



Swiss Finance & Property Funds Ltd

# SF Commercial Properties Fund Semi-annual Report 2023

29 August 2023



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# Key Events in First Half of 2023



# Key Events in First Half of 2023

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## **Sale of Weinfelden**

Sale of property in Weinfelden  
Consideration of further divestments and acquisitions

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## **Reduced Vacancy Rate**

Vacancy rate reduced further  
Annual additional income increased

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## **Stable Letting Situation**

High indexation, good tenant structure and high WAULT

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## **Same Distribution**

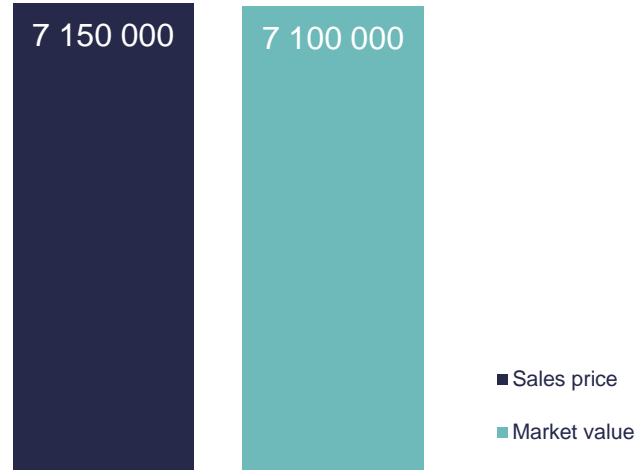
Same distribution of CHF 4.25 per unit, of which CHF 3.15 per unit to be paid out exempt of withholding tax

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# Portfolio



# Transaction



## Sale of property in Weinfelden as at 1<sup>st</sup> January 2023

Comprehensive, non-value-enhancing renovation work is required (approx. CHF 2.0 million by 2025)

Relatively short term for contract with principal tenant (2.5 years)

Negative changes to letting situation are possible (tenant of commercial hall would like to move out immediately)

Negative impact on portfolio's vacancy rate of 0.3 percentage points / effect on portfolio's net income of around CHF - 310 000

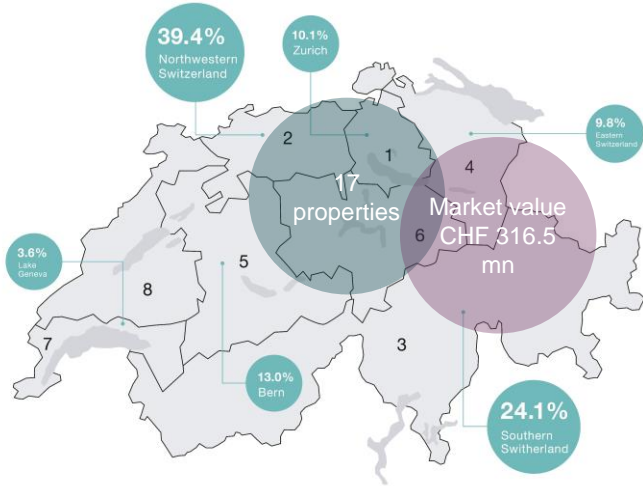
### Transaction

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

# Portfolio Overview

## as at 30 June 2023

### Market Regions



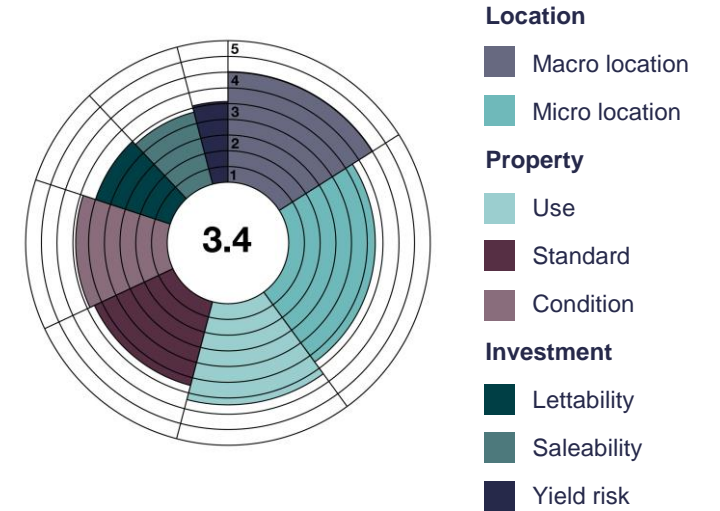
- Mix of all market regions at locations with excellent transport connections along the main traffic routes in Switzerland in accordance with the strategy

