

## TFI-EU Property Income Fund



The following report presents an update in relation to your investment in TFI-EU Property Income Fund ("Fund") as of June 30<sup>th</sup>, 2025.

### Fund Summary

TFI-EU Property Income Fund (the "Fund") was launched in 2017 as a Euro denominated, closed-end Cayman Islands exempted Limited Liability Company. The purpose of the Fund is to invest in income-generating real estate office buildings in the Eurozone on a Shariah-compliant basis. As of Final Closing Date of December 31<sup>st</sup> 2018, the Fund had partially acquired interests in joint ventures owning 5 assets (4 in Germany and 1 in Paris) totaling €152 million.

The Fund's Subscription Amount (cumulative) as of Final Closing Date is **€38.6 million**. The Investors Subscription have been prorated amongst the partially 5 acquired assets and the returns are distributed accordingly from the combined income earned by all assets to ensure parity among the Investors. The main currency of the Fund is the Euro.

### Strategic Update

The term of the Fund is 3+1+1 years from the Final Closing Date of December 31<sup>st</sup> 2018. The Term of the Fund has been extended until its placed into liquidation, due to the difficult market conditions.

This maturity was originally aligned with the completion of asset management plans for each asset and notably the completion of the re-letting plans. However, a series of unforeseen events have disrupted the anticipated exit timeline since 2020, notably the Covid-19 pandemic (March 2020), the Ukraine war (February 2022), and ensuing inflation and significant interest rate hikes (since June 2022). These challenges have exerted considerable pressure on the real-estate markets in the EU and posed challenges to the winding-up plan and impacted the performance of the investments, as exit values and liquidity have been affected.

In light of the foregoing, the Directors have resolved that it is the best interests of the Fund, which is incorporated in the Cayman Islands, that the Investment Term run until the date upon which the Fund is placed into voluntary liquidation and the Directors will continue to monitor the Investments for the remainder of the Investment Term.

### Net Asset Value ("NAV") of the Fund

Estimated NAV per unit as of June 30<sup>th</sup> 2025, stood at €45.6 versus an initial NAV per unit of €100 as at December 31<sup>st</sup> 2018. **Representing a decrease in the initial NAV of around 54.4%**, without taking into consideration distributed dividend which amounted to 41.8%. **Total investment return (including dividend), per unit, amounts to €87.4.**

| NAV per unit<br>as of December<br>31st 2018 | NAV per unit<br>as of June 30 <sup>th</sup><br>2025 | NAV per unit<br><b>Loss</b> /Profit<br>(Excluding<br>Dividends) | NAV per unit<br><b>Loss</b> /Profit<br>(Including<br>Dividends) |
|---|---|---|---|
| 100   | 45.6  | <b>-54.4%</b>   | <b>-12.6%</b>   |

As of June 30<sup>th</sup> 2025, the valuation of the remaining assets (Excluding Hannover) stood at €106.5 million with an outstanding debt of €72.1 million. Based on the partial ownership of each asset by the Fund, the NAV of the Fund stood at approximately €17.6 million versus an initial NAV of €38.6 million, as of December 31<sup>st</sup>, 2018. It is important to highlight that the NAV mentioned does not reflect an offered market price, it is only an estimate based on last Fair Market Value assessment as provided by the evaluators. This value might change significantly at the time of the exit in a positive or negative way, especially when considering the brokers' opinion.

Since first deployment, the annualized total return to the investors (including paid dividend) stood at approximately - 3.0%, of which approximately 41.8% of the initial contribution has already been paid to the investors in the form of dividends.

### **Exit**

Despite the economic and commercial challenges, The First Investor (TFI) and the asset and property manager are continuing to work towards exiting the assets on favourable terms, if possible. The First Investor (TFI) cannot at any time guarantee to Investors that their invested capital will be returned in full or that the Fund will have exited all Investments within one year.

