

# Investing in Dutch mortgages

June 2022

## Table of contents



Summary



Distinctive characteristics



About a.s.r.



Portfolio characteristics ASR Mortgage Fund NHG Subfund & non-NHG Subfund



Sustainability: it's in our DNA



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



ASR Mortgage Funds – the strategy



Experienced mortgage team

## Summary

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

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

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

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

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



#### 4 Investing in Dutch Mortgages | June 2022

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

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

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



## The case for investing in Dutch mortgages

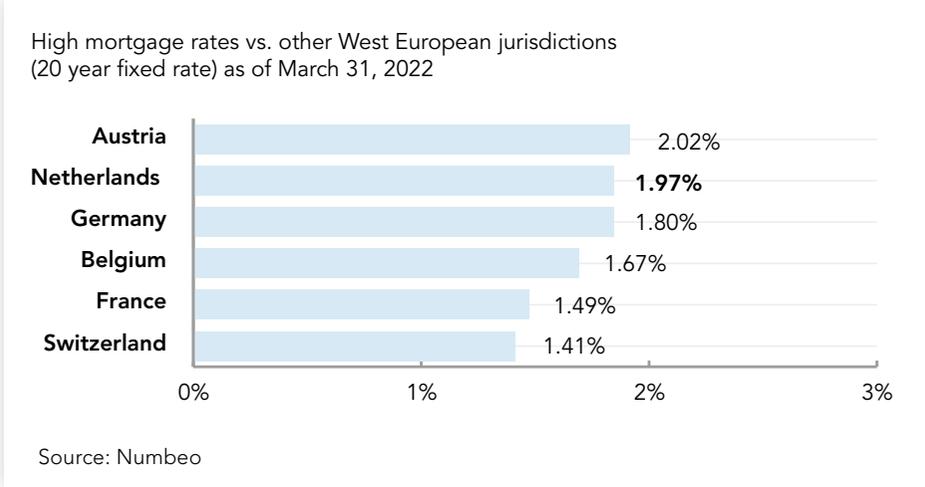
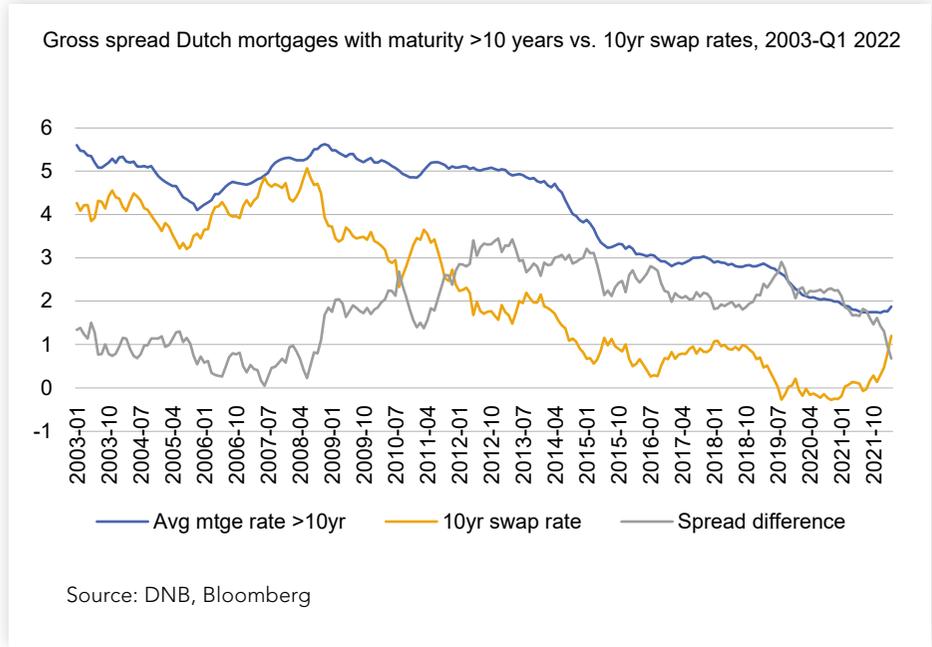
Dutch mortgages offer an interesting diversification within a fixed income portfolio at an attractive yield/spreads vs. other fixed income asset categories while maintaining a conservative risk profile:

