

# Investing in Dutch mortgages

December 2020

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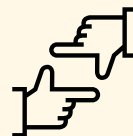
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# Summary

As investor, you aim for the best risk / return profile of your investment portfolio. Investing in Dutch mortgages offers you an attractive diversification within a fixed income portfolio. Dutch mortgages have an attractive yield / spread while maintaining a conservative risk profile with very low credit losses throughout the cycle, compared to other Western European jurisdictions.

The ASR Mortgage Funds and the ASR Separate Account Mortgage Fund are strategies managed by a.s.r. asset management and invest in a.s.r. WelThuis mortgages, originated and serviced by a.s.r. Life. a.s.r. asset management and a.s.r. Life are both fully owned by ASR Nederland N.V.

The funds invest in a vertical slice of the a.s.r. Life mortgage production, similar in risk-return characteristics to the production allocated to the own a.s.r. entities, and subject to the Mortgage Loan Eligibility Criteria. We apply a vertical slice mechanism to ensure strong alignment of interest between the a.s.r. entities and the investors in the funds. To further increase the alignment of interest, a number of a.s.r. entities have also invested in the funds.

Institutional investors can invest in a.s.r. WelThuis Dutch prime residential mortgage loans via the collective ASR Mortgage Fund with its two subfunds:

- NHG Subfund, holding a portfolio of 100% a.s.r. WelThuis NHG mortgages
- non-NHG Subfund, holding a portfolio of 100% a.s.r. WelThuis non-NHG mortgages.

With a minimum investment of € 150 million the ASR Separate Account Mortgage Fund offers investors flexibility in determining their own mortgage portfolio composition.

To provide investors with liquidity, interest and redemptions can be paid out on a monthly basis or reinvested in the fund.

The funds, structured as Dutch open-ended funds for joint account (known as FGR), are tax transparent, and subject to AIFMD regulation and open for professional investors only.



# The case for investing in Dutch mortgages

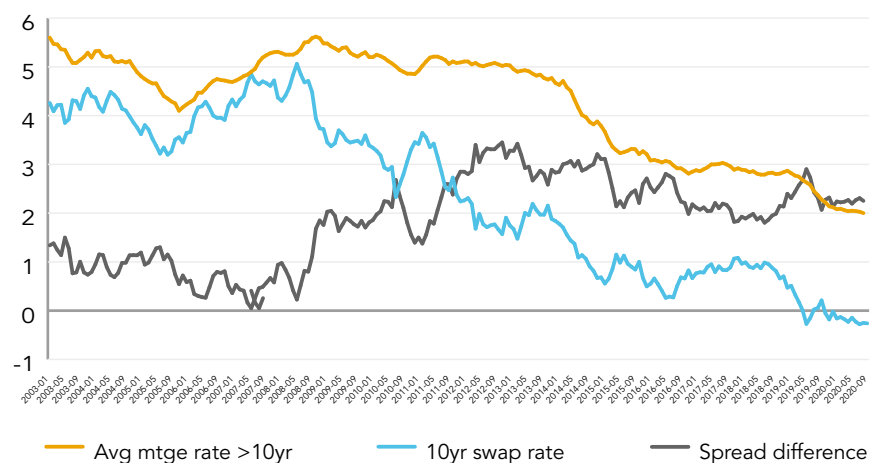
Dutch mortgages offer an interesting diversification within a fixed income portfolio at an attractive yield/spreads vs. other fixed income asset categories while maintaining a conservative risk profile:

- Favorable spread vs. other fixed income categories.
- Spreads on Dutch RMBS and AAA covered bond have returned to pre-crisis levels.
- Extremely low credit losses (<0.01%) Dutch mortgage market in recent years.

Additional spread above risk free 10yr swap rates

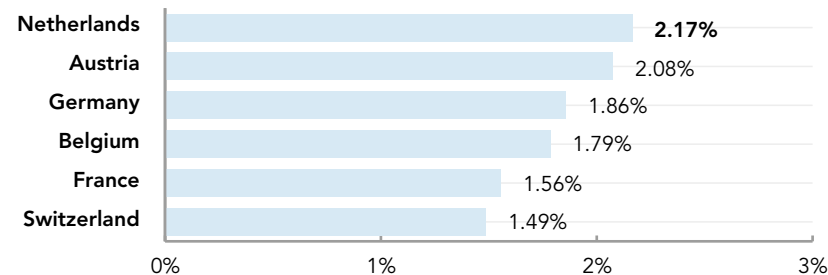
	June 2020	December 2020
NHG Subfund	1.86%	1.65%
non-NHG Subfund	2.19%	2.08%
AAA Euro covered bonds	0.44%	0.35%
AAA Dutch RMBS	0.41%	0.24%
A Euro Financials	1.30%	0.80%
IG Euro Corporates	1.48%	0.93%

