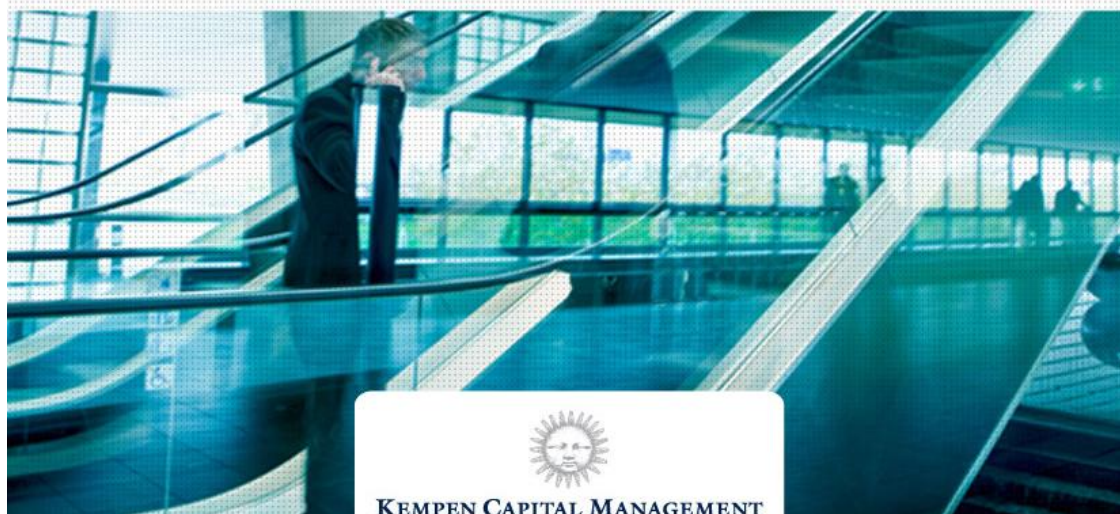


Part 2A of Form ADV: Firm Brochure

► Date of this brochure: March 30, 2012



1. COVER PAGE

Kempen Capital Management N.V.
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This Brochure provides information about the qualifications and business practices of Kempen Capital Management N.V.. If you have any questions about the contents of this brochure, please contact us either by telephone at 0031 – (0)20 348 8700 or by email at info@kempen.nl. The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission (“SEC”) or by any state securities authority.

Additional information about Kempen Capital Management N.V. is also available on the SEC’s website at www.adviserinfo.sec.gov.

Any reference to Kempen Capital Management N.V., a “registered investment advisor” or as being “registered”, does not imply a certain level of skill or training.

2. MATERIAL CHANGES

The purpose of this page is to inform you of any material changes since the previous version of this brochure.

Annual Update

The Material Changes section of this brochure will be updated annually when material changes occur since the previous release of the Firm Brochure.

The last annual update was March 31, 2011

Material Changes since the Last Annual Update

The U.S. Securities and Exchange Commission issued a final rule in July 2010 requiring advisers to provide a Firm Brochure in narrative “plain English” format.

The new final rule specifies mandatory sections and organization.

There have been no material changes since the previous annual update.

Full Brochure Available

Whenever you would like to receive a complete copy of our Firm Brochure, please contact us by telephone at: 0031 – (0)20 348 8800 or by email at: info@kempen.nl

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4. ADVISORY BUSINESS

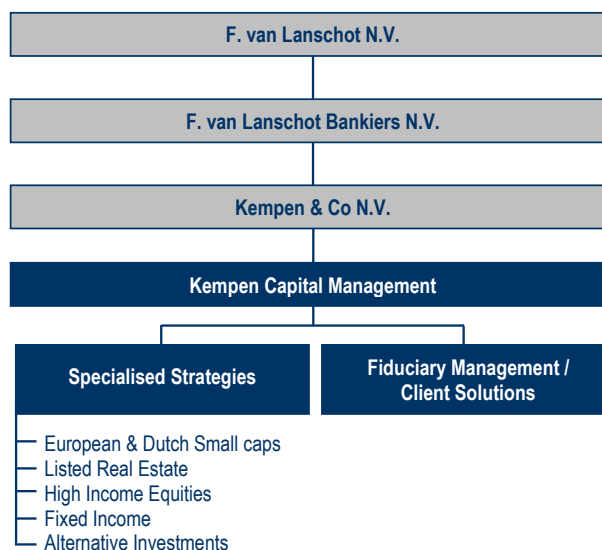
The Company

Kempen Capital Management N.V. ('KCM', or 'we') is an institutional asset manager based in the Netherlands. KCM was founded in 1991 and is a fully owned subsidiary of Kempen & Co N.V. ('Kempen'). KCM strongly believes in focus. Our vision is being a world class, specialized investment firm which exceeds the expectations of our clients. We passionately commit to build long term partnerships based on trust.

Kempen, the parent company of KCM and Kempen Capital Management (UK) Ltd., was founded in 1903 and is a merchant bank providing specialised financial services in asset management, corporate finance and securities brokerage.

