

# Instituut voor Pensioeneducatie

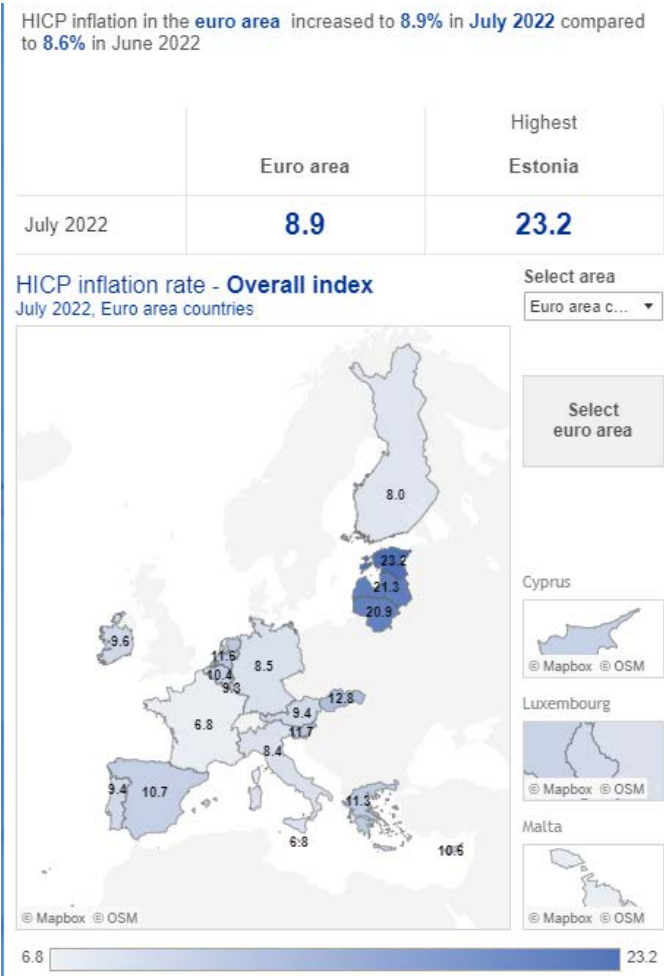
Olaf van den Heuvel

21 september 2022



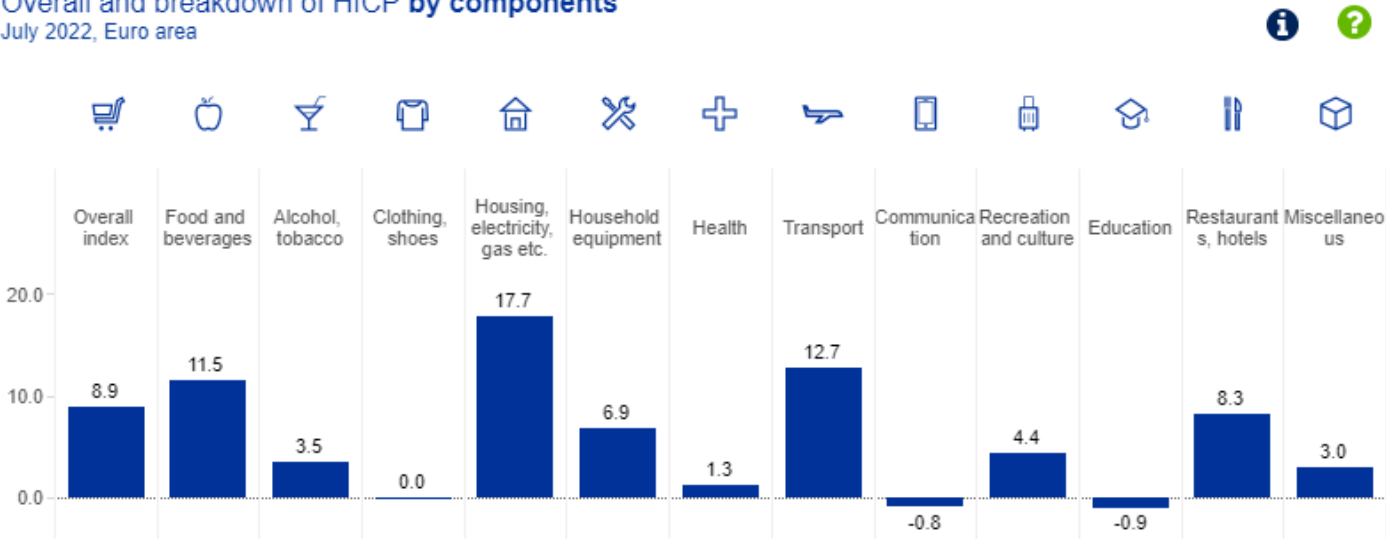
*Beyond  
borders™*

# Spot inflation is very high



Source: ECB (data as of 07/2022)

Overall and breakdown of HICP by components  
