AMVEST

AMVEST RESIDENTIAL CORE FUND

Annual Report 2018

‘Our mission is to improve people’s lives, by bringing sustainable homes in high-quality living environments within reach of many, while generating healthy financial returns for our investors.’

AMVEST RESIDENTIAL CORE FUND

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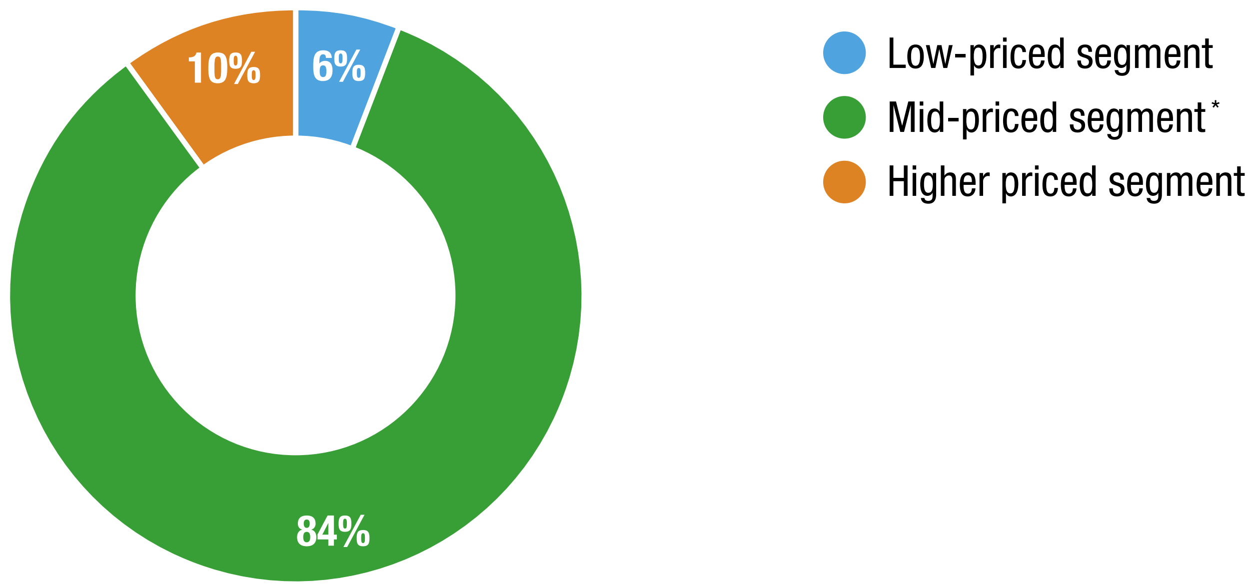
ABOUT THE AMVEST RESIDENTIAL CORE FUND

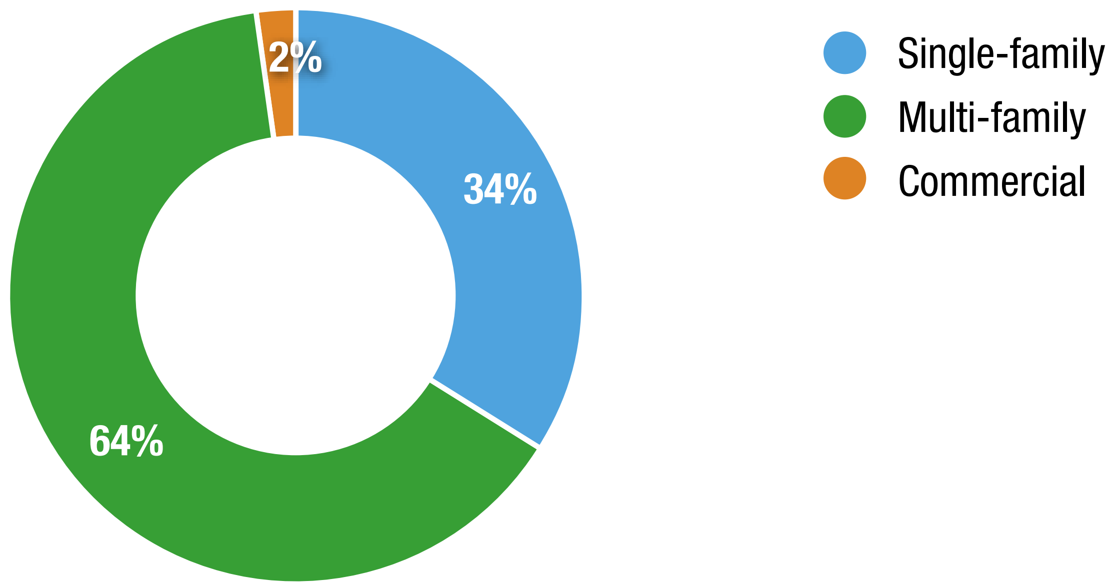
HIGH QUALITY, SUSTAINABLE HOMES

The Amvest Residential Core (ARC) Fund is a Dutch investment fund with a portfolio of modern, high quality and sustainable residential properties. The ARC Fund invests with a long-term view, primarily in mid-priced rental homes in the Netherlands which are located in areas with attractive economic and demographic potential. The portfolio has a sizeable allocation towards the four largest cities as well as other cities in the Randstad, Noord-Brabant and Gelderland. This area with a strong urbanisation outlook, is described as the 'Central Circle'.

DISTRIBUTION RENTAL PRICED SEGMENT



DISTRIBUTION HOME TYPE



* Rental price of the segment EUR 721 to EUR 1,000 / EUR 1,500 per home per month depending on specific region

8,055
homes
EUR 2.3 billion

3,177
homes in pipeline
EUR 956 million

18
institutional investors

broad and international investor base

2.15%
modest annual rental growth

GRESB ★★★★★ 2018

4 stars
GRESB rating
4 out of 5

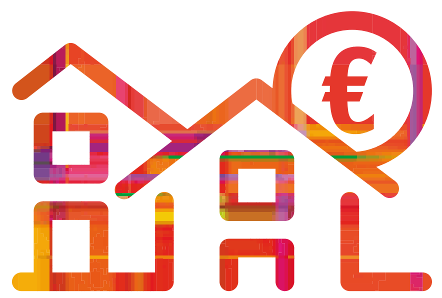
7.1
tenant satisfaction
benchmark: 7.0

ABOUT THE AMVEST RESIDENTIAL CORE FUND

‘OUR AIM IS TO CONTRIBUTE TO THE DEVELOPMENT OF MORE SUSTAINABLE REAL ESTATE IN THE NETHERLANDS’

KEY CHARACTERISTICS

- Dutch non-listed residential core investment fund.
- Low risk, stable dividend and long-term value growth.
- Right of First Refusal with regard to residential properties developed by Amvest Development Fund.
- Conservative use of leverage with a target loan-to-value of 25%.
- Fund structure is transparent for tax purposes (fund for joint account structure).
- INREV and AIFMD compliant.
- ISAE 3402 Type II certified Fund Services Provider.
- Long-term investment horizon (term of the fund until at least 17 January 2026, plus extension options).
- Managed by a dedicated Fund team.
- Quarterly external appraisals by reputable surveyors.
- Professional third-party property management.
- The portfolio has a substantial allocation towards cities that are located in the ‘Central Circle’ region.



The ARC Fund aims to achieve a stable and attractive return in a sustainable manner supported by conservative use of leverage. Dynamic portfolio management ensures that the quality of the portfolio remains at a high level while operating costs remain relatively low.

The ARC Fund plays an active role in taking steps towards a more sustainable world. Its ESG (Environmental, Social and Governance) policy is largely based on the outcome of a materiality survey that was performed among tenants, investors and other stakeholders of the fund.

The ARC Fund has a Right of First Refusal (RoFR) agreement in place, which covers the acquisition of residential properties that are developed by Amvest Development Fund. The RoFR Agreement provides the fund with the opportunity to secure a long-term high-quality pipeline on an arm’s length basis.

Cruquius, Amsterdam, 2017

KEY HIGHLIGHTS 2018

INVESTING IN 569 NEW RENTAL HOUSES

To contribute towards adding rental homes to the Dutch market, we acquired a number of core city assets for approximately EUR 161 million. With these acquisitions we added 569 rental homes to our portfolio. To keep improving the quality of the portfolio, we divested 318 properties worth EUR 91.5 million in gross sales.

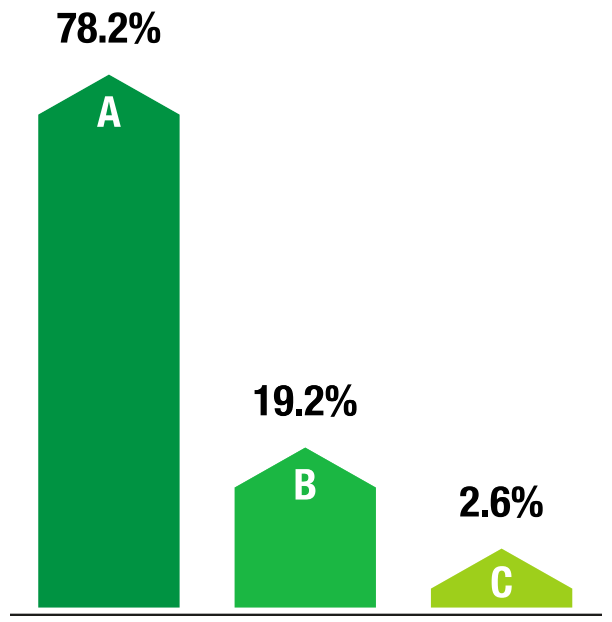
TENANT SATISFACTION

Our consistent focus on responsive, tenant focused service has resulted in a tenant satisfaction rate of 7.1 in 2018, outperforming the industry benchmark of 7.0.

ABOUT 700 HOMES MADE MORE SUSTAINABLE

We have taken major steps in preparing and implementing a number of refurbishment and renovation projects within the ARC Fund portfolio. These steps have led to more comfortable homes and energy label improvements.

The percentage of A-label homes in our portfolio has increased from 76.7% in 2017 to 78.2% in 2018. We will continue our efforts over the years to come.



ON SITE RENEWABLE ENERGY

To support the transition to a low carbon economy, we have further invested in on site renewable energy. Renewable energy is generated from natural resources such as sunlight, wind, water and geothermal heat, that are not considered finite. In 2018, the properties in our portfolio consumed 3,123 MWh of renewable energy, lowering our carbon footprint by 1,290 tonnes of CO_2. [1)]

BENEFITING FROM SOLAR

In 2018 we started our solar power programme to speed up our sustainability improvements. 5,048 solar panels were installed on the roofs of 636 existing single family homes, which in total produced 113.6 MWh renewable energy in 2018 (saving 47 tonnes of CO_2). There are 7,548 solar panels in the total portfolio, which in total produced 169.8 MWh renewable energy in 2018.

1) The direct landlord-obtained energy consists of 100% green energy. In our calculations, Amvest assumes that the tenant only consumes non-green energy (due to privacy regulation, Amvest is not able to retrieve this data).

OCCUPANCY

The Fund's financial occupancy rate remained high, rising to 98.3% on average in 2018.

RENTAL GROWTH

2.42%

(like-for-like).

Operating costs were low at 20.0% of theoretical rental income.

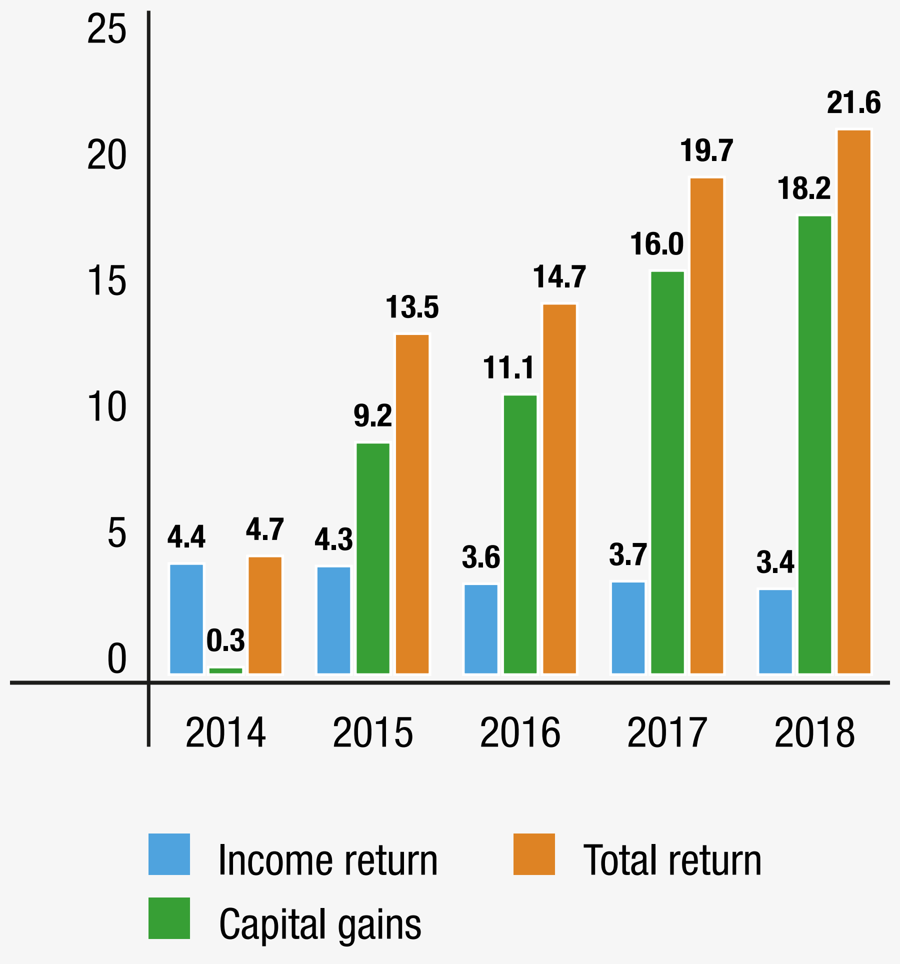
CARBON EMISSION

30,762 tonnes CO_2 like-for-like energy consumption decreased by 10.3%. [1)]

KEY FIGURES 2018

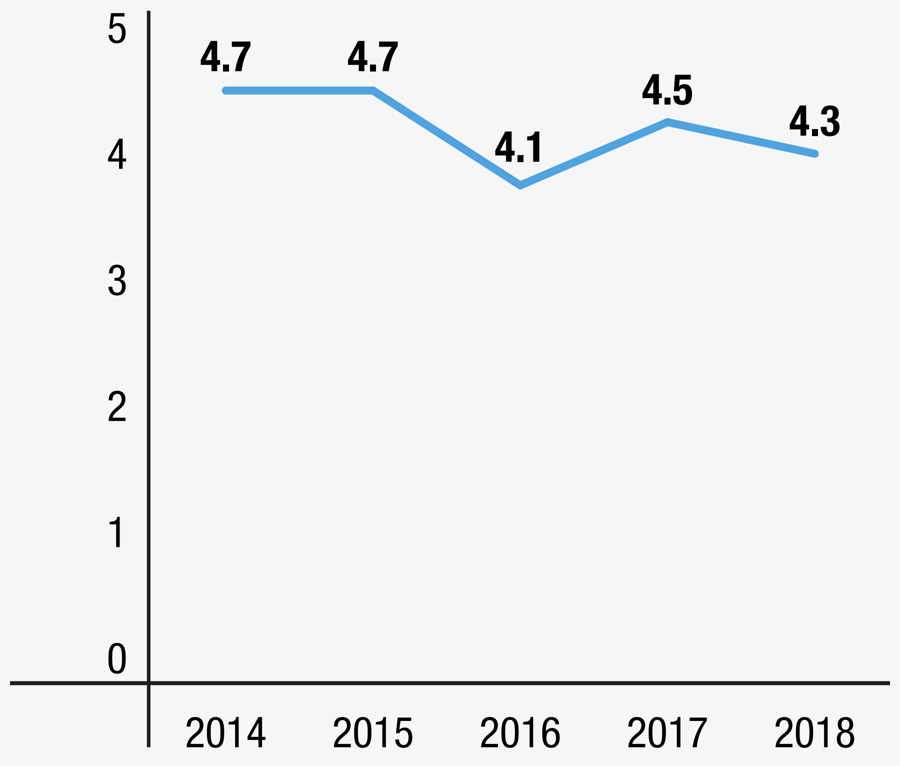
FUND RETURNS

As a percentage of the INREV NAV as at 1 January



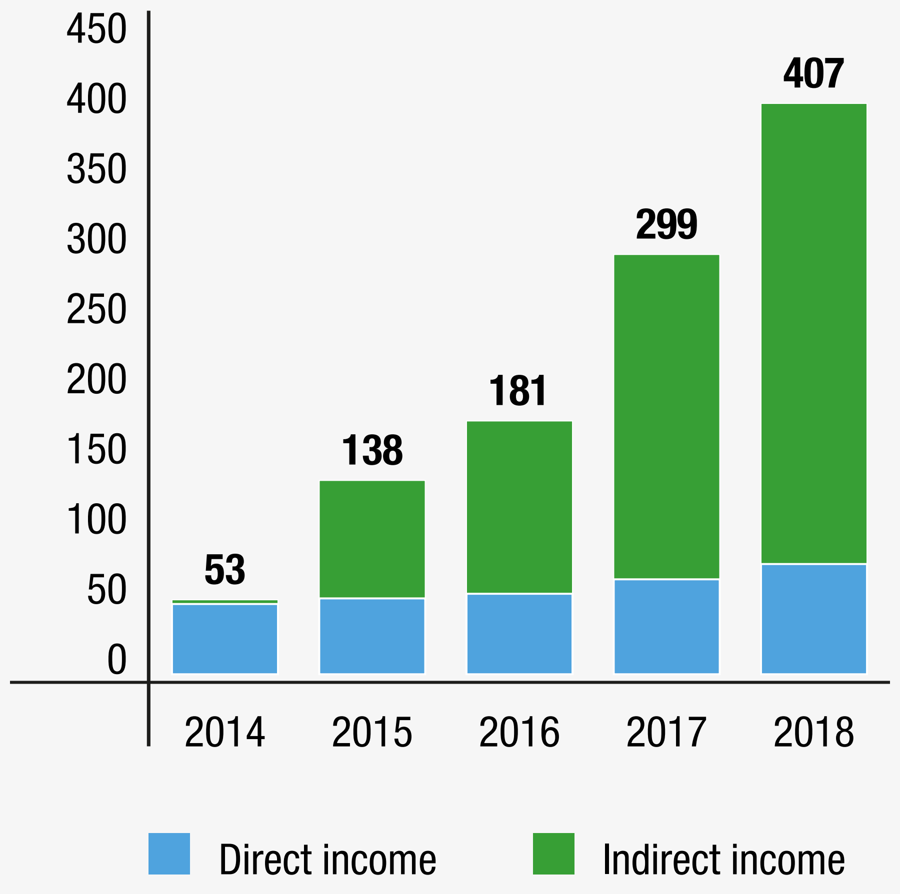
DIVIDEND YIELD

As a percentage of the INREV NAV as at 1 January



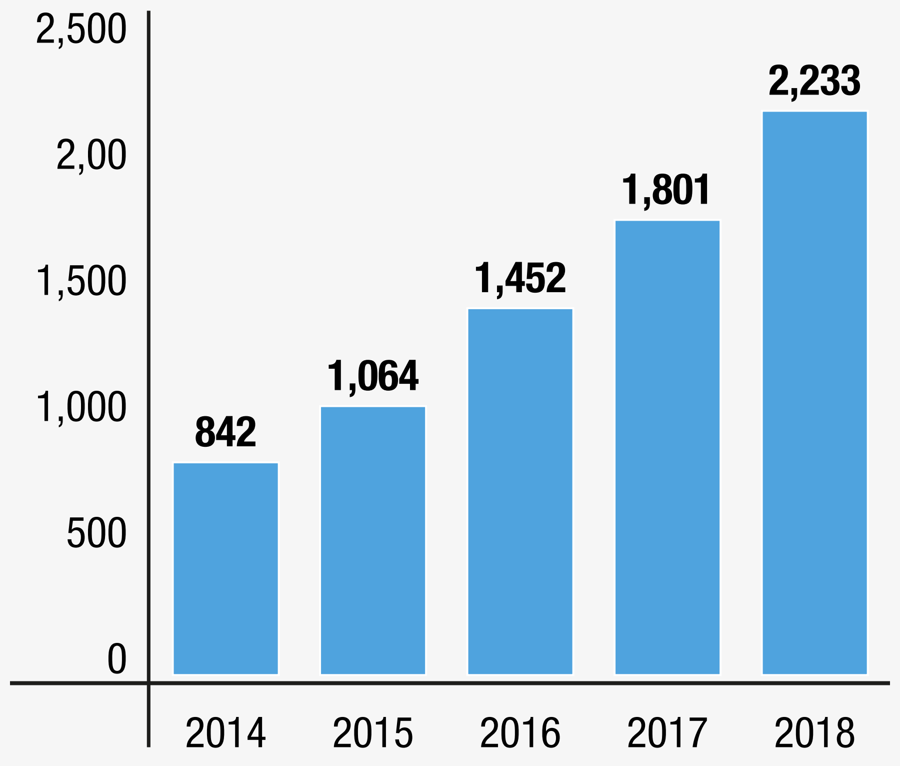
TOTAL INCOME

In EUR x million



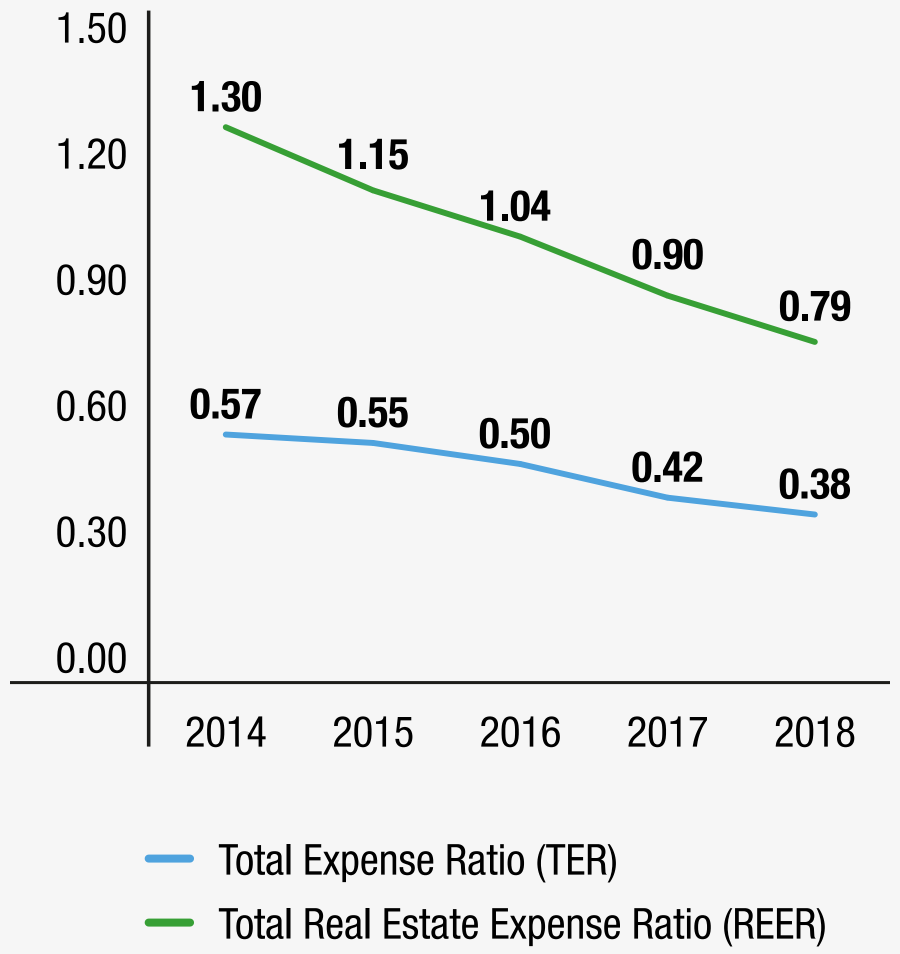
INREV NAV

In EUR x million



TER AND REER

Percentage



REPORT OF THE FUND MANAGER

Cruquius, Amsterdam, 2017

INTERVIEW WITH THE MANAGEMENT TEAM

Het IJland, Amsterdam, 2018

MAKING SPACE IN THE MID-PRICED RENTAL MARKET

In 2018, we added around 570 rental homes across the country to the Amvest Residential Core Fund (ARC Fund) portfolio. Not least in Cruquius: the last undiscovered peninsula in Amsterdam's Eastern Docklands area, which Amvest is redeveloping into a dynamic, future-proof neighbourhood. Our new headquarters are right there, too – in a great location on the water. If it's up to us, we'll never leave. And here's hoping that our neighbours say exactly the same thing about their new homes as well.

Right now in Cruquius, around 260 rental properties are being built by Amvest, including parking and commercial spaces. The apartments vary in terms of price category and are designed according to different concepts – ensuring a diverse range of homes and facilities to suit a wide variety of people. And all in a highly attractive neighbourhood. Cruquius is the perfect example of Amvest's approach: the sustainable development of areas with lots of potential into neighbourhoods where people genuinely want to build their lives. The rental homes under development are first offered to the ARC Fund. This unique combination of development and investment management over the years is what makes satisfied tenants and satisfied investors.

MORE HOUSING FOR MIDDLE-INCOME HOUSEHOLDS

Including the homes that we've added in the last year, the ARC Fund's portfolio now totals some 8,000 rentals. Demand for rental accommodation on the free market remains unflinchingly high, while supply remains very limited. Because the owner-occupier market is becoming less and less accessible to a certain group of people, including those on middle incomes, it's important to help this group especially to rent housing in the mid-priced segment. That's why we continue investing in this segment in our Central Circle: we look not only in the centres of the four major cities in the Randstad, but also at suitable housing in the other economically and demographically strong cities in the Netherlands.

'We want to create opportunities for middle-income households. To promote inclusivity and well-being in our cities, it's important that starters, young families and freelance entrepreneurs are able to stay and live in the city. The same goes for those working in healthcare, safety or education.'

Wim Wensing, Fund Director ARC Fund

WELL-STOCKED PIPELINE: INVESTMENT OPPORTUNITIES GUARANTEED

In addition to the homes that we added to the portfolio in the past year, we have a committed pipeline of around 3,200 primarily mid-priced rental homes up until 2021 with a total value of almost EUR 1 billion. Cruquius is not the only neighbourhood that springs to mind when it comes to new construction projects. Holland Park in Diemen, De Van Sijpesteijnkade in Utrecht and Damsigt in Voorburg are also worth a mention. In addition, we're investing in a number of

Dennis Wedding, Wim Wensing and Niclas von der Thüsen interesting developments to transform existing buildings. For example, we're giving the Ondiep neighbourhood in Utrecht a substantial boost by adding 195 high-quality rental apartments in the building that was once the Hogeschool Utrecht. And on Koningin Sophiestraat in The Hague, 67 city apartments were created in a disused office block.

LIVING ENVIRONMENTS INVESTING

People come for a house, but stay for the neighbourhood. That's why we're investing more and more in the neighbourhoods themselves – like IJburgbaai on IJburg and Cruquius in Amsterdam. By also injecting money into the surrounding area and the facilities that strengthen safety, mobility, diversity and social cohesion, we have greater influence on the quality of life in the area. And the higher that quality of life, the greater the value of the home. Because of our combined role as developer and investor, we are experts in this broader type of investment.

> 'Making our existing homes more energy-efficient is high priority for us. That's a challenge, but delivers significant environmental benefit per euro invested. Investments like these pay off in the long-term value of the property and our tenants benefit first-hand from lower energy bills.'
>
> **Dennis Wedding, Portfolio Manager ARC Fund**

CREATING SPACE FOR TENANTS AND INVESTORS

An ever-growing group of people are consciously opting for smaller houses or apartments, and using their immediate environment as an extension of their home. They'll celebrate their birthdays in the park, for example, meet friends in the local pub, and work whenever and wherever suits them. We're constantly on the lookout for ways to improve quality, both in and around our homes, to make them more sustainable, and to offer our tenants services to support them. That's why in 2018, we supplied 636 homes with solar panels from the ARC Fund; many homes were renovated to improve sustainability, and we're installing more and more smart meters. Through these kinds of investments, we're bringing the cost of living down while increasing the value of the property.

STRONG PORTFOLIO, HEALTHY RETURNS

It was an outstanding year for the ARC Fund. We achieved a total return of 21.6% - the best result in the Fund's history. A footnote is appropriate here, because around 18% stems from the value increasing through revaluation. After years of strong growth, we expect returns to stabilise in 2019.

> 'Through our healthy capital structure and the long-term investment focus of our shareholders, we can make an important contribution to the significant housing challenge that the Netherlands experiences.'
>
> **Niclas von der Thüsen, Director Finance and Risk ARC Fund**

LET'S MEET IN THE MIDDLE

In the coming years, we expect the demand for mid-priced free-market rental properties to remain high – especially in the Central Circle, in which the ARC Fund is active. It's clear that there are opportunities, but there are also a number of factors that inhibit the development of sought-after homes. For example, land prices and building costs have risen considerably, while building capacity is scarce. In the long term, this can work against the affordability of homes – including those for rent.

Affordability is – and will remain – a hot topic. The government is trying to get a better handle on free-market rental prices via regulation. The minister is considering introducing maximum rents to help middle-income earners to live in the large cities. The question is whether this will actually contribute to greater availability of affordable housing. Developers are almost exclusively paid according to the square-metre price, and need to meet an ever-growing list of demands from the municipalities. The introduction of maximum rents could lead to projects that don't make financial sense. The result? Fewer new rental homes in the mid-priced sector.

Of course, we understand the government's concerns. In fact, we share them too. We only disagree about the best long-term approach. That's why, in the coming year, we'll be focusing on continuing our fruitful dialogue and close cooperation with various municipalities. The 'Utrecht Bid-book Mid-priced Rent' project is proof that this can lead to a well thought-out vision for an entire province. Because various (institutional) investors, developers and housing associations have joined forces, a plan has been formulated to create 7,000 mid-segment rental homes in the Utrecht province over the next few years. And that's why we do what we do.

Amsterdam, the Netherlands, 26 April 2019

Wim Wensing, Fund Director
Niclas von der Thüsen, Director Finance and Risk
Dennis Wedding, Portfolio Manager

MARKET DEVELOPMENTS

THE DUTCH ECONOMY

ECONOMIC GROWTH CONTINUED IN 2018

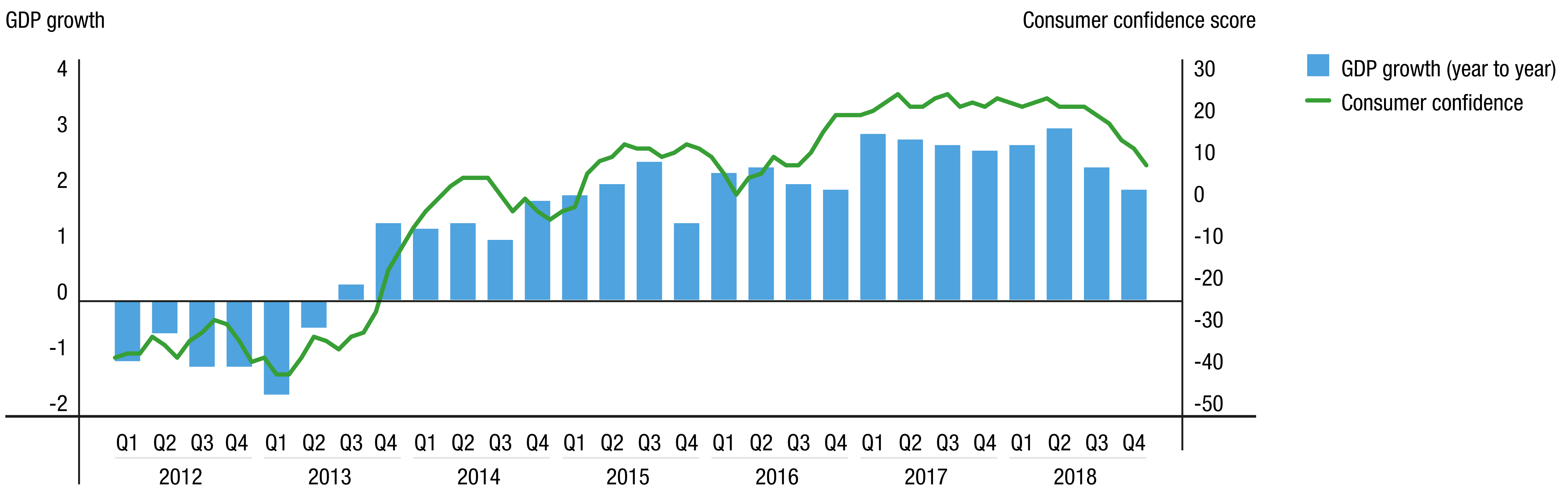
The Dutch economy is doing well and recorded a strong growth figure for 2018, namely 2.5% (CBS, 2019). Last year's growth rate was somewhat lower than the 2.9% in 2017 but at the same time one of the highest growth rates in the past decade. Growth in 2018 was mainly due to more consumption and higher investments. The balance of exports and imports also contributed, but to a lesser degree than in 2017 (CBS, 2019). According to the latest economic forecasts the expected GDP growth for 2019 ranges somewhere between 1.5% and 2.2% (ABN AMRO, 2018; CPB, 2018; Rabobank, 2018).