Effective 2 January 2007, Kempen & Co ('Kempen') was acquired by F. van Lanschot Bankiers N.V. ('Van Lanschot'). Van Lanschot a holding of F. van Lanschot N.V., which is the oldest independent Dutch bank with a history dating back to 1737 and listed on the NYSE Euronext stock exchange in Amsterdam. Van Lanschot acquired Kempen to grow and further develop their asset management franchise. Post acquisition, KCM assumed responsibility for the institutional asset management activities of the group. Kempen operates independently and at 'arms length' from Van Lanschot having separate headquarters in Amsterdam.

Please find below a chart of the ownership structure of Kempen Capital Management (KCM).



Investment Services

KCM provides investment management services to institutional investors, such as pension funds, family offices and investment companies.

KCM offers several Investment Strategies as well as Fiduciary Management and Client Solutions.

- Investment Strategies are provided through a variety of vehicles, including but not limited to separately managed accounts and investment funds. The investment funds are not registered with the SEC.
The Strategies are:
 - Equities: we offer actively managed European Small Caps and Global and European high income strategies;
 - Listed Real estate: we offer a European active bottom-up strategy (diversified and concentrated portfolios) as well as Global and European fundamental indexation strategies;
 - Fixed income: we offer a European Investment Grade credits strategy as well as a European government bond strategy;
 - Alternatives Investments: we offer hedge fund of hedgefund strategies, an asset allocation overlay strategy and a long/short Fixed Income (Credits) strategy.
- Fiduciary Management/Client Solutions focuses on providing investment advice and discretionary portfolio management, tailored to a client's specific situation and needs on a strategic and tactical level. The investment advice on asset allocation and the selection of other investment advisers or mutual funds is provided on a discretionary and non-discretionary basis.

Wrap fee programs

KCM provides investment management services to the BMO Nesbitt Architect program, a Canadian wrap fee program of BMO Nesbitt Burns (the Sponsor). This is a Unified Management Account Program in which KCM provides to the Sponsor a model portfolio. The Sponsor executes transactions for its clients taking into account the individual clients needs. KCM does not render individual asset management services to the Sponsor's clients.

Assets under Management

As of December 31, 2011, KCM had \$ 29,735 million in assets under management, of which \$21,212 million was on a discretionary basis and \$ 8,523 million on a non-discretionary basis.
Please note that none of these assets are from US clients

5. FEES AND COMPENSATION

Description

The fees KCM receives for its investment services generally constitute of a percentage of assets under management, based on an annual rate. Depending on the choice of product or solution and client-specific requests, clients may also be charged a performance fee, where KCM is compensated by a portion of the performance of the accounts. Some of the Fiduciary Management clients are charged a fixed annual fee.

Investment Strategies:

- Separate accounts: fees are negotiated with clients and based on factors like the total amount of assets managed for a client, type and size of the account and the range of additional services provided to the client.
Fees generally range from .30% to 1.0% (excluding VAT) depending on the strategy involved, and may decline based on the factors above.
- Collective investment schemes and investment funds: the management and (for certain investment funds) performance fees that KCM receives are described in the prospectus, registration statements and/or financial filings of these investment funds.
Fees generally range from .20% to 1.6% depending on the strategy involved.

Fiduciary Management / Client Solutions:

- The portfolio management fees are negotiated with clients and vary dependent on the total amount of assets managed for a client, extent of investment advice, type and size of the portfolio and underlying products and the range of additional services provided to the client. Fees generally range from .1% to 2.0% of the assets under management, depending on the above mentioned factors but can also (partially) be fixed fees.

Other fees and expenses

Clients may pay other expenses in addition to the fees paid to KCM. For example, clients may pay costs such as brokerage commissions, transaction fees, custody fees, transfer taxes, wire transfer fees, administration fees, and other fees and taxes charged to securities transactions, which are unrelated to the fees collected by KCM.

Fee Billing

Clients are billed in arrears, generally quarterly and typically based on the weighted average of end-of-month values of the assets in the account in that quarter. Depending on the wishes of the client, fees incurred are deducted from clients' assets or are transferred by the client to KCM via a separate payment after billing.

The fees for the investment funds, such as management fees and operating fees are calculated and subtracted from the assets in the investment fund on each calculation of the Net Asset Value ('NAV') of the investment funds. NAV calculations can range from daily to once a month; details are disclosed in the fund's prospectus and/or financial filings.

Other Compensations

KCM selects other investment advisers and mutual funds for clients and may discretionary invest a clients assets with these managers. KCM may receive a fee from these advisers or mutual funds, based on the assets invested with them. This could give KCM an incentive to recommend investment products based on the compensation received, rather than on a client's needs. To avoid this conflict of interest, KCM refunds the received compensations to clients in full.

6. PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT

KCM views performance-based fees as a way of aligning interests of clients and KCM. We therefore may receive performance-based fees from clients, who can opt for this type of fee structure. Next to that, we receive performance-based fees from clients investing in certain investment funds KCM manages. Details on the use of performance fees are disclosed in a fund's prospectus and/or financial filings.

- The receipt of performance-based fees from some separately managed accounts and some of our investment funds can potentially create conflicts of interest. KCM can potentially receive higher fees from accounts with a performance-based compensation structure than from those accounts that pay an asset-based fee as described in Item 5. For example, KCM may have an incentive to allocate or sequence trades in favor of the performance fee account.

