



Swiss Finance & Property Funds Ltd

SF Sustainable Property Fund Semi-annual Report 2023

29 August 2023



Table of Contents

1. Key Events in First Half of 2023
2. Portfolio
3. Financials
4. Key Take-aways and Outlook

A photograph of a modern, multi-story apartment building. The building features a light-colored facade, dark window frames, and balconies with metal railings. The image is split into two vertical panels. The left panel shows a balcony with a railing and a window. The right panel shows a vertical column of windows, some of which are illuminated from within. A semi-transparent dark blue box with white text is overlaid on the left side of the image.

Key Events in First Half of 2023

Key Events First Half of 2023



Portfolio / Transactions

Portfolio quality optimised through sales – further divestments planned
Small decrease in value like-for-like of **1.1%**
Portfolio of **113 properties** with a market value of **CHF 1.52 billion**



Vacancy Rate

Vacancy rate of 5.0% as at **balance-sheet date** of 30 June 2023 (31 December 2022: 5.2%)
Vacancy rate of 5.9% for the entire **reporting period** (31 December 2022: 5.9%)



Financials

Rental income increased by CHF 0.92 million (+ 3.57%) compared to the prior-year period
Reference rate adjustment implemented successfully – positive effect on income situation expected from Q4 2023
Financing costs burden financial result – **optimisation measures** have been implemented



Sustainability / Development

GRESB assessment completed in 2023 – results will be available in autumn
Share of sustainable heating media expanded, further increase expected by year-end
Refurbishment projects in Olten and Lausen **completed**, further refurbishment projects are in progress / planning

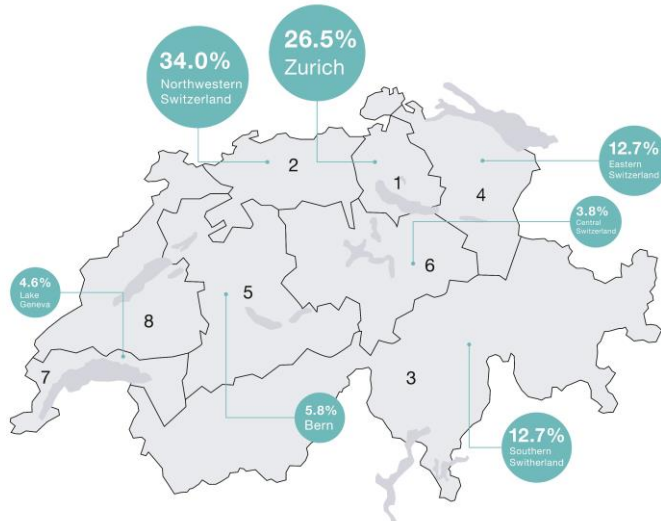
Portfolio



Portfolio Overview

as at 30 June 2023

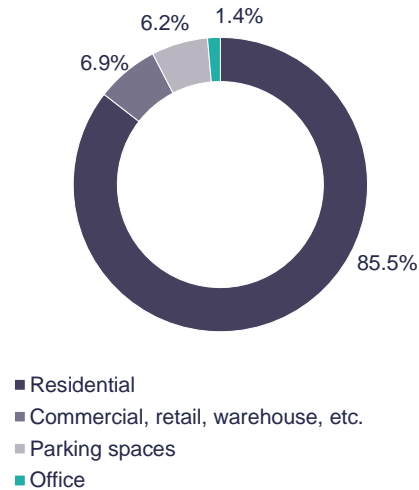
Market Regions



- Measured by market value, around 60% of the assets are still located in the Northwestern Switzerland and Zurich regions
- Western and Central Switzerland and Bern regions still have potential for expansion

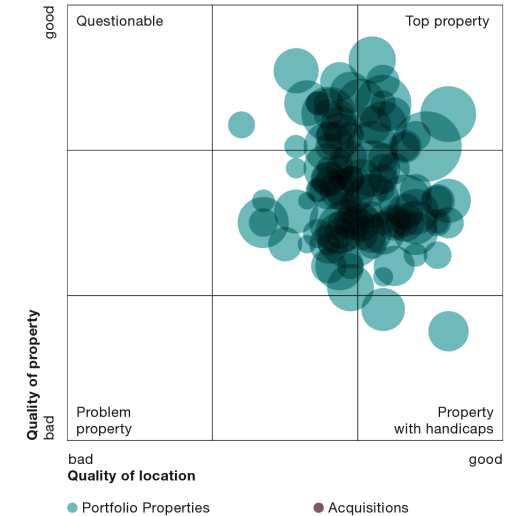
¹ According to Wüest Partner *Standortinformation* 2023/1

Types of Usage



- The residential share is consistently high
- The slight changes are explained by the sale of a purely residential property

Quality of Property and Location



- Wüest Partner assigns the quality of the portfolio's properties and locations 3.6 out of 5.0 points
- Average price per m² of residential space increased from CHF 188 to CHF 190 p.a. (Ø Switzerland CHF 189 per m² p.a.)¹

Conclusion

The high residential share and regional allocation more or less did not change.
The average rent for residential space increased further and is now above the Swiss average

Transactions

Sale

Property	Sale as at	Market Value ¹ in CHF	Sales Price in CHF	Difference in CHF	Difference at market value	Gross Yield at market value	Gross Yield at sales price
Bonaduz GR, Sculmserstrasse 4	30.06.2023	4 635 000	4 400 000	- 235 000	- 5.07%	3.78%	3.99%

