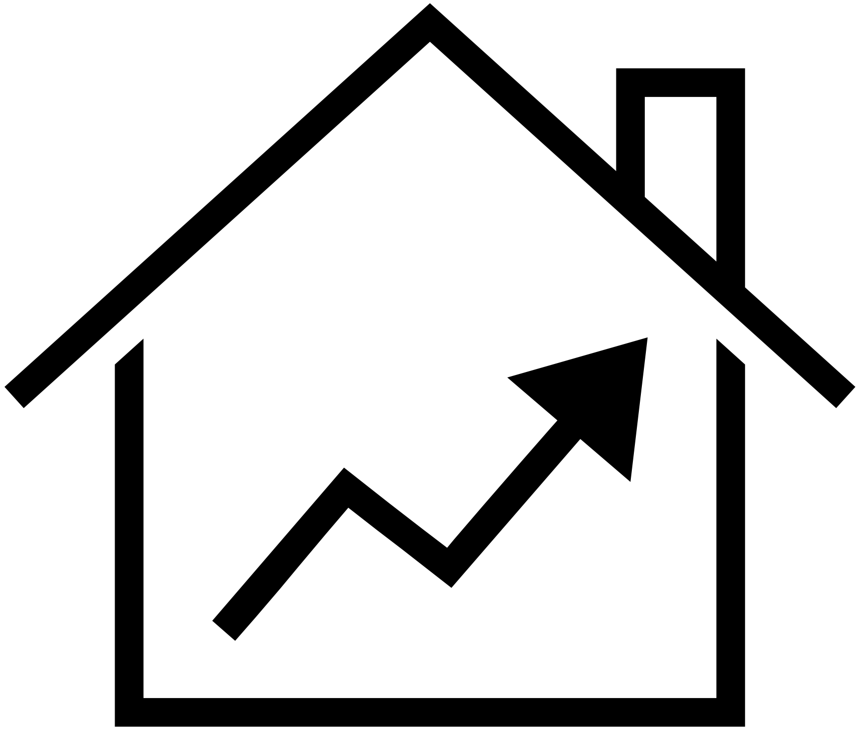
a.s.r.
asset
management



ASR Mortgage Fund

Annual Report 2019

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General information

Supervisory Board
Mr. B. Vliegenthart (chairman)
Mr. R.M.W.J. Beetsma
Mr. O.J. Labe

Office address of the Manager
ASR Vermogensbeheer N.V.
Archimedeslaan 10
3584 BA Utrecht
Website: www.asrvermogensbeheer.nl
Commercial Register of the Chamber of Commerce in Utrecht, number 30227237

Board of the Manager
Mr. J.Th.M. Julicher
Mr. M.R. Lavooi

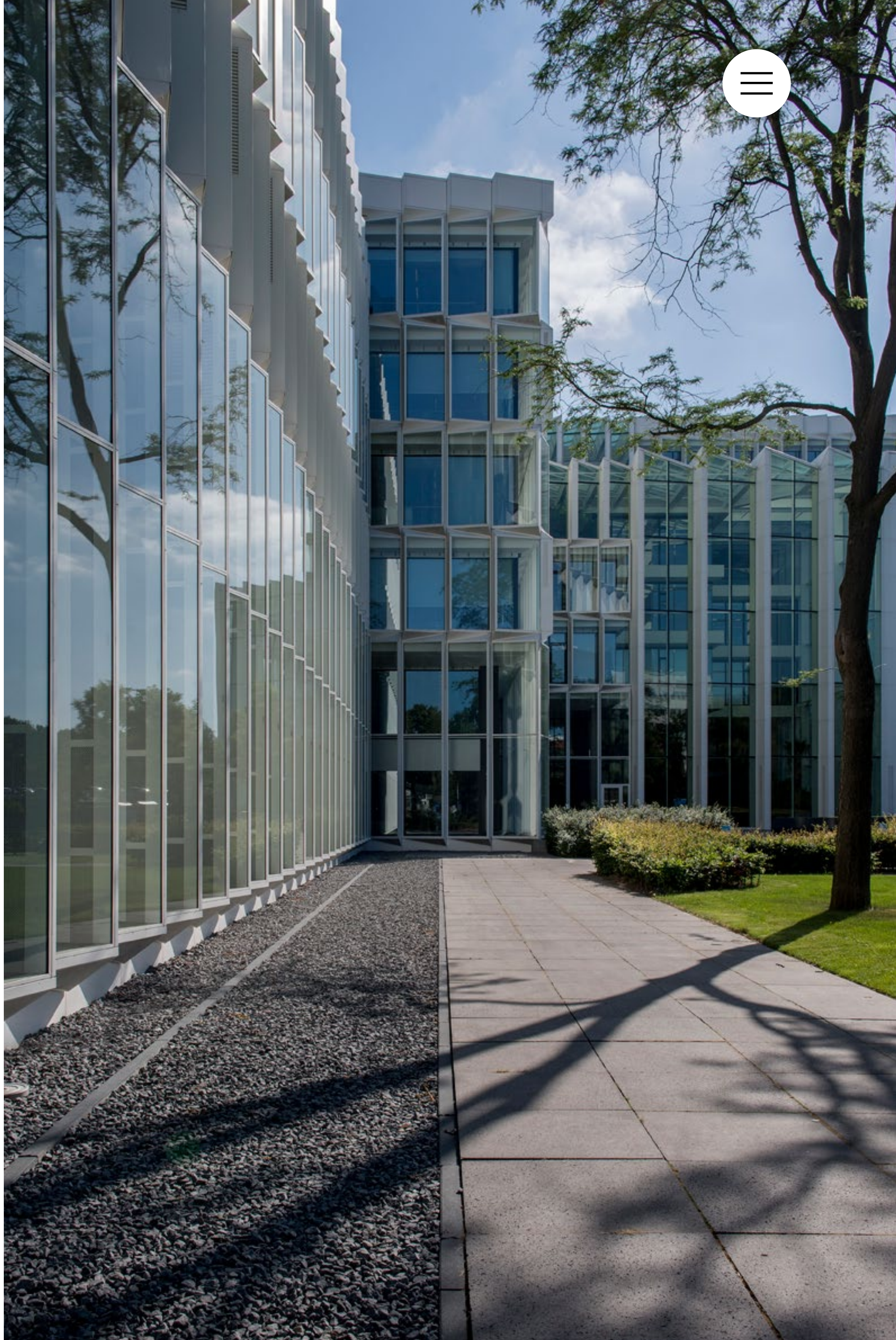
Legal owner of the investments
Stichting Juridisch Eigenaar ASR Hypotheekfonds
Archimedeslaan 10
3584 BA Utrecht

Depositary
BNP Paribas Securities Services SCA
Graadt van Roggenweg 250
3531 AH Utrecht

External Auditor
Ernst & Young Accountants LLP
Wassenaarseweg 80
2596 CZ Den Haag

Legal Advisor of the Manager
NautaDutilh N.V.
Beethovenstraat 400
1082 PR Amsterdam

Date of incorporation 17 March 2017



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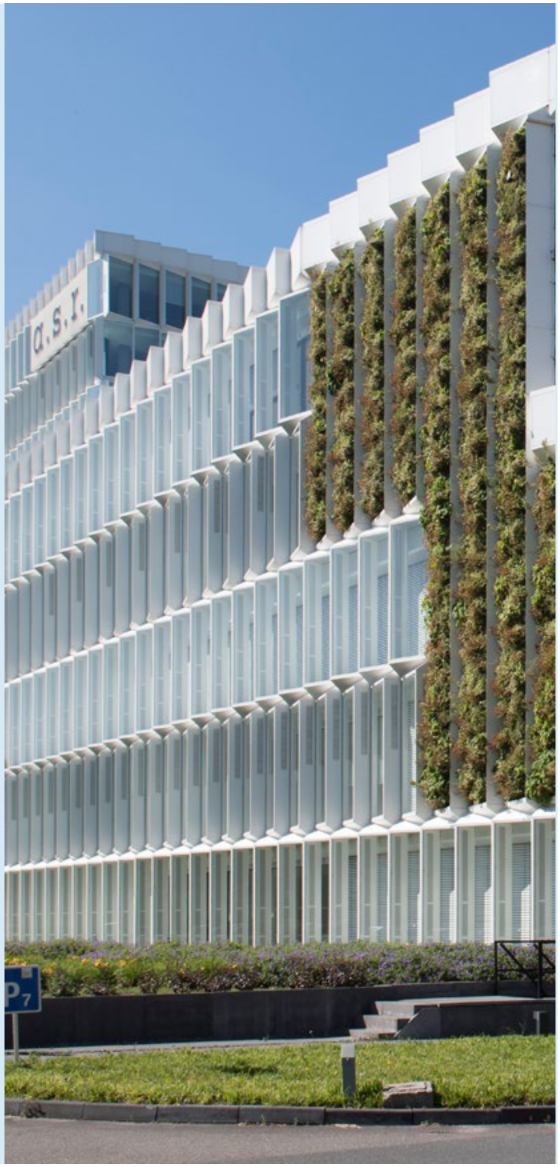


Management board's report

General

ASR Vermogensbeheer N.V. (hereinafter referred to as 'a.s.r. vermogensbeheer' or 'the Manager') is the AIF manager of the ASR Mortgage Fund (the 'Fund'). a.s.r. vermogensbeheer has its registered office in Utrecht and is listed in the Commercial Register of the Chamber of Commerce in Utrecht under number 30227237. a.s.r. vermogensbeheer is wholly owned by ASR Nederland N.V.

a.s.r. vermogensbeheer's objective is to provide investment services, manage assets and act as asset manager on behalf of third parties. a.s.r. vermogensbeheer offers asset management services for pension funds, insurers, guarantee and donor-advised funds, charitable organizations, regional authorities, healthcare and educational institutions, network companies, housing associations and other players in the social domain, with a focus on services as tailor-made solutions with a sound return. a.s.r. vermogensbeheer also offers institutional investment funds and integral management with modular elements such as ALM advice or reports for regulators. The product range consists of European corporate bonds, interest rate overlay, European government bonds, European stocks, American stocks, balanced mandates, tailored bond portfolios, mutual loans, fixed-rate index investments, real estate and mortgages. We purchase other investment categories in accordance with a.s.r.'s quality and sustainability criteria.

a.s.r. vermogensbeheer does not employ any staff members. All activities are carried out by employees of ASR Nederland N.V. on the basis of an employee loan agreement.

AIFM licence

a.s.r. vermogensbeheer holds a licence as manager of alternative investment institutions as referred to in Section 2:65 (1) (a) of the Financial Supervision Act (*Wet op het financieel toezicht*, "Wft").

Pursuant to Section 1: 102, paragraph 2, of the Wft, the scope of the licence is limited to the offering of participations in:

- investment institutions that invest in financial instruments; and
- investment institutions that invest in mortgage loans.

Under this licence, a.s.r. vermogensbeheer acts as the manager of the following alternative investment institutions: ASR Beleggingsfondsen, ASR Mixfondsen, the Luxembourg alternative investment institution ASR Fonds SICAV ('Sociéte d'investissement à Capital Variable'), ASR Hypotheekfonds, ASR Kapitaalmarktfonds, ASR Depositofonds, ASR ESG IndexPlus Institutionele Fondsen, ASR ESG IndexPlus Fondsen, ASR Duurzaam Institutioneel Nederlandse Aandelen Fonds, First Liability Matching N.V., Loyalis Global Funds and ASR Separate Account Mortgage Fund.

a.s.r. vermogensbeheer also acts as the manager of ASR Beleggingspools, ASR Vastgoed Basisfonds, ASR Amerika Aandelen Basisfonds, ASR Basisfondsen, ASR Beleggingsmixfondsen, ASR Pensioen Staatsobligatie Fonds 15+ Jaar, ASR Pensioen Staatsobligatie Fonds 10-15 Jaar, ASR Pensioen Staatsobligatie Fonds 20+ Jaar and ASR Pensioen Mixfondsen. Pursuant to Section 1:13a (1) (g) of the Wft, the management of these investment vehicles is exempt from the obligations set out in the Wft and derived regulations, and the management is therefore not subject to supervision by the Dutch Authority for the Financial Markets (AFM).

a.s.r. vermogensbeheer has been granted a licence by the Dutch Authority for the Financial Markets (AFM) to provide additional investment services to professional clients pursuant to Section 2:67a (2) (a), (b) and (d) of the Wft. The licence permits a.s.r. vermogensbeheer to provide investment services to professional clients. a.s.r. vermogensbeheer is therefore permitted to carry out asset management on behalf of third parties, including managing individual assets of pension funds, insurers, charitable foundations and government institutions. a.s.r. vermogensbeheer can also provide investment advice on financial instruments and receive and forward client orders relating to financial instruments.

Profile

Structure
The ASR Mortgage Fund (the 'Fund') is a mutual fund consisting of two Subfunds, each with their own risk profile:

- The Subfund with a Dutch National Mortgage Guarantee (NHG Subfund). This Subfund only includes mortgage loans with a national mortgage guarantee (lower risk profile);
- The Subfund without a Dutch National Mortgage Guarantee (non-NHG Subfund). This Subfund only includes mortgage loans without a national mortgage guarantee (higher risk profile).

The Fund is classified as an Alternative Investment Fund (AIF) and was established on 17 March 2017. The first participations were issued on 21 March 2017. The official name of the Fund as stated in the fund documentation is ASR Mortgage Fund. The name 'ASR Hypotheekfonds' is used in the Dutch version of the documents.

Investment philosophy of the Fund
The Fund offers investors the opportunity to invest in private residential mortgages in the Netherlands. The aim of the fund is to generate a stable and direct income stream for the participants in the long term. The Subfunds do not use benchmarks.

The Fund invests in mortgage loans recently issued in the Netherlands by ASR Levensverzekering N.V. The Fund acquires mortgages by subscribing to a cross-section of the new mortgage production. Residential homes in the Netherlands serve as collateral for the loans. All loans acquired are subject to the Fund's strict selection criteria. The main selection criteria are: right of first mortgage, a fixed-rate period longer than five years, a Loan-to-Value (LTV) ratio of maximum 100%, no savings-based mortgages and ceilings for the proportion of interest-only mortgages.

Manager and Legal Owner
The Fund has a Manager and a Legal Owner. The Manager of the Fund is a.s.r. vermogensbeheer. a.s.r. vermogensbeheer holds a licence issued by the Dutch Authority for the Financial Markets ('AFM') as referred to in Section 2:65 and 2:67a, paragraph 2(a), (b) and (d) of the Financial Supervision Act (*Wet op het financieel toezicht*).

The Legal Owner of the Fund is Stichting Juridisch Eigenaar ASR Hypotheekfonds. The Legal Owner was established on 30 June 2016 and is a foundation within the ASR Nederland group of companies. The Legal Owner has its registered office in Utrecht and is registered in the Commercial Register of the Chamber of Commerce under number 66366305.

The relationship between the Manager and the Legal Owner is set out in an agreement ('Agreement of Management and Custody'). This agreement governs the appointment of the Manager and determines the conditions under which the Manager is charged with the management of the Fund's assets

Depositary
BNP Paribas Securities Services SCA has been appointed Depositary of the ASR Mortgage Fund. The Depositary is an entity subject to regulatory supervision whose legal responsibilities include monitoring cash flows, complying with investment policy and verifying the ownership of the financial assets within the investment funds.

Alternative Investment Fund Managers Directive (AIFMD)
a.s.r. vermogensbeheer holds an AIFMD licence and meets the requirements applicable to an AIFM, a more detailed description of which can be found in the report of the Manager. These requirements include the appointment of an independent depositary and having a risk management policy, a conflict of interest policy, an outsourcing policy, a remuneration policy (see also www.asr.nl) and a fund assets valuation policy. The requirements also relate to the annual reporting and capital requirements for the Manager and the Depositary.

Supervisory Board

The Supervisory Board is responsible for supervising the Manager's policy and performance of tasks and the general state of affairs within the Fund. The Supervisory Board is also charged with supervising compliance by the Manager with the Fund Governance Code and advises the Manager. The Supervisory Board's tasks and activities are set out in the Supervisory Board regulations. In fulfilling their duties, the members of the Supervisory Board will focus on the interest of the Fund and the collective interests of all participants in the Fund.

Meetings of participants

A Meeting of Participants is held at least once a year, subject to the relevant provisions of the Information Memorandum.

In 2019, Meetings of Participants were held on 26 March and 14 November. During the first meeting of 2019, the 2018 Annual Report was discussed as well as market developments in the recent period. In the second meeting, various topics were discussed, such as the ESG (Environmental, Social and Governance) activities of a.s.r. in the field of mortgages, the a.s.r. Asset Management risk framework and the outlook for 2020. Furthermore, two proposals were voted on, one about special redemptions and another about the reduction (-0.10%) of the existing bandwidth valuation method.

