HELVETICA PROPERTY

HELVETICA SWISS COMMERCIAL

Real Estate Investment Fund under Swiss Law

ANNUAL REPORT 2018

FACTS IN BRIEF

5.9 %
Actual gross yield

156 613 m²
Total rental area

4.0 years
Weighted average unexpired lease term

22
Portfolio properties

427 million
Market value of the property portfolio

94.2 %
Occupancy ratio

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FINMA approved

KEY FINANCIAL FIGURES

Key data		Notes	31.12.2018	31.12.2017
Securities number			33550793	33550793
Initiation date			09.12.2016	09.12.2016
Issued shares	Number		1 544 125	1 235 300
Outstanding shares	Number		2 779 425	1 235 300
Redeemed shares	Number		-	-
NAV per share	CHF		110.00	107.57
Weighted real discount rate	%		4.1	4.2
Statement of assets				
Market value of the properties	CHF	1	427 121 000	198 960 000
Gross Asset Value (GAV)	CHF		444 909 081	205 888 007
Debt financing ratio	%		28.3	31.9
Debt ratio	%		31.3	35.5
Residual term debt financing	Years		1.8	2.5
Interest rate debt financing	%		0.6	0.9
Net Asset Value (NAV)	CHF		305 729 749	132 875 558
Income statement				
Rental Income	CHF		18 539 626	11 391 618
Net Income[1]	CHF	15	14 282 138	8 599 551
Rental income loss rate	%		7.8	8.0
Weighted average unexpired lease term (WAULT)	Years		4	3
Maintenance and repairs	%		1 834 310	823 772
Operating profit margin	CHF		68.6	72.5
Return and performance				
Distribution	CHF	13	11 117 700	4 323 550
Distribution per share	CHF	13	4.00	3.50
Distribution yield	%		3.6	3.3
Distribution ratio	%		77.6	70.3
Return on equity (ROE)	%		5.6	7.6
Return on invested capital (ROIC)	%		4.3	5.2
Performance	%		-	-
Investment return[2]	%		5.7	7.6
Agio/Disagio[2]	%		-	-
Fund expense ratio TER_{REF} GAV[3]	%	15	0.98	1.05
Fund expense ratio TER_{REF} NAV[4]	%	15	1.36	1.53

Past performance is no guarantee for future developments. The mentioned performance does not take into account any commissions and costs charged on subscriptions and redemptions of units.

MAX

Hans Ueli Keller
Chairman

Hans R. Holdener
CEO

WE ARE OPTIMISTIC ABOUT THE FUTURE

The 2018 financial year was dominated by two key topics. On the one hand, there was the continuous further development of the HSC Fund with the focus on further expanding an attractive, diversified and sustainably profitable portfolio.

On the other hand, the preparation of the fund for the listing planned for 2019 had already influenced our thoughts and actions. We started in the first quarter with FINMA's approval for opening the fund to retail investors.

Following two successful capital increases, the HSC Fund received new inflows of almost 165 million Swiss francs, which were invested shortly after the payout with an immediate impact on income. Once again, the fund management owes this success to its organization, risk management, core processes and a strong network. We have thus demonstrated our strength in a competitive Swiss market for commercial real estate. Since its foundation, Helvetica Property has developed into a well-established player in the Swiss real estate market. New and attractive growth opportunities are now open to the company.

We pursue an active management approach of the HSC Fund in order to exploit hidden potential in addition to the existing operating return and to increase the value of our investments in the long term. With this approach, we have been able to generate a secure and stable return for our investors right from the start.

In the positive overall economic environment for 2019, we will continue to identify and purchase suitable investments for the HSC Fund with our hands-on approach and our entrepreneurial flexibility in a challenging environment.

One of our main objectives for the HSC Fund in the current year is the listing on the SIX and further capital increases. Equally important to us, however, is the sustainable and profitable growth of the portfolio in the interest of our investors.

Our aim is to increase the dividend yield further, which will enhance the attractiveness of the HSC Fund in the competitive environment.

The fund management will also continue to develop in order to achieve these goals and to remain able to meet the increasing demands. To achieve this, and in order to make the listing our joint success, we will enter into dialogue with you, our investors, at the earliest possible time.

Your support in the successful capital increases shows that you, our valued shareholders, share our values and show the necessary confidence in us. In this way, we can achieve our goals together. The Board of Directors and the Executive Management of Helvetica Property would like to express their deepest gratitude for that.

Hans R. Holdener
CEO and Managing Partner

Hans Ueli Keller
Chairman of the board

FUND FACTS

Net asset value per share (CHF)

110.00

The net asset value per share increased by 5.7%.

Total Fund assets (million CHF)

445

In the course of the year grew by 123%.

Return on equity (%)

5.7

After two capital increases and the issue of a significant number of new shares.

Average Rent per Square metre (CHF)

158

Raised through active letting management.

Debt ratio (%)

31.3

The quota was reduced by 12%.

Target Rental Income (million CHF)

26.8

Significant increase of 115%.

Property portfolio (Million CHF)

427

Increase in market value by 228 million CHF.

Rental space (m^2)

156 613

An increase in rental income area by 94%.

Gross actual yield (%)

5.9

Could be kept stable with attractive investments.

Average unexpired lease term (years)

4.0

Weighted remaining lease term stabilized on a sustainable basis.

Occupancy ratio (%)

94.2

The acquired value appreci-ation potential increases the vacancy rate in the short term.

Dividend per Share (CHF)

4.00

The dividend distribution was increased by 14%.

HELVETICA PROPERTY

HSC Kotierung in Sicht.

KAPITALERHÖHUNG
HELVETICA SWISS COMMERCIAL FONDS
04. JUNI BIS 19. JUNI 2018

ERFOLGREICH ABGESCHLOSSEN

Dass unser Helvetica Swiss Commercial Fonds so gut gestartet ist, kommt nicht von ungefähr. Wir von Helvetica Property sind überzeugt, dass unsere professionelle Expertise und Weitsicht die Basis dafür legt. Der Rest ist fokussierte Strategie, Konsistenz und hands-on Haltung.
Immer zum Nutzen unserer Fonds und unserer Investoren – langfristig, leidenschaftlich und verantwortungsbewusst.

FINMA approved

HelveticaProperty.com

HIGHLIGHTS

First quarter

Rothenburg, Wahligenstrasse 4

In Rothenburg in the canton of Lucerne, a retail property built in 2013 was acquired in the first quarter, mainly due to sustainable rental income. Around 5 700 square meters of rental space are available in the immediate vicinity of the motorway access and directly next to the IKEA furniture store.

Market value (million CHF)

18.52

Gross income (million CHF)

1.460

Rental area (m^2)

5 716

Second quarter

Zurich, Max-Högger-Strasse 6

At Max-Högger-Strasse 6 in Zurich, an office space of 1 000 square metres was leased again just two months after the previous tenant moved out. The property is now fully let ten months after the purchase.

Market value (million CHF)

30.39

Gross income (million CHF)

2.041

Rental area (m^2)

8 944

Third quarter

Montreux, Grand-rue 3

In the third quarter, a Swiss-wide portfolio of 7 properties was acquired, including a property in Montreux, with a total value of around 109 million Swiss francs. The new equity was thus invested directly.

Market value (million CHF)

110.0

Gross income (million CHF)

6.493

Rental area (m^2)

28 618

Fourth quarter

Arbon, St. Gallerstrasse 15

The purchase of the shopping centre Novaseta in Arbon Thurgau was notarized. The property presents itself as a typical shopping centre serving the neighborhood and the surrounding region.

Market value (million CHF)

40.0

Gross income (million CHF)

2.688

Rental area (m^2)

9 870

THE YEAR IN BRIEF

1st Quarter

On 5 January, the fund made its first distribution of 3.50 Swiss francs per unit to investors. The pay-out ratio was 70.3% with a pay-out yield of 3.3%.

The capital increase in December 2017 was successfully completed on 10 January with the payment of around 65 million Swiss francs.

Further Highlights:
Acquisition of a property in Rothenburg in the canton of Lucerne with a gross actual yield of around 7.5% and a volume of 18.6 million Swiss francs. The property, which was constructed in 2013, has modern rental space in the retail and sports sectors and is leased to a solid tenancy with long-term leases.

Notarisation of a fully let property in Schindellegi in Canton Schwyz with a gross yield of 6.25%, an investment volume of around 32 million Swiss francs and annual rental income of around 2 million Swiss francs.

At the Max-Högger-Strasse 6 property in Zurich, an office space of 1 000 square metres was leased again just two months after the previous tenant moved out.

The property is now fully let ten months after the purchase.

In Münchwilen, commercial space of around 1 000 square meters was let at short notice. The occupancy rate thus improved from 80.1% at the end of 2017 to 88.1%.

