Annual Report 2017

ASR Dutch Core Residential Fund

a.s.r. real estate

Cover: **Wibautstraat**, Amsterdam, the Netherlands

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The ASR Dutch Core Residential Fund annual report 2017 is only available in a soft copy version. The report contains several interactive elements. Pop-ups will guide you to additional information.

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Annual Report 2017

ASR Dutch Core Residential Fund

Contents

ASR Dutch Core Residential Fund ('the Fund') offers a diversified and mature residential real estate portfolio with a value of € 1,145m. The Fund has a core strategy and focuses on investing in high-quality apartments and single-family houses in economically and demographically strong locations in the Netherlands.

The aim of the Fund is to provide a stable distributable return for investors through investment in, management of and adding value to the portfolio, while keeping risk and leverage at a low level.

Overview

As at 31 December 2017

€ 1,145m
portfolio size

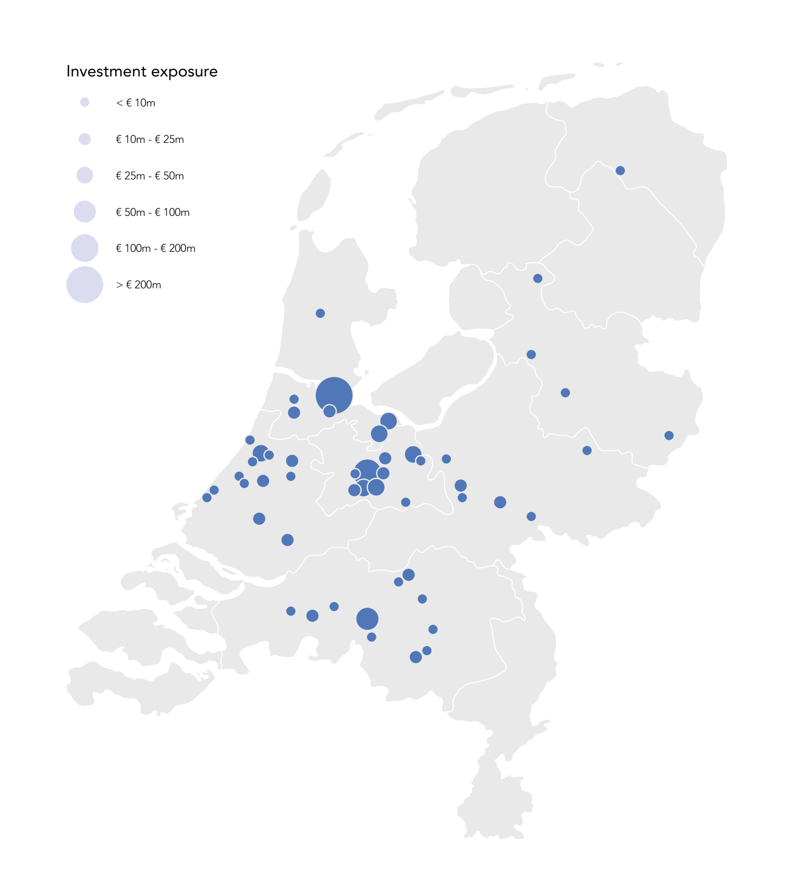
€ 49.1m
annual rent

4,805
residential units

€ 258m
forward acquisitions (off-balance sheet)

9%
total rent potential

98%
occupancy rate



Performance figures

(amounts in €'000, unless otherwise stated)

Performance

For the year	2017	2016
Total return	14.4%	14.5%
- Income return	3.5%	4.6%
- Capital growth	10.9%	9.9%
Internal rate of return (since first closing at 1 January 2015)	13.6%	13.3%

Performance per unit

amounts in €

For the year	2017	2016
Operating result	27	29
Net result	131	121
Distributable result	32	37

amounts in €

As at	31 December 2017	31 December 2016
IFRS Net Asset Value	993	893
INREV Net Asset Value	1,001	903
INREV Net Asset Value (after distributions)	993	893
Number of Units	1,192,701	1,101,823

Financial figures

For the year	2017	2016
Results		
Operating result	31,260	30,137
Net result	150,752	127,217
Distributable result	37,068	39,438

As at	31 December 2017	31 December 2016
Balance		
Investment properties in operation	1,053,950	922,873
Investment properties under construction	88,018	56,239
Investment properties held-for-sale	3,232	1,893
Total assets	1,200,188	1,003,753
Capital	1,183,993	984,336

Financial ratios

As at	31 December 2017	31 December 2016
Solvency	98.1%	98.7%
Loan-to-value ratio	0%	0%
Weighted average cost of debt	n/a	n/a
Payout ratio of distributable result	100%	100%

Portfolio figures

For the year	2017	2016
Results		
Gross rental income	49,149	47,508
Net rental income	37,981	35,831
Current gross yield [1]	5.0%	5.5%
Current net yield [1]	3.9%	4.2%
Revaluation properties	10.9%	9.9%

As at	31 December 2017	31 December 2016
Balance		
Investment properties	1,145,200	981,005
Forward acquisitions (off-balance sheet)	258,300	182,200
Number of properties	106	103
Number of dwellings	4,805	4,772
Occupancy rate [2]	98.1%	97.8%

1) Calculated as four-quarter rolling-average rental income divided by the average fair value of investment properties in operation and held-for-sale.
2) Occupancy as a percentage of theoretical rental income.

'Prospects for investing in residential real estate remain positive. Through active asset management, pro-active acquisition management in a competitive environment and increasing focus on sustainability, the Fund is well positioned for the future.'

Robbert W.Y. van Dijk

Foreword 2017

Dear investor,

We are pleased to present the ASR Dutch Core Residential Fund 2017 annual report. We trust that this report provides you with a clear overview of the performance and management of the Fund and portfolio.

The Fund realized a total return of 14.4% in 2017, which is both the result of an income return of 3.5% and strong capital growth of 10.9%. Capital growth in 2017 was strong, as a result of an overall well performing Dutch economy and residential housing market, especially in the Fund's focus areas. The overall steady income return is mainly attributable to the quality of the portfolio and active asset management, focusing on increasing rent, keeping occupancy level high and selling units on an individual basis, while reducing operating expenses. Operating expenses were well within budget for 2017.

Strong GDP growth figures, positive consumer confidence levels, low unemployment rates and a normalized inflation rate indicate that the Dutch economy is currently performing well. These economic tailwinds, together with a low interest rate environment, continued to positively influence housing market transaction activity. As a result, housing prices continued to find their way up in 2017. Transaction volumes in 2017 are 13% higher compared to previous year and even 58% higher compared to three years ago. This resulted in an average house price growth of 7.6% in 2017, representing the largest price increase since 2006 and fueling the Fund's capital appreciation.

There continues to be high demand for mid-priced rental housing in economically strong regions in the Netherlands, which had a positive effect on the Fund's letting results, occupancy rate and (market) rent increases in 2017. Despite the increased demand, the lagging addition of new supply is a challenge for the growth of the Fund. Housing shortages continue to persist, due to low new housing construction.

Political uncertainty is currently relatively low, as no new major policy changes were announced with regard to the Dutch residential market by the new coalition agreement of Rutte III. Overall, it is expected that most households will benefit and have more spending power in the near future and companies can operate more profitably. The maximum Loan-to-Value (LTV) ratio for mortgages was reduced in the past few years to the current level of 100%. The government has indicated that the maximum LTV ratio will not be reduced further in the medium term.

The rental market has received attention from local policy makers and the shortage of mid-priced rental housing is high on the agenda of many larger municipalities. Local governments are actively looking for market parties that want to invest in this type of housing, but also take measures to regulate the (liberalized) mid-priced rental sector. For example in Amsterdam and Utrecht, there are initiatives to cap rental growth and prioritize certain target groups (professions) with regard to the assignment of rental dwellings.

Throughout 2017, the Fund's portfolio grew substantially from approximately € 981m to € 1,145m. This was due to the positive capital growth of the portfolio, the addition of properties Milestones in Utrecht, Van Reeshof in Nieuwegein, Malburgen in Arnhem, Molenstraat in Monster and Gouwe Zicht in Waddinxveen, as well as term payments on the Fund's forward acquisitions. These additions increased the quality and diversification of the portfolio, and enabled our new and current investors to increase their stakes in the Fund.

Alongside the growth of the Fund, the pipeline also grew significantly in 2017, due to the addition of new pipeline projects, of which the redevelopment of Bijlmerbajes in Amsterdam is the most prominent. The Fund's pipeline consists of fourteen projects, amounting to a total commitment of € 258 million as at year-end 2017. All projects in the pipeline comply with the portfolio strategy to focus on high-quality residential properties within economically and demographically strong locations and are expected to enhance the core quality of the portfolio. The Fund continuously aims to maintain a diversified pipeline with apartments and single-family houses with a core risk profile.

Besides acquiring new properties, the Fund applies an active renovation policy, with properties Dotterbloemstraat in Nieuwegein and Bonifaciuslaan in Hilversum being renovated in 2017. The average energy label of both properties improved to label A (from D/E/F). Currently, two properties are under renovation, which are Staalmeesterslaan in Amsterdam and Lamérislaan in Utrecht. Both renovations will also lead to an energy label improvement from F/G to A.

Corporate Social Responsibility (CSR) is one of the Fund's key objectives. The Fund utilizes a formal CSR policy, which focuses on the sustainability of its property, the engagement of its partners and employees and its contribution to nature, society and the environment. A significant reduction of the average energy index, application of saving measures and the implementation of a new Green Building Certificate for residential buildings were key accomplishments in 2017. The Fund's CSR performance is measured annually and made transparent in the form of the Global Real Estate Sustainability Benchmark (GRESB). The Fund's efforts have been awarded with the high distinction of Green star in 2017, with an improved score from 2 tot 4 stars (on a scale of 5).

The Dutch residential investment market has kept up large interest from investors, as a result of good economic and real estate conditions in the Netherlands and of the wide availability of capital worldwide. Approximately € 3.4 billion was invested in residential real estate in 2017. While this volume is high, it would have been much higher had there been more investment product available on the market. Dutch real estate receives increasing interest from foreign investors. Although Dutch pension funds and insurance companies are still dominant for residential real estate investments, the share of foreign (mainly US) investors continued to increase to 34% (CBRE, 2018).

Prospects for investing in residential real estate remain positive. Through active asset management, decisive acquisition management in a competitive environment and an increasing focus on sustainability, the Fund is well positioned for the future. Further growth of the pipeline and sustainability remain key elements of the portfolio strategy in 2018. We are confident that the portfolio will continue to prove its worth by generating solid returns for our investors.

Fund Management Team, ASR Dutch Core Residential Fund
Robbert W.Y. van Dijk, Fund Director
Luc Joosten, Head of Fund Management
Johan Kamminga, Fund Controller

Molenstraat, Monster

Fund profile

The ASR Dutch Core Residential Fund ('the Fund') was launched on 1 January 2013. On that date, the Anchor Investor (ASR Levensverzekering N.V. and ASR Nederland Vastgoed Maatschappij N.V.) transferred its properties to the Fund. ASR Nederland Vastgoed Maatschappij N.V. and ASR Levensverzekering N.V. merged on 27 March 2017. As a result of this merger, ASR Nederland Vastgoed Maatschappij N.V. redeemed its units in the Fund. These redeemed units were subsequently issued to ASR Levensverzekering N.V. and ASR Schadeverzekering N.V. Therefore, ASR Schadeverzekering N.V. also became part of the Anchor Investor, , as of 27 March 2017. The parties involved agreed on a legal closing date at 27 March 2017 and an economic closing date at 1 January 2017. As a result, transfer of the units was imposed retrospectively per 1 January 2017.

Under Dutch law, the Fund is a fund for joint account (fonds voor gemene rekening). The Fund is not a legal entity but a contractual arrangement sui generis. The Fund, the Manager (ASR Vastgoed Vermogensbeheer B.V., a.s.r. real estate, or 'AIF Manager'), the Management Company, the Custodian and each investor are individually subject to the terms of the Fund Agreement. The Fund has an indefinite term, subject to its early dissolution, in accordance with clause 15 of the Fund Agreement.

The Fund is a contractual investment fund (beleggingsfonds) and is reserved for professional investors ('professionele beleggers') within the meaning of Section 1:1 of the Dutch Financial Markets Supervision Act ('Wet op het financieel toezicht' or 'FMSA') or a non-professional investor who is designated as a professional investor pursuant to Section 4:18c of the FMSA. Further to Section 2:65 of the FMSA, the AIF Manager has been licensed for the management of the Fund and the offering of Units; therefore, the AIF Manager is supervised by the Dutch Authority for the Financial Markets. Private individuals are excluded from investing in the Fund.

The Fund Manager (a.s.r. real estate) has implemented the Alternative Fund Managers Directive (AIFMD). The Fund Manager obtained its license permit from the Dutch Authority for the Financial Markets (Autoriteit Financiële Markten or AFM). As of 2015, the Fund Manager reports to the AFM and the Dutch Central Bank (DNB) in line with its license obligations.

Fund for joint account

The Fund does not constitute or qualify as a partnership (maatschap), general partnership (vennootschap onder firma) or limited partnership (commanditaire vennootschap) within the meaning of Dutch law. It is structured as a fund for joint account and the investors may dispose of their units by offering them to the Fund for redemption under the conditions set out in clause 6 of the Fund Agreement. Consequently, the Fund is considered transparent for the purposes of Dutch corporate income tax and dividend withholding tax.
Legal title (juridisch eigendom) to the Fund's assets is held by the Custodian, who safeguards the Fund's assets on behalf of the investors. The Management Company is charged with managing the Fund in accordance with the Fund Agreement. As such, it has full power and authority to act within the scope of the Fund Agreement. This includes seeking approval from the Meeting of Investors and/or Investment Committee where appropriate.
The Management Company delegates certain tasks to the Fund Manager, although the tasks of the Management Company and its responsibilities to the investors remain unaffected by this delegation. the Fund amended this structure in 2014, due to the Alternative Investment Fund Management Directive (AIFMD), which came into force on 22 July 2013. Certain tasks performed by the Management Company have been reassigned to the Fund Manager. BNP Paribas Securities Services was appointed to act as depository as of 1 June 2014.
The principal aim of the Fund is to offer investors an attractive return on investment. This is done by investing in, managing and adding value to the portfolio's assets. The Fund invests in direct real estate only. The Fund does not operate in the field of research and development and does not employ personnel. The (direct) return on investment is distributed to the investors on a quarterly basis.

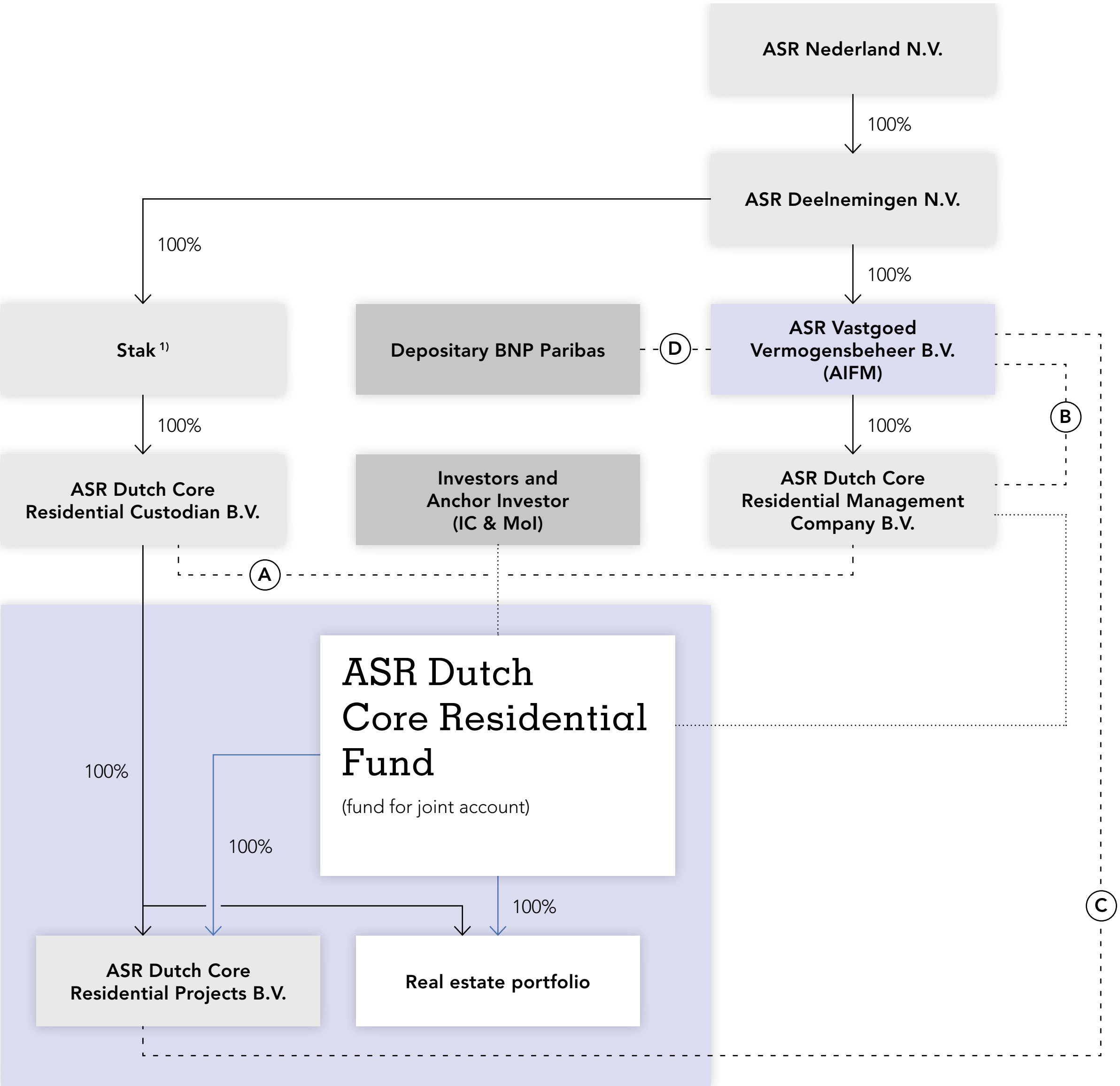
Three-Year Business Plan

The Fund has an investment policy that meets the Fund's investment objectives and strategy, investment criteria and investment restrictions, which are set out in the Fund Agreement. Each year, the Management Company presents the investment policy as a three-year business plan. This Three-Year Business Plan is presented at the Meeting of Investors, after it has been discussed with the Investment Committee. The Investment Committee may advise the Meeting of Investors on the Three-Year Business Plan.

The Meeting of Investors is held as often as is required. However, at least one physical Meeting of Investors is held each year. At the annual meeting, the Three-Year Business Plan and the accounts are presented for consideration and approval. Each investor has a number of votes equal to the number of units held in the Fund, with the exception of the Anchor Investor in certain cases. Two Meetings of Investors were held in 2017.

The Investment Committee is responsible for ensuring that the Management Company manages the Fund in accordance with the Fund Agreement. Furthermore, the Investment Committee may advise the Management Company whenever the approval or advice of the Investment Committee is required or requested pursuant to the Fund Agreement. The Investment Committee meets as often as is required. Three Investment Committee meetings were held in 2017.

Figure 1 ASR Dutch Core Residential Fund - fund structure



A Fund Agreement (Legal Owner – Manco)
B Management Agreement (AIFM – Manco)
C Project Agreement (AIFM – Projects B.V.)
D Depositary Agreement (AIFM – Depositary)

— legal ownership
— economic ownership
- - - contractual relationship
······· contract relating to

1) Stak (Stichting Administratiekantoor ASR Dutch Core Residential Custodian) is the legal entity for the purpose of to acquire and hold the shares in the Custodian against the granting of certificates to ASR Nederland N.V.

Project BV

The Fund qualifies as a tax transparent fund for joint account for Dutch corporate income tax purposes and for Dutch dividend withholding tax purposes, provided that all relevant parties act in accordance with the Fund Agreement. The Dutch tax authorities have confirmed the transparency of the Fund for corporate income tax and Dutch dividend withholding tax purposes. In order to maintain this tax status, no development activities should take place in the Fund. As a consequence, ASR Dutch Core Residential Projects B.V. (Project BV) was set up as a subsidiary of the Fund for maintenance, renovation and extension activities that might qualify as development activities for Dutch tax purposes.

Project BV receives a fee for the Permitted Project Activity performed. This fee amounts to 7% of the investment budget of the Permitted Project Activity (excluding VAT) and covers risks borne by Project BV such as failure to meet completion and acceptance deadlines, zoning plan changes, exceeding the operating budget, attributable failure to perform by third parties and/or attributable failure by Project BV to supervise such third parties. Project BV is subject to corporate income tax, which is charged over the fiscal result. Each new possible investment project is started within Project BV. After significant analysis for each investment project, a decision is made on whether such an activity should be performed by Project BV to mitigate the risk of losing the tax status of the Fund or direct loss by the Fund. In the case of the investment project being performed by Project BV, the fee is charged to the Fund.

The Project BV is a 100 percent subsidiary of the Fund. This means that the Project BV's shares are owned by the custodian in a legal sense, while economically the shares are owned by the Fund's investors. In this report, the Project BV's figures are consolidated within the figures of the Fund. No stand alone ('enkelvoudig') financial statements of the Fund are presented, since they would only differ marginally from the consolidated figures.

Report of the management company

For the period 1 January - 31 December 2017

Introduction

The ASR Dutch Core Residential Fund ('the Fund') was launched on 1 January 2013. On that date, the Anchor Investor transferred its properties to the Fund. The Fund had its initial closing on 1 January 2015. In 2015, the Fund had four closings, in which € 150m in equity was raised, while the Anchor Investor redeemed for an amount of € 140m in total. In 2016, the Fund had two closings, in which € 75m in equity was raised. In 2017, the Fund had four closings, in which € 86m in equity was raised. The Fund has nine investors as at 31 December 2017. This quarterly report presents the year-to-date figures as at 31 December 2017.

Market developments

The Dutch macro-economic situation

The Dutch economy thrives in 2017

The Dutch economy demonstrated great figures in 2017, with a GDP growth of up to 3.1% (CBS, 2018). This growth exceeds all forecasts, and is considerably higher than the figures in surrounding countries. The Eurozone's average growth rate for 2017 was 2.6% (Eurostat, 2018). Expectations for the coming years are also quite positive, albeit below the growth rates of last year. An increase of 2.6% is anticipated in the Dutch economy in 2018, with a subsequent increase of 2.0% in 2019 (Consensus Forecast, 2018).

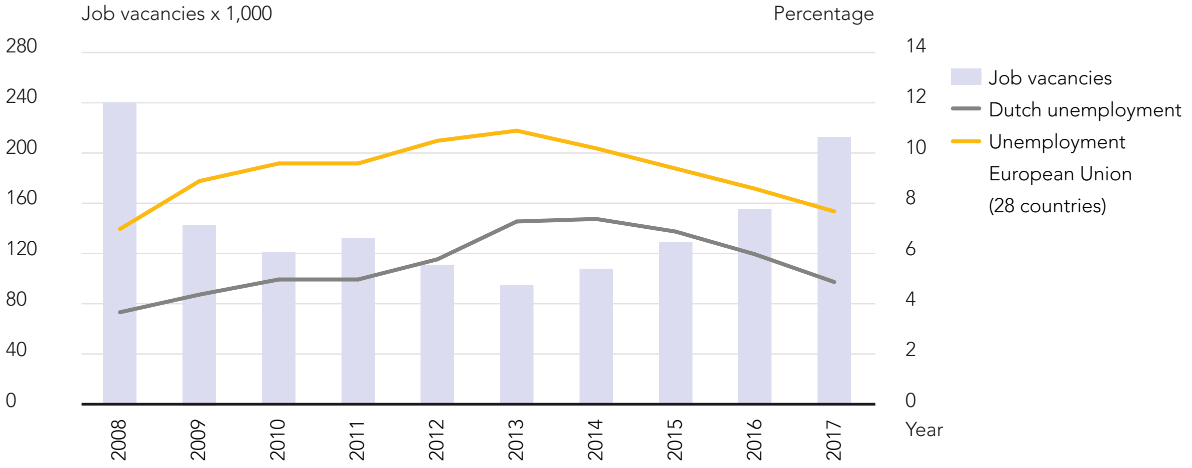
Unemployment drops sharply while job vacancies increase

A sharp decline in European unemployment has been seen for a couple of years now. After a rate of 10.2% in 2014, 9.4% in 2015, and 8.6% in 2016, unemployment in the European Union dropped to 7.7% in 2017 (Eurostat, 2018).

Dutch unemployment has been relatively low for several years, and is now declining even further. The average rate in the Netherlands for 2017 was just 4.9%, which is more than a percent point lower than one year before (Eurostat, 2018). The number of unemployed continued to decrease and reached a level of 4.4% by the end of the year. The total number of employees rose by no less than 350,000 during the last two years (CBS, 2018). Unemployment in the Netherlands is expected to decline even further to 3.9% in 2018 (CPB, 2017).

According to Statistics Netherlands (CBS), the number of job vacancies has increased steeply for the fourth year in a row. After a 30% surge during the first half of 2017, the number of job vacancies was 227,000 by the end of the year, which is 135% more than four years earlier. All sectors showed a strong upward trend during 2017. As in 2015 and 2016, the largest contributor was the commercial services sector, which accounted for approximately 30,000 more vacancies compared to the previous year. This was followed by non-commercial-services and the industries-and-mining sector (both approximately 11,000). The increase in job vacancies had a decreasing effect on the level of unemployment, which is, as mentioned above, expected to continue to decline throughout the years ahead. This will cause a tight market. In four years the number of unemployed per vacancy has dropped from a very high level of 7.2 to a low 1.8 (CBS, 2018). As a result, an increase in real wages is expected for the coming years (CPB, 2017).

Figure 2 Job vacancies and the unemployment rate



Source: Eurostat/statistics netherlands (CBS), 2018

Inflation at a quite desirable level

Starting in early 2014, Dutch year-on-year inflation began to cool down, partly as a result of low oil prices. Halfway through 2016 it was at a historically low rate of 0.0%. By the end of 2016 and the beginning of 2017, however, the situation normalized and inflation reached a desirable level of 1.5% again. Thus, the Harmonized Index of Consumer Prices grew by 1.3% over 2017 (CBS, 2018). In 2018 and 2019, it is expected that the inflation rate will keep rising steadily but slowly, to 1.6% and 1.9% respectively. This is in line with European price developments. The average inflation rate in the Eurozone has been forecasted at 1.4% and 1.6% (Consensus Forecast, 2018); this corresponds with the ECB's aim for an inflation rate close to, but below, two percent.

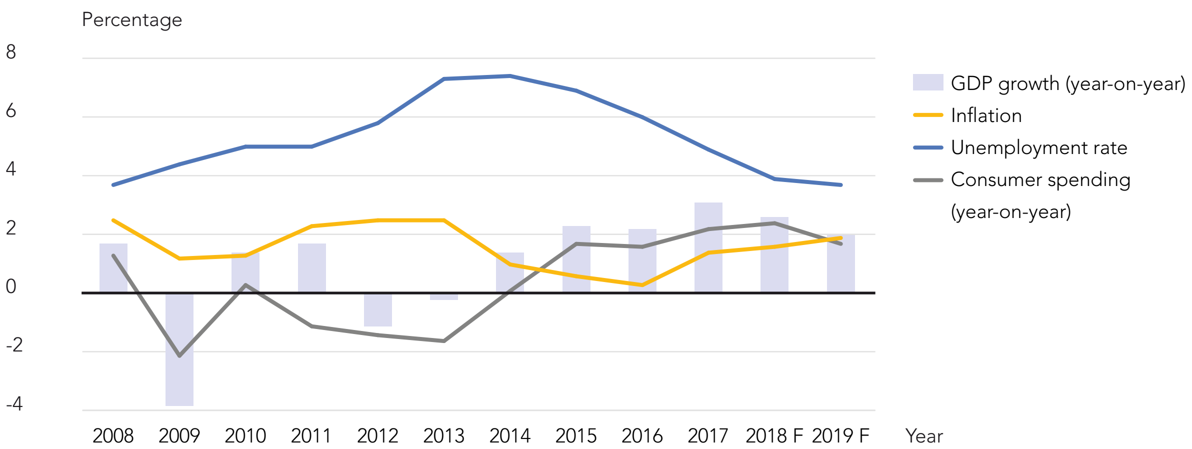
Consumers more positive last year

Consumer confidence is an important indicator for real estate markets and Dutch consumers were exceptionally optimistic in 2017. The confidence index gradually rose from -31 in 2013 to a record-high +24 in 2017. This is mainly explained by huge trust in the economic climate (+45), accompanied by consumers' willingness to buy (+12), which has also been rising (CBS, 2017).

Consumer spending shows positive figures in 2017

As a result of the upward trends in job opportunities, disposable income, and consumer confidence, household consumption increased faster than in the years before (+2.2%). Consumers were especially likely to spend more on durable goods (+7.3%), and spending on services increased by 2.1% (CBS, 2018). Thanks to more spending power, household consumption is expected to increase more strongly in 2018, at a pace of approximately 2.4% (CPB, 2017).

Figure 3 Economic key performance indicators for the Netherlands



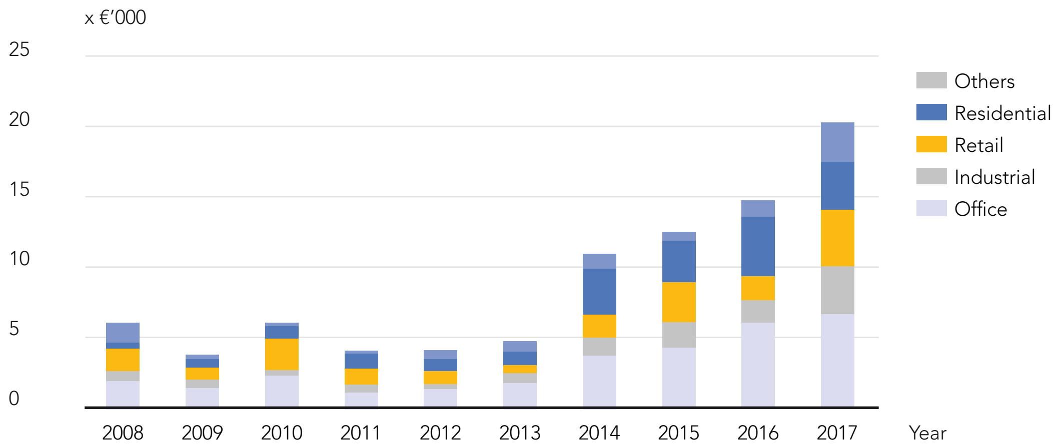
Source: Netherlands bureau for economics policy analysis (cpb)/consensus forecast, 2017/2018

The Dutch real estate investment market

The Dutch real estate investment market hits record highs

In addition to positive economic developments, the Dutch real estate investment market had a very good year. Once again, investment volume in 2017 achieved a record and amounted to more than € 20.3 billion. Investment volume was € 5.5 billion higher than a year earlier (Cushman & Wakefield, 2018). This substantial increase in volume (37%) appeared across all sectors. This growth was caused by good economic conditions in the Netherlands and worldwide and by the very wide availability of capital, which is largely driven by low interest rates. Dutch real estate could count on great interest from foreign investors: approximately 70% of all purchases in 2017 were made by foreign investors (CBRE, 2018). Dutch real estate is in demand because of the relatively high direct return and ample risk premium compared to (Dutch) government bonds.

