

AMVEST RESIDENTIAL CORE FUND

ANNUAL REPORT 2016



ROTTERDAM
WILHELMINAKADE (DE ROTTERDAM)

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Capitalised terms used in this annual report but not defined herein shall have the meaning ascribed to them in the terms and conditions of management and custody of Amvest Residential Core Fund dated 1 November 2016.

PROFILE

Amvest Residential Core Fund (ARC Fund) is Amvest's first residential investment fund that is open to new investors. The ARC Fund, which includes Amvest's core residential properties, consists of approximately 6,750 homes with an average age of around nine years. The vast majority of these homes are in the mid-priced rental segment and located in strong economic areas in the Netherlands with an above-average value growth potential. These residential properties all have a long-term investment horizon. In order to facilitate an annual 5% rejuvenation of the portfolio, the ARC Fund has the right of first refusal for acquiring rental residential properties from Amvest Development B.V.'s pipeline.

STRUCTURE

Amvest Residential Core Fund was created in 2010 following the legal split of the Amvest Vastgoed B.V. (Amvest) investment portfolio into two fiscally transparent investment funds: Amvest Residential Core Fund C.V. and Amvest Residential Dynamic Fund C.V. The shareholder in both funds was WAP Woningen B.V., a joint venture between the launching Investors AEGON and Pensioenfondsen Zorg en Welzijn (PfZW). As from 1 January 2012, WAP Woningen B.V. was split into four separate private limited liability companies (i.e. Dutch B.V.s) with which they participate separately in both funds.

FUND FOR JOINT ACCOUNT

After the legal split of WAP Woningen B.V., the ARC Fund was converted from a limited partnership (C.V.) into two fiscally transparent funds for joint account (FGR1 and FGR2). The launching Investors AEGON and PfZW remain Investors holding a substantial stake, alongside the new investors. The division into two funds was prompted by tax-efficiency reasons. The establishment on 17 January 2012 of the funds for joint account marked the initial closing of the ARC Fund. As of 1 January 2016, FGR1 and FGR2 merged into one FGR. The Fund's legal structure as of 1 January 2016 can be found in the Annexes.

TERM, GOVERNANCE, INVESTORS

The initial closing marked the official start of the ARC Fund. The ARC Fund initially had a term of ten years (17 January 2012 – 17 January 2022). In 2016, the Investors agreed to extend the term by four years up to 17 January 2026.

The ARC Fund is advised and supervised by an independent Investment Committee, an Advisory Board, and the Investors' Meeting. Following the initial closing, new Investors have been able to join the ARC Fund.

During 2016, the ARC Fund has been able to broaden its Investors' base. Four new Investors have joined the ARC Fund, with a total commitment of EUR 393 million. As well as these new Investors, four existing Investors decided to extend their stake with new commitments running to EUR 100 million.

In 2016, new units were issued worth EUR 261 million. As at 31 December 2016, the ARC Fund has eighteen Investors and EUR 387 million of undrawn commitments.

STRATEGY

The ARC Fund aims to realise an attractive, stable dividend yield available for distribution and long-term value growth for its Investors, by investing in a portfolio of relatively young residential rental properties located in focus areas. In addition, the ARC Fund aims to provide its Investors with a net IRR derived from rental income, divestment profit and appreciation of 7%, including a dividend yield of 4% per year.

The ARC Fund has built a portfolio for these purposes made up of residential properties mainly in the mid-priced segment within the rental market (73%), with monthly rents ranging from EUR 710 up to EUR 1,250 per home (depending on the specific region). The ARC Fund has a strict regional policy, based on the ARC Fund focus areas. The portfolio has an allocation of 71% to the four largest cities (Amsterdam, Rotterdam, The Hague and Utrecht) and their suburbs in the Netherlands and an extra 22% allocation to other Randstad, Noord-Brabant and Gelderland cities. Additional high performance areas are the Regional Economic Centres, which are selected strong cities outside the Randstad. The ARC Fund focus areas were selected in conjunction with Amvest's research department, based on external research on economic growth, changes in supply/demand ratios, demographic trends, and the quality of the residential environment. With an average age of around nine years, the portfolio is very young. A dynamic portfolio policy ensures that the quality of the portfolio remains at a high level and operating costs remain relatively low. The ARC Fund aims at an annual rejuvenation of 5%. The ARC Fund's strategy is incorporated in the annual Portfolio Plan which is discussed with the Investment Committee and approved by the Advisory Board.

Amvest focuses on strategic and tactical portfolio and asset management. Day-to-day operational management is outsourced to regional property managers. In addition to maintaining close contact with the property managers, the portfolio managers and asset managers also liaise closely with the Amvest Tenant Platform and the individual tenant organisations in order to have a good understanding of our tenants' needs.

KEY ISSUES

MARKET DEVELOPMENTS IN THE NETHERLANDS

- In 2016, the Dutch economy recorded the highest rate of growth since 2008. With a growth of 2.2%, annual GDP growth in the Netherlands was slightly higher compared to 2016 (2.0%).
- The Dutch residential market experienced a year of strong growth. The number of transactions in existing owner-occupied homes showed a record high of 215,000, which is an increase of 20% compared to 2015 (180,000) (Source: Statistics Netherlands).
- In 2016, 10% more transactions in free market rental homes (owned by institutional investors) were registered. In 2016 15,000 transactions were registered, compared to 13,500 in 2015.
- The average price for a free market rental home of an institutional investor was EUR 9.8 per square metre in 2016, which means an average monthly rent of EUR 985 (Source: IPD/MSCI 2016).
- In 2016, a total of 51,000 building permits were granted, a fall of approximately 4% compared to 2015. At the same time, the number of building permits granted for rental homes built by the market sector, generated a positive increase. This growth involves both regulated and non-regulated rental homes (Source: Statistics Netherlands).
- The total amount of direct investments in residential real estate was EUR 4.2 billion. The total investment volume in the Netherlands was EUR 14.8 billion (Source: Capital Value).

RESULTS FOR 2016

- The dividend yield distributed to the Investors totalled 4.1% (EUR 45.0 million), which is above the target of 4.0%.
- Fund return totalled 14.7%: income return was 3.6% and capital gains were 11.1%.
- Total gross and net rental income were EUR 73.6 million and EUR 57.4 million respectively.
- Unrealised capital gains totalled EUR 118.2 million: EUR 95.0 million (7.1%) derived from investment property (including assets held for sale) and EUR 23.2 million derived from assets under construction.
- Net result was EUR 163.2 million.
- The ARC Fund scored a total return of 12.7% versus 15.2% for the IPD index (all residential assets).
- The average annual rent increase was 1.8%.
- The portfolio's occupancy rate was 97.3%.
- The ARC Fund was recognised as a Green Star by GRESB.

ORGANISATION

- In 2016, the ARC Fund welcomed four new Investors that committed in total EUR 393 million. As at 31 December 2016, the ARC Fund has eighteen Investors. During 2016: no redemptions.
- DELA Vastgoed B.V. decided to sell its direct residential portfolio to the ARC Fund. DELA Natura- en Levensverzekering N.V. received units and additionally committed EUR 175 million.
- Following the size of the pipeline, the ARC Fund team and support staff were increased. In addition, a new property manager for the Amsterdam region (Actys) was appointed.
- The Investors unanimously adopted new Terms and Conditions, including the extended term until 17 January 2026 and a fee reduction if the portfolio generates more than EUR 90 million gross rental income.

- A new debt financing arrangement of EUR 700 million was concluded to replace the existing loan facility of EUR 290 million.
- The ARC Fund is managed by a dedicated fund team employed by Amvest Management B.V. There is a Fund Services Agreement in place between Amvest REIM B.V. (the Fund Manager) and Amvest Management B.V.
- Amvest Management B.V., as Fund Services Provider for the ARC Fund, was ISAE 3402 Type 2 certified in 2016 based on an unqualified opinion of the auditor.

FUNDING

- In 2016, the existing loan facility of EUR 290 million was refinanced before its maturity date (April 2017) by a EUR 700 million syndicated loan. This new loan will facilitate the growth of the ARC Fund and reduce the total cost of debt.
- Four interest rate swap contracts to hedge the interest risk of the existing loan were bought off before maturity (April 2017). Total cost was EUR 2.9 million.
- The new loan consists of a bullet loan of EUR 350 million with a fixed interest rate and a revolving credit facility of EUR 350 million with a floating rate.
- Due to the term loan, 50% of the interest rate risk is covered by a fixed rate. For the revolving part, the 3-month Euribor rate is monitored closely.
- The bullet loan has a term up to 17 January 2026. The revolving credit facility initially has a five-year term up to 26 September 2021 and three extension options of one year each.
- As at 31 December 2016, the ARC Fund performed well within the covenants set by the bank syndicate.

AIFMD

- As of 26 November 2014, Amvest REIM B.V. (the Fund Manager of Amvest Residential Core Fund) has obtained a licence within the meaning of Section 2:65 of the Dutch Financial Supervision Act (Wft). Amvest REIM B.V. is therefore subject to supervision by the Dutch Financial Markets Authority (AFM).
- Intertrust Depository Services B.V. was appointed as independent depository of the ARC Fund.

KEY FIGURES

Amounts in EUR x 1 million

	2016	2015	2014	2013	2012
Fund returns (as a percentage of the INREV NAV as at 1 January)					
Income return	3.6%	4.3%	4.4%	4.2%	3.9%
Capital gains	11.1%	9.2%	0.3%	-5.3%	-5.4%
Total return	14.7%	13.5%	4.7%	-1.1%	-1.5%
Dividend yield (dividend / INREV NAV as at 1 January)	4.1%	4.7%	4.7%	4.2%	3.7%
Dividend	45.0	43.1	37.3	34.5	32.6
Total comprehensive income of the year	163.2	123.7	37.4	-9.2	-13.8
Real estate returns (as a percentage of the average real estate portfolio value)					
Direct return (1)	4.3%	4.7%	4.5%	4.5%	4.3%
Indirect return by selling (2)	0.4%	0.4%	0.2%	0.1%	0.0%
Indirect return by value changes	7.1%	6.9%	0.1%	-4.0%	-4.1%
Total return	11.8%	12.0%	4.8%	0.6%	0.2%
Cash yield (= 1 + 2)	4.7%	5.1%	4.7%	4.6%	4.3%
Gross initial yield	5.5%	5.9%	5.9%	5.8%	5.4%
Real estate results					
Net rental income (1)	57.4	54.1	50.1	50.1	49.7
Realised capital gains (2)	5.0	4.1	2.3	0.6	-0.1
Unrealised capital gains	118.2	80.0	0.7	-44.5	-47.7
Total capital gains	123.2	84.1	3.0	-43.9	-47.8
Total income	180.6	138.2	53.1	6.2	1.9
Cash (= 1 + 2)	62.4	58.2	52.4	50.7	49.6
Balance sheet					
Investment property as at 31 December before revaluation	1,350.9	1,124.8	1,105.1	1,079.4	1,156.8
Fair value adjustments investment property and assets held for sale	95.0	79.0	0.8	-43.9	-47.4
Investment property as at 31 December after revaluation	1,445.9	1,203.8	1,105.9	1,035.5	1,109.4
Assets under construction as at 31 December	264.8	73.5	1.8	0.0	22.9
Assets held for sale as at 31 December	10.0	3.9	5.3	64.2	30.3
Total property investments including assets under construction and assets held for sale	1,720.7	1,281.2	1,113.0	1,099.7	1,162.6
Total assets (balance sheet total)	1,775.7	1,333.7	1,138.0	1,115.4	1,174.2
Equity capital	1,449.4	1,063.8	841.0	791.5	830.5
Syndicated loan (drawn)	290.0	240.0	270.0	296.0	317.0
Financial income and expenditures	9.9*	8.5	8.9	9.2	9.2

* The total cost for unwinding the interest rate swap contracts is included (EUR 2.9 million).

Amounts in EUR x 1 million

	2016	2015	2014	2013	2012
Key indicators/ratios					
Equity capital divided by balance sheet total	81.6%	79.8%	73.9%	71.0%	70.7%
Long-term liabilities compared to total property investments (loan-to-value) (< 30.0%)	16.9%	18.7%	24.3%	26.9%	27.3%
Average interest rate on long-term liabilities (including costs and interest rate swaps)	3.9% *	3.4%	3.2%	3.1%	3.1%
Bank covenants (Loan from 26 September 2016)					
Long-term liabilities compared to total property investments (loan-to-value) (<40.0%)	16.9%				
Long-term liabilities compared to mortgaged property investments (loan-to-mortgage-value) (<50.0%)	27.5%				
Ratio of net rental income to gross interest (>2.5)	7.3				
Bank covenants (Loan until 26 September 2016)					
Long-term liabilities including MtM value IRS compared to total property investments (loan-to-value) (< 35.0%)		19.2%	25.1%	27.7%	28.5%
Long-term liabilities compared to mortgaged property investments (loan-to-mortgage-value) (< 45.0%)		29.0%	39.9%	39.7%	42.0%
Net rental income+proceeds on sales-capital expenditures/interest on long-term liabilities (interest cover ratio) (> 3.0)		9.08	11.73	8.43	5.21
Occupancy rate (as a percentage of the theoretical rental income)	97.3%	96.3%	95.5%	94.2%	94.3%
Cost percentage excluding the landlord tax (as a percentage of the theoretical rental income)	20.5%	19.2%	20.6%	20.9%	19.8%
Cost percentage including the landlord tax (as a percentage of the theoretical rental income)	21.4%	20.1%	21.6%	21.0%	19.8%
INREV NAV as at 1 January	1,106.1 **	916.7 **	791.9	831.1	886.4
INREV NAV as at 31 December	1,451.5	1,064.2	841.7	791.9	831.1
Total Expense Ratio (TER) (INREV GAV) (management expenses / average INREV GAV)	0.50%	0.55%	0.57%	0.57%	0.54%
Total Expense Ratio (TER) (INREV NAV) (management expenses / average INREV NAV)	0.60%	0.69%	0.78%	0.81%	0.75%
Total Real Estate Expense Ratio (REER) (INREV GAV) (operating costs / average INREV GAV)	1.04%	1.15%	1.30%	1.26%	1.11%
Letting portfolio (number of homes)	6,743	5,976	5,921	6,004	6,113
IPD property indexes					
<i>All residential assets</i>					
IPD	15.2%	11.0%	5.2%	0.2%	0.3%
Amvest Residential Core Fund	12.7%	12.6%	5.1%	0.5%	0.4%

* The total cost for unwinding the interest rate swap contracts is included (EUR 2.9 million).

** As per 1 January new Investors joined the ARC Fund.



UTRECHT VAN SIJPESTEIJNKADE

REPORT OF THE FUND MANAGER

2016 was an outstanding year for the Dutch residential market. The number of house sales rose by 20% and house prices rose by 5%. Pre-crisis house price levels were attained in Amsterdam and Utrecht. The residential investment market also showed a marked rise. Investment volume increased to EUR 4.2 billion. An increasing proportion of this investment volume is accounted for by the institutional investors. Investors are looking for exposure to this asset class because of low interest rates and the solid foundations of the Dutch residential market. Stable rental incomes combined with high capital gains led to a fund return of 14.7% in 2016.

Focus on Randstad area

The demand for homes continued to escalate, due to the recovering economy, increased consumer confidence and low interest rates. This high demand led to a tightening in the residential market. This tightening is back at the pre-crisis level and resulted in a 5% increase in prices in 2016. Prices rose significantly above the average national level in the four major cities. Amsterdam took the lead, with price increases of almost 23% compared to the previous year. The other major cities (Amsterdam, Rotterdam, The Hague and Utrecht) also produced above-average price rises, albeit lower than Amsterdam. The ARC Fund portfolio holds property primarily in and around the four major cities (71%) and will persist with this strong allocation over the next few years due to the ongoing tightening in the housing market in the Central Circle (Randstad) region.

Over the next few years, we expect an ongoing shortage of – particularly – mid-priced rental sector homes. Market rental rates continue to rise. As a result, the ARC Fund managed to generate positive annual rental increases compared to the inflation figure for the previous year (the basis for the annual rent increase). The annual rental increase was 1.8% in 2016 (in 2015 the inflation rate was 0.6%).

Initial closing

Following the initial closing on 17 January 2012, the ARC Fund is open to new investors, alongside AEGON and PfiZW. The ARC Fund has a modern structure and management style. An excellent risk/return trade-off and special features that appeal to investors will contribute to future success. Shortly after the initial closing, the ARC Fund welcomed its first new Investor. On 1 October 2014, a Dutch pension fund was the second new Investor. During 2015 and 2016, the ARC Fund was pleased to welcome fourteen new Investors bringing the total number of Investors as of 1 January 2017 to eighteen.

Cornerstone Investors

As from the closing date, the Launching Investors AEGON and PfiZW have had the intention of broadening the Investor base of the ARC Fund, while continuing to express their long-term commitment.

Both expressed their commitment to the ARC Fund for the entire term (initially ten years and recently extended by four years). Each Cornerstone Investor will retain a stake of at least EUR 200 million. Their involvement in the ARC Fund and expertise in the residential market will be maintained. At the moment, AEGON and PfiZW have no intention of reducing their current stakes.

Investment strategy

The ARC Fund's portfolio is of exceptionally high quality. Residential properties have been selected on the basis of their ability to make a sustainable contribution to returns. The portfolio is very young, with an average age of around nine years. Therefore, operating costs can be kept relatively low, and the portfolio is managed efficiently.

The vast majority of the portfolio is situated in the economically strong areas: the ARC Fund focus areas. The investment strategy of the ARC Fund was updated in 2013 to include the effects of the economic crisis, demographic change, and the governmental restructuring of the housing market. However, after the economic crisis, some changes in society will have a permanent effect on the housing market as well as demographic changes. Therefore, the ARC Fund has again updated its investment strategy after extensive quantitative and qualitative research. The main outcome is that the strong economic areas in the Randstad of the past will remain strong in the future and that, as well as these areas, some strong economic regions outside the Randstad were identified that could be interesting for the ARC Fund to invest in, alongside the Amvest focus areas. The overall result of the update is presented in this annual report.

Sustainability

The portfolio is truly sustainable with on average an "A" energy label. The ARC Fund pursues an active policy of rejuvenating the portfolio to keep it youthful and sustainable in terms of using technologies that increase comfort and reduce energy consumption and the environmental burden. In principle, the communal areas of new buildings will have to be energy-neutral in the course of 2017. The ARC Fund has a sustainability policy in place based on a mid-term strategy and a clear yearly action plan. The ARC Fund participates in the GRESB survey. As from 2014, the ARC Fund is recognised as a Green Star by GRESB.

Funding and distribution policy

The ARC Fund's excellent risk/return trade-off results from its low-risk strategy with very stable dividend returns. In funding, the leverage level is kept low, with a target level of 25%. The existing loan facility was refinanced in September 2016. The new loan facility is very flexible, has favourable conditions as well a maturity date of 17 January 2026 (for the bullet part of the facility), which is the same as the new extended end date of the ARC Fund.

The ARC Fund aims to distribute all rental income and divestment profits to Investors as quarterly dividend net of taxes, fees, costs, expenses, liabilities, and other charges to be borne by the ARC Fund. The nature of the residential sector and the portfolio, with its high occupancy rates, offers Investors the prospect of a stable dividend yield of approximately 4.0% per year (2016: 4.1%). Residential investments are an excellent inflation hedge (on a cash flow basis) due to the link between rent increases and inflation.

Partnership with Amvest Development B.V.

Amvest Development B.V. is one of the leading property developers in the Dutch residential market. The company has broad experience with integrated area development and complex co-development projects. Its experience with long-term investment funds like the ARC Fund makes Amvest Development B.V. an interesting partner for public authorities and public-private partnerships.

The partnership with Amvest Development B.V. is highly beneficial to the ARC Fund. The development company's extensive knowledge of markets (including rental markets) makes it possible to develop a high-quality product for tenants. In addition, a right of first refusal (RoFR) has been agreed with the ARC Fund. This means that all rental homes must first be offered to the ARC Fund, which has the right to acquire them on arm's length conditions.

The ARC Fund is obviously entitled to waive this right. The RoFR gives the ARC Fund access to a high-quality pipeline of properties that are aligned with the ARC Fund strategy.

Governance structure

A modern governance structure guarantees reliable, efficient, and professional advice and supervision by property experts and Investors. The Fund Manager is sole manager of the ARC Fund. The Fund Manager is responsible for both the overall portfolio and the risk management of the ARC Fund.

For key decisions (such as the Portfolio Plan and larger acquisitions and sales), the Fund Manager will seek advice or approval from the Investment Committee (and/or the Advisory Board), which consists of three independent experts in development, investment management and the Dutch residential market. The Investment Committee and the Fund Manager had three formal meetings in 2016.

The Advisory Board also plays a key role. Its duties include, amongst others, supervising the handling of conflicts of interest, approving the Portfolio Plan, and the appointment of the members of the Investment Committee. The Advisory Board met three times in 2016.

Investors' Meetings were held twice in 2016.

THE DUTCH ECONOMY

Strong economic growth

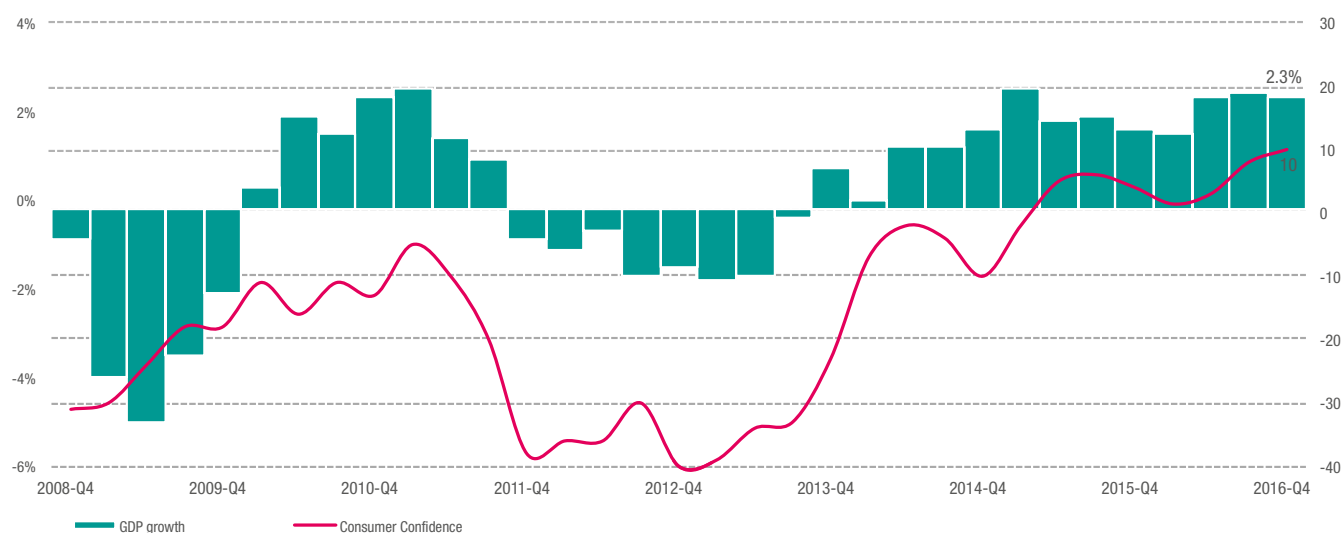
In 2016, the Dutch economy recorded the highest rate of growth since 2008, with an average growth of 2.2% in annual GDP. Additionally, the quarter-on-quarter development appeared positive for eleven consecutive quarters. Significant contributions were made by domestic expenditure: household consumption and investments in housing. Moreover, the sentiment among consumers, expressed in figures for consumer confidence, was almost entirely positive during the year (Graph 1) (Source: Statistics Netherlands).

The strongest decrease in level of unemployment rates in ten years was reached in 2016. Average unemployment was 6.6% in December 2015 and fell to a level of 5.4% in December 2016. As in the rest of Europe, inflation in the Netherlands was low as a consequence of price decrease of oil and other raw materials, by an average of 0.3% in 2016. This is a decrease of 0.3 percentage point compared to 2015. Interest rates (Euribor 12-months) dropped further to around 0.0% (December 2016), as a result of the ECB decision to keep a low refinancing interest rate in order to secure a return of inflation rates towards 2% (ECB, 2016). Consequently, this decision affects mortgage interest rates as well: the mortgage interest rates fell to an average of 2% (10-year term).

In summary, the Dutch economy had a strong year in terms of growth and consumer confidence in 2016. For 2017, stable growth is projected for the global economy and world trade. European economic growth could be affected by the increased uncertainty following the UK's Brexit referendum. Domestic sources are projected to have the most positive impact on the Dutch economy in 2017. Both inflation and consumer confidence rose in January of 2017. The Dutch economy is projected to continue to grow strongly by 2.1% - 2.3% in 2017.

1. ECONOMIC GROWTH AND CONSUMER CONFIDENCE 2008-2016

(Source: Statistics Netherlands)

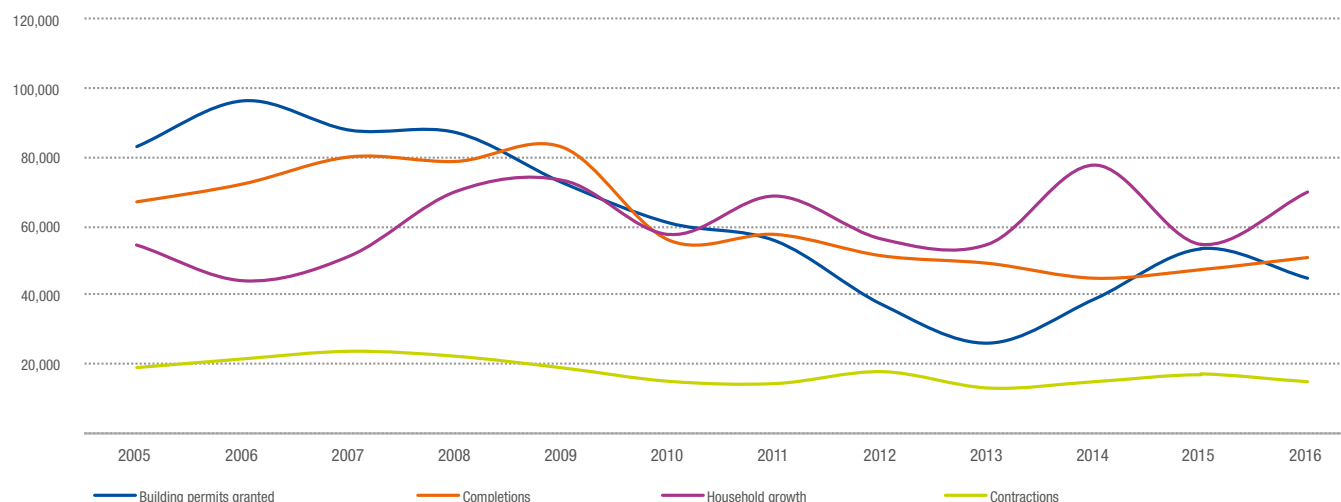


THE DUTCH RESIDENTIAL MARKET

The Dutch residential market experienced a year of strong growth. The number of transactions of existing owner-occupied property was 215,000, which is an increase of 20% compared to 2015 (180,000). A new record was reached in number of transactions in 2016. The growth of price indices was positive with an average increase of 5% (adjusted for the quality of homes sold). The average sales price was EUR 243,000 which is an increase of almost 6% compared to 2015 (EUR 230,000). The average price of an existing owner-occupied home is only 4% below the peak of 2008. The total sale of new owner-occupied homes was 54,000, which is an increase of 15% compared to 2015. Nevertheless, the number of building permits stagnated in the first and second quarters of 2016, which will put the market for new homes under pressure (Graph 2 and 3). Combined with ongoing household growth, this will cause a further tightening of the housing stock in the Netherlands.

