



J. SAFRA SARASIN



Suisse Romande Property Fund (SRPF)

Semester Report as of 30.06.2019

Non-audited

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Information on specific economic or legal matters

On May 31, 2019, Valres Fund Management SA, in liquidation transferred the administration and management of the Valres Suisse Romande Fonds to JSS Real Estate Management SA (“JSSREM”), a fund management company within the meaning of the Federal Act on Collective Schemes (CISA) with head in Geneva.

JSS Real Estate Management SA obtained FINMA’s approval with effective date on May 31, 2019 and announced the change of the fund to “Suisse Romande Property Fund” (SRPF). Information prior to May 31 has been taken over and published on JSSREM website (www.jssrem.ch). Deloitte SA will become the Auditor of the fund.

Introduction

SRPF is an investment fund under Swiss law falling under the category of “real estate funds” under the Federal Act on Collective Investment Schemes of 23 June 2006 (CISA). The fund contract has been drawn up by JSS Real Estate Management SA in its capacity as fund management company, with the approval of Bank J. Safra Sarasin AG, Basel, in its capacity as custodian bank. The fund has been approved by the Swiss Financial Market Supervisory Authority (FINMA) on October 15, 2014. On 11 December 2017, the fund has been listed on the SIX Swiss Exchange and forms a constituent of the SXI Swiss Real Estate Funds Broad Index.

The real estate investment fund is based on a collective investment scheme (the fund contract) under which the fund management company undertakes to have the investors participate in the real estate investment fund on a pro rata basis in relation to the units they have acquired, autonomously and in their own name. The custodian bank is a party to the fund contract, in accordance with the tasks entrusted to it by law and by the fund contract.

Investor eligibility is not restricted. The SRPF is listed on the SIX Swiss Exchange.

The real estate investment fund is not divided into unit classes. SRPF’s objective is to preserve the capital on the longer term and to ensure the distribution of an appropriate income.

The fund management company shall invest the assets of the investment fund in real estate assets in Switzerland and shall ensure that at least 80% of the fund’s assets are invested in French-speaking Switzerland.

The SRPF invests mainly in residential buildings and properties used for commercial purposes, as well as other permitted assets pursuant to the fund contract.

Organisation

Fund Management Company	JSS Real Estate Management SA Rue de la Corratèrie 4 1204 Geneva		
Custodian bank	Bank J. Safra Sarasin SA, Basel		
Auditor	Deloitte SA, Geneva		
Board of Directors	Oliver Cartade	<i>Chairman</i>	
	Jean-Pierre Jacquemoud	<i>Board member</i>	
	Oren-Olivier Puder	<i>Board member</i>	
Executive Committee	Johny Rodrigues	<i>CEO</i>	
	Clément Marchenoir	<i>CFO</i>	
	Giovanna Bray	<i>Real Estate Director</i>	
Permanent Experts	Yves Cachemaille	<i>Lausanne</i>	
	Martin-Paul Broennimann	<i>Geneva</i>	
	François Thorens	<i>Neuchâtel</i>	
	Victorine van Zanten	<i>Fribourg</i>	
	Léon Ly	<i>Wüest Partner SA in Zürich and Geneva</i>	
	Hervé Froidevaux	<i>Wüest Partner SA, in Zürich and Geneva</i>	
Property Managers	Naef Immobilier SA, Geneva / Neuchâtel	Rosset SA et Régie Rosset & Cie, Fribourg / Geneva	Gerama SA, Fribourg
	Moser Vernet & Cie SA, Geneva (Terminated on 21.05.2019)	Bernard Nicod SA, Vaud	Burnier & Cie SA, Vaud
	M3 Real Estate, Geneva	Régie Marmillod SA, Vaud (Terminated on 30.09.2019)	Société Privée de Gérance SA, Geneva
	RS Servim Sàrl, Vaud (Terminated on 31.03.2019)	Fidimmobil Agence Immobilière & Commerciale SA, Neuchâtel	

Management report as of 30 June 2019

Results

The fund ended the first half of the period with a realised income of CHF 4'819'387 and a total income of CHF 10'990'847.