July 2022, Euro area



# YTD returns

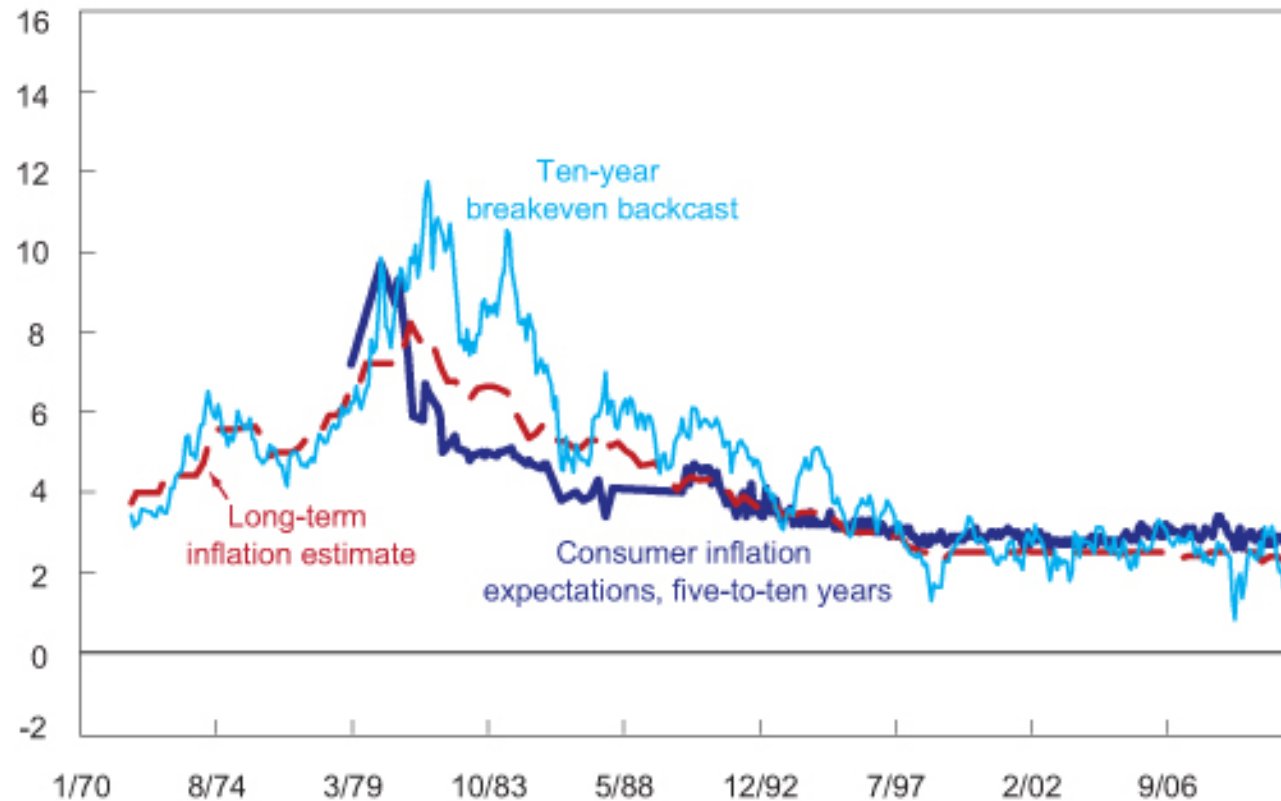
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• AAA Euro Government Index	-13.8%	8yrs
• Italy Government Index	-14.7%	6yrs
• Euro IG	-12%	5yrs
• EURO HY	-12%	3yrs
• Euro ABS	-1%	0.5yrs

