Turning hidden treasures into solid growth

Kempen Capital Management NV

2021 CONSOLIDATED SEMI-ANNUAL REPORT

AMSTERDAM

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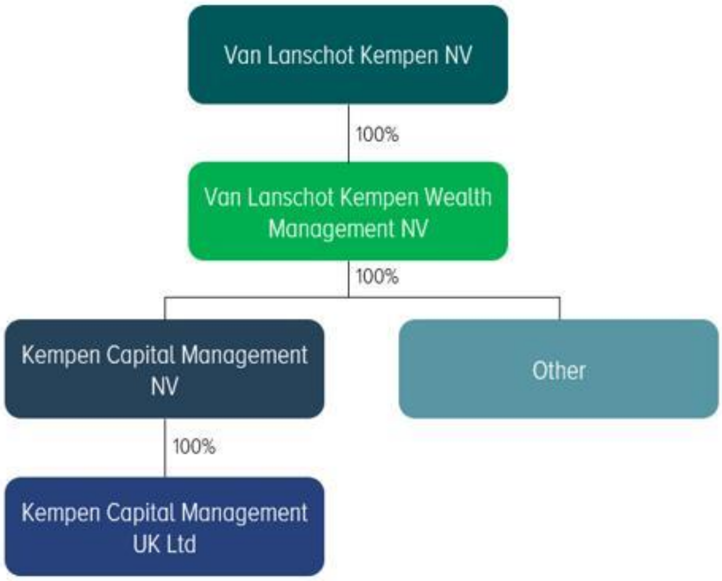
Report of the Management Board

Kempen Capital Management NV (KCM) is a full subsidiary of Van Lanschot Kempen Wealth Management NV (VLKWM), which is in turn a full subsidiary of Van Lanschot Kempen NV (VLK).

Figure 1: Simplified legal structure (per 30 June 2021)



KCM is a specialist asset manager with a strong focus on delivering stellar investment returns for its clients. KCM's mission is to retain and accrue wealth on behalf of its clients. Clients can rely on KCM to be a long-term steward that takes into account their financial and social long-term goals and to operate with a strong focus and clear investment outlook. In order to be able to achieve its mission, KCM seeks to be a world-class specialist asset manager and exceed its clients' expectations. It works to create long-term partnerships built on the key pillars of transparency and trust with its clients and service providers. As part of this, KCM offers clients access to investments which normally have a high entry threshold and demand a high degree of expertise and infrastructure, while also adding value in the long term.

KCM offers two types of capabilities. Firstly investment strategies, such as Global and European equities (high dividend equities, small-caps, infrastructure, sustainable value creation and impact), bonds (credits), real estate equities and alternative investments (private markets, hedge funds and alternative credit) for institutional and private investors in the shape of mandates and investment funds. Secondly, KCM also offers Client Solutions: total investment solutions for private investors via VLK and directly to institutional investors. The individual client's objectives or commitments are leading here. In addition, KCM offers solutions that relieve institutional clients of day-to-day asset management activities. KCM has offices in Amsterdam, London and Paris.

Van Lanschot Kempen Wealth Management NV merged with its former parent company Van Lanschot Kempen NV on 1 July 2021 and the name of the company was subsequently changed from Van Lanschot Kempen Wealth Management NV to Van Lanschot Kempen NV.

Results

In the reporting period from 1 January through 30 June 2021, we generated a profit of €10.1 million. Assets under management (AuM) increased by 2.6% to €85.1 billion from €83.0 billion, the net outcome of deposits (-1.1%) and price effects (+3.7%). Assets under monitoring and guidance remained stable at €3.2 billion, bringing the total invested capital for which KCM provides services to €88.3 billion from €86.2 billion. At the reporting date, KCM's cash position and solvency were strong, and nothing out of the ordinary occurred in our cash flows in the period.

At the beginning of 2021, the VLK Group changed its organisational structure by moving from a business line-driven organisation towards a function-based model. This allows the organisation to work across client groups, use a broader range of products and further improve its efficiency. The new organisational structure means that segment reporting has also changed to client groups from 2021 onwards, which is also reflected in KCM's financial statements. As a result of the change to the organisational structure, the former Service Level Agreement (SLA) between KCM and VLK has been terminated. The SLA has been replaced by an internal cost allocation based on the use of services. This has an impact on several parts of KCM's Profit and loss account and ultimately leads to lower profits because the profit margin that comprised part of the former SLA is no longer applicable.

Contribution to results

KCM's income is derived from fees on client assets, reflecting capital entrusted to KCM by investors as well as the (absolute) performance of our investment products.

Macro-economic environment in H1 2021

The positive news at the end of 2020 about the high efficacy rate of several vaccines meant that in the first half of 2021 the focus was firmly on the start of vaccination programmes against the coronavirus (COVID-19). These went very smoothly in Israel and the United Kingdom (UK) in particular. The programme in the United States (US) got going slightly later, while Europe lagged even further behind. Yet there was a visible upturn in confidence among consumers and businesses alike in all these regions. The US economy again saw robust growth in the first quarter. Thanks to the government support, it was once more households who contributed most to the growth. In the Eurozone, where social restrictions were eased less rapidly, the economy contracted for the second time in a row. Confidence and economic indicators are pointing to substantial growth in the second quarter though. The rate of growth slowed somewhat in China in the course of the first six months, partly because the government started to rein in credit growth.

There are increasing signs of inflationary pressure. Businesses are facing rising input costs and passing these on to customers more frequently. In the US, small businesses are experiencing particular difficulties in recruiting employees and raising wages as a result. Inflation started to climb fast in the US from March and in June reached levels not seen since the early 1990s. In the Eurozone, higher oil prices pushed up headline inflation marginally but it continues to be extremely low. Some of the high US inflation is temporary, caused by plummeting prices a year ago and the effect of reopening the economy. Yet there do seem to be more structural components.

Monetary policy remained expansionary in the US, Eurozone and the UK. Central banks in these countries kept interest rates unchanged. The European Central Bank (ECB) increased the pace of its bond-buying programme in the second quarter in a bid to combat the upward pressure on capital market yields. Moreover, the ECB announced it would maintain this higher rate in the second quarter. The US system of central banks (Fed) views the current wave of inflation as temporary. Yet a growing number of its policy committee members foresee interest rate hikes in 2022 or 2023. Internally, the Fed is also already discussing scaling back the bond-buying programme.