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

Additional spread above risk free 10yr swap rates

	Sept 2021	Dec 2021	Mar 2022
NHG Subfund	1.15%	1.13%	1.30%
non-NHG Subfund	1.42%	1.35%	1.48%
AAA Euro covered bonds	0.39%	0.49%	0.68%
AAA Dutch RMBS	0.14%	0.18%	0.30%
A Euro Financials	0.78%	0.91%	1.19%
IG Euro Corporates	0.85%	0.98%	1.29%

Source: Bloomberg, internal



## About a.s.r.

### **ASR Nederland N.V.**

ASR Nederland N.V. is the third largest Dutch insurer, a publicly traded company, listed at Euronext and rated A by S&P, with a history which begins in 1720. Our corporate culture is open and down to earth. We have no short term goals and do not pay bonuses. We are recognized as a sustainable investor and as such ranked #1 Dutch Fair Finance Guide. In 2021 Sustainability recognized a.s.r. as world's most sustainable insurance group.

### **a.s.r. asset management**

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

### **a.s.r. Life**

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



## Sustainability: it's in our DNA



### Environment

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



### Social

- Offering a first time home buyers mortgage with an extended annuity mortgage loan with a 40 years repayment term instead of 30 years
- Successfully launched a mortgage aimed at elderly people
- Distinctive special servicing



### Governance

- We report on the carbon footprint of the mortgage portfolio in line with the PCAF methodology
- Reporting of energy labels per subfund on a quarterly basis



## ASR Mortgage Funds – the strategy

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

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

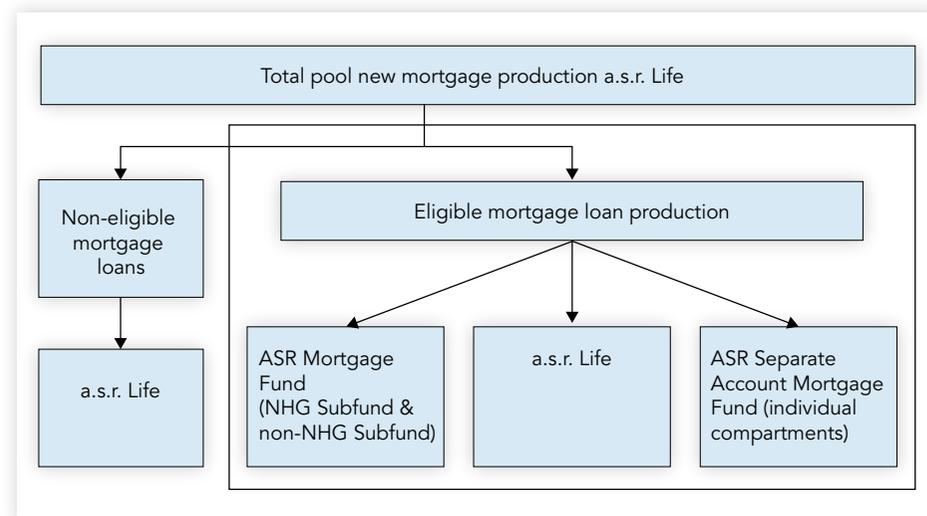
Investors invest in a vertical slice of the a.s.r. Life mortgage production, similar in risk-return characteristics to the production allocated to the own a.s.r. entities, and subject to the Mortgage Loan Eligibility Criteria of the Funds.

The determination of the eligible portfolio is based on:

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

Furthermore, the following selection criteria apply:

