



Swiss Finance & Property Funds Ltd

SF Commercial Properties Fund Annual Report 2023

21 March 2024



Key Events in 2023



Adjustment of portfolio



Stable letting situation



Higher net income

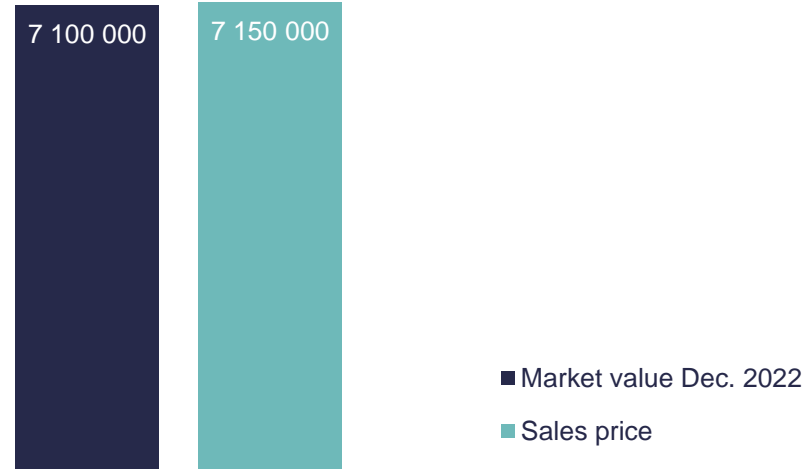


Same distribution

Portfolio



Transaction



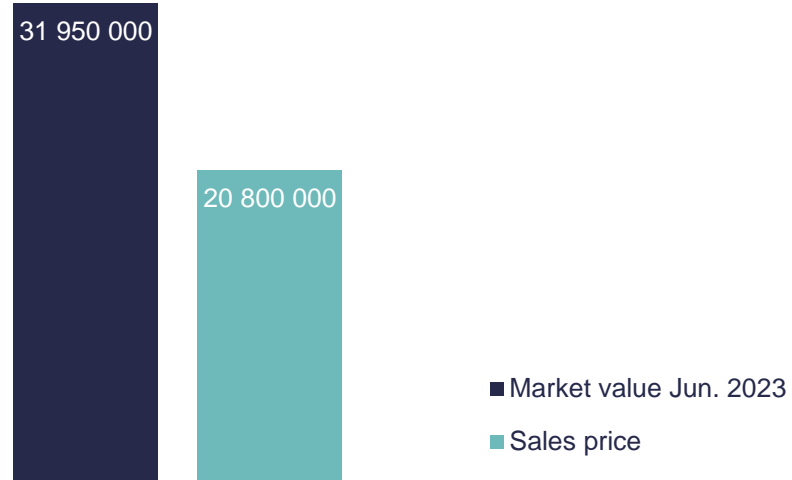
Sale of property in Weinfelden in January 2023

- +** Avoidance of comprehensive, non-value-enhancing refurbishment expenses (approx. CHF 2.0 million by 2025)
- +** Elimination of negative change to letting situation (tenant of commercial hall would like to move out immediately)
- +** Reduction of letting risk (relatively short term for contract with principal tenant of 2.5 years)
- Negative impact on portfolio's vacancy rate of 0.3 percentage points (property was almost fully let)

Transaction

Sale of property in Weinfelden in view of future, non-value-enhancing investments and possible negative changes to letting situation

Transaction



Sale of property in Dietikon in December 2023

- | | |
|--|--|
| + Saving of considerable resources for marketing and readying empty spaces | + Reduction of borrowing ratio for acquisition or development |
| + Avoidance of huge investments in the building and technology | + Substantial reduction in portfolio's vacancy rate |
| + Elimination of disproportionate burden of income on total portfolio, strengthening of portfolio's earning power | - Sale under market value, loss to market value as at June 2023 of CHF 11.2 million |

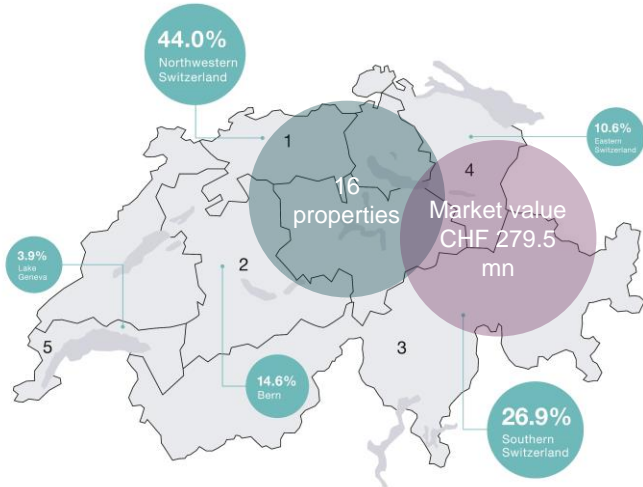
Transaction

Sale of property in Dietikon in order to eliminate disproportional expenses and to sustainably strengthen the portfolio's earning power

Portfolio Overview

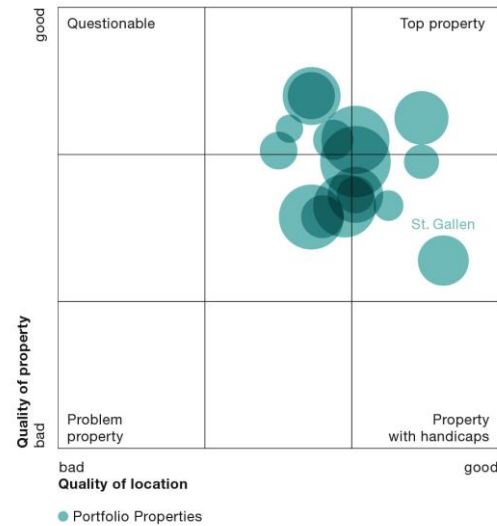
as at 31 December 2023

Market regions



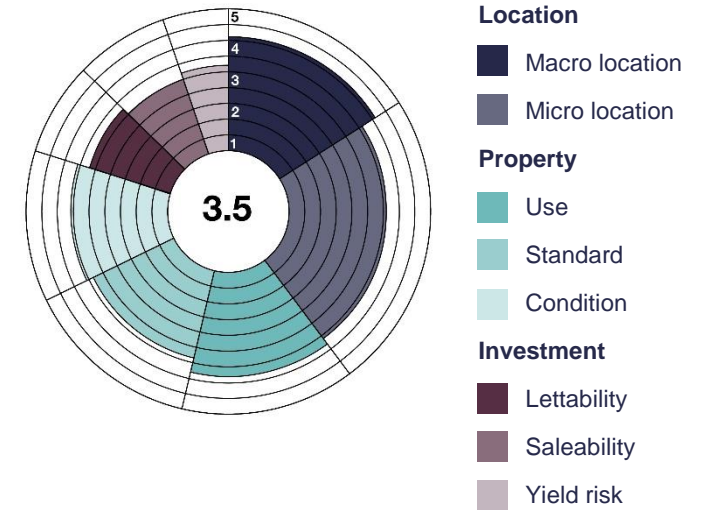
- Mix of all market regions at locations with excellent transport connections along the main traffic routes in Switzerland in accordance with the strategy

