

IMPORTANT NOTICE

THIS OFFERING IS AVAILABLE ONLY TO INVESTORS WHO ARE **NON-US PERSONS** (AS DEFINED IN REGULATION S (THE "**REGULATION S**") UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "**SECURITIES ACT**")) OUTSIDE OF THE US AND EITHER (A) "QUALIFIED INVESTORS" (AS DEFINED IN THE EU PROSPECTUS DIRECTIVE 2003/71/EC, INCLUDING THE 2010 PD AMENDING DIRECTIVE 2010/73/EU) IN THE EUROPEAN ECONOMIC AREA (THE "**EEA**") OR (B) OUTSIDE THE EEA, AND AS OTHERWISE PERMITTED UNDER APPLICABLE SECURITIES LAWS.

IMPORTANT: The recipient must read the following before continuing. The following applies to the attached preliminary offering and listing circular (the "**Preliminary Offering Circular**") accessed via internet or otherwise received as a result of such access and the recipient is therefore advised to read this disclaimer carefully before reading, accessing or making any other use of the attached Preliminary Offering Circular. In accessing the attached Preliminary Offering Circular, the recipient agrees to be bound by the following terms and conditions, including any modifications to them from time to time, each time the recipient receives any information from Varia US Properties AG as a result of such access.

NOTHING IN THIS ELECTRONIC TRANSMISSION CONSTITUTES AN OFFER OF SECURITIES FOR SALE IN THE UNITED STATES OR ANY OTHER JURISDICTION WHERE IT IS UNLAWFUL TO DO SO. THE SECURITIES HAVE NOT BEEN, AND WILL NOT BE, REGISTERED UNDER THE SECURITIES ACT, OR THE SECURITIES LAWS OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES, AND SUBJECT TO CERTAIN EXCEPTIONS, THE SECURITIES DESCRIBED IN THE ATTACHED PRELIMINARY OFFERING CIRCULAR MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED WITHIN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, US PERSONS, EXCEPT IN AN OFFSHORE TRANSACTION IN ACCORDANCE WITH RULE 903 OR RULE 904 OF REGULATION S, IN EACH CASE IN ACCORDANCE WITH ANY APPLICABLE SECURITIES LAWS OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES.

The attached Preliminary Offering Circular is being provided to the recipient on a confidential basis for informational use solely in connection with the recipient's consideration of the purchase of the securities referred to therein. The information in this Preliminary Offering Circular is not complete and will be changed. Its use for any other purpose is not authorized, and the recipient may not, nor is the recipient authorized to, copy or reproduce the Preliminary Offering Circular in whole or in part in any manner whatsoever or deliver, distribute or forward the Preliminary Offering Circular or disclose any of its contents to any other person. Failure to comply with this directive may result in a violation of the Securities Act or the applicable laws of other jurisdictions. If the recipient is not the intended recipient of this Preliminary Offering Circular, the recipient is hereby notified that any dissemination, distribution or copying of this Preliminary Offering Circular is strictly prohibited.

Confirmation of the recipient's Representation: In order to be eligible to review the attached Preliminary Offering Circular or make an investment decision with respect to the securities described therein, investors must not be a U.S. person (as defined in Regulation S). The recipient has been sent the attached Preliminary Offering Circular on the basis that the recipient has confirmed to Bank Vontobel AG, Zurich/Switzerland (the "**Sole Bookrunner**"), being the sender of the attached, and by accessing the attached document the recipient reconfirms its representation to the Company (as defined in the Preliminary Offering Circular) and the Sole Bookrunner (i) that the recipient and any customers that the recipient represents are not US persons, that the recipient is outside the United States of America, as defined in Regulation S under the Securities Act, not acting on behalf of a person within the United States of America and, to the extent the recipient purchases the securities described in the attached Preliminary Offering Circular, the recipient will be doing so pursuant to Regulation S under the Securities Act, (ii) that the electronic mail (or e-mail) address to which it has been delivered is not located in the United States of America, its territories and possessions, any State of the United States or the District of Columbia, and (iii) that the recipient consents to delivery by electronic transmission.

YOU MUST NOT INVEST INTO ANY SECURITIES OF VARIA US PROPERTIES AG WITHOUT PRIOR CONSULTATION OF THE SECURITIES PROSPECTUS TO BE PUBLISHED AFTER THE EXTRAORDINARY SHAREHOLDERS'S MEETING SCHEDULED TO TAKE PLACE ON 8 DECEMBER 2017, AND IN PARTICULAR, THE RISK SECTION CONTAINED THEREIN.

The recipient is reminded that the Preliminary Offering Circular has been delivered to the recipient on the basis that the recipient is a person into whose possession the Preliminary Offering Circular may be lawfully delivered in accordance with the laws of the jurisdiction in which the recipient is located and the recipient may not, nor is the recipient authorized to, deliver the Preliminary Offering Circular to any other person.

This document does not constitute or contain any offer to sell or invitation to subscribe or make commitments for or in respect of any security in any jurisdiction where such an offer or invitation would be unlawful. There are restrictions on the distribution of the attached Preliminary Offering Circular and/or the offer or sale of securities in certain jurisdictions including Australia, the member states of the EEA, the United Kingdom of Great Britain and Northern Ireland (the "**United Kingdom**") and Japan. If a jurisdiction requires that the offering be made by a licensed broker or dealer and the Sole Bookrunner or any of its affiliate is a licensed broker or dealer in that jurisdiction, the offering shall be deemed to be made by the Sole Bookrunner or its affiliate on behalf of the Company (as defined in the Preliminary Offering Circular) in such jurisdiction. The Preliminary Offering Circular may only be communicated to persons in the United Kingdom in circumstances in which section 21(1) of the Financial Services and Markets Act 2000 does not apply.

The attached Preliminary Offering Circular has been sent to the recipient in an electronic form. The recipient is reminded that documents transmitted via this medium may be altered or changed during the process of electronic transmission and, consequently none of the Company (as defined in the Preliminary Offering Circular), the Sole Bookrunner or any person who controls any of them nor any director, officer, employee or agent of any of them or any affiliate of any such person accepts any liability or responsibility whatsoever in respect of any difference between the Preliminary Offering Circular distributed to the recipient in electronic format and the hard copy version that will be provided to the recipient at a later date on request, if lawful.

SUBJECT TO COMPLETION; DATED 22 NOVEMBER 2017

Varia US Properties AG

(a joint stock corporation organised under Swiss law)

Offering of up to [●] registered shares

Offer Price CHF [●] per Offered Share

- Offering** This offering and listing circular (the “**Offering Circular**”) relates to an offering of up to [●] newly issued registered shares (*actions nominatives, Namenaktien*) of Varia US Properties AG (or the “**Company**” and together with its subsidiaries, the “**Group**”) with a nominal value of CHF 1.00 each (the “**Offered Shares**”) and together with all other issued and outstanding fully paid-up registered shares of the Company (the “**Existing Shares**” or the “**Shares**”). The Company intends to raise gross proceeds from the issuance and sale of Offered Shares in the amount of up to CHF [●] million. The offering (the “**Offering**”) comprises the Rights Offering (as defined below) and the offering of the Offered Shares (the “**Share Offering**”).
- Rights Offering** In the rights offering (the “**Rights Offering**”), the Company’s eligible holders of Existing Shares will be entitled under Swiss law and the Company’s articles of association dated 13 October 2017 (the “**Articles of Association**”) to a pre-emptive right to subscribe for Offered Shares for each Existing Share they hold (the “**Rights**”). Subject to the conditions of this Offering Circular, the holders of Existing Shares will, after the close of trading on [●] December 2016 (the “**Record Date**”), be allotted one (1) Right for each Existing Share held. Holders of [●] Rights are entitled to purchase one (1) Offered Share at the Offer Price (as defined below) (the “**Subscription Ratio**”). Holders of Existing Shares in jurisdictions outside Switzerland, including but not limited to the United States, United Kingdom, Canada, Japan, Australia, Hong Kong and the European Economic Area (“**EEA**”) (or with registered addresses in those jurisdictions), as well as nominees, depositaries or dealers holding Existing Shares for the account or the benefit of beneficial owners resident in such jurisdictions, should note that they may be restricted in the exercise of Rights pursuant to applicable securities laws and regulations. (see “**Selling and Transfer Restrictions**”). Rights will be transferable but not be tradable. The Rights must be exercised between [●] December 2017 and 12:00 noon (CET) on [●] January 2018 (the “**Rights Exercise Period**”). Rights may only be exercised in integral multiples of the Subscription Ratio. Rights not duly exercised prior to the end of the Rights Exercise Period (including where, in accordance with the terms of this Offering Circular, the holder of such Right is not permitted to exercise such Rights) will lapse and any holder thereof will not receive any compensation in respect of any such unexercised Rights. Subject to the satisfaction of certain conditions as set forth in the subscription and purchase agreement between the Company and Bank Vontobel AG (the “**Sole Bookrunner**”) on [●] December 2017 (the “**Subscription and Purchase Agreement**”), the Sole Bookrunner has undertaken to deliver on behalf of the Company the Offered Shares to the holders of Rights that have duly exercised such Rights, subject to compliance with applicable securities laws (see “**The Offering**”).
- Share Offering** In the Share Offering, Offered Shares for which the Rights have not been validly exercised will be offered at the Offer Price to the market, subject to the Selling Restrictions (as defined below). The offer price per Offered Share (the “**Offer Price**”) is CHF [●]. Existing shareholders have no pre-emptive rights within the Share Offering. The Share Offering commences on [●] December 2017 and ends 16:00 (CET) on [●] January 2018 (the “**Share Offering Period**”). The Company expects to publish the final number of Offered Shares sold in the Offering by media release and in a volume supplement (the “**Supplement**”) on or around [●] January 2018 (prior to the start of trading). This Offering Circular and the Supplement shall constitute the final offering and listing prospectus.
- Selling Restrictions** The Offering consists of (i) a public offering in Switzerland, and (ii) private placements in certain jurisdictions outside of Switzerland and outside the United States of America, in each case in accordance with applicable securities laws and in reliance on Regulation S (the “**Regulation S**”) under the US Securities Act of 1933, as amended (the “**Securities Act**”) and on the basis of exemptions provided by the Directive 2003/71/EC of the European Parliament and the Council of 4 November 2003 on the prospectus to be published when securities are offered to the public or admitted to trading, as amended by the Directive 2010/73/EU (“**Prospectus Directive**”). The Offered Shares are offered by the Sole Bookrunner specified herein, subject to receipt and acceptance by it of, and its right to reject, any order in whole or in part.
- Listing** The Existing Shares are listed in accordance with the Standard for Real Estate Companies of SIX Swiss Exchange Ltd (“**SIX**”). Application has been made to list the Offered Shares issued immediately following this Offering in accordance with the Standard for Real Estate Companies of SIX. It is expected that the capital increase will be registered with the Commercial Register of the Canton of Zug (Switzerland) on or about [●] January 2018 and Offered Shares will be listed and that trading in the Offered Shares will commence on SIX on or around [●] January 2018 (the “**First Day of Trading**”) under the symbol “VARN”.
- Form of shares** The Offered Shares will be issued as uncertificated securities (*droits-valeurs, Wertrechte*) within the meaning of art. 973c of the Swiss Code of Obligations of 30 March 1911, as amended (“**CO**”; *Droit des obligations, Schweizerisches Obligationenrecht*) and will become intermediated securities (*titres intermédies, Bucheffekten*) within the meaning of the Swiss Federal Act on Securities held with an Intermediary of 3 October 2008 (“**FISA**”, *Loi sur les titres intermédies, Bucheffektengesetz*). Delivery of the Offered Shares against payment of the Offer Price will be made in book-entry form through the facilities of SIX SIS AG (“**SIS**”) on or around [●] January 2018 (the “**Closing Date**”).

Investing in the Offered Shares (including the exercise of the Rights) involves considerable risks. Potential investors may suffer a complete or partial loss of their investment. For a discussion of certain factors that should be considered in deciding whether to invest in the Offered Shares, see “Risk Factors”.

Neither the Rights nor the Offered Shares have been and will be registered under the Securities Act, or with any securities regulatory authority of any state or other jurisdiction in the United States. The Company is not registered, and does not intend to register, as an investment company under the US Investment Company Act of 1940, as amended (the “Investment Company Act”). Accordingly, neither the Shares nor the Rights may be offered, sold, resold, delivered, allotted, taken up, transferred or renounced, directly or indirectly, within the United States or to, or for the account or benefit of, US persons except pursuant to an exemption from, or in transactions not subject to, the registration requirement of the Securities Act and the requirements of the Investment Company Act. The Offered Shares are being offered and sold only outside the United States pursuant to Regulation S under the Securities Act. For a description of restrictions on resale and transfer of the Offered Shares, see “Certain Sales Restrictions” and “Selling and Transfer Restrictions”.

Sole Bookrunner

Bank Vontobel AG

Selling Agents

Real Estate Investment Solutions AG
Swiss Finance & Property AG

Stoneweg SA
Neu Gut Beratungen GmbH

The date of this Offering Circular is [●] December 2017.

The information in this preliminary offering circular is not complete and will be changed. The Company may not sell the securities until the Offering Circular is delivered in final form. This preliminary offering memorandum is not an offer to sell the securities and it is not soliciting an offer to buy the securities in any jurisdiction where the offer or sale is not permitted. This preliminary prospectus will be updated and published after the extraordinary shareholders meeting on 8 December 2017 and will form the Offering Circular.

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IMPORTANT INFORMATION ABOUT THE OFFERING

The Company assumes responsibility for the completeness and accuracy of this Offering Circular and any supplement thereto pursuant to article 27 of the listing rules of SIX (the “**Listing Rules**”) and section 4 of Scheme C thereunder. The Company confirms that, to the best of its knowledge, the information contained in this Offering Circular is correct and that no material facts or circumstances have been omitted.

The information contained in this Offering Circular is accurate only as of the date of this Offering Circular and any delivery of this Offering Circular or any sale of Shares at any time subsequent to the date hereof does not imply that the information in this Offering Circular is correct at such subsequent time. In making an investment decision, investors must rely on their own investigation of the Company and the terms of the Offering, including the merits and risks involved. Any decision to buy the Offered Shares should be based solely on this Offering Circular and any supplement hereto, taking into account that any summary or description set forth in this Offering Circular of legal provisions, accounting principles or comparison of such principles, corporate structuring or contractual relationships is for information purposes only and should not be considered to be legal, accounting or tax advice or be otherwise relied on. This Offering Circular does not contain all the information that would be included in a prospectus for the Offering of the Offered Shares, if such Offering were registered under the Securities Act or were conducted in the European Economic Area (the “**EEA**”) pursuant to the Prospectus Directive.

Any notices containing or announcing amendments or changes to the terms of the Offering or to this Offering Circular will be announced through electronic media. Notices required under the Listing Rules will be published on the website of SIX (currently: <http://www.six-exchange-regulation.com>). Any such notice will constitute part of this Offering Circular.

This Offering Circular has been prepared in accordance with the Listing Rules and the CO and is being issued by the Company in connection with (i) the admission of all of the Shares for listing and for trading in accordance with the Standard for Real Estate Companies of SIX and (ii) an offering exempt from, or not subject to, registration under the Securities Act.

The information contained in this Offering Circular has been provided by the Company and by the other sources identified in this Offering Circular. No representation or warranty, express or implied, is made by the Sole Bookrunner named in this Offering Circular or any of its respective affiliates or advisors as to the accuracy or completeness of this information, and nothing contained in this Offering Circular is, or shall be relied upon as, a promise or representation by the Sole Bookrunner or by its respective affiliates or advisors. The delivery of this Offering Circular at any time does not imply that information in this Offering Circular is, or shall be relied upon as, a promise or representation, whether as to the past or the future.

Each prospective investor in the Offered Shares (each, an “**Offeree**”), by accepting delivery of this Offering Circular, will be deemed to have acknowledged, represented to and agreed with the Company and the Sole Bookrunner that:

- (i) this Offering Circular is personal to such Offeree and does not constitute an offer to any other person, or to the public generally, to purchase or otherwise acquire the Offered Shares outside of Switzerland. Distribution of this Offering Circular or disclosure of any of its contents to any person other than such Offeree and those persons, if any, retained to advise such Offeree with respect thereto is unauthorised, and any disclosure of any of its contents, without the prior written consent of the Sole Bookrunner is prohibited;
- (ii) the Offeree agrees not to make any photocopies or electronic copies of this Offering Circular or any documents referred to herein (other than for its own use); and
- (iii) the Offeree agrees not to forward or deliver this Offering Circular (in any form) to third parties.

This Offering Circular will be completed by the Supplement in accordance with article 29(2) of the Listing Rules. The Supplement will be published no later than the First Day of Trading. The Supplement and this Offering Circular will constitute the final offering and listing memorandum.

Available Information

Copies of this Offering Circular, the Supplement and of any other supplement to the Offering Circular will be available free of charge in Switzerland, for 12 months following the First Day of Trading, at Bank Vontobel AG, Corporate Finance, Bleicherweg 21, 8022 Zurich, Switzerland (telephone number: +41 58 283 70 03, email: prospectus@vontobel.ch), and at Varia US Properties AG, Gubelstrasse 19, 6300 Zug, Switzerland (email: investors@variausproperties.com).

No Incorporation of Websites

Information on the Company's website, any website directly or indirectly linked to the Company's website or any other website mentioned in this Offering Circular does not constitute in any way part of this Offering Circular and is not incorporated by reference into this Offering Circular, and investors should not rely on any such website or information thereon in making their decision to invest in the Offered Shares.

CERTAIN SALES RESTRICTIONS

The distribution of the Offering Circular and the Offering are restricted by law in certain jurisdictions. Therefore, persons into whose possession the Offering Circular comes and persons who would like to purchase the Offered Shares pursuant to the Offering should inform themselves about and observe such restrictions. Any failure to comply with such restrictions may constitute a violation of the securities law of any such jurisdiction.

The offer of the Offered Shares to persons resident in jurisdictions other than Switzerland may be affected by the laws of such other jurisdictions. No action has been or will be taken in any jurisdiction other than Switzerland that would permit a public offering of the Offered Shares or the possession, circulation or distribution of the Offering Circular or any other material relating to the Company or Offered Shares in any jurisdiction where action for that purpose is required. Accordingly, the Offered Shares may not be sold, directly or indirectly, and neither this Offering Circular nor any other offering material or advertisement in connection with the Offered Shares may be distributed or published, in any form or in any country or jurisdiction except under circumstances that will result in compliance with any applicable laws, rules and regulations of any such country or jurisdiction. Persons resident in countries other than Switzerland should consult their professional advisors as to whether they require any governmental or other consent or need to observe any formalities to enable them to purchase Offered Shares in the Offering.

The Company has represented and agreed that it has not made and will not make any application for listing the Shares on any stock exchange outside Switzerland.

United States

The Shares have not been and will not be registered under the Securities Act. The Company is not registered, and does not intend to register, as an investment company under the Investment Company Act. Accordingly, the Shares may not be offered or sold within the United States, or to, or for the account or benefit of, US persons except pursuant to an exemption from, or in a transaction not subject to, the registration requirement of the Securities Act and the requirements of the Investment Company Act.

In addition, until 40 days after the commencement of the Offering, an offer or sale of the Shares into or within the United States by a dealer (whether or not such dealer is participating in the Offering) may violate the registration requirements of the Securities Act.

European Economic Area

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a "**Relevant Member State**"), Sole Bookrunner has represented and agreed that, with effect from and including the date on which the Prospectus Directive was implemented in that Relevant Member State, it has not made and will not make an offer of the Shares which are the subject of the offering contemplated by this Offering Circular to the public in that Relevant Member State other than:

- (a) to a legal entity which is a qualified investor as defined in the Prospectus Directive; or
- (b) to fewer than 150 natural or legal persons (other than qualified investors as defined in the Prospectus Directive), subject to obtaining the prior consent of the Sole Bookrunner; or
- (c) in any other circumstances falling within article 3(2) of the Prospectus Directive,

provided that no such offer of Shares shall require the Company or the Sole Bookrunner to publish a prospectus pursuant to article 3 of the Prospectus Directive or supplement a prospectus pursuant to article 16 of the Prospectus Directive.

For the purposes of this provision, the expression "**an offer of Shares to the public**" in relation to any Shares in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Shares to be offered so as to enable an investor to decide to purchase or subscribe the Shares, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State and includes any relevant implementing measure in the Relevant Member State.

United Kingdom

This Offering Circular is only being distributed to and is only directed at: persons who (1) are outside the United Kingdom; (2) have professional experience in matters relating to investments falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (the “**Order**”); (3) are persons falling within Article 49(2)(a) to (d) of the Order (high net worth companies, unincorporated associations, etc.); or (4) are persons to whom this Offering Circular may otherwise lawfully be communicated (all such persons together being referred to as “relevant persons”). Any person who is not a relevant person should not act or rely on this Offering Circular or any of its contents. Any investment or investment activity to which this Offering Circular relates is available only to relevant persons and will be engaged in only with relevant persons.

Australia

This Offering Circular (a) does not constitute a prospectus or a product disclosure statement under the Corporations Act 2001 of the Commonwealth of Australia (“**Corporations Act**”); (b) does not purport to include the information required of a prospectus under Part 6D.2 of the Corporations Act or a product disclosure statement under Part 7.9 of the Corporations Act; has not been, nor will it be, lodged as a disclosure document with the Australian Securities and Investments Commission (“**ASIC**”), the Australian Securities Exchange operated by ASX Limited or any other regulatory body or agency in Australia; and (c) may not be provided in Australia other than to select investors (“**Exempt Investors**”) who are able to demonstrate that they (i) fall within one or more of the categories of investors under section 708 of the Corporations Act to whom an offer may be made without disclosure under Part 6D.2 of the Corporations Act and (ii) are “wholesale clients” for the purpose of section 761G of the Corporations Act.

The Shares may not be directly or indirectly offered for subscription or purchased or sold, and no invitations to subscribe for, or buy, the Shares may be issued, and no draft or definitive offering memorandum, advertisement or other offering material relating to any Shares may be distributed, received or published in Australia, except where disclosure to investors is not required under Chapters 6D and 7 of the Corporations Act or is otherwise in compliance with all applicable Australian laws and regulations. By submitting an application for the Shares, each purchaser or subscriber of Shares represents and warrants to the Company, the Sole Bookrunner and its affiliates that such purchaser or subscriber is an Exempt Investor.

As any offer of Shares under this prospectus, any supplement or the accompanying prospectus or other document will be made without disclosure in Australia under Parts 6D.2 and 7.9 of the Corporations Act, the offer of those Shares for resale in Australia within 12 months may, under the Corporations Act, require disclosure to investors if none of the exemptions in the Corporations Act applies to that resale. By applying for the Shares each purchaser or subscriber of Shares undertakes to the Company, the Sole Bookrunner that such purchaser or subscriber will not, for a period of 12 months from the date of issue or purchase of the Shares, offer, transfer, assign or otherwise alienate those Shares, or grant, issue or transfer interests in or options over them, to investors in Australia except in circumstances where disclosure to investors is not required under the Corporations Act or where a compliant disclosure document is prepared and lodged with ASIC.

Japan

The Shares have not been, and will not be, registered under the Financial Instruments and Exchange Law of Japan (Law No. 25 of 1948 as amended, the “**FIEL**”) and disclosure under the FIEL has not been, and will not be, made with respect to the Securities. Neither the Shares nor any interest therein may be offered, sold, resold, or otherwise transferred, except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the FIEL and all other applicable laws, regulations and guidelines promulgated by the relevant Japanese governmental and regulatory authorities. As used in this paragraph, a resident of Japan is any person that is resident in Japan, including any corporation or other entity organised under the laws of Japan.

General sales restrictions

No action has been or will be taken by the Company or the Sole Bookrunner in any jurisdiction other than Switzerland that would, or is intended to, permit a public offering of the Shares, or possession or distribution of the Offering Circular or any other offering material, in any country or jurisdiction where further action for that purpose is required.

PRESENTATION OF FINANCIAL AND OTHER INFORMATION

Financial Statements

As described in more detail below, the Group has included in this Offering Circular, beginning on Page F-1, certain financial statements of the Company.

Investors are advised to consult their professional advisors as to the impact that future additions to, or amendments of, applicable accounting principles may have on the Group's results of operations or financial condition following such additions or amendments, as well as on the comparability of such financial information with that of prior periods.

The Group's future financial performance may vary substantially from the historic financial performance presented in this Offering Circular.

The Group Financial Statements

In accordance with Swiss law and the Listing Rules, the Group has included in this Offering Circular its annual consolidated financial statements as at and for the period ended 31 December 2016, whereby this covers the period from the inception of the Company to that date (the "**Consolidated Financial Statements**"). It has also included its interim consolidated financial statements as at and for the period ended 30 June 2017 with comparative figures to the period ended 30 June 2016 (the "**Condensed Interim Consolidated Financial Statements**", and together with the Consolidated Financial Statements, the "**Financial Statements**"), whereby the latter financials statements cover the period from the inception of the Company to that date. The Company has prepared its Financial Statements in accordance with the International Financial Reporting Standards ("**IFRS**"), including IAS 34, Interim Financial Reporting, issued by the International Accounting Standards Board ("**IASB**"). For a further description of the accounting policies applied in the preparation of the Financial Statements, see the notes to the Consolidated Financial Statements.

The Board of Directors has assessed the underlying characteristics of the Company's currency exposure, of its investments and transactions and considers that the US Dollar is the currency that best reflects its underlying transactions, events and conditions for the preparation of its IFRS financial statements. In particular, it has assessed the US Dollar as the currency:

- in which the funds from the Company's financing activities are invested into and in which receipt for operating activities are predominately retained. The Company obtains interests and dividends primarily in USD;
- that influences most of the Company transactions and determines the prices of its subsidiaries' investments and assessment of the performances and profits from the operational activities;
- most of the transactions have been and are expected to continue to be transacted in the United States, even if limited administrative costs of the Company are expected to continue in CHF;
- the currency in which the Company's shareholders are investing their funds on the long term for the return of their investments.

As a result, the Company's Financial Statements are presented in USD which is the functional currency of the Company.

These Consolidated Financial Statements have been audited by KPMG SA ("**KPMG**"), in accordance with Swiss law, the International Standard on Auditing and Swiss Auditing Standards, as stated in their report.

Varia US Properties AG Statutory Financial Statements

In accordance with Swiss law, the Group has included in this Offering Circular the audited statutory financial statements of the Company as at and for the period ended 31 December 2016, whereby this covers the period from the inception of the Company to that date. It has also included its unaudited interim statutory financial statements of the Company as at and for the six-month period ended 30 June 2017. The Group prepared these statutory financial statements in accordance with Swiss law. The statutory financial statements have been set up in CHF to give investors transparency on the conditions required for distributions and the compliance with requirements as to the capital under Swiss law.

Limited Financial Information and Additional Information

The financial information contained in this Offering Circular in the form of standardised financial reporting is limited to the Financial Statements as stated above. This is due to the Company having been formed on 17 September 2015 and incorporated on 28 September 2015 only and having grown since then by acquisitions. Nevertheless, the Group believes that the property valuation conducted and presented in this Offering Circular (see “Description of the Group’s Business—Portfolio—Property portfolio as of 30 June 2017” and “Valuation—Valuation method, standards and principles”) as well as the model description of the major revenues and expense streams (see “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Description of the major revenues and expense streams”) give a good insight and help to understand the profitability potential of the Company and the Group.

Non-IFRS and Adjusted Financial Measures

In this Offering Circular, the Group presents net asset value (“**Net Asset Value**”, defined as the equity attributable to the shareholders of the Company), net asset value per share attributable to shareholders (“**Net Asset Value per Share**”, defined as the equity attributable to the shareholders of the Company divided by the number of shares), cash-on-cash yield (“**Cash-on-Cash Yield**”, defined as the cash flow divided by equity paid-in on the property level), cash-on-cash yield annualized (“**Cash-on-Cash Yield Annualized**”, defined as the annualized cash flow divided by equity paid-in on the property level), effective gross income (“**Effective Gross Income**”, defined as total income excluding net gain from fair value adjustment on investment property), net operating income (“**Net Operating Income**”, defined as Effective Gross Income less operating expenses before other property, administrative and exceptional expenses), capitalisation rate (“**Capitalisation Rate**”, defined as Net Operating Income divided by fair asset value) and loan-to-value ratio (“**LTV**”, defined as the outstanding loans as of 30 June 2017, as the case may be, divided by the appraised value of all properties as of 30 June 2017). None of these measures is a measurement of performance under IFRS and none has been audited or reviewed. Investors should not consider any of these measures as an alternative to rental income, operating profit, or cash flows from operating activities, investing activities or financing activities, in each case as determined in accordance with IFRS. The non-IFRS measures have limitations as analytical tools, and investors should not place undue reliance on them or consider them in isolation. These limitations include the following:

- The non-IFRS measures do not reflect the Group’s cash expenditures or future requirements for capital expenditures or contractual commitments.
- The non-IFRS measures do not reflect changes in, or cash requirements for, the Group’s working capital needs.
- The non-IFRS measures do not fully reflect the significant interest expense, or the cash requirements necessary, to service interest or principal payments on the Group’s debt.
- Although depreciation and amortisation are non-cash charges, the assets being depreciated and amortised will often need to be replaced in the future.

Other companies may present non-IFRS measures with the same or similar names. Investors should note that such other companies may be using these measures for different purposes and may calculate them on a basis different to the Group’s. As a result, their usefulness as comparative measures is limited. Investors should exercise caution in comparing the non-IFRS measures that the Group presents in this Offering Circular with those of other companies, and should not place undue reliance on any such comparison.

Currencies

References to “USD” and “US\$” in this Offering Circular are to the lawful currency of the United States of America. References to “CHF” or “Swiss francs” are to the lawful currency of Switzerland.

The following table sets forth, for the periods indicated, the high, low, average and period end Swiss franc/US\$ exchange rates, expressed as CHF per US\$ 1.00.

Year	CHF per US\$ 1.00			
	High	Low	Average	Period End
2015 (28 September through 31 December)	1.0332	0.9476	0.9901	0.9997
2016	1.0346	0.9444	0.9852	1.0172
2017 (through [●] December)	[●]	[●]	[●]	[●]

Month	CHF per US\$ 1.00			
	High	Low	Average	Period End
July 2017	0.9796	0.9432	0.9606	0.9666
August 2017	0.9793	0.9428	0.9654	0.9618
September 2017	0.9770	0.9421	0.9627	0.9693
October 2017	1.0039	0.9666	0.9821	0.9965
November 2017 (through [●] December)	[●]	[●]	[●]	[●]

Source: Bloomberg

The rates in the foregoing table may differ from the actual rates used in the preparation of the group financial statements and other financial information appearing elsewhere in this Offering Circular. These exchange rates are provided solely for the convenience of potential investors. Investors should not construe the presented rates as a representation that Swiss franc amounts could have been, or could be, converted into US\$ at the rates shown or at any other rate.

Rounding

Certain numerical figures set out in this Offering Circular, including financial data presented in millions or thousands, certain operating data, percentages describing market shares and penetration rates, have been subject to rounding adjustments. As a result, the totals of the data in this Offering Circular may vary slightly from the actual arithmetic totals of such information. The Group has calculated the percentages and amounts reflecting changes over time periods relating to financial and other data set forth in “*Management’s Discussion and Analysis of Financial Condition and Results of Operations*” using the numerical data in its group financial statements or the tabular presentation of other data (subject to rounding) contained in this Offering Circular, as applicable, and not using the numerical data in the narrative descriptions of these data.

Property Details and Valuation Expert’s reports

This Offering Circular furthermore contains:

- General Property Details as of 30 June 2017; and
- Valuation Expert’s Report as of 30 June 2017.

The Property Details are included in this Offering Circular under the section “Description of the Group’s Business—Portfolio—Property Portfolio as of 30 June 2017” and the Valuations Expert’s Reports is included in this Offering Circular.

INDUSTRY AND MARKET DATA

The information and analyses regarding markets, growth rates and other industry data presented in this Offering Circular are based, amongst others, on the following data sources:

- Axiometrics Research, various statistics accessed in November 2017, <http://www.axiometrics.com>;
- BEA, www.bea.gov;
- Berkadia Reports & Forecasts, various articles and statistics;
- BMO Capital Markets, Multifamily Real Estate and US ECM Information, November 2017;
- CBRE presentation, Multifamily Conference 2016, April 2016 and U.S. Multifamily Figures, Q2 2017;
- Enterprise Community Research, various articles;
- Fannie Mae Research, various articles and statistics;
- Freddie Mac Research, various articles and statistics;
- Friedman, various articles and statistics;
- Institutional Property Advisors, various articles and statistics;
- Joint Center for Housing Studies of Harvard University, various articles and reports;
- JLL Research, various reports;
- Mill Creek Residential, various reports;
- National Association of Home Builders, various articles and statistics accessed in November 2017, <https://www.nahb.org>;
- Reach 2014, various articles and statistics;
- Real Capital Analytics, various statistics;
- SIX Swiss Exchange (SIX), <https://www.six-swiss-exchange.com>, various statistics accessed in November 2017;
- United Nations Department of Economic and Social Affairs, various articles and statistics accessed in November 2017, <https://www.un.org/development/desa/en>;
- US Bureau of Labor (BLS), various statistics accessed in November 2017, <http://www.bls.gov>;
- US Census Bureau, various statistics accessed in November 2017, <https://www.census.gov>;
- US Department of Health & Human Services, various statistics accessed in November 2017, <http://www.hhs.gov>;
- US Department of Homeland Security, various statistics accessed in November 2017, <https://www.dhs.gov>.

While the Company has compiled, extracted and reproduced market or other industry data from external sources, including third parties or industry or general publications, it has not independently verified that data. The Company cannot assure prospective investors as to the accuracy and completeness of, and take no responsibility for, such data. Furthermore, while the Company believes its internal estimates to be reasonable, such estimates have not been verified by any independent sources and it cannot assure prospective investors as to their accuracy or that a third party using different methods to assemble, analyse or compute market data would obtain the same result. The Company does not intend, and does not assume any obligations, to update industry or market data set forth in this Offering Circular, except as required by law. Finally, behaviour, preferences and trends in the marketplace tend to change. As a result, investors and prospective investors should be aware that data in this Offering Circular and estimates based on that data may not be reliable indicators of future results.

FORWARD-LOOKING STATEMENTS

This Offering Circular contains forward-looking statements regarding future financial performance and results and other statements that are not historical facts. Words such as “believe”, “aim”, “estimate”, “may”, “anticipate”, “project”, “expect”, “intend”, “plan”, “should”, “continue”, “target” and similar expressions are intended to identify such forward-looking statements. Such forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause the actual results, performance or achievements of the Group, or industry results, to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Such forward-looking statements are based on numerous assumptions regarding the Group’s present and future business strategies and the environment in which the Group will operate in the future. Important factors that could cause the Group’s actual results, performance or achievements to differ materially from those in the forward-looking statements include among others: the ability of the Group to implement its business strategies, financial condition and liquidity of the Group, changes in markets, currency fluctuations and other factors referred to in this Offering Circular. Additional factors that could cause actual performance results or achievements to differ materially include, but are not limited to, those discussed in “Management’s Discussion and Analysis of Financial Condition and Results of Operations”, “Risk Factors”, “Description of the Group’s Business” and elsewhere in this Offering Circular.

Any forward-looking statements are only made as of the date of this Offering Circular and the Company does not intend, and does not assume any obligation, to update any forward-looking statements contained in this Offering Circular, except as required by Swiss law or applicable stock exchange regulations. New risks may emerge from time to time, and it is not possible for the Company to predict all such risks, nor can it assess the impact of all such risks on its business or the extent to which any risks, or combination of risks and other factors, may cause actual results to differ materially from those contained in any forward-looking statements. Given these risks and uncertainties, prospective investors should not rely on forward-looking statements as a prediction of actual performance or results.

TABLE OF CONTENTS

IMPORTANT INFORMATION ABOUT THE OFFERING	3
CERTAIN SALES RESTRICTIONS	5
PRESENTATION OF FINANCIAL AND OTHER INFORMATION	7
INDUSTRY AND MARKET DATA	10
FORWARD-LOOKING STATEMENTS	11
SUMMARY	13
SUMMARY OF THE OFFERING	16
SUMMARY FINANCIAL INFORMATION	21
RISK FACTORS.	24
USE OF PROCEEDS	43
MARKET INFORMATION	44
DIVIDEND POLICY AND DIVIDENDS	45
SELECTED FINANCIAL INFORMATION	47
MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS	50
INDUSTRY OVERVIEW AND MARKET TRENDS	66
DESCRIPTION OF THE GROUP'S BUSINESS.	74
VALUATION.	92
BOARD OF DIRECTORS AND AUDITORS	93
MAJOR SHAREHOLDERS	102
CERTAIN RELATED PARTY TRANSACTIONS	104
DESCRIPTION OF THE SHARE CAPITAL AND THE SHARES	105
SIX SWISS EXCHANGE.	112
TAX CONSIDERATIONS.	114
THE OFFERING	120
SELLING AND TRANSFER RESTRICTIONS	126
GENERAL INFORMATION ON THE COMPANY	129
INDEX TO FINANCIAL STATEMENTS AND VALUATION EXPERT'S REPORT	F-1

SUMMARY

The following summary is qualified in its entirety by, and should be read in conjunction with, the more detailed information appearing elsewhere in this Offering Circular, including the discussion under "Risk Factors" and the Financial Statements, which are included elsewhere in this Offering Circular. Investors should base their investment decision on a review of the entire Offering Circular because of the significantly more detailed information in other parts of this Offering Circular.

THE GROUP

Overview

The Company is a Swiss based real estate company with its head office in Zug. It exclusively invests in US multi-family housing with a main focus on secondary and tertiary areas that are characterised by strong population and employment growth and limited housing offering. The housing offering targets the low to medium income population in these areas. As of the date of this Offering Circular, its portfolio had a total value of USD 604 million (consisting of the portfolio value of USD 508.1 million as appraised by Colliers as of 30 June 2017 plus the purchase price of USD 96 million for the three properties acquired after 30 June 2017). As of the date of this Offering Circular, the portfolio consists of 50 properties with approximately 8,200 residential units in 18 states in the United States. As of 30 June 2017, approximately 69% of these units are rented at market conditions whereas 31% of the units are rent and income restricted. In the six months ended 30 June 2017, the Group generated total income of USD 43.3 million and Effective Gross Income of USD 28.4 million. Its Net Operating Income amounted to USD 13.4 million in the same time period. Its Cash-on-Cash Yield Annualized amounted to 10.4% in this period. Its LTV amounted to 62% and the physical occupancy rate averaged around 94.2% as of 30 September 2017.

In line with its investment guidelines, the Company mostly pursues a value-adding strategy, which means that it invests in the renovation and addresses the deferred maintenance of the properties bought, which allows for a faster and larger rent increase as well as an increase in the values of the properties. In addition, the Company intends to further invest in properties profiting from Low Income Housing Tax Credit in order to generate attractive rental profit and realise value growth once these properties have been transitioned to market. Finally, the Company also intends to selectively invest in stabilised properties with limited improvement potential, such that it can benefit from secure rental income and the value growth in the mid to long-term. Based on this strategic approach, the Company believes that it is well structured to benefit from the main trends, namely the market demand for apartment exceeding the current offering, the rental growth in the low to medium income segment, the decreasing vacancy rates supporting rental growth, the population growth through immigration and the stable employment market with a tendency to employment growth.

Since its establishment in September 2015, the Company has raised approximately CHF 250 million in equity. In the last twelve months prior to this Offering Circular, it has acquired 13 properties for a total value of USD 269.7 million, representing equity of USD 117.9 million. The Company has mandated Stoneweg SA, Geneva as advisor and external asset manager, who has international real estate assets in an amount of approximately CHF 1.5 billion under management as of the date of this Offering Circular. Backed by the local US team from Stoneweg, the Company uses a network of regional partners with strong experience in the multifamily housing. By opportunistically involving the regional partners with a co-investment in the local structure, the Group aims at aligning the interests and thus creating incentives for the regional partners to follow the Company's strategy.

Key Strengths

The Group believes that the following strengths are the basis for future growth and long-term shareholder value:

- Well performing multifamily property portfolio in growing urban submarkets
- Board of Directors with broad experience in real estate, banking and investments
- Experienced Swiss based asset manager optimizing performance with tailored investment strategies
- Long-standing investment expertise in Swiss and international real estate applied to the US rental housing market

Strategy

The Company aims to maximise long-term shareholder value by acquiring, owning, repositioning, managing and selling US multifamily properties. The long-term business strategies of the Company include:

Investing in properties that allow enhancing the value through pro-active management

The Company intends to also selectively invest in properties without rent restrictions that allow for value adding measures, including refurbishment and operating measures. It expects to find such value-add, workforce property in the markets near Seattle (Washington), Phoenix/Tucson (Arizona), Albuquerque (New Mexico), St Louis (Missouri), Louisville (Kentucky), Cincinnati (Ohio), Indianapolis (Indiana), Dallas/Ft Worth (Texas), Atlanta (Georgia) and Charlotte (North Carolina). The properties acquired typically have considerable deferred maintenance and consist of out-dated units in locations that support higher rents for a higher quality product. Through carrying out targeted and cost efficient refurbishments, the Company aims at maximizing the rent potential. Such value adding measures may include the rehabilitation of units, the exterior of buildings as well as the improvement of the standard of common areas and amenities to increase the attractiveness of the rent site. Furthermore, the Company intends to review and realise opportunities to improve the management of such facilities, including operational cost containment. The Company believes that through such improvements, it can positively impact the net operating income. In this way, the Company targets to realise rent increases at limited incremental costs and preserve and increase the value of its properties which shall be realised at an opportune moment.

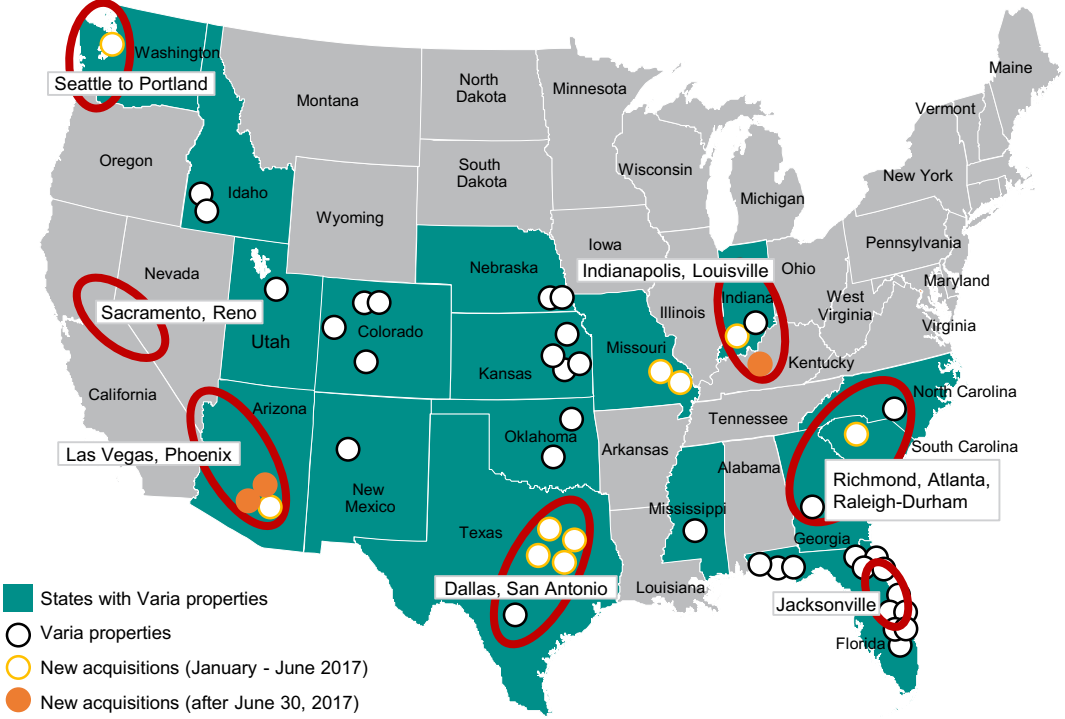
Investing in Low-Income Housing Tax Credit properties

The Company aims at investing in properties with rent restrictions in place, referred to as LIHTC. LIHTC properties may be for generally qualifying tenant as well as more specifically for senior citizens. In relation to the latter, the Company also strives to capture the trend of an increasingly aging population. As of 30 June 2017, approximately 31% of the units in the Company qualify as LIHTC. The Company aims at investing in such properties that benefit from LIHTC and are near end of the restriction period and deemed eligible for transition to market. Through qualifying for the application process, the Company intends to transition the properties from being rent restricted to the free market. Following such transition period, the rent levels of the properties are no longer regulated and can be gradually increased to reflect the market value. To this end, the Company intends to leverage on its capabilities to improve the standard of properties by implementing efficiently priced rehabilitation on market transitioned units, amenity and common area upgrades. In this way, the Company believes it can realise the rent growth potential. In addition, the Company targets operational cost containment and interest-only financing through the transition years, in order to generate attractive rental income and long-term capital appreciation. Regarding the removal of LIHTC rent restrictions, see "Description of the Group's Business—Legal and regulatory environment—Laws regulating the housing markets".

Investing in stabilised properties

The Company aims at continuing its long term strategy to invest in stabilised properties without rent restrictions and to further increase the size of its portfolio through acquisitions of low to moderate income housing complexes in selected regions in the United States. Such housing complexes are typically purchased in good condition with minimal deferred maintenance and predictable cash flows. The Company aims at improving the rental growth, containing operational cost and improving fixed rate financing. In this way, the Company intends to generate stable and secure cash flows. The Company intends to maximise the realisation of increased value. The Company then intends to reinvest the net proceeds from the sale.

To implement its strategy, the Company intends to focus its future investments in the regions highlighted in red in the graphic below, whereas the white dots depict the locations of the properties in the current portfolio.



SUMMARY OF THE OFFERING

Offering	<p>The Offering consists of (i) an offering in Switzerland, and (ii) private placements in certain jurisdictions outside of Switzerland and outside of the United States of America, in each case in accordance with applicable securities laws and in reliance on Regulation S under the Securities Act and on the basis of exemptions provided by the Prospectus Directive. See “Selling and Transfer Restrictions”. The Offering is an offering of up to [●] newly issued registered shares of the Company with a nominal value of CHF 1.00 each.</p> <p>The Offering comprises the Rights Offering and the Share Offering as described herein.</p>
Rights Offering	<p>Subject to the conditions of this Offering Circular, the holders of Existing Shares will be entitled under Swiss law and the Company’s articles of association dated 13 October 2017 to one pre-emptive right to subscribe for Offered Shares for each Existing Share they hold.</p>
Allocation of Rights	<p>Subject to the conditions of this Offering Circular and in particular the Selling Restrictions (as defined below), the holders of Existing Shares will after the closing of trading on the Record Date be allotted one (1) Right for each Existing Share held.</p>
No Organised Trading	<p>Rights will be transferable but not tradable.</p>
Subscription Price	<p>The subscription price corresponds to the Offer Price.</p>
Subscription Ratio	<p>Holders of [●] Rights are entitled to purchase one (1) Offered Share at the Offer Price.</p>
Rights Exercise Period	<p>The Rights must be exercised within the Rights Exercise Period, <i>i.e.</i> between [●] December 2017 and 12:00 noon (CET) on [●] January 2018.</p>
Exercise of Rights	<p>Shareholders that hold their Existing Shares in a share account will have their Rights recorded in their share account. They have to follow their bank’s instruction to exercise their Rights.</p> <p>Holders of Rights that are restricted under the Selling Restrictions (as defined below) from acquiring Offered Shares are not entitled to exercise Rights, even if allocated to them, and are not entitled to acquire corresponding Offered Shares. Rights may only be exercised in integral multiples of the Subscription Ratio.</p>
Delivery of Shares	<p>Subject to the satisfaction of certain conditions as set forth in the Subscription and Purchase Agreement, the Sole Bookrunner has undertaken to deliver on behalf of the Company the Offered Shares to the holders of Rights that have duly exercised such Rights, subject to compliance with applicable securities laws (see “The Offering”).</p>
Treatment of Shares for which Rights have not been duly exercised	<p>Rights not duly exercised prior to the end of the Rights Exercise Period (including where, in accordance with the terms of this Offering Circular, the holder of such Rights is not permitted to exercise such Rights) will lapse and any holder thereof will not receive any compensation in respect to any such unexercised Rights. Offered Shares for which Rights were not exercised, irrespective of the reason, <i>i.e.</i> whether due to eligible shareholders not exercising their Rights, ineligibility to exercise Rights because of Selling Restrictions (as defined below), fractions or otherwise, are included in the Share Offering (as described below).</p>

Share Offering	In the Share Offering, Offered Shares for which the Rights have not been validly exercised will be offered at the Offer Price to the market, subject to the Selling Restrictions (as defined below). Existing shareholders have no pre-emptive rights within the Share Offering.
Shares	The Shares are fully paid-in registered shares (<i>actions nominatives, Namenaktien</i>) of the Company with a nominal value of CHF 1.00 each. See “Description of the Share Capital and the Shares—Description of the Shares”.
Issued Shares before the Offering . .	7,200,815 Shares.
Offered Shares	In the Share Offering, a maximum of [●] Offered Shares will be sold by the Company. The exact number of Offered Shares in the Share Offering depends on the Rights that are not or not validly exercised. The Offered Shares will be issued in a capital increase against cash contributions on the basis of a resolution of the extraordinary shareholders’ meeting of the Company held on [8] December 2017. The actual capital increase is expected to take place on the day prior to the First Day of Trading. All Shares will rank <i>pari passu</i> in all respects with each other. See “Description of the Share Capital and the Shares—Description of the Shares—Form and rank of the Shares”. The Swiss federal issuance stamp tax (<i>droit d’émission, Emissionsabgabe</i>) on the Offered Shares will be borne by the Company.
Shares Issued and Outstanding After the Offering	The issued and outstanding share capital of the Company upon completion of the Offering will depend on the number of Offered Shares sold in the Offering. Assuming that all [●] Offered Shares are sold in the Offering, the issued and outstanding share capital of the Company will consist of [●] Shares.
Percentage of Total Issued Share Capital Being Offered in the Offering	The percentage of the Company’s total outstanding share capital represented by the Offered Shares immediately after the Offering will be [●]% (assuming that all Offered Shares were sold).
Share Offering Period	The Share Offering Period will commence on [●] December 2017 and ends on 16.00 CET on [●] January 2018. The Company and the Sole Bookrunner reserve the right to extend or shorten the offer period or terminate the Offering, without any prior notice, at any time and for any reason.
Offer Price	The Offer Price is CHF [●] per Offered Share, whereas the Offer Price shall correspond to the estimated Net Asset Value per Share at [●] January 2018 plus transaction costs.
Determination and announcement of final number of Offered Shares	The final number of Offered Shares sold in the Offering will be published by media release and in the Supplement on or around [●] January 2018.
Payment and Settlement	Application has been made for the Offered Shares to be accepted for clearance and settlement through SIS. Delivery of the Offered Shares against payment of the Offer Price is expected to take place through SIS on or about [●] January 2018, or such other date as the Company and the Sole Bookrunner may agree. If the right to terminate the Subscription and Purchase Agreement (as defined in “The Offering—Underwriting”) is exercised, the Offering will lapse and any previously purported allocation and purchase of Offered Shares will be deemed to not have been made.

Listing and Trading	The Existing Shares are listed in accordance with the Standard for Real Estate Companies of SIX. Application has been made and approval has been given, subject to certain conditions, by SIX to list all Offered Shares issued immediately following this Offering in accordance with the Standard for Real Estate Companies of SIX. It is expected that the Shares will be listed, and trading in them will commence, on or about [●] January 2018 (<i>i.e.</i> , the First Day of Trading) under the symbol “VARN”.
Form of Shares	<p>The Offered Shares will be issued as uncertificated securities (<i>droits-valeurs, Wertrechte</i>) within the meaning of art. 973c CO.</p> <p>The Offered Shares will be registered in the main register (<i>registre principal, Hauptregister</i>) maintained by SIS and credited to the securities account of each purchaser, and thus will become book entry securities (<i>titres intermédies, Bucheffekten</i>), within the meaning of the FISA.</p>
Use of Proceeds	The Company plans to use the net proceeds to fund the acquisitions of real estate in the targeted markets and regions in the United States, and for general business purposes. See “Use of Proceeds”. The expected use of the proceeds from the Offering represents the Company’s intentions based on its current plans and is subject to change. The actual use of the proceeds from the Offering will be subject to the sole discretion of the Board of Directors of the Company.
Dividends and Dividend Policy	The Offered Shares will be entitled to dividends, if any are declared, for the financial year ending 31 December 2017. All Shares rank <i>pari passu</i> in all respects with each other (see “Description of the Share Capital and the Shares—Description of the Shares—Form and rank of the Shares”).
Lock-up Agreements	During the period commencing as of the date of the Offering Circular and ending 6 (six) months after the First Day of Trading of the Offered Shares, the Company shall not (i) issue, offer, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to grant, grant any option, right or warrant to purchase, pledge, grant instruction rights (<i>Weisungsrechte nach Art. 25 FISA</i>) or otherwise transfer or dispose of (or publicly announce any such issuance, offer, sale or disposal), directly or indirectly, or file a registration statement under any securities regulation relating to, any Shares or any securities convertible into or exchangeable or exercisable for Shares or warrants or other rights to purchase any Shares, except for options granted to the Company’s employees, management and directors pursuant to its stock option plan and Shares issued upon the exercise of options granted pursuant to such stock option plan during this period, (ii) enter into any swap, hedge or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of the Shares, or (iii) announce its intention to do any of the foregoing whether any such transaction described in clause (i) or (ii) above is to be settled by delivery of Shares or other securities, in cash or otherwise, without the prior written consent of the Sole Bookrunner. The foregoing shall not apply to the sale of the Offered Shares or any Shares acquired by the Company after the First Trading Day. See also “The Offering—Lock-up”.
Own Existing Shares	As of the date of this Offering Circular, the Company owns no Shares.
Swiss Taxation	Any dividends and other distributions paid on the Shares will be subject to Swiss withholding tax (except for payments out of reserves from capital contributions). See “Tax Considerations”.

Voting Rights	Each Share carries one vote. See “Description of the Share Capital and the Shares—Description of the Shares—Voting rights”.												
Risk Factors	Investing in the Offered Shares (including the exercise of the Rights) involves considerable risks, in particular risks relating to the real estate market environment, risks relating to the business operations of the Group, risks relating to the legal and regulatory environment, risks relating to currency exchange and risks relating to the Offering and the Shares. Potential investors may suffer a complete or partial loss of their investment. See “Risk Factors” of this Offering Circular for a discussion of certain considerations that should be taken into account in deciding whether to purchase Offered Shares.												
Selling Restrictions.	The Offered Shares are subject to certain offering restrictions as described in “Certain Sales Restrictions” and “Selling and Transfer Restrictions” (the “ Selling Restrictions ”).												
Governing Law/Place of Jurisdiction	Swiss law/Zurich												
Sole Bookrunner	Bank Vontobel AG, Gotthardstrasse 43, 8002 Zurich, Switzerland												
Selling Agents	Real Estate Investment Solutions AG, Gubelstrasse 19, 6300 Zug, Switzerland Stoneweg SA, boulevard Georges-Favon 8, 1204 Geneva, Switzerland Swiss Finance & Property AG, Untermüli 7, 6300 Zug, Switzerland Neu Gut Beratungen GmbH, Seestrasse 119, 8806 Bäch SZ, Switzerland												
Security numbers and ticker symbols	<p>Of the Shares:</p> <table border="0"> <tr> <td>Swiss Security Number (<i>numéro de valeur, Valorenummer</i>)</td> <td>30 528 529</td> </tr> <tr> <td>International Securities Identification Number (ISIN)</td> <td>CH.030'528'529'5</td> </tr> <tr> <td>Ticker Symbol</td> <td>VARN</td> </tr> <tr> <td>Common Code</td> <td>151509312</td> </tr> </table> <p>Of the Rights:</p> <table border="0"> <tr> <td>Swiss Security Number (<i>numéro de valeur, Valorenummer</i>)</td> <td>38 962 358</td> </tr> <tr> <td>International Securities Identification Number (ISIN)</td> <td>CH.038'962'359'3</td> </tr> </table>	Swiss Security Number (<i>numéro de valeur, Valorenummer</i>)	30 528 529	International Securities Identification Number (ISIN)	CH.030'528'529'5	Ticker Symbol	VARN	Common Code	151509312	Swiss Security Number (<i>numéro de valeur, Valorenummer</i>)	38 962 358	International Securities Identification Number (ISIN)	CH.038'962'359'3
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Swiss Security Number (<i>numéro de valeur, Valorenummer</i>)	38 962 358												
International Securities Identification Number (ISIN)	CH.038'962'359'3												
Amendments and Changes	Any notices containing or announcing amendments or changes to the terms of the Offering or to this Offering Circular will be announced through the electronic media in Switzerland and, if required, published in electronic form on the website of SIX (https://www.six-exchange-regulation.com).												

Expected Timetable of Principal Events

The Company and the Sole Bookrunner reserve the right to extend or end the offer period earlier, without any prior notice, at any time and for any reason. Any such change may result in further timetable changes.

Record date for entitlement to Rights	[●] December 2017, after close of trading
Start of Rights Exercise Period and start of Share Offering Period	[●] December 2017
End of Rights Exercise Period	[●] January 2018, at 12:00 noon (CET)
End of Share Offer Period	[●] January 2018, at 16:00 (CET)
Publication of final number of Offered Shares sold in the Offering by media release and in the Supplement.	[●] January 2018
Listing; First Day of Trading	[●] January 2018
Book-entry delivery of the Offered Shares against payment of the Offer Price	[●] January 2018

SUMMARY FINANCIAL INFORMATION

The following tables present summary financial information of the Group as of and for the periods starting (i) starting 1 January 2017 and ending 30 June 2017, (ii) 28 September 2015 and ending 31 December 2016 and (iii) 28 September 2015 and ending 30 June 2016, which are extracted or derived from the group financial statements, appearing elsewhere in this Offering Circular. This summary group financial information should be read in conjunction with the group financial statements as well as with the sections "Use of Proceeds" and "Management's Discussion and Analysis of Financial Condition and Results of Operations" below.

Summary Consolidated Statement of Profit and Loss and Other Comprehensive Income

(in USD ,000)	For the period from 1 January to 30 June 2017	For the period from 28 Sep- tember 2015 to 31 December 2016	For the period from 28 Sep- tember 2015 to 30 June 2016
	<i>(unaudited)</i>	<i>audited</i>	<i>(unaudited)</i>
Rental income	26,237	36,525	17,439
Other income	2,135	2,623	1,417
Bargain on purchase of subsidiary		4,185	4,185
Net gain from fair value adjustment on investment property	14,905	21,231	9,962
Total income	43,277	64,564	33,004
Expenses for third party onsite workforces	3,788	5,621	2,461
Real estate operating expenses	6,220	7,939	3,515
Real estate maintenance and renovation expenses	3,197	5,828	1,912
Property management fees	990	1,388	644
Real estate acquisition expenses		5,881	5,377
Other expenses	3,970	7,286	5,855
Total operating expenses	18,165	33,943	19,764
Operating Profit	25,112	30,622	13,240
Finance Cost	4,749	8,645	4,782
Profit before income tax	20,363	21,977	8,457
Income tax expense	5,394	5,800	1,948
Profit for the period	14,969	16,176	6,509
Other comprehensive income			-
Total comprehensive income for the period.	14,969	16,176	6,509
Profit attributable to:			
Varia US Properties AG shareholders	12,163	8,874	2,860
Non-controlling interests	2,805	7,302	3,649
	14,969	16,176	6,509
Total comprehensive income attributable to:			
Varia US Properties AG shareholders	12,163	8,874	2,860
Non-controlling interests	2,805	7,302	3,649
	14,969	16,176	6,509

Summary Consolidated Statement of Financial Position

(in USD ,000)	<u>30 June 2017</u> <i>(unaudited)</i>	<u>31 December 2016</u> <i>audited</i>	<u>30 June 2016</u> <i>(unaudited)</i>
Assets			
Current assets			
Cash and cash equivalents	65,255	96,300	23,920
Rent and other receivables	1,287	631	376
Income tax receivable	242	242	242
Prepaid expenses	1,434	813	1,028
Non-current asset classified as held for sale	–	–	5,800
Total current assets	68,219	97,987	31,366
Non-current assets			
Investment property	508,120	343,450	295,130
Escrow accounts	5,577	5,029	4,184
Goodwill	4,776	2,813	1,052
Deferred tax asset	1,876	536	2,768
Total non-current assets	520,349	351,828	303,134
Total assets	588,569	449,816	334,501
Liabilities and equity			
Current liabilities			
Interest bearing loans and borrowings	1,835	1,596	2,856
Trade and other payables	10,099	6,839	6,666
Prepaid rent	548	223	220
	12,481	8,658	9,742
Non-current liabilities			
Interest bearing loans and borrowings	308,901	201,474	196,713
Deferred tax liability	21,341	14,683	13,202
Total liabilities	342,724	224,814	219,657
Issued share capital	6,641	6,180	3,121
Share premium from capital contributions	200,091	193,357	94,544
Legal reserves	42	–	–
Retained earnings	19,808	8,874	2,860
Equity attributable to Varia US			
Properties AG shareholders	226,581	208,412	100,525
Non-controlling interest (NCI)	19,263	16,590	14,319
Total equity	245,845	225,002	114,844
Total liabilities and equity	588,569	449,816	334,501

Summary Consolidated Statement of Cash Flow

(in USD ,000)	<u>For the period from 1 January to 30 June 2017</u> <i>(unaudited)</i>	<u>For the period from 28 Sep- tember 2015 to 31 December 2016</u> <i>audited</i>	<u>For the period from 28 Sep- tember 2015 to 30 June 2016</u> <i>(unaudited)</i>
Profit before tax	20,363	21,977	8,457
Net cash provided by operating activities	10,004	6,871	1,791
Net cash used by investing activities	(149,765)	(102,754)	(73,763)
Net cash provided by financing activities	107,831	192,335	96,724
Net increase in cash and cash equivalents	(31,930)	96,452	24,751

Summary Other Financial Data (including non-IFRS measures)

	For the period from 1 January to 30 June 2017	For the period from 28 Sep- tember 2015 to 31 December 2016	For the period from 28 Sep- tember 2015 to 30 June 2016
(in USD ,000)			
Net Asset Value per Share.	34.03	33.65	32.46
Gross LTV.	61.1%	59.4%	66.7%

RISK FACTORS

Before purchasing any Offered Shares (including through the exercise of Rights), prospective investors should carefully consider each of the risk factors set out below as well as the other information contained in this Offering Circular, including in the “Management’s Discussion and Analysis of Financial Condition and Results of Operations”, as well as in the financial statements of the Group and the notes to the financial statements. Any or all of the following risk factors, as well as other factors beyond the Group’s control, may adversely affect the Group’s business, the profitability of its operations and its financial condition, and may impact the Group’s ability to achieve strategic objectives. For reasons relating to the risk factors identified below, as well as other for other reasons not stated below, the trading price of the Offered Shares could decline, and potential investors could lose all or part of their investment. The order in which the risk factors below are presented does not reflect the likelihood of the occurrence of any specific event related to a risk factor, or of the magnitude of any particular risk factor’s potential impact on the Group’s cash flows, business, operations or financial condition.

Risks relating to the ownership structure of the Group

The Company does not directly own any properties

The Company invests in real estate properties through intermediary holding vehicles (include a fund company organized in the Bahamas and various single member U.S. limited liability company blocker companies) and does not directly own any properties. Consequently, an investment in the Company is different than an investment in an entity with direct ownership and control of U.S. real property. The properties held through this structure are encumbered by financings in favor of lenders to the Property Companies. Any proceeds of a winding-up or a liquidation of a Property Company would be used, first, to cover the claims of financing parties and other creditors of such companies. The Company’s shareholders could suffer difficulties or delays in realizing proceeds from the sale of the underlying properties in case of a winding-up, liquidation or similar occurrence.

The Company partially has only a limited role in the Group’s investment in the Property Companies and the Group does not fully control the management or operations of real estate investments owned by the Property Companies

Certain Group’s Property Companies, namely those representing approximately half of the portfolio’s appraised total value as of 30 June 2017, own residential property that is operated by a PCMF LLC or any of its affiliates (collectively “Peak”), a third party manager pursuant to the terms of a limited liability company agreement for each such Property Company. In relation to these properties, Peak cannot be removed in its role as manager by the Company except under extraordinary circumstances. In certain cases, the manager may dispose of Property Company assets without the Company’s consent. Peak exercises day-to-day control over the maintenance, marketing, leasing and other activities related to the business of operating such residential property assets. Its authority as manager is restricted to a set of major decisions for which consent of the Varia Member is required. As a consequence of the role of the Company in the management of the Property Companies and the scope of authority reserved to the manager, the Company’s ability to enhance the value of or derive income from residential property assets owned in part by the Group, or prevent the deterioration of or reductions in income generated from such assets, is limited.

The Company is partially dependent upon Peak for the success of the Portfolio.

Because the Company only partly manages certain Property Companies or the underlying residential properties owned by the Property Companies, namely those representing approximately half of the portfolio’s appraised total value as of 30 June 2017, it depends upon Peak’s performance as manager of such Property Companies and as property manager of the respective residential properties. If Peak does not (A) adhere to the terms of its contracts with the Company, its obligations under the terms of the various limited liability company agreements for each of the Property Companies or its property management agreements with the Property Companies or (B) performs all of its obligations professionally in accordance with property management best practices, the performance of the current property portfolio may suffer resulting in material adverse effect on the Company’s cash flow, ability to make distributions, financial condition and future prospects.

The Payment of Fees for the Management, Administration and other Services Required by the Property Companies Reduces the Availability of Cash for Distribution to holders of the Shares.

As noted, the Company does not directly own or operate the residential properties from which the Company’s net income is derived and the Company (and the Property Companies) pay third parties, including Peak, for asset management,

property management and other services. Among other fees and expenses that are paid by the Portfolio Companies are the management fees paid to Peak as manager of each of the Property Companies and additional fees paid to Peak as property manager of each of the residential properties. These fees are generally based upon a percentage of annual gross rental income and are substantial in amount. In addition, the Company pays a further management fee to the Asset Manager. The Asset Manager receives a management fee from the Company of 1% of the equity value of the Company in CHF as determined by a valuation expert as of 31 December of the respective financial year. The Asset Manager is also entitled under its Asset Management Agreement with the Company to receive acquisition fees, placement fees, disposition fees, promote fees, and certain travel and other cost reimbursements. Peak is also entitled to receive fees from the Property Companies in connection with refinancings, acquisitions and dispositions related to particular Property Companies for which it may perform such services. While the Company receives certain necessary operating services under these arrangements that it cannot carry out directly, the cost of these services significantly reduces the amount of cash that the Company receives from the Property Companies and thus what it is able to distribute to shareholders.

The Company may change its investment policies and objectives generally and at the individual investment level without shareholder approval, which could alter the nature of shareholders' investment

The Company may change its stated strategy for investment in Property Companies or Property Companies' investments in individual properties. These policies may change over time. The methods of implementing the Company's investment policies may also vary, as new investment techniques are developed. The Company's investment policies, the methods for their implementation, and other objectives, policies and procedures may be altered without the approval of shareholders. As a result, the nature of the Company's investment could change without its shareholders' consent.

The Offering may result in a Change of Control under Various of the Group's Financing Agreements

Certain financing agreements to which the Property Company's are subject contain certain termination rights, including change of control clauses granting the lender the right to terminate the financing agreement in the event of certain changes of control or ownership of the borrower, including certain indirect changes of control or ownership. It is possible that the respective lenders will consider the sale of Shares in the Offering to be an impermissible indirect change of ownership under the financing agreements, triggering a default and enabling the lender to exercise its remedies. The Company has not sought and not received confirmation from the respective lenders that the Offering will not trigger a default, nor that any applicable termination right will not be exercised as a result of the Offering. Any such default, unless waived, may have a material adverse effect on the Company's cash flows, ability to make distributions, financial condition and future prospects.

The Group's ability to transfer interests in the Property Companies is restricted

The transfer of the interests in the Property Companies that are indirectly held by the Company is restricted. Except for permitted transfers, which include transfers to affiliates and reorganizations of a member, the sale of a member's interests is subject to a cash-only right of first refusal of the other member or members. Furthermore, no member of the Group may transfer its interest in a Property Company if the transfer would violate the terms of financing of any of the Property Company's real estate investments and many of the financing arrangements contain such restrictions. In certain instances, the manager has authority to enter into financing in the future without obtaining the consent of the Company, which effectively means that the Company could be prevented from transferring its interest in any Property Company at any time for reasons outside of its control. In any situation where the Company could not transfer or sell its interest, the Company might have to hold a property that was declining in value, preventing it from reallocating financial resources toward more potentially lucrative investments. The value of the Company or the distributions it receives from the Property Companies could be reduced as a result of such transfer restrictions, consequently reducing the distributions available to its shareholders.

Potential disputes arising in connection with the Company's indirect interests in the Property Companies are not resolvable through a dispute resolution mechanism.

The Company could have a dispute with a co-member in relation to one or more of the Property Companies. The organizational documents that govern the terms of the Property Company's investments do not contain a dispute resolution mechanism under which parties must negotiate any disputes in order to resolve issues and continue operations. In the event of a dispute, in the absence of amical resolution, the parties may resort to litigation which can be expensive and time consuming and detract from the value of the Property Company, which may have a material adverse effect on the Company's cash flows, ability to make distributions, financial condition and future prospects.

Under the buy-sell mechanisms under the limited liability company agreements for the Property Companies, the Company may be forced to sell a property it wishes to retain.

Commencing on March 20, 2019, either member (the Company's subsidiary or the Peak Member) may initiate a right of first offer procedure ("buy-sell") pursuant to which the other member must either sell all of its interests to the offering member or buy all of the interests of the offering member. If the member receiving the offer elects not to either buy the offering member's interest or sell its interest to the offering member, the offering member is required to use good faith efforts to complete a sale of the entire property to a third party for an all-cash price of not less than 95% of the value implied by the offering member's sale offer. The Company's subsidiary can initiate such right of first offer before such date if a removal event with respect to the manager has occurred, which right is triggered by events such as the bankruptcy of the manager or in the event of fraud, crimes of moral turpitude and other extraordinary circumstances. In the event that the Peak Member triggers the right of first offer to exit the investment and the Company's subsidiary cannot finance the acquisition of the Peak Member's interest, a property that the Company's subsidiary did not wish to exit could be sold without its consent.

The Managers of the Property Companies do not owe fiduciary duties to the Group, and could manage the real estate investments of the Property Companies in a manner that is inconsistent or contrary to the Group's interests

Under the terms of the limited liability company agreements of the Portfolio Companies, the Managers have disclaimed adherence to any standard of fiduciary duty. Without fiduciary duties applying, the Company has less recourse against the Manager for its wrongful conduct. As a result, it may be more difficult for the Company to ensure that the assets belonging to the Property Companies will be managed properly by the Managers.

