storebrand

Quarterly report – index portfolios

Defined contribution

1st quarter
2022

A quarter marked by Russia's invasion of Ukraine on Thursday the 24th of February. This is first and foremost a humanitarian catastrophe which also brings with it turmoil in the stock markets and fixed income markets.

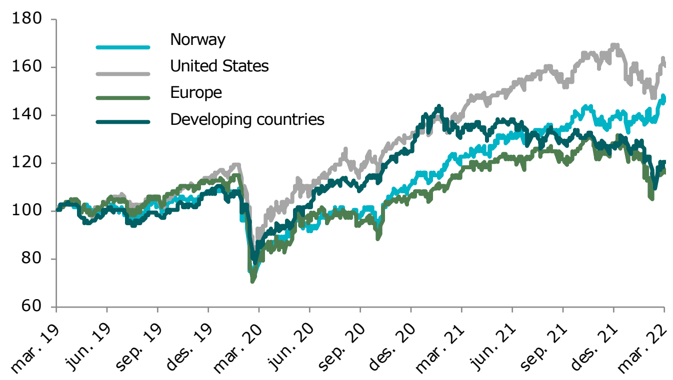
Equities

After a formidable stock market year in 2021, the first quarter of 2022 was the opposite. The quarter started of with a negative development for both global and Norwegian equities, however the Oslo Stock Exchange fell less than the global markets due to the rise in oil prices at the beginning of the year. Especially global stocks within IT and communications, such as Netflix and Snapchat, fell drastically in a short time. The reason is higher interest rates and with an expectation of up to five interest rate hikes by the Federal Reserve (FED) in the US this year. This led to volatile markets, which particularly hit growth companies. Growth companies are those that have an expectation of high earnings in the future, and higher interest rates will lead to increased costs now which has a negative effect on the companies that make less money today.

February was another volatile month. The invasion of Ukraine led to a sharp fall on the European, Asian and American stock exchanges. The war continued to intensify in March, and economic sanctions against Russia proved to be tougher than expected, including the exclusion of some of the Russian banks from the international payment system SWIFT and the freezing of the Russian central bank's holdings abroad. Sectors that did the worst in February were IT, communications and cyclical consumption. The global stock markets recovered somewhat in March and delivered a positive return for the month as a whole. The Oslo Stock Exchange has been the region that has performed best during February and March due to the rise in oil prices and raw materials. The Norwegian krone has also strengthened, which has led to currency-hedged funds receiving a slightly extra positive return.

In light of what is happening in Ukraine, Storebrand has chosen to exclude Russian companies, as Russia with its actions has committed a violation of international law and the right of states to self-government. The exclusion is based on human rights violations, the introduction of sanctions from the international community and the Norwegian government's decision that the Petroleum Fund will sell out of the country. This means that Storebrand's funds no longer have any exposure to Russian companies.

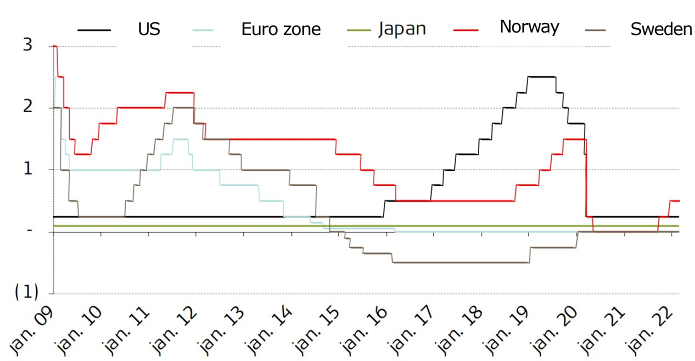
Stock market



Fixed income

It has been a volatile quarter for the fixed income portfolio as well, the rise in interest rates from 2021 continued into January 2022 and led to the fixed income funds getting off to a rough start. After the invasion, government interest rates fell sharply, but picked up again during March. The central banks' clear signals of interest rate hikes, at least in the US and Norway, have led to a marked rise in the yield curve in both the US and Europe. The increase in interest rates is due to a sharp rise in inflation after the economy has stabilized following the pandemic. This has led to both corporate bonds and government bonds falling in value in the first quarter of 2022.

Key policy rates



Currency

The pension profiles' investments are largely hedged against currency and the return is to a small extent affected by fluctuations in exchange rates.

Good Money

All Storebrand's investments have the UN's sustainability goals as an integral part of the strategy. We work to give our customers a better and sustainable pension by investing more in future-oriented solution companies. Risk is reduced by excluding companies that are involved in unacceptable corporate activities, and we are an active owner who influences the companies in a more sustainable direction.