Quality of property and location



- The quality of the property in St. Gallen will improve thanks to contractually defined investments
- All properties are located in areas that have a good quality assessment

Quality profile



- Above-average quality profile with regard to quality of location, property and investment

Valuation Wüest Partner as at 31 December 2023

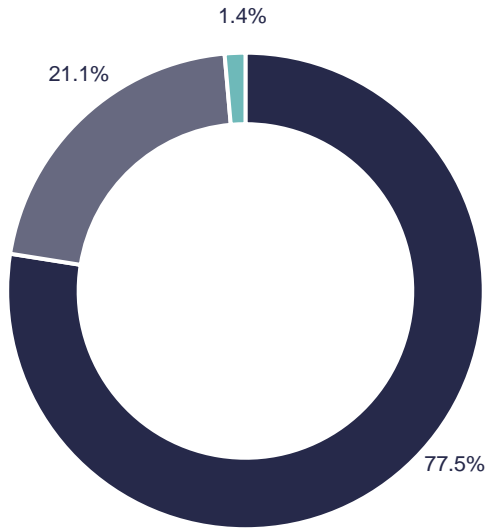
Good quality of properties and locations

The balanced mix of regions and the good quality of properties and locations are further optimised by investments and the sale of the properties in Weinfelden and Dietikon

Portfolio Overview

as at 31 December 2023

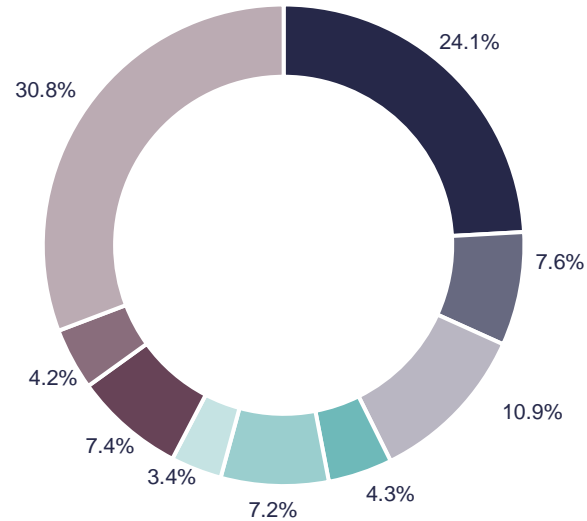
Types of usage



- Logistics, warehouses and industrial use
- Office
- Special use

– Commercial usage types predominate

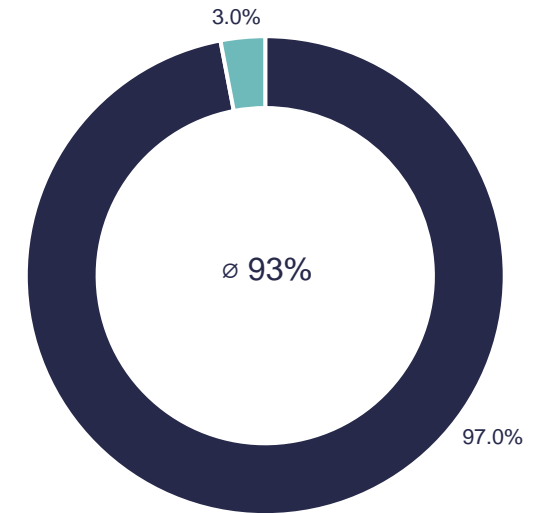
Sectors



- Logistics
- Electrical / watches
- Materials
- Wholesale trade, non-food
- Machines
- Public administration
- Construction trade
- Sport/leisure activities

– Balanced mix of sectors

Indexation



- indexed
- non-indexed

– Indexation weighted by rental income for all rental contracts equals 93%

Potential

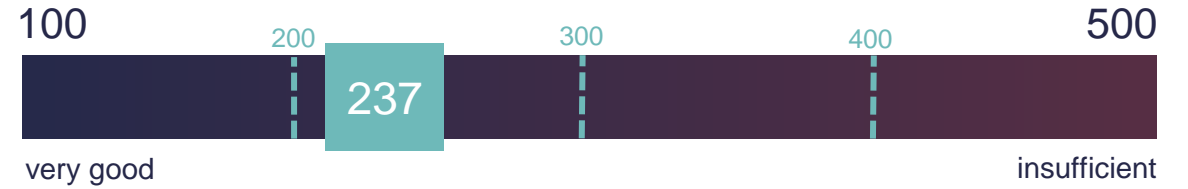
Together with the high indexation rate for the rental income, the strategy-compliant balanced mix of usage types and sectors offer potential for good stability

Tenant Structure

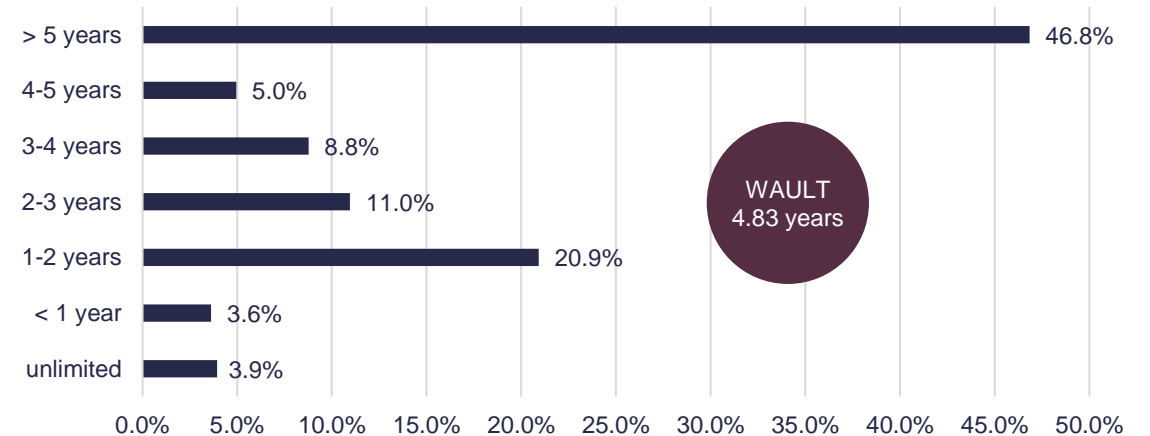
| | Term | Tenant |
|------------------|------|-------------------------------|
| Aarau | 2034 | Cargo Service Center Aarau AG |
| Aclens | 2029 | Charles Hasler AG |
| Buchs | 2031 | Jordan Suisse AG |
| Buchs | 2026 | Schulverlag Plus AG |
| Buchs | 2026 | Canton of Aargau |
| Castione | 2033 | Suncolor SA |
| Castione | 2034 | Gesitronic SA |
| Collina d'Oro | 2030 | Ilapak International SA |
| Lamone | 2025 | Datamars SA |
| Lamone | 2027 | SRG SSR @RSI |
| Langenthal | 2030 | Otto's AG |
| Lyss | 2030 | Planzer Transport AG |
| Meisterschwanden | 2035 | Estech Industries AG |
| Möhlin | 2028 | Swiss Fashion Time GmbH |
| Spreitenbach | 2027 | Steffen AG |
| St. Gallen | 2031 | Belcolor Flooring AG |

