 million current and former employees in the care and welfare sector. The pension fund is the owner of the pension assets, which amounted to €90.5 billion at the end of June. Pensioenfonds Zorg en Welzijn has outsourced the administration of the pension scheme and the management of the pension assets to PGGM.

## **Disclaimer**

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All 2010 figures stated in this quarterly report are provisional, unaudited figures.

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