FONDS DE RESERVE POUR LES RETRAITES

THE EXECUTIVE BOARD

PRESS RELEASE

THE FRR'S 2018 PERFORMANCE OF - 5.16 %, AFFECTED BY MARKETS VOLATILITY DURING THE FOURTH QUARTER

Paris, February 19th, 2019

In 2018, the FRR achieved a performance of -5.16% due to a brutal fall in the equity markets during the last two months of 2018 and particularly in December. Since the setup of the FRR's new ALM model at the end of 2010, 2018 is the only year of negative performance. This performance does not put into question the soundness of the FRR's asset allocation. Indeed, since January 1st, 2011, the annualised portfolio's performance has reached + 4.24 % net of all expenses, a level higher than the cost of the public debt carried by the CADES (1.15 %). Even after the negative performance of 2018, the cumulative creation of net value of the FRR compared to the average cost of the CADES' debt reached 9.3 billion euro over the past eight years. It should be noted that the markets' recovery since the beginning of 2019 has enabled the resorption of nearly all the losses recorded in 2018.

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As at the 31st of December 2018, the FRR's net assets totaled 32.65 billion euro, a decrease of 3.8 billion euro (of which 2.1 billion were paid to the CADES on the 25th of April 2018) compared with the amount reached on the 30th of December 2017. Like every year, the FRR transferred 2.1 billion euro to the CADES, while its financial investments recorded a decrease of 1.7 billion euro in market value.

Since the 2010 pension reform, the FRR, which held assets of **37 billion euro** at January 1st, 2011 and has not received any further inflows since this date, has paid **16.8 billion euro** to the CADES. During this same period, the FRR has achieved a **net financial gain of 12.45 billion euro**, which has enabled the FRR to significantly reduce the expected decrease in its portfolio.

In 2018, the FRR's total asset performance resulted from **a decrease of 8% in the performance seeking asset classes,** which represented 56 % of the FRR's portfolio at the end of the year, and **a decrease of 0.8 % in the hedging portfolio bond assets (44 % of the portfolio).**

Since January 1^{st}, 2011, when its liability schedule was defined (annual payments of 2.1 billion euro to the CADES), **the annualised performance of the FRR reached 4.24 % net of all expenses.**

The funding ratio measuring the FRR's capacity to serve its liabilities (net assets / liabilities value) amounts to 185% and corresponds to **a surplus after all liabilities payment of 15.03 billion euro on the 31^{st} of December 2018**, a drop of 1.5 billion euro compared with the 29^{th} of December 2017.

In a context of renewed volatility in financial markets, the FRR has pursued its strong commitment towards financing the French economy, in a long-term and responsible investment perspective.

The growth capital mandates awarded in 2018 enabled the FRR to complete its 2 billion euro investment programme in unlisted assets in the French economy.

As a responsible investor, the FRR has initiated the renewal of the active management mandates of its portfolio by increasing its level of requirement regarding the integration of ESG criteria. To reflect its commitment to the ecological and energy transition, the FRR has decided to exclude companies whose thermal coal mining or coal-fired electricity, heat or steam generation business exceeds 10% of their revenue (threshold of 20% formerly).

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The FRR is an administrative public body of the French State established by law in 2001. With a Supervisory Board and an Executive Board, it is responsible for managing the funds that were entrusted to it up until 31 December 2010 to build up reserves contributing to the pension systems long-term.

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