Annual Report 2021

NN Dutch Residential Mortgage Fund Non NHG

The original financial statements were drafted in Dutch. This document is an English translation of the original. In case of discrepancies between the English and the Dutch text, the latter will prevail.

NN investment partners

Contents

1. General information

Manager
NN Investment Partners B.V.
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Board members NN Investment Partners B.V.
S.S. Bapat
H.W.D.G. Borrie
M.C.M. Canisius
M.C.J. Grobbe
V. van Nieuwenhuijzen
B.G.J. van Overbeek

Custodian
The Bank of New York Mellon SA/NV
Strawinskylaan 337
1077 XX Amsterdam, The Netherlands

Auditor
KPMG Accountants N.V.
Laan van Langerhuize 1
1186 DS Amstelveen, The Netherlands

Legal owner
Bewaarstichting NNIP I

Board members Bewaarstichting NNIP I
H. Brink
T. Katgerman
A.F. Yska

Banker
The Bank of New York Mellon SA/NV
Montoyerstraat 46
1000 B-Brussels, Belgium

Transfer Agent
The Bank of New York Mellon SA/NV, Amsterdam Branch
Strawinskylaan 337
1077 XX Amsterdam, The Netherlands

2. Board of directors' report

2.1 Key figures Participation Class I

		2021
Net asset value (x 1,000)	€	26,230
Units of participation outstanding (number)		258,690
Net asset value per unit of participation	€	101.40
Dividend per unit of participation	€	-
Net performance Participation Class	%	1.40

Summary of investment result

Amounts x € 1,000	2021
Investment income	59
Operating expenses	-45
Revaluation	133
Total investment result	**147**

Summary of investment result per unit of participation

Amounts x € 1	2021
Investment income	0.56
Operating expenses	-0.43
Revaluation	1.25
Total investment result	**1.38**

2.1.1 Notes to the key figures Participation Class I

Reporting period

Participation class I of the Fund was launched on 26 February 2021. The amounts for 2021 refer to the balances at 31 December 2021 and the period from 26 February 2021 through 31 December 2021.

Net asset value per unit of participation

The net asset value of Participation Class I of the Fund will be determined by the Manager. The Manager calculates the net asset value per participation class on a monthly basis. The net asset value per unit of Participation Class I is determined by dividing the net asset value of Participation Class I by the number of outstanding units of participation of Participation Class I at the calculation date.

Net performance

The net performance of Participation Class I of the Fund is based on the net asset value per unit of participation, taking into account any dividend distributions to holders of units of participation.

Average number of outstanding units of participation

The average number of outstanding units of participation, used for the calculation of the investment result per unit of participation, is based on the weighted average of the outstanding units of participation on a monthly basis. This is in line with the number of times the calculation of the net asset value takes place during the reporting period.

Key figures per unit of participation

Due to the timing and volume of subscriptions and redemptions in combination with the volatility of the results during the reporting period, the calculation of the key figures per unit of participation can provide a different outcome compared to the development of the net asset value per unit of participation during the reporting period.

2.2 Key figures Participation Class Z

		2021
Net asset value (x 1,000)	€	485,556
Units of participation outstanding (number)		4,779,678
Net asset value per unit of participation	€	101.59
Dividend per unit of participation	€	-
Net performance Participation Class	%	1.59

Summary of investment result

Amounts x € 1,000	2021
Investment income	1,778
Operating expenses	-635
Revaluation	3,382
Total investment result	**4,525**

Summary of investment result per unit of participation

Amounts x € 1	2021
Investment income	0.65
Operating expenses	-0.23
Revaluation	1.23
Total investment result	**1.65**

2.2.1 Notes to the key figures Participation Class Z

Reporting period

Participation class Z of the Fund was launched on 26 February 2021. The amounts for 2021 refer to the balances at 31 December 2021 and the period from 26 February 2021 through 31 December 2021.

Net asset value per unit of participation

The net asset value of Participation Class Z of the Fund will be determined by the Manager. The Manager calculates the net asset value per participation class on a monthly basis. The net asset value per unit of Participation Class Z is determined by dividing the net asset value of Participation Class Z by the number of outstanding units of participation of Participation Class Z at the calculation date.

Net performance

The net performance of Participation Class Z of the Fund is based on the net asset value per unit of participation, taking into account any dividend distributions to holders of units of participation.

Average number of outstanding units of participation

The average number of outstanding units of participation, used for the calculation of the investment result per unit of participation, is based on the weighted average of the outstanding units of participation on a monthly basis. This is in line with the number of times the calculation of the net asset value takes place during the reporting period.

Key figures per unit of participation

Due to the timing and volume of subscriptions and redemptions in combination with the volatility of the results during the reporting period, the calculation of the key figures per unit of participation can provide a different outcome compared to the development of the net asset value per unit of participation during the reporting period.

2.3 General information

The Fund was established on 1 October 2020. The opening net asset value per participation at 26 February 2021, date of the first subscription, amounted to € 100.00. The reporting period of the Fund is 1 October 2020 through 31 December 2021.

NN Dutch Residential Mortgage Fund Non NHG (“the Fund”) has no employees. The Fund is managed by NN Investment Partners B.V., which is licensed by the Dutch Authority for the financial markets (AFM) under the Dutch Financial Supervision Act (‘Wet op het financieel toezicht’, also referred to as ‘Wft’). All shares in NN Investment Partners B.V. are held by NN Investment Partners International Holdings B.V. During the reporting period, both these entities were part of NN Group N.V.

NN Investment Partners B.V. is part of NN Investment Partners (NN IP), which during the reporting period was an organizational unit within NN Group N.V. NN IP performs the managerial activities for the manager and provides administrative services to the collective investment schemes managed by the Manager. A large part of the investment activities of NN Group N.V. is grouped within NN IP. This includes the management and investment activities of the investment entities under management of NN Investment Partners B.V. NN Investment Partners also performs the management and investment activities of the insurance companies that are part of NN Group N.V.

2.4 Sale of NN IP

On 18 August 2021, NNIP Group and Goldman Sachs announced that they entered into an agreement to sell NN Investment Partners Holding N.V. to Goldman Sachs. NN Investment Partners B.V., manager of the NN IP funds, is part of this acquisition. The transaction was effected on 11 April 2022. This acquisition allows Goldman Sachs to accelerate their growth strategy and broaden their asset management platform.

The management structure of the NN IP funds will remain unchanged. The board of directors of NN IP will remain responsible for management of the activities. The board of directors of NN IP will remain responsible for compliance with all relevant laws and regulations.

2.5 Objective

The Fund is a fund that offers participants the opportunity to invest in a managed portfolio of mortgage receivables arising under mortgage loans granted in the Netherlands by Venn Hypotheken B.V. after 1 January 2020. The Fund's investment policy is intended to achieve the highest possible total return in the longer term on the basis of spread and within the set risk profile.

2.6 Investment policy

The Fund invests the equity for the account and risk of the participants mainly in Dutch mortgage receivables/mortgages that are granted by Venn Hypotheken B.V. after 1 January 2020. These mortgages all comply with the Code of Conduct for Mortgage Finance, the Wft and the temporary mortgage loan scheme.

In this context, NN Investment Partners B.V. and Bewaarstichting NNIP I have entered into an agreement with Venn Hypotheken B.V. ('Mortgage Investment Purchase Agreement') under which mortgage receivables are purchased for the benefit of the Fund from time to time. At the time that there are new committed amounts for the Fund or available cash can be reinvested, the Fund will – possibly in advance – reserve new mortgage production by Venn Hypotheken B.V.

The mortgage receivables are, with the exception of bridging mortgages, purchased at 100.5% of the nominal value (purchase price). Bridging mortgages are purchased at 100.0%. Legal transfer of the mortgage receivables by Venn Hypotheken B.V. to the Fund takes place during the month, and the Fund is entitled to all income (proceeds) from the mortgage receivable from the time of purchase. Mortgages are purchased above par because all costs of delivery of the mortgages (making the offer, screening mortgages documents and the total file review) have already been made.

The purchased mortgage receivables will be held by the Custodian Company on behalf of the Fund. The transfer of the mortgage receivables is by way of silent assignment. The Fund acquires the right of action and the mortgage customers are unaware that these loans have been transferred. Venn Hypotheken B.V. remains the point of contact for mortgage customers.

Every mortgage allocated to the Fund from the production of mortgage loans of Venn Hypotheken B.V. by means of the Allocation Mechanism must meet the Mortgage Loan Criteria. The Mortgage Loan Criteria are stipulated in the Mortgage Investment Purchase Agreement. If a mortgage does not meet the Mortgage Loan Criteria, it will remain in the Fund, but there are compensation arrangements in the case of a loss of credit. The Allocation Mechanism is available from the Manager upon request.

The Fund strives to keep the relevant production for the Fund equivalent to that produced on average in the Dutch mortgage market, subject to the Mortgage Loan Criteria. For new production, the Manager may (temporarily) deviate from the allocation, if this serves the interests of the Participants. Participants are informed during the annual meeting of participants about the production allocation.

Liquid assets, ensuing from interest income or repayments on the mortgages, will also be present in the Fund. The liquid assets may be invested in NN (L) Liquid EUR, which is also managed by the Manager, or in another fund with a similar investment policy to be designated by the Manager.

The investments underlying this Fund do not take into account the EU criteria for environmentally sustainable economic activities.

2.7 Investment restrictions

The Fund will invest in mortgages that meet the Mortgage Loan Criteria as stipulated in the Mortgage Investment Purchase Agreement.

The Fund will invest a maximum of 5% of its equity in mortgage receivables with NHG (Nationale Hypotheek Garantie – National Mortgage Guarantee). The Fund may contract loans up to a maximum equal to 5% of the equity of the Fund. If the limits described above are exceeded, the Manager will strive to bring the Fund's Equity within the limits as soon as possible. The Manager is not obliged to dispose of the Fund's assets in this case. The Fund does not make use of securities lending techniques or repurchase agreements to generate additional income for the Fund. The Fund does not make use of derivatives.

Transactions with parties affiliated with NN Group N.V. will take place on the basis of conditions which are in line with generally accepted market practice.

2.8 Target group and risk profile

The Fund is aimed exclusively at qualified investors within the meaning of the Wft. Due to the illiquid nature of the assets in which the Fund invests, the Fund is only suitable for investors with a long-term investment horizon. The Fund offers investors the opportunity to invest in residential mortgages granted by Venn Hypotheken B.V. after 1 January 2020. The Fund has a conservative character as it invests in new mortgages that comply with recent regulations, which are directed towards repayments being made on the mortgages. The Fund applies a Loan To Value (LTV) limit to the mortgages in which the Fund invests in line with the applicable regulations. In the reporting period, this is a maximum LTV of 100%. In the case of energy-saving measures, the Fund may invest in mortgages with an LTV of up to 106% if the portion above 100% is used in full for energy-saving measures.

2.9 Index

None.

2.10 Outsourcing

Outsourcing of fund accounting

NN Investment Partners B.V., the manager of the Fund, has outsourced the accounting function to The Bank of New York Mellon SA/NV. This outsourcing relates to, among others, the calculation of the net asset value, maintaining accounting records and processing of and executing payments. NN IP remains ultimately responsible for the quality and continuity of these services.

Outsourcing of financial reporting

NN Investment Partners B.V., the manager of the Fund, has outsourced the preparation of multiple financial reports, including the (semi-)annual reports of the Dutch NN IP funds, to Solutional Netherlands B.V. NN IP remains ultimately responsible for the quality and continuity of all financial reports.

2.11 Structure

The Fund is a closed mutual fund for Dutch tax purposes and thus fiscally transparent for corporation tax and dividend tax.

The Fund has an open-ended character, except that there is no maximum number of units of participation. The extent to which participants can enter or exit depends upon the mortgage production at Venn Hypotheken B.V. and the liquid assets in the Fund. Units of participation in the Fund cannot be transferred to third parties. Transfer can only take place by having the Fund purchase units of participation. The Manager is not obliged to accept any purchase request. If and as long as one or more units of participation are offered to the Fund for purchase, the Manager will make no further investments until all of these units of participation have been purchased. Admittance and purchase of units of participation generally takes place on a monthly basis.

The Fund is an investment entity as defined in Section 1:1 of the Wft and following Section 4(1)(a) of the AIFMD it is a mutual fund for joint account with an open-ended structure. NN Investment Partners B.V. acts as manager of the Fund as mentioned in Section 1:1 of the Wft and in that capacity holds a license as defined in Section 2:65(1), preamble and part of the Wft of the Netherlands Authority for the Financial Markets (AFM).

