NORTHERN HORIZON
CAPITAL

BALTIC OPPORTUNITY REIF

QUARTERLY FUND REPORT Q2 2014

SUMMARY

- Domus PRO Rimi acquired on 30 April in Vilnius
- Temporary vacancy being refilled
- NAV per share up by 1.6% from last quarter

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 4 assets was 6.7% for the Q2 of 2014. The running yield has dropped due to temporary vacancy in Lincona office building which is being filled during the second half of the year. Fund's occupancy at the end of June was 89.2% and average rental price per sq. m. was EUR 9.6 which are in line with the expectations for the fund for the second quarter of the year. As majority of the called in capital has now been fully invested, for the entire year the management team is forecasting a return of around 15% which is similar to last year.

Net rental income in Q2 2014 amounted to EUR 654 thousand, which is 11.2% higher than in the previous quarter as new tenants are moving in to fill up the vacancy. Occupancy close to 100% is expected to be achieved by the end of the year.

ACTIVITIES OVER THE PERIOD

In the Lincona office complex the vacant premises were being prepared for one current tenant to expand and one new tenant to move in. Total investment into refurbishing the premises is approx. EUR 0.6 million, part of which is remunerated by the tenants. 585 sq. m. were rented out to Bang & Olufsen who expanded their premises in May. As per recently signed ten year unbreakable lease agreement, a large governmental tenant will move into remaining vacancy of 1,752 sq. m. during the second half of 2014.

Last year, the Fund became an equity investor in a forward commitment development of a Rimi supermarket in Vilnius. On 20 March the property was opened for business and the Fund gained full ownership of the property on the 30 April: starting with 85% occupancy and the acquisition yield of 8.5%. The vacancy is expected to be filled during the year.

Fund performance	
NAV per share (IFRS)	EUR 110.93
NAV per share (INREV)*	EUR 111.61
Latest dividend per unit	EUR 3.5
Total return since inception	24.3%
Return since inception annualised	6.0%

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

Portfolio	
Number of properties	4
Average gross property value	EUR 11.0m
Occupancy ratio (quarter average)	89.2%

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 20.5m
Net asset value	EUR 22.7m
Investment capacity	EUR 200.0m
Gross property value	EUR 44.2m
Gross asset value (GAV)	EUR 46.5m
Total cash and cash equivalents	EUR 1.7m
Loans	EUR 22.8m
Loan to value	51.5%
Loans / GAV	49.0%
Interest coverage, YTD	335.8%

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

Negotiations with new tenants for the second phase of the retail park development have also started and the plan is to start construction during the second half of the year. The expansion works of the shopping centre are a good example of the fund's core-plus strategy, which is expected to create considerable value for investors once completed.

The management team is currently accepting new commitments from investors as the investment period shall end at the year-end. With a portfolio of 4 strong cash flow producing assets in the Baltic capital cities, additional investments are aimed to be made in Riga and Vilnius to further diversify the Fund geographically. With more than 30,000 sq. m. of core commercial real estate under management in the Baltic capitals, the focus remains on acquiring new core/core-plus retail and office assets.

MARKET OUTLOOK

Baltic States continue to witness long-term trend of becoming hubs for Nordic companies where to operate their back-office functions. With a healthy increase in demand for commercial space, the real estate stock is both growing and modernizing. New buildings are being built at a reasonable speed supported by new tenant demand and bank support. Companies are making profits, unemployment is decreasing, salaries are increasing and so is the spending power.

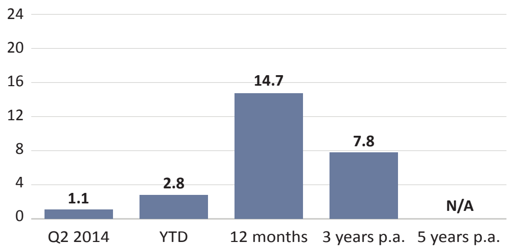
In office segment of Baltic capitals, the average vacancy rate in A-class properties fell to critically low levels. Vacancy in the B-class office segment is generally also shrinking except for Riga, where relocating State Revenue Service will vacate about 20-30,000 sq. m. Most of new office supply over the next 12 months is coming to market in Vilnius where the demand for new premises has recently been the strongest. That being said, prime office rents are expected to increase by 3%-4% during 2014 in all Baltic capitals.

In all the major cities, improved turnover-rent ratios in the more successful shopping centres have enabled landlords to increase rents, with the steepest increase of up to 25% shown in Latvia. Vacancy in established shopping centres remains at very low levels. The increased demand in the retail market has motivated the majority of retailers to plan for extensions where possible. All of the largest shopping centres are now also focused on improving their tenant mixes.

It is important to note that by 2015, all of the Baltic States have adopted the euro, so establishing the membership in another important "club". Consequently, transaction volume is expected to surpass the pre-crisis level in 2014, so boosting the liquidity of especially well located established assets. Nordic, Baltic and Russian investors are currently the key players in the Baltic market with an increasing appetite. With some yield compression already seen over the past years, the rents remain in the recovery phase and thus property values are very reasonable, often at around their development costs.

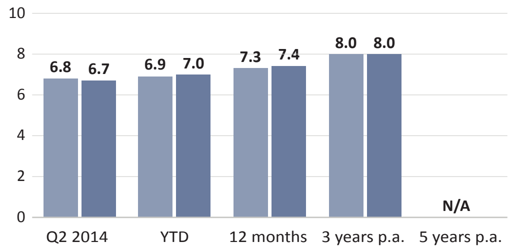
Baltic countries have shown impressive results in combating the financial crisis and recovering from recession. Today, the general optimism in strong economic growth is somewhat being clouded by the Russian-Ukrainian ongoing crises but the countries are still expected to show positive economic and financial results in the years to come, continuously strongest seen within the EU.

Total Fund Return



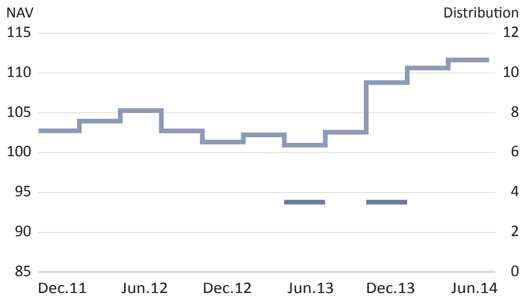
Total fund return is calculated as NAV-to-NAV taking into account distributed dividend and net capital invested for the year

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



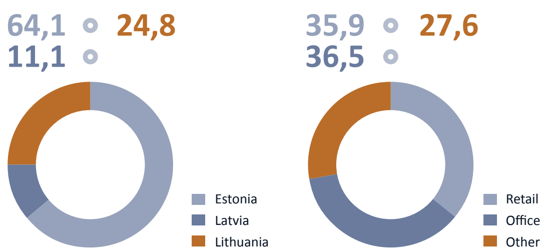
NIY (light blue) is calculated as the net operating income divided by gross property value annualized.
DPY (dark blue) is calculated as the net operating income divided by the acquisition costs annualized.

Development in NAV (INREV)* per share



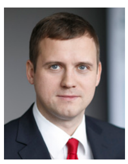
Development in NAV (light blue) is excluding reinvested dividends. Historical dividends (dark blue) will be shown at the time they are deducted from the NAV per share.
*From Q2 2014 INREV NAV for property performance measurement is substituted with INREV NAV, calculated as per amended INREV Guidelines (effective 1 April 2014).

Allocation in percent



Allocation reflects current segments of the Fund.

FUND MANAGER



Tarmo Karotam, MRICS
Email: Tarmo.Karotam@nh-cap.com
Direct tel: +372 6 309 427