

TFI EU PROPERTY INCOME FUND



REPORT FOR APRIL 2018

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EXECUTIVE SUMMARY

TFI has structured the TFI-EU Property Income Fund (“TEUPIF” or the “Fund”) and launched it in mid-2017. The Fund is organized as a Euro denominated, closed-end Cayman Islands exempted limited liability Company. The purpose of the Fund is to invest in income-producing real estate assets in the Euro Zone on a Shariah-compliant basis.

The Fund targets investment opportunities that offer sustainable rental cash flows over the intended holding period. It is projected to generate an average annualized yield of 6%-7% per annum (p.a.), and a leveraged IRR of 8%-10% net to Investors, i.e. excluding fees and general costs. The closing date for subscription is September 2018.

FUND UPDATE

Currently, the TFI-EU Property Income Fund has a portfolio of four assets amounting to net equities of circa €30 million (mn). Three of these assets are located in Germany and one in Paris, France. Below is an overview of the investments:

INVESTMENT UPDATE

1. OFFICE BUILDING IN INGOLSTADT KÖSCHING, GERMANY



The Fund has acquired the asset on the 28th of February 2018, after the successful completion of a comprehensive due diligence process including legal, financial and tax due diligence. The acquired asset will benefit from long-term secure cash flow from a creditworthy tenant who is committed to the location. The asset is expected to generate dividends in the range of 6-7% p.a., net to the investors during holding period and is expected to benefit from yield compression at the time of exit.

The asset is strategically located less than 10 km from the global headquarters of Audi AG in Ingolstadt, Germany. The property is anticipated to benefit from its proximity to Ingolstadt, the second-largest city in Upper Bavaria, with excellent transport links and well-developed infrastructure.

The asset is a recently constructed modern office building and research & development facility with a gross leasable area of approximately 9,900 sq.m (106,563 sq. ft.). The property is fully occupied with a weighted average lease term of ten years and is anchored by a high-profile tenant, TKI Automotive GmbH, a company which focuses on developing new technologies for use in the automotive industry and is owned by German automobile manufacturer Audi along with Gigatronik.

The Fund has taken 50% ownership in the asset through acquisition of shares in the project company in Germany which 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) are circa €38.1 mn. Equity investment in the transaction amounted to around €12 mn and the rest came from financing obtained from a local bank. The low cost financing obtained at attractive terms will enhance the returns from the asset.

2. OFFICE BUILDING IN NEU-ISENBURG, GERMANY



The Fund acquired this asset on the 28th of December 2017. The acquired asset will benefit from long-term secured cash according to rental contracts made with creditworthy tenants and who are committed to the location. The asset is expected to generate dividends in the range of 6-7% p.a., net to the investors during the holding period and at the time of exit will benefit from yield compression (benefit when sold) depending on market conditions.

The asset is located in Neu-Isenburg, a central submarket location and in direct vicinity to Frankfurt airport and the city of Frankfurt. Neu-Isenburg is within the city of Frankfurt and is a part of the second largest metropolitan region in Germany with a total population exceeding 5.8 mn. The property was built recently in 2013 and provides a lettable area of 12,554 sq.m used as office space.

The Fund has taken 50% ownership through acquisition of shares in the project company in Germany which owns the subject asset. The remaining 50% is owned by Inovalis REIT, a Real Estate Investment Trust listed on the Toronto Stock Exchange and which is considered a strategic partner. The total transaction costs (including purchase consideration) are circa €38.3 mn. Equity investment in the transaction amounted to around €18 mn and the rest is bank's finance at low cost and attractive terms, which will enhance Return on Investment (ROI).

3. OFFICE BUILDING IN STUTTART, GERMANY



The Fund acquired the above asset on the 9th of June 2017 and is expected to generate dividends in the range of 6-7% p.a., net to the investors during a holding period of 5 years and at the time of exit will benefit from yield compression.

The asset is centrally located in the Stuttgart metropolitan region, which is a leading German automotive city dominated by Mercedes Benz, who is an anchor tenant in this asset. The property consists of a modern office building with a Lettable area of 22,563 sq.m used as office space and has a ground floor, 5 upper floors and a penthouse.