Commercial developments: investment strategies

The first half of 2021 saw an increase in AuM of €95.5 million in the investment strategies. The recovery seen in the second half of 2020 continued in the first half of 2021, leading to significant positive returns for almost all the investment strategies. A variety of strategies (Small Caps, Real Assets, Private Markets, Alternative Strategies) witnessed very sound inflow during the reporting period. This inflow was offset by outflow, primarily caused by the outflow of a government bond strategy mandate and redemptions from the Euro Credit strategy as a result of the restructuring of the team. The Euro High Yield strategy continued to grow thanks to additional inflow. One fiduciary client discontinued its government bond mandate, which also led to outflow.

The pronounced international interest in the Kempen Global Small-cap strategy continued in 2021. Additional flows into the fund led to the soft closure of the strategy at the end of Q1. During the reporting period, our Real Assets team also saw a significant increase in AuM, both in the European and Global listed real estate funds as well as via new client mandates.

New assets were also raised with the launch of Kempen SDG Farmland Fund. This fund was created in cooperation with a launching client and will enable professional investors to gain exposure to global investments in agricultural land, while at the same time providing a significant, tangible contribution to five selected Sustainable Development Goals (SDGs).

By the end of the reporting period, our investment strategies totalled €16.4 billion in AuM.

KCM received multiple awards in the first half of 2021. We see this external recognition as confirmation of our strong investment and sustainability proposition. Kempen Sustainable Global High Dividend Fund was awarded the Belgian Towards Sustainability label, bringing the number of KCM funds entitled to use the Febelfin sustainability label to six, one more than in 2020. Kempen (Lux) Euro Sustainable Credit Fund was elected best corporate bond fund at the Swiss Sustainable Fund Awards 2021 (SSFA). Kempen (Lux) Euro Credit Fund Plus won the title of Best Fund in the category of Euro Corporate Bonds on the Belgian market at the annual Fund Awards held by De Tijd and L'Echo. This marks the seventh time in a row that our investment grade credit strategy has won this award. In addition, Kempen Orange Fund received a Gold Morningstar Analyst rating in the category Equities Netherlands.

Commercial developments: client solutions

The Fiduciary Management activities based in the Netherlands and the UK had a commercially successful half year in 2021. In the Netherlands, new clients selecting KCM as their new Fiduciary Manager included Cosun Pension Scheme (€1.1 billion) and a foundation (€100 million). Based on the central themes of the new Dutch pension contract, entrepreneurial sustainability and access to high and stable returns, we have expanded our Asset Category Solutions, which streamline access to illiquid asset classes in terms of governance and structure. New and existing clients have allocated circa €2.2 billion to Direct Lending, Farmland and Real Estate. There was some client outflow across the client solutions business as a whole but overall AuM is growing, while we see a healthy pipeline in both Fiduciary Management as well as Asset Category Solutions.

In the UK the Fiduciary Management team had a great first half of the year, welcoming the pension schemes of Graphic Packaging UK and two others (with together collective assets of €1.2 billion) as new clients, as well as seeing three new pension schemes of togetherwith assets totalling €0.8 billion committing to join in the second half of 2021. In addition, KCM UK announced in June it had been appointed by Clara-Pensions, one of the first pension consolidators in the UK, as its fiduciary manager. This appointment was made after one of the most intense selection processes in the UK Fiduciary Management industry to date.

Product development

Kempen Orange Investment Partnership was merged with Kempen Non-Directional Partnership in January 2021. The rationale behind this merger was that Kempen Orange Investment Partnership had faced structural outflows over the past few years which were expected to continue. The decline in demand was due to the sub-fund combining both uncorrelated investment strategies (including alternative credit) with more directional (long-short equity) strategies. As market participants increasingly prefer to separate directional equity exposure from their allocations to uncorrelated strategies, it was decided to separate the strategies, resulting in the abovementioned merger and the introduction of the Long/Short Equity Pool and Diversified Distressed Debt Pool. Both are part of the Kempen Alternative Investment Fund SICAV and were launched on January 4th.

In March 2021, the Environmental, Sustainable and Governance (ESG) disclosures of all the relevant KCM prospectuses were updated in order to comply in a timely manner with the Sustainable Finance Disclosure Regulation (SFDR). All the investment funds were categorised as either article 6, 8 or 9 funds, indicating the level at which sustainability criteria are taken into account as part of the investment process.

Kempen SDG Farmland Fund was launched on 1 April. This fund invests globally in farmland and agricultural properties. Sustainable development goals are an explicit part of the investment strategy. The focus is on investments in sustainable and regenerative agriculture practices situated in OECD countries and the fund targets a broad diversification across crop types and crop rotation programmes. Most of the investments are expected to be located in North America, Western Europe and Oceania (Australia & New

Zealand). As this fund primarily targets pension funds, preparations are currently under way for launching a feeder fund that will invest in Kempen SDG Farmland Fund, also making the strategy accessible to insurance companies and well-informed retail clients.

In order to better reflect the investment strategy, the name of the 'Sustainable Value Creation' fund range that consists of two funds, one domiciled in Luxembourg and the other in the Netherlands, was changed to Kempen (Lux) Global Sustainable Equity Fund and Kempen European Sustainable Equity Fund NV respectively.

Three new feeder funds were launched on 1 July: Kempen Oranje Participaties Secundo, Rhône Participatiefonds and Theems Participatiefonds. Through participation in these investment funds, KCM offers those investors subject to corporate income tax the option of investing indirectly in Kempen Oranje Participaties NV and thereby claiming tax exemption under the Participation Exemption (deelnemingsvrijstelling). The master fund, Kempen Oranje Participaties NV, enables investors to invest mainly in small European listed companies. It buys shares in undervalued companies and aims to hold 5% or more of the paid-up nominal capital of each company.

Preparations for a new proposition have been made via the development of Van Lanschot Vermogensfondsen and Van Lanschot Mandaatfondsen. Each Van Lanschot Vermogensfonds invests worldwide in investment institutions and/or in Van Lanschot Mandaatfondsen, which invest directly in shares. These funds are a co-creation with Van Lanschot and aimed at investors with an investment service relationship with Van Lanschot. The launch of these new funds is expected to take place in the second half of 2021.