Distribution of interest income

Interest income of the previous month is distributed to the Participants each month. Participants can choose to either have the income paid in cash or to reinvest the income in exchange for participations. Participations in a particular Subfund will receive an equal share of the monthly interest income of the preceding month. The Manager will determine the final distribution on the adoption of the annual report by the Meeting of Participants. The final distribution will be compared with the cumulative monthly distributions over the last year. If the annual income is higher than the monthly distributions, the remainder will be paid out. If the annual income is lower than the monthly distributions, the Participants must repay the amount overpaid.

Costs and fees

The Fund does not charge any costs for the issue and redemption of Participations.

Compensation in the event of an incorrectly calculated Net Asset Value

If the Net Asset Value of the Fund has been incorrectly calculated and the difference from the correct Net Asset Value is at least 1%, the Manager will compensate the current Participants in the Fund for any adverse effects. This compensation will only take place if the Manager identifies the incorrect calculation within thirty days after the date on which the Net Asset Value was incorrectly calculated. No such compensation took place in 2019.

Transactions with related parties

Where transactions are conducted with parties related to ASR Nederland, they will take place on the basis of conditions in line with the market. Where such transactions take place outside a regulated market, they will be carried out on an arm's length basis. If the transaction with a related party involves the issue and/or purchase of participation rights in an investment institution, the consideration will be calculated in the same way as for any other participant. In that case, an independent value assessment will not take place. The Fund is allocated mortgages produced by ASR Levensverzekering N.V. on a monthly basis according to an objective allocation method.

Available documentation

The Manager's articles of association and the Depositary's articles of association are available for inspection at the offices of the Manager. A copy of the license and of the articles of association can be obtained free of charge. Up-to-date information about the Subfunds, as well as the Information Memorandum, the annual report and the semi-annual report can be obtained from the Manager free of charge upon written request. This information will also be published on the Manager's website www.asrvermogensbeheer.nl.

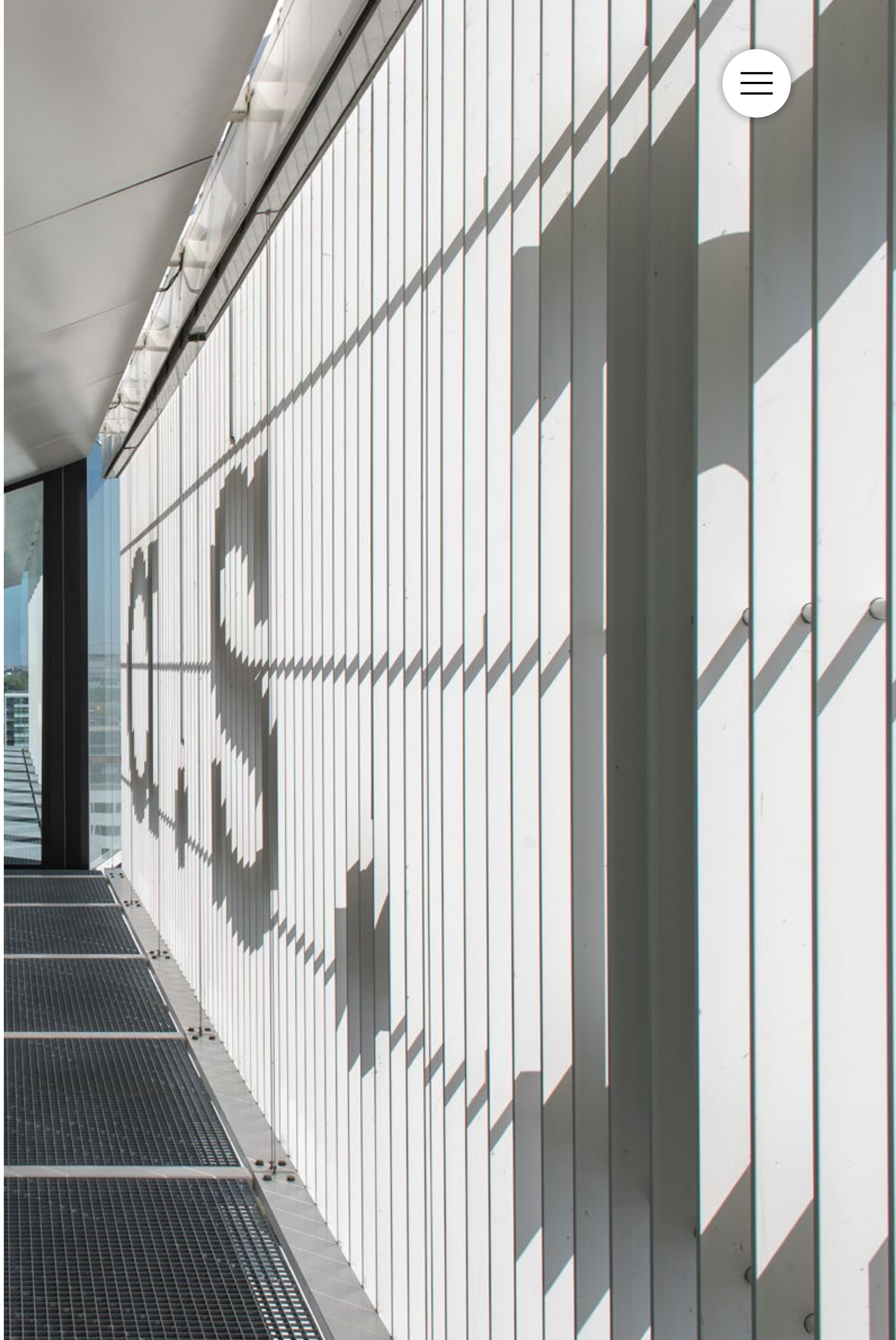
Complaints

Complaints may be submitted to the Manager in writing at the following address.

ASR Vermogensbeheer N.V.
Archimedeslaan 10
3584 BA Utrecht
The Netherlands

Specific enquiries regarding the mortgage fund can also be sent to hypotheekfonds@asr.nl.

The Manager is registered with the Netherlands Financial Services Complaints Tribunal (KiFiD).



Report of the Manager

Key figures

In 2019, the ASR Mortgage Fund Net Assets increased by €2,328 million to €4,226 million. €1,522 million of this increase was attributable to the non-NHG Subfund, and €805 million to the NHG Subfund. Further information on the Net Assets and return can be found in the Subfunds section.

Risk management

Manager's risk structure

Risk management is the continuous and systematic risk monitoring of the organization and its activities in order to consciously take risks, reduce the likelihood of risks materializing or limit the consequences of such events. The objectives are controlled and ethical business practices, compliance with the laws and regulations and to act in the interest of the Participant. The key to this is ensuring that the main risks that affect management are identified and clarified so that appropriate management measures can be taken and the effectiveness of these measures can be monitored.

In line with the AIFMD legislation (Article 80), responsibility for risk management is a separate activity within the Manager's organization. In accordance with the AIFM Directive, a distinction is made between risks relating to the funds and risks relating to the Manager's organization.

The director responsible for risk management at the Manager reports on risk management in relation to funds subject to supervision directly to the CEO (Chief Executive Officer) of ASR Nederland N.V. The management organization's risk management complies with the Risk Charter that applies within ASR Nederland N.V. In accordance with the Risk Charter, the Manager reports for the management organization's risk management to the CFO (Chief Financial Officer) of ASR Nederland N.V., via the Manager's CFRO and ASR Nederland's Finance & Risk director.

a.s.r. vermogensbeheer applies the 'Three lines of defense' model as its risk management model. This model clearly sets out the responsibilities in relation to risk management. The business units within the first line of defense are responsible for the adequate management of the risks related to the business operations in the relevant business unit. The second line of defense is responsible for implementing an integrated and effective risk management framework for the first line of defense and monitoring risk management. The second line of defense is formed at ASR Nederland N.V. level and consists of the Group Risk Management division and the Integrity division (including Compliance). The Audit division forms the third line of defense and is responsible for independently assessing the effectiveness of the risk management system, the internal control structure and the soundness of the governance structure.

Risk management

Management of the mortgages included in the Subfunds has been outsourced to servicer ASR Levensverzekering N.V. The servicer is required to comply with the management conditions set out in both the Servicing Agreement and Mortgage Receivable Purchase Agreement. The obligations set out in these agreements include the periodic submission of reports on the development of arrears and losses. Developments in these areas are monitored by means of a number of agreed restrictions. The agreements also provide for the possibility of a "right to audit", and the servicer is required to issue an annual ISAE 3402 report.

The Manager uses a system of risk management measures to ensure that the Subfunds continuously comply with the requirements set out in the Fund Conditions and in the legal frameworks.

The Subfunds are sensitive to market movements in general (market risk), as well as to fluctuations in the value of collateral, the interest rate risk, liquidity risk and credit risk. However, the maximum loss for Participants is limited to the value of the Participations they hold. The main risks involved in investing in the Fund are described in the following table. An overview of all risk factors can be found in section 9 of the Information Memorandum.

Defined risk	Explanation
Credit risk	Credit risk concerns the possibility that the borrower will fail to make timely coupon payments and mortgage repayments. This risk is managed by imposing restrictions on the maximum Loan-to-Value ratio at the time of origination and a concentration limit on the maximum concentration of interest-only mortgages. In the case of the Subfund with a national mortgage guarantee, this risk is further mitigated by the fact that the mortgages are covered by the National Mortgage Guarantee (*Nationale Hypotheek Garantie*, "NHG"). A strictly implemented acceptance and arrears policy at mortgage loan level by the servicer is essential to mitigate credit risks. Monitoring of these processes forms part of the ISAE 3402 Type II report for a.s.r. Hypotheken from the servicer ASR Levensverzekering N.V.
Counterparty risk	Counterparty risk is the risk that business will be conducted with an unreliable or uncreditworthy party. Customer due diligence procedures and measures apply for the purpose of managing this risk. The aim of these customer due diligence procedures and measures is to manage financial and/or non-financial losses resulting from the acceptance of potentially undesirable participants and transaction parties.
Concentration risk	Concentration risk is the risk that concentrations of mortgage loans with common characteristics will be held in the fund portfolio, which could have a negative impact on the fund's performance. One of the ways of mitigating concentration risk within the Subfunds is by applying a lending limit to mortgage loans (€1 million for mortgages without the National Mortgage Guarantee and the NHG lending limit for mortgages with the National Mortgage Guarantee). A geographical diversification is achieved by the fact that approximately 5,000 intermediaries throughout the country are able to provide a.s.r. mortgage loans.
Liquidity risk	Liquidity risk is the risk that the Fund will not be able to obtain the financial resources required to meet its obligations on time, and the risk that Participants will not have sufficient opportunity to withdraw from the Fund within a reasonable timeframe. The Fund invests in mortgage loans that cannot be converted into cash at short notice. Participants must submit a withdrawal request to the Manager, which the Manager is not obliged to grant. The Manager's decision will depend on the redemption requests received and/or cash available from interest and repayments received. The limited liquidity may limit the possibility, and prolong the process, of withdrawing from the fund. Participations in the Fund cannot be transferred to a third party, and can only be repurchased by the Manager depending on the available cash.
Collateral risk	Developments within the housing market in the Netherlands can potentially have a negative impact on the value of the collateral furnished for a mortgage loan. The government has taken measures to mitigate this risk in recent years, for instance by reducing the maximum permitted Loan-to-Value ratio to 100%, limiting the interest deductibility of mortgage interest for income tax purposes to annuity and linear repayment mortgage loans since 1 January 2013, by permitting the refinancing of interest-only mortgages up to a maximum of 50% of the market value of the security and reducing the interest deductibility percentage over the coming years.
Operational risk	Operational risk is the risk that errors will not be identified timely or that fraud may occur due to failing or inadequate internal processes, human error or system limitations, and unexpected external events. The Manager has a system that involves monitoring procedures, measuring defined constraints and identifying where limits have been exceeded to allow swift and appropriate action and risk mitigation. An escalation procedure is available as an additional tool for the rapid resolution of situations where limits have been exceeded. The most important processes carried out within the Manager are included in a.s.r. vermogensbeheer's ISAE 3402 Type II report.
Interest-rate risk	This risk relates to negative price trends caused by movements in the market interest rate. The fund manager has chosen not to hedge this risk within the fund.

Defined risk	Explanation
Early repayment risk	It is possible that the debtor will repay more than the mortgage debt he or she is contractually obliged to repay. If the current applicable mortgage rate is lower than the mortgage interest rate applicable to the loan in question, and the debtor repays more than the annual permitted penalty-free repayment percentage, the debtor is charged the present value of the interest rate difference to the outstanding loan amount.
Risk of anti-selection	This risk relates to the selection of mortgages that do not meet the conditions/criteria set out in the Fund's transaction documents. Portfolio Management and Risk Management respectively assess the proposed selection against the Fund's selection conditions prior to any acquisition of mortgage loans. If the outcome is positive, the acquisition is effected.
Valuation risk	Valuation risk is the risk that the mortgages within the Fund's portfolio will be incorrectly valued, resulting in an incorrect value of (the Participations in) the Fund. This risk is mitigated by valuing mortgages on the basis of a standard monthly process based on an established valuation method. The valuation method was validated by an external consultant at inception.

Table 1: main risks

The above mentioned risks did not have a significant impact on the financial position in 2019.

One of the purposes of the annual and semi-annual reports is to provide an insight into the risks that have occurred at the end of the reporting period. The best way to obtain this insight is by reviewing this risk section in conjunction with the Subfund report, which provides more detailed information on the specific portfolio risks associated with the Subfund in question.

Fund governance and policy regarding conflicts of interest (DUFAS code of conduct)

In order to provide the Participants with guarantees that the management of the Fund will be carried out in a controlled and ethical manner and that the services will be provided with due care as referred to in the Wft, the Manager has up endorsed the code of conduct drawn up by the sector organization DUFAS (Dutch Fund and Asset Management Association). This code of conduct sets out good practices relating to fund governance and offers further guidelines for the organizational structure and procedures of managers of investment institutions, with the aim of ensuring the Manager acts in the interests of the participants in its investment institutions, and structures its organizations in a way that prevents conflicts of interest.

An important part of fund governance is the presence of a Supervisory Board or entity that is sufficiently independent from the Manager and that supervises the management of the investment institutions by the Manager. This supervisory body has the task of monitoring compliance by the Manager with its obligation to act in the interests of the participants in its investment institutions.

The Manager has set out its 'principles of fund governance' in a Fund Governance Code. In addition, the Manager has drawn up a policy regarding conflicts of interest for all its activities. The principles underlying the policy are the avoidance and management of conflicts of interest that could be disadvantageous to clients of the Manager, and the equal and fair treatment of clients.

The Fund Governance Code and the conflict of interest policy can be found on the Manager's Website.

Sustainability policy

a.s.r. as a sustainable investor

Already since 2007 has a.s.r. a formally approved investment policy which is being applied to all its investments, both for own account as for third party clients. With the years a.s.r. expanded the efforts from the original exclusionary criteria to focus on achieving a positive contribution to a more sustainable world. A regular update can be found in our quarterly ESG reports on https://www.asrnl.com/about-asr/sustainable-business.

All investments managed by a.s.r. asset management are screened against the SRI policy (see www.asrnl.com), focusing on aspects such as governance, social and environmental criteria. Countries and businesses that do not meet the criteria are excluded. These include producers of controversial or offensive weapons, tobacco, and the gambling industry and companies that derive the majority of their revenues from mining of coal, tar sands and oil shale, coal-fired electricity production and nuclear energy. a.s.r. also assesses businesses on their level of compliance with international conventions such as the OECD guidelines, the UN Guiding Principles and UN Global Compact.

a.s.r. safeguarded the full compliance of its SRI policy using a three-step process: internal teams implementation (investment departments), compliance process (Risk) and independent external assurance (by Forum Ethibel). Sustainability is an essential part of a.s.r.'s investment beliefs. For a.s.r., the integration of ESG factors in the management of its investments contributes directly to the reduction of risks (both financial and reputational risks) and has a positive effect on its long-term performance. a.s.r.'s SRI policy has been integrated into its internal investment practice through:

Exclusion criteria for countries and companies

a.s.r. pursues a strict exclusion policy for controversial activities which it applies to all internally managed portfolios, both for its own account and for third parties. In 2019 this policy was expanded by tightening the policy on fossil fuels: the threshold for companies deriving revenues from coal mining and tar sands and oil shale was lowered from 30% to 20%. Companies deriving more than 50% of their revenue from coal-fired electricity production were also excluded. By the end of 2019, 270 of the screened companies had been excluded due to involvement in human rights violations, labour rights violations, environmental violations, armaments, tobacco, gambling, coal mining, coal-fired electricity generation, tar sands & oil shale and nuclear energy-related activities. With regard to investments in sovereign debt, a.s.r. has excluded 82 countries that are poor performers in the annual Freedom in the World report or which score a low ranking on the Corruption Perceptions Index or on the Environmental SDGs.

a.s.r.'s sustainable investment policy is valued

January 2019 saw the publication of the seventh policy assessment of the Fair Insurance Guide (*Eerlijke Verzekeringswijzer*, EV), an initiative by Friends of the Earth Netherlands, World Animal Protection, PAX, Oxfam Novib and Amnesty International. The aim of the EV is to make the investment policies pursued by insurance companies more sustainable and to optimise working practices. To this end, the largest providers on the Dutch market are compared in terms of sustainability. In the publication (www.eerlijkeverzekeringswijzer.nl), a.s.r. once again came out in first place overall among the insurance companies included in the survey. a.s.r. achieved the highest score of 10 for its policies on Weapons, Human Rights, Employment Rights and Food, while it earned a score of 9 for its policies on Corruption, Health, Nature, the Financial Sector, the Manufacturing Industry, and Housing and Real Estate. The rise to a 9 for Housing and Real Estate is partly due to the fact that *'ASR has a policy to improve the energy performance of the mortgage portfolio, provide green mortgage financing, monitor and publish an overview of the composition of the mortgage portfolio based on energy label, and approach customers in possession of homes with low energy labels to make them aware of the possibilities for saving on energy costs'*.