### 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

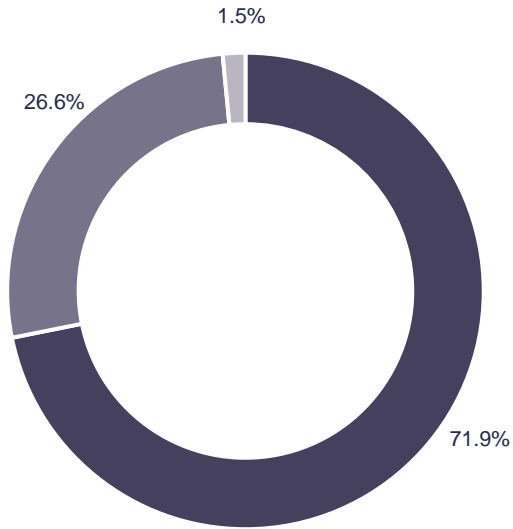
Valuation Wüest Partner as at 30 June 2023

### 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 Weinfelden.

# Portfolio Overview

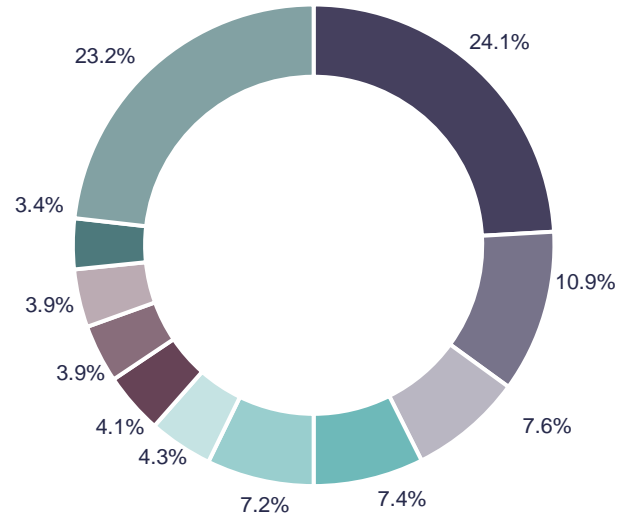
## Types of Usage



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

– Commercial usage types predominate

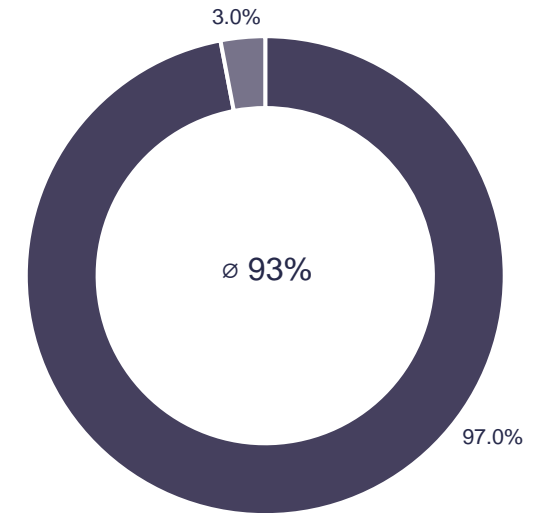
## Sectors



- Logistics
- Wholesale non-food
- Sport/leisure
- Construction sector
- Electrical/watches
- Materials
- Retail non-food
- Other
- Machines
- Public administration
- Metals

