

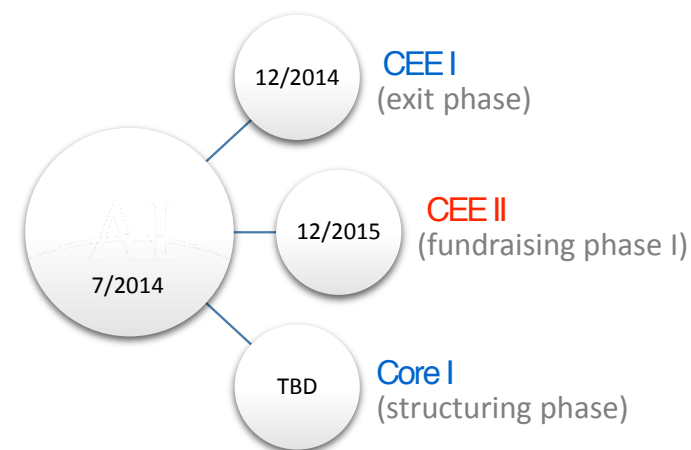


Czech Republic: High Yield Real Estate Investments in Central Europe

Know your fund manager, know your investments.

ABOUT US

- Our fund is a **licensed SICAV** structure, in **compliance** with the EU legal framework and under **supervision of the National Bank**.
- We are a **proactive investment and asset manager** focused on **high yielding assets with capital appreciation potential**.
- To diversify, we **operate** in all traditional real estate segments – **residential, office, retail, industrial and logistics**.

