

MEMORANDUM

TO: File
FROM: Division of Trading and Markets
RE: Meeting with PGGM
DATE: November 07, 2013

On November 7, 2013, staff from the Division of Trading and Markets and the Division of Economic and Risk Analysis met with Mascha Canio of PGGM. The purpose of the meeting was to discuss the proposed implementation of the prohibition against conflicts of interest in certain securitizations.

Attachment



PGGM Structured Credit

Introduction

F inancial

I nstitutions

R isk

S haring

T ransactions

March 2013

Disclaimer

- *This document has been solely prepared for discussion purposes and is not an offer, or a solicitation of an offer, to buy or sell any security or financial instrument, or any investment advice. This policy does not confer any rights to any third parties. PGGM Investments has taken all reasonable care to ensure that the information contained in this document is correct, but does not accept liability for any misprints. The information contained herein can be changed without notice.*

Table of Contents

Section 1:	PGGM Overview
Section 2:	PGGM Structured Credit
Section 3:	Track Record and Team
Section 4:	Case Study

All figures in the presentation refer to amounts as per 31 March 2013, unless stated otherwise

For all figures in the presentation the source is PGGM, unless stated otherwise

Section 1

PGGM Overview

F	<i>inancial</i>
I	<i>nstitutions</i>
R	<i>isk</i>
S	<i>haring</i>
T	<i>ransactions</i>

PGGM

Overview

- **PGGM Investments (PGGM) is an independent asset manager in The Netherlands with AUM €138 billion:**
 - Largest client is Dutch pension fund for the care and welfare sector (PFZW)
 - Providing various services amongst which pension plan administration, ALM research and investment management
 - Independent asset manager since 2008, and previously one entity with PFZW which was founded in 1969
- **PGGM serves the following clients:**
 - **PFZW** (health care and welfare sector): AUM €134 billion
 - **Other pension fund clients:** together AUM €4 billion:
 - Zelfstandige Kunstenaar AENA (Artists)
 - Architectenbureaus (Architects)
 - Particuliere Beveiliging (Security Personnel)
 - Huisartsen (General Practitioners)

PGGM

Overview

- **PGGM adds value by focusing on two clear objectives:**
 - Generating a **high and stable return** for our clients, investing responsibly
 - Average annual return for PFZW since 1971 of 8.3%
 - Extra return through **innovative investment strategies**, for example:
 - Commodities: started in 2001, target weight of 7%
 - Infrastructure: started in 2004, target weight of 2.5%
 - Structured Credit: started in 2006, target weight of 2.5%

Section 2

PGGM Structured Credit

F	<i>inancial</i>
I	<i>nstitutions</i>
R	<i>isk</i>
S	<i>haring</i>
T	<i>ransactions</i>

PGGM Structured Credit

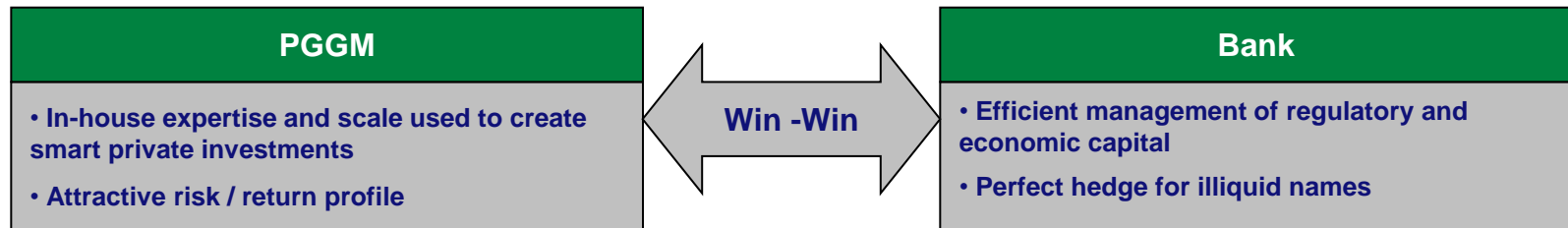
Philosophy

- Mandate to invest in **first** and **second loss positions**

Alignment of Interest	<ul style="list-style-type: none">• Risk Sharing transactions <i>NOT</i> risk transfers• Bank <i>shares</i> in the same risk, typically through slice of first loss tranche & portfolio
Market Leader in Core Activity	<ul style="list-style-type: none">• Focus on a select number of leading counterparties• The underlying portfolio represents a successful core activity of the bank
Understand the Underlying	<ul style="list-style-type: none">• Bank has strong track record in origination and servicing• Intensive due diligence
Due diligence	<ul style="list-style-type: none">• In depth due diligence on the relevant processes: underwriting, monitoring, risk and recovery management• Bank's track record in terms of default and recovery rates
Robust Structures	<ul style="list-style-type: none">• Robust risk return profile in adverse scenarios• Portfolio is well diversified in terms of clients, geography and sectors