– Balanced mix of sectors

## Indexation



- indexed
- not 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

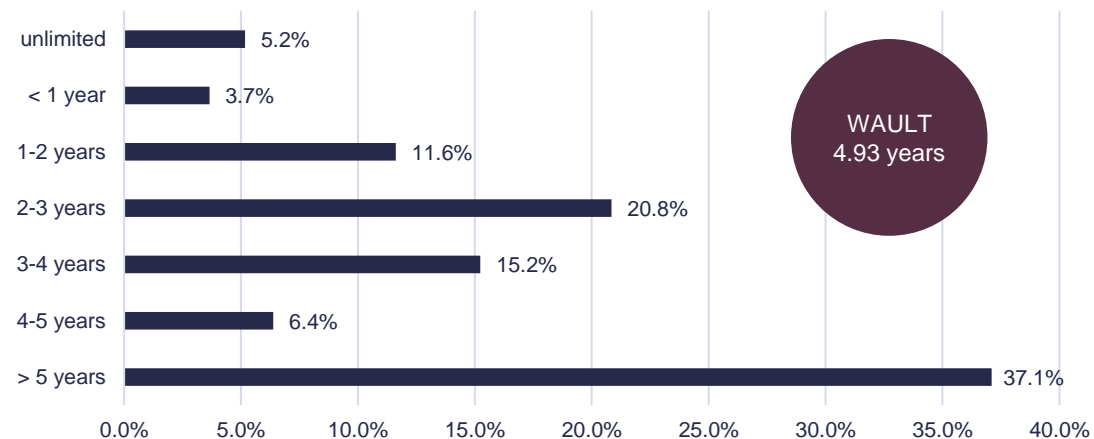
	Share of Rental Income	Term	Tenant
Collina d'Oro	10.8%	2030	Ilapak International SA
Aarau	8.3%	2034	Cargo Service Center Aarau AG
Lyss	6.2%	2025	Planzer Transport AG
Spreitenbach	6.0%	2027	Steffen AG
St. Gallen		2031	Belcolor Flooring AG
Lamone		2025	Datamars SA
Buchs		2031	Jordan Suisse AG
Möhlin		2028	Swiss Fashion Time GmbH
Lamone		2027	SRG SSR @RSI
Meisterschwanden		2035	Estech Industries AG
Buchs		2026	Schulverlag Plus AG
Buchs		2026	Canton of Aargau
Castione		2033	Suncolor SA
Buchs		2026	Government of Aargau
Langenthal		2030	Otto's AG
Allschwil		2026	Agrano AG
<b>30 largest tenants</b>	<b>67.9%</b>		

No important contracts will expire in 2023

## Creditworthiness of 10 Largest Tenants



## Terms for all Rental Contracts

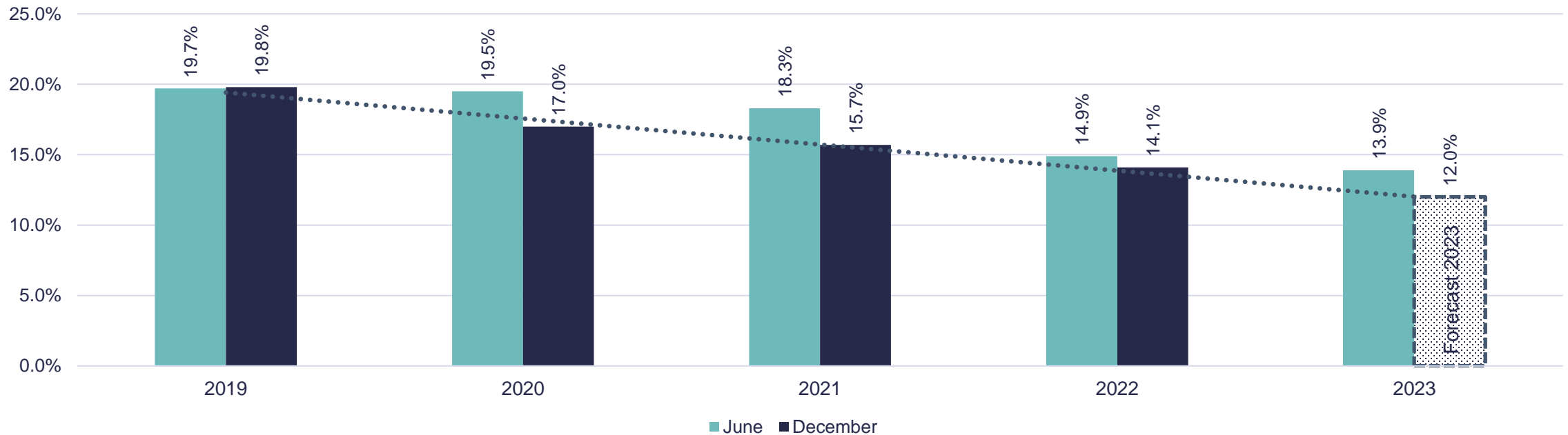


### Stable Tenant Structure

The 30 largest tenants accounting for two-thirds 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

