



THE EXECUTIVE BOARD

## PRESS RELEASE

PRESENTATION OF THE FRR'S FINANCIAL PERFORMANCE AT 31 DECEMBER 2022

### **A PORTFOLIO RESILIENT OVER TIME, 2022 NET PERFORMANCE DOWN BY 10.03%**

Paris, 23 March 2023

Today the FRR publishes its results following the approval on Tuesday 14 March 2023 by the Supervisory Board of its 2022 financial year accounts.

In 2022, the FRR's investment portfolio felt the effects of the adverse market conditions on both the listed equities and fixed-rate bonds of sovereign State and quality corporate issuers which were impacted by the sharp rise in interest rates.

Against this background, the net performance of the FRR's portfolio is negative by - 10.03% over the 2022 financial year. This fall in the value of the portfolio has, however, clearly been mitigated by the excellent results of the unlisted assets programme: variable-rate unlisted or short maturity debt, private equity (including renewable energy and electric mobility infrastructure), intermediate housing real estate. Without these unlisted assets, the FRR's performance would have been around - 12.5%.

The FRR's unlisted assets, two thirds of which are invested in France, also contributed towards financing of the economy and climate transition.

The decision by the FRR's Supervisory Board as from 2013 to invest in unlisted assets is indeed consistent with the requirements of a long-term responsible investor whose objective is to achieve performance over the long-term.

Since 1 January 2011, its annualised performance has been + 3.4% net of all expenses, which is greater than the cost of the public debt borne by CADES. The FRR has contributed to reducing social security debt by paying CADES 2.1 billion euros, as it has each year since 2011. Thanks to its sustained performance, this mission in the general interest will continue until 2033, at a rate of €2.1 billion in 2023 and 2024, then €1.45 billion per year from 2025 to 2033.

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By the end of the year 2022, marked by accelerating inflation and a complete change of tone from the central banks, the FRR's portfolio proved rather resilient.

The year 2022 ended with the FRR's total assets down by 4.7 Bn€ to 21.3 Bn€, including -2.1 Bn€ by way of annual coupon payment to CADES and -2.6 Bn€ due to market effect, resulting in a negative performance of -10.03%.

At the end of that financial year, the FRR's annualised performance, calculated since 1 January 2011, stood at 3.4% and had generated cumulative net value for the public finances of 11.3 billion euros.

Listed risk assets (around 60% of the total, of which half is pure equity risk, the rest consisting of option-hedged equities, high yield credit and emerging market debt) have produced a representative index estimated performance of -12% whereas the so-called hedging assets (OAT and quality credit) returned a negative performance of -13.3% due to the increase in interest rates.

### **Major contribution by unlisted assets to the FRR's performance in 2022**

Unlisted assets, authorised under three successive plans (as from 2013 for unlisted debt; 2015 for the 2.2 Bn€ programme and a further 1 Bn€ in 2020 including the 250 M€ envelope for the *late stage* element of the Tibi initiative) are meeting our expectations by, in particular, contributing healthily to the financing of the economy, diversifying the portfolio and capturing liquidity premiums.

The amount actually invested by the end of 2022 in unlisted assets (sum of amounts actually called net of principal repayments plus net revaluations) was 2.9 Bn€, or 13.7% of the FRR's total assets.

The FRR's unlisted assets produced an exceptional increase in return compared to corresponding listed assets, greater than 600 M€ or close to 2.5 points in terms of return for the FRR's portfolio as a whole. Whereas listed asset indices representative of our unlisted assets fell by 12% in 2022, our unlisted assets portfolio produced a positive return of in the order of 10.5%.

An out-performance of 22% can clearly not be reproduced every year, however it does reflect the healthy overall state of the FRR's unlisted assets portfolio and is a reward for the long-term decisions made by the FRR's governing bodies and operational teams.

Infrastructure (550 M€ in assets at the end of 2022) delivered an outstanding performance and also made a significant contribution to social and environmental impact objectives.

### **As a responsible investor, the FRR has aligned itself ever closer with State and European ecological and energy transition financing targets.**

The FRR's approach is absolutely consistent with the desire of the public authorities to invest in the sphere of fair energy transition having regard for the social aspect of this major transformation.

Accordingly in 2022, the FRR awarded 3 equity management mandates for management consistent with the Paris Agreement incorporating a 50% reduction in CO2 emissions compared to the benchmark and 3 US dollar good quality corporate bond mandates with a 40% reduction in CO2 emissions compared to the benchmark.

The FRR's objective, by 2025, is to reduce by 20% (after a decrease of almost 40% during the previous decade) the carbon footprint of its portfolio since 2019 in accordance with the undertakings made as part of the Net Zero Asset Owner Alliance.

This approach will be applied in 2023 to US dollar high-yield bond and European small and mid-cap equities management mandates for which the requests-for-proposals are underway, and also to French and US small and mid-cap equities management mandates for which the requests-for-proposals will be launched during 2023.

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The FRR is an administrative public establishment of the State created by law in 2001. Governed by a Supervisory Board and Executive Board, its mission is to manage the funds allocated to it until 31 December 2010 in order to build up reserves to contribute to the long-term sustainability of the retirement pension system.

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