

Quarterly report

Fourth quarter of 2009

- **Cover ratio of 108%**
- **Assets under management €86.1 billion**
- **2009 return 17.6%**
- **Partial indexation and small contribution increase in 2010**

Pensioenfonds Zorg en Welzijn (the pension fund for the care and welfare sector) achieved a return on investments of 4.2% in the fourth quarter. The total return for 2009 was 17.6%. Optimism about a continued recovery in economic growth generated positive sentiment in the financial markets. Most investments showed returns of several per cent. The assets under management at the end of 2009 amounted to €86.1 billion. The average long-term interest rate remained stable during the fourth quarter at 3.89%.

The anticipated rise in life expectancy has partially been taken into account in the cover ratio. This resulted in an overall cover ratio of 108% for Pensioenfonds Zorg en Welzijn as at 31 December 2009.

Peter Borgdorff, Managing Director of Pensioenfonds Zorg en Welzijn: 'We are delighted with the steady growth in the return on our investments in 2009, which continued in the fourth quarter. At the same time we are faced with rapidly rising life expectancy of the Dutch population. As a result of this trend, our board has taken the difficult but necessary decision to increase the contribution slightly and index pensions to a limited extent only.'

The board of Pensioenfonds Zorg en Welzijn has decided that its participants' pensions will be partially indexed by 0.72% with effect from 1 January 2010 and that the pension contribution in 2010 will increase by 0.6 percentage points to 23.1%. The board's decision takes into account the prospective rise in average life expectancy, the effect of which cannot yet be fully assessed. The decision on premium and indexation is not in line with the policy ladder. The premium for invalidity pension remains unchanged at 0.5%.

Key figures*

	Yearly average since 1971	Cumulative 2009	Q4 2009	Q3 2009	Q2 2009	Q1 2009	Q4 2008
Cover ratio (quarter end)			108%	107%	100%	89%	92%
Total return	8.0%	17.6%	4.2%	9.1%	8.4%	-4.5%	-13.2%

* The total return includes the result of the interest-rate hedge. The 2009 figures are provisional.

Cover ratio

The cover ratio rose from 92% to 108% in 2009. It fell to 89% in the first quarter but recovered strongly in the subsequent quarters. The strongest rise was in the second and third quarter.

The cover ratio also rose slightly in the fourth quarter.

Thirteen percentage points of the rise in 2009 is attributable to the combined effect of the return, the addition of interest to the provision for pension liabilities and the hedging of the interest-rate risk. Pensioenfond's Zorg en Welzijn has a policy of hedging part of the interest-rate risk on its liabilities.

The rise in the long-term interest rate from 3.55% at the beginning of this year to 3.89% at the end of December had a positive impact of five percentage points on the cover ratio.

The cover ratio at the end of 2009 includes the indexation from 1 January 2010 and a partial loading for the continued rise in life expectancy. This results in a decrease of minus two percentage points in the cover ratio.

Investment portfolio and return

	Investments		Return	
	31-12-2009		YTD 2009	Q4 2009
	€ in mln	in %	in %	in %
Equities	35,835	41.6%	28.5%	6.5%
Liquid equities	29,893	34.7%	30.2%	5.6%
Private Equity	4,981	5.8%	14.0%	7.7%
Structured Credit	961	1.1%	64.7%	38.4%
Bonds	9,915	11.5%	15.4%	1.9%
Government bonds and credits	6,856	8.0%	9.3%	0.9%
High income bonds	3,059	3.5%	36.1%	4.5%
Inflation linked bonds	16,549	19.2%	9.8%	0.1%
Commodities	5,844	6.8%	21.0%	9.4%
Real estate & infrastructure	13,686	15.9%	9.0%	2.3%
Public real estate	6,765	7.9%	38.1%	7.1%
Private real estate	5,740	6.7%	-11.4%	-3.1%
Infrastructure	1,021	1.2%	-0.1%	4.5%
Portfolio of Strategies	3,935	4.6%	10.3%	3.2%
Total	86,088	100.0%	17.6%	4.2%

