Annual Report

1 January 2019 through 31 December 2019

AeAM Dutch Mortgage Fund

This is an English translation of the original Dutch text, furnished for convenience only. In case of any conflict between this translation and the original text, the latter will prevail.

Asset Management

Contents

1 General information

Manager
Aegon Investment Management B.V. (AIM), established in The Hague, of which the board consists of:

- E. van der Maarel
- W.J.J. Peters (resigned as of February 1, 2020)
- R.R.S. Santokhi
- B. Bakker
- O. van den Heuvel (resigned as of February 1, 2020)
- P. Smith (resigned as of February 1, 2020)
- G. Black (resigned as of June 3, 2019)
- C. Luning (appointed as of January 1, 2019, resigned as of February 1, 2020)
- F.F.F. de Beaufort (appointed as of October 1, 2019, resigned as of February 1, 2020)

Depositary
Citibank Europe Plc. Netherlands Branch, established in Schiphol, is appointed as the depositary of the fund. Aegon Custody B.V. is the legal owner of the assets of the fund. The board of Aegon Custody B.V. consists of AIM B.V.

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Legal advisor
Allen & Overy LLP
Apollolaan 15
1077 AB Amsterdam
The Netherlands

Independent auditor
PricewaterhouseCoopers Accountants N.V.
Fascinatio Boulevard 350
3065 WB Rotterdam
The Netherlands

Management and administration
AeAM Dutch Mortgage Fund does not employ any personnel and uses the services of AIM B.V. for its management and administration. The personnel of AIM B.V. is legally employed by Aegon Nederland N.V.

Profile
AeAM Dutch Mortgage Fund (hereafter “the fund”), established on 30 August 2013, is a fund for joint account (Dutch: “fonds voor gemene rekening”). The fund is only accessible for professional investors (Dutch: “professionele beleggers”) as defined in the Dutch Act on Financial Supervision (Dutch: “Wet op het financieel toezicht”).

Investment policy
The fund invests in Dutch mortgages issued by Aegon Hypotheken B.V., for which the collateral consists of privately owned Dutch residential property. The fund acquires mortgages by subscribing to the new mortgages production of Aegon Hypotheken B.V. In addition, the fund can also maintain an amount of cash and cash equivalents to facilitate subscriptions and redemptions. Cash and cash equivalents can also be invested in Dutch government bonds. For the use of other techniques, instruments and / or structures, the prior approval of the participants of the meeting is obligatory.

Objective
The investment objective of the fund is long term outperformance of the benchmark, before deduction of management fees, resulting from the spread of Dutch mortgages compared to Dutch government bonds.

Benchmark
The benchmark of the fund is the JP Morgan Government Bond Index Traded Netherlands.

Investments
The fund can invest in mortgages and cash and cash equivalents. Cash and cash equivalents, which are being managed by the fund, can also be invested in Dutch government bonds. The fund is required to maintain a freely available cash position at all times equal to -5% through 5 % of the fund assets. Outstanding construction deposits are not included in cash and cash equivalents.

Fiscal status
The fund is a closed mutual fund and is not liable to corporate income tax and dividend tax (tax transparent). To preserve the fund’s transparent tax status, participations in the fund may only be transferred to the fund. All revenue received by the fund, both ongoing revenue and capital gains, will be immediately allocated to the participants in the fund for Dutch tax purposes in proportion to their relative holding of the number of outstanding participations. Revenue or capital gains obtained by a participant with a participation will be regarded as revenue or capital gains obtained with the fund Securities. Changes to a participant’s relative holding, for example as a result of the entry to the fund of a new participant, may lead to the realisation of capital gains for Dutch tax purposes for the other participants.

Restrictions
The fund invests in mortgages. The following restrictions apply:
- NHG Mortgages: minimum of 50%
- Non-NHG Mortgages: maximum of 50%
- Loan-to-Value ratio: maximum of 106%

The Loan-to-Value ratio is calculated by dividing the total outstanding principal of the mortgage claim by the originally calculated market value of the collateral.

Leverage
The fund’s strategy is to invest for 0% in cash and cash equivalents, with a minimum of -5% and a maximum of +5%. Outstanding construction deposits are not included in the calculation for the exposure in cash and cash equivalents. Cash and cash equivalents can be invested in Dutch government bonds.

Short-term deviations
Short-term deviations from the restrictions, mentioned above, are possible as a result of large subscriptions into the fund or withdrawals from the fund. Such deviations are neutralised within a period of two months.

Marketability
The fund is not listed on any stock exchange. Participations are only issued in registered form and not physically issued.

Dividend policy
The fund pays annual dividends to participants based on the average interest rate of the mortgages and the average net asset value of the fund. Dividend is either issued as participations or distributed as cash.

Management fee
The manager charges a management fee for managing the Fund's assets. The management fee is determined as a percentage on an annual basis. The manager charges the fund an annual management fee of 0.21% of the net assets of the fund.

Service fee
The manager charges a service fee to the fund. The service fee serves as a compensation for costs such as custody fees, audit fees, legal and advisory fees, incorporation costs, administration fees and marketing and communication costs. The service fee is determined as a percentage on an annual basis. The service fee is charged to the fund each day based on the net asset value of the fund at the end of the preceding trading day. The service fee is 0.02% per year.

Mortgage servicing fee
The fund pays a fee to Aegon Hypotheken B.V. for services related to the distribution of mortgages and in particular the management of the mortgage portfolio. These services consist, among others, of administration of the mortgage portfolio, communication with debtors, facilitation of the payments process regarding to mortgage loans and management reporting for the fund. The mortgage service fee amounts to 0.27% per year and is based on the nominal amount of outstanding mortgages.

2 Report of the Investment Manager

2.1 Economic developments

Economic slowdown
The growth of the world economy slowed down in 2019, partly due to the uncertainty caused by the trade war. In response, central banks have eased monetary policy.

The trade war between China and the US created uncertainty throughout the year. Sometimes an agreement seemed close, but several times rates were nevertheless increased to increase the pressure. The uncertainty caused a slowdown in countries that are dependent on world trade. China and Europe suffered the most from this. The US itself is a fairly closed economy, so the overall impact remained limited. At the end of the year, China and the US entered into a "phase 1" agreement, in which China committed to buy American agricultural goods and to provide better protection for intellectual property. However, the rates remain unchanged for the time being.

Brexit also played a big part in the financial markets. After several unsuccessful attempts to steer a deal through the British Parliament, Prime Minister May again had to request a deferment of the EU and eventually resigned. She was succeeded by Johnson, who, after further attempts to get a deal, eventually called for new elections. These elections were won by the conservatives, which allowed them to approve the deal that Johnson negotiated with the EU at the start of 2020. As a result, Great Britain left the EU at the end of January 2020, followed by a transition period until the end of 2020.

In Italy the coalition fell, and Lega, a populist party, is no longer in the government. This led to a sharp fall in the risk premium for Italian government bonds.

The European elections result in a relatively pro-European outcome. The new European commission will focus on the further integration of the EU and on an ambitious climate policy.

China was hit by the US trade rates. Exports to the US fell sharply. In response, the government has therefore eased monetary policy and pursued a broad fiscal policy. This limited the final slowdown of the economy. The longer term trade war will have far-reaching consequences, through the de-globalization of supply chains. China wants to become less dependent on the US for some crucial technologies, such as manufacturing the most advanced chips.

