

TFI EU PROPERTY INCOME FUND



INVESTOR UPDATE – OCTOBER 2017

CONTENTS

EXECUTIVE SUMMARY	3
FUND UPDATE.....	3
INVESTMENT UPDATE	3
FUND PERFORMANCE SUMMARY.....	5
FUND RELATED DEVELOPMENTS	5
MARKET COMMENTARY	6
EURO GAIN.....	7
CONFIDENTIALITY & DISCLAIMER	7

EXECUTIVE SUMMARY

TFI launched the TFI-EU Property Income Fund (“TEUPIF” or the “Fund”) this year. The Fund is organized as a Euro denominated, closed-end Cayman Islands exempted limited liability Company, with an investment objective to pursue income-producing real estate investments in the Euro Zone countries on a Shariah-compliant, and tax efficiency basis.

The Fund targets investments in assets which are expected to offer regular and stable cash flows over the intended hold period and projected to generate average annualized yields of 6%-7% p.a. (in Euro terms) and a leveraged IRR of 8%-10% to Investors, net of all fees and expenses, incentive distributions, and local taxes.

FUND UPDATE

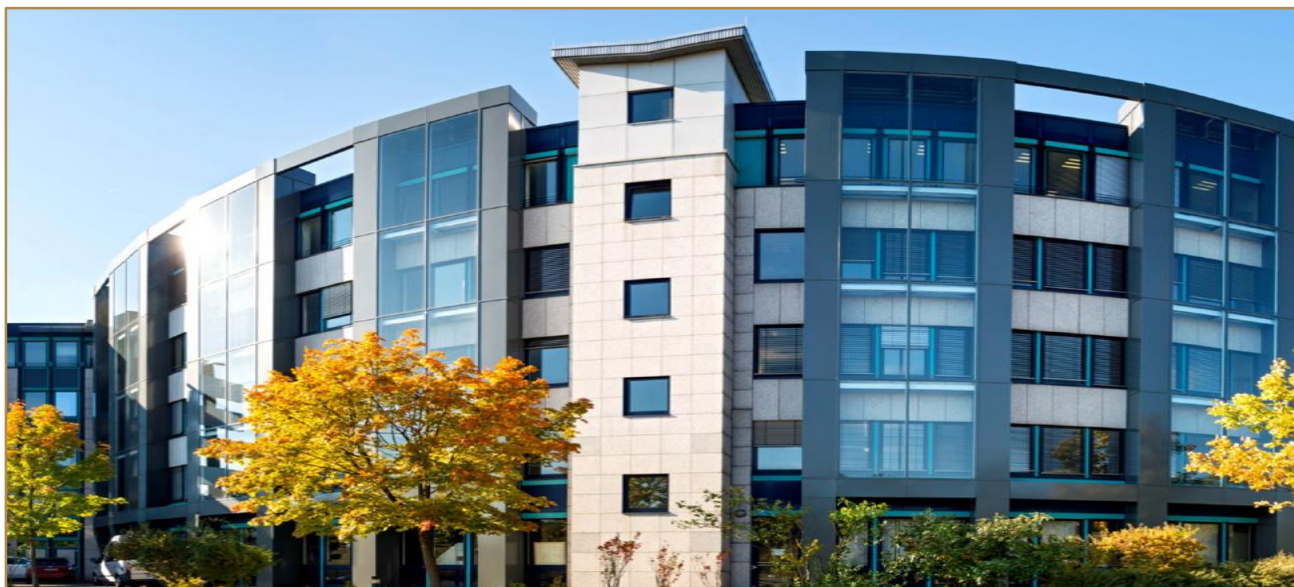
The TFI-Euro Property Income Fund has a current total capital commitment of €14.4 million (“mn”) from investors, which was funded on April 26, 2017. As at 30 September 2017, the Fund has deployed the entire capital commitment in two income generating assets – the first in Stuttgart Germany and the second in Paris France.

The Fund is in the process of negotiating a new asset in Germany, which will require additional equity investment, intended to raise from existing and new investors.