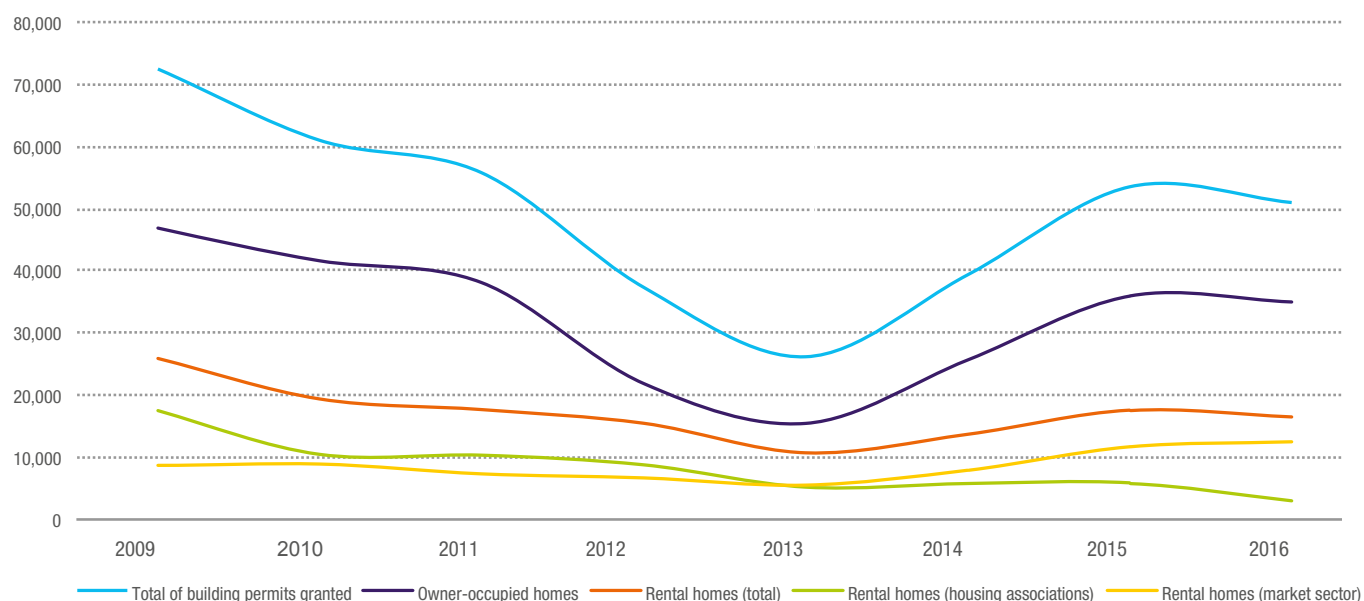
2. FUNDAMENTALS DUTCH HOUSING MARKET

(Source: Statistics Netherlands)



3. BUILDING PERMITS GRANTED BY HOUSING SEGMENT IN THE NETHERLANDS (2009-2016)

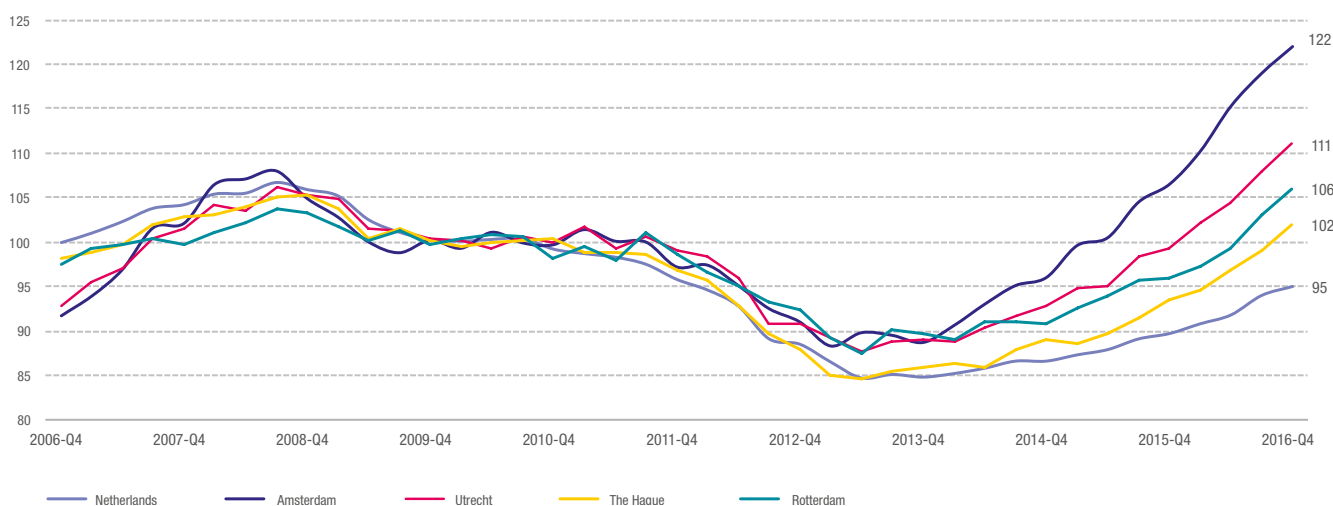
(Source: Statistics Netherlands)



Price development (expressed by price indices) of owner-occupied homes in different locations in the Netherlands has been highly dynamic since the start of the price recovery in 2013 (Graph 4). Average sales prices in Amsterdam hit a record high since the first quarter of 2016, with a 22% annual increase, while the availability of homes for sale in Amsterdam fell by 13% last year. Other Big Four cities have experienced a rapid recovery as well. The Netherlands in general still has to take a greater leap of recovery to surpass the level of 2008. Moreover, the Big Four cities have shown a faster pace of recovery compared to the Netherlands in general. This development is probably caused by high demand in the big cities, which proves the trend towards urbanisation.

4. PRICE INDICES EXISTING OWNER-OCCUPIED HOMES 2006-2016 (INDICES, 2010 = 100)

(Source: Statistics Netherlands)



The market of free-market rental homes is more fragmented, compared to the owner-occupied market. Institutional investors, private investors and housing agencies are active within this market. However, last years the transparency in the institutional rental market has increased significantly. Based on data from IPD, reliable market information is available for free-market rental transactions by institutional investors¹. In 2016, more transactions were registered (15,000) compared to 2015 (13,500), which is an increase of 10%. Initial rentals (first rentals of new homes) accounted for 20% of all transactions in 2016, with an average monthly rent of EUR 1,040 (EUR 11.8 per square metre). The average price for a free-market rental home of an institutional investor was EUR 9.8 per square metre in 2016, which translates to an average monthly rent of EUR 985. The overall price development of free-market rental homes equalled inflation rates in recent years.

Finance and politics

The revised Housing Act came into force in July 2015. This set of regulations has introduced considerable changes to the operational management of housing associations. They are limited by their public duties: at least 90% of the social rental homes should be allocated to households with incomes < EUR 35,739. A further 10% may be let to households with income levels between EUR 35,739 and EUR 39,874.

Additionally, the landlord tax has been in effect in the regulated rental sector since 2013 (< EUR 710.68 per month for 2017). The Government evaluated the landlord tax in the first six months of 2016. This showed that there was no reason to abolish the tax and a legislative bill is to be proposed to make minor adjustments. One of these will be an increase of the tax rate from 0.536% to 0.569% in 2017 (+ 0.033) to finance the proposed exemptions.

The following regulations had impact on the owner-occupied market in 2016.

- The mortgage interest relief rate will be decreased gradually until 2042. The maximum tax rate at which mortgage interest can be deducted has fallen from 50.5% in 2016 to 50% as of 1 January 2017.
- In addition, the threshold value for participation in the National Mortgage Guarantee Scheme (NHG) was reduced to EUR 225,000 on 1 July 2016 and will be set equal to the average Dutch house price on 1 July 2017.
- The maximum loan-to-value (LTV) is being phased out in equal steps until it reaches 100% in 2018. The LTV was 102% in 2016 and will be further reduced in 2017 to 101%.

Residential property investment market

Domestic investors took a prominent position in the residential investment market in 2016. The total amount of direct investments in residential real estate was EUR 4.2 billion. The total investment volume in the Netherlands was EUR 14.8 billion (Source: Capital Value).

Performance figures for investment classes in real estate

In 2016, most of the investment classes showed higher total returns, which is an improvement compared to 2015 (Table 5). Capital growth figures for residential property showed the highest returns in 2016. Capital growth was most negative for retail. The return figures are shown on a standing investments basis (properties that have been in operation for the complete year; so the effects of buying, selling and development are excluded). The total return in the residential sector was 14.5% in 2016 (Standing Investments), which is an increase of 3.9% compared to 2015 (2015: 10.6%). Total return was driven mainly by capital gains. In recent decades, the Dutch residential market has proved to be a stable factor over the longer term.

5. INCOME RETURN, CAPITAL GROWTH AND TOTAL RETURN AND ANNUALISED TOTAL RETURN FIGURES FOR 3, 5 AND 10 YEARS (STANDING INVESTMENTS)

(Source: IPD)

Returns 2016 and annualised returns	Total return index (December 1994 = 100)		Total return 2016 (%)	Income return 2016 (%)	Capital growth 2016 (%)	Annualised total return (%)		
	2016	2015				3 year	5 year	10 year
All property	577.9	527.3	10.3	5.1	5.0	7.4	4.7	4.6
Retail	587.7	566.7	3.6	5.5	-1.8	3.2	3.0	5.1
Office	427.9	396.6	9.1	5.9	2.9	5.9	2.4	3.0
Industrial	632.0	588.3	8.9	7.1	1.7	10.5	7.5	5.8
Residential	611.7	536.5	14.5	4.4	9.7	10.0	6.1	4.5
Other	700.6	701.3	7.7	6.2	1.4	6.1	4.9	6.2

¹ Data based on rental transactions of homes in the free market rental sector owned by nine affiliated institutional investors and housing agencies. The database contains around 80% of all free market homes, which makes this database the most reliable source for analysing the free market rental sector. Information is available three months after end of quarter.

Future supply and demand

The number of building permits granted is a leading indicator for the construction of new homes in upcoming years. In 2016, 51,000 building permits were granted in total, a fall of approximately 5% compared to 2015 (Source: Statistics Netherlands). However, the number of building permits granted for rental homes showed a positive increase last year. This growth is predominantly provided by free market rental sector homes. Since the third quarter of 2014, the number of building permits granted for the market sector has exceeded the number of building permits granted for housing associations. In 2016, approximately 60% of the building permits were granted to the market sector (Source: Statistics Netherlands & Government of the Netherlands).

Expectations

The fundamentals of the Dutch housing market are strong. Forecasts to 2040 show that the number of households will increase annually, in particular in the Randstad area and some regional economic centres outside the Randstad. There will be a structurally large demand for new homes until 2040. The potential for free market rental homes remains substantial, especially in the ARC Fund focus areas. Focussing on the short and mid-term, there is a scarcity of residential properties in some regions as a result of the lack of newly-built homes and the ongoing population growth, in 2015 and 2016 strengthened by inflow of refugees. The structural need for new homes and the robust growth of the economy provide good reasons for further price increases in both the owner-occupied and the free-market rental sectors.

PORTFOLIO POLICY AND FOCUS AREAS

The Portfolio Policy aims to invest in areas with a favourable outlook for free market rental homes. Future demographic and economic developments as well as supply and demand in specific areas are important drivers for the portfolio policy of the ARC Fund. Future demographic and economic developments have an impact on the demand and affordability for free market rental segment homes. Therefore, strategic research into market demand is undertaken every three years.

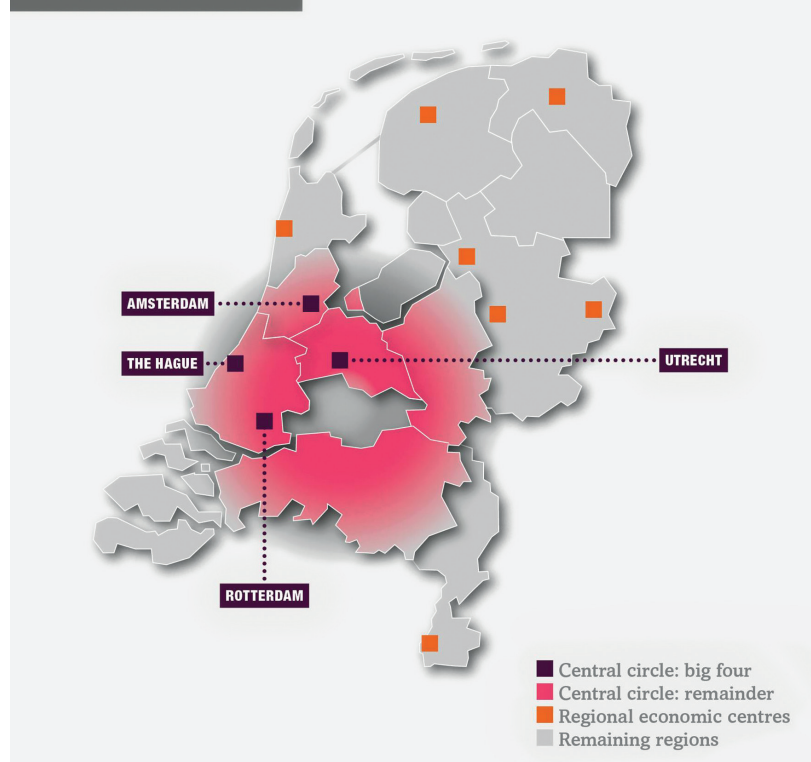
The results of the last quantitative performance study showed that most indicators suggest a relatively higher growth in the number of households (focused on private rental sector) in urban municipalities compared to rural areas. These urban municipalities are not all located in the Randstad area but spread across the whole country. Within this area, 53% of all households live in these cities. Based on the trend forecast, this share is expected to increase to 57% in 2025, which means a growth of 600,000 households in the top 40 cities. This reinforces the expected trend toward urbanisation in the coming years. Moreover, urbanisation is not restricted to the Randstad area. Some major cities in the outskirts of the Netherlands are gaining importance in terms of household growth and future demand for free market rental homes.

Three focus areas were determined: Central Circle: Big Four, Central Circle: Remainder and Regional Economic Centres. We refer to the Randstad area with strong urbanisation perspectives for urban communities as the 'Central Circle'. From a strategic perspective, no distinction is made between cities within this 'Central Circle', with exception of the Big Four. This means that cities in the southern part of the Central Circle, like Eindhoven, have the same investment potential as for example Amersfoort, in the northern part of the Central Circle. The regions vary by different risk/return profiles and future demand structures for free market rental homes. The ARC Fund portfolio is more Randstad-focused compared to the IPD Benchmark portfolio.

6. FOCUS AREAS AMVEST RESIDENTIAL CORE FUND

(Source: Rigo, Amvest, IPD)

THE CENTRAL CIRCLE



Central Circle: Big Four

This region consists of the four largest cities in the Netherlands (Amsterdam, Utrecht, The Hague and Rotterdam) and their suburbs². In this region, the ARC Fund's portfolio has a relative higher exposure in the The Hague area and a relative lower exposure in the Utrecht and Amsterdam areas. Therefore, and in line with the expected future demand, the portfolio policy has been focussing on a shift towards a more balanced portfolio within the sub-regions of the Central Circle Big Four region. The Amsterdam and Utrecht areas are attractive regions for investments and are well represented in the pipeline. Within the Randstad region, the portfolio policy focuses on the reduction of the risk-profile by shifting from the higher end of the mid-priced bandwidth towards the mid-section of the bandwidth.

Central Circle: Remainder

This region consists of the cities in the Randstad (Big Four excluded), Noord-Brabant and Gelderland. This area includes cities like Haarlem, Leiden, Delft, Arnhem, Nijmegen, Den Bosch and Eindhoven. This region is (geographically) connected to the Big Four and the expected local future demand is positive. Therefore, the portfolio policy aims to increase the share of the ARC Fund's portfolio in this region.

Regional Economic Centres

These include the urban regions of Zwolle, Groningen, Leeuwarden, Alkmaar, Maastricht, Deventer and Enschede. The performance study showed that some major cities in the outskirts of the Netherlands are gaining importance in terms of household growth and future demand for free market rental homes. Therefore, the portfolio policy aims to maintain the share of the ARC Fund's portfolio for this region.

Remaining Regions

This region consists of all other regions within the Netherlands that are not part of the first three categories. The portfolio policy in this region aims at stock picking in the remaining regions in the lower mid-priced segment (EUR 700 – 900).

The portfolio policy for the next few years aims to maintain its strong position within the Big Four and Remainder region.

² Focus area 'Big Four' consists of the four largest cities in the Netherlands and their surrounding municipalities. The suburban municipalities that belong to the Big Four are determined based on the classification standard of Statistics Netherlands, referred as 'stadsgewesten'.

7. BREAKDOWN OF ARC FUND PORTFOLIO IN THE NETHERLANDS IN FOUR MAIN REGIONS

	Future demand*	ARC Fund portfolio	Target portfolio ARC Fund	Mid-priced segment**
Central Circle Big Four	+	71%	65% - 90%	EUR 710 - 1,250
Central Circle Remainder	+	22%	10% - 35%	EUR 710 - 1,100
Regional Economic Centres	0	6%	0% - 10%	EUR 710 - 1,000
Remaining Regions	-	1%	0% - 5%	EUR 710 - 900

* + above average, 0 average, - below average or shrinkage

** Monthly rent excluding parking place

Qualitative focus ARC Fund

An understanding of trends and new markets is necessary to ensure an attractive portfolio in terms of market demand and therefore a stable rental income, as well as a long-term attractive capital growth. The urgency for trend analysis is encouraged by fast portfolio growth in the context of ongoing changes in society. Consequently, qualitative analysis in cooperation with Bureau Zwart was undertaken in 2016 into mega-trends which could influence market demand and therefore the ARC Fund portfolio.

The aim of analysis was to find new qualitative market demand, particularly from 'early adopters'. Trends and developments then provided input for the operational focus of the ARC Fund. The diagram below shows the actual results/options that were generated from the qualitative analysis and which will be implemented by the asset managers in 2017.

Operational framework for the portfolio

The outcome of the qualitative research is an operational framework with options (mentioned below) that will be further developed in cooperation with the asset managers of the ARC Fund in 2017. In the short term, some actions will be undertaken to improve the quality of the portfolio. Firstly, further research is needed into the organisation of an online platform, the digital caretaker and the 'renewed property manager'. Secondly, new and existing sustainable actions could play a more significant role in the portfolio, for example developing and implementing low-energy strategies for communal spaces in all our fully-owned apartment buildings. Additionally, specific sustainable actions could be emphasised even further in the marketing of individual projects. Thirdly, the Fund Manager needs to translate site-specific information to the residential needs/perceptions of the target groups and their lifestyles. This will create the best possible match between target groups and the housing programme and could lead to new value-added concepts, facilities and ambiances. Finally, for the quality of major properties, it is important to make properly considered choices about the design and implementation of (semi-)public, private and commercial spaces in the immediate vicinity of the property. These areas should be of added value to the housing concept and will provide extra services to encourage tenants.

8. QUALITATIVE FOCUS ARC FUND

Distinct options for the ARC Fund	Outline
1. Property manager 2.0 (Digital service & tenant platform)	The Fund Manager wants to evolve into a home provider in the longer term; greater efforts put into digital services and a move towards smart homes. Initiating active digital contact with tenants has already started in cooperation with the property managers and will be further developed in the coming years. Digital customer contact should increase our knowledge about tenants (Big Data), which can help us in making strategic choices in the future.
2. Social & Sustainable as a conceptual tool	The circular economy could create new earning models in year to come. Investigations to develop and invest more circularly are currently being undertaken in various projects. Moreover, greater emphasis will be laid on sustainability in the marketing of individual projects.
3. Enhanced lifestyle approach	Segregation of the housing market compels a stronger connection between specific locations and the residential needs/perceptions of the target groups and their lifestyles. For example, creating a community could add value for major properties, especially linked to the increase in single households. This could result in sustained tenant satisfaction and long-term commitment.
4. Concept management for major properties	Concept management will become more important, since the number of larger properties (>100 homes) will increase within the ARC Fund portfolio. For the long-term quality of these properties, it is important to make well-considered choices about the design and implementation of (semi-)public, private and commercial areas in the immediate vicinity of the property. These areas should be of added value to the housing concept and will provide extra services to encourage tenants.

PORTFOLIO AND FUND FIGURES 2016

In 2016, the ARC Fund's portfolio profited from active management and favourable market conditions. Its portfolio occupancy rate improved to 97.3% (2015: 96.3%) and due to the young portfolio (average age of around nine years), operating costs were relatively low (21.4%). The average monthly rental of the residential portfolio decreased from EUR 964 to EUR 963 and the average annual rent increase was 1.8% which is considerably higher than the inflation rate (2015: 0.6%, 2016: 0.3%).

Fifteen properties, acquired from DELA Vastgoed Woningen B.V. were added to the portfolio (543 single-family homes; EUR 121.3 million). Also one property in operation (242 apartments and four commercial units in Rotterdam "Joost Banckertsplaats"; EUR 36.4 million) and three completed new development projects (108 homes) were added to the portfolio (EUR 21.0 million).

In total, twelve new projects were added to the pipeline overview, which increased to 32 projects (Table 20). In 2016, EUR 203.8 million was invested in 'assets under construction', of which three projects were completed in 2016. The portfolio's pipeline of properties (including commitments) has risen to EUR 809.6 million, (2015: EUR 506.7 mln). Reference is made to Table 20 with an overview of the ARC Fund's pipeline.

The number of privatised homes rose to 129 with a total gross turnover of EUR 34.1 million (2015: 98 homes; total gross turnover of EUR 24.0 million). Profits from sales amounted to EUR 5.4 million (2015: EUR 4.1 million), adding 0.4% (2015: 0.4%) to the portfolio's total return. No properties were sold as part of a block sale.

The ARC Fund's direct return (real estate level) was 4.3% (2015: 4.7%) and indirect return was 7.5% (2015: 7.3%). This adds up to a total return for 2016 of 11.8% (2015: 12.0%). Using the IPD all residential assets calculations, the ARC Fund scored a total return of 12.7% (IPD 15.2%).

The portfolio composition, operation and dynamics, as well as the portfolio's and the fund's performance are explained in the following paragraphs.

PORTFOLIO - COMPOSITION

In 2016, portfolio dynamics and revaluations resulted in a residential investment portfolio of 133 properties with a total of 6,743 homes and a book value of EUR 1.425 billion (compared to 115 residential properties, 5,976 homes and EUR 1.181 billion book value in 2015). The average book value per home increased by 6.6%, from EUR 198,000 as at 31 December 2015 to EUR 211,000 as at 31 December 2016. Of these 133 residential properties, 5 properties are labelled as "mixed". These properties consist of both single-family and multi-family homes. The ARC Fund also has twelve properties defined as 'other' and 'commercial' real estate. These twelve properties consist of four residential properties ('other') consisting of 69 units rented out under master lease contracts to various care institutions (book value EUR 15.2 million; 1.0% of the total investment portfolio value), and eight commercial properties with a book value of EUR 15.3 million (1.1% of the total investment portfolio value).

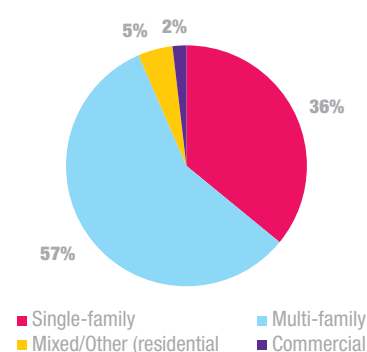
The portfolio characteristics add to the portfolio's performance. The following tables and graphs break down the portfolio by type, region, price segment, age, and property value.

Graph 9 demonstrates that the ARC Fund's portfolio consists almost entirely of homes (98%); 2% of the rental income is generated by commercial real estate. These commercial units are part of residential buildings in the portfolio. Around one third of the portfolio consists of single-family homes.

9. TOTAL PORTFOLIO BY TYPE

Composition by rental income and number of homes

	2016	2015
Single-family	36%	34%
Multi-family	57%	60%
Mixed/Other (residential)	5%	4%
Commercial	2%	2%
	100%	100%
Single-family	2,599	2,147
Multi-family	3,893	3,577
Mixed/Other (residential)	251	252
Commercial	-	-
Total	6,743	5,976

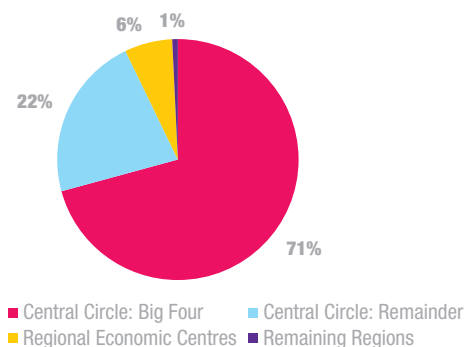


The next graph shows the allocation of the portfolio over the regions. Around 71% of the portfolio's allocation is in the four largest cities and their suburbs situated in the Randstad. The remaining properties are situated in regions with attractive prospects, for example Haarlem and the Noord-Brabant cities.

10. TOTAL PORTFOLIO BY REGION

Composition by book value	2016	2015*
Central Circle: Big Four	71%	77%
Central Circle: Remainder	22%	17%
Regional Economic Centres	6%	5%
Remaining Regions	1%	1%
Total	100%	100%

* A reclassification of the suburban municipalities that belong to the Big Four on the basis of 'stadsgewesten' was applied.

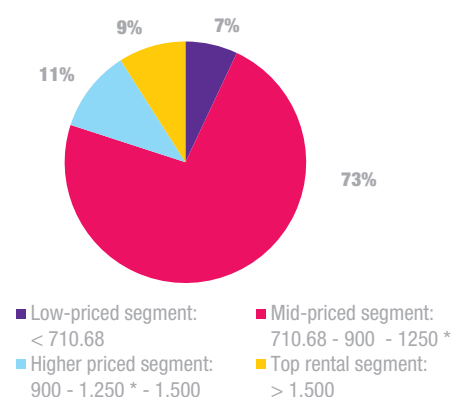


Graph 11 shows the portfolio has a strong focus on the free market rental segment. 7% of the portfolio is rented out to the social sector (low-priced segment below EUR 710.68). The mid-priced segment comprises 73% of the portfolio's rental income. Exposure to the top rental segment is limited to 9%.

11. RESIDENTIAL PORTFOLIO BY PRICE SEGMENT

Composition by rental income	2016	2015
Price level 31-12 in EUR/month		
Low-priced segment: <710.68	7%	7%
Mid-priced segment: 710.68 - 900 - 1250 *	73%	72%
Higher priced segment: 900 - 1,250 * - 1,500	11%	11%
Top rental segment: > 1,500	9%	9%
	100%	100%

* rental price limit of the segment EUR 900 to EUR 1,250 per home per month: depending on specific region



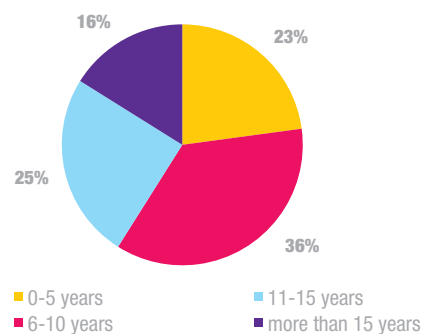
As graph 12 shows, the portfolio consists mainly of properties with a recent year of construction, in the period 2001 - 2016. The average age of the portfolio was around nine years in 2016.

12. TOTAL PORTFOLIO BY AGE

Composition by book value	2016	2015
0-5 years	23%	26%
6-10 years	36%	32%
11-15 years	25%	35%
more than 15 years	16%	7%
	100%	100%

The weighted average age of the portfolio in years

	9.3	9.5
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The portfolio is well diversified over properties in terms of book value per property. Because of this diversification, the portfolio's performance and risk is minimally affected by individual properties. Based on book value, the largest property has a share of 2.9% in the portfolio's value. The ten largest properties based on book value represent a modest 22.2% of the total portfolio value.

13. THE TEN LARGEST PROPERTIES

								Theoretical rent
Town	Address	Number of homes	Housing type / Commercial	Construction year	Title to the land*	Region**	Operation or disposition	as at 31 December 2016 x EUR 1,000
The Hague	Bezuidenhoutseweg (New Babylon, Citytower)	106	multi-family	2012	leasehold	Central Circle: Big Four	operation	2,265
Rotterdam	Wilhelminakade (De Rotterdam)	119	multi-family	2013	freehold	Central Circle: Big Four	operation	1,977
Rotterdam	Joost Banckertsplaats - MGW***	242	multi-family	2015	freehold	Central Circle: Big Four	operation	1,993
The Hague	Steentijdsingel (Ypenburg centrum)	206	multi-family	2005	freehold	Central Circle: Big Four	operation	2,180
Haarlem	Bellevuelaan (Hoge Hout)	91	multi-family	2010	freehold	Central Circle: Remainder	operation	1,789
The Hague	Cornelis de Wittlaan (De Staten I)	128	multi-family	2000	leasehold	Central Circle: Big Four	operation	1,814
The Hague	Bezuidenhoutseweg (New Babylon, Parctower)	70	multi-family	2010	leasehold	Central Circle: Big Four	operation	1,510
Groningen	Boterdiep (Ciboga)	145	mixed	2002	freehold	Regional Economic: Centres	operation	1,513
Amsterdam	Emmy Andriessenstraat (Terrazze)	76	multi-family	2010	leasehold	Central Circle: Big Four	operation	1,387
The Hague	Cornelis de Wittlaan (De Staten II)	104	multi-family	2000	freehold	Central Circle: Big Four	disposition	1,450

The ten largest properties based on book value make out 22.2% of the total portfolio value.

*Title to the land

Freehold: the title to the land is held by Amvest RCF Custodian B.V.

Leasehold: the land was acquired on a long lease. The ground rent has been paid as a lump sum for all leasehold land.

**Region

Centre Circle: Big Four - Four largest centres in the Netherlands (Amsterdam, Utrecht, The Hague and Rotterdam) and their suburbs

Centre Circle: Remainder - Remaining urban regions in the Randstad, Brabant and Gelderland (including Haarlem, Leiden, Delft, Arnhem, Nijmegen, Den Bosch and Eindhoven)

Regional Economic Centres - Urban regions of Zwolle, Groningen, Leeuwarden, Alkmaar, Maastricht, Deventer and Enschede

Remaining Regions - Remaining regions

***Rotterdam - Joost Banckertsplaats

This property was fully renovated in 2014/2015 (initial construction year was 1956)

PORTFOLIO - OPERATION

Rental income, average rent

Net rental income from the portfolio in 2016 was EUR 57.4 million (2015: EUR 54.1 million). The year-end 2016 average monthly theoretical rent per home was EUR 963 (2015: EUR 964).

The growth of rental income is determined by the annual rental increase and portfolio dynamics. Excluding portfolio dynamics (like-for-like), the rental growth of the standing properties was 1.6%. The average annual rental increase of the rental contracts was 1.8% (2015: 1.8%), which is high compared to the average inflation for the year 2015 of 0.6%. (Note: the annual rental increase is based on the inflation in the previous year).

Table 14 shows the average monthly rent from the residential properties per home by type and region. The Remaining Regions consist of a property in Lelystad, which is positioned at the upper mid-priced segment of the local market and a newly-built single-family property in Culemborg in the lower mid-priced segment.