UNEMPLOYMENT AT A VERY LOW LEVEL BUT CONSUMER CONFIDENCE DECREASES AT YEAR'S ENDING

The substantial economic growth is underpinned by several other leading economic indicators. Unemployment rates showed a sharp decline in 2018, from 4.4% at the end of 2017 to only 3.5% in the last quarter of 2018 (CBS, 2019). Historically this is a very low level. Altogether, at the end of 2018, there were almost 70,000 fewer people unemployed than a year earlier (CBS, 2019). Furthermore, consumer confidence was at a stable high level of about 23 until the summer of 2018, in the last quarter confidence decreased quite sharply, ending at 9 in December. Opinions of Dutch consumers on the economic climate are considerably less positive and the willingness to buy has deteriorated (CBS, 2019).

1. ECONOMIC GROWTH AND CONSUMER CONFIDENCE 2012-2018

Source: Statistics Netherlands



THE DUTCH RESIDENTIAL MARKET

GROWING DEMAND FOR DWELLINGS AND LACK OF NEW SUPPLY

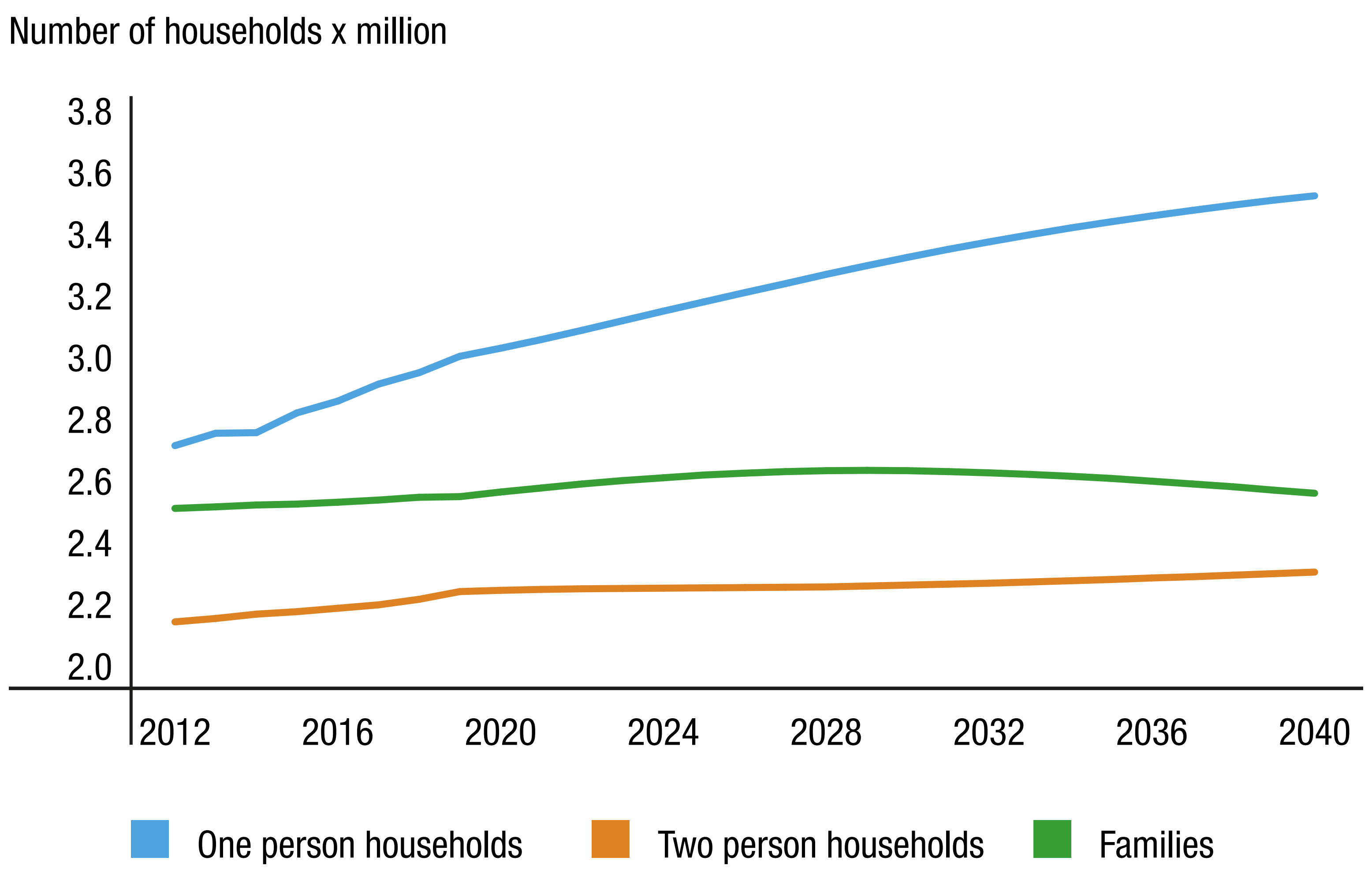
The realised and expected growth of the Dutch population and the increasing number of households are having a positive impact on the residential real estate (investment) market. The number of households is expected to increase from the current 7.8 million to about 8.5 million in 2040 (CBS, 2018). This is an absolute growth of no less than 720,000 households and a percentage increase of 9.2%. Due to a further decrease of the average number of persons per household (primarily because of aging), the number of one person households in particular will increase: 575,000 additional households in total. The number of families and two person households will remain relatively stable. The number of families reaches a peak in 2030 (+85,000), where after their numbers are expected to decrease again to around the current number. The two person households show a stable positive trend line: +90,000 till 2040.

For the next three years it is expected that growth will be around an impressive 55,000 households a year. This applies in particular to the Central Circle Regions and especially to the larger cities.

Therefore, adding properties to the Dutch housing stock is necessary in order to provide a home to the growing number of residents. The statistical housing shortage, as a consequence of several years in which the construction of new homes has lagged behind the growth of the number of households, is currently estimated to be over 100,000 (CBS, 2018). Despite the slight growth of the number of building permits granted (in 2017 and 2018 about 70,000), the increasing number of completed homes in recent years (66,000 in 2018), and also taking demolitions into account (on average over 11,000 homes a year), it is clear that the growth of supply is not sufficient to meet the housing demand in the long run and to decrease the existing housing shortage.

2. DEMOGRAPHIC GROWTH PER TYPE OF HOUSEHOLD

Source: CBS, 2018

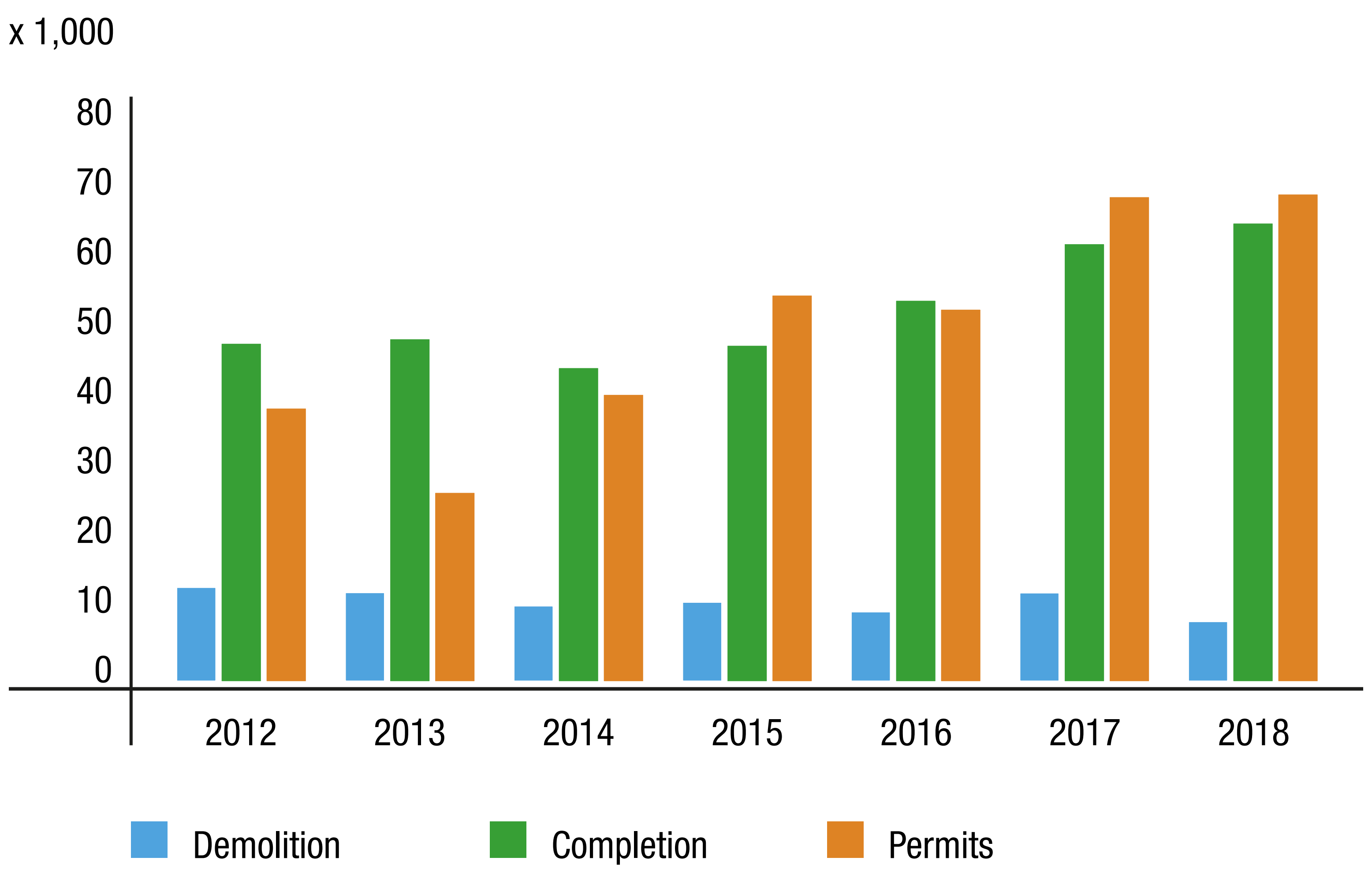


PRESSURE ON THE OWNER-OCCUPIER MARKET

The current economic prosperity, the positive demographic developments and the historically low interest rate levels, are exerting pressure on the Dutch owner-occupier market. Demand was high in 2018 and prices again showed a strong increase, especially in the large cities. On an annual basis, the prices of existing owner-occupier homes rose by no less than 9.0% compared to 7.6% in 2017 (CBS, 2019). In the Big Four cities, prices rose by 11.0% compared to 14.5% last year. Due to decreasing availability the transaction volume also fell, from about 242,000 in 2017 to 218,000 in 2018. Although this is a negative growth figure of 9.7%, it is historically still a high volume being the second highest in the past two decades (CBS, 2019).

3. NUMBER OF DEMOLITIONS, COMPLETIONS AND PERMITS GRANTED PER YEAR

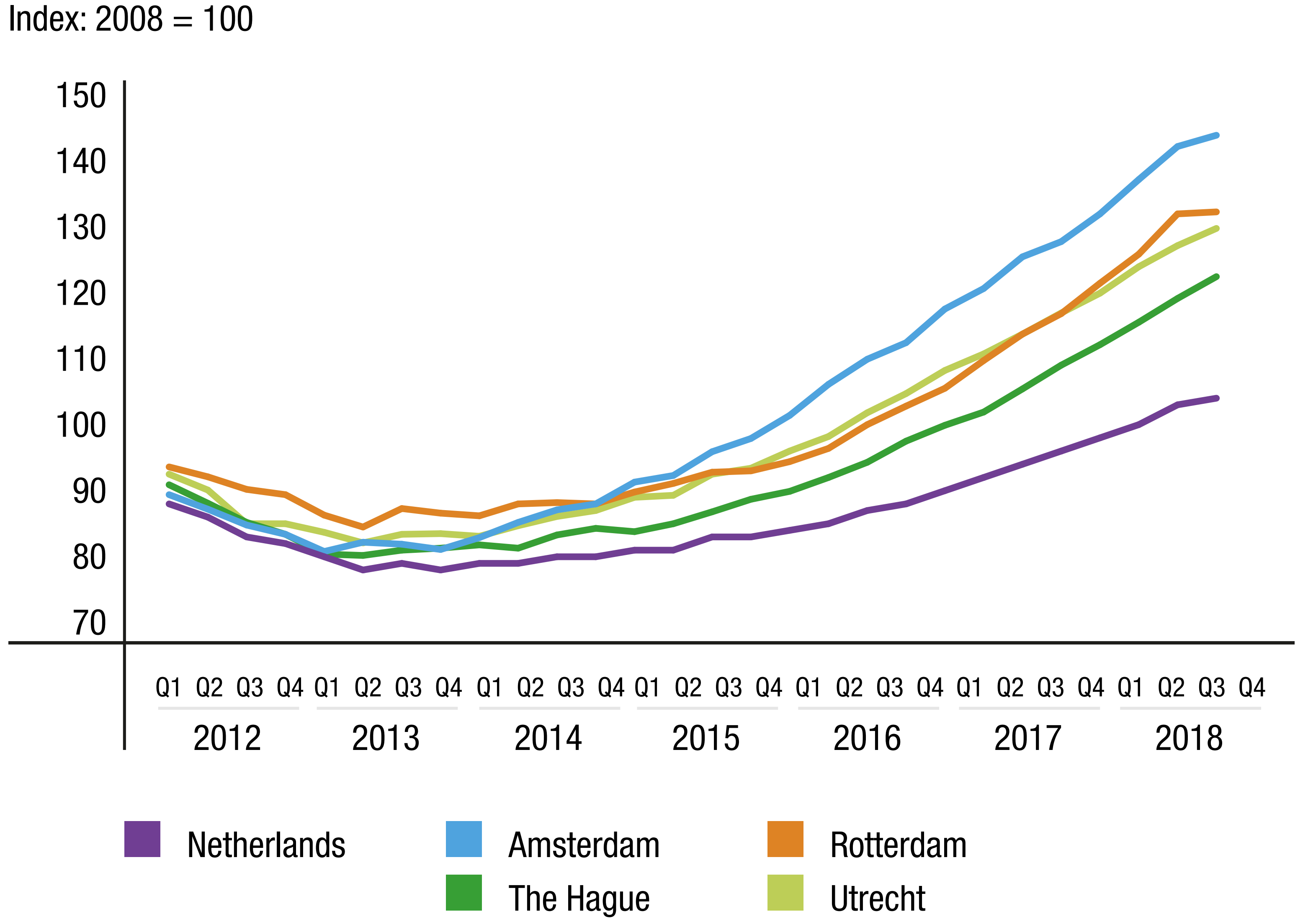
Source: CBS, 2019



It is expected that prices will continue their upward trend during 2019, supported by sustained low mortgage interest rates. In general an annual price increase of 4.5% to 6.0% is expected for 2019 (DNB, 2018; Rabobank, 2019; ABN AMRO, 2019, ING, 2019).

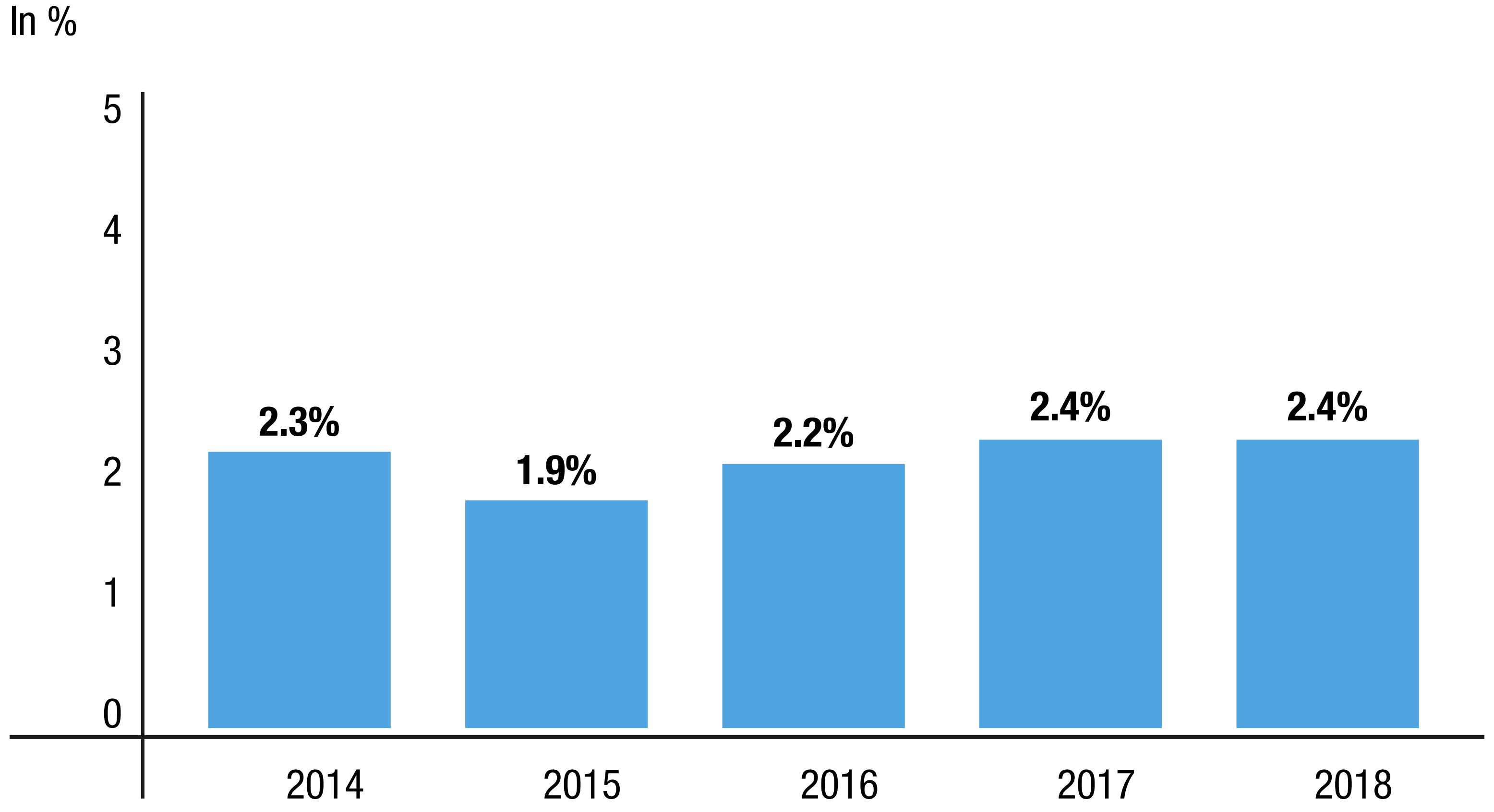
4. PRICE DEVELOPMENT (NOMINAL) FOR EXISTING OWNER-OCCUPIED HOMES 2012-2018)

Source: CBS, 2019



5. ANNUAL CONTRACT RENT INCREASE FOR LIBERALISED RENTAL HOMES OF DUTCH INSTITUTIONAL INVESTORS

Source: IVBN, 2018



HIGH DEMAND FOR RENTAL HOMES

The high demand for houses in general and the lagging new supply are also having a major impact on the Dutch rental housing market. The shrinkage of the social housing sector (Ministerie van BZK, 2016), the recent strong price increases in the owner-occupied sector, the stricter mortgage terms initiated by the Dutch government and the increased desire for flexibility are putting further pressure on the private rental sector.

These dynamics are partly reflected in the rental growth, as appears from research by the Association of Institutional Property Investors in the Netherlands (IVBN, 2018). In 2017 and 2018, the average contract rent increase for liberalised rental homes of Dutch institutional investors amounted to 2.4%, while in the years before the increase was 2.2% and 1.9%.

GOVERNMENT MEASURES AND ANNOUNCEMENTS

The increase in the share of the private sector can be explained by tighter regulation of the social housing sector on the one hand and more stringent capital requirements for home owners on the other. Factors such as the landlord tax, lowering of the loan-to-value ratios (to a maximum of 100%) and reduced mortgage interest tax deductibility were brought into force last years and are already having an impact on the owner-occupied market and social rental sector.

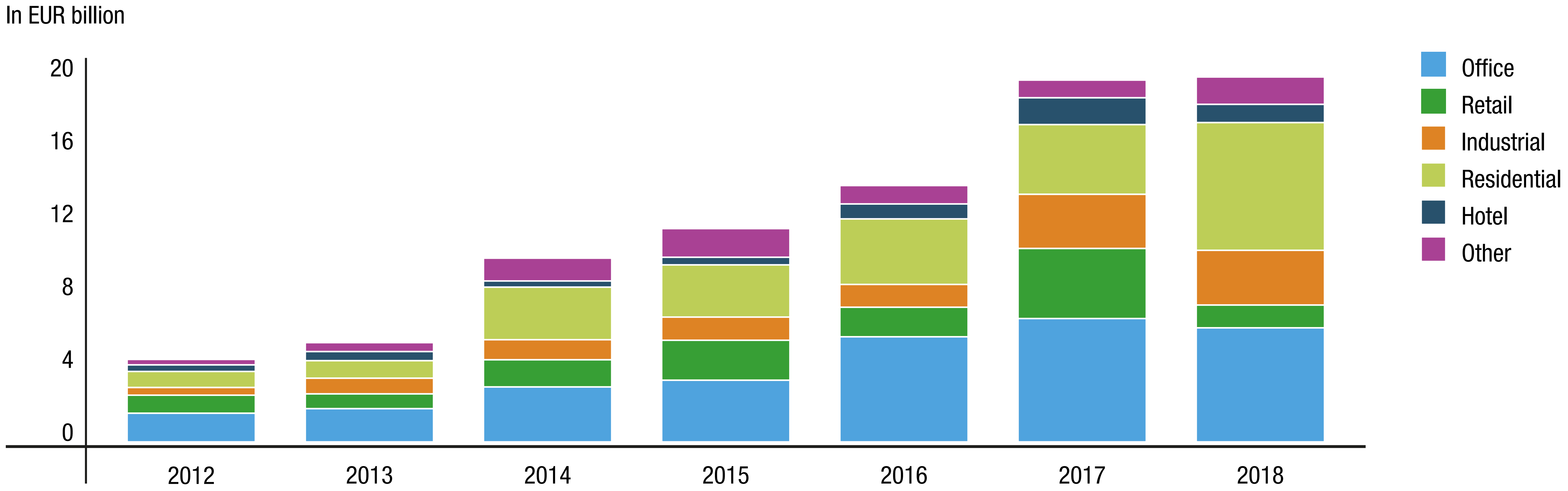
For the private rental market, this implies a more level playing field. Both the owner-occupied sector and the social rental sector will be less accessible for home seekers due to the reduction of the financial advantages and the tax measures implemented by the government. Therefore, there will probably be a greater demand for housing in the private rental market.

Discussions about the affordability of housing has led local governments to discuss restrictions in the private rental segment. The cities of Amsterdam, Utrecht and The Hague are frontrunners in this discussion. In the new coalition agreement of the municipality of Amsterdam, plans were presented with the intention to increase accessibility to the housing market for lower- and middle-income households. The plans include a quota for new construction in the social housing sector and mid-priced segment and a minimum percentage of social housing stock per neighbourhood (Groenlinks/D66/PvdA/SP, 2018). The measures impose limitations on the private rental sector, which exerts pressure on returns and is likely to have a negative effect on new construction. Besides these restrictions imposed by municipalities, there are currently several local dialogues ongoing between municipalities, provinces, investors and housing associations. These parties are aiming for mutually agreed principles regarding the development and letting of private rental homes in order to prevent unilaterally imposed regulations, while hopefully still increasing the number of mid-priced rental homes in these (local) markets.

The government decided not to execute its plan to abolish the dividend tax in tandem with the frequently used FBI (Fiscale Beleggingsinstelling) structure. In terms of fund structure, legislation remains largely unchanged for 2019. This is favourable for the shareholders of non-listed real estate funds.

6. INVESTMENT VOLUME IN DUTCH REAL ESTATE, IN EUR BILLION

Source: CBRE, 2019



INVESTMENT VOLUME RESIDENTIAL REAL ESTATE REACHES ALL TIME HIGH

The Dutch residential rental sector attracts many investors, both domestic and foreign. Due to the growing number of households, the positive (rental) price outlook, low interest rates and the good risk return profile of residential real estate there is a strong demand for investment product at the moment.

In 2018, the total investment volume in Dutch residential real estate reached a record high of EUR 7.0 billion, an increase of more than EUR 3 billion compared to 2017 (CBRE, 2019). This growth is largely the result of a few very large portfolio transactions, but also without these transactions the investment volume showed an all time high level. Dutch institutional investors made the biggest contribution (65%), especially Dutch pension funds investing in new mid-priced rental homes (Capital Value, 2019). For the first time ever, residential real estate was the largest investment category. According to Capital Value there is more than EUR 20 billion available for additional investments (Capital Value, 2019).

Because of the large demand for and the somewhat meagre availability of (good) investment product, the investment market is highly competitive. The yields for residential investment opportunities were under strong downward pressure last year. For prime property in prime locations yields lay at around 3.5%. For newly built and other locations in the more peripheral regions, sub 5.0% has become the new market standard. Because of this the capital growth for residential real estate in 2018 amounted 15.0% (MSCI, 2019).

PORTFOLIO STRATEGY

The ARC Fund invests in the Dutch residential mid-priced rental sector pursuant to a core investment strategy. Its investment focus comprises young, high quality, sustainable residential properties which are located in areas with the best economic and demographic potential (the ARC Fund focus areas). For its Investors the ARC Fund aims to realise an attractive, stable dividend yield available for distribution and long-term value growth. The ARC Fund targets to achieve a net IRR of 7% and a dividend yield of 4% on average during the lifetime of the Fund.

PORTFOLIO MANAGEMENT

Portfolio management is aimed at optimising the portfolio's long-term return on property investments. Each year, residential properties are assessed on the basis of their contribution to Fund returns, using 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.

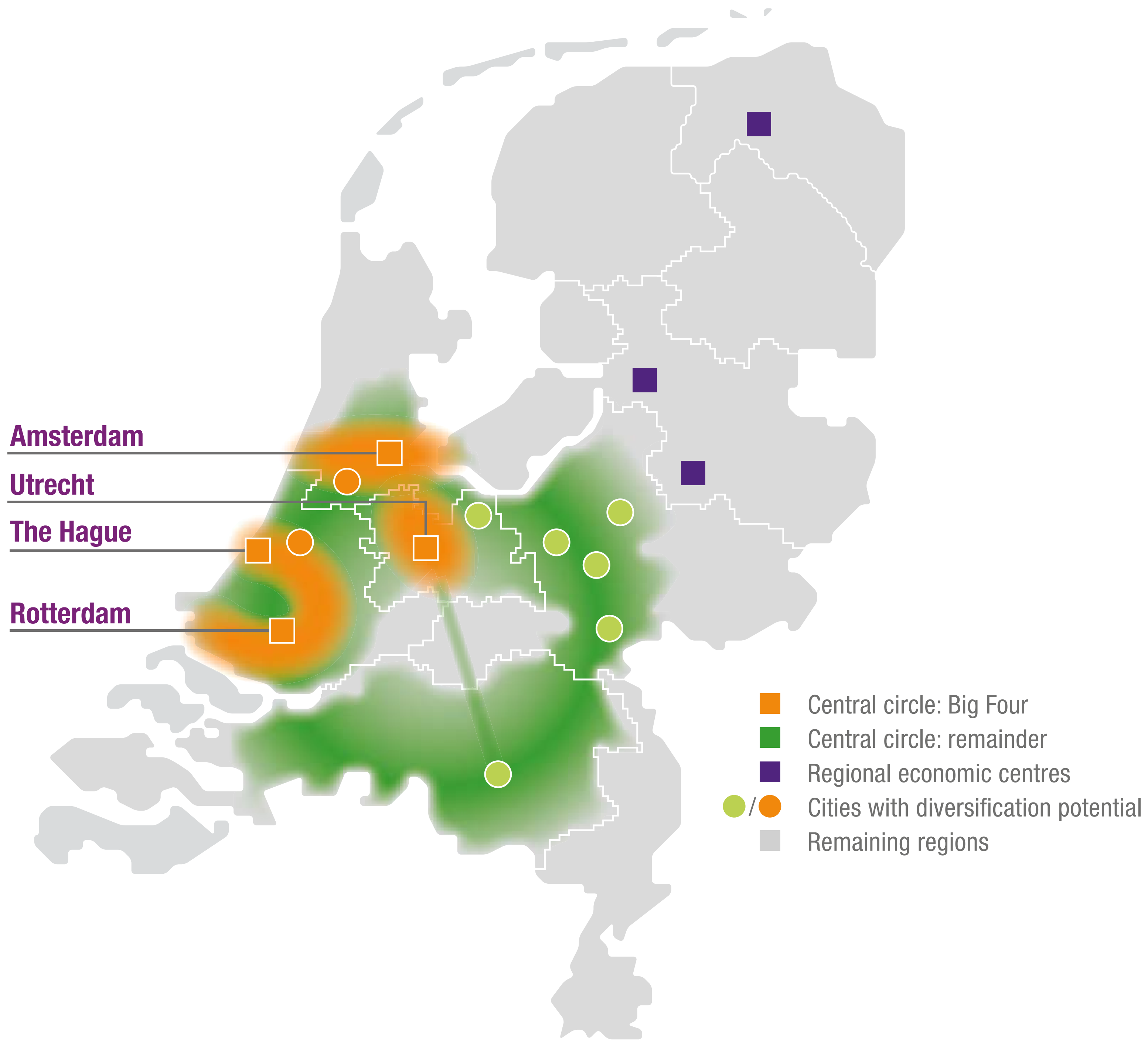
FOCUS AREAS

The ARC Fund has a clearly defined regional investment policy which is based on the ARC Fund focus areas. The portfolio has a substantial allocation towards the four largest cities (Amsterdam, Rotterdam, The Hague and Utrecht) as well as other cities that are located in the 'Central Circle' region. This region is characterised by strong urbanisation perspectives. Outside of the Central Circle the ARC Fund invests selectively in economically strong cities such as Groningen and Zwolle.

The ARC Fund identified the following three focus areas:

- **Central Circle – Big Four:** the four largest cities in the Netherlands (Amsterdam, Utrecht, The Hague, Rotterdam) and their suburbs;
- **Central Circle - Remainder:** remaining urban regions in the Randstad, Brabant and Gelderland (including Amersfoort, Apeldoorn, Ede, Arnhem, Nijmegen, Den Bosch, Eindhoven and Breda);
- **Regional Economic Centres:** the urban regions of Groningen, Zwolle and Deventer;

7. FOCUS AREAS



WELL DIVERSIFIED YOUNG PORTFOLIO

The quality of the portfolio remains at a high level and operating costs remain relatively low. As the current portfolio of the ARC Fund is well positioned and diversified, the objective for the coming years is to optimise, enhance and maintain the young and sustainable portfolio. The ARC Fund strives to renew a modest proportion of the portfolio each year, in order to rejuvenate and maintain the high quality of its portfolio. Due to the growth and rejuvenation ambitions, the ARC Fund mainly invests in new-built property, while at the same time the ARC Fund wants to sell some properties by means of block sales and individual sales. On average 5% of the portfolio value is allocated to be rejuvenated on an annual basis.

MID-PRICED RENTAL SEGMENT

The ARC Fund focuses on the mid-priced rental segment as it considers this segment to be the most attractive core residential investment product in the Netherlands. Trends in legislation, demography and living habits indicate a stable, high demand for rental homes in this segment. The increased rate of urbanisation, growth in single-person households and ageing of the population add to the popularity of (mid-priced) rental homes. The aspect of flexibility is valued by young professionals as they change jobs and change place of residence more often.

The mid-priced segment starts at the point where rental prices fall into the privatised rental sector, at EUR 721 as of January 2019 (2018: EUR 711). The upper limit of the mid-priced private rental segment for the ARC Fund differs per focus area.

8. TARGET PORTFOLIO OF THE ARC FUND IN FOUR MAIN REGIONS

	FUTURE DEMAND *	TARGET PORTFOLIO ARC FUND	MID-PRICED SEGMENT **
Central Circle: Big Four	+	65% - 90%	*** EUR 721 - 1,300 - 1,500
Central Circle: Remainder	+	10% - 35%	EUR 721 - 1,200
Regional Economic Centres	0	0% - 10%	EUR 721 - 1,100
Remaining Regions	-	0% - 5%	EUR 721 - 1,000

* + Above average, 0 average, - below average

** Monthly rent excluding parking place.

*** Amsterdam deviates from other Big Four cities; mid-priced segment upper level is EUR 1,500 for Amsterdam (other Big Four: EUR 1,300)

TARGET GROUPS

The target groups provide the guidelines for product-market combinations that the ARC Fund aims to offer to the market. Based on current market developments, the following four main target groups have been identified:

- Young professionals;
- Elderly singles and couples;
- Families;
- Expats.

Each target group has different preferences and therefore requires a different product.

