BALTIC OPPORTUNITY REIF

QUARTERLY FUND REPORT Q1 2014

SUMMARY

- Grand opening of Domus PRO Rimi on 20 March
- Q1 returns on track for annual distribution exceeding 7%
- IFRS NAV at EUR 109.2270

BPT Baltic Opportunity is a real estate fund investing in commercial real estate in Estonia, Latvia and Lithuania. The fund should be seen as a medium-term investment.

The annualized direct property yield for the portfolio of 3 assets was 7.3% for the Q1 of 2014. Average fund's occupancy for the last quarter was 90.8% and average rental price per sq. m. was EUR 9.7 which are in line with the expectations for the fund for the first quarter of the year.

Net rental income in Q1 2014 amounted to EUR 581 thousand, which is 6.5% lower than in the previous quarter. With new tenants filling the vacancy over the remainder of the year with triple net lease agreements, the previous NOI level shall be restored and with additional support from the market hopefully even exceeded.

ACTIVITIES OVER THE PERIOD

The vacancy of the portfolio is currently located in the Lincona office complex where a large tenant terminated their lease agreement in the end of 2013. During the first quarter the vacant premises were being prepared for one current tenant to expand and one new tenant to move in. The preparations and the fit-out works have taken slightly longer than expected therefore 1/5 of the total vacancy will start yielding rental income from 1st of May and the remaining from Q3.

On 25 June 2013 a general meeting of investors was convened in Tallinn to make changes to the Fund rules. These new Fund rules were registered in the FSA and with a certain time period for publishing the rules took full legal effect as of 19 March 2014.

Last year, the Fund became an equity investor in a forward commitment development of a Rimi supermarket in Vilnius.

Fund performance	
NAV per share (IFRS)	EUR 109.23
NAV per share (INREV)*	EUR 110.60
Latest dividend per unit	EUR 3.5
Total return since inception	23.0%
Return since inception annualised	6.1%

*While new units are issued based on a standard IFRS NAV, performance in this report is presented using the INREV NAV for property performance measurement.

Portfolio	
Number of properties	3
Average gross property value	EUR 11.1m
Occupancy ratio (quarter average)	90.8%

Fund facts	
Fund inception (as of the first NAV)	December 2010
Expected exit	2017
Status	Closed-end, open for investments
Target share capital	EUR 100.0m
Total share capital	EUR 18.4m
Net asset value	EUR 20.3m
Investment capacity	EUR 200.0m
Gross property value	EUR 33.2m
Gross asset value (GAV)	EUR 36.3m
Total cash and cash equivalents	EUR 0.9m
Loans	EUR 15.6m
Loan to value	47.0%
Loans / GAV	43.0%
Interest coverage, YTD	369.8%

Fees	
Management fee	1.9% of NAV per annum
Success fee	20% above a hurdle rate of 11% return on paid-in capital

On 20 March the property was opened for business. According to the SPA signed last year, the Fund shall conduct its final due diligences and take over the full ownership by end of April.

It is the final fund raising period for the Fund as its investment period shall end at the year-end. With 4 strong cash flow producing assets in the Baltic capital cities in the portfolio, additional investments are aimed to be made in Riga and Vilnius to further diversify the Fund geographically. Focus is on core/core-plus retail and office assets.

MARKET OUTLOOK

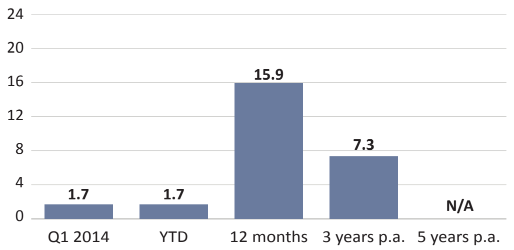
Being at the end of the recovery phase of the new real estate cycle which started in 2009 the real estate markets are growing in respects of demand, supply and liquidity. Being manifold smaller than the Nordic counterpart markets, the Baltic States have shown the long-term trend of increasingly becoming hubs for Nordic companies to operate in, for local ones to expand and of showing good pace of modernizing the commercial real estate stock. New buildings are being built at a reasonable speed supported by new tenant demand and bank support. As a leader in office segment in Vilnius for example, the construction has started on approx. 90 000 sq. m. of new A-class office space which is expected to be absorbed upon the completion of the projects over the following 12-24 months. After the completion the total modern office stock still stands at 0.8 sq. m. per capita – one of the lowest in EU and Eurozone. In retail the demand for well positioned shopping centres remains strong which in turn pushes up rents and lays ground for established centres to expand towards 100 000 sq. m. NLA mark.