Lastly, preparations have commenced for the launch of Kempen European Private Equity Fund II. This closed-end sub-fund is the successor to Kempen European Private Equity Fund, which is now closed to subscriptions. Kempen European Private Equity Fund II offers investors the opportunity to obtain exposure to funds managed by private equity General Partners (GPs) and to direct deals, which are in the form of co-investments made together with a variety of private equity GPs. The sub-fund will be launched in the second half of 2021.

Organisation

The composition of the Management Board of KCM did not change in the first half of 2021. The Board currently consists of Erik van Houwelingen (Chairman) and Ernst Jansen. KCM is part of the VLK Group. Key to the strategy of VLK, and therefore also to that of KCM, is the development of a fully-integrated wealth management model that enables VLK, including KCM, to serve the entire spectrum of client groups, ranging from private clients to institutional investors and corporates, and the ability to adapt quickly to changing client needs and market conditions. At the beginning of 2021, VLK (including KCM) changed its organisational structure by moving from a traditional business line-driven organisation towards a function-based model. In line with its new organisational structure, starting in 2021 VLK (including KCM) will steer and report on its business according to client groups and no longer according to the traditional business lines.

Sustainable & impact investment

Our sustainable & impact investment policies are informed by our company mission, laws and regulations, as well as the international treaties we and our clients endorse. In 2020, we conducted an in-depth analysis and mapping of the EU sustainable finance regulation (SFDR and Taxonomy regulation). Our engaged, active ownership approach is shaped in different ways:

- Integration of ESG criteria into the investment processes – ESG factors are part of our funds' investment processes to ensure that sustainable investment risks and opportunities are appropriately reflected in expected returns and contribute to the investment decisions;
- Engagement on controversial issues and exclusion in the absence of a favourable outcome – we engage with companies involved in severe controversies and assess them case-by-case on their alignment with the OECD Responsible Business Conduct approach and other relevant conventions. By setting measurable engagement objectives and determining timelines for their achievement, we have an objective methodology for determining when an engagement is unsuccessful and where divestment follows. Furthermore, portfolio managers engage with companies on strategic forward-looking ESG topics that are most material;

- Positive impact – a firm-wide SDG data provider was selected in 2020. An initial assessment was performed of how investments are aligned with the SDGs. The Global Impact Pool continued to make investments in line with its mission to achieve positive social and environmental outcomes. The annual GIP report was published in June 2021;
- Climate change – in H2 2020 we set the following objectives:
  - 2050: Net zero investor
  - 2030: Aligned with a Paris Agreement pathway (listed and non-listed investments)
  - 2025: Aligned with a Paris Agreement pathway (listed investments)

  With respect to the 2025 objective, we aim to be aligned with a path to achieving the Paris Agreement and Dutch Klimaatakkoord goals[1];
- Exercising our voting rights – in H1 2021 we voted at 322 Annual and Special General Meetings of Shareholders (AGMs). We voted against, abstained or withheld our vote on proposed agenda items (put forward by both management and shareholders) in 14.66% of the cases. Please see the table below for the full breakdown of votes.

Table 1: Vote Cast Statistics H1 2021

Meeting Overview

Category	Number	Percentage
Number of votable meetings	336	
Number of meetings voted	322	95.83%
Number of meetings with at least 1 vote Against, Withhold or Abstain	244	72.62%

Proposal Overview

Category	Number	Percentage
Number of votable items	5,000	
Number of items voted	4,679	93.58%
Number of votes FOR	3,994	85.36%
Number of votes AGAINST	574	12.27%
Number of votes ABSTAIN	54	1.15%
Number of votes WITHHOLD	58	1.24%

For more detailed information on our sustainable investment approach and policies please visit our website, or see the bank-wide Sustainability KPIs in the VLK annual report or read KCM's first digital Stewardship and Responsible Investment Report.

1 We use carbon intensity as a metric for arriving at the pathway of net-zero emissions. As we care about the direction of travel and reduction of carbon emissions in the economy, it is possible that the actual reducing trend deviates from the suggested average trend line. The pathway is derived from the pathway of the EU Benchmarks.

Risks and risk management

Risk management

Internal control, risk management, compliance and audit are key to our organisation and have our full attention.

The organisation of our risk management framework is based on the three lines of defence principle. The first line of defence is the business, responsible for day-to-day risk management. The second line of defence is provided by departments such as Risk Management and Compliance, which oversee the first line. The Internal Audit department acts as the third line of defence, providing an independent evaluation of the adequacy of the internal management and control systems. This setup creates a clear, balanced and appropriate division of tasks, powers and responsibilities, and ensures independent and effective operation of the risk management function.

Framework and capital

KCM conducts annual risk self-assessments through risk-oriented analyses such as the risk appetite statement, the risk heat map and the internal capital adequacy assessment process (ICAAP). Notable steps include:

- A risk self-assessment;
- A description of the control measures in place to mitigate the risks identified in the risk assessment. We have a low risk appetite, which means we seek to avoid the impact of these risks as far as possible;
- A determination of any additional capital that needs to be held as a buffer for the remaining risks;
- KCM ICAAP focuses on developing and analysing stress scenarios covering KCM and also relates these to the VLK ICAAP.

Our ultimate purpose is to assess both our present and future capital adequacy. It is important that we maintain our capital adequacy, even in difficult market conditions.

Risk management

The Risk Management department is responsible for all second line risk management activities at VLK, including KCM. Risk Management supports and advises the KCM Management Board on identifying and managing the risks to which KCM is exposed. The department is organised independently and reports directly to the statutory directors of KCM. The department oversees compliance with the risk policies as adopted by the KCM Board and also reports to the relevant risk management committees. For KCM this primarily entails the Compliance and Operational Risk Committee at VLK Group level. It also supports implementation of guidelines, regulations and internal control measures in relation to risk control. Furthermore, the Risk Management department monitors whether asset management activities are in line with contractual financial guidelines with clients and internal limits, determines whether any breaches have occurred and reports on these to the KCM Management Board and relevant management committees.