Vacancy rate trend at end of period

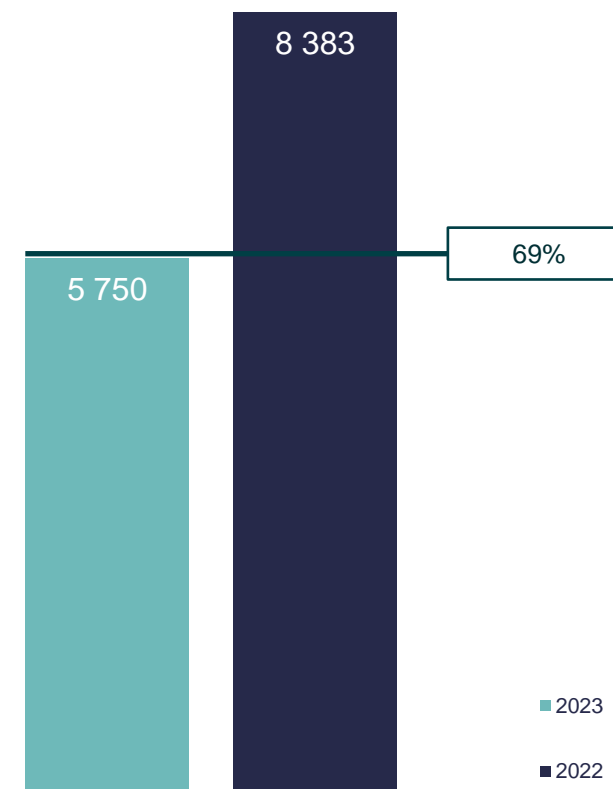


## Vacancy Reduction

In spite of the negative effect on the vacancy rate of the sale of Weinfeld, a number of successful lettings made it possible to reduce the vacancy rate. Based on current negotiations, a further reduction in the vacancy rate can be expected by the end of 2023.

# Lettings and Contract Renewals

	2023 Lettings and Renewals	2022 Lettings and Renewals
Staad	183 m <sup>2</sup>	699 m <sup>2</sup>
Langenthal		220 m <sup>2</sup>
Bubendorf	278 m <sup>2</sup>	
Buchs		748 m <sup>2</sup>
Dietikon	2 261 m <sup>2</sup>	1 151 m <sup>2</sup>
Spreitenbach	678 m <sup>2</sup>	
Castione	2 167 m <sup>2</sup>	1 857 m <sup>2</sup>
Allschwil		314 m <sup>2</sup>
Weinfelden		1 035 m <sup>2</sup>
Lamone	183 m <sup>2</sup>	463 m <sup>2</sup>
Möhlin		1 896 m <sup>2</sup>
<b>Total</b>	<b>5 750 m<sup>2</sup></b>	<b>8 383 m<sup>2</sup></b>



## Successful Lettings

In the first half of 2023, new lets and contract renewals for a total area of around 5 800 m<sup>2</sup> were implemented. This equals two-thirds of the lettings for all of 2022.

# Lettings after the Balance-sheet Date

13.9%

Vacancy rate June 2023

Vacancy rate - 0.3 percentage points

13.6%

Vacancy rate August 2023



Property	Tenant	Floor Area in m <sup>2</sup>	Rent in CHF per year
Dietikon	SwissNRG	293	
Möhlin	Projekt Interim GmbH	464	
<b>Total</b>		<b>757</b>	<b>54 000</b>

## Lettings

Lettings of some 750 m<sup>2</sup> for a total annual rent of around CHF 54 000 result in a vacancy rate of 13.6% in the first quarter of 2023.

# Development Project in Möhlin

## Current



Existing old building is not really lettable

Maximum utilisation has not been achieved

Negotiations with the tenant interested in renting the whole building have been discontinued

