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Mercureim Eurofund I S.C.A. SICAV-FIAR

**Société en Commandite par Actions –
Société d'Investissement à Capital Variable –
Fonds d'Investissement Alternatifs Réservés**

**ANNUAL REPORT AND INDEPENDENT AUDITOR'S
REPORT FOR THE YEAR ENDED DECEMBER 31, 2018**

Registered Office :
20, boulevard Emmanuel Servais
L-2535 LUXEMBOURG

R.C.S. Luxembourg B 204 861

Mercureim Eurofund I S.C.A. SICAV-FIAR

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Mercureim Eurofund I S.C.A. SICAV-FIAR

Management and Administration

REGISTERED OFFICE	20, boulevard Emmanuel Servais, L-2535 Luxembourg (since August 1, 2018) 5, Allée Scheffer, L-2520 LUXEMBOURG (until July 31, 2018)
BOARD OF MANAGERS OF THE GENERAL PARTNER	Sylvie PROÏA Christophe NADAL
ALTERNATIVE INVESTMENT FUND MANAGER (AIFM)	FUCHS ASSET MANAGEMENT S.A. 49, Boulevard Prince Henri, L-1724 LUXEMBOURG
GENERAL PARTNER	MERCUREIM S.à r.l 20, boulevard Emmanuel Servais, L-2535 Luxembourg (since August 1, 2018) 5, Allée Scheffer, L-2520 LUXEMBOURG (until July 31, 2018)
CENTRAL ADMINISTRATION, DOMICILIARY, DEPOSITARY AND PAYING AGENT	EDMOND DE ROTHSCHILD ASSET MANAGEMENT (LUXEMBOURG) (since August 1, 2018) 20, boulevard Emmanuel Servais, L-2535 Luxembourg CACEIS BANK, Luxembourg BRANCH (until July 31, 2018) 5, allée Scheffer, L-2520 LUXEMBOURG
LEGAL ADVISOR	ATOZ LUXEMBOURG 1 B, Heienhaff - Aerogolf Center, L-1736 SENNINGERBERG
AUDITOR	ERNST & YOUNG S.A. 35E, Avenue JF Kennedy, L-1855 LUXEMBOURG

Mercureim Eurofund I S.C.A. SICAV-FIAR

Activity Report

Luxembourg, June 28, 2019

The Board of Managers

Mercureim Eurofund SCA FIA en un coup d'œil

La structure, lancée en Janvier 2017, a ajouté cinq¹ acquisitions au cours de l'année 2018 aux trois déjà présentes dans le portefeuille. Ce dynamisme des investissements a permis aux actifs sous gestion de quasiment tripler, passant de 29.1 M€ à 75.7 M€ Dans le même temps, la valeur nette d'inventaire a atteint 34,89M€. Les huit actifs en portefeuille ont généré des revenus locatifs de plus de 5 M€ grâce aux bons fondamentaux locatifs entourant les biens en portefeuille. Afin de se consacrer sur la gestion et la mise en valeur des biens détenus, Mercureim EF1 a décidé de clore la collecte au 31 janvier 2019. Les derniers investissements, quant à eux, seront réalisés jusqu'à fin 2019.

Climat macro-économique

Dans un environnement de taux d'intérêts bas et d'incertitude vis-à-vis de la stabilité du climat économique, la diversification des investissements immobiliers en termes de secteur d'une part et de zones géographique d'autre part permet de limiter la volatilité économique du portefeuille d'investissements face à des éventuels événements cycliques.

La croissance économique de l'Allemagne en 2018, bien que légèrement plus faible que l'année précédente, reste supérieure à la moyenne des dix dernières années, ce qui présage d'une tendance positive à moyen terme. En effet, le PIB du pays est estimé à 54.34 USD/capita, ce qui correspond à une croissance de +1,2% sur l'année (*source : OCDE 2018 : études économiques de l'OCDE- Allemagne 2018 (Version abrégée)*).

Dernières tendances du marché

L'Allemagne et son immobilier commercial restent plébiscités par le marché qui apprécie l'exploit de la première puissance économique européenne d'avoir atteint en 2018 son niveau de chômage le plus bas depuis la réunification.

Des analyses détaillées des marchés locaux sont réalisées et mises à jour régulièrement. Celles-ci ont permis de cibler les emplacements les plus porteurs pour accueillir les investissements de Mercureim au sein des différents *landers* allemands.

Le segment prioritaire de MERCURIEM EF1, l'immobilier de bureau, s'appuie sur un niveau de volume de transactions particulièrement élevé de 42,8 milliards d'Euro, en léger retrait de 2,5% par rapport au record historique de 2017. Ce dynamisme s'appuie sur un taux de vacance de 17% et une hausse des loyers prime de plus de 5%.

Le deuxième segment prioritaire de MERCURIEM EF1, l'immobilier des commerces qui représente près de 21% est perçu comme étant le prochain relais de croissance et représente d'ores et déjà 8,9 milliards d'Euro. Sur ce marché, la croissance du volume des transaction est seulement limitée par le volume d'offre disponible.

