VARIA U.S. PROPERTIES

4th QUARTER 2016

HIGHLIGHTS

EGI* of $10.4 M, up from Q3.

Sharp decrease in vacancy rate, from 5.9% to 4.5%.

NOI** of $ 5.2 M, down from Q3 due to the stabilization of new properties.

Net yield at propco level*** : 8.7%

Acquisition of Wood Hollow in Dallas (Texas), for $ 28.7 M.

Total portfolio of 5’353 units.

* Effective Gross Income
** Net Operating Income
*** Q4 figure annualized

INTRODUCTION

Dear Investors,

It is our pleasure to present you with Stoneweg’s fourth quarterly report of varia US Properties (“Varia”).

Starting a new chapter of its history, Varia listed its shares in an Initial Public Offering (IPO) on the Swiss Stock Exchange (SIX) on December 8. No reporting was published for Q3 due to IPO-related regulations made to ensure a fair access to company information for all investors.

As we turn the page of 2016, we take the opportunity to review the first full year of existence in our “Focus On” series.

Please note that all figures published here are given on a purely indicative basis and might be subject to change. For audited figures, please refer to Varia’s first annual report, due for publication on April 26th. It will include fiscal 2016 audited figures, detailed analyses and commentaries.

FOCUS ON: A RETROSPECTIVE ON 2016

A culminating year

On December 8, only 15 months after its creation, Varia was listed on the SIX Swiss Stock Exchange, raising $ 124.7 M. It was the culmination of a very dense year, and the result of intensive, restless months of work.

At the start of 2016, Varia had just made its first acquisition, a portfolio of 13 multifamily assets located in Florida, with a real estate value of $75 M. They totalized 1’686 units. In February 2016, it acquired the Ariston Fund, comprising 23 properties across 13 US states, totalizing 2’470 units, with a real estate value of $ 158 M.

On top of this, it acquired 4 individual properties between April and September, located in Tulsa (Oklahoma), Tallahassee (Florida), and greater Omaha (Nebraska), adding 998 units, at a cost of $ 64.8 M. Meanwhile it sold three small-scale assets located in Iowa and deemed non-strategic, for a gross proceed of $5.8 M.

Throughout the year, tremendous efforts were made to add value to properties by revamping them, repositioning them, improve their market visibility and their management, with the ultimate goal to increase their value and to cut back the vacancy while keeping rents up. In many properties the beneficial effects are starting to be felt only now, but it is a key element of the Varia strategy and of its performance.

In November, Varia announced its intention to float on the Swiss Stock Exchange (SIX) in Zurich. The company was only just over a year old, but it drew attention with its focused strategy, corroborated by compelling market trends (see "Market Update" below), and its robust portfolio of more than 5'000 residential units amounting to over $ 300 M in real estate value.

The start of a new stage

Varia listed its shares on the Swiss Stock Exchange (SIX) in Zurich on December 8, attracting strong investors' interest. Institutional as well as private investors oversubscribed the offered shares, inducing the Sole Bookrunner, Bank Vontobel, to exercise its 15% over-allotment ("Greenshoe") option in full. As a result, a total of 3'561'636 new registered shares were issued, at an offer price of CHF 35, corresponding to an issuance and placement volume of CHF 124.7 M and implying a market capitalization for Varia of CHF 233.1 M.

Varia swiftly started to deploy this newly raised equity and closed a first deal on Dec 29, a 346-units complex called Wood Hollow, close to Dallas Fort Worth Airport, and next door to the planned new headquarters of American Airlines. It was acquired at a price of $28.7 M.

The resulting portfolio, as of December 31, 2016, consisted of 38 properties totalizing 5'353 units, representing $ 343 M of real estate value[1].

2017 outlook

The first half of 2017 will see the deployment of the equity raised with the IPO. Varia and Stoneweg already enjoy a reputation of rigorous, highly trustable party in the US. This is a major factor in securing transactions at a good price, since solvability and reliability of the buyer comes even before reaching the highest price for US sellers. Varia is recognized and accepted in the US as a high-quality player, capable of borrowing on its behalf and without third-party guarantor.

In anticipation of the capital increase, the team has already signed a number of transactions. Their closing will take place throughout the start of the year, depending on the Due Diligence outcome. The company expects to be fully deployed at the latest by June 30, 2017.

The sourcing efforts continue intensively, focused on the secondary and tertiary markets in high potential growth and employment areas, in line with the company strategy.

