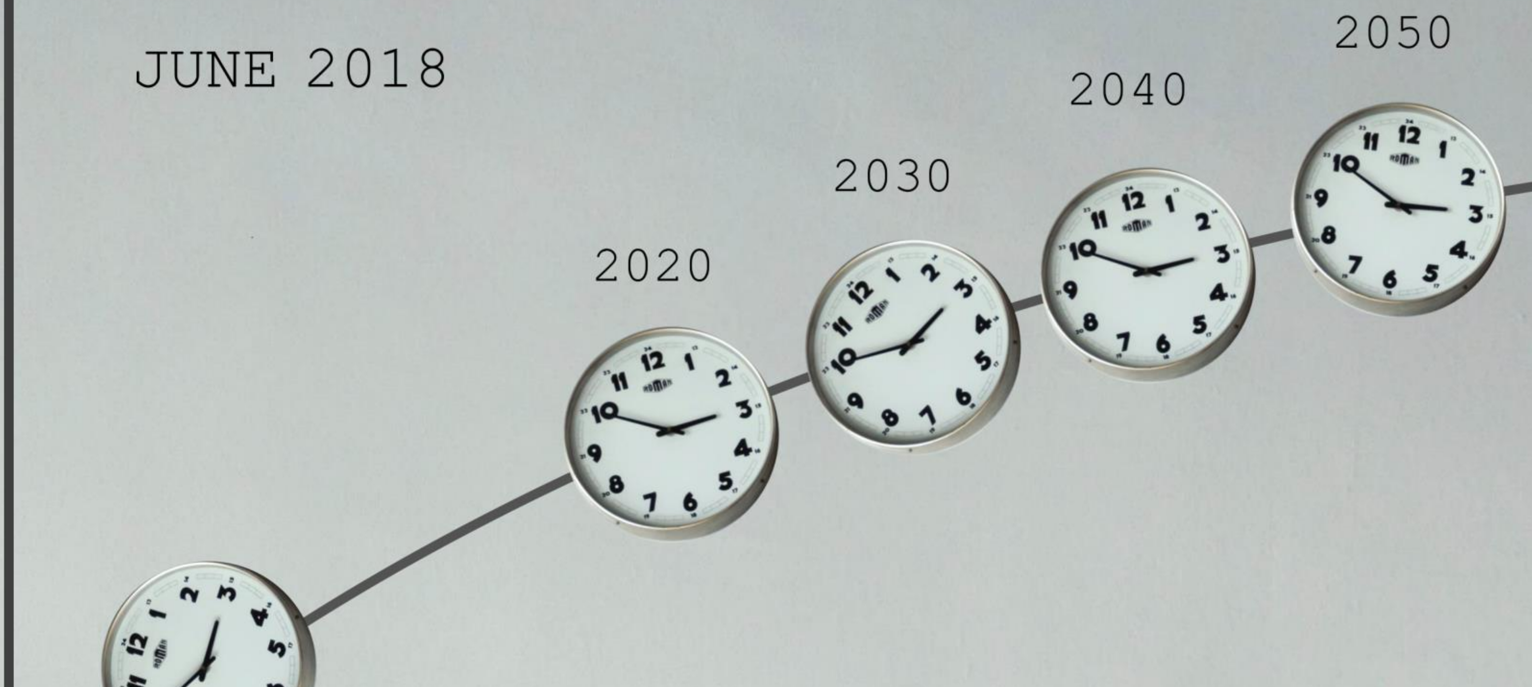
A BETTER FINANCE
RESEARCH REPORT

THE DISPERSION OF RISK MITIGATION TECHNIQUES IN LIFE CYCLE PENSIONS

JUNE 2018



BETTER FINANCE
The European Federation of Investors and Financial Services Users
Fédération Européenne des Épargnants et Usagers des Services Financiers

THE DISPERSION OF RISK MITIGATION TECHNIQUES IN LIFE CYCLE PENSIONS

a BETTER FINANCE Research Report

with view on the development of a Pan-European Personal Pensions Product (PEPP)

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EXECUTIVE SUMMARY

The Research on the Dispersion of Risk Mitigation Techniques in Life Cycle Pensions (the Research) analysed the differences between the 12 life cycle funds[1] and found:

- *qualitative differences*: the statutory documents of the U.S-domiciled funds offer much more (and clearer) information on the evolution of the asset allocation over time than the E.U.-domiciled ones;
- *quantitative differences*: the starting and ending allocation of assets in the portfolio, as well as the rebalancing (de-risking gradient) are less dispersed in the U.S. market, and the fees are considerably lower, as exhibited below:

HIGH DISPERSION OF RISK MITIGATION TECHNIQUES (Equity Allocation Glide Path)				
	Starting equity allocation	Gradient	Ending equity allocation	Fees (average)
U.S.	74-99 %	0.95%-2%/p.a.	20-51 %	0.64%
E.U.	50-100 %	0.579%-6%/p.a.	1-34 %	1.64%
Bocconi 1	50%	0.625%/p.a.	25%	1%
Bocconi 2	75%	1%/p.a.	35%	1%
Bocconi 3	100%	1.25%/p.a.	50%	1%

Main assumption: 40 years of pension contributions[2]

In light of its findings, the Research puts forward five **key recommendations**:

- Allow both capital guarantee and life cycle approaches for the default investment option of the Pan-European Personal Pension Product;
- Enhance and standardise information disclosure on the asset allocation "glide path" in particular;
- Impose benchmark disclosure: request that the statutory documentation of the funds publish the benchmark(s) of the fund and its (their) past performance;
- Allow the life cycle approach to continue into the retirement ("decumulation") phase;
- Ask EIOPA to monitor and supervise the life cycle default options to avoid excessive dispersion of asset allocation glide paths; and
- Establish an overall fee cap of 1% for the default life cycle option.

[1] The total number of funds in scope of the study is 20 (15 E.U.-domiciled life cycle funds and 5 U.S.-domiciled). However, in the Report only 12 glide paths are shown and included in the computations for the quantitative results (starting, ending asset allocation and glide path), as for the remaining 8 (E.U.-domiciled funds) we could not obtain sufficient data in order to include them in the statistics.
[2] However, there are two funds in the scope of this study for which we found 50 years' data.

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Definitions

AIF: alternative investment fund.

Asset allocation glide path: the evolution in time of the life-cycle risk mitigation approach implemented by a life-cycle fund; it shows how the re-balancing of the portfolio will look from the start date of the fund to the income (target) date.

DC: Defined Contribution pension scheme (as opposed to DB –Defined Benefit – where the benefit of the pension product is pre-determined).

Default Investment Option: the standard PEPP which will be offered to investors who do not make any active or specific choice in relation to the options available under the PEPP Regulation.

Fund of funds: an investment funds that does not invest directly in asset classes (equities, bonds, money market instruments) but in other funds. This type of fund does not gain direct exposure to the market.

KIID: Key Investor Information Document, an obligatory disclosure document for UCITS funds.

KID: Key Information Document, the obligatory disclosure document for PRIIPs.

Life-cycle fund: a mutual investment fund taking the form of a UCITS or AIF that has a retirement time horizon and implements a specific "*life-cycle risk mitigation approach*".

Life-cycle risk mitigation approach: the gradual rebalancing of the portfolio allocation from a higher percentage in riskier asset classes or funds (generally stocks) to a higher percentage in the less volatile securities or funds in the short term (generally bonds). It is often referred to as the "*de-risking approach*".

PEPP: the Pan-European Personal Pensions product, a financial product proposed by the European Commission which could only be offered by investment firms who register as PEPP providers and it could only be delivered as one of the 5 alternative options, starting with the Default Investment Option.

PPP: Personal Pension Products, as opposed to collective / occupational ones.

PRIIPs: Packaged Retail and Insurance-based Investment Products.

UCITS: undertaking(s) for collective investment in transferable securities; the mutual investment funds which can be distributed in the whole EU ("passported").

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I. RESEARCH AIM

The main purpose of the Research is to analyse whether the characteristics of the life cycle de-risking strategies are sufficiently homogenous so that no further calibration (regulatory provisions) of the default investment option is needed with regard to its design. The other focus of the Research is to see the extent to which these risk mitigation techniques presented in the statutory documentation of the funds concerned are transparent and understandable, in view of the standalone Key Information Document that will accompany the PEPP product.

Life cycle strategies are investment strategies designed to decrease the risk (usually defined as short term volatility) of a negative performance of funds as pensions savers in them near the age of retirement, when the pension saver can either withdraw his savings or convert them into annuities or in programmed cash drawdowns. The essence of a "de-risking" technique is the gradual reduction of the quota of riskier asset classes (or shares in riskier sub-funds) coupled with the proportional increase of the quota of more stable securities or funds as the investment gets closer to its maturity date. The gradual rebalancing of the portfolio is generally referred to as the ***glide path*** of the life cycle strategy.

In other words, these strategies will reduce their allocation to equities and other instruments with historically high short-term volatility over time, as the date of retirement nears. Where programmed drawdowns are allowed, this "de-risking" path can continue into the decumulation phase[3] up to the expected date of death.

These strategies have recently been adopted as the default investment option for French Corporate DC Pension Plans ("PERCO"), and are being considered also for the default investment option[4] for the "PEPP" (Pan-European Personal Pension Product).[5]

The use of life cycle investing techniques could bring benefits to pension savers by providing an improved long-term return, in particular compared to some existing pension investment strategies that rely heavily on fixed income instruments. It would also increase pension investments into equities and other long-term investing tools, therefore favouring long-term investment and sustainable economic growth in Europe. The European trade body for asset managers recently commissioned a study[6] from Bocconi University showing, among others, a very high probability of such strategies protecting capital at the time of retirement. However,

[3] The PEPP Proposal defines the decumulation phase as "*the period during which assets accumulated in a PEPP account are drawn upon to fund retirement or other income requirements*" – Article 2(11) PEPP Proposal - Proposal for a Regulation of the European Parliament and of the Council) on a pan-European Personal Pension Product (PEPP), COM/2017/0343 final – 2017/0143 (COD), hereinafter **PEPP Proposal.**

[4] The PEPP Proposal defines the default investment option as the "*investment strategy applied when the PEPP saver has not provided instructions on how to invest the funds accumulating in his PEPP account*" - Article 2(24) PEPP Proposal.

[5] The PEPP has been proposed as an EU Regulation by the European Commission on 29 June 2017 and is currently being discussed by the European Parliament and by the Council of the European Union.

[6] See *infra*, page 17.

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this thorough academic study is as good as its assumptions on the asset allocation glide path, on the returns of the life cycle funds and on the level of their charges.

BETTER FINANCE aims to complement this study by looking at real cases of existing life cycle strategies. This research focuses mainly on analysing the dispersion of the risk mitigation techniques actually used by existing life cycle products, i.e. the dispersion of the asset allocation glide paths, in particular the initial and final shares of equities in their portfolio.

II. METHODOLOGY

The level of consistency between life cycle strategies is determined by the starting and ending asset allocation; the proportion between equities and fixed income instruments over time; if and for how long the initial portfolio composition remains unchanged; the portfolio rebalancing gradient and whether the strategy continues "de-risking" after the maturity date. The premise is that the investment cycle of such a fund comprises two major phases:

- the ***Accumulation phase***,[7] period during which the investor contributes to his investment account, maximum 40 years before maturity[8] (typically, this target year will be specified in the name of the fund); and
- the ***Decumulation phase***, as of the maturity date (year 0), when the investor starts to receive payments from his account, under the form of a lump sum (complete drawback), annuities, programmed drawdowns and so on.

The study seeks to extract two types of results by analysing the sample of funds, i.e. (i) **qualitative** and (ii) **quantitative** results, with both distinguishing between **U.S.-domiciled life cycle funds** and **E.U.-domiciled life cycle funds.**

The qualitative results are based on the level of information disclosure on the life cycle strategies and the extent to which their presentation is understandable for the average retail investor. BETTER FINANCE looked into the accessibility of such information (whether it is available on the website of the asset manager) and, most important, whether it is mentioned and detailed in the statutory documents of each fund. The term *statutory document* is the generic term used for: (a) the statutory prospectus and summary prospectus, for funds domiciled in the U.S., *as per* the Securities and Exchanges Act of 1933; and (b) the Key Investor Information Document (hereinafter **KIID**), for funds registered in the E.U., as per the KIID Regulation.[9]

[7] The PEPP Proposal defines the accumulation phase as the "*period during which assets (in-payments) are accumulated in a PEPP account and normally runs until the age of retirement of the PEPP beneficiary*" – Article 2(11) PEPP Proposal.
[8] See footnote n. 2.
[9] Commission Regulation (EU) No 583/2010 of 1 July 2010 implementing Directive 2009/65/EC of the European Parliament and of the Council as regards key investor information and conditions to be met when providing key investor information or the prospectus in a durable medium other than paper or by means of a website, OJ L 176, 10.7.2010, p. 1–15.