To manage these potential conflicts:

- All accounts within a strategy, investment funds as well as separately managed accounts, are managed to the strategy's model portfolio.
- All accounts are closely monitored by our Business Risk Officer for consistency with client objectives and restrictions.
- KCM has trade allocation policies and procedures designed to ensure that all clients are treated fairly and equally and to prevent this conflict from influencing the allocation of investment opportunities among clients.

7. TYPES OF CLIENTS

KCM provides investment management services to institutional investors such as pension funds, investment funds, insurance companies, corporations and to high net worth individuals.

KCM does not apply a minimum account size, although for Fiduciary Management services and separately managed accounts a certain minimum amount can be necessary to be able to best invest a clients assets. In the pooled investment vehicles, smaller amounts can be invested.

8. METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS

KCM's philosophy for all investment strategies centers around the assumption of inefficient markets. We believe that markets are inefficient and therefore our investment strategies use an active or fundamental indexation approach. All investment strategies have a team-orientated decision making process, where each of the investment professionals is involved in defining portfolio strategy and implementation. Each portfolio manager/analyst conducts his/her own research and writes reports on the basis of which they make portfolio decisions. Research reports are based on various sources of information used for the analysis: financial newspapers and magazines, research materials prepared by others, corporate rating services, annual reports, prospectuses and regulatory filings, company press releases and meetings with company management.

KCM offers discretionary investment services in several Investment Strategies:

1. Equities: we offer actively managed European Small Caps and Global and European High Income strategies;
2. Listed Real estate: we offer a European active bottom-up strategy (diversified and concentrated portfolios) as well as Global and European fundamental indexation strategies;
3. Fixed income: we offer a European Investment Grade credits strategy as well as a European government bond strategy;
4. Alternatives Investments: we offer hedge fund-of-fund strategies, an asset allocation overlay strategy and a long/short Fixed Income (Credits) strategy.

These strategies are offered through separately managed accounts as well as through investment funds managed by KCM. The investment funds are not registered with the SEC.

Ad 1). Equities:

European Small Cap strategy:

The European Small Cap strategy is an active equity strategy focused on European small cap universe, leading to a concentrated portfolio of 30-50 of the most attractive investments in Europe. The investment universe contains roughly 5,700 listed European small caps. In order to focus our efforts, we apply a market cap limit of between € 250 million and € 3.0 billion in addition to a liquidity limit which excludes those companies with average daily volume of below € 0.25 million. This results in a shortlist of around 900 companies.

We invest with a long-term time horizon (3-5 years). Investments are made in high quality companies (min. 60%) and special situation companies (max. 40%). High quality companies have a proven and sustainable competitive advantage that have high returns on invested capital and/or generate high cash flow yields. We define special situations as companies undergoing some form of material change. This change maybe characterized by a change in management, a restructuring, an acquisition or a disposal, or a significant balance sheet event.

We are bottom-up stock pickers with a focus on our own internal fundamental analysis to identify potential opportunities.

The investment process is a disciplined and consistent bottom-up driven process that consists of 4 stages, leading to a concentrated, high conviction portfolio:

- Definition of the investment universe (from 5700 to 900 stocks available for investment)
- Idea sourcing (from 900 to 500 stocks available for investment)
- Due diligence (from 500 to 70 stocks available for investment)
- Portfolio construction (from 70 to 30-50 portfolio holdings)

European and Global High Income Strategy

The Global & European High Income strategies are active strategies focusing on companies with attractive dividend yields and promising dividend growth. We focus on companies with high (free) cash flow generation and disciplined capital allocation. High dividend yield stocks capture both elements.

For our Global High Income strategy, we apply a minimum daily traded value of more than €5 million and a dividend yield of at least 3.3%. For the European High Income strategy, the minimum is an average daily traded value of more than EUR 4 million and a dividend yield of at least 2.5%.

The remaining companies are subject to in-depth qualitative and quantitative analyses where we focus on the long-term drivers of a company's cash generation and dividend to assess the value of a company. Fundamental analysis focuses on companies with an ability to consistently generate free cash flow and the commitment to distribute it to shareholders. The fundamental analysis has the following focus points:

- Assessing the company's competitive position
- Capital allocation analysis (dividends, balance sheet, capex, M&A, etc.)
- Financial modelling and valuation (using the HOLT system) to uncover attractiveness

Besides these valuation analyses we have clear buy and sell rules for our strategies. A minimum dividend yield protects us against strongly overvalued companies, and provides a clear sell threshold. The quarterly rebalance ensures we review every portfolio holding at least once a quarter. Finally, equally weighting all portfolio holdings reduces the absolute risk and avoids major blow-ups in the portfolio in case of unexpected events.

Ad 2). Listed Real Estate

For the Real Estate Strategies, we aim to identify listed real estate companies (REITs) with the best valuation-quality ratio.

A core element of our philosophy is that the valuation of the company is determined by a Net Asset Value (NAV) approach. The valuation is expressed as premium/discount of the share price versus the NAV. Especially for investments in real estate companies, the NAV approach is very useful, as it splits the companies in their different comparable components. The largest component, the real estate itself, is valued in an active direct market. This offers the opportunity to derive a relative precise estimate of the value of that component and thereby of the company.

The quality of the company is reflected by (1) the strength of the balance sheet, (2) the management and (3) corporate governance.