The private rental sector is popular amongst **young professionals** in mid-sized and large cities. This group prefers the flexibility of a rental home and generally has an income level that is too high for a home in the social housing segment. The high level of amenities in cities are of value to this group. A development in this sector is the emergence of shared services concepts.

The number of **elderly singles and couples** is expected to grow strongly in the upcoming decade. The increase is most pronounced in the age category of 75+. In the past, physical constraints caused elderly singles and couples to move out of their house, but technological development and changes in the healthcare system have caused this group's willingness to move to diminish to a range between 12% and 18%. The focus of the ARC Fund lies on elderly households with no or limited need for care.

Despite the fact that the size of the target group of **families** is expected to decrease slightly in the next decade, the total number of family households remains substantial. Families increasingly depend on the private rental segment due to the strict income requirements of the social housing segment as well as the mortgage borrowing criteria for buying a home. Approximately one third of the total number of households consist of families, which makes this an important group for the ARC Fund.

As **expats** normally reside in a country for a limited period of time, they are most likely to choose a rental home. Due to their medium to high income level, expats are generally not eligible for a social housing rental home. Different sections can be identified within the expats target group. One fifth of the expats work in the academic world with a preference for living in cities with a university. The income of this group is lower than for corporate expats, so they have a different desired rental level. As well as income level, household composition is also a factor. Roughly 30% of expats are in families and consequently have different preferences. They prefer to live in suburbs that are readily accessible and have an international school in close proximity. A drawback of the expat segment is its sensitivity to the state of the economy.

QUALITATIVE FOCUS

To ensure an attractive portfolio in terms of market demand (and consequently a stable rental income as well as a long-term attractive capital growth), an insight into trends and new markets is required. The urgency for trend analysis is encouraged by the expected portfolio growth in the coming years and the ongoing changes in society. Within that context it is important to gain insight in how the housing market and residential environment of the future will be affected by increasing urbanisation, demographic ageing, green cities, digital services, robotisation and sustainability. The following trends are identified that will be given special attention in the years to come.

Shared spaces and services: co-living

Rents become increasingly unaffordable for young people who want to live in or close to the centres of the Big Four cities. This group is prepared to make concessions in terms of privacy and/or space in return for a more favourable total rental price. Different concepts and companies address this trend by providing apartments that are shared among friends or roommates. Each tenant has his or her own room, but the living room and kitchen are shared. Other concepts place the living room and/or a guest room outside of the private apartment. With a large offer of social amenities in close proximity, the size of apartments can be reduced along with a lower overall rental price. Communal spaces like an inner (rooftop) garden, community kitchen, flexible workplace, a launderette and other services can also be accommodated within the building, thus creating what is called a co-living environment.

Area management

The immediate surroundings of a building impact the quality of a property and therefore its rental prices and asset value. The balanced combination of functions such as living, working, shops, and leisure in an area can make a property attractive for tenants. Integrating multiple functions into the apartment building itself (mixed use, but also co-living) can be categorised as area management on a condensed geographical level. Properties that are rented out mostly to singles, can benefit from places where people can meet. For areas with more elderly people, daily amenities are of importance. Seeking collaboration with other parties can be efficient in those areas where the ARC Fund does not have a large presence. Where the ARC Fund has a concentrated presence with multiple properties, it can pay dividends to focus on the whole area in one integrated approach.

Single-family homes

As per the end of 2018, the portfolio consists of 34% single-family units. Historic returns for single-family units show favourable risk-return characteristics over multi-family units. The demand for single-family units manifests itself in all distinguished regions, also in the Big Four. Couples and families with an income that is too high for social housing but who cannot or are not willing to finance a private home are interested in this segment. This is also an attractive segment for expats with children. Another relevant characteristic of single-family houses is that the construction costs currently increases at a slower rate than the construction costs of multi-family units.

ESG

In 2017, the ARC Fund set out its Environmental, Social and Governance (ESG) programme consisting of 14 material themes based on a materiality survey conducted among the stakeholders of the ARC Fund. As part of this programme, most single-family homes in the portfolio are equipped (2018) and will be equipped (2019 and further) with solar panels. In addition, the ARC Fund increases its insight in energy consumption of its portfolio. This allows active management of further reducing energy consumption.

The ARC Fund participates in the Global Real Estate Sustainability Benchmark (GRESB) survey. A benchmark that asesses the sustainability performance of real estate asset portfolios. As from 2014, the ARC Fund has been recognised as a Green Star by GRESB and since 2017 the ARC Fund has had a 4-star ranking (out of 5). The aim is to maintain at least this 4-star ranking in combination with the continual improvement of sustainability objectives.

Through an annual tenant survey and periodically quality surveys, the Fund Manager measures the property management quality and the customer satisfaction amongst its tenants. The objective is to achieve a structural high tenant satisfaction. The ARC Fund aims to achieve a tenant satisfaction score of at least 7.5 on a scale of 10 and outperforming its peers in the IVBN tenant satisfaction benchmark.

PORTFOLIO DEVELOPMENTS IN 2018

In 2018, the operational results of the ARC Fund were exceptionally strong. The average vacancy rate dropped to its lowest level since the start of the ARC Fund. Due to the relatively low age of the portfolio and tight cost control, operating costs were just 20.0% of the theoretical rental income.

The portfolio grew steadily in 2018. On balance, the size of the portfolio increased by 251 homes. In addition the ARC Fund has been able to acquire attractive projects, which will be completed and added to the portfolio in the coming years (commitments and pipeline). As well as third party acquisitions, the RoFR Agreement with Amvest Development Fund ensures sufficient and constant future access to new residential rental properties developed by Amvest Development Fund. Through the RoFR agreement the ARC Fund secures investment opportunities that are in line with the desired quantity (growth and rejuvenation ambitions of the ARC Fund and its Investors) and quality (needs of tenants), as identified in the portfolio strategy.

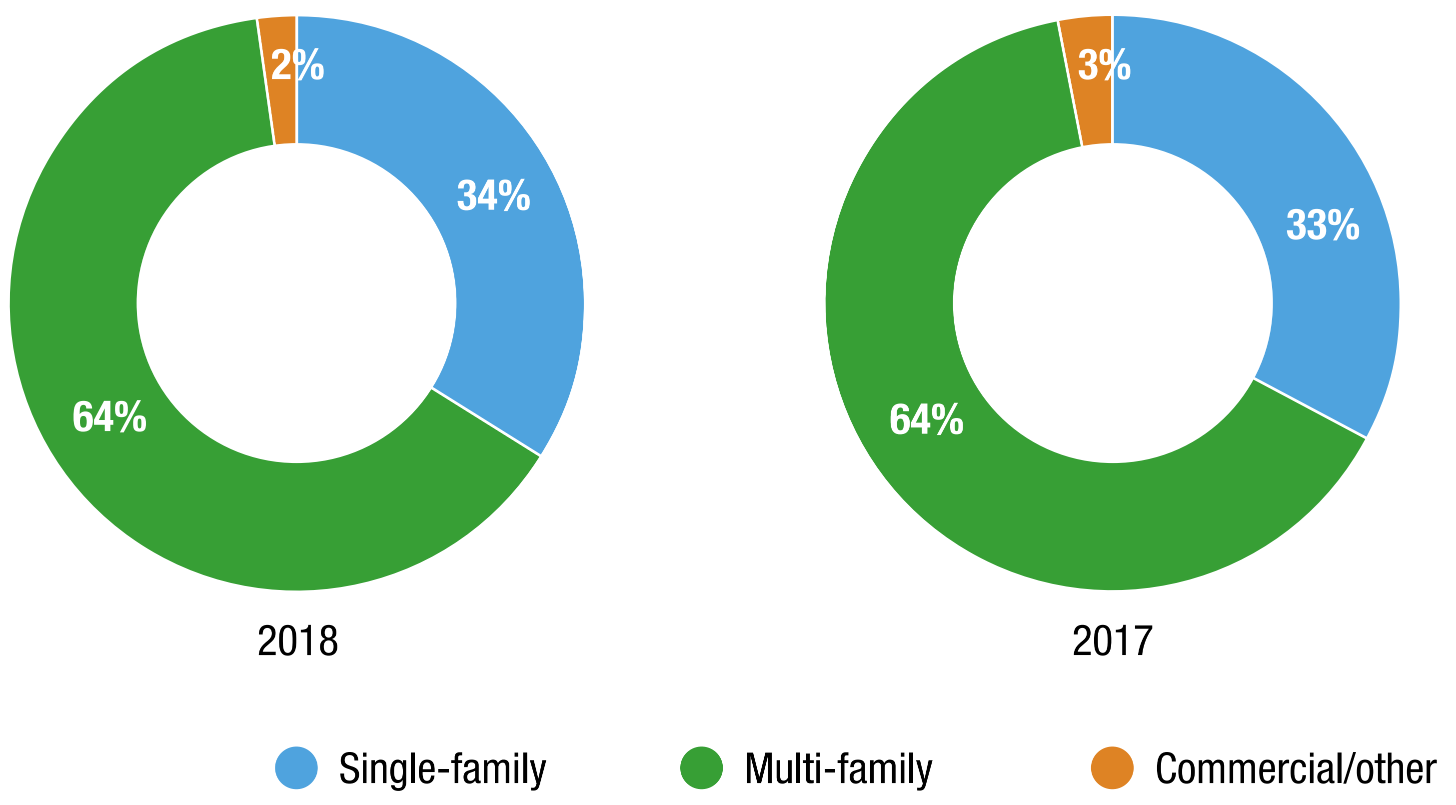
The folowing paragraphs explain the portfolio composition, operation and dynamics, as well as the portfolio's and the Fund's performance in relation to the portfolio strategy.

PORTFOLIO - COMPOSITION

At the end of 2018, the residential investment portfolio of the ARC Fund consisted of 164 properties with a total of 8,055 homes and a book value of EUR 2.276 billion. The average book value per home increased by 16.8%, from EUR 242,000 at year-end 2017 to EUR 282,500 at year-end 2018. The ARC Fund also has eighteen properties defined as 'commercial/other' real estate. These eighteen properties have a total book value of EUR 47.1 million (2.1% of the total invesment portfolio value).

9. TOTAL PORTFOLIO BY TYPE

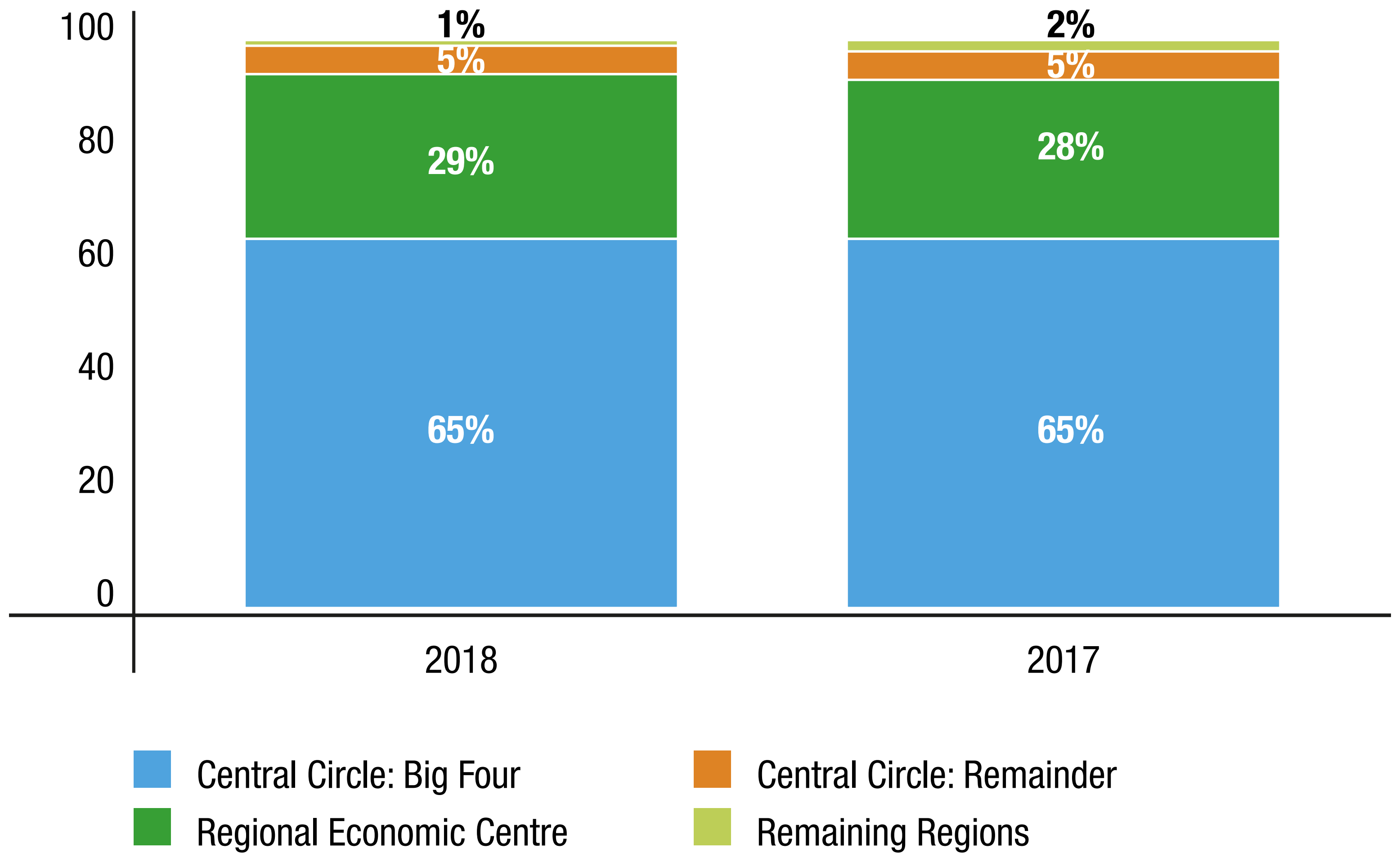
Composition by book value



Nearly two-thirds of the ARC Fund portfolio consists of multi-family homes. Since the secured pipeline mainly consists of multi-family homes, the proportion of apartments is expected to grow in the coming years.
As well as multi-family units, single-family units are also showing distinctly favourable risk-return characteristics. The demand for single-family units manifests itself in all identified focus regions, including the Big Four cities. Couples and families with an income that is too high for social housing but who cannot or are not willing to finance a private home are interested in this segment. This is also an attractive segment for expats with children. The ARC Fund therefore strives for a balanced distribution of its portfolio of single- and multi-family homes. To achieve this diversification, more emphasis will be placed on the acquisition of single-family homes in the coming years.

10. TOTAL PORTFOLIO BY REGION

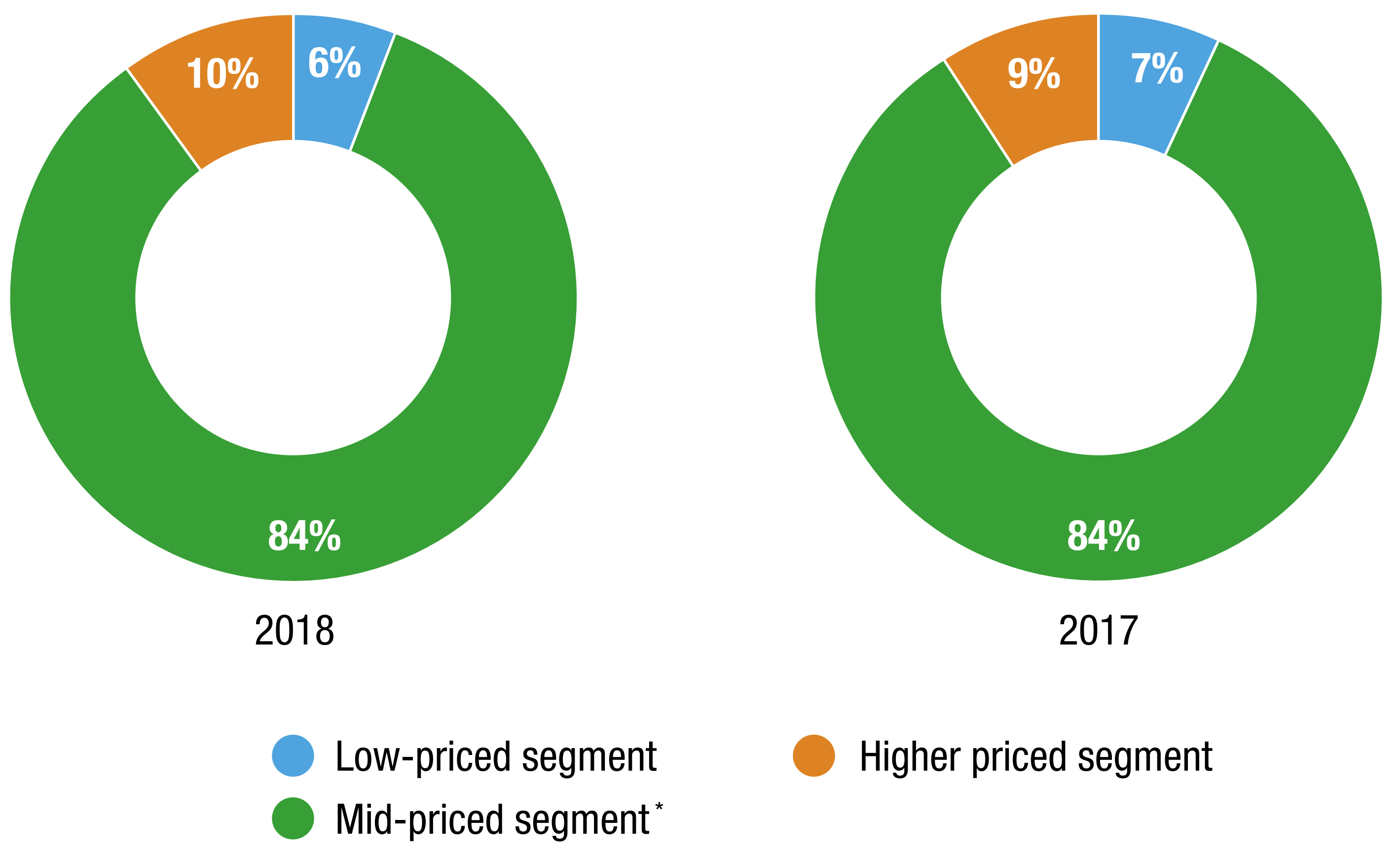
Composition by book value



The portfolio is concentrated in the focus areas. Two-thirds of the portfolio is located in the Central Circle - Big Four, with the largest proportion in the Amsterdam and The Hague areas. Remaining properties within the Central Circle are situated in regions with attractive prospects, for example Berkel en Rodenrijs, Breda, Haarlem and Eindhoven. The 'Central Circle – Big Four' is still considered a very attractive investment region, representing the four largest cities and their suburbs. Over the coming years, the acquisition focus of the ARC Fund will shift slightly to the suburban municipalities in order to further diversify the portfolio and make use of the available opportunities outside of the core of the Big Four cities.

11. RESIDENTIAL PORTFOLIO BY PRICE SEGMENT

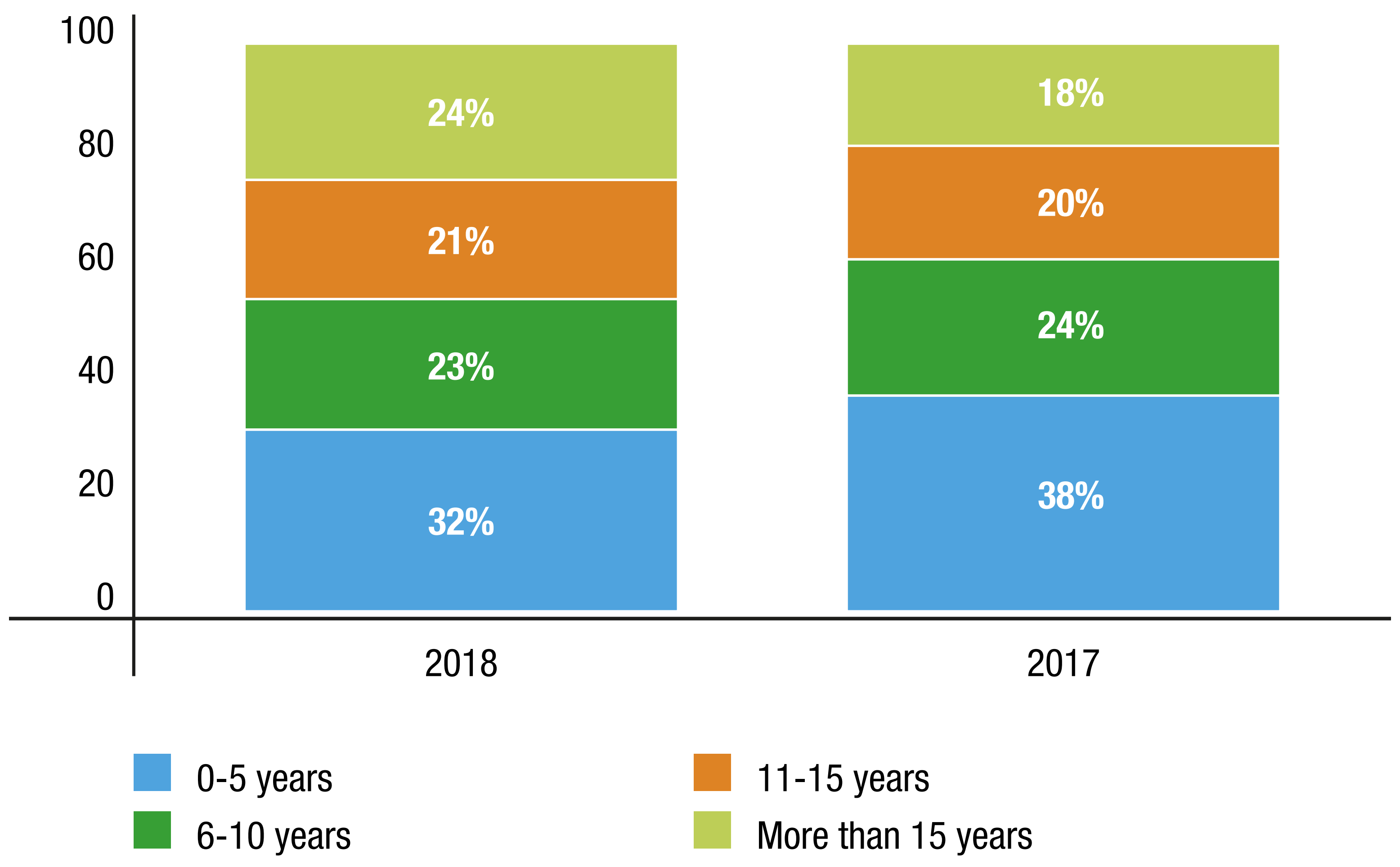
Composition by rental income



* Rental price of the segment EUR 721 to EUR 1,000 / EUR 1,500 per home per month depending on specific region

12. TOTAL PORTFOLIO BY AGE

Composition by book value



The portfolio of the ARC Fund is consistently focused on the mid-priced rental segment. The year-end 2018 average monthly theoretical rental per home was EUR 1,020 (2017: EUR 989). Only 6% of the portfolio was rented out in the social housing segment (below EUR 721). Although the exposure to the social housing segment is already relatively small, the ARC Fund aims to reduce the number of social housing units in its portfolio still further.

At year-end 2018 the weighted average age of the portfolio was around ten years. Approximately a quarter of the portfolio is older than 15 years. Properties in this category that still contribute positively to the total Fund return, are kept up-to-date by renovation of kitchens and sanitary facilities in combination with measures to improve the energy performance and to reduce the energy consumption and CO_2 emissions.

LARGEST PROPERTIES

Although additional large properties will enter the ARC Fund's portfolio as part of the acquisition pipeline, the portfolio still remains well diversified across properties in terms of book value per property. As a result of this diversity, the portfolio's overall performance and risk is only minimally affected by individual properties. Based on market value, the largest concentration of properties (the residential district "Hartje Eindhoven") has a 4.5% share of the total portfolio value. The ten largest properties based on book value, represent c. 28.8% of the total portfolio value.

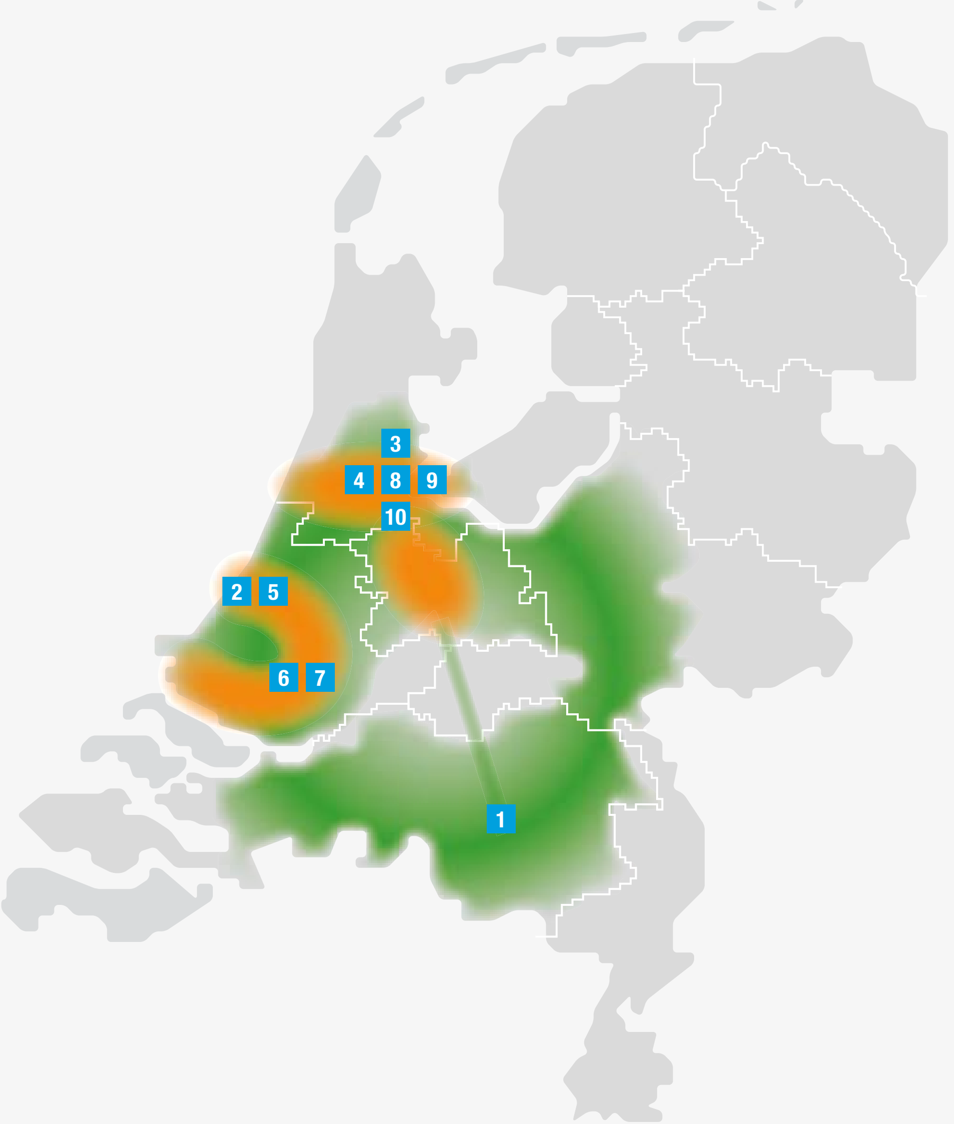
LARGEST PROPERTIES / DISTRICTS


1 HARTJE EINDHOVEN (433 HOMES)
Eindhoven


2 NEW BABYLON TOWERS (176 HOMES)
The Hague, 176 homes


3 WESTERDOKSDIJK (200 HOMES)
Amsterdam

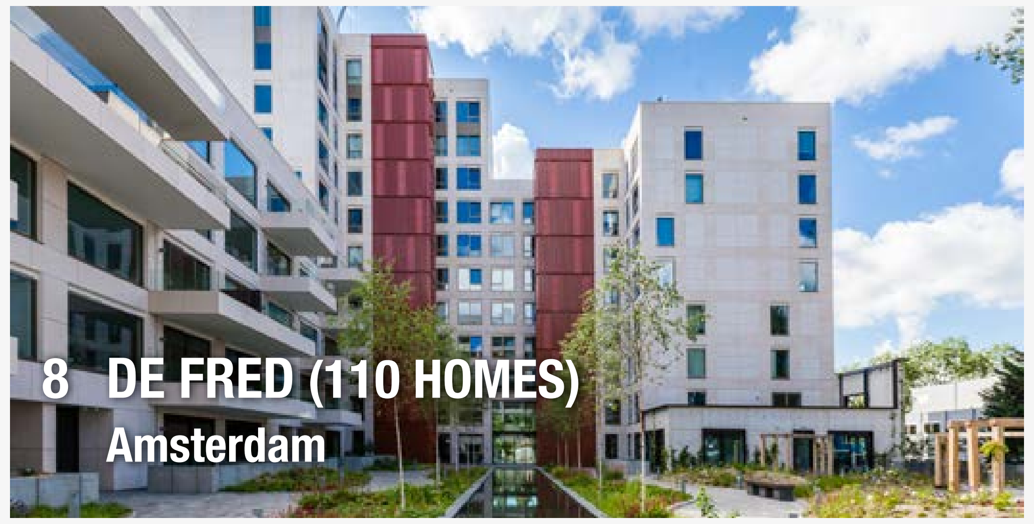

4 CRUQUIUS (158 HOMES)
Amsterdam




5 STATEN (190 HOMES)
The Hague


6 JOOST BANCKERTSPLAATS (242 HOMES)
Rotterdam


7 DE ROTTERDAM (130 HOMES)
Rotterdam


8 DE FRED (110 HOMES)
Amsterdam


9 TERRAZE/MURA (102 HOMES)
Amsterdam


10 HET IJLAND (138 HOMES)
Amsterdam

PORTFOLIO - OPERATION

RENTAL INCOME

Net rental income from the portfolio in 2018 was EUR 78.6 million (2017: EUR 67.7 million). The ARC Fund aims to rent out all homes at the actual market rent levels. The growth of rental income is driven by the annual rental growth and portfolio dynamics. Excluding portfolio dynamics (like-for-like), the rental growth of the standing properties was 2.42%. The average annual rental growth of the under rental contracts was 2.15% (2017: 1.73%).

OCCUPANCY

Optimising the occupancy rate is one of the main tasks of the external property managers, under guidance of the Fund Manager. The overall financial occupancy rate based on the operational and initial vacancy in 2018 improved to an all-time high 98.3% (2017: 97.8%). In addition to a high occupancy rate of the operational portfolio, nearly all completed newly built homes were fully let upon completion. Graph 16 shows the development of the different components of vacancy during 2018.

Table 15 shows the ten properties with the highest vacancy as percentage of the total portfolio vacancy. Privatisation, high turnover rates and renovations are the main reasons for the high vacancy.

TURNOVER RATE

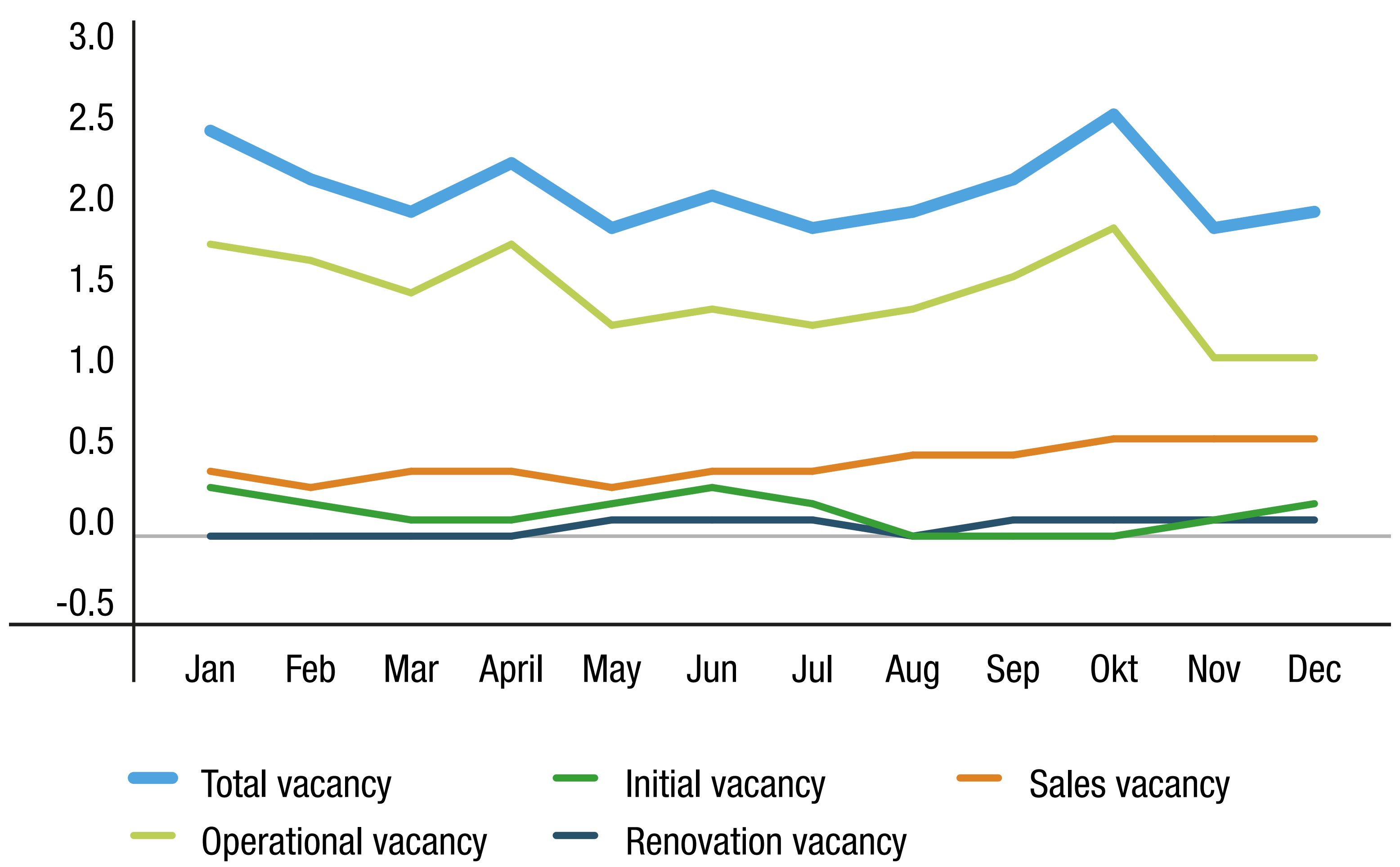
The turnover rate in 2018 was 10.6%, representing a decrease compared to 2017 (19.6%). This decrease is a normalisation of the high turnover rate in 2017, which was driven by rising consumer confidence, which in turn caused a higher number of relocations in the market. In 2018, there was still a great demand for high quality rental homes.

