

## MANAGEMENT NOTE - MARCH 2020

Dear shareholders, Dear partners,

The COVID-19 Coronavirus epidemic is a major and unprecedented outbreak that is particularly disruptive to our lifestyles and our society, and in these difficult times for everyone, we sincerely hope that you and your loved ones are doing well.

Concerning MIMCO Capital, we would like to reassure you and confirm that the management of our group has always been based on the principle of prudence. Our structure and cash flow enable us to cope.

### **COVID-19 INSIGHTS**

Our presence in Germany and Luxembourg, two countries cited as examples for their management of the crisis from both a health and economic point of view, is an additional guarantee of security. Faced with this unprecedented situation, the German and Luxembourg governments have taken very rapid support measures for companies, whether it be a reduction and deferral of their taxes, cash advances, a financing guarantee or short-time working to support the payment of salaries and the security of employees. These are all measures that further strengthen our solid foundations.

#### **Situation in Germany**

It is important to highlight the management of the crisis on the part of Germany, which further justifies the strategic and geographical positioning of MIMCO Capital's assets over the Rhine.

From a health point of view, it has set an example with its implementation of systematic tests from the very beginning (500.000 per week compared to 2.000 per day in France), enabling it to post the lowest number of deaths among its European neighbors and a lethality rate well below 0,5%. Its record number of beds in Europe is also highlighted, enabling it to cope with the proliferation of cases and also the repatriation of French patients. The German discipline is also an example and takes on its full meaning in this period of lockdown.

Secondly, from an economic point of view, Germany, which is often criticized for its dogmatism and orthodoxy, even at the beginning of the year by the President of the ECB, Christine Lagarde, demonstrates the importance of sound management of its public finances. Thanks to this rigor, the good budgetary pupil can "absorb" this shock much better than other countries.

In this respect, it has launched a massive 1.100 billion euros plan to support the economy - a plan that it has the means to implement thanks to the rigorous management of its budget (budget surpluses, trade surpluses, debt/GDP < 60% vs. 100% for France, etc.). This plan is unprecedented since 1945. It accounts for nearly one-third of the total wealth produced by the country in one year. It is built around 3 axes:



- Creation of an emergency fund for large companies of 600 billion euros in the form of financing guarantees, participation in companies and support from the Public Investment Bank;
- Increase of 357 billion euros in the firepower of the Public Investment Bank;
- Federal budget extension of 100 billion euros for various support measures for small businesses.

Even more today, Germany is proving that sound public financial management can cope with a crisis of unexpected proportions.

As a model country, Germany will emerge from this crisis stronger and better equipped than any other European country.

### **Situation in Luxembourg**

Luxembourg, a country with almost Germanic management, with no deficits and a very low debt-to-GDP ratio, is also showing very strong resilience in the management of this crisis and will certainly emerge among the big winners at the end of it. Concerning our current worksites, the Grand Duchy has asked to stop construction for two months. This delay can be very largely absorbed and will not cause a delay in the maturity of the BUILDIM 19 fund.

Concerning more particularly our assets in Germany, our highly diversified portfolio with tenants from all business sectors is also an important shield. Tenants such as REWE (food large retailer), international companies present in the office park, the German administration and the pharmaceutical industry are nevertheless continuing their activities. Of course, for other tenants more directly affected by the health crisis, we have suspended rents and taken appropriate measures. We are in discussion with tenants to organize rent adjustments at the end of this period. Thanks to our "Germanic" management, we are well equipped to deal with this situation and support our tenants.

### **Valuations**

You will notice from the Mercureim EF1 and Everest One financial newsletters that they show very positive NAVs as of 31/12/2019. At this stage, there is no significant impact to be expected on the appraised values as of 31 March 2020 and the net asset values for the 1<sup>st</sup> quarter should be stable. The dividends of the Everest One and Mercureim EF1 funds for the 1<sup>st</sup> quarter 2020 have been maintained.

As of mid-March, we have organized ourselves to ensure full continuity of all our activities and in this context, our team remains fully mobilized and at your disposal by phone or e-mail for any information request.

If you wish, we can schedule a telephone meeting to discuss and answer any questions you may have.