Central banks ease policy
Due to the economic slowdown and lagging inflation, central banks have considerably eased policy. The American, FED, lowered interest rates three times. The ECB lowered the deposit interest rate by 0.1% to -0.5%. In addition, the ECB restarted the bond-buying scheme. The ECB continues to buy bonds at a rate of € 20 billion per month. At the end of the year, Draghi, President of the ECB, was replaced by Lagarde. He announced a study into the effectiveness of the various monetary instruments.

2.2 Key figures

Key figures	2019	2018	2017	2016	2015
Overview per participation					
Changes in fair value	0.60	(0.05)	0.11	0.35	0.35
Investment result	0.35	0.35	0.36	0.39	0.43
Total result	**0.95**	**0.30**	**0.47**	**0.74**	**0.78**
Management fee and other expenses	(0.06)	(0.06)	(0.06)	(0.06)	(0.05)
Net result	**0.89**	**0.24**	**0.41**	**0.68**	**0.73**
Dividend paid per participation	(0.29)	(0.30)	(0.33)	(0.17)	(0.17)
Net asset value (x € 1,000)	13,270,176	13,109,580	12,010,558	9,189,909	5,499,982
Outstanding number of participations	1,052,728,078	1,092,069,500	994,357,648	765,384,446	477,919,275
Net asset value per participation	12.61	12.00	12.08	12.01	11.51
Performance (net asset value)	7.68%	1.91%	3.42%	5.81%	7.07%
Performance Benchmark	3.98%	2.27%	(1.02%)	4.33%	0.35%

Amounts per participation are based on the average number of outstanding participations during the year. Dividend paid reflects the actual paid dividend per participation.

2.3 Financial markets

The Dutch housing market also did well in 2019. Meanwhile, the average housing price is 11.5% higher than the level of the summer of 2008. The transaction numbers for 2018 take a step back compared to the record year 2017. To still qualify for mortgage interest relief new mortgages must at least be repaid on an annuity basis and within thirty years. In addition, the mortgage standards on the basis of the Nibud Financing Expenses Guidelines remained reasonably stable in 2019. These guidelines prescribe that households can only spend a limited part of their income on mortgage expenses. Due to the amended tax regulations since 2013 and the more stringent Nibud standards of recent years, the market for new mortgages has become more solid. We also notice this on the housing market. Analysts expect that the increase of the housing prices also continues next year, albeit at a slightly lower level than we were able to observe in recent years. An ever larger part of the households is staying afloat again with their house, which further supports the housing market.

2.4 Investment policy

In this section we present an explanation on the performance of the Fund relative to the benchmark. The mentioned out-and underperformance of the Fund relative to the benchmark are determined on the basis of the geometric method. In this method, the relative and not the absolute difference relative to the benchmark is calculated.

In 2019 the AEAM Dutch Mortgage Fund realised a return of 7.68% after costs. This is an outperformance of 3.56% compared to the benchmark, which quoted a return of 3.98%. The fund has a Dutch government bond index as benchmark (JP Morgan Government Bond Index Traded Netherlands).

Three factors determine the relative return of the AEAM Dutch Mortgage Fund: the change of the AEGON mortgage interest rate, the surcharge for mortgages compared to the government curve and losses on the mortgages. During the year the weighted Aegon mortgage interest rate decreased. The decreasing mortgage interest rate had a positive effect on the valuation of the mortgages in the fund. The Dutch government interest rate has fallen slightly in the course of 2019, which lead to a positive performance for the benchmark. Due to the higher carry compared to the benchmark together with the decreasing mortgage interest rates, the fund was again able to realise an outperformance. As in 2018, the losses in the fund were limited to less than a basis point.

The fund invests in new mortgages granted by Aegon on Dutch residential property after 1 January 2013 and is therefore exposed to a mortgage default risk. These new mortgages comply with the more stringent granting criteria implemented in January 2013. The maximum LTC (loan compared to collateral) at which new mortgages can be granted decreased with annual steps of 1% to the present maximum of 100%. In addition, repayment has become the standard. A majority of the mortgages (approximately 73%) in the fund are based on annuity or other forms of repayment. The percentage of NHG mortgages at the end of December 2019 is 50.7%. The fund's duration (through key rate deltas) is 7.7 as at the end of December 2019.

The expectation for the coming period is that the housing market can count on the support of low capital market interest rates, a slightly growing economy, healthy origination volumes and stable growth in housing prices.

2.5 Risk management

The fund manager has the responsibility to manage the financial risks of all funds. The fund manager has identified a number of financial risks, of which the most important are:

- Interest risk
- Inflation risk
- Credit risk
- Liquidity risk
- Leverage (a measure of the degree of the applied leverage)

For each type of risk, risk criteria have been set in the form of restrictions in order to manage these risks. These restrictions are included in the fund mandates where they are tailored to the strategy of the fund. All restrictions are, where possible, monitored on a daily basis by the manager and by Citibank, which operates independently as depositary. Citibank has been appointed as depositary following the Alternative Investment Fund Managers Directive (AIFM-Directive) which requires managers to appoint an independent body to perform monitoring tasks.

In addition to restrictions monitoring, the manager monitors control limits which are intended to prevent breaches of restrictions. These control limits have tighter criteria than the restrictions and are used as a warning in order to prevent that restrictions are breached. When breaches of restrictions occur, relevant stakeholders will be notified and further actions shall be determined to resolve the breaches. All breaches and warnings are periodically reported to all internal stakeholders, including the management and all relevant external stakeholders if necessary.

Below is a description of the objectives and policies of the fund on risk management with respect to the use of financial instruments when managing risks. Also included is an explanation of the risk management measures that are in place.

Interest risk
Interest risk occurs as a result of investments in fixed income securities. Interest risk is usually measured by the duration. This risk is measured as the deviation (in years of under- or overweighed) in duration from the benchmark.

Inflation risk
Inflation risk occurs as a result of changes in the inflation level of a country. This has an effect on various financial instruments, specifically instruments with a fixed interest rate. Inflation risk is already included within other risks, such as interest risk, and therefore no additional specific measures are required to manage this risk.

Credit risk
Credit risk is the risk that a counterparty is unable to meet the obligations as set out in the terms of a financial instrument. This risk can result in the loss of the nominal amount or lead to a significant increase in spreads when dealing on the market.

Credit risk is managed by imposing restrictions on the maximum Loan-to-Value ratio and a minimum share of mortgages with a NHG guarantee.

The restrictions as mentioned above are managed based on the Loan-to-Value ratio when acquiring the mortgages and the share of mortgages with a NHG guarantee on the current date.

For newly acquired mortgages, restrictions imposed will apply on additional purchases of mortgages.
The measure that is taken:

- Non-NHG mortgages: maximum of 50%
- Loan-to-Value ratio is maximised at 106%

Liquidity risk
Liquidity risk is the risk the fund is not able to quickly sell an investment for a reasonable price. This risk is related to the volume of the fund and the individual positions compared to the volume and liquidity of the investments in the portfolio. The fund manager has an appropriate liquidity management system which includes procedures to monitor the liquidity risk of each fund and to ensure that the liquidity of the fund is aligned with the underlying obligations.

The liquidity management system:

- keeps a level of liquidity in a fund that matches the underlying obligations, based on an estimate of the relative liquidity of the underlying assets in the market;
- monitors the liquidity profile of the funds' portfolio. This takes into account the possible marginal contribution of the individual assets that may have a material effect on liquidity, as well as the material liabilities and obligations that a fund can have in relation to its underlying obligations;
- implements the instruments and arrangements necessary to manage the liquidity risk of each fund. The fair treatment of all participants with regard to each fund must be considered.

Leverage
Leverage expresses the relation between the exposure of the fund and the net asset value of the fund. The leverage in the fund is calculated in two different ways: the gross method and the commitment method. Both methods are prescribed by the AIFMD.