¹ Auxquelles s'ajouteront huit actifs du projet « Funfte BMW-Mini » en cours d'acquisition à la clôture de l'exercice.

Résumé des événements du fonds (depuis la création)

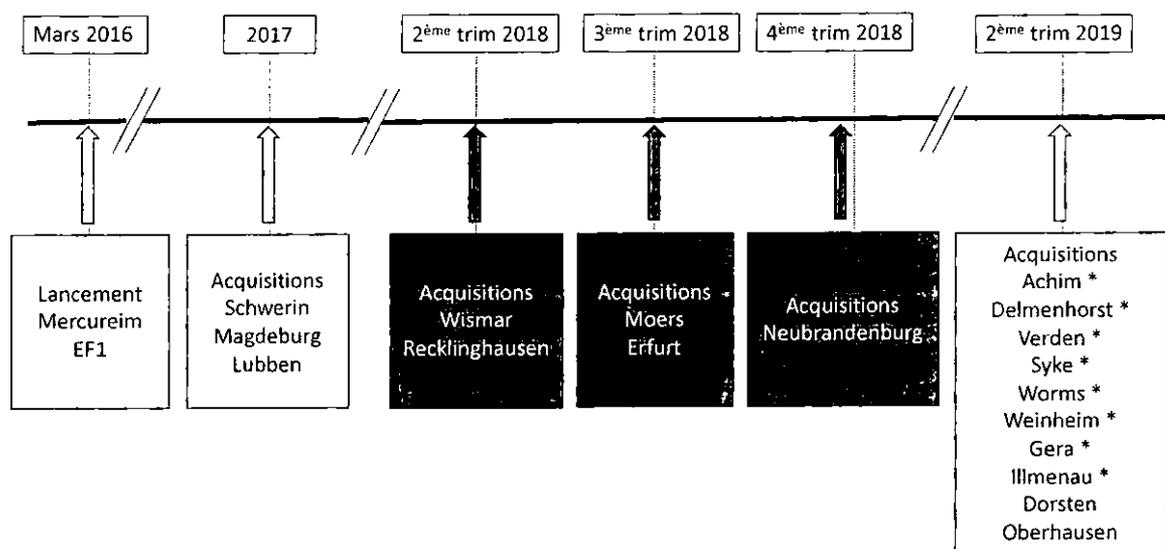
Depuis son lancement en janvier 2017 le fonds a effectué un sourcing d'opportunités d'investissements passant par la recherche « off-market » d'actifs sous-évalués. Que ce soit des immeubles de bureaux ou des locaux commerciaux tels que centres commerciaux ou concessions automobiles, l'ensemble des biens acquis présentent de beaux fondamentaux. Ces derniers permettent à la structure de générer des revenus locatifs immédiats.

Le sourcing efficace a permis à la plupart des biens de bénéficier d'une évaluation indépendante supérieure au coût total d'acquisition.

Les huit biens immobiliers, d'une valeur totale de 61.990.000 EUR à la clôture de l'exercice 2018, sont stratégiquement réparti dans toute l'Allemagne pour répondre aux objectifs de diversification du portefeuille.

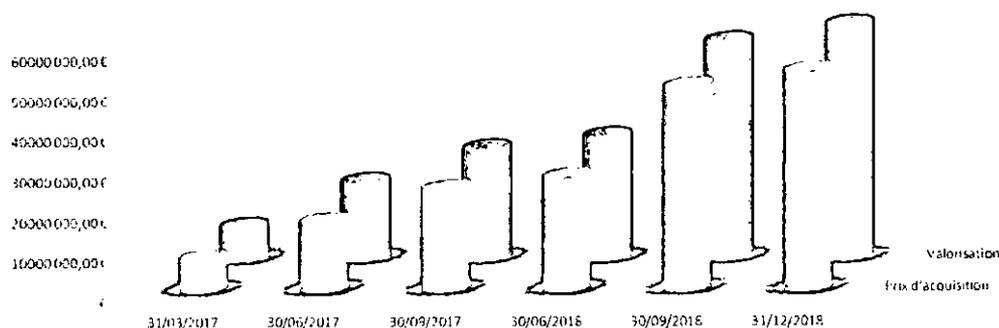
Événements marquant de l'exercice 2018

L'année 2018 a été marquée par un dynamisme remarquable des investissements de Mercureim, qui a réalisé pas moins de cinq nouveaux investissements portant à huit le total des investissements actés de l'exercice. Huit investissements supplémentaires font partie du projet « Funfte BMW-Mini » et, n'ayant fait l'objet que de pré-paiements au 31 décembre 2018, ne sont pas comptabilisés dans le bilan de clôture.



