Q2 2011

BPT Baltic Opportunity REIF Quarterly Fund Report

Lincona office complex, Tallinn Estonia

- First acquisition completed: Lincona office complex in Tallinn
- Targeting new investment projects in Baltic capitals
- Next round of fund raising in October

COMMENTARY

BPT Baltic Opportunity Fund (REIF) is a direct real estate fund investing in commercial properties in the Baltic States (Estonia, Latvia and Lithuania) focusing on the capitals and other areas with a catchment population of +50,000. The Fund targets institutional investors and should be seen as a medium term opportunity investment with a corresponding risk.

FUND PERFORMANCE SUMMARY

BPT Asset Management has secured its first real estate asset for the fund, the Lincona Office Complex located on the arterial Pärnu road in Tallinn, Estonia. This established property complex houses the new group-wide Swedbank IT division as anchor tenant. The buildings are located in the Järve-Tondi district 4 km from the Old Town, near one of the busiest and largest intersections in the city. The price of the transaction was EUR 15.4m coresponding to a starting yield of 8.5%. Financing was obtained on very favourable conditions with a five year loan with total costs below 5% p.a., resulting in a base case IRR of approx. 17% p.a. over five years.

A number of sizeable and important organizations have chosen the Pärnu road area for their office location, including the Estonian Police Headquarters (neighbouring property), publicly listed construction companies such as Nordecon and Merko, international car rental companies AVIS and Budget, the internet recruitment company CV-Online, Pohjola Finance Estonia and also many IT companies such as Ordi and Micro-Link data center and IT Group.

ACTIVITIES OVER THE QUARTER

Throughout Q2 the management team continued pursuing good quality investment projects in attractive locations. The initial offer to acquire the Lincona office complex was made at the end of April after which strenuous negotiations took place with the seller along with legal, commercial, environmental, and technical due diligence allowing the team to close the transaction in less than three months. In cooperation with

Fund Performance	
NAV per share	EUR 99.28
Latest dividend per share	n/a
Total return since inception	n/a
Return since inception annualised	n/a

Portfolio	
Target number of properties when fully invested	15-20
Target gross property value when fully invested	EUR 5-50m
Occupancy ratio (quarter average)	100%

Fund facts	
Fund inception	December 2010
Expected exit	2015 with a possible 2 year extension
Status	Closed-end, open for investments
Target share capital	EUR 100.0m
Investment capacity	EUR 200.0m
Gross property value	EUR 15.4 m
Loans	EUR 7.7 m
Loan to value	50 %
Interest coverage	250%

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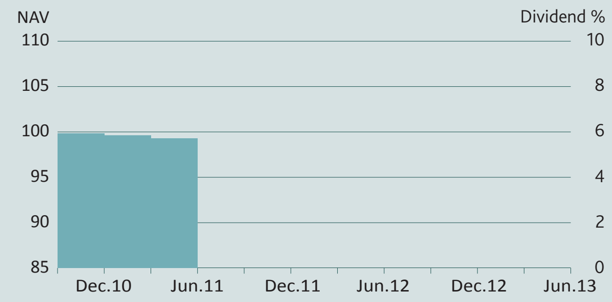
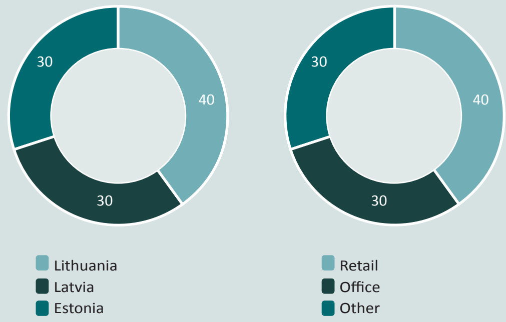
Development in NAV per share



Target allocation in percent



Target allocation reflects the fund once it is fully invested.

Fees

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

BPT's finance department, the team was also content to receive two very competitive financing offers from banks, and the most favorable offer was selected.

Rental income from the investment has started to accumulate from the date of transaction and is expected to have a positive impact on the NAV of the fund during Q3 and beyond. The management team was pleased to structure the deal with a rental guarantee for the entire complex lasting until December 2012. Furthermore, the total costs related to completing the acquisition were found to be lower than provisioned.

With regards to negotiations in Lithuania to acquire an A-class office building, the process has currently been halted as the conditions of the deal could not be brought up to the standards that were acceptable to the Fund.

With the first investment completed, the management team continues to screen the markets for good quality properties in order to build a portfolio of sustainable and well diversified investments. Currently on the short list are office and retail buildings in Tallinn and Riga.

In Q3 the Fund will undertake to raise more capital from investors in order to further take advantage of the potential found in the Baltic countries and its attractive real estate prices.

MARKET OUTLOOK

The recession in the Baltic countries is over and although the recovery has been uneven across different economic sectors, the turnaround is evident. The real estate investment market has continued to be active in Q2 with buyers on the market looking to make strong value investments in the stabilized Baltic markets. Property markets are now starting to face the uptrend, however the increase is moderate. Rental levels are gradually increasing in established locations and buildings, as the vacancy there is already at minimal levels. Developers however continue to be precautious towards new speculative developments.

In the office sector, rental fees have showed first signs of increase in Lithuania and Estonia and the trend will most probably continue through 2011. Latvia, has also reached the stabilization point and no significant changes are forecasted for the year 2011. By mid 2011 most of the new office space is occupied and the average vacancy has dropped to 10-15% across the Baltic capitals, being lower in the CBDs and higher in border areas of the city. The vacancy level in older office buildings has stayed between 20-30%, thus demand primariliy exists for good quality premises in established locations with convenient parking possibilities.

In the retail segment, rental fees have reached their very bottom in all three countries. Lower rental levels in bigger shopping centres were meant as a temporary solution, but the same levels have been in use for almost two years now. As the recovery process has been faster in Estonia and Lithuania, the discounts there are expected to be lifted gradually throughout 2011. In Latvia, the fees might be subject to small decreases in certain cases, but should still remain rather stable. Average vacancy is mostly low in majority of shopping centres in the Baltic countries, referring to the main role of shopping centres in the retail market.