

5 questions about:

Private Debt

a.s.r.
asset
management

a.s.r.

Some of the information contained in this brochure are publicity statements. Please read the prospectus or the Information Memorandum before making any investment decisions.

1. Private debt, what type of investment is it?

Until the euro was introduced, there was a lively private corporate debt market. With the emergence of a European market for corporate bonds came complexity and limited marketability, and so these instruments faded into the background for institutional investors and became the preserve of banks.

There has been a structural shift going on in the regulation and business models of European banks since the financial crisis, bringing strict capital requirements, concentration limits and funding mismatches that have made banks more wary of extending finance to businesses.

The changing regulatory landscape is limiting banks' capacity to provide long-term loans and is fuelling the trend of disintermediation of corporate finance in Europe.

The role of European banks and institutional investors has changed in recent years and the institutional market for private debt is growing as a result. This has created opportunities for investors such as insurance companies and pension funds with a long investment horizon that are seeking to diversify their investment portfolios and are on the look out for relatively higher yielding investments in today's low interest rate environment.



2. Why do we offer private debt?

At a.s.r. private debt is considered a strategic asset because of its limited correlation with traditional asset classes and its attractive risk/return profile. We mostly target the mid-market segment. Most European companies in this segment are privately owned. Private credit to medium-sized companies offers attractive absolute and relative returns compared with publicly traded investment grade and high yield bonds with a similar risk profile. This has to do with the illiquidity and complexity premiums. To cash in on these premiums, a long-term buy-and-hold strategy is required with corresponding financial and legal expertise of the market, companies, agreements and securities.

3. To whom is private debt particularly interesting?

The market for large and medium-sized companies is an interesting segment for a.s.r. and its institutional clients to invest in. With private debt, we aim to achieve a relatively attractive return at an acceptable risk. The a.s.r. Private Debt Fund I specifically targets professional investors such as pension funds and insurance companies. Investing in private debt involves risks, of course. These risks are described in detail in the Fund's Information Memorandum (IM), which is available on request. You are advised to base your investment decision on all features or objectives of this Fund as set out in the Information Memorandum.

4. Why choose private debt at a.s.r. vermogensbeheer?

- a.s.r. vermogensbeheer has been managing substantial private debt and equity portfolios for a.s.r. group companies and clients for decades, including investments in local authorities, businesses and intermediaries. Private debt investment requires expertise, including because of the wide variety of types of companies, cyclical sensitivity and specific circumstances. At a.s.r. vermogensbeheer, we have the expertise, infrastructure and processes necessary to assess, structure, approve, administer, value and monitor debt. Our experienced Alternative Fixed Income (AFI) team consists of 9 professionals, each boasting over 15 years of experience.
- a.s.r. itself also invests in the Fund, which means that there are common interests. We also have common interests with our sourcing partner banks, with which we are invested in the same loans with equal terms on proceeds, agreements, security and management over the life of the loan.

"With private debt, we aim to achieve an attractive return at an acceptable risk."

5. Private debt and sustainability

As an institutional investor, a.s.r. demonstrates its social responsibility by incorporating ethical and sustainability criteria into its investment policy. Sustainable investing, at a.s.r., is not an end but a means. In the long term, it is the best way forward for all our stakeholders.

All investments managed by a.s.r. vermogensbeheer are screened for environmental, social and governance compliance based on a.s.r.'s SRI (Socially Responsible Investment) policy. Countries and companies that do not make the cut are excluded. However, we invest extra in countries and companies that contribute towards a sustainable society – by promoting the energy transition, fighting climate change or focusing on crucial themes such as healthcare and education. That is why a.s.r. does not invest in arms, tobacco, gambling or thermal coal, or in companies that derive a large part of their turnover from nuclear energy and coal-fired electricity. For unconventional oil and gas products such as oil shale, tar sands and Arctic drilling, we have limited our threshold values to the minimum.



The Fund promotes sustainability characteristics by applying a.s.r.'s sustainability policy (SRI policy) when making investment decisions.

- The Fund does not provide private credit to companies or projects involved in controversial activities as described in a.s.r.'s sustainability policy.
- No private credit is provided to companies engaged in systematic and serious violations of human rights, labour rights or the environment.
- Whenever possible, the Fund will lend to companies or projects that can be considered sustainability pioneers according to prevailing internal definitions of impact investing.
- The Fund can also lend to companies that contribute or have the potential to contribute significantly to climate mitigation and/or climate adaptation, as laid down in the Taxonomy Regulation (EU) 2020/852.

As part of its sustainability policy, a.s.r. vermogensbeheer applies requirements for good governance and responsible conduct when selecting investments. Governance is also a factor in the due diligence process preceding the provision of private credit.

The Fund invests via sourcing partners that are selected on the basis of their alignment with a.s.r.'s sustainability policy. For example, we ensure that the sourcing partner banks invest in line with the United Nations Principles for Responsible Investment (UN PRI), the United Nations Global Compact (UN GC) and standards defined by the Dutch Association of Insurers for the exclusion of investments in controversial arms. In addition, a.s.r. vermogensbeheer selects sourcing partners with strong risk management processes to minimise governance-related risks. Violation of the standards may lead to engagement with the company or its exclusion from the investable universe.

More about private debt:

<https://asrvermogensbeheer.nl/beleggingsstrategieen/private-debt>