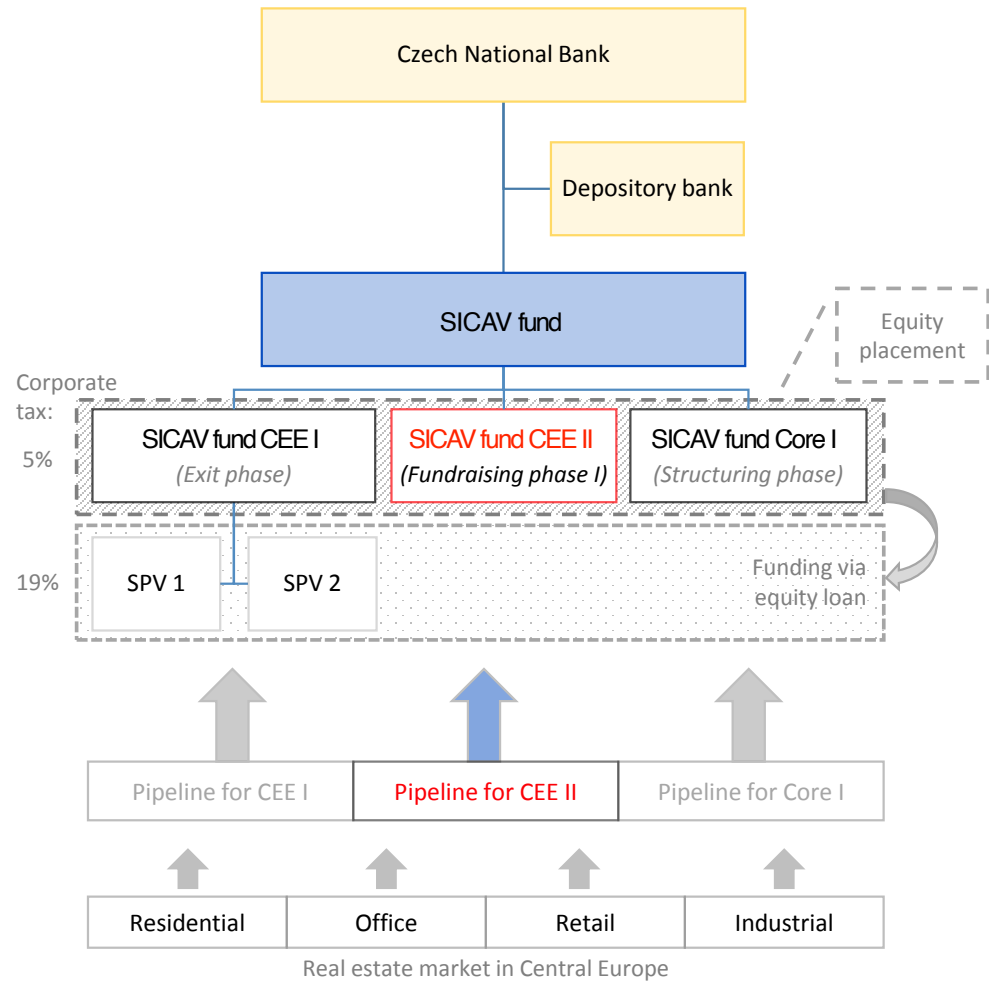


OUR COMMITMENT

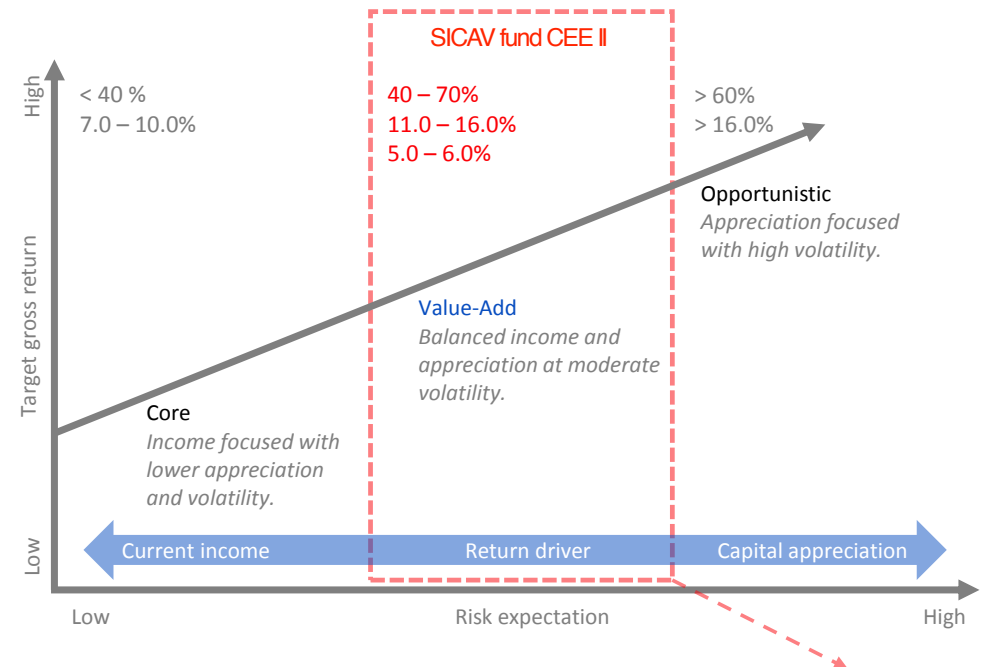
STABILITY, PERFORMANCE AND ENDURING VALUE

- **High Yield Real Estate** Investments in **Central Europe**.
- **Target** to raise **€ 100M**; **10% already committed** by general partners.
- **Tangible deal pipeline** in place for Phase 1 investments (soft close target).
- Team with **local expertise** and sourcing **off-market deals**, supported by the **top tier advisors** (e.g. Deloitte, EY and KPMG).
- Estimated **annualized returns** in range of **10 – 13%** through 5-year investment period.
- **Dividend** distributions on **semi-annual** basis prior to exit, **hurdle rate** of **6%** p.a.