Rents increased to CHF 8'520'478 (vs CHF 6'977'172 as of 30.06.2018) and expenses amounted to CHF 7'014'115 (vs CHF 4'055'719). The market value of the property portfolio rose from CHF 351'578'524 as of June 30, 2018 to CHF 460'758'000 as of June 30, 2019. The debt ratio climbed to 31.28% (vs. 17.82% a year earlier).

The net asset value (NAV) rose to CHF 114.28 as of June 30, 2019 from CHF 111.49 as of 30 June 2018 and CHF 109.34 in 2017, and has consistently increased since the launching of the fund.

Retrospective on the first six months

During this first quarter, the fund was able to finalize the construction of Bosquets 14/16 in Vevey (VD) with a total of six apartments, one commercial space and three workshops. The delivery of housing (18 apartments) in Satigny (GE) was carried out at the end of March 2019 and the commercial area, including COOP which occupies more than half of the space, as well as a dentist clinic and a drugstore, was delivered at the beginning of July 2019.

Regarding the ongoing projects, the construction in Vernier (GE) is on schedule and the first tranche of the delivery should take place by the end of 2019.

Development, elevation and renovation works are also being planned to rehabilitate certain real estate assets with an expected completion over the next 24 months.

Acquisitions and sales

The fund made one acquisition and five sales during this first half of 2019. Details of these transactions can be found on page 9 of this report.

The acquisition concerns an administrative and commercial center located in Geneva and more specifically in the commune of Vernier. A long-term lease has been signed with Migros for the commercial area and the remaining space is occupied by different tenants including a medical center, an optician, Denner, etc. For the office area, the spaces are occupied by renowned tenants such as Microsoft and Sanofi-Aventis.

For the properties sold, an analysis of different asset profiles was evaluated and some properties that were felt to have limited upside in terms of rental growth and capital appreciation were put up for sale. In the end, three residential buildings representing CHF 22.7 million and two mixed buildings worth CHF 13.8 million were sold. These sales enabled the fund to generate a capital gain of CHF 2'122'875.

Strategy / prospects for the future

With the fund taken over by JSS Real Estate Management on May 31, 2019, the new management will pursue a strategy of profitable growth and income to create value for the investors of the Suisse Romande Property Fund. The team will continue to refine and enhance the investment strategy in order to optimize and develop the existing portfolio.

Statement of net assets

CHF	30.06.2019	30.06.2018
Assets		
Cash holdings, balances on postal and bank accounts at sight	3'876'952.77	10'874'796.47
Properties		
Development land, properties under construction	78'340'000.00	41'606'454.00
Residential properties	131'976'000.00	139'822'070.00
Commercial properties	200'701'000.00	112'990'000.00
Mixed-use properties	49'741'000.00	57'160'000.00
Total properties	460'758'000.00	351'578'524.00
Other assets	6'829'478.77	17'065'736.12
Total assets	471'464'431.54	379'519'056.59
Liabilities		
Short-term liabilities		
Short-term interest-bearing mortgages and other mortgage-backed liabilities	96'668'000.00	16'711'500.00
Other short-term liabilities	10'079'139.77	1'841'537.60
Long-term liabilities		
Long-term interest-bearing mortgages and other mortgage-backed liabilities	47'446'456.50	45'935'307.00
Other long-term liabilities	82'478.74	5'309'929.45
Total liabilities	154'276'075.01	69'798'274.05
Fund's net assets before estimated liquidation taxes	317'188'356.53	309'720'782.54
Estimated liquidation taxes	- 10'473'514.24	- 10'500'000.00
Net assets of the fund	306'714'842.29	299'220'782.54
Change in the net assets		
Fund's net assets at beginning of the period	302'326'123.98	303'292'218.24
Distribution	- 6'602'128.32	- 4'830'825.60
Interim distribution	—	—
Balance from sales and purchases of units	—	—
Total result for the period	10'990'846.63	759'389.90
Fund's net assets at end of the period	306'714'842.29	299'220'782.54
Change in the number of units (redeemed and issued)		
Statement at beginning of the period	2'683'792.00	2'683'792.00
Units issued	—	—
Units redeemed	—	—
Number of units in circulation	2'683'792.00	2'683'792.00
Net asset value per unit	114.28	111.49
Additional information (annex 3 Art. 95 CISO-FINMA)		
Value of properties depreciation account	—	—
Value of reserves account for future repairs	—	—
Balance on account of earnings retained for reinvestment	—	—
Number of units due to be redeemed at end of next period	—	—