Figure 4 The Dutch real estate investment market



Source: Cushman & Wakefield, 2018

High volume is again invested in residential real estate

Approximately € 3.4 billion (17%) was invested in residential real estate last year. While this volume is high, it would have been much higher had there been more investment product available on the market, as the demand of (institutional) investors is also higher than the product available. Volume was well above € 3.0 billion for the fourth year in a row. Prior to 2014, investment volume in the residential sector was always substantially less than € 1.5 billion. This means that the investment market has more than doubled. Relative to the stock of real estate, the Netherlands appeared to be the most popular destination for cross-border investors in Europe.

The Dutch residential market

The market rental growth continues

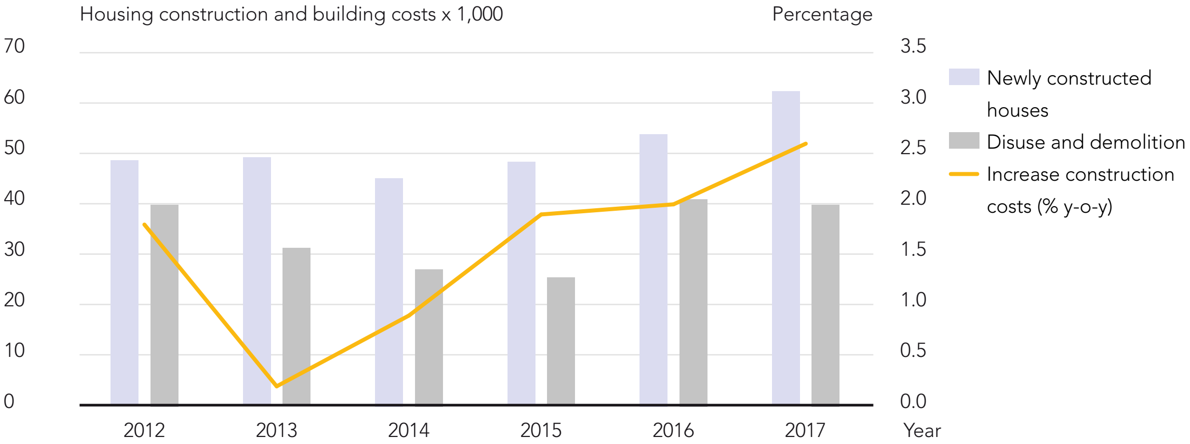
The open market rental value growth (OMRV) for residential buildings was again quite positive in 2017: 3.5% year-on-year (MSCI, 2017). This is 80 basis points higher than in 2016, and well above the inflation rate of 1.3%. When market rent is observed per dwelling type, growth was 3.6% for single-family houses and 3.5% for apartments. These two dwelling types are converging: in 2016, apartments' growth exceeded the single-family houses' growth rate by far (3.1% and 2.3% respectively). This can be seen as an indication of the increasing popularity of areas outside large cities or even outside the Randstad.

The regional rental housing shortage will continue

In 2017, approximately 70,000 building permits for residential buildings were released, which is an increase of 30% compared to the year before. The amount of residential building permits is nearing the pre-crisis level of 80,000 units on an yearly average (CBS, 2018). The acceleration of building activities in the residential sector are causing a relatively large increase of construction costs, which was 2.7% for the year 2017 and already 3.1% for January 2018 year-on-year (CBS, 2018). Rising employee costs are the main contributor, as a consequence of the severe shortage of construction workers. The increase of building material costs was high as well but relatively smaller (Troostwijk Research, 2017).

Despite the increase in buiding permits, the Dutch rental housing shortage is expected to continue in the years to come. The total number of households is growing at a stable pace and will continue to do so in the future. The number of newly-constructed houses is increasing, but will probably not be able to keep up with the high demand for new dwellings. Due to limited building space, high construction costs and a shortage of construction workers, it is expected that production volume will remain too low. This will be especially true in urban areas, which will result in a substantial shortage of both owner-occupier and rental houses. The agglomerations of Amsterdam and Utrecht face a substantial housing shortage, now and in the years to come. This will not be an issue in peripheral regions, where the population is declining.

Figure 5 Housing construction and building costs



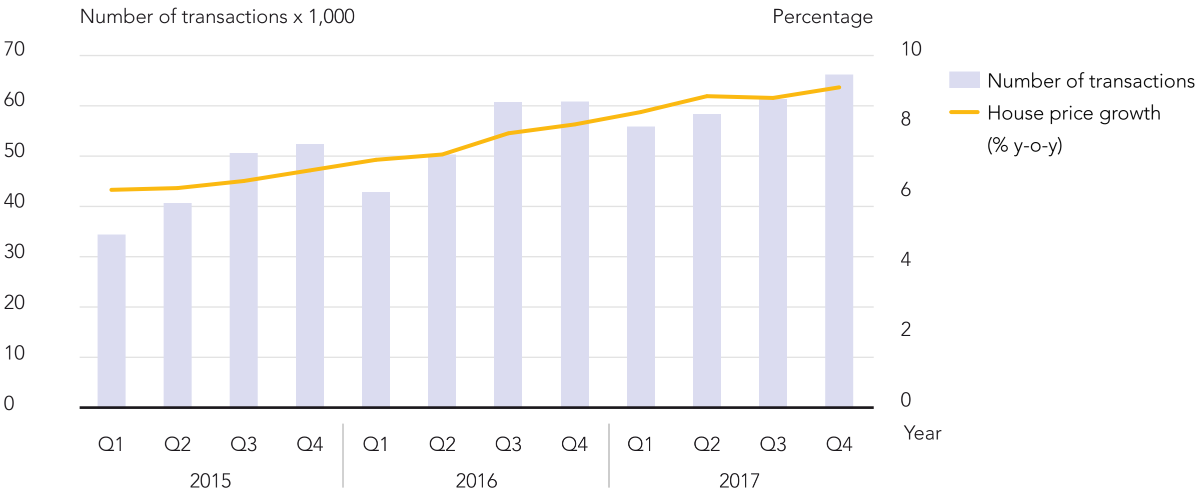
Source: CBS, 2018

Fierce competition in the residential owner-occupier market in 2017

The demand for owner-occupier houses peaked at a high level during 2017, mostly due to a well-functioning economy combined with historically very low interest rates. Therefore, the Dutch housing market improved strongly again in 2017. House prices increased by no less than 7.6% on average compared to 2016 (CBS, 2018), representing the largest price increase since 2006. In some regions, the market was overheated.
For instance, the average sale price in Amsterdam went up by 13.6%. In Utrecht, the increase was even higher at 15%. At the same time, prices in normally less attractive cities such as Almere (16.6%) went up dramatically as well. This is an indication that households moving from in-demand markets to areas in which the supply of houses is less tight. The average price of a property in 2017 was € 263,000.

The fact that the Netherlands is experiencing a tight owner-occupier market is also evident from a sharp increase in the number of transactions. The total number of transactions in the owner-occupier market in 2017 was 242,000, which is an increase of 13% compared to 2016. Transaction volume growth was 20% in 2016, so the limited supply of dwellings seems to have an effect on sales growth. The selling process also sped up to 52 days on average compared to 78 days in 2016. Apartments were even sold in a little over a month. The number of dwellings for sale dropped by approximately 34% in 2017: from 135,000 to 89,000 (Dynamis, 2018).

Figure 6 House price growth and transaction volumes



Source: CBS, 2018

Capital growth is by far the main contributor to the total return

The total return for the Dutch residential property market in 2017 was no less than 16.9% year-on-year. Capital growth contributed largely to this, at 12.% (MSCI, 2018). Capital growth for apartments was reasonably higher than for single-family housing (13.7% versus 10.9%). The main reason behind this is that a large share of the apartments is situated in areas in which house prices increased the most (such as the Randstad). The income return was higher for single-family units (4.1% versus 3.7% for apartments). Due to relatively large capital growth, the total income return was lower than the year before: 3.8%.

Increasing government attention to the housing market

The government made several adjustments to housing market regulations in 2017, including decreasing the maximum Loan-to-Value (LTV) ratio for mortgages over the past few years to the current level of 100%. This means that households have to possess some capital of their own in order to enter the owner-occupier market. This will cause younger potential buyers to stay in their parental home for a longer period of time, or increase their duration of renting a home. The government has indicated that the maximum LTV ratio will not be reduced further, as it is not desirable to narrow down the possibilities for starters. The share of starters in the owner-occupier market is already at an all-time low: 23% in Q4 2017 (Vastgoedmarkt, 2018).

Another measure influencing the owner-occupier market is the restricting of the mortgage interest deduction, and the new government has decided to speed up this process. The maximum interest deduction has been lowered by 0.5% per year since 2014. From 2019 onwards, this will be lowered by 3% per year until the new maximum boundary of 36.9% has been reached. This boundary has a current level of 50%.

In addition, the Hillen Law will be gradually suspended over the next thirty years. This will diminish the tax advantages for paying off a mortgage. For a few years now, households have been obligated to pay off their mortgage within thirty years. The government therefore decided that stimulating people to pay off their mortgages was no longer needed in the form of the Hillen Law. In short, owning a home will become more expensive in the upcoming decennia.

The rental market has received attention from policy makers as well, and the shortage of mid-priced rental housing is high on the agenda of many larger municipalities. The demand for these rental dwellings is high, due to increased difficulty in entering the owner-occupier market and the diminishing stock of social dwellings. However, the supply of mid-priced rental dwellings is too low, which hinders housing market fluidity. Local governments are therefore actively looking for market parties that want to invest in this type of housing. They are also trying to regulate the liberalized social sector more strictly. This is illustrated by an experiment in the city of Utrecht, in which several professions (such as school teachers and nurses) were prioritized in the assignment of social and liberalized rental dwellings. The rent increase for higher income households still living in social dwellings is also being maintained. In order to stimulate the new supply of mid-priced rental houses, several large municipalities (such as Amsterdam and Utrecht) are organizing cooperation meetings with market parties, such as real estate developers and investors. The goal of these meetings is to reach agreement on several policy measures and investment opportunities. Market parties want access to new building locations, while municipalities want to ensure that new houses are in the affordable rental price category (mostly between € 710 and € 950) for a long period (mostly between 15 and 25 years). Another important issue that most municipalities want to agree on, aside from price and period, is a maximum rent growth not far above inflation for newly-built rental houses. For example, Utrecht uses CPI + 1%, while Amsterdam applies CPI only. However, investors are generally not keen on accepting municipal measures because it is considered to be regulation of a liberal market.

Finally, sustainability continues to be of greater importance for the housing market. A difficult task lies ahead in transforming the energy source for houses from natural gas to full electricity. New houses are increasingly built without connection to natural gas, but transforming older dwellings is a long and expensive process.

Outlook: a positive year to come, but growth may slow down

Macro-economic prospects for the coming years are good: above-average GDP growth rates of 2.6% and 2.0% are forecast for 2018 and 2019. The unemployment rate, which is already low, will drop further, to a stable level below 4%. This low rate will cause a tight market for employees, which in turn will drive higher consumer purchasing power and more consumer spending. Inflation is predicted to rise slightly, to 1.6% in 2018 and 1.9% in 2019. This reflects the European trend: the ECB's aim is an inflation rate close to, but below, 2%.

Last year, the residential property market showed strong development in prices and transaction volume, even stronger than in 2016. The general expectation is that this growth will continue in 2018, but probably at a slower pace. The number of houses for sale is decreasing strongly, which may cause a decrease in transactions in the upcoming years as well. This will especially be the case in the tightest housing markets, such as the agglomerations of Amsterdam and Utrecht. The housing shortage will continue, reaching its peak of an estimated 235,000 units in 2020 (Capital Value & ABF Research, 2018). Mainly mid-priced rental units and owner-occupier units in larger cities and the Randstad area are scarce.

Due to the limited housing supply and the sharp initial yields in the most attractive areas of the Netherlands, investors are expected to shift their focus slightly to non-core areas. Interest rates are still very low, so the competition between investors for good products is likely to remain strong next year, resulting in continuing pressure on initial yields.

The government will continue to intervene in the housing market, and the shortage of mid-priced rental housing will be high on the agenda. Decreasing opportunities for starters in the housing market will also be a large concern. The larger cities will try to cooperate with market parties to increase the production of liberalized rental dwellings. Furthermore, a new national vision from the government (the NoVi) concerning the environment and building locations is expected to come at the end of 2018.

Fund objectives and strategy

The aim of the Fund is to create an attractive and sustainable return on investment for its participants by investing in high-quality residential assets and by managing and adding value to the existing diversified residential real estate portfolio. The Fund's investment objectives and strategy are described below. Please refer to the Fund's Three-Year Business Plan for an extensive report on its objectives and strategy.

Investment objectives

The Fund offers investors a long-term investment opportunity by providing access to a diversified and mature portfolio of core residential assets and forward acquisitions, all situated in the Netherlands.

The Fund's investment objectives are twofold:
1. Create an attractive return on the investors' investments by investing in, managing and adding value to the portfolio assets
2. Provide a stable income return with limited concentration of risk.

These investment objectives are further specified through five key objectives, which are stated below.

Five key objectives

1	2	3	4	5
Drive income growth across the portfolio	**Maintain and enhance the core quality of the portfolio**	**Obtain and retain an optimal size of the portfolio**	**Continue a succesful fundraising campaign & maintain the Fund's low leverage status**	**Enhance the portfolio's CSR targets**
• Focus on active asset management • Maintain tight cost control • Keep vacancy at a low level • Unlock reversionary rent potential • Look for opportunities to enhance assets and improve income profile	• Perform cost-efficient maintenance and renovation plans Focus on specific target tenant groups Put emphasis on mid-priced rental segments Continuously rejuvenate the portfolio	• Invest in properties with favourable location, asset and occupier characteristics` Grow the portfolio in order to lower risk through diversification and be able to employ economies of scale	• Dispose of non-core assets through individual unit sales to capitalize on the vacant possession value premium • Focus on acquisitions that match the portfolio criteria, while maintaining a low-leverage status that best matches the core character of the Fund	• Take Corporate Social Responsibility (CSR) issues into account in order to ensure an optimal return in the long term Actively develop and execute measures with respect to sustainability and corporate responsibility Set targets and monitor sustainability and customer satisfaction

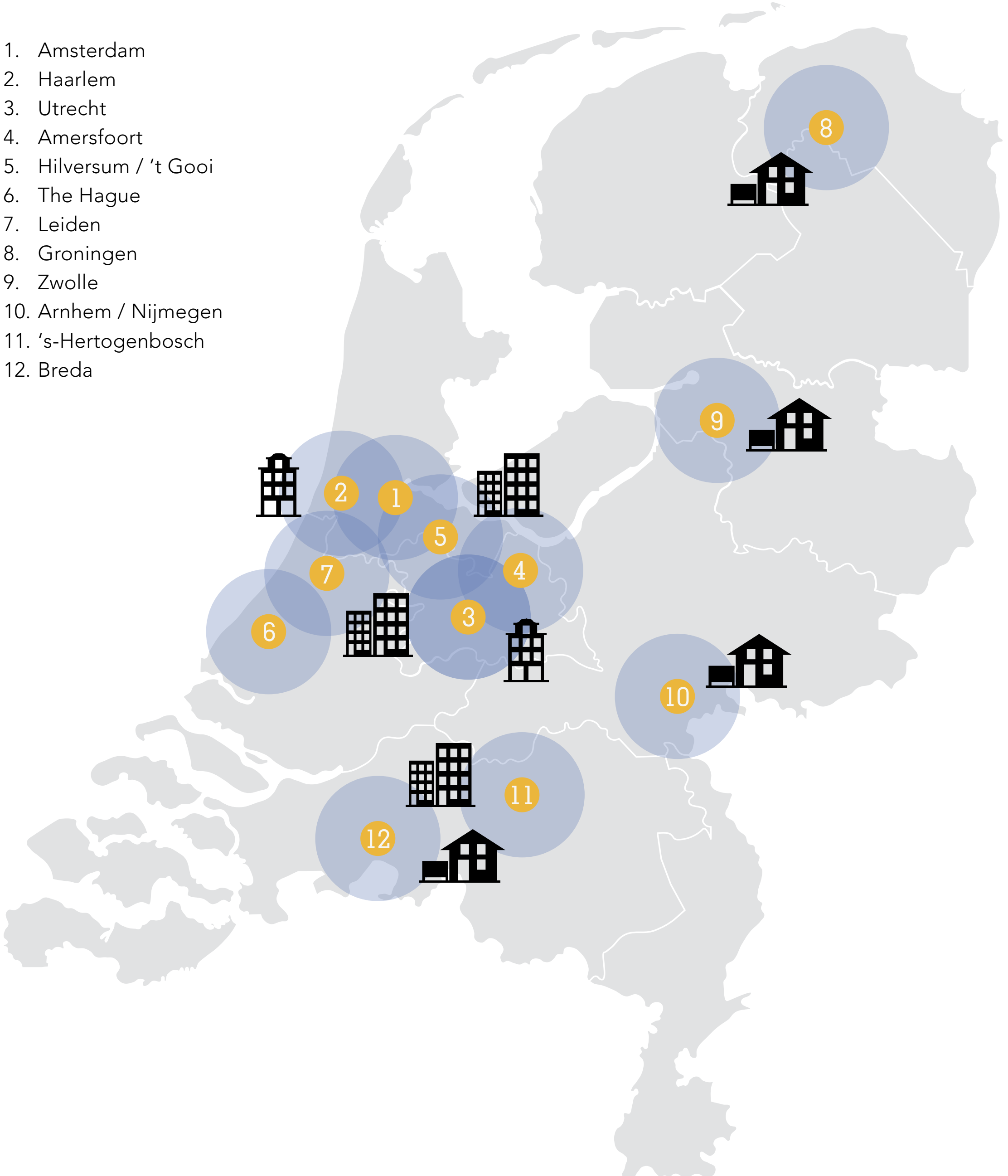
Fund strategy

The Fund's strategy is to invest in core, high-quality apartments and single-family houses in economically and demographically strong locations in the Netherlands and to enhance the core quality of the portfolio.

Based on its long-term background, knowledge of the Dutch residential market and the expertise of its research department, a.s.r. real estate has identified a strategy which focuses on the best-performing cities and agglomerations in the Netherlands. Concentrating on investment opportunities in the identified segments will provide the strongest return due to strong demand. Indicators, such as population growth, employment opportunities, stock development, vacancy rates and house price volatility have been taken into account in this analysis.

Figure 7 Focus areas

1. Amsterdam
2. Haarlem
3. Utrecht
4. Amersfoort
5. Hilversum / 't Gooi
6. The Hague
7. Leiden
8. Groningen
9. Zwolle
10. Arnhem / Nijmegen
11. 's-Hertogenbosch
12. Breda



Source: CBS, 2018

The Fund focuses on the mid-priced segment in the non-regulated rental sector. This segment is defined as rents between € 710 and € 1,000. In specific locations, such as Amsterdam, rents up to € 1,500 are considered mid-priced.

The Fund has identified nine segments within the Dutch residential market that are interesting for investment, focusing on specific location and target group combinations. The Fund is confident that this strategy meets the criteria of fast urban living (all target groups) and easy suburban living (families and empty nesters) and provides the most favourable risk/return profile. The Fund invests in both apartments and single-family houses. At least 20 of the portfolio is targeted to be invested in single- family houses and at least 50% in apartments.

	Young professionals	Families	Empty nesters
Fast urban living (large cities and metro politan areas with more than 100,000 inhabitants)	1	2	3
Easy suburban living (suburban residential areas and medium-sized cities with 25,000 to 100,000 inhabitants)		4	5
Quiet village living (villages and small towns with less than 50,000 inhabitants)			

Primary focus segment

Secondary focus segment

Investment restrictions

- No real estate development activities are to be undertaken. Refurbishments of portfolio assets are permitted, provided that the activities do not qualify as development activities for Dutch tax purposes
- No more than 20% of the NAV of the Fund is to be invested in one single asset
- No asset is to be invested in if the stake does not allow the Fund to exercise control over the asset
- No investments are to be made in any other fund managed by the AIF Manager or its affiliates that results in investors paying duplicative asset-based investment management fees or performance- based fees
- No investments are to be made in unregistered collective investment vehicles managed by any other person or entity that results in investors being subject to asset-based fees, performance-based distributions or allocations at a rate greater than the asset-based fee payable to the Management Company
- No investments are to be made outside the Netherlands

Schuytgraaf, Arnhem

Financial Performance

Year-to-date result 2017

The net result of the Fund in 2017 amounted to € 150.8m (2016: € 127.2m), which corresponds to a net result of € 131 per unit (2016: € 121) and resulted in a distributable result of € 32 per unit (2016: € 37). The total return for 2017 was 14.4% (2016: 14.5%), which is composed of an income return of 3.5% (2016: 4.6%) and capital growth of 10.9% (2016: 9.9%). The decrease of income return for 2017, compared to 2016, is mainly explained by strong capital growth figures, an increased share of assets under construction and a decreased result on (individual unit) sales. Although the Fund's net result per unit and total return for 2017 were in line with the 2016 figures, net result and return are substantially higher, compared to the first three years since inception (2013-2015). This is mainly the result of relatively strong capital growth figures in 2016 and 2017.

The net result is shown in the following figure.

Figure 7 Net result as at 31 December 2017

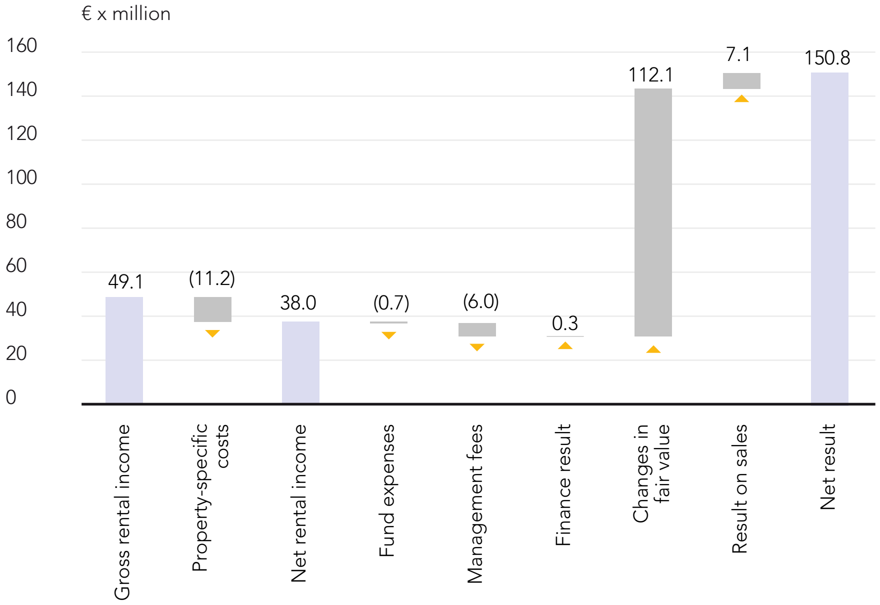


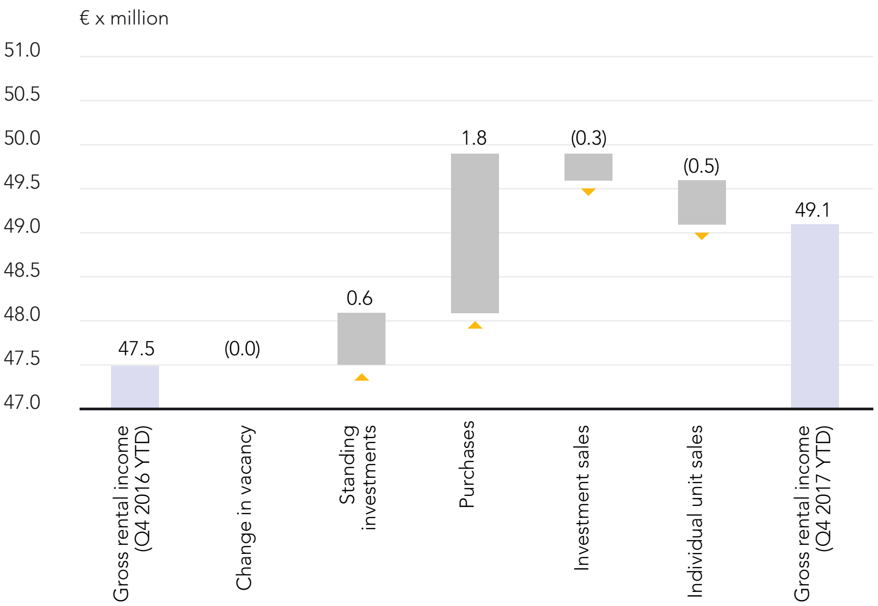
Table 1 Net result per unit

For the year	2017	2016	2015	2014	2013
Gross rental income	42.81	45.11	45.37	42.17	48.00
Property-specific costs	(9.73)	(11.09)	(13.83)	(12.07)	(12.81)
Fund expenses	(0.64)	(0.67)	(0.61)	(0.76)	(1.22)
Management fees	(5.21)	(4.73)	(4.28)	(4.13)	(4.60)
Operating result per unit	**27.23**	**28.62**	**26.65**	**25.21**	**29.38**
Finance result	0.30	(0.12)	(0.05)	(0.09)	0.01
Changes in fair value of investment properties	97.64	83.84	62.15	1.37	(78.45)
Result on sales of investment properties	0.94	-	-	(0.10)	0.59
Result on individual unit sales	5.21	8.46	6.69	4.28	-
Net result per unit	**131.32**	**120.80**	**95.44**	**30.67**	**(48.47)**

Gross rental income

Gross rental income amounted to € 49.1m in 2017, which is an increase of 3.4% compared to 2016 (€ 47.5m). This increase is the result of the additions of (forward) acquisitions and (annual) rent increases. The gross rental income growth was mitigated by sales. Financial vacancy amounted to -/- € 1.2m or 2.4% in 2017 (2016: -/- € 1.1m or 2.3%).

Figure 8 Changes in gross rental income



Property-specific costs

Property-specific costs amounted to € 11.2m in 2017, which corresponds to 22.7% of gross rental income. This is a decrease compared to 2016 (€ 11.7m or 24.6%). When corrected for the provision of the onerous contract of forward acquisition Molenstraat in Monster, which is explained in the paragraph below, property specific costs amounted to € 11.7m in 2017 (2016: € 11.2m), which corresponds to 23.8% of gross rental income (2016: 23.5%).

The Hoogvliet portfolio was added to the portfolio in the second quarter of 2016, except for one property (Molenstraat in Monster) which was added to the portfolio in the second quarter of 2017. This property was added at a later stage because the division in apartments rights needed to be completed before transfer. In order to offer an incentive to the seller to transfer Molenstraat in Monster, the sale price was agreed to exceed fair value and a fine was applied in the case that the transfer was not realized. In order to offset this difference, the Hoogvliet portfolio (except Molenstraat in Monster) was added to the portfolio at a price below fair value (equal difference) and showed a positive revaluation in the second quarter of 2016. As Molenstraat in Monster would be transferred at a price higher than fair value, a provision for an onerous contract (ad € 517k) was included in the property-specific costs as at 30 June 2016. The provision of an onerous contract was added to the distributable result, as it concerns a non-cash item. The provision was released with the transfer of property Molenstraat in the second quarter of 2017. The distributable result was therefore corrected.

Maintenance costs took up the largest share of property-specific costs (€ 5.5m or 11.2% of gross rental income) and are in line with 2016 (€ 5.2m or 11.0%) and the budget. Marketing costs (which includes broker's fees) amounted to € 0.7m in 2017 (2016: € 0.7m).

Property management fees increased slightly to € 2.0m in 2017 (2016: € 1.9m), as a result of the increase in gross rental income in 2017. The property management fee, including VAT, is set at 4.0% of gross rental income.

Fund expenses

Fund expenses amounted to € 738k or 1.5% of gross rental income in 2017 (2016: € 709k or 1.5%) and are in line with expectations. The major categories within fund expenses concern valuation fees paid to external appraisers (€ 407k), depositary fees (€ 106k) and audit fees (€ 94k).

Management fees
Management fees, which amounted to € 6.0m in 2017 (2016: € 5.0m), relate to the asset (€ 5.5m) and fund management fee (€ 0.5m), calculated as 0.50% and 0.05% of net asset value respectively. The increase in management fees results from the increase in the Fund's average net asset value for 2017, compared to 2016.

Finance income and costs
Finance result amounted to € 349k in 2017 (2016: -/- € 124k). This increase was caused by higher interest income of € 652k compared to 2016 (€ 115k). Interest income relates to interest received on term payments of forward acquisitions. Interest costs relate to the commitment fee for the credit facility and interest on the drawn amount of this facility. Interest costs increased to -/- € 303k compared to 2016 (-/- € 239k). This increase is the result of negative interest paid for cash held in the bank account. Interest rates for cash held in the bank account turned negative during the course of 2016.

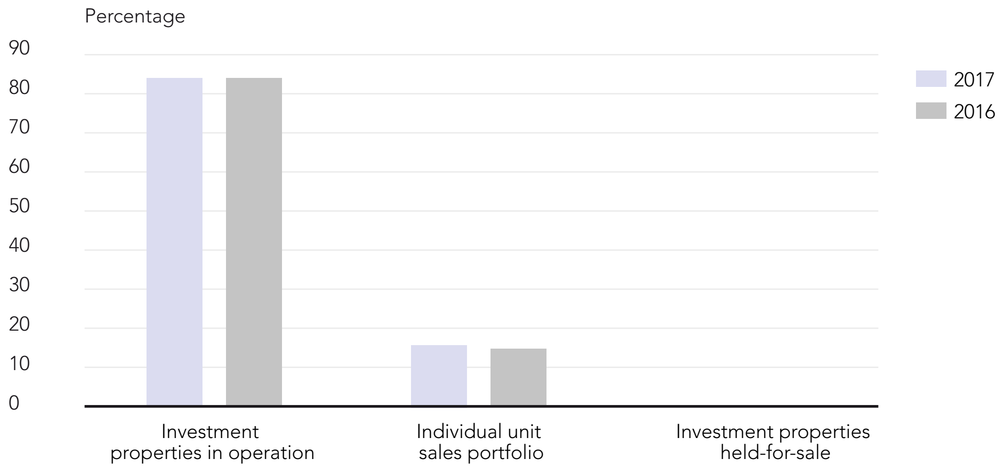
Portfolio Performance

Portfolio overview
The Fund's portfolio consisted of 106 properties, as at 31 December 2017, comprising 4,805 residential units and 1,752 parking spaces. Approximately 60% of the portfolio's residential units concerns apartments.