We make our investment decisions based on the valuation and the quality. In this process we focus on companies:

- trading at a relative big discount compared to their NAV;
- that qualify as quality companies with the potential of trading at a (larger) premium.

Basic data on the most well covered and efficiently priced shares are based on external research and fit in our models in a standard format. Furthermore we consider the average daily turnover (liquidity) of the company to determine the (over)weight.

Active managed Real Estate Strategy

KCM offers two actively managed pan-European listed real estate strategies:

- The Best Selection strategy invests in a limited number of high conviction, high quality listed real estate companies in Europe with a strong balance sheet, specialized in a specific sector or location and with a high return on the invested capital: typically 15-20 names. Companies are selected using a bottom-up approach.
- The Diversified strategy invests in a broader portfolio of around 35 holdings with the best valuation-quality ratio diversified over different sectors and markets. The benchmark is UCIT III compliant version of the GPR-250 Europe index whereby the UK weight is reduced to 20%. The objective of the strategy is to outperform its benchmark in combination with a low tracking error.

Passive managed Real Estate Strategy

For the Fundamental Indexation Real Estate strategies on both a Global and European level we have the objective to mirror the performance of the Fundamental Indexing benchmark. The composition of this index is based on 3 fundamental factors. These factors are each equally-weighted over a 5 year trailing period and consist of EBITDA, rental income and gross dividend.

The strategy aims to reflect the index's result and also to offer investors sufficient liquidity. The rebalancing of the index and portfolios is once a year based on five year trailing data.

Ad 3). Fixed Income

European Investment Grade Credits Strategy

The investment process for the Euro credit strategy is based on two factors. First a bottom-up selection starts with quantitative screening of the benchmark. This brings the universe down to approximately 250 issuers. Next, we analyze credits by name in the sector and credit quality. Subsequently, issuers and issues are selected using relative value analysis which leads to investment proposals. The bottom-up investment process is influenced by triggers, such as: credit events, our own Spread Model, signals from the equity markets, and internal / external research.

We combine our bottom-up investment approach with a monthly credit market and sector view. This is a reflection of our top-down market view, which gives our view on the attractiveness of the credit markets and sectors in general for the coming three months based on fundamentals, technicals, and valuations which leads to a score.

The monthly market and sector view is used as a 'sanity' check to match our bottom-up views with our top-down expectations of the direction of the credit markets.

Government Bonds Strategy

The Government Bonds Strategy is characterized as an active strategy combining a top-down strategic investment policy and bottom-up security selection.

We mainly invest in European government bonds, including a low-level of state-guaranteed (supranational) bonds, enhanced with an opportunistic approach of global bond markets for further diversification. We actively use interest, currency and credit management.

In our investment process the macroeconomic trends are the main guide for investment decisions. The main elements we look at are:

- Valuation: based on long term scenario analysis of bond markets
- Cycle: determined by leading economic indicators, inflation developments and monetary policy
- Market Technicals: momentum, supply of government bonds and analysis of money market expectations

In the process, we decide on a regular basis on duration, yield curve positioning, land allocation and, if allowed for an account, currency and credit allocation. The yield curve positioning and land allocation are mainly determined by the selection of bonds, amendments in the portfolio duration may primarily be implemented through limited use of interest rate derivatives. As a result, turnover in the portfolio is relatively low.

Ad 4). Alternative Investments

These strategies are offered through investment funds only.

Fund of Hedgefunds

We manage Fund of Hedgefund portfolios with high conviction that consist of 20-35 hedge funds combining larger blue chips with smaller, more specialized players. The funds are spread across long/short equity, long/short credit, global macro, distressed and arbitrage strategies. Before we make an investment in a hedge fund portfolio, it is subject to in-depth, highly qualitative due diligence, including on-site visits. Further, all risks are scrutinized with such tests as antecedent screening and self-designed quantitative models. This results in an extensive due diligence report, including topics such as risk management, service providers and background checks. New investments are discussed in our quarterly Investment Committee.

After the initial investment, due diligence does not stop; we discuss all hedge funds in portfolio in a disciplined manner during each Investment Committee based on a monitor template. We frequently contact our managers and tend to visit them twice a year in their offices

We only select funds that fit our philosophy (from a number of 1000 investable funds to a around 500) and invest in only the best (from those 500 we select between 15 - 35 funds)

This number is sufficient to realize sufficient diversity, and at the same time it enables us to pay significant attention to due diligence and to express conviction in our investments

Asset Allocation Overlay

This strategy offers a dynamic allocation policy (horizon from one to three years). We continually monitor the (relative) attractiveness of various investments. Investment decisions are based on short-term indicators on momentum, valuation of markets and the economic and business cycle. Our views on asset allocation are implemented by investing worldwide in index futures on investment categories as stock, bonds, currencies, commodities and real estate. With regard to less liquid markets, we can invest in mutual funds including Exchange Traded Funds ('ETFs') and index trackers or in total return swaps. The Investment Fund can also invest its cash balances in money market funds, deposits and bonds with a maximum maturity of 27 months. Investments may be made in all available sectors, and we can hold short positions and use derivatives as an integral part of the investment policy.