The gross method:

- excludes from the calculations the value of the cash and cash equivalents and the highly liquid investments in euro of the fund that can immediately be converted into cash and cash equivalents, subject to an insignificant risk of changes in value and provide a yield not exceeding the yield on three months high-quality government bonds;
- converts derivative positions (using specific conversion methods) to the equivalent position of the underlying assets;
- excludes loans that are cash borrowings for which the amount due is known;
- includes exposures due to reinvested cash borrowings, expressed as the higher of the market value of the investments or the total amount of borrowed cash; and
- includes positions in repo- or reverse repo transactions and security lending arrangements.

The commitment method:

- converts derivatives positions (using specific conversion methods) to their equivalent position in the underlying assets, provided certain criteria are met;
- takes into account clearing and hedging arrangements (also under certain conditions);
- calculates the exposure created by the reinvestment of loans and borrowings, when the reinvestment increases the exposure of the fund; and
- excludes derivatives that are used for currency hedging purposes.

Each fund has leverage restrictions that are monitored just like other investment restrictions. In the case of investments in third-party funds, the leverage of such third-party funds is not included in the leverage calculations of the fund or fund structure.

Risk limits management
Risk limits management is undertaken to ensure that the risk profile of the fund can be effectively monitored. The Dutch authority for the financial market (AFM) receives a message if there is a mismatch between the risk profile of the fund and the risk limits or when there is a substantial risk that such a mismatch might occur. The match between the risk limits and risk profile is checked at least annually.

For every type of financial risk, applicable measures are defined to manage these risks. The most appropriate measures may vary per fund, based on the strategy of the fund. For the selected measures, appropriate risk limits are set, which are actively monitored. This will ensure that the fund act within their mandates.

To provide for an efficient and effective risk management process, the risk measures and the resulting risk limits meet the following principles:
- Quantitative limits are measurable;
- Restrictions or limits have clear definitions;
- Measures are chosen in such a way that the measurements and monitoring can be automated;
- Multiple restrictions with a similar objective are avoided, except when there is a legitimate reason;
- Each fund has limits for all identified risks;
- Restrictions are designed to reduce complexity, hence a restriction per type of risk instead of combining different types of risks to a restriction.

The risk limits of the fund are monitored on a daily basis. Monitoring consists of the calculation of the control variables for each of the fund, comparison of the internal and external risk limits and the escalation of overruns within the organisation.

Internal limits are set as warning limits to prevent breaches of external limits or as a further limitation due to other considerations (for example, exclusion lists based on socially responsible investments policy or liquidity management).

The risks are calculated, checked and followed by AAM on a daily basis. The relevant outcome is reported in a combined overview of warnings and transgressions.

These warnings and breaches are analysed and different processes are followed depending on the materiality of the warning or breach. Immaterial warnings are usually resolved within few days and are only reported to the portfolio manager if they remain outstanding for a longer period. Material warnings are reported to the portfolio manager for validation of the warning and to verify the solution. High risk problems are immediately reported to the CIO. On a weekly basis, all outstanding material warnings and breaches are internally reported to, among others, the management. On a monthly basis, the Risk Control Committee is informed on all the warnings and breaches, including the status or the solution.

Operational risk management
The fund manager has defined operational risk as follows: "The risk of a loss as result of inadequate or failing internal processes, people and systems or external events". The fund manager has designed a comprehensive framework for the definition and classification of risks and the organisation of risk management activities.

The operational risk management policy includes the strategy and the objectives for the operational risk management and the processes that the fund manager has designed to achieve these objectives. The objectives for operational risk management (ORM) are:
- All major operational risks are identified, measured, evaluated, prioritised, managed, monitored and treated in a consistent and effective way throughout the organisation;
- Appropriate and reliable tools for risk management (including the main risk indicators, database with risk events, risk & control self-assessments, monitoring reviews, and stress and scenario tests) are used to support management reporting, decision-making and assessment of required (reserve) capital;
- All directors, management and staff are responsible for managing the operational risks in line with the roles and responsibilities; and
- Key stakeholders timely receive a reliable confirmation that the organisation manages its activities for the important operational risks.

Risk monitoring
The purpose of operational risk monitoring is to protect the investments of the customers of the fund manager, to ensure that customers are treated fairly and to ensure that the manager meets all his legal obligations. Risk monitoring also includes providing feedback to the company about the effectiveness of their operational management measures and comparing the current operational risk profile with the established risk tolerance. An important part is testing of internal controls to provide for an independent assessment of the adequacy of the design and the operational effectiveness of key operational management measures that have been established by the management. The outcome of this is reviewed by an independent auditor and reported in a ISAE3402 Type II statement. Furthermore, compliance of the policy of the fund manager and Aegon Group is monitored and any failures are reported to the responsible management.

Continuity management
The purpose of continuity management by the fund manager is to ensure the continuity of its activities, to establish trust, safeguarding of assets, to meet obligations, comply with the internal and external regulations and to prevent or mitigate damage and risk. The fund manager has taken measures to reduce the risk of a disruption of continuity to an acceptable level as much as possible. This will ensure that the fund manager maintains a prudent operational risk profile both under normal business conditions as well as under extreme conditions due to unforeseen events.

The fund manager has taken measures to identify and manage risks to an acceptable level. An acceptable level of risk is determined by the balance between the costs of the measures for mitigating risks and the value of the assets of the fund manager.

The responsibility for the adequate establishment of continuity management is part of the primary process. It is the responsibility of Operational Risk Management to independently supervise that the fund manager properly fulfils his responsibilities. This will ensure that the fund manager maintains a prudent operational risk profile in case of normal business conditions, as well as in case of extreme conditions caused by unforeseen events.

During the year no restriction overruns have occurred.

2.6 Notes on the remuneration policy

Remuneration policy
For the remuneration policy AIM B.V., being part of Aegon N.V., is bound to the Aegon Group Global Remuneration Framework. This framework is designed in line with relevant laws and regulations, such as the Dutch law on remuneration policy for financial institutions and Solvency II. The Framework includes principles and guidelines for a careful, controlled and sustainable remuneration policy, that adheres to the strategic goals, HRM aspirations and core values of Aegon N.V. This also meets the AIFMD requirements for the remuneration policy, including contributing to effective and efficient risk management and not encouraging taking more risks than allowed by the investment policy and fund terms and conditions. In situations of delegation of fund management after the AIFMD became effective, AIM B.V. monitors that the AIFMD or equivalent guidelines and restrictions for remuneration are in place. This framework is tested annually against laws and regulations, amended where necessary and presented to the Remuneration Committee of Aegon Group for approval. This body also monitors the remuneration of all AIM B.V. employees that have been designated as Identified Staff.

Fixed remuneration
Fixed remuneration of AIM B.V. employees consists of the monthly salary, a flexible budget (including, among others, holiday allowance and 13th month allowance), pension allowance and other secondary employment terms that are customary in the Dutch market. AIM B.V. has different salary systems for employees under collective employment agreements (‘CAO gebonden posities’), portfolio managers and senior management positions. All three systems are reviewed annually on market conformity using various external market surveys on remuneration.

Variable remuneration
A selection of AIM B.V . employees is eligible for variable remuneration. This variable remuneration is an integral part of the total remuneration package. For the calculation of the annual budget for variable remuneration, a so called bonus pool method is used. This means that the size of the pool (in other words, the budget) is determined by

comparing the actual results to the predetermined goals. This consists of a mix of long term and short term fund results, client satisfaction, profitability, sales figures, risk management and Aegon N.V. results. Granting of any variable remuneration, within the budget, is done based on individual performance. For granting of variable remuneration, based on the bonus pool and at individual level, the performance indicators consist for a maximum of 40% of risk adjusted financial performance indicators and for at least 50% of non-financial indicators.