A number of tenants moved to an owner-occupied home by making use of the currently attractive mortgage rates. Table 17 presents the ten properties with the highest turnover rates.

13. THE TEN PROPERTIES WITH THE HIGHEST OPERATIONAL VACANCY RATE

TOWN	NAME	NUMBER OF HOMES	VACANCY ON PROPERTY LEVEL (%)	VACANCY AS % OF TOTAL PORTFOLIO VACANCY
Rotterdam	De Rotterdam	142	6.8%	7.3%
Amsterdam	Emmy Andriessestraat (Terrazze)	76	10.2%	6.7%
The Hague	Cornelis de Wittlaan	128	5.6%	5.0%
Haarlem	Bellevuelaan (Hoge Hout) - apartments	91	5.0%	4.2%
The Hague	Bezuidenhoutseweg (New Babylon)	70	4.9%	3.5%
The Hague	Cornelis de Wittlaan	80	6.8%	3.3%
Schiedam	Prof. Kamerlingh Onneslaan	81	7.4%	3.2%
Amsterdam	Krijn Taconiskade	69	6.4%	3.2%
The Hague	New Babylon toren 1	106	2.9%	3.1%
Tilburg	Pieter Vreedeplein	29	12.6%	2.1%

14. BREAK DOWN OF VACANCY RATE 2018



15. THE TEN PROPERTIES WITH THE HIGHEST TURNOVER RATE

TOWN	NAME	TURNOVER RATE
Amsterdam	Westerdok (Westerkaap)	37.00%
Arnhem	Kea Boumanstr (Stadsheren)	33.33%
Amersfoort	Baak van Breskens	31.40%
Breda	Stationsweg (Heren van Breda	31.00%
Vleuten	Beurszwam (Het Buitengoed)	29.50%
Vleuten	Herfsttuinlaan (Loofrijk)	28.10%
Haarlem	Bellevuelaan (Hoge Hout)	27.98%
Vleuten	Utr. Heuvelrug (De Hoven)	27.50%
Vleuten	Moerasvaren (De Compagnie)	26.80%
Hoofddorp	Lugano	26.67%

OPERATING COSTS

Property management has been outsourced to five external property managers. These dedicated property managers are carefully selected by and under the direct supervision of the portfolio manager (who is supported by the asset managers and technical managers). Important criteria for the selection procedure of these external property managers include tenant satisfaction score as well as local market expertise.

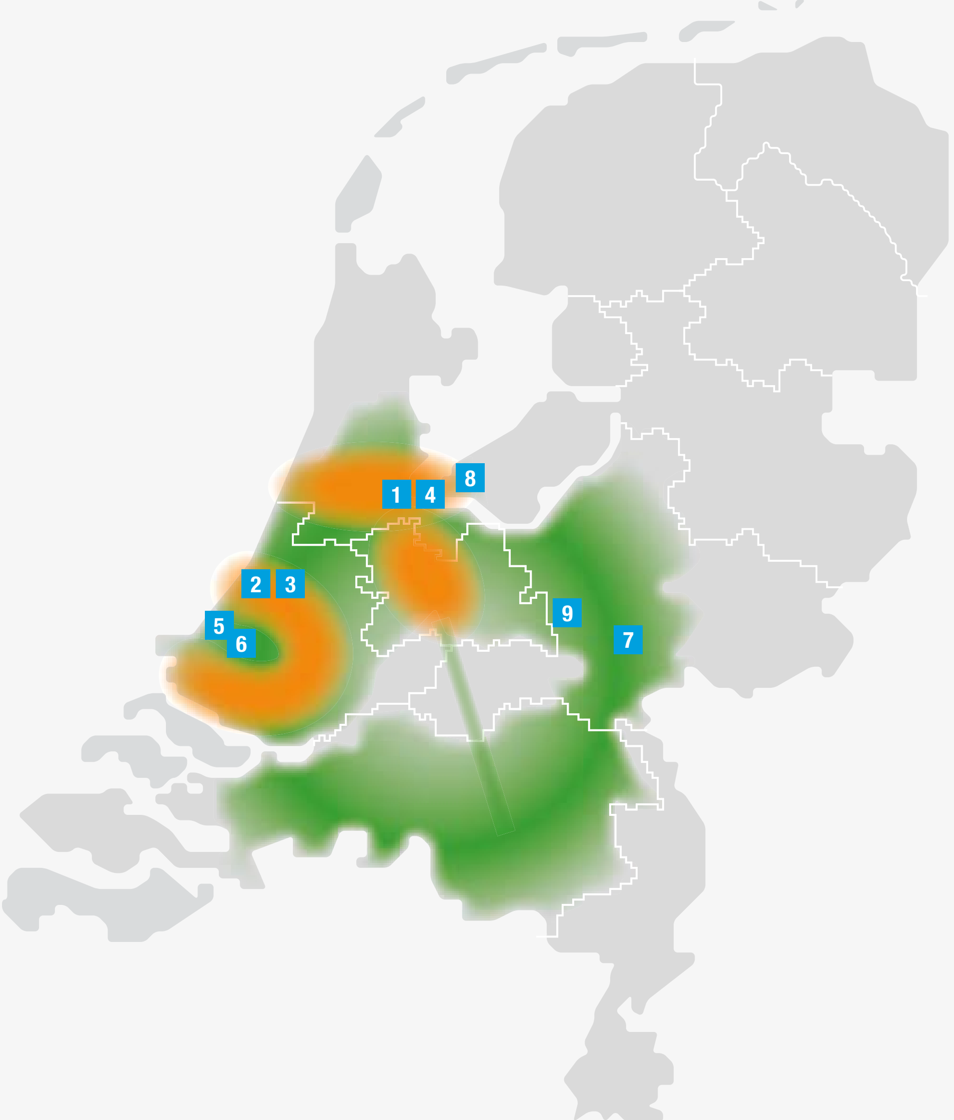
Operating costs as a percentage of the theoretical rental income decreased in 2018 to 20.0% (2017: 20.8%). This decrease was mainly the result of lower landlord tax, letting expenses and contributions to owners associations. For a further breakdown of the operating costs, we refer to note 2 in the financial statements.

PORTFOLIO - DYNAMICS

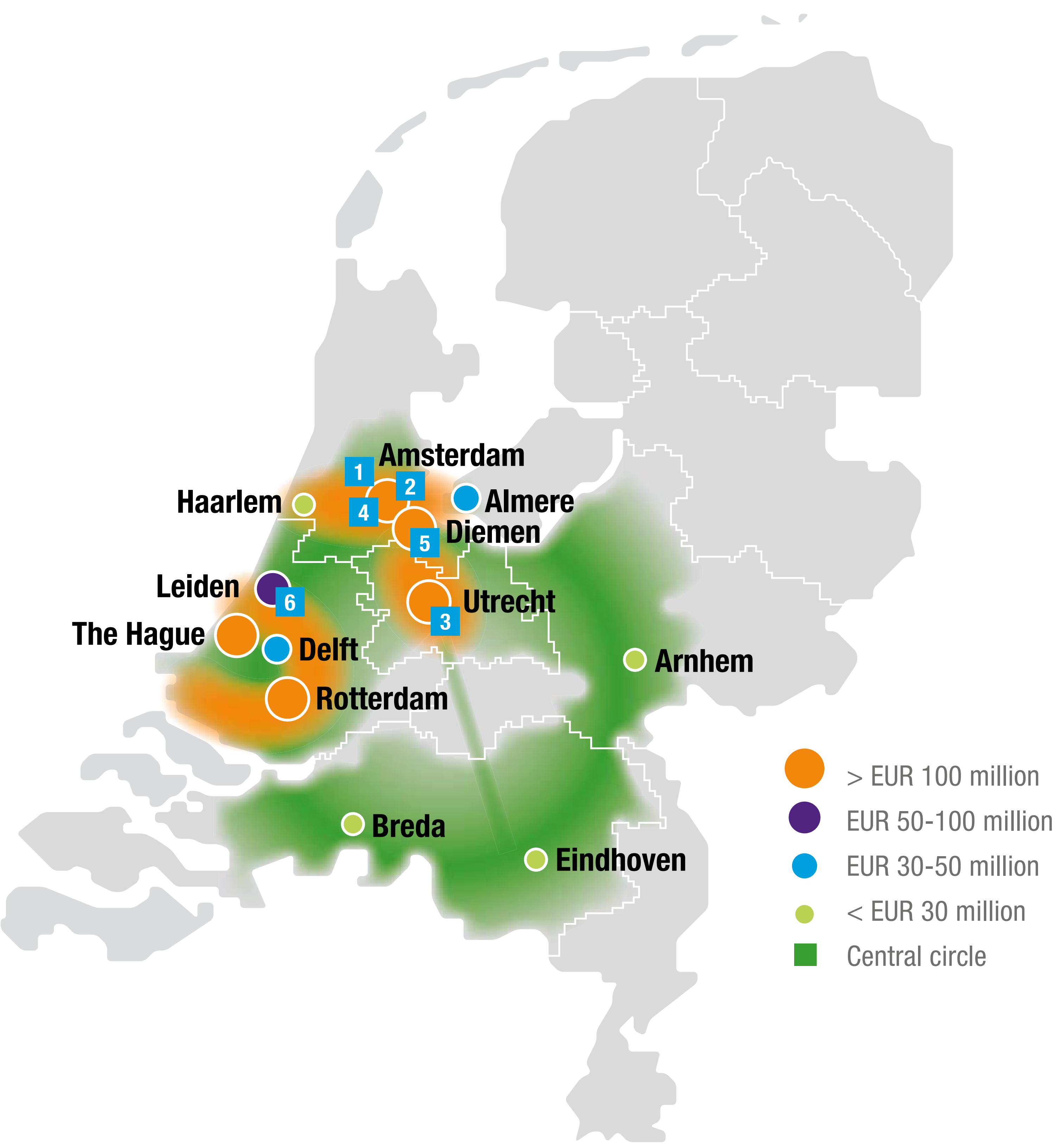
In line with expectations, the ARC Fund has renewed and strengthened its portfolio. During 2018, the ARC Fund invested EUR 161 million in nine new turn-key acquisition projects and added 569 homes to the portfolio.

In 2018, transaction volume (excluding assets under construction) was 13.1% (2017: 31.0%). Compared to the book value as at 1 January 2018, 9.2% of the portfolio value was added to the portfolio and 3.9% of the portfolio value was divested (2017: 26.2% added and 4.8% divested). The map shows the new properties added (total of 569 homes) to the investment portfolio. The number of homes sold in 2018 is 318 of which 208 were sold by a block sale (SKY) finalised in December 2018.

INVESTMENTS



16. PIPELINE PROPERTIES



INVESTMENTS PIPELINE

At year-end 2018, the ARC Fund had a total pipeline of EUR 956 million (2017: EUR 582 million) of commited investments that will be added to the portfolio in the upcoming years. Expected completion dates are within timeframe of 2019-2022. Besides these commitments, several new investment opportunities were approved but not yet commited, adding up to a total pipeline of EUR 1,148 million. An overview of projects included in the pipeline is included in the annex.

Besides acquisition from third parties, a number of turn-key developments in the pipeline is acquired from Amvest Development Fund (ADF). As per year end 2018, 12 objects with a combined investment value of approximately EUR 389 million had been acquired from ADF as part of the Right of First Refusal (RoFR) agreement. The ADF-partnership provides the ARC Fund with access to a development company which facilitates the dialogue with municipalities and increases acquisition strength. This is a competitive strength compared to residential funds without access to a dedicated development pipeline.

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 predominantly 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. In addition the pipeline investments in attractive cities such as Leiden, Delft, Eindhoven and Haarlem are contributing to the geographical diversification of the ARC Fund. As a result of the continuous rejuvenation, the portfolio continues to be of high quality, low age and well diversified.

DIVESTMENTS

The current investment market enables the ARC Fund to divest properties that fit to a lesser extent the portfolio strategy at attractive terms. Property divestments consist of sales of individual homes to private individuals (individual sales) or the disposal of entire properties to professional investors (block sales).

During 2018, 110 individual homes from the portfolio were sold and transferred with a net profit of EUR 3.8 million (13.4%) (2017: 132 individual sales with a net profit of EUR 4.2 million (14.1%)).

The block sale of the SKY portfolio (208 apartments) was completed at the end of 2018. This resulted in a net result of EUR 12.7 million. The completed block sale is in line with the rejuvenation strategy of the ARC Fund and was anticipated in the Portfolio Plan 2018.

The total net result on sales is part of the operational result and was distributed to the Investors.

FINANCIAL PERFORMANCE IN 2018

UNREALISED CAPITAL GAINS ON INVESTMENTS

In 2018, the portfolio value (including assets under construction) increased by EUR 535.2 million (24.2%; 2017: 10.8%).
The increase in 2018 was the result of acquisitions and increasing price levels due to high demand, transaction volumes and increasing transaction prices in both the private housing market and the institutional market. The increasing price levels were driven by increased vacant values and high sales volumes in the private investment market (which has a positive effect on the value at time of sale) and decreasing yields for residential real estate investments.

In 2018, the gross initial yield fell by 0.4% to 4.7% (compared to 5.1% in 2017). The average residential portfolio value per home, assuming all properties are vacant (vacant possession value) increased by 12.5% from EUR 270,000 per home in 2017 to EUR 304,000 in 2018. 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 89.7% in 2017 to 91.1% in 2018.

LIKE-FOR-LIKE

A performance analysis based on like-for-like (LfL) figures is provided in order to provide a year-on-year comparison of the performance of the ARC Fund. The LfL figures only take into account the residential properties, which were part of the portfolio during the full year (2018) excluding sold individual homes during that period.

As table 17 shows, on a LfL basis, the ARC Fund had a total return of 16.4%. The main element of direct return was the net rental revenue. Yield movements are predominantly the driver for the indirect return.

17. LIKE-FOR-LIKE FIGURES

	2018	2017
Direct return *	3.7%	4.2%
Indirect return *	12.2%	11.4%
Total return	**16.4%**	**16.0%**
Vacancy	1.7%	2.5%

* Direct return, Indirect return and Total return are calculated seperately. Due to the calculation method (time weighted) the sum of the Direct return and Indirect return does not always equal the Total return.

RETURN ON OPERATIONAL PROPERTY (UNLEVERAGED)

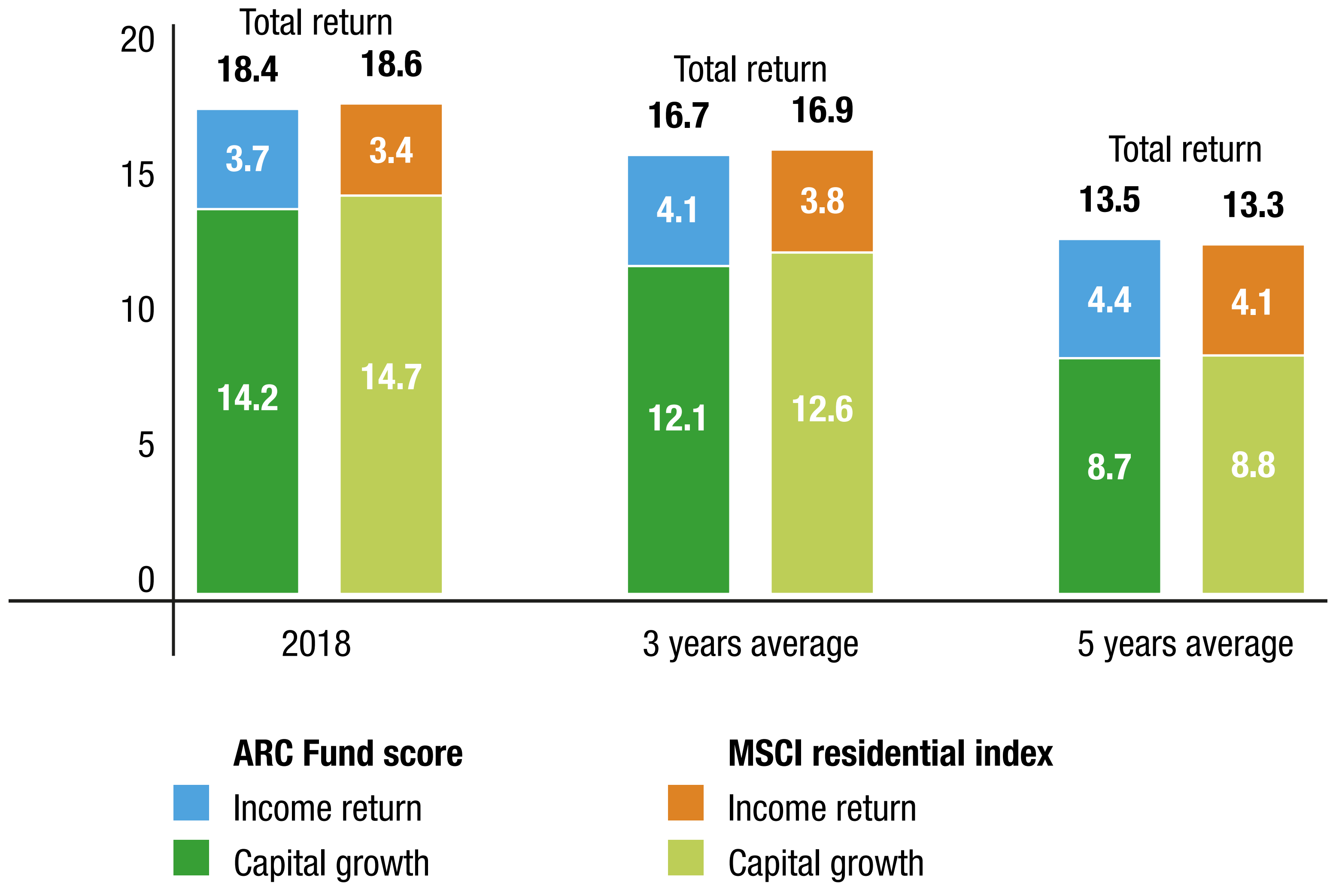
The total return on real estate property, expressed as a percentage of the average operational real estate portfolio value, was 16.3% in 2018 (2017: 15.5%). Direct return from leasing activities was 3.7% (2017: 4.0%). Indirect return from disposals (realised) was 0.8% (2017: 0.7%) and changes in value (unrealised) were 11.8% (2017: 10.8%).

MSCI NETHERLANDS RESIDENTIAL ANNUAL PROPERTY INDEX

Using the MSCI calculations based on the all residential index, the ARC Fund's 2018 income return amounted to 3.6% (MSCI: 3.4%).
Its capital growth amounted 14.3% (MSCI: 14.7%). This resulted in a total performance of 18.4% (MSCI 18.6%). Over the longer term (5 years), the ARC Fund continued to outperform the MSCI all residential benchmark.

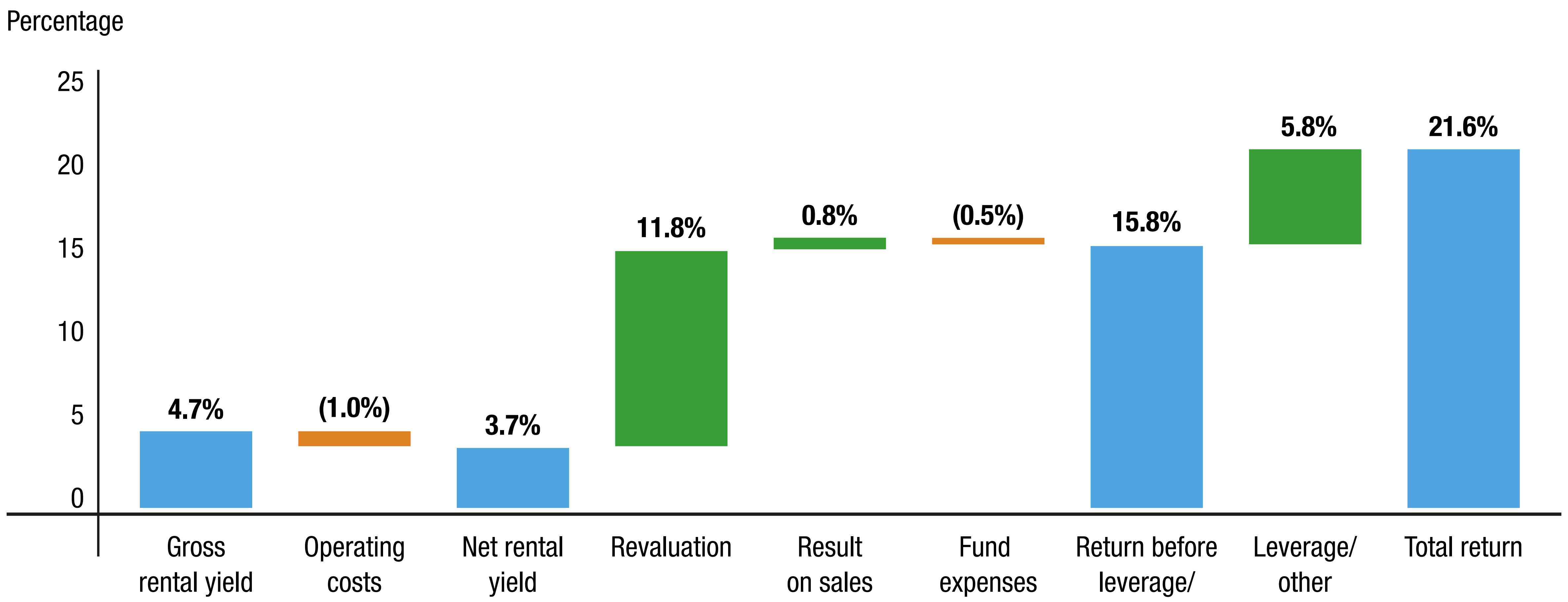
18. MSCI NETHERLANDS RESIDENTIAL ANNUAL PROPERTY INDEX [1)]

As a percentage of the INREV NAV as at 1 January



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

19. BREAK DOWN OF TOTAL RETURN (IN %)



Due to higher rental receivables and lower operating costs, the ARC Fund's income return is structurally outperforming the benchmark. The strong focus on high-quality mid-priced rental properties resulted in a strong increase in value last year. The completion of new properties in Amsterdam and other large cities as well as the strategic disposition of several properties lead to a strong capital growth over 2018. With a substantial pipeline, the portfolio of the ARC Fund has strong potential into 2019 and further.

A complete breakdown of the MSCI benchmark for 2018 and the last 3 and 5 years is provided in the Annexes.

FUND PERFORMANCE

RETURN ON INVESTMENT (LEVERAGED)

Total Fund return for 2018, expressed as a percentage of the NAV based on the INREV Guidelines as at 1 January 2018, was 21.6% (2017: 19.7%). This return comprises an income return of 3.4% and 18.2% 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 2018, was 4.3% (2017: 4.5%). Under the Terms and Conditions, the dividend yield target for Investors for the period 2012-2021 averages 4.0% per year. In 2018, the dividend yield was above target.

The graph above 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 an operational real estate level and ends on the right with the total return at a Fund level. The contribution of every single component is shown.

ESG POLICY

The ESG policy is focused on a directed and balanced implementation of Environmental, Social and Governance aspects in the management of the ARC Fund. As an investment fund with a client base of institutional investors and a large portfolio rented out to many households, the ARC Fund has a large social impact. In order to be successful as a socially responsible Fund in the long run, it is of great importance that the ARC Fund sets high standards for sustainability.

MATERIALITY ANALYSIS

A materiality analysis was conducted in 2017 in order to identify the most important themes for the ARC Fund. An extensive survey based on the GRI Standards, GRESB, the INREV guidelines and a peer analysis was sent to the stakeholders of the ARC Fund questioning the materiality of a wide range of themes. This resulted in a selection of 14 factors that were considered material for the ARC Fund as well as for its societal stakeholders. The Fund Manager determines several Key Performance Indicators (KPI's) for each of the most important ESG themes. See the annex on page 91 for the materiality matrix and material themes.

ESG TARGETS 2018

The material themes are central to the ESG policy of the ARC Fund, and are grouped by four sections. The ESG policy focuses in particular on those aspects that emerge as the most important from the survey. In order to achieve its targets and to check the ARC Fund's progress on a periodic basis, the Fund Manager determined several Key Performance Indicators (KPI's) for the most important ESG aspects per theme.

20. MATERIAL THEMES FOR THE ARC FUND

ECONOMIC ASPECTS	HOME COMFORT	INTERNAL OPERATIONS	ENVIRONMENTAL ASPECTS
• Generated economic value • Integrity and anti-corruption • Prevention of vacancy and occupancy rate • Compliance to legislation • Supply of sufficient high quality and affordable private sector homes • Shareholder rights	• Health and safety for inhabitants • Tenant satisfaction • Fire safety	• Training and education of staff • Fair marketing and communication	• Energy consumption and energy saving • Carbon emissions and climate change • Generation of renewable energy

ECONOMIC ASPECTS

Within the economic aspects, emphasis is placed on financial targets like dividend yield and vacancy rate as well as compliance requirements like ISAE 3402 Type II and AIFMD documents. These aspects are discussed in previous sections and will therefore not be included in this section. Instead, this section highlights the ARC Fund's position in the housing market by elaborating on the theme of 'Supply of sufficient high quality and affordable private sector rental homes'. Availability and affordability have become increasingly important over the past years as rental levels increase and supply is drying up.

By creating more supply in the mid-priced rental sector, the ARC Fund is contributing to the availability of homes. Since this segment is experiencing the most pressing shortage in supply, increasing the investment in the mid-priced segment makes both economical and societal sense. The portfolio of the ARC has grown by over 2,000 homes since the beginning in 2015. In addition, the commitments and pipeline of the ARC Fund consists of more than 3,200 new homes to be added to the portfolio over the coming years. The bulk part of new constructions, commitments and pipeline units are situated in regions with the highest scarcity in the mid-priced segment. The ARC Fund actively pursues the mid-priced segment by setting a minimum portfolio allocation of 75% to this segment. Currently, 84% of the ARC Fund's portfolio consist of homes with mid-priced rental prices.

The ARC Fund recognises the importance of affordable housing for key workers ("sleutelberoepen") in sectors such as healthcare and security. Whilst affordability in general is already high on the agenda, special attention will be given to the housing of key workers in local markets with the most pressing shortage in supply.

HOME COMFORT

The ARC Fund defines its tasks in home comfort by the themes 'Health and safety for inhabitants', 'Tenant satisfaction' and 'Fire safety'.

Within the home comfort section, (fire) safety is crucial to the ARC Fund, in the operation as well as in the acquisition of new properties. In addition to adhering to strict Dutch regulations (Building Decree), the ARC Fund demands from related parties that they should comply with high standards with respect to (fire) safety. Apart from fire safety, ensuring a healthy indoor climate for tenants is also an important issue and this subject will be discussed more extensively during the coming years.

In 2018, the ARC Fund incorporated the GPR score in the programme of requirements. The ARC Fund is refining its target by aiming to include a GPR score [1)] in each acquisition in 2019. As the GPR score contains an MPG-calculation (Milieu Prestatie Gebouwen), this will also increase insight into the consumption of energy. The MPG indicates the environmental impact of the materials used in a building.

The ARC Fund actively supports the establishment of tenants' associations in its properties. Tenants' associations provide a platform that represents tenant needs and will discuss daily management and service levels with the property managers on a regular basis. Tenants' associations can also give advice to the Fund Manager on more strategic issues.

Overarching the tenants' associations, there is the Amvest tenant platform, which celebrated its 20th anniversary in 2018. This 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 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.

1) GPR charts the sustainability of buildings based on an assessment of five themes: energy, the environment, health, quality of use and future value.

21. TENANT SATISFACTION

ASPECT	SCORES ARC FUND 2018	SCORES BENCHMARK 2018
Overall score	7.1	7.0
Quality of home	7.7	7.4
Living environment	7.4	7.4
Property Management	6.3	6.3
Repair requests	7.0	7.0
Complaints management	4.5	4.6

As tenant satisfaction is a direct result of the products the ARC Fund offers and how the ARC Fund offers them, this aspect is of great importance to the ARC Fund. With a score of 7.1 in 2018, the ARC Fund did not reach the targeted minimum grade of 7.5, but did outperform the IVBN tenant satisfaction benchmark (7.0).

The ARC Fund expects to improve the grade by actively engaging with the external property managers. As the property managers are the first point of contact for the tenants, they are of great impact to the tenants satisfaction score. The scores are available per manager, which makes it possible to monitor the performance for each property manager. The ARC Fund encourages the property managers to improve performance by providing customer service training sessions and sending mystery guests to assess the full customer journey. Additionally, performance on tenant satisfaction is included in the manager's targets, influencing their fee.

INTERNAL OPERATIONS

The internal operational process is a prerequisite for good performance of the ARC Fund. All employees related to the ARC Fund receive sufficient training and education in the field of residential investments in order to be able to manage the ARC Fund well and to maintain cooperation with the relevant stakeholders at an optimal level. Additionally, it is part of the strategy of the ARC Fund to share knowledge and remain innovative in the field of residential investments across its full breadth.

The marketing and communication process was improved further in 2018. The two main questions are 'Is our message attracting the target groups we intended?' and 'Is our product the right one for the target group?'. Those questions remain valid for the upcoming year as the product and the market continue to evolve. The ARC Fund wants to increase its responsiveness to the market by collecting data of the visitors at sales events and people who sign up for a home via the internet.

To increase the sophistication of the analysis, the data collected from our clients is combined with publicly available data for parameters like levels, household composition and car ownership. As the ARC Fund expects to improve the rental process further over the coming years, this theme remains relevant.

ENVIRONMENTAL ASPECTS

The environmental aspects are subdivided in the themes 'Energy consumption and energy saving', 'Carbon emissions and climate change', and 'Generation of renewable energy'.

The ARC Fund has a young portfolio. Consequently almost 80% of the homes in the ARC Fund portfolio have energy label A. The energy label is a good indication of energy efficiency. However, to concentrate on 'Energy consumption and energy saving', the ARC Fund wants to gain more insight into the consumption and generation of energy in all its assets. This insight is comprehensive for the common spaces, but for whole properties it is impossible to get a full insight, since the ARC Fund does not have access to smart meters of individual units because of privacy regulations. As a workaround the ARC Fund uses publicly available data about energy consumption at a postal code level. In order to further increase the ARC Fund's insight, the ARC Fund asks each new tenant for permission to read out the smart meter. Participating is voluntary due to AVG regulations.

In 2018 smart gas- and electricity meters have been installed for all common spaces placed or have been requested from the network companies. Additionally, a lot of effort was put into gathering the data in an online portal. This portal enables the Fund Manager to implement a dashboard which can be used for reporting on energy use per property. The information can also be used to alert tenants to the energy use and to plan further energy improvements of buildings (e.g. additional insulation or installation of solar panels).

Based on the data collected, the total carbon emission of the ARC Fund in 2018 was 30,762 tonnes. Like-for-like energy consumption decreased by 10.3%. This includes all properties where 12 months of full data is available for 2017 and 2018.

The reduction of carbon emissions and climate change is addressed by increasing the use of energy generated by solar panels and providing the option to buy green energy at a discount. The ARC Fund fitted out 636 homes with in total 5,048 solar panels in 2018 and has upgraded its target to 750 homes in 2019. The ARC Fund does not need approval from its current tenants to put panels on the roof since it is 'giving away' the installation. The financial return lies in the increase in value of the home and the higher market rental price.

In 2018, the properties in our portfolio consumed 3,123 MWh of renewable energy, lowering our carbon footprint by 1,290 tonnes of CO2. The direct landlord-obtained energy (common spaces) consists of 100% green energy. In our calculations, Amvest assumes that the tenant only consumes non-green energy (due to privacy regulation, Amvest is not able to retrieve this data).

For the common spaces the ARC Fund purchases green energy from the energy provider 'Green Choice'. For the residential units, the ARC Fund is currently examining the possibility of negotiating low energy prices by bundling energy demand.

