

Quarterly report

Third quarter of 2011

▪ Coverage ratio:	91%
▪ Assets under management:	€103.1 billion
▪ Third quarter 2011 return:	0.6%
▪ 2011 return to end of third quarter:	1.4%

The coverage ratio of Pensioenfonds Zorg en Welzijn decreased to 91% at the end of the third quarter of 2011. Uncertainty surrounding the future course of the European debt crisis and the deteriorated economic outlook led to a sharp decrease in the interest rates of relevance to pension funds and to losses on investments in the final two months of the past quarter.

Peter Borgdorff, Managing Director of Pensioenfonds Zorg en Welzijn: “Let us make one thing clear: the situation concerning the coverage ratio is not good. The stock markets have been depressed in the past few months, and interest rates have also fallen sharply. This unfortunate combination –which impact all pension funds– led to a rapid decline in the coverage ratio in the past quarter.”

“In view of the current financial position, it will not be possible to increase pensions next year. And unless there is a major improvement in the situation before the end of the year, it may mean in the worst case that current and accrued pensions will have to be reduced. Our pensioners and participants are entitled to expect that we will do our utmost best to prevent that from happening. But we cannot postpone taking measures indefinitely.”

Key figures

	Yearly average since 1971	Cumulative 2011	Q3 2011	Q2 2011	Q1 2011	Q4 2010	Q3 2010
Coverage ratio (quarter end)			91%	110%	111%	104%	98%
Total return	8.1%	1.4%	0.6%	0.4%	0.4%	1.3%	6.9%
Interest			2.72%	3.80%	3.81%	3.45%	2.78%

The total return includes the result of the partial hedging of the interest rate and inflation risk.

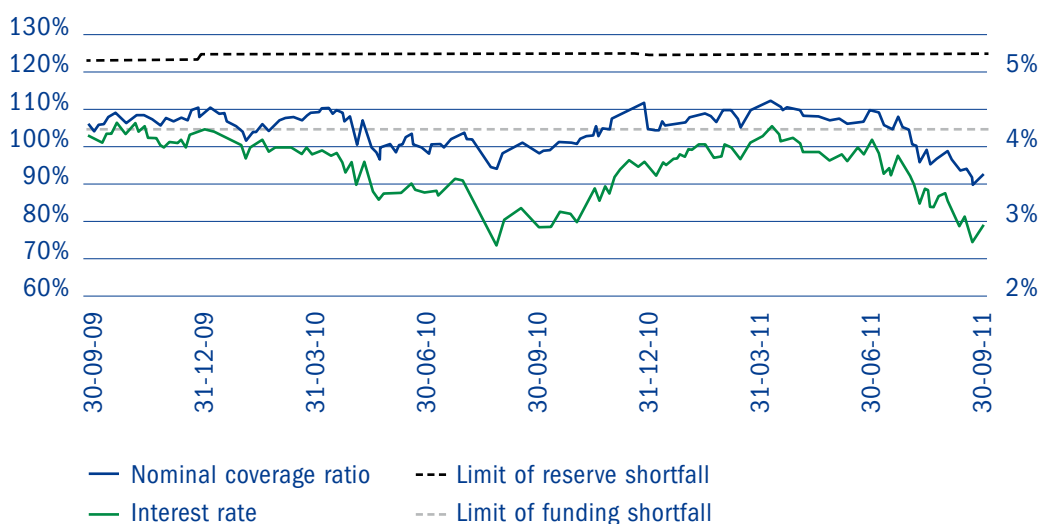
The average annual return since 1971, the year in which the pension fund began operating, is 8.1%. This long-term return supports Pensioenfonds Zorg en Welzijn's view that a broadly diversified portfolio can generate a high and relatively stable average return in the long term, even if the annual return fluctuates widely, as in recent years.