Sale after the Balance-sheet Date

Property	Sale as at	Market Value ¹ in CHF	Sales Price in CHF	Difference in CHF	Difference at market value	Gross Yield at market value	Gross Yield at sales price
Bazenheid SG, Spelterinistrasse 16 - 28a	31.08.2023	23 420 000	24 950 000	+ 1 530 000	+ 6.53%	5.47%	5.14%

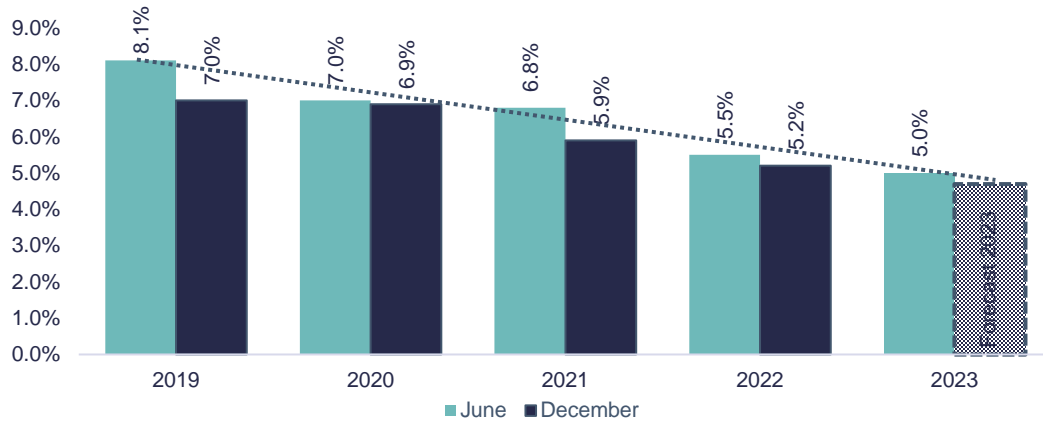
¹ Market value at sale

Portfolio Optimisation

- Portfolio adjustment by selling a smaller property in Eastern Switzerland in order to optimise the management mandate
- Sale of Bazenheid property after the balance-sheet date for a net profit of CHF 1 million

Changes in Vacancy Rates 2019 - 2023

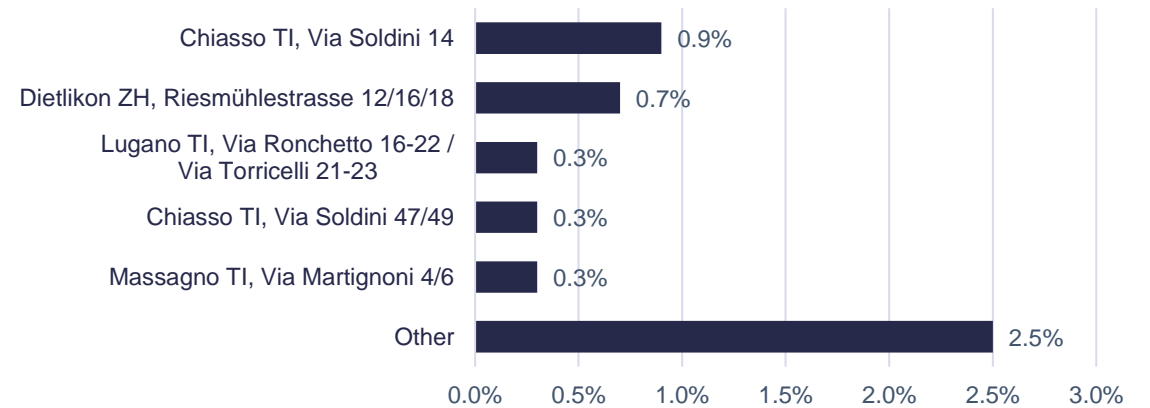
Changes in Vacancy Rates
as at end of period



- Vacancy rates were reduced by another 0.2 percentage points compared to year-end 2022
- following successful lettings of portfolio properties, e.g. in Pratteln or in Via Roncobello in Pregassona
- Like-for-like, the rental income increased by CHF 118 000 or around 0.44%

Property Vacancy Rates

in relation to target net rental income for the portfolio



- Vacancies in Dietlikon due to bankruptcy of a furniture company - negotiations with new tenant are under way
- Highest vacancy rates per property before their refurbishment or due to difficult market conditions
- Other vacancy rates were reduced substantially by 0.6 percentage points compared to year-end 2022

Forecast confirmed, further reduction in vacancy rates expected

Successful lettings of portfolio properties led to a further reduction in the vacancy rate and an overall like-for-like increase in rental income of CHF 118 000.