The investment policy is based on 4 elements:

- Valuation
 - o Fundamental analysis is used to determine the attractiveness of an asset class
 - o Benefit from fluctuating risk premiums by classifying markets as cheap, neutral or expensive
- Momentum
 - o Markets often exhibit tradable trends
 - o Timing of allocation towards an investment category
- Business cycle
 - o Information on expected relative returns of equities and bonds can be obtained from the phase of the economic cycle
 - o The ISM Index is used as one of the leading indicators to determine the phase of the cycle
- Risk allocation
 - o To avoid risk concentration we use equally-weighted risk allocation instead of capital allocation
 - o The use of risk is based on the strength of the signals

Long/Short Fixed Income Credits

The Long/Short Fixed Income Strategy aims for stable absolute returns irrespective of direction of the credit market. We therefore invest in liquid Euro-denominated credit instruments, including, but not limited to index products, asset-backed securities, mortgage loans and derivatives (such as Credit Default Swaps).

Our investments are based on bottom-up credit knowledge combined with an active, high turnover, and high-conviction investment approach. For this strategy we use three approaches:

- We invest in the credit market based on bottom-up value picks in credit instruments,
- We create short risk positions by buying protection via derivatives (such as Credit Default Swaps).
- We invest in pair trades (long and short positions), effectuated using derivatives.

Fiduciary Management and Client Solutions

KCM also offers Fiduciary Management/Client Solutions, focusing on providing investment advice and discretionary portfolio management, tailored to a client's specific situation and needs on a strategic and tactical level. Integral risk management is a key area of attention in our fiduciary offering. Based on a client's long term objectives, which could be to fulfill the pension fund's liabilities, an absolute return goal or a mix of equities and bonds, KCM will advise on a strategic and tactical asset allocation, leading to a detailed investment plan which includes (a.o.) investment guidelines and risk budget requirements. For fiduciary accounts, a portfolio is constructed within the agreed upon boundaries, generally using the best-in-class managers, selected for each sub-asset class.

External asset managers

Part of our Fiduciary Management services is to offer global access to effective index managers and/or specialized asset managers. For both, KCM conducts extensive due diligence, identifying suitable investment managers focused on long-term return generation. For passive managers, efficiency and effectiveness are vital in this process; where active managers are concerned, KCM selects experienced, independent and disciplined managers with clear strategies. Our specialists thoroughly examine these managers' skills and competences to reach higher-than-average yields – paying special attention to performance in times of economic instability.

Characteristics and Risks of Financial Instruments

All forms of investing involve risk. An investment may increase in value, but it may generate little or no return. If prices fall, some or all of the investment may be lost.

The following summary of the various risk factors is not exhaustive. It seeks simply to provide a general account of the nature of the most common risks inherent in investing in financial instruments.

Generally speaking, the higher the expected return, the higher the risk. Including several financial instruments in a portfolio may mitigate the risks, but may also amplify them.

Market risk

The value of investments can fluctuate, rising or falling in response to many factors such as expectations of economic growth, inflation and prices on the commodities and foreign-exchange markets. The value of investments can also be affected, for example, by political and monetary developments. Market risks can vary from one asset class to another, but are higher if the number of regions or sectors over which the investments are spread is lower and also depend on the choice of individual investments. It is also possible for the entire market or for a particular region or sector to fall.

Interest-rate risk

Movements in interest rates affect the return on most financial instruments. In the case of fixed-income securities, the interest rate is the most important factor. This risk is expressed in fluctuations in the value of fixed-income securities due to changes in interest rates and the shape of the interest-rate curve. As interest rates rise, the value of fixed-income securities will generally fall. A significant factor in movements in market interest rates is the changing expectation of future inflation.

Foreign-exchange risk

If investments are made in financial instruments in currencies other than the euro, the value of the investments can also be affected by movements in the exchange rates of the currencies in which they are denominated. Exchange rates can be extremely volatile. Movements in exchange rates can have both positive and negative effects on the value of investments.

Concentration risk

If the portfolio includes investments in financial instruments issued by several institutions that are active in the same sector, region or market, events affecting those instruments can have a greater impact on portfolio value than they would have on a less concentrated portfolio.

Risk of changes in tax legislation

Changes in tax and other legislation and case law, whether or not with retroactive effect, may result in reclaims being made by the relevant tax authorities. It is not possible, therefore, to predict with any certainty what the correct tax treatment will be at a given point in time.

Funding risk

If borrowed capital is used to fund investments and these investments fail to achieve the desired result, any loss will be greater than if the investment had not been financed with borrowing. Borrowing also incurs interest and other costs which may affect the return.

Reinvestment risk

This is the risk of not being able to reinvest dividend payments, interest payments, proceeds of sale or other income from investments at the same return as the original investments.

Liquidity risk

It may happen that investments cannot be sold when required and/or have to be sold on disadvantageous terms at times when there is insufficient liquidity in the market due to limited demand. With investments in collective investment schemes, liquidity risks can arise if the investment in the scheme cannot be traded on a daily basis or is subject to special conditions such as a lock-up period.

Counterparty risk

Failure by a counterparty in fulfilling its obligations to the Client may result in the Client incurring loss. This risk is mitigated by the KCM's careful selection of suitable counterparties.