The Fund is a mutual fund for joint account and therefore it is not a separate legal entity.

Bewaarstichting NNIP I acts as custodian company (the Custodian Company). The Custodian Company is the legal owner of all the assets of the Fund. All assets are or will be acquired by the Custodian Company in its own name for the joint account and risk of the Participants.

Obligations that are or become part of the Fund are or will be entered into in the name of the Custodian Company . The Investments belonging to the Investment Fund are held in the name of the Custodian Company for the account and risk of the Participants.

The Investment Fund has two Participation Classes. Units of participation per Participation Class give the right to a proportionate share of the net asset value of the respective Participation Class. The Participation Classes within the Fund may mutually differ in terms of cost and fee structure, the minimum amount of the initial deposit and demands on the quality of the investors.

Summary of the main characteristics per participation class at 31-12-2021

Participation Class I	
Investor capacity	This Participation Class is intended for qualified investors as defined in the Wft or another legal concept taking its place at any time, for which a minimum initial deposit of € 1,000,000 applies, such that the deposited amounts, excluding decreases in value, will never be less than the stated amount.
Legal name	NN Dutch Residential Mortgage Fund Non NHG -I
Commercial name	NN Dutch Residential Mortgage Fund Non NHG -I
ISIN code	NL0015602525
Management fee	0.225%
Fixed Miscellaneous Expenses Fee	0.225%

Participation Class Z	
Investor capacity	This Participation Class is intended for other investment institutions and UCITS managed by the Manager or professional investors which (in another manner) pay a fee to the Manager itself or to a party affiliated with the Manager for the management of their assets.
Legal name	NN Dutch Residential Mortgage Fund Non NHG-Z
Commercial name	NN Dutch Residential Mortgage Fund Non NHG-Z
ISIN code	NL0015602533
Fixed Miscellaneous Expenses Fee	0.225%

Fees

Management fee
An annual management fee is charged to Participation Class I, which is calculated pro-rata on a monthly basis by using the total net asset value of the participation class at the end of the month. Participation Class Z does not incur any management fee.

Fixed Miscellaneous Expenses Fee
The Manager charges a Fixed Miscellaneous Expenses Fee ('Vaste Overige Kostenvergoeding') to each Participation Class. This fee is calculated pro-rata on a monthly basis using the total net asset value of the Participation Class at the end of each month.

2.12 Subscription and redemption of Units of Participation

Admittance to the Fund is only possible by means of a completed Application Form, which must be received by the Manager at the address specified by the Manager before the cut- off time (12.00 midday Dutch time on the 15th calendar day of the month or on the first working day after the 15th calendar day if the 15th calendar day is not a working day prior to the Admittance Date) in order to be processed before the next Admittance Date. An Admittance Date is the first working day of a calendar month. By signing the Application Form, the incoming participant undertakes to pay the committed amount when the Manager, whether or not represented by the Transfer Agent, requests such by means of a Payment Request. The Manager will at all times be entitled to refuse admittance or restrict or alter the right to admittance without stating any reason thereof. The Manager may set additional conditions on admittance. During the term of the Fund, a participant may increase its committed amount with the prior consent of the Manager. For the order in which the committed amounts are processed, the increase of the committed amount is regarded as a new order.

The issue of units of participation takes place on the Issue Date. The Issue Date is the last working day of a Participation Month. A Participation Month is the month in which a participant satisfies a request of the Manager to deposit its committed amount, in whole or part. Units of Participation are deemed issued on the last working day of the month. Units of Participation are issued at the value as determined on the Valuation Date. The Valuation Date is the date, no later than 12 working days after an Issue Date, on which the Holding Value is calculated and on the basis of which Units of Participation are issued. If the Offer Risk result is passed on, the Individual Holding Value is calculated according to Article 13 of the Conditions. In each Payment Request, the date of payment of the amount that is requested from the (Incoming) Participant will be stated. The relevant amount must be received on the Manager's account on the payment date specified in the Payment Request.

The Manager will, whether or not represented by the Transfer Agent, request the committed amounts for each cut-off time on a proportional basis. The Manager may, at its own discretion, deviate from this in the event that a participant has a relatively small committed amount relative to the committed amount(s) of the other participant(s) from whom the Application Form is received in respect of the same Admittance Date.

All deposits by and payments to the participants and all the calculations under the Conditions must be made in euros. In principle, no participant is permitted to withdraw, cancel or revoke any part of the committed amount. In special circumstances, the Manager may allow a committed investor to revoke the committed amount in accordance with Articles 7.6 and 7.7 of the Conditions. No compensation on the outstanding committed amount is payable by the Fund. None of the participants may suspend their payment or deposit obligations to the Fund or invoke settlement against the Fund.

Any result that arises because actual costs of the Fund differ from the compensation referred to above, will accrue to or be charged to the Fund.

The committed amount will be issued indefinitely. The Manager is permitted to deviate from this. The Manager may change the committed amount for an indefinite period to a committed amount for a definite period.

In principle, Incoming Participants bear the Offer Risk associated with the mortgage receivables that the Manager purchases – possibly in advance – from Venn Hypotheken B.V. in connection with their admittance, so that the admittance of these new Participants is as price-neutral as possible for existing Participants. The Offer Risk exists upon the purchase of new mortgage receivables for the issue of new Units of Participation. If no new mortgage receivables are purchased for the issue of new Units of Participation, for example if the Units of Participation of Outgoing Participants are set off against those of Incoming Participants or if liquid assets, in whole or in part, are held for the newly issued Units of Participation, there is no Offer Risk, in principle. The Offer Risk result is passed on in the Individual Holding Value as set out in Article 13 of the Conditions.

Transfer of units of participation can only take place by having the Fund purchase units of participation. The Fund may purchase units of participation on written request. A purchase request is irrevocable, must be made no later than on the 15th day of a calendar month or on the next working day after the 15th calendar day if the 15th calendar day is not a working day and be received by the Manager before the cut-off time (12.00 midday Dutch time). The Manager will process the order a month after it has been received in the manner as referred to above.

Purchasing will take place at the holding value as determined on the second valuation date following the month in which the written purchase request has been received. If at the discretion of the Manager sufficient liquid assets are available in the Fund for this, it will proceed with the purchase and acquisition of the relevant units of participation, as much as possible, in proportion to the total number of units of participation offered for purchase for each Participation Class.

The purchase of units of participation can only take place if sufficient liquid assets are available in the Fund for this at the discretion of the Manager. When determining the liquid assets available for purchase, the Manager will disregard the liquid assets that are required for operational matters and intended for distributions. The Manager may at its own discretion consider the committed amounts of Incoming Participants, which have not yet been accounted for in the liquid assets, when determining the assets available for purchase.

Any request to purchase units of participation will be given for an indefinite period. If a purchase request is not carried out in full, the remainder will be processed the next month on a proportional basis with all other purchase requests. When a unit of participation is acquired by the Fund, the unit of participation is extinguished.

If the Manager is aware that the purchase of units of participation has been requested, no more reinvestments will take place insofar as the liquid assets are insufficient to facilitate the purchase. The Manager may not enter into loans in order to finance the purchase of units of participation.

If the opportunity arises, the Manager may offer a representative cross-section to Venn Hypotheken B.V. or another related entity in order to provide liquidity to the Fund. However, the Manager is not obliged to proceed with such an offer. The offer will not automatically lead to acceptance; the counterparty has no acceptance obligation. The Fund's investment profile must not change as a result of such a transaction, and the sale must be in the interests of the incumbent participants.

2.13 Tax aspects

The Fund is a transparent entity in The Netherlands for tax purposes and is therefore not a subject to Dutch corporate income tax and is not responsible for withholding Dutch dividend tax. To guarantee the closed character of the Fund, certain conditions may be attached to the transferability of the units of participation.

2.14 DUFAS Code Vermogensbeheerders

NN Investment Partners is a member of the Dutch Fund and Asset Management Association ('DUFAS'), the association of the asset management industry in The Netherlands. DUFAS represents the collective interests of the investment management industry for both retail and professional investment management.

On 1 October 2014, a special members meeting of DUFAS took place. During this meeting, in cooperation with its members, the text of the DUFAS Code on asset management (hereinafter ' The Code ') was approved. This Code provides an answer to the question of what investors may expect from their investment manager. The Code consists of ten general principles, with a detailed explanation being provided for each principle. Due to the fact that currently virtually all elements of the Code have been embedded in various laws, the board of DUFAS decided on 27 January 2022 to, with immediate effect, revoke the Code.

2.15 Custodian of the Fund

The assets of the Fund are in custody at The Bank of New York Mellon SA/NV, Amsterdam branch, who is appointed as custodian of the Fund (the "custodian"). The capital position of the custodian amounts to at least EUR 730,000.

The Manager and the Custodian of the Fund have entered into a written custody agreement. The main elements of this agreement are the following:

- The Custodian ensures that the cash flows of the Fund are properly verified and in particular that all payments by or on behalf of investors for subscriptions to units of participation have been received and that all cash of the Fund has been put into cash accounts in the name of the Fund or in the name of the Custodian acting on behalf of the Fund. These cash accounts have to be held at (in principle) an entity as described in Section 18(1) (a), (b) and (c) of the European Directive 2006/73/EC (a credit institution or a bank that has been granted a licence in a third country).
- The assets of the Fund, consisting of financial instruments, are trusted to the Custodian. The Custodian holds all financial instruments that can be registered on a financial instruments account in its books on separate accounts in the name of the Fund. In addition, the Custodian holds all financial instruments that can be physically delivered to the Custodian.
- The Custodian ensures that the sale, issue and cancellation of units of participation as well as their redemption, takes place in accordance with Dutch law and the regulations of the Fund.
- The Custodian ensures that the value of the units of participation in the Fund is calculated in accordance with Dutch law and the regulations of the Fund.
- The Custodian carries out the instructions of the Manager, unless they conflict with Dutch law or the regulations of the Fund.
- The Custodian verifies that upon transactions involving the assets of the Fund, the equivalent value is transferred to the Fund within the agreed timeframes.
- The Custodian verifies that the income of the Fund is allocated in accordance with Dutch law and the regulations of the Fund.

When carrying out its duties, the Custodian acts in the interests of the investors in the Fund.

According to Dutch law, the Custodian is liable towards the Fund or the investors for the loss by the Custodian or by a third party to whom the custody of financial instruments is transferred. In the event of such a loss of a financial instrument held in custody, the Custodian immediately refunds a financial instrument of the same type or for an equivalent amount to the Fund. The Custodian is not liable if it can prove that the loss is the result of an external event beyond its reasonable control and the consequences of which were unavoidable despite all efforts to prevent this.

The Custodian is also liable towards the Fund or investors for any other losses they incur because the Custodian intentionally or due to negligence does not properly comply with its obligations.

According to Dutch law, a custodian can only avoid liability towards the Fund or the Manager for the loss of the financial instruments if:

- It has complied with all requirements applicable to the delegation of custody duties;
- It has a written agreement with the third party that performs the outsourced activities in which liability is transferred to the third party and by virtue of which the Fund, the Manager or the custodian on their behalf, can sue the third party for damages for loss of financial instruments on the same basis as that on which the custodian could originally be sued; and
- It has a written agreement with the Fund or the Manager in which the Fund or the Manager on behalf of the Fund agrees with the exclusion of the liability of the Custodian, including an objective reason for this exclusion.

2.16 Principal risks and uncertainties

Investments in the Fund provide financial opportunities, but also bring financial risks. The value of investments can fluctuate and participants of the Fund may possibly experience a pay-out that is lower than their initial investment.

An overview of the risks of the Fund, categorised to 'large, medium and small' is included in the prospectus. The prospectus will be updated when new regulation on risk management is effective. The main risks which the Fund encounters are:

Repayment risk
Mortgages may be repaid early. If a mortgage is repaid early, the receipts are, in principle, reinvested according to prevailing market conditions.

A 'constant prepayment rate' (CPR) is taken into account in the valuation of the mortgages. The CPR is an estimate of the repayment on the underlying loans. As part of their continuous monitoring, Venn Hypotheken B.V. delivers information to NN IP on the actual repayments on the mortgage portfolio. Based on the realised early repayments in the Fund and reports from brokers and rating agencies, NN IP assesses to what extent the information corresponds with the market information for Dutch Residential Mortgage Backed Securities. NN IP may adjust the CPR if this is deemed necessary and reasonable. In April 2021, the CPR was changed from 3% to 5%. This change had limited impact on the valuation of the mortgages.