No important contracts will expire in 2024

Creditworthiness of 10 largest tenants



Terms for all rental contracts

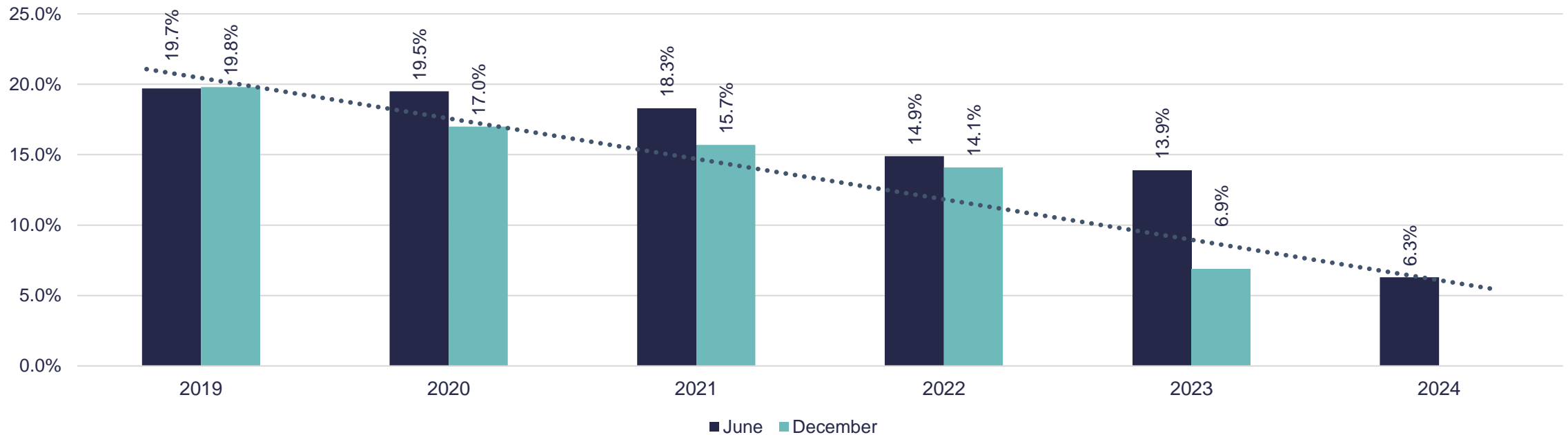


Stable tenant structure

The 30 largest tenants accounting for around three-quarters of total rental income include well-known companies. The WAULT of around five years, the good creditworthiness of the tenants and the weighted indexation of around 90% guarantee a high level of stability

Changes in Vacancy Rates 2019-2023

Changes in vacancy rates as at reporting date



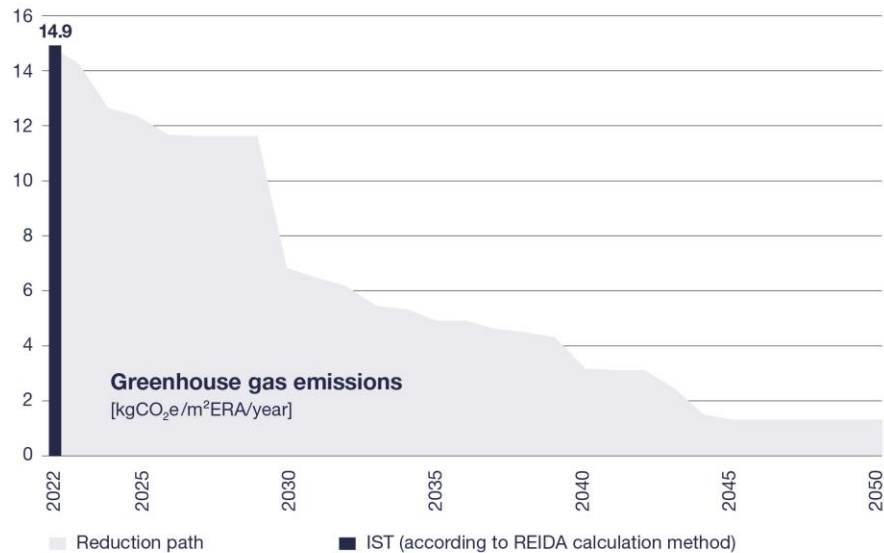
Vacancy reduction

In spite of the negative effect on the vacancy rate of the sale of Weinfelden, a number of successful lettings made it possible to reduce the vacancy rate. The sale of the property in Dietikon reduced the portfolio's vacancy rate to 6.9%

Sustainability

CO₂ Reduction Pathway, GRESB Rating and Certification

Greenhouse gas emissions: 14.9 kgCO₂-equiv./m²ERA/year
 higher than the Swiss average for commercially used properties of
 13.1 kgCO₂-equiv./m²ERA/year¹⁾

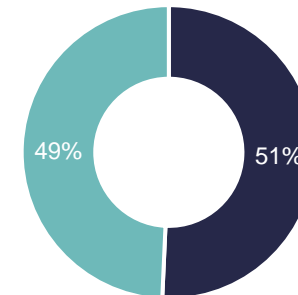


GRESB rating



- SF Commercial Properties Fund
- GRESB Average
- Peer Average

GIB certifications



- certified
- non-certified

- Silver GIB (building in use) for all tested properties
- Coverage of more than 50% of rentable floor space

