pensioenfonds citigroup

Investment beliefs

Version February 2025

Balance sheet management

1. ***The pension fund is in principle a long-term investor, although the future of the fund is a permanent source of uncertainty; the structure of the liabilities, the risk appetite and the pension ambition of paying out fixed-rate pensions, however, remain the basis of the strategic portfolio***

Investments should not be viewed separately, but from their sensitivity to the liabilities side of the balance sheet. The investment policy is initially focused on the long term, but the management constantly keeps in mind that liquidation of the fund can be put on the agenda quickly. Taking well-considered investment risk in formulating the investment policy is rewarded in the long term in the form of a higher return. The risks in the short term also depend on the financial position of the fund. Legislation and regulations form the framework.

2. ***Investment return and risk must be in proportion, where it fits we take more risk***

In order to be able to offer pensioners as much of their value as possible, it is necessary to achieve excess return above the return on the liabilities, since the correction of inflation is not financed through the pension premium.
Taking investment risks generally yields a higher expected return; however, the risks incurred must be in proportion to the remuneration. Risk management is at least as important as generating returns. Where it fits within the established risk appetite and risk budget, we take more risk.

Financial markets

3. ***Taking interest rate risk is a strategic choice***

Interest rate risk is an active source of risk to add value to the development of the coverage ratio.

4. ***Currency risk adds no value to the portfolio***

Research shows that currency developments can hardly be predicted in the longer term. Currency is therefore not a source of return. Investments in foreign currencies create an additional risk that must be covered.

5. ***Illiquid investments can offer attractive premiums***

Investors are compensated with a premium for entering into long-term illiquid investment positions. The extent to which you can take advantage of this premium, however, depends on the investment horizon and investment policy. The discussion around the SPCN horizon means that the fund handles illiquid positions with extra care. Given the risk premium where possible the fund provides liquidity for a higher premium.

6. ***The point of departure is passive management, unless active management can demonstrably add structural value***

The starting point of the investment portfolios is a passive policy. However, as there are inefficiencies in markets from time to time, a decision will have to be made for each investment category as to whether active management, in expectation, will yield additional returns after deduction of costs. The basic principle here is that efficient markets are basically approached passively, while active policies are possible in inefficient markets.

Investment process

7. Diversification lowers investment risk without additional costs

Diversification leads to an improvement in the ratio between risk and expected return and is seen as a "free lunch". This is due to the different characteristics of investment categories, products, styles and the regional distribution of investments. Therefore, no investment categories are excluded in advance.

8. Higher asset management costs are only acceptable if there is clear added value for this

Minimizing asset management costs is not an end in itself. If a thorough analysis shows that a manager is structurally able to achieve a high return, then a higher management fee may be required. The cost-increasing effect of the use of advisers in the field of asset management should also indirectly add value in terms of a higher return.

Organization and implementation

9. Efficient portfolio management may lead to a limited increase in complexity

The starting point is a simple and transparent portfolio. Complex products, such as derivatives, are used where they can make a good contribution to the efficiency and effectiveness of the portfolio. The condition is that the board understands the operation of the products.

10. Socially responsible investing is a consideration in our investment policy

The fund believes that socially responsible investing adds value to the longterm goals. Therefore ESG is important in the process of investment decisionmaking.