



# Brochure

## Investment policy

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## Why does PDN invest?

Employers and employees pay pension contributions every month. This money will later be used to pay the pension of the (former) employee or surviving relative. However, this is not sufficient to maintain the purchasing power of that pension as much as possible. For this purpose, the pension money must be invested. If the financial position of the fund is good, the pension fund can index the pension accrual and the pensions in payment, so that purchasing power is retained as much as possible. PDN has an investment policy to make a return on the one hand and, on the other hand, to partially hedge all kinds of unwanted risks associated with that investment. This brochure is about that investment policy.

## How does PDN invest its assets?

To avoid running excessive risk, PDN distributes its assets amongst various investment categories, for example:

### *Equities*

Through equities, PDN acquires an interest in the assets of companies. In the longer term, this produces a higher return than bonds, but the risk is relatively high. The stock portfolios are spread worldwide.

### *Fixed-income securities*

These are bonds and loans. They are used to lend money worldwide to governments and companies. The return is generally more stable than the return of equity.

In addition PDN also invests in Dutch residential mortgages.

The fund also invests in inflation-linked bonds. These are bonds with a fixed real interest rate.

The investor is compensated in the event of inflation (monetary depreciation).

### *Alternative investments*

This category of investments is expected to yield an attractive return in the medium term. With the investments within this sub-portfolio, the aim is therefore to achieve an attractive return in investments that react differently to regular investments (such as shares and bonds). This concerns, for example, investments in gold and in less liquid categories, such as infrastructure and unlisted indirect real estate.

### *Real estate*

There are two ways of investing in real estate: directly (houses, shops and offices) and indirectly (shares in property investment funds). Within this category, PDN only invests in globally listed indirect real estate.



### *Overlays*

The assets invested in the above categories are spread worldwide and are therefore exposed to currency risk. As the currencies can also rise or fall in value against the Euro, some of the yield of an internationally distributed portfolio can also come from currency returns.

With a currency overlay, the currency risk is partly hedged and the return in euros is less volatile.

Because the interest rate sensitivity of the pension liabilities differs from the investents, there is also interest rate risk.

The limit this risk, part of the interest rate risk is hedged with derivatives. This method of interest overlay also determines part of the return.

### Who draws up PDN's investment policy?

The PDN Board determines the investment policy and records this annually in an investment plan. This states, among other things, what percentage of the assets must be invested in the chosen investment categories. The result is reported and assessed every month. The investment categories themselves are also evaluated periodically (every 3 to 5 years). The board is advised by DPS and external investment advisors when determining the investment policy.

### How well is the pension fund performing?

An important measure of the financial position of pension funds is the funding level.

The funding level shows to what degree the pension assets cover the (estimated) pension liabilities. In other words: does the pension fund have the required capital available to pay out all the pensions now and in the future?

At a funding level of 100% all nominal liabilities can be fulfilled. However, this is just a snapshot. To be able to absorb any underperformance, a significantly higher funding level is needed.

Pension funds calculate their policy funding

level – the funding level being an average value based on the past twelve month period.

The policy funding level is announced at the end of each quarter on the PDN website. The total return on the invested assets consists of direct and indirect income. In addition to exchange rate movements, this also includes factors such as interest and dividends. The future pension entitlements are calculated at the current market rate under the statutory requirements (the Financial Assessment Framework).

More information about the current policy funding level can be found on the website under the heading '[Funding level, returns and other financial figures](#)'.

More about PDN's investment policy is listed on the website under '[Investment Policy](#)'.



## Contact



If you have any questions about your pension visit the website: [PDNpensioen.nl](https://pdnpensioen.nl)  
or contact our Pension Desk:  
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## Pension regulations



Read more about PDN's investment policy in the pension regulations by clicking on the icon.

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