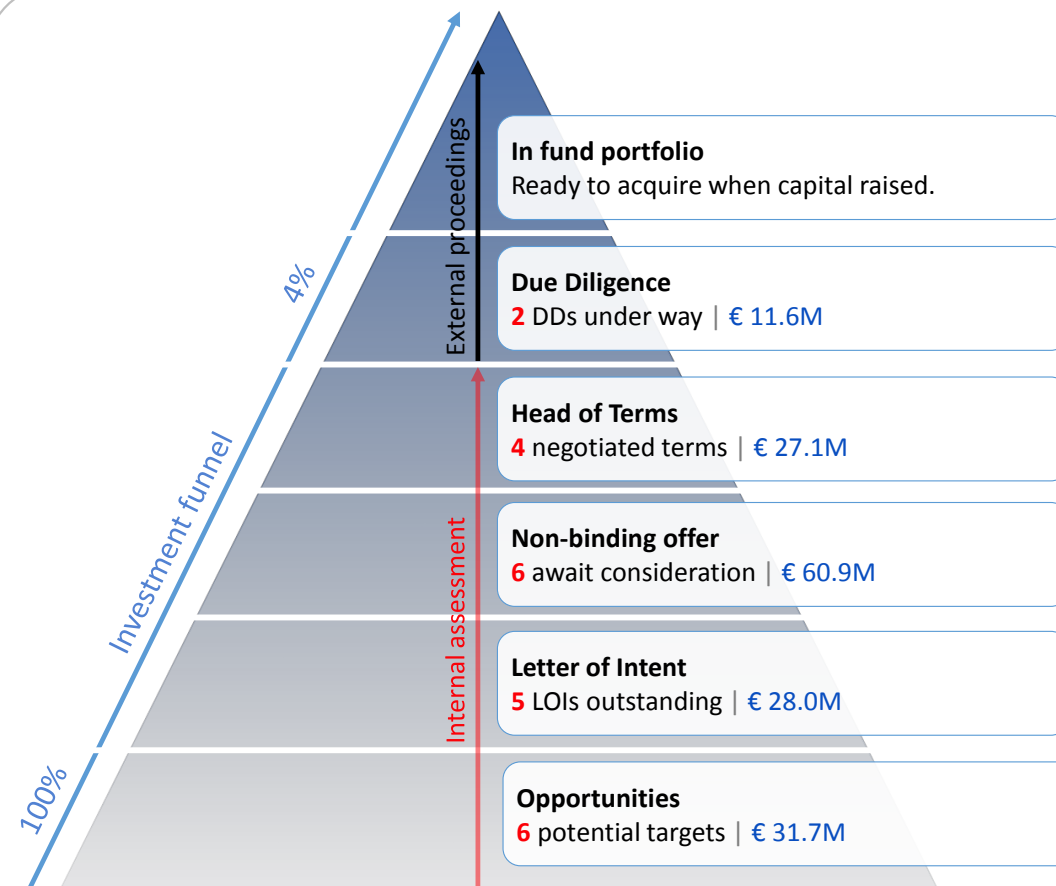


Leverage used:
IRR:
Dividend:



Gross yields	Market prime yields (2015f)	Investment requirements	Investment pipeline
Residential:	4.5 – 6.0%	6.5%	7.1%
Office:	5.5 – 7.0%	7.5%	9.8%
Retail:	5.0 – 6.5%	7.5%	10.3%
Industrial, logistics:	6.7 – 8.0%	8.5%	9.4%

TANGIBLE INVESTMENT PIPELINE



Current pipeline for SICAV fund CEE II

23
potential deals (*all freehold*)

€ 159.3M
potential deals in value

€ 88.9M
investment budget*

9.6%
asset level gross yield p.a.

8.8%
asset level NOI p.a.

13.8%
IRR (49% LTV, 5 year projection)

*5 – 10% equity buffer for debt servicing reserves, working capital and transactional advisory.

The pipeline is as of November 27, 2015. Approximately 70% of targeted assets in the pipeline is available until February 15, 2016 (end of fundraising phase I).

at Head of Terms

€ 10.9M

Purchase price

10.3%

Gross yield p.a.