In addition, employees that are not eligible for variable remuneration can, under strict conditions, be granted a variable remuneration.

Identified Staff
On the basis of the AIFMD selection criteria, fifteen internal positions have been qualified as Identified Staff of which six senior management positions and one control position. It regards employees whose professional activities have a crucial impact on the risk profile of AIM B.V. and/or the funds managed by it.

When qualifying for a certain fixed income and variable remuneration, no distinction is made between Identified Staff and other employees. Different rules do, however, apply in the area of personal targets and payment of variable remuneration. The personal targets of Identified Staff are assessed in advance on the degree of risk control and are, where required, adjusted accordingly. In addition, in case of Identified Staff variable remuneration is not paid in cash in one instalment. The initial 50% are paid directly in cash after the year of performance. The other 50% are paid directly in instruments, the so-called phantom shares. The phantom shares are subject to a holding period of three years. They are made available after that. Before each of these elements is paid, it is established whether there are still facts on the basis of which the variable remuneration should be adjusted downward. The phantom shares are linked to the fund performances of the main funds of the Manager. After allocation the shares are held for a year before they are settled and paid to the employee in cash.

Remuneration overview
The table below consists of the fixed remuneration (12 times the monthly salary, income tax, social security contributions, pension contributions and the flexible budget) and the paid variable remuneration to all employees and temporary employees of AIM B.V. in 2019. The amounts have been split to management, Identified Staff and other employees.

Remuneration 2019[3]				
Groups (amounts x € 1,000)	Positions	FTE[1]	Fixed remuneration[2]	Variable remuneration
Management	5	5	1,443	511
Identified Staff	7	7	1,777	1,000
Other non-identified staff	426	360	41,329	4,459
Total AIM B.V. employees	**438**	**371**	**44,548**	**5,970**

Remuneration 2018				
Groups (amounts x € 1,000)	Positions	FTE[1]	Fixed remuneration[2]	Variable remuneration
Management	5	5	1,363	507
Identified Staff	9	9	2,016	777
Other non-identified staff	306	239	26,884	2,773
Total AIM B.V. employees	**320**	**253**	**30,263**	**4,057**

(1) 1 FTE = 40 contractual hours per week
(2) This consists of 12 times the monthly salary and a fixed flexible budget (including, among others, holiday allowance and 13th month allowance).
(3) Due to the merger with TKP Investments B.V. per 1 January 2019, the 2019 figures also include employees who were previously employed by TKP Investments B.V.

The remuneration for the employees includes activities performed for Aegon Nederland N.V. Employees are not directly employed by or working exclusively for specific individual funds. The total remuneration has not been allocated to the individual funds, since the information required for this allocation is not readily available. There are no employees for which the total remuneration is greater than 1 million euro.

The manager does not receive any compensation other than the predetermined management fee, which is a percentage of the net asset value. Therefore, there is no carried interest.

2.7 Laws and regulations

The fund is subject to the regulatory supervision of the Dutch Act on Financial Supervision (Wet op het financieel toezicht).

The annual report is prepared in accordance with Title 9 of Book 2 of the Dutch Civil Code and the Dutch financial reporting standards ('Richtlijnen voor de jaarverslaggeving').

2.8 Fund Governance

The Fund Governance principles, as laid down in the Fund Governance Code, were embedded in legislation and regulations and separate reporting consequently no longer takes place.

2.9 General outlook

A new type of coronavirus emerged in Wuhan, China in December 2019. This virus can cause a disease known as COVID-19. The majority of patients experience fever and respiratory problems. The virus has emerged in many countries worldwide and measures have been implemented to stop its spread.

The outbreak of the coronavirus and its spread in 2020 has affected financial markets across the globe. In March 2020 worldwide market have fallen by double digit percentages due to a significant rise in uncertainty.

The expected consequences of the coronavirus outbreak on the housing market are as follows:

The current low number of payment arrears is likely to increase due to the effect of corona on the economy. The Dutch government is currently setting up a large fiscal stimulus package to support the economy with a focus on the self-employed. Due to the fiscal stimulus and the low representation of self-employed persons in our funds, we expect this to have a limited effect on the long-term performance of the fund. The loan-to-value collateral (LTV) of the pool also protects investors against potential losses as a result of potential house price declines. In summary, we expect that given the current very low level of arrears these will increase but that this will lead to very limited losses looking at the characteristics of our portfolios.

The applied spread for mortgages above risk-free interest rates is likely to stabilize, and the declining trend in this spread that we have seen in the past 9 months will come to an end. As mortgages are considered a safe investment, we do not expect investors to leave this market, however we cannot rule out any repositioning.

It is likely that the production of Dutch mortgages will decrease as a result of the measures taken by the Dutch government. We do not expect a material impact on production in April, as these mortgage offers have already been shared with customers. Production is expected to decrease in the following months. Our expectation is that the refinance market, which currently represents 50% of the mortgage market, remains relatively strong. Volumes as a result of relocation and start-ups are expected to decrease. We believe that liquidity is not materially affected. Aegon will review each individual borrower in difficulty on a case-by-case basis, so we do not expect the fund's cash-generating assets, repayments, to be materially affected. In addition to small repositions, we do not expect large corona-related outflows.

Events in early 2020 give no new insights into the value of investments as per 31 December 2019. There is no material uncertainty regarding the continuity of the fund. However, the exact impact of the coronavirus outbreak on the fund cannot be reasonably determined due to the inherent uncertainty.

Aegon Investment Management believes vigilance to be key in times of turbulent markets. We carefully keep track of market developments, investment fund transactions and quotes to ensure our clients receive valuations and reports that provide an accurate reflection of current market circumstances. This entails that we keep a close eye on markets' reactions to policy changes by the central bank and market interventions by governments. We monitor indicators of market sentiment and adjust our portfolios accordingly to profit of opportunities when these may arise.

Aegon Investment Management is an international corporation that operates from a diverse set of locations in Europe, the United States and Asia. This allows us to be well positioned for and give assurance of continued operations during periods of local or regional disruption. Aegon Investment Management has implemented a series of measures to minimize the impact of the coronavirus on our clients, including intensive monitoring of governance and operations, work from-home policies as part of business continuity plans and prohibiting meetings of 20 individuals or more in any of our offices.