Conflicts of interest may exist between the Peak Members, the Managers, leasing agents, their employees and other third parties engaged through affiliated contracts for the purpose of managing and operating rental properties belonging to the Property Companies

Peak and other third parties involved in the management and operations of rental properties owned by the Property Companies have or may have pre-existing personal or business relationships, or otherwise currently or in the future have incentives to deal with each other on terms that are more favorable than would be agreed as between parties negotiating on an arms-length basis. Such current or future conflicts of interest may result in higher fees being paid for products and services used in connection with the management and operations of such rental properties, or in some other way result in higher costs being incurred by the Property Companies. Actual or perceived conflicts, including those which lead to higher costs, could detrimentally effect the budget and net cash flow of the Property Companies, and could result in smaller distributions to the Varia Member and, consequently, to shareholders of the Company.

Rules, regulations and other restrictions imposed by the U.S. Department of Housing and Urban Development ("HUD") in connection with HUD's financing of certain real estate acquisitions by the Property Companies could have a detrimental effect on the value of the Group's interests and result in liabilities against the Property Companies and their members

Certain rental properties owned by the Property Companies are, and additional properties acquired by the Property Companies may in the future become, subject to mortgages in favor of HUD. In connection with these mortgages, the properties are or may in the future be bound to specific financing terms as well as subject to U.S. federal rules and regulations relating to rents, tenants' rights, maintenance standards, and other matters concerning the management and operations of properties that are encumbered by HUD mortgages generally. Violations of these restrictions, which may occur as the result of the actions of managers of the Property Companies, over which the Group has limited authority or control, could result in liabilities that have a negative financial impact on the Company. Further, the restrictions could allow HUD to overrule important business decisions taken by members of Property Companies, and prevent distributions from being made to members, including the Varia Member. In addition, the HUD documents contain certain provisions providing for personal liability against the members of the Property Companies, notwithstanding the general non-recourse nature of the financings. Such HUD rules and regulations, and the financing terms of HUD mortgages, could reduce the value of Property Company interests held by the Group and impose additional costs on the Group. Violations of the terms of the HUD financing may result in financial losses to the Property Companies and their members and consequently, have a material adverse effect on the Company's cash flows, ability to make distributions, financial condition and future prospects.

Risks relating to the business

The Group is subject to risks involved with investments in residential real estate in general and operating risks common to rental properties in particular:

local and national economic conditions, including declines in the value of real estate;

- a. inability to control expenses;
- b. acts of nature, including earthquakes, floods and other natural disasters, which may result in uninsured losses;
- c. acts of war or terrorism, including the consequences of terrorist attacks;
- d. adverse changes in national and local economic and market conditions;
- e. federal, state and local laws impacting the Group's ability to evict tenants;
- f. adverse changes in the availability of financing or refinancing and increases in the cost of any available financing;
- g. declines in the demand for Group's existing or future properties;
- h. inability to effectively collect rent from tenants;
- i. governmental laws and regulations, fiscal policies and zoning ordinances and the related costs in connection therewith, as well as amendments thereof;
- j. costs of remediation and unknown or contingent liabilities, including those associated with environmental conditions; and
- k. the potential for uninsured or underinsured property losses and any other liability relating to real estate properties.

The occurrence of any of the foregoing factors, among others, may reduce the Group's return from an affected property or asset and, consequently, have a material adverse effect on the Company's cash flows, ability to make distributions, financial condition and future prospects.

Lack of historical information regarding the properties and incomplete documentation

Neither the Company nor the Property Companies obtained updated surveys, title searches or reports for the properties for the purpose of this Offering. Despite confirmations obtained from Peak, there can be no assurance that title insurance policies previously obtained at the time of the acquisition of the properties for any such property accurately reflect the current state of title to such properties. There may be existing title exceptions for matters that would be disclosed if such updated title search had been obtained, such as boundary encroachments or unrecorded easements, any of which could materially and adversely affect valid title. There is no assurance that title insurance policies for such properties cover the entirety of the real property, buildings, fixtures and improvements understood by the Company to be owned by the Property Companies. Finally, no independent confirmation has been obtained by the Company that any of the properties are, in fact, owned by the Property Companies or insured under a valid and enforceable title insurance policy. The failure of a Property Company to have good and valid title to the property it claims to own could have a material adverse effect on the Company's cash flows, ability to make distributions, financial condition and future prospects.

The Company's ownership of the Blocker Entities and the Property Companies may not be fully confirmable

The Company had legal and other professional advice when establishing the group structure, setting-up or acquiring entities, and when acquiring real estate. It may nevertheless not be possible to fully establish ownership and acquisition chains with respect to all Blocker Entities and Property Companies. One can therefore not exclude that full title to a company of the Group is missing, which may have a material and adverse effect on the Group. Also, one may not exclude that for certain acquisitions, third parties from whom the Group and the Property Companies acquired interests or assets may have failed to procure consents, permits, approvals, clearances or other authorisations required from relevant reg-

ulatory authorities in relation to the conveyance of such assets. As a result of such a failure, the Group may be subject to administrative fines, forfeitures (including, possibly, forfeitures of property or other assets), or other penalties. Any challenge to, or invalidation of, any acquisition of property or other interests or the imposition of liability related to any such acquisition, could have a material adverse effect on the Company's cash flows, ability to make distributions, financial condition and future prospects.

The Company's Due Diligence may Not Identify All Material Issues

Before investing, the Company typically conducts, or causes to be conducted, certain due diligence with respect to the assets it intends to acquire. There can be no assurance that such due diligence processes will uncover all facts that are relevant to the potential acquisition. If there were any material adverse facts or circumstances surrounding any of the Company's that were not discovered during the due diligence process, any such material adverse fact or circumstance may have a material negative impact on the Company's cash flows, ability to make distributions, financial condition and future prospects.

The Group may be exposed to contractors' claims on the Group's properties

The Company is exposed to the risk that contractors, sub-contractors or service providers have, under applicable law, the right to file mechanics liens against the properties in respect of claims for unpaid compensation for services rendered or materials provided. The imposition of such liens might put the Property Companies in violation of their financing arrangements with lenders and could limit the Property Companies to dispose of real estate investments, which could have a material adverse effect on the Company's cash flows, ability to make distributions, financial condition and future prospects.

The Group is dependent on a concentration of investments in a single asset class, making its results of operations more vulnerable to a downturn or slowdown in the sector or other adverse economic conditions.

As of September 30, 2017, approximately 62.9% of the Property Companies' real estate portfolio i.e. the portfolio value of USD 508.1 million as appraised by Colliers as of 30 June 2017 plus the purchase price of USD 96 million for the three properties acquired after 30 June 2017, was located in five markets: Florida, Texas, Arizona, Utah and Kentucky. The Group's performance could be materially and adversely affected by economic conditions in, and other factors relating to, these geographic areas, including changes in the supply or demand for apartments, competition for tenants from other communities, availability of alternative forms of housing, zoning rules and other legal and regulatory conditions. The Group's performance is also disproportionately affected by levels and trends in job growth and unemployment in these particular areas. To the extent that economic conditions in any of these markets deteriorate, or that any of these areas experience natural disasters, there could be a material adverse effect on the Company's cash flows, ability to make distributions, financial condition and future prospects.

The assets of the Group are not subject to any limitations with respect to geographic and demographic concentration, or asset diversification. Accordingly, the Group's investment portfolio may be concentrated geographically, consist disproportionately of multifamily rental property, or depend on a narrow demographic category of tenants, increasing the risk of loss if adverse developments disproportionately affect one or more of these categories. The Group's current portfolio is focused predominately on apartment properties. As a result, the Group is subject to risks inherent to any investment in a single asset class, and a decrease in the demand for apartment properties would likely have a greater adverse effect on the Group's rental revenues than if the Group owned a more diverse real estate portfolio.

The Group's investments are dependent on tenants for revenue, and vacancies could reduce revenues, resulting in reduced distributions

The underlying value of the Group's properties and the ability to make distributions depend upon the ability of the tenants to generate enough income to pay their rents in a timely manner, and the success of the Group's investments depends upon the occupancy levels, rental income and operating expenses of its properties and the Company. Tenants' inability to timely pay their rents may be impacted by employment and other constraints on their personal finances, including debts, purchases and other factors. These and other changes beyond the Group's control may materially and adversely affect the tenants' ability to make lease payments.

In order to attract new residents when apartments are vacated, the Group may be required to expend funds for capital improvements to the vacated apartment units. In addition, the Group may require substantial funds to renovate an apartment community in order to sell it, upgrade it or reposition it in the market. If the Group has insufficient capital reserves, the Group will have to obtain financing from other sources. In addition, some or all of the Group's apartment communities have incurred, and will incur, vacancies. If vacancies of a significant level continue for a long period of

time, the Group would continue to incur certain expenses without recognizing any corresponding revenue. There can be no assurance that sufficient financing will be available or, if available, will be available on economically feasible terms or on terms acceptable to the Group. Moreover, certain reserves required by lenders may be designated for specific uses and may not be available for capital purposes such as future capital improvements. Additional borrowing for capital needs and capital improvement will increase the Group's interest expense, and therefore the Group's financial condition and ability to make distributions to shareholders may be adversely affected.

In the event of a tenant default or bankruptcy, the Group may experience delays in enforcing landlord rights and may incur costs in protecting its investments and releasing its properties. Defaulting tenants will often be effectively judgmentproof. The process of evicting a defaulting tenant from a family residence can be adversarial, protracted and costly and may require compliance with various federal, state and local laws or regulations, many of which are designed to protect tenants from eviction.

The Group may be exposed to losses in respect of legacy or inherited liabilities relating to predecessors-in-title

The Group has acquired a number of its assets from third parties who may have undertaken to carry out certain actions in respect of such assets in particular in case of share/business acquisitions or disposals and through related party transactions, certain transactions which may have exceeded prescribed thresholds, being detrimental to creditors, or otherwise not in compliance with the applicable laws of the relevant jurisdiction and other corporate matters relating to such properties. If the aforementioned actions of such third parties are challenged or form a basis for third party claims against the Group, the Group may not be able to defend such challenges or claims successfully, including because the applicable provisions of the laws in the relevant jurisdiction may be subject to several different interpretations. Such actions and claims, if successfully pursued, could result in the invalidation of the relevant transactions or the imposition of liabilities on the Group.

In certain cases, third parties from whom the Group has acquired assets may have failed to procure the necessary consents, permits, approvals, clearances or other authorisations required from the relevant regulatory authorities in relation to such assets. As a result of such failure, the Group may face challenges from the applicable regulatory authorities in the relevant jurisdiction and may be subject to administrative fines or other penalties. Any challenges to, or invalidation or termination of, any such transactions or imposition of any such liability could, individually or in the aggregate, have a material adverse effect on the Group's business, financial condition, prospects and results of operations.

Failure to generate sufficient cash flows could limit the Group's ability to make payments on its debt and to pay distributions to shareholders

The Group's ability to make payments on its debt and to make distributions depends on its ability to generate cash flow in excess of operating costs and capital expenditure requirements and/or to have access to the markets for debt and equity financing. Rental income and the value of the Group's apartment communities may be insufficient because of factors that are beyond the Group's control. Such events or conditions could include:

- competition from other apartment communities;
- overbuilding of new apartments or oversupply of available apartments in the Group's markets, which might adversely affect occupancy or rental rates and/or require rent concessions in order to lease apartments;
- conversion of units and single family houses to rental use or the sale of excess for-sale units and single family homes;
- weakness in the overall economy which lowers job growth and the associated demand for apartment housing;
- increases in operating costs (including real estate taxes, utilities and insurance premiums) due to inflation and other factors, which may not be offset by increased rental rates;
- inability to initially, or subsequently after lease terminations, rent apartments on favourable economic terms;
- failure of development communities to be completed, if at all, within budget and on a timely basis or to lease up as anticipated;
- changes in governmental regulations and the related costs of compliance;

- changes in laws including, but not limited to, tax laws and housing laws including the enactment of rent control laws or other laws regulating multifamily housing;
- withdrawal of government support of apartment financing through its financial backing of the Federal National Mortgage Association, or the Federal Home Loan Mortgage Corporation;
- an uninsured loss, including those resulting from a catastrophic storm, earthquake, or act of terrorism;
- changes in interest rate levels and the availability of financing, borrower credit standards, and down-payment requirements which could lead renters to purchase homes (if interest rates decrease and home loans are more readily available) or increase the Group's acquisition and operating costs (if interest rates increase and financing is less readily available); and
- the relative illiquidity of real estate investments.

Any significant and sustained deterioration in operations could result in the Group's financial resources being insufficient to make payments on its debt and to pay distributions to shareholders at the current rate, in which event the Group would be required to reduce the distribution rate currently envisaged. Any decline in the Group's income could adversely affect the Group's ability to make distributions to its shareholders or to meet loan covenants and could have a material adverse effect on the stock price.

The Group could fail to carry out real estate transactions on reasonable terms or at all, and the Group is exposed to risks arising from the illiquidity of real estate markets

As the Group's property business focuses on long-term investments in residential real estate, the success of the Group's business partially depends upon its continued ability to make ongoing investments in its properties in the regions in which the Company intends to invest. This will depend on various factors such as the availability of suitable properties, reasonable financing options, purchase terms favourable for the Group, demand for rental space, the market timing and the competitive situation, but also certain public legal matters, in particular the issuance of required building permits. A lack of investment and development opportunities on terms favourable for the Group could have a material adverse effect on the Group's business, prospects, results of operations and/or financial condition.

Although continued divestments of real estate holdings by certain investors might temporarily increase the availability of real estate for acquisitions, the liquidity of real estate markets both in the sale and the acquisition of residential properties is generally regarded as limited. Illiquidity of the real estate market may affect the Group's ability to vary the size and mix of its portfolio of properties or its ability to liquidate part of its properties in response to changes in economic or other conditions. If the Group was required to liquidate parts of its portfolio of properties on short notice for any reason, for instance for the purpose of raising cash to support its operations, or covering higher financial expenses resulting from an increase in interest rates, there is no guarantee that it would be able to sell any portion of its portfolio of properties on favourable terms or at all. In the case of such accelerated sale, it is likely that there would be a significant shortfall between the fair value of a property and the price that the Group would be able to achieve upon such sale of a property. Any of the foregoing could have a material adverse effect on the Group's business, prospects, results of operations and/or financial condition.

It may be difficult for the Group to enter and succeed in new Markets.

The Group may make acquisitions outside of its existing market areas if appropriate opportunities arise. The Group may be exposed to a variety of risks if it chooses to enter new markets, including risks related to its inability to accurately evaluate local market conditions, to identify appropriate acquisition opportunities, to hire and retain key service providers, and its lack of familiarity with local governmental and permitting procedures. In addition, the Group may abandon opportunities to enter new markets that the Group has begun to explore for any reason and could, as a result, fail to recover expenses already incurred prior to abandoning any opportunity.

Short-term leases expose the Group to the effects of declining market conditions

Virtually all of the leases for the Group's properties are short-term leases (generally, one year). Typically, its residents can leave after the end of a one-year lease term. As a result, the Group's rental revenues are impacted by declines in market conditions more quickly than if its leases were for longer terms.

The Group may incur unexpected operating expenses or unexpected or higher-than-expected capital expenditures, including maintenance costs for properties such as construction and refurbishments

Rental properties need to be maintained in an adequate condition in order to keep facilities serviceable, to meet the conditions set out under applicable planning laws and regulations and in the applicable lease agreements, or in order to generate a continuous long-term revenue stream. The maintenance costs in respect to properties and the risk of unforeseen maintenance or repair requirements usually increase over time since the last refurbishment and with increasing age of the building. Numerous factors, including the age of the relevant building, the material and substances used at the time of its construction or unknown building code violations, could result in substantial unbudgeted costs for refurbishment, modernisation and decontamination required to remove and dispose of hazardous materials such as asbestos. To a large extent, the Group believe that it will be unable to recover maintenance expenses from its tenants as such expenses are typically primarily borne by the property owner and not the tenant. In case the actual costs of maintenance exceed the Group's estimates or if the Group is not able to implement rental increases due to legal or market constraints, the Group's profit generated from the respective property could be materially and adversely affected. This could adversely affect the rental income and value of respective properties. Furthermore, physical damage to the properties resulting from causes related to construction, design, or other latent defects in the properties, or as a result of harsh weather conditions, such as caused by hurricanes, floods or tornados, may lead to additional capital expenditure, business interruption, requirement of special repair or maintenance expenditures, or payment of damages or other obligations to third parties. For instance, the Group was affected by the hurricane Irma that passed through Florida in September 2017; the properties did not suffer from any significant damages. In addition, new laws, regulations, or standards, for example in respect to earthquake safety or heating efficiency, could require the Group to incur additional expenses in order to recondition its properties in accordance with the new rules. Any of the foregoing factors could have a material adverse effect on the Company's business, prospects, results of operations and/or financial condition.

Construction and refurbishment projects entail significant risks, including unforeseen engineering, environmental or geological problems, shortages of materials or skilled labour, litigation, work stoppages, adverse meteorological conditions and unforeseen increases in cost, any of which could give rise to cost overruns and/or delays. Developers may incur development costs for a property that exceed original estimates due to increased materials, labor or other costs, changes in development plans or unforeseen environmental conditions, which could make completion of the property more costly or uneconomical. Difficulties in obtaining any necessary zoning, landuse, building, occupancy or other required permits, licenses, allocations or authorisations from governmental authorities could also increase the cost and/or delay or prevent the construction, renovation, or opening of properties and/or cause lower than expected rents. Using the wrong construction method or technology can lead to increased material costs, considerable delays, and accidents on the construction site, which in turn may have an adverse effect on the reputation of the Group. Land, insurance and construction costs may be higher than expected in the Group's markets; therefore, the Group may be unable to attract rents that compensate for these increases in costs. Rental rates and occupancy levels may be lower and operating and/or capital costs may be higher than anticipated. Changes in applicable zoning and land use laws may require the Group to abandon projects prior to their completion, resulting in the loss of development costs incurred up to the time of abandonment. The Group may abandon redevelopment opportunities that it has already begun to explore, and it may fail to recover expenses already incurred in connection with exploring any such opportunities. Any of the foregoing factors could have a material adverse effect on the Company's cash flows, ability to make distributions, financial condition and future prospects.

The Group is exposed to operational and reputational risks

Defects in the Group's properties may result in damage to life, health or assets of third persons. The Group could be held liable for such damage, against which it may be insufficiently insured. Moreover, even if such occurrences were not due to any fault on the part of the Group, the reputation of the Group in the market could be materially and adversely affected. Any of the foregoing factors could have a material adverse effect on the Group's business, prospects, results of operations and/or financial condition.

The Group may be involved in disputes with third parties involved in the lease, acquisition, and sale of properties such as tenants, contractors, suppliers, construction companies, and purchasers. These disputes can lead to legal or other proceedings, and may entail additional costs and delays for the Group. Additionally, the Group may have disagreements with governmental authorities and regulatory bodies in the course of its operations, which may be subject to administrative proceedings and unfavourable orders, directives or decrees that result in financial losses and delay the completion of its projects. Any of the foregoing factors could have a material adverse effect on the Company's cash flows, ability to make distributions, financial condition and future prospects.

The reputation of the Group could be damaged by a number of factors, some of which may be outside its control, for example property defects, locational factors, inability of the Group to provide services as required by the customers, the conduct of tenants, negative coverage in the media (including social media), or threatened or actual litigation. There can be no assurance that the Group will manage to respond in a suitable manner and in time to such reputational threats. Damage to its reputation could have a material adverse effect on the Company's cash flows, ability to make distributions, financial condition and future prospects.

The Group is exposed to risks associated with information technology (IT) systems

The Group engages third party service providers that may have access to such personal information in connection with providing necessary information technology and security and other business services to the Group. Even if suitable measures are taken, a third party could gain access to the data transmitted or could place viruses or similar software which might damage the Group's IT systems or disclose confidential data.

Any breach of the Group's data security measures and loss of personal, confidential and proprietary information may result in a violation of applicable data protection rules and consequently legal liability and costs (including damages and penalties), as well as damage to the Group's reputation, that could materially and adversely affect the Group, including its business and financial performance. Any such access, disclosure or other loss of information could result in legal claims or proceedings, liability under laws that protect the privacy of personal information, regulatory penalties, disruption to the Group's operations and the services it provides to customers or damage its reputation, which could materially and adversely affect the Group.

Administrative processes of the Group may be interrupted by technical faults, malfunctions, illegal interventions, network overload, maintenance work, the malicious blocking of electronic access by third parties, other shortcomings on the part of the network provider or other reasons. In addition, the Group could become dependent on one or more particular providers of software programmes. If such software providers cease to provide updates or support for software programmes relevant for the Group, it is not ensured that the Group can achieve a seamless and uninterrupted transition to a different software without compromising the quality of its services.

The Group is also subject to the all of the same risks with respect to the IT systems of Peak in relation to the Property Companies.

Any of the foregoing factors could have a material adverse effect on the Company's cash flows, ability to make distributions, financial condition and future prospects.

The Group may be insufficiently insured against losses and damage, including cases of force majeure

Force majeure events (e.g., natural disasters such as earthquakes, storms or hurricanes, war or terrorist attacks, nuclear accidents, sabotage, or unforeseeable geological events that cannot be influenced by the Group) can have a negative influence on the business, asset and liabilities, financial condition or results of operations of the Group. Insurance policies taken out by the Group are subject to exclusions and limitations of liability both in amount and with respect to certain events. The Group's insurance coverage may, therefore, not be sufficient. Floods, fires, storms, hurricanes (such as the , earthquakes, nuclear incidents and similar natural disasters as well as acts of terrorism or other events may cause damages which are not or only partly covered by insurance and may lead to significant losses and costs in connection with remediation and repair work that must be borne by the Group under such circumstances. In addition, significant costs could result if tenants terminate their lease agreements or withhold part or all of the agreed rent payments as a consequence of any of the foregoing events. Also, the insured value of property may be significantly below the fair value of the property. If the Group suffers a loss or incurs a liability against which it is uninsured or insufficiently insured, there could be a material adverse effect to the Group's business, prospects, results of operations and/or financial condition.

The Group's business is exposed to competition

The Group's business depends on its continuing ability to lease its properties to tenants. The Group is exposed to competition from other real estate investors who are active in the US real estate market. Compared to the Group, other investors, and institutional investors in particular, may have considerably greater resources to finance their acquisitions and may be willing to pay higher prices for strategic investments. The Group's rental units compete with other housing alternatives to attract residents, including other rental apartments, units and single-family homes that are available for rent, as well as new and existing units and single-family homes for sale.

Competition could limit the Group's ability to acquire attractive investment opportunities. If, in the future, the Group is not able to purchase properties, to sell properties or to lease space on terms and conditions that are economically beneficial to the Group, such inability could have a material adverse effect on the Group's business, prospects, results of operations and/or financial condition.

The Group's success is largely dependent on a limited number of key directors and the external asset manager

To a large extent, the Group's success depends on the continued involvement of the current members of its board of directors and Stoneweg as external asset manager. If the Group is unable to retain the key members of the board of directors or Stoneweg as external asset manager, a significant loss of expertise could result and the Group may not be able to recruit similarly experienced board members or a similarly experienced asset manager in due time or at all. This could have a material adverse effect on business, assets and liabilities, financial condition and results of operations of the Group.

Risks relating to the real estate market

The Group may be adversely affected by disruptions in the global capital and credit markets

Recent global market and economic conditions have been unprecedented and challenging with tighter credit conditions, slower growth in most major economies during the last years. Although signs of recovery may exist, there are continued concerns about a declining real estate market, and geopolitical issues that contribute to increased market volatility and uncertain expectations for the global economy. These conditions, combined with declining business activity levels and consumer confidence and volatile oil prices, contributed to unprecedented levels of volatility in the capital markets during the last years. Any additional, continued or recurring disruptions in the capital and credit markets may adversely affect the Group's financial condition, results of operations, cash flow and ability to make distributions to the investors.

On a global basis, there has been a decrease in spending by businesses and consumers alike, and a corresponding decrease in global infrastructure spending. These decreases are largely attributable to the market conditions outlined above, including the cost and availability of credit which may continue to be adversely affected by illiquid credit markets and wider credit spreads. Concern about the stability of the markets generally and the strength of counterparties specifically has led many lenders and institutional investors to reduce, and in some cases, cease to provide funding to businesses and consumers. While the Group believes that it will have sufficient working capital and capacity in the near term, continued or recurring turbulence in the global markets and economies and prolonged declines in business and consumer spending may adversely affect its liquidity and financial condition, as well as the liquidity and financial condition of its tenants. If these market conditions persist, recur or worsen in the long term, they may limit the Group's ability, and the ability of its tenants, to timely meet their working capital and other liquidity needs, in particular as a result of availability of debt or equity financing at reasonable terms or at all.

In the event that the Group does not have sufficient cash available to it through its operations to continue operating its business as usual, the Group may need to find alternative ways to increase its liquidity. Such alternatives may include, without limitation, divesting itself of properties, whether or not they otherwise meet the Group's strategic objectives to keep in the long term, at less than optimal terms, making capital calls from the investors, entering into leases with its tenants at lower rental rates or less than optimal terms, or entering into lease renewals with its existing tenants without an increase in rental rates at turnover. There can be no assurance, however, that such alternative ways to increase the Group's liquidity will be available to the Group. Additionally, taking such measures to increase the Group's liquidity may adversely affect its business, results of operations and financial condition.

The Group's assets and business may be adversely affected by changes in interest rates or inflation

Increases in interest rates, in particular mortgage rates, and in inflation or inflation expectations can have a material adverse effect on income from leased properties and the value of the Group's property portfolio. Increase in interest rates could generally decrease demand for, and market prices of, properties. Furthermore, the Company's results may be negatively impacted by any increases in inflation and interest rates and in particular on mortgage interest rates. Changes in interest rates also have an effect on the discount rate applied by the Group's appraiser in the valuation of the real estate with the discounted cash flow method. Moreover, higher inflation may diminish the real value of rental income. Any of the foregoing factors could have a material adverse effect on the Company's cash flows, ability to make distributions, financial condition and future prospects.

If mortgage debt or other secured or unsecured debt is unavailable on acceptable terms as a result of increased interest rates or other factors, the Group may not be able to fund or grow its business, including through financing the initial purchase of properties. The Group risks being unable to refinance such debt when the debt comes due, or of being unable to refinance on acceptable terms. If interest rates are higher when the Group refinances debt, its net income could be reduced. The Group's inability to refinance debt may require the sale of properties on terms that are not advantageous, or could result in the foreclosure of such properties. Any of the foregoing factors could have a material adverse effect on the Company's cash flows, ability to make distributions, financial condition and future prospects.

For a more specific discussion of the Group's interest rate risks, see "Management's Discussion and Analysis of Financial Condition and Results of Operations—Qualitative and quantitative data about market risk—Interest rate risk".

Developments such as an economic downturn, instability in the banking sector or a negative impact on economic growth could materially and adversely affect the Group's financial condition and results of operations

The industry in which the Group operates may be adversely affected by economic conditions. If there is a downturn in the economy, instability in the banking sector or a negative impact on economic growth resulting from changes in legislation, government and political stability, government tax increases, debt policy or spending restrictions, the Group may experience adverse effects on the occupancy levels of its properties, its rental revenues its ability to finance the properties and the value of its properties, any of which could adversely affect its cash flow, financial condition and results of operations.

Property taxes, and utilities and insurance costs decrease returns in real estate

As a result of the Group's real estate holdings, the cost of real estate taxes, utilities, and insuring its apartment communities is a significant component of expense. Real estate taxes, utility costs and insurance premiums are subject to significant increases and fluctuations that are largely outside of the Group's control. If the costs associated with real estate taxes, utilities and insurance rise without being offset by a corresponding increase in rental rates, the Group's results of operations could be negatively impacted, and the Group's ability to pay out dividends and distributions and debt financing could be affected.

The Group may not be able to renew its insurance coverage at the current or reasonable rates nor can the Group estimate the amount of potential increases of policy premiums. Upon resident turnover, there is no assurance that rent can be increased to cover any increased premium expenses. Any of the foregoing factors could have a material adverse effect on the Company's cash flows, ability to make distributions, financial condition and future prospects.

The Group may not be able to sell the properties at a profit and or within the timeframe that it currently anticipates or at all

In addition to the contract restrictions it faces in selling properties, economic and market conditions may also limit the Group's ability to quickly adjust its portfolio in response to changes in economic condition or other conditions. If the Group was required to liquidate a part or all of its portfolio of properties on short notice for any reason, for example for the purpose of raising cash to support its operations or for covering higher financial expenses resulting from an increase in interest rates, there is not assurance that the portfolio of properties or any portion thereof could be sold on favourable terms or at all. Any of the foregoing factors could have a material adverse effect on the Company's cash flows, ability to make distributions, financial condition and future prospects.

Losses may occur upon disposition of properties

Real estate properties may be difficult to value. The valuation of a property is dependent on numerous factors and founded on assumptions based on experience and general market observances, such as general and local economic conditions, interest rates, inflation expectations, market rent levels, currency fluctuations, vacancy rates, property investor yield requirements and competition. The most significant macroeconomic factors affecting the general price levels of properties are interest rates, GDP growth, consumer spending and inflation. As a result, valuations are subject to uncertainty and volatility and may change from one valuation period to the next. In addition, valuations are typically made on the basis of uncertain assumptions about the future that may not necessarily become true. Furthermore, the available data on current real estate sales prices and the development of real estate prices is not always fully reliable, which can make the accurate valuation of properties more difficult. Furthermore, inspections of the Group's properties and other work undertaken in connection with a valuation exercise may not identify all material defects, breaches of contracts, laws and regulations, and other deficiencies and facts that could affect a valuation.

In addition, a valuation carries the risk that in case of a sale, the determined value of a property cannot be realised. When valuing real estate in connection with a sale, an appropriate time span to market the property in question is always assumed for valuation purposes. In case of a forced sale of the property within a very short time, it is possible that the estimated value may not be realised, resulting in a corresponding negative impact for the Group. There can be no assurance that the Group's investment in properties will be realised upon the sale of such property at the property values recorded in the Group's financial statements.

The value of the properties in the Group's portfolio may furthermore fluctuate over time due to changes in the market and other conditions, resulting in an adjustment of the carrying amount in the financial statements of the Group. A lower valuation of properties could lead to revaluation losses, which in turn can have a material and adverse effect on the Group's net asset value and profitability. A lower property valuation could also affect the Group's ability to obtain additional debt financing or result in the Group having to reduce its debt financing if covenants in the Group's financing arrangements or other agreements require the Group to maintain a certain level of debt relative to asset value, and such covenants would be violated as a result of adjustments made to the value of the Group's properties.

Any of the foregoing factors could have a material adverse effect on the Company's cash flows, ability to make distributions, financial condition and future prospects.

A breach of covenants contained in financing arrangements of the Group could entail a forced sale of properties or a suspension of distributions and cross-default provisions may increase existing risks

The Property Companies have financing arrangements, which contain covenants that limit the discretion of the Property Companies in operating their businesses, such as requirements for building insurance, building maintenance, limitations on the use of the Property Companies' properties or change of control clauses. The Group may in the future, as a part of its strategy, enter into additional financing arrangements which may contain non-financial or financial covenants that limit the discretion of the Group in operating its business. Restrictive covenants could limit the Property Companies' ability to make distributions. The Property Companies' loan documents may require that the Property Companies comply with certain financial ratios and may contain covenants that limit the Property Companies' ability to mortgage the property or discontinue its insurance coverage. In addition, certain of the Group's indebtedness may limit its ability to refinance such indebtedness, either because such indebtedness may not be prepaid or may be prepaid only with the payment of significant prepayment costs and may limit the Group's ability to adjust and apply insurance proceeds in the event of a casualty. Certain of the Group's financing arrangements require the Property Companies to be operated with specific clauses designed to ensure the separateness of each Property Company from each other Property Company or any other affiliated entities. These or other limitations may adversely affect the Group's flexibility and the Group's ability to achieve its investment objectives. In the event that a Property Company breaches any such covenant, including as a consequence of events beyond its control, such as economic crises and fails to remedy such breach within the applicable period, if any, it may face a significant increase in financing costs and/or may be required to repay the outstanding debt immediately in whole or in part, together with any additional costs that may become due in connection therewith. In such a situation, the Group may be forced to sell some or all of its properties (assuming it is contractually able to sell any such property) if it does not dispose of sufficient cash resources or other sources of finance to make such repayments. Additionally, a lender may have the right to sell properties of the Property Companies or procure their sale to the extent that such properties serve as collateral for borrowings.

Any of the foregoing factors could have a material adverse effect on the Company's cash flows, ability to make distributions, financial condition and future prospects.

Future financing arrangements of the Group may also contain cross-default provisions. The existence of such cross-default provisions may, following a default under one financial arrangement, trigger defaults under other arrangements. If such cross-default provisions are triggered, the Group could face a substantial increase in financing costs and/or may be required to immediately repay all affected borrowings, which could result in substantial liquidity shortages for the Group, and which could significantly reduce its access to financing. Any of the foregoing factors could have a material adverse effect on the Company's cash flows, ability to make distributions, financial condition and future prospects.

Financing may not be available and issuing equity could dilute the Group's shareholders' interests

The Group utilises debt financing secured by its properties. The Group's Investment Regulations (see "Investment Strategy and Portfolio—Investment regulations") generally targets a gross loan-to-value ratio (i.e., defined as the outstanding loan over the appraised value of all properties without consideration for any available cash) of between 60 to 65%. There can be no assurance that the maturing loans to the Group will be renewed or that new loans, if required, will be granted. A deterioration or crisis in the financial markets could result in the Group lacking the financial resources to

make planned investments in properties. Any of the foregoing factors could result in the Group needing to sell its properties due to the lack of access to capital or an increase in the cost of capital. If the Group issues additional equity securities instead of incurring debt, the interests of its existing shareholders could be diluted.

If the Group cannot repay or refinance loans incurred to purchase its properties, or interests therein, then the Group may lose its interests in the properties secured by the loans the Group is unable to repay or refinance.

Potential reduction or elimination of the role that Fannie Mae and Freddie Mac play in the multifamily financing sector may negatively impact the multifamily sector and the Group's ability to obtain financing

Fannie Mae and Freddie Mac (the "GSEs") are a major source of financing for secured multifamily real estate. The Group has used the GSEs for a portion of its financing needs. There is uncertainty surrounding the future of the GSEs including when or if Fannie Mae or Freddie Mac will restrict their support of lending to the apartment real estate industry or to the Group in particular. A final decision by the government to eliminate the GSEs or to change their mandate could adversely affect interest rates and capital availability and the value of multifamily communities to investors such as the Group and the Group's ability to refinance its existing mortgage obligations as they come due and obtain additional longterm financing for the acquisition of additional apartment communities on favourable terms or at all.

The Group is exposed to currency risks

Fluctuations in the value of the Swiss franc against the USD and other currencies could in the future have a material impact on the Company's results as expressed in Swiss francs. In addition to exchange rate fluctuations, long-term trends in exchange rates could have a material impact on the Group's business. A substantial part of the Company's costs and expenses are incurred in USD. The Shares are denominated in Swiss francs. Future payments of dividends or other distributions, if any, on the Shares will also be denominated in Swiss francs. As a result, any decrease in the value of the USD against the Swiss franc could have a material adverse effect on the Company's financial condition and may impact its ability to make dividend distributions. The foreign currency equivalent of any dividend paid on the Shares or received in connection with any sale of the Shares could be adversely affected by exchange rate fluctuations or long-term trends, in particular an appreciation of the Swiss francs against other currencies.

Real estate investments are relatively illiquid, and the Group may not be able to respond to changing conditions quickly

Real estate investments are relatively illiquid and, therefore, the Group has limited ability to adjust its portfolio quickly in response to changes in economic or other conditions. If the Group was required to liquidate parts of its portfolio of properties on short notice for any reason, for instance for the purpose of raising cash to support its operations, or covering higher financial expenses resulting from an increase in interest rates, there is no guarantee that it would be able to sell any portion of its portfolio of properties on favourable terms or at all. In the case of such accelerated sale, it is likely that there would be a significant shortfall between the fair value of a property and the price that the Group would be able to achieve upon such sale of a property. Any of the foregoing could have a material adverse effect on the Group's business, prospects, results of operations and/or financial condition.

Restrictions under applicable laws, potential claims resulting from violation of laws and the risk of amendments of applicable laws or regulations could materially and adversely affect the Group's operations or expose the Group to liabilities

As an investor in real estate, the Group is required to comply with numerous U.S. federal, state and local laws and regulations, some of which may conflict with one another or be subject to judicial or regulatory interpretations. Such laws and regulations may include zoning laws, building codes, landlordtenant laws and other laws generally applicable to business operations. Noncompliance with laws or regulations could expose the Group to liability. Amendments to applicable construction laws and regulations for renovations can lead to additional costs, for example due to permit procedures or time delays, or influence the value of the property. The amendment of planning orders may lead to rezoning. Furthermore, new administrative, legislative or judicial action could significantly change the federal income tax consequences applicable to the Company's investments. Any such change may or may not be retroactive with respect to transactions entered into or contemplated before the effective date of such change and can have a material adverse effect on the Company's investments.

Compliance with changes in: (i) laws increasing the potential liability for environmental conditions existing on properties or the restrictions on discharges or other conditions; (ii) rent control or rent stabilisation laws; or (iii) other governmental rules and regulations or enforcement policies affecting the use and operation of the Group's communities, including changes to building codes and fire and life-safety codes, may result in lower revenue growth or significant

unanticipated expenditures. Non-compliance with any applicable restrictions or the invalidity of any permit or any other required consent that the Group obtains, as well as the assertion of claims against the Group due to the violation of public planning and building laws, could have a material adverse effect on the Group's business, prospects, results of operations and/or financial condition.

The Group may not be in compliance with all applicable laws

Given the all of the various United States federal and state laws, regulations, orders, local ordinances etc. to which the Group's activities are subject, the scope of the Group's operations in the United States and the fact that the Company is not directly involved in the day-to-day operation of the Property Companies, we cannot assure you that the Group and its operations are in compliance or even in material compliance with all applicable laws, regulations and other mandates.

If the Group is found to be in violation of any applicable law, regulation or other mandate, entities within the Group may be subject to criminal, civil or administrative actions and to fines or other monetary and non-monetary penalties, the imposition of which may have a material adverse effect on the Company. Moreover, even if the Group is not found to be in violation of any applicable law, defending itself against any such charges may be time consuming and costly.

Compliance or failure to comply with laws requiring access to the Group's properties by disabled persons could result in substantial cost

The Americans with Disabilities Act of 1990, as amended ("ADA"), the Fair Housing Act of 1988, as amended ("FHAA") and other federal, state and local laws generally require that public accommodations be made accessible to disabled persons. The ADA generally requires that certain types of buildings and services be made accessible and available to people with disabilities. The FHAA requires that apartment properties first occupied after March 13, 1991 be accessible to handicapped residents and visitors. The Group may acquire properties that are not in compliance with the ADA or the FHAA and we cannot assure you that the Group is currently in compliance with the ADA or the FHAA with respect to its existing portfolio of properties.

Non-compliance with the ADA, the FHAA or other federal, state and local laws requiring accommodations for disabled persons could result in the imposition of fines by the government or the award of damages to private litigants. These laws may require the Group to modify the Group's existing properties. These laws may also restrict renovations by requiring improved access to such buildings by disabled persons or may require the Group to add other structural features that increase the Group's construction costs. Legislation or regulations adopted in the future may impose further burdens or restrictions on the properties in which the Group invests with respect to improved access by disabled persons. There is no assurance that the costs of compliance with these laws, which could be substantial. Costs required to comply with the ADA and the FHAA at the Group's properties may materially and adversely affect the Group, including its results of operations. State and federal laws in this area are constantly evolving and changes in state or federal laws in this area could place a greater cost or burden on the Group with respect to properties it acquires an interest in.

The Group is exposed to risks arising from environmental liabilities

The Group is subject to various federal, state and local environmental, health and safety laws, ordinances and regulations in connection with its real estate investments. Under various federal, state and local laws, ordinances and regulations, a current or previous owner or operator of real estate may be liable for costs and damages (including removal or remediation costs) arising from certain hazardous or toxic substances at, on, under, in, around or released from such property. Such laws often impose such liability without regard to whether the owner or operator knew of, or was responsible for, the presence of such hazardous or toxic substances, and the liability could be joint and several. These costs or damages could be material. The presence of, or failure to remediate properly, hazardous or toxic substances may adversely affect the owner's or operator's ability to use, lease or sell the affected property or to borrow using the property as collateral.

The cost of defending against environmental law claims, complying with environmental regulatory requirements, conducting remediation of any contaminated property, or paying personal injury or property damage claims could materially and adversely affect the Group.

Under certain environmental laws, the Group could be held responsible for any and all liabilities and consequences arising out of past or future releases of hazardous materials or waste, human exposure to such substances or other environmental damage, including potentially significant remedial costs. The environmental laws of the jurisdictions in which the Group operates impose liability for any actual and potential obligations to remediate releases of hazardous materials or contamination relating to the Group or the Group's predecessors' past or present facilities or third-party waste disposal

sites. There can be no assurance that any provisions made by the Group for potential liabilities and remediation costs will adequately cover any such liabilities or costs. The Group's liabilities or remediation costs arising from releases of or exposure to hazardous materials could have an adverse effect on the Group's business, reputation, results of operations and financial condition.

In connection with its real estate investments, the Group also may incur liability based on various environmental, health and safety laws that require that asbestos containing materials ("ACMs") be properly managed and maintained and may impose fines or penalties on owners, operators or employers for non-compliance with those requirements. Certain federal, state and local laws, regulations and ordinances govern the removal, encapsulation or disturbance of ACMs when such materials are in poor condition or in the event of renovation or demolition of a building. These laws and the common law may impose liability for release of ACMs and may allow third parties to seek recovery from owners or operators of real properties for personal injury associated with exposure to ACMs. ACMs are present at some of the Group's communities.

The Group is exposed to tax risks with respect to US withholding tax on payments to the Company

The Company will make its investments in the US through intermediate US entities that are treated as corporations for U.S. federal income tax purposes (i.e., the blockers). US federal tax law imposes a 30 percent withholding tax on dividend, interest and other fixed, determinable, annual, or periodical ("FDAP") payments made by a US payor to a foreign payee. Dividend and interest payments from the blockers to the Company are subject to such withholding. However, under the income tax treaty between the US and Switzerland (the "US-Swiss Treaty"), the withholding rate for dividend payments is reduced to 5 percent and the withholding rate on interest payments is reduced to zero, as long as the Company is eligible for the benefits of the US-Swiss Treaty. In the event that the US tax authorities determine that the Company is not eligible for the benefits of the US-Swiss Treaty or otherwise deny the benefits of the US-Swiss Treaty with respect to dividend and/or interest payments from the blockers to the Company, a 30 percent withholding tax may be applied to such payments, which would reduce the value of the Company and the ability of the Company to make distributions to its shareholders.

The Group is exposed to tax risks with respect to U.S. taxation of ECI, taxation under FIRPTA and the branch profits tax

Non-US corporations doing business in the US directly or through a tax transparent entity must file a US federal income tax return and such corporations are subject to income tax on profits from their US business activities (the US trade or business income on which such tax is imposed is commonly referred to as "effectively connected income" or "ECI"). Such tax is imposed at US federal corporate income tax rates and amounts to a maximum of 35 percent. In addition to such tax, a non-US corporation is subject to a branch profits tax of 30 percent on such ECI which may be reduced by 5 percent under the US-Swiss Treaty. US federal income tax imposed on a non-US corporation is not subject to reduction under a tax treaty. Under the Foreign Investment In Real Property Tax Act ("FIRPTA"), a non-U.S. person's disposition of an equity interest in US real property (a "USRPI"), in an unincorporated entity that holds USRPIs or in certain U.S. real property holding corporations ("USRPHCs"), is treated as ECI. In addition, under FIRPTA, the gross proceeds from any such disposition are subject to withholding at a rate of 15 percent (if the seller is a US domestic partnership with partners that are subject to FIRPTA, the selling partnership, not the buyer, must withhold up to 35 percent of the gain from the sale). Such withheld amount is refundable to the non-US seller to the extent that the withholding exceeds the seller's US federal income tax liability, as reflected on its US federal income tax return. There can be no assurance that the Company will not incur ECI by holding the investments through US corporate entities, that the Company will only be subject to a 5 percent withholding tax on nonliquidating dividend distributions from the blockers and that liquidating distributions from the blockers will not be subject to U.S. federal income tax or withholding. To the extent that some of the Company's investments are held through an entity organized in the Bahamas that is treated as a corporation for US federal income tax purposes, net income and gain from the property companies held through the Bahamas fund may be subject to US corporate income tax and to the branch profits tax. Any of the foregoing factors could have a material adverse effect on the Group's results of operations and/or financial condition and the ability of the Company to make distributions to its shareholders.

The Group is exposed to tax risks with respect to intercompany debt

The Company finances the blockers with a mixture of debt and equity. It is expected that the blockers will make interest payments on such intercompany debt and that the blockers will be able to deduct such interest expenses from their U.S. federal taxable income. US federal income tax law imposes thin-cap rules under which a portion of such interest expense may be deferred or denied if a blocker is overleveraged (the "Thin-Cap Rules"). Moreover, US tax authorities may argue that a blocker's debt financing should be treated as an equity investment. To the extent the Thin-Cap Rules may apply to the intercompany debt financing of the blockers, this may result in a deferral of interest deductions or even a denial

thereof. There can be no assurance that the Company will succeed in structuring its intercompany debt in a manner that allows its intercompany leverage to be respected as debt. To the extent that interest deductions are denied, the blockers may be subject to additional U.S. federal and state-level income tax, reducing the Company's return on its investments. To the extent that any blocker's intercompany debt financing is recast as equity, interest payments made by the blocker will be treated as non-deductible dividends (instead of deductible interest) that are subject to withholding at a higher rate under the US-Swiss Treaty. As a result, the Company's after-tax return on its investment would decrease.

The Company is exposed to risks with respect to LIHTC requirements

Under certain circumstances, residential real estate for which LIHTCs have been granted may be subject to certain low-income housing requirements over an extended period. The Company's investments include housing units for which LIHTCs have previously been granted. To the extent applicable, the Company and its subsidiaries need to comply with the low-income housing requirements of the US tax laws so as to avoid: (i) a recapture of any LIHTCs claimed by the Company or any of its subsidiaries and/or (ii) any obligation under an indemnity with the seller from who a property was acquired with respect to recapture of any LIHTCs. The Company and its subsidiaries also need to comply with the terms of any extended low-income housing commitment that is binding on a project owned or acquired by the Company or its subsidiaries. If the Company or any of its subsidiaries fails in complying with these requirements, the Company and its subsidiaries may incur additional US federal income tax liability, liability under a recapture indemnity the Company may agree to, and/or liabilities arising from a claim of breach of an extended low-income housing commitment.

The Company is exposed to risks with respect to FATCA

U.S.-source dividends and interest derived by the Company may be subject to a 30 percent U.S. withholding tax under the Foreign Account Tax Compliance Act ("FATCA"). FATCA imposes a 30 percent U.S. withholding tax on "withholdable payments", which include (i) U.S.-source dividends, interest, rents and other "fixed or determinable annual or periodical income" paid after June 30, 2014 and (ii) certain U.S.-source gross proceeds paid after December 31, 2018) paid to (x) "foreign financial institutions" ("FFIs") unless they disclose their direct and indirect U.S. owners to the Internal Revenue Service (the "IRS") or to the tax authorities in their own jurisdictions (if the governmental authorities in their own jurisdictions have entered into FATCA intergovernmental agreements with the US), and (y) "non-financial foreign entities" (i.e., foreign entities that are not foreign financial institutions) unless they provide information regarding any "substantial U.S. owners" (i.e., certain direct and indirect U.S. persons effect on the Group's business, prospects, results of operations and/or financial condition. that own more than 10% of the interests in the subject non-financial foreign entity). Switzerland has entered into a FATCA intergovernmental agreement with the US (the "IGA"). Under the IGA, to avoid being withheld upon under FATCA, Swiss FFIs must register with the IRS and agree to report to the IRS certain information about their U.S. accounts, including accounts of certain foreign entities with substantial U.S. owners (an "FFI Agreement"). The Company intends to enter into an FFI Agreement and to comply with the requirements thereunder and, therefore, does not expect that payments to the Company will be subject to withholding under FATCA. However, such compliance entails the gathering of certain information from investors that the Company may be required to turn over to the IRS. Moreover, the reporting requirements imposed on FFIs under FATCA are substantial and complex. As such, the Group cannot guarantee that withholdable payments made to the Company will not be subject to FATCA.

Changes in US tax law

The discussion of US tax consequences contained in this Offering Circular is based on law presently in effect and certain proposed US Treasury regulations, as appropriate. Investors should be aware that new legislative, administrative or judicial action could significantly change the US tax consequences to the Company of its investments in properties. Any such change may or may not be retroactive and could potentially have a material adverse effect on an investment in the Company.

The Group is exposed to tax risks in Switzerland

The Company benefits from the holding privilege, a favourable tax status, which results in income tax exemptions if certain conditions are met. If the conditions for such favourable tax status are no longer met, this could have a material adverse effect on the Group's business, prospects, results of operations and/or financial condition with respect to the current and/or prior business years and/or future business years. Regarding the future tax treatment of holding companies, see "Description of the Group's Business—Legal and regulatory environment—Swiss Corporate Tax Reform".

The Company has not been fully assessed for all fiscal years up to the date hereof. The tax authorities may add items to the taxable income of the Company or disallow tax deductions and allowances with respect to any open assessment so that the tax liabilities of the Group companies may be increased as compared to the assessment of the Company. Tax issues related to the Company cannot always be negotiated with the tax authorities and resolved. A different assessment of Company's tax situation by tax authorities could have an adverse effect on the results of the Company.

Risks related to the Offering and the Shares

The market price for the Shares may be highly volatile and investors may not be able to resell their Shares at or above the Offer Price

There can be no assurance that a liquid trading market for all the Shares will exist. The market price of the Shares could be subject to significant fluctuations as a result of variations in the Group or the Group's competitors' financial and business performance, general market conditions, and other factors. Such fluctuations in the future could adversely affect the market price of the Shares without regard to the Group's results of operations or financial condition.

In some cases, the markets have produced downward pressure on stock prices for certain issuers seemingly without regard to those issuers' underlying financial strength. Several factors could cause the market price for the Shares to fluctuate substantially in the future, including, without limitation:

- announcements of developments related to the Group's business;
- fluctuations in the Group's results of operations;
- sales of substantial amounts of the Company's securities into the marketplace;
- end of the lock-up undertakings;
- general or perceived conditions in the worldwide economy or the local real estate properties and services markets;
- a shortfall in the Group's operating profit or earnings compared to securities analysts' expectations;
- changes in securities analysts' research, recommendations or projections;
- general adverse market sentiment;
- extraneous geopolitical factors;
- adverse perception of the Group's announcement of new acquisitions or other projects; and
- changes in regulatory rules applicable to the Group, including IFRA and the SIX indices regulation, or changes in interpretations of existing laws and regulations affecting the Group's business, including IFRS.

Any of these aforementioned factors, as well as other external factors, may cause the market price for the Shares to fluctuate substantially and be lower and more volatile than expected, which may limit or prevent investors from readily selling their Shares and may otherwise negatively affect the liquidity of the Shares.

Non-exercise of Rights will result in a dilution of shareholding and the Rights will lapse without compensation

The proportionate ownership and voting interest in the Company of shareholders who fail to exercise or are prohibited by applicable selling or transfer restrictions from exercising their rights will be diluted. In addition, if shareholders fail to exercise their Rights prior to the end of the Rights Exercise Period, the Rights will expire and become null and void without the right to any compensation for shareholders.

The shareholders' resolution to increase the share capital may be challenged

As all shareholders' resolutions of Swiss corporations, a resolution to increase the share capital is subject to a possible challenge pursuant to articles 706 et seq. CO. In connection with a challenge of this type, the commercial register may be blocked with the effect of temporarily or permanently preventing the registration of the capital increase and, subsequently, the completion of the Offering.

The Offering may not be completed for various reasons

The Offering may not be completed if certain conditions and representations by the Company contained in the Subscription and Purchase Agreement are not fulfilled or are breached, respectively (see "The Offering—Underwriting" for further

information on the Subscription and Purchase Agreement). If one or more of such conditions were not fulfilled, or if there were a breach of any such representations, the Offering may be terminated by the Sole Bookrunner at any time prior to the closing of the Offering. In such an event, the Offering becomes void and any Share trades effected before the final settlement will not be honoured.

Sales of a substantial number of Shares following the Offering could adversely affect the market price for the Shares

Sales of a substantial number of Shares in the public market following the Offering could adversely affect the prevailing market price for the Shares. The Company will have a total of up to [●] issued Shares. The remaining Shares will be held by the current shareholders. These Shares may be sold in the public market. Further, if a large number of Shares are sold in the public market at once, the Shares' market price may decrease. These sales, or the perception in the market that the holders of a large number of Shares intend to sell Shares, could reduce the market price of the Shares.

Shareholders outside of Switzerland may not be able to exercise pre-emptive rights in future issuances of capital

Under Swiss law, shareholders have certain pre-emptive rights to subscribe on a pro rata basis for issuances of equity or other securities that are convertible into equity. Due to laws and regulations in their respective jurisdictions, however, the Company's non-Swiss shareholders may not be able to exercise their pre-emptive rights unless the Company takes action to register or otherwise qualify the rights offering under the laws of that jurisdiction. There can be no assurance that the Company will take any action to register or otherwise qualify the offering of subscription rights or Shares under the law of any jurisdiction where the offering of such rights was restricted. If shareholders in such jurisdictions were unable to exercise their subscription rights, their ownership interest in the Company would be diluted.

The future issuance of equity or debt securities that are convertible into equity could dilute the share capital

To increase its portfolio, the Company is likely to choose to raise additional capital depending on market conditions or strategic considerations. Furthermore, the Company has an authorised share capital (see "Description of the Share Capital and Shares"). Subject to certain conditions, the Board of Director may exclude the subscription rights of shareholders. To the extent that additional capital is raised through the issuance of equity or other securities that are convertible into equity, the issuance of these securities could dilute the shareholder's proportional holding of Shares in the Company.

The Company's ability to make dividend payments to its shareholders depends on external and other factors

The Company is a recently incorporated holding company and has not paid dividends in the past. The Company is a top-tier holding company and has no significant assets other than the equity interest in subsidiaries, that are intermediate holding companies. All rights to the revenue streams of the Group are owned by the intermediate holding company's subsidiaries. The Company's ability to pay dividends to its shareholders depends, among other things, on the availability of sufficient legally distributable profit, which in turn depends, among other things, on the performance of the Company's subsidiaries and their ability to distribute funds to the Company. The ability of subsidiaries to make distributions to the Company could be affected by claims or other actions by a third party, such as a creditor, or by laws which regulate the payment of dividends by companies. The Company cannot guarantee or offer any assurance that legally distributable funds will be available in any given financial year. Even if there are sufficient legally distributable funds available, the Company may not pay out funds to its shareholders for a variety of reasons. Payments of future dividends or other distributions will depend on the Group's earnings, strategy, prospects, financial condition, and other factors, including regulatory and liquidity requirements, as well as legal and tax considerations (see also "Dividend Policy and Dividends—Legal considerations").

The Company will incur increased costs and its board will face new challenges and demands as a publicly listed company

As a public company, the Company will incur significant legal, accounting and other expenses, both in connection with the Offering and going forward, that the Company did not previously incur as a privately held company. For example, the Company will incur additional costs associated with the reporting requirements for public companies.

The Company's transition to being publicly listed will involve changes in the Company's ownership structure, corporate governance, management culture and financial and non-financial reporting practices. When the Company has become a public company, it will operate in an environment that subjects the Group to greater scrutiny and more detailed financial and non-financial disclosure requirements. In particular, it will be subject to increased regulatory obligations. Compliance with increased regulatory obligations will require significant board attention and result in increased costs.

The Company's failure to successfully adapt its management approach to its new status as a public company, as well as the increased demand on financial and management resources that will result hereof, could materially harm its business, prospects, results of operations and/or financial condition.

The Company has broad discretion in relation to how it uses the net proceeds of the Offering and its other resources

The Company's intention on how to use the net proceeds from the Offering is described in detail under "Use of Proceeds". Although it currently intends to use the net proceeds from the Offering in the described manner, it will have broad discretion as to the application of the net proceeds from the Offering and its other resources and could use them for purposes other than those contemplated at the time of this Offering. The Company's failure to apply these funds effectively could have a material adverse effect on its business, prospects, results of operations and/or financial condition and could cause the price of the Company's Shares to decline.

Shareholders in countries with currencies other than Swiss francs face an additional investment risk from currency exchange rate fluctuations in connection with their holding of Shares

The Shares will be quoted only in Swiss francs and any future payments of dividends on the Shares will be denominated in Swiss francs. The foreign currency equivalent of any dividend paid on the Shares or received in connection with any sale of the Shares could be materially adversely affected by the depreciation of the Swiss franc against such other currency.

The Company expects to be treated as a passive foreign investment company

The Company expects to be classified as a passive foreign investment company (a "PFIC") for US federal income tax purposes, which could result in materially adverse US federal income tax consequences to US holders of the Offered Shares. Although there can be no assurance, a mark-to-market election may be available for the Offered Shares. However, because a mark-to-market election cannot be made for equity interests in any lower-tier PFICs that the Company owns, a US holder may continue to be subject to the PFIC rules with respect to its indirect interest in any investment by the Company acquired in the future that is treated as an equity interest in a PFIC for US federal income tax purposes. Further, the Company currently does not intend to prepare or provide the information for any US holder to make a "qualified electing fund" ("QEF") election with respect to the Offered Shares. Therefore, the QEF election is not expected to be available to US holders to mitigate the adverse US federal income tax consequences arising under the PFIC rules. Prospective investors should review the section "Tax Considerations—US Taxation—PFIC Considerations" for further matters to consider regarding PFICs. Prospective US Investors should discuss the US tax consequences of an investment in the Company with their tax advisor.

The Company is exposed to the regulatory requirements of the Swiss Collective Investment Schemes Act in case of a delisting of the Shares from SIX

As a Swiss publicly listed investment company limited by shares, the Company is neither subject to the Swiss Collective Investment Schemes Act ("CISA") nor to the supervision by the Swiss Financial Market Supervisory Authority FINMA.

In the case of a delisting of the Shares from SIX, it is likely that the Swiss Financial Market Supervisory Authority FINMA would classify the Company as a collective investment scheme. In such case, the Company will be required to apply for an authorisation as collective investment scheme under the CISA. Such an application process and the additional regulatory requirements will incur significant legal and other expenses and could disrupt the Company's business. The Company's failure to successfully apply for an authorisation would result in a liquidation of the Company. A delisting of the Shares could therefore have a material adverse effect on the Company's business, prospects, results of operations and/or financial condition and the value of the Shares.

USE OF PROCEEDS

Assuming gross proceeds from the sale of the Offered Shares of CHF [●] million, the net proceeds to the Company from the issue of the Offered Shares are estimated to be approximately CHF [●] million, based on the Offer Price, after deducting Swiss federal issuance stamp tax (*droit d'émission, Emissionsabgabe*), estimated offering commissions and expenses payable by the Company. The net proceeds are, among other factors, dependent on the split between Shares sold in the Rights Offering and Shares sold in the Share Offering.

The Company plans to use the net proceeds to fund the acquisition of real estate in the targeted markets and regions in the United States, and for general business purposes (see also "Management's Discussion and Analysis of Financial Condition and Results of Operations—Past, ongoing and committed future capital expenditures—Ongoing and committed future capital expenditures").

The expected use of proceeds from the Offering represents the Company's intentions based on its current plans and is subject to change. The actual use of the proceeds from the Offering will be in the sole discretion of the Company's Board of Directors.

MARKET INFORMATION

The Existing Shares are listed according to the Standard for Real Estate Companies of SIX. The table below sets forth, for the periods indicated, the reported high and low prices as well as the period end closing prices for one Existing Share on SIX:

<u>Year</u>	<u>Price per Share</u>		
	<u>Period end</u>	<u>High</u>	<u>Low</u>
2016.....	36.60	37.00	35.00
2017 (through [●] December).....	[●]	[●]	[●]

Source: Bloomberg

DIVIDEND POLICY AND DIVIDENDS

Distribution policy

The Offered Shares will entitle the holder thereof to any dividends paid or declared in respect of the year ending 31 December 2017 and subsequent financial years. All Offered Shares will have the same dividend rights as all of the other Shares.

A dividend is generally proposed by the Board of Directors but must be approved and finally resolved at a general meeting of shareholders (see “—Legal considerations” below).

Earnings per Share data and dividends

The Company was incorporated on 28 September 2015 and thus, has paid a dividend of CHF 1.35 per share for the financial year starting 28 September 2015 and ending 31 December 2016.

Legal considerations

In order for the Company to declare and pay dividends, the distribution must be approved by shareholders holding a majority of the Shares cast at the shareholders' meeting (abstentions and void votes not being taken into account). The Board of Directors may propose distributions in the form of an ordinary dividend, of a payment out of reserves from capital contributions (*reserves provenant des apports de capital, Reserven aus Kapitaleinlagen*), or of a distribution of cash or property that is based upon a reduction of the Company's share capital recorded in the commercial register.

Ordinary dividends may be paid only if the Company has sufficient distributable profits from previous years or freely distributable reserves to allow the distribution of a dividend, in each case, as presented on the Company's annual statutory standalone balance sheet prepared in accordance with Swiss company law. The Company's auditor must confirm that a proposal made by the Board of Directors to shareholders regarding the appropriation of the Company's available earnings conforms to the requirements of the CO and the Company's articles of incorporation (*statuts, Statuten*). Furthermore, in order for the Company to make distributions to its shareholders out of reserves from capital contributions (*reserves provenant des apports de capital, Reserven aus Kapitaleinlagen*), a shareholders' meeting must approve by the majority of votes cast (abstentions and void votes not being taken into account) the reclassification of such reserves from capital contributions (*Reserven aus Kapitaleinlagen*) to freely distributable reserves (to the extent permissible by the CO). For a description of the limitations applicable to profit distributions by way of dividends under Swiss law, see “Description of the Share Capital and the Shares—Description of the Shares—Allocation of annual net profits”.

Dividends paid on Shares are subject to Swiss federal withholding tax, except if paid out of reserves from capital contributions (*reserves provenant des apports de capital, Reserven aus Kapitaleinlagen*). See “Tax Considerations—Swiss federal withholding tax” for a summary of certain Swiss tax consequences regarding dividends distributed to holders of the Shares.

In order for the Company to pay dividends to its shareholders out of reserves from capital contributions, such reserves have to be eligible for classification as distributable reserves. As of the date of this Offering Circular, the Company should have distributable reserves from capital contributions in the amount of CHF 201.0 million million (subject to confirmation by the Swiss tax authorities), and expects to have up to an additional CHF [●] million (assuming that the Offered Shares are fully subscribed and assuming an Offer Price of CHF [●]) upon completion of the Offering and the sale of the Offered Shares, in reserves from capital contributions, which, subject to the restrictions described above and subject to changes in tax laws and practice, can be distributed to the Company's shareholders without deducting any Swiss withholding tax. For further information, see “Tax Considerations—Swiss federal withholding tax”.

A distribution of cash or property that is based upon a reduction of the Company's share capital requires a special audit report confirming that the claims of the Company's creditors remain fully covered by the Company's assets despite the reduction in the share capital recorded in the commercial register. Upon approval by the shareholders' meeting of the capital reduction, the Board of Directors must give public notice of the capital reduction in the Swiss Official Gazette of Commerce (*Feuille Officielle Suisse du Commerce, Schweizerisches Handelsamtsblatt*) three times and notify the Company's creditors that they may request, within two months of the third publication, satisfaction of, or security for, their claims. Distributions of cash or property that are based upon a capital reduction are not subject to Swiss federal withholding

tax. See “Tax Considerations—Swiss federal withholding tax” for a summary of certain Swiss tax consequences regarding distributions paid on the Shares that are based upon a capital reduction.

SELECTED FINANCIAL INFORMATION

The following tables present summary financial information of the Group as of and for the periods starting (i) starting 1 January 2017 and ending 30 June 2017, (ii) 28 September 2015 and ending 31 December 2016 and (iii) 28 September 2015 and ending 30 June 2016, which are extracted or derived from the group financial statements, appearing elsewhere in this Offering Circular. This summary group financial information should be read in conjunction with the group financial statements as well as with the sections "Use of Proceeds" and "Management's Discussion and Analysis of Financial Condition and Results of Operations" below.

(in USD ,000)	For the period from 1 January to 30 June 2017	For the period from 28 Sep- tember 2015 to 31 December 2016	For the period from 28 Sep- tember 2015 to 30 June 2016
	(unaudited)	audited	(unaudited)
Rental income	26,237	36,525	17,439
Other income	2,135	2,623	1,417
Bargain on purchase of subsidiary		4,185	4,185
Net gain from fair value adjustment on investment property	14,905	21,231	9,962
Total income	43,277	64,564	33,004
Expenses for third party onsite workforces	3,788	5,621	2,461
Real estate operating expenses	6,220	7,939	3,515
Real estate maintenance and renovation expenses	3,197	5,828	1,912
Property management fees	990	1,388	644
Real estate acquisition expenses		5,881	5,377
Other expenses	3,970	7,286	5,855
Total operating expenses	18,165	33,943	19,764
Operating Profit	25,112	30,622	13,240
Finance Cost	4,749	8,645	4,782
Profit before income tax	20,363	21,977	8,457
Income tax expense	5,394	5,800	1,948
Profit for the period	14,969	16,176	6,509
Other comprehensive income			-
Total comprehensive income for the period	14,969	16,176	6,509
Profit attributable to:			
Varia US Properties AG shareholders	12,163	8,874	2,860
Non-controlling interests	2,805	7,302	3,649
	14,969	16,176	6,509
Total comprehensive income attributable to:			
Varia US Properties AG shareholders	12,163	8,874	2,860
Non-controlling interests	2,805	7,302	3,649
	14,969	16,176	6,509

Summary Consolidated Statement of Financial Position

(in USD ,000)	30 June 2017 <i>(unaudited)</i>	31 December 2016 <i>audited</i>	30 June 2016 <i>(unaudited)</i>
Assets			
Current assets			
Cash and cash equivalents	65,255	96,300	23,920
Rent and other receivables	1,287	631	376
Income tax receivable	242	242	242
Prepaid expenses	1,434	813	1,028
Non-current asset classified as held for sale	–	–	5,800
Total current assets	68,219	97,987	31,366
Non-current assets			
Investment property	508,120	343,450	295,130
Escrow accounts	5,577	5,029	4,184
Goodwill	4,776	2,813	1,052
Deferred tax asset	1,876	536	2,768
Total non-current assets	520,349	351,828	303,134
Total assets	588,569	449,816	334,501
Liabilities and equity			
Current liabilities			
Interest bearing loans and borrowings	1,835	1,596	2,856
Trade and other payables	10,099	6,839	6,666
Prepaid rent	548	223	220
	12,481	8,658	9,742
Non-current liabilities			
Interest bearing loans and borrowings	308,901	201,474	196,713
Deferred tax liability	21,341	14,683	13,202
Total liabilities	342,724	224,814	219,657
Issued share capital	6,641	6,180	3,121
Share premium from capital contributions	200,091	193,357	94,544
Legal reserves	42	–	–
Retained earnings	19,808	8,874	2,860
Equity attributable to Varia			
US Properties AG shareholders	226,581	208,412	100,525
Non-controlling interest (NCI)	19,263	16,590	14,319
Total equity	245,845	225,002	114,844
Total liabilities and equity	588,569	449,816	334,501

Summary Consolidated Statement of Cash Flow

(in USD ,000)	For the period from 1 January to 30 June 2017 <i>(unaudited)</i>	For the period from 28 Sep- tember 2015 to 31 December 2016 <i>audited</i>	For the period from 28 Sep- tember 2015 to 30 June 2016 <i>(unaudited)</i>
Profit before tax	20,363	21,977	8,457
Net cash provided by operating activities	10,004	6,871	1,791
Net cash used by investing activities	(149,765)	(102,754)	(73,763)
Net cash provided by financing activities	107,831	192,335	96,724
Net increase in cash and cash equivalents	(31,930)	96,452	24,751

Summary Other Financial Data (including non-IFRS measures)

	For the period from 1 January to 30 June 2017	For the period from 28 Sep- tember 2015 to 31 December 2016	For the period from 28 Sep- tember 2015 to 30 June 2016
(in USD, except percentages)			
Net Asset Value per Share.	34.03	33.65	32.46
Gross LTV.	61.1%	59.4%	66.7%

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The financial information contained in the following discussion is based on the Financial Statements. The group financial statements were prepared in accordance with IFRS and article 17 of the Directive on Financial Reporting of the SIX. IFRS and Swiss law differ in certain respects from each other and from generally accepted accounting principles in certain other countries. Where financial information in the following tables is labelled "reviewed", this means that it was extracted or derived from the Condensed Interim Consolidated Financial Statements. The Consolidated Financial Statements have been audited.

The Company has been incorporated on 28 September 2015 and has built-up its operations since that time. Its first financial year started on 28 September 2015 and ended on 31 December 2016. There are thus no financial statements available that would serve as a comparison for a previous performance. Therefore, the below discussion focuses exclusively on the Financial Statements without comparative remarks. The below discussion also includes a description of the currently applicable revenue and expense streams.

Prospective investors should read the following discussion of the Group's financial condition and results of operations in conjunction with the group financial statements that are included elsewhere in this Offering Circular. A summary of the significant accounting policies and critical accounting judgments that have been applied to the group financial statements is set forth below in "Management's Discussion and Analysis of Financial Condition and Results of Operations—Selected significant accounting policies and critical accounting judgments". The information in the section "Presentation Of Financial And Other Information" should also be reviewed.

This discussion contains forward-looking statements that are based on assumptions and involve risks and uncertainties. The Group's actual performance, results and the timing of certain events could differ materially from those discussed in the forward-looking statements as a result of certain factors, including those set forth under "Risk Factors" and elsewhere in this Offering Circular. For additional information on forward-looking statements, please see "Forward-Looking Statements".

General Overview

The Company is a Swiss based real estate company with its head office in Zug. It exclusively invests in US multifamily housing with a main focus on secondary and tertiary areas that are characterised by strong population and employment growth and limited housing offering. The housing offering targets the low to medium income population in these areas. As of the date of this Offering Circular, its portfolio had a total value of USD 604 million (consisting of the portfolio value of USD 508.1 million as appraised by Colliers as of 30 June 2017 plus the purchase price of USD 96 million for the three properties acquired after 30 June 2017). As of the date of this Offering Circular, the portfolio consists of 50 properties with approximately 8,200 residential units in 18 states in the United States. As of 30 June 2017, approximately 69% of these units are rented at market conditions whereas 31% of the units are rent and income restricted. In the six months ended 30 June 2017, the Group generated total income of USD 43.3 million and Effective Gross Income of USD 28.4 million. Its Net Operating Income amounted to USD 13.4 million in the same time period. Its Cash-on-Cash Yield Annualized amounted to 10.4% in this period. Its LTV amounted to 62% and the physical occupancy rate averaged around 94.2% as of 30 September 2017.