Concentration risk
The Fund invests in Dutch mortgage debt. The Fund will therefore be sensitive to developments in the Dutch economy and the mortgage market in particular. Non-economic factors, such as the political climate, tax regulations and culture, also play a role.

An overview with information on the geographical distribution and the distribution of mortgages per type is included in the notes to the balance sheet under Market risk.

Liquidity risk
Mortgages and mortgage debt are considered illiquid assets. Consequently, there is a risk that the Fund is unable to release the financial resources that may be required to comply with certain obligations. For the purpose of liquidity management, the Manager is allowed to temporarily enter into loan agreements or acquire funding in another manner up to a maximum of 5% of the Fund's net asset value.

Redemption of units of participation can only take place if, at the discretion of the Manager, there is sufficient liquidity available in the Fund. When determining the available liquidity for redemptions, the Manager will disregard the liquidity that is required for operational matters and the liquidity intended for distributions. As soon as the Manager is aware of a request for redemption, the Manager will make no more reinvestments when the liquidity is insufficient to fund the redemption request. The Manager may not enter into loans in order to finance redemptions. Investors will therefore be dependent on the liquidity of the Fund when requesting for redemption. The Manager may, if he expects a significant inflow of liquidity as a result of subscription by new participants in the Fund, take these amounts into account when determining the available liquidity. Limited liquidity in the Fund can lead to a situation that redemption from the Fund is also limited and may take longer.

Units of participation in the Fund cannot be transferred to a third party, but can only be redeemed back to the Fund.

Interest rate risk
The valuation of mortgage debt may fluctuate due to changes in interest rates. If interest rates rise, the value of mortgage debt will generally decrease and vice versa.

The Fund buys mortgages issued by Venn Hypotheken B.V. and is dependent on the rates to be applied by Venn Hypotheken B.V. in accordance with its policy to mortgage customers. In addition, Venn Hypotheken B.V. can make (product) changes to existing and new mortgages, which may influence the (future) return on the Fund.

Information on the duration of the mortgage portfolio is included in the notes to the balance sheet under interest risk.

Credit risk
Investors must be aware that investing in fixed income securities involves credit risk. When a debtor/borrower is unable to fulfil its mortgage obligations, this will have a negative effect on the performance of the Fund. This risk of the Fund is generally unlimited.

Information on credit losses in the portfolio and/or overdue payments of 90 days or longer and the 'loan to value'ratio are included in the notes to the balance sheet under Market risk. The allocation of the mortgages to outstanding principal in relation to the market value of the collateral is included in the notes to the balance sheet under Credit risk.

Offer risk
Upon receipt and acceptance of the Application Form, the Manager will – possibly in advance – reserve mortgage receivables from – solely, if applicable – Venn Hypotheken B.V. in accordance with the Mortgage Investment Purchase Agreement for a purchase price that is approximately equal to the whole committed amount of the incoming participant, taking account of any amounts to be reinvested and requests to purchase Units of Participation.

The mortgage receivables are, with the exception of bridging mortgages, purchased at 100.5% of the nominal value (bridging mortgages are purchased at 100.0%). In the context of the Fund, 'Offer Risk' is understood as the risk run because the value of the debt may be subject to change during the period lying between the time that the mortgage offer is sent to the underlying customers (the Borrower(s)) and the transfer of the related mortgage receivables to the Fund. The Offer Risk result is calculated as the market value of the purchased mortgages on the valuation date (the last working day of the month) less the nominal value of the purchased mortgages. In the context of the Fund, the term 'offer risk' therefore had a broader meaning than how it is usually understood in the mortgage market.

In principle, the Offer Risk result is for the account and risk of the Incoming Participant(s), so that the admittance of new Participants is as price-neutral as possible for existing Participants. Reinvestments may also be subject to Offer Risk.

Waiting risk
A long period may lie between the time that the Application Form is accepted and a Payment Request. The length of this period will depend on the number and size of the outstanding committed amounts of other subscribing Participants (prospective Participants) and the number of available mortgage loans that become available monthly for the Fund.

During this period, which may be subject to various changes in market and other circumstances, the subscribing Participant has committed himself for the committed amount. There is a risk that, during this period, the circumstances could change such that a subscribing Participant would wish to withdraw or leave even before it has been fully admitted to the Fund.

An exit request may be submitted in accordance with the Conditions for the part in respect of which it has been admitted. For the outstanding committed amount, the Manager will have already reserved the mortgage debt at Venn Hypotheken B.V. and cannot reverse that. This risk is for the account and risk of the incoming participant(s).

Russian invasion of Ukraine

On 24 February 2022, Russia launched a large-scale invasion of Ukraine. This led to widespread sanctions against Russia and caused increased safety and cybersecurity threats.

The situation in the region is changing rapidly. The Fund manager closely monitors the situation and will take action when necessary while continuing to act in the interest of the participants of the Fund. This includes, but is not limited to, ensuring that the requirements of all international sanctions are met, the Fund's assets are proactively managed to minimize risk, and that the Fund manager and other key suppliers continue to apply all protective measures and protocols as well as continuously monitor increased cybersecurity threats.

Although the Fund has no direct investments in Ukraine, Russia or neighbouring countries, market disruptions due to current geopolitical events have a global impact and the consequences are uncertain. Such disruptions could adversely affect the Fund's performance. The Fund manager will monitor the developments on an ongoing basis and continuously evaluate the consequences for the Fund.

COVID-19 developments

COVID-19 and Business Continuity Plan

Following a volatile second quarter of 2020, the world economy showed a strong recovery from the recession that was caused by COVID-19. As of the fourth quarter of 2020, the second corona wave scourged across most industrialised countries, resulting in strict quarantine measures and strong market volatility. The November 2020 news on the development of vaccines was followed in the second quarter of 2021 by a large scale distribution process across several parts of the world. With the increase in vaccinations, the process of normalization became more concrete. Economies were gradually reopening causing volatility to drop while the leading stock indices rose to record levels. Bond interest levels decreased during the year due to increasing inflation.

NN IP has an active risk and portfolio management process, where on a daily basis market and liquidity risk are being assessed and, where needed, portfolio adjustment are made. The current processes are considered to be effective to ensure continued effective portfolio management.

NN IP has activated the Business Continuity Plan “BCP”. The IT infrastructure has been upscaled enabling the majority of staff to work from home having access to all systems. NN IP continues to manage the portfolios under the circumstances and no material negative impact is experienced on our operational control framework. There is no reason the current crisis has any negative impact on the viability of either the fund or the manager.

At the end of February 2022, NN IP has started with ‘hybrid working’, meaning partially from home and partially at the office. We have not encountered any process disturbances. Resulting from the corona crisis, we expect that the combination of working from home and working at the office will become the norm.

Market developments

In order to timely adapt to market conditions, the portfolio management teams of NN IP continuously follow and evaluate market conditions, liquidity and the movements in the investment portfolios. They are supported by a multidisciplinary team of specialists. This team regularly checks the effectiveness of the measures that have been taken to manage the volatility of transaction costs. When needed, they will take subsequent action to protect the interests of clients. Currently, the specific COVID-19 related monitoring is no longer active, but we can’t rule out a period of increased volatility on the financial markets because of COVID-19. Should the volatility increase in the future, management will respond by, to the extent necessary, adjust the monitoring activities.

Risk perception

The annual report, among other things, serves to provide insight into the prevailing risks at the end of the reporting period.

Insights into relevant risks during the reporting period are obtained as follows:

- In the section 'risk appetite and risk policy within the investment policy' which is part of the disclosure on the investment policy during the reporting period, the main developments, trade-offs and decisions regarding the risk policy are explained.

Additionally, in the notes to the financial statements more insights are provided into the mortgage portfolio with respect to:

- Market risk, by disclosing the number of loans and loan parts, the part that is overdue for more than 90 days, credit losses and distribution of mortgage portfolio by type and province.
- Interest rate risk, through explanatory notes on the mortgage portfolio including the remaining interest maturity and weighted average interest rate.
- Explanatory note on currency risk.
- Credit risk allocation, by comparing the mortgages relative to the market value of the collateral and the average Loan to Value.
- Explanatory note on counterparty risk.
- In the notes to the balance sheet, information on the leverage is presented. Leverage is a method by which the Manager enhances the position of the Fund with borrowed money, with leverage in the form of additional mortgages.

2.17 Risk management

With regard to the design of the administrative organisation and internal control, the Manager has chosen the NN IP Control Framework as a starting point. In the NN IP Control Framework all core processes are recorded including key risks per process. For all of these risks the main ' controls ' are defined, which are regularly monitored and tested to ensure compliance with internal and external regulations. The significant risks are determined periodically in a systematic manner. The existing system of internal controls mitigates these risks.

The control framework of the Manager, as far as this applies to the activities of the investment institution, is partly aimed at managing operational risks. The section "Statement concerning the conduct of business" provides further information on the control framework of the Manager.

NN Investment Partners B.V., the Manager of the Fund, monitors, by using a system of risk control measures, that the Fund in general and the investment portfolio comply with the conditions included in the prospectus as well as the legal frameworks and the more fund specific internal guidelines. Such guidelines include the degree of portfolio diversification, the credit rating of debtors, the quality of third parties with which business is conducted and the liquidity of the investments.

Of the activities by Venn Hypotheken B.V. on which the Fund relies, arrears management has been outsourced to Hypocasso and the majority of the other activities have been outsourced to Stater. For most of these activities, the significant risks and control measures have been systematically determined together with Venn Hypotheken B.V. These measures are evaluated and included in an ISAE3402 report provided to NN IP which includes this in its own control framework. The arrears management process is included in the ISAE3402 report of Hypocasso. In the ISAE3402 report of Venn Hypotheken B.V. the following areas are included:

- Application for mortgages
- Management of mortgages
- Financial transactions

2.18 Leverage

Leveraged financing is the method with which the Manager increases the position of the Fund by using borrowed cash to acquire extra mortgages thus creating leverage. The Fund generally does not use leverage, although leverage can arise to a limited extent when entering into loans or in the situation of a negative cash balance.

The Manager may enter into loans on behalf of the Fund up to a maximum equal to 5% of the Fund's net assets, not counting undrawn home construction or improvement accounts as referred to in the Master Mortgage Receivables Purchase Agreement. The loans referred to may only be concluded on condition that the lender undertakes never to seek recourse outside the net assets of the Fund. To the extent necessary for the payment obligations arising from these loans, the Manager may pledge the net assets of the Fund as security up to a maximum equal to 5% of the Fund's net asset value. The percentages referred to will in each case be calculated on the value of the net assets of the Fund at the time that such a loan is entered into or such security is provided. All the above loans will be entered into on the basis of conditions and rates that are in line with generally accepted market practice.

2.19 Developments during the year

In this paragraph the main general trends and fund specific developments are presented, including the impact on the performance of the Fund.

2.19.1 General financial and economic developments in 2021

- The year began on a slow and uneven path towards economic normalization. In the US, many states removed all virus-related mobility restrictions in the first quarter, which led to a strong economic rebound. Many Eurozone countries remained under lockdown, however.

- The shift in control of the US Senate quickly led to a big fiscal policy push after Democrats won the Senate majority, and the rapid roll-out of vaccines in the UK and the US made the road towards economic normalization more tangible.

- Inflation took centre stage in the latter half of the first quarter, driving bond yields steadily higher and putting some pressure on the performance of risky assets.

- Emerging markets diverged significantly in the first quarter. Most Asian countries held up well, while worsening virus dynamics led to faltering growth momentum in many emerging economies, particularly in Latin America.

- The normalization process gained traction and became more tangible in the second quarter with the gradual reopening of economies. The V-shaped recovery was confirmed with the help of fiscal support, accommodative monetary policy, strong earnings growth with positive guidance, and vaccination roll-outs in the developed economies. Inflation numbers and expectations rose sharply in Q2. During the June FOMC meeting, the Fed made a hawkish pivot to manage inflation expectations.

- The second quarter was a strong one for most asset classes. Equities, real estate and especially commodity markets rose significantly. Riskier credit outperformed safe government bonds, although we observed a significant divergence throughout the quarter between declining US Treasury yields and rising German Bund yields.

- In fixed income markets, US long-term bond yields declined in Q2 despite high inflation numbers and the Fed’s hawkish pivot. Global high yield and high-grade spreads tightened. Lower US yields fuelled the search for yield and were a tailwind, as was the rapid improvement in corporate profitability. Industrial metal prices reversed course due to China’s efforts to rein in commodity speculation.