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Albeit not mandatory, easily accessible and user-friendly glide path graphs presented on the asset manager's website are of great help for the investor to better understand the characteristics of the product and take an informed decision. This is an element which has been taken into consideration, but a heavier weighting was given to the level of disclosure in the statutory documents. In this regard, BETTER FINANCE examined if and how detailed the life cycle strategy is presented in the statutory prospectus and the KIID:

- whether the initial and ending asset allocations are clearly defined;
- whether a formula on which the re-balancing is based is disclosed;
- whether a table outlining the asset quotas is presented (and, subsequently, whether the length of the periods are detailed: annual, every 5, 10 years etc.); and
- whether a chart with the glide path is presented.

As for the quantitative results, the Research gathered data both from statutory documents and from commercial communication sources, such as the fund's website, factsheets and so on. The first part of the quantitative results contains a narrative outlining the Research's findings with respect to ***starting asset allocation***; ***glide path***; ***ending asset allocation***; and ***ongoing charges***. Considering that not all glide paths were available in the same format, the second part exhibits the glide paths of the funds in scope, showing the major asset classes: equities (domestic and international, where available), bonds, money market/ cash instruments, and other securities (commodities, real estate etc.). However, the majority of glide paths had to be estimated since either data was not presented in a sufficiently detailed manner or the sources did not contain enough information to this end.

With regard to the sample, funds selection was based on three main criteria: only funds that declare to implement a life cycle strategy, domiciled in the U.S. and in the E.U. and managed by large life cycle funds providers.

III. QUALITATIVE RESULTS

U.S.-DOMICILED LIFE CYCLE FUNDS

First, in the U.S., retirement savings products are consistently labelled as "life cycle" or "target retirement" funds, enabling both: (i) increased accessibility and (ii) comparison between them, since investors do not need specific financial knowledge to identify these products and understand them.

Second, all target-retirement funds publish a chart with the portfolio's composition at all stages of the accumulation phase - and some even for the distribution (decumulation) phase - in the Prospectus and on the website. This facilitates potential-investor engagement as the former can acquire a clear, easily understandable view of the strategy, find out where their savings will be invested and understand how the risk of their investments will decrease over time as their capital grows, in particular:

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- one of the funds (BlackRock LifePath 2050 Fund) publishes a table with the *target allocation* of major asset classes for every 10 years in the Prospectus;
- some funds (such as Vanguard Target Retirement 2050 Fund) have interactive online tools through which the exact quotas can be displayed at any chosen date by the investors;
- others have detailed tables outlining the exact quota of each major asset class for every 5 years (JPM SmartRetirement 2050 Target Fund) until the income date.

E.U.-DOMICILED LIFE CYCLE FUNDS

A couple of observations are with regard to the EU pension products: First, the pension sector is divided between the insurance industry and the mutual funds industry, posing difficulties due to the differences between these products, between paying a life insurance premium and contributing to a mutual fund or the way the respective drawback phases (decumulation) work.

Second, considering the complicated pension system architecture, with the three-pillar infrastructure and the mandatory contributions, the different pension plans (defined-benefit and defined-contribution), and the distinction between occupational pension plans and individual savings accounts, European savers:

(i) need more information, compressed and delivered in an easily understandable language,
(ii) or need a common and more simple product that will allow distinction and comparison both in the local and cross-border markets.

Third, pension products are not always labelled as life cycle funds (UCITS or AIFs). Moreover, the "*obligatory investor disclosure*"[10] documents do not always detail target-allocations, but either (i) specify the maximum quota for a specific security in which a fund can invest (ii) or publish the formula according to which portfolio re-balancing will be made.

Last, for the funds that we have found (which provide information regarding the portfolio composition over time) the glide path was either not published or it was unclear (2 out of 15). Thus BETTER FINANCE had to estimate and/or compute the data since:

- many pension products are "**funds of funds**", meaning that they invest in units and are exposed to other funds; for instance, SLI MyFolio Managed III invests in a total of 38 sub-funds that sometimes overlap within the three composing fund-of-funds structure; therefore, in order to find out the asset allocation evolution, the investor must research the underlying funds and compute the asset quotas;

[10] Recital (58) of Directive 2009/65/EC of the European Parliament and of the Council of 13 July 2009 on the coordination of laws, regulations and administrative provisions relating to undertakings for collective investment in transferable securities (UCITS).

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- some life cycle funds[11] are part of Master-Feeder structures (with several layers of intermediary funds), for which the investor must research the Master fund's objectives and investment policy in order to find the actual asset class exposure of his or her savings;
- one fund[12] publishes[13] the formula according to which the initial allocation and re-balancing between equity and fixed-income securities is targeted over time in the Key Information Document;
- most funds only indicate maximum and/or minimum limits of exposure to asset classes (e.g. '*the portfolio will be composed between 70% and 100% of equities…*'[14]).

E.U.-DOMICILED LIFE-CYCLE FUNDS IN SCOPE OF THE STUDY		
Name	**ISIN**	**Data disclosure in KIID/ Prospectus/ Factsheets**
(LF) Fund of Funds Eurobank Class	LU1560846898	No
ABN AMRO Pension Life Cycle Fund 2040	LU0498838977	Insufficient
ADCB Target 2035	LU1558171432	No
Allianz Beleggers Neutraal Pensioenfond	N/A	Insufficient
Allianz Multi Horizon 2041	FR0010317743	No
Amundi Defensive Life Cycle Strategy	N/A	Yes
Aviva Perspective 2040	FR0010715326	No
BBVA Mi Objetivo 2031	ES0159158007	Insufficient
Fidelity International Target 2045	LU1025014389	No
KBC-Life Cycle 2040	BE6289898304	Yes
Lazard Horizon 2045	FR0010045625	Yes
Natixis Horizon 2045-2049	FR0011461284	Yes
Robeco Life Cycle Fund 2045	LU0966309642	No
SLI My Folio III	N/A	Yes
Santander My Proyecto 2040	N/A	No

** Insufficient means that the glidepath is shown, but it is unclear and data could not be retrieved.*

We could not find the asset allocation glide path for all the E.U. life cycle funds. Therefore, data had to be estimated/ computed by BETTER FINANCE, on the basis of which the charts under *Quantitative Results: E.U.-Domicile Life Cycle Funds* were computed by BETTER FINANCE.

[11] Or, at least described as such – see Allianz Multi-Horizon 2039-2041 Part C (EUR) Key Investor Information Document, ISIN FR0010317743.
[12] KBC-Life Cycle 2040, ISIN BE6289898304.
[13] According to Article 5 in conjunction with Article 8.3(c)(ii) of Regulation (EU) No 1286/2014 of the European Parliament and of the Council of 26 November 2014 on key information documents for packaged retail and insurance-based investment products (PRIIPs), OJ L 352, 9.12.2014, p. 1–23.
[14] Natixis Horizon 2045-2049 Part F (C) Key Investor Information Document, ISIN FR0011461284; author's translation.

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IV. QUANTITATIVE RESULTS

U.S.-DOMICILED LIFE CYCLE FUNDS

- **Starting asset allocation**: the selected U.S. Target Date Funds in the scope of this study all start off with an equity quota of over 74% (in majority domestic stocks), but have different adjustment rates and maturity-date equity-quotas (ending asset allocation), using on average three major types of securities: equities, bonds and money market/cash instruments, as shown in the graphs below;
- **Glide path**: the average yearly readjustment of the equity quota ranges from 0.95% to 2%, with some funds (JPM and Vanguard) maintaining the same allocation (portfolio is frozen) for the first 15 years;
- **Ending asset allocation:** we could observe a discrepancy in the equity to fixed-income (bonds) ratios at the beginning of the decumulation phase (year 0), ranging from 51% total equity (Vanguard Target Retirement 2050 Fund) and 60% bonds to 20% total equity and 6% bonds; in addition, we observed that some funds are also designed for gradual drawbacks, with the equity quota either slowly decreasing over the 10 years following retirement[15] or being frozen[16]; in this sense, we wish to **note that none of the funds we have researched have, at any time, a target stocks-allocation of 0%.**
- **Ongoing charges**:[17] the average cost for investors (in a sample of U.S.-domiciled life cycle funds[18]) is of 0.48% p.a., while average expenses charged by the funds in this study is of 0.64% p.a., 25 basis points lower than the industry average.[19] However, we observed that generally target retirement mutual funds expenses in the U.S. are lower both than the average of 0.71% for hybrid mutual funds[20] and the average of 0.97%[21] for 401(k) savings plans.[22]

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[15] Vanguard Target Retirement 2050 Fund, NASDAQ Ticker VFIFX.
[16] JPM SmartRetirement 2050 Active Target Fund, NASDAQ Ticker JTSIX.
[17] Under the U.S. Securities Act of 1933, the prospectuses for mutual funds sold to retail investors must publish the **operating costs**, which comprise the 'investment advisory fees for managing the fund's holdings, and marketing and distribution expenses, as well as custodial, transfer agency, legal, accounting, and other administrative expense' – see Securities and Exchanges Commission, 'Investor Bulletin: Mutual Fund Fees and Expenses' (SEC.gov, 05 December 2014) https://www.investor.gov/additional-resources/news-alerts/alerts-bulletins/investor-bulletin-mutual-fund-fees-expenses.
[18] The sample is composed of 51 life cycle mutual funds of the 9 largest asset managers in the U.S. (Vanguard, T. Rowe Price, Fidelity Freedom Funds, Charles Schwab AM, PIMCO, JP Morgan, Thrift Savings Plan and BlackRock), divided into three categories: active (target allocation) life cycle strategies, fixed allocation, and transition life cycle strategies (targeted glide path).
[19] Investment Company Institute, *2017 Investment Company Factbook: A Review of Trends and Activities in the Investment Company Industry*, Chapter 5: Fund Expenses and Fees, accessed 25 April 2018, available at http://www.icifactbook.org/ch5/17_fb_ch5#differences.
[20] Ibid; hybrid mutual funds are those that have a more diversified portfolio composition by asset class, i.e. at least equities and fixed-income securities.
[21] Alex Goldberg, 'Key 401(k) Statistics: Retirement Plans by the Numbers' (For Us All 401(k) Blog, accessed 25 April 2018) https://www.forusall.com/401k-blog/401k-statistics/#url_2.
[22] According to the SEC a 401(k) pension plan is 'An employer-sponsored retirement savings plan that gives employees a choice of investment options, typically mutual funds. Employees who participate in a traditional 401(k) plan have a portion of their pre-tax salary invested directly in the option or options they choose. These contributions and any earnings from the 401(k) investments are not taxed until they