Shortly after the takeover of the property in Cham, 309 square metres were let.

In Dietikon, 367 square metres were let, the occupancy rate is over 94%.

A lease extension until 2025 was concluded with the tenant Möbel Märki in Dietikon.

In Steinhausen, a lease agreement for around 580 square meters was extended until the end of 2020.

In view of the planned listing, the fund was admitted by FINMA as a mutual fund in the first quarter.

2nd Quarter

The occupancy rate of the portfolio fell slightly from 96.6% to 95.8%.

The purchase of the property in Schindellegi with an investment volume of around 32 million Swiss francs was completed. On 1 July 2018, there was a change in the property management.

The new tenant's rental space of around 1000 square metres on the attic floor of the Max Högger-Strasse 6 property in Zurich was completely renovated and the property was occupied in autumn.

A comprehensive re-branding concept is being prepared for the newly acquired property in Rothenburg. The "Buy The Way" concept developed by the Asset Management team is to be introduced and a joint communication concept for all tenants is to be launched. The vacant space has already been temporarily let as "pop-up" space.

In Dietikon, further small spaces were let.

A successful capital increase was also carried out in the second quarter. The net proceeds from the issue amounted to around 100 million Swiss francs. The equity proceeds was further used to expand the high-quality real estate portfolio.

3rd Quarter

As part of a portfolio purchase, seven properties with a total value of around 109 million Swiss francs were acquired.

Five of the seven properties were acquired as part of an asset deal and two as part of a share deal. The transaction was concluded retroactively as of 1 July, so that the equity proceeds of the capital increase could be invested immediately.

In addition to the properties mentioned above, a property in the Canton of Zurich was acquired during the reporting period.

The properties generate rental income of around 7.2 million Swiss francs per year on around 35 000 square metres. The gross actual yield of the properties was around 5.9% and the occupancy rate was 94%.

The occupancy rate of the portfolio fell slightly from 95.8% to 94.6% at the end of the third quarter. The main reason for this was the various vacant spaces in the newly acquired properties.

The remaining lease term of the rental agreements increased from 3.3 years to 3.7 years at the end of the third quarter.

In Baden, an area of around 500 square metres, which had been vacant for years before the acquisition by the HSC Fund, was leased thanks to creative conversion measures and intensive negotiations.

With Golfer's Paradise, one of the main tenants in the Cham property, the lease was extended early for a further five years until 2025.

Together with the tenants, a public event was organised for the property in Rothenburg to mark the five-year anniversary of the centre.

For the property in Glattbrugg, which was taken over only in the middle of the year, a concept was developed for letting and a refreshment of the entrance area and the vacant areas were prepared for letting. This generated interest from potential tenants.

4th Quarter

The purchase of the "Novaseta" shopping centre in Arbon Thurgau was notarised. The property presents itself as a typical shopping centre serving the neighbourhood and the surrounding region.

In addition, the purchase contract for a property in Ittigen in the canton of Berne was notarised. The payment of the purchase price and the change of use and burden will take place in the third quarter of 2019.

Two further yielding properties were acquired in Winterthur. The transaction volume amounts to approximately 30 million Swiss francs. The two properties are fully let and are expected to be generating rental income per second quarter of 2019 for the Helvetica Swiss Commercial portfolio.

The occupancy rate of the portfolio changed from 95.3 percent as of 31. December 2017 to 94.2 percent as of 31. December 2018.

The main reason for this is the different vacant spaces in the newly acquired properties. The remaining term of the rental agreements increased from 3 years as of December 2017 to 4 years as of December 31, 2018.

Herbert Kahlich
Member

Peter Bodmer
Vice-Chairman

Hans Ueli Keller
Chairman

The Board of Directors of the Fund Management company consist of proven professionals from the finance and real estate industry.

Hans R. Holdener
Member

Thomas Huber
Member

HSC FUND PORTRAIT

Fund Description

Helvetica Swiss Commercial Real Estate Fund is an open contractual real estate investment fund under Swiss law for qualified investors. The Fund is suited for long-term value investors interested in a stable and consistent cash-flow. The Fund invests in commercial properties with value appreciation potential across the most dynamic economic regions in Switzerland. The focus is on potentially undervalued properties with an attractive cash-flow yield. The Fund Manager pursues an active hands-on management approach to unlock and realize hidden potential in the properties by means of revitalizations, renovations, vacancy reductions as well as lease extensions and to achieve long-term value appreciation – in addition to the current cash-flow yield. The goal is to build a broadly diversified portfolio by region, type of use, object size and tenant mix.

Investment Strategy

_ Focus on commercial properties across the most dynamic economic regions in Switzerland
_ Primary focus on operational and sustainable profitability, secondary focus on potential value appreciation
_ Maximizing existing potentials by revitalizations, renovations, re-positioning, vacancy reductions, lease extensions and conversions of rental areas
_ The goal is to achieve a broadly diversified portfolio by region, type of use, object size and tenant mix
_ Safe and stable due to a low debt financing ratio of maximum 33%

Strategy benefits

_ The risk adjusted return is more attractive than for properties in central city locations
_ High and stable initial yields compared to the overbought central locations in Zurich, Basel and Geneva
_ Revenue growth and capital growth potential due to new lease agreements and lease extensions
_ Increased demand for rental areas at conservative rent levels
_ Less competition from new constructions, because rental space can be offered at substantially lower rents
_ Undervalued objects are likely to benefit from the next cyclical upswing

Investment Rationale

_ Bank-independent Asset Manager only committed to its investors with the aim of generating a sustainable and stable return
_ Real estate investment in Swiss properties
_ Clear investment guidelines and an experienced team ensure careful investment of the new capital
_ Professional selection and management of the properties for long-term value retention
_ Attractive returns and stable distribution yields in the current low interest rate environment
_ Investing at NAV possible during capital increases, no premium compared to listed funds
_ Listing of the fund planned for in 2019

THE TEAM
US
Go!
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MAX

ORGANIZATION

Fund Manager	Helvetica Property Investors AG, Gartenstrasse 23, 8002 Zurich
Executive Management of the Fund Management company	Hans R. Holdener, CEO and Managing Partner Gianni Peduzzi, CFO, Head Corporate Services Frederic Königsegg, CIO, Head Investment Management Hans-Peter Wasser, Head Asset Management
Board of Directors of the Fund Management company	Dr. Hans Ueli Keller, Chairman Peter E. Bodmer, Vice-Chairman Thomas Huber, Member Herbert Kahlich, Member Hans R. Holdener, Member
Asset Manager	Helvetica Property Investors AG, Gartenstrasse 23, 8002 Zurich
Custodian Bank and Paying agent	Banque Cantonale Vaudoise, Case postale 300, 1001 Lausanne
OTC Trading	Banque Cantonale Vaudoise, Case postale 300, 1001 Lausanne
Auditors	PricewaterhouseCoopers AG, Birchstrasse 160, 8050 Zurich
Sales Agents	Vontobel Asset Management AG, Gotthardstrasse 43, 8002 Zurich
Valuation Experts	The fund management company has commissioned the following valuation experts with the approval of the supervisory authority: Marco Feusi, Valuation Expert, Wüest Partner, Zurich Silvana Dardikman, Valuation Expert, Wüest Partner, Zurich
Property Management	The commercial and technical management of the properties is carried out by the fund manager itself or delegated on a case-by-case to specialised external third party companies. Corresponding agreements are concluded when the respective property is acquired. Existing agreements are adjusted where necessary. As of 31 December 2018, contracts existed with H&B Real Estate AG, Zurich Regimo Zug AG, Zug Régimo Lausanne SA, Lausanne Regimo Basel AG, Basel Eiko Verwaltungs AG, St. Gallen Arlewo AG, Lucerne Wincasa AG, Winterthur.

THE FUND MANAGER

Helvetica Property Investors AG is the Fund Manager of the HSC Real Estate Fund. The firm is a full-service provider of fund management and wealth management services within the real estate sector. The Firm is headquartered in Zurich, approved and regulated by the Swiss Financial Market Supervisory Authority FINMA.

The company builds portfolios, manages direct and indirect real estate investments in Switzerland and manages them on behalf of their clients. The firm covers the full range of real estate investments, including investment strategies, asset selection, transaction structuring, acquisitions, financing, portfolio management and sales. Helvetica Property Investors is the Fund Manager of the Helvetica Swiss Commercial fund and acts as asset manager. Helvetica Property Investors AG is a subsidiary of Helvetica Property Group AG

Corporate Philosophy

Protect and grow investors capital through long term-vision, hands-on entrepreneurial approach, focused strategy and seamless excellent execution.

Our Approach

As a professional innovator in the Swiss real estate market, identify and unlock hidden potential with a proactive, hands-on asset management approach.

