

LifeGoals.

FINANCIAL SERVICES

PAN EUROPEAN PENSION PRODUCT Investment Policy



Table of Contents

<i>Introduction</i>	2
<i>PEPP Variations (Basic & Alternative PEPPs)</i>	3
Phases of the Investment Life Cycle & Fund Allocations	3
<i>How the strategy is determined</i>	5
Stochastic Model	6
<i>Monitoring</i>	7
<i>Underlying portfolios</i>	7

Introduction

The LifeGoals Pan-European Pension Product (PEPP) is a long-term retirement savings solution designed to offer individuals a flexible and personalized investment approach. It dynamically adjusts investment risk based on each saver's time to retirement, ensuring an optimal balance between growth potential and risk mitigation. The PEPP structure is built around a life-cycle investment strategy, which shifts from higher-risk investments to more conservative assets as retirement approaches.

At its core, the PEPP is designed to provide broad diversification and efficient market exposure by investing in a globally oriented, multi-asset portfolio. Investments are made through high-quality, highly liquid Exchange Traded Funds (ETFs), which ensure cost efficiency, transparency, and diversification across different asset classes.

PEPP Variations (Basic & Alternative PEPPs)

The PEPP are structured into three variations, each offering a different risk-return profile and de-risking process:

Basic PEPP: the most conservative of the three.

Growth PEPP: carries more risk but is less aggressive than the Aggressive PEPP.

Aggressive PEPP: has the highest risk exposure.

Each PEPP variation follows a **phased de-risking process**, beginning **10 years before retirement**, with transitions occurring at different intervals depending on the product's targeted risk level and stochastic modeling.

Phases of the Investment Life Cycle & Fund Allocations

1. High-Risk Phase (More than 10 years to retirement)

PEPP investments are primarily allocated to equity-focused portfolios with higher growth potential.

Each PEPP starts investing as follows:

- **Basic PEPP:** Growth ESG Portfolio
- **Growth PEPP:** Aggressive ESG Portfolio
- **Aggressive PEPP:** Equity ESG Portfolio

2. Transition Phase (10 years before retirement)

A gradual shift to less volatile portfolios begins, with each PEPP transitioning at different stages:

Basic PEPP De-Risking Schedule

- 10 years before retirement → Moves to Dynamic ESG Portfolio.

Growth PEPP De-Risking Schedule

- 10 years before retirement → Moves to Growth ESG Portfolio.
- 6 years before retirement → Moves to Dynamic ESG Portfolio.

Aggressive PEPP De-Risking Schedule

- 10 years before retirement → Moves to Aggressive ESG Portfolio.
- 6 years before retirement → Moves to Growth ESG Portfolio.
- 3 years before retirement → Moves to Dynamic ESG Portfolio.

3. Preservation Phase (Final shift to capital-preserving investments)

The saver's portfolio moves into lower-risk assets, reducing exposure to equities:

Basic PEPP Preservation Phase

- 5 years before retirement → Moves to Balanced ESG Portfolio (Preservation phase begins).
- 2 years before retirement → Further derisking as it moves to Conservative ESG Portfolio.

Growth PEPP Preservation Phase

- 3 years before retirement → Moves to Balanced ESG Portfolio (Preservation phase begins).
- 1 year before retirement → Further derisking as it moves to Conservative ESG Portfolio.

Aggressive PEPP Preservation Phase

- 1 year before retirement → Moves to Balanced ESG Portfolio (Preservation phase begins).

This structured transition ensures that risk is reduced as retirement approaches, with each PEPP adapting based on its predefined investment strategy.

How the strategy is determined

The PEPP's investment strategy is grounded in a **stochastic modeling framework** that aims to optimize long-term retirement outcomes while managing risk. The goal of this model is to balance the potential for inflation-beating returns with the need for risk mitigation, tailored to each PEPP's risk profile.

Key objectives of the stochastic model include:

Achieving inflation-adjusted returns: The model aims for a probability of at least **80%** of outperforming the annual rate of inflation over a 40-year accumulation phase, ensuring that savers' investments grow in real terms throughout the saving period.

Minimizing risk during accumulation and decumulation phases: The model is designed to **limit potential shortfalls** by ensuring that the projected loss at the end of the accumulation phase does not exceed **20%** in stressed scenarios (i.e., at the fifth percentile of the distribution). This helps reduce the risk of underperformance during unfavorable market conditions.