The majority of the portfolio concerns investment properties in operation (84%) and properties designated for individual unit sales (16%). The share of investment properties in operation as at 31 December 2017 was unchanged compared to 2016. This is the result of forward acquisitions being added to the portfolio and individual unit being sold throughout 2016, while three properties were newly designated for individual unit sales in 2017.

Assets earmarked as individual unit sales will be sold to individuals in the owner-occupied market at tenant turnover. Held-for-sale investment properties, which are individual units and properties that were sold in 2017, but will be transferred from the Fund in 2018, are limited in number. Aside from the investment portfolio, the Fund has fourteen forward acquisitions (off-balance sheet) with a total commitment amounting to € 258.3m, as at 31 December 2017.

Figure 9 Investment status as percentage of fair value as at 31 December 2017



The portfolio's ten largest properties account for 38.9% of the total portfolio's fair value, as at 31 December 2017. This is a decrease compared to the previous year (41.1%) as a result of new additions, revaluations and the individual unit sales strategy. The composition of the top ten overview is largely unchanged, as all properties in the current top ten overview were also in the overview as at 31 December 2016. Only the order has slightly changed.

Table 2 Overview of the ten largest properties as at 31 December 2017

Property	City	Region	Percentage of total portfolio's fair value
Wicherskwartier	Amsterdam	Amsterdam	5.5%
Staalmeesterslaan	Amsterdam	Amsterdam	4.6%
Europapoort	Amsterdam	Amsterdam	4.3%
Nachtwachtlaan	Amsterdam	Amsterdam	4.2%
Zuidkwartier	Amsterdam	Amsterdam	3.9%
Terwijde-centrum	Utrecht	Utrecht	3.9%
Lamérislaan	Utrecht	Utrecht	3.6%
Dotterbloemstraat	Nieuwegein	Utrecht	3.3%
Vathorst 1	Amersfoort	Amersfoort	3.1%
RiMiNi	Amstelveen	Amsterdam	2.5%
Total			**38.9%**

The portfolio is spread across different value classes as shown in the table below. Changes in the composition of this overview are the result of revaluations, individual unit sales and the completion of a number of forward acquisitions in 2017.

Table 3 Average property value as at 31 December 2017

	2017		2016	
Fair value	Properties	% of fair value	Properties	% of fair value
< € 1m	10	0.5%	11	0.7%
€ 1m - € 5m	36	9.7%	39	11.9%
€ 5m - € 10m	29	19.0%	25	18.6%
€ 10m - € 15m	9	10.1%	11	14.2%
€ 15m - € 20m	9	13.8%	5	8.9%
> € 20m	13	46.9%	12	45.7%

Vacancy

The overall portfolio vacancy rate amounted to 1.9% of theoretical rental income as at 31 December 2017, which is a decrease, compared to 31 December 2016 (2.2%).

Residential units in the portfolio were characterized by an average vacancy rate of 1.7% and represent 87% of the portfolio's total vacancies, as at 31 December 2017. The remaining total portfolio vacancies are mainly attributed to parking. Three out of ten properties within the overview of the top ten vacancy are currently (or were recently) under renovation. Two out of ten properties with the largest vacancy were intently left partially vacant as these units are offered for sale in the owner-occupied market, as part of the portfolio's active individual unit sales strategy.

Table 4 Overview of the top ten vacancy as at 31 December 2017

Property	City	Region	Investment type	Vacancy (€ '000)	Vacancy rate (%)	Vacancy as percentage of total portfolio vacancy	Vacancy type
Staalmeesterslaan	Amsterdam	Amsterdam	Residential	106	5.6%	10.7%	Renovation
Lamérislaan	Utrecht	Utrecht	Residential	101	4.9%	10.1%	Renovation
Dotterbloemstraat	Nieuwegein	Utrecht	Residential	58	3.3%	5.8%	Individual unit sales
Bonifaciuslaan 1	Hilversum	Hilversum	Residential	55	4.7%	5.5%	Renovation
Van Randwijkstraat	Leiden	Leiden	Parking	47	3.7%	4.7%	Operational
Zuidkwartier	Amsterdam	Amsterdam	Residential	39	2.2%	4.0%	Operational
RiMiNi	Amstelveen	Amsterdam	Residential	37	2.8%	3.7%	Operational
Nachtwachtlaan	Amsterdam	Amsterdam	Residential	37	2.1%	3.7%	Individual unit sales
Kramsvogel-Spreeuwlaan	Bilthoven	Utrecht	Residential	35	3.1%	3.5%	Operational
Terwijde-centrum	Utrecht	Utrecht	Residential	32	1.5%	3.2%	Operational
Total				**547**		**54.9%**	

Gouwe Zicht, Waddinxveen

Portfolio additions and sales

Additions

A total of six properties were transferred to the Fund in 2017. All additions are discussed in more detail in the table and text below.

Table 5 Additions in 2017

Property	City	Region	Number of single-family houses	Number of apartments	Number of parking spaces
Malburgen	Arnhem	Arnhem	36		
Molenstraat	Monster	Other		22	
Dotterbloemstraat	Nieuwegein	Utrecht	1		
Van Reeshof	Nieuwegein	Utrecht		40	
Milestones	Utrecht	Utrecht	21	49	66
Gouwe Zicht	Waddinxveen	Other		25	
Total additions			**58**	**136**	**66**

Malburgen in Arnhem

This acquisition concerns the development of 36 single-family houses situated within existing residential area Malburgen, in the southeast of Arnhem. The development is located in a child-friendly neighbourhood. A shopping centre for daily amenities is located within walking distance and the area is easily accessible by car and public transport. The residential units have monthly rents of around € 790, which fits the portfolio strategy. The property was completed in the third quarter of 2017.

Molenstraat in Monster

This acquisition is part of the Hoogvliet portfolio. Molenstraat in Monster and was added to the portfolio at a later stage, as the division in apartment rights needed to be completed before transfer

Dotterbloemstraat in Nieuwegein

This addition concerns the acquisition of one single-family house from a private owner in order to facilitate part of the refurbishment and sustainability upgrade of property Dotterbloemstraat in Nieuwegein.

Van Reeshof in Nieuwegein

This property is located in an existing residential area on the site of a former primary school on Van Reeslaan. The project, which consists of 40 apartments, is located within walking distance to City Plaza shopping centre and is easily accessible by public transport. Nearby facilities make the property appealing to a wide target group. In view of the ageing population, the municipality of Nieuwegein welcomed this redevelopment and it is expected that Van Reeshof will be popular with the elderly. With an average rent price of € 825, these apartments match the portfolio strategy well. The property was completed during the third quarter of 2017.

Milestones in Utrecht

The Fund acquired 70 residential units near Terwijde shopping centre in Utrecht, consisting of 49 apartments and 21 single-family houses. The 21 single-family houses were transferred to the Fund in the third quarter of 2017 and the apartments were transferred in the fourth quarter of 2017. Milestones is part of Terwijde in Leidsche Rijn Utrecht residential area, which is easily accessible by car and public transport facilities. Terwijde is a very popular residential area due to its many facilities (shops, restaurants, doctor, dentist, etc.). With an average monthly rent of € 1,050 for 127 sq.m. single-family houses and € 785 for 65 sq.m. apartments, the units are suitable for a broad target group.

Gouwe Zicht in Waddinxveen

The new Waddinxveen city centre was constructed in 2014. The centre comprises 60 shops, 260 residential units and 1,200 parking spaces in an underground car park. Within this plan, a total of 25 apartments were purchased by the Fund. The apartments range in size from 81 sq.m. to 104 sq.m. and monthly rents range from € 890 to € 1,035.

Sales

Total proceeds from sales amounted to € 34.2m in 2017, which was 26% above the fair value of € 27.2m.

A major part of the sales program in 2017 concerned the sale of property De Waag in Dordrecht. Property and market specifics moderately matched the portfolio strategy and the property will face high budgeted costs with regard to maintenance and investment during the next few years. Proceeds from sales amounted to € 8.3m, which was 15% above the fair value of € 7.2m.

In addition to investment sales, the Fund utilizes an active individual unit sales strategy in order to offer additional return to investors. Approximately 16% of the portfolio is currently earmarked as individual unit sales, which means that when tenants vacate a residential unit, it will be sold to individuals in the owner-occupied market. As part of this individual unit sales strategy, 89 residential units and 33 parking spaces were transferred from the Fund in 2017. Proceeds from sales amounted to € 26.0m, which was 30% above the fair value of € 20.0m.

Table 6 Sales in 2017

Property	City	Proceed of sales	Fair value (€ '000)	Result on sales (€ '000)	Investment/ indivual unit sale	Number of single-family houses	Number of apartments	Number of parking spaces	Commercial space (sq.m.)
De Waag	Dordrecht	8,250	7,190	1,060	Investment		72	3	105
Total investment sales		**8,250**	**7,190**	**1,060**		**-**	**72**	**3**	**105**
Europapoort	Amsterdam	5,882	4,597	1,285	Individual		13		
Nachtwachtlaan	Amsterdam	11,306	8,413	2,893	Individual		33	33	
Benctincklaan	Barneveld	200	162	38	Individual	1			
Pottenbakkerstraat	Breda	193	137	56	Individual	1			
Frankendaal	Eindhoven	642	457	185	Individual	3			
Zilvermeeuw-hoog	Etten-Leur	723	532	191	Individual	4			
Zilvermeeuw-laag	Etten-Leur	542	424	118	Individual	3			
Ereprijsweg	Haren Gn	983	745	239	Individual	5			
Dinkel	Heerhugowaard	151	128	23	Individual	1			
Claverenbladstraat	Leusden	482	368	114	Individual	2			
Korenmolenweg	Lochem	218	157	61	Individual	1			
Dotterbloemstraat	Nieuwegein	747	583	164	Individual	3			
Beukensingel	Raalte	327	279	48	Individual	2			
De Havezathe	Raalte	186	150	36	Individual	1			
Paasweide	Steenwijk	880	800	80	Individual	5			
Oudwijk	Utrecht	576	560	16	Individual	1			
Kompas	Wijk Bij Duurstede	383	303	80	Individual	2			
Voorsteven	Wijk Bij Duurstede	951	755	196	Individual	5			
Nijenheim	Zeist	472	326	145	Individual	2			
Zonegge	Zevenaar	143	119	24	Individual	1			
Total individual unit sales		**25,987**	**19,995**	**5,992**		**43**	**46**	**33**	**-**
Total sales 2017		**34,237**	**27,185**	**7,052**		**43**	**118**	**36**	**105**

Forward acquisitions (off-balance sheet)

The Fund has fourteen forward acquisitions (off-balance sheet) with a total commitment amounting to € 258.3m, as at 31 December 2017. Of this total commitment, € 88m concerns properties under construction (settled term payments), as at 31 December 2017. All current forward acquisitions are discussed in more detail in the table and text below.

Table 7 Forward acquisitions (off-balance sheet) as at 31 December 2017

Property	City	Region	Type	Expected year of completion	Number of single-family houses	Number of apartments	Number of parking spaces	Commercial space (sq.m.)	Commitment (€ '000)	Under construction (€ '000)
Vathorst Centrum (blok 12)	Amersfoort	Amersfoort	Turnkey project	2018	5	16			3,600	2,524
Wibautstraat	Amsterdam	Amsterdam	Turnkey project	2018		162	68		54,500	52,684
Marie Louise	Ede	Other	Turnkey project	2018		32	34		6,600	5,487
Ebbingekwartier	Groningen	Groningen	Turnkey project	2018	21				5,300	1,872
Nieuw Mariënpark	Leidschendam	The Hague	Turnkey project	2018		36	36		8,700	6,137
Bergkwartier	Zeewolde	Other	Turnkey project	2018	22				4,400	2,221
The Beacons	Amsterdam	Amsterdam	Turnkey project	2019		41	31		14,100	6,653
Rijndijk	Hazerswoude-Rijndijk	Other	Turnkey project	2019	18				3,600	
Hagendonk	Prinsenbeek	Breda	Turnkey project	2019		25	30		5,000	
Kop Watergraafmeer	Diemen	Amsterdam	Turnkey project	2020		66	62		17,600	
Coolsingel	Rotterdam	Other	Turnkey project	2020		56	34		17,600	
De Hoge Regentesse	The Hague	The Hague	Turnkey project	2020		128	102	292	24,700	
Cruquiuswerf	Amsterdam	Amsterdam	Turnkey project	2021		122	79	160	35,100	
Bijlmerbajes	Amsterdam	Amsterdam	Turnkey project	2022		160	96		57,500	
Change in fair value of forward acquisitions (off-balance sheet)										10,440
Total					**66**	**844**	**572**	**452**	**258,300**	**88,018**

Vathorst Centrum (blok 12) in Amersfoort

Residential district Vathorst is an important designated growth area in the Amersfoort region, with a target population of 30,000 residents. The existing Vathorst shopping centre, where the Fund has already invested in 166 apartments, is planned to be extended by another 16 apartments, 5 single-family houses and retail space. The retail space will not be added to the Fund. Monthly rental prices range from approximately € 800 to € 1,200. Completion is planned for 2018.

Wibautstraat in Amsterdam

Forward acquisition Wibautstraat concerns the transformation of the former Hogeschool van Amsterdam building. The Wibautstraat is a central axis to and from the city centre of Amsterdam and can be quickly and easily accessed from the A10 ring road. The popularity of this area has been growing steadily in recent years. The location is easily accessible by public transport and just a few minutes away (by metro) from the Amsterdam central train station. An Albert Heijn supermarket (not part of the forward acquisition) is and will continue to be situated on the ground floor. The former school building will be transformed into an apartment building containing 162 apartments, 68 parking spaces, 121 storage rooms and a communal bicycle storage facility. The apartments will have energy label A and monthly rental prices range from approximately € 900 to € 1,700. This project is expected to be completed in 2018.

Marie Louise in Ede

Project Marie Louise is located near the city centre of Ede. This project is comprised of 32 apartments, 34 parking places and a communal bicycle storage facility in the underlying parking garage. The realization of Marie Louise is the last phase of a proposed plan with a total of three phases. The other two phases, which have already been realized, are single-family houses and apartments for a younger demographic target group. Average monthly rents are € 975 and completion is planned for 2018.

Ebbingekwartier, Groningen

This project concerns 21 single-family houses near the city centre of Groningen. A combination of central location and housing typology makes this a unique project. Part of the development is the realization of an underground parking garage with 1,200 parking spaces, intended for the development of approximately 1,000 houses. The units range from 85 to 135 sq.m. with rents ranging from € 950 to € 1,275 per month. Completion is planned for 2018.

Nieuw Mariënpark in Leidschendam

Project Nieuw Mariënpark in Leidschendam is an integral part of a larger development comprised of housing and healthcare. A total of 36 apartments and 36 parking spaces will be added to the portfolio. Nieuw Mariënpark is situated between the Leidschenhage shopping centre and the Leidschendam city centre. The target group for the high-quality apartments are affluent one- and two-person households, which are well-represented in Leidschendam. With an average rent of around € 1,100 per month, this project is positioned in an above-average rental range. However, given the demographics in Leidschendam, it is considered to be well-marketable and a positive addition to the Fund. The project is expected to be completed in 2018.

Bergkwartier in Zeewolde

This project concerns the acquisition of 22 single-family houses. Bergkwartier is a newly built suburb of Zeewolde, with owner-occupied and rental houses. The houses are situated on spacious plots. With an average rent of € 885 per month, the houses are accessible for a large and diverse target group. Completion is planned for 2018.

The Beacons in Amsterdam

The Beacons consists of 41 high-quality apartments in Amsterdam Zeeburgereiland. This location in the northeast of Amsterdam has grown extensively in popularity in the last few years. The project consists of two towers with 63 owner-occupied apartments (not acquired by the Fund) and 41 rental apartments with spacious balconies serving as a main feature. The location is easily accessible by public transport and road. A total of 31 parking spaces in the underground communal parking garage were also acquired by the Fund. Average rent (excluding parking) is € 1,380 per month. Completion is planned for 2019.

Rijndijk in Hazerswoude-Rijndijk

In combination with the acquisition of project Cruquiuswerf in Amsterdam, the Fund acquired project Rijndijk, which is a small-scale project with a total of 18 single-family houses located near the centre of Hazerswoude-Rijndijk. With monthly rents between € 890 and € 925, these single-family houses match the portfolio strategy and have a positive effect on portfolio diversification. Completion is planned for 2019.

Hagendonk in Prinsenbeek

The Fund acquired 25 apartments in Prinsenbeek, near Breda, which is part of a larger development of 45 (social) housing apartments and 8 single-family houses. The acquired apartments range from 77 sq.m. to 92 sq.m. with monthly rents ranging from € 825 to € 925. Completion is planned for 2019.

Kop Watergraafsmeer in Diemen

This project in Diemen consist of 66 apartments and 62 parking spaces. The Amsterdam city centre is easily accessible in 25 minutes by public transport or bicycle. Diemen's popularity has increased strongly, in part due to the pressure on Amsterdam's residential market. Part of the property (26 apartments) concerns 'Friends apartments', which allow friends to rent one apartment together. These apartments comprise one living room and kitchen, with double bedrooms and bathrooms. They range in size from 65 sq.m. to 78 sq.m and rents range from € 1,054 to € 1,164 per month (excluding parking). The other 40 apartments, which are mainly 3-room apartments, range in size from 50 sq.m. to 98 sq.m. and rents range from € 835 to € 1,265 per month (excluding parking). Completion is planned for 2020.

Coolsingel in Rotterdam

This project is located in Rotterdam's city centre, between Hofplein and Beursplein, just across from city hall. Its central location means that (public) amenities, shops, offices, bars and restaurants are located within close proximity. A total of 111 apartments and 82 parking spaces will be realized. The Fund acquired 56 apartments with an average size of 94 sq.m. and an average monthly rent of € 1,260, as well as 34 parking spaces. Completion is planned for 2020.

De Hoge Regentesse in The Hague
De Hoge Regentesse is situated to the south of The Hague's the city centre. The area feels like a city centre location, due to dynamic streams of pedestrians and traffic and is easily accessible by public transport. The residential tower is comprised of 23 floors with 128 comfortable apartments, ranging from 70 sq.m. to 93 sq.m, with 102 parking spaces and 292 sq.m. of commercial space. Monthly rents will range from € 775 to € 975 per month. Part of this development is the realization of 1,500 sq.m. of commercial space, which will not be acquired by the Fund. Completion is planned for 2020.

Cruquiuswerf in Amsterdam
This project is located in the north-east of Amsterdam. The Cruquiuswerf area is undergoing a transition from a predominantly industrial area to a residential area. Several plans are currently being developed in this area, mainly concerning residential developments for the rental and owner-occupied market. This acquisition consists of 122 apartments, 79 parking spaces and 160 sq.m. of commercial space. Monthly rental prices range from approximately € 880 to € 1,300. This project is expected to be completed in 2021.

Bijlmerbajes in Amsterdam
Amsterdam's former prison, known as the Bijlmerbajes, will be redeveloped into a renewed residential district of Amsterdam. The total project consist of approximately 1,350 residential units in total (owner-occupied and rental units), a hotel, an international school and leisure facilities. The Fund acquired 160 residential units and 96 parking places. The majority of the Fund's acquired apartments (85%) range in size from 50 to 70 sq.m. with monthly rental prices ranging from € 1,325 to € 1,500.. The remaining 15% of the apartments range in size from 80 to 95 sq.m. with rental prices up to € 1,900 per month. Completion is planned for 2022.

Investments

The Fund has two investments, which are Staalmeesterslaan in Amsterdam and Lamérislaan in Utrecht, with a total commitment amounting to € 17.4m, as at 31 December 2017. These investments are discussed in more detail in the table below.

The investment in property Dotterbloemstaat in Nieuwegein was completed successfully in the third quarter of 2017. A total of 104 single-family houses were refurbished (insulation, ventilation and brickwork upgrades, roof tiles and gutter replacement and the application of solar panels), with average energy labels improving from label D/E to A.

The investment in property Bonifaciuslaan in Hilversum was completed successfully in the fourth quarter of 2017. A total of 250 apartments were renovated (significant insulation and installations upgrades, a refurbishment of the entrance and the lifts and the application of solar panels), with average energy labels improving from label F to A.

Table 8 Investments as at 31 December 2017

Property	City	Region	Expected year of completion	Number of residential houses	Commitment (€ '000)	Under construction (€ '000)	Description
Staalmeesterslaan	Amsterdam	Amsterdam	2018	180	9,900	7,698	Refurbishment and energy label upgrade (from F to A)
Lamérislaan	Utrecht	Utrecht	2018	216	7,450	4,662	Refurbishment and energy label upgrade (from F/G to A)
Total				**396**	**17,350**	**12,360**	

Portfolio analysis

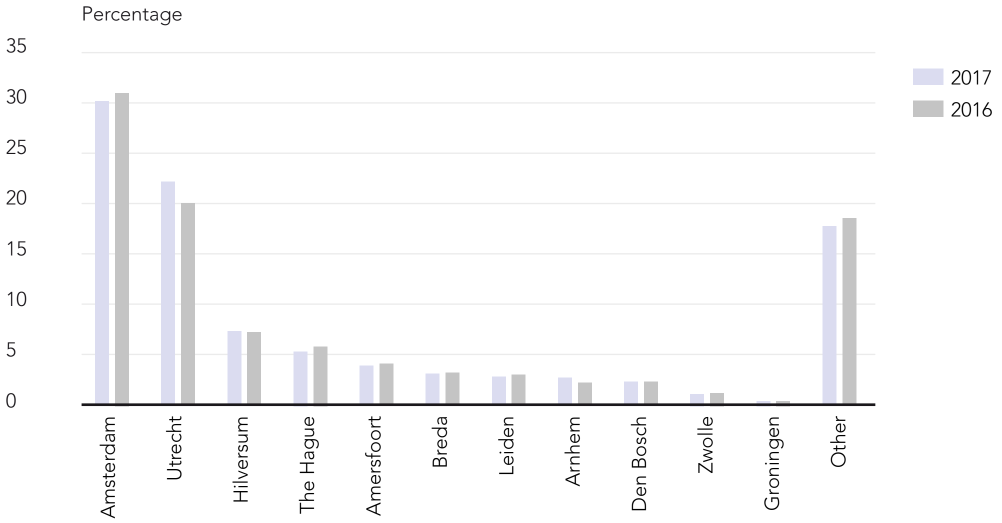
Regional focus

Amsterdam and Utrecht are the most dominant regions in the portfolio, accounting for more than half of the portfolio's total fair value. This is also reflected in the overview of the ten largest assets, with only property Vathorst 1 in Amersfoort being located outside the Amsterdam and Utrecht regions.

In addition to Amsterdam and Utrecht, the portfolio is well-represented in the Randstad area and other demographically and economically strong regions, such as Hilversum, Amersfoort and The Hague. The portfolio strategy actively targets these residential markets with an above-average market outlook.

Allocation to the Utrecht region showed a relatively strong increase, due to the addition of properties Van Reeshof in Nieuwegein and Milestones in Utrecht to the portfolio in 2017. Allocation to Amsterdam and Other regions showed a mild decrease in 2017, as a result of individual unit sales and the investment sale of property De Waag in Dordrecht.

Figure 10 Geographical spread as at 31 December 2017



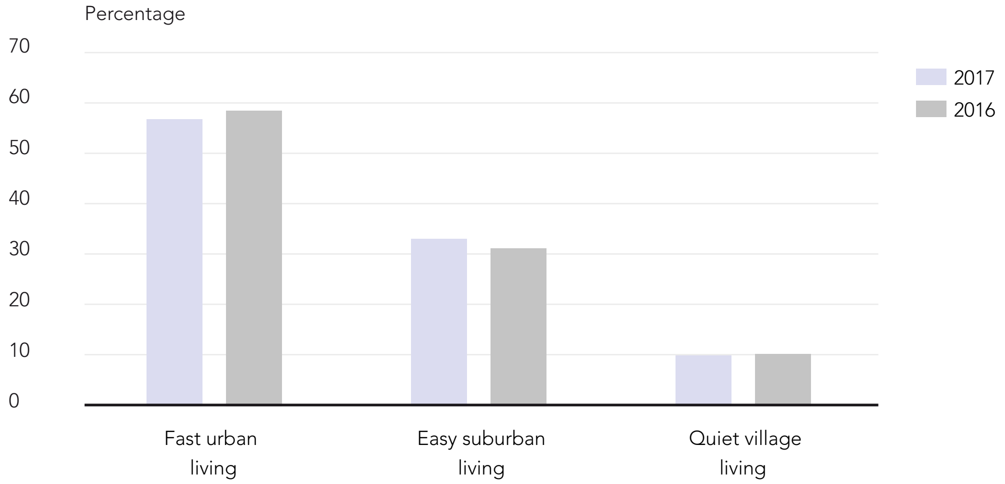
Housing market segmentation

Three different housing market segments are identified by the Fund, based on a combination of target group and location type.

- Fast urban living: Young professionals, families and empty-nesters with a preference for living in large cities and metropolitan areas with a population exceeding 100,000 residents
- Easy suburban living: Families with a preference for living in suburban residential areas and medium-sized cities with a population of between 25,000 and 100,000 residents
- Quiet village living: Families with a preference for living in villages and small towns with a population below 50,000 residents

The emphasis of the portfolio strategy is to invest in residential real estate that meets the criteria of fast urban living. To a lesser extent, investments in easy suburban and quiet village living environments are deemed interesting for the portfolio, but these investments should predominantly aim for families as their target group. The portfolio is currently well-represented in the fast urban living segment. Changes in market segmentation were marginal in 2017.

Figure 11 Market segmentation as at 31 December 2017

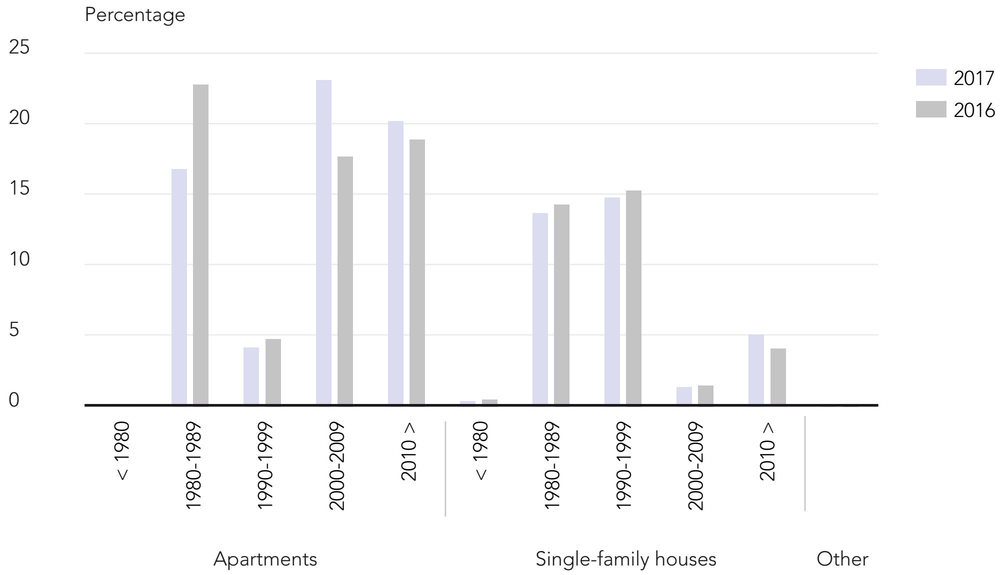


Property age

The Fund seeks to continuously rejuvenate the portfolio in order to reduce property expenses in the long term, while building a sustainable investment portfolio, through renovation strategies and its acquisition and sales policy. The average property age of the portfolio was 18.6 years, as at 31 December 2017, which is a decrease compared to 2016 (19.2 years). This decrease in average age is a result of the addition of forward acquisitions, completion of the renovation of properties Bonifaciuslaan in Hilversum, Dotterbloemstraat in Nieuwegein and Staalmeesterslaan in Amsterdam (partially completed), as well as the investment sale of property De Waag in Dordrecht and individual unit sales.

Property age is measured as the original construction year, corrected for renovations and investments. In cooperation with external advisors, the NEN 2767 guidelines are used to rate the property's technical qualities and assess the technical age of the different parts of a property (for example, the foundation, casco and installations). Technical age is a good indication of the property's lifespan and expected maintenance costs. The Fund constantly invests in feasible projects that add value and increase the quality of the portfolio. The average property age of the portfolio, based on original year of construction, was 26.0 years as at 31 December 2017 (2016: 25.9).

Figure 12 Age classes as at 31 December 2017

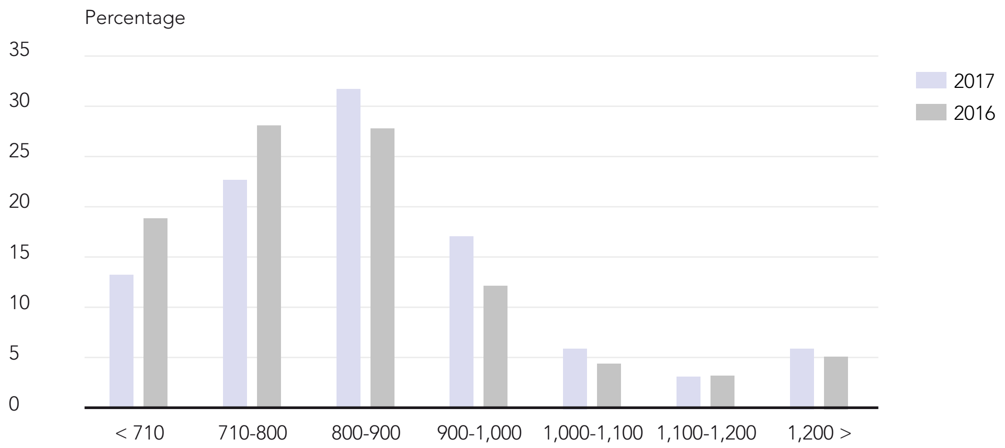


Average monthly rent

The portfolio's strategy focuses on residential investments in the mid-priced rental segment and is dominant in the € 710 to € 1,000 rental range. Non-regulated properties with average monthly rents higher than € 710 per month are favoured by the Fund in the long term. In the short term, the current governmental rental policy enables the Fund to implement rent increases that keep up with or even exceed inflation, in particular for regulated dwellings.