¹ Source: REIDA CO₂e-Report, Methodische Grundlagen 2023

Sustainability

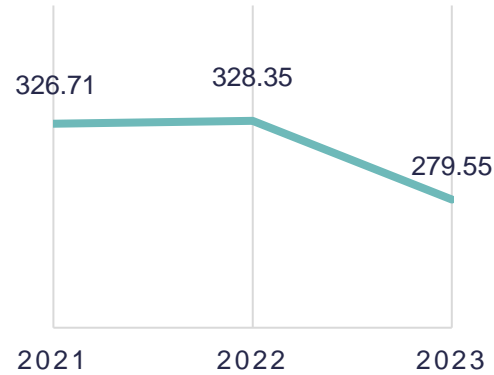
Greenhouse gas intensity is slightly higher than the Swiss average for commercial properties. The fund received four out of five stars for the GRESB (Global Real Estate Sustainability Benchmark) report. Silver was granted to all tested properties



Financials

Balance Sheet Key Figures

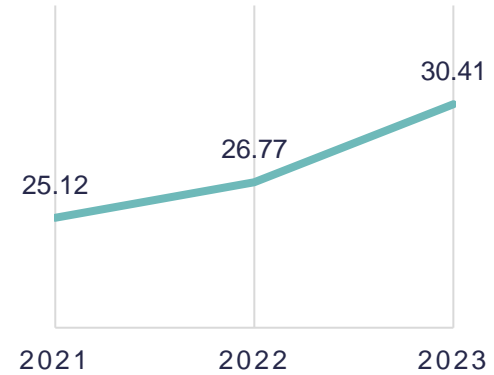
as at 31 December 2021, 2022 and 2023



Market value

CHF 279.55 mn

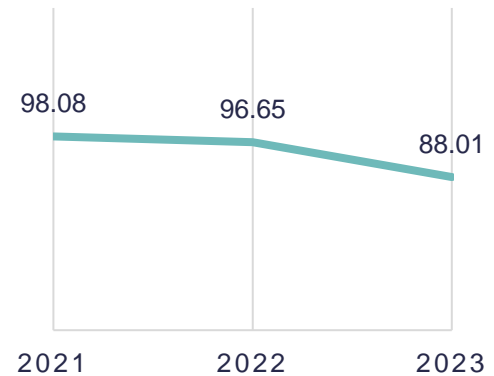
CHF 328.35 mn / - 14.86%



Borrowing ratio

30.41%

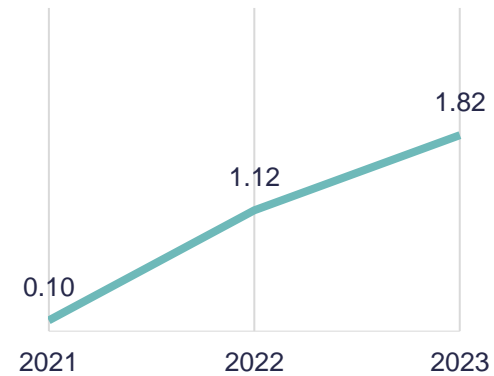
26.77% / + 13.60%



NAV per unit

CHF 88.01

CHF 96.65 / - 8.94%



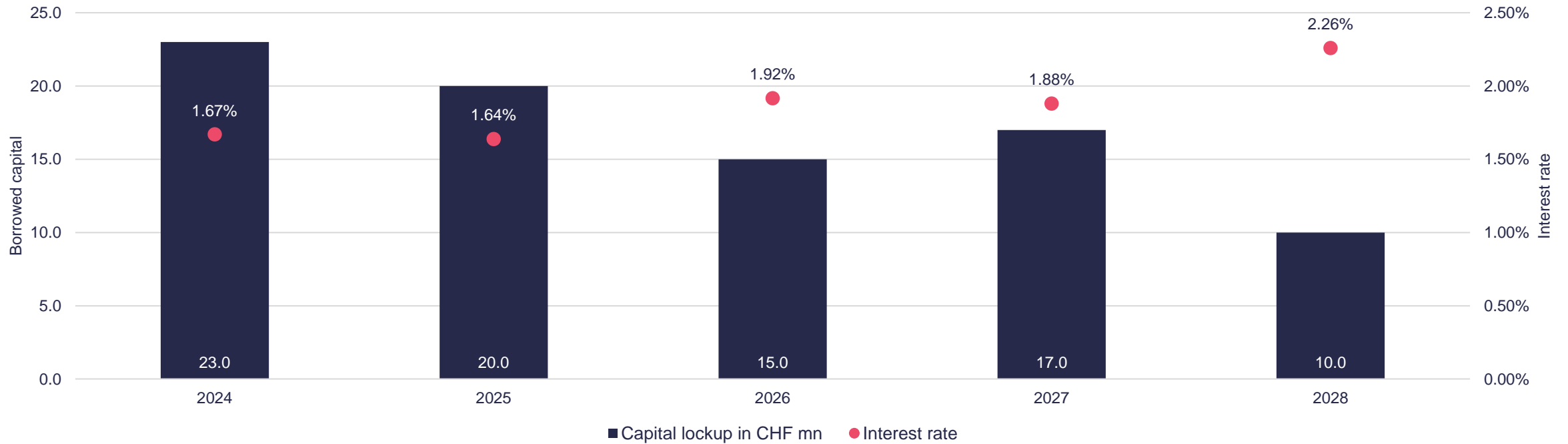
Borrowing rate

1.82%

1.12% / + 62.50%

Financing

as at 31 December 2023



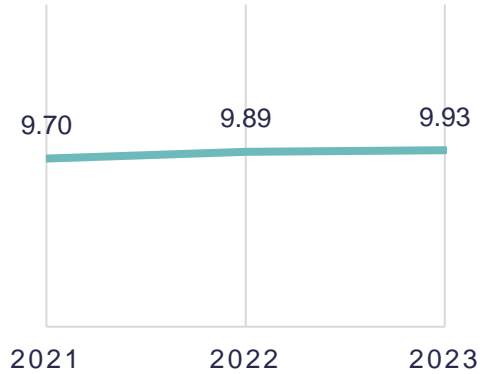
Average interest rate for financing
1.82%