INVESTMENT UPDATE

1. Office building in Stuttgart, Germany



The Fund acquired the asset on 09 June 2017 after successful completion of a comprehensive legal, financial, and tax due diligence. The acquired asset will benefit from long-term secure cash flow from a creditworthy tenant that is committed to the location. The asset is expected to generate dividends in the range of 6-7%pa, net to the investors during holding period of 5 years, and that will benefit from yield compression at the time of exit.

The asset is centrally located in the Stuttgart, Germany, metropolitan region, with a leading German automotive group as the anchor tenant. The property consists of a modern office building with a lettable area of ~22,563 sq.m of office space.

Stuttgart, the state capital of Baden-Württemberg, is the center of one of the most economically sound and innovative hi-tech regions in Europe. With a population of around 5.3 million, the metropolitan region is a major hub for the automotive and machine engineering industry. Daimler AG has more than 100,000 employees in the region, and international companies such as Porsche, Bosch, and IBM are among the best-known Stuttgart companies. Stuttgart is home to Germany's second most important stock exchange and has one of the country's largest airports, with 9-10 million passengers per year.

The Fund has taken 50% ownership in the asset through the acquisition of shares in the German project company that owns the subject asset. The remaining 50% is owned by Inovalis REIT, a Real Estate Investment Trust listed on the Toronto Stock Exchange. Total transaction costs (including purchase consideration) is €42.5 mn. Equity investment in the transaction amounted to €17.9 mn, and the rest came from financing obtained from a local bank. The low cost financing was obtained at attractive terms, which will enhance the asset's returns.

2. Office building in Pantin, Paris, France



The Fund completed another transaction on 19 September 2017, after intense negotiation and discussions regarding the transaction terms. There were additional challenges due to the summer season and market conditions driven by the uncertainties due to the current blockage on the State of Qatar. The Fund has taken 50% of the asset from Inovalis France through the implementation of a tax efficient structure. The transaction has been secured with strong security documents. The Fund negotiated a possible exit option through Inovalis at maturity. The Fund has invested €6 million¹ (all in cost) in this acquisition with the aim to achieve average dividends of 6-7% p.a. in line with the Funds Target Returns.

¹ Note: Shariah compliant short term bridge financing of approx. € 700,000 has been availed by the Fund to cover the shortfall

The asset is located in the center part of Pantin, a suburb to the north-east of Paris in the Seine Saint-Denis (93) department. Pantin has improbably become the City of Light's next great epicenter of art and culture. The property is approximately 650m (10-15 minutes by foot) from the 'Eglise - Pantin' metro station, on line 5, and approximately 750m (15 minutes by foot) from Pantin RER station on line E, giving the property multiple access channels to central Paris. The property is composed of two buildings with a total lettable area of 13,307 sqm.

FUND PERFORMANCE SUMMARY

The following table illustrates the performance summary for the Fund, as on 30 September 2107:

TEUIPF performance (as at 30 September 2017)

Key Milestone dates	26-Apr-17 – 30-Sep-17
Date of Calling Subscription amount from Investors	26-Apr-17
Deployment of capital on Stuttgart Transaction	09-Jun-17
Deployment of capital on Pantin Transaction	19-Sep-17
First Dividend Date	30-Sep-17
Total number of days after capital call from investors	158 Days
Total Investment amount(in Euros)	14.4 million
Net returns (in Euros)	374,908
Return	2.60%
Annualized return ²	6.00%

FUND RELATED DEVELOPMENTS

The Fund was conceived in October 2016 to invest in income-producing properties offering regular and stable cash flows in the Euro Zone countries. From the beginning of this year, the “euro” as a currency has outperformed its peers and has become one of the best performing currency in the world. The Euro has strengthened over 13% since the beginning of 2017. This has resulted in large institutional investors worldwide altering their investment portfolios and becoming aggressive in identifying opportunities in the Euro Zone countries, specifically Germany and France. The lower interest rate regime (cheap debt) and stable currency outlook in comparison to uncertainty about Brexit and other geo-political developments resulted many new investors to seek opportunities in the Euro region more vigorously than before. As well as lead large institutional investors to fear the real estate market in the Euro region to become expensive. This has led to a scenario of too much money chasing behind a few good assets. Reading the above trends, the Fund manager has decided not to enter in to a wild chase and to select the assets purely on the merits and in line with the guidelines as laid down in the Information Memorandum. The Fund managers strongly believe that the Euro region has strong fundamentals and will continue to offer attractive investment opportunities in the real estate sector in the medium term; however, we have to observe caution in our asset selection approach, to not get carried away in the competition. and to select assets based on inherent merits.