PGGM Structured Credit

- PGGM aims to create a win – win situation:



- Banks hold various types of credit risk, requiring funding and risky capital
- PGGM structures risk sharing transactions providing risky capital to core & successful activities of banks
- The transaction releases a significant amount of regulatory and economic capital as PGGM invests in the first (and second) loss tranche
- Tailor-made transaction: working together to define portfolio criteria and deal structure
- Scale of PGGM's private risk sharing transactions can make a difference

Section 3

Track Record and Team

F	<i>inancial</i>
I	<i>nstitutions</i>
R	<i>isk</i>
S	<i>haring</i>
T	<i>ransactions</i>

Track Record and Team

- Private risk sharing transactions with different international banks
- First investment in December 2006
- Executed new risk sharing transactions every year since 2006
- Current portfolio is invested in transactions referencing ~ €25 billion notional of underlying portfolios
- Exposure to various types of credit risk and across geographies worldwide
- Underlying portfolios include corporate loans, project finance loans and EM trade finance
- Target to grow to 2.5% of PFZW's AUM

Track Record and Team

**Mascha Canio - Head of Structured Credit**

- 19 years broad portfolio management experience in credit, fixed income, private equity and infrastructure
- specialist in corporate credit, emerging markets and structured finance
- previous roles: portfolio manager at Shell Pension Fund, head of Octagon Credit Investors' London office
- with PGGM since January 2006

**Raymond van Wersch – Senior Portfolio Manager**

- 19 years broad fixed income experience in various portfolio management roles
- specialist in corporate credit, derivatives and duration
- previous roles: portfolio manager at Achmea and ABP
- with PGGM since May 2005

**Angélique Pieterse – Senior Portfolio Manager**

- 18 years broad credit experience in various positions
- specialist in corporate credit, derivatives and structured finance
- previous roles: Trade & Commodity Finance Group at ABN AMRO, Structured Credit Sales at ABN AMRO
- with PGGM since June 2007

**Pawel Sulzycki – Senior Portfolio Manager**

- 12 years broad fixed income experience in various banking roles
- specialist in regulatory capital transactions and structured investments such as securitisations and covered bonds
- previous roles: structured finance at HSBC Bank, securitisation at ING Bank, securitisation at Fortis Bank
- with PGGM since February 2010

**Joost Hoogeveen – Investment Analyst**

- completed theoretical physics PhD at University of Amsterdam in July 2010
- previous role: credit quant at UBS Investment Bank
- with PGGM since February 2013

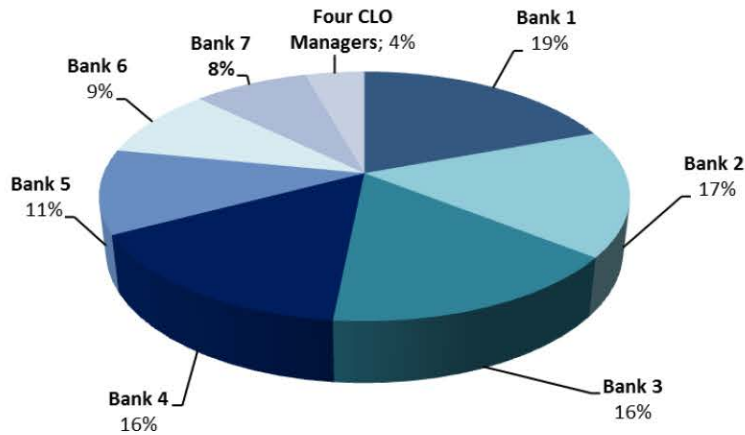
**Jörgen Höppener – Front Office Support**