- The economic normalization continued at an uneven pace in the third quarter. Supply chain bottlenecks blurred the near-term macro visibility. Market volatility increased and due to a lack of profitable alternatives, investors continued to embrace risky assets and push markets higher.

- In September, market headwinds became stronger. The factors weighing on risk appetite in Q3 included a hawkish Fed; US difficulties in getting fiscal plans approved by Congress on top of the debt-ceiling discussion; and risks of a slowdown in China following problems at property giant Evergrande as well as power outages.

- Safe government bond yields started to rise in August, prompted by more hawkish central banks and inflation data that continued to come in above expectations. In credit, high grade spreads were stable whereas high yield spreads widened.

- Commodities were the best-performing asset class in Q3. Rising virus cases on the back of the more contagious Delta variant, softening macroeconomic data in China and the developed world along with supply chain disruptions weighed on commodities in the first part of the third quarter. A price recovery subsequently occurred, with global virus cases declining and mobility rising. Over the entire quarter, energy was the outperforming segment, led by a sharp rise in US natural gas prices.

- Equities and real estate rose sharply in the fourth quarter. Government bond yields saw some volatility within a 30bp range but in the end were little changed over the quarter.

- Company earnings continued to beat expectations, illustrating the resilience of the corporate sector. Economic data in Q4 were less robust than in the previous quarter, but the numbers continued to come in above expectations. There were also some early signs that the supply chain problems had started to ease. Only in Japan and emerging markets did economic surprises remain slightly negative.

- Global equities rose by 8.8% in euro terms over the quarter. The US was once again the star performer, rising over 12%. Japan and emerging markets were the laggards. IT was the best-performing sector, up 15.5%, followed by utilities (+13.6%), real estate (+12.5%) and materials (+12.2%).

- High inflation numbers were making central banks nervous by the end of the year. The Fed turned decisively more hawkish at its December FOMC meeting; it will start the hiking cycle in 2022 while embarking on quantitative tightening. The ECB will moderate its buying, but no rate hikes are expected in 2022.

- Rising inflation and hawkish central banks put upward pressure on safe government bond yields in the fourth quarter. Meanwhile, Omicron proved more contagious than previous variants, but its symptoms were less severe than feared, which supported risk appetite.

2.19.2 Fund specific developments in 2021

Market developments

According to the Dutch National Bank (DNB), the Dutch economy recovered quickly and strongly in 2021 following the COVID-19 crisis of 2020. In the course of 2021, the social distancing measures were gradually relieved. By the end of 2021, additional measures were introduced following the surge of the omikron variant of COVID-19. During the first half year of 2021 household consumption rose, which was mostly due to an increase in consumer confidence. There was a worldwide trend where production chains could not handle the rise in demand. As a result, from the beginning of 2021 a shortage in materials and increasing delivery times caused production of goods to slow down. According to DNB, the Dutch economy will reach its capacity shortly after the 2020 COVID-19 crisis.

Following an economic contraction in 2020 (-3.8%), the gross domestic product will grow by 4.5% in 2021. In addition, DNB notes that the economic shock following the pandemic hardly affected financial institutions. The capital position of Dutch banks has not deteriorated, mostly because the share of non-performing loans was limited. The positive macro economic figures do, however, disguise the underlying differences between corporations and institutions. Part of the entrepreneurs and working people are still affected by the ongoing pandemic and the renewed measures, such as the catering industry and the cultural sector. DNB expects that uncertainties around corporate loans will remain, but they also think Dutch banks will be resilient when there should be an economic downfall when the support measures are winded down. The growth expectations for the Dutch economy in 2022 and 2023 will strongly depend on the further developments of the COVID-19 crisis.

Shortly after the first COVID-19 year of 2020, the labour market quickly tightened. The unemployment rate rose to 4.6% in 2022, while for 2021 an average of 3.3% is expected. According to DNB, this is a large improvement compared to the June 2021 forecast. This however, presents a skewed image: a number of companies are faced with a strong decline in revenue due to measures that limit their ability to hire staff, while other sectors will suffer in personnel shortage as a result of the recovering economy. The average growth in wages is expected to be 2.0% in 2021. For 2022 and 2023 a growth of respectively 2.4% and 2.6% is expected.

During 2021, the European Harmonised index of Consumer Prices (HICP) increased strongly and reached 6.4% in December. The forecast for the 2021 inflation in the Netherlands is 2.7%, which is slightly higher than the HICP inflation of 2.6% for the eurozone. In addition, consumer prices according to the CPI index were 2.7% higher in 2021 compared to 2020. The rise in indices is caused by an unexpected increase in energy prices. Electricity prices increased by 22.3% on average in 2021, while gas prices increased by 16.7% on average compared to 2020. Fuel prices were 16.7% higher on average compared to 2020. In addition, constraints in the supply chain of many goods led to increased production costs, which partially translated to higher consumer prices. The costs of food and education were lower than in 2020. In January 2022, Dutch Statistics (CBS) announced that the wages under collective labour agreements (CAO) increased by 2.1% in 2021 compared to 2020, which is lower than the increase in average consumer prices. For 2022 and 2023, DNB expects a high average inflation of 3% and 2.9% respectively.

According to the CBS, existing houses were 20.4% more expensive in December 2021 compared to the previous year, which is the largest increase since the start of this statistic in 1995. In February 2020, the price increase was 20.1%. At that time, the average transaction price was almost € 160,000 and in November 2021 this was over € 400,000. According to the CBS Real Estate Dashboard, the average sales price in January 2021 was € 357,000 and in December 2021 this was € 397,000. The low mortgage interest rates and the great shortage in housing are responsible for the increase in housing prices in 2021. Across the whole of 2021, the number of transactions decreased from 235,000 in 2020 to 226,000 in 2021.

During 2021, a number of 515,000 mortgages have been issued, with a total value of € 163 billion. In 2020 there were 476,000 mortgages issued with a value of € 139 billion. Predominantly in the last 2 months of 2021 there was a dash visible in both the number of mortgages issued (December 2021: 57,000 compared to 49,000 in December 2020) and the average amount per contract (December 2021: € 431,000 compared to € 367,000 in December 2020). According to the Mortgages Data Network (“Hypotheken Data Network” or HDN), the number of transfers and additions (second mortgages) in 2021 increased strongly by 28.3% compared to 2020, which is affecting the new buyers in the market. For the first time since HDN is registering mortgages, the non-buyers market was greater than the buyers market. This points out that the housing market is getting more saturated. The average mortgage amount of transfers and additions was € 189,000 which is an increase of 4.8% compared to 2020. In terms of client profiles it is clearly visible that, resulting from the increased prices, the NHG-mortage is losing popularity. There were 60,457 requests for mortgages for another existing house that was bought for an amount that was considerably above the market value of the current house, which is the largest part of the requests in the buyers market. In terms of regional developments, all provinces showed a decrease of the buyers market. In the non-buyers market, the provinces Drenthe (+46%) and Flevoland (+42%) showed the largest increase. In addition, the request for interest only mortgages in 2021 increased both relatively and in absolute numbers: 22,527 in 2021 compared to 19,160 in 2020. In the non-buyers market 2021 was a good year for renovations: a number of 80,000 requests were registered, which is 32% more than the year before, where the average mortgage amount also increased by € 1,600 to €52,000 according to HDN.

Consumer sentiment on the housing market, according to the market indicator (‘Eigen Huis Marktindicator’) of the Dutch housing branch organization (‘Vereniging Eigen Huis’ or VEH), was 103 in December 2020, 104 in June 2021 and 100 in December 2021, where a value of 100 represents neutrality. According to the CBS index general consumer confidence in December 2020 was -20, which rose to -3 in June 2021. In December 2021 consumer sentiment dropped for the third month in a row to -25 and is now below the average of the last 20 year (-8). This relates to both the economic climate as well as the willingness to buy.

According to the CBS 69,000 new houses were built in 2021, which is less than 2019 and 2020. According to the ‘Hypotheker’, in August 2021 The Netherlands will have a shortage in houses for the number of people looking for housing. At the end of August 2021, the total available housing amounted to 8,012,744 houses compared to 7,934,796 the year before. This is an increase of 78,000 houses, which is not sufficient. According to figures from the government, The Netherlands will need approximately 900,000 new houses by 2030 in order to address the shortage. Building Institute EIB estimates that approximately 650,000 households will require housing by 2030.

The December 2021 coalition agreement of the Dutch government states that the building of houses in The Netherlands needs to be increased by 100,000 houses per year. The governments pursues a situation where two thirds of the houses built will be affordable (both rental and buying) meaning around the threshold for National Mortgage Guarantee (‘Nationale Hypotheek Garantie’ or NHG). Special attention is given to newcomers, seniors and people with an average income. Considering the imminent shortage in housing for students, migrant workers and homeless people, the aim is to build 15,000 temporary homes every year and 15,000 additional housing units by transforming office building into housing. The government is taking more responsibility for the housing of immigrants with permission to stay (‘statushouders’) by regional agreements for temporary housing in order to relief the pressure on the Dutch municipalities.

The transfer to more sustainability in the Dutch housing- and mortgage market continued in the second half of 2021. Calcasa, an independent technology company, concluded that in January 2022 six of every ten houses will have an energy label, meaning that the sustainability transfer in the housing market will continue in the second half of 2021, although there is a lot of work to be done. Calcasa further notes that when the speed of the last five years is maintained, the average house will have an energy A-label no earlier than in 2055. In the province of Flevoland 68% of the houses have an energy label A or B. The province of Drenthe comes in second with 48%. At city level, Almere tops the list of most A-labels with 58%. According to Calcasa, Rotterdam scores lowest with 20% A-labels. In total, 30% of Dutch houses have an A-label. In 2020 this was 22%. According to Calcasa, comparable houses with a better energy label were only 2% higher than prices in 2018, where this is now 4%. This amounts to an average of € 14,000.

According to HDN, at 27.8% of the mortgages requests an energy label was present, which is an increase of 23.3% compared to 2020. In the buyers segment, more than half (53.7%) had an energy label, compared to 40% in 2020. In the course of 2021, the possibility to finance energy saving measure was used more often, namely with 8.5% of the requests from buyers (+13%) and with 7.5% of the requests from non-buyers (+27%). Effective 1 January 2021, the Dutch government introduced a new measurement method for energy labels for buildings: the NTA8800. This method provides a better view on the energy consumption of buildings. The energy labels are still using letters as indicators, but the way they are determined is different. For example, solar panels have a lower effect when calculating the energy label.

In their 2021-2025 coalition agreement, the new Dutch government consider climate change as the main challenge of our generation. The Netherlands want to head Europe in fighting global warming. To achieve climate neutral status by 2050, the government increased their goal of 55% CO_2 reduction by 2030 to a reduction of 60% by 2030. A Minister of Climate and Energy has been appointed and a long term National Insulation program will start, which has a € 514 million budget. This aims to insulate houses quicker, smarter and more socially responsible. The Dutch government further reserved € 288 million to persuade house owners to purchase hybrid heating pumps. A hybrid heating pump is used to heat houses by gas or electricity. Home owners can fil for a grant of € 1,000 to € 2,100 for the purchase of a hybrid heating pump.

At the end of December 2021, the Dutch government introduced new social distancing measures to prevent the spread of the omikron variant of the COVID-19 virus. In addition, an intensive booster campaign is started to protect the people against the virus and the risk level of The Netherlands was set to 'serious'. The number of positive tests around year-end increased strongly, but the hospitalizations decreased slightly. This points out that the omikron variant is more contagious than previous variants, but the severity of the symptoms appears to be less. At the end of December 2021, 86.2% of all adults were fully vaccinated.

As of 1 January 2022, the NHG threshold increased from € 325,000 to € 355,000. When energy saving measures are financed as well, the amount is € 376,000 compared to € 344,500 in 2021. The NHG bail-provision is 0.6% as of 1 January 2022 compared to 0.7% in 2021. The maximal fiscal deduction on mortgage interest in 2022 is 40%, compared to 43% in 2021.

Investment policy

The net performance of the Fund in the reporting period is 1.40% for Participation Class I and 1.59% for Participation Class Z. This is the performance after deduction of the costs for managing the Fund, as included in the 'Key figures' section of this report. Of this performance, 0.96% is attributable to market value effects as a result of the decreased mortgage interest rates. Interest income contributed 0.81% to the performance.