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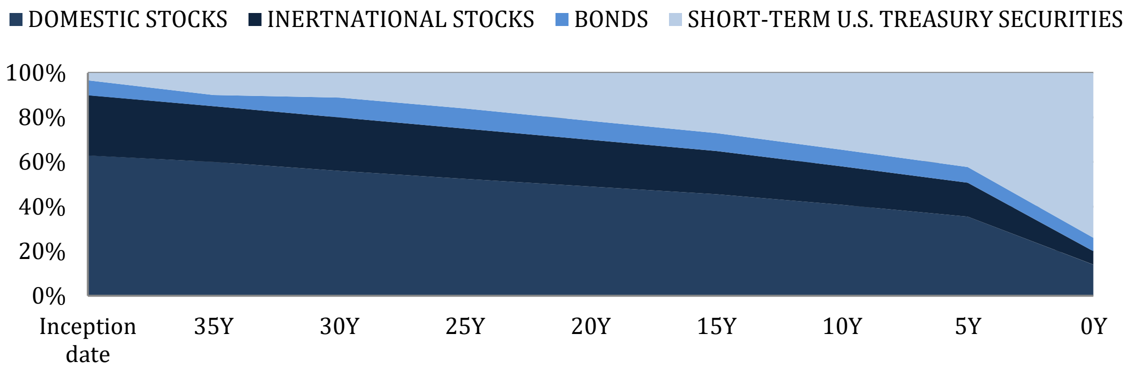
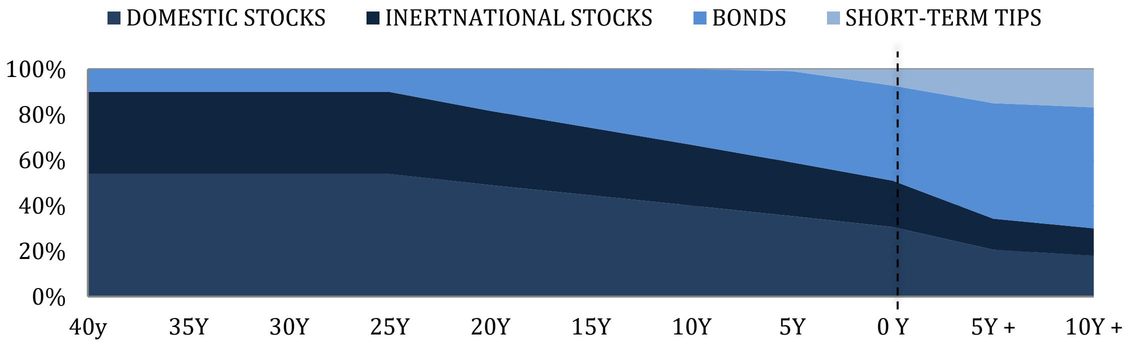
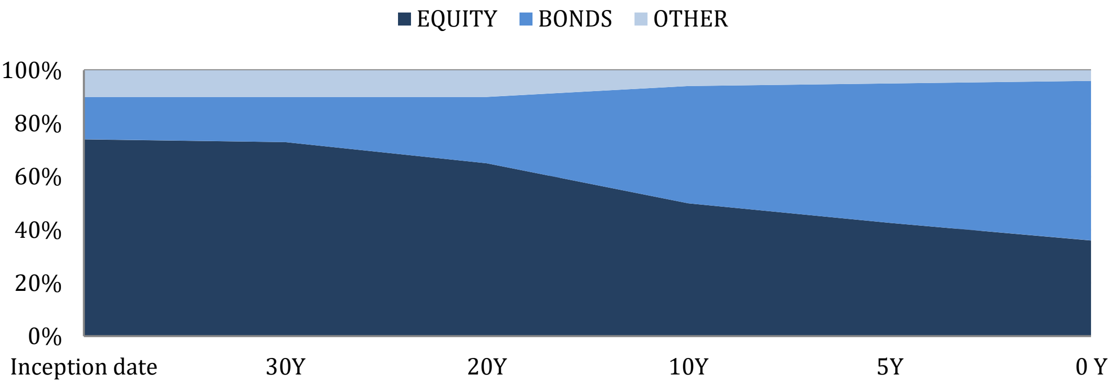
TSP L2050 Retirement Fund



Vanguard Target Retirement 2050 Fund



PIMCO RealPath 2050



are withdrawn' – see Securities and Exchanges Commission, '401(k) Plan' (Investor.gov, accessed 25 April 2018) available at https://www.investor.gov/additional-resources/general-resources/glossary/401k-plan.

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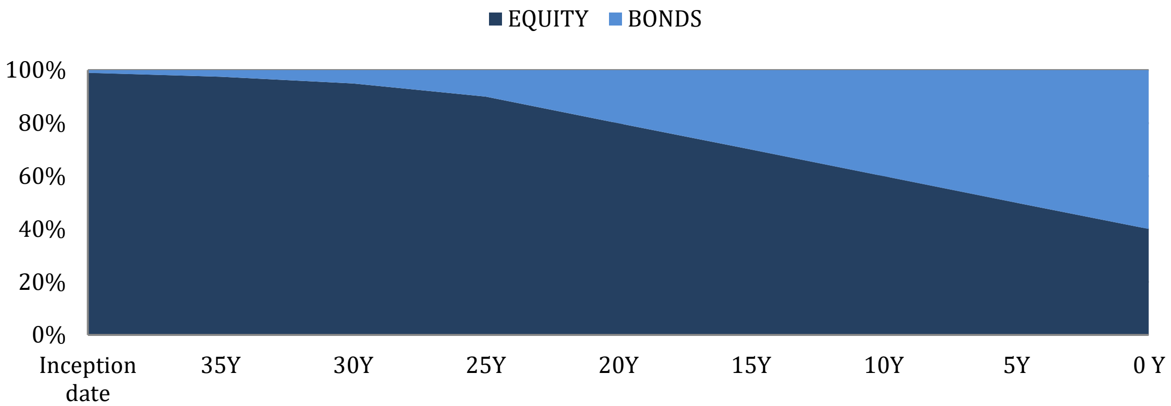
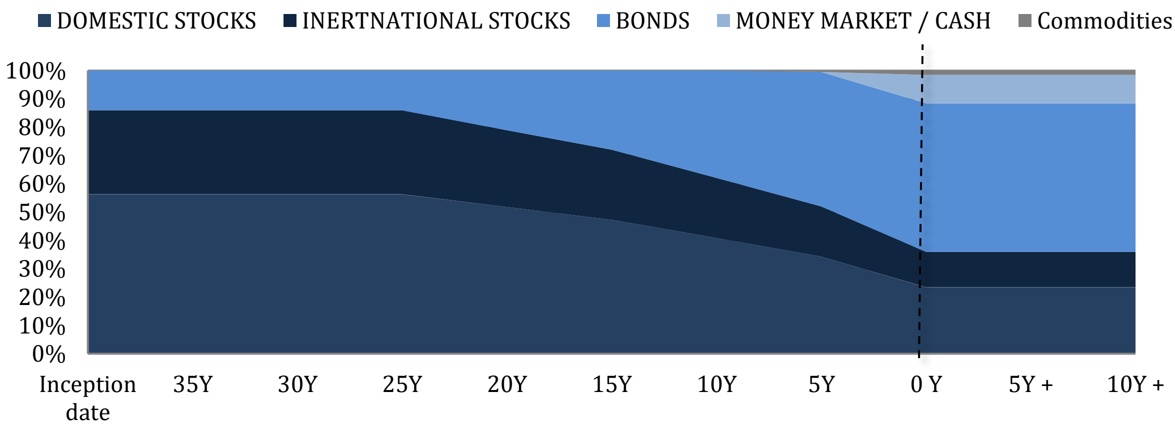
BlackRock LifePath 2050 Index Fund



JPM SmartRetirement 2050 Active Target Fund



Source of Graphs: BETTER FINANCE Composition based on data available on the life cycle fund provider's website and Prospectuses.

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- **Starting asset allocation**: as shown in the charts below, the seven life-cycle strategies have different portfolio compositions at the inception date, ranging from 50% to 100% equity securities;
- **Glide path**: for the funds that disclosed sufficient information (at least formulas or target asset allocations) in order to compute the "de-risking rate" over time, the life cycle approaches to rebalancing the portfolio equity quota have nothing in common:

(i) KBC-Life Cycle 2040 fund is the closest to the 'Poterba age-based scheme', starting with 75% equity and 25% bonds and reducing the stock share of the portfolio by a pre-defined rate based on the number of years left to the target date (Y), as follows:

$$Equity = 25\% + (1.25 \text{ x } Y)\%$$
$$Bonds = 100\% - Equity$$

(ii) SLI MyFolio has a gradient of 0.6% p.a., while Allianz of 0.86% p.a.;

(iii) Natixis Horizon 2045-2049 provides information on asset allocation only for the first 22 (out of 36) years, after which the investor only knows the equity allocation target; the same for Lazard Horizon 2045, which does not provide information at all for 49.9% of its portfolio in the last 15 years (out of 37) before the target date.

Another important observation is the difference in the portfolio freezing technique between the different life cycle strategies: some of the funds in scope block the portfolio allocation during a large part of the accumulation phase and only start de-risking when the maturity date is closer (e.g. 10 years). Yet, other funds in our scope start the de-risking process at the very beginning (or close) to the inception of the fund.

- **Ending asset allocation**: the ending asset allocation shares are significantly different for the funds in scope, ranging from 1% to :

(i) on the one hand, SLI MyFolio III displays a nearly equal share of stocks and bonds at the target date (34% and 36%), with the rest of the capital having a target allocation in short-term securities (money market and cash) and property (REITS); in addition, it freezes the asset allocation for the first 20 years

(ii) on the other hand, the fund from Allianz has a smaller equity quota (19%) at decumulation starting date, but it locks the portfolio composition for the first 40 years (out of 50);

(iii) KBC-Life Cycle 2040 targets 25% equity and 75% bonds at the target date;

(iv) for the other two French-domiciled funds (Natixis Horizon 2045-2049 and Lazard Horizon 2045) there is insufficient information in both the KIID and Prospectus in order to compute the target asset allocation for more than 13 years before the income date.

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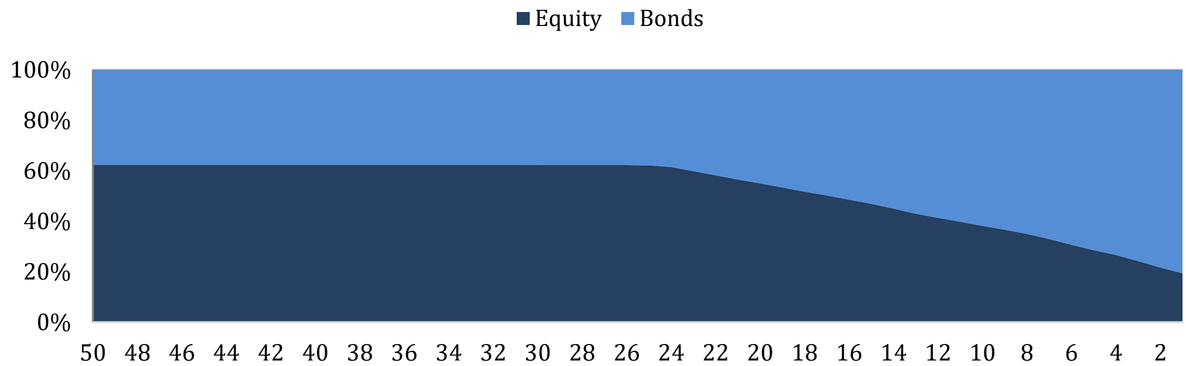
(v) BBVA Mi Objetivo 2031 has an ending target asset allocation for equities of approximately 5%.[23]

- **Ongoing charges:**[24] for the UCITS-life cycle funds in scope of the study, prices range from 0.58% to 2.32% (average: 1.32%), while the costs for non-UCITS life-cycle funds range between 0.35% and 2.39% per year (average: 1.37%);[25] in particular, the low-cost French-domiciled life cycle funds are used by collective occupational defined-contribution (DC) schemes,[26] thus charging fees in the 0.5%-1% bracket, but probably not representative of the fees charged for personal pensions (not collective/occupational ones which tend to be less expensive). Overall, we have noticed that the average fee charged by the funds selected for the research is of 1.64% p.a.,[27] more than double the expenses of the U.S. life cycle products.

Allianz (NL) Beleggers Neutraal Pensioenfonds



[23] Estimated figure based on the *Ficha de Seguimiento*, available here: https://www.bbvaassetmanagement.com/am/tlwgpub/informes/ES0159158007_FI2018033101.pdf?pais=ES&perfil=1&idioma=ES.

[24] We use the ongoing fees' definition provided in Article 10.2(b) KIID Regulation, i.e '*representing all annual charges and other payments taken from the assets of the UCITS over the defined period, and based on the figures for the preceding year*'. For non-UCITS life cycle funds that do not have a KIID, we used the total charges p.a. figures in the available documentation.

[25] The SLI MyFolio Managed Lump Sum SLP Risk Level III and Allianz Beleggers Neutraal Pensioenfonds have not been included in either of the two categories.

[26] For instance, the French PERCO (Plan d'Epargne Retraite Collectif, meaning collective retirement savings plan), which is 'quite similar to US Corporate pension plans ("401k") in its design' – see BETTER FINANCE, *Pension Savings: The Real Return*, 2017 ed., pp. 199-222, available at: http://betterfinance.eu/fileadmin/user_upload/documents/Research_Reports/en/Pension_Report_2017_-_Full_Report_-_Online_Version.pdf.

[27] The average does not include two French PERCO funds or the Allianz Beleggers Neutraal Pensioenfonds' fees.