If the Client has indicated that KCM may use derivative financial instruments, this may have a leverage effect that increases the volatility of the portfolio. Some derivative financial instruments, especially those traded over the counter, can be valued in different ways. If a counterparty is unable to fulfill its obligations, the net replacement value may be affected by the settlement mechanism for these over-the-counter instruments.

Operational risk

This refers to the risk of loss associated with inefficient or inadequate process configuration or process execution within a service provider's organization.

Securities lending risk

If the Client lends securities (via the Custodian), there is a risk of a counterparty being unable to meet its obligation to return the securities on time or to furnish the requested collateral and of the Client having to bear any loss.

Settlement risk

The Client is exposed to the risk of a settlement via a payment system not being executed as expected because of failure by a counterparty to pay for or deliver the financial instruments or to do so on time and in the expected manner. Failure to fulfil such obligations can result in the Client incurring loss.

Custody risk

The Client risks financial loss and the loss of financial instruments placed in custody due to insolvency of or negligence or fraud by the (sub-)Custodian of the financial instruments.

Inflation risk

Inflation (loss of purchasing power) can affect investment returns in real terms.

General description of financial instruments:

- Equities:
Equities are shares in the equity of a company. Together, the shareholders 'own' the company. If the company makes a profit, it can be distributed as dividend subject to certain conditions. The return on a share consists of the dividend received and the change in the share value over the relevant period. Most shares are listed and can be traded daily. In extreme situations, such as insolvency, the value of the share can fall to zero. Share prices can also fluctuate widely in response to both macroeconomic developments and developments within the business itself. The equities asset class consists of several types of share: as well as ordinary shares, it also includes preference shares, cumulative preference shares and convertible bonds. Equities generally offer the prospect of a higher return than fixed-income securities, but they also involve higher risk, which may result in the Client losing all or part of its investment.
- Fixed-income securities:
Fixed-income securities include loans with a fixed or variable interest component. The most important instruments in this asset class are bonds. With a bond, the investor makes a loan to an issuing institution, generally at an agreed annual interest rate. The issuing institution may be a government or other institution or a company. In almost all cases, bonds are redeemable by the issuing institution. Most bonds are given a credit rating by an independent rating agency which gives an indication of the creditworthiness of the issuing institution and the terms and conditions of the loan. As a general rule, investing in fixed-income securities exposes the investor to lower risk than investing in equities. The following instruments are classed as fixed-income securities:
 - *government bonds*: bonds issued by a government or semi government institution;
 - *corporate bonds* or *credits*: bonds issued by a company or financial institution;
 - *zerocoupon bonds*: bonds on which interest is not paid out, but is included in the redemption price;
 - *mortgage loans*: derivative instruments for which the principal is secured on underlying assets;
 - *perpetuals*: bonds which in principle are not redeemable;
 - *subordinated bonds*: bonds which will not be redeemed by the issuing institution until all creditors have been paid.
- Collective investment schemes:
Collective investment schemes are entities whose object is to invest and reinvest, in accordance with a particular investment strategy and predefined guidelines, the funds that have been invested in those entities. Collective investment schemes are managed by an asset manager. Investors can participate in the assets of a collective investment scheme by purchasing participation rights (shares or units). A collective investment scheme may be listed or unlisted. In the latter case, the scheme generally keeps a register of unitholders. The terms and conditions of participation and the guidelines within which the asset manager may invest the assets of the collective investment scheme are set out in a prospectus or information memorandum issued by the collective investment scheme. In the case of open-end collective investment schemes, the invested capital increases and decreases as investors enter and exit and the price at which units in these schemes are traded is equal or nearly equal to the net asset value. In the case of closed-end collective investment schemes, the invested capital does not increase and decrease as investors enter and exit and the price at which units are traded is dictated mainly by supply and demand.
- Hedge funds:
Hedge funds are a specific form of investment fund in which the fund manager seeks to generate the optimum return irrespective of the direction in which the stock market is moving. One difference between hedge funds and traditional investment funds is that hedge funds use a wider range of instruments and trading strategies. Depending on the hedge fund's strategy, the expected return can be high, but the risks can also be high and the Client may lose part of its investment.

- Derivatives:
Derivatives is the collective name given to derivative products such as options, futures, swaps and forwards. Derivatives can be used to decrease or increase the risks in a portfolio. Investing with derivatives involves substantial risk and the potential loss may be greater than the investor's stake. Derivatives typically also have limited lives.
- Leverage:
This refers to an investment position where the value of a derivative reacts more strongly to a change in the value of the underlying security than a direct investment in the underlying security. Due to leverage, a small change in the price of the underlying security can often translate into a substantial change in the value of the derivative. In some situations, the losses may even exceed the value of the investment.
- Structured products:
A structured product is a combination of several investment products and can therefore display characteristics of, for example, equities, bonds and options. The derivative in the product either provides leverage, with the prospect of a higher return, or affords some kind of guarantee or protection. The greater the chance of a high return, the higher the risk. If at least the principal is repaid on maturity, the product qualifies as a guaranteed product. Products where only part of the principal is guaranteed are qualified as protection products. The market value may be higher or lower than the nominal value of the structured product and is affected by various factors, including changes in the value of the underlying security, interest rate movements, volatility and liquidity (marketability).