The Hague, 17 April 2020

The fund manager

Aegon Investment Management B.V., on behalf of:

E. van der Maarel
R.R.S. Santokhi
B. Bakker

3 Financial statements 2019 AeAM Dutch Mortgage Fund

3.1 Balance sheet as at 31 December

Balance Sheet			
(before appropriation of result) (amounts x € 1,000)	Reference	2019	2018
Assets			
Investments			
Mortgages		12,925,838	12,935,424
Call money		214,358	91,128
Total investments	3.4.3	**13,140,196**	**13,026,552**
Receivables			
Outstanding transactions in financial instruments		118,003	59,107
Other receivables	3.4.5	29,884	31,692
Total receivables		**147,887**	**90,799**
Other assets			
Cash and cash equivalents	3.4.6	1	-
Total other assets		**1**	**-**
Total assets		**13,288,084**	**13,117,351**
Liabilities			
Net asset value			
Net assets before result		12,314,115	12,853,943
Result for the year		956,061	255,637
Total net asset value	3.4.7	**13,270,176**	**13,109,580**
Short term liabilities			
Outstanding transactions in financial instruments		14,214	3,783
Other payables and liabilities	3.4.8	3,694	3,988
Total short term liabilities		**17,908**	**7,771**
Total liabilities		**13,288,084**	**13,117,351**

3.2 Profit and loss statement

Profit and loss statement			
(amounts x € 1,000)	Reference	2019	2018
Direct result			
Interest mortgages		374,484	377,757
Interest bank accounts		4	3
Total direct result		**374,488**	**377,760**
Revaluation of investments	3.4.10	644,863	(59,085)
Total investment result		**1,019,351**	**318,675**
Other results			
Other results		-	4
Total other results		**-**	**4**
Operating expenses			
Management fee		(27,378)	(27,125)
Service fee		(2,607)	(2,583)
Servicing fee mortgages		(32,810)	(32,279)
Interest call money		(294)	(982)
Interest bank accounts		(22)	(32)
Other expenses		(179)	(41)
Total operating expenses	3.4.12	**(63,290)**	**(63,042)**
Net result		**956,061**	**255,637**

3.3 Cash flow statement

Cash flow statement			
(amounts x € 1,000)	Reference	2019	2018
Cash flow from investment activities			
Mortgage loans issued		(238,816)	(2,087,002)
Mortgage loans repayments		844,800	708,577
Net receipts/(payments) for call money transactions		(123,230)	222,731
Interest received		376,296	375,186
Received other gains		-	4
Management fee paid		(27,435)	(26,934)
Service fee paid		(2,612)	(2,565)
Servicing fee paid mortgages		(32,937)	(32,086)
Interest paid		(421)	(1,256)
Other expenses paid		(179)	(41)
Net cash flow from investment activities		**795,466**	**(843,386)**
Cash flow from financing activities			
Subscriptions		1,313,804	1,889,826
Redemptions		(1,795,364)	(743,982)
Dividend paid		(313,905)	(302,459)
Net cash flow from financing activities		**(795,465)**	**843,385**
Net cash flow		**1**	**(1)**
Cash and cash equivalents opening balance		-	1
Cash and cash equivalents closing balance	3.4.6	**1**	**-**

3.4 Notes to the financial statements

3.4.1 Accounting principles and the calculation methods for ratios

General
The financial statements are prepared in accordance with Title 9 of Book 2 of the Dutch Civil Code and the Dutch Act on Financial Supervision (“Wet op het financieel toezicht”). The financial statements are prepared according to the financial statements models for investment institutions as established by the legislator. Wording may be used that deviates from these models to better reflect the contents of the specific items.

Unless indicated otherwise, amounts are reflected in euro.

Comparison to the previous year
The accounting principles have remained unchanged in comparison to the previous year.

Cash flow statement
The cash flow statement is prepared using the direct method. A distinction is made between cash flows arising from financing activities which reflect all cash flows between the fund and its participants and the cash flows from investment activities which reflect the operations activities of the fund. Cash and cash equivalents consist of cash at banks and bank overdrafts.

Principles of valuation
Unless stated otherwise, assets and liabilities are included in the balance sheet at nominal value. Investments are valued at fair value. The manner in which this fair value is determined is further explained in the paragraph: Fair value determination.

Investments
Investments in mortgages are held to maturity. These investments are not considered to be part of the trading portfolio.

Criteria for recognition on the balance sheet
Financial instruments are recognised in the balance sheet when the fund becomes a party to the contractual provisions of the financial instrument. The fair value of the financial instruments at initial recognition is the cost price of the financial instruments.

A financial instrument is no longer recognised in the balance sheet if a transaction leads to the transfer of all or nearly all economic benefits and all or nearly all risks of the financial instrument to a third party.

Recognition of transaction
Transactions are processed based on settlement date (settlement date accounting).

Transaction cost recording
Transaction costs for purchases of investments are included in the cost price of the investments and are accounted for as part of the unrealised result on investments in the profit and loss statement. As a result, no transaction costs are expensed at the end of the year. Transaction costs related to sales of investments are accounted for as part of the realised result on investments. Transaction costs upon purchases of derivatives are directly accounted for in the profit and loss statement.

The total amount for identified transaction costs of investments (besides the transaction costs of derivatives) of the financial year is disclosed in the fees and expenses paragraph.

Fair value determination
The mortgages are acquired from Aegon Hypotheken B.V. at their fair value. At the date of transfer, mortgages are assumed to have been acquired at the conditions then applicable. The fair value of a mortgage is determined by discounting the future contractual cash flows against the Aegon interest rate, taking into account early repayments by the customer. By using this method, the fair value is equal to the nominal value at the date of transfer. The market value of the mortgage portfolio is similarly calculated on a monthly basis. When calculating the fair value, the applicable sales restrictions are taken into account. The mortgages can only be sold to a party affiliated with Aegon.

The market value of call money is based on the theoretical price, calculated using data from active markets.

Asset and liabilities
Assets and liabilities are valued at fair value upon initial recognition. Subsequently, assets and liabilities are valued at amortised cost. When no premium, discount or transaction costs apply, the amortised cost equals the nominal value of the asset or liability.

Cash and cash equivalents
Cash and cash equivalents are valued at nominal value.

Net asset value
In the net asset value of the fund, the transactions with participants and the appropriation of the result are recorded. Transactions with participants are processed against the subscription- or redemption price excluding subscription or redemption fee.

Performance calculation based on dividend reinvestment
The performance (net asset value) is calculated based on the net asset value at the end of the year and the net asset value of the previous year. Dividend distributions are considered to be reinvested at the net asset value per participation on the day of the dividend distribution.

3.4.2 Subsequent events

A new type of coronavirus emerged in Wuhan, China in December 2019. This virus can cause a disease known as COVID-19. The majority of patients experience fever and respiratory problems. The virus has emerged in many countries worldwide and measures have been implemented to stop its spread.

The outbreak of the coronavirus and its spread in 2020 has affected financial markets across the globe. In March 2020 worldwide market have fallen by double digit percentages due to a significant rise in uncertainty.

The expected consequences of the coronavirus outbreak are as follows:

The current low number of payment arrears is likely to increase due to the effect of corona on the economy. The Dutch government is currently setting up a large fiscal stimulus package to support the economy with a focus on the self-employed. Due to the fiscal stimulus and the low representation of self-employed persons in our funds, we expect this to have a limited effect on the long-term performance of the fund. The loan-to-value collateral (LTV) of the pool also protects investors against potential losses as a result of potential house price declines. In summary, we expect that given the current very low level of arrears these will increase but that this will lead to very limited losses looking at the characteristics of our portfolios.

The applied spread for mortgages above risk-free interest rates is likely to stabilize, and the declining trend in this spread that we have seen in the past 9 months will come to an end. As mortgages are considered a safe investment, we do not expect investors to leave this market, however we cannot rule out any repositioning.

It is likely that the production of Dutch mortgages will decrease as a result of the measures taken by the Netherlands. We do not expect a material impact on production in March and April, as these mortgage offers have already been shared with customers. Production is expected to decrease in the following months. Our expectation is that the refinance market, which currently represents 50% of the mortgage market, remains relatively strong. Volumes as a result of relocation and start-ups are expected to decrease. We believe that liquidity is not materially affected. Aegon will review each individual borrower in difficulty on a case-by-case basis, so we do not expect the fund's cash-generating assets, repayments, to be materially affected. In addition to small repositions, we do not expect large corona-related outflows.

Events in early 2020 give no new insights into the value of investments as per 31 December 2019. There is no material uncertainty regarding the continuity of the fund. However, the exact impact of the coronavirus outbreak on the fund cannot be reasonably determined due to the inherent uncertainty.

