AMVEST

AMVEST RESIDENTIAL CORE FUND

Annual Report 2019


‘Our mission is to improve our tenants’ lives, by bringing sustainable homes in high quality living environments within the reach of many, while generating healthy, long-term financial returns for our investors’
AMVEST RESIDENTIAL CORE FUND

CONTENTS

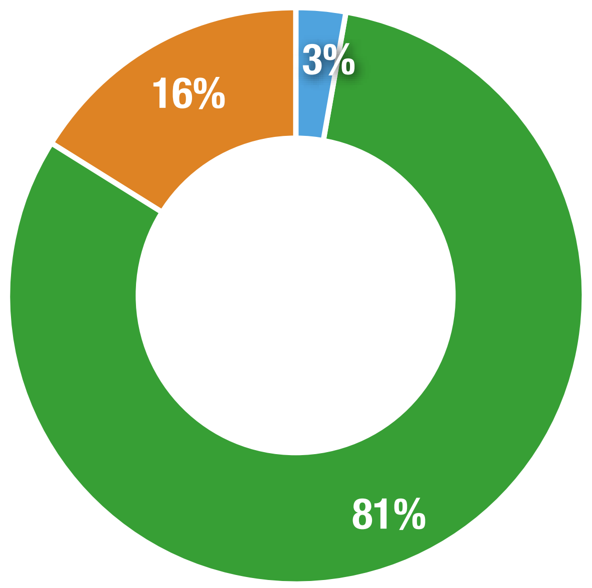
Capitalised terms used in this annual report are defined in the annex.

ABOUT THE AMVEST RESIDENTIAL CORE FUND

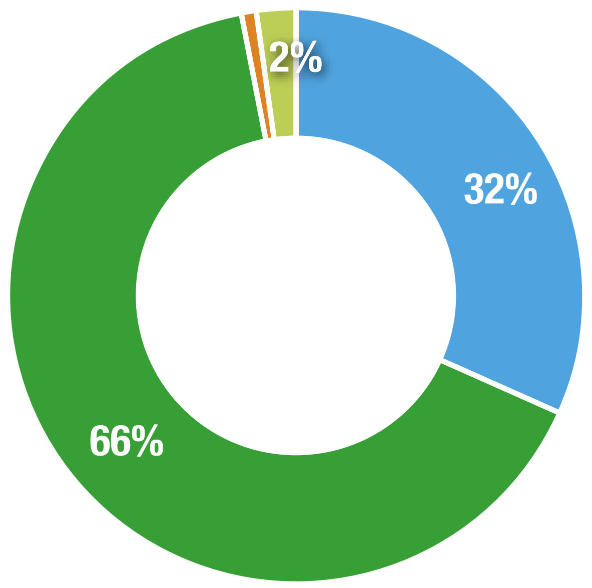
HIGH QUALITY, SUSTAINABLE HOMES

The Amvest Residential Core (ARC) Fund invests in the Dutch residential rental sector. The ARC Fund has a core investment strategy, invests in the mid-priced rental sector and focuses on high-quality, sustainable residential properties located in areas with relatively high economic and demographic potential.

DISTRIBUTION RENTAL PRICED SEGMENT



DISTRIBUTION HOME TYPE



* Rental price of the segment EUR 737 to EUR 1,025/EUR 1,535 per home per month depending on specific region (see table 9 on page 17)

10,170
homes
EUR 3.2 billion

2,652
homes in pipeline
EUR 932 million

24
Institutional investors
broad and international investor base

2.53%
modest annual rental growth

GRESB ★★★★★ 2019

5 STARS
GRESB rating 1)
5 out of 5

7.2
tenant satisfaction 1)
benchmark: 7.1

1) Please refer to the KPI tables in the Annexes. KPI's include limited assurance by external auditor. A separate assurance report is included on page 82

ABOUT THE AMVEST RESIDENTIAL CORE FUND

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

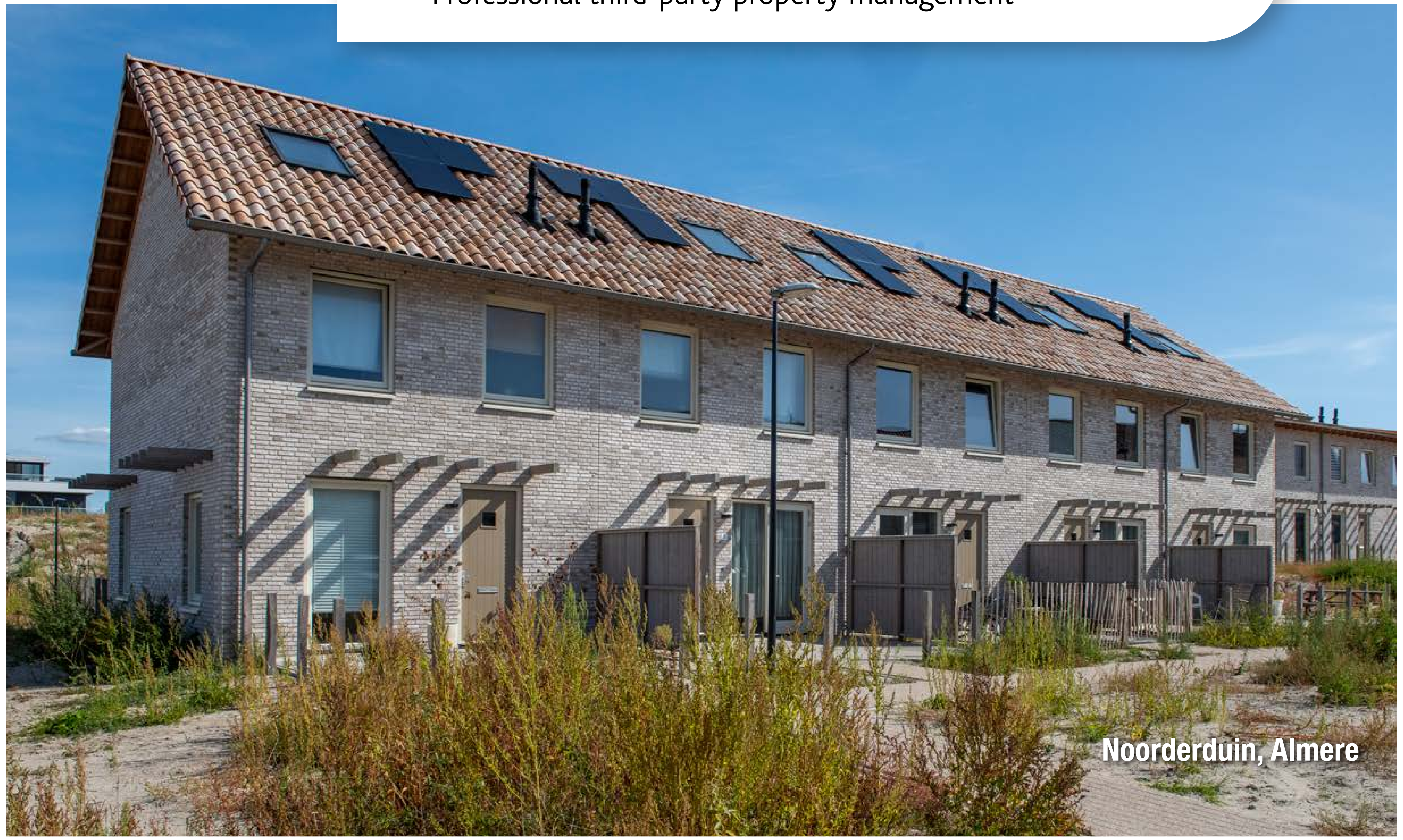
The ARC Fund aims to achieve a stable and attractive return in a sustainable manner supported by conservative use of leverage. Dynamic portfolio management ensures, that the quality of the portfolio remains at a high level while operating costs remain relatively low.

The ARC Fund plays an active role in taking steps towards a more sustainable world. Based on a materiality survey amongst its stakeholders, the ARC Fund integrated relevant ESG (Environmental, Social and Governance) themes into the Fund’s strategy. In order to meet the Paris Climate targets, energy consumption needs to be reduced substantially. The required focus on reducing energy consumption and carbon emissions is also a material ESG theme and therefore an integral part of the ARC Fund’s strategy.

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 B.V. The RoFR agreement provides the Fund with the opportunity to secure a long-term, high-quality pipeline on an arm’s length basis.

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 B.V.
- Conservative use of leverage with a target loan-to-value of 25%
- INREV and AIFMD compliant
- ISAE 3402 Type II assurance report by 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
- External appraisals by reputable surveyors
- Professional third-party property management



Noorderduin, Almere

KEY HIGHLIGHTS 2019

ACQUISITIONS FURTHER STRENGTHEN THE PORTFOLIO

During 2019, we added 1,058 newly constructed homes to the portfolio from the pipeline. In addition to completions from our pipeline, we added the properties of the Utrechtse Fondsen Vastgoed CV (UFCV) and welcomed its Investors in July 2019. The UFCV portfolio comprises of 1,352 high-quality, modern residential units and ranked at number 1 in the GRESB 2018. Some 91% of the UFCV portfolio consists of mid-priced homes, including 574 single-family homes. The addition of UFCV strengthened the quality, liquidity and diversity of the Fund's portfolio.

EXPANDING EQUITY COMMITMENTS

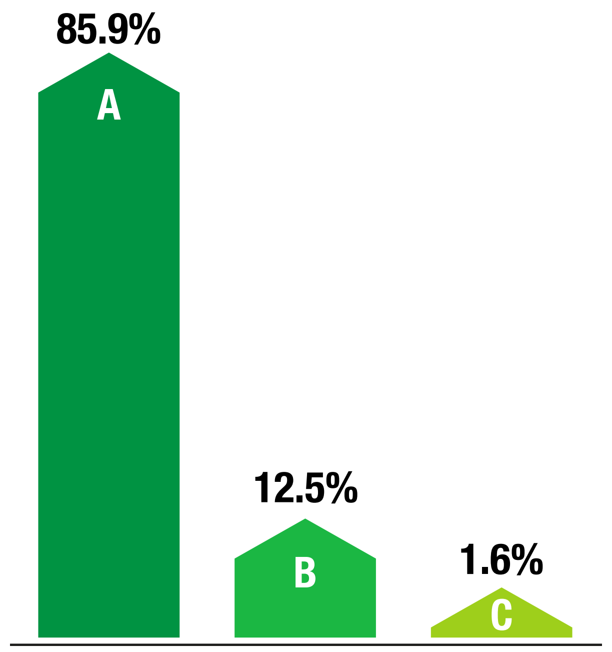
We succeeded in expanding our equity commitments by adding EUR 150 million from two new investors, and we welcomed another four new investors to the ARC Fund as part of the UFCV acquisition, bringing the total number of investors to 24.

ENERGY USE INTENSITY [1)]

Energy use intensity over 2019 was 124 kWh/m^2/year (2018: 122 kWh/m^2/year)

In 2018 we started our solar power programme to accelerate our sustainability improvements. As part of this programme, more than 1,500 homes have now been equipped with solar panels.

On average A label portfolio (A: 85.9%, B: 12.5% and C: 1.6%). (2018 A: 78.2%, B: 19.2% and C: 2.6%).



5 GREEN STAR RATING GRESB [1)]

With regard to the Global Real Estate Sustainability Benchmark (GRESB), the ARC Fund improved its score to 87 and achieved the highest five-star rating (2018: four-star rating).

DIVIDEND YIELD [1)]

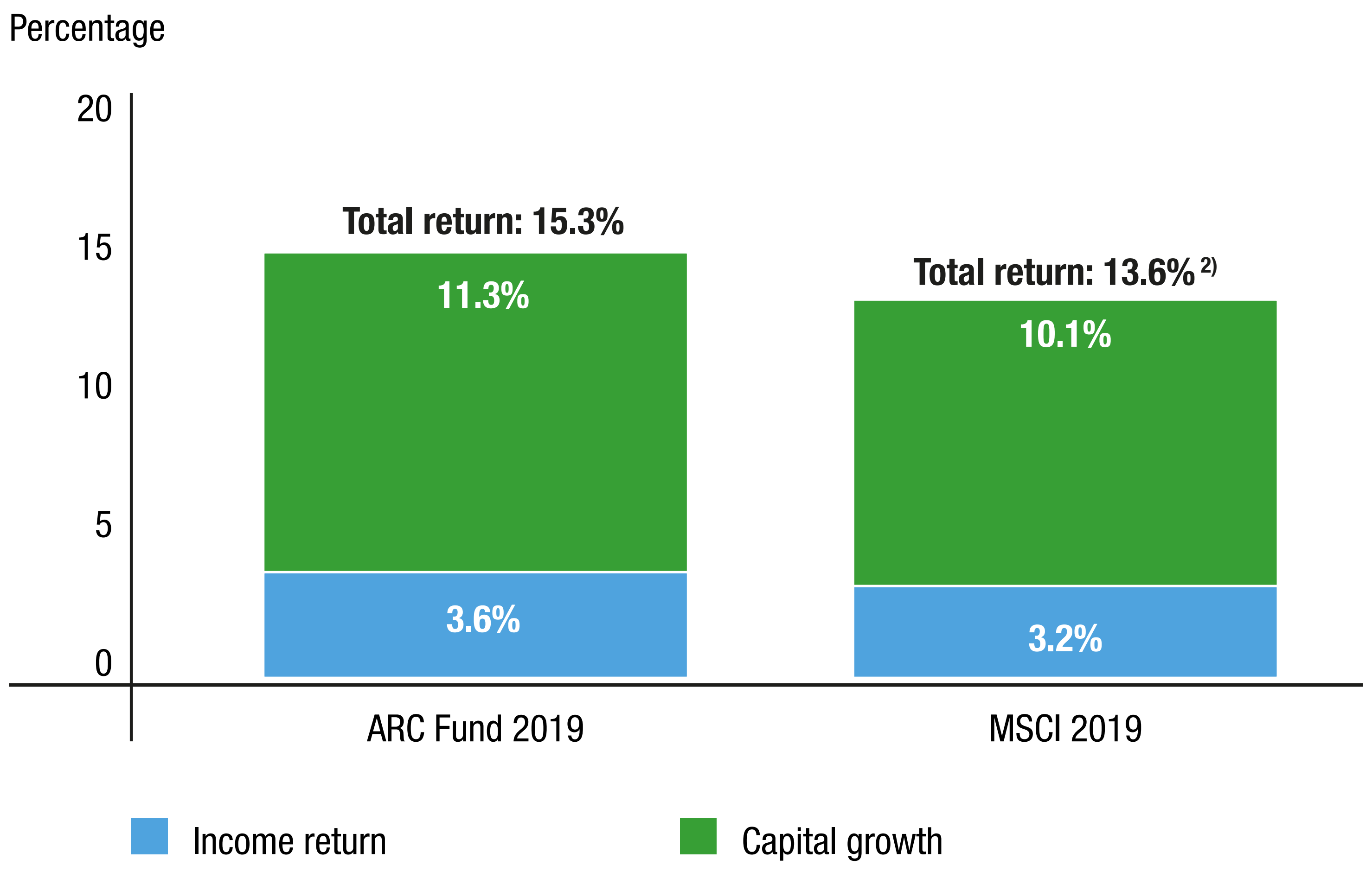
4.0%

(2018: 4.3%).

ON SITE RENEWABLE ENERGY

We have further invested in on-site renewable energy. In 2019, the properties in our portfolio produced 3,890 MWh, lowering our carbon footprint by 2,525 tonnes of CO_2.

OUTPERFORMANCE MSCI 1, 3 AND 5 YEAR AVERAGE



Next to the 1-year outperformance, we also outperformed the MSCI benchmark on a 3-year and 5-year average.

LFL CARBON EMISSION DECREASED [1)]

30.90 kg CO_2 /m^2/year like-for-like energy consumption decreased by 1.5%

TENANT SATISFACTION [1)]

7.2

(2018: 7.1).

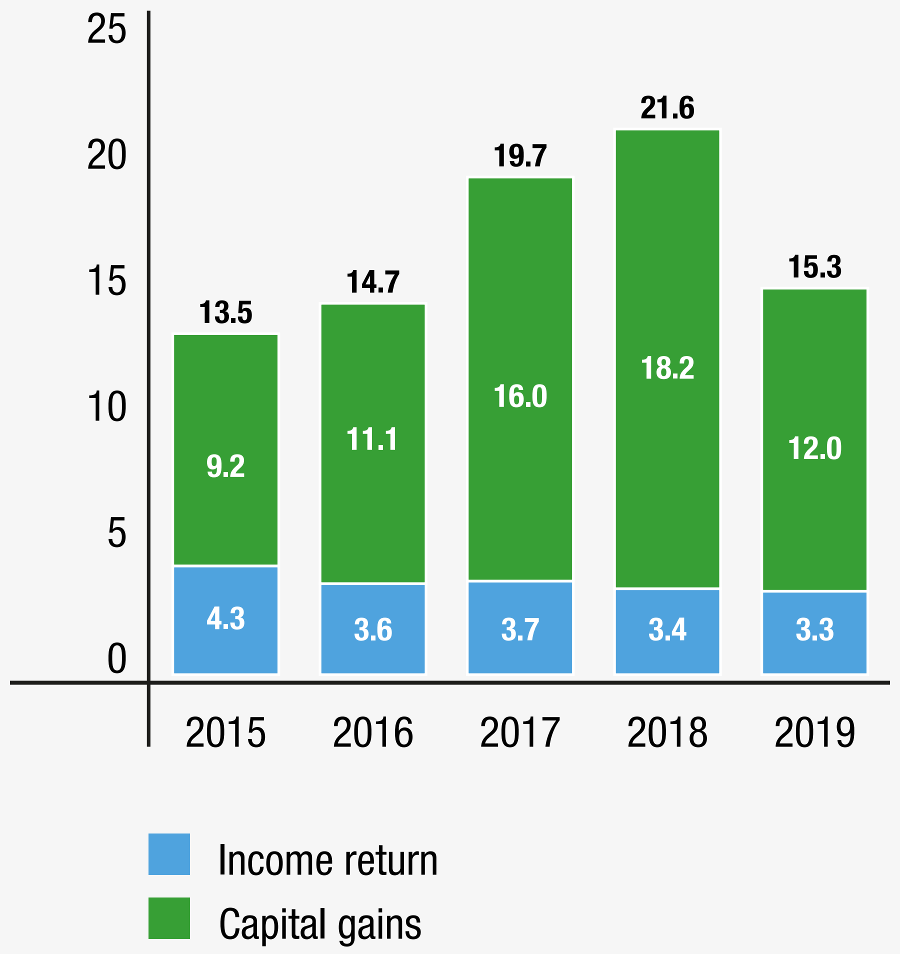
1) Please refer to the KPI tables in the Annexes. KPI's include limited assurance by external auditor. A separate assurance report is included on page 82

2) 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.

KEY FIGURES 2019

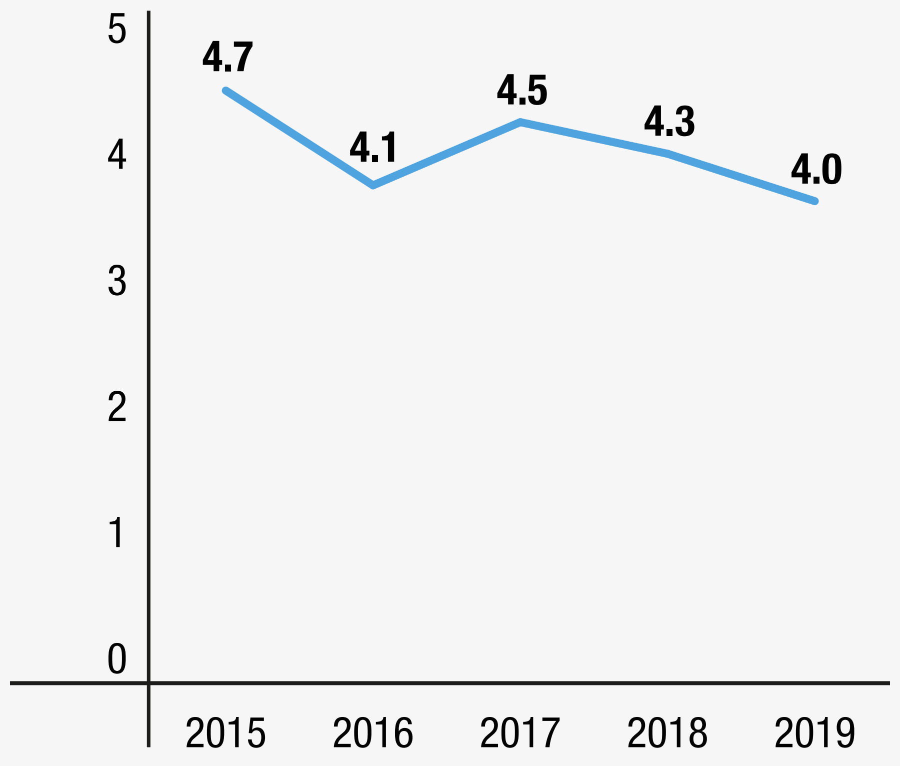
FUND RETURNS

As a percentage of the INREV NAV as at 1 January



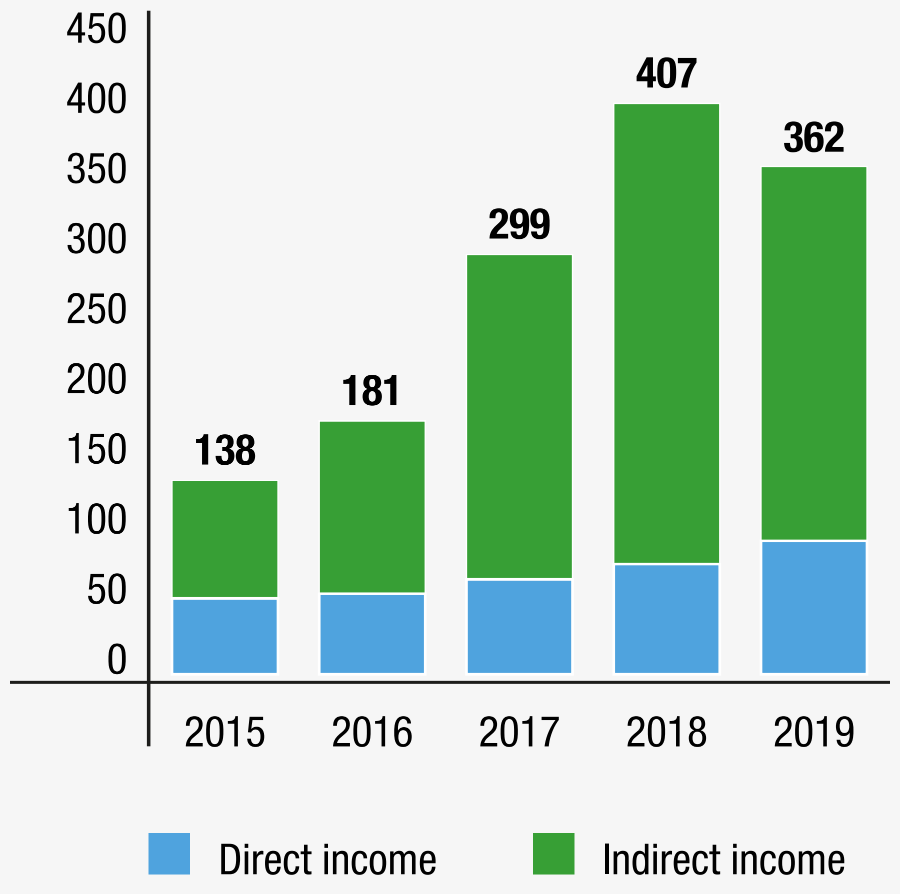
DIVIDEND YIELD

As a percentage of the INREV NAV as at 1 January



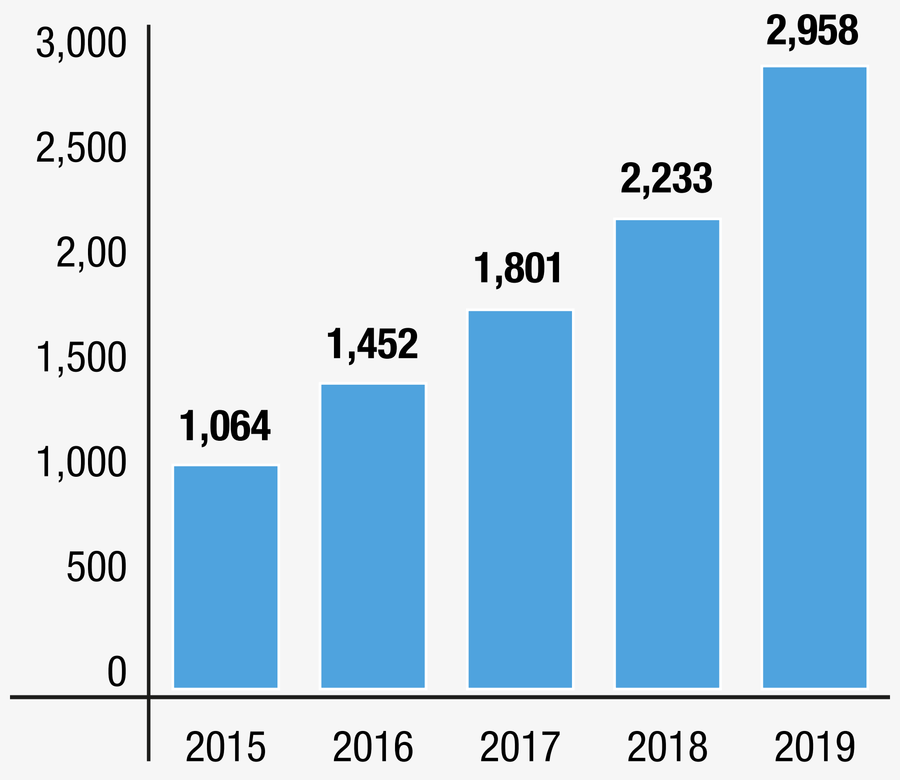
TOTAL INCOME

In EUR x million



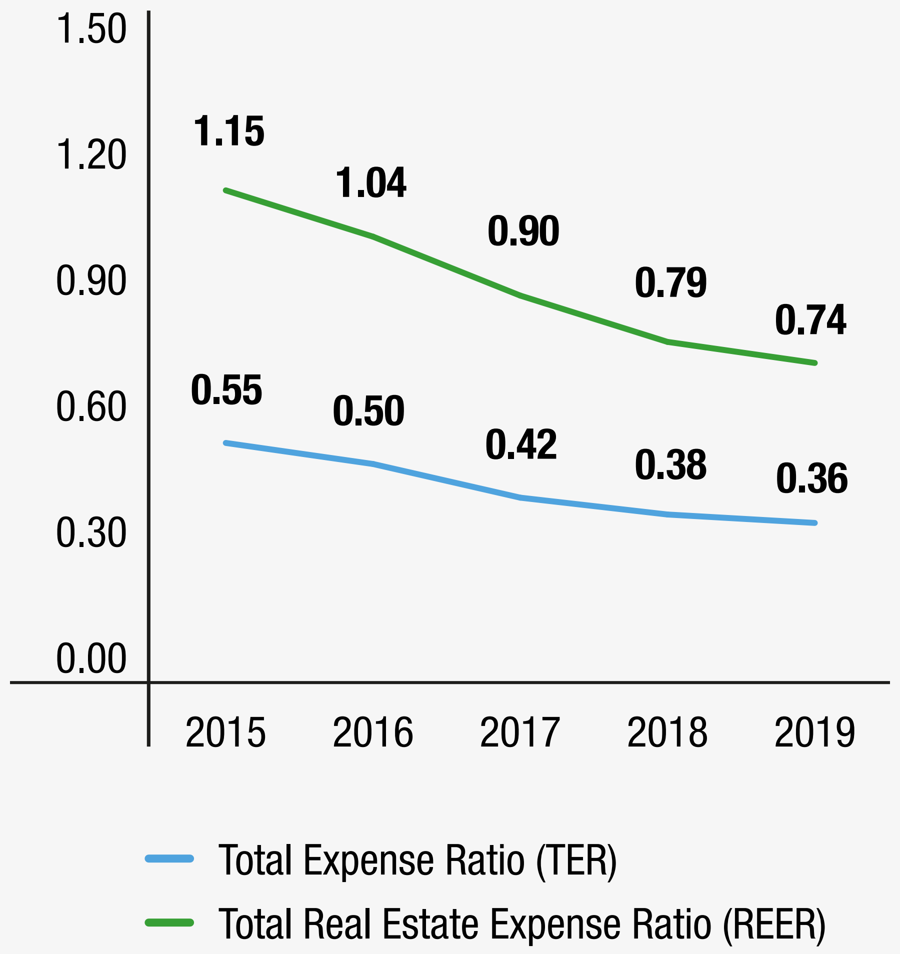
INREV NAV

In EUR x million



TER AND REER

As a percentage of the average INREV GAV



REPORT OF THE FUND MANAGER


Cruquius, Amsterdam

INTERVIEW WITH THE MANAGEMENT TEAM

SIGNIFICANT GROWTH IN HIGH-QUALITY SUSTAINABLE MID-PRICED RENTAL HOMES

The shortage of homes, particularly in the mid-priced rental sector, continues unabated, which resulted in a very active year for the Amvest Residential Core Fund. We added over 2,000 mid-priced properties to our portfolio in 2019. Fine, affordable homes for a target group that is increasingly seeking this type of property. And as we're really keen to improve the home feeling for our tenants, we're also working hard on further development of our community management.

HEALTHY RETURNS

2019 was a very good year for the ARC Fund, which grew significantly in size while remaining in excellent financial condition. A total return of 15.3% was achieved. Although this is lower than last year, the rise in value is still well above inflation. Achieving satisfactory direct returns is becoming increasingly challenging in the current market, but we have still succeeded in achieving a 4% dividend return for 2019 amongst others by limiting our costs and making smart choices. In addition, the sale of three complexes contributed to these returns.

UFCV

On 1 July 2019 we completed the successful acquisition of the Dutch residential portfolio of the Utrechtse Fondsen Vastgoed CV (UFCV). With this transaction, we were able to add modern properties in attractive regions of the country to our portfolio. The fact that the UFCV pension funds selected ARC Fund for this transaction is a mark of confidence and something we are particularly proud of.

