

# ASR Mortgage Fund

Semi-annual report 2020

## 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](http://www.asrvermogensbeheer.nl)

Commercial Register of the Chamber of Commerce in Utrecht, number 30227237

### Legal owner of the investments

Stichting Juridisch Eigenaar ASR Hypotheekfonds  
Archimedeslaan 10  
3584 BA Utrecht

### Depository

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

### External Auditor

KPMG Accountants N.V.  
Papendorpseweg 83  
3528 BJ Utrecht

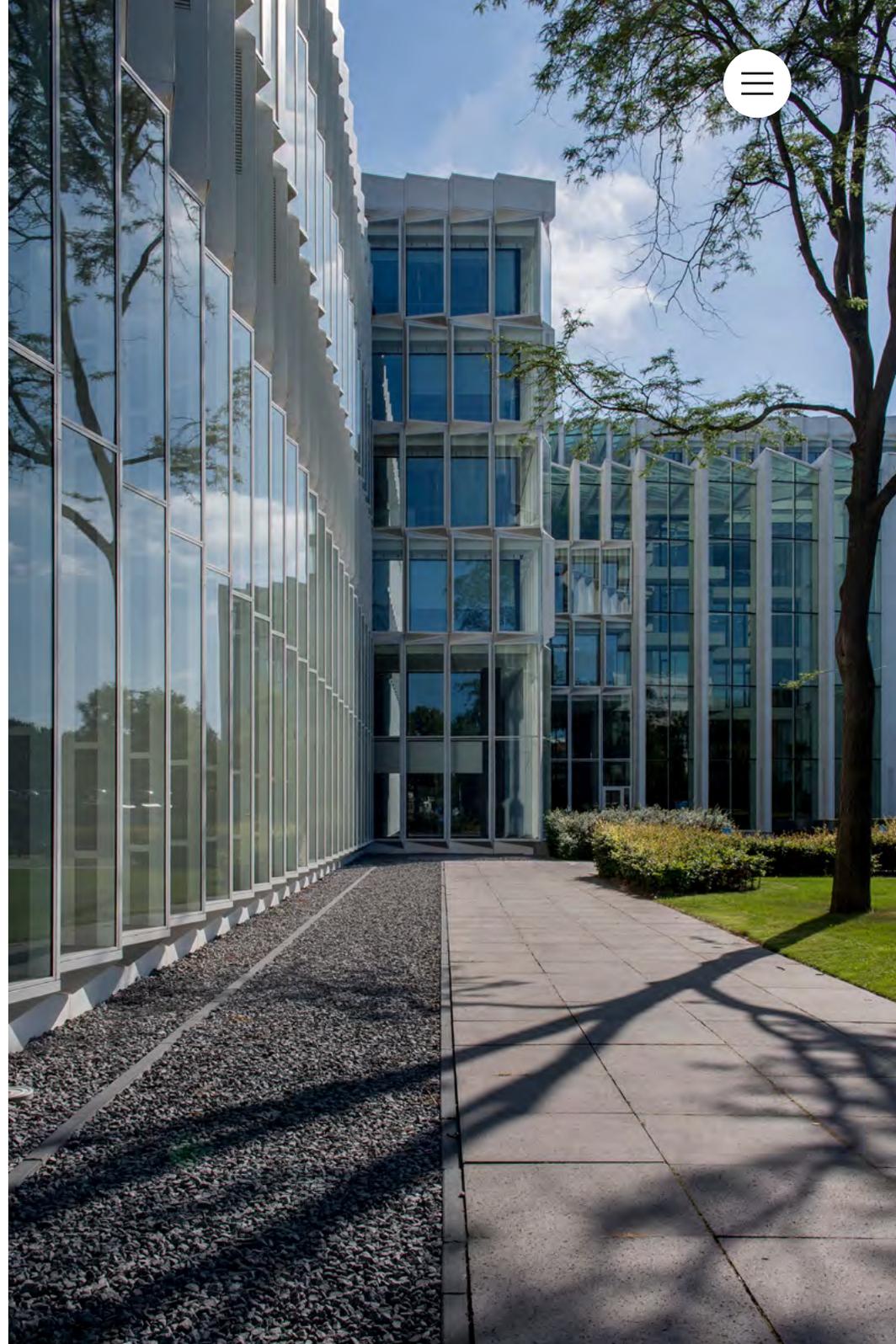
### Legal Advisor of the Manager

NautaDutilh N.V.  
Beethovenstraat 400  
1082 PR Amsterdam

**Date of incorporation** 17 March 2017

### Board of the Manager

Mr. J.Th.M. Julicher  
Mr. M.R. Lavooi  
Mrs. W.M. Schouten



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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 license

a.s.r. vermogensbeheer holds a license 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"). This relates to the license under the AIFMD (Alternative Investment Fund Managers Directive).

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

- investment institutions that invest in financial instruments; and
- investment institutions that invest in mortgage claims;
- investment institutions that invest in private loans (non-tradeable bonds or other non-tradeable debt instruments). Under this license, a.s.r. vermogensbeheer acts as the manager of amongst other the following alternative investment institutions: ASR Beleggingsfondsen, ASR Mixfondsen, ASR ESG IndexPlus Institutionele Fondsen, ASR ESG IndexPlus Fondsen, ASR Hypotheekfondsen, ASR Separate Account Mortgage Fund, ASR Kapitaalmarkt Fonds, ASR Deposito Fonds, ASR Duurzaam Institutioneel Vermogensbeheer Beleggingsfondsen, Loyalis Global Funds, First Liability Matching N.V. and the Luxembourg alternative investment fund ASR Fonds SICAV ('Société d'investissement à Capital Variable').

a.s.r. vermogensbeheer also acts as the manager of a number of investment funds which are not subject to a license obligation. 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).

These are investment funds in which ASR Levensverzekering N.V. invests for the purpose of its unit-linked products, such as ASR Pensioen Mixfondsen, ASR Pensioen Staatsobligatiefonds 15+ Jaar, ASR Pensioen Staatsobligatiefonds 10-15 Jaar, ASR Pensioen Staatsobligatiefonds 20+ Jaar, ASR Beleggingsmixfondsen, ASR Beleggingspools, ASR Basisfondsen, ASR Vastgoed Basisfondsen and ASR Amerika Aandelen Basisfondsen.



The services of a.s.r. vermogensbeheer also cover individual asset management. Pursuant to Section 2:67a(2), paragraphs (a), (b) and (d), of the Financial Supervision Act (Wft), a.s.r. vermogensbeheer is also permitted to offer the following investment services to both non-professional and professional investors:

- (a) Managing individual assets;
- (b) Providing investment advice;
- (d) Receiving and forwarding orders with regard to financial instruments.

These services are regulated in the Wft and the MiFID II (Markets In Financial Instruments Directive).

On this basis, a.s.r. vermogensbeheer acts as an individual asset manager on behalf of the group companies of A.S.R. Nederland N.V., such as entities subject to supervision (OTSOs) and for third parties with external mandates.

a.s.r. vermogensbeheer is a member of DUFAS (Dutch Fund and Asset Management Association), the Dutch association of investment institutions and asset managers. a.s.r. vermogensbeheer follows the code of conduct that has been drawn up by this industry organisation. This code of conduct sets out good practices relating to fund governance and offers further guidelines for the organisational structure and procedures of managers of investment institutions, with the aim of ensuring that managers act in the interests of the participants in their investment institutions and structure their organisations in a way that prevents conflicts of interest.