Interim rental and search for alternative interested party

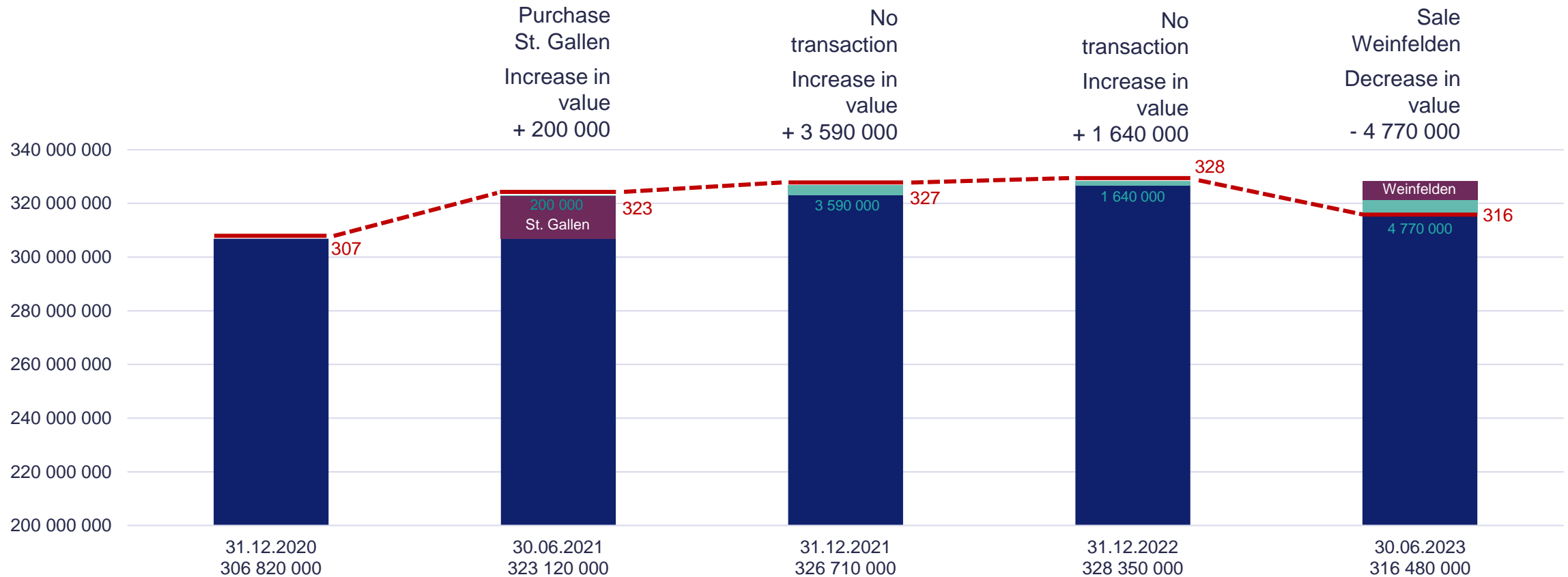
## Target



Logistics building with long-term tenant for the whole building

Potential for using the current building as office space

# Development of Market Value



Valuations Wüest Partner

## Potential

Apart from the acquisition of St. Gallen, the valuation has increased continuously since 2020 thanks to letting successes and cost optimisations. Reduction in 2023 due to the sale of Weinfeld and decrease in value by CHF 4 770 000 or 1.48% owing to the changed market situation and higher discount rates.

# Portfolio Key Figures

Portfolio Key Figures	30 June 2023	31 Dec. 2022	31 Dec. 2021	31 Dec. 2020	31 Dec. 2019
Number of Properties	17	18	18	17	19
Market Value in CHF	316 480 000	328 350 000	326 710 000	306 820 000	321 090 000
Number of Units	2 400 000	2 400 000	2 400 000	2 400 000	2 400 000
Gross Yield	6.28%	6.27%	6.28%	6.46%	6.55%
Real Discount Rate	3.98%	3.94%	3.98%	4.09%	4.17%
Nominal Discount Rate	5.28%	4.98%	4.50%	4.61%	4.69%
Vacancy Rate for Reporting Period	14.58%	14.25%	18.13%	17.00%	19.76%
Vacancy Rate as at Balance-sheet Date	13.91%	14.10%	15.66%	17.24%	20.28%
WAULT in Years	4.93	5.03	5.47	5.81	6.37

## Stable Key Figures, Improved Vacancy Rate

Stable gross yield and WAULT, vacancy rate improved further as at balance-sheet date