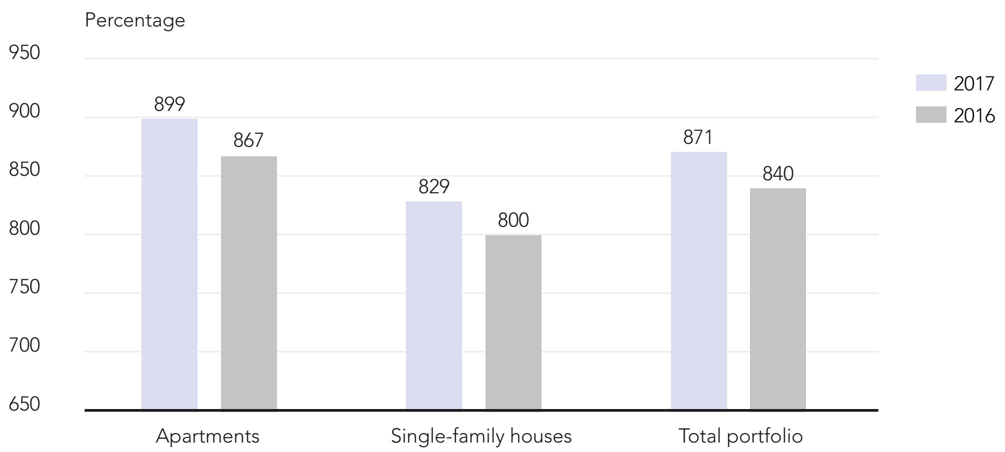
The share of units with rental prices below € 800 declined strongly, whereas the share of units with rental prices between € 800 and € 1,000 showed a significant increase. This is due to (annual) rent increases, the sale of properties from the portfolio, as well as the addition of new properties to the portfolio in 2017. Average monthly rents for units in Milestones in Utrecht (€ 830), Van Reeshof in Nieuwegein (€ 875), Gouwe Zicht in Waddinxveen (€ 945) and Malburgen in Arnhem (€ 825) were all well within the portfolio's targeted bandwidth.

Figure 13 Rental price composition as at 31 December 2017



The average monthly rent for a residential unit in the portfolio was € 871, as at 31 December 2017, which is higher compared to 2016 (€ 840). This growth is explained by (annual) rent increases, rent increases after renovation, portfolio additions and individual unit sales. Single-family houses have a lower average monthly rent (€ 829), whereas the portfolio's apartments are characterized by an higher average rent (€ 899). This difference in rental level is explained not only by residential type, but also by aspects such as location type and property age.

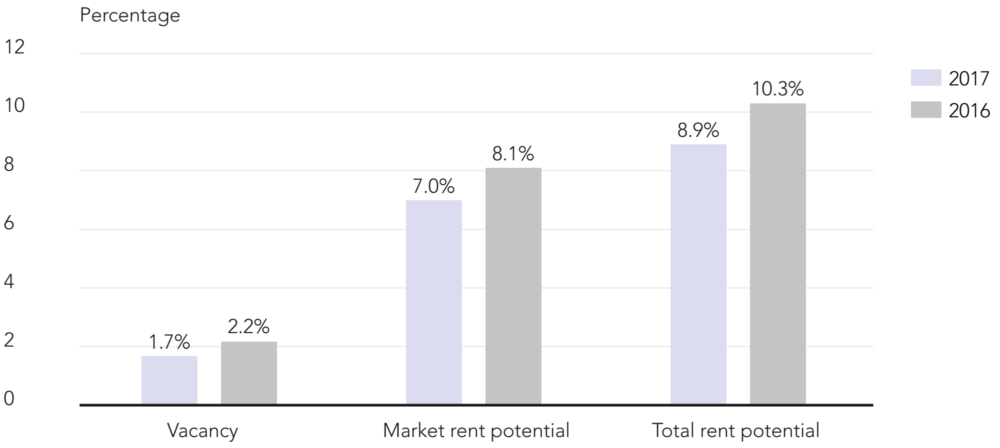
Figure 14 Average monthly rent per market segment as at 31 December 2017



Rent potential

The portfolio's rental income can be increased by reducing vacancy, as well as by bringing current rents up to market levels through annual increases and at tenant turnover. The total portfolio's market rent potential is on average 8.9%, which is a decrease compared to 2016 (10.3%). This is mainly the result of rent reviews in 2017. Single-family houses are particularly characterized by significant market rent potential. The average portfolio vacancy rate was 1.7% as at 31 December 2017. Average vacancy rates for apartments (2.0%) are higher compared to single-family houses (1.2%).

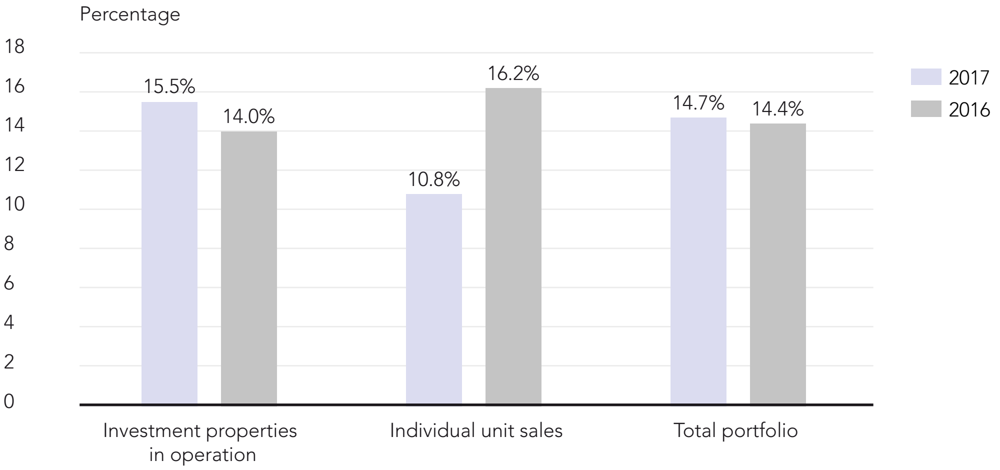
Figure 15 Vacancy and market rent potential as at 31 December 2017



Turnover rate

The portfolio's turnover rate is defined as the number of residential contract terminations within a period as a percentage of the number of residential units at the start of that period. Average portfolio turnover rates amounted to 14.7%, which is in line with 2016 (14.4%). In particular properties that are earmarked for individual unit sales showed a decrease from 16.2% to 10.8%, which is also reflected in the 36% decrease in the number of individual unit sales in 2017 (89) compared to 2016 (138).

Figure 16 Average turnover rates in 2017

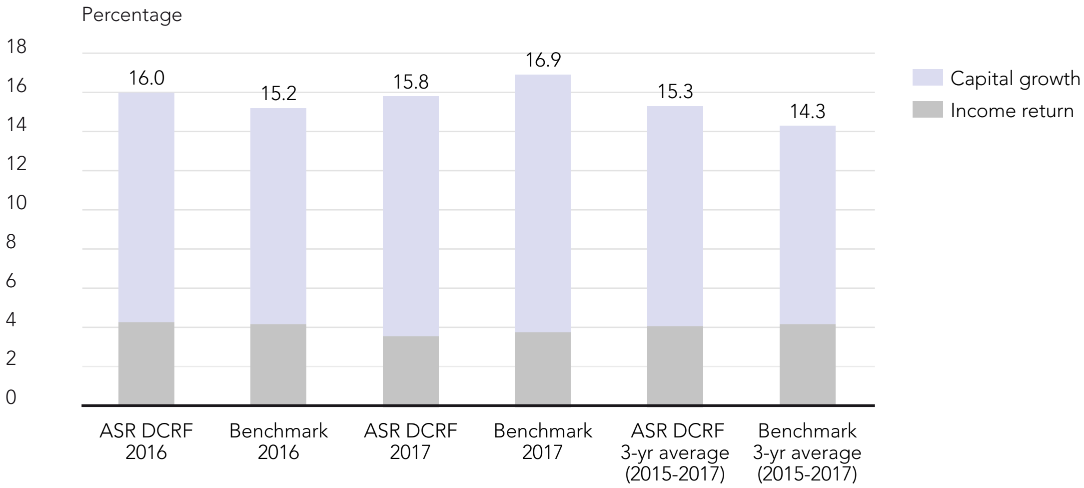


Performance of Fund versus IPD benchmark

Total return (all benchmarked assets level) for the Fund amounted to 15.8%, compared to 16.9% for the benchmark in 2017. This difference in performance is both attributable to lower capital growth (11.9% versus 12.6%) and income return (3.6% versus 3.8%). On a 3-year average, the Fund showed a solid outperformance compared to its benchmark (15.3% versus 14.3%).

Total return for the IPD Dutch residential benchmark also exceeded that of the Fund on standing investments level in 2017 (15.1% versus 15.6%), while, on a 3-year average, the Fund outperformed its benchmark (14.0% versus 13.5%). Returns on standing investments level are considered less representative for the Fund's relative performance as they exclude the effect of the active acquisition, investment and individual unit sales strategy of the Fund.

Figure 17 Performance figures ASR DCRF versus IPD Dutch residential benchmark



Realized and unrealized gains and losses

All properties were externally valued on a quarterly basis in 2017 by either MVGM Vastgoedtaxaties, Cushman & Wakefield or CBRE Valuation Advisory. Every quarter, 25% of the valuations concerns full valuations, whereas 75% concerns desktop review update valuations. These are no deviations from the valuations, as determined by external property valuers.

Between 1 January and 1 July 2017, the portfolio was valued by MVGM Vastgoedtaxaties and Cushman & Wakefield. In accordance with a.s.r. real estate's internal governance and in order to comply with supervisory regulations, the engagement with external valuers lasts for a maximum period of three years. This helps to ensure independent market valuations. As a result, a.s.r. real estate sent out a tender for the replacement of ASR DCRF's external valuers. As of 1 July 2017, the portfolio is valued by MVGM Vastgoedtaxaties and CBRE Valuation Advisory.

The total value of the properties increased by € 112.1m or 10.9% in 2017, compared to € 88.3m or 9.9% in 2016. Amsterdam and Utrecht contributed most strongly to the total portfolio's appreciation, due to their dominant share in the portfolio and positive revaluation.

Capital

Capital amounts to € 1184.0m as at 31 December 2017, compared to € 984.3m as at 31 December 2016.
On 1 January 2013, the Anchor Investor, consisting of ASR Nederland Vastgoed Maatschappij N.V. and ASR Levensverzekering N.V. acquired units of the Fund, by transferring its properties to the Fund. The percentage of units obtained (89.1 % and 10.9% respectively) per 1 January 2013, related to the fair value of the properties as at 31 December 2012. In total, 1,000,001 units were issued. From this number, 1,000,000 units are entitled for dividend (Units A) and 1 unit is not entitled for dividend (Unit B).

From the 1,000,000 units issued, ASR Nederland Vastgoed Maatschappij acquired 891,000 units and ASR Levensverzekering acquired 109,000 units. Unit B (not entitled for dividend) is acquired by the ASR Dutch Core Residential Management Company B.V. As at 1 January 2015, unit B has been withdrawn, in line with the amended Fund Agreement.

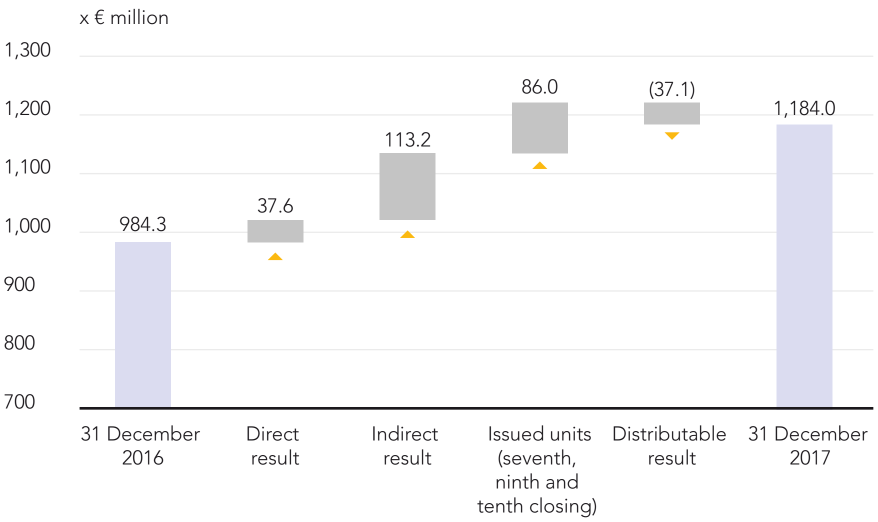
Capital increased in 2015 as a result of positive valuations (€ 63.0m) and as a result of the first closing (+ € 9.8m), in which a total of 13,126 new units were issued. In the second, third and fourth closing (all in 2015) no new units were issued , as the Anchor Investor redeemed an equal number of units.

Capital increased in 2016 as a result of positive valuations (€ 88.3m and the issuance of new units as a result of the fifth closing (€ 59.9m) and sixth closing (€ 15.0m). As at 31 December 2016, capital was spread across 1,101,823 units, resulting in an IFRS NAV of € 893 per unit and an INREV NAV of € 903 per unit. The movements in capital are shown in the following figure.

ASR Nederland Vastgoed Maatschappij N.V. and ASR Levensverzekering N.V. merged on 27 March 2017 (eighth closing). As a result of this merger, ASR Nederland Vastgoed Maatschappij N.V. redeemed its units in the Fund. These redeemed units were subsequently issued to ASR Levensverzekering N.V. and ASR Schadeverzekering N.V. Therefore, ASR Schadeverzekering N.V. also became part of the Anchor Investor, as of 27 March 2017. The parties involved agreed on a legal closing date at 27 March 2017 and an economic closing date at 1 January 2017. As a result, transfer of the units was imposed retrospectively per 1 January 2017.

Capital increased in 2017 as a result of positive valuations (€ 113.2m and the issuance of new units as a result of the seventh closing (€ 15.0m), ninth closing (€ 20.0m) and tenth closing (€ 51.0m). As at 31 December 2017, capital was spread across 1,192,701 units, resulting in an IFRS NAV of € 993 per unit and an INREV NAV of € 1,001 per unit. The movements in capital are shown in the following figure.

Figure 18 Movements in capital



Corporate Social Responsibility

Our vision

The Fund's vision of Corporate Social Responsibility (CSR) is to offer the best possible facilitation of tenants and investors' interests by creating homes that have long-term value from both a financial and a social perspective. We do this in a sound and responsible manner with engaged and aware partners and employees.

Our goal is a residential portfolio with long-term value, which requires future-proof homes in attractive locations. These homes should be comfortable, sustainable and meet the current and future wishes of consumers. In short, they should be places where our tenants feel at home in residential environments that are and will continue to be highly valued.

The Fund composed a formal CSR policy last year to materialize this vision, which focused on the sustainability of its property, the engagement of its partners and employees and its contribution to nature, society and the environment. To embed its policy, the Fund published it on its website, started a companywide CSR working group, appointed a CSR manager, and drew up an action plan.

The Fund's CSR policy is based on four P's (Property, Partners, Planet and People) which cover the entire spectrum of Corporate Social Responsibility. Each P represents a different perspective of the CSR policy, and all are equally essential in realizing our vision. Each P has its own strategic goals, the results of which are discussed in this report. The Fund wishes to achieve the objectives set out below by 2020.

Strategic goals 2017-2019

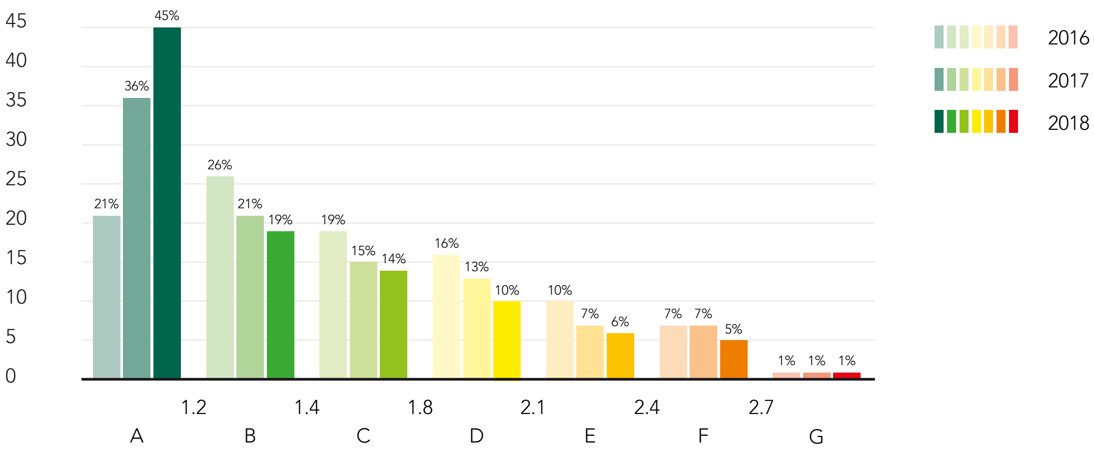
Property	Partners	Planet	People
Sustainable portfolio	**Engaged partners**	**Contribution to society and the environment**	**Committed organization**
• Reduce average Energy Index to at least 1.30 • Reduce ownership of properties with an Energy Index of > 2.4 to under 3% of portfolio • Annual energy-saving measures in 10% of properties • Deliver property development with Green Building certificate once every three years	• Optimal engagement of partners in chain • Continuous check for compliance with CSR requirements and objectives • Tenant satisfaction rating of at least 7.5 (out of 10) • Active tenant participation programme	• Reduce energy consumption and carbon emissions by 10% compared to 2015 • Maximum use of measuring options • Investing in neighbourhoods • Contribution to opportunities and development of pupils and students	• Personal development of employees • Informed and involved employees • Employee satisfaction > 80% • Optimal organizational anchoring of CSR

Property

Reduce average Energy Index to at least 1.30

In 2017, the average Energy Index (EI) of the Fund's portfolio improved from 1.52 to 1.40. The two main reasons for this improvement were an enhancement of the sustainability of standing investments, the sale of less sustainable dwellings and the acquisition of highly sustainable dwellings.

Figure 19 Energy labels (EPA) for ASR DCRF as at 31 December



The sustainable renovation of 389 dwellings was completed in 2017. The renovation of another 306 dwellings has started and is on track.

- In Nieuwegein (Dotterbloemstraat), 49 family houses were made sustainable, lowering the EI from 1.86 to 0.73.
- In Hilversum (Bonifaciuslaan), 250 apartments were made sustainable, lowering the EI from 2.07 to 1.02.
- In Amsterdam (Staalmeesterslaan), the first tower was renovated, with 90 apartments seeing an improvement of the EI from 2.12 to < 1.20 (the exact score will be established after completion). The second tower (also 90 apartments) will be completed in 2018.
- In Utrecht (Lamérislaan) the renovation of 216 apartments has started. The project will be completed in May 2018.

The completion of 146 new residential units and the addition of 48 existing residential units had a positive effect on the average EI of the Fund.

- In Arnhem (Malburgen), 36 new building family houses with EI < 1.20 were delivered.
- In Utrecht (Milestones), 70 units were delivered: 21 single-family houses with EI < 1.20 and 49 apartments with EI < 1.20.
- In Nieuwegein (Van Reeshof), 40 apartments with EI < 1.20 were completed.
- In Monster (Molenstraat), 22 existing properties with EI 1,06 were added
- In Waddinxveen (Gouwe Zicht) 25 apartments with construction year 2015 were added to the Fund's portfolio. The average EI is 1.18.

The forward acquisition of Bergkwartier in Zeewolde will include three units that will be provided with additional measures to make these homes energy neutral (NOM).

Reduce ownership of properties with an EI > 2.4 to under 3% of portfolio

At the end of 2017, 8% of the dwellings had an EI above 2.4, which is in line with the end of 2016 (8%). The number of units with relatively high EI declined in the past few years, due to the large-scale sustainability process and the individual unit sale of less sustainable dwelling. It is expected that the share of EI > 2.4 will drop to 6% at the end of 2018.

Annual energy saving measures in 10% of properties

- Energy saving measures were implemented in 272 of the Fund's standing investments in 2017. This concerns 7% of all standing investments in the portfolio.
- Water saving faucets and water saving flush systems were installed in 310 units in the bathrooms, toilets and kitchens.
- New, high-efficiency central heaters were installed in 97 dwellings.
- In Utrecht (Terwijde-centrum) and De Meern (Bakerlaan), more than 60 households participated in a project, initiated by a.s.r. real estate and the municipality of Utrecht, in order to encourage sustainable living.
- A study was executed in order to replace the current lighting in public areas with LED lighting in most of the Fund's apartment buildings. Implementation is expected to take place in the first part of 2018.

Deliver property development with a Green Building Certificate once every three years

The Fund searched for ways to improve the sustainability of its portfolio by focusing on achieving Green Building Certificates for its complexes. Together with the Dutch Green Building Council in 2017, the Fund implemented a new Green Building Certificate for residential buildings. With this certification, the property, the surroundings and the development process are all tested according to a broad number of sustainability criteria. The focus lies both on newly developed properties and standing investments.

The pilot project of this new Green Building Certificate was executed in two of the Fund's properties; Terwijde in Utrecht (199 dwellings) and Bonifaciuslaan in Hilversum (250 dwellings). Both properties received a Very Good certificate. At the end of 2017, 11% of the portfolio had a Green Building Certificate. This concerns the properties in Utrecht and Hilversum, as well as property Futura in Zoetermeer (BREEAM New Build Very Good).

Partners

Optimal engagement of partners in chain

- The Fund sent its first CSR newsletter to 350 partners in June 2017. The aim of this newsletter is to increase awareness and drive collaboration in the area of CSR. The Fund sent a second CSR newsletter to all its tenants in November 2017, reporting the CSR actions and results, and providing sustainability tips & tricks.
- Several employees gave presentations and workshops at CSR conferences and seminars, such as the Rooftop Revolution and the DGBC conference.
- The Fund organized an investor property tour with a sustainability theme. The tour included several presentations, as well as visits to new building projects and two properties under renovation.
- CSR was a regular point on the agenda of our meetings with direct partners, real estate managers and maintenance contractors. The Fund's sustainability policy was discussed with investors in the Meeting of Investors.
- At an annual meeting in December 2017, external property managers were informed about the results of the Fund's CSR policy and actions.

Continuous check for compliance with CSR requirements and objectives

- The new management agreement with the Fund's external property managers became operational in 2017. This agreement records issues such as stricter and more measurable requirements in terms of CSR.
- The Program of Requirements was updated in terms of CSR. A new paragraph about gasless dwellings was added.

Tenant satisfaction rate of at least 7.5 (out of 10)

- The tenant satisfaction rate for 2017 was 7.0, which is a slight decrease compared to 2016 (7.1).
- All external property managers as well as the Fund created an annual action plan with measures to improve the tenant satisfaction rate.
- The Fund records any complaints filed by tenants and monitors them in the Complaint Management System. Actions resulting from the survey were taken up immediately by external property managers.
- A new phase of the maintenance process was initiated in January 2017. By implementing important changes in this process, tenants can be served in a better and more direct way. A positive effect was already seen in the results of the most recent tenant satisfaction survey.

Active tenant participation program

- The Fund developed a CSR bag for all new tenants and for tenants in renovation projects. Tenants of the renovated dwellings in Zeist and Nieuwegein received a bag containing several sustainable products, such as a LED lamp, detergents and a shower hourglass. The Fund hopes the bag will contribute to improving sustainable tenant behavior.
- Tenants are actively engaged in sustainable renovation projects through a survey which gathers expectations, a discussion group which acts as a sounding board for various decisions and an information market at which all renovation project partners give a presentation. The Fund also intends to give tenants a vote with regard to various aspects of
- the renovation, such as the appearance of the asset and the units' heating systems. The extent of influence differs per project.

GRESB ★ ★ ★ ★ ★ 2017

Global Real Estate Sustainability Benchmark
The Fund's CSR performance is measured annually and made transparent through GRESB. GRESB is an independent, scientific benchmark that assesses the sustainability policies of real estate funds worldwide and the implementation of their policies. The Fund's efforts have been rewarded in the past year with the high distinction of Green Star. In 2017, the Fund's score improved from 2 to 4 stars (at a scale of 5).

Planet

Reduce energy consumption and green-house-gases by 10% compared to 2015

The results and figures on energy use and greenhouse gas emissions will be processed in the first quarter of 2018 and will be incorporated into the 2017 CSR report.

Optimal monitoring of environmental performance

The Fund contracted energy consultant INNAX to provide better insight into the energy performance of the Fund's portfolio. As a result, the Fund will be better able to exercise energy consumption control.

Investing in neighbourhoods

- A green rooftop will be realized for the Wibautstraat project in Amsterdam. The project involves placing plastic crates on the roof for water storage. As a result, the water remains on the rooftop for a longer period of time and drains more slowly. This prevents peak loads in the storage system in the case of heavy rains and contributes to the neighbourhood as well.
- The Fund started preparations for several projects with regard to the objective to contribute to more attractive neighbourhoods. Initial ideas were translated into plans that will be implemented in 2018.
- A tiny forest will arise near the Fund's property Terwijde-centrum in Utrecht in 2018. Final preparations were made in 2017 and the project received a final go. a.s.r. and Ahold are funding this project, which is being carried out in co-operation with the inhabitants of Terwijde.

Contributing to the opportunities and development of pupils and students

- Two students have started as interns with a CSR subject. The first student supports the Fund with general CSR activities and the second student is carrying out a research study on the possibilities of renovating dwellings into gasless properties.
- Employees of the residential team participated in a sustainability project at several primary schools in Utrecht in which children were informed about various aspects of sustainability.

Couwenhoven, Zeist

People

Personal development of employees

- Each year, a.s.r. real estate provides a number of individual employees with the opportunity to undergo additional education, such as a post-university Master's degree, to broaden their knowledge, and skills and help ensure life-long employability.
- In 2017, 26% of a.s.r. real estate's employees were invited to participate in the Development Program of a.s.r. Nederland N.V. where they will be challenged and trained for future professional and personal growth.

Informed and involved employees

- a.s.r. real estate keeps all stakeholders informed about the latest CSR initiatives and results through a monthly internal newsletter.
- As of two years ago, all employees now have individual CSR targets as part of their annual review.
- In April 2017, a.s.r. real estate organized a Sustainability Day at which climatologist Reinier van den Berg informed employees about the effects of climate change in general and for real estate in particular.
- During the last a.s.r. real estate's employee meeting in 2017, political scientist Maurits Groen gave a masterclass about the circular economy.
- A visit and presentation to the renovation project of Staalmeesterslaan in Amsterdam was organized for employees of the residential team.

Employee satisfaction rating of > 80%

- In 2017, a.s.r. real estate exceeded its goal of achieving an employee satisfaction rating of at least 80% (81%) and is nominated to be named one of the best workplaces in the Netherlands again. From 2018 onwards, the goal is to maintain a satisfaction rating ofat least 80%.
- The survey results are analyzed and then intensively discussed in the GPTW workforce and in all departments and business lines. Action is taken, where necessary, to improve a.s.r. real estate's standing as an excellent employer.

Increasing awareness and organizational anchoring of CSR

- Sustainability issues were added to the 'Program of Requirements' for acquisitions and renovations for which the BREEAM principles were taken into account.
- As of two years ago, a sustainability assessment has been included in all acquisition and investment proposals and sustainability variables have been included in the research department's analyses.
- In addition to participation in IVBN's sustainability working group, the sustainability manager now participates in NEPROM's sustainability working group as of 2017 to share and increase knowledge in the area of sustainable real estate development.
- a.s.r. real estate worked intensively in 2017 to optimize administrative and ICT systems to ensure data management on important CSR metrics.
- Insight into the adverse effects of climate change is vital in order to respond to the impact it has, and will have, while also preparing for future effects. This is why the Fund has investigated which effects, and corresponding urgencies, apply to its portfolio. Currently, no 'highest urgency' effects apply to the Fund.

Tenant satisfaction survey

The Fund aims to continuously improve its services and tenant satisfaction. In order to monitor this, the Fund annually organizes a tenant satisfaction survey, and forms a benchmark together with a number of Dutch professional real estate funds (IVBN). This benchmark allows the Fund to monitor market developments and compare the Fund's results with the performance of the benchmark. The survey is performed by an independent research agency. For 2017, the survey was carried out by a newly appointed research agency (Customeyes), compared to the previous years. The agency carried out the survey among a limited number of respondents and only through email.

As in previous years, tenants are interviewed about their satisfaction regarding to their residential unit, living environment and property management services. The overall average tenant satisfaction for ASR DCRF in 2017 is 6.9 out of 10, which is in line with the results of the previous two years (respectively 7.1 and 7.2) as well as the average benchmark result (7.0). Both residential unit and living environment remain at a relatively high score of 7.2 and 7.6 out of 10. This implies a positive experience among tenants with regard to the property. The service delivery of the property management organizations are ranked just below and equal to the benchmark (6.4 and 6.7). As a result, follow-ups are addressed and will be part of the properties' business plans for 2018. Tenant satisfaction is a component of the annual rating of the external property manager. Results and improvements will be discussed with the external property managers.

Table 9 Results tenant satisfaction survey 2017

	Residential unit	Living environment	Services external property manager	Services internal property manager	Overall
2017	7.2	7.6	6.2	6.7	6.9
Δ Benchmark	-0.1	0.0	-0.2	0.0	-0.1
2016	7.6	7.7	6.4	6.6	7.1
2015	7.6	7.6	6.3	7.1	7.2

AIFMD

The Fund is an Alternative Investment Fund (AIF). In accordance with Alternative Investment Fund Managers Directive (AIFMD), the Fund Manager is obliged to apply for an AIFMD license from the Netherlands Authority for the Financial Markets (Autoriteit Financiële Markten, or AFM). The license was issued in February 2015.

The AIFM Directive also requires a depositary to be appointed to act as custodian and monitor of the Fund. This is to safeguard against fraud, book-keeping errors and conflicts of interest. A contract has therefore been signed with BNP Paribas Securities Services to act as depositary as of 1 June 2014. An information platform has been set up to provide the depositary with the appropriate information in an effective way.

Because the Netherlands Authority for the Financial Markets (AFM) has granted a.s.r. real estate the AIFMD license, the Fund is under the obligation to submit comprehensive reports on risks and restrictions. Since 31 March 2015, the Fund Manager has reported to the Dutch Central Bank (DNB) about results and risks on a quarterly basis.

This section describes the main finance restrictions, subscription and redemption restrictions, and investment restrictions that govern the Fund. They are summarized below.

1. Finance restrictions

The finance restrictions relate to the loan-to-value (LTV) position of the Fund and are as follows:
- The LTV is capped at 30%.
- If the LTV exceeds 25%, the Fund Manager is required to prepare plans to lower the LTV.
- No more than 12.5% of the LTV can be used for redemption purposes. If the percentage for redemption purposes exceeds 7.5%, the Fund Manager is required to take action to lower this percentage.

2. Subscription and redemption restrictions

The subscription and redemption restrictions are as follows:
- Subscription threshold of € 10m for new investors.
- Subscription threshold of € 100k for current investors.
- No investor is permitted to exceed a total financial position of 25% of the units, except for the Anchor Investor, unless the Management Company has granted its specific approval. Nevertheless, the financial position is never to exceed one-third of the total units.
- During the lock-up period, only the Anchor Investor may issue redemption requests. The lock-up period came into effect at 2 March 2015 for a period of 48 months.

3. Investment restrictions
- Focus on core, residential assets in the Netherlands.
- Maximum of 20% of GAV invested in a single asset.
- The Fund needs to be in control of the assets.
- Avoid development risk.

