VARIA U.S. PROPERTIES

INFORMATION ABOUT THE 3rd QUARTER 2018

INTRODUCTION

HIGHLIGHTS

Positive quarter for the portfolio.

Two new acquisitions in August.

One gain producing disposition planed for the last quarter of the year.

Kepler Cheuvreux published a research paper on Varia US

Towards a quarterly distribution

Q3 EGI*: $22.3 Million

Q3 NOI: $ 12.0 Million**

Q3 Net operating cash flow*: $ 5.9 Million**

Net annualized yield at propco level**: 8.0%**

Units number: 9,581

Physical vacancy rate: 6.2%.

Economic vacancy rate: 2.6%

****Effective Gross Income (includes rental and other income)*
*** Net Operating Income*
**** Defined as net income less mortgage principal repayments*
***** YTD yield***

Dear Investors,

The intent of this report is to give you an update regarding the latest developments and performance of the Company during the third quarter of the year. All figures are operating results in $US at the property level, which are neither consolidated nor audited. We do not intend to restate what was published in the half year report of 2018, but rather focus on activities since the beginning of July.

After the completion of the buyout process of the former non-controlling interest, the main focus for this 3rd quarter was on the continuous implementation of the value-add strategy as well as on the optimization of the portfolio. Simultaneously, two additional acquisitions were closed in August.

It is also worth mentioning that Hurricanes Florence and Michael made landfall in the U.S. this September and October:, the first in North Carolina, the second one in the Panhandle of Florida. They had minimal impact on Varia's portfolio and the damage attributed to these storms was very limited.

During the quarter, the Board of Directors of the Company decided to strategically sell one asset – Pine Ridge. The property is located in Bremerton Washington, near Seattle. The dispositon criteria included the following key factorsi) quick and successful implementation of the value-add approach at this particular asset, ii) favorable market conditions in the area and iii) relative isolation of this asset compared to the Company's portfolio. A Purchase and Sale Agreement was signed on October 12 and the transaction is intended to close in December. Further in this newsletter, you will find the initial outcome of this transaction.

The Board also reports that Kepler Cheuvreux published a favorable research paper on Varia US in mid-October. Kepler recommend a Hold position with a target price of CHF 38. This research was sent to Kepler's clients based in Europe and it can be obtained directly with this Company (www.keplercheuvreux.com).

On another topic, the Board continued its work on the currency impact on the Company's business case. One of the key initiatives to be proposed at the next AGM will be the quarterly dividend distribution.

The Board of Directors as well as the Asset Manager of the Company thank you for your interest in the Company and for your continuous trust and confidence.

FOCUS ON: ACQUISITION AND PERFORMANCE

Two Acquisitions During Q3.

One of the Company's objectives for 2018 was to improve cash management within the corporate structure. It is known that the Company carries a substantial cash position due to :

- Cash held in Year 1 capex accounts for the implementation of the value-add strategy,
- Cash held at the different layers of the Company's structure (property companies, blockers, holding company),
- Cash held in the lender's books (escrow reserves for repairs and property taxes).

Managing the timing of Year 1 capex spending, projecting the Company's cash flow, and reducing money stocked in the structure were all considered and acted upon. These efforts started during the first half of the year. As a result, two additional assets were acquired, using freed cash.

The first asset was purchased in August and is located in Memphis, Tennessee. Cordova Creek is located close to another Varia-owned property, The Meadows Apartments, that was acquired in March, 2018. With this second acquisition in the Memphis area, the Company increases its local presence there, working with the same property manager on both assets.

The second property acquired,860 East, is located in Cincinnati, Ohio. It also reinforces Varia's presence in this metropolitan area after the acquisition of Woodridge earlier in May.

Both acquisitions were highly competitive and represent an excellent fit into Varia's strategy and portfolio.

Property and location	Status`	Units	Acquisition price USD in Millions	Equity invested USD in Millions	Expected average cash on cash yield
Cordova Creek Memphis (TN)	Closed (August 10)	196	19.00	8.50	9.01%
860 East Cincinnati (OH)	Closed (August 28)	223	21.50	9.60	9.10%
Total		**419**	**40.50**	**18.10**	

Q3 AND YTD PORTFOLIO PERFORMANCE REVIEW

A preliminary summary of the Varia Portfolio Q3 and YTD operating results is provided below.

These figures are calculated at the property level and are not consolidated at the Company level. They are unaudited and are provided on a purely indicative basis. They do not correspond in all respects to IFRS figures. They are subject to change and the Company shall not be responsible of investment decisions based on them. Only the figures presented in the last annual report or semi-annual report shall be taken into account.

