

Q3 2011

# BPT Secura A/S Quarterly Fund Report



- NAV increases to DKK 201.2
- Property yields slowly increasing
- Vacancy slowly decreasing
- Selection of real estate agency for property divestment

## COMMENTARY

BPT Secura is a direct real estate fund covering commercial property in Lithuania, Latvia and Estonia. The fund is targeted towards institutional investors and should be seen as a medium-term investment product.

The fund's NAV increased to 201.2 DKK per share in Q3. From the beginning of the year when the NAV was at 196.8 DKK per share, the annualized return is 3.0%. Rental income and thus yields on the properties showed good improvements in Q3 stemming from increasing occupancy. However the improvements are not so strong to enable catching the budgetary targets made for the entire year.

## ACTIVITIES OVER THE QUARTER

Property performance in Q3 improved compared to the two previous quarters. Direct property yield reached 7.3% whereas in Q1 and Q2 the yield was 6.5% and 7.0% respectively. Average occupancy during Q3 was 91.7% - lower than budgeted, but generally improving compared to the first half of this year.

Net rental income for the quarter amounted to DKK 13.6m, which was 5% less than budgeted, but an improvement on both prior quarters resulting from the slow increase in the overall rental rate and occupancy. On a YTD basis, the net rental income reached DKK 38.7m.

During the quarter, all remaining loans in the amount of EUR 23.1m that required renewal by the end of this year were successfully refinanced. The levels of interest rates in the refinanced loans were substantially lower than in the previous loans (approximately 130 – 160 basis points). This will clearly result in lower financial costs for the Fund in the coming quarters (anticipated saving of between DKK 2 – 2.5m per annum).

The net profit YTD at the end of Q3 amounted to DKK 14.9m. The new estimated net operating profit for the full year of 2011 is DKK 21.7m (originally budgeted as DKK 25.3m), without taking into account any fluctuation on the value of the properties. The properties are valued at the end of each year by an independent valuator.

Three highlights in the changes of performance of properties, determined by their increase in net rental income,

## Fund Performance

NAV per share	DKK 201.21
Latest dividend per share (paid out 2008)	DKK 7.00
Total return since inception	162.8%
Return since inception annualised	12.0%

## Portfolio

Number of properties	11
Average gross property value	DKK 95.6m
Occupancy ratio (quarter average)	91.7%

## Fund facts

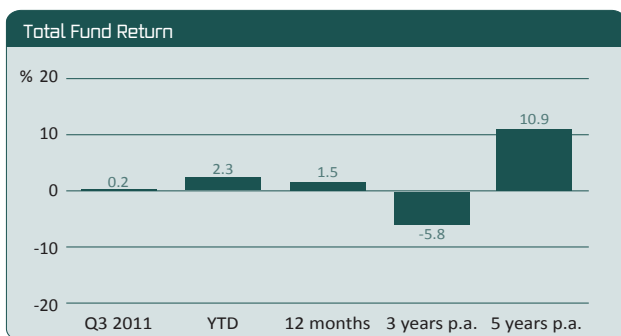
Fund inception (as of the first NAV)	March 2003
Expected exit	postponed to 2013
Status	Closed-end, closed for investments
Total share capital	DKK 300.0m (fully invested)
Net asset value (total equity)	DKK 603.6m
Investment capacity	DKK 750.0m
Gross property value	DKK 1,051.5m
Gross asset value (GAV)	DKK 1,092.1m
Total cash and cash equivalents	DKK 22.6m
Loans	DKK 386.7m
Loan to value	36.8%
Interest coverage	251.9%

## Contacts

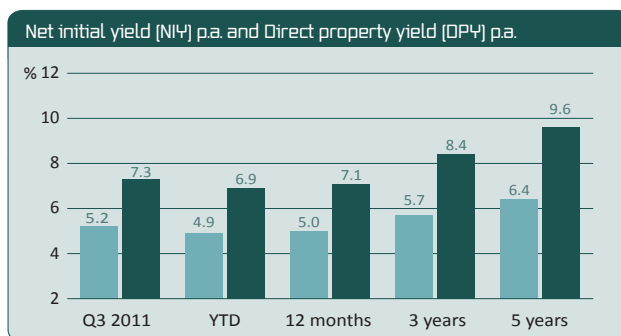


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Total fund return is calculated as NAV-to-NAV taking into account distributed dividend and net capital invested for the year.