In the most recent study by the Fair Insurance Guide on investments in pharmacy by insurers (April 2019), a.s.r. was called a leader in sustainable investments in the pharmaceutical industry. It was examined whether insurers take account of affordable medicines and whether the pharmaceutical companies pay taxes fairly. In the study, a.s.r. emerged as a leader on all three criteria: the behaviour of the pharmaceutical companies in which we invest, the transparency of our own investments and engagements, and the extent to which a.s.r. invests in pharmaceutical companies that score well on the Access to Medicine Index.

Climate and energy transition

The topics of climate and energy transition have been an integral part of a.s.r.'s investment policy since 2017. In 2018, a.s.r. started to publish quarterly data on the carbon emissions of its entire investment portfolio and its individual funds. As an active participant in the Platform for Carbon Accounting Financials (PCAF), we are working with other financial institutions in the Netherlands to develop the calculation methods for all asset classes further.

Since the third quarter of 2019, a.s.r. has measured the carbon footprint of the a.s.r. mortgage portfolio. It does so using the PCAF method, according to which the footprint of 84% of the a.s.r. mortgage portfolio of the own balance sheet is determined. The provisionally calculated emission figure is based on data of Statistics Netherlands (CBS). For the first time, this figure provides insight at the portfolio level into the actual consumption of gas and electricity ('gray' or 'green') per calendar year as well as the associated CO2 emissions. For the ASR Mortgage Fund, the emission figure is 22.11 tonnes of CO2eq per EUR 1 million of nominal debt.

The a.s.r. Mortgages ESG policy

a.s.r. is keen to play a leading role in terms of ESG (Environmental, Social and Governance) policy as part of its mortgage lending.

Environmental

Through its mortgage lending activities, a.s.r. can help to reduce the carbon footprint of the urban environment. Mortgage lenders are taking part in the conversation regarding the Climate Agreement at the sector table for the Urban Environment. In consultation with the government and regulators, possibilities have been developed to offer consumers additional opportunities to include extra options in their financing arrangement to make their homes more sustainable. a.s.r. is committed to enabling mortgage clients to make their home 'greener' in two ways: by providing specific information about measures to improve the sustainability of properties and, where possible, by funding such measures. The portfolio is monitored, and clients with a low energy label will be informed based on a duty of care.

The following activities are carried out:

- An energy savings budget is offered to existing clients (pending measures from the Ministry of the Interior and Kingdom Relations to achieve easy accessibility).
- In September 2019, a.s.r. introduced the a.s.r. WelThuis Sustainable Mortgage Loan. The Sustainability Mortgage Loan was first passed at the notary that same month. A Sustainable Mortgage Loan of EUR 9,000 is offered by a.s.r. as standard in every WelThuis quote. If the borrower opts for this facility, they can use it for 24 months and finance their expenditure on energy-saving measures by submitting invoices. By offering the sustainability loan as standard in every quote, a.s.r. makes an active contribution to increasing the use of existing legal options for sustainability.
- The composition and development of the portfolio is monitored on the basis of energy labels; a portfolio breakdown by energy label is included in the quarterly report of the ASR Mortgage Fund as standard.
- Since 2019, the carbon footprint of a.s.r. mortgage portfolios has been calculated.
- Existing clients with low energy labels will be actively approached with an energy savings budget. In 2019, clients who have a home with a G or F label received information about measures to improve the sustainability of their property. In 2020, clients with labels from E to B will be approached. Clients will be actively approached in order to raise awareness of the options for savings on energy costs and the risks to clients associated with rising energy costs.
- Functionality is developed in the client portal such that clients who want to make early repayments become aware of the options to make their home more energy efficient.

All these possibilities are part of the a.s.r. product range intended as to enhance the sustainability of the product and a.s.r. does not charge any additional costs for these services.

a.s.r. monitors the composition of the portfolio based on energy labels once a quarter. Figure 1 shows the composition of each Subfund as at year-end:

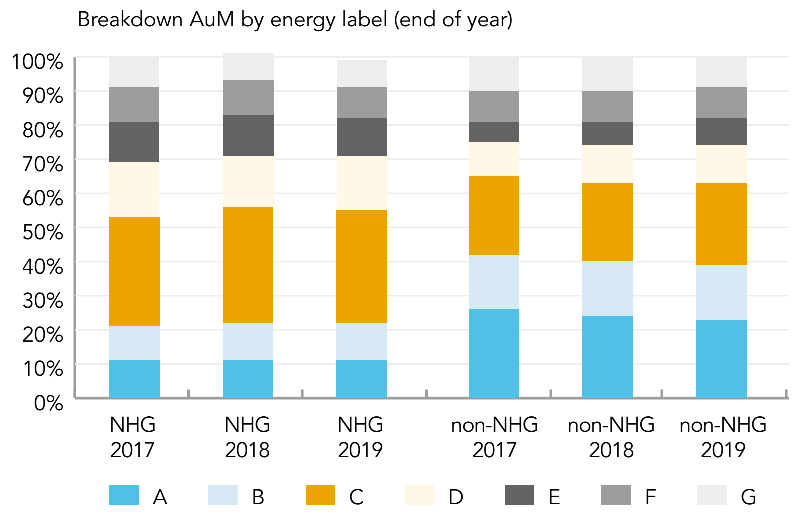


Figure 1: breakdown of the portfolios of the Subfunds and The Netherlands by energy label

The graph shows the distribution of energy labels per Subfund. While the difference between NHG and non-NHG is striking, it is in accordance with the national ratio between NHG and non-NHG. Furthermore, the differences in time are limited. The reason is that there is no incentive for homeowners to change their label during the period when they live in the home, even if they implement sustainability measures. A definitive energy rating is only required when the property is sold. Of course, there are promotions from a.s.r. during the term of the mortgage for the customer to adjust the energy label from provisional to final, in addition to the promotion of further sustainability measures for the home.

a.s.r. no longer sends paper-based statements in principle, unless requested to do so by the client. Administrative tasks (deposit payments, interest rate reviews) are processed digitally wherever possible.

Social

Through its mortgage lending activities, a.s.r. plays a role in meeting our clients' housing needs. We believe it is important that homeownership remains achievable for as many people as possible. In this context, we pay special attention to clients who struggle to access the housing market. In collaboration with the government and regulators, solutions have been devised for the various groups, which a.s.r. now implements in its systems and processes.

- First-time buyers: a.s.r. introduced its first-time buyer mortgage in 2018 specifically for first-time buyers. With this option, a.s.r. gives these buyers the opportunity to finance a home for a lower monthly mortgage payment by spreading the repayments over a term of longer than 30 years. The underwriting standards for the first-time buyer mortgage are the same as for the standard 30-year WelThuis mortgage, including regular opportunities for the borrower to make higher repayments during the mortgage term. In 2019, a.s.r. positioned itself explicitly as a party for first-time buyers. Partly due to the advertising campaign, almost the full growth of the mortgage portfolio was achieved in 2019 among the target group of first-time buyers. Mortgages with a repayment term of longer than 30 years are a successful niche product for first-time buyers with a limited budget.
- Senior citizens: a.s.r. provides senior citizens who are looking to move house with the option to take part in the senior citizen scheme offered by the National Mortgage Guarantee. Under this scheme, lenders can now consider mortgage applications from consumers who are receiving the basic state pension ("AOW") or who will reach state AOW pension age in the next 10 years on the basis of actual expenditure rather than the usual financing standards.

- Preventive management: a.s.r. offers clients who are at risk of experiencing payment problems, amongst other things support in the form of:
  - Budget coaches. For clients who should be able to make their repayments based on their income but who find it difficult to do so, a budget coach can help to bring structure to their income and expenditure.
  - Job coaches. For clients who are unemployed or at risk of becoming unemployed, a.s.r. can provide a job coach.

Governance

a.s.r.'s mortgage business is a flat organization in which initiatives from the office floor are a key driver of continuous performance improvement. In a culture that centers around our client promise, we work as a team to achieve clear, measurable goals. Employees have flexible working hours and are location independent. No variable compensation schemes are included at any level, which helps to prevent potential risks of conflicting interests.

Market developments and outlook

Economic developments

There was pressure on the growth of the world economy for much of 2019 due to two main themes: one was the trade war between the US and (especially) China; the other was Brexit. The growth rate of the world economy for the whole of 2019 was ultimately about 3%. This growth rate is the lowest since 2009, at the height of the financial crisis. However, the situation today is much less dramatic than ten years ago, when the growth of the world economy stalled to a rounded 0%. In 2019, the world economy grew not much less than the average growth over the past ten years of about 3.5%.

Uncertainty about the course of the trade war was the main reason for the slowdown in the global economy over 2019. The trade war affects all the economies involved directly through a lower contribution to economic growth from exports and imports, and indirectly through a decrease in the contribution from corporate investments, which are being postponed or adjusted because of uncertainty about the next steps in the trade war.

Aside from the trade war, continued uncertainty about Brexit (particularly for the European countries and the UK itself) and increased tensions in the Middle East caused confidence in the near future to decline, especially among companies. This situation is clearly reflected in the trend in producer confidence indicators, which declined steadily worldwide in 2019. At this stage of the economic cycle, growth is mainly driven by consumer spending. In 2019, this component remained resilient. Finally, government spending also made a predominantly positive contribution to growth in 2019.

Inflation

Meanwhile, the inflation situation has not changed significantly in 2019. Both in the US and in the eurozone, headline inflation was under pressure for most of 2019, although it increased again towards the end of 2019. Core inflation (excluding volatile food and energy prices) increased slightly during the year, mainly due to increasing wage pressure. This factor played a role in both the US and the eurozone. Both headline and core inflation ended up around 2% in the US and 1.3% in the eurozone at the end of 2019.

Interest rates

For central banks, the combination of disappointing economic growth figures, heightened political risk and limited inflationary pressure prompted a remarkable turnaround in monetary policy over 2019. While the US central bank (the Fed) expected at the end of 2018 to raise interest rates in 2019, it instead cut the base rate in three steps by a total of 75 basis points during the course of the year. In the meantime, outgoing ECB President Mario Draghi increased the supply of money. In September, while the ECB lowered the interest rate only slightly (European deposit rates went from −0.4% to −0.5%), Draghi also announced that the previously discontinued 'quantitative easing' (QE) programme would be resumed, with monthly purchases of government and corporate bonds of €20 billion.

Financial markets

Considering the disappointing development of the global economy, 2019 was actually a remarkably good investment year. On balance, 2019 was indeed the best year of the past decade for many investors. However, it is important to note that part of the returns achieved in 2019 were making up for the lost ground following the mediocre investment year 2018, certainly after the markedly poor last quarter of 2018.

The general rule for investors in 2019 was that risk-taking was rewarded. Equities were the best-performing asset class, with returns around 20–30% over the year as a whole. While the US stock market was the best-performing in 2019, emerging markets and Asian equities caught up towards the end of the year.

Although government bonds (the 'safest' asset class) also yielded positive returns in 2019, they lagged behind other asset classes. Government bond yields were mainly achieved in the period up to the end of August. In this period, long-term interest rates had been falling, even resulting in negative interest rates on an ever-increasing number of government bonds. Interest rates recovered somewhat in the final months of the year.

As real estate and corporate bonds fall between equities and government bonds in terms of risk/return characteristics, they also yielded returns that were higher than those on government bonds but lower than those on equities in 2019.

Mortgages did well with returns of up to 10%. From the beginning of 2019 until approximately the last quarter of 2019, the performance of mortgage investments was clearly lagging behind the swap rate (with a comparable duration). This is not surprising, since there is a delay in adjusting mortgage interest rates to developments on the capital markets. Certainly at the beginning of 2019, interest rates fell sharply, causing performance to lag behind. However, this lag was more than compensated when swap rates started to rise significantly at the end of 2019. On balance, the NHG and non-NHG portfolios outperformed the swap rate.

Outlook for the economy and financial markets

Following a continuous deterioration for most of 2019, economic growth prospects stabilised or improved slightly towards the end of the year. Recently, inflationary pressures have also increased slightly, both in the US and in the eurozone. This combination of factors calls for a sustained 'search for yield', with higher long-term interest rates (detrimental to government bonds) and higher prices for more risky asset classes such as equities or corporate bonds.

While listed real estate can also continue to benefit from the 'search for yield' theme, it appears to be the most vulnerable asset class (after government bonds) when interest rates rise further. We expect little news from central banks in the near future, but interest rate hikes by the Fed or the ECB appear to be out of the question in 2020. As a result, holding on to cash at the current low (or even negative) interest rates is not an attractive alternative.

The most important risk factors of 2019, the trade war and Brexit, have recently been pushed into the background but are expected to reappear in 2020. The forthcoming presidential elections in the United States during the course of the year may create additional political risk as well. Another key risk factor that has recently emerged is the COVID-19 coronavirus. So far, it has proven difficult to predict the course of this virus and hence its effects on the global economy. What is already clear, however, is that the Chinese economy was hit hard during the first months of 2020 and that this situation also affects the global economy as well as the financial markets. Still, it is known from previous experience with epidemics (or even pandemics) that the consequences for the economy and the financial markets will ultimately turn out to be of a temporary nature (i.e. weeks or months instead of years). Partly due to the risk scenario of a pandemic, but also since most asset classes seem rather expensive than cheap after the excellent investment year of 2019, we do not advocate overly pronounced positions in investment portfolios on balance.

Demand for less liquid asset classes will also remain at a high level. The demand for mortgages will naturally continue, in part because of the persistently attractive spreads and the low default risk. We notice increasing demand for 'infrastructure debt' and direct loans to businesses ('private debt') as well. These investment categories generally offer similar returns to mortgages (adjusted for duration), though with a slightly shorter duration.

Developments in the Dutch Mortgage Market

Below, we discuss developments among the various stakeholders on the Dutch mortgage market (consumers and mortgage lenders), before we zoom in on the housing market and the affordability of homes. Finally, we will present our outlook for 2020.

Consumers

Development of the indicators for buyers' interest in the Dutch residential housing market, the real disposable income (net) of Dutch households and consumer confidence in the Netherlands, was largely stable once again in 2019. The real disposable income (net) of Dutch households continued to rise in 2019 for the fifth year in a row. The first three quarters of 2019 showed year-on-year growth rates of 2.3%, 2.2% and 1.7%, respectively.

During the past year, consumer confidence was relatively stable around the neutral level. This figure is based on questions to consumers regarding the economic situation in general and their views on their own financial situation. Consumer confidence is currently neutral and stable. The quarterly values of -4 (March), 0 (June), -2 (September) and -2 (December), respectively, are close to the average of -4 during the past 20 years.

