Turning hidden treasures into solid growth

Kempen Capital Management NV

2020 SEMI-ANNUAL REPORT

AMSTERDAM

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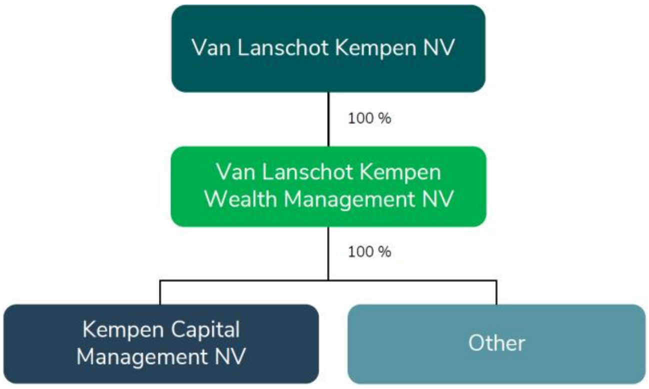
Report of the Management Board

Kempen Capital Management NV (KCM) is a full subsidiary of Van Lanschot Kempen Wealth Management NV, formerly known as Van Lanschot NV (Van Lanschot), which is in turn a full subsidiary of Van Lanschot Kempen NV (VLK). KCM is a specialist asset manager with a strong focus and a selective investment strategy.

Figure 1: Simplified legal structure



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 focuses on managed portfolios in niche investment strategies, such as Global and European equities (high dividend equity, small caps, infrastructure and sustainable value creation), 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. KCM also offers Client Solutions: total investment solutions for private investors via Van Lanschot and directly to institutional investors. The individual client's objectives or commitments are leading here. In addition, KCM offers solutions that relieve clients of day-to-day asset management activities and ensure that clients are always in control. KCM has offices in Amsterdam, London and Paris.

Results

In the reporting period from 1 January through 30 June 2020, we generated a profit of €9.2 million. Assets under management increased by 3.6% to €76.0 billion from €73.1 billion, the net outcome of deposits (+5.6%) and price effects (-1.7%). Assets under monitoring and guidance remained stable at €3.1 billion, bringing the total invested capital for which KCM provides services to €79.1 billion from €76.1 billion. At the reporting date, KCM's cash position and solvency were as strong as ever, and nothing out of the ordinary occurred in our cash flows in the period.

Contribution to results

KCM's income derives from fees on assets under management, reflecting capital entrusted to KCM by investors coupled with the (absolute) performance of our investment products – a review of which follows here.

Macro-economic environment and the financial markets in H1 2020

Global economic and financial market trends were dominated by the spread of the coronavirus (COVID-19) in the first half of 2020. The initial outbreak in China around the turn of the year looked to be mainly a regional problem, comparable to the SARS epidemic in 2002-2004. That quickly proved to be a miscalculation, however. The coronavirus epidemic spread to Europe at the start of March

2020, with Italy and Spain being hit particularly hard. COVID-19 subsequently evolved into a full-blown pandemic and spread around the world, resulting in the United States (US), Brazil and India having to deal with a rapid increase in the number of new cases. At the time of writing and following strict lockdowns, the coronavirus appears to be fairly well under control in North East Asia and Europe. However, the number of new cases continues to rise fast in the US and a number of emerging markets and renewed lockdowns cannot be ruled out.

The global economy has taken a severe hit from the coronavirus pandemic. Growth in China's gross domestic product (GDP) went from a plus of 6.0% in the fourth quarter of 2019 year-on-year to a contraction of 6.8% year-on-year in the first quarter of 2020. In the Eurozone, industrial production plummeted by 27.9% year-on-year and retail sales by 19.7% year-on-year in April. Twenty-two million jobs were lost in just two months in the US and unemployment soared to 14.7% in April.

Central banks and governments responded quickly and decisively. Interest rates were cut in the US and in many emerging markets. Central banks in the US, the Eurozone and the UK launched new bond-buying programmes and took steps to avert a financial crisis. Households and businesses were given fiscal support. In the US, cheques were sent directly to households and benefits were raised and extended. Support was chiefly directed at businesses in Europe, with a view to restricting the number of redundancies as much as possible. In the Eurozone, France and Germany presented a recovery plan worth 750 billion euros to be financed by the issuance of bonds and guaranteed by the European Union's budget.