Investments

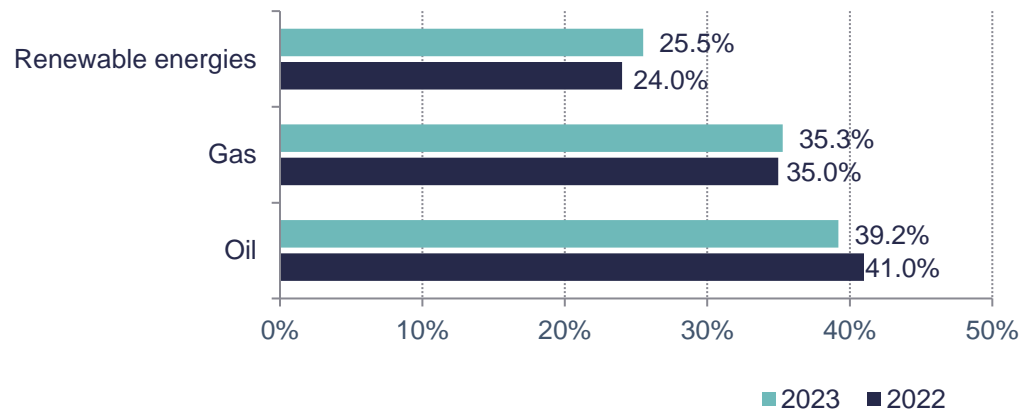
Ongoing / Earmarked Projects	Total in CHF	until 2022 in CHF	2023 in CHF	2024 in CHF	2025 in CHF
Neuhardstrasse 9/11, Olten	6 700 000	4 100 000	2 600 000		
Hofmattstrasse 38-48, Furlenstrasse 42, Lausen	1 100 000	770 000	330 000		
Im First 6/10, Ehrendingen	1 250 000	90 000	1 160 000		
Sundgauerstrasse 2, Luzernerring 148, Basel	3 200 000	20 000	3 180 000		
Rufacherstrasse 8, Basel	2 300 000	20 000	2 280 000		
Via Giuseppe Cattori 5, Locarno	6 450 000	220 000	1 530 000	4 700 000	
Rütistrasse 9/11, Schlieren	6 000 000	100 000	100 000	5 800 000	
Ankengasse 7-15, Wetzikon	8 400 000	130 000	100 000	3 000 000	5 170 000
Dornacherstrasse 270, Laufenstrasse 59, Basel	9 400 000	500 000	500 000	5 000 000	3 400 000
Via Industria 17/17a, Pregassona	23 900 000	250 000	250 000	2 600 000	8 000 000
Total	68 700 000	6 200 000	12 030 000	21 100 000	16 570 000

Projects completed as planned, well-filled pipeline

- The projects in Olten and Lausen could be completed as planned in the first half of 2023
- Renovation projects in Ehrendingen, Locarno and at Rufacherstrasse and Luzernerring in Basel will start in the second half of 2023

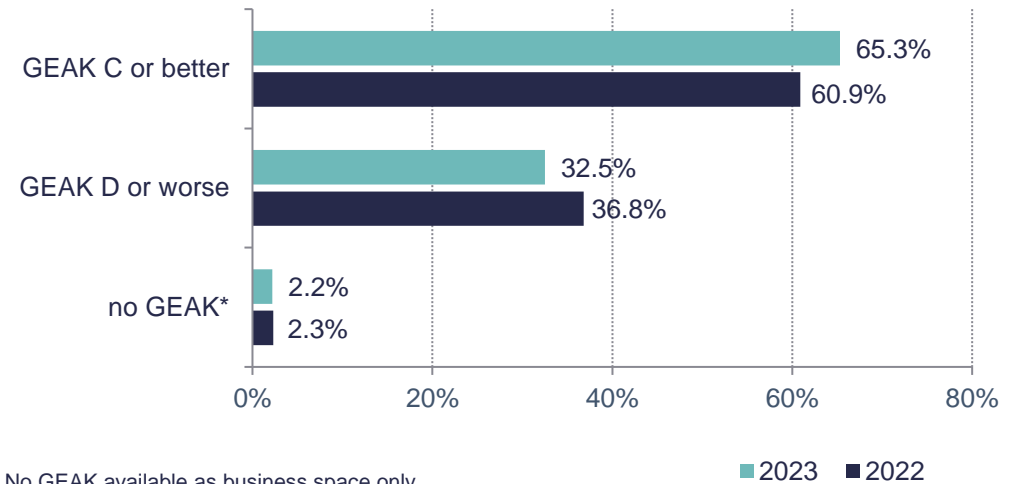
Sustainability Performance

Heating Medium Development at market value as at 30 June 2023



- Fossil heating media was reduced by 1.5 percentage points in total
- Renewable energies are expanded further thanks to ongoing projects. We expect renewables to increase to approx. 30% as at the end of 2023

GEAK Classification Development at market value as at 30 June 2023



* No GEAK available as business space only

- Portfolio's share of strategy-compliant properties (GEAK C or better) was expanded by 4.4 percentage points
- We still expect a share of around 70% GEAK C or better by the end of 2023

Sustainable Progress

The share of documents classified as GEAK C was continuously expanded – according to the reduction path, a further increase is expected in the next years. In addition to total refurbishments, the focus in the current environment falls on the replacement of the heating carriers, i.e. a turning away from fossil fuels.