Remaining term to maturity
1.5 - 2.5 years

Average remaining term for financing
2.08 years

Income Statement Key Figures

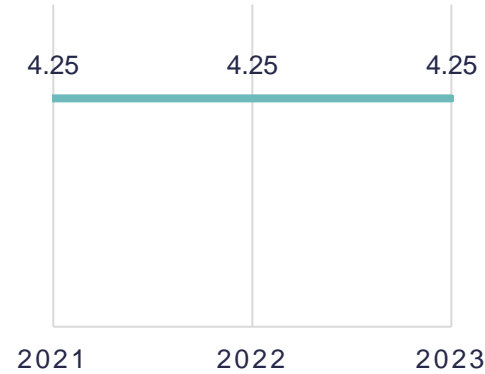
as at 31 December 2021, 2022 and 2023



Net income

CHF 9.93 mn

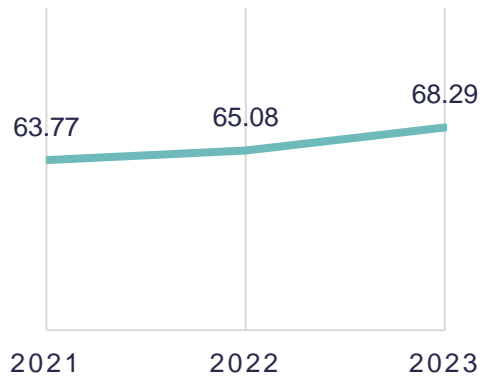
CHF 9.89 mn / + 0.38%



Distribution

CHF 4.25 per unit

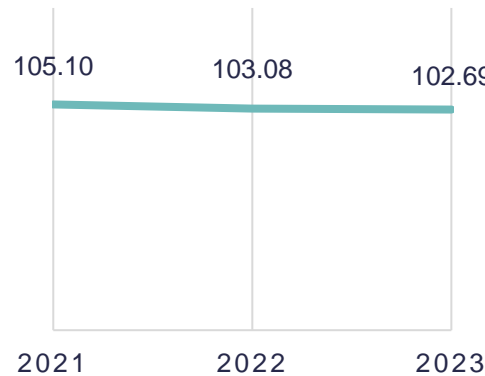
CHF 4.25 / 0.00%



EBIT margin

68.29%

65.08% / + 4.93%



Distribution payout ratio

102.69%

103.08% / - 0.38%

Outlook



Investment in Property in St. Gallen

Before



Commercial property at excellent location,
bought in 2021

Let to general tenant until 2031

Calculation includes investments of
CHF 3.14 million for
technology and envelope:

fire prevention measures, façade,
windows, elevator, floors, heating,
sanitary installations, roof, photovoltaic
system

Implementation 2021 - 2026

After



Partial refurbishment of façade, windows, roof
completed, photovoltaic system installed

Connection to district heating in preparation

Development Project in Möhlin

Current



Existing old building with high potential

Maximum utilisation has not been achieved

Review of development project and negotiations with tenant interested in renting the whole building

Interim rental of whole building

Search for alternatives

Target investment yield 6.0%

Target



Logistics building with long-term tenant for the whole building

Potential for using the current building as office space

Site Development in Aarau

Current



Commercial property, let to single tenant until 2034

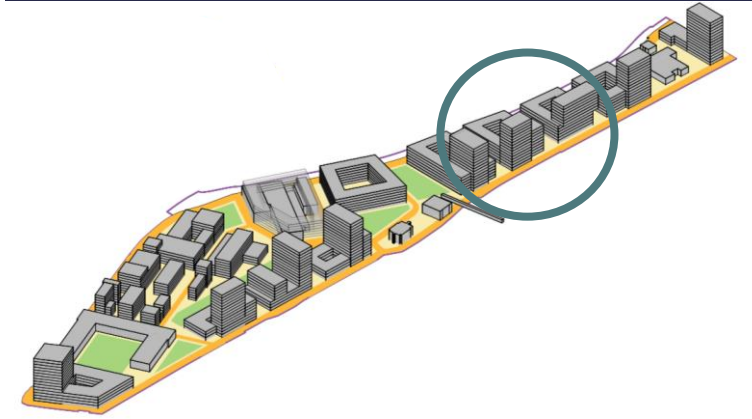
Utilisation 1.25
Max. 5 full storeys
Max. 21 m building height

Site development with City of Aarau, owners and planners

Total area of around 120 000 m²
Costs of around CHF 1.8 million
Costs to be borne by city 50%, owners 50%

| | 2024 | 2025 | 2026 | 2027 |
|-----------------------------|------|------|-----------|------|
| Planning agreement | ■ | | | |
| Preparation of basics | ■ | | | |
| Test planning | | ■ ■ | | |
| Development guidelines | | | ■ | |
| Immediate measures | | | ■ ■ ■ ■ | |
| Planning for special usage | | | ■ ■ ■ ■ | |
| Land use change/development | | | ■ ■ ■ ■ | |
| Guideline project | | | ■ ■ ■ ■ ■ | |
| Realisation | | | | ■ |

Target



Substantially higher utilisation and flexibility of use, residential use 0-100%

Utilisation 4.2 / 2.0
Max. 15 / 8 full storeys
Max. 55 m building height

Strategy

Usage focus

Real estate portfolio of commercial properties, focusing on logistics, warehouses, commercial, industrial and manufacturing spaces.

Market volume

Increase of fund volume to minimise risk and ensure tradeability.

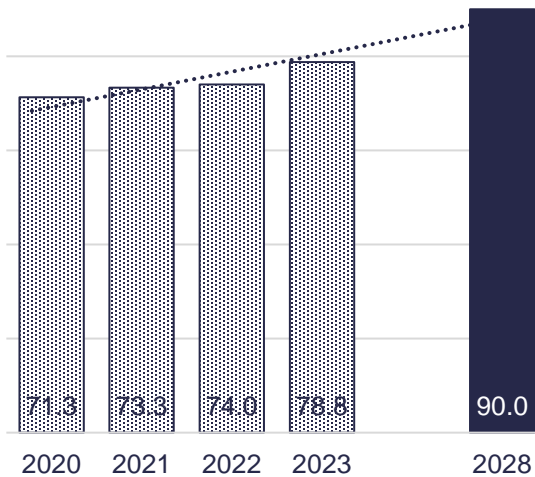
Potential

Realisation of potential through development projects and reduction of free spaces.

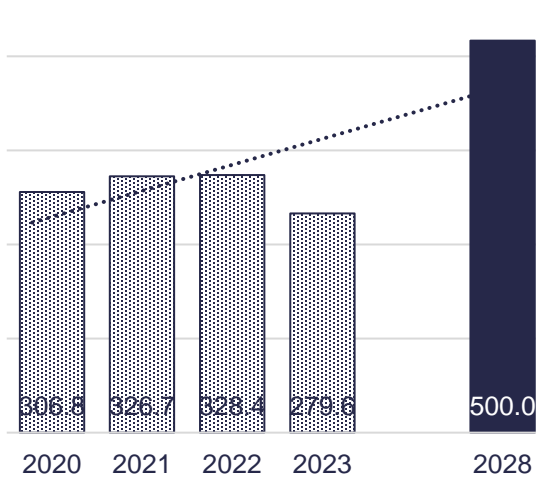
Earning power

Improvement of earning power through permanent cost management.