As at 31 December 2017, the Fund met the finance restrictions, the subscription and redemption restrictions, and the investment restrictions.

Depositary

The AIFM Directive also requires a depositary to be appointed to act as custodian and monitor of the Fund. This is to safeguard against fraud, book-keeping errors and conflicts of interest. Therefore, a contract was signed with BNP Paribas Securities Services to act as depositary as of May 2014. Since May of 2014, the Manager has kept the depositary informed of cash flows and safekeeping of assets. The depositary has three main objectives:
1. The safekeeping of assets.
2. The daily monitoring of cash flows.
3. General oversight.

The depositary performed an onsite due diligence as part of their general oversight duties. The work of the depositary, together with their responsibilities, are expressed by them as a depositary statement.

Depositary Statement

Considering that:

- BNP Paribas Securities Services is appointed to act as depositary of ASR Dutch Core Residential Fund ("the fund") in accordance with subsection 21(1) of the Directive 2011/61EU (the "AIFM Directive");
- Such appointment and the mutual rights and obligations of the fund manager, title holder and depositary of the fund are agreed upon in the depositary agreement dated 11 June 2015, between such parties, including the schedules to that agreement ("the agreement");
- The depositary delivers this statement to the fund manager in relation to the activities of the fund manager and the title holder and this statement refers to the year ended December 31, 2017 (the relevant year hereafter referred to as "the period").

Responsibilities of the Depositary

The Depositary acts as a depositary within the meaning of the AIFM Directive (the "AIFMD") and shall provide the services in accordance with the AIFMD, EU implementing regulation, relevant Dutch laws and the policy rules issued by the European Securities and Markets Authority (ESMA) or the Dutch Authority for Financial Markets (AFM). The responsibilities of the Depositary are described in the agreement and include, in addition to the Safekeeping, Recordkeeping and Ownership Verification (as described in article 21(8) AIFMD, also a number of monitoring and supervisory responsibilities as defined by article 21(7) and 21(9) of the AIFM Directive, namely:

- Cash flow monitoring, including the identification of significant and inconsistent cash flows and the reconciliation of cash flows with the administration of the fund;
- Ensuring that the sale, issue, re-purchase, redemption, cancellation of units or shares of the fund and valuation are carried out in accordance with the applicable national law and the fund rules or instruments of incorporation;
- Ensuring that investment transactions of the fund are timely settled;
- Monitor and check that the total result of the fund is allocated in accordance with the applicable national law and the fund rules or instruments of incorporation;
- Monitor and check that the Alternative Investment Manager ("AIFM") performs its investment management duties within the fund rules or instruments of incorporation;

Statement of the Depositary

We have carried out such activities during the period as we consider necessary to discharge our responsibilities as depositary of the fund. Based on the information available to us and the explanations provided by the fund manager, we did not uncover any information indicating that the fund manager has not carried out its activities, in scope of the monitoring and oversight duties of the depositary, in accordance to the applicable laws, fund rules and instruments of incorporation.

Miscellaneous

No rights can be derived from this statement, other than the rights resulting from laws and regulation mentioned above. This statement does not create, and does not intend to create, any right for a person or an entity that is not a party to the agreement.

Amsterdam, 9 March 2018

Caroline Hartog
Head of Depositary and Fiduciary Services

Risk management

The Fund Manager makes a distinction between financial, strategic and operational risks. Financial risks apply to developments in the financial and real estate markets. Strategic risks apply to the Fund's strategy as described in the Fund Agreement. Operational risks apply directly to operating activities. A description of the Fund's main risks, the specific measures to manage these risks and, if applicable, their impact on result and equity are described in the notes of the financial statements.

ASR Dutch Core Residential Fund Management Company B.V. (the Management Company) has an agreement (Management Agreement) with a.s.r. real estate (the Manager). This agreement states that the Manager will provide fund management services, asset management services and property management services to the Management Company. The following (not limitative) items are included under the fund management services: legal and structuring, compliance, business and financial advisory, human resource, risk management, communication and marketing and finance and tax. The ASR Dutch Core Residential Management Company B.V. has outsourced all responsibilities to the Manager (a.s.r. real estate). a.s.r. real estate also acts as the Manager of the Fund under the AIFMD requirements. Risk management is therefore described from the perspective of the Manager (a.s.r. real estate).

The Manager reviews key processes through ISAE 3402 and ISAE 3000. The internal control system (Type II) according to the International Standard of Assurance Engagements (ISAE) 3402 regarding property and asset management processes has been in place since 2013. The reporting period encompassed a period of nine months, from 1 January 2013 to 30 September 2013. The ISAE controls remained in place during 2014 and 2015. In 2016, there was a testing period again over which a.s.r. real estate received ISAE 3402 certification without imperfections in March 2017.

The internal control system according to the International Standard of Assurance Engagements (ISAE) 3000, regarding fund specific controls, was tested for a period of nine months, from 1 January 2015 to 30 September 2015. The Fund received ISAE 3000 certification without imperfections in 2015 and continues to strive for an update every two years. Every other year, compliance to the ISAE framework is audited by an external accountant. Over 2017, a.s.r. real estate received a COS 3000A report.

As of 2018 an integrated ISAE Type II report (ISAE 3402 combined with ISAE 3000) will be composed, starting over the test period 2018. Please refer to Appendix 2 for more detailed information on ISAE.

Risk matrix

Risk	Risk appetite	Risk mitigating aspects	Impact
Financial risks			
Rental risk	The Fund focusses on the best performing locations and areas. Rental income for residential real estate is spread accross a wide number of individual tenants.	Continuous monitoring of market rents and their movemebts. Maintaining contact with tenants. Standard lease terms state that rent must be paid in advance.	The vacancy in relation to the theoretical rental income was 2.4% during 2017.
Market risk	This relates to the imapct of overall market changes on the value of assets and rental income. The Fund has implemented investment restrictions: • Focus on core, residential assets in the Netherlands. • Maximum of 20% of GAV invested in a single asset. • The Fund needs to be in control of the assets. • Avoid development risk.	Market risk cannot be avoided. Monitoring market transactions and developments. The portfolio is valued by independent valuers.	Strong capital growth has had a positive effect on total return, whereas it had a negative effect on income return.

Risk	Risk appetite	Risk mitigating aspects	Impact
Interest rate risk	The Fund is intended to be predominantly an equity fund. The Fund has the following finance restrictions: • The LTV is capped at 30%. • If the LTV exceeds 25%, the Manager is required to prepare plans to lower the LTV. • No more than 12.5% of the LTV can be used for redemption purposes. If the percentage for redemption purposes exceeds 7.5%, the Manager is required to take action to lower this percentage.	The Fund's interest rate risk is assessed continually.	The Fund maintains a low leverage status with a LTV ratio between 0%-10%.
Credit risk	The Fund has a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral.	High number of individual tenants. No single tenant or group under common control contributes more than 1% of the Fund's revenues. Standard lease terms are paid in advance. A deposit is required within the standard lease terms.	Bad debt provision declined with 2.9% in 2017.
Liquidity risk	Units in the Fund represent an illiquid investment as the Fund Manager will accept redemption requests quarterly. The Fund's liquidity mechanism makes the Fund liquid enough for investors, while the Manager has control over the entrance of new investors. The Fund is a closed-end investment company under AIFMD definitions..	Maintaining adequate reserves, obtaining loan facilities if applicable, monitoring forecast and actual cash flows and matching maturity profiles of financial assets and liabilities. During the lock-up period, only the Anchor Investor may issue redemption requests. The lock-up period came into effect at 2 March 2015 for a period of 48 months.	The Fund has an agreement with NIBC for €50m which was undrawn as at 31 December 2017.
Funding risk	The Fund may enter into loan facilities in order to finance either; the committed forward acquisitions, acquisition of new properties, short term working capital requirements or liquidity for redemptions requests.The use of leverage may enhance returns and increase the number of investments that can be made, it also may increase the risk of loss. The Fund's LTV is capped at 30%.	The Fund wants to keep its low leverage status to support the equity character of the Fund.	LTV ratio was 0% as at 31 December 2017.
Project risk	The Fund may undertake maintenance, renovation and/or extension of an asset or invest in an asset that requires maintenance, renovation and/or extension prior to acquiring the asset either by itself or through ASR Dutch Core Residential Projects B.V. The Fund may invest in maintenance, renovation and/or extension which include several risks. Such risks include, without limitation, risks relating to the availability and timely receipt of planning and other regulatory approvals.	In order to mitigate the risk regarding projects, the ASR Dutch Core Residential Projects B.V. was set up.	The ASR Dutch Core Residential Projects BV did not perform any activities during 2017

Risk	Risk appetite	Risk mitigating aspects	Impact
Strategic risks			
Strategic risks	Strategic risk relates to the risk that the Fund's objectives will not be achieved because of management's poor decision-making, incorrect implementation and/or insufficient response to changes in the environment. The Fund agreement sets out the Fund's investment objectives & strategy, investment criteria and investment restrictions.	The investment objective and strategy, investment criteria and investment restrictions, as set out in the Fund Agreement, are monitored on a quarterly basis and on a case-by-case basis for acquisitions and sales. The Fund Manager continuously monitors portfolio deviation and the consequences of potential acquisitions and sales on the investment restrictions. .	During 2017 the Fund met all investment objectives and strategy, investment criteria and investment restrictions.
Maintaining the Fund's tax status	The risk of losing the status as a tax transparent fund for joint accounts for Dutch corporate income tax purposes and for Dutch dividend withholding tax purposes.	The Dutch tax authorities have confirmed the transparency of the Fund for corporate income tax and Dutch dividend withholding tax purposes. In order to maintain this tax status, no development activities should take place in the Fund. As a consequences, the Fund Manager continuously monitors its forward acquisitions.	No specific issues have occured during 2017
Relative performance risk	Risk that the performance falls behind the Fund's target income return of 4%, as stated in the Fund's prospectus.	Monthly monitoring.	The performance is closely monitored on a monthly basis.
Concentration risk	Investments in Dutch residential properties.	This risk factor is mitigated by establishing twelve focus areas. Within the strategy concentration risk is further mitigated by diversifying asset types such as apartments, single-family houses and different types of tenants.	The Fund has acted in line with the terms and restrictions.
Operational risk			
Operational risk	Operational risk is the risk that errors are not observed in a timely manner or that fraud can take place as a result of the failure or inadequacies of internal processes, human and technical shortcomings, and unexpected external events. The risk appetite towards this risk is very low. Therefore, an extensive risk framework is in place.	Operational Risk Framework.	The Fund received an ISAE 3402 certification without imperfections in March 2017. In 2018, a.s.r. real estate has received a COS 3000A report over 2017.
Continuity risk	Continuity risk is the risk that the management organization discontinues as a result of, for example,bankruptcy or failing IT systems. In such situations the agreements with principals can no longer be carried out. The risk appetite towards this risk is very low.	This risk is mitigated by maintaining service level agreements with subcontracting partners, drawing up and maintaining the business continuity plan, and pursuing a data protection policy.	No specific issues have occured during 2017. The AIFM has a Business Continuity Plan in place.

Risk	Risk appetite	Risk mitigating aspects	Impact
Compliance risks			
Integrity risk	Integrity risk is the risk that the unethical behaviour of employees, internal managers and business partners can damage or prevent the realization of the Fund's objectives and returns. The risk appetite towards integrity risk is low.	Whistleblower policy, CDD, pre-employment screening, COI policy	No specific issues have occured during 2017
Legislation and regulation risk	Legislation and regulation risk is the risk that changes to laws and rules will influence the results of the Fund.	The Fund Manager cannot influence or change amendments to legislation and regulation. However, such risk can be mitigated by anticipating upcoming (possible) amendments in a timely manner. The Fund Manager has designated a Compliance Officer who is charged with supervising the Fund's compliance with legislation and regulation.	No specific issues have occured during 2017, except for changes in legislation regarding rental housing in Amsterdam and Utrecht where rents are being regulated, which have an effect on new housing projects
Tax and legal risk	Yields can be influenced by an incorrect legal or fiscal assessment	This risk is mitigated by obtaining, when necessary, advice from external tax advisors and lawyers of reputable organizations.	No specific issues have occured during 2017

Corporate governance

The Fund's governance structure is described in Appendix 2 of this report.

Outlook

It is expected that the economy will continue its positive growth trend in 2018, with stable and above-average GDP growth rates and the unemployment rate showing a further decrease. The positive economic climate and low mortgage interest rate environment continue to contribute to the upward trend in the Dutch housing market.

The Fund's operating result is expected to remain stable, due to strong demand for mid-priced rental housing and high occupancy rates, rent increases exceeding inflation and sound cost control. In addition, the forward acquisitions that were recently completed, show positive letting results, which will benefit portfolio performance in the near future. In addition, revaluation of the portfolio and result on individual unit sales are expected to remain robust, further enhancing net result. As a result of anticipated positive capital growth figures, it is expected that income return will continue its declining trend, although to a milder extent compared to last year.

Average costs of construction showed a steep increase in 2017 and this trend is expected to persist in 2018, due to high demand for new construction and relatively limited resources. Together with the shortage of available plots for new construction and high demand for real estate investments from national and foreign investors, (initial) yields for new residential developments are likely to decrease further, which makes it increasingly challenging to acquire core, high-quality residential real estate at acceptable prices.

Utrecht, the Netherlands, 14 May 2018

ASR Vastgoed Vermogensbeheer B.V. (a.s.r. real estate)
On behalf of the ASR Dutch Core Residential Management Company B.V.
Dick Gort, *CEO*
Henk-Dirk de Haan, *CFRO*

IFRS financial statements

Statement of income and comprehensive income

(amounts in € '000, unless otherwise stated)

Statement of income and comprehensive income

For the year	Notes	2017	2016
Gross rental income	5	49,149	47,508
Service charge income	5	3,167	3,374
Total operating income		**52,316**	**50,882**
Property-specific costs	6	(11,168)	(11,677)
Service charge expenses	5	(3,167)	(3,374)
Fund expenses	7	(738)	(709)
Management fees	8	(5,983)	(4,985)
Total operating expenses		**(21,056)**	**(20,745)**
Operating result		**31,260**	**30,137**
Finance income	9	652	115
Finance costs	9	(303)	(239)
Finance result		**349**	**(124)**
Changes in fair value of investment properties	11	112,091	88,296
Result on sales of investment properties	10	1.076	-
Result on individual unit sales	10	5,976	8,908
Realized and unrealized gains and losses		**119,143**	**97,204**
Net result		**150,752**	**127,217**
Other comprehensive income		-	-
Total comprehensive income		**150,752**	**127,217**
In €			
Direct result per unit (distributable result per unit)		32	37
Indirect result per unit		99	84
Net result per unit		**131**	**121**

Click on a note reference to go to that note. Use the button to return.

Statement of financial position

(amounts in € '000, unless otherwise stated)

Statement of financial position			
As at	Notes	31 December 2017	31 December 2016
ASSETS			
Non-current assets			
Investment properties in operation	11	1,053,950	922,873
Investment properties under construction	11	88,018	56,239
		1,141,968	**979,112**
Current assets			
Trade receivables	12	695	1,257
Cash and cash equivalents	13	54,293	21,491
		54,988	**22,748**
Investment properties held-for-sale	11	3,232	1,893
Total assets		**1,200,188**	**1,003,753**
CAPITAL AND LIABILITIES			
Capital			
Issued capital	14	1,193	1,102
Additional paid-in capital		994,993	909,111
Revaluation reserve		269,474	151,539
Retained earnings		(81,667)	(77,416)
		1,183,993	**984,336**
Non-current liabilities			
Borrowings	15	(37)	(6)
		(37)	**(6)**
Current liabilities			
Trade and other liabilities	16	16,232	17,861
Provisions	17	-	1,562
		16,232	**19,423**
Total capital and liabilities		**1,200,188**	**1,003,753**

Statement of changes in capital

(amounts in € '000, unless otherwise stated)

Statement of changes in capital

For the period 1 January 2016 - 31 December 2017	Issued capital	Additional paid-in capital	Retained earnings	Revaluation reserve [1]	Total
Balance as at 1 January 2016	1,013	834,308	(80,864)	67,208	821,665
Total comprehensive income					
- Profit for the year	-	-	127,217	-	127,217
- Movement arising from market valuations	-	-	(88,832)	88,832	-
- Movement arising from divestments	-	-	4,501	(4,501)	-
Total comprehensive income	**-**	**-**	**42,886**	**84,331**	**127,217**
Transactions with the owners of the Fund					
Contributions and distributions:					
- Issue of ordinary units	89	74,803	-	-	74,892
- Distributable result	-	-	(39,438)	-	(39,438)
Total transactions with owners of the Fund	**89**	**74,803**	**(39,438)**	**-**	**35,454**
Balance as at 31 December 2016	**1,102**	**909,111**	**(77,416)**	**151,539**	**984,336**
Total comprehensive income					
- Profit for the year	-	-	150,752	-	150,752
- Movement arising from market valuations	-	-	(124,162)	124,162	-
- Movement arising from divestments	-	-	6,227	(6,227)	-
Total comprehensive income	**-**	**-**	**32,817**	**117,935**	**150,752**
Transactions with the owners of the Fund					
Contributions and distributions:					
- Issue of ordinary units	91	85,882	-	-	85,973
- Distributable result	-	-	(37,068)	-	(37,068)
Total transactions with owners of the Fund	**91**	**85,882**	**(37,068)**	**-**	**48,905**
Balance as at 31 December 2017	**1,193**	**994,993**	**(81,667)**	**269,474**	**1,183,993**
In €					
NAV per unit					993
Distributable result per unit					32

Distributable result

For the year	2017	2016
Operating result	31,260	30,137
Finance result	349	(124)
Result on individual unit sales	5,976	8,908
Provision for onerous contracts	(517)	517
Distributable result	**37,068**	**39,438**

1) The revaluation reserve concerns the revaluation of the investment properties. The (unrealized) positive difference between the cumulative increase in the fair value of the property as at the end of the quarter has been included in the revaluation reserve. The revaluation reserve as at quarter-end has been determined at individual property level.

Statement of cash flows

(amounts in € '000, unless otherwise stated)

Statement of cash flows

For the year	Notes	2017	2016
Net result		150,752	127,217
Adjustments for:			
Interest result	9	(349)	124
Change in fair value of investment properties	6	(112,091)	(88,296)
Result on sales	10	(7,052)	(8,908)
Change in working capital		(2.402)	233
Amortized provision on borrowings		19	25
Cash flows from operating activities		**28,875**	**30,395**
Interest paid		(303)	(239)
Interest received		652	115
Net cash from operating activities		**29.224**	**30,271**
Cash flows from or used in investing activities			
Investment properties in operation	11	(29,519)	(38,195)
Investment properties under construction	11	(49,769)	(60,803)
Divestments	11	34,235	34,934
Net cash flow from or used in investing activities		**(45.053)**	**(64,064)**
Cash flows from or used in financing activities			
Issuance of ordinary units		85,972	74,892
Proceeds form borrowings	15	(50)	(31)
Distributed result		(37,291)	(37,171)
Net cash from or used in financing activities		**48,631**	**37,690**
Net movement in cash		**32,802**	**3,897**
Cash and cash equivalents as at the beginning of the period		21,491	17,594
Net increase in cash and cash equivalents		32,802	3,897
Cash and cash equivalents at end of the period		**54,293**	**21,491**

Investing and financing transactions that did not require the use of cash and cash equivalents are excluded from the cash flow statement. The Fund did not enter into such transactions during 2017 or 2016.

Notes to the financial statements

(amounts in €'000, unless otherwise stated)

The accounting principles adopted in the preparation of the financial statements of the Fund are set out below.

1 General

The Fund is a fund for joint account (fonds voor gemene rekening) under Dutch law. The Fund is not a legal entity (rechtspersoon), but a contractual arrangement sui generis, subject to the terms hereof, among the Management Company, the Custodian and each Investor individually. The Fund shall have an indefinite term subject to early dissolution of the Fund in accordance with Clause 15 of the Fund Agreement.

The Fund was established on 1 January 2013 and has its legal base in Utrecht, the Netherlands with address at Archimedeslaan 10, 3584 BA, Utrecht.

Its main activities are to invest in, to manage and to add value to a Seed portfolio of prime quality residential properties in the Netherlands. The intention is to deliver a stable income return while preserving a balanced risk structure.

The reporting year encompasses the period from 1 January to 31 December.

These financial statements have been prepared by the Management Company and approved for issue by the Meeting of Investors on 14 May 2018.

2 Summary of significant accounting principles

2.1 Basis for preparation

Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS-EU), Standing Interpretation Committee and IFRS Interpretation Committee as adopted by the European Union, Part 9 of Book 2 of the Dutch Civil Code and the Act on Financial Supervision (Wet op het financieel toezicht, Wft).

Income and cash flow statement

The Fund has elected to present a single statement of income and presents its expenses by nature.

The statement of cash flows 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 income and comprehensive income and movements in the statement of financial position which have not resulted in cash income or expenditure in the financial year. The cash and cash equivalents and bank overdraft amounts in the statement of cash flows include those assets that can be converted into cash without any restrictions and with insignificant change in value as a result of the transaction. Distributions are included in the cash flow from financing activities. Investments and divestments are included in the cash flow from investment activities at either the acquisition price or the sale price.

Preparation of the financial statements

The financial statements have been prepared on a going concern basis, applying a historical cost convention, except for the revaluation of investment property that has been measured at fair value. Except for cash flow information, the financial statements are prepared using the accrual basis of accounting.

In preparing these financial statements in conformity with IFRS-EU, management has made 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 recognized prospectively.

Changes in assumptions may have a significant impact on the financial statements in the period the assumptions changed. Management believes that the underlying assumptions are appropriate. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 4.

Functional and presentation currency
Items included in the financial statements are measured using the currency of the primary economic environment in which the entity operates (the 'functional currency'). The financial statements are presented in euros, which is the Fund's functional currency and the Fund's presentation currency.

Subsidiaries
Subsidiaries are those entities over which the Fund has control. Control exists when the Fund is exposed, or has rights, to variable returns from its involvement with the subsidiary and has the ability to affect those returns through its power over the subsidiary. This is the case if more than half of the voting rights may be exercised or if the Fund has control in any other manner.

A subsidiary's assets, liabilities and contingent liabilities are measured at fair value on the acquisition date and are subsequently accounted for in accordance with the Fund's accounting policies, which are consistent with IFRS.

The financial statements include the financial statements of the Fund and its subsidiary, ASR Dutch Core Residential Projects B.V. (hereafter Project BV), in which the Fund has an 100% equity interest.

The Fund will engage Project BV for maintenance, renovation and/or extension activities of portfolio assets to be acquired by the Fund, that might qualify as development activities for Dutch tax purposes. The Project BV will solely engage in any such activities with respect to portfolio assets and therefore not with respect to assets of other parties than the Fund.

The financial impact of the Project BV in the Fund's financial statements is not significant and therefore the financial statements of the Fund are an actual reflection of both the consolidated and the separate financial statements.

2.2 Changes in accounting policy and disclosures

(a) New and amended standards adopted by the Fund

The following standards and amendments have been adopted by the Fund for the first time for the financial year beginning on 1 January 2017:

- Amendments to IAS 7, 'Disclosure Initiative'
- Amendments to IAS 12, 'Recognition of Deferred Tax Assets for Unrealised Losses'

The following changes in IFRS standards and IFRIC interpretations are effective from 1 January 2017 or later, but not yet EU endorsed and therefore not applied by the Fund:

- Annual improvements to IFRSs 2014 – 2016 cycle, and
- Amendments to IFRS 12, 'Clarification of the scope of disclosure requirements in IFRS 12'.

The changes, if and when EU endorsed, have no material effect on the total equity attributable to Investors or profit or loss for the reporting period of the Fund.

(b) New standards, amendments and interpretations issued, but not yet effective

The main following new standards, amendments to existing standards and interpretations, published prior to 1 January 2018 and effective for accounting periods beginning on or after 1 January 2018, were not early adopted by the Fund:

New standards, amendments and interpretations issued, but not yet effective

Standard/Interpretation	Content	Applicable for financial years beginning on/after
IFRS 9	Financial instruments	1 January 2018
IFRS 15	Revenue from contracts with customers	1 January 2018
IFRS 16	Leases	1 January 2019

IFRS 9, 'Financial instruments – classification and measurement'
IFRS 9 addresses the classification, measurement and recognition of financial assets and financial liabilities. The complete version of IFRS 9 was issued in July 2014. It replaces the guidance in IAS 39 that relates to the classification and measurement of financial instruments. IFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortized cost, fair value through OCI (Other Comprehensive Income) and fair value through profit or loss. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in OCI with no recycling. There is a new credit losses model that replaces the incurred loss impairment model used in IAS 39. For financial liabilities there were no changes to classification and measurement except for the recognition of changes in own credit risk in other comprehensive income, for liabilities designated at fair value through profit or loss. IFRS 9 relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests. It requires an economic relationship between the hedged item and hedging instrument and for the 'hedged ratio' to be the same as the management actually use for risk management purposes.
Contemporaneous documentation is still required but is different to that currently prepared under IAS 39. The standard is effective for accounting periods beginning on or after 1 January 2018. The Fund expects IFRS 9 to have an immaterial impact on the accounting for the Fund's financial assets and liabilities.

IFRS 15, 'Revenue from contracts with customers - revenue recognition'
IFRS 15 deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognized when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces IAS 18 'Revenue' and IAS 11 'Construction contracts and related interpretations'. The standard is effective for annual periods beginning on or after 1 January 2018. The rental income of the Fund fall under the scope of IAS17 and therefore IFRS 15 have an immaterial impact on the provision of services and management income that fall under the scope of IFRS 15.

IFRS 16, 'Leases - distinction between operating and finance leases'
IFRS 16 was issued in January 2016. For lessees, it will result in almost all leases being recognized on the statement of financial position, as the distinction between operating and finance leases will be removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognized. The only exceptions are short-term and low-value leases. The accounting for lessors will not significantly change. The standard is effective for annual periods beginning on or after 1 January 2019 and earlier application is permitted. The Fund is assessing the impact of IFRS 16.

There are no other IFRSs or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Fund.

The IASB and the IFRIC have published the following standards and interpretations that are EU-endorsed, which were not yet effective. The standards, amendments and interpretations are not expected to be relevant to the Fund's operations:

Standards and interpretations that are EU-endorsed, which were not yet effective

Standard/Interpretation	Content	Applicable for financial years beginning on/after
IFRS 2	Amendments to IFRS 2, 'Share-based Payment'	1 January 2018
IFRS 4	Amendments to IFRS 4, 'Insurance Contracts'	1 January 2018
IFRS 9	Amendments to IFRS 9, 'Financial Instruments'	1 January 2018
IFRS 10	Amendments to IFRS 10, 'Consolidated Financial Statements'	n/a
IFRS 15	Amendments to IFRS 15, 'Revenue from Contracts with Customers'	1 January 2018
IFRS 16	IFRS 16, 'Leases'	1 January 2019
IFRS 17	'Insurance Contracts'	1 January 2021
IAS 28	Amendments to IAS 28, 'Investments in Associates and Joint Ventures'	n/a
IAS 40	'Transfers of Investment Property'	1 January 2018
IFRIC 22	Foreign Currency Transactions and Advance Consideration	1 January 2018
IFRIC 23	Uncertainty over Income Tax Treatments	1 January 2019

(c) Early adoption of standards
The Fund did not early adopt any new or amended standards in 2017.

2.3 Investment properties
Investment properties are defined as properties held for long-term rental yields or for capital appreciation or a combination of both.

The following are examples of investment properties:
- A building owned and held for generating rental income and/or capital appreciation;
- A building owned by the Fund and leased out under one or more operating leases;
- A building that is vacant but is held to be leased out under one or more operating leases;
- Property that is being constructed or developed for future use as investment property.

An item of investment property that qualifies for recognition as an investment property is measured initially at its cost, including related transaction costs and where applicable borrowing costs.

After initial recognition, investment property is carried at fair value. Investment property under construction is measured at fair value if the fair value is considered to be reliably determinable.

Investment properties under construction for which the fair value cannot be determined reliably, but for which the Management Company expects that the fair value of the property will be reliably determinable when construction is completed, are measured at cost until the fair value becomes reliably determinable or construction is completed - whichever is earlier.

Prepayments on turnkey projects, as part of investment properties under construction, are initially recognized at fair value.

Fair value of investment property is based on independent market valuations, adjusted, if necessary, for any difference in nature, location or condition of the specific asset. These market values are based on valuations by external valuers. Investment properties are valuated in line with valuation schedule. The external valuers will provide independent market valuations of the Fund's underlying assets on a quarterly basis, while being annually surveyed.

Valuations are performed as of the financial position date by professional valuers who hold recognized and relevant professional qualifications and have recent experience in the location and category of the investment property being valued. These valuations form the basis for the carrying amounts in the financial statements. Investment property that is being redeveloped for continuing use as investment property or for which the market has become less active continues to be measured at fair value.

It may sometimes be difficult to determine reliably the fair value of the investment property under construction. In order to evaluate whether the fair value of an investment property under construction can be determined reliably, management considers the following factors, among others:
- The provisions of the construction contract;
- The stage of completion;
- Whether the project is standard (typical for the market) or non-standard;
- The level of reliability of cash inflows after completion;
- The development risk specific to the property;
- Past experience with similar constructions;
- Status of construction permits.

Market value property valuations will be prepared in accordance with the RICS Valuation Standards, 7th Edition (the 'Red Book'). The relevant variables in the valuation methods are net, gross actual rents, theoretical rent, estimated rental value (huurherzieningswaarde), remaining rental period, voids and rental incentives. The net capitalization factor and the present value of the differences between market rent and contracted rent, of vacancies and maintenance expenditure to be taken into account are calculated for each property separately.

Subsequent expenditure is capitalized to the asset's carrying amount only when it is probable that future economic benefits associated with the expenditure will flow to the Fund and the cost of the item can be measured reliably. All other repairs and maintenance costs are expensed when incurred. When part of an investment property is replaced, the carrying amount of the replaced part is derecognized.

The fair value of investment property does not reflect future capital expenditure that will improve or enhance the property and does not reflect the related future benefits from this future expenditure other than those a rational market participant would take into account when determining the value of the property.

Changes in fair values are recognized in the statement of income and other income. Investment properties are derecognized from the statement of financial position on disposal or when the asset is permanently withdrawn from use and no future economic benefits are expected from its disposal. Any gains or losses on the derecognizing of an investment property are recognized in the statement of income and other income in the year of derecognizing.

2.4 Investment properties held-for-sale

Assets are classified as held-for-sale if it is highly probable that they will be recovered primarily through sale rather than through continuing use.

Such assets are generally measured at the lower of their carrying amount and fair value less costs to sell. Losses on initial classification as held-for-sale and subsequent gains and losses on remeasurement are recognized in profit or loss.

2.5 Leases

The Fund is the lessor in an operating lease. Properties leased out under operating leases are included in investment property in the statement of financial position (Note 11). See Note 2.13 for the recognition of rental income.

2.6 Financial instruments

Financial assets

The Fund determines the classification of its financial assets at initial recognition. When financial assets are recognized initially, they are measured at fair value.