Compliance

As a specialist wealth manager, it is VLK's purpose to preserve and create wealth, in a sustainable way, for our clients and the societies we serve. When operating in financial markets, it is of key importance that KCM conducts its business activities in accordance with the expectations of its clients, employees and competent authorities, but also that it does so to the highest ethical standards, in alignment with its values and risk appetite and within the boundaries of applicable laws, rules, regulations, internal policies and procedures and industry standards as applicable to KCM. This increases the long-term sustainability of KCM's business activities and helps KCM to fulfil its purpose.

Compliance is firmly embedded in the VLK organisation and in the culture at KCM. The strong commitment and pro-active involvement of the Statutory Board and organisation-wide cooperation ensure compliance throughout VLK, taking into account the three lines of defence model.

VLK maintains an independent and effective Compliance department, also covering the activities of KCM, to identify, assess, monitor and report on compliance risks. Compliance risks, meaning the failure to comply with applicable laws, rules, regulations, internal policies and procedures and industry standards relevant to KCM. By identifying, assessing, monitoring and reporting on compliance risks, the Compliance Team assists the KCM Management Board and the business in understanding the full range of its compliance risks and maintaining a control framework aimed at effectively mitigating these risks. In managing the compliance risks, VLK applies the three lines of defence model. This means that KCM employees are responsible for servicing clients (first line of defence) but also for assessing client-related risks, adhering to policy requirements and assuring control effectiveness. The Compliance department (second line of defence) is responsible for putting in place policies and procedures to guide the business, provide training and create awareness, advising the business and management to assess risks, as well as monitoring and reporting on control effectiveness. Internal Audit (third line of defence) is responsible for assuring that the first and second lines of defence work appropriately.

The Compliance department is headed by the Chief Compliance Officer, who reports directly to the Chairman of the Statutory Board of VLK.

Internal audit

Internal Audit is tasked with VLK's internal audit function and conducts independent and objective audits. All of VLK's activities – i.e. VLK, VLKWM and KCM, as well as their domestic and foreign holdings – are included in Internal Audit's remit. Internal Audit tests the design and operational effectiveness of internal risk management and control systems and aims to improve the efficacy of these systems. In doing so, it supports VLK's Management Board and VLK's Audit and Compliance Committee as well as the KCM Management Board in performing their duties. Internal Audit operates independently and reports directly to the Chairman of VLK's Management Board, the Chairman of VLK Supervisory Board's Audit and Compliance Committee and the KCM Management Board.

Financial and solvency risks

Market risk

KCM's core activity is to manage the assets of its fiduciary clients and fund investors (and not necessarily its proprietary assets and certainly not as a core activity). As such, KCM is not directly exposed to market risks. However, market risks do affect the wealth preservation and wealth creation of clients and investors and thus have an indirect impact on KCM's financial results. The wide variety of products and services KCM offers helps to diversify this indirect impact somewhat. Given current levels of market stability, combined with our diversified range of products and services, we classify this as a low risk.

Credit risk

KCM does not directly face significant credit or counterparty risks. It does not issue loans and is not a formal counterparty to over-the-counter financial transactions (acting as an agent on behalf of clients who are formal counterparties). KCM's cash balances are entrusted to reliable parties. KCM's services involve some credit risk when management fees or performance fees are to be received from clients. With a varied client base of generally wealthy clients, this risk is considered low.

Liquidity risk

KCM's core activity is to manage the assets of its fiduciary clients and fund investors (and not necessarily its proprietary assets and certainly not as a core activity) and it is therefore not directly exposed to liquidity risk, although liquidity risks may indirectly affect its liquidity profile. Its wide range of products and services, as well as its diversified client base, significantly cushions these effects. Fees charged to clients are collected periodically and benefit KCM's liquidity profile. Overall this risk is considered low.

KCM has sufficient qualifying capital to meet the prudential capital adequacy requirements set by De Nederlandsche Bank (DNB) on an ongoing basis. If the calculation of the capital requirement shows that the capital reserves will be inadequate without additional measures, steps will be taken in consultation with VLKWM and VLK to increase the amount of capital. The most obvious route would be for any capital shortfalls to be made up through capital contributions to KCM by VLKWM, but other avenues are also possible.

Outlook

General

The economic outlook has improved significantly now there are effective vaccines against the coronavirus. The number of daily new coronavirus cases has fallen sharply in the US and the economy is operating full steam ahead. The drop in economic activity caused by the lockdowns has been recouped, although the job market has not entirely recovered yet. The prospect of the economy opening up further will keep growth strong, however. The most pressing question is whether inflation will indeed be temporary over the next few months, as the Fed claims. Reaching the limits of economic capacity at a time of high monetary and fiscal stimulation could lead to permanently higher inflation. Yet the Fed, which has revised and relaxed its policy goals marginally, will be extremely cautious about raising interest rates.

The Eurozone finds itself in a phase of hope at the moment. Leading indicators are improving but real indicators, such as industrial production and retail sales are recovering more slowly. Nevertheless, we expect a strong acceleration in growth given the progress on vaccination programmes and the gradual reopening of the economy over the summer. As the Eurozone economy still has a long way to go until it recovers, inflation will remain low. The ECB will therefore continue to pursue a highly expansionary monetary policy. Fiscal policy will also remain expansionary. The Growth and Stability Pact rules (budget deficits may not exceed 3%, while national debt may not surpass 60% of gross domestic product, or GDP) have been temporarily suspended and in the second half of 2021 funds will also become available from the jointly-financed EU recovery fund worth 750 billion euros.

In Asia, where the virus is better under control, the Chinese economy has already fully recovered and the economies of South Korea, Taiwan and to a lesser extent Japan are also profiting from the revival in industry. The recovery is so far advanced in China that fiscal and monetary authorities are already applying the brakes. This will result in lower growth.
The Delta variant of the coronavirus poses a risk to the positive economic outlook. Although hospital admissions remain low, higher infection rates could lead to new restrictions, especially in relation to international travel. The negative risks are highest for those countries that depend greatly on tourism and those with low vaccination rates.

KCM

The strong relative investment performance of our products, highly-motivated employees and the personal connection with our clients mean that there are sound prospects for further long-term growth at KCM. Given the prevailing volatility on the financial markets, however, the Management Board is cautious about making any forecasts regarding the result for the current financial year. At the time of publication, the Management Board does not foresee any material capital-intensive investments, nor does it expect any changes to current funding.