SELECTIVE GROWTH

Despite the high pressure in the investment market, we remain disciplined when it comes to new acquisitions. In the current economic environment, we have deliberately opted for cautious growth. We focus on acquisitions that will truly add value for our investors. Our acquisitions focus remains targeted on mid-priced rental properties. This means that we are mainly interested in sites in the Central Circle at attractive locations. These are often sites around railway stations, given the increasing importance of mobility.

> "With the successful acquisition of the Dutch residential portfolio of the Utrechtse Fondsen Vastgoed CV we were able to add modern properties in attractive regions of the country to our portfolio."
>
> **Wim Wensing, Fund Director AFC Fund**

COMMUNITY AND SERVICE MANAGEMENT

One example is Van Sijpesteijnkade in the direct vicinity of Utrecht Central Station, which is currently undergoing a transformation. Last year, we added the first residential tower of small, affordable homes (EUR 800 - 900) with catering facilities on the ground floor to the portfolio. Living well, in our view, involves not just having a pleasant home but also being part of a community where you know your neighbours and get things done together: one reason behind our focus on community management. Community spaces, such as a roof terrace or a lounge, encourage people to get together and our tenants can contact each other easily using our community app. The app also ensures that the property manager knows exactly what's going on and can readily anticipate complaints and requests for repairs.

> "Community management is an important tool to help us anticipate and respond to the wishes of our tenants more quickly. We have therefore strengthened our team with a services specialist in order to flesh out the bones of our community management package."
>
> **Dennis Wedding, Portfolio Manager**

AREA MANAGEMENT

We have a focus on area investments and create communities in order to improve the quality of the living environment and increase our impact. One excellent example is the urban marina area of IJburg, where we acquired Jonas which is a novel building with smaller homes, lots of community spaces and communal facilities such as a large living room, a professional kitchen and a cinema hall. Jonas is an excellent addition to the properties we already own in the area: the larger apartments in the Havenmeester and the slightly smaller new-build in Het IJland. The three complexes, taken together, provide a complimentary mix of tenants who are setting up their own community and creating a good quality of life. Holland Park in Diemen is another example of successful community investment. Diemen has become a more interesting place to live, thanks to the transformation of a former office area into an atmospheric, low-traffic, new-build community following the style of Amsterdam's canal-side homes. A project of this quality scores highly, not just for the residents but also for our investors.

1) www.dgbc.nl/themas/paris-proof

SUSTAINABILITY

We achieved an important sustainability milestone in 2019: for the first time, we were awarded 5 stars – the highest possible rating – in the Global Real Estate Sustainability Benchmark (GRESB). The stars crown our efforts in recent years to promote sustainable living throughout the entire chain. A good example is the development of Jonas. This will be one of the first residential buildings with a BREAAM outstanding certificate. In addition, we introduced a sustainability dashboard last year, which offers an insight into energy consumption in our portfolio, enabling us to introduce targeted improvements in the sustainability of our properties, for instance by installing solar panels or smart monitors. This allows us to really make progress and ensure that we are 'Paris proof'[1] by 2030.

> "We achieved an important sustainability milestone in 2019: for the first time, we were awarded 5 stars, the highest possible rating, in the Global Real Estate Sustainability Benchmark (GRESB)."
>
> **Niclas von der Thüsen, Director of Finance and Risk ARC Fund**

CUSTOMER SATISFACTION

Although the total customer satisfaction rate has increased compared to the previous year and we also show an outperformance in the IVBN benchmark, tenants are less satisfied with the handling of repair requests and complaints management. Part of the explanation for this is the increased level of service that is available in society at large. With online ordering, consumers are used to rapid, optimum information on exactly when their package will arrive, and are therefore increasingly quick to classify the service in response to a repair request or a complaint as being too slow and below par. Waiting at home for an engineer all morning is considered a thing of the past.

We are taking these signs seriously and are working hard to get the repair requests back up to standard whereby our aim is to provide a one stop fix. Community management is also an important tool to help us anticipate and respond to the wishes of our tenants more quickly. We have therefore strengthened our team with a services specialist in order to flesh out the bones of our community management package.

THE ACQUISITION PIPELINE

The pipeline remains well-filled with high quality residential projects. We have over EUR 1 billion's worth of projects scheduled. These are largely developments from Amvest Development. Nearly 80% of the pipeline is concentrated in and around the four major cities. We are hard at work, for instance, in Amsterdam Cruquius and Overhoeks. Most of these projects will be completed between now and 2022.

OUTLOOK

After completion of the 2020 Portfolio Plan cycle, ARC Fund got off to a successful start to a new year amongst other by completing the sale of the Courtyard portfolio and a positive revaluation of its portfolio for the first quarter. However, the outlook for the rest of the year is very uncertain due to the ongoing corona/COVID-19 crisis. This situation poses special and hard-to-predict risks for the global economy which can also affect the ARC Fund. Therefore, the achievement of the targets set in the Fund's portfolio plan is at risk. A likely delay in construction activity might lead to a drop in new home completions this year. Further complex and individual sales are also expected to decline, compared to our forecast outlined in the 2020 Portfolio Plan.

Nevertheless, the rental market is expected to maintain a high demand for the high quality rental homes of the ARC Fund. From a Risk Management Framework perspective, we are actively mitigating the effects of the coronavirus outbreak. Given the fluid state of developments at this time, the Fund Manager will continually re-assess impact on the execution of the ARC Fund strategy and performance of its portfolio.

Amsterdam, the Netherlands, 24 April 2020

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

Dennis Wedding, Wim Wensing and Niclas von der Thüsen

MARKET DEVELOPMENTS

THE DUTCH ECONOMY

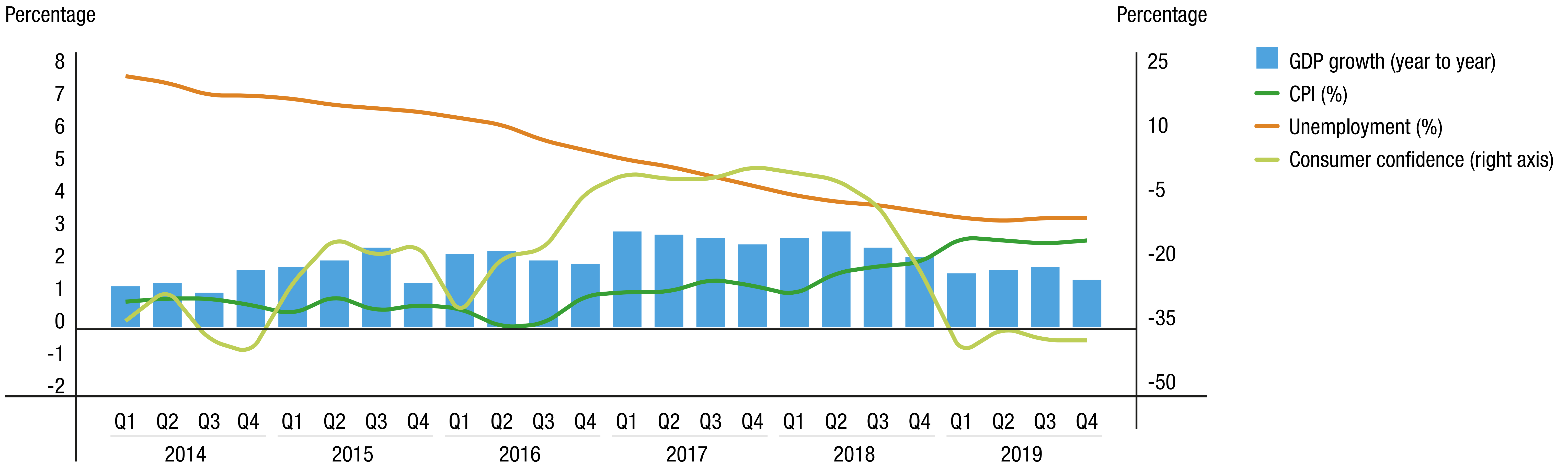
LATE CYCLE ECONOMY

After around two years of GDP growth above 2 percent, GDP growth has been decreasing slightly over the last four quarters. Over the course of 2019, the year-on-year growth of GDP varied between 1.5% and 1.9%. On average, GDP growth over 2019 was 1.7% (CBS, 2020). Further economic growth is expected in the near term, although at a somewhat lower pace (Oxford Economics, 2019). Based on the main macroeconomic indicators and the baseline scenario for the future drafted by Oxford Economics, the economy looks to be approaching the end of the cycle. Inflation (CPI) rose during 2018 and was around 2.6% during 2019 (CBS, 2020). During 2019, the level of unemployment was historically low, at around 3.4%, which translates to just over 300,000 people (CBS, 2020). Since 2016, consumer confidence had been relatively high. In the second half of 2018, however, this confidence witnessed a sharp decline. After this decline, the consumer confidence level remained at around zero (neutral) over the course of 2019.

The economic forecast by Oxford Economics is somewhat lower than the economic growth we have witnessed in the last two years. Oxford Economics describes several scenarios. Their Baseline scenario forecasts a moderate GDP growth of around 1.5% for the years ahead. In this scenario, Oxford Economics expects quite a sharp decline in inflation and a moderate increase in the unemployment level and in the return on government bonds. As well as a Baseline scenario, Oxford Economics also describes several alternative scenarios such as a ‘trade war escalation scenario’ and a ‘Eurozone downturn scenario’. In most of the scenarios, GDP growth in the Netherlands is expected to be in line with the Baseline scenario or somewhat higher.

1. MACRO ECONOMIC INDICATORS

Source: CBS (2020)



THE DUTCH RESIDENTIAL MARKET

FUNDAMENTALS OF THE HOUSING MARKET SHOW INCREASING DEMAND AND LAGGING PRODUCTION

The demographic fundamentals of the Dutch housing market show a steady increase in housing demand with lagging supply for at least the next few years. The population is expected to continue growing until 2040. In the most likely scenario, population size surpasses 18 million in 2029 in comparison to 17.2 million at the end of 2018. Growth comes mainly from migration, as the number of new-borns and deceased even out. Another factor contributing to the increase in housing demand is household composition. As households become smaller, more homes are needed to accommodate the same number of people (CBS, 2019).

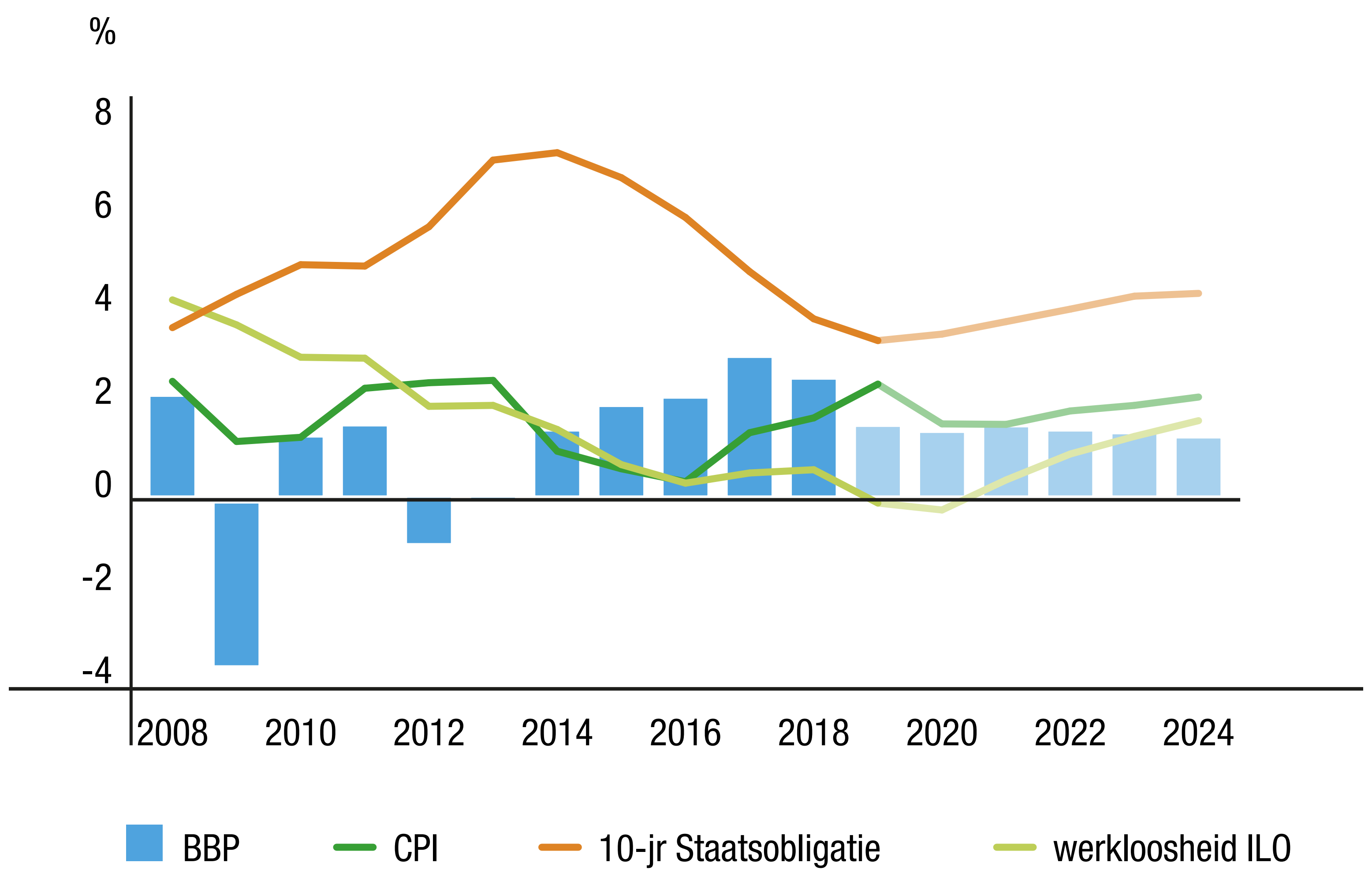
Based on recent information from the CBS (October, 2019) the current urbanisation trend will continue for the next few decades. Almost the entire growth in the number of households will take place in the 40 largest cities. A large part of this growth will be seen in the Big Four cities, the satellite cities surrounding the Big Four as well as the rest of the Randstad conurbation. As a result, divergence within the Netherlands will increase further.

Supply is not expected to keep up with the rising demand over the next few years. The construction sector is facing shortages in both personnel and materials. The shortages are causing the prices of new construction to go up and are limiting development capacity. The number of granted building permits continues to remain below the level that is needed to catch up with demand. As construction processes typically run over several years, the shortage will persist at least in the short- and medium-term.

Figure 3 shows the number of completions, demolitions and building permits over recent years. In 2018, ABF Research estimated that around 1 million new homes will be needed by 2030 to match the market demand. This translates into about 75,000 new homes per year. The number of newly constructed homes in recent years varied between 60,000 and 70,000 per year. On average, around 10,000 homes are demolished each year. This results in a net addition of around 50,000 to 60,000 homes per year. In 2019, only some 55,000 permits were issued, while in 2017 and 2018 permits for 70,000 homes were granted. Altogether, this means that the number of completions has been and will be substantially lower than demand in recent years. The Economic Building Institute (EIB) recently published their forecast of the completions of homes for the next couple of years: approximately 5% fewer completions of new homes is expected in 2020 and 2021. It is therefore a fair assumption to conclude that the housing shortage will most likely not be solved in the near future.

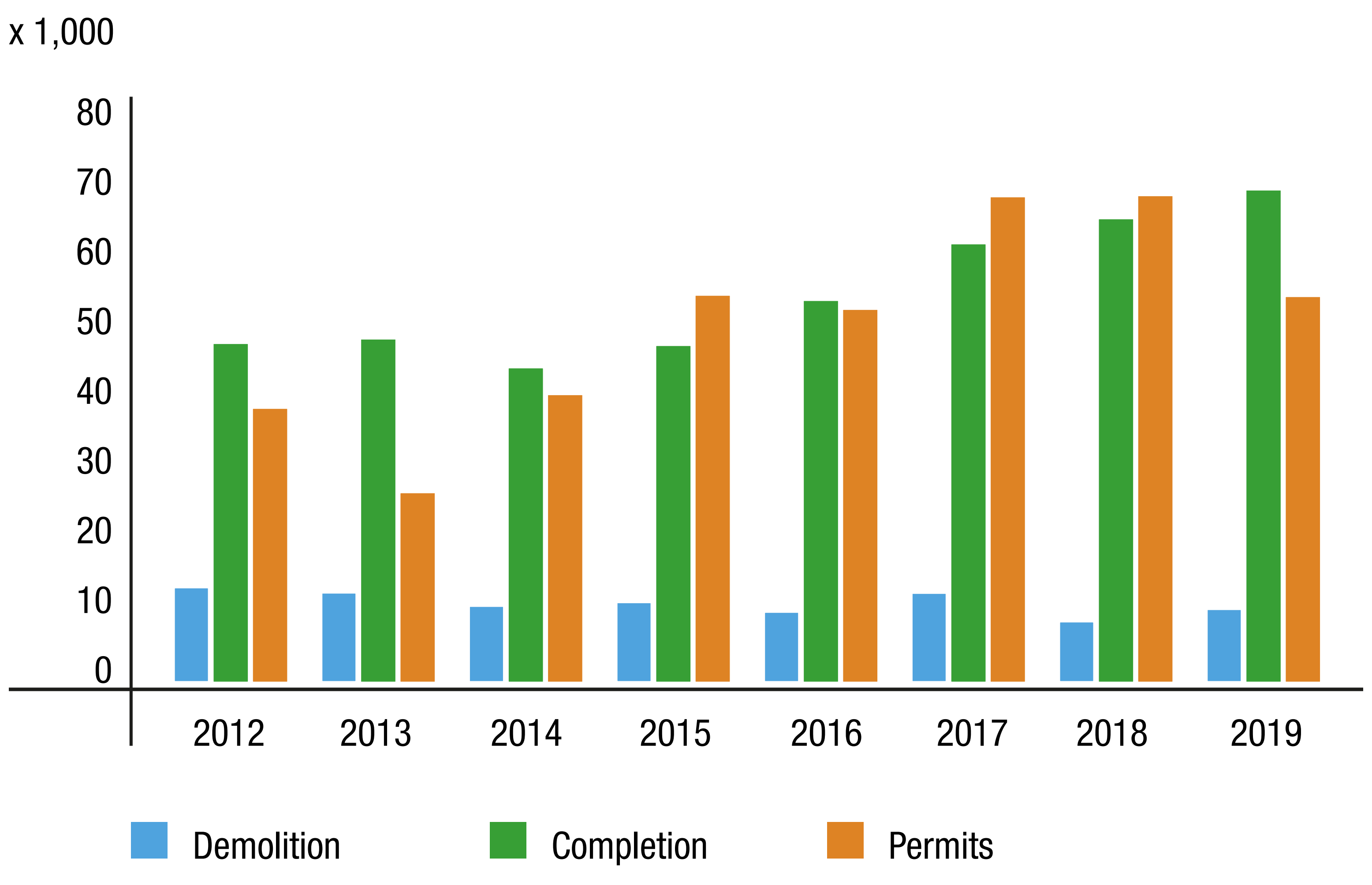
2. BASELINE SCENARIO - OXFORD ECONOMICS

Source: Oxford Economics (2019)



3. DEMOLITIONS, PERMITS AND COMPLETIONS OF HOMES

Source: CBS (2020)



PRESSURE ON THE OWNER-OCCUPIER MARKET

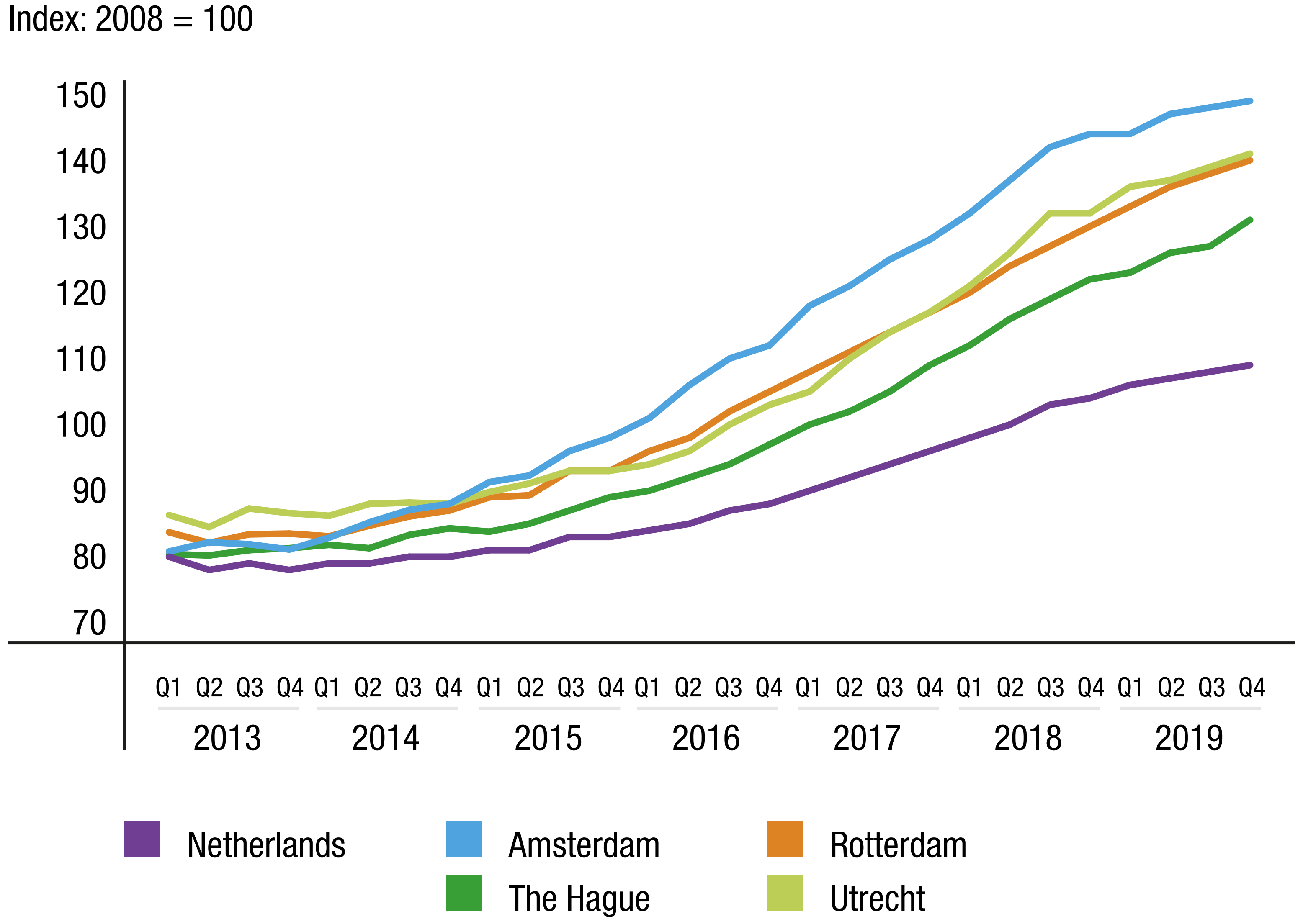
The current economic environment, the positive demographic developments and the historically low interest rate levels are exerting pressure on the Dutch owner-occupier market. The demand remained high in 2019 and prices again showed a strong increase, especially in the large cities. On an annual basis, the price of existing owner-occupied homes increased by 6.9% compared to 9.0% in 2018 and 7.6% in 2017 (CBS, 2020). In the Big Four, prices increased by 5.7% (Amsterdam) to 9.2% (Utrecht) over 2019.
Though the majority of domestic financial institutions share the view that 2020 will not match 2019 in terms of price increase, it is nevertheless expected that the upward trend will continue during 2020. Mortgage interest rates are still low and the demand is still high. In general, a price increase of 2.5% to 4.5% is expected (DNB, 2019; Rabobank, 2019; ABN AMRO, 2019; ING Bank, 2019).

HIGH DEMAND FOR RENTAL HOMES

The high demand for dwellings in general and the lagging new supply are also having a major impact on the Dutch rental housing market. The government measures which led to a decreasing number of new built

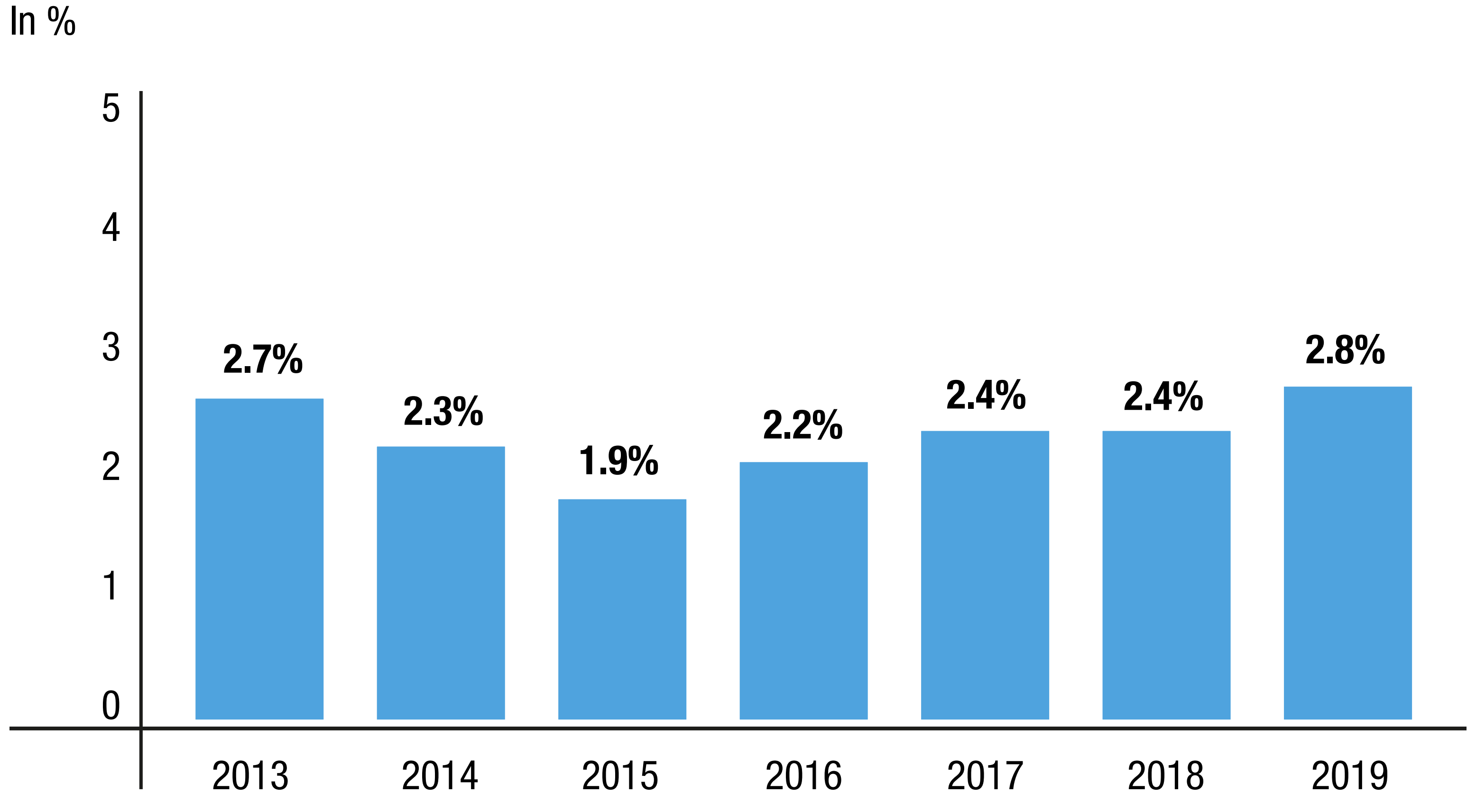
4. PRICE DEVELOPMENT (NOMINAL) EXISTING OWNER-OCCUPIED HOMES 2013-2019 (INDEX 2008 = 100)

Source: CBS (2020)



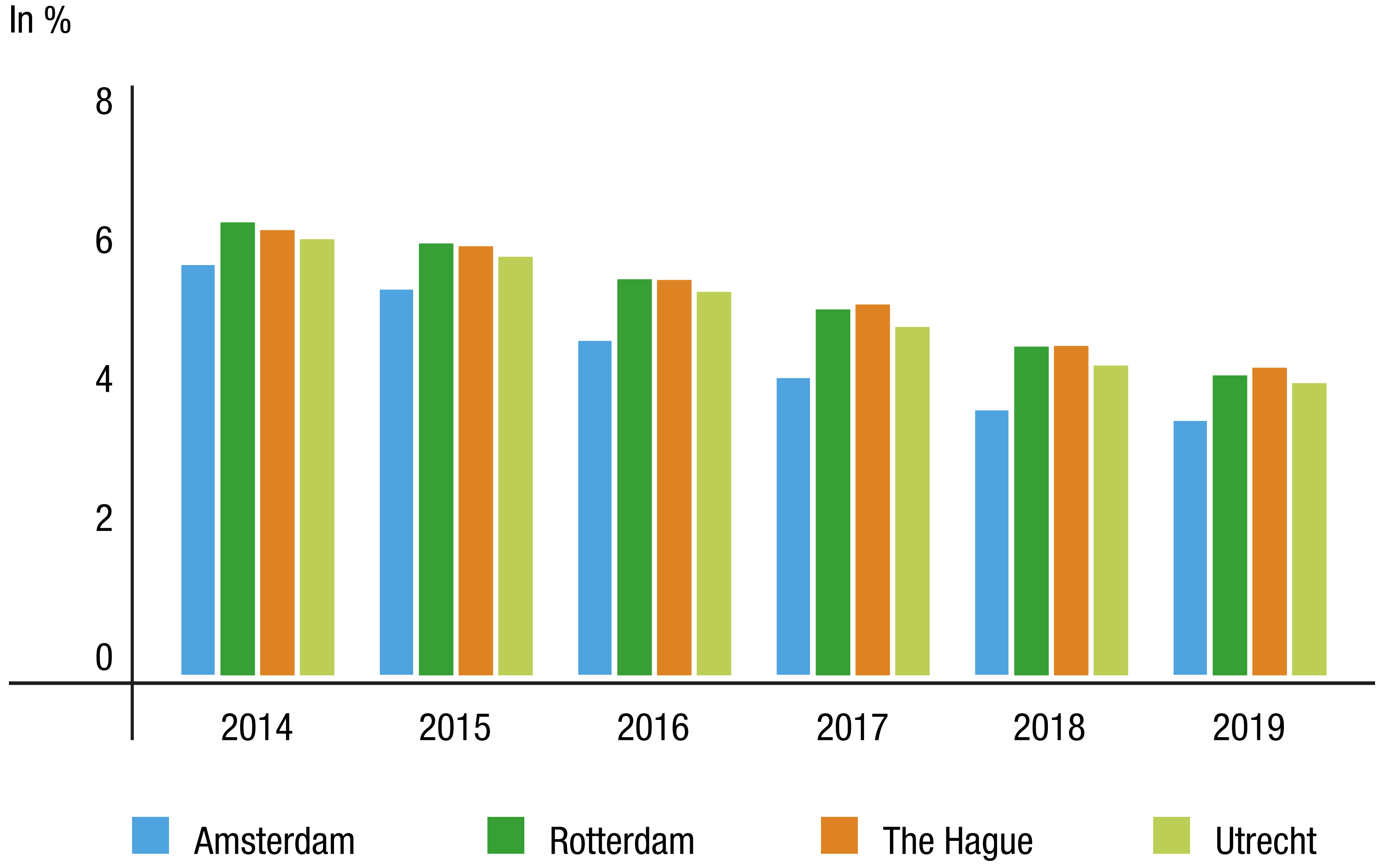
5. YEARLY CONTRACTUAL RENTAL INCREASE FOR UNREGULATED RENTAL HOMES OF DUTCH INSTITUTIONAL INVESTORS

Source: IVBN, 2019



6. GROSS INITIAL YIELDS RENTAL HOMES, BIG FOUR CITIES

Source: MSCI (2019), edited by Amvest



homes and an increasing number of sales by social housing companies (Ministry of 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 increases, as is clear from research by the Association of Institutional Property Investors in the Netherlands (IVBN, 2019). One of the main drivers of this rental increase is the average annual price increase (CPI). During 2018, the CPI was relatively high, which led to relatively high average rental increases in 2019. The average contractual rental increase for unregulated rental homes owned by Dutch institutional investors amounted to 2.8%.