# Expected inflations are not so high

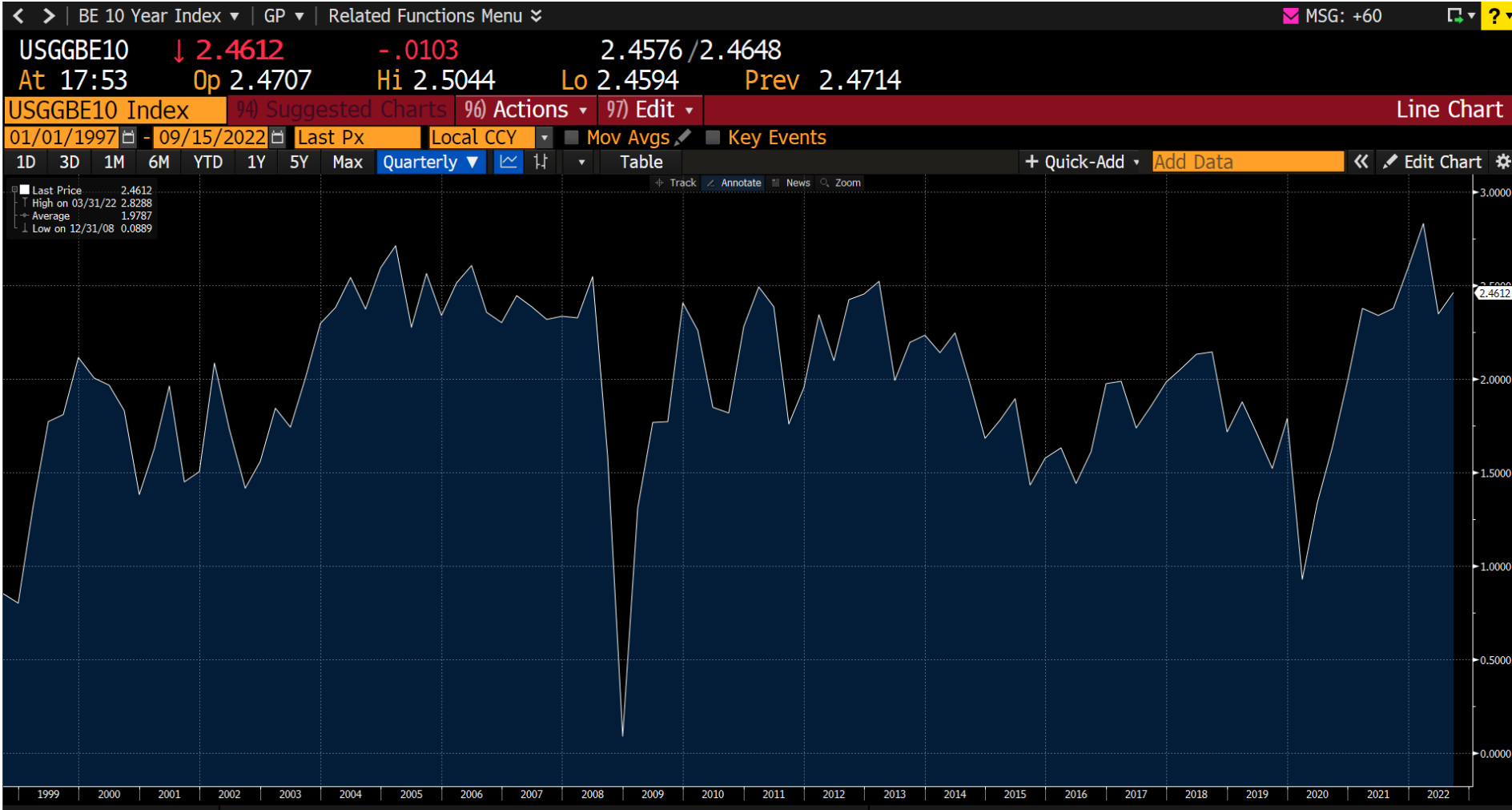
## Inflation Expectations

Rate (percent)



Sources: University of Michigan; Board of Governors of the Federal Reserve System; authors' calculations.