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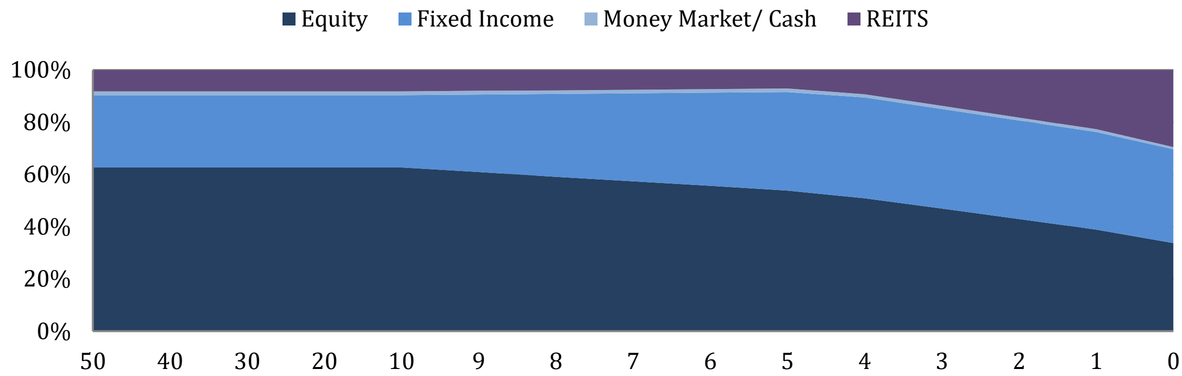
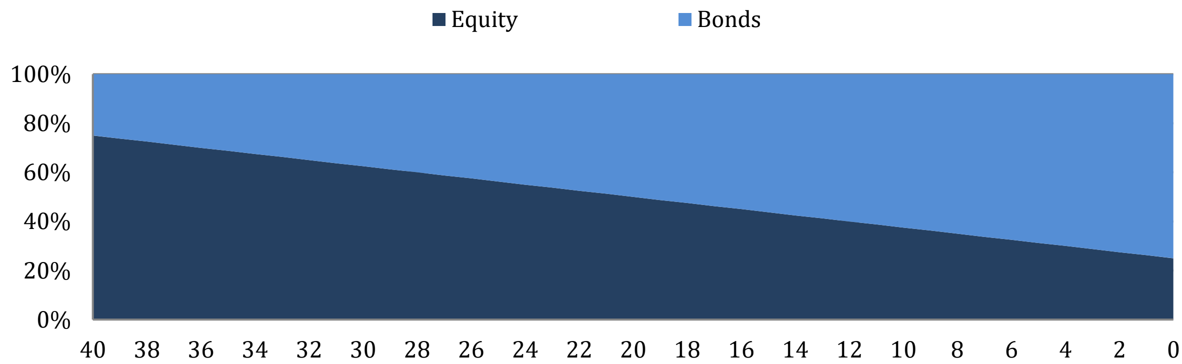
SLI MyFolio Managed Lump Sum SLP Risk Level III



Source: BETTER FINANCE composition based on the Prospectus and sub-funds factsheets.

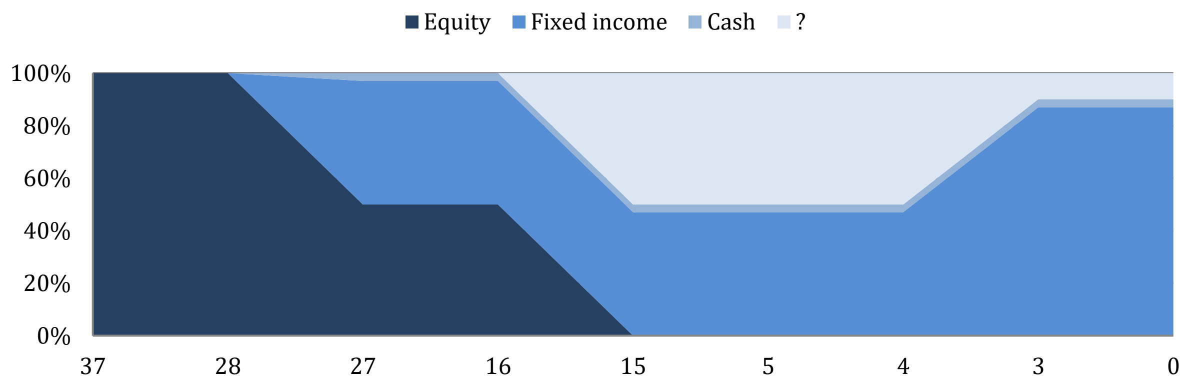
Key Assumption: If a sub-fund is labelled as investing in a specific asset class (for instance SLI UK Equities), we assumed that 100% of its holdings are in equity securities.

KBC-Life Cycle 2040



Source: BETTER FINANCE composition based on description provided in the marketing communication document.

Lazard Horizon 2045



Source: BETTER FINANCE composition based on the KIID.

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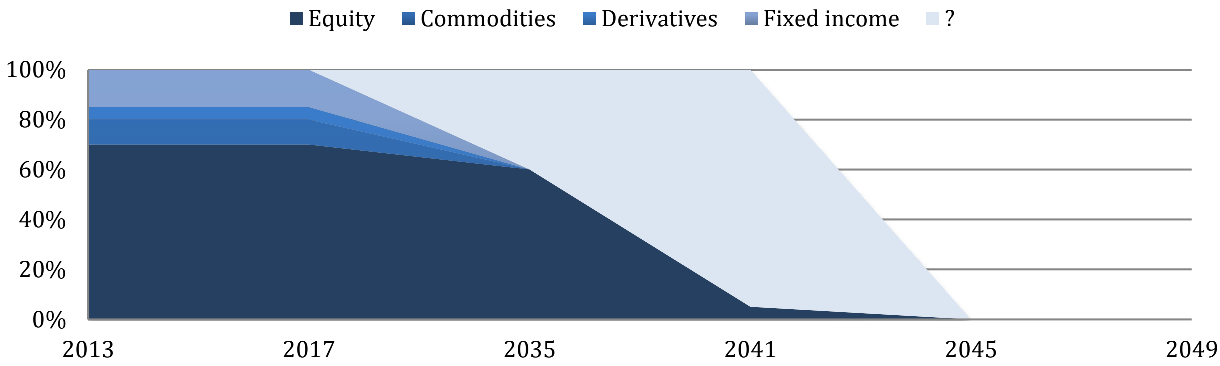
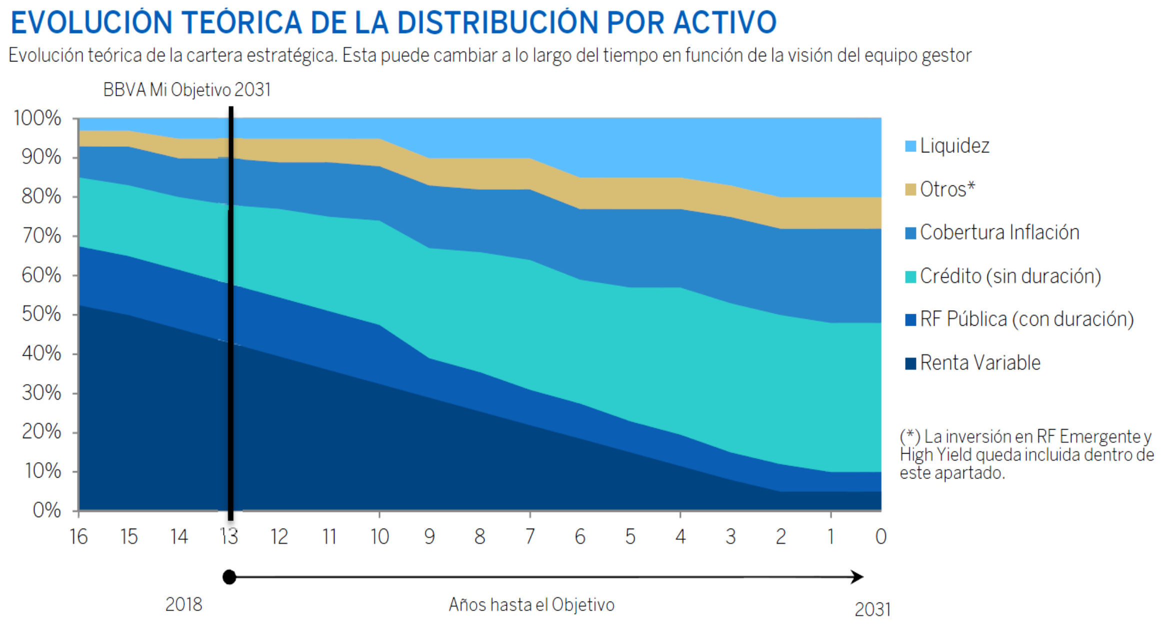
Natixis Horizon 2045-2049



Source: BETTER FINANCE composition based on the KIID.

BBVA MI OBJETIVO 2031



Source: BBVA Mi Objetivo 2031 Ficha de Seguimiento[28]

***Translation.**[29]

- Title: Theoretical evolution of distribution by assets. Theoretical evolution of the strategic portfolio. This can change over time on the basis of the vision of the management team.
- Legend (from top to bottom): Cash; Other; Inflation protected; Loans (without maturity); Sovereign fixed-income securities (with maturity); Equities.
- Horizontal axis: Years to retirement; (*) The emergent fixed-income investment and high yield remains included in this section.

[28] https://www.bbvaassetmanagement.com/am/tlwgpub/informes/ES0159158007_FI2018033101.pdf?pais=ES&perfil=1&idioma=ES.
[29] Author's translation.

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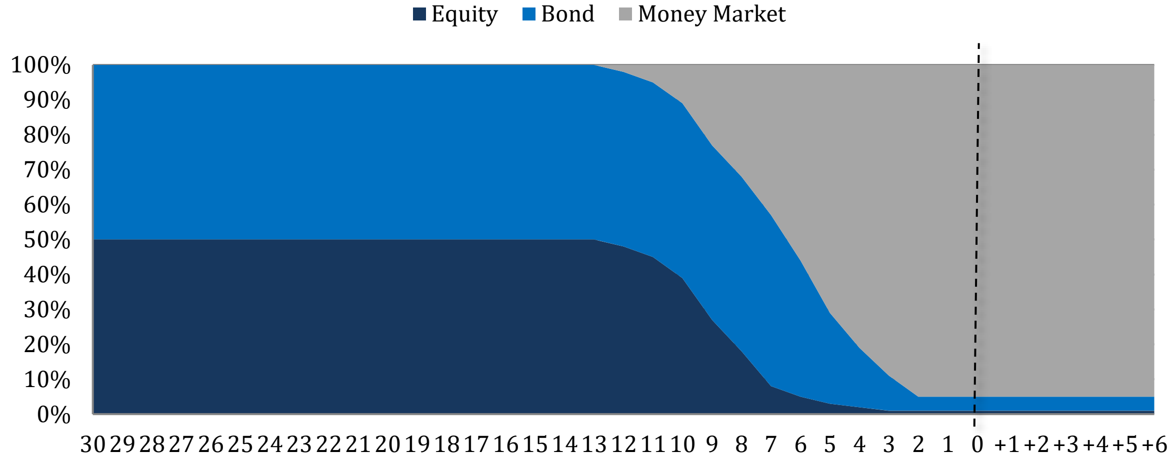
Amundi Defensive Life Cycle Strategy (individualised)



Source: Amundi Asset Management.

During our research we could not find any target date funds managed by the biggest European asset manager. We contacted Amundi Asset Management and learned that this is due to the fact that they provide personalised life cycle pension management, instead of an array of target date funds. Amundi designs such services for the defined contribution occupational pension plans for French companies (PERCO) and multinationals. The essence of the strategy used is that three de-risking glide paths are offered, with different starting and ending asset allocations. The defensive or default profile glide path is constructed so as to ensure a high probability of capital preservation. Based on the anticipated retirement date of each individual pension saver, the allocation of assets (in particular equity allocation) gradually becomes more conservative as the retirement date gets closer (out of a very wide selection, including Amundi and third-party funds). These strategies can be low cost and quite effective because:

- the funds suggested by default can be index-trackers;
- the portfolio de-risking comes at the latest stage possible in order to optimize performance while achieving a high probability of capital preservation;
- currently, Amundi does not charge any overlay management fee on top of the funds' fees; but this is a collective/ occupational offering at this stage.

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V. MAIN ASSET ALLOCATION PATHS OF BOCCONI STUDY[30]

The research study[31] commissioned by EFAMA (the European Fund and Asset Management Association) addresses the "*potential strengths and weaknesses of alternative capital protection schemes which can be adopted as a default option*" for retirement savings plans, in particular in light of the proposal for the default investment option for the Pan-European Pension Product:

- capital guarantee at retirement; and
- life cycle strategies.