In line with its investment guidelines, the Company mostly pursues a value-adding strategy, which means that it invests in the renovation and addresses the deferred maintenance of the properties bought, which allows for a faster and larger rent increase as well as an increase in the values of the properties. In addition, the Company intends to further invest in properties profiting from Low Income Housing Tax Credit in order to generate attractive rental profit and realise value growth once these properties have been transitioned to market. Finally, the Company also intends to selectively invest in stabilised properties with limited improvement potential, such that it can benefit from secure rental income and the value growth in the mid to long-term. Based on this strategic approach, the Company believes that it is well structured to benefit from the main trends, namely the market demand for apartment exceeding the current offering, the rental growth in the low to medium income segment, the decreasing vacancy rates supporting rental growth, the population growth through immigration and the stable employment market with a tendency to employment growth.

Since its establishment in September 2015, the Company has raised approximately CHF 250 million in equity. In the last twelve months prior to this Offering Circular, it has acquired 13 properties for a total value of USD 269.7 million, representing equity of USD 117.9 million. The Company has mandated Stoneweg SA, Geneva as advisor and external asset manager, who has international real estate assets in an amount of approximately CHF 1.5 billion under management as

of the date of this Offering Circular. Backed by the local US team from Stoneweg, the Company uses a network of regional partners with strong experience in the multifamily housing. By opportunistically involving the regional partners with a co-investment in the local structure, the Group aims at aligning the interests and thus creating incentives for the regional partners to follow the Company's strategy.

Key factors affecting the Group's results of operations and/or financial condition

The Company is exposed to various factors that may affect the development of its business, net assets, financial condition and results of operations. These affect the Group on the level of the property companies owning the real estate in the United States ("**Property Company/ies**") as well as on the level of the Company:

General economic, demographic and political developments in the United States

The Company's portfolio of properties consists of residential properties located in selected regions of the United States, mostly at the outskirts of metropolitan areas. For this reason, the Company depends on the general economic and demographic developments in both the selected regions of the United States as well as the United States as a whole. Several economic, geographic, political and other factors, such as GDP growth, population growth, employment rates and labour market conditions, population aging, preference for renting or homeownership, attractiveness of a particular region or the supply and demand for rented units in these regions are important long-term drivers for demand of properties, rental rates, property purchase prices and valuations and opportunities for acquisitions for investments and divestments. For further details, see "*Industry Overview and Market Trends*".

Rental rates

The Group's growth in distributable income depends on the Group's ability to increase rents for its properties upon the renewal of the tenant agreements, implement operational improvement measures and execute refurbishments, the ability to transition LIHTC properties and the tenant turnover.

Vacancy levels

Low vacancy rates increase the rental income and enable the Group to reduce the costs associated with vacancy. Vacancy rates mainly depend on economic and demographic factors, the attractiveness of a particular property and its units as well as the success of the Group's marketing and letting activities. As of 30 June 2017, the physical vacancy rate, i.e. the potential rents of unoccupied units divided by the total potential gross rent of the property, was 4.7% and the economic vacancy rate, i.e. the vacancy rate including defaulting tenants and concessions made to tenants and units used for marketing purposes, was 2.5%. As of 30 June 2017, the overall vacancy rate as a percentage of the total gross potential rent was 7.2%.

Acquisitions and divestments

Since its incorporation in September 2015, the Company indirectly acquired a number of properties through share deals. Major transactions included the acquisition of a portfolio of investments in real estate in Florida in December 2015, increasing the portfolio value (at December 2015 values) to USD 113.4 million as of 31 December 2015. Furthermore, in February 2016, the Company acquired the interests in Ariston Opportunity Fund Ltd. which hold investments in real estate in various states of the United States. The investment property value amounted to USD 160.2 million. See "*Description of the Group's Business—Material agreements*". Further acquisition was made in early 2016 by adding investment property of USD 16.8 million. Additionally, investments and divestments were made in the second half year of 2016 adding net investment property of USD 30.5 million. In the first half of 2017, the Company indirectly acquired properties with a value of USD 92.9 million. After the 30 June 2017, the Company closed three acquisitions with a property value of USD 95.6 million. The ability to make acquisitions in accordance with the Company's investment guidelines and divest properties at opportune moments impacts the profit or loss generated by the Company.

Valuation

The Group's properties are valued by Colliers International Valuation & Advisory Services using the income capitalisation via direct capitalisation methodology which is the most commonly methodology employed in valuing multifamily apartment communities in the United States. In addition, Colliers International Valuation & Advisory Services uses comparable sales analysis of recent transactions to derive market capitalisation rates as well as indicative sales prices of comparable asset sales.

Renovation and maintenance measures

As the Company indirectly invests, amongst others, in properties with deferred maintenance, its results of operation also depend on the extent to which the properties are renovated and maintained and the timing thereof. The scope of renovation measures varies depending on the state of the property acquired. Maintenance measures to the rental units are accounted to operating expenses on the level of the Property Company. The renovation costs are accounted for as expense on the income statement on the level of the Property Company.

Operating expenses, other property expenses and administrative expenses

The operating expenses of the Company mainly consist of legal and other consulting fees, accounting and administration fees and review-related fees. On the level of the Property Company, the operating expenses include third party salaries and employees, utilities, general and administrative expenses, marketing, repairs and maintenance, contract services, real estate and other taxes, insurance and professional fees. Other property expenses include, among others, debt interest, property management and ownership expenses and capital expenditures. Administration expenses on the level of the Property Companies include among others asset management fees and net currency foreign exchange losses.

Description of the major revenues and expense streams

The Company is obliged to pay, directly or via its subsidiaries, the following fees to the Asset Manager (as defined in "Board of Directors and Auditors—Board of Directors") or any of its affiliates:

- a fee of up to 1% of the purchase price of the acquisition closed;
- in case of divestments, a disposal fee of up to 1% or alternatively to a performance fee, calculated on the basis of the profit realized after a specific hurdle;
- for its portfolio activities, a management fee per financial year (and so in proportion for any part of a financial year) which as calculated as 1% of the rolling invested equity value. The equity value is calculated every half-year as the addition of the NAV of the last two semesters divided by two. A semester is equal to 6 months. The Asset Manager has decided to charge the fee only on the equity invested and not on the full equity raised by the Company.
- for its activities related to equity financing, a placement fee of up to 3% of new capital raised for the purpose of equity financing.

For the 2015 and 2016 capital increases, the Asset Manager received placement fees of CHF 2.0 million. For the 2016/2017 capital increase, it received a placement fee of CHF 249,315.

The remunerations for other services provided by the Asset Manager to the Company's subsidiaries and underlying investments during the six month period ended 30 June 2017 were the followings:

- asset management fees charged to the Company's holding subsidiaries amounted to USD 725,010; and
- transaction fees invoiced amounted to USD 822,190.

The remuneration paid to the local service provider of the property companies during the six month period ended on 30 June 2017 were the followings:

- property management fees of USD 771,301; and
- asset management fees of USD 295,427.

Results of Operations of the Company

The following analysis focuses on the results of the Company for the period beginning 28 September 2015 and ending 30 June 2016.

Overview

The following table presents the group income statement for the Company's operations as historically reported.

(in USD ,000)	For the period from 1 January to 30 June 2017	For the period from 28 Sep- tember 2015 to 31 December 2016	For the period from 28 Sep- tember 2015 to 30 June 2016
	<i>(unaudited)</i>	<i>audited</i>	<i>(unaudited)</i>
Rental income	26,237	36,525	17,439
Other income	2,135	2,623	1,417
Bargain on purchase of subsidiary		4,185	4,185
Net gain from fair value adjustment on investment property	14,905	21,231	9,962
Total income	43,277	64,564	33,004
Expenses for third party onsite workforces	3,788	5,621	2,461
Real estate operating expenses	6,220	7,939	3,515
Real estate maintenance and renovation expenses	3,197	5,828	1,912
Property management fees	990	1,388	644
Real estate acquisition expenses		5,881	5,377
Other expenses	3,970	7,286	5,855
Total operating expenses	18,165	33,943	19,764
Operating Profit	25,112	30,622	13,240
Finance Cost	4,749	8,645	4,782
Profit before income tax	20,363	21,977	8,457
Income tax expense	5,394	5,800	1,948
Profit for the period	14,969	16,176	6,509
Other comprehensive income			-
Total comprehensive income for the period . .	14,969	16,176	6,509
Profit attributable to:			
Varia US Properties AG shareholders	12,163	8,874	2,860
Non-controlling interests	2,805	7,302	3,649
	14,969	16,176	6,509
Total comprehensive income attributable to:			
Varia US Properties AG shareholders	12,163	8,874	2,860
Non-controlling interests	2,805	7,302	3,649
	14,969	16,176	6,509

In the following, the line items are discussed in the order as presented in the statement of profit or loss and other comprehensive income.

Income

The Company generated rental income of USD 26.2 million in the six-month period ended 30 June 2017 as compared to USD 17.4 million in the accounting period between 28 September 2015 and 30 June 2016. Other income amounted to USD 2.1 million in the same period as compared to USD 1.4 million in the previous accounting and includes income generated in relation to the rent agreement, such as fees, late fees, laundry fees, utility fees, pet fees and cleaning fees. As a result, the Company generated a total income, including non-realized income, of USD 43.3 million in the six-month period ended 30 June 2017 as compared to USD 33.0 million in the previous period. In the same period, the Company achieved net gain from fair value adjustment on investment property of USD 14.9 million as compared to USD 10.0 million in the previous period.

Operating expenses

In the six-month period ended 30 June 2017, the total operating expenses amounted to USD 18.2 million as compared to USD 19.8 million in the accounting period between the incorporation of the Company and 30 June 2016. In this period, the total operating expense included the following:

(in USD ,000)	For the six-month period ended 30 June 2017	For the period from 28 September 2015 to 30 June 2016
Expenses for third party onsite workforces	3,788	2,461
Real estate operating expenses	6,220	3,515
Real estate maintenance and renovation expenses	3,197	1,912
Property management fees	990	644
Real estate acquisition expenses	–	5,377
Other expenses	3,970	5,855
Total operating expenses	18,165	19,764

Expenses for third party onsite workforces incurred in this period of USD 3.8 million (as compared to USD 2.5 million in the previous accounting period) included, amongst others, the salaries for the local managers of the respective properties, the leasing consultant and other administrative staff.

Real estate operating expenses consisted of utility expenses in an amount of USD 2.4 million, property and other taxes of USD 2.7 million, property insurance of USD 0.7 million and advertising expenses of USD 0.4 million incurred in the six-month period ended 30 June 2017.

Other expenses consisted of legal fees in the amount of USD 1.1 million incurred in this period including the legal fees incurred in relation to the set-up of the Company's structure and the acquisition of the properties. Further, professional fees in the amount of USD 0.3 million, contract services in the amount of USD 0.5 million, asset management fees of USD 1.1 million and general and administrative expenses of USD 1.0 million.

Operating profit

As a result of the above, the operating profit amounted to USD 25.1 million in the six-month period ended 30 June 2017 as compared to USD 13.2 million in the period between 28 September 2015 and 30 June 2016.

Finance costs

In the six-month period ended 30 June 2017, the finance costs remained fairly stable at USD 4.7 million as compared to USD 4.8 million in the previous accounting period. They mainly included interest paid and accrued on interest bearing loans and borrowings of approximately USD 5.6 million and USD 3.8 million in relation to the loans granted to the Property Companies. Furthermore, foreign currency exchange losses of USD 0.9 million contributed to the finance costs and were the result of the negative evolution of the parity between the CHF and the USD currency rates on foreign currency bank accounts.

Income tax expense

In the six-month period ended 30 June 2017, the income tax expense for this period is estimated at USD 5.4 million as compared to USD 1.9 million for the period between the incorporation of the Company and 30 June 2016.

Profit for the period

As a result of the foregoing, the Company generated a total profit for the six-month period ended 30 June 2017 of USD 15.0 million as compared to USD 6.5 million for the previous accounting period. USD 12.2 million thereof are attributable to the shareholders of the Company, whereas USD 2.8 million are attributable to non-controlling interests.

Analysis of balance sheet as of 30 June 2017

Overview

The following table presents the group balance sheet for the Group's operations as of 30 June 2017.

(in USD ,000)	30 June 2017 <i>(unaudited)</i>	31 December 2016 <i>audited</i>	30 June 2016 <i>(unaudited)</i>
Assets			
Current assets			
Cash and cash equivalents	65,255	96,300	23,920
Rent and other receivables	1,287	631	376
Income tax receivable	242	242	242
Prepaid expenses.	1,434	813	1,028
Non-current asset classified as held for sale	–	–	5,800
Total current assets	68,219	97,987	31,366
Non-current assets			
Investment property	508,120	343,450	295,130
Escrow accounts	5,577	5,029	4,184
Other assets	4,776	2,813	1,052
Deferred tax asset	1,876	536	2,768
Total non-current assets	520,349	351,828	303,134
Total assets.	588,569	449,816	334,501
Liabilities and equity			
Current liabilities			
Interest bearing loans and borrowings	1,835	1,596	2,856
Trade and other payables	9,907	6,839	6,666
Prepaid rent	548	223	220
	12,481	8,658	9,742
Non-current liabilities			
Interest bearing loans and borrowings	308,901	201,474	196,713
Deferred tax liability	21,341	14,683	13,202
Total liabilities	342,724	224,814	219,657
Issued share capital	6,641	6,180	3,121
Share premium from capital contributions.	200,091	193,357	94,544
Legal reserves.	42	–	–
Retained earnings	19,808	8,874	2,860
Equity attributable to Varia US			
Properties AG shareholders	226,581	208,412	100,525
Non-controlling interest (NCI).	19,263	16,590	14,319
Total equity	245,845	225,002	114,844
Total liabilities and equity.	588,569	449,816	334,501

Cash and cash equivalents

As of 30 June 2017 and 31 December 2016, the cash and cash equivalents consist of cash in bank accounts in Swiss francs and US dollars in a total of USD 65.3 million and USD 96.3 million, respectively, of which USD 44.2 million and USD 88.1 million, respectively, were at the full disposal of the Group. An amount of USD 21.1 million and USD 8.2 million were available at the level of the Property Companies at these dates. The cash has been used to acquire three properties in the third quarter of 2017.

Rent and other receivables

As of 30 June 2017 and 31 December 2016, rent and other receivables amounted to USD 1.3 million and USD 0.6 million, respectively. It consists of amounts owed to the Property Companies from lessees under lease agreements associated with its investment properties.

Investment property

The investment property was valued at USD 508.1 million as of 30 June 2017 by Colliers.

The Group's investment property neither has a quoted market price nor can the fair value be determined with respect to observable input variable. Accordingly, the Group obtains independent property appraisals for determining the fair value of each investment property and subtracts intangibles and sales costs. For further details, see note I of the group financial statements.

Interest bearing loans and borrowings

The Company's subsidiaries maintain mortgages against investment property. Interest bearing liabilities and borrowings are secured by the investment properties in the amount of USD 310.7 million. The following table depicts the outstanding loan balances, interest rates and maturity dates as of 30 June 2017:

Property	Outstanding balance in USD	Rate in %	Maturity date
Altitude on 5 th (Northgate)	27,680,000	4.00	1 January 2025
Aspen Ridge	n/a	n/a	n/a
Brentwood Oaks	3,360,00	4.21	1 March 2026
Cottages of Norman	3,305,000	4.21	1 March 2026
Cottages of Topeka	2,880,000	4.11	1 March 2026
Eagles Nest	No loan	n/a	n/a
Highland Vista	3,416,607	4.16	1 March 2021
Parkview	1,285,177	4.60	1 January 2021
Reflections Senior	2,508,145	4.66	1 April 2024
Shawnee Station	12,953,827	3.27	1 July 2052
South Hills	3,280,000	4.39	1 November 2025
Stonegate Village	2,344,000	4.21	1 March 2026
Sundance Pointe	9,500,000	3.76	1 November 2025
Towne Square	7,927,613	4.28	1 December 2024
Tuscany Bay	4,095,443	4.28	1 May 2021
Washington Heights Senior	1,285,177	4.60	1 January 2021
Willows of Cumming	8,214,784	4.52	1 July 2024
Woodbridge Senior	1,368,079	4.66	1 April 2024
Woodlands	6,438,000	4.23	1 September 2025
Wyndam Place Senior	1,436,375	4.60	1 January 2021
Brent Village	5,466,863	3.48	1 August 2047
Applewood	4,492,619	4.51	1 January 2026
Countryside	6,537,248	4.51	1 January 2026
Nova Glen	4,520,437	4.51	1 January 2026
Novawood	3,086,813	4.51	1 January 2026
Oak Shade	2,384,406	4.51	1 January 2026
Volusia Crossing	5,215,889	4.51	1 January 2026
Pelican Pointe	3,624,298	4.51	1 January 2026
Stonewood	3,824,985	4.51	1 January 2026
Villas at King's Crossing	2,050,589	4.51	1 January 2026
Branchwood	5,042,026	4.51	1 January 2026
Sky Pines	1,817,116	4.51	1 January 2026
Wingwood	3,372,942	4.51	1 January 2026
Broadview Oaks	2,037,079	3.40	1 January 2026
Parkway Square	16,312,500	3.73	1 May 2026
Tally Square	14,250,000	3.73	1 June 2026
Woodland Manor	12,207,000	4.09	1 April 2026
Bridge Hallow	11,440,000	4.32	1 April 2024
Ridge on Spring Valley	11,895,000	4.57	1 March 2027
Wood Hollow	18,655,000	4.47	1 March 2024
Woodstone	7,475,000	4.21	1 May 2024
Crowne Lake	15,340,000	4.45	1 March 2027
Beau Jardin	10,465,000	4.32	1 May 2027
Devonshire Garden	4,771,000	4.14	1 May 2024

Devonshire Place	3,431,000	4.14	1 May 2024
Maryland Park	12,512,500	4.45	1 March 2027
Pine Ridge	10,660,000	4.64	1 March 2027
Zona Village	6,532,000	4.09	1 July 2024
Total loans	312,697,537		

Future scheduled principal payments based on contractual amounts under the term notes, excluding any additional payments that may be required, are as follows as of 30 June 2017:

Twelve months ending 30 June	In USD
2018	1,834,572
2019	2,235,557
2020	2,696,181
2021	13,616,208
2022	3,754,725
Thereafter	288,560,294
Total	312,697,537

Trade and other payables

As of 30 June 2017, trade and other payables amounted to USD 9.9 million as compared to USD 6.7 million as of 31 December 2016. As of 30 June 2017, they consisted of accounts payable in an amount of USD 1.1 million, accrued real estate and other taxes of USD 3.0 million, accrued expenses of USD 2.4 million, security deposits of USD 2.0 million, accrued interest of USD 1.0 million and other accrued expenses of USD 0.5 million.

Deferred tax liability

Deferred income taxes reflect the effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for tax purposes. Deferred tax liabilities as of 30 June 2017 amounted to USD 21.3 million as compared to USD 14.7 million as of 31 December 2016. The deferred tax assets amounted to USD 1.9 million.

In assessing the deferred tax assets, the Group's management considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realised. The ultimate realisation of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. Management considers the scheduled reversal of deferred tax liabilities, projected future taxable income, and tax planning strategies in making this assessment.

No deferred taxes have been recognised for the tax effect of approximately USD 7.0 million on unremitted earnings of approximately USD 18.4 million for the Company's subsidiaries as the remittance is within the full control of the Group.

As of 30 June 2017, the Group has USD 35.1 million of federal and state net operating loss carry-forwards. The utilisation is limited to future taxable earnings of the Company. The carry-forwards begin to expire in 2033.

Total liabilities

Total current liabilities amounted to USD 12.5 million and total non-current liabilities amounted to USD 330.2 million.

Shareholders' equity

As of 30 June 2017, the total equity amounted to USD 245.8 million, of which USD 226.6 million were attributable to the shareholders of the Company and USD 19.3 million were attributable to non-controlling interest.

The Blockers hold investments in the Property Companies. Their ownership interests varies between 81.6% and 100%, such that non-controlling interest in the underlying partnerships exist. The non-controlling interest is mainly held by Peak Capital Partners ("Peak"). Upon acquisition, non-controlling interest is recognised at the holders' proportionate interest in the recognised amount of the identifiable net assets of the acquiree. The percentage of non-controlling interest is not decisive for the percentage of comprehensive income attributable to non-controlling interests.

Liquidity and Capital Resources

Capital resources

The Group's liquidity needs arise principally from the need to finance its investment activities expenditures. In the period under review, the Group has met its liquidity needs mainly through capital increases.

The Group expects that its current and estimated financial resources, including the net proceeds from the capital increase, will be sufficient for its estimated investment and operating expenditures under its current strategic plan for at least the next 12 months.

Cash flows for the six-month period ending 30 June 2017

The following table presents an abbreviated group cash flow statement for the Group's operations for the period indicated.

	For the period from 1 January to 30 June 2017	For the period from 28 Sep- tember 2015 to 31 December 2016	For the period from 28 Sep- tember 2015 to 30 June 2016
(in USD ,000)	<i>(unaudited)</i>	<i>audited</i>	<i>(unaudited)</i>
Profit before tax	20,363	21,977	8,457
Net cash provided by operating activities	10,004	6,871	1,791
Net cash used by investing activities	(149,765)	(102,754)	(73,763)
Net cash provided by financing activities	107,831	192,335	96,724
Net increase in cash and cash equivalents	(31,930)	96,452	24,751

Cash flow provided by operating activities

The net cash provided by operating activities in the six-month period ended 30 June 2017 amounted to USD 10.0 million. It is the result of the profit generated in this period and accounting for various adjustments, including amongst others valuation gains on investment property, bargain on purchase of subsidiary, finance costs, decreases in escrow accounts and increases in trade and other payables.

Cash flow used in investing activities

In the six-month period ended 30 June 2017, the net cash used by investing activities amounted to USD 150.0 million. It was mainly the result of the acquisition of investment property in an amount of USD 148.5 million as well as capital expenditures on investment property of USD 1.3 million.

Cash flow provided by financing activities

In the six-month period ended 30 June 2017, the net cash provided by financing activities amounted to USD 107.8 million and resulted mainly from share capital increases.

Off-balance sheet arrangements and contingent liabilities

As of 30 June 2017, there are no material off-balance sheet arrangements and contingent liabilities.

Past, ongoing and committed future capital expenditures

Capital expenditures during the period ending 30 June 2016

In the period ending on 30 June 2017, the Company made various investments in subsidiaries (see "Management's Discussion and Analysis of Financial Condition and Results of Operations—Analysis of balance sheet as of 30 June 2017—Investment property").

Ongoing and committed future capital expenditures

As of the date of this Offering Circular, the Company has the following ongoing and committed future capital expenditures:

The Company has indirectly entered into purchase agreements relating to one asset in Tucson, Arizona and one asset in Albuquerque, New Mexico. The total purchase price is USD 46.5 million. The closing of these acquisitions is subject to certain closing conditions; the Company expects the closing of these purchases to occur in January 2018.

For capital expenditures made subsequent to the balance sheet date of 30 June 2017, see *“Management’s Discussion and Analysis of Financial Condition and Results of Operations—Selected significant accounting policies and critical accounting judgments—Critical Accounting Judgments”*.

Ongoing negotiations relating to future capital expenditures

As of the date of this Offering Circular, the Company has the following ongoing negotiations relating to future capital expenditures:

The Company is contemplating the indirect purchase of several properties in a total amount of approximately USD 107 million. The Company is touring several properties, meaning the property is being visually inspected to assess the location, property, staff and tenant base and analysing the financials and other key data. As of the date of this Offering Circular, the negotiations are still ongoing and the Company has neither decided upon these investments nor made any legally binding undertakings in this regard.

As of the date of this Offering Circular and other than disclosed here, there are no current or future investments that have already been firmly decided upon by the Company and no legally binding commitments have been entered into.

Qualitative and quantitative data about market risk

The activities of the Group expose it to a variety of financial risks, which are summarised below. The Board of Directors has overall responsibility for the establishment and oversight of the Group’s risk management policies to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits.

Interest rate risk

The Property Companies are subject to cash flow interest rate risk due to fluctuations in the US real estate market interest rates. Changes in interest rates affect mainly the interest bearing liabilities and borrowings.

At 30 June 2017, the Company has entered into interest bearing liabilities and borrowing contracts with several lenders, mainly the three US governmental agencies, amounting to 312.7 million USD and periodic reimbursements until their principal maturity dates spread out between 2021 and 2052. Only 42.1 million USD of these mortgages are subject to variable interest rates. Accordingly an increase or decrease of these variable rates of 1% would affect in aggregate the net total annual profit or loss of the real estate companies by only 421,000 USD.

Currency risk

The Net Asset Value per Share is calculated in USD, the functional and presentation currency of the Company. The Company’s investments are mainly denominated in USD.

The Company is exposed to a certain degree of currency risk towards the CHF, which can adversely affect performance in that currency which is the currency of presentation of the statutory financial statements. Fluctuations of the USD currency exchange rate with the CHF affect the net result and the equity in CHF of the Group in its statutory financial statements and, ultimately, the profits available for distribution of dividends. Over the period ended 30 June 2017, the Company did not enter into currency contracts to mitigate this currency risk. The Company is assessing the risk and can enter into such currency contracts in the future, when needed.

The Company’s currency positions at 30 June 2017 are predominately in USD as presented on the statement of financial position except for those in CHF as follows:

(in CHF)

Assets	
Cash and cash equivalents	2,682,249
Rent and other receivables	21,111
Total assets	2,703,360
Liabilities	
Trade and other payables	1,383,660
Net assets CHF	1,319,700

A reasonably possible 5% strengthening (weakening) of the CHF against the USD at 30 June 2017 would not have a material effect on the measurement of financial instruments denominated in CHF.

Other price risks

Other price risks (i.e. changes in market prices other than from interest rate risks or currency risk) may affect the value of the investment properties held by the Company's subsidiaries.

The Company is exposed to price risk other than in respect of financial instruments, mainly property price risk but also property rentals risk.

The Company's Asset Manager monitors on a monthly basis the performance of the real estate companies by analysing regular reports and through direct contact with its real estate partner and service providers in the United States. Appraisal of the properties by independent experts take place every 6 months to determine ultimately the fair value of the subsidiaries as described in Note D to the group financial statements. The board of directors reviews and subsequently approves the valuations.

The Company attempts to minimise the property price risk incurred at the level of its investments through effective due diligence prior to investing in real estate properties and monitors on a permanent basis their activities and performances, this directly with its Asset Manager or indirectly with its services partners in the United States, so as to the Company's downside risk.

The Company mitigates these risks also by investing in a diversified real estate portfolio, spreading its investments through different regions, size of assets, and typology of multifamily asset (senior housing, free rent, LIHTC rents).

One of the main risks for the Company is ultimately the value of the properties held in the portfolio of the property companies. The value of these properties is dependent on a multitude of factors. These factors are mainly the balance between supply and demand on the US multifamily real estate market, financing conditions, level of rents and vacancies.

The Company values the properties every six months by external independent valuations to determine the potential proceeds to be received in the case of selling all the portfolio and the unrealised profit or loss impacting the property companies' net assets values.

The independent market value of the properties as of 30 June 2017 was USD 508.1 million.

Liquidity risk

Due to the nature of the real estate in which the Company invests, immediate and full investment of funds is not always possible. Additional investments by the Company are triggered by the availability of cash resulting mainly from new share capital increases, cash resulting from loans interests' payments and paid dividends from its subsidiaries, or subsidiaries loans or capital reimbursements.

The Company pursues a long term investment strategy with a mixture of core-plus, value-add and opportunity assets in the US multifamily real estate portfolio. Actual strategy of the Company is to reinvest the net proceeds resulting from any sales of either the shares of the underlying investment property or of properties they own.

The maturity analysis of financial liabilities, actual cash flows including interest, as of 30 June 2017 is as follows:

(in USD)	Within 1 year	From year 1 to 5	Later than 5 years	Total
Trade and other payables, less accrued real estate and other taxes	7,152,258	–	–	7,152,258
Interest bearing loans and borrowings	15,164,084	74,140,758	336,848,670	426,153,512
Total	22,316,342	74,140,758	336,848,670	433,305,770

Credit risk

The Group enters in credit exposure only to established, creditworthy third parties, so that no collateralisation is required. Receivables are monitored continuously. The board of directors monitors credit risk on a regular basis.

The Company holds cash with one internationally renowned financial institution which has an investment grade rating. The Company monitors, on a regular basis, the standing of the financial institutions in which it has business directly or indirectly through its subsidiaries and underlying investments.

The maximum credit risk exposure for cash and cash equivalents, rent and other receivables and escrow accounts is the amount recognised on balance sheet. Cash and cash equivalents, rent and other receivables and the escrow accounts are neither past due nor impaired.

Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date.

In addition, for financial reporting purposes, fair value measurements are categorised into level 1, 2 or 3 based on the degree to which the inputs to fair value measurements are observable and the significance of the inputs to fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs, other than quoted prices included in within Level 1, that are observable for the asset or liability either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or the liability.

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, an investment's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement. The Company's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment, and considers factors specific to the investment.

At 30 June 2017, the Group's investment properties are measured at fair value on a recurring basis by the above fair value hierarchy level as follows:

At 30 June 2017

(in USD)	Level 1	Level 2	Level 3	Total
Investment property at 31 December 2016	–	–	343,450,000	343,450,000
Purchase of investment property	–	–	148,495,321	148,495,321
Capital improvement	–	–	1,270,073	1,270,073
Net change in fair value (unrealized)	–	–	14,904,606	14,904,606
Investment property at 30 June 2017	–	–	508,120,000	508,120,000

There was no transfer between Levels 1 and 2 and level 3. See Note I of the group financial statements for a reconciliation from the opening to the ending balance of investment property and properties held for sale.

Selected significant accounting policies and critical accounting judgments

Functional and Presentation Currency

The board of directors of the Company has assessed the underlying characteristics of the Company's currency exposure, of its investments, and transactions and considers that USD is the currency that best reflects its underlying transactions, events, and conditions for the preparation of the interim consolidated financial statements. In particular, the Company has assessed the USD as the currency:

- in which the funds from the Company financing activities are invested into and in which receipt for operating activities are usually retained. The Company obtains interests and dividends primarily in USD.
- that influences most of the Company's transactions and determines the prices of the investment properties and assessment of the performances and profits from the operational activities.
- in which most of the transactions have been and are expected to continue to be transacted, even if limited administrative costs of the Company are expected to continue in Swiss franc (CHF).
- in which the Company's shareholders are investing their funds on the long term for the return of their investments.

As a result, the interim consolidated financial statements are presented in USD. Today, the Company intends to continue to use USD as the currency in which the interim consolidated financial statements are presented. Statutory financial statements are presented in CHF to allow transparency as to the equity position and the distribution capacity of the Company.

Foreign Currency Translation

Foreign currency transactions are translated into the functional currency using the exchange rate prevailing on the dates of the transactions.

In preparing group financial statements at the end of each reporting period, monetary items denominated in foreign currencies are translated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rate prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated at the exchange rate at the date of the transaction. Exchange differences on monetary items are recognised in profit or loss in the period in which they arise.

The following exchange rates have been applied to translate the foreign currencies of significance for the Company:

	Average exchange rates for the period	Exchange rates at 30 June 2017
CHF	USD 1.00594	USD 1.04410

Cash and Cash Equivalents

Cash includes cash on hand and cash with banks. Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash, with original maturities of three months or less, that are subject to an insignificant risk of change of value. Cash and cash equivalents are recorded at nominal value.

Financial Assets (Rent and Other Receivables and Escrow Accounts)

Financial assets are classified as loans and receivables or as at fair value through profit or loss. The Company determines the classification of its financial assets at initial recognition.

Financial assets are recognised on the statements of financial position when the Company becomes a party to the contractual provisions of the financial instrument and are measured at fair value less transaction cost if the financial asset is not carried at fair value through profit or loss.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the marketplace (regular way purchases) are recognised on the settlement date, i.e., the date a financial asset is delivered to or by the Company.

A financial asset is derecognised if, and only if, the Company either transfers the contractual rights to receive the cash flows of the financial asset, or it retains the contractual rights to receive the cash flows of the financial asset, but assumes a contractual obligation to pay the cash flows to one or more recipients, and in doing so transfers substantially all of the risks and rewards of the asset.

Investment Property

Investment property comprises real estate that is held to earn rentals or for capital appreciation or both.

Investment property is measured initially at fair value. Subsequent to initial recognition, investment property is stated at fair value, which reflects market conditions at the reporting date. Gains or losses arising from changes in the fair values of investment properties are included in profit or loss in the period in which they arise, including the corresponding tax effect.

Investment property is derecognised either when it has been disposed of, or when it is permanently withdrawn from use, and no future economic benefit is expected from its disposal. The difference between the net disposal of proceeds and the carrying amount of the asset is recognised in profit or loss in the period of derecognition.

Interest Bearing Loans and Borrowings, Trade and Other Payables

All loans and borrowings, trade and other payables are initially recognised at fair value less directly attributable transaction costs. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method.

Rental Income

The Company's operating subsidiaries are the lessors in operating leases. Rental income arising from operating leases on investment property is accounted for on a straight-line basis over the lease terms, and is included in revenue in the interim consolidated statement of profit or loss and other comprehensive income due to its operating nature.

Operating Expenses

Operating expenses are recognised in the interim consolidated statement of profit or loss and other comprehensive income in the period in which they are incurred (on an accruals basis).

Income Taxes

Current Tax

Tax expense and income taxes payable are based on reported income and calculated in accordance with the applicable legislations and regulations. In Switzerland, the Company is taxed as a holding company at federal and cantonal levels. In the United States, the Company's subsidiaries are limited liability companies taxed as corporations.

Income, including dividend income and capital gains from its subsidiaries are exempt from taxation at the Zug cantonal and communal levels. Nevertheless, the Company is subject to capital taxes that are included in the operating expenses in the interim consolidated statement of profit or loss and other comprehensive income. The amount of current income tax payable or receivable is the best estimate of the tax amount expected to be paid. It is measured using tax rates enacted or substantively enacted at the reporting date.

Deferred Tax

Deferred tax assets and liabilities are recognised for the future tax consequences attributable to temporary differences between the group financial statement carrying amounts of existing assets and liabilities and their respective tax bases, and operating loss and tax credit carryforwards.

Deferred tax assets and liabilities are measured using enacted or substantively enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognised in the interim consolidated statement of profit or loss and other comprehensive income in the period that includes the enactment date.

Deferred tax assets are only recognised to the extent that it is probable that future taxable profits will be available against which they can be used.

Recorded deferred tax assets are reviewed at each reporting date are reduced to the extent that it is no longer probable that the related benefit will be realised.

Critical Accounting Judgments

Fair Value Measurement of Investment Property

The main area involving assumptions and estimates that are significant to the interim consolidated financial statements of the Group is the fair value of its investment property. The Group's investment properties do not have quoted market prices nor can the fair value be determined with respect to observable input variable. Accordingly, the Group obtains independent property appraisals for determining the fair value of each investment property.

Consolidation of Subsidiaries

In deciding whether the consolidation of subsidiaries is appropriate, the board of directors has assessed the level of control it has over its subsidiaries. For that purpose, the board of directors has considered all relevant facts and circumstances in assessing whether it controls its subsidiaries. The assessment includes the analysis of the percentage of detention, the decision making process in particular related to investment decisions and the contractual terms defined in different agreements which set conditions for operating the business. These agreements between the Group and the minority shareholders on the Property Company level, i.e. Peak Capital Management and its affiliates, who also act as manager of subsidiary property companies, include provisions relating to the involvement of the minority shareholders in some decisions which results in limitations of control in specific areas. Pursuant to this analysis, the board of directors has, notwithstanding the above mentioned limitations, concluded that the Group has the required power over the relevant activities of these subsidiaries, is exposed to, or has rights to, the variable returns from its involvement and has the ability to affect those returns through its power over the subsidiaries.

Based on IFRS 10, the board of directors made an analysis as to whether its subsidiaries meet the definition of an investment entity or not in order to determine whether to consolidate them as of 30 June 2016 or not. In assessing whether the subsidiaries meet the definition of an investment entity according to IFRS 10, the board of directors concluded that the subsidiaries' substantial business activity involves the active management of the properties, including lease negotiations and marketing of the properties so as to obtain benefits, which are not limited to capital appreciation, but also include rental income. The business performance of these properties is assessed only partly based on fair value measures, but also taking into account e.g. rental income, vacancy rates, operating and capital expenses. As such, such properties are consolidated, rather than accounted for as investment entities.

Recent Developments

Except as disclosed elsewhere in this Offering Circular or hereinafter, there have been no significant events having a material impact on the business or the financial condition of the Group since 30 June 2017, except:

The Group has acquired the assets now held by PC Rolling Hills Louisville LLC, PC Avenue 8 Mesa LLC and PC Mission Palms LLC for a total purchase price of USD 95.6 million.

The Group also acquired the stake in PC Aspen Ridge LLC from Peak for a consideration of USD 1.0 million. As of the date of this Offering Circular, the Group indirectly owns 100% in this property company.

Outlook

The Company intends to continue growing by investing in properties that allow enhancing the value through pro-active management, Low Income Housing Tax Credit properties and stabilised properties (see “Description of the Group’s Business—Investment Strategy”).

The Group targets a Cash-on-Cash Yield of 8 to 10% per year at property level.

INDUSTRY OVERVIEW AND MARKET TRENDS

Overview

The Company's portfolio of properties consists of residential properties located in the United States. The US multifamily residential market has been recovering since 2010 and is now characterised by declining national vacancy rates and increasing asking rents.

Macroeconomic Environment

Economic growth

The US economy has been growing steadily since the end of the economic recession in the third quarter of 2009. Between 2010 and 2015, the US GDP has increased by 2.5% per annum on average, and thereafter at an average per annum rate of 2.1% with a 3% growth in the third quarter of 2017 (source: BEA). In addition, two to three million new jobs have been created in the United States in each year since 2011 (source: US Bureau of Labor Statistics). Unemployment rates have been decreasing since the end of 2009 and have declined from 10.0% in October 2009 to 4.2% in September 2017 (source: US Bureau of Labor Statistics).

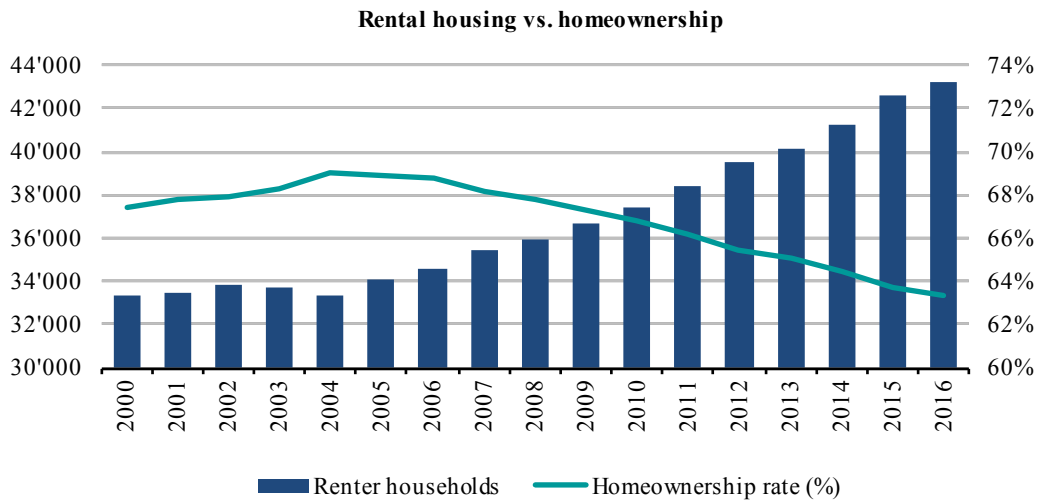
The states in which the Company intends to continue its investments have been characterised by stable employment markets with potential for strong employment growth (source: Institutional Property Advisors, Berkadia, US Bureau of Labor Statistics, US Census Bureau). The number of jobs is expected to grow at a rate of at least 0.5% p.a. (source: US Bureau of Labor Statistics).

Population growth

In the United States, the population has grown from 310 million in 2010 to 326 million in 2017 (source: United Nations Department of Economic and Social Affairs, US Census Bureau). The main reasons for the population growth include, amongst others, the aging of the population and immigration from Central America and Asia (source: US Department of Homeland Security). The US Census Bureau projection expects the population growth to remain stable between 0.5% and 1% p.a. Immigration is one of the key factors driving demand for rental apartments for the low to medium income population.

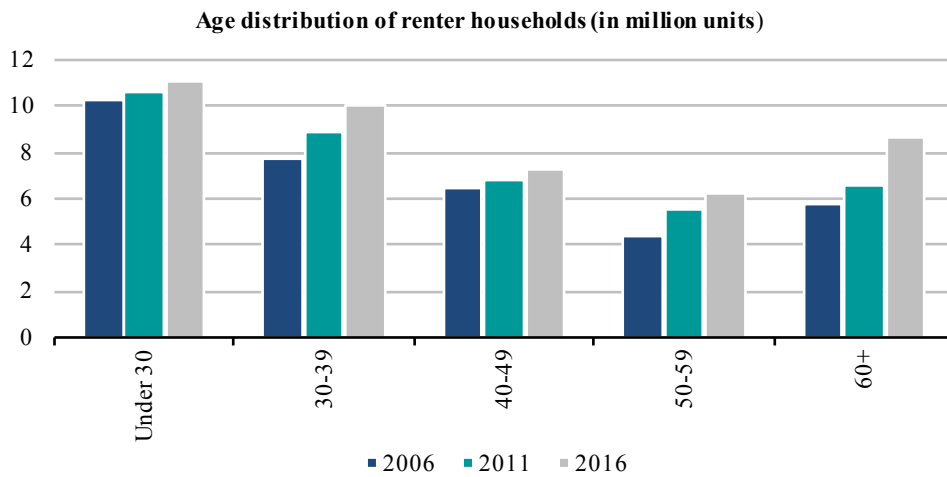
Increasing renting over homeownership

Renting has become more attractive to the population in all demographic groups regardless of age and income groups (source: Reach 2014). Home ownership has been decreasing continuously as a large part of the young population is not able to afford a house and prefers the flexibility of renting and thus delay or forego home ownership. As a result, home ownership in the United States has decreased from 68.9% in 2005 to 63.4% per end of 2016, the lowest in over 30 years (source: US Census Bureau). A demographic shift towards a renting population can be observed in particular in the below 40 and 60–70 age segments (source: US Census Bureau). This shift is further supported by the tightened credit requirements for single family home ownership. As of 31 December 2015, only 63.7% of the US population owned a house, which has been the lowest value for 30 years (source: Freddie Mac). The homeownership rate in the US has remained within the range of 63.5% and 63.9% in the past two years (source: US Census Bureau). The first graph below depicts the development of the homeownership rate and the number of renter households between 2000 and 2015. The number of renter households grew with a compound annual growth rate (CAGR) of 5% from 2005 to 2015, while owner households only grew with a CAGR of 1.5% in the same period (source: US Census Bureau, Freddie Mac).

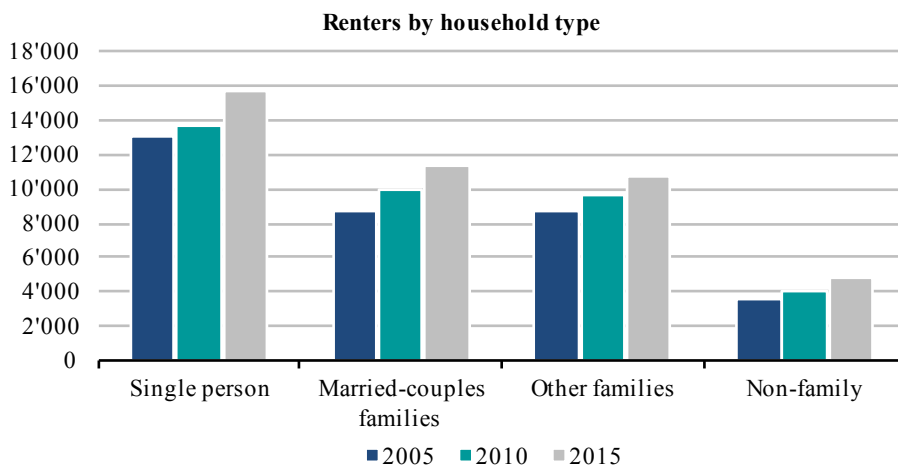


Source: US Census Bureau

The graphs following below depict the age distribution of renter households and the renters by household type.



Source: US Census Bureau



Source: US Census Bureau

Furthermore, the trends that families are created at a later stage in time (source: US Department of Health & Human Services) and that family and household size has been slightly decreasing over the last decades fuel the strong demand for smaller units (source: US Census Bureau). As a result, the demand for multifamily housing is increasing.

Overall, these demographic factors create an environment where demand surpasses supply for multifamily rental units. The increased demand in combination with relatively low levels of housing supply (see "—The residential multifamily market in the United States") has given considerable pricing power to landlords.

Residential Real Estate Market

Introduction

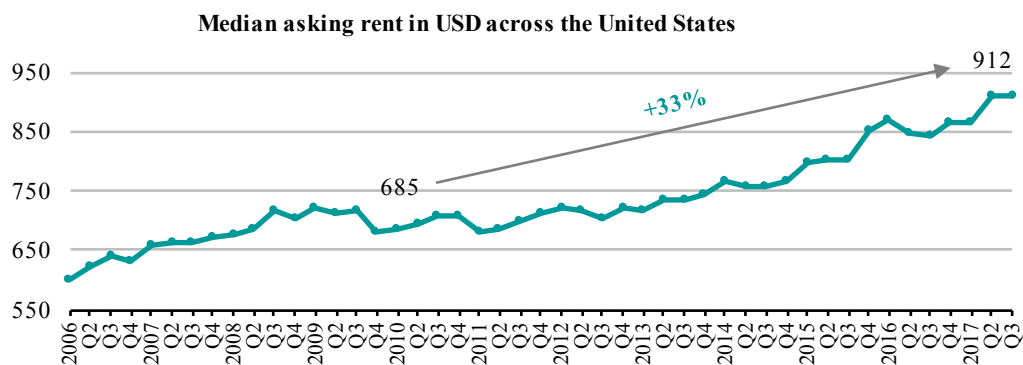
The properties in the residential real estate market are typically divided into Class A, B and C. Class A and B+ refer to properties in favourable and/or central locations and with a high standard of furnishings and fittings and overall condition. Class B and C refers to properties in less attractive locations with a basic to mediocre standard of furnishings and fittings and overall condition.

The residential multifamily market in the United States

In the United States, there have been over 42 million renter households in 2015 amounting to 36% of all households nationwide. This is an increase by 1.4 million over the previous year and double the rate of growth in the previous decades (source: US Census Bureau). Over 53% of the renters are cost burdened, i.e. they pay more than 30% of their income for housing. Over the last ten years, the percentage of cost burdened renters has increased by 12% (source: US Census Bureau, Reach 2014).

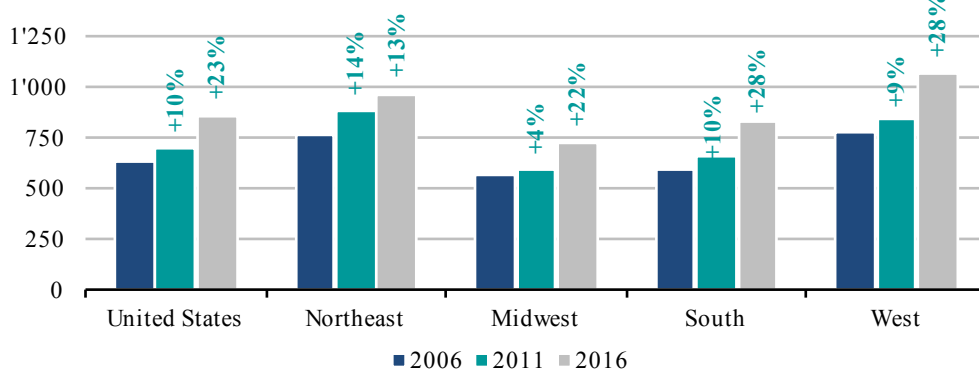
The residential multifamily market is characterised by strong rental growth averaging at 3.0% p.a. nationally between 2010 and 2016 (source: Fannie Mae Research). In the overall rental housing market, the median asking rent has increased at a rate of 4.3% p.a. countrywide and 5% p.a. in the Southern states in the last 5 years (source: US Census Bureau). The 10-year horizon from 2006 to 2016 shows steady growth rates of 3.1% p.a. despite the financial crisis 2007–2009 (source: US Census Bureau). Strong demand led to a quick recovery and growth from 2012 onwards (source: Mill Creek Residential, US Census Bureau). Rent rate and occupancy rate increases are particularly driven by a substantial increase in the 20–34 year old demographic group (source: Mill Creek Residential). The regions posting the highest rent increases are those that are also posting the highest millennial population and highest employment growth (source: Institutional Property Advisors, Berkadia). Many metropolitan areas have had a high growth in their multifamily sector, thanks to a strong demand and high occupancy rates allowing landlords to increase rents (source: Freddie Mac).

Despite the increase in rents, the demand for rental housing continued to exceed new supplies. At the same time, the affordability of home ownership has worsened in the United States due limited growth in personal income despite the economic growth since 2010, whilst the median rents have risen (source: Enterprise). The following graphs depicts the development of the median asking rent for multifamily housing in the United States and across regions:



Source: U.S. Census Bureau, Fannie Mae Research

Median asking rent in USD across regions in the United States



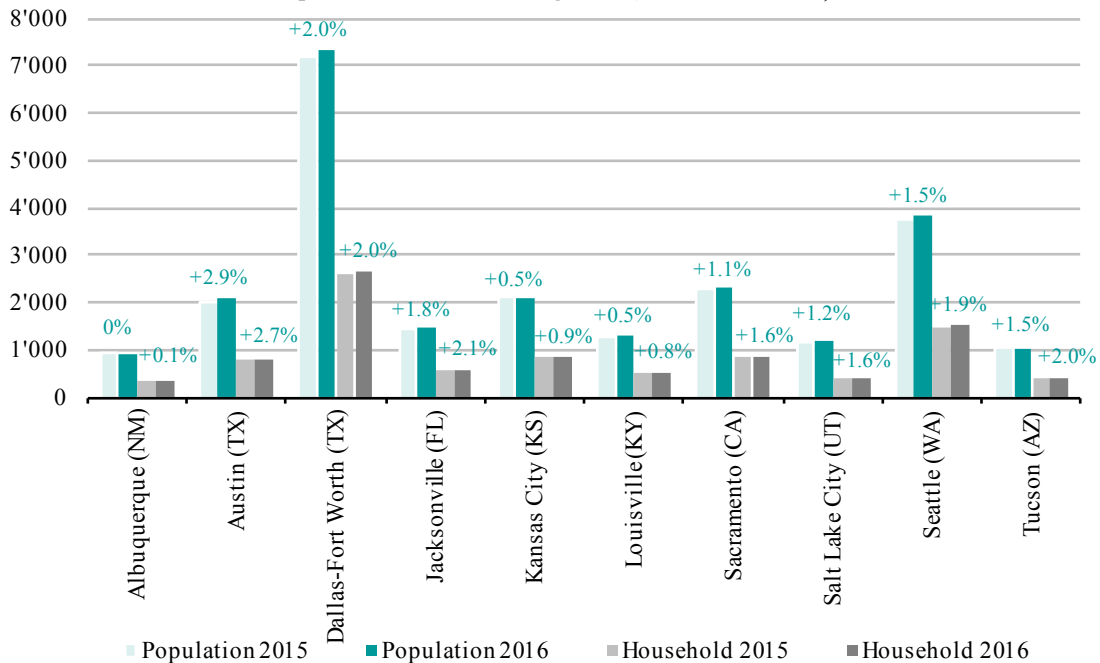
Source: US Census Bureau

In addition, transactions in multifamily residential housing are characterised by capitalisation rates (defined as the ratio between net operating income to property asset value) of 5% to 6% (see also the graph at “—Secondary and tertiary market growth”), high volumes in sales and high influx of foreign equity (source: JLL). Multifamily mortgage default rates have been below 1% on average during the last 10 years (source: Freddie Mac, Fannie Mae). US credit agencies offer loans at attractive conditions with interest rates ranging between 3.0% and 4.0% on a 30 year amortisation schedule, allowing a loan-to-value ratio of 70 to 80% (source: Freddie Mac, Fannie Mae, Mill Creek Residential).

The US multifamily market is forecasted to continue growing at a moderate rate over the next ten years, whilst the demand outstriking supply is expected to remain (source: Mill Creek Residential, Freddie Mac). The forecast is based on the fact that a high percentage of young adults aged between 20 and 30, one of the largest segments of the US population, are expected to continue predominantly renting in light of their income level and desire for mobility. On the other hand, the second most populous group will be approaching the age bracket of 60 to 70 in the next ten years. This age group also favours renting as they seek to downsize and rent affordable housing during their retirement (source: Joint Center for Housing Studies of Harvard University).

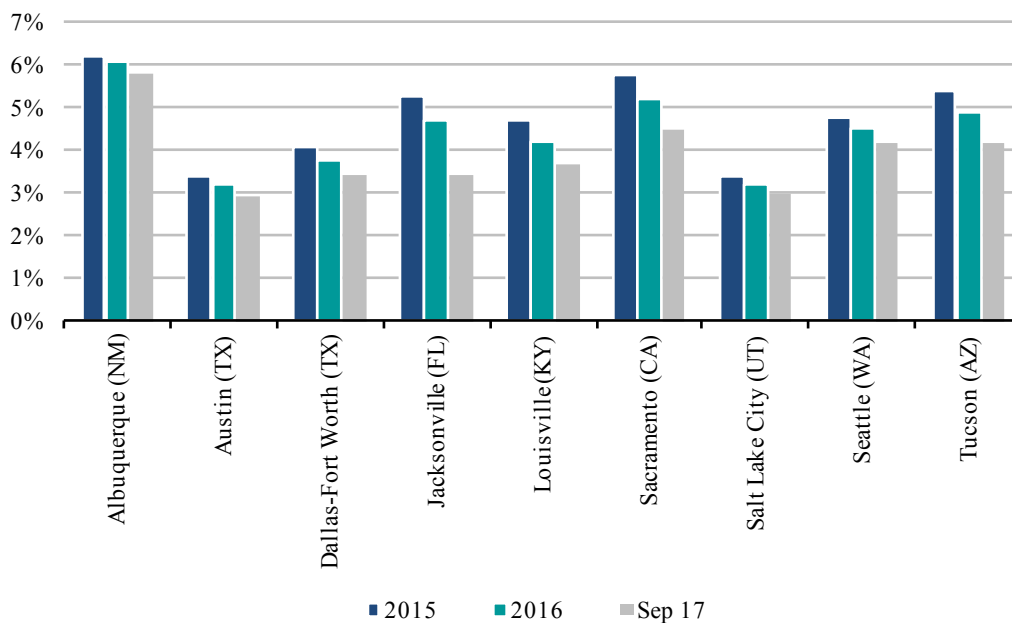
The following charts summarise certain key economic statistics of the main regions in which the Company is active:

Population and household growth (in USD thousands)



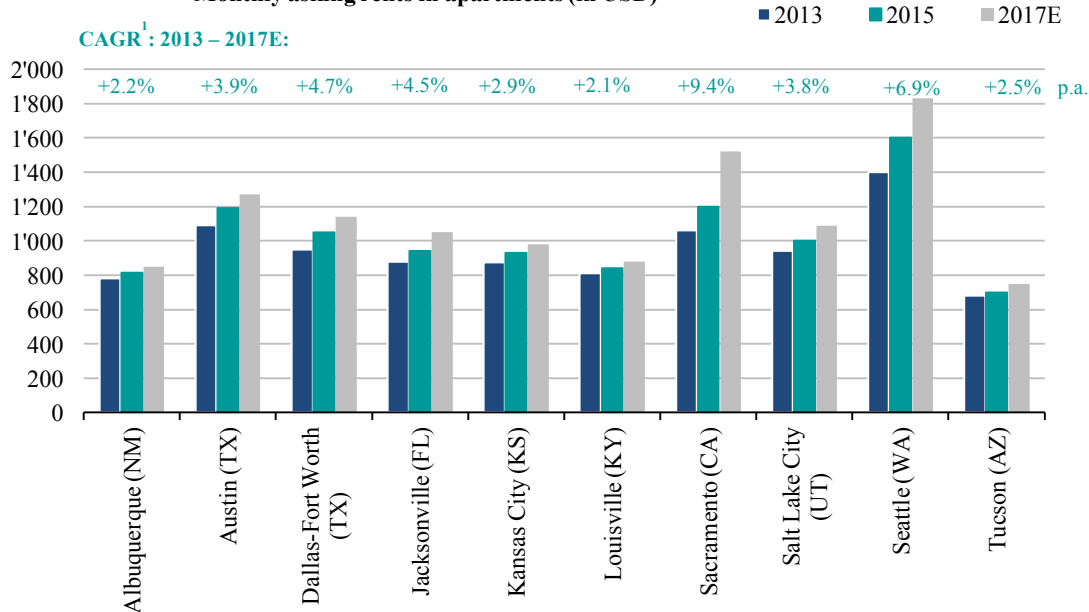
Source: Berkadia

Unemployment rate



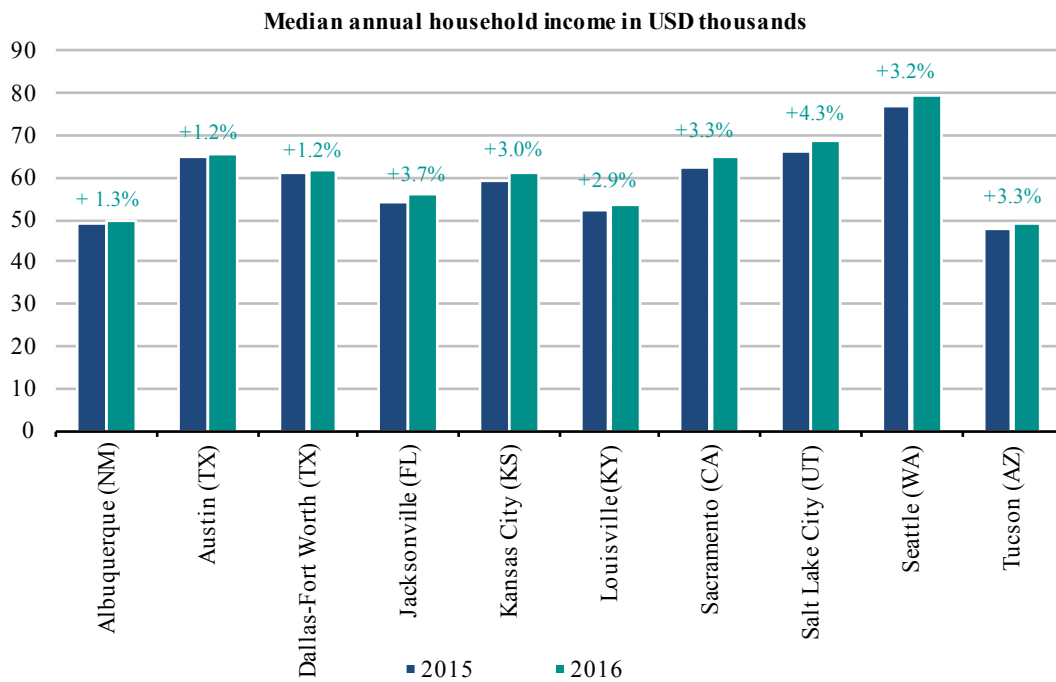
Source: Berkadia / US Bureau of Labor

Monthly asking rents in apartments (in USD)



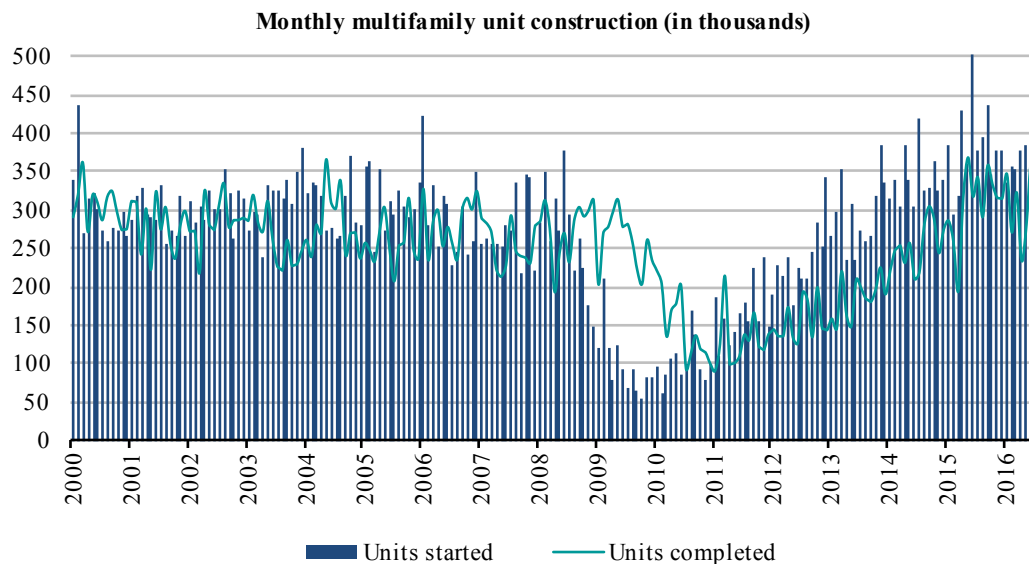
Source: Berkadia

¹ CAGR: Compound annual growth rate



Source: Berkadia

Since 2010, the number of completed apartment constructions in the United States has been increasing (source: Berkadia, Axiometrics, BEA). Specifically, multifamily unit construction has been increasing every year with over 300,000 units being added (source: US Census Bureau). Yet, the demand for new apartments has exceeded such offering; between 2010 and 2014, there was an under-supply of approximately 945,000 units (source: Berkadia, Axiometrics, BEA). The following graph shows the monthly multifamily unit construction activity from 2000 to 2016.



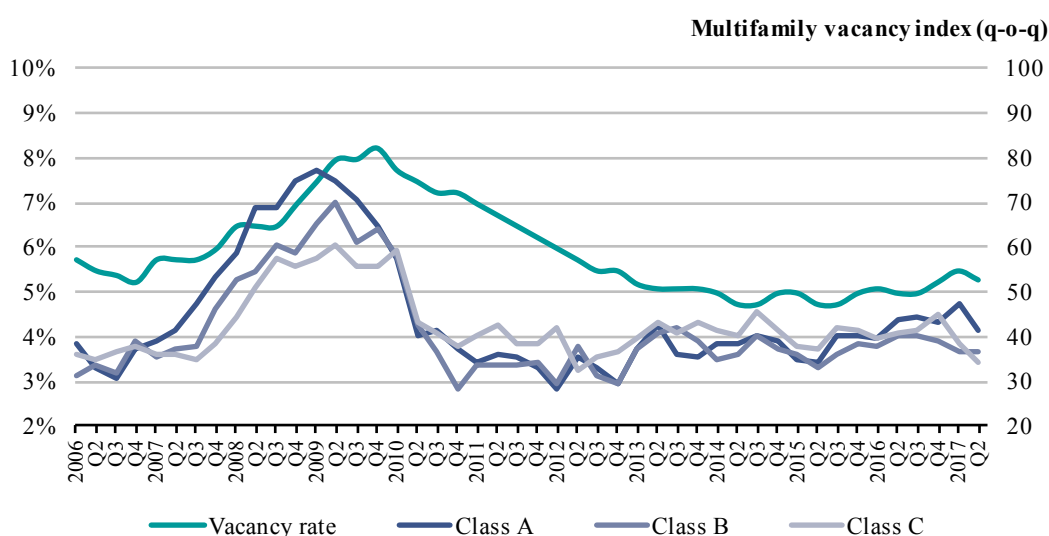
Source: US Census Bureau

It is expected that developers will continue to construct rental properties largely aimed at younger, high income tenants (source: Mill Creek Residential). New apartment construction volumes are anticipated to ease only slightly in 2016, supported by favourable supply/demand fundamentals and active equity investment, yet constrained somewhat by cost pressures on development budgets and more cautious construction lenders.

Approximately 330,000 housing units are expected to begin construction in 2016 before volume is expected to decrease to circa 300,000 units in 2017 and circa 270,000 units in 2018 (source: Mill Creek Residential).

As per the second quarter of 2017, the US multifamily market remains generally healthy with demands at a high level and moderate vacancy rates of 4.6%. However, the continued supply over the past few years has started to affect vacancy and rents in the year 2017 (source: CBRE). Despite the continued construction activity, absorption rates are expected to remain high in the near future. Currently, high absorption rates are particularly observed in the "Sunbelt" markets, in particular Raleigh-Durham, Charlotte, Orlando and Tampa (source: Mill Creek Residential, Berkadia). This trend is reflected in the decreasing vacancy rates in multifamily housing that are expected to average at below 5% in the United States (source: Berkadia, Axiometrics, National Association of Home Builders). The national vacancy rates have been at 5% in 2015, marking the lowest level in over 30 years (source: Fannie Mae Research) and asking rents have increased by 3 to 5% annually between 2010 and 2015 (source: US Census Bureau). The concessions made by lessors to lessees amounted to approx. 0.5% of the asking rents in 2015 (source: Berkadia).

The following graph shows the development of the multifamily vacancy rate from 2006 to Q2 2017 and includes the multifamily vacancy index. This index is based on a survey conducted by National Association of Home Builders, asking respondents if occupancy in the respective property class has (a) increased, (b) stayed the same or (c) decreased compared to the last quarter. A value below 50 indicates a decrease in the vacancy rate. The illustration shows that occupancy rates of Class B and C properties have been more resistant during the financial crisis and vacancy rates have been continually decreasing since 2010.



Source: Fannie Mae Research, National Association of Home Builders

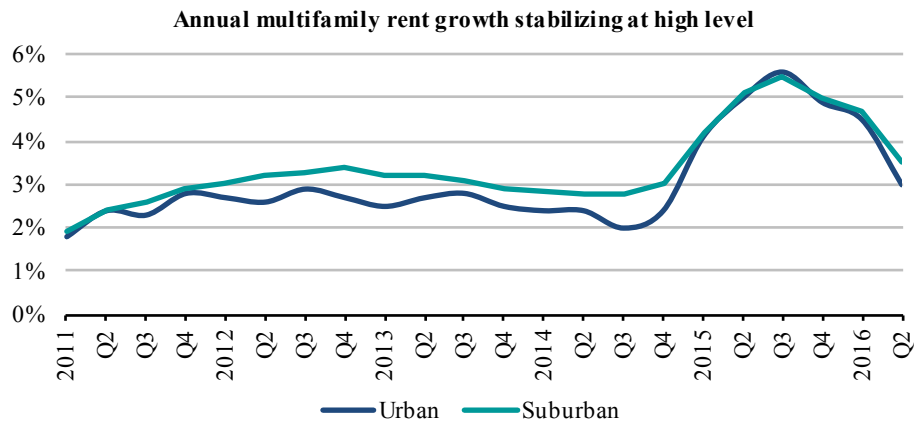
Low Income Housing Tax Credit ("LIHTC") program

In the future, developers are expected to continue constructing rental properties largely aimed at younger, high income tenants. The gap between affordable rental supply and low to moderate income tenants will continue to widen in the next years (source: Joint Center for Housing Studies of Harvard University). As a result, the US government is considering to broaden the scope of the LIHTC program to ensure sufficient supply of affordable housing. LIHTC is a governmental program that gives tax credit to developers of multifamily housing facilities for low-income families if private equity is utilised and the rent levels are limited to a standard fixed by the state. The amount of tax credit given is based on the actual cost of the project and the percentage of the property's rental units designated for low income, restricted rent. Typically, LIHTC properties consist of 50–100% rent restricted housing units. LIHTC is typically granted for a period of 15 years during which the developer benefits from tax credits (for further detail, see also "Description of the Group's Business—Legal and regulatory environment—Laws regulating the housing markets").

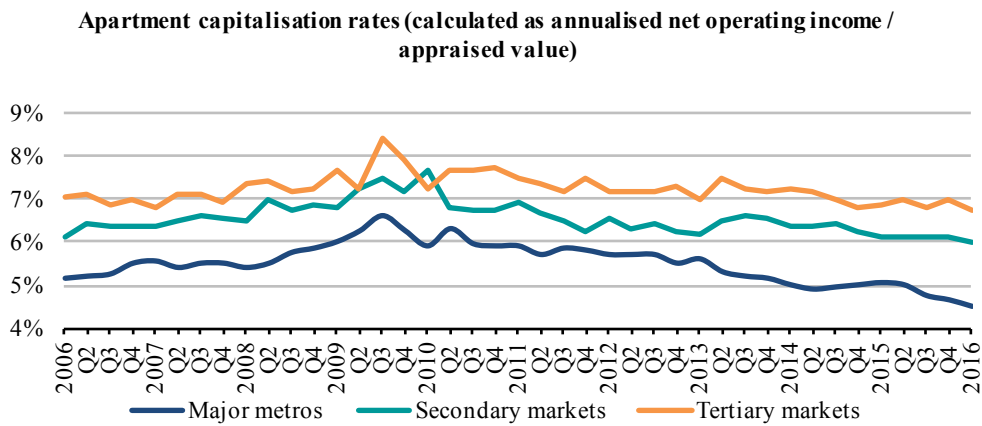
Secondary and tertiary market growth

Most of the recent new housing developments have occurred in primary markets (urban cores) (source: Institutional Property Advisors). In recent years, the focus of investors has shifted from primary large city markets towards secondary and tertiary smaller communities, as the prices for multifamily properties in big cities escalate and investors are not able to generate attractive yields. Hence, investor focus is shifting to secondary and tertiary markets where prices of multifamily houses are lower and thus investors expect to generate higher yields (source: Friedman). Low to moderate income residents that were living in urban cores are now being forced out by skyrocketing rents and therefore relocate to the secondary outer market neighbourhoods. Therefore, suburban apartment rent growth has exceeded urban apartment rent growth over the last 5 years (source: BMO Capital Markets, CBRE). Given the demographic distribution and strength of

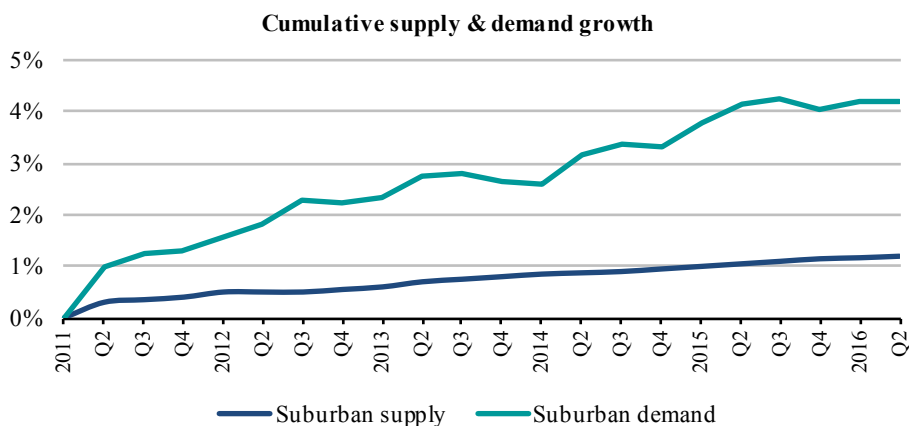
the US job market, the supply-demand dynamics is expected to continue to be favourable for the rental market in secondary and tertiary markets. The following graphs show the apartment capitalisation rates (defined as the ratio between net operating income to property asset value), the annual multifamily rent growth, and the cumulative supply and demand growth across different markets.