The program of requirements for new projects includes a preference for the generation of renewable energy integrated in the property.

De Spakler, Amsterdam

STRUCTURE AND GOVERNANCE

STRUCTURE

Amvest Residential Core Fund is structured as a (semi) open fiscally transparent fund for joint account (FGR) with a broad institutional investor base. As such, the economic title to the Fund assets is held by the Investors pro rata to their investment. Amvest REIM B.V. is the Fund Manager and Amvest RCF Custodian B.V. is the custodian. The ARC Fund's legal structure can be found in the Annexes.

TERM, INVESTORS, UNITS

Initial closing of the ARC Fund took place on 17 January 2012 with a 10-year term. Subsequently the term was extended to 17 January 2026.

After closing the ARC Fund was opened to new Investors, alongside Cornerstone Investors AEGON and PfZW. The Cornerstone Investors express their long-term commitment by retaining a minimal stake of at least EUR 200 million.

As at 31 December 2018, the ARC Fund has eighteen Investors and EUR 265 million of undrawn commitments. During 2018, 4,101 new units were issued amounting to EUR 121 million.

PARTNERSHIP WITH AMVEST DEVELOPMENT FUND

Amvest Development Fund B.V. (ADF) is one of the leading property developers in the Dutch residential market.

The ARC Fund has a Right of First Refusal (RoFR) agreement in place with ADF. This means that ADF has the obligation to offer all rental homes developed by ADF to the ARC Fund, granting the ARC Fund the right to acquire these rental homes, that are aligned with the ARC Fund investment strategy, at arm's length conditions.

ADF has extensive experience with integrated area development and complex co-development projects. Its expertise and link with long-term investment funds like the ARC Fund makes ADF an attractive development partner for municipalities and public-private partnerships.

FUND MANAGEMENT AND GOVERNANCE

The authorities and responsibilities of the ARC Fund are set out in the ARC Fund's fund documents: the Private Placement Memorandum 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.

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

For decisions as set out in the Terms and Conditions (such as the Portfolio Plan and larger acquisitions and sales), the Fund Manager will seek advice or approval from the Investment Committee, which consists of three independent experts in development, investment management and the Dutch residential market.
The Investment Committee and the Fund Manager held three formal meetings in 2018.

The Advisory Board also plays a key role. Its duties include supervising the handling of conflicts of interest, approving the Portfolio Plan, approving changes of the risk management policies and appointing the members of the Investment Committee. The Advisory Board met five times in 2018.

Several conference calls were held with both the Investment Committee and the Advisory Board.

Investors' Meetings were held twice in 2018.

COMPLIANCE

RISK & COMPLIANCE OFFICER

In 2018 Mr. Maarten van der Lienden was appointed as corporate Risk & Compliance Officer (RCO) of Amvest. Previously Mr. Van der Lienden was Director Finance and Risk of the Fund Manager and was succeeded by Mr. Niclas von der Thüsen as of 1 October 2018.

The RCO position is independent of the Fund Manager. The RCO coordinates and tests risk management procedures in cooperation with the Director Finance and Risk. This safeguards that the Fund Manager on behalf of the ARC Fund adequately manages, controls and reports on risks.

The RCO is not under the direct supervision of the operational line management, does not carry out any activities within line management and is compensated independently of the performance of the ARC Fund.

CORPORATE INTEGRITY, CODE OF CONDUCT

Integrity and customer due diligence are key elements of Amvest's compliance framework. Amvest maintains an internal complaints procedure as well as a confidant register and an incident reporting system that is reviewed by the external auditor. Corporate integrity is a recurring agenda item at the Management Board and Supervisory Board meetings of Amvest. At the ARC Fund level, the RCO attends the Management Team meeting at least 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 transactions are investigated and documented so that they can be checked for correctness, legality and integrity.

In 2018, like 2017, all employees of Amvest were asked to sign the internal Amvest Code of Conduct. The Code of Conduct is an inseparable 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 RCO acts as the central point of contact for all issues in the area of integrity. All required information will be made available to the RCO. If deemed necessary, the RCO can use the expertise of professional external advisors.

In 2018, 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.

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 and undertaken by external appraisers.

AIFMD AND DEPOSITARY

The ARC Fund (the AIF) and its Fund Manager (Amvest REIM B.V.) (the AIFM) are fully within the scope of the AIFM Directive. The Fund Manager has held an AIFM licence since 26 November 2014. Besides the ARC Fund the Fund Manager also manages the licensed Amvest Living & Care Fund.

The Fund Manager has appointed Intertrust Depositary Services B.V. to act as depositary for the ARC Fund and has entered into a depositary services agreement with the depositary for the benefit of the Fund and its Investors in accordance with article 4:37f AFS. The depositary is responsible for the supervision of certain aspects of the Fund's business in accordance with applicable law and the depositary services agreement.

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 is appropriate in relation to the potential risks.

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

At the close of every quarter, 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: (2,782 + 0 -/- 33) / 2,233 = 1.23 (2017: 1.23).

Leverage - commitment: (total of assets) / (INREV NAV).
Leverage - commitment ARC Fund: 2,782 / 2,233 = 1.25 (2017: 1.26).

DUTCH LAW

The AIFMD requires investment funds to prepare an annual report including Fund Manager report according to Dutch law. Certain requirements included in the law should be disclosed in the fund manager report. The ARC Fund complies with these requirements. Requirements that are not applicable due to the nature and structure of the ARC Fund are:

- disclosure on research and development (art 391.2 BW2) is not applicable due to nature of the Fund;
- disclosure on personnel developments (art 391.2 BW2) is not applicable as the Fund has no employees.

RISK MANAGEMENT

CORPORATE RISK STRATEGY AMVEST

Risk management is fully integrated in Amvest's strategic and operational processes.

Amvest's strategy focuses on two key activities:
- Dutch residential area and property development activities in strong economic regions; and
- 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.

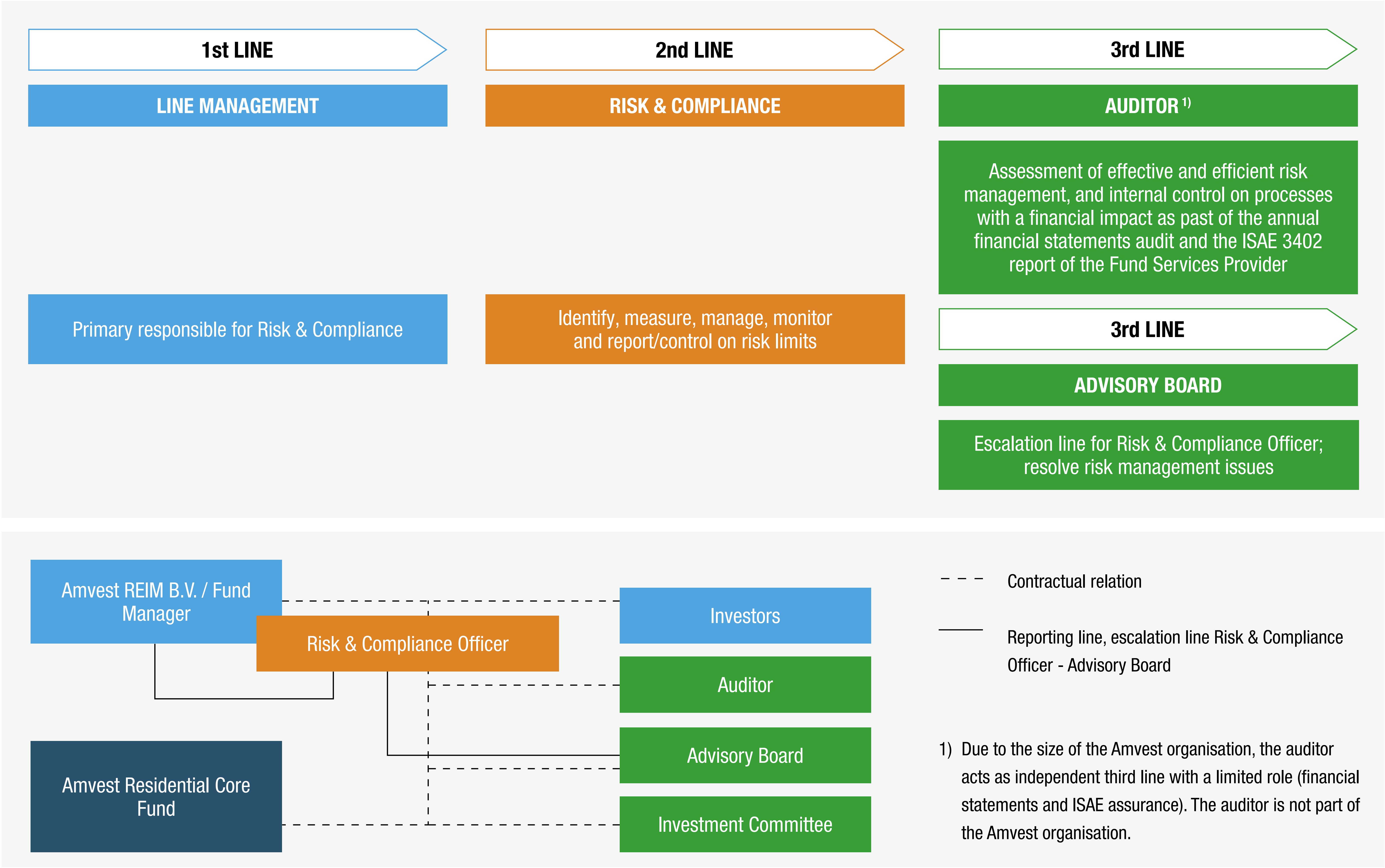
As part of this strategy, the 'Conflict of interest risk' is one of the risks that actively needs to be mitigated. In part, this risk is mitigated by the structure and governance of the ARC Fund (Terms and Conditions, RoFR Agreement, Portfolio Plan, etc.) and the oversight role from the auditor, the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

THREE LINES OF DEFENCE

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

Amvest group is committed to a strong culture of risk management in combination with using a three lines of defence model:

22. THREE LINES OF DEFENCE ARC FUND



- 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 (RCO; independent of line management).
- the third line of defence: escalation line and audit (Advisory Board and auditor respectively; both act independent of line and risk management and are not part of the Amvest organisation [1)]).

The three lines of defence model within the Amvest organisation is visualised in graph 22.

RISK AND ASSURANCE

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

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 performed internally several times a year and assurance on financial reporting processes is provided by an external auditor.

The process and framework are evaluated every year. Fund Management does this in close consultation with the Fund team, the Fund Services Provider and the external auditor of the ARC Fund.
For 2018 (1 December 2017 - 30 November 2018), a qualified ISAE 3402 type II report was issued, but did not include findings with respect to the financial reporting processes of the ARC Fund.

1) Due to the size of the Amvest organisation, the auditor acts as independent third line with a limited role (financial statements and ISAE assurance). The auditor is not part of the Amvest organisation.

RISK MANAGEMENT FRAMEWORK

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. Performance of the ARC Fund is assessed quarterly based on eleven defined risk categories. Assessment findings are reported in the quarterly Investor report by way of a dynamic Risk Management Dashboard.

IDENTIFIED RISKS OF THE ARC FUND

1. **Sales / rental risk:** the risk that a home or a property cannot be sold / rented out within the envisaged period at the targeted sales / rental price.
2. **Operational risk:** the risk that daily management (commercial, technical, administrative) is not performed in accordance with Fund documents, Service Level Agreements (SLA), management contracts and budgets. The risk arising from inadequate or failed operational processes and / or systems.
3. **Matching risk:** the risk that there is a mismatch between available liquidity and new investment opportunities.
4. **Financing risk:** the risk that the ARC Fund is unable to (re-) finance its portfolio at 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 (in the perception of Investors) is inadequately equipped (governance, checks and balances) to operate in the event of a conflict of interest, and / or the risk that a conflict of interest arises as a result of inadequate governance, checks and balances.
8. **Liquidity risk:** the risk that liquidity shortages occur due to lack of coordination (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 of the ARC Fund, including economic, political and demographic developments 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 assesses, monitors and reviews the risk management function, policy, framework and its risk appetite and limits on a yearly basis and reports on these matters to the Advisory Board and Investors of 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 2018, the Risk Management Framework was evaluated with the Advisory Board. The risks plotted on the impact/ probability map were adjusted accordingly.

EVALUATION 2018

In 2018, the risk limits set by the Fund Manager for the eleven risks were not exceeded, and are not likely to be exceeded in the short term.

In line with 2017, (local) political legislation designed to interfere in the residential investment market is still perceived as a significant risk, which could impact the ARC Fund's strategic risk. In 2018 the ARC Fund's pipeline remained relatively shielded from new regulations as agreements were made prior to any new legislation (municipal level) and the ARC Fund was able to source new projects selectively that were not affected by new regulations. As a consequence, strategic risk remained at the same level in 2018.

For the identified risk relating to mismatching and potential conflicts (incl. liquidity risk, valuation risk, conflict of interest risk), the ARC Fund is continuously improving its internal processes to safeguard against any negative impact from continued strong growth while increasing visibility of risks.

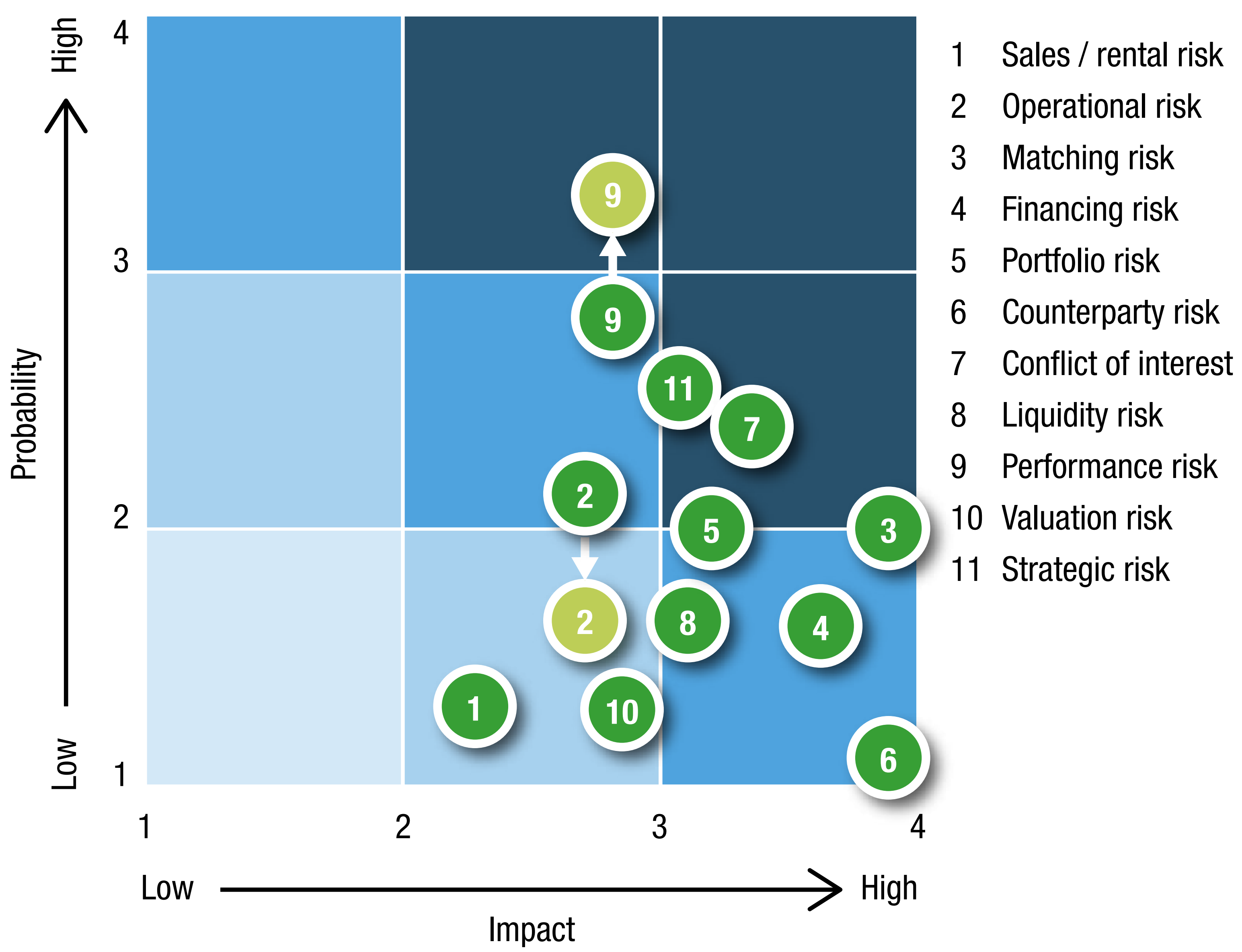
For liquidity a base case and a best estimate scenario on liquidity up to and including 2020 (the Portfolio Plan horizon) are being monitored. Uncalled commitments (EUR 265 million), the availability of undrawn debt (EUR 350 million) and the cash position (EUR 33 million) ensure that no liquidity issues are expected.

These risks therefore remained relatively stable during 2018.

Relevant changes concerning the identified risk factors can be summarised as follows:

- The performance risk (9) increased and is expected to remain significant. As a result of the low inflation and interest rate environment, the continuing upward revaluation of the portfolio is outpacing the annual rental growth. This increases the pressure on achieving the Fund's annual dividend yield target of a minimum 4%.

23. PLOTTED RISKS, (IMPACT/PROBABILITY)



- The substantial pipeline and resulting volume of completions creates an additional work load for the ARC Fund team. This operational risk (2) was mitigated during 2018 by expanding the commercial and support staff. Although no further adjustments are needed at present, the capacity of the existing organisation needs to be closely monitored going forward.
- Despite the increased funding need for growth of the portfolio pipeline, the matching risk (3) is still successfully mitigated by committed equity funding which is already in place. Depending on pipeline development going forward, new equity and debt funding will need to be arranged in order to ensure that the ARC Fund can sustain its funding needs without being overly dependent on asset sales.

IMPACT/PROBABILITY MAP

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 on the framework as well as the scores on risk limits. The graph on the left 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. This evaluation led to adjustments presented in the graph on the left (adjustments compared to the Risk Management Framework of the previous year).

Adjustments are clarified in the previous paragraph.

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 test results.

As at 31 December 2018, working capital (the balance of cash and cash equivalents, receivables and payables) amounts to EUR 1.4 million (negative). Also EUR 350 million (loan facility) is fully available within three working days.

Besides this, the ARC Fund also has undrawn capital commitments from Investors amounting to EUR 265 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.

PORTFOLIO FUNDING

LEVERAGE

As a result of significant positive revaluations of the ARC Fund's portfolio during 2018, the leverage level decreased to 18.2% as at 31 December 2018. Fund Management will continue to actively manage the leverage towards the target LTV ratio of 25%.

The existing debt funding position provides adequate funding flexibility while interest rate risk is kept at very low levels. Interest costs are at low levels while financial covenants are comfortably met.

EUR 850 MILLION LOAN FACILITY

In 2018 the Fund Manager secured a EUR 150 million loan facility increase of the ARC Fund's existing EUR 700M facility. The loan facility comprises EUR 500 million of term loans with a bullet repayment profile as well as a EUR 350 million revolving credit facility. The facilities are provided by a banking consortium of four banks, consisting of ABN AMRO Bank N.V. acting as Facility Agent, Deutsche Hypotheken Bank AG acting as Valuation and Security Agent, ING-DiBa AG and ING Bank N.V.

As at 31 December 2018, an amount of EUR 500 million in term loans have been drawn, while EUR 350M of the committed revolving credit facility remained undrawn and available on demand. As at year end the loan facility had a weighted average maturity of c. 6.5 years.

FINANCIAL COVENANTS

The terms of the loan facility comprise financial covenants, including a maximum loan to value of 40% and a minimum interest coverage ratio of 2.5 times. During 2018, the ARC Fund was performing well within the financial covenants of the loan facility.

SECURITY

The borrower ARC Fund grants security to its lenders. As at 31 December 2018 EUR 1.3 billion of the investment portfolio was encumbered with security rights in the form of mortgages. The security pool this provided was well within the agreed limits of the agreed loan to mortgage value of a maximum 50%.

INTEREST RATE RISK

The ARC Fund's policy is to limit interest rate risk exposure at reasonable costs, keeping the interest rate level low and at the same time retaining flexibility for future investments and divestments.

As at 31 December 2018 EUR 500 million of term loans had a fixed interest rate. EUR 290 million of term loans had a fixed annual interest rate of 1.218% up to 1.318% (depending on the LTMV ratio). EUR 60 million of term loans had a fixed annual interest rate of 1.596% up to 1.696% (depending on the LTMV ratio). The annual interest for the additional EUR 150 million of term loans was fixed at a rate of 1.733% up to 1.833% (depending on the LTMV ratio) until its maturity in 2026. The interest of the EUR 350 million revolving credit facility is floating based on 3-months Euribor plus a margin of 80 basis points. As the revolving credit facility was undrawn at year end, 100% of the interest rate risk was fixed.

Amsterdam, the Netherlands, 26 April 2019

H. W. Wensing, Fund Director
G.N. von der Thüsen, Director Finance and Risk
D. Wedding, Portfolio Manager

Residents' stories


AAT
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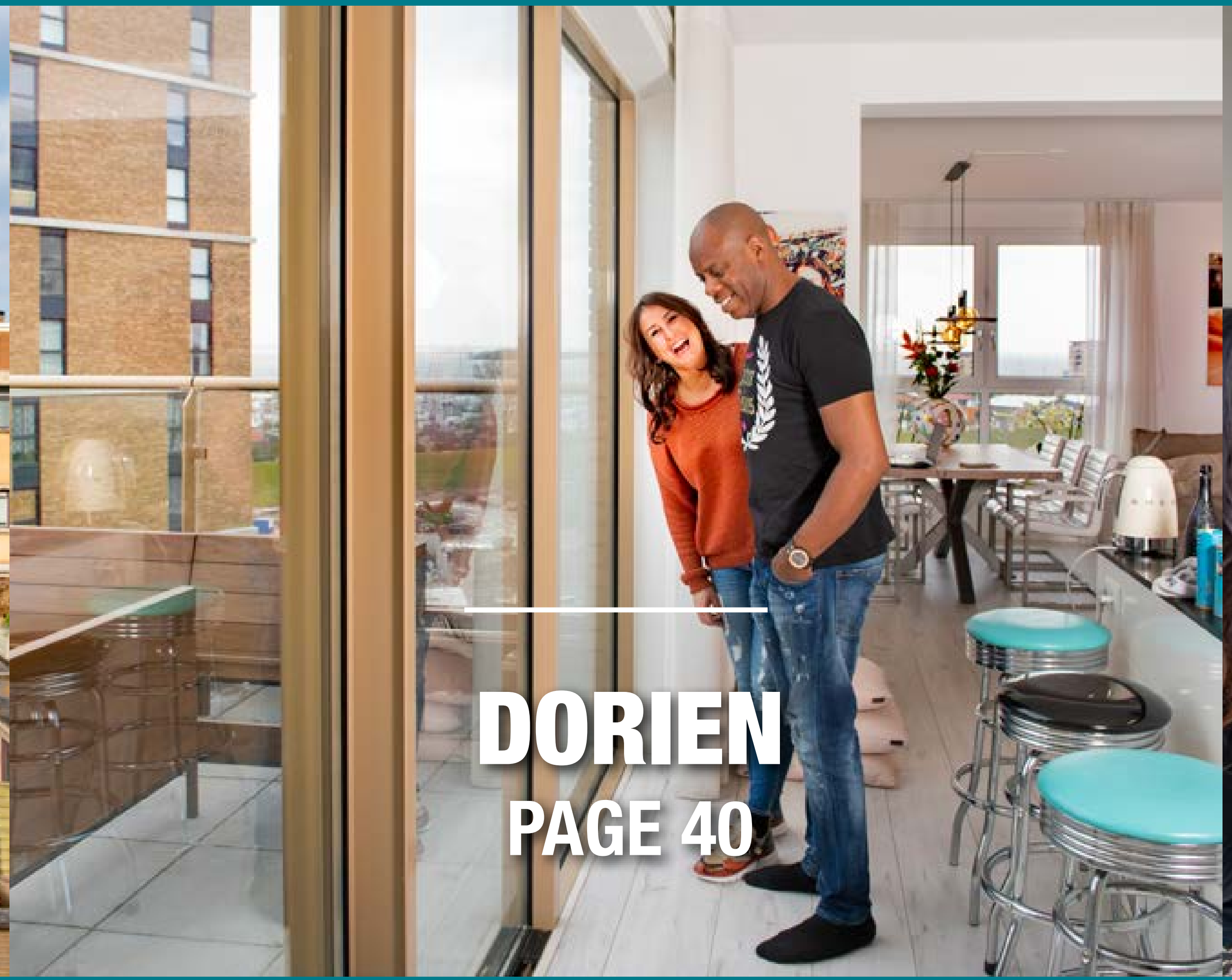
DORIEN
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PETER, NICOLINE, KASPER AND LOTTE
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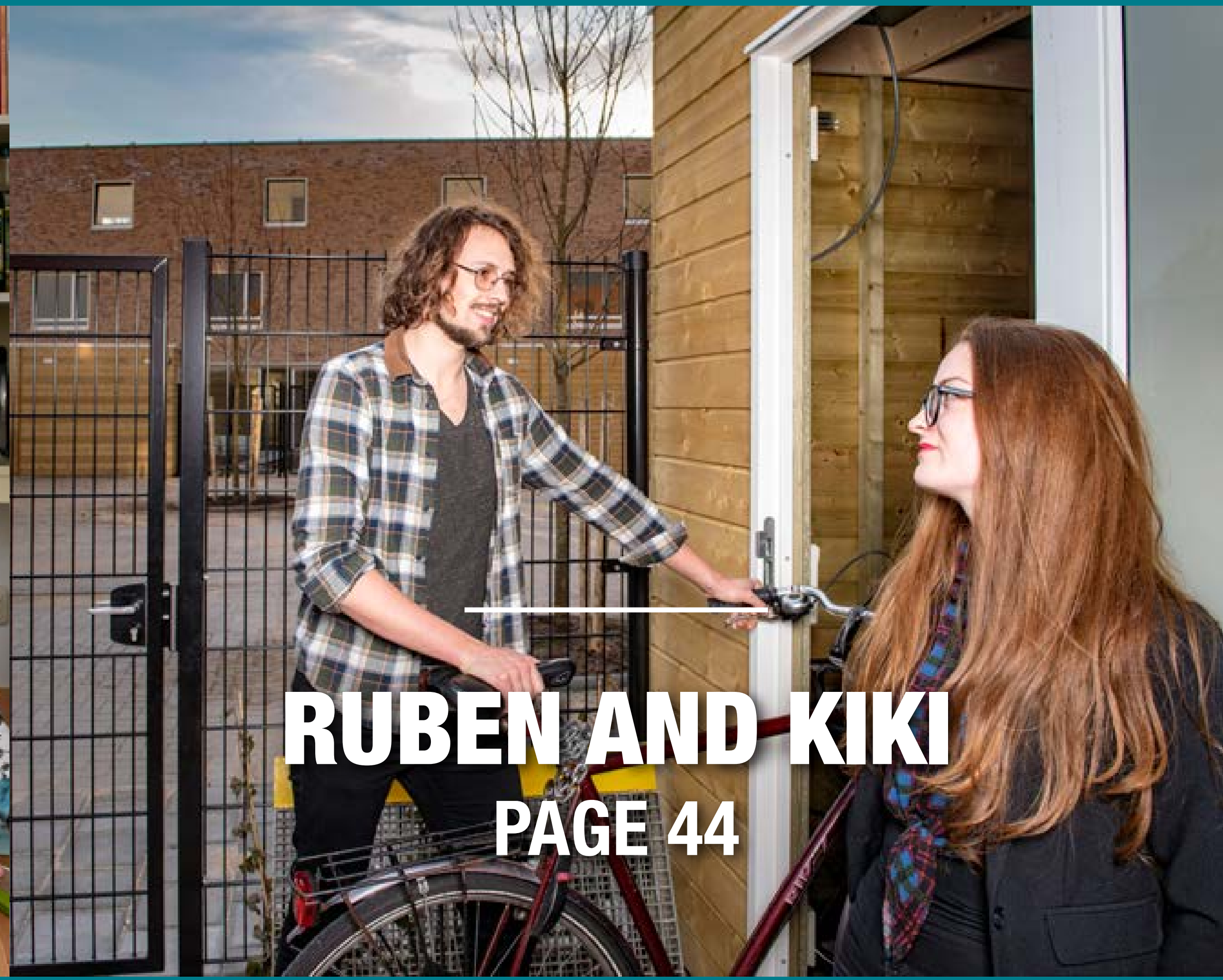

RUBEN AND KIKI
PAGE 44

You're a truck driver, IT specialist, teacher. You're not wealthy but you do want to live comfortably and with peace of mind. Preferably in an energy-efficient home, in an easily accessible location, in a leafy environment. And all without having to worry about maintenance. In that case, a mid-priced rental home is the solution.

Aat

resident 't Loo Voorburg

Aat (58) lives in ’t Loo since December 2018

‘IT’S LIKE BEING ON HOLIDAY HERE’

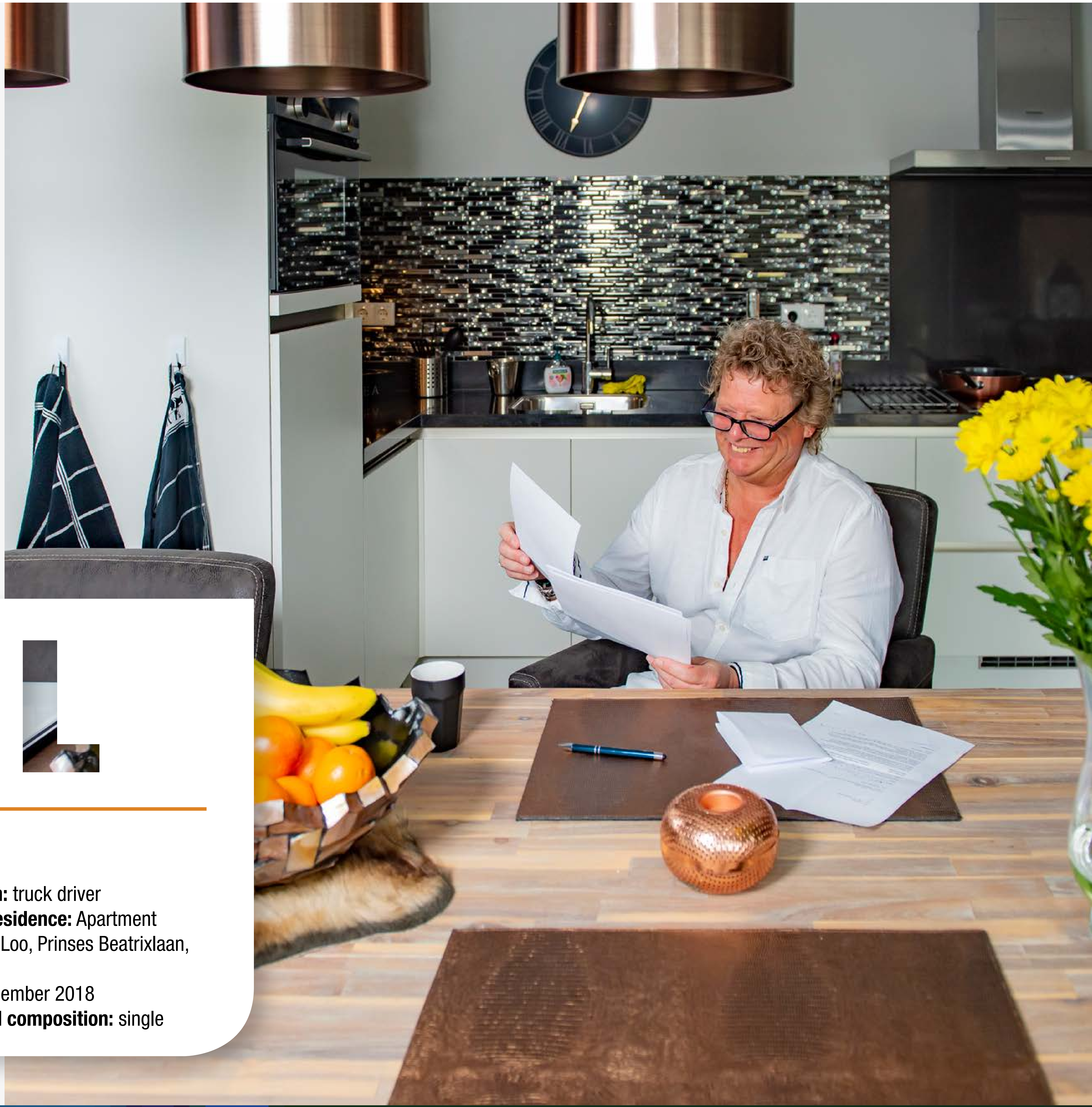
Aat is a truck driver, and drives heavy goods both in the Netherlands and abroad. So having a peaceful home is a real benefit, he thinks. Particularly when it’s in Voorburg, where he was born.