Income Statement

CHF	30.06.2019	30.06.2018
Income		
Revenue from postal and bank accounts	24'978.83	7.70
Rental income (gross income generated)	8'520'478.05	6'977'171.50
Interim interest capitalised	1'140'238.95	534'977.50
Other income	24'931.65	245'201.20
Current income paid in by new subscribers	—	—
Total income	9'710'627.48	7'757'357.90
Expenses		
Mortgage interest and interest on mortgage-backed liabilities	750'634.43	480'494.36
Other interest due	137'025.95	5'414.87
Maintenance and repairs	713'667.48	475'963.87
Management of properties		
Property-related costs	1'287'183.03	858'878.73
Management expenses	562'622.03	459'558.40
Valuation and auditing expenses	101'010.33	58'150.53
Direct taxes	2'140'060.02	924'744.07
Banking fees	23'546.62	17'522.69
Cost of publishing, printing, other	16'014.01	26'201.00
Remuneration as per fund regulations for the fund management company	1'007'494.64	563'505.35
Remuneration as per fund regulations for the custodian bank	89'952.35	95'011.00
Other expenses	184'904.50	90'274.40
Total expenses	7'014'115.39	4'055'719.27
Net result	2'696'512.09	3'701'638.63
Realised capital gains and losses	2'122'875.12	—
Realised gain	4'819'387.21	3'701'638.63
Unrealised capital gains and losses, including liquidation taxes (variation)	6'171'459.42	– 2'942'248.73
Total result	10'990'846.63	759'389.90
Appropriation of the net result		
Realised gain	4'819'387.21	3'701'638.63
Capital gain carried forward from the previous period	—	—
Ordinary income carried forward from the previous period	22'934.93	584'060.64
Net result available for distribution	4'842'322.14	4'285'699.27
Capital distribution	—	—
Income distribution	—	—
Retained earnings	4'842'322.14	4'285'699.27

Mortgages and mortgage-backed liabilities

Detail of the mortgages and mortgage-backed liabilities

Type	CHF	Rate	From	Maturity
Short-term debt				
FRA	5'500'000.00	0.70 %	07.05.2019	11.07.2019
FRA	1'000'000.00	0.65 %	26.11.2018	08.07.2019
FRA	20'000'000.00	0.70 %	08.04.2019	08.01.2020
Libor 1 month	59'675'000.00	0.70 %	28.03.2019	28.07.2019
Fixed	3'000'000.00	1.07 %	30.09.2016	30.09.2019
Fixed	2'000'000.00	1.35 %	30.09.2014	30.09.2019
Fixed	1'100'000.00	1.95 %	06.03.2013	06.03.2020
Fixed	2'193'000.00	2.15 %	31.01.2014	06.03.2020
Fixed	2'200'000.00	1.15 %	01.03.2017	30.06.2020
Total short-term debt	96'668'000.00	0.78 %		Weighted average rate < 1 year
Long-term debt				
Fixed	400'000.00	1.41 %	07.10.2014	07.10.2020
Fixed	649'056.50	1.05 %	21.11.2016	21.11.2020
Fixed	7'550'000.00	1.25 %	16.12.2017	16.12.2020
Fixed	885'000.00	3.00 %	27.12.2010	27.12.2020
Fixed	1'425'000.00	1.00 %	02.10.2016	02.10.2021
Fixed	4'410'000.00	0.94 %	30.11.2016	31.12.2021
FRA	4'750'000.00	1.15 %	21.07.2017	21.07.2022
FRA	3'477'400.00	0.92 %	27.09.2018	27.09.2020
Fixed	5'558'000.00	0.88 %	14.09.2018	14.09.2023
Fixed	1'985'000.00	0.88 %	14.09.2018	14.09.2023
Fixed	6'050'000.00	2.13 %	15.07.2014	15.07.2023
Total long-term debt from 1 to 5 years	37'139'456.50	1.27 %		Weighted average rate 1 to 5 years
Fixed	2'556'000.00	2.39 %	25.02.2014	25.02.2024
Fixed	1'000'000.00	1.90 %	07.10.2014	07.10.2024
Fixed	1'430'000.00	2.27 %	30.11.2015	30.11.2024
Fixed	1'080'000.00	2.27 %	30.11.2015	30.11.2024
Fixed	475'000.00	1.80 %	13.03.2015	13.03.2025
Fixed	1'883'000.00	1.32 %	29.06.2018	08.10.2025
Fixed	1'883'000.00	1.34 %	29.06.2018	08.10.2025
Total long-term debt 5 years and longer	10'307'000.00	1.90 %		Weighted average rate > 5 years
Total long-term debt	47'446'456.50			
Total	144'114'456.50	0.99 %		Weighted average rate