Values

_ Honest and responsible
_ Integrity and passion
_ Transparency and long-term perspective
_ Independent and ambitious

Social Media

Social media is increasingly becoming more and more into focus. As a Fund Management company, we have decided to follow this path as well, thereby increasing our presence. We would be happy if you follow us or the HSC fund on LinkedIn. We regularly publish interesting articles on real estate, exciting news from our company and sometimes personal stories. We publish articles that we like and mean something to us. Sometimes these are controversial, sometimes not - but always transparent and honest.

Follow us on LinkedIn

Passion for Real

BOARD OF DIRECTORS OF THE FUND MANAGER

	Hans Ueli Keller	Peter E. Bodmer
Position	Chairman	Vice Chairman
Born	1952	1964
Nationality	Switzerland	Switzerland
Board of Directors since	2014	2015
Shareholding Fund Manager	10%	1.62%
Education	PhD from the University of St. Gallen and has completed the Advanced Management Program of the Business Schools INSEAD and Harvard HBS.	Degree in Business Administration from the University of Zurich and an MBA from IMD Lausanne.
Executive and non-executive positions	Longstanding career as member of the Executive Board of Credit Suisse and President of Swisscard. Managing Director and Board of Directors of Engel & Völkers Commercial Switzerland and Board Member of Ebix. Inc. He has further experience as former Chairman of the board of directors of Swisscontent and former board member of Goldbach Media.	Former member of the Executive Committee of the Implenia Group, GKN Sinter Metals Group and Maag Holding. Active in various boards of directors such as Peach Property Group, Arbonia Forster, Klinik Schloss Mammern and member of the Board of Trustees Wilhelm Schulthess.
Prior positions		
CEO	●	●
CFO		●
Property Industry	●	●
Project Management		●
IT and Technology		
Finance and Asset Management	●	●
Industry		●
Transactions and M&A	●	●
Consulting and Trust		
SME exprience	●	●

Herbert Kahlich	Thomas Huber	Hans R. Holdener
Member	Member	Member
1944	1963	1966
Austrian	Switzerland	Switzerland and Norway
2015	2015	2007
1.62%	1.62%	75.50%
Advertising school with diploma in Zurich, ongoing business education and attendance of banking, finance and management courses.	Dipl. International Fund Officer FA, Dipl. Wirtschaftsprüfer and Betriebsökonom HWV.	Master program in Customer Relationship Management and a Bachelor in Marketing from the Norwegian Business School BI in Oslo.
Has more than twenty years of international asset management experience. He began his career at Credit Suisse and was a senior executive in the global fund business within Credit Suisse Group for more than 10 years, responsible for the group's real estate funds.	Experience from Audit and Management Consulting at PwC as a partner. Board member for Graubündner Kantonalbank, Zugerberg Finanz and PMG Fonds Management.	Co-founder and CEO of Helvetica Property Group. Managing director and founding member of Wohnspar and managing director of Immospar. Many years of experience both as investment consultant for wealthy individuals and as a private investor in the Swiss residential and commercial real estate market.
●		●
●	●	●
●	●	●
●		●
●	●	
●	●	●
●	●	●
●	●	●

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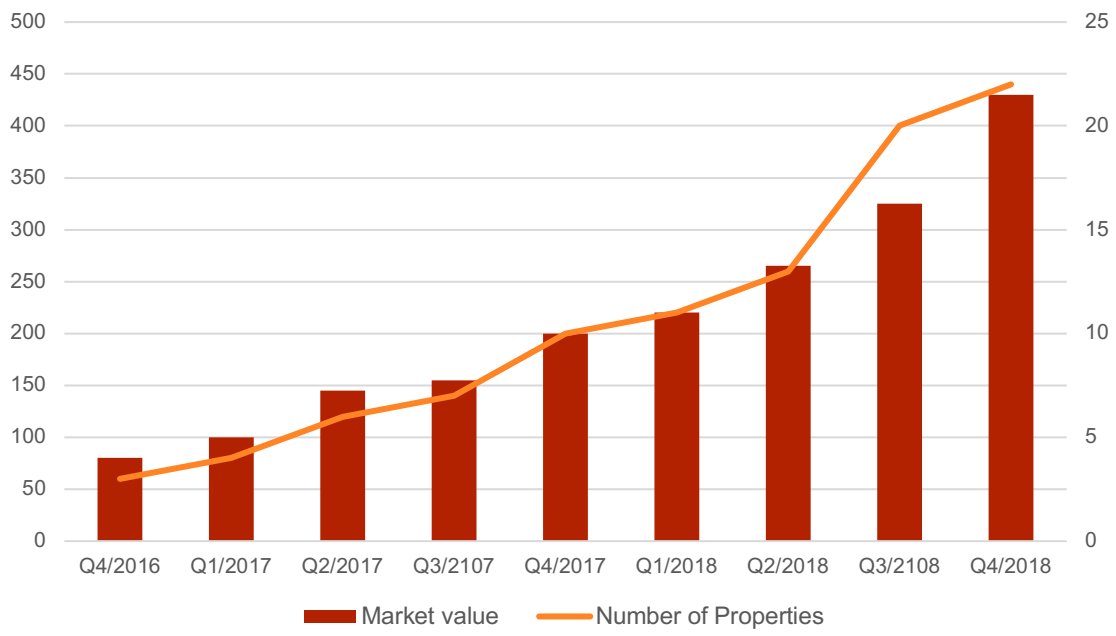
MAX

INVESTMENT MANAGEMENT REPORT

In the period from January until 31. December 2018, properties with a volume of 20 billion Swiss francs were offered for sale to the Fund Manager. Finally, more detailed analyses were carried out on properties with a volume of around 6.5 billion Swiss francs, which led selectively to a due diligence processes.

Due to the applicable investment guidelines and the high-quality criteria which the fund management observes when purchasing, the actual investment volume in the reporting period was finally 228 million Swiss francs.

Since the launch of the HSC Fund in December 2016, 22 properties with a market value of 427 million Swiss Franc was acquired.



Number of properties and market value in million CHF

Investment Strategy

The primary investment focus of the HSC Fund is the purchase and asset management of commercial real estate. The aim is to ensure a sustainable, stable return and long-term value of the properties. The fund management concentrates on commercial properties outside the city centres of the large Swiss cities and consistently focuses on economically attractive locations in the agglomerations of the Swiss economic centres. From our point of view, small and medium-sized centres always offer attractive and interesting investment opportunities.

A stringent approach to property selection and consistent implementation of investment guidelines ensure that the selection of properties is based on comprehensible and objective principles. The most important investment objective is to generate stable returns in line with market conditions. The aim is to achieve a safe and stable cash dividend and value.

Since the launch of the fund, the investment criteria have not changed significantly.

We are now adhering strictly to a minimum property value of ten million Swiss francs.

We reject properties that do not have at least this volume, as the due diligence and asset management costs for these properties are in no reasonable proportion to the equity invested. At present, properties with a volume of between twenty and forty million Swiss francs seem ideal to us. However, at the upper end of this price range, competition among buyers is already very intense. It is part of our philosophy that we do not like to engage in bidding competitions, but rather try to score points with the creativity and flexibility of our offers. During the reporting period, we were able to purchase two properties for which competitors had actually offered higher prices.

Investing in today's market environment

Thanks to stable economic growth, the market environment for commercial real estate is clearly more positive than in previous years. Depending on the location, the recovery has progressed to varying degrees. This also applies to the individual small and medium-sized centres and agglomerations in which we are strategically investing.

Helvetica Property therefore analyses each region and each building individually, taking into account all factors that are important for a real estate investment.

We assess each purchase individually and draw up a tailor-made business plan for each individual case as part of the purchase assessment. Only then do we decide on an acquisition depending on the purchase price.

In the course of the upswing of recent years, employment growth has clearly increased and the demand for commercial space has fundamentally revived. The digitization of the individual sectors is ensuring solid additional demand here. The flexibility of the areas and their layouts has become more important. The increase in demand for commercial office and commercial space forecast for this year is likely to be followed in the coming year by somewhat less strong growth. Basically, it can be said that demand for commercial space has become more hybrid and smaller and that somewhat less stability can be observed. Very long leases are still the exception in our investment segment. We are therefore consciously trying to build up counterweights in our portfolio, which we have succeeded in doing time and again within the framework of various transactions.

The still low interest rates have favored construction activity in the agglomerations in recent years, with the result that, according to Credit Suisse, "the outer office markets now account for between 50 percent and 80 percent of the available space, depending on the major center". This repeatedly causes vacancies in competing new and old buildings. We are trying to avoid this trend by focusing on buildings with fundamentally low rents, while still maintaining an attractive quality of space and location. New buildings cannot keep up with these low rents, and we are observing the development that there are many companies (especially SMEs) and users for whom a low rent is more important than a state-of-the-art but expensive building.