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



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

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

## Distinctive characteristics

### ESG

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

### Governance

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

### Flexibility

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

### Liquidity

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

### Return

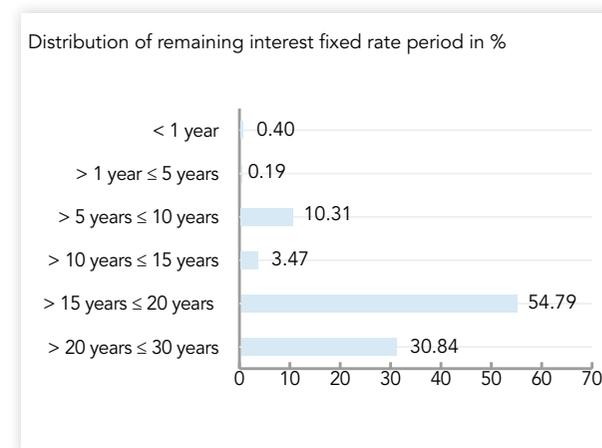
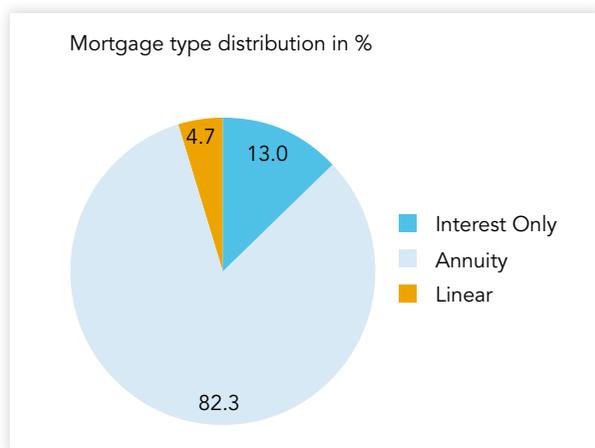
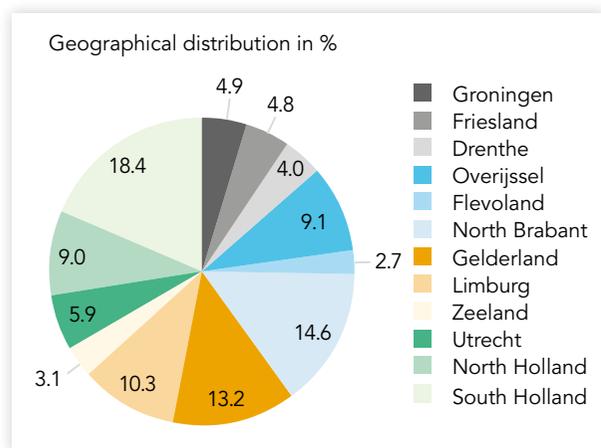
- Extremely low loss rates (<0.01%) due to dedicated internal acceptance and arrears management performed by a.s.r. Life.
- Realization of higher mortgage rates due to direct contact with intermediaries instead of service parties.

## Portfolio characteristics ASR Mortgage Fund NHG Subfund\*

ASR Mortgage Fund	NHG Subfund
Currency	EUR
Fund assets under management	2.051.248.530
Number of mortgages loans	10,684
Number of mortgage loan parts	21,152
Duration	8.4
% NHG loans	99.1%

ASR Mortgage Fund	NHG Subfund
Weighted average coupon	1.84%
Weighted average swap spread	1.53%
Weighted average yield	2.45%
Weighted average CLTCMV	85.6%
Weighted average CLTIMV	69.8%
Weighted average loan to inc.	2.5-5.0

Return	Fund	Index**
3 months	-8.55%	-7.42%
YTD	-8.55%	-7.42%
1 Year rolling	-8.06%	-9.11%
3 Years (ann.)	1.16%	-1.41%
Since start	9.90%	1.95%



\* All figures as of March 31, 2022

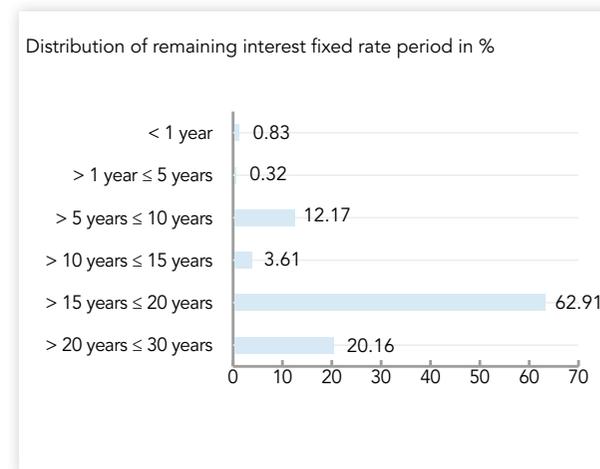
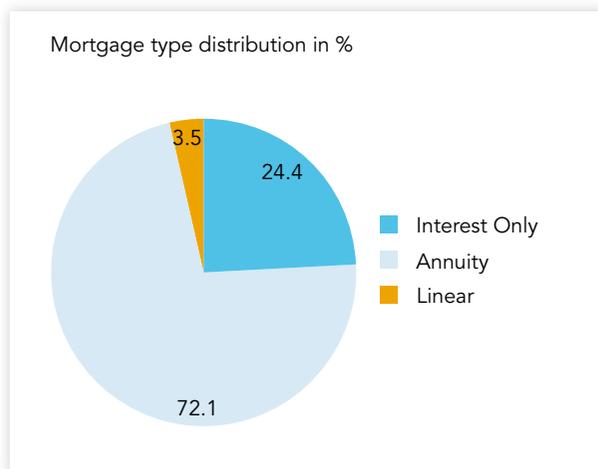
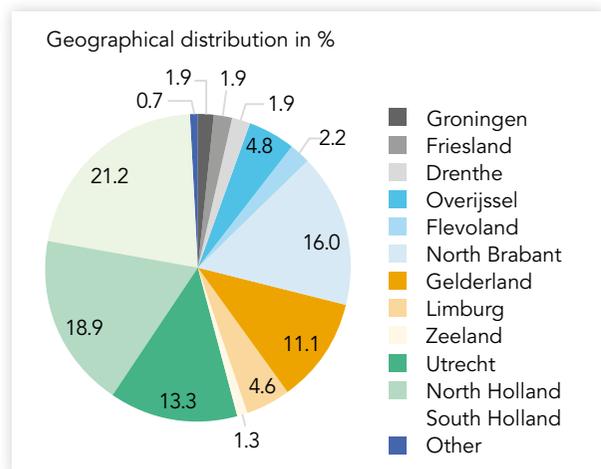
\*\* This index is made up of a basket of Merrill Lynch swap indices, with a duration equal to the expected duration per sub-fund, rebalanced on a monthly basis.