With regard to Hannover, the sale was successfully completed on 27 May 2025 at a total selling price of EUR 15,909,000. We anticipate distributing the net proceeds in Q3 2025, after settling the outstanding loan and all related expenses. However, partners are currently in discussions to agree on a distribution structure that includes the partial release of net proceeds and a portion to be retained to support the ongoing expenses of the company over the next two years, including coverage for anticipated costs such as litigation costs and others.

With regards to Stuttgart, marketing efforts was put on hold as there was little traction in the local investment market in the first half of 2024. After several rounds of negotiations with Daimler Truck, the break options were successfully waived.

As for the property in Pantin, it should be noted that it is facing significant challenges in terms of leasing and sale, which continues to put pressure on the property's value and may lead to a forced sale, as outlined in the asset summary. One tenant vacated the premises in April and ceased rent payments; legal action will be initiated to recover the rent due until the end of the lease term in December 2026.

Efforts are underway to actively enhance the conditions of the remaining assets, aligning with the objective to try to optimize, if possible, their value for potential future divestment.

### **Dividend Distribution**

For the second quarter of 2025, the Fund will not distribute dividends. This is mainly due to the decrease in the net income from rental activities, which is primarily driven by increase in debt servicing costs, increase in the capital expenditures requirements, and the bank requirements. Additionally, reletting expenses, refinancing terms, and tenant improvement allowances have further contributed to the decrease in the net income and liquidity.



## Assets Overview

### Germany, Neu Isenburg: main tenant Arrow

Occupancy 79% - WALT 2.7 years - WALB 2.6 years  
(Projected in Sept : Occupancy 94% - WALT 3.8 years)

- Successful extension of the in-place mortgage loan signed end of Oct'24, now maturing end Feb'26, with full cash trap maintained by the bank DZHyp.
- Distribution was put on hold since Q1'23 due to reduced NOI resulting from **partial** (80%) extension of main tenant (Arrow) lease in 2023 and refinancing terms (full cash trap, cash reserve allocations, on top of the €1.4M upfront deleverage upon previous extension in January 2024).
- A 10-year firm lease agreement with FedEx Express Germany GmbH was signed on 1,987 sqm (16%) of office space covering the 3rd to 5th floors of the property. DZHyp has agreed the funding of the €2.1m relocation cost (TI's, Capex and broker fees), by releasing a part of the €2.8m cash reserve accumulated on the 3 properties Stuttgart/Kösching/Isenburg.
- Handover is expected in September 2025 as all construction works is advancing as scheduled. This letting will result in a nearly 100% occupancy, increasing the chance for a financing extension before accumulating cash and being able to deleverage the bank (78% current LTV).
- As per the brokers' indications, the investment market in Neu Isenburg is in standby until at least Q4'25, with investors awaiting indications of market recovery.
- Fedex lease was already factored in the Q2'25 external appraisal from JLL at €27.6 (+1.7m€ increase from Q4'24).
- **Fair Market Value Q2, 2025: €27.6m**
- **Outstanding Loan amount: €21.4m**



### Germany, Stuttgart: main tenant Daimler Truck

Occupancy 100% - WALT / WALB 4.0 years

- In Oct'24, the in-place €24.6 million DZHyp mortgage loan initially matured end of August but was further extended until February 2026, subject to a quarterly €180k allocation to the cash reserve.
- As a result of the new financing terms, all distributions after these of Q1'23 have been suspended, attributing cash flows to debt service and cash reserve.
- Extension beyond 2026 might command deleverage or at least additional cash trap payments, to restore the cash reserve invested on FedEx capex on the Neu-Isenburg property.
- We have successfully waived the 2027 and 2028 break options in Daimler's lease, resetting the WALT to a fixed 4.0 years. Recent discussions with the tenant confirm that a decision on extending the lease beyond 2029 is not currently a priority for them.
- Although this site is unlikely to be affected by Daimler Group's downsizing and redundancies in Germany—given that Leinfelden is a central location with the company's headquarters nearby—investor appetite remains muted for an office asset fully occupied by a tenant in the automotive sector.
- **Fair Market Value Q2, 2025: €40.5m**
- **Outstanding Loan amount: €24.6m**



