

## Fund management

SEB Global Property Fund was launched in October 2006. After a good ten years, the Fund will be transferred to the Custodian Bank when the three-year dissolution period expires at the beginning of December 2016. EUR 267 per unit (29% of Fund assets) has been returned to investors over the last three years in three distributions. At the same time, leverage has fallen from 50.2% as of 30 November 2013 to 11.6% as of 30 September 2016. To date, 16 out of the 21 properties held either directly or via equity interests have been sold.

Shortly before the end of the dissolution period, the Fund management signed an agreement to sell the last German property in the Fund. This leaves two buildings in Poland and two in the Netherlands that may possibly be transferred to the Custodian Bank.

## Sales

A purchase agreement for the Falkenried 88 building in Hamburg was signed as part of a portfolio transaction comprising 17 German office properties belonging to different funds. The total purchase price is approximately EUR 630 million. An attractive result was generated from the sale at Fund level. Transfer of ownership is subject to the standard closing conditions being fulfilled, amongst others approval by the *Bundeskartellamt* (the Federal Cartel Office). In line with normal practice, the liquidity generated from the disposal less transaction costs and the redemption of liabilities to the financing banks will only accrue to the Fund when the transaction closes.

### ■ Falkenried 88, Hamburg – Germany

The property in Hamburg-Eppendorf is located to the north of the city centre in a densely populated residential area. The approximately 16,300 sqm of space is 84% let to 19 tenants. The appraisal value for the eight-storey building is currently around EUR 40 million.

## Portfolio structure

The contract of sale for the Hamburg property has now been signed, although the building still has to be recorded as a disposal from the Fund. As a result, the Fund's residual portfolio comprises two properties in the Netherlands and two in Poland. The letting rate for the four properties amounted to 58% as of 31 October 2016. Leverage will increase to around 15% once the German property has been recorded as a disposal.

### ■ Poland

One property is located in Gdansk, while the second is in the capital, Warsaw. The two office properties are not fully let, but are being prepared for sale. The aggregate appraisal value is roughly EUR 57 million.

Current forecasts are pointing to robust growth in Central and Eastern Europe in 2017. The positive economic environment is reflected in growing demand for office space, although this is being offset in part by substantial additions of new space. This applies in particular to Warsaw, where vacancy rates are already high and are in danger of rising further due to scheduled completions. Prime rents are therefore expected to remain under pressure. However, transaction flows are lively.

### ■ Netherlands

The two Dutch office properties are located in Diemen and Arnhem. Diemen is a community in the Dutch province of North Holland. Arnhem is the capital of the province of Gelderland. Neither of the two properties is fully let, but both are being prepared for sale.

Vacancy rates on office markets in the Netherlands are declining. This is due in particular to low levels of completions and ongoing conversions of obsolete office space. Tenant interest is concentrated on high-quality properties in established locations. Investor interest is strongly focused on office and logistics properties. The Netherlands has seen an increase in transaction volumes and hence rising prices.

## Transfer to the Custodian Bank

Savills Fund Management GmbH has terminated the management of SEB Global Property Fund effective 5 December 2016. The Fund assets will be transferred to the Custodian Bank on 6 December 2016. Ownership will pass by law at the end of the dissolution period. The Fund management has been "tidying up" in preparation for the transfer. This work involves structuring the transfer of the properties so as to optimize costs in line with the requirements for the countries concerned, recognising reserves and preparing the annual financial statements. The Fund management is endeavouring to keep the costs incurred to a minimum.

### ■ Custodian Bank

The Fund's Custodian Bank is CACEIS Bank Deutschland GmbH. This will trade under the name of CACEIS Bank S.A., Germany Branch from 2017 onwards. The Custodian Bank will be responsible for winding up the Fund going forward. Its job is to sell the assets remaining in the Fund while preserving investors' interests. Appraisals are continuing to be produced for the remaining properties in the Fund. Equally, unit values will still be calculated on a daily basis.

## ■ Operational management

The Custodian Bank is entitled to engage external service providers in order to drive forward the continued wind-up of the Fund. CACEIS Bank Deutschland GmbH has entrusted Savills Investment Management with implementing the dissolution at an operational level. This covers both the management of the Fund and the sale of the properties. This will ensure the continuity of the Fund's management. Specifically, this means among other things that Savills Investment Management will prepare the sales, provide support for the sales processes and submit the results to the Custodian Bank for a decision.