Compensation rates

Information on rates applied in accordance with the fund contract	Maximum rate per year as per sales prospectus	Applied rate
Payments to the Fund management company		
Management fee	1.00 %	0.65 %
Issuing commission	5.00 %	0.00 %
Compensation for activities involving the purchase or the sale of properties	3.00 %	3.00 %
Fee for activities when carrying out feasibility studies and acting on behalf of the Project owner	3.00 %	3.00 %
Fee for activities when carrying out the project development and monitoring	fee usually applied by the architects (SIA)	max. 5.00 %
Compensation for the management of properties	6.00 %	6.00 %
Commission for the distribution of income (on the amount paid)	0.50 %	0.50 %
Payments to the Custodian bank		
Fee for the administration, the handling of payment transactions, the supervision of the fund management company	0.06 %	0.06 %

Transparency of the management fees

The fund management company may pay to distributors, from the management fee, commissions as reimbursements in respect of distribution activities, for the sale and the intermediation of fund's units (Fund Contract § 20).

The fund management company does not grant rebates within the meaning of SFAMA's transparency guidelines dated 12 June 2014.

List of purchases and sales of properties during the period

Purchases

Canton	Commune	Address	Type	Date of purchase	Purchase price CHF
GE	Vernier	Route de Montfleury 1-3 / Route de Peney 2	Commercial	29.03.2019	88'500'000.00
Total purchases					88'500'000.00

Sales

Canton	Commune	Address	Type	Date of sale	Sale price CHF
GE	Geneva	Boulevard des Tranchées 4	Mixed	21.05.2019	11'660'000.00
GE	Onex	Rue du Vieux-Moulin 5	Residential	21.05.2019	16'590'000.00
FR	Granges-Paccot	Route de Chamblieux 37	Residential	24.06.2019	3'900'000.00
VD	Le Sentier	Rue des Bruyères 1	Mixed	24.06.2019	2'100'000.00
VD	Payerne	Rue du Chaumont 3-5	Residential	24.06.2019	2'200'000.00
Total sales					36'450'000.00

List of contractual payment obligations for property purchase, construction orders and investments in property as of 30.06.2019:

