

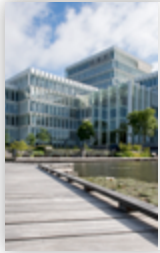


# Private Debt

March 2022

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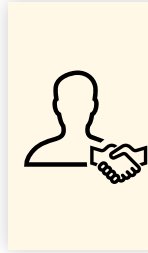
# Contents



**1. About  $\alpha$ .s.r. and  $\alpha$ .s.r. vermogensbeheer**



**4. The  $\alpha$ .s.r. Private Debt Fund in a nutshell**



**7. Sourcing partners**



**2. Private debt market**



**5. Immediately invested**



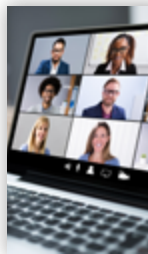
**8.  $\alpha$ .s.r. sustainability policy embedded in the Fund**



**3. Why invest in private debt?**



**6. Common interests**



**9. Experienced team and thorough process**

# 1. About a.s.r. and a.s.r. vermogensbeheer

a.s.r.'s history dates back to 26 June 1720, the date of establishment of N.V. Maatschappij van Assurantie, Discontering en Beleening der Stad Rotterdam, the oldest insurance company on the European mainland.<sup>1</sup> The foundation of the current business, however, was laid in 2000 with the merger of Fortis AMEV and the ASR Group, comprising De Amersfoortse, Stad Rotterdam Verzekeringen and Woudsend Verzekeringen.

For a more detailed view of the rich history of a.s.r. and all its predecessors, please take a look at <https://www.asrneland.nl/over-asr/verhaal-van-asr>.

a.s.r. is inherently risk averse and has a robust capital position; at year-end 2021, its Solvency II ratio stood at 196%.

Based in Utrecht, ASR Vermogensbeheer N.V. is a wholly owned subsidiary of ASR Nederland N.V. It is responsible for the portfolio management for the Group as well as third parties, holding approximately € 75 billion in assets under management. Most of this amount comes from insurance companies and pension funds.

a.s.r. vermogensbeheer employs around 170 FTEs. Portfolio management is a core and growth activity of ASR Nederland and all activities related to portfolio management are carried out in-house.

<sup>1</sup> For more information on the history of Stad Rotterdam, the oldest insurance company on the European mainland, see the foundation's website: <https://www.stsr1720.nl/285-jaar-verzekeren>

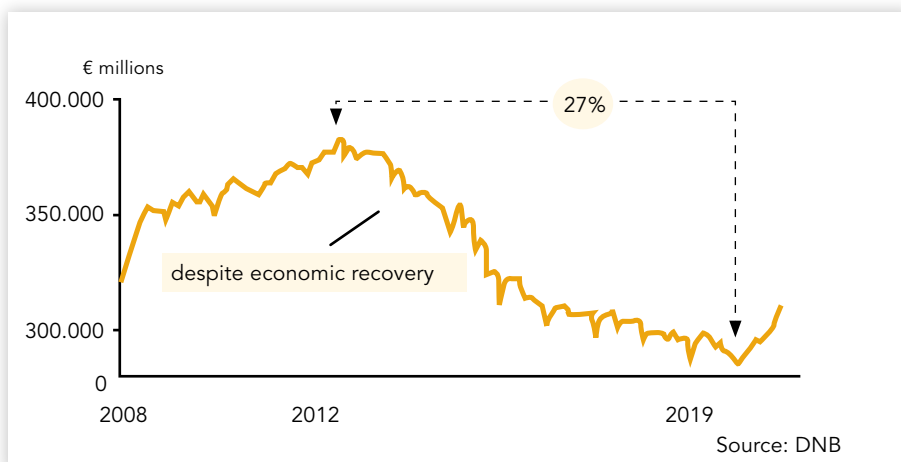


## 2. Private debt market

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 higher yielding investments in today's low interest rate environment.





### 3. Why invest in 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.



## 4. The a.s.r. Private Debt Fund in a nutshell

The a.s.r. Private Debt Fund offers investors the opportunity to invest institutional capital in promising projects and companies that seek to expand, become more sustainable or refinance. As a professional investor, you, together with a.s.r. via the Private Debt Fund, can give back to society by contributing to the development and broadening of the financial base of medium-sized businesses in the Netherlands and its neighbouring countries.

### Geography and sectors

The Fund focuses on medium-sized businesses in countries including the Netherlands, Belgium, Germany, Scandinavia and the United Kingdom that operate mostly in asset-heavy sectors, leasing companies in rolling stock and floating stock, project finance, European manufacturing industry with strong niche market positions and predictable cash flows, and companies with a strong regular client base and recurring revenues.