Source: BMO Capital Markets



Source: BMO Capital Markets



Source: BMO Capital Markets

Competitive landscape

The Company competes with local and regional players that are active in the respective target market in the United States. These players vary depending on the region and state in the United States.

DESCRIPTION OF THE GROUP'S BUSINESS

Overview

The Company is a Swiss based real estate company with its head office in Zug. It exclusively invests in US multifamily housing with a main focus on secondary and tertiary areas that are characterised by strong population and employment growth and limited housing offering. The housing offering targets the low to medium income population in these areas. As of the date of this Offering Circular, its portfolio had a total value of USD 604 million (consisting of the portfolio value of USD 508.1 million as appraised by Colliers as of 30 June 2017 plus the purchase price of USD 96 million for the three properties acquired after 30 June 2017). As of the date of this Offering Circular, the portfolio consists of 50 properties with approximately 8,200 residential units in 18 states in the United States. As of 30 June 2017, approximately 69% of these units are rented at market conditions whereas 31% of the units are rent and income restricted. In the six months ended 30 June 2017, the Group generated total income of USD 43.3 million and Effective Gross Income of USD 28.4 million. Its Net Operating Income amounted to USD 13.4 million in the same time period. Its Cash-on-Cash Yield Annualized amounted to 10.4% in this period. Its LTV amounted to 62% and the physical occupancy rate averaged around 94.2% as of 30 September 2017.

In line with its investment guidelines, the Company mostly pursues a value-adding strategy, which means that it invests in the renovation and addresses the deferred maintenance of the properties bought, which allows for a faster and larger rent increase as well as an increase in the values of the properties. In addition, the Company intends to further invest in properties profiting from Low Income Housing Tax Credit (“LIHTC”) in order to generate attractive rental profit and realise value growth once these properties have been transitioned to market. Finally, the Company also intends to selectively invest in stabilised properties with limited improvement potential, such that it can benefit from secure rental income and the value growth in the mid to long-term. Based on this strategic approach, the Company believes that it is well structured to benefit from the main trends, namely the market demand for apartment exceeding the current offering, the rental growth in the low to medium income segment, the decreasing vacancy rates supporting rental growth, the population growth through immigration and the stable employment market with a tendency to employment growth.

Since its establishment in September 2015, the Company has raised approximately CHF 250 million in equity. In the last twelve months prior to this Offering Circular, it has acquired 13 properties for a total value of USD 269.7 million, representing equity of USD 117.9 million. The Company has mandated Stoneweg SA, Geneva (“Stoneweg”) as advisor and external asset manager, who has international real estate assets in an amount of approximately CHF 1.5 billion under management as of the date of this Offering Circular. Backed by the local US team from Stoneweg, the Company uses a network of regional partners with strong experience in the multifamily housing. By opportunistically involving the regional partners with a co-investment in the local structure, the Group aims at aligning the interests and thus creating incentives for the regional partners to follow the Company's strategy.

Key Strengths

The Group believes that the following strengths are the basis for future growth and long-term shareholder value:

Well performing multifamily property portfolio in growing urban submarkets

As of the date of this Offering Circular, the properties in the Company's portfolio are located in secondary and tertiary locations in the United States meaning geographic markets that are within a 45 to 60 minute drive of city centres or employment centres. These areas are generally characterised by a solid economic base, low unemployment, low crime rates, and strong rental growth, which has averaged at 2.0% for class B properties and 2.8% for class C properties nationally in June 2017 (source: Axiometrics, Market trends report for June 2017). These regions typically also depict a good age distribution, a moderately transient population, low vacancies as well as a diverse renter base with respect to marital status and origin. In light of the stable employment growth, the demand for rental housing continues to exceed new supplies (see “Industry Overview and Market Trends—Residential Real Estate Market—The residential multifamily market in the United States”). Through focusing the Company's investments on the low to moderate income housing segment, the Company believes it can benefit from the overall strong rental growth rate. The national average occupancy rate for class B and properties amounted to 95.1% and 94.9% in May 2017 (source: Axiometrics, Market trends report for June 2017).

The Company's portfolio had a total value of USD 508 million as of 30 June 2017 and increased to USD 604 due to the acquisition of three properties for a purchase price of USD 96 million after 30 June 2017. Today, approximately 23.9% of the portfolio is located in Florida, approximately 14.8% in Texas and approximately 11.5% in Arizona. Compared to

31 December 2016, the value of the then existing portfolio, i.e. excluding any subsequent acquisitions, grew by 3.9% or USD 13.4 million in the six month period ended 30 June 2017. As of the date of this Offering Circular, it consists of 50 properties with a total of approximately 8,200 residential units in 18 states in the United States. The Capitalisation Rate amounted to 7.8% as of 30 June 2017. As of 30 September 2017, the average monthly rent per unit amounted to USD 752 and the average price per unit to approximately USD 70,000. The Company believes that its portfolio and the focus of its investment strategy provide a strong basis for further growth and consistent cash flow.

Board of Directors with broad experience in real estate, banking and investments

The Company has a dedicated Board of Directors consisting of several individuals with an in-depth and longstanding experience in real estate, banking and investments. In particular, the Company can rely on their deep sector intelligence as well as on their various US experience in relation hereto. Furthermore, the members of the Board of Directors have established networks both in Switzerland and internationally with key market players. The individuals have established records of achieving long-term profitable growth and returns and the ability to execute the Company's strategy. The Company believes that under the leadership of its Board of Directors, it will continue to generate long-term value growth and attractive returns for its shareholders.

Experienced Swiss based asset manager optimizing performance with tailored investment strategies

The Company has concluded an asset management agreement with Stoneweg SA as advisor and external asset manager to assist in the execution of the Company's investment strategy. As of the date of this Offering Circular, Stoneweg has approximately CHF 900 million international real estate assets under management, being located in Italy, Spain and the United States. The advisors and asset managers at Stoneweg dedicated to the Company consists of senior real estate professionals, each of them with more than ten years of experience in asset management, banking, finance and brokerage both in Switzerland and internationally. The Company benefits from Stoneweg's proximity to investors as well as its local presence in the United States and its broad network of advisors, brokers and sponsors. Through its network, Stoneweg is able to assist the Company in the identification of suitable investment opportunities, execution of investment transactions and management of the real estate properties. Backed by the local team from Stoneweg, the Company uses regional partners with strong experience in the multifamily housing who have the capabilities to implement a specific strategy and manage properties efficiently. By opportunistically involving the regional partners with a co-investment in the local structure, the Group aims at aligning the interests and thus creating incentives for the regional partners to follow the Company's strategy.

Long-standing investment expertise in Swiss and international real estate applied to the US rental housing market

The Company can rely on the long-standing experience of the members of its Board of Directors as well as its Asset Manager in the real estate industry. Together, they account for many successful investments in the Swiss and international real estate market for many years. The Company applies this approach to the US market by creating long-term shareholder value through implementing its strategy and executing its investments with precision and accuracy. Leveraging the investment experience of its board members and the Asset Manager, the Company believes it can generate attractive returns for its shareholders by making investments to benefit from the demographic shifts from owners to renters, the demand outpacing supply and the high rental growth and low vacancy rates. Through efficient management and the implementation of performance improvement measures, the Company considers it further improves the profit and thus the return. The Company is committed to transparency in its approach and accountable for the investments in the US real estate market and believes that it can make the fast-growing US multifamily market accessible to Swiss investors aiming to diversify their real estate exposure.

Investment Strategy

The Company aims to maximise long-term shareholder value by acquiring, owning, repositioning, managing and selling US multifamily properties. The long-term business strategies of the Company include:

Investing in properties that allow enhancing the value through pro-active management

The Company intends to also selectively invest in properties without rent restrictions that allow for value adding measures, including refurbishment and operating measures. It expects to find such value-add, workforce property in the markets near Seattle (Washington), Phoenix/Tucson (Arizona), Albuquerque (New Mexico), St Louis (Missouri), Louisville (Kentucky), Cincinnati (Ohio), Indianapolis (Indiana), Dallas/Ft Worth (Texas), Atlanta (Georgia) and Charlotte (North Carolina). The properties acquired typically have considerable deferred maintenance and consist of out-dated units in

locations that support higher rents for a higher quality product. Through carrying out targeted and cost efficient refurbishments, the Company aims at maximizing the rent potential. Such value adding measures may include the rehabilitation of units, the exterior of buildings as well as the improvement of the standard of common areas and amenities to increase the attractiveness of the rent site. Through such rehabilitation measures implemented in 2017, the Group has been able to increase the rent by more than 10% this year. This corresponds to an average return on capital employed, i.e. the annualized average unit rent increase divided by the rehabilitation costs per unit, of 26.1%. Furthermore, the Company intends to review and realise opportunities to improve the management of such facilities, including operational cost containment. The Company believes that through such improvements, it can positively impact the net operating income. In this way, the Company targets to realise rent increases at limited incremental costs and preserve and increase the value of its properties which shall be realised at an opportune moment.

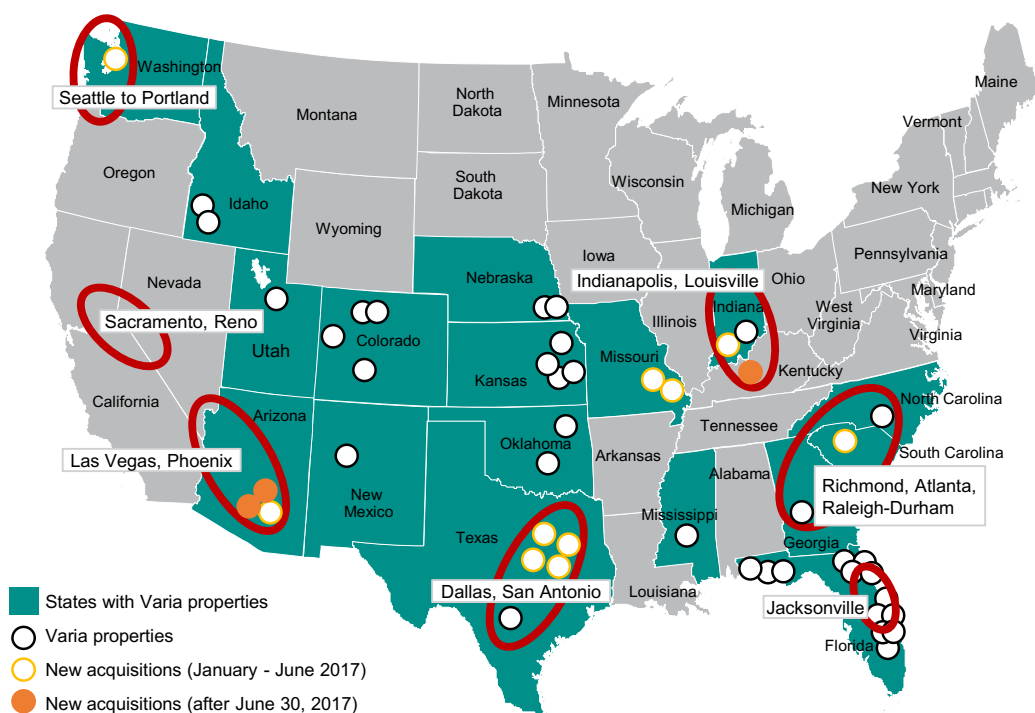
Investing in Low-Income Housing Tax Credit properties

The Company aims at investing in properties with rent restrictions in place, referred to as LIHTC. LIHTC properties may be for generally qualifying tenant as well as more specifically for senior citizens. In relation to the latter, the Company also strives to capture the trend of an increasingly aging population. As of 30 June 2017, approximately 31% of the units in the Company qualify as LIHTC. The Company aims at investing in such properties that benefit from LIHTC and are near end of the restriction period and deemed eligible for transition to market. Through qualifying for the application process, the Company intends to transition the properties from being rent restricted to the free market. Following such transition period, the rent levels of the properties are no longer regulated and can be gradually increased to reflect the market value. To this end, the Company intends to leverage on its capabilities to improve the standard of properties by implementing efficiently priced rehabilitation on market transitioned units, amenity and common area upgrades. In this way, the Company believes it can realise the rent growth potential. In addition, the Company targets operational cost containment and interest-only financing through the transition years, in order to generate attractive rental income and long-term capital appreciation. Regarding the removal of LIHTC rent restrictions, see “Description of the Group’s Business—Legal and regulatory environment—Laws regulating the housing markets”.

Investing in stabilised properties

The Company aims at continuing its long term strategy to invest in stabilised properties without rent restrictions and to further increase the size of its portfolio through acquisitions of low to moderate income housing complexes in selected regions in the United States. Such housing complexes are typically purchased in good condition with minimal deferred maintenance and predictable cash flows. The Company aims at improving the rental growth, containing operational cost and improving fixed rate financing. In this way, the Company intends to generate stable and secure cash flows. The Company intends to maximise the realisation of increased value. The Company then intends to reinvest the net proceeds from the sale.

To implement its strategy, the Company intends to focus its future investments in the regions highlighted in red in the graphic below, whereas the white dots depict the locations of the properties in the current portfolio.



Investment Regulations and Structure

The Company pursues an investment strategy that allows indirect investments in real estate properties in the United States, with a focus on multi-family properties in supply-constrained markets in order to generate risk-adjusted cash returns and long-term capital appreciation.

Investment Regulations

The Investment Guidelines of the Company, as amended and adopted by the Board of Directors (as defined in “Board of Directors and Auditors”) on 14 November 2016, read as follows:

“1. Introduction

These investment guidelines (the “**Guidelines**”) approved by the Board of Directors of Varia US Properties AG (the “**Company**”), a Swiss based real estate company, define the principles of investments of the Company. They set out the types of real estate properties in which the Company invests indirectly, the investment objectives and strategy pursued as well as the financing and risk diversification guidelines relating to the property portfolio.

2. Investment objectives and strategy

The Company aims to offer capital appreciation and dividend income to its shareholders by investing in real estate properties through its subsidiaries. To this end, the Company shall make investments that generate solid and regular returns.

The Company intends to invest in US multifamily real estate properties and pursues a mid to long-term investment perspective through the following individual strategy:

- “Value-adding strategy”, i.e. the Company acquires, renovates, improves and stabilises operations of real estate properties to maximise the rent potential and increase the long-term value.
- “Transition strategy for rent restricted properties”, i.e. the Company acquires properties with rent restrictions in place that are about to expire and enable a transition into the market, conducts the transition phase, renovates, improves and stabilises operations of real estate properties to increase rents to market standard, maximise the rent potential and increase the long-term value.
- “Strategy for stabilised properties”, i.e. the Company acquires stabilised properties which generate solid and regular returns.

The Company may execute the strategies above to then assemble properties into market specific portfolios for disposition.

3. Eligible investment properties and investment criteria

The Company invests in low to moderate-income multifamily residential real estate properties in selected areas in the United States. To the extent the housing facilities include space for office, trade or retail, such use is limited to 20% of the housing facilities total space.

In selecting suitable properties, the Company will especially consider the following investment criteria:

- Location of the properties;
- Property criteria;
- Financial criteria;
- Demographical developments.

4. Risk diversification

The Company diversifies its real estate portfolio and reduces concentration risk by applying, amongst others, the following investment criteria:

- the investment value per property complex must not exceed 15% of the total value of the real estate portfolio;
- the properties shall be located in at least 10 states in the United States.

5. Description of distribution policy

The Company aims at distributing 6 to 8 % of the equity invested by the shareholder and achieving a yearly performance of an increase of the net asset value in USD in an amount of 7 to 10% on a mid to long-term basis.

6. Risk hedging

For the time being, the Board of Directors has decided to not implement any specific risk hedging measures. Based on the circumstances, it may decide to introduce risk hedging measures in the future.

7. Financing principles

The Company and its subsidiaries holding the properties may acquire short-term and long-term debt capital at fixed and variable interest rates. The Company shall aim a financing strategy customised to each property to optimise the costs and benefits. It may obtain (re-)financing through loans and credit facilities by governmental agencies, banks, insurance companies and other financial institutions. It may contract with mortgage brokers to arrange loans. It may mortgage real estate properties to secure loans.

As general principle, the Group targets a gross loan-to-value ratio (defined as outstanding loan over the appraised value of all properties without considering any available cash) of 60 to 65%. Deviations from this target ratio need to be limited to exceptional circumstances during a limited time frame.

8. Observance and amendment of the Guidelines

The Company, and to the extent it has delegated the tactical investment decisions to the external asset manager, may deviate from these Guidelines only in exceptional circumstances and on a temporary basis to secure the interests of the Company and its shareholders. The Board of Directors of the Company periodically verifies compliance with these Guidelines.

The Board of Directors may modify and amend these Guidelines at any time within the corporate objective as set out in the Articles of Association. It shall notify investors of material modifications at least one month before their date of effect by means of an announcement on its website.

9. Entry into force and scope of application

The Board of Directors has adopted these Guidelines on 14 November 2016. The Guidelines enter into force as of 8 December 2016. They apply to the Company and need to be adhered to by the asset manager, to the extent the Company delegates the asset management to a third party that is involved in the pre-selection, management and execution of investments and divestments in real estate properties."

Group Structure

As of the date of this Offering Circular, the Company owns interests in 50 multi-family residential properties all located in the United States.

The Company does not own any direct interests in real estate. Instead, it owns interests in through intermediary companies.

The Company owns interests in 20 properties through its 100% ownership of Ariston Opportunity Fund, Limited, a Bahamian company ("**Ariston**"). Ariston, in turn holds interests in 21 limited liability companies in the United States, each of which owns a single residential property (the "**Ariston Portfolio**"). Ariston owns, either directly or through a subsidiary property company, a certain percentage of all of the issued and outstanding limited liability company units of each of these property companies, with the remaining interests being held by affiliates of Peak. Affiliates of Peak serve as the managers of each of these property companies pursuant to the terms of limited liability company agreements for each such company. In addition, affiliates of Peak also serve as property managers of the residential properties owed by the property companies.

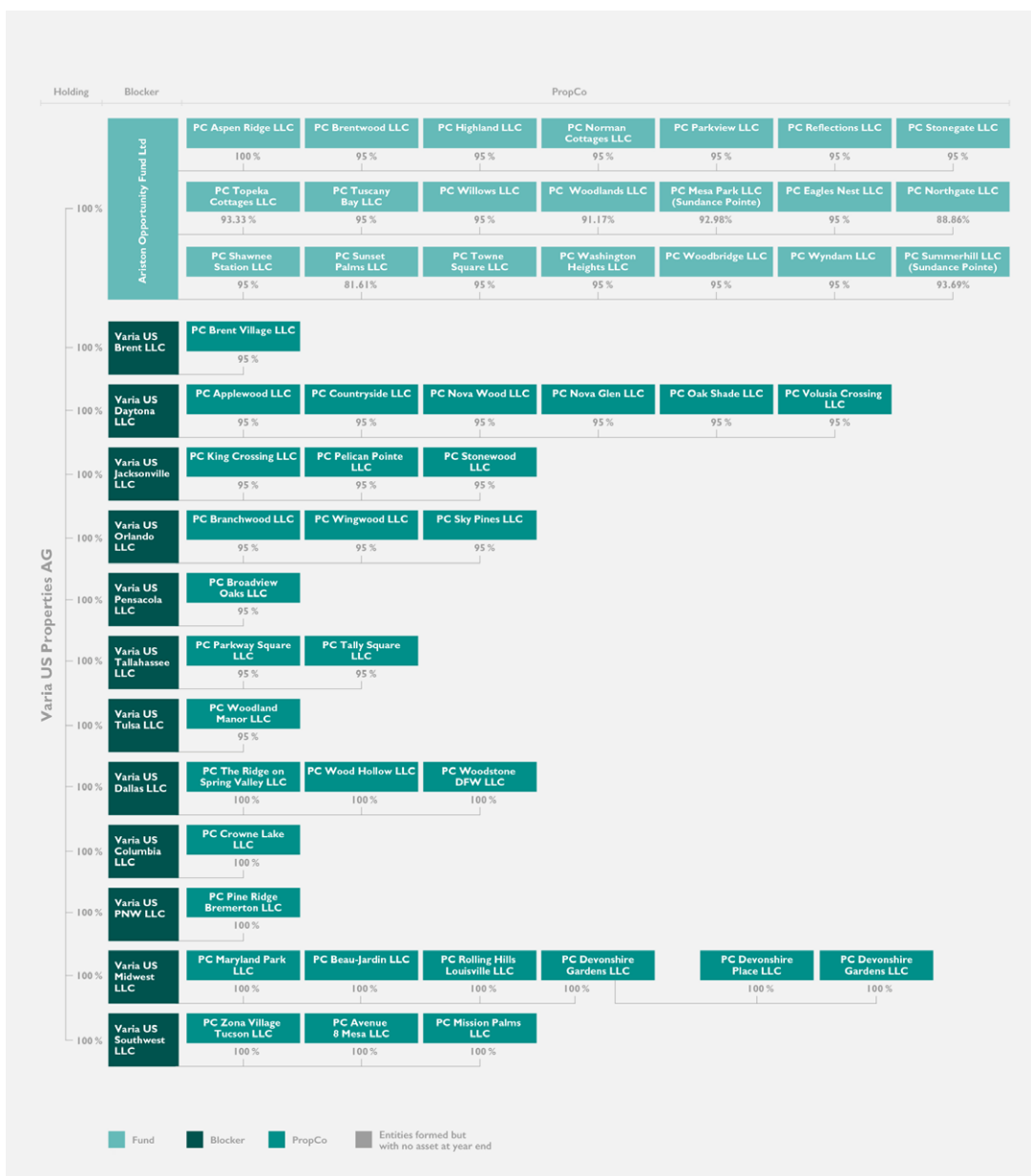
The remainder of the Company's properties are owned through twelve blocker companies that have been established as single member limited liability companies under U.S. law. The Company owns 100% of the limited liability company membership interests in each of the blockers. Each of the blockers, in turn, owns limited liability company interests in

one or more limited liability companies organized under U.S. law, each of which, in turn, owns a single residential property. Collectively, the twelve blockers own interests in at least 26 portfolio companies that each own a residential property.

Historically, each blocker generally owns the majority all of the issued and outstanding limited liability company units of each of the property companies in which such blockers have an interest, i.e. approximately 95% of interests and 71.15% of the voting rights. As in the case of Ariston Portfolio, the property companies in which the blockers have an interest are managed by affiliates of Peak and affiliates of Peak also serve as property managers of the residential properties. In relation to investments conducted after 1 January 2017 the blockers own 100% of the property company. The Company owns 100% in Varia US Dallas LLC, Varia US Columbia LLC, Varia US PNW LLC, Varia US Midwest LLC, Varia US Southwest and their subsidiaries. These entities were formed to facilitate the acquisition of investment property of USD 148.5 million during the six months ended 30 June 2017.

The majority of the limited liability company interests in the Ariston Portfolio and the limited liability companies in which the blockers have invested that are not indirectly owned by the Company, are owned by Peak or affiliates of Peak. The fees payable to Peak and its affiliates for their services as manager of the portfolio companies and as property manager of the residential properties are described elsewhere in this Offering Circular. In relation to the property companies owned 100% by the Group, Stoneweg US provides services in relation to the management of the property company and the assets.

The following graph depicts the Group structure as of 30 June 2017 including the changes thereafter. For a detailed explanation of the changes since 30 June 2017, see “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Recent Developments”.



Portfolio

Selected Properties

The following selection of properties aims at providing an example for the value the Company create in relation to the rental properties:

Tuscany Bay, Lawrenceburg, Indiana



Property details



Key financials⁽¹⁾

Units	96	Total acquisition price	USD 5,170,666
Market units / LIHT units	0/96	Varia ownership	95%
Leasable square feet	104,592	Appraised value	USD 5,960,000
		Average price per unit	USD 51,526
		Occupancy	95.0%

⁽¹⁾ As of 30 June 2017.

Tuscany Bay is a 96-unit multifamily LIHTC property owned by Varia and located in Lawrenceburg, Indiana, a suburb of Cincinnati, Ohio.

In 2016, Tuscany Bay was approved for release from the LIHTC rent restrictions and began its transition to market-rate without restrictions. The strategy is to fill vacated units with market-rent paying tenants, while minimizing operating expenses. As soon as units under LIHTC restrictions are vacated, they are leased to new tenants without restrictions imposed.

In January 2016, prior to LIHTC release, the gross potential rent was just under USD 64,000 per month. In September 2016, the gross potential rent has climbed to over USD 70,000 per month, which is equal to a 10% rent increase in 9 months or 13% annualized. As units currently under LIHTC rent and income restrictions are vacated, they are leased to new tenants without restrictions imposed.

The typical 2-bedroom unit under rent restriction rates of USD 599 to USD 628 per month are now leased for USD 675 per month. 3-bedroom units, in high demand in this family-oriented community were renting for USD 699 to USD 769 per month and are now leased for USD 875 per month. With additional unit remodelling, an additional USD 70 per month could be realized. The transformation of rent restricted units to market assets resulted in a total gross potential income growth of 17.6% by the end of June 2017 (12.1% annualized). The property value increased by USD 789,000 which equals an annualized value growth of 10.5%.

Maryland Parks, St. Louis, Missouri



Property details

Units	252
Market units / LIHT units	252/0
Leasable square feet	193,284

Key financials⁽¹⁾

Total acquisition price	USD 19,250,000
Varia ownership	100%
Appraised value	USD 19,600,000
Average price per unit	USD 77,777
Occupancy	89.0%

⁽¹⁾ As of 30 June 2017.

Maryland Parks is a 252 units property located in one west-central neighbourhood of St. Louis with approximately 30,000 residents. The median income of the population in this area is expected to grow at 2.2% annually over the next five years and unemployment in this neighbourhood is under 4% (source: US Census Bureau).

The average rent for a unit in this property is USD 805 per month. The Company intends to create value through the rehabilitation of this property. In particular, it intends to remodel 180 units, implement a stringent control of operating expenses and minimize the deferred maintenance. It anticipates that following the rehabilitation, the monthly rent can be increased by USD 107 up to USD 912. Such an amount is expected to be within the affordability range of the population's current demographic.

Pine Ridge, Seattle (Bremerton) Washington



Property details

Units (100% market units)	116
Leasable square feet	111,519



Key financials⁽¹⁾

Total acquisition price	USD 16,400,000
Varia ownership	100%
Appraised value	USD 16,950,000
Average price per unit	USD 14,612
Occupancy	93.5%

⁽¹⁾ As of 30 June 2017.

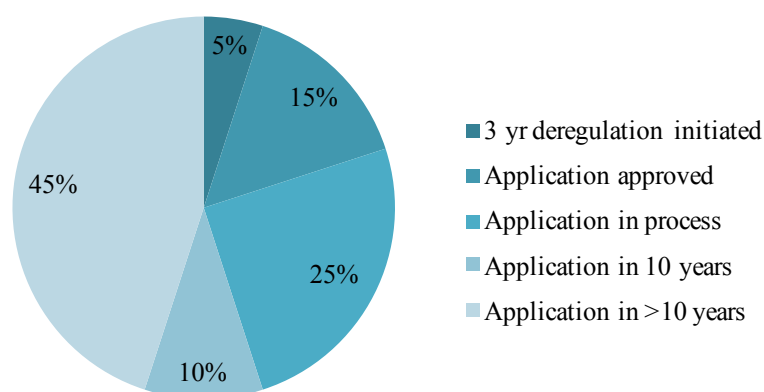
Pine Ridge consists of 116 units and is located in Bremerton, Washington, which is in the west of Seattle. The Company anticipates the attractiveness and thus the value of the property to increase due to its proximity to a new high speed transit system. The prior owners made certain improvements and remodelled seven units as proof of concept. This resulted in an increase in rent of USD 100 per month.

The Company pursues an investment strategy with this property. The company considers this property to be stabilized but expects to be add value by realizing further unit modernization to attract young professionals from Seattle. By implementing such rehab improvements, the Company has been able to improve the Effective Gross Income for this property from USD 1,368 per unit and month as of March 2017 to USD 1,405 per unit per month as of June 2017. This corresponds to a return on capital employed of 37%.

Properties in the LIHTC programme

As of 30 June 2017, approximately 31% of the units in the Company qualify as LIHTC. In most cases, the property is required to operate under restriction for a 15-year initial compliance period and sometimes an extended use period of an additional 15 or more years. As a LIHTC property nears the end of its pre-defined rent restriction term, it can apply for regulatory release from the program. Release, in full, from rent and income restrictions occurs at the end of the 3-year deregulation phase.

Varia Portfolio LIHTC Property Restriction



Release Status	No. of properties	Market value (in USD)	Avg. year of deregulation	Avg. end of restriction
3 yr deregulation initiated	1	5,900,000	2016	2019
Application approved	3	15,400,000	2017	2020
Application in process	5	50,650,000	2018	2021
Application in 10 years	2	28,950,000	2027	2030
Application in >10 years	9	78,010,000	2039 ⁽¹⁾	2042 ⁽¹⁾

⁽¹⁾ Excluding Altitude on 5th, Salt Lake City, Utah

16.5.3 Property Portfolio as of the date of this Offering Circular

Property	Address	City	State	Market Value (USD) ⁽¹⁾	Ownership Form	Share in capital (%)	Year of construction	Year of renovation	Net operating income ⁽¹⁾ (USD)	Unit	Vacancy Rate ⁽²⁾	Cap Rate	Gross Potential Rent (USD) ⁽³⁾	Site size (in sqft)	Net lettable area (in sqft) ⁽⁴⁾
Aspen Ridge	820 Louisiana Boulevard SE	Albuquerque	New Mexico	7,100,000	Co-Ownership	95.00	2001	N/A	442,462	96	6.00%	6.25%	943,920	268,839	102,504
Brentwood Oaks	604 S. Eagle Street	Fredericksburg	Texas	5,800,000	Co-Ownership	95.00	1998	N/A	408,008	74	3.50%	7.00%	758,088	220,370	74,578
Senior Cottages of Norman	2901 Oak Tree Avenue	Norman	Oklahoma	5,080,000	Co-Ownership	95.00	1998	N/A	343,192	84	5.25%	6.75%	724,860	450,429	80,024
Cottages of Topeka	620 Northwest Lyman Road	Topeka	Kansas	3,700,000	Co-Ownership	93.33	1999	N/A	251,480	72	6.00%	6.75%	628,840	484,851	66,024
Eagle's Nest	1041 West 24 th Street	Rifle	Colorado	1,610,000	Co-Ownership	95.00	2000	N/A	108,347	30	4.00%	6.75%	269,320	256,131	27,115
Highland Vista	320 Hidden Valley Drive	Creedmoor	North Carolina	6,700,000	Co-Ownership	95.00	1997	N/A	501,171	86	4.80%	7.50%	956,355	704,478	75,686
Mesa/Sundance Pointe/Summer Hill	5681 Edenfield Road	Jacksonville	Florida	15,800,000	Co-Ownership	93.17	2001	N/A	1026,843	288	8.50%	6.50%	2,461,020	939,589	293,340
Altitude on 5 th (Northgate)	135 South 500 West	Salt Lake City	Utah	39,700,000	Co-Ownership	88.86	2002	2015	2283,620	330	4.00%	5.75%	4,022,093	251,341	246,414
Parkview Apartments	415 Sunset Court	Caldwell	Idaho	4,090,000	Co-Ownership	95.00	1999	N/A	266,085	87	3.50%	6.50%	604,696	207,346	74,379
Reflections Senior Apartments (Ft. Collins) Parkway	321 East Troutman	Fort Collins	Colorado	4,810,000	Co-Ownership	95.00	2000	N/A	312,791	72	3.00%	6.50%	571,008	118,265	43,002
Shawnee Station	6405 Maurer Road	Shawnee	Kansas	18,900,000	Co-Ownership	95.00	2001	N/A	1181,186	228	5.00%	6.25%	2,343,280	673,873	210,648
South Hills (Sunset Palms)	904 Kasper Street	Bellevue	Nebraska	4,670,000	Co-Ownership	81.61	1995	N/A	327,081	72	6.30%	7.00%	687,260	185,039	62,352
Stonegate Village	393 East Spaulding Avenue	Pueblo West	Colorado	3,400,000	Co-Ownership	95.00	2000	N/A	229,833	55	4.00%	6.75%	458,236	190,357	59,958
Towne Square	244 North Allumbaugh Street	Boise	Idaho	11,610,000	Co-Ownership	95.00	1990	N/A	696,563	160	3.50%	6.00%	1,417,658	338,374	112,176
Tuscany Bay Apartments	100 River Road	Lawrenceburg	Indiana	5,960,000	Co-Ownership	95.00	1998	N/A	432,086	96	5.00%	7.25%	902,844	392,040	104,592
Washington Heights Senior Residence	7701 Armstrong Avenue	Kansas City	Kansas	3,100,000	Co-Ownership	95.00	2001	N/A	201,578	48	2.50%	6.50%	418,055	231,038	33,000
Willows of Cumming	225 Nancy Lane	Cumming	Georgia	12,400,000	Co-Ownership	95.00	1996	N/A	773,161	156	3.00%	6.25%	1,504,372	554,318	147,148
Woodbridge Senior Apartments	1508 West Elizabeth	Fort Collins	Colorado	2,880,000	Co-Ownership	95.00	2001	N/A	187,264	50	3.00%	6.50%	363,920	83,842	29,150
The Woodlands	2119 Woodland Way	Jackson	Mississippi	8,900,000	Co-Ownership	91.17	2000	N/A	623,657	200	11.50%	7.00%	1,650,632	522,720	174,368
Wyndam Place	15510 West 63rd Street	Shawnee	Kansas	3,330,000	Co-Ownership	95.00	2001	N/A	207,983	48	4.50%	6.25%	422,160	190,357	33,420
Brent Village	1409 Buck Drive	Bellevue	Nebraska	8,380,000	Co-Ownership	95.00	1971	N/A	607,498	180	6.50%	7.25%	1,449,151	404,236	97,925
Applewood	101 East New Hampshire Avenue	Deland	Florida	7,800,000	Co-Ownership	95.00	1982	N/A	587,411	160	8.50%	7.50%	1,360,960	493,535	99,936
Countryside	1200 Beville Road	Daytona Beach	Florida	10,680,000	Co-Ownership	95.00	1982	N/A	880,786	190	6.00%	8.25%	1,705,400	691,261	117,216
Nova Glen	1000 South Nova Road	Daytona Beach	Florida	7,970,000	Co-Ownership	95.00	1984	N/A	657,894	143	6.00%	8.25%	1,307,840	538,530	88,704
Nova Wood II	1220 South Nova Road	Daytona Beach	Florida	5,680,000	Co-Ownership	95.00	1980	N/A	454,501	119	6.00%	8.00%	1,036,920	436,135	73,152
Oak Shade Apartments	2317 South Volusia Avenue	Orange City	Florida	4,310,000	Co-Ownership	95.00	1985	N/A	322,918	82	7.50%	7.50%	697,690	303,505	51,264

Property	Address	City	State	Market Value (USD) ⁽¹⁾	Ownership form	Share in capital (%)	Year of construction	Year of renovation	Net operating income ⁽¹⁾ (USD)	Units	Vacancy Rate ⁽²⁾	Cap Rate	Gross Potential Rent (USD) ⁽³⁾	Site size (in sqft)	Net lettable area (in sqft) ⁽⁴⁾
Volusia Crossing	395 Bill France Boulevard	Daytona Beach	Florida	8,020,000	Co-Ownership	95.00	1979	N/A	641,840	148	7.50%	8.00%	1,337,640	327,599	93,888
Villas at Kings Crossing	7241 Old Kings Road South	Jacksonville	Florida	4,920,000	Co-Ownership	95.00	1984	N/A	393,306	133	9.50%	8.00%	1,059,528	368,082	82,800
Pelican Pointe I & II	1333 Dun Avenue	Jacksonville	Florida	6,710,000	Co-Ownership	95.00	1987	N/A	520,038	160	5.50%	7.75%	1,237,520	472,011	81,216
Stonewood	8300 Old Kings Road South	Jacksonville	Florida	5,680,000	Co-Ownership	95.00	1980	N/A	439,935	117	5.50%	7.75%	969,180	264,055	70,500
Branchwood	7785 Branchwood Lane	Winterpark	Florida	8,010,000	Co-Ownership	95.00	1980	N/A	620,480	117	6.00%	7.75%	1,184,191	482,109	64,512
Sky Pines	4990 North Lane	Orlando	Florida	5,100,000	Co-Ownership	95.00	1985	N/A	395,083	139	8.50%	7.75%	1,093,759	364,495	73,152
Wingwood	5749 St. Charles Prado	Orlando	Florida	5,400,000	Co-Ownership	95.00	1980	N/A	391,331	86	6.50%	7.25%	835,326	211,126	47,808
Broadview Oaks	6101 College Parkway	Pensacola	Florida	4,500,000	Co-Ownership	95.00	1985	N/A	337,580	90	10.00%	7.50%	772,520	209,959	46,080
Parkway Square	2855 Apalachee Parkway	Tallahassee	Florida	22,950,000	Co-Ownership	95.00	1975	2014	1,492,380	277	9.00%	6.50%	3,001,380	574,121	224,330
Tally Square	1112 S. Magnolia Drive	Tallahassee	Florida	20,900,000	Co-Ownership	95.00	1972	2014	1,359,466	228	9.00%	6.50%	2,761,040	838,966	277,656
Woodland Manor	8641 East 61 st Street	Tulsa	Oklahoma	17,380,000	Co-Ownership	95.00	1997	N/A	1,129,453	305	5.50%	6.50%	2,378,864	678,096	218,040
Wood Hollow	3875 Post Oak Boulevard	Fort Worth (Euless)	Texas	32,930,000	Sole Ownership	100.00	1985	N/A	1,976,028	346	6.00%	6.00%	4,109,600	535,374	251,705
Ridge on Spring Valley	5704 Spring Valley Road	Dallas	Texas	19,540,000	Sole Ownership	100.00	1978	N/A	1,172,184	207	6.50%	6.00%	2,437,700	324,091	164,933
Bridge Hollow Apartment Homes	5801 Bridge Street	Fort Worth	Texas	19,010,000	Sole Ownership	100.00	1984	2012	1,140,715	280	6.50%	6.00%	2,828,440	435,602	208,648
Woodstone	6051 Bridge Street	Fort Worth	Texas	12,180,000	Sole Ownership	100.00	1984	2014	730,726	200	6.00%	6.00%	1,909,640	273,638	135,168
Varia at Oakcrest	1310 Oakrest Drive	Columbia	South Carolina	23,600,000	Sole Ownership	100.00	2000	N/A	1,357,662	272	6.50%	5.75%	3,197,693	838,349	299,102
Pine Ridge Apartments	3232 Pine Road Northeast	Bremerton	Washington	16,950,000	Sole Ownership	100.00	1993	N/A	1,059,335	116	6.50%	6.25%	2,078,400	236,966	111,590
Maryland Park	2170 McKelvey Road	Maryland Heights	Missouri	19,600,000	Sole Ownership	100.00	1971	N/A	1,222,428	252	11.00%	6.25%	2,687,720	538,614	193,284
Devonshire Place and Gardens	1237 Devonshire Place and 815 Erie Avenue	Evansville	Indiana	13,300,000	Sole Ownership	100.00	1977	N/A	932,091	245	6.00%	7.00%	2,100,944	464,472	237,430
Beau-Jardin	10347 Sannois Drive	St. Louis	Missouri	16,400,000	Sole Ownership	100.00	1965	N/A	982,253	182	6.00%	6.00%	1,992,160	470,012	159,520
Zona Village at Prima Foothills	2855 West Anklam Road	Tucson	Arizona	10,680,000	Sole Ownership	100.00	1965	N/A	694,258	183	9.50%	6.50%	1,451,740	249,075	98,868
Rolling Hills ⁽⁵⁾	9100 Rainbow Springs	Louisville	Kentucky	37,180,000	Sole Ownership	100.00	1973-1975	N/A	2,334,080	400	5.00%	6.25%	4,438,736	1,120,157	504,640
Avenue 8 ⁽⁵⁾	1050 West 8th Avenue	Mesa	Arizona	21,230,000	Sole Ownership	100.00	1986	N/A	1,167,534	194	5.00%	5.50%	2,207,080	385,708	186,240
Mission Palms ⁽⁵⁾	951 West Orange Grove Road	Tucson	Arizona	37,340,000	Sole Ownership	100.00	1977-1979	N/A	2,240,496	360	5.00%	6.00%	4,182,120	1,062,259	372,918
Total				603,870,000					39,046,079	8,243			81,919,499	21,855,735	6,782,103

Footnote (1) The actual or anticipated net income that remains after all operating expenses are deducted from effective gross income but before mortgage debt service.

(2) As percentage of the total gross potential rent as calculated by Colliers.

(3) Total potential rental revenue assuming the existing rents in place, as well as market rent values for all vacant units. The total rental gross income is based on Colliers figures.

(4) As of 30 June 2017, 100% of the lettable area of the properties was for residential use.

(5) The Group acquired these properties after 30 June 2017.

For changes to the portfolio after 30 June 2017, see “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Recent Developments”.

Development Properties

The Company only invests in yielding property and does not hold any development properties at present and intends to continue investing in existing properties. Development projects may be introduced in the investment strategy at a later stage.

Holdings in real estate companies

The Company invests indirectly in real estate properties through its holdings in real estate companies that in turn hold the entity that owns the property. For an overview of the Company's holdings in real estate companies, please see "—Group Structure".

Employees

For the period ended 30 June 2017, the Company had no full-time equivalents (FTE) employees. See "Board of Directors and Auditors—External Asset Manager".

Material agreements

Asset Management Agreement

The Company has entered into an asset management agreement with Stoneweg on 23 November 2015, as amended and restated on 24 June 2016 and 14 November 2016 (the "AMA"). According to the AMA, Stoneweg provides certain asset management and related services to the Company and its affiliates. Such services include budgeting support, portfolio management and overall strategy (in accordance with the applicable investment guidelines of the Company), acquisition and divestment support, development of a leasing strategy, debt financing arrangements, coordination of third party contractors, cooperation with valuation experts, assistance regarding insurance, dispute/litigation support, cash management support, corporate administration support services, investor relations and communication, and support in equity financing. It does not include the performance of non-transferable and inalienable duties of the Company, the management (gestion, Geschäftsführung) of the Company, the resolution, revision and updates of the budget, the appointment of third party contractors, the establishment, implementation and maintenance of an internal control and risk management system and the decision on direct and/or indirect acquisition and disposal of real properties.

The AMA does not include, inter alia, the following services: legal advice, tax advice, accounting services, valuation services, and audit services.

The Company is obliged to pay, directly or via its subsidiaries, the following fees to the Asset Manager or any of its affiliates:

- a fee of up to 1% of the purchase price of the acquisition closed;
- in case of divestments, a disposal fee of up to 1% or alternatively to a performance fee, calculated on the basis of the profit realized after a specific hurdle. The rules for calculation such promote fee, if any, depends on the type of real property. They shall fix a hurdle rate (usually 8%–12%) and a fee rate above the hurdle (usually 15%–20%);
- for its portfolio activities, a management fee per financial year (and so in proportion for any part of a financial year) which as calculated as 1% of the rolling invested equity value. The equity value is calculated every half-year as the addition of the NAV of the last two semesters divided by two. A semester is equal to 6 months. The Asset Manager has decided to charge the fee only on the equity invested and not on the full equity raised by the Company.
- for its activities related to equity financing, a placement fee of up to 3% of new capital raised for the purpose of equity financing.

Furthermore, there is a cost reimbursement for reasonable travel expenses (up to CHF 50,000 per calendar year).

The AMA may be terminated by each party with a notice period of 12 months. In case of default by either party, the non-defaulting party may terminate the AMA with immediate effect.

Rental agreements

The Property Companies use standardised lease agreements each signed by and between the tenants and the respective Property Company. Under the lease agreements, the Property Company as landlord grants the tenant the right to use an apartment, for which the tenant is obligated to pay rent. The lease agreements are usually entered for a fixed term of one year. The rent is typically fixed for the term of the rental agreement.

The Company's portfolio consists of residential properties leased too low to moderate income tenants. The tenant base is diversified and no single tenant is material on the basis of amount of rent due or otherwise.

Financing agreements

The Company has not entered into any financing agreements except for extending intercompany loans to the Blocker entities. The Property Companies have entered into loan agreements with certain banks and other finance parties. Such loan agreements provide the Property Companies with loans related to the underlying properties. Mortgages or similar security rights on the individual properties in the Company's property portfolio are granted in favour of the various applicable lenders as security for most of such loans.

Most of the Group's loan agreements have a ten-year term. Such agreements include provisions on termination of the loan agreements if certain circumstances occur, such as the breach of representations or covenants or in the case of certain insolvency events or non-sufficient insurance coverage against specific risks (such as fire, water or natural disasters). Such agreements generally require compliance with restrictions relating to leasing (with respect to both non-residential leases and residential leases). The lenders under such agreements also generally have the right to approve the property management agreements for the applicable individual properties. The credit agreements are generally non-recourse to the borrower, but do contain some non-recourse exceptions (such as situations where the borrower has failed to comply with its obligation to be a single purpose entity.) The non-recourse liability is generally guaranteed pursuant to a guaranty executed by certain individual guarantors.

The remedies in favour of the lenders under the loan agreements is broad. Certain financing agreements contain termination rights that are customary for such financing agreements, including change of control clauses granting the lender the right to terminate the financing agreement in the event of certain changes of control or ownership of the borrower, including certain indirect changes of control or ownership. (See "Risk Factors—Risks relating to the ownership structure of the Group—The Company does not directly own any properties").

As of 30 June 2017, total current liabilities of the Group amounted to USD 12.5 million and total non-current liabilities amounted to USD 330.2 million (see "Management's Discussion and Analysis of Financial Condition and Results of Operations—Analysis of balance sheet as of 30 June 2017—Total liabilities").

Property Management Agreements – Indemnification

The property management agreements executed by the property owners and the applicable property managers generally contain broad indemnities in favour of the property manager. Certain of those indemnities extend to claims resulting from the ordinary negligence of the applicable property manager.

Omnibus Agreement and Operating Agreements

On 14 December 2015, the Company entered into an omnibus agreement with PCMF, LLC and certain of the Company's Blockers regarding their rights and obligations with respect to the acquisition of membership interests in certain Property Companies. PCMF, LLC assists the Company and the Blockers in, amongst other matters, the acquisition of properties by acting as a broker, arranging of financing for the acquisition of properties, and the disposition of the properties. In addition, PCMF, LLC assists the Company in relation to the portfolio owned by the Ariston, namely in the asset and property management as well as the arrangement of refinancing of debt financing.

Management Fees: The asset management fee payable to Manager equal to 5% of the gross income from operations, payable in equal monthly instalments. In addition, Manager is paid an acquisition fee equal to the sum 2% of stated acquisition price up to the first \$10,000,000 and 1% of the stated acquisition price for any amount in excess of \$10,000,000.

For its services with respect to Ariston, the Manager receives a restructuring fee 0.5% of the allocated value of the interests in Ariston, an asset management fee of 5% which includes any property management fees and a refinancing fee of 1% of the gross proceeds of such financing.

The Manager is reimbursed for reasonable expenses incurred on behalf of the Property Company, for example costs with respect to professional services, acquiring or disposing of assets, insurance and litigation, financial statements and filings, and travel.

In connection with any refinancing of senior debt, the Manager is paid a fee equal to 1% of the gross proceeds thereof, minus the amount of any fees or other compensation payable to any arranger or provider of such financing. In lieu of such fees the Manager may elect to receive additional preferred class B units.

Each calendar year, commencing in 2017, the Manager will propose a strategy for the sale or refinancing of certain real estate investments in such calendar year. The aggregate value of the real estate to be disposed of in any calendar year will not exceed the lesser of \$30,000,000 or 5% of the total Net Asset Value. Any amounts not realized in a year carry over to subsequent years.

Ownership Structure: For the Property Companies, membership interests are split into common units (consisting of 16–25% of all units, depending on the Property Company) and preferred units (consisting of 75–84% of all units, depending on the Property Company). For most Property Companies, preferred units are divided into Class A units and Class B units. Varia entities ultimately own, depending on the Property Company, between 53.28–100% of the preferred class A units (“**Varia Member**”), where Class A units constitute between 93.33–100% of the preferred units. For each Property Company, Peak entities own all common units, the Class B units and all other outstanding Class A units (“**Peak Member**”). Generally the Manager owns a majority of the preferred B units, which constitute up to 6.77% of the preferred units for two of the Property Companies, where the majority is held by another Peak Member.

Management: The Property Companies have one manager, PCMF, LLC, a Peak Member. At all times, any two of Jeff Danley, Jeff Burningham and Jamie Dunn (each, a “**Peak Principal**”) shall be actively involved in any acquisition, renovation, construction, leasing and marketing of any of the properties held by the Property Companies. The Manager makes all decisions with respect to the Property Companies, except for supermajority matters that require the approval of the Varia Member, including with respect to most, but not all Property Companies, decisions relating to: disposition or acquisition of property; operating budget; determination of auditors; major accounting policies; loans; authority over funds; taxes; expenses above \$25,000 (except as necessary to avoid danger to persons or property, at Manager’s discretion), acts required by law, budgeted amounts (except for payment of certain amounts of up to 5% in any category of a budgeted expense, at Manager’s discretion); approval of any construction plans and any change orders above a certain threshold other than routine matters; material changes to property operations (except, at Manager’s discretion, with respect to the operations under the Property Management Agreement); using the name of the Varia Member; legal actions (except, at Manager’s discretion) for ordinary course eviction and insurance claims, or controversies up to \$50,000); bankruptcy; selection of professionals; agreements with an Affiliate of Manager; distributions and the establishment of reserves; any environmental matters; termination or dissolution of the Property Company. The representative for the Varia Member is initially Dany Roizman or Jaume Sabater or designated director of the Varia Member, or another person designated by the Varia Member and approved by the Manager, unless otherwise approved by the Manager.

The Varia Member may not remove the Manager without cause. The Varia Member may remove a Manager or Peak Principal convicted of a felony involving dishonesty or a crime involving moral turpitude. The Varia Member may also remove a Manager or Peak Principal which; commits fraud or intentional misrepresentation; commits gross negligence or willful misconduct with respect to a Property Company or its property; fails to pay property taxes; files for bankruptcy of itself or a Property Company; refuses to issue a guaranty required for financing; or intentionally breaches the Operating Agreement. For some Property Companies, the Varia Member may also remove a Manager in the event that a Peak Principal is unable to discharge its obligations and the Peak Member is unable to identify a substitute (meeting the Varia Member’s approval) within 60 days. Upon removal of a Manager, the Varia Member may appoint a replacement Manager.

Profit sharing: The Manager must make distributions of available net cash flow to members of Property Companies at least quarterly or following a sale or refinancing. For the most Property Companies the distribution of net cash flow must be made in the following of priority: First, to the holders of preferred units until the additional capital contributions that each preferred member has made, together with interest thereupon at 12% per annum, is repaid; second, to the preferred members holding the preferred class A units until such members have received an amount equal to their initial capital contributions together with an internal rate of return on their initial capital contributions equal to 10%, calculated from the date of the initial capital contribution (or for some Property Companies, from the date such funds were used to purchase property currently held); third, to the common members, until they have received an amount equal to 125% of the the Capital Contributions of the preferred members; and fourth, to the preferred members (75% of all remaining net cash flow) and to the common members (25% of all remaining net cash flow), each in proportion to their share of each class of interest (or for some Property Companies, to the preferred members and the common members in proportion to their combined units).

Right of First Offer: The Varia Member and the Peak Member each have a right of first offer and each may propose the sale of all or substantially all of the assets of a Property Company. The party proposing a sale must either provide the other party with the right to purchase its interests or offer its interests to the other party. If the member receiving the offer elects not to either buy the offering member's interest or sell its interest to the offering member, the offering member is required to use good faith efforts to complete a sale of the entire property to a third party for an all-cash price of not less than 95% of the value implied by the offering member's sale offer. For the Varia Member, such rights come into effect as of the earlier of a manager removal event or the fifth anniversary of the effective date of the Operating Agreement of each Property Company. The price applicable to the right of first offer is subject to a floor price and adjustments set forth in the Operating Agreement for each Property Company. For the Peak Member, such rights come into effect on the fifth anniversary of the effective date (see "Risk Factors—Risks relating to the ownership structure of the Group—Under the buy-sell mechanisms under the limited liability company agreements for the Property Companies, the Company may be forced to sell a property it wishes to retain.").

Intellectual property rights

The Company's Intellectual Property Rights include, among others, the right to use the following trademark and domain names:

- Swiss figurative trademark of the Varia logo, application no. 61857/2016 (application filed on 26 September 2016, registration pending);
- various domain names, for example <www.variausproperties.com>.

The business of the Company does not depend on any intellectual property rights owned by third parties, or any licensing or similar agreements with third parties that would be material for the continuation of its business.

Insurance

The Company's subsidiaries have concluded insurance agreements to cover various risks including damage to its property portfolio and proprietor's liability vis-à-vis third parties as well as potential future legal costs covered by the legal protection and title insurance. In addition, the Group has insured the properties against natural hazards and fire damage. The Company believes that its levels of insurance coverage as well as the premiums payable for such coverage are customary for the US market. Nevertheless, certain risks cannot be insured against or can only be insured at commercially unreasonable terms and hence only limited or no coverage is available for these risks (see "Risk Factors—Risks relating to the business—The Group may be insufficiently insured against losses and damage, including cases of force majeure").

Legal Proceedings

As of the date of this Offering Circular, the Group is not involved in any material litigation, arbitration or administrative proceedings, the impact and result of which could, individually or in the aggregate, materially affect its financial condition, results of operations or business.

Legal and regulatory environment

The tenancy laws in the United States vary from state to state. The Company ensures compliance with the local tenancy laws through working with local agents and teams.

Tenancy laws

The tenancy laws in the US vary from state to state and also from locality to locality. Compliance of the Property Companies with the applicable tenancy laws is one of the responsibilities of Peak and the property managers.

Laws regulating the housing markets

Owners of certain low-income housing projects are entitled to receive low income housing tax credits (“LIHTC”) in each year of a 10-year period.

For a project to qualify for LIHTCs, the owner of the project must enter into an extended low-income housing commitment which requires that the project provides low-income housing to low-income individuals for a 30-year period (under certain circumstances the period may be reduced, but not below the 15-year compliance period). The maximum rental that may be charged with respect to such low-income housing and the qualification of tenants as low-income individuals is benchmarked based on median income in a given geographic region. The commitment must provide that there will be no partial sale of the property and that the terms of the extended low-income housing commitment will be binding as a restrictive covenant on any successor in interest to the owner of the property. The commitment must also provide *inter alia*: (i) the fraction of the property that will be provided for low-income housing; (ii) that there will be no increase in rents that is inconsistent with the rent restrictions imposed on a particular unit; (iii) that low-income tenants may not be evicted other than for good cause; and (iv) that individuals who meet the income limitation applicable to the building (whether prospective, present or former occupants of the building) will have the right to enforce the above requirements (i) through (iii) in any state court.

The total amount of the LIHTC for a project (claimed over the 10-year period) is 70 percent of the project’s “qualified basis”, if a project is newly constructed or substantially rehabilitated and the project is not subsidised by the federal government of the United States. If the project is an existing housing project or the project is federally subsidised, the total amount of the LIHTC is 30 percent of the project’s qualified basis. Generally, a project’s qualified basis is the portion of the property’s acquisition cost that is allocable to low-income units. If during the 10-year period, a project is sold (in a manner permitted so that there is no recapture of the LIHTC), the purchaser becomes entitled to the remaining annual allocations of the LIHTC.

Recapture of the LIHTC is triggered if at the end of any year during a 15-year “compliance period” there is a decrease in the number or size of the units set aside for low-income tenants. The LIHTC is recaptured for all previous years in proportion to the decrease. However, there are certain exceptions to this recapture rule, when, for example, the decrease in low-income units/space is de minimis or the decrease is due to a casualty loss and the loss is remedied within a reasonable time frame. A recapture of LIHTCs generally results in U.S. federal income tax liability in the year of the recapture in an amount equal to LIHTCs claimed that are subject to recapture, plus an interest charge.

As a LIHTC property nears the end of its pre-defined rent restriction term, it can apply for regulatory release from the program. This application for release will take up to 1 year. During this period, tenants in LIHTC units are protected under the initial rent and income restrictions, until they vacate or until the 3-year deregulation period expires. Release, in full, from any and all rent and income restrictions occurs at the end of the 3-year deregulation phase. At this point, the property is a market-rate asset (source: U.S. Department of Housing and Urban Developments).

Swiss Corporate Tax Reform

The Third Series of Corporate Tax Reforms (“CTR III”) is a legislative project of the Swiss Confederation. On 12 February 2017, the Swiss voters rejected the CTR III Act. Following the rejection the Swiss Federal Council started immediately to prepare the Tax Proposal 17. Like the CTR III, it aims, amongst other things, at increasing the appeal of Switzerland as a tax location and to reinstate international acceptance by eliminating different taxation of domestic and foreign company profits by the cantons.

Swiss cantonal tax statuses, i.e. tax privileges relating to revenues of holding, domiciliary, and mixed companies, have a considerable economic impact. These cantonal tax statuses enable internationally active corporations to benefit from certain weaknesses in the international tax system, which led to significant international criticism of Swiss cantonal tax statuses. As a reaction to this international criticism, the implementation of the Tax Proposal 17 project would abolish the cantonal tax statuses including the holding privilege. This could possibly result in a loss of competitiveness for Switzerland and/or the respective cantons. This loss of competitiveness should, according to the intention of the Swiss Federal Department of Finance, be offset by other measures. For instance, cantons can grant certain increased tax reductions or reduced tax rates. Furthermore, a package of measures within the Tax Proposal 17 aims at improving the tax legislation system (e.g., new rules on the disclosure of hidden reserves would be introduced). The tax policy measures will be mainly implemented in the cantons and their communes. In order to alleviate the burden on the cantons and communes, the canton’s share of the direct federal tax would be increased. The Tax Proposal 17 will not come into force prior to 2020.

Tax treatment of the Group in the United States and in Switzerland

US tax treatment

US Tax Treatment of the Property Companies

Based on the target investment structure, the Property Companies will be treated as partnerships for US federal income tax purposes. Therefore, the Property Companies will not be subject to tax with respect to the income, gain and/or loss generated by the properties. Instead, such income, gain and/or loss and all other tax items of the Property Companies (such as LIHTCs) will pass through to the owners of the Property Companies, either in accordance with such owners' relative economic interests in the relevant Property Companies or in accordance with a different allocation set forth in the Property Companies' partnership agreement, provided that such alternative allocation has substantial economic effect, as determined under US Treasury regulations (a partner's "**Distributive Share**").

U.S. Tax Treatment of the Blockers

Each Blocker will be a US domestic entity and will be treated as a corporation for US federal income tax purposes. Therefore, each Blocker will be subject to US federal income tax filing and payment obligations. The taxable income of a Blocker will be subject to income tax at the rates applicable to corporations (the maximum US federal corporate rate is 35 percent as of the date of this Offering Circular). In calculating taxable income, a Blocker will take into account its Distributive Share of the relevant Property Company's tax items. Income allocated to the Distributive Share of a Blocker may generally be reduced by such Blocker's deductible expenses.

A portion of each Blocker's financing will be in the form of intercompany debt (the "**Intercompany Debt**"). Generally, loan interest paid by a corporation is a deductible expense. However, certain thin capitalisation rules apply to the debt of a US corporation owed to a foreign parent (the "**Thin Cap Rules**"). The Thin-Cap Rules do not apply unless the ratio of debt to equity of the US corporate debtor exceeds 1.5 to 1. If the Thin-Cap Rules apply, some or all of the US corporate debtor's related party interest deduction is denied to the extent that all interest deductions of the US corporate debtor exceed 50% of its "adjusted taxable income" (roughly, an amount equal to its EBITDA) for the current taxable year and such denied related party interest deduction is deferred and taken into account in subsequent taxable years. Therefore, a Blocker may not be entitled to deduct some or all of the payments that it makes to the Company on an intercompany loan in the taxable year such interest is paid. Furthermore, the Blocker may never be entitled to such deductions if 50% of its "adjusted taxable income" fails to exceed the aggregate amount of the Blocker's interest deductions (including the Blocker's Distributive Share of any interest deductions of the applicable Property Companies in which it holds an interest). The Company believes that each Blocker will eventually be able to utilize all of the interest deductions on its Intercompany Debt because its ratio of debt to equity will eventually be less than 1.5 to 1 and its "adjusted taxable income" will eventually equal more than twice the amount of its interest deductions (including any deferred interest deduction on the Intercompany Debt that were previously denied under the Thin Cap Rules) as the properties that are indirectly held by such Blocker are sold for gain and the debt encumbering the applicable Property Companies as well as the Intercompany Debt encumbering the Blocker are paid off.

Generally, income and/or gain recognised by a Blocker will also increase its earnings and profits ("**E&P**"). To the extent of its E&P, a Blocker's distributions to the Company will be treated as dividends that are subject to FDAP withholding at a statutory rate of 30 percent. However, to the extent that the Company is eligible for the benefits of the US-Swiss Treaty, the rate of withholding is reduced to 5 percent. Interest payments by a Blocker to the Company on intercompany debt are also subject to FDAP withholding; however, under the US-Swiss Treaty, the rate of withholding is reduced to zero.

US Tax Treatment of the Company

All of the Company's US assets and operations will be held and conducted by US entities that are treated as corporations for US federal income tax purposes (i.e., the Blockers). Therefore, the Company generally should not be subject to US federal income tax (except to the extent discussed above with respect to withholding taxes). However, it is expected that the Blockers will be treated as USRPHCs, so that a disposition of their shares would be subject to tax and withholding under FIRPTA (see "Risk Factors—Risks relating to the real estate market—The Group is exposed to tax risks with respect to U.S. taxation of ECI, taxation under FIRPTA and the branch profits tax"). An exception to FIRPTA would apply in a circumstance where a Blocker recognises all of the gain on its USRPIs (which will generally occur when each of the Property Companies in which it holds an interest sells the properties which it holds distributing the sale proceeds to the Blocker in liquidation) and liquidates into the Company.

Investment Structure for Ariston

Aside from investments made through the target investment structure, the Company also holds legacy assets under Ariston. Ariston is an entity formed in the Bahamas that is treated as a corporation for US federal tax purposes. Ariston holds all (100 percent) of the interests in Ariston Opportunity, LLC, a Delaware limited liability company that is treated as a disregarded entity for US federal tax purposes (“**Ariston LLC**”). In turn, Ariston LLC holds interests in property companies that have the same characteristics as the Property Companies (the “**Ariston Property Companies**”).

US Tax Treatment of the Ariston Property Companies

The Ariston Property Companies are treated as partnerships for US federal income tax purposes and are not subject to tax with respect to the tax items generated by the properties they hold. Instead, such tax items pass through the Ariston Property Companies and are taken into account by the Ariston Property Companies’ owner according to its Distributive Shares in the Ariston Property Companies.

US Tax Treatment of the Ariston LLC

Ariston LLC is disregarded for US federal tax purposes and, therefore, its assets are treated as though they were held and operated directly by Ariston.

US Tax Treatment of Ariston

Ariston is treated as the direct owner of the interests in the Ariston Property Companies for US federal income tax purposes. Furthermore, because the Ariston Property Companies are treated as partnerships for US federal income tax purposes, with respect to FIRPTA and the rules governing ECI, Ariston is treated as holding its proportionate interest in the assets of the Ariston Property Companies so that Ariston is treated as being engaged in the conduct of a US trade or business and as being a holder of USRPIs. Therefore, Ariston is obligated to file US federal income tax returns and to pay US federal income tax on income attributable to its Distributive Share of the Ariston Property Companies (if any). Furthermore, in the event that an Ariston Property Company disposes of an investment resulting in gain recognition to Ariston, Ariston will be subject to tax and withholding under FIRPTA. Furthermore, Ariston’s income and gain will also be subject to branch profits tax (see “Risk Factors—Risks relating to the real estate market—The Group is exposed to tax risks with respect to U.S. taxation of ECI, taxation under FIRPTA and the branch profits tax”).

Swiss Tax Treatment of the Company

The Company is subject to taxation on federal, cantonal and municipal level in Switzerland.

On the federal level, the Company is subject to ordinary taxation with its total profit generated (the tax rate amounts to approximately 7.83%). The Company, however, benefits from a reduced corporate income tax rate on the earned dividends from its qualifying shareholdings (participation exemption). The reduction of the tax payable depends on the ratio of the net dividend income from qualifying shareholdings to the total profit generated.

On cantonal and municipal level, the Company is currently exempt from all income taxes (holding privilege; see however below Swiss Corporate Tax Reform), but subject to capital tax. Irrespective of the holding privilege, the participation exemption would also apply on cantonal and municipal level.

VALUATION

Colliers International Valuation & Advisory Services (“Colliers”) has valued the properties of the Group as of 30 June 2017. Upon completion of the Offering, valuation of the properties will continue to occur on a yearly basis. The valuation by Colliers encompasses all yielding properties and sites, properties held for sale, distinct and permanent rights (building rights), if any, and co-ownership shares, if any.

Independent valuation expert

Colliers is a United States-based global commercial real estate services organisation with approximately 16,000 employees in more than 504 offices in 67 countries. Colliers provides a range of services to commercial real estate users, owners, investors and developers worldwide. Primary services include consulting, corporate facilities, investment services, landlord and tenant representation, project management, urban planning, property and asset management and valuation and advisory services. The organisation serves the hotel, industrial, mixed-use, office, retail and residential property sectors. It has its headquarters in Seattle, Washington, United States.

Responsibilities

The Company has concluded agreements with Colliers on the execution of property valuations, location analyses and project valuations. Colliers’ task is to perform appraisals indicative of the market value consistent with IFRS Standard according to IFRS 10. In particular, Colliers assists the Company in the appraisal of the original value of the properties prior to their acquisition by the Group or during the acquisition process, the periodic revaluation of all properties, and the calculation and provision of main risk figures.

Colliers ensures an independent and neutral valuation of the properties and the property portfolio. When Colliers prepares a Year 1 Report, its appraisal takes into account the following: area analysis, site and improvement description with comprehensive tax, zoning and highest and best analyses, market analysis, income approach, sales comparison approach and rent and sales comparables. The Year 2 and 3 Appraisals includes the area analysis, site and improvement description including zoning, highest and best use conclusions, market analysis, income approach, sales comparison table summation with an overview analysis/reconciliation of income analysis and sales comparables. Mid-year updates focus on the market analysis, the income approach and reconciliation of income analysis.

Valuation method, standards and principles

The properties are generally valued by using the income capitalisation via direct capitalisation methodology, which is the most commonly methodology employed in valuing multifamily apartment communities in the United States. In addition, Colliers uses comparable sales analysis of recent transactions to derive market capitalisation rates as well as indicative sales prices of comparable asset sales. In the preparation of valuation analysis, Colliers typically relies on current rent rolls, year to date operating statements, historical operating statements (where available), operating budgets and capital expenditure budgets. Based thereon, Colliers defines fair value consistent with the definition of market value as commonly applied in the United States.

The appraisal at fair value is based on the assumption that the most probable price which a property should bring in a competitive and open market under all conditions requisite to a fair sale, the buyer and seller each acting prudently, knowledgeably, and assuming that the price is not affected by undue stimulus. Implicit in this definition is the consummation of a sale as of a specified date and the passing of title from seller to buyer under conditions whereby: (i) buyer and seller are typically motivated, (ii) both parties are well informed or well advised, and acting in what they consider their own best interests, (iii) a reasonable time is allowed for exposure in the open market, (iv) payment is made in terms of cash in United States dollars or in terms of financial arrangements comparable thereto, and (v) the price represents the normal consideration for the property sold unaffected by special or creative financing or sales concessions granted by anyone associated with the sale. The market value (fair value) makes no allowance for cost of sale oriented expenses indicative of a net realizable value, whereby cost of sale expenses such as property transfer taxes, brokerage commissions, closing costs, property gains taxes, and related sale cost are considered along with individual personal taxes. Nor does it consider any outstanding liens or delinquent property taxes should they exist.

Colliers performs the appraisals in accordance with national and international standards and guidelines in particular with the International Valuation Standards (IVS and RICS/Red Book) as well as in accordance with the requirements of IFRS. The property values determined correspond to the market value (Fair Value) consistent with IFRS Standard according to IFRS as it relates to fair market value according to IFRS 9 (which also refers to IAS 40). The definition of fair value in IFRS is generally consistent with market value, which are discussed in IVS 300 Valuations for Financial Reporting.

BOARD OF DIRECTORS AND AUDITORS

Board of Directors

In accordance with the Swiss Code of Obligations and the Articles of Association, the Company's board of directors (the "**Board of Directors**") constitutes itself and has enacted an internal organisational regulation (*règlement d'organisation, Organisationsreglement*, the "**Organisational Regulation**"). Pursuant to the Organisational Regulation, the Board of Directors has established a risk and audit committee (the "**Risk and Audit Committee**"). The shareholders' meeting of the Company elects the members of the Board of Directors, the chairman of the Board of Directors (the "**Chairman**") as well as the members of the Compensation Committee (who may only consist of members of the Board of Directors, the "Compensation Committee", together with the Risk and Audit Committee the "**Committees**"). The Board of Directors may appoint a vice chairman of the Board of Directors (the "**Vice Chairman**"). It designates an executive member of the Board of Directors (*administrateur délégué, Delegierter des Verwaltungsrats*) (the "**Executive Member**"). The Board of Directors may furthermore appoint its secretary (the "**Secretary**") who does neither have to be a member of the Board of Directors nor a shareholder of the Company. The Chairman presides over the Board of Directors. Furthermore, the Board of Directors appoints the executive officers. The Board of Directors is ultimately responsible for the management of the Company. Furthermore, it is responsible for supervising and monitoring the external asset manager, Stoneweg SA (the "**Asset Manager**").

Pursuant to the legal concept of the Swiss Code of Obligations, the Board of Directors has both executive and supervisory functions. Ultimate responsibilities include the issue of Organisational Regulation, appointment and removal of the persons entrusted with the management and the representation, issue of principles for accounting and financial reporting and decisions and motions put to the Company's shareholders' meeting. The Board of Directors is also responsible for preparing the Company's shareholders' meeting and carrying out the Company's shareholders' resolutions.

Members

As of the date of this Offering Circular, the Board of Directors is comprised of the following eight individuals:

Name	Place of Origin/ Nationality	Place of Residence	Year of Appointment	Year of Year of Birth	Position
Leuthold, Manuel	Switzerland	Switzerland	2016	1959	Chairman
Sabater Martos, Jaume	Switzerland	Switzerland	2015	1979	Vice Chairman
Alicehic, Taner	Switzerland	Switzerland	2015	1974	Member
Buser, Stefan	Switzerland	Switzerland	2017	1967	Member
Leviant, Alexandre J.	United States	United States	2015	1977	Member
Richard, Patrick	Switzerland	Switzerland	2016	1971	Executive Member
Roizman, Dany	Brazil	Switzerland	2015	1972	Member
Schwab, Beat	Switzerland	Switzerland	2016	1966	Member

The members of the Board of Directors may be contacted at the business address of the Company.