From May it was not just the stimulus measures that were contributing to the economic recovery. The stabilisation of the coronavirus pandemic in North East Asia and Europe in particular and the easing of lockdowns also played a part. The recovery was spectacular in some cases. Retail sales in Germany and the Netherlands bounced back to above pre-corona crisis levels, while in May Italian retail sales were up by more than a quarter from the low in April. The Chinese economy has now largely recovered and the US unemployment rate fell to 11.1% in June.

The flipside is that the amount of debt is growing fast. Government budgets are displaying huge deficits. In order to compensate for the drop in revenue, businesses are borrowing large amounts from banks and especially also raising money by issuing bonds.

The aggressive quantitative easing policies pursued by central banks have kept bond yields low in spite of the rising level of debt. In the US, 10-year government bond yields fell by 126 basis points to 0.66% at the end of June. In Germany, where yields were already negative, a further 26 basis points were deducted, bringing government bond yields to -0.46%. Spreads on bonds issued by Southern European countries widened substantially up to mid-March, in Italy to 280 basis points, but subsequently tightened with much volatility to just above the pre-corona crisis level. Spreads on credits also peaked in mid-March, but at only half the level seen during the 2008-2009 financial crisis. Spreads quickly tightened again here as well, but are not yet back to pre-corona crisis levels.

Emerging market equity prices started to fall from mid-January; their European and US counterparts followed suit a month later. Lows were reached in all regions in mid-March. European equities experienced the sharpest downturn (-38%), followed by emerging market equities and the US (-34%) and Japanese equities (-30%). The fastest recovery was in the US, where the sizeable technology sector profited from the growing demand for online services, but emerging market equities also rallied quickly. As of the end of June, emerging markets were back at about 7% below pre-coronavirus levels, while Japanese and European equities were still 10% and 13% lower respectively. The damage to the equity markets is therefore minor compared to the havoc wreaked on the economy and the sharp drop in corporate earnings. Partly thanks to the stimuli from central banks, investors are prepared to look beyond the current crisis and this has pushed equity valuations up to high levels.

Commercial developments in niche strategies

The first half of 2020 saw a decline in assets under management of €0.7 billion from the niche strategies, based on assets under management, predominantly driven by the impact of COVID-19 on the global markets. Following the initial downturn, we have seen most niche strategies (Credits, Real Assets, Alternative Strategies and Private Markets) recover gradually and surpass their end-of-year 2019 figures. Overall, the assets under management of niche strategies earned a negative market performance of €1.4 billion.

Despite COVID-19 changing the way we interact with (potential) investors, we recorded attractive growth in assets under management across most niche strategies, resulting in substantial inflow of €0.7 billion during the first half of 2020. Our Euro Credit and Euro High Yield strategies remained popular among European investors and grew by €0.5 billion, while our Kempen European Sustainable Value Creation Fund grew by €0.3 billion. In Real Assets, our Global and European property funds experienced healthy inflow of €0.4 billion.

By the end of the reporting period, our niche strategies totalled €16.5 billion in assets under management.

KCM received multiple awards in the first half of 2020. We see this external recognition as confirmation of our vision on specialist services. Some examples:

- In March 2020, Kempen won three awards at the annual Morningstar Awards ceremony. Two awards were at firm level: Best fund house all asset categories and Best fund house fixed income, while the Kempen Orange Fund won the award for Best equity fund in the Netherlands;
- Also in March 2020, the 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 sixth time in a row that this fund has won this award;
- In May 2020, Kempen won nine prizes at the annual Refinitiv Lipper Fund Awards the Netherlands,including the awardsfor Best Fund house Overall (small) and Best Fund house Bonds (small);
- The Diversified Structured Credit Pool was awarded the best Fixed Income/Credit FoHF over one year in June 2020 by the Hedge Fund Review at the annual European Performance Awards.