# Expected inflation is not so high



Source: Bloomberg (data as of 09/2022)



# How soon will Powell be smiling again?

Is inflation structurally high or will inflation normalize quickly?

**Inflation remains high**

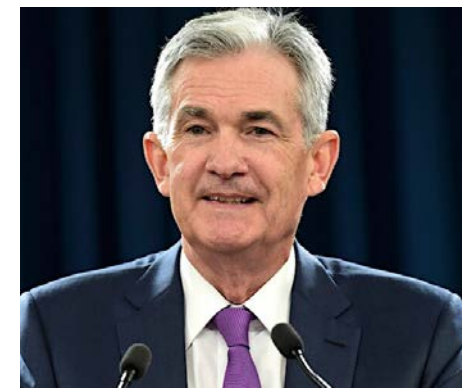


**Normalisation / moderate inflation**



# How soon will Powell be smiling again?

periods of <b>declining</b> inflation		avg. inflation rate	commodities	real returns			
				Global equities	US REITs	US govt bonds	US credit
From	To						
31/12/1974	31/12/1976	6.4%	-26.6%	10.9%	21.0%	3.7%	9.5%
31/03/1980	31/12/1986	5.3%	-2.6%	13.2%	14.0%	10.5%	12.2%
30/11/1990	31/05/1994	3.0%	-7.4%	7.8%	21.2%	6.2%	7.6%
31/07/2008	31/07/2009	-0.4%	-59.1%	-23.1%	-36.9%	7.3%	8.8%



periods of <b>rising</b> inflation		avg. inflation rate	commodities	Global equities	real returns		
					US REITs	US govt bonds	US credit
From	To						
31/01/1973	31/12/1974	10.5%	46.0%	-31.9%	-30.4%	-4.5%	-12.8%
30/11/1976	31/03/1980	9.9%	10.8%	-1.2%	11.9%	-7.5%	-11.8%
31/12/1986	30/11/1990	5.1%	9.2%	4.5%	6.3%	-1.3%	-4.4%
31/10/2006	31/07/2008	4.1%	25.4%	-2.4%	-8.7%	3.0%	-1.7%
28/02/2019	30/06/2022	4.6%	9.8%	4.3%	0.6%	-4.1%	-3.4%



# It depends on the inflation view

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- **Normalisation / moderate inflation**

- Benefit from carry and higher spreads
  - Sov bonds
  - Mortgages
  - Credits (HY, IG, EMD)



- **Inflation remains high**

- Low duration categories (to protect from rising yields)
  - Money Markets
  - ABS
  - ABS Opps