With a few exceptions, the medium-sized centres in the HSC fund`s investment focus are convincing because of their rather manageable supply ratios and a very restrained expansion of space.

These medium-sized centres should also benefit from employment growth and the trend towards office jobs. However, successful investments here require local expertise, and a hands-on approach and close proximity to individual properties. In the medium-sized and small centres, however, there are no compromises to be made in terms of location quality. We are therefore focusing on the better, economically active locations at these locations and in the agglomerations.

Credit Suisse writes in its latest economic report, December 2018:

"The Swiss economy is experiencing a mini boom: Annualized growth in the second quarter of 2018 was 2.9%, well above its potential.

The manufacturing sector, in particular, is benefiting from robust foreign demand and is growing strongly. All major commodity groups are recording a positive export trend and broad-based growth. Capacity utilization is also at above-average levels in almost all branches of industry". We are also feeling this increased demand in our buildings, so that we are so far satisfied with the vacancy trend. Reference is made here to the reporting section of Asset Management.

Credit Suisse writes

"We expect the Swiss economy to calm down somewhat in 2019 and the high growth rates to normalize. The Purchasing Managers' Index (PMI), which serves as a good leading indicator, has weakened recently, but continues to signal growth. The Credit Suisse Export Barometer, which measures foreign demand for Swiss products, has also fallen as a result of the uncertainties arising from the Italian government budget and global trade tensions. However, it is still above its 20-year average and clearly in the growth zone. Consequently, industrial sales should continue to rise in 2019, albeit at a much slower pace. However, the economic peak seems to have been passed. Nevertheless, the outlook for the Swiss economy remains positive".

Demand for office space in 2019 will probably be based less strongly on a small number of important traditional factors (large companies) than on a large number of sectors that are registering increased demand for office jobs.

This in turn favours the investment strategy of the Helvetica Swiss Commercial Fund, which relies only selectively on large tenants and has the typical SME in mind rather than rental customers. The current increase in demand for office space is due to cyclical employment growth, but also to structural changes. In many sectors, the proportion of office employees relative to industrial workers or craftsmen is rising steadily. This also favours the properties in the HSC fund.

Investment Environment

The environment for acquisitions in the commercial sector remains challenging. Interest rates are still low and investment pressure remains high, leading to the market exaggerations. The fund manager is trying to evade these conditions as best it can, focusing whenever possible on properties that are not marketed in broad-based bidding procedures. However, real estate above a certain volume is practically always marketed in institutional sales processes today, so that we can only evade this influence to a limited extent.

As already mentioned, however, the creative design of our conditions allows us to outbid competitors in bidding processes who offer higher prices.

In principle, liquidity is good for properties that are in line with our strategy, and we receive a large number of offers for properties for sale through our large network. Due to the applicable investment principles, however, we often abort the examination of a property at an early stage and continue to be very selective in our purchases. We expect the supply of properties to remain high in 2019 and assume that prices and yields will move more or less sideways - depending, of course, on interest rate developments, among other factors. However, we continue to expect good opportunities in certain niches, where interesting acquisitions can be made again and again.

Purchase and sales activities in the period

Three properties were acquired during the reporting period - all figures correspond to the time of purchase.

_ In Rothenburg in the canton of Lucerne, a retail property built in 2013 was acquired in the first quarter, primarily due to long-term stable. The modern building benefits from excellent visibility and almost 370 parking spaces available to customers. Around 5 700 square metres of rental space are available in the immediate vicinity of the motorway exit junction and directly next to the IKEA furniture store. Tenants with strong credit ratings will secure sustainable income for many years to come, and the excellent location of the property will enable a repositioning of the property in the next five years. The aim is to improve the current tenant mix and offer customers real added value instead of substitutable offers. At the heart of the business plan is a user and offer mix that complements the neighbour IKEA so that the property and tenant can benefit from the strong frequency of IKEA. In addition, the number of tenants is likely to be reduced. During the development and implementation of the new tenant mix, the investor benefits from today's strong and stable cash flow.

_ Also in the first quarter, a property known in the region was acquired in central Switzerland in the tax-favourable Schindellegi in Canton Schwyz. The property known as "Chalteboden" offers a large number of different tenants' space for sales, office and commercial use as well as storage space. Annual rental income of almost 2 million Swiss francs is generated on over 12 000 square metres. The average rent is low 156 Swiss francs per square metre per year. The property is positioning itself successfully on the market with the availability of parking spaces, among other things. The petrol station with its associated grocery shop generates a strong basic frequency. The main motivation for the investment was the diversification of income - the property has more than 90 different tenants - and the basically attractive, low rents in a tax-friendly environment.

_ In June, a property was acquired in Glattbrugg in the immediate vicinity of Zurich's booming airport. More than 6 500 square metres of rental space are available in a prime location on Europastrasse. Around 50 percent of the rentable space is warehouse and commercial space, the remaining office space. The average rent of a modest 121 Swiss francs per square metre per year ensures that the rental spaces do not compete with the other spaces

available in the region (mostly offices). The property has an occupancy rate of almost 85 percent and thus has further development potential. The motivation for the investment was, among other things, the potential for an increase in value and the fact that the HSC Fund can offer inexpensive commercial space at Zurich's booming airport.

As of 19 June, the third capital increase provided further equity of around 100 million Swiss francs.

Already on 1 July, properties with a total value of around 109 million Swiss francs were acquired. The equity provided could thus be invested directly.

A portfolio of seven properties in five cantons was acquired.

- The seller was a company domiciled abroad which had clearly neglected asset management during the holding period. We see great opportunities in this, as the properties should actually develop much better with professional asset management. This was also one of the decisive reasons for making this investment. Our asset management should be in a position to manage these properties much more closely and "hands on", so that we are positive both in terms of vacancy development and medium-term performance.

- The overall deal was exceptionally complex and had to be closed simultaneously and retroactively to 1 July under great time pressure. Investment Rationale, in addition to the above-mentioned fact that the seller did not pay sufficient attention to the properties, was our plan to further strengthen the diversification of the fund and to take the step into western Switzerland. One of the reasons why we found the deal interesting was that the transaction allowed an appealing investment volume to be made.

In detail, the following properties were acquired as part of this portfolio transaction:

- In Arlesheim in the canton of Basel-Landschaft, an income-producing property built in 1990 on ground lease was acquired for the fund. The building benefits from good visibility in an attractive micro location. Around 4 800 square metres of rental space are available. The remaining term of the lease is approximately five years. The property was acquired as part of a share deal. For the fund, the property is the first in the Basel area and thus strengthens geographical diversification. In addition, the tenant is active in an attractive business segment and benefits from its proximity to the Basel pharmaceutical industry.

- In Sissach in the canton of Basel-Landschaft, a property with a rentable area of around 1 700 square metres was acquired as sole ownership. The property, which was built in 2006 and has good transportation connections, has a vacancy rate of almost 37 percent and will have to be better managed in terms of letting in the coming months than in the past. Due to the attractive visual and traffic location, we assume that the existing vacancy can be reduced in the medium term. We believe that the first floor can be let at a reasonable price and thus that the capital appreciation of the property will increase in general.

- A commercial condominium property was acquired in Baar in the canton of Zug in central Switzerland, which is attractive from a tax point of view. On a land parcel of 11 500 square metres, a total of around 4 000 square metres of rental space and sufficient parking spaces are available to the tenants. The property, built in 1987, has two main tenants with strong credit ratings (Coop and Denner), who ensure the local supply of the numerous apartments in the immediate vicinity.

- In Altendorf in the canton of Schwyz, a property built in 1993 was acquired under sole ownership. Most of the property is leased to Coop Group companies. The average lease term is over eight years. The property is located practically directly on Lake Zurich and is also highly visible from the nearby motorway. Here, the

predominant reason for the purchase was the long lease with a tenant with a very good credit rating who has strong belief in this location for a long time. The acquisition increases our lease commitment ratio and thus the stability of the fund.

_ In Montreux in the canton of Vaud, a condominium property was acquired in the middle of the city centre and in the immediate vicinity of Lake Geneva. On almost 4 200 square metres, a fitness centre and several medical practitioners offer their services. Almost 20 different tenants ensure good diversification of the building, which was built in 2000 and houses a shopping centre on the ground floor. The Investment Rational here was above all the excellent location and future-oriented use by doctors in the area of "life style medicine".