Portfolio Key Figures

Portfolio Key Figures	30 June 2023	31 Dec. 2022	31 Dec. 2021	31 Dec. 2020
Number of Properties	113	114	108	94
Market Value in CHF	1 522 044 000	1 544 375 000	1 404 604 000	1 160 791 000
Number of Units	8 416 494	8 416 494	8 416 494	7 104 834
Gross Yield	3.79%	3.69%	3.83%	4.09%
Real Discount Rate	2.70%	2.66%	2.79%	2.99%
Nominal Discount Rate	3.98%	3.69%	3.30%	3.51%
Vacancy Rate for Reporting Period	5.94%	5.90%	6.85%	7.69%
Vacancy Rate as at Balance-sheet Date	5.01%	5.17%	5.92%	6.89%

Real discount rate reduction, slight devaluation and vacancy rate reduction

- Real discount rates experience an increase of 4 basis points – slight devaluation by 1.1%
- Given the inflationary environment, nominal discount rates rose again by around 30 basis points
- Vacancy rate was constant throughout the reporting period, but was reduced again as at the balance-sheet date



Financials

Financials at a Glance



Market Value

CHF 1.52 billion

- 1.45%
as at 31 Dec. 2022



TER (GAV)

0.78%

- 0.01 percentage points
as at 30 June 2022



**Net Asset Value
per Unit**

CHF 120.31

- 3.59%
as at 31 Dec. 2022



Rental Income

CHF 26.79 mn

+ 3.57%
as at 30 June 2022



Borrowing Ratio

28.75%

+ 1.31 percentage points
as at 31 Dec. 2022



**Interest on
Debt Financing**

1.21%

+ 0.10 percentage points
as at 31 Dec. 2022

Financials

Key Figures

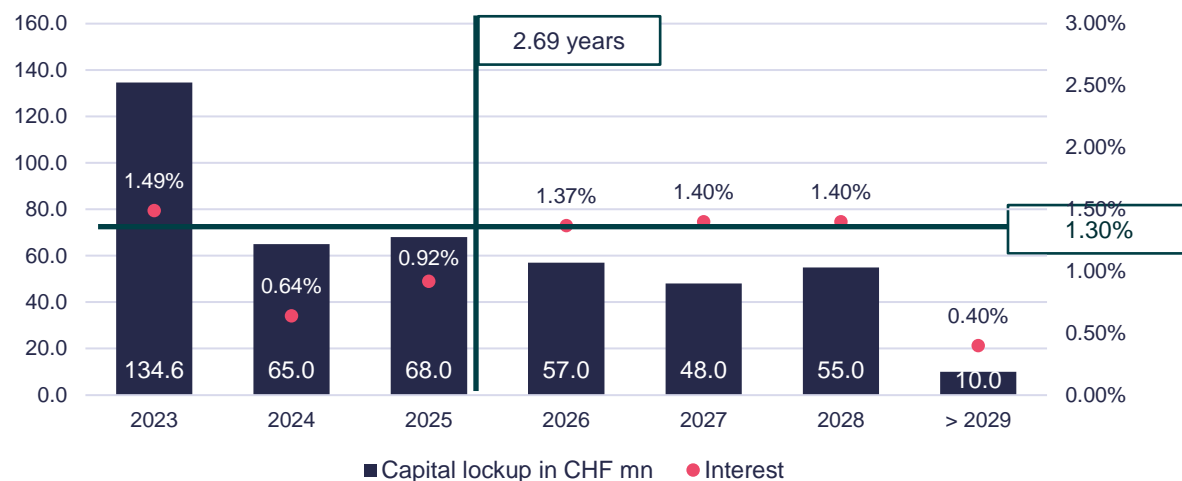
Balance Sheet		30 June 2023	31 Dec. 2022	Δ
Market Value of Properties	CHF	1 522 044 000	1 544 375 000	- 22 331 000
Total Fund Assets	CHF	1 543 001 980	1 567 633 611	- 24 631 631
Borrowing Ratio	%	28.75	27.44	1.31
Net Fund Assets	CHF	1 012 557 312	1 050 288 500	- 37 731 188
Net Asset Value per Unit	CHF	120.31	124.79	- 4.48
Stock Market Price	CHF	115.50	125.90	- 10.40
Premium/Discount	%	- 4.00	0.89	- 4.89

Income Statement		30 June 2023	30 June 2022	Δ
Rental Income	CHF	26 785 189	25 862 607	922 582
Rent Default Rate	%	7.08	6.58	0.50
Maintenance Ratio	%	10.37	9.83	0.54
Operating Cost Ratio	%	10.89	8.56	2.33
EBIT Margin	%	59.60	62.39	- 2.79
Mortgage Interest	CHF	- 2 462 236	- 299 251	- 2 162 985
Net Income	CHF	12 404 407	15 182 500	- 2 778 093
Realised Capital Gains and Losses	CHF	16 592	- 5 942	22 534
Unrealised Capital Gains and Losses	CHF	- 20 694 458	13 869 649	- 34 564 107
Total Profit	CHF	- 8 273 459	29 046 207	- 37 319 666
TER (GAV)	%	0.78	0.79	- 0.01
Investment Yield	%	- 0.81	2.89	- 3.70