	Q3 2018	Q3 2017
Effective Gross Income (EGI)	$ 22.3 M	$ 18.1 M
Total Operating Expenses	$ 10.3 M	$ 8.5 M
Net Operating Income (NOI)	$ 12.0 M	$ 9.6 M
Repairs, Maintenance and Minor Replacements	$ 0.8 M	$ 0.9 M
Debt Service	$ 4.7 M	$ 3.7 M
Mortgage Principal Repayment	$ 0.5 M	$ 0.4 M
Ownership Expenses	$ 0.1 M	$ 0.2 M
Net Cash Flow	$ 5.9 M	$ 4.4 M
Net Cash Flow Yield (YTD Annualized)*	8.00%	8.90%

* *The reduction of the net cash flow yield is due to the Company acquisition activity in 2018 and the implementation of the value-add strategy. The yield will increase with the completion of the strategy and the stabilization of the properties.*

General overview

At the end of September 2018, the Company portfolio had 52 properties for a total of 9,581 units. Per 2018 valuations and new acquisition valuations, the Portfolio was valued at $751 Million. The equity to acquire (and transfer) these assets was $298 Million. The Portfolio has posted financial results year to date (January thru September 2018) that are significantly above business plan both on Net Operating Income (2.9% above plan) and Net Cash Flow (7.9% above plan). Favorable metrics are noted in nearly every category as the Company's assets continued the trend of above average performance this past quarter.

Income

Gross Potential Rent, defined as current leases plus theoretical rents for vacant units, is essentially on plan year to date, at 0.5% above projection. The rent per unit is $760/month, or $0.93/leasable square foot versus $0.92 projection.

Physical Vacancy ran slightly higher than projections year to date, as a result of unit rehabilitations, new acquisition startups, asset repositioning, and stabilization efforts. The vacancy rate year to date averaged 6.2% versus a projection of 5.2%. Economic Vacancy, comprised of concessions, non-revenue model and employee occupied units, and delinquencies, was mildly unfavorable at 2.6% of GPR versus a plan of 2.3%. Both of these metrics are however trending positively in Q3 versus the first half of 2018.

Rental Income, Gross Potential Rent minus physical and economic vacancy, was within 0.9% of initial budget year to date. Legacy properties improved to within 0.4% of budget on rental income year to date. New acquisitions also improved to within 1.4% of plan on rental income year to date as a result of stabilization efforts following acquisitions.

Total Revenue performance is essentially on plan year to date being within 0.3% of the initial budget.

Expenses

Payroll expenses are favorable to plan by 3.7% year to date, as a result of staff reductions during the previous minority investor transfer and hiring delays across all assets. These savings amount to nearly $306,000. Year to date spending in this category amounts to $1,191 per unit,slightly below industry norms at $1,200-1,300 per unit for comparable assets.

Administrative costs at the property level remained under plan by 6.7%, for a $101,000 savings year to date. **Marketing** expenses were also under plan by $161,000 or 21.5% year to date. Combined, these categories represent 3.3% of the effective gross income, better than the industry norm of 3.6 to 4%.

Utilities remained under plan by 1%. Across the portfolio, 46% of the utilities were captured and reimbursed by tenants, and is slightly ahead of plan. Note that LIHTCs are restricted on utility reimbursements and conventional properties are only restricted per the lease terms. The reimbursement ratio is projected to increase going forward as leases incorporate more aggressive utility reimbursements in 2019.

Maintenance, Turnover Maintenance, and Contract Services were each under budget year to date, with combined spending of $561/unit annualized versus a plan of $625. Better controls on 3rd party contract service spending, tight variance management, and unit rehabs all contributed to an overall savings of $490,000 year to date. **Total Controllable Expenses** were favorable by 5.6% year to date for a savings of $1,114.4 Million.

Non-Controllable Expenses, including taxes, insurance, and property management fees were also favorable by 0.3% year to date by $25,895.

NOI

Net Operating Income year to date stood at $33.0 Million, which is 2.9% ahead of budget. Based on recent valuations, the annualized NOI implies an overall favorable capitalization rate of 6.3% versus an initial projection of 6.1%.

Below the NOI Line

Total Asset Management and Ownership Expenses, including legal, compliance, audit and tax preparation, software setup, and admin-ownership, was unfavorable to plan by $125,000 year to date. The biggest contributors to this were the 3rd party tax preparation fees, software setup fees, and administrative fees. It should be noted in contrast, that early termination of 3rd party asset managers year to date resulted in a $72,957 savings over budget.