_ In Vevey in the canton of Vaud, a property directly at the main railway station was acquired under sole ownership. The property is situated in a prime micro location and offers around 1 260 square metres of rental space. Part of the ground floor is let to Coop. Some of the property will have to be rented and repositioned in the coming months. Due to the excellent location directly at the busy Vevey railway station, which is currently being redesigned by SBB, the repositioning offers disproportionate opportunities. This was also the reason for the purchase - to acquire a property in a prime location in Vevey with a high customer and passenger frequency. The further strategy includes either the further development of the property or a short-term sale to a strategic buyer.

_ In the canton of Ticino, a condominium property was acquired in Chiasso in the immediate vicinity of the railway station. The building, built in 1995, is very representative and offers its tenants more than 4 100 square metres of space. The acquisition was made for strategic package reasons. Here, too, a short-term sale is under discussion.

_ In the third quarter, a commercial property was acquired in Tuggen in Canton Schwyz. First-class storage space is available to the user there. The triple net rental agreement was agreed for 10 years and thus secures stable long-term income for the fund while minimizing the burden on asset management. Through this acquisition, the fund also improves its lease commitment ratio and continues to diversify in the area of warehouse use.

_ In October, the purchase of the "Novaseta" shopping centre in Arbon in the canton of Thurgau was notarised. The property presents itself as a typical shopping centre serving the neighbourhood and the surrounding region. The main tenant is Coop, which is represented in the centre with various formats and would like to retain the location in the long term. In the immediate vicinity, the entire city centre of Arbon will be redeveloped and, among other things, living space for more than a thousand people will be created. This should have a positive impact on the property in the long term. The station, bus station and lake are within walking distance of the property. Sufficient parking spaces are available to customers in a modern underground car park.

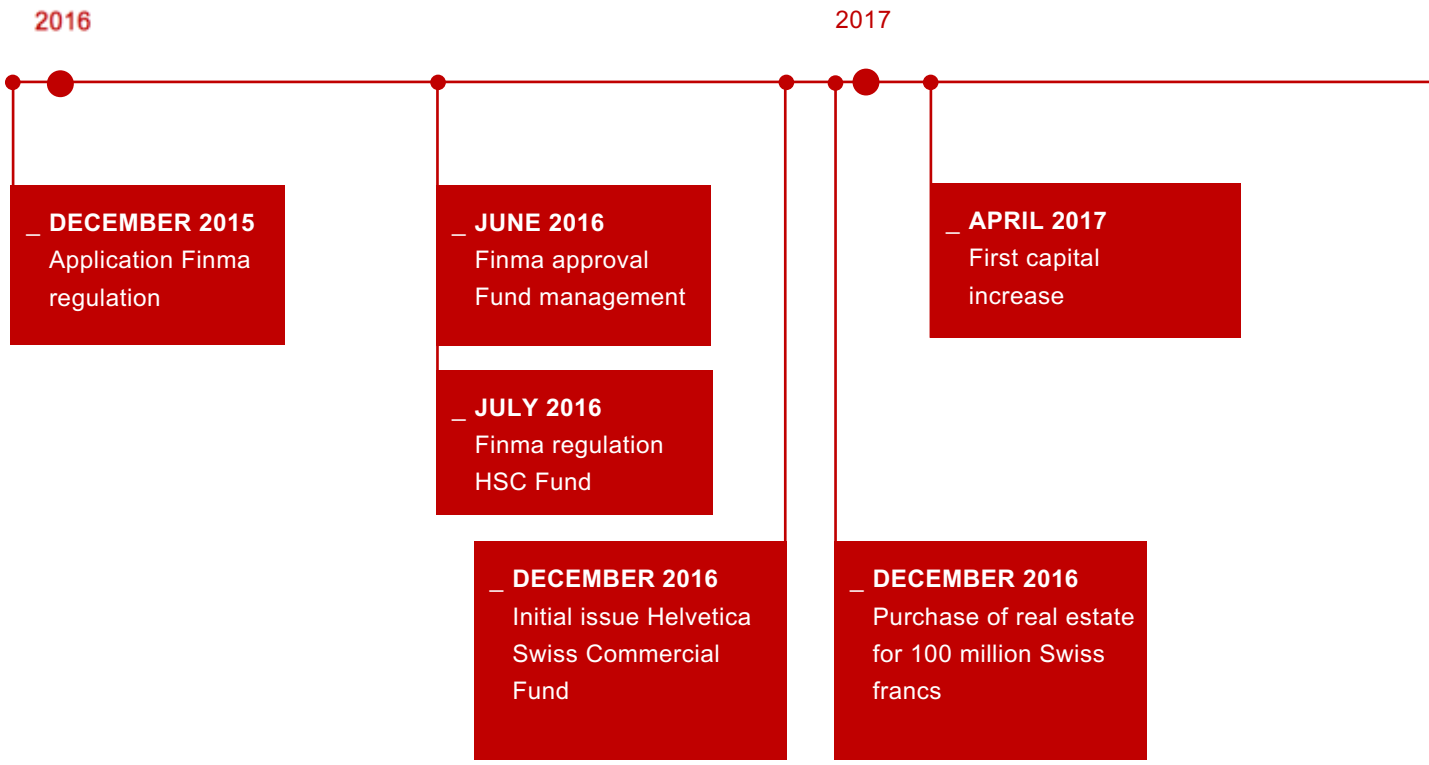
Also during the reporting period, the purchase agreement for a property in Ittigen in the Canton of Berne was also notarised in the fourth quarter.

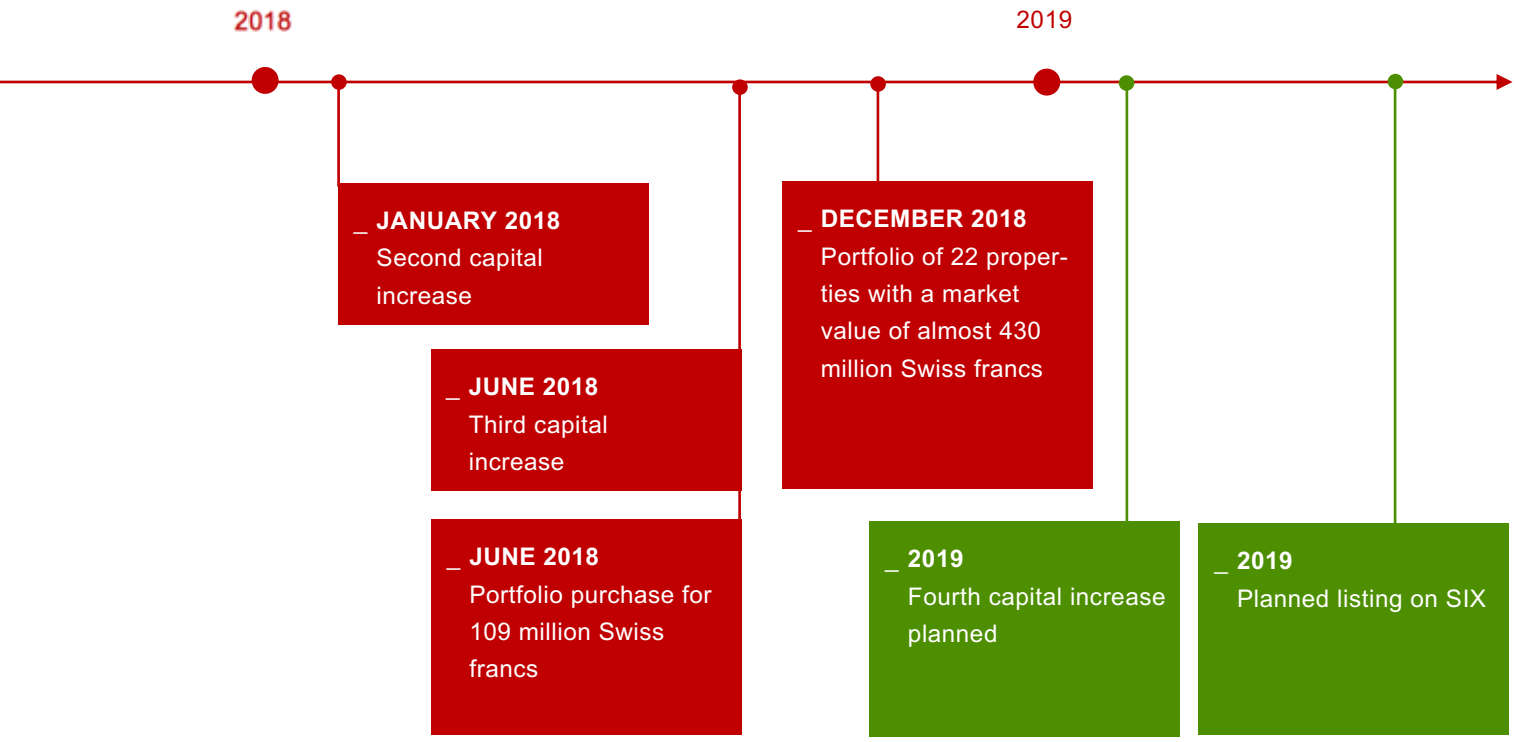
_ This purchase is a forward deal, so that this property will not be reflected in the income statement until the third quarter of 2019. The property has around 6 600 square metres of rental space and is fully let to the Swiss Confederation. The purchase price will be paid in the third quarter of 2019 and the change of use and burden will take place in the third quarter of 2019. This means that an attractive property with an exceptionally creditworthy tenant has already been secured for the coming capital increases. The volume of the transaction amounts to around 28 million Swiss francs.