We look forward to seeing you again very soon. We thank you for your trust and wish you and your loved ones a lot of courage, solidarity and resilience in overcoming the challenge we face.



## **EVEREST ONE**

The main objective of the Everest One Fund is to build up a real estate portfolio in Germany through investments primarily in commercial and office property, followed by more opportunistic investments in hotels, healthcare facilities and residential property.

In order to maintain dividend distribution, we have decided to reduce management fees for the 1<sup>st</sup> quarter of 2020 in order to demonstrate our total commitment to you. Our priority remains the satisfaction of our shareholders and partners.

### **Everest One fund's insights**

Everest One's equity fundraising amounts to 22.3 million euros as of 31/12/2019.

#### **Acquisitions**

In the 4<sup>th</sup> quarter of 2019, the fund acquired a retail park and leisure facility in Lippstadt in North Rhine-Westphalia, near Dortmund and Münster. The retail complex is located in the city center of Lippstadt and the area benefits from an excellent attractiveness.

The investment amounts to more than 20 million euros deed in hand and delivers a return of 6.78%. The total surface area represents 13,388 sqm of floor space and is composed of a cinema section managed by the Canadian group "Cineplex" and a retail park section with several well-known brands such as Deichmann, KIK, Tedi, Takko. The real estate complex also benefits from a large public car park managed by APCOA, the leading car park operator in Europe.

The WALT on this asset is more than 8 years. Discussions with all the tenants are in progress for the deferral of rents for the months of March and April.

A lease is in the process of being signed with a food retailer for a 700 sqm premises.

#### **Statement of assets as of 31/03/2020**

The assets of the Everest One fund amounts to 28 million euros as of 31/03/2020.

#### **New acquisitions**

- **Supermarket + shopping center**

The fund is also in the process of acquiring an asset located in Greiz in the federal state of Thuringia in Central-Eastern Germany. The investment represents more than 7 million euros deed in hand and delivers a return of 10.03%. The total surface area is 8,963 sqm, consisting of a supermarket with Kaufland as tenant and a part with several other shops.

- **Commercial and office building**

The fund has an exclusive study for the acquisition of two buildings with a total area of 19,449 sqm, the assets being located in the town of Bad Mergentheim, in the federal state of Baden-Wurtemberg in central Germany. The tenant for the commercial part is the TOOM brand, which is part of the REWE Group (turnover of 61.2 billion euros in 2018) and the tenant for the office part is the headquarters of the international company BARTEC, which specializes in the field of industrial safety technology. This asset is



categorized as "Core" due to its WALT of more than 7 years. This acquisition will provide a stable and secure cash flow for the coming years. The investment for this asset represents more than 18 million euros.

- **Property complex**

The fund is an exclusive study fund for the acquisition of a shopping center in the city center of a major city in the federal state of Bavaria in Eastern Germany. The surface area of this real estate complex is approximately 26,885 sqm, to which are added office buildings with a surface area of approximately 2,402 sqm, rented to first-class technology companies. The investment for this real estate complex amounts to more than 46 million euros.

## Overview

As of 31 March 2020, the fund is 100% invested in commercial real estate and diversified into two classes:

- 27% in the "Core" class (Assets benefiting from stable flows with firm leases of more than 6 years with low valuation potential);
- 73% in the "Value-Added" class (Assets with significant potential for value creation).

## BUILDIM 19

BUILDIM's objective is to invest in real estate operations or buildings to be restructured with high added value corresponding to the investment strategy.

BUILDIM invests mainly in the Grand Duchy of Luxembourg, which is a fast-growing real estate market.

### BUILDIM 19 fund's insights

BUILDIM 19's equity fundraising amounts to 9.7 million euros as of 31/12/2019.

## Acquisitions

- **Gladbeck project**

Following the signing of the deed of the Gladbeck shopping center in June 2019, the BUILDIM fund started the restructuring project in January 2020 for a period of approximately 12 months.

As a reminder, this acquisition of 7.1 million euros for a surface area of 14,447 sqm includes a restructuring operation with a works budget of 7 million euros.

MIMCO Capital has signed a firm 15-year lease with the REWE brand for an amount of €456.000 per year, taxes and charges excluded, for a surface area of approximately 3,800 sqm.