Leuthold, Manuel, Chairman of the Board of Directors, is a Swiss citizen and currently residing in Confignon, Switzerland.

Mr. Manuel Leuthold joined the Company in 2016 as member of the Board of Directors. He is currently an independent board member and has no full-time positions. He is chairman of the board of *compenswiss* (Swiss federal social security funds), chairman of the Economic Development Canton de Vaud (an association in charge of the economic promotion of the Canton, financed mainly by the government of Canton de Vaud), and member of the board of Clinique Générale Beaulieu Holding SA, Genève as well as various non-listed banks and small and medium enterprises. Previously, Mr. Leuthold held several positions with UBS during a total of 27 years (1984 to 2011). He was, amongst others, head of corporate and institutional clients Switzerland and member of the Swiss executive committee of UBS (both 2009 to 2011). He also spent four years as chief administrative officer of the Edmond de Rothschild Group (2012 to 2015). From 2014 to 2015, he was chairman of Edmond de Rothschild Real Estate SICAV. Mr. Leuthold holds a master of law and a master of sciences (economics) from University of Geneva.

Sabater Martos, Jaume, Vice Chairman, is a Swiss citizen and currently residing in Geneva, Switzerland.

Mr. Jaume Sabater Martos joined the Company in 2015 and has been a member of the Board of Directors since then. Since 2015, he has been founding partner and CEO of Stoneweg SA, the asset manager of the Company. Since 2015, he is a member of the board of Varia SPC, a collective investment scheme that holds [•] Shares as of the date of this Offering Circular (see “Major Shareholders”). From 2003 to 2014, Mr. Jaume Sabater worked for Edmond de Rothschild Group: Between 2003 and 2007, he held the function of first vice-president of the asset management team, and after 2007, he was in charge of the creation of a team specialised in real estate investment which launched the first Swiss real estate SICAV. Between 2007 and 2014, he acted as senior portfolio manager and as head of dedicated accounts and real estate. Mr. Jaume Sabater holds a master degree in international management from the Community of European Management Schools in St. Gallen University and ESADE Barcelona.

Alicehic, Taner, Member of the Board of Directors, is a Swiss citizen and currently residing in Baar, Switzerland.

Mr. Taner Alicehic joined the Company in 2015 as member of the Board of Directors. He is a project founder, advisor and shareholder of Stoneweg SA, the asset manager of the Company. He is the founder and CEO of Real Estate Investment Solutions SA. Prior to 2008, he worked as head of investment strategies for real estate, fixed income as well as foreign exchange markets for Banque Cantonale Vaudoise. Mr. Alicehic holds a master degree in physics from Ecole Polytechnique de Lausanne, Switzerland as well as a MBA from HEC of University of Geneva, Switzerland.

Buser, Stefan, Member of the Board of Directors, is a Swiss citizen and currently residing in Unterengstringen, Switzerland.

Mr. Stefan Buser joined the Company in 2017 as member of the Board of Directors. Stefan Buser is a self-employed consultant and professional non-executive director and today is in several boards of non-listed small and medium sized enterprises. Since 2015, he has been Head Integration Project and member of the executive board of Tertianum Group and is currently also engaged in executive positions as the owner and CEO of STEABUS Management AG since July and as partner at SR3 Consulting AG since August 2017. From 2009 and 2015, Mr. Buser worked as CFO for SENIOcare. Between 2006 and 2009, he held the function of Head Risk & Sustainability Services at KPMG Switzerland. Prior to 2006, he worked as CFO for Graf Group. Mr. Buser holds an MBA from the University of Zurich and he is a chartered accountant.

Leviant, Alexandre Jacques, Member of the Board of Directors, is a US citizen and currently residing in New York, United States.

Mr. Alexandre Jaques Leviant joined the Company in 2015 as member of the Board of Directors. He has been with the ICD Group of companies for fifteen years and is currently president of ICD Group International Inc. Mr. Leviant is responsible for the global management of all ICD divisions and affiliates, as well as the allocation of alternative investments and strategic acquisitions. He has previously worked at each segment of ICD Group including the specialty chemical, super-alloy, petrochemical, wood and investment departments. Mr. Leviant is a member of the Young Presidents Organization (YPO) and is a trustee of the French Institute/Alliance Francaise. Mr. Leviant received a bachelor degree from Georgetown University in 1999.

Richard, Patrick, Executive member of the Board of Directors, is a Swiss citizen and currently residing in Freienbach, Switzerland.

Mr. Patrick Richard joined the Company in 2016 as member of the Board of Directors. From early 2016, Mr. Richard has worked for Stoneweg SA, the asset manager of the Company, where he is currently head of US investments. He is the co-founder and chairman of the board of Procimmo SA, a Swiss regulated real estate asset manager. He was vice chairman of the board of directors of Solufonds SA, a regulated fund management company from 2009 to 2012. Within the last five years, he was also active as a private investor in the US real estate market. Patrick Richard has a law degree from the University of Geneva and he passed the bar exam in Geneva. He followed several board education programs (Swiss board institute and IMD).

Roizman, Dany, Member of the Board of Directors, is a Brazilian citizen and currently residing in Plan-les-Ouates, Switzerland.

Mr. Dany Roizman joined the Company in 2015 as member of the Board of Directors. He is the CEO of BRAINVEST Wealth Management SA, which he founded in 2003. Prior to that, he worked for Banco BBM in Sao Paulo, Brazil (1993 to 1996) and for JP Morgan in Sao Paulo, Brazil, New York, United States, and Geneva, Switzerland (from 1996 to 2004). Mr. Roizman holds a bachelor degree in economics from PUC Sao Paulo, Brazil.

Schwab, Beat, Member of the Board of Directors, is a Swiss citizen, and currently residing in Winterthur, Switzerland.

Dr. Beat Schwab joined the Company in 2016 as member of the Board of Directors. He was the head real estate investment management Switzerland of Credit Suisse since 2012 until October 2016 and was the head of global real estate ad interim of Credit Suisse until summer 2017. He is now a real estate entrepreneur with his own company Schwab & Kuster AG. In addition, he is chairman of the board of directors of Zug Estates Holding since 2014 and in mid-2016 he was appointed to be a member of the board of directors of SBB. From 2006 to 2012, Dr. Schwab was the chief executive officer of Wincasa AG. He was member of the management of ISS Schweiz AG from 2004 to 2006 and co-owner of Sevis AG, Facility Services from 1999 to 2004. He completed his PhD degree at the University of Bern and holds a Master of Business Administration (MBA) from Columbia University.

Other activities and functions

Other than as described above, the members of the Board of Directors do not engage in any other activities or perform any other functions which are significant to the Group.

Convictions/Proceedings

In the last five years, none of the members of the Board of Directors have been subject to any convictions for major or minor financial or business-related crimes or to any legal proceedings by statutory or regulatory authorities (including designated professional associations) that are ongoing or have been concluded with a sanction.

Definition of areas of responsibility

By mandatory law, the Board of Directors has the following non-transferable and inalienable duties and competencies: the Board of Directors is ultimately responsible for the management of the Company and for supervising and monitoring the Asset Manager. Accordingly, pursuant to the legal concept of the CO, the Board of Directors has both executive and supervisory functions. Ultimate management responsibility includes the (i) issue of the Organisational Regulation (*règlement d'organisation, Organisationsreglement*), (ii) appointment and removal of the persons entrusted with the management and the representation, (iii) issue of principles for accounting and financial reporting, (iv) decisions and motions put to the shareholders' meeting, (v) the determination of the strategy, and (vi) the establishment of the organisation. Supervising and monitoring the senior management includes (a) establishing a suitable system of internal controls, receiving regular reports on the progress of business; and (b) preparing the annual report and approving the annual financial statements and the half-year financial statements. The Board of Directors is also responsible for preparing the shareholders' meeting and carrying out the shareholders' resolutions. Further, the Board of Directors must notify the judge in case of capital loss and over indebtedness (*perte de capital et surendettement, Unterbilanz und Überschuldung*). The Board of Directors also takes the following decisions: (i) decisions in connection with capital increases pursuant to art. 651a, 652g, 653g CO (acknowledgement of capital increases) and art. 651 CO (increase of share capital in case of authorised capital), (ii) decisions pursuant to art. 634a CO (shares not fully paid in) and (iii) resolutions pursuant to the Swiss Federal Merger Act dated 3 October 2003, as amended (the "**Merger Act**").

Subject to the non-transferable and inalienable powers and duties mandatorily reserved to the Board of Directors pursuant to the CO as well as subject to the duties and competencies retained by the Board of Directors or delegated to one of the Committees according to the Articles of Association and the Organisational Regulation and to the extent the Board of Directors has delegated the asset management to the Asset Manager, the Board of Directors carries out the executive management activities.

The Board of Directors is quorate if the majority of the members of the Board of Directors is present and passes resolutions with the majority of votes cast. No such quorum is necessary for establishing resolutions in connection with share capital increases and amending the Articles of Association in this context. In case of a tie vote, the Chairman has the decisive vote.

In case no member of the Board of Directors requests a verbal debate, resolutions may also be passed by way of circular resolutions. Such resolutions have to be included in the minutes of the Board of Directors' meetings. The signatory powers of the members of the Board of Directors follow the entry in the commercial register. Currently, the members of the Board of Directors have joint signatory powers.

Executive Member

The Board of Directors has designated Mr. Patrick Richard as the Executive Member (for more information on Mr. Richard, see “Board of Directors and Auditors—Board of Directors—Members”). The Board of Directors has delegated to the Executive Member all operational and executive duties for which neither the Board nor the Asset Manager are responsible. Furthermore, the Executive Member assists the Chairman in making sure that the members of the Board (and of committees thereof) receive all information necessary for the optimal performance of their duties in a timely and appropriate manner. The Executive Member is also the person connecting the Board with the Asset Manager and other persons involved in the management of the Company.

Committees

Risk and Audit Committee

The members of the Risk and Audit Committee are appointed by the Board of Directors for a term of office of up to one year ending at the next ordinary shareholders’ meeting. The Risk and Audit Committee consists of at least one member of the Board of Directors. On the date of this Offering, Beat Schwab acts as chairperson and Taner Alicehic and Stefan Buser are members.

The Risk and Audit Committee has the following general duties and competencies:

- Assisting the Board in fulfilling its duties of supervision of management in organising the accounting, the financial control and the financial planning;
- Reviewing the outcome of the annual accounts and audit with the external auditor as well as issuing the necessary applications or recommendations to the Board;
- Examining and submitting proposals to the Board regarding the approval of the annual and interim accounts of the Company (including significant off balance sheet positions);
- Clearing of any differences of opinion between the Asset Manager, the external real estate appraiser and the auditors which may evolve in connection with the preparation of the annual financial statements;
- Evaluating the external auditors with regard to the fulfilment of the necessary qualifications and independence according to the applicable legal provisions, and making proposals for the attention of the Board concerning the choice of the external auditors at the general meeting of shareholders;
- Assessing the work done by the external auditors in office and approving the budget submitted by the external auditors for the audit work;
- Assessing the work done by the Asset Manager and the external real estate appraiser;
- Approving the necessary non revision-specific services provided by the external auditors;
- Examining, reviewing and approving the accounting policies and the external auditing plan;
- Reviewing the Company’s compliance with financial laws, regulations, and reporting requirements;
- Setting the guidelines for the Company’s risk management system and internal control system and assessing the effectiveness of the risk management system and the internal control system;
- Questioning the external auditor as to the significant risks, contingent liabilities and other fundamental obligations of the Company as well as assessing the measures taken by the Company to handle them;
- Making a summary assessment of the annual business expenses incurred by the members of the Board and the Asset Manager.

The Risk and Audit Committee is entitled to conduct investigations in all matters of its competence. It may also request the services of independent advisors and experts to the extent required for the accomplishment of its duties.

Compensation committee

The Compensation Committee consists of at least one member of the Board of Directors. On the date of this Offering, its chairperson is Stefan Buser and Beat Schwab acts as member. In the future, all members of the Compensation Committee will be individually elected by the shareholders' meeting for terms of one year. Re-election is permitted. The chairperson of the Compensation Committee is appointed by the Board of Directors (section 4.5 of the Articles of Association).

The Compensation Committee assists the Board of Directors in remuneration-related matters, namely by:

- Presenting motions to the Board in view of the next ordinary general meeting of shareholders with respect to the remuneration of the members of the Board;
- Assisting the Board in the preparation of the remuneration report;
- Implementing the resolutions passed by the general meeting of shareholders with respect to the remuneration of the members of the Board;
- Assessing the principles of remuneration and presenting corresponding motions to the Board (in view of the next ordinary general meeting of shareholders);
- Presenting motions to the Board regarding the issuance of compensation rules to be submitted to the general meeting of shareholders for approval.

The Compensation Committee is entitled to conduct investigations in all matters of its competence. In particular, it has full access, to the extent required for the accomplishment of its duties, to the employees, books and records of the Company and its subsidiaries. It may also request the services of independent advisors and experts to the extent required for the accomplishment of its duties.

The Compensation Committee is entitled to conduct investigations in all matters of its competence. It may also request the services of independent advisors and experts to the extent required for the accomplishment of its duties.

External Asset Manager

Stoneweg SA (the Asset Manager) is incorporated as a joint stock corporation (*société anonyme, Aktiengesellschaft*) of unlimited duration and incorporated under the laws of Switzerland on 24 September 2015. It was registered in the commercial register of the Canton of Geneva, Switzerland under the register number CHE-322.354.583 on 30 September 2015 with effect 25 September 2015. Its main purpose is to provide advisory services in relation to real estate and real estate asset management.

Stoneweg provides various services in relation with real estate investments, including structuring vehicles and asset management of real estate portfolios (for further detail, see "Description of the Group's Business—Key Strengths—Experienced Swiss based asset manager optimizing performance with tailored investment strategies").

The board of directors of the Asset Manager is comprised of the following three individuals:

Messulam Victor, Claude, chairman of the board of directors of the Asset Manager, is a former president of the executive committee of Banque Privée Edmond de Rothschild Group. He holds a diploma in commercial and industrial sciences from the University of Geneva and a federal accounting specialist diploma.

Col, Alexandre, member of the board of directors of the Asset Manager, is a former head of the investment fund department and a former member of the executive committee of Banque Privée Edmond de Rothschild S.A. He holds multiple diplomas in business management, economic and political sciences.

Sabater Martos, Jaume, member of the board of directors and CEO of the Asset Manager, is also a member of the Board of Directors of the Company (see "—Board of Directors—Members").

The management of the Asset Manager is comprised of the following two individuals, in addition to Mr. Sabater Martos:

Castellvi Lopez, Joaquin, head of investments & acquisitions of the Asset Manager, is specialized in real estate transactions and has worked for various consultancy firms, investment banks and developers.

Inácio, Rui, deputy CEO of the Asset Manager, worked for multiple years at a Edmond de Rothschild S.A as a real estate fund analyst and portfolio manager for real estate multimanager mandates. He also co-managed a Swiss listed real estate fund. He holds a Master in Business Management from the University of Geneva.

The Asset Manager mandates Stoneweg US LLC in relation to the US investments. Stoneweg US LLC consists of a team of 9 persons, specialized in the asset management of US properties. Patrick Richard (Swiss) is a majority shareholder of Stoneweg US LLC and acts as Head of US Investments according to an advisory agreement between Stoneweg SA and Novial GmbH, a company fully owned by Mr. Richard. Stoneweg US LLC does not pay any compensation to Patrick Richard. Thomas Buckley (US citizen) is a co-owner of Stoneweg US LLC. Thomas Buckley has over 30 years of experience in developing and executing investment strategies in real estate, manufacturing and petroleum. Prior to working with Stoneweg, he spent 9 years working as an independent contractor in the multifamily investment sector. He was educated at the University of Colorado and completed an Executive Leadership Program at Harvard University. Patrick Richard and his team are in charge of all legal, financial and reporting activities, whilst Thomas Buckley and his team are responsible for the acquisitions and portfolio management.

None of the persons involved in the US activities of the Asset Manager has a political mandate or posts and none has any other relevant activities other than the ones mentioned above.

For a description of the key elements of the asset management agreement between the Company and the Asset Manager and the fees paid to the Asset Manager, see “Description of the Group’s Business—Material agreements—Asset Management Agreement”.

Compensation

Overview

Following completion of the Offering and listing of the Shares on SIX, the Company will be subject to the Directive on Information Relating to Corporate Governance and its annex and commentary issued by SIX (“**DCG**”) and to the Ordinance against Excessive Compensation in Public Companies (“**Remuneration Ordinance**”) (see also “SIX Swiss Exchange—DCG” and “Description of the Share Capital and the Shares—Remuneration Ordinance”, respectively).

The Remuneration Ordinance contains a “say on pay” approval mechanism for the compensation of the Board and management pursuant to which the shareholders’ meeting must vote on the compensation of the Board of Directors and the management on an annual basis. In accordance therewith, the Articles of Association provide that the shareholders’ meeting of the Company must, each year, vote separately on the proposals by the Board of Directors regarding the maximum aggregate amount of the compensation of the Board of Directors and the executive board, should an executive board exist (see also “Description of the Share Capital and the Shares—Remuneration Ordinance—Shareholder approval of board and executive compensation”). Specifically, the Articles of Association provide that each year, the shareholders’ meeting must vote separately on the proposals by the Board of Directors regarding the aggregate amounts of:

- compensation of the Board of Directors for the term of office until the next annual shareholders’ meeting;
- compensation of the persons whom the board of directors has entrusted with the executive management in advance until the next general meeting of shareholders or retroactively for the period described in the proposal of the Board of Directors.

No vote is required for the remuneration of the Asset Manager.

If the shareholders’ meeting does not approve the amount of the proposed compensation, as the case may be, the Board of Directors may either convene a new extraordinary shareholders’ meeting with new proposals for approval or submit the proposals regarding compensation for retrospective approval at the next ordinary shareholders’ meeting.

The compensation amounts are deemed to be inclusive of all social security and pension contributions of the members of the Board of Directors, the executive board (if any) and the Company (i.e., contributions by employee and employer).

The Remuneration Ordinance further requires the Company to set forth in its Articles of Association the principles for the determination of the compensation of the Board of Directors and the executive board (if any). These principles have been included in section 4.4 of the Articles of Association as described further below (“Compensation—Board of Directors” and “Compensation—Executive Member”).

The Remuneration Ordinance also contains compensation disclosure rules. Pursuant to these rules, the Company will be required to prepare an annual compensation report. The Company intends to include the compensation report in its annual financial statements. The compensation report will, among other things, include the compensation of the members of the Board of Directors and of the members of the Management on an aggregate basis, as well as the amount for the highest paid member of the Management. For further details see “Description of the Share Capital and the Shares—Remuneration Ordinance—Compensation report”.

The Remuneration Ordinance generally prohibits certain types of compensation payments to members of the Board and Management, see “Description of the Share Capital and the Shares—Remuneration Ordinance—Severance pay, advance payments and transaction bonuses”.

Board of Directors

Section 4.4 of the Articles of Association sets out the principles for the elements of the compensation of the members of the Board of Directors. The members of the Board of Directors shall receive a fixed basic fee and fixed fees for memberships in committees of the Board of Directors as well as a compensation for expenses that is determined by the full Board of Directors based on the proposal of the Compensation Committee and subject to and within the limits of the aggregate amounts approved by the annual shareholders’ meeting. The compensation is awarded in cash. In exceptional cases and subject to and within the limits of the approval by the annual shareholders’ meeting, the members of the Board of Directors may be awarded an additional bonus.

For the term of office until the next ordinary general meeting of shareholders (to be held in the year 2018), the total compensation approved by the shareholders for the Board of Directors amounts to CHF 500,000 (including social security costs, etc.), plus compensation of expenses. The fees and will be paid 100% in cash.

Members of the Board of Directors who are also employed with the Asset Manager receive their remuneration indirectly through the Asset Manager, i.e., the Asset Manager compensates the respective member of the Board of Directors for his function as such (the “**Indirect Directorship Remuneration**”). The Company does not pay any remuneration directly to members of the Board of Directors also employed with the Asset Manager. The part of the remuneration paid by the Asset Managers as Indirect Directorship Remuneration is separated from the other payments the respective person may receive from the Asset Manager. Indirect Directorship Remunerations are subject to approval of the general shareholders’ meeting of the Company. The total amount of CHF 500,000 that has been approved as compensation for the Board of Directors until the next ordinary general meeting of shareholders (to be held in the year 2018) includes the Indirect Directorship Remunerations.

Executive Member

Section 4.4 of the Articles of Association sets out the principles of remuneration for persons whom the board of directors has entrusted with the executive management (“**Executive Managers**”). Remuneration of Executive Managers consist of a fixed and, optionally, a variable component. The amount of the variable remuneration (if any) paid to Executive Managers would depend on the qualitative and quantitative targets and parameters defined by the Board of Directors. The Board of Directors would define and assess the targets and their achievement or delegate this task to the Compensation Committee. Variable remuneration may be paid in cash or in the form of equity instruments, conversion or option rights or other rights to equity instruments.

On the date of the Offering, no Executive Managers other than the Executive Member (see “Board of Directors and Auditors—Executive Member”) exist, and no formal executive board of the Company has been constituted. For the term of office until the next ordinary general meeting of shareholders (to be held in the year 2018), a compensation of CHF 20,000 (including social security costs, etc.) has been approved by the shareholders for the Executive Member. The Executive Member receives this amount for his functions as Executive Member, in addition to his remuneration as member of the Board of Directors. In analogy to the Indirect Directorship Remuneration (see “Board of Directors and Auditors—Compensation—Board of Directors”), the remuneration of the Executive Member for his function as such is paid by the Asset Manager.

Agreements related to Compensation

According to section 4.8 of the Articles of Association, fixed-term employment and mandate agreements stipulating the remuneration of members of the Board of Directors and the executive board (if any) shall not exceed a term of one year. The notice period for open-ended employment and mandate agreements shall not exceed one year.

Shareholdings, Loans and Transactions

Ownership of Shares and options

The following table indicates the number of shares directly or indirectly held by each member of the Board as of the date of this Offering Circular:

Name	Function	Number of shares (voting rights)	Percentage
Leuthold, Manuel	Chairman	[●]	[●]
Sabater Martos, Jaume	Vice Chairman	[●]	[●]
Alicehic, Taner	Member	[●]	[●]
Buser, Stefan	Member	[●]	[●]
Leviant, Alexandre J.	Member	[●]	[●]
Richard, Patrick	Executive Member	[●]	[●]
Roizman, Dany	Member	[●]	[●]
Schwab, Beat	Member	[●]	[●]

The board members holding Shares directly or indirectly will be allocated Rights exercisable in the Rights Offering in accordance with the conditions described in this Offering Circular (see “The Offering—Rights Offering”).

As of the date of this Offering Circular, no options have been granted to any member of the Board of Directors.

There are no specific rights granted to the members of the Board of Directors when they purchase Shares.

Loans granted by the Group to members of the Board of Directors

Loans to members of the Board of Directors are granted on an arm’s length basis. As of the date of this Offering Circular, there were no outstanding loans (incl. capitalised interests) from the Group to members of the Board of Directors.

Transactions with members of the Board of Directors

Transactions with members of the Board of Directors are made on an arm’s length basis.

Permitted other activities of members of the Board of Directors

According to section 4.7 of the Articles of Association, the members of the Board of Directors and the executive board (if any) shall not assume more than (i) 15 additional remunerated mandates, of which not more than 5 in companies listed at a stock exchange, and (ii) 10 additional non-remunerated mandates, whereas a reimbursement of expenses is not considered remuneration.

A mandate as referred to in section 4.7 of the Articles of Association is as a function in the most senior management and administrative bodies of other legal entities that are obliged to obtain an entry in the commercial register or a corresponding foreign register and which are not controlled by the Company. Mandates in different entities which belong to the same group are treated as one mandate. Mandates which are assumed by members of the Board of Directors or the Executive Board (if any) on instruction of the Company are not subject to these limitations.

Independent Auditors

The statutory auditors of the Company have been KPMG SA, rue de Lyon 111, 1203 Geneva, Switzerland, since its incorporation. Yvan Mermod is the lead auditor.

KPMG SA has reviewed the Financial Statements included in this Offering Circular, as stated in their reports appearing herein.

Independent Proxy

Pursuant to the Remuneration Ordinance (see also “Description of the Share Capital and the Shares—Remuneration Ordinance”) and the Articles of Association, the annual shareholders’ meeting elects the independent proxy for a term ending at the conclusion of the next annual shareholders’ meeting. Re-election is permissible. Section 3.4 of the Articles of Association further provides that the annual shareholders’ meeting also elects a substitute of the independent proxy in case of vacancy of that position or if the independent proxy has to abstain due to lack of independency.

At the extraordinary shareholders’ meeting held on 23 May 2017, Buis Bürgi AG, Mühlebachstrasse 8, 8008 Zurich, was elected as the independent proxy for the term ending at the conclusion of the next ordinary shareholders’ meeting.

MAJOR SHAREHOLDERS

The following table sets forth certain information with respect to the beneficial ownership of the Shares of the Company as of the date of this Offering Circular on an actual basis. In the following case, it is assumed that the existing shareholders exercise their pre-emption rights.

Prior to the Offering, [●] Shares, corresponding to [●]% of voting rights, are held by the fund Varia SPC, c/o Campbells Corporate Services Ltd, Floor 4, Willow House, Cricket Sq, PO Box 268, Grand Cayman KY1-1104, Cayman Islands (“**Varia SPC**”). Varia SPC is a collective investment scheme representing approximately 35 different investors who hold an interest in Varia SPC directly or indirectly. Varia SPC is an independent legal entity and does not have a fund manager.

Wolf Property Holding, 50 rue de Mühlenbach, 2168 Luxembourg, The Grand Duchy of Luxembourg, holds [●] Shares, corresponding to [●]% of the voting rights. The beneficial owners of Wolf Property Holding are Adrien Coulombel, residing in Luxembourg, The Grand Duchy of Luxembourg and Jean-Pierre Verlaine, residing in Luxembourg, The Grand Duchy of Luxembourg. The beneficial owners jointly indirectly hold the stakes in Wolf Property Holding and jointly exercise voting rights.

In the Rights Offering, the Company’s eligible holders of Existing Shares will be entitled under Swiss law and the Articles of Association to a pre-emptive right to subscribe for Offered Shares for each Existing Share they hold. Subject to the conditions of this Offering Circular, the holders of Existing Shares will be allotted one Right per Existing Share held. Holders of [●] Rights are entitled to purchase one Offered Share at the Offer Price (see “The Offering—Rights Offering”).

	Prior to the Offering		Upon completion of the Offering	
	Number of registered shares held	Percentage of voting rights	Number of registered shares held	Percentage of voting rights
Varia SPC, c/o Campbells Corporate Services Ltd, Floor 4, Willow House, Cricket Sq, PO Box 268, Grand Cayman KY1-1104, Cayman Islands	[●]	[●]%	[●]	[●]%
Wolf Property Holding, 50 rue de Mühlenbach, 2168 Luxembourg, The Grand Duchy of Luxembourg	[●]	[●]%	[●]	[●]%
Public shareholders ¹	[●]	[●]%	[●]	[●]%
Total	7,200,815	100%	[●]	100%

¹ Shareholders with a participation below 3% in aggregate.

In the following case, it is assumed that the existing shareholders do not exercise their Rights and do not purchase any Shares in the Share Offering.

	Prior to the Offering		Upon completion of the Offering	
	Number of registered shares held	Percentage of voting rights	Number of registered shares held	Percentage of voting rights
Varia SPC, c/o Campbells Corporate Services Ltd, Floor 4, Willow House, Cricket Sq, PO Box 268, Grand Cayman KY1-1104, Cayman Islands	[●]	[●]%	[●]	[●]%
Wolf Property Holding, 50 rue de Mühlenbach, 2168 Luxembourg, The Grand Duchy of Luxembourg	[●]	[●]%	[●]	[●]%
Public shareholders ¹	[●]	[●]%	[●]	[●]%
Total	7,200,815	100%	[●]	100%

¹ Shareholders with a participation below 3% in aggregate.

The Company only has entered into a lock-up arrangement with the Sole Bookrunner for a period of 6 months after the First Day of Trading (also see “The Offering—Lock-up”).

The Sole Bookrunner has agreed to purchase and to sell up to [●] Shares (see “The Offering—Underwriting”).

CERTAIN RELATED PARTY TRANSACTIONS

The Group has a related party relationship as follows:

The Company has concluded an asset management agreement with the Asset Manager and Stoneweg US LLC. Jaime Sabater Martos is a member of the Board of Directors and simultaneously acts as member of the board of directors in the Asset Manager and is one of the shareholders in the Asset Manager. Taner Alicehic, who is a member of the Board of Directors, acts as advisor to the Asset Manager and is one of the project founders and shareholders in the Asset Manager. According to an advisory agreement between the Asset Manager and Novial GmbH, a company fully owned by Patrick Richard, Patrick Richard acts as head of US investments. He is the majority shareholder of Stoneweg US LLC. Stoneweg US LLC does not pay any compensation to Patrick Richard. For further details, see Note N of the Interim Consolidated Financial Statements 2017.

The Company's holding subsidiaries own the majority of the Property Companies. The other interest holder in the Property Companies, Peak Capital Partners, also acts as service provider to the property company. As service provider, it receives property management fees, acquisition fees, financing fees and preferred returns as further described in "Management's Discussion and Analysis of Financial Condition and Results of Operations—Description of the major revenues and expense streams".

The Company believes that all agreements with related parties are conducted on an arm's length basis.

DESCRIPTION OF THE SHARE CAPITAL AND THE SHARES

Capital Structure

Share capital history

The Company was founded by Iteram Capital SA on 17 September 2015 and had an initial share capital of CHF 100,000, comprised of 100,000 registered shares with restricted transferability with a nominal value of CHF 1.00 per share. It was incorporated in Zug and registered in the commercial register of the Canton of Zug on 28 September 2015 with the company number CHE-320.748.468. On 11 November 2015, the Company conducted an ordinary capital increase from CHF 100,000 to CHF 1,182,464. A part of the capital increase was subscribed by setting off of a claim of CHF 1,102,745.60, for which 31,328 registered shares with a nominal value of CHF 1 per share were issued. On 1 February 2016, the Company conducted an ordinary capital increase from CHF 1,182,464 to CHF 3,097,074 in order to finance an intended acquisition in kind, namely the acquisition of all interests in Ariston Opportunity Fund Ltd. for a maximum purchase price of CHF 47,000,000. In the course of its initial public offering, the Company conducted an ordinary capital increase from CHF 3,097,074 to CHF 6,194,148 on 7 December 2016 and a capital increase from authorized capital increasing the capital to CHF 6,658,710 on 10 January 2017. On 13 October 2017, the Company conducted a capital increase from authorized capital from CHF 6,658,710 to CHF 7,200,815 in order to acquire an additional anchor investor.

Other than the above, there have not been any changes in the share capital of the Company since its incorporation.

Own Shares

As of the date of this Offering Circular, the Company owns no Shares.

Cross-shareholdings

As of the date of this Offering Circular, there are no cross-shareholdings.

Conditional Share capital

As of the date of this Offering Circular, the Company has no conditional Share capital.

Authorised Share capital

According to article 2.3 of the Articles of Association, the Board of Directors is authorized to increase the share capital at any time until 13 November 2018 by a maximum amount of CHF 123,766 by issuance of a maximum of 123,766 registered shares, of a par value of CHF 1.00 each, to be fully paid up. The Board of Directors is authorised to exclude the pre-emptive rights of the shareholders and to allocate them to third parties in the event of the use of the new shares for the purpose of: (1) acquiring real estate (whether in the form of direct acquisition of real estate or the acquisition of interests in a real estate company); (2) mergers, acquisitions of enterprises or participations, financing and/or refinancing of such mergers and acquisitions and of other investment projects; or (3) broadening the shareholder constituency.

Participation certificates and profit sharing certificates

As of the date of this Offering Circular, the Company has not issued any non-voting equity securities, such as participation certificates (*bons de participation*, *Partizipationsscheine*) or profit sharing certificates (*bons de jouissance*, *Genussscheine*).

Straight bonds, convertible bonds and options

As of the date of this Offering Circular, the Group has no outstanding straight bonds and bonds convertible into, or options to acquire, Shares.

Mergers

As of the date of this Offering Circular, the Company has neither agreed to nor executed any merger agreements.

Description of the Shares

Form and rank of the Shares

The Shares are registered shares with a nominal value of CHF 1.00 per Share. The Shares are fully paid-in. In accordance with the Articles of Association and the requirements of the clearing arrangements of SIS, the Shares will be issued in uncertificated form (*droits-valeur, Wertrechte*) and will become securities held with an intermediary (*titres intermédiaires, Bucheffekten*). The main register (*register principal, Hauptregister*) will be maintained by SIS. No share certificates and no global certificate will be issued, and share certificates will not be available for individual physical delivery. Shareholders may request from the Company a confirmation relating to their shareholdings in the Company.

The Shares rank *pari passu* in all respects with each other, including with respect of entitlements to dividends, to a share of the liquidation proceeds in the case of the liquidation of the Company, and to pre-emptive rights.

Voting rights

Each Share carries one vote at shareholders' meetings. Voting rights may be exercised only after a shareholder has been registered in the Company's share register as a shareholder with voting rights.

General meetings of shareholders

Under Swiss law, a general shareholders' meeting must be held within six months after the end of a company's preceding financial year. In the case of the Company, this means on or before 30 June of each year following the respective financial year.

Shareholders' meetings may be convened by the Board of Directors or, if necessary, by the Company's independent auditors. The Board of Directors is further required to convene an extraordinary shareholders' meeting if so resolved by a shareholders' meeting or if so requested by holders of Shares holding in aggregate at least 10% of the nominal share capital of the Company. Shareholders holding Shares with a nominal value of CHF 1 million or 10% of the nominal share capital have the right to request that a specific proposal be discussed and voted upon at the next shareholders' meeting. A shareholders' meeting is convened at least 20 days prior to such meeting by e-mail or written notice to the shareholders registered in the Company's share register.

There is no provision in the Articles of Association requiring a presence quorum for shareholders' meetings of the Company.

In Switzerland, shareholders resolutions generally require the approval of an absolute majority (*majorité absolue, absolute Mehrheit*) of the Shares represented at a shareholders' meeting. A resolution passed at a shareholders' meeting with a super-majority of at least two-thirds of the votes represented and the absolute majority of the nominal share capital represented at such meeting (*majorité qualifiée, qualifizierte Mehrheit*) is required for: (i) changes in a company's purpose; (ii) the creation of shares with privileged voting rights (*actions à droit de vote privilégié, Stimmrechtsaktien*); (iii) restrictions on the transferability of registered shares; (iv) an authorised or conditional increase in a company's share capital; (v) an increase in a company's share capital by way of capitalisation of reserves, against contribution in kind (*apports en nature, Sacheinlage*), for the acquisition of assets (*reprise de biens, Sachübernahme*) or involving the grant of special privileges; (vi) the restriction or elimination of pre-emptive rights (*droits de souscription préférentiels, Bezugsrechte*) of shareholders, (vii) a relocation of domicile or (viii) the dissolution of the company. Special quorum rules apply by law to a merger (*fusion, Fusion*), demerger (*scission, Spaltung*) or conversion (*transformation, Umwandlung*) of a company pursuant to the Swiss Federal Merger Act dated 3 October 2003, as amended (the "**Merger Act**").

The introduction or abolition of any provision in the Articles of Association of a company providing for a greater voting requirement than is prescribed by law or the existing Articles of Association of a company must be adopted by the same super-majority (*majorité qualifiée, qualifizierte Mehrheit*). The Articles of Association do not contain a provision relating to such super-majority.

A shareholders' meeting also has the power to vote by absolute majority on amendments to the Articles of Association, to elect the members of the Board of Directors and the independent auditors, to approve the annual report and the annual group accounts, to set the annual dividend and to discharge the directors from liability for matters disclosed to the shareholders' meeting. A shareholders' meeting, by an absolute majority, also has the power to order an independent investigation into specific matters proposed to the shareholders' meeting (*contrôle special, Sonderprüfung*).

Shareholders of the Company can be represented by proxy at shareholders' meetings by another person which does not need to be a shareholder, a representative by law, or a specially designated independent shareholder representative (*représentant indépendant, unabhängiger Stimmrechtsvertreter*).

Transfer of Shares, transfer restrictions and limitation of voting rights

Shares which are not represented by share certificates may only be transferred by way of assignment. For the validity of such an assignment, the Company must be notified. In cases not certificated shares are administered by a bank on behalf of the shareholder, a transfer may only be made with the involvement of said bank. In case of securities held with an intermediary (*titres intermédiaires, Bucheffekten*) transfer and collateralisation of Shares are governed exclusively by the FISA.

The Articles of Association provide a transfer limitation with regard to so-called nominees. Section 2.6 of the Articles of Association states that a person who has acquired registered shares will, upon application, be entered in the share register as shareholder with voting right, provided that he or she expressly states that he or she has acquired the shares concerned in his or her own name for his or her own account. Any person not providing such statement will be registered as nominee into the share register only if he or she declares in writing that he or she is prepared to disclose the name, address and shareholding of any person for whose account he or she is holding shares or he or she immediately discloses this information in writing upon first demand.

Shareholder's inspection rights

A shareholder may, upon application to the Company, inspect the minutes of the shareholders' meetings. In accordance with Swiss law, the Company makes its annual report and the auditors' report available for inspection by shareholders at the Company's registered address at least 20 days prior to each ordinary shareholders' meeting. Any shareholder may request a copy of these reports in advance of or one year after the shareholders' meeting. In addition, at a shareholders' meeting, a shareholder may request information from the Board of Directors concerning the business and operations of the Company and may request information from the auditors concerning the performance and results of their examination of the financial statements. The Company may refuse to provide that information to a shareholder if, in the Company's opinion, the disclosure of the requested information would reveal confidential secrets or infringe other protected interests of the Company.

Shareholder's rights to bring derivative actions

Under the CO, an individual shareholder may bring an action in the shareholder's own name, for the benefit of the Company, against the Company's directors, officers or liquidators, which seeks to allow the Company to recover any damages it has incurred due to the intentional or negligent breach by such directors, officers or liquidators of their duties.

Allocation of annual net profits

Dividends may be paid only if the Company has sufficient distributable profits or sufficient free reserves to allow the distribution of a dividend. Swiss law generally requires that at least 5% of the annual net profits of a holding company must be retained by the company as general reserves for as long as such reserves amount to less than 20% of the company's paid-in nominal share capital. Any net profits remaining are at the disposal of the shareholders' meeting. In addition, the distribution of dividends is dependent upon the Company's dividend policy, earnings, its financial condition, the condition of the markets, the general economic climate and other factors, including cash requirements, business prospects and tax, regulatory and other legal considerations. The allocation of the net profits of a company is approved at the shareholders' meeting. Under Swiss law, the proposal of the Board of Directors to distribute dividends requires the approval of the shareholders' meeting and must be based upon audited financial statements. See "Dividend Policy and Dividends—Legal considerations".

Dividends are usually due and payable not earlier than three days after the shareholders' resolution relating to the allocation of profits has been passed. The statute of limitations in respect of dividend payments is five years. For information about deduction of withholding taxes, see "Tax Considerations".

Pre-emptive rights

Under Swiss law, any share issue, whether for cash or non-cash consideration, is subject to the prior approval of the shareholders at a shareholders' meeting. Shareholders have certain pre-emptive rights (*droits de souscription préférentiels, Bezugsrechte and droits prioritaire de souscription, Vorwegzeichnungsrechte*) to subscribe for new issued shares, option bonds, convertible bonds, or similar debt instruments with option rights in proportion to the nominal amount of

shares held. A resolution adopted at a shareholders' meeting by a super-majority of at least two-thirds of the shares and the absolute majority of the nominal share capital represented at such meeting may limit or suspend pre-emptive rights in certain limited circumstances.

The pre-emptive rights of shareholders can be excluded under certain conditions by the Board of Directors in the event of an authorised capital increase pursuant to sections 2.2 or 2.3 of the Articles of Association (see "—Authorised Share capital").

Borrowing powers

Neither Swiss law nor the Articles of Association restrict the Company's power to borrow and raise funds in any way. The decision to borrow funds is made by or under direction of the Company's Board of Directors, no shareholders' resolution being required.

Conflicts of interests

Swiss law does not have a general provision on conflicts of interest. However, the CO contains a provision which requires directors and senior management to safeguard the interests of a company and, in this connection, imposes a duty of loyalty and duty of care on its directors and officers. The directors and officers are personally liable to the Company for breach of these provisions. In addition, Swiss law contains a provision under which payments made to a shareholder or a director or any person associated with them other than at arm's length must be repaid to the company if such shareholder or director was acting in bad faith. The DCG (see "SIX Swiss Exchange") also addresses conflict of interest issues. In addition, Swiss law contains provisions under which the members of the board of directors and all the persons engaged in the company's management are liable to the company, its shareholders and its creditors for damages caused by the intentional or negligent violation of their duties.

Pursuant to the Directive on Disclosure of Management Transactions (*Directive concernant la publicité des transactions du management, Richtlinie betreffend Offenlegung von Management-Transaktionen*), members of the board of directors and of the management of a company listed on SIX are required to report, inter alia, transactions they carried out directly or indirectly in shares, call and put options and conversion and similar rights with respect to shares to the company (see "SIX Swiss Exchange—Management Transactions"). The Company has adopted corresponding internal rules and regulations.

Repurchase of own Shares

Swiss law limits the right of the Company to purchase and hold its own Shares. The Company and its subsidiaries may purchase Shares only if and to the extent that (i) the Company has freely distributable reserves in the amount of the purchase price; and (ii) the aggregate nominal value of all Shares held by the Company does not exceed 10% of the Company's share capital (20% in specific circumstances).

Shares held by the Company or its subsidiaries are not entitled to vote at shareholder's meetings, but are entitled to the economic benefits, including dividends, applicable to the Shares generally. Furthermore, under Swiss law, upon the purchase of Shares, the Company must create a negative item under the shareholders' equity on its balance sheet to take account of the acquired Shares. In addition, selective Share repurchases are only permitted under certain circumstances; in particular, publicly announced repurchases of listed Shares are subject to certain restrictions promulgated by the Swiss Takeover Board (the regulatory board for takeover bids in Switzerland). Within these limitations, as is customary for Swiss companies, the Company may purchase and sell its own Shares from time to time in order to meet imbalances of supply and demand, to provide liquidity, and to even-out swings in the Shares market price.

Duration and liquidation

The Articles of Association do not limit the Company's duration. Under Swiss law, the Company may be dissolved at any time by a resolution of a shareholders' meeting which must be passed by a super-majority (see "General meetings of shareholders"). Any surplus arising out of liquidation (after the satisfaction of all creditors) must be used first to repay the nominal share capital of the Company. Thereafter, any balance must be distributed to shareholders in proportion to the paid-up nominal value of Shares held.

Notices

Notices to shareholders are validly made in writing (including telefax or e-mail) to the shareholders listed in the shareholders register. Publications are made in the Swiss Official Gazette of Commerce (*Feuille Officielle Suisse du Commerce*,

Schweizerisches Handelsamtsblatt). The Board of Directors may designate further means for official publications. Notices of the Company to the shareholders are made by the same means as for official publications of the Company. Notices required under the Listing Rules will be announced via the electronic media and, if required, published in electronic form on the website of SIX (www.six-exchange-regulation.com). In addition, the Company will publish a corporate calendar on its website.

Disclosure of principal shareholders

Under the Swiss Federal Act on Financial Market Infrastructures and the Market Behaviour in the Securities and Derivatives Trade of 19 June 2015 (*Loi sur l'infrastructure des marches financiers, Finanzmarktinfrastrukturgesetz*), as amended ("**FMIA**"), persons who directly, indirectly or acting in concert with third parties, acquire or sell for their own account shares or derivative instruments and thereby reach, exceed or fall below the respective thresholds of 3%, 5%, 10%, 15%, 20%, 25%, 33¹/₃%, 50% or 66²/₃% of the voting rights of a company listed on SIX must notify the company and SIX of such transactions within four trading days, whether or not the voting rights attributable to those shares can be exercised. Following receipt of such notification, the company must inform the public within two trading days.

Mandatory bid rules

Pursuant to the applicable provisions of the FMIA, if a person acquires shares of a Swiss listed company, whether directly or indirectly or acting in concert with third parties, which, when added to the shares already held by such person, exceed the threshold of 33¹/₃% of the voting rights (whether exercisable or not) of such company, that person must make a bid to acquire all of the listed shares of the company. The Articles of Association may either eliminate this provision of the FMIA or raise the relevant threshold to 49% ("opting-out" or "opting-up" respectively).

The Articles of Association contain an opting-out provision. According to section 2.7 of the Articles of Association, an acquirer of shares in the Company shall not be bound by the obligation to make a public takeover offer in accordance with articles 135 and 163 of the FMIA.

Cancellation of remaining equity securities and squeeze out merger

Under the FMIA, any offeror who has made a tender offer for the shares of a listed Swiss target company, and who, as a result of such offer, holds more than 98% of the voting rights of the target company, may petition the court to cancel the remaining equity securities. The petition must be filed against the target company within three months after the expiration of the offer period. The remaining shareholders may join in the proceedings. If the court orders cancellation of the remaining equity securities, the target company will reissue the equity securities and deliver such securities to the offeror against payment of the offer for the benefit of the holders of the cancelled equity securities.

Under the Merger Act, shareholders of the transferring company may be offered a settlement instead of shares in the surviving company if at least 90% of the shareholders of the transferring company who are entitled to vote give their consent.

Ownership of Shares by non-Swiss persons

Persons who are neither nationals of, nor resident in, Switzerland may freely hold, vote and transfer their shares in the same manner as Swiss residents or nationals under Swiss law.

Exchange control and other limitations

Other than in connection with government sanctions imposed on, or certain persons and organisations relating to Osama Bin Laden, the group Al-Qaeda or the Taliban, certain persons in connection with the assassination of Rafik Hariri, or certain countries such as Iraq, Myanmar (Burma), Zimbabwe, Sudan, the Democratic Republic of the Congo, Belarus, the Democratic Peoples' Republic of Korea (North Korea), Lebanon, the Islamic Republic of Iran, Somalia, Guinea, Eritrea, Libya, Syria, Guinea-Bissau, Central African Republic, Yemen, Burundi and the Republic of South Sudan and in relation to the prevention of the circumvention of international sanctions in connection with the situation in Ukraine, and there are currently no government laws, decrees or regulations in Switzerland that restrict the export or import of capital, including, but not limited to, Swiss foreign exchange controls on the payment of dividends, interest, liquidation proceeds or similar payments, if any, to non-resident holders of the Shares.

Remuneration Ordinance

“Minder Initiative” and implementing ordinance

To implement a constitutional amendment adopted by the Swiss electorate (the so-called “**Minder Initiative**”), the Swiss Federal Council enacted the Remuneration Ordinance on 20 November 2013 (see also “Board of Directors and Auditors—Compensation—Overview” on the Remuneration Ordinance). The Remuneration Ordinance entered into effect on 1 January 2014 and will remain valid for a transitional period until the Swiss parliament has adopted a formal statute. Currently, a draft of such statute is in preparation. Depending on the requirements of such statute, the Company may be required to amend the Articles of Association following its enactment. The summary below is based on the Remuneration Ordinance.

Severance pay, advance payments and transaction bonuses

The Remuneration Ordinance prohibits certain types of compensation payments to members of the board of directors and executive management of a Swiss listed company.

The Remuneration Ordinance broadly bars severance payments in any form. Furthermore, termination notice periods in employment contracts exceeding 12 months are viewed as a type of prohibited severance pay, as are employment contracts for a fixed duration exceeding one year. Non-compete covenants are generally not subject to the severance pay prohibition, unless they are, as a result of their terms, considered to be disguised severance payments.

The Remuneration Ordinance prohibits compensation paid in advance. The decisive element in distinguishing advance payments from permissible types of payments is the point in time at which the payment is made (advance payment vs. payment made after the relevant service has been rendered). Consequently, the prohibition applies to genuine prepayments of salary (i.e., if the contractual salary is paid in advance), but not to sign-on bonuses or payments to compensate the employee for (i) entitlements owed to such employee by its previous employer that such employee must forfeit upon change in employment, and/or (ii) expenses in connection with joining the new employer.

The Remuneration Ordinance also prohibits transaction bonuses.

Shareholder approval of board and executive compensation

According to the Remuneration Ordinance, the shareholders’ meeting shall vote on the compensation of the board of directors and the executive management. To this end, listed companies are required to set out the details of the vote on compensation in the articles of association. Listed companies have certain latitude regarding the implementation of this “say-on-pay” approval mechanism, subject to three conditions: the vote on compensation must be (i) held annually, (ii) binding, and (iii) separate for the members of the board of directors, on the one hand, and the members of the executive management, on the other hand. The articles of association may also determine the consequences in case of a negative vote of the shareholders on the compensation.

The Articles of Association of the Company specify the “say-on-pay” approval mechanism in compliance with these requirements (see “Board of Directors and Auditors—Compensation” and “Board of Directors and Auditors—Shareholdings, Loans and Transactions”).

Compensation report

The Remuneration Ordinance requires a listed company’s board of directors to prepare a written compensation report. In substance, the compensation report must disclose any compensation paid and loans and credits made during the most recently ended financial year to members of the board of directors and executive management and, to the extent not in line with market standards, to former members of the board of directors or executive management as well as to related parties of current and former members of the board of directors and executive management. The compensation paid and loans made to members of the board of directors must be disclosed on an aggregate and individual basis, whereas compensation paid to members of the executive management must only be disclosed on an aggregate basis, together with the name of, and amount received by, the executive who received the highest compensation.

Articles of Association

In addition to provisions on the “say-on-pay” as mentioned hereinabove, the Remuneration Ordinance states that a company’s articles of association must include provisions regarding (i) the maximum number of permissible activities

that the members of the board of directors and those of the executive management may carry out in the supreme governing bodies of other entities not controlling or controlled by the listed company, (ii) the maximum duration and maximum notice period of contracts providing for the compensation of members of the board of directors and of the executive management, and (iii) the duties and responsibilities of the company's compensation committee.

In addition, the following compensation may only be granted based on a provision in the company's articles of association setting out (i) the main principles applicable to performance-based compensation to be awarded to members of the board of directors and executive management, (ii) the main principles applicable to granting of equity securities and conversion and option rights to members of the board of directors and executive management, and (iii) limits on credits, loans and pension benefits outside the occupational pension system to be made or paid to members of the board of directors and executive management.

The Articles of Association of the Company comply with these requirements (see "Board of Directors and Auditors—Compensation" and "Board of Directors and Auditors—Shareholdings, Loans and Transactions").

Election of the members of the board of directors, the chairman of the board of directors, the members of the compensation committee and the independent proxy

The Remuneration Ordinance requires that the members of the board of directors, its chairperson, the members of the compensation committee and the independent proxy be elected by a company's shareholders' meeting individually and annually.

The Articles of Association of the Company comply with these requirements.

Independent proxy and electronic granting and instruction of proxies

The Remuneration Ordinance prohibits the representation of shareholders by corporate proxies (i.e., officers or other company representatives) and by proxies of deposited shares. The Remuneration Ordinance requires that the board of directors make sure that the shareholders are able to electronically grant proxies and instruct the independent proxy on both (i) agenda items included in the invitation to the ordinary shareholders' meeting and (ii) new motions which were not disclosed in the invitation to the ordinary shareholders' meeting. The independent proxy must exercise the voting rights granted by shareholders solely in accordance with shareholder instructions. Further, in the absence of express voting instructions, the independent proxy is required to abstain from voting.

Criminal provisions

Members of the board of directors and executive management who knowingly (*sciemment, wider besseres Wissen*) receive or grant impermissible compensation may be criminally sanctioned by imprisonment of up to three years and a fine of up to six annual salaries. In addition, the Remuneration Ordinance provides a catalogue of other offences that could be committed by the board of directors in connection with certain prohibited actions taken knowingly. These offences will be punishable by imprisonment or a fine.

SIX SWISS EXCHANGE

General Information

As of the date on which the listing of the Shares in accordance with the Standard for Real Estate Companies becomes effective, and for so long as any of the Shares remain listed on SIX, the Company will be subject to the Listing Rules and any additional regulations enacted by SIX.

SIX Swiss Exchange (formerly known as SWX Swiss Exchange AG) was founded in 1993 as the successor to the local stock exchanges in Zurich, Basel and Geneva. Full electronic trading in foreign equities and derivatives began in 1995. In 1996, SIX introduced full electronic trading in Swiss equities, derivatives and bonds. In 2008, SWX Swiss Exchange AG changed its name to SIX Swiss Exchange AG. In 2016, the aggregate trading volume of SIX for Swiss and foreign equity instruments was CHF 997,401 million.

A listing at SIX in accordance with the Standard for Real Estate Companies requires, inter alia, that (i) the articles of association of the issuer comply with the applicable law, (ii) the issuer's equity capital amounts to at least CHF 2.5 million, (iii) at the time of the listing, at least 20% of the issuer's outstanding securities in the same category are in public ownership and the capitalisation of those securities in public ownership amounts to a minimum of CHF 25 million, (iv) the issuer reports according to Swiss GAAP FER or IFRS, (v) the principles of the investment policy are laid down in the articles of association of the issuer and the details are included in a set of company regulations that may be obtained by anyone from the issuer and from its website and (vi) that the securities have been validly issued at the time of the listing. Furthermore, the Regulatory Board of SIX may require that a minimum level of investment is achieved by the time of the initial listing in cases where the principles of investment policy and the investment guidelines are formulated in open and imprecise terms. As of the Date of the Offering Circular, 15 issuers (of shares) were listed in accordance with the Standard for Real Estate Companies of SIX (source: SIX).

Trading System

Trading on SIX occurs through a fully integrated trading system covering the entire process from trade order through settlement. Trading in equity securities begins each business day at 9:00 am and continues until 5:30 pm Central European Time ("CET") or Central European Summer Time ("CEST") (as applicable). After the close of exchange trading, new orders can be entered or deleted until 10:00 pm CET or CEST (as applicable). From 6:00 am CET or CEST (as applicable) new entries and enquiries can be made until 9:00 am CET or CEST (as applicable). The system is not available between 10:00 pm and 6:00 am CET or CEST (as applicable). For the opening phase (starting at 9:00 am CET or CEST (as applicable)), the system closes the order book and starts opening procedures, it establishes the opening prices and determines orders to be executed according to the matching rules. Closing auctions are held to determine the daily closing price for all equity securities traded on SIX. At the start of the closing auction, the status of all equity order books changes from permanent trading to auction. The auction itself consists of a pre-opening period and the actual auction according to rules that are similar to the opening procedure.

Transactions take place through the automatic matching of orders. Each valid order of at least a round lot is entered and listed according to the price limit. A round lot of the shares is expected to consist of one share. In general, market orders (orders placed at best price) are executed first, followed by limit orders (orders placed at a price limit), provided that if several orders are listed at the same price, they are executed according to the time of entry. SIX may provide for a duty to trade on SIX in individual market segments. This duty obliges the participant, during trading hours, to execute orders on the order book only. The duty to trade on SIX for Mid-/Small-Cap equity shares shall not apply to (i) orders with a market price of CHF 200,000 or more, (ii) collective orders, if the market price of the order is CHF 1,000,000 or more, or (iii) portfolio orders. Members of SIX must observe the principle of best execution for any off-exchange transaction during the trading period. Transactions in shares effected by or through members of SIX are subject to a stock exchange levy. This levy includes the reporting fee and is payable per trade and participant. The fee is defined individually for each trading segment.

Banks and broker-dealers doing business in Switzerland are required to report all transactions in listed securities traded on SIX. Reporting occurs automatically for on order book transactions. Off-order book transactions during trading hours must be reported to SIX within 3 minutes. Transaction information is collected, processed and immediately distributed by SIX. Transaction outside trading hours must be reported no later than the next opening. SIX distributes a comprehensive range of information through various publications, including in particular the Swiss Market Feed. The Swiss Market Feed supplies SIX data in real time to all subscribers as well as other information providers such as SIX Financial Information AG and Reuters.

A quotation may be suspended by SIX if large price fluctuations are observed, or if important, price-sensitive information is about to be disclosed, or in other situations that might endanger fair and orderly trading. Surveillance and monitoring is the responsibility of SIX as the organiser of the market. The aim of such self-regulation is to ensure transparency, fair trading and an orderly market.

Clearing, Payment and Settlement

Clearing and settlement of securities listed on SIX is made through SIS.

Delivery against payment of exchange transactions usually occurs two trading days after the trade date.

DCG

With respect to corporate governance, two sets of rules were introduced in Switzerland: in 2002 (with amendments in 2007 and 2014) the Swiss Code of Best Practice for Corporate Governance (the “**Swiss Code**”) issued by *economiesuisse*, the largest umbrella organisation representing Swiss business establishments, and the DCG (as defined above), whose current revised version entered into force on 1 April 2016. The Swiss Code is non-binding and recommends good corporate standards in line with international business practice on a comply-or-explain basis. The DCG is binding for all issuers whose equity securities have their primary or main listing on SIX and requires these companies to disclose important information on the management and control mechanisms at the highest corporate level or to give specific reasons why this information is not disclosed. In addition, certain requirements on corporate governance were recently introduced by the Remuneration Ordinance (see “Description of the Share Capital and the Shares—Remuneration Ordinance”).

Management Transactions

The revised Directive on the Disclosure of Management Transactions (the “**DMT**”) entered into force on 1 April 2013. The DMT applies to all issuers whose equity securities have their primary listing on SIX. The DMT requires each issuer to ensure that members of its board of directors and management committees disclose transactions they have made in the securities of such issuer. Under the DMT, the relevant member of the board of directors or management committee must disclose any such transaction to the issuer, and the issuer must subsequently publish such transactions on SIX’s website. The transactions appear on a no-names basis on SIX’s website.

TAX CONSIDERATIONS

The following is a general summary of certain tax consequences of the acquisition, ownership and disposition of Offered Shares based on Swiss tax laws and regulations in force on the date of this Offering Circular. Tax consequences are subject to changes in applicable law, including changes that could have a retroactive effect. This is not a complete analysis of the potential tax effects relevant to a decision to invest in Offered Shares nor does the following summary take into account or discuss the tax laws of any jurisdiction other than Switzerland. It also does not take into account investors' individual circumstances. This summary does not purport to be a legal opinion or to address all tax aspects that may be relevant to any particular holder of Offered Shares.

Investors are urged to consult their own tax advisors as to tax consequences of the acquisition, ownership and disposition of Offered Shares. Tax consequences may differ according to the provisions of different tax treaties (see below) and the investor's particular circumstances.

Swiss federal withholding tax

Dividends and distributions made by the Company on Offered Shares (but not repayment of nominal value and distributions from paid-in capital and from other contributions made by shareholders to the reserves of the Company (*apports de capital, Reserven aus Kapitaleinlagen*)) ("**Dividends**") are, with their gross amount, subject to Swiss federal withholding tax (*impôt anticipé, Verrechnungssteuer*) at a rate of 35 per cent. The Company is required to deduct the tax from the Dividends and remit the tax to the Swiss Federal Tax Administration.

The Swiss federal withholding tax is refundable in full to Resident Private Shareholders (as defined below) and Domestic Commercial Shareholders (as defined below), who, as a condition to the refund, *inter alia*, duly report their Dividends in their individual income tax returns as income or recognise the Dividends in their income statements as earnings, as applicable.

A Non-Resident Shareholder (as defined below) may be entitled to a partial or full refund of the Swiss federal withholding tax if his or her country of residence has entered into a double tax treaty with Switzerland and the conditions of such treaty are met. Such shareholders should be aware that the procedures for claiming treaty benefits (and the time required for obtaining a refund) may differ from country to country.

Swiss federal stamp taxes

The Swiss federal issuance stamp tax (*droit d'émission, Emissionsabgabe*) of 1 per cent on the issuance of the Offered Shares will be borne by the Company. There will be no Swiss federal securities turnover tax (*droit de négociation, Umsatzabgabe*) on the Offered Shares provided that the Offered Shares sold in the market and the Existing Shares sold in the market will be traded via separate accounts by the Sole Bookrunner. The transfer of old Shares might be subject to Swiss federal securities turnover tax (*droit de négociation, Umsatzabgabe*).

Dealings in Offered Shares (secondary market) may be subject to Swiss federal securities turnover tax of up to 0.15 per cent and to SIX turnover fee (including the Swiss Financial Market Supervisory Authority FINMA surcharge), both calculated on the consideration paid, however, only if a Swiss securities dealer (as defined in the Swiss Federal Stamp Tax Act) is a party or an intermediary to the transaction and, additionally, if no exemption applies.

Swiss federal, cantonal and communal income taxes

Non-Resident Shareholders

Shareholders who are not resident in Switzerland for tax purposes, and who, during the respective taxation year, have not engaged in a trade or business carried on through a permanent establishment or a fixed place of business situated in Switzerland for tax purposes ("**Non-Resident Shareholders**"), are in respect of Offered Shares generally not subject to Swiss federal, cantonal and communal income tax (as concerns Swiss federal withholding tax on dividends see above "Swiss federal withholding tax").

Resident Private Shareholders

Individuals resident in Switzerland who hold their Offered Shares as private assets (“**Resident Private Shareholders**”) are required to include dividends (including Dividends) in their personal income tax return and are subject to Swiss federal, cantonal and communal income tax on any net taxable income for the relevant taxation period. A gain or a loss realised on the sale or other disposition of Offered Shares is generally a tax-free private capital gain or a non-tax-deductible private capital loss, respectively.

Domestic Commercial Shareholders (including individuals classified as “professional securities dealers”)

Corporate entities and individuals who hold Offered Shares as part of a trade or business in Switzerland (“**Domestic Commercial Shareholders**”), in the case of residents abroad, carried on through a permanent establishment or a fixed place of business in Switzerland, are required to recognise any Dividends and other distributions (irrespective of their classification; as concerns the classification see above “Swiss federal withholding tax”) received on, and any capital gains or losses realised on the sale or other disposition of, Offered Shares in their financial statements for the respective taxation period and are taxable on any net taxable profit for such period. This taxation treatment also applies to Swiss-resident individuals who, for income tax purposes, are classified as “professional securities dealers” for reasons of, *inter alia*, frequent dealing and leveraged investments in securities.

Corporate entities may be eligible for participation relief (*réduction pour participations, Beteiligungsabzug*) in respect of Dividends and other distributions (irrespective of their classification; see in this regard above “—Swiss federal withholding tax”) if the Offered Shares held by them as part of a Swiss business (i) reflect a participation in the share capital of the Company of at least 10% or allow for at least 10% of the profit and reserves of the Company or (ii) have an aggregate market value of at least CHF 1 million. Corporate taxpayers may also be eligible for participations relief in respect of capital gains realised upon the disposal of Offered Shares, if the Offered Shares sold during the tax period (i) reflect a participation in the share capital of the Company of at least 10% or allow for at least 10% of the profit and reserves of the Company and (ii) were held for at least one year.

Swiss cantonal and communal wealth tax and capital tax

Holders of Offered Shares who are Resident Private Shareholders or individuals that are Domestic Commercial Shareholders are required to report Offered Shares as part of their private wealth or as part of their Swiss business assets, as the case may be, and are subject to annual cantonal and communal private wealth tax on any net taxable wealth (including the Offered Shares). No wealth tax is levied at federal level.

Corporate Domestic Commercial Shareholders are required to report Offered Shares as part of their assets in their financial statements and are subject to cantonal and communal capital tax on net taxable equity. No capital tax is levied at federal level.

In principle, Holders of Offered Shares who are Non-Resident Shareholders are not subject to Swiss cantonal and communal private wealth tax or capital tax. However, non-Swiss resident commercial Shareholders holding Offered Shares as part of a Swiss permanent establishment are required to report Offered Shares as part of their Swiss business assets and are subject to cantonal and communal wealth or capital tax on net taxable equity allocable to Switzerland.

Automatic Exchange of Information

On 1 January 2017 the legal foundations for introducing the automatic exchange of information (“**AEOI**”) entered into force. Since then, Switzerland has been collecting data which will be exchanged for the first time from 2018 with the countries of the European Union, Australia, Canada, Guernsey, Isle of Man, Iceland, Japan, Jersey, Norway and South Korea. In 2019, the AEOI will be extended to other countries.

The information transmitted under the AEOI serves to identify the beneficial owners of the respective accounts and includes account and tax identification numbers, as well as the names, addresses and dates of birth of taxpayers abroad with an account in a country other than the country of origin, all types of income and account balances. The AEOI applies to both natural persons and legal entities.

As a consequence of the AEOI, the former treaties on foreign final withholding taxes between Switzerland and the United Kingdom and Austria were repealed as of 1 January 2017.

The exchange of information between Switzerland and the United States of America is not governed by the AEOI, but by the Foreign Account Tax Compliance Act (FATCA).

US Taxation

The following is a summary of certain of the US federal income tax consequences of the acquisition, ownership and disposition of Shares by a US Holder (as defined below). This summary is based upon the US Internal Revenue Code of 1986, as amended (the “Code”), Treasury Regulations promulgated (and in certain cases, proposed) thereunder, judicial decisions, and the current administrative rules, practices and interpretations or law of the US Internal Revenue Service (“IRS”), all as in effect on the date of this Offering, and all of which are subject to change and differing interpretations, possibly with retroactive effect.

This summary is only a general discussion and is not intended to be, and should not be construed as, legal or tax advice to any prospective investor. In addition, this summary does not discuss all aspects of US federal income taxation that may be relevant to a US Holder in light of such person’s particular circumstances, including certain holders of Shares that may be subject to special treatment under the Code (for example, persons that (i) are tax-exempt organisations, qualified retirement plans, individual retirement accounts and other tax-deferred accounts; (ii) are financial institutions, insurance companies, grantor trusts, real estate investment trusts, regulated investment companies, or brokers, dealers or traders in securities; (iii) own Shares as part of a straddle, hedging, conversion transaction, constructive sale or other arrangement involving more than one disposition; (iv) are expatriates or other former long-term residents of the United States; (v) own (or are deemed to own) 10 per cent or more (by voting power or value) of the stock of the Company; and (vi) hold Shares other than as capital assets or do not use the US dollar as their functional currency). Moreover, this summary does not include any discussion of state, local or foreign income, estate, gift or other tax consequences, nor does it address the Medicare tax on net investment income, the alternative minimum tax or the US federal gift and estate tax consequences of the acquisition, holding or disposition of Shares.

As used herein, the term “US Holder” means a beneficial owner of Shares that is, for US federal income tax purposes: (i) a citizen or individual resident of the United States; (ii) a corporation created or organised in or under the laws of the United States or any State thereof (including the District of Columbia); (iii) an estate, the income of which is subject to US federal income tax without regard to its source; or (iv) a trust if a court within the United States is able to exercise primary supervision over the administration of the trust and one or more US persons have the authority to control all substantial decisions of the trust, or the trust has elected to be treated as a domestic trust for US federal income tax purposes.

The summary of US federal income tax consequences set out below applies to US Holders and is for general information only. US Holders are urged to consult their own tax advisors as to the particular tax consequences to them of owning the Shares including the applicability and effect of state, local, non-US and other tax laws and possible changes in tax law.

THE COMPANY EXPECTS TO BE TREATED, FOR US FEDERAL INCOME TAX PURPOSES, AS A “PASSIVE FOREIGN INVESTMENT COMPANY” OR “PFIC” FOR THE CURRENT TAXABLE YEAR AND FOR FUTURE TAX YEARS. POTENTIAL US INVESTORS SHOULD REVIEW THE DISCUSSION UNDER “PFIC CONSIDERATIONS” BELOW.

THE US FEDERAL INCOME TAX CONSEQUENCES RELATING TO THE ACQUISITION, OWNERSHIP AND DISPOSITION OF SHARES ARE COMPLEX AND POTENTIALLY HIGHLY UNFAVOURABLE TO US HOLDERS. ACCORDINGLY, EACH POTENTIAL US INVESTOR IS STRONGLY URGED TO CONSULT HIS, HER OR ITS OWN TAX ADVISOR WITH RESPECT TO THE US FEDERAL, STATE, LOCAL AND FOREIGN INCOME, ESTATE, GIFT AND OTHER TAX CONSEQUENCES OF THE ACQUISITION, OWNERSHIP AND DISPOSITION OF SHARES, WITH SPECIFIC REFERENCE TO SUCH HOLDER’S PARTICULAR CIRCUMSTANCES.

General Taxation on Distributions

Subject to the discussion below under “—PFIC Considerations”, a US Holder that receives a distribution, including a constructive distribution, of cash or property with respect to the Shares generally will be required to include the amount of such distribution in gross income as dividend income (without reduction for any foreign income tax withheld from such distribution) to the extent of the current or accumulated “earnings and profits” of the Company, as determined under US federal income tax principles. Such dividends will not be eligible for the dividends received deduction generally allowed to corporate US Holders nor will such dividends be treated as “qualified dividends” so long as the Company is treated as a PFIC. Subject to the discussion below under “—PFIC Considerations”, to the extent that a distribution exceeds the current and accumulated “earnings and profits” of the Company, such distribution will be treated (a) first,

as a tax-free return of capital to the extent of a US Holder's tax basis in the Shares, causing a reduction in the US Holder's adjusted basis of the Shares, and (b) thereafter, as capital gain from the sale or exchange of Shares (as discussed below). However, since the Company does not maintain its financial books and records in accordance with US tax principles, US Holders should assume that any distribution by the Company with respect to the Shares will constitute ordinary dividend income.

Any dividend paid in a currency other than the US dollar will be included in the gross income of a US Holder in an amount equal to the US dollar value of such currency on the date the dividend is actually or constructively received. The amount of any distribution of property other than cash will be the fair market value of such property on the date of distribution. If a distribution that is made in a currency other than the US Dollar is converted into US dollars on the date of receipt, a US Holder receiving such distribution generally should not be required to recognise foreign currency gain or loss in respect of such distribution. A US Holder may have foreign currency gain or loss if the amount of such distribution is converted into US dollars on a date other than the date of receipt. Any gain or loss realised by a US Holder on such conversion will be treated as US source ordinary income or loss.

Dividends received by a US Holder with respect to Shares will be treated as foreign source income, which may be relevant in calculating such US Holder's foreign tax credit limitation, if any. A US Holder who does not elect to claim a foreign tax credit may instead claim a deduction in respect of foreign income taxes paid during the taxable year provided the US Holder elects to deduct (rather than credit) all foreign income taxes for that year. The limitation on foreign taxes eligible for credit is calculated separately with respect to specific classes of income. For this purpose, dividends distributed by the Company generally will constitute "passive income". The rules relating to computing foreign tax credits or deducting foreign taxes are extremely complex and US Holders are encouraged to consult their own tax advisors regarding the availability of foreign tax credits under their particular circumstances.

