



Investment Guidelines of Varia US Properties AG

29 November 2021

1. Introduction

These investment guidelines (the "**Guidelines**") approved by the Board of Directors of Varia US Properties AG (the "**Company**"), a Swiss based real estate company, define the principles of investments of the Company.

They set out the types of real estate properties in which the Company invests indirectly, the investment objectives and strategy pursued as well as the financing and risk diversification guidelines relating to the property portfolio.

2. Investment objectives and strategy

The Company aims to offer capital appreciation and dividend income to its shareholders by investing in real estate properties through its subsidiaries. To this end, the Company shall make investments that generate solid and regular returns.

The Company intends to invest in US multifamily real estate properties and pursues a mid to long-term investment perspective through the following individual strategy:

- "Value-adding strategy", *i.e.* the Company acquires, renovates, improves and stabilises operations of real estate properties to maximise the rent potential and increase the long-term value.
- "Strategy for stabilised properties", *i.e.* the Company acquires stabilised properties which generate solid and regular returns.
- "Transition strategy for rent restricted properties", *i.e.* the Company acquires properties with rent restrictions in place that are about to expire and enable a transition into the market, conducts the transition phase, renovates, improves and stabilises operations of real estate properties to increase rents to market standard, maximise the rent potential and increase the long-term value.
- "Development strategy", *i.e.* the Company develops assets to create additional value.

The Company may execute the above strategies to then assemble properties into market specific portfolios for disposition.



The disposal strategy of the Company consists of reselling 10 to 20% of its portfolio on an annual basis. The proceeds shall be split between reinvestments in the Company and distributions to the investors.

3. Eligible investment properties and investment criteria

The Company invests in low to medium-income multifamily residential real estate properties in selected areas in the United States. To the extent the housing facilities include space for office, trade or retail, such use is limited to 20% of the housing facilities total space.

In selecting suitable properties, the Company will especially consider the following investment criteria:

- Location of the properties;
- Property criteria;
- Financial criteria;
- Demographical developments.

4. Risk diversification

The Company diversifies its real estate portfolio and reduces concentration risk by applying, amongst others, the following investment criteria:

- the investment value per property complex must not exceed 15% of the total value of the real estate portfolio;
- the properties shall be located in at least 10 states in the United States.

5. Description of distribution policy

The Company aims at distributing 6 to 8 % of the equity invested by the shareholder and achieving a yearly total performance in an amount of 7 to 10% on a mid to long-term basis.

6. Risk hedging

For the time being, the Board of Directors has decided to not implement any specific risk hedging measures.

Based on the circumstances, it may decide to introduce risk hedging measures in the future.

7. Financing principles

a. Mortgages



The Company and its subsidiaries holding the properties may acquire short-term and long-term debt capital at fixed and variable interest rates. The Company shall aim a financing strategy customised to each property to optimise the costs and benefits. It may obtain (re-) financing through loans and credit facilities by governmental agencies, banks, insurance companies and other financial institutions. It may contract with mortgage brokers to arrange loans. It may mortgage real estate properties to secure loans.

As general principle, the Group targets a gross loan-to-value ratio (defined as outstanding loan over the appraised value of all properties without considering any available cash) of 55 to 65%. Deviations from this target ratio need to be limited to exceptional circumstances during a limited time frame.

b. Corporate bond

The Company may also borrow from the corporate bonds debt market on terms to be defined with the investors.

8. Observance and amendment of the Guidelines

The Company, and to the extent it has delegated the tactical investment decisions to the external asset manager, may deviate from these Guidelines only in exceptional circumstances and on a temporary basis to secure the interests of the Company and its shareholders. The Board of Directors of the Company periodically verifies compliance with these Guidelines.

The Board of Directors may modify and amend these Guidelines at any time within the corporate objective as set out in the Articles of Association. It shall notify investors of material modifications at least one month before their date of effect by means of an announcement on its website.

9. Entry into force and scope of application

This version supersedes and replaces all previous versions of the Company's Investment Guidelines.

The Board of Directors has adopted these Guidelines on 29 November 2021. The Guidelines enter into force as of 3 January 2022. They apply to the Company and need to be adhered to by the asset manager, to the extent the Company delegates the asset management to a third party that is involved in the pre-selection, management and execution of investments and divestments in real estate properties.