14. AVERAGE MONTHLY RENT PER HOME BY TYPE AND REGION

	2016	%	2015	%
Single-family	953	38%	943	35%
Multi-family	975	59%	983	61%
Mixed	879	3%	863	4%
<i>Average rent per home per month</i>	<i>963</i>	<i>100%</i>	<i>964</i>	<i>100%</i>
Central Circle: Big Four	970	71%	967	76%
Central Circle: Remainder	967	22%	977	17%
Regional Economic Centres	880	6%	872	6%
Remaining Regions	943	1%	932	1%
<i>Average rent per home per month</i>	<i>963</i>	<i>100%</i>	<i>964</i>	<i>100%</i>

Occupancy

The average occupancy rate based on the operational and initial vacancy in 2016 improved to 97.3% (2015: 96.3%). The occupancy rate increased in the first quarter of 2016 and improved further over the next quarters. The vacancy rate decreased by almost 50% during 2016 and is the result of active management and improved market conditions. The focus in 2016 was to reduce frictional vacancy by shortening the turnover re-letting time. The graph below shows the development of the different components of vacancy during 2016.

15. BREAKDOWN OF VACANCY RATE

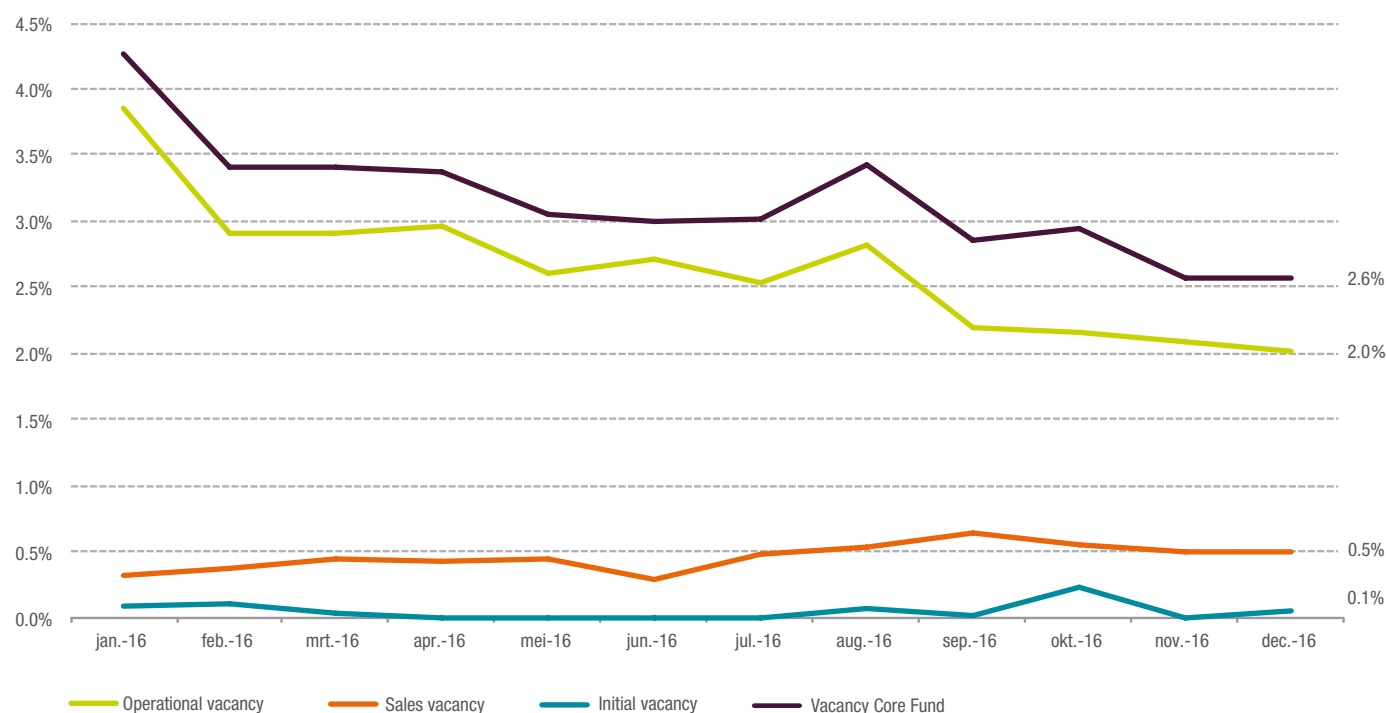


Table 16 shows the ten properties with the highest vacancy rates. Higher turnover rates and renovations are the main cause for a somewhat higher vacancy. Vacant homes in the Cornelis de Wittlaan are renovated before re-letting or before selling on the owner-occupied market. The weighted average vacancy rate of these top ten properties at year-end 2016 was 6% (2015: 8%).

16. THE TEN PROPERTIES WITH THE HIGHEST VACANCY RATE

Town	Address	Number of homes	Housing type / Commercial	Vacancy as % of total portfolio vacancy	Vacancy on property level (%)	Average rent per home/month in EUR
Haarlem	Bellevuelaan (Hoge Hout)	91	multi-family	5.7%	7.7%	1,638
The Hague	Cornelis de Wittlaan (De Staten II)	104	multi-family	5.2%	8.2%	1,162
The Hague	Cornelis de Wittlaan (De Staten I)	128	multi-family	4.9%	6.5%	1,181
Schiedam	PKO-laan (De Nieuwerdam)	81	multi-family	3.9%	10.4%	923
The Hague	Steentijdsingel (Ypenburg centrum)	206	multi-family	3.6%	4.0%	882
Amsterdam	Emmy Andriessenstraat (Terrazze)	76	multi-family	3.1%	5.4%	1,521
The Hague	Bezuidenhoutseweg (New Babylon, Citytower)	106	multi-family	3.0%	3.2%	1,780
Zwolle	Sprengpad	43	single-family	2.3%	10.8%	920
The Hague	Bezuidenhoutseweg (New Babylon, Parctower)	70	multi-family	2.3%	3.7%	1,798
Rotterdam	Wilhelminakade (De Rotterdam)	119	multi-family	2.3%	4.7%	1,384

Turnover rate

The turnover rate in 2016 was 24.1%, an increase compared to 2015 (16.5%). This increase was mainly the result of the rising consumer confidence, which led to more relocations in the market. A number of tenants moved to an owner-occupied home to profit from the current attractive mortgage rates. At the same time, there was a growing demand for high quality rental homes.

The next table presents the ten properties with the highest turnover rates. In most of these properties, the turnover rate has risen because of tenants who moved to an owner-occupied home.

17. THE TEN PROPERTIES WITH THE HIGHEST TURNOVER RATE

Town	Address	Number of homes	Housing type / Commercial	Operation or Disposition	New rented (or sold) in 2016 as a % of number of homes	Average rent per home/month in EUR
Amsterdam	Jan Vrijmanstraat (Mura)	26	multi-family	operation	77%	1,417
Vleuten	Moerasvaren (De Compagnie)	41	single-family	operation	59%	1,042
Arnhem	Engelwortelstraat (Kruidenhof)	42	multi-family	operation	50%	763
Zwolle	Sprengpad	43	single-family	operation	49%	920
Breda	Stationsweg (Heren van Breda)	93	multi-family	operation	46%	892
The Hague	Windjammersingel (De Caaïen)	51	single-family	operation	42%	1,203
Haarlem	Bellevuelaan (Hoge Hout)	91	multi-family	operation	41%	1,638
The Hague	Katschiplaan (De Caaïen)	38	multi-family	operation	39%	941
Vleuten	Beurszwam (Het Buitengoed)	44	single-family	operation	39%	1,116
Vleuten	Veldbloemlaan (De Rietvelden)	78	single-family	operation	38%	1,070

Operating costs

Property management has been outsourced to six local property management organisations, which, supervised by asset management, carry out the portfolio's technical, administrative, and commercial management.

Operating costs as a percentage of the theoretical rental income rose in 2016 to 21.4% (2015: 20.1%). The 2016 increase is due to a rise in maintenance costs and letting expenses. For a breakdown of the operating costs, see note 2 in the financial statements.

Due to the portfolio's relatively recent construction, maintenance costs are significantly lower than the IPD benchmark average. Based on the IPD definition, the operating costs of the ARC Fund as a percentage of the gross rent were 22.4% in 2016 (IPD: 26.0%).

Landlord tax

In 2013, the landlord tax was introduced for homes with a monthly rental below the free market rental level (social market segment) of a maximum of EUR 681.02 as of 1 January 2013. In 2014 (as of 1 January 2014) the free market rental level was adjusted to EUR 699.48 and as of 1 January 2015 to EUR 710.68.

While the ARC Fund's exposure to the landlord tax is relatively limited, the significant increase of the landlord tax brackets in 2016, from 0.449% to 0.491% of the WOZ value, accounted for an extra EUR 638,000 in operating costs (fixed charges) in 2016, compared to EUR 605,000 in 2015.

The ARC Fund's exposure to the landlord tax is relatively limited. In 2016, the landlord tax applied to 7% of the ARC Fund's portfolio, based on rental income. This exposure will fall over the next few years, to around 2%, with the end of social rental holding period agreements with municipalities. Additionally, the ARC Fund actively manages the portfolio to decrease the landlord tax's exposure by increasing (market) rents when possible.

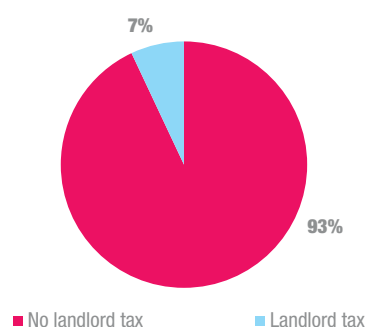
18. LANDLORD TAX RESIDENTIAL PORTFOLIO ARC FUND

Composition by rental income

	2016	2015
No landlord tax	93%	93%
Landlord tax	7%	7%
Total	100%	100%

No landlord tax: monthly rent > EUR 710.68 (1 January 2017); > EUR 710.68 (1 January 2016)

Landlord tax: monthly rent < EUR 710.68 (1 January 2017); < EUR 710.68 (1 January 2016)



PORTFOLIO - DYNAMICS

The ARC Fund strives to renew a modest proportion of the ARC Fund each year in order to rejuvenate the portfolio and maintain the high quality of the portfolio. Yearly, on average 5% of the portfolio value is allocated to be rejuvenated. The rejuvenation of the portfolio will be financed out of proceeds from divestments (book value) and capital inflow from new Investors.

In 2016, transaction volume (excluding assets under construction) was 17.3% (2015: 5.3%). Compared to the book value as at 1 January 2016, 15.0% of the portfolio value was added to the portfolio and 2.3% of the portfolio value was divested (2015: 3.6% added and 1.7% divested).

The table below shows the new properties added to the investment portfolio and the number of individual homes sold in 2016.

19. PORTFOLIO DYNAMICS

Town	Address	Number of homes	Housing type / Commercial	Construction year	Book value x EUR 1,000	Region*
Added in 2016						
Almere	Buitenduinstraat	6	single-family	2016		Central Circle: Big Four
Breda	Stationskwartier	82	multi-family	2016		Central Circle: Remainder
Culemborg	Parijsch Zuid	20	single-family	2016		Remaining Regions
Alphen a/d Rijn	Watermunt	45	single-family	2016		Central Circle: Remainder
Amersfoort	Baak van Breskens	35	single-family	2014		Central Circle: Remainder
Arnhem	Laan van de Vrede	41	single-family	2014		Central Circle: Remainder
Deventer	Verlengde Kazernestraat	33	single-family	2013		Regional Economic Centres
Ede	Enkalaan	46	single-family	2014		Central Circle: Remainder
Eindhoven	Paalspoor	50	single-family	2015		Central Circle: Remainder
Elst	Lingegraaf	12	single-family	2013		Central Circle: Remainder
Nijmegen	Kleine Boel	33	single-family	2016		Central Circle: Remainder
Nuenen	Steenakker	30	single-family	2014		Central Circle: Remainder
Oosterhout	Gebint	31	single-family	2014		Central Circle: Remainder
Rotterdam	Joost Banckertsplaats - MGW***	242	multi-family	2015		Central Circle: Big Four
Rotterdam	Joost Banckertsplaats - COG***		commercial	2015		Central Circle: Big Four
Uden	Schelling	39	single-family	2014		Central Circle: Remainder
Uithoorn	Ransuil	32	single-family	2014		Central Circle: Remainder
Utrecht	Ketjapweg	41	single-family	2014/2016		Central Circle: Big Four
Utrecht	Godfried Bomansstraat	45	single-family	2014		Central Circle: Big Four
Zwolle	Havezathenallee	30	single-family	2014		Regional Economic Centres
		893			180,794	
Sold in 2016						
		129			28,285	
		0			0	
	Total sales	129			28,285	
	Balance	764			152,509	

*Region

Central Circle: Big Four - Four largest centres in the Netherlands (Amsterdam, Utrecht, The Hague and Rotterdam) and their suburbs

Central Circle: Remainder - Remaining urban regions in the Randstad, Noord-Brabant and Gelderland (including Haarlem, Leiden, Delft, Arnhem, Nijmegen, Den Bosch and Eindhoven)

Regional Economic Centres - Urban regions of Zwolle, Groningen, Leeuwarden, Alkmaar, Maastricht, Deventer and Enschede

Remaining Regions - Remaining regions

***Rotterdam - Joost Banckertsplaats

This property was fully renovated in 2014/2015 (initial construction year was 1956)

In 2016 three newly built projects in Almere, Breda and Culemborg totalling 108 homes were completed (EUR 21.0 million).

Investments

In 2016 EUR 203.8 million was invested in assets under construction.

Pipeline

At 31 December 2016, the ARC Fund has a total of EUR 689.4 million in commitments (2015: EUR 314.2 million). The off balance sheet commitments amount to EUR 447.6 million (2015: 240.9 million). Besides these commitments, investment proposals have been approved for several new developments. This pipeline amounts to an investment volume of EUR 120.2 million, adding up to a total pipeline (including commitments) of EUR 809.6 million (commitments: EUR 689.4 million; estimated investment pipeline: EUR 120.2 million adding up to EUR 809.6 million).

The ARC Fund concluded a right of first refusal (RoFR) agreement with Amvest Development, with respect to residential rental properties developed by Amvest Development (the ARC Fund is under no obligation to purchase). In addition, the ARC Fund also has acquired a RoFR for all projects offered by third parties that fit in with the investment strategy of the ARC Fund. Properties considered suitable for the ARC Fund must fit the parameters set in the Terms and Conditions and the Portfolio Plan.

20. COMMITMENTS AND PIPELINE OF THE ARC FUND

Property (EUR x 1,000)	Amvest/ Third Party	Total Commitment	Number of homes	Estimated investment	Housing type	Invoiced as at 31 December 2016	Commitment from 2017 onwards	Region*	Start construction	Completion
Commitments (signed turnkey contract)										
New Developments										
Almere, Duin (Anker)	Amvest		49		multi-family			Central Circle: Big Four	2015	2017
Almere, Duin	Amvest		18		single-family			Central Circle: Big Four	2016	2017
Amsterdam, Cruquius (1.1 + 1.2)	Amvest		202		multi-family			Central Circle: Big Four	2015	2017/2018
The Hague, Scheveningseweg	Amvest		155		multi-family			Central Circle: Big Four	2017	2018
Eindhoven, Strijp-R	Amvest		24		multi-family			Central Circle: Remainder	2016	2017
Leiden, Haagwegkwartier (Churchill Park)	Amvest		77		multi-family			Central Circle: Remainder	2016	2018
Leiden, Haagwegkwartier (Churchill Park)	Amvest		22		single-family			Central Circle: Remainder	2016	2018
Rotterdam, Park Zestienhoven	Amvest		70		multi-family			Central Circle: Big Four	2016	2017
Amsterdam, Fred Roeskestraat	Third Party		200		multi-family			Central Circle: Big Four	2015	2017
Amsterdam, Amstelkwartier	Third Party		160		multi-family			Central Circle: Big Four	2015	2017
Amsterdam, Het IJland	Third Party		271		multi-family			Central Circle: Big Four	2016	2018
Breda, Haga Lucia	Third Party		70		multi-family			Central Circle: Remainder	2016	2017
Culemborg, Parijsch Zuid	Third Party		22		single-family			Remaining Regions	2016	2017
Delft, Spoorzone plot 5	Third Party		130		multi-family			Central Circle: Remainder	2017	2019
Den Bosch, Perron 073	Third Party		38		multi-family			Central Circle: Remainder	2016	2017
The Hague, Koningin Sophie	Third Party		67		multi-family			Central Circle: Big Four	2017	2017
Diemen, Hollandpark	Third Party		201		multi-family			Central Circle: Big Four	2016	2018
Eindhoven, Waterrijk Hof 1	Third Party		42		single-family			Central Circle: Remainder	2016	2017
Eindhoven, Waterrijk Hof 11B	Third Party		30		single-family			Central Circle: Remainder	2016	2017
Geldermalsen, Lingedonk	Third Party		59		single-family			Central Circle: Remainder	2017	2017
Gouda, Graaf Florisweg	Third Party		68		multi-family			Central Circle: Remainder	2016	2017
Groningen, Melisseweg	Third Party		49		single-family			Regional Economic Centres	2017	2017
Haarlem, Pim Mulier	Third Party		59		multi-family			Central Circle: Remainder	2017	2018
Leiden, Wassenaarseweg	Third Party		221		multi-family			Central Circle: Remainder	2017	2018
Scheveningen, De Zuid	Third Party		33		multi-family			Central Circle: Big Four	2016	2017
Utrecht, Van Sijpesteijnkade	Third Party		266		multi-family			Central Circle: Big Four	2016	2018
Utrecht, Nijenoord	Third Party		191		multi-family			Central Circle: Big Four	2016	2018
Utrecht, Goede Herderkerk	Third Party		38		multi-family			Central Circle: Big Four	2017	2018
Total commitments		689,354	2,832	644,666		241,758	447,596			
Pipeline (approved Investment Proposal)										
New developments										
Arnhem, Deltakwartier	Amvest		150		single-family			Central Circle: Remainder	2017	2018
The Hague, KJ Plein	Amvest/Third Party		195		multi-family			Central Circle: Big Four	2017	2019
Haarlem, Aquaverde	Third Party		54		multi-family			Central Circle: Remainder	2017	2017
Rotterdam, Koningslaan	Third Party		68		multi-family			Central Circle: Big Four	2017	2018
Total pipeline		0	467	120,210		0	0			
Total		689,354	3,299	764,876		241,758	447,596			

*Region

Central Circle: Big Four - Four largest centres in the Netherlands (Amsterdam, Utrecht, The Hague and Rotterdam) and their suburbs

Central Circle: Remainder - Remaining urban regions in the Randstad, Noord-Brabant and Gelderland (including Haarlem, Leiden, Delft, Arnhem, Nijmegen, Den Bosch and Eindhoven)

Regional Economic Centres - Urban regions of Zwolle, Groningen, Leeuwarden, Alkmaar, Maastricht, Deventer and Enschede

Remaining Regions - Remaining regions

For some projects, the ARC Fund has provided sale guarantees to the sellers for the part of the project that is destined for the owner-occupied market. In case some of these owner-occupied homes are not sold before a certain point in time, the ARC Fund will acquire these homes on predetermined conditions. Sale guarantees were provided for the projects: Amsterdam Fred Roeskestraat, Almere Duin (multi-family), Amsterdam Cruquius, Eindhoven Waterrijk Hof 1 and Geldermalsen Lingedonk. This total sale guarantee amounts to a maximum of EUR 45 million. Due to the significantly improved owner occupied market, the ARC Fund expects that none or only a very small part of these guarantees will finally lead to new investments.

The pipeline properties contribute positively to the portfolio's quality and structure. The portfolio's allocation in the mid-priced rental segment is increasing as the pipeline properties are positioned in the mid-priced rental segment. The portfolio's geographical spread among the big four cities is becoming more balanced as a large part of the pipeline is situated in Amsterdam and Utrecht. Also, the pipeline investments in attractive cities like Leiden, Delft, Eindhoven and Haarlem are contributing to the geographical spread. As a result of the rejuvenation, the portfolio continues to be of high quality, young and well diversified.

Divestments

Individual sales

In 2016, 129 individual homes and the joint ownership of a parking garage in Zoetermeer were sold and transferred for EUR 34.1 million (gross). This resulted in a profit of EUR 5.4 million (19.1% of the book value of EUR 28.3 million), before deducting costs of vacancy. Taking into account the vacancy costs, the net result amounts to EUR 5.0 million (17.8%). In 2015, 98 individual homes were sold for EUR 24.0 million (gross) with a net result of EUR 4.1 million (21.0%).

Block sales

No block sales took place in 2016.

Assets held for sale

As at 31 December 2016, 43 homes were actively being marketed, under offer, or conditionally sold to third parties, with all transactions to be finalised during 2017 (2015: 19 homes). The assessed fair value of these properties as at 31 December 2016 was EUR 10.0 million and is classified in the statement of financial position under "assets held for sale" (2015: EUR 3.9 million).

PORTFOLIO - PERFORMANCE

Unrealised capital gains on investments

In 2016, the investment portfolio value increased by EUR 95.0 million (7.1%; 2015: 6.9%).

The increase in 2016 was the result of strongly improving demand and transaction volumes and higher price levels in both the private housing market and the institutional market. The increasing price levels were driven by increased vacant values and sales volumes in the private market (which has a positive effect on the value when selling off) and decreasing yields for residential real estate investments.

In 2016, the net average yield (NAR) fell by 0.3 point to 4.5% (compared to 4.8% in 2015). The average residential portfolio value per home, assuming all properties are vacant (i.e. vacant possession value) increased by 4.3% from EUR 232,000 per home in 2015 to EUR 242,000 in 2016. The vacant value ratio (leegwaarderatio) represents the ratio between the investment value of a let property and its vacant possession value. This ratio increased from 84.9% in 2015 to 87.4% in 2016.

Like-for-Like

In order to provide more transparency on the performance of the ARC Fund, a performance analysis based on like-for-like (LfL) figures is provided. The LfL figures only take into account the residential properties which were in the portfolio during the full year (2016), and no individual homes were sold.

21. LIKE-FOR-LIKE FIGURES

	2016	2015
Direct return	4.3%	4.7%
Indirect return	7.5%	6.6%
Total return	11.8%	11.3%
Vacancy	3.0%	3.8%
Operating expenses as % of gross rental income	22.6%	20.6 %
Rental growth	1.6%	1.6%

As table 21 shows, on a LfL basis, the ARC Fund had a total return of 11.8%. The main driver of direct return was the net rental revenue. Yield movements were largely the driver for the indirect return.

As of 2015, following the INREV Guidelines, the LfL analysis will be a regular item in the annual report of the ARC Fund.

Return on property (unleveraged)

The total return on real estate property, expressed as a percentage of the average real estate portfolio value, was 11.8% in 2016 (2015: 12.0%). Direct return from leasing activities was 4.3% (2015: 4.7%). Indirect return from disposals (realised) was 0.4% (2015: 0.4%) and changes in value (unrealised) was 7.1% (2015: 6.9%).

IPD Netherlands Annual Property Index (all residential assets)

Using the IPD calculations, the ARC Fund's 2016 direct performance (income return) amounted 4.5% (IPD: 4.2%). Its indirect performance (capital growth) amounted 7.9% (IPD: 10.5%). This resulted in a total performance of 12.7% (IPD 15.2%).

The relatively low weighting of specifically Amsterdam projects in the ARC Fund portfolio, compared to other funds and the lower number of individual sales, signified an under-performance of the IPD benchmark this year. It should be noted that the positions already adopted - forward acquisitions - are not included (only at completion). This should lead to a recovery effect in 2017.

Using the IPD calculations based on the standing investments, the ARC Fund's 2016 income return amounted 4.5% (IPD: 4.4%). Its capital gains amounted 7.8% (IPD: 9.6%). This resulted in a total return of 12.6% (IPD: 14.4%).

A complete breakdown of the IPD benchmark for 2016 and the last three and five years is provided in the Annexes.

FUND PERFORMANCE

Return on investment (leveraged)

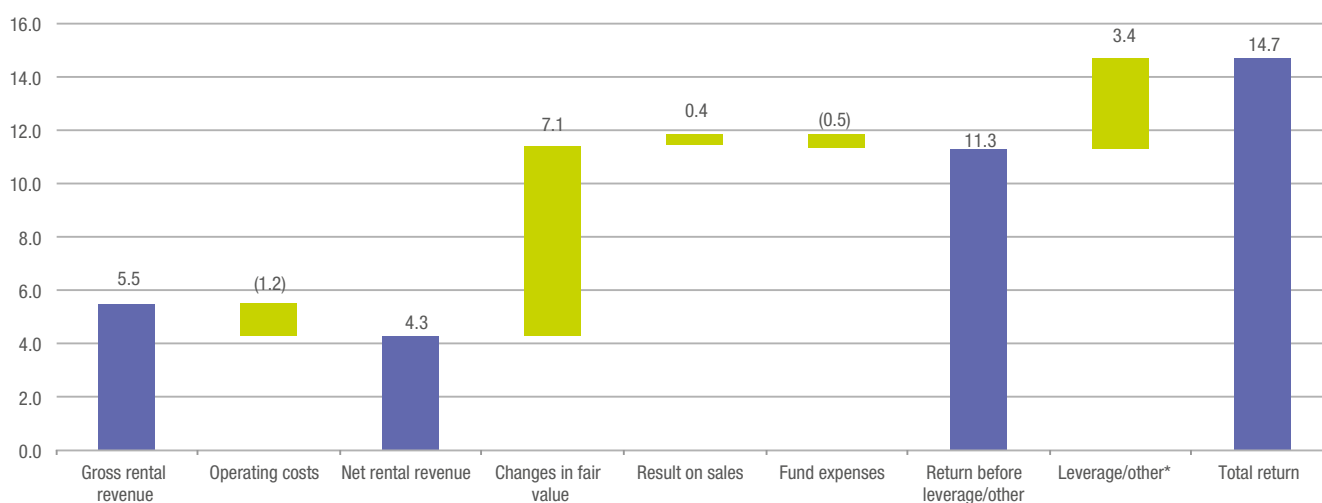
Total fund return for 2016, expressed as a percentage of the NAV based on the INREV Guidelines as at 1 January 2016, was 14.7% (2015: 13.5%). This return comprises an income return of 3.6% and 11.1% from capital gains.

The dividend yield, i.e. the operational result to be distributed as a percentage of the INREV NAV as at 1 January 2016, was 4.1% (2015: 4.7%).

Under the Terms and Conditions, the dividend yield for Investors for the period 2012-2021 averages 4.0% per year. In 2016, the dividend yield was above average.

The graph below shows a summary with a complete breakdown of the total return at a fund level. It starts on the left with the gross rental income at a real estate level and ends on the right with the total return at a fund level. The contribution of every single component is shown.

22. BREAKDOWN OF TOTAL RETURN (IN %)



Until 'Return before leverage/other' the comprehensive income components are presented as a percentage of average book value of the investment portfolio (assets held for sale included). Total return is presented as the total result as a percentage of the NAV per 1/1.

*'Leverage/other' represents the leverage effect and the capital gains of the assets under construction.

Financial income and expenditures

In 2016, the balance of income and expenditure totalled EUR 9.9 million, including EUR 2.9 million for unwinding the existing interest rate swap contracts (2015: EUR 8.5 million, no unwinding costs). This financial income and expenditure relate almost entirely to the loan facility.

Management expenses

Management expenses, which totalled EUR 7.4 million (2015: EUR 6.5 million), consisted of a EUR 6.3 million management fee (2015: EUR 5.8 million) and other expenses of EUR 1.2 million (2015: EUR 0.7 million). The biggest part of the other expenses consists of fees paid to external appraisers (EUR 0.4 million) and legal, tax and oversight fees (EUR 0.5 million).

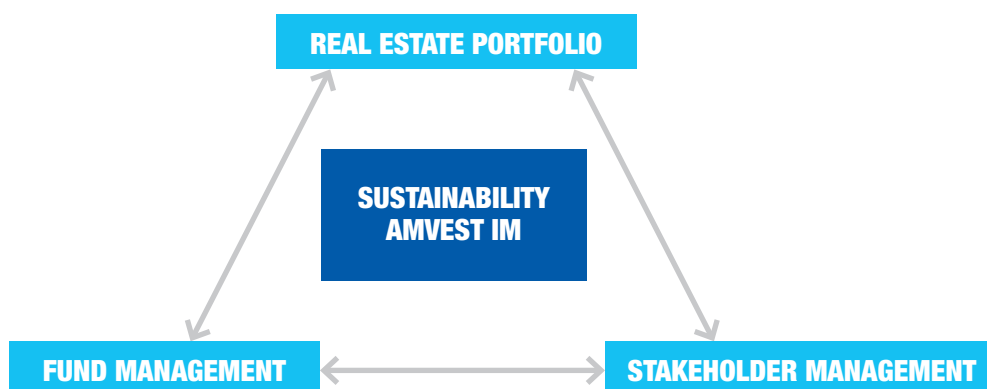
The Total Expense Ratio (TER) based on the Gross Asset Value (GAV) amounted to 0.50% in 2016 (2015: 0.55%). The same ratio based on the Net Asset Value (NAV) amounted to 0.60% (2015: 0.69%). Both GAV and NAV are calculated according to the INREV Guidelines.

SUSTAINABILITY

Amvest believes that the real estate industry has a significant role to play in increasing sustainability in the built environment. As an important player in the industry, we embrace our responsibility to develop high-quality, sustainable homes for our tenants and their families, as we are convinced that investments in sustainable areas and homes will benefit our tenants, our stakeholders, our organisation and society as a whole.

To be a successful Investment Manager in the long term, it is inevitable that the business has to be sustainable. At Amvest, we distinguish three dimensions of sustainability. The real estate portfolio, the management of the funds, and our stakeholders.