Shortly before the end of the reporting period, the fund manager was able to notarize another transaction at 31 December 2018. Two further properties were purchased in Winterthur as part of a sale-leaseback transaction. The transaction volume amounts to around 30 million Swiss francs. Both of the properties are practically fully let and are expected to be included in the Helvetica Swiss Commercial portfolio in the second quarter of 2019. The average lease duration is well above the fund's current average and will have a clearly positive impact on this figure.

During the reporting period, the fund management was thus able to contractually secure properties with a volume of almost CHF 60 million for the coming year. This is a strong sign for the upcoming capital increase and a solid basis for a good start into 2019.

HISTORY HSC FUND




2018
2019
_ JANUARY 2018
Second capital increase
_ JUNE 2018
Third capital increase
_ JUNE 2018
Portfolio purchase for 109 million Swiss francs
_ DECEMBER 2018
Portfolio of 22 properties with a market value of almost 430 million Swiss francs
_ 2019
Fourth capital increase planned
_ 2019
Planned listing on SIX

MAX

THE TEAM
US

ASSET MANAGEMENT REPORT

The asset management of the fund management firm manages a portfolio of 22 properties with a total rental area of around 157 000 square metres as of 31. December 2018. The market value of the portfolio amounts to CHF 427 million. This value is calculated by the accredited valuation company Wüest Partner, Zurich, at the end of each year.

The market value is defined as the expected price on the open market, excluding taxes and other costs incurred on disposal. The portfolio is valued using the discounted cash flow method. The market value of the individual properties is estimated taking into account their current parameters and the expected requirements of future market development. The occupancy rate is 94.2 percent. The change compared to December 2017 of 95.3 percent is mainly due to the vacant space of the properties newly acquired during the year. The remaining lease term increased from 3 years as of December 2017 to 4 years as of December 2018. The geographical distribution of the properties shows a balanced picture across the whole of Switzerland with a focus on the regions of Zurich, Eastern and Central Switzerland.

As a result of the acquisition of new, high-quality properties, some with very long-term leases, the average market value rose from around 2,450 Swiss francs per square metre at 31. December 2017 to around 2 700 Swiss francs as of 31. December 2018. This also led to a slight decrease in the gross actual return on the portfolio from 5.97 percent in the previous year to 5.9 percent as of 31. December 2018. A comparison of actual rents with market rents shows a slight increase potential.

The average rent per square metre of the portfolio is 190 Swiss francs per square metre per year for offices and 109 Swiss francs per square metre per year for commercial space.

Both values are thus significantly below the comparable values according to Wüest Partner, which are 230 Swiss francs per square metre per year for offices and 120 Swiss francs per square metre per year for commercial space. The portfolio's reasonable rental rates reflect the good leasability of the space and offer a high guarantee of fast letting and a stable occupancy rate.

The hands-on approach of the asset management team

The Asset Management team is actively involved in the acquisition phase of new properties and evaluates properties with potential together with the Investment Management team. Long-term business plans are defined, and necessary measures are planned in detailed financial models.

The property management of new and existing properties is always structured with the aim of cost-efficient and direct support. Where possible, asset management assumes responsibility for the management of the property itself, or it is carried out in close cooperation with external, regionally anchored companies in line with the hands-on approach of the asset management unit. In the case of existing properties, Asset Management attaches great importance to implementing the activities defined in the business plans and improving the letting situation. It is in direct contact with the most important tenants in order to constantly monitor their customer needs.

Object and portfolio rating

The HSC portfolio is of high quality with regard to property and location rating. All properties have an above-average rating. This means that the portfolio is very well balanced in terms of both geographical location and property quality, resulting in a high degree of stability and planning certainty.

The accredited valuation company prepares a quality profile for each property in the fund. In the process, macro location, micro location, usability, standard, condition and market attractiveness are assessed.

With an overall rating of 3.6 of a maximum of 5.0, the portfolio is of clearly above-average quality.

9 of the Fund's 22 properties are in the top range of the market matrix; all properties have a score of at least 3.2.

Both in the acquisition of new properties and in asset management of the properties, appropriate measures are planned to ensure that the real estate portfolio is in line with the market and the above quality profile.

Geographical breakdown

The geographical diversification of the portfolio as of 31 December 2018 corresponds to the investment guidelines of the HSC Fund. The properties are located diversified throughout Switzerland, with a focus on German-speaking Switzerland. The Swiss SME economy is diversified and widely spread throughout Switzerland. However, the most important region is to be found in the large economic area of Zurich. Around 80 percent of the properties in the HSC Fund are located in this strong economic region, which means that high demand can be expected with correspondingly good leasability. The acquisition of new properties in the Lake Geneva region reflects the strategic goal of expanding the portfolio in this region, which is also economically very relevant.

Rental income according to use

The portfolio is diversified, balanced and focused on various sectors and comprises purely commercial properties with 21 percent commercial space, 39 percent office space, 29 percent retail space and 7 percent parking. The allocation of the usages of the HSC Fund corresponds to the main demand of medium-sized companies in the SME sector. The diversified allocation of usages minimises sectoral risks due to different future market developments.

In line with this strategy, all rental income is generated from commercial lettings.

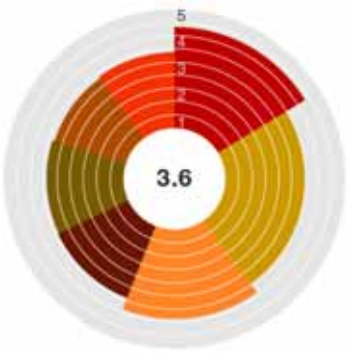
Lease term

The majority of all rental contracts of the HSC Fund have a fixed rental period. As of 31. December 2018, the average remaining lease term of the rental agreements is 4 years. The HSC portfolio thus has a high level of earnings security and stability.

Only 15 percent of the leases are indefinite, but mainly relate to long-term lease relationships. On average, the lease terms are balanced until 2027.

The Asset Management team endeavours to positively influence the average lease duration through ongoing contract renewals and new lettings with long-term rental agreements. Through negotiations with the key tenants, the maximum value, which will be reached at 22 percent in 2023 will be reduced, in order to achieve a balanced lease durations across the entire portfolio.

Quality Profile Evaluation

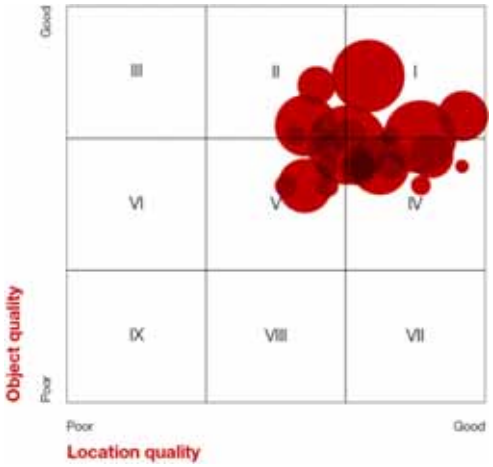


	Grade	Weighting
Overall Rating	**3.6**	
Location	**3.9**	**40**
Macro-location	4.3	41
Micro-location	3.5	59
Property	**3.6**	**40**
Usability	3.9	40
Standard	3.4	30
Condition	3.4	30
Maket attraction	**3.4**	**20**
Lettability	3.3	50
Saleability	3.4	50

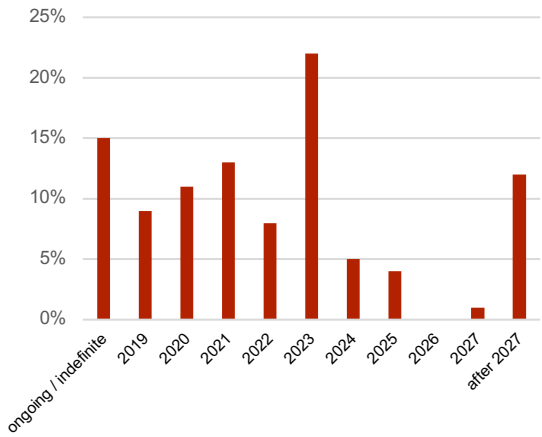
1 = lowest score, 5 = best score

9 of the Fund's 22 properties are in the top range of the market matrix; all properties have a score of at least 3.2.