FURTHER PRESSURE ON INITIAL YIELDS

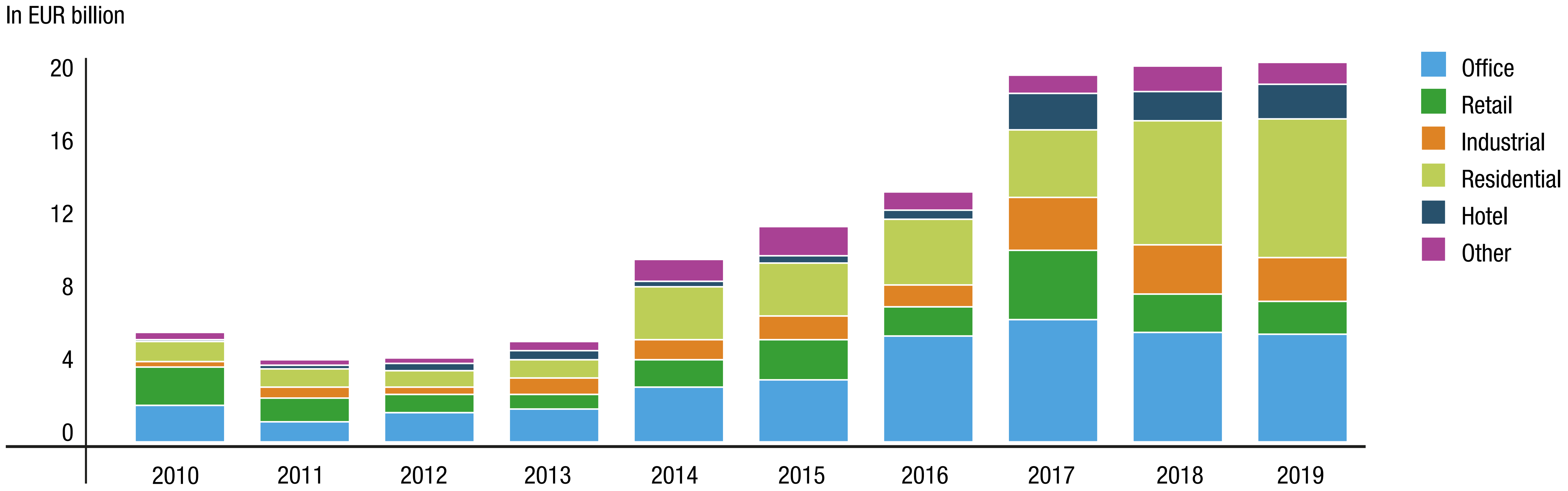
The housing shortage, the historically low interest rates and the growing demand from tenants are resulting in an ever-growing demand by investors for rental homes. This is exerting further downward pressure on Gross Initial Yields (GIY). The GIY of rental homes in the Big Four has seen a drop since 2014 (Figure 5). After an increase during the post-crisis period, the average gross initial yield in the Big Four decreased from around 5.8% to around 4.5% in three years. On average, yields in the biggest cities in the Netherlands are (substantially) below the 2008 level. The yield in Amsterdam dropped below its 2008 level back in the course of 2017. The declining initial yields have a positive impact on valuations and put pressure on direct returns.

THIRD YEAR OF HIGH INVESTMENT VOLUME

The Dutch residential rental sector attracts many investors. Many years the market was dominated by domestic investors, but since several years more and more foreign investors are also highly interested in acquiring Dutch residential real estate (portfolios). There is a strong demand for residential real estate investments at the moment. The low interest rates are the main driver for this. Besides that factors such as the growing number of households, the lack of supply, the positive (rental) price outlook and the good risk/return profile contribute to the demand from investors.
In 2019, the total investment volume in Dutch residential real estate added up to EUR 7.6 billion (CBRE, 2020). This growth in investment volume is mainly the result of a few very large portfolio transactions. Overall, the interest from foreign investors in 2019 was greater than ever (Capital Value, 2020). Some 96% of foreign investors with an

7. INVESTMENT VOLUME IN DUTCH REAL ESTATE, IN € BILLION

Source: CBRE, 2020



international investment compass have the Netherlands within their scope, which makes the Netherlands the number one country on this list (Capital Value, 2020). During 2019, institutional investors made the biggest contribution (62%) to the total investment volume in the residential investment market. The private investor category accounted for the largest growth figure. In 2019, this group was responsible for 31% of all residential investments (Capital Value, 2020).

Dynamic political environment

The increase in the share of the private rental sector since 2012 can be explained by tighter regulation of the social housing sector and increased capital requirements for homeowners. Factors such as the landlord tax (for landlords renting out social rental homes), lowering of the loan-to-value ratios (to a maximum of 100%) and reduced mortgage interest relief (for homeowners) are in force and are already having an impact on the owner-occupied market and the social rental sector. Fewer people are able to buy their own home or rent a home in the social housing sector. Besides the more positive factors such as the low interest rates, the mentioned government measures are also drivers for the demand for the private rental homes.

The mismatch between supply and demand in the mid-priced rental segment results in relatively fast growing market rents. The national government as well as more and more local government authorities are looking for ways to address the topics of affordability of housing and a shortage of mid-priced rental homes. Discussions are taking place at a national level regarding general rental restrictions, such as a maximum rent based on a percentage of the WOZ value[1]. Also, several municipalities such as Amsterdam, The Hague and Utrecht are looking for ways to increase accessibility to the local housing markets for middle-income households. The plans entail, for example, a quota for new constructions in the social housing sector and mid-priced segment. These new measures could also impose limitations on the private rental sector, which exert pressure on returns and are possibly already having an adverse effect on the number of new constructions.

As well as these regulations on new build projects, some municipalities are putting efforts into regulating the way existing rental homes are rented out. For example, the municipality of The Hague recently implemented new rules for the allocation of private sector rental homes to specific (income-based) target groups.

In order to make sure the development of, and investment in, rental homes is secured the umbrella organisation IVBN reached agreements with the municipalities of Utrecht and Amsterdam on behalf of its (institutional) members. These agreements cover volume of new production, rental indexation and assignment of homes to rental target groups.

Since Q2 2019, nitrogen emissions have been a frequently discussed topic. The reason for this was the announcement on 29 May 2019 of the Dutch Council of State that the PAS (Programma Aanpak Stikstof - Nitrogen Plan) cannot be used as a basis for allowing ‘activities’ (e.g. building new homes). From that date, there must be certainty in advance that the environmental impact of such activities is neutral before (building) permits can be granted. A large number of development projects had to be reassessed and the discussions that followed led to uncertainty in the market. Corresponding legislation and/or regulations are currently being drafted (there are still a lot of moving parts).

Conclusions regarding the economy and housing market

- the economic growth forecasts remain positive and a downward trend is expected;
- the projections for owner-occupied house prices are positive, more moderate price increases are expected;
- the housing shortage is high and a further increase in the shortage is expected;
- the fundamentals for the Dutch housing market are strong, with increasing regional differentiation;
- the demand for residential investments is greater than ever;
- the discussions regarding regulation, affordability, price levels and nitrogen emissions are ongoing and are likely to continue.

1) Tax related property value

PORTFOLIO STRATEGY

The ARC Fund invests in the Dutch residential rental sector and has a long-term horizon. The ARC Fund aims to realise an attractive, stable dividend yield available for distribution and long-term value growth for its Investors. This will be achieved by investing in a portfolio consisting of residential rental properties in the mid-priced segment located predominantly in strong economic regions. 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.

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 significant societal impact. It is therefore of great importance that the ARC Fund sets high standards for sustainability. The Fund's strategy needs to be in line with stakeholder expectations. To identify the most important Environmental, Social and Governance (ESG) themes for the ARC Fund, a materiality study was conducted among the stakeholders of the ARC Fund. The themes that emerged from this materiality study are integrated into the Fund's strategy. The individual aspects per theme that stakeholders have been asked about are reflected in Key Performance Indicators (KPIs). The full materiality analysis, including all KPIs, is included in the appendix.

PORTFOLIO POLICY

The ARC Fund has a core investment strategy and focuses on modern, high-quality, sustainable residential properties located in areas with the best economic and demographic potential (the ARC Fund focus areas). As the current portfolio of the ARC Fund is well-positioned (see also section Portfolio Developments 2019), the objective is to optimise, enhance and maintain an up-to-date and sustainable portfolio.

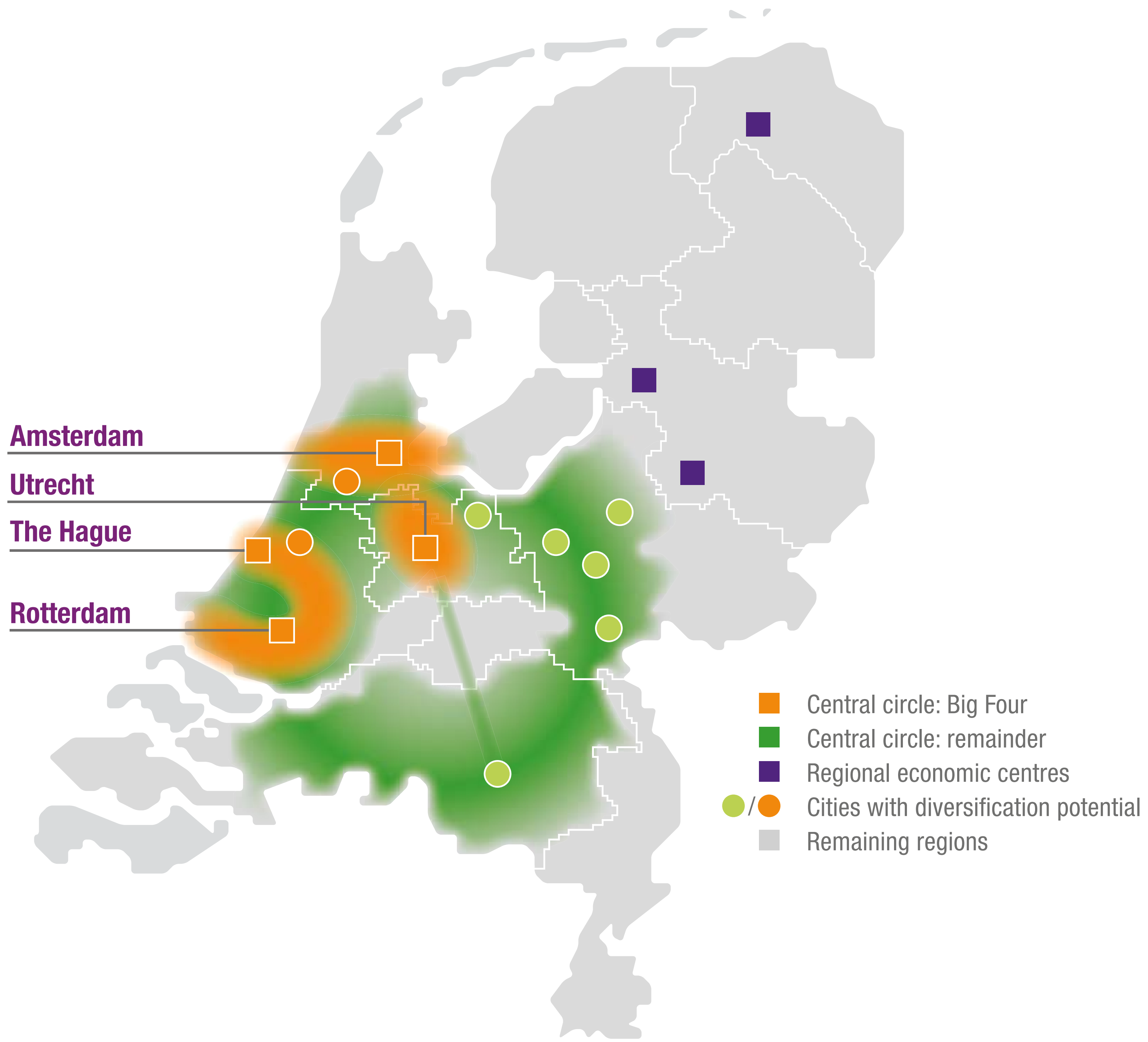
FOCUS AREAS

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 prospects. Outside 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 and satellite cities;
- **Central Circle - Remainder:** remaining urban regions in the Randstad, Brabant and Gelderland (including Amersfoort, Apeldoorn, Arnhem, Nijmegen, Delft, Leiden and Eindhoven);
- **Regional Economic Centres:** the urban regions of Groningen, Zwolle and Deventer;

8. FOCUS AREAS



WELL DIVERSIFIED YOUNG PORTFOLIO

With an average age of around ten years, the portfolio is relatively young. A dynamic portfolio policy ensures that 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 a modern 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 the portfolio.

MID-PRICED RENTAL SEGMENT

The ARC Fund focuses on the mid-priced rental segment, because it considers the mid-priced segment to be the most attractive core residential investment product in the Netherlands. Trends in legislation, demography and living habits indicate a steady and high demand for rental homes in this segment. In addition, buying a house has become increasingly difficult due to the high purchase prices and higher solvency requirements when applying for a mortgage. The increased rate of urbanisation, growth in single-person households and ageing of the population are adding to the popularity of (mid-priced) rental homes. The aspect of flexibility is valued by young professionals as they change jobs and place of residence more often.
The ARC Fund strives for a balanced ratio of single-family and multi-family units, since there is a high demand for both types of homes. A balanced mix of these types of homes ensures diversification within the portfolio.

Availability and affordability have become increasingly important over recent years as rental levels increase and supply is drying up. By creating more supply in the mid-priced private rental sector, the ARC Fund is contributing to the availability of homes. Since this segment is suffering the most pressing shortage in supply, increasing the investment in the mid-priced segment makes both economical and societal sense.

9. 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 737 - 1,330 - 1,535
Central Circle: Remainder	+	10% - 35%	EUR 737 - 1,230
Regional Economic Centres	0	0% - 10%	EUR 737 - 1,125
Remaining Regions	-	0% - 5%	EUR 737 - 1,025

* + 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 1,535 for Amsterdam (other Big Four: EUR 1,330)

The mid-priced segment starts at the point where rental prices fall outside the regulated and into the privatised rental sector, at EUR 737 per month as of January 2020 (2019: EUR 720). The upper limit of the mid-priced private rental segment differs for each focus area.

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, 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 likes 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 is of value to this group.

The number of **people aged over 65** is expected to grow strongly in the forthcoming 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 home to more suitable care homes, but technological developments and changes in the health care system have reduced this group's willingness to move substantially. 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** will decrease slightly in the coming years, 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 consists 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 will most likely choose a rental home. Due to the medium to relatively high income level of expats, they do not qualify for a social housing rental home. The mid-tier expats in particular form an important target group for the ARC Fund. One drawback of the expat segment is its sensitivity to the state of the economy.

Key workers

The ARC Fund recognises the importance of affordable housing for key workers in the healthcare, education and security sectors. Whilst affordability in general is already high on the agenda, special attention is given to the housing of key workers in local markets with the most pressing shortage of supply.
In a number of selected properties in the lower part of the mid-priced segment, up to 50% of the homes are assigned with priority to key workers. These properties are located in areas with the most pressing shortage of supply and there has to be a substantial waiting list for these rental homes. Priority is given to candidates who are leaving a social rental home in the area, in order to improve circulation in the housing market.

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. It is important to gain insight into how the housing market and residential environment of the future will be affected by increasing urbanisation, demographic ageing, green cities, digital services, automation and sustainability. The following trends have been identified and will be given special attention in the years to come.

Shared spaces and services: co-living

Rentals are becoming increasingly unaffordable for (young) people who want to live in or close to the core of the Big Four cities. A growing group, in particular the millennial generation, is prepared to make concessions in terms of privacy and/or space in return for a more favourable total rental price. The ARC Fund is responding to this trend by providing apartments that are shared between friends or roommates. Each tenant has his or her own bedroom and private bathroom, but the living room and kitchen are shared. In this way, the ARC Fund is making a contribution towards providing affordable housing for single people.

With a large range of social amenities on offer in close proximity, the size of apartments in some properties of the ARC Fund is reduced substantially, along with the rental price. In these properties, the living room and/or a guest room is placed outside the private apartment. Communal spaces like an indoor (rooftop) garden, community kitchen, flexible workplace, a launderette and other services can also be located inside the building, thus creating what is termed a co-living environment. In addition to single-person households, these properties are specifically popular among two-person households who are consciously dealing with their footprint and are part of the sharing economy.

Area management

The immediate environment of a building has an impact on the quality of a property and therefore its rental prices and asset value. The right combination of functions like 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. Properties that are rented out largely to singles can benefit from places where people can meet up. Day-to-day amenities are important for areas with more elderly people. Seeking collaboration with other parties can be efficient in those areas where the ARC Fund does not have a large presence. If the ARC Fund has a large number of properties in close proximity to each other, it can pay off to provide a service and community concept to the whole area at once. Proper integrated area management, including control over the quality of the (green) surroundings, adds value to the individual projects, resulting in more attractive homes. Tenants will benefit, resulting in increased demand.

Community and Service management

The living experience of tenants goes beyond their home nowadays and is increasingly determined by the environment, facilities in the neighbourhood, additional services and contact with their neighbours.

The combination of economic value to the ARC Fund and its social value to tenants makes community and service management an interesting theme. The area in which a property is situated has always been of great influence to its value. The increasing size of the ARC Fund and the properties it acquires make investments in the immediate environment of those properties economically feasible. In some cases, the ARC Fund holds multiple properties in close proximity to one another, making an upgrade in their common public spaces as regards facilities and additional services even more attractive. On the social side, the ARC Fund's tenants and other users of the space enjoy a higher quality of life.

FUTURE-PROOF PORTFOLIO

In addition to high-quality homes, a future-proof portfolio also means that specific action must be taken to structurally reduce carbon emissions in order to meet the Paris Climate targets. To become Paris-proof, energy consumption needs to be reduced substantially, and since the built environment is responsible for 40% of energy consumption, this reduction will be achieved largely by making buildings more energy efficient. The focus on reducing energy consumption and carbon emissions is therefore an integral part of the ARC Fund's strategy.

The sustainable strategy of the ARC Fund starts with the design of new homes and their construction. The ARC Fund sets high standards for the quality of new-build homes, that go beyond what might be expected. These standards are set out in the ARC Fund Programme of Requirements (PoR), which forms the basis for every new residential property to be acquired. The PoR includes an extensive technical description for each building component, which specifies minimum standards and guarantees.

The operational phase may even be more important in terms of environmental impact than the construction phase of the property.

That is why the ARC Fund strives for maximum data insight into energy consumption within the portfolio.

PROGRAMME OF REQUIREMENTS

An important element of the PoR is the sustainability and safety requirements that the ARC Fund requires. To this end, the GPR label[1] has been incorporated as part of the PoR. As the GPR score contains an MPG calculation (Milieu Prestatie Gebouwen), this provides an insight into energy consumption, among other things.

Since 2018, all new-build homes have to be built without a gas connection. A gas-fired system for heating the home is therefore no longer possible. The PoR includes a preference for the generation of renewable energy in the property. The common spaces already have to be fully energy neutral. A preference for thermal energy installations (WKO) has also been added. However, local guidelines can require the property to be connected to the central district heating network (stadsverwarming). The technical developments in heat supply are monitored closely in order to be responsive to any breakthroughs.

ENERGY CONSUMPTION

The ARC Fund is keen to gain an insight into the consumption and generation of energy in all its assets. This goal has been attained for common spaces, but it is more complicated for entire properties. The ARC Fund does not have access to smart meters for individual units due to privacy regulations. In addition, some units do not have smart meters, making data collection labour-intensive and unrealistic. Where smart meters are not present, the ARC Fund assesses energy consumption based on publicly available data from energy companies about energy consumption at a postal code (postcode) level. This average energy consumption is then used as a proxy for all individual units within this postal code. Based on this data, the ARC Fund is able to identify and analyse the properties in the portfolio, so that targeted measures can then be taken to structurally reduce the energy use intensity (EUI[2]) of the ARC Fund in the coming years.

The reduction of carbon emissions and climate change is addressed by increasing the use of energy generated by solar panels and by using (purchased) green energy. For all common spaces, the ARC Fund purchases green energy from the energy provider 'Green Choice'.

1) GPR Gebouw charts the sustainability of buildings based on an assessment of five themes: energy, the environment, health, quality of use and future value.
2) The EUI is expressed as energy per square meter per year and is calculated by dividing the total energy consumed by the ARC Fund in one year by the total gross floor area of the portfolio.

PORTFOLIO DEVELOPMENTS IN 2019

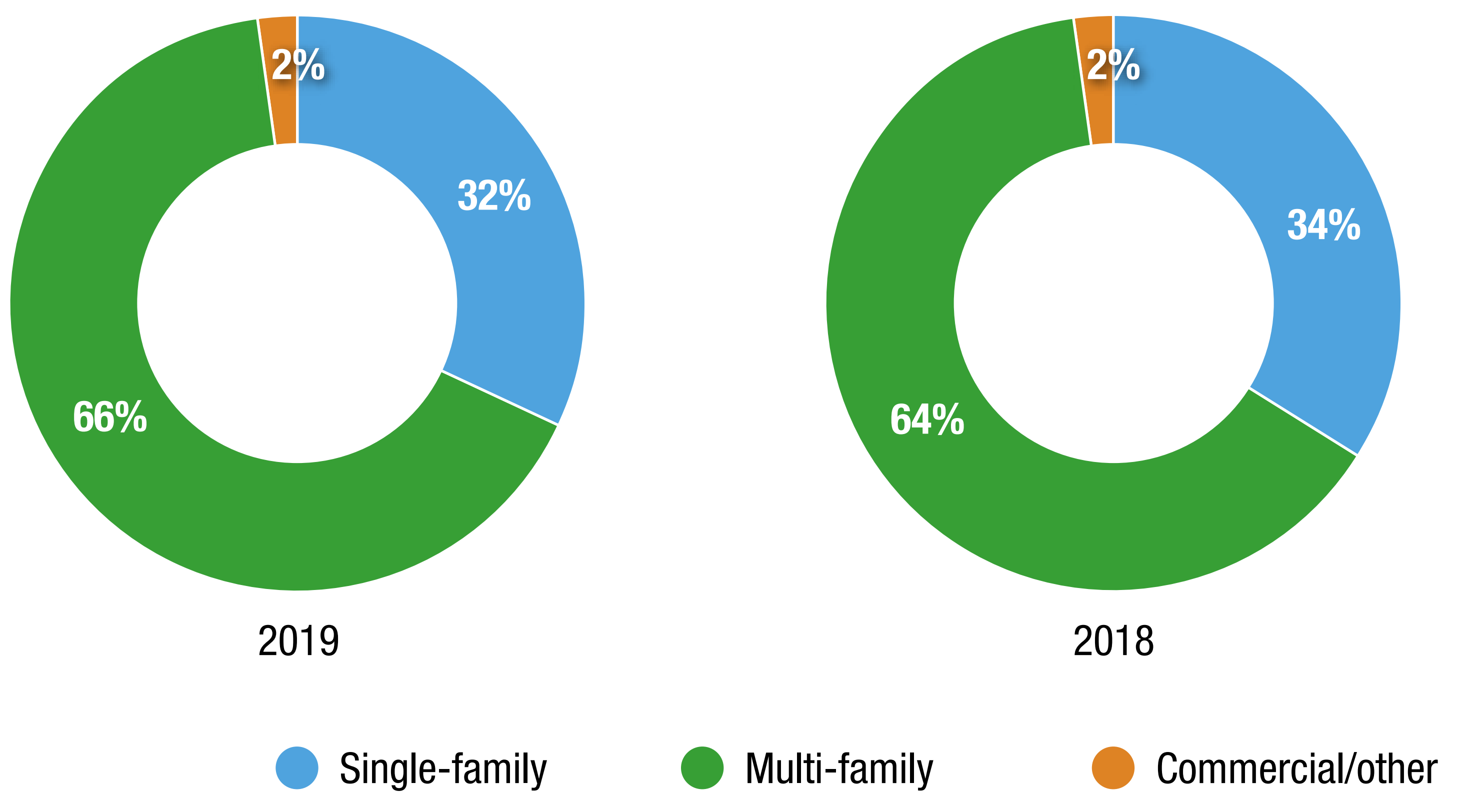
In 2019, the operational results of the ARC Fund were again exceptionally strong. Despite the large number of newly built homes delivered to the portfolio, the average occupancy rate was over 97% and due to the relatively low age of the portfolio, operating costs were just above 19.5% of the theoretical rental income.

The portfolio grew considerably in 2019. On balance, the size of the portfolio increased by 2,115 homes. In addition, the secured pipeline of the ARC Fund consists of almost 3,000 new homes to be added to the portfolio in the coming years. As well as third party acquisitions, the RoFR Agreement with Amvest Development Fund B.V. ensures a sufficient and constant future access to new, high quality residential rental properties developed by Amvest Development Fund B.V.

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

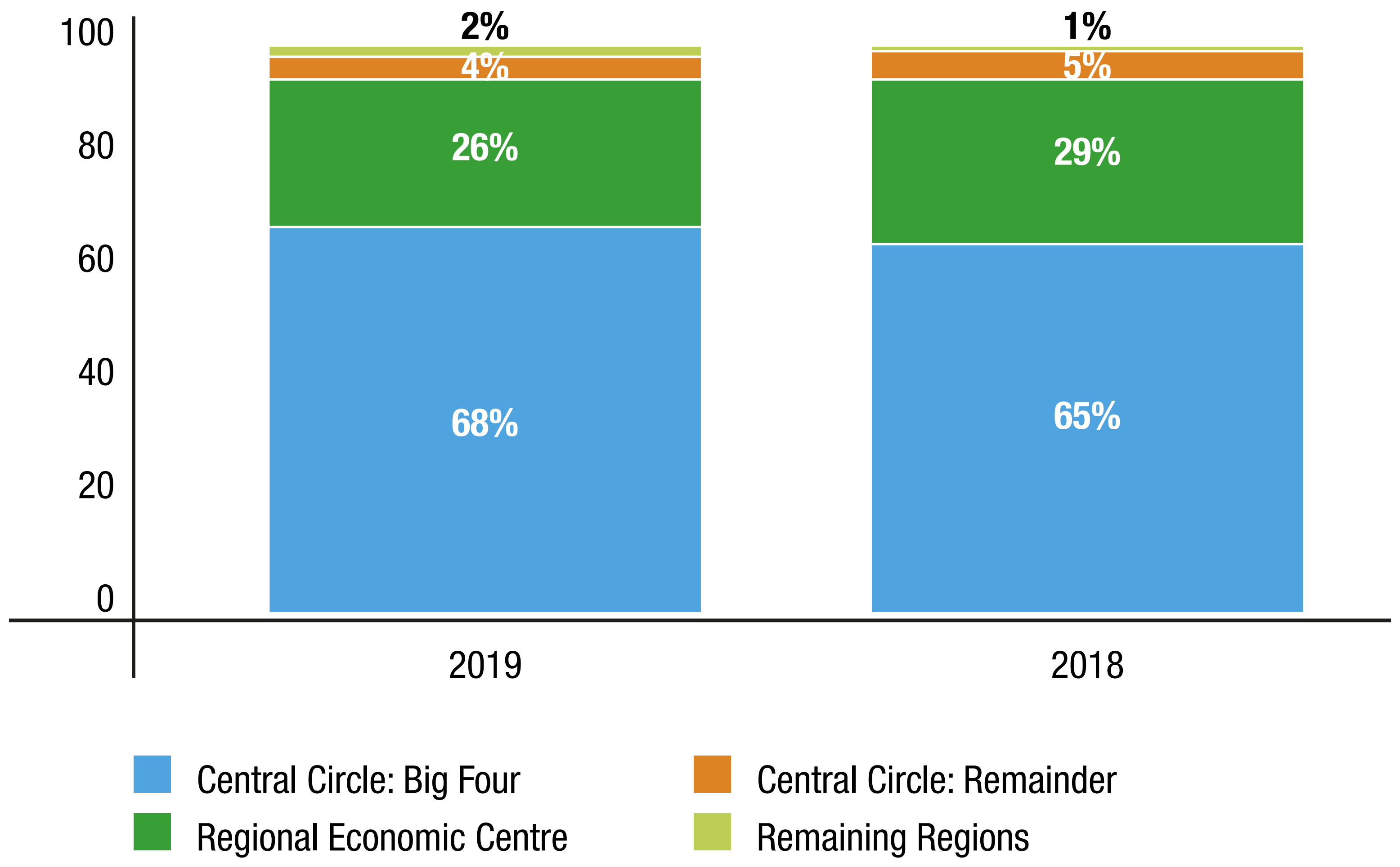
10. TOTAL PORTFOLIO BY TYPE

Composition by book value



11. TOTAL PORTFOLIO BY REGION

Composition by book value



PORTFOLIO - COMPOSITION

At the end of 2019, the total residential investment portfolio of the ARC Fund consisted of 10,170 homes with a book value of EUR 3.2 billion. The average book value per home increased by 11.7%, from EUR 282,554 as at year-end 2018 to EUR 315,670 as at year-end 2019.