The Fund has taken 50% ownership in the asset and the remaining 50% is owned by Inovalis REIT, a Real Estate Investment Trust. Therefore, the total transaction costs (including purchase consideration) is circa €42.5 mn. Equity investment in the transaction amounted to around €17.9 mn and the rest is bank's finance on good terms and conditions.

4. OFFICE BUILDING IN PANTIN, PARIS, FRANCE



The Fund also acquired this asset on the 19th of September 2017 taking a 50% ownership and through implementation of a tax efficient investment structure and strong security documents. The

Fund has negotiated a buy back option from the seller, “Inovalis”, at maturity, to help reduce risk, if any. Total investment was circa €6 mn (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.

The asset is located, in the central part of Pantin town, a suburb to the north-east of Paris in the Seine Saint-Denis (93) department and condiers, which is considered the new city of light, culture and arts. The property is at approximately 650m (10-15 minutes on foot) from the ‘Eglise - Pantin’ metro station, on line 5, and approximately 750m (15 minutes on foot) from Pantin RER station on line E, giving the property multiple accesses to Central Paris. The property benefits of 13,307 sq.m and two buildings which connecting bridge.

FUND PERFORMANCE SUMMARY

The following table illustrates the performance summary for the Fund, as on 31 March 2018:

TEUIF PERFORMANCE (AS ON 31 MARCH 2018) *

Drawdown schedule	Date of Capital call	Drawdown amount (EUR)	Dividends for the period of 1 January 2018 - 31 March 2018 (90 days) Annualized Dividend yield (6.75% per annum)		
			Effective days	Proportionate dividend %	Dividend Amount (EUR)
First Capital Call	26-Apr-17	14,437,600	90	1.66%	240,297
Second Capital Call	15-Oct-17	700,000	90	1.66%	11,651
Third Capital call	21-Dec-17	5,000,000	90	1.66%	83,219
Fourth Capital Call*	9-Jan-18	4,000,000	82	1.52%	60,658
Fifth Capital call **	26-Feb-18	6,000,000	34	0.63%	37,726
Total Capital in the Fund		30,137,600			433,550

Notes: * Payments will include Q4 2017 (1st Oct 2017- 31st Dec 2017) dividends of €9,795.

** Payment will be made along with June 2018 dividends.

FUND RELATED DEVELOPMENTS

The Fund was conceived in October 2016, the closing period (closing) was extended to take additional subscriptions from investors for a year as we needed more time to identify and secure good properties for investment that meet our targets. Hence, the new closing is extended to September 2018.

MARKET COMMENTARY

FRANCE (PARIS) REAL ESTATE OVERVIEW

Paris has been witnessing robust development plans and a renewed focus on the redevelopment of outer arrondissements and peripheral neighborhoods. There is a lot of buzz and excitement in the real estate sector after the announcement of the 2024 Summer Olympic Games to be hosted by Paris.

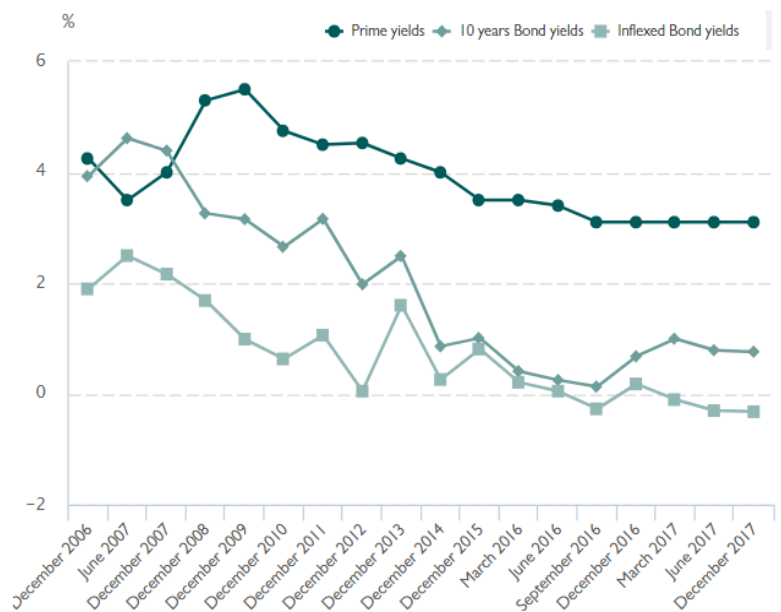
Market experts are of the opinion that France will have greatest potential growth for the year of 2018 in the EMEA region. This is due to positive investor reactions to the election of President Emmanuel Macron in May of 2017. Since his election as President of France, the business sentiment has lifted and the private sector has seen its fastest rate of growth in six years where activity rose by 1.9% in 2017. Prospects for the French economy are looking very positive in the medium to long