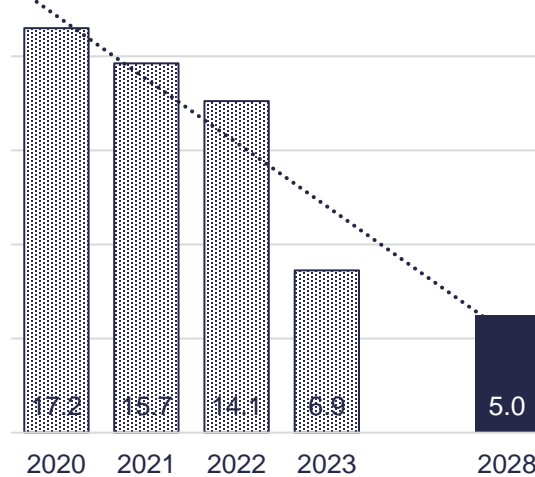
Share of logistics / commercial space (%)



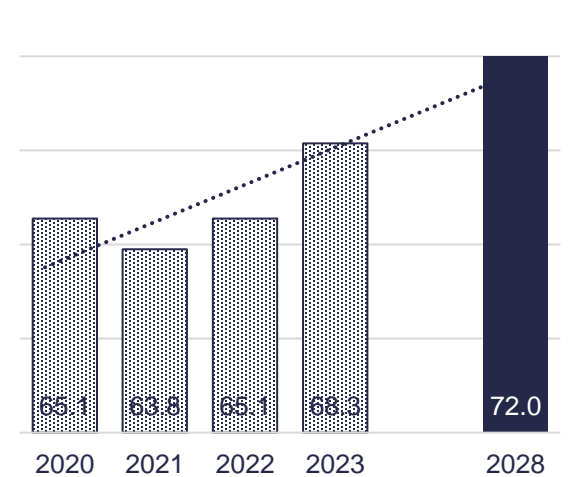
Market value (CHF mn)



Vacancy rate (%)

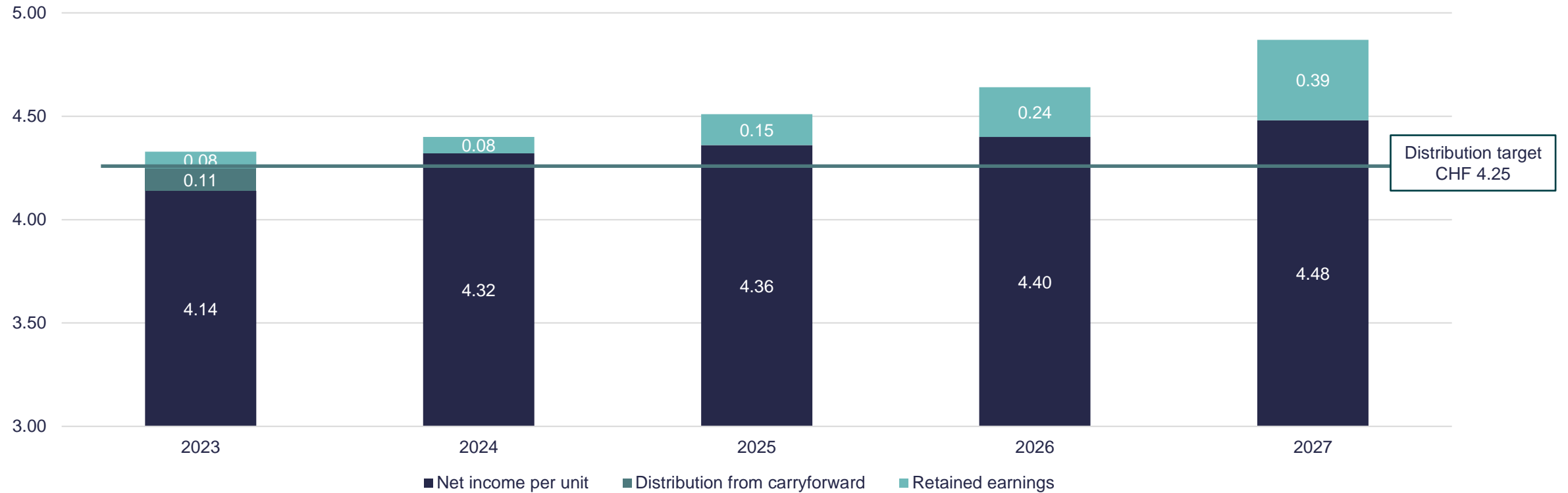


EBIT margin (%)