The Fund invests in mortgages without NHG guarantee issued by Venn Hypotheken B.V. after 1 January 2020. The maximum Loan-to-Value (LTV) on the mortgages in which the Fund invests is 100%. In the case of energy-saving measures, the Fund may invest in mortgages with an LTV of up to 106%. At the end of December 2021,the duration of the Fund was 9.0 years and the weighted average LTV was 67.93%.

In the second half year 2021, the Fund grew from € 283 million in investments to € 512 million in investments at 31 December 2021. The Fund is registered in 15 countries: The Netherlands, Belgium, Germany, Denmark, Finland, France, United Kingdom, Sweden, Spain, Italy, Ireland, Greece, Slovakia, the Czech Republic and Austria.

The Fund did not distribute dividend in 2021.

Risk appetite and risk policy within the investment policy

Investors in NN Dutch Residential Mortgage Fund Non NHG are exposed to various risks, as described in the section 'Principal risks and uncertainties'. Important risks are liquidity risk, paydown risk, concentration risk, interest rate and credit risk.

The production of mortgages for the Fund is basically equivalent to the production of the NHG mortgage market. However, any selection of mortgages allocated to the Fund from production by Venn Hypotheken B.V. must meet the Fund's eligibility criteria.

Credit risk on new mortgages is limited and decreases over time, since the mortgages will have to be paid down for at least 50%.

Rising property prices normally have a positive effect on the credit worthiness of mortgages, because the current loan to market value (CLTMV) of existing mortgages decreases. This is illustrated in the Fund by a ‘Weighted Average Loan to Indexed Market Value’ of 67.93% compared to a ‘Weighted Average Original Loan to Original Market Value’ of 72.36%. Venn Hypotheken B.V. employs strict acceptance criteria. These factors, in combination with a liquid property market and relatively strong Dutch economy, mitigate the Fund’s credit risk.

Use of derivatives in the reporting period

The Fund does not use derivatives.

Forward looking statement

The Russian invasion of Ukraine is disrupting all economic forecasts. Until recently, various institutions like DNB and the OECD expected a substantial economic recovery following the COVID-19 pandemic. Currently, most forecasts are mainly focused on geopolitical turmoil. As a result, the forecasts carry more uncertainty than those given in December 2021 and January 2022.

The basic DNB estimate for the Dutch economic growth as published on 21 December 2021 was 3.6% in 2022 and 1.7% in 2023. The expected inflation for 2022 and 2023 would reach a level of 3.0% (2022) and 2.9% (2023). In the DNB publication of 17 March 2022, growth rates have been lowered by 0.2% for both 2022 and 2023. The HICP inflation for 2022 has been increased by DNB from 3.0% to 6.7%. The expectation for 2023 stays at the same level of around 2.8%.

Another interesting forecast is coming from the Netherlands Bureau for Economic Policy Analysis (‘Centraal Plan Bureau’ or CPB) in their Central Economic Plan of 9 March 2022. This forecast is relevant since the Dutch government bases its policy on this. According to the CPB, the main consequence of the Russian invasion in Ukraine is that the additional increase in energy prices will lead to further inflation, which was already expected to reach a high level. CPB expects an inflation of 5.2% in 2022 and 2.4% in 2023.

The consequences are likely that almost all Dutch households will incur and increase in costs. For lower income groups, whom have a relatively large energy consumption often based on energy contracts with variable rates, this will lead to a relatively large increase in costs. In addition, CPB expects that the Dutch government will not be able to compensate this increase in costs with other mitigation measures. If the situation in Ukraine will last for a longer period, this could have a negative impact on Dutch consumer confidence and, eventually, consumer consumption.

The European Committee has pointed out that the European member states should be less dependent on geopolitical risks for their energy demand. Western countries are advised to be less dependent on Russian gas and maintain larger energy reserves themselves. It is clear that the transition to sustainable energy will be the most durable alternative.

The most important sources for growth of the Dutch economy in 2022 and 2023 are household consumption, government expenses and export. The growth of household consumption will increase further in 2022 by 3.4%, almost equal to 2021. According to DNB, this increase is mostly attributable to the recovery of consumer consumption at the end of 2021. It is expected that further down the year the consumption will slightly decrease. As for government expenses, it is expected that defense expenses will increase in the coming years.

It is expected that the shortage in the labour market will continue in the coming two years and that the unemployment rate will increase slightly to 4.3% (2022) and 4.6% (2023). This is mostly caused by the fact that the Dutch economy in 2022 will experience the negative effects of higher energy prices and a decline in global trading.

The expected increase in inflation has also caused a rise in interest rates on government bonds in the last few months. The mortgage interest rates followed this pattern. DNB foresees that mortgage interest rates will continue to rise in 2022 and 2023, with a limited damping effect on housing prices. Despite the increase in economic uncertainty, housing prices will probably continue to rise, likely in double digits. During 2023, the increase in housing prices will slow down to approximately 5% which is aligned with the growth in income. The war in Ukraine will initially only lead to a rise in household energy prices in this year.

It is expected that the consequences for the Fund will be limited. Even in a situation where the housing prices would decrease, this will be absorbed by the low average LtV of the Fund which means very little losses are expected from forced foreclosures. The shortage in housing in the coming two years will continue to have an upward effect on the prices. The increase in prices will likely be less than in 2021, because it appears that mortgage interest rates are increasing. We expect that the Weighted Average Loan to Indexed Market Value of the Fund will go down further in 2022. The expected increased inflation will further limit consumer consumption in 2022. The decrease of purchasing power will affect households, where it is expected that lower incomes will suffer the most. The result can be that payment delays, which are currently very low, can increase.

An important conclusion for the economic situation in The Netherlands and Europe is that the transition to alternative sustainable energy sources must continue with more determination than before.

2.20 Remuneration during the reporting period

NN IP is part of NN Group and it has an overall remuneration policy applicable to all staff working in all countries and business units, the NN Group Remuneration Framework, which ensures including the implementation of relevant remuneration and performance management legislation and regulations throughout the organisation. NN Group aims to apply a clear and transparent remuneration policy that is adequate to attract and retain expert leaders, senior staff and other highly qualified employees. The remuneration policy is also designed to support NN's employees to act with integrity and to carefully balance the interests of our stakeholders, including the future of our customers and of our company.

Remuneration may consist of both fixed and variable remuneration. Most employees who qualify for variable remuneration, will be eligible for variable remuneration by achieving a number of qualitative and quantitative objectives. These objectives are set at the beginning of the performance year. The qualitative objectives may include objectives related to environment, society, governance and personnel. For certain employees, the quantitative objectives include achieving the investment objectives of the funds of NN IP. In addition, a comparison is made with the return achieved versus comparable funds of competitors, the so-called "peer ranking". For other employees who qualify for variable remuneration, there is no direct dependency on the returns achieved by the fund. In that case an assessment is made of the result of a representative portfolio of the shares of NN IP funds, bonds and multi-asset funds.

Clear financial and non-financial performance objectives are set which are aligned with the overall strategy of the company, both in the short term and in the long term, to ensure that remuneration is properly linked to individual, team and company performance. Specifically for portfolio managers for NN IP the performance is directly linked to the 1-, 3- and 5- year relative performance of the funds managed which creates alignment with our clients' interests. Furthermore, the remuneration policy supports a focus on the company's long term interests and the interests of its customers and various stakeholders by ensuring that there is careful management of risk and that staff are not encouraged, via remuneration, to take excessive risk.

In addition to variable remuneration payable in cash, the NN Group operates an Aligned Remuneration Plan (ARP) which allows NN IP to award deferred compensation in the form of Funds managed by NN Investment Partners to create further alignment of the employees interests with those of our clients. The ARP also allows NN Group shares to be awarded under a deferral policy which is in place for all staff. The general practice for staff employed by NN IP exceeding the deferral thresholds as set out in the policy, not being Identified Staff, is to deliver 50% of the deferred variable remuneration in Funds managed by NN IP, and the remaining 50% of the deferred variable remuneration in NN Group shares. The Remuneration Framework as well as the ARP includes both holdback and claw back clauses which can be invoked in the event that performance, risk, compliance or other issues are discovered after awards have been made.

European and national legal requirements among others, including the Dutch Wet beloningsbeleid financiële instellingen (Wbfo), AIFMD and UCITS have been applied when drafting the remuneration policy for staff who perform activities for the funds as regulated by the Alternative Investment Funds Management Directive (AIFMD) and/or the Undertakings for Collective Investments in Transferable Securities Directive (UCITS) and/or NN Investment Partners B.V. (the Management Company).

NN IP operates a Compensation Committee responsible for (among others) setting, monitoring and reviewing the remuneration policies, plans and overall remuneration spent globally for NN IP. The NN IP Compensation Committee comprises the CEO NN IP, the Head of Human Resources NN IP, the Chief Finance & Risk Officer NN IP, the Head of Compliance NN IP and the Head of Reward NN IP. In addition, the NN Group Head of Reward has a standing invitation to attend all meetings.

NN IP selected Identified Staff (staff whose professional activities have material impact on the risk profile of NN Group) on the basis of both AIFMD and UCITS (being staff whose professional activities have a material impact on the Dutch licensed AIF(s), and/or the UCITS and/or NN IP based in The Hague). AIFMD and UCITS Identified Staff are selected in accordance with ESMA guidelines 2013/232 and 2016/575 and a selection methodology and selection criteria that were approved by both the NN IP and the NN Group Compensation Committee.

The performance management principles applied to Identified Staff ensure that there is focus on financial and non-financial performance and on leadership behaviour. In addition, the company's strategy (both long and short term objectives), client interests, as well as the companies values (Care, Clear and Commit) are reinforced. The principles also create alignment with the AIF and UCITS risk profile. Control functions Identified Staff have a maximum of 15% financial (e.g. departmental budget responsibility) and a minimum of 85% non-financial performance objectives. Control functions will only have financial performance objectives that are not linked to the performance of the business unit they control. Non-control functions Identified Staff have a maximum of 50% financial and a minimum of 50% non-financial performance objectives.

NN IP promotes robust and effective risk management. This includes risk management of sustainability risks (such as environment, society, governance and personnel related matters). It supports balanced risk-taking and long-term value creation. This will be supported, amongst others, by the processes related to determining performance targets that can be linked to variable remuneration. It differs per department and position which performance targets have been or can be agreed. There are no specific criteria related to sustainability objectives that are applicable to the entire NN IP population, on the basis of which (variable) remuneration is paid. However, during the performance objectives setting process, guidelines are provided with examples of different qualitative objectives related to sustainability that can be used. Specific objectives apply for investment professionals, aimed at responsible investing. The performance objectives are subject to minimum standards formulated within the company, such as limitations on financial targets.

The performance assessment of Identified Staff and the consequent awarding of variable remuneration is effected as part of a multiple-year framework. As deferral periods apply to variable remuneration of Identified Staff, it is ensured that variable remuneration is "at risk" during the entire deferral period. Variable remuneration is linked to risk and non-financial performance and takes into account the company performance at group level, business line performance and individual performance. Any undesired risk taking or breaches of compliance that were not apparent at the time the variable remuneration was awarded, will be taken into account at every (deferred) vesting of variable remuneration.

Variable remuneration for Identified Staff is performance-based and risk-adjusted and is partly paid upfront and partly deferred. Deferred variable remuneration is subject to the assessment of undesired risk-taking, as well as non-compliant behaviour in view of past performance. If deemed necessary by the Supervisory Board, (deferred) compensation is adjusted downwards via hold back or claw back.

At least 40% of the variable remuneration as awarded to Identified Staff is deferred, and for control function Identified Staff a stricter regime applies as a minimum of 50% is deferred. For all selected Identified Staff members, the variable remuneration comprises the following components: Investment Entitlements managed by NN IP, NN Group shares and upfront cash.

Remuneration over 2021

Over 2021, NN IP has awarded a total amount of € 101,79 million to all employees. This amount consists of fixed remuneration of € 76,41 million and variable remuneration of € 25,38 million. Per 31st of December 2021 NN IP had 707 employees, of which 6 were board members. The majority of employees spend their time on activities that are directly or indirectly related to the management of the funds. There is no remuneration in the form of carried interest.

From the above mentioned amounts, total remuneration for the board members is € 4,62 million, of which fixed remuneration is € 2,87 million and variable remuneration is € 1,75 million.

The below table presents a summary of the remuneration awarded to NN IP employees. Over 2021, the Management Company awarded remuneration above € 1 million to 3 employees.