# Financials



# Financials at a Glance

and status as at 31 December 2022 / change



**Net Fund Assets**

**CHF 220.61 mn**

CHF 231.97 mn / - 4.89%



**Gross Yield**

**6.28%**

6.27% / + 0.16%



**Rental Income**

**CHF 8.32 mn**

CHF 16.64 mn / 0.00%



**EBIT Margin**

**66.83%**

65.08% / + 2.69%



**Rent Default Rate**

**14.94%**

14.96% / - 0.13%



**Interest on Debt  
Financing**

**1.52%**

1.12% / + 35.71%

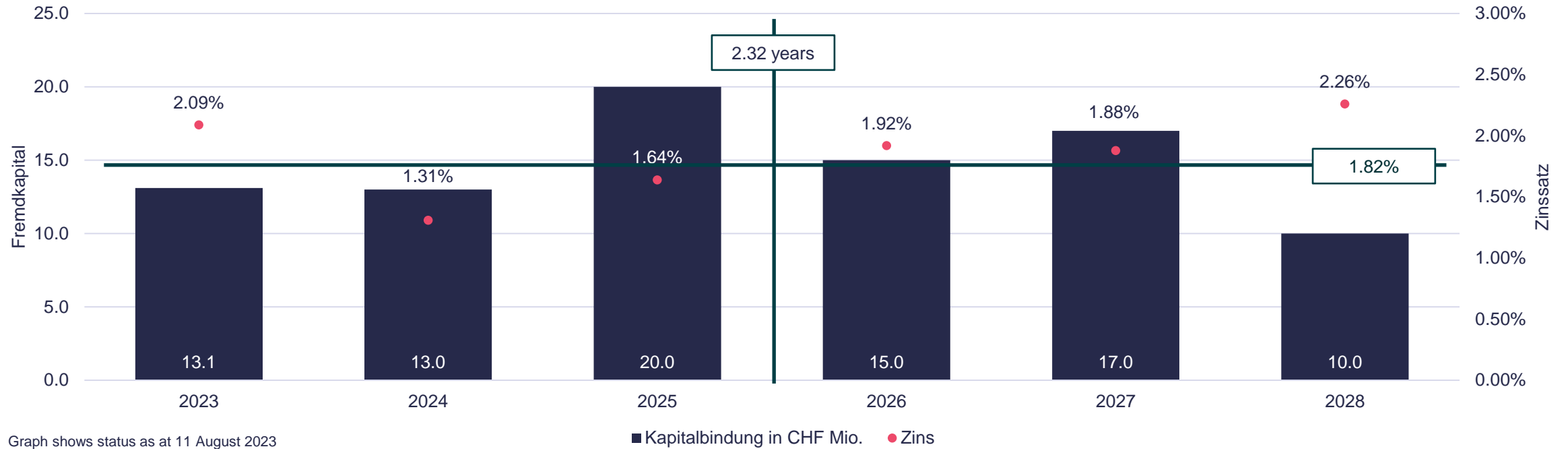
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# Financials

## Key Figures

<b>Balance Sheet</b>		<b>30 June 2023</b>	<b>31 Dec. 2022</b>	<b>Δ</b>
Market value of properties	CHF	316 480 000	328 350 000	-11 870 000
Total fund assets	CHF	325 140 625	333 857 712	-8 717 087
Borrowing ratio	%	27.84	26.77	1.07
Net fund assets	CHF	220 612 582	231 965 859	- 11 353 277
Net asset value per unit	CHF	91.92	96.65	- 4.73
Stock market price	CHF	77.20	84.40	- 7.20
Premium/discount	%	- 16.02	- 12.68	- 3.34
<b>Income Statement</b>		<b>30 June 2023</b>	<b>30 June 2022</b>	<b>Δ</b>
Rental income	CHF	8 320 726	8 158 874	161 852
Rent default rate	%	14.94	15.69	- 0.75
Maintenance ratio	%	7.83	8.05	- 0.22
Operating cost ratio	%	13.35	14.22	- 0.87
EBIT margin	%	66.83	65.08	1.75
Mortgage interest	CHF	637 567	49 299	588 268
Net income	CHF	4 563 721	5 036 096	- 472 375
Realised capital gains and losses	CHF	- 1 402 189	- 1 250	- 1 400 939
Unrealised capital gains and losses	CHF	- 4 314 809	535 832	- 4 850 641
Total profit	CHF	- 1 153 277	5 570 678	- 6 723 955
TER (GAV)	%	0.93	0.94	- 0.01
Investment yield	%	- 0.52	2.48	- 3.00

# Financing

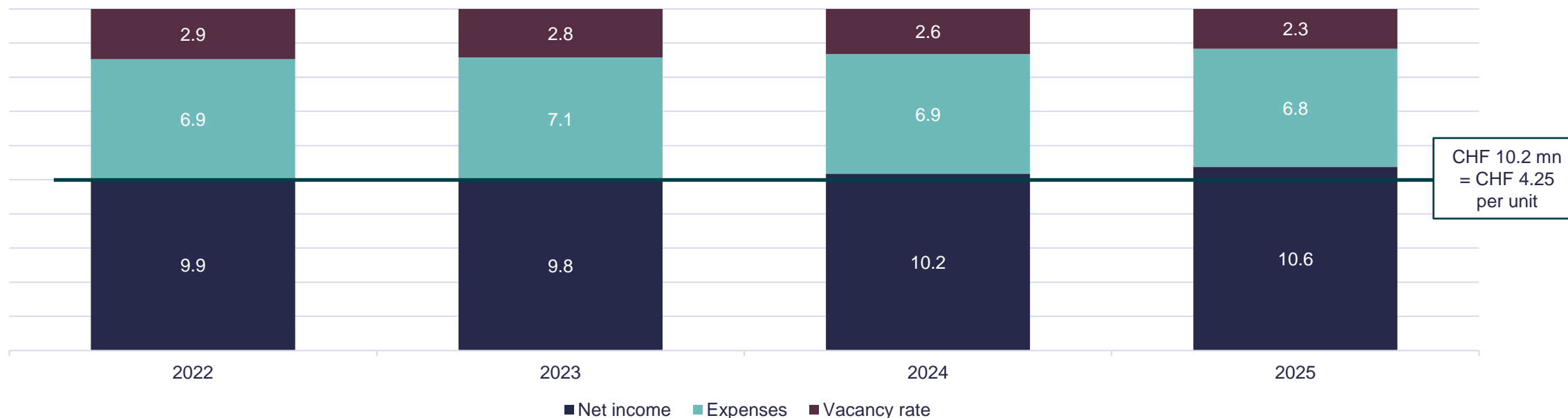


		31 Dec. 2021	31 Dec. 2022	30 June 2023	11 Aug. 2023
Remaining term of debt financing	Years	0.08	0.83	1.47	2.32
Interest on debt financing as at balance-sheet date	%	0.10	1.12	1.52	1.82