- combines work and study (Econometrics and Management Science)
- with PGGM since May 2012

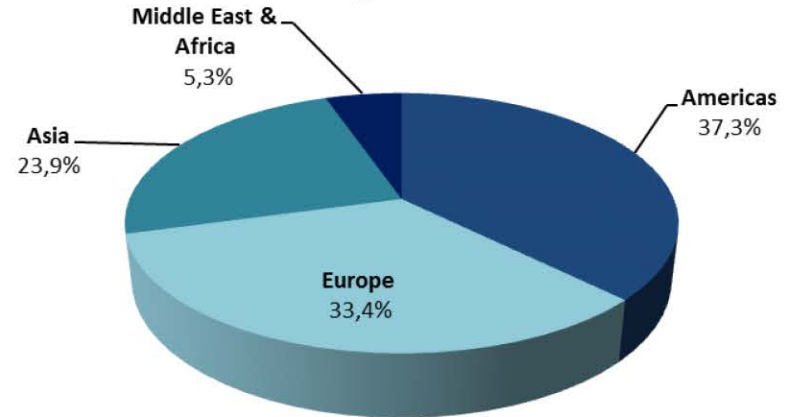
Track Record and Team

Market Value of €2.2 billion

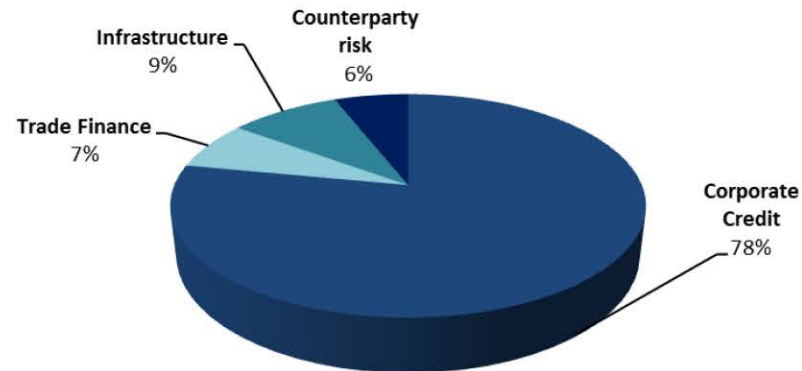
Relationships



Regions



Type of Credit Risk



Track Record and Team

Market Value of €2.2 billion

Investment Return	PGGM Structured Credit*	FTSE All World**	SC Benchmark***
2007	15,0%	1,7%	-5,1%
2008	-39,4%	-38,7%	-26,2%
2009	64,7%	31,9%	32,2%
2010	31,8%	21,0%	8,9%
2011	8,0%	-4,2%	-8,2%
2012	30,4%	15,2%	22,6%
2013-Q1	6,2%	7,4%	2,9%
Average(*)	16,7%	4,9%	3,9%

(*) Average is a simple average of the returns listed above

* 2008 includes a €200 million valuation deduction which was fully corrected in 2009

**Structured Credit at PGGM is seen as an alternative for equity investments, hence the FTSE All World Index is used as a comparable

*** SC Benchmark consists of 1st and 2nd loss tranches of CDX and iTraxx

Section 4

Case Study

F	<i>inancial</i>
I	<i>nstitutions</i>
R	<i>isk</i>
S	<i>haring</i>
T	<i>ransactions</i>