Quantitative information

The table below provides aggregated information on the remuneration of all active staff members employed on 31 December 2021 and performing activities for NN IP International Holdings B.V. in the Netherlands during the year 2021, and includes all Identified Staff selected on the basis of AIFMD and/or UCITS.

A significant proportion of the amounts listed below can be attributed to NN Investment Partners B.V. (Management Company), as NN Investment Partners B.V. is the main operating entity held by NN Investment Partners International Holdings B.V.

With regard to the management of the funds, a management fee is charged if applicable and in line with the prospectus. It is converted to a percentage on a daily basis (for Dutch Residential Mortgage funds this takes place on a monthly basis), which is calculated on the total equity of the share or participation class at the end of each day. In addition, operating costs are charged to the AIFs/UCITS, in line with the prospectus. These costs are not directly attributable and are charged to the share or participation class by means of an allocation key.

The costs regarding share classes or participation classes with an all-in fee or Fixed Miscellaneous Fee (the so-called “Vaste Overige Kostenvergoeding” or “VOK”) are included in the all-in fee or VOK. More information on whether an all-in fee or VOK applies per share class or participation class can be found in the 'Structure' paragraph in the management report of the annual report.

Information of fixed remuneration and variable remuneration is not administered on fund level, resulting in the costs in below table to be disclosed on an aggregated total management company level.

Aggregate fixed and variable remuneration for the performance year 2021

Gross amounts x € 1,000	Identified Staff Qualified as Executives	Other Identified Staff (including Senior Management)	All Staff excluding Identified Staff
Number of employees (in numbers)	6	27	674
Fixed remuneration*	2,865	6,416	67,123
Variable remuneration**	1,750	4,334	19,298
Total fixed and variable remuneration	**4,615**	**10,750**	**86,421**

* Fixed remuneration per ultimo 2021 for contractual working hours. The Fixed remuneration includes collective fixed allowances, which includes elements such as holiday pay, and pension allowance and excludes benefits.

** Variable remuneration includes all conditional and unconditional awards in relation to the performance year 2021 as approved by the relevant committees and authorised per 18 February 2022. This includes all payments to be processed through payroll per March/April 2022, upfront NN Group shares and NN IP Investment Entitlements (Fund-of-Fund with a one year holding period) as awarded to Identified Staff as well as all conditional deferred NN Group shares and NN IP Investment Entitlements. A reference to the allocated Funds is not available.

Aggregate fixed and variable remuneration for the performance year 2020

Gross amounts x € 1,000	Identified Staff Qualified as Executives	Other Identified Staff (including Senior Management)	All Staff excluding Identified Staff
Number of employees (in numbers)	6	29	678
Fixed remuneration*	2,769	6,810	67,017
Variable remuneration**	1,454	3,650	15,983
Total fixed and variable remuneration	**4,223**	**10,460**	**83,000**

* Fixed remuneration per ultimo 2020 for contractual working hours. The Fixed remuneration includes collective fixed allowances, which includes elements such as holiday pay, and pension allowance and excludes benefits.

** Variable remuneration includes all conditional and unconditional awards in relation to the performance year 2020 as approved by the relevant committees and authorised per 15 February 2021. This includes all payments to be processed through payroll per March/April 2021, upfront NN Group shares and NN IP Investment Entitlements (Fund-of-Fund with a one year holding period) as awarded to Identified Staff as well as all conditional deferred NN Group shares and NN IP Investment Entitlements. A reference to the allocated Funds is not available.

2.21 Statement on the business operations

General
As Manager of NN Dutch Residential Mortgage Fund Non NHG it is, in accordance with Section 115y Paragraph 5 of the Decree on the Supervision of the Conduct of Financial Enterprises pursuant to the Act on Financial Supervision (‘Besluit gedragstoezicht financiële ondernemingen’ or ‘Bgfo’), our responsibility to declare that for the NN Dutch Residential Mortgage Fund Non NHG we have a description of the control framework that complies with the Dutch Financial Supervision Act and the related regulatory requirements and that the control framework has been functioning effectively during the reporting period from 1 October 2020 until 31 December 2021 and in accordance with the description.

Below we present our view on the design of the business operations of the Manager related to the activities of the Fund. The control framework is setup in line with the size of the organization and legal requirements. The setup is unable to provide absolute certainty that deviations will never occur, but is designed to provide reasonable assurance on the effectiveness of internal controls and the risks related to the activities of the Fund. The assessment of the effectiveness of the control framework is the responsibility of the Manager.

With regard to the design of the administrative organisation and internal control environment (overall named 'control framework'), the Manager has taken the NN IP Control Framework as a starting point. The significant risks are determined periodically in a systematic manner. The existing system of internal controls mitigates these risks.

The description of the control framework has been evaluated and is in line with legal requirements. This means that the significant risks and controls of the relevant processes have been reviewed and updated.

The assessment of the effectiveness and functioning of the control framework is performed in different ways in practice. Management is periodically informed by means of performance indicators, which are based on process descriptions and their control measures. In addition, there is an incidents and complaints procedure. In the reporting period, the effective functioning of the control framework is tested by means of detailed testing of the setup, existence and operation of internal controls. This concerns generic testing, which has been implemented in a process oriented manner for the different investment funds managed by NN Investment Partners. Therefore, the executed test work can be different at the level of the individual funds. The tests are carried out by the Operational Risk Management Department. In the context of this financial report, no relevant findings have emerged.

Reporting on the business operations
During the reporting period, we have reviewed the various aspects of the control framework. During our test work, we have no observations based on which it should be concluded that the description of the design of the control framework, as referred to in Section 115y Paragraph 5 of the Bgfo, does not meet the requirements as stated in the Bgfo and related regulations. We have not found internal control measures that were not effective or were operating not in accordance with their description. Based on this we, as Manager for NN Dutch Residential Mortgage Fund Non NHG, declare to have a description of the control framework as referred to in Section 115y, paragraph 5 in Bgfo, which meets the requirements of the Bgfo and we declare with a reasonable degree of certainty that the business operations during the reporting period have operated effectively and in accordance with the description.

The Hague, 22 April 2022

NN Investment Partners B.V.

3. Financial statements 2021

(For the period 1 October 2020 through 31 December 2021)

3.1 Balance sheet

Before appropriation of the result

Amounts x € 1,000	Reference	31-12-2021
Investments		
Mortgages	3.5.1	436,021
Investment funds	3.5.2	59,551
		495,572
Receivables	**3.5.5**	
Outstanding investment transactions		26,051
Other receivables		8,507
		34,558
Other assets	**3.5.6**	
Cash and cash equivalents		71
		71
Short-term liabilities	**3.5.7**	
Construction depots		18,007
Outstanding investment transactions		197
Other liabilities		211
		18,415
Net amount for receivables and other assets minus short-term liabilities		**16,214**
Net amount for assets minus liabilities		**511,786**
Net assets participation holders		507,114
Net result		4,672
Net asset value	**3.5.8**	**511,786**

3.2 Profit and loss statement

For the period 1 October 2020 through 31 December 2021

Amounts x € 1,000	**Reference**	**2021**
OPERATING INCOME		
Investment income	**3.6.1**	
Interest received from mortgages		3,010
Revaluation of investments	3.6.2	3,515
Other results	**3.6.3**	
Offer risk		-1,114
Interest paid on construction depots		-62
Other operating income		3
Total operating income		**5,352**
OPERATING EXPENSES	**3.6.4**	
Operating costs		564
Interest		116
Total operating expenses		**680**
Net result		**4,672**

3.3 Cash flow statement

For the period 1 October 2020 through 31 December 2021

Amounts x € 1,000	**2021**
CASHFLOW FROM INVESTMENT ACTIVITIES	
Purchases of investments	-969,262
Sales of investments	451,351
Interest received	3,010
Other results	-9,618
Change in construction depots	18,007
Interest paid	-178
Operating costs paid	-353
Total cash flow from investment activities	**-507,043**
CASH FLOW FROM FINANCING ACTIVITIES	
Proceeds from issue of participations	507,114
Total cash flow from financing activities	**507,114**
NET CASH FLOW	**71**
Cash and cash equivalents opening balance	-
Cash and cash equivalents closing balance	**71**

3.4 Notes

3.4.1 General Notes

The Fund was established on 1 October 2020. The opening net asset value per participation at 26 February 2021 amounted to € 100.00. The reporting period of the Fund is 1 October 2020 through 31 December 2021.

The financial statements are prepared under going concern principles and according to the financial statements models for investment institutions as established by the legislator. The financial statements are prepared in accordance with Title 9 of Book 2 of the Dutch Civil Code and the Dutch Accounting Standards ("Richtlijnen voor de jaarverslaggeving"). Wording may be used that deviates from these models to better reflect the contents of the specific items.

When preparing the financial statements, the Manager uses estimates and judgments that are essential for the amounts in the financial statements. If deemed necessary, the nature of these estimates and judgements, including the corresponding assumptions, are disclosed in the notes to the financial statements.

The functional currency of the Fund is the euro. Unless stated otherwise, all amounts in the financial statements are presented in thousands of euros. Amounts in whole euro's are shown using the euro sign (€).

3.4.2 Significant accounting policies

General

Unless otherwise stated, assets and liabilities are stated at historical cost.

An asset is recognised in the balance sheet when it is likely that future economic benefits will be obtained by the Fund and these can be reliably valued. A liability is recognised when it is probable that its settlement will lead to an outflow of assets and this can be reliably valued.

An asset of liability is no longer included in the balance sheet when a transaction leads to a situation where virtually all rights to economic benefits or all risks related to an asset of liability have been transferred to a third party.

Short term assets and liabilities

All short term assets have a maturity of less than one year unless stated otherwise. The book value of the short term assets approximates the fair value due to the short term nature of the assets and the fact that when needed provisions for doubtful debtors have been included.

All short term liabilities have a maturity of less than one year unless stated otherwise. The book value of the short term liabilities approximates the fair value due to the short term nature of the liabilities.

Investments

All financial instruments, categorised under investments in this report, are recognised in the balance sheet in the period that the economic risk is attributable to the Fund.

The investments in mortgages are not considered part of the trading portfolio.

Investments are valued at fair value, which is based on the following principles:

- Mortgages are, with the exception of bridging mortgages, initially valued at cost, i.e. 100.5% of par value. Bridging mortgages are valued at 100.0% of par value. After initial recognition, mortgages are valued at fair value.
- Investments in other NN IP funds are valued at the net asset value of the respective day.

When investments have no quoted market price or when the market price is considered to not be representative (which can be the case in times of high market volatility), the investments are valued by the Manager. The valuation is then done using objective and up-to-date market information and/or by using generally accepted calculation models.

Other financial instruments that have been designated as investments are valued at market value, which is derived from third party market prices and information. If no objective market price for these financial instruments is available, the valuation will be based on the theoretical value from objective and widely accepted calculation models, taking into account the judgement of the Manager on the variables used for the calculation.

Other assets and liabilities

Other assets and liabilities that are not considered investments are valued at nominal value, where necessary taking into account a provision for doubtful assets. Assets and liabilities in foreign currency are transferred into euro at the rate on the balance sheet date. All transactions in foreign currency are accounted for against the latest available midprice at the transaction date.

Netting of an asset and a liability is done solely when there is a legal possibility to settle the asset and liability simultaneously and the Fund intends to do so.

Net asset value

The Manager can, when in his judgement there are exceptional circumstances that prevent the determination of the net asset value, deviate from the principles for the calculation of the net asset value (this can happen in times of high volatility on the financial markets). The determination of the net assets will in such a situation be done based on indices or other generally accepted valuation principles.

3.4.3 Income and expense recognition

General

Operating income and expenses are recognised in the period to which they relate.

Interest

Interest is attributed to the period that it relates to.

Revaluation of investments

Realised and unrealised changes in fair value of investments, including foreign currency gains and losses, are included in the profit and loss statement. Foreign currency gains and losses on other balance sheet items are included in the profit and loss statement under exchange rate differences.

Result per participation class

The result of a Participation Class consists of revaluation of the investments, the interest received during the period, the declared dividends and the expenses that are attributable to the financial period. When determining the interest gains, the interest receivable on bank deposits is taken into account. Direct income and expenses are allocated to each Participation Class and attributed to the relating financial period.

Transaction costs

Transaction costs of investments are included in the cost price or deducted from the sales proceeds of the relevant investments.

3.4.4 Cash flow statement

The cash flow statement provides insights into cash and cash equivalents originated by the Fund during the reporting period and the way in which this has been used. Cash flows are split into operating, investment and financing activities.