### Germany, Kösching: main tenant Cariad (Volkswagen Group)

Occupancy 100% - WALT / WALB 2.4 years

- Since Q1'23, we had anticipated that extended ownership would imply suspended distributions, as free cash is attributed to increased DZHyp debt service and cash reserve payment (€130k quarterly), conditions upon the financing extension.
- DZHyp financing extension until Feb 28, 2026 was granted on Oct 31st, 2024, requiring quarterly €130k allocation to the cash reserve.
- Last meeting with single tenant Cariad took place in Jan'25, further to Rivian acquisition by VW: they like the premises (built on specification originally for them), but have again postponed their decision about lease extension until at least end 2025.
- The brokers' previous indications of value at least 20% below FMV remain valid and reflect the short WALT and the fact that the single tenant (Cariad) is highly dependent on the ongoing restructuring of Volkswagen Group.
- Acceleration of sale process is not recommended as it might therefore imply a significant discount to Q2'25 valuation (FMV: €20.9m).
- **Fair Market Value Q2, 2025: €20.9m**
- **Outstanding Loan amount: €13.0m**



### France, Pantin: multi-let

Occupancy 63% - WALT 2.7 years - WALB 1.9 years

- Shareholders (REIT + Inovalis SA) have invested an added Eur4M since acquisition to bridge cash shortfall and safeguard going concern of the JV.
- Regus (6% occupancy) vacated the premises in April and stopped paying rent. Legal action will be initiated to recover the rent due until the end of the lease, i.e. Dec'26.
- Indicative offer from redeveloper ADIM (Vinci group) / RIVP (Paris real estate management body) for the redevelopment of the property into mix-used project.
- Expected €18m gross sale price to be confirmed, subject to the eviction of all tenants at owner's expenses and building permit obtention. Forecast: €2m eviction costs, leading to a net sale price of €16m.
- Disposition not before mid-2027 but exchange contract could be signed before year-end 2025.
- Senior lease financing pool granted amortization deferral until Q3'25. Discussions to extend deferral until end'26 to start in September, based on ADIM final offer and sale schedule.
- While the SPV going concern was barely secured through commitment of the shareholders to inject additional cash, addendum to TFI bond agreement shall extend its maturity date until May 2026, to secure the going concern (AREF DIAMANTS is supporting its subsidiary SCI DELIZY DIAMANTS, together with the co-shareholder, INOPCI 1, until June 26)
- **Fair Market Value Q2, 2025: €17.5m**
- **Outstanding Loan amount: €13.1m**





**Germany, Hannover: sold in May 2025**

*Occupancy 0% since Dec 2024 following NordLB departure*



- Throughout 2024, the property was actively marketed via local brokers JLL and Advenis Germany to market the property to comply with the terms of the 1-year extension secured from PostBank, our senior lender, in Dec'24
- After several unsuccessful sale attempts, a SPA was signed in end of January 2025 with Mr Lumenski for a sale at €16m, of which €4m was deferred to December 2025 (or 2026 with 4.5% interest).
- In April 2025, Mr Lumenski has made a new offer for full payment of the sale price on May 31 2025, in return for a €91k price reduction.
- The parties to the SPA executed an addendum pursuant to which: (i) the total purchase price was reduced from €16m to €15.909m and (ii) the deferral of part of the purchase price was waived, making the entire purchase price due and payable by the Buyer on 31 May 2025. The payment was executed on May 28, 2025.
- Partners are currently in discussions to agree on a distribution structure that includes the partial release of net proceeds and a portion to be retained to support the ongoing expenses of the company over the next two years, including coverage for anticipated costs such as litigation costs and others.
- The partners agreed to obtain fee estimates from legal counsel for potential litigation against Advenis GmbH concerning the "written form" issue that accelerated the early termination of the NordLB lease agreement seemed by them.
- JLL asserted a brokerage fee claim in relation to the sale; however, EY Legal's opinion concluded that the claim was not enforceable.

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