9. DISCIPLINARY INFORMATION

Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to a clients' evaluation of a firm or the integrity of the firm's management in this item.

With respect to this, we report that in 2002, KCM in the public prosecution office admitted guilt in two cases of a security transaction involving insider trading. KCM was fined \$ 54.984, which was paid shortly after the settlement date (April 28th, 2003).

Since the incident, KCM has implemented a wide range of remedial measures aimed at preventing abuse of inside information and ensuring greater compliance with internal procedures. The employees involved are no longer employed by KCM.

10. OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS

Other Activities:

KCM is not registered as a broker-dealer and not registered with the Commodities and Futures Trading Commission.

Affiliates:

Broker-dealer

As noted in Item 4, KCM is a wholly owned subsidiary of Kempen & Co N.V. ('Kempen').

Kempen is registered as a broker-dealer. KCM may execute trades for clients with Kempen. For more information on the potential conflicts of interests, see item 12, Brokerage Practices. Kempen is also a universal bank under Netherlands law.

Custodian

Kempen acts as custodian for the investment funds managed by KCM, Kempen can also act as a custodian for clients of KCM. KCM and Kempen & Co's activities are operationally and physically separated. Clients of KCM are free to choose their custodian.

Investment funds

KCM manages several unregistered investment funds, investing in the same strategies as offered to clients on separately managed accounts. The investment funds and managed client accounts are treated equally, all trades are based on the same investment models, and trades within a strategy are aggregated where possible. (See also Item 12 on Brokerage Practices).

Investment advisers

Kempen & Co is also the parent company of Kempen Capital Management UK Ltd. ('KCM-UK'), a UK based investment adviser. KCM-UK acts as an investment adviser to KCM for the European Small and Midcap Equity strategy.

KCM and KCM-UK share certain officers or employees and business systems. These employees provide management, sales, relationship management services, legal, compliance, administrative or other support functions in connection with certain investment funds or client accounts of KCM. KCM deems these shared services as a more efficient use of internal resources and in the best interest of clients. KCM and KCM-UK are responsible for ensuring compliance with all applicable policies and procedures.

Manager selection

KCM selects other investment advisers and mutual funds for clients and may discretionary invest a clients assets with these managers. See also Item 5, Fees and Compensation, for details on the compensations received from the selected managers.

11. CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS AND PERSONAL TRADING

Code of Ethics and Personal Trading

Kempen & Co, the parent company of KCM, has adopted a Code of Conduct for all its employees, including those of KCM, describing our high standards of business conduct, fiduciary duty to our clients, guidelines for the acceptance of gifts, and rules surrounding personal securities trading by employees.

It is allowed for Kempen employees to invest in securities that also can be recommended to clients. The restrictions on personal dealing however include trading limitations and prohibitions on certain types of securities for personal accounts, a mandatory pre-clearance for all trades by the Compliance department, and a minimum holding period of one month.

All employees of Kempen & Co (and KCM) must accept in writing the terms of the Code of Conduct upon employment, or as amended.

A copy of the Code of Conduct is available on request.

Participation or Interest in Client Transactions

KCM may buy or sell securities or investment products for clients in which KCM or a related person has a financial interest.

- KCM may discretionary invest for clients in one or more of the investment funds managed by KCM. This would lead to duplicity of fees, which gives KCM an incentive to excessively invest clients' assets in its own investment funds. To mitigate this potential conflict of interest, KCM explicitly discloses this to clients, so they can opt to restrict investing their assets in KCM's own funds. Furthermore, in fee negotiations clients can ask for compensating clients for the duplicity of fees.
- Kempen is a broker-dealer, who can buy or sell securities or investment products for clients of KCM. (see also item 10 on our affiliates)
The broker-dealer department of Kempen is strictly separated from KCM. Kempen has a strict Chinese Walls policy in place, dividing business units and IT-systems, in order to prevent information from one business unit being available to the other.

12. BROKERAGE PRACTICES

Best Execution and broker selection

Obtaining the best execution is the primary consideration while executing trades in a client account with a particular broker.

KCM uses a list of eligible brokers for all trades, which is comprised of the results of a broker selection procedure. The list is reviewed at least once a year.

The main selection criteria for the broker selection and review are the order execution policy of the broker, price and liquidity offered, settlement quality, Program Trading capacity, market conformity of the (transaction) commission, Market knowledge, research, sales quality and access to analysts and companies.

Each trade is placed with the broker on the broker list that offers the best execution for that specific trade. To determine this, KCM considers the following criteria of particular importance: price, costs and speed and likelihood of execution. The importance of the above-mentioned criteria can differ per financial instrument.

- Kempen & Co, the parent company of KCM, is also a broker-dealer and may be included on the broker list of KCM. This could give KCM an incentive to execute trades with Kempen, even if other brokers on the broker list offer a better execution. To mitigate this potential conflict of interest, Kempen & Co is subject to the same broker selection and review procedure. Clients can direct KCM not to execute orders with Kempen & Co. (See also under Directed Brokerage).

Research and other soft dollar benefits

KCM does not have any commitments or understandings to trade with specific brokers or to generate a specified level of brokerage commission with a particular broker in order to receive brokerage or research services.