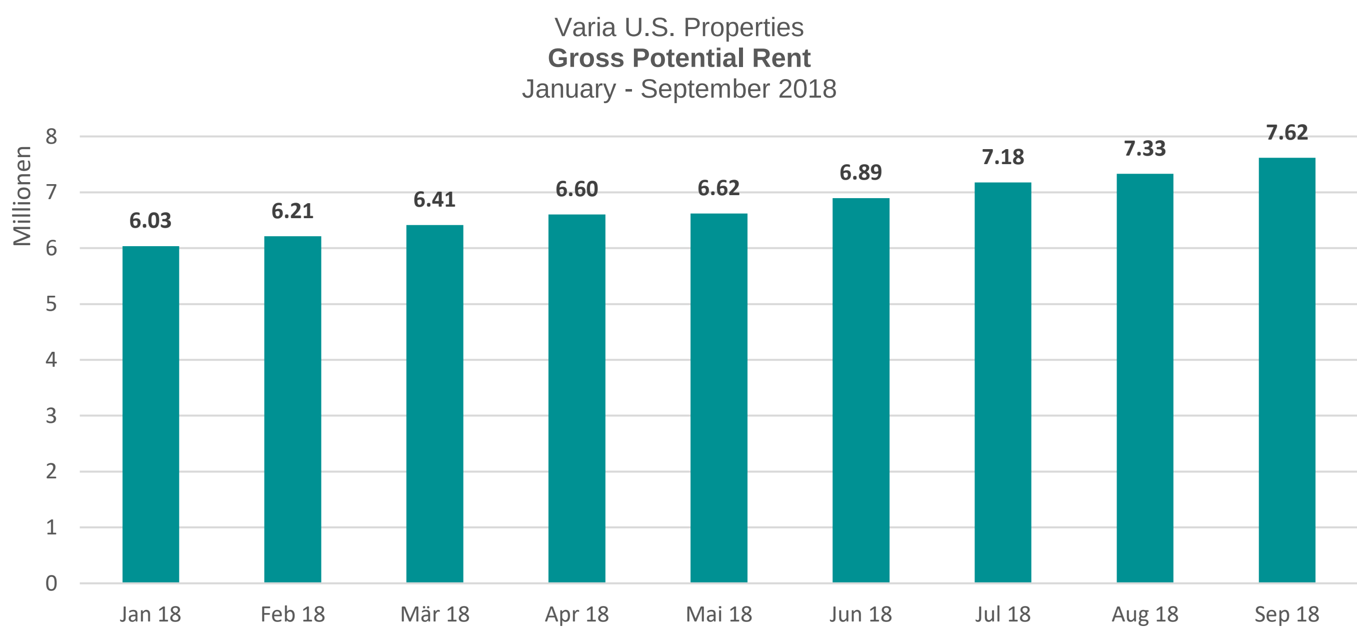
Debt Service and expenses related to financing were favorable to year to date plan by 0.5%.