23. THREE DIMENSIONS OF SUSTAINABILITY



Fund Management

Sustainability is a prime focus of Amvest. By managing real estate funds sustainably, Amvest believes this will contribute positively to the goals of the funds. The ARC Fund has a clear sustainability policy in place. It is based on a mid-term strategy and a clear annual action plan.

In our mid-term strategy, we highlight themes that we are striving to realise within three years. These themes are:

- developing and implementing low-energy strategies for communal areas in all our fully owned apartment buildings. The energy performance will be closely monitored by new energy monitoring systems;
- creating various energy-neutral communal areas by using new energy sources based on the results of yearly pilot projects;
- implementing a sustainable procurement policy;
- implementing a communication plan to motivate and assist our tenants in making the best use of all the facilities of their energy-efficient home.

The mid-term strategy is supported by a one-year action plan. Our action plan for 2016 crystalised all the steps that were needed in order to realise the strategic goals. The aspects in the one-year action plan are linked to the three dimensions of the ESG triangle. In relation to Fund Management, we set up a joint sustainability policy with property managers for maintenance and renovation.

Important themes for Amvest Investment Management, alongside occupier comfort and satisfaction, include optimising the consumption of energy, minimising CO2 emissions and using sustainable materials. We see our role as leading our sector as a pioneer in these areas. We interpret this by using active management to ensure our housing inventory is sustainable and by imposing strict demands in these areas when dealing with the inflow of new projects. Sustainability is always approached from the perspective of returns, on the one hand looking at the short-term and longer-term financial yields and on the other hand keeping an eye on our sustainability goals. We challenge our real estate managers to keep coming up with sustainable solutions and also reach out to our tenants to adopt a similar attitude themselves.

Amvest actively participates in various sustainability platforms like the Dutch Green Building Council (DGBC) and IVBN.

Real estate portfolio

The real estate portfolio of the ARC Fund is truly sustainable with an 'A' energy label for most of the properties. The ARC Fund pursues an active policy of rejuvenating the portfolio to keep it youthful and sustainable in terms of using technologies to offer an ideal level of comfort and to reduce energy consumption and the environmental burden. Apart from issues of energy consumption, it is important that our homes have a long lifespan, so we invest in regions that have a long term demand for our properties.

The ARC Fund participates in the GRESB (Global Real Estate Sustainability Benchmark) survey. The goal is continuous improvement and to retain the Green Star status, which means the ARC Fund is performing above average. In 2016, the ARC Fund retained its Green Star status. The funds' objective for 2017 is to improve the ranking and to retain their Green Star status.

The one-year action plan regarding the real estate portfolio consisted of the following actions:

- Implementing several pilot projects with solar energy, for both single- and multi-family homes. Identifying opportunities to fit solar panels on all single-family homes. This will be rolled out widely in 2017-2018.
- Set targets for energy efficiency in communal areas and car parks. The aim is to make all communal areas in the ARC Fund's apartment complexes energy-neutral. This will continue to be developed in 2017-2018.
- Transformation of old office premises into housing. In 2017, two former offices on Koningin Sophiestraat and Scheveningseweg in The Hague will be transformed into apartment buildings and two old school buildings, in Utrecht and Gouda, are to be converted into homes and added to the ARC Fund's portfolio.

In 2016, the Data Management System (DMS) which was implemented in 2015 was further improved to monitor and manage energy consumption in the communal areas of apartment blocks, covering the use of electricity, water and gas. This information lets us respond promptly to high energy consumption in properties. The goal is to monitor and achieve efficiency, so that these communal areas will eventually run on an energy-neutral basis.

Furthermore, we have offered more tenants (single-family homes) a solar energy package for their homes to generate their own electricity. Our main priority is to ensure that our tenants can enjoy the highest possible quality of life in a home that meets their exact needs. Our 'Schedule of Requirements (SoR)' for newly built homes requires the use of high quality materials, with low maintenance costs, low energy consumption and comfortable living areas.

The SoR were further refined on these points in 2017 and also analysed in the context of GPR building, so that we can set our level of ambition regarding sustainability for new-build projects.

In Amsterdam, the ARC Fund acquired the project 'Amstelkwartier', which contains 160 net zero energy apartments. All of the apartments have solar panels that generate enough energy for a small household. This project will be completed in mid-2017.

Stakeholder management

There are various stakeholders for the ARC Fund. The most important stakeholders are the tenants, Investors and employees.

Tenants' associations

Tenants should feel at home with Amvest. Therefore, Amvest strives to keep close contact with its tenants in order to know how they feel about their home and living environment. Amvest actively supports the establishment of tenants' associations in its properties. These tenants' associations discuss daily management and service levels with the property managers on a regular basis. Tenants' associations can also give advice to Amvest on more strategic issues.

Tenants' platform

The platform for Amvest tenants is an initiative by and for tenants that was founded over fifteen years ago. The platform is a national umbrella organisation that represents the interests of all tenants' associations affiliated with Amvest. Because Amvest takes the opinions expressed by the platform very seriously, there are periodic meetings with the platform and the Fund Manager. These meetings take place at least twice a year. The agenda includes topics that transcend the local tenants' association meetings with the external property managers of individual properties. The platform's management is chosen by and from the affiliated tenants' associations. The platform organises an annual meeting for members and an annual event based on a theme related to renting or living. Every Amvest tenants' association is automatically a member of the platform and is welcome to attend these meetings.

We believe that it is important to make tenants more aware of sustainability and to assist them in best benefiting from their sustainable home. Therefore, the theme of sustainability was an important topic during the yearly Amvest Tenants' platform event.

Tenant satisfaction survey

Tenant satisfaction is measured by means of an annual customer satisfaction survey conducted by an external consultant among a representative sample of tenants. The survey assesses their satisfaction with the homes, maintenance, the living environment, and the services provided by the property managers. Additional monthly surveys measure the entire process related to new and departing tenants and applications for repair work. For 2017, a new company has been selected to conduct the survey and prepare the analyses. The survey will be modernised and more customer-friendly.

Four residential investment managers initiated a tenant satisfaction benchmark. Amvest was one of the initiators. The overall score fell to 6.8 in 2016 (2015: 7.1) for the ARC Fund, as did the benchmark (2015: 7.0). The aim is to score 7.5 as an overall score. The score for complaints handling is low. In 2017 this continues to be an important topic regarding stakeholder management.

24. TENANT SATISFACTION

(Source: USP Marketing Consultancy)

	Scores ARC Fund 2016	Scores benchmark 2016
Overall score	6.8	6.8
Quality of home	7.7	7.5
Living environment	7.4	7.6
Service level	6.6	6.6
Property management	6.7	6.6
Repair requests	6.5	6.5
Complaint handling	4.5	4.5

Based on the results of the annual customer satisfaction survey, several individual meetings with external property managers were organised to discuss their performance relating to customers. After these meetings, the property managers are required to submit a 'focus plan' that suggests improvement measures. The Fund Manager and the external property managers are committed on the basis of this focus plan to work actively towards increasing customer satisfaction. Also, as part of the management fee, the property managers are entitled to a bonus scheme based on a Service Level Agreement (SLA). The service level of the property manager is an important part of the SLA, which is based on the results of the customer satisfaction survey.

Investors

The number of Investors has risen substantially within the ARC Fund during recent years. Fund Management is committed to informing Investors in a very transparent way and to maintaining an open dialogue. As well as the two formal Investors' Meetings, Fund Management holds informal individual meetings with the Investors at least once a year. Reporting standards are high and meet the demands of institutional investors. The INREV Guidelines are used as reference and further improvements have also been made this year (reference is made to the INREV paragraph).

Employees

Amvest conducted an employee satisfactory survey. The outcomes were discussed with the employees' council and with all employees. Overall the outcomes were positive and certain actions were performed to further improve employee satisfaction.

RISK MANAGEMENT

Corporate Strategy Amvest

Risk management is an essential part of Amvest's business model and management organisation, and is fully incorporated into its strategy. This strategy focuses on two key activities:

1. Dutch residential area and property development activities in strong economic regions, and
2. setting up and managing Dutch residential investment funds and portfolios.

With these two activities, Amvest operates across the complete value chain and creates and benefits from synergetic effects within this chain. For instance, the Right of First Refusal (RoFR) agreement gives the ARC Fund access to high-quality mid-priced residential investment possibilities in strong economic areas.

Together with a thorough knowledge of the Dutch residential market, solid market research, and an extensive relationship network on both the development side and the investment side, this business model resulted in twelve new projects for the ARC Fund in 2016, adding up to an investment volume of around EUR 344 million (around 1,300 homes) and new Investors with commitments adding up to EUR 393 million.

In this business model, the 'Conflict of interest risk' is, for instance, one of the risks that actively needs to be mitigated. In part, this risk is mitigated by the structure and governance of the ARC Fund (Terms and Conditions, RoFR agreement, Portfolio Plan, etc.) and the oversight role from the auditor, the depositary and the AFM. However, the 'first line of defence' lies with line management (portfolio management, management of the property assets).

In order to pursue its risk management policy effectively, all key officers who work for the ARC Fund have a residential market background, along with many years of experience in their areas of expertise, including portfolio, asset and technical management. The Fund Manager has the support of an experienced financial staff for the ARC Fund's financial reporting, planning and control cycle, risk, compliance and appraisal procedures.

Risk management framework

The ARC Fund is quarterly assessed against eleven defined risks. In the quarterly investor report findings are reported.

The risk management framework is used to appropriately identify, measure, manage and monitor risks, and sets the risk limits and risk appetite for these risks. It also describes reporting lines to all relevant stakeholders. The 'identify, measure, manage and monitor' cycle warrants that the risk profile disclosed to the Investors is made transparent, in accordance with the risk limits set.

To ensure that the necessary measures and precautions are taken in the event of breach or near-breach, risk management is an ever-recurring item at all formal internal and external meetings. This ensures a continuous process of risk monitoring and incorporation into the operational business processes.

Risks of the ARC Fund

1. Sales/rental risk: the risk that a home or a property cannot be sold/rented out again within the envisaged period at the targeted sales/rental price.
2. Operational risk: the risk following from inadequate or failed operational processes and/or systems.
The risk that daily management and business operations at a property level are not performed in accordance with fund documents, management/service level agreements (SLA), contracts and budgets.
3. Matching risk: the risk that new equity cannot be raised sufficiently (or only later than planned) to finance the current pipeline and/or possible opportunities. The risk that there is a mismatch between available equity and new investments.
4. Financing risk: the risk that the ARC Fund is unable to (re-) finance its portfolio on the desired conditions (flexibility, pricing, term, collateral).
5. Portfolio risk: the risk that the portfolio policy and operational results are not in line with the Portfolio Plan.
6. Counterparty risk: the risk that a counterparty fails to fulfil contractual or other agreed obligations. The main counterparties for the ARC Fund are Investors, banks, developers, appraisers, property managers, tenants and buyers.
7. Conflict of interest risk: the risk that the ARC Fund or ARC Fund structure is inadequately (in the perception of Investors), equipped (governance, checks and balances) to operate in the event of conflicts of interest and/or the risk that a conflict of interest occurs due to inadequate governance, checks and balances.
8. Liquidity risk: the risk that liquidity shortages occur due to the insufficient co-ordination (by timing and amount) of cash inflows and outflows in managing the ARC Fund.
9. Performance risk: the risk that the targeted return of the ARC Fund is not achieved.

10. Valuation risk: the risk that the value of the real estate portfolio in the financial reports of the ARC Fund does not represent the fair value and/or is not in line with the IFRS accounting principles.

11. Strategic risk: the risk that developments outside Amvest, including economic, political and demographic developments and disasters, force changes in the strategic objectives of the ARC Fund and adjustments in the target portfolio.

Evaluation of Risk Management

The risk management framework is a dynamic framework. The Fund Manager will assess, monitor and review the risk management function, policy, framework and its risks and risk limits on a yearly basis and report on these matters to the Advisory Board and Investors in the ARC Fund. If necessary, the Fund Manager will adjust previously described risk items in close consultation with the ARC Fund's stakeholders.

In the fourth quarter of 2016, the risk management framework was evaluated with the Advisory Board. Not only the plotted risks on the impact/probability map were adjusted, but also the risk definitions themselves were sharpened.

Evaluation 2016 and adjustments made (graph 25)

- The large pipeline has consequences for the ARC Fund team and property management. This is managed by increasing the commercial and support staff. A new property manager (Actys) was appointed in 2016 for the Amsterdam region to support the new properties that are and will be completed in the short term (increased operational risk) (2).
- The matching risk (3) was reduced because of the attractive investment the ARC Fund proved to be. In 2016, EUR 393 million of equity was committed.
- The financing risk (4) was reduced due to refinancing of the existing EUR 290 million loan facility before its maturity date of April 2017 into a new EUR 700 million facility.
- The RoFR procedure will be implemented in the ISAE framework for 2017, which will lead to a more transparent registration of possible acquisitions and the way they are handled within the Amvest organisation (conflict of interest risk) (7).
- The performance risk (9) increased due to the revaluation (unrealised indirect return) of the portfolio outpacing the annual rent increase (low inflation rate).

The risk management framework sets the risk limits and risk appetite for these risks and describes reporting lines to all relevant stakeholders. The director finance and risk is responsible for quarterly reporting about the framework as well as the scores on risk limits. The graph below plots the previously described risks on an impact/probability axis. The 'heat map' as well as the risk management framework were evaluated with the Advisory Board on 1 December 2016. This evaluation led to adjustments presented in the graph below (adjustments compared to the risk management framework of 2015-2016).

25. PLOTTED RISKS ARC FUND (IMPACT/PROBABILITY)

Risk profile ARC Fund 2016/2017



Findings

In 2016, the risk limits set by the Fund Manager for the eleven risks were not and are not likely to be exceeded in the short term. Stress testing on liquidity showed no breaches in relation to the distribution policy as described in the Terms and Conditions and the Portfolio Plan. A base case and a best estimate scenario on liquidity up to and including 2019 (the Portfolio Plan horizon) are being monitored. Various cash flow scenarios for liquidity were explained at the Advisory Board meetings in 2016. Uncalled commitments (EUR 387 million), the availability of undrawn debt (EUR 410 million) and the cash position (EUR 34 million) ensure that no liquidity issues are expected.

Three lines of defence

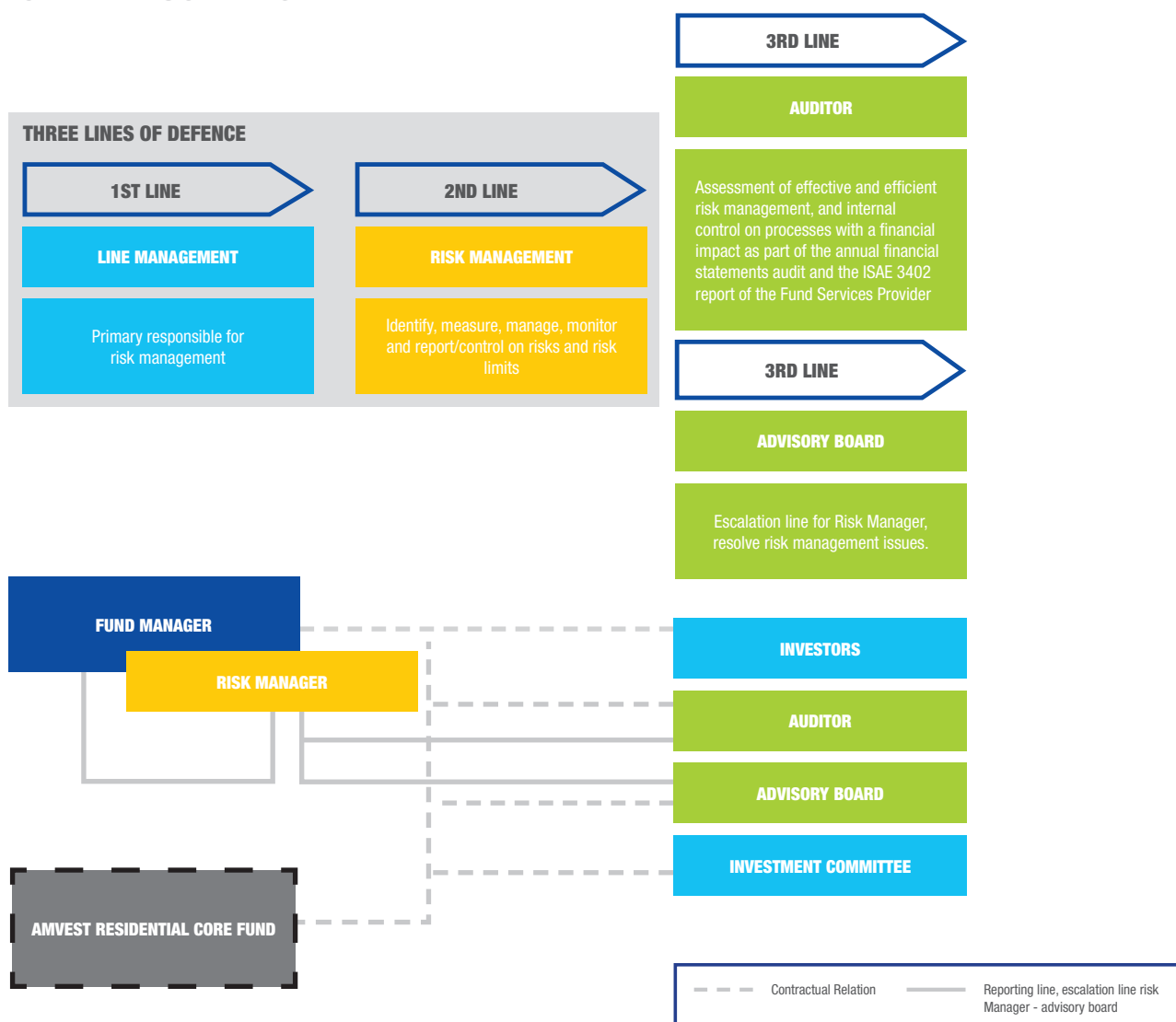
The functional and hierarchical separation of the risk management function from the portfolio management function and the safeguards against conflicts of interest form the basis of a good risk management system.

Amvest group is committed to a strong culture of risk management, combined with a sharp focus on three effective lines of defence (the “three lines of defence model”):

- The first line of defence: line management (portfolio management, management of the operating units, management of the property assets).
- The second line of defence: risk management (risk manager; independent of line management).
- The third line of defence: escalation line and audit (Advisory Board and auditor respectively; both are independent of line and risk management).

These defences are used to guarantee the independence of the risk management function in relation to portfolio management. The three lines of defence model is visualised in graph 26.

26. THREE LINES OF DEFENCE



Fund Management

The authorities and responsibilities of the ARC Fund are clearly set out in the ARC Fund's fund documents: the Private Placement Memorandum (PPM) including the Terms and Conditions, the Fund Services Agreement and the Portfolio Plan. These documents describe the parameters within which Amvest is authorised to act as a Fund Manager, e.g. the annual investment and divestment volume and required returns for new investments and annual budgets. The management and operation of the portfolios of the individual funds and the related control measures are described in the ISAE 3402 framework.

Portfolio management is aimed at optimising the portfolio's long-term return on property. Tenant satisfaction is surveyed regularly and tenant processes are adjusted where necessary. Each year, residential properties are assessed based on their contribution to fund returns through hold-or-sell analyses. The fund team uses a hands-on approach assisted by a research department that maintains an independent position from the ARC Fund. The team focuses continuously on improving and monitoring operating cash flows from the individual residential properties.

Property management is outsourced to leading companies, managed directly by the ARC Fund team. An experienced financial staff supports the Fund Manager in the financial reports of the ARC Fund. For the appraisal of the residential properties, the Fund Manager works with external appraisers with proven track records in residential appraisal in the Netherlands. The ARC Fund's property portfolio is appraised by external appraisers only.

ISAE 3402

The Fund Manager is structured with an affiliated Fund Services Provider (Amvest Management B.V.), which employs all employees of Amvest group. An ISAE 3402 Type 2 framework is in place to warrant a consistent high quality level of services by the Fund Services Provider to the investment management department.

ISAE 3402 provides guidance to enable investors to issue an opinion on a service organisation's description of controls through an independent service auditor's assurance report. The scope includes the classes of transactions in the service auditor's operations that are significant to the user organisation's financial statements, and processes that are specifically defined by the service organisation.

The ISAE 3402 framework in the context of the ARC Fund consists of the following processes:

1. Create and authorise Portfolio Plan
2. Authorise investment/divestment proposals
3. Contract matching
4. Investment authorisation
5. Divestment authorisation
6. Valuation
7. Property management
8. Payments
9. External reporting
10. Calculating NAV
11. Distributions
12. Subscription and redemption of units, capital calls
13. Fund governance and deadline management
14. General IT controls

These key processes carried out by the Fund Services Provider under the responsibility of the Fund Manager are described at an operational level and control objectives and controls within these processes are defined. These controls are tested internally and externally several times a year. After a test round period, the external auditor determines whether the control objectives and controls are suitably designed and in place (Type 1) and performs tests on the operating effectiveness of the controls defined (Type 2). In the end, the external auditor gives a yearly assurance report.

The ISAE 3402 framework is a very helpful and relevant addition to the risk management framework and gives the Fund Manager the comfort that procedures on relevant operational processes are being followed as agreed.

Every year, the process and framework are evaluated. Fund Management does this in close consultation with the fund team, the Fund Services Provider and the external auditor of the ARC Fund. Minor adjustments were made in 2016.

For 2016 (1 December 2015 - 30 November 2016), an ISAE 3402 Type 2 report was received without relevant findings.

Stress testing

The Fund Manager aims to give the Investors an attractive return against acceptable risks. Stress testing allows the Fund Manager to examine the effect of exceptional but plausible future events on the performance and liquidity position of the ARC Fund. The Fund Manager considers stress testing to be a central tool in identifying, measuring, managing and monitoring performance and liquidity risks, providing a complementary and forward-looking perspective to other performance, and liquidity risk management tools.

Stress testing results are reported and used for policy making and for monitoring the Portfolio Plan. The Fund Manager can take mitigating actions or other control measures as required, given the business strategy and risk appetite of the ARC Fund. After discussing the outcome, the most important results will be presented to the Investors through the quarterly report.

Liquidity management

Liquidity management is an important element of risk management. The Fund Manager uses several tools for monitoring its cash flows. Most important is the liquidity forecast, which forecasts all real estate and fund related cash flows. In addition, the Fund Manager employs a number of control measures to prevent liquidity shortages and takes corrective actions if a liquidity shortage occurs or if a liquidity shortage could arise in the near future, as indicated by stress testing results.

As at 31 December 2016, the balance of cash and cash equivalents, receivables and payables amounts to EUR 19.0 million (positive). Also EUR 410 million (loan facility) is fully available within three working days. Besides this, the ARC Fund also has undrawn capital commitments from new Investors amounting to EUR 387 million and no redemption requests pending. In conclusion, there is no need for additional external debt funding in the short term. However, because of the size of the pipeline and investment opportunities, liquidity needs for the period up to 2020 are being closely monitored.

AIFMD

The Alternative Investment Fund Managers Directive (AIFMD) entered into force on 21 July 2011. The aim of AIFMD is to create a comprehensive and effective regulatory and supervisory framework for alternative investment fund managers within the EU. EU Member States had to implement the Directive in national Member State law and from 22 July 2014 all alternative investment funds (AIF) have to meet the complete legislation and require a licence.

The ARC Fund and its Fund Manager are fully within the scope of the AIFM Directive. Accordingly, the Fund Manager submitted an AIFM licence application to the Netherlands Authority for the Financial Markets (Autoriteit Financiële Markten, AFM) in January 2014 and received the AIFM licence on 26 November 2014.

As of 26 November 2014, Amvest RCF Management B.V. was replaced by Amvest REIM B.V. as Fund Manager of the ARC Fund. This was done in view of the ambitions of the Amvest group to possibly take on the management of additional alternative investment funds that fall within the scope of AIFMD, and, at the same time to obtain only one AIFM licence for all such management activities instead of separate licences for each (special purpose) manager.

Professional liability (Article 9(7) AIFMD)

To cover potential professional liability risks resulting from activities carried out by the Fund Manager, AIFMD allows the Fund Manager two options:

1. hold additional funds which are appropriate in relation to the potential risks arising from professional negligence;
2. carry a professional indemnity insurance against liabilities related to professional negligence, which are appropriate in relation to the potential risks.

The Fund Manager has chosen to hold additional own funds. The amount of the additional funds is calculated in conformity with criteria set out in the AIFM Directive and discussed with the Dutch Central Bank (DNB).

Every quarterly closing, the Fund Manager recalculates the value of the portfolio (one of the AIFMD criteria) to determine if significant increases have occurred. If this is the case, the Fund Manager recalculates the additional own funds required without undue delay and adjusts the additional own funds accordingly.

The Fund Manager ensures that the additional own funds are held in cash on the balance sheet of the Fund Manager.

Leverage: gross and commitment method (Article 109(3) Level II)

For the purpose of AIFMD (report to competent authorities) the leverage of the fund is expressed as the ratio between the exposure of the fund and its NAV. The Fund Manager calculates the exposure of the funds managed in accordance with the gross method and the commitment method. AIFMD stipulates a limit of three for the leverage.

Leverage - gross method: (total of assets + notional contract value derivatives -/- cash) / (INREV NAV).

Leverage - gross ARC Fund: $(1,776 + 0 -/- 34) / 1,452 = 1.20$ (2015: 1.43).

Leverage - commitment: (total of assets) / (INREV NAV).

Leverage - commitment ARC Fund: $1,776 / 1,452 = 1.22$ (2015: 1.25).

INREV

Since 2002, the European Association for Investors in Non-listed Real Estate Vehicles (INREV) has published various guidelines and recommendations that were incorporated into a set of standard INREV Guidelines (last revised in 2014).

The ARC Fund follows these guidelines for all financial ratios, such as NAV, TER and REER (reference is made to the key figures).

As for property valuations, the appraisal process of the ARC Fund is fully compliant with the INREV Guidelines.

PORTFOLIO FUNDING

Refinancing before maturity

Rapidly changing market circumstances and the large pipeline of new acquisitions led to an evaluation of the ARC Fund's financing needs.

An early full repayment of the existing loan facility was a possibility, as no fees had to be paid. However, the interest rate swap contracts had to be taken into account. When committing to a large pipeline, a solid financing basis is a necessity. Over the next three years (2017-2019), the portfolio will grow substantially from EUR 1.7 billion in 2016 to around EUR 2.9 billion in 2019.

In 2016, conditions were favourable (low interest rate, eagerness) and eventually a new facility of EUR 700 million was concluded on 26 September 2016. The total cost of debt was reduced from over 3.0% to around 1.5%.

EUR 700 million loan facility

A loan facility of EUR 700 million is now in place. This facility was supplied by a banking consortium of three banks, with ABN AMRO Bank N.V. acting as Facility Agent and Deutsche Hypotheken Bank AG as Valuation and Security Agent and ING DiBa.

The EUR 700 million loan facility consists of a bullet loan of EUR 350 million supplied by Deutschen Hypothekenbank AG (EUR 250 million) and ING DiBa (EUR 100 million) and a revolving credit facility of EUR 350 million supplied by ABN AMRO Bank N.V. The bullet part has a term up to 17 January 2026 and the revolving part has a term of five years and three extension possibilities of one year each.

As at 31 December 2016, EUR 290 million of the bullet loan had been drawn.

At year-end 2016, the ARC Fund was performing well within the covenants set by the bank syndicate.

Interest rate risk

The refinancing process as described in the previous section led to an evaluation of the four existing interest rate swap contracts (hedging EUR 240 million interest rate risk). These contracts were connected to the existing loan facility. Together with our advisor EY Montesquieu, various scenarios were discussed. It was quite obvious that unwinding these contracts was the best option (EMIR legislation, IFRS reporting, flexibility etc.). Because of the current low interest rates compared to the rates on the date of closing, the Market-to-Market (MtM) value of these swaps had been negative in recent years. A few days before the first utilisation date of the new loan facility, the interest swap contracts were redeemed. The negative MtM value, of EUR 2.9 million at that point, was paid to unwind these contracts.

The ARC Fund's policy is to minimise the interest rate risk at reasonable costs, keeping the interest rate level low and at the same time remaining flexible for future investments and divestments.

For the EUR 700 million loan facility, 50% (EUR 350 million) of the interest rate risk is limited by way of a term loan with a fixed interest rate. The first utilisation on 26 September 2016 was EUR 290 million as a part of the term loan.

The revolving part of the loan is floating at a 3-month Euribor rate plus a premium of 80 base points. The Fund Manager performs stress tests on the relevant risk drivers to monitor the sensitivity of the bank and fund covenants (also see Risk Management Policy). One important risk driver in this regard is the 3 month Euribor rate. Fund management closely monitors the Euribor rate together with the financial advisor EY Montesquieu.

With this solid funding position, interest rate risk is very low; flexibility remains, costs are low and covenants are met comfortably.

Conservative leverage

As described earlier, when committing to a large pipeline, a solid financing basis is a necessity. Funds can be sourced from:

1. the current cash position;
2. sales proceeds;
3. committed equity / existing debt;
4. new equity from (new) investors / new/existing debt.

The ARC Fund will grow significantly over the next few years. Fund management must therefore closely monitor and balance all four means so as to maintain a current and future healthy financial position.

The cash flow to finance the new acquisitions is needed between now and 2020. Furthermore, the exact timing of these cash flows is uncertain because the timing of project development is also uncertain. This is why it is important for the ARC Fund to have some flexibility in managing its funding policy.

Fund management aims to keep the leverage level at around the 25% target level. As a result of increasing prices, yield shift and capital growth, the leverage level is 16.9% (31 December 2016). During the time frame of the Portfolio Plan, the LTV ratio will rise to 25%.