With effect from 6 May 2019, the AFM has extended the licence of a.s.r. vermogensbeheer. As a result of this extension, a.s.r. vermogensbeheer has a licence to manage or offer money market funds (MMFs), on the basis of Article 4 of the Money Market Fund Regulation (MMFR).

## 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 license 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 Hypotheekfond. 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.

## Depository

BNP Paribas Securities Services SCA has been appointed Depository of the ASR Mortgage Fund. The Depository 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 license 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 depository and having a risk management policy, a conflict of interest policy, an outsourcing policy, a remuneration policy (see also [www.asr.nl](http://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 Depository.

## 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.

During the first half-year of 2020, one Meeting of Participants was held, in which amongst others the 2019 annual report was discussed.

## 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 upon 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 2020.

### 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](http://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 [hypotheekfondsen@asr.nl](mailto:hypotheekfondsen@asr.nl).

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

# Report of the Manager

## Key figures

In the first half-year of 2020, the ASR Mortgage Fund Net Assets increased by €937 million to €5,163 million. €762 million of this increase was attributable to the non-NHG Subfund, and €175 million to the NHG Subfund. Further information on the Net Assets and return can be found in the Subfunds section.

## Developments affecting the fund during the reporting period

### Composition of the Manager's management board

Mr J.J.M. de Wit has resigned as director with effect from 11 November 2019. Mrs. W.M. Schouten was appointed on 1 May 2020. The directors of ASR Vermogensbeheer N.V. under the Articles of Association are Mr. J.Th.M. Julicher (chair), Mr. M.R. Lavooi and Mrs. W.M. Schouten.

In addition, Ms. A. van Melick, as member of the Executive Board of ASR Nederland N.V., is also considered a day-to-day co-policymaker of ASR Vermogensbeheer N.V. following the resignation of Mr. C. Figeë, and on those grounds has undergone a reliability assessment as referred to in Section 4:9 of the Dutch Financial Supervision Act (Wft).

The persons mentioned have been assessed for reliability and have been approved by the AFM.

## 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 N.V.'s Finance & Risk director.

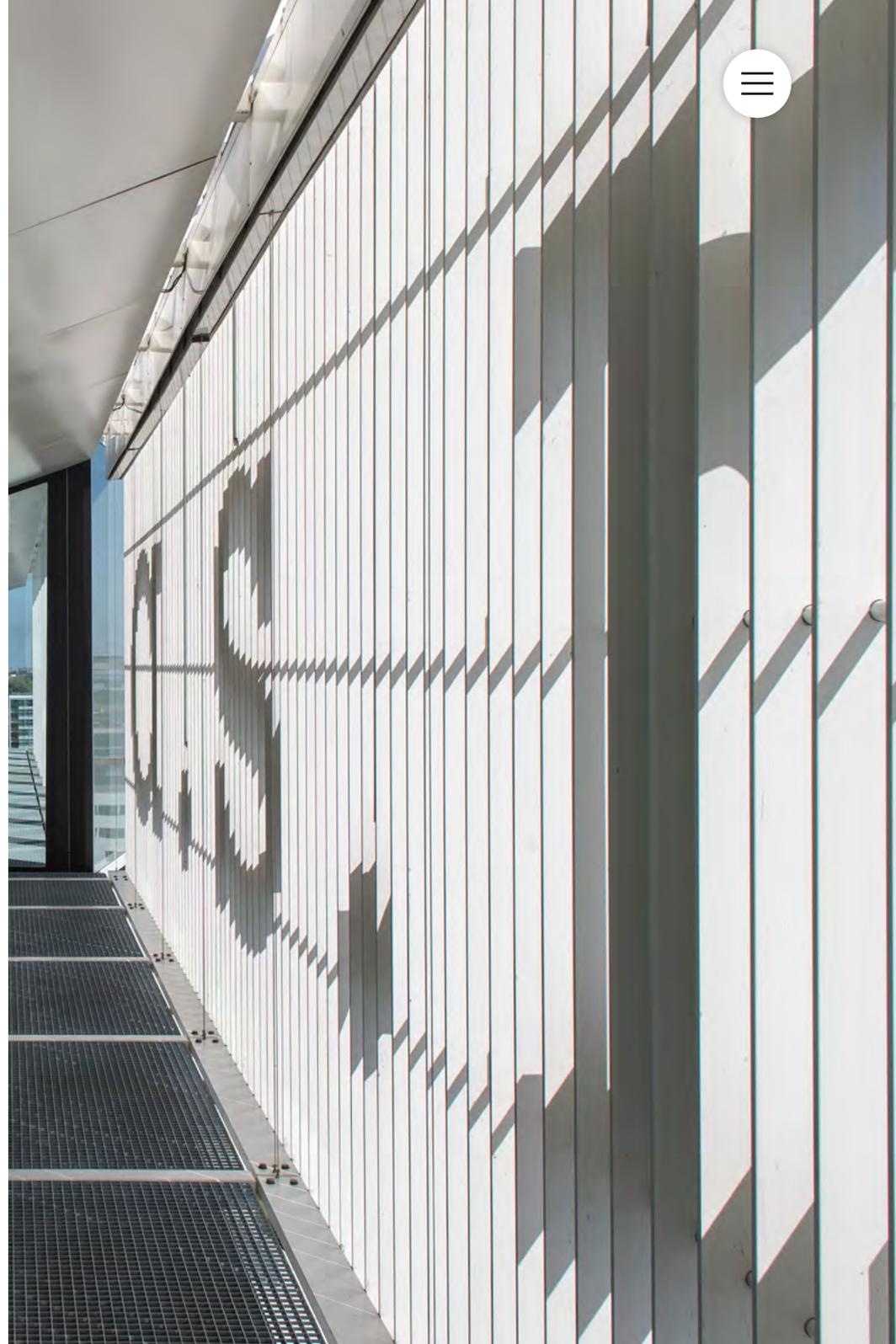
a.s.r. vermogensbeheer applies the 'Three lines of defense' model as its risk management model. This model clearly sets out the responsibilities in relation to risk management. The business units within the first line of defense are responsible for the adequate management of the risks related to the 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
<b>Credit risk</b>	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 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 ( <i>Nationale Hypotheek Garantie</i> , "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.
<b>Counterparty risk</b>	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.
<b>Concentration risk</b>	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.
<b>Liquidity risk</b>	<p>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.</p> <p>Participations in the Fund cannot be transferred to a third party, and can only be repurchased by the Manager depending on the available cash.</p>
<b>Collateral risk</b>	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.
<b>Operational risk</b>	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.
<b>Interest-rate risk</b>	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.
<b>Early repayment risk</b>	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 (15%), the debtor is charged the present value of the interest rate difference to the outstanding loan amount.



Defined risk	Explanation
<b>Risk of anti-selection</b>	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. The acquisition is only effectuated if the outcome is positive.
<b>Valuation risk</b>	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

No limits were exceeded and no incidents occurred in the reporting period that have had a material impact on the Fund. Furthermore, no significant changes or improvements to the risk management system were required.

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 a.s.r. has 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](http://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 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 2020 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](http://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'.



The 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.

Pharmaceutical companies around the world are working hard to develop tests, a vaccine and medication to combat the coronavirus. As a committed shareholder, we, together with other parties, call on the pharmaceutical sector to achieve maximum cooperation in order to minimise the spread of the virus and its consequences worldwide. We call on them to enter into maximum cooperation with each other, governments and research centres to this end, and not to be guided by short-term financial motives. This is the thrust of our investor statement that we, together with almost 40 other national and international asset managers, pension funds and insurers, are bringing out more than €1400 billion under management.