The cash flow statement is prepared according to the direct method. The cash flow statement distinguishes between cashflows from financing activities, which relate to transactions with unitholders, and cashflows from investment activities, which relate to the operational activities of the Fund.

The change in short-term liabilities as included in the cash flow statement under the cash flow from investment activities is presented excluding the change in the deferred mortgage origination costs. The cash flows related to the mortgage origination costs are included in the cash flows from transactions in mortgages.

The cash and cash equivalents consist of freely available positions at banks, including, when applicable, the margin account for transactions in derivatives.

3.5 Notes to the balance sheet

The presented movement schedules cover the period from 1 October 2020 through 31 December 2021

3.5.1 Mortgages

Amounts x € 1,000	2021
Opening balance	-
Purchases	486,800
Sales/repayments	-54,590
Revaluation	3,811
Closing balance	**436,021**

The revaluation on the mortgages for 2021 includes an unrealised revaluation amount of 1,114 on mortgages for the period between the mortgage offering by Venn Hypotheken B.V. to the mortgage lender and the delivery of the mortgage by Venn Hypotheken B.V. to the Fund. The amount of 1,114 in unrealised revaluation on mortgages together with the offer risk, as described in paragraph 3.6.2, has no impact on the existing participants of the Fund.

3.5.2 Investment funds

Amounts x € 1,000	2021
Opening balance	-
Purchases	482,659
Sales	-422,812
Revaluation	-296
Closing balance	**59,551**

Investments in investment funds

At 31 December 2021

Name of the fund	Number of shares/participation	Net Asset value in €	Ownership percentage*	Value x € 1,000
NN (L) Liquid Eur – Zz Cap Eur**	60,072	991.33	2.4%	59,551
Closing balance				**59,551**

* The participating interest percentage relates to the interest in the relevant share class of the fund in which the Fund participates.

** This investment is held for cash management purposes.

3.5.3 Investments by valuation method

The breakdown of the investment portfolio by valuation method is as follows:

Amounts x € 1,000	**31-12-2021**
Discounted cash flow calculation	436,021
Other method	59,551
Balance at end of reporting period	**495,572**

The investments in other investment funds are included in the category 'Other method'. These investments are valued at the net asset value at year-end.

3.5.4 Risk relating to financial instruments

Investing involves entering into transactions with financial instruments. Investing in the Fund, and therefore the use of financial instruments, means both seizing opportunities and taking risks. Managing risks that are related to investing should always be seen in conjunction with the opportunities, eventually expressed in the performance. Therefore, risk management is not solely focused on mitigating risks but to create an optimal balance between performance and risk, all within acceptable limits.

The disclosures of the risks that are included in this section relate to investments in financial instruments of the Fund. The Fund also invests in investment funds. For detailed risk disclosures on these investments, please refer to the annual reports of these funds.

Market risk

The risk that arises as a result of changes in market prices is limited by spreading the mortgage portfolio to products and region. The market price is influenced by the restriction in trading of the mortgages. The mortgages can only be sold to a company associated to NN IP.

Details on mortgage portfolio	**2021**
Nominal value mortgages (x € 1,000)	430,047
Outstanding construction depots (x € 1,000)	18,007
Number of loans	1,408
Number of loan parts	3,610
Weighted average interest rate on mortgages	1.53
Payments overdue for more than 90 days (x € 1,000)	-
Credit losses (x € 1,000)	-
Loan to value ratio*	72.36%

* The loan to value ratio (LTV) of a mortgage is calculated by dividing the total outstanding principal amount of the mortgage by the original market value of the related collateral.

Mortgage portfolio by type

The overview below provides a breakdown of the nominal values of the mortgage portfolio by type of mortgage.

Amounts x € 1,000	31-12-2021
Annuity mortgages	171,076
Interest only mortgages	242,401
Linear mortgages	9,619
Bridging mortgages	6,951
Total	**430,047**

Mortgage portfolio by province

The overview below provides a breakdown of the nominal values of the mortgage portfolio by province.

Amounts x € 1,000	31-12-2021
Zuid-Holland	84,458
Noord-Brabant	77,559
Noord-Holland	75,662
Gelderland	56,015
Utrecht	41,076
Overijssel	29,434
Limburg	14,634
Netherlands*	13,695
Flevoland	11,556
Drenthe	8,544
Friesland	8,378
Zeeland	5,469
Groningen	3,567
Total	**430,047**

* The category 'Netherlands' relates to new-build houses without a postal code and therefore no province has yet been included.

Interest risk

The Fund invests in fixed income financial instruments with a long maturity and is therefore exposed to significant interest rate risk. The table below shows the breakdown of the mortgage portfolio by interest maturity.

Breakdown of the mortgage portfolio by interest maturity

Amounts x € 1,000	31-12-2021
Shorter than 1 year	1%
Between 1 and 5 years	1%
Between 5 and 10 years	22%
Between 10 and 15 years	2%
Between 15 and 20 years	59%
Longer than 20 years	15%
Total	**100%**

The weighted average interest rate of the mortgage portfolio is 1.53%.

Duration at the end of the reporting period
The duration of the mortgage portfolio at the end of the reporting period is 9.00. This is calculated according to the modified duration method. The duration measures the sensitivity of the portfolio to changes in market interest rates.

Currency risk

Currency risk is the risk that the value of a financial instrument may fluctuate as a result of changes in exchange rates. All the investments of the Fund are denominated in euro. The Fund is therefore not exposed to significant currency risk.

Credit risk

Credit risk is the risk that a specific counterparty is unable to fulfil its obligations under contracts for financial instruments.

At the end of the reporting period, the average nominal value of the mortgage portfolio is € 305,432.

The amount that best represents the maximum credit risk of the Fund at 31 December 2021 is 530,201.

Allocation of mortgage portfolio outstanding principal relative to the market value of the collateral at 31-12-2021

	0% - 50%	50%-100%	100 – 106%	Total
NHG	18.7%	81.0%	0.3%	100.0%
Total	**18.7%**	**81.0%**	**0.3%**	**100.0%**

Counterparty risk

The Fund is exposed to counterparty risk for the amount of the assets on the balance sheet. For the various assets with a substantial financial interest the following can be explained:

- The mortgages purchased from Venn Hypotheken B.V. will be held by the Custodian Company (Bewaarstichting NNIP I) for account of the Fund.
- Cash and cash equivalents are held at banks that have at least an investment grade rating.
- For counterparty risk with regard to the investments in investment funds, we refer to the financial statements of the specific investment funds.

Leverage

The table below gives information on the level of leverage.

	2021
Name Fund	NN Dutch Residential Mortgage Fund Non NHG
Net leverage restriction	105.0%
Average level of net leverage (1)	101.1%
Gross leverage restriction	105.0%
Average level of gross leverage (2)	101.1%

(1): The level of net leverage is determined using the commitment method taking netting and/or hedging into account.

(2): The level of gross leverage is determined based on the sum of the nominal value of the derivatives without taking into account netting and/or hedging.

3.5.5 Receivables

All receivables have a maturity shorter than one year, unless stated otherwise.

Interest receivable

This relates to earned interest on investments that have not yet been received.

Outstanding investment transactions

The receivables for outstanding transactions in investments relate to loan prepayments that have not yet been administered by Stater.

Other receivables

Amounts x € 1.000	**31-12-2021**
Receivable from Venn Hypotheken B.V.	8,451
Other receivables	56
Closing balance	**8,507**

3.5.6 Other assets

Cash and cash equivalents

This concerns freely available cash at banks. Interest on the bank balances is received or paid based on market interest rates.

3.5.7 Short term liabilities

All short term liabilities have a maturity shorter than one year, unless stated otherwise.

Construction depots

The construction depots are the unused amounts of the principal mortgages, which are available for withdrawal by the mortgage customers.

Outstanding investment transactions

These liabilities arise as a result of the fact that there are several days between the date of purchase and the date of the payment for investment transactions.

Interest payable

This concerns interest payable on construction depots.

3.5.8 Net asset value

For the period 1 October 2020 through 31 December 2021

Amounts x € 1,000	Participation class I	Participation class Z	Total
Movement schedule net asset value			
Opening balance	-	-	-
Issue of participations	26,083	481,031	507,114
Net assets participation holders	**26,083**	**481,031**	**507,114**
Net result	147	4,525	4,672
Closing balance	**26,230**	**485,556**	**511,786**

The Fund invests in mortgages, for which a frequent market price is not available. As a result, laws and regulations prescribe forming a revaluation reserve for the amount of unrealised revaluation. However, this does not limit the distribution capacity of the Fund.

The revaluation reserve as at 31 December 2021 amounts to 4,051.This revaluation reserve relates to the part of the total fund assets related to the unrealised revaluation of investments without a frequent market price.

The revaluation reserve is determined based on the valuation of the total mortgage portfolio using an average cost price.

Unrealised revaluation

At the end of the reporting period, the positive and negative unrealised revaluation on the investment portfolio is as follows:

Amounts x € 1,000	Positive revaluation	Negative revaluation	Total at 31-12-2021
Mortgages*	4,051	-	4,051
Investment funds	-	-25	-25
Balance at end of reporting period	**4,051**	**-25**	**4,026**

* The mortgage portfolio is managed by Venn Hypotheken B.V. From the administrative systems of Venn Hypotheken B.V. it is not possible to split the unrealised revaluation on the mortgages into positive and negative revaluations at the level of the individual mortgages. Therefore, only the total amount of the unrealised revaluation on the mortgages is mentioned in the table.

3.5.9 Rights and obligations not included in the balance sheet

Commitments

The overview below includes the amounts that (potential) participants have committed for subscription to participations of the Fund at the end of the reporting period.

Amounts x € 1,000	**31-12-2021**
Outstanding commitments	
Participation class I	7,191
Participation class Z	100,009
Total outstanding commitments at end of reporting period	**107,200**

3.6 Notes to the profit and loss statement

3.6.1 Investment income

Interest received from mortgages

This is the interest income on mortgage loans (including interest for early repayment) that is attributable to the reporting period.

3.6.2 Revaluation of investments

Amounts x € 1.000	2021
Realised gains and losses on mortgages*	-240
Unrealised gains and losses on mortgages**	4,051
Realised losses on investment funds	-271
Unrealised losses on investment funds	-25
Total revaluation of investment	**3,515**

* The mortgage portfolio is managed by Venn Hypotheken B.V. The administrative systems of Venn Hypotheken B.V. do not provide the possibility to split the revaluation on the mortgage portfolio to profits and losses at the level of the individual mortgages. Therefore, the table only shows the total amounts for gains and losses of the mortgage portfolio.

** The unrealised gains and losses on mortgages include an amount of 35 resulting from the CPR adjustment from 3% to 5% in April 2021.

The revaluation amount of the mortgages includes an unrealised amount of 1,114 relating to changes in market value during the period between the mortgage offer by Venn Hypotheken B.V. to the mortgage lender and the delivery of the mortgage by Hypotheken B.V. to the Fund. The amount of 1,114 in unrealised result on mortgages together with the offer risk as described in paragraph 3.6.3 has no impact on the existing participants of the Fund.

3.6.3 Other results

Offer risk

The offer risk consists of revaluation of purchased mortgages, net mortgage interest and results from maintaining cash and cash equivalents by the Fund for the period between the receipt of the amounts and the delivery of the mortgages by Venn Hypotheken B.V. to the mortgage lender. The offer risk is for the risk and account of the subscribing participants and is disclosed in the profit and loss statement as offer risk.

The offer risk amount of -1,114 is also included in the unrealised revaluation on mortgages and therefore, as disclosed in paragraph 3.6.2, has no net impact on the existing participants.

Interest paid on construction depots

This is the interest expense on construction depots attributable to the reporting period.

Other operating income

Other operating income represents proceeds that are not directly generated from income from investments. This also includes a fee for the allocated cost of the investment in investment funds and the fund is therefore compensated for these costs since allocated costs are already included in the Fixed Miscellaneous Expenses Fee of Participation Class I and Z of the Fund.

3.6.4 Operating expenses

Operating costs

The operating costs include the management fee and the Fixed Miscellaneous Expenses Fee (‘Vaste Overige Kostenvergoeding’ or ‘VOK’). These costs are further explained in the notes to the Participation classes included in this report.

Interest

This is the interest due to credit institutions and the interest on the outstanding balance at Venn Hypotheken B.V.