- Satigny: CHF 525'700.–
- Vernier: CHF 16'000'000.–

Inventory of properties

Canton	Commune	Address	Type	Cost	Market value	Rental income
GE	Aïre	Route Aïre 162-164-166 ¹	Residential	3'551'193.70	3'897'000.00	90'913.00
GE	Chêne-Bougeries	Rue de Chêne-Bougeries 17	Mixed	2'545'319.30	2'640'000.00	63'090.00
GE	Chêne-Bougeries	Rue de Chêne-Bougeries 19/ Chemin de la Fontaine 3-5	Mixed	5'070'573.49	5'200'000.00	117'343.00
GE	Chêne-Bougeries	Chemin du Pont-de-Ville 18	Commercial	381'278.70	410'000.00	—
GE	Geneva	Place du Bourg-de-Four 33	Mixed	2'750'966.00	3'331'000.00	59'602.00
GE	Geneva	Boulevard des Philosophes 7 ¹	Mixed	9'508'643.11	13'300'000.00	263'158.00
GE	Geneva	Rue Rothschild 21 ¹	Residential	5'963'303.47	6'472'000.00	129'668.00
GE	Geneva	Avenue Théodore-Weber 9 ¹	Residential	9'777'440.52	11'850'000.00	252'282.20
GE	Geneva	Rue de Lyon 71 ¹	Residential	12'347'269.56	15'050'000.00	312'024.00
GE	La Plaine/Dardagny	Route de Challex 4-6	Residential	11'520'104.91	12'370'000.00	289'382.00
GE	Meyrin	Route du Mandement 17	Residential	8'103'293.31	8'303'000.00	199'962.00
GE	Meyrin	Rue des Lattes 41	Residential	3'577'959.00	3'454'000.00	87'272.00
GE	Satigny	Route du Mandement 191 ²	Under construction	35'433'364.58	31'020'000.00	131'625.00
GE	Versoix	Avenue Théodore Vernes 12-14 ¹	Residential	9'260'885.25	10'250'000.00	234'121.00
GE	Geneva	Avenue Pictet-de-Rochemont 29 ¹	Residential	9'436'757.90	11'430'000.00	210'336.50
GE	Vernier	Route de Peney 20 / Ch. Mouille-Galand 3 ²	Under construction	19'387'675.85	23'580'000.00	—
GE	Vernier	Route de Peney ²	Under construction	16'077'119.35	23'740'000.00	—
GE	Vernier	Route de Montfleury 1-3 / Route de Peney 2 ¹	Commercial	93'702'506.63	95'850'000.00	1'050'185.25
VD	Clarens	Rue du Lac 54	Mixed	4'838'780.65	5'780'000.00	116'177.60
VD	Lausanne	Place Grand-Saint-Jean 2	Commercial	11'474'760.80	12'580'000.00	292'742.00
VD	Lausanne	Place du Tunnel 13-14 ¹	Mixed	5'964'894.10	6'520'000.00	170'205.00
VD	Lausanne	Chemin de Renens 55/57 - Av. Morges 92 ¹	Mixed	3'680'333.00	4'090'000.00	88'878.00
VD	Lonay	Chemin des Mouettes 1 ⁴	Commercial Floor property	4'086'947.00	4'120'000.00	135'630.55
VD	Montreux	Chemin du Réchon 7 ¹	Residential	2'068'350.82	1'660'000.00	37'695.00
VD	Nyon	Chemin de la Redoute 14-22	Residential	29'907'348.20	28'350'000.00	644'477.50
VD	Prangins	Route de l'Aérodrome 73-75	Commercial	3'283'306.00	3'690'000.00	86'100.00
VD	Renens	Avenue de Préfaully 28-30	Commercial	7'475'526.12	6'956'000.00	206'670.00
VD	Vevey	Rue des Bosquets 14-15 ³	Mixed	3'540'515.64	3'450'000.00	10'975.00

Canton	Commune	Address	Type	Cost	Market value	Rental income
FR	Bulle	Rue de Gruyères 56	Mixed	2'741'356.34	2'810'000.00	55'635.00
FR	Bulle	Rue des Agges/ Rte des Granges ¹	Mixed	2'633'381.80	2'620'000.00	76'582.00
FR	Fribourg	Rue de Romont 3	Commercial	3'817'919.87	3'496'000.00	117'600.00
FR	Fribourg	Route des Arsenaux 9 - Rue du Simplon 13	Commercial	24'836'490.00	21'160'000.00	537'858.00
FR	Fribourg	Rue du Varis 20	Residential	2'447'826.35	2'520'000.00	54'516.00
FR	Fribourg	Rue Saint-Pierre 6	Commercial	27'576'421.70	27'470'000.00	636'753.65
FR	Granges-Paccot	Route de Chantemerle 3	Commercial	3'689'459.00	3'790'000.00	97'560.00
NE	Colombier	Chemin des Uttins 2	Residential	3'682'217.30	4'054'425.54	81'942.00
NE	Colombier	Chemin des Uttins 6-8	Residential	6'307'333.00	6'445'574.46	138'711.00
NE	Neuchâtel	Rue de Maillefer 11b / 11c	Commercial Floor property	5'298'481.15	5'770'000.00	229'112.00
JU	Delémont	Rue des Moulins 28	Commercial	14'760'440.05	15'409'000.00	351'702.60
JU	Porrentruy	Rue des Tilleuls 31-33	Residential	5'931'131.05	5'870'000.00	140'580.00
Total				438'438'874.57	460'758'000.00	7'799'066.85