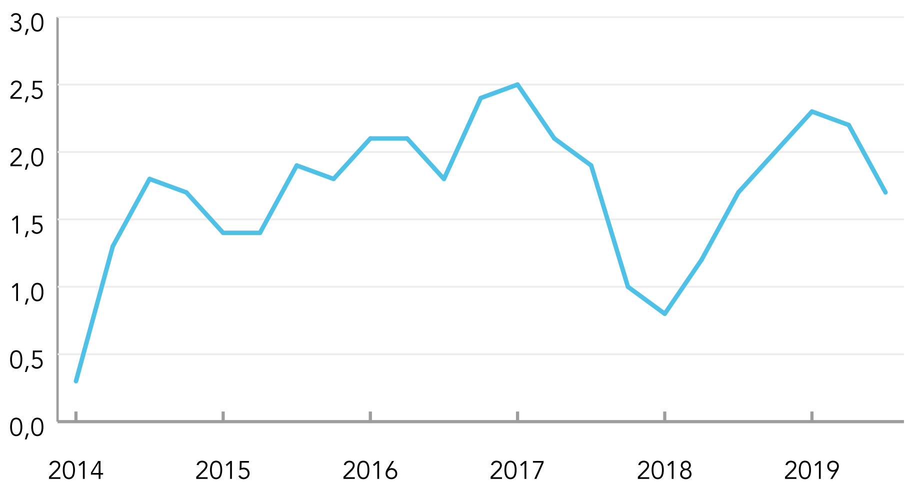


Figure 2: Percentage change of real disposable income (net) (source: CBS)

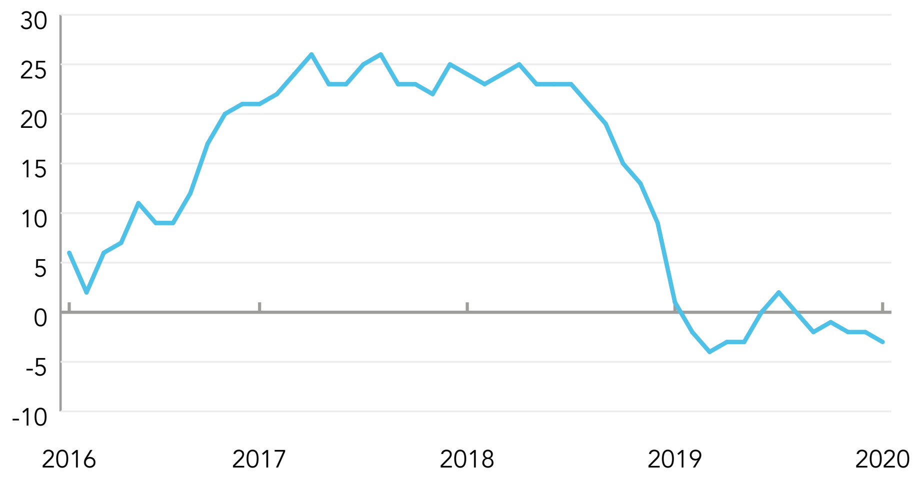


Figure 3: Consumer confidence as the average balance of the subquestions (source: CBS)

Mortgage lenders and the mortgage market

Compared with the previous year, the market share of Dutch banks has increased (30-09-2019: 65.9%; 30-09-2018: 62.1%). The insurers have almost maintained their market share (30-09-2019: 10.9%; 30-09-2018: 11.1%). The decline in market shares of mortgage funds (30-09-2019: 14.3%; 30-09-2018: 17.6%) and foreign parties (30-09-2019: 4.4%; 30-09-2018: 5.1%) underlines the strength of traditional mortgage lenders in the Netherlands.

At a.s.r. vermogensbeheer, we identify ongoing demand for the opportunities that a.s.r. vermogensbeheer offers with regard to investments in residential mortgages within the Netherlands. During the past year, we saw many new entrants as well as existing institutional investors increase their percentage of investments in prime Dutch residential mortgages. An increasing institutional foreign interest in Dutch residential mortgages can also be observed.

Residential property market

Looking at the movement in the average house price over 2019, interest in home ownership remained high. As at the end of the third quarter of 2019, the average home was worth €326,000: a rise of 6.4% (2018: 9.9%) compared to the same quarter one year ago. The graph below shows that the average Dutch house price has risen continuously since 30-06-2013.

Following decreases in 2017 and 2018, the number of transactions has stabilised. In the third quarter of 2019, 265,000 homes on annual basis were sold: a 1.8% decrease compared with the third quarter of 2018. With this regard, the concern expressed previously that high house prices in combination with the strict financing framework would bring the entire housing market to a standstill has not been borne out. It is true, however, that specific groups in the Dutch society (such as first-time buyers and average income earners with location-based work) have great difficulty in participating as buyers in the owner-occupier market.

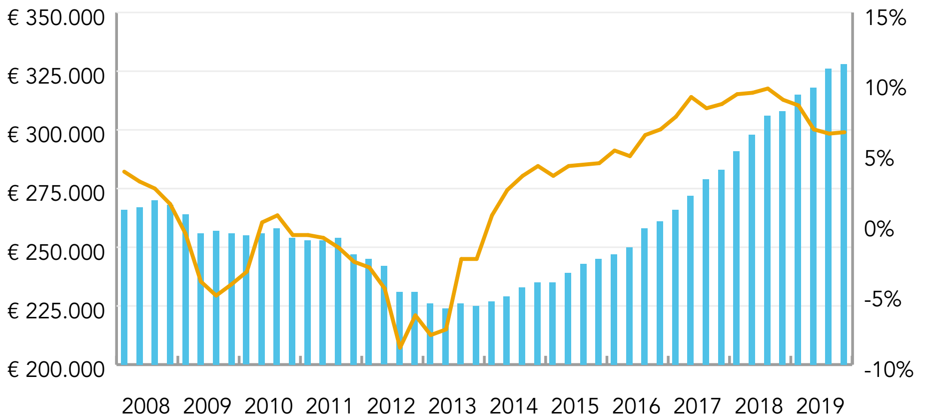


Figure 4: Average house price in the Netherlands in euros and percentage price change (source: Calcasa WOX)

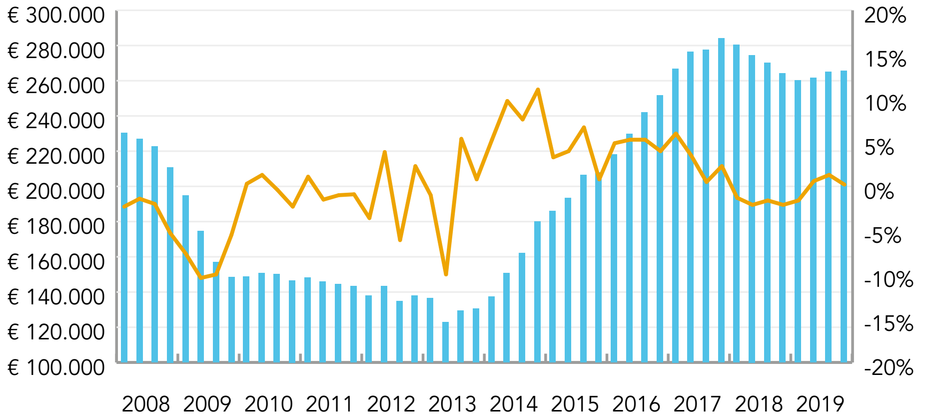


Figure 5: Number of house sales and percentage change (source: Calcasa WOX)

Mortgage affordability
The net interest costs of a mortgage have been stable for about five years at a level of around 15% of net household income. Affordability has remained the same, as rising house prices are offset by falling mortgage interest rates and – to a lesser extent – rising incomes. Since 2013, people must choose amortising forms of mortgages in order to be entitled to mortgage interest deduction. As a result, mortgage spending has risen sharply compared with the period before 2013, when many home buyers opted for an interest-only mortgage. The affordability index based on the annuity mortgage deteriorated from 29% to 33% over the past two years.
The graph below shows the aforementioned developments in the form of an 'affordability index'; i.e. the share of net household income spent on net housing costs.

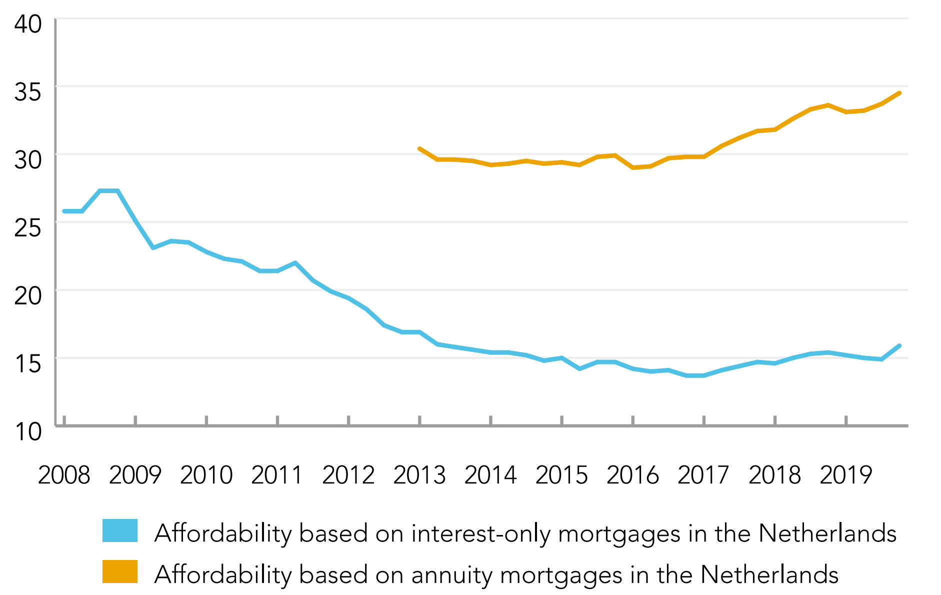


Figure 6: Affordability index in the Netherlands (as % of net monthly income) (source: Calcasa WOX)

Although net affordability remains fairly constant due to the low interest rates, it is more difficult to buy a house as a result of the new mortgage rules. Home buyers can obtain a maximum mortgage of about 4.5 times their income.
In 2013, a house within the Netherlands for a single earner with an average income was already difficult to finance, as the average house price was about 7 times the average income. In the meantime, this factor has risen further to 9 times the average income, because house prices have increased more rapidly than incomes since 2013.

Outlook for 2020
It is expected that while the rise in house prices will level off further in 2020, interest in owner-occupied dwellings will remain high. Important drivers of this trend are:
- further growth of the economy and the real income of Dutch households;
- a growing population in the Netherlands looking to buy their own home;
- rent increases and a lack of available rental properties, which do not make the rental market a real alternative to buying;
- the fact that the availability of new homes is also expected to lag behind the Dutch government's ambitions in 2020. There are several reasons for this situation, such as permit issues, the availability of qualified personnel in the construction sector, as well as – more recently – the PFAS (per- and polyfluoroalkyl substances) and nitrogen debates that are hampering the rapid growth in the number of new houses.

Factors that may limit a higher rate of increase are:
- the limitation of mortgage interest deductibility to 37% and other government measures to restrict borrowing capacity further;
- the withdrawal of specific buyer groups such as first-time buyers, who are no longer able to finance the purchase of a home within the strict financing framework;
- a decline of private and institutional interest in the purchase of a home as an investment, possibly due to specific government policies and the perception that house prices are too high compared to the expected return;
- uncertainties in relation to global economic growth.

The outlook for mortgage investors remains favorable. Given the moderately positive development of the economy, low inflation and ample availability of liquid assets to be invested, interest rates are not expected to rise sharply in the coming years. The limited increase in house prices and very limited losses on receivables (less than 0.01% on an annual basis) significantly mitigate the credit risk. Taking sufficient account of their illiquid nature, mortgage investments are therefore still an excellent alternative to low-interest investment categories such as government loans.

ASR Mortgage Fund Subfunds

Subfund with a Dutch National Mortgage Guarantee

The Subfund offers investors the opportunity to invest in residential mortgages in the Netherlands. The long-term goal of the Subfund is to generate a stable and direct income stream for its participants. Only mortgage loans with a national mortgage guarantee are included in the NHG Subfund (low risk profile).

Characteristics	Subfund with a national mortgage guarantee
All-in management fee*	0.45% of the total assets of the Subfund
Entry and exit charges	0.00% of the Net Asset Value of the Subfund

Table 2: Mortgage fund charges

* The management fee also covers costs incurred by a.s.r. vermogensbeheer in respect of mortgage lending and servicing of the mortgage portfolio.

Return and portfolio policy

The Net Assets saw a sharp increase in 2019 from €451.8 million to €1,257.2 million.

	Net Assets (x €1,000)	Subfund Returns
31-12-2019	1,257,147	8.30 %
31-12-2018	451,767	2.23 %
31-12-2017	129,752	3.07 %

Table 3: Return

Over the reporting period, the Subfund achieved a return of 8.30% based on the Net Asset Value. A key driver of the Net Asset Value movement is the movement in a.s.r. WelThuis NHG mortgage rates. Both the NHG mortgage rates and the non-NHG mortgage rates fell sharply in 2019. The reference index return for 2019 was 8.25%. The reference index for the NHG Subfund is a composite index consisting of Merrill Lynch swap indices with a similar duration to that of the expected cashflows of the NHG Subfund. The composition of the index is updated on a monthly basis according to the new duration of expected cashflows. The reference index is not a benchmark. The purpose of the reference index is to provide insight into the interest-rate sensitivity of the profitability. The 8.25% index return is slightly lower than the 8.30% annual return on the NHG Subfund.

Value movement per participation	31-12-2019	31-12-2018
Income	235.97	239.47
Changes in value	692.12	170.53
Costs	-48.07	-45.17
Result after tax	**880.02**	**364.83**

Table 4: value movement

Amounts per participation are based on the average number of participations during the financial year (24 measurement points in 2019).

Risk management:

The main portfolio-specific risks associated with the NHG Subfund are:

Concentration risk:

If multiple investments are made in the same sector, geographical area or investment category, concentrations can occur in these sectors, areas or categories resulting in a risk that this concentration will make the investment portfolio as a whole more sensitive to general and specific market movements in these sectors, areas and categories. The Subfund Manager will seek to limit the risk to the investor to an acceptable level by maintaining a certain degree of geographical diversification across the investments. There is also a large number of borrowers. A concentration limit of 25% applies to interest-only mortgages.

Mortgage portfolio by product	31-12-2019	31-12-2018
Annuity	81.04%	79.99%
Interest-only	13.46%	14.17%
Straight-line	5.51%	5.84%

Table 5: portfolio breakdown by product

Mortgage portfolio by province	31-12-2019	31-12-2018
Drenthe	4.52%	5.06%
Flevoland	2.19%	2.20%
Friesland	3.43%	3.17%
Gelderland	13.02%	13.68%
Groningen	4.80%	4.62%
Limburg	11.02%	9.62%
Noord-Brabant	13.76%	14.20%
Noord-Holland	9.50%	7.78%
Overijssel	8.28%	8.02%
Zuid-Holland	18.09%	18.78%
Utrecht	5.86%	6.29%
Zeeland	3.88%	3.36%
Other (new developments)	1.65%	3.22%

Table 6: portfolio breakdown by province

The percentages in the above tables have been calculated based on nominal loan amounts.

Credit risk:
The Subfund invests in mortgage loans that are characterized by a credit risk. The value of the mortgage loans is influenced in part by positive or negative developments in the creditworthiness of the debtor. A deterioration in creditworthiness can potentially mean that the debtor is no longer able to meet his or her obligations.

Stringent selection criteria are applied when including mortgage loans in the fund, including the Loan-to-Value ratio (maximum of 100% since 1 January 2018, maximum of 106% if it covers investments in energy-saving features) and interest-only percentage limits. Within the Subfund, credit risk is also limited by only investing in mortgage loans covered by a national mortgage guarantee. The national mortgage guarantee is a guarantee on mortgage loans for the purchase and improvement of an owner-occupied property. If the property unexpectedly needs to be sold for reasons such as divorce, unemployment or death and the proceeds are less than the mortgage debt, the Homeownership Guarantee Fund (*Waarborgfonds Eigen Woning*, WEW) will pay the remaining debt to the lender. In the context of the WEW, this remaining debt is determined on the basis of a 30-year annuity repayment schedule. The WEW is a private organization that has backstop agreements with the Dutch government and municipalities. Consequently, DNB views the national mortgage guarantee as a government guarantee. Since 1 January 2014, lenders must bear an mandatory uninsured risk of 10% of a potential loss. Where loss claims are submitted in respect of lending that has taken place, WEW calculates the excess for the lender.

The following overview shows a breakdown of the portfolio by residual debt relative to the underlying (original) market value of the security (the CLTOMV):

	31-12-2019		31-12-2018	
Current Loan-to-Original Market Value ratio (%)	CLTOMV-breakdown %	CLTOMV – weighted average per bucket (%)	CLTOMV-breakdown %	CLTOMV – weighted average per bucket (%)
0 – 10%	0.00%	-	0.00%	-
10 – 20%	0.02%	18.07%	0.02%	15.19%
20 – 30%	0.07%	25.92%	0.07%	26.23%
30 – 40%	0.29%	35.34%	0.17%	36.08%
40 – 50%	0.53%	46.37%	0.36%	45.80%
50 – 60%	1.98%	55.77%	0.76%	56.99%
60 – 70%	3.65%	65.59%	2.47%	65.79%
70 – 80%	8.06%	75.75%	6.94%	75.84%
80 – 90%	14.99%	85.56%	13.43%	85.16%
90 – 100%	66.43%	96.69%	74.71%	97.27%
More than 100%	3.98%	104.63%	1.07%	106.51%

Table 7: portfolio breakdown by Loan-to-Value ratio

The percentages in the above tables have been calculated based on nominal loan amounts. The following overview shows a breakdown of the portfolio by loan size. A national mortgage guarantee cost limit of € 290,000 applied in 2019 (2018: € 265,000).

Breakdown by remaining debt (%)	31-12-2019	31-12-2018
Less than 50.000	0.05%	0.09%
50.001 – 100.000	1.35%	1.72%
100.001 – 150.000	14.09%	16.79%
150.001 – 200.000	29.95%	33.83%
200.001 – 250.000	35.37%	40.79%
More than 250.001	19.19%	6.78%

Table 8: portfolio breakdown by remaining debt

At 31 December 2019, a provision for credit losses amounting to €38,000 has been recorded. Three loans (€383,000) had arrears of more than three months.