Financing and Forecast

Financing

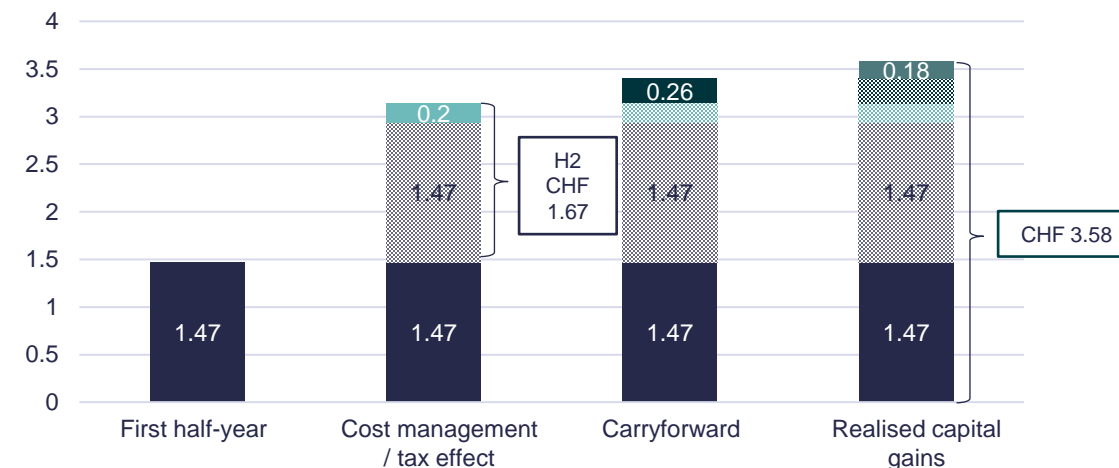
as at 11 August 2023



		31 Dec. 2021	31 Dec. 2022	30 June 2023	11 Aug. 2023
Remaining term of debt financing	Years	1.94	2.52	2.29	2.69
Interest on debt financing as at balance-sheet date	%	0.16	1.11	1.21	1.30

Forecast H2 per Unit

2023 financial year



- 1st half-year burdened by rising interest rates / one-off effects
- Cost management, the correction of the tax effect as well as the reference interest rate adjustment improve the 2nd half-year significantly
- The carryforward as well as realised capital gains stabilise the annual result

Risk-appropriate financing & increase in net income in second half

The risk-weighted fixed-interest period is in the target range of 2.5 to 3.5 years.

The forecast for the year 2023 shows a substantial increase in the second half owing to cost management and the correction of once-off effects



Key Take-aways and Outlook

Key Take-aways and Outlook



Portfolio

The transactions further **improved** the **portfolio quality** while lettings of portfolio properties **reduced the vacancy rates** once again

The **refurbishments / plans** are proceeding **successfully** and are **strengthening** the **future income base**



Financials

Rental income increased by **3.6%** (CHF + 0.92 million), which is **+ CHF 118 000 (0.44%) on a like-for-like basis**

Slight devaluation (- 1.1%) and distribution of CHF 3.50 per unit reduced the **net asset value per unit** to **CHF 120.31** at the end of the half-year

Sharp increase in financing costs had a strong impact on the result in spite of the implementation of the reference rate adjustment. **Carryforwards** earmarked for distribution and **realised capital gains stabilised the result**



Sustainability

GRESB assessment completed in 2023 – results will be available in autumn

Sustainability at portfolio level **improved by completion of refurbishment projects and replacement of heat carriers** – further projects are ongoing / being planned



Outlook

Portfolio: Further **improvement of portfolio quality** through divestments / portfolio optimisation
Focus still falls on **reduction of vacancy rates**. Target: short-term < 5.0%; medium-term < 4.5%

Financials: Consistent cost management and further increases in rental income in the context of refurbishments / tenant fluctuation and increase in reference interest rate are of key importance

Sustainability: **Reduction of CO₂ footprint** through refurbishment, preparation of the **sustainability report** and **analysis** of the **GRESB results**



Appendix

Sale

Bonaduz GR, Sculmserstrasse 4

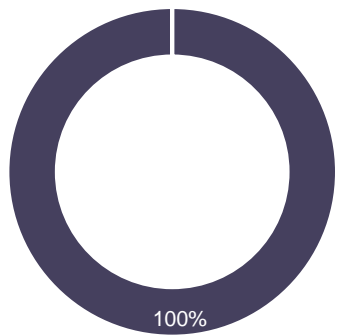
(1/2)

Residential Property

Rental space	757 m ²
Number of units	8 apartments, 13 PS
Year of construction	2008
Sale as at	30 June 2023
Gross yield on sales price	3.99%
Market value	CHF 4 635 000
Sales price	CHF 4 400 000



Rental Income



■ 4.5 room apartment



Sale

Bazenheid SG, Spelterinistrasse 16 – 28a

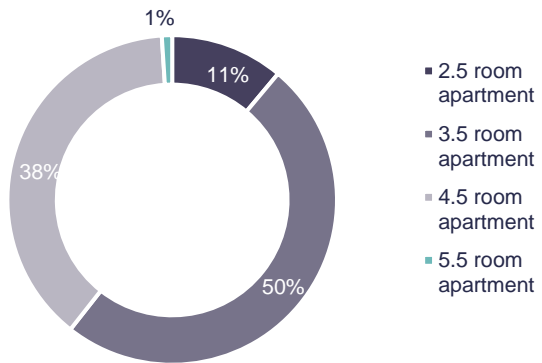
(2/2)

Residential Property, GEAK D

Rental space	7 724 m ²
Number of units	99 apartments, 79 PS
Year of construction	1969, 1971
Sale as at	30 August 2023
Gross yield on sales price	5.14%
Market value	CHF 23 420 000
Sales price	CHF 24 950 000



Mix of Apartments



Ongoing Construction Projects

Locarno TI, Via Giuseppe Cattori 5

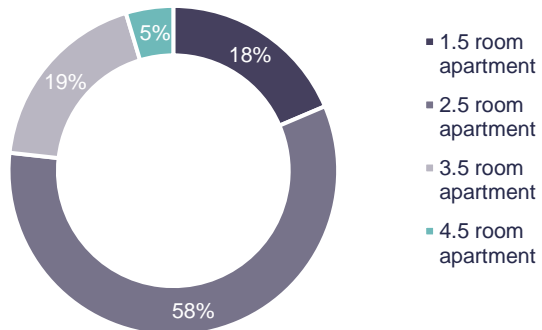
(1/4)