RATHER RENT

“After a long drive, it’s wonderful to have a quiet space at home. And that’s exactly what I have: a view over a park with a pond where the ducks swim back and forth. I deliberately chose to rent. I made quite a bit on my old house, but if you buy again then you pay top dollar as well. The great thing about renting is that you don’t have to worry about anything. As part of the contract, I got a dishwasher, a fridge, underfloor heating and even a private parking space.”

IDEAL PLACE TO LIVE

“The location of ’t Loo – with its shops, public transport and the A12 close by – is a big advantage. I’ve been lucky enough to find my ideal place to live. I hope that I’ll never leave unless it’s in a wooden box. With all the greenery and the animals, living here is like being on holiday!”



AAT (58)

Profession: truck driver
Place of residence: Apartment complex ’t Loo, Prinses Beatrixlaan, Voorburg
Since: December 2018
Household composition: single

Dorien

resident Het Anker Almere Poort

Dorien (45) lives in DUIN since April 2017

'IT'S ALMOST LIKE I LIVE BY THE SEA'

She loves water. Which is why DUIN, with its location on the IJmeer, is exactly what she was looking for. And on the seventh floor – because then you get the evening sun on your balcony.

A

DORIEN (45)

Profession: owner of Shoptalent/ HQtalent, retail recruitment agencies
Place of residence: Het Anker, Zeeduinweg, Almere Poort
Since: April 2017
Household composition: single

GORGEOUS VIEW

"Water makes me calm. Of course, I'd prefer to live by the sea – but the Zeeduinweg comes a close second, haha. I have a gorgeous view of the lake from my balcony, which also catches the evening sun. The beach and the marina are within walking distance, and there are two beach bars as well. So when I heard about this project, I immediately wanted to find out who was managing the rentals."

NO MORE TRAFFIC JAMS

"I work in Diemen. By car, it takes me fifteen minutes. Since the A6 and the A1 have been enlarged, there are virtually no traffic jams. The nice thing about living in DUIN is its diversity – young people, families with children, and elderly people all live here. In the future, I see myself buying a house; there are two complexes with places for sale right on the water – that would suit me perfectly."

Peter, Nicoline Kasper & Lotte

residents Buizerdlaan Ypenburg (The Hague)

Peter (56) and Nicoline (56) live in Ypenburg since 2000

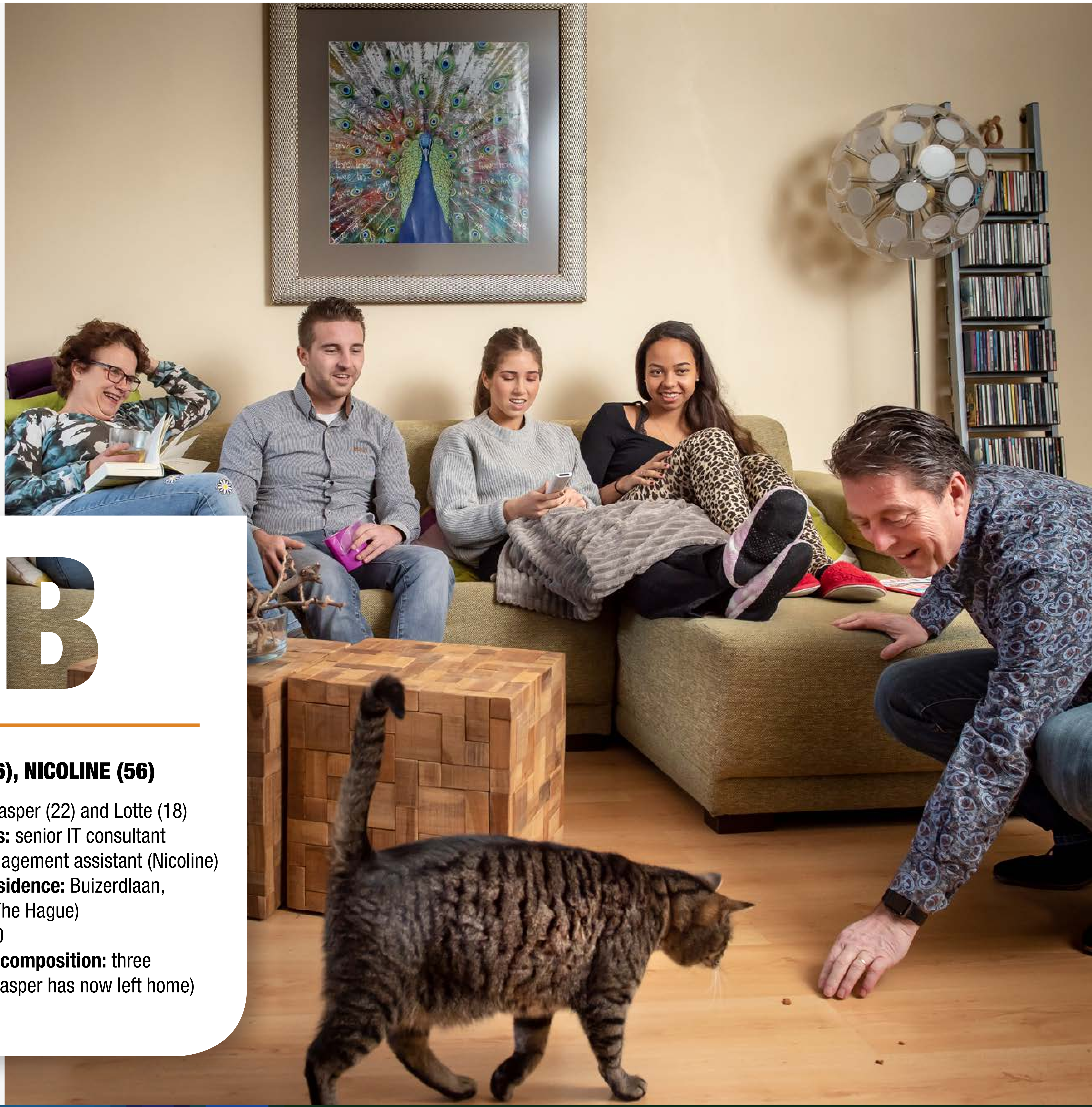
‘WHEN LOTTE’S HOME, THERE’S LOTS OF SINGING’

EXTENSION

“When Kasper was four and Lotte arrived, our previous house was too small. Buying a place wasn’t going to work at the time, so we saw this house as a temporary solution. But we’re still here! It’s a peaceful neighbourhood, very green, with good transport connections. The nice thing about this house is that it’s on a corner – it has an extension of four square meters, which makes it just that little bit more spacious. Although we’d like to buy a place, the great thing about renting is that you don’t have to do the majority of the maintenance work yourself.”

LIVING SMALLER

“Kasper still stops by regularly, and Lotte often has her friend Keanu over to visit. When that happens, there’s a lot of singing in the house. When Lotte leaves home too, we’d rather move somewhere smaller. Otherwise we’re just gathering dust. But lots of apartments are at least as expensive as this house. So, Amvest: please build affordable small apartments!”



B

PETER (56), NICOLINE (56)

Children: Kasper (22) and Lotte (18)
Professions: senior IT consultant (Peter), management assistant (Nicoline)
Place of residence: Buizerdlaan, Ypenburg (The Hague)
Since: 2000
Household composition: three residents (Casper has now left home)

Ruben & Kiki

residents **Presikhaaf** Grevelingen, Arnhem

RUBEN (27) AND KIKI (25)

Profession: emissions consultant / radiology lab technician
Place of residence: Presikhaaf, Grevelingen, Arnhem
Since: March 2019
Household composition: couple

Ruben (27) and Kiki (25) live in Presikhaaf since March 2019

‘WHO KNOWS – MAYBE WE CAN BUY THIS HOUSE SOMEDAY’

Their previous house was old, cold and dark. For only a little extra rent, Ruben and Kiki now live in a much larger and more comfortable home in Presikhaaf. Now they can really settle down.

TURKISH BAKER

“Before, we only had two rooms. The house was old, badly insulated, cold and dark. For EUR 100 each extra per month, we’ve now got three floors to ourselves – much more comfortable. The neighbourhood is great – very diverse, with rental homes and owner-occupied homes right next door to each other. There’s even a Turkish baker within walking distance and the Veluwe national park is close by.”

SETTLING DOWN

“In the next few years, we’re planning to settle down here. We’re getting two cats in any case!” Renting was not a fundamental choice, says Ruben. “But I’ve only just graduated and I don’t yet have a permanent contract. To buy somewhere, we’d have had to save up for much longer, but we really wanted to get out of our previous place. Who knows, maybe someday we’ll buy – this house, if we can.”

FINANCIAL STATEMENTS 2018

Hartje Eindhoven, Eindhoven, 2013

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

EUR X 1,000	NOTES	2018	2017
Income from investments			
Gross rental income	1	98,647	85,995
Service charges income		3,978	-
Operating costs	2	(19,930)	(18,264)
Service charges costs		(4,098)	-
Net rental income		**78,597**	**67,731**
Realised capital gains on investments	3	16,484	11,556
Unrealised capital gains on investments	4	311,942	220,014
Net gains on investments		**328,426**	**231,570**
Changes provision for onerous contracts	5	206	101
Management expenses	6	(9,574)	(8,523)
Result from operating activities		**397,655**	**290,879**
Financial income and expenditures	7	(7,247)	(5,923)
Total profit for the period		**390,408**	**284,956**

The notes are an integral part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Before appropriation of the profit of the year

EUR X 1,000	NOTES	31-12-2018	31-12-2017
ASSETS			
Non-current assets			
Investment property	8	2,261,404	1,921,656
Assets under construction	9	468,852	277,646
		2,730,256	**2,199,302**
Current assets			
Trade and other receivables	10	4,114	6,125
Cash and cash equivalents	11	33,223	55,024
Assets held for sale	12	14,566	10,272
		51,903	**71,421**
Total assets		**2,782,159**	**2,270,723**

EUR X 1,000	NOTES	31-12-2018	31-12-2017
EQUITY AND LIABILITIES			
Equity (attributable to the investors)			
Capital contributions	13	70	66
Share premium reserve	14	1,242,485	1,200,048
Retained earnings	15	595,869	310,913
Total comprehensive income of the period		390,408	284,956
		2,228,832	**1,795,983**
Non-current liabilites			
Syndicated loan	16	500,000	440,000
Provision for onerous contracts	17	-	206
		500,000	**440,206**
Current liabilities			
Trade and other payables	18	53,327	34,534
Total equity and liabilities		**2,782,159**	**2,270,723**

The notes are an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

EUR X 1,000	NOTES	CAPITAL CONTRI-BUTIONS	SHARE PREMIUM RESERVE	RETAINED EARNINGS	PROFIT OF THE YEAR	TOTAL EQUITY
2018						
Balance as at 1 January 2018		66	1,200,048	310,913	284,956	1,795,983
Profit of the year					390,408	390,408
Capital contributions	13	4	(4)			-
Subscriptions	14		120,691			120,691
Retained earnings	15			284,956	(284,956)	-
Total comprehensive income for the year attributable to Investors of the ARC Fund		**4**	**120,687**	**284,956**	**105,452**	**511,099**
Transactions with Investors of the ARC Fund						
- Redemptions			-			-
- Dividend			(78,250)			(78,250)
		4	**42,437**	**284,956**	**105,452**	**432,849**
Balance as at 31 December 2018		**70**	**1,242,485**	**595,869**	**390,408**	**2,228,832**

EUR X 1,000	NOTES	CAPITAL CONTRI-BUTIONS	SHARE PREMIUM RESERVE	RETAINED EARNINGS	PROFIT OF THE YEAR	TOTAL EQUITY
2017						
Balance as at 1 January 2017		62	1,138,394	147,696	163,217	1,449,369
Profit of the year					284,956	284,956
Capital contributions	13	7	(7)			-
Subscriptions	14		190,767			190,767
Retained earnings	15			163,217	(163,217)	-
Total comprehensive income for the year attributable to Investors of the ARC Fund		**7**	**190,760**	**163,217**	**121,739**	**475,723**
Transactions with Investors of the ARC Fund						
- Redemptions		(3)	(64,356)			(64,359)
- Dividend			(64,750)			(64,750)
		4	**61,654**	**163,217**	**121,739**	**346,614**
Balance as at 31 December 2017		**66**	**1,200,048**	**310,913**	**284,956**	**1,795,983**

The notes are an integral part of these financial statements.

CONSOLIDATED CASH FLOW STATEMENT

EUR X 1,000	NOTES		2018		2017
Cash flows from operating activities					
Total comprehensive income of the period		390,408		284,956	
Adjustments for					
- Changes in fair value of investments		(311,942)		(220,014)	
- Changes in provision for onerous contracts		(206)		(101)	
- Results on sale of investments	3	(16,484)		(11,556)	
- Net financial income and expenditures	7	7,247		5,923	
Operating cash flow before change in working capital			**69,023**		**59,208**
Change in					
- Trade and other receivables		2,011		14,242	
- Trade and other payables		5,361		781	
Change in working capital			**7,372**		**15,023**
Paid interest		(6,901)		(5,584)	
Received interest		-		802	
			(6,901)		**(4,782)**
Net cash flow from operating activities			**69,494**		**69,449**
Cash flows from investing activities					
Investments in completed investment property	8	(67)		(118,142)	
Investments in capitalised subsequent expenditure in investment property		(6,730)		(2,068)	
Divestments of investment property and assets held for sale		73,753		69,771	
Prepayments for assets under construction		(291,177)		(221,644)	
Results on sale of investments		16,484		11,556	
Net cash flow from investing activities			**(207,737)**		**(260,527)**

EUR X 1,000	NOTES		2018		2017
Cash flows from financing activities					
Increase / (decrease) in capital contributions	14	120,691		190,761	
Redemption of units	14	-		(64,356)	
Dividend paid to Investors		(64,250)		(64,250)	
Proceeds from loans and borrowings	16	60,000		150,000	
Net cash flow from financing activities			**116,441**		**212,155**
Net increase / (decrease) in cash and cash equivalents			**(21,801)**		**21,078**
Cash and cash equivalents at the beginning of the period			55,024		33,946
Cash and cash equivalents at end of the period			33,223		55,024
Net increase / (decrease) in cash and cash equivalents			**(21,801)**		**21,078**

The notes are an integral part of these financial statements.

ACCOUNTING PRINCIPLES AND COMMON NOTES TO THE FINANCIAL STATEMENTS

1 REPORTING ENTITY

The Amvest Residential Core Fund (the Fund) consists of two combined funds for joint account domiciled in the Netherlands. The Fund operates as a fund under the laws of the Netherlands. The address of the Fund's registered office is Zeeburgerkade 1184, 1019 VK, Amsterdam. The Fund is an investment fund investing in a diversified portfolio of residential rental properties located in the Netherlands. On 17 January 2012, the 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.

On 26 November 2014, an AIFMD licence was granted by the AFM. The licence was granted to Amvest REIM B.V. being 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.

The Fund is not a legal entity. These financial statements represent the consolidated financial information of the Fund and the companies it economically controls (together: ARC Fund).

Management considered whether the ARC Fund represent a reporting entity. Although no legal parent company exists, management believes that the ARC Fund including economically controlled companies meets the definition of a reporting entity under IFRS, taking into account the revised conceptual framework issued by the IASB on 29 March 2018. The conceptual framework states that if a reporting entity is not a legal entity, the boundary of the reporting entity needs to be set in such a way that the financial statements: (a) provide the relevant financial information needed by the existing and potential investors, lenders and other creditors who rely on the financial statements; and (b) faithfully represent the economic activities of the entity.

The ARC Fund represents a defined area of economic activities whose financial information provides relevant information to users of financial statements.

As a result management believes that this basis of preparation results in a true and fair presentation of the ARC Fund's financial position, financial performance and cash flows, and that the consolidated financial statements comply in all material aspects with International Financial Reporting Standards as endorsed by the European Union and Part 9 of Book 2 of the Dutch Civil Code and the Financial Supervision Act (wft art 4:85).

In addition, based on the requirements of Part 9 of Book 2 of the Dutch Civil Code, the ARC Fund prepared the 2018 separate financial statements for The Amvest Residential Core Fund. These financial statements are included in the final section of this report.

The financial statements were authorised for issue by the Fund Manager on 26 April 2019.

2 BASIS OF PREPARATION

(A) BASIS FOR CONSOLIDATION

The consolidated financial statements comprise the financial statements of the Fund and the companies it controls as at 31 December 2018. Subsidiaries are fully consolidated from the date of acquisition, being the date on which the ARC Fund obtained control, and continues to be consolidated until the date when such control ceases. The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies.

The following entities are included in the consolidated financial statements:

- the Amvest Residential Core Fund (FGR 1 and 2) – Parent entity
- Westflank ARC CV – 100%

All intra-group balances, transactions and unrealised gains and losses resulting from intra-group transactions are eliminated in full.

Subsidiaries are entities (directly or indirectly) controlled by the Fund. Control exists when the Fund is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Fund controls an investee if, and only if, the Fund has all of the following:

- power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee)
- exposure, or rights, to variable returns from its involvement with the investee
- the ability to use its power over the investee to affect its returns

Generally, there is a presumption that a majority of voting rights results in control. When the Fund has less than a majority of the voting, or similar, rights of an investee, it considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- the contractual arrangement(s) with the other vote holders of the investee
- rights arising from other contractual arrangements
- the ARC Fund's voting rights and potential voting rights

The relevant activities are those which significantly affect the subsidiary's returns. The ability to approve the operating and capital budget of a subsidiary and the ability to appoint key management personnel are decisions that demonstrate that the Fund has the existing rights to direct the relevant activities of a subsidiary.

The Fund re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Fund obtains control over the subsidiary and ceases when the Fund loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the date the Fund gains control until the date the Fund ceases to control the subsidiary.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the ARC Fund's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the ARC Fund are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the ARC Fund loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, non-controlling interest and other components of equity, while any resultant gain or loss is recognised in profit or loss.

Any investment retained is recognised at fair value.

(B) 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 2018 to these IFRS financial statements.

A number of new standards, amendments to standards, and interpretations are effective for annual periods beginning after 1 January 2019, and have not been applied in preparing these financial statements.

Of those standards that are not yet effective, IFRS 16 is expected to have a material impact on the balance sheet in the period of initial application.

IFRS 16 Leases

The ARC Fund is required to adopt IFRS 16 Leases from 1 January 2019 and assessed the estimated impact that initial application of IFRS 16 will have on its financial statements, as described below. The actual impact of adopting the standard on 1 January 2019 may change because a more detailed assessment on a contract level is still to be executed and the new accounting policies are subject to change until the ARC Fund presents its first financial statements that include the date of initial application.

IFRS 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the current standard – i.e. lessors continue to classify leases as finance or operating leases.

IFRS 16 replaces existing leases guidance, including IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases – Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease.

Leases in which the ARC Fund is a lessee

The ARC Fund will recognise new assets and liabilities for its leasehold agreements. The nature of expenses related to those leases will now change because the ARC Fund will recognise a depreciation charge for right-of-use assets and interest expense on lease liabilities. Previously, the ARC Fund recognised operating lease expense on a straight-line basis over the term of the lease, and recognised assets and liabilities only to the extent that there was a timing difference between actual lease payments and the expense recognised.

Based on the information currently available, the ARC Fund estimates that it will recognise additional lease liabilities of EUR 2.4 million as at 1 January 2019.

The ARC Fund does not expect the adoption of IFRS 16 to impact its ability to comply with the loan covenants.

Leases in which the ARC Fund is a lessor

No significant impact is expected for other leases in which the Group is a lessor.

Transition

The ARC Fund plans to apply IFRS 16 initially on 1 January 2019, using the modified retrospective approach. Therefore, the cumulative effect of adopting IFRS 16 will be recognised as an adjustment to the opening balance of retained earnings at 1 January 2019, with no restatement of comparative information. The ARC Fund plans to apply the practical expedient to grandfather the definition of a lease on transition. This means that it will apply IFRS 16 to all contracts entered into before 1 January 2019 and identified as leases in accordance with IAS 17 and IFRIC 4.

Other standards

The following amended standards and interpretations are not expected to have a significant impact:

- IFRIC 23 Uncertainty over Tax Treatments;
- Prepayment Features with Negative Compensation (Amendments to IFRS 9);
- Long-term Interests in Associates and Joint Ventures (Amendments to IAS 28);
- Plan Amendment, Curtailment or Settlement (Amendments to IAS 19);
- Annual Improvements to IFRS Standards 2015–2017 Cycle – various standards;
- Amendments to References to Conceptual Framework in IFRS Standards;
- IFRS 17 Insurance Contracts.

(C) BASIS OF ACCOUNTING

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;

(D) 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 euros has been rounded to the nearest thousand.

(E) 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.

(F) CHANGES IN SIGNIFICANT ACCOUNTING POLICIES

The ARC Fund has initially applied IFRS 15 and IFRS 9 from 1 January 2018. A number of other new standards are also effective from 1 January 2018 but they do not have a material effect on the ARC Fund's financial statements, including accounting principles and disclosures.
Due to the transition methods chosen by the ARC Fund in applying these standards, comparative information throughout these financial statements has not been restated to reflect the requirements of the new standards.
The effect of initially applying these standards is mainly attributed to the following:

Separate presentation of service charges and revenue; Even though service revenue is included in a contract as an advance that is settled after each year with every lessee, there is a possibility that a settlement does not completely cover the advances, resulting in the ARC Fund acting as a principal. As a result service advances are considered a separate performance obligation in a rental contract. Within IFRS 15 a principal should disclose service revenue and costs separately.
IFRS 9 has not resulted in any material effect on figures, but did impact on the accounting principles included in these financial statements.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaced IAS 18 Revenue, IAS 11 Construction Contracts and related interpretations. Under IFRS 15, revenue is recognised when a customer obtains control of the goods or services. Determining the timing of the transfer of control – at a point in time or over time – requires judgement. The ARC Fund has adopted IFRS 15 using the cumulative effect method (without practical expedients), with the effect of initially applying this standard recognised at the date of initial application (i.e. 1 January 2018).

Accordingly, the information presented for 2017 has not been restated – i.e. it is presented, as previously reported, under IAS 18, IAS 11 and related interpretations. Additionally, the disclosure requirements in IFRS 15 have not generally been applied to comparative information

The following table summarises the impact on the presentation of service revenue and charges for 2018. There was no impact on equity as per 1 January 2018.

IFRS 15 IMPACT PRESENTATION

EUR X 1,000	NOTE	AS REPORTED	ADJUSTMENTS	AMOUNTS WITHOUT ADOPTION OF IFRS 15
Service charges income		3,978	(3,978)	-
Operating costs	2	(19,930)	(120)	(20,050)
Service charge costs		(4,098)	4,098	-
Other		410,456	-	410,458
Profit for the period		**390,408**	**-**	**390,408**

IFRS 9 Financial Instruments

IFRS 9 sets out requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. This standard replaces IAS 39 Financial Instruments: Recognition and Measurement. There are no material effects on the figures presented by the ARC Fund.

Additionally, the ARC Fund has adopted consequential amendments to IFRS 7 Financial Instruments. This resulted in several changes to accounting policies as included in 3 Significant accounting policies and 6 Financial risk management.

(G) 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 includes all properties held to earn rentals and/or for capital appreciation, is initially accounted for at cost (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 statement of profit or loss and other comprehensive income for the period in which they arise.

Investment properties are derecognised when either they have 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, based on the MSCI guidelines. The portfolio was externally appraised in 2018 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 desktop valuation.

The appraisals are based on both the yield method (BAR/NAR) and a DCF calculation with an average discount rate of 5.8% (2017: 6.0%).

The yield method on MSCI 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:
- a clear turnkey contract;
- 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. Since this information is unavailable for unfinished property, the best estimate of the fair value is determined to be at cost unless the property is nearly completed. For Assets under construction which are nearly completed 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. When the fair value of the unrealised part of an asset under construction is expected to be lower than future prepayments according to the turnkey contract, a separate provision is recognised.

Assets under construction include prepayments incurred directly in relation to 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 when the construction is completed. At that 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

Financial assets and liabilities within the ARC Fund comprise of:

- **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 transaction price. 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.
- **Syndicated loan**
  Long-term liabilities are initially measured at fair value plus 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.

(i) Recognition and initial measurement

Trade receivables are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the ARC Fund becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at Fair Value through Profit or Loss (FVTPL), transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

(ii) Classification and subsequent measurement

Financial assets – Policy applicable from 1 January 2018

On initial recognition, a financial asset is classified as measured at: amortised cost; Fair Value through Other Comprehensive Income (FVOCI) – debt investment; FVOCI – equity investment; or FVTPL. Financial assets are not reclassified subsequent to their initial recognition unless the ARC Fund changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the ARC Fund may irrevocably elect to present subsequent changes in the investment's fair value in OCI. This election is made on an investment-by-investment basis.

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. On initial recognition, the ARC Fund may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial assets – Business model assessment: Policy applicable from 1 January 2018

The ARC Fund makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realising cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the ARC Fund management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how managers of the business are compensated – e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales for this purpose, consistent with the ARC Fund continuing recognition of the assets. Financial assets that are held for trading or are managed and whose performance is evaluated on a fair value basis are measured at FVTPL.

Financial assets – Assessment whether contractual cash flows are solely payments of principal and interest: Policy applicable from 1 January 2018

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the ARC Fund considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the ARC Fund considers:

- contingent events that would change the amount or timing of cash flows;
- terms that may adjust the contractual coupon rate, including variable-rate features;
- prepayment and extension features; and
- terms that limit the Group's claim to cash flows from specified assets (e.g. non-recourse features).

A prepayment feature is consistent with the solely payments of principal and interest criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable additional compensation for early termination of the contract. Additionally, for a financial asset acquired at a discount or premium to its contractual par amount, a feature that permits or requires prepayment at an amount that substantially represents the contractual par amount plus accrued (but unpaid) contractual interest (which may also include reasonable additional compensation for early termination) is treated as consistent with this criterion if the fair value of the prepayment feature is insignificant at initial recognition.

Financial assets – Subsequent measurement and gains and losses: Policy applicable from 1 January 2018

- **Financial assets at FVTPL**
  These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss.
- **Financial assets at amortised cost**
  These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.
- **Debt investments at FVOCI**
  These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss.
- **Equity investments at FVOCI**
  These assets are subsequently measured at fair value. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI and are never reclassified to profit or loss.

Financial assets – Policy applicable before 1 January 2018

The Group classified its financial assets into one of the following categories:

- loans and receivables;
- held to maturity;
- available for sale; and
- at FVTPL, and within this category as:
  - held for trading;
  - derivative hedging instruments; or
  - designated as at FVTPL.

Financial assets – Subsequent measurement and gains and losses: Policy applicable before 1 January 2018

- **Financial assets at FVTPL**
  Measured at fair value and changes therein, including any interest or dividend income, were recognised in profit or loss.
- **Held-to-maturity financial assets**
  Measured at amortised cost using the effective interest method.
- **Loans and receivables**
  Measured at amortised cost using the effective interest method.
- **Available-for-sale financial assets**
  Measured at fair value and changes therein, other than impairment losses, interest income and foreign currency differences on debt instruments, were recognised in OCI and accumulated in the fair value reserve. When these assets were derecognised, the gain or loss accumulated in equity was reclassified to profit or loss.

Financial liabilities – Classification, subsequent measurement and gains and losses

Financial liabilities are classified as measured at amortised cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognised in profit or loss. Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss.

(iii) Derecognition

Financial assets

The ARC Fund derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the ARC Fund neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

Financial liabilities

The ARC Fund derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire. The ARC Fund also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in profit or loss.

(iv) Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

(E) 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.

(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 turnkey contracts 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 OF FINANCIAL ASSETS

Policy applicable from 1 January 2018

The ARC Fund recognises loss allowances for ECLs on financial assets measured at amortised cost;

The ARC Fund measures loss allowances at an amount equal to lifetime ECLs, except for the following, which are measured at 12-month ECLs:

- bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

Loss allowances for trade receivables and contract assets are always measured at an amount equal to lifetime ECLs.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the ARC Fund considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the ARC Fund historical experience and informed credit assessment and including forward-looking information. The ARC Fund assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

The ARC Fund considers a financial asset to be in default when:

- the borrower is unlikely to pay its credit obligations to the ARC Fund in full, without recourse by the ARC Fund to actions such as realising security (if any is held); or
- the financial asset is more than 90 days past due.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.
12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive).

ECLs are discounted at the effective interest rate of the financial asset.

Credit-impaired financial assets

At each reporting date, the ARC Fund assesses whether financial assets carried at amortised cost are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.
Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or being more than 90 days past due;
- the restructuring of a loan or advance by the ARC Fund on terms that the ARC Fund would not consider otherwise;
- it is probable that the borrower will enter bankruptcy or other financial reorganisation.

Presentation of allowance for ECL in the statement of financial position

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

Write-off

The gross carrying amount of a financial asset is written off when the ARC Fund has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. For individual and corporate customers, the ARC Fund individually makes an assessment with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery. The ARC Fund expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the ARC Fund procedures for recovery of amounts due.

Policy applicable before 1 January 2018
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 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.

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

(i) Revenue from contracts with customers
The ARC Fund has initially applied IFRS 15 from 1 January 2018. The effect of initially applying IFRS 15 is described in (2F) Changes in significant accounting policies.

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.

Service charges income
Service charges relate to advances included in rental contracts.
Service advances charged to tenants during the year under review are recognised in profit or loss as Service charges income.
Service charges costs are the costs that can be directly allocated to the Service charges income.

(ii) 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 tax fees and other costs, including appraisal costs.

(j) Financial income and expenditures
Financial 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.

Financial 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 at different levels of the fair value hierarchy, then the fair value measurement is categorised at 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.

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.

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 Compliance, 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. An external auditor has tested this.

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 Services, Cushman & Wakefield, Dynamis Taxaties and MVGM Vastgoedtaxaties appraised all properties in the portfolio using both the yield method (BAR/NAR) and a DCF calculation in accordance with the MSCI 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 25% 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 2018 is EUR 593,000.

(ii) Interest rate risk

The ARC Fund is exposed to interest rate risk as the ARC Fund borrows funds at both fixed and floating interest rates.

As of 26 September 2016 the ARC Fund refinanced the old facility 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. As per 28 September 2018 the EUR 700 million loan facility was increased to a EUR 850 million loan facility and consists of a bullet part of EUR 500 million.

As at 31 December 2018, EUR 500 million of the EUR 850 million loan has been drawn. Reference is made to note 16.

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 2018.

The ARC Fund's policy is to manage exposure to rising interest rates.

(B) CREDIT RISK

Credit risk is the risk of financial loss to the ARC Fund if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the ARC Fund receivables from customers and investments in debt securities.

The carrying amounts of financial assets and contract assets represent the maximum credit exposure. Impairment losses on financial assets and contract assets recognised in profit or loss are included in relevant notes.

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 ARC 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 ARC Fund has no significant concentration of credit risk, with exposure spread over a large number of counterparties and customers.

Expected credit loss assessment as at 1 January and 31 December 2018

For trade receivables, the ARC Fund allocates each exposure to a credit risk grade based on historical data combined with information received from property managers.
For exposures within each credit risk grade an ECL rate is calculated based on delinquency status and actual credit loss experience over the past three years. These rates are multiplied by scalar factors to reflect differences between economic conditions during the period over which the historical data has been collected, current conditions and the ARC Fund's view of economic conditions over the expected lives of the receivables.

The ARC Fund held cash and cash equivalents of EUR 33,223 thousand at 31 December 2018 (2017: EUR 55,024 thousand). The cash and cash equivalents are held with bank, which is rated A, based on S&P ratings. Impairment on cash and cash equivalents has been measured on a 12-month expected loss basis and reflects the short maturities of the exposures. The ARC Fund considers that its cash and cash equivalents have low credit risk based on the external credit ratings of the counterparties. The Group uses a similar approach for assessment of ECLs for cash and cash equivalents to those used for trade receivables.

On initial application of IFRS 9, the ARC Fund did not recognise an impairment allowance. The amount of the allowance did not change during 2018.

(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 note16. 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 18.2%, while the maximum ratio as defined by the ARC Fund is 40.0%.
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.