Gross spread Dutch mortgages with maturity >10 years vs. 10yr swap rates, 2003-2020



Source: DNB, Bloomberg

High mortgage rates vs. other West European jurisdictions (20 year fixed rate) as of December 30, 2020





# About α.s.r.

## ASR Nederland N.V.

ASR Nederland N.V. is the third largest Dutch insurer, a publicly traded company, listed at Euronext and rated A by S&P, with a history which begins in 1720. Our corporate culture is open and down to earth. We have no short term goals and do not pay bonuses. We are recognized as a sustainable investor and as such ranked #1 Dutch Fair Finance Guide and #1 VBDO (Dutch Association of Investors for Sustainable Development) in 2019.

## a.s.r. asset management

a.s.r. asset management is the asset manager of ASR Nederland N.V., located in Utrecht, the Netherlands, and manages over € 70 billion in assets for insurance companies, pension funds, foundations and government related entities. a.s.r. asset management employs around 160 staff and offers a number of investment strategies in line with a.s.r.'s strong sustainable policy.

## a.s.r. Life

a.s.r. Life has over 50 years of experience as a mortgage originator and is a reputable player in the Dutch market. By originating, servicing and investing in our own mortgages, we keep full control of the entire chain and create a strong alignment of interest with our investors. As we are well aware of our role in Dutch society, ESG is at the heart of all our mortgage solutions.



# Sustainability: it's in our DNA



## Environment

- Ongoing focus on further improving the sustainability profile of the mortgage portfolio
- Dutch home owners with a WelThuis mortgage and a property energy label ranging from B till G are actively approached to improve the energy efficiency of their property
- a.s.r. Life is the first mortgage provider proactively offering mortgage applicants an additional € 9,000 for energy saving measures against favorable terms
- Financing up to 100% LTV or 106% LTV in which case 6% can be used for energy saving measures of the property



## Social

- Introduction of first time home buyers mortgage, an extended annuity mortgage loan with 40 years repayment term
- Introduction of a mortgage specifically aimed at elderly people
- Distinctive special servicing



## Governance

- Since Q2 2020 we report on the improvement of the carbon footprint of the mortgage portfolio
- Reporting of energy labels per subfund on a quarterly basis



# ASR Mortgage Funds – the strategy

The ASR Mortgage Fund and the ASR Separate Account Mortgage Fund are a partnership between a.s.r. Life and a.s.r. asset management. In this partnership a.s.r. asset management is the investment manager, while a.s.r. Life is responsible for the origination and the servicing of the mortgages. The funds are managed by an experienced and fully dedicated team managing over € 16 billion of mortgages.

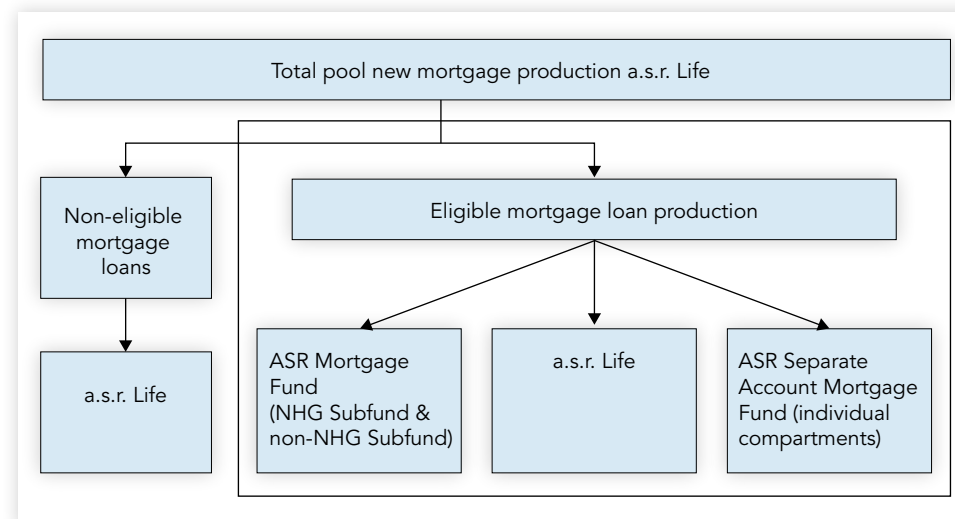
Due to the favorable risk-return characteristics of the underlying asset class and mandatory monthly repayments of the loans, we aim to originate mortgages with relatively high LTVs.