The models developed in the paper use three main life cycle investment strategies:

- the first strategy (Bocconi 1) has an equal equity-bond ratio at starting date (50% equity; 25% risk-free bonds; 25% defaultable bonds); the asset allocation is frozen for the first 30 years (out of 40) of the simulation, after which it is readjusted to 50% of portfolio holdings in cash instruments, and the rest equally divided between bonds and equity;[32]
- the second strategy ('Poterba age-based scheme'[33] or Bocconi 2), starts with 25% invested in bonds and 75% in equity securities, which is gradually decreased according to the '100- saver's age' formula, meaning that at retirement the portfolio would be composed of a 40% share in cash securities, 25% in bonds (constant) and 35% equity;[34]
- the third (Bocconi 3) strategy has an initial (and for the first 30 years) 100% equity allocation, readjusting only in the last ten years to 25% cash, 25% bonds and 50% stocks.[35]

The abovementioned theoretical scenarios and the data computed by BETTER FINANCE clearly shows that the majority of the glide paths of the existing European life cycle funds are often quite different from the three Bocconi strategies, since:

- initial target allocations vary from 50% to 100% (equity);
- ending target allocations vary from 1% to 34% equity, ;
- the glide path (target asset rebalancing p.a.) ranges from 0.579% to 6%; and
- main asset classes differ, with some funds having (estimated) only bonds and equities at the retirement date.

---

30 A. Berardi, C. Tebaldi, F. Trojani, 'Consumer Protection and the Design of The Default Investment Option of a Pan-European Pension Product' (2018) SDA Bocconi School of Management, hereinafter '**the Bocconi study**'.

31 European Commission, 'Commission Proposal for a Regulation on a Pan-European Personal Pension Product' (EC Website, 29 June 2017) https://ec.europa.eu/info/publications/170629-personal-pension-products_en.

32 Berardi, Tebaldi, Trojani, 'Consumer Protection and the Design of The Default Investment Option of a Pan-European Pension Product' (n19) 11-13.

33 Ibid, 13.

34 Ibid.

35 Ibid.

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However, the Bocconi study assumes fees between 0.5% and 1%, which is cheaper than existing cases in the E.U. (as demonstrated above[36]).

In addition, the research analysis and outcomes are based on capital market returns[37] (typically equities and bonds), not on investment fund returns. Our research shows that, in reality, a lot of life cycle strategies do not invest directly in capital markets but in other investment funds (creating the fund-of-funds structure or Master-feeder structure). It is important to note that several independent studies have shown that on average long-term returns of investment funds underperform those of capital markets.[38]

VI. FINDINGS

a) Qualitative: Investor information disclosure is of much higher quality and more accessible in the U.S. than in the E.U., with retirement products being presented in an easier and more understandable manner. In the U.S., investor information disclosure was enhanced in recent years by the Securities and Exchanges Commission with regard to life cycle funds (i.e. harmonising the names of the funds, improving transparency in connection to target asset allocations and obliging portfolio managers to publish the asset allocation glide path in the statutory prospectuses), while in the E.U. the majority of funds do not provide or provide scattered / insufficient information on these retirement products.

In spite of the information from the KIIDs (generally used for UCITS) and the KIDs (for PRIIPs) – mandatory investor information documents meant to increase transparency, enhance comparability, and aid investors making 'informed investment decisions'[39] - BETTER FINANCE **could compute or estimate** the asset allocation glide paths for only 5 of the 18 selected life cycle funds (less than 30%).

What is more, the information already available requires specialised knowledge in capital markets, financial instruments and products. In this respect the SEC can be said to provide investor education and financial literacy through a dedicated portal[40], and FINRA (the Financial Industry Regulatory Authority) set up an online database **free of charge**, which provides comparison-tools, statistics and investment research resources (containing specific, complex

[36] See *supra*, page 13.
[37] We are referring to performances recorded by securities traded on over-the-counter markets or on regulated trading facilities, in opposition to fund-based returns, which are the performances of an investment fund.
[38] Including the BETTER FINANCE research on the real returns of pension savings, where the annualized rate of return in the broad European equity market was 3.09% (CR +68%) and the annualized rate of return on Euro area bonds index was 3.78% (CR net of inflation +88%), compared to the yearly average of life-insurance and pension funds from 9 E.U. Member States between -0.32% (CR -5.03%) and 2.84% (CR +60.97%), thus underperforming both wide stock and fixed-income indexes – see BETTER FINANCE, *Pension Savings: Real Returns*, 2017 ed., pp. 26, 47-49.
[39] Recital (59) UCITS V Directive (recast).
[40] Securities and Exchanges Commission, 'Information for the Individual Investor (SEC.gov, accessed 25 April 2018), available at https://www.sec.gov/page/investor-section-landing.

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and up-to-date data) for more than 30.000 investment funds registered in the U.S.,[41] as well as the statutory documentation.

b) Quantitative: Based on the four elements in focus (presented in the table below), there is little consistency between twelve (5 in the U.S.; 7 in the E.U.) life strategies analysed in this paper, in particular:

- risk approach;
- asset allocation at the inception date (US: from 74% Equity; EU: 50% Equity) and at the maturity date (U.S.: from 20% to 51% Equity; EU: from 1% to 34% Equity); or
- portfolio average readjustment rate (glide path) in the accumulation phase;
- on average, equity allocations, in particular in the starting phase, are higher in the U.S. and often continue after the target retirement date, which allows for programmed draw-downs as well as lump sum decumulation.

VII. POLICY RECOMMENDATIONS

These significant dispersions are likely to generate significant differences in long-term returns and in particular at the time of retirement, therefore potentially affecting the level of "pension adequacy".

This is further evidence to support the requests from BETTER FINANCE regarding the use of the life cycle approach for the default investment option in the PEPP proposal under the conditions that:
- the risk mitigation techniques are more consistent in order to secure a very low probability of a real net loss at the time of retirement;
- the overall management fee is capped at 1% per year.

On this basis, BETTER FINANCE strongly recommends that both capital protection and the life cycle approach be offered to the PEPP saver subscribing to the default investment option, in order to improve the long-term returns of the pension savings.

A. Allow both the capital protection and the life cycle approaches for the default investment option of the PEPP under the following conditions:

(i). Capital protection:

The proposal put forward by the European Commission states that the default investment option shall embody a risk mitigation technique[42] that would "*allow the PEPP to recoup the capital invested*"[43]. BETTER FINANCE warns this approach would lead to a "capital protection"

[41] FINRA Fund Analyzer, https://tools.finra.org/fund_analyzer/.
[42] Article 37(1) PEPP Proposal.
[43] Article 37(2) PEPP Proposal.

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scam. Such "capital protection" is highly misleading and anything but "safe" since the concept of "capital" is net of accumulated fees charged to pension savers, and is purely nominal (not real) i.e. not taking into account the erosion of the real value due to accumulated inflation. Moreover, the Solvency II requirements (MCR[44] and SCR[45]) should be recalibrated as to eliminate the penalisation of equity holdings by insurers to fund long-term and pension liabilities, and to provide decent long term returns to pension savers.

(ii). **Life cycle approach:**

The life cycle "de-risking" design of the default investment option should be standardised and under the supervision of the European Insurance and Occupational Pensions Authority (EIOPA). We refer to standardisation since the risk mitigation (or "de-risking") approaches used by financial services providers reveal significant divergences with respect to any of the three essential elements, i.e. starting allocation, glide path and ending allocation of equity/ bonds. In fact, most life-cycle strategies allow fund managers broad discretion with regard to the recalibration of assets over time.

B. Enhance and standardise information disclosure

Transparency in the objectives and investment policy: the publication of the asset allocation glide path chart and corresponding target allocation tables should be compulsory in order to achieve a comparable and understandable default investment option for PEPP savers. In addition to the latter, risk diversification is strongly needed (in particular since the majority of life-cycle funds invest in other – underlying – funds, proven to underperform the markets over the long-term).

C. Long term relative past performance disclosure

For both designs, the standalone Key Information Document (KID) for PEPP products must, beyond any doubt, oblige PEPP providers to disclose the provider's benchmark(s) and publish its (their) past performance alongside the fund's past performance for at least the last 20 years or since the PEPP has been operating. Otherwise the pension saver cannot assess the performance of the pension product manager, and cannot even know whether the pension product has delivered any value in the past or not. Like the OECD, BETTER FINANCE also

[44] Minimum Capital Requirement, Article 129(1)(c) Solvency II Directive.
[45] Solvency Capital Requirement, Articles 100 and the following. Solvency II Directive.

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strongly recommends to disclose long-term real (after inflation) performance instead of nominal performance which is very misleading as citizens are subject to the "monetary illusion".

D. Allow the life cycle approach to continue into the retirement ("decumulation") phase

BETTER FINANCE advocates for an optimised default investment option during the retirement phase. To ensure a safe and effective retirement phase for the default option, BETTER FINANCE suggests that the decumulation phase should be considered in two phases: (1) first, either fixed-term annuities or programmed draw-downs until the age of 80 to 85 (the average life expectancy); and then (2) second, a deferred life annuity subscribed to at retirement and kicking off at the age of 80 to 85 (to cover the increase of expenses).

This default "decumulation" option has many advantages:

- Unlike capital drawdowns or fixed term annuities, it fully protects the pension saver against the risks of longevity: she or he is sure to receive life time retirement income, even if she/he lives for a long time, and it will be more appropriate since financial needs have a tendency to increase (home care etc.) with age.
- It optimises the asset allocation during the decumulation phase up to the average life expectancy of EU pension savers, thus optimising returns (which are currently frequently too low or negative in real terms as shown by BETTER FINANCE research[46]), and optimising the funding of the real economy.
- It reduces the aversion to life annuities (due to the fact that they alienate savers from their life time savings): the pension saver is sure (or his/her heirs) to reclaim all the accumulated pension savings minus the premium for the deferred annuity, which should be rather modest as it is covering a much deferred and not highly probable liability.

E. Establish an overall fee cap of 1% for the default life cycle option.

BETTER FINANCE envisages the default investment option as a simple and low-cost retirement savings financial product that is effective in the long-term. It is therefore necessary to impose a fee cap at least in the beginning (like for PPPs in the UK) since it has been demonstrated by several independent studies and, foremost, by BETTER FINANCE's annual Pension Reports

[46] BETTER FINANCE, *Pension Savings: The Real Returns* (2017 edition) http://betterfinance.eu/fileadmin/user_upload/documents/Research_Reports/en/Pension_Report_2017_-_Full_Report_-_Online_Version.pdf.

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(2014,[47] 2015,[48] 2016,[49] 2017[50]) that PPPs (on aggregate) underperform the capital markets with an alarmingly high degree of recurrence. In an environment of poor gross returns, unjustified high fees eat into the returns of the investor, which in turn defeats its very purpose:

Pension products by essence must be safe, stable investments in the long-term (entailing reduced volatility and positive returns) since their purpose is to achieve at least a decent replacement income of around 70% or more[51] (coupled with state pensions) of the statutory vested period's[52] average activity income.

This policy recommendation would be best illustrated through an example:

Arnaud starts saving for his retirement at the age of 25. After 40 years, the gross returns of his investments reach 326%, withan average annual return of 3% (after taxes and inflation, before fees).

If Arnaud would have paid the average fee (as illustrated above) of 1.64% annually for his life cycle fund, he would actually benefit of 72% of the fund's performance over 40 years, instead of 81% or even 88%. These two latter returns alone would constitute 37% and 42% respectively of the 70% target monthly replacement income, which would also be supplemented by the state pension and by the occupational pension plan.

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[47] BETTER FINANCE, *Pension Savings: The Real Return* (2014 edition), http://www.oee.fr/files/betterfinance_pensions_report_2014.pdf.

[48] BETTER FINANCE, *Pension Savings: The Real Return* (2015 edition), http://betterfinance.eu/fileadmin/user_upload/documents/Research_Reports/en/Pension_Report_2015_For_Web.pdf.

[49] BETTER FINANCE, *Long Term & Pension Savings: The Real Return* (2016 edition) http://betterfinance.eu/fileadmin/user_upload/documents/Research_Reports/en/Pension_report_2016_For_Web_-_Final.pdf. .

[50] BETTER FINANCE, *Pension Savings: The Real Return* (n 42).

[51] In the E.U. there is no regulatory benchmark for the pre-retirement income replacement rate for pensions. However, several studies indicate a level of 80% or higher in order to ensure an adequate life style after retirement – see UK Department for Work & Pensions, 'Framework for the Analysis of Future Pension Incomes' (September 2013); Daniel Redwood, Leandro N. Carrera, John Armstrong, Teemu Pennanen, 'What Level of Pension Contribution is Needed to Obtain an Adequate Retirement Income?' (November 2013) Pensions Policy Institute; Dariusz Stanko, 'The Concept of Target Retirement Income: Supervisory Challenges' (December 2015) International Organisation of Pension Supervisors Working Papers on Effective Pensions Supervision, No. 25; United States Government Accountability Office, 'Retirement Security: Better Information on Income Replacement Rates Needed to Help Workers Plan for Retirement' (March 2016) GAO-16-242.