Amsterdam, 31 August 2021

The Management Board,

W.H. van Houwelingen E.J.G. Jansen

Consolidated Financial Statements at 30 June 2021

Consolidated Balance sheet at 30 June (before result appropriation)

		30-6-2020	31-12-2020
		x €1,000	x €1,000
Assets			
Fixed assets			
Intangible assets	I	**5.454**	**5.836**
Tangible assets	II	**166**	**209**
Current assets			
Receivables from related parties	III	**21.100**	**30.865**
Current receivables, prepayments and accrued income	IV		
Management fees receivable		38.644	33.145
Deferred tax assets		228	220
Tax and social insurance premiums		528	275
Other receivables, prepayments and accrued income		374	375
		39.774	**34.015**
Cash and cash equivalents	V	**314**	**5.238**
		66.808	**76.163**
Equity & Liabilities			
Equity	VI		
Paid-up and called-up share capital		92	92
Premium reserve		6.700	6.700
Translation reserve		-	30
Other reserves		23.435	22.607
Undistributed profit		10.133	18.750
		40.360	**48.179**
Provisions	VII		
Deferred tax liabilities		1.247	1.288
Other provisions		-	-
		1.247	**1.288**
Current liabilities, accruals and deferred income	VIII		
Management fees payable		8.660	9.011
Amounts owed to related parties		13.493	7.291
Tax and social insurance premiums		1.367	1.140
Other liabilities, accruals and deferred income		1.680	9.255
		25.200	**26.697**
		66.808	**76.163**

Consolidated Profit and loss account at 30 June

		H1 2021	H1 2020
		x €1,000	*x €1,000*
Income			
Management fees	IX	52.218	52.238
Consultancy fees	X	103	37
Other income	XI	244	-
Total income		**52.565**	**52.275**
Expenses			
Staff costs	XII	18.355	24.579
Amortisation of intangible assets	I	382	402
Depreciation of tangible asssets	II	43	290
Other operating expenses	XIII	20.039	14.685
Total expenses		**38.819**	**39.956**
Operating result		***13.746***	***12.318***
Interest income		90	56
Interest expenses		0	4
Interest result		**90**	**52**
Result before tax		***13.836***	***12.371***
Tax	XIV	3.702	3.182
Result after tax		***10.133***	***9.189***

Summary of key accounting policies for the preparation of the financial statements

General

The object of Kempen Capital Management NV (KCM or the company) is to manage and administer the assets of third parties, to provide advice and to invest in, manage and finance other enterprises and companies. KCM has its registered office at Beethovenstraat 300, 1070 AR Amsterdam, the Netherlands and is registered under number 33181992 at the Chamber of Commerce.

The financial statements are prepared in accordance with the provisions of Title 9, Book 2 of the Dutch Civil Code and the firm pronouncements in the Dutch Accounting Standards, as published by the Dutch Accounting Standards Board ('Raad voor de Jaarverslaggeving').

The accounting principles have remained unchanged from prior year, with the exception of changes in accounting policies and estimates, if applicable, as presented in the relevant sections.

Currency

Items in the financial statements pertaining to each group company are stated in the currency of the economic environment in which the entity chiefly operates (i.e. the functional currency). Amounts in the financial statements are stated in euros, i.e. both the functional and reporting currency.

Transactions in foreign currencies in the reporting period are recognised in the financial statements at the exchange rate prevailing on the transaction date. Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the exchange rate prevailing at the reporting date. Translation differences arising on the settlement of such transactions are recognised in profit or loss.

Assets and liabilities of consolidated subsidiaries with a functional currency different from the presentation currency are translated at the rate of exchange prevailing at the balance sheet date; income and expenses are translated at average exchange rates during the financial year. Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of these subsidiaries and translated at the closing rate. Any resulting exchange differences are taken directly to the legal reserve for translation differences within equity.

Estimates

In the process of applying the accounting policies, the Board of Kempen Capital Management NV uses estimates and assumptions which can have a significant impact on the amounts recognised in the financial statements. If necessary for the insight as required under Article 362, clause 1, Book 2 of the Dutch Civil Code, we will include the nature of these judgements and estimates as well as their underlying assumptions in the Notes to the relevant financial statements items.

Intra-group relationships

Kempen Capital Management N.V. has been owned by Van Lanschot Kempen Wealth Management N.V. (VLKWM) since January 2020. Kempen Capital Management UK Ltd is a wholly subsidiary of Kempen Capital Management N.V. since 1 October 2020. VLKWM has it registered office in Beethovenstraat 300, Amsterdam. As of 1 July 2021, a legal merger took place between Van Lanschot Kempen and VLKWM.

KCM's financial data are fully consolidated in the financial statements of VLKWM. Operationally, KCM was closely associated with VLKWM. Consequently, virtually all expenses disclosed in the profit and loss account represent amounts charged on by VLKWM.

Consolidation

The financial data of Kempen Capital Management NV and its group companies are consolidated. A group company is a legal entity in which Kempen Capital Management NV is able to exercise decisive control, directly or indirectly, because it holds the majority of the voting rights or is able to control the financial and operational activities in some other way.

Intercompany transactions and the ensuing results and intercompany receivables and payables are eliminated in the consolidation. The accounting policies of group companies and other legal entities included in the consolidation are adjusted where necessary to bring them into line with group accounting policies.

Related parties

As of 1 January 2021 VLKWM qualifies as a related party of KCM, Van Lanschot Bankiers België and Kempen Capital Management UK Ltd . All related-party transactions take place on market terms.

Acquisitions and disposals of group companies

The results and identifiable assets and liabilities of an acquired company are recognised in the consolidated statements from the acquisition date. The acquisition date is the date from which decisive control can be exercised in the relevant company.

The acquisition cost comprises the amount or the equivalent thereof that is agreed for the acquisition of the relevant company, plus any directly attributable costs. If the acquisition price exceeds the net fair value of the identifiable assets and liabilities, the surplus is capitalised as goodwill under intangible assets. If the acquisition price is below the net fair value of the identifiable assets and liabilities, the difference (negative goodwill) is recognised as an accrued liability.