Cash flow management

It is essential that the cash flows in the ARC Fund are strictly monitored. Both outgoing and incoming cash flows are monitored weekly for a six-week period 'rolling forward'. The liquidity position is constantly projected one year ahead (and for new acquisitions with material cash flows even further), ensuring that incoming and outgoing cash flows become clear in a timely manner. The revolving credit element of the loan facility can be adapted accordingly.

As well as all property related cash flows and fund management fees, financial expenditures and management costs, distributions and cash flows from subscriptions and redemptions are also monitored. The cash position of the ARC Fund is stress tested on a quarterly basis. The Fund Manager thus monitors the commitments from third party transactions, distributions to Investors, bank and fund covenants.

COMPLIANCE, CORPORATE INTEGRITY, CODE OF CONDUCT


At a corporate level, integrity and customer due diligence are key. Amvest maintains an internal complaints procedure, a confidant, and an incident reporting system that is reviewed by the external auditor. Corporate integrity is a regular agenda item at the corporate Management Board and Supervisory Board meetings. At the ARC Fund level, the compliance officer attends the management team meeting every quarter.

There is a transaction register in place in compliance with the NEPROM and IVBN guidelines. This register documents the ARC Fund's property transactions in a transparent manner. All business-to-business property transaction are investigated and documented prior to the transaction so that they can be checked for correctness, legality and integrity.

In 2016, as in 2015, all employees of Amvest were again asked to sign the internal Amvest Code of Conduct. The Code of Conduct is an indissoluble part of the employment contract.

The Code of Conduct is available to customers, suppliers, and partners on the Amvest website. Active compliance with the Code of Conduct is a matter for all Amvest employees and the Management Board. Therefore, this is discussed regularly as a periodic agenda item in meetings at all levels within Amvest.

The compliance officer acts as a source of information for all issues in the area of integrity. All information needed will be made available to the compliance officer. When considered necessary, the compliance officer can use the expertise of professional advisors.



As in previous years, in 2016 there were no noteworthy incidents in relation to corporate integrity. Amvest believes that the measures implemented as part of its corporate integrity policy have been effective. In addition to the Amvest Code of Conduct, Amvest complies as a member of IVBN and the NEPROM with the codes of conduct applicable to members of these associations.

OUTLOOK 2017

The total yield worked out in double figures for the second consecutive year. Prospects for the housing market are also favourable for 2017. Economic growth is expected to reach 2.3% (DNB, January 2017). Other important indicators, such as consumer confidence, are good (+10 at close of 2016).

The Dutch housing market also has a solid foundation. In most cases, there is a shortage of homes. Price levels have risen sharply in the past year in a number of regions and particularly so in Amsterdam. Price growth will level out in these areas. But the expectation is that prices will continue to rise in virtually all regions. Rabobank is expecting a 5% growth in house prices. The shortage of rental homes in the medium-priced sector persists, so that rentals will continue to rise above inflation levels.

As a result of this growth, we anticipate achieving a total return of more than 9% for 2017.

Amsterdam, the Netherlands, 25 April 2017

H-W. Wensing, Fund Director

M.P.W. van der Lienden, Director Finance and Risk

D. Wedding, Portfolio Manager

FINANCIAL STATEMENTS 2016



THE HAGUE
BEZUIDENHOUTSEWEG
(NEW BABYLON PARC TOWER AND CITY TOWER)

STATEMENT OF PROFIT OR LOSS AND COMPREHENSIVE INCOME

(EUR X 1,000)

	NOTES	2016	2015
Profit or Loss			
Income from investments			
Gross rental income	1	73,634	68,325
Operating costs	2	(16,186)	(14,257)
Net rental income		57,448	54,068
Realised capital gains on investments	3	5,048	4,062
Unrealised capital gains on investments	4	118,189	80,002
Net gains on investments		123,237	84,064
Provision for onerous contracts	5	(146)	560
Management expenses	6	(7,425)	(6,509)
Profit from operating activities		173,114	132,183
Financial income and expenditures	7	(9,897)	(8,462)
Profit of the year		163,217	123,721
Other comprehensive income			
Items that may be reclassified subsequently to comprehensive income			
Hedging reserve		6,301	3,377
		6,301	3,377
Total comprehensive income for the year		169,518	127,098

The notes are an integral part of these Financial Statements

The comparative figures for the other comprehensive income 2015 have been added. In the 2015 annual accounts, the other comprehensive income line item was incorrectly not presented. This addition has no impact on the equity position or results of 2015.

STATEMENT OF FINANCIAL POSITION BEFORE APPROPRIATION OF THE PROFIT OF THE YEAR

(EUR X 1,000)

ASSETS	NOTES	31-12-16	31-12-15
Non-current assets			
Investment property	8	1,445,804	1,203,809
Assets under construction	9	264,823	73,522
		1,710,627	1,277,331
Current assets			
Trade and other receivables	10	21,169	2,541
Assets held for sale	11	10,005	3,918
Cash and cash equivalents	12	33,946	49,940
		65,120	56,399
		1,775,747	1,333,730
EQUITY AND LIABILITIES	NOTES	31-12-16	31-12-15
Equity			
Capital contributions	13	62	99
Share premium reserve	14	1,138,394	922,276
Hedging reserve	15	0	(6,301)
Retained earnings	16	147,696	23,975
Profit of the year		163,217	123,721
		1,449,369	1,063,770
Non-current liabilities			
Syndicated loan	17	290,000	240,000
Provision for onerous contracts	18	307	161
Derivatives	19	0	6,301
		290,307	246,462
Current liabilities			
Trade and other payables	20	36,071	23,498
		1,775,747	1,333,730

The notes are an integral part of these Financial Statements

STATEMENT OF CHANGES IN EQUITY

(EUR X 1,000)

2016	NOTES	Capital contributions	Share premium reserve	Hedging reserve	Retained earnings	Profit of the year	Total equity
Balance as at 1 January 2016		99	922,276	(6,301)	23,975	123,721	1,063,770
Profit of the year						163,217	163,217
Capital contributions	13	(37)	37				0
Share premium reserve	14		261,081				261,081
Hedging reserve	15			6,301			6,301
Retained earnings	16				123,721	(123,721)	0
Total comprehensive income for the year attributable to Investors of the ARC Fund		(37)	261,118	6,301	123,721	39,496	430,599
Transactions with Investors of the ARC Fund							
- Dividend			(45,000)				(45,000)
		(37)	216,118	6,301	123,721	39,496	385,599
Balance as at 31 December 2016		62	1,138,394	0	147,696	163,217	1,449,369

2015	NOTES	Capital contributions	Share premium reserve	Hedging reserve	Retained earnings	Profit of the year	Total equity
Balance as at 1 January 2015		85	826,627	(9,678)	(13,421)	37,396	841,009
Profit of the year						163,217	163,217
Capital contributions	13	14	-14				0
Share premium reserve	14		138,713				138,713
Hedging reserve	15			3,377			3,377
Retained earnings	16				37,396	(37,396)	0
Total comprehensive income for the year attributable to Investors of the ARC Fund		14	138,699	3,377	37,396	86,352	265,811
Transactions with Investors of the ARC Fund							
- Dividend			(43,050)				(43,050)
		14	95,649	3,377	37,396	86,325	222,761
Balance as at 31 December 2015		99	922,276	(6,301)	23,975	123,721	1,063,770

The notes are an integral part of these Financial Statements

CASH FLOW STATEMENT

(EUR X 1,000)

	2016	2015
Cash flows from operating activities		
Profit of the year	163,217	123,721
Adjustments for		
- Changes in fair value of investments	(118,189)	(80,002)
- Changes in provision for onerous contracts	146	(560)
- Net finance cost	9,530	7,455
- Results on sale of investments	(5,048)	(4,062)
Operating cash flow before change in working capital	49,656	46,552
Change in		
- Trade and other receivables	(18,628)	1,548
- Trade and other payables	12,573	6,867
Change in working capital other than cash	(6,055)	8,415
Net cash flow from operating activities	43,601	54,967
Cash flows from investing activities		
Investments in completed investment property	(157,697)	(15,817)
Investments in capitalised subsequent expenditure in investment property	(2,741)	(673)
Divestments of investment property	11,000	5,868
Divestments of assets held for sale	17,286	13,493
Divestments of assets under construction	14,794	0
Prepayments for assets under construction	(203,836)	(91,147)
Results on sale of investments	5,048	4,062
Net cash flow from investing activities	(316,146)	(84,214)
Cash flows from financing activities		
Increase / (decrease) in capital	261,081	138,713
Paid interest	(6,582)	(7,455)
Unwinding interest rate swaps	(2,948)	0
Dividend paid to Investors	(45,000)	(43,050)
Proceeds from loans and borrowings	50,000	(30,000)
Net cash flow from financing activities	256,551	58,208
Net increase / (decrease) in cash and cash equivalents	(15,994)	28,961
Cash and cash equivalents at 1 January	49,940	20,979
Cash and cash equivalents at 31 December	33,946	49,940
Net increase / (decrease) in cash and cash equivalents	(15,994)	28,961

ACCOUNTING PRINCIPLES AND COMMON NOTES TO THE FINANCIAL STATEMENTS

1 Reporting entity

The Amvest Residential Core Fund (ARC Fund) consists of two combined funds for joint account domiciled in the Netherlands. The ARC Fund operates as a fund under the laws of the Netherlands. The address of the ARC Fund's registered office is De entree 43, 1101 BH, Amsterdam. The ARC Fund is an investment fund investing in a diversified portfolio of residential rental properties located in the Netherlands. On 17 January 2012, the ARC Fund was converted from a limited partnership (C.V.) into two fiscally transparent funds (FGR), which marked the closing date of the fund. On 1 January 2016, FGR2 was terminated due to the fact that the fiscal advantage of the structure with two separate funds for joint account no longer existed. All assets and liabilities of FGR2 have been transferred to FGR1.

The ARC Fund was formed on 29 December 2010 by WAP Woningen B.V., Amvest RCF Management B.V. and Amvest RCF Custodian B.V. WAP Woningen B.V. was a joint venture between AEGON and Pensioenfonds Zorg en Welzijn (PfZW). WAP Woningen B.V. was the shareholder in the ARC Fund and also in the Amvest Residential Dynamic Fund. To separate shareholders' interests in both funds, on 1 January 2012 WAP Woningen B.V. was split into four separate private limited liability companies:

- AEGON Core Fund Participations B.V.;
- PfZW Core Fund Participations B.V.;
- AEGON Dynamic Fund Participations B.V.;
- PfZW Dynamic Fund Participations B.V.

At the end of 2016, participations in the ARC Fund are held by AEGON Core Fund Participations B.V. (32.351%), PGGM Core Fund Participations B.V. (32.351%), Investor "A" (0.746%), Investor "B" (4.164%), Investor "C" (1.653%), Investor "D" (4.020%), Investor "E" (1.653%), Investor "F" (0.826%), Investor "G" (3.272%), Investor "H" (4.434%), Investor "I" (2.587%), Investor "J" (2.217%), Investor "K" (1.108%) and Investor "L" (8.619%).

On 26 November 2014, the licence was granted by the AFM. The licence was granted to Amvest REIM B.V., a newly incorporated entity that will be the fund manager of all funds that act under the AIFM Directive. The Fund Manager has no employees. All personnel are employed by Amvest Management B.V., the Fund Services Provider of the ARC Fund.

2 Basis of preparation

(a) Accounting policies

The financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union (EU-IFRS). The ARC Fund applied all standards effective on or before 31 December 2016 to these IFRS financial statements. The financial statements were authorised for issue by the Fund Manager on 25 April 2017.

A number of new standards, amendments to standards, and

interpretations are effective for annual periods beginning after 1 January 2016, and have not been applied in preparing these financial statements. None of these is expected to have a significant effect on the financial statements of the ARC Fund.

IFRS 9 Financial Instruments

IFRS 9, published in July 2014, replaces the existing guidance in IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 includes revised guidance on the classification and measurement of financial instruments, including a new expected credit loss model for calculating impairment on financial assets, and the new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39.

IFRS 9 is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted. However, IFRS 9 is currently not yet endorsed by the EU. The Fund is assessing the potential impact on its consolidated financial statements resulting from the application of IFRS 9. No impact on the Funds financial position and performance is expected.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaces existing revenue recognition guidance, including IAS 18 Revenue, IAS 11 Construction Contracts and IFRIC 13 Customer Loyalty Programmes. IFRS 15 is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted. However, IFRS 15 is currently not yet endorsed by the EU. No impact on the Funds financial position and performance is expected.

(b) Basis of measurement

The financial statements have been prepared on the historical cost basis except for the following material items in the statement of financial position:

- investment property including assets held for sale and assets under construction are measured at fair value;
- derivative financial instruments are measured at fair value.

(c) Functional and presentation currency

These financial statements are presented in euros (EUR), which is the ARC Fund's functional currency. All financial information presented in euro has been rounded to the nearest thousand.

(d) Use of estimates and judgements

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates, and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future period affected.

Information about critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements is included in the paragraph regarding Investment property.

(e) Going concern

The financial statements have been prepared on a going concern basis.

3 Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these financial statements, and have been applied consistently by the ARC Fund.

(a) Investment property

Investment property, which comprising properties held to earn rentals and/or for capital appreciation, is initially accounted for at cost price (including purchase expenses like transfer tax, broker fees, civil notary, if applicable). After initial recognition, investment properties are measured at fair value, assuming a knowledgeable willing buyer and a knowledgeable willing seller in an at arm's length transaction. Gains or losses arising from changes in the fair value of investment property are included in the income statement for the period in which they arise.

Investment properties are derecognised when they have either been disposed of or when the investment property is permanently withdrawn from use and no future benefit is expected from its disposal. Any gains or losses on the derecognition of an investment property are recognised in the statement of profit or loss and comprehensive income in the year of derecognition.

Fair value is based on quarterly external appraisals and updates of the appraised portfolio by independent external appraisers, on the basis of the IPD index guidelines. The portfolio was externally appraised in 2016 by independent appraisers in order to determine the fair value.

The full portfolio is externally appraised every quarter.

A representative part of 25% of the total portfolio is appraised by a "full" valuation, and the remaining portfolio (75%) is updated at the same time using a "desk top" valuation. The appraisals are based on the yield method (BAR/NAR), supported by a DCF calculation with an average discount rate of 6.6% (2015: 7.1%).

The yield method on IPD index guidelines is based on:

- cash flows estimated on the basis of market rent;
- allowable deductions for owners' charges in line with market conditions;
- capitalisation at net initial yields (minus purchasing costs payable by the purchaser) of similar transactions;
- adjusting entries for (initial) vacancy, overdue maintenance, and future renovations.

Investments made in existing properties since the last appraisal was

carried out are capitalised at cost price in addition to the carrying amount of the investment until the next appraisal.

In the statement of profit or loss and comprehensive income, changes in fair value are recorded as unrealised capital gains on investments.

(b) Assets under construction

Assets under construction are initially recognised when a turnkey contract is signed with a development company and are recognised at fair value. There are two types of turnkey contracts:

1. a clear turnkey contract;
2. a quasi-turnkey contract.

Within a clear turnkey contract, the property is bought (in ownership) after completion by paying the entire turnkey amount.

Within a quasi-turnkey contract, the land is sold and legally transferred to the ARC Fund first and construction starts after this transaction. Through accession everything built on the land becomes the property of the ARC Fund. The economic risk of capital growth fluctuations lies with the ARC Fund. All construction risks are borne by the developer until completion of the construction.

Fair value is determined as the most probable price reasonably obtainable in the market on the reporting date (therefore not on a date in either the past or the future). Fair value is based on current prices in an active market for similar properties in the same location and condition. If this information is unavailable, the fair value is determined using the discounted cash flow valuation method or a conventional method. Conventional methods determine the value on the basis of capitalisation at net initial yields of similar transactions. Any gain or loss arising from a change in fair value is recognised through profit or loss.

Assets under construction include prepayments incurred directly in relation to forward acquisition projects for which the feasibility of development has been established and where there is a high probability that the project will be successful.

Assets under construction are classified as not in operation until the time the construction is completed. At such time, they are transferred into the caption "Investment property".

(c) Assets held for sale

Investment property is transferred to "assets held for sale" when it is expected that the carrying amount will be recovered principally through sale rather than from continuing use.

For this to be the case, the property must be available for immediate sale in its present condition and its sale must be highly probable. For the sale to be highly probable:

- The Fund Manager must be committed to a plan to sell the property and an active programme to locate a buyer and complete the plan must have been initiated.

- The property must be actively marketed for sale at a price that is reasonable in relation to its current fair value.
- The sale should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Assets held for sale are stated at fair value.

(d) Financial instruments

(i) Non-derivative financial instruments

The ARC Fund classifies non-derivative financial assets into the following categories: trade and other receivables and cash and cash equivalents. The ARC Fund classifies non-derivative financial liabilities into the following categories: loans and borrowings and trade and other liabilities.

(ii) Non-derivative financial assets

The ARC Fund initially recognises financial assets on the date that they originate or on the trade date at which the ARC Fund becomes a party to the contractual provisions of the instrument.

The ARC Fund derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or when it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which all the risks and rewards of ownership of the financial asset are substantially transferred. Any interest in transferred financial assets that is created or retained by the ARC Fund is recognised as a separate asset or liability.

Financial assets and liabilities are offset and the net amount is presented in the statement of financial position when, and only when, the ARC Fund has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Trade and other receivables

Trade and other receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognised initially at fair value plus any directly attributable transaction costs.

Subsequent to initial recognition, trade and other receivables are measured at amortised cost using the effective interest method, less any impairment losses.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances.

(iii) Non-derivative financial liabilities

The ARC Fund initially recognises financial liabilities (including liabilities designated at fair value through profit or loss) on the trade date, which is the date that the ARC Fund becomes a party to the contractual provisions of the instrument. The ARC Fund derecognises a financial liability when its contractual obligations are discharged, cancelled, or expire.

Financial assets and liabilities are offset and the net amount is presented in the balance sheet when, and only when, the ARC Fund has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

The ARC Fund classifies non-derivative financial liabilities into the other financial liabilities category. Such financial liabilities are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortised cost using the effective interest method.

(iv) Capital contributions

Capital contributions are classified as equity. The dividend paid to Investors has been deducted from the share premium reserve. Retained earnings only shows the total comprehensive income of the year.

(v) Derivative financial instruments, including hedge accounting

The ARC Fund held derivative financial instruments to hedge its interest rate risk exposure. As from the end of September 2016, all derivatives have been terminated. On initial designation of the hedge, the ARC Fund formally documents the relationship between the hedging instrument(s) and hedged item(s), including the risk management objectives and strategy in undertaking the hedge transaction, together with the methods that will be used to assess the effectiveness of the hedging relationship.

The ARC Fund makes an assessment, both at the inception of the hedge relationship as well as on an ongoing basis, as to whether the hedging instruments are expected to be “highly effective” in offsetting the changes in fair value or cash flows of the respective hedged items attributable to the hedged risk, and as to whether the actual results of each hedge are within a range of 80 to 125%. For a cash flow hedge of a forecast transaction, the transaction should be highly probable to occur and should present an exposure to variations in cash flows that could ultimately affect reported profit or loss.

Derivatives are recognised initially at fair value; attributable transaction costs are recognised in profit or loss as incurred. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are accounted for as described below.

Cash flow hedges

When a derivative is designated as the hedging instrument in a hedge of the variability in cash flows attributable to a particular risk associated with a recognised asset or liability, or a highly likely forecast transaction that could affect profit or loss, the effective portion of changes in fair value of the derivative is recognised in other comprehensive income and presented in the hedging reserve in equity.

Any ineffective portion of changes in fair value of the derivative is

recognised immediately as profit or loss. When the hedged item is a non-financial asset, the amount accumulated in equity is included in the carrying amount of the asset when the asset is recognised. In other cases, the amount accumulated in equity is reclassified to profit or loss in the same period when the hedged item affects profit or loss.

If the hedging instrument no longer meets the criteria for hedge accounting, expires, or is sold, terminated, or exercised, or the designation is revoked, hedge accounting is then discontinued prospectively. If the forecast transaction is no longer expected to occur, the balance in equity is then reclassified in profit or loss.

(e) Syndicated loan

Long term liabilities are appraised at amortised cost, being the sum received, and taking into account buyer's premium or discount and minus transaction costs. The difference between the determined book value and the ultimate repayment value, along with the interest payable, is determined in such a way that the effective interest is incorporated in the income statement during the term of the liabilities.

(f) Provisions

Provisions are recognised when the ARC Fund has a current obligation as a result of a past event, when it is probable that the ARC Fund will have to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Provision on onerous contracts includes forward acquisition projects from which the ARC Fund can no longer withdraw without a penalty. A provision is recognised if all the following criteria have been met:

- there is a signed contract with a development or construction company;
- there is a high degree of certainty that the project will be acquired and can be operational within an agreed period;
- the project is expected to be completed within six quarters after the reference date (the first day of the first of six consecutive quarters).

(g) Impairment

Financial assets

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it has to be impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

Objective evidence that financial assets (including equity securities) are impaired can include default or delinquency by a debtor, restructuring of an amount due to the ARC Fund on terms that the ARC Fund would not otherwise consider, indications that a debtor or issuer will enter bankruptcy, adverse changes in the payment status of borrowers or issuers in the ARC Fund, economic conditions that

correlate with defaults, or the disappearance of an active market for a security.

Trade and other receivables

The ARC Fund considers evidence of impairment for receivables at a specific asset level. All individually significant receivables are assessed for specific impairment. An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows, discounted at the asset's original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance account against trade and other receivables.

Interest on the impaired asset continues to be recognised, if applicable. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

(h) Income from investments

Net rental income

Rental income from investment property relates to the rents charged to tenants during the year under review and is recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives granted are recognised as an integral part of the total rental income, over the term of the lease. Operating costs are the costs that can be directly allocated to the rental income.

Capital gains on investments

Results realised through the sale of investment property are recorded in relation to the book value after deduction of sales costs. These results are recognised as realised capital gains on investments. Unrealised gains on investments include the movements in value of investment property in relation to the previous year, as mentioned under the paragraph Investment property.

(i) Management expenses

Management expenses consist of the fees of the Fund Manager as well as costs such as auditors, legal and other costs, including appraisal costs.

(j) Finance income and expenditures

Finance income and expenditures comprises interest income and gains on hedging instruments that are recognised in profit or loss. Interest income is recognised as it accrues in profit or loss, using the effective interest method.

Finance costs comprise interest expense on loans and borrowings, fair value losses on financial assets at fair value through profit or loss, impairment losses recognised on financial assets (other than trade receivables), and losses on hedging instruments that are recognised in profit or loss.

Borrowing costs that are not directly attributable to the acquisition, construction, or production of a qualifying asset are recognised in

profit or loss using the effective interest method.

(k) Income tax

The ARC Fund is transparent in the fiscal sense with respect to corporate income tax.

4 Determination of fair value

A number of the ARC Fund's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair value has been determined for measurement and/or disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

(i) Investment property / assets under construction / assets held for sale

The ARC Fund's portfolio is appraised every quarter by external, independent appraisal companies having appropriate recognised professional qualifications and recent experience in the location and category of property (residential real estate) being appraised.

The fair values are based on market values, being the estimated amount for which a property could be exchanged on the date of the appraisal between a willing buyer and a willing seller in an arm's-length transaction after proper marketing wherein the parties had each acted knowledgeably.

In the absence of current prices in an active market, the appraisals are prepared by considering the actual rental value of the property. A market yield is applied to the actual rental value to arrive at the gross property valuation.

Appraisals reflect, when appropriate, the type of tenants actually in occupation or responsible for meeting lease commitments or likely to be in occupation after letting vacant accommodation, the allocation of maintenance and insurance responsibilities between the ARC Fund and the tenant, and the remaining economic life of the property.

When rental reviews or lease renewals are pending with anticipated reversionary increases, it is assumed that all notices, and when appropriate counter-notices, have been served validly and within the appropriate time.

The Fund Manager has established a control framework with respect to the measurement of fair values. This includes real estate analysts who have overall responsibility for overseeing all significant fair value measurements, including Level 3 fair values, and report directly to Fund Management.

The real estate analysts regularly review significant unobservable inputs and valuation adjustments and assess the evidence obtained from the external independent appraisers to support the conclusion that such valuations meet the requirements of IFRS, including the

level in the fair value hierarchy in which such valuations should be classified.

Significant valuation issues are reported to the Fund Management.

When measuring the fair value, the company uses observable market data as much as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

Level 1: valuation on the basis of quoted prices in active markets for identical assets.

Level 2: values based on (external) observable information.

Level 3: values based wholly or partially on non (external) observable information.

If the inputs used to measure the fair value of an asset or a liability might be categorised in different levels of the fair value hierarchy, then the fair value measurement is categorised in its level of the fair value hierarchy as the lowest level input that is significant to the entire measurement. The company recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

Further information about the assumptions made in measuring fair values is included in Table E.

(ii) Derivatives

The fair value of interest rate swaps (Level 2 fair value) is based on inputs other than quoted prices that are observable for the derivatives, either directly or indirectly. Those inputs are tested for reasonableness by discounting estimated future cash flows based on the terms and maturity of each contract and using market interest rates for a similar instrument on the measurement date.

Fair values reflect the credit risk of the instrument and include adjustments to take account of the credit risk of the ARC Fund and counterparty when appropriate.

The following assumptions regarding the significant unobservable inputs are made when determining the fair value:

- a combination of EUR cash rates, EURIBOR futures and EUR IRS rates versus 3-month EURIBOR for forward interest rate curve building purposes;
- the EUR OIS curve for discounting purposes;
- mid-market rates;
- end-of day rates as of the last trading day of the year.

5 Principles for the cash flow statement

The cash flow statement has been drawn up according to the indirect method, separating the cash flows from operating activities, investment activities, and financing activities.

The result has been adjusted for accounts in the statement of profit or loss and comprehensive income and movements in the statement of

financial position that have not resulted in cash flows in the financial year.

The cash and cash equivalents and bank overdraft amounts in the cash flow statement include those assets that can be converted into cash without any restrictions and with insignificant changes in the value as a result of the transaction.

Distributions are included in the cash flow from financing activities.

6 Financial risk management

Overview

The section 'Report of the Fund Manager' describes the risk management framework of the ARC Fund with eleven defined risks. In this section, risks are grouped with an emphasis on financial risk and its impact on the financial statements. For a description of the "three lines of defence" model, we refer to the risk management paragraph in the report of the Fund Manager.

The ARC Fund is exposed to the following financial risks:

- a) market risk;
 - i. real estate risk
 - ii. interest rate risk
- b) credit risk;
- c) liquidity risk (including funding risk).

The ARC Fund manages these risks using the services provided by the Fund Services Provider. The Fund Services Provider has in-house knowledge and expertise in order not to depend entirely on third parties. This is very important for mitigating risks.

The Fund Services Provider delivers various services such as Risk Management, Compliance, Tax, Legal, Human Resources Management, Payment Process, Business Continuity Management, Information Management, and Research. An internal control system according to the International Standards of Assurance Engagements 3402 (Type 2) is in place. This has been tested by an external auditor.

The ARC Fund seeks to manage the effects of interest rate risks in line with its hedging policy by using derivative instruments to hedge these risk exposures. The ARC Fund does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

The ARC Fund invests in residential properties in the Netherlands. The following describes the risks involved and the risk management applied.

(a) Market risk

(i) Real estate risks

The yields available from investments in residential real estate depend primarily on the amount of income earned and capital appreciation generated by the relevant properties, as well as expenses incurred.

If properties do not generate revenues sufficient to meet expenses, including debt service and capital expenditures, the ARC Fund's income will be adversely affected.

Income from properties may be adversely affected by the general economic climate, local conditions such as oversupply of properties or a reduction in demand for properties in the market in which the ARC Fund operates, the attractiveness of the properties to tenants, the quality of the management, competition from other available properties, and increased operating costs (including real estate taxes).

In addition, income from properties and/or real estate values is also affected by factors such as the cost of regulatory compliance, interest rate levels, and the availability of financing.

Investments made by the ARC Fund are generally illiquid. The eventual liquidity of all investments of the ARC Fund will be dependent upon the success of the realisation strategy proposed for each investment, which could be adversely affected by a variety of risk factors. Realisation of the ARC Fund's assets, for instance in connection with redemption requests, on termination or otherwise could be a process of uncertain duration.

In addition, the ARC Fund's income would be adversely affected if a significant number of tenants were unable to pay rent or if its properties could not be rented at favourable terms.

Certain significant expenditures associated with each equity investment in real estate (such as real estate taxes and maintenance costs) generally are not reduced when circumstances cause a reduction in income from properties.

The report from the management describes the main aspects of the ARC Fund's portfolio strategy. By implementing the described strategy, management expects to mitigate the above real estate risks to an acceptable level. Management expects to lower the portfolio's risk profile by diversifying and concentrating on focus areas, the mid-priced rental segment, the type of real estate (residential), and risk categories.

All properties are appraised externally by the end of each quarter by independent residential experts. CBRE Valuation Advisory, Colliers International, DTZ Zadelhoff, Jacobus Recourt Vastgoedtaxaties (until 1 July 2016), Troostwijk (until 1 January 2016) and MVGM Vastgoedtaxaties appraised all properties in the portfolio using the yield method (BAR/NAR) supported by a DCF calculation in accordance with the IPD guidelines applicable in the Netherlands.

The appraisals per property are executed by two independent experts from each appraiser, whereby both independent experts have to agree on the value of the individual property. Every year, approximately 20% of all properties circulate among the external appraisers.

A complete overview of all properties in the ARC Fund's portfolio

is given in the Annexes. The impact of a possible yield shift in the market values of the investment property (including assets held for sale) is included in Table A. The total fee charged by the external appraisers for 2016 is EUR 410,000.