Interest-rate risk:
The value of the investments is sensitive to changes in the mortgage interest rate. Rising interest rates will generally lead to a fall in the value of the mortgage portfolio. The following overview shows a breakdown of the portfolio by fixed-rate term:

Breakdown by fixed-rate term (%)	31-12-2019	31-12-2018
Shorter than one year	0.27%	0.13%
Between 1 and 5 years	0.13%	0.12%
Between 5 and 10 years	11.58%	13.95%
Between 10 and 15 years	4.54%	3.51%
Between 15 and 20 years	55.29%	43.75%
Between 20 and 25 years	2.34%	2.89%
Between 25 and 30 years	25.85%	35.65%

Table 9: portfolio breakdown by fixed-rate term

The effective duration of the portfolio, taking into account moving and early repayment options, was 8.5 as at 31-12-2019 (31-12-2018: 10.2).

The following overview shows a breakdown of the portfolio by mortgage interest rate at loan level.

Breakdown by coupon %	31-12-2019	31-12-2018
Less than 1,5 %	1.23%	0.34%
1,5 % - 2,0 %	14.01%	13.25%
2,0 % - 2,5 %	54.12%	35.09%
2,5 % - 3,0 %	30.59%	51.26%
3,0 % - 3,5 %	0.05%	0.07%

Table 10: portfolio breakdown by coupon

Subfund without a Dutch National Mortgage Guarantee

The Subfund offers investors the opportunity to invest in residential mortgages in the Netherlands. The long-term goal of the Subfund is to generate a stable and direct income stream for its participants. Only mortgage loans without a national mortgage guarantee are included in the non-NHG Subfund (higher risk profile, higher return).

Characteristics	Subfund without a national mortgage guarantee
All-in management fee*	0.45% of the total assets of the Subfund
Entry and exit charges	0.00% of the Net Asset Value of the Subfund

Table 11: Mortgage fund charges

* The management fee also covers costs incurred by a.s.r. vermogensbeheer in respect of mortgage lending and servicing of the mortgage portfolio.

Return and portfolio policy

The Net Assets saw a sharp increase in 2019 from € 1.446,0 million to € 2.968,6 million.

	Net Assets (x €1,000)	Subfund Returns
31-12-2019	2,968,585	9.27 %
31-12-2018	1,446,000	1.80 %
31-12-2017	381,074	2.56 %

Table 12: return

Over the reporting period, the Subfund achieved a return of 9.27% based on the Net Asset Value. A key driver of the Net Asset Value movement is the movement in a.s.r.'s non-NHG WelThuis mortgage rates. Both the NHG mortgage rates and the non-NHG mortgage rates fell sharply in 2019. The reference index return for 2019 was 7.90%. The reference index for the non-NHG Subfund is a composite index consisting of Merrill Lynch swap indices with a similar duration to that of the expected cashflows of the non-NHG Subfund. The composition of the index is updated on a monthly basis according to the new duration of expected cashflows. The reference index is not a benchmark. The purpose of the reference index is to provide insight into the interest-rate sensitivity of the profitability. The 7.90% index return is lower than the 9.27% annual return on the non-NHG Subfund. This is mainly due to the fact that non-NHG mortgage interest rate curve fell more sharply than the swap curve in the last year.

Value movement per participation	31-12-2019	31-12-2018
Income	260.79	257.92
Changes in value	722.91	22.63
Costs	-47.25	-45.52
Result after tax	**936.45**	**235.03**

Table 13: value movement

Amounts per participation are based on the average number of participations during the financial year (24 measurement points during the year).

Risk management

The main portfolio-specific risks associated with the non-NHG Subfund are:

Concentration risk:

If multiple investments are made in the same sector, geographical area or investment category, concentrations can occur in these sectors, areas or categories resulting in a risk that this concentration will make the investment portfolio as a whole more sensitive to general and specific market movements in these sectors, areas and categories. The Subfund Manager will seek to limit the risk to the investor to an acceptable level by maintaining a certain degree of geographical diversification between the investments. There is also a large number of borrowers. A concentration limit of 50% applies to interest-only mortgages.

Mortgage portfolio by product	31-12-2019	31-12-2018
Annuity	69.65%	64.94%
Interest-only	25.67%	30.03%
Straight-line	4.68%	5.03%

Table 14: portfolio breakdown by product

Mortgage portfolio by province	31-12-2019	31-12-2018
Drenthe	2.36%	2.39%
Flevoland	1.07%	1.05%
Friesland	1.30%	1.48%
Gelderland	11.57%	12.07%
Groningen	1.63%	1.54%
Limburg	6.11%	5.21%
Noord-Brabant	15.46%	15.07%
Noord-Holland	17.76%	16.29%
Overijssel	4.99%	4.92%
Zuid-Holland	19.22%	17.92%
Utrecht	12.25%	12.06%
Zeeland	2.22%	2.41%
Other (new developments)	4.06%	7.59%

Table 15: portfolio breakdown by province

The percentages in the above tables have been calculated based on nominal loan amounts.

Credit risk:
The Subfund invests in fixed-interest securities that are characterized by a credit risk. The value of investments in fixed-interest securities is affected by positive or negative developments in the creditworthiness of the debtor. A deterioration in creditworthiness can potentially mean that the debtor is no longer able to meet his or her obligations.

Stringent selection criteria are applied when including mortgage loans in the fund, including with regard to the Loan-to-Value ratio (maximum of 100% since 1 January 2018, maximum of 106% if it covers investments in energy-saving features) and interest-only percentage limits.
The following overview shows a breakdown of the portfolio by residual debt relative to the underlying (original) market value of the security (the CLTOMV):

	31-12-2019		31-12-2018	
Current Loan-to-Original Market Value breakdown (%)	CLTOMV-breakdown %	CLTOMV – weighted average per bucket (%)	CLTOMV-breakdown %	CLTOMV – weighted average per bucket (%)
0 – 10%	0.01%	8.51%	0.01%	8.56%
10 – 20%	0.15%	16.78%	0.21%	16.86%
20 – 30%	0.34%	25.82%	0.40%	25.35%
30 – 40%	0.92%	35.62%	1.12%	35.63%
40 – 50%	1.90%	45.89%	2.40%	45.79%
50 – 60%	2.49%	55.57%	2.99%	55.23%
60 – 70%	4.27%	65.76%	3.49%	65.60%
70 – 80%	11.44%	75.85%	9.01%	76.00%
80 – 90%	19.81%	84.80%	16.54%	84.74%
90 – 100%	55.08%	96.48%	62.59%	97.30%
More than 100%	3.59%	104.28%	1.24%	103.94%

Table 16: portfolio breakdown by Loan-to-Value ratio

The percentages in the above tables have been calculated based on nominal loan amounts. The following overview shows a breakdown of the portfolio by loan size. One of the selection criteria for the Subfund is a maximum mortgage sum of €1 million.

Breakdown by remaining debt (%)	31-12-2019	31-12-2018
Less than 100,000	0.83%	1.15%
100,001 – 200,000	6.63%	7.11%
200,001 – 300,000	24.92%	28.10%
300,001 – 400,000	35.80%	32.69%
400,001 – 500,000	17.60%	15.64%
500,001 – 600,000	8.04%	8.40%
600,001 – 700,000	3.88%	3.76%
700,001 – 800,000	1.74%	2.24%
More than 800,000	0.56%	0.91%

Table 17: portfolio breakdown by remaining debt

At 31 December 2019, a provision for credit losses amounting to €8,000 has been recorded. One loan (€178,000) had arrears of more than three months.

Interest-rate risk:
The value of the investments is sensitive to changes in the market interest rate. Rising interest rates will generally lead to a fall in the value of the mortgage portfolio. The following overview shows a breakdown of the portfolio by fixed-rate term:

Breakdown by fixed-rate term (%)	31-12-2019	31-12-2018
Shorter than one year	1.07%	0.76%
Between 1 and 5 years	0.37%	0.37%
Between 5 and 10 years	17.71%	23.94%
Between 10 and 15 years	3.62%	3.82%
Between 15 and 20 years	63.15%	59.29%
Between 20 and 25 years	1.13%	0.83%
Between 25 and 30 years	12.95%	10.99%

Table 18: portfolio breakdown by fixed-rate term

The effective duration of the portfolio, taking into account moving and early re-payment options, was 8.3 as at 31-12-2019 (31-12-2018: 9.8). The following over-view shows a breakdown of the portfolio by mortgage interest rate at loan level.

Breakdown by coupon %	31-12-2019	31-12-2018
Less than 1,5 %	0.36%	0.11%
1,5 % - 2,0 %	7.12%	5.10%
2,0 % - 2,5 %	24.78%	21.60%
2,5 % - 3,0 %	56.48%	56.84%
More than 3,0 %	11.26%	16.35%

Table 19: portfolio breakdown by coupon

In Control statement

AO/IC statement

The Manager's description of its business operations meets the requirements of the Financial Supervision Act (Wet op het financieel toezicht, "Wft"). The Manager has reviewed various aspects of its business operations during the past financial year. In the course of these activities, no findings were made that would lead to the conclusion that the description of the structure of the business operations does not meet the requirements as set out in the Wft and related legislation.
The Manager has also come across no findings that indicate that the business operations do not function effectively or in accordance with the description. We therefore declare with a reasonable degree of certainty that the business operations functioned in accordance with the stated description in 2019.

The Fund's asset management is carried out by ASR Nederland N.V. staff employed by the Manager under an employee loan agreement. The Manager has issued an ISAE 3402 Type II report and has obtained an assurance report on this. This report confirms the Manager's view regarding the investment and other processes.

Utrecht, 9 March 2020

ASR Vermogensbeheer N.V.

On behalf of ASR Mortgage Fund

The management,
Mr. J.T.M. Julicher (director)
Mr. M.R. Lavooi (director)
Mr. R.S. Gokoel (CFRO)
Mr M.W. Wissels (authorized representative)

Supervisory Board Report

According to the law and its rules of procedure, the Supervisory Board is responsible for supervising the manager's policy and performance of tasks and the general state of affairs within the funds it supervises, all in the interest of the participants. The Supervisory Board also protects the interests of the participants by supervising compliance by the manager with the Fund Governance Code and advising the manager. In fulfilling its duties, the Supervisory Board focuses on the interests of the participants in the funds. The board is responsible for the quality of its own activities. Members are appointed for a term of four years and will retire periodically by rotation in accordance with a schedule to be determined by the board. The board has not set up any committees due to its size.

Composition and rotation schedule
The board's composition, organization and procedures comply with the applicable Corporate Governance Code of Conduct. The members are independent within the meaning of best practice provision III. 2.1 of this code.

The members of the Supervisory Board are Mr. B. Vliegenthart (chair), Mr. R.M.J.W. Beetsma and Mr. O. Labe.

The members have established the following rotation schedule:

December 2021	:	Mr. Vliegenthart
January 2022	:	Mr. Labe
December 2022	:	Mr. Beetsma

Members may serve on the board for a maximum of twelve years, unless the Supervisory Board decides otherwise.

Procedures
Four meetings with the manager took place in the reporting year. During the meetings in the reporting year the manager provided the board with extensive information on the features and set-up of the mortgage fund. One of the ways in which the manager prepared the topics discussed during the meetings was via monthly and quarterly reports. The board concludes that these documents provided the clear information it requested. The board also obtained extensive information on the governance structure of the mortgage fund. Open discussions have taken place with the manager regarding policy and the current situation within the mortgage fund, during which the Supervisory Board paid special attention to the following topics:

- the 2018 external audit report;
- the manager's ISAE 3402 type 2 statement;
- the 2018 annual report;
- the 2019 semi-annual report;
- self-assessment Supervisory Board;
- valuation methodology;
- feedback from participant meetings;
- creation of FGR Hypotheekfonds with segregate accounts;
- Fund Governance Code;
- performance and risk management overviews, including the complaints and incidents register.

Explanation on several topics discussed by the Supervisory Board

- The self-evaluation indicated that the tone is positive, both towards the members themselves and towards a.s.r. vermogensbeheer. During the final meeting of 2019, an addendum to the regulations was created, in which the specific resolutions to be made by the Supervisory Board on the basis of fund documentation are listed. For the ASR Mortgage Fund, there are no specific resolutions based on fund documentation.
- Explanation of the valuation method at the ASR Mortgage Fund: the Supervisory Board was extensively informed about the valuation model by means of a presentation. The topics discussed included ASR's own headline mortgage rates, the 'transfer option' in case of relocation and the option to redeem 15% annually without penalty.
- Creation of Mortgage Fund with separated accounts: Throughout the year, the Board was informed of the progress made in setting up a Mortgage Fund with separated accounts. The difference between this second fund and the ASR Mortgage Fund is that participants can invest in their own separated account rather than in a shared portfolio.

Word of thanks

We thank the manager and the staff for their professional and enthusiastic commitment towards achieving the objectives of the ASR Mortgage Fund.

Utrecht, 9 March 2020

Mr. B. Vliegenthart, chair
Mr. R.M.J.W. Beetsma
Mr. O. Labe

Financial statements 2019

Subfund with Dutch National Mortgage Guarantee

Balance sheet

Balance sheet as at 31 December 2019 (before appropriation of the result x €1,000)

Balance sheet	31-12-2019	31-12-2018	Reference
Investments			
Mortgages	1,248,549	449,155	
Total investments	**1,248,549**	**449,155**	**1**
Receivables	25,583	8,211	**2**
Other assets			
Cash	-	167	**3**
Current liabilities	-16,985	-5,766	**4**
Receivables and other assets less current liabilities	**8,598**	**2,612**	
Assets less current liabilities	**1,257,147**	**451,767**	
Issued participation capital	1,197,403	444,232	
Other reserves	-5,424	-4,432	
Unappropriated result	65,168	11,967	
Total Net Assets	**1,257,147**	**451,767**	**5**

Profit and loss account

Profit and loss account for the period from 1 January 2019 until 31 December 2019 (x € 1.000)

Profit and loss account	01-01-2019 to 31-12-2019	01-01-2018 to 31-12-2018	Reference
Investment income	17,474	7,855	**7**
Realized changes in the fair value of investments	4	-8	**8**
Unrealized changes in the fair value of investments	70,648	6,519	**8**
Other income	-19,399	-917	**9**
Total operating income	**68,727**	**13,449**	
Management fee	-3,521	-1,482	
Other expenses	-38	-	
Total operating expenses	**-3,559**	**-1,482**	**10**
Profit after tax	**65,168**	**11,967**	

Cashflow statement

Cashflow statement for the period 1 January 2019 to 31 December 2019 (x €1,000)
Prepared according to the indirect method

Cashflow statement	01-01-2019 to 31-12-2019	01-01-2018 to 31-12-2018	Reference
Total investment result	65,168	11,967	
Changes in the fair value of investments	-70,652	-6,511	1
Change in the provision for credit losses	38	-	
Acquisition of investments (-)	-769,538	-326,541	1
Sales of investments (+)	40,758	13,125	1
Increase (-)/Decrease (+) in receivables	-17,372	-4,078	2
Increase (+)/Decrease (-) in liabilities	11,219	2,137	4
Net cash flow from investment activities	**-740,379**	**-309,901**	
Issue of participations	755,431	341,896	5
Redemption of participations	-2,260	-26,043	5
Dividend payment	-12,959	-5,805	
Net cash flow from financing activities	**740,212**	**310,048**	
Movement in cash	**-167**	**147**	
Cash per January 1	167	20	3
Cash per December 31	-	167	3
Movement in cash	**-167**	**147**	

Principles of valuation and determination of results

General

The ASR Mortgage Fund ('the Fund') is a mutual fund. The Fund consists of two Subfunds with their own risk profiles:

- The Subfund with NHG (National Mortgage Guarantee). This Subfund only includes mortgage receivables with a National Mortgage Guarantee (lower risk profile). This Subfund was established on 12 May 2017;
- The Subfund without NHG (National Mortgage Guarantee). This Subfund only includes mortgage receivables without a National Mortgage Guarantee (higher risk profile). This Subfund was established on 21 March 2017.

The annual report of the Subfund is prepared in accordance with Guideline 615 'Investment Institutions' of the Dutch Accounting Standards Board, in Title 9, Book 2, of the Dutch Civil Code (Burgerlijk Wetboek, "BW") and in the Financial Supervision Act. All amounts included in the annual report are in thousands of euros, unless stated otherwise. The amounts stated in the tables are rounded figures, therefore rounding differences may occur. The Manager compiled the financial statements on 9 March 2020.

Reporting period and comparative figures

The annual report covers the period from 1 January 2019 to 31 December 2019. Prior period comparative figures relate to the period 1 January 2018 to 31 December 2018.

Foreign Currency

Transactions in foreign currency are converted at the rate of exchange on the transaction date. Assets and liabilities in foreign currency are converted into euros at the rate of exchange on the balance sheet date.