Client Solutions commercial developments

Client Solutions had another commercially successful first half of the year, with an increase in assets under management (AuM) of €3.1 billion in the first six months of 2020. A key contributor to the AuM growth was the appointment of KCM as fiduciary manager of Stichting Bedrijfspensioenfondsvoor de Agrarische en Voedselvoorzieningshandel, resulting in inflow of €1.8 billion in new assets. Het nederlandsepensioenfonds (Hnpf), for which KCM also acts as fiduciary manager, also had a successful first half of the year, with Stichting Pensioenfonds Randstad and Stichting Pensioenfonds OWASE joining as new clients. Sweco Nederland committed to becoming a client of Hnpf and this will be effectuated in the second half of 2020.

Product development

A new investment fund was launched in January of 2020: Tiber Participatiefonds. Through participation in this investment fund, 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.

There were also a number of investment fund closures. In June 2020, from a desire for a greater focus on the solutions Kempen offers its clients the strategic decision was announced to discontinue the active government bond funds. The current market climate of extremely low interest rates has led to a drop in investor interest in these low-yield funds. As a result, both of these funds contain limited assets under management. In this context, the Kempen (Lux) Income Fund and the Kempen (Lux) Euro Government Fund will be dissolved by the end of August 2020. A sub-fund within the VermogensParapluFonds was also closed in February 2020.

By the end of June 2020, preparations were under way to launch additional investment strategies within the BestSelect Funds. Furthermore, we aim to launch at least one feeder fund that indirectly invests in Kempen Oranje Participaties NV in order to continue to meet client demand for these types of funds. KCM has also developed a new fund called Kempen Sustainable Global High Dividend Fund that offers both a diversified portfolio of companies worldwide with an attractive dividend yield and complies with strict sustainability criteria that minimise or exclude investments in companies involved in controversial activities, such as alcohol, coal production and adult entertainment, or have exposure to severe ESG controversies. The first trading day of Kempen Sustainable Global High Dividend Fund is expected to be in September 2020.

Organisation

Organisational changes during the first half of 2020 have been limited. Three of the changes described in the annual report (the departure of Mrs Boeren and Mr Luttenberg and the implementation of the Agile organisation) have been effectuated during this period. Mr Jansen has been formally endorsed by the Dutch Authority for the Financial Markets for his role as Chief Operating Officer and statutory director of Kempen Capital Management NV. The recruitment process for the CEO role is progressing as anticipated. In the meantime Mr Korthout, CFRO of Van Lanschot Kempen NV, will continue to assume the responsibilities of the role ad interim.

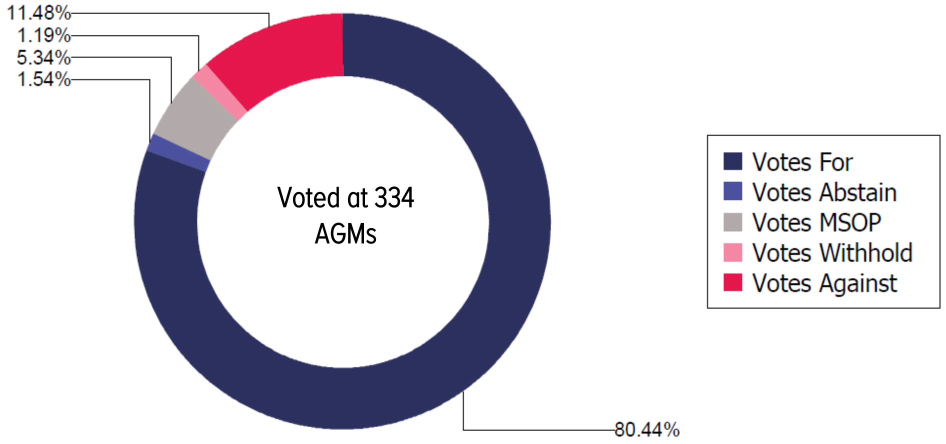
In addition, the main organisational focus during this period has been on creating workable conditions for employees at the start of the COVID-19 pandemic and adjusting to the new way of working. Whereas the immediate period after implementation of the COVID-19-related restrictions focused on securing options for all employees to work from home, the coming period will focus on how to structurally implement the lessons learned in order to improve the quality of work. The past few months have not only demonstrated that working remotely is feasible for a financial institution, they have also highlighted that, following an initial period of adjustment, it is in fact preferred by the majority of employees. An extensive evaluation of a more structural 'new way of working' will take place over the coming months.