La quasi-totalité des biens immobiliers investis présentent une valorisation supérieure au coût d'acquisition, ce qui s'explique par le sourcing minutieux des biens à l'acquisition. Ainsi, le portefeuille d'investissement affiche un multiple de plus de x 1,05 par rapport au coût d'acquisition.

Evolution de la valorisation vs. prix d'acquisition



L'ensemble des actifs en portefeuille de Mercureim EF1 au 31 décembre 2018 est résumé dans le tableau ci-après. L'ensemble du portefeuille a généré des revenus locatifs immédiats. Les locataires, dont la qualité permet d'anticiper la pérennité des revenus, sont liés par des baux à long terme.

Projet	Type de bien	Surface utile	Prix d'acquisition	Valorisation 31 dec 2018	Multiple	Loyer annuel actuel	Rendement A l'acquisition
Exercice 2017							
Schwerin	Immeuble de bureaux	10.655 m ²	8.017.134 €	8.360.000 €	x 1,04	769.151 €	9,59%
Lubben	Retail park	13.746 m ²	9.107.230 €	11.000.000 €	x 1,21	856.386 €	9,40%
Magdeburg	Centre commercial	5.481 m ²	8.016.500 €	8.090.000 €	x 1.01	666.214 €	8,31%
2^{ème} trimestre 2018							
Wismar	Centre commercial / bureaux	4.363 m ²	3.750.235 €	4.000.000 €	x 1,07	323.404 €	8,62%
Recklinghausen	Commerces / bureaux	5.255 m ²	2.922.750 €	3.000.000 €	x 1,03	246.000 €	8,42%
3^{ème} trimestre 2018							
Moers	Centre commercial	7.062 m ²	12.565.700 €	13.000.000 €	x 1,03	1.121.716 €	8,93%
Erfurt	Immeuble de bureaux	12.054 m ²	9.747.040 €	10.500.000 €	x 1,08	770.998 €	7,91%
4^{ème} trimestre 2018							
Neubrandenburg	Immeuble de bureaux	6.326 m ²	3.807.570 €	4.040.000 €	x 1,06	317.874 €	8,35%

Au 31 décembre 2018, il y avait 97 investisseurs dans le fonds, qui avaient contribué au capital à hauteur de 34.886.973 ²millions d'euros.

Événements post-clôture

L'équipe de gestion a décidé de fermer la collecte au 31 janvier 2019. Depuis sa création MERCUREIM EF1 a géré sa collecte et ses acquisitions de façon stratégique. Cette décision a été prise dans l'unique but d'atteindre et de maintenir ses objectifs de rendement à terme.

La période d'acquisition se clôturera au second semestre 2019 avec la finalisation de l'acquisition des huit biens du projet « Funfte BMW-Mini » pour un investissement total de 16.787.960 EUR et l'intégration de deux nouveaux actifs immobiliers au 2^{ème} trimestre 2019, représentant un volume d'acquisition de 16.708.711 EUR pour un revenu locatif complémentaire de 1.616.497,20 EUR.

Résumé des performances

La valeur nette d'inventaire au 31 décembre 2018 s'élève à 34.886.973 EUR, ce qui correspond à un multiple au niveau des investisseurs de 1,88 pour les actionnaires de la classe A1 et 2,56 pour les actionnaires de la classes A3. Le tableau ci-après résume les principaux indicateurs de performance et leur croissance significative en 2018.

	2017	2018	Variation
Actifs sous gestion	27 690 000,00 €	61 990 000,00 €	124%
Actifs nets	10 625 069,63 €	34 886 972,74 €	228%
Loyer global	2 312 835,00 €	5 071 743,00 €	119%
Surface utile (m2)	29 882	64 942	117%
Nombre d'actifs	3	8	167%
Taux d'endettement	63,55%	53,74%	-15%
Distribution	5%	5%	

S'agissant du pic de la période d'investissements du fonds, le TRI n'est pas significatif et ne saurait présumer des performances futures.

² Capital souscrit et versé.

Tendances pour 2019

Au premier semestre 2019, l'équipe de gestion de Mercureim EF1 finalise l'acquisition de huit concessions automobiles du projet « Funfte BMW-Mini » et travaille sur le sourcing des dernières transactions d'acquisition du fonds.

A partir de la clôture de la collecte, les efforts de l'équipe de gestion se concentrent exclusivement sur la mise en valeur des biens afin de poursuivre les objectifs de rendement à terme.

AIFMD Disclosures

1. / Remuneration of the AIFM:

The AIFM, Fuchs Asset Management, has elaborated a remuneration policy as required by the Law of 17 December 2010 (UCITS Law) and by the Law of 12 July 2013 (AIFM Law). Such policy aims at preventing excessive risk taking and at ensuring a proper and effective management of risks. Currently, the remuneration of all the employees of the AIFM is fixed. The remuneration of the staff or management was not linked in any way to the performance of the Funds under management. Variable remuneration as defined in the remuneration policy is consistent with the risk management and governance processes. Fixed remuneration is mainly based on the experience, the level of responsibility and the complexity of the task performed. No significant change in the remuneration policy has been noted in 2018.