Currency differences arising from the conversion are presented in the profit and loss account under realized and unrealized changes in the fair value of investments.

No investments in foreign currency were recorded within the Fund as at 31 December 2019.

Manager

a.s.r. vermogensbeheer is the manager within the meaning of Section 1.1 of the Financial Supervision Act (Wet op het financieel toezicht, hereinafter referred to as the Wft). The fund conditions have remained unchanged. The Manager is responsible for managing the fund assets in accordance with the investment policy and performing the participant administration and financial accounts. The Manager holds a license granted by the supervisory authority in accordance with Section 2:65 (1) (a) of the Wft and is included in the register kept by the Dutch Authority for the Financial Markets (Autoriteit Financiële Markten, "AFM").

Custodian

Stichting Juridisch Eigenaar ASR Hypotheekfonds acts as the owner (the title holder) in a legal sense, in accordance with the general management and custody conditions, at the expense and risk of the Participants of the Fund. As set out in the Information Memorandum, the Foundation has been appointed as the Custodian of the Fund under the conditions of the Management and Custody Agreement.

Depositary

As set out in the Information Memorandum, the Manager appointed BNP Paribas Securities Services S.C.A. as the Depositary for the Fund. The Depositary is an entity under legal supervision whose legal duties include monitoring cash flows, compliance with the investment policy and ownership verification with regard to the financial assets of the investment funds.

Basis of preparation

An asset will be recognized in the balance sheet if it is probable that the future economic benefits will flow to the Fund and its value can be reliably determined. A liability will be recognized in the balance sheet if it is probable that its settlement can be associated with an outflow of funds and the extent of the amount can be reliably determined. The manner in which the asset management activities are structured may result in the legal ownership of an asset and/or liability, of which all or nearly all rights to the economic benefits and risks flow to the Fund, vesting with related parties.

Income is recognized in the profit and loss account if an increase in the economic potential associated with an increase in an asset or a decrease in a liability has taken place, the extent of which can be reliably determined. Expenses are recognized if a decrease in the economic potential associated with a decrease in an asset item or an increase in a liability has taken place, the extent of which can be reliably determined.

If a transaction results in (practically) all future economic benefits and risks with regard to an asset item or a liability being transferred to a third party, the asset item or the liability will no longer be recognized in the balance sheet. Furthermore, assets are no longer recognized in the balance sheet from the moment when the probability conditions of the future economic benefits and reliability of the value assessment can no longer be satisfied. A liability will no longer be recognized in the balance sheet from the moment when the probability conditions of the expected outflow of funds and reliability of the value assessment can no longer be satisfied.

Offsetting

A financial asset and a financial liability are netted and entered in the balance sheet as a net amount if there is a legal or contractual right to settle the asset item and the liability whilst being netted at the same time, and there is in addition the intention to settle the items in this manner. The interest income and interest expenses associated with the financial assets and liabilities entered as netted will also be recognized as netted.

Related party transactions

A related party is a party that can exert a predominant policy-setting influence on another party, or can exert a significant influence on the financial and business policy of the other party. Transactions with related parties are performed at rates in line with the market. The Subfund invests in Dutch mortgage receivables recently originated by ASR Levensverzekering N.V. The Fund obtains mortgages by subscribing to a cross section of new mortgage production. The mortgages are valued at the moment of acquisition at the acquisition price, being the fair value (see paragraph below for further explanation).

Investments

The Subfund invests in Dutch mortgage receivables recently originated by ASR Levensverzekering N.V. The Fund obtains mortgages by subscribing to a cross section of new mortgage production. The mortgages are valued at the moment of acquisition at the acquisition price, this being the fair value. At the moment of transfer the mortgages are not older than two months and therefore it is presumed that the fair value on the transfer date is equal to the nominal value. Mortgages which at the moment of transfer are more than two months old are valued at the actual value upon acquisition which differs from the nominal value.

At year-end the mortgages are also valued at their fair value. Unrealized and realized changes in the fair value of investments are recognized in the profit and loss account. A revaluation reserve will be created for unrealized changes in fair value, insofar as the fair value exceeds the historic cost price, for the difference between the fair value and the historic cost price.

Valuation of mortgages

The fair value of the mortgages is calculated on the basis of a Discounted Cash Flow (DCF) model. The expected cash flow profile of each individual mortgage will be determined on the basis of the fixed interest duration, the mortgage interest rate, the repayment profile and expected early repayments as a result of demographic factors (for instance relocation) which are independent of the interest rate developments. The expected cash flows are discounted at the a.s.r. day rates of the WelThuis mortgage and adjusted for optionality. The value of the mortgage-specific options are deducted from the DCF, namely (i) the relocation option (the option available to the client to take his mortgage with when relocating); this is highly dependent on the interest rate, and (ii) the early repayment option (the option available to the client to repay the mortgage early without a penalty); this option is partly driven by the interest rate and partly dependent on consumer trends, and (iii) the offer risk. No deduction for origination costs are included in the discount rate and these costs form part of the management fee (see ‘Management fee’).

The representativity of the a.s.r. day rates is validated on monthly basis with reference to the average top 10 lowest day rates as observed in the market. In case the a.s.r. day rates are outside the predetermined bandwidth compared to the average day rates, these rates will be adjusted in accordance with a fixed margin or surcharge.

For mortgages with payment arrears in excess of 90 days a provision is made amounting to the expected loss which will be deducted from the fair value of mortgages.

Cash

Bank account credit balances are stated at fair value, which is the nominal value. Cash includes current account credit balances with banks, any cash at bank and in hand and outstanding time and other deposits insofar as not included in the investments.

Other assets and liabilities

Receivables are initially stated at fair value, including transaction costs. Receivables are subsequently revalued at amortized cost based on the effective interest method, without deducting impairment losses. Provisions are determined on the basis of individual assessment of the recoverability of the receivables.

Current liabilities, accruals and deferred income are initially stated at fair value. Current liabilities, accruals and deferred income are subsequently revalued at amortized cost based on the effective interest method. If there is no premium or discount and there are no transaction costs, the amortized cost is equal to the nominal value of the debt.

Determination of result

The result is determined as the difference between the income and the expenditure. Income and expenditure are allocated to the period to which they relate. Results in foreign currencies are translated into euros at the exchange rates applicable on the transaction date.

Changes in the fair value of investments

Realized changes in value are determined by deducting the average cost price (including purchase costs) from the sales proceeds (including selling costs). Unrealized changes in value are determined by deducting the average cost price (including purchase costs) from the balance sheet value at the end of the financial year.

The realized and unrealized changes in value of investments are presented in the period to which they relate as realized or unrealized changes in the fair value of investments respectively under investment income in the profit and loss account.

The changes in fair value of mortgages are in principle always unrealized since the mortgages are held to the end of the period of maturity, with the exception of the early repayment of the mortgages by the borrower.

Any purchase and sales costs of investments are included in the cost price or deducted respectively from the sales proceeds of the respective investments and therefore form part of the changes in fair value of investments.

Income tax

The Subfund is a closed-end mutual fund and tax transparent, meaning that the fund is not tax liable for income tax and is not subject to the payment of dividend tax.

Management fee
Costs are charged to the Fund by the Manager for the management of the Fund Assets. The provisions made are transferred to the Manager on a monthly basis. The amount of the management fee for each Subfund is 0.45% on an annual basis. This management fee serves also to cover the costs which are payable by a.s.r. vermogensbeheer with regard to origination of mortgages and servicing the mortgage portfolio.

Costs on the issue and redemption of Participations
The Fund does not charge any costs on the issue and redemption of Participations. Mortgages are produced for the benefit of the new client on the basis of a commitment, therefore upon issuance of Participations the offer risk is exclusively allocated to the new Participant. The number of Participations to be issued is calculated on the basis of the fair value of the new mortgages to be purchased. The offer risk relates to the difference between the purchase value of the Participations (on the basis of the fair value of the new mortgages to be purchased) less the value of the amount paid by the new Participant. This difference is recognized under 'Other operating income'.

Cashflow statement
The cashflow statement has been prepared according to the 'indirect method', whereby a distinction is made between cash flows from investment and financing activities. Cash relates to credit balances with banks that are available on demand. In the cash flow from investment activities, the result is adjusted for costs that are not expenditure and proceeds that are not revenue.

Notes to the balance sheet and profit and loss account

1. Investments

The investments can be broken down as follows (x €1,000):

Investments	31-12-2019	31-12-2018
Mortgages	1,248,587	449,155
Provision for credit losses	-38	-
Total investments	**1,248,549**	**449,155**

The movement in investments during the reporting period was as follows (x €1,000):

Movement schedule of investments					
	Fair Value 01-01-2019	Purchases	Repayments	Revaluation	Fair Value 31-12-2019
Mortgages	449,155	769,538	-40,758	70,652	1,248,587
Total	**449,155**	**769,538**	**-40,758**	**70,652**	**1,248,587**

Movement schedule of investments					
	Fair Value 01-01-2018	Purchases	Repayments	Revaluation	Fair Value 31-12-2018
Mortgages	129,228	326,541	-13,125	6,511	449,155
Total	**129,228**	**326,541**	**-13,125**	**6,511**	**449,155**

The net present value calculation is used for the valuation of mortgages. Please refer to the principles of value calculation for the assumptions applied to this connection. At year-end 2019 the provision for credit losses amounted to €38 (31 December 2018: €0).

2. Receivables

The receivables have a term of less than one year and can be broken down as follows (x €1,000):

Receivables	31-12-2019	31-12-2018
Mortgage debtors	42	7
Amounts receivable for construction depots	16,431	5,567
Mortgage interest receivable	2,222	898
Other mortgage receivables	6,888	1.739
Total	**25,583**	**8,211**

When mortgages are purchased from ASR Levensverzekering N.V., the full amount including the construction depot will be settled. The payments from the construction depot to the borrowers are subsequently settled with the borrowers via ASR Levensverzekering N.V. The receivable of the Fund from ASR Levensverzekering N.V. is recognized as ' Construction depot amounts receivable'. Other mortgage receivables relate mostly to mortgage repayments of the preceding month.

3. Cash

Cash relates to credit balances with banks that are available on demand.

4. Current liabilities

The current liabilities all have a term of less than one year and can be broken down as follows (x €1,000):

Current liabilities	31-12-2019	31-12-2018
Due to credit institutions	-4	-
Management fee payable	-467	-171
Construction depots amounts payable	-16,431	-5,567
Other liabilities	-83	-28
Total	**-16,985**	**-5,766**

The construction depots amounts payable relate to the amounts to be settled with the borrower on account of the construction depot.

5. Issued participation capital, unappropriated result and other reserves

Multi-year overview Subfund with NHG

Net Asset Value	31-12-2019	31-12-2018	31-12-2017
Fund Net Assets (x € 1.000)	1,257,147	451,767	129,752
Number of participations	116,258	44,453	12,818
Net Asset Value in euros per participation	10,813.36	10,162.87	10,123.10

For investments for which no frequent market quotation is available, a revaluation reserve must be formed for unrealized changes in fair value – insofar as the fair value exceeds the historic cost price. As at 31 December 2019 this amounts to € 79,889 (31-12-2018: € 9,242).

The development of the subscribed participation (Unit) capital during the reporting period is as follows (x €1,000):

Issued participation capital	01-01-2019 to 31-12-2019	01-01-2018 to 31-12-2018
Balance at the start of the reporting period	444,232	128,379
Issued during the reporting period	755,431	341,896
Repaid to participants during the reporting period	-2,260	-26,043
Balance at the end of the reporting period	**1,197,403**	**444,232**

The movement in the number of participations during the reporting period was as follows:

Movement schedule of number of Participations	Number 01-01-2019	Issue	Redemp-tion	Number 31-12-2019
Subfund with NHG	44,453	72,023	-218	116,258

Movement schedule of number of Participations	Number 01-01-2018	Issue	Redemp-tion	Number 31-12-2018
Subfund with NHG	12,818	34,251	-2,616	44,453

The movement in other reserves during the reporting period was as follows (x €1,000):

Other reserves	01-01-2019 to 31-12-2019	01-01-2018 to 31-12-2018
Balance at the start of the reporting period	-4,432	-282
Addition in the reporting period	11,697	1,655
Dividend payment	-12,959	-5,805
Balance at the end of the reporting period	**-5,424**	**-4,432**

The movement in unappropriated result during the reporting period was as follows (x €1,000):

Unappropriated result	01-01-2019 to 31-12-2019	01-01-2018 to 31-12-2018
Balance at the start of the reporting period	11,967	1,655
Profit distribution in the previous financial year	-11,697	-1,655
Unappropriated result of the current financial year	65,168	11,967
Balance at the end of the reporting period	**65,168**	**11,967**

6. Contingent assets and liabilities

There are no contingent assets and liabilities

7. Investment income

The investment income can be specified as follows (x €1,000):

Investment income	01-01-2019 to 31-12-2019	01-01-2018 to 31-12-2018
Interest from mortgages	17,479	7,858
Interest from cash	-5	-3
Total	**17,474**	**7,855**

8. Changes in the fair value of investments

The realized changes in the fair value of the investments are the results from sales, including any selling costs.
The unrealized changes in the fair value of investments held include any purchasing costs.

The realized changes in the fair value of investments can be specified as follows (x €1,000):

Realized changes in the fair value of investments	01-01-2019 to 31-12-2019 (positive)	01-01-2019 to 31-12-2019 (negative)	01-01-2018 to 31-12-2018 (positive)	01-01-2018 to 31-12-2018 (negative)
Mortgages	4	-	4	-12
Total	**4**	**-**	**4**	**-12**

The unrealized changes in the fair value of investments can be broken down as follows (x €1,000):

Unrealized changes in the fair value of investments	01-01-2019 to 31-12-2019 (positive)	01-01-2019 to 31-12-2019 (negative)	01-01-2018 to 31-12-2018 (positive)	01-01-2018 to 31-12-2018 (negative)
Mortgages	71,125	-477	6,601	-82
Total	**71,125**	**-477**	**6,601**	**-82**

9. Other income

Mortgages are produced for the benefit of the reinvestment of cash or the new client on the basis of a commitment, therefore upon issuance of Participations the offer risk is exclusively allocated to the reinvesting or new Participant. The number of Participations to be issued is calculated on the basis of the fair value of the new mortgages to be purchased. The offer risk relates to the difference between the purchase value of the Participations (on the basis of the fair value of the new mortgages to be purchased) less the value of the amount paid by the new Participant. This difference is recognized under ‘Other operating income’.

10. Operating expenses

The operating expenses can be broken down as follows (x €1,000):

Operating expensest	01-01-2019 to 31-12-2019	01-01-2018 to 31-12-2018
Management fee	-3,521	-1,482
Other expenses	-38	-
Total	**-3,559**	**-1,482**

Other expenses refer to the change in the provision for credit losses.

Ongoing Charges Figure (OCF)	Information Memorandum	01-01-2019 to 31-12-2019	01-01-2018 to 31-12-2018
Subfund with NHG	0.45%	0.45%	0.45%

The Ongoing Charges Figure (OCF) includes all costs charged to the Fund in the reporting period including the management and service fee of the underlying funds and pools, excluding the interest charges, any taxes and transaction costs as a result of the acquisitions and disposals of investments which the Subfund carries out. The OCF is calculated by dividing the total costs in the reporting period by the average net asset value of the Subfund.

The average net asset value of the Fund is the sum of the net asset values divided by the number of times at which the net asset value is calculated during the reporting year. The net asset value is calculated twice a month for the mortgage fund. The number of measurement points is considered as the weighted average.

Portfolio Turnover Rate (PTR)	01-01-2019 to 31-12-2019	01-01-2018 to 31-12-2018
Subfund with NHG	6.75%	-8.63%

The Portfolio Turnover Ratio (PTR) provides an indication of the turnover rate of the investments relative to the average fund capital and is a benchmark for the degree to which an investment policy is active. For example, a turnover ratio of 200 indicates that purchase and sales transactions amounting to twice the value of the average fund capital have been executed in addition to purchase and sales transactions resulting from subscriptions and redemptions.

In the calculation used, the turnover is equal to the sum of purchases and sales of investments in the reporting period less the sum of issues and redemptions of participations. This includes all investment categories except deposits with an original term of less than one month. The PTR is determined by the turnover expressed as a percentage of the average Net Asset Value of the Subfund, calculated in the same way as when determining the OCF for the reporting period.

Related party transactions

The Subfund has the following relations with related parties:

- a.s.r. vermogensbeheer is the Manager of the Fund and charges a management fee;
- The Subfund invests in Dutch mortgage receivables recently originated by ASR Levensverzekering N.V. The Subfund obtains mortgages by subscribing to a cross section of new mortgage production. The mortgages are valued at the moment of acquisition at the acquisition price, this being the fair value. The total value of the acquisitions during the financial year is evident from the movement schedule of investments.
- Group companies of ASR Nederland participate for an amount of € 188.3 million in the Subfund with NHG (17,417 participations).

Transactions with related parties are performed at rates in line with the market.