Energy-related and Value-preserving Refurbishment

Rental space	2 388 m ²
Number of units	43 apartments, 1 office, 1 retail space
Start / end of construction	Q3 2023 / Q3 2024
Investment volume	CHF 6 450 000
Market value before / after investment	CHF 8 692 000 / CHF 14 690 610
Gross yield before / after investment	5.18% / 3.89%
Market rent residential before / after investment	CHF 180/m ² p.a. / CHF 250/m ² p.a.
Heating medium / GEAK	Natural gas (at present), heat pump in future / GEAK B/C



Mix of Apartments



Ongoing Construction Projects

Ehrendingen Ltd, Im First 6+10

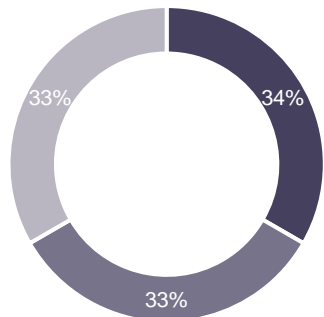
(2/4)

Energy-related Refurbishment

Rental space	2 030 m ²
Number of units	18 apartments
Start / end of construction	Q3 2023 / Q4 2023
Investment volume	CHF 1 250 000
Market value before / after investment	CHF 9 350 000 / CHF 10 550 000
Gross yield before / after investment	3.93% / 3.48%
Market rent residential before / after investment	CHF 203/m ² p.a. / CHF 213/m ² p.a.
Heating medium / GEAK,	oil (existing MEG) in future / GEAK C



Mix of Apartments



- 2.5 room apartment
- 4.5 room apartment
- 5.5 room apartment



Ongoing Construction Projects

Basel BS, Luzernerring 148

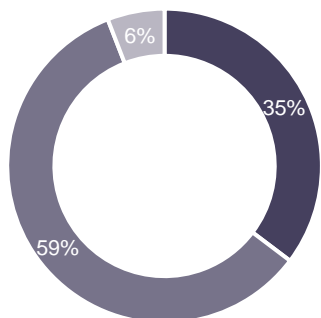
(3/4)

Energy-related and Value-preserving Refurbishment

Rental space	870 m ²
Number of units	17 apartments
Start / end of construction	Q2 2023 / Q4 2023
Investment volume	CHF 3 220 000
Market value before / after investment *	CHF 10 250 000 / CHF 14 890 000
Gross yield before / after investment	3.40% / 2.96%
Market rent residential before / after investment	CHF 121/m ² p.a. / CHF 270/m ² p.a.
Heating medium / GEAK	district heating / at least GEAK C

* Market value for Sundgauerstrasse 2 and Luzernerring 148

Mix of Apartments



- 1.5 room apartment
- 2.5 room apartment
- 4.5 room apartment



Ongoing Construction Projects

Basel BS, Rufacherstrasse 8

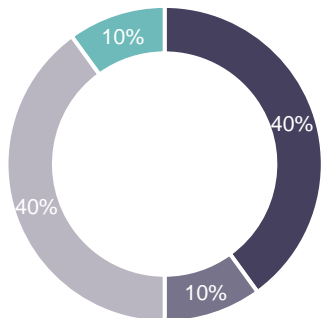
(4/4)

Energy-related and Value-preserving Refurbishment

Rental space	1 184 m ²
Number of units	10 apartments, one each B/G/L, 2 PS
Start / end of construction	Q2 2023 / Q4 2023
Investment volume	CHF 2 290 000
Market value before / after investment	CHF 5 718 000 / CHF 8 166 000
Gross yield before / after investment	3.93% / 3.26%
Market rent residential before / after investment	CHF 218/m ² p.a. / CHF 264/m ² p.a.
Heating medium / GEAK	district heating / at least GEAK C



Mix of Apartments



- 2.0 room apartment
- 2.5 room apartment
- 3.0 room apartment
- 3.5 room apartment



Completed Construction Projects

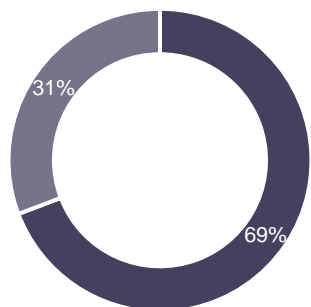
Olten SO, Neuhardstrasse 9/11

Energy-related and Value-preserving Refurbishment

Rental space	2 624 m ²
Number of units	39 apartments, 4 retail, 1 storage
Start / end of construction	Q3 2022 / Q2 2023
Investment volume	CHF 6 700 000
Market value before / after investment	CHF 8 692 000 / CHF 17 670 000
Gross yield before / after investment	5.19% / 3.21%
Market rent residential before / after investment	CHF 177/m ² p.a. / CHF 244/m ² p.a.
Heating medium / GEAK	Natural gas (at present), GEAK B