Aegon Investment Management believes vigilance to be key in times of turbulent markets. We carefully keep track of market developments, investment fund transactions and quotes to ensure our clients receive valuations and reports that provide an accurate reflection of current market circumstances. This entails that we keep a close eye on markets' reactions to policy changes by the central bank and market interventions by governments. We monitor indicators of market sentiment and adjust our portfolios accordingly to profit of opportunities when these may arise.

Aegon Investment Management is an international corporation that operates from a diverse set of locations in Europe, the United States and Asia. This allows us to be well positioned for and give assurance of continued operations during periods of local or regional disruption. Aegon Investment Management has implemented a series of measures to minimize the impact of the coronavirus on our clients, including intensive monitoring of governance and operations, work from-home policies as part of business continuity plans and prohibiting meetings of 20 individuals or more in any of our offices.

3.4.3 Investments

Movement schedule of investments

(amounts x € 1,000)	2019	2018
Mortgages		
Opening balance	12,935,424	11,635,906
Issued	249,247	2,085,437
Repayments	(903,696)	(726,834)
Revaluation	644,863	(59,085)
Closing balance as at 31 December	**12,925,838**	**12,935,424**
Call money		
Opening balance	91,128	313,859
Net amount for transactions in call money	123,230	(222,731)
Closing balance as at 31 December	**214,358**	**91,128**

3.4.4 Risks with respect to financial instruments

This paragraph shows the important risks associated with the investments of the fund.

Price risk
Price risk can be divided into:

- Currency risk is the risk that the value of a financial instrument will fluctuate as a result of changes in exchange rates;
- Market risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices, either caused by factors that exclusively apply to the individual instrument or the issuer thereof or by factors that influence all instruments that are traded in the market;
- Interest rate risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market interest rates.

The concept of price risk does not only comprise possibility of losses but also the possibility of gains.

Currency risk
The fund predominantly has euro investments and is therefore not exposed to significant currency risk.

Market risk
The risk that relates to changes in market prices is limited by the spread in mortgage products and regions. The market price is influenced by the limitation in mortgage tradability. The mortgages can only be sold to a party affiliated with Aegon.

Mortgage portfolio by product

	2019	2018
Product		
Annuity	63.0%	63.4%
Interest-only	27.1%	26.3%
Linear repayment	5.1%	5.3%
Banksavings (“Bankspaar”)	4.0%	4.1%
Savings (“Spaar”)	0.8%	0.9%
Total as at 31 December	**100.0%**	**100.0%**

Distribution portfolio by region

Mortgage portfolio by province

	2019	2018
Province		
Drenthe	3.2%	3.2%
Flevoland	1.9%	2.0%
Friesland	3.8%	3.8%
Gelderland	13.8%	13.6%
Groningen	3.4%	3.4%
Limburg	6.7%	6.6%
North-Brabant	16.3%	16.3%
North-Holland	12.8%	12.9%
Overijssel	7.8%	7.8%
Utrecht	8.5%	8.3%
Zeeland	2.5%	2.5%
South-Holland	19.3%	19.6%
Total as at 31 December	**100.0%**	**100.0%**

Interest rate risk
The fund invests in long term fixed income securities and is therefore exposed to significant interest rate risk. The table below categorises the mortgages and call money into fixed interest maturity buckets. In this table no consideration is given to (early) repayment of mortgages.

Remaining fixed rate period 2019

(amounts x € 1,000)	2019					
	Less than 1 year	**Between 1 - 5 years**	**Between 5 - 10 years**	**Between 10 - 20 years**	**Greater than 20 years**	**Total**
Mortgages	149,940	248,176	487,304	9,651,723	2,388,695	12,925,838
Call money	214,358	-	-	-	-	214,358
Total as at 31 December	**364,298**	**248,176**	**487,304**	**9,651,723**	**2,388,695**	**13,140,196**

Remaining fixed rate period 2018						
(amounts x € 1,000)	2018					
	Less than 1 year	Between 1 - 5 years	Between 5 - 10 years	Between 10 - 20 years	Greater than 20 years	Total
Mortgages	164,280	152,638	548,462	9,697,687	2,372,357	12,935,424
Call money	91,128	-	-	-	-	91,128
Total	**255,408**	**152,638**	**548,462**	**9,697,687**	**2,372,357**	**13,026,552**

Cash flow risk
Cash flow risk is the risk that future cash flows of a monetary financial instrument will fluctuate in size.

The fund has limited investments in financial instruments with variable interest rates and is therefore not exposed to significant cash flow risk.

Credit risk
Credit risk is the risk that counterparties of investments cannot meet their obligations, causing the fund to incur a financial loss.
The amount which best represents the maximum credit risk of the fund is € 13,288,084,000 (2018: € 13,117,351,000).

The fund primarily invests in mortgages for which the collateral consists of privately owned Dutch residential property. The credit risk is therefore initially hedged by the property that serves as collateral for the mortgages provided. In addition, credit risk is hedged by limiting the LTFV (volume of loans in relation to the execution value of the collateral) in the fund mandate and by setting a maximum amount per loan.

A significant amount of the mortgage portfolio is subject to the NHG-arrangement, which means that the Dutch Government guarantees fulfilment of the financial obligations of the mortgages.

Allocation of mortgages portfolio by remaining debt at year-end		
	2019	2018
Remaining debt		
Lower than 100,000	3.4%	2.7%
100,000 – 150,000	13.4%	12.5%
150,000 – 200,000	22.9%	22.3%
200,000 – 250,000	23.8%	24.6%
250,000 – 300,000	13.1%	13.4%
Higher than 300,000	23.4%	24.5%
Total as at 31 December	**100.0%**	**100.0%**

Allocation of mortgages remaining debt in relation to fair value of the underlying property		
	2019	2018
Remaining debt		
NHG	50.7%	51.3%
0 through 50%	8.4%	6.5%
50% through 100%	40.9%	42.2%
100% through 110%	-	-
Total as at 31 December	**100.0%**	**100.0%**

Overdue mortgage payments (amounts x € 1,000)	Amount overdue	Outstanding nominal	NHG
Outstanding debt			
Not overdue	-	11,775,141	50.7%
Overdue up to 3 months	151	27,716	77.7%
Overdue between 3 and 6 months	55	2,922	93.2%
Overdue for more than 6 months	22	539	100.0%
Total as at 31 December 2019	**228**	**11,608,318**	**50.7%**

The total losses on mortgages in 2019 amount to € 281,000 (2018: € 165,000). Since inception of the fund, the total losses on mortgages amount to € 893,000 (2018: € 612,000).

Liquidity risk
Liquidity risk, also known as 'funding risk', is the risk that the fund is not able to meet the financial obligations associated with its financial instruments or redemptions by participants. Liquidity risk can, among others, occur from the inability to sell a financial asset in the short term for (an amount close to) its fair value.

The investments of the fund cannot be liquidated immediately. The fund is therefore exposed to significant liquidity risk. This liquidity risk is reduced by existing restrictions for withdrawals from the fund. Participants can exit the fund on the first working day of each month.

The redemption of participations will be financed using the cash flows under the Investments or arising from new issues of participations in the fund. Mortgage receivables are illiquid investments that normally cannot be liquidated. Therefore, upon exit from the fund, participants will be dependent on the available cash and the new inflow of (prospective) participants into the fund. As a result of this restricted liquidity, outflow from the fund may take a long time.