² The consolidated distribution at the Fund level from the date of initial closing of the Fund (26 April 2017) and until 30 Sept 2017 is 2.60%, annualized 6% (for a period of 158 days). This distribution in light of the fact that the first acquisition took place after more than 1 month and second acquisition took place after almost 5 months from the day capital was called in the Fund. There is always a lag between the time Capital called in the Fund and the final deployment which results in lower dividend in initial quarters however in our case we are distributing dividends of 6%pa (annualized) in line with the Target Returns mentioned in the Information Memorandum from inception of the Fund.

Considering the above, and taking in to account the ongoing geo-political situation, the Fund manager, in discussions with Inovalis, has decided to extend the Final closing of the Fund by another year, from Sept 2017 to Sept 2018, to allow existing and new investors to benefit from attractive opportunities. This extension will give us the ability to deploy the new capital in an efficient manner and enhance diversification of assets. We have reviewed a few opportunities recently and are being considered for this purpose.

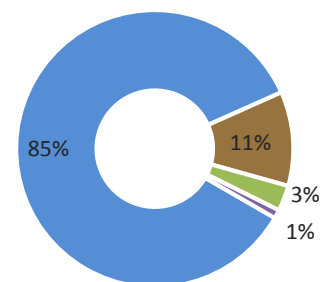
MARKET COMMENTARY

France (Paris) real estate market overview

Improvements in the global economic climate at the beginning of the year have continued, leading the IMF to upgrade its growth forecasts for 2017 from 3.4% to 3.5%, following 3.1% in 2016. In the Eurozone, growth is confirmed, and the IMF and the European Commission have therefore upgraded their growth forecasts for 2017 to 1.7% from 1.6%.

President Macron’s term has begun with a relatively favorable economic climate - company bankruptcies are at their lowest since 2008, unemployment in France is at its lowest (9.3%) since 2012, household consumption rose by 1.1% in May 2017, and business investment is continuing to rise (+1.3% over Q1 2017). In addition, agriculture and tourism (which had suffered from last year’s poor weather) had a better start to the year in 2017. This improvement in the health of the economy can also be seen in the Business Climate, which reached 106 in June 2017, its highest level for the last six years, far higher than the long-period average (100), as well as in Consumer Confidence. Conversely, there is currently a good level of product in the over €200 million segment. Many of these assets should change hands over H2 2017 leading to a sharp rise in activity.

Investments in real estate in Paris by type of assets during H1 2017



■ Offices ■ Retail
■ Warehouses ■ Others

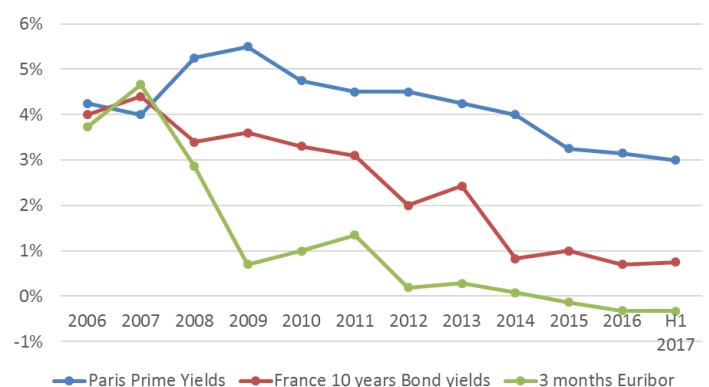
Source: JLL reports

With the ECB having announced that it has no plans to alter its existing policies before 2018, market experts do not expect much variation in yields over the short term, as levels will remain under pressure from strong demand. Out of all asset classes, office space market is the best performer in Paris, capturing 80% of the volume exchanged.