(ii) Interest rate risks

The ARC Fund is exposed to interest rate risk as the ARC Fund borrows funds at both fixed and floating interest rates. The ARC Fund manages this risk by maintaining an appropriate mix of fixed and floating rate borrowings through the use of interest rate swap contracts. Hedging activities are evaluated monthly to align with interest rate views and defined risk appetite, ensuring that optimal hedging strategies are applied, either by positioning the statement of financial position or protecting interest expense through different interest rate cycles.

Until 26 September 2016, the ARC Fund had a loan facility in place of EUR 320 million of debt from a syndicate of five banks. The loan facility agreement stated that a minimum of 50% of the interest rate risk of the loan must be hedged (EUR 160 million).

Until 26 September 2016, there were four interest rate swaps in place. These swap agreements were concluded with four of the five syndicate banks (and/or subsidiaries) with the same maturity date as the loan (21 April 2017). These four interest rate swaps cover the interest rate risk on EUR 240 million of the remaining total loan facility of EUR 290 million (82.8%).

As of 26 September 2016, the previous described loan facility was refinanced by a EUR 700 million loan facility. This facility was concluded with a syndicate of three banks and consists of a bullet part of EUR 350 million with a fixed interest rate (no risk) and a revolving part with a floating interest rate (3 month Euribor). The 3 month Euribor rate is monitored closely. A consequence of refinancing the loan facility was unwinding the interest rate swap contracts.

The loan documentation facilitates a possibility to convert (parts) of the revolving part of the loan into a bullet part without interest rate risk.

As at 31 December 2016, EUR 290 million of the bullet part of the EUR 700 million loan had been drawn. Reference is made to note 17.

The inherent risks related to these debts are outlined in Table B. This Table shows the impact on the net result of the ARC Fund's interest due to a 1% parallel shift in the interest rates, holding all other variables constant. The financial derivatives are included in this calculation; changes in fair value are not.

Table C sets out the carrying amount, by maturity, of the ARC Fund's financial instruments that are exposed to interest rate risk on 31 December 2016.

The ARC Fund's policy is to manage exposure to rising interest rates. We further refer to our hedge accounting paragraph.

(b) Credit risk

Credit risk refers to the risk that counterparties will default on their contractual obligations, resulting in financial loss to the ARC Fund.

The ARC Fund has adopted a policy of dealing only with creditworthy counterparties and of obtaining sufficient collateral where appropriate, as a means of mitigating the risk of financial loss from defaults. The ARC Fund's exposure is monitored and the compliance officer of the Fund Services Providers checks parties concerning relevant contracts before signing any of them (customer due diligence).

Credit risk management for tenants and property managers

Receivables from tenants and property managers consist of large numbers of counterparties spread across geographical areas. Ongoing credit evaluation is performed for the financial condition of accounts receivable, and where appropriate, a bank guarantee or a deposit is obtained.

The ARC Fund's credit risk is primarily attributable to its rental receivables and lease receivables. The amounts presented in the statement of financial position are net of allowances for doubtful receivables, estimated by the Fund's management based on prior experience and their assessment of the economic environment.

At the reporting date, there are no significant concentrations of credit risk. The carrying amount reflected in the statement of financial position represents the ARC Fund's maximum exposure to credit risk for tenants and property managers.

Credit risk management for financial instruments

The ARC Fund does not have any significant credit risk exposure to a single counterparty or any group of counterparties having similar characteristics. The ARC Fund adopted the policy of minimising the credit risk by dealing only with banks with positive credit ratings assigned by international credit rating agencies.

Except as detailed in Table D, the carrying amount of the financial assets recorded in the financial statements, grossed up for allowances for losses, represents the ARC Fund's maximum credit risk exposure without taking account of the value of any collateral obtained.

The yield curve of the connected credit institution is used to determine the fair value of the individual derivative. The valuation is based on market observable data.

The credit risk on cash and cash equivalents and derivatives is limited because the counterparties are banks with positive credit ratings assigned by international credit rating agencies. The ARC Fund has no significant concentration of credit risk, with exposure spread over a large number of counterparties and customers. The ARC Fund held cash and cash equivalents of EUR 33.9 million at 31 December 2016,

which represents its maximum credit exposure for these assets.

(c) Liquidity risk

Ultimate responsibility for liquidity risk management rests with the management, which has built an appropriate liquidity risk management framework for the management of the ARC Fund's short, medium and long-term funding and liquidity management requirements. The ARC Fund manages liquidity risk by maintaining adequate reserves, banking facilities, and reserve borrowing facilities and by monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

A maturity overview of the ARC Fund's financial liabilities is provided in notes 17 and 19. The ARC Fund has credit facilities available with banks and is allowed to obtain debt from credit institutions within its leverage ratio limits as stated in the PPM. The year-end LTV of the ARC Fund amounts to 16.9%, while the maximum ratio as defined by the ARC Fund is 30.0%. The maturity overview of financial instruments of the ARC Fund is provided in Table C.

Funding risk

The ARC Fund undertakes external borrowings in connection with its investments to increase potential equity performance. There can be no assurance that the ARC Fund will be able to secure the necessary external financing. Although the use of leverage may enhance returns and increase the number of investments that can be made, it may also increase the risk of loss. This includes the risk that available funds will be insufficient to meet required payments and the risk that existing datedness will not be able to be refinanced or that the terms of such refinancing will be as favourable as the terms of existing indebtedness.

Subject to the expected future trends of interest rates and the nature of real estate, the policy of the ARC Fund is to make use of a certain level of debt financing.

TABLES

(EUR X 1,000)

A. REAL ESTATE SENSITIVITY ANALYSIS BY MOVEMENT IN GROSS CURRENT YIELD

As at 31 December 2016	Movement in gross current yield				
	-25 bps	-12,5 bps	0 bps	+12,5 bps	+25 bps
Market value property*	1,526,091	1,490,122	1,455,809	1,423,041	1,391,716
Gross current yield based on theoretical rent**	5.178%	5.303%	5.428%	5.553%	5.678%
Revaluation of investment property in EUR*	70,282	34,313	0	(32,768)	(64,093)
Revaluation of investment property in %*	4.8%	2.4%	0.0%	-2.3%	-4.4%
Effect on total return	5.3%	2.6%	0.0%	-2.5%	-4.8%
Loan-to-value***	16.2%	16.5%	16.9%	17.2%	17.6%

As at 31 December 2015	Movement in gross current yield				
	-25 bps	-12,5 bps	0 bps	+12,5 bps	+25 bps
Market value property*	1,261,669	1,234,109	1,207,727	1,182,450	1,158,209
Gross current yield based on theoretical rent**	5.597%	5.722%	5.847%	5.972%	6.097%
Revaluation of investment property in EUR*	53,942	26,382	0	(25,277)	(49,518)
Revaluation of investment property in %*	4.5%	2.2%	0.0%	-2.1%	-4.1%
Effect on total return	4.7%	2.3%	0.0%	-2.2%	-4.3%
Loan-to-value***	18.0%	18.4%	18.7%	19.1%	19.5%

* "property" and "investment property" include assets held for sale

** The gross current yield is based on the theoretical rent as stated in the overview of the portfolio (annexes)

*** Long-term liabilities compared to total property investments (including assets held for sale and assets under construction)

B. SENSITIVITY TO A 1% PARALLEL SHIFT IN INTEREST RATES

2016	+1%	-1%
Interest debts	0	0
Interest derivatives	0	0
Total impact on net result	0	0

2015	+1%	-1%
Interest debts	(2,508)	2,508
Interest derivatives	2,433	(2,433)
Total impact on net result	(75)	75

C. UNDISCOUNTED AMOUNT BY CONTRACTUAL MATURITY OF FINANCIAL INSTRUMENTS EXPOSED TO FLOATING RATE

As at 31 December 2016	< 1 year	1-5 years	> 5 years
Cash and cash equivalents	(33,946)		
Secured bank loans			290,000
Derivatives		0	

As at 31 December 2015	< 1 year	1-5 years	> 5 years
Cash and cash equivalents	(49,940)		
Secured bank loans		240,000	
Derivatives		6,301	

D. FAIR VALUE HIERARCHY TO REFLECT THE LEVEL OF JUDGMENT INVOLVED IN ESTIMATING FAIR VALUES

2016	Level 1	Level 2	Level 3
Investment property, assets held for sale and assets under construction			1,720,632
Trade and other receivables		21,169	
Cash and cash equivalents	33,946		
Syndicated loan		(290,000)	
Derivatives		0	
Trade and other payables		(36,071)	

(Level 1: quoted prices; Level 2: market observables; Level 3: unobservable)

2015	Level 1	Level 2	Level 3
Investment property, assets held for sale and assets under construction			1,281,249
Trade and other receivables		2,541	
Cash and cash equivalents	49,940		
Syndicated loan		(240,000)	
Derivatives		(6,301)	
Trade and other payables		(23,498)	

(Level 1: quoted prices; Level 2: market observables; Level 3: unobservable)

E. VALUATION TECHNIQUES USED IN MEASURING THE FAIR VALUE OF INVESTMENT PROPERTY, ASSETS HELD FOR SALE AND ASSETS UNDER CONSTRUCTION, INCLUDING SIGNIFICANT UNOBSERVABLE INPUTS USED

Valuation technique	Significant unobservable input	Inter-relationship between key unobservable inputs and fair value measurement
<p>The appraisal has to be carried out using the 'Rental Value Capitalisation' method which must be confirmed with the outcome of a 'Discounted Cash Flow' method including the 'reletting' scenario and the 'unit based sale' scenario. The Fund Manager has decided that the appraisal has to be carried out using both methods to ensure that the appraisal is as accurate as possible.</p>	<p><i>Rental Value Capitalisation</i></p> <ul style="list-style-type: none"> ■ cash flows estimated on the basis of market rent; ■ allowable deductions for owners charges in line with market conditions; ■ capitalisation at net initial yields (minus purchasing costs payable by the purchaser) of similar transactions; ■ adjusting entries for (initial) vacancy, overdue maintenance and future renovations. 	<p>The estimated fair value carried out using the Rental Value method would increase (decrease) if:</p> <ul style="list-style-type: none"> ■ cash flows estimated on the basis of market rent were higher (lower); ■ allowable deductions for owners charges in line with market conditions were lower (higher); ■ capitalisation at net initial yields (minus purchasing costs payable by the purchaser) of similar transactions were lower (higher); ■ adjusting entries for (initial) vacancy, overdue maintenance and future renovations were lower (higher).
	<p><i>Discounted Cash Flow</i></p> <ul style="list-style-type: none"> ■ an estimated average increase in value of vacant possession, the rent and the operating costs; ■ a property specific rental turnover rate; ■ the exit value, which is the estimated realisable value at the end of the review period; ■ the estimated yield (mostly recent 10-year government bonds, plus a risk premium). 	<p>The estimated fair value carried out using the Discounted Cash Flow method would increase (decrease) if:</p> <ul style="list-style-type: none"> ■ an estimated average increase in value of vacant possession is higher (lower), the rent is higher (lower) and the operating costs are lower (higher); ■ a property specific rental turnover rate is lower (higher); ■ the exit value, which is the estimated realisable value at the end of the review period is higher (lower); ■ the estimated yield (mostly recent 10-year government bonds, plus a risk premium) is lower (higher).

NOTES TO THE STATEMENT OF PROFIT OR LOSS AND COMPREHENSIVE INCOME

(EUR X 1,000)

1. RENTAL INCOME	2016 in %	2016 in EUR	2015 in %	2015 in EUR
Theoretical rental income	100.0	75,678	100.0	70,950
Vacancy	(2.7)	(2,044)	(3.7)	(2,625)
Gross rental income	97.3	73,634	96.3	68,325
Operating costs	(21.4)	(16,186)	(20.1)	(14,257)
Net rental income	75.9	57,448	76.2	54,068

2. OPERATING COSTS	2016	2015
Maintenance costs	(5,461)	(4,313)
Property management costs	(1,822)	(1,673)
Fixed charges	(3,589)	(3,317)
Letting expenses	(2,072)	(1,655)
Service charges	(977)	(968)
Contributions to owners associations	(2,259)	(1,997)
Other expenses	(6)	(334)
Operating costs	(16,186)	(14,257)
Operating expenses arising from investment property and assets held for sale		
- that generated rental income during the period	(16,092)	(14,220)
- that did not generate rental income during the period	(94)	(37)
	(16,186)	(14,257)

In the fixed charges for 2016, an amount of EUR 638,000 relates to the landlord tax (2015: EUR 605,000).

3. REALISED CAPITAL GAINS ON INVESTMENTS	2016	2015
Proceeds from sales	33,334	23,422
Historical costs of properties sold	(27,326)	(18,088)
Realised gains on historical costs	6,008	5,334
Cumulative changes in fair value of properties sold	(960)	(1,272)
Realised capital gains on investments	5,048	4,062
Changes in fair value - negative	(6)	(35)
Changes in fair value - positive	5,054	4,097
Realised capital gains on investments	5,048	4,062

4. UNREALISED CAPITAL GAINS ON INVESTMENTS

	2016	2015
Changes in fair value - positive	121,441	81,654
Changes in fair value - negative	(3,252)	(1,652)
Unrealised capital gains on investments	118,189	80,002

5. PROVISION FOR ONEROUS CONTRACTS

	2016	2015
Provision for onerous contracts	(146)	560
Provision for onerous contracts	(146)	560

Assets under construction are externally appraised within six quarters before completion. Properties are appraised as if the property is completed. The difference between this externally appraised completion value and the purchase price of the property is relevant. Part of this difference is related to instalments (prepayments) already charged. The percentage of completion method is used to calculate this part. This specific part is justified under "Unrealised capital gains on investments"; the remaining part is classified under "Provision for onerous contracts".

The provision for 2016 relates to the projects Den Bosch Le Perron and Breda Haga Lucia. The provision for 2015 relates to the project Culemborg Parijsch Zuid.

6. MANAGEMENT EXPENSES

	2016	2015
Management fee Amvest REIM B.V.	(6,259)	(5,808)
Auditor's fee	(92)	(73)
Legal and tax fee	(536)	(192)
Valuation fee	(410)	(365)
Other expenses	(128)	(71)
Management expenses	(7,425)	(6,509)

Remuneration

Amvest REIM B.V. is the Fund Manager of the ARC Fund. The management fee paid for the year 2016 amounted to EUR 6,259 thousand (2015: EUR 5,808 thousand). In consideration of the management activities with respect to the ARC Fund, the Fund Manager receives an annual management fee equal to 8.5% of the gross rental income. From 1 November 2016 new Terms and Conditions were adopted. A fee reduction of 1% was agreed: until EUR 90 million gross rental income the management fee equals 8.5% per annum and for every euro gross rental income above EUR 90 million, the management fee equals 7.5%. The management fee is payable quarterly in advance.

All fund team members, (identified) staff and board members are employed by Amvest Management B.V., the Fund Services Provider of the ARC Fund. The Fund Services Agreement between the Fund Manager and Amvest Management B.V., contains agreements on the fees payable to the Fund Services Provider for the services provided. The remuneration of the members of the statutory board (2) of the Fund Manager is included in the management fee.

In accordance with Article 13 of the AIFM Directive, a remuneration policy is in place for the identified staff and other staff members who provide services for the ARC Fund.

In 2016, the members of the Advisory Board (2) did not receive any fee; the members of the Investment Committee (3) each received a fee of EUR 10,857 (excluding VAT).

7. FINANCIAL INCOME AND EXPENDITURES

	2016	2015
Interest expenses on syndicated loan facility	(2,880)	(3,042)
Interest expenses on interest rate swaps	(3,702)	(4,413)
Termination interest rate swaps	(2,948)	0
Other expenses	(1,655)	(1,008)
Other income	1,288	1
Financial income and expenditures	(9,897)	(8,462)

NOTES TO THE STATEMENT OF FINANCIAL POSITION

(EUR X 1,000)

8. INVESTMENT PROPERTY

	2016	2015
At 1 January	1,203,809	1,105,883
Investments in completed investment property	157,697	15,817
Transferred from assets under construction	20,954	20,431
Investments in capitalised subsequent expenditure in investment property	2,741	673
Divestments of investment property	(11,000)	(5,868)
Transferred to assets held for sale	(25,347)	(15,100)
Transferred from assets held for sale	1,974	2,973
Fair value adjustments	94,976	79,000
	241,995	97,926
At 31 December	1,445,804	1,203,809

A mortgage on part of the ARC Fund's property portfolio serves as security for the loan. The total value of the residential portfolio mortgaged as at 31 December 2016 is EUR 1,053,005 thousand (2015: EUR 827,540 thousand) (also see note 17).

An overview of the valuation technique used in measuring the fair value of investment property, as well as the significant unobservable inputs used, is included in Table A.

9. ASSETS UNDER CONSTRUCTION

	2016	2015
At 1 January	73,522	1,804
Prepayments for assets under construction	203,836	91,147
Transferred to investment property	(20,954)	(20,431)
Divestments of assets under construction*	(14,794)	0
Fair value adjustments	23,213	1,002
	191,301	71,718
At 31 December	264,823	73,522

* This relates to the dissolution of the turnkey contract with Flierbosdreef C.V. (acquisition of 141 apartments in Amsterdam Zuid-Oost).

Prepayments were made in accordance with the completion of investment property under construction. All risks regarding the development of new properties remain with the developer as the ARC Fund cannot take on development risks. The legal ownership of the land on which the property is constructed was transferred to the ARC Fund together with the first payment. The fair value of these properties is fully based on market value, assessed by external appraisers.

10. TRADE AND OTHER RECEIVABLES

	31-12-16	31-12-15
Accounts receivable	2,053	1,814
Prepayments on borrowing costs	3,115	545
Flierbosdreef C.V. (dissolution of the turnkey contract)	15,497	0
Other receivables and prepayments	504	182
	21,169	2,541

Borrowing costs for the syndicated loan amounted to EUR 3,115 thousand as at 31 December 2016. The prepayments on the previous loan, which has been refinanced, have been released in the profit and loss statement. A total amount of EUR 3,199 thousand was capitalised in 2016. An amount of EUR 0,084 thousand (0.029% of the total loan facility) was written off in 2016 and included in the ARC Fund's financial income and expenditure (amortisation during the 10-year term of the loan facility). All expenses arising from the withdrawal of the loan are capitalised.

Accounts receivable

Provisions on accounts receivable	2016	2015
At 1 January	619	601
Amounts written off	(476)	(155)
Increase / (decrease) in allowance	218	173
	(258)	18
At 31 December	361	619

All accounts receivable are non-interest bearing and are typically due within 30 days. As at 31 December 2016, receivables with a nominal value of EUR 361,000 (2015: EUR 619,000) were impaired due to tenant defaults and were fully provided for. In 2016, receivables with a nominal value of EUR 476,000 (2015: EUR 155,000) were directly written off.

The ARC Fund holds EUR 4,390 thousand (2015: EUR 3,187 thousand) as collateral by means of tenants' deposits (also see note 20).

Rent arrears	Total budget rent	< 0 days	0 - 30 days	31 - 60 days	61 - 90 days	> 90 days	Total	% of rent
Receivables from rent	69,710	(186)	795	242	132	920	1,903	2.73%
Receivables from sales			511				511	
				Provisions			(361)	
				Accounts receivable			2,053	

Compared to 2015, rental arrears increased from 2.51% (2015) to 2.73% (2016). In 2016, the provision for accounts receivable was EUR 361,000 compared to EUR 619,000 in 2015.

11. ASSETS HELD FOR SALE

	2016	2015
At 1 January	3,918	5,284
Divestments of assets held for sale	(17,286)	(13,493)
Transferred to investment property	(1,974)	(2,973)
Transferred from investment property	25,347	15,100
	6,087	(1,366)
At 31 December	10,005	3,918

As at 31 December 2016, 43 homes were actively being marketed, under offer, or conditionally sold to third parties, with all transactions to be finalised during 2017. The assessed fair value of these properties as at 31 December 2016 was EUR 10,005 thousand.

An overview of the valuation technique used in measuring the fair value of assets held for sale, as well as the significant unobservable inputs used, is included in Table A.

12. CASH AND CASH EQUIVALENTS

	31-12-16	31-12-15
ABN AMRO Bank N.V.	33,946	49,940
Cash and cash equivalents	33,946	49,940

All balances are available on demand. Cash and cash equivalents serve as a pledge for the syndicated loan; reference is made to note 17.

13. CAPITAL CONTRIBUTIONS

The ARC Fund's capital is divided into participating units with a nominal value of EUR 1 per participating unit. Each FGR unit is entitled to distributions from the Fund. All Investors in the ARC Fund participate in the ARC Fund's capital in the following manner:

	31-12-16	31-12-16	31-12-15	31-12-15
	No. of particip. interests*	Nominal value	No. of particip. interests	Nominal value
Capital				
AEGON Core Fund Participations B.V.	19,772	20	39,544	40
PGGM Core Fund Participations B.V.	19,772	20	19,772	20
PGGM PREF	0	0	19,772	20
Investor "A"	456	0	912	0
Investor "B"	2,545	3	5,090	5
Investor "C"	1,010	1	2,020	2
Investor "D"	2,457	2	4,914	5
Investor "E"	1,010	1	2,020	2
Investor "F"	505	1	1,010	1
Investor "G"	2,000	2	4,000	4
Investor "H"	2,710	3	0	0
Investor "I"	1,581	2	0	0
Investor "J"	1,355	1	0	0
Investor "K"	677	1	0	0
Investor "L"	5,268	5	0	0
	61,118	62	99,054	99

*As of 1 January 2016 the two FGR's merged into one FGR.

14. SHARE PREMIUM RESERVE

	2016	2015
At 1 January	922,276	826,627
Subscription Investor "C"	0	19,982
Subscription Investor "D"	0	48,776
Subscription Investor "E"	0	19,982
Subscription Investor "F"	0	9,991
Subscription Investor "G"	0	39,981
Subscription Investor "H"	59,986	0
Subscription Investor "I"	34,998	0
Subscription Investor "J"	29,994	0
Subscription Investor "K"	14,985	0
Subscription Investor "L"	121,118	0
Transfer from/to capital	37	(14)
Dividend paid to Investors	(45,000)	(43,050)
	<u>216,118</u>	<u>95,649</u>
At 31 December	<u>1,138,394</u>	<u>922,276</u>

For 2016, a total amount of EUR 45,000 thousand (2015: EUR 43,050 thousand) of the share premium reserve was paid out to the Investors, being the final dividend distribution over 2016. Within the share premium reserve, EUR 234,089 thousand is restricted from distribution due to cumulative net positive unrealised changes in fair value of investment property (including assets held for sale) (2015: EUR 144,551 thousand).

15. HEDGING RESERVE

	2016	2015
At 1 January	(6,301)	(9,678)
Fair value adjustments	3,353	3,377
Termination interest rate swaps	<u>2,948</u>	<u>0</u>
	<u>6,301</u>	<u>3,377</u>
At 31 December	<u>0</u>	<u>(6,301)</u>

The hedging reserve comprises the effective portion of the cumulative net change in fair value (Market to Market value) of cash flow hedging instruments.

16. RETAINED EARNINGS

	2016	2015
At 1 January	23,975	(13,421)
Profit of the previous year	<u>123,721</u>	<u>37,396</u>
	<u>123,721</u>	<u>37,396</u>
At 31 December	<u>147,696</u>	<u>23,975</u>

The net result of 2015 was added to the retained earnings. The dividend paid to Investors has been deducted from the share premium reserve. Retained earnings only shows the total comprehensive income of prior years.

Summary of Equity	31-12-16	31-12-15
Capital contributions	62	99
Share premium reserve	1,138,394	922,276
Hedging reserve	0	(6,301)
Retained earnings	147,696	23,975
Profit of the year	163,217	123,721
	1,449,369	1,063,770

The INREV NAV is the basis for unit price calculations for new investors. The Total Expense Ratio (TER) and the Real Estate Expense Ratio (REER) also use the NAV according the INREV Guidelines. The reconciliation from the IFRS NAV (= Equity attributable to Investors of the ARC Fund) to the INREV NAV is shown below.

Reconciliation from reported IFRS NAV to INREV NAV	31-12-16	31-12-15
NAV (Intrinsic value) of the ARC Fund (= IFRS NAV = Equity)	1,449,369	1,063,770
a) Effect of reclassifying shareholder loans and hybrid capital instruments (including convertible bonds) that represent shareholders long term interests in a vehicle		
b) Effect of dividends recorded as a liability which have not been distributed	14,250	12,250
Diluted NAV	1,463,619	1,076,020
c) Revaluation to fair value of investments properties		
d) Revaluation to fair value of self constructed or developed investment property		
e) Revaluation to fair value of property held for sale		
f) Revaluation to fair value of property that is leased to tenants under a finance lease		
g) Revaluation to fair value of real estate held as inventory		
h) Revaluation to fair value of other investments in real assets		
i) Revaluation to fair value of indirect investments not consolidated		
j) Revaluation to fair value of financial assets and financial liabilities		
k) Revaluation to fair value of construction contracts for third parties		
l) Set-up costs		
m) Acquisition expenses*	2,109	414
n) Contractual fees		
o) Revaluation to fair value of savings of purchaser's costs such as transfer taxes		
p) Revaluation to fair value of deferred taxes and tax effect of INREV NAV adjustments		
q) Effect of subsidiaries having a negative equity (non-recourse)		
r) Goodwill		
s) Non-controlling interest effects of INREV adjustments		
Diluted INREV NAV	1,465,728	1,076,434
Effect of dividends recorded as a liability which have not been distributed	-14,250	-12,250
NAV as per 1/1 (basis for subscription price)	1,451,478	1,064,184

* A five-year amortisation term is used.

The acquisition expenses of EUR 2,109 thousand relate to the acquisition of completed properties in operation purchased in 2014 and 2016 (EUR 220.5 million).

17. SYNDICATED LOAN

This note provides information about the contractual terms of the ARC Fund's interest bearing loan, which is measured at amortised cost. For more information about the ARC Fund's exposure to interest rate, foreign currency and liquidity risks, see the previous mentioned accounting principles and information about the financial statements.

	2016	2015
At 1 January	240,000	270,000
Loans taken	35,000	0
Repayments	(275,000)	(30,000)
Loan facility (refinancing)	290,000	0
	50,000	(30,000)
At 31 December	290,000	240,000

In 2016 the existing loan facility of EUR 290 million was refinanced before reaching its maturity date (21 April 2017). Rapidly changing market circumstances and the large pipeline of new acquisitions led to an evaluation of the funding needs and eventually to a new facility of EUR 700 million. The key elements of the new facility are mentioned below.

Principal amount	Initial amount: EUR 700 million (EUR 350m bullet, EUR 350m revolving). Accordion facility in loan docs: EUR 150 million (not committed, on top of)
Term	Bullet: 17 January 2026; revolving: initially 5 years with three extension options of 1 year
Utilisation date	Initially 26 September 2016 (bullet: EUR 290m)
Lenders	Bullet: Deutsche Hypothekenbank (Security Agent, Valuation Agent) / ING Diba (EUR 250m/EUR 100m) Revolving: ABN AMRO Bank (EUR 350m + EUR 150m accordion) (Facility Agent)
Interest period	3 months
Interest	Initial bullet EUR 290m: 1.218%-1.318% (depending on LTMV ratio); revolving 3-month Euribor + 80 base points
Repayment	Bullet: in full, upon repayment date (17 January 2026); penalty free repayment after 5 years
LTV ratio	Maximised at 40%
LTMV ratio	Maximised at 50%
Ratio of net rental income to gross interest	At least 2.5

2016

Counter party	Principal 31 Dec 2016	Repayments < 1 year	Repayments > 1 year	End date	Interest maturity	Effective interest rate	Fixed/ floating	Fair value
Syndicated bullet loan	290,000	0	290,000	17 January 2026	Quarter	1.066%	fixed	290,000
Syndicated revolving credit facility	0	0	0	26 September 2021	Quarter	1.066%	floating	0
Total loans as at 31 December 2016	290,000		290,000					290,000

2015

Counter party	Principal 31 Dec 2015	Repayments < 1 year	Repayments > 1 year	End date	Interest maturity	Effective interest rate	Fixed/ floating	Fair value
Syndicated bullet loan	240,000	0	240,000	21 April 2017	Quarter	1.229%	floating	240,000
Syndicated revolving credit facility	0	0	0	21 April 2017	Quarter	1.229%	floating	0
Total loans as at 31 December 2015	240,000		240,000					240,000

The average interest rate for 2016 was 1.066% excluding transaction costs (2.520% including transaction costs). In 2015, the average interest rate was 1.229% (1.634% including transaction costs).

A mortgage on part of the ARC Fund's property portfolio serves as security for the loan. The total value of the residential portfolio mortgaged as at 31 December 2016 was EUR 1,053,005 thousand (2015: EUR 827,540 thousand).

As at 31 December 2016, the loan-to-value ratio was 16.9% (2015: 18.7%; excluding the MtM of value of the derivatives); the loan-to-mortgage-value ratio was 27.5% (2015: 29.0%).

	31-12-16	31-12-15
Investment property* mortgaged in relation to syndicated loan	1,053,005	827,540
Investment property* not mortgaged in relation to syndicated loan	402,804	380,187
	1,455,809	1,207,727

* Investment property including assets held for sale

Apart from the mortgage, all receivables pertaining to the property portfolio as well as all bank accounts are pledged.

The new EUR 700 million loan facility agreement contains the following covenants:

Covenants	Trigger	As at 31 Dec 2016
The loan-to-value ratio	< 40%	16.9%
The loan-to-value mortgage properties ratio	< 50%	27.5%
Ratio of net rental income to gross interest	> 2.5	7.3

As at 31 December 2016, there are no breaches of any of these covenants.