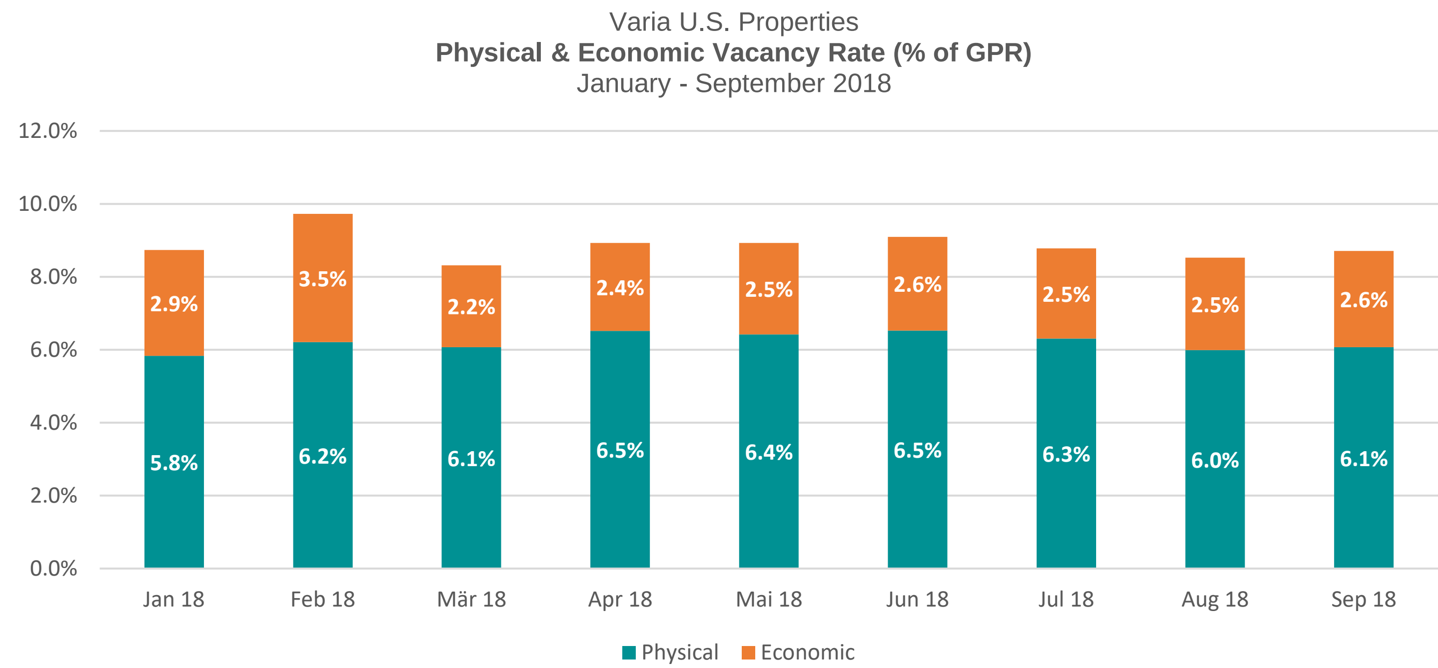
Repairs, maintenance and minor - replacements, , were favorable to plan by 23.5% and $607,000 year to date. This is the result of very tight controls on repair spending in the transferred assets and to year one capex spending on new acquisitions. The operational capex spending rate on an annualized basis through 2018 is $295/unit. Although favorable to budget, this is in line with the U.S. industry spending of $300-350/unit annually for comparable assets.