## 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. The goal is to be able to measure 95% of our portfolio by 2021.

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

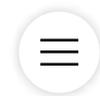
a.s.r. is keen to play a leading role in terms of ESG (Environmental, Social and Governance) policy as part of its mortgage lending.

## 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 (G being the lowest and A being the highest) 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. 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. For 17% of all applications an additional Sustainability Mortgage is currently chosen.
- 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, we already approached clients who have a home with an energy label E to G. In the first half of 2020 we approached clients with homes with a E or D label with information about measures to improve the sustainability of their property.
- In the client portal we make 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:

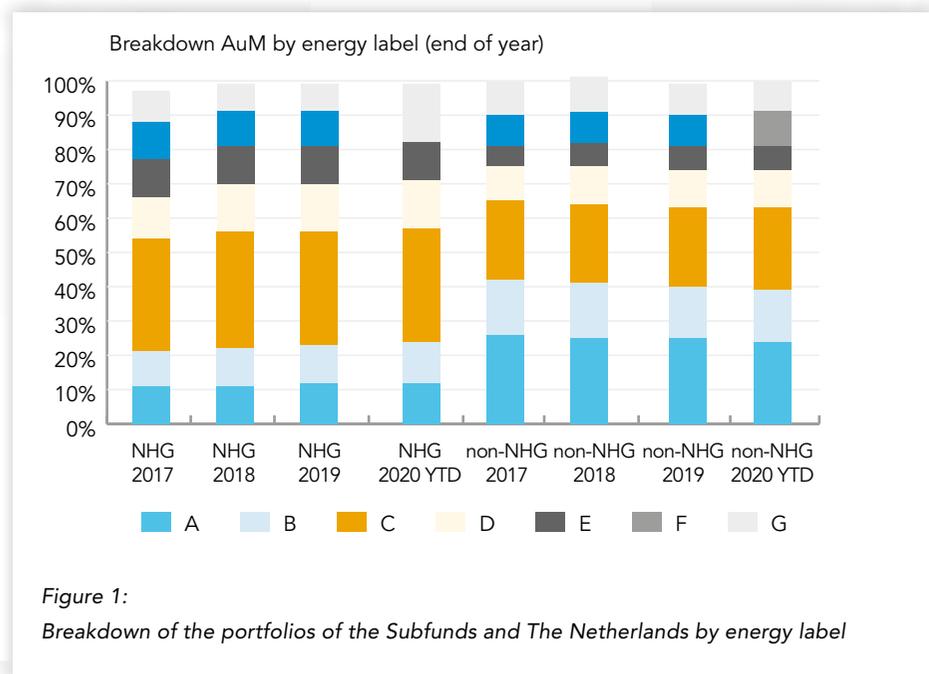


Figure 1: Breakdown of the portfolios of the Subfunds and The Netherlands by energy label

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 legal obligation 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: With the first-time buyer mortgage, a.s.r. gives first-time 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. Mortgages with a repayment term of longer than 30 years are a successful niche product.
- 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, receive 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

More than three months after the global outbreak of the 'COVID-19' coronavirus it is clear that the consequences for the global economy are far-reaching. The IMF is now counting on an unprecedented 5% contraction for the global economy in 2020. The 'good' news is that the IMF is still expecting a growth recovery for 2021, of approximately 5.5% for the world economy. Despite the expected recovery in growth next year, the damage of 2020 will not be repaired until 2022 at the earliest. In more adverse scenarios, it may take much longer for the global economy to return to its early 2020 levels. Two determining factors for which scenario becomes a reality are the period in which a vaccine or medicine to protect against the coronavirus will become widely available, and whether a 'second wave' of the coronavirus will occur before then.

However, based on leading indicators, it seems unlikely that a recovery in economic growth will not take place until 2021. In fact, the first phase of growth recovery seems to have already begun, starting in China. In Europe and the US, confidence indicators bottomed out in April, but have now also largely recovered. The relatively rapid recovery of growth after the severe dip in the spring is largely due to the reduction of lockdowns from the beginning of May. Another factor also plays an important role. Since the beginning of the lockdown period (i.e. generally from mid-March in Europe and the US), governments have spent enormous amounts of money to compensate for the decline in spending by consumers and businesses. Although governments' expanded fiscal policy has been unable to prevent a recession, it has considerably reduced the likelihood that the corona crisis would herald a new 'Great Depression' for now. The downside is that the large budgetary deficits will eventually lead to higher government debts and thus have a dampening effect on economic growth potential.

As a result of the fall in demand during the corona crisis, inflationary pressures have eased, both in Europe and the US. On balance, inflationary pressures have eased to just above 0% in both the eurozone and the US. Core inflation (excluding volatile food and energy prices) is now approximately 1% in both Europe and the US. The sharp deterioration in the economic situation as a result of the corona crisis (and the subsequent low inflationary pressures) has prompted not only governments but also central banks to launch large-scale reflationary packages. In this respect, central banks are not only buying up government bonds (so that long-term interest rates remain low), but increasingly other fixed-income asset classes as well. Investment grade corporate bonds have long been part of the ECB's and the Fed's buying programmes, but the Fed is now also buying high-yield bonds.

## Financial markets

The corona crisis has also left its mark on financial markets. For equities, the first quarter of 2020 was the worst quarter since the 2008-2009 credit crisis, but the second quarter was the best quarter in 20 years. The second quarter of 2020 was also favourable for real estate and corporate bonds, although the damage suffered in the disastrous first quarter has not yet been repaired. Given the unprecedented size of government and central bank stimulus packages, government bond yields remained remarkably flat, particularly in the second quarter of 2020.

Spreads on triple A Asset Backed Securities on Dutch mortgages rose sharply immediately after the start of the crisis. After the calmness returned, they were higher again in line with credit spreads, although not yet at pre-crisis levels. Mortgage interest rates have been raised by many providers, generally by approximately 0.2% - 0.25%. These rates have not yet fallen again, so spreads have widened slightly on balance.

**Outlook for the economy and financial markets**

Compared to early 2020, i.e. before the corona crisis, the economic outlook has deteriorated dramatically. However, with the gradual phasing out of lockdowns and the large-scale intervention of governments and central banks in recent weeks, it is quite possible that the low point of the corona crisis is already behind us. Recent macroeconomic figures suggest that we are now in the first phase of a strong recovery in growth, following the unprecedented downturn in March and April. For the coming months, we expect a continued recovery of economic growth, although we assume that this will be more measured than at present since the coronavirus is still far from being brought under control everywhere (e.g. US, Latin America). Moreover, a 'second wave' later this year cannot be ruled out in other regions. In addition, even without a 'second wave' some sectors of the economy (those related to tourism and leisure for example) will continue to be affected by the corona pandemic.

Financial markets, and then particularly the riskier asset classes, have already anticipated the current recovery in economic growth over the past quarter, even though the damage of the first quarter has not yet been fully repaired. Particularly where equities are concerned, the combination of higher prices and lower corporate profits now makes them seem expensive rather than cheap. In this respect, corporate bonds appear to be more attractive, with the added advantage that the ECB will remain active in this market as a major buyer for the time being. Among others due to the size of the aforementioned incentive packages and the resulting increase of government debts, the interest rates on government bonds seem to be fundamentally too low. With the improved outlook, financial market volatility has also decreased, although it is still higher than in the months before the corona crisis. On balance, we believe that the uncertain outlook continues to argue in favour of a tactical positioning that is not too pronounced.