## ■ Distributions

The Custodian Bank must retain sufficient liquidity reserves to meet all obligations until the Fund is finally dissolved. Establishing these liquidity reserves allows the management to provide for potential claims for back taxes on the part of the fiscal authorities, warranty and guarantee claims, and administrative and management costs incurred by the Fund once the rental income ceases to flow following the sale of the properties. Consequently, the Fund management will operate a restrained distribution policy.

The Custodian Bank will make further distributions as soon as additional properties are sold, the risks decline over time as the property portfolio gets smaller and reserves can be released. All future distributions will be made in the same way as before..

Investors should note that the last distribution by the Fund will not necessarily be made when the last property is sold. The remaining liquidity can only be returned to investors once all conceivable liabilities have been dealt with or have lapsed.

## ■ Deadlines

The *Bundesanstalt für Finanzdienstleistungsaufsicht* (BaFin – Federal Financial Supervisory Authority) expects the Custodian Bank, in the course of the remaining wind-up process, to sell the remaining assets in principle within three years at the best possible price that can be realised on the market.

However, the amount of time needed for tax audits cannot be foreseen. Equally, warranty and guarantee claims arising from sales may entail obligations extending beyond the above-mentioned three-year period. Therefore, there is no statutory deadline for winding up the Fund.

## ■ Contact

The goal is to maintain the approach to communications that was established during the dissolution period to date as the wind-up continues. The Custodian Bank and Savills Investment Management will provide information at regular intervals on the ongoing Fund dissolution process. A dissolution report will be produced once a year.

Your contacts at Savills Investment Management remain available to answer any questions you may have about the Fund. Information can also be found on the following website: <http://am.savillsim.de/en/anleger/fondsfinder/>

## Taking stock

At the end of the three-year dissolution period the Fund management has succeeded in selling a large majority of the properties, significantly reducing leverage and paying out 29% of Fund assets to investors. Due to the fact that it purchased its properties before the financial crisis in 2008 and to the challenging market environment thereafter, the Fund has generated a negative performance in the period since its launch. Its aggregate return since the start of the dissolution period is approximately –19% (5 December 2013 to 31 October 2016). With this result, SEB Global Property Fund ranks in the middle of all open-ended funds in dissolution.

SEB Global Property Fund was launched in October 2006. Its focus was on office, logistics and retail properties in Europe, which were to be supplemented by targeted acquisitions in North America and Asia in order to produce a broadly diversified portfolio. At the end of financial year 2008, after roughly two years, the portfolio consisted of 14 equity interests and seven directly held properties in seven European countries and North America.

The financial crisis put the brakes on the Fund's continued development. The real estate markets crashed after Lehman went bankrupt in September 2008. From 2009 onwards, market events were reflected in sinking returns. On 7 December 2011, the Fund management had to suspend unit redemption and also stopped issuing new units. Cash funds were insufficient to service redemption requests and ensure the orderly ongoing management of the Fund. At the end of the statutory two-year period on 5 December 2013, the Fund gave notice to terminate the management mandate effective 5 December 2016. This triggered the orderly dissolution of the Fund.

The Fund management used the period when redemption of units was suspended to develop a strategy for selling the properties. After the dissolution process was launched, the plan was extended to cover the entire property portfolio, and was continually updated after that.

As a result, the Fund management has been able to sell 17 out of the total of 21 properties before the Fund is transferred to the Custodian Bank. Almost all properties changed hands as a result of portfolio transactions: ten retail properties in the USA were sold together, while four logistics buildings in Spain and Hungary were recorded as disposals from the Fund as part of a portfolio. Two properties in Hamburg were included in transactions involving multiple funds in 2015 and 2016 respectively.

## Outlook

Since the Custodian Bank has entrusted the Fund management with the ongoing wind-up of the Fund going forward as well, the Fund management will continue its existing strategy of bundling properties by geographical focus and type of use and marketing them as portfolios. The four properties still belonging to the Fund all form part of portfolios for which marketing is due to start in the near future.

The liquidity that will accrue to the Fund when sales are closed will be used in particular to service existing loans and to establish reserves. This means that the next distribution will be made by the Custodian Bank as soon as the Fund has amassed sufficient liquidity.

You can find information about SEB Global Property Fund, the unit value published on each trading day, the annual and semi-annual reports, the Fund fact sheets and Fund commentaries online at:

<http://am.savillsim.de/en/anleger/fondsfinder/>

Savills Fund Management GmbH is the investment company for the Fund.

Savills Fund Management GmbH (formerly SEB Investment GmbH) gave irrevocable notice of termination of the management of the Fund with effect from 5 December 2016 and announced that it had permanently ceased to issue, and suspended the redemption of units in SEB Global Property Fund.

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