

STATEMENT: PUBLICATION OF FDC'S ANNUAL REPORT 2023

FDC's annual report 2023 sets out the highlights of the past year as well as FDC's year-end results.

Indeed, the year 2023 was marked by persistent geopolitical tensions, a still fragile economic recovery, the expectations of the financial markets about inflation being contained and that central bank rates would return to a level more propitious to economic development.

ECONOMIC ENVIRONMENT AND FINANCIAL MARKETS

With a growth rate of 0.6%, the European economy avoided recession. The United States, quite remarkably, grew by 2.4%, driven by robust consumption, low unemployment rate and rising wages due to the scarcity of available labour. China's belated post-Covid recovery has been robust, but hampered by the property crisis and fragile local public finances. Growth in emerging markets in general has been heterogeneous.

But the year 2023 was all about inflation, falsely qualified as transitory. After several rate hikes, inflation finally decelerated mid-2023, central banks preferring since then to observe the delayed effects of their restrictive policies.

Throughout the year, the bond market has been scrutinizing and positioning itself according to the decisions and intentions of central banks. Official discourses about the need to control inflation remained alarmist until October but in the end strong performances in November and December allowed the bond market to post a positive performance over the whole year.

The equity market was particularly seduced by the prospects of artificial intelligence and the rise of seven companies, the "magnificent seven", which had a disproportionate influence on stock market indices across the Atlantic. At year-end, performance was energetic and over the year the Eurostoxx 50 rose by 12%, while the S&P 500 even appreciated by 26%.

FDC'S RESULTS

In this context, the net income generated by FDC in 2023 amounted to 2.32 billion euros. Overall, FDC's annual rate of return was 9.80%. Since its launch in 2004, FDC has posted an annualised rate of return of almost 4.30%. This rate of return is above the target return set by FDC's investment strategies.

As of 31 December 2023, 26.25 billion euros of the pension reserve was managed by FDC. Adding the balance of the *Caisse nationale d'assurance pension* (CNAP), the overall reserve of the general pension insurance scheme amounted to 27.39 billion euros and represented 4.25 times the amount of annual pension benefits at the end of the year 2023.

MAIN ACTIVITIES

In addition to the financial management of the pension reserve, the past year was mainly dedicated to the implementation of FDC's revised investment strategy for the years 2023 to 2027 and the enhancements to its responsible investor policy, updates to fight against money laundering and financing of terrorism policies and certain other governance documents as well as the further development of FDC's major real estate projects, notably the second phase of the *Cité de la sécurité sociale* and the development of the *Nei Hollerech* district, which includes the former site of the *Caisse nationale de santé*.

Next to an increased focus on sustainability, by having enlarged the scope of exclusions of companies deemed not to comply with international conventions, having formalised an engagement policy towards the largest greenhouse gas emitting companies and having launched a second Paris Agreement aligned sub-fund, a mandate in relation to investments in infrastructure dedicated to renewable energies was also awarded during the year.