The Dutch mortgage market continues to perform remarkably well. For example, the number of transactions remains fairly stable and arrears have not (yet) increased substantially. This undoubtedly also has to do with measures such as the temporary emergency bridging measure to preserve employment (NOW-regeling). However, it remains to be seen what the effect will be of larger rounds of dismissals during the course of the year.

## Developments in the Dutch Mortgage Market

The increase in house prices continued in the first half of 2020 at a higher level than in the comparable period in 2019. As at 31 May 2020, the prices of owner-occupied dwellings were 7.7% higher on average than in May 2019. In 2017, the price index for existing owner-occupied dwellings exceeded the record level of August 2008 for the first time. In May 2020, the index reached its highest level ever. Compared with the low point in June 2013, the prices in June 2019 were almost 47.8 percent higher.

The Land Registry Office announced that it registered 18,347 residential property transactions in May 2020, which is almost 6.9 percent less than a year earlier. In the first five months of this year, 88,780 residential properties changed hands, more than 5 percent more than in the same period of 2019. It should be noted here that in the figures for the reporting month of May, possible

influences of the Coronavirus are not yet visible or hardly visible because the figures are based on notarial transfers. The sales contracts were probably for the most part concluded before the crisis started in the Netherlands.

In addition, in the first half of 2020, significantly more mortgage loans were applied for on the Dutch mortgage market than in the same period in 2019. Broken down by quarter, more than 138,000 and 145,000 new applications for mortgage financing were submitted to HDN ("Hypotheek Data Netwerk") in Q1 and Q2 2020 respectively. This represents an increase of more than 40% for the second quarter compared to Q2 2019. In particular, there was a very strong growth in the number of transfers and second mortgages (+88% compared to 2019). In addition, the applications intended for the purchase of a residential property also show a substantial 15% increase to 79,229.

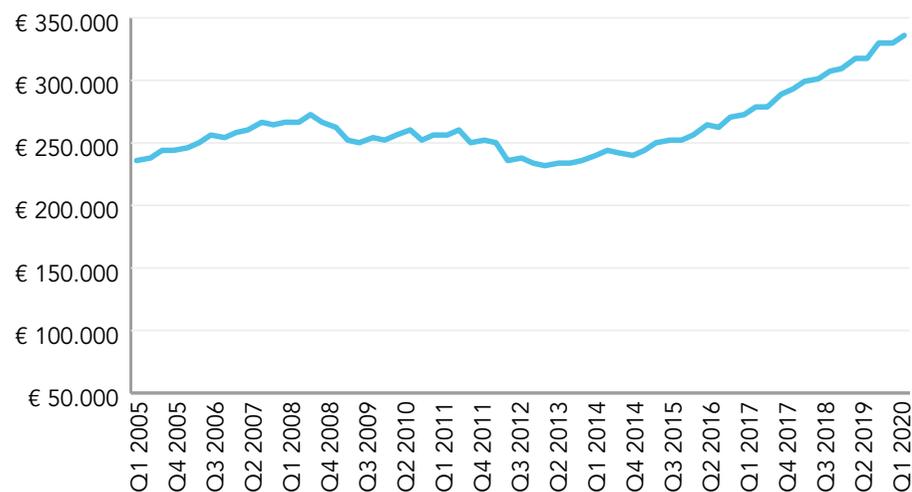


Figure 2: Average value house prices sold (source: CBS)

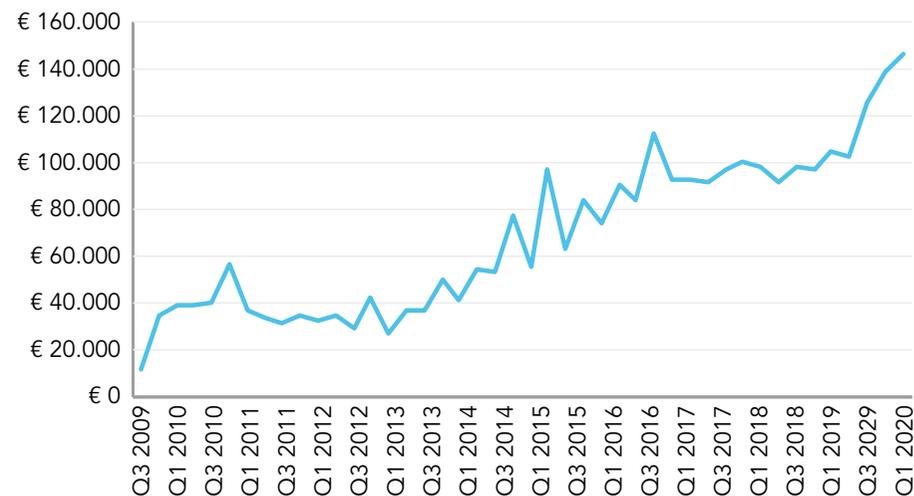


Figure 3: Mortgage loan applications (source: HDN)

The reason for the very sharp increase in the number of applications with a mortgage refinancing background could possibly be the fear among existing borrowers that mortgage interest rates could rise substantially under pressure from the coronavirus. Up until now, market-wide increases in mortgage interest rates of 0.2% to 0.25% have been relatively limited. The risk of a declining market value position on mortgage investments is therefore limited for investors up to and including the first half of 2020. The development of the credit risk on mortgage investments has also been very moderate up until now. Since the appearance of the coronavirus, Dutch mortgage lenders have offered borrowers the possibility of temporarily postponing payment obligations on their mortgage loans. In such cases, a.s.r. offers individual tailoring and considers what the best solution is on a case-by-case basis. In the second half of Q2, the number of applications for temporary deferrals of payment obligations already decreased significantly. We also already saw borrowers resuming their original payment schedule.

How the Dutch mortgage market develops in the second half of 2020 will partly depend on whether or not and the extent to which a second corona wave occurs. It will also depend on how the Dutch government provides support after the current stimulus packages expire on 1 October 2020. Experiences from previous crises in the Dutch housing market have shown that it can take longer, sometimes several years, before credit losses in a portfolio materialise. On the other hand, the same crises indicate that the ultimate annual credit loss was limited to 0.1% - 0.2% of the portfolio.

The development of consumer confidence is often used as a leading indicator of the development of mortgage borrower behaviour. In Q2, the most common indicators used by Statistics Netherlands (CBS) and the Association of (Prospective) Homeowners (Vereniging Eigen Huis) showed a sharp decline, with June levels clearly below the neutral value. For the rest, sentiment is not nearly as negative as we saw during the credit crisis in 2008 and the following years.