¹ Indirect holding

² Land under construction

³ Completed on June 30, 2019

⁴ Indirect holding, except plot 8 which is directly held

Recap

Type	Cost	Market value	Rental income
Development land and constructions	70'898'159.78	78'340'000.00	—
Residential properties	123'882'414.34	131'976'000.00	2'903'882.20
Residential properties with a distinct and permanent right (DDP)	—	—	—
Commercial properties in condominium ownership	9'385'428.15	9'890'000.00	364'742.55
Mixed-use properties	43'274'763.43	49'741'000.00	1'021'645.60
Commercial properties	190'998'108.87	190'811'000.00	3'377'171.50
Total	438'438'874.57	460'758'000.00	7'667'441.85

In accordance with Article 84 paragraph 2 CISO-FINMA, the investment fund's properties are classified in the valuation category of investments whose value cannot be based on market-observed parameters and are valued using appropriate valuation models, taking account of the current market circumstances.

Indices calculated according to SFAMA guidelines

	30.06.2019	30.06.2018
Rent default rate	8.10 %	5.83 %
Borrowing ratio	31.28 %	17.82 %
Operating profit margin (EBIT margin)	67.46 %	74.71 %
Operating expense ratio (TER REF GAV) ¹	0.80 %	0.77 %
Operating expense ratio (TER REF MV) ¹	1.16 %	0.93 %
Return on Equity (ROE) ¹	4.71 %	4.41 %
Return on Invested Capital (ROIC) ¹	3.44 %	2.32 %
Distribution yield	2.12 %	2.81 %
Payout ratio	109.29 %	95.51 %
Agio/Disagio	-2.87 %	12.65 %
Return on investment	4.82 %	5.04 %

¹ Annualised figures

Fund's performance

	30.06.2019	30.06.2018
Suisse Romande Property Fund	-2.19 %	-2.21 %
SXI Real Estate Funds® TR®	12.96 %	-2.61 %

Reference to past performance and results is not necessarily a reliable indicator of current or future performance and results.

Performance and return data do not take account of the commissions and fees incurred on the issue and redemption of units and are calculated considering that gross dividend has been reinvested immediately in the investment fund.

Valuation principles and basis for the calculation of the net asset value

Valuation principles and basis for the calculation of the net asset value

In accordance with applicable provisions of the legislation and with the guidelines of the Swiss Funds & Asset Management Association (SFAMA) on real estate investment funds dated 2 April 2008 (as per 13.09.2016), the fund properties (including development land and properties under construction) were valued by independent valuation experts using the "Discounted Cash Flow" (DCF) method. This valuation was based on the potential of return for each property and consists in projected future income and expense on a given period. The net cash flows, calculated in this way, are discounted and the sum of these amounts and the residual value of the property make it possible to obtain the market value. This is the fair market value of the property at the time of valuation.

Each expert appreciates the evolution of the properties independently, models the DCF calculation according to parameters that are specific to it and determines the discount rate. The properties are valued at their market value. This value is the amount that could be obtained when a property is sold under normal market conditions. On a case by case basis, especially when buying and selling properties, potential opportunities are exploited at best in the interest of the Investment fund. It can therefore result in differences from evaluations.