Personnel

The Manager does not employ any personnel. As at 31 December 2019, 159 employees and 155 FTEs were subcontracted by a.s.r. vermogensbeheer pursuant to an employee loan agreement with ASR Nederland N.V. The personnel expenses, which are charged to a.s.r. vermogensbeheer consist entirely of fixed remuneration (AIFMD Article 22, paragraph 2 e). The Manager does not share in the investment performance as remuneration for the management of the investment funds and has therefore no question of 'carried interest' (the share of the profit of the Fund intended for the Manager of the Fund as remuneration for the management). The salary expenses of the Directors are included in the recharged personnel expenses.

The table below includes the total remuneration with regard to the employees loaned by the Manager (numbers according to the year-end position). Allocation of these amounts to the fund is not possible since relevant information is not available. Further information about the remuneration policy is included on the website (www.asr.nl).

Personnel costs (x € 1)	01-01-2019 to 31-12-2019	Beneficiaries
Management Board	886,997	2
Identified Staff	390,611	3
Employees	19,340,815	154
Total	**20,618,423**	**159**

Other

Entry charges, exit charges, management fees and service fees are exempt from VAT.

Profit appropriation

Following the adoption of the annual report, the profit is added to the other reserves as part of the fund assets.

Proposed dividend

Every month the Subfund pays the interest result of the previous month to the Participants, which is equal to the interest received less the interest paid and the management fee. Upon adoption of the annual report the interest result on an annual basis will be determined and following from this any surplus / deficit will be settled with the Participants.

Surplus / deficit to be settled (x €1,000)	01-01-2019 to 31-12-2019
Investment income	17,474
Management fee	-3,521
Dividend paid during the reporting period	-12,959
Dividend paid with regard to previous reporting period	733
Surplus / deficit to be settled	**1,727**

The surplus of € 1,727 relates to the interest result for December and was paid to the Participants in January.

Events subsequent to the balance sheet date

No events occurred in the period up to the preparation of this annual report that require any changes or explanatory notes to the financial statements.

SIGNING OF THE FINANCIAL STATEMENTS
Utrecht, 9 March 2020

ASR Vermogensbeheer N.V.
On behalf of Subfund with NHG

The management,

Mr. J.T.M. Julicher (director)
Mr. M.R. Lavooi (director)
Mr. R.S. Gokoel (CFRO)
Mr. M.W. Wissels (authorized representative)

Other information

Independent auditor's report

To: the participants of ASR Hypotheekfonds – Subfonds met Nationale Hypotheek Garantie and the management of ASR Vermogensbeheer N.V.

Report on the audit of the financial statements 2019 included in the annual report

Our opinion
We have audited the financial statements 2019 of ASR Hypotheekfonds – Subfonds met Nationale Hypotheek Garantie, based in Utrecht.

In our opinion the accompanying financial statements give a true and fair view of the financial position of ASR Hypotheekfonds – Subfonds met Nationale Hypotheek Garantie as at 31 December 2019, and of its result for 2019 in accordance with Part 9 of Book 2 of the Dutch Civil Code.

The financial statements comprise:
- The balance sheet as at 31 December 2019;
- The profit and loss account for 2019;
- The notes comprising a summary of the accounting policies and other explanatory information

Basis for our opinion
We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. Our responsibilities under those standards are further described in the "Our responsibilities for the audit of the financial statements" section of our report.

We are independent of ASR Hypotheekfonds – Subfonds met Nationale Hypotheek Garantie in accordance with the Wet toezicht accountantsorganisaties (Wta, Audit firms supervision act), the Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten (ViO, Code of Ethics for Professional Accountants, a regulation with respect to independence) and other relevant independence regulations in the Netherlands. Furthermore we have complied with the Verordening gedrags- en beroepsregels accountants (VGBA, Dutch Code of Ethics).

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Report on other information included in the annual report

In addition to the financial statements and our auditor's report thereon, the annual report contains other information that consists of:
- The general information;
- The management board's report;
- Other information as required by Part 9 of Book 2 of the Dutch Civil Code

Based on the following procedures performed, we conclude that the other information:
- Is consistent with the financial statements and does not contain material misstatements;
- Contains the information as required by Part 9 of Book 2 of the Dutch Civil Code.

We have read the other information. Based on our knowledge and understanding obtained through our audit of the financial statements or otherwise, we have considered whether the other information contains material misstatements. By performing these procedures, we comply with the requirements of Part 9 of Book 2 of the Dutch Civil Code and the Dutch Standard 720. The scope of the procedures performed is substantially less than the scope of those performed in our audit of the financial statements.

Management is responsible for the preparation of the other information, including the management report in accordance with Part 9 of Book 2 of the Dutch Civil Code and other information as required by Part 9 of Book 2 of the Dutch Civil Code.

Description of responsibilities for the financial statements

Responsibilities of the manager for the financial statements
ASR Vermogensbeheer N.V. as manager is responsible for the preparation and fair presentation of the financial statements in accordance with Part 9 of Book 2 of the Dutch Civil Code. Furthermore, the manager is responsible for such internal control as the manager determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

As part of the preparation of the financial statements, the manager is responsible for assessing the investment entity's ability to continue as a going concern. Based on the financial reporting framework mentioned, the manager should prepare the financial statements using the going concern basis of accounting unless the manager either intends to liquidate the investment entity or to cease operations, or has no realistic alternative but to do so. The manager should disclose events and circumstances that may cast significant doubt on the investment entity's ability to continue as a going concern in the financial statements.

Our responsibilities for the audit of the financial statements
Our objective is to plan and perform the audit engagement in a manner that allows us to obtain sufficient and appropriate audit evidence for our opinion.

Our audit has been performed with a high, but not absolute, level of assurance, which means we may not detect all material errors and fraud during our audit.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. The materiality affects the nature, timing and extent of our audit procedures and the evaluation of the effect of identified misstatements on our opinion.

We have exercised professional judgment and have maintained professional skepticism throughout the audit, in accordance with Dutch Standards on Auditing, ethical requirements and independence requirements. Our audit included among others:

- Identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud or error, designing and performing audit procedures responsive to those risks, and obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- Obtaining an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the investment entity's internal control;
- Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the manager;
- Concluding on the appropriateness of the manager's use of the going concern basis of accounting, and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going

concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause a investment entity to cease to continue as a going concern;
- Evaluating the overall presentation, structure and content of the financial statements, including the disclosures;
- Evaluating whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the manager regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant findings in internal control that we identify during our audit.

The Hague, 9 March 2020

Ernst & Young Accountants LLP

Signed by
M.J. Knijnenburg

Financial statements 2019

Subfund without Dutch National Mortgage Guarantee

Balance sheet

Balance sheet as at 31 December 2019 (before appropriation of the result x €1,000)

Balance sheet	31-12-2019	31-12-2018	Reference
Investments			
Mortgages	2,937,324	1,436,163	
Total investments	**2,937,324**	**1,436,163**	**1**
Receivables	97,920	65,483	**2**
Other assets			
Cash	1,264	928	**3**
Current liabilities	-67,923	-56,574	**4**
Receivables and other assets less current liabilities	**31,261**	**9,837**	
Assets less current liabilities	**2,968,585**	**1,446,000**	
Issued participation capital	2,811,615	1,435,645	
Other reserves	-30,008	-10,734	
Unappropriated result	186,978	21,089	
Total Net Assets	**2,968,585**	**1,446,000**	**5**

Profit and loss account

Profit and loss account for the period from 1 January 2019 until 31 December 2019 (x € 1.000)

Profit and loss account	01-01-2019 to 31-12-2019	01-01-2018 to 31-12-2018	Reference
Investment income	52,071	23,143	7
Realized changes in the fair value of investments	-	-5	8
Unrealized changes in the fair value of investments	187,111	11,864	8
Other income	-42,770	-9,828	9
Total operating income	**196,412**	**25,174**	
Management fee	-9,426	-4,085	
Other expenses	-8	-	
Total operating expenses	**-9,434**	**-4,085**	10
Profit after tax	**186,978**	**21,089**	

Cashflow statement

Cashflow statement for the period 1 January 2019 to 31 December 2019 (x €1,000)
Prepared according to the indirect method

Cashflow statement	01-01-2019 to 31-12-2019	01-01-2018 to 31-12-2018	Reference
Total investment result	186,978	21,089	
Changes in the fair value of investments	-187,111	-11,859	1
Change in the provision for credit losses	8	-	
Acquisition of investments (-)	-1,440,097	-1,089,594	1
Sales of investments (+)	126,039	44,206	1
Increase (-)/Decrease (+) in receivables	-32,437	-39,664	2
Increase (+)/Decrease (-) in liabilities	11,349	32,806	4
Net cash flow from investment activities	**-1,335,271**	**-1,043,016**	
Issue of participations	1,385,726	1,061,341	5
Redemption of participations	-9,756	-359	5
Dividend payment	-40,363	-17,145	
Net cash flow from financing activities	**1,335,607**	**1,043,837**	
Movement in cash	**336**	**821**	

Cash per January 1	928	107	3
Cash per December 31	1,264	928	3
Movement in cash	**336**	**821**	

Principles of valuation and determination of results

General
The ASR Mortgage Fund ('the Fund') is a mutual fund. The Fund consists of two Subfunds with their own risk profiles:

- The Subfund with NHG (National Mortgage Guarantee). This Subfund only includes mortgage receivables with a National Mortgage Guarantee (lower risk profile). This Subfund was established on 12 May 2017;
- The Subfund without NHG (National Mortgage Guarantee). This Subfund only includes mortgage receivables without a National Mortgage Guarantee (higher risk profile). This Subfund was established on 21 March 2017.

The annual report of the Subfund) is prepared in accordance with Guideline 615 'Investment Institutions' of the Dutch Accounting Standards Board, in Title 9, Book 2, of the Dutch Civil Code (Burgerlijk Wetboek, "BW") and in the Financial Supervision Act. All amounts included in the annual report are in thousands of euros, unless stated otherwise. The amounts stated in the tables are rounded figures, therefore rounding differences may occur. The Manager compiled the financial statements on 9 March 2020.

Reporting period and comparative figures
The annual report covers the period from 1 January 2019 to 31 December 2019. Prior period comparative figures relate to the period 1 January 2018 to 31 December 2018.

Foreign Currency
Transactions in foreign currency are converted at the rate of exchange on the transaction date. Assets and liabilities in foreign currency are converted into euros at the rate of exchange on the balance sheet date.

Currency differences arising from the conversion are presented in the profit and loss account under realized and unrealized changes in the fair value of investments.

No investments in foreign currency were recorded within the Fund as at 31 December 2019.

Manager
a.s.r. vermogensbeheer is the manager within the meaning of Section 1.1 of the Financial Supervision Act (Wet op het financieel toezicht, hereinafter referred to as the Wft). The fund conditions have remained unchanged. The Manager is responsible for managing the fund assets in accordance with the investment policy and performing the participant and financial accounts. The Manager holds a licence granted by the supervisory authority in accordance with Section 2:65 (1) (a) of the Wft and is included in the register kept by the Dutch Authority for the Financial Markets (Autoriteit Financiële Markten, AFM).

Custodian
Stichting Juridisch Eigenaar ASR Hypotheekfonds acts as the owner (the title holder) in a legal sense, in accordance with the general management and custody conditions, at the expense and risk of the Participants of the Fund. As set out in the Information Memorandum, the Foundation has been appointed as the Custodian of the Fund under the conditions of the Management and Custody Agreement.

Depositary
As set out in the Information Memorandum, the Manager appointed BNP Paribas Securities Services S.C.A. as the Depositary for the Fund. The Depositary is an entity under legal supervision whose legal duties include monitoring cash flows, compliance with the investment policy and ownership verification with regard to the financial assets of the investment funds.

Basis of preparation
An asset will be recognized in the balance sheet if it is probable that the future economic benefits will flow to the Fund and its value can be reliably determined. A liability will be recognized in the balance sheet if it is probable

that its settlement can be associated with an outflow of funds and the extent of the amount can be reliably determined. The manner in which the asset management activities are structured may result in the legal ownership of an asset and/or liability, of which all or nearly all rights to the economic benefits and risks flow to the Fund, vesting with related parties.

Income is recognized in the profit and loss account if an increase in the economic potential associated with an increase in an asset or a decrease in a liability has taken place, the extent of which can be reliably determined. Expenses are recognized if a decrease in the economic potential associated with a decrease in an asset item or an increase in a liability has taken place, the extent of which can be reliably determined.

If a transaction results in (practically) all future economic benefits and risks with regard to an asset item or a liability being transferred to a third party, the asset item or the liability will no longer be recognized in the balance sheet. Furthermore, assets are no longer recognized in the balance sheet from the moment when the probability conditions of the future economic benefits and reliability of the value assessment can no longer be satisfied. A liability will no longer be recognized in the balance sheet from the moment when the probability conditions of the expected outflow of funds and reliability of the value assessment can no longer be satisfied

Offsetting

A financial asset and a financial liability are netted and entered in the balance sheet as a net amount if there is a legal or contractual right to settle the asset item and the liability whilst being netted at the same time, and there is in addition the intention to settle the items in this manner. The interest income and interest expenses associated with the financial assets and liabilities entered as netted will also be recognized as netted.

Related party transactions

A related party is a party that can exert a predominant policy-setting influence on another party, or can exert a significant influence on the financial and business policy of the other party. Transactions with related parties are performed at rates in line with the market. The Subfund invests in Dutch mortgage receivables recently originated by ASR Levensverzekering N.V. The Fund obtains mortgages by subscribing to a cross section of new mortgage production. The mortgages are valued at the moment of acquisition at the acquisition price, being the fair value (see paragraph below for further explanation).

Investments

The Subfund invests in Dutch mortgage receivables recently originated by ASR Levensverzekering N.V. The Fund obtains mortgages by subscribing to a cross section of new mortgage production. The mortgages are valued at the moment of acquisition at the acquisition price, this being the fair value. At the moment of transfer the mortgages are not older than two months and therefore it is presumed that the fair value on the transfer date is equal to the nominal value. Mortgages which at the moment of transfer are more than two months old are valued at the actual value upon acquisition which differs from the nominal value.

At year-end the mortgages are also valued at their fair value. Unrealized and realized changes in the fair value of investments are recognized in the profit and loss account. A revaluation reserve will be created for unrealized changes in fair value, insofar as the fair value exceeds the historic cost price, for the difference between the fair value and the historic cost price.

Valuation of mortgages

The fair value of the mortgages is calculated on the basis of a Discounted Cash Flow (DCF) model. The expected cash flow profile of each individual mortgage will be determined on the basis of the fixed interest duration, the mortgage interest rate, the repayment profile and expected early repayments as a result of demographic factors (for instance relocation) which are independent of the interest rate developments. The expected cash flows are discounted at the a.s.r. day rates of the WelThuis mortgage and adjusted for optionality. The value of the mortgage-specific options are deducted from the DCF, namely (i) the relocation option (the option available to the client to take his mortgage with when relocating); this is highly dependent on the interest rate, and (ii) the early repayment option (the option available to the client to repay the mortgage early without a penalty); this option is partly driven by the interest rate and partly dependent on consumer trends, and (iii) the offer risk. No deduction for origination costs are included in the discount rate and these costs form part of the management fee (see 'Management fee').

The representativity of the a.s.r. day rates is validated on monthly basis with reference to the average top 10 lowest day rates as observed in the market. In case the a.s.r. day rates are outside the predetermined bandwidth compared to the average day rates, these rates will be adjusted in accordance with a fixed margin or surcharge.

For mortgages with payment arrears in excess of 90 days a provision is made amounting to the expected loss which will be deducted from the fair value of mortgages.

Cash

Bank account credit balances are stated at fair value, which is the nominal value. Cash includes current account credit balances with banks, any cash at bank and in hand and outstanding time and other deposits insofar as not included in the investments.

Other assets and liabilities

Receivables are initially stated at fair value, including transaction costs. Receivables are subsequently revalued at amortized cost based on the effective interest method, without deducting impairment losses. Provisions are determined on the basis of individual assessment of the recoverability of the receivables.

Current liabilities, accruals and deferred income are initially stated at fair value. Current liabilities, accruals and deferred income are subsequently revalued at amortized cost based on the effective interest method. If there is no premium or discount and there are no transaction costs, the amortized cost is equal to the nominal value of the debt.

Determination of result

The result is determined as the difference between the income and the expenditure. Income and expenditure are allocated to the period to which they relate. Results in foreign currencies are translated into euros at the exchange rates applicable on the transaction date.

Changes in the fair value of investments

Realized changes in value are determined by deducting the average cost price (including purchase costs) from the sales proceeds (including selling costs). Unrealized changes in value are determined by deducting the average cost price (including purchase costs) from the balance sheet value at the end of the financial year.

The realized and unrealized changes in value of investments are presented in the period to which they relate as realized or unrealized changes in the fair value of investments respectively under investment income in the profit and loss account.

The changes in fair value of mortgages are in principle always unrealized since the mortgages are held to the end of the period of maturity, with the exception of the early repayment of the mortgages by the borrower.