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. 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 monitor companies involved in severe controversies and assess them case-by-case on their alignment with the OECD Responsible Business Conduct approach. 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;
- Positive impact – our Global Impact Pool (GIP) reached €100 million in invested assets at the end of 2019. The annual GIP report was published in June 2020 and can be found on www.kempen.com/en/news-and-knowledge/whitepaper/annual-global-impact-pool-2019;
- Climate change – in 2019 Van Lanschot Kempen NV signed the '*Klimaatakkoord*', under which a group of about 50 financial institutions have committed to the climate goals of the Dutch government. The financial sector (banks, pension funds, insurers and asset managers) is taking the initiative to contribute to the execution of the '*Klimaatakkoord*' and the Paris Accord. The '*Klimaatakkoord*' aims to reduce greenhouse gas emissions in a cost-effective manner by 49% in 2030 compared to 1990. In addition to this, we have been assessing the impact of the EU Taxonomy and Benchmark regulation on our investments and have set new Climate ambitions for all our investment funds to become aligned with the Paris Agreement Goals of net zero emissions by 2050;
- Exercising our voting rights – in H1 of 2020 we voted at 334 Annual General Meetings of Shareholders (AGMs). We voted against/withheld proposed agenda items (put forward by both management and shareholders) in 12.67% of the cases. Please see the figure on the next page for the full breakdown of votes.

Figure 2: Vote Cast Statistics H1 2020



* MSOP stands for Management say-on-pay.

For more detailed information on our sustainable investment approach and policies please visit our website, or see the bank-wide Sustainability KPIs in the Van Lanschot Kempen NV annual report or read Kempen Stewardship and RI Report.

Risks and risk management

Risk management

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

Risk management department

Our Risk Management department supports and advises the KCM Management Board on identifying and managing the risks to which KCM is exposed. The department acts independently, works closely with VLK's Risk Management department and oversees compliance with the risk policies as adopted by the risk management committees, reporting on this directly to the KCM Management Board and the relevant risk management committees. It also supports implementation of guidelines, regulations and internal control measures in relation to risk control.

Compliance department

Compliance is an integral part of all VLK's business activities. It is present at every level and in all parts of the organisation, and every employee has tasks and responsibilities within the domain of compliance. The Compliance department supports the management and the business in operating in compliance with regulatory requirements and expectations by designing the organisation's compliance programme. One of the core elements of the compliance programme is dedicated to the management of compliance risks. By identifying, assessing, monitoring and reporting on compliance risks, the Compliance team assists management and the business in understanding the full range of its compliance risk exposure and maintaining a control framework aimed at effectively mitigating these risks. The compliance team also develops the policy framework that sets out how to translate applicable laws, rules and regulations into policies, procedures and internal guidelines. It provides advice on these policies, practices and guidelines and monitors compliance. The Compliance training programme, as a further element of VLK's overall compliance programme, aims to ensure high compliance awareness and understanding of the regulatory obligations among our employees. Compliance is an independent function and reports directly to the Chairman of VLK's Executive Board and the KCM Management Board. It also reports to the VLK Supervisory Board's Audit and Compliance Committee (ACC).

Internal audit department

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

Internal control

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;
- As well as assessing the impact of a scenario actually materialising, we also factor in the likelihood that it will do so, which might lead to differences between expected losses and losses actually recorded;
- 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.