Sale or other disposition

Subject to the discussion below under "**PFIC Considerations**", a US Holder will generally recognise gain or loss on the sale or other taxable disposition of Shares in an amount equal to the difference, if any, between (a) the amount of cash plus the fair market value of any property received, determined on (i) the date of receipt of payment in the case of a cash basis US Holder and (ii) the date of such sale or other disposition in the case of an accrual basis US Holder, and (b) such US Holder's adjusted tax basis in the Shares sold or otherwise disposed of. Any such gain or loss generally will be treated as a capital gain or loss, which will be a long-term capital gain or loss if the Shares are held by such US Holder for more than one year. The deductibility of capital losses is subject to significant limitations. Gain or loss recognised by a US Holder on the sale or other taxable disposition of Shares generally will be treated as "United States source" for purposes of applying the US foreign tax credit rules. A cash basis US Holder or an electing accrual basis US Holder that receives payment in a currency other than the US dollar upon the sale or other disposition of the Shares will realise an amount equal to the US dollar value of such currency on the settlement date if Shares are treated as traded on an "established securities market". Any other US Holder generally will determine the amount realised by reference to the US dollar value of such currency on the date of sale and will have additional ordinary foreign exchange gain or loss attributable to the movement in exchange rates between the date of sale and the settlement date. Any gain or loss realised by a US Holder on a subsequent conversion of the currency for a different amount generally will be ordinary foreign currency gain or loss. The initial tax basis of Shares to a US Holder will be the US dollar value purchase price determined on the date of purchase. If the Shares are treated as traded on an "established securities market", a cash basis US Holder or an electing accrual basis US Holder will determine the US dollar value of the cost of such Shares by translating the amount paid at the spot rate of exchange on the settlement date of purchase. The conversion of US dollars to a non-United States currency and the immediate use of such currency to purchase Shares generally will not result in taxable gain or loss for a US Holder.

PFIC Considerations

The Company believes it is currently a PFIC and will continue to be a PFIC in future years. The balance of this section is based on the presumption that the Company will be a PFIC.

A non-US corporation will be a PFIC for US federal income tax purposes for any taxable year if either:

- (a) 75 per cent or more of its gross income for such year is "passive income" which for this purpose generally includes dividends, interest, royalties, rents and gains from commodities and securities transactions and gains from assets that produce passive income (the "**Income Test**"); or
- (b) 50 per cent or more of the value of its gross assets (based on an average of the quarterly values of the gross assets) during such year is attributable to assets that produce passive income or are held for the production of passive income (the "**Asset Test**").

For this purpose, a corporation will be treated as owning its proportionate share of the assets and earning its proportionate share of the income of any other corporation in which the corporation owns, directly or indirectly, at least 25 per cent (by value) of the stock. A separate determination with respect to the Asset Test and Income Test after the close of each taxable year must be made by the Company to determine whether it was a PFIC for that year. Based upon the Company's income and assets, the Company expects to be treated as a PFIC for the current and future taxable years.

For each taxable year that the Company is treated as a PFIC with respect to a US Holder, such US Holder will be subject to special tax rules with respect to any "**excess distribution**" that it receives and any gain realised from a sale or other disposition (including a pledge) of the Shares, unless such US Holder makes a "qualified electing fund" ("**QEF**") election or a "mark-to-market" election as discussed below.

Distributions received in a taxable year that are greater than 125 per cent of the average annual distributions received during the shorter of the three preceding taxable years or a US Holder's holding period for the Shares will be treated as an excess distribution. Under these special tax rules:

- (a) the excess distribution or gain will be allocated ratably over a US Holder's holding period for the Shares;
- (b) the amount allocated to the current taxable year, and any taxable years in a US Holder's holding period prior to the first taxable year in which the Company was a PFIC, will be treated as ordinary income; and
- (c) the amount allocated to each other taxable year will be subject to the highest tax rate in effect for individuals or corporations, as applicable, for each such year and the interest charge generally applicable to underpayments of tax will be imposed on the resulting tax attributable to each such year.

The tax liability for amounts allocated to taxable years prior to the year of disposition or excess distribution cannot be offset by any net operating losses for such years, and gains (but not losses) realised on the sale of the Shares cannot be treated as capital gains, even if the Shares are held as capital assets.

In addition, the Company's subsidiaries will likely also be treated as PFICs ("**lower-tier PFICs**"). In that case, a US Holder may be deemed to own shares in such lower-tier PFIC that are directly or indirectly owned by the Company in that proportion which the value of the Shares such US Holder owns bears to the value of all of the Company's Shares, and such US Holder may be subject to the adverse tax consequences described above with respect to the shares of any such lower-tier PFIC that such US Holder would be deemed to own. US Holders are strongly urged to consult their tax advisors regarding the application of the PFIC rules to the Company's subsidiaries.

A US shareholder in a PFIC may avoid taxation under the rules described above by making a QEF election to include in income its share of the corporation's income on a current basis. US Holders may make a QEF election with respect to their Shares only if the Company furnishes them annually with certain tax information with respect to the Company. As the Company does not expect to provide US Holders with the required information, prospective investors should assume that a QEF election will not be available.

A US Holder of "marketable stock" (as defined below) in a PFIC may make a mark-to-market election for such stock to elect out of the tax treatment discussed above. If a US Holder makes a mark-to-market election for its Shares, such US Holder will include in income for each year that the Company is treated as a PFIC an amount equal to the excess, if any, of the fair market value of the Shares as of the close of such US Holder's taxable year over its adjusted basis in such Shares. A US Holder will be allowed a deduction for the excess, if any, of the adjusted basis of the Shares over their fair market value as of the close of the taxable year. However, deductions will be allowable only to the extent of any net mark-to-market gains on the Shares included in their income for prior taxable years. Amounts included in income under a mark-to-market election, as well as gain on the actual sale or other disposition of the Shares, will be treated as ordinary income. Ordinary loss treatment will also apply to the deductible portion of any mark-to-market loss on the Shares, as well as to any loss realised on the actual sale or disposition of the Shares, to the extent that the amount of such loss does not exceed the net mark-to-market gains previously included for such Shares. A US Holder's basis in the Shares will be adjusted to reflect any such income or loss amounts. The tax rules that apply to distributions by corporations which are not PFICs would apply to distributions by the Company, except that the lower capital gains rate applicable to qualified dividend income (as defined in the Code) would not apply.

The mark-to-market election is available only for "marketable stock", which is stock that is "regularly traded" on a "qualified exchange" as defined in applicable Regulations. "Regularly traded", in general, means that the Shares are (A) traded on a qualified exchange and (B) traded in more than de minimis amounts for 15 or more days during each calendar quarter. The Company expects that the Shares to be listed on the Six Swiss Exchange. A "qualified exchange" includes any foreign exchange that is regulated by a government authority in the jurisdiction in which the exchange is located

and in respect of which certain other requirements are met. Although the Six Swiss Exchange is likely to constitute a “qualified exchange or other market” based on these Regulations, the question is factual, and there is no specific authority that designates the Six Swiss Exchange as a “qualified exchange”. Even assuming the Six Swiss Exchange is a qualified exchange for these purposes, the Company can give no assurance that its Shares will be regularly traded. Because a mark-to-market election cannot be made for equity interests in any lower-tier PFICs that the Company owns, a US Holder may continue to be subject to the PFIC rules with respect to its indirect interest in any investments held by the Company that are treated as an equity interest in a PFIC for US federal income tax purposes. US Holders should consult their tax advisors as to the availability and desirability of a mark-to-market election, as well as the impact of such election on interests in any lower-tier PFICs.

Holders of PFIC stock are also subject to additional information reporting rules. If a US holder owns ordinary shares during any year in which the Company is a PFIC, the US holder generally will be required to file an IRS Form 8621 (Information Return by a Shareholder of a PFIC or Qualified Electing Fund) with respect to the Company, generally with the US holder’s federal income tax return for that year.

Backup withholding and information reporting

US information reporting requirements and backup withholding tax generally apply to certain payments to certain non-corporate holders of Shares. Information reporting generally will apply to payment of dividends on, and to proceeds from the sale or redemption of, Shares by a paying agent within the United States, and by certain paying agents outside the United States, to a holder of Shares (other than an “exempt recipient”, which includes corporations, payees that are not US Holders that provide appropriate certifications, and certain other persons). A paying agent or other intermediary within the United States, and certain paying agents and intermediaries outside the United States, generally will be required to withhold, at a rate of 28 per cent on any payment of dividends with respect to, and on the proceeds from the sale or redemption of, Shares within the United States to a US Holder (other than a corporation or other exempt recipient) if such person fails to furnish its correct taxpayer identification number or otherwise fails to comply with the backup withholding requirements.

Backup withholding is not an additional tax. Any amounts withheld under the backup withholding rules from a payment to a US Holder generally may be refunded (or credited against such US Holder’s US federal income tax liability, if any) provided the required information is furnished to the IRS. US Holders should consult their tax advisors as to the application of US information reporting and backup withholding and their qualification for exemption from backup withholding and the procedure for obtaining such an exemption. If information reporting requirements apply to a US Holder, the amount of dividends paid with respect to, and the gross proceeds from the sale or redemption of, such Shares will be reported annually to the IRS and such US Holder.

Foreign Asset Reporting

Certain US holders who are individuals (and certain specified entities) are required to report information with respect to investments in the Shares not held through an account with a domestic financial institution by filing IRS Form 8938 (Statement of Specified Foreign Financial Assets) with their federal income tax return. US Holders that fail to report required information could become subject to substantial penalties. Potential US investors are encouraged to consult with their own independent tax advisors about these and any other reporting obligations arising from their proposed investment in the Shares.

THE OFFERING

General

This is an offering of up to [●] Offered Shares which are being sold by the Company. The Offered Shares will be issued by way of an ordinary capital increase against cash contributions representing up to [●]% of the total issued share capital after the Offering. The Offering consists of (i) a public offering in Switzerland, and (ii) private placements in certain jurisdictions outside of Switzerland and outside of the United States of America, in each case in accordance with applicable securities laws and in reliance on Regulation S and on the basis of exemptions provided by the Prospectus Directive (as defined below).

The Offering comprises the Rights Offering and the Share Offering as described herein. In the Rights Offering, the Rights will be allotted to eligible holders of Existing Shares at a ratio of one (1) Right for each Existing Share held on the Record Date. Rights will be transferable but not tradable. Holders of Rights will be entitled, subject to the terms set out in this Offering Circular, to subscribe for Offered Shares in the ratio of one Offered Share for [●] Rights held, at the Offer Price.

In the Share Offering, a maximum of [●] newly issued Shares will be sold by the Company. The exact number of Offered Shares in the Share Offering depends on the Rights that are not or not validly exercised. The Offered Shares will be issued in a capital increase against cash contributions on the basis of a resolution of the extraordinary shareholders' meeting of the Company held on [8] December 2017. The actual capital increase is expected to take place on the day prior to the First Day of Trading. The Offered Shares will be subscribed by the Sole Bookrunner at the nominal value of CHF 1.00 in anticipation of their sale in the Offering at the Offer Price pursuant to the Subscription and Purchase Agreement.

Transfer and Offering Restrictions

No action has been, or will be, taken in any jurisdiction other than Switzerland where action for that purpose is required, which would permit a public offering of the Offered Shares or the possession, circulation or distribution of this Offering Circular or any material relating to the Offered Shares offered hereby. Accordingly, the Offered Shares may not be offered or sold, directly or indirectly, and neither this Offering Circular nor any other offering material or advertisements in connection with the Offered Shares may be distributed or published, in or from any country or jurisdiction, except under circumstances that will result in compliance with any applicable rules and regulations of any such country or jurisdiction.

Expected Timetable of Principal Events

Record date for entitlement to Rights	[●] December 2017, after close of trading on SIX
Start of Rights Exercise Period and start of Share Offering Period . . .	[●] December 2017
End of Rights Exercise Period	[●] January 2018, at 12:00 noon (CET)
End of Share Offer Period	[●] January 2018, at 16:00 (CET)
Publication of final number of Offered Shares sold in the Offering by media release and in the Supplement.	[●] January 2018
Listing; First Day of Trading	[●] January 2018
Book-entry delivery of the Offered Shares against payment of the Offer Price	[●] January 2018

The Company and the Sole Bookrunner reserve the right to extend or end the offer period earlier, without any prior notice, at any time and for any reason. Any such change may result in further timetable changes.

Offered Shares and Offer Price

The Shares are fully paid-in registered shares (*actions nominatives, Namenaktien*) of the Company with a nominal value of CHF 1.00 each.

The Offer Price is CHF [●] per Offered Share, whereas the Offer Price shall correspond to the estimated Net Asset Value per Share on [●] January 2018 plus transaction costs. The Board of Directors determined the Offer Price as well as the subscription ratio on [8] December 2017. The allocation of the Offered Shares not subscribed by existing shareholders will be determined by the Company and the Sole Bookrunner on the basis of demand for the Offered Shares during the offer period and general market conditions. The final number of Offered Shares sold in the Offering is expected to be published by media release and in the Supplement on or about [●] January 2018.

Rights Offering

Subject to the satisfaction of certain conditions, the Offered Shares will be subscribed by the Sole Bookrunner at the nominal value of CHF 1.00 with an undertaking to deliver them on behalf of the Company to holders of Rights duly exercising their respective Rights, except for shareholders who are subject to certain restrictions of applicable securities laws, who will not be permitted to exercise their respective Rights.

Allotment of Rights

[●] December 2017 after close of trading, which is the Record Date. Allocation of Rights and notification to holders of Existing Shares will be made through a depositary bank, custodian or other financial intermediary (*banque de dépôt, Depotbanken*) through which they will hold their Existing Shares.

The Subscription and Purchase Agreement entitles the Sole Bookrunner to terminate the Offering in certain limited circumstances prior to the Closing Date.

Exercise of Rights

Holders of Rights must subscribe for Offered Shares according to the instructions of the depositary bank (*banque de dépôt, Depotbank*), custodian or other financial intermediary. The exercise of Rights is irrevocable and may not be withdrawn, cancelled or modified. Rights not duly exercised prior to the end of the Rights Exercise Period (including where, in accordance with the terms of this Offering Circular, the holder of such Rights is not permitted to exercise such Rights) will lapse and any holder thereof will not receive any compensation in respect of any such unexercised Rights. Offered Shares for which Rights were not exercised or not or not validly exercised, irrespective of the reason, i.e. whether due to eligible shareholders not exercising their Rights, ineligibility to exercise Rights because of Selling Restrictions, fractions or otherwise, are included in the Share Offering (as described below). Rights may only be exercised in integral multiples of the Subscription Ratio.

Rights Exercise Period

[●] January 2018, 12:00 (CET). Rights not exercised or not validly exercised by such time (including where, in accordance with the terms set out in this Offering Circular, the holder of such Rights is not permitted to exercise such rights) will expire without the right to any compensation. The exercise of Rights is irrevocable and may not be withdrawn, cancelled or modified. Offered Shares may only be acquired in lots of one entire Share. Holders of excess Rights cannot acquire additional Rights in an organised market in order to acquire Offered Shares and cannot sell their excess Rights in an organised market. These Rights will be used by the Board of Directors for selling Offered Shares to investors in the market in the Share Offering.

No trading of Rights

The Rights are not eligible for trading in the market.

Share Offering

In the Share Offering, the Offered Shares which have not been taken up in the Rights Offering and the Shares to be sold by the Selling Shareholders may be offered at the Offer Price in a public offering in Switzerland and in private placements to investors outside Switzerland and the United States.

Share Offering Period

The Share Offering commences on [●] December 2017 and ends 16:00 (CET) on [●] January 2018. The Company and the Sole Bookrunner reserve the right to extend or shorten the Share Offering Period or terminate the Offering, without any prior notice, at any time and for any reason.

Selling Agents

The following companies act as selling agents (the “Selling Agents”) in connection with the Offering:

- Real Estate Investment Solutions AG, Gubelstrasse 19, 6300 Zug, Switzerland
- Stoneweg SA, boulevard Georges-Favon 8, 1204 Geneva, Switzerland
- Swiss Finance & Property AG, Untermüli 7, 6300 Zug, Switzerland
- Neu Gut Beratungen GmbH, Seestrasse 119, 8806 Bäch SZ, Switzerland

The Selling Agents facilitate, with respect to their clients, the exercise of the Rights or the sale of Offered Shares in the Offering. The Selling Agents are neither entitled and nor obliged to underwrite, purchase or sell Offered Shares, regardless of whether such Offered Shares are offered and sold to clients of the respective Selling Agent.

Underwriting

It is envisaged that under the terms and subject to the conditions contained in the Subscription and Purchase Agreement, the Sole Bookrunner will purchase from the Company up to the number of Offered Shares shown in the following table.

The following table shows the maximum number of Shares to be purchased by the Sole Bookrunner, the total number of Offered Shares, and the respective percentages of the Offered Shares and the total outstanding Shares after the Offering:

	Shares	Percentage of total number of Offered Shares	Percentage of Shares and voting rights after the Offering
Offered Shares purchased by Bank Vontobel AG, Gotthardstrasse 43, Zurich, Switzerland	[●]	100%	[●]%
Total number of Offered Shares	[●]	100%	[●]%

The Subscription and Purchase Agreement will provide that Sole Bookrunner purchases the Offered Shares from the Company at the Offer Price, less commissions, which may be deducted from the proceeds of the Offering. The Sole Bookrunner will immediately allocate and sell the respective Shares to the prospective investors. The Sole Bookrunner is expected to hold the Offered Shares for a maximum of 3 business days. The Company is expected to agree that the Swiss federal issuance stamp tax (*droit de timbre d'émission, Emissionsabgabe*) on the Offered Shares will be borne by the Company.

The Company is expected to agree to pay, amongst other expenses, the costs associated with the publication and distribution of this Offering Circular, certain legal expenses of the Company and the Sole Bookrunner, costs of the accountants and other advisors retained by the Company, costs associated with the delivery of the Offered Shares, and all fees and expenses incurred in connection with the listing of the Offered Shares on SIX.

It is envisaged that the Subscription and Purchase Agreement will further provide that the obligations of the Sole Bookrunner are subject to certain conditions precedent, including the absence of any material adverse effect in the Group's business. The Sole Bookrunner is also expected to have the right to terminate the Subscription and Purchase Agreement upon the occurrence of certain events.

It is envisaged that the Company will make certain representations and warranties and will indemnify the Sole Bookrunner against certain liabilities in connection with the Offering, including liabilities under applicable securities laws, as set out in the Subscription and Purchase Agreement.

Share Capital of the Company after the Offering

The issued and outstanding share capital of the Company upon completion of the Offering will depend on the number of Offered Shares sold in the Offering. Assuming that all [●] Offered Shares are sold in the Offering, the issued and outstanding share capital of the Company will consist of [●] Shares. The up to [●] Offered Shares will represent up to [●]% of the issued and outstanding share capital of the Company, as recorded in the commercial register upon completion of the Offering. All of the issued Shares are registered shares. After the Offering the Company will have no other issued share capital.

Corporate Resolutions

The Company's shareholders resolved, in an extraordinary general meeting held on [8] December 2017 to increase the share capital for the purpose of the Offering by up to CHF [●] by issuing up to [●] Shares. It is expected that the Offered Shares will be issued and recorded in the commercial register of the Canton of Zug on or about [●] January 2018. Following the issuance of the Offered Shares, the Company's share capital is expected to be up to CHF [●], divided into up to [●] Shares.

Lock-up

During the period commencing as of the date of the Offering Circular and ending 6 (six) months after the First Day of Trading of the Offered Shares, the Company shall not (i) issue, offer, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to grant, grant any option, right or warrant to purchase, pledge, grant instruction rights (*Weisungsrechte nach Art. 25 FISA*) or otherwise transfer or dispose of (or publicly announce any such issuance, offer, sale or disposal), directly or indirectly, or file a registration statement under any securities regulation relating to, any Shares or any securities convertible into or exchangeable or exercisable for Shares or warrants or other rights to purchase any Shares, except for options granted to the Company's employees, management and directors pursuant to its stock option plan and Shares issued upon the exercise of options granted pursuant to such stock option plan during this period, (ii) enter into any swap, hedge or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of the Shares, or (iii) announce its intention to do any of the foregoing whether any such transaction described in clause (i) or (ii) above is to be settled by delivery of Shares or other securities, in cash or otherwise, without the prior written consent of the Sole Bookrunner. The foregoing shall not apply to the sale of the Offered Shares or any Shares acquired by the Company after the First Trading Day.

Listing and Trading of the Shares

Application has been made by Bank Vontobel AG on behalf of the Company to list all Offered Shares issued immediately following this Offering in accordance with the Standard for Real Estate Companies of SIX. It is expected that the Offered Shares will be listed and that trading in the Offered Shares will commence on or about [●] January 2018.

No assurances can be given that an active trading market will develop or that the Shares will trade at or above the Offer Price.

Listing agent

Bank Vontobel AG, being recognised as an expert by the Admission Board of SIX according to article 43 of the Listing Rules, has filed on behalf of the Company the application for the listing of the Offered Shares issued immediately following this Offering in accordance with the Standard for Real Estate Companies of SIX.

Closing (Payment and Settlement)

Application has been made for the Offered Shares to be accepted for clearance and settlement through SIS. Delivery of the Offered Shares against payment of the Offer Price is expected to take place through SIS on or about [●] January 2018, or such other date as the Company may agree. **If the right to terminate the Subscription and Purchase Agreement is exercised, the Offering will lapse and any previously purported allocation and purchase of Offered Shares will be deemed to not have been made.**

Form of Shares

In accordance with the Articles of Association and in accordance with the requirements of the clearing arrangements of SIS, the Offered Shares will be issued in uncertificated form (*droits-valeurs, Wertrechte*) and will become securities held with an intermediary (*titres intermédiés, Bucheffekten*) pursuant to the FISA. The main register (*registre principal, Hauptregister*) will be maintained by SIS. No share certificates and no global certificate will be issued, and share certificates will not be available for individual physical delivery. Shareholders may request from the Company a confirmation relating to their shareholdings in the Company.

Voting Rights

Each Offered Share carries one vote and will be entitled to vote on any shareholders' meeting of the Company following the completion of the Offering.

Dividends

The Shares will be entitled to dividends, if any, for the first time for the fiscal year ending 31 December 2017, for which a dividend may be paid in 2018. See "Market Information". There is no assurance that a distributable net profit will actually be available in future fiscal years.

Own Shares and Rights Associated with such Shares

As of the date of this Offering Circular, the Company owns no Shares.

Security Numbers and Ticker Symbol

	Offered Shares
Ticker Symbol.	VARN
Swiss Security Number (<i>numéro de valeur, Valorennummer</i>)	30 528 529
International Securities Identification Number (ISIN)	CH.030'528'529'5
Common Code.	151509312
	Rights
Swiss Security Number (<i>numéro de valeur, Valorennummer</i>)	38 962 359
International Securities Identification Number (ISIN)	CH.038'962'359'3

Amendments and Changes

Any notices containing or announcing amendments or changes to the terms of the Offering or to this Offering and Offering Circular will be announced through the electronic media in Switzerland and, if required, published in electronic form on the website of SIX (www.six-exchange-regulation.com).

Other Relationships of the Sole Bookrunner

The Sole Bookrunner has in the past provided, is providing and may in the future from time to time provide, services for, or have a banking relationship with, the Company or any member of the Group in the ordinary course of its business, for which it may receive fees and commissions or other payments such as interest payments.

SELLING AND TRANSFER RESTRICTIONS

General Offering Restrictions

No action has been, or will be, taken in any jurisdiction other than Switzerland where action for that purpose is required, which would permit a public offering of the Offered Shares or the possession, circulation or distribution of this Offering Circular or any material relating to the Offered Shares offered hereby. Accordingly, the Offered Shares may not be offered or sold, directly or indirectly, and neither this Offering Circular nor any other offering material or advertisements in connection with the Offered Shares may be distributed or published, in or from any country or jurisdiction, except under circumstances that will result in compliance with any applicable rules and regulations of any such country or jurisdiction.

The distribution of the Offering Circular and the Offering are restricted by law in certain jurisdictions. Therefore, persons into whose possession the Offering Circular comes and persons who would like to purchase the Offered Shares pursuant to the Offering should inform themselves about and observe such restrictions. Any failure to comply with such restrictions may constitute a violation of the securities law of any such jurisdiction.

The offer of the Offered Shares to persons resident in jurisdictions other than Switzerland may be affected by the laws of such other jurisdictions. No action has been or will be taken in any jurisdiction other than Switzerland that would permit a public offering of the Offered Shares or the possession, circulation or distribution of the Offering Circular or any other material relating to the Company or Offered Shares in any jurisdiction where action for that purpose is required. Accordingly, the Offered Shares may not be sold, directly or indirectly, and neither this Offering Circular nor any other offering material or advertisement in connection with the Offered Shares may be distributed or published, in any form or in any country or jurisdiction except under circumstances that will result in compliance with any applicable laws, rules and regulations of any such country or jurisdiction. Persons resident in countries other than Switzerland should consult their professional advisors as to whether they require any governmental or other consent or need to observe any formalities to enable them to purchase Offered Shares in the Offering.

The Company has represented and agreed that it has not made and will not make any application for listing the Shares on any stock exchange outside Switzerland.

United States

The Shares have not been and will not be registered under the Securities Act. The Company is not registered, and does not intend to register, as an investment company under the Investment Company Act. Accordingly, the Shares may not be offered or sold within the United States, or to, or for the account or benefit of, US persons except pursuant to an exemption from, or in a transaction not subject to, the registration requirement of the Securities Act and the requirements of the Investment Company Act.

Each purchaser of Shares, by accepting delivery of this Offering Circular, will be deemed to have represented, acknowledged and agreed as follows (terms used herein that are defined in Rule 144A or Regulation S under the Securities Act are used herein as therein defined):

- (a) the Shares have not been and will not be registered under the Securities Act, and the Company is not registered, and does not intend to register, as an investment company under the Investment Company Act;
- (b) accordingly, the Shares may not be reoffered, resold, pledged or otherwise transferred except
 - (i) outside the United States in an offshore transaction complying with Regulation S; or
 - (ii) in an offshore transaction to a US person who
 - (1) such purchaser reasonably believes to be a qualified institutional buyer (or QIB), as defined in Rule 144A, purchasing for its own account or for the account a QIB, in a transaction meeting the requirements of Rule 144A, and
 - (2) is a qualified purchaser, as defined in Section 2(a)(51)(A) of the Investment Company Act.

In addition, until 40 days after the commencement of the Offering, an offer or sale of the Shares into or within the United States by a dealer (whether or not such dealer is participating in the Offering) may violate the registration requirements of the Securities Act.

European Economic Area

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a “**Relevant Member State**”), the Sole Bookrunner has represented and agreed that, with effect from and including the date on which the Prospectus Directive was implemented in that Relevant Member State, it has not made and will not make an offer of the Shares which are the subject of the offering contemplated by this Offering Circular to the public in that Relevant Member State other than:

- (a) to a legal entity which is a qualified investor as defined in the Prospectus Directive; or
- (b) to fewer than 150 natural or legal persons (other than qualified investors as defined in the Prospectus Directive), subject to obtaining the prior consent of the Sole Bookrunner; or
- (c) in any other circumstances falling within article 3(2) of the Prospectus Directive,

provided that no such offer of Shares shall require the Company or the Sole Bookrunner to publish a prospectus pursuant to article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive.

For the purposes of this provision, the expression “**an offer of Shares to the public**” in relation to any Shares in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Shares to be offered so as to enable an investor to decide to purchase or subscribe the Shares, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State and includes any relevant implementing measure in the Relevant Member State.

United Kingdom

This Offering Circular is only being distributed to and is only directed at: persons who (1) are outside the United Kingdom; (2) have professional experience in matters relating to investments falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (the “Order”); (3) are persons falling within Article 49(2)(a) to (d) of the Order (high net worth companies, unincorporated associations, etc.); or (4) are persons to whom this Offering Circular may otherwise lawfully be communicated (all such persons together being referred to as “relevant persons”). Any person who is not a relevant person should not act or rely on this Offering Circular or any of its contents. Any investment or investment activity to which this Offering Circular relates is available only to relevant persons and will be engaged in only with relevant persons.

Australia

This Offering Circular (a) does not constitute a prospectus or a product disclosure statement under the Corporations Act 2001 of the Commonwealth of Australia (“**Corporations Act**”); (b) does not purport to include the information required of a prospectus under Part 6D.2 of the Corporations Act or a product disclosure statement under Part 7.9 of the Corporations Act; has not been, nor will it be, lodged as a disclosure document with the Australian Securities and Investments Commission (“**ASIC**”), the Australian Securities Exchange operated by ASX Limited or any other regulatory body or agency in Australia; and (c) may not be provided in Australia other than to select investors (“**Exempt Investors**”) who are able to demonstrate that they (i) fall within one or more of the categories of investors under section 708 of the Corporations Act to whom an offer may be made without disclosure under Part 6D.2 of the Corporations Act and (ii) are “wholesale clients” for the purpose of section 761G of the Corporations Act.

The Shares may not be directly or indirectly offered for subscription or purchased or sold, and no invitations to subscribe for, or buy, the Shares may be issued, and no draft or definitive Offering Circular, advertisement or other offering material relating to any Shares may be distributed, received or published in Australia, except where disclosure to investors is not required under Chapters 6D and 7 of the Corporations Act or is otherwise in compliance with all applicable Australian laws and regulations. By submitting an application for the Shares, each purchaser or subscriber of Shares represents and warrants to the Company, the Sole Bookrunner and its affiliates that such purchaser or subscriber is an Exempt Investor.

As any offer of Shares under this prospectus, any supplement or the accompanying prospectus or other document will be made without disclosure in Australia under Parts 6D.2 and 7.9 of the Corporations Act, the offer of those Shares for resale in Australia within 12 months may, under the Corporations Act, require disclosure to investors if none of the exemptions in the Corporations Act applies to that resale. By applying for the Shares each purchaser or subscriber of Shares undertakes to the Company, the Sole Bookrunner that such purchaser or subscriber will not, for a period of 12 months from the date of issue or purchase of the Shares, offer, transfer, assign or otherwise alienate those Shares, or grant, issue or transfer interests in or options over them, to investors in Australia except in circumstances where disclosure to investors is not required under the Corporations Act or where a compliant disclosure document is prepared and lodged with ASIC.

Japan

The Shares have not been, and will not be, registered under the Financial Instruments and Exchange Law of Japan (Law No. 25 of 1948 as amended, the “**FIEL**”) and disclosure under the FIEL has not been, and will not be, made with respect to the Securities. Neither the Shares nor any interest therein may be offered, sold, resold, or otherwise transferred, except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the FIEL and all other applicable laws, regulations and guidelines promulgated by the relevant Japanese governmental and regulatory authorities. As used in this paragraph, a resident of Japan is any person that is resident in Japan, including any corporation or other entity organised under the laws of Japan.

GENERAL INFORMATION ON THE COMPANY

Incorporation, Corporate Name, Registration and Registered Office

The Company is incorporated as a joint stock corporation (*société anonyme, Aktiengesellschaft*) of unlimited duration, incorporated under the laws of Switzerland on 28 September 2015. It was registered in the commercial register of the Canton of Zug, Switzerland under the register number CHE-320.748.468 on 1 October 2015 with effect as of 28 September 2015. The Company has been incorporated by contribution in cash only.

The Company is currently registered under the company name Varia US Properties AG and has its registered office in Zug, Gubelstrasse 19, 6300 Zug, Switzerland. The Articles of Association in effect at the date of this Offering Circular are dated 13 October 2017.

Purpose of the Company and Financial Year

According to section 1.2 of the Articles of Associations, the purpose of the Company is to directly and / or indirectly acquire and sell, hold and manage and improve properties in the USA. The Company may establish branch offices and subsidiaries in Switzerland and abroad. The Company may acquire, administer and transfer patents, trademarks, domain names and technical as well as industrial know-how. The Company may engage in any commercial, financial or other activities which are directly or indirectly related to the purpose of the Company.

According to section 6 of the Articles of Association, the fiscal year of the Company shall be determined by the Board of Directors. The Board of Directors has resolved that the financial year of the Company begins on 1 January and ends on 31 December of each year.

Recognised Representative

Bank Vontobel AG serves as listing agent (recognised representative pursuant to Art. 43 or the Listing Rules) in connection with the Offering and the listing of the Shares according to the Real Estate Standard of SIX.

Paying Agent

As long as the Shares are listed on SIX, the Company will maintain a principal paying agent (*domicile de paiement, Hauptzahlstelle*) in Switzerland. Bank Vontobel AG will serve as principal paying agent (*domicile de paiement, Hauptzahlstelle*) for the Shares of the Company.

Rating

To the Company's knowledge, no major rating agency has issued a rating in respect of the Company or the Group.

Information Policy

The Company releases its financial results in the form of an annual report. Its annual report is published in electronic form within four months of the 31 December balance sheet date. In addition, results for the first half of each fiscal year are released in electronic form within three months of the 30 June balance sheet date. The Company's annual report and half-year results will be announced via media releases and media and investor conferences in person or via telephone.

From the First Day of Trading, copies of all information and documents pertaining to media releases, media conferences, investor updates and presentations at analyst and investor presentation conferences can be downloaded from the Company's website at www.variausproperties.com or obtained from the Company upon request at Varia US Properties AG, Gubelstrasse 19, 6300 Zug, Switzerland (e-mail: investors@variausproperties.com).

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INDEX TO FINANCIAL STATEMENTS AND VALUATION EXPERT'S REPORT

Reviewed consolidated interim financial statements of Varia US Properties AG as of and for the six-month period ended 30 June 2017:

Consolidated Interim Statements of Financial Position	F-3
Consolidated Interim Statements of Profit or Loss and Other Comprehensive Income	F-4
Consolidated Interim Statements of Changes in Equity	F-5
Consolidated Interim Statements of Cash Flows	F-6
Notes to Consolidated Interim Financial Statements	F-7

Audited annual consolidated financial statements of Varia US Properties AG as of and for the period (beginning on 28 September 2015 and) ended 31 December 2016 (with comparative figures as of and for the period beginning on 28 September 2015 and ended 30 June 2016):

Consolidated Statements of Financial Position	F-31
Consolidated Statements of Profit or Loss and Other Comprehensive Income	F-32
Consolidated Statement of Changes in Equity	F-33
Consolidated Statement of Cash Flows	F-34
Notes to Interim Consolidated Financial Statements	F-35
Supplementary Information	F-57
Auditors' report	F-62

Reviewed unconsolidated financial statements of Varia US Properties AG as of and for the period (beginning on 28 September 2015 and) ended 31 December 2016:

Balance Sheet	F-70
Profit and Loss Statement	F-71
Notes	F-72
Auditors' report	F-81

Valuation expert's report	F-84
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Reviewed consolidated interim financial statements of Varia US Properties AG as of and for the six-month period ended 30 June 2017

Varia US Properties AG and Subsidiaries

CONSOLIDATED INTERIM STATEMENTS OF FINANCIAL POSITION

ASSETS	Notes	June 30, 2017 in USD	December 31, 2016 in USD
Current assets			
– Cash and cash equivalents	E	65,255,134	96,300,017
– Rent and other receivables	F	1,287,411	631,716
– Income tax receivable		242,495	242,495
– Prepaid expenses and other current assets		1,434,453	813,224
Total current assets		68,219,493	97,987,452
Non-current assets			
– Investment property	I	508,120,000	343,450,000
– Other assets		4,776,634	2,813,484
– Escrow accounts	E	5,576,762	5,028,566
– Deferred tax asset	M	1,875,645	536,372
Total non-current assets		520,349,041	351,828,422
Total assets		588,568,534	449,815,874
LIABILITIES AND EQUITY			
Current liabilities			
– Interest bearing loans and borrowings	G	1,834,572	1,595,838
– Trade and other payables	H	9,906,822	6,722,721
– Income tax payable		191,871	115,824
– Rent received in advance		548,040	223,359
Total current liabilities		12,481,305	8,657,742
Non-current liabilities			
– Interest bearing loans and borrowings	G	308,901,359	201,473,883
– Deferred tax liability	M	21,341,359	14,682,580
Total non-current liabilities		330,242,718	216,156,463
Total liabilities		342,724,023	224,814,205
Issued share capital	J	6,640,689	6,180,241
Share premium from capital contributions	J	200,091,052	193,357,404
Legal reserves		41,619	–
Retained earnings		19,808,121	8,874,269
Equity attributable to Varia US Properties AG shareholders	J	226,581,481	208,411,914
Non-controlling interest (NCI)		19,263,030	16,589,755
Total equity		245,844,511	225,001,669
Total liabilities and equity		588,568,534	449,815,874

The notes on pages 25 to 46 form an integral part of these financial statements.

Varia US Properties AG and Subsidiaries

CONSOLIDATED INTERIM STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Notes	For the Six Months Ended June 30, 2017 in USD	(Unaudited) Period from September 28, 2015 through June 30, 2016 in USD
Rental income		26,237,426	17,439,403
Other income		2,135,224	1,417,294
Bargain on purchase of subsidiary		–	4,185,000
Net gain from fair value adjustment on investment property	I	14,904,606	9,961,916
Total income		43,277,256	33,003,613
Expenses for third party onsite workforces		3,788,098	2,461,397
Real estate operating expenses	K	6,220,127	3,514,872
Real estate maintenance and renovation expenses	K	3,197,050	1,911,969
Property management fees		990,305	643,820
Real estate acquisition expenses		–	5,376,572
Other expenses	K	3,969,715	5,855,175
Total operating expenses		18,165,295	19,763,805
Operating Profit		25,111,961	13,239,808
Interest expense		5,634,653	3,846,565
Net foreign currency exchange (gains) losses		(885,543)	935,758
Total finance costs	L	4,749,110	4,782,323
Profit before income tax		20,362,851	8,457,485
Income tax expense	M	5,394,344	1,948,200
Profit for the period		14,968,507	6,509,285
Other comprehensive income		–	–
Total comprehensive income for the period		14,968,507	6,509,285
Profit attributable to:			
– Varia US Properties AG shareholders		12,163,274	2,860,044
– Non-controlling interests		2,805,233	3,649,241
		14,968,507	6,509,285
Total comprehensive income attributable to:			
– Varia US Properties AG shareholders		12,163,274	2,860,044
– Non-controlling interests		2,805,233	3,649,241
		14,968,507	6,509,285
Earnings per share: Basic and diluted earnings, on profit for the period	J	1 .83	1 .39

The notes on pages 25 to 46 form an integral part of these financial statements.

Varia US Properties AG and Subsidiaries

CONSOLIDATED INTERIM STATEMENTS OF CHANGES IN EQUITY FOR THE PERIOD FROM DECEMBER 31, 2016 THROUGH JUNE 30, 2017

	Notes	Issued Share Capital in USD	Share Premium from Capital Contribution in USD	Legal reserves in USD	Retained Earnings in USD	Total in USD	Non- controlling Interests in USD	Total Equity in USD
Balance at December 31, 2016		6,180,241	193,357,404	–	8,874,269	208,411,914	16,589,755	225,001,669
Profit for the period		–	–	–	12,163,274	12,163,274	2,805,233	14,968,507
Other comprehensive income		–	–	–	–	–	–	–
Total comprehensive income		–	–	–	12,163,274	12,163,274	2,805,233	14,968,507
Ordinary share capital increases								
– January 6, 2017	J	460,448	14,699,244	–	–	15,159,692	–	15,159,692
Dividends	J	–	–	–	(1,187,803)	(1,187,803)	–	(1,187,803)
Allocation to legal reserves	J	–	–	41,619	(41,619)	–	–	–
Net capital distributions	J	–	(7,965,596)	–	–	(7,965,596)	(131,958)	(8,097,554)
Balance at June 30, 2017		6,640,689	200,091,052	41,619	19,808,121	226,581,481	19,263,030	245,844,511
Share capital issued at date of incorporation September 28, 2015		104,637	–	–	–	104,637	–	104,637
Profit for the period		–	–	–	2,860,044	2,860,044	3,649,241	6,509,285
Other comprehensive income		–	–	–	–	–	–	–
Total comprehensive income		–	–	–	2,860,044	2,860,044	3,649,241	3,649,241
Ordinary share capital increases								
November 11, 2015		1,084,201	36,711,046	–	–	37,795,247	–	37,795,247
February 1, 2016		1,932,029	57,833,010	–	–	59,765,039	–	59,765,039
Acquisitions of subsidiaries		–	–	–	–	–	10,669,381	10,669,381
Balance at June 30, 2016		3,120,867	94,544,056	–	2,860,044	100,524,967	14,318,622	114,843,589

The notes on pages 25 to 46 form an integral part of these financial statements.

Varia US Properties AG and Subsidiaries

CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS

	Notes	For the Six Months Ended June 30, 2017 in USD	(Unaudited) Period from September 28, 2015 (Inception) through June 30, 2016 in USD
Operating activities			
Profit before income tax		20,362,851	8,457,485
Adjustments to reconcile profit before tax to net cash provided by operating activities			
– Net gain from fair value adjustment on investment property	I	(14,904,606)	(9,961,916)
– Bargain on acquisition of subsidiary	D	–	(4,185,000)
– Finance costs	L	4,749,110	4,782,323
		10,207,355	(907,108)
Working capital adjustments			
(Increase) decrease in rent and other receivables	F	(655,695)	610,677
Increase in prepaid expenses		(621,229)	(701,292)
Increase in escrow accounts	E	(548,196)	(1,195,431)
Increase in other assets		(1,963,150)	–
Increase in trade and other payables		3,260,148	3,764,354
Increase in rent received in advance		324,681	219,541
Net cash provided by operating activities		10,003,914	1,790,741
Investing activities			
– Acquisition of subsidiaries, net of cash acquired	D	–	(73,159,318)
– Acquisition of investment property	I	(148,495,321)	–
– Capital expenditure on investment property	I	(1,270,073)	(603,962)
Net cash used in investing activities		(149,765,394)	(73,763,280)
Financing activities			
Payments of principal on interest bearing loans and borrowings	G	(4,599,897)	(8,034,287)
Interest paid	L	(5,634,653)	(3,846,565)
Payments of debt issuance costs	G	(985,231)	–
Proceeds from interest bearing loans and borrowings	G	113,176,500	11,044,291
Proceeds from issued share capital	J	15,159,692	97,560,286
Payment of dividend		(1,187,803)	–
Net capital distributions		(7,965,596)	–
Payments of distributions to non-controlling interests		(131,958)	–
Net cash provided by financing activities		107,831,054	96,723,725
Net (decrease) increase in cash and cash equivalents		(31,930,426)	24,751,186
Cash and cash equivalents at beginning of period		96,300,017	104,637
Exchange gains (losses) on cash and cash equivalents	L	885,543	(935,758)
Cash and cash equivalents at end of period		65,255,134	23,920,065

The notes on pages 25 to 46 form an integral part of these financial statements.

Varia US Properties AG and Subsidiaries

NOTES TO CONSOLIDATED INTERIM FINANCIAL STATEMENTS

NOTE A ORGANIZATION AND ACTIVITIES

Varia US Properties AG (Varia, Parent or the Company) was created on September 17, 2015 and registered with the Zug register of commerce on September 28, 2015 under UID number CHE-320748.468. The Company is a Swiss company limited by shares established under the relevant provisions of the Swiss code of obligations. Its address is Gubelstrasse 19, CH-6300 Zug, Switzerland. Varia US Properties AG has the legal status of a holding company.

As a Swiss real estate investment company, Varia's purpose is to acquire, hold, and sell properties in the United States of America (USA and U.S.). Accordingly, the Company is fully dedicated to investments in the U.S. multifamily real estate market. Since 2015, it has assembled a portfolio currently held through Varia's subsidiaries that mainly comprise low-moderate income and workforce multifamily housing properties. The Company and its subsidiaries (the Group) pursue a long-term growth strategy aimed at offering investors risk adjusted access to the U.S. multifamily real estate market.

The board of directors of the Company is ultimately responsible for the policies, the valuations, and the management of the activities. Varia has no employees as of June 30, 2017 and has never employed any staff.

The accompanying consolidated interim financial statements of Varia US Properties AG and its subsidiaries (collectively, the Group) for the period from January 1, 2017 to June 30, 2017 (herein consolidated interim financial statements) were authorized by the board of directors for issue on September 1, 2017.

These interim financial statements are presented in U.S. Dollars (USD) and all values are rounded to the nearest dollar, except when otherwise indicated.

NOTE B BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

These interim financial statements have been prepared in accordance with IAS 34 Interim Financial Reporting, and should be read in conjunction with the Group's most recent annual consolidated financial statements as of December 31, 2016 and for the period from September 28, 2015 (inception) through December 31, 2016 (last annual financial statements). They do not include all of the information required for a complete set of IFRS financial statements.

Accordingly, the Company's consolidated interim financial statements have been prepared on the historical cost basis, except for its investment properties that are measured at fair values at the end of each reporting period, as explained in the accounting policies hereafter.

Basis of Consolidation

The accompanying consolidated financial statements comprise the financial statements of Varia and its subsidiaries as of June 30, 2017. Subsidiaries are all entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

Non-controlling interest is recognized at the holders' proportionate interest in the recognized amount of the identifiable net assets of the acquiree, which comprise a direct ownership percentage plus a promote in connection with net fair value gains (see Note N).

Profit or loss and each component of other comprehensive income are attributed to the equity holders of the parent of the Group and to non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of the subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intercompany assets and liabilities, income, expenses, and cash flows relating to transactions between members of the Group are eliminated on consolidation.

Profit or loss and other comprehensive income of subsidiaries acquired or disposed of during the period are recognized from the effective date of the acquisition, or up to the date of disposal, as applicable.

For acquisitions of subsidiaries not meeting the definition of a business, the Group allocates the cost between the individual identifiable assets and liabilities in the Group based on their relative fair values at the date of acquisition. Such transactions or events do not give rise to goodwill.

Reclassifications

The accompanying 2016 consolidated statements of financial position and profit or loss and other comprehensive income have been reclassified to conform to the 2017 presentation. These reclassifications had no effect on previously reported profit for the period, comprehensive income, or changes in equity, and has no material impact on the financial statements as a whole.

Functional and Presentation Currency

The board of directors of the Company has assessed the underlying characteristics of Varia's currency exposure, of its investments, and transactions and considers that USD is the currency that best reflects its underlying transactions, events, and conditions for the preparation of the accompanying consolidated financial statements. In particular, the Company has assessed the USD as the currency -

- In which the funds from Varia financing activities are invested into and in which receipt for operating activities are usually retained. The Company obtains interests and dividends primarily in USD.
- That influences most of the Company's transactions and determines the prices of Varia subsidiaries in-

vestment properties and assessment of the performances and profits from the operational activities.

- Most of the transactions have been and are expected to continue to be transacted in USD, even if limited administrative costs of the Company are expected to continue in Swiss franc (CHF).
- In which Varia's shareholders are investing their funds on the long-term for the return of their investments.

As a result, the accompanying consolidated financial statements are presented in USD.

Foreign Currency Translation

Foreign currency transactions are translated into the functional currency using the exchange rate prevailing on the dates of the transactions.

In preparing financial statements at the end of each reporting period, monetary items denominated in foreign currencies are translated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rate prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated at the exchange rate at the date of the transaction. Exchange differences on monetary items are recognized in profit or loss in the period in which they arise, except for unrealized exchange profits on long-term monetary assets and liabilities which are deferred in the statement of financial position sheet, if any.

The following exchange rates have been applied to translate the foreign currencies of significance for the Company:

CHF/USD average exchange rate for the period from January 1, 2017 to June 30, 2017	1.00594
CHF/USD exchange rate at June 30, 2017	1.04410

Cash and Cash Equivalents

Cash includes cash on hand and cash with banks. Cash equivalents are short-term, highly-liquid investments that are readily convertible to known amounts of cash, with original maturities of three months or less, that are subject to an insignificant risk of change of value. Cash and cash equivalents are recorded at nominal value.

Financial Assets (Rent, Other Receivables and Escrow Accounts)

Financial assets are classified as loans and receivables. The Company determines the classification of its financial assets at initial recognition.

Financial assets are recognized on the consolidated statements of financial position when the Company becomes a party to the contractual provisions of the financial instrument, and are measured at fair value less transaction cost if the financial asset is not carried at fair value through profit or loss.

Purchases or sales of financial assets that require delivery of assets within a timeframe established by any applicable regulation or convention in the marketplace (regular way purchases) are recognized on the settlement date, i.e., the date a financial asset is delivered to or by the Company.

Investment Property

Investment property comprises real estate that is held-to-earn rentals or for capital appreciation or both.

Investment property acquired through a business combination is measured initially at fair value in accordance with IFRS 3 *Business Combinations*. Purchases of investment property, other than through a business combination, are initially recorded at cost plus any directly attributable expenditures in accordance with IAS 40 *Investment Property*. Subsequent to initial recognition, investment property is stated at fair value, which reflects market conditions at the reporting date. Gains or losses arising from changes in the fair values of investment properties are included in profit or loss in the period in which they arise, including the corresponding tax effect.

Investment property is derecognized either when it has been disposed of, or when it is permanently withdrawn from use and no future economic benefit is expected from its disposal. The difference between the net disposal of proceeds and the carrying amount of the asset is recognized in profit or loss in the period of derecognition.

Interest-Bearing Loans and Borrowings, Trade and Other Payables

All loans and borrowings, trade and other payables are initially recognized at fair value less directly attributable

transaction costs. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the effective interest method.

Rental Income

The Company's operating subsidiaries are the lessors in operating leases. Rental income arising from operating leases on investment property is accounted for on a straight-line basis over the lease terms, and is included in revenue in the consolidated statement of profit or loss and other comprehensive income due to its operating nature.

Operating Expenses

Operating expenses are recognized in the consolidated statement of profit or loss and other comprehensive income in the period in which they are incurred (on an accrual basis).

Income Taxes

Current Tax

Tax expense and income taxes payable are based on reported income and calculated in accordance with the applicable legislations and regulations. In Switzerland, Varia is taxed as a holding company at federal, cantonal, and communal levels. In the United States, Varia's direct subsidiaries are limited liability companies taxed as corporations.

Income, including dividend income and capital gains from its subsidiaries, are exempt from taxation at the Zug cantonal and communal levels. Nevertheless, the Company is subject to capital taxes that are included in operating expenses in the consolidated statement of profit or loss and other comprehensive income. The amount of current income tax payable or receivable is the best estimate of the tax amount expected to be paid. It is measured using tax rates enacted or substantively enacted at the reporting date.

Deferred Tax

Deferred tax assets and liabilities are recognized for the future tax consequences attributable to temporary differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases, and operating loss and tax credit carryforwards.

Deferred tax assets and liabilities are measured using enacted or substantively enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in the consolidated statement of profit or loss and other comprehensive income in the period that includes the enactment date.

Deferred tax assets are only recognized to the extent that it is probable that future taxable profits will be available against which they can be used.

Recorded deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related benefit will be realized.

New Accounting Standards

At January 1, 2017, Varia adopted several new or amended standards and interpretations. These had no material effect on these consolidated interim financial statements.

The IASB has issued new standards, amendments, and interpretations to existing standards that are not yet effective. The following other new standards may potentially be relevant for the Company. Varia has yet to adopt these standards and plans to do so for the reporting period beginning on or after the effective date stated in the respective standards:

28

New IFRS Pronouncements	Title	Effective date
IAS 40 amendments	Transfers of Investment Property	January 1, 2018
IFRS 9	Financial Instruments	January 1, 2018
IFRS 15	Revenue From Contracts With Customers	January 1, 2018
IFRS 2 amendments	Clarification and Measurement of Share-based Payment Transactions	January 1, 2018
IFRIC 22	Foreign Currency Transactions and Advance Consideration	January 1, 2018
IFRS 16	Leases	January 1, 2019
IFRIC 23	Uncertainty over Income Tax Treatments	January 1, 2019

IFRS 9 replaces the existing guidance in IAS 39 Financial Instruments. It includes revised guidance on the classification and measurement of financial instruments, including a new expected credit loss model for calculating impairment on financial assets, and the new general hedge accounting requirements. It also carried forward the guidance on recognition and derecognition of financial instruments from IAS 39. Varia does not expect a significant impact from the adoption of IFRS 9.

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognized. Revenue generated from Varia's activities falls under IAS 17 leases and will be in the scope of the new lease standard IFRS 16. IFRS 15, therefore, will not have an impact on EPiC Group's consolidated financial statements.

IFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. Distinctions of operating leases (off-balance sheet) and finance leases (on balance sheet) are removed for lessee accounting, and is replaced by a model where a right-of-use asset (the right to use the leased item) and a corresponding liability to pay rentals have to be recognized for all leases by lessees except for short-term and low-value leases. In contrast to lessee accounting, IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17, and continues to require a lessor to classify a lease either as an operating or a finance lease. Varia is not subject to lease contracts where it is the lessee with a significant commitment for future lease payments. Varia's rental contracts where it is lessor are currently classified as operating leases and will remain classified as

such under IFRS 16. Varia does not expect a significant impact on its consolidated financial statements from the adoption of IFRS 16 for these contracts.

All other new or amended standards and interpretations issued but not yet effective are not expected to have a significant impact on Varia's consolidated financial statements.

NOTE C

CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION

The application of the Company's accounting policies, and the preparation of the consolidated financial statements require the board of directors to make judgments, estimates, and assumptions about the carrying amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of income and expenses during the reporting period. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results could differ from those estimates.

The significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as of December 31, 2016 and for the period from September 28, 2015 (inception) through December 31, 2016.

The estimates and underlying assumptions are reviewed on an ongoing basis.

Fair Value Measurement of Investment Property

The main area involving assumptions and estimates that are significant to the consolidated financial statements of the Group is the fair value of its investment property.

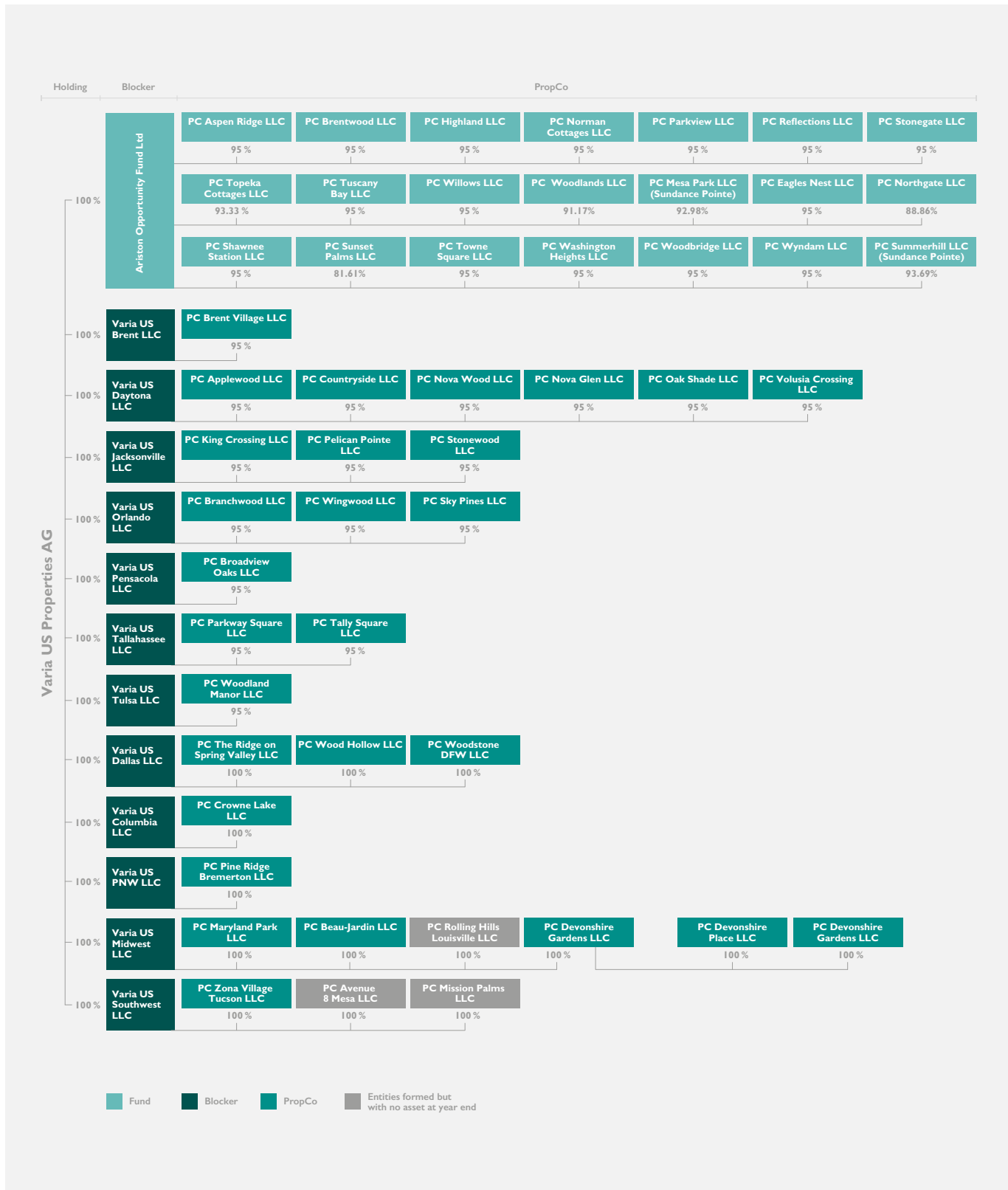
The Group's investment property does not have a quoted market price, nor can the fair value be determined with respect to observable input variable. Accordingly, Varia's subsidiaries obtain independent property appraisals for determining the fair value of each investment property (see Note I and Note O).

Consolidation of Subsidiaries

In deciding whether the consolidation of subsidiaries is appropriate, the board of directors has assessed the level of control it has over its subsidiaries. For that purpose, the board of directors has considered all relevant facts and circumstances in assessing whether it controls its subsidiaries. The assessment includes the analysis of the percentage of detention, the decision making process in particular related to investment decisions, and the contractual terms defined in different agreements which set conditions for operating the business. These agreements between the Group and its non-controlling interest party (Peak Capital Management and its Affiliates, who also act as manager of subsidiary property companies), include provisions relating to the involvement of the non-controlling interest party in some decisions which result in limitations of control in specific areas. Pursuant to this analysis, the board of directors has, notwithstanding the above-mentioned limitations, concluded that the Group has the required power over the relevant activities of these subsidiaries, is exposed to, or has rights to, the variable returns from its involvement and has the ability to affect those returns through its power over the subsidiaries.

Income Taxes

Uncertainties exist with respect to the interpretation of complex tax regulations, changes in tax laws, and the amount and timing of future taxable income. Given the wide range of international business relationships and the long-term nature and complexity of existing contractual agreements, differences arising between the actual results and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to tax income and expenses already recorded. The Group establishes provisions for income taxes, based on reasonable estimates and interpretations of tax regulations by the taxable entity and the responsible tax authority. Such differences in interpretation may arise for a wide variety of issues depending on the conditions prevailing in the respective Group's domicile.



NOTE D COMPANY STRUCTURE

From its creation on September 28, 2015, the Group has developed its investment portfolio with the acquisition on February 23, 2016 (effective January 1, 2016) of the 100% equity shares of the Ariston Opportunity Fund Ltd (Bahamas), and the establishment of 12 U.S. limited liability companies since December 2015 that invest in multifamily residential real estate investment properties in the USA. The chart of Varia's investments portfolio is structured at June 30, 2017 as shown on the opposite page.

The business model of Varia is to fully own its direct holding investments by creating blockers for the purpose of acquiring multifamily properties in different regions in the U.S. Historically, Varia would own the majority (usually 95% of interests and 71.25% of voting rights) of the outstanding equity of their investments in the real estate partnerships while more recent investments are 100% owned by Varia. Non-controlling interest are also entitled to a promotional fee under specific circumstances (see Note N).

Varia US Dallas LLC (Dallas), Varia US Columbia LLC (Columbia), Varia US PNW LLC (PNW), Varia US Midwest LLC (Midwest), Varia US Southwest (Southwest) and their subsidiaries are all owned 100% by Varia. These entities were formed to facilitate the acquisition of investment property of USD 148,495,321 (see Note I) during the six months ended June 30, 2017 and are included in these consolidated financial statements of the Group.

NOTE E CASH AND CASH EQUIVALENTS / ESCROW ACCOUNTS

At June 30, 2017 and December 31, 2016, cash and cash equivalents comprise cash in bank accounts in Swiss francs and USD, of which USD 44,198,698 and USD 88,109,223, respectively, is at the full disposal of Varia, and USD 21,056,436 and USD 8,190,794, respectively is at the property companies level. Cash in banks totaled USD 65,255,134 and USD 96,300,017 at June 30, 2017 and December 31, 2016, respectively.

Escrow accounts consist of cash accounts held by third-party lenders in connection with interest bearing loans and borrowings that are restricted for the Group and used to pay real estate taxes and property insurance on behalf of the Company's operating subsidiaries, and to hold reserves for expected maintenance and property improvements. Any excess amounts held are returned to the Company upon either sale of the investment property or satisfaction of the related loan.

NOTE F RENT AND OTHER RECEIVABLES

At June 30, 2017 and December 31, 2016, rent and other receivables of USD 1,287,411 and USD 631,716, respectively, generally relates to amounts owed to the Group's operating subsidiaries from lessees under lease agreements associated with its investment properties.

NOTE G INTEREST BEARING LOANS AND BORROWINGS

The Company's subsidiaries maintain mortgages against investment property, which are collateralized by the investment property, with various financial institutions

as of June 30, 2017, net of debt issuance costs of USD 1,961,606 as follows:

Property	Rate	Structure	Maturity Date	Original Balance in USD	Balance as of June 30, 2017 in USD	Deferred Loan Costs in USD	Carrying amount as of June 30, 2017 in USD	Carrying amount as of December 31, 2016 in USD
Altitude on 5th (Northgate)	4.00%	Fixed	1/1/2025	27,680,000	27,680,000	–	27,680,000	27,680,000
Aspen Ridge	N/A	N/A	N/A	No Loan	No Loan	No Loan	No Loan	3,859,373
Brentwood Oaks	4.21%	Fixed	3/1/2026	3,360,000	3,360,000	66,915	3,293,085	3,293,085
Cottages of Norman	4.21%	Fixed	3/1/2026	3,305,000	3,305,000	94,419	3,210,581	3,238,622
Cottages of Topeka	4.11%	Fixed	3/1/2026	2,880,000	2,880,000	75,885	2,804,115	2,804,115
Eagles Nest	N/A	N/A	N/A	No Loan	No Loan	No Loan	No Loan	No Loan
Highland Vista	4.16%	Fixed	3/1/2021	3,620,000	3,416,607	–	3,416,607	3,450,049
Parkview	4.60%	Fixed	1/1/2021	1,360,000	1,285,177	–	1,285,177	1,296,961
Reflections Senior	4.66%	Fixed	4/1/2024	2,640,000	2,508,145	–	2,508,145	2,530,519
Shawnee Station	3.27%	Fixed	7/1/2052	13,849,800	12,953,827	–	12,953,827	13,051,652
South Hills	4.39%	Fixed	11/1/2025	3,280,000	3,280,000	34,424	3,245,576	3,240,024
Stonegate Village	4.21%	Fixed	3/1/2026	2,344,000	2,344,000	–	2,344,000	2,344,000
Sundance Pointe	3.76%	Variable	11/1/2025	9,500,000	9,500,000	–	9,500,000	9,500,000
Towne Square	4.28%	Fixed	12/1/2024	7,992,000	7,927,613	–	7,927,613	7,992,000
Tuscany Bay	4.28%	Fixed	5/1/2021	4,320,000	4,095,443	–	4,095,443	4,134,302
Washington Heights Senior	4.60%	Fixed	1/1/2021	1,360,000	1,285,177	–	1,285,177	1,296,961
Willows of Cumming	4.52%	Fixed	7/1/2024	8,332,000	8,214,784	–	8,214,784	8,280,090
Woodbridge Senior	4.66%	Fixed	4/1/2024	1,440,000	1,368,079	–	1,368,079	1,380,283
Woodlands	4.23%	Fixed	9/1/2025	6,438,000	6,438,000	–	6,438,000	6,438,000
Wyndam Place Senior	4.60%	Fixed	1/1/2021	1,520,000	1,436,375	–	1,436,375	1,449,545
Brent Village	3.48%	Fixed	8/1/2047	5,936,800	5,466,863	–	5,466,863	5,527,513
Applewood	4.51%	Fixed	1/1/2026	4,522,000	4,492,619	36,580	4,456,039	4,485,420
Countryside	4.51%	Fixed	1/1/2026	6,580,000	6,537,248	47,501	6,489,747	6,532,499
Nova Glen	4.51%	Fixed	1/1/2026	4,550,000	4,520,437	36,551	4,483,886	4,513,449
Novawood	4.51%	Fixed	1/1/2026	3,107,000	3,086,813	25,519	3,061,294	3,081,481
Oak Shade	4.51%	Fixed	1/1/2026	2,400,000	2,384,406	24,871	2,359,535	2,375,129
Volusia Crossing	4.51%	Fixed	1/1/2026	5,250,000	5,215,889	40,296	5,175,593	5,209,704
Pelican Pointe	4.51%	Fixed	1/1/2026	3,648,000	3,624,298	32,573	3,591,725	3,615,427
Stonewood	4.51%	Fixed	1/1/2026	3,850,000	3,824,985	32,717	3,792,268	3,817,283
Villas at King's Crossing	4.51%	Fixed	1/1/2026	2,064,000	2,050,589	23,252	2,027,337	2,040,748
Branchwood	4.51%	Fixed	1/1/2026	5,075,000	5,042,026	39,093	5,002,933	5,035,907
Sky Pines	4.51%	Fixed	1/1/2026	1,829,000	1,817,116	22,147	1,794,969	1,806,853
Wingwood	4.51%	Fixed	1/1/2026	3,395,000	3,372,942	30,194	3,342,748	3,364,806
Broadview Oaks	3.40%	Variable	1/1/2026	2,054,000	2,037,079	23,108	2,013,971	2,030,892
Parkway Square	3.73%	Variable	5/1/2026	16,312,500	16,312,500	153,174	16,159,326	16,159,326

Property	Rate	Structure	Maturity Date	Original Balance in USD	Balance as of June 30, 2017 in USD	Deferred Loan Costs in USD	Carrying amount as of June 30, 2017 in USD	Carrying amount as of December 31, 2016 in USD
Tally Square	3.73%	Variable	6/1/2026	14,250,000	14,250,000	136,598	14,113,402	14,113,402
Woodland Manor	4.09%	Fixed	4/1/2026	12,207,000	12,207,000	98,697	12,108,303	12,100,301
Bridge Hollow	4.32%	Fixed	4/1/2024	11,440,000	11,440,000	85,018	11,354,982	–
Ridge on Spring Valley	4.57%	Fixed	3/1/2027	11,895,000	11,895,000	86,358	11,808,642	–
Wood Hollow	4.47%	Fixed	3/1/2024	18,655,000	18,655,000	149,203	18,505,797	–
Woodstone	4.21%	Fixed	5/1/2024	7,475,000	7,475,000	52,783	7,422,217	–
Crowne Lake	4.45%	Fixed	3/1/2027	15,340,000	15,340,000	102,720	15,237,280	–
Beau Jardin	4.32%	Fixed	5/1/2027	10,465,000	10,465,000	84,178	10,380,822	–
Devonshire Garden	4.14%	Fixed	5/1/2024	4,771,000	4,771,000	31,216	4,739,784	–
Devonshire Place	4.14%	Fixed	5/1/2024	3,431,000	3,431,000	20,936	3,410,064	–
Maryland Park	4.45%	Fixed	3/1/2027	12,512,500	12,512,500	91,398	12,421,102	–
Pine Ridge	4.64%	Fixed	3/1/2027	10,660,000	10,660,000	75,978	10,584,022	–
Zona Village	4.09%	Fixed	7/1/2024	6,532,000	6,532,000	107,304	6,424,696	–
				315,427,600	312,697,537	1,961,606	310,735,931	203,069,721

Future scheduled principal payments based upon contractual amounts owed under the term notes, excluding any additional payments that may be required, consist of the following as of June 30, 2017:

Period ending June 30,	in USD
2018	1,834,572
2019	2,235,557
2020	2,696,181
2021	13,616,208
2022	3,754,725
Thereafter	288,560,294
	312,697,537

NOTE H TRADE AND OTHER PAYABLES

Trade and other payables consist of the following at June 30, 2017:

	June 30, 2017 in USD	Dec 31, 2016 in USD
Accounts payable	1,101,481	2,329,053
Accrued interest	961,014	726,431
Accrued real estate and other taxes	2,946,435	574,498
Accrued expenses	2,360,564	1,246,397
Security deposits	1,991,334	1,484,660
Other accrued expenses	545,994	361,682
	9,906,822	6,722,721

NOTE I INVESTMENT PROPERTY

Varia's subsidiaries have invested their funds, capital and loans funded by Varia, in various real estate over the accounting period. The investment properties table is the following at June 30, 2017:

Properties Held	City	Fair Value of Investment Property at December 31, 2016 in USD	Property Acquired through purchase of Investment Property in USD	Capital Improvements in USD	Net Gain (Loss) From Fair Value Adjustment on Investment Property in USD	Fair Value of Investment Property at June 30, 2017 in USD
The Arbors	Grinnel	–	–	–	–	–
Aspen Ridge	Albuquerque	7,100,000	–	–	–	7,100,000
Brentwood Oaks	Fredericksburg	5,500,000	–	–	300,000	5,800,000
Cottages of Norman	Norman	4,800,000	–	–	280,000	5,080,000
Cottages of Topeka	Topeka	3,600,000	–	–	100,000	3,700,000
Eagles Nest	Rifle	1,520,000	–	–	90,000	1,610,000
Highland Vista	Creedmoor	6,200,000	–	–	500,000	6,700,000
Lynnwood	Marion	–	–	–	–	–
Sundance Pointe	Jacksonville	15,600,000	–	–	200,000	15,800,000
Altitude	Salt Lake City	39,000,000	–	727	699,273	39,700,000
Parkview	Caldwell	3,700,000	–	–	390,000	4,090,000
Pineview	Waterloo	–	–	–	–	–
Reflections Senior	Fort Collins	4,750,000	–	–	60,000	4,810,000
Shawnee Station	Shawnee	18,400,000	–	–	500,000	18,900,000
South Hills	Pueblo West	4,600,000	–	–	70,000	4,670,000
Stonegate Village	Bellevue	3,470,000	–	–	(70,000)	3,400,000
Towne Square	Boise	10,830,000	–	–	780,000	11,610,000
Tuscany Bay	Lawrenceburg	5,900,000	–	–	60,000	5,960,000
Washington Heights	Kansas City	3,000,000	–	–	100,000	3,100,000
Willows of Cumming	Cumming	12,200,000	–	–	200,000	12,400,000
Woodbridge Senior	Fort Collins	2,840,000	–	–	40,000	2,880,000
Woodlands	Jackson	8,500,000	–	–	400,000	8,900,000
Wyndam Place	Shawnee	3,300,000	–	–	30,000	3,330,000
Brent Village	Bellevue	8,150,000	–	–	230,000	8,380,000
Applewood	Deland	7,200,000	–	–	600,000	7,800,000
Countryside	Daytona Beach	10,200,000	–	–	480,000	10,680,000
Nova Glen	Daytona Beach	7,700,000	–	–	270,000	7,970,000
Novawood II	Daytona Beach	5,800,000	–	–	(120,000)	5,680,000
Oak Shade	Orange City	4,000,000	–	–	310,000	4,310,000
Volusia Crossing	Daytona Beach	7,700,000	–	–	320,000	8,020,000
Villas at Kings Crossing	Jacksonville	4,900,000	–	–	20,000	4,920,000
Pelican Pointe I & II	Jacksonville	6,700,000	–	–	10,000	6,710,000
Stonewood	Jacksonville	5,660,000	–	–	20,000	5,680,000
Branchwood	Winter Park	7,720,000	–	–	290,000	8,010,000
Sky Pines I & II	Orlando	4,850,000	–	–	250,000	5,100,000

Properties Held	City	Fair Value of Investment Property at December 31, 2016 in USD	Property Acquired through purchase of Investment Property in USD	Capital Improvements in USD	Net Gain (Loss) From Fair Value Adjustment on Investment Property in USD	Fair Value of Investment Property at June 30, 2017 in USD
Wingwood	Orlando	5,110,000	–	–	290,000	5,400,000
Broadview Oaks	Pensacola	4,200,000	–	–	300,000	4,500,000
Parkway Square	Tallahassee	22,500,000	–	–	450,000	22,950,000
Tally Square	Tallahassee	20,000,000	–	–	900,000	20,900,000
Woodland Manor	Tulsa	16,750,000	–	–	630,000	17,380,000
Wood Hollow	Fort Worth	29,500,000	–	925,624	2,504,376	32,930,000
Ridge on Spring Valley	Dallas	–	18,652,424	89,580	797,996	19,540,000
Bridge Hollow	Fort Worth	–	17,948,120	4,756	1,057,124	19,010,000
Woodstone	Fort Worth	–	11,747,696	–	432,304	12,180,000
Varia at Oakcrest	Columbia	–	24,057,405	106,964	(564,369)	23,600,000
Pine Ridge	Bremerton	–	16,717,956	48,455	183,589	16,950,000
Maryland Park	Maryland Heights	–	19,595,433	74,313	(69,746)	19,600,000
Devonshire	Evansville	–	12,949,637	13,969	336,394	13,300,000
Beau-Jardin	St. Louis	–	16,592,159	5,685	(197,844)	16,400,000
Zona Village	Tucson	–	10,234,491	–	445,509	10,680,000
		343,450,000	148,495,321	1,270,073	14,904,606	508,120,000

The Group records expenditures for major additions and improvements that materially extend the useful lives of investment property, typically in the initial year of acquisition, as capital improvements.