Around one third of the portfolio consists of single-family homes. Although a substantial number of single-family homes were added to the portfolio in 2019, the share of multi-family homes in the total portfolio increased in 2019 compared to 2018. Since the secured pipeline consists mainly of multi-family homes, the proportion of apartments is expected to grow in the coming years.

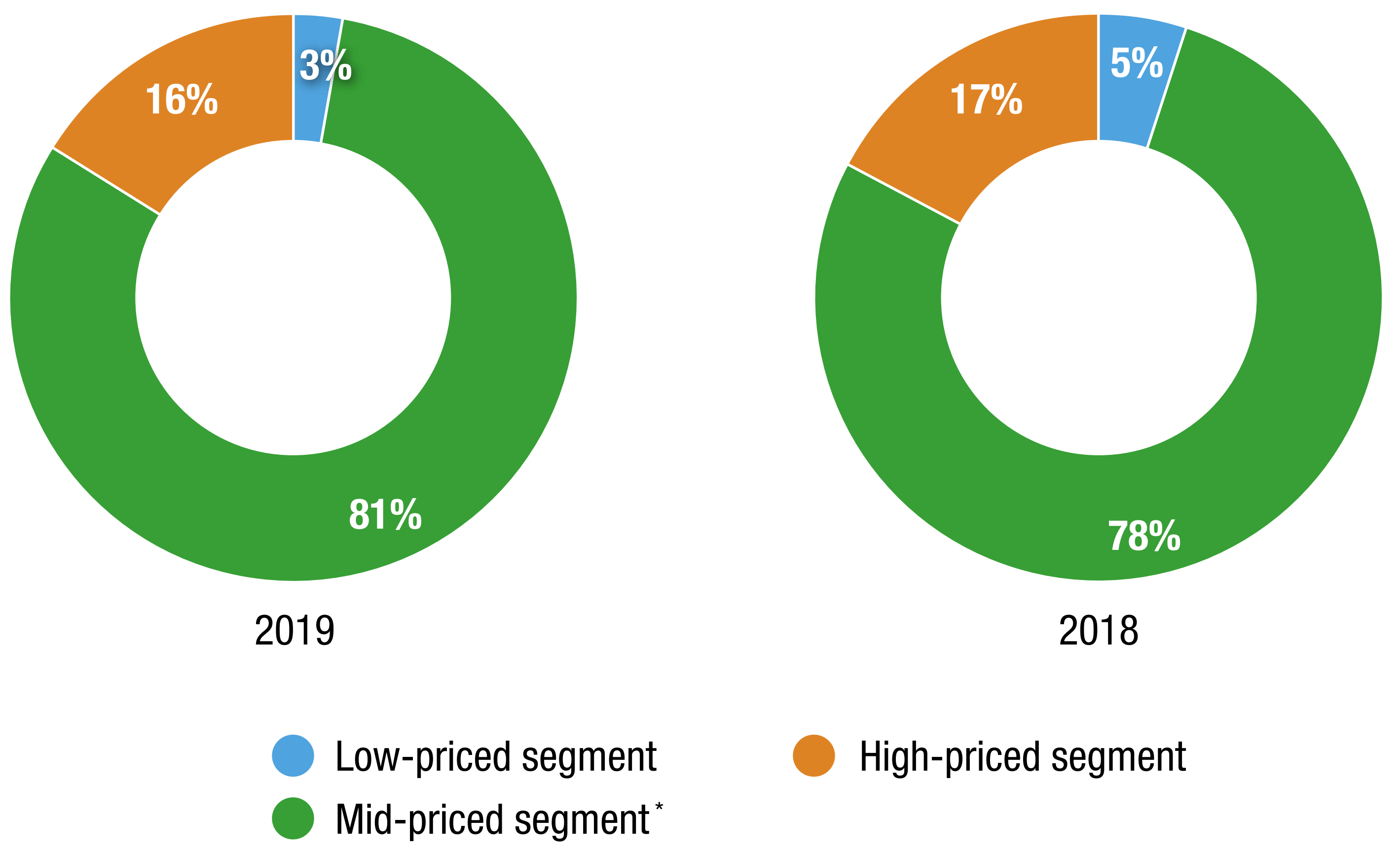
2% of the total investment portfolio value consists of commercial real estate. Most of these commercial units are part of residential buildings in the portfolio.

The portfolio is strongly concentrated in the focus areas. Around 68% of the portfolio's allocation is in the four largest cities and their suburbs. Remaining properties within the Central Circle are situated in regions with attractive prospects, for example Leiden, Berkel en Rodenrijs and Eindhoven.

Due to the focus on the private rental sector, the ARC Fund's exposure to the social sector is limited. Most of these homes have been rented below EUR 737 due to agreements with municipalities. As these agreements expire over the coming years, the rent can be increased to mid-rental market levels until market rent is achieved.
The ARC Fund actively targets the mid-priced segment by setting a minimum long-term portfolio allocation of 80% to this segment. Currently, 81% of the ARC Fund's portfolio consists of homes with mid-priced rentals.
Exposure to the high-priced rental segment is limited to 16%.

12. RESIDENTIAL PORTFOLIO BY PRICE SEGMENT

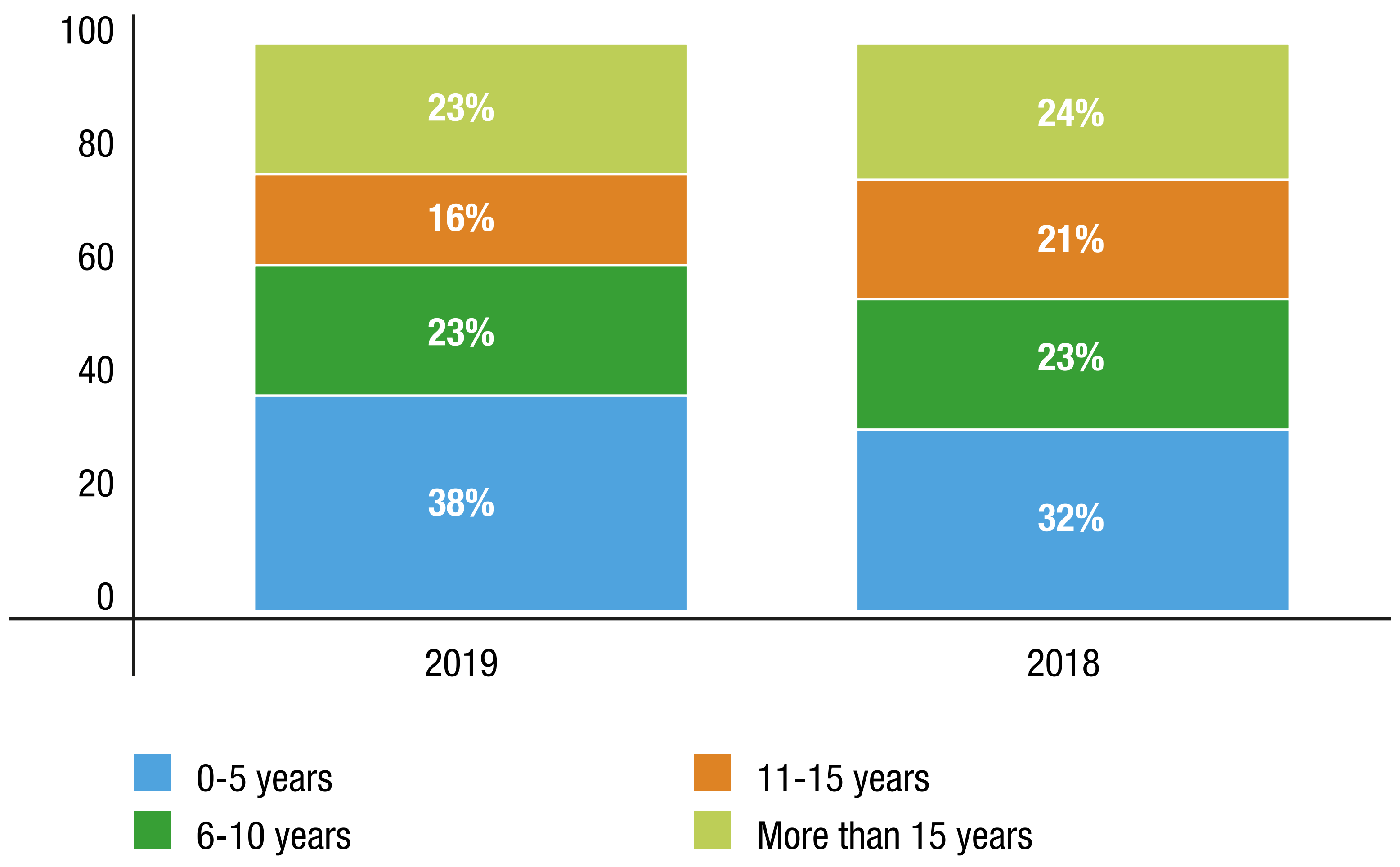
Composition by rental income



* Rental price of the segment EUR 737 to EUR 1,025 / EUR 1,535 per home per month depending on specific region

13. TOTAL PORTFOLIO BY AGE

Composition by book value

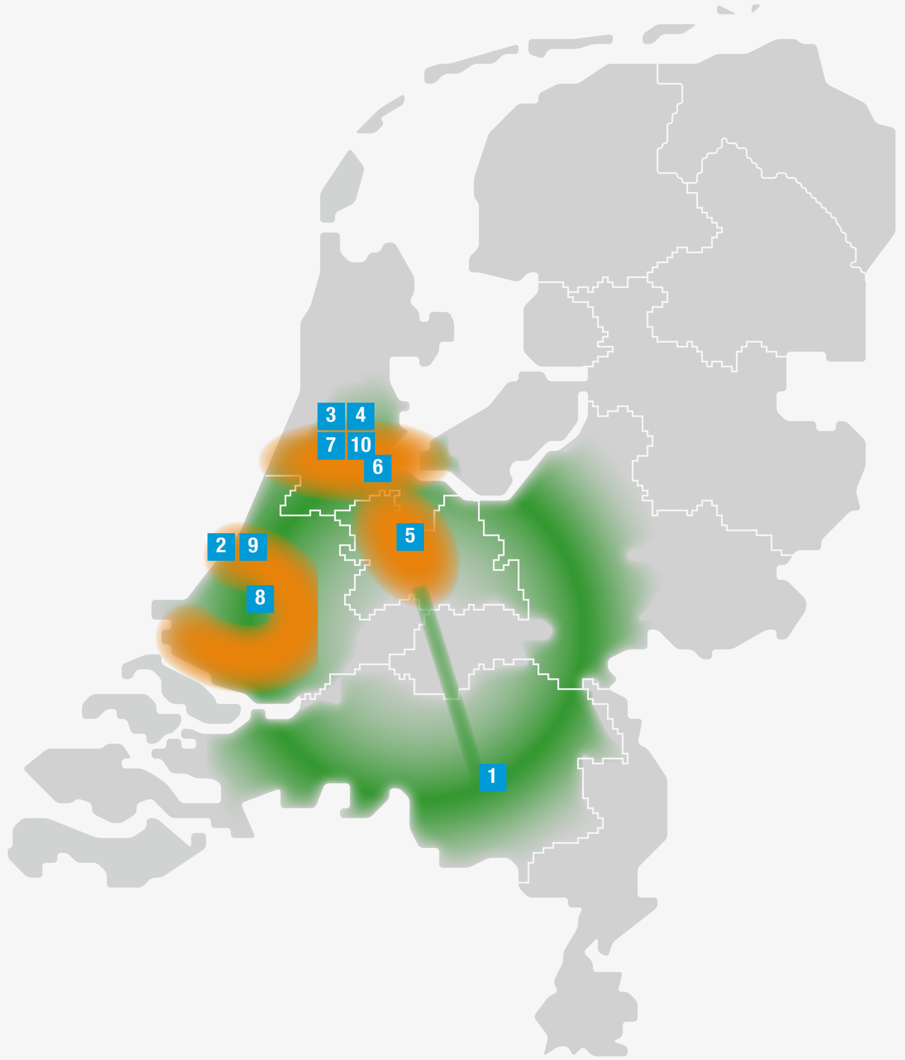


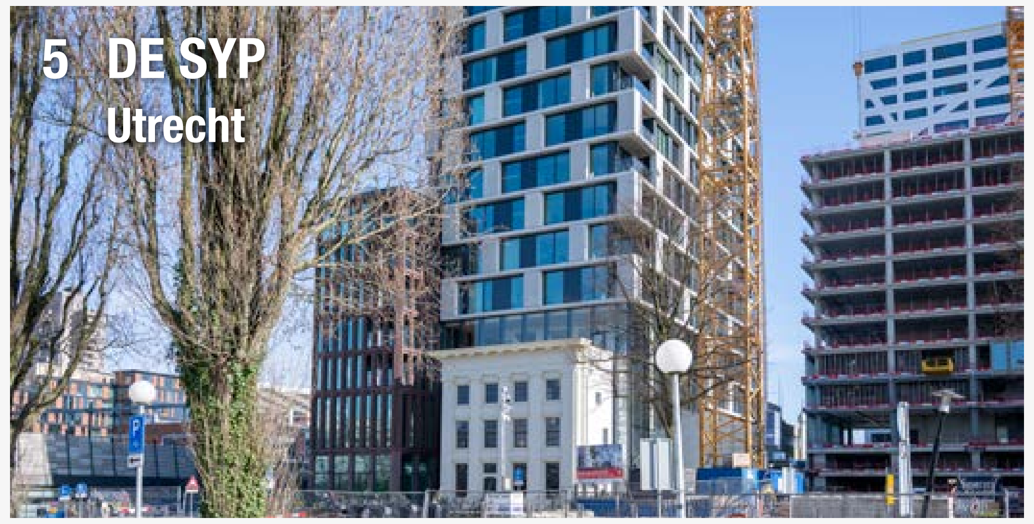
At year-end 2019, the weighted average age of the portfolio was around ten years. Only 23% of the portfolio is older than 15 years. Properties in this category that still contribute positively to the total fund return are kept up-to-date through the renovation of kitchens and sanitary facilities in combination with measures to improve the energy performance and to reduce 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 are only minimally affected by individual properties. Based on book value, the largest concentration of properties (the residential district "Hartje Eindhoven") has a 4.5% share of total portfolio value. The ten largest properties based on book value represent c. 16.5% of the total portfolio value.

LARGEST PROPERTIES/DISTRICTS





PORTFOLIO - OPERATION

RENTAL POLICY

Net rental income from the portfolio in 2019 was EUR 95.1 million (2018: EUR 78.6 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 increase, rental turnover and portfolio dynamics. In addition, the acquisition of the UFCV portfolio in July 2019 contributed to the growth in rental income. The ARC Fund pursues a responsible rent increase policy for its current tenants. Every year, the rental contracts can be increased by at least the inflation level. For 2019, the average annual rental increase was 2.53% equivalent to 0.93% above inflation (2018: 2.15%; 0.75% above inflation). In the context of affordability, the ARC Fund will also pursue a moderate rent increase policy for its current tenants for 2020. Excluding portfolio dynamics (like-for-like), the total rental growth of the standing properties was 2.43% (2018: 2.42%). Due to this moderate rent increase policy, the difference between the actual rent and the market rent (rental potential) increased with 10 bps in 2019 compared to 2018.

OCCUPANCY

Optimising the occupancy rate is one of the main tasks within asset management. This entails a proactive approach in promoting unoccupied homes and an active approach to the customer and the market. The performance of the property managers in these leasing activities is closely supervised by the Fund Manager.

The financial occupancy rate based on the operational and initial vacancy in 2019 averaged 97.2% (2018: 98.3%). The decline is mainly driven by higher initial vacancy due to additions from assets under construction to the investment property.

The total vacancy rate in 2019 was targeted at a maximum of 2.5% of the theoretical rental income. This includes operational vacancy (existing portfolio) and initial vacancy (newly built properties). Due to the large quantity of newly built homes in 2019, the total vacancy rate was slightly higher. However, almost all newly built properties were rented out quickly and beyond expectations. At year-end 2019, the total operational vacancy amounted to 1.5%. Table 14 shows the ten properties with the highest financial operational vacancy.

14. THE TEN PROPERTIES WITH THE HIGHEST VACANCY RATE

TOWN	NAME	NUMBER OF HOMES	OPERATIONAL VACANCY RELATIVE TO TOTAL OPERATIONAL VACANCY (%)	OPERATIONAL VACANCY AS % OF THEORETICAL RENT
Amsterdam	Emmy Andriessestraat/Jan Vrijmanstraat (Terrazze/Mura)	102	8.37%	7.17%
The Hague	Anna van Buerenplein/Bezuidenhoutseweg (New Babylon City/Park Tower)	169	8.03%	3.59%
Amsterdam	Bottelarijstraat (Cruquius)	158	4.93%	3.06%
Schiedam	Prof. Kamerlingh Onneslaan	81 *	4.85%	10.07%
Amsterdam	Krijn Taconiskade (Havenmeester)	117	4.23%	4.22%
The Hague	Cornelis de Wittlaan (Staten I en II)	176	4.11%	2.54%
Velp	Churchillplein	75	3.96%	4.19%
Haarlem	Bellevuelaan (Hoge Hout)	93	2.76%	2.46%
Rotterdam	Boezemweg	102	2.76%	3.64%
Almere	Boelijn Spinnakerplantsoen	58	2.67%	6.85%

* sold per December 2019

OPERATING COSTS

Property management has been outsourced to eight local external property managers. These dedicated property managers are carefully selected by and under 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, local market expertise and ISAE 3402 assurance. Operating costs as a percentage of the theoretical rental income decreased in 2019 to 19.5% (2018: 20.0%). This decrease is mainly the result of lower maintenance costs due to the large volume of completed newly built homes, lower landlord tax and letting expenses. For a further breakdown of the operating costs, we refer to note 2 in the financial statements.

HOME COMFORT

Tenant satisfaction is of great importance to the ARC Fund. The property managers are the first point of contact for the tenants and therefore have a significant impact on the tenants' satisfaction score. Each year, the ARC Fund sets the challenging target to obtain a grade of 7.5 or higher and outperform our IVBN peers in the Customeyes benchmark. With a score of 7.2 in 2019 (2018: 7.1), the ARC Fund did not reach the targeted minimum grade but did outperform the tenant satisfaction benchmark which is based on the performance of 8 IVBN members, including Amvest. Both goals remain in place in their current form for the forthcoming years. The overall score of 7.2 is the average of the three components: quality of home, living environment and property management, as these are the components which directly reflect the Amvest management performance.

Compared to 2018, the tenants are slightly more satisfied with the living environment and property management. However, the tenants are much less satisfied with repair requests than last year. Also the score on complaints management is far too low. Improving these two processes will be high on the agenda in 2020.

The scores are available for each property manager, which makes it possible to monitor the performance of each manager. Property managers who currently score poorly on tenant satisfaction are under stricter supervision by the Fund Manager and receive a lower fee, since performance on tenant satisfaction is linked to the property management fee. These property managers will have to structurally improve their performance in order to continue to manage for the ARC Fund. In addition, the collaboration with the property managers will be evaluated in 2020 and possibly adjusted.

Another important part of home comfort is safeguarding health and safety for tenants. To ensure a healthy indoor climate, it is important that air treatment and ventilation systems are maintained and cleaned periodically.
Since 2019, the GPR label has been part of the Programme of Requirements (PoR). One of the five GPR themes is Health. A score of 1 to 10 can be achieved for each theme. The ARC Fund requires a minimum GPR score of 8 on this theme for new projects to be acquired.

Finally, while not an active KPI, fire safety is an important topic for tenants. It is important that all homes are equipped with smoke detectors. These detectors and also dry fire extinguishing pipes in apartment blocks need to be checked and maintained periodically. Property managers also have a SLA target to inform tenants at least once a year about fire safety in and around their home, for example alerting tenants about the escape plans for apartment buildings.

Investing in a future-proof portfolio

In order to be future-proof, it is also important to invest in measures that reduce energy consumption and carbon emissions. The investments are in the properties with the best prospects based on the property analysis or in properties where significant increases can be achieved in expected returns.

In 2019, several actions were undertaken to improve the quality of the portfolio. These investments consist of the renovation of the entrances of apartment buildings, kitchens, and sanitary facilities. In addition, investing in the installation of solar panels on several properties has also been continued. This reduces the carbon emissions of the tenants. Solar panels have now been installed on approximately 1,500 single-family homes and in 2020 at least another 500 homes will be equipped with solar panels.

15. TENANT SATISFACTION

Source: Customeyes

	SCORES ARC FUND 2019	SCORES BENCHMARK 2019
Overall score	7.2 [1]	7.1
- Quality of home	7.6	7.3
- Living environment	7.5	7.5
- Property Management	6.4	6.4
Repair requests	6.2	6.3
Complaints management	4.4	4.7

In addition, the installation of LED lights in apartment buildings has also been continued, in order to make the common spaces energy neutral.

1) Please refer to the KPI tables in the Annexes. KPI's include limited assurance by external auditor. A separate assurance report is included on page 82

Energy consumption and generation, carbon emissions and energy saving

The energy label and GPR label provide a good indication of energy efficiency. The best indicator is the energy consumption in relation to the size of the building. The goal for 2019 was to have full insight into the consumption and generation of energy of all properties. This insight is necessary to devise realistic goals for the portfolio with regard to reducing the CO_2 footprint. In 2019, the ARC Fund implemented an energy dashboard. This dashboard is used for reporting on energy consumption at a property level, but the information can also be used to analyse the portfolio and plan further energy improvements. The Energy Use Intensity (EUI) is used as the unit of measurement.
The average EUI of the ARC Fund in 2019 was 124 kWh/m²/year.[1]
Based on this figure, other data from the dashboard and the portfolio characteristics, it can be determined how far the average EUI of the ARC Fund needs to be reduced in order to meet the Paris Climate targets in 2030. Annual targets can then be set based on this long-term objective.
The use of green energy also contributes to reducing the carbon footprint of the ARC Fund. For the common spaces, the ARC Fund only uses green energy. For the residential units, the ARC Fund is currently examining the possibility of negotiating low energy prices by bundling energy demand, so that optional green energy contracts on favourable conditions can be offered to all tenants.

GRESB

The ARC Fund has been participating in the Global Real Estate Sustainability Benchmark (GRESB) since 2013. Participating in the GRESB allows for an objective assessment of the extent to which the ARC Fund portfolio is future-proof.
The ARC Fund's GRESB score of 87, combined with an outperformance on all themes, shows a continued high sustainability performance. The ARC Fund achieved the highest obtainable five-star rating [1], indicating the ARC Fund is amongst the best performers worldwide.
Since measuring and understanding the energy performance of assets is considered key to environmental improvements, this is the area the ARC Fund wants to improve over the next years. The aim of the ARC Fund is to remain among the best-performing residential funds in the field of sustainability.

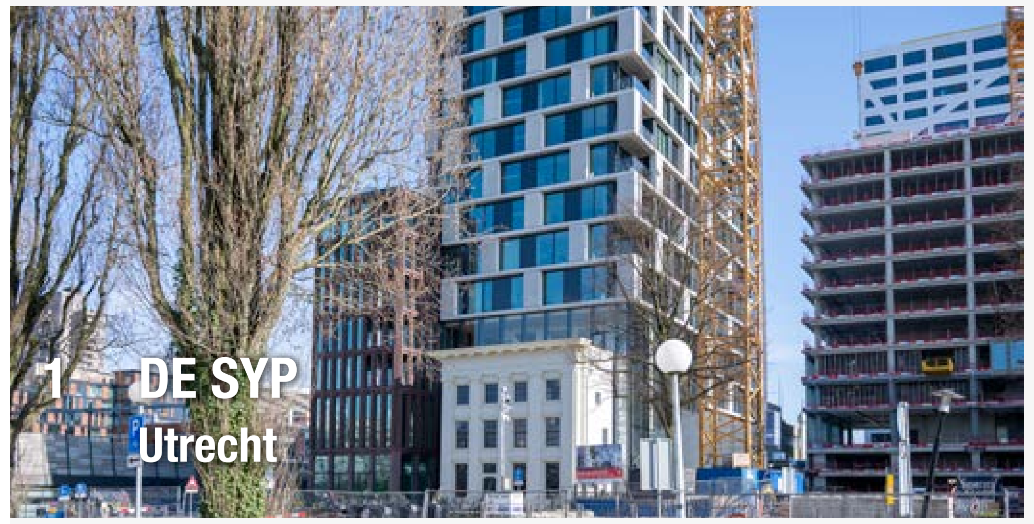
PORTFOLIO - DYNAMICS

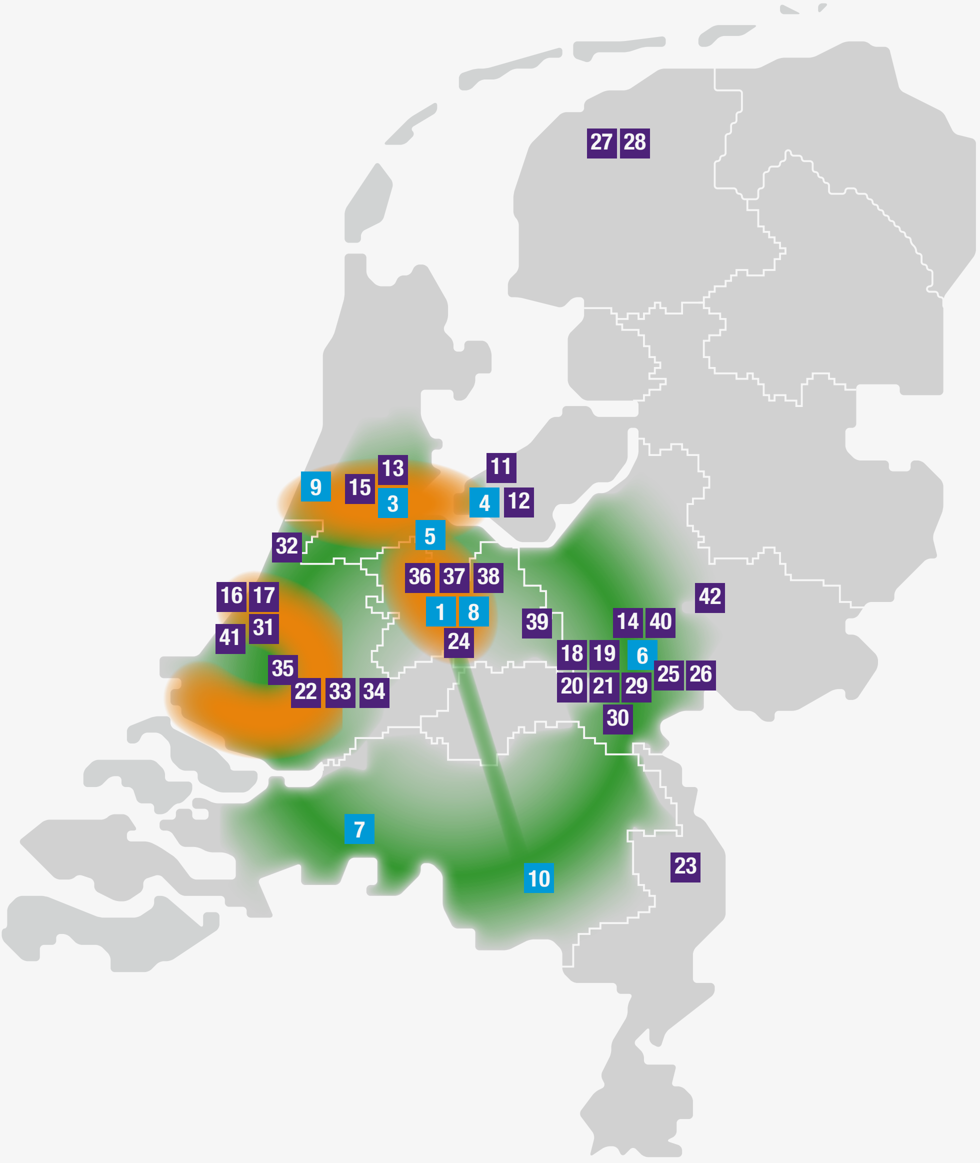
In line with expectations, the ARC Fund has renewed and strengthened its portfolio. During 2019, the ARC Fund invested EUR 254 million in eleven new turn-key acquisition projects and added 1,058 homes to the portfolio. In addition to these acquisitions from the assets under construction category, the acquisition of the Utrechtse Fondsen Vastgoed CV (UFCV) was completed as at 1 July 2019, adding another 1,352 homes to the portfolio.

In 2019, transaction volume (excluding assets under construction) was 38.2% (2018: 13.1%). Compared to the book value as at 1 January 2019, 34.8% of the portfolio value was added to the portfolio and 3.4% of the portfolio value was divested (2018: 9.2% added and 3.9% divested).