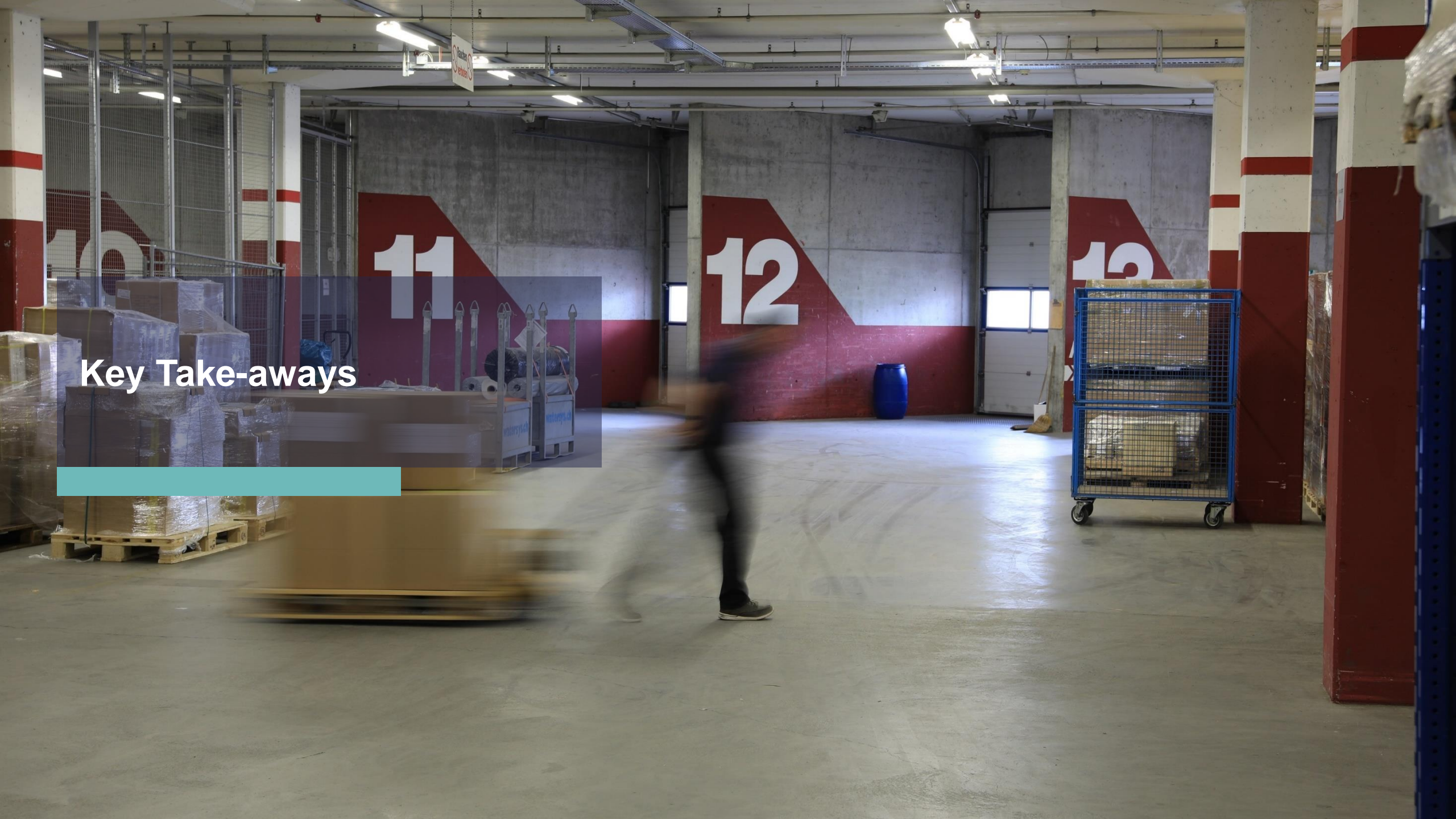
Net Income per Unit

Composition in CHF per Unit

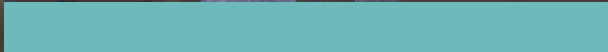


Securing of distribution

The distribution has been constant at CHF 4.25 since the launch. The same distribution can be made for 2023 from the net income and retained earnings. A distribution from the operating result is planned for the coming years



Key Take-aways



Key Take-aways



Sale of Weinfelden and Dietikon
Reduction of vacancy rate from 13.9% to 6.9%
Increase in net income



Stable letting situation
High adjustment to inflation
Risk-appropriate financing



Stable distribution, high distribution yield
Improvement of EBIT margin
Properties with potential

Q&A



Appendix



Portfolio Key Figures

| Portfolio key figures | 31 Dec. 2023 | 31 Dec. 2022 | 31 Dec. 2021 | 31 Dec. 2020 |
|-----------------------------------|--------------|--------------|--------------|--------------|
| Number of properties | 16 | 18 | 18 | 17 |
| Market value in CHF | 279 550 000 | 328 350 000 | 326 710 000 | 306 820 000 |
| Number of units | 2 400 000 | 2 400 000 | 2 400 000 | 2 400 000 |
| Gross yield | 6.31% | 6.27% | 6.28% | 6.46% |
| Real discount rate | 3.95% | 3.94% | 3.98% | 4.09% |
| Nominal discount rate | 5.25% | 4.98% | 4.50% | 4.61% |
| Vacancy rate for reporting period | 13.75% | 14.25% | 18.13% | 17.00% |
| Vacancy rate as at reporting date | 6.89% | 14.10% | 15.66% | 17.24% |
| WAULT in years | 4.84 | 5.03 | 5.47 | 5.81 |

Stable key figures, improved vacancy rate

Stable gross yield and WAULT, vacancy rate improved further as at reporting date

Financials

Key Figures

| Balance sheet | | 31 Dec. 2023 | 31 Dec. 2022 | Δ |
|-------------------------------------|-----|---------------------|--------------|--------------|
| Market value of properties | CHF | 279 550 000 | 328 350 000 | - 48 800 000 |
| Total fund assets | CHF | 310 081 467 | 333 857 712 | - 23 776 245 |
| Borrowing ratio | % | 30.41 | 26.77 | 3.64 |
| Net fund assets | CHF | 211 213 800 | 231 965 859 | - 20 752 059 |
| NAV per unit | CHF | 88.01 | 96.65 | - 8.64 |
| Stock market price | CHF | 78.40 | 84.40 | - 6.00 |
| Premium/discount | % | - 10.91 | - 12.68 | 1.77 |
| Income statement | | 31 Dec. 2023 | 31 Dec. 2022 | Δ |
| Rental income | CHF | 16 730 991 | 16 635 159 | 95 832 |
| Rent default rate | % | 15.40 | 14.96 | 0.44 |
| Maintenance ratio | % | 7.05 | 8.05 | - 1.00 |
| Operating cost ratio | % | 12.43 | 14.22 | - 1.79 |
| EBIT margin | % | 68.29 | 65.08 | 3.21 |
| Mortgage interest | CHF | 1 416 809 | 373 376 | 1 043 433 |
| Net income | CHF | 9 932 770 | 9 894 873 | 37 897 |
| Realised capital gains and losses | CHF | - 22 261 151 | - 1 250 | - 22 259 901 |
| Unrealised capital gains and losses | CHF | 1 776 322 | - 3 128 929 | 4 905 251 |
| Total profit | CHF | - 10 552 059 | 6 764 694 | - 17 316 753 |
| TER (GAV) | % | 0.91 | 0.91 | 0.00 |
| Investment yield | % | - 4.76 | 3.00 | - 7.76 |

Portfolio Quality

St. Gallen



Excellent access to public transport

Spreitenbach



High visibility

Lyss



Creditworthy tenants

Aarau



Excellent infrastructure

St. Gallen



Usage types that are in strong demand

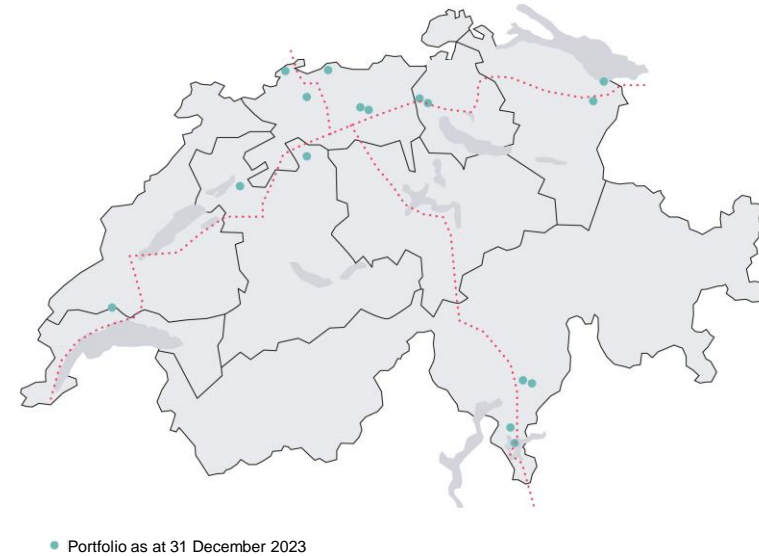
Lamone



Attractive architecture

Distribution by Market Region

| Region | Market value in CHF | Market value in % |
|-------------------------------|------------------------|----------------------|
| 1 Northwestern Switzerland | 123 000 000 | 44.0 |
| 2 Bern | 40 810 000 | 14.6 |
| 3 Southern Switzerland | 75 190 000 | 26.9 |
| 4 Eastern Switzerland | 29 630 000 | 10.6 |
| 5 Lake Geneva | 10 920 000 | 3.9 |
| Total | 279 550 000 | 100.0 |