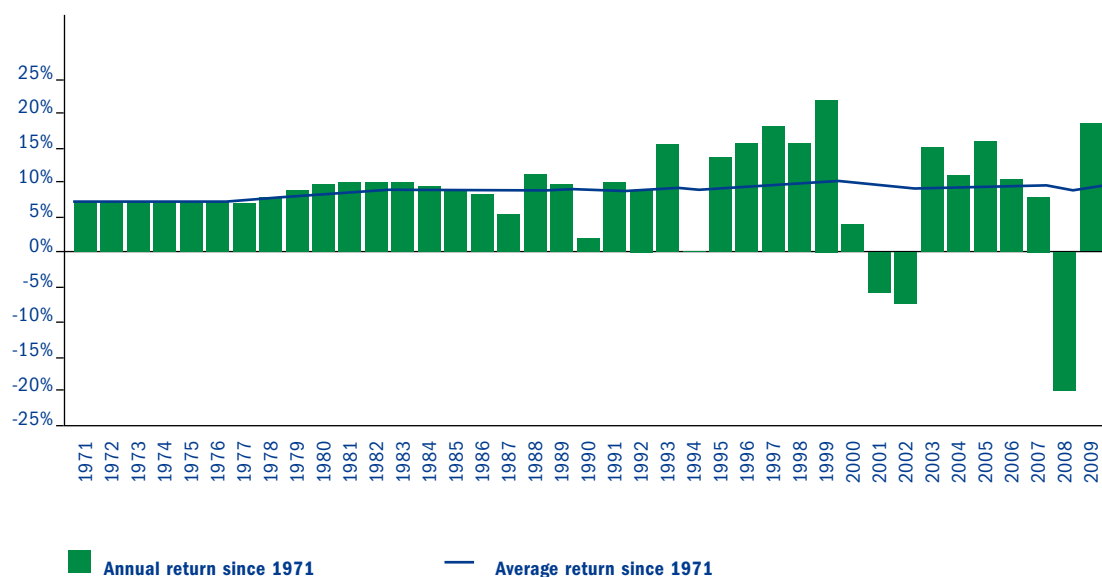
The above table shows the main investment categories. A number of small categories, including Cash, are not shown in the table. As a result, the totals are not exactly equal to the sum of the various investment categories. The total return includes the contribution from the interest-rate hedge.

The economic recovery is increasingly taking shape. Macroeconomic data in the fourth quarter indicated a further recovery in economic growth. The forecasts for 2010 are slowly being adjusted upwards. One of the main concerns is the alarming state of the public finances in many countries. In the fourth quarter, Dubai announced that it was no longer able to meet its liabilities. Analysts are now also concerned about the financial health of Greece. Nevertheless, positive sentiment ultimately prevailed on the financial markets. The total portfolio, including the interest-rate hedge, generated a positive return of 4.2%. The total return in 2009 consequently amounted to 17.6%.

After returns of over 10% in the previous quarter, relatively risky investments such as equities (5.6%), listed real estate (7.1%) and high-income bonds (4.5%) performed well again in the fourth quarter. Credit spreads decreased, but since interest rates rose slightly at the same time corporate bond yields remained limited. A rise in the oil price from USD 70 to USD 80 was the main reason for the good return on commodity investments.

Unlisted investments in the Portfolio of Strategies also benefited from the positive sentiment. The return on Infrastructure remains negative. Because this portfolio is still under construction, the costs being written off are relatively high while it will take some time before the investments generate positive cash flows. The negative return on private real estate is partly due to the use of a different valuation method.

Returns since 1971



The average annual return since 1971, the year in which the pension fund began operating, 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 provides a compulsory group pension scheme for the care and welfare sector. The aim is to provide participants with a high-quality pension package at the lowest possible price. The basic principle of the scheme is solidarity. Participants and employers can accumulate a supplementary pension by means of the Extra Pension product in the group scheme.

Pensioenfonds Zorg en Welzijn invests the contributions paid by employers and employees with the aim of achieving a high, stable and responsible return over the long term at an acceptable level of risk. The fund invests globally in the investment categories of equities (including private equity), fixed-income securities, real estate and infrastructure, commodities and Portfolio of Strategies.

Pensioenfonds Zorg en Welzijn has the status of a foundation (stichting). The board of the foundation is responsible for the policy and implementation of the group pension scheme. It comprises six representatives of employer organisations in the sector, six representatives of employee organisations and an independent chairperson.

The Pension Council, consisting of participants, pensioners and employers, is an important part of our organisation. In order to implement the principles of good pension fund governance, it has been decided to integrate co-determination and the new accountability function into the Pension Council.

Disclaimer

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All 2009 figures stated in this quarterly report are provisional, unaudited figures.

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