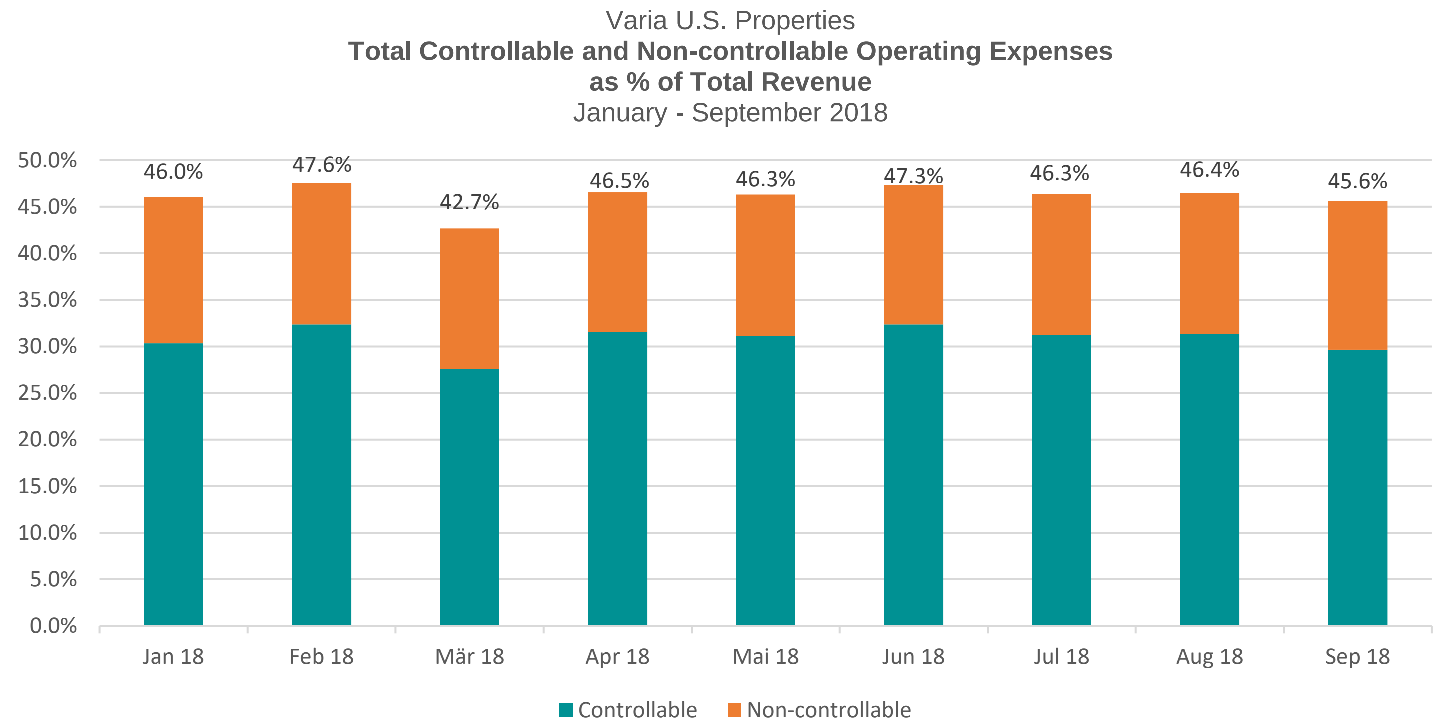
Cash Flow

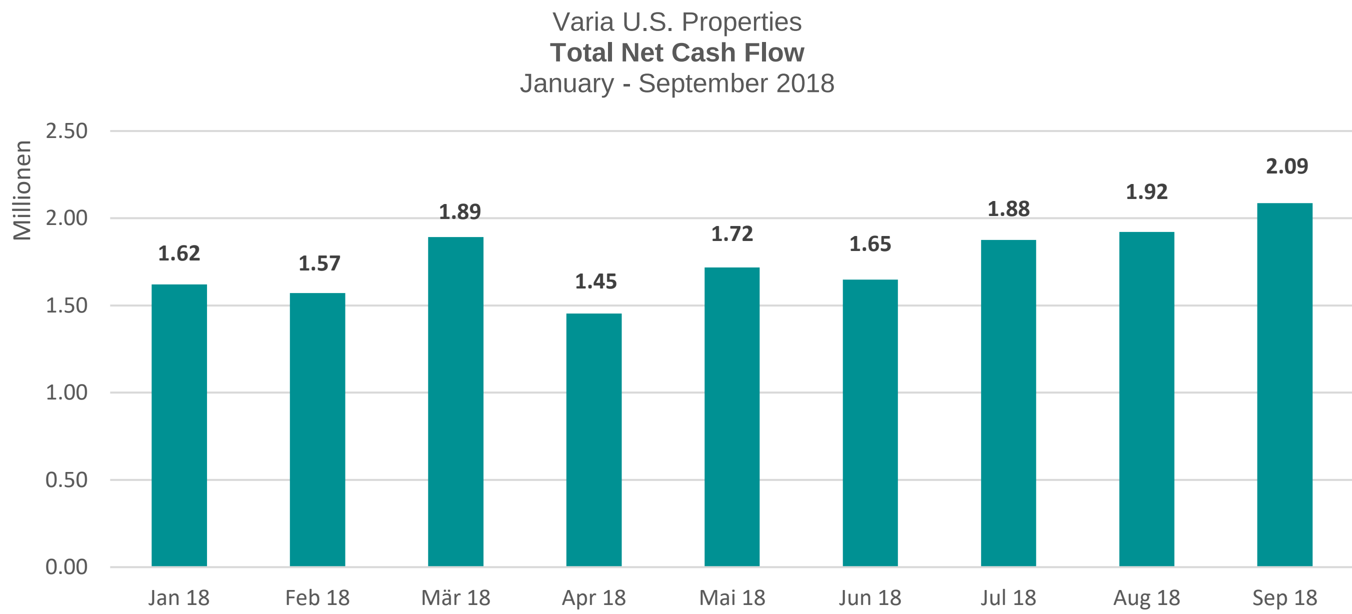
Total Net Cash Flow (defined as net income less mortgage principal payments) year to date was $15.79 M versus an initial projection of $14.64 M. Overall, the portfolio year to date annualized yield is 8.0% versus a plan of 7.3%. The newer acquisitions (22 properties), in their early value-add phase, posted a 7.8% cash on cash yield annualized, while the legacy assets (a combination of 22 stabilized properties and 8 properties being repositioned) posted an annualized year to date yield of 8.5%.

Market rent properties, comprising the majority of the portfolio, posted 8.3% yields on a 7.5% plan while LIHTCs under full rent restriction posted a 6.8% yield versus a 6.1% plan. A third asset group, the LIHTCs that are in the phase of deregulation, posted 6.6% yield versus a plan of 7.3% due to high physical and economic vacancies experienced while these assets are repositioned with new market tenants.