Capital protection in the decumulation phase: For the Basic PEPP, the model ensures a **92.5% probability** of recouping the capital invested at the start of the decumulation phase and throughout it. If the remaining accumulation phase is 10 years or fewer, the model may target a lower **80% probability** of capital recovery.

Dynamic de-risking: The stochastic model drives the gradual shift from higher-risk to lower-risk portfolios as the saver nears retirement, ensuring that the risk profile aligns with the time horizon and evolving market conditions.

The next section outlines the specific conditions and parameters used to guide the model.

Stochastic Model

The stochastic model allows to reproduce different possible outcomes from saving for retirement under different investment strategies and therewith, to assess the risk profile and the potential performance of investment strategies. It simulates different realisations of the financial world and generates, for each of them, the accumulated assets at the end of the accumulation phase, the end lump sum. The resulting distribution of lump sums allows the calculation of indicators to assess the investment strategy's risk profile and potential performance considering the whole accumulation phase.

The approach used here consists in reproducing the range of possible lump sums that PEPP savers could receive at retirement under different investment strategies. The model assumes an individual joining a PEPP at age 25, 35, 45 and 55 and contributing into it each month €100 until retirement at age 65. Contributions are invested into a portfolio according to the different investment strategies examined. An annual fee limited to 1% of accumulated assets is charged.

The stochastic model derives uncertainty about financial markets risks by generating 10,000 Monte Carlo simulations. Each simulation represents one possible realisation of the during the accumulation phase for the investment strategy returns, spot rates and inflation rates.

The scenarios simulated are based on several assumptions on inflation rate, interest rates, equity premiums, and equity returns, in line with EIOPA's technical standards.

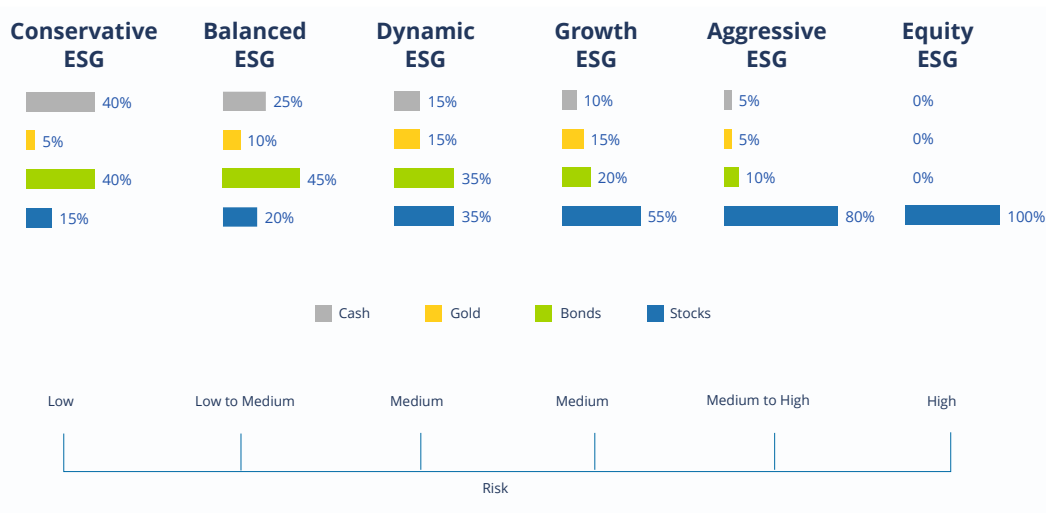
The scenarios presented include an unfavorable, a best estimate and a favorable scenario to show what may happen if market conditions are worse, as expected, or better than expected. The unfavorable scenario represents the 15th percentile or the value such that in 15% of cases, the lump sum would be lower than this amount. The best estimate scenario represents the median, or the value such that in 50% of cases, the lump sum would be lower than this amount. The favorable scenario represents the 85th percentile or the value such that in 85% of cases, the lump sum would be lower than this amount. These scenarios are hypothetical illustrations.

Monitoring

As part of its Product Monitoring process (see “Monitor & Review paragraph of PGTMP), the Company shall review the PEPPs it provides on an annual basis, taking into account any event that could materially affect the potential risk to the identified target market, to assess at least whether the PEPPs remain consistent with the needs of the identified target market and whether the intended distribution strategy remains appropriate.

Underlying portfolios

The asset allocations of the underlying portfolios are shown below.



Please visit your portal on the website for up-to-date detailed information on each portfolio.