REAL ESTATE SENSITIVITY ANALYSIS ARC FUND

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

	MOVEMENT IN GROSS CURRENT YIELD				
EUR X 1,000	-25 BPS	-12,5 BPS	0 BPS	+12,5 BPS	+25 BPS
As at 31 December 2018					
Market value property*	2,408,624	2,340,419	2,275,970	2,214,976	2,157,165
Gross current yield based on theoretical rent**	4.289%	4.414%	4.539%	4.664%	4.789%
Revaluation of investment property in EUR*	132,654	64,449	-	(60,994)	(118,805)
Revaluation of investment property in %*	5.8%	2.8%	-	(2.7%)	(5.2%)
Effect on total return	7.4%	3.6%	-	(3.4%)	(6.6%)
Loan-to-value***	17.4%	17.8%	18.2%	18.6%	19.0%

	MOVEMENT IN GROSS CURRENT YIELD				
EUR X 1,000	-25 BPS	-12,5 BPS	0 BPS	+12,5 BPS	+25 BPS
As at 31 December 2017					
Market value property*	2,036,463	1,982,819	1,931,928	1,883,584	1,837,601
Gross current yield based on theoretical rent**	4.620%	4.745%	4.870%	4.995%	5.120%
Revaluation of investment property in EUR*	104,535	50,891	-	(48,344)	(94,327)
Revaluation of investment property in %*	5.4%	2.6%	-	(2.5%)	(4.9%)
Effect on total return	6.2%	3.0%	-	(2.9%)	(5.6%)
Loan-to-value***	19.0%	19.5%	19.9%	20.4%	20.8%

* 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

EUR X 1,000	+1%	-1%
Interest debts	-	-
Interest derivatives	-	-
Total impact on net result	**-**	**-**

EUR X 1,000	+1%	-1%
Interest debts	(526)	526
Total impact on net result	**(526)**	**526**

C. UNDISCOUNTED AMOUNT BY CONTRACTUAL MATURITY OF FINANCIAL INSTRUMENTS

EUR X 1,000	< 1 YEAR	1-5 YEARS	> 5 YEARS
As at 31 December 2018			
Cash and cash equivalents	33,223		
Secured bank loans			(500,000)

EUR X 1,000	< 1 YEAR	1-5 YEARS	> 5 YEARS
As at 31 December 2017			
Cash and cash equivalents	55,024		
Secured bank loans			(440,000)

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

EUR X 1,000	LEVEL 1	LEVEL 2	LEVEL 3
2018			
Investment property, assets held for sale and assets under construction			2,744,822
Trade and other receivables		4,114	
Cash and cash equivalents	33,223		
Syndicated loan		(500,000)	
Trade and other payables		(53,327)	

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

EUR X 1,000	LEVEL 1	LEVEL 2	LEVEL 3
2017			
Investment property, assets held for sale and assets under construction			2,209,574
Trade and other receivables		6,125	
Cash and cash equivalents	55,024		
Syndicated loan		(440,000)	
Trade and other payables		(34,534)	

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

E. VALUATION TECHNIQUES USED IN MEASURING THE LEVEL 2 AND 3 FAIR VALUES AS WELL AS THE UNOBSERVABLE INPUTS USED

VALUATION TECHNIQUE	SIGNIFICANT UNOBSERVABLE INPUT	INTER-RELATIONSHIP BETWEEN KEY UNOBSERVABLE INPUTS AND FAIR VALUE MEASUREMENT
Investment property, assets held for sale and assets under construction		
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.	**Rental Value Capitalisation** • 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.	The estimated fair value carried out using the Rental Value Capitalisation method would increase (decrease) if: • 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).
	Discounted Cash Flow • 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 (mosty recent 10-year government bonds, plus a risk premium).	The estimated fair value carried out using the Discounted Cash Flow method would increase (decrease) if: • 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 (mosty recent 10-year government bonds, plus a risk premium) is lower (higher).
Trade and other receivables/payables		
Trade and other receivables/payables are measured at amortised cost using the effective interest method, less any impairment losses.	Effective interest	

NOTES TO THE FINANCIAL STATEMENTS 2018

NOTES TO THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

1 GROSS RENTAL INCOME

EUR X 1,000	2018	2017
Theoretical rental income	100,648	88,267
Incentives	(321)	(335)
Vacancy	(1,680)	(1,937)
Gross rental income	**98,647**	**85,995**

Theoretical rental income from residential properties (including parking spaces) represents EUR 97,382 thousand (2017: EUR 85,410 thousand) and commercial real estate income represents EUR 3,266 thousand (2017: EUR 2,857 thousand).

The nature of the theoretical rent has an indefinite duration because there are no fixed contract periods.

2 OPERATING COSTS

EUR X 1,000	2018	2017
Maintenance costs	(8,681)	(7,557)
Property management costs	(2,247)	(1,994)
Fixed charges	(4,633)	(4,069)
Letting expenses *	(1,126)	(1,184)
Service charges **	-	(135)
Contributions to owners associations	(3,036)	(3,056)
Other expenses	(207)	(269)
Operating costs	**(19,930)**	**(18,264)**

* In 2017 letting expenses related to tenant mutations are presented as maintenance costs

** In 2017 part of the service charges are presented as maintenance costs.
In 2018 the service charges are presented seperately in the P&L due to IFRS 15

In the fixed charges for 2018, an amount of EUR 570 thousand relates to the landlord tax (2017: EUR 654 thousand).

3 REALISED CAPITAL GAINS ON INVESTMENTS

EUR X 1,000	2018	2017
Proceeds from sales	90,236	81,327
Historical costs of properties sold	(64,939)	(68,474)
Realised gains on historical costs	**25,297**	**12,853**
Cumulative changes in fair value of properties sold	(8,813)	(1,297)
Realised capital gains on investments	**16,484**	**11,556**

4 UNREALISED CAPITAL GAINS ON INVESTMENTS

EUR X 1,000	2018	2017
Unrealised capital gains on investments	311,942	220,014
Unrealised capital gains on investments	**311,942**	**220,014**

5 PROVISION FOR ONEROUS CONTRACTS

EUR X 1,000	2018	2017
Provision for onerous contracts	206	101
Provision for onerous contracts	**206**	**101**

The provision for 2018 relates to the projects Utrecht Nijenoord and The Hague Koning Sophiestraat. The provision for 2017 relates to the projects Utrecht Nijenoord, Den Bosch Le Perron and The Hague Koning Sophiestraat.

6 MANAGEMENT EXPENSES

EUR X 1,000	2018	2017
Management fee Amvest REIM BV	(8,299)	(7,310)
Auditor's fee	(130)	(91)
Legal and tax expenses	(406)	(401)
Valuation expenses	(593)	(597)
Other expenses	(146)	(124)
Management expenses	**(9,574)**	**(8,523)**

Remuneration

Amvest REIM B.V. is the Fund Manager of the ARC Fund. The management fee paid for the year 2018 amounted to EUR 8,299 thousand (2017: EUR 7,310 thousand). In consideration of the management activities with respect to the ARC Fund, the Fund Manager receives an annual management fee, 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 2018, 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 16,286 (excluding VAT).

7 FINANCIAL INCOME AND EXPENDITURES

EUR X 1,000	2018	2017
Interest expenses on syndicated loan facility	(5,752)	(4,751)
Other expenses	(1,495)	(1,650)
Other income *	-	478
Financial income and expenditures	**(7,247)**	**(5,923)**

* In 2017 this is related to Scheveningseweg (The Hague)

NOTES TO THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

8 INVESTMENT PROPERTY

EUR X 1,000		2018		2017
At 1 January		1,921,656		1,445,804
Investments in completed investment property	67		118,142	
Transferred from assets under construction	162,214		243,523	
Investments in capitalised subsequent expenditure	7,238		1,860	
Divestments of investment property	(12,386)		(44,520)	
Transferred to assets held for sale	(66,945)		(27,513)	
Transferred from assets held for sale	1,284		1,995	
Fair value adjustments	248,276		182,365	
		339,748		**475,852**
At end of period		**2,261,404**		**1,921,656**

The ARC Fund's investment properties are appraised by independent professionally qualified appraisal experts, who provide an IFRS Level 3 valuation. There has been no change to the valuation technique during the year and there were no transfers between levels 2 and 3 during the year.

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 2018 is EUR 1,341,460 thousand (2017: EUR 1,344,134 thousand) (also see note 16).

9 ASSETS UNDER CONSTRUCTION

EUR X 1,000		2018		2017
At 1 January		277,646		264,823
Prepayments for assets under construction	289,754		218,697	
Transferred to investment property	(162,214)		(243,523)	
Fair value adjustments	63,666		37,649	
		191,206		**12,823**
At end of period		**468,852**		**277,646**

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.

10 TRADE AND OTHER RECEIVABLES

EUR X 1,000	31-12-2018	31-12-2017
Accounts receivable	1,120	2,287
Prepayments on borrowing costs	2,707	2,779
Amvest REIM BV	161	408
Other receivables and prepayments	126	651
	4,114	**6,125**

Borrowing costs for the syndicated loan amounted to EUR 2,707 thousand as at 31 December 2018 (2017: EUR 2,779 thousand). The capitalised expenses are amortised during the term of the loan facility. The ARC Fund management fee has been prepaid to the Fund Manager Amvest REIM B.V., during the year. Final settlement resulted in a restitution of EUR 161 thousand.

PROVISIONS ON ACCOUNTS RECEIVABLE

EUR X 1,000	2018	2017
At 1 January	370	361
Amounts written off	-	-
Increase / (decrease) in allowance	(100)	9
	(100)	**9**
At 31 December	**270**	**370**

All accounts receivable are non-interest bearing and are typically due within 30 days. As at 31 December 2018, receivables with a nominal value of EUR 270 thousand (2017: EUR 370 thousand) were impaired due to tenant defaults and were fully provided for. In 2018, no receivables were directly written off (2017: EUR 0).
The ARC Fund holds EUR 5,866 thousand (2017: EUR 5,117 thousand) as collateral by means of tenants' deposits (also see note 18).

11 CASH AND CASH EQUIVALENTS

EUR X 1,000	31-12-2018	31-12-2017
ABN AMRO Bank NV	33,223	55,024
Cash and cash equivalents	**33,223**	**55,024**

All balances are available on demand. Cash and cash equivalents serve as a pledge for the syndicated loan; reference is made to note 16.

12 ASSETS HELD FOR SALE

EUR X 1,000	2018	2017
At 1 January	10,272	10,005
Divestments of assets held for sale	(61,367)	(25,251)
Transferred to investment property	(1,284)	(1,995)
Transferred from investment property	66,945	27,513
	4,294	**267**
At end of period	**14,566**	**10,272**

As at 31 December 2018, 51 homes (2017:44) were actively being marketed, under offer, or conditionally sold to third parties, with all transactions expected to be finalised during 2019. The assessed fair value of these properties as at 31 December 2018 was EUR 14,566 thousand (2017: EUR 10,272 thousand).

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:

EUR X 1,000	31-12-2018 NO.OF PARTICIP. INTERESTS	31-12-2018 NOMINAL VALUE	31-12-2017 NO.OF PARTICIP. INTERESTS	31-12-2017 NOMINAL VALUE
Capital				
AEGON Levensverzekering N.V.*	21,819	22	21,001	20
PGGM Core Fund Participations B.V.	19,772	20	19,772	20
Investor A	456	-	456	-
Investor C	1,349	1	1,214	1
Investor D	3,278	3	3,278	2
Investor E	1,010	1	1,010	1
Investor F	844	1	709	1
Investor G	2,000	2	2,000	2
Investor H	2,710	3	2,710	3
Investor I	1,581	2	1,581	2
Investor J	1,430	1	1,396	1
Investor K	677	1	677	1
Investor L	7,684	8	6,568	5
Investor M	616	1	616	5
Investor N	410	-	410	-
Investor O	1,706	2	1,025	-
Investor P	1,706	2	1,025	-
Investor Q	1,261	1	757	-
	70,309	**70**	**66,205**	**66**

* In the second quarter of 2017 the former Investor AEGON Core Fund Participations BV merged

14 SHARE PREMIUM RESERVE

EUR X 1,000		2018		2017
At 1 January		1,200,048		1,138,394
Subscriptions	120,691		190,767	
Redemptions	-		(64,356)	
Transfer from/to capital	(4)		(7)	
Dividend paid to Investors	(78,250)		(64,750)	
		42,437		**61,654**
At end of period		**1,242,485**		**1,200,048**

For 2018, a total amount of EUR 78,250 thousand (2017: EUR 64,750 thousand) of the share premium reserve was distributed to the Investors, being the final dividend distribution for 2018. Within the share premium reserve, EUR 715,371 thousand is restricted from distribution due to cumulative net positive unrealised changes in the fair value of investment property (including assets held for sale) (2017: EUR 426,337 thousand).

15 RETAINED EARNINGS

EUR X 1,000		2018		2017
At 1 January		310,913		147,696
Total comprehensive income of the previous year	284,956		163,217	
		284,956		**163,217**
At end of period		**595,869**		**310,913**

The net result of 2017 was added to the retained earnings. The dividend distributed to the Investors has been deducted from the share premium reserve. Retained earnings only shows the total comprehensive income of prior years.

16 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. The carrying amount of the syndicated loan approximates the fair value, given the recent closing of the syndicated loan.

EUR X 1,000		2018		2017
At 1 January		440,000		290,000
Loans taken	60,000		150,000	
		60,000		**150,000**
At end of period		**500,000**		**440,000**

The key elements of the facility are mentioned below.

Principal amount	Initial amount: EUR 850 million (EUR 500m bullet, EUR 350m revolving)
Term	Bullet: 17 January 2026; revolving: initially 5 years with three extension options of 1 year
Lenders	Bullet: Deutsche Hypothekenbank (Security Agent, Valuation Agent) / ING Diba / ING N.V. / ABN AMRO (EUR 300m/EUR 100m / EUR 50m / EUR 50m)
	Revolving: ABN AMRO Bank (EUR 350m) (Facility Agent)
Interest period	3 months
Interest	Bullet EUR 290m: 1.218%-1.318% (depending on LTMV ratio);
	Bullet EUR 60m: 1.596%-1.696% (depending on LTMV ratio);
	Bullet EUR 150m: 1.733%-1.833% (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

LOAN SPECIFICATION

EUR X 1,000	PRINCIPAL 31-12-2018	RE-PAYMENTS < 1 YEAR	RE-PAYMENTS > 1 YEAR	END DATE	INTEREST MATURITY	EFFECTIVE INTEREST RATE	FIXED / FLOATING	FAIR VALUE
2018								
Counterparty								
Syndicated bullet loan	500,000	-	500,000	17 January 2026	Quarter	1.366%	fixed	500,000
Syndicated revolving credit facility	-	-	-	26 September 2022	Quarter	0.481%	floating	-
Total loans as at 31 December 2018	**500,000**		**500,000**					**500,000**

EUR X 1,000	PRINCIPAL 31-12-2017	RE-PAYMENTS < 1 YEAR	RE-PAYMENTS > 1 YEAR	END DATE	INTEREST MATURITY	EFFECTIVE INTEREST RATE	FIXED / FLOATING	FAIR VALUE
2017								
Counterparty								
Syndicated bullet loan	350,000	-	350,000	17 January 2026	Quarter	1.295%	fixed	350,000
Syndicated revolving credit facility	90,000	-	90,000	26 September 2022	Quarter	0.474%	floating	90,000
Total loans as at 31 December 2017	**440,000**		**440,000**					**440,000**

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 2018 was EUR 1,341,460 million (2017: EUR 1,344,134 million). As at 31 December 2018 the LTV ratio was 18.2% (2017: 19.9%), the LTMV ratio was 37.3% (2017: 32.7%).

COLLATERAL

EUR X 1,000	31-12-2018	31-12-2017
Investment property * mortgaged in relation to syndicated loan	1,341,460	1,344,134
Investment property * not mortgaged in relation to syndicated loan	934,510	587,794
	2,275,970	**1,931,928**

* 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 EUR 850 million loan facility agreement contains the following covenants:

COVENANTS

EUR X 1,000	COVENANTS	AS AT 31-12-2018
The loan-to-value ratio (including MtM value derivatives)	< 40%	18.2%
The loan-to-value mortgaged properties ratio	< 50%	37.3%
Ratio of net rental income to gross interest	> 2.5	10.9

As at 31 December 2018, there are no breaches of any of these covenants.

17 PROVISION FOR ONEROUS CONTRACTS

EUR X 1,000		2018		2017
At 1 January		206		307
Release/Dotation	(206)		(101)	
		(206)		**(101)**
At end of period		**-**		**206**

18 TRADE AND OTHER PAYABLES

EUR X 1,000	31-12-2018	31-12-2017
AEGON Levensverzekering N.V.	8,988	4,679
PGGM Core Fund Participations B.V.	8,278	4,405
InvestorA	191	102
InvestorC	541	271
InvestorD	1,372	730
InvestorE	423	225
InvestorF	329	158
InvestorG	837	446
InvestorH	1,135	604
InvestorI	662	352
InvestorJ	594	311
InvestorK	283	151
InvestorL	3,068	1,463
InvestorM	258	137
InvestorN	172	91
InvestorO	592	228
InvestorP	592	228
InvestorQ	437	169
	28,750	**14,750**
Tenants deposits	5,866	5,117
Accounts payable	3,397	5,562
VAT	18	10
Other payables and prepayments	15,296	9,095
	53,327	**34,534**

The amount of EUR 28,750 thousand consists of the distributions (dividend of the fourth quarter of 2018) to the Investors (2017: EUR 14,750 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 with related parties were made on terms equivalent to those that prevail in arms' length transactions.

RELATED PARTY TRANSACTIONS

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			
2018	(8,299)	-	-
2017	(7,310)	408	-
Other receivables and interest			
2018	-	161	-
2017	381	402	-
Acquisitions of completed investment property			
2018	-	-	-
2017	118,110	-	-
Prepayments on assets under construction			
2018	91,271	-	-
2017	46,249	-	(4,127)

FUND MANAGEMENT FEE

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

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 2018. 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 2018, the ARC Fund has obligations with respect to new investment property. The total amount with respect to these obligations for 2018 onwards adds up to EUR 519 million.

OFF-BALANCE SHEET RIGHTS

In 2018, the ARC Fund has not received any subscription forms (2017: 3 forms). The total amount of off balance sheet rights for 2018 amounts to EUR 265 million relating to existing commitments (2017: EUR 384 million).

ADDITIONAL NOTES

AUDITOR'S FEE

With reference to Sections 2:382a (1) and (2) of the Dutch 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.

AUDITOR'S FEE

EUR X 1,000	KPMG ACCOUNTANTS N.V. 2018	KPMG ACCOUNTANTS N.V. 2018	TOTAL KPMG 2018
2018			
Statutory audit of annual accounts	(130)	-	(130)
Other assurance services	-	-	-
Tax advisory services	-	-	-
Other non-audit services	-	-	-
	(130)	**-**	**(130)**

EUR X 1,000	KPMG ACCOUNTANTS N.V. 2017	KPMG ACCOUNTANTS N.V. 2017	TOTAL KPMG 2017
2017			
Statutory audit of annual accounts	(92)	-	(92)
Other assurance services	-	-	-
Tax advisory services	-	-	-
Other non-audit services	-	-	-
	(92)	**-**	**(92)**

SUBSEQUENT EVENTS

As per the end of March 2019, two new investors signed a subscription form for a commitment to the ARC Fund in the amount of EUR 75 million each. There were no other significant subsequent events at the reporting date that require reporting.

SEPARATE FINANCIAL STATEMENTS

Nijenoord, Utrecht, 2019

ACCOUNTING PRINCIPLES AND COMMON NOTES TO THE FINANCIAL STATEMENTS

ACCOUNTING POLICIES

The separate financial statements of the Amvest Residential Core Fund have been prepared in accordance with the requirements in Book 2, Part 9 of the Dutch Civil Code. The consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the EU. The accounting policies applied in the separate financial statements are identical to those applied in the consolidated financial statements in accordance with the option provided in Book 9, Part 2, Article 362.8 of the Dutch Civil Code. Subsidiaries and joint ventures (jointly the 'participating interests in group companies') are valued using the equity method, which is based on IFRS as adopted by the EU.

Pursuant to the option offered in Book 2, Part 9, Article 402 of the Dutch Civil Code, Amvest Residential Core Fund includes a summarized statement of profit or loss in its separate financial statements.

BASIS OF PREPARATION

The financial statements are presented in euros, rounded to the nearest thousand, unless stated otherwise. The euro is Amvest Residential Core Fund's reporting and functional currency.

SUMMARIZED SEPARATE STATEMENT OF PROFIT OR LOSS

EUR X 1,000	2018	2017
Result of associates after tax	-	-
Other result after tax	390,408	284,956
Total profit for the period	**390,408**	**284,956**

SEPARATE STATEMENT OF FINANCIAL POSITION

EUR X 1,000	NOTES	31-12-2018	31-12-2017
ASSETS			
Non-current assets			
Subsidiaries	A	18,237	-
Investment property		2,261,404	1,921,656
Assets under construction		450,615	277,646
		2,730,256	**2,199,302**
Current assets			
Trade and other receivables		4,114	6,125
Cash and cash equivalents		33,223	55,024
Assets held for sale		14,566	10,272
		51,903	**71,421**
Total assets		**2,782,159**	**2,270,723**

EUR X 1,000	NOTES	31-12-2018	31-12-2017
EQUITY AND LIABILITIES			
Equity (attributable to the investors)			
Capital contributions		70	66
Share premium reserve		1,242,485	1,200,048
Retained earnings		595,869	310,913
Total comprehensive income of the period		390,408	284,956
		2,228,832	**1,795,983**
Non-current liabilites			
Syndicated loan		500,000	440,000
Provision for onerous contracts		-	206
		500,000	**440,206**
Current liabilities			
Trade and other payables		53,327	34,534
Total equity and liabilities		**2,782,159**	**2,270,723**

Refer to notes included in consolidated statement of financial position for disclosures on line items included in separate statement of financial position.

A SUBSIDIARIES

The Amvest Residential Core Fund obtained economic control over Westflank ARC CV. The CV contains a construction site and is not leveraged. The construction site valuation is equal to the valuation of the subsidiary.

OTHER INFORMATION

Boterdiep, Groningen, 2002

INDEPENDENT AUDITOR'S REPORT

TO: THE FUND MANAGER OF AMVEST RESIDENTIAL CORE FUND

REPORT ON THE ACCOMPANYING FINANCIAL STATEMENTS

Our opinion

We have audited the financial statements 2018 of Amvest Residential Core Fund, based in Amsterdam. The financial statements include the consolidated financial statements and the company financial statements.

In our opinion:

- the accompanying consolidated financial statements give a true and fair view of the financial position of Amvest Residential Core Fund as at 31 December 2018 and of its result and its cash flows for 2018 in accordance with International Financial Reporting Standards as adopted by the European Union (EU-IFRS) and with Part 9 of Book 2 of the Dutch Civil Code;
- the accompanying company financial statements give a true and fair view of the financial position of Amvest Residential Core Fund as at 31 December 2018 and of its result for 2018 in accordance with Part 9 of Book 2 of the Dutch Civil Code.

The consolidated financial statements comprise:

1. the consolidated statement of financial position as at 31 December 2018;
2. the following consolidated statements for 2018: the statement of profit or loss and other comprehensive income, changes in equity and cash flow; and
3. the notes comprising a summary of the significant accounting policies and other explanatory information.

The company financial statements comprise:

1. the company balance sheet as at 31 December 2018;
2. the company profit and loss account for 2018; and
3. the notes comprising a summary of the accounting policies 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 Wet toezicht accountantsorganisaties (Wta, Audit firms supervision act), 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 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:

- About the Amvest Residential Core Fund
- Key highlights 2018
- Key figures 2018
- Report of the Fund Manager
- Other information pursuant to Part 9 of Book 2 of the Dutch Civil Code
- Annexes

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 Dutch 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 Dutch 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 Report of the Fund Manager, in accordance with Part 9 of Book 2 of the Dutch Civil Code, and other information pursuant to Part 9 of Book 2 of the Dutch Civil Code.

Description of the responsibilities for the financial statements

Responsibilities of the 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 Dutch 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 company'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. The Fund Manager should disclose events and circumstances that may cast significant doubt on the company'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 the 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 company 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 represent the underlying transactions and events in a manner that achieves fair presentation.

Because we are ultimately responsible for the opinion, we are also responsible for directing, supervising and performing the group audit. In this respect we have determined the nature and extent of the audit procedures to be carried out for group entities. Decisive were the size and/or the risk profile of the group entities. On this basis, we selected group entities for which an audit or review had to be carried out on the complete set of financial information or specific items.

We communicate with those charged with governance 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, 26 April 2019
KPMG Accountants N.V.

J.N. Vos RA

PROVISIONS IN THE ARTICLES OF ASSOCIATION GOVERNING THE APPROPRIATION OF PROFIT

Article 28 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 Dutch 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.

ANNEXES

Joost Banckertsplaats, Rotterdam, 2015

KEY FIGURES 2018

AMOUNTS IN EUR X MILLION	2018	2017	2016	2015	2014
Fund returns (as a percentage of the INREV NAV as at 1 January)					
Income return	3.4%	3.7%	3.6%	4.3%	4.4%
Capital gains	18.2%	16.0%	11.1%	9.2%	0.3%
Total return	**21.6%**	**19.7%**	**14.7%**	**13.5%**	**4.7%**
Dividend yield (dividend / INREV NAV as at 1 January)	4.3%	4.5%	4.1%	4.7%	4.7%
Dividend	78.2	64.8	45.0	43.1	37.3
Total comprehensive income of the year	390.4	285.0	163.2	123.7	37.4
Real estate returns (as a percentage of the average real estate portfolio value)					
Direct return (1)	3.7%	4.0%	4.3%	4.7%	4.5%
Indirect return by selling (2)	0.8%	0.7%	0.4%	0.4%	0.2%
Indirect return by value changes	11.8%	10.8%	7.1%	6.9%	0.1%
Total return	**16.3%**	**15.5%**	**11.8%**	**12.0%**	**4.8%**
Cash yield (= 1 + 2)	4.5%	4.7%	4.7%	5.1%	4.7%
Gross initial yield	4.7%	5.1%	5.5%	5.9%	5.9%
Real estate results					
Net rental income (1)	78.6	67.7	57.4	54.1	50.1
Realised capital gains (2)	16.5	11.6	5.0	4.1	2.3
Unrealised capital gains	311.9	220.0	118.2	80.0	0.7
Total capital gains	**328.4**	**231.6**	**123.2**	**84.1**	**3.0**
Total income	407.0	299.3	180.6	138.2	53.1
Cash (= 1 + 2)	95.1	79.3	62.4	58.2	52.4

AMOUNTS IN EUR X MILLION	2018	2017	2016	2015	2014
Balance sheet					
Investment property as at 31 December after revaluation	**2,261.4**	**1,921.7**	**1,445.9**	**1,203.8**	**1,105.9**
Assets under construction as at 31 December	468.9	277.6	264.8	73.5	1.8
Assets held for sale as at 31 December	14.6	10.3	10.0	3.9	5.3
Total property investments including assets under construction and assets held for sale	**2,744.8**	**2,209.6**	**1,720.7**	**1,281.2**	**1,113.0**
Total assets (balance sheet total)	**2,782.2**	**2,270.7**	**1,775.7**	**1,333.7**	**1,138.0**
Equity capital	2,228.8	1,796.0	1,449.4	1,063.8	841.0
Syndicated loan (drawn)	500.0	440.0	290.0	240.0	270.0
Financial income and expenditures	7.2	5.9	9.9 *	8.5	8.9

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

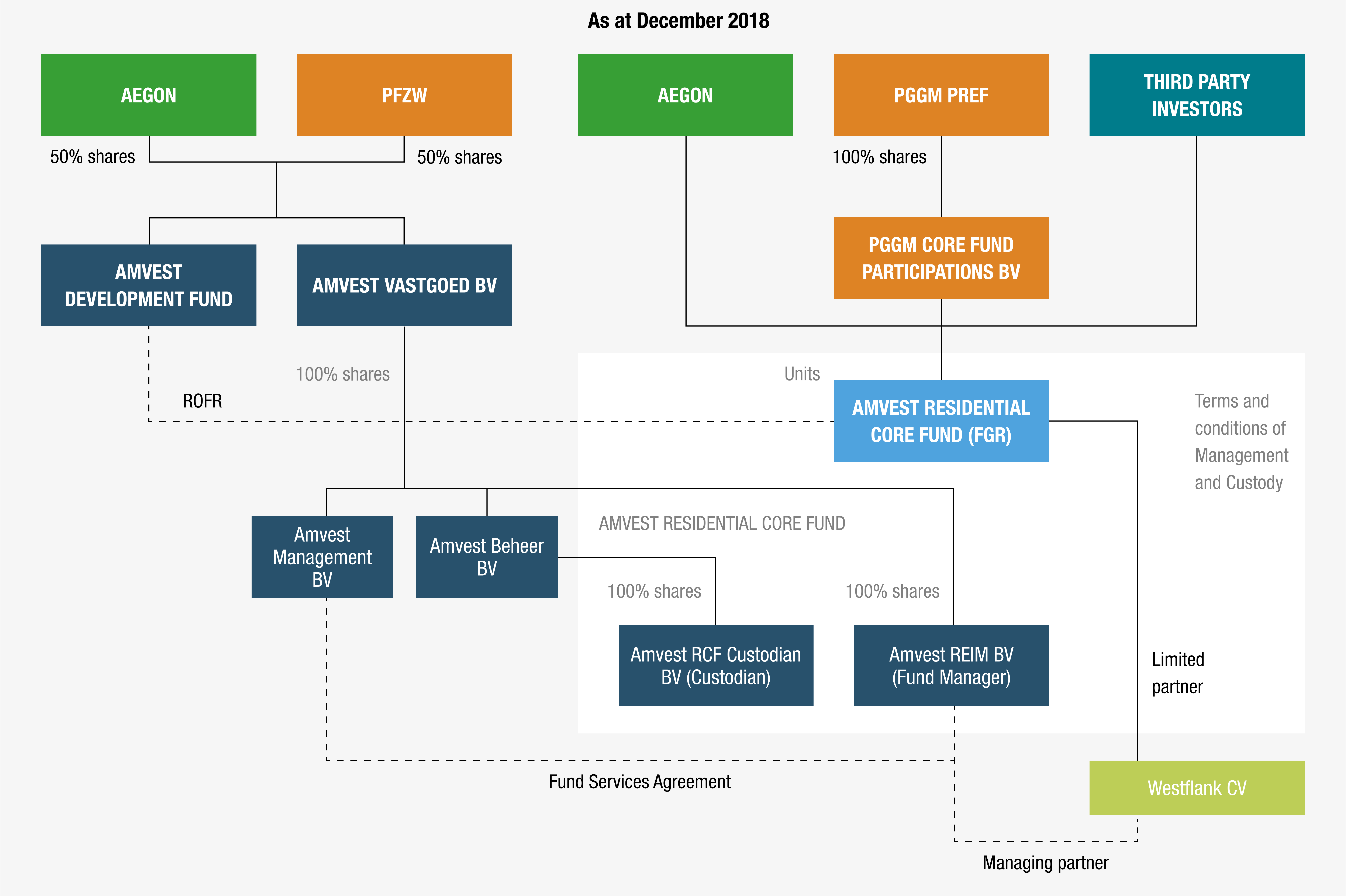
AMOUNTS IN EUR X MILLION	2018	2017	2016	2015	2014
Key indicators/ratios					
Equity capital divided by balance sheet total	80.1%	79.1%	81.6%	79.8%	73.9%
Long-term liabilities compared to total property investments (loan-to-value) (< 30.0%)	18.2%	19.9%	16.9%	18.7%	24.3%
Average interest rate on long-term liabilities (including costs and interest rate swaps)	1.3%	1.5%	3.9% *	3.4%	3.2%
Bank covenants (Loan from 26 September 2016)					
Long-term liabilities including MtM value IRS compared to total property investments (loan-to-value) (<40.0%)	18.2%	19.9%	16.9%		
Long-term liabilities compared to mortgaged property investments (loan-to-mortgage-value) (<50.0%)	37.3%	32.7%	27.5%		
Ratio of net rental income to gross interest (>2.5)	10.9	12.7	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%
Long-term liabilities compared to mortgaged property investments (loan-to-mortgage-value) (< 45.0%)				29.0%	39.9%
Net rental income+proceeds on sales-capital expenditures/interest on long-term liabilities (interest cover ratio) (> 3.0)				9.08	11.73
Occupancy rate (as a percentage of the theoretical rental income)	98.3%	97.8%	97.3%	96.3%	95.5%
Cost percentage excluding the landlord tax (as a percentage of the theoretical rental income)	19.4%	20.0%	20.5%	19.2%	20.6%
Cost percentage including the landlord tax (as a percentage of the theoretical rental income)	20.0%	20.8%	21.4%	20.1%	21.6%
INREV NAV as at 1 January	1,800.9	1,451.5	1,106.1 **	916.7 **	791.9
INREV NAV as at 31 December	2,232.5	1,800.9	1,451.5	1,064.2	841.7
Total Expense Ratio (TER) (INREV GAV) (management expenses / average INREV GAV)	0.38%	0.42%	0.50%	0.55%	0.57%
Total Expense Ratio (TER) (INREV NAV) (management expenses / average INREV NAV)	0.47%	0.52%	0.60%	0.69%	0.78%
Total Real Estate Expense Ratio (REER) (INREV GAV) (operating costs / average INREV GAV)	0.79%	0.90%	1.04%	1.15%	1.30%
Letting portfolio (number of homes)	8,055	7,804	6,743	5,976	5,921
MSCI property indexes ***					
All residential assets					
MSCI	18.6%	16.9%	15.2%	11.0%	5.2%
Amvest Residential Core Fund	18.4%	19.1%	12.7%	12.6%	5.1%

* Excluding the total cost for unwinding the interest rate swap contracts (EUR 2.9 million), the average interest rate would be 2.8%.