18. PROVISION FOR ONEROUS CONTRACTS

	2016	2015
At 1 January	161	721
Dotation	146	(560)
	146	(560)
At 31 December	307	161

Assets under construction are externally appraised within six quarters before completion. Properties are appraised as if the property is completed. The difference between this externally appraised completion value and the purchase price of the property is relevant. Part of this difference is related to instalments (prepayments) already charged. The percentage of completion method is used to calculate this part. This specific part is justified under "Unrealised capital gains on investments"; the remaining part is classified under "Provision for onerous contracts".

The provision for 2016 is related to the projects Den Bosch Le Perron and Breda Haga Lucia. The provision for 2015 relates to the project Culemborg Parijsch Zuid.

19. DERIVATIVES

	2016	2015
At 1 January	6,301	9,678
Fair value adjustments	(3,353)	(3,377)
Termination interest rate swaps	(2,948)	0
	(6,301)	(3,377)
At 31 December	0	6,301

The refinancing process described earlier has led to an evaluation of the existing interest rate swap contracts. These contracts covered the interest rate risk of EUR 240 million of the existing loan facility and were connected to this facility (hedge accounting was applied). Various scenarios were discussed with our advisor Montesquieu. Unwinding these contracts was the best option (EMIR legislation, IFRS reporting, flexibility etc.).

Because of the low interest rates, the Market-to-Market (MtM) value of these swaps had been negative in recent years. The interest rate swap contracts were bought off before the first utilisation date of the new loan facility. The negative MtM value at that point of EUR 2.9 million was paid to unwind these contracts.

20. TRADE AND OTHER PAYABLES

	31-12-16	31-12-15
AEGON Core Fund Participations B.V.	4,610	4,890
PGGM Core Fund Participations B.V.	4,610	4,790
PGGM PREF	0	100
Investor "A"	106	113
Investor "B"	593	629
Investor "C"	235	250
Investor "D"	573	608
Investor "E"	235	250
Investor "F"	118	125
Investor "G"	467	495
Investor "H"	632	0
Investor "I"	369	0
Investor "J"	316	0
Investor "K"	158	0
Investor "L "	1,228	0
Amvest REIM B.V.	214	104
	14,464	12,354
Tenants deposits	4,390	3,187
Accounts payable	2,208	1,287
VAT	10	7
Other payables to related parties	1,522	1,271
Other payables and prepayments*	13,477	5,392
	36,071	23,498

* Other payables and prepayments mainly relates to assets under construction EUR 10.9 million (2015: EUR 3.7 million).

The amount of EUR 14,464 thousand mainly consists of the distributions (dividend of the fourth quarter of 2016) to the Investors of EUR 14,250 thousand.

ADDITIONAL NOTES

TRANSACTIONS WITH RELATED PARTIES

The following Table provides the details of transactions that have been entered into with related parties for the relevant financial years. All transactions were effected at market rates.

EUR x 1,000	Amount of transaction	Amounts due from related parties at year-end	Amounts due to related parties at year-end
Fund management fee			
2016	(6,259)	0	(214)
2015	(5,808)	0	(104)
Acquisition of completed investment property			
2016	36,428	0	0
2015	15,817	0	0
Prepayments on assets under construction			
2016	40,786	15,497	(1,522)
2015	53,696	0	(1,271)

Fund Management fee

The ARC Fund Management fee has been paid to the Fund Manager, Amvest REIM B.V.

All transactions with related parties were made on terms equivalent to those that prevail in arms' length transactions.

TRANSACTIONS WITH DIRECT STAKEHOLDERS

The Investors of the ARC Fund and/or their shareholders or regulators did not have any personal interest in investments by the ARC Fund in 2016. As far as the ARC Fund is aware, no property transactions took place during the year under review with persons and/or organisations that can be regarded as direct stakeholders of the ARC Fund, other than as mentioned in the paragraph "Transactions with related parties".

OFF-BALANCE SHEET COMMITMENTS

As at 31 December 2016, the ARC Fund has obligations with respect to new investment property. The total amount with respect to these obligations for 2016 onwards adds up to EUR 447,596 thousand.

Property (EUR x 1,000)	Amvest / Third Party	Total Commitment	Number of homes	Estimated investment	Housing type	Invoiced as at 31 December 2016	Commitment from 2017 onwards	Region*	Start construction	Completion
Commitments (signed turnkey contract)										
New developments										
Almere, Duin (Anker)	Amvest		49		multi-family			Central Circle: Big Four	2015	2017
Almere, Duin	Amvest		18		single-family			Central Circle: Big Four	2016	2017
Amsterdam, Cruquius (1.1 + 1.2)	Amvest		202		multi-family			Central Circle: Big Four	2015	2017/2018
The Hague, Scheveningseweg	Amvest		155		multi-family			Central Circle: Big Four	2017	2018
Eindhoven, Strijp-R	Amvest		24		multi-family			Central Circle: Remainder	2016	2017
Leiden, Haagwegkwartier (Churchill park)	Amvest		77		multi-family			Central Circle: Remainder	2016	2018
Leiden, Haagwegkwartier (Churchill park)	Amvest		22		single-family			Central Circle: Remainder	2016	2018
Rotterdam, Park Zestienhoven	Amvest		70		multi-family			Central Circle: Big Four	2016	2017
Amsterdam, Fred Roeskestraat	Third party		200		multi-family			Central Circle: Big Four	2015	2017
Amsterdam, Amstelkwartier	Third party		160		multi-family			Central Circle: Big Four	2015	2017
Amsterdam, Het IJland	Third party		271		multi-family			Central Circle: Big Four	2016	2018
Breda, Haga Lucia	Third party		70		multi-family			Central Circle: Remainder	2016	2017
Culemborg, Parijsch Zuid	Third party		22		single-family			Remaining Regions	2016	2017
Delft, Spoorzone plot 5	Third party		130		multi-family			Central Circle: Remainder	2017	2019
Den Bosch, Perron 073	Third party		38		multi-family			Central Circle: Remainder	2016	2017
The Hague, Koningin Sophie	Third party		67		multi-family			Central Circle: Big Four	2017	2017
Diemen, Hollandpark	Third party		201		multi-family			Central Circle: Big Four	2016	2018
Eindhoven, Waterrijk Hof 1	Third party		42		single-family			Central Circle: Remainder	2016	2017
Eindhoven, Waterrijk Hof 11B	Third party		30		single-family			Central Circle: Remainder	2016	2017
Geldermalsen, Lingedonk	Third party		59		single-family			Central Circle: Remainder	2017	2017
Gouda, Graaf Florisweg	Third party		68		multi-family			Central Circle: Remainder	2016	2017
Groningen, Melisseweg	Third party		49		single-family			Regional Economic Centres	2017	2017
Haarlem, Pim Mulier	Third party		59		multi-family			Central Circle: Remainder	2017	2018
Leiden, Wasenaarseweg	Third party		221		multi-family			Central Circle: Remainder	2017	2018
Scheveningen, De Zuid	Third party		33		multi-family			Central Circle: Big Four	2016	2017
Utrecht, Van Sijpesteijnkade	Third party		266		multi-family			Central Circle: Big Four	2016	2018
Utrecht, Nijenoord	Third party		191		multi-family			Central Circle: Big Four	2016	2018
Voorburg, Goede Herderkerk	Third party		38		multi-family			Central Circle: Big Four	2017	2018
Total commitments		689,354	2,832	644,666		241,758	447,596			
Pipeline (approved Investment Proposal)										
New developments										
Arnhem, Deltakwartier	Amvest		150		single-family			Central Circle: Remainder	2017	2018
The Hague, KJ Plein	Amvest/ Third party		195		multi-family			Central Circle: Big Four	2017	2019
Haarlem, Aquaverde	Third party		54		multi-family			Central Circle: Remainder	2017	2017
Rotterdam, Koningslaan	Third party		68		multi-family			Central Circle: Big Four	2017	2018
Total pipeline		0	467	120,210		0	0			
Total		689,354	3,299	764,876		241,758	447,596			

*Region

Central Circle: Big Four - Four largest centres in the Netherlands (Amsterdam, Utrecht, The Hague and Rotterdam) and their suburbs

Central Circle: Remainder - Remaining urban regions in the Randstad, Noord-Brabant and Gelderland (including Haarlem, Leiden, Delft, Arnhem, Nijmegen, Den Bosch and Eindhoven)

Regional Economic Centres - Urban regions of Zwolle, Groningen, Leeuwarden, Alkmaar, Maastricht, Deventer and Enschede

Remaining Regions - Remaining regions

Off-balance sheet rights

As at 31 December 2016, the ARC Fund has received signed subscription forms from five existing Investors and four new Investors:

Investor (EUR x 1,000)	Expected Capital Call Q1 2017	Expected Capital from Q2 2017 onwards	Total
AEGON Core Fund Participations B.V.	0	60,000	60,000
Investor "C"	0	10,000	10,000
Investor "D"	0	20,000	20,000
Investor "F"	0	10,000	10,000
Investor "L"	0	175,018	175,018
Investor "M"	0	15,000	15,000
Investor "N"	0	10,000	10,000
Investor "O"	0	37,000	37,000
Investor "P"	0	50,000	50,000
	0	387,018	387,018

Auditor's fee

With reference to Sections 2:382a (1) and (2) of the Netherlands Civil Code, the following fees for the financial year as well as the previous year have been charged by KPMG Accountants N.V. to the ARC Fund.

EUR x 1,000	KPMG Accountantsw N.V. 2016	Other KPMG member firms and affiliates 2016	Total KPMG 2016
Statutory audit of annual accounts	(92)	0	(92)
Other assurance services	0	0	0
Tax advisory services	0	0	0
Other non-audit services	0	0	0
	(92)	0	(92)

EUR x 1,000	KPMG Accountantsw N.V. 2015	Other KPMG member firms and affiliates 2015	Total KPMG 2015
Statutory audit of annual accounts	(73)	0	(73)
Other assurance services	0	0	0
Tax advisory services	0	0	0
Other non-audit services	0	0	0
	(73)	0	(73)

Amsterdam, the Netherlands, 25 April 2017

H-W. Wensing, Fund Director

M.P.W. van der Lienden, Director Finance and Risk

D. Wedding, Portfolio Manager

OTHER INFORMATION



LEIDEN
NESCIOKADE (CHURCHILLPARK)

INDEPENDENT AUDITOR'S REPORT

To: the Fund Manager and the Investors of Amvest Residential Core Fund

Report on the accompanying financial statements

Our opinion

We have audited the financial statements 2016 of Amvest Residential Core Fund, based in Amsterdam.

In our opinion the accompanying financial statements give a true and fair view of the financial position of Amvest Residential Core Fund as at 31 December 2016 and of its result and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union (EU-IFRS) and with Part 9 of Book 2 of the Netherlands Civil Code and with The Dutch Financial Supervision Act ("Wet op het financieel toezicht").

The financial statements comprise:

1. the statement of financial position as at 31 December 2016;
2. the following statements for the year then ended: the statements of profit or loss and comprehensive income, changes in equity and cash flow; and
3. the notes comprising a summary of the significant accounting principles and other explanatory information.

Basis for our opinion

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

We are independent of Amvest Residential Core Fund in accordance with the Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten (ViO, Code of Ethics for Professional Accountants, a regulation with respect to independence) and other relevant independence regulations in the Netherlands. Furthermore, we have complied with the Verordening gedrags- en beroepsregels accountants (VGBA, Dutch Code of Ethics).

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

Report on the other information included in the annual report

In addition to the financial statements and our auditor's report thereon, the annual report contains other information that consists of:

- the report of the Fund Manager;
- other information pursuant to Part 9 of Book 2 of the Netherlands Civil Code.

Based on the following procedures performed, we conclude that the other information:

- is consistent with the financial statements and does not contain material misstatements;
- contains the information as required by Part 9 of Book 2 of the Netherlands Civil Code.

We have read the other information. Based on our knowledge and understanding obtained through our audit of the financial statements or otherwise, we have considered whether the other information contains material misstatements.

By performing these procedures, we comply with the requirements of Part 9 of Book 2 of the Netherlands Civil Code and the Dutch Standard 720.

The scope of the procedures performed is less than the scope of those performed in our audit of the financial statements.

The Fund Manager is responsible for the preparation of the other information, including the management board's report, in accordance with Part 9 of Book 2 of the Netherlands Civil Code, and other information pursuant to Part 9 of Book 2 of the Netherlands Civil Code.

Description of the responsibilities for the financial statements

Responsibilities of Fund Manager for the financial statements

The Fund Manager is responsible for the preparation and fair presentation of the financial statements in accordance with EU-IFRS and Part 9 of Book 2 of the Netherlands Civil Code. Furthermore, the Fund Manager is responsible for such internal control as the Fund Manager determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to errors or fraud.

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

Our responsibilities for the audit of the financial statements

Our objective is to plan and perform the audit assignment in a manner that allows us to obtain sufficient and appropriate audit evidence for our opinion.

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

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

We have exercised professional judgement and have maintained professional scepticism throughout the audit, in accordance with Dutch Standards on Auditing, ethical requirements and independence requirements. Our audit included e.g.:

- identifying and assessing the risks of material misstatement of the financial statements, whether due to errors or fraud, designing and performing audit procedures responsive to those risks, and obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from errors, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtaining an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control;
- evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Fund Manager;
- concluding on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Fund ceasing to continue as a going concern;
- evaluating the overall presentation, structure and content of the financial statements, including the disclosures; and
- evaluating whether the financial statements represents the underlying transactions and events in a manner that achieves fair presentation.

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

Amstelveen, 25 April 2017
KPMG Accountants N.V.

J.N. Vos RA

PROVISIONS IN THE ARTICLES OF ASSOCIATION GOVERNING THE APPROPRIATION OF PROFIT

Article 27 of the Terms and Conditions of Management and Custody of the ARC Fund stipulate that Net Proceeds are distributed among the Investors in proportion to their participation in the ARC Fund's capital.

In accordance with the Netherlands Civil Code, article 13.4 of the Terms and Conditions of Management and Custody of the ARC Fund stipulates that the liability of the Investors does not exceed their commitment to the ARC Fund's capital.

SPECIAL RIGHTS UNDER THE ARTICLES OF ASSOCIATION WITH REGARD TO CONTROL

Not applicable.

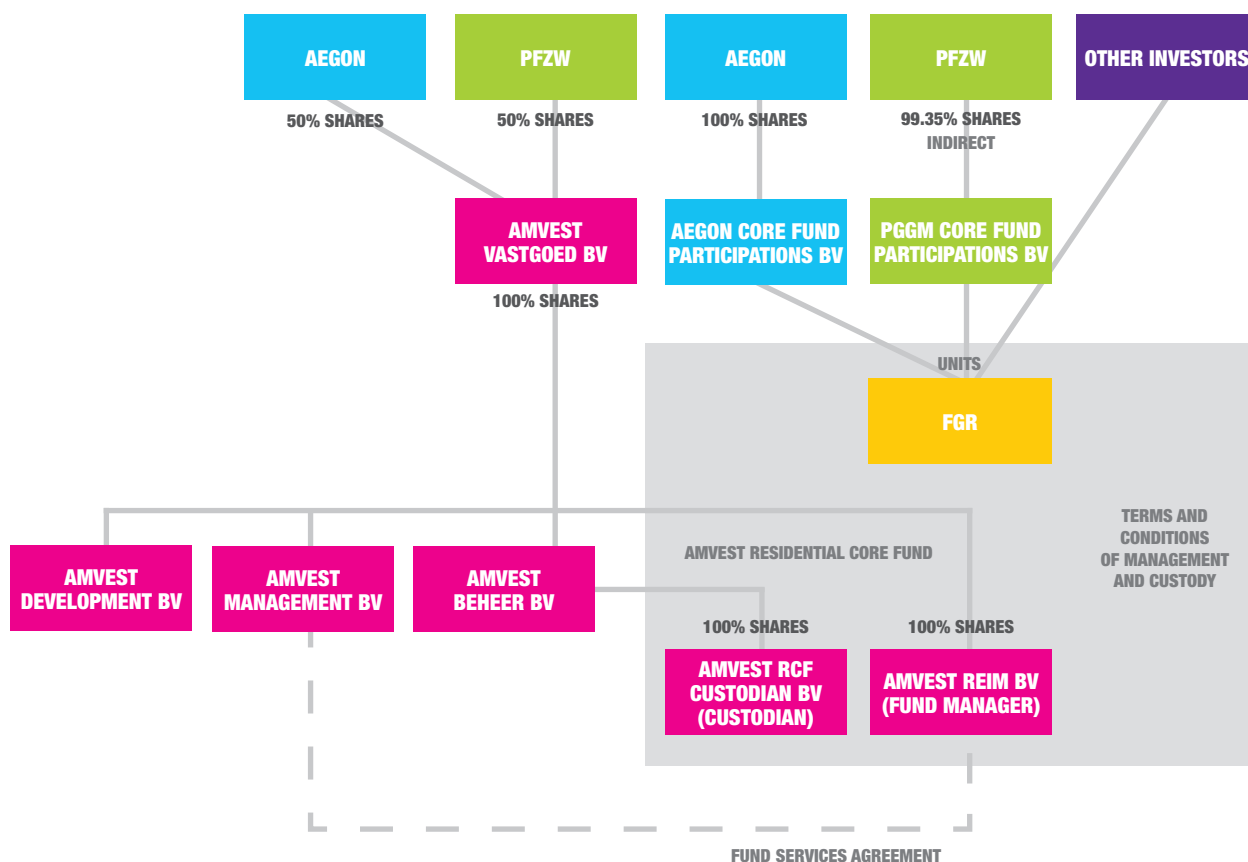
ANNEXES



AMSTERDAM
KRIJN TACONISKADE (DE HAVENMEESTER)

LEGAL STRUCTURE OF AMVEST RESIDENTIAL CORE FUND

AS PER 1 JANUARY 2016



COMPOSITION OF THE PROPERTY PORTFOLIO

(AMOUNTS IN EUR X 1 MILLION)

PROPERTY ASSETS	Book value
Investment property	1,446
Assets held for sale	10
	1,456
Assets under construction	265
Total	1,721

DEVELOPMENT OF INVESTMENT PROPERTY, ASSETS HELD FOR SALE, OTHER, AND PIPELINE PROPERTY	Operational portfolio	Disposition portfolio	Other property	Total operations	Pipeline
Book value 1-1-2016	974	207	27	1,208	74
Reclassified	-36	57	0	21	-21
Acquisitions	157	0	2	159	0
Investments	1	0	0	1	189
Sales	0	-28	-1	-29	0
Revaluation	74	19	3	96	23
Book value 31-12-2016	1,170	255	31	1,456	265
Purchase price of pipeline					810
Theoretical rental income 31-12-2016	65	14	2	81	
Vacant possession value 31-12-2016	1,336	295			

COMPOSITION OF THE PORTFOLIO	Number of homes	Book value
Residential portfolio (individually rented)	6,743	1,425
Residential master lease (69 units)		15
Commercial		16
Total	6,743	1,456

COMPOSITION OF THE RESIDENTIAL PORTFOLIO BY TYPE	Number of homes	Book value
Single-family homes	2,599	566
Multi-family homes	3,893	811
Mixed	251	48
Total	6,743	1,425

COMPOSITION OF THE RESIDENTIAL PORTFOLIO BY REGION*	Number of homes	Book value
Central Circle: Big Four	4,751	1,012
Central Circle: Remainder	1,505	323
Regional Economic Centres	431	79
Remaining Regions	56	11
Total	6,743	1,425

*Region

Central Circle: Big Four - Four largest centres in the Netherlands (Amsterdam, Utrecht, The Hague and Rotterdam) and their suburbs

Central Circle: Remainder - Remaining urban regions in the Randstad, Noord-Brabant and Gelderland (including Haarlem, Leiden, Delft, Arnhem, Nijmegen, Den Bosch and Eindhoven)

Regional Economic Centres - Urban regions of Zwolle, Groningen, Leeuwarden, Alkmaar, Maastricht, Deventer and Enschede

Remaining Regions - Remaining regions

COMPOSITION OF THE RESIDENTIAL PORTFOLIO BY RENT CLASS

	Number of homes	Book value
Homes with a monthly rent below the rent control limit (1 January 2016: EUR 710.68)	399	60
Homes with a monthly rent above the rent control limit	6,344	1,365
Total	6,743	1,425

YIELD ACCORDING TO THE IPD RESIDENTIAL INDEX

	ARC Fund total	IPD total	ARC Fund SI**	IPD SI**
Income return 2016	4.5%	4.2%	4.5%	4.4%
Capital growth 2016	7.9%	10.5%	7.8%	9.6%
Total return 2016 *	12.7%	15.2%	12.6%	14.4%
Income return 3-year average	4.7%	4.4%	4.7%	4.6%
Capital growth 3-year average	5.2%	5.7%	4.8%	5.2%
Total return 3-year average *	10.1%	10.4%	9.7%	10.0%
Income return 5-year average	4.6%	4.4%	4.6%	4.5%
Capital growth 5-year average	1.5%	1.7%	1.3%	1.5%
Total return 5-year average *	6.1%	6.2%	5.9%	6.1%

* Income return, Capital growth and Total return are calculated separately. Due to the calculation method (time weighted) the sum of the Income return and Capital growth does not always equal the Total return.

** Standing Investments

COMPOSITION OF THE PIPELINE PORTFOLIO BY RESIDENTIAL TYPE

	Number of homes	Book value
Single-family homes	392	84
Multi-family homes	2,907	726
Total	3,299	810

COMPOSITION OF THE PIPELINE PORTFOLIO BY REGION*

	Number of homes	Book value
Central Circle: Big Four	2,184	556
Central Circle: Remainder	1,044	240
Regional Economic Centres	49	10
Remaining Regions	22	4
Total	3,299	810

***Region**

Central Circle: Big Four - Four largest centres in the Netherlands (Amsterdam, Utrecht, The Hague and Rotterdam) and their suburbs

Central Circle: Remainder - Remaining urban regions in the Randstad, Noord-Brabant and Gelderland (including Haarlem, Leiden, Delft, Arnhem, Nijmegen, Den Bosch and Eindhoven)

Regional Economic Centres - Urban regions of Zwolle, Groningen, Leeuwarden, Alkmaar, Maastricht, Deventer and Enschede

Remaining Regions - Remaining regions

OVERVIEW OF THE PROPERTY PORTFOLIO

								Theoretical rent as at 31 December 2016 x EUR 1,000
Town	Address	Number of homes	Housing type/ Commercial	Construction year	Title to the land*	Region**	Operation or Disposition	
Almere	Diagonaal (De Smaragd)	72	multi-family	2007	freehold	Central Circle: Big Four	operation	763
Almere	Duin	24	single-family	2015	freehold	Central Circle: Big Four	operation	297
Almere	Buitenduinstraat	6	single-family	2016	freehold	Central Circle: Big Four	operation	75
Almere	Ouverture	40	multi-family	1993	freehold	Central Circle: Big Four	operation	415
Almere	Ouverture	14	multi-family	1993	freehold	Central Circle: Big Four	disposition	145
Almere	Jozef Israelslaan	31	single-family	2001	freehold	Central Circle: Big Four	disposition	387
Alphen a/d Rijn	Pegasusstraat	81	multi-family	2006	freehold	Central Circle: Remainder	operation	981
Alphen a/d Rijn	Watermunt	45	single-family	2016	freehold	Central Circle: Remainder	operation	515
Amersfoort	Baak van Breskens	35	single-family	2014	freehold	Central Circle: Remainder	operation	427
Amersfoort	Sint Jorisplein	93	multi-family	1998	freehold	Central Circle: Remainder	operation	972
Amstelveen	Pieter Lastmanweg (Nieuw Loopveld)	8	multi-family	2004	freehold	Central Circle: Big Four	operation	157
Amsterdam	Emmy Andriessenstraat (Terrazze, BOG)		commercial	2010	leasehold	Central Circle: Big Four	operation	176
Amsterdam	Emmy Andriessenstraat (Terrazze)	72	multi-family	2010	leasehold	Central Circle: Big Four	operation	1,387
Amsterdam	Jan Vrijmanstraat (Mura)	24	multi-family	2010	leasehold	Central Circle: Big Four	operation	442
Amsterdam	Krijn Taconiskade (Havenmeester, BOG)		commercial	2007	leasehold	Central Circle: Big Four	operation	374
Amsterdam	Krijn Taconiskade (Havenmeester, studio's)	48	multi-family	2007	leasehold	Central Circle: Big Four	operation	299
Amsterdam	Krijn Taconiskade (Havenmeester)	69	multi-family	2007	leasehold	Central Circle: Big Four	operation	1,037
Amsterdam	Westerdok (Westerkaap)	10	multi-family	2007	leasehold	Central Circle: Big Four	disposition	257
Amsterdam	Westerdoksdiijk (Mauritius)	40	multi-family	2008	leasehold	Central Circle: Big Four	operation	829
Amsterdam	Westerdoksdiijk (Mauritius, BOG)		commercial	2008	leasehold	Central Circle: Big Four	operation	69
Arnhem	Engelwortelstraat (Kruidenhof)	42	multi-family	2005	freehold	Central Circle: Remainder	operation	385
Arnhem	Kea Boumanstraat (Stadsheren)	10	single-family	2006	freehold	Central Circle: Remainder	disposition	103
Arnhem	Laan van de Vrede	41	single-family	2014	freehold	Central Circle: Remainder	operation	421
Arnhem	Stadwaardenlaan (Stadseiland)	19	single-family	2008	freehold	Central Circle: Remainder	disposition	199
Badhoevedorp	Franklinstraat (Zuiderbogen)	26	multi-family	2007	freehold	Central Circle: Big Four	operation	423
Barendrecht	Brielsemeer	72	single-family	2000	freehold	Central Circle: Big Four	disposition	764
Barendrecht	Cederhout	70	multi-family	2007	freehold	Central Circle: Big Four	operation	746
Barendrecht	Drogerij	62	single-family	2001	freehold	Central Circle: Big Four	disposition	593
Barendrecht	Koperslagerij	30	single-family	1998	freehold	Central Circle: Big Four	disposition	292
Barendrecht	Waddenring	23	single-family	2001	freehold	Central Circle: Big Four	disposition	276
Berkel en Rodenrijs	Thea Beckmansingel (Gouden Griffelbuurt)	119	single-family	2006	freehold	Central Circle: Remainder	operation	1,242
Berkel en Rodenrijs	Gouden Uil	61	single-family	2009/2011	freehold	Central Circle: Remainder	operation	790
Berkel en Rodenrijs	Gouden Uil	53	multi-family	2009/2011	freehold	Central Circle: Remainder	operation	476
Blaricum	Blaricummeent	34	single-family	2015	freehold	Central Circle: Remainder	operation	431
Breda	Stationsweg (Heren van Breda)	93	multi-family	2007	freehold	Central Circle: Remainder	operation	995
Breda	Stationskwartier	82	multi-family	2016	freehold	Central Circle: Remainder	operation	888
Culemborg	Parijsch Zuid	20	single-family	2016	freehold	Remaining Regions	operation	218
Den Bosch	Daliënwaard (Haverleij)	44	single-family	2006	freehold	Central Circle: Remainder	operation	565
The Hague	Aalscholversingel	9	mixed	2000	freehold	Central Circle: Big Four	disposition	91
The Hague	Backeswater (Rietvelden)	112	single-family	2001	freehold	Central Circle: Big Four	disposition	1,166
The Hague	Berkebroeklaan	41	single-family	2003	freehold	Central Circle: Big Four	operation	569
The Hague	Bezuidenhoutseweg (New Babylon, Parctower)	70	multi-family	2010	leasehold	Central Circle: Big Four	operation	1,510
The Hague	Bezuidenhoutseweg (New Babylon, Citytower)	106	multi-family	2012	leasehold	Central Circle: Big Four	operation	2,265
The Hague	Blauwe Reigersingel	76	single-family	2000	freehold	Central Circle: Big Four	operation	758
The Hague	Weidevogel	31	mixed	2000	freehold	Central Circle: Big Four	disposition	381
The Hague	Cornelis de Wittlaan (De Staten I)	128	multi-family	2000	freehold	Central Circle: Big Four	operation	1,814
The Hague	Cornelis de Wittlaan (De Staten II)	104	multi-family	2000	freehold	Central Circle: Big Four	disposition	1,450
The Hague	De Bruijnvart	46	single-family	2004	freehold	Central Circle: Big Four	disposition	513