[52] By "statutory vested period" we understand the full number of years and months a person must work and contribute to the pension system in order to be entitled to the full amount of the state pension. Additional conditions may vary on a country-case basis.

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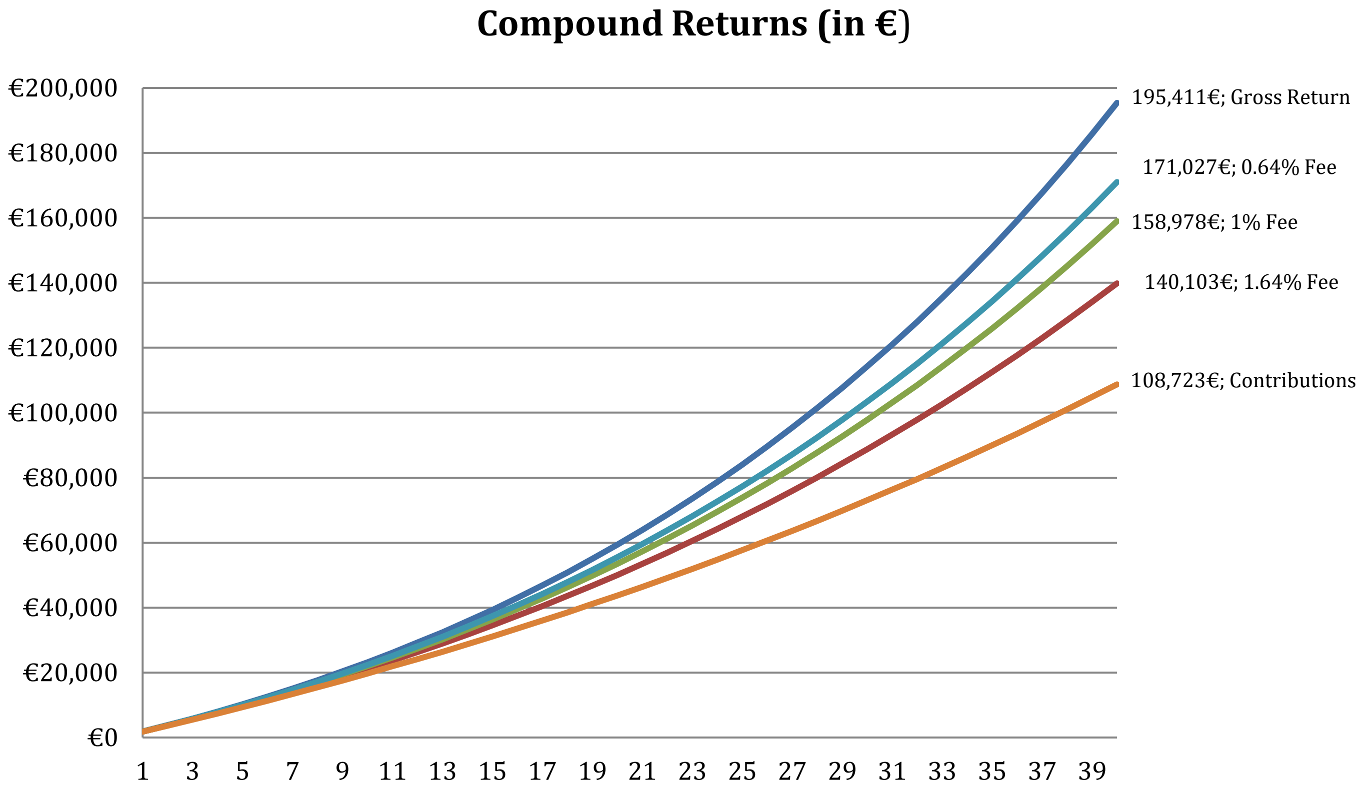

In simpler terms, Arnaud could lose up to 129€ (18%) per month of his pension over 20 years.

Methodology:

This example assumes that Arnaud starts earning the average monthly net income in the EU of approximately 1,500€.[53] Furthermore, the example is based on the Bocconi study's assumptions[54] that Arnaud's salary will increase by 2% per year and that he will contribute 10% of his income to a life cycle fund each month. In this scenario, Arnaud will have contributed 150€ in his first month, and 325€ in the last one, bringing his total accumulated contributions over 40 years to a total of 108,724€.

In addition, we assume that the life cycle fund that Arnaud contributes to will have an annualised rate of return over 40 years of 3%. Thus, Arnaud's investments will reach 195,411€ (gross returns). Therefore, net of fund charges:

[53] Based on Eurostat data, in 2016 the mean annual equivalised net income – single person - in the E.U. (current composition) was 17 864€, which results in 1 488€ per month - Mean and median income by household type - EU-SILC survey [ilc_di04] http://appsso.eurostat.ec.europa.eu/nui/show.do?dataset=ilc_di04&lang=en.
[54] see A. Berardi, C. Tebaldi, F. Trojani, 'Consumer Protection and the Design of The Default Investment Option of a Pan-European Pension Product' (2018) SDA Bocconi School of Management.

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- with a fee of 1.64%, Arnaud's savings would accumulate to 140,103€; divided by 20 years (Arnaud's mean life expectancy after retirement), he would benefit of 584€ per month from his voluntary pension product;
- with a fee of 1%, Arnaud's savings would accumulate to 158,979€; divided by 20 years, he would benefit of 662€ per month from his voluntary pension product;
- with a fee of 0.64%, Arnaud's savings would accumulate to 171,027€; divided by 20 years, he would benefit of 713€ per month from his voluntary pension product.

Considering that Arnaud's mean monthly income during his vested period was 2,265€ (annual: 27,180€), his target monthly pension income would be 1,586€ (70% of his mean monthly income). Thus:

- with a fee of 1.64%, Arnaud's voluntary pension contribution would constitute 37% of his target monthly pension income over 20 years;
- with a fee of 1%, Arnaud's voluntary pension contribution would constitute 42% of his target monthly pension income over 20 years (loses 80€);
- with a fee of 0.64%, Arnaud's voluntary pension contribution would constitute 45% of his target monthly pension income over 20 years (loses 130€).

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ANNEXES

ANNEX I

FUNDS IN SCOPE: This research identifies the differences between the portfolio composition and path (and, inherently, risk profiles) of life cycle financial products actually sold to investors both in the U.S. and the E.U. (DE, FR, IE, LU, UK and NL).

The quantitative results (de-risking techniques) are based on data gathered from 5 U.S.-registered life cycle (target-retirement) funds and 7 life cycle funds domiciled in the E.U.:

- Thrift Savings Plan L 2050 Retirement (U.S.);
- Vanguard Target Retirement 2050 Fund (U.S.);
- JPMorgan Smart Retirement 2050 Fund (U.S.);
- PIMCO RealPath 2050 Fund (U.S.);
- BlackRock LifePath 2050 Target Fund (U.S.);
- Standard Life Investments MyFolio Managed III (E.U. - UK);
- Allianz Beleggen Neutraal Pensioenfonds (E.U. – NL);
- Lazard Horizon 2045 (E.U.-FR);
- Natixis Horizon 2045-2049 (E.U.-FR);
- KBC-Life Cycle 2040 (E.U.-BE);
- Amundi Defensive Life Cycle Strategy (E.U.-FR);
- BBVA Mi Objetivo 2031 (E.U.-ES).

The rest of the funds, not included in the presentation, were used for the average ongoing charges computations:

- (LF) Fund of Funds Eurobank Class;
- ABN AMRO Pension Life Cycle Fund 2040;
- ADCB Target 2035;
- Allianz Multi Horizon 2041;
- Aviva Perspective 2040;
- Fidelity International Target 2045;
- Robeco Life Cycle Fund 2045;
- Santander My Proyecto 2040.

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ANNEX II

US REGISTERED LIFE-CYCLE FUNDS'S ASSET ALLOCATION							
Fund name	**Fees**	**Asset Class**		**Inception date**	**30Y**	**5Y**	**0Y**
THRIFT SAVINGS PLAN L 2050 LIFE-CYCLE FUND	0.18%	EQUITY	DOMESTIC STOCKS	63%	56%	35.52%	14%
			INERTNATIONAL STOCKS	27%	24%	15.23%	6%
		Total Equity		90%	80%	50.75%	20%
		BONDS		6.67%	8.95%	7.05%	6%
		SHORT-TERM U.S. TREASURY SECURITIES		3.33%	11.05%	42.2%	74%
		OTHER		0	0	0	0
VANGUARD TARGET RETIREMENT 2050 FUND	0.15%	EQUITY	DOMESTIC STOCKS	54%	54%	35.4%	30.6%
			INERTNATIONAL STOCKS	36%	36%	23.6%	20.4%
		Total Equity		90%	90%	59%	51%
		BONDS		10%	10%	40.2%	41.8%
		SHORT-TERM TIPS		0	0	0.8%	7.2%
		OTHER		0	0	0	0

ANNEX II

PIMCO REALPATH 2050 FUND	1.19%	EQUITY		74%	73%	43%	36%
		BONDS		16%	17%	53%	60%
		MONEY MARKET / CASH		0	0	0	0
		COMMODITIES AND REAL ESTATE		10%	10%	5%	4%
JPMORGAN SMARTRETIREMENT 2050 FUND	0.5% to 1.25%	EQUITY	DOMESTIC STOCKS	56.3%	56.3%	34.3%	23.5%
			INERTNATIONAL STOCKS	29.7%	29.7%	17.7%	12.5%
		Total Equity		86%	86%	52%	36%
		BONDS		14%	14%	47.5%	52.5%
		MONEY MARKET / CASH		0	0	0	10%
		Commodities		0	0	0.5%	1.5%
BLACKROCK LIFEPATH 2050 INDEX FUND	0.42%	EQUITY		99%	95%	50%	40%
		BONDS		1%	5%	50%	60%
		MONEY MARKET / CASH		0	0	0	0
		OTHER		0	0	0	0

ANNEX II

EU REGISTERED LIFE-CYCLE UCITS ASSET ALLOCATION					
FUND NAME (and domicile)	**Fees**	**Asset Class**	**30y or Inception**	**5Y**	**0Y**
SLI MYFOLIO MANAGED III (UK)	3.87%	EQUITY	63%	54%	34%
		BONDS	28%	38%	35%
		MONEY MARKET / CASH	1.5%	1.3%	0.9%
		OTHER	8.2%	7.1%	30%
ALLIANZ BELEGGER NEUTRAAL PENSIOENFONDS (NL)	NF	EQUITY	62%	29%	20%
		BONDS	38%	71%	81%
		MONEY MARKET / CASH	0	0	0
		OTHER	0	0	0
ALLIANZ HORIZON 2041 (FR)	2.39%	EQUITY	90%	90%	90%
		BONDS	0	0	0
		MONEY MARKET / CASH	10%	10%	10%