term. Other macro indicators are also showing positive trends such as office sector which has been active and both occupiers and investors demand is expected to strengthen further in 2018. Office transactions have increased by 3% mainly due to operations of very high-value (ten transactions above € 300mn), making it the largest transactions for the year. The office transactions reached more than €7.7 billion in 2017 (an increase of 8% year on year).

The Paris Central Business District (CBD) witnessed a fall by 44% as a result of lack of supply. However, the western CBD was higher by 40% which confirms attraction to prime locations. By the end of 2017, vacancy rates have fallen at an average of 6.4% in the region of Greater Paris, indicating fluidity in that market. La Defense witnessed the most significant decrease which reached 7.9% by the end of 2017.

The investment market has witnessed a proliferation of foreign buyers from the Eurozone. Domestic investors however continue to dominate (63%). The appetite has been towards mid-sized assets (Euro 50mn- Euro200mn) but more recently there has been a significant increase in volumes for the Euro 50mn to Euro 100mn segment. Furthermore, investment in commercial real estate increased by 4%.

It is clear from the economic signals of France; particularly in terms of rental market consolidation the outlook is generally positive and reassuring. France's image abroad has also benefited from an undeniable pro-Macron effect, which has reinforced hope for a renewed market dynamic.



Source: Catella French Market summary for January 2018

GERMAN REAL ESTATE OVERVIEW

The main driver of investment growth in the EMEA (Europe Middle East and Africa) region over the last two years came from investor appetite for the real estate market in Germany which has grown 9% year-over-year.

The 2018 Global Real Estate Market Outlook by CBRE research shows that Germany has cities ranked in the top 15 cities of the EMEA region which are projected to outperform rent growth over the next three years.

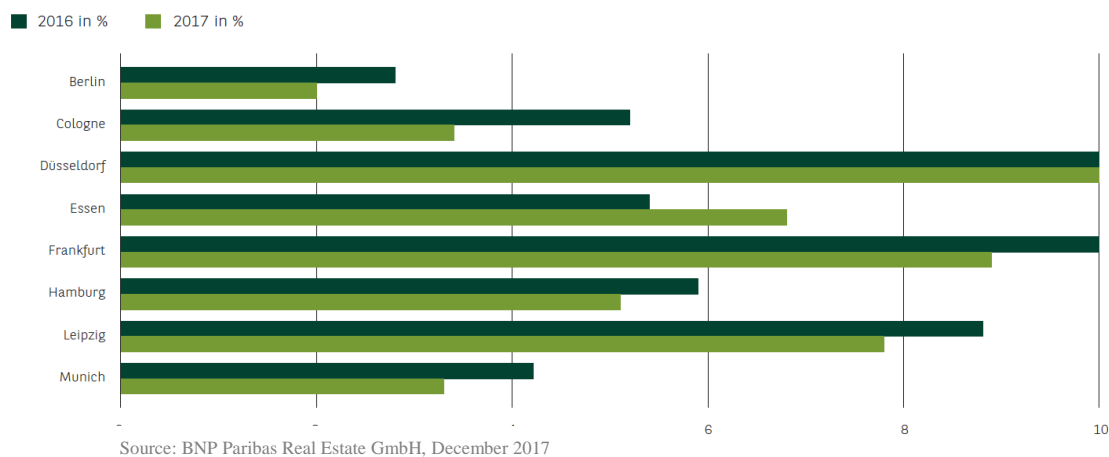
Despite the latest political climate in Germany, its economy grew immensely in the third and fourth quarters of 2017 where GDP rose by 2.20%; the highest witnessed since 2011. The German real estate market continues to benefit from the positive macroeconomic development and is set to continue throughout 2018 to 2.60%. To add, the uncertainty which rose before and after the elections had insignificant impact on the property investment decisions of investors. The demand in the real estate market continues in an upward pace against a drop in low interest rates and strong occupier markets. The appetite for offices remained strong throughout Q4 with the main focus lying on major economic hubs.