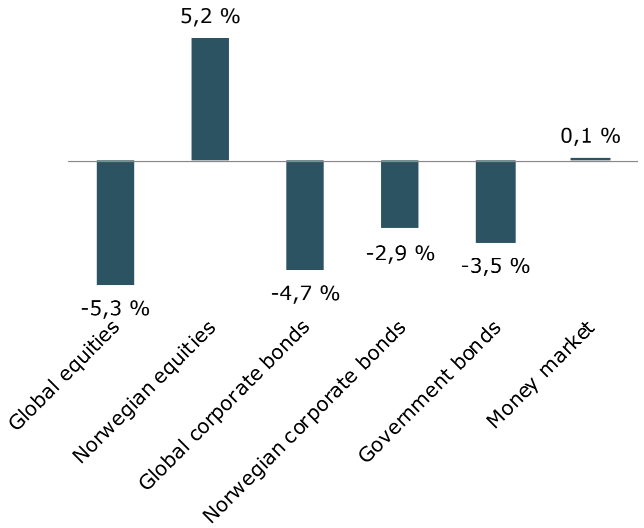
Storebrand is ranked as one of the world's most sustainable companies in both the Global 100 index and the Dow Jones Sustainability Index, and Storebrand receives the highest score on sustainability among Norwegian players according to the Ethical Pension Guide.

In 2020, we launched our new climate strategy where, among other things, we exclude all coal and oil sands companies and companies that conduct lobbying activities against the Paris Agreement, as we want to help increase the pace of the green shift.

In March 2021, we expanded our product range by launching a fossil-free profile series that focuses on renewable energy, a lower carbon footprint and a higher proportion of solution shares.

To show the effect of the different sustainability considerations the different profiles take, we have developed a sustainability dashboard that shows the climate footprint of your company's defined contribution pension. Here you can, for example, see what the carbon footprint of the portfolio is up against a comparable index.

Return YTD



At the same time in March, the EU introduced the Sustainable Finance Disclosure Regulation (SFDR). SFDR should contribute to more transparency and less greenwashing in the industry, by imposing legislation on the publication of sustainability information and what sustainability considerations funds take. As an asset manager, all funds must be ranked in three different categories, which are Article 9 ('dark green'), Article 8 ('light green') or Article 6 ('other funds'). All Storebrand's profiles have been classified, even though there is no legal order in Norway yet, and have at least a category 8.

This is how we create a sustainable pension for you

Active Ownership
We exert influence by challenging companies to be more proactive about their sustainability practices and development.

Exclusions
Excluded companies are removed from Storebrand's investment universe, an investment ecosystem that consists of over 4,000 companies.

Solutions
We increase our investments in companies that contribute with solutions to the UN Sustainable Development Goals.

Our pension advice

Start planning pension early
"My pension number" provides an overview and gets you started.

Reduce risk gradually
Our lifecycle solution adjust the risk for you.

Storebrand Lifecycle Solution

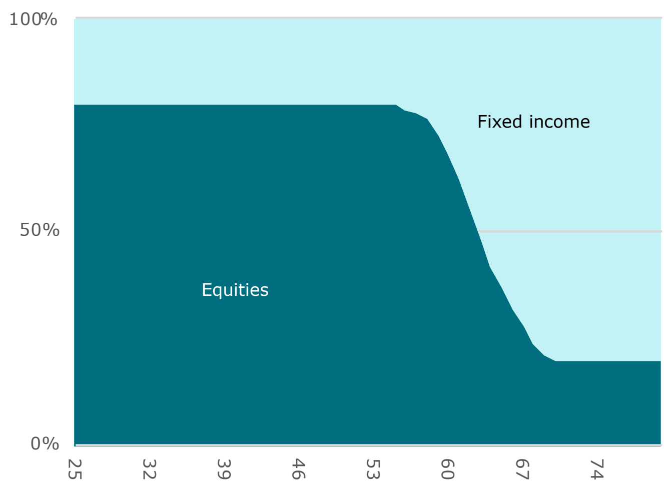
A savings solution that adjust with you

People in different stages of life have different investment needs. With Storebrand's lifecycle solution we adjust your investments as you get older to balance your need for good returns with predictable returns.

Right investments at the right time

With our lifecycle solution, Storebrand will ensure that the pension from your employer is invested in the right instruments at the right time. Young employees have a long investment horizon and a relatively small amount in pension assets. In order to get the best return, your pension will be invested primarily in a diversified and sustainable global portfolio of stocks. As one nears retirement, the investments in stocks will be reduced in favor of more predictable investments in bonds and money market instruments. Storebrand's lifecycle solution ensures that your investments are optimally invested throughout your working life and during retirement.

Progression of equity in lifecycle solution:



We do the job for you

Our common goal is to maintain or increase the purchasing power of your pension savings by getting good returns while at the same time ensuring a predictable pension payout. We do that by investing in our aggressive portfolio when you are young and then gradually transitioning to a more moderate portfolio and finally to a cautious portfolio as you approach retirement. We do this job automatically on your birthday so that you don't have to do it yourself.