15.5%

IRR (5Y projection)

INDUSTRIAL and **LOGISTIC** park
in the main local industrial hub

€ 6.1M

Investment budget

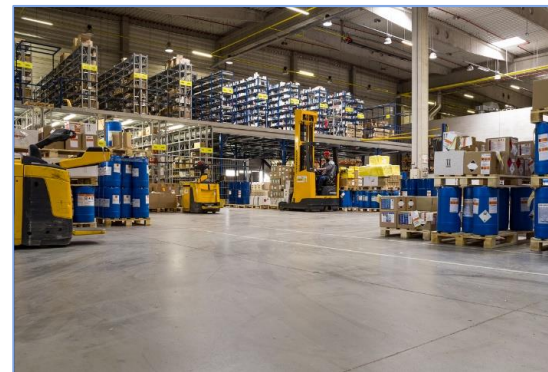
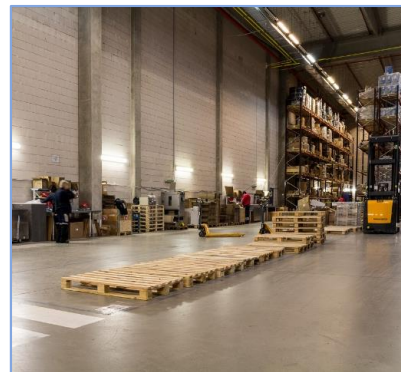
9.5%

NOI p.a.

50%

Bank leverage

International anchor tenants
further development on land plots **available**



Acquisition

- Premium highway location
- The only ADR storage in the region
- Labor availability
- Proximity of major chemical plants



Asset Management

- Restructure the lease contracts
- Utilize the freehold land for additional 11,000 leaseable sqm



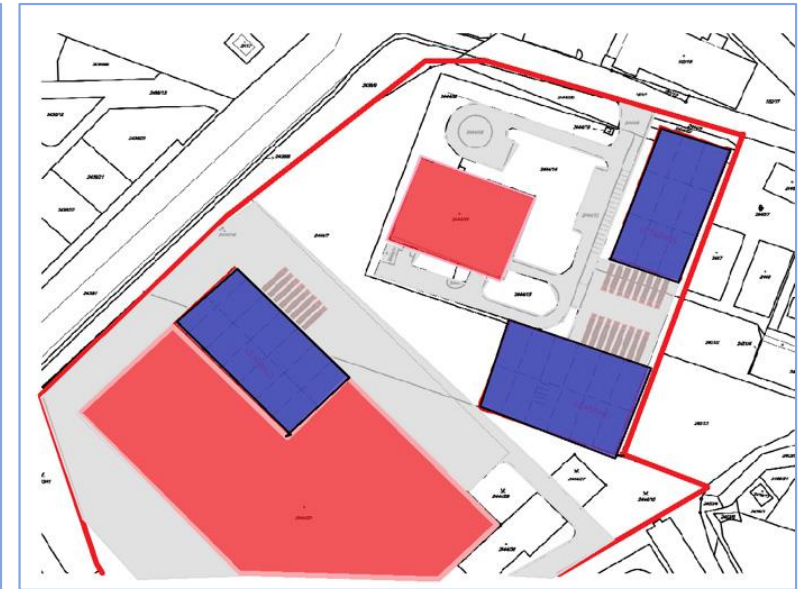
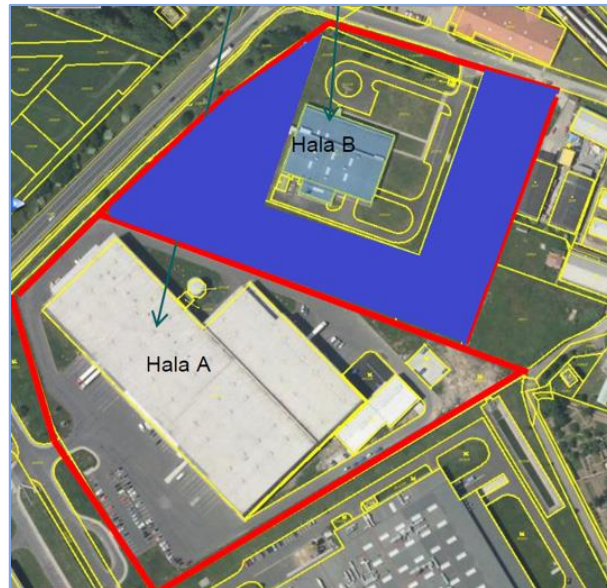
Divestment

- Prolong leases and utilize the potential of expansion to exit

Asset management highlights

- Further development of 11,000 leasable sqm
- Prolong the leases to achieve at 60 months void on exit
- Decrease OPEX by 10% p.a.
- Investment costs € 4.1M
- Increase in income € 514,000 p.a.