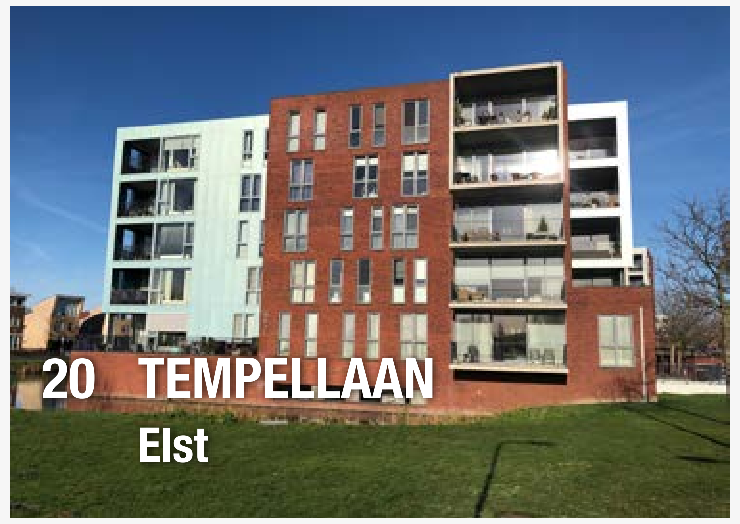
The map shows the new properties added (total of 2,410 homes) to the investment portfolio. The number of homes sold in 2019 is 295 of which 182 were sold by a block sale (Birds) finalised in December 2019.

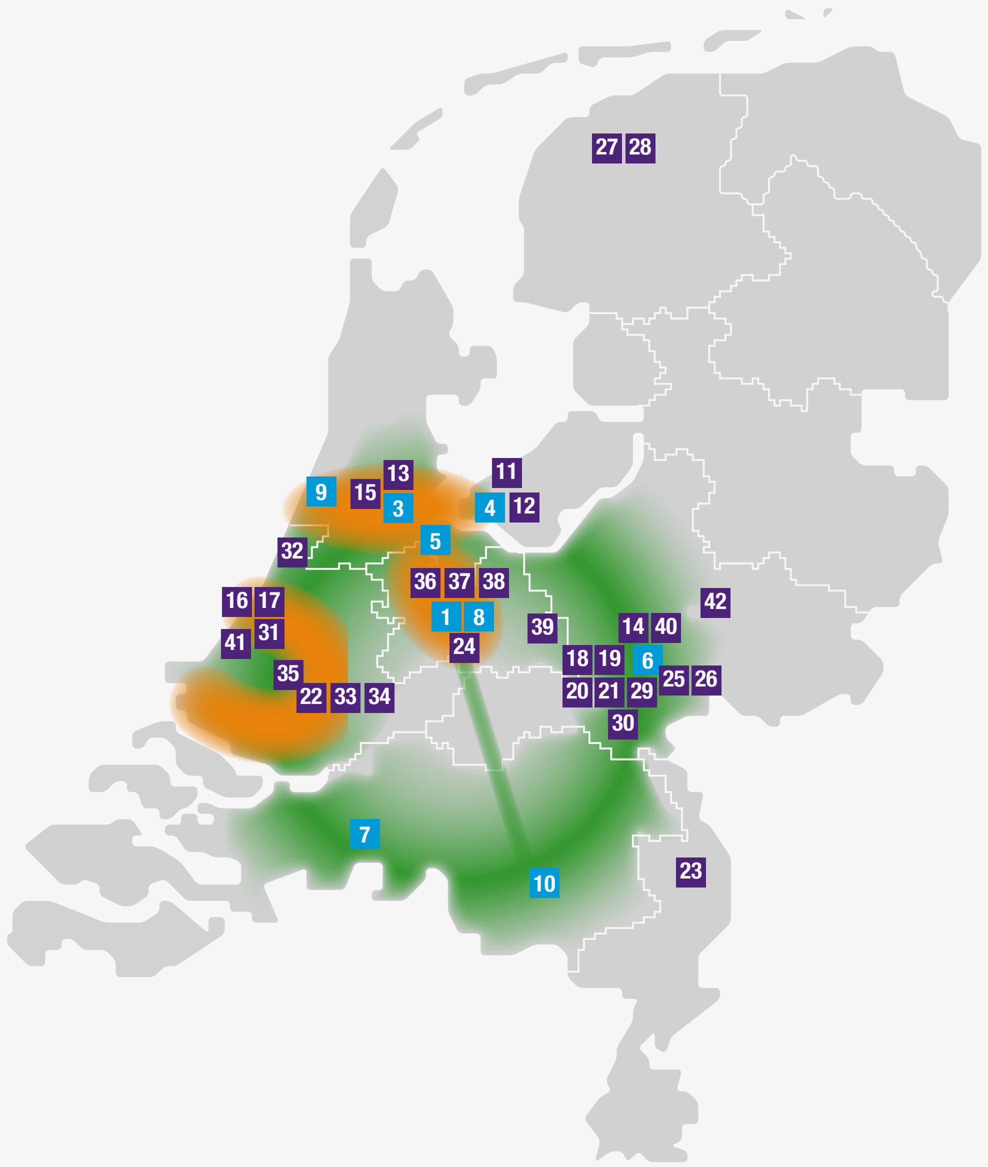
INVESTMENTS



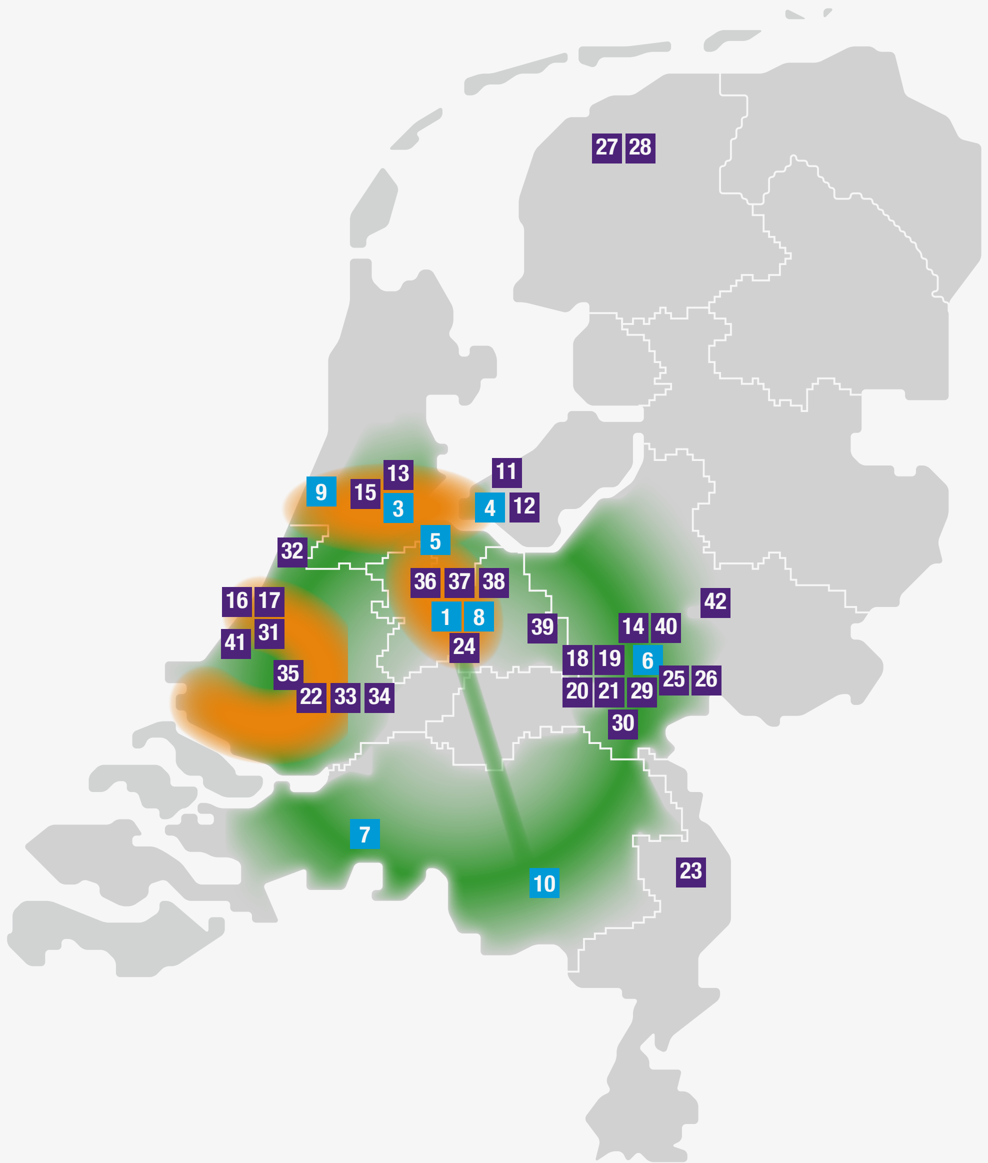


INVESTMENTS UFCV

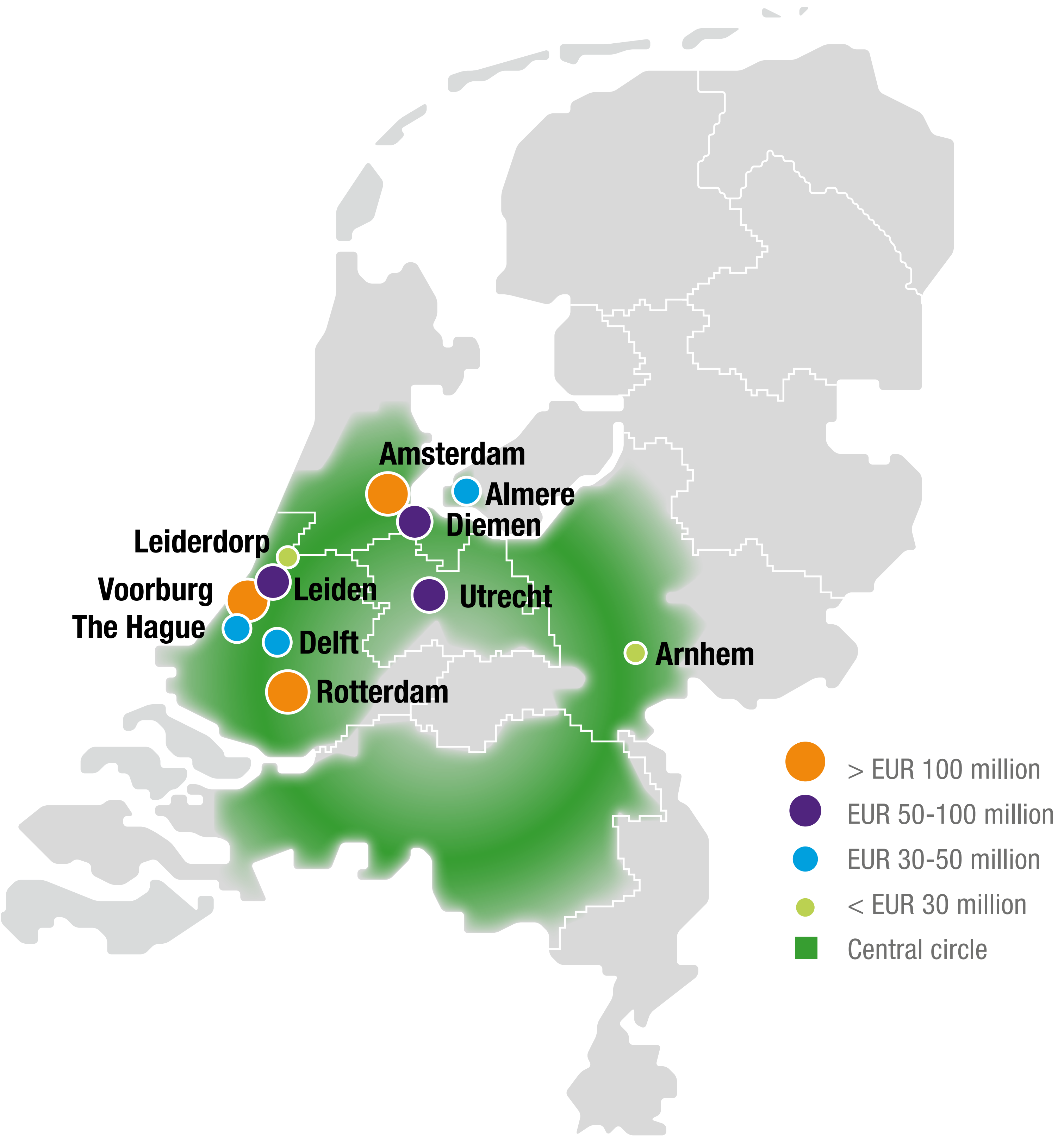




INVESTMENTS UFCV



16. PIPELINE PROPERTIES



INVESTMENTS PIPELINE

At year-end 2019, the ARC Fund has a total committed pipeline of EUR 932 million (2018: EUR 956 million). On top of these commitments, investment proposals have been approved for the development at The Hague - KJ Plein, adding up to a total pipeline of EUR 1,098 million.

Several turn-key developments in the pipeline are conducted in collaboration with Amvest Development Fund B.V. As at year-end 2019, 13 developments with a combined investment value of approximately EUR 480 million have been acquired as part of the Right of First Refusal (RoFR) agreement from Amvest Development Fund B.V. (ADF). 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 other residential funds without direct access to a 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 that segment. The portfolio's allocation to the Big Four cities is also increasing, since more than 80% of the pipeline is situated in Amsterdam, Utrecht, The Hague and Rotterdam. In addition, the pipeline investments in attractive cities such as Almere, Delft and Leiden are contributing to the geographical diversification of the ARC Fund. As a result of the continuous rejuvenation, the portfolio continues to be high quality, low age and well diversified.

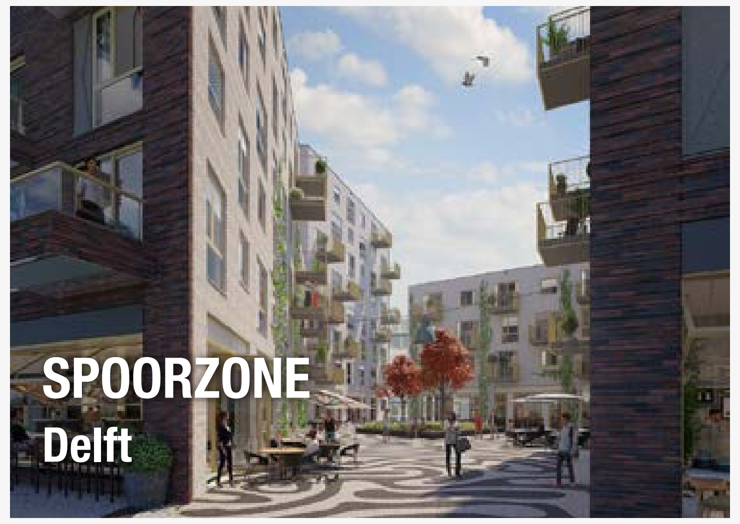
DIVESTMENTS

The ARC Fund strives to renew a proportion of the portfolio each year, in order to rejuvenate the portfolio. Properties that eventually no longer meet the requirements of the investment strategy of the ARC Fund are eligible for sale. Property divestments consist of sales of individual homes to private individuals (individual sales) or the disposition of entire properties to professional investors (block sales).

During 2019, 113 individual homes from the portfolio were sold and transferred with a net profit of EUR 4.7 million (13.1%) (2018: 110 individual sales with a net profit of EUR 3.8 million (13.4%).

At the end of 2019, the block sale of the Birds portfolio (182 apartments) was completed, which is in line with the rejuvenation strategy of the ARC Fund and was anticipated in the Portfolio Plan 2019.

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



FINANCIAL PERFORMANCE IN 2019

UNREALISED CAPITAL GAINS ON INVESTMENTS

In 2019, the portfolio value (including assets under construction) rose by EUR 896.8 million (32.7%; 2018: 24.2%).
The increase in 2019 was the result of acquisitions (especially UFCV) and revaluation. The revaluation was driven by increasing price levels due to high demand in both the private housing market and the institutional market, which has led to decreasing yields for residential real estate investments.

In 2019, the gross initial yield of the ARC Fund portfolio fell by 0.4% to 4.3% (compared to 4.7% in 2018). The average vacant possession value per home rose by 7.9% from EUR 304,000 per home in 2018 to EUR 328,000 in 2019. 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 91.1% in 2018 to 93.5% in 2019.

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 that were part of the portfolio during the full year (2019), excluding individual homes sold during that period.

17. LIKE-FOR-LIKE FIGURES

	2019	2018
Direct return *	3.6%	3.7%
Indirect return *	7.8%	12.3%
Total return	**11.7%**	**16.4%**
Vacancy	1.5%	1.9%

* 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.

As table 17 shows, on a LfL basis (same store), the ARC Fund had a total return of 11.7%. The main element of direct return was the net rental revenue. Yield movements are predominantly the driver for the indirect 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 11.5% in 2019 (2018: 16.3). Direct return from leasing activities was 3.5% (2018: 3.7%). Indirect return from disposals (realised) was 0.5% (2018: 0.8%) and changes in value (unrealised) was 7.5% (2018: 11.8%).

MSCI NETHERLANDS RESIDENTIAL ANNUAL PROPERTY INDEX

Using the MSCI calculations based on the all residential index, the ARC Fund's 2019 income return amounted to 3.6% (MSCI: 3.2%). Its capital growth amounted 11.3% (MSCI: 10.1%). This resulted in a total performance of 15.3% (MSCI 13.6%). Also on the longer term (3 and 5 years) the ARC Fund outperformed the MSCI all residential benchmark.

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 Utrecht and other large cities, as well as the strategic disposition of several properties, lead to a strong capital growth over 2019. With a substantial pipeline, the portfolio of the ARC Fund has strong potential into 2020 and further.

A complete breakdown of the MSCI benchmark for 2019 and the last 3 and 5 years is provided in the Annexes.

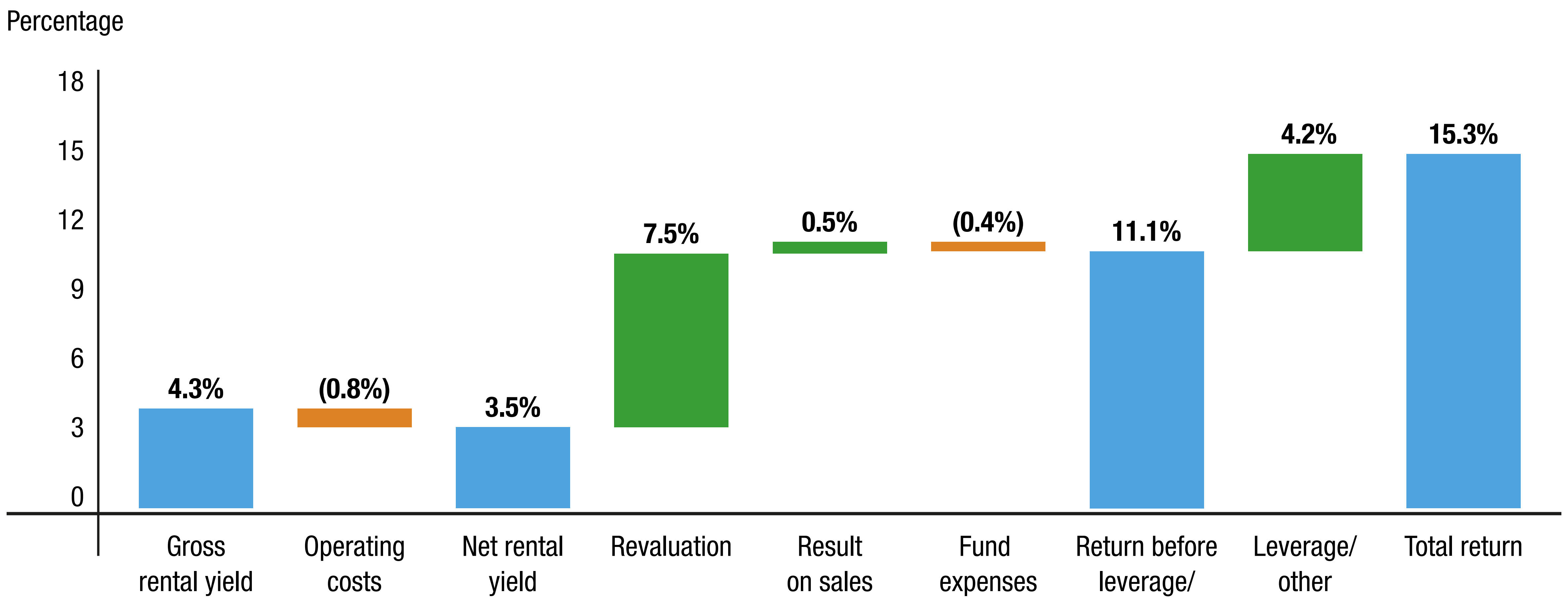
FUND PERFORMANCE

RETURN ON INVESTMENT (LEVERAGED)

Total fund return for 2019, expressed as a percentage of the NAV based on the INREV Guidelines as at 1 January 2019, was 15.3% (2018: 21.6%). This return comprises an income return of 3.3% and 12.0% 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 2019, was 4.0% (2018: 4.3%). Under the Terms and Conditions, the dividend yield target for Investors for the period 2012-2021 averages 4.0% per year. In 2019, the dividend yield was at target level.

The graph on the right 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.

18. BREAK DOWN OF TOTAL RETURN (IN %)



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 of the Fund was extended to 17 January 2026.

After closing, the ARC Fund was opened to new investors, alongside Cornerstone Investors AEGON and PfZW [1)]. The Cornerstone Investors express their long-term commitment by retaining a minimal stake of at least EUR 200 million.

As at 31 December 2019, the ARC Fund has twenty-four Investors and EUR 286 million of undrawn equity commitments. During 2019, 14,029 new units were issued amounting to EUR 475 million.

PARTNERSHIP WITH AMVEST DEVELOPMENT FUND B.V.

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 residential rental homes developed by ADF to the ARC Fund, granting the ARC Fund the right to acquire these residential rental homes, that are aligned with the ARC Fund investment strategy, on 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 make 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.

The Fund's 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 members with expertise in development, investment management and the Dutch residential market. The Investment Committee and the Fund Manager held seven formal meetings in 2019.

The Advisory Board also plays a key role. Its duties include the monitoring of 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 held nine formal meetings in 2019.

In addition to the regular meetings, several conference call meetings were held with both the Investment Committee and the Advisory Board.

Investors' Meetings were held twice in 2019.

1) The interest of PfZW was transferred to PGGM PREF

COMPLIANCE

RISK & COMPLIANCE OFFICER

In 2018 Mr. Maarten van der Lienden was appointed as corporate Risk & Compliance Officer (RCO) of Amvest, with the RCO position being independent of the Fund Manager. The RCO is not under the direct supervision of the operational line management, does not carry out any activities within line management and is remunerated independently of the performance of the ARC Fund.

The RCO coordinates and tests risk management procedures in cooperation with the Director Finance and Risk. This safeguards that the Fund Manager adequately manages, controls and reports on risks on behalf 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 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 monitored and documented so that they can be checked for correctness, legality and integrity.

In 2019, as in 2018, 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 concerns all Amvest employees and the Management Board.

The RCO acts as the central point of contact for all issues concerning integrity. All required information will be made available to the RCO. If deemed necessary, the RCO can make use of the expertise of professional external advisors.

In 2019, 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 obtained its AIFM licence on 26 November 2014. As well as the ARC Fund (including UFCV), 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 (including UFCV) 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 did not opt to hold additional funds in 2019 due to sufficient cash on the balance sheet of the Fund Manager. 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: (3,669,962 + 0 -/- 22,460)/2,958,234= 1.23 (2018: 1.26).

Leverage - commitment: (total of assets)/(INREV NAV).
Leverage - commitment ARC Fund: 3,669,962/2,958,234 = 1.24 (2018: 1.25).

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 into 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.

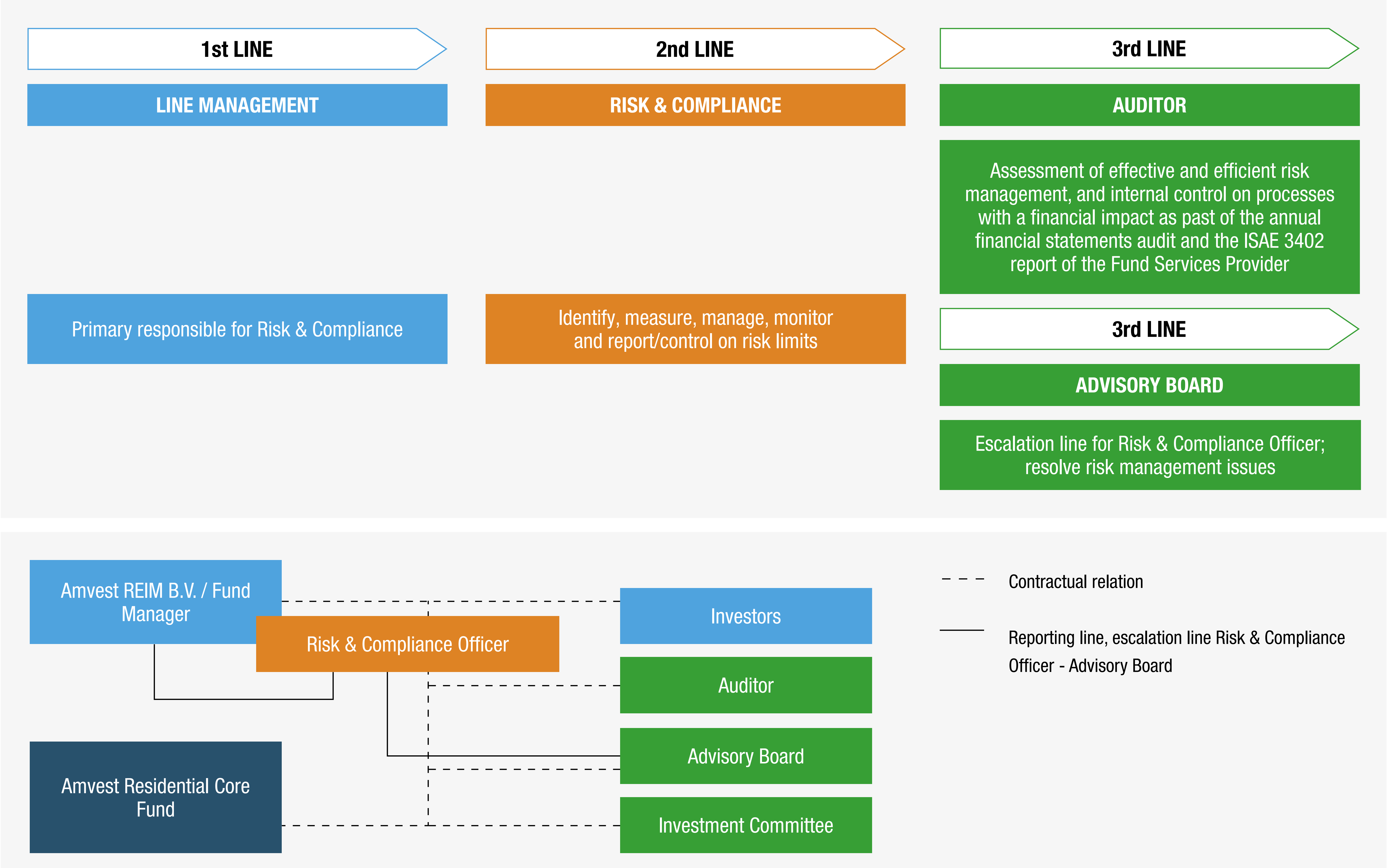
As part of this strategy, the 'Conflict of interest risk' is one of the risks that needs to be mitigated. In part, this risk is mitigated by the structure and governance of the ARC Fund (Terms and Conditions, RoFR Agreement, Portfolio Plan, etc.) and the oversight role from the auditor, the depositary 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 dedicated culture of risk management in combination with using a 'three lines of defence model':

19. 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 independently 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 19.

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 the 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 2019 (1 January 2019 - 30 November 2019), an unqualified ISAE 3402 type II report was issued.

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. The 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 on the desired conditions (flexibility, pricing, term, collateral).
5. **Portfolio risk:** the risk that the portfolio policy and operational results are not in line with the Portfolio Plan.
6. **Counterparty risk:** the risk that a counterparty fails to fulfill 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 and disasters force changes in the strategic objectives of the ARC Fund and adjustments in the target portfolio.

EVALUATION OF RISK MANAGEMENT

The Risk Management Framework is a dynamic framework. The Fund Manager 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 2019, the Risk Management Framework was evaluated with the Advisory Board. The risks plotted on the impact/probability map were adjusted accordingly.

EVALUATION 2019

In 2019 the risk limits set by the Fund Manager for the eleven risks were not exceeded.

In line with 2018 and 2017, (local) political legislation designed to interfere in the residential investment market is still perceived as a significant risk, which could impact ARC Fund's strategic risk. In 2019, 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 significantly affected by new regulations. As a consequence, strategic risk remained more or less at the same level in 2019.

For the identified risk relating to mismatching and potential conflicts (including 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 the visibility of risks.

For liquidity, a base case and a best estimate scenario on liquidity up to and including 2021 (the 2019 Portfolio Plan horizon) were monitored. Uncalled commitments, the availability of undrawn debt and the cash position ensure that no liquidity issues are expected.

These risks therefore remained relatively stable during 2019.