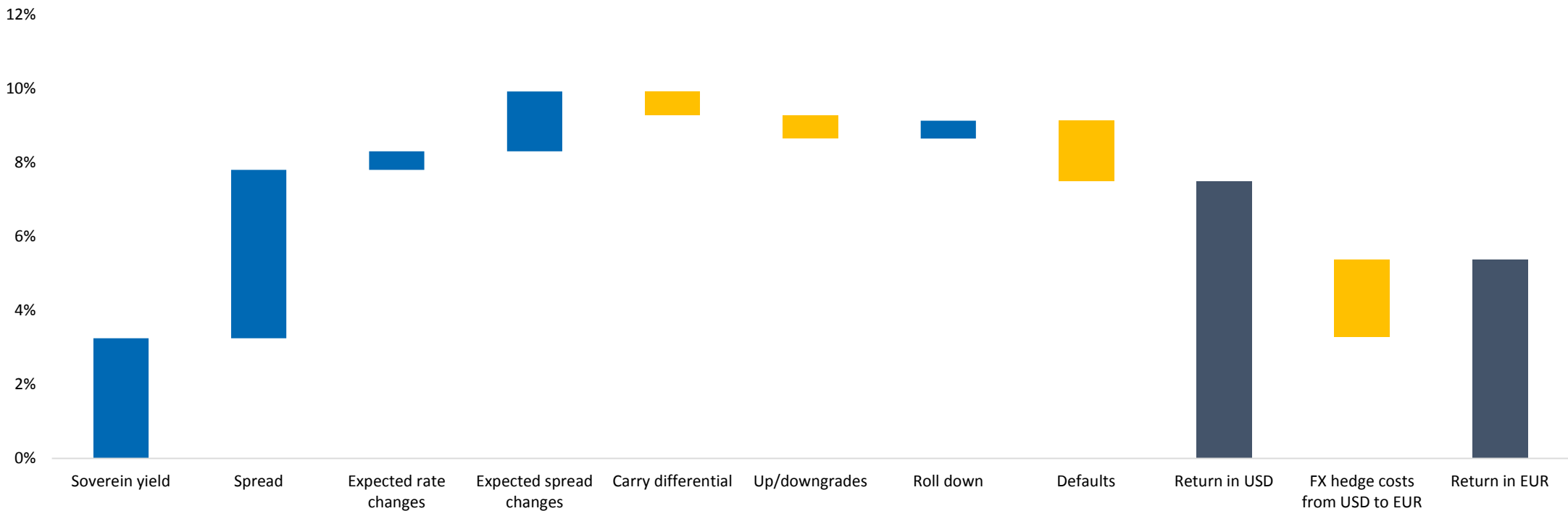




# Expected returns

## Expected returns for USD high yield bonds

Annual average returns 2023-2026 (as of Aug-2022)

