As of 30 June 2013

Q2 2013

BPT Baltic Opportunity REIF Quarterly Fund Report

Lincona, Tallinn, Estonia

- **Decision to make profit distribution of 3.5%**
- **NAV (IFRS) up by 2.5% in Q2 (excl. payout)**
- **Latvia is confirmed to join eurozone from January 2014**

COMMENTARY

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 7.7% in Q2 2013. One-off brokerage fees for renewing SKY satellite tenant lease agreements had negative effect on quarter results. Vacancy in Lincona business complex of 7% and associated unrecovered property expenses also affected the net result.

In June, based on received rental income from the properties, a profit distribution of EUR 600,000 (3.5%) was decided to be paid out to investors. The payout took place early July.

ACTIVITIES OVER THE PERIOD

On 25 June 2013, the general meeting of investors was convened in Tallinn. In the meeting, quorum was met and proposed changes were adopted unanimously. Main changes included prolonging the Fund term until end of 2017, amending wording about geographical and sectorial allocation requirements, introducing investment limitations into assets used to a significant degree for gambling, pornographic or tobacco producing activities and having an option to make follow-on investments of up to 10% of the aggregate commitments in current portfolio.

Current portfolio of 3 assets has a total rentable area of 23,269 sq. m. The occupancy of the portfolio is 96.4% in Q2 2013. Current vacancy in Lincona office complex is planned to be filled in the second half-year of 2013 by attracting new tenants or offering an option for current tenants to expand. The average monthly rental rate in the portfolio remained stable at EUR 10 per sq. m. /month which is considered to be at par with market averages.

The management team of the Fund is further preparing to close the fourth investment for the Fund in Vilnius in the form of investing into a forward financing/commitment acquisition of a retail park which will be completed on one of the main arterial roads of Vilnius by early 2014.

Fund Performance	
NAV per share (IFRS)	EUR 100.32
NAV per share (INREV)*	EUR 100.91
Latest dividend per unit	EUR 3.5
Total return since inception	8.5%
Return since inception annualised	3.3%

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

Portfolio	
Number of properties	3
Average gross property value	EUR 10.6m
Occupancy ratio (quarter average)	96.4%

Fund facts	
Fund inception (as of the first NAV)	December 2010
Expected exit	2015 with a possible 2 year extension
Status	Closed-end, open for investments
Target share capital	EUR 100.0m
Total share capital	EUR 17.1m
Net asset value	EUR 17.1m
Investment capacity	EUR 200.0m
Gross property value	EUR 31.8m
Gross asset value (GAV)	EUR 33.8m
Total cash and cash equivalents	EUR 1.8m
Loans	EUR 15.7m
Loan to value	49.5%
Loans / GAV	46.5%
Interest coverage, YTD	454.5%