Mix of Apartments



- 2.0 room apartment
- 3.5 room apartment



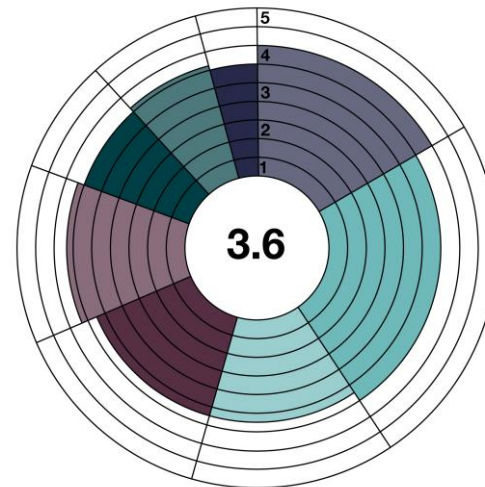
Quality of Property and Location

as at 30 June 2023

Market Matrix



Quality Profile



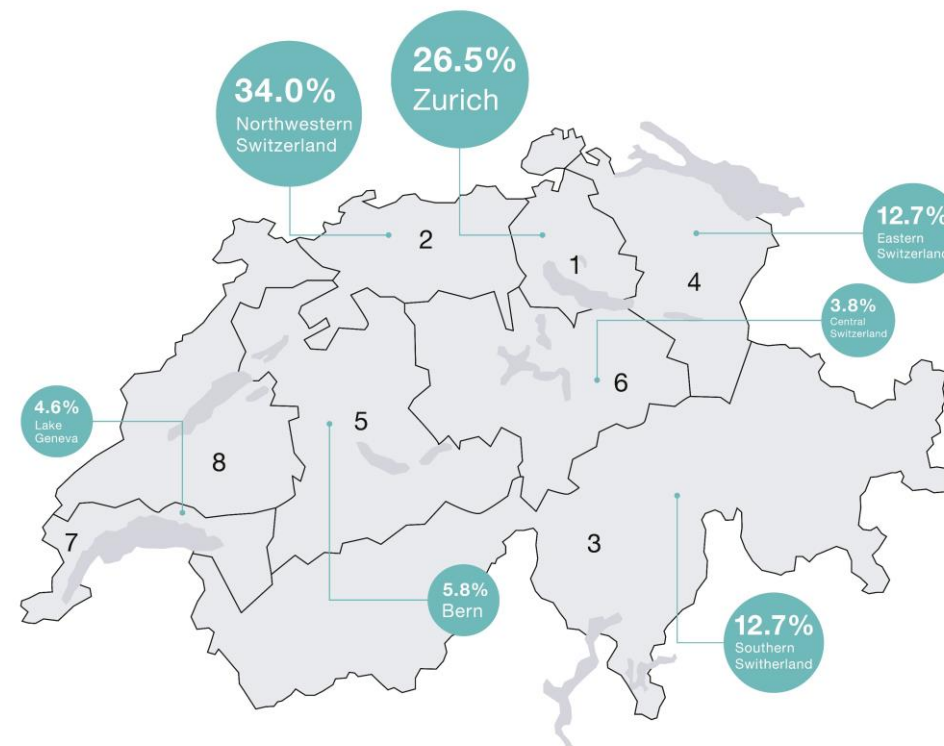
	Rating
Overall Rating	3.6
Location	3.7
Macro location	4.0
Micro location	3.5
Property	3.4
Use	3.3
Standard	3.3
Condition	3.7
Investment	3.6
Lettability	3.5
Saleability	3.6
Yield risk	3.5

Note: 1 = worst rating, 5 = best rating

Distribution by Market Region

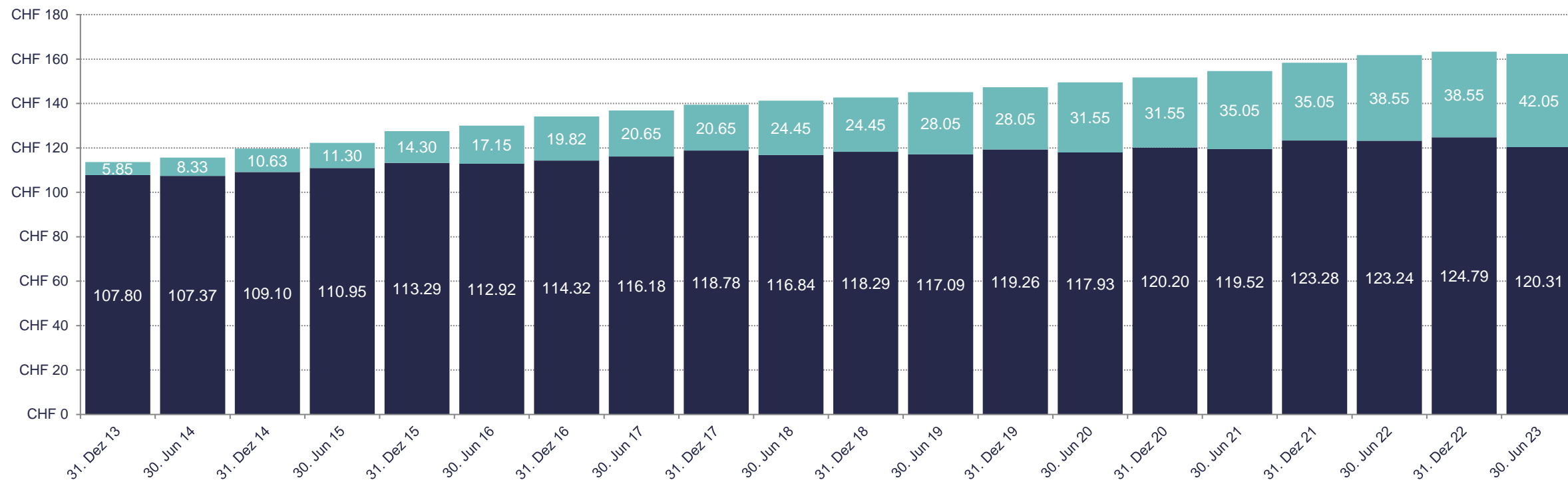
as at 30 June 2023

Region	Market Value in CHF	Market Value in %
Zurich	403 643 000	26.5
Eastern Switzerland	192 717 000	12.7
Central Switzerland	57 911 000	3.8
Northwestern Switzerland	517 355 000	34.0
Bern	88 176 000	5.8
Southern Switzerland	192 775 000	12.7
Lake Geneva	69 467 000	4.6
Western Switzerland	-	-
Total	1 522 044 000	100.0



