

Press release, 17 March 2023
Ad hoc announcement pursuant to Art. 53 LR

Swiss Central City Real Estate Fund has further expanded the portfolio in 2022 and achieved solid results

- Real estate portfolio further expanded through acquisitions of nine attractive properties and one condominium unit
- Market value of the portfolio increased by 28% to CHF 614.8 million as of 31 December 2022
- Target rental income of the investment properties rose by 20% to CHF 19.5 million p.a.
- Swiss Central City Real Estate Fund to become signatory of UN-PRI (Principles for Responsible Investment) in 2023
- Distribution of CHF 2.50 per fund unit with payment on 30 March 2023
- Further strategic purchases to expand portfolio and investments to optimise and fully exploit the potential of the portfolio

The Swiss Central City Real Estate Fund (SIX Swiss Exchange: CITY) closes the financial year 2022 with solid results. During the reporting period, the real estate portfolio was expanded by nine attractive properties and one condominium unit, at central locations in Basel, St. Gallen, Lucerne and Geneva. The market value of the portfolio increased by 28% to CHF 614.8 million in 2022 (31.12.2021: CHF 479.1 million).

As at 31 December 2022, target rental income excluding projects increased by CHF 3.2 million and 20%, respectively, to CHF 19.5 million (31.12.2021: CHF 16.2 million). Two projects acquired in St. Gallen, Felsenstrasse 84 and Unterer Graben 9, offer further already secured higher rent potential of about CHF 0.4 million, which will be realised by 2024. In addition, the rent default rate was successfully lowered to 4.7% (excluding projects) as of 31 December 2022, compared with 6.7% in the previous year. The ratio of residential use in the real estate portfolio is about 50% at the end of 2022.

Details on the 2022 annual financial statements

Income statement

In the financial year 2022, rental income increased by 31% to CHF 17.7 million (2021: CHF 13.5 million) as a result of the further portfolio expansion in the reporting year as well as in the previous year. Of the nine properties acquired during 2022, five were added to the portfolio in the first half of 2022 and have contributed a total of CHF 1.6 million to rental income since acquisition. Four other properties and the condominium unit were acquired in the second half of 2022; these properties will fully develop their earnings potential in the 2023 reporting year.

Net income reached CHF 9.5 million in 2022 (2021: CHF 9.7 million). The fund's EBIT margin was at 64.0% for the reporting year (2021: 70.3%). The valuation of the portfolio by the independent valuation expert Wüest Partner AG resulted in an unrealised profit of CHF 10.3 million (2021: CHF 7.8 million), mainly due to valuation gains on various acquired properties, a renewed reduction in discount rates by the independent valuation expert as well as further targeted investments in the ongoing project in Zurich Luisenstrasse 40. Total income for the 2022 reporting year was CHF 15.6 million (2021: CHF 15.5 million).

Balance sheet

In 2022, the gross asset value increased by about 28% to CHF 622.2 million (31.12.2021: CHF 485.0 million). Net fund assets increased to CHF 422.0 million from CHF 415.9 million in the previous year. Accordingly, a net asset value of CHF 110.99 per fund unit was reported as at 31 December 2022 (31.12.2021: CHF 109.39 per fund unit).

The number of fund units remained unchanged in the reporting year 2022 compared to the previous year at 3,802,070.

At the end of 2022, the borrowing ratio was 29.4% (31.12.2021: 11.1%). The estimated liquidation taxes amounted to CHF 10.2 million or 1.6% of the gross asset value in the reporting year 2022.

Sustainability

The Swiss Central City Real Estate Fund will sign the Principles for Responsible Investment (UN-PRI) in 2023. In the reporting year 2022, consumption data for the portfolio was recorded for the first time and the CO₂ and energy intensities calculated on that basis. This enabled initial scenarios to be established for the future reduction path to achieve the 1.5°C target. Furthermore, the Fund participated in the PACTA 2022 test (Paris Agreement Capital Transition Assessment) in the reporting year and did a GRESB gap analysis to prepare for a GRESB assessment in 2023.

Distribution of CHF 2.50 per fund unit

A total amount of CHF 9.5 million will be distributed for the 2022 financial year, equal to CHF 2.50 per fund unit (2021: CHF 9.5 million and CHF 2.50 per fund unit). The payout ratio is 99.98%. The payout will occur on 30 March 2023.