Financial assets are derecognized only when the contractual rights to the cash flows from the financial assets expire or the Fund transfers substantially all risks and rewards of ownership.

The Fund's financial assets consist of cash and cash equivalents, loans and receivables.

Financial assets recognized in the statement of financial position as trade and other receivables are classified as loans and receivables. They are recognized initially at fair value and subsequently measured at amortized cost less provision for impairment.

Cash and cash equivalents are subsequently measured at amortized cost. Cash and cash equivalents include cash in hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less.

In relation to trade receivables, a provision for impairment is made when there is objective evidence (such as the probability of insolvency or significant financial difficulties of the debtor) that the Fund will not be able to collect all of the amounts due under the original terms of the invoice. Impaired debts are derecognized when they are assessed as uncollectible.

If in a subsequent period the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed, to the extent that the carrying value of the asset does not exceed its amortized cost at the reversal date. Any subsequent reversal of an impairment loss is recognized in the statement of income and comprehensive income.

Financial liabilities
Liabilities within the scope of IAS 39 are classified as financial liabilities at fair value through profit or loss or other liabilities at amortized cost, as appropriate. A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires.

All loans are classified as other liabilities. Initial recognition is at fair value less directly attributable transaction costs. After initial recognition, interest-bearing loans are subsequently measured at amortized cost using the effective interest method (see Note 2.10 for the accounting policy on borrowings).

Financial liabilities included in trade and other payables are recognized initially at fair value and subsequently at amortized cost. The fair value of a non-interest bearing liability is its discounted repayment amount. If the due date of the liability is less than one year, discounting is omitted.

2.7 Cash and cash equivalents
Cash includes cash in hand and cash with banks. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash with original maturities of three months or less and that are subject to an insignificant risk of change in value.

2.8 Capital
Capital is classified as equity. External costs directly attributable to subsequent issue capital are deducted from the proceeds. When capital recognized as equity is repurchased, the amount of the consideration paid, including directly attributable costs, is recognized as a change in the other reserves in capital. Repurchased units are classified as treasury units and deducted from total capital. Distributable results are recognized as a liability in the period in which they are declared.

2.9 Current assets and liabilities
Loans and receivables are initially recognized at fair value and subsequently measured at amortized cost, less impairment losses, if applicable.

The current assets and liabilities are due within one year. Current assets, for which provisions are necessary, are netted against the provision to reflect the estimated amount that will be settled. Rent receivables from tenants are stated at historical cost. A provision is made when there is evidence that the Fund will not be able to recover balances in full. Balances are written off when the probability of recovery is assessed as being remote.

2.10 Borrowings
Borrowings are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortized cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognized as finance costs (Note 2.14) over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognized as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the drawdown occurs if it is not probable that some or all of the facility will be drawn down, the fee is capitalized as a pre-payment for liquidity services and amortized over the period of the facility to which it relates.

Borrowings are classified as current liabilities unless the Fund has an unconditional right to defer settlement of the liability for at least 12 months after the date of the statement of financial position.

2.11 Provisions
Provisions are recognized when:
- The Fund has a present legal or constructive obligation as a result of past events;
- It is probable that an outflow of resources will be required to settle the obligation; and
- The amount can be reliably estimated.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation.

2.12 Distributable result
Distributable result to the investors is recognized as a liability in the Fund's financial statements. The distributable result for Q4 2017 is paid in February 2018.

2.13 Revenue recognition
Revenue includes rental income, and service and management charges from properties. The Fund presents the service charge income and service charge expense separately in the financial statements because the Fund bears the risk of recovery of these costs from tenants. Revenue on sales of investment properties is separately disclosed in the financial statements. A property is regarded as sold when the significant risks and rewards of ownership of the investment property have been transferred to the buyer, which is normally on unconditional exchange of contracts. For conditional exchanges, sales are recognized only when all the significant conditions are satisfied.

Rental income from operating leases is recognized on a straight-line basis over the lease term. When the Fund provides incentives to its tenants, the cost of incentives is recognized over the lease term, on a straight-line basis, as a reduction of rental income.

Gross rental income
Gross rental income is the actual rents charged to tenants.

Theoretical rental income
The theoretical rental income is based on passing rent of existing contracts for leased units and the estimated market rent.

Rent incentives and premiums
All (rent) incentives for contracts of a new or renewed operating lease are recognized as an integral part of the net considerations, irrespective of the incentive's nature or form or the timing of the payments. The Fund recognizes the aggregate benefit of incentives as a reduction in rental income over the lease term.

2.14 Finance income and finance costs
Interest income and expense are recognized within 'finance income' and 'finance costs' in the statement of income and comprehensive income using the effective interest rate, except for amortized costs relating to qualifying assets, which are capitalized as part of the cost of that asset. The Fund has chosen to capitalize amortized costs on all qualifying assets irrespective of whether they are measured at fair value or not.

The effective interest method is a method of calculating the amortized cost of a financial asset or financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts throughout the expected life of the financial instrument, or a shorter period where appropriate, to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the Fund estimates cash flows considering all contractual terms of the financial instrument (for example, pre-payment options) but does not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

2.15 Fund expenses and management fee expenses
Fund expenses include legal, accounting, auditing and other fees. Management fee expenses fund-, asset- and property management fees - and asset management fees. Fund expenses and management fees are recognized in the period in which they are incurred (on an accruals basis). Property management fee is recognized in the property-specific costs.

2.16 Corporate income tax
The Fund is transparent with respect to corporate income tax, therefore no corporate income tax is applicable for the Fund.

3 Risk management

Investing in real estate involves an element of financial risk. Potential investors in the ASR Dutch Core Residential Fund (the 'Fund') are requested to read each of the following sections carefully.

3.1 Introduction to investment risks

The value of participations will fluctuate. Likewise, the net asset value of the Fund is subject to price fluctuations. It is possible that the investment will increase in value; however, it is also possible that the investment will generate little to no income and that an unfavourable price movement will result in losing some or all of your capital. Past performance does not guarantee future results. The different risks associated with investing in the Fund, as well as those risks associated with the Fund's management and risk management systems, are defined in more detail below.

3.2 Risk management model

The Fund Manager, a.s.r. real estate, and the Fund's Investment Committee attach great importance to sound risk management. Such an approach helps a.s.r. real estate to pursue strategy and achieve objectives for the real estate funds that it manages in an adequate and controlled manner. The risk management system of a.s.r. real estate and of the funds that it manages follows the principles of The Committee of Sponsoring Organizations of the Treadway Commission II-Enterprise Risk Management (hereafter called COSO II-ERM). These principles provide a standard and common framework that is generally accepted in the market for internal control and audit purposes. The framework comprises the following components:

1. The objectives of the Fund with respect to risk management
2. The tasks and responsibilities of the Risk Manager
3. The planning of the risk management model within the Fund Manager's organization so that procedures and measures guarantee the functional and hierarchical separation of those tasks concerning risk management and those tasks conducted by the operating units

The Alternative Investment Fund Managers Directive (AIFMD) license was granted to a.s.r. real estate on 9 February 2015. From this date continuous maintenance, if necessary, is carried out to the existing system to improve risk management in the organization a.s.r. real estate. The Fund Manager set out the risk policy in a policy document and the organization employed an independent risk manager as required by the Act on Financial Supervision (Wft) and AIFMD.

The Fund Manager has integrated the risk management system into the organization's processes and procedures. The aim is to effectively manage the risks of the organization's operations, the financial position of the portfolio and any subcontracting relationship with regard to the Fund's objectives.

The Fund reports the mandatory AIFMD fund details and results to the Dutch Central Bank (DNB). This is done on a quarterly basis through e-line.

3.3 Responsibility for risk management within a.s.r. real estate

Ultimate responsibility for risk management tasks within a.s.r. real estate lies with the Chief Finance and Risk Officer (CFRO). Portfolio management tasks come under the responsibility of the Chief Executive Officer (CEO). This structure ensures that risk management and portfolio management are hierarchically and functionally segregated.

The CFRO is supported by four senior members of staff and one team:

1) The Business Risk Manager (BRM)
2) The IT Risk Officer (IRO)
3) The Compliance Officer (CO)
4) The Fund Controller (FC)
5) The Internal Control Team (Team IC)

Risk management mission
The role of risk management is to control risk and value creation. It is carried out by making risk management an integrated, visible and consistent part of the organization's decision-making processes. Risk management entails:
- Delivering and translating policy and frameworks for a.s.r. real estate
- Identifying and quantifying risks
- Managing risks
- Monitoring the management of risk and issuing reports on the findings

Risk management is conducted in the interest of several interested parties such as investors, tenants, leaseholders, employees and supervisory bodies.

Risk management objectives
The Fund Manager (a.s.r. real estate) believes that the quality and status of its risk management must be evident internally and externally and that the property funds and associated responsibilities that it manages must be accounted for. The objectives of risk management are to:
- Promote a risk management culture that enables a.s.r. real estate to make the correct assessments between risk and return for optimal value creation
- Ensure a risk framework and risk policy are implemented so that risks are managed and reported
- Issue solicited and unsolicited opinions to monitor financial solidity, manage operational processes effectively and protect the reputation of a.s.r. real estate
- Contribute to risk awareness with regard to operational risks, information security and business continuity
- Support those responsible for first line of defence risk management tasks, and in doing so fulfill the role of countervailing power
- Optimize the risk profile of a.s.r. real estate and the Fund, taking into account the objectives of the Fund (effectiveness, efficiency and economy)
- Ensure quality improvements of the management of a.s.r. real estate and the Fund
- Reduce the chance of operational losses and make better use of opportunities
- Demonstrate that the Fund Manager is 'in control'
- Ensure that all relevant risks to which the Fund is exposed can be effectively identified, mitigated, monitored and reported. In addition, support supervisory bodies in their efforts to ensure that legislation, rules and policies are observed
- Show that risk management is a 'license to operate' for the Fund and the mandate

Governance of the Fund
A Risk Committee (RC) and a Beleggingscomité (BC) have been set up within a.s.r. real estate. In addition, the Fund established an Investment Committee (IC) and a Meeting of Investors (MoI). The decisions and actions of these committees are monitored, recorded and reported.

Risk Committee (RC)
The RC assesses among other things management reports within the framework of investment restrictions and various operational risk reports. Reports relate to the progress of Control Risk Self- assessment action points, compliance issues, data protection and company continuity reviews, operational loss recordings and the Non-Financial Risk Dashboard. The RC meets once a quarter.

Beleggingscomité (BC)
The BC discusses investment, divestment and portfolio plans and deals with the frameworks for investment plans and mandates. The BC meets once every two weeks.

Investment Committee (IC)
The IC constitutes of three to five representatives of the investors in the Fund, of which the Anchor Investor is one of the representatives. The meetings are event-driven and assess/approve investment and divestments with a value exceeding € 25m. In addition, each year the IC provides a written advice on the Fund's three-year business plan, to be approved in the Fund's Meeting of Investors.

Meeting of Investors (MoI)
The MoI means the Meeting of Investors in which all investors are represented. The MoI will be held as often as required, but at least one physical Meeting of Investors will be held each year. The MoI approves for example the Fund's Three-Year Business Plan and also the Fund's audited financial statements.

3.4 Risk management system

Control Risk Self-Assessment (CRSA)
The risk management system is a cyclical process of one year. It starts when the Executive Board of a.s.r. draws up the risk management strategy, which is done on a yearly basis. To help identify opportunities and threats at a strategic level, the BRM conducts an annual CRSA. This strategy is then translated by the Executive Board of a.s.r. real estate into objectives for a.s.r. real estate and for the funds that it manages. The BRM also assists the Executive Board of a.s.r. real estate in conducting an annual CRSA, which ascertains the risks of new and existing objectives of the management organization and of the investment funds.

Any policy amendments based on findings that emerge during the annual CRSA are processed into the risk management policy of a.s.r. real estate and submitted to the Executive Board of a.s.r. real estate for approval.

In order to mitigate these risks, actions are identified and documented so that they can be monitored every quarter by the BRM. The BRM reports on these actions every quarter to the Executive Board and to the ERM department of a.s.r. Progress on these actions is also discussed within the RC of a.s.r. real estate.

Non-Financial Risk (NFR) Dashboard
The NFR Dashboard is monitored and reported by the Business Risk Manager and provides insight into the degree of risk management on the following categories:
- External risk
- Operational risk
- IT risk
- Integrity risk
- Legal risk
- Outsourcing risk

The NFR dashboard indicates the risk appetite of a.s.r. in relation to each of the above risks. The NFR dashboard is jointly updated each quarter by the Legal Department, the Compliance Officer and the Head of Quality Management & Process Management of a.s.r. real estate. If necessary, the BRM recommends actions to improve risk control. The RC of a.s.r. real estate discusses and reports on the dashboard and any proposed actions.

Properties with an increased risk

Properties with an increased risk are logged and monitored by a.s.r. real estate. The risks that are monitored include:
- Reputation risk
- Legal risk
- Debtors risk
- Operational risk
- Tax risk

The list is discussed each quarter in the RC and mitigating measures are taken if necessary.

Operational losses
Operational losses are analyzed monthly so that causes can be investigated and improvements carried out. Operational losses must be reported.

Raising risk awareness
a.s.r. real estate strives to ensure that risk awareness is transparent and measurable throughout the organization, embedded in procedures, and embraced by employees. This means that decision- making at all levels in the organization must allow for the right questions to be asked in a clear way. It must also ensure that the answers to these questions lead to adequate action when appropriate. Consequently, managers at all levels are responsible for promoting risk awareness and ensuring that managers and employees know what it is to be risk aware.

Three Lines of Defense model
The Three Lines of Defense model is used within a.s.r. real estate to implement risk management. In other words, different parts and levels of an organization play different roles in risk management. The organization's managers are responsible for the effectiveness of standardized internal control procedures.

Key controls (first line of defense)
A number of controls designed as first line of defense are documented within a.s.r. real estate. These controls focus on data quality (master data such as property, contracts, debtors and creditors), suspense accounts and taxation (VAT). They are drawn up by the business and Finance and Risk department within a.s.r. real estate and are monitored as a first line of defense. These controls are essential for producing effective management reports.

In order to guarantee independence, risk managers and compliance officers in the second line of defense are responsible for translating the prevailing laws and rules into an internal standard framework and requirements so that the managers can monitor implementation from a supervisory role. Team IC is responsible as second line of defense for testing the ISAE key controls and report on monthly basis to the management team of a.s.r. real estate.

The third line of defense (internal audit and depositary) gives an objectified judgement on the operation of the standards system. Furthermore, the risk management system of a.s.r. real estate and the Fund is audited every other year by the external auditor.

The role of the depositary
The AIFMD license requires a.s.r. real estate to appoint a depositary for the funds that it manages. BNP Paribas Securities Services S.C.A. (BNP) is the depositary for the ASR Dutch Core Residential Fund. BNP is competent to monitor real estate investment funds on the basis of laws, regulations and administrative provisions.

In the execution of their respective tasks, a.s.r. real estate and the depositary conduct themselves in a reasonable, professional, independent and trustworthy manner and in the interest of the Fund and the investors in the Fund. The role of the Fund's depositary is to:
a) Monitor cash flows, including the identification of significant and inconsistent cash flows and the reconciliation of cash flows with the administration of the Fund;
b) Ensure that the sale, issue, re-purchase, redemption, cancellation of units or shares of the Fund and valuation are carried out in accordance with the applicable national law and the fund rules or instruments of incorporation;
c) Ensure that investment transactions of the Fund are timely settled;
d) Monitor and check that the total result of the Fund is allocated in accordance with the applicable national law and the fund rules or instruments of incorporation;
e) Monitor and check that the Alternative Investment Manager ('AIFM") performs its investment management duties within the fund rules or instruments of incorporation.

Supervisory bodies
a.s.r. real estate is supervised by the Dutch Central Bank (DNB) and the Netherlands Authority for the Financial Markets (AFM). These supervisory bodies, appointed by the government, are independent and impartial institutes that guarantee the compliance of organizations with legislation and regulation.

Legal issues
Legal expertise has been guaranteed in the first and second line of defense. For its first line of defense, a.s.r. real estate has a Legal Department that has specific knowledge of real estate and of setting up and managing funds. This department also checks the activities of the business as a second line of defense. The objectives of the Legal Department are providing legal advice and managing legal risks.

Compliance
The Compliance Department is a subsection of the Integrity Department within a.s.r. The aim of the Compliance Department is to promote and monitor the proper management of the business and to protect the reputation of a.s.r. and its labels. There is a dedicated Compliance Officer for a.s.r. real estate.

The Compliance Officer of a.s.r. real estate is responsible for:
1. Designating a member of the management team who is responsible for compliance issues on behalf of the Fund Manager and the funds
2. 'Translating' (written) policy concerning rules at a.s.r. level into a format suitable for a.s.r. real estate and ensuring its implementation
3. Managing compliance risks at a.s.r. real estate level
4. Monitoring compliance with all relevant rules
5. Taking and implementing (new) control measures regarding identified compliance shortcomings within a.s.r. real estate
6. Producing periodic reports on compliance risks and the compliance with rules in co-operation with the Compliance Department
7. Ensuring the adequate provision of information and training to employees concerning the application of relevant rules and procedures

Compliance report

Every quarter the Compliance Officer of a.s.r. real estate reports to a.s.r. and its subsidiaries on compliance matters and the progress of relevant action points. The quarterly report is submitted to the Executive Board of a.s.r. real estate and discussed separately with members of the Executive Board of a.s.r. The report is then presented to the Audit and Risk Committee. In effect, the Compliance Officer reports directly to the Executive Board and/or the Audit and Risk Committee.

The quarterly report outlines
1. Pursued compliance policy and the way in which this policy has been conducted
2. Findings from the monitoring of activities, and the follow up and effectiveness of control measures taken
3. Any compliance incidents
4. Relevant developments concerning rules.

The Compliance Officer also draws up the quarterly business reports and acts as a consultant for the sale and purchases processes of any property selected by a.s.r. real estate.

Guaranteeing the independence of the compliance function

In order to guarantee the independent position of the Compliance Officer and to be able to operate autonomously, the following measures have been taken:

The Compliance Officer of a.s.r. real estate has, in addition to the direct reporting obligation to the Chair of the Executive Board, a formal reporting obligation to the Chair of the Audit & Risk Committee and, if compliance matters need to be escalated, to the CEO of a.s.r. real estate.

Internal audit

Audit a.s.r. is the internal audit department of a.s.r. It acts as a third line of defense by appraising independently the quality of the organization's management and its processes and by making solicited and unsolicited recommendations for improving the organization's management and its processes. Audit a.s.r. reports its findings to the CEO of a.s.r. and to the Audit Committee (AC) of the Supervisory Board of a.s.r. It conducts audits on various processes, projects or topics regularly within a.s.r. real estate.

Manager's declaration

The Executive Board of a.s.r. real estate issued a management control statement on risks in the financial reports and the risk management model (including compliance risk) at a.s.r. real estate over 2017. The Executive Board is responsible for sound risk management and effective internal control systems.

3.5 Specific financial risks in respect of direct real estate

These risks and the approach that the Fund Manager takes in dealing with these risks are described extensively in the section on accounting principles in the notes to the financial statements

Financial risks can be divided into several risks:
- Real estate risk
- Rental risk
- Market risk
- Interest rate risk
- Credit risk
- Liquidity risk
- Funding risk
- Project risk

ASR Dutch Core Residential Fund Management Company B.V. (the Management Company) has an agreement (Management Agreement) with a.s.r. real estate (the Manager). In the agreement is stated that the Manager will provide fund management services, asset management services and property management services to the Management Company. Under the fund management services the following items are included (not limitative): legal & structuring, compliance, business & financial advisory, human resource, risk management, communication and marketing and finance and tax.

The following describes the involved risks and applied risk management.

Real estate risk

The yields available from investments in real estate depend primarily on the amount of income earned and capital appreciation generated by the relevant properties, as well as expenses incurred. If investment properties do not generate revenues sufficient to meet expenses, including debt service if applicable and capital expenditures, the Fund's income will be adversely affected. Income from investments properties may be adversely affected by the general economic climate, local conditions such as oversupply of properties or a reduction in demand of properties in the market in which the 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 investment properties and real estate values may also be affected by factors such as the cost of regulatory compliance, interest rate levels and the availability of financing.

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

In addition, the Fund's income would be adversely affected if a significant number of tenants were unable to pay rent or its properties could not be rented on favourable terms. Certain significant expenditure associated with each equity investment in real estate (such as external financing costs, real-estate taxes and maintenance costs) generally are not reduced when circumstances cause a reduction in income from properties. Due to the high number of residential units which are leased to mainly individual tenants, the portfolio risk is diversified.

The report from the Management Company describes the portfolio strategy. By implementing the described strategy, the management expects to mitigate the above real estate risks to an acceptable level. The Fund has a core strategy and focuses to invest in apartments and single-family houses situated in stronger economic regions and cities in the Netherlands. By diversifying both in terms of risk spread (primarily low and medium risk) and location of its assets, the management of the Fund expects to lower the risk profile of the portfolio.

The properties are valued by independent valuers. In 2017 , the independent valuers were MVGM Vastgoedtaxaties, Cushman & Wakefield and/or CBRE Valuation Advisory. The whole portfolio is valued each quarter. Every property is valued by a full valuation once a year, and three times a year by a desktop review. The market value (fair value) of the Fund's portfolio as determined by the valuers is reflected in the financial statements, while a complete overview of all properties in the Fund's portfolio is provided in Appendix 4 of this annual report.

As real estate risk can be disposed in multiple risk factors, such as rental risk, market risk, interest rate/yield risk, these risks are further described.

Rental risk

Rental risk involves the risk of lettability and movements in market rents. As market rents can differ from contract rents, adjustments in rental income may occur when lease contracts terminate and new tenants take up residence in the Fund's dwellings. The Fund Manager continuously monitors market rents and their movements. The occupancy rate of the portfolio is considered to be high and stable. Asset managers and our external property managers are in constant contact with tenants and their developments. Furthermore, the Fund Manager's organization has a research department that analyzes and reports on developments in this area. The standard lease terms state that rent must be paid in advance. In some cases a bank guarantee is required for new tenants.

Impact on change in rent (sensitivity analysis)

	Change in rental income			
	-10.0%	-5.0%	0.0%	5.0%
Impact on direct return Fund	-0.4%	-0.2%	0.0%	0.2%

Market Risk

This relates to the impact of overall market changes on the value of assets and rental income. A decrease in market values affect capital growth. Although the Fund cannot protect itself fully against macro economical items, the Fund carefully monitors transactions in the market and the development of vacant possession values and can therefore reduce a part of the specific risk that the Fund is exposed to. In addition, the entire portfolio is valued by independent appraiser in order to reduce valuation risk.

By diversifying both in terms of risk spread (primarily low and medium risk) and location of its assets, the management of the Fund expects to lower the risk profile of the portfolio.

Value development of the portfolio

The portfolio's fair values are affected by market rents and general economic developments. Lower market values affect capital growth returns. The Fund Manager carefully monitors transactions in the market and the development of vacant possession values. The portfolio's fair value development is also monitored closely. Every quarter, the entire portfolio is valued by independent external appraisers. Properties are valued at market value and according to International Valuation Standards, recommendations of the Platform Valuers and Accountants (PTA), AIFMD and RICS standards.

Interest-rate risk

As the Fund's interest-bearing assets do not generate significant amounts of interest, changes in market interest rates do not have any significant direct effect on the Fund's income.

The Fund's interest rate risk principally arises from long-term borrowings (Note 15). Borrowings issued at floating rates expose the Fund to cash flow interest rate risk.. The Fund does not have borrowings at fixed rates. The Fund's interest rate risk is assessed continually. As at 31 December 2017 the Fund's interest rate risk is not significant.

Impact of interest rate change (sensitivity analysis)

	Change in interest rate			
	+200bps	+100bps	0bps	-100bps
Impact on direct return Fund	0.0%	0.0%	0.0%	0.0%

Trade and other receivables and trade and other liabilities are interest free and with a term of less than one year, so it is assumed that there is no interest rate risk associated with these financial assets and liabilities.

As the risk free interest rate and the risk premium are components of the Fund's discount rate, a change in either one components can have an effect on the value of assets as they are considered to be yield risk. Furthermore, the impact of inflation rate risk and interest rate risk on valuations is measured, mitigated and monitored as part of the valuation methods.

Impact of yield change (sensitivity analysis)

				Change in yield
	+200bps	+100bps	0bps	-100bps
Impact on indirect return Fund	-18.3%	-10.1%	0.0%	12.8%
Impact on direct return Fund	0.7%	0.4%	0.0%	-0.4%

Credit risk
Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Fund. The Fund has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral where appropriate, as a means of mitigating the risk of financial loss from defaults. The Fund's exposure of its counterparties is continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties.

Revenues are derived from a large number of tenants, spread across geographical areas and no single tenant or group under common control contributes more than 10% of the Fund's revenues. Ongoing credit evaluation is performed on the financial condition of accounts receivable and, where appropriate, a bank guarantee from tenants is obtained. Debtor's positions are monitored on a monthly basis. The Standard lease terms state that rent is paid in advance. Furthermore, either a guarantee deposit or a bank or concern guarantee is required within the standard lease terms. The Fund's credit risk is primarily attributed to its rental receivable and lease receivable. The amounts presented in the statement of financial position are net of allowances for doubtful receivables, estimated by the Fund's management based on prior experience and their assessment of the current economic environment.

At the reporting date there are no significant concentrations of credit risk. The carrying amount reflected in the financial statements represents the Fund's maximum exposure to credit risk for tenants. As at 31 December 2017 the debtor's position amounts to € 0.4m, 0.8% of gross rental income. The outstanding amount can be divided into the following aging categories.

Rent receivables from tenants

	December 2017
< 30 days	251
31-60 days	34
61-180 days	102
180-365 days	79
> 365 days	181
Total rent receivables	**647**
Total > 30 days	396
% of gross rental income	0.8%
Provision for doubtful debt	375

The total debtor's provision amounts to € 375k as per 31 December 2017.

Liquidity risk
Real Estate by nature is an asset class with a low level of liquidity. Liquidity risk implies that the Fund may nog be able to sell a portfolio asset on favorable terms. Ultimate responsibility for liquidity risk management rests with the management of the Fund, which has made a liquidity risk management framework for the management of the Fund's liquidity management requirements. The Fund manages liquidity risk by maintaining adequate reserves, obtaining loan facilities if applicable by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. The Fund has an agreement with NIBC for a credit facility of € 50m (undrawn per 31 December 2017). It faces very low solvency risk, since 0.0% of the Fund's GAV is financed with borrowings, as at 31 December 2017.

The exposure to risk mainly relate to the obligation to finance forward acquisitions. All direct result is paid out to the investors on a quarterly basis, therefore the loan facility will be used to finance forward acquisitions Afterwards such loan facility will be converted into new equity, to keep the equity character of the Fund. In the years thereafter the identified forward acquisitions plus additional acquisitions are expected to be financed by loan facilities first, after which this debt will be converted into new equity. Therefore a certain amount of debt due to loan facilities will be applicable in the Fund the upcoming years due to forward acquisitions.

Closed-end structure under AIFMD definitions
The Fund is a closed-end investment company under AIFMD definitions. This means that the Fund's capital is fixed at the initial offer. Afterwards the Fund may issue new units, or purchase existing units, but this is neither an obligation of the Fund nor a right of the unit holders.

Funding risk
The Fund may enter into loan facilities in order to finance either; the committed forward acquisitions, acquisition of new properties, short term working capital requirements or liquidity for redemptions requests. Although the use of leverage may enhance returns and increase the number of investments that can be made, it also may increase the risk of loss. This includes the risk that available funds will be insufficient to meet required payments and the risk that possible future indebtedness will not be able to be refinanced or that the terms of such refinancing will not be as favourable as the terms of possible future indebtedness.

Subject to the expected future trends of the interest rates and the nature of real estate, the policy of the Fund is to make use of a certain level of debt financing. The loan facility as per 31 December 2017 results in a loan-to-value ratio of 0 %). The Fund wants to keep its low leverage status to support the equity character of the Fund.

Project risk
Since some may qualify planned activities of the Fund as "activities that exceed normal asset", a separate ASR Dutch Core Residential Projects B.V. was set up. This Project BV taxes profits and corporate income tax is paid to the tax authorities. The work carried out by the Project BV, exclusively for the Fund. To this end, an agreement (Real Estate Project Agreement, dated 6 September 2016) was arranged between a.s.r. real estate and the Fund in which a.s.r. real estate appoints ASR Dutch Core Residential Projects B.V. to perform certain projects.

The Fund may undertake maintenance, renovation and/or extension of an asset or invest in an asset that requires maintenance, renovation and/or extension prior to acquiring the asset either by itself or through ASR Dutch Core Residential Projects B.V. The Fund may invest in maintenance, renovation and/or extension which include several risks. Such risks include, without limitation, risks relating to the availability and timely receipt of planning and other regulatory approvals.

If such work needs to be performed, there are procedures, to control the risks regarding projects. After a significant analysis for each investment project, it is decided whether such activity should be performed by either the Fund directly or ASR Dutch Core Residential Projects B.V., to mitigate the risk of losing the tax status of the Fund. In case ASR Dutch Core Residential Projects B.V. should perform the project, the Fund gives a formal appointment to ASR Dutch Core Residential Projects B.V. to carry out the requested work. If ASR Dutch Core Residential Projects B.V. performs the work, a fee is paid by the Fund for the applicable project.

The investment projects include several risks such as planning and timing risks, commercial risks, cost overrun risks and license risks.

Planning and timing
Based on an internal investment proposal analysis, the Fund decides on the amount to be spent and on the timing of the required work. After internal approval, each project is administered in the Project Module of the SAP system, including budget and timing. Both budget and timing are monitored during the investment activities.

Commercial risks
The commercial terms of new contracts are monitored afterwards in order to follow whether they meet the terms out of the investment project proposals which were the basis to perform the investment project.

Cost overrun
On a monthly basis all budgets are monitored by controllers and discussed with the asset managers. In case cost overruns are foreseen, approval for the overrun need to be obtained.

Licenses
In some cases, licenses from the government or city council need to be obtained to be able to perform required projects. Asset management monitors the requirements of such licenses, and in case of delay, informs the Fund.

3.6 Other risks

The most significant risks that remain are explained below.

Strategic risk
The risk that the Fund's objectives are not achieved because of the management's poor decision- making, incorrect implementation and/or insufficient response to changes in the environment. Strategic risk can arise, for example, when a strategy does not anticipate all threats and opportunities in the market or when insufficient resources are made available to pursue the strategy effectively.

The Fund Manager mitigates strategic risk by drawing up a three-year business plan every year. By doing so, market opportunities and threats are analyzed and amendments are made to the policy, if necessary. This business plan is to be approved each year by the Fund's Meeting of Investors.