Varia U.S. Properties
Physical & Economic Vacancy Rate (% of GPR)
January - September 2018
12.0%
10.0%
8.0%
6.0%
4.0%
2.0%
0.0%
2.9%
3.5%
2.2%
2.4%
2.5%
2.6%
2.5%
2.5%
2.6%
5.8%
6.2%
6.1%
6.5%
6.4%
6.5%
6.3%
6.0%
6.1%
Jan 18
Feb 18
Mär 18
Apr 18
Mai 18
Jun 18
Jul 18
Aug 18
Sep 18
Physical
Economic


Varia U.S. Properties
Total Controllable and Non-controllable Operating Expenses
as % of Total Revenue
January - September 2018
50.0%
45.0%
40.0%
35.0%
30.0%
25.0%
20.0%
15.0%
10.0%
5.0%
0.0%
46.0%
47.6%
42.7%
46.5%
46.3%
47.3%
46.3%
46.4%
45.6%
Jan 18
Feb 18
Mär 18
Apr 18
Mai 18
Jun 18
Jul 18
Aug 18
Sep 18
Controllable
Non-controllable



DISPOSITION PLANED FOR Q4 2018

As mentioned in the introductory section, the Board decided to sell one property of the portfolio. The asset selected for sale is Pine Ridge located in Bremerton, near Seattle. It is a 116 apartments complex that was built in the 1990's.

After acquisition a reputable local property management company was hired. About $175,000 were invested in deferred maintenance items related to parking lot, decking, fitness center, pet park, playground, fencing, irrigation/drainage and landscaping. 29 units were renovated at an average cost of $5,650 with a rent uplift of $192/month, providing a 42% return on capital.

Total revenue went up from $463,489 (Jun-Aug 2017) to $527,613 (Jun-Aug 2018), a 13.8% annual improvement. Net operating income (NOI) improved from $253,263 (Jun-Aug 2017) to $320,609 (Jun-Aug 2018), a 15.3% annual increase.

This asset was purchased for a price of $16.4M in March 2017. It was last appraised for $18.03M in June 2018. Based on the sale price agreed in the purchase and sale agreement of $21.5M, the performance of the deal was an average 7.4% annual cash on cash yield and an IRR in the low 30's. Proper announcement will be done by the Company after closing.

MARKET UPDATE

The market in the US continues to be competitive due to enormous amounts of capital looking to be placed in the multifamily sector and despite a significant increase in interest rates (+60 bips increase in the U.S. Treasury index since January 2018).

Interest rate 10 Year treasury

We believe that this trend will continue over the next months thanks to a strong US economy and on permanent inflow from capital. We also expect cap rates to start stabilizing at a low level with improved performance for the Company through LIHTC progressing in the transition period and through rent premiums originated by the successful implementation of the value-add strategy.

CURRENCY UPDATE

On the currency side, the dollar was relatively flat over the first nine months of the year, hence having a high volatility with a low below 0.93 and a high above parity. If we consider the trend over the last 10 years, the dollar has been navigating on average at 0.9779 (source: fxtop.com).

Dollar evolution - since 2009

Dollar evolution - Jan 18 to Sept 18

To mitigate the currency risk in the future without bearing the cost of a hedging strategy, the Board is considering various options.

The first that will be submitted at the next Shareholder Meeting is the principle of a quarterly dividend distribution instead of an annual. By doing this, the Board intends to reduce the cash on the books of the Company and to mitigate the currency risk by trading currency on a more regular basis.

The second consideration relates to the Company's main currency. Providing that Swiss law is revised as expected and that companies' are authorized to issue their equity in various currencies, the Board is assessing the conversion of the Company's capital into US dollars, instead of Swiss francs. That would mean that the Company's capital is issued in US dollars, that the listing is made in the same currency, that distribution are made accordingly in US dollars and that the financial statements are only published in US dollars. That would avoid any currency volatility in the books of the Company and better translates its performance.

NEXT REPORT

The next report will be the Annual report 2018 and it will be published on April 3rd 2019.

TERMS

Structure	Real Estate Company	**Life duration**	Unlimited
Incorporation	Switzerland	**Market Cap on 30.09.2018**	CHF 332.14. M
Inception	September 2015	**SIX ticker**	VARN
Asset Manager	Stoneweg SA	**ISIN**	CH0305285295

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