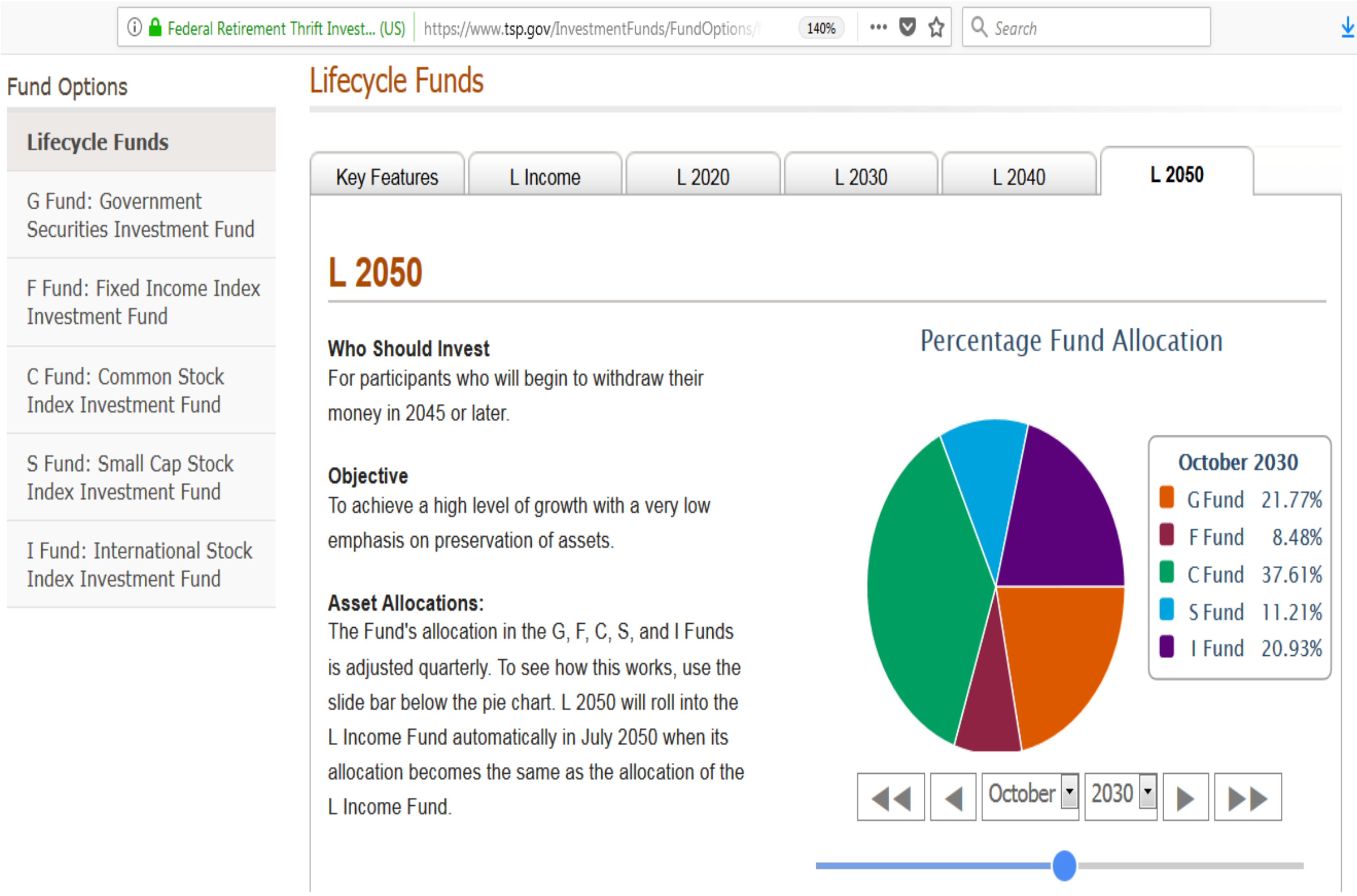
ANNEX II

LAZARD HORIZON 2045-2049 (FR)	1.97%	EQUITY	0 – 100%	?	?
		BONDS	0	=> 47%	> 87%
		MONEY MARKET / CASH	0	3	3
		Interest Rates	0	?	?
KBC-LIFE CYCLE 2040 (BE)	2.028%	EQUITY	75%	31%	25%
		BONDS	25%	69%	75%
		MONEY MARKET / CASH	0	0	0
		OTHER	0	0	0
NATIXIS HORIZON 2045-2049 (FR)	0.76%	EQUITY	>70%	?	?
		BONDS	0	0	0
		MONEY MARKET / CASH	=< 10%	?	?
		OTHER	< 20%	?	?
AMUNDI DEFENSIVE LIFE CYCLE STRATEGY	N/A	EQUITY	50%	3%	1%
		BONDS	50%	26%	4%
		MONEY MARKET	0	71%	95%

ANNEX III

Example of glide path disclosure in US domiciled life cycle funds

Example 1: Thrift Savings Plan L 2050 Lifecycle Fund[55]



[55] Source: https://www.tsp.gov/InvestmentFunds/FundOptions/fundPerformance_L2050.html.

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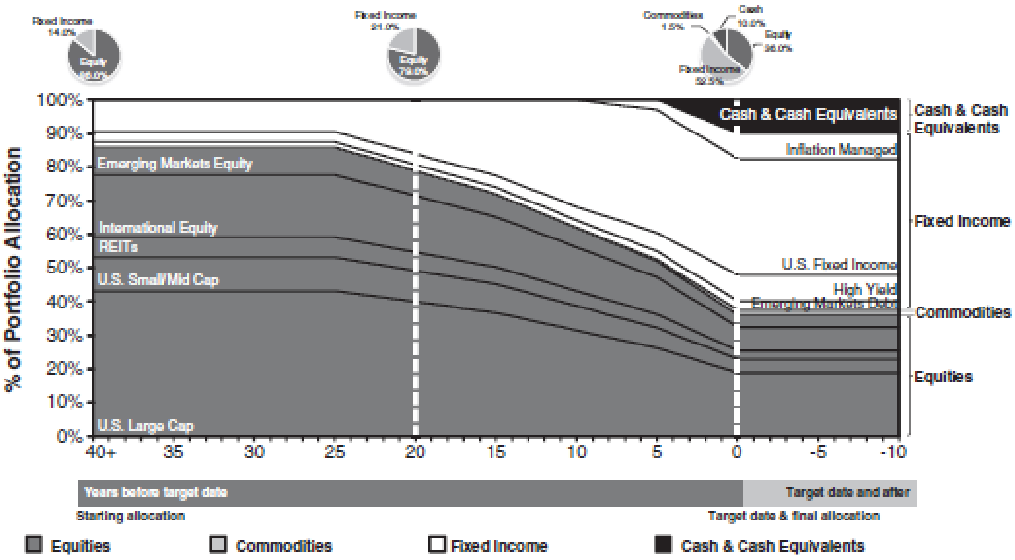
ANNEX III

Example 2: JPM SmartRetirement 2050 Fund Prospectus (page 57).

What are the Fund's main investment strategies?

The JPMorgan SmartRetirement® 2050 Fund is a "fund of funds" that invests in other J.P. Morgan Funds (underlying funds), and is generally intended for investors expecting to retire around the year 2050 (target retirement date). The Fund is designed to provide exposure to a variety of asset classes through investments in underlying funds, and over time the Fund's asset allocation strategy will change. The "glide path" depicted in the chart below shows how the Fund's strategic target allocations among asset and sub-asset classes generally become more conservative as the target retirement date approaches (i.e., more emphasis on fixed income and less on equity). The table accompanying the chart is simply the glide path in tabular form.



Strategic Target Allocations[1]

Years to Target Date	40+	35	30	25	20	15	10	5	0	-5	-10
Equity	**86.0%**	**86.0%**	**86.0%**	**86.0%**	**79.0%**	**72.0%**	**62.0%**	**52.0%**	**36.0%**	**36.0%**	**36.0%**
U.S. Large Cap Equity Funds	41.5%	41.5%	41.5%	41.5%	38.2%	34.9%	30.2%	25.4%	17.5%	17.5%	17.5%
U.S. Small/Mid Cap Equity Funds	9.5%	9.5%	9.5%	9.5%	8.8%	8.1%	6.9%	5.6%	3.8%	3.8%	3.8%
REIT Funds	5.3%	5.3%	5.3%	5.3%	4.8%	4.3%	3.8%	3.3%	2.3%	2.3%	2.3%
International Equity Funds	21.5%	21.5%	21.5%	21.5%	19.8%	18.0%	15.5%	13.0%	9.0%	9.0%	9.0%
Emerging Markets Equity Funds	8.3%	8.3%	8.3%	8.3%	7.5%	6.8%	5.8%	4.8%	3.5%	3.5%	3.5%
Commodities	**0.0%**	**0.0%**	**0.0%**	**0.0%**	**0.0%**	**0.0%**	**0.0%**	**0.5%**	**1.5%**	**1.5%**	**1.5%**
Commodities Funds	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.5%	1.5%	1.5%	1.5%
Fixed Income	**14.0%**	**14.0%**	**14.0%**	**14.0%**	**21.0%**	**28.0%**	**38.0%**	**47.5%**	**52.5%**	**52.5%**	**52.5%**
U.S. Fixed Income Funds	9.5%	9.5%	9.5%	9.5%	16.0%	22.5%	31.8%	36.5%	34.5%	34.5%	34.5%
Inflation Managed Funds	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	3.0%	7.5%	7.5%	7.5%
High Yield Funds	3.0%	3.0%	3.0%	3.0%	3.3%	3.5%	4.0%	5.5%	7.8%	7.8%	7.8%
Emerging Markets Debt Funds	1.5%	1.5%	1.5%	1.5%	1.8%	2.0%	2.3%	2.5%	2.8%	2.8%	2.8%
Money Market Funds/Cash and Cash Equivalents	**0.0%**	**0.0%**	**0.0%**	**0.0%**	**0.0%**	**0.0%**	**0.0%**	**0.0%**	**10.0%**	**10.0%**	**10.0%**
Money Market Funds/Cash and Cash Equivalents	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	10.0%	10.0%	10.0%

Note: Above allocations may not sum up to 100% due to rounding.

1 As of 11/1/17, the Fund utilizes underlying funds and, to a lesser extent, direct investments in exchange-traded funds to implement its strategic target allocations although the Fund also has flexibility to utilize other direct investments in securities and derivatives to implement its strategic target allocations in the future.

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Informations clés pour l'investisseur

Ce document fournit des informations essentielles aux investisseurs de ce fonds. Il ne s'agit pas d'un document promotionnel. Les informations qu'il contient vous sont fournies conformément à une obligation légale, afin de vous aider à comprendre en quoi consiste un investissement dans ce fonds et quels risques y sont associés. Il vous est conseillé de le lire pour décider en connaissance de cause d'investir ou non.

Robeco Life Cycle Fund 2045 F EUR (LU0966309642)

Compartiment de fonds de Robeco All Strategies Funds, SICAV

Société de gestion: Robeco Luxembourg S.A.

Objectifs et politique d'investissement

Fonds mixte géré de manière active avec un profil de risque progressivement décroissant.

Le gérant du fonds mène une politique de change active. L'allocation en devises du fonds peut varier de celle de l'indice de référence en raison de l'utilisation de contrats à terme sur les devises.

Le fonds n'est soumis à aucune contrainte relative à un indice de référence.

La catégorie de part ne distribue pas de dividendes.

Vous pouvez acheter ou vendre des parts du fonds à n'importe quelle date d'évaluation. Ce fonds pourrait ne pas convenir aux investisseurs qui prévoient de retirer leur apport dans 5 ans.

Profil de risque et de rendement

Risque plus faible - Rendement potentiellement plus faible

Risque plus élevé - Rendement potentiellement plus élevé

1	2	3	4	**5**	6	7

Les données historiques, telles qu'utilisées pour le calcul de l'indicateur synthétique, ne sont pas une indication fiable du futur profil de risque. Il n'est pas garanti que la catégorie risque et bénéfice indiquée reste inchangée. Elle peut varier au fil du temps. La catégorie la plus basse ne signifie pas un placement sans risque.

Les fonds cycle de vie passent des actions aux obligations à l'approche de la date d'échéance, réduisant ainsi la volatilité au fil du temps. En fonction de l'échéance du fonds, la volatilité peut être plus ou moins élevée, mais la volatilité prévue sera toujours inférieure à la volatilité actuelle.

Les données suivantes sont jugées importantes pour ce fonds, et ne sont pas reflétées (adéquatement) par l'indicateur :

1. Le produit investit dans des titres de créance. Les émetteurs de titres de créance peuvent faillir à leurs obligations.
2. L'exposition de placement du produit est obtenue en grande partie par le biais de dérivés. Une contrepartie dérivée du produit peut ne pas respecter ses engagements. Le risque est partiellement atténué par l'utilisation de garanties.
3. Le produit investira dans des instruments dérivés. Ces instruments peuvent présenter un effet de levier qui augmentera la sensibilité du produit aux fluctuations de marché. Le risque est limité dans les conditions de gestion intégrale du risque du produit.

Pour un aperçu complet des risques relatifs à ce fonds, consultez le chapitre profil de risque qui figure dans le prospectus.

Frais

Les charges sont utilisées pour payer les frais de gestion du fonds, dont les frais de marketing et de distribution. Les charges réduisent la croissance potentielle de l'investissement.

Frais ponctuels prélevés avant ou après investissement	
Frais d'entrée	2,00%
Frais d'abonnement	None
Frais d'échange	1,00%
Frais de sortie	None
Il s'agit du maximum qui peut être retiré de votre argent avant d'être investi.	
Frais prélevés sur le fonds sur une année	
Frais courants	0,65%
Frais prélevés par le fonds dans certaines circonstances	
Commission de performance	None

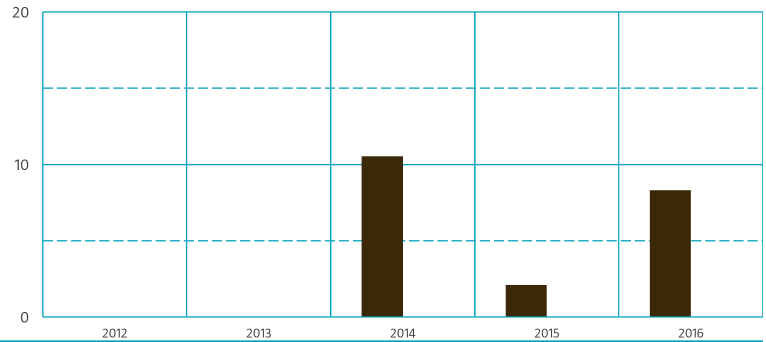
Les frais d'entrée et de sortie indiqués représentent les montants maximums pouvant être facturés. Contactez votre conseiller financier ou distributeur pour le montant réel des frais d'entrée ou de sortie.