Historical returns

Storebrand's lifecycle solutions have delivered good returns over time. Younger employees have had the best returns with the most variation in returns, while older employees have received a lower but more stable return. A selection of historical returns for various ages is shown in the table under.

	Return pr 31.03.2022			Proportion of profiles		
Age	**YTD**	**Last 3 years (yearly)**	**Last 5 years (yearly)**	**Cautious index**	**Moderate index**	**Aggressive index**
<55	-3.3 %	11.6 %	10.1 %	0 %	0 %	100 %
60	-3.3 %	10.1 %	8.9 %	0 %	38 %	62 %
65	-2.9 %	6.3 %	5.7 %	42 %	58 %	0 %
70	-2.5 %	4.2 %	3.9 %	100 %	0 %	0 %
75	-2.5 %	4.2 %	3.9 %	100 %	0 %	0 %
80	-2.5 %	4.2 %	3.9 %	100 %	0 %	0 %

*Established in 2016. All returns are showed before the deduction of costs, yield for 12 months or more are calculated as yearly geometric average return. Historical return is no guarantee for future returns. Future return is dependent on the market and the portfolios risk. Returns may be negative as a consequence of a market in decline.

Our Various Portfolios

Portfolios that are designed for long-term savings

Storebrand is the largest private asset manager in Norway and we reuse the solutions for our largest and most professional institutional clients in the management of our pension portfolios. The various portfolios have varying risk from 0% in stocks to 100%. If for some reason you feel that Storebrand's lifecycle product is not for you, it is also possible to invest directly in a portfolio that you feel is best for you. We will also reduce the risk of your chosen portfolio as you approach retirement, or you can turn this feature off. All of our portfolios are well diversified and are sustainably invested. All of the portfolios have had returns over time that are substantially in excess of inflation so that our customers have experienced an increased purchasing power.

Extra cautious Index

Extra cautious index is suited for those who want low risk and want to be certain that their savings do not fall in value. Extra cautious invests in high quality bonds and money market instruments.

Cautious Index

Cautious index invests primarily in high quality bonds and money market instruments but also has a smaller proportion invested in stocks to improve returns. This portfolio is best suited for employees with a short time to retirement, for retirees or for employees who want low risk but with better returns than one would get in the bank.

Moderate Index

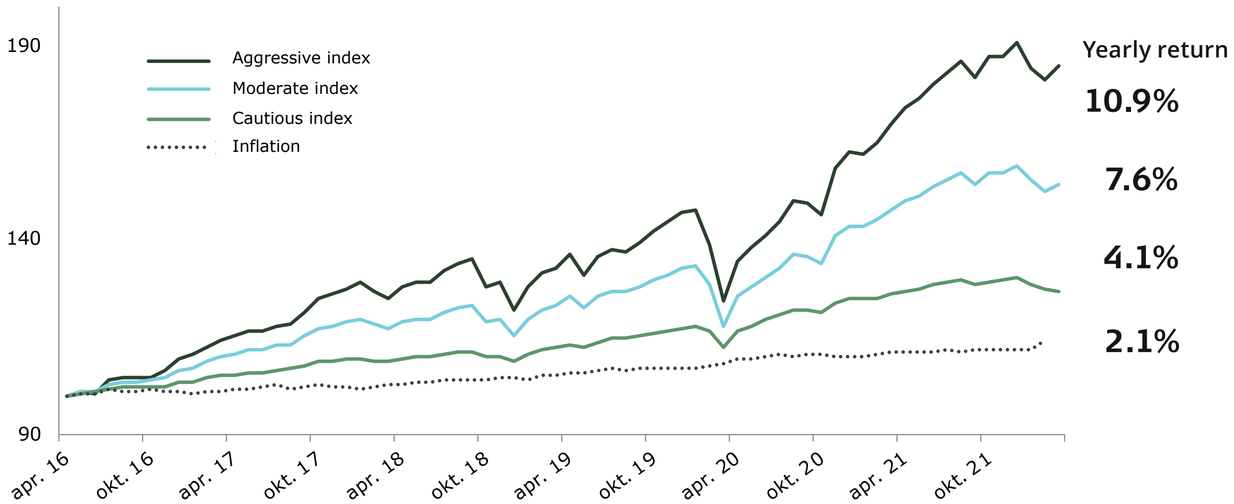
Approximately half of the investments are in investments with predictable returns while the other half is invested in stocks that vary in value but that can generate better returns over time. One should have a 5-10 year investment horizon before investing in this portfolio.

Aggressive Index

Aggressive has a high proportion of the portfolio in stocks and is expected to give good returns over time. This portfolio is suited for persons with a long investment horizon and who can tolerate that the value can vary significantly over the investment period.

Extra aggressive Index

Extra aggressive invests in large listed global stocks. This portfolio is suited for persons who have a long investment horizon and who want to take a higher investment risk.



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Storebrand Livsforsikring AS

Professor Kohts vei 9, Postboks 500, N-1327 Lysaker, Telefon 915 08880, storebrand.no