Coverage ratio

The coverage ratio decreased from 110% to 91% in the third quarter of 2011. This is the result of the decrease in interest rates and a slightly positive investment return in the third quarter. The interest rate fell to 2.72% at the end of September 2011. Over the past quarter, the fall in interest rates caused the coverage ratio to decline by as much as 20 percentage points in round figures. The combination of the return and the hedging of the interest rate risk had a positive impact of 1 percentage point on the coverage ratio. The net result was a decrease of 19 percentage points.

The coverage ratio has fluctuated widely in the last two years. This was due to fluctuations in interest rates and returns. The coverage ratio at the end of the third quarter of 2011 is below the limit specified in the short-term recovery plan (funding shortfall) and below the limit in the long-term recovery plan (reserve shortfall).

Coverage ratio and interest rate



Investment portfolio and return

	Investments		Return	
	30-09-2011		YTD 2011	Q3 2011
	<i>in mln €</i>	<i>in %</i>	<i>in %</i>	<i>in %</i>
Return Assets	63,357	61.5%	-6.5%	-8.9%
Liquid Equities	36,920	35.8%	-10.3%	-11.6%
Real Estate & Infrastructure	15,280	14.8%	-2.3%	-6.1%
High Income Bonds	6,874	6.7%	0.8%	-4.5%
Additional risk-return sources	4,283	4.2%	2.2%	-0.8%
Commodities	6,390	6.2%	-8.4%	-13.0%
Interest Rate and Inflation Risk	34,862	33.9%	20.6%	22.4%
Interest rate and inflation mandate	30,883	30.0%	23.2%	25.8%
Corporate Bonds	3,790	3.7%	1.7%	-0.2%
Short-term Government Bonds	189	0.2%	-7.4%	-8.3%
Total	103,058	100.0%	1.4%	0.6%

The above table shows the main investment categories. A number of small categories, including Cash, are not shown in the table. As a result, the totals are not exactly equal to the sum of the various investment categories.

Sentiment in the financial markets was driven by the European debt crisis. The persistent failure of European leaders to come up with convincing measures to tackle the problems raised investor fears of a further escalation. Sentiment was further depressed by disappointing economic growth and a deterioration in the outlook. The central banks are now doing everything to prevent any worsening of the situation. Since August, the ECB, for example, has been buying massive amounts of Italian and Spanish government bonds to keep those countries' government bond yields low. The deteriorated economic outlook and lower inflation expectations caused the 30-year swap rate in Europe to decline by 1.1% points to 2.72%.

That low interest rate has serious consequences for the financial position of Dutch pension funds. As long as European leaders shirk their responsibility for arriving at a definitive answer to the European debt crisis, it will not be possible for Dutch pension funds to start showing sufficient recovery.

Almost all investments suffered losses in the third quarter. The percentage loss on equities reached double figures, and also listed real estate showed a large loss. Within equities, the heaviest losses were in Europe, while Japan fared relatively well. The various types of corporate bonds and emerging market debt recorded losses of one or even several per cent. A decrease of over \$16 in the WTI oil price was the dominant factor in the case of commodity investments. Prices of Brent oil and other commodities fell somewhat less sharply, but still led to a negative return in excess of 10% on commodity investments.

Profile of Pensioenfonds Zorg en Welzijn

Pensioenfonds Zorg en Welzijn is responsible for the pension policy and pension assets of over 2.4 million current and former employees in the care and welfare sector. The pension fund is the owner of the pension assets, which amounted to €103 billion at the end of September. The fund is governed by representatives of employee and employer organisations. The board reports to the Pension Council, which consists of participants, pensioners and employers. The Pension Council is also the co-determination body and issues recommendations on proposed decisions.

Pensioenfonds Zorg en Welzijn has outsourced the administration of the pension scheme and the management of the pension assets to PGGM.

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In case there might be discrepancies between the Dutch version and the English version of the Quarterly Report the Dutch version will prevail.

All 2011 figures stated in this quarterly report are provisional, unaudited figures.

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