For the purpose of these risk assessments, we have identified material present and future risks and estimated future capital adequacy using scenario analyses. The following observed and identified risks are of particular relevance:

1. There is a risk of a substantial decrease in security prices over a prolonged period causing a reduction in assets under management. This would lead to a drop in income due to reduced management fees. The nature of KCM's business implies opting for an asset mix across the portfolios, of which the risks are known and can be adequately controlled. The mix of different asset classes generates a diversification effect, which usually has a mitigating effect on the overall price decline. Additionally, if this scenario should occur, KCM will take measures to reduce costs, for example by limiting the number of employees (not replacing departing employees or a reorganisation).
2. There is a risk of KCM providing investment advice that is perceived by the client not to be in line with the investment guidelines or risk appetite for an institutional client. This risk is mitigated by a range of measures, including: 1) Retail Clients deserve an extra duty of care, whereas Institutional Clients - despite being treated with a fiduciary duty of care - also assume responsibility themselves. Institutional Clients accept 'advice' as a fiduciary service but 'with limitations', given their own decision-making; 2) The four-eyes principle is always applied within the Investment Strategy team, whereby one senior employee drafts the advice which is then signed off by the department manager. KCM's liability is defined as advice (only) in contracts with Institutional Clients; 3) Within KCM, the Manager Selection & Research Team is dedicated to selecting, monitoring and reviewing (external) managers. The selection advice is the result of intensive Operational Due Diligence and Investment Due Diligence. The Institutional Client is still responsible for the decisions it takes based on the advice or whether it accepts the advice on 'selected/advised external managers'; 4) In order to reduce the risk of violating clients' investment guidelines, both pre- and post-trade controls are conducted by both Portfolio Management and Risk Management. The projected loss for KCM under this stress scenario is estimated at €80,000. A few minor incidents of this type occurred in 2019, and payments fitted amply within expected losses.
3. There is a risk of errors being made in trade execution (FX hedging) on behalf of clients or funds. An extreme movement in the underlying currency or currencies leads to a significant loss due to the erroneous hedges. This risk is mitigated by a range of measures, including: 1) within KCM, Risk Self Assessments (RSAs) are conducted periodically and additional measures taken where necessary; 2) KCM has implemented an internal control framework, which is the foundation of the annual ISAE3402 declaration; 3) FX models and processes have been independently validated by an independent (external) party since 2017. Also

efforts are focused towards creating business process standards around FX hedging; 4) Professional liability insurance. The required liability insurance cover of VLK is assessed annually and was increased from 2018 onwards from €100 million to €200 million. The projected loss for KCM under this stress scenario is estimated at €1,130,000. A few minor incidents of this type occurred in 2019, and payments fitted amply within expected losses.

We also have in place a description of our administrative organisation and internal control system. In 2019, we made additional improvements to this ISAE 3402 framework in order to strengthen our internal control mechanisms. These improvements are described in detail in the relevant report. During the 2019 reporting year, the Management Board established that the administrative organisation and internal control system functioned effectively and in accordance with their descriptions. This is confirmed in an ISAE 3402 report on the 2019 financial year, on which an unqualified auditors' report was issued by the external auditors on 24 January 2020.

Risks

Market risk

KCM's core activity is to manage the assets of its clients (and not necessarily its proprietary assets and certainly not as a core activity) and we are therefore not directly exposed to market risks. That said, market risks do affect the wealth preservation and wealth creation of our clients and thus have an indirect impact on our own financial results. Our wide range of products and services significantly cushions these effects and this risk is considered low to medium-high.

Credit risk

KCM does not face significant credit or counterparty risks. We do not issue loans and are not a counterparty to over-the-counter financial transactions. Our services do of course imply credit risk in terms of management fees or performance fees to be received from clients. With a varied client base of generally wealthy clients, this risk is considered low. KCM balances are entrusted to reliable parties.

Liquidity risk

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

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 Van Lanschot Kempen Wealth Management NV and Van Lanschot Kempen NV 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 KCO, but other avenues are also possible.