Investors invest in a vertical slice of the a.s.r. Life mortgage production, similar in risk-return characteristics to the production allocated to the own a.s.r. entities, and subject to the Mortgage Loan Eligibility Criteria of the Funds. The determination of the eligible portfolio is based on:

- the weighted average coupon;
- LTV distribution and
- the distribution of the interest term.

Furthermore, the following selection criteria apply:

Standard selection bandwidths	
LTV up to 65	≤ 2.0%
LTV > 65 up to 85	≤ 2.0%
LTV > 85 up to 95	≤ 2.0%
LTV > 95 up to 110	≤ 2.0%
Weighted average interest rate (WAIR)	> 5 bps
Weighted average duration (WATTR)	≤ 0.5 years



For investments >€ 150 million, investors can opt for the ASR Separate Account Mortgage Fund, whereby a part of the vertical slice is acquired in line with the investor's preferences.

Our funds invest in € denominated mortgage loans and strive to be fully invested, without leverage and whereby the use of derivatives is not allowed. The Funds are benchmark unaware.



# Distinctive characteristics

## ESG

- Ongoing focus on further improving the sustainability profile of the mortgage portfolio.
- Strong focus on sustainable product development.

## Governance

- Strong alignment with a.s.r. Life, the originator and skin in the game as a.s.r. entities invest in the Funds.
- a.s.r. asset management is a member of the pricing committee; determines rates on behalf of participants and may decide not to purchase production if margins become too low.
- An independent supervisory board oversees the ASR Mortgage Funds.
- A distinctive valuation methodology, including market rates related bandwidths, ensures participation redemptions at market prices.

## Flexibility

- Investors can make their own choice to which degree they want to invest in NHG or non-NHG mortgages.
- When investing in the ASR Separate Account Mortgage Fund, investors have even more flexibility.

## Liquidity

- Participants have the option to have (early) redemptions and coupons paid out on a monthly basis or reinvested in the fund.
- Redemptions and mortgage interest received will be allocated for redemption of participations in case of outflow.

## Return

- Extremely low loss rates (<0.01%) due to dedicated internal acceptance and arrears management performed by a.s.r. Life.
- Realization of higher mortgage rates due to direct contact with intermediaries instead of service parties.





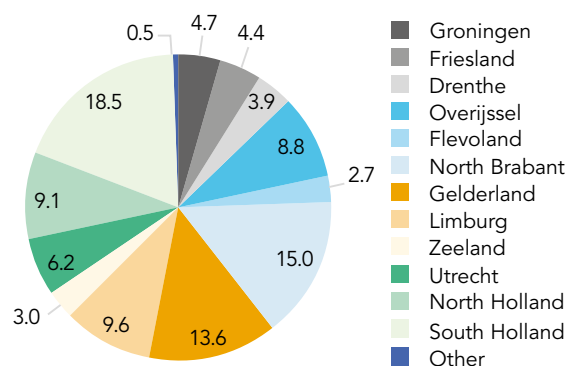
# Portfolio characteristics ASR Mortgage Fund NHG Subfund\*

ASR Mortgage Fund	NHG Subfund
Currency	EUR
Fund assets under management	1.749.385.000
Number of mortgages loans	8,736
Number of mortgage loan parts	16,818
Duration	8.3
% NHG loans	99.6%

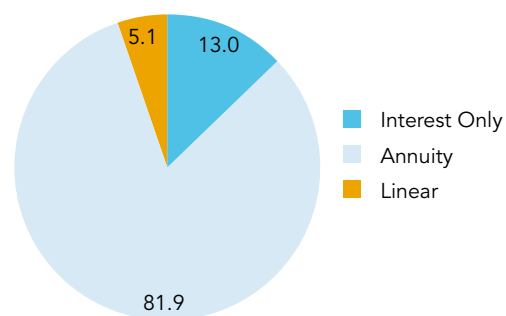
ASR Mortgage Fund	NHG Subfund
Weighted average coupon	2.05%
Weighted average swap spread	1.65%
Weighted average yield	1.37%
Weighted average CLTOMV	89.0%
Weighted average CLTIMV	81.2%
Weighted average loan to income	2.5-4.5

Return (end of December '20)		
	Fund	Index**
1 month	0.58%	0.02%
3 months	1.31%	0.20%
YTD	3.51%	3.84%
Since start	18.13%	14.97%