	Gross revenues p.a.	NOI p.a.	IRR
Acquisition	10.3%	9.5%	15.5%
Exit	11.0%	10.4%	20.2%



at Due Diligence

€ 7.4M

Purchase price

8.8%

Gross yield p.a.

12.7%

IRR (5Y projection)

Custom-built **INDUSTRIAL** property

well located and labor availability

€ 4.9M

Investment budget

8.5%

NOI p.a.

40%

Bank leverage

A-Class single tenant lease

further development on land plots available



Acquisition

- Strong A-class tenant (multi-customer operation)
- A-class building
- Highway visibility



Asset Management

- Expand the property (immediate tenant's request)
- Utilize the land plots (+3,000 leasable sqm)



Divestment

- Re-gear and prolong the lease contract to exit with 7 year tenure

at Non-binding offer

€ 11.6M

Purchase price

7.1%

Gross yield p.a.

13.2%

IRR (5Y projection)

Portfolio of **RESIDENTIAL** properties

11 buildings, 363 flats and 9 shops

€ 7.6M

Investment budget

6.5%

NOI p.a.

40%

Bank leverage

Long-term occupancy of 98%

average **rent** per sqm **below** the **local market level**



Acquisition

- Leasable area of 21,286 sqm
- All-in-one location
- Current rent at € 2.60 / sqm
- Market rent at € 3.70 / sqm



Asset Management

- Increase rent to reflect market level of € 3.30 / sqm (27% increase in rent)
- Optimize maintenance cost structure



Divestment

- Build-up residential portfolio to exit
- Split and sell

at Due Diligence

€ 4.3M

Purchase price

9.1%

Gross yield p.a.

12.4%

IRR (5Y projection)

OFFICE and RETAIL units

92% of the property; A-Class standards

€ 2.6M

Investment budget

8.3%

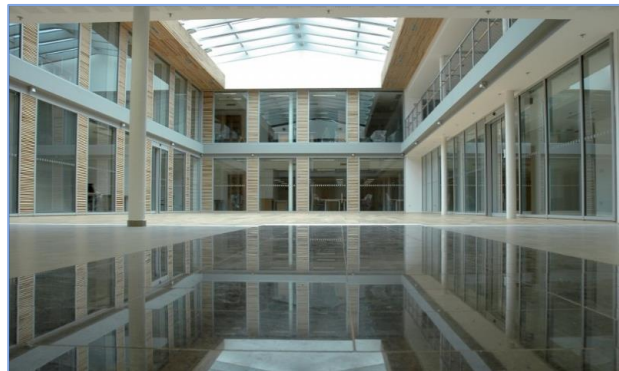
NOI p.a.

50%

Bank leverage

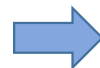
A-Class anchor state tenant

Prosecutor's office with 10 year tenure



Acquisition

- A-class standards
- Anchor tenant
- Stable catchment residential and commercial area



Asset Management

- Rebrand
- Rent out
- Restructure and renegotiate rents



Divestment

- Re-gear the leases and increase the commercial profile to exit

at Letter of Intent

€ 5.5M

Purchase price

15.7%

Gross yield p.a.

15.9%

IRR (5Y projection)

RETAIL park

part of main local commercial zone

€ 3.6M

Investment budget

14.0%

NOI p.a.

40%

Bank leverage

Stable long-term tenants

further development on land plots available



Acquisition

- Acquisition at value below the market
- Long-term stability of tenants
- Further development potential
- Part of local major retail zone



Asset Management

- Utilize expansion (+8,000 leasable sqm)
- Restructure the asset



Divestment

- Exit after restructuring of leases
- Develop, rent-out and exit

INVESTMENTS IN DETAIL (6 / 6)

at Non-binding offer

€ 4.5M

Purchase price

8.1%

Gross yield p.a.

12.1%

IRR (5Y projection)

Tailor-made **SENIOR HOUSING**

designed and built for the sale and leaseback

€ 2.9M

Investment budget

8.0%

NOI p.a.