MIMCO Capital has also signed a 10-year lease with the ACTION brand for an amount of €164.000 per year, taxes and charges excluded, over an area of approximately 1,800 sqm.



- **Belair project**  
Following the signature of the authenticated deed of sale at the end of October 2019, the BUILDIM fund decided, with the co-developer of the operation, to modify the plans of the project. The modification of the plans is in progress and they will be filed at the end of the 1<sup>st</sup> semester of 2020.
- **Linster project**  
Following the signature of the authenticated deed of sale at the end of October 2019, the BUILDIM fund, in co-development with renowned developers/builders owned by two Luxembourg families, is currently drawing up the plans for the future office and retail building with a surface area of 15,500 sqm and representing a volume of approximately 110 million euros located in the Bourmicht area in Luxembourg Bertrange. The building will have the BREEAM label.  
Several discussions are under way with institutional investors (insurance companies and banks) for a VEFA sale.
- **Kirchberg project**  
The BUILDIM fund is in the final phase of acquiring a building located in the Kirchberg district of Luxembourg. This restructuring project is expected to take 18 months to complete.  
The building, which currently houses offices, will after the restructuring have 18 apartments for a total surface area of 1,069 sqm, representing a volume of approximately 14.1 million euros.

## Overview

As of 31 December 2019, 55% of the fund was invested in Luxembourg and 45% in Germany. These assets are 100% "Value-Added" (Assets with a high valuation potential).

## MERCUREIM EF1

The Mercureim EF1 fund closed on 31/01/2019 with more than 42 million euros of equity. As a result of its great success with investors, the fund closed more than 6 months ahead of schedule.

Mercureim EF1 generated a strong performance, with a net asset value that rose from €1 to €1.88, i.e. +88% as of December 31, 2019.

Following the arbitrage of a first asset, the Mercureim EF1 fund will proceed with a capital reduction and will therefore redeem 6% of the units for all investors.

Despite the freezing of certain rents, and thanks to our strong cash flow, dividends will be maintained over the next two quarters (Q2 and Q3 2020). Beyond that, we will be reporting on the evolution of this crisis linked to the COVID-19 epidemic.

## Mercureim EF1 fund's insights

During the first quarter of 2020, the MERCUREIM EF1 fund finalized two acquisitions:



- The first one, a shopping center in the city center of Zweibrücken, including the C&A and Cap Market brands, was completed for an amount of 6.3 million deed in hand. This asset has an acquisition yield in excess of 8% and a potential increase in rental income of more than 30%.
- The second one, a shopping center in the center of Dorsten, including the TOOM brand, was completed for 13.5 million euros deed in hand. A restructuring budget of approximately 2 million euros is planned. Discussions are in progress with ACTION for the lease of a surface area of approximately 3,000 sqm. This asset shows a return on acquisition of more than 10%.

After these two acquisitions, the Mercureim EF1 fund closes its investment period with assets of more than 105 million euros.

### **Asset sale - Erfurt**

Nous vous prions de croire, Chers actionnaires, Chers partenaires, à l'expression de nos sentiments les meilleurs.

The DVI Group acquired the asset for a net selling price of 12.1 million euros by taking over the shares of the dedicated company "Mercureim EF1 Dritte GmbH & Co.Kg".

This type of transaction makes it possible to avoid paying early repayment penalties on the bank financing and to benefit from reduced taxation compared to a direct real estate sale.

As a reminder, the Erfurt asset was acquired in August 2018 from a subsidiary of Deutsche Bank at a price of 9.7 million euros including all costs.

The capital gain on this transaction is more than 2 million euros over 15 months of ownership. As this result was well above our forecasts, the sale took place on 6 November 2019.

This realization considerably reinforces the IRR forecasts of the Mercureim EF1 fund.

On 2 December 2019, the Management Board decided, in accordance with articles 7 and onwards and 10.4. to 10.8. of the Fund's Prospectus, to proceed with the partial repayment of the capital of all shareholders up to 6% based on the NAV of 31/12/2019.

The entire MIMCO Capital team thanks you for your trust and is at your disposal for any information.

Please believe, Dear shareholders, Dear partners, in the expression of our best wishes.

**MIMCO Capital**  
*The Management*