Any purchase and sales costs of investments are included in the cost price or deducted respectively from the sales proceeds of the respective investments and therefore form part of the changes in fair value of investments.

Income tax

The Subfund is a closed-end mutual fund and tax transparent, meaning that the fund is not tax liable for income tax and is not subject to the payment of dividend tax.

Management fee

Costs are charged to the Fund by the Manager for the management of the Fund Assets. The provisions made are transferred to the Manager on a monthly basis. The amount of the management fee for each Subfund is 0.45% on an annual basis. This management fee serves also to cover the costs which are payable by a.s.r. vermogensbeheer with regard to origination of mortgages and servicing the mortgage portfolio.

Costs on the issue and redemption of Participations

The Fund does not charge any costs on the issue and redemption of Participations. Mortgages are produced for the benefit of the new client on the basis of a commitment, therefore upon issuance of Participations the offer risk is exclusively allocated to the new Participant. The number of Participations to be issued is calculated on the basis of the fair value of the new mortgages to be purchased. The offer risk relates to the difference between the purchase value of the Participations (on the basis of the fair value of the new mortgages to be purchased) less the value of the amount paid by the new Participant. This difference is recognized under 'Other operating income'.

Cashflow statement

The cashflow statement has been formulated according to the so-called 'indirect method' making a distinction between cash flows from investment and financing activities. Cash relates to demand deposits held by banks. With regard to the cash flow from investment activities the result is adjusted for costs not being expenditure and income not being revenue.

Notes to the balance sheet and profit and loss account

1. Investments

The investments can be broken down as follows (x €1,000):

Investments	31-12-2019	31-12-2018
Mortgages	2,937,332	1,436,163
Provision for credit losses	-8	-
Total investments	**2,937,324**	**1,436,163**

The movement in investments during the reporting period was as follows (x €1,000):

Movement schedule of investments					
	Fair Value 01-01-2019	Purchases	Repayments	Revaluation	Fair Value 31-12-2019
Mortgages	1,436,163	1,440,097	-126,039	187,111	2,937,332
Total	**1,436,163**	**1,440,097**	**-126,039**	**187,111**	**2,937,332**

Movement schedule of investments					
	Fair Value 01-01-2018	Purchases	Repayments	Revaluation	Fair Value 31-12-2018
Mortgages	378,916	1,089,594	-44,206	11,859	1,436,163
Total	**378,916**	**1,089,594**	**-44,206**	**11,859**	**1,436,163**

The net present value calculation is used for the valuation of mortgages. Please refer to the principles of value calculation for the assumptions applied in this connection. At year-end 2019 the provision for credit losses amounted to € 8 (31 December 2018: € 0).

2. Receivables

The receivables have a term of less than one year and can be broken down as follows (x €1,000):

Receivables	31-12-2019	31-12-2018
Mortgage debtors	25	5
Amounts receivable for construction depots	66,641	55,973
Mortgage interest receivable	5,889	3,157
Other mortgage receivables	25,365	6,348
Total	**97,920**	**65,483**

When mortgages are purchased from ASR Levensverzekering N.V., the full amount including the construction depot will be settled. The payments from the construction depot to the borrowers are subsequently settled with the borrowers via ASR Levensverzekering N.V. The receivable of the Fund from ASR Levensverzekering N.V. is recognized as ' Construction depot amounts receivable'. Other mortgage receivables relate mostly to mortgage repayments of the preceding month.

3. Cash

Cash relates to credit balances with banks that are available on demand.

4. Current liabilities

The current liabilities all have a term of less than one year and can be broken down as follows (x €1,000):

Current liabilities	31-12-2019	31-12-2018
Management fee payable	-1,103	-540
Construction depots amounts payable	-66,641	-55,973
Other liabilities	-179	-61
Total	**-67,923**	**-56,574**

The construction depots amounts payable relate to the amounts to be settled with the borrower on account of the construction depot.

5. Issued participation capital, unappropriated result and other reserves

Multi-year overview Subfund without NHG

Net Asset Value	31-12-2019	31-12-2018	31-12-2017
Fund Net Assets (x € 1.000)	2,968,585	1,446,000	381,074
Number of participations	274,880	143,396	37,714
Net Asset Value in euros per participation	10,799.56	10,083.93	10,104.42

For investments for which no frequent market quotation is available, a revaluation reserve must be formed for unrealized changes in fair value – insofar as the fair value exceeds the historic cost price. As at 31 December 2019 this amounts to € 210,153 (31 December 2018: € 23,042).

The development of the subscribed participation (Unit) capital during the reporting period is as follows (x €1,000):

Issued participation capital	01-01-2019 to 31-12-2019	01-01-2018 to 31-12-2018
Balance at the start of the reporting period	1,435,645	374,663
Issued during the reporting period	1,385,726	1,061,341
Repaid to participants during the reporting period	-9,756	-359
Balance at the end of the reporting period	**2,811,615**	**1,435,645**

The movement in the number of participations during the reporting period was as follows:

Movement schedule of number of Participations	Number 01-01-2019	Issue	Redemp-tion	Number 31-12-2019
Subfund without NHG	143,396	132,441	-957	274,880

Movement schedule of number of Participations	Number 01-01-2018	Issue	Redemp-tion	Number 31-12-2018
Subfund without NHG	37,714	105,718	-36	143,396

The movement in other reserves during the reporting period was as follows (x €1,000):

Other reserves	01-01-2019 to 31-12-2019	01-01-2018 to 31-12-2018
Balance at the start of the reporting period	-10,734	-1,388
Addition in the reporting period	21,089	7,799
Dividend payment	-40,363	-17,145
Balance at the end of the reporting period	**-30,008**	**-10,734**

The movement in unappropriated result during the reporting period was as follows (x €1,000):

Unappropriated result	01-01-2019 to 31-12-2019	01-01-2018 to 31-12-2018
Balance at the start of the reporting period	21,089	7,799
Profit distribution in the previous financial year	-21,089	-7,799
Unappropriated result of the current financial year	186,978	21,089
Balance at the end of the reporting period	**186,978**	**21,089**

6. Contingent assets and liabilities
There are no contingent assets and liabilities.

7. Investment income
The investment income can be specified as follows (x €1,000):

Investment income	01-01-2019 to 31-12-2019	01-01-2018 to 31-12-2018
Interest from mortgages	52,083	23,145
Interest from cash	-12	-2
Total	**52,071**	**23,143**

8. Changes in the fair value of investments
The realized changes in the fair value of the investments are the results from sales, including any selling costs.
The unrealized changes in the fair value of investments held include any purchasing costs.

The realized changes in the fair value of investments can be specified as follows (x €1,000):

Realized changes in the value of investments	01-01-2019 to 31-12-2019 (positive)	01-01-2019 to 31-12-2019 (negative)	01-01-2018 to 31-12-2018 (positive)	01-01-2018 to 31-12-2018 (negative)
Mortgages	-	-	-	-5
Total	**-**	**-**	**-**	**-5**

The unrealized changes in the fair value of investments can be broken down as follows (x €1,000):

Unrealized changes in the fair value of investments	01-01-2019 to 31-12-2019 (positive)	01-01-2019 to 31-12-2019 (negative)	01-01-2018 to 31-12-2018 (positive)	01-01-2018 to 31-12-2018 (negative)
Mortgages	188,332	-1,221	12,347	-483
Total	**188,332**	**-1,221**	**12,347**	**-483**

9. Other income
Mortgages are produced for the benefit of the reinvestment of cash or the new client on the basis of a commitment, therefore upon issuance of Participations the offer risk is exclusively allocated to the reinvesting or new Participant. The number of Participations to be issued is calculated on the basis of the fair value of the new mortgages to be purchased. The offer risk relates to the difference between the purchase value of the Participations (on the basis of the fair value of the new mortgages to be purchased) less the value of the amount paid by the new Participant. This difference is recognized under 'Other operating income'.

10. Operating expenses

The operating expenses can be broken down as follows (x €1,000):

Operating expenses	01-01-2019 to 31-12-2019	01-01-2018 to 31-12-2018
Management fee	-9,426	-4,085
Other expenses	-8	-
Total	**-9,434**	**-4,085**

Other expenses refer to the change in the provision for credit losses.

Ongoing Charges Figure (OCF)			
	Information Memorandum	01-01-2019 to 31-12-2019	01-01-2018 to 31-12-2018
Subfund without NHG	0.45%	0.45%	0.45%

The Ongoing Charges Figure (OCF) includes all costs charged to the Fund in the reporting period including the management and service fee of the underlying funds and pools, excluding the interest charges, any taxes and transaction costs as a result of the acquisitions and disposals of investments which the Subfund carries out. The OCF is calculated by dividing the total costs in the reporting period by the average net asset value of the Subfund.

The average net asset value of the Fund is the sum of the net asset values divided by the number of times at which the net asset value is calculated during the reporting year. The net asset value is calculated twice a month for the mortgage fund. The number of measurement points is considered as the weighted average.

Portfolio Turnover Rate (PTR)		
	01-01-2019 to 31-12-2019	01-01-2018 to 31-12-2018
Subfund without NHG	8.17%	8.00%

The Portfolio Turnover Ratio (PTR) provides an indication of the turnover rate of the investments relative to the average fund capital and is a benchmark for the degree to which an investment policy is active. For example, a turnover ratio of 200 indicates that purchase and sales transactions amounting to twice the value of the average fund capital have been executed in addition to purchase and sales transactions resulting from subscriptions and redemptions.

In the calculation used, the turnover is equal to the sum of purchases and sales of investments in the reporting period less the sum of issues and redemptions of participations. This includes all investment categories except deposits with an original term of less than one month. The PTR is determined by the turnover expressed as a percentage of the average Net Asset Value of the Subfund, calculated in the same way as when determining the OCF for the reporting period.

Related party transactions

The Subfund has the following relations with related parties:

- a.s.r. vermogensbeheer is the Manager of the Fund and charges a management fee;
- The Subfund invests in Dutch mortgage receivables recently originated by ASR Levensverzekering N.V. The Subfund obtains mortgages by subscribing to a cross section of new mortgage production. The mortgages are valued at the moment of acquisition at the acquisition price, this being the fair value. The total value of the acquisitions during the financial year is evident from the movement schedule of investments.
- Group companies of ASR Nederland participate for an amount of € 380.9 million in the Subfund without NHG (35,272 participations).

Transactions with related parties are performed at rates in line with the market.

Personnel
The Manager does not employ any personnel. As at 31 December 2019, 159 employees and 155 FTEs were subcontracted by a.s.r. vermogensbeheer pursuant to an employee loan agreement with ASR Nederland N.V. The personnel expenses, which are charged to a.s.r. vermogensbeheer consist entirely of fixed remuneration (AIFMD Article 22, paragraph 2 e). The Manager does not share in the investment performance as remuneration for the management of the investment funds and has therefore no question of 'carried interest' (the share of the profit of the Fund intended for the Manager of the Fund as remuneration for the management). The salary expenses of the Directors are included in the recharged personnel expenses.

The table below includes the total remuneration with regard to the employees loaned by the Manager (numbers according to the year-end position). Allocation of these amounts to the fund is not possible since relevant information is not available. Further information about the remuneration policy is included on the website (www.asr.nl).

Personnel costs (x € 1)	01-01-2019 to 31-12-2019	Beneficiaries
Management Board	886,997	2
Identified Staff	390,611	3
Employees	19,340,815	154
Total	**20,618,423**	**159**

Other
Entry charges, exit charges, management fees and service fees are exempt from VAT.

Profit appropriation
Following the adoption of the annual report, the profit is added to the other reserves as part of the fund assets.

Proposed dividend
Every month the Subfund pays the interest result of the previous month to the Participants, which is equal to the interest received less the interest paid and the management fee. Upon adoption of the annual report the interest result on an annual basis will be determined and following from this any surplus / deficit will be settled with the Participants.

Surplus / deficit to be settled (x €1,000)	01-01-2019 to 31-12-2019
Investment income	52,071
Management fee	-9,426
Dividend paid during the reporting period	-40,363
Dividend paid with regard to previous reporting period	2,504
Surplus / deficit to be settled	**4,786**

The surplus of € 4,786 relates to the interest result for December and was paid to the Participants in January.

Events subsequent to the balance sheet date

No events occurred in the period up to the preparation of this annual report that require any changes or explanatory notes to the financial statements.

SIGNING OF THE FINANCIAL STATEMENTS
Utrecht, 9 March 2020

ASR Vermogensbeheer N.V.
On behalf of Subfund without NHG

The management,

Mr. J.T.M. Julicher (director)
Mr. M.R. Lavooi (director)
Mr. R.S. Gokoel (CFRO)
Mr. M.W. Wissels (authorized representative)

Other information

Independent auditor's report

To: the participants of ASR Hypotheekfonds – Subfonds zonder Nationale Hypotheek Garantie and the management of ASR Vermogensbeheer N.V.

Report on the audit of the financial statements 2019 included in the annual report

Our opinion

We have audited the financial statements 2019 of ASR Hypotheekfonds – Subfonds zonder Nationale Hypotheek Garantie, based in Utrecht.

In our opinion the accompanying financial statements give a true and fair view of the financial position of ASR Hypotheekfonds – Subfonds zonder Nationale Hypotheek Garantie as at 31 December 2019, and of its result for 2019 in accordance with Part 9 of Book 2 of the Dutch Civil Code.

The financial statements comprise:
- The balance sheet as at 31 December 2019;
- The profit and loss account for 2019;
- The notes comprising a summary of the accounting policies and other explanatory information

Basis for our opinion

We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. Our responsibilities under those standards are further described in the "Our responsibilities for the audit of the financial statements" section of our report.

We are independent of ASR Hypotheekfonds – Subfonds zonder Nationale Hypotheek Garantie in accordance with the Wet toezicht accountants-organisaties (Wta, Audit firms supervision act), the Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten (ViO, Code of Ethics for Professional Accountants, a regulation with respect to independence) and other relevant independence regulations in the Netherlands. Furthermore we have complied with the Verordening gedrags- en beroepsregels accountants (VGBA, Dutch Code of Ethics).

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Report on other information included in the annual report

In addition to the financial statements and our auditor's report thereon, the annual report contains other information that consists of:
- The general information;
- The management board's report;
- Other information as required by Part 9 of Book 2 of the Dutch Civil Code

Based on the following procedures performed, we conclude that the other information:
- Is consistent with the financial statements and does not contain material misstatements;
- Contains the information as required by Part 9 of Book 2 of the Dutch Civil Code.

We have read the other information. Based on our knowledge and understanding obtained through our audit of the financial statements or otherwise, we have considered whether the other information contains material misstatements. By performing these procedures, we comply with the requirements of Part 9 of Book 2 of the Dutch Civil Code and the Dutch Standard 720. The scope of the procedures performed is substantially less than the scope of those performed in our audit of the financial statements.

Management is responsible for the preparation of the other information, including the management report in accordance with Part 9 of Book 2 of the Dutch Civil Code and other information as required by Part 9 of Book 2 of the Dutch Civil Code.

Description of responsibilities for the financial statements

Responsibilities of the manager for the financial statements
ASR Vermogensbeheer N.V. as manager is responsible for the preparation and fair presentation of the financial statements in accordance with Part 9 of Book 2 of the Dutch Civil Code. Furthermore, the manager is responsible for such internal control as the manager determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

As part of the preparation of the financial statements, the manager is responsible for assessing the investment entity's ability to continue as a going concern. Based on the financial reporting framework mentioned, the manager should prepare the financial statements using the going concern basis of accounting unless the manager either intends to liquidate the investment entity or to cease operations, or has no realistic alternative but to do so. The manager should disclose events and circumstances that may cast significant doubt on the investment entity's ability to continue as a going concern in the financial statements.

Our responsibilities for the audit of the financial statements
Our objective is to plan and perform the audit engagement in a manner that allows us to obtain sufficient and appropriate audit evidence for our opinion.

Our audit has been performed with a high, but not absolute, level of assurance, which means we may not detect all material errors and fraud during our audit.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. The materiality affects the nature, timing and extent of our audit procedures and the evaluation of the effect of identified misstatements on our opinion.

We have exercised professional judgment and have maintained professional skepticism throughout the audit, in accordance with Dutch Standards on Auditing, ethical requirements and independence requirements. Our audit included among others:

- Identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud or error, designing and performing audit procedures responsive to those risks, and obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- Obtaining an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the investment entity's internal control;
- Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the manager;
- Concluding on the appropriateness of the manager's use of the going concern basis of accounting, and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause a investment entity to cease to continue as a going concern;

- Evaluating the overall presentation, structure and content of the financial statements, including the disclosures;
- Evaluating whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the manager regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant findings in internal control that we identify during our audit.

The Hague, 9 March 2020

Ernst & Young Accountants LLP

Signed by
M.J. Knijnenburg

ASR Vermogensbeheer N.V.
Archimedeslaan 10
3584 BA Utrecht

www.asrvermogensbeheer.nl