The labor market in Germany is improving where the investment market situation has triggered a growth in the demand for labor. By the end of 2017 employment rate has risen by 1.5% compared to 2016. Hence, it is fair to expect rising office rents to rise modestly in the mid to long term. With employment repeatedly reaching new highs, combating unemployment has taken a back seat. The focus is instead increasingly concentrated on the growing shortage of workers. The indicators for the position of companies and consumer confidence are correspondingly positive. The population is also expanding through immigration and rising birth rates. And given low capital market returns, many foreign investors with cash are still on the hunt for property investments offering higher returns. Macroeconomic growth in Germany has so far provided a sound foundation for the real estate market. This situation will remain unchanged for the moment, as the German economy is still expanding.

Investment volumes in Germany have also witnessed a significant increase where Berlin was the leader with a total transaction volume of €11.92 billion. 2017 witnessed an increase of 7% in space take-up volume compared to the previous year and expectations in the beginning of 2017. Stuttgart registered a growth year-on-year of 45%.

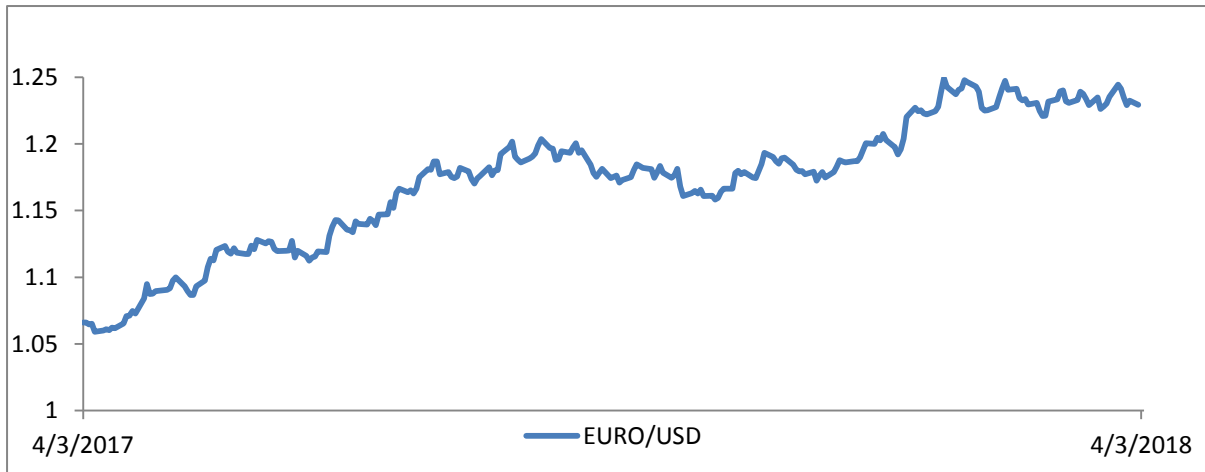
The Stuttgart office leasing market has proven to be the most important property type for investments for Q1 2018; which has vacancy rates of 2.1%. The office leasing market (including Leinfelden- Echterdingen) posted a modest start in 2018. Take-up witnessed a new record high of around 91,200 sq.m, which can be mainly attributed to two large deals amounting to more than 60,000 sq.m. 50 leases have been signed which resulted in the first quarter of 2018 leading to a drop in leasing activity in comparison to the start of other years. This reflects the increasing scarcity of space on the Stuttgart office leasing market, which posted a 15-year low with the vacancy rate at a current 2.1%. At the same time, considerable excess demand pushed average rent to a new record high of €13.50 per sq.m.

VACANCY RATES IN 2016 AND 2017



EURO GAIN

The Euro has risen against the US Dollar since last year. The currency has strengthened during last year because of continued economic growth in Europe, reduced political risk and weakness in rival currencies. It is envisaged that this trend will continue in the medium term although no assurance of sustainable gains over the the long term as all depends amongst other things, foreign exchange rates fluctuation and macro business environment.



Source: Bloomberg (April 2017 to April 2018)

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