That being said rental rates across Baltics are still in the recovery phase, thus property sq. m. prices remain reasonable, often close to development costs. Along with estimated growth of retail and office rent rates as well as some yield compression, values are expected to demonstrate notable growth, thus a chance to make great returns on core assets in short to medium term.

Nordic, Baltic and Russian investors are currently the key players in the Baltic market. All the existing Scandinavian funds continue enlarging their portfolios at the same time successfully implementing exits of their first funds. The success of the local players is ensured by solid group of investors seeing strong potential in the region as well as increasing appetite from local pension funds and regional insurance companies. In Europe currently there is a huge influx of funds to the real estate sector. It will also not be long after the megafunds identify Baltics as their targets, especially after the Spain/Ireland investment markets have been matured.

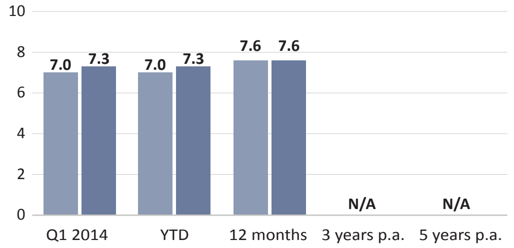
On a related note, the Russian-Ukraine crisis has neither been overlooked by the Baltic investors. Still this crisis is believed to have only limited impact on certain sectors of the Baltic economies such as chemical and transport industries. Thus in Q1 there has been no direct impact of the crisis on the property performance of Baltic Opportunity Fund and on general interest of regional real estate investors. The Baltics are part of the EU and NATO (and from 2015 fully the Eurozone) and the countries are expected to continue showing positive economic and financial results above the EU average, albeit slightly lower than expected before.

Total Fund Return



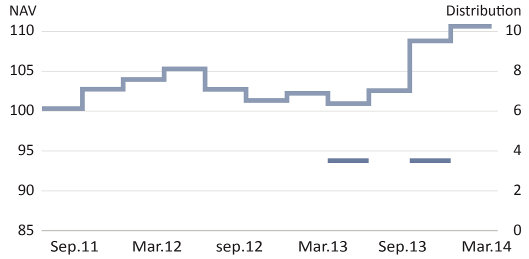
Total fund return is calculated as NAV-to-NAV taking into account distributed dividend and net capital invested for the year

Net initial yield (NIY) p.a. and direct property yield (DPY) p.a.



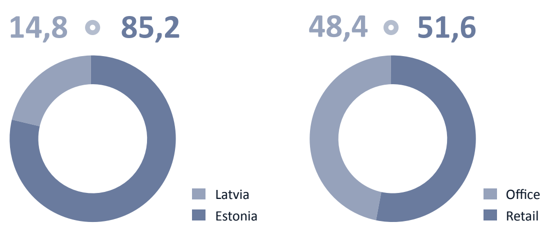
NIY (light blue) is calculated as the net operating income divided by gross property value annualized.
DPY (dark blue) is calculated as the net operating income divided by the acquisition costs annualized.

Development in NAV (INREV)* per share



Development in NAV (light blue) is excluding reinvested dividends. Historical dividends (dark blue) will be shown at the time they are deducted from the NAV per share.
*INREV NAV for property performance measurement.

Allocation in percent



Allocation reflects current segments of the Fund.

FUND MANAGER

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