Outlook

General

The outlook for the economy and the financial markets remains highly uncertain as a result of the coronavirus pandemic. Economic indicators are currently generally pointing to a V-shaped recovery but it is worth noting a couple of things in this respect. The easing of the lockdowns and the low levels of activity mean that the upturn is now at its maximum. It will take some time to fully repair the damage done to the economy, possibly until the end of 2021. The impact of the monetary and fiscal stimuli is currently also at its peak. The question is whether and how long governments are prepared to tolerate large deficits and rising levels of sovereign debt. What is clear is that central banks will do all they can to keep interest rates low. In the words of Fed Chairman Powell: "We're not even thinking about thinking about raising rates". Moreover, the coronavirus pandemic does seem to be reasonably well under control in North East Asia and Europe, although this is certainly not the case in the US and a number of large emerging economies. There is limited political will for nationwide lockdowns and these would not appear to be necessary when paired with greater testing capacity, but a second wave is just around the corner.

Economic indicators are showing that we have shifted from a U-shaped recovery to a more V-shaped recovery. Risky investments had already anticipated this shift. We view the low interest rates and stimuli from central banks as positive for investment grade and high yield credits. In contrast we are now more cautious about equities, mainly due to the huge amount of uncertainty surrounding earnings trends. We are also seeing companies focusing more on their bondholders, often partly out of necessity. Balance sheets are being protected or strengthened in order to avoid downgrades from credit rating agencies. This balance sheet strengthening is being enabled by issuing new bonds at lower rates, issuing shares or scrapping or restricting dividend payments and share buyback programmes. These are all measures that are much more beneficial to bondholders than to shareholders.

KCM

Although our results are largely determined by trends in the financial markets, our relatively strong performance, highly-motivated employees, solid (IT) systems, personal connection with clients and existing mandates mean that there are sound prospects for growth in the longer term, including in the number of clients. Given the volatility of the financial markets, however, the Management Board is cautious about making any forecasts regarding the result for the current financial year. The sharp fall in equity prices in the wake of the outbreak of the COVID-19 pandemic has been followed by a quick recovery in the first half year of 2020. The lower equity valuations overall will continue to have a short-term impact on our total income as our management fees are primarily based on total AuM. For this reason KCM will focus on tight cost control. 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, 28 August 2020

The Management Board,

C.T.L. Korthout (as of 12 March 2020)

E.J.G. Jansen (as of 22 May 2020)

H.Th. Luttenberg (until 1 May 2020)

L.M.T. Boeren (until 12 March 2020)

Consolidated 2020 financial statements

Consolidated balance sheet as at 30 June (before result appropriation)

		30-6-2020 x €1,000	31-12-2019 x €1,000
Assets			
Fixed assets			
Intangible assets	I	**6.238**	**6.640**
Tangible assets	II	**568**	**858**
Current assets			
Receivables from related parties	III	**36.383**	**30.375**
Current receivables, prepayments and accrued income	IV		
Management fees receivable		31.386	28.816
Tax and social insurance premiums		1.497	68
Other receivables, prepayments and accrued income		72	831
		32.955	**29.715**
Cash and cash equivalents	V	**-**	**2.987**
		76.144	**70.575**
Equity & Liabilities			
Equity	VI		
Paid-up and called-up share capital		92	92
Premium reserve		6.700	6.700
Other reserves		22.599	21.300
Exchange differenes		-44	-
Undistributed profit		9.189	16.299
		38.536	**44.391**
Provisions	VII		
Deferred tax liabilities		1.179	1.189
Other provisions		55	55
		1.234	**1.244**
Current liabilities, accruals and deferred income	VIII		
Management fees payable		-	3.752
Amounts owed to related parties		20.966	15.804
Tax and social insurance premiums		819	1.318
Other liabilities, accruals and deferred income		14.504	4.066
		36.289	**24.939**
Debt to credit institutions		**86**	-
		76.144	**70.575**

Consolidated profit and loss account as at 30 June

		30-06-2020	***30-06-2019***
		x €1,000	*x €1,000*
Income			
Management fees	IX	52.238	48.307
Consultancy fees	X	37	140
Other income	XI	-	7
Total income		**52.275**	**48.454**
Expenses			
Staff costs	XII	24.579	23.763
Amortisation of intangible assets	I	402	402
Depreciation of tangible asssets	II	290	50
Other operating expenses	XIII	14.685	14.275
Total expenses		**39.956**	**38.491**
Operating result		***12.318***	***9.963***
Interest income		56	34
Interest expenses		4	3
Interest result		**52**	**31**
Result before tax		***12.371***	***9.994***
Tax	XIV	3.182	2.524
Result after tax		***9.189***	***7.470***

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

General

The object of Kempen Capital Management NV (KCM) 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 financial statements over 2020 are consolidated financial statements due to the purchase of Kempen Capital Management UK Ltd as of 1 April 2020, the financial statements over 2019 are separate financial statements.