Portfolio characteristics ASR Mortgage Fund non-NHG Subfund\*

ASR Mortgage Fund	non-NHG Subfund
Currency	EUR
Fund assets under management	5.895.400.000
Number of mortgages loans	18,362
Number of mortgage loan parts	46,154
Duration	8.5
% NHG loans	100%

ASR Mortgage Fund	non-NHG Subfund
Weighted average coupon	2.06%
Weighted average swap spread	1.48%
Weighted average yield	2.63%
Weighted average CLTOMV	83.2%
Weighted average CLTIMV	70.5%
Weighted average loan to inc.	3.0-5.0

Return	Fund	Index**
3 months	-8.13%	-7.40%
YTD	-8.13%	-7.40%
1 Year rolling	-6.73%	-9.11%
3 Years (ann.)	1.71%	-1.52%
Since start	10.97%	1.59%



\* All figures as of March 31, 2022

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

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

Fund	ASR Mortgage Fund NHG Subfund	ASR Mortgage Fund non-NHG Subfund	ASR Separate Account Mortgage Fund
<b>Assets under Management</b>	EUR > 2.1 bn incl. commitments	EUR > 6.6 bn incl. commitments	EUR > 1.7 bn incl. commitments
<b>Fiscal structure and legislation</b>	Fund for joint account, open ended, tax transparent and subject to EU-AIFMD	Fund for joint account, open ended, tax transparent and subject to EU-AIFMD	Fund for joint account, open ended, tax transparent and subject to EU-AIFMD
<b>Regulation</b>	The Fund Manager has a license to manage alternative investment funds as referred to in the AIFMD. Under this license, the Fund Manager is subject to ongoing supervision by the Netherlands Authority for the Financial Markets (AFM) and the Dutch Central Bank (DNB).		
<b>Benchmark</b>	Absolute return, high stable direct income objective	Absolute return, high stable direct income objective	Absolute return, high stable direct income objective
<b>Inception date</b>	June 2017	March 2017	February 2020
<b>Currency</b>	EUR	EUR	EUR
<b>Portfolio Criteria</b>	Invests in a vertical slice of recently originated a.s.r. WelThuis mortgages with NHG guarantee: <ul style="list-style-type: none"> <li>- Originated in line with Dutch Code of Conduct</li> <li>- In line with a.s.r. eligibility criteria</li> <li>- No staff loans</li> <li>- Maximum LTV 100%. Maximum 106% in case of energy saving measures</li> </ul>		Invests in a slice of recently originated a.s.r. WelThuis mortgages: <ul style="list-style-type: none"> <li>- Originated in line with Dutch Code of Conduct</li> <li>- In line with a.s.r. eligibility criteria to assure alignment</li> <li>- Tailored to individual investor's interest, e.g. NHG/non-NHG, LTV and maturity</li> <li>- No staff loans</li> <li>- Maximum LTV 100%. Maximum 106% in case of energy saving measures</li> </ul>