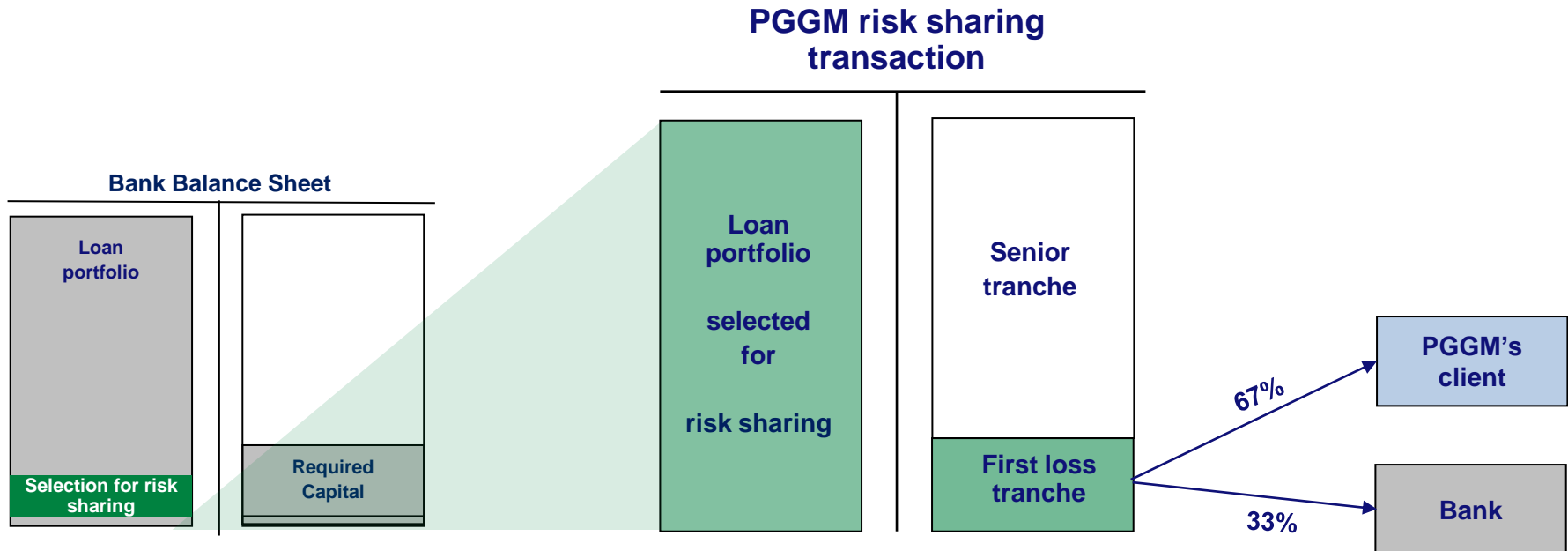
Case Study

Risk sharing transaction in Corporate Loans – part 1

- **PGGM decides to work on a risk sharing transaction with a large international bank regarding a corporate loan portfolio**
- **Initial selection by the bank: €3 billion corporate loan portfolio**
- **Application of PGGM's criteria: €2 billion corporate loan portfolio**
- **PGGM and the Bank reach an initial agreement on the attachment points, the price and the risk alignment**
 - The first loss position is sized at 8% and the Bank takes a 33% share of the first loss tranche
- **Intensive due diligence serves to get in-depth understanding of the bank's processes**
- **PGGM's Structured Credit Team completes Investment Proposal for internal approval**
- **Legal documentation process is started**
- **Transaction is closed 3 months after the initial contact between PGGM and the Bank**

Case Study

Risk sharing transaction in Corporate Loans – part 2



- **The Bank has transferred 67% of the first loss position on a portfolio of €2 billion, which significantly reduces regulatory capital for the corporate loan portfolio**
 - PGGM's client will cover 67% of all losses on the €2 billion portfolio up to the attachment point of 8%, i.e. 67% of €160 million. The bank will cover the remaining 33%.
 - The Bank pays the agreed CDS spread on a quarterly basis

Contacts

Name	Title	Telephone	Mobile	Email
Mascha Canio	Head of Structured Credit	+31 30 277 2070	+31 6 10919751	mascha.canio@pggm.nl
Angélique Pieterse-Westra	Senior Portfolio Manager	+31 30 277 8617	+31 6 22519615	angelique.pieterse@pggm.nl
Raymond van Wersch	Senior Portfolio Manager	+31 30 277 8638	+31 6 53700453	raymond.van.wersch@pggm.nl
Pawel Sulzycki	Senior Portfolio Manager	+31 30 277 8927	+31 6 20010729	pawel.sulzycki@pggm.nl
Joost Hoogeveen	Investment Analyst	+31 30 277 1246	+31 6 30128787	joost.hoogeveen@pggm.nl
Jørgen Höppener	Front Office Support	+31 30 277 1161	+31 6 22696388	jorgen.hoepener@pggm.nl
Information on PGGM:	www.pggm.nl/about_PGGM/			
Information on PFZW:	www.pfzw.nl/about_us/			

PGGM Vermogensbeheer B.V.
Noordweg Noord 150
3704 JG Zeist
The Netherlands

P.O. Box 117
3700 AC Zeist
The Netherlands