### Target groups

With the Fund, we aim to achieve an attractive return at an acceptable risk. The Fund specifically targets professional investors such as pension funds and insurance companies.

### Other key features of the Fund

- Target return of Euribor +275bp
- The investee companies are non-rated and the implied rating is between BBB and B
- The Fund is a closed-end fund with a term of 10 years (2031), including a 3-year investment period
- No or limited liquidity (interest and repayments)
- It holds euro senior (secured) loans, pari passu with the banks
- Amount per issuer and between € 5 million and € 50 million
- No derivatives and leverage in the Fund
- The Fund operates in line with a.s.r.'s ESG policy
- The Fund is a tax transparent fund under AFM supervision
- The Fund's legal structure is that of a 'fonds voor gemene rekening' (FGR) under Dutch law (similar to a mutual fund)
- The Fund is actively managed

### Risks of the Fund

The investee companies<sup>1</sup> are non-rated and the Fund's average implicit rating is BB with a limit of 20% B-rated. There is limited interest rate risk; the loans are mainly floaters and partly amortising loans with maturities of 3 to 10 years. In addition, there is no or limited liquidity.

Bankruptcies within rating categories BB/B are historically still quite rare and recovery rates relatively high as a result of collateral, security and agreements, and there is a diversification advantage because of the negative correlation with global bonds and limited correlation with equities.

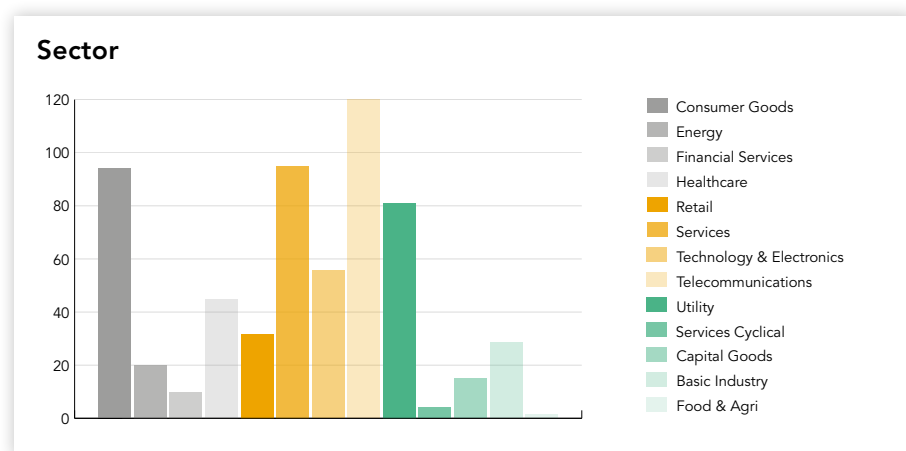
<sup>1</sup> Read more about the risks in the information memorandum, the key investor information document and/or the prospectus.





## 5. Immediately invested

Building a diversified private debt portfolio requires experience, expertise and patience to select the best loans that will generate solid returns over a full cycle. Together with our sourcing partners, we have already built up a private debt portfolio for the Fund in recent years. At launch, the Fund held over € 520 million in 57 loans from 34 companies with a credit rating of BBB/BB (April 2022). New clients participate in a well diversified, high quality portfolio of mature loans immediately upon entry (see initial portfolio's sector breakdown at year-end 2021 below).



## 6. Common interests

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.

## 7. Sourcing partners

Loan origination is carried out in collaboration with Dutch banks and a.s.r.'s network of business relations. Together, we have a broad and skilled platform to serve credit applications from diverse sectors, markets and countries. All credit applications are subjected to a thorough credit assessment and acceptance process at a.s.r. a.s.r.'s ESG criteria are part of the acceptance process and have been embedded in the Fund's investment policy. The Fund is the legal owner (lender of record) of the loans.





## 8. a.s.r. sustainability policy embedded in the Fund

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.



## 9. Experienced team and thorough process

Private debt investment is a professional field in which experience and financial and legal know-how are indispensable. 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 10 FTEs, with each professional boasting over 15 years of experience. Responsible for private credit, this team comes under the Fixed Income department, which manages a total of approximately € 30 billion in fixed income investments. The AFI team has over € 1.5 billion under management and aims to further grow these assets over the coming years.

### Strong governance

We believe in a team approach with a clear, transparent and reproducible investment process. Several teams of portfolio managers, ESG managers, risk managers and the credit committee, each of them contributing their own independent views, are involved in the lending process, from origination to completion. In the legal and KYC processes we are supported by our Legal and Security departments and in the management phase by the Operations and Risk Management departments. This investment process guarantees the governance, analytical discipline and continuity of our private debt strategy.