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

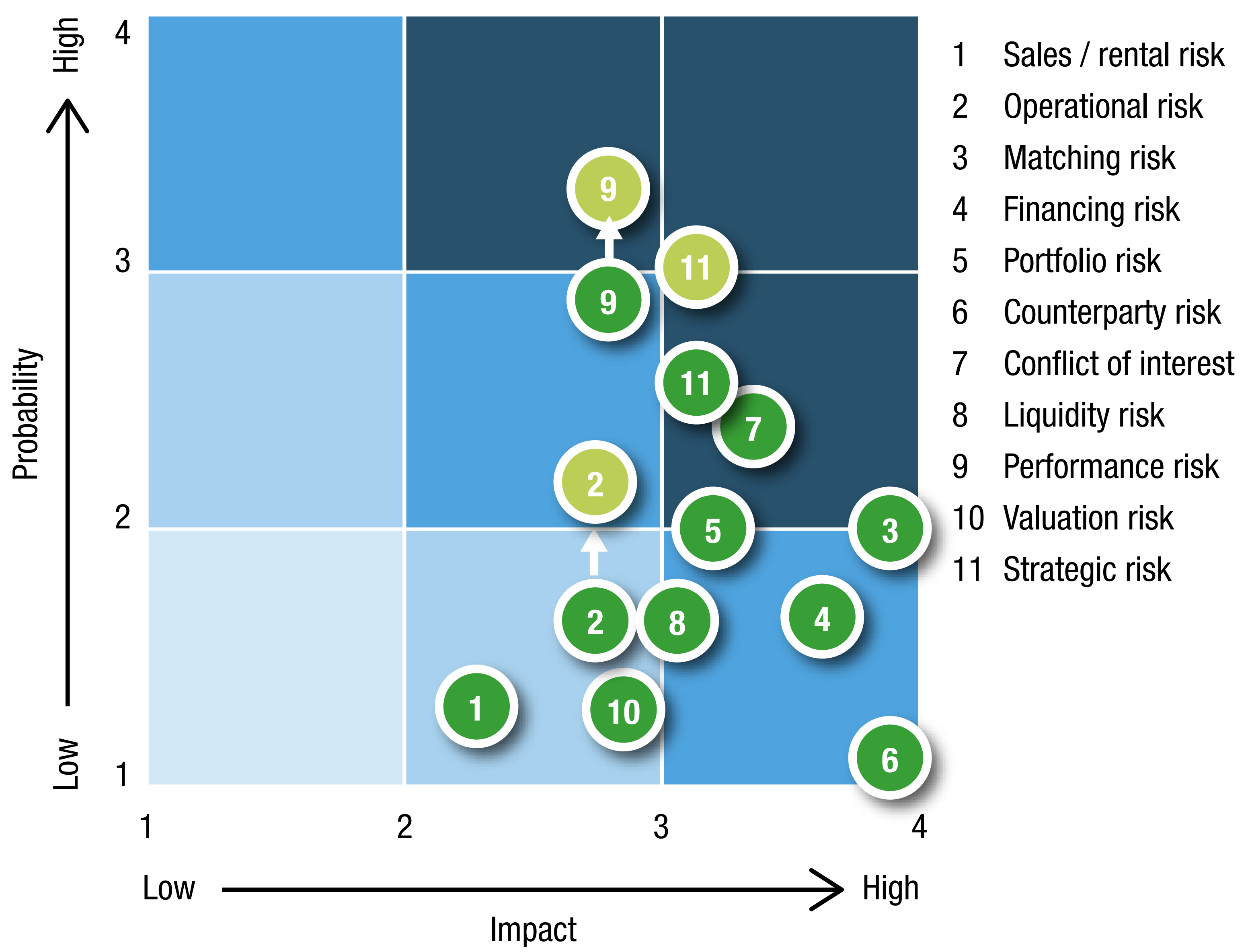
- The substantial pipeline with its upcoming completions and the recent acquisition of the UFCV portfolio creates an additional workload for the ARC Fund team. This operational risk (2) is mitigated by increasing the commercial and support staff, whereby further expansion of staffing capacity was started in H2 2019. At present, the dedicated ARC Fund team consists of a Portfolio Manager (Dennis Wedding), three asset managers, one junior asset manager and three technical managers. Further expansion is expected in the short term.
- 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 increase. This increases the pressure on achieving the Fund's annual minimum dividend yield target of 4%. Looking forward, returns are expected to remain under pressure despite increasing rental levels, due to continuing yield compression mainly as a result of the hot investment market and limited investment alternatives with a comparable risk/return profile.
- Strategic risk (11) increased and is expected to stay at an elevated level in the short term. The increased probability of investment delays as a result of increased construction costs and municipal procedures creates an upward trend in strategic risk. The "medium rental" discussion with additional rental/investment regulation at a municipal level is expanding geographically and is likely to become the 'new norm'. In addition, the nitrogen/PFAS discussion is ongoing and its outcome as well as the effects on residential construction remain uncertain.

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 right 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 right (adjustments compared to the Risk Management Framework of the previous year).

Adjustments are clarified in the previous paragraph.

20. PLOTTED RISKS, (IMPACT/PROBABILITY)



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 2019, the balance of cash and cash equivalents, receivables and payables amounts to EUR 29.8 million (negative). In addition, EUR 230 million of the revolving credit loan facility is fully available within three working days.
Besides this, the ARC Fund has undrawn capital commitments from new Investors amounting to EUR 286 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 2021 are being closely monitored.

PORTFOLIO FUNDING

LEVERAGE

As a result of significant positive revaluations of the ARC Fund's portfolio during 2019, the leverage level decreased to 17.0% as at 31 December 2019. 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

The loan facility of the ARC Fund 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 2019, an amount of EUR 500 million in term loans and EUR 120 million in loans under the revolving credit facility had been drawn, while EUR 230 million 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. 6.1 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 2019, the ARC Fund was performing well within the financial covenants of the loan facility.

SECURITY

As a borrower, the ARC Fund grants security to its lenders. As at 31 December 2019, EUR 1.9 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 of 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 2019, 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 on 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 only partially undrawn at year end, around 80% of the interest rate risk was fixed.

Amsterdam, the Netherlands, 24 April 2020

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

Residents' stories


RAI & LOIS
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RUUD, GONNY & DOMINIQUE
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JUWAN & SHIWA
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Rai & Lois

residents **Flowcoatstraat** Eindhoven

‘A HOME AS A ST. NICHOLAS GIFT’

‘Because I’m still studying, people often ask me whether I still live with my parents or in a student dorm’, says Lois. ‘But we’ve been living together for three years and have already moved twice. People are often very surprised.’

She also feels lucky to have great living space in the city where she and her boyfriend Rai were born. Their first apartment was small and old. They exchanged it for a loft on Strijp S, the former industrial area that now accommodates housing and creative industry. ‘That loft was very luxurious and beautiful but only had one open space, and we wanted more rooms.’ They ended up at Flowcoatstraat, a few hundred metres from their previous address. It was quite a tense time while waiting to find out whether they would get the apartment. They met the conditions but there were more candidates, so allocation of the apartment was decided by drawing lots. ‘Pure luck’, Lois calls it. ‘We heard it was ours on 5 December, so it was a real St. Nicholas present...’

In their new home, they have two additional rooms. One they use as a bedroom, the other as a study. The balcony is five times the size of the balcony at their previous home and currently looks out on a construction site, but soon there will be parking spaces and greenery on that side of the apartment. On the other side they already look out on greenery, and the Philips de Jongh Park is just a short walk away. ‘In the evening we often take a stroll around the neighbourhood and we always go to the park’, says Lois. ‘We’ve also gone jogging in the park and will undoubtedly do so more often as it gets lighter.’

The location, in a quiet neighbourhood with lots of greenery, and the centre and Strijp S within walking distance, is ideal, she says. They love their home, particularly the luxury items such as an oven with touchscreen control. So, for the time being they see themselves staying here. ‘There’s also enough room for a child and a dog’, says Lois. ‘But if we wanted to expand, we’d want to buy. As far as we’re concerned, that would be in the same neighbourhood in about four to five years’ time.’

LOIS VAN WERKUM (25) AND RAI MAXWELL (25)

Profession: Student International Events/Facilities Manager
Reside at: Flowcoatstraat, Eindhoven
Since: December 2019
Household composition: two people

Ruud, Gonny & Dominique

residents De Sophie The Hague

‘THE PEOPLE HERE ARE VERY HELPFUL’

Dominique suffers from spinal muscular atrophy and is wheelchair-bound. Up until the end of last year, she and her parents, Ruud and Gonny, lived in a three-storey family home in Rotterdam. It had a stairlift but we still had to lift her in and out of the wheelchair into and out of the stairlift, and we’re not so young anymore’, explains Ruud. He smiles and adds: ‘Actually, I was just about to paint our old home, but Gonny thought I’d gone crazy.’ Inspired by the one-storey holiday homes they rented every once in a while, they went looking for a new home in Rotterdam. Their new home had to be: close to the city centre and within reach of good healthcare services and public transport. ‘But in Rotterdam, you are then likely to end up outside the city centre’, says Ruud.

Dominique then surfed the internet herself and found the apartment at Koningin Sophiestraat in The Hague. Ruud: ‘We went and had a look and immediately felt at home there. The shops and the Randstadrail (the public transportation rapid transit network) are nearby, and the city centre and The Hague Forest are a short 15-minute walk away. If this is where the Dutch royal family goes to the hospital, the healthcare facilities must surely be good.’ He quickly discovered that the Hagenezen (the locals), are very helpful. ‘When we were moving, a man walking his dog spontaneously tied the dog to a lamppost and offered his help. That’s something that doesn’t happen often in Rotterdam.’

It took Ruud a while to get used to the newly built home. ‘I entered the lobby and with doors on the left and right I felt as if I was entering a hotel...’ They really like the living room, which is much bigger than their living room in Rotterdam. Dominique, too, now also has a nice spacious room in our three-room apartment on the first floor. There is one complication, however. Dominique has recently been given a new wheelchair which has small front wheels allowing her to cross thresholds of up to five centimetres on her own. The thresholds in the new apartment are six centimetres high. The heavy front door with closer is also an obstacle. In September 2019, the local municipality granted us a subsidy for modifications but these have not yet been carried out.

Nevertheless, all three of them are very pleased with their new home – and so is Ruud and Gonny’s other daughter Michelle, who visits them regularly. ‘Dominique is quite happy and able to move around easily, and we no longer have to walk the stairs’, says Ruud. ‘It’s a lovely and safe neighbourhood, I really like it here and I think we’re here to stay.’ I don’t even miss my garden!’

K

RUUD (72), GONNY (67) AND DOMINIQUE (35) SLEEBOS

Profession Ruud: former ICT specialist
Reside at: De Sophie, The Hague
Since: June 2019
Household composition: three people

Juwan & Shiwa

residents Xavier Amsterdam

‘IN THE EVENING IT FEELS AS IF I’M IN MANHATTAN HERE’

‘When I come home in the evening, my neighbourhood really has a Manhattan vibe. I feel as if I’m living in New York. It’s really beautiful here at that time of the day’, says Shiwa.
The Zuidas district in Amsterdam is mainly known as a business district but it’s also a great place to live. Shiwa and her boyfriend can testify to that. Juwan believed the Zuidas could be a great place to live but Shiwa had her doubts. He wanted to stay in the city but not in the busy centre or the areas just outside the centre. ‘We both have demanding jobs and when we get home in the evening we just want to relax. Then the Zuidas is ideal because there are no tourists and after five everyone starts going home.’

After living in the Zuidas district for almost nine months, Shiwa is convinced. ‘Before moving here we looked at apartments in De Pijp district, which is actually quite nearby. The Albert Cuyp market is just two stops away if you take the North-South metro line. And we have all the shops here, there’s no need to leave our neighbourhood. In just ten minutes you’re in the Amsterdam Woods and the Beatrix Park is a short walk away. We love going there in the summer.’ There’s even a gym in their street that they occasionally go to, a bakery nearby, a salad bar, a breakfast club and a food court. Their building has an undercover bicycle shed and a parking garage.

This is their first home together and they wanted something newly built. Shiwa: ‘Before moving here I always lived in older homes and there was always something that needed fixing. A new apartment meant that we had nothing to worry about.’ They are very happy with their modern kitchen, bath and south-facing balcony. From the fifth floor they have a panoramic view of the city.

They share 65 square metres and one bedroom, which is sufficient for the time being. ‘The next step would be to buy something bigger, also in the Zuidas as far as I’m convinced because the neighbourhood has pleasantly surprised me’, says Shiwa. ‘If we have children, it’s perfect here too because there are schools, day care and other forms of care.’ Juwan: ‘I couldn’t agree more.’

G

JUWAN SIMSON (26) AND SHIWA SAFARI (26)

Profession: Project Manager at Nike/ Project Manager at Sony Music
Reside at: Xavier, Amsterdam
Since: June 2019
Household composition: two people

FINANCIAL STATEMENTS 2019

New Babylon, The Hague

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

EUR X 1,000	NOTES	2019	2018
Income from investments			
Gross rental income	1	118,993	98,647
Service charges income		4,758	3,978
Operating costs	2	(23,557)	(19,930)
Service charges costs		(5,122)	(4,098)
Net rental income		**95,072**	**78,597**
Other income		117	-
Realised capital gains on investments	3	14,822	16,484
Unrealised capital gains on investments	4	252,216	311,942
Net gains on investments		**267,038**	**328,426**
Changes provision for onerous contracts	5	-	206
Management expenses	6	(11,503)	(9,574)
Result from operating activities		**350,724**	**397,655**
Financial income and expenditures	7	(9,180)	(7,247)
Total profit for the period		**341,544**	**390,408**

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	31-12-2019	31-12-2018
ASSETS			
Non-current assets			
Investment property	8	3,161,398	2,261,404
Assets under construction	9	431,211	468,852
		3,592,609	**2,730,256**
Current assets			
Trade and other receivables	10	5,927	4,114
Cash and cash equivalents	11	22,460	33,223
Assets held for sale	12	48,966	14,566
		77,353	**51,903**
Total assets		**3,669,962**	**2,782,159**

EUR X 1,000	NOTES	31-12-2019	31-12-2018
EQUITY AND LIABILITIES			
Equity (attributable to the investors)			
Capital contributions	13	84	70
Share premium reserve	14	1,627,860	1,242,485
Retained earnings	15	986,277	595,869
Total comprehensive income of the period		341,544	390,408
		2,955,766	**2,228,832**
Non-current liabilites			
Syndicated loan	16	620,000	500,000
Other long term liabilities	18	36,059	-
		656,059	**500,000**
Current liabilities			
Trade and other payables	19	58,137	53,327
		58,137	**53,327**
Total equity and liabilities		**3,669,962**	**2,782,159**

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
2019						
Balance as at 1 January 2019		70	1,242,485	595,869	390,408	2,228,832
Profit of the year					341,544	341,544
Capital contributions	13	14	(14)			-
Subscriptions	14		474,640			474,640
Retained earnings	15			390,408	(390,408)	-
Total comprehensive income for the year attributable to Investors of the ARC Fund		**14**	**474,626**	**390,408**	**(48,864)**	**816,184**
Transactions with Investors of the ARC Fund						
- Redemptions			-			-
- Dividend			(89,250)			(89,250)
		14	**385,376**	**390,408**	**(48,864)**	**726,934**
Balance as at 31 December 2019		**84**	**1,627,860**	**986,277**	**341,544**	**2,955,766**

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**

The notes are an integral part of these financial statements.

CONSOLIDATED CASH FLOW STATEMENT

EUR X 1,000	NOTES		2019		2018
Cash flows from operating activities					
Total comprehensive income of the period		341,544		390,408	
Adjustments for					
- Changes in fair value of investments		(252,217)		(311,942)	
- Changes in provision for onerous contracts		-		(206)	
- Results on sale of investments	3	(14,822)		(16,484)	
- Net financial income and expenditures		9,180		7,247	
Operating cash flow before change in working capital			**83,685**		**69,023**
Change in					
- Trade and other receivables		(1,813)		2,011	
- Trade and other payables		4,665		5,362	
Change in working capital			**2,852**		**7,373**
Paid interest		(8,807)		(6,901)	
Received interest		-		-	
			(8,807)		**(6,901)**
Net cash flow from operating activities			**77,730**		**69,495**
Cash flows from investing activities					
Investments in completed investment property	8	(101,767)		(67)	
Investments in capitalised subsequent expenditure in investment property		(8,833)		(6,730)	
Divestments of investment property and assets held for sale		75,704		73,753	
Prepayments for assets under construction		(231,412)		(291,177)	
Results on sale of investments		14,822		16,484	
Net cash flow from investing activities			**(251,485)**		**(207,737)**

EUR X 1,000	NOTES		2019		2018
Cash flows from financing activities					
Increase/(decrease) in capital contributions		128,881		120,691	
Redemption of units	14	-		-	
Dividend paid to Investors		(85,888)		(64,250)	
Proceeds from loans and borrowings	15	120,000		60,000	
Net cash flow from financing activities			**162,992**		**116,441**
Net increase/(decrease) in cash and cash equivalents			**(10,763)**		**(21,801)**
Cash and cash equivalents at the beginning of the period			33,223		55,024
Cash and cash equivalents at end of the period			22,460		33,223
Net increase/(decrease) in cash and cash equivalents			**(10,763)**		**(21,801)**

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 were 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 (collectively, the ARC Fund).

Management considered whether the ARC Fund represents a reporting entity. Although there is no legal parent company, 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 Dutch Financial Supervision Act (wft, s. 4:85).

In addition, based on the requirements of Part 9 of Book 2 of the Dutch Civil Code, the ARC Fund prepared the 2019 separate financial statements for 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 24 April 2020.

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 2019. Subsidiaries are fully consolidated from the date of acquisition, being the date on which the ARC Fund obtained control, and continue 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:

- Amvest Residential Core Fund – **Parent entity**
- Westflank ARC CV – **100%**
- Utrechtse Fondsen 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; and
- 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 reassesses 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 over 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 2019 to these IFRS financial statements.

A number of new standards, amendments to standards, and interpretations are effective for annual periods beginning after 1 January 2020, and have not been applied in preparing these financial statements.

Of those standards that are not yet effective, no standards are expected to have a material impact on the ARC Fund in the period of initial application.

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

- Amendments to References to Conceptual Framework in IFRS Standards.
- Definition of a Business (Amendments to IFRS 3).
- Definition of Material (Amendments to IAS 1 and IAS 8).
- 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 16 from 1 January 2019.
A number of other new standards are also effective from 1 January 2019 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.
On transition to IFRS 16, the ARC Fund elected to apply the practical expedient to grandfather the assessment of which transactions are leases. The ARC Fund applied IFRS 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under IAS 17 and IFRIC 4 were not reassessed for whether there is a lease under IFRS 16. Therefore, the definition of a lease under IFRS 16 was applied only to contracts entered into or changed on or after 1 January 2019.
The effect of initially applying these standards is mainly attributed to the following:

The ARC Fund investment property and assets under construction portfolio includes some leasehold arrangements with local governments which were identified as lease arrangements where the ARC Fund acts as a lessee. Under IFRS 16, the ARC Fund recognises right-of-use assets and lease liabilities for most of its leasehold arrangements. Only arrangements where leasehold has been bought out in perpetuity did not result in an asset or liability.

As a lessee

Previously, the ARC Fund classified leasehold arrangements as operating leases under IAS 17. On transition, for these leases, lease liabilities were measured at the present value of the future lease obligations, discounted at the market discount rate for leasehold arrangements on the balance sheet date. Right-of-use assets are part of investment property and assets under construction and as such are determined on a fair value basis.

The ARC Fund used a number of practical expedients when applying IFRS 16 to leases previously classified as operating leases under IAS 17. In particular, it:
- excluded initial direct costs from the measurement of the right-of-use asset at the date of initial application; and
- used hindsight when determining the lease term.

The following table summarises the impact on the presentation of investment property, assets under construction, other long term liabilities and trade and other payables for 2019. There was no impact on equity as at 1 January 2019.

IFRS 16 IMPACT PRESENTATION

FOR THE YEAR ENDED 31 DECEMBER 2019 EUR X 1,000	NOTE	AS REPORTED	ADJUSTMENTS	AMOUNTS WITHOUT ADOPTION OF IFRS 16
Investment Property	8	3,161,398	(27,988)	3,133,410
Assets under construction	9	431,211	(5,177)	426,034
Other long term liabilities	18	36,059	(32,666)	3,393
Trade and other payables	19	58,137	(500)	57,637
Profit for the period		390,408	-	390,408

When measuring lease liabilities for leases that were classified as operating leases, the ARC Fund discounted future lease obligations using the market discount rate for leasehold arrangements on the balance sheet date. The discount rate applied is 4.5%.

As a lessor
The ARC Fund leases out its investment property, including right-of-use assets. The ARC Fund has classified these leases as operating leases. The ARC Fund is not required to make any adjustments on transition to IFRS 16 for leases in which it acts as a lessor, except for a sub-lease.

The ARC Fund subleases some of its properties. Under IAS 17, the head lease and sublease contracts were classified as operating leases. On transition to IFRS 16, the right-of-use assets recognised from the head leases are presented in investment property, and measured at fair value at that date. The ARC Fund assessed the classification of the sublease contracts with reference to the right-of-use asset rather than the underlying asset, and concluded that they are operating leases under IFRS 16.

The ARC Group has applied IFRS 15 “Revenue from Contracts with Customers” to allocate consideration in the contract to each lease and non-lease component.

(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 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 either when 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 2019 by independent appraisers in order to determine the fair value.
The full portfolio is externally appraised every quarter. A representative part of 25% of the total portfolio is appraised by a “full” valuation, and the remaining portfolio (75%) is updated at the same time using a “desk top” valuation.

The appraisals are based on both the yield method (BAR/NAR) and a DCF calculation with an average discount rate of 5.4% (2018: 5.8%).

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 not available 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:

- **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

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
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 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's 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
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

- **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 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 expenses 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 is 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) EQUITY

Capital contributions are classified as equity. The dividend paid to Investors has been deducted from the share premium reserve.

The revaluation reserve includes positive revaluations from consolidated subsidiaries as per date of acquiring control.

(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

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's 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's procedures for recovery of amounts due.

(H) LEASES

Policy applicable from 1 January 2019
At inception of a contract, the ARC Fund assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the ARC Fund uses the definition of a lease in IFRS 16.
This policy is applied to leasehold contracts entered into on or after 1 January 2019.

As a lessee
The ARC Fund recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is part of investment property and is therefore subsequently measured at fair value.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the ARC Fund's incremental borrowing rate. Generally, the ARC Fund uses a leasehold-specific rate representing the incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability comprise the following:

- annual leasehold payments to local government as included in leasehold agreement and set for a specified period.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate or if there is a revised in-substance fixed lease payment.

Policy applicable before 1 January 2019
Leasehold contracts did not meet activation criteria. Yearly payments resulted in operational expenses recognised in the year in which they occurred.

(I) 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 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 expenses 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 II 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 rentals or if its properties could not be rented on favourable terms.

Certain significant expenditures associated with each equity investment in real estate (such as real estate taxes and maintenance costs) are generally 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 2019 was EUR 489,000.

(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 at 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 2019, EUR 620 million of the EUR 850 million loan had 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 2019.

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 ARC Fund if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from 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 31 December 2019

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 22,460 thousand at 31 December 2019 (2018: EUR 33,223 thousand). The cash and cash equivalents are held with a 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 2019.

(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.

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 17.0%, 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 not be as favourable as the terms of existing indebtedness.

Subject to the expected future trends of interest rates and the nature of the 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 2019					
Market value property*	3,409,262	3,306,824	3,210,363	3,119,370	3,033,393
Gross current yield based on theoretical rent**	4.035%	4.160%	4.285%	4.410%	4.535%
Revaluation of investment property in EUR*	198,898	96,461	-	(90,993)	(176,970)
Revaluation of investment property in %*	6.2%	3.0%	0.0%	(2.8%)	(5.5%)
Effect on total return	8.9%	4.3%	0.0%	(4.1%)	(7.9%)
Loan-to-value***	16.3%	16.7%	17.0%	17.6%	18.0%

	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 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%	0.0%	(2.7%)	(5.2%)
Effect on total return	7.4%	3.6%	0.0%	(3.4%)	(6.6%)
Loan-to-value***	17.4%	17.8%	18.2%	18.6%	19.0%

* 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%
2019		
Interest debts	714	(714)
Total impact on net result	**714**	**(714)**

EUR X 1,000	+1%	-1%
2018		
Interest debts	-	-
Total impact on net result	-	-

C. UNDISCOUNTED AMOUNT BY CONTRACTUAL MATURITY OF FINANCIAL INSTRUMENTS

EUR X 1,000	< 1 YEAR	1-5 YEARS	> 5 YEARS
As at 31 December 2019			
Cash and cash equivalents	22,460		
Secured bank loans			(620,000)

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)

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
2019			
Investment property, assets held for sale and assets under construction			3,641,574
Trade and other receivables		5,928	
Cash and cash equivalents	22,460		
Syndicated loan		(620,000)	
Trade and other payables		(58,137)	

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

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)

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' (BAR/NAR) 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** (BAR/NAR) • 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 method (BAR/NAR) 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 2019

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

1 GROSS RENTAL INCOME

EUR X 1,000	2019	2018
Theoretical rental income	122,747	100,648
Incentives	(349)	(321)
Vacancy	(3,405)	(1,680)
Gross rental income	**118,993**	**98,647**

Theoretical rental income from residential properties (including parking spaces) represents EUR 119,315 thousand (2018: EUR 97,382 thousand) and commercial real estate income represents EUR 3,432 thousand (2018: EUR 3,266 thousand).

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

2 OPERATING COSTS

EUR X 1,000	2019	2018
Maintenance costs	(10,317)	(8,681)
Property management costs	(2,651)	(2,247)
Fixed charges	(5,454)	(4,633)
Letting expenses	(1,152)	(1,126)
Contributions to owners associations	(3,560)	(3,036)
Other expenses	(423)	(207)
Operating costs	**(23,557)**	**(19,930)**

In the fixed charges for 2019, an amount of EUR 564 thousand relates to the landlord tax (2018: EUR 570 thousand).

3 REALISED CAPITAL GAINS ON INVESTMENTS

EUR X 1,000	2019	2018
Proceeds from sales	90,526	90,236
Historical costs of properties sold	(63,298)	(64,939)
Realised gains on historical costs	**27,228**	**25,297**
Cumulative changes in fair value of properties sold	(12,406)	(8,813)
Realised capital gains on investments	**14,822**	**16,484**

4 UNREALISED CAPITAL GAINS ON INVESTMENTS

EUR X 1,000	2019	2018
Unrealised capital gains on investments	252,216	311,942
Unrealised capital gains on investments	**252,216**	**311,942**

5 PROVISION FOR ONEROUS CONTRACTS

EUR X 1,000	2019	2018
Provision for onerous contracts	-	206
Provision for onerous contracts	**-**	**206**

The provision for 2018 relates to the projects Utrecht Nijenoord and The Hague Koning Sophiestraat.

6 MANAGEMENT EXPENSES

EUR X 1,000	2019	2018
Management fee Amvest REIM BV	(9,824)	(8,299)
Auditor's fee	(214)	(130)
Legal and tax expenses	(647)	(406)
Valuation expenses	(489)	(593)
Other expenses	(329)	(146)
Management expenses	**(11,503)**	**(9,574)**

Remuneration

Amvest REIM B.V. is the Fund Manager of the ARC Fund. The management fee paid for the year 2019 amounted to EUR 9,824 thousand (2018: EUR 8,299 thousand). In consideration of the management activities with respect to the ARC Fund, the Fund Manager receives an annual management fee; up to EUR 90 million of gross rental income, the management fee equals 8.5% per annum and for every euro of 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 2019, the members of the Advisory Board (5) 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	2019	2018
Interest expenses on syndicated loan facility	(7,804)	(5,752)
Other expenses	(1,376)	(1,495)
Financial income and expenditures	**(9,180)**	**(7,247)**

NOTES TO THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

8 INVESTMENT PROPERTY

EUR X 1,000		2019		2018
At 1 January		2,261,406		1,921,658
Right of use asset (IFRS 16)	27,826		-	
Adjusted balance at 1 January 2019		**2,289,232**		**1,921,658**
Investments in completed investment property	445,233		67	
Transferred from assets under construction	321,881		162,214	
Investments in capitalised subsequent expenditure in IP	8,833		7,238	
Divestments of investment property	(62,321)		(12,386)	
Transferred to assets held for sale	(47,783)		(66,945)	
Transferred from assets held for sale	-		1,284	
Right of use asset (IFRS 16) adjustments	162		-	
Fair value adjustments	206,161		248,276	
		872,166		**339,748**
At end of period		**3,161,398**		**2,261,406**

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 2019 is EUR 1,859,742 thousand (2018: EUR 1,341,460 thousand) (also see note 16).

9 ASSETS UNDER CONSTRUCTION

EUR X 1,000		2019		2018
At 1 January		468,852		277,646
Right of use asset (IFRS 16)	5,177		-	
Adjusted balance at 1 January 2019		**474,029**		**277,646**
Prepayments for assets under construction	233,007		289,754	
Transferred to investment property	(321,881)		(162,214)	
Fair value adjustments	46,056		63,666	
		(42,818)		**191,206**
At end of period		**431,211**		**468,852**

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	31-12-2019	31-12-2018
Accounts receivable	1,811	1,120
Prepayments on borrowing costs	2,334	2,707
Amvest REIM BV	242	161
Other receivables and prepayments	1,540	126
	5,927	**4,114**

Borrowing costs for the syndicated loan amounted to EUR 2,334 thousand as at 31 December 2019 (2018: EUR 2,707 thousand). The capitalised expenses are amortised during the term of the loan facility. The ARC Fund's management fee has been prepaid to the Fund Manager Amvest REIM B.V. During the year, final settlement resulted in a restitution of EUR 242 thousand.

PROVISIONS ON ACCOUNTS RECEIVABLE

EUR X 1,000		2019		2018
At 1 January		270		370
Amounts written off	(15)		-	
Increase/(decrease) in allowance	291		(100)	
		276		**(100)**
At 31 December		**546**		**270**

All accounts receivable are non-interest bearing and are typically due within 30 days. As at 31 December 2019, receivables with a nominal value of EUR 546 thousand (2018: EUR 270 thousand) were impaired due to tenant defaults and were fully provided for. In 2019, a total of EUR 15 thousand of receivables were directly written off (2018: EUR 0).
The ARC Fund holds EUR 7,283 thousand (2018: EUR 5,866 thousand) as collateral in the form of tenants' deposits (also see note 19).