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.

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 NV is a wholly owned subsidiary of Van Lanschot Kempen Wealth Management NV (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.

Related parties

VLKWM qualifies as a related party of KCM, as do 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.

Cash flow statement

The whole of KCM's capital is provided indirectly by Van Lanschot NV (as of 1 January 2020 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 annual 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.

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 2019.

Notes to the consolidated balance sheet and profit and loss account

BALANCE SHEET

I Intangible assets

Movements in intangible assets can be broken down as follows:

	30-06-2020	*31-12-2019*
	x €1,000	*x €1,000*
At start of year	9.200	9.200
Accumulated amortisation	2.560	1.756
Carrying amount	**6.640**	**7.444**
Movements during year		
Investments	-	-
Amortisation	402	804
At end of year	**6.238**	**6.640**

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:

	30-06-2020	*31-12-2019*
	x €1,000	*x €1,000*
At start of year	3.695	2.548
Accumulated depreciation	2.837	2.268
Carrying amount	**858**	**280**
Movements during year		
Investments	-	1.147
Depreciation	290	569
At end of year	**568**	**858**

At 30 June 2020							*x €1,000*
	Hardware	**Software**	**Alterations**	**Communications equipment**	**Inventory**	**Right-of-use - buildings**	**Total**
At 1 January 2020	17	123	135	11	29	543	858
Investments	-	-	-	-	-	-	-
Disposals	-	-	-	-	-	-	-
Depreciation	10	30	9	1	7	233	290
At 30 June 2020	**7**	**93**	**126**	**10**	**22**	**310**	**568**

Cumulative							*x €1,000*
	Hardware	**Software**	**Alterations**	**Communications equipment**	**Inventory**	**Right-of-use - buildings**	**Total**
Acquisition costs	364	2.021	213	26	62	1.009	3.695
Cumulative depreciation	358	1.928	87	16	40	699	3.127
At 30 June 2020	**7**	**93**	**126**	**10**	**22**	**310**	**568**

Depreciation is applied at the following rates:

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

III Receivables from related parties

This item concerns a receivable from related party 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 as at 30 June 2020. 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

Equity is described in the notes to the company financial statements.

VII Provisions

Movement in the deferred tax liabilities can be broken down as follows:

	30-06-2020	***31-12-2019***
	x €1,000	*x €1,000*
At start of year	1.189	1.281
Change	-10	-92
Rate change	-	-
At end of year	**1.179**	**1.189**

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:

	30-06-2020	***31-12-2019***
	x €1,000	*x €1,000*
At start of year	55	-
Additions	-	55
Withdrawals	-	-
Release	-	-
At end of year	**55**	**55**

This concerns a provision for restructuring. Settlement is expected to take place within one 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 the end of the period and that cannot be offset against outstanding receivables.

Amounts owed to related parties

This item concerns a relationship with related partie 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 2020.

Other liabilities, accruals and deferred income

This relates to accruals, accounts payable to suppliers and lease liabilities.

IX Management fees

Management fees increased by 8% in 2020 compared with 2019 and can be broken down as follows:

	30-06-2020	30-06-2019
	x €1,000	x €1,000
Management fees	47.457	43.979
Service fee income	5.093	6.908
Service fee expenses	-312	-2.707
Performance fees	-	128
Total management fees	**52.238**	**48.307**

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 commissions of €0.