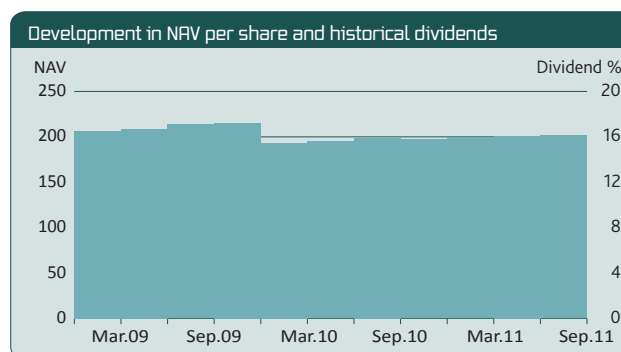


NIY (light blue) is calculated as the net operating income divided by gross property value annualized. DPY (dark green) is calculated as the net operating income divided by the acquisition costs annualized.

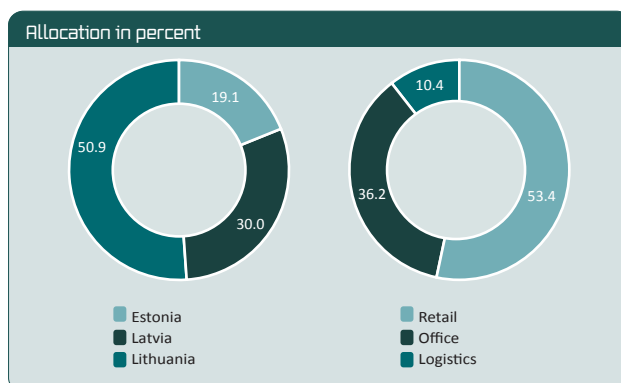
during Q3 compared to Q2 are:

- the Europa SC in Vilnius: a combination of an increased net rental yield from 5.7% to 6.2% and significantly reduced direct cost ratio indicates a positive change to the performance of this property which should continue in future quarters, and because of its dominance in the portfolio, causes a positive impact on the performance of the Fund;
- the Kalku office building in Riga: an increase in occupancy from an average of 51% in Q2 to 59% in Q3 starkly improved the yield performance of this building; and
- the Ravala office building in Tallinn: provided a steady growth in its net rental yield back to a quarterly average of 12%.

The exit plan of the Fund is gaining momentum as well with the decision to seek the assistance of an internationally recognized real estate agency in divesting the whole portfolio or parts of the portfolio in stages. As soon as properties commence to be sold, excess cash balances after settling loan commitments against the sold properties would be distributed to the shareholders. The appointment of the real estate agency should occur during Q4 and their mandate will be to create the optimal exit strategy bearing in mind the investor sentiment for Baltic properties.



Development in NAV (light blue) is excluding reinvested dividends. Historical dividends (none in the period) are shown at the time they are deducted from the NAV per share.



Allocation is calculated based on gross property value.

### MARKET OUTLOOK

The trend of improving yield levels in the properties (especially retail) should continue in the next quarters despite the current debt turmoil in the euro zone markets. The general consensus is that while southern Europe struggles to cope with their public finances, northern Europe will be less affected. The Baltic States are increasingly being associated with the greater Scandinavian region and therefore are likely to continue seeing growth in their economies in the coming quarters. Baltic GDP growth levels have continually improved throughout 2011, especially in Estonia and Lithuania, coupled with remarkable decreases in unemployment (especially Estonia). The consensus for the Baltic economies in the next quarters is that GDP growth will decelerate as a result of the euro zone crisis, but would not go recessive.

The retail market in the Baltic countries has shown stable signs of recovery since the middle of 2010. The previous fall in retail trade turnover came to a halt in early 2010 and turnover has increased steadily from the start of 2011.

Property Name	Sector	Location
Europa	Retail	Vilnius, Lithuania
Valdemara	Office	Riga, Latvia
Rävala	Office	Tallinn, Estonia
Zariju	Logistics	Vilnius, Lithuania
Kalku	Office	Riga, Latvia
Weight of total gross property value		79.2%

Top 5 holdings is based on gross property value.

Management fee	0.8% of gross asset value p.a.
Incentive fee	40% of increase in net operating profit before tax

With gradually increasing wages and slowly diminishing unemployment in the Baltic countries, private consumption has been on an upward trend throughout 2011. This will bode well for the Fund especially because of the Europa SC where many of the leases are now based on a turnover percentage formula.

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