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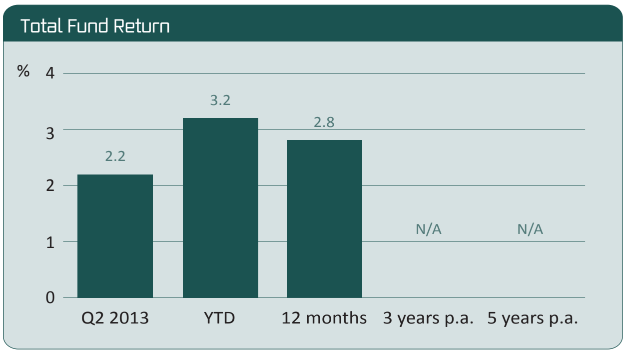
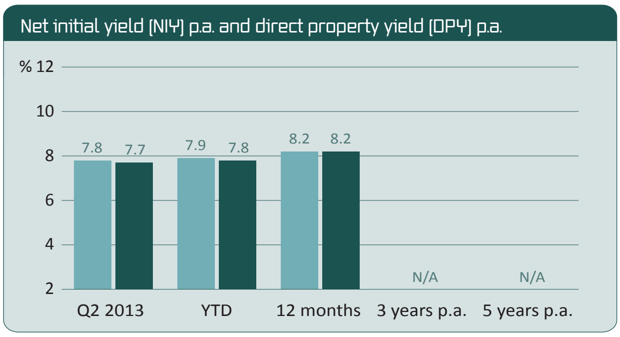
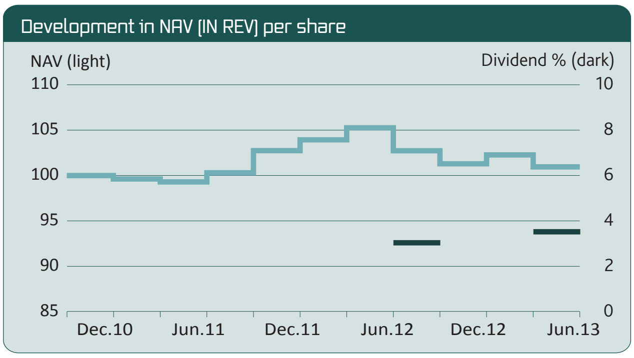
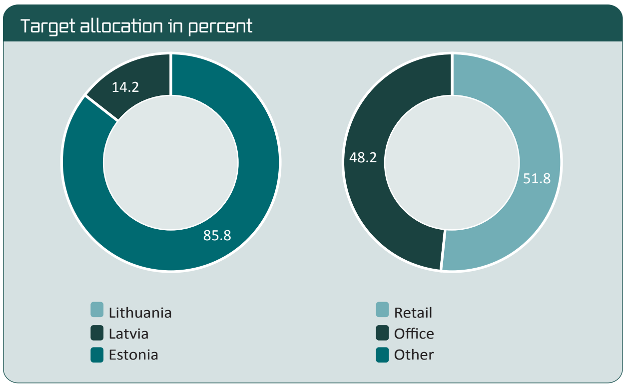


Total fund return is calculated as NAV-to-NAV taking into account distributed dividend and net capital invested for the year



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





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

When calculating the April INREV NAV for property performance measurement, a small misstatement was identified, which affects historical NAV data. Since Lincona has acquired IRS Swap in August 2011, "tax on derivatives" was eliminated in monthly calculation of INREV NAV for property performance measurement, despite the fact that the tax rate is 0% in Estonia. The effect on monthly NAV per share is minor (around +0.4 EUR). Mistake was already corrected in April report. Based on this, during the period the management company had received approximately EUR 1,700 less management fees. It has been decided by the Management Company not to charge the fund retrospectively.

MARKET OUTLOOK

The projections of Estonia's economic growth in 2013 and 2014 are above the OECD average and still considerably stronger than the eurozone average - 1.5 percent this year and 3.6 percent in 2014. However Latvia boosted its 2013 forecast for economic growth to 4.1% from 3.6% at the turn of the year due to growth in domestic private consumption and in construction, transport and real estate. In Lithuania a GDP growth of 3% is also still expected.

Household consumption has benefited from the improving labour market, low inflation, and robust confidence. Along with decelerating export growth, household consumption has become the major driver of GDP growth and is likely to remain so for the coming quarters. Although demand for loans has increased, the role played by the loan market in housing purchases or in financing construction has been smaller, and lending more conservative, compared to the previous growth cycle.

In the light of reports from the European Commission and the European Central Bank, on 28 June 2013 the European Council welcomed the fact that Latvia had fulfilled all the convergence criteria set out in the EU Treaty and the Commission's proposal for it to join the euro.

Today´s vacancy rate for A class office spaces in the Baltic capitals is below 5%. Vacancy of B class premises is however higher reaching in some buildings 20-25%. Most rentable premises are A class premises between 150 to 300 sqm. Larger B class vacant premises have to wait for interested tenants longer but can still very well compete in the pricing as the average rents remain between 8-10 EUR / m2 whereas for new supply rents only start from 13 EUR. Demand for the office space is aiming to also keep up and it was just recently announced that international logistics giant Kuehne and Nagel shall establish its IT Support Center in Tallinn.

New brands have continued to enter the Baltics, including H&M, Massimo Dutti, Tommy Hilfiger, MAX&Co, iBlues, Clarks, Next, Guess By Marciano, List, CCC, Centro, Inglot, Ristorante Italiano, Springfield, Cortefiel and Burberry. Due to growing demand most shopping centres are nearly fully leased, with minimal vacancy rates. The vacancy at the largest shopping centres in 2013 is very low. Due to strong demand, rents grew 10% on the high streets and 10% in most popular shopping centres.