The article 22 of the AIFM directive (Directive 2011/ 61 / EC of 8 June 2011) and the article 69 (3) of the UCITS V directive (Directive 2014/91/EU of 23 July 2014) require to disclose in the annual report of the Fund the information on the total remuneration of the employees of the AIFM for the financial year. Such information is detailed in the below tables.

Total amount of remuneration for the financial year 2018, split into fixed and variable remuneration, paid by Fuchs Asset Management to its staff, and number of beneficiaries, and, where relevant, carried interest paid by the Fund:

Fixed remuneration	Variable remuneration	Carried interest	Total remuneration	Average number of staff
EUR 1,193,324	EUR 86,737	-	EUR 1,280,061	15

Aggregate amount of remuneration broken down by senior management and members of staff of Fuchs Asset Management whose actions have a material impact on the risk profile of the Fund:

Category	Total remuneration
Senior Management	EUR 366,694
Staff	EUR 913,367

2. / Leverage in the Fund:

As at 31 December 2018, there is no leverage in Mercureim Eurofund I S.C.A. SICAV-FIAR.

However, leverage is in use at the level of the SPV's held by Mercureim Eurofund I S.C.A. SICAV-FIAR.

3./ Liquidity:

The liquidity management policy applied by Fuchs Asset Management S.A. to Mercureim Eurofund I S.C.A. SICAV-FIAR describes the procedures and monitoring tools that ensure that the liquidity profile of the AIF complies with its underlying obligation at all time.

The liquidity policy details the involvement and roles of the management committee and the risk management function of Fuchs Asset Management S.A. in determining the liquidity profile and monitoring and managing liquidity issues.

The liquidity policy also describes the process for establishing the liquidity profile for every AIF and its main input factors.

4./ Delegations:

Over the period from 01 January to 31 December 2018 and as at 31 December 2018, only the Central Administration function of Mercureim Eurofund I S.C.A. SICAV-FIAR has been delegated.

The selection and the appointment of the Central Administrative Agent have been performed in accordance with the provisions of article 19 of the AIFMD.

The Central Administration function has been delegated to CACEIS Bank Luxembourg pursuant to the Central Administration Services Agreement dated 5 October 2016 and changed during the year to Edmond de Rothschild Asset Management (Luxembourg) pursuant to the Central Administration Agreement dated 1 August 2018.

5./ Risk Management:

At the level of Fuchs Asset Management S.A., the Risk Management is executed following the Risk Management Process approved by the board of directors of Fuchs Asset Management S.A.

The Risk Management Process is a set of procedures in order to identify, assess, measure and manage all risks associated with the management of the underlying funds.

Risk Management process for AIFs

This part describes the process for setting up the risk management system for AIFs as well as the risk management framework depending on the different strategies of the AIF universe.

- Setting up the risk management system for AIFs is a four-step process based on risk assessment,
- data collection and analysis, risk monitoring,
- self-assessment and mitigating actions.
- AIF strategies covered by the Risk Management Process are hedge fund strategies, private equity strategies, real estate strategies, fund of fund strategies and other strategies.

For Mercureim Eurofund I S.C.A. SICAV-FIAR, Fuchs Asset Management S.A. established a dedicated Risk Management Process agreed upon with the Board of Directors of Mercureim S.à r.l., acting in its capacity of general partner of Mercureim Eurofund I S.C.A. SICAV-FIAR, and the Investment Adviser.

It is divided into five different parts:

- i) An introductory part describing the Risk Management function of Fuchs Asset Management S.A., how it is organised, how the control functions are organised and how its independence is ensured.
- ii) A governance part describing the roles of the various stakeholders (Risk Management function of Fuchs Asset Management S.A., the Board of Directors of Mercureim S.à r.l., acting in its capacity of general partner of Mercureim Eurofund I S.C.A. SICAV-FIAR, and the Investment Adviser).
- iii) A part dedicated to the risk identification including the specific risks incurred by Mercureim Eurofund I S.C.A. SICAV-FIAR, their classification, measurement, the leverage calculation and monitoring. This part also describes the stress and back testing processes.
- iv) A part describing the escalation process and the mitigation systems in place.
- v) A part describing the risk reporting that the Risk Management function of Fuchs Asset Management S.A. is issuing and providing the Board of Directors of Mercureim S.à r.l., acting in its capacity of general partner of Mercureim Eurofund I S.C.A. SICAV-FIAR with.

6. / Material Changes:

As at 31 December 2018, there is no material change to report.



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Ernst & Young
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Independent auditor's report

To the Shareholders of
Mercureim Eurofund 1 S.C.A. SICAV-FIAR
20, boulevard Emmanuel Servais
L-2535 Luxembourg

Opinion

We have audited the financial statements of *Mercureim Eurofund 1 S.C.A. SICAV-FIAR (the "Fund")* which comprise the statement of net assets as at 31 December 2018, and the statement of operations and changes in net assets for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Fund as at 31 December 2018, and of the results of its operations and changes in its net assets for the year then ended in accordance with Luxembourg legal and regulatory requirements relating to the preparation and presentation of the financial statements.