Le montant des frais courants est basé sur les charges du dernier exercice clôturé le 2016-12-31. Ce chiffre peut varier d'une année à l'autre et n'inclut pas de commissions de performance ni de frais de transaction, sauf dans le cas de frais d'entrée/sortie payés par le fonds au moment de l'achat ou de la vente de parts dans un autre organisme de placement collectif. Pour les fonds lancés en cours de l'année civile, ce taux est estimé.

Pour plus d'information sur les méthodes de calcul des frais et de la commission de performance, veuillez vous référer à la rubrique Frais et charges du prospectus, disponible sur le site internet www.robeco.com

Performances passées

Calendar ans



	2012	2013	2014	2015	2016
Fonds	-	-	10,5%	2,1%	8,3%
Indice	-	-	11,0%	2,0%	8,2%

Devise: EUR
Date de première cotation: 2013-11-22
Les performances passées ne préjugent pas nécessairement des résultats futurs. Les frais courants sont inclus dans le calcul de la performance passée ; les frais d'entrée et d'échange sont exclus.

Informations pratiques

- Le dépositaire de la SICAV est RBC Investor Service Bank S.A.
- Ce document d'informations clés pour l'investisseur porte sur un sous-fonds de la SICAV. Le prospectus et les rapports périodiques concernent toute la SICAV.
- Le prospectus en anglais et le rapport annuel ou semestriel, ainsi que les informations concernant la politique de rémunération de la société de gestion peuvent être obtenus gratuitement sur www.robeco.com/luxembourg. Ce site Internet publie également les derniers cours et d'autres informations.
- Les actifs et les passifs de chaque sous-fonds sont juridiquement séparés. Les actions d'un sous-fonds peuvent être échangées contre un autre sous-fonds de la SICAV, tel que décrit plus en détail dans le prospectus. La SICAV peut proposer d'autres Parts du sous-fonds. Des informations sur ces Parts figurent à l'Annexe I du prospectus.
- La législation fiscale de l'État membre d'origine de la SICAV peut avoir un impact sur la situation fiscale personnelle de l'investisseur.
- Robeco Luxembourg S.A. peut être tenue responsable uniquement sur la base de toute déclaration contenue dans le présent document et qui soit trompeuse, inexacte ou en contradiction avec les rubriques concernées du prospectus de la SICAV.

Ce fonds est agréé au Luxembourg et réglementé par la CSSF.Robeco Luxembourg S.A.est agréée au Luxembourg et réglementée par la CSSF.

ANNEX IV
Example 2

Ostrum
ASSET MANAGEMENT

Informations clés pour l'investisseur

Ce document fournit des informations essentielles aux investisseurs de ce compartiment. Il ne s'agit pas d'un document promotionnel. Les informations qu'il contient vous sont fournies conformément à une obligation légale, afin de vous aider à comprendre en quoi consiste un investissement dans ce compartiment et quels risques y sont associés. Il vous est conseillé de le lire pour décider en connaissance de cause d'investir ou non.

NATIXIS HORIZON 2045-2049

Compartiment de l'OPCVM NATIXIS HORIZON

Code ISIN : FR0011461284 Part F (C)

Société de gestion : Ostrum Asset Management (Groupe BPCE)

OBJECTIFS ET POLITIQUE D'INVESTISSEMENT

- NATIXIS HORIZON 2045-2049 est un compartiment du Fonds NATIXIS HORIZON. L'objectif de gestion du compartiment est de surperformer les marchés internationaux d'actions et de taux, y compris les pays émergents, tout en tenant compte de l'horizon de placement recommandé correspondant à la fin de l'année 2045.
- La politique d'investissement de ce compartiment est discrétionnaire et repose sur l'appréciation par le gérant de l'évolution des marchés et sur l'horizon de placement recommandé restant. A mesure que cet horizon se rapproche, le gérant réduit progressivement l'exposition aux actions et augmente l'exposition aux produits de taux. En outre, le gérant détermine l'allocation entre les différentes classes d'actifs en fonction d'analyses économiques générales, des opportunités géographiques, tout en offrant une diversification tant sectorielle que thématique.
- Depuis la création du compartiment en 2013 et jusqu'à la fin de l'année 2027, l'actif sera exposé entre 70% et 100% en actions des pays membres de l'OCDE ou des pays émergents, de tout secteur, de grandes, moyennes et/ou petites capitalisations, et entre 0% et 30% en produits de taux des pays membres de l'OCDE ou des pays émergents. La société de gestion s'appuie, pour l'évaluation du risque de crédit, sur ses équipes et sa propre méthodologie. En plus de cette évaluation, les obligations du portefeuille répondent à une contrainte de rating (notation) de catégorie spéculative (high yield) (notées minimum BBB- par S&P et Fitch Ratings ou Baa3 par Moody's). Le gérant peut investir 5% en titres spéculatifs et s'exposer à hauteur de 10% sur des matières premières via des OPCVM/FIA. A compter de la fin de l'année 2027, le gérant diminuera progressivement la détention d'actions au bénéfice des produits de taux avec pour objectif de ne détenir qu'un maximum de 60% d'actions à la fin de l'année 2035. Passée cette échéance, la diminution de la proportion d'actions se poursuivra avec pour objectif de détenir au maximum 5% d'actions à la fin de l'année 2041. Ce type de gestion dit ''à horizon'' ne rend pas pertinente la définition d'un indicateur de référence constant dans le temps. Au 15 janvier 2016, il est possible de comparer a posteriori l'évolution du compartiment avec l'indice composite suivant : 41,5% MSCI Europe + 4% MSCI EMU Small Cap + 4% CAC PME + 40,5% MSCI AC World ex Europe + 8,0% Bloomberg Barclays Euro Aggregate 500 MM + 1,0% JPM GBI Global hedgé en euro + 1,0% JPM EMBI Global Diversified hedgé en euro, dividendes nets réinvestis. La sensibilité du compartiment (indication de la variation de la valeur des obligations détenues par le compartiment lorsque les taux d'intérêt varient de 1%) est comprise entre 0 et 7. Le compartiment peutêtre investi jusqu'à 100% en parts ou actions d'autres OPCVM/FIA..
- Le compartiment pourra recourir aux instruments dérivés afin notamment de couvrir et/ou d'exposer le portefeuille aux risques actions, taux et change.
- Le compartiment capitalise ses revenus.
- Les demandes de rachat de parts sont reçues tous les jours au plus tard à 11h00 et exécutées quotidiennement.

PROFIL DE RISQUE ET DE RENDEMENT

A risque plus faible — A risque plus élevé

Rendement potentiellement plus faible — Rendement potentiellement plus élevé

1	2	3	4	**5**	6	7

L'indicateur de risque reflète l'exposition diversifiée et internationale du compartiment avec une prédominance des marchés actions par rapport aux marchés de taux.

- Les données historiques, utilisées pour calculer le niveau de risque, pourraient ne pas constituer une indication fiable du profil de risque futur de ce compartiment.
- La catégorie la plus faible ne signifie pas "sans risque".
- La catégorie de risque associée à ce compartiment n'est pas garantie et pourra évoluer dans le temps.

Les risques importants pour le compartiment non pris en compte dans l'indicateur :

- **Risque de crédit :** le risque de crédit résulte du risque de détérioration de la qualité d'un émetteur et/ou d'une émission, ce qui peut entraîner une baisse de la valeur du titre. Il peut aussi résulter d'un défaut de remboursement à l'échéance d'un émetteur présent en portefeuille.
- **Risque de liquidité :** le risque de liquidité représente la baisse de prix que le compartiment devrait potentiellement accepter pour devoir vendre certains actifs pour lesquels il existe une demande insuffisante sur le marché.
- **Risque de contrepartie :** le risque de contrepartie représente le risque qu'une contrepartie avec laquelle le compartiment a conclu des contrats gré à gré ne soit pas en mesure de faire face à ses obligations envers le compartiment.

FRAIS

Les frais et commissions acquittés servent à couvrir les coûts d'exploitation du compartiment y compris les coûts de commercialisation et de distribution de parts, ces frais réduisent la croissance potentielle des investissements.

Frais ponctuels prélevés avant ou après investissement	
Frais d'entrée	4,00%
Frais de sortie	Néant
Le pourcentage indiqué est le maximum pouvant être prélevé sur votre capital avant que celui-ci ne soit investi. Dans certains cas, l'investisseur peut payer moins. L'investisseur peut obtenir de son conseil ou de son distributeur le montant effectif des frais d'entrée et de sortie.	
Frais prélevés par le compartiment sur le dernier exercice	
Frais courants	0,76%
Frais prélevés par le compartiment sous conditions de performances	
Commission de surperformance	Néant

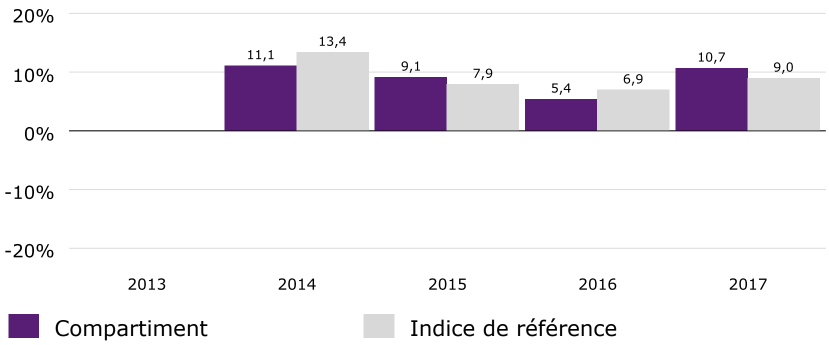
Les frais courants sont fondés sur les chiffres de l'exercice précédent clos en décembre 2017. Ce chiffre peut varier d'un exercice à l'autre.

Les frais courants ne comprennent pas :

- les commissions de surperformance.
- les frais d'intermédiation excepté dans le cas des frais d'entrée et/ou de sortie payés par le compartiment lorsqu'il achète ou vend des parts d'un autre véhicule de gestion collective.

Pour plus d'information sur les frais, il est conseillé à l'investisseur de se reporter à la rubrique "frais" du prospectus de ce compartiment, disponible sur le site internet www.ostrum.com.

PERFORMANCES PASSEES



- Le diagramme des performances affiché ne constitue pas une indication fiable des performances futures.
- Les performances annuelles sont calculées après déduction des frais prélevés par le compartiment.
- **Année de création du compartiment :** 2013.
- **Année de création de la part F (C) :** 2013.
- **Devise :** Euro.

INFORMATIONS PRATIQUES

- Dépositaire : CACEIS Bank.
- Le prospectus, les rapports annuels et les derniers documents périodiques, ainsi que toutes autres informations pratiques du compartiment sont disponibles auprès de la société de gestion sur simple demande écrite à :
  OSTRUM ASSET MANAGEMENT – 43 avenue Pierre Mendès France - 75648 Paris Cedex 13 ou à l'adresse électronique suivante : ClientServicingAM@natixis.com.
- Les informations relatives aux autres catégories de parts sont disponibles selon les mêmes modalités.
- Les détails de la politique de rémunération sont disponibles sur www.ostrum.com.
- Fiscalité: Selon votre régime fiscal, les plus-values et/ou revenus éventuels liés à la détention de parts peuvent être soumis à taxation. Il est conseillé à l'investisseur de se renseigner à ce sujet auprès de son conseil ou de son distributeur.
- La valeur liquidative est disponible auprès de la société de gestion à l'adresse postale mentionnée ci-dessus et sur son site internet www.ostrum.com.
- La responsabilité de Ostrum Asset Management ne peut être engagée que sur la base de déclarations contenues dans le présent document qui seraient trompeuses, inexactes ou non cohérentes avec les parties correspondantes du prospectus de ce compartiment.

Ce compartiment est agréé en France et réglementé par l'Autorité des Marchés Financiers (AMF).
Ostrum Asset Management est agréée en France et réglementée par l'Autorité des Marchés Financiers (AMF).
Les informations clés pour l'investisseur ici fournies sont exactes et à jour au 03 avril 2018.

European Commission

BETTER FINANCE activities are partly funded by the European Commission. There is no implied endorsement by the EU or the European Commission of work carried out by BETTER FINANCE which remains the sole responsibility of BETTER FINANCE.