** As per 1 January 2016 new Investors joined the ARC Fund.

*** Until 2017 known as IPD property index.

LEGAL STRUCTURE



COMPOSITION OF THE PROPERTY PORTFOLIO

PROPERTY ASSETS

AMOUNTS IN EUR X MILLION	BOOK VALUE
Investment property	2,261
Assets held for sale	15
	2,276
Assets under construction	469
Total	**2,745**

COMPOSITION OF THE PORTFOLIO

AMOUNTS IN EUR X MILLION	NUMBER OF HOMES	BOOK VALUE
Residential portfolio (individually rented)	8,055	2,229
Commercial /other	-	47
Total	**8,055**	**2,276**

COMPOSITION OF THE RESIDENTIAL PORTFOLIO BY TYPE

AMOUNTS IN EUR X MILLION	NUMBER OF HOMES	BOOK VALUE
Single-family	2,812	756
Multi-family	5,243	1,473
Mixed	-	-
Total	**8,055**	**2,229**

COMPOSITION OF THE RESIDENTIAL PORTFOLIO BY REGION *

AMOUNTS IN EUR X MILLION	NUMBER OF HOMES	BOOK VALUE
Central Circle: Big Four	5,043	1,452
Central Circle: Remainder	2,437	641
Regional Economic Centres	478	109
Remaining Regions	97	25
Total	**8,055**	**2,229**

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

AMOUNTS IN EUR X MILLION	NUMBER OF HOMES	BOOK VALUE
Homes with a monthly rent below the rent control limit (1 January 2018: EUR 710.68)	522	102
Homes with a monthly rent above the rent control limit	7,533	2,126
Total	**8,055**	**2,229**

YIELD ACCORDING TO THE MSCI RESIDENTIAL INDEX

	ARC FUND TOTAL	MSCI TOTAL	ARC FUND SI**	MSCI SI**
Income return 2018	3.7%	3.4%	3.7%	3.7%
Capital growth 2018	14.2%	14.7%	12.2%	13.6%
Total return 2018*	**18.4%**	**18.6%**	**16.4%**	**17.8%**
Income return 3-year average	4.1%	3.8%	4.1%	4.1%
Capital growth 3-year average	12.1%	12.6%	10.4%	11.4%
Total return 3-year average*	**16.7%**	**16.9%**	**15.0%**	**15.9%**
Income return 5-year average	4.4%	4.1%	4.4%	4.3%
Capital growth 5-year average	8.7%	8.8%	7.5%	8.0%
Total return 5-year average*	**13.5%**	**13.3%**	**12.3%**	**12.6%**

* Income return, Capital growth and Total return are calculated seperately. 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 COMMITED PIPELINE BY RESIDENTIAL TYPE

AMOUNTS IN EUR X MILLION	NUMBER OF HOMES	BOOK VALUE
Single-family	79	19
Multi-family	3,098	931
Other	-	7
Total	**3,177**	**956**

COMPOSITION OF THE COMMITED PIPELINE BY REGION*

AMOUNTS IN EUR X MILLION	NUMBER OF HOMES	BOOK VALUE
Central Circle: Big Four	2,660	823
Central Circle: Remainder	517	133
Regional Economic Centres	-	-
Remaining Regions	-	-
Total	**3,177**	**956**

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

MATERIALITY MATRIX AND MATERIAL THEMES

MATERIALITY ANALYSIS

The ARC Fund attaches great value to corporate social responsibility and sustainable entrepreneurship. The Fund Manager believes that this can achieved by permanently adhering to the wishes and expectations of the stakeholders and society. In order to assess the interests of the tenants, investors, developers, maintenance companies, real estate managers and employees of the Fund Manager, a materiality analysis has been conducted. An extensive survey (based on the GRI Standards, GRESB, the INREV guidelines and a peer analysis) was sent to the stakeholders of the ARC Fund questioning the materiality of a wide range of themes and the performance of the Fund on these themes. The materiality survey was broadly composed, covered ESG factors and consisted of six sections:

- economic aspect;
- home comfort;
- social aspects;
- internal operations;
- environmental aspects;
- the living environment.

The output of the survey is reflected in a materiality matrix that shows which themes are material according to the external stakeholders and the employees of the Fund Manager. This matrix is drawn up in accordance with the guidelines of the Global Reporting Initiative (GRI), an independent international organization that set (inter alia) the Sustainability Reporting Standards (SRS). The GRI SRS are considered to be the worldwide standard in the field of sustainability reporting. In order to be able to report on sustainability, ESG factors should be fully embedded in the Fund's strategy.

In the materiality matrix, which is represented in graph 24, all themes are plotted on two axes:

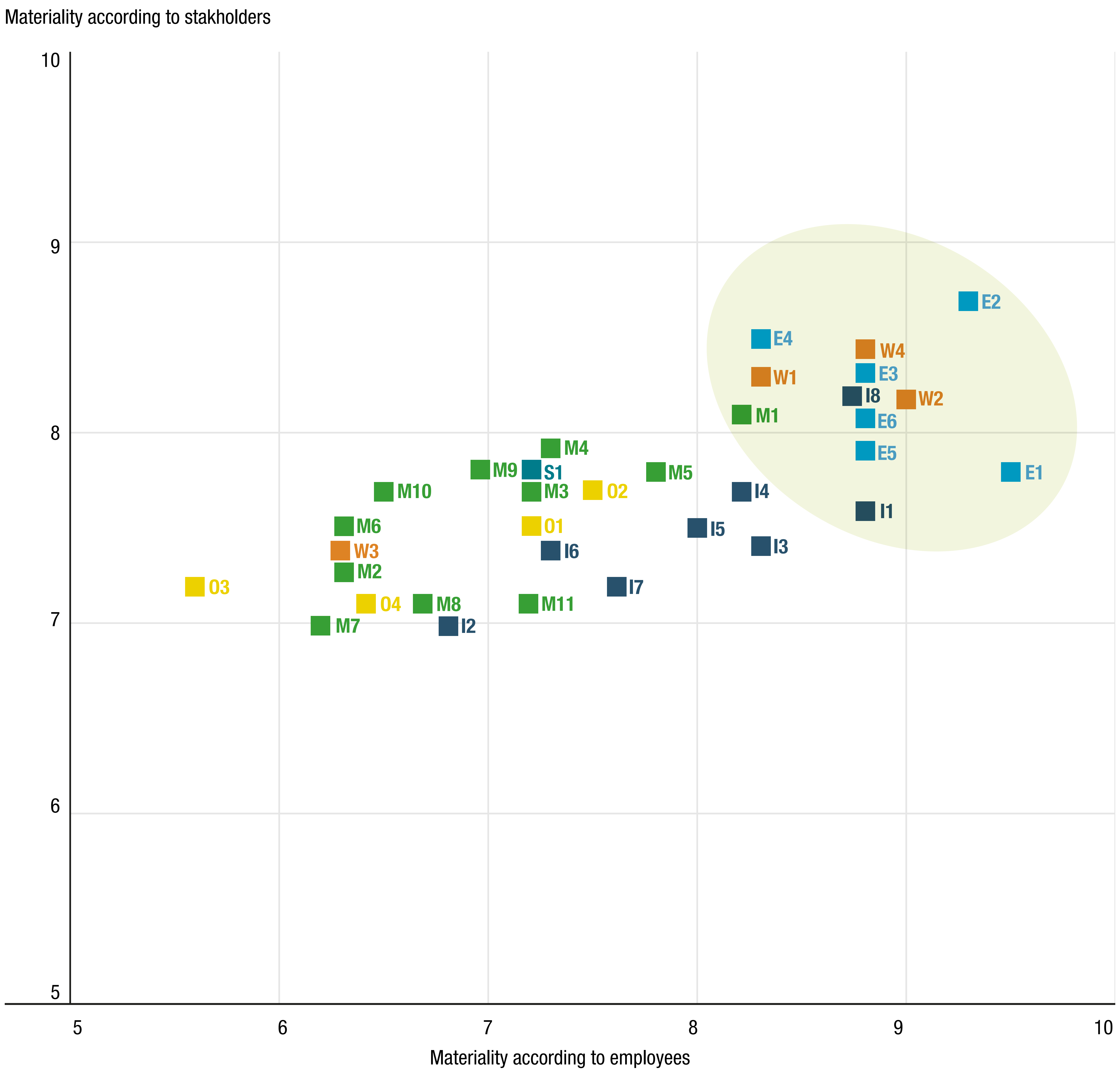
- on the vertical axis the importance of the theme to the stakeholders (0-10);
- on the horizontal axis the importance of the theme to the employees of the Fund Manager (0-10).

ESG MEASURES

From the extensive list of material themes, twelve themes were selected as most material for the Fund in the coming years (items in the green shaded area of graph 24). These most material themes were selected in the following manner:

- themes which scored 8.0/10 or higher by both the stakeholders of the ARC fund and the employees of the Fund Manager;
- themes which scored 8.5/10 or higher by the stakeholders or the employees of the Fund Manager;
- themes which are closely related to other selected themes (M4 and M5, see graph 24 and table 25).

24. MATERIALITY MATRIX ARC FUND



25. MATERIAL THEMES FOR THE ARC FUND

ECONOMIC ASPECTS

E1 Generated economic value

E2 Integrity and anti-corruption

E3 Prevention of vacancy and occupancy rate

E4 Compliance to legislation

E5 Supply of sufficient high quality and affordable private sector rental homes

E6 Shareholder rights

HOME COMFORT

W1 Health and safety for inhabitants

W2 Tenant satisfaction

W3 Flexibility during building and living

W4 Fire safety

SOCIAL ASPECTS

S1 Health and safety

INTERNAL OPERATIONS

I1 Training and education of staff

I2 Diversity

I3 Primary and secondary tenms of employment

I4 Health of employees

I5 Membership of industry associations and knowledge sharing

I6 Innovation and knowledge sharing

I7 Employee satisfaction

I8 Fair marketing and communication

ENVIRONMENTAL ASPECTS

M1 Energy consumption and energy saving

M2 Energy consumption and energy saving of the Amvest office

M3 Materials and circularity

M4 Carbon emissions and climate change

M5 Generation of renewable energy

M6 Water

M7 Environmental certificates for residences

MB Supplier environmental assessment

M9 Sustainable renovations

M10 Waste

M11 Clean air

LIVING ENVIRONMENT

O1 Engagement and dialogue with local stakeholders

O2 Liveability and living enviro nment

O3 Biodiversity and nature

O4 Climate adaptation

OVERVIEW OF THE PROPERTY PORTFOLIO

COMPLEX	TOWN	NUMBER OF HOMES	HOUSING TYPE / COMMERCIAL	CONSTRUCTION YEAR	REGION*
De Diagonaal	Almere	72	Multi-family	2007	Central Circle: Big Four
Duinbosstraat	Almere	48	Single-family	2015	Central Circle: Big Four
Duinbeekstraat	Almere	32	Single-family	2018	Central Circle: Big Four
Ouverture	Almere	51	Multi-family	1993	Central Circle: Big Four
Thérèse Schwartzestraat	Almere	27	Single-family	2001	Central Circle: Big Four
Zeeduinweg (Het Anker)	Almere	26	Multi-family	2017	Central Circle: Big Four
Andromedastraat	Alphen aan den Rijn	81	Multi-family	2006	Central Circle: Remainder
Watermunt	Alphen aan den Rijn	45	Single-family	2016	Central Circle: Remainder
Baak van Breskens	Amersfoort	35	Single-family	2014	Central Circle: Remainder
Sint Jorisplein	Amersfoort	93	Multi-family	1998	Central Circle: Remainder
Nieuw Loopveld	Amstelveen	8	Multi-family	2004	Central Circle: Big Four
Bert Haanstrakade (Het IJland)	Amsterdam	138	Multi-family	2018	Central Circle: Big Four
Bottelarijstraat (Cruquius)	Amsterdam	158	Multi-family / commercial	2017	Central Circle: Big Four
Emmy Andriessestraat (Terrazze)	Amsterdam	76	Multi-family / commercial	2010	Central Circle: Big Four
Fred Roeskestraat (De Fred)	Amsterdam	110	Multi-family	2017	Central Circle: Big Four
Gaasterlandstraat (RIV)	Amsterdam	23	Multi-family	2017	Central Circle: Big Four
Jan Vrijmanstraat (Mura)	Amsterdam	26	Multi-family	2010	Central Circle: Big Four
Krijn Taconiskade (Havenmeester)	Amsterdam	117	Multi-family / commercial	2007	Central Circle: Big Four
Spaklerweg (De Spakler)	Amsterdam	160	Multi-family / commercial	2017	Central Circle: Big Four
Westerdoksdijk (Mauritius)	Amsterdam	40	Multi-family / commercial	2008	Central Circle: Big Four
Westerdoksdijk (Westerkaap)	Amsterdam	8	Multi-family	2007	Central Circle: Big Four
Haringvliet	Arnhem	98	Single-family	2017	Central Circle: Remainder
Kea Boumanstraat	Arnhem	6	Single-family	2006	Central Circle: Remainder
Laan van de Vrede	Arnhem	41	Single-family	2014	Central Circle: Remainder
Stadswaardenlaan	Arnhem	13	Single-family	2008	Central Circle: Remainder
Franklinstraat (Zuiderbogen)	Badhoevedorp	26	Multi-family	2007	Central Circle: Big Four
Brielsemeer	Barendrecht	57	Single-family	2000	Central Circle: Big Four
Cederhout	Barendrecht	70	Multi-family	2007	Central Circle: Big Four
Drogerij	Barendrecht	50	Single-family	2001	Central Circle: Big Four
Koperslagerij	Barendrecht	25	Single-family	1998	Central Circle: Big Four

COMPLEX	TOWN	NUMBER OF HOMES	HOUSING TYPE / COMMERCIAL	CONSTRUCTION YEAR	REGION*
Waddenring	Barendrecht	18	Single-family	2001	Central Circle: Big Four
Felix Timmermanshof (Gouden Uil)	Berkel en Rodenrijs	53	Multi-family	2011	Central Circle: Remainder
Gouden Griffelplantsoen	Berkel en Rodenrijs	119	Single-family	2006	Central Circle: Remainder
Gouden Uillaan	Berkel en Rodenrijs	61	Single-family	2008	Central Circle: Remainder
Rokebrandlaan	Blaricum	34	Single-family	2015	Central Circle: Remainder
Luciastraat (Haga Lucia)	Breda	70	Multi-family / other	2017	Central Circle: Remainder
Stationslaan	Breda	82	Multi-family	2016	Central Circle: Remainder
Stationsweg (Heren van Breda)	Breda	93	Multi-family	2007	Central Circle: Remainder
Antoon van Wijngaardenweg	Culemborg	22	Single-family	2017	Remaining Regions
Satijnvlinderlaan	Culemborg	20	Single-family	2016	Remaining Regions
Boschveldweg (Perron 073)	's-Hertogenbosch	38	Multi-family	2017	Central Circle: Remainder
Daliënwaard	's-Hertogenbosch	44	Single-family	2006	Central Circle: Remainder
Aalscholversingel	The Hague	7	Single-family	2000	Central Circle: Big Four
Anna van Buerenplein (New Babylon City Tower)	The Hague	106	Multi-family	2012	Central Circle: Big Four
Backeswater	The Hague	112	Single-family	2001	Central Circle: Big Four
Berkebroeklaan	The Hague	41	Single-family	2003	Central Circle: Big Four
Bezuidenhoutseweg (New Babylon Park Tower)	The Hague	70	Multi-family	2010	Central Circle: Big Four
Blauwe Reigersingel	The Hague	76	Single-family	2000	Central Circle: Big Four
Buizerdlaan	The Hague	20	Multi-family	2000	Central Circle: Big Four
Cornelis de Wittlaan (Staten I)	The Hague	128	Multi-family	2000	Central Circle: Big Four
Cornelis de Wittlaan (Staten II)	The Hague	62	Multi-family	2000	Central Circle: Big Four
De Bruijnvaart	The Hague	29	Single-family	2004	Central Circle: Big Four
De Mok	The Hague	2	Single-family	1997	Central Circle: Big Four
De Rijkstraat	The Hague	62	Multi-family	1999	Central Circle: Big Four
De Vroomedijk	The Hague	36	Single-family	2002	Central Circle: Big Four
Douglaslaan	The Hague	13	Single-family	1998	Central Circle: Big Four
Ganzenplantsoen	The Hague	29	Single-family	2000	Central Circle: Big Four
Goudplevierlaan	The Hague	28	Single-family	2000	Central Circle: Big Four
Goudvinklaan	The Hague	38	Single-family	2003	Central Circle: Big Four
Katschiplaan	The Hague	38	Multi-family	2010	Central Circle: Big Four
Kerkuillaan	The Hague	32	Single-family	2000	Central Circle: Big Four
Koolhovenlaan	The Hague	53	Single-family	2000	Central Circle: Big Four
Laan van Wateringseveld	The Hague	23	Multi-family	2005	Central Circle: Big Four
Noordwest Buitensingel	The Hague	67	Multi-family	2001	Central Circle: Big Four
Nootdorpse Landingslaan	The Hague	23	Multi-family	2000	Central Circle: Big Four

COMPLEX	TOWN	NUMBER OF HOMES	HOUSING TYPE / COMMERCIAL	CONSTRUCTION YEAR	REGION*
Pluimzege	The Hague	88	Single-family	2004	Central Circle: Big Four
Rietzangerstraat	The Hague	44	Single-family	2002	Central Circle: Big Four
Rijswijkse Landingslaan	The Hague	43	Multi-family / commercial	2001	Central Circle: Big Four
Van Campenvaart	The Hague	17	Single-family	2001	Central Circle: Big Four
Van Campenvaart	The Hague	18	Single-family	2002	Central Circle: Big Four
Van Essendijk	The Hague	42	Single-family	2002	Central Circle: Big Four
Weidevogellaan	The Hague	30	Multi-family	2003	Central Circle: Big Four
Windjammersingel	The Hague	49	Multi-family	2009	Central Circle: Big Four
Wrightlaan	The Hague	37	Single-family	1998	Central Circle: Big Four
Verlengde Kazernestraat	Deventer	33	Single-family	2013	Regional Economic Centres
Ansinghstraat	Ede	46	Single-family	2018	Central Circle: Remainder
Enkalaan	Ede	46	Single-family	2014	Central Circle: Remainder
Wadestein	Ede	107	Multi-family	2009	Central Circle: Remainder
Anton Philipslaan (Hartje Barcelona)	Eindhoven	36	Multi-family	2013	Central Circle: Remainder
Anton Philipslaan (Hartje Helsinki / Berlijn)	Eindhoven	27	Multi-family	2013	Central Circle: Remainder
Anton Philipslaan (Hartje Kaapstad / Rome)	Eindhoven	20	Multi-family	2013	Central Circle: Remainder
Anton Philipslaan (Hartje Londen)	Eindhoven	28	Multi-family	2013	Central Circle: Remainder
Anton Philipslaan (Hartje Milaan)	Eindhoven	18	Multi-family	2013	Central Circle: Remainder
Anton Philipslaan (Hartje Wenen)	Eindhoven	14	Multi-family	2013	Central Circle: Remainder
Anton Philipslaan (Hartje Tokyo / Hamburg)	Eindhoven	27	Multi-family	2013	Central Circle: Remainder
De Jonghlaan (Hartje Sydney / Monaco)	Eindhoven	13	Multi-family	2013	Central Circle: Remainder
Diodehof	Eindhoven	39	Single-family	2013	Central Circle: Remainder
Fosforstraat (Strijp R)	Eindhoven	24	Multi-family	2017	Central Circle: Remainder
Frits Philipslaan (Hartje Rio)	Eindhoven	116	Multi-family	2013	Central Circle: Remainder
Gerard Philipslaan (Hartje Antwerpen)	Eindhoven	24	Multi-family / commercial	2013	Central Circle: Remainder
Gerard Philipslaan (Hartje Gent)	Eindhoven		Commercial	2013	Central Circle: Remainder
Gerard Philipslaan (Hartje New York)	Eindhoven	110	Multi-family	2013	Central Circle: Remainder
Paalspoor	Eindhoven	50	Single-family	2015	Central Circle: Remainder
Waterfront	Eindhoven	33	Single-family	2017	Central Circle: Remainder
Waterlinie	Eindhoven	30	Single-family	2017	Central Circle: Remainder
Lingegraaf	Elst	12	Single-family	2013	Central Circle: Remainder
Lingedonk	Geldermalsen	55	Single-family	2017	Remaining Regions
Graaf Florisweg (Ambachtsschool)	Gouda	67	Multi-family	2017	Central Circle: Remainder
Hanzeplein	Groningen	65	Multi-family	1998	Regional Economic Centres
Boterdiep	Groningen	145	Multi-family	2002	Regional Economic Centres

COMPLEX	TOWN	NUMBER OF HOMES	HOUSING TYPE / COMMERCIAL	CONSTRUCTION YEAR	REGION*
Melisseweg	Groningen	49	Single-family	2017	Regional Economic Centres
Bellevuelaan (Hoge Hout)	Haarlem	93	Multi-family	2010	Central Circle: Remainder
Botterboulevard (Aquaverde)	Haarlem	54	Multi-family	2016	Central Circle: Remainder
Zoutweide	Hellevoetsluis	52	Multi-family	2005	Central Circle: Big Four
Antje Breijerstraat (Chicago)	Hoofddorp	97	Multi-family / commercial	2003	Central Circle: Big Four
Antje Breijerstraat (Stockholm)	Hoofddorp	18	Multi-family	2003	Central Circle: Big Four
Burg. van Stamplein	Hoofddorp	4	Single-family	2004	Central Circle: Big Four
Cor van de Meerstraat	Hoofddorp	60	Multi-family	2001	Central Circle: Big Four
Juf van Kempenstraat	Hoofddorp	60	Multi-family	2001	Central Circle: Big Four
Raadhuisplein (Lugano)	Hoofddorp	75	Multi-family	2013	Central Circle: Big Four
Tuinweg (Geneve)	Hoofddorp	55	Multi-family	2004	Central Circle: Big Four
Praagsingel	IJsselstein	44	Multi-family	2000	Central Circle: Big Four
Bangkoksingel	IJsselstein	62	Single-family	2000	Central Circle: Big Four
Simon Vestdijkpad	Leiden	30	Single-family	2015	Central Circle: Remainder
Arthur van Schendelpad	Leiden	77	Multi-family	2018	Central Circle: Remainder
Slauerhoffpad	Leiden	22	Single-family	2018	Central Circle: Remainder
Kleine Boel	Nijmegen	33	Single-family	2016	Central Circle: Remainder
Fellowshiplaan	Nootdorp	26	Single-family	2007	Central Circle: Big Four
Gilze Rijenhof	Nootdorp	26	Single-family	2008	Central Circle: Big Four
Laan van Nootdorp	Nootdorp	36	Multi-family	2004	Central Circle: Big Four
Operatie Mannahof	Nootdorp	44	Single-family	2004	Central Circle: Big Four
Soesterberghof	Nootdorp	10	Single-family	2008	Central Circle: Big Four
Startbaan	Nootdorp	20	Multi-family	2008	Central Circle: Big Four
Woensdrechthof	Nootdorp	63	Multi-family	2008	Central Circle: Big Four
Woensdrechthof	Nootdorp	14	Single-family	2008	Central Circle: Big Four
Steenakker	Nuenen	30	Single-family	2014	Central Circle: Remainder
Gebint	Oosterhout	31	Single-family	2014	Central Circle: Remainder
Thurelede	Pijnacker	28	Multi-family	2005	Central Circle: Big Four
Wollebrand	Pijnacker	12	Multi-family	2005	Central Circle: Big Four
Adriaan Kooningsstraat (Mondriaan)	Rotterdam	160	Multi-family / commercial	2002	Central Circle: Big Four
Boezemkade	Rotterdam	102	Multi-family	2006	Central Circle: Big Four
Joost Banckertsplaats	Rotterdam	242	Multi-family / commercial	2015	Central Circle: Big Four
Van der Duijn van Maasdamweg (Parkmeester)	Rotterdam	70	Multi-family / commercial	2017	Central Circle: Big Four
Wilhelminakade (De Rotterdam)	Rotterdam	130	Multi-family	2013	Central Circle: Big Four
Houtrustweg (De Zuid)	Scheveningen	33	Multi-family	2018	Central Circle: Big Four

COMPLEX	TOWN	NUMBER OF HOMES	HOUSING TYPE / COMMERCIAL	CONSTRUCTION YEAR	REGION*
Prof. Kamerlingh Onneslaan	Schiedam	81	Multi-family	2007	Central Circle: Big Four
Spoorlaan (De Stadsheer)	Tilburg	82	Multi-family	2007	Central Circle: Remainder
Pieter Vreedeplein	Tilburg	21	Multi-family	2008	Central Circle: Remainder
Schelling	Uden	39	Single-family	2014	Central Circle: Remainder
Ransuil	Uithoorn	32	Single-family	2014	Central Circle: Remainder
Ketjapweg	Utrecht	41	Single-family	2016	Central Circle: Big Four
Godfried Bomansstraat	Utrecht	45	Single-family	2015	Central Circle: Big Four
Beukenburg	Vleuten	51	Single-family / other	2007	Central Circle: Big Four
Beurszwam	Vleuten	44	Single-family	2010	Central Circle: Big Four
Droomtuinlaan (Bouquet)	Vleuten	32	Multi-family	2013	Central Circle: Big Four
Dwergbieslaan	Vleuten	33	Single-family	2005	Central Circle: Big Four
Herfsttuinlaan	Vleuten	32	Single-family	2001	Central Circle: Big Four
Leersumseveld	Vleuten	41	Single-family / other	2010	Central Circle: Big Four
Lentetuinlaan	Vleuten		Commercial	2012	Central Circle: Big Four
Moerasvaren	Vleuten	41	Single-family / other	2010	Central Circle: Big Four
Moerasvaren (De Scheg)	Vleuten	14	Multi-family	2010	Central Circle: Big Four
Veldbloemlaan	Vleuten	78	Single-family	2006	Central Circle: Big Four
Voor de Burchten (De Burchtheer)	Vleuten	63	Multi-family	2010	Central Circle: Big Four
Prinses Beatrixlaan ('t Loo)	Voorburg	38	Multi-family	2018	Central Circle: Big Four
Handzaag	Zaandam	37	Multi-family	2002	Central Circle: Big Four
Frankenhuizenallee	Zwolle	17	Single-family	2006	Regional Economic Centres
Fruitweidestraat	Zwolle	3	Single-family	2006	Regional Economic Centres
Havezathenallee	Zwolle	30	Single-family	2014	Regional Economic Centres
Sprengpad	Zwolle	42	Single-family	2004	Regional Economic Centres
Zwaardvegerstraat	Zwolle	94	Multi-family	1996	Regional Economic Centres
Total		**8,055**			

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 COMMITTED PIPELINE

TOWN	NAME	NUMBER OF HOMES	HOUSING TYPE / COMMERCIAL	YEAR OF COMPLETION	TITLE TO THE LAND *	REGION **
Amvest Development Fund (RoFR)						
Almere	Noorderduin vlek 1/2A	16	Single-family	2019	Freehold	Central Circle: Big Four
Almere	Duin gebouw L	107	Multi-family	2020	Freehold	Central Circle: Big Four
Almere	Duin Boomrijk	10	Single-family	2020	Freehold	Central Circle: Big Four
Amsterdam	Overhoeks	164	Multi-family	2020	Leasehold	Central Circle: Big Four
Amsterdam	Cruquius Sigma	43	Multi-family	2020	Leasehold	Central Circle: Big Four
Amsterdam	Cruquius Binnenbocht	85	Multi-family	2021	Leasehold	Central Circle: Big Four
Amsterdam	Cruquius 1.3 en 1.4	125	Multi-family	2021	Leasehold	Central Circle: Big Four
Amsterdam	Jonas	190	Multi-family	2021	Leasehold	Central Circle: Big Four
Diemen	Hollandpark Toren 6 Blok 8	144	Multi-family	2022	Freehold	Central Circle: Big Four
The Hague	Scheveningseweg	143	Multi-family	2019	Freehold	Central Circle: Big Four
Arnhem	Deltakwartier Fase 3	53	Single-family	2019	Freehold	Central Circle: Remainder
Eindhoven	Strijp-R	20	Multi-family	2019	Freehold	Central Circle: Remainder
Third parties / Combi						
Amsterdam	IJburg Het Eiland	271	Multi-family	2019	Leasehold	Central Circle: Big Four
Amsterdam	Jan Toorop	66	Multi-family	2020	Leasehold	Central Circle: Big Four
Breda	Vooruit	42	Multi-family	2019	Freehold	Central Circle: Remainder
Delft	Spoorzone plot 5	130	Multi-family	2019	Freehold	Central Circle: Remainder
The Hague	Koningin Sophie	67	Multi-family	2019	Freehold	Central Circle: Big Four
Diemen	Hollandpark	201	Multi-family	2019	Freehold	Central Circle: Big Four
Haarlem	Pim Mulier	59	Multi-family	2019	Freehold	Central Circle: Remainder
Utrecht	Van Sijpesteijnkade COG		Commercial	2019	Freehold	Central Circle: Big Four
Utrecht	Sijpesteijn Parking		Parking	2020	Freehold	Central Circle: Big Four
Utrecht	Nijenoord	192	Multi-family	2019	Freehold	Central Circle: Big Four
Utrecht	Van Sijpesteijnkade Fase 3A	266	Multi-family	2019	Freehold	Central Circle: Big Four
Utrecht	Van Sijpesteijnkade Fase 3B en 3C	120	Multi-family	2021	Freehold	Central Circle: Big Four
Voorburg	Damsigt	382	Multi-family	2022	Freehold	Central Circle: Big Four
Rotterdam	Koningslaan	68	Multi-family	2019	Freehold	Central Circle: Big Four
Leiden	Wassenaarseweg	213	Multi-family	2019	Freehold	Central Circle: Remainder
Total		**3,177**				

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.

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, Brabant and Gelderland (including Haarlem, Leiden, Delft, Arnhem, Nijmegen, Den Bosch and Eindhoven)
Regional Economic Centrals - Urban regions of Zwolle, Groningen, Leeuwarden, Alkmaar, Maastricht, Deventer and Enschede
Remaining Regions - Remaining regions

INREV NAV CALCULATION

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

EUR X 1,000	31-12-18	31-12-17
NAV (Intrinsic value) of the ARC Fund (= IFRS NAV = Equity)	2,228,832	1,795,983
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	28,750	14,750
Diluted NAV	**2,257,582**	**1,810,733**
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 *	3,670	4,888
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	**2,261,252**	**1,815,621**
Effect of dividends recorded as a liability which have not been distributed	(28,750)	(14,750)
NAV as per 1/1 (basis for subscription price)	**2,232,502**	**1,800,871**

* A five-year amortisation term is used.

EXTERNAL APPRAISERS AND PROPERTY MANAGERS

APPRAISERS (INVESTMENT PROPERTY, ASSETS HELD FOR SALE, ASSETS UNDER CONSTRUCTION)

CBRE Valuation & Advisory Services
Cushman & Wakefield
Dynamis Taxaties
MVGM Vastgoedtaxaties

PROPERTY MANAGERS

ACM
MVGM Vastgoedmanagement
Van der Linden
Van 't Hof Rijnland
VB&T

RESUMES OF THE MANAGEMENT TEAM

WIM WENSING

(Fund Director)

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

Ancillary positions

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

NICLAS VON DER THÜSEN

(Director Finance and Risk)

- Director Finance and Risk; Board member Fund Manager (Amvest REIM B.V.) (since October 2018)
- Manager Finance and Control, Vesteda (2016-2018)
- Treasurer, Vesteda (2012-2016)
- Manager Capital Markets, Multi Corporation B.V. (2008-2012)
- Associate Director / Vice President, NIBC Bank (2001-2008)
- Associate Investment Services, Jones Lang LaSalle (1999-2001)
- Consultant Real Estate, Arthur Andersen (1997-1999)
- Vrije Universiteit Amsterdam, Postgraduate Treasury Management/ (RT)
- Hotelschool Den Haag, Financial Management and Strategic Management

DENNIS WEDDING

(Portfolio Manager)

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

Ancillary position

- Member Royal Institution of Chartered Surveyors

DEFINITIONS

AEGON
AEGON Levensverzekering N.V., a public company 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 Zeeburgerkade 1184, 1019 VK Amsterdam, the Netherlands.

Amvest Development B.V.
The former development company of Amvest (also see Amvest).

Amvest Development Fund B.V.
A newly incorporated company that was set up by the launching Investors AEGON and PfZW (as per 16 February 2018) following a restructuring of Amvest. This restructuring was prompted by management to make a more clear separation between development and management activities.

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 REIM B.V.
The AIFMD licensed Fund Manager of the ARC Fund.

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 Dutch Civil Code as appointed from time to time by the Fund Manager, subject to the approval of the Advisory Board.

BAR/NAR-method (yield 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.

Cornerstone Investor
Means each of AEGON Levensverzekering N.V. and Stichting Depositary PGGM Private Real Estate Fund, in its capacity as title holder of PGGM Private Real Estate Fund, and /or, as required by the context, the feeder entity or entities through which hold their Units.

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.

Depositary
Also see Intertrust Depositary 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 REIM B.V.

Fund Services Agreement
Agreement between Amvest Management B.V. and 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 (GAV)
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.

Intertrust Depositary Services B.V.
The depositary of the ARC Fund which acts (following the AIFM Directive) as independent depositary 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).

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.

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.

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

MSCI index
The MSCI 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 (IPD) and the Real Estate Council of the Netherlands (ROZ).

MSCI standing investments (SI) residential
The MSCI 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.

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.

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.

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

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.

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

RoFR (Right of First Refusal) Agreement
The ARC Fund has a Right of First Refusal (RoFR) agreement with Amvest Development Fund B.V. This means that all rental homes developed by Amvest Development Fund B.V. (and previously Amvest Development B.V.) must first be offered to the ARC Fund, which has the right to acquire them on arm's length conditions.

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.

AMVEST

Mura, Amsterdam, 2010