The net asset value of the Investment fund is calculated annually and at each issue of units. The net asset value of a unit is determined by the market value of the fund's assets, minus all the investment fund's liabilities, divided by the number of units in circulation. The statement of net assets and the statement of income are established in accordance with Article 95 CISO-FINMA as well as with applicable self-regulatory rules.

Wüest Partner SA

Wüest Partner uses the two-period Discounted Cash Flow (DCF) model, where cash flows are estimated explicitly over a time horizon of ten years and as perpetual annuities for the second phase (infinite time horizon) in the form of an 'output value'. The output value, or theoretical sale value, is obtained based on a capitalisation of the perpetual annuity (also called "terminal value" or "residual value"). The market value is calculated by discounting, at the date of valuation, the net cash flows for the periods 1 to 10 and the output value. Furthermore, cash flows projections are presented in real terms, which has the advantage of offering better readability of the forecasts. As revenue is concerned, the rental status of each building is analysed in detail at the level of individual objects, taking into account the current situation and potential rents in the market (leases and rents). The lease review permits the type and terms of the leases to also be taken into account and to specify the existence or not of incidental or development costs to be borne by the tenant and/or the lessor, free rents, etc. In addition, a structural vacancy rate according to different assignments is admitted. As far as costs are concerned, these are based on the exploitation rate for previous years. This data is complemented by Wüest Partner benchmarks and with the assessment of the state of each building. In particular, renovation needs, or restoration costs are estimated based on a split of the building's replacement value according to the different elements of construction and their life expectancy. The determination of the applicable discount rate reflects an estimate of the risk inherent to the building concerned. To set this value, Wüest Partner takes into account both the specific characteristics of the building as well as factors related to the location and the market. The market-adapted discount rate is adjusted according to risk, thanks to regular follow-up of the return required by investors during transactions. It is defined based on the free-risk rate (long-term Confederation bond), of premiums for real estate general risk (liquidity risk premium, market risk) and for specific risks related to the building itself (micro - situation, form of ownership, quality of the object, etc.). The weighted average net discount rate for the period under review is 3.43% and the discount rates used to value the properties vary from 3.00% to 4.00%.

Mr. Martin-Paul Broennimann's method

This valuation was based on the potential of return for each property and consists in projected future income and expense on a 10-year period. The net income determined according to this method is reduced by provisions for future work estimated applying the formula of Ross. In the formula of Ross, the amount of future work is the cumulative depreciation of a property, established according to the economic age, and is determined according to a kind of "calculation of the speed of falling. The initial speed of depreciation of a property increases gradually over its useful life. Thereafter, the net cash flows are discounted and the sum of these amounts and the residual value of the property make it possible to obtain the market value. The abovementioned provisions for future work being calculated on the basis of the economic age of the property, these are generally higher than the provisions established according to other dynamic methods valuing performance. As abovementioned specifics are taken into account when determining the discount rate, net discount rates determined using the method described above are generally lower than those established according to other dynamic methods valuing performance. The weighted average net discount rate for the year under review is 3.45% and the discount rates used to value the properties vary from 3.24% to 3.67%.

Mr. Yves Cachemaille's method

The method used is a 100-year DCF.

The discount rate used is the weighted average cost of capital (WACC). It is built on a standardized distribution basis of own funds and foreign funds according to the type of object.

In terms of foreign funds, two rates are taken into consideration: one pertaining to the first 10-year period (during which the cost of foreign funds is known) and the other to the balance of years, which presents a greater uncertainty.

For the first 10-year period, the allowable rate of return for foreign funds is the average cost of loans that can be currently averaged at 10 years. The rate used for foreign funds for the subsequent period is the average of the foreign exchange rates of the last 20 years.

The rental status is broken down by type of use (housing / commercial / parking) and represents the last rental state coming from the building's accounts; the applied growth rates take into account the current level of rents and their potential relative to the local market.

Building expenses are the average of the current maintenance items as shown in the building accounts for the last 3 years. They are corrected according to usual ratios if the averages deviate significantly.