If the liquidity of the fund is insufficient to comply with a redemption request (in full), the relevant participations will be 'included' again in the next redemption round according to the same procedure, etc. If and as long as one or several participations are offered to the fund for redemption, the manager will not make any further investments until all these participations have been redeemed.

3.4.5 Other receivables

Other receivables (amounts x € 1,000)	2019	2018
Accrued interest	29,884	31,692
Total as at 31 December	**29,884**	**31,692**

3.4.6 Cash and cash equivalents

No restrictions on the use of cash and cash equivalents exist.

3.4.7 Net asset value

Net asset value participants
Changes in net assets consist of transactions with participants, payments of dividends and the net result at the end of the year. The transactions with participants are incorporated against subscription or redemption rate excluding mark-up or mark-down for the subscription and redemption fee.

Movement schedule net asset value		
(amounts x € 1,000)	2019	2018
Net asset value participants		
Opening balance	13,109,580	12,010,558
Subscriptions	1,313,804	1,889,826
Redemptions	(1,795,364)	(743,982)
Dividends	(313,905)	(302,459)
Closing balance	**12,314,115**	**12,853,943**
Net result for the year	**956,061**	**255,637**
Total net asset value as at 31 December	**13,270,176**	**13,109,580**

For illiquid investments, the fund needs to account for a revaluation reserve for the amount of the unrealised revaluation of the illiquid investments. The unrealised revaluation of illiquid investments amounts to € 1,100,404,000 (2018: € 494,406,000).

Movement schedule of participations		
	2019	2018
Number of participations as at 1 January	1,092,069,500	994,357,648
Subscriptions	107,122,458	160,633,465
Redemptions	(146,463,880)	(62,921,613)
Number of participations as at 31 December	**1,052,728,078**	**1,092,069,500**

Historical summary			
	2019	2018	2017
Net asset value (X € 1.000)	13,270,176	13,109,580	12,010,558
Number of participations outstanding (units)	1,052,728,078	1,092,069,500	994,357,648
Net asset value per participation in €	12.61	12.00	12.08
Performance (net asset value)	7.68%	1.91%	3.42%

3.4.8 Other payables

Other payables		
(amounts x € 1,000)	2019	2018
Management fee payable	840	897
Service fee payable	80	85
Servicing fee mortgages payable	2,774	2,901
Interest payable	-	105
Total as at 31 December	**3,694**	**3,988**

3.4.9 Profit and loss statement

Income and expense recognition

The profit and loss statement accounts for income and expenses resulting from business operations during the year. Transaction costs for investments and derivatives are directly accounted for in the profit and loss statement.

Interest income and expenses
Interest is accounted for in the period to which it relates. Interest income and expenses are processed on a time proportion basis, considering the effective interest rate of the concerned assets and liabilities.

Revaluation of investments
Revaluation of investments consists of realised and unrealised changes in fair value and foreign currency gains and losses. These revenues are included in the period to which they relate.

The realised changes in fair value and foreign currency gains and losses are determined as the difference between the sales price and the average historical cost of the investment. The unrealised changes in fair value and foreign currency gains and losses are determined as the change in the unrealised balance for each investment during the year. The reversal of unrealised changes in fair value and foreign currency gains and losses of previous years is included in the unrealised changes in fair value and foreign currency gains and losses upon realisation of these results.

Changes in fair value of mortgages are generally accounted for as unrealised result because the mortgages are held to maturity, with exception of earlier repayments of mortgages by mortgagors.

Since all transactions are in euro, no currency results exist.

Expenses
Expenses are recorded in the period to which they relate.

3.4.10 Changes in fair value of investments

Changes in fair value of investments		
(amounts x € 1,000)	2019	2018
Unrealised price- and currency losses mortgages	644,863	(59,085)
Total change in fair value of investments	**644,863**	**(59,085)**

3.4.11 Subscription and redemption fee

The fund does not charge subscription and redemption fees.

3.4.12 Costs and fees

Management fee
The manager charges a fixed management fee for the management of the fund assets. The management fee is determined as a percentage on an annual basis. The management fee is charged to the fund each day on the basis of the net asset value of the fund at the end of the preceding trading day.

The annual management fee amounts to 0.21%.

Service fee
The fund manager charges a service fee to the fund. The service fee serves as compensation for costs such as costs of regulators, custody costs, auditors' fees, legal- and consultant fees, incorporation costs, administration fees and marketing- and communication costs.

The service fee includes a fee for the audit of the financial statements, fiscal advice and other non-audit services from the independent auditor. These expenses cannot be individually allocated to the fund. Therefore a further disclosure is omitted.

The service fee is charged on a daily basis based on the intrinsic value of the fund as at the end of the previous day of trading. The service fee amounts to 0.02% per year of the net asset value.

Mortgage servicing fee
The fund pays Aegon Hypotheken B.V. a fee for services related to the distribution of mortgages and the (special) management of the mortgage portfolio.

These services consist, among others, of administration of the mortgage portfolio, communication with overdue debtors, provision of payments regarding mortgages loans and providing management reports to the fund. The mortgage servicing fee amounts to 0.27% per year and is based on the nominal amount of the mortgages portfolio of the fund.

OCF ('Ongoing Charges Figure')
The OCF is a standard for ongoing costs that are charged to the fund during the reporting period. For the calculation of the OCF, the following needs to be considered:

- The OCF represents the ratio between ongoing costs and the average net asset value. The ongoing costs include all expenses that have been charged to the fund during the reporting period, with the exception of subscription and redemption fees, performance fees, transaction costs for investments and interest expenses on bank accounts. The fund can invest in other Aegon funds. In addition to the costs directly recognised by the fund, the calculation of the fund's ongoing costs also includes the ongoing costs of other Aegon funds in which the fund invests as well as the costs of fee sharing agreements.
- The average net asset value is based on the number of days when a net asset value calculation was performed during the reporting period.

OCF

(amounts x € 1,000)	2019	2018
Average net asset value	13,039,117	12,874,083
Total costs within the fund including fee sharing agreements	62,795	61,987
Total costs	**62,795**	**61,987**
OCF	**0.48%**	**0.48%**

Turnover Rate (TR)
The Turnover Rate gives an indication of the turnover of the fund's investment portfolio by providing insight in the extent to which the fund manager actively changes the investment portfolio based on his investment decisions. The Turnover Rate gives information on the relative amount of transaction costs involved with portfolio management. Active portfolio management means higher transaction costs. A turnover rate of 200 indicates that purchase and sales transactions have been executed for twice the amount of the average net asset value on top of the purchase and sales transactions caused by subscriptions and redemptions of participants. Transaction in call money are not included in the calculation of the TR.

Subscriptions and redemptions of participations are netted on a daily basis to determine the actual in- or outflow on a daily basis. The purpose of this is to better align the in- or outflow with the purchases and sales as a result of transactions with participants. As a result, the amounts may differ from the amounts as stated in the movement schedule of the net asset value and the cash flow statement.

The Turnover Rate is calculated as follows:

[(Total 1 – Total 2) / X] * 100

Total 1: the total amount of securities transactions (securities purchases + securities sales).

Total 2: the total amount of transactions (subscriptions + redemptions) of participations of the fund.

X: the average net asset value of the fund (determined in accordance with the OCF methodology presented above).

Portfolio Turnover Rate (PTR)		
(amounts x € 1,000)	2019	2018
Purchases of investments	249,247	2,085,437
Sales of investments	903,696	726,834
Total investment transactions	**1,152,944**	**2,812,271**
Subscriptions	233,781	1,230,438
Redemptions	599,625	249,281
Total movements in participations	**833,406**	**1,479,719**
Average net asset value	13,039,117	12,932,540
PTR	**2**	**10**

Related parties
All transactions with related parties have been entered into at arm's length and under normal market conditions. For completeness purposes, the related parties and information on the agreements with these parties are detailed below.