Maintaining the Fund's tax status
The Fund qualifies as a tax transparent fund for joint accounts for Dutch corporate income tax purposes and Dutch dividend withholding tax purposes, providing all relevant parties act in accordance with the Fund Agreement. The Dutch tax authorities have confirmed the transparency of the Fund for corporate income tax and Dutch dividend withholding tax purposes. In order to maintain its tax status, no development activities should take place in the Fund. The Fund Manager continuously monitors its forward acquisitions.

Investment objective and strategy, investment criteria and investment restrictions
The investment objective and strategy, investment criteria and investment restrictions, as set out in the Fund Agreement, are monitored on a quarterly basis and on a case-by-case basis for acquisitions and sales. The Fund's investment restrictions relate to the following criteria:

- There is a focus on core, residential assets in the Netherlands
- A maximum of 20% of GAV can be invested in a single asset
- The Fund needs to be in control of the assets
- The Fund must avoid development risk

The Fund Manager continuously monitors portfolio deviation and the consequences of potential acquisitions and sales on the investment restrictions. During 2017 the Fund met all investment objectives and strategy, investment criteria and investment restrictions.

Concentration Risk
The Fund solely invests in residential properties in the Netherlands. The geographic investment focus increases the risk exposure to any factors having an impact on the residential sector in these areas. This risk factor is mitigated by establishing twelve focus areas. Within the strategy concentration risk is further mitigated by diversifying asset types such as apartments, single family houses and different types of tenants.

Relative performance risk
Relative performance risk is the risk that the Fund's results fall behind the selected benchmark and, as a result, investors decide to sell the Fund's certificates and/or new investors do not want to join the Fund. This risk is mitigated by comparing the Fund's performance to the benchmark on a monthly basis and by holding asset managers accountable and directing them if necessary.

Operational risk
Operational risk is the risk that errors are not observed in a timely manner or that fraud can take place as a result of the failure or inadequacies of internal processes, human and technical shortcomings, and unexpected external events. The Fund Manager has, as described above, an extensive risk management framework to mitigate operational risk. For quantitative analysis (if relevant), we refer to the risk management paragraph in note 3 of the annual report (page 63 and further).

Continuity risk
Continuity risk is the risk that the management organization discontinues as a result of, for example, bankruptcy or failing IT systems. In such situations the agreements with principals can no longer be carried out. This risk is mitigated by maintaining service level agreements with subcontracting partners, drawing up and maintaining the business continuity plan, and pursuing a data protection policy.

Financial reporting risk
Financial reporting risk is the risk that erroneous reports present an inaccurate representation of the Fund's financial situation. The quality of the Fund's financial reports is guaranteed by the performance of periodic internal and external audits. The procedures for financial reporting have been documented, and internal audits take place on the basis of samples and ad hoc inspections.

Regulation risk also concerns the risk that the Manager does not retain its AIFMD license, in case it does not comply with the license obligations. The Manager strictly adheres to the license obligations and actively monitors changes in AIFMD regulation and guidelines in order to mitigate this risk.

Tax and legal risk
Any changes to (the interpretation of) fiscal or other legislation and regulations may have a positive or negative effect on the tax position of the unitholder. Yields can be influenced by an incorrect legal or fiscal assessment. This risk is mitigated by obtaining, when necessary, advice from external tax advisors and lawyers of reputable organizations.

Legislation and regulation risk
Legislation and regulation risk is the risk that changes to laws and regulations will influence the results of the Fund. The Fund Manager cannot influence or change amendments to legislation and regulation. However, such risk can be mitigated by anticipating upcoming (possible) amendments in a timely manner. The Fund Manager has designated a Compliance Officer who is charged with supervising the Fund's compliance with legislation and regulation.

A wide variety of laws and regulations apply to the Dutch (residential) real estate market. The Fund continuously monitors regulatory developments, in order to ensure compliance with the latest standards and regulations. Failing to do so could have the following implications:
- The Fund might suffer reputational damage if it is unable to implement new requirements promptly.
- Fines and legal action may be imposed on the Fund if it is unable to implement new requirements promptly.

Regulation risk also concerns the risk that the Manager does not retain its AIFMD license, in the case of its not complying with license obligations. The Manager strictly adheres to license obligations and actively monitors changes in AIFMD regulation and guidelines in order to mitigate this risk.

Integrity risk
Integrity risk is the risk that the unethical behaviour of employees, internal managers and business partners can damage or prevent the realization of the Fund's objectives and yield. These risks are monitored by the Compliance Department by ensuring adherence to the following policies:
- Whistleblower policy: The Whistleblower policy of a.s.r. real estate conforms to the objective of guaranteeing the confidence in and the reputation of a large organization in sound corporate governance.
- Incident management: The management of a.s.r. real estate is responsible for the sound internal management of the company's procedures. The Operational Incidents policy is a component of the Integrated Risk Management framework.
- Customer Due Diligence policy (CDD): The aim of the CDD policy of a.s.r. real estate is to create an internal control environment that gathers sufficient knowledge of the customer in order to mitigate the risk of reputational and financial damage.
- Pre-employment screening (PES): a.s.r. real estate screens all new employees. The screening comprises an internal and external test. Employees applying for an integrity-sensitive position are subject to additional screening. Employees are recruited only if they pass the screening.

4 Critical judgements in applying the Fund's accounting policies

The assets of the Fund mainly consist of the investment portfolio. The market value of these assets cannot be assessed using quotations or listings. A valuation based on fair value is a time- and place-based estimate. The estimate is based on a price level on which two well informed parties under normal market conditions would make a transaction for that specific property on that date of valuation. The fair value of a property in the market can only be determined with assurance at the moment of the actual sale of the property.

An external valuer bases his fair value valuations on his own market knowledge and information. The valuation made by the valuer is verified by the asset managers of a.s.r. real estate. The fair value is based on net yield calculation, where market rents are capitalized and normative property expenses (such as maintenance costs, insurance and expenses) are deducted. The yields are specific for the location, residential asset type of the property, the level of maintenance and the general lettability of every single property.

Apart from assumptions regarding to yields and market rents, several other assumptions are taken into account in the valuations. Assumptions for the costs of vacancy, incentives and the differences between market rent and contract rents are included in the valuations. Finally, sales costs at the expense of the buyer, including transfer tax, are deducted from the market value.

For an overview of the of the impact of a yield shift, we refer to Note 11.

5 Gross rental income

Gross rental income

For the year	2017	2016
Theoretical rental income	50,436	48,638
Vacancy	(1,221)	(1,100)
Straight lined rent incentives	(66)	(30)
	49,149	**47,508**

The future aggregate minimum rentals receivable under non-cancellable operating leases are as follows:

Future aggregate minimum rentals receivable under non-cancellable operating leases

For the year	2017	2016
No later than 1 year	4.202	4.119
Later than 1 year and no later than 5 years	223	268
Later than 5 years	-	5

Net rental income

For the year	2017	2016
Gross rental income	49,149	47,508
Service charge income	3,167	3,374
Service charge expenses	(3,167)	(3,374)
Property operating expenses	(11,168)	(11,677)
	37,981	**35,831**

For quantitative analysis on gross rental income we refer to page 23.

6 Property-specific costs

Property-specific costs

For the year	Notes	2017	2016
Maintenance		5,482	5,248
Marketing costs		745	690
Non recoverable service costs		61	7
Property insurance		344	336
Property management fee		1,974	1,900
Movement in provision for doubtful debt	13	93	(386)
Movement in provision for onerous contracts		(517)	517
Taxes		2,398	2,502
Other property specific costs		588	863
		11,168	**11,677**

For quantitative analysis on property-specific costs we refer to page 23. All direct operating expenses (including repair and maintenance) relate to investment properties that generated rental income during the period.

7 Fund expenses

Fund expenses

For the year	2017	2016
Administration and secretarial fees	56	83
Amortized provision on borrowings	19	25
Audit fees	94	94
Bank charges	7	9
Depositary fees	106	100
Publication fees	49	50
Valuation fees	407	348
	738	**709**

8 Management fees

Management fees

For the year	2017	2016
Asset management fee	5,439	4,532
Fund management fee	544	453
	5,983	**4,985**

For quantitative analysis on management fees we refer to page 24.

The remuneration policy is set at the level of ASR Nederland N.V. and is part of the HR-policy. The remuneration policy is determined by government policies and societal opinion on remuneration in the financial sector. The remuneration policy supports the strategy and business objectives of ASR Nederland N.V. and must help ASR Nederland N.V. enable to attract and retain qualified employees. Since July 1, 2014 remuneration includes all remuneration groups of fixed salary only. The fixed remuneration consists of a fixed gross monthly salary, a holiday allowance of 8% and a thirteenth month. The amount of the fixed remuneration (with the exception of the Executive Board) is determined by the weight of the job and the salary group. The growth of the fixed salary is linked to the assessment of the overall job performance. The fixed salary is indexed according to the collective increase in the insurance business.

The Fund has no employees in 2017. All employees and directors working for the Fund are employed by ASR Nederland N.V.. A service agreement ('inleenovereenkomst') is in place between a.s.r. real estate and the HR-department of ASR Nederland N.V.. Between ASR Nederland N.V. and a.s.r. real estate a cost-allocation agreement is in place. Allocation of personnel expenses to a.s.r. real estate occurs based on fte-driven cost allocation-keys.

The total costs of a.s.r. real estate amount to € 24.5m for 2017 and are recognized in the statement of income and comprehensive income in the period in which they are incurred (on an accruals basis). These costs exist of total personnel expenses of € 15.7m, based on an average of 151 FTE, including 2 directors. Of the total personnel expenses € 0.4 million can be allocated to the directors of the Manager. The rest of the personnel expenses is related to the other staff. As at 31 December 2017, the total number of FTE in a.s.r. real estate is 151. The other costs, consisting of e.g. ICT-, business support-, advisory- and marketing costs, amount to € 8.8m.

The total remuneration of the employees involved in the Fund is included in the management fees as shown above, which fees are in favor of a.s.r. real estate. The number of employees that are fully or partly involved in the Fund is estimated at 34. This estimation is based on the assets under management of the Fund in relation to the total assets under management of a.s.r. real estate.

The total remuneration for the employees of a.s.r. real estate involved in the Fund is € 3.0m. This amount was fully charged by the Manager of the investment entity. The following table shows the composition of the remuneration of the employees involved in the Fund:

Remuneration

2017	Number of employees	Fixed remuneration	Variable remuneration	Total remuneration	Percentage of remuneration
Executive Board	2	77	-	77	3%
Identified staff	-	-	-		0%
Other staff	32	2,928	-	2,928	97%
	34	**3,005**	**-**	**3,005**	**100%**

2016	Number of employees	Fixed remuneration	Variable remuneration	Total remuneration	Percentage of remuneration
Executive Board	2	85	-	85	3%
Identified staff	-	-	-	-	0%
Other staff	28	2,765	-	2,765	97%
	30	**2,850**	**-**	**2,850**	**100**

There are no staff whose actions the Fund's risk profile significantly affect (identified staff), who can be allocated directly to the Fund. Consequently, the employees who perform work for the Fund are classified as other staff. In accordance with Article 1: 120 paragraph 2 sub a of the Wft, we report that no person has received a compensation exceeding € 1.0 m.

9 Finance result

Finance result

For the year	2017	2016
Interest income	652	115
Finance income	**652**	**115**
Interest costs borrowings	(303)	(239)
Finance costs	**(303)**	**(239)**
	349	**(124)**

Interest income relates to interest received on term payments of forward acquisitions (€ 648k) and interest received for cash held in the bank account. Interest costs relate to the commitment fee on the credit facility, the interest on the drawn amount of this facility and the negative interest paid for cash held in the bank account. Interest rates for cash held in the bank account turned negative in the course of 2016. The capitalization rates used to determine the amount of amortized costs are 2%.

10 Result on sales

Result on sales

For the year	2017	2016
Net proceeds of sales	34,237	34,934
Historical costs of properties sold	(20,959)	(21,540)
Realized gains on historical costs	**13,278**	**13,394**
Cumulative changes in fair value of properties sold	(6,226)	(4,486)
	7,052	**8,908**

11 Investment properties in operation, under construction and held-for-sale

The following table analyses the Fund's investment properties for the year ended at 31 December 2017:

Investment properties for the year ended at 31 December 2017

	Multi Family			Single-family			Other		Total
2016	In operation	Under construction	Held-for-sale	In operation	Under construction	Held-for-sale	In operation	held-for-sale	
Fair value hierarchy	3	3	3	3	3	3	3	3	
Balance as at the beginning of the period	**582,154**	**53,743**	**1,116**	**328,809**	**2,496**	**777**	**11,910**	**-**	**981,005**
Movements									
- Transfer from Investment properties under construction	23,170	(23,170)	-	6,547	(6,547)	-	-	-	-
- Transfer to Investment properties held-for-sale	(1,208)	-	1,208	(2,024)	-	2,024	-	-	-
- Investments	22,892	41,794	-	6,627	7,975	-	-	-	79,288
- Positive changes in fair value	69,064	11,669	-	43,281	707	-	1,170	-	125,891
- Negative changes in fair value	(7,481)	(596)	-	(5,665)	(53)	-	(5)		(13,800)
- Divestments	(19,084)	-	(1,116)	(6,207)	-	(777)	-	-	(27,184)
Balance as at the end of the period	**669,507**	**83,440**	**1,208**	**371,368**	**4,578**	**2,024**	**13,075**	**-**	**1,145,200**
- Historical costs	504,978	73,486	1,208	296,174	4,092	2,024	10,236	-	892,198
- Cumulated changes in fair value	164,529	9,954	-	75,194	486	-	2,839	-	253,002
Balance as at the end of the period	**669,507**	**83,440**	**1,208**	**371,368**	**4,578**	**2,024**	**13,075**	**-**	**1,145,200**

The following table analyzes the Fund's investment properties for the year ended at 31 December 2016:

Investment properties for the year ended at 31 December 2016

	Multi Family			Single-family			Other		Total
2016	In operation	Under construction	Held-for-sale	In operation	Under construction	Held-for-sale	In operation	held-for-sale	
Fair value hierarchy	3	3	3	3	3	3	3	3	
Balance as at the beginning of the period	**497,263**	**-**	**7,027**	**296,307**	**7,059**	**1,515**	**10,566**	**-**	**819,736**
Movements									
- Transfer from Investment properties under construction	-	-	1,116	13,457	(13,457)	777	-	-	1,894
- Transfer to Investment properties held-for-sale	(1,116)	-	-	(778)	-	-	-	-	(1,894)
- Investments	32,401	51,875	-	5,195	8,928	-	599	-	98,998
- Positive changes in fair value	63,907	1,976	-	21,849	-	-	849	-	88,581
- Negative changes in fair value	(40)	(108)	-	-	(34)	-	(103)		(285)
- Divestments	(10,261)	-	(7,027)	(7,222)	-	(1,515)	(1)	(545)	(26,026)
Balance as at the end of the period	**582,154**	**53,743**	**1,116**	**328,809**	**2,496**	**777**	**11,910**	**-**	**981,005**
- Historical costs	477,509	51,767	781	290,365	2,531	544	10,236	-	833,733
- Cumulated changes in fair value	104,645	1,976	335	38,443	(34)	233	1,674	-	147,272
Balance as at the end of the period	**582,154**	**53,743**	**1,116**	**328,809**	**2,496**	**777**	**11,910**	**-**	**981,005**

All the investment properties are valued as at 31 December 2017 by independent professional valuers. Valuations are based on current prices on an active market for all properties.

The carrying values of investment property at 31 December 2017 and 31 December 2016 agree to the valuations reported by the external valuers. The investment properties under construction are recognized at their initial cost. If a market value is not available, the investment properties under construction is stated at cost. This includes cost of construction, equipment, non-refundable purchase taxes, development fee and any attributable costs of bringing the asset to its working condition and location for its intended use.

The assets are presented as held-for-sale following the decision of the Fund's management. The remaining assets have been delivered in January / February 2018. The disposal assets were valued at their sales price less selling expenses.

The following table analyses investment properties carried at fair value, by valuation method. The different levels are defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1);
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2);
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (Level 3). Significant increases (decreases) in any of those inputs in isolation would result in a significantly lower (higher) fair value measurement.

Changes in Level 2 and 3 fair values are analyzed at each reporting date. There were no transfers between levels 1 and 2 during the year.

The Fund's policy is to recognize transfers into and out of fair value hierarchy levels as of the date of the event or change in circumstances that caused the transfer. All the investment properties of the Fund are classified as Level 3.

For Residential and Other valuations, the significant inputs are the discount rate and market rental value. These inputs are verified with the following market observable data:

- Market rent per sq.m. for renewals and their respective re-letting rates;
- Reviewed rent per sq.m.;
- Investment transactions of comparable objects.

Sensitivities in yield and rental value

2017	Unobservable inputs used in determination of fair value				Sensitivities in yield and rental value (in € '000)			
						Change in rental value		
Investment properties in operation	Fair value 31 Dec 2017	Valuation technique	Gross rental value (in € '000)	Gross initial yield (in %)	Change in yield	-5%	0%	+5%
Netherlands -	670,716	DCF	2,127 max	7.8% max	-5%	-	35,301	70,602
Apartments -			391 mean	4.7% mean	0%	(33,536)	-	33,536
Level 3			8 min	1.1% min	5%	(63,878)	(31,939)	-
Netherlands -	373,391	DCF	1,501 max	7.6% max	-5%	-	19,652	39,304
Single-family houses -			306 mean	5.0% mean	0%	(18,670)	-	18,670
Level 3			26 min	1.8% min	5%	(35,561)	(17,781)	-
Netherlands -	13,075	DCF	154 max	11.5% max	-5%	-	688	1,376
Other -			48 mean	5.6% mean	0%	(654)	-	654
Level 3			12 min	2.8% min	5%	(1,245)	(623)	-
	1,057,181							

2016	Unobservable inputs used in determination of fair value				Sensitivities in yield and rental value (in € '000)			
						Change in rental value		
Investment properties in operation	Fair value 31 Dec 2016	Valuation technique	Gross rental value (in € '000)	Gross initial yield (in %)	Change in yield	-5%	0%	+5%
Netherlands -	583,270	DCF	2,067 max	8.3% max	-5%	-	30,698	61,397
Apartments -			398 mean	5.1% mean	0%	(29,163)	-	29,163
Level 3			5 min	2.7% min	5%	(55,550)	(27,775)	-
Netherlands -	329,586	DCF	1,648 max	7.7% max	-5%	-	17,347	34,693
Single-family houses -			303 mean	5.4% mean	0%	(16,479)	-	16,479
Level 3			8 min	1.5% min	5%	(31,389)	(15,695)	-
Netherlands -	11,910	DCF	145 max	13.8% max	-5%	-	627	1,254
Other -			37 mean	6.1% mean	0%	(596)	-	596
Level 3			12 min	3.5% min	5%	(1,134)	(567)	-
	924,766							

Valuation processes

In order to determine the fair value of the Fund's investment properties, all investment properties are valued on a quarterly basis by independent and qualified/certified valuers. The valuers are selected based on their experience and knowledge of the residential property market. Every three years a rotation or change in valuers takes place.

The fair value is determined in accordance with the following standards:

- RICS Valuation Standards, 7th Edition (the 'Red Book')
- The International Valuations Standards Council (IVS), in accordance with the international valuation Standards from June 2013, valid from January 1, 2014
- The Alternative Investment Fund Managers Directive (AIFMD), in accordance with Directive 2011/61/EU dated 8 June 2011 and a supplement dated 19 December 2012
- The 28 recommendations of the Platform Taxateurs en Accountants as stated in the publication 'Goed gewaardeerd Vastgoed' dated 27 May 2013

The Management Company provides the professional valuers with the required and necessary information, in order to conduct a comprehensive valuation. At least once a year a full valuation is carried out and three times a year a market update. For all investment properties, the current use equates to the highest and best use.

The finance and risk department of the Manager (a.s.r. real estate) coordinates the valuation process and analyses the quarterly movements in valuations together with the asset manager. All movements higher than 5% or lower than -5% are discussed and fully explained by the valuer. Every quarter the valuers, along with the asset managers and the Fund Director, come together and discuss the outcome of the valuations. It is the asset managers' responsibility to sign off for approval on every valuation.

There are inter-relationships between unobservable inputs. Expected vacancy rates may impact the yield with higher vacancy rates resulting in higher yields. For investment property under construction, increases in construction costs that enhance the property's features may result in an increase in future rental values. An increase in the future rental income may be linked with higher costs.

Valuation techniques underlying management's estimation of fair value
For investment properties the following method is in place to determine the fair value by the valuers for disclosure purposes:

DCF method

Under the DCF method, fair value is estimated using assumptions regarding the benefits and liabilities of ownership over the asset's life including an exit or terminal value. This method involves the projection of a series of cash flows on a real property interest. To this projected cash flow series, a market-derived discount rate is applied to establish the present value of the cash flows associated with the asset. The exit yield is normally separately determined and differs from the discount rate. The duration of the cash flows and the specific timing of inflows and outflows are determined by events such as rent reviews, lease renewal and related re-letting, redevelopment, or refurbishment. The appropriate duration is typically driven by market behaviour that is a characteristic of the class of real property. Periodic cash flow is typically estimated as gross income less vacancy, non-recoverable expenses, collection losses, lease incentives, maintenance cost, agent and commission costs and other operating and management expenses. The series of periodic net operating income, along with an estimate of the terminal value anticipated at the end of the projection period, is then discounted.

12 Trade and other receivables

Trade and other receivables

As at	31 December 2017	31 December 2016
- Rent receivables from tenants	647	690
- Tax receivables	-	413
- Other receivables	423	540
Less: provision for doubtful debt	(375)	(386)
	695	**1,257**

The fair value of receivables concerns the sum of future cash flows that are estimated to be received.

There is no concentration of credit risk with respect to trade receivables, as the Fund has a large number of tenants, dispersed around the Netherlands.

Provision for doubtful debt

Bad debt write-off relates to debtors, from which no payment is expected to be received anymore. In addition, a provision for doubtful debt is in place for receivables for which it is unclear whether they will be (fully) received.

Provision for doubtful debt

As at	Notes	31 December 2017	31 December 2016
Balance as at the beginning of the period		386	962
Movements			
- Transfer of initial provision for doubtful debt		-	-
- Bad debt write-off		(104)	(190)
- Movement of provision for doubtful debt	6	93	(386)
Balance as at the end of the period		**375**	**386**

13 Cash and cash equivalents

Cash and cash equivalents

As at	31 December 2017	31 December 2016
Cash	54,293	21,491
	54,293	**21,491**

The cash and cash equivalents are not restricted in its use.

14 Issued capital

The capital called per unit amounts to € 1 per participation. All issued units are fully paid.

A further breakdown is shown in the statement of changes in capital. Movements in the units issued are as follows:

Movements in the units issued

As at	31 December 2017	31 December 2016
Number of units as at the beginning of the period	1,101,823	1,013,126
Movements in number of units		
- Issued units closings	90,878	88,697
Number of units as at the end of the period	**1,192,701**	**1,101,823**

Ownership in number of units is as follows:

Ownership in number of units

As at	31 December 2017	31 December 2016
Units - Entitled for distributable result		
ASR Levensverzekering N.V.	660,470	92.036
ASR Schadeverzekering N.V.	183,893	-
ASR Nederland Vastgoed Maatschappij N.V.	-	752,327
Other investors	348,338	257,460
	1,192,701	**1,101,823**

All resolutions of the Meeting of Investors shall be adopted by a simple majority of all outstanding units. The Anchor Investor will hold a maximum of forty per cent (40%) of the votes. Notwithstanding the previous sentence:

- The Anchor Investor will hold a maximum of fifty per cent (50%) of the votes if there are only one or two other investors and;
- In case the Anchor Investor holds more than forty per cent (40%) of the outstanding units in the Fund but only holds forty per cent (40%) of the votes, any other Investor will also hold a maximum of forty per cent (40%) of the votes.

Net asset value per unit is calculated based on equity as presented in the statement of financial position as at balance date and the number of units on that date.

Net asset value per unit

As at	31 December 2017	31 December 2016
Equity attributable unit holders (in € '000)	1,183,993	984,336
Number of units as per reporting date	1,192,701	1,101,823
Net asset value per unit (in €)	993	893

15 Borrowings

All the Fund's borrowings are at floating rates of interest. Interest costs may increase or decrease as a result of changes in the interest rates.

Borrowings

As at	Principal 13 March 2017	Amortized expenses	Repayments < 1 year	End date	Effective interest	Effective interest
NIBC Bank N.V. - Credit facility	50,000	(6)	-	07 April 2020	n/a	floating

The Fund has access to a current account credit facility of € 50m, which can be used to finance future forward acquisition obligations and meet temporary liquidity needs. As at 31 December 2017, the credit facility has not been partially or wholly drawn by the Fund. The credit agreement has no mortgage and does not include security nor recourse arrangements. The margin on 3-months Euribor amounts to 1.0%. The upfront fee amounts to € 50k, which will be amortized over the maturity of the facility. In addition, a commitment fee of 0.35% is charged.

Capitalized provisions

As at	31 December 2017	31 December 2016
Capitalized provisions, non-current	(37)	(6)
	(37)	**(6)**

The fair value of borrowings approximated their carrying value at the date of the statement of financial position.

The exposure of the Fund's borrowings to interest rate changes and contractual repricing dates at the end of the reporting period are as follows:

Exposure of the Fund's borrowings

As at	31 December 2017	31 December 2016
3 months or less	-	-
3 - 12 months	-	-

The Fund has the following undrawn floating rate borrowing facilities:

Undrawn floating rate borrowing facilities

As at	31 December 2017	31 December 2016
Expiring within one year	-	50,000
Expiring beyond one year	50,000	-
	50,000	**50,000**

16 Trade and other liabilities

Trade and other liabilities

As at	31 December 2017	31 December 2016
Accrued expenses	892	1,986
Distributable result to be paid	9,888	10,111
Management fees	1,674	1,333
Tax payables	14	-
Prepaid rent	468	565
Property management fees	501	486
Rent deposits	2,276	2,041
Service payables	453	655
Trade payables	66	684
	16,232	**17,861**

The fair value of trade and other liabilities concerns the sum of future cash flows that are estimated to be received.

17 Provisions

The following table shows the Fund's provisions:

Provisions

As at	31 December 2017	31 December 2016
Balance as at the beginning of the period	1,562	1,045
Movements		
- Additional provisions – charged to statement of income and comprehensive income	(1,562)	517
Balance as at the end of the period	**-**	**1,562**

Provisions are nil, as at 31 December 2017. The provision of € 1,045k, which relates to the VAT on property management fees, has been released in Q4 2017. According to the Supreme Court in December 2015, VAT is applicable for property management services. As a result, VAT is added to the property management fee from the first quarter of 2016. In expectation of this ruling, the Fund recognized a provision for VAT, for the period between fund inception (1 January 2013) and the court ruling. As VAT on property management fees for the period between fund inception and court ruling is paid in Q4 2017, the provision is also released. The additional provision for € 517k concerning the provision for an onerous contract of forward acquisition Molenstraat in Monster (part of the Hoogvliet portfolio) has been released as a result of the transfer in Q2 2017.

18 Earnings per unit

Results per unit are calculated by dividing the net result attributable to participants by the weighted average number of units outstanding during the year, 1,147,972 average units over 2017 (1,053,122 average units over 2016).

Earnings per unit

For the year	2017	2016
Direct result	32	35
Indirect result	99	80
Net result per unit	**131**	**115**

The Fund has no dilutive potential units; the diluted earnings per unit are the same as the basic earnings per unit.

19 Contingencies and commitments

The capital commitments of the Fund exists of fourteen turnkey projects for a total amount of € 258.3m as at 31 December 2017. Of these commitmens, € 77.6m have been paid as at 31 December 2017. Change in fair value of forward acquisitions amounting to € 10.4m, resulting in € 88.0m as presented under investment properties under construction in the statement of financial position.

20 Related-party transactions

The Anchor Investor, ASR Levensverzekering N.V. and ASR Schadeverzekering N.V owns 70,8% of the Fund's units. The remaining units are widely held. The Fund has the following relationships with companies related to ASR Nederland N.V.:

- ASR Dutch Core Residential Management Company B.V. is the manager of the Fund (The ASR Dutch Core Residential Management Company B.V. has outsourced all its responsibilities to a.s.r. real estate, the Manager. Also under the AIFMD requirements a.s.r. real estate acts as the Manager of the Fund) and charges management fees to the Fund. These management fees are at arm's length;
- ASR Dutch Core Residential Custodian B.V. is the legal owner of the investment properties;
- Anchor Investors ASR Nederland Vastgoed Maatschappij N.V. and ASR Levensverzekering N.V. merged on 27 March 2017. As a result of this merger, ASR Nederland Vastgoed Maatschappij N.V. redeemed its units in the Fund. These redeemed units were subsequently issued to ASR Levensverzekering N.V. and ASR Schadeverzekering N.V. Consequently, ASR Schadeverzekering N.V. became part of the Anchor Investor as at 27 March 2017. The parties involved agreed on a legal closing date at 27 March 2017 and an economic closing date at 1 January 2017. As a result, transfer of the units was imposed retrospectively per 1 January 2017.

The Anchor Investor aims to reduce its holding in the Fund and at the same time aims to maintain a sizeable stake in the Fund. During a period of six (6) years as of the Initial Closing the Anchor Investor will hold a minimum number of units which represents an investment of at least € 150m.

There were no other transactions carried out or balances outstanding with related parties except for distributable result (€ 9.9m) to be paid (Note 16) and the following:

Related-party transactions

For the year	Notes	2017	2016
Property management fee	6	1,966	1,900
Fund management fee	8	544	453
Asset management fee	8	5,440	4,532
		7,950	**6,885**

21 Audit fees

The following table shows the fees charged by the EY network in respect of activities for the Fund.

Audit fees

For the year	Notes	2017	2016
Audit of the financial statements	7	94	94
Fiscal advice		-	-
Other audit engagements		-	-
Other non-audit services		-	-
		94	**94**

22 Appropriation of result

Distributable result attributable to the divestment of a portfolio asset can be allocated to reinvestments, redemption of units, or paid out to all investors. The distributable result to the investors is calculated in relation to their number of units in the Fund as per the applicable reporting date. The fourth quarter distributable result of € 9.9m is recognized as a liability as at 31 December 2017 and paid to the investors in February 2018.

23 Subsequent events

All properties that were recognized as held-for-sale, as at 31 December 2017, concerned individual unit sales, which were sold during the first quarter of 2018.

Utrecht, the Netherlands, 14 May 2018

ASR Vastgoed Vermogensbeheer B.V. (a.s.r. real estate)
On behalf of the ASR Dutch Core Residential Management Company B.V.
Dick Gort, CEO
Henk-Dirk de Haan, CFRO

Amadeus, The Hague

Other information

Appropriation of result

As described in clause 13 in the Fund Agreement, the distributable result which is not attributable to the divestment of portfolio assets is payable on a quarterly basis. Distributions will be made in cash, provided that:

- Investors may inform the Management Company at least one month before the end of the fiscal year that they wish to receive the distributable cash during the next fiscal year in the form of units. In which case it is at the Management Company's discretion to decide whether or not the request will be satisfied; and
- After dissolution of the Fund, any and all of the assets may be distributed to the investors.