Properties

SF Commercial Properties Fund



Aarau, Rohrerstrasse 100/102



Aclens, Chemin du Coteau 23



Allschwil, Gewerbestrasse 25



Bubendorf, Grünenstrasse 17/17a



Buchs, Amsleracherweg 8



Castione, Via alle Cave 20

Properties

SF Commercial Properties Fund



Castione, Via San Gottardo 18a/d



Collina d'Oro, Via al Molino 49



Lamone, Via Industria 16



Langenthal, Gaswerkstrasse 33-35



Lyss, Industriering 17



Meisterschwanden, Industriestrasse 6

Properties

SF Commercial Properties Fund



Möhlín, Industriestrasse 3/5



Spreitenbach, Limmatstrasse 8-12



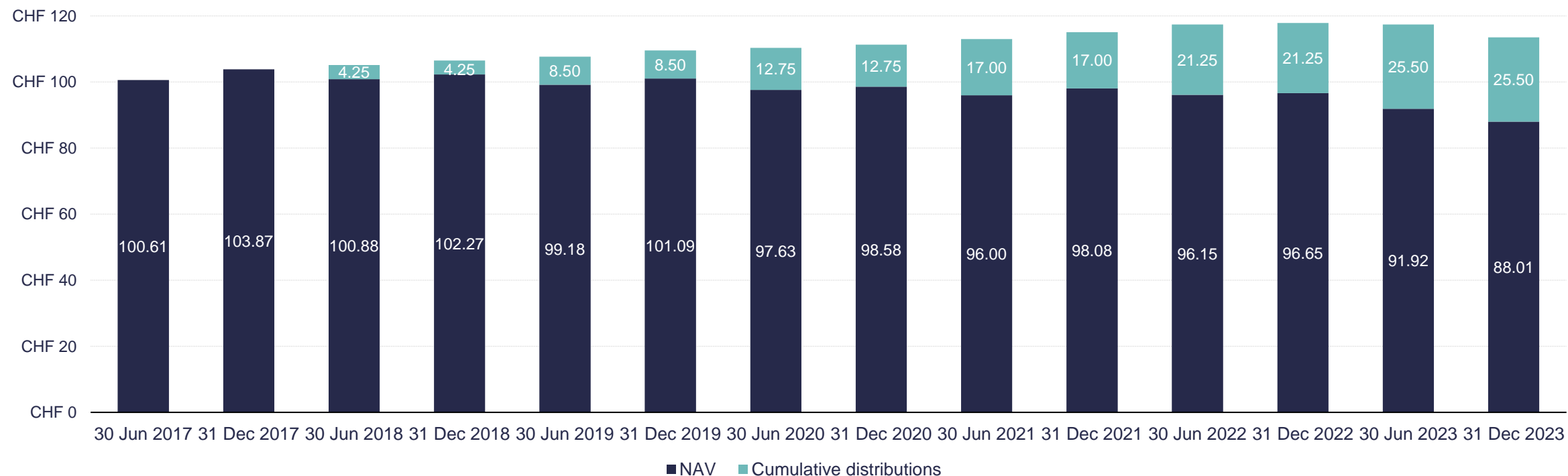
Staad, Hauptstrasse 104



St. Gallen, Zürcherstrasse 493

Changes in Net Asset Value

as at 31 December 2023



- Cumulative distributions totalled CHF 25.50 per unit as at 31 December 2023
- The net asset value (NAV) was CHF 88.01 per unit as at 31 December 2023
- Distribution from 2022 operating result of CHF 4.25 per unit

Direct Real Estate Switzerland

Real Estate Funds

| | SF Sustainable Property Fund | SF Retail Properties Fund | SF Commercial Properties Fund |
|--|--|---|--|
| AuM as at 31.12.2023 | CHF 1 469.8 mn | CHF 904.1 mn | CHF 310.1 mn |
| Investment focus | The fund invests in real estate and real estate projects in the whole of Switzerland. The real estate fund mainly focuses on residential use. The real estate fund systematically and step-by-step optimises properties in line with defined sustainability criteria (ESG) during the period of ownership. With the objective being to reach the Federal Council's climate objectives for 2030 and 2050 (net zero by 2050 at the latest), the focus falls mainly on environmental criteria (E), in particular on the improvement of energy efficiency and the reduction of greenhouse gas emissions. | The fund invests in a diversified real estate portfolio of properties with retail surface. These include the ancillary rooms and associated parking facilities required for the operation. Besides retail surface, these properties can also contain industrial space, offices or apartments. The criteria taken into account for investments are upside potential, tenant creditworthiness, quality of construction and building fabric. In the long term, the fund aims to achieve the Federal Council's climate targets for 2030 and 2050 by implementing the climate-alignment sustainability approach. | The fund invests primarily in a diversified real estate portfolio of commercial properties throughout Switzerland with a focus on logistics, storage, commercial and industrial spaces, and manufacturing. In addition to excellent transport connections, the potential for value appreciation and tenant creditworthiness are key investment criteria. In the long term, the fund aims to achieve the Federal Council's climate targets for 2030 and 2050 by implementing the climate-alignment sustainability approach. |
| Gross yield at portfolio level as at 31.12.2023 | 3.87% | 5.48% | 6.31% |
| Launch | 27 December 2010 | 6 August 2015 | 13 December 2016 |
| Bloomberg code | SFPF SW | SFR SW | SFC SW |
| Listing | SIX Swiss Exchange 17 November 2014 | SIX Swiss Exchange 3 October 2017 | SIX Swiss Exchange 24 November 2017 |
| Securities number / ISIN | 12 079 125 / CH0120791253 | 28 508 745 / CH0285087455 | 34 479 969 / CH0344799694 |

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