Fund manager
The fund uses the services of the fund manager, AIM B.V., and does not employ any personnel. The personnel that AIM B.V. uses is employed by Aegon Nederland N.V. The expenses for the use of the personnel of the fund manager are covered by the management fee that the fund pays to the fund manager.

Legal owner
Aegon Custody B.V. serves as legal owner of the investments.

Aegon Custody B.V. was incorporated on 25 April 1991. The legal owner is a private limited liability company with its registered office at Aegonplein 50, 2591 TV, The Hague. It is registered in the Chamber of Commerce register of The Hague under number 27134727. Until 22 July 2014, Aegon Custody B.V. was a fully-owned subsidiary of Aegon Nederland N.V. Since 22 July 2014 Aegon Custody B.V. is a fully-owned subsidiary of Aegon Asset Management Holding B.V.

Aegon N.V

Aegon N.V. render the following services for the benefit of the fund, represented by the fund manager and the legal owner:

- Cash management: Aegon N.V. performs day-to-day cash management duties and manages the fund' aggregate cash pool.

Kames Capital

The fund manager has a service level agreement with Kames Capital regarding the calculation of fund- and benchmark performance that the manager uses for reporting on the fund.

Aegon Hypotheken B.V.

The fund pays Aegon Hypotheken B.V. a fee for services related to the distribution of mortgages and the management of the mortgage portfolio. These services consist, among others, of administration of the mortgage portfolio, communication with overdue debtors, provision of payments regarding mortgages loans and providing management reports to the fund.

Outsourcing

For the purpose of fund management, the fund manager has delegated duties to the following parties:

- Kames Capital: calculation of fund performance and benchmark performance;
- Aegon N.V. (Group Treasury): cash management services.

Liability of the depositary

The depositary is liable to the AeAM Dutch Mortgage Fund and its participants for the loss of any financial instrument taken into custody by the depositary or a third party to which it has transferred the custody. The depositary will not be liable if it can demonstrate that the loss was caused by an external event beyond its reasonable control, the consequences of which were unavoidable despite any efforts to prevent them.

The depositary is also liable to the AeAM Dutch Mortgage Fund and its participants for any other losses they suffer due to the depositary's failure to properly fulfil its obligations under this custody agreement with intent or due to negligence. Participants may indirectly invoke the liability of the depositary via the fund manager. If the fund manager refuses to cooperate with such a request, the participants are authorised to file the claim for damages directly with the depositary.

Hard commissions and soft dollar arrangements

The fund does not enter into hard commission arrangements. With respect to soft dollar arrangements, AIM B.V. complies with the legal Fund Governance Principles. AIM B.V. is charged by brokers for research information. This research information is beneficial to the fund and its participants.

Proposed profit appropriation

The fund manager proposes to add the profit for the financial year to the fund’s participants capital.

The Hague, 17 April 2020

The fund manager

Signed on behalf of Aegon Investment Management B.V. by:

E. van der Maarel
R.R.S. Santokhi
B. Bakker

4 Other information

4.1 Dividend proposal

Payment of dividend over 2019 took place on 21 January 2020 for an amount of € 0.30 per participation. The dividend amount is based on the direct result minus the fees and expenses of the financial year 2019. The dividend amount is also based on the average interest rate of the mortgages in 2019 and the average net asset value of the fund.

4.2 Independent auditor's report

To: the investment manager of AeAM Dutch Mortgage Fund

Report on the financial statements 2019

Our opinion

In our opinion, the financial statements of AeAM Dutch Mortgage Fund ('the Fund') give a true and fair view of the financial position of the Fund as at 31 December 2019, and of its result for the year then ended in accordance with Part 9 of Book 2 of the Dutch Civil Code.

What we have audited

We have audited the accompanying financial statements 2019 of AeAM Dutch Mortgage Fund, The Hague.

The financial statements comprise:

- the balance sheet as at 31 December 2019;
- the profit and loss account for the year then ended;
- the cash flow statement for the year then ended;
- the notes, comprising the accounting policies and other explanatory information.

The financial reporting framework applied in the preparation of the financial statements is Part 9 of Book 2 of the Dutch Civil Code.

The basis for our opinion

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

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

Independence

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

Emphasis of matter - uncertainty related to the effects of the corona virus (COVID-19)

We draw attention to section 3.4.2 in the financial statements in which the investment manager has described the possible impact and consequences of the corona virus (COVID-19) on the fund and the environment in which the fund operates as well as the measures taken and planned to deal with these events or circumstances. This note also indicates that uncertainties remain and that currently it is not reasonably possible to estimate the future impact. Our opinion is not modified in respect of this matter.

Report on the other information included in the annual report

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

- General information;
- Report of the Investment Manager;
- Other information.

Based on the procedures performed as set out below, we conclude that the other information:

- is consistent with the financial statements and does not contain material misstatements;
- contains the information that is 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 in our audit of the financial statements or otherwise, we have considered whether the other information contains material misstatements.

By performing our 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 such procedures was substantially less than the scope of those performed in our audit of the financial statements.

The investment manager is responsible for the preparation of the other information, including the directors' report and the other information in accordance with Part 9 of Book 2 of the Dutch Civil Code.

Responsibilities for the financial statements and the audit

Responsibilities of the investment manager

The investment manager is responsible for:

- the preparation and fair presentation of the financial statements in accordance with Part 9 of Book 2 of the Dutch Civil Code; and for
- such internal control as the investment 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 investment manager is responsible for assessing the Fund's ability to continue as a going concern. Based on the financial reporting framework mentioned, the investment manager should prepare the financial statements using the going-concern basis of accounting unless the investment manager either intends to liquidate the Fund or to cease operations, or has no realistic alternative but to do so. The investment manager should disclose events and circumstances that may cast significant doubt on the Fund's ability to continue as a going concern in the financial statements.

Our responsibilities for the audit of the financial statements

Our responsibility is to plan and perform an audit engagement in a manner that allows us to obtain sufficient and appropriate audit evidence to provide a basis for our opinion. Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error and to issue an auditor's report that includes our opinion. Reasonable assurance is a high but not absolute level of assurance, which makes it possible that we may not detect all material misstatements. Misstatements may arise due to fraud or error. They are considered to be material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Materiality affects the nature, timing and extent of our audit procedures and the evaluation of the effect of identified misstatements on our opinion.

A more detailed description of our responsibilities is set out in the appendix to our report.

Rotterdam, 17 April 2020
PricewaterhouseCoopers Accountants N.V.

M.D. Jansen RA

This is an English translation of the original Dutch text, furnished for convenience only. In case of any conflict between this translation and the original text, the latter will prevail.

Appendix to our auditor's report on the financial statements 2019 of AeAM Dutch Mortgage Fund

In addition to what is included in our auditor's report, we have further set out in this appendix our responsibilities for the audit of the financial statements and explained what an audit involves.

The auditor's responsibilities for the audit of the financial statements

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

Our audit consisted, among other things of the following:

- 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 intentional override of internal control.
- Obtaining an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control.
- Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the investment manager.
- Concluding on the appropriateness of the investment manager's use of the going-concern basis of accounting, and based on the audit evidence obtained, concluding whether a material uncertainty exists related to events and/or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report and are made in the context of our opinion on the financial statements as a whole. However, future events or conditions may cause the Fund to cease to continue as a going concern.
- Evaluating the overall presentation, structure and content of the financial statements, including the disclosures, and evaluating whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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