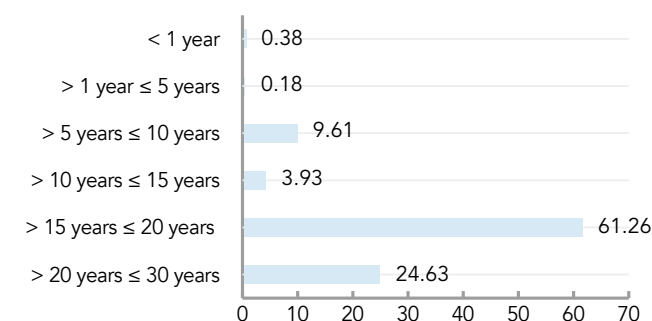
Geographical distribution in %



Mortgage type distribution in %



Distribution of remaining interest fixed rate period in %



\* All figures as of December 31, 2020

\*\* This index is made up of a basket of Merrill Lynch swap indices, with a duration equal to the expected duration per sub-fund, rebalanced on a monthly basis.

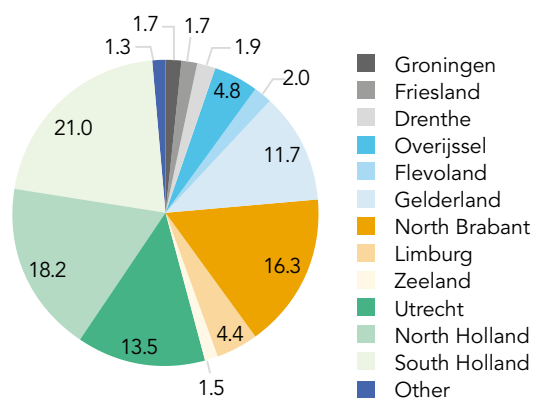
# Portfolio characteristics ASR Mortgage Fund non-NHG Subfund\*

ASR Mortgage Fund	non-NHG Subfund
Currency	EUR
Fund assets under management	4.492.826.000
Number of mortgages loans	13,709
Number of mortgage loan parts	35,373
Duration	8.3
% non-NHG loans	100%

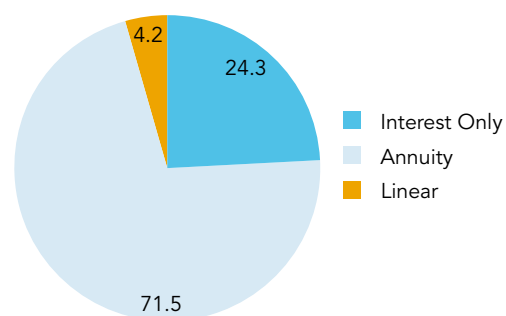
ASR Mortgage Fund	non-NHG Subfund
Weighted average coupon	2.30%
Weighted average swap spread	2.08%
Weighted average yield	1.80%
Weighted average CLTOMV	85.1%
Weighted average CLTIMV	78.1%
Weighted average loan to income	2.5-5.0

Return (end of December '20)		
	Fund	Index**
1 month	0.38%	0.02%
3 months	1.09%	0.20%
YTD	2.16%	3.70%
Since start	16.54%	14.56%

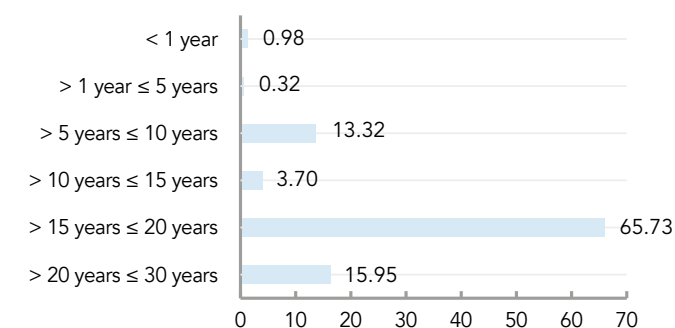
Geographical distribution in %



Mortgage type distribution in %



Distribution of remaining interest fixed rate period in %



\* All figures as of December 30, 2020

\*\* This index is made up of a basket of Merrill Lynch swap indices, with a duration equal to the expected duration per sub-fund, rebalanced on a monthly basis.