Fund	ASR Mortgage Fund NHG Subfund      ASR Mortgage Fund non-NHG Subfund      ASR Separate Account Mortgage Fund
ESG	<ul style="list-style-type: none"> <li>- In line with a.s.r.'s leading and widely recognized sustainability policy</li> <li>- Front runner in ESG mortgage proposition</li> <li>- In-house special servicing with strong focus on social aspects</li> </ul>
Risk	<p>Investing in mortgages obviously involves risks. These are described in detail in the Information Memorandum of the (relevant) fund. Risks include the risk of default, the 'risk' of early redemption and the possibly limited liquidity. Below you will find what we consider to be the biggest risks:</p> <ul style="list-style-type: none"> <li>- The most significant risk is interest rate risk: subfunds NHG and non-NHG both have a duration of around 8;</li> <li>- Liquidity risk: because these are non-liquid investments, it may not be possible to sell at the time you wish;</li> <li>- Offer risk: the future participant bears the offer risk. This risk occurs when interest rates are rising sharply.</li> </ul>

## Experienced mortgage team



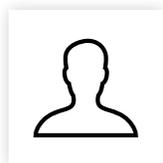
**Rutger Brascamp, Fund Director ASR Mortgage Funds**

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



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

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



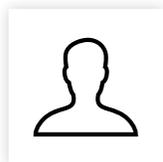
**Mr. Serdar Özdemir, Senior Portfolio Manager ASR Mortgage Funds**

Mr. Özdemir joined a.s.r. asset management in May 2022 as senior portfolio manager from Revolut, a UK based FinTech which he joined late 2021. He started his career as a researcher at ABN AMRO in 2003 and then joined the Treasury Structured Solutions team in 2006 as a Structurer and joined the RBS London Credit & ABS Structuring team in 2010. In 2014 he became Director within the Structured Debt Capital Markets team and later Head of Structured Asset Distribution. Mr. Özdemir holds a Master of Science degree in Business Mathematics and Informatics from VU Amsterdam



**Kyra Meulenberg, Fund Manager ASR Mortgage Funds**

Ms. Meulenberg is fund manager for the ASR Mortgage Funds. She joined a.s.r. asset management's Accounting & Reporting department in 2017 and became fund controller at a.s.r. real estate in 2019. In May 2021 she rejoined a.s.r. asset management as fund manager. Ms. Meulenberg holds a bachelor degree in Business Economics and a double Master degree in Financial Analysis and International Business from Maastricht University.



**Victor Brands, Portfolio Manager ASR Mortgage Funds**

Mr. Brands has been with a.s.r. asset management for over four years now and started as a trainee where he led projects in four different departments within a.s.r. asset management. After successfully completing his traineeship, Mr. Brands was responsible as Portfolio Manager Solutions for a number of multi-asset investment portfolios of institutional clients. Mr. Brands has a Master of Science degree in Finance & Investments and is currently studying for CFA level 3.



**Paul Berenbroek, Senior Data Analyst**

Mr. Berenbroek started as an analyst in the team responsible for mortgage investments on 1 February 2022. Mr. Berenbroek joined a.s.r. asset management in 2015 as Senior Performance Analyst. Previously, he was employed as Performance Analyst at APG Asset Management (from 2009 to 2015). Mr. Berenbroek holds a Master's degree in Financial Economics and is a CFA charterholder since 2011.



**Marc Baars, Senior Reporting Officer**

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

Mr. Baars holds a Master degree in Financial Economics and a Post Master as certified accountant.



**Paul Spruit, Senior Operations Officer**

Mr. Spruit started his career in 1990 at Rabobank International and worked with Deutsche Bank and ING Bank as well.

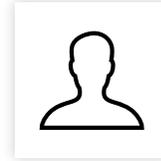
In these 27 years he held various positions within the Financial Markets Operations division of these banks and joined a.s.r. asset management in 2017.

Mr Spruit holds a Middle Education Intermediate Business Education.



**Mr. Coen Dijkema, Junior Operations Officer**

Mr. Dijkema started his career at a.s.r. asset management in 2021. He holds a degree in International Economics and Business from Rijksuniversiteit Groningen.



**Florian Wiese, Reporting Analyst**

Mr. Wiese started his career as a a.s.r. Trainee in 2019, and recently joined the mortgage operations of a.s.r. asset management in 2020.

Mr. Wiese holds a Master degree in Banking and Finance and is a CFA level 1 candidate

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For the applicable conditions and risks relating to the a.s.r. asset management investment funds stated in this presentation, please refer to the prospectuses, fund conditions and essential investor information (EBI) of these funds. Copies of these documents and the annual reports are available on [www.asrvermogensbeheer.nl](http://www.asrvermogensbeheer.nl), where all information relating to a.s.r. asset management can be viewed.

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**a.s.r. vermogensbeheer**

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