Basis for Opinion

We conducted our audit in accordance with the Law of 23 July 2016 on the audit profession (Law of 23 July 2016) and with International Standards on Auditing (ISAs) as adopted for Luxembourg by the "Commission de Surveillance du Secteur Financier" (CSSF). Our responsibilities under the Law of 23 July 2016 and ISAs are further described in the "responsibilities of the "réviseur d'entreprises agréé" for the audit of the financial statements" section of our report. We are also independent of the Fund in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) as adopted for Luxembourg by the CSSF together with the ethical requirements that are relevant to our audit of the financial statements, and have fulfilled our other ethical responsibilities under those ethical requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other information

The Board of Managers of the Fund's General Partner is responsible for the other information. The other information comprises the information stated in the annual report but does not include the financial statements and our report of the "réviseur d'entreprises agréé" thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.



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In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the 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 this fact. We have nothing to report in this regard.

Responsibilities of the Board of Managers of the Fund's General Partner for the financial statements

The Board of Managers of the Fund's General Partner is responsible for the preparation and fair presentation of these financial statements in accordance with Luxembourg legal and regulatory requirements relating to the preparation and presentation of the financial statements, and for such internal control as the Board of Managers of the Fund's General Partner 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 Managers of the Fund's General Partner is responsible for assessing the Fund'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 Managers of the Fund's General Partner either intends to liquidate the Fund or to cease operations, or has no realistic alternative but to do so.

Responsibilities of the "réviseur d'entreprises agréé" 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 a report of the "réviseur d'entreprises agréé" that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Law dated 23 July 2016 and with ISAs as adopted for Luxembourg by the CSSF 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 the Law dated 23 July 2016 and with ISAs as adopted for Luxembourg by the CSSF, 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 the fund's internal control.



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- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Managers of the Fund's General Partner.
- Conclude on the appropriateness of Board of Managers of the Fund's General Partner's 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 Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report of the "réviseur d'entreprises agréé" 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 report of the "réviseur d'entreprises agréé". However, future events or conditions may cause the Fund to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance 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.

Ernst & Young
Société anonyme
Cabinet de révision agréé

Julie Honoré

Luxembourg, 28 June 2019

Mercureim Eurofund I S.C.A. SICAV-FIAR

Statement of Net Assets as at December 31, 2018

	Note	Mercureim Eurofund I S.C.A., SICAV-FIAR EUR
ASSETS		
Formation expenses, net of amortization	3	76,596.83
Acquisition costs		3,379,181.01
Investments	5	28,444,815.00
Cash at banks	4	9,813,521.83
Other receivables and prepayments	6	481,314.12
TOTAL ASSETS		42,195,428.79
LIABILITIES		
Accrued expenses and other liabilities	7	7,308,456.05
TOTAL LIABILITIES		7,308,456.05
TOTAL NET ASSETS AS AT DECEMBER 31, 2018		34,886,972.74
TOTAL NET ASSETS AS AT DECEMBER 31, 2017		10,625,069.63
TOTAL NET ASSETS AS AT DECEMBER 31, 2016		(56,145.11)

Mercureim Eurofund I S.C.A. SICAV-FIAR

Statement of Operations and change in Net Assets for the year ended December 31, 2018

	Note	Mercureim Eurofund I S.C.A., SICAV-FIAR
		EUR
INCOME		
Interest income		551,698.56
Other income		52,220.22
TOTAL INCOME		603,918.78
EXPENSES		
Amortization of formation expenses	3	(25,766.67)
Administration and custody fees	8	(100,144.48)
Professional fees	9	(87,624.07)
Management fees	10	(601,549.30)
AIFM fees	11	(57,442.13)
Bank charges		(3,436.66)
Interest expenses		(19,661.27)
Subscription tax		(2,322.40)
Other expenses		(3,500.00)
TOTAL EXPENSES		(901,446.98)
NET INVESTMENT (LOSS)		(297,528.20)
NET REALISED RESULT		
- on foreign exchange		(4.21)
REALISED RESULT		(297,532.41)
NET VARIATION OF THE UNREALISED RESULTS		
- on investments	5	2,959,901.44
RESULT OF OPERATIONS		2,662,369.03
Subscriptions		22,497,242.25
Dividends		(897,708.17)
TOTAL CHANGES IN NET ASSETS		24,261,903.11
TOTAL NET ASSETS AT THE BEGINNING OF THE YEAR		10,625,069.63
TOTAL NET ASSETS AT THE END OF THE YEAR		34,886,972.74