# 1 strategy - 2 funds to leverage on a.s.r.'s experience and reputation

Fund	ASR Mortgage Fund NHG Subfund	ASR Mortgage Fund non-NHG Subfund	ASR Separate Account Mortgage Fund
<b>Assets under Management</b>	EUR > 1.9 bn incl. commitments	EUR >5.0 uncl. commitments	EUR >1.2 bn incl. commitments
<b>Fiscal structure and legislation</b>	Fund for joint account, open ended, tax transparent and subject to EU-AIFMD	Fund for joint account, open ended, tax transparent and subject to EU-AIFMD	Fund for joint account, open ended, tax transparent and subject to EU-AIFMD
<b>Regulation</b>	The Fund Manager has a license to manage alternative investment funds as referred to in the AIFMD. Under this license, the Fund Manager is subject to ongoing supervision by the Netherlands Authority for the Financial Markets (AFM) and the Dutch Central Bank (DNB).		
<b>Benchmark</b>	Absolute return, high stable direct income objective	Absolute return, high stable direct income objective	Absolute return, high stable direct income objective
<b>Inception date</b>	June 2017	March 2017	February 2020
<b>Currency</b>	EUR	EUR	EUR
<b>Portfolio Criteria</b>	Invests in a vertical slice of recently originated a.s.r. WelThuis mortgages with NHG guarantee: <ul style="list-style-type: none"> <li>- Originated in line with Dutch Code of Conduct</li> <li>- In line with a.s.r. eligibility criteria</li> <li>- No staff loans</li> <li>- Maximum LTV 100%. Maximum 106% in case of energy saving measures</li> </ul>		Invests in a slice of recently originated a.s.r. WelThuis mortgages: <ul style="list-style-type: none"> <li>- Originated in line with Dutch Code of Conduct</li> <li>- In line with a.s.r. eligibility criteria to assure alignment</li> <li>- Tailored to individual investor's interest, e.g. NHG/non-NHG, LTV and maturity</li> <li>- No staff loans</li> <li>- Maximum LTV 100%. Maximum 106% in case of energy saving measures</li> </ul>
<b>ESG</b>	<ul style="list-style-type: none"> <li>- In line with a.s.r.'s leading and widely recognized sustainability policy</li> <li>- Front runner in ESG mortgage proposition</li> <li>- In-house special servicing with strong focus on social aspects</li> </ul>		



## Experienced mortgage team

**Rutger Brascamp, Fund Director ASR Mortgage Funds**

After finishing his Business Economics studies at Groningen University, he started his career in 1992 at Rabobank and worked as Fixed Income Debt originator and structured sales. In 2000 he joined Stad Rotterdam Insurances as Head of Fixed Income and Funding. Stad Rotterdam then became a.s.r. where he then held various positions, including Head of Illiquid Assets and CFRO a.s.r. Mortgages and a.s.r. Bank. Since 2017 Rutger is Head of Mortgage Investments and Director of the ASR Mortgage Fund.

**Jaap-Jan Wildeboer, Senior Operations Officer**

Mr. Wildeboer started his career in 2000 at ING Bank Securities Services and worked for ABN AMRO Bank and ABN AMRO Pension Fund as well. Mr. Wildeboer joined a.s.r. asset management in 2016 and was involved with the mortgage fund from the start. Mr. Wildeboer holds a bachelor degree in Business Economics and is a Registered Treasurer.

**Pieter Plaizier, Senior Portfolio Manager ASR Mortgage Funds**

Mr. Plaizier is senior portfolio manager for the ASR Mortgage Funds and was involved in setting up the funds. Before joining a.s.r. asset management, Mr. Plaizier worked for Solid Mortgages, a startup company involved in funding, originating and servicing mortgage loans. Solid Mortgages was acquired by a.s.r. in 2013. Prior to this, Mr. Plaizier held positions at, amongst other, Leaseplan as Manager Securitization and Risk Manager at ABN AMRO Bank. He studied Business Administration and holds a Master of Science degree in Finance.

**Marc Baars, Senior Reporting Officer**

Mr. Baars is senior reporting officer at a.s.r. asset management. He joined a.s.r. in 2016. Prior to joining a.s.r., he was Fund Controller at Syntrus Achmea and started his career at EY and held various positions, amongst other as audit manager. Mr. Baars holds a Master degree in Financial Economics and a Post Master as certified accountant.

**Saskia Goedhart, Fund Manager ASR Mortgage Funds**

Ms. Goedhart is the fund manager for the ASR Mortgage Funds and joined a.s.r. asset management in April 2019. Ms. Goedhart started working at a.s.r. in 2007 at the Marketing Intelligence department. Since 2015 she held various managerial positions at the a.s.r. Mortgage department. Before joining a.s.r., she was a research director at Motivaction, a full service market research agency. Ms. Goedhart holds a Master degree in Leisure studies from Tilburg University.

**Finbar Eggens, Senior Financial Risk Expert**

Mr. Eggens started his career in 2008 at MN Services, one of the largest Dutch pension services providers. He held various risk management related positions before joining a.s.r. asset management in 2016. Mr. Eggens holds a bachelor degree in Business Economics, is a certified Chartered Alternative Investment Analyst and a certified Financial Risk Manager.

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