Information investment policy – Q&A
April 2023

With the bridging scheme, professional football players and cyclists save for an income after their professional career. This is done through a unique, tax-friendly arrangement. The bridging scheme aims to provide financial security to the participants after their professional career has ended.

In order to give participants this certainty as much as possible, the CFK wants to generatie a stable and index-linked return.

Why is a stable return important?
A stable offers financial security for the participants. The participants' bridging payments become predictable and, in principle, will increase every year. That's why we radically changed the investment policy in November 2022.

Why was the old investment policy no longer sufficient?
In the longer term, the 'old' investment policy also worked well. In the shorter term, the return in the 'old' portfolio fluctuated more and more. Years with negative returns could not be ruled out. Participants will also see these fluctuations reflected in their bridging payments, including possible reductions.

The sharp rise in interest rates in recent months created the opportunity to set up a bond portfolio with a return of over 3.5%. Such an opportunity had not occured in the last ten years because interest rates have been very low and sometimes even negative in the past ten years.

How does the bond portfolio work?
A bond is a loan to a company or country. Each loan has a specific term and end date. The loan is repaid at the end of the term. In the meantime, the CFK will receive an interest payment every year. In principle, the bonds remain in the portfolio for the entire term. Bonds do change in value during the term, but because the CFK values the bonds at book value these fluctuations have no effect on the return. This creates a stable return.

CFK's bond portfolio consists only of good quality loans issued by financially sound companies, namely Euro Investment Grade Credits. The portfolio consists of 145 bonds. The minimum rating is BBB, but the average rating is higher: A.

Is the return on the bond portfolio guaranteed?
No, unfortunately that is not the case. The bond portfolio consists of bonds from many different companies and government-related companies and institutions. The bonds are of good quality (Investment Grade) and are held in the portfolio until maturity. Based on a careful selection, it is expected that the bond portfolio that has since been purchased will generate a gross return of more than 3.5% each year. A possible (imminent) bankruptcy can of course have a negative impact on the return. To limit this as much as possible, the companies are monitored very closely so that the CFK can intervene if necessary.

Bonds must also be purchased in the future, for example if a bond expires. A reinvestment must take place. At the moment it is not certain at what interest rate these bonds can be purchased. If interest rates rise, those bonds will yield higher returns and vice versa. These reinvestments affect the ultimate return of the bond portfolio.

At present, around 10% of the assets still consist of so-called illiquid investments (real estate). The return on this part of the portfolio is uncertain and may cause undesired fluctuations in the coming period. Because the CFK strives for a stable return, the illiquid portfolio will be sold as soon as possible.

Given the high inflation, is it a good time to start with the bond portfolio?
Interest rates have risen sharply in the past period for various reasons, partly due to the sharp rise in inflation. Inflation is expected to remain high next year and then fall back to normal levels. With a return of more than 3%, we expect to at least match inflation in the medium to long term. If the old investment policy had been continued, the returns for the coming years would probably have been lower and much more volatile.

What guidelines apply to the bond portfolio?

Bonds are rated. The rating indicates the extent to which a company or country issuing the bond is expected to be able to meet its obligations (interest/loan repayment). The higher the rating, the better. The CFK only wants bonds from companies with a good rating (investment grade). This means that in principle no bonds from companies with a rating lower than BBB are included in the portfolio.

To achieve a well-balanced portfolio, the bonds are spread over various (rating) categories with a minimum of BBB-. In addition, to limit the (concentration) risk, a maximum of 2.5% to 5.0% of the assets may be lent to a company (depending on rating). Below are the guidelines that apply to CFK's bond portfolio.

Richtlijnen portefeuille			
Rating	Minimaal	Maximaal	Maximum per emittent
AAA	0%	100%	5,0%
AA+ tot en met AA-	0%	100%	5,0%
A+ tot en met A-	0%	85%	3,5%
BBB+ tot en met BBB-	0%	25%	2,5%

How is the bond portfolio structured?
The bond portfolio is organized according to the established guidelines (see above). The breakdown across the various ratings is as follows:

- Short-term : 2.3%
- Rating class AAA : 7.3%
- Rating class AA : 11.2%
- Rating class A : 61.5%
- Rating class BBB : 17.8%

There are currently 145 bonds in the portfolio from companies from industry, utilities and the financial sector. More than 10% of the bonds are state-related companies (provinces, European institutions, etc.).

How can I track the investments?
If you are interested in the investments, you can follow them on the app. Every month a fact sheet is posted in the app, stating the portfolio and the monthly return.