Object quality / Location quality



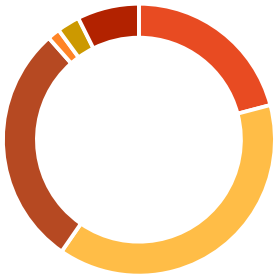
Lease term



Geographical breakdown

- Central Switzerland 39%
- Eastern Switzerland 22%
- Zurich Region 21%
- Northwestern Switzerland 8%
- Geneva Region 8%
- Southern Switzerland 2%

Rental income according to use



- Commercial 21%
- Office 39%
- Retail 29%
- Residential 1%
- Various 3%
- Parking 7%

In line with this strategy, all rental income is generated from commercial lettings.

Rental successes and special incidents

The good accessibility as well as the favourable rents of the properties of the HSC Fund compared to the large centres are the focus of demand. Together with the direct involvement of the Asset Management team, various letting successes have been achieved recently.

The occupancy rate of the overall portfolio remained almost unchanged at 94.2 percent as of 31 December 2018 compared to 31 December 2017.

Zurich-Altstetten

The property is located in the immediate vicinity of the Altstetten railway station, the tram stop and the motorway. Due to its excellent location and numerous parking spaces, it is easy to reach. In the Max-Högger-Strasse 6 property in Zurich, an office space of 1 000 square metres was leased just two months after the previous tenant moved out. This means that the property was fully let ten months after the purchase. Following the launch of a new building branding as "MAX6" and a comprehensive redesign of the entire interior and exterior entrance area, extensive marketing activities were launched for an area of 1 000 square metres on the penthouse floor that became available at the beginning of the year. Lease negotiations with a global general contractor for brand staging were successfully concluded in the first quarter of 2018. A total refurbishment was carried out to create loft-like, overheight offices and meeting areas.

Munchwilen, Thurgau

The architecturally distinctively designed property with the branding "Zukunftsfabrik" has a wide-ranging mix of usages with retail, commercial, warehouse and office space. Comprehensive marketing measures such as a new branding or a "Simplex" concept for small areas led to concrete negotiations with various interested parties for office, warehouse and commercial space. In the first half of the year, around 1 000 square metres were let at short notice. The lease with the tenant of the fitness facility was extended until 2024. In Münchwilen, around 1 000 square meters were let at short notice for the repair of the world's largest Swiss flag. The flag was then hung on a rock face of the Säntis on Switzerland's national holiday and attracted a great deal of attention. Due to various small lettings, the occupancy rate after the end of the interim letting period nevertheless improved slightly from 80.1 percent as of the end of December 2017 to 81.7 percent as of December 2018.

Dietikon, Zurich

The regionally well known "Pestalozzihaus" forms the gateway to the development area of Silbern in Dietikon. It comprises two storeys of retail space and a further five storeys of office space. In Dietikon a lease extension for around 4 600 square metres to 2025 was agreed with the tenant Möbel Märki. Various small spaces were let on the office floors, improving the occupancy rate from 91.2 percent in the previous year to 93.5 percent as of 31 December 2018. Re-letting activities have been launched for an area currently leased to a provider of garden furniture and the refurbishment of the customer lifts is in progress.

Rothenburg, Lucerne

The new building comprises around 5,700 square metres of rental space on the ground floor and a fitness centre on the upper floor as well as 359 parking spaces directly in front of the property and in the basement. It is located in the immediate vicinity of the IKEA and is leased on a long-term basis to well-known, solid tenants. Shortly after the acquisition, a vacant area of around 400 square metres in Rothenburg was temporarily leased to a garden furniture store, thus achieving full occupancy of the property. Together with the tenants, a public event was organised for the property in Rothenburg to mark the five-year anniversary of the centre. The event was very well attended and led to a significant increase in tenants' turnover. In addition, a detailed article in the Luzerner Zeitung reported on the planned re- branding of the center.

Baden-Dättwil, Aargau

The commercial building consists of five upper floors and two lower floors, mainly office space and a small commercial area. The well designed concept with an atrium and two opposing access cores at the front sides of the building allows offices to be flooded with light and optimal space subdivision. During the reporting period, the entrance area was redesigned with modern lighting, an attractive paint scheme and new lettering. The agreement with the tenant Siemens was extended until 2025 for an area of 700 square meters and until 2023 with the tenant CrossFit for an area of almost 400 square meters. On the ground floor, an area of almost 500 square meters, which had been vacant for many years when the property was purchased, could be leased with clever structural adjustments.

Cham, Zug

The property is part of a building complex with excellent visibility and a prime location directly at the motorway exit as well as a bus stop directly in front of the property. Among the customers are well-known companies from the sports and leisure sector. In the neighbouring buildings there are well-known tenants such as Stöckli Sport and Fressnapf as well as a hotel and restaurant. The direct marketing by the asset management team of a 310 square metre rental area vacant at the beginning of the year led to the signing of a rental agreement shortly after the acquisition. The lease agreement with Golfers Paradise, one of the main tenants in the property, was extended early for a further five years until 2025. A new tenant for the sale of Italian delicatessen and the operation of a bistro was identified for the attic area. The previously unused terrace is to be used as new rental space.

St. Gallen, St. Gallen

The property is fully let and includes various usages such as offices, commercial space as well as leisure and sports facilities. It is managed in close cooperation with the main tenant. Negotiations for a long-term contract until 2028 for a small warehouse concept covering 521 square metres were successfully finalised.

Steinhausen, Zug

The distinctive and widely known property "4 Towers" is easily accessible thanks to the railway and bus stops located directly in front of the building complex as well as the motorway bypassing the property. The asset management team manages this property directly with efficient hands-on management and in the first half of 2018 was able to extend the rental agreement for an area of 580 square metres until 2020. The occupancy rate as of December 2018 was 100 percent.

Schindellegi, Schwyz

The building, which is prominently located on a main traffic axis, offers a wide range of office and commercial space as well as a shop, restaurants and a petrol station on around 12 000 square metres. Shortly after the acquisition, Asset Management was able to re-coordinate the marketing activities of the retail tenant and the petrol station and organise a change of management of the property as of 1 July 2018 in order to optimise costs. Due to the structure of the building and the complexity of the technical installations, an in-depth analysis was commissioned to improve the predictability of future investments. For the free-standing restaurant area and various small areas, a new concept is being developed in cooperation with a local marketing company.

Glattbrugg, Zurich

The property is located not far from Zurich Airport, within easy walking distance of Glattbrugg railway station, and can therefore be easily reached by public or private transport. Thanks to the excellent office and commercial space of more than 6 500 square metres, goods lifts and ramps as well as more than 60 car parking spaces, good rentability is guaranteed. In the spirit of proactive asset management, the marketing of the vacant space was already launched in the acquisition phase, so that negotiations with external prospective tenants took place shortly after the takeover. In addition, Asset Management is conducting negotiations with existing tenants to optimize space and secure long-term locations.

Baar, Zug

The building is located east of the village centre of Baar, at a short walking distance from public transport. For private transport there is a large parking lot available. A diversified tenant mix with tenants with strong credit ratings such as Coop and Denner as well as various service companies on over 4 000 square metres of rental space guarantees a solid letting situation. Since the acquisition of the property, various leases have been adjusted and the marketing of the vacancy organised.

Altendorf, Schwyz

Thanks to the nearby motorway and the bus stop directly in front of the building, the property benefits from excellent accessibility and high visibility. It is located northwest of the centre of Altendorf, in a busy industrial estate. The attic floor is used for three residential units. The main tenant "Livique", a Coop-group company, has secured this location with a long-term lease for an area of over 7 000 square metres until 2028.

Outlook Asset Management

For the coming year, the focus will be on the rapid integration of new properties and on the other hand on active hands-on asset management for existing properties. Efficient actions are taken to create added value and sustainable solutions are sought through intensive customer care.

One focus is on the marketing of vacancies and the optimising of expiring leases. Asset Management organizes appropriate marketing measures under its own management or in intensive cooperation with specialized external letting agencies.

The Asset Management team organizes the appropriate marketing measures in-house or in close partnership with specialized third-party companies.

According to the investment strategy, the properties of the HSC Fund are located in regions with good accessibility and have low rents compared with the large city centers. This generates good demand across the entire portfolio. During the financial year, the occupancy rate of the overall portfolio remained relatively stable at 94.2 percent (previous year 95.3 percent). In the coming year, too, the direct involvement of the Asset Management team should lead to further successes in letting and exceed the expectations planned or calculated for future properties.