40%

Bank leverage

Single tenant lease

by specialized operator with **20 year tenure**



Acquisition

- Segment supported by demographics
- Low supply / high demand market
- Newly built A-class property



Asset Management

- Build-up portfolio of senior housing



Divestment

- Sell built-up portfolio

HIGH YIELDS AT LOW RISK (BASE CASE)**Dividend distribution**

- Semi-annual dividends at expected minimum of 5% p.a.
- Additional annual dividends of up to 1% based on fiscal year results.
- Final dividends due after fund exit (expected IRR 10 – 13%).

Transactions, reporting and valuations

- Acquisition proceedings
 - Economic and tax due diligence by EY and Deloitte;
 - Legal due diligence by Kocian Solc Balastik (KSB);
 - Asset valuations by Knight Frank.
- Annual fund audits by KPMG / Deloitte.
- Annual fund valuations by EY and Deloitte.
- Commitments in EUR
- Investments in EUR and CZK.
- Quarterly reporting on fund performance in EUR.

Taxation and exit options

- 5% taxation on fund income profit level.
- 0% withholding taxes and dividends for countries with signed double tax treaty agreements.
- Multiple exit options, including stock exchange listing.

Case study – the **current pipeline:**
5 year projection of the fund (in '000)

Opening NAV:	€ 35,000
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Assets under management:	€ 62,800
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Closing NAV:	€ 59,900
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Invested amount:	€ 1,000
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Distributed dividends:	€ 300
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Gross payout at exit:	€ 357
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Total Gross Profit:	€ 657
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5-Y cost and fees:	€ -91
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Total 5-Y distributions:	€ 1,566
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IRR (11.3%):	€ 566
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Tax residence: India	Tax residence: Singapore
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€ 538 (IRR 10.8%)*	€ 566 (IRR 11.3%)
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*In India local income tax applies.

CAP APPRECIATION ACHIEVED, YET NOT PLANNED

Portfolio overview

- 7 multi-family properties, 286 units; 18,200 sqm
- Well-maintained and fully operational

Reasoning behind acquisition

- Off-market investment opportunity
- Long-term cash flow stability
- Continuous annual increase in rents

Asset management

- Set-up of lean leasing, collection and maintenance processes
- Restructuring of lease contracts
- Refurbishment and increase of rental income

Exit

- Initiated sale of overall portfolio
- The portfolio valued at yield 6.2% by Knight Frank and EY (October 2015); targeted sale price at yield 7.0%