Interest bearing liabilities and borrowings are secured by investment properties in the amount of USD 499,410,000.

The maturity of operating leases on investment properties entered into by Varia as lessor are for a maximum period of one year as per its general business terms.

The valuation of investment properties was carried out by Colliers International Valuation & Advisory Services (see Note O).

	in USD
Asset value at December 31, 2016	343,450,000
Property acquired through purchase of investment property	148,495,321
Capital improvements	1,270,073
Net gain from fair value adjustment on investment property	14,904,606
	508,120,000

NOTE J SHAREHOLDERS' EQUITY

Shareholders' equity comprises the following at June 30, 2017:

	in USD
Issued share capital	6,640,689
Share premium	200,091,052
	206,731,741

The share capital at June 30, 2017 is divided into 6,658,710 ordinary registered shares of a par value of CHF 1.00 each. All the shares are fully paid as of June 30, 2017.

	Share number	Share capital in USD	Share premium in USD
Balance at Dec 31, 2016	6,194,148	6,180,241	193,357,404
Ordinary share capital increases	464,562	460,448	14,699,244
Net capital distributions	–	–	(7,965,596)
Balance at June 30, 2017	6,658,710	6,640,689	200,091,052

The Company proceeded to one capital increase during the accounting period raising net proceeds in capital and premium on January 6, 2017.

On May 23, 2017, the general meeting of the shareholders approved the appropriation of the available earnings at December 31, 2016 comprising the allocation to the general legal reserve of USD 41,619, the distribution of USD 7,965,596 from the reserves from capital contributions, and the payment of a dividend of USD 1,187,803.

Share premiums are considered under Swiss law as reserves from capital contributions.

Major Shareholders

The following table indicates Varia's major shareholders holding shares and voting rights of 3% and more as of June 30, 2017 (number of shares according to the public disclosures of shareholdings at SIX; Swiss Exchange voting rights) and in aggregate the other shareholders:

Shareholders	Investor type	Number of shares	Participation in %
Varia SPC	Fund	3,994,453	59.99%
DREYFUS SOEHNE	Bank	388,022	5.83%
Others shareholders with a participation below 3% individually	Banks, funds, pension funds, foundation and companies	2,276,235	34.18%
		6,658,710	100%

The fund Varia SPC is representing approximately 35 different investors who are directly or indirectly holders of the fund's units.

Capital Management

The Group's policy is to maintain a strong equity base so as to maintain investor, creditor and market confidence and to sustain future development of the business. Management monitors the return on equity as well as the level of dividends to ordinary shareholders.

The board of directors seeks to maintain a balance between the higher returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound equity position.

Earnings per Share

Earnings (losses) per share attributable to equity holders for the period	in USD
Profit (loss) per share attributable to the ordinary equity holders of the Company from continuing operations – basic (calculated on the weighted average number of ordinary shares outstanding, see below)	1.83
Profit (loss) per share attributable to the ordinary equity holders of the Company from continuing operations – fully diluted (calculated on the weighted average number of ordinary shares outstanding, see below)	1.83
Net profit (loss) for the period attributable to ordinary equity holders of the Company	12,163,274

Calculation of weighted average number of shares	
Shares outstanding as of 31 December 2017	6,194,148
Effect of capital increase on 6 January 2017	441,334
Weighted average number of ordinary shares outstanding – basic for the period	6,635,482
Weighted average number of ordinary shares outstanding – fully diluted for the period	6,635,482

37

	June 30, 2017	December 31, 2016
Equity attributable to Varia US Properties AG Shareholders (USD)	226,581,481	208,411,914
Number of shares	6,658,710	6,194,148
NAV per share (USD)	34.03	33.65

Equity attributable to Varia US Properties AG Shareholders (excluding deferred taxes) (USD)	246,047,195	222,558,122
Number of shares	6,658,710	6,194,148
NAV per share (excluding deferred taxes) (USD)	36.95	35.93

NOTE K REAL ESTATE OPERATING EXPENSES, REAL ESTATE MAINTENANCE AND RENOVATION EXPENSES, AND OTHER EXPENSES

Real estate operating expenses and other expenses consist of the following for the periods:

	For the Six Months Ended June 30, 2017 in USD	September 28, 2015 through June 30, 2016 in USD
Utility expenses	2,399,399	1,463,210
Property and other taxes	2,720,325	1,350,291
Property insurance	685,123	509,725
Advertising expenses	415,280	191,646
Total real estate operating expenses	6,220,127	3,514,872

Repairs and maintenance	1,009,343	594,009
Capital expenditures	1,608,251	1,067,073
Non recurring repairs and maintenance	579,456	250,887
Total real estate maintenance and renovation expenses	3,197,050	1,911,969

Legal and accounting fees	1,054,109	2,280,405
Contract services	551,221	550,075
Professional fees	313,466	1,034,008
Asset management fees	1,052,492	531,176
General and administrative	998,427	1,459,511
Total other expenses	3,969,715	5,855,175

Variation of current balances compared to prior period is mostly due to the transition from year of acquisition to year of full service for most properties, as well as to an increase in the total number of properties.

respectively, and the foreign currency exchange net gain of USD 885,543 (gains of USD 1,674,692 less losses of USD 789,149) and net loss of USD 935,758 (losses of USD 903,175 less gains of USD 57,417), respectively, resulting from the change of the exchange rate between the CHF and the USD currency rates on foreign currency bank accounts.

NOTE L FINANCE COSTS

The finance costs of the six months ended June 30, 2017 and the period from September 28, 2015 through June 30, 2016 amounted to USD 4,749,110 and USD 4,782,323, respectively, include mainly interest paid and accrued on interest bearing loans and borrowings of approximately USD 5.6 million and USD 3.8 million,

NOTE M INCOME TAXES

Income taxes are comprised of the following for the periods:

	For the Six Months Ended June 30, 2017 in USD	September 28, 2015 through June 30, 2016 in USD
Provision for income tax expense		
Deferred U.S. federal and state income tax	5,319,506	2,088,200
Current U.S. federal and state income tax	71,622	–
Current Swiss federal income tax	3,216	(140,000)
	5,394,344	1,948,200

Current Taxes

The provision for tax payable on net income earned by Varia is calculated and recorded based on the applicable tax rate in Switzerland and for Varia subsidiaries in the U.S. based on the applicable federal and state tax rates (approximately 38%). For Swiss federal tax purposes, income tax at an effective tax rate of 7.8% is levied.

Deferred Taxes

Deferred income taxes reflect the effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for tax purposes. Deferred income tax expense for the period from January 1, 2017 through June 30, 2017 was USD 5,319,506.

The components of deferred tax assets (liabilities) at June 30, 2017 are as follows:

	Deferred Tax Assets (Liabilities) at Dec 31, 2016 in USD	Recognized In Profit Or Loss in USD	Total in USD	Deferred Tax Assets in USD	Deferred Tax Liabilities in USD
Net operating loss carryforward	11,319,633	2,023,018	13,342,651	13,342,651	–
Investment property	(26,002,213)	(8,301,339)	(34,303,552)	–	(34,303,552)
Miscellaneous other	536,372	958,815	1,495,187	1,875,645	(380,458)
Tax assets (liabilities) before set-off	(14,146,208)	(5,319,506)	(19,465,714)	15,218,296	(34,684,010)
			Set-off of tax	(13,342,651)	13,342,651
			Net assets (liabilities)	1,875,645	21,341,359

In assessing the deferred tax assets, the Group's management considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. Management considers the scheduled reversal of deferred tax liabilities, projected future taxable income, and tax planning strategies in making this assessment.

No deferred taxes have been recognized for the tax effect of approximately USD 7 million on unremitted earnings of approximately USD 18.4 million for the Company's subsidiaries as the remittance is within the full control of the Group.

As of June 30, 2017, the Group has approximately USD 35.1 million of net operating loss carryforwards, which are eligible to be recognized as deferred U.S. federal and state income tax. The utilization is limited to future taxable earnings of the Company. The carryforwards begin to expire in 2033.

NOTE N RELATED PARTY TRANSACTIONS

Related parties are individuals and companies where the individual or company has the ability, directly or indirectly, to control the other party or to exercise significant influence over the other party in making financial and operating decisions. Related parties include:

- Board of Directors of Varia US Properties AG
- Stoneweg SA, Geneva (Switzerland)
- Peak Capital Partners (USA)

Transactions with Stoneweg SA and Stoneweg US, LLC

Varia US Properties AG entered into an Asset Management Agreement with Stoneweg SA and Stoneweg US, LLC (Stoneweg) to manage the investments and the administration activities of the Company.

Per agreement, Stoneweg and its branches are entitled to an acquisition fee of 1% maximum of the purchase price (0.5% for the six months ended June 30, 2017); an asset management fee of 1% of the equity invested; and a disposal fee of 1% maximum of the sale price. By contract, the disposal fee could be replaced by a promote fee.

During the six months ended June 30, 2017 and for the period from September 28, 2015 through June 30, 2016, Stoneweg SA has charged the Company approximately USD 250,000 and USD 2 million in placement and capital increase fees that have been accounted for as transaction costs against the share premium proceeds.

Stoneweg remuneration fees for the other services provided to Varia subsidiaries and underlying investments during the reporting periods were as follows:

	For the Six Months Ended June 30, 2017 in USD	September 28, 2015 through June 30, 2016 in USD
Asset management fees charged to Varia direct subsidiaries	725,010	382,800
Transaction fees invoiced for the periods	822,190	630,000
Ariston Opportunity Fund restructuring fees	–	789,950

Outstanding amounts due to Stoneweg as of June 30, 2017 and December 31, 2016 represent USD 415,506 and USD 222,301, respectively.

Transactions with Peak Capital Partners

Peak remuneration fees for the services provided to Varia subsidiaries investments during the reporting periods were as follows:

	For the Six Months Ended June 30, 2017 in USD	September 28, 2015 through June 30, 2016 in USD
Property management fees	771,301	643,820
Asset management fees	295,427	327,868
Acquisition fees	–	3,685,279
Financing fees	–	271,343
Promote fee	–	175,682

The outstanding amount due to Peak as of June 30, 2017 and December 31, 2016 represent USD 0.

Additionally, Peak holds most of the non-controlling interest in real estate subsidiaries. This shareholding additionally entitles Peak Capital Partners to returns in excess of their direct shareholding, in the form of a promotional fee as described above.

Key Management Compensation

The board of directors is considered as key management. In the period under consideration, expense in the amount of 92,651 CHF and 10,000 CHF was incurred and paid to the board of directors as compensation for the six months ended June 30, 2017 and the period from September 28, 2015 through June 30, 2016, respectively.

NOTE O FINANCIAL RISK MANAGEMENT

Risk Management Strategy

The investment objective of the Group is to realize long-term capital appreciation, investment income or both in USD by assembling a portfolio of investment property in the U.S. multifamily real estate market. The investments are diversified among the geographical states in the U.S. through its investments entities located in the U.S.

Varia's activities expose the Group to a variety of financial risks, namely market risk (including interest rate risk, currency risk and other price risks), liquidity risk and credit risk. The Group observes and manages these risks. The risks could result ultimately in a reduction of the Group's net assets.

Varia seeks to minimize these risks and adverse effects by considering potential impacts from the financial and the U.S. real estate markets. The Group manages these risks, where necessary, via collaboration with service partners that are market leaders in their respective area of expertise. Additionally, the Group has internal guidelines and policies in place to ensure that transactions are effected in a consistent and diligent manner.

Interest Rate Risk

Varia property companies are subject to cash flow interest rate risk due to fluctuations in the U.S. real estate market interest rates. Changes in interest rates affect mainly the interest bearing liabilities and borrowings.

At June 30, 2017, Varia has entered into interest bearing liabilities and borrowing contracts with several lenders, three U.S. governmental agencies, amounting to USD 312.7 million and periodic reimbursements until their principal maturity dates spread out between 2021 and 2052. Only USD 42.1 million of these mortgages are subject to variable interest rates. Accordingly, an increase or decrease of these variable rates of 1% would affect in aggregate the net total annual profit or loss of the real estate companies by only USD 421,000, with a corresponding adjustment to the equity of the group by the same amount.

Currency Risk

The net asset value per share is calculated in USD, the functional and presentation currency of the Group. The Group's investments are mainly denominated in USD.

Varia is exposed to a certain degree of currency risk towards the CHF, which can adversely affect performance in that currency which is the currency of presentation of Varia statutory financial statements. Fluctuations of the USD currency exchange rate with the CHF affect the net result and the equity in CHF of the Group in its statutory financial statements and, ultimately, the profits available for distribution of dividends. During the period ended June 30, 2017, the Group did not enter into currency contracts to mitigate this currency risk. The Group is assessing the risk and may enter into such currency contracts in the future, when needed.

The Group's currency positions at June 30, 2017 are predominately in USD as presented on the statement of financial position except for those in CHF as follows:

	in CHF
Cash and cash equivalents	2,682,249
Rent and other receivables	21,111
Total assets	2,703,360

	in CHF
Liabilities	
Trade and other payables	1,383,660
Net assets	1,319,700

Other Price Risks

Other price risks (i.e. changes in market prices other than from interest rate risks or currency risk) may affect the value of the investment property held by Varia's subsidiaries.

The Group is exposed to price risk other than in respect of financial instruments, mainly property price risk but also property rentals risk.

Varia's asset manager monitors on a monthly basis the performance of the real estate companies by analyzing regular reports and through direct contact with its real estate partner and service providers in the USA. Appraisal of the properties by independent experts take place every six months to determine ultimately the fair value of the investment properties as described in Note I. The board of directors reviews and subsequently approves the valuations.

The Company attempts to minimize the property price risk incurred at the level of its investments through effective due diligence prior to investing in real estate properties, and monitors on a permanent basis their activities and performances directly with its Asset manager or indirectly with its services partners in the USA.

The Company mitigates these risks also by investing in a diversified real estate portfolio, spreading its investments through different regions, size of assets, and typology of multifamily asset (senior housing, free rent, LIHTC rents). The diversification of the real estate portfolio also relies on a multitude of operating leases entered into by Varia as lessor, none of which is individually significant.

One of the main risks for Varia is ultimately the value of the properties held in the portfolio of the property companies. The value of these properties is dependent on a multitude of factors. These factors are mainly the balance between supply and demand on the U.S. multifamily real estate market, financing conditions, level of rents, and vacancies.

The Group values its properties every six months by external independent valuations to determine the potential proceeds to be received in the case of selling all the portfolio and the unrealized profit or loss impacting the property companies' net assets values.

The independent market value of the properties as of June 30, 2017 was USD 508.1 million.

Liquidity Risk

Due to the nature of the real estate equity companies in which the Group invests, through its investments, immediate and full investment of assets is not always possible. Additional investments by Varia are triggered by the availability of cash resulting mainly from new share capital increases, cash resulting from loan interest payments and paid dividends from its subsidiaries, or subsidiaries loans or capital reimbursements.

Varia pursues a long-term investment strategy with a mixture of core-plus, value-add, and opportunity assets in the U.S. multifamily real estate portfolio, with average holding periods between five to seven years, three to seven years, and one to five years, respectively, before the properties are divested. Actual strategy of Varia is to reinvest the net proceeds resulting from the sales of either the shares of the underlying investment property or of properties they own.

The maturity analysis of financial liabilities, actual cash flows including interest, is as follows as of June 30, 2017:

	Within 12 months in USD	From 1–4 Years in USD	Later than 5 years in USD	Total in USD
Trade and other payables, less accrued real estate and other taxes	7,152,258	–	–	7,152,258
Interest bearing loans and borrowings, including interest	15,164,084	74,140,758	336,848,670	426,153,512
	22,316,342	74,140,758	336,848,670	433,305,770

Credit Risk

The Group enters in credit exposure only to established, creditworthy third parties, so that no collateralization is required. Receivables are monitored continuously. The board of directors monitors credit risk on a regular basis.

The Company holds the majority of its cash with multiple international or known financial institutions which have an investment grade rating. Varia monitors, on a regular basis, the standing of the financial institutions in which is entering or has business directly or indirectly through its subsidiaries and underlying investments.

The maximum credit risk exposure for cash and cash equivalents, rent and other receivables and escrow accounts is the amount recognized on the statement of financial position. Cash and cash equivalents, rent and other receivables and the escrow accounts are neither past due nor impaired.

Fair Value Measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transactions between market participants at the measurement date, regardless of whether that price is directly observable or based on another estimated valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those

characteristics into account when pricing the asset or liability at the measurement date.

In addition, for financial reporting purposes, fair value measurements are categorized into Level 1, 2 or 3 based on the degree to which the inputs to fair value measurements are observable and the significance of the inputs to fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs, other than quoted prices included in within Level 1, that are observable for the asset or liability either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or the liability.

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, an investment's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement. The Company's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment, and considers factors specific to the investment.

At June 30, 2017, Varia's investment properties are measured at fair value on a recurring basis by the above fair value hierarchy level as follows:

	Level 1 in USD	Level 2 in USD	Level 3 in USD	Total in USD
Investment property at Dec 31, 2016	–	–	343,450,000	343,450,000
Purchase of investment property	–	–	148,495,321	148,495,321
Capital improvements	–	–	1,270,073	1,270,073
Net change in fair value (unrealized)	–	–	14,904,606	14,904,606
Investment property at June 30, 2017	–	–	508,120,000	508,120,000

There was no transfer between Levels 1 and 2 and Level 3. See Note I for a reconciliation from the opening to the ending balance of investment property.

Valuation Method, Standards, and Principles

The properties are generally valued by using the income capitalization approach (direct capitalization), which is the most common methodology employed in valuing multifamily apartment communities in the United States. In the income capitalization approach, an appraiser analyzes a property’s capacity to generate future benefits and capitalizes the income into an indication of present value. The principle of anticipation is fundamental to this approach. Techniques and procedures from this approach are used to analyze comparable sales data and to measure obsolescence in the cost approach. The relationship between a single year’s net operating income expectancy and the total property price or value is known as the capitalization rate. In addition, the independent valuer uses comparable sales analysis of recent transactions to derive market capitalization rates, as well as indicative sales prices of comparable asset sales. In the preparation of valuation analysis, the independent valuer typically relies on current rent rolls, year-to-date operating statements, historical operating statements (where available), operating budgets, and capital expenditure budgets. Based thereon, the independent valuer defines fair value consistent with the definition of market value as commonly applied in the United States.

The appraisal at fair value is based on the assumption that the most probable price which a property should bring in a competitive and open market under all conditions requisite to a fair sale, the buyer and seller each acting prudently, knowledgeably, and assuming that the price is not affected by undue stimulus. Implicit in this definition is the consummation of a sale as of a specified date and the passing of title from seller to buyer under conditions whereby: (i) buyer and seller are typically motivated; (ii) both parties are well-informed or well-advised, and acting in what they consider their own best interests; (iii) a reasonable time is allowed for exposure in the open market; (iv) payment is made in terms of cash in United States dollars or in terms of financial arrangements comparable thereto; and (v) the price represents the normal consideration for the property sold unaffected by special or creative financing or sales concessions granted by anyone associated with the sale.

The market value (fair value) makes no allowance for cost of sale oriented expenses indicative of a net realizable value, nor does it consider any outstanding liens or delinquent property taxes should they exist.

The independent valuer performs the appraisals in accordance with national and international standards and guidelines in particular with the International Valuation Standards (IVS and RICS/Red Book), as well as in accordance with the requirements of IFRS 13. The property values determined correspond to the market value (Fair Value) consistent with IFRS Standard according to IFRS as it relates to fair market value. The definition of fair value in IFRS is generally consistent with market value, which are discussed in IVS 300 Valuations for Financial Reporting.

Level 3 investments consist of the investment in properties. These are by nature unquoted. The fair values of these entities is derived based on independent appraisals of the underlying investment property.

The valuation was determined using significant unobservable inputs. These inputs include:

Future Rental Cash Inflows	Based on the actual location, type and quality of the properties and supported by the terms of any existing lease, other contracts or external evidence such as current market rents for similar properties.
Estimated Vacancy Rates	Based on current and expected future market conditions after expiry of any current lease. The vacancy rates applied range from 2.5%–11.5%.
Maintenance Costs	Including necessary investments to maintain functionality of the property for its expected useful life.
Capitalization Rates	Based on actual location, size and quality of the properties and taking into account market data at the valuation date. The capitalization rates range from 5.75%–8.25%.

Fair value increases with lower capitalization rates and vacancies and with higher market rents and sales prices. The economic environment can be considered as exerting the greatest influence on input factors, with the factors outlined above influences to varying degrees by market developments. Any intensification on pressure on market rents by negative economic sentiments is

usually accompanied by a rise in property vacancy rates. At the same time, a lower capitalization rate may prevail in such market circumstances and to a certain extent, the changes of input factors offset each other.

On the basis of a sensitivity analysis of investment real estate with fair value as of the balance sheet of USD 508,120,000, an isolated increase in the capitalization rates by 50 basis points would lead to a decrease of approximately USD 36 million in value while a decrease in the capitalization rate by 50 points would lead to an increase of approximately USD 42 million as illustrated by the following table in increments of 10 basis points:

Average capitalization rate	Change in fair value %	Change in fair value in USD	Fair value in USD
6.1 %	8.3 %	41,991,000	550,111,000
6.2 %	6.5 %	33,052,000	541,172,000
6.3 %	4.8 %	24,399,000	532,519,000
6.4 %	3.2 %	16,018,000	524,138,000
6.5 %	1.6 %	7,897,000	516,017,000
6.6 % (valuation at June 30, 2017)	–	–	508,120,000
6.7 %	–1.5 %	(7,613,000)	500,507,000
6.8 %	–3.0 %	(15,023,000)	493,097,000
6.9 %	–4.4 %	(22,217,000)	485,903,000
7.0 %	–5.7 %	(29,205,000)	478,915,000
7.1 %	–7.1 %	(35,994,000)	472,126,000

45

Financial Instruments Not Measured at Fair Value

Cash and cash equivalents, rent and other receivables, escrow accounts, and trade and other payables are short-term in nature and, therefore, the carrying amount is deemed to be fair value at June 30, 2017.

Interest-bearing loans and borrowings are initially measured at fair value, less directly attributable transaction costs. After initial recognition, interest-bearing loans are measured at amortized cost and are categorized as follows as of June 30, 2017:

Interest bearing loans and borrowings	in USD
Level 1	–
Level 2	–
Level 3	312,697,537
Total	312,697,537

The above carrying amount is deemed to be a reasonable estimate of fair value at June 30, 2017.

NOTE P COMMITMENTS, CONTINGENCIES AND OTHER OFF-BALANCE SHEET TRANSACTIONS

As of June 30, 2017, the Company has signed a tenancy agreement for the Company office in Zug which started on January 1, 2017 and requires monthly rental payments of CHF 840. This rent can be terminated with a six-month notice at the end of each quarter. The Group had no contingencies and other off-balance sheet transactions that would be required to be disclosed herein.

At June 30, 2017, the Group has entered into a commitment to buy multiple new multifamily housing properties in the amount of USD 95.6 million through newly-formed entities as detailed in Note R.

The operations of the Group may be affected by legislative, fiscal, and regulatory developments for which provisions would be made when and where deemed necessary.

NOTE Q SEGMENT REPORTING

The Group has determined that Varia and its subsidiaries and underlying investments operate in the sole segment of investment property in the U.S. multifamily real estate market.

NOTE R SUBSEQUENT EVENTS

The board of directors has evaluated events subsequent to the consolidated statement of financial position date of June 30, 2017 and through September 1, 2017, which was the date the consolidated financial statements were available to be issued. Other than as disclosed below, there were no subsequent events which would require adjustment to or disclosure in the accompanying consolidated financial statements.

On July 19, 2017, the Company invested USD 37.1 million USD on Rolling Hills (400 units) in Louisville, Kentucky and on July 31, 2017 invested USD 37.3 million on Mission Palms (360 units) in Tucson, Arizona.

One other deal is currently under contract for a total acquisition cost of approximately USD 21.2 million. This property is located in Mesa, Arizona.

Audited annual consolidated financial statements of Varia US Properties AG as of and for the period (beginning on 28 September 2015 and) ended 31 December 2016 (with comparative figures as of and for the period beginning on 28 September 2015 and ended 30 June 2016)

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VARIA US PROPERTIES AG AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

Expressed in US Dollars	Note	December 31, 2016	June 30, 2016 (Unaudited)	September 28, 2015
ASSETS				
Current assets				
• Cash and cash equivalents	E	96,300,017	23,920,065	104,637
• Rent and other receivables	F	631,716	376,386	–
• Income tax receivable		242,495	242,495	–
• Prepaid expenses		813,224	1,027,552	–
• Non-current asset classified as held for sale		–	5,800,000	–
Total current assets		97,987,452	31,366,498	104,637
Non-current assets				
• Investment property	I	343,450,000	295,130,000	–
• Other assets		877,000	–	–
• Escrow accounts	E	5,028,566	4,184,233	–
• Goodwill	D	1,936,484	1,051,727	–
• Deferred tax asset	M	536,372	2,768,191	–
Total non-current assets		351,828,422	303,134,151	–
Total assets		449,815,874	334,500,649	104,637
LIABILITIES AND EQUITY				
Current liabilities				
• Interest bearing loans and borrowings	G	1,595,838	2,856,489	–
• Trade and other payables	H	6,838,545	6,666,141	–
• Prepaid rent		223,359	219,541	–
Total current liabilities		8,657,742	9,742,171	–
Non-current liabilities				
• Interest bearing loans and borrowings	G	201,473,883	196,712,862	–
• Deferred tax liability	M	14,682,580	13,202,027	–
Total liabilities		224'814'205	219'657'060	–
• Issued share capital	J	6,180,241	3,120,867	104,637
• Share premium from capital contributions	J	193,357,404	94,544,056	–
• Retained earnings		8,874,269	2,860,044	–
Equity attributable to Varia US Properties AG shareholders	J	208,411,914	100,524,967	104,637
Non-controlling interest (NCI)		16,589,755	14,318,622	–
Total equity		225,001,669	114,843,589	104,637
Total liabilities and equity		449,815,874	334,500,649	104,637

The Notes on pages 73 to 94 form an integral part of these financial statements

VARIA US PROPERTIES AG AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Expressed in US Dollars	Note	Period from September 28, 2015 through December 31, 2016	Period from September 28, 2015 through June 30, 2016 (Unaudited)
Rental income		36,525,232	17,439,403
Other income		2,622,533	1,417,294
Bargain on purchase of subsidiary	D	4,185,000	4,185,000
Net gain from fair value adjustment on investment property	I	21,231,493	9,961,916
Total income		64,564,258	33,003,613
Expenses for third party onsite workforces		5,621,229	2,461,397
Real estate operating expenses	K	7,939,025	3,514,872
Real estate maintenance and renovation expenses		5,827,515	594,010
Property management fees		1,388,270	745,024
Real estate acquisition expenses		5,880,590	5,376,572
Other expenses	K	7,285,900	7,071,930
Total operating expenses		33,942,529	19,763,805
• Operating Profit		30,621,729	13,239,808
Finance Cost	L	8,645,081	4,782,323
• Profit before income tax		21,976,648	8,457,485
Provision for income tax expense	M	5,800,197	1,948,200
• Profit for the period		16,176,451	6,509,285
Other comprehensive income		–	–
• Total comprehensive income for the period		16,176,451	6,509,285
Profit attributable to:			
• Varia US Properties AG shareholders		8,874,269	2,860,044
• Non-controlling interests		7,302,182	3,649,241
		16,176,451	6,509,285
Total comprehensive income attributable to:			
• Varia US Properties AG shareholders		8,874,269	2,860,044
• Non-controlling interests		7,302,182	3,649,241
		16,176,451	6,509,285
Earnings per share:			
• Basic and diluted earnings, on profit for the period	J	3.37	1.39

The Notes on pages 73 to 94 form an integral part of these financial statements

VARIA US PROPERTIES AG AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE PERIOD FROM SEPTEMBER 28, 2015 (INCEPTION) THROUGH DECEMBER 31, 2016

Equity Attributable to Varia US Properties AG Shareholders

Expressed in US Dollars	Note	Issued Share Capital	Share Premium from Capital Contribution	Retained Earnings	Total	Non- controlling Interests	Total Equity
Share capital issued at date of incorporation September 28, 2015		104,637	–	–	104,637	–	104,637
Profit for the period		–	–	8,874,269	8,874,269	7,302,182	16,176,451
• Other comprehensive income		–	–	–	–	–	–
Total comprehensive income		–	–	8,874,269	8,874,269	7,302,182	16,176,451
Ordinary share capital increases							
• November 11, 2015	J	1,084,201	36,711,046	–	37,795,247	–	37,795,247
• February 1, 2016	J	1,932,029	57,833,010	–	59,765,039	–	59,765,039
• December 7, 2016	J	3,059,374	98,813,348	–	101,872,722	–	101,872,722
Net capital distributions		–	–	–	–	(1,735,154)	(1,735,154)
Non-controlling interest originating through business combinations	D	–	–	–	–	11,022,727	11,022,727
Balance at December 31, 2016		6,180,241	193,357,404	8,874,269	208,411,914	16,589,755	225,001,669

The Notes on pages 73 to 94 form an integral part of these financial statements

VARIA US PROPERTIES AG AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE PERIOD FROM SEPTEMBER 28, 2015 (INCEPTION) THROUGH DECEMBER 31, 2016

Expressed in US Dollars	Note	
Operating activities		
Profit before tax		21,976,648
Adjustments to reconcile profit before tax to net cash provided by operating activities		
• Net gain from fair value adjustment on investment property	I	(21,231,493)
• Loss on disposal of investment property		230,110
• Bargain on acquisition of subsidiary	D	(4,185,000)
• Finance costs	L	8,645,081
		5,435,346
Working capital adjustments		
• Decrease in rent and other receivables	F	449,375
• Increase in prepaid expenses		(17,824)
• Increase in escrow accounts	E	(956,664)
• Increase in other assets		(877,000)
• Increase in trade and other payables		2,614,650
• Increase in prepaid rent		223,359
Net cash provided by operating activities		6,871,242
Investing activities		
Acquisition of subsidiaries, net of cash acquired	D	(76,703,826)
Acquisition of investment property	I	(28,473,063)
Proceeds received from sale of assets held for sale	I	3,803,822
Capital expenditure on investment property	I	(1,381,322)
Net cash used in investing activities		(102,754,389)
Financing activities		
Payments of principal on interest bearing loans and borrowings	G	(8,581,704)
Interest paid	L	(8,388,476)
Payments of debt issuance costs	G	(281,542)
Proceeds from interest bearing loans and borrowings	G	11,889,000
Proceeds from issued share capital	J	199,433,008
Payments of distributions to non-controlling interests		(1,735,154)
Net cash provided by financing activities		192,335,132
• Net increase in cash and cash equivalents		96,451,985
Cash and cash equivalents at beginning of period		104,637
Exchange losses on cash and cash equivalents		(256,605)
Cash and cash equivalents at end of period		96,300,017

The Notes on pages 73 to 94 form an integral part of these financial statements

Varia US Properties AG and Subsidiaries

NOTES TO THE CONSOLIDATED IFRS FINANCIAL STATEMENTS DECEMBER 31, 2016

NOTE A – ORGANIZATION AND ACTIVITIES

Varia US Properties AG (Varia, Parent or the Company) was created on September 17, 2015 and registered with the Zug register of commerce on September 28, 2015 under UID number CHE-320748.468. The Company is a Swiss stock corporation established under the relevant provisions of the Swiss code of obligations. Its address is Gubelstrasse 19, 6300 Zug, Switzerland. Varia US Properties AG has the tax status of a holding company.

As a Swiss real estate investment company, Varia's purpose is to acquire, hold, and sell properties in the United States of America (USA and US). Accordingly, the Company is fully dedicated to solid investments in the US multifamily real estate market. Since 2015, it has assembled a portfolio currently held through Varia's subsidiaries that mainly comprise low-moderate income and workforce multifamily housing properties. The Company and its subsidiaries (the Group) pursue a long-term growth strategy aimed at offering investors risk adjusted access to the US multifamily real estate market.

The Board of Directors of the Company is ultimately responsible for the policies, the valuations, and the management of the activities. Varia has no employees as of December 31, 2016 and has never employed any staff.

The accompanying consolidated financial statements of Varia US Properties AG and its subsidiaries (collectively, the Group) for the period December 31, 2016 were authorized by the Board of Directors for issue on April 24, 2017.

The consolidated financial statements are presented in US Dollars (USD) and all values are rounded to the nearest dollar, except when otherwise indicated.

NOTE B – BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

The accompanying consolidated financial statements of the Company have been prepared in accordance with International Financial Reporting Standards (IFRS), issued by the International Accounting Standards Board (IASB). These consolidated financial statements for the period ended December 31, 2016 are the first the Group has prepared in accordance with IFRS.

Accordingly, the Company's consolidated financial statements have been prepared on the historical cost basis, except for its investment properties that are measured at fair values at the end of each reporting period, as explained in the accounting policies hereafter.

Management has included the unaudited consolidated statements of financial position and profit or loss and other comprehensive income as of and for the period ended June 30, 2016 as voluntary information.

By its statutes and Swiss law, Varia will close its statutory books and prepare statutory financial statements for the first time on December 31, 2016 for the period from September 28, 2015 (inception) to December 31, 2016.

BASIS OF CONSOLIDATION

The accompanying consolidated financial statements comprise the financial statements of Varia and its subsidiaries as of and for the period ended December 31, 2016. Subsidiaries are all entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

Non-controlling interest is recognized at the holders' proportionate interest in the recognized amount of the identifiable net assets of the acquire, which comprise a direct ownership percentage plus a promote in connection with net fair value gains (see Note N).

Profit or loss and each component of other comprehensive income are attributed to the equity holders of the parent of the Group and to non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of the subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intercompany assets and liabilities, income, expenses, and cash flows relating to transactions between members of the Group are eliminated on consolidation.

Profit or loss and other comprehensive income of subsidiaries acquired or disposed of during the period are recognized from the effective date of the acquisition, or up to the date of disposal, as applicable.

For acquisitions of subsidiaries not meeting the definition of a business, the Group allocates the cost between the individual identifiable assets and liabilities in the Group based on their relative fair values at the date of acquisition. Such transactions or events do not give rise to goodwill.

FUNCTIONAL AND PRESENTATION CURRENCY

The Board of Directors of the Company has assessed the underlying characteristics of Varia's currency exposure, of its investments, and transactions and considers that USD is the currency that best reflects its underlying transactions, events, and conditions for the preparation of the accompanying consolidated financial statements. In particular, the Company has assessed the USD as the currency –

- In which the funds from Varia financing activities are invested into and in which receipt for operating activities are usually retained. The Company obtains interests and dividends primarily in USD.
- That influences most of the Company's transactions and determines the prices of Varia subsidiaries investment properties and assessment of the performance and profits from the operational activities.
- Most of the transactions have been and are expected to continue to be transacted in USD, even if limited administrative costs of the Company are expected to continue in Swiss franc (CHF).
- In which Varia's shareholders are investing their funds on the long-term for the return of their investments.

As a result, the accompanying consolidated financial statements are presented in USD.

FOREIGN CURRENCY TRANSLATION

Foreign currency transactions are translated into the functional currency using the exchange rate prevailing on the dates of the transactions.

In preparing financial statements at the end of each reporting period, monetary items denominated in foreign currencies are translated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rate prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated at the exchange rate at the date of the transaction. Exchange differences on monetary items are recognized in profit or loss in the period in which they arise, except for unrealized exchange profits on long-term monetary assets and liabilities which are deferred in the statement of financial position sheet, if any.

The following exchange rates have been applied to translate the foreign currencies of significance for the Company:

CHF/USD average exchange rate for the period	1.03497
CHF/USD exchange rate at December 31, 2016	1.01878

CASH AND CASH EQUIVALENTS

Cash includes cash on hand and cash with banks. Cash equivalents are short-term, highly-liquid investments that are readily convertible to known amounts of cash, with original maturities of three months or less, that are subject to an insignificant risk of change of value. Cash and cash equivalents are recorded at nominal value.

FINANCIAL ASSETS (RENT AND OTHER RECEIVABLES AND ESCROW ACCOUNTS)

Financial assets are classified as loans and receivables. The Company determines the classification of its financial assets at initial recognition.

Financial assets are recognized on the consolidated statements of financial position when the Company becomes a party to the contractual provisions of the financial instrument, and are measured at fair value less transaction cost if the financial asset is not carried at fair value through profit or loss.

Purchases or sales of financial assets that require delivery of assets within a timeframe established by any applicable regulation or convention in the marketplace (regular way purchases) are recognized on the settlement date, i.e., the date a financial asset is delivered to or by the Company.

INVESTMENT PROPERTY

Investment property comprises real estate that is held-to-earn rentals or for capital appreciation or both.

Investment property is measured initially at fair value. Subsequent to initial recognition, investment property is stated at fair value, which reflects market conditions at the reporting date. Gains or losses arising from changes in the fair values of investment properties are included in profit or loss in the period in which they arise, including the corresponding tax effect.

Investment property is derecognized either when it has been disposed of, or when it is permanently withdrawn from use and no future economic benefit is expected from its disposal. The difference between the net disposal of proceeds and the carrying amount of the asset is recognized in profit or loss in the period of derecognition.

Expenditures for repairs and maintenance are expensed as incurred. Expenditures for major additions and improvements that exceed USD 2,500 and materially extend the useful lives of the assets are capitalized.

BUSINESS COMBINATIONS AND GOODWILL

Goodwill represents the purchase price of an acquired business in excess of the fair value of net assets acquired. Goodwill is not subject to amortization, but is reviewed at least annually for impairment, or more frequently, as necessary, if there are other indications of impairment. The Group recognized USD 1,936,484 of goodwill in connection with the acquisition of the Ariston Opportunity Fund as further described in Note D.

As of December 31, 2016, there were no indicators of impairment.

INTEREST-BEARING LOANS AND BORROWINGS, TRADE AND OTHER PAYABLES

All loans and borrowings, trade and other payables are initially recognized at fair value less directly attributable transaction costs. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the effective interest method.

RENTAL INCOME

The Company's operating subsidiaries are the lessors in operating leases. Rental income arising from operating leases on investment property is accounted for on a straight-line basis over the lease terms, and is included in revenue in the consolidated statement of profit or loss and other comprehensive income due to its operating nature.

OPERATING EXPENSES

Operating expenses are recognized in the consolidated statement of profit or loss and other comprehensive income in the period in which they are incurred (on an accrual basis).

INCOME TAXES

CURRENT TAX

Tax expense and income taxes payable are based on reported income and calculated in accordance with the applicable legislations and regulations. In Switzerland, Varia is taxed as a holding company at federal, cantonal, and communal levels. In the United States, Varia's subsidiaries are limited liability companies taxed as corporations.

Income, including dividend income and capital gains from its subsidiaries, are exempt from taxation at the Zug cantonal and communal levels. Nevertheless, the Company is subject to capital taxes that are included in operating expenses in the consolidated statement of profit or loss and other comprehensive income. The amount of current income tax payable or receivable is the best estimate of the tax amount expected to be paid. It is measured using tax rates enacted or substantively enacted at the reporting date.

DEFERRED TAX

Deferred tax assets and liabilities are recognized for the future tax consequences attributable to temporary differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases, and operating loss and tax credit carryforwards.

Deferred tax assets and liabilities are measured using enacted or substantively enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in the consolidated statement of profit or loss and other comprehensive income in the period that includes the enactment date.

Deferred tax assets are only recognized to the extent that it is probable that future taxable profits will be available against which they can be used.

Recorded deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related benefit will be realized.

NEW ACCOUNTING STANDARDS

The IASB has issued new standards, amendments, and interpretations to existing standards that are not yet effective. The following other new standards may potentially be relevant for the Company. Varia has yet to adopt these standards and plans to do so for the reporting period beginning on or after the effective date stated in the respective standards:

New IFRS Pronouncements	Title	Effective date
IAS 7	Disclosure Initiative	January 1, 2017
IAS 12	Recognition of Deferred Tax Asset for Unrealized Losses	January 1, 2017
IAS 40 amendments	Transfers of Investment Property	January 1, 2018
IFRS 9	Financial Instruments	January 1, 2018
IFRS 15	Revenue From Contracts With Customers	January 1, 2018
IFRS 2 amendments	Clarification and Measurement of Share-based Payment Transactions	January 1, 2018
IFRS 16	Leases	January 1, 2019

Varia is currently evaluating the implication of the above new standards.

NOTE C – CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCE OF ESTIMATION

The application of the Company's accounting policies, and the preparation of the consolidated financial statements require the Board of Directors to make judgments, estimates, and assumptions about the carrying amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of income and expenses during the reporting period. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results could differ from those estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis.

FAIR VALUE MEASUREMENT OF INVESTMENT PROPERTY

The main area involving assumptions and estimates that are significant to the consolidated financial statements of the Group is the fair value of its investment property.

The Group's investment property does not have a quoted market price, nor can the fair value be determined with respect to observable input variable. Accordingly, Varia's subsidiaries obtain independent property appraisals for determining the fair value of each investment property (see Note I and Note O).

CONSOLIDATION OF SUBSIDIARIES

In deciding whether the consolidation of subsidiaries is appropriate, the Board of Directors has assessed the level of control it has over its subsidiaries. For that purpose, the Board of Directors has considered all relevant facts and circumstances in assessing whether it controls its subsidiaries. The assessment includes the analysis of the percentage of detention, the decision making process in particular related to investment decisions, and the contractual terms defined in different agreements which set conditions for operating the business. These agreements between the Group and its non-controlling interest party (Peak Capital Management and its Affiliates, who also act as manager

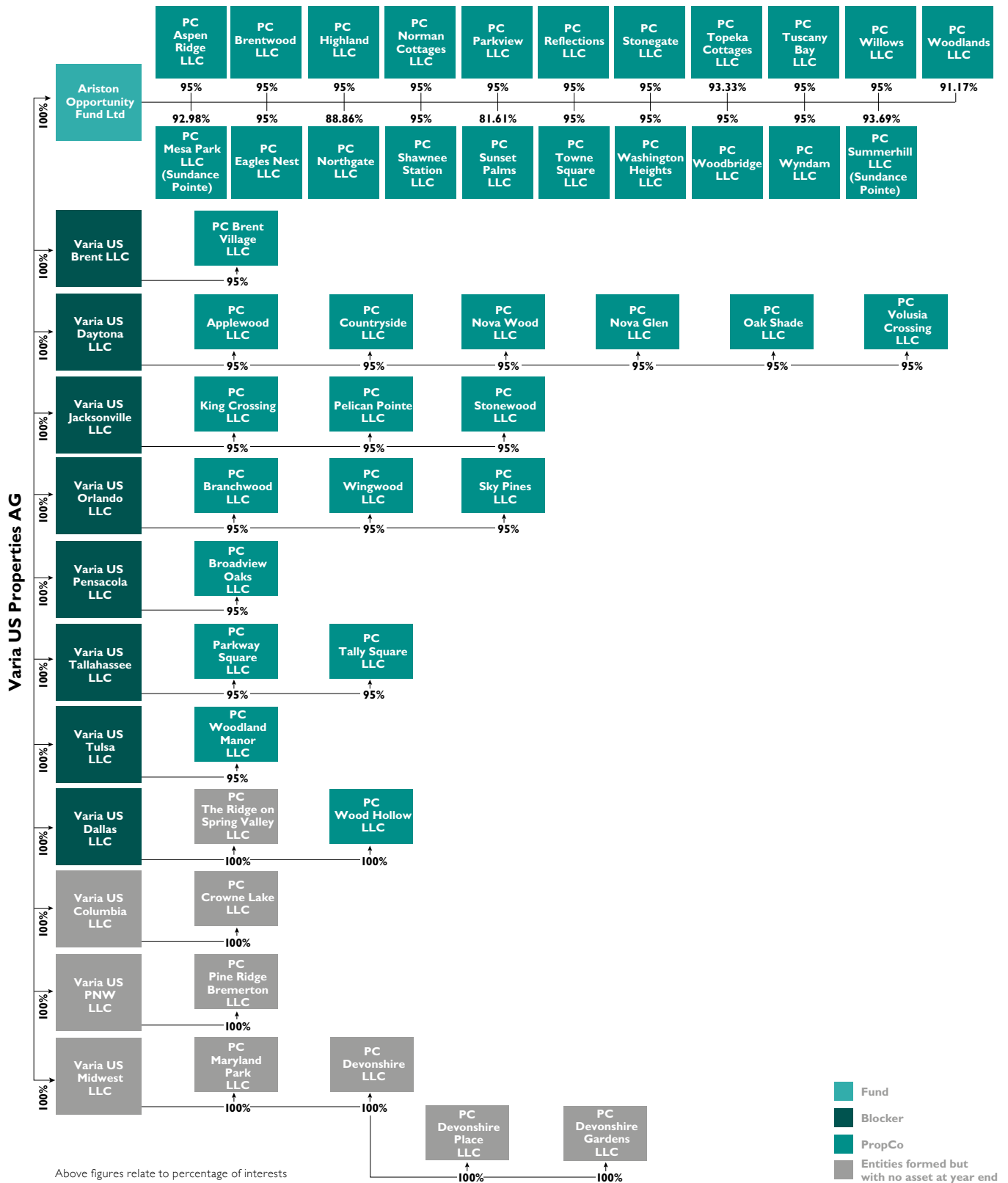
of subsidiary property companies), include provisions relating to the involvement of the non-controlling interest party in some decisions which result in limitations of control in specific areas. Pursuant to this analysis, the Board of Directors has, notwithstanding the above-mentioned limitations, concluded that the Group has the required power over the relevant activities of these subsidiaries, is exposed to, or has rights to, the variable returns from its involvement and has the ability to affect those returns through its power over the subsidiaries.

INCOME TAXES

Uncertainties exist with respect to the interpretation of complex tax regulations, changes in tax laws, and the amount and timing of future taxable income. Given the wide range of international business relationships and the long-term nature and complexity of existing contractual agreements, differences arising between the actual results and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to tax income and expenses already recorded. The Group establishes provisions for income taxes, based on reasonable estimates and interpretations of tax regulations by the taxable entity and the responsible tax authority. Such differences in interpretation may arise for a wide variety of issues depending on the conditions prevailing in the respective Group's domicile.

NOTE D – ACQUISITION OF SUBSIDIARIES (BUSINESS COMBINATION)

From its creation on September 28, 2015, the Group has developed its investment portfolio with the acquisition on February 23, 2016 (effective January 1, 2016) of the 100% equity shares of the Ariston Opportunity Fund Ltd (Bahamas), and the establishment of 11 US limited liability companies since December 2015 that invest in multifamily residential real estate investment properties in the USA. The chart of Varia's investments portfolio at December 31, 2016 is structured as follows:



The business model of Varia is to fully own its direct holding investments by creating blockers for the purpose of acquiring multifamily properties in different regions in the US, which themselves own the majority (usually 95% of interests and 71.25% of voting rights) of the outstanding equity of their investments in the real estate partnerships. Non-controlling interest are also entitled to a promotional fee under specific circumstances (see Note N).

Varia US Dallas LLC (Dallas), Varia US Columbia LLC (Columbia), Varia US PNW LLC (PNW), Varia US Midwest LLC (Midwest), and their subsidiaries are all owned 100% by Varia. Dallas was formed to facilitate the acquisition of investment property under IAS 40 of USD 28,473,063 (see Note I) as of December 29, 2016 and is included in these consolidated financial state-

ments of the Group. Columbia, PNW, Midwest and their subsidiaries were formed in 2016 to facilitate future acquisitions of investment properties commencing in 2017 (see Note R) and were inactive for the period ended December 31, 2016.

In the period, the Group acquired a number of businesses operating investment properties in different regions in the US. While the Ariston Opportunity Fund was acquired in one transaction, the remaining businesses were acquired in four separate transactions. The information for these five transactions has been aggregated based on the blockers established by the Group to hold the respective businesses, which reflect property held in different regions of the US. The following table summarizes the recognized amounts of acquired assets and liabilities assumed at the time of acquisition:

Acquisition date	Ariston Opportunity Fund	Varia US Brent LLC	Varia US Daytona LLC	Varia US Jacksonville LLC	Varia US Orlando LLC	Varia US Pensacola LLC	Varia US Tallahassee LLC	Varia US Tulsa LLC	Total
	January 1, 2016	August 1, 2016	December 14, 2015	December 14, 2015	December 14, 2015	December 14, 2015	April 26, 2016	April 1, 2016	
Cash	7,528,876	567,972	1,031,516	201,789	541,237	187,359	746,367	502,239	11,307,355
Investment property	160,179,122	7,800,000	38,095,000	14,890,000	15,550,000	4,050,000	40,800,000	16,800,000	298,164,122
Goodwill	1,936,484	–	–	–	–	–	–	–	1,936,484
Bargain on purchase of subsidiary	–	–	(715,000)	(990,000)	(680,000)	(1,200,000)	(50,000)	(550,000)	(4,185,000)
Rent and other receivables	1,012,545	67,228	–	–	–	–	1,318	–	1,081,091
Prepaid expense	652,519	43,167	69,220	16,191	23,936	5,932	(16,020)	455	795,400
Income tax receivable	242,495	–	–	–	–	–	–	–	242,495
Escrow accounts	1,943,851	482,923	329,442	560,600	190,303	30,316	410,192	124,275	4,071,902
Interest bearing loans and borrowings	(106,273,085)	(5,560,986)	(26,169,294)	(9,462,702)	(10,196,459)	(2,028,084)	(30,249,234)	(12,100,301)	(202,040,145)
Deferred tax liability	(8,461,924)	–	–	–	–	–	–	–	(8,461,924)
Trade and other payables	(3,121,328)	(28,907)	(186,760)	(90,020)	(86,387)	(20,219)	(246,593)	(97,658)	(3,877,872)
Fair value of acquired interest in net assets	55,639,555	3,371,397	12,454,124	5,125,858	5,342,630	1,025,304	11,396,030	4,679,010	99,033,908
Non-controlling interests	(8,602,393)	(178,000)	(690,811)	(302,085)	(296,817)	(58,042)	(633,000)	(261,579)	(11,022,727)
Less cash and cash equivalents of subsidiary acquired	(7,528,876)	(567,972)	(1,301,516)	(201,789)	(541,237)	(187,359)	(746,367)	(502,239)	(11,307,355)
Net outflow of cash and cash equivalents on acquisition	39,508,286	2,625,425	10,731,797	4,621,984	4,504,576	779,903	10,016,663	3,915,192	76,703,826

Acquisition costs in the amount of USD 5.9 million have been recognized directly in the statement of profit or loss and other comprehensive income.

The valuation of the investment properties at the acquisition date was performed by an independent professional appraiser with experience of the relevant market. The fair value of cash and cash equivalents, rent and other receivables, prepaid expenses, escrow account and trade and other payables was considered to equal the carrying value. The fair value of interest bearing loans and borrowings was calculated based on discounted cash flow method. Amounts previously reported as of June 30, 2016 were provisional amounts and have been adjusted to reflect final amounts as of December 31, 2016.

Badwill of USD 4,185,000 was recognized on those acquisitions where the valuation of the independent professional appraiser resulted in a higher fair value than what was negotiated between both parties at the time of sale. The badwill is predominantly due to the fact that a group of businesses was acquired in a single business combination, which resulted in a more favorable purchase price for the Group.

The direct subsidiaries hold investment in partnerships. Their ownership interest amounts to 81.6% to 95%, therefore non-controlling interest in the underlying partnerships exists. The non-controlling interest is mainly held by Peak Capital Partners.

Profit for the period of each subsidiary is allocated to the holders of the non-controlling interests based on their ownership interest in the subsidiaries, but also includes a disproportionate allocation of net gain from fair value adjustment on investment property due to promotional fees paid to Peak Capital Partners (see Note N) upon the sale of investment property. However, upon acquisition, non-controlling interest is recognized at the holders' proportionate interest in the recognized amount of the identifiable net assets of the acquiree.

The Group would incur undue cost and effort to provide the Group revenue and profit if the acquisition of all the subsidiaries had occurred on September 28, 2015 (date of foundation of Varia) with all variables held constant, therefore the Group abstains from disclosing proformas.

NOTE E – CASH AND CASH EQUIVALENTS / ESCROW ACCOUNTS

At December 31, 2016, cash and cash equivalents comprise cash in bank accounts in Swiss francs and USD, of which USD 88,109,223 is at the full disposal of the Group and USD 8,190,794 is at the property company level. Cash at banks totaled USD 96,300,017 at December 31, 2016.

Escrow accounts consist of cash accounts held by third party lenders in connection with interest bearing loans and borrowings that are restricted for the Group and used to pay real estate taxes and property insurance on behalf of the Company's operating subsidiaries, and to hold reserves for expected maintenance and property improvements. Any excess amounts held are returned to the Company upon either sale of the investment property or satisfaction of the related loan.

NOTE F – RENT AND OTHER RECEIVABLES

At December 31, 2016, rent and other receivables of USD 631,716 generally relates to amounts owed to the Group's operating subsidiaries from lessees under lease agreements associated with its investment properties.

NOTE G – INTEREST BEARING LOANS AND BORROWINGS

The Company's subsidiaries maintain mortgages against investment property, which are collateralized by the investment property, with various financial institutions as of December 31, 2016, net of debt issuance costs of USD 1,062,995, as follows:

Property	Rate in %	Maturity Date	Original Balance	Balance as of December 31, 2016	Debt Issuance Loan Costs	Carrying Amount December 31, 2016
Expressed in US Dollars						
Altitude on 5 th (Northgate)	4.00%	1/1/2025	27,680,000	27,680,000	–	27,680,000
Aspen Ridge	8.23%	3/1/2042	4,250,000	3,859,373	–	3,859,373
Brentwood Oaks	4.21%	3/1/2026	3,360,000	3,360,000	66,915	3,293,085
Cottages of Norman	4.21%	3/1/2026	3,305,000	3,305,000	66,378	3,238,622
Cottages of Topeka	4.11%	3/1/2026	2,880,000	2,880,000	75,885	2,804,115
Eagles Nest	N/A	N/A	No loan	No loan	No loan	No loan
Highland Vista	4.16%	3/1/2021	3,620,000	3,450,049	–	3,450,049
Parkview	4.60%	1/1/2021	1,360,000	1,296,961	–	1,296,961
Reflections Senior	4.66%	4/1/2024	2,640,000	2,530,519	–	2,530,519
Shawnee Station	3.27%	7/1/2052	13,849,800	13,051,652	–	13,051,652
South Hills	4.39%	11/1/2025	3,280,000	3,280,000	39,976	3,240,024
Stonegate Village	4.21%	3/1/2026	2,344,000	2,344,000	–	2,344,000
Sundance Pointe	3.32%	11/1/2025	9,500,000	9,500,000	–	9,500,000
Towne Square	4.28%	12/1/2024	7,992,000	7,992,000	–	7,992,000
Tuscany Bay	4.28%	5/1/2021	4,320,000	4,134,302	–	4,134,302
Washington Heights Senior	4.60%	1/1/2021	1,360,000	1,296,961	–	1,296,961
Willows of Cumming	4.52%	7/1/2024	8,332,000	8,280,090	–	8,280,090
Woodbridge Senior	4.66%	4/1/2024	1,440,000	1,380,283	–	1,380,283
Woodlands	4.23%	9/1/2025	6,438,000	6,438,000	–	6,438,000
Wyndam Place Senior	4.60%	1/1/2021	1,520,000	1,449,545	–	1,449,545
Brent Village	3.48%	8/1/2047	5,936,800	5,530,481	2,968	5,527,513
Wood Hollow	N/A	N/A	No loan	No loan	No loan	No loan
Applewood	4.51%	1/1/2026	4,522,000	4,522,000	36,580	4,485,420
Countryside	4.51%	1/1/2026	6,580,000	6,580,000	47,501	6,532,499
Nova Glen	4.51%	1/1/2026	4,550,000	4,550,000	36,551	4,513,449
Novawood	4.51%	1/1/2026	3,107,000	3,107,000	25,519	3,081,481
Oak Shade	4.51%	1/1/2026	2,400,000	2,400,000	24,871	2,375,129
Volusia Crossing	4.51%	1/1/2026	5,250,000	5,250,000	40,296	5,209,704
Pelican Pointe	4.51%	1/1/2026	3,648,000	3,648,000	32,573	3,615,427
Stonewood	4.51%	1/1/2026	3,850,000	3,850,000	32,717	3,817,283
Villas at King's Crossing	4.51%	1/1/2026	2,064,000	2,064,000	23,252	2,040,748
Branchwood	4.51%	1/1/2026	5,075,000	5,075,000	39,093	5,035,907
Sky Pines	4.51%	1/1/2026	1,829,000	1,829,000	22,147	1,806,853
Wingwood	4.51%	1/1/2026	3,395,000	3,395,000	30,194	3,364,806
Broadview Oaks	2.96%	1/1/2026	2,054,000	2,054,000	23,108	2,030,892
Parkway Square	3.29%	5/1/2026	16,312,500	16,312,500	153,174	16,159,326
Tally Square	3.29%	6/1/2026	14,250,000	14,250,000	136,598	14,113,402
Woodland Manor	4.09%	4/1/2026	12,207,000	12,207,000	106,699	12,100,301
			206,501,100	204,132,716	1,062,995	203,069,721

Future scheduled principal payments based upon contractual amounts owed under the term notes, excluding any additional payments that may be required, consist of the following as of December 31, 2016:

12 months ending December 31,	Expressed in US Dollars
2017	1,595,838
2018	2,161,986
2019	2,489,468
2020	2,971,417
2021	14,134,933
Thereafter	180,779,074
	204,132,716

NOTE H – TRADE AND OTHER PAYABLES

Trade and other payables consist of the following at December 31, 2016:

	Expressed in US Dollars
Accounts payable	2,329,053
Accrued interest	726,431
Accrued real estate and other taxes	574,498
Accrued expenses	1,246,397
Security deposits	1,484,660
Income taxes payable	115,824
Other accrued expenses	361,682
	6,838,545

NOTE I – INVESTMENT PROPERTY

Varia's subsidiaries have invested their funds, capital and loans funded by Varia, in various real estate over the accounting period. The investment properties table is the following at December 31, 2016:

Properties Held	City	Property Acquired through Business Combination	Property Acquired through purchase of Investment Property	Capital Improvements	Net Gain (Loss) From Fair Value Adjustment on Investment Property	Sale of Investment Property	Fair Value of Investment Property at December 31, 2016
Expressed in US Dollars							
The Arbors	Grinnel	1,348,429	–	–	201,571	(1,550,000)	–
Aspen Ridge	Albuquerque	7,198,378	–	13,989	(112,367)	–	7,100,000
Brentwood Oaks	Fredericksburg	4,542,075	–	37,766	920,159	–	5,500,000
Cottages of Norman	Norman	4,592,768	–	–	207,232	–	4,800,000
Cottages of Topeka	Topeka	3,122,677	–	8,839	468,484	–	3,600,000
Eagles Nest	Rifle	1,906,049	–	–	(386,049)	–	1,520,000
Highland Vista	Creedmoor	5,272,052	–	84,168	843,780	–	6,200,000
Lynnwood	Marion	1,662,724	–	–	212,276	(1,875,000)	–
Sundance Pointe	Jacksonville	12,673,201	–	–	2,926,799	–	15,600,000
Altitude	Salt Lake City	38,526,531	–	94,131	379,338	–	39,000,000
Parkview	Caldwell	2,990,875	–	34,495	674,630	–	3,700,000
Pineview	Waterloo	2,139,236	–	–	235,764	(2,375,000)	–
Reflections Senior	Fort Collins	4,349,443	–	–	400,557	–	4,750,000
Shawnee Station	Shawnee	18,381,211	–	43,814	(25,025)	–	18,400,000
Stonegate Village	Pueblo West	2,727,273	–	8,199	734,528	–	3,470,000
South Hills	Bellevue	4,379,858	–	–	220,142	–	4,600,000
Towne Square	Boise	10,300,778	–	–	529,222	–	10,830,000
Tuscany Bay	Lawrenceburg	5,170,666	–	–	729,334	–	5,900,000

Properties Held	City	Property Acquired through Business Combination	Property Acquired through purchase of Investment Property	Capital Improvements	Net Gain (Loss) From Fair Value Adjustment on Investment Property	Sale of Investment Property	Fair Value of Investment Property at December 31, 2016
Expressed in US Dollars							
Washington Heights	Kansas City	2,565,056	–	–	434,944	–	3,000,000
Willows of Cumming	Cumming	12,064,887	–	–	135,113	–	12,200,000
Woodbridge Senior	Fort Collins	2,636,026	–	–	203,974	–	2,840,000
Woodlands	Jackson	8,313,620	–	–	186,380	–	8,500,000
Wyndam Place	Shawnee	3,315,309	–	12,100	(27,409)	–	3,300,000
Brent Village	Bellevue	7,800,000	–	–	350,000	–	8,150,000
Wood Hollow	Eules	–	28,473,063	–	1,026,937	–	29,500,000
Applewood	Deland	6,460,000	–	78,141	661,859	–	7,200,000
Countryside	Daytona Beach	9,400,000	–	39,903	760,097	–	10,200,000
Nova Glen	Daytona Beach	6,500,000	–	76,667	1,123,333	–	7,700,000
Novawood II	Daytona Beach	4,780,000	–	61,221	958,779	–	5,800,000
Oak Shade	Orange City	3,455,000	–	44,792	500,208	–	4,000,000
Volusia Crossing	Daytona Beach	7,500,000	–	49,680	150,320	–	7,700,000
Villas at Kings Crossing	Jacksonville	3,890,000	–	41,713	968,287	–	4,900,000
Pelican Pointe I & II	Jacksonville	5,500,000	–	59,490	1,140,510	–	6,700,000
Stonewood	Jacksonville	5,500,000	–	–	160,000	–	5,660,000
Branchwood	Winter Park	7,250,000	–	70,049	399,951	–	7,720,000
Sky Pines I & II	Orlando	3,450,000	–	101,584	1,298,416	–	4,850,000
Wingwood	Orlando	4,850,000	–	54,200	205,800	–	5,110,000
Broadview Oaks	Pensacola	4,050,000	–	–	150,000	–	4,200,000
Parkway Square	Tallahassee	21,800,000	–	100,718	599,282	–	22,500,000
Tally Square	Tallahassee	19,000,000	–	89,945	910,055	–	20,000,000
Woodland Manor	Tulsa	16,800,000	–	175,718	(225,718)	–	16,750,000
		298,164,122	28,473,063	1,381,322	21,231,493	(5,800,000)	343,450,000

Investment properties in the amount of USD 5.8 million were sold during the period ended December 31, 2016.

Interest bearing liabilities and borrowings are secured by investment properties in the amount of USD 312,430,000. The future minimum lease payments under non-cancellable leases for the period not later than one year amount to USD 25.3 million. The general business terms for leases are for a maximum period of one year.

	Expressed in US Dollars
Asset value at September 28, 2015	–
Property acquired through business combination	298,164,122
Property acquired through purchase of investment property	28,473,063
Capital improvements	1,381,322
Net gain from fair value adjustment on investment property	21,231,493
Sale of investment property	(5,800,000)
	343,450,000

The valuation of investment properties was carried out by Colliers International Valuation & Advisory Services (see Note O).

NOTE J – SHAREHOLDERS' EQUITY

Shareholders' equity comprises the following at December 31, 2016:

	Expressed in US Dollars
Issued share capital	6,180,241
Share premium	193,357,404
	199,537,645

The share capital at December 31, 2016 is divided in 6,194,148 ordinary registered shares of a par value of CHF 1.00 each. All the shares are fully paid as of December 31, 2016.

Expressed in US Dollars	Share number	Share capital	Share premium
Share capital issued at September 28, 2015 (date of incorporation)	100,000	104,637	–
Ordinary share capital increases	6,094,148	6,075,604	193,357,404
Balance at December 31, 2016	6,194,148	6,180,241	193,357,404

The Company proceeded to three capital increases during the accounting period raising net proceeds in capital and premium of respectively USD 37,795,247 on November 11, 2015, USD 59,765,039 on February 1, 2016 and USD 101,872,722 on December 7, 2016.

For the first two capital increases the related equity transaction costs amounting to USD 3,171,635 have been deducted from the share premium. They mainly included federal stamp duty taxes for USD 967,406 and the asset manager placement fees of USD 2,183,155.

For the IPO share capital increases on December 7, 2016, a fee of CHF 1.70 was included in the offer price of CHF 35 per share – resulting in a total reimbursement of equity issuance costs of USD 5,214,487 to cover the costs entailed by the equity transaction of USD 5,351,102. The resulting net loss of CHF 156,114 has been charged to profit and loss account.

Share premiums are considered under Swiss law as reserves from capital contributions.

MAJOR SHAREHOLDERS

The following table indicates Varia's major shareholders holding shares and voting rights of 3% and more as of December 31, 2016 (number of shares according to the public disclosures of shareholdings at SIX Swiss Exchange voting rights) and in aggregate the other shareholders:

Shareholders	Investor type	Number of shares	Participation in %
Varia SPC	Fund	3,541,194	57.2
DREYFUS SOEHNE	Bank	497,705	8.00
Others shareholders with a participation below 3% individually	Banks, funds, pension funds, foundation and companies	2,155,249	34.8
		6,194,148	100.00

The fund Varia SPC is representing approximately 35 different investors who are directly or indirectly holders of fund's units.

CAPITAL MANAGEMENT

The main purpose of Varia is to acquire, hold and sell properties directly and/or indirectly in the USA. The Company may establish branch offices and subsidiaries in Switzerland and abroad. Varia has the tax status of a holding company. Varia presents itself as an investor whose objective is to develop, produce or market

products with its investees and, therefore, the entity will earn returns from the development, production or marketing activity as well as from its investments, (i.e. Varia will earn returns from improving in various ways) as well as managing the properties.

The Group's policy is to maintain a strong equity base so as to maintain investor, creditor and market confidence and to sustain future development of the business. Management monitors the return on equity as well as the level of dividends to ordinary shareholders.

The Board of Directors seeks to maintain a balance between the higher returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound equity position.

EARNINGS PER SHARE	USD
Earnings (losses) per share attributable to equity holders for the period	
• Profit (loss) per share attributable to the ordinary equity holders of the Company from continuing operations – basic (calculated on the weighted average number of ordinary shares outstanding, see below)	3.37
• Profit (loss) per share attributable to the ordinary equity holders of the Company from continuing operations – fully diluted (calculated on the weighted average number of ordinary shares outstanding, see below)	3.37
Net profit (loss) for the period attributable to ordinary equity holders of the Company	8,874,269
Calculation of weighted average number of shares	
• Shares issued at the establishment of the Company	100,000
• Effect of capital increase on 11 November 2015	978,924
• Effect of capital increase on 1 February 2016	1,390,173
• Effect of capital increase on 7 December 2016	161,586
Weighted average number of ordinary shares outstanding – basic for the period	2,630,684
Weighted average number of ordinary shares outstanding – fully diluted for the period	2,630,684

Expressed in US Dollars

Equity attributable to Varia US Properties AG Shareholders	208,411,914	Utility expenses	3,458,958
Number of shares	6,194,148	Property and other taxes	2,989,896
NAV per share	33.65	Property insurance	1,066,691
		Advertising expenses	423,480
		Total real estate operating expenses	7,939,025
		Legal and accounting fees	1,886,507
		Contract services	1,302,080
		Professional fees	808,731
		Asset management fees	1,226,903
		Commissions	630,449
		General and administrative	1,431,230
		Total other expenses	7,285,900

NOTE K – REAL ESTATE OPERATING EXPENSES AND OTHER EXPENSES

Real estate operating expenses and other expenses consist of the following for the period from September 28, 2015 (inception) through December 31, 2016:

See next page ►

NOTE L – FINANCE COSTS

The finance costs of the period amounting to USD 8,645,081 include mainly interest paid and accrued on interest bearing loans and borrowings of approximately USD 8.4 million and the foreign currency exchange net loss of USD 256,605 (losses of USD 1,525,105 less gains of USD 1,268,500) resulting from the negative evolution of the exchange rate between the CHF and the USD currency rates on foreign currency bank accounts, which is included in administrative expenses.

NOTE M – INCOME TAXES

Provision for income tax expense

	Expressed in US Dollars
Deferred US federal and state income tax	5,684,284
Current Swiss federal income tax	115,913
	5,800,197

CURRENT TAXES

Provision for tax payable on net income earned by Varia is calculated and recorded based on the applicable tax

rate in Switzerland and for Varia subsidiaries in the US based on the applicable federal and state tax rates (approximately 38%). For Swiss federal tax purposes, income tax at an effective tax rate of 7.8% is levied.