### Credit committee and investment committee

The process starts with credit applications submitted by the partner bank. After that, our own process starts with the a.s.r. credit committee's approval of credit applications of up to € 35 million. The credit committee consists of members with banking, investment, risk management and compliance backgrounds, each boasting more than 20 years of professional experience. After credit committee approval, credit applications in excess of € 35 million also require a second approval from the Fund's investment committee. This committee consists of representatives of the unit holders.



## 10. Team



### **Michel Diemeer - Head of Alternative Fixed Income**

Michel is an expert on the tax and legal aspects of private debt and special servicing. Boasting a 22-year track record, he is responsible for all private credit at a.s.r. vermogensbeheer. Michel studied Tax Law at the University of Amsterdam, obtained an MBA at Nyenrode Business Universiteit and an MSc in Insurance at the Amsterdam Business School.



### **Wee Mien Cheung - private debt fund manager**

After studying Computer Science at the Delft University of Technology and Finance at Erasmus University Rotterdam, Wee Mien started his career at Delta Lloyd Asset Management in 2006, where he worked as a fund manager responsible for managing the global IG/HY corporate bond and derivatives portfolios. In 2017 he joined a.s.r. vermogensbeheer, where he is co-responsible for structuring the Alternative Fixed Income department and setting up the a.s.r. Private Debt Fund.



### **Maarten Tjaden**

Maarten is portfolio manager of the private debt portfolio and specialises in credit analysis, portfolio management and SME and project finance. He has more than 15 years of experience in portfolio management. After obtaining his baccalaureate degree from the European School in Brussels, he went on to study Business Administration at Erasmus University Rotterdam. In addition, he completed the postgraduate course VU-VBA Investment Management (RBA).



### **Tom Rombouts**

After studying Business Administration at Tilburg University, Tom started his career at Rabobank, where he has worked in corporate finance for 10 years. He then joined the Leveraged Finance team at NIBC Bank to focus exclusively on acquisition finance in North-West Europe. Here he was responsible for the origination and execution of transactions in the Benelux & UK. After working at NIBC for 5 years, he joined a.s.r.'s Private Debt team at the beginning of 2022 to consolidate origination and execution.



### **Bart Lugtenburg**

Bart studied Economics and Law in Utrecht and completed the Management Traineeship at Rabobank. He stayed on at Rabobank, gaining over 10 years of transaction experience in IPOs, share placements and leveraged finance transactions. He focused on both the origination and execution of deals, frequently in an international context. Bart has strengthened a.s.r.'s Private Debt team since the end of 2021, with a specific focus on private equity sponsored acquisition finance (leveraged finance).



### **Aniek van den Bos**

After obtaining a Master's degree in Corporate Finance from Radboud University in Nijmegen, Aniek gained 3.5 years of experience working in various teams at NIBC Bank. There she worked in structured finance origination and execution and leveraged loan portfolio management. To gain additional expertise in alternative finance, Aniek successfully completed the CAIA programme. She has strengthened the Private Debt team at a.s.r. vermogensbeheer since the spring of 2022.



## 10. Team



### **Jeroen Didden**

Jeroen loves data and especially the world behind the data. Jeroen has 21 years of experience working at a.s.r. (and its predecessors) and can rightly be called a stable financial force. After obtaining his HEAO degree in Business Economics, Jeroen gained specific professional knowledge at the University of Amsterdam (Master's degree in Insurance; modules in financial economics and ERM). He is currently a financial analyst in the Private Debt team.



### **Huib Phielix**

Trained as a chartered accountant (register accountant), Huib gained 3 years of experience at KPMG and has worked for 10 years as an internal auditor at VIVAT and a.s.r., with a focus on portfolio management. In mid-2021 he switched to Alternative Fixed Income, where he is responsible for portfolio management and credit analysis. To gain more in-depth knowledge of portfolio management and financial analysis, Huib is following the CFA programme.



### **Anja Klinkhamer**

Anja started her career in 1979 as an administrative assistant at Slavenburg's Bank, one of the legal predecessors of Fortis Bank Nederland. She has worked in various departments, including documentary payments, securities administration, inquiries and advertising. In 2001, she switched to Back Office of Fortis Insurance Nederland, Participations and Financing department, which is today's Alternative Fixed Income team of a.s.r. vermogensbeheer. She is responsible for loans administration and documentation.



### **Dirk Jan de Vries**

Dirk Jan has a wide range of experience in managing private credit provided by banks and insurance companies. Initially working in sales at a predecessor of Fortis for 7.5 years, he switched to the Corporate Clients department to work as a credit management officer. After 12.5 years he moved to Fortis Verzekeringen Nederland's Participations department in Back Office. He now works at Private Debt (private credit) in Back Office. He has more than 34 years of professional experience.

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