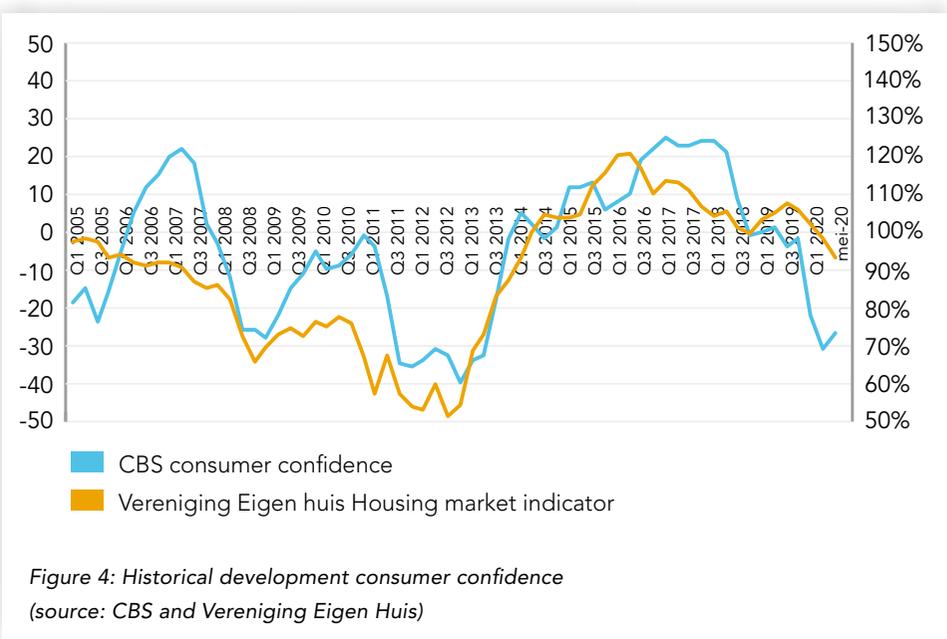


Figure 4: Historical development consumer confidence  
(source: CBS and Vereniging Eigen Huis)

# 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 the first half-year of 2020 from €1,257.2 million to €1,432.1 million.

	Net Assets (x €1,000)	Subfund Returns
30-06-2020	1,432,117	-0.10%
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 -0.10% 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 rose in the first half-year of 2020. The reference index return for the first half-year of 2020 was 3.13%. 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 3.13% index return is higher than the -0.10% annual return on the NHG Subfund. This is mainly due to the fact that the swap rates decreased during the first half year (and the NHG mortgage rates did not follow this trend).

Value movement per participation	30-06-2020	31-12-2019	31-12-2018
Income	112.53	235.97	239.47
Changes in value	-37.65	692.12	170.53
Costs	-24.01	-48.07	-45.17
<b>Result after tax</b>	<b>50.87</b>	<b>880.02</b>	<b>364.83</b>

Table 4: Value movement

Amounts per participation are based on the average number of participations during the financial year (12 measurement points during the reporting period).



## 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	30-06-2020	31-12-2019
Annuity	81.70%	81.04%
Interest-only	12.83%	13.46%
Straight-line	5.47%	5.51%

Table 5: Portfolio breakdown by product

Mortgage portfolio by province	30-06-2020	31-12-2019
Drenthe	4.51%	4.52%
Flevoland	2.08%	2.19%
Friesland	3.58%	3.43%
Gelderland	13.03%	13.02%
Groningen	4.99%	4.80%
Limburg	11.11%	11.02%
Noord-Brabant	13.94%	13.76%
Noord-Holland	9.75%	9.50%
Overijssel	8.29%	8.28%
Zuid-Holland	18.01%	18.09%
Utrecht	5.81%	5.86%
Zeeland	4.08%	3.88%
Other (new developments)	0.82%	1.65%

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 a 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 current loan to original market value or CLTOMV):

Current Loan-to-Original Market Value ratio (%)	30-06-2020		31-12-2019	
	CLTOMV-breakdown %	CLTOMV – weighted average per bucket (%)	CLTOMV-breakdown %	CLTOMV – weighted average per bucket (%)
0 – 10%	0.00%	-	0.00%	-
10 – 20%	0.03%	18.36%	0.02%	18.07%
20 – 30%	0.07%	25.63%	0.07%	25.92%
30 – 40%	0.27%	35.24%	0.29%	35.34%
40 – 50%	0.63%	46.38%	0.53%	46.37%
50 – 60%	2.16%	55.78%	1.98%	55.77%
60 – 70%	4.02%	65.66%	3.65%	65.59%
70 – 80%	8.64%	75.74%	8.06%	75.75%
80 – 90%	16.01%	85.62%	14.99%	85.56%
90 – 100%	63.21%	96.05%	66.43%	96.69%
More than 100%	4.96%	104.90%	3.98%	104.63%

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 € 310,000 applied in 2020 (2019: € 290,000).

Breakdown by remaining debt (%)	30-06-2020	31-12-2019
Less than 50.000	0.06%	0.05%
50.001 – 100.000	1.30%	1.35%
100.001 – 150.000	13.57%	14.09%
150.001 – 200.000	29.65%	29.95%
200.001 – 250.000	34.73%	35.37%
More than 250.001	20.69%	19.19%

Table 8: Portfolio breakdown by remaining debt

At 30 June 2020, a provision for credit losses amounting to €0 (31-12-2019: €38,000) has been recorded. There are no loans with 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 (%)	30-06-2020	31-12-2019
Shorter than one year	0.26%	0.27%
Between 1 and 5 years	0.12%	0.13%
Between 5 and 10 years	10.59%	11.58%
Between 10 and 15 years	4.18%	4.54%
Between 15 and 20 years	57.91%	55.29%
Between 20 and 25 years	2.15%	2.34%
Between 25 and 30 years	24.79%	25.85%

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 30-06-2020 (31-12-2019: 8.5).

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

Breakdown by coupon %	30-06-2020	31-12-2019
Less than 1,5 %	3.15%	1.23%
1,5 % - 2,0 %	22.32%	14.01%
2,0 % - 2,5 %	48.72%	54.12%
2,5 % - 3,0 %	25.76%	30.59%
3,0 % - 3,5 %	0.05%	0.05%

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 the first half-year of 2020 from € 2,968.6 million to € 3,730.9 million.

	Net Assets (x €1,000)	Subfund Returns
30-06-2020	3,730,943	0.54 %
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 0.54% 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 rose in the first half-year of 2020. The reference index return for the first half-year of 2020 was 3.28%. 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 3.28% index return is higher than the 0.54% annual return on the non-NHG Subfund. This is mainly due to the fact that the swap rates decreased during the first half year (and the non-NHG mortgage rates did not follow this trend).

Value movement per participation	30-06-2020	31-12-2019	31-12-2018
Income	125.18	260.79	257.92
Changes in value	-127.68	722.91	22.63
Costs	-24.31	-47.25	-45.52
<b>Result after tax</b>	<b>-26.81</b>	<b>936.45</b>	<b>235.03</b>

Table 13: Value movement

Amounts per participation are based on the average number of participations during the financial year (12 measurement points during the reporting period).