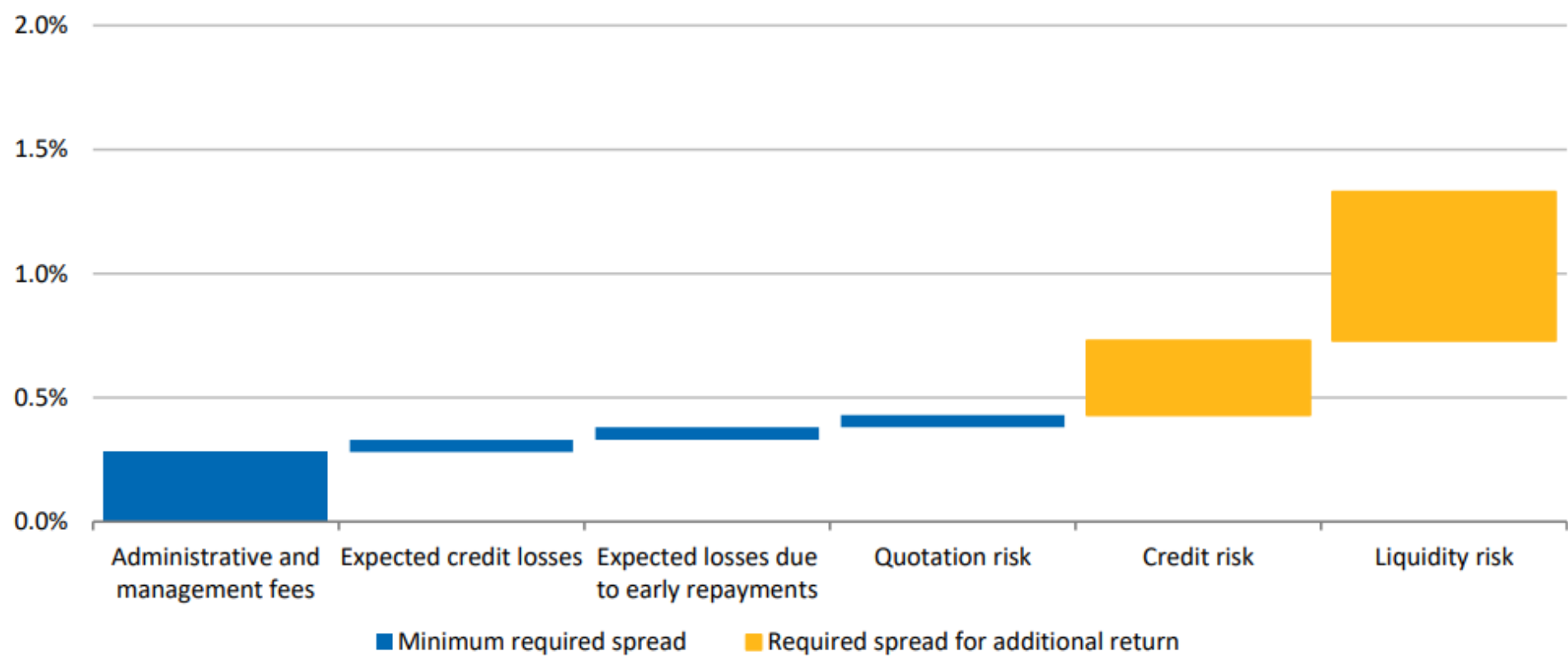


Hypothetical example for illustrative purpose only

Source: Aegon AM (data as of 08/2022)