Kempen Capital Management UK Ltd. is since 1 October 2020 wholly subsidiary of Kempen Capital Management NV and is fully consolidated in this financials statements.

Cash flow statement

The whole of KCM's capital is provided indirectly by VLKWM at 's-Hertogenbosch, which draws up a cash flow statement that is included in financial statements filed with the trade register in the Netherlands. The half-year report is downloadable from www.vanlanschotkempen.nl. In accordance with Article 360.104 of the Dutch Accounting Standards, a cash flow statement has not been prepared for KCM.

Accounting policies

General

Assets and liabilities are generally stated at cost of acquisition. If no specific accounting policy is stated, assets and liabilities are stated at acquisition cost. The balance sheet and profit and loss account contain references to the Notes.

Intangible assets

Intangible assets with a limited useful life (such as application software, client files, contractual rights and the value of client assets and loans) are capitalised at cost of acquisition or manufacture (cost price model). Straight-line amortisation is applied to these assets over their estimated economic life. This is the case if the carrying amount of an asset or its cash-generating unit exceeds the recoverable amount.

Property and equipment

Property and equipment used within KCM is stated at acquisition cost less depreciation, calculated on the basis of the estimated economic life of the asset and taking into account any residual value. Account is taken of impairments expected to be recognised at the reporting date. If the depreciation method, estimated useful life and/or residual value changes over time, these are disclosed as changes in estimates. Decommissioned property and equipment is stated at the lower of cost price or realisable value.

Impairments

KCM considers at every reporting date whether there are indications that a fixed asset may be subject to impairment. If such indications are found, the recoverable amount of the asset is determined. If it is impossible to determine a recoverable amount for the individual asset, the recoverable amount of its cash-generating unit is determined.

Asset impairment exists if the carrying value of the asset is greater than its recoverable amount; the recoverable value is the greater of the fair value less cost to sell and the value in use. An impairment loss is recognised in profit or loss and the carrying value of the asset reduced simultaneously.

If it is established that an impairment that was recognised in the past no longer exists or has reduced, the increased carrying amount of the asset concerned is set no higher than the carrying amount that would have been determined if no impairment value adjustment for the asset concerned had been reported.

For financial assets recognised at amortised cost, the impairment is measured as the difference between the asset's carrying amount and the best available estimate of future cash flows, discounted at the financial asset's original effective interest rate upon initial recognition.

The impairment loss recognised must be reversed if the reduction of the impairment is related to an objective event after amortisation, up to a maximum of the amount needed to value the asset at amortised cost at the time of the reversal if there would not have been an impairment. The reversed loss is recognised in the profit and loss account.

IFRS 16 Leases

Payments associated with short-term leases of equipment and vehicles and all leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. The rent regarding the short-term lease was €246k.

Receivables

On initial recognition, receivables are valued at the fair value of the consideration. After initial recognition, receivables are carried at amortised cost. If the receipt of a receivable is deferred for reason of an agreed extension of a payment term, its fair value is determined on the basis of the present value of the expected receipts and interest income is taken to the profit or loss based on the effective rate of interest. Provisions for uncollectable amounts are deducted from the carrying value of the receivable.

Cash and cash equivalents

This item comprises bank balances with a term of less than 12 months. Bank overdrafts are disclosed under amounts owed to credit institutions. Cash and cash equivalents are stated at face value.

Provisions

A provision is a commitment where there is uncertainty regarding its size or moment of liquidation. A provision is formed on the balance sheet if there is a commitment which arose in the past, if it is likely that liquidation of the provision would require an outflow of funds and if a reliable estimate can be made. Other provisions are stated at the face value of expenditure necessary to settle obligations, unless stated otherwise. Provisions are discounted only if the time value of the cash or the commitment has a material influence.

Deferred tax is recognised using the temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the carrying amounts recognised in these statements. Deferred tax is calculated at the tax rate in force at the end of the financial year, or at rates to be applied in future years, in so far as legally imposed. Deferred tax is recognised at nominal values.

Current liabilities, accruals and deferred income

On initial recognition, current liabilities are stated at fair value. After initial recognition, they are carried at amortised cost, being the amount received plus premiums or discounts and less transaction costs. This is typically the face value.

Income and expenses

Income and expenses are attributed to the financial year to which they relate, regardless of whether they led to receipts and expenditure in that financial year. Losses and risks originating in a financial year are attributed to that financial year.

Management and consultancy fees

Fees comprise the revenues from services less discounts, if applicable, and tax levied on these revenues. These are disclosed in proportion to performance, based on the services provided until the reporting date relative to the total of services to be provided.

Other income

Other income comprises results not directly related to the commissions of management fees or services as part of normal – not one-off – business activities.

Staff costs

Wages, salaries and social security contributions are taken to profit or loss in keeping with employment conditions in so far as they are payable to staff or the tax authorities. Pension costs and variable remuneration for the period are charged on to KCM by the group head.

Interest result

Interest income and interest expenses are recognised as they accrue using the effective interest rates of the relevant assets and liabilities. Interest expenses are stated while taking account of recognised transaction costs of loans received.

Exchange differences

Exchange differences arising upon the settlement or conversion of monetary items are recognised in the profit and loss account in the period that they arise.

Other costs

These are costs charged to the year and that are not directly attributable to the cost of goods or services.

Taxation

Tax is calculated on the result before tax in profit and loss, factoring in any available, unrecognised tax losses from previous financial years (in as much as not included in deferred tax) and tax-exempt profits plus non-deductible costs. For VAT purposes, KCM forms a tax entity with Kempen & Co NV. For the purpose of corporation tax, KCM forms a tax entity with Van Lanschot Kempen NV. Settlement takes place between Van Lanschot Kempen NV and KCM, based on the commercial result. This worked out as a nearly full corporate tax charge in 2021.

Notes to the balance sheet and profit and loss account

BALANCE SHEET

I Intangible assets

Movements in intangible assets can be broken down as follows:

	H1 2021	*2020*
	x €1,000	*x €1,000*
At start of year	9.200	9.200
Accumulated amortisation	3.364	2.560
Carrying amount	**5.836**	**6.640**
Movements during year		
Investments	-	-
Amortisation	382	804
At end of year	**5.454**	**5.836**

Intangible assets represent the fair value of the client portfolios in respect of the acquisition of fiduciary management activities in the United Kingdom (€2,500,000 in 2015) and VermogensParaplu Beheer BV (€6,700,000 in 2017). This value is determined on the basis of the present value of expected future cash flows. The client base is amortised on a straight-line basis at a rate of 14.2% and 6.7% per annum respectively.