## 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	30-06-2019	31-12-2019
Annuity	71.16%	69.65%
Interest-only	24.32%	25.67%
Straight-line	4.52%	4.68%

Table 14: Portfolio breakdown by product

Mortgage portfolio by province	30-06-2020	31-12-2019
Drenthe	2.27%	2.36%
Flevoland	0.99%	1.07%
Friesland	1.26%	1.30%
Gelderland	11.74%	11.57%
Groningen	1.60%	1.63%
Limburg	6.15%	6.11%
Noord-Brabant	15.58%	15.46%
Noord-Holland	18.45%	17.76%
Overijssel	5.05%	4.99%
Zuid-Holland	19.78%	19.22%
Utrecht	12.95%	12.25%
Zeeland	2.24%	2.22%
Other (new developments)	1.94%	4.06%

Table 15: Portfolio breakdown by province

The percentages in the above and below 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 current loan to original market value or CLTOMV):

Current Loan-to-Original Market Value breakdown (%)	30-06-2020		31-12-2019	
	CLTOMV-breakdown %	CLTOMV – weighted average per bucket (%)	CLTOMV-breakdown %	CLTOMV – weighted average per bucket (%)
0 – 10%	0.01%	7.95%	0.01%	8.51%
10 – 20%	0.13%	16.98%	0.15%	16.78%
20 – 30%	0.33%	25.89%	0.34%	25.82%
30 – 40%	0.80%	35.52%	0.92%	35.62%
40 – 50%	1.81%	45.88%	1.90%	45.89%
50 – 60%	2.40%	55.49%	2.49%	55.57%
60 – 70%	4.73%	65.73%	4.27%	65.76%
70 – 80%	13.16%	75.78%	11.44%	75.85%
80 – 90%	21.64%	84.80%	19.81%	84.80%
90 – 100%	50.28%	95.96%	55.08%	96.48%
More than 100%	4.71%	104.66%	3.59%	104.28%

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 (%)	30-06-2020	31-12-2019
Less than 100,000	0.73%	0.83%
100,001 – 200,000	6.30%	6.63%
200,001 – 300,000	24.31%	24.92%
300,001 – 400,000	36.49%	35.80%
400,001 – 500,000	17.49%	17.60%
500,001 – 600,000	8.13%	8.04%
600,001 – 700,000	4.33%	3.88%
700,001 – 800,000	1.48%	1.74%
More than 800,000	0.74%	0.56%

Table 17: Portfolio breakdown by remaining debt

At 30 June 2020, a provision for credit losses amounting to €33,000 (31-12-2019: €8,000) has been recorded. One loan (€257,000) 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 (%)	30-06-2020	31-12-2019
Shorter than one year	1.23%	1.07%
Between 1 and 5 years	0.31%	0.37%
Between 5 and 10 years	15.03%	17.71%
Between 10 and 15 years	3.36%	3.62%
Between 15 and 20 years	64.73%	63.15%
Between 20 and 25 years	1.24%	1.13%
Between 25 and 30 years	14.10%	12.95%

Table 18: Portfolio breakdown by fixed-rate term

The effective duration of the portfolio, taking into account moving and early repayment options, was 8.4 as at 30-06-2020 (31-12-2019: 8.3). The following overview shows a breakdown of the portfolio by mortgage interest rate at loan level.

Breakdown by coupon %	30-06-2020	31-12-2019
Less than 1,5 %	1.23%	0.36%
1,5 % - 2,0 %	20.84%	7.12%
2,0 % - 2,5 %	26.33%	24.78%
2,5 % - 3,0 %	44.13%	56.48%
More than 3,0 %	7.47%	11.26%

Table 19: Portfolio breakdown by coupon



## In Control 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 not come across any findings that indicate that the business operations do not function effectively or not 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 the first half-year of 2020.

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. For 2020, the Manager will also opt for the external audit opinion in the ISAE 3402 Type II report.

Utrecht, 27 August 2020

ASR Vermogensbeheer N.V.

On behalf of ASR Mortgage Fund

The management,

Mr. J.T.M. Julicher (director)

Mr. M.R. Lavooi (director)

Mrs. W.M. Schouten (director)

Mr. N.H. van den Heuvel (CFRO)



# Interim financial statements

For the six-month period ended 30 June 2020

**Subfund with Dutch National Mortgage Guarantee**





## Balance sheet

Balance sheet as at 30 June 2020 (before appropriation of the result x €1,000)

Balance sheet	30-06-2020	31-12-2019	Reference
Investments			
Mortgages	1,424,160	1,248,549	
<b>Total investments</b>	<b>1,424,160</b>	<b>1,248,549</b>	<b>1</b>
Receivables	23,570	25,583	<b>2</b>
Other assets			
Cash	20	-	<b>3</b>
Current liabilities	-15,633	-16,985	<b>4</b>
<b>Receivables and other assets less current liabilities</b>	<b>7,957</b>	<b>8,598</b>	
<b>Assets less current liabilities</b>	<b>1,432,117</b>	<b>1,257,147</b>	
Issued participation capital	1,376,813	1,197,403	
Other reserves	48,941	-5,424	
Unappropriated result	6,363	65,168	
<b>Total Net Assets</b>	<b>1,432,117</b>	<b>1,257,147</b>	<b>5</b>



## Profit and loss account

Profit and loss account for the period from 1 January 2020 until 30 June 2020  
(x € 1.000)

Profit and loss account	01-01-2020 to 30-06-2020	01-01-2019 to 30-06-2019	Reference
Investment income	14,077	6,725	7
Realized changes in the fair value of investments	-	-	8
Unrealized changes in the fair value of investments	-2,351	14,410	8
Other income	-2,359	-2,701	9
<b>Total operating income</b>	<b>-9,367</b>	<b>18,434</b>	
Management fee	-3,042	-1,285	
Other expenses	38	-2	
<b>Total operating expenses</b>	<b>-3,004</b>	<b>-1,287</b>	<b>10</b>
<b>Profit after tax</b>	<b>6,363</b>	<b>17,147</b>	



# Cashflow statement

Cashflow statement for the period 1 January 2020 to 30 June 2020 (x €1,000)  
Prepared according to the indirect method.

Cashflow statement	01-01-2020 to 30-06-2020	01-01-2019 to 30-06-2019	Reference
Total investment result	6,363	17,147	
Changes in the fair value of investments	2,351	-14,410	1
Change in the provision for credit losses	-38	2	
Acquisition of investments (-)	-207,499	-286,242	1
Sales of investments (+)	29,575	14,613	1
Increase (-)/Decrease (+) in receivables	2,013	-7,810	2
Increase (+)/Decrease (-) in liabilities	-1,352	6,281	4
<b>Net cash flow from investment activities</b>	<b>-168,587</b>	<b>-270,419</b>	
Issue of participations	188,033	276,780	5
Redemption of participations	-8,623	-1,139	5
Dividend payment	-10,803	-5,064	
<b>Net cash flow from financing activities</b>	<b>168,607</b>	<b>270,577</b>	
<b>Movement in cash</b>	<b>20</b>	<b>158</b>	
Cash per January 1	0	167	3
Cash per December 31	20	325	3
<b>Movement in cash</b>	<b>20</b>	<b>158</b>	

# 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 semi-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 semi-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 interim financial statements on 27 August 2020.

## Reporting period and comparative figures

The semi-annual report covers the period from 1 January 2020 to 30 June 2020. Prior period comparative figures relate to the period 1 January 2019 to 30 June 2019.

## 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 30 June 2020.

## 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.

## Depository

As set out in the Information Memorandum, the Manager appointed BNP Paribas Securities Services S.C.A. as the Depository for the Fund. The Depository 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	30-06-2020	31-12-2019
Mortgages	1,424,160	1,248,587
Provision for credit losses	-	-38
<b>Total investments</b>	<b>1,424,160</b>	<b>1,248,549</b>

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

Movement schedule of investments					
	Fair Value 01-01-2020	Purchases	Repayments	Revaluation	Fair Value 30-06-2020
Mortgages	1,248,587	207,499	-29,575	-2,351	1,424,160
<b>Total</b>	<b>1,248,587</b>	<b>207,499</b>	<b>-29,575</b>	<b>-2,351</b>	<b>1,424,160</b>

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
<b>Total</b>	<b>449,155</b>	<b>769,538</b>	<b>-40,758</b>	<b>70,652</b>	<b>1,248,587</b>

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 30 June 2020 the provision for credit losses amounted to € - (31 December 2019: € 38).