German real estate market overview

Germany is currently the most popular destination in Europe for real estate investors and developers. Germany has overtaken the UK in post-EU-referendum investment volumes, and it remains Europe’s primary magnet for global capital, attracting over €31 billion of capital inflows until end of 2016. In the first six months of 2017, investment volume stood at €25.8 billion (+47% compared to H1 2016). Based on the level of demand alone, an even higher volume would certainly have been possible if an adequate supply of suitable products had been available. GDP expanded at

Comparison in rates trends (at period end)



Source: JLL reports

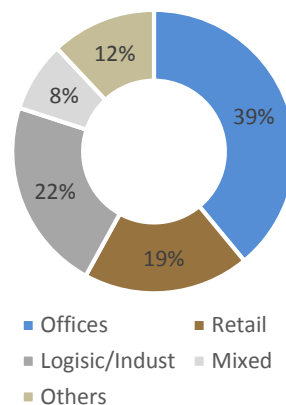
the fastest pace in five years in 2016, clocking in at 1.9% and the momentum is projected to carry on into 2017. The unemployment rate is at historical 26-year low.

The five largest transactions in the first half of the year were all portfolio transactions, with the sale of 74 logistics properties by Blackstone to CIC for about €1.9 billion representing the largest deal. These large transactions alone account for a combined 28% of the half-year result (€7.2 billion). In particular, institutional investors from the Asian region were more active on the market and placed a focus on size.

Although the large-volume transactions mostly took place in the big cities (Berlin, Munich, Frankfurt, etc.), growth in these locations was below average. On the other hand, markets outside the established centers demonstrated significantly stronger growth with a year-on-year increase of 66%. Around €13.4 billion was invested in secondary locations.

Take-up on the Stuttgart office leasing market (including Leinfelden-Echterdingen) in H1 2017 exceeded last previous year results, a 7.7 % increase y-o-y (H1 2016: 107,800 square meters). The vacancy rate on the Stuttgart office leasing market has been decreasing steadily since 2010. Recorded at a low 2.8 % at the end of 2016, vacancy continued its downward trajectory in 2017.

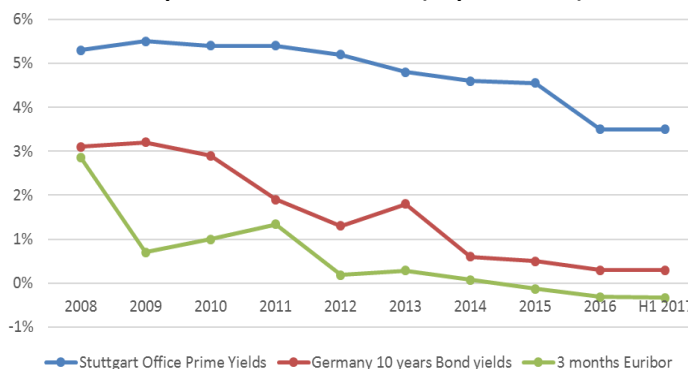
Investments in German real estate by type of assets during H1 2017



Source: JLL reports

Investment activity remains strong, and yields remained stable during the first half of the year and despite falling in some areas. The core segment, which is preferred by risk averse investors primarily using own equity, also experienced ongoing yield compression. Prime office yields were recorded at 3.8 % and at 3.3 % for downtown retail assets. Investors are taking advantage of current yield compression in the core segment to list properties after only a brief holding period.

Comparison in rates trends (at period end)



Source: JLL reports

EURO GAIN

The euro has gained 13% against the U.S. dollar since January. The currency has strengthened over the first eight months of the year because of robust economic growth in Europe, reduced political risk and weakness in rival currencies. Market experts anticipate this trend to continue in the medium term although no assurance of sustainable gains over the the long term.

Euro (EUR) To US Dollar (USD) 365 Day History



Source: XE Currency Data

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