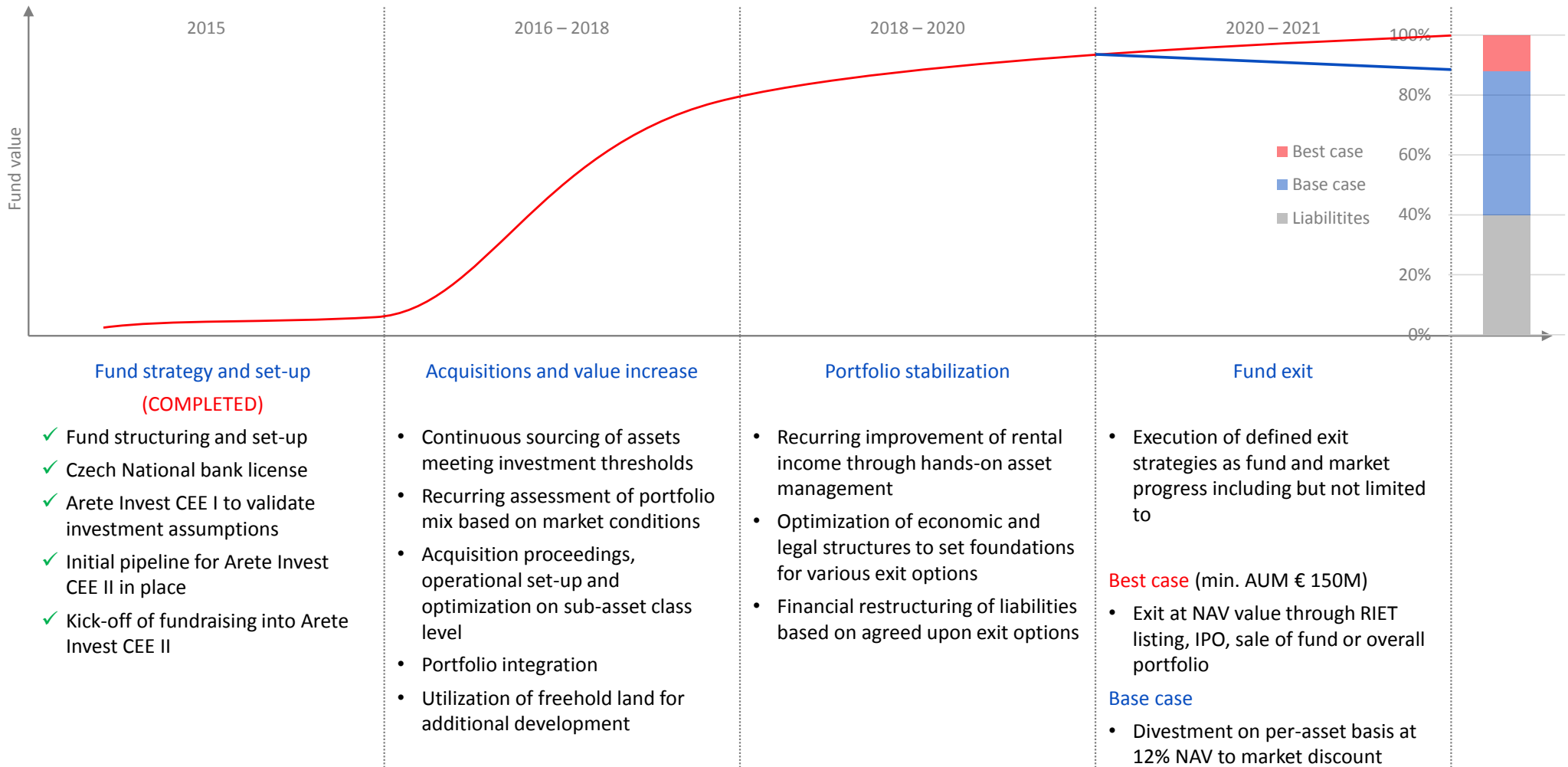
Key investment summary YE2015 (in '000)

Opening NAV:	€ 3,000
Assets under management:	€ 10,300
Closing NAV (2 year inv. period):	€ 5,240
NAV to market value (89.4%):	€ 4,684
Invested amount:	€ 2,731
Distributed dividends:	€ 0
Gross payout at exit:	€ 2,470
Total Gross profit:	€ 5,201
5-Y cost and fees:	€ -496
Total 5-Y distributions:	€ 4,705
IRR (36.1%):	€ 1,974

Significant upside through proactive asset management



INVESTMENT LIFECYCLE



TERMS & CONDITIONS

Proposed transactions

CEE II is an investment entity for **acquisitions of chosen assets** directly or via SPVs and/or SPVs owing the chosen assets.

Capital requirement

Capital of EUR 75 – 100M to fund acquisitions of approximately 20 – 30 assets and/or SPVs, depending on specific deal size. **Soft close targeted at EUR 35M by February 1, 2016.** Hard close on May 1, 2016.

Deployment period

Approximately **3 years**.

Debt financing

Arete Invest will arrange debt of approximately **40 – 60% leverage** for each acquisition through an established European banking house.

Minimum investments

EUR 200,000 – 3,000,000 (depending on specific share class) with multiple capital calls over 3 years.

Carry and fees

- After return of the investor's capital and 6.0% preferred return, Arete Invest will receive 15 – 20% of distributions, depending on specific shares class.
- Management fee amounts to 1.5% of NAV p.a.
- Entrance fee amounts to 1 – 2%, depending on specific shares class.

	<i>Shares class B</i>	<i>Shares class C</i>	<i>Shares class D</i>
Minimum investment amount:	€ 3,000,000	€ 1,500,000	€ 200,000



CONTACT DETAILS

Q & A



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*** SICAV fund is regulated by the Czech National Bank, and it is open to qualified investors only.