								Theoretical rent as at 31 December 2016 x EUR 1,000
Town	Address	Number of homes	Housing type / Commercial	Construction year	Title to the land*	Region**	Operation or Disposition	
The Hague	De Mok	5	single-family	1997	freehold	Central Circle: Big Four	disposition	114
The Hague	De Rijksstraat	62	multi-family	1999	freehold	Central Circle: Big Four	operation	628
The Hague	De Vroomedijk	36	single-family	2002	freehold	Central Circle: Big Four	operation	349
The Hague	Blanchardstraat	19	single-family	1998	freehold	Central Circle: Big Four	disposition	249
The Hague	Ganzenplantsoen	31	single-family	2000	freehold	Central Circle: Big Four	operation	320
The Hague	Goudplevierlaan	29	single-family	2000	freehold	Central Circle: Big Four	disposition	329
The Hague	Goudvinklaan	38	single-family	2003	freehold	Central Circle: Big Four	operation	443
The Hague	Katschiplaan (De Caaien)	38	multi-family	2010	freehold	Central Circle: Big Four	operation	429
The Hague	Kerkuillaan	32	single-family	2000	freehold	Central Circle: Big Four	operation	331
The Hague	Koolhovenlaan	55	single-family	2000	freehold	Central Circle: Big Four	operation	555
The Hague	Laan van Wateringse Veld	28	multi-family	2005	freehold	Central Circle: Big Four	disposition	305
The Hague	Nootdorpse Landingslaan (Eksterhof)	23	multi-family	2000	freehold	Central Circle: Big Four	operation	216
The Hague	N.W. Buitensingel, Zamenhofstraat	67	multi-family	2001	leasehold	Central Circle: Big Four	operation	572
The Hague	Watermunt (Brasakker)	88	single-family	2004	freehold	Central Circle: Big Four	operation	859
The Hague	Rietzangerstraat	46	single-family	2002	freehold	Central Circle: Big Four	operation	447
The Hague	Rijswijkse Landingslaan	43	multi-family	2001	freehold	Central Circle: Big Four	operation	506
The Hague	Rijswijkse Landingslaan (BOG)		commercial	2001	freehold	Central Circle: Big Four	operation	45
The Hague	Steentijdsingel (Ypenburg centrum)	206	multi-family	2005	freehold	Central Circle: Big Four	operation	2,180
The Hague	Van Campenvaart	18	single-family	2002	freehold	Central Circle: Big Four	operation	175
The Hague	Van Campenvaart	32	single-family	2001	freehold	Central Circle: Big Four	disposition	398
The Hague	Van Essendijk	52	single-family	2002	freehold	Central Circle: Big Four	disposition	587
The Hague	Zwaluwsingel	30	multi-family	2003	freehold	Central Circle: Big Four	operation	327
The Hague	Windjammersingel (De Caaien)	51	single-family	2009/2010	freehold	Central Circle: Big Four	operation	736
The Hague	Wrightlaan	50	single-family	1998	freehold	Central Circle: Big Four	disposition	617
Deventer	Verlengde Kazernestraat	33	single-family	2013	freehold	Regional Economic Centres	operation	338
Ede	Enkalaan	46	single-family	2014	freehold	Central Circle: Remainder	operation	456
Ede	Wadestein (De Pleinen)	107	multi-family	2009	freehold	Central Circle: Remainder	operation	1,051
Eindhoven	Diodehof	30	single-family	2013	freehold	Central Circle: Remainder	operation	372
Eindhoven	Anodehof	9	single-family	2013	freehold	Central Circle: Remainder	operation	113
Eindhoven	Paalspoor	50	single-family	2015	freehold	Central Circle: Remainder	operation	583
Elst	Lingegraaf	12	single-family	2013	freehold	Central Circle: Remainder	operation	126
Groningen	Boterdiep (Ciboga)	145	mixed	2002	freehold	Regional Economic Centres	operation	1,513
Groningen	Hanzeplein (Campertoren)	65	multi-family	1998	freehold	Regional Economic Centres	operation	769
Haarlem	Bellevuelaan (Hoge Hout)	91	multi-family	2010	freehold	Central Circle: Remainder	operation	1,789
Haarlem	Bellevuelaan (Hoge Hout)	2	multi-family	2010	freehold	Central Circle: Remainder	disposition	74
Hellevoetsluis	Zoutweide (Ravenshoek)	52	multi-family	2005	freehold	Central Circle: Big Four	operation	501
Hoofddorp	Antje Breijerstraat (Stockholm IV)	23	multi-family	2003	freehold	Central Circle: Big Four	disposition	181
Hoofddorp	Burgemeester van Stampein (Milaan)	7	single-family	2004	freehold	Central Circle: Big Four	disposition	122
Hoofddorp	Raadhuisplein (Lugano)	75	multi-family	2013	freehold	Central Circle: Big Four	operation	1,031
Hoofddorp	Antje Breijerstraat (Chicago)	97	multi-family	2003	freehold	Central Circle: Big Four	operation	1,298
Hoofddorp	Antje Breijerstraat (Chicago, BOG)		commercial	2003	freehold	Central Circle: Big Four	operation	37
Hoofddorp	Cor van der Meerstraat (London I, II, III)	60	multi-family	2001	freehold	Central Circle: Big Four	operation	565
Hoofddorp	Juf van Kempenstraat (Stockholm I, II, III)	60	multi-family	2001	freehold	Central Circle: Big Four	operation	473
Hoofddorp	Tuinweg (Geneve)	55	multi-family	2004	freehold	Central Circle: Big Four	operation	508
IJsselstein	Bangkoksingel	62	single-family	2000	freehold	Central Circle: Big Four	operation	634
IJsselstein	Praagsingel	44	multi-family	2000	freehold	Central Circle: Big Four	operation	497
Leiden	Haagwegkwartier	30	single-family	2015	freehold	Central Circle: Remainder	operation	413
Lelystad	VOC-weg (Bataviyahaven)	36	multi-family	2009	freehold	Remaining Regions	operation	418
Lelystad	VOC-weg (Bataviyahaven, zorg)		other	2009	freehold	Remaining Regions	operation	272
Nijmegen	Kleine Boel	33	single-family	2016	freehold	Central Circle: Remainder	operation	369
Nootdorp	Fellowshiplaan	26	single-family	2007	freehold	Central Circle: Big Four	operation	222
Nootdorp	Gilze Rijen	27	single-family	2008	freehold	Central Circle: Big Four	operation	376
Nootdorp	Laan van Nootdorp	36	multi-family	2004	freehold	Central Circle: Big Four	operation	320
Nootdorp	Operatie Mannahof	44	single-family	2004	freehold	Central Circle: Big Four	operation	449
Nootdorp	Soesterberghof	11	single-family	2008	freehold	Central Circle: Big Four	operation	154
Nootdorp	Startbaan	20	multi-family	2008	freehold	Central Circle: Big Four	operation	260

								Theoretical rent as at 31 December 2016 x EUR 1,000
Town	Address	Number of homes	Housing type/ Commercial	Construction year	Title to the land*	Region**	Operation or Disposition	
Nootdorp	Woensdrechtthof	63	multi-family	2008	freehold	Central Circle: Big Four	operation	545
Nootdorp	Woendrechtthof	14	single-family	2008	freehold	Central Circle: Big Four	operation	189
Nuenen	Steenakker	30	single-family	2014	freehold	Central Circle: Remainder	operation	365
Oosterhout	Gebint	31	single-family	2014	freehold	Central Circle: Remainder	operation	352
Pijnacker	Thurlede	28	multi-family	2005	freehold	Central Circle: Big Four	operation	262
Pijnacker	Wollebrand	12	multi-family	2005	freehold	Central Circle: Big Four	operation	130
Rotterdam	Joost Banckertsplaats - COG***		commercial	2015	freehold	Central Circle: Big Four	operation	240
Rotterdam	Joost Banckertsplaats - MGW***	242	multi-family	2015	freehold	Central Circle: Big Four	operation	1,993
Rotterdam	Wilhelminakade (De Rotterdam)	119	multi-family	2013	freehold	Central Circle: Big Four	operation	1,977
Rotterdam	Cor Kieboomplein (De Mondriaan)	160	multi-family	2002	leasehold	Central Circle: Big Four	operation	1,366
Rotterdam	Cor Kieboomplein (BOG)		commercial	2002	leasehold	Central Circle: Big Four	operation	30
Rotterdam	Boezemkade	102	multi-family	2006	leasehold	Central Circle: Big Four	operation	1,206
Schiedam	PKO-laan (De Nieuwerdam)	81	multi-family	2007	freehold	Central Circle: Big Four	operation	897
Tilburg	Pieter Vreedeplein	29	mixed	2008	freehold	Central Circle: Remainder	operation	383
Tilburg	Spoorlaan (De Stadsheer)	82	multi-family	2007	freehold	Central Circle: Remainder	operation	868
Uden	Schelling	39	single-family	2014	freehold	Central Circle: Remainder	operation	391
Uithoorn	Ransuil	32	single-family	2014	freehold	Central Circle: Remainder	operation	374
Utrecht	Godfried Bomansstraat	45	single-family	2014	freehold	Central Circle: Big Four	operation	527
Utrecht	Ketjapweg	41	single-family	2014/2016	freehold	Central Circle: Big Four	operation	505
Utrecht	Oranje Rivierendreef (Gagelhof)	65	multi-family	2004	leasehold	Central Circle: Big Four	operation	657
Vleuten	Utrechtse Heuvelrug (De Hoven)	51	single-family	2007	freehold	Central Circle: Big Four	operation	667
Vleuten	De Vuursche (De Hoven, zorg)		other	2007	freehold	Central Circle: Big Four	operation	236
Vleuten	Beurszwam (Het Buitengoed)	44	single-family	2010	freehold	Central Circle: Big Four	operation	589
Vleuten	Droomtuinlaan (Bouquet)	32	multi-family	2013	freehold	Central Circle: Big Four	operation	382
Vleuten	Dwergbieslaan (De Rietvelden)	33	single-family	2005	freehold	Central Circle: Big Four	operation	392
Vleuten	Herfsttuinlaan (Loofrijk)	32	single-family	2012	freehold	Central Circle: Big Four	operation	465
Vleuten	Leersumseveld (De Harmonie)	41	single-family	2010	freehold	Central Circle: Big Four	operation	550
Vleuten	Hardenbroek (De Harmonie, zorg)		other	2010	freehold	Central Circle: Big Four	operation	211
Vleuten	Herfsttuinlaan (Loofrijk, BOG)		commercial	2012	freehold	Central Circle: Big Four	operation	524
Vleuten	Moerasvaren (De Regent)	14	multi-family	2010	freehold	Central Circle: Big Four	operation	215
Vleuten	Tongvaren (De Compagnie, zorg)		other	2010	freehold	Central Circle: Big Four	operation	330
Vleuten	Moerasvaren (De Compagnie)	41	single-family	2010	freehold	Central Circle: Big Four	operation	513
Vleuten	Veldbloemlaan (De Rietvelden)	78	single-family	2006	freehold	Central Circle: Big Four	operation	1,002
Vleuten	De Burchten (De Burchtheer)	63	multi-family	2010	freehold	Central Circle: Big Four	operation	728
Zaandam	Kapzaag (Zwaneneiland)	37	mixed	2002	freehold	Central Circle: Big Four	operation	331
Zoetermeer	Nederlandlaan (Spazio)	65	multi-family	2006	freehold	Central Circle: Big Four	operation	722
Zwolle	Frankhuizerallee (De Hoven)	17	single-family	2006	freehold	Regional Economic Centres	operation	210
Zwolle	Fruitweidestraat (De Hoven)	4	single-family	2006	freehold	Regional Economic Centres	disposition	48
Zwolle	Havezathenallee	30	single-family	2014	freehold	Regional Economic Centres	operation	313
Zwolle	Sprengpad	43	single-family	2004	freehold	Regional Economic Centres	operation	475
Zwolle	Zwaardvegerstraat	94	multi-family	1996	freehold	Regional Economic Centres	operation	913
Total		6,743						81,399

*Title to the land

Freehold: the title to the land is held by Amvest RCF Custodian B.V.

Leasehold: the land was acquired on a long lease. The ground rent has been paid as a lump sum for all leasehold land with the exception of The Hague NW Buitensingel.

**Region

Centre Circle: Big Four - Four largest centres in the Netherlands (Amsterdam, Utrecht, The Hague and Rotterdam) and their suburbs

Centre Circle: Remainder - Remaining urban regions in the Randstad, Brabant and Gelderland (including Haarlem, Leiden, Delft, Arnhem, Nijmegen, Den Bosch and Eindhoven)

Regional Economic Centres - Urban regions of Zwolle, Groningen, Leeuwarden, Alkmaar, Maastricht, Deventer and Enschede

Remaining Regions - Remaining regions

***Rotterdam - Joost Banckertplaats

This property was fully renovated in 2014/2015 (initial construction year was 1956)

VISUAL OVERVIEW OF THE PROPERTY PORTFOLIO

HAARLEM - AQUAVERDE



THE HAGUE - GOUDVINKLAAN



ALMERE - DUIN



BREDA - STATIONSLAAN



EINDHOVEN - DIODEHOF



ARNHEM - LAAN VAN DE VREDE



OVERVIEW OF THE PIPELINE PORTFOLIO

Town	Name	Number of homes	Housing type / Commercial	Year of completion	Title to the land*	Region**
Almere	Duin	18	single-family	2017	freehold	Central Circle: Big Four
Almere	Duin (Anker)	49	multi-family	2017	freehold	Central Circle: Big Four
Amsterdam	Amstelkwartier	160	multi-family	2017	leasehold	Central Circle: Big Four
Amsterdam	Cruquius (1.1 + 1.2)	202	multi-family	2017/2018	leasehold	Central Circle: Big Four
Amsterdam	Fred Roeskestraat	200	multi-family	2017	leasehold	Central Circle: Big Four
Amsterdam	Het IJland	271	multi-family	2018	leasehold	Central Circle: Big Four
Arnhem	Deltakwartier	150	single-family	2018	freehold	Central Circle: Remainder
Breda	Haga Lucia	70	multi-family	2017	freehold	Central Circle: Remainder
Culemborg	Parijsch Zuid	22	single-family	2017	freehold	Remaining Regions
Delft	Spoorzone plot 5	130	multi-family	2019	freehold	Central Circle: Remainder
Den Bosch	Perron 073	38	multi-family	2017	freehold	Central Circle: Remainder
The Hague	KJ Plein	195	multi-family	2019	leasehold	Central Circle: Big Four
The Hague	Koningin Sophie	67	multi-family	2017	freehold	Central Circle: Big Four
The Hague	Scheveningseweg	155	multi-family	2018	freehold	Central Circle: Big Four
Diemen	Hollandpark	201	multi-family	2018	freehold	Central Circle: Big Four
Eindhoven	Strijp-R	24	multi-family	2017	freehold	Central Circle: Remainder
Eindhoven	Waterrijk Hof 1	42	single-family	2017	freehold	Central Circle: Remainder
Eindhoven	Waterrijk Hof 11B	30	single-family	2017	freehold	Central Circle: Remainder
Geldermalsen	Lingedonk	59	single-family	2017	freehold	Central Circle: Remainder
Gouda	Graaf Florisweg	68	multi-family	2017	freehold	Central Circle: Remainder
Groningen	Melisseweg	49	single-family	2017	freehold	Regional Economic Centres
Haarlem	Aquaverde	54	multi-family	2017	freehold	Central Circle: Remainder
Haarlem	Pim Mulier	59	multi-family	2018	freehold	Central Circle: Remainder
Leiden	Haagwegkwartier (Churchill park)	77	single-family	2018	freehold	Central Circle: Remainder
Leiden	Haagwegkwartier (Churchill park)	22	single-family	2018	freehold	Central Circle: Remainder
Leiden	Wasenaarseweg	221	multi-family	2018	freehold	Central Circle: Remainder
Rotterdam	Koningslaan	68	multi-family	2018	freehold	Central Circle: Big Four
Rotterdam	Park Zestienhoven	70	multi-family	2017	freehold	Central Circle: Big Four
Scheveningen	De Zuid	33	multi-family	2017	leasehold	Central Circle: Big Four
Utrecht	Nijenoord	191	multi-family	2018	freehold	Central Circle: Big Four
Utrecht	Van Sijpesteijnkade	266	multi-family	2018	leasehold	Central Circle: Big Four
Voorburg	Goede Herderkerk	38	multi-family	2018	freehold	Central Circle: Big Four
Total		3,299				

*Title to the land

Freehold: the title to the land is held by Amvest RCF Custodian B.V.

Leasehold: the land was acquired on a long lease. The ground rent has been paid as a lump sum for all leasehold land.

**Region

Centre Circle: Big Four - Four largest centres in the Netherlands (Amsterdam, Utrecht, The Hague and Rotterdam) and their suburbs

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Regional Economic Centres - Urban regions of Zwolle, Groningen, Leeuwarden, Alkmaar, Maastricht, Deventer and Enschede

Remaining Regions - Remaining regions

VISUAL OVERVIEW OF THE PIPELINE PORTFOLIO

AMSTERDAM - CRUQUIUS



SCHEVENINGEN - ZUIDDUIN



GRONINGEN - MELISSEWEG



AMSTERDAM - DE FRED



AMSTERDAM - HET IJLAND



ALMERE - DUIN

EXTERNAL APPRAISERS, PROPERTY MANAGERS, VALUER

APPRAISERS (investment property, assets held for sale, assets under construction)

CBRE Valuation Advisory

Colliers International

DTZ Zadelhoff

Jacobus Recourt Vastgoedtaxaties (until 1 July 2016)

MVGM Vastgoedtaxaties

Troostwijk (until 1 January 2016)

PROPERTY MANAGERS

ACM

Actys (as of 1 January 2016)

MVGM Vastgoedmanagement

Van der Linden

Van 't Hof Rijnland

Verwey

VALUER (derivatives)

EY Montesquieu Finance (until 26 September 2016)

RESUMES OF THE MANAGEMENT TEAM



Wim Wensing
Fund Director

- Erasmus University Rotterdam, Business Economics
- University of Amsterdam, Master of Science in Real Estate
- Real Estate Manager, Housing Association (1995-1997)
- Account Manager, Meeüs Property Management (1997-2000)
- (Senior) Asset Manager, ING Real Estate Investment Management (2000-2004)
- Managing Director, ING Real Estate Investment Management (2004-2011)
- Director Investment Management, Amvest (since September 2011)
- Fund Director; Board member Fund Manager (Amvest REIM B.V.) (since September 2011)

Ancillary positions

- Board member Stivad (2011-2017)
- Board member Stichting ROZ Vastgoedindex (2017)
- Member Royal Institution of Chartered Surveyors



Maarten van der Lienden
Director Finance and Risk

- Hogeschool Arnhem en Nijmegen, Business Information Technology
- Radboud University Nijmegen, Business Administration, Master of Science in Business Administration, Management and Operations
- Residential Real Estate Analyst, Amvest (1999 – 2001)
- Coordinator Planning & Control (2001-2007)
- Head of Planning & Control (2007-2011)
- Financial Manager Investment Management (since January 2012)
- Director Finance and Risk; Board member Fund Manager (Amvest REIM B.V.) (since March 2013)



Dennis Wedding
Portfolio Manager

- University of Technology Eindhoven, Architecture, Building and Planning
- Amsterdam School of Real Estate, Master of Science in Real Estate
- Policy adviser IVBN (Dutch Association of Institutional Real Estate Investors) (2003-2005)
- Portfolio Manager Residential Real Estate, Interpolis Real Estate (2005-2007)
- Portfolio Manager Amvest Residential Dynamic Fund and various separate accounts (2007 - February 2016)
- Portfolio Manager Amvest Residential Core Fund (since February 2016)

Ancillary position

- Member Royal Institution of Chartered Surveyors

DEFINITIONS

AEGON

AEGON Vastgoed Holding B.V., a private limited liability company (besloten vennootschap met beperkte aansprakelijkheid) under the laws of the Netherlands with its registered office in The Hague and its principal offices at Aegonplein 50, 2591 TV The Hague, the Netherlands.

AIFMD

The Alternative Investment Fund Managers Directive. (Directive 2011/61/EU of the European Parliament).

AFM

The Dutch Authority for the Financial Markets (AFM). The AFM has been responsible for supervising the operation of the financial markets since 1 March 2002.

Amvest

Amvest Vastgoed B.V. or any of its subsidiaries (Amvest Development B.V., Amvest Management B.V., Amvest RCF Custodian B.V., Amvest RCF Management B.V., all private limited liability companies (besloten vennootschap met beperkte aansprakelijkheid) under the laws of the Netherlands) with its principal offices at De entree 43, 1101 BH Amsterdam, the Netherlands.

Amvest Development B.V.

The development company of Amvest (also see Amvest).

Amvest Management B.V.

The Fund Services Provider (also see Fund Services Agreement).

Amvest RCF Custodian B.V.

The Custodian of the ARC Fund. The key responsibility of the Custodian is to hold and dispose of legal title to all assets of the FGR at the Investors' risk and expense. The Custodian will do so on the instructions of the Fund Manager, but will not engage actively in the management of the ARC Fund.

Amvest RCF Management B.V.

The Fund Manager of the ARC Fund; being the manager until 17 January 2012 of Amvest Residential Core Fund C.V. and from 17 January 2012 until 26 November 2014 of both FGR1 and FGR2.

Amvest REIM B.V.

Amvest RCF Management B.V. was replaced by Amvest REIM B.V. as Fund Manager of the ARC Fund as of 26 November 2014 (date when the AIFM licence was issued).

Amvest Residential Core Fund (ARC Fund)

The investment fund consisting of (as of 1 January 2016) one fund for joint account (FGR), Amvest RCF Custodian B.V. and Amvest REIM B.V. The FGR holds the economic ownership of the portfolio. Amvest RCF Custodian B.V. is the legal owner of the portfolio and Amvest REIM B.V. is the Fund Manager.

Asset management

The management of all properties and real estate items at property level in accordance with the ARC Fund's strategy.

Auditor

KPMG Accountants N.V. or such other registered auditor or other expert as referred to in Section 2:393, sub-section 1 of the Netherlands Civil Code as appointed from time to time by the Fund Manager, subject to the approval of the Advisory Board.

BAR/NAR-method

The appraisal method based on:

1. cash flow estimated based on market rent;
2. deductible items for market-level owners' charges;
3. value appraisal, through capitalisation of expected cash flows (this is possible based on the gross initial yield or net initial yield of comparable transactions);
4. correcting entries for, among other things, initial vacancy and for the present value of the difference between actual rent and market rent, overdue maintenance, potential future renovations, buyout of ground lease, etc.

Bullet loan

Loan where a payment of the entire principal of the loan and sometimes the principal and interest is due at the end of the loan term.

Capital gains/losses

Profit (or loss) that results from investments in a capital asset, such as stocks, bonds or real estate, which exceeds (or are less than) the purchase price.

CBS

Het Centraal Bureau voor de Statistiek; the Dutch statistics agency (Statistics Netherlands) that provides statistical information for the government, the industry and science.

COROP

COROP stands for Coördinatie Commissie Regionaal OnderzoeksProgramma; the name of the committee that divided the Netherlands into 40 COROP regions. COROP regions are a subdivision of a province and are used for example by the CBS for its statistical analysis.

CPB

Het Centraal PlanBureau; the Dutch bureau for economic policy analysis (CPB Netherlands Bureau for Economic Policy Analysis) that does scientific research aimed at contributing to the economic decision-making process of politicians and policymakers.

Custodian

Also see Amvest RCF Custodian B.V.

Customer Due Diligence

Customer Due Diligence (CDD) is an important part of 'knowing your customer'. CDD is executed for new but also existing customers/relations. Important questions with regard to a (potential) customer:

1. financial position;
2. overview of business activities;
3. integrity issues (if any);
4. ultimate beneficial ownership (in some cases).

DCF calculation

DCF calculation is an acronym for Discounted Cash Flow calculation, whereby all future cash flows are estimated at a given rate of return and discounted to give their present value.

Depository

Also see Intertrust Depository Services.

Direct yield/result

Yield/result from rental income of the letting portfolio.

Divestment, Disposition

Any sale of property by the ARC Fund including, but not limited to, individual homes and complete properties (block sales).

Dividend yield

The dividend yield is the ARC Fund's total annual dividend payments divided by the INREV NAV as at the first day of the year (1 January).

Euro (EUR)

The euro, the single currency of the participating Member States of the European Union.

FGR

Fund for joint account (*fonds voor gemene rekening*) under the laws of the Netherlands.

FMSA

The Dutch Financial Markets Supervision Act (*Wet op het financieel toezicht, Wft*).

Fund Manager

Also see Amvest RCF Management B.V./Amvest REIM B.V.

Fund Services Agreement

Agreement between Amvest Management B.V. and Amvest RCF Management B.V./Amvest REIM B.V. (the Fund Manager) under the terms of which Amvest Management B.V. provides back office services to the ARC Fund.

GRESB

The Global Real Estate Sustainability Benchmark (GRESB) is an industry-led organisation committed to rigorous and independent evaluation of real estate portfolios. GRESB works in tandem with institutional investors and their fund managers to identify and

implement sustainability and best practices, in order to enhance and protect shareholder value.

Gross Asset Value

The average fund assets.

Gross Initial Yield

The gross initial yield (GIY) is the passing rent divided by the gross property value.

IFRS

International Financial Reporting Standards.

Income return

Net result excluding the capital gains/losses on investments.

Indirect yield/result

Yield/result from movements in the value of the portfolio.

INREV

European Association for Investors in Non-listed Real Estate Vehicles. The INREV's stated goal is to improve the accessibility of non-listed real estate funds by promoting greater transparency, accessibility, professionalism, and standards of best practice. As a pan-European body, it represents a platform for the sharing and dissemination of knowledge on the non-listed real estate fund market.

INREV Guidelines

The INREV Guidelines adopted by the European Association for Investors in Non-listed Real Estate Vehicles (INREV) as published in December 2008 and revised in 2014.

INREV NAV

Net Asset Value as determined in accordance with the INREV Guidelines.

Interest cover ratio (ICR)

The interest cover ratio is used to determine the ability to meet interest payments on outstanding debts.

Intertrust Depository Services B.V.

The depository of the ARC Fund which acts (following the AIFM Directive) as independent depository as defined in section 1:1 of the FMSA for the benefit of the Investors.

Main responsibilities:

1. safeguard or otherwise verify ownership of assets;
2. monitor cash flows;
3. perform overall oversight (risk assessment, investor transactions, commitments and distributions, valuation, legal and fund compliance, outsourcing).

Investment

Any investment made by the ARC Fund, including, but not limited to, direct or indirect investments in properties and real estate items, bonds, notes, debentures, loans and other debt instruments, shares, convertible securities and other securities, interests in public or private companies and other assets.

Investor

A person who, as a participant, is subject to the Terms and Conditions and participates in the ARC Fund in accordance with its Subscription Form and the Terms and Conditions of the PPM (Private Placement Memorandum).

IPD all residential assets

The IPD index figure for the yield of all residential properties, including purchase and sale transactions and development/redevelopment activities.

IPD index

The IPD property index (formerly known as IPD/ROZ property index) measures the returns on real estate properties and property portfolios. The index has been available since 1995. It was developed by the British Investment Property Bank (IPB) and the Real Estate Council of the Netherlands (ROZ).

IPD standing investments (SI) residential

The IPD index figure for residential standing investments. A standing investment is a property that has been part of the letting portfolio throughout the year (from 1 January until 31 December) without any transactions or developments/redevelopments related to that property.

IRR

Internal Rate of Return, which is used in capital budgeting to measure and compare the profitability of investments. The ARC Fund calculates with a 10-year period.

IRS (Interest Rate Swap)

An IRS is a financial derivative instrument in which two parties agree to exchange interest rate cash flows, based on a specified notional amount from a fixed rate to a floating rate (or vice versa) or from one floating rate to another. Interest rate swaps are commonly used for hedging.

ISAE 3402

Number 3402 of the International Standard on Assurance Engagements of the International Auditing and Assurance Standards Board of the International Federation of Accountants. This is an attestation procedure for assessing service organisations' compliance with process controls and IT. Before ISAE 3402 was introduced, SAS70 was in place.

IVBN

The Dutch association of institutional real estate investors.

Leveraged/unleveraged

Leverage (sometimes referred to as "gearing") is a general term for any technique to multiply gains and losses. Common ways to attain leverage are borrowing money, buying fixed assets, and using derivatives.

LTMV

Loan-to-mortgage-value; the consolidated total external leverage at the ARC Fund level as a percentage of the mortgaged part of the property investments.

LTV

Loan-to-value; the consolidated total external leverage at the ARC Fund level as a percentage of the total property investments.

Management Fee

The fixed part of the fee payable by the ARC Fund to the Fund Manager as remuneration for its management of the ARC Fund.

NAV

The Net Asset Value used to describe the value of an entity's assets less the value of its liabilities.

Net Proceeds

Total rental income, realisation proceeds, and other direct and indirect investment proceeds, and all other income and proceeds of the ARC Fund, net of taxes, fees, costs, and other charges to be borne by the ARC Fund, and after payment of or making reasonable reservation for any obligations and liabilities of the ARC Fund.

NEPROM

The Dutch association of real estate developers.

NHG (Nationale Hypotheek Garantie)

Mortgage guarantee under which the "Stichting Waarborgfonds Eigen Woningen" (homeownership guarantee fund) acts as surety for the loan.

Participation

A participation right, not having a nominal value, in the ARC Fund consisting of one (1) unit in the FGR.

PfZW

An acronym for *Stichting Pensioenfonds Zorg en Welzijn*; the pension fund for healthcare and social welfare sectors.

Portfolio management

The management and monitoring of real estate assets and property investments of the portfolio.

Portfolio Plan

The ARC Fund's annual strategic investment plan.

Portfolio value

Total gross value of the ARC Fund's investment portfolio.

Realised capital gains on investments

Also see “realised indirect return”.

Realised indirect yield/return

Yield/return from book profits following divestments.

Revolving credit facility

A type of credit facility that does not have a fixed number of payments, in contrast to instalment credit. Until the maturity of the facility, money can be withdrawn or paid at any time.

REER

Real Estate Expense Ratio as determined in accordance with the INREV Guidelines.

Rent control limit

The price ceiling for regulated rental homes determined annually by the Ministry of the Interior and Kingdom Relations.

Set-up costs

Any costs incurred in connection with the formation of the ARC Fund, including promotion, establishment, legal, and closing costs of the ARC Fund, professional and consulting fees, research costs, and printing costs.

TER

Total Expense Ratio as determined in accordance with the INREV Guidelines.

Terms and Conditions

The terms and conditions of the ARC Fund.

Unrealised capital gains on investments

Also see unrealised indirect return.

Unrealised indirect yield/return

Yield/return from unrealised movements in the value of the portfolio.

VAT

Value Added Tax.

Wft

Also see FMSA.

WOZ

WOZ stands for wet Waardering Onroerende Zaken (Valuation of Immovable Property Act). A WOZ value is available for all real estate in the Netherlands. The WOZ value is the basis for property taxes.