## 2. Receivables

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

Receivables	30-06-2020	31-12-2019
Mortgage debtors	48	42
Amounts receivable for construction depots	15,080	16,43
Mortgage interest receivable	2,446	2,222
Other mortgage receivables	5,996	6,888
<b>Total</b>	<b>23,570</b>	<b>25,583</b>

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	30-06-2020	31-12-2019
Due to credit institutions	-	-4
Management fee payable	-525	-467
Construction depots amounts payable	-15,080	-16,431
Other liabilities	-28	-83
<b>Total</b>	<b>-15,633</b>	<b>-16,985</b>

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	30-06-2020	31-12-2019	31-12-2018	31-12-2017
Fund Net Assets (x € 1.000)	1,432,117	1,257,147	451,767	129,752
Number of participations	132,798	116,258	44,453	12,818
Net Asset Value in euros per participation	10,784.18	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 30 June 2020 this amounts to € 77,538 (31-12-2019: € 79,889).



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

<b>Issued participation capital</b>	<b>01-01-2020 to 30-06-2020</b>	<b>01-01-2019 to 31-12-2019</b>
Balance at the start of the reporting period	1,197,403	444,232
Issued during the reporting period	188,033	755,431
Repaid to participants during the reporting period	-8,623	-2,260
<b>Balance at the end of the reporting period</b>	<b>1,376,813</b>	<b>1,197,403</b>

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

<b>Movement schedule of number of Participations</b>	<b>Number 01-01-2020</b>	<b>Issue</b>	<b>Redemption</b>	<b>Number 30-06-2020</b>
Subfund with NHG	116,258	17,335	-795	132,798

<b>Movement schedule of number of Participations</b>	<b>Number 01-01-2019</b>	<b>Issue</b>	<b>Redemption</b>	<b>Number 31-12-2019</b>
Subfund with NHG	44,453	72,023	-218	116,258

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

<b>Other reserves</b>	<b>01-01-2020 to 30-06-2020</b>	<b>01-01-2019 to 31-12-2019</b>
Balance at the start of the reporting period	-5,424	-4,432
Addition in the reporting period	65,168	11,697
Dividend payment	-10,803	-12,959
<b>Balance at the end of the reporting period</b>	<b>48,941</b>	<b>-5,424</b>

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

<b>Unappropriated result</b>	<b>01-01-2020 to 30-06-2020</b>	<b>01-01-2019 to 31-12-2019</b>
Balance at the start of the reporting period	65,168	11,967
Profit distribution in the previous financial year	-65,168	-11,697
Unappropriated result of the current financial year	6,363	65,168
<b>Balance at the end of the reporting period</b>	<b>6,363</b>	<b>65,168</b>



## 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	01-01-2020 to 30-06-2020	01-01-2019 to 30-06-2019
Interest from mortgages	14,082	6,727
Interest from cash	-5	-2
<b>Total</b>	<b>14,077</b>	<b>6,725</b>

## 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	01-01-2020 to 30-06-2020 (positive)	01-01-2020 to 30-06-2020 (negative)	01-01-2019 to 30-06-2019 (positive)	01-01-2019 to 30-06-2019 (negative)
Mortgages	-	-	-	-
<b>Total</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

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	01-01-2020 to 30-06-2020 (positive)	01-01-2020 to 30-06-2020 (negative)	01-01-2019 to 30-06-2019 (positive)	01-01-2019 to 30-06-2019 (negative)
Mortgages	-	-2,351	14,647	-237
<b>Total</b>	<b>-</b>	<b>-2,351</b>	<b>14,647</b>	<b>-237</b>

## 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 expense	01-01-2020 to 30-06-2020	01-01-2019 to 30-06-2019
Management fee	-3,042	-1,285
Other expenses	38	-2
<b>Total</b>	<b>-3,004</b>	<b>-1,287</b>



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

Ongoing Charges Figure (OCF)			
	Information Memorandum	01-01-2020 to 30-06-2020	01-01-2019 to 30-06-2019
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)		
	01-01-2020 to 30-06-2020	01-01-2019 to 30-06-2019
Subfund with NHG	2.98%	4.00%

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 € 187.8 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 30 June 2020, 162 employees and 157 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 end of the reporting period 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](http://www.asr.nl)).

Personnel costs (x € 1)	01-01-2020 to 30-06-2020	Beneficiaries
Management Board	391,150	3*
Identified Staff	174,390	1**
Employees	10,374,491	158
<b>Total</b>	<b>10,940,031</b>	<b>162</b>

\* The 2020 Management Board's remuneration relates to two management board members up to April 2020.

\*\* The 2020 Identified Staff's remuneration related to two employees up to mid June 2020.

## 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.

## Events subsequent to the balance sheet date

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

### SIGNING OF THE FINANCIAL STATEMENTS

Utrecht, 27 August 2020

ASR Vermogensbeheer N.V.

On behalf of Subfund with NHG

The management,

Mr. J.T.M. Julicher (director)

Mr. M.R. Lavooi (director)

Mrs. W.M. Schouten (director)

Mr. N.H. van den Heuvel (CFRO)

## Other information





# Interim financial statements

For the six-month period ended 30 June 2020

Subfund without Dutch National Mortgage Guarantee





## Balance sheet

Balance sheet as at 30 June 2020 (before appropriation of the result x €1,000)

Balance sheet	30-06-2020	31-12-2019	Reference
Investments			
Mortgages	3,704,953	2,937,324	
<b>Total investments</b>	<b>3,704,953</b>	<b>2,937,324</b>	<b>1</b>
Receivables	107,109	97,920	<b>2</b>
Other assets			
Cash	0	1,264	<b>3</b>
Current liabilities	-81,119	-67,923	<b>4</b>
<b>Receivables and other assets less current liabilities</b>	<b>25,990</b>	<b>31,261</b>	
<b>Assets less current liabilities</b>	<b>3,730,943</b>	<b>2,968,585</b>	
Issued participation capital	3,612,559	2,811,615	
Other reserves	126,687	-30,008	
Unappropriated result	-8,303	186,978	
<b>Total Net Assets</b>	<b>3,730,943</b>	<b>2,968,585</b>	<b>5</b>



## Profit and loss account

Profit and loss account for the period from 1 January 2020 until 30 June 2020  
(x € 1.000)

Profit and loss account	01-01-2020 to 30-06-2020	01-01-2019 to 30-06-2019	Reference
Investment income	38,769	22,015	7
Realized changes in the fair value of investments	-	-	8
Unrealized changes in the fair value of investments	-29,368	52,979	8
Other income	-10,175	-7,309	9
<b>Total operating income</b>	<b>-774</b>	<b>67,685</b>	

Management fee	-7,504	-3,846	
Other expenses	-25	-	
<b>Total operating expenses</b>	<b>7,529</b>	<b>-3,846</b>	<b>10</b>

<b>Profit after tax</b>	<b>-8,303</b>	<b>63,839</b>	
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# Cashflow statement

Cashflow statement for the period 1 January 2020 to 30 June 2020 (x €1,000)  
Prepared according to the indirect method

Cashflow statement	01-01-2020 to 30-06-2020	01-01-2019 to 30-06-2019	Reference
Total investment result	-8,303	3,707	
Changes in the fair value of investments	29,368	-2,707	1
Change in the provision for credit losses	25	-	
Acquisition of investments (-)	-901,739	-492,211	1
Sales of investments (+)	104,717	13,736	1
Increase (-)/Decrease (+) in receivables	-9,189	-23,096	2
Increase (+)/Decrease (-) in liabilities	13,196	20,144	4
<b>Net cash flow from investment activities</b>	<b>-771,925</b>	<b>-480,427</b>	
Issue of participations	826,024	486,405	5
Redemption of participations	-25,080	-	5
Dividend payment	-30,283	-5,643	
<b>Net cash flow from financing activities</b>	<b>770,661</b>	<b>480,762</b>	
<b>Movement in cash</b>	<b>-1,264</b>	<b>335</b>	
Cash per January 1	1,264	107	3
Cash per December 31	0	442	3
<b>Movement in cash</b>	<b>-1,264</b>	<b>335</b>	

# 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 semi-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 semi-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 interim financial statements on 27 August 2020.