Independent auditor's report

To: the Meeting of Investors of ASR Dutch Core Residential Fund

Report on the audit of the financial statements 2017 included in the annual report

Our opinion

We have audited the financial statements 2017 of ASR Dutch Core Residential Fund, based in Utrecht.

In our opinion the accompanying financial statements give a true and fair view of the financial position of ASR Dutch Core Residential Fund as at 31 December 2017, and of its result and its cash flows for 2017 in accordance with International Financial Reporting Standards as adopted by the European Union (EU-IFRS) and Part 9 of Book 2 of the Dutch Civil Code.

The financial statements comprise:

- The statement of financial position as at 31 December 2017
- The following statements for 2017: the statement of income and comprehensive income, changes in capital and cash flows
- The notes comprising a summary of the significant 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 ASR Dutch Core Residential Fund in accordance with the Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten (ViO, Code of Ethics for Professional Accountants, a regulation with respect to independence) and other relevant independence regulations in the Netherlands. Furthermore we have complied with the Verordening gedrags- en beroepsregels accountants (VGBA, Dutch Code of Ethics).

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

Report on other information included in the annual report

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

- The management board's report, consisting of:
  - The overview
  - The performance figures
  - The foreword 2017
  - The fund profile
  - The report of the Management Company
  - The appendices
- Other information pursuant to Part 9 of Book 2 of the Dutch Civil Code

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

- Is consistent with the financial statements and does not contain material misstatements
- Contains the information as required by Part 9 of Book 2 of the 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 manager of the investment entity is responsible for the preparation of the other information, including the management board's report in accordance with Part 9 of Book 2 of the Dutch Civil Code and other information pursuant to Part 9 of Book 2 of the Dutch Civil Code.

Description of responsibilities for the financial statements

Responsibilities of the manager for the financial statements

The manager of the investment entity 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 manager is responsible for such internal control as the manager determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

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

Our responsibilities for the audit of the financial statements

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

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

Misstatements can arise from fraud or error 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 these 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 judgment and have maintained professional skepticism throughout the audit, in accordance with Dutch Standards on Auditing, ethical requirements and independence requirements. Our audit included, among other procedures:

- Identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud or error, 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 error, 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 investment entity's internal control
- Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the manager
- Concluding on the appropriateness of the manager'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 investment entity'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 an investment entity to cease to continue as a going concern
- Evaluating the overall presentation, structure and content of the financial statements, including the disclosures
- Evaluating whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation

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

The Hague, 14 May 2018

Ernst & Young Accountants LLP

Signed by M.J. Knijnenburg

Appendix 1:
INREV financial statements

Financial statements

in accordance with INREV principles (unaudited)

The INREV guidelines have been used and material changes have been considered if applicable. The accounting principles in general, which are the basis for this annual report, are described and explained in detail on page 56-62. A detailed discription about the principal risks and exposures incurred by the Fund is included on page 63-73.

According to the Fund Agreement issue and redemption requests will be calculated by usage of the INREV NAV. In order to give Investors information on the transition from the NAV based on IFRS to the INREV NAV, also the accounts according to the INREV principles are published. The INREV NAV reflects adjustments to IFRS.

The following items are adjusted for the INREV accounts:

As at	IFRS	INREV
Set-up costs	Directly into profit & loss account	On balance sheet and depreciated in five years
Acquisition expenses	Directly into profit & loss account	On balance sheet and depreciated in five years
Effect of not yet distributable result recorded as a liability (not included in equity)	Recognized as a liability on balance sheet	Recognized in equity

INREV Guidelines Compliance Statement

The European Association for Investors in Non-Listed Real Estate Vehicles (INREV) published the revised INREV Guidelines in 2014 incorporating industry standards in the fields of Corporate Governance, Reporting, Property Valuation, INREV NAV, Fee and Expense Metrics, Liquidity and Sustainability Reporting. The Assessments follow these guidelines.

INREV provides an Assessment Tool to determine a vehicles compliance rate with the INREV Guidelines as a whole and its modules in particular.

The overall INREV Guidelines Compliance Rate of the ASR Dutch Core Residential Fund is 94.3%, based on 7 out of 7 assessments.

The compliance rate for each completed module is:

Compliance rate per module

	Percentage
Corporate Governance	87
Fee and Expense Metrics	100
INREV NAV	100
Liquidity	83
Property Valuation	100
Reporting	96
Sustainability Reporting	91

INREV fee metrics (unaudited)

In order to give investors a clear overview of fee structures and provide a fairer comparison of costs between funds, the Fund publishes both its Total Expense Ratio (TER) and Real Estate Expense Ratio (REER) in line with INREV guidelines. The table below shows the Fund's annual operating costs in proportion to the value of its assets.

Fees and expenses as a percentage of Gross Asset Value (GAV) and Net Asset Value (NAV)

For the year		2017	2016
Fund management fee (% of NAV)		0.05%	0.05%
Asset management fee (% of NAV)		0.50%	0.50%
Management fees	a.	5,983	4,985
Fund expenses (incl. amortization)	b.	881	852
Vehicle fees and costs before performance fees	c.	**6,864**	**5,837**
Performance fees	d.	-	-
Vehicle fees and costs after performance fees	e.	**6,864**	**5,837**
Property fees and costs	f.	11,168	11,677
Average INREV NAV	g.	1,086,933	895,262
Average INREV GAV	h.	1,099,873	909,609
NAV Total Expense Ratio (before performance fees)	c./g.	0.63%	0.65%
GAV Total Expense Ratio (before performance fees)	c./h.	0.62%	0.64%
NAV Total Expense Ratio (after performance fees)	e./g.	0.63%	0.65%
GAV Total Expense Ratio (after performance fees)	e./h.	0.62%	0.64%
NAV Real Estate Expense Ratio	f./g.	1.03%	1.30%
GAV Real Estate Expense Ratio	f./h.	1.02%	1.28%

INREV NAV calculation (unaudited)

INREV NAV calculation

		Total (in €'000)	Per share (in €)
	NAV as per the financial statements	**1,183,993**	**993**
	Reclassification of certain IFRS liabilities as components of equity		
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 (not included in equity) [1]	9,888	8
	NAV after reclassification of equity-like interests and dividends not yet distributed	**1,193,881**	**1,001**
	Fair value of assets and liabilities		
c)	Revaluation to fair value of investment 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)	Recognition 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]	80	-
n)	Contractual fees	-	-
	Effects of the expected manner of settlement of sales/vehicle unwinding		
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)	-	-
	Other adjustments		
r)	Goodwill	-	-
s)	Non-controlling interest effects of INREV adjustments	-	-
	Diluted INREV NAV	**1,193,961**	**1,001**
	Number of shares / units issued	1,192,701	
	Number of shares / units issued taken dilution effect into account	1,192,701	

1) Relates to the fourth quarter 2017 distributable result.

2) The adjustment for the acquisition expenses (for property Molenstraat in Monster) decreased due to regular depreciation costs.

Statement of income and comprehensive income in accordance with INREV principles (unaudited)

(amounts in €'000, unless otherwise stated)

Statement of income and comprehensive income in accordance with INREV principles

				2017			2016
For the year	Notes	IFRS	Adjustments	INREV	IFRS	Adjustments	INREV
Gross rental income	6	49,149	-	49,149	47,508	-	47,508
Service charge income	6	3,167	-	3,167	3,374	-	3,374
Total operating income		**52,316**	**-**	**52,316**	**50,882**	**-**	**50,882**
Property-specific costs	7	(11,168)	(14)	(11,182)	(11,677)	-	(11,677)
Service charge expenses	6	(3,167)	-	(3,167)	(3,374)	-	(3,374)
Fund expenses	8	(738)	(143)	(881)	(709)	(143)	(852)
Management fees	9	(5,983)	-	(5,983)	(4,985)	-	(4,985)
Total operating expenses		**(21,056)**	**(157)**	**(21,213)**	**(20,745)**	**(143)**	**(20,888)**
Operating result		**31,260**	**(157)**	**31,103**	**30,137**	**(143)**	**29,994**
Finance income	10	652	-	652	115	-	115
Finance costs	10	(303)	-	(303)	(239)	-	(239)
Finance result		**(349)**	**-**	**(349)**	**(124)**	**-**	**(124)**
Changes in fair value of investment properties	12	112,091	94	112,185	88,296	-	88,296
Result on sales of investment properties	11	1,076	-	1,076	-	-	-
Result on individual unit sales	11	5,976	-	5,976	8,908	-	8,908
Realized and unrealized gains and losses		**119,143**	**94**	**119,237**	**97,204**	**-**	**97,204**
Net result		**150,752**	**(63)**	**150,689**	**127,217**	**(143)**	**127,074**
Other comprehensive income		-	-	-	-	-	-
Total comprehensive income		**150,752**	**(63)**	**150,689**	**127,217**	**(143)**	**127,074**

Statement of financial position in accordance with INREV principles (unaudited)

(amounts in €'000, unless otherwise stated)

Statement of financial position in accordance with INREV principles

			31 December 2017			31 December 2016	
As at	Notes	IFRS	Adjustments	INREV	IFRS	Adjustments	INREV
ASSETS							
Non-current assets							
Investment properties in operation	12	1,053,950	80	1,054,030	922,873	-	922,873
Investment properties under construction	12	88,018	-	88,018	56,239	-	56,239
		1,141,968	**80**	**1,142,048**	**979.112**	**-**	**979.112**
Intangible assets							
Structuring costs		-	-	-	-	143	143
		-	**-**	**-**	**-**	**143**	**143**
Current assets							
Trade receivables	13	695	-	695	1,257	-	1,257
Cash and cash equivalents	14	54,293	-	54,293	21.491	-	21.491
		54,988	**-**	**54,988**	**22,748**	**-**	**22,748**
Investment properties held-for-sale	12	3,232	-	3,232	1,893	-	1,893
Total assets		**1,200,188**	**80**	**1,200,268**	**1,003,753**	**143**	**1,003,896**
CAPITAL AND LIABILITIES							
Capital							
Issued capital	15	1,193	-	1,193	1,102	-	1,102
Additional paid-in capital		994,993	-	994,993	909,111	-	909,111
Revaluation reserve		269,474	-	269,474	151,539	-	151,539
Retained earnings		(81,667)	9,968	(71,699)	(77,416)	10,254	(67,162)
		1,183,993	**9,968**	**1,193,961**	**984,336**	**10,254**	**994,590**
Non-current liabilities							
Borrowings	16	(37)	-	(37)	(6)	-	(6)
		(37)	**-**	**(37)**	**(6)**	**-**	**(6)**
Current liabilities							
Trade and other liabilities	17	16,232	(9,888)	6,344	17.861	(10,111)	7,750
Provisions	18	-	-	-	1,562	-	1,562
		16,232	**(9,888)**	**6,344**	**19,423**	**(10,111)**	**9,312**
Total capital and liabilities		**1,200,188**	**80**	**1,200,268**	**1,003,753**	**143**	**1,003,896**

Statement of changes in capital in accordance with INREV principles (unaudited)

(amounts in €'000, unless otherwise stated)

Statement of financial position in accordance with INREV principles

	Issued capital	Additional paid-in capital	Retained earnings	Revaluation reserve [1]	Total
Balance as at 1 January 2016	1,013	834,308	(72,731)	67,208	829,798
Total comprehensive income					
- Profit for the year	-	-	127,074	-	127,074
- Movement arising from market valuations	-	-	(84,331)	84,331	-
Total comprehensive income	**-**	**-**	**42,743**	**84,331**	**127,074**
Transactions with the owners of the Fund					
Contributions and distributions:					
- Issue of ordinary units	89	74,803	-	-	74,892
- Distributable result	-	-	(37,174)	-	(37,174)
Total transactions with owners of the Fund	**89**	**74,803**	**(37,174)**	**-**	**37,718**
Balance as at 31 December 2016	**1,102**	**909,111**	**(67,162)**	**151,539**	**994,590**
Total comprehensive income					
- Profit for the year	-	-	150,689	-	150,689
- Movement arising from market valuations	-	-	(124,162)	124,162	-
- Movement arising from divestments	-	-	6,227	(6,227)	-
Total comprehensive income	**-**	**-**	**32,754**	**117,935**	**150,689**
Transactions with the owners of the Fund					
Contributions and distributions:					
- Issue of ordinary units	91	85,882	-	-	85,973
- Distributable result	-	-	(37,291)	-	(37,291)
Total transactions with owners of the Fund	**91**	**85,882**	**(37,291)**	**-**	**48,682**
Balance as at 31 December 2017	**1,193**	**994,993**	**(71,699)**	**269,474**	**1,193,961**
In €					
NAV per unit					1,001

1) The revaluation reserve concerns the revaluation of the investment properties. The (unrealized) positive difference between the cumulative increase in the fair value of the property as at the end of the quarter has been included in the revaluation reserve. The revaluation reserve as at quarter-end has been determined at individual property level.

Appendix 2: Governance / Management structure

ASR Dutch Core Residential Management Company B.V. (the 'Management Company') has an agreement, known as the 'Management Agreement', with a.s.r. real estate (the 'AIF Manager'). The agreement states that the AIF Manager provides fund management services, asset management services and property management services to the Management Company. Fund management services include but are not restricted to: legal & structuring, compliance, business & financial advisory, human resource, risk management, communication & marketing and finance & tax.

ISAE 3402

An internal control system (Type I) according to the International Standard of Assurance Engagements (ISAE) 3402 has been in place since June 2011. This globally recognized standard for assurance reporting on service organizations gives the auditor a framework to evaluate the efforts of a service organization at the time of audit to prevent accounting inconsistencies, errors and misrepresentation. It also requires management to provide a description of its 'system' and a written statement of assertion. The last ISAE 3402 Type II report was obtained over the year 2016 and will be obtained again over the year 2018. The controls are tested internally every year, even if no formal test period is applicable for an ISAE 3402 Type II report. The internal control system relates to asset- and property management activities as well as to the Finance and Risk department and the IT management processes.

ISAE 3000

As of February 2013 the Manager also obtained statements to cover specific fund management processes and controls. In November 2015 the Manager received an ISAE 3000 certification for ASR DCRF. Over 2017 the Fund received a COS 3000A report which states that the Fund is in control of key processes.

As of 2018, an integrated ISAE Type II report (ISAE 3402 combined with ISAE 3000) will be composed starting over the test period 2018.

Legal and tax issues

Legal and tax issues are monitored by the internal legal and internal tax department of the Management Company. External legal and tax advisors are consulted for specific fund-related matters. The Fund's legal and tax structure is covered extensively in the Fund Agreement and in the Prospectus.

The Management Company discusses with the investors of the Fund issues related to compliance with applicable laws and regulations, if material.

The Management Company ensures that the Fund complies with its requirements as specified in the Fund Agreement. The Fund Agreement governs, amongst other things, investment objectives and restrictions, the tasks and responsibilities of the Management Company, risk identification and management, and governance structure and organization. This is to maximize transparency and accountability for (prospective) investors.

Reporting

In addition to this annual report, the Management Company reports on a quarterly basis on the status of the Fund and organizes at least one physical Meeting of Investors per year, in which the Management Company presents its financial statements and its three-year business plan.

Investments and divestments

Up to 1 March 2015, only two a.s.r. group companies had been investing in the Fund. Therefore, the approval process for investments and divestments was organized in accordance with internal tables of competences, including the guidance of investments experts from both investing a.s.r. group companies and separate layers of a.s.r. investment committees.

Following the first external closings in 2015, the Management Company established an Investment Committee as described in the Fund Agreement. The first meeting of the Investment Committee was held in October 2015. The Investment Committee consists of no more than five members (currently four), including the Anchor Investor, who acts as Chair during the lock-up period. After the lock-up period, the Chair is appointed by the Investment Committee by a simple majority. If a deadlock in voting occurs, the vote of the Investment Committee member who holds the smallest number of outstanding units in the Fund will not be taken into account. The Investment Committee (both current and future) is responsible for monitoring the Management Company's compliance with investment objectives and strategy, invest ment criteria and investment restrictions.

Internal controls

The AIF Manager has an adequate system of internal controls in place to safeguard and enhance internal control procedures and the management control framework.

Conflict of interests

The Management Company acts in the interest of the investors. Conflicts of interest may arise in the structure of the Fund, since the Management Company, the AIF Manager, the Custodian and the Anchor Investor are all (indirect) subsidiaries of ASR Nederland N.V. These companies will be assisted in the conduct of business by directors, officers and agents, including representation by common legal and tax counsels representing both the Fund and a.s.r.

These relationships mean that certain directors and officers of the Management Company and the AIF Manager may have obligations that conflict with their duties in the Fund. Prior written approval of the Investment Committee will be required in relation to transactions which involve a conflict of interest on the part of either the Management Company, the AIF Manager or any of its group companies, or an Investor, to the extent that such transactions materially affect the Fund, are not expressly contemplated or approved by the terms of the Private Placement Memorandum or the Fund Agreement. The member of the Investment Committee nominated by the Investor and who has the conflict of interest, is not allowed to vote.

The directors of a.s.r. real estate on behalf of the Management Company during 2017 are:
- D. Gort
- H.D. de Haan.

The director of the Management Company during 2017 is the Manager.

a.s.r. real estate is therefore not in compliance with the targeted percentage of 30% female/male (as described in article 391, sub 7 BW2). When a vacant position in a.s.r. real estate occurs, a.s.r. real estate will take this targeted percentage into account and strive to find the right person for the job.

Appendix 3: Definitions

Amortized cost
The amount at which the financial asset or the financial liability is measured at initial recognition minus principal repayments, plus or minus the accumulated amortization using the effective interest method of any difference between that initial amount and the maturity amount, and minus any reduction for impairment or non-collectability.

Asset enhancement
Asset enhancements relate to existing properties in the Fund's portfolio in which it is currently investing or will invest in the near future.

Capital growth
Capital growth is the percentage by which the net asset value grows during the year, after distributions have been made.

Current gross yield
The current gross yield is calculated by dividing the gross rental income on a yearly basis with the investment properties in operation.

Current net yield
The current net yield is calculated by dividing the net rental income on a yearly basis with the investment properties in operation.

Distributable result
Distributable result is the amount payable on a quarterly basis to the participants. The distributable result consists of the operational result, the finance result and the result from individual unit sales.

Fair value
The amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing partners in an arm's length transaction.

Forward acquisitions (off balance sheet)
The forward acquisitions (off balance sheet) is the amount of the total pipeline commitment less the amount actually invested (on balance sheet).

IFRS
An acronym for International Financial Reporting Standards (previously called International Accounting Standards, IAS). As of 1 January 2005, these standards have been the generally accepted international accounting policies that apply to all listed companies in the European Union. They make annual results easier to compare and offer a better understanding of a company's financial position and performance.

IFRS NAV
The IFRS net asset value, the 'IFRS NAV', is the capital amount of all the participants of the Fund. The IFRS NAV per unit is the IFRS NAV divided by the number of units outstanding at that moment.

Impairment
The amount by which the carrying amount of an asset or a cash-generating unit exceeds its recoverable amount. The asset's carrying amount is reduced to its fair value and recognized in profit and loss.

Income return
The income return is the return based on the distributed dividend. The return is calculated as the amount of dividend paid divided by the net asset value. INREV uses the term dividend yield, which is the amount of income the Fund distributes to participants as a percentage of the net asset value.

INREV NAV
The INREV net asset value, the 'INREV NAV' is the IFRS NAV plus adjustments to come to the INREV NAV. The adjustments are predefined and presented in the INREV NAV calculation.

Investment properties held-for-sale
Non-current assets are classified as held-for-sale if it is highly probable that they will be recovered primarily through sale rather than through continuing use.

Investment properties in operation
Investment properties are defined as properties held for long-term rental yields or for capital appreciation or a combination of both.

Investment properties under construction
The investment properties under construction are the properties in which the Fund invests and for which amounts are currently paid in relation to the investment decision.

Loan-to-value
The loan-to-value is calculated by dividing the total outstanding debt amount by the investment property value of the portfolio.

Net result
Net result is the operational result after deduction of the finance income and the realized and unrealized gains and losses.

New acquisition
New acquisitions relate to acquisitions for which the Fund has an agreement to acquire the asset in the near future.

Occupancy rate
The occupancy rate is calculated by dividing the total market rent of the vacant units by the total theoretical rental income. Theoretical income concerns the sum of gross rent of the let properties and market rent of the vacant properties.

Operating lease
A lease that does not transfer substantially all the risk and rewards incidental to ownership of an asset.

Operational result
Operational result is the result based on the net rental income deducted with fund-specific costs.

Payout ratio of distributable result
The payout ratio of the Fund is the ratio by which the amount available for distribution, the distributable amount, is actually distributed.

Pipeline
The pipeline consists of asset enhancements and new acquisitions for which the Fund has a capital commitment.

Provision
A liability of uncertain timing or amount. Provisions are recognized as liabilities if it is probable that an outflow of resources embodying economic benefits will be required to settle the obligations (assuming that a reliable estimate can be made).

Revaluation of properties
The revaluation of properties percentage is calculated by dividing the changes in fair value with the investment properties value before adding the changes in fair value.

Solvency
Capital as a percentage of total assets.

Total return
Total return is the return on equity, calculated on a yearly basis. Total return is the sum of the income return and the capital growth.

Weighted average cost of debt
The weighted average cost of debt relates to the interest costs of the loan facility of the Fund. The weighted average cost of debt is calculated depending on the interest rates during the year and depending on the average amount of debt during the year.

Appendix 4: Portfolio overview

Portfolio overview

City	Property	Address	Number of apartments	Number of single-family houses	Number of parking spaces	Commercial space (sq.m.)
Alphen aan den Rijn	Kerkstraat	Julianastraat, Kerkstraat, Paradijslaan	40			
Alphen aan den Rijn	Provinciepassage	Provinciepassage	44			
Amersfoort	Vathorst 1	Beijerinck, Cruquius, Leemans, Vissering, Wouda	166		118	
Amersfoort	Vathorst 2A	Leeghwater, Vrouwenpolder	23			
Amstelveen	Mr. Bardeslaan	Mr. Bardeslaan, Rodenburghlaan		3	1	
Amstelveen	RiMiNi	Missouri, Niagara, Rio Grande	126		66	
Amsterdam	Europapoort	Mensinge, Weerdestein	136		20	
Amsterdam	Mondriaan	Hart Nibbrigstraat, Piet Mondriaanplein, Henk Henriëtstraat		24	24	
Amsterdam	Nachtwachtlaan	Nachtwachtlaan	167		167	
Amsterdam	Sint Nicolaasstraat	Sint Nicolaasstraat	4			
Amsterdam	Staalmeesterslaan	Staalmeesterslaan	180		180	
Amsterdam	Wicherskwartier	Donker Curtiusstraat, Wichersstraat.,Visseringstraat, Buyskade	135		125	409
Amsterdam	Zuidkwartier	Eosstraat	82		82	
Arnhem	Jonkerwaard	Jonkerwaard, Pachterwaard		51		
Arnhem	Malburgen	Van Berkumstraat		36		
Arnhem	Schuytgraaf	Daphnestraat, Dianaplantsoen		42		
Barneveld	Benctincklaan	Benctincklaan		13		
Bennekom	De Barones	Oost-Breukelderweg	24			
Bilthoven	Kramsvogel-Spreeuwlaan	Kramsvogel, Spreeuwlaan	128			
Boskoop	Burg. Colijnstraat	Burg. Colijnstraat, Torenpad	30			
Breda	Ambachtenlaan	Ambachtenlaan, Hovenierstraat, Kolenbranderstraat		86	1	
Breda	Pottenbakkerstraat	Pottenbakkerstraat, Steenhouwerstraat		9		
Breda	Prins Alexanderlaan	Prins Alexanderlaan		2		
Breda	Willem van Oranjelaan I	Willem van Oranjelaan	16			
Breda	Willem van Oranjelaan II	Willem van Oranjelaan	24			
De Meern	Bakerlaan	Bakerlaan, Kameniersterlaan		36		
Diemen	De Brede HOED	D.J. den Hartoglaan	35		37	
Ede (Gld.)	De Halte	De Halte	47		50	
Eindhoven	Frankendaal	Frankendaal, Groeneveld		19		
Enschede	Klanderij	Oldenzaalsestraat, H.J. van Heekplein	39			
Enschede	Klanderij ppl	Oldenzaalsestraat			34	
Etten-Leur	Zilvermeeuw-hoog	Zilvermeeuw		24		
Etten-Leur	Zilvermeeuw-laag	Zilvermeeuw		34		
Haren (Gr.)	Ereprijsweg	Ereprijsweg, Rozengaard, Sterremuurweg		31		
Heerhugowaard	Dinkel	Dinkel, Grift		18		

City	Property	Address	Number of apartments	Number of single-family houses	Number of parking spaces	Commercial space (sq.m.)
Hendrik-Ido-Ambacht	Perengaarde	Perengaarde, Sophiapromenade	90		90	
Hilvarenbeek	Cantorijstraat	Cantorijstraat		19		
Hilversum	Bonifaciuslaan 1	Bonifaciuslaan	150			10
Hilversum	Bonifaciuslaan 2	Bonifaciuslaan	100		29	
Hilversum	HilversumHuis	Verschurestraat, Letteriestraat, Kremerpad		27		
Hoofddorp	Floriande	Aalburgplein, Almkerkplein, Drongelenplein, Meeuwenstraat	120		102	
Houten	De Borchen	Riddersborch, Minstreelborch, Vedelaarsborch		45		
Houten	Ploegveld	Ploegveld, Rijfveld, Sikkelveld		37		
Houten	Riddersborch	Riddersborch		19		
Houten	Wernaarseind	Wernaarseind, Achterom, Rosmolen, Smidsgilde		69		
Huizen	Delta	Delta, Eem, Grift, Kuinder, Wedekuil		31		
Huizen	Enhuizerzand	Enkhuizenzand, Friesewal, Gooisekust, Hofstede		87		
Huizen	Kooizand	Kooizand, Middelgronden, Noordwal		26		
Huizen	Middelgronden	Middelgronden, Noordwal		25		
IJsselstein (Ut.)	Guldenroede	Guldenroede, Morgenster, Valerieaan, Ratelaar		82		
Katwijk	Duizendblad	Duizendblad, Slangekruid		21		
Leiden	5 Meilaan	5 Meilaan	16			
Leiden	Van Randwijkstraat	Van Randwijkstraat	92		163	342
Leiderdorp	Poortwacht	Poortwacht	1			
Leusden	Claverenbladstraat	Claverenbladstraat, Van Eydenhof		24		
Lochem	Koedijk	Koedijk		6		
Lochem	Korenmolenweg	Korenmolenweg, Pelmolenerf		6		
Lochem	Pelmolenerf	Pelmolenerf		6		
Monster	Molenstraat	Acaciastraat, Molenerf, Molenstraat	22			
Nieuwegein	Dotterbloemstraat	Dotterbloemstraat, Ereprijs, Guldenroede		170	9	
Nieuwegein	Van Reeshof	Van Reeslaan	40			
Nootdorp	Laan van Floris de Vijfde	Laan van Floris de Vijfde	38			
Raalte	Beukensingel	Beukensingel, Elzenlaan		10		
Raalte	De Havezathe	De Havezathe, Langkampweg		5		
Rijen	Wouwerbroek	Wouwerbroek		16		
Rosmalen	Eikakkershoeven	Eikakkershoeven, Tielekenshoeven		63		
Rosmalen	Gruttoborch	Gruttoborch, Reigerborch, Kievitborch, Zwaluwborch		39		
Rotterdam	Karel Doormanstraat	Karel Doormanstraat	35		35	
Schijndel	Van Beethovenstraat	Van Beethovenstraat, Chopinstraat		27		
The Hague	Amadeus	Kalvermarkt	40		40	
The Hague	Laan van Wateringse Veld-app	Laan van Wateringse Veld	27			
The Hague	Laan van Wateringse Veld-toren	Laan van Wateringse Veld	16			
The Hague	Middenweg-app	Middenweg	17			
The Hague	Middenweg-toren	Middenweg	27			

City	Property	Address	Number of apartments	Number of single-family houses	Number of parking spaces	Commercial space (sq.m.)
The Hague	Van Geeststraat	Van Geeststraat	3			
's-Hertogenbosch	Predikherenpoort	Predikherenpoort	1		1	
Son en Breugel	Colijnstraat	Colijnstraat, Doormanlaan		10		
Steenwijk	Paasweide	Paasweide		15		
Tilburg	Bijsterveldenlaan	Bijsterveldenlaan, Hoge Witsie		38		
Tilburg	Broekhuizenstraat	Broekhuizenstraat, Bakkumstraat, Bloemendaalstraat		14		
Tilburg	Garderenstraat	Garderenstraat, Groedehof, Geesterenstraat		40		
Tilburg	Hattemplein	Hattemplein, Hillegomlaan		30		
Tilburg	Karrestraat	Karrestraat	19			
Tilburg	Karrestraat-Poststraat	Karrestraat, Poststraat	5			
Tilburg	Menterwoldestraat	Menterwoldestraat, Mariekerkestraat		38		
Tilburg	Ravensteinerf	Ravensteinerf		64		
Tilburg	Ruinerwoldstraat	Ruinerwoldstraat		57		
Utrecht	Dr. H.T.S. Jacoblaan	Dr. H.T.S. Jacoblaan		3		
Utrecht	Lamérislaan	Lamérislaan	216		33	
Utrecht	Lessinglaan	Lessinglaan		3		
Utrecht	Milestones	Jazzsingel, Fletcher Hendersonstraat, Svend Asmussenpad, John Coltranestraat	49	21	66	
Utrecht	Terwijde-centrum	E. Fitzgeraldplein, Jazzboulevard, B. Holidaystraat, Musicallaan, Nat KingColestraat, L. Amstrongboulevard	199		209	
Veldhoven	Buikhei	Bovenhei, Brouwershei, Buikhei, Schepelhei		91		
Vijfhuizen	Vijfhuizerweg	Vijfhuizerweg	2			
Voorburg	Herenstraat	Herenstraat	2			
Voorschoten	Veurseweg	Veurseweg	4			
Waddinxveen	Gouwe Zicht	Binnendoor	25			
Wijk bij Duurstede	Boeg	Boeg, Voorsteven		21		
Wijk bij Duurstede	Kompas	Kompas, Mast		22		
Wijk bij Duurstede	Voorsteven	Boeg, Voorsteven		14		
Zeist	Couwenhoven	Couwenhoven		46		
Zeist	Nijenheim	Nijenheim		33		
Zevenaar	Zonegge	Zonegge		26		
Zoetermeer	Futura	Dublinstraat, Van Leeuwenhoeklaan	69		70	
Zwolle	Elftkolk	Elftkolk		30		
Zwolle	Stadshagen	Bastionstraat, Broderiestraat		30		
			2,871	**1,934**	**1,752**	**761**

Colophon

Text
a.s.r. real estate
Tekstschrijvers.nl

Photography
Corné Bastiaansen, Hilversum
John Verbruggen, IJsselstein

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