The freshly sworn Trump administration has announced an array of policies aimed at lowering the corporate tax burden and strengthening national employment. Should they materialize, the Varia portfolio would in principle benefit from it, thanks to its distinctive strategy.

[1] Unaudited figure based on the audited value at June 30 2016, minus the value of the properties sold since then, plus the price of the properties acquired since then.

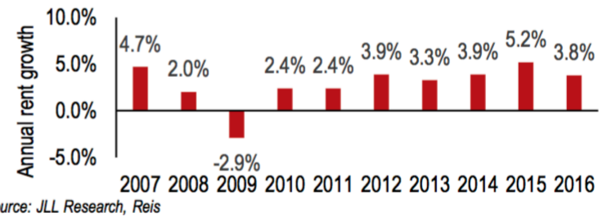
MARKET UPDATE

2016 was a record year for apartment deal volume. It posted 3% year-over-year (YOY) growth in sales, pushing the volume to an all-time of $ 158.4 Billion.[2] Prices continue to climb, with an estimated 12% YOY growth.[3]

The Varia portfolio coincides with the faster-growing and more stable subcategories, both in terms of apartment type and geography. Sales grew more for the garden apartment subtype, up 4% YOY with sales of $104.7 Billion, than for the mid/highrise assets, up 1% to $ 53.7 Billion.

In terms of geography, Non-Major Metros (NNM) saw a deal volume up 13% YOY, compared to -1% for the 6 Major Metros.[4] Higher cash flow yields on offer in the NMM are seen as the main driver for this shift in investment. NNM were also less volatile, growing at a constant pace troughout the year. Capitalization rate in Q4 was 4.5% in the 6MM, but 6.4% in the NMM.

Rents in the multifamily market grew 3.8% in 2016, showing a sustained strength. It softened in Q4 below 4.0% after eight consective quarters above 4.0%. This is due to a constant delivery of Class A products, a subsegment that has gradually shifted in favor of tenants.[5] On the other hand, rent growth of B and C properties of the Multifamily market, which constitute the bulk of the Varia portfolio, show no sign of weakening.



Multifamily rent growth. From JLL Multifamily Q4 2016 Report

Interest rates moved up sharply following the presidential election in November, on the expectations that the new administration's policies will fuel inflation. The 10 year US Treasury moved from an average of 1.6% in Q3 to 2.5% in Q4, before stabilizing in January (see below chart from Bloomberg).

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2 Real Capital Analytics Report on US residential real estate market in 2016

3 Preliminary data by Moody's/RCA Commercial Property Price Indices, Jan. 2017.

4 The 6 Major Metros (6MM) are New York, Los Angeles, Chicago, Washington DC, Boston and San Fransisco.

5 JLL Multifamily Q4 2016 report

Q4 PORTFOLIO PERFORMANCE REVIEW

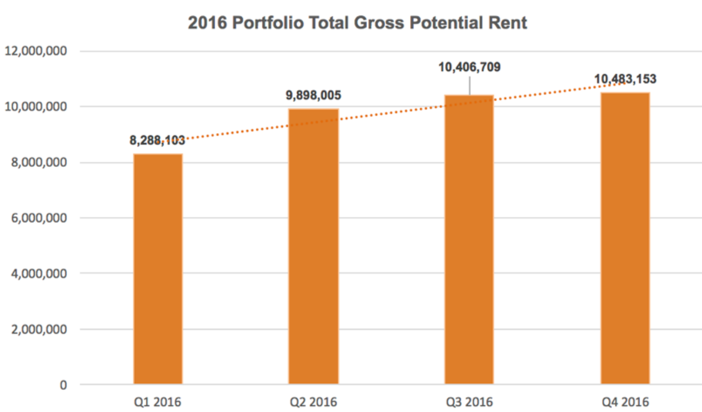
Here we give preliminary figures of the portfolio Q4 results. These figures are unaudited and given here on a purely indicative basis. They are subject to change and Varia shall not be responsible of investment decisions based on them. Only the figures presented in the Annual Report, due for publication on April 26th, shall be taken into account.