## Reporting period and comparative figures

The semi-annual report covers the period from 1 January 2020 to 30 June 2020. Prior period comparative figures relate to the period 1 January 2019 to 30 June 2019.

## 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 30 June 2020.

## 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 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.

## Depository

As set out in the Information Memorandum, the Manager appointed BNP Paribas Securities Services S.C.A. as the Depository for the Fund. The Depository 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	30-06-2020	31-12-2019
Mortgages	3,704,986	2,937,332
Provision for credit losses	-33	-8
<b>Total investments</b>	<b>3,704,953</b>	<b>2,937,324</b>

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

Movement schedule of investments					
	Fair Value 01-01-2020	Purchases	Repayments	Revaluation	Fair Value 30-06-2020
Mortgages	2,937,332	901,739	-104,717	-29,368	3,704,986
<b>Total</b>	<b>2,937,332</b>	<b>901,739</b>	<b>-104,717</b>	<b>-29,368</b>	<b>3,704,986</b>

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
<b>Total</b>	<b>1,436,163</b>	<b>1,440,097</b>	<b>-126,039</b>	<b>187,111</b>	<b>2,937,332</b>

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 31 June 2020 the provision for credit losses amounted to € 33 (31 December 2019: € 8).



## 2. Receivables

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

Receivables	30-06-2020	31-12-2019
Mortgage debtors	179	25
Amounts receivable for construction depots	78,829	66,641
Mortgage interest receivable	7,085	5,889
Other mortgage receivables	21,016	25,365
<b>Total</b>	<b>107,109</b>	<b>97,920</b>

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	30-06-2020	31-12-2019
Management fee payable	-1,348	-1,103
Due to credit institutions	-755	-
Construction depots amounts payable	-78,829	-66,641
Other liabilities	-187	-179
<b>Total</b>	<b>-81,119</b>	<b>-67,923</b>

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	30-06-2020	31-12-2019	31-12-2018	31-12-2017
Fund Net Assets (x € 1.000)	3,730,943	2,968,585	1,446,000	381,074
Number of participations	349,013	274,880	143,396	37,714
Net Asset Value in euros per participation	10,689.97	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 30 June 2020 this amounts to € 180,785 (31 December 2019: € 210,153).



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

<b>Issued participation capital</b>	<b>01-01-2020 to 30-06-2020</b>	<b>01-01-2019 to 31-12-2019</b>
Balance at the start of the reporting period	2,811,615	1,435,645
Issued during the reporting period	826,024	1,385,726
Repaid to participants during the reporting period	-25,080	-9,756
<b>Balance at the end of the reporting period</b>	<b>3,612,559</b>	<b>2,811,615</b>

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

<b>Movement schedule of number of Participations</b>	<b>Number 01-01-2020</b>	<b>Issue</b>	<b>Redemption</b>	<b>Number 30-06-2020</b>
Subfund without NHG	274,880	76,461	-2,328	439,013

<b>Movement schedule of number of Participations</b>	<b>Number 01-01-2019</b>	<b>Issue</b>	<b>Redemption</b>	<b>Number 31-12-2019</b>
Subfund without NHG	143,396	132,441	-957	274,880

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

<b>Other reserves</b>	<b>01-01-2020 to 30-06-2020</b>	<b>01-01-2019 to 31-12-2019</b>
Balance at the start of the reporting period	-30,008	-10,734
Addition in the reporting period	186,978	21,089
Dividend payment	-30,283	-40,363
<b>Balance at the end of the reporting period</b>	<b>126,687</b>	<b>-30,008</b>

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

<b>Unappropriated result</b>	<b>01-01-2020 to 30-06-2020</b>	<b>01-01-2019 to 31-12-2019</b>
Balance at the start of the reporting period	186,978	21,089
Profit distribution in the previous financial year	-186,978	-21,089
Unappropriated result of the current financial year	-8,303	186,978
<b>Balance at the end of the reporting period</b>	<b>-8,303</b>	<b>186,978</b>



## 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	01-01-2020 to 30-06-2020	01-01-2019 to 30-06-2019
Interest from mortgages	38,784	22,019
Interest from cash	-15	-4
<b>Total</b>	<b>38,769</b>	<b>22,015</b>

## 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	01-01-2020 to 30-06-2020 (positive)	01-01-2020 to 30-06-2020 (negative)	01-01-2019 to 30-06-2019 (positive)	01-01-2019 to 30-06-2019 (negative)
Mortgages	-	-	-	-
<b>Total</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

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	01-01-2020 to 30-06-2020 (positive)	01-01-2020 to 30-06-2020 (negative)	01-01-2019 to 30-06-2019 (positive)	01-01-2019 to 30-06-2019 (negative)
Mortgages	-	-29,368	53,532	-553
<b>Total</b>	<b>-</b>	<b>-29,368</b>	<b>53,532</b>	<b>-553</b>

## 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	01-01-2020 to 30-06-2020	01-01-2019 to 30-06-2019
Management fee	-7,504	-3,846
Other expenses	-25	-
<b>Total</b>	<b>-7,529</b>	<b>-3,846</b>

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

Ongoing Charges Figure (OCF)			
	Information Memorandum	01-01-2020 to 30-06-2020	01-01-2019 to 30-06-2019
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)		
	01-01-2020 to 30-06-2020	01-01-2019 to 30-06-2019
Subfund without NHG	4.64%	3.46%

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 € 392.5 million in the Subfund without NHG (36,716 participations).

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



## Personnel

The Manager does not employ any personnel. As at 30 June 2020, 162 employees and 157 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 end of the reporting period 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](http://www.asr.nl)).

Personnel costs (x € 1)	01-01-2020 to 30-06-2020	Beneficiaries
Management Board	391,150	3*
Identified Staff	174,390	1**
Employees	10,374,491	158
<b>Total</b>	<b>10,940,031</b>	<b>162</b>

\* The 2020 Management Board's remuneration relates to two management board members up to April 2020.

\*\* The 2020 Identified Staff's remuneration related to two employees up to mid June 2020.

## 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.

## Events subsequent to the balance sheet date

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

### SIGNING OF THE FINANCIAL STATEMENTS

Utrecht, 27 August 2020

ASR Vermogensbeheer N.V.

On behalf of Subfund without NHG

The management,

Mr. J.T.M. Julicher (director)

Mr. M.R. Lavooi (director)

Mrs. W.M. Schouten (director)

Mr. N.H. van den Heuvel (CFRO)

## Other information



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**ASR Vermogensbeheer N.V.**

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