Outlook 2023

The economic development in Switzerland remains difficult to assess for 2023, due to the ongoing war in Ukraine, the associated high commodity prices and other geopolitical risks. The State Secretariat for Economic Affairs (SECO) and the Swiss National Bank expect below-average economic growth in Switzerland for the current year. In addition, the inflation rate is expected to be at a higher level in the medium term than in previous years.

The transaction market for Swiss properties remains challenging, partly due to the rise in interest rates. However, market demand for rental apartments is likely to remain high due to continuing immigration and a limited construction activity. With a portfolio comprising a residential component of about 50%, the Swiss Central City Real Estate Fund has a robust business model. The central locations of the properties and growing demand for inner-city living space support a positive development. The aim is to have a more earnings-oriented portfolio expansion in future with further strategic purchases and investments to optimise and fully exploit the potential of the current portfolio.

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Key Figures Fiscal Year 2022

Balance Sheet		31.12.2022	31.12.2021	Change
Market value of properties	CHF	614,818,000	479,133,000	+28 %
Average discount rate	%	2.38	2.52	-0.14 PP
Gross asset value (GAV)	CHF	622,217,713	485,032,639	+28 %
Net fund assets (NAV)	CHF	421,998,492	415,926,839	+1 %
Net asset value per fund unit	CHF	110.99	109.39	+1 %
Fund units at the end of the reporting period	Units	3,802,070	3,802,070	+/-0 %
Borrowing ratio	%	29.45	11.10	+18.35 PP
Gearing	%	32.18	14.25	+17.93 PP
Interest on debt capital	%	1.11	0.83	+0.28 PP
Weighted average term of debt	Years	0.78	3.13	-2.35 years
Income Statement		01.01.-31.12.2022	01.01.-31.12.2021	
Rental income	CHF	17,708,403	13,518,622	+31 %
Total operating income	CHF	17,937,134	16,345,537	+10 %
Total expenses	CHF	8,430,021	6,628,325	+27 %
Net income	CHF	9,507,113	9,717,213	-2 %
Total income	CHF	15,576,828	15,453,074	+1 %
Yields / Margins		31.12.2022	31.12.2021	
EBIT margin	%	64.05	70.27	-6.22 PP
Return on equity (ROE)	%	3.75	3.81	-0.06 PP
Distribution per fund unit	CHF	2.50	2.50	+/-0 %
Total amount of distribution	CHF	9,505,175	9,505,175	+/-0 %
Payout ratio	%	99.98	97.82	+2.16 PP

The audited Annual Report 2022 (in German) as well as a Summary Report in English are available on the Nova Property Fund Management AG website at:

<https://www.novaproperty.ch/en/real-estate-fund/swiss-central-city-real-estate-fund/download-center/publications/>

The Annual Report 2022 (German version) is also available on www.swissfunddata.ch

Swiss Central City Real Estate Fund

The Swiss Central City Real Estate Fund invests in properties in prime locations in the major economic centres in Switzerland. The key criteria are centrality of the property, good accessibility, stable cash flows and a product profile geared to the needs of the tenants.

SIX Swiss Exchange listed; Security number 44414255; ISIN CH0444142555; Symbol CITY

Nova Property Fund Management AG

Nova Property Fund Management AG is a fund management company authorised by the Swiss Financial Market Supervisory Authority FINMA on 5 November 2018 with its registered office in Pfäffikon SZ and has been active in the fund business since that date. This includes the establishment, management and administration of collective investment schemes under Swiss law and the distribution of the self-managed funds. In addition, the company provides investment advice to real estate investment companies and investment foundations with a focus on real

estate. With its five portfolios, the owner-managed fund management company currently covers the entire Swiss real estate market for residential and commercial properties. These portfolios include Novavest Real Estate AG (SIX Swiss Exchange: NREN), SenioResidenz AG (BX Swiss AG: SENIO), Swiss Central City Real Estate Fund (SIX Swiss Exchange: CITY), 1291 Die Schweizer Anlagestiftung (KGAST member) and Central Real Estate Holding AG (including its subsidiary Rhystadt AG), which together hold well over CHF 3.8 billion in Swiss real estate assets.

Disclaimer

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