XII Staff costs

	30-06-2020	30-06-2019
	x €1,000	x €1,000
Salaries	17.509	14.350
Pension costs	2.348	2.000
Social security contributions	1.751	1.594
Other staff costs	2.971	5.820
Total staff costs	**24.579**	**23.763**

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 2020 was 268 (2019: 265). The average number of staff working outside the Netherlands was 25.2 (2019: 21.5).

XIII Other operating expenses

	30-06-2020	30-06-2019
	x €1,000	x €1,000
ICT costs	4.427	4.569
Charged-on overheads	1.277	1.115
News services	3.490	3.170
Accommodation costs	1.441	1.722
Commercial costs	552	1.077
Consultancy fees	1.863	1.211
Fund costs	1.412	1.623
Office costs	56	226
Administration costs	11	43
Other	157	-482
Total other operating expenses	**14.685**	**14.275**

XIV Taxation

Tax is calculated at a nominal rate of 25%; the effective tax rate worked out at 26% (2019: 25%).

Company financial statements as at 30 June 2020

Company balance sheet as at 30 June 2020 (before result appropriation)

		30-6-2020 x €1,000	31-12-2019 x €1,000
Assets			
Fixed assets			
Financial assets	I	**1.524**	-
Intangible assets		**6.238**	**6.640**
Tangible assets		**568**	**858**
Current assets			
Receivables from related parties		**34.640**	**30.375**
Current receivables, prepayments and accrued income			
Management fees receivable		31.364	28.816
Tax and social insurance premiums		1.497	68
Other receivables, prepayments and accrued income		72	831
		32.932	**29.715**
Cash and cash equivalents		**-**	**2.987**
		75.901	**70.575**
Equity & Liabilities			
Equity	VI		
Paid-up and called-up share capital		92	92
Premium reserve		6.700	6.700
Other reserves		22.599	21.300
Exchange differences		-44	-
Undistributed profit		9.189	16.299
		38.535	**44.391**
Provisions			
Deferred tax liabilities		1.179	1.189
Other provisions		55	55
		1.234	**1.244**
Current liabilities, accruals and deferred income			
Management fees payable		-	3.752
Amounts owed to related parties		20.909	15.804
Tax and social insurance premiums		819	1.318
Other liabilities, accruals and deferred income		14.166	4.066
		35.894	**24.939**
Debt to credit institutions		**238**	-
		75.901	**70.575**

Company profit and loss account as at 30 June 2020

		30-06-2020	*30-06-2019*
		x €1,000	*x €1,000*
Result from participating interests	I	-27	-
Company result after tax		9.215	7.470
Result after tax		***9.189***	***7.470***

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 Notes to the consolidated balance sheet.

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:

I Financial assets

	30-6-2020	***31-12-2019***
	x €1,000	*x €1,000*
Purchased participating interests	1.595	-
Result from participating interests	-27	-
Exchange differences	-44	-
At end of year	1.524	-

Purchase of group companies in 2020

On 1 April 2020, Kempen Capital Management NV acquired all the shares of Kempen Capital Management (UK) Limited, an asset management firm in London. The acquisition involved an equity transaction leading to decisive control.

The acquisition price was €1.6 million.

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 2020. The premium reserve is freely distributable.

Other reserves

Movements in reserves can be broken down as follows:

	30-06-2020	***31-12-2019***
	x €1,000	*x €1,000*
At start of year	21.296	19.557
Profit distribution (undistributed profit previous year)	16.299	11.739
Dividend payments	-15.000	-10.000
Difference previous years	4	-
At end of year	**22.599**	**21.296**

Undistributed profit

	30-06-2020	***31-12-2019***
	x €1,000	*x €1,000*
At start of year	16.299	11.739
Dividend payment	-15.000	-10.000
Addition to Other reserves	-1.299	-1.739
Result for the financial year	9.189	16.299
At end of year	**9.189**	**16.299**

Amsterdam, 28 August 2020

The Management Board,

C.T.L. Korthout (as of 12 March 2020)

E.J.G. Jansen (as of 22 May 2020)

H.Th. Luttenberg (until 1 May 2020)

L.M.T. Boeren (until 12 March 2020)

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.

Kempen
Asset Management

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