II Tangible assets

Movements in property and equipment can be broken down as follows:

	H1 2021	*2020*
	x €1,000	*x €1,000*
At start of year	3.502	3.695
Accumulated depreciation	3.292	2.837
Carrying amount	**210**	**858**
Movements during year		
Investments	-	-
Disposals	-	-193
Depreciation	43	456
At end of year	**166**	**209**

At 30 June 2021				*x €1,000*
	Software	**Alterations**	**Communications equipment**	**Total**
At 1 January 2021	64	121	24	209
Investments	-	-	-	-
Disposals	-	-	-	-
Depreciation	29	7	8	43
At 30 June 2021	**35**	**114**	**16**	**166**

Cumulative				*x €1,000*
	Software	**Alterations**	**Communications equipment**	**Total**
Acquisition costs	2.021	213	88	2.322
Cumulative depreciation	1.986	99	72	2.156
At 30 June 2021	**35**	**114**	**16**	**166**

Depreciation is applied at the following rates:

- Hardware and software, 20% per annum;
- Alterations, 20% per annum;
- Communications equipment, 20% per annum.

III Receivables from related parties

This item concerns a receivable from related partie VLKWM with a term of less than one year. There are no relevant contract terms that could have a material effect on the amounts or the risks of future cash flows.

IV Current receivables, prepayments and accrued income

There are no relevant contract terms that could have a material effect on the amounts or the risks of future cash flows. For information about credit risk, see risk management section.

Management fees receivable

This relates to the balance of management fees receivable and discounts payable involving the same counterparties, which are settled simultaneously but had not yet been settled at 30 June 2021. Management fees receivable have a term of less than one year.

Other receivables, prepayments and accrued income

This item relates mainly to prepaid costs. All other receivables, prepayments and accrued income have a term of less than one year.

V Cash and cash equivalents

This item comprises bank balances with a term of less than 12 months, which are readily available to KCM.

VI Equity

Paid-up and called-up share capital

The authorised share capital amounts to €454,000 and is divided into 1,000 shares each having a nominal value of €454. Of this total, 202 shares have been issued and fully paid up.

Premium reserve

The premium reserve did not change in 2021. The premium reserve is freely distributable.

Translation reserves

Movements in translation reserves can be broken down as follows:

	H1 2021	***2020***
	x €1,000	*x €1,000*
At start of year	30	-
Change translation reserve	-30	30
At end of year	**-**	**30**

Other reserves

Movements in reserves can be broken down as follows:

	H1 2021	***2020***
	x €1,000	*x €1,000*
At start of year	22.607	21.300
Profit distribution (undistributed profit previous year)	18.750	16.299
Dividend payments	-18.000	-15.000
Share plans	2	-
Difference previous years	11	-
FX difference	66	7
At end of year	**23.435**	**22.607**

Undistributed profit

	H1 2021	***2020***
	x €1,000	*x €1,000*
At start of year	18.750	16.299
Dividend payment	-18.000	-15.000
Addition to Other reserves	-750	-1.299
Result for the financial year	10.133	18.750
At end of year	**10.133**	**18.750**

VII Provisions

Movement in the deferred tax liabilities can be specified as follows:

	H1 2021	*2020*
	x €1,000	*x €1,000*
At start of year	1.288	1.189
Change	-41	99
At end of year	**1.247**	**1.288**

Upon the acquisition of VermogensParaplu Beheer BV, a deferred tax liability of €1,675 was incurred in 2017, which is being amortised on a straight-line basis over a period of 15 years.

Movements in other provisions can be broken down as follows:

	H1 2021	*2020*
	x €1,000	*x €1,000*
At start of year	-	55
Additions	-	-
Release	-	-55
At end of year	**-**	**-**

VIII Current liabilities, accruals and deferred income

All current liabilities, accruals and deferred income have a term of less than one year. There are no relevant contract terms that could have a material effect on the amounts or the risks of future cash flows.

Management fees payable

This item concerns management fees that had not yet been settled at 30 June 2021 and that cannot be set off against outstanding receivables.

Amounts owed to related parties

This item concerns a current account with related party VLKWM with maturities of less than one year. No interest is charged or credited on the current account balance.

Amounts owed in respect of tax and social insurance premiums

This relates to value added tax payable in respect of the second quarter of 2021.

Other liabilities, accruals and deferred income

This relates to accruals and accounts payable to suppliers.

IX Management fees

Management fees decreased by 4% in 2021 compared with 2020 and can be broken down as follows:

	H1 2021	H1 2020
	x €1,000	x €1,000
Management fees	45.470	47.457
Service fee income	9.602	5.093
Service fee expenses	-2.854	-312
Total management fees	**52.218**	**52.238**

X Consultancy fees

Consultancy fees relate mainly to services provided for the benefit of clients of VLKWM.

XI Other income

Other income mainly comprises positive currency, revaluation results and result of majority interests.

XII Staff costs

	H1 2021	H1 2020
	x €1,000	x €1,000
Salaries	14.863	17.509
Pension costs	1.612	2.348
Social security contributions	1.200	1.751
Other staff costs	679	2.971
Total staff costs	**18.355**	**24.579**

Staff costs comprise salaries, market value allowances, expenses, travel allowances, social security costs, employer's pension costs and variable remuneration charged on by VLKWM.

Pension costs allocated to the reporting period are charged on to KCM by the group head based on the number of staff employed. VLKWM is responsible for the commitments ensuing from the pension scheme agreed with employees.

Average number of staff

Staff working at KCM are employed by VLKWM. The average number of staff on full time basis between 1 January and 30 June 2021 was 172 (2020: 264). The decrease in the number of staff compared to 2020 can be explained by the change in our organisational structure, this led to a lower average number of staff and a higher internal cost allocation for KCM. The average number of staff working outside the Netherlands was 25.6 (2020: 23.6).