3.7 Other general notes

3.7.1 Portfolio Turnover Ratio

	2021
Purchases of investments	969,459
Sales of investments	477,402
Total of investment transactions	**1,446,861**
Subscriptions to participations	507,114
Redemption of participations	-
Total of participation transactions	**507,114**
Portfolio turnover	**939,747**
Average net asset value	288,875
Portfolio turnover ratio	**325**

The portfolio turnover ratio (PTR) expresses the ratio between the total size of the portfolio transactions and the average net asset value of the Fund. The ratio is intended to provide an indication of the turnover rate of the portfolio of an investment fund and is thus a measure of both the degree of active investment management as for the resulting transaction costs.

The total amount of portfolio transactions is determined by the sum of purchases and sales of investments less the sum of subscriptions and redemptions. With the exception of deposits, all asset classes are included in the calculation. The average net asset value of the Fund is determined as the weighted average of the Fund net asset value on a monthly basis, based on the number of times the net asset value calculation takes place during the reporting period.

3.7.2 Affiliated parties

The investment policy of the Fund allows for the use of affiliated parties. Affiliated parties are all legal entities and other business units that are part of NN Group N.V. This concerns, among other things, the management of the Fund, acquiring and lending of cash and cash equivalents and entering into loan agreements. In addition, Venn Hypotheken B.V. is used for acquiring and servicing the mortgages of the Fund. These services take place at arm's length.

During the reporting period, the following services of NN Group N.V. and affiliated entities have been used:

- For the management activities, a management fee is charged to Participation Class I. For details on the management fee percentage, we refer to the information on Participation Class I included in this annual report.
- Bewaarstichting NNIP I acts as Custodian Company to the Fund. The Custodian Company is the legal owner of or legally entitled to the assets of the Fund that are managed by the Manager. All goods that are or will become part of the Fund are or will be legally entitled to the Custodian Company on behalf of the participants in the Fund. Obligations that are or will become a liability of the Fund are recorded in the name of the Custodian Company. All assets and liabilities held by the Custodian Company are held on behalf of the participants. For this service, no fee is charged to the Fund.
- When executing the investment policy, the Fund purchased and sold investments in other NN IP funds as disclosed in the notes to the balance sheet. These transactions represent 62.6% of the total transaction volume during the reporting period.
- For the benefit of the Fund's investments, the Fund has entered into various agreements with Venn Hypotheken B.V., including the Mortgage Receivables Purchase Agreement and Servicing Agreement. The costs of this service are part of the Fixed Miscellaneous Expenses Fee.

3.7.3 Profit appropriation

On 22 June 2022 (ex dividend date), the Fund will distribute a dividend of 0.45% for both Participation Class I and Participation Class Z. The amount per participation will be calculated based on the NAV of each participation class at the end of May 2022. The part of the net result that will not be distributed will be added to the NAV of the respective participation class.

3.7.4 Subsequent events

Sale of NN IP by NN Group N.V. on 11 April 2022

On 11 April 2022, NN Group N.V. sold NN IP to Goldman Sachs, as explained further in the board of director's report. The sale to Goldman Sachs has no consequences regarding the management or investment policy of the Fund.

3.8 Notes for Participation Class I

3.8.1 Result

For the period 26 February through 31 December

Amounts x € 1,000	2021
INVESTMENT RESULT	
Investment result	
Interest from mortgages	114
Revaluation of investments	**133**
Other results	
Offer risk	-53
Interest on construction depots	-2
Total operating result	**192**
OPERATING EXPENSES	
Operating costs	40
Interest	5
Total operating expenses	**45**
Net result	**147**

3.8.2 Net asset value

	31-12-2021
Fund assets (x € 1,000)	26,230
Number of participations issued (units)	258,690
Net asset value per participation (in €)	101.40

3.8.3 Performance

For the period 26 February through 31 December

	2021
Net performance Participation Class (%)	1.40

3.8.4 Expenses

For the period 26 February through 31 December.

Amounts x € 1,000	2021
Management fee	20
Fixed Miscellaneous Expenses Fee	20
Total operating costs Participation Class I	**40**

The management fee for Participation Class I of the Fund Participation amounts to 0.225% per year. The management fee is charged on a monthly basis and calculated on the total net asset value of Participation Class I at the end of each month.

The Fixed Miscellaneous Expenses Fee ("VOK") for Participation Class I of the Fund amounts to 0.225% per year. This fee is charged on a monthly basis and calculated on the total net asset value of Participation Class I at the end of each month.

These other costs include servicing and administration of mortgages of 0.195% as well as regular and/or ongoing costs of 0.03% including the costs of: the administration and reporting (including the costs of data supply and processing and calculating financial data of the Fund, the custody of the assets, the auditor, supervision, payments, publications, meetings of participants as well as external advisors and service providers such as the Transfer Agent), as far as these costs have been charged to the Fund.

The amount of the audit fee 2021 attributable to Shares Class I is included in the Fixed Miscellaneous Expenses Fee. The costs related to the audit of the financial statements are 2 and the costs related to other engagements are <1. There are no audit fees related to consultancy and other non-assurance services.

3.8.5 Cost comparison

Based on RJ 615.405 a comparison of the normative costs and the actual costs should be included in the notes to the financial statements. The normative costs are the costs, categorised to type of costs, according to the prospectus. Since the management fee is calculated as a percentage of the net asset value, the prospectus does not provide an expected absolute amount for these costs. The percentage used during the reporting period is equal to the percentage as included in the prospectus.

Furthermore, the other costs are part of the Fixed Miscellaneous Expenses Fee which is calculated as a percentage of the net asset value. For these reasons, the cost comparison overview is not included in these financial statements. The percentage used during the reporting period is equal to the percentage as included in the prospectus.

3.8.6 Ongoing charges figure

The Ongoing charges figure is a cost ratio that shows the costs incurred by the Fund during the reporting period as a percentage of the average net asset value of the Fund.

The Fund invests directly or indirectly in other investment entities managed by the Manager or an affiliated party of the Manager. The costs of these investment entities are taken into account when determining the total cost level of the Fund. For Participation Class I these costs are included in the Fixed Miscellaneous Expenses Fee.

When calculating the Ongoing charges figure, transaction costs for portfolio transactions are not excluded from the costs, since these costs are included in the investment purchases and sales amounts. Subscription and redemption fees are also excluded from the calculation of the Ongoing charges figure.

The average net asset value of the Fund is determined as the weighted average of the Fund net asset value on a monthly basis, based on the number of times the net asset value calculation takes place during the reporting period.

	2021
Management fee	0.225%
Other expenses	0.225%
Total Participation Class I	**0.450%**

The Other expenses consist of the Fixed Miscellaneous Expenses Fee ("VOK") as disclosed in the paragraph ‘Expenses’. Participation class I of the Fund was launched on 26 February 2021. The presented ongoing charges figure for 2021 is an annualised percentage.

3.9 Notes for Participation Class Z

3.9.1 Result

For the period 26 February through 31 December

Amounts x € 1,000	2021
INVESTMENT RESULT	
Investment result	
Interest received from mortgages	2,896
Revaluation of investments	**3,382**
Other results	
Offer risk	1,061
Interest paid on construction depots	-60
Other operating income	3
Total operating result	**5,160**
OPERATING EXPENSES	
Operating costs	524
Interest	111
Total operating expenses	**635**
Net result	**4,525**

3.9.2 Net asset value

	31-12-2021
Fund assets (x € 1,000)	485,556
Number of participations issued (units)	4,779,678
Net asset value per participation (in €)	101.59

3.9.3 Performance

For the period 26 February through 31 December

	2021
Net performance Participation Class (%)	1.59

3.9.4 Expenses

For the period 26 February through 31 December.

Amounts x € 1,000	2021
Fixed Miscellaneous Expenses Fee	524
Total operating costs Participation Class Z	**524**

The Fixed Miscellaneous Expenses Fee ("VOK") for Participation Class Z of the Fund amounts to 0.225% per year. This fee is charged on a monthly basis and calculated on the total net asset value of Participation Class Z at the end of each month.

These other costs include servicing and administration of mortgages of 0.195% as well as regular and/or ongoing costs of 0.03% including the costs of: the administration and reporting (including the costs of data supply and processing and calculating financial data of the Fund, the custody of the assets, the auditor, supervision, payments, publications, meetings of participants as well as external advisors and service providers such as the Transfer Agent), as far as these costs have been charged to the Fund.

The amount of the audit fee 2021 attributable to Participation Class Z is included in the Fixed Miscellaneous Expenses Fee. The costs related to the audit of the financial statements are 38 and the costs related to other engagements are <1. There are no audit fees related to consultancy and other non-assurance services.

3.9.5 Cost comparison

Based on RJ 615.405 a comparison of the normative costs and the actual costs should be included in the notes to the financial statements. The normative costs are the costs, categorised to type of costs, according to the prospectus.

The other costs are part of the Fixed Miscellaneous Expenses Fee which is calculated as a percentage of the net asset value. For these reasons, the cost comparison overview is not included in these financial statements.

3.9.6 Ongoing charges figure

The Ongoing charges figure is a cost ratio that shows the costs incurred by the Fund during the reporting period as a percentage of the average net asset value of the Fund.

The Fund invests directly or indirectly in other investment entities managed by the Manager or an affiliated party of the Manager. The costs of these investment entities are taken into account when determining the total cost level of the Fund. For Participation Class Z these costs are included in the Fixed Miscellaneous Expenses Fee.

When calculating the Ongoing charges figure, transaction costs for portfolio transactions are not excluded from the costs, since these costs are included in the investment purchases and sales amounts. Subscription and redemption fees are also excluded from the calculation of the Ongoing charges figure.

The average net asset value of the Fund is determined as the weighted average of the Fund net asset value on a monthly basis, based on the number of times the net asset value calculation takes place during the reporting period.

	2021
Other expenses	0.225%
Total Participation Class Z	**0.225%**

The Other expenses consist of the Fixed Miscellaneous Expenses Fee ("VOK") as disclosed in the paragraph 'Expenses'. Participation class Z of the Fund was launched on 26 February 2021. The presented ongoing charges figure for 2021 is an annualised percentage.

The Hague, 22 April 2022

NN Investment Partners B.V.

4. Other information

4.1 Management interest

At 31 December 2021, the Board Members, as appointed on the date mentioned, had no personal interest in (the investments of) the Fund.

4.2 Independent auditor's report

To: the manager of NN Dutch Residential Mortgage Fund Non NHG

Report on the audit of the accompanying financial statements

Our opinion

We have audited the financial statements 2021 of NN Dutch Residential Mortgage Fund Non NHG.

In our opinion the accompanying financial statements give a true and fair view of the financial position of NN Dutch Residential Mortgage Fund Non NHG as at 31 December 2021 and of its result for the year for the period 1 October 2020 until 31 December 2021 in accordance with Part 9 of Book 2 of the Dutch Civil Code.The financial statements comprise:

1. the balance sheet as at 31 December 2021;
2. the profit and loss account for the period 1 October 2020 until 31 December 2021;
3. the cashflow statement for the period 1 October 2020 until 31 December 2021; and
4. the notes comprising a summary of the accounting policies and other explanatory information.

Basis for our opinion

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

We are independent of NN Dutch Residential Mortgage Fund Non NHG in accordance with the Wet toezicht accountantsorganisaties (Wta, Audit firms supervision act), the 'Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten' (ViO, Code of Ethics for Professional Accountants, a regulation with respect to independence) and other relevant independence regulations in the Netherlands. Furthermore, we have complied with the 'Verordening gedrags- en beroepsregels accountants' (VGBA, Dutch Code of Ethics).

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

Report on the other information included in the annual report

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

- the general information;
- the Board of directors' report;
- 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 is responsible for the preparation of the other information, including the the Board of directors' 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 the responsibilities for the financial statements

Responsibilities of the manager for the financial statements
The 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. Furthermore, the manager is responsible for such internal control as the manager determine is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to errors or fraud.

As part of the preparation of the financial statements, the manager is responsible for assessing the company's ability to continue as a going concern. Based on the financial reporting framework mentioned, the manager should prepare the financial statements using the going concern basis of accounting unless the manager either intend to liquidate the Fund 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 company's ability to continue as a going concern in the financial statements.

Our responsibilities for the audit of the financial statements
Our objective is to plan and perform the audit engagement in a manner that allows us to obtain sufficient and appropriate audit evidence for our opinion.

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

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

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

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

- evaluating the overall presentation, structure and content of the financial statements, including the disclosures; and
- evaluating whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

Amstelveen, 22 April 2022

KPMG Accountants N.V.

W.L.L. Paulissen RA