# Mortgages remain attractive

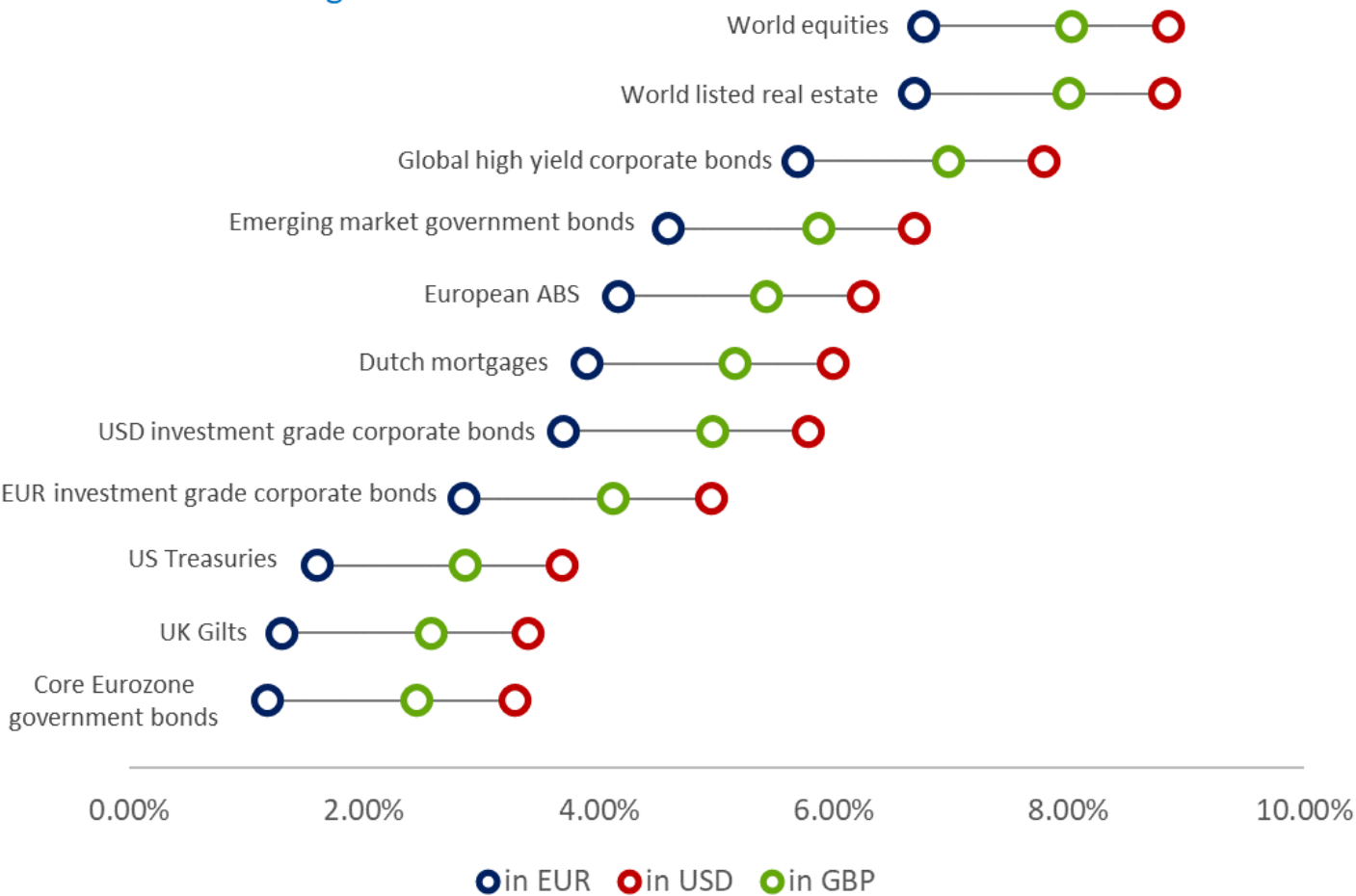
Required spread Dutch mortgages



Source: Aegon AM (data as per 07/2022)

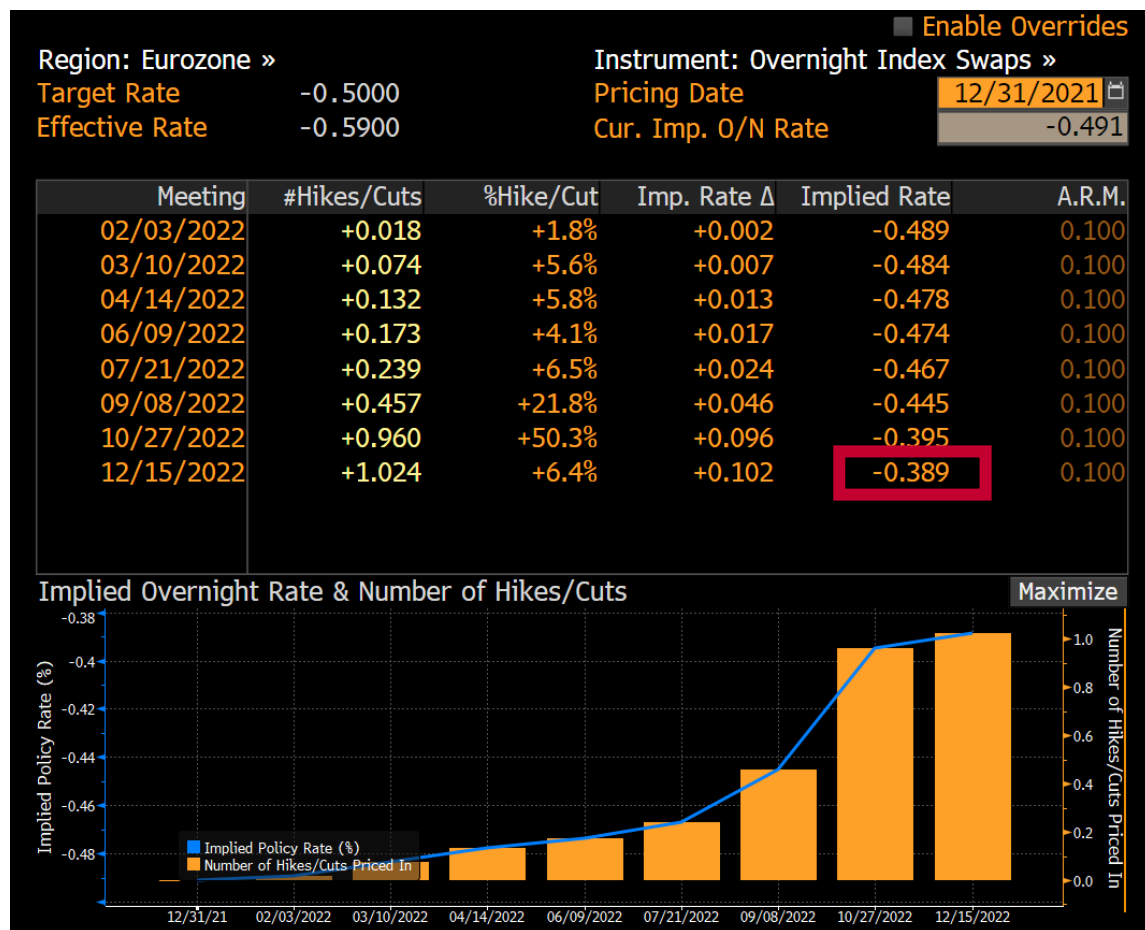
# Expected returns

Annualized expected returns until 2026  
Estimated Annualized gross asset class total returns