Changes in Net Asset Value

as at 30 June 2023



- Cumulative distributions totalled CHF 42.05 per unit as at 30 June 2023
- The NAV is CHF 120.31 per unit
- Distribution payout from 2022 operating result is CHF 3.50 per unit

Direct Real Estate Switzerland

Real Estate Funds

	SF Sustainable Property Fund	SF Retail Properties Fund	SF Commercial Properties Fund
AuM as at 30.06.2023	CHF 1 543.0 mn	CHF 897.8 mn	CHF 325.1 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 of ESG), in particular on the improvement of energy efficiency and the reduction of greenhouse gas emissions.	The fund invests in properties with retail space, throughout Switzerland. The assets include the ancillary rooms and associated parking facilities required for the tenant's operations. Besides retail space, these properties may also contain industrial space, offices or apartments. The criteria taken into account for investments include but are not limited to upside potential, tenant creditworthiness, quality of construction and building materials. The long-term objective of the fund is 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. The long-term objective of the fund is 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 30.06.2023	3.79%	5.51%	6.28%
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

Address



Swiss Finance & Property Funds Ltd

Seefeldstrasse 275

CH-8008 Zurich

T +41 43 344 61 31

info@sfp.ch

www.sfp.ch

Disclaimer

The information in this document is confidential and may not be disclosed in or outside Switzerland to any other person without prior approval of Swiss Finance & Property Ltd and/or its affiliates. This document does not constitute an issue and/or an issue prospectus pursuant to Art 652 a and Art 1156 of the Swiss Code of Obligations as well as Art 27 et seqq of the Swiss Listing Rules of SIX Swiss Exchange, a prospectus, the Key Information Document (PRIIPS-KID) according to the Swiss Federal Act on Collective Investment Schemes or a financial research according to the Directives on the Independence of Financial Research of the Swiss Banking Association. The solely binding documents for an investment decision are available from Swiss Finance & Property Ltd and/or its affiliates. This document is a product of Swiss Finance & Property Ltd and/or its affiliated companies. The information and data contained in this document have been obtained from sources believed to be reliable Swiss Finance & Property Ltd and/or its affiliates do not guarantee, represent or warrant, expressly or impliedly, that the information and data in this document are accurate, complete or up to date. All expressions of opinion are subject to change without notice by Swiss Finance & Property Ltd and/or its affiliates Swiss Finance & Property Ltd and/or its affiliates accept no liability, including any liability for incidental or consequential damages, arising out of information and data contained in this document and/or the use of this document. Any proposed terms in this document are indicative only and remain subject to a separate contract. Nothing in this document shall constitute or form part of any legal agreement, or any offer to sell or the solicitation of any offer to buy any securities or other financial instruments or to engage in any transaction Investments in securities or other financial instruments should only be undertaken following a thorough study of the relevant prospectuses, regulations, the basic legal information that these regulations contain and other relevant documents. Investments in securities or other financial instruments can involve significant risks and the value of securities or other financial instruments may rise or fall. No assurance can be given that the investment objective of any investment will be achieved or that substantial losses will not be suffered. Past performance does not guarantee or indicate current or future performance or earnings. The performance shown does not take account of any commissions and costs charged when subscribing and redeeming shares or interests in securities or other financial instruments Swiss Finance & Property Ltd and/or its affiliates do not provide legal, accounting or tax advice. Investors in securities or other financial instruments are advised to engage legal, tax and accounting professionals prior to entering into any investments, transactions or other actions mentioned in this document Swiss Finance & Property Ltd and/or its affiliates may from time to time have positions in, and buy or sell, securities and for other financial instruments identical or related to those mentioned in this document and may possess or have access to non-public information relating to matters referred to in this document which Swiss Finance & Property Ltd and/or its affiliates do not intend to disclose. No person shall be treated as a client of Swiss Finance & Property Ltd and/or its affiliates, or be entitled to the protections afforded to clients of Swiss Finance & Property Ltd and/or its affiliates, solely by virtue of having received this document. Neither this document nor any copy thereof may be sent to or taken into the United States or distributed in the United States or to any US persons or to any other state or territory where such distribution is contradictory to local law or regulation. Any eventual legal relationship resulting from the use of this document is governed by Swiss law. The place of jurisdiction is Zurich, Switzerland. The recipient of this publication and the investor in any financial instrument mentioned herein, respectively, undertakes to keep this publication and its content strictly confidential and not to further distribute it or make it publicly available and to comply with applicable Swiss laws, regulations and rules including but not limited to the Swiss Financial Market Supervisory FINMA guidelines.

© Copyright 2003 - 2023, Swiss Finance & Property Ltd and/or its affiliates. All rights reserved.