Mercureim Eurofund I S.C.A. SICAV-FIAR

Statistical Information

	Number of shares outstanding 31/12/2018	Net asset value per share 31/12/2018	Net asset value per share 31/12/2017	Net asset value per share 31/12/2016
GP Share	1.00	1.5100	1.7570	(1.8110)
Ordinary Share	27,899.00	1.5100	1.7570	(1.8110)
Ordinary Share - A1	15,933,098.33	1.8800	1.7570	-
Ordinary Share - A3	1,613,032.63	2.5600	-	-

Mercureim Eurofund I S.C.A. SICAV-FIAR

Notes to the financial statements as at December 31, 2018

Note 1 – General information

1.1 The Fund

Mercureim Eurofund I S.C.A., SICAV-FIAR (the "Fund") is a partnership limited by shares (*société en commandite par actions*) established in Luxembourg and registered under the Luxembourg law of July 23, 2016 (the "RAIF Law") as an investment company with variable capital (*société d'investissement à capital variable*) - Reserved Alternative Investment Fund ("RAIF") with the Commission de Surveillance du Secteur Financier ("CSSF"). It also qualifies as Alternative Investment Fund ("AIF") under the AIFM Law.

The Fund has a registered office in 20, boulevard Emmanuel Servais, L-2535 Luxembourg and is registered in the Luxembourg Register of Commerce under number B 204 861.

The Fund was incorporated in Luxembourg on March 15, 2016 for a limited period of 5 years following the first closing with the possibility to extend the maturity two times of 1 year.

The main objective of the Fund is the creation of a real estate portfolio in Germany, France and Luxembourg through investments in shopping centers, offices, hotels, healthcare facilities and in residential buildings.

The General Partner is Mercureim S.à r.l., a limited company (*société à responsabilité limitée*) organised and established under the laws of Luxembourg on August 10, 1915 with a share capital of EUR 12,500.00. The General Partner is registered with the Registre de Commerce et des Sociétés de Luxembourg under number B 204 486.

The General Partner has appointed Fuchs Asset Management S.A., a public limited company established in Luxembourg and registered under the Luxembourg law, as authorized Alternative Investment Fund Manager (the "AIFM") to perform the portfolio management and risk management of the Fund.

The Fund's financial year starts on January 1, and ends on December 31, of each calendar year. The first accounting year began on March 15, 2016 (date of incorporation) and terminated on December 31, 2016.

The Fund will invest exclusively in pre-leased real estate assets, generating a minimum of income.

The reference currency of the Fund is the Euro ("EUR").

Note 2 – Principle accounting methods

The financial statements are presented in EUR and have been prepared in accordance with Luxembourg legal and regulatory requirements relating to investment funds ("Luxembourg GAAP").

The preparation of the financial statements requires the Board of Managers of the General Partner to make estimates and assumptions that affect certain amounts reported in the financial statements. Although these estimates are subject to uncertainties, they are based on the Board of Managers of the General Partner's best knowledge of current events and actions. It is reasonably possible, on the basis of the existing knowledge that outcomes within the next financial year may differ from these estimates.

2.1 Foreign Currency translation

The capital of the Fund is expressed in EUR, and the financial statements are presented in EUR, being the Fund's reference currency and reflecting its primary economic environment.

Foreign currency transactions are translated into EUR at the exchange rate prevailing at the transaction date.

The market value of investments as well as other assets and liabilities expressed in currencies other than the Fund's reporting currency are converted at the exchange rates prevailing at the reporting date.

The resulting realized and unrealized foreign exchange gains or losses are recognized in the statement of operations and changes in net assets.

2.2 Accounting estimates

The preparation of financial statements in accordance with generally accepted accounting principles in Luxembourg requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

2.3 Formation expenses

Formation expenses are booked at their acquisition value and are amortized on a straight line basis over five years.

Mercureim Eurofund I S.C.A. SICAV-FIAR

Notes to the financial statements as at December 31, 2018 (continued)

Note 2 – Principle accounting methods (continued)

2.4 Acquisition costs

Acquisition costs which are capitalized are amortized on a straight-line basis from the end of the subscription period over the Term of the Fund.

2.5 Valuation of investments

The value of securities quoted on an official stock exchange or traded on any other organized market is determined according to their last available price at the closing price. Investments in open-ended investment funds are valued on the basis of the last available net asset value per share of such fund. For other securities neither quoted on a stock exchange nor dealt in on another market, their valuation is estimated prudently and in good faith by the AIFM.

2.6 Taxation

In accordance with current legislation in Luxembourg, the Fund is exempt from Luxembourg in-come and net wealth tax. Dividends (if any) are exempt from dividend withholding tax.

The Fund is, however, liable in Luxembourg to a subscription tax (*taxe d'abonnement*) at a rate of 0.01% per annum of its net assets, such tax being payable quarterly and calculated on the basis of the total net assets of the Fund at the end of the relevant quarter.

No stamp duty or other tax is payable in Luxembourg on the issue of shares in the Fund.