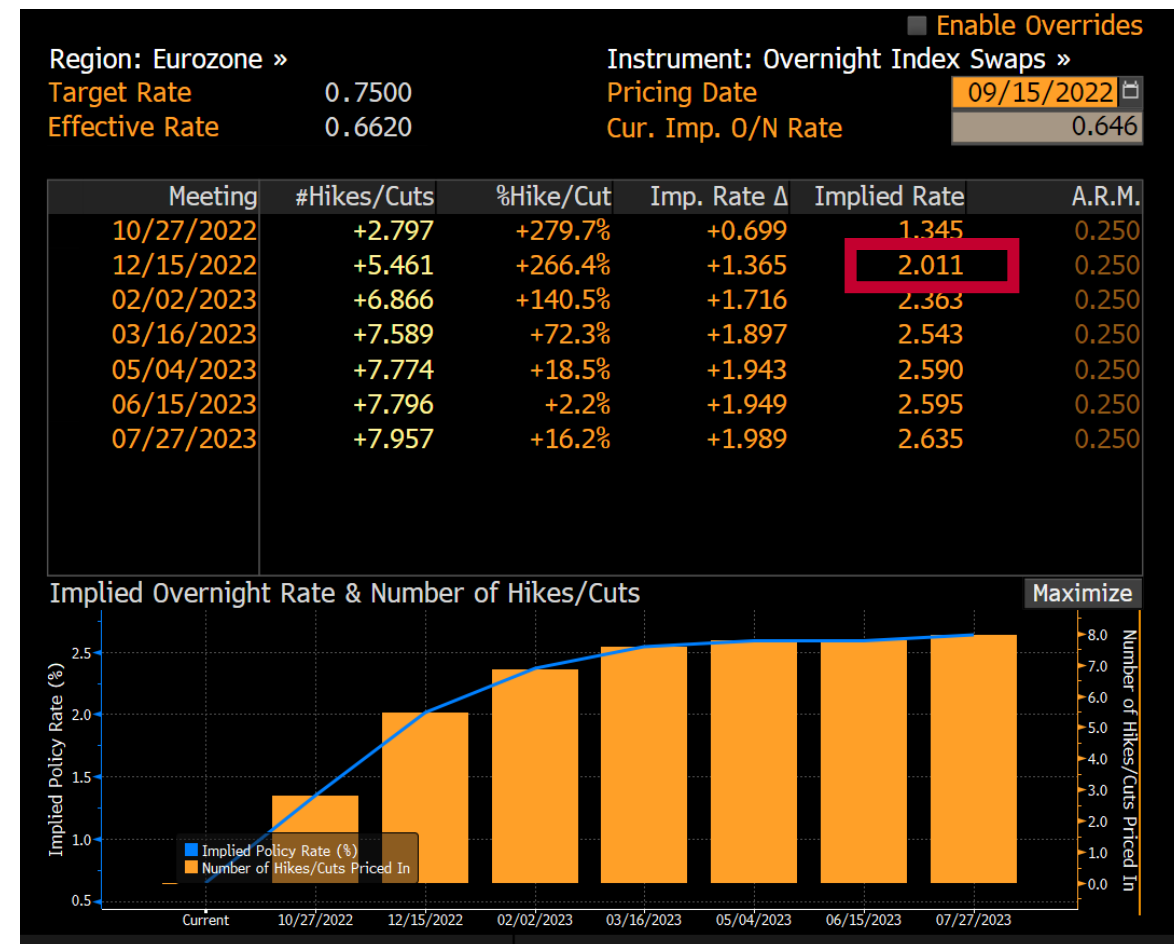


Hypothetical example for illustrative purpose only  
Source: Aegon AM (data as of 08/2022)

# 9 months make a difference



Source: Bloomberg (data as of 09/2022)



# Janus

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