## Risk-appropriate Financing

Permanent asset/liability analysis to ensure risk-appropriate fixed-interest period. Current fixed-interest period falls exactly within the target range of 1.5 - 2.5 years.

# Distribution Funding Ratio



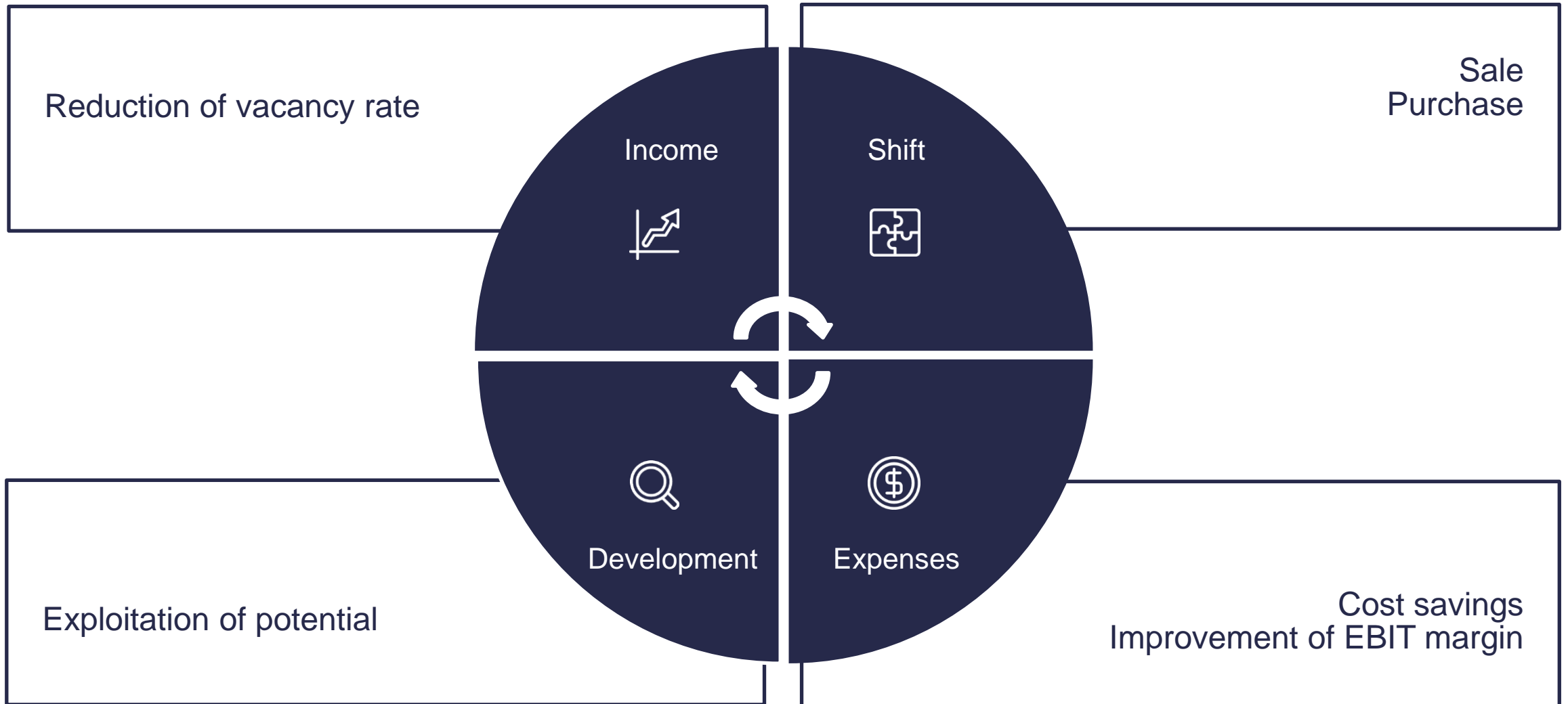
		2022	2023	2024	2025
Vacancy rate	CHF million	2.9	2.8	2.6	2.3
Expenses	CHF million	6.9	7.1	6.9	6.8
Net income	CHF million	9.9	9.8	10.2	10.6

Assumption: Total income is the same (rent adjustments are not taken into consideration)

## Distribution Funding Ratio

The current distribution payout ratio is slightly above 100%. The forecast for the development of the portfolio income and expenses means that it is likely that distributions can be paid from the operating result from 2024.