KCM may receive unsolicited proprietary research (research created or developed by the broker) from brokers that KCM executes trades with. This research is used for all client accounts, even though certain clients may not have paid direct commissions to the brokers who provided the research. This research could include a wide variety of reports, charts, publications or proprietary data on economic and political strategy, credit analysis, or stock and bond market conditions and projections.

In addition to unsolicited research, brokers may provide invitations to attend conferences and meetings with management representatives of issuers or with other analysts and specialists.

Next to that, KCM uses HOLT, a database system for company analysis for our High Income strategies, containing specific data that cannot be obtained elsewhere, which is directly used to assist the Portfolio Management team in their decision-making process. This system is supplied by a broker.

- Receipt of these brokerage or research services from brokers who execute client trades involves conflicts of interest. An adviser that uses client brokerage commissions to obtain research, products, or services receives a benefit because it does not have to produce or pay for the research, products, or services itself. Consequently, the adviser may have an incentive to select or recommend a broker based on its desire to receive research, products, or services rather than a desire to obtain the most favorable execution, which is in the clients' best interest.
- Brokers providing research services, even on an unsolicited basis, may charge commissions for executing portfolio transactions that are higher than the amount of commissions that other brokers would charge for effecting the same transactions.

KCM will execute portfolio transactions through these brokers only if it has determined that such brokers provide best execution based on the factors described above. To further mitigate the potential conflicts, trades are in general executed by a dedicated Trading desk, not by the portfolio managers that are receiving the brokerage and research services.

Directed brokerage and brokerage for client referrals

Clients may direct KCM to use or specifically not use a selected broker. The transactions for these clients are executed according to their instructions and therefore can be executed at higher costs and against less favorable prices than other brokers would offer at the same time.

KCM does not compensate brokers for client referrals.

Trade aggregation (block trades) and allocation

For all accounts investing in an investment strategy, the same investment policy is used. Multiple orders for these accounts for the purchase or sale of the same security on the same terms are aggregated for execution as a single order, so all clients are treated equally. Next to that, the aggregation of trades reduces transaction (and settlement) costs.

Each client, including KCM's own investment funds, that participates in an aggregated transaction receives the average share price of the transaction, with all associated costs shared (if possible) on a pro rata basis.

13. REVIEW OF ACCOUNTS

Client accounts are monitored by our Business Risk Officer daily for consistency with client objectives and restrictions.

KCM issues periodic, in general quarterly, written reports to its investment advisory clients. These reports generally contain a list of assets, investment results, all trades executed in the specified period, and statistical data related to the client's account and the investments made.

For fiduciary management services, the investment plan is reviewed with the client at least once a year.

14. CLIENT REFERRALS AND OTHER COMPENSATION

Other than the compensation described in item 5, KCM receives no economic benefits from anyone other than its clients.

KCM may enter into agreements with other financial institutions or investment advisers for the distribution of the investment funds managed by KCM. These third parties may receive a percentage of the management fee based on the amount they have invested in the investment fund for their clients. These distribution fees are paid by KCM, the clients are not charged an additional fee.

15. CUSTODY

KCM does not provide custody services to its clients. Client assets are held with banks or other financial institutions that qualify as custodians. Clients will receive statements directly from their custodians. We urge clients to carefully review those statements and compare the custodial records to the reports that we provide them. Although we reconcile our client administration with the statements from the client's custodians, the information in our reports may vary from custodial statements based on accounting procedures, reporting dates or valuation methodologies of certain securities.

Please note that Kempen & Co, of which KCM is a subsidiary, can also act as a custodian for clients of KCM. Clients are however free to choose their preferred custodian.

KCM and Kempen & Co's activities are operationally and physically separated.

16. INVESTMENT DISCRETION

KCM accepts investment discretion for client assets. All discretionary clients are required to execute an investment management agreement granting KCM the authority to act as a discretionary investment manager. KCM will accept reasonable limitations on its authority through client guideline restrictions, provided that the restrictions are essentially consistent with the investment process of KCM.

17. VOTING CLIENT SECURITIES

The execution of voting rights is an important part of a well-functioning corporate-governance system. KCM takes its fiduciary responsibility by voting at shareholder meetings for its own investment funds and at the client's request for discretionary accounts.

The overriding principle behind KCM's governance activity, including voting and taking into account Environmental, Social and Governance issues is the ultimate objective to protect shareholder value and enhance our clients' returns. When evaluating corporate governance and voting issues, the overriding principle is the fiduciary duty to our clients. For clients, KCM exercises voting rights according to the proxy voting agreement agreed upon with the client. Voting records are retained for all votes cast with accompanying explanations as appropriate.

Ultimately, each vote must reflect the specific situation at stake, and these vary broadly. Therefore, portfolio managers and analysts have discretion to vote proxies in the best interests of each client portfolio they manage.

18. FINANCIAL INFORMATION

In certain circumstances, registered investment advisers are required to provide clients with financial information or disclosures about the financial situation in this item. KCM has no financial commitment that impairs its ability to meet contractual and fiduciary commitments to clients and has never been the subject of a bankruptcy proceeding. KCM does not serve as a custodian and does not require or solicit prepayment of fees of more than \$1200 per client for 6 months or more in advance, and is therefore not required to provide financial information and disclosures about the financial situation.