XIII Other operating expenses

	H1 2021	*H1 2020*
	x €1,000	*x €1,000*
ICT costs	4.942	4.427
Charged-on overheads	7.688	1.277
News services	2.607	3.490
Accommodation costs	1.474	1.441
Commercial costs	243	552
Consultancy fees	1.333	1.863
Fund costs	2.101	1.412
Office costs	144	56
Administration costs	-	11
Other	-494	156
Total other operating expenses	**20.039**	**14.685**

XIV Taxation

	H1 2021	*H1 2020*
	x €1,000	*x €1,000*
Deferred taxes	-	-
Income tax expense from previous years	225	-
Income tax expense from the current financial year	3.477	3.182
	3.702	**3.182**
	%	%
Effective tax rate	27%	26%
Applicable tax rate	25%	25%

The effective rate is higher than 25% because of the non-deductible costs and because of the different tax rates in the UK and France.

The numerical reconciliation between the applicable and effective tax rate is as follows:

	Amounts in €
Profit according to the financial statements	13.836
CIT based on applicable rate CIT 25%	3.459
Tax non-deductible costs	176
Amortization of goodwill	0
Income tax previous years	-5
Change in deferred income tax	0
Tax rate difference foreign operations	80
Profits from foreign operations	0
Other	-9
Corporate income tax payable	3.702
Effective corporate tax rate	27%

XV Off-balance-sheet assets and liabilities

Off-balance-sheet assets comprise rents:

	30-6-2021	31-12-2020
	x €1,000	x €1,000
Office rental obligations		
< 1 year	90	342
≥ 1 year < 5 years	-	-
≥ 5 years	-	-
Total	**90**	**342**

The remaining term of the rental agreement is in 2021 two months.

Events after the reporting period

As of 1 July 2021, a legal merger took place between Van Lanschot Kempen and VLKWM. In any event, this merger will have no consequences for KCM NV.

Company financial statements at 30 June 2021

Company balance sheet at 30 June 2021 (before result appropriation)

		30-6-2021 x €1,000	31-12-2020 x €1,000
Assets			
Fixed assets			
Financial assets	I	**3.671**	**4.959**
Intangible assets		**4.988**	**5.211**
Tangible assets		**156**	**193**
Current assets			
Receivables from related parties		**19.957**	**29.384**
Current receivables, prepayments and accrued income			
Management fees receivable		35.811	32.046
Tax and social insurance premiums		-	211
Other receivables, prepayments and accrued income		289	288
		36.100	**32.545**
Cash and cash equivalents		**166**	**3.252**
		65.037	**75.544**
Equity & Liabilities			
Equity	VI		
Paid-up and called-up share capital		92	92
Premium reserve		6.700	6.700
Other reserves		23.435	22.607
Exchange differenes		-	16
Undistributed profit		10.133	18.750
		40.360	**48.165**
Provisions			
Deferred tax liabilities		1.247	1.303
Other provisions		-	-
		1.247	**1.303**
Current liabilities, accruals and deferred income			
Management fees payable		8.660	9.011
Amounts owed to related parties		12.441	8.008
Tax and social insurance premiums		890	967
Other liabilities, accruals and deferred income		1.439	8.091
		23.430	**26.077**
		65.037	**75.544**

Company profit and loss account at 30 June 2021

		H1 2021	*H1 2020*
		x €1,000	*x €1,000*
Result from participating interests	I	-1.518	-27
Company result after tax	I	11.651	9.215
Result after tax		***10.133***	***9.189***

Notes to the company balance sheet and profit and loss account

Basis of preparation

General

The company financial statements have been prepared in accordance with the legal requirements as set out in Part 9, Book 2 of the Dutch Civil Code and the authoritative statements in the financial reporting guidelines issued by the Dutch Accounting Standards Board.

The accounting principles are the same for both the company financial statements and the consolidated financial statements. Investments in group companies are recognised at net asset value. For the accounting principles, please refer to the Acounting policies.

Participating interests

Participating interests in which the company is able to exercise a material influence are stated using the net asset value method. If able to exercise 20% or more of the voting rights, the company is assumed to have material influence.

The net asset value is calculated in keeping with the accounting principles governing these financial statements; for participating interests unable to provide sufficient information to align with these principles, use will be made of the accounting principles for this participating interest.

Initial measurement of purchased participating interests is based on the fair value of the identifiable assets and liabilities at the time of purchase. Subsequent measurement will apply the accounting principles informing these statements, drawing on the values at initial recognition.

Notes to individual items in the company financial statements

I Financial assets

Participating interests include the following company:

- Kempen Capital Management (UK) Limited, London, in which 100% of paid-up capital is held.

Movements in financial assets break down as follows:

	30-6-2020	***31-12-2020***
	x €1,000	*x €1,000*
At 1 January 2021	4.959	-
Adjustments prior year	- 9	-
Purchased participating interests	-	1.595
Capital payment	-	3.848
Result from participating interests	- 1.518	-548
Share plans	2	15
Translation differences	236	50
At 30 June 2021	**3.671**	**4.959**

VI Equity

Paid-up and called-up share capital

The authorised share capital amounts to €454,000 and is divided into 1,000 shares each having a nominal value of €454. Of this total, 202 shares have been issued and fully paid up.

Premium reserve

The premium reserve did not change in 2021. The premium reserve is freely distributable.

Other reserves

Movements in reserves can be broken down as follows:

	30-06-2021	***31-12-2020***
	x €1,000	*x €1,000*
At start of year	22.607	21.300
Profit distribution (undistributed profit previous year)	18.750	16.299
Dividend payments	-18.000	-15.000
FX difference	79	7
At end of year	**23.435**	**22.607**

Undistributed profit

	30-06-2021	***31-12-2020***
	x €1,000	*x €1,000*
At start of year	18.750	16.299
Dividend payment	-18.000	-15.000
Addition to Other reserves	-750	-1.299
Result for the financial year	10.133	18.750
At end of year	**10.133**	**18.750**

Amsterdam, 31 August 2021

The Management Board,

W.H. van Houwelingen

E.J.G. Jansen

Other information

Profit appropriation

Pursuant to Article 31, paragraph 1 of KCM's Articles of Association, the profit is at the free disposal of the General Meeting of Shareholders in so far as the reserves are adequate for this purpose.

Independent Auditor's report

This semi-annual report has not been audited.

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Asset Management

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