# Medium-term Strategy





## Key Take-aways and Outlook

# Key Take-aways and Outlook

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	<b>Sale of Weinfelden</b>	Risk minimisation Sale above market value
 <b>Portfolio</b>	<b>Attractive Portfolio</b>	17 properties, market value of CHF 316 mn Stable letting situation, high indexation
	<b>Vacancy Rate</b>	Reduction of vacancy rate to 13.9% Reduction in spite of Weinfelden sale
	<b>Stable Distribution</b>	CHF 4.25 per unit for 2022 Same distribution planned for 2023
 <b>Financials</b>		
 <b>Outlook</b>	<b>Letting</b>	Additional income due to reduction of vacancy rate
	<b>Development Potential</b>	Realisation of development project in Möhlin
	<b>Portfolio Shift</b>	Optimisation through divestments and acquisitions

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# Appendix



# 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

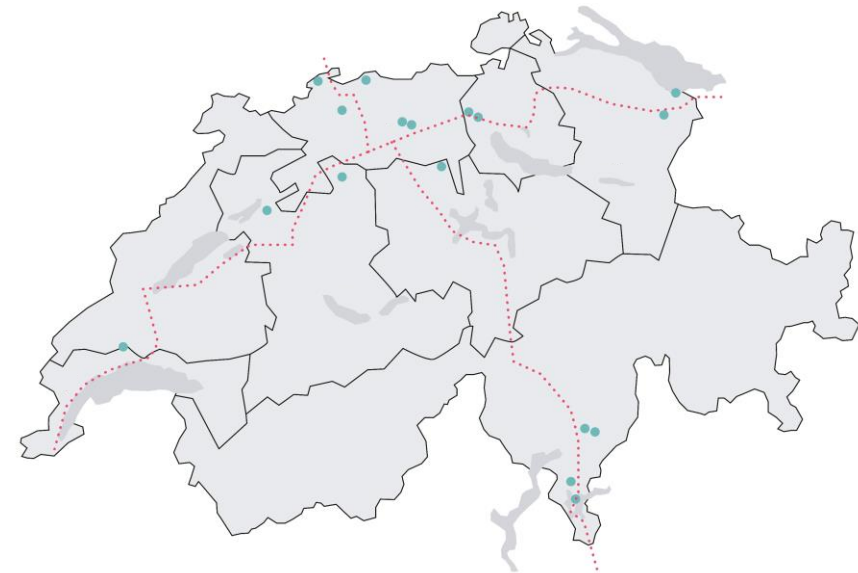
## Lamone



Attractive architecture

# Distribution by Market Region

Region	Market value in CHF	Market value in %
1 Northwestern Switzerland	124 790 000	39.4
2 Bern	41 110 000	13.0
3 Zurich	31 950 000	10.1
4 Southern Switzerland	76 420 000	24.1
5 Eastern Switzerland	31 150 000	9.8
6 Lake Geneva	11 060 000	3.6
<b>Total</b>	<b>316 480 000</b>	<b>100.0</b>



According to Wüest Partner as at 30 June 2023

Swiss Finance & Property Funds Ltd

# 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



Dietikon, Lerzenstrasse 10



Lamone, Via Industria 16



Langenthal, Gaswerkstrasse 33-35



Lyss, Industriering 17

# Properties

## SF Commercial Properties Fund



# Changes in Net Asset Value

## as at 30 June 2023



- Cumulative distributions totalled CHF 25.50 per unit as at 30 June 2023
- The net asset value (NAV) was CHF 91.92 per unit as at 30 June 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
<b>AuM</b> as at 30.06.2023	CHF 1 543.0 mn	CHF 897.8 mn	CHF 325.1 mn
<b>Investment focus</b>	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.
<b>Gross yield</b> at portfolio level as at 30.06.2023	3.79%	5.51%	6.28%
<b>Launch</b>	27 December 2010	6 August 2015	13 December 2016
<b>Bloomberg code</b>	SFPF SW	SFR SW	SFC SW
<b>Listing</b>	SIX Swiss Exchange 17 November 2014	SIX Swiss Exchange 3 October 2017	SIX Swiss Exchange 24 November 2017
<b>Securities number / ISIN</b>	12 079 125 / CH0120791253	28 508 745 / CH0285087455	34 479 969 / CH0344799694

# Address



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