Our 10 Investment Principles

Sustainable Investment: A positive contribution to the environment

1. Taking investment risks increases the chances of attractive long-term returns
On average, pension contributions have a long investment horizon. Results achieved in the past show that in the long term real assets yield a higher return than fixed-income securities. By taking more investment risks when the retirement date is still a long way off, we increase the chance of an attractive return across the entire investment horizon, with the aim of achieving the best possible pension. For this reason, it pays off to invest a large portion of the pension capital in real assets for a large part of the time.

2. The strategic allocation is most decisive for the end result
In case of a long investment horizon, the distribution of investments across different asset categories (strategic allocation) is the most decisive factor for the investment result. For this reason, we strive for an optimal ratio between return and risk across the entire term. We assess what risks we consider acceptable and what risks are rewarded We also assess what risks we consider unacceptable and what risks must be avoided or reduced. If the retirement date is still a long way off, the investment portfolio focusses on the reward of risks (return). Once the retirement date approaches, the risks are gradually reduced in order to protect the pension result.

3. We do not believe that active management contributes to a better pension result

With an active investment policy, fund managers have the freedom to deviate from the strategic allocation based on short-term market developments and sentiments.

We do not apply this strategy because of:

- the cost-increasing effect;
- the extra risks, such as the interpretation of market developments and timing;
- the lack of evidence that active investments perform better than the index in the long term.

4. We do believe that factor investments can add value

In factor investing, fund managers have limited freedom to select the most attractive shares within the index. They do this by attributing a higher or lower weight to companies within the index based on specific factors such as valuation, price trend or profitability. Due to an increase in the amount of data on companies and markets and a bigger processing power to find meaningful correlations, it has been shown that factor investing can add structural returns to the index portfolio. These factor investment strategies are available to us at a very low cost. Based on track record and cost efficiency, factor investing can be applied in addition to a passive policy.

5. Diversification is required to reduce the chance of a deviating pension result

By diversifying across and within asset categories, we reduce the chance that the investment result deviates from the expected return. Diversification does have an optimum. Too much diversification results in unnecessary costs and complexity in the portfolio.

6. Socially responsible investment is in line with a pension objective: sustainable sectors are growth sectors

The urgency of responsible investing (according to Environmental, Social en Governance (ESG) criteria) is growing and ever improving investment funds are becoming available at low costs for this purpose. Socially responsible investing is not only necessary in view of the environment and human capital, but it is also sensible in an economic respect. The sectors and companies that are involved in responsible investing are also growth sectors. That is why our lifecycle investment portfolios consist entirely of funds that meet the ESG criteria. We aim to take advantage of the growing opportunities for sustainable investing, including involving impact investing. Of course we will keep a sharp eye on the costs and the true added value of socially responsible investing.

7. Dividend tax is a form of return

The fund managers make maximum use of the opportunity to reclaim the withheld dividend tax. Not only in the country of establishment of the investment funds (the Netherlands), but also in the countries where dividend tax of the underlying companies is withheld and with which the Netherlands has tax treaties. Historically, this amounts to approximately 0.30% of the invested capital. We reinvest this for participants.

8. Low costs mean more pension

Our cost structure is simple and transparent. We aim to keep the fund costs as low as possible so that the participants' pensions see maximum gains from the contribution for accrual and the return. Because Centraal Beheer PPI offers no in-house funds, we have a pure motive to offer the best funds at the best price.

9. Derivatives are not optimal to cover the currency risk and inflation risk

In the long term, currency risk is a zero sum game: shares in a currency that structurally appreciates will eventually depreciate due to a deteriorating competitive position. In addition, costs for covering currency risks are high. Furthermore, the currency risk reduces once the retirement age approaches, because investments are then made in euro-denominated bonds. A similar reasoning applies to inflation risk: in the long term, a higher inflation translates into the value of the investments.

10. Derivatives can be an efficient way to hedge interest rate risk

We use derivatives to increase the interest-rate sensitivity of government bonds and consequently reduce the interest rate risk as the retirement date approaches. Only liquid and transparent derivatives are used. A periodic review takes place because of the possible operational risks that are related to the use of derivatives, such as the collateral policy.