The tax on the Group's profit before tax differs from the theoretical amount that would arise using weighted average tax rate on the applicable profit of the consolidated companies as follows:

	Expressed in US Dollars
Profit before tax	21,976,648
Less profit attributable to NCI	(7,302,182)
Profit attributable to equity holders of the parent before provision for income tax	14,674,466
Income tax using the Group's weighted average income tax rate of 38%	5,576,297
Effect of different tax rate	(448,791)
Effect of distributions to non-controlling interests	659,359
Non-deductible expense	13,332
Income tax expense	5,800,197

DEFERRED TAXES

Deferred income taxes reflect the effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for tax purposes. Deferred income tax expense for the period from September 28, 2015 (inception) through December 31, 2016 was USD 5,684,284. The components of deferred tax assets (liabilities) at December 31, 2016 are as follows:

Expressed in US Dollars	Acquired Through Business Combination	Recognized In Profit Or Loss	Total	Deferred Tax Assets	Deferred Tax Liabilities
Net operating loss carryforward	5,111,554	6,208,079	11,319,633	11,319,633	–
Investment property	(13,666,421)	(12,335,792)	(26,002,213)	–	(26,002,213)
Misc. other	92,943	443,429	536,372	536,372	–
Tax assets (liabilities) before set-off	(8,461,924)	(5,684,284)	(14,146,208)	11,856,005	(26,002,213)
Set-off of tax				(11,319,633)	11,319,633
Net assets (liabilities)				536,372	(14,682,580)

In connection with the acquisition of subsidiaries acquired through business combinations (see Note D), the Group assumed deferred tax liabilities of approximately USD 8.5 million, as outlined above.

In assessing the deferred tax assets, the Group's management considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred

tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. Management considers the scheduled reversal of deferred tax liabilities, projected future taxable income, and tax planning strategies in making this assessment.

No deferred taxes have been recognized for the tax effect of approximately USD 3.3 million on unremitted earnings of approximately USD 8.5 million for the Company's subsidiaries as the remittance is within the full control of the Group.

As of December 31, 2016, the Group has approximately USD 29.8 million of federal and state net operating loss carryforwards which are recognized as deferred tax asset. The utilization is limited to future taxable earnings of the Company. The carryforwards begin to expire in 2033.

NOTE N – RELATED PARTY TRANSACTIONS

Related parties are individuals and companies where the individual or company has the ability, directly or indirectly, to control the other party or to exercise significant influence over the other party in making financial and operating decisions. Related parties include:

- Board of Directors of Varia US Properties AG
- Stoneweg SA, Geneva (Switzerland)
- Peak Capital Partners (USA)

TRANSACTIONS WITH STONEWEG SA

Varia US Properties AG entered into an Asset Management Agreement with Stoneweg SA (Stoneweg) to manage the investments and the administration activities of the Company.

Per agreement, Stoneweg and its branches are entitled to an acquisition fee of 1% maximum of the purchase price, currently 0.5%; an asset management fee of 1% of the equity invested; and a disposal fee of 1% maximum of the sale price, currently 0.5%. By contract, the disposal fee could be replaced by a promote fee.

During the accounting period ended December 31, 2016, Stoneweg SA has charged the Company approximately USD 2 million in placement and capital increase fees that have been accounted for as transaction costs against the share premium proceeds.

Stoneweg remuneration fees for the other services provided to Varia subsidiaries and underlying investments during the reporting period were as follows:

- Asset management fees charged to Varia direct subsidiaries during the accounting period up to December 31, 2016 amounted to USD 848,279;
- Transaction fees invoiced for the period amounted to USD 841,500; and
- Ariston Opportunity Fund restructuring fees of USD 789,950.

Outstanding amounts due to Stoneweg as of December 31, 2016 represent USD 222,301.

TRANSACTIONS WITH PEAK CAPITAL PARTNERS

Per agreement, Peak is entitled during the accounting period to an acquisition fee of 2% maximum of the purchase price, a financing fee of 1% of the nominal amount of the interest bearing liability (the includes third party origination fees), and property and asset management fees of 5% of the gross income of the investment properties, as well as promotional fees of 25% of the net fair value gains on investment properties upon disposal of the entity, with a 10% internal rate of return hurdle on initial capital contributions of Preferred A unit holders of the real estate partnership, and subject to a catchup clause.

Peak remuneration fees for the services provided to Varia subsidiaries investments during the reporting period were the following:

- Acquisition fees of USD 2,310,875;
- Ariston Opportunity Fund restructuring fees of USD 789,950;
- Financing fees during the accounting period up to December 31, 2016 amounted to USD 271,343;
- Property management fees for the period amounted to USD 1,389,270;
- Asset management fees for the period amounted to USD 625,139;
- Software setup expenses for the period amounted to USD 153,836; and
- Promotional fees of USD 507,711.

Outstanding amount due to Peak as of December 31, 2016 represent USD 0.

Additionally, Peak holds most of the non-controlling interest in real estate subsidiaries. This shareholding additionally entitles Peak Capital Partners to returns in excess of their direct shareholding, in the form of a promotional fee as described above.

KEY MANAGEMENT COMPENSATION

The Board of Directors is considered as key management. In the period under consideration, expense in the amount of CHF 62,500 was incurred, of which CHF 20,000 was paid to the Board of Directors as compensation as of December 31, 2016. Please refer to the compensation report on page 61.

NOTE O – FINANCIAL RISK MANAGEMENT

RISK MANAGEMENT STRATEGY

The investment objective of the Group is to realize long-term capital appreciation, investment income or both in USD by assembling a portfolio of investment property in the US multifamily real estate market. The investments are diversified among the geographical states in the US through its investments entities located in the US.

Varia’s activities expose the Group to a variety of financial risks, namely market risk (including interest rate risk, currency risk and other price risks), liquidity risk and credit risk. The Group observes and manages these risks. The risks could result ultimately in a reduction of the Group’s net assets.

Varia seeks to minimize these risks and adverse effects by considering potential impacts from the financial and the US real estate markets. The Group manages these risks, where necessary, via collaboration with service partners that are market leaders in their respective area of expertise. Additionally, the Group has internal guidelines and policies in place to ensure that transactions are effected in a consistent and diligent manner.

INTEREST RATE RISK

Varia property companies are subject to cash flow interest rate risk due to fluctuations in the US real estate market interest rates. Changes in interest rates affect mainly the interest bearing liabilities and borrowings.

At December 31, 2016, Varia has entered into interest bearing liabilities and borrowing contracts with several lenders, mainly the three US governmental agencies, amounting to USD 204.1 million and periodic reimbursements until their principal maturity dates spread out between 2021 and 2052. Only USD 42.1 million of these mortgages are subject to variable interest rates. Accordingly, an increase or decrease of these variable rates of 1% would affect in aggregate the net total annual profit or loss of the real estate companies by only USD 421,000, with a corresponding adjustment to the equity of the group by the same amount.

CURRENCY RISK

The net asset value per share is calculated in USD, the functional and presentation currency of the Group. The Group’s investments are mainly denominated in USD.

Varia is exposed to a certain degree of currency risk towards the CHF, which can adversely affect performance in that currency which is the currency of presentation of Varia statutory financial statements. Fluctuations of the USD currency exchange rate with the CHF affect the net result and the equity in CHF of the Group in its statutory financial statements and, ultimately, the profits available for distribution of dividends. Over the period ended December 31, 2016, the Group did not enter into currency contracts to mitigate this currency risk. The Group is assessing the risk and may enter into such currency contracts in the future, when needed.

The Group’s currency positions at December 31, 2016 are predominately in USD as presented on the statement of financial position except for those in CHF as follows:

Assets	
Cash and cash equivalents	USD 4,378,805
Rent and other receivables	149,888
Total assets	4,528,693
Liabilities	
Trade and other payables	2,244,280
Net assets CHF	USD 2,284,413

A reasonably possible 5% strengthening (weakening) of the CHF against the USD at December 31, 2016 would not have a material effect on the measurement of financial instruments denominated in CHF.

OTHER PRICE RISKS

Other price risks (i.e. changes in market prices other than from interest rate risks or currency risk) may affect the value of the investment property held by Varia's subsidiaries.

The Group is exposed to price risk other than in respect of financial instruments, mainly property price risk but also property rentals risk.

Varia's asset manager monitors on a monthly basis the performance of the real estate companies by analyzing regular reports and through direct contact with its real estate partner and service providers in the USA. Appraisal of the properties by independent experts take place every 6 months to determine ultimately the fair value of the subsidiaries as described in Note I. The Board of Directors reviews and subsequently approves the valuations.

The Company attempts to minimize the property price risk incurred at the level of its investments through effective due diligence prior to investing in real estate properties, and monitors on a permanent basis their activities and performances directly with its Asset manager or indirectly with its services partners in the USA.

The Company mitigates these risks also by investing in a diversified real estate portfolio, spreading its investments through different regions, size of assets, and typology of multifamily asset (senior housing, free rent, LIHTC rents).

One of the main risks for Varia is ultimately the value of the properties held in the portfolio of the property companies. The value of these properties is dependent on a multitude of factors. These factors are mainly the balance between supply and demand on the US multi-family real estate market, financing conditions, level of rents, and vacancies.

The Group values its properties every six months by external independent valuations to determine the potential proceeds to be received in the case of selling all the portfolio and the unrealized profit or loss impacting the property companies' net assets values.

The independent market value of the properties as of December 31, 2016 was USD 343.5 million.

LIQUIDITY RISK

Due to the nature of the real estate equity companies in which the Group invests, through its investments, immediate and full investment of assets is not always possible. Additional investments by Varia are triggered by the availability of cash resulting mainly from new share capital increases, cash resulting from loan interest payments and paid dividends from its subsidiaries, or subsidiaries loans or capital reimbursements.

Varia pursues a long-term investment strategy with a mixture of core-plus, value-add, and opportunity assets in the US multifamily real estate portfolio, with average holding periods between five to seven years, three to seven years, and one to five years, respectively, before the properties are divested. Actual strategy of Varia is to reinvest the net proceeds resulting from the sales of either the shares of the underlying investment property or of properties they own.

The maturity analysis of financial liabilities, actual cash flows including interest, as of December 31, 2016 is as follows:

Expressed in US Dollars	Within 12 months	From 1-4 Years	Later than 5 years	Total
Trade and other payables, less accrued real estate and other taxes	6,688,657	–	–	6,688,657
Interest bearing loans and borrowings	10,000,343	54,053,926	218,065,044	282,119,313
	16,689,000	54,053,926	218,065,044	288,807,970

CREDIT RISK

The Group enters in credit exposure only to established, creditworthy third parties, so that no collateralization is required. Receivables are monitored continuously. The Board of Directors monitors credit risk on a regular basis.

The Company holds the majority of its cash with multiple internationally renowned financial institutions which have an investment grade rating.

Varia monitors, on a regular basis, the standing of the financial institutions in which it is entering or has business directly or indirectly through its subsidiaries and underlying investments.

The maximum credit risk exposure for cash and cash equivalents, rent and other receivables and escrow accounts is the amount recognized on the statement of financial position. Cash and cash equivalents, rent and other receivables and the escrow accounts are neither past due nor impaired.

FAIR VALUE MEASUREMENT

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transactions between market participants at the measurement date, regardless of whether that price is directly observable or based on another estimated valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date.

In addition, for financial reporting purposes, fair value measurements are categorized into Level 1, 2 or 3 based on the degree to which the inputs to fair value measurements are observable and the significance of the inputs to fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs, other than quoted prices included in within Level 1, that are observable for the asset or liability either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or the liability.

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, an investment's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement. The Company's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment, and considers factors specific to the investment.

At December 31, 2016, Varia's investment properties are measured at fair value on a recurring basis by the above fair value hierarchy level as follows:

Expressed in US Dollars	Level 1	Level 2	Level 3	Total
Investment property	–	–	343,450,000	343,450,000

There was no transfer between Levels 1 and 2 and Level 3. See Note I for a reconciliation from the opening to the ending balance of investment property.

VALUATION METHOD, STANDARDS, AND PRINCIPLES

The properties are generally valued by using the income capitalization via direct capitalization methodology, which is the most common methodology employed in valuing multifamily apartment communities in the United States. In addition, the independent valuer uses comparable sales analysis of recent transactions to derive market capitalization rates, as well as indicative sales prices of comparable asset sales. In the preparation of valuation analysis, the independent valuer typically relies on current rent rolls, year-to-date operating statements, historical operating statements (where available), operating budgets, and capital expenditure budgets. Based thereon, the independent valuer defines fair value consistent with the definition of market value as commonly applied in the United States.

The appraisal at fair value is based on the assumption that the most probable price which a property should bring in a competitive and open market under all conditions requisite to a fair sale, the buyer and seller each acting prudently, knowledgeably, and assuming that the price is not affected by undue stimulus. Implicit in this definition is the consummation of a sale as of a specified date and the passing of title from seller to buyer under conditions whereby: (i) buyer and seller are typically motivated; (ii) both parties are well-informed

or well-advised, and acting in what they consider their own best interests; (iii) a reasonable time is allowed for exposure in the open market; (iv) payment is made in terms of cash in United States dollars or in terms of financial arrangements comparable thereto; and (v) the price represents the normal consideration for the property sold unaffected by special or creative financing or sales concessions granted by anyone associated with the sale.

The market value (fair value) makes no allowance for cost of sale oriented expenses indicative of a net realizable value, nor does it consider any outstanding liens or delinquent property taxes should they exist.

The independent valuer performs the appraisals in accordance with national and international standards and guidelines in particular with the International Valuation Standards (IVS and RICS/Red Book), as well as in accordance with the requirements of IFRS 13. The property values determined correspond to the market value (Fair Value) consistent with IFRS Standard according to IFRS as it relates to fair market value. The definition of fair value in IFRS is generally consistent with market value, which are discussed in IVS 300 Valuations for Financial Reporting.

Level 3 investments consist of the investment in properties. These are by nature unquoted. The fair values of these entities is derived based on independent appraisals of the underlying investment property.

The valuation was determined using significant unobservable inputs. These inputs include:

Future Rental Cash Inflows	Based on the actual location, type and quality of the properties and supported by the terms of any existing lease, other contracts or external evidence such as current market rents for similar properties.
Estimated Vacancy Rates	Based on current and expected future market conditions after expiry of any current lease. The vacancy rates applied range from 0.7%–9.3%.
Maintenance Costs	Including necessary investments to maintain functionality of the property for its expected useful life.
Capitalization Rates	Based on actual location, size and quality of the properties and taking into account market data at the valuation date. The capitalization rates range from 5.75%–8.00%.

Fair value increases with lower capitalization rates and vacancies and with higher market rents and sales prices. The economic environment can be considered as exerting the greatest influence on input factors, with the factors outlined above influences to varying degrees by market developments. Any intensification on pressure on market rents by negative economic sentiments is usually accompanied by a rise in property vacancy rates. At the same time, a lower capitalization rate may prevail in such market circumstances and to a certain extent, the changes of input factors offset each other.

On the basis of a sensitivity analysis of investment real estate with fair value as of the balance sheet of USD 343,450,000, an isolated increase in the capitalization rates by 50 basis points would lead to a decrease of approximately USD 21.4 million in value while a decrease in the capitalization rate by 50 points would lead to an increase of approximately USD 29.8 million as illustrated by the following table in increments of 10 basis points:

Average capitalization rate	Change in fair value in %	Change in fair value in USD	Fair value in USD
6.3%	8.7	29,836,000	373,226,000
6.4%	7.0	23,985,000	367,375,000
6.5%	5.3	18,314,000	361,704,000
6.6%	3.7	12,817,000	356,207,000
6.7%	2.2	7,483,000	350,873,000
6.8% (valuation at December 31, 2016)	–	–	343,450,000
6.9%	– 0.8	(2,718,000)	340,672,000
7.0%	– 2.2	(7,599,000)	335,791,000
7.1%	– 3.6	(12,343,000)	331,047,000
7.2%	– 4.9	(16,954,000)	326,436,000
7.3%	– 6.2	(21,439,000)	321,951,000

**PROPERTY PORTFOLIO AS OF DECEMBER 31, 2016
(TOTAL RENTAL GROSS INCOME BASED ON COLLIER'S FIGURES)**

Property	Address	City	State	Zip Code
Altitude	135 South 500 West	Salt Lake City	Utah	84101
Applewood	101 East New Hampshire Avenue	Deland	Florida	32724
Aspen Ridge	820 Louisiana Boulevard SE	Albuquerque	New Mexico	87108
Branchwood	7785 Branchwood Lane	Winter Park	Florida	32792
Brentwood Oaks	604 S. Eagle Street	Fredericksburg	Texas	78624
Brent Village	1409 Buck Drive	Bellevue	Nebraska	68005
Broadview Oaks	6101 College Parkway	Pensacola	Florida	32504
Cottages of Norman	2901 Oak Tree Avenue	Norman	Oklahoma	73072
Cottages of Topeka	620 Northwest Lyman Road	Topeka	Kansas	66608
Countryside	1200 Beville Road	Daytona Beach	Florida	32114
Eagle's Nest	1041 West 24 th Street	Rifle	Colorado	81650
Highland Vista	320 Hidden Valley Drive	Creedmoor	North Carolina	27522
Nova Glen	1000 South Nova Road	Daytona Beach	Florida	32114
Novawood II	1220 South Nova Road	Daytona Beach	Florida	32114
Oak Shade	2317 South Volusia Avenue	Orange City	Florida	32763
Parkview	415 Sunset Court	Caldwell	Idaho	83606
Parkway Square	2855 Apalachee Parkway	Tallahassee	Florida	32301
Pelican Pointe I & II	1333 Dunn Avenue	Jacksonville	Florida	32218
Reflections Senior	321 East Troutman Pkwy	Fort Collins	Colorado	80525
Shawnee Station	6405 Maurer Road	Shawnee	Kansas	66217
Sky Pine I & II	4990 North Lane	Orlando	Florida	32808
South Hills	904 Kasper Street	Bellevue	Nebraska	68147
Stonegate Village	393 East Spaulding Avenue	Pueblo West	Colorado	81007
Stonewood	8300 Old Kings Road	Jacksonville	Florida	32217
Sundance Pointe	5681 Edenfield Road	Jacksonville	Florida	32277
Tally Square	1112 S Magnolia Drive	Tallahassee	Florida	32301
Towne Square	244 North Allumbaugh Street	Boise	Idaho	83704
Tuscany Bay	100 River Road	Lawrenceburg	Indiana	47025
Villas at Kings Crossing	7241 Old Kings Road South	Jacksonville	Florida	32217
Volusia Crossing	395 Bill France Boulevard	Daytona Beach	Florida	32114
Washington Heights	7701 Armstrong Avenue	Kansas City	Kansas	66112
Willows of Cumming	225 Nancy Lane	Cumming	Georgia	30040
Wingwood	5749 St Charles Prado	Orlando	Florida	32822
Woodbridge Senior	1508 West Elizabeth Street	Fort Collins	Colorado	80521
Woodland Manor	8641 East 61 st Street	Tulsa	Oklahoma	74133
Woodlands	2119 Woodland Way	Jackson	Mississippi	39209
Wood Hollow	3875 Post Oak Boulevard	Eules	Texas	76040
Wyndam Place	15510 West 63 rd Street	Shawnee	Kansas	66217
Total				

(1) As of December 31, 2016, 100% of the lettable area of the properties was for residential use.

(2) As percentage of the total gross potential rent.

Fair Value in USD	Ownership form	Ownership percentage of shares	Year of construction	Year of renovation	Use ⁽¹⁾	Vacancy Rate ⁽²⁾	Cap Rate in %	Gross Potential Income in USD	Net rentable Area (in sq. ft.)
39,000,000	Sole	88.68	2002	2015	Residential	4.00	5.75	3,951,232	246,414
7,200,000	Sole	95	1982	N/A	Residential	7.50	7.50	1,288,380	99,072
7,100,000	Sole	95	2001	N/A	Residential	6.00	6.25	940,344	102,504
7,720,000	Sole	9	1980	N/A	Residential	6.00	7.76	1,156,692	64,512
5,500,000	Sole	95%	1998	N/A	Residential	3.50	7.00	758,900	74,578
8,150,000	Sole	95	1971	N/A	Residential	7.00	7.25	1,461,326	147,875
4,200,000	Sole	95	1985	N/A	Residential	8.00	7.50	759,680	46,080
4,800,000	Sole	95	1998	N/A	Residential	5.25	6.75	679,720	80,024
3,600,000	Sole	93.33	1999	N/A	Residential	5.50	6.75	638,500	66,024
10,200,000	Sole	95	1982	N/A	Residential	6.00	8.25	1,712,760	117,216
1,520,000	Sole	95	2000	N/A	Residential	6.00	6.75	267,644	27,115
6,200,000	Sole	95	1997	N/A	Residential	4.80	7.50	950,239	75,686
7,700,000	Sole	95	1984	N/A	Residential	5.50	8.00	1,294,520	88,704
5,800,000	Sole	95	1980	N/A	Residential	4.50	8.00	1,030,180	73,152
4,000,000	Sole	95	1985	N/A	Residential	7.50	7.50	662,500	51,264
3,700,000	Sole	95	1999	N/A	Residential	3.50	6.75	590,899	74,379
22,500,000	Sole	95	1975	2014	Residential	9.00	6.50	2,930,600	224,330
6,700,000	Sole	95	1987	N/A	Residential	5.50	7.75	1,209,840	81,504
4,750,000	Sole	95	2000	N/A	Residential	3.00	6.50	563,660	43,002
18,400,000	Sole	95	2002	N/A	Residential	6.00	6.50	2,404,560	210,648
4,850,000	Sole	95	1985	N/A	Residential	8.50	7.75	1,054,234	73,152
4,600,000	Sole	81.62	1995	N/A	Residential	6.00	7.00	657,800	62,360
3,470,000	Sole	95	2000	N/A	Residential	4.00	6.75	458,939	59,958
5,660,000	Sole	95	1980	N/A	Residential	5.00	7.75	932,540	67,680
15,600,000	Sole	93.16	2001	N/A	Residential	4.50	6.50	2,473,308	293,340
20,000,000	Sole	95	1972	2014	Residential	9.00	6.50	2,703,660	276,251
10,830,000	Sole	95	1995	2015	Residential	3.50	6.25	1,412,855	112,176
5,900,000	Sole	95	1999	N/A	Residential	5.00	7.25	881,126	104,592
4,900,000	Sole	95	1984	N/A	Residential	8.50	8.00	1,044,740	79,200
7,700,000	Sole	95	1979	N/A	Residential	9.00	8.00	1,354,760	93,888
3,000,000	Sole	95	2001	N/A	Residential	5.50	7.50	453,120	33,000
12,200,000	Sole	95	1996	N/A	Residential	3.00	6.50	1,517,472	147,148
5,110,000	Sole	95	1980	N/A	Residential	7.00	7.25	797,292	47,808
2,840,000	Sole	95	2001	N/A	Residential	3.00	6.50	360,420	29,150
16,750,000	Sole	95	1997	N/A	Residential	5.50	6.75	2,363,552	218,040
8,500,000	Sole	91.18	2000	N/A	Residential	12.00	7.00	1,568,520	174,368
29,500,000	Sole	100.00	1985	N/A	Residential	8.00	6.00	3,959,380	215,705
3,300,000	Sole	95	2001	N/A	Residential	3.50	6.25	412,840	33,420
343,450,000								49,497,766	4,115,319

**FINANCIAL INSTRUMENTS
NOT MEASURED AT FAIR VALUE**

Cash and cash equivalents, rent and other receivables, escrow accounts, and trade and other payables are short-term in nature and, therefore, the carrying amount is deemed to be fair value.

Expressed in US Dollars	Level 1	Level 2	Level 3	Total
Interest bearing loans and borrowings	–	–	204,132,716	204,132,716

The fair value of interest-bearing loans and borrowings are determined using the discounted cash flow method. The valuation model considers the present value of expected payment, discounted using a credit risk-adjusted discount rate. During the period under consideration no transfer between the levels took place.

NOTE P – COMMITMENTS, CONTINGENCIES AND OTHER OFF-BALANCE SHEET TRANSACTIONS

As of December 31, 2016, the Company has signed a tenancy agreement for the Company office in Zug which started on January 1, 2017 and requires monthly rental payments of CHF 840. This rent can be terminated with a six-month notice at the end of each quarter. The Group had no contingencies and other off-balance sheet transactions that would be required to be disclosed herein.

At December 31, 2016, the Group has entered into a commitment to buy multiple new multifamily housing properties in the amount of USD 90.05 million through newly-formed entities as detailed in Note R.

The operations of the Group may be affected by legislative, fiscal, and regulatory developments for which provisions would be made when and where deemed necessary.

The Group has entered into various leases of its investment property. The leases typically have lease terms of 1 year. Future minimum rentals receivable under non-cancellable operating leases as of December 31, are as follows:

	Expressed in US Dollars
2017	23,779,887
2018	1,414,242
2019	61,017
	25,255,146

NOTE Q – SEGMENT REPORTING

The Group has determined that Varia and its subsidiaries and underlying investments operate in the sole segment of investment property in the US multifamily real estate market.

NOTE R – SUBSEQUENT EVENTS

The Board of Directors has evaluated events subsequent to the consolidated statement of financial position date of December 31, 2016 and through April 24, 2017, which was the date the consolidated financial statements were available to be issued. Other than as disclosed below, there were no subsequent events which would require adjustment to or disclosure in the accompanying consolidated financial statements.

During 2016, the Company set up three new Varia US subsidiaries: Varia US Columbia LLC, Varia US PNW LLC, and Varia US Midwest LLC to facilitate the investment of the proceeds of its IPO capital increase to acquire new investment properties. On February 7, 2017, the Company invested USD 23.6 million in Crowne Lake (272 units) in Columbia, South Carolina and on February 9, 2017 USD 18.3 million in The Ridge on Spring Valley in Dallas (208 units).

Six other deals are currently under contract for a total acquisition cost close to USD 93.35 million. These properties are located in Missouri (St. Louis), Indiana (Evansville), Washington State (Bremerton – Seattle) and Texas (Dallas – Fort Worth area).

VARIA US PROPERTIES AG AND SUBSIDIARIES

**SUPPLEMENTARY
INFORMATION**

CONSOLIDATING STATEMENT OF FINANCIAL POSITION

Expressed in US Dollars	Ariston Opportunity Fund Ltd	Varia US Brent LLC	Varia US Dallas LLC	Varia US Daytona LLC	Varia US Jacksonville LLC
Assets					
Current assets					
• Cash and cash equivalents	3,956,430	500,373	150,209	1,483,737	924,678
• Rent and other receivables	249,996	2,048	–	113,493	31,575
• Income tax receivable	242,495	–	–	–	–
• Prepaid expenses & other non-current assets	319,295	51,964	54,464	71,147	28,224
Total current assets	4,768,216	554,385	204,673	1,668,377	984,477
Non-current assets					
• Investment property	164,810,000	8,150,000	29,500,000	42,600,000	17,260,000
• Other assets	–	–	–	–	–
• Long-term loans	–	–	–	–	–
• Escrow accounts	1,981,796	486,386	1,305,675	381,604	256,565
• Goodwill	1,936,484	–	–	–	–
• Deferred tax asset	7,969,047	194,838	4,047	1,314,075	616,053
Total non-current assets	176,697,327	8,831,224	30,809,722	44,295,679	18,132,618
Total assets	181,465,543	9,385,609	31,014,395	45,964,056	19,117,095
Liabilities and equity					
Current liabilities					
• Interest bearing loans and borrowings	793,720	102,778	–	375,813	136,072
• Trade and other payables	2,460,509	180,858	69,857	906,943	546,269
• Prepaid rent	82,791	7,182	7,062	52,842	17,357
Total current liabilities	3,337,020	290,818	76,919	1,335,598	699,698
Non-current liabilities					
• Interest bearing loans and borrowings, net of current maturities and debt issuance costs	106,465,837	5,424,759	–	25,821,869	9,337,386
• Loans from member	–	2,265,300	20,018,043	8,531,504	3,758,455
• Deferred tax liability	19,263,058	140,219	400,667	2,283,265	1,242,131
Total non-current liabilities	125,728,895	7,830,278	20,418,710	36,636,638	14,337,972
Total liabilities	129,065,915	8,121,096	20,495,629	37,972,236	15,037,670
• Issued share capital	–	–	–	–	–
• Share premium from capital contributions	45,833,498	1,183,674	9,882,617	4,593,886	2,023,783
• Retained earnings (accumulated deficit)	3,900,680	(89,142)	636,149	1,580,953	1,021,327
• Treasury stock at cost	(8,749,500)	–	–	–	–
• Equity attributable to equity holders of the parent	40,984,678	1,094,532	10,518,766	6,174,839	3,045,110
Non-controlling interests (NCI)	11,414,950	169,981	–	1,816,981	1,034,315
Total equity	52,399,628	1,264,513	10,518,766	7,991,820	4,079,425
Total liabilities and equity	181,465,543	9,385,609	31,014,395	45,964,056	19,117,095

	Varia US Orlando LLC	Varia US Pensacola LLC	Varia US Tallahassee LLC	Varia US Tulsa LLC	Varia US Properties AG	Eliminations	Consolidated
	614,141	253,350	920,510	764,515	86,732,074	–	96,300,017
	35,397	2,724	92,187	2,046	102,250	–	631,716
	–	–	–	–	–	–	242,495
	32,399	5,720	51,085	49,038	1,327,778	(1,177,890)	813,224
	681,937	261,794	1,063,782	815,599	88,162,102	(1,177,890)	97,987,452
	17,680,000	4,200,000	42,500,000	16,750,000	71,618,198	(71,618,198)	343,450,000
	–	–	–	–	877,000	–	877,000
	–	–	–	–	50,003,893	(50,003,893)	–
	227,813	28,456	267,577	92,694	–	–	5,028,566
	–	–	–	–	–	–	1,936,484
	528,511	150,566	831,344	247,524	–	(11,319,633)	536,372
	18,436,324	4,379,022	43,598,921	17,090,218	122,499,091	(132,941,724)	351,828,422
	19,118,261	4,640,816	44,662,703	17,905,817	210,661,193	(134,119,614)	449,815,874
	146,560	40,895	–	–	–	–	1,595,838
	352,834	81,528	850,707	317,651	2,249,279	(1,177,890)	6,838,545
	14,629	283	32,136	9,077	–	–	223,359
	514,023	122,706	882,843	326,728	2,249,279	(1,177,890)	8,657,742
	10,061,006	1,989,997	30,272,728	12,100,301	–	–	201,473,883
	3,665,711	716,830	7,817,550	3,230,500	–	(50,003,893)	–
	1,090,915	477,741	848,831	255,386	–	(11,319,633)	14,682,580
	14,817,632	3,184,568	38,939,109	15,586,187	–	(61,323,526)	216,156,463
	15,331,655	3,307,274	39,821,952	15,912,915	2,249,279	(62,501,416)	224,814,205
	–	–	–	–	6,180,241	–	6,180,241
	1,973,845	385,986	4,209,450	1,739,500	193,357,404	(71,826,239)	193,357,404
	917,530	533,709	27,428	12,825	8,874,269	(8,541,459)	8,874,269
	–	–	–	–	–	8,749,500	–
	2,891,375	919,695	4,236,878	1,752,325	208,411,914	(71,618,198)	208,411,914
	895,231	413,847	603,873	240,577	–	–	16,589,755
	3,786,606	1,333,542	4,840,751	1,992,902	208,411,914	(71,618,198)	225,001,669
	19,118,261	4,640,816	44,662,703	17,905,817	210,661,193	(134,119,614)	449,815,874

CONSOLIDATING STATEMENT OF PROFIT OR LOSS

Expressed in US Dollars	Ariston Opportunity Fund Ltd	Varia US Brent LLC	Varia US Dallas LLC	Varia US Daytona LLC	Varia US Jacksonville LLC
Income					
• Rental income	19,314,265	541,882	25,352	6,072,740	2,739,776
• Equity in earnings of subsidiaries	–	–	–	–	–
• Interest income on long-term loans	–	–	–	–	–
• Other income (loss)	1,220,042	39,967	–	816,038	300,984
• Bargain on purchase of subsidiary	–	–	–	715,000	990,000
• Net gain from fair value adjustment on investment property	10,093,377	350,000	1,026,937	4,154,596	2,268,797
Effective income	30,627,684	931,849	1,052,289	11,758,374	6,299,557
Operating expenses					
• Third party salaries and employees	(2,957,066)	(67,836)	–	(879,708)	(476,748)
• Utilities	(1,850,173)	(38,045)	–	(649,184)	(261,575)
• General and administrative expenses	(719,244)	(36,027)	–	(399,672)	(165,369)
• Marketing	(229,865)	(2,372)	–	(54,645)	(38,842)
• Repairs and maintenance	(887,977)	(29,101)	–	(311,735)	(150,463)
• Contract services	(631,355)	(23,865)	(736)	(177,277)	(169,966)
• Real estate and other taxes	(1,688,751)	(69,535)	(4,815)	(432,759)	(184,621)
• Insurance	(561,514)	(16,195)	–	(190,830)	(75,769)
• Asset management fee	(597,089)	(24,040)	–	(219,700)	(94,470)
• Property management fee	(705,950)	(21,780)	–	(259,370)	(114,887)
• Professional fees	(357,185)	(12,452)	(3,000)	(131,439)	(91,059)
Total operating expenses	(11,186,169)	(341,248)	(8,551)	(3,706,319)	(1,823,769)
Net operating income	19,441,515	590,601	1,043,738	8,052,055	4,475,788
Other property expenses					
• Debt interest	(4,877,029)	(74,829)	–	(1,300,872)	(471,291)
• Capital expenditures	(1,101,548)	(37,128)	–	(514,029)	(369,979)
• Total other property expenses	(5,978,577)	(111,957)	–	(1,814,901)	(841,270)
Net property income	13,462,938	478,644	1,043,738	6,237,154	3,634,518
Administrative expenses					
• Net currency foreign exchange loss	–	–	–	–	–
• Member loan interest	–	(94,956)	(10,969)	(895,224)	(394,380)
Total administrative expenses	–	(94,956)	(10,969)	(895,224)	(394,380)
Exceptional expenses					
Professional fees in relation to set up of structures	(420,642)	(73,011)	–	(5,215)	(7,450)
Acquisition costs	(1,971,272)	(182,532)	–	(1,073,066)	(513,428)
Non recurring expenses	(420,609)	(276,404)	–	(226,521)	(271,198)
Total exceptional expenses	(2,812,523)	(531,947)	–	(1,304,802)	(792,076)
Operating profit (loss)	10,650,415	(148,259)	1,032,769	4,037,128	2,448,062
Profit (loss) attributable to noncontrolling interests	3,916,647	(4,498)	–	1,486,985	800,657
Profit (loss) attributable to equity holders of the parent before provision for income tax	6,733,768	(143,761)	1,032,769	2,550,143	1,647,405
Provision for income tax	(2,832,087)	54,619	(396,620)	(969,190)	(626,078)
Profit (loss) attributable to equity holders of the parent	3,901,681	(89,142)	636,149	1,580,953	1,021,327

	Varia US Orlando LLC	Varia US Pensacola LLC	Varia US Tallahassee LLC	Varia US Tulsa LLC	Varia US Properties AG	Eliminations	Consolidated
	2,584,414	637,426	1,613,463	2,995,914	–	–	36,525,232
	–	–	–	–	8,542,460	(8,542,460)	–
	–	–	–	–	2,634,307	(2,634,307)	–
	314,216	67,945	49,566	272,815	(459,040)	–	2,622,533
	680,000	1,200,000	550,000	50,000	–	–	4,185,000
	1,904,167	150,000	(225,718)	1,509,337	–	–	21,231,493
	5,482,797	2,055,371	1,987,311	4,828,066	10,717,727	(11,176,767)	64,564,258
	(435,539)	(103,070)	(239,534)	(397,090)	(64,638)	–	(5,621,229)
	(215,088)	(45,415)	(112,086)	(287,392)	–	–	(3,458,958)
	(155,270)	(36,133)	(112,527)	(298,224)	(139,213)	–	(2,061,679)
	(33,264)	(9,319)	(11,411)	(43,762)	–	–	(423,480)
	(112,353)	(21,247)	(17,890)	(182,457)	–	–	(1,713,223)
	(132,323)	(32,127)	(39,491)	(83,732)	(11,208)	–	(1,302,080)
	(180,167)	(45,061)	(104,867)	(279,320)	–	–	(2,989,896)
	(62,805)	(16,067)	(57,845)	(84,996)	(670)	–	(1,066,691)
	(68,930)	(21,335)	(51,492)	(149,847)	–	–	(1,226,903)
	(108,426)	(27,217)	(53,514)	(98,126)	–	–	(1,389,270)
	(77,776)	(32,339)	(36,550)	(66,931)	–	–	(808,731)
	(1,581,941)	(389,330)	(837,207)	(1,971,877)	(215,729)	–	(22,062,140)
	3,900,856	1,666,041	1,150,104	2,856,189	10,501,998	(11,176,767)	42,502,118
	(507,160)	(64,604)	(385,382)	(707,309)	–	–	(8,388,476)
	(183,180)	(62,959)	(31,002)	(290,291)	–	–	(2,590,116)
	(690,340)	(127,563)	(416,384)	(997,600)	–	–	(10,978,592)
	3,210,516	1,538,478	733,720	1,858,589	10,501,998	(11,176,767)	31,523,526
	–	–	–	–	(256,605)	–	(256,605)
	(384,649)	(75,218)	(243,394)	(535,517)	–	2,634,307	–
	(384,649)	(75,218)	(243,394)	(535,517)	(256,605)	2,634,307	(256,605)
	(3,652)	(824)	(64,670)	(55,832)	(1,255,211)	–	(1,886,507)
	(482,649)	(132,617)	(392,035)	(1,132,991)	–	–	(5,880,590)
	(137,523)	(85,582)	(10,585)	(94,754)	–	–	(1,523,176)
	(623,824)	(219,023)	(467,290)	(1,283,577)	(1,255,211)	–	(9,290,273)
	2,202,043	1,244,237	23,036	39,495	8,990,182	(8,542,460)	21,976,648
	722,109	383,353	2,349	(5,420)	–	–	7,302,182
	1,479,934	860,884	20,687	44,915	8,990,182	(8,542,460)	14,674,466
	(562,404)	(327,175)	(7,862)	(17,487)	(115,913)	–	(5,800,197)
	917,530	533,709	12,825	27,428	8,874,269	(8,542,460)	8,874,269

STATUTORY AUDITOR'S REPORT TO THE GENERAL MEETING OF VARIA US PROPERTIES AG, ZUG REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS



Statutory Auditor's Report

To the General Meeting of Varia US Properties AG, Zug

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Varia US Properties AG and its subsidiaries (the Group), which comprise the consolidated statements of financial position as at 31 December 2016, the consolidated statements of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the period from 28 September 2015 through 31 December 2016, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion the consolidated financial statements (pages 69 to 94) give a true and fair view of the consolidated financial position of the Group as at 31 December 2016 and its consolidated financial performance and its consolidated cash flows for the period from 28 September 2015 through 31 December 2016 in accordance with International Financial Reporting Standards (IFRS) and comply with Article 17 of the Directive on Financial Reporting (Directive Financial Reporting, DFR) of SIX Swiss Exchange and Swiss law.

Basis for Opinion

We conducted our audit in accordance with Swiss law, International Standards on Auditing (ISAs) and Swiss Auditing Standards. Our responsibilities under those provisions and standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the provisions of Swiss law and the requirements of the Swiss audit profession, as well as the IESBA Code of Ethics for Professional Accountants, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters



Valuation of investment properties



Assessment of control



Completeness, existence and accuracy of deferred tax assets and liabilities

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.



Valuation of investment properties

Key Audit Matter

Our response

Investment properties form a substantial part of the balance sheet and showed the following values as at 31 December 2016 (in USD):

- Investment properties USD 343,450,000

The Group's total investment properties portfolio is valued at fair value as at the balance sheet date.

The valuation is based on the external valuation expert's report. For the purpose of determining the fair value, the external valuation expert systematically performs two valuation approaches: the income approach and the sales comparison approach. The expert considers the result of the two and then selects the most appropriate approach. The fair value estimates are significantly influenced by assumptions and estimates with regard, in particular, to the expected future income and expenses and the capitalisation rate used for each property depending on its individual rewards / circumstances for the income approach and the choice of the peer group for the sales comparison approach.

In the course of our audit, we assessed the external valuation expert's competence and independence. We inquired with management about the valuation methodology. We involved our own real estate valuation specialists to support our audit procedures.

For a sample of investment properties identified based on quantitative and qualitative factors, we performed, amongst others, the following audit procedures:

- assessing the reasonableness of the methodology and key assumptions used;
- assessing the reasonableness of the fair value estimates as of 31 December 2016.

We also considered the appropriateness of disclosures in the consolidated financial statements.

For further information on the valuation of investment properties refer to the following:

- Note B – Basis of Preparation and Significant Accounting Policies, section "Investment Property"
- Note C – Critical Accounting Judgments and Key Source of Estimation, section "Fair Value Measurement of Investment Property"
- Note I – Investment Property
- Note O – Financial Risk Management, sections "Fair Value Measurement" and "Valuation Method, Standards, and Principles"



Assessment of control

Key Audit Matter

Our response

The Group has developed its investment portfolio with the acquisition of the Ariston Opportunity Fund and the establishment of eleven U.S. limited liabilities companies, including three not yet used for investments. These vehicles hold the majority of the shares of 46 property companies owning themselves multifamily properties, apart from seven empty ones.

In the course of our audit, we critically assessed the client's considerations in relation to the assessment of control.

- We analyzed, amongst others, business purposes of the Group and its subsidiaries;
- We reviewed the Board of Directors' assessment in particular major contracts between different parties involved in the decision-making and management process.

The Board of Directors has assessed the level of control over its subsidiaries which includes the analysis of the percentage of voting rights, the decision making process and the contractual terms defined in different agreements which set conditions for operating the business. Pursuant to this analysis, the Board of Directors has concluded that the Group has the required power over the relevant activities of these subsidiaries, is exposed to, or has rights to, the variable returns from its involvement and has the ability to affect those returns through its power over the subsidiaries.

For further information on the assessment of control and consolidation refer to the following:

- Note C – Critical Accounting Judgments and Key Source of Estimation, section "Consolidation of Subsidiaries"



Completeness, existence and accuracy of deferred tax assets and liabilities

Key Audit Matter

As at 31 December 2016, deferred tax assets and liabilities amounted to

- Deferred tax assets: TCHF 536,372
- Deferred tax liabilities: TCHF 14,682,580.

Deferred taxes arise due to temporary differences between the values in the tax accounts and the consolidated balance sheet. The calculation of deferred taxes takes into account the expected point in time when, and the manner in which, the assets and liabilities are expected to be realized or settled. The applied tax rates correspond to those that are enacted or substantively enacted at the balance sheet date. Deferred taxes primarily result from valuation differences between the fair values of investment properties and their values for tax purposes.

In the calculation of the deferred taxes, assumptions and estimates must be made with regards to the fiscally relevant investment costs and the fair values of the properties as well as the tax rates applicable at the time the tax differences are realized.

In assessing the deferred tax assets, management considers the extent to which it is probable that sufficient taxable profit will be available to allow the benefit of part or all of those deferred tax assets. The ultimate realization of deferred tax assets relating to temporary differences is dependent upon the generation of future taxable profit during the periods in which those temporary differences become deductible. Management considers the scheduled reversal of deferred tax liabilities, projected future taxable income, and tax planning strategies in making this assessment.

For further information on deferred taxes refer to the following:

- Note M – Income Taxes

Our response

In the course of our audit, we critically assessed the calculation of deferred taxes on investment properties with the support of our tax specialists.

Based on the overall portfolio, we performed, amongst others, the following audit procedures:

- evaluating the calculation method used to determine deferred tax assets and liabilities;
- critically assessing the assumed tax rates applicable to each US location at the time the tax differences are realized.

For a sample identified based on quantitative and qualitative factors, we performed, amongst others, the following audit procedures:

- reconciling the fair value with the valuation documentation and the fiscally relevant investment costs with the fixed asset accounting or the client's detailed records;
- assessing future taxable income projections;
- assessing future reversals of existing taxable temporary differences;
- determining if it's probable that future taxable profit will be available against which the unused tax losses can be utilized;
- considering prudent and feasible tax-planning strategies for any remaining deferred tax assets;
- concluding on the need for and amount of the valuation allowance on deferred income tax assets;
- testing the mathematical accuracy of the deferred tax calculation.



Other Information in the Annual Report

The Board of Directors is responsible for the other information in the annual report. The other information comprises all information included in the annual report, but does not include the consolidated financial statements, the stand-alone financial statements of the Company, the remuneration report and our auditor’s reports thereon.

Our opinion on the consolidated financial statements does not cover the other information in the annual report and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information in the annual report and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibility of the Board of Directors for the Consolidated Financial Statements

The Board of Directors is responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRS, Article 17 of the Directive on Financial Reporting (Directive Financial Reporting, DFR) of SIX Swiss Exchange and the provisions of Swiss law, and for such internal control as the Board of Directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Board of Directors is responsible for assessing the Group’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Swiss law, ISAs and Swiss Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Swiss law, ISAs and Swiss Auditing Standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group’s internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made.
- Conclude on the appropriateness of the Board of Directors’ use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor’s report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor’s report. However, future events or conditions may cause the Group to cease to continue as a going concern.



- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the Board of Directors or its relevant committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Board of Directors or its relevant committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors or its relevant committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report, unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

In accordance with article 728a para. 1 item 3 CO and the Swiss Auditing Standard 890, we confirm that an internal control system exists, which has been designed for the preparation of consolidated financial statements according to the instructions of the Board of Directors.

We recommend that the consolidated financial statements submitted to you be approved.

KPMG SA

Yvan Mermod
Licensed Audit Expert
Auditor in Charge

Ann-Mirjam Levy Duvernay
Licensed Audit Expert

Geneva, 24 April 2017

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Reviewed unconsolidated financial statements of Varia US Properties AG as of and for the period (beginning on 28 September 2015 and) ended 31 December 2016

VARIA US PROPERTIES AG, ZUG

BALANCE SHEET AS OF DECEMBER 31, 2016

Expressed in CHF	Note	December 31, 2016
ASSETS		
Cash and cash equivalents		88,361,189
Other short-term receivables		104,171
Prepaid expenses		152,704
Accrued interest income	2.1	1,200,015
Current Assets		89,818,079
Long-term loans	2.1	49,813,362
Investments	2.2	64,089,220
Non-Current Assets		113,902,582
Total Assets		203,720,661
LIABILITIES AND SHAREHOLDERS' EQUITY		
Trade accounts payable	2.3	1,518,643
Other short-term liabilities due to shareholders		4
Accrued expenses	2.4	654,882
Provision for taxes		118,000
Short-term liabilities		2,291,529
Liabilities		2,291,529
Share capital	2.5	6,194,148
Reserves from capital contributions	2.5	193,960,755
Legal capital reserves		193,960,755
Net profit for the period		1,274,229
Voluntary retained earnings		1,274,229
Shareholders' equity		201,429,132
Total Liabilities and Shareholders' equity		203,720,661

VARIA US PROPERTIES AG, ZUG

PROFIT AND LOSS STATEMENT

FOR THE PERIOD FROM SEPTEMBER 28, 2015

TO DECEMBER 31, 2016

Expressed in CHF	Notes	From September 28, 2015 to December 31, 2016
Interest income on long-term loans	2.1	2,693,379
Loss on redemption of shares	2.2	-340,796
Net income		2,352,583
Directors' fees and social charges		-65,559
Publicity and marketing		-47,491
Travel and entertainment expenses		-9,561
Contributions		-2,000
Accounting and administration expenses	2.6	-321,421
Legal and other consulting fees	2.7	-627,439
Audit fees		-300,000
Incorporation expenses		-53,318
IPO share capital increase expenses	2.5 2.8	-156,114
Insurances		-757
IT costs		-11,346
Other operating expenses		14,570
Direct taxes on capital		-9,045
Operating expenses		-1,618,622
Operating result before financial result and income taxes		733,961
Financial income	2.9	2,763,404
Financial expenses	2.9	-2,114,182
Profit before income taxes		1,383,184
Income taxes		-108,955
Net profit for the period		1,274,229

Varia US Properties AG, Zug

NOTES TO THE STATUTORY FINANCIAL STATEMENTS FOR THE PERIOD FROM SEPTEMBER 28, 2015 TO DECEMBER 31, 2016

I PRINCIPLES

I.1 GENERAL INFORMATION

Varia US Properties AG ("Varia" or "the Company") was created on September 17, 2015 and registered with the Zug Commercial register on September 28, 2015 under UID number CHE-320.748.468. The Company is a Swiss stock corporation established under the relevant provisions of the Swiss code of obligations ("SCO"). Its address is Gubelstrasse 19, 6300 Zug, Switzerland. Varia US Properties AG has the tax status of a holding company.

As a Swiss real estate investment company, Varia's purpose is to acquire, hold and sell properties in the United States of America ("USA"). Accordingly, the Company is dedicated to investments in the US multifamily real estate market. Since 2015, it assembled a portfolio currently held through Varia's subsidiaries that mainly comprise low-moderate income and workforce multifamily housing properties. The Company pursues a long-term growth strategy aimed at offering investors risk adjusted access to the US multifamily real estate market.

On December 8, 2016, the Company proceeded to its initial public offering ("IPO") and listed its shares on the SIX Swiss Exchange in Zürich (Switzerland). At that date, 3,097,074 new shares have been already issued and subscribed at the offer price of CHF 35 each. On January 6, 2017, the bank acting on behalf of the Company exercised the full over-allotment option (Green-shoe) of 464,562 new shares at CHF 35 per share (from the authorised capital) and completed the IPO total

issuance of 3,561,636 new shares. Varia' shares are traded under the ticker symbol VARN.

I.2 GENERAL ASPECTS

These financial statements were prepared in accordance with the Swiss accounting legislation (32nd title of the Code of Obligations).

The Board of Directors of the Company is ultimately responsible for the policies, the valuations, and the management of the activities. The statutory financial statements of Varia US Properties AG for the period ending December 31, 2016 were approved by the Board of Directors on April 24, 2017.

The financial statements are presented in Swiss francs (CHF) and all values are rounded to the nearest CHF, except when otherwise indicated.

When not prescribed by the law, the principles applied in the annual accounts are described below.

I.3 FINANCIAL ASSETS

Financial assets include long-term loans. Loans granted in foreign currencies are translated into Swiss francs (CHF) using the exchange rate prevailing on the dates of the transactions. At the balance sheet date, the loans are valued on the historical cost basis.

I.4 INVESTMENTS

Investments include subsidiaries. The acquisitions in foreign currencies are translated into Swiss francs (CHF) using the exchange rate prevailing on the dates of the

transactions. At the balance sheet date, the investments are valued at the lower of the historical cost basis or net realisable value if permanently impaired.

1.5 FOREIGN CURRENCY ITEMS

The company's functional currency is the US dollar (USD) but the company's reporting and presentation currency, as per article 958d alinea 3 of SCO, is the Swiss franc (CHF).

Monetary assets and liabilities in foreign currencies are converted at the exchange rate on the balance sheet date. Non-monetary assets as well as equity items are presented at historical rate. Transactions in foreign currencies are translated at the exchange rate on the day the transaction takes place.

Foreign exchange profits and losses are recorded in the profit and loss statement, except for unrealized exchange profits on long-term monetary assets and liabilities which are deferred in the balance sheet, if any.

For the translation of USD into CHF, the closing rate applied at the end of the period is 1.01878 and the average exchange rate of the period is approximately 1.03497.

2 INFORMATION ON BALANCE SHEET AND PROFIT AND LOSS STATEMENT BALANCES

2.1 LONG-TERM LOANS – ACCRUED INTERESTS INCOME

The company is financing partially the operations of its subsidiaries through long-term loans by mean of promissory notes contracts for periods less than five years bearing interests at 10% per annum. At the end of the period, interests were not fully paid and therefore accounted for in accrued interests income. The remaining interest payments should be required by Varia within the next twelve months.

Loans to subsidiaries

Expressed in CHF

Company name	Long-term loans 31.12.2016	Accrued interest 31.12.2016	Interest income for the period 2016
Varia US Daytona LLC	8,366,828	219,080	916,518
Varia US Jacksonville LLC	3,685,909	193,026	403,138
Varia US Orlando LLC	3,594,955	94,131	393,798
Varia US Pensacola LLC	702,994	18,407	77,007
Varia US Tulsa LLC	3,093,163	165,912	248,496
Varia US Tallahassee LLC	7,618,769	401,544	546,507
Varia US Brent LLC	2,232,865	96,740	96,740
Varia US Dallas LLC	20,517,879	11,175	11,175
Total	49,813,362	1,200,015	2,693,379

2.2 INVESTMENTS

From its creation, the Company has developed its investments' portfolio by means of the establishment of newly created investments entities and the acquisition of the shares of the Ariston Opportunity Fund Ltd on February 23, 2016 (effective January 1, 2016). At December 31, 2016, the investments are the following:

Expressed in CHF

Investments	Acquisition value or Initial capital investment	Returned capital during the period	Acquisition value at 31.12.2016
Ariston Opportunity Fund Ltd	45,496,054	-9,005,134	36,490,920
Varia US Daytona LLC	4,505,215		4,505,215
Varia US Jacksonville LLC	1,984,720		1,984,720
Varia US Orlando LLC	1,935,745		1,935,745
Varia US Pensacola LLC	378,535		378,535
Varia US Tallahassee LLC	4,102,414		4,102,414
Varia US Tulsa LLC	1,665,550		1,665,550
Varia US Brent LLC	1,166,451		1,166,451
Varia US Dallas LLC	10,966,727		10,966,727
Varia US Columbia LLC	250,467		250,467
Varia US PNW LLC	127,903		127,903
Varia US Midwest LLC	514,573		514,573
Total investments at acquisition costs	73,094,354	-9,005,134	64,089,220

112

At year-end 2016, the accumulated share value of Varia US in its investments' equities – including the result for the period then ended – amounted to USD 71.6 million or CHF 73.9 million at USD/CHF closing exchange rate, presenting therefore a total value in excess of CHF 9.8 million over the investments acquisition values.

In October 2016, Ariston Opportunity Fund Ltd proceeded to the redemption of 61,400 of its shares at a unit price of USD 142.50 (value date of September 30, 2016) for a total amount of USD 8,749,506. The Company assessed that proceed as a reimbursement of capital investment and accordingly reduced the acquisition book value

of its Ariston investment by CHF 9,005,114. The net loss of CHF 340,796 resulting from this redemption of shares is accounted for in the profit and loss statement.

As of December 31, 2016 the investments in Varia US Columbia LLC, Varia US PNW LLC and Varia US Midwest LLC were only related to deposits made to secure real estate future acquisitions. Accordingly these subsidiaries did not own any underlying property at year-end 2016.

The investments directly held by Varia US or indirectly through its subsidiaries are the following:

Company (directly held)	Domicile	31.12.2016 Share in capital in %	31.12.2016 Voting rights in %	Incorporation date
Ariston Opportunity Fund Ltd	Nassau, Bahamas	100.00	100.00	24.09.2013
Varia US Daytona LLC	Delaware, USA	100.00	100.00	19.11.2015
Varia US Jacksonville LLC	Delaware, USA	100.00	100.00	19.11.2015
Varia US Orlando LLC	Delaware, USA	100.00	100.00	19.11.2015
Varia US Pensacola LLC	Delaware, USA	100.00	100.00	19.11.2015
Varia US Tallahassee LLC	Delaware, USA	100.00	100.00	17.03.2016
Varia US Tulsa LLC	Delaware, USA	100.00	100.00	01.03.2016
Varia US Brent LLC	Delaware, USA	100.00	100.00	17.03.2016
Varia US Dallas LLC	Delaware, USA	100.00	100.00	27.10.2016
Varia US Columbia LLC	Delaware, USA	100.00	100.00	28.10.2016
Varia US PNW LLC	Delaware, USA	100.00	100.00	17.11.2016
Varia US Midwest LLC	Delaware, USA	100.00	100.00	07.12.2016

Company (indirectly held)	Domicile	31.12.2016 Share in capital in %	31.12.2016 Voting rights in %
Indirectly held by Ariston Opportunity Fund Ltd			
PC Aspen Ridge LLC	Utah, USA	95.00	71.25
PC Brentwood LLC	Utah, USA	95.00	71.25
PC Cottages of Norman LLC	Utah, USA	95.00	71.25
PC Cottages of Topeka LLC	Utah, USA	93.33	70.00
PC Eagles Nest LLC	Utah, USA	95.00	71.25
PC Highland LLC	Utah, USA	95.00	71.25
PC Mesa Park LLC	Utah, USA	92.98	69.74
PC Northgate LLC	Utah, USA	88.86	66.51
PC Parkview LLC	Utah, USA	95.00	71.25
PC Reflections LLC	Utah, USA	95.00	71.25
PC Shawnee Station LLC	Utah, USA	95.00	71.25
PC Stonegate LLC	Utah, USA	95.00	71.25
PC Summerhill LLC	Utah, USA	93.69	68.38
PC Sunset Palms LLC	Utah, USA	81.61	61.21
PC Towne Square LLC	Utah, USA	95.00	71.25
PC Tuscany Bay LLC	Utah, USA	95.00	71.25
PC Washington Heights LLC	Utah, USA	95.00	71.25
PC Willows LLC	Utah, USA	95.00	71.25
PC Woodbridge LLC	Utah, USA	95.00	71.25
PC Woodlands LLC	Delaware, USA	91.17	68.38
PC Wyndam LLC	Utah, USA	95.00	71.25

See next page ►

Company (indirectly held)	Domicile	31.12.2016 Share in capital in %	31.12.2016 Voting rights in %
Indirectly held by other Varia US subsidiaries			
PC Applewood LLC	Delaware, USA	95.00	71.25
PC Branchwood LLC	Utah, USA	95.00	71.25
PC Brent Village LLC	Delaware, USA	95.00	71.25
PC Broadview Oaks LLC	Utah, USA	95.00	71.25
PC Countryside LLC	Utah, USA	95.00	71.25
PC Crowne Lake LLC	Delaware, USA	100.00	100.00
PC Devonshire Gardens LLC	Delaware, USA	100.00	100.00
PC Devonshire Place LLC	Delaware, USA	100.00	100.00
PC Devonshire LLC	Delaware, USA	100.00	100.00
PC King Crossing LLC	Utah, USA	95.00	71.25
PC Maryland Park LLC	Delaware, USA	100.00	100.00
PC Nova Glen LCC	Utah, USA	95.00	71.25
PC Nova Wood LLC	Utah, USA	95.00	71.25
PC Oak Shade LLC	Utah, USA	95.00	71.25
PC Parkway Square LLC	Delaware, USA	95.00	71.25
PC Pelican Pointe LLC	Utah, USA	95.00	71.25
PC Pine Ridge Bremerton LLC	Delaware, USA	100.00	100.00
PC Sky Pines LLC	Utah, USA	95.00	71.25
PC Stonewood LLC	Utah, USA	95.00	71.25
PC Tally Square LLC	Delaware, USA	95.00	71.25
PC The Ridge on Spring Valley LLC	Delaware, USA	100.00	100.00
PC Volusia Crossing LLC	Utah, USA	95.00	71.25
PC Wingwood LLC	Utah, USA	95.00	71.25
PC Wood Hollow LLC	Delaware, USA	100.00	100.00
PC Woodland Manor LLC	Delaware, USA	95.00	71.25

114

2.3 TRADE ACCOUNTS PAYABLE

At December 31, 2016, trade accounts payable of CHF 1,518,643 included the invoice of CHF 421,580 due to the legal firm that advised the Company for its quotation at the SIX and for the IPO capital increase, as well as the stamp duty of CHF 1,038,090 on the December 7, 2016 capital increase.

2.4 ACCRUED EXPENSES

Expressed in CHF	31.12.2016
Capital increase fees	264,600
Audit fees	300,000
Accounting fees	22,094
Directors' fees	54,000
Administration fees	833
VAT on acquisition of services abroad	13,355
Total	654,882

In 2016, in addition to the accrued amount for the audit of CHF 300,000, audit fees amount to CHF 491,900, including CHF 143,900 for non-audit services.

2.5 SHARE CAPITAL | RESERVES FROM CAPITAL CONTRIBUTIONS

The share capital at December 31, 2016 is divided in 6,194,148 ordinary registered shares of a par value of CHF 1.00 each, fully paid.

Expressed in CHF	Number of shares	31.12.2016 Share capital	31.12.2016 Share premium
Share capital at date of incorporation	100,000	100,000	–
Ordinary share capital increases	6,094,148	6,094,148	193,960,755
Total	6,194,148	6,194,148	193,960,755

The Company proceeded three capital increases during the period raising net proceeds in capital and premium of respectively CHF 38,102,733 on November 11, 2015, CHF 61,841,903 on February 1, 2016 and CHF 103,132,564 on December 7, 2016.

For the two first capital increases, the related equity transaction costs amounting to CHF 3,022,297 have been deducted from the share premium recorded therefore net in the reserves for capital contributions in accordance with the Swiss code of obligations.

For the IPO share capital increase on December 7, 2016, a fee of CHF 1.70 was included in the offer price of CHF 35 per share – resulting in a total reimbursement of equity issuance costs of CHF 5,265,026 – to cover the costs entailed by the equity transaction of CHF 5,421,140 detailed in Note 2.8 below. The resulting net loss of CHF 156,114 has been charged to the profit and loss account.

Share premiums are considered under Swiss law as reserves from capital contributions.

The Swiss federal tax authorities did not yet confirm the amount of the reserves from capital contributions in the sense of article 20 paragraph 3 of the Federal Income Tax Act.

On January 6, 2017, the bank acting on behalf of the Company exercised the full over-allotment option of 464,562 new shares (with nominal value of CHF 1) at a price of CHF 35 per share from the authorised capital decided on November 14, 2016 and completed the IPO total issuance of 3,561,636 new shares. This last capital increase took place on January 10, 2017 bringing the Company total number of shares to 6,658,710 for an equivalent share capital of CHF 6,658,710.

Major shareholders

The following table indicates Varia's major shareholders holding shares and voting rights of 3% and more as of December 31, 2016 (number of shares according to the public disclosures of shareholdings at SIX Swiss Exchange voting rights) and in aggregate the other shareholders:

Shareholders	Investor type	Number of shares	Participation in %
Varia SPC	Fund	3,541,194	57.2
Dreyfus Soehne	Bank	497,705	8.0
Other shareholders with a participation below 3% individually	Banks, funds, pension funds, foundations and companies	2,155,249	34.8
Total		6,194,148	100

The fund Varia SPC is representing approximately 35 different investors who are directly or indirectly holders of fund's units.

2.6 ACCOUNTING AND ADMINISTRATION EXPENSES

Expressed in CHF	
Accounting and tax consultants fees	2016
Accounting and tax consultants fees	158,405
Banks custody fees	98,899
Transaction fee on Ariston Opportunity Fund Ltd redemption of shares	64,117
	321,421

2.7 LEGAL AND OTHER CONSULTING FEES

Expressed in CHF	
Baker & McKenzie legal and advisory fees for the Company listing at the SIX and prospectus and other services	503,213
DLA Piper consulting fee	105,088
Other legal and consulting fees	19,138
	627,439

2.8 IPO SHARES CAPITAL INCREASE EXPENSES

Expressed in CHF	
Fee IPO capital increase paid by the shareholders	5,265,026
IPO capital increase expenses	
Legal fees	421,579
Audit fees	320,000
Listing fees	554,841
Rights offering fees	1,298,649
Placement fees	1,647,095
Stamp tax duty	1,038,090
Other expenses	266,210
Total expenses including Greenshoe (over-allotment)	5,546,464
Costs related to Greenshoe capital increase to account for in January 2017	-125,324
Net expenses for period	5,421,140
Net IPO capital increase expenses in profit and loss statement	156,114

2.9 FINANCIAL RESULT

Expressed in CHF	
Financial income	
Foreign currency exchange gains	2,763,404
Total	2,763,404
Financial expenses	
Interests to shareholders	2,750
Other interests	2,827
Bank fees	8,128
Foreign currency exchange losses	2,100,477
Total	2,114,182

2.10 RELATED PARTY TRANSACTIONS

Related parties are individuals and companies where the individual or company has the ability, directly or indirectly, to control the other party or to exercise significant influence over the other party in making financial and operating decisions. Related parties of the Company and its subsidiaries include:

- Board of Directors of Varia US Properties AG
- Stoneweg SA, Geneva (Switzerland)
- Peak Capital Partners (USA).

Board of Directors

The Board of Directors is considered as key management. In the period under consideration, expense in the amount of CHF 65,559 was paid or accrued as of December 31, 2016, of which CHF 10,000 was paid as compensation to the directors Jaume Sabater and Taner Alicehic in 2015 (CHF 5,000 each).

There was no other compensation to the Board members for their role or for additional work, except for the Board members paid by Stoneweg SA that are involved in the asset management duties of the Company. In particular, no performance related compensation and no compensation in shares or other stocks were allocated to Board members. No loans or credit facilities were granted to any member of the Board or related parties during the period and there were no such receivable outstanding as December 31, 2016.

Transactions of Varia US with Stoneweg SA

Varia US Properties AG entered into an Asset Management Agreement with Stoneweg SA (Stoneweg) to manage the investments and the administration activities of the Company.

During the accounting period ended December 31, 2016, Stoneweg SA has charged the Company about CHF 2.0 million in placement and capital increase fees that have been accounted for as transaction costs against the share premium proceeds.

Transactions of Varia US subsidiaries with Stoneweg SA and Peak Capital Partners

Stoneweg SA and Peak Capital Partner remuneration fees for the services provided to Varia subsidiaries and underlying investments during the reporting period are disclosed in note N to Varia US Properties AG consolidated financial statements for the year ended December 31, 2016.

Additionally, Peak holds most of the non-controlling interest in Varia real estate subsidiaries.

Shareholding rights of Board of Directors members

Beat Schwab, sole Member of the Compensation Committee and Chairman of the Audit and Risk Committee owns 1,853 shares of the Company as of December 31, 2016. Patrick Richard, Executive Member and Delegate of The Board of Directors, owns 30,000 shares of the Company as of December 31, 2016. The other members of the Board are not directly shareholders of Varia US Properties AG.

3 OTHER INFORMATION

3.1 DECLARATION ON THE NUMBER OF FULL-TIME POSITIONS ON ANNUAL AVERAGE

Varia US Properties AG has no employees at December 31, 2016 and has never employed any staff.

3.2 CONTINGENT LIABILITIES

As of December 31, 2016, the Company has signed a tenancy agreement for the Company office in Zug which started on January 1, 2017 and requires monthly rental payments of CHF 840. This rent can be terminated with a six month notice at the end of each quarter. The Company had no other contingencies and other off-balance sheet transactions at December 31, 2016 that would have to be disclosed herein.

At December 31, 2016, the Company has entered into various business commitments to buy multiple new multifamily housing properties in the amount of USD 90.05 million through its newly formed subsidiaries as detailed in Note 3.3 below.

The operations of the Company may be affected by legislative, fiscal and regulatory developments for which provisions would be made when and where deemed necessary.

3.3 SIGNIFICANT EVENTS OCCURRING AFTER THE BALANCE SHEET DATE

During the 2016 second semester, the Company set up three new Varia US subsidiaries – Varia US Columbia LLC, Varia US PNW LLC, and Varia US Midwest LLC – and started investing in new properties the proceed of its IPO capital increase. On February 7, 2017, it invested USD 23.6 million in Crowne Lake (272 units) in Columbia (South Carolina) and on February 9, USD 18.3 million in The Ridge on Spring Valley in Dallas (208 units).

Six other deals are currently under contract for a total acquisition cost close to USD 93.35 million. These properties are located in Missouri (St. Louis), Indiana (Evansville), Washington State (Bremerton – Seattle) and Texas (Dallas Fort Worth area).

Since the balance sheet date as of December 31, 2016, there has been no other further event that would have a material impact on the financial statements and related disclosure.

Expressed in CHF

Proposition of appropriation of the available earnings

Voluntary retained earnings at December 31, 2016	
Net profit for the period from September 28, 2015 to December 31, 2016	1,274,229
Available earnings	1,274,229

The Board of Directors of Varia US Properties AG proposes to the annual general meeting the following appropriation of the accumulated profits:

Proposition of appropriation

Allocation to the general legal reserve issued from net profit	64,000
Dividend	998,807
Balance to be carried forward	211,422
Total	1,274,229

118

Proposition of distribution of reserves from capital contributions

The Board of Directors proposes to the Annual General Meeting a withholding tax exempt distribution of CHF 1.20 per share from the reserves from capital contributions. Based on the total number of shares issued of 6,658,710, this distribution is equivalent to a reduction in the reserves from capital contributions of CHF 7,990,452.

STATUTORY AUDITOR'S REPORT TO THE GENERAL MEETING OF VARIA US PROPERTIES AG, ZUG REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS



Statutory Auditor's Report

To the General Meeting of Varia US Properties AG, Zug

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Varia US Properties AG, which comprise the balance sheet as at 31 December 2016, and the profit and loss statement for the period from 28 September 2015 to 31 December 2016, and notes to the statutory financial statements, including a summary of significant accounting policies.

In our opinion the financial statements (pages 108 to 118) for the period ended 31 December 2016 comply with Swiss law and the company's articles of incorporation.

Basis for Opinion

We conducted our audit in accordance with Swiss law and Swiss Auditing Standards. Our responsibilities under those provisions and standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the entity in accordance with the provisions of Swiss law and the requirements of the Swiss audit profession and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Report on Key Audit Matters based on the circular 1/2015 of the Federal Audit Oversight Authority



Valuation of Investments

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.



Valuation of Investments

Key Audit Matter

Our response

The company developed its investment portfolio by means of the establishment of investment entities and the acquisition of the shares of the Ariston Opportunity Fund ("investments"). At the balance sheet date, these investments amount to CHF 64 million. The investments are valued at the lower of the historical cost and the recoverable amount. Management undertake an annual impairment assessment to compare the book values to their recoverable amount. That recoverable amount is determined by the net assets of each investment.

As part of our audit, we challenged management's assessment of investments and the valuation methodology used.

Our procedures included the following:

- We reperformed impairment tests on the basis of net assets according to audited financial information of investments;
- If the recoverable amount of an investment was less than the carrying amount, we tested that a corresponding impairment loss was recognized.

For further information on the valuation of investments refer to note 1.4 "Investments".

Responsibility of the Board of Directors for the Financial Statements

The Board of Directors is responsible for the preparation of the financial statements in accordance with the provisions of Swiss law and the company's articles of incorporation, and for such internal control as the Board of Directors determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors is responsible for assessing the entity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the entity or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Swiss law and Swiss Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Swiss law and Swiss Auditing Standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of internal control.



- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made.
- Conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the entity to cease to continue as a going concern.

We communicate with the Board of Directors or its relevant committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Board of Directors or its relevant committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors or its relevant committee, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report, unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

In accordance with article 728a para. 1 item 3 CO and the Swiss Auditing Standard 890, we confirm that an internal control system exists, which has been designed for the preparation of financial statements according to the instructions of the Board of Directors.

We further confirm that the proposed appropriation of available earnings complies with Swiss law and the company's articles of incorporation. We recommend that the financial statements submitted to you be approved.

KPMG AG



Yvan Mermod
Licensed Audit Expert
Auditor in Charge



Ann-Mirjam Lévy Duvernay
Licensed Audit Expert

Geneva, 24 April 2017

Valuation expert's report

Please see the valuation expert's report included in the Offering Circular to be published after the extraordinary shareholders' meeting on 8 December 2017.