The obsolescence is taken into account according to the different parts of the structure and according to their last period of renovation and according to differentiated cycles.

The weighted average net discount rate for the year under review is 3.65% and the rates applied for the individual valuations of the properties fall within a range of 3.19% to 4.26%.

Mr. Francois Thorens' method

The return properties were valued using the Discounted Cash Flow (DCF) method applied over 10 to 30 years, period over which the works can be better spread. The main element is therefore the rental statement that must be appreciated in its present and future reality. Distinction is made between commercial properties and residential properties (legal provisions applying to apartments). Another distinction is made in terms of charges proportional to rents (administrative expenses, vacancy and rental risk) and those that are not (current expenses and maintenance work). The life of a building being limited, it is necessary to make provisions that take into account the state of obsolescence, technical or legal obsolescence (changes in legislation). Cash flows realized throughout the calculation period are discounted and a simulation is made on the sale of the property at the selected date by capitalizing the net return. As far as rates are concerned, the first step is a split between own funds and foreign funds with a 50/50 ratio, so as not to create a risk for debt. The base rate of reference is bond yield (risk free), taking an average over the past five or six years. Additional points are added to take into account the nature of the object, non-liquidity, even the economic situation or the location. For foreign funds, reference is made to their costs over a reference period of at least 10 years. The weighted average net discount rate for the year under review is 3.04% and the rates applied for individual property valuations fall within a range of 2.48% to 4.05%.

Ms. Victorine van Zanten

The period of the mathematical model is 10 years with an exit value in 11th year. The discount rate is composed of the weighted average cost of capital which may vary according to market conditions but not below 2% for foreign capital (borrowed) in order to avoid a short-term speculative approach. The rate is supplemented by a return of 5.5% on equity, which is included in the weighting, due to market requirements and even if this rate of return does not respect the tenancy law. The discount rate is further corrected by a risk rate related to the local real estate context. The actual rental statement serves as the starting point for the estimate. The growth potential is aligned with the rents already practiced in the building. It is then assumed that 100% of the potential is reached in 10 years, and a linear average increase is introduced in the DCF model annually. Operating and maintenance expenses are taken into account according to the statements sent to the owner provided that such statements cover a 12 month period. Otherwise, operating and maintenance costs per m2 are estimated: at least 45.– fr./m2/year, the maximum loads to be defined per building according to its maintenance. Reported or estimated renovation work for the next 10 years compensates for the obsolescence. The weighted average net discount rate for the year under review is 3.95% and the rates applied for individual property valuations fall within a range of 3.70% to 4.05%.

Further information

List of tenants representing more 5% of the rental income

No tenant has a rental income equal to or greater than 5% of the total rental income.

Information on derivatives

The investment fund does not include derivative financial instruments.

Consolidation of the real estate companies

The following companies are globally integrated in the investment fund's accounts (accounts closing on 31 December):

List of properties held by Capital Real Estate SA

- Property Rue des Philosophes 7, Geneva (GE)
- Property Rue du Réchon 7 in Montreux (VD)
- Property Rue Rothschild 21, Geneva (GE)
- Property Avenue Théodore-Weber 9, Geneva (GE)
- Property Rue de Lyon 71, Geneva (GE)
- Property Avenue de Morges 92/Chemin de Renens 55/57, Lausanne (VD)
- Property Place du Tunnel 13–14, Lausanne (VD)
- Property Chemin des Mouettes 1, Lonay (VD)
- Property Route des Granges/Rue des Agges, Bulle (FR)
- Property Route d'Aire 162–164–166, Aire (GE)
- Property Avenue Théodore vernes 12–14, Versoix (GE)
- Property Avenue Pictet-de-Rochemont 29, Geneva (GE)

List of properties held by Arcenter SA

- Property Route de Montfleury 1-3 / Route de Peney 2, Vernier (GE) *

** Acquired in March 2019*

JSS Real Estate Management SA

Rue de la Corraterie 4

1204 Geneva

T +41 58 317 57 80

F +41 58 317 57 99

jssrem@jsafrasarasin.com

www.jssrem.ch

Member
COPTIS