11 CASH AND CASH EQUIVALENTS

EUR X 1,000	31-12-2019	31-12-2018
ABN AMRO Bank NV	22,460	33,223
Cash and cash equivalents	**22,460**	**33,223**

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		2019		2018
At 1 January		14,566		10,272
Divestments of assets held for sale	(13,383)		(61,367)	
Transferred to investment property	-		(1,284)	
Transferred from investment property	47,783		66,945	
		34,400		**4,294**
At end of period		**48,966**		**14,566**

As at 31 December 2019, 191 homes (2018: 51) – including 147 homes for the sale of the Courtyard portfolio – were actively being marketed, under offer, or conditionally sold to third parties, with all transactions expected to be finalised during 2020. The assessed fair value of these properties as at 31 December 2019 was EUR 48,966 thousand (2018: EUR 14,566 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	31-12-2019 NO.OF PARTICIP. INTERESTS	31-12-2019 NOMINAL VALUE	31-12-2018 NO.OF PARTICIP. INTERESTS	31-12-2018 NOMINAL VALUE
Capital				
AEGON Levensverzekering N.V.	23,859	24	21,819	22
PGGM Core Fund Participations B.V.	19,772	20	19,772	20
Investor A	456	-	456	-
Investor C	1,376	1	1,349	1
Investor D	3,278	3	3,278	3
Investor E	1,010	1	1,010	1
Investor F	871	1	844	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	1,463	1	1,430	1
Investor K	677	1	677	1
Investor L	8,335	8	7,684	8
Investor M	616	1	616	1
Investor N	410	-	410	-
Investor O	1,832	2	1,706	2
Investor P	1,832	2	1,706	2
Investor Q	3,151	3	1,261	1
Investor R	1,664	2	-	-
Investor S	1,098	1	-	-
Investor T	418	-	-	-
Investor U	5,929	6	-	-
	84,338	**84**	**70,309**	**70**

14 SHARE PREMIUM RESERVE

EUR X 1,000		2019		2018
At 1 January		1,242,485		1,200,048
AEGON Levensverzekering N.V.	69,977		24,054	
Subscription Investor C	883		3,979	
Subscription Investor F	883		3,979	
Subscription Investor J	1,112		988	
Subscription Investor L	21,840		32,788	
Subscription Investor O	4,122		20,044	
Subscription Investor P	4,122		20,044	
Subscription Investor Q	64,176		14,815	
Subscription Investor R	56,178		-	
Subscription Investor S	37,069		-	
Subscription Investor T	14,112		-	
Subscription Investor U	200,166		-	
Transfer from/to capital	(14)		(4)	
Dividend paid to Investors	(89,250)		(78,250)	
		385,376		**42,437**
At end of period		**1,627,860**		**1,242,485**

For 2019, a total amount of EUR 89,250 thousand (2018: EUR 78,250 thousand) of the share premium reserve was distributed to the Investors, being the final dividend distribution for 2019. Within the share premium reserve, EUR 951,117 thousand is restricted from distribution due to cumulative net positive unrealised changes in the fair value of investment property (including assets held for sale) (2018: EUR 715,371 thousand).

15 RETAINED EARNINGS

EUR X 1,000		2019		2018
At 1 January		595,869		310,913
Total comprehensive income of the previous year	390,408		284,956	
		390,408		**284,956**
At end of period		**986,277**		**595,869**

The net result for 2018 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 previously mentioned accounting principles and information about the financial statements.

EUR X 1,000		2019		2018
At 1 January		500,000		440,000
Loans taken	260,000		90,000	
Repayments	(140,000)		(30,000)	
		120,000		**60,000**
At end of period		**620,000**		**500,000**

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 31-12-2019	RE-PAYMENTS < 1 YEAR	RE-PAYMENTS > 1 YEAR	END DATE	INTEREST MATURITY	EFFECTIVE INTEREST RATE	FIXED/FLOATING	FAIR VALUE
2019								
Counterparty								
Syndicated bullet loan	500,000	-	500,000	17 January 2026	Quarter	1,460%	fixed	516,157
Syndicated revolving credit facility	120,000	-	120,000	26 September 2025	Quarter	0,460%	floating	120,000
Total loans As at 31 December 2019	**620,000**		**620,000**					**636,157**

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**

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 2019 was EUR 1,859,742 thousand (2018: EUR 1,341,460 thousand). As at 31 December 2019 the LTV ratio was 17.0% (2018: 18.2%), the LTMV ratio was 33.3% (2018: 37.3%).

COLLATERAL

EUR X 1,000	31-12-2019	31-12-2018
Investment property mortgaged in relation to syndicated loan	1,859,742	1,341,460
Investment property* not mortgaged in relation to syndicated loan	1,350,621	934,510
	3,210,363	**2,275,970**

* 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 31-12-2019
The loan-to-value ratio (including MtM value derivatives)	< 40%	17.0%
The loan-to-value mortgaged properties ratio	< 50%	33.3%
Ratio of net rental income to gross interest	> 2.5	10.1

As at 31 December 2019, there are no breaches of any of these covenants.

17 PROVISION FOR ONEROUS CONTRACTS

EUR X 1,000	2019	2018
At 1 January	-	206
Release/Dotation	-	(206)
	-	**(206)**
At end of period	**-**	**-**

18 OTHER LONG TERM PAYABLES

EUR X 1,000	2019	2018
Long term lease payables (IFRS 16)	32,666	-
Other long term payables*	3,393	-
At end of period	**36,059**	**-**

* Contains long-term provision of EUR 3.4 million to be settled with former UFCV participants if agreed terms are met.

19 TRADE AND OTHER PAYABLES

EUR X 1,000	31-12-2019	31-12-2018
AEGON Levensverzekering N.V.	8,770	8,988
PGGM Core Fund Participations B.V.	7,268	8,278
Investor A	168	191
Investor C	506	541
Investor D	1,205	1,372
Investor E	371	423
Investor F	320	329
Investor G	735	837
Investor H	996	1,135
Investor I	581	662
Investor J	538	594
Investor K	249	283
Investor L	3,064	3,068
Investor M	226	258
Investor N	151	172
Investor O	673	592
Investor P	673	592
Investor Q	1,158	437
Investor R	612	-
Investor S	404	-
Investor T	154	-
Investor U	2,179	-
	31,000	**28,750**
Tenants deposits	7,283	5,866
Accounts payable	4,331	3,397
VAT	50	18
Lease payables (IFRS 16)	500	-
Other payables and prepayments	14,973	15,296
	58,137	**53,327**

The amount of EUR 31,000 thousand consists of the distributions (dividend for the fourth quarter of 2019) to the Investors (2018: EUR 28,750 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 arm's 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			
2019	(9,824)	242	-
2018	(8,299)	161	-
Other receivables and interest			
2019	9	-	-
2018	-	-	-
Prepayments on assets under construction			
2019	193,828	-	(507)
2018	91,271	-	-

FUND MANAGEMENT FEE

The ARC Fund's 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 2019. 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 2019, the ARC Fund has obligations with respect to new investment property. The total amount with respect to these obligations for 2019 onwards adds up to EUR 510 million.

OFF-BALANCE SHEET RIGHTS

In 2019, the ARC Fund has received 2 new subscription forms (2018: 0 forms) for a total amount of EUR 150 million. The total amount of off balance sheet rights for 2019 amounts to EUR 286 million relating to existing commitments (2018: EUR 265 million).

ADDITIONAL NOTES

AUDITOR'S FEE

With reference to Articles 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. 2019	KPMG ADVISORY N.V. 2019	TOTAL KPMG 2019
2019			
Statutory audit of annual accounts	(181)	-	(181)
Other assurance services	-	(33)	(33)
Tax advisory services	-	-	-
Other non-audit services	-	-	-
	(181)	**(33)**	**(214)**

EUR X 1,000	KPMG ACCOUNTANTS N.V. 2018	KPMG ADVISORY 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)**

SUBSEQUENT EVENTS

There were no significant subsequent events at the reporting date that require reporting.

COVID-19 significantly impacts the global economy and markets. At this time the impact of COVID-19 on our business has been limited and we have currently not witnessed significant changes in operations and demand, whereas rental contracts are not affected and liquidity remains healthy. However going forward, COVID-19 may negatively impact our business and at this time determining the precise impact is challenging. In this respect AL&C Fund developed and implemented contingency plans and is closely and continuously evaluating the developments. We will take necessary actions to keep our operations running and protect our tenants and stakeholders. Based on our current knowledge and available information, we do not expect COVID-19 to have an impact on our ability to continue as a going concern in the future.

Amsterdam, the Netherlands, 24 April 2020

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

COMPANY FINANCIAL STATEMENTS

Nederhoflaan, The Hague

ACCOUNTING PRINCIPLES

ACCOUNTING POLICIES

The company 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 company 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, the Amvest Residential Core Fund includes a summarized statement of profit or loss in its company financial statements.

BASIS OF PREPARATION

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

SUMMARIZED COMPANY STATEMENT OF PROFIT OR LOSS

EUR X 1,000	2019	2018
Result of associates after tax	11,623	-
Other result after tax	329,921	390,408
Total profit for the period	**341,544**	**390,408**

COMPANY STATEMENT OF FINANCIAL POSITION

EUR X 1,000	NOTES	31-12-2019	31-12-2018
ASSETS			
Non-current assets			
Subsidiaries	A	474,800	18,237
Investment property		2,710,826	2,261,404
Assets under construction		410,941	450,615
		3,596,567	**2,730,256**
Current assets			
Trade and other receivables		5,540	4,114
Cash and cash equivalents		15,929	33,223
Assets held for sale		48,966	14,566
		70,435	**51,903**
Total assets		**3,667,002**	**2,782,159**

EUR X 1,000	NOTES	31-12-2019	31-12-2018
EQUITY AND LIABILITIES			
Equity (attributable to the investors)			
Capital contributions		84	70
Share premium reserve		1,627,860	1,242,485
Retained earnings		986,277	595,869
Total comprehensive income of the period		341,544	390,408
		2,955,766	**2,228,832**
Non-current liabilites			
Syndicated loan		620,000	500,000
Provision for onerous contracts		34,816	-
		654,816	**500,000**
Current liabilities			
Trade and other payables		56,420	53,327
		56,420	**53,327**
Total equity and liabilities		**3,667,002**	**2,782,159**

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

A SUBSIDIARIES

The Amvest Residential Core Fund obtained economic control over Utrechtse Fondsen Vastgoed CV (UFCV) as per 1 July 2019. UFCV is an AIFMD licensed Limited Partnership which contains an investment property portfolio which, as per 1 July, contained 1,352 residential units. Control over Westflank ARC CV was obtained in 2018. This Limited Partnership contains a construction site and is not leveraged. The construction site valuation is equal to the valuation of the subsidiary.

OTHER INFORMATION

Kaaisjouwerskade, Nijmegen

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 2019 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 2019 and of its result and its cash flows for 2019 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 2019 and of its result for 2019 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 2019;
2. the following consolidated statements for 2019: 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 statement of financial position as at 31 December 2019;
2. the summarized company statement of profit or loss account for 2019; 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 2019;
- Key figures 2019;
- Report of the Fund Manager;
- Residents' stories;
- 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 engagement 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, 24 April 2020

KPMG Accountants N.V.

J.N. Vos RA

ASSURANCE REPORT OF THE INDEPENDENT AUDITOR

TO: THE FUND MANAGER OF AMVEST RESIDENTIAL CORE FUND

OUR CONCLUSION

We have reviewed the selected sustainability indicators in the Annual Report 2019 ('the annual report') of Amvest Residential Core Fund, based in Amsterdam ('Amvest' or 'the Company').

Based on the procedures performed nothing has come to our attention that causes us to believe that the selected sustainability indicators in the annual report are not, in all material respects, prepared in accordance with the internal reporting criteria of Amvest as described in the 'Reporting criteria' section below.

The selected sustainability indicators are the following:

- Tenant satisfaction
- GRESB score
- Energy use intensity (EUI)
- Carbon emission
- On site renewable energy
- Generated economic value

BASIS FOR OUR CONCLUSION

We performed our examination in accordance with Dutch law, including Dutch Standard 3000A 'Assurance-opdrachten anders dan opdrachten tot controle of beoordeling van historische financiële informatie (attest-opdrachten) (assurance engagements other than audits or reviews of historical financial information (attestation engagements)). This engagement is aimed to obtain limited assurance. Our responsibilities in this regard are further described in the 'Auditor's responsibilities' section of our report.

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

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

REPORTING CRITERIA

The selected sustainability indicators need to be read and understood together with the internal reporting criteria of Amvest. Amvest is solely responsible for selecting and applying these reporting criteria, taking into account applicable laws and regulations related to reporting.

KPMG Accountants N.V., registered with the trade register in the Netherlands under number 33263683, is a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ('KPMG International'), a Swiss entity.

The reporting criteria used for the preparation of the selected sustainability indicators are the applied internal reporting criteria as disclosed in the Annex 'KPIs for the purpose of non-financial data in the annual report' of the annual report.

MATERIALITY

Based on our professional judgement we determined materiality levels for each of the sustainability indicators. When evaluating our materiality levels, we have taken into account quantitative and qualitative considerations as well as the relevance of information for both stakeholders and the company.

COMPARATIVE INFORMATION NOT REVIEWED

No review has been carried out over the selected sustainability indicators for previous years. Therefore, data included for comparison and the related disclosures for previous years are not part of our assurance conclusion.

THE MANAGEMENT BOARD'S RESPONSIBILITIES

The Management Board of Amvest is responsible for the preparation of the selected sustainability indicators in the report in accordance with the internal reporting criteria of Amvest.

Furthermore, the Management Board is responsible for such internal control as it determines is necessary to enable the preparation of the selected sustainability indicators is free from material misstatement, whether due to fraud or error.

The Fund Manager is responsible for overseeing the reporting process of Amvest.

AUDITOR'S RESPONSIBILITIES

Our responsibility is to plan and perform our review in a manner that allows us to obtain sufficient and appropriate assurance evidence for our conclusion.

The procedures performed to obtain a limited level of assurance are aimed at determining the plausibility of information and differ in nature, timing and extent as compared to reasonable assurance engagements. The level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed.
We apply the 'Nadere Voorschriften Kwaliteitssystemen' (NVKS, Regulations for Quality management systems) and accordingly maintain a comprehensive system of quality control including documented

policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements. We have exercised professional judgement and have maintained professional skepticism throughout the review, in accordance with the Dutch Standard on Auditing 3000A, ethical requirements and independence requirements.

Our review included among others the following procedures:

- performing an analysis of the external environment and obtaining an understanding of relevant societal themes and issues, and the characteristics of the company;
- evaluating the appropriateness of the reporting criteria used, their consistent application and related disclosures in the report. This includes the reasonableness of estimates made by the Management Board;
- obtaining an understanding of the reporting processes for the selected sustainability indicators, including obtaining a general understanding of internal control relevant to our review;
- identifying areas of the selected sustainability indicators in the report where a material misstatement, whether due to fraud or error, are most likely to occur, designing and performing assurance procedures responsive to these areas, and obtaining assurance information that is sufficient and appropriate to provide a basis for our conclusion. These procedures included, among others:
  - interviewing relevant staff responsible for providing the information for, carrying out internal control procedures over, and consolidating the selected sustainability indicators in the report;
  - obtaining assurance information that the disclosures on the selected sustainability indicators in the report reconcile with underlying records of the company;
  - reviewing, on a limited test basis, relevant internal and external documentation;
  - performing an analytical review of the data and trends in relation to the selected sustainability indicators.
- evaluating the consistency of the selected sustainability indicators with other information in the report which is not included in the scope of our review;
- evaluating the presentation, structure and content of the selected sustainability indicators in the report;
- considering whether the selected sustainability indicators as a whole, including the disclosures, sufficiently reflects the purpose of the reporting criteria used.

We communicated with the Fund Manager our planned scope and timing of the review and significant findings that we identified following our review.

Amstelveen, 24 April 2020

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

Lux, Utrecht

KEY FIGURES 2019

AMOUNTS IN EUR X MILLION	2019	2018	2017	2016	2015
Fund returns (as a percentage of the INREV NAV as at 1 January)					
Income return	3.3%	3.4%	3.7%	3.6%	4.3%
Capital gains	12.0%	18.2%	16.0%	11.1%	9.2%
Total return	**15.3%**	**21.6%**	**19.7%**	**14.7%**	**13.5%**
Dividend yield (dividend/INREV NAV as at 1 January)	4.0%	4.3%	4.5%	4.1%	4.7%
Dividend	89.3	78.3	64.8	45.0	43.1
Total comprehensive income of the year	341.5	390.4	285.0	163.2	123.7
Real estate returns (as a percentage of the average real estate portfolio value)					
Direct return (1)	3.5%	3.7%	4.0%	4.3%	4.7%
Indirect return by selling (2)	0.5%	0.8%	0.7%	0.4%	0.4%
Indirect return by value changes	7.5%	11.8%	10.8%	7.1%	6.9%
Total return	**11.5%**	**16.3%**	**15.5%**	**11.8%**	**12.0%**
Cash yield (= 1 + 2)	4.0%	4.5%	4.7%	4.7%	5.1%
Gross initial yield	4.3%	4.7%	5.1%	5.5%	5.9%
Real estate results					
Net rental income (1)	95.1	78.6	67.7	57.4	54.1
Other income (1)	0.1	-	-	-	-
Realised capital gains (2)	14.8	16.5	11.6	5.0	4.1
Unrealised capital gains	252.2	312.1	220.0	118.2	80.0
Total capital gains	**267.0**	**328.6**	**231.6**	**123.2**	**84.1**
Total income	362.2	407.0	299.3	180.6	138.2
Cash (= 1 + 2)	110.0	95.1	79.3	62.4	58.2

AMOUNTS IN EUR X MILLION	2019	2018	2017	2016	2015
Balance sheet					
Investment property as at 31 December after revaluation	**3,161.4**	**2,261.4**	**1,921.7**	**1,445.9**	**1,203.8**
Assets under construction as at 31 December	431.2	468.9	277.6	264.8	73.5
Assets held for sale as at 31 December	49.0	14.6	10.3	10.0	3.9
Total property investments including assets under construction and assets held for sale	**3,641.6**	**2,744.8**	**2,209.6**	**1,720.7**	**1,281.2**
Total assets (balance sheet total)	**3,670.0**	**2,782.2**	**2,270.7**	**1,775.7**	**1,333.7**
Equity capital	2,955.8	2,228.8	1,796.0	1,449.4	1,063.8
Syndicated loan (drawn)	620.0	500.0	440.0	290.0	240.0
Financial income and expenditures	9.2	7.2	5.9	9.9 *	8.5

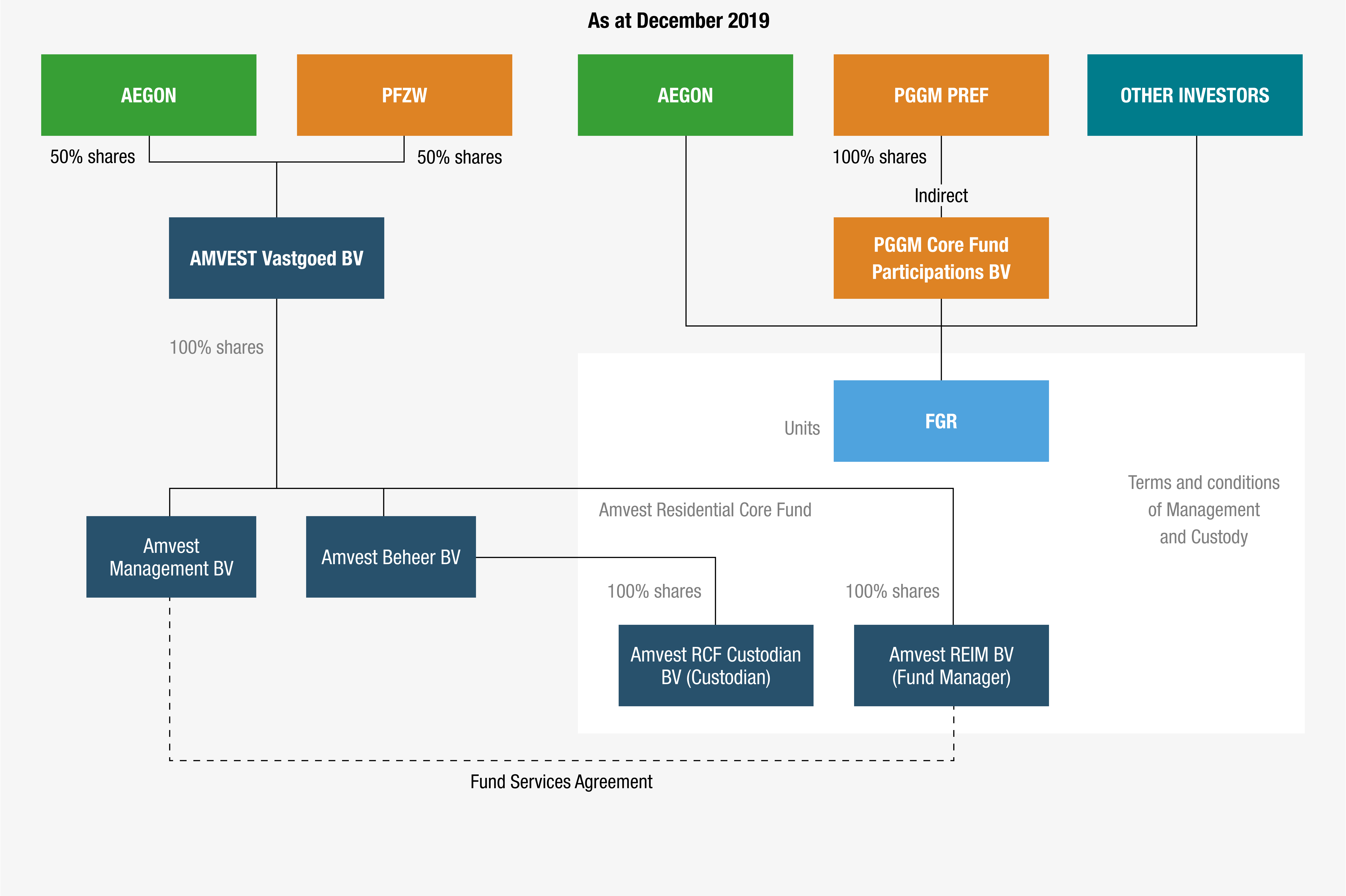
* The total cost for unwinding the interest rate swap contracts is included (EUR 2.9 million).

AMOUNTS IN EUR X MILLION	2019	2018	2017	2016	2015
Key indicators/ratios					
Equity capital divided by balance sheet total	80.5%	80.1%	79.1%	81.6%	79.8%
Long-term liabilities compared to total property investments (loan-to-value) (< 30.0%)	17.0%	18.2%	19.9%	16.9%	18.7%
Average interest rate on long-term liabilities (including costs and interest rate swaps)	1.5%	1.3%	1.5%	3.9% *	3.4%
Bank covenants (Loan from 26 September 2016)					
Long-term liabilities including MtM value IRS compared to total property investments (loan-to-value) (<40.0%)	17.0%	18.2%	19.9%	16.9%	
Long-term liabilities compared to mortgaged property investments (loan-to-mortgage-value) (<50.0%)	33.3%	37.3%	32.7%	27.5%	
Ratio of net rental income to gross interest (>2.5)	10.1	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%
Long-term liabilities compared to mortgaged property investments (loan-to-mortgage-value) (< 45.0%)					29.0%
Net rental income+proceeds on sales-capital expenditures/interest on long-term liabilities (interest cover ratio) (> 3.0)					9.08
Occupancy rate (as a percentage of the theoretical rental income)	97.2%	98.3%	97.8%	97.3%	96.3%
Cost percentage excluding the landlord tax (as a percentage of the theoretical rental income)	19.1%	19.4%	20.0%	20.5%	19.2%
Cost percentage including the landlord tax (as a percentage of the theoretical rental income)	19.5%	20.0%	20.8%	21.4%	20.1%
INREV NAV as at 1 January	2,232.5	1,800.9	1,451.5	1,106.1 **	916.7 **
INREV NAV as at 31 December	2,958.2	2,232.5	1,800.9	1,451.5	1,064.2
Total Expense Ratio (TER) (INREV GAV) (management expenses/average INREV GAV)	0.36%	0.38%	0.42%	0.50%	0.55%
Total Expense Ratio (TER) (INREV NAV) (management expenses/average INREV NAV)	0.44%	0.47%	0.52%	0.60%	0.69%
Total Real Estate Expense Ratio (REER) (INREV GAV) (operating costs/average INREV GAV)	0.74%	0.79%	0.90%	1.04%	1.15%
Letting portfolio (number of homes)	10,170	8,055	7,804	6,743	5,976
MSCI property indexes ***					
All residential assets					
MSCI	13.6%	18.6%	16.9%	15.2%	11.0%
Amvest Residential Core Fund	15.3%	18.4%	19.1%	12.7%	12.6%

* 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.

LEGAL STRUCTURE



COMPOSITION OF THE PROPERTY PORTFOLIO

PROPERTY ASSETS

AMOUNTS IN EUR X MILLION	BOOK VALUE
Investment property	3,162
Assets held for sale	49
	3,211
Assets under construction	431
Total	**3,642**

COMPOSITION OF THE PORTFOLIO

AMOUNTS IN EUR X MILLION	NUMBER OF HOMES	BOOK VALUE
Residential portfolio (individually rented)	10,170	3,142
Commercial /other	-	69
Total	**10,170**	**3,211**

COMPOSITION OF THE RESIDENTIAL PORTFOLIO BY TYPE

AMOUNTS IN EUR X MILLION	NUMBER OF HOMES	BOOK VALUE
Single-family	3,460	1,021
Multi-family	6,710	2,121
Mixed	-	-
Total	**10,170**	**3,142**

COMPOSITION OF THE RESIDENTIAL PORTFOLIO BY REGION *

AMOUNTS IN EUR X MILLION	NUMBER OF HOMES	BOOK VALUE
Central Circle: Big Four	6,524	2,142
Central Circle: Remainder	2,980	831
Regional Economic Centres	478	118
Remaining Regions	188	51
Total	**10,170**	**3,142**

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, Leiden, Delft, Arnhem, Nijmegen, 's-Hertogenbosch and Eindhoven)

Regional Economic Centrals - Urban regions of Zwolle, Groningen and Deventer

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 2020: EUR 737.14)	506	112
Homes with a monthly rent above the rent control limit	9,664	3,030
Total	**10,170**	**3,142**

YIELD ACCORDING TO THE MSCI RESIDENTIAL INDEX

	ARC FUND TOTAL	MSCI TOTAL	ARC FUND SI**	MSCI SI**
Income return 2019	3.6%	3.2%	3.6%	3.4%
Capital growth 2019	11.3%	10.1%	7.9%	9.1%
Total return 2019*	**15.3%**	**13.6%**	**11.7%**	**12.7%**
Income return 3-year average	3.8%	3.5%	3.8%	3.7%
Capital growth 3-year average	13.3%	12.5%	10.5%	11.2%
Total return 3-year average*	**17.6%**	**16.3%**	**14.7%**	**15.3%**
Income return 5-year average	4.2%	3.8%	4.2%	4.0%
Capital growth 5-year average	11.0%	10.8%	9.2%	9.8%
Total return 5-year average*	**15.6%**	**15.0%**	**13.7%**	**14.2%**

* 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

** Standing Investments

COMPOSITION OF THE COMMITED PIPELINE BY RESIDENTIAL TYPE

AMOUNTS IN EUR X MILLION	NUMBER OF HOMES	BOOK VALUE
Single-family	28	10
Multi-family	2,624	918
Total	**2,652**	**928**

COMPOSITION OF THE COMMITED PIPELINE BY REGION*

AMOUNTS IN EUR X MILLION	NUMBER OF HOMES	BOOK VALUE
Central Circle: Big Four	2,260	828
Central Circle: Remainder	392	104
Regional Economic Centres	-	-
Remaining Regions	-	-
Total	**2,652**	**932**

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, Leiden, Delft, Arnhem, Nijmegen, 's-Hertogenbosch and Eindhoven)

Regional Economic Centrals - Urban regions of Zwolle, Groningen and Deventer

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 be 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 21, all themes are plotted on two axes:

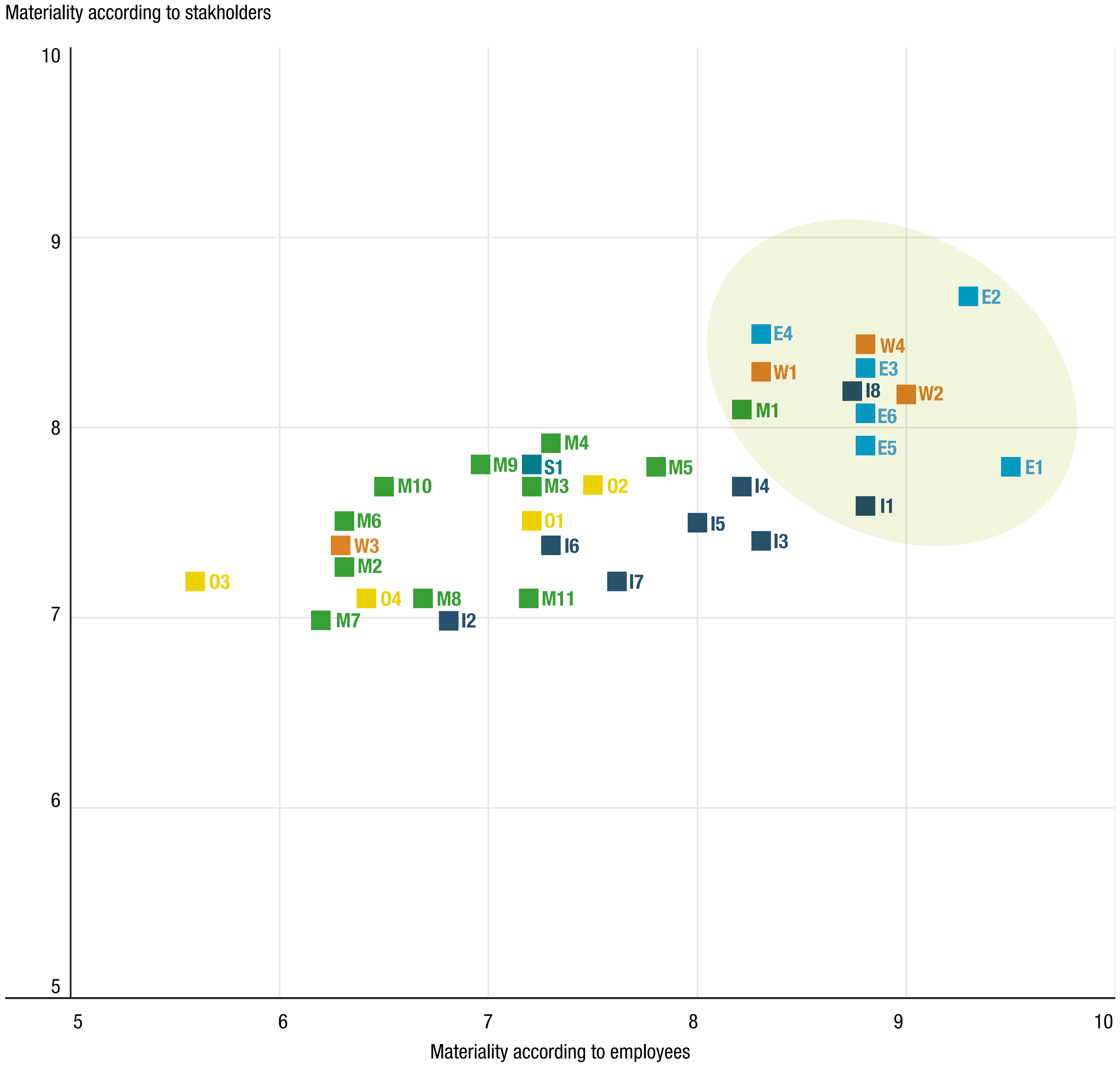
- on the vertical axis the importance of the theme to the stakeholders (0-10);
- on the horizontal axis the importance of the theme to the employees of the Fund Manager (0-10).