2.7 Determination of the net asset value per share

The net asset value per share of each share class is determined by dividing the net asset value of the Fund by the number of shares.

2.8 Debts

Debts are recorded at their reimbursement value.

Note 3 – Formation Expenses

Formation expenses include incorporation expenses and other expenses relating to the setup of the Fund.

	Year ended December 31, 2018 EUR
Formation expenses at the beginning of the year	128,306.06
Additions during the year	-
Cumulated formation expenses at the end of the year	128,306.06
Amortization at the beginning of the year	(25,942.56)
Amortization during the year	(25,766.67)
Cumulated amortization at the end of the year	(51,709.23)
Balance as at December 31, 2018	76,596.83

Note 4 – Cash at banks

As at December 31, 2018, the caption "Cash at banks" amounts to EUR 9,813,521.83 (2017: EUR 2,883,909.24) and is composed of cash account held at EDMOND DE ROTHSCHILD ASSET MANAGEMENT (LUXEMBOURG).

Mercureim Eurofund I S.C.A. SICAV-FIAR

Notes to the financial statements as at December 31, 2018 (continued)

Note 5 – Investments

Investment	Ownership %	Instruments	Maturity date	Investment costs		Unrealised value		Carrying value		Increase / (decrease) in investment	Increase / (decrease) in unrealised value	Investment costs		Unrealised value		Carrying value	
				31/12/2017	EUR	31/12/2017	EUR	31/12/2017	EUR			31/12/2017	EUR	31/12/2017	EUR	31/12/2018	EUR
MEF One Erste GmbH	100.00	Equity	N/A	2,800.00	2,279,192.94	2,694,085.41	10,000.00	2,694,085.41	10,000.00	(1,093.81)	12,800.00	2,278,099.13	2,470,899.13				
MEF Zweite GmbH	100.00	Equity	N/A	2,900.00	-	2,900.00	9,700.00	2,900.00	9,700.00	552,192.84	12,600.00	552,192.84	564,792.84				
Dreescher DmbH	94.90	Equity	N/A	100,000.00	1,582,709.08	2,276,709.08	-	2,276,709.08	-	160,015.42	100,000.00	1,742,724.50	2,436,724.50				
Mercureim Finco S.à.r.l.	100.00	Equity	N/A	12,000.00	(12,956.17)	(956.17)	-	(956.17)	-	956.17	12,000.00	(12,000.00)	-				
Magdebourg GmbH	94.00	Equity	N/A	25,000.00	96,959.04	451,959.04	-	451,959.04	-	224,208.85	25,000.00	321,167.89	516,167.89				
Erfurt	100.00	Equity	N/A	-	-	-	10,000.00	-	10,000.00	1,194,025.65	10,000.00	1,194,025.65	1,459,025.65				
Sechste	100.00	Equity	N/A	-	-	-	10,000.00	-	10,000.00	265,771.56	10,000.00	265,771.56	377,771.56				
Moers	100.00	Equity	N/A	-	-	-	10,000.00	-	10,000.00	522,722.99	10,000.00	522,722.99	871,722.99				
Funfle	100.00	Equity	N/A	-	-	-	10,000.00	-	10,000.00	41,101.77	10,000.00	41,101.77	51,101.77				
Mercureim Finco S.à.r.l.	N/A	Interest Bearing Loan	24/02/2022	1,723,250.36	-	1,723,250.36	(183,498.34)	-	(183,498.34)	-	1,539,752.02	-	1,539,752.02				
Mercureim Finco S.à.r.l.	N/A	Interest Bearing Loan	18/05/2022	1,984,867.58	-	1,984,867.58	(429,191.93)	-	(429,191.93)	-	1,555,675.65	-	1,555,675.65				
Mercureim Finco S.à.r.l.	N/A	Interest Bearing Loan	16/11/2022	1,770,038.17	-	1,770,038.17	(3,931.32)	-	(3,931.32)	-	1,766,106.85	-	1,766,106.85				
Mercureim Finco S.à.r.l.	N/A	Interest Bearing Loan	22/02/2023	-	-	-	835,750.35	-	835,750.35	-	835,750.35	-	835,750.35				
Mercureim Finco S.à.r.l.	N/A	Interest Bearing Loan	05/04/2023	-	-	-	440,148.54	-	440,148.54	-	440,148.54	-	440,148.54				
Mercureim Finco S.à.r.l.	N/A	Interest Bearing Loan	31/07/2023	-	-	-	2,115,806.62	-	2,115,806.62	-	2,115,806.62	-	2,115,806.62				
Mercureim Finco S.à.r.l.	N/A	Interest Bearing Loan	31/07/2023	-	-	-	3,297,700.69	-	3,297,700.69	-	3,297,700.69	-	3,297,700.69				
Mercureim Finco S.à.r.l.	N/A	Interest Bearing Loan	08/11/2023	-	-	-	3,785,667.95	-	3,785,667.95	-	3,785,667.95	-	3,785,667.95				
Mercureim Finco S.à.r.l.	N/A	Interest Bearing Loan	22/12/2023	-	-	-	6,000,000.00	-	6,000,000.00	-	6,000,000.00	-	6,000,000.00				
Total				5,620,856.11	3,945,904.89	9,566,761.00	15,918,152.56	2,959,901.44	15,918,152.56	2,959,901.44	21,539,008.67	6,905,806.33	28,444,815.00				