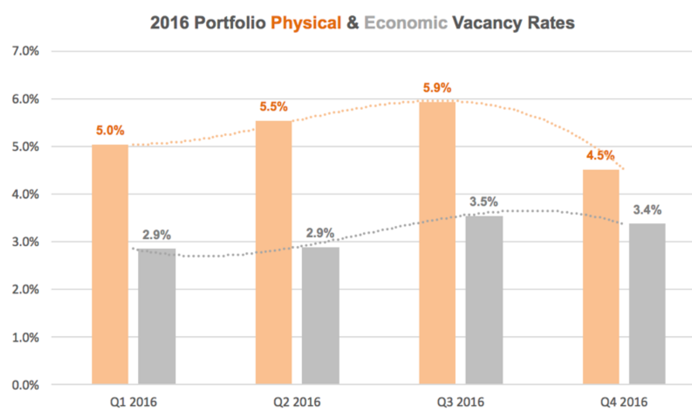
Q4 2016 Portfolio Performance Snapshot

Effective Gross Income (EGI)	$10.4 M	Debt Service	$ 2.3 M
Total Operating Expenses	$ 5.2 M	Ownership Expenses	$ 0.2 M
Net Operating Income (NOI)	$ 5.2 M	Net Cash Flow	$ 1.9 M
Total Capital Expenditures	$ 0.9 M	Net yield at Property level (Q4 annualized)[6]	8.7%

During Q4 2016, Effective Gross Income (EGI) reached $10.4 M, a USD 0.2 M increase from Q3. This was the combination of the strong rent growth, the decrease in vacancy, and new acquisitions.

Physical vacancy decreased considerably, from 5.9% in Q3, to 4.5% in Q4.





Operating expenses increased from 48% of EGI in Q3 to 50% in Q4, due to the cost of the value adding efforts and repositionning in some properties. These efforts can take on toll on the overall performance for several quarter before the beneficial effects are being felt, but they are key component of Varia's strategy, and some are already proving fruitful. For instance, Sundance Pointe, a property that until Q3 was among the bottom performing assets, jumped in Q4 to the top of the list.

As a result of the increased operating expenses, the net operating income softened from $ 5.4 M in Q3 to $ 5.2 M in Q4.

6 Annualized Q4 cash distribution of the property companies divided by the initial equity investment in the property companies.

Hurricane damage reduced the anticipated cash flow by $ 0.2 M.

Two hurricanes hit Florida this season. In September, Hurricane Hermine was the first hurricane to make landfall in Florida since Hurricane Wilma in 2005. On September 2, Hermine reached the coast of Florida into the Panhandle as a Hurricane 1 category. It dropped heavy rainfalls and violent winds, especially above the company's assets of Pensacola and Tallahassee, but with limited material damage.

Hovewer in October, Hurricane Matthew, the first Category 5 Atlantic Hurricane since 2007, caused widespread destruction with total damage of $ 15 Billion in the Caribbean region. Luckily, it had a lower impact than feared on the Varia assets. Increased short term capital expenditure covering for clean up costs nonetheless harmed the cash flow.

Hurricane damage – Novawood, Daytona Beach, FL

The total net cash flow stood at $ 1.94 M in Q4 versus $ 1.96 M in Q3. The cash-flow yield softened slightly to 8.7%, one basis point below the yearly average.

INVESTMENT ACTIVITY

During the fourth Quarter, Varia US Properties closed the acquisition of Wood Hollow (Texas) for $ 28.7 M. It marked its first acquisition since the company's IPO, and the beginning of the deployment of the equity raised with it.

Wood Hollow is a 346-unit complex just east of Fort Worth, Texas. It lies close to Dallas-Fort Worth Airport, the gateway to this approximately 7.1 M people metro area, and is next door to the planned new headquarters of American Airlines.

The Dallas-Fort Worth area is a fast-growing metro area, enjoying high level of employment. Wood Hollow is located in a working class neighborhood with median household income slightly above Varia portfolio average, and with average household income projected to grow at 2.4 % annually.

Wood Hollow's current rent roll has an average rent per unit of $ 816. The income supports rents in the range of $ 840 - $ 1'260 /month.

Wood Hollow – Fort Worth, Texas
Acquired in December 2016
346 units: 727 square feet /unit average size
Built in 1985

CURRENCY

Between October 1st and December 31st, the dollar rose 5.3%, from CHF 0.968 to CHF 1.019.

This was triggered by the outcome of the US presidential election in november, fueling expectations of inflation-inducing policies.

It should be noted that Varia is exposed to fluctuations in the U.S. currency and investors in Varia are therefore exposed as well. Varia does not cover the exchange rate, and the performance of the company in CHF will directly be impacted by the performance of the USD.

TERMS

Structure	Holding Investment Company	**Life duration**	Unlimited
Incorporation	Switzerland	**Market Cap on 31.12.2016**	CHF 233 M
Inception	September 2015	**SIX ticker**	VARN
Asset Manager	Stoneweg SA	**ISIN**	CH0305285295

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