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 21). 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 21 and table 22).

21. MATERIALITY MATRIX ARC FUND



22. 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*
Boelijn	Almere	22	Multi-family	2008	Central Circle Big Four
Spinnakerplantsoen	Almere	36	Single-family	2008	Central Circle Big Four
De Diagonaal	Almere	72	Multi-family	2007	Central Circle Big Four
Zeeduinweg (Het Anker)	Almere	26	Multi-family	2017	Central Circle Big Four
Duinbosstraat	Almere	48	Single-family	2015	Central Circle Big Four
Duinbeekstraat	Almere	44	Single-family	2017	Central Circle Big Four
Ouverture	Almere	50	Multi-family	1993	Central Circle Big Four
Thérèse Schwartzestraat	Almere	24	Single-family	2001	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	271	Multi-family	2018	Central Circle Big Four
Bottelarijstraat (Cruquius)	Amsterdam	158	Multi-family/commercial	2017	Central Circle Big Four
Emmy Andriessestraat/Jan Vrijmanstraat (Terrazze/Mura)	Amsterdam	102	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
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	7	Multi-family	2007	Central Circle Big Four
Gustav Mahlerlaan (Xavier)	Amsterdam	110	Multi-family	2019	Central Circle Big Four
Haringvliet (Deltakwartier)	Arnhem	151	Single-family	2017	Central Circle Remainder
Het Haam	Arnhem	34	Single-family	2008	Central Circle Remainder
Kea Boumanstraat	Arnhem	4	Single-family	2006	Central Circle Remainder
Laan van de Vrede	Arnhem	41	Single-family	2014	Central Circle Remainder
Stadswaardenlaan	Arnhem	12	Single-family	2008	Central Circle Remainder
Franklinstraat (Zuiderbogen)	Badhoevedorp	26	Multi-family	2007	Central Circle Big Four
Irislaan	Badhoevedorp	48	Single-family	2015	Central Circle Big Four

COMPLEX	TOWN	NUMBER OF HOMES	HOUSING TYPE/COMMERCIAL	CONSTRUCTION YEAR	REGION*
Brielsemeer	Barendrecht	53	Single-family	2000	Central Circle Big Four
Cederhout	Barendrecht	70	Multi-family	2007	Central Circle Big Four
Drogerij	Barendrecht	49	Single-family	2001	Central Circle Big Four
Koperslagerij	Barendrecht	23	Single-family	1998	Central Circle Big Four
Waddenring	Barendrecht	18	Single-family	2001	Central Circle Big Four
Gouden Griffelplantsoen	Berkel en Rodenrijs	119	Single-family	2006	Central Circle Remainder
Felix Timmermanshof (Gouden Uil)	Berkel en Rodenrijs	53	Multi-family	2011	Central Circle Remainder
Gouden Uillaan	Berkel en Rodenrijs	61	Single-family	2011	Central Circle Remainder
Guus Hermessingel	Berkel en Rodenrijs	9	Single-family	2019	Central Circle Remainder
Rokebrandlaan	Blaricum	34	Single-family	2015	Central Circle Remainder
Luciastraat (Haga Lucia)	Breda	70	Multi-family/other	2017	Central Circle Remainder
Stationsweg (Heren van Breda)	Breda	93	Multi-family	2007	Central Circle Remainder
Stationslaan	Breda	124	Multi-family/commercial	2016	Central Circle Remainder
Antoon van Wijngaardenweg/Satijnvlinderlaan (Parijsch Zuid)	Culemborg	42	Single-family	2016	Remaining Regions
Daliënwaard	’s-Hertogenbosch	44	Single-family	2006	Remaining Regions
Boschveldweg (Perron 073)	’s-Hertogenbosch	38	Multi-family	2017	Remaining Regions
Verlengde Kazernestraat	Deventer	33	Single-family	2013	Regional Economic Centres
Gerrit Rietveldsingel (Holland Park)	Diemen	202	Multi-family	2017	Central Circle Big Four
Enkalaan	Ede	46	Single-family	2014	Central Circle Remainder
Ansinghstraat	Ede	46	Single-family	2018	Central Circle Remainder
Wadestein	Ede	107	Multi-family	2009	Central Circle Remainder
Anton Philipslaan (Hartje Eindhoven)	Eindhoven	408	Multi-family/commercial	2013	Central Circle Remainder
Diodehof	Eindhoven	39	Single-family	2013	Central Circle Remainder
Fosforstraat (Strijp R)	Eindhoven	24	Multi-family	2017	Central Circle Remainder
Paalspoor	Eindhoven	50	Single-family	2015	Central Circle Remainder
Flowcoatstraat	Eindhoven	20	Multi-family	2018	Central Circle Remainder
Waterfront	Eindhoven	33	Single-family	2017	Central Circle Remainder
Waterlinie	Eindhoven	30	Single-family	2017	Central Circle Remainder
Basilica	Elst	36	Multi-family/commercial	2007	Central Circle Remainder
Aureus	Elst	35	Single-family	2007	Central Circle Remainder
Lingegraaf	Elst	12	Single-family	2013	Central Circle Remainder
Brugwachter	Elst	32	Single-family	2012	Central Circle Remainder
Tempellaan	Elst	38	Multi-family	2007	Central Circle Remainder
Lingedonk	Geldermalsen	55	Single-family	2017	Remaining Regions
Graaf Florisweg (Ambachtsschool)	Gouda	64	Multi-family	2017	Central Circle Remainder

COMPLEX	TOWN	NUMBER OF HOMES	HOUSING TYPE/COMMERCIAL	CONSTRUCTION YEAR	REGION*
Graaf Florisweg (Ambachtsschool)	Gouda	3	Single-family	2017	Central Circle Remainder
Boterdiep	Groningen	145	Multi-family	2002	Central Circle Remainder
Hanzeplein	Groningen	65	Multi-family	1998	Central Circle Remainder
Melisseweg	Groningen	49	Single-family	2017	Central Circle Remainder
Botterboulevard (Aquaverde)	Haarlem	54	Multi-family	2016	Central Circle Big Four
Bellevuelaan (Hoge Hout)	Haarlem	93	Multi-family	2010	Central Circle Big Four
Pim Mulierlaan (The Umpire)	Haarlem	59	Multi-family	2017	Central Circle Big Four
Zoutweide	Hellevoetsluis	52	Multi-family	2005	Central Circle Big Four
Zalm	Hendrik Ido Ambacht	47	Multi-family	2010	Central Circle Remainder
Antje Breijerstraat (Chicago)	Hoofddorp	97	Multi-family/commercial	2003	Remaining Regions
Antje Breijerstraat (Stockholm)	Hoofddorp	16	Multi-family	2003	Remaining Regions
Burg. van Stamplein	Hoofddorp	4	Single-family	2004	Remaining Regions
Cor van de Meerstraat	Hoofddorp	47	Multi-family	2001	Remaining Regions
Juf van Kempenstraat	Hoofddorp	60	Multi-family	2001	Remaining Regions
Raadhuisplein (Lugano)	Hoofddorp	75	Multi-family	2013	Remaining Regions
Tuinweg (Geneve)	Hoofddorp	55	Multi-family	2004	Remaining Regions
Pieter Belsstraat	Horst	8	Single-family	2008	Remaining Regions
Piazza	Houten	14	Multi-family	2012	Central Circle Remainder
Surastraat	Huissen	32	Single-family	2017	Central Circle Remainder
Plaza	Huissen	50	Single-family	2013	Central Circle Remainder
Bangkoksingel	IJsselstein	62	Single-family	2000	Central Circle Big Four
Praagsingel	IJsselstein	44	Multi-family	2000	Central Circle Big Four
De Opslach	Leeuwarden	25	Multi-family	2008	Regional Economic Centres
Jansoniusstraat	Leeuwarden	17	Single-family	2007	Regional Economic Centres
Slauerhoffpad	Leiden	22	Multi-family	2018	Central Circle Remainder
Simon Vestdijkpad	Leiden	30	Single-family	2015	Central Circle Remainder
Arthur van Schendelpad	Leiden	77	Multi-family	2018	Central Circle Remainder
Navarrastraat	Lent	33	Single-family	2013	Central Circle Remainder
Kaaisjouwerskade	Nijmegen	111	Multi-family	2017	Central Circle Remainder
Kleine Boel	Nijmegen	33	Single-family	2016	Central Circle Remainder
Fellowshiplaan	Nootdorp	26	Single-family	2007	Central Circle Remainder
Gilze Rijenhof	Nootdorp	26	Single-family	2008	Central Circle Remainder
Laan van Nootdorp	Nootdorp	36	Multi-family	2004	Central Circle Remainder
Operatie Mannahof	Nootdorp	44	Single-family	2004	Central Circle Remainder
Soesterberghof	Nootdorp	10	Single-family	2008	Central Circle Remainder

COMPLEX	TOWN	NUMBER OF HOMES	HOUSING TYPE/COMMERCIAL	CONSTRUCTION YEAR	REGION*
Startbaan	Nootdorp	20	Multi-family	2008	Central Circle Remainder
Woensdrechthof	Nootdorp	63	Multi-family	2008	Central Circle Remainder
Woensdrechthof	Nootdorp	14	Single-family	2008	Central Circle Remainder
Zonnehof	Nootdorp	43	Single-family	2007	Central Circle Remainder
Steenakker	Nuenen	30	Single-family	2014	Central Circle Remainder
Wassende Maan	Oegstgeest	44	Single-family	2015	Central Circle Big Four
Gebint	Oosterhout	31	Single-family	2014	Central Circle Remainder
Aviolandaplein	Papendrecht	17	Multi-family	2009	Central Circle Remainder
Slobbengorsweg	Papendrecht	26	Multi-family	2010	Central Circle Remainder
Thurelede	Pijnacker	28	Multi-family	2005	Remaining Regions
Wollebrand	Pijnacker	12	Multi-family	2005	Remaining Regions
Adriaan Kooningsstraat (Mondriaan)	Rotterdam	160	Multi-family/commercial	2002	Central Circle Big Four
Boezemweg	Rotterdam	102	Multi-family	2006	Central Circle Big Four
Wilhelminakade (De Rotterdam)	Rotterdam	118	Multi-family	2013	Central Circle Big Four
Joost Banckertsplaats	Rotterdam	242	Multi-family/commercial	2013*	Central Circle Big Four
Leo Gestelstraat	Rotterdam	15	Single-family	2009	Central Circle Big Four
Van der Duijn van Maasdamweg (Parkmeester)	Rotterdam	70	Multi-family/commercial	2017	Central Circle Big Four
Houtrustweg (De Zuid)	Scheveningen	33	Multi-family	2017	Central Circle Big Four
Aalscholversingel	The Hague	7	Single-family	2000	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
Blauwe Reigersingel	The Hague	76	Single-family	2000	Central Circle Big Four
Cornelis de Wittlaan (Staten I en II)	The Hague	176	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	11	Single-family	1998	Central Circle Big Four
Ganzenplantsoen	The Hague	29	Single-family	2000	Central Circle Big Four
Goudplevierlaan	The Hague	27	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

1) Construction year 1956, completely renovated in 2013.

COMPLEX	TOWN	NUMBER OF HOMES	HOUSING TYPE/COMMERCIAL	CONSTRUCTION YEAR	REGION*
Kerkuillaan	The Hague	32	Single-family	2000	Central Circle Big Four
Koningin Sophiestraat (De Sophie)	The Hague	67	Multi-family	2017	Central Circle Big Four
Koolhovenlaan	The Hague	53	Single-family	2000	Central Circle Big Four
Laan van Wateringseveld	The Hague	18	Multi-family	2005	Central Circle Big Four
Anna van Buerenplein/Bezuidenhoutseweg (New Babylon City/Park Tower)	The Hague	169	Multi-family	2012	Central Circle Big Four
Nootdorpse Landingslaan	The Hague	23	Multi-family	2000	Central Circle Big Four
Noordwest Buitensingel	The Hague	67	Multi-family	2001	Central Circle Big Four
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
Ellertseveldlaan	The Hague	47	Single-family	2015	Central Circle Big Four
Van Campenvaart	The Hague	34	Single-family	2001	Central Circle Big Four
Van Essendijk	The Hague	38	Single-family	2002	Central Circle Big Four
Nederhoflaan (Vroondaal)	The Hague	22	Multi-family	2009	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	32	Single-family	1998	Central Circle Big Four
Pieter Vreedeplein	Tilburg	15	Multi-family	2008	Central Circle Remainder
Schelling	Uden	39	Single-family	2014	Central Circle Remainder
Ransuil	Uithoorn	32	Single-family	2014	Central Circle Remainder
Godfried Bomansstraat	Utrecht	45	Single-family	2015	Central Circle Big Four
Ketjapweg	Utrecht	41	Single-family	2016	Central Circle Big Four
Kanaalstraat (Los Angeles)	Utrecht	93	Multi-family	2017	Central Circle Big Four
Europaplein (Lux)	Utrecht	97	Multi-family	2016	Central Circle Big Four
Nijenoord	Utrecht	195	Multi-family	2017	Central Circle Big Four
Paul Gauguinhof	Utrecht	32	Single-family	2012	Central Circle Big Four
Van Sijpesteijnkade (De Syp)	Utrecht	266	Multi-family/commercial	2018	Central Circle Big Four
Tuinstraat	Veenendaal	41	Multi-family	2016	Central Circle Remainder
Churchillplein	Velp	75	Multi-family/commercial	2012	Central Circle Remainder
Beukenburg	Vleuten	51	Single-family/other	2007	Remaining Regions
Beurszwam	Vleuten	44	Single-family	2010	Remaining Regions
Droomtuinlaan (Bouquet)	Vleuten	32	Multi-family	2013	Remaining Regions
Dwergbieslaan	Vleuten	33	Single-family	2005	Remaining Regions
Herfsttuinlaan	Vleuten	32	Single-family	2001	Remaining Regions
Leersumseveld	Vleuten	41	Single-family/other	2010	Remaining Regions

COMPLEX	TOWN	NUMBER OF HOMES	HOUSING TYPE/COMMERCIAL	CONSTRUCTION YEAR	REGION*
Lentetuinlaan	Vleuten		Commercial	2012	Remaining Regions
Moerasvaren (De Scheg)	Vleuten	14	Multi-family	2010	Remaining Regions
Moerasvaren (De Scheg)	Vleuten	41	Single-family/other	2010	Remaining Regions
Veldbloemlaan	Vleuten	78	Single-family	2006	Remaining Regions
Voor de Burchten (De Burchtheer)	Vleuten	63	Multi-family	2010	Remaining Regions
Prinses Beatrixlaan ('t Loo)	Voorburg	38	Multi-family	2017	Central Circle Big Four
Singel	Wateringen	31	Single-family	2015	Central Circle Big Four
Handzaag	Zaandam	37	Multi-family	2002	Central Circle Big Four
Canadasingel	Zutphen	41	Single-family	2011	Central Circle Remainder
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		**10,170**			

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, Leiden, Delft, Arnhem, Nijmegen, 's-Hertogenbosch and Eindhoven)

Regional Economic Centrals - Urban regions of Zwolle, Groningen and Deventer

Remaining Regions - Remaining regions

OVERVIEW OF THE PIPELINE PORTFOLIO

TOWN	NAME	NUMBER OF HOMES	HOUSING TYPE/ COMMERCIAL	YEAR OF COMPLETION	TITLE TO THE LAND *	REGION **
Amvest Development Fund B.V. (RoFR)						
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
Almere	Duin Boomrijk II	18	Single-family	2020	Freehold	Central Circle: Big Four
Amsterdam	City Icoon	117	Multi-family	2022	Leasehold	Central Circle: Big Four
Amsterdam	Cruquius 1.3	52	Multi-family	2021	Leasehold	Central Circle: Big Four
Amsterdam	Cruquius 1.4	81	Multi-family	2021	Leasehold	Central Circle: Big Four
Amsterdam	Cruquius Binnenbocht	85	Multi-family	2021	Leasehold	Central Circle: Big Four
Amsterdam	Cruquius Sigma	43	Multi-family	2020	Leasehold	Central Circle: Big Four
Amsterdam	Jonas	190	Multi-family	2021	Leasehold	Central Circle: Big Four
Amsterdam	Overhoeks	164	Multi-family	2020	Leasehold	Central Circle: Big Four
Amsterdam	Overhoeks blok M fase 3.2	128	Multi-family	2022	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	2020	Freehold	Central Circle: Big Four
Third parties / Combi						
Amsterdam	Jan Toorop	66	Multi-family	2020	Leasehold	Central Circle: Big Four
Delft	Spoorzone plot 5	130	Multi-family	2020	Freehold	Central Circle: Remainder
Leiden	Wassenaarseweg	213	Multi-family	2020	Freehold	Central Circle: Remainder
Utrecht	Sijpesteijn Parking	0	Parking	2020	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	2023	Freehold	Central Circle: Big Four
Rotterdam	Koningslaan	68	Multi-family	2020	Freehold	Central Circle: Big Four
Rotterdam	De Boompjes	342	Multi-family	2023	Freehold	Central Circle: Big Four
Leiderdorp	De Ridder	49	Multi-family	2021	Freehold	Central Circle: Remainder
Total		**2,652**				

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, Leiden, Delft, Arnhem, Nijmegen, 's-Hertogenbosch and Eindhoven)

Regional Economic Centrals - Urban regions of Zwolle, Groningen and Deventer

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		31-12-19	31-12-18
NAV (Intrinsic value) of the ARC Fund (= IFRS NAV = Equity)		2,955,766	2,228,832
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	31,000	28,750
Diluted NAV		**2,986,766**	**2,257,582**
c)	Revaluation to fair value of investments properties		
d)	Revaluation to fair value of self constructed or developed investment property		
e)	Revaluation to fair value of property held for sale		
f)	Revaluation to fair value of property that is leased to tenants under a finance lease		
g)	Revaluation to fair value of real estate held as inventory		
h)	Revaluation to fair value of other investments in real assets		
i)	Revaluation to fair value of indirect investments not consolidated		
j)	Revaluation to fair value of financial assets and financial liabilities		
k)	Revaluation to fair value of construction contracts for third parties		
l)	Set-up costs		
m)	Acquisition expenses *	2,468	3,670
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		**2,989,234**	**2,261,252**
Effect of dividends recorded as a liability which have not been distributed		-31,000	-28,750
NAV as per 1/1 (basis for subscription price)		**2,958,234**	**2,232,502**

* A five-year amortisation term is used.

The acquisition expenses of EUR 2,468 thousand relate to the acquisition of completed properties in operation (2018: EUR 3,670 thousand).

KPI'S FOR THE PURPOSE OF NON-FINANCIAL DATA IN THE ANNUAL REPORT

TENANT SATISFACTION

Objective	Determine resident satisfaction
KPI owner	Customeyes
Definition	Through an annual tenant survey the ARC Fund measures the property management quality and the customer satisfaction amongst its tenants. This concerns in particular the degree of satisfaction regarding the rented property, the surroundings and the service level. Important elements are the contact moments and availability of staff of the property manager, the service performance, the letting process (intake) and repair requests
Scale/unity	Absolute score on a scale from 0 (minimum) to 10 (maximum)
Calculation	• The satisfaction score is calculated by Customeyes based on the answers provided by the participant in the survey. • For each question a maximum number of points is possible to be achieved (scale 1-10) • The survey is a quantitative research and fully digital • Each respondent counts even heavily when calculating averages • The benchmark consists of 7 investors
Target	To achieve a tenant satisfaction score of at least 7.5 and outperforming its peers in the IVBN benchmark.
Scope	A sample of all the tenants from the ARC Fund who participated the questionnaire relating to tenant satisfaction.
Frequency	Once a year
Reporting process	• The tenants fill out a score on a total of five components • Customeyes measures the responses • Customeyes delivers a report (dashboard) with the average score per component, property manager and complex including the number of responses.
Systems and sources	Survey tool
Audit process	The tenant satisfaction score is measured completely independently by Customeyes.
Result 2019	7.2 (benchmark 7.1)

GRESB SCORE

Objective	Achieve a GRESB score
KPI owner	Global Real Estate Sustainability Benchmark
Definition	The GRESB score is an overall measure of ESG performance, represented as the number of stars.
Scale/unity	Number of stars from 1 (minimum) to 5 (maximum)
Calculation	The GRESB score is calculated by the GRESB organization based on the answers provided by the participant in a survey. For each question a maximum number of points is possible to be achieved. The number of stars are awarded based on the relative score in comparison with the other participants.
Target	To achieve the maximum 5 stars
Scope	The complete ARC Fund
Frequency	Once a year
Reporting process	• The survey is filled in by the ARC Fund with the burden of proof and argumentation for the answers given • The GRESB organization checks the answers, the burden of proof and the argumentation and determines the score per question • The GRESB organization reports to the ARC Fund the score of the Fund, how it is structured and how it scores in relation to the peer group
Systems and sources	Survey tool
Audit process	The GRESB organization checks the answers, the burden of proof and the argumentation according to its (high) standards and can visit the Fund for a further check
Result 2019	GRESB score: 5 stars

ENERGY USE INTENSITY (EUI)

Objective	Measure the energy consumption of the objects in the ARC Fund portfolio
KPI owner	Cushman & Wakefield
Definition	The total energy consumption in kWh per m^2 per year of all objects in the portfolio that have been in operation for the entire calendar year. The sum of the amount of electricity (in kWh), disctrict heating in GJ and gas (in m^3) which is converted to kWh.
Scale/unity	kWh/m^2/year
Calculation	Electricity: • The total energy consumption (kWh) per building is divided by the total Gross Floor Area in m^2 • Depending on the type of energy consumption, up to three connections are monitored for each building: supply from the grid operator, electricity generated by the solarpanels (if applicable) and electricity supplied to the grid (if applicable) • Net consumption = supply grid operator + (generated electricity PV panels -/- electricity supplied back to grid) Gas: • Gas consumption in m^3 is converted into kWh (factor 1 m^3 = 9.769 kWh) • District steam generated in a centralized location for residential heating requirements in GJ is converted into kWh (factor 1 GJ = 277.78 kWh)
Target	To achieve a percentual decrease in our like-for-like Energy Use Intensity compared to 2018.
Scope	All buildings in the ARC Fund, that are included in the annual report of the specific year (only buildings with a 100% data coverage are included). The buildings that are not in use for a full calendar year fall outside the scope as this may distort the data due to seasonal effects.
Frequency	Once a year
Reporting process	• Before the completion of a new building, all connections are entered in the Eview-system of Innax (for new buildings, meters are delivered directly 'smart' (readable remotely)) • From the date of completion, gas and electricity consumption are measured per 15 minutes on the basis of smart meters (automatically imported, implemented by INNAX) • In 2019, consumption is partly added manually on the basis of invoices from the property managers and the Standard Year Volumes received from regional grid operators. • In the first quarter after the relevant calendar year, an overview is drawn up of all buildings that have been in operation for the entire calendar year and the associated EUI.
Systems and sources	Eview (managed by INNAX, ARC Fund has access), CWING (managed by C&W, ARC Fund has access) Excel for renewable energy.
Audit process	• It is checked on a monthly basis whether data from all complexes comes in • Data trends are analyzed annually (smallest and largest consumer based on gas/district heating/ electricity consumption per m^2) • Data report is created by C&W
Result 2019	Average Energy Use Intensity 2019: 124 kWh/m^2/year based on a 98.4% data coverage. The like-for-like Energy Use Intensity in 2019 was 118 kWh/m^2/year. The like-for-like change percentage between 2018 and 2019 is therefore (2.3%).

CARBON EMISSION

Objective	Measure carbon emissions from the ARC Fund
KPI owner	Amvest
Definition	The total CO_2 emissions in kg or tonnes of the buildings of the ARC Fund
Scale/unity	# kg CO_2/m^2/year
Calculation	Electricity: • The amount of electricity in kWh per building is made clear via Eview (see KPI Energy Use Intensity) • The buildings for which 100% green electricity is purchased are taken from the total consumption in kWh • The total amount of kWh of 'gray' electricity is converted to kg of CO_2 in accordance with the emission factors of www.co2emissiefactoren.nl. 1 kWh = 0.649 kg of CO_2 Gas: • The amount of gas in m^3 per building is made clear via Eview (see KPI Energy Use Intensity) • The buildings for which 100% green gas is purchased are taken from the total consumption in m^3 • The total amount of m^3 natural gas is converted to kg CO_2 in accordance with the emission factors of www.co2emissiefactoren.nl. 1 m^3 natural gas = 1.89 kg CO_2 • District steam generated in a centralized location for residential heating requirements in GJ is converted into 35.97 kg CO_2
Target	To achieve a percentual decrease in our portfolio-wide average carbon emission per m^2.
Scope	All buildings in the ARC Fund, that are included in the annual report of the specific year (only buildings with a 100% data coverage are included). The buildings that are not in use for a full calendar year fall outside the scope as this may distort the data due to seasonal effects.
Frequency	Once a year
Reporting process	• The energy consumption is compiled based on the data as described in the KPI Energy Use Intensity • Subsequently, the tenants are asked which energy contracts have been concluded for gas and electricity • The total CO_2 emissions are determined based on energy consumption and contract types
Systems and sources	The systems used for the energy usage form the source.
Audit process	• The data for the consumption is already checked by C&W by their system CWING • The conversion factors are checked on the website of www.co2emissiefactoren.nl • The calculation in Excel is checked using the four-eyes principle (Asset Manager and Portfolio Manager ARC Fund)
Result 2019	Average carbon emission Intensity 2019: 39 kg CO_2/m^2/year based on a 98.4% data coverage. Like-for-like carbon intensity in 2019 was 30.90 kg CO_2/m^2/year. This shows an improvement of 1.5% on carbon emissions.

RENEWABLE ENERGY

Objective	Reduce carbon emissions by increasing the produced renewable energy produced by placing solar panels
KPI owner	Sungevity
Definition	The reduction of carbon emissions and climate change is addressed by increasing the production of renewable energy by placing solar panels.
Scale/unity	# solar panels/ single-family homes # kg CO_2/m^2/year
Calculation	• The number of solar panels/homes is registered via the Sungevity dashboard • The amount of energy generated by solar panels is registered via the Sungevity dashboard • The total amount of kWh of electricity generated by solar panels is converted to kg of CO_2 in accordance with the emission factors of www.co2emissiefactoren.nl. 1 kWh = 0.649 kg of CO_2 • The number of solar panels placed on individual homes is registrered by Amvest.
Target	The ARC Fund expects to fit out 580 homes (single-family) with solar panels in 2018 and upgrades its target to 750 homes in 2019.
Scope	All single-family homes which are suitable to place solar panels
Frequency	Once a year
Reporting process	• From the date of placing of the new solar panels electricity which is generated by the panels is measured on the basis of smart meters (automatically read, implemented by Sungevity) • Every 6 weeks an overview is drafted of all homes/solar panels that are in operation. • Furthermore the data (number of solar panels/energy generated by the solar panels) in the Sungevity dashboard is part of the CWING dashboard by exporting the data.
Systems and sources	Tool (dashboard) Sungevity and Excel for independent solar panels
Audit process	• The data for the # solar panels/homes and the data for the generation of energy is checked by Sungevity and by C&W by their system CWING • The conversion factors are checked on the website of www.co2emissiefactoren.nl • Independent Solar panels on homes are registered by Amvest
Result 2019	Solar panels have been placed at 1,026 homes in 2019. The renewable energy generated by the new solar panels and the previously placed solar panels on single-family homes is 2,919 MWh in 2019, saving 1,895 tonnes of CO_2. The carbon emissions reduction has been increased by 412% compared to 2018.

GENERATED ECONOMIC VALUE

Objective	Create a stable dividend yield for the Fund investors
KPI owner	Amvest
Definition	The realised dividend yield of the ARC Fund per calender year
Scale/unity	Absolute percentage
Calculation	The dividend of a calender year that is reserved for payment to the investors of the ARC Fund as percentage of the INREV NAV per 1/1
Target	Stable dividend yield of 4%
Scope	The dividend yield of the ARC Fund
Frequency	Once a year
Reporting process	The financial staff of the Fund calculates the yearly dividend yield and reports about it in the annual report.
Systems and sources	Amvest financial systems
Audit process	Financial process of Amvest
Result 2019	4.0%

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

NMG (former ACM)
MVGM
Van der Linden
Van 't Hof Rijnland
VB&T
Hoekstra
REBO
Apleona (until 31/12/2019)

RESUMES OF THE MANAGEMENT TEAM

WIM WENSING

(Fund Director)

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

Ancillary positions

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

NICLAS VON DER THÜSEN

(Director Finance and Risk)

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

DENNIS WEDDING

(Portfolio Manager)

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

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 Fund 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.

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.

Central Circle (Randstad)
The agglomeration of cities in Netherlands

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.

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

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

Custodian
Also see Amvest RCF Custodian B.V.

Customer Due Diligence
Customer Due Diligence (CDD) is an important part of 'knowing your customer'. CDD is executed for new but also existing customers/ relations. Important questions with regard to a (potential) customer:
1. financial position;
2. overview of business activities;
3. integrity issues (if any);
4. ultimate beneficial ownership (in some cases).

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

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
The total fund assets.

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

IFRS
International Financial Reporting Standards.

Income return
Net result excluding the capital gains/losses on investments.

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

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

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

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

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

Intertrust 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.

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

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

IVBN
The Dutch association of institutional real estate investors.

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

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

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

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

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.

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.

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

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

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

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

Portfolio Plan
The ARC Fund's annual strategic investment plan.

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

Realised capital gains on investments
Also see "realised indirect return".

Realised indirect yield/return
Yield/return from book profits following divestments.

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.

Theoretical income
Passing rent for rented units and market rent for vacant units.

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.

Paul Gauginhof, Utrecht