Total increase in unrealised value: EUR 2,960,995.25

Total decrease in unrealised value: EUR (1,093.81)

Mercureim Eurofund I S.C.A. SICAV-FIAR

Notes to the financial statements as at December 31, 2018 (continued)

Note 6 – Other receivables and payments

As at December 31, 2018, this caption is composed as follows:

	December 31, 2018 EUR
Interest receivable	35,080.23
Other receivables	446,233.89
Total	481,314.12

Note 7 – Accrued expenses and other liabilities

As at December 31, 2018, this caption is composed as follows:

	December 31, 2018 EUR
Domiciliary services	4,166.67
Depository services	39,819.00
Audit fees	27,027.00
Management fees	227,306.75
AIFM fees	44,614.24
Amount payable to Mercureim S.à.r.l.	8,408.21
Amount payable to shareholders – subscriptions	6,745,590.10
Dividend payable	171,750.18
Subscription tax	1,466.63
Other debts	23,495.18
VAT payable	14,812.09
Total	7,308,456.05

Note 8 – Administration and custody fees

As at December 31, 2018, this caption is composed as follows:

	December 31, 2018 EUR
Accounting fees	(23,307.13)
Reporting fees	(7,020.00)
Registrar and transfer agency fees	(1,825.01)
Domiciliary services	(8,833.34)
Transaction fees	(800.00)
Custody fees	(58,359.00)
Total	(100,144.48)

Note 9 – Professional fees

As at December 31, 2018, this caption is composed as follows:

	December 31, 2018 EUR
Legal fees	(37,080.07)
Audit fees	(50,544.00)
Total	(87,624.07)

Mercureim Eurofund I S.C.A. SICAV-FIAR

Notes to the financial statements as at December 31, 2018 (continued)

Note 10 – Management fees

Following the circular resolution of the board dated of March 6, 2017, and in consideration for the management services performed for the benefit of the Fund, the General Partner is entitled to receive an annual management fee, payable quarterly and equal to 1.2% of the last gross asset value.

For the year ended December 31, 2018, management fees amount to EUR 601,549.30 (2017: EUR 136,487.50).

Note 11 – AIFM fees

The AIFM is entitled to receive an AIFM fee calculated on the gross assets of the Fund and payable quarterly as follows:

- up to EUR 25,000,000.00: 10 bps
- from EUR 25,000,000.00 to EUR 50,000,000.00: 8 bps
- from EUR 50,000,000.00 to EUR 125,000,000.00: 6 bps
- from EUR 125,000,000.00 to EUR 250,000,000.00: 5 bps
- over EUR 250,000,000.00: 4 bps

With a minimum of EUR 15,000.00 per annum.

For the year ended December 31, 2018, AIFM fees amount to EUR 57,442.13 (2017: EUR 25,000.00).

Note 12 – Share capital

The Fund has been initially incorporated with a capital of EUR 31,000 represented by 1 General Partner Share for EUR 1.00 and 30,399 ordinary shares for EUR 30,999.00.

During the subscription period, 3 classes of shares will be available to investors:

- Class A Shares: available for subscription by well-informed investors with a minimum subscription amount of EUR 250,000.00.
- Class A Shares will be available in 3 sub-classes of shares: Class A1 Shares, Class A2 Shares and Class A3 Shares.
- Class B Shares: represent a deferred interest and are initially reserved to key persons with a minimum subscription amount of EUR 250,000.00.
- Class C Shares: reserved to the General Partner.

The Fund distribution policy is a 5% yearly dividend.

Note 13 – Commitments

The Fund has signed a pledge agreement in favour of the bank. According to the Depositary Bank Agreement, in order to secure the Fund's payment obligations towards EDRE, the General Partner grants to the Depositary Bank a first ranking pledge over the assets held in the Cash Account(s) and a right to set off or retain assets held in the Cash Account(s).

Note 14 – Subsequent events

As at December 31, 2018, no subsequent event occurred.

Mercureim Eurofund I SCA SICAV-FIAR
Société en commandite par actions
Siège social : 20, boulevard Emmanuel Servais, L-2535 Luxembourg
R.C.S. Luxembourg B 204 861
(la „Société“)

Extrait de l'Assemblée Générale Ordinaire des Actionnaires de la société tenue à Luxembourg le 17 juillet 2019

L'Assemblée Générale Ordinaire décide de reporter le résultat de l'exercice se terminant le 31 Décembre 2018 et d'approuver les distributions de dividendes.