This empirically established trend of a good demand in the medium-sized centres corresponds to the statements of major market analyses. According to Credit Suisse Office Space Market Switzerland 2019, the market environment for office real estate is much more positive thanks to strong economic growth. In the wake of the economic upswing, employment growth has risen sharply and the robust increase in demand forecast for 2018 is likely to be followed by further growth in 2019. The medium-sized centres, which are the focus of the Helvetica Swiss Commercial Fund, should also benefit from employment growth and the trend towards office jobs.

Rothenburg, Lucerne

Asset Management team is preparing a comprehensive re-branding to improve visitor frequency. In addition, a consistent concept of advertising activities is developed in cooperation with the tenants and an external company. To ensure good long-term lettability, a market analysis is prepared with an external consulting firm as the basis for a new letting concept.

Baar, Zug

In Baar, in cooperation with the condominium owners' association, a concept is being developed for the optimisation and renovation of the parking area and the surrounding area. The aim is to increase customer friendliness and improve the earnings situation.

Steinhausen, Zug

Re-letting activities have been initiated for the coming year for various office space that will become available in 2019. Most of the space has been upgraded to a high-quality standard and, due to its location in an internationally sought-after region, will be let in cooperation with one of the world's leading marketing companies.

Altendorf, Schwyz

The office space of around 600 square metres that will become available next year will be marketed by a regionally connected company. The offices can be used flexibly and partly have a lake view.

Montreux, Waadt

The property is situated in a prime location in Montreux, not far from the Place du Marché and thus close to public transport and Lake Geneva. It is part of a complex that includes the Forum Montreux shopping centre and a Migros supermarket. On six upper floors, in addition to a fitness centre, various clinics and specialist medical centres are rented. Together with the contracted property management company Régimo, constructional as well as rental contract issues are being dealt with. Asset management team is personally involved in negotiations with the main tenants in the sense of hands-on management in order to achieve sustainable contractual solutions.

Arlesheim, Basel-Land

The property, which consists of three blocks, is located not far from the motorway entrance in a central location in Arlesheim. It comprises almost 5 000 square meters of extra-high commercial space and offices, which are leased to the main tenant Lipomed on a long-term basis. In close cooperation with the tenant, Asset Management analyses the requirements of the main tenant regarding ventilation adjustments with the aim of a long-term strategic contract extension.

Sissach, Basel-Land

Thanks to its location directly next to the motorway exit, the property is easy to reach and, thanks to its eye-catching, fully glazed façade and parking spaces in and in front of the property, is ideal for companies with high customer frequency. On the ground floor, a lighting store and a Denner are rented. Asset Management is conducting concrete rental negotiations with a renowned fitness company for the 800 square meters of free space on the upper floor. In order to secure long term stability, building measures for better lighting of the vacant spaces are also being examined.

Arbon, Thurgau

The shopping centre "Novaseta" is the largest and most well established shopping centre in Arbon with a diversified mix of retailers and offerings. The property comprises a spacious multistorey car park, ground-level customer parking and two storeys with a restaurant and renowned tenants such as Coop, Jysk, Fust, Import Parfümerie, Christ Watches & Jewellery. The municipality of Arbon, in cooperation with institutional investors, will be developing a mix of residential, commercial, retail, gastronomy, hotel and cultural activities on more than 200 000 square metres of land over the next few years. Asset Management was already in close contact with the main tenant prior to the acquisition of the property and, as a first step, is developing a concept for more customer-friendly use of the parking space. Asset Management is working with Wincasa, one of the leading center management companies, to develop a concept for the revitalization of the upper sales areas for the management, marketing and center management of vacant space.

6
MAX

ANNUAL ACCOUNTS AS OF 31. DECEMBER 2018

The second financial year was dominated by the focused growth strategy: total fund assets increased by 240 to 445 million Swiss francs. The distribution dividend will be increased by 14% from CHF 3.50 to CHF 4.00.

The fund management was able to carry out two successful capital increases in 2018. These were met with great interest by investors and were significantly oversubscribed. In January, the fund received new funds amounting to around CHF 65 million and a further CHF 100 million at the end of June.

At the end of December 2017, the net asset value was 107.57 Swiss francs per unit. This resulted in a distribution of CHF 3.50 per unit in January 2018, with a payout ratio of 70.3%. At the end of December 2018, the fund had a net asset value per unit of 110.00 Swiss francs, which corresponds to an investment return of 5.7% and a return on equity of 5.6%.

In the financial year, the TER_{REF} GAV was reduced from 1.05% to 0.98% and the TER_{REF} NAV from 1.53% to 1.36% compared to the previous period.

The 2018 financial period runs from 1 January to 31 December. The previous period from 9 December 2016 to 31 December 2017.

Balance sheet

Total fund assets reflect the portfolio expansion from 10 to 22 commercial properties in the previous year and amount to 445 million Swiss francs, an increase of 239 million Swiss francs compared to the previous year. As at the balance sheet date, the market value of the properties was CHF 427 million (previous year CHF 199 million), cash and cash equivalents CHF 14 million (previous year CHF 6 million) and short-term receivables CHF 4 million (previous year CHF 1 million). Receivables include prepayments made for two certified purchase transactions, with transfer of ownership in 2019.

After deduction of liabilities of 131 million Swiss francs (previous year 69 million) and liquidation taxes of around 8 million Swiss francs (previous year around 5 million), the net fund assets at the balance sheet date amounted to 306 million Swiss francs (previous year 133 million).

At 28.3%, the debt financing ratio is below the previous year's figure of 31.9% and the approved threshold of 33%.

Income Statement

The portfolio holdings at the end of December 2017, together with the portfolio acquisitions in the course of 2018, led to an increase in net income of around 66% or CHF 5.7 million to CHF 14.3 million. Taking into account the adjusted prior-year figures, see footnote 1, the increase was 8.7 million.

The 62.7 % increase in rental income to 7.1 million Swiss francs made a major contribution to the positive result.

STATEMENT OF ASSETS

in CHF

Assets	Notes	31.12.2018	31.12.2017
Cash and bank accounts including fiduciary deposits with third-party banks		13 872 332	5 825 326
Current receivables		3 915 748	1 102 681
Properties			
Building land and constructions-in-progress		-	-
Residential properties		-	-
Residential properties with condominium ownership		-	-
Mixed properties		-	-
Commercial properties		427 121 000	198 960 000
Total Properties	1	**427 121 000**	**198 960 000**
Other Assets		-	
Total Fund Assets		**444 909 081**	**205 888 007**
Liabilities			
Accounts payable			
Short-term interest-bearing mortgages	8, 9	-62 250 000	-26 500 000
Other current liabilities		-10 375 797	-5 042 687
Long-term interest-bearing mortgages	8, 9	-58 750 000	-36 950 000
Non-current other liabilities		-58 772	-13 417
Total Accounts payable		**-131 434 569**	**-68 506 104**
Net asset value before estimated liquidation taxes		313 474 512	137 381 903
Estimated liquidation taxes[5]		-7 744 763	-4 506 345
Net Asset Value		**305 729 749**	**132 875 558**
Further Information			
Change in net asset value			
Net asset value at the beginning of the reporting period		132 875 558	-
Distribution	13	-4 323 550	-
Balance from trade in shares		160 691 547	123 530 000
Total income		16 486 193	9 345 558
Net asset value at the end of the reporting period		**305 729 749**	**132 875 558**
Development of the number of shares			
Number of shares at the beginning of the reporting period		1 235 300	-
Number of issued shares		1 544 125	1 235 300
Number of redeemed shares		-	-
Number of shares at the end of the reporting period		**2 779 425**	**1 235 300**
Net asset value per share at the end of the reporting period		**110.00**	**107.57**
Further Information (Art. 95 KKV-FINMA)			
Balance of the depreciation account of the properties		-	-
Balance of the provision account for future repairs		-	-
Balance of the account for the reinvestment of retained earnings		-	-
Number of shares cancelled as of the end of the next fiscal year		-	-
Total insurance value of the assets		453 153 438	200 944 300

INCOME STATEMENT

in CHF

Income	Notes	1.1 - 31.12.2018	9.12.2016 – 31.12.2017
Interest income		-	57 030
Rental income		18 539 626	11 391 618
Capitalized construction interest rates		-	-
Other income		214 562	23 837
Participation in current income from share issues		2 469 965	
Total Income		**21 224 153**	**1 278 156**
Expenses			
Mortgage interest		-634 606	-852 641
Other passive interest		-	-200 000
Maintenance and repairs		-1 834 310	-823 772
Property management			
Property expenses		-793 062	173 311
Administrative expenses		-109 770	-477 894
Taxes		-202 218	-94 011
Evaluation and auditing expenses		-113 582	-169 454
Consulting expenses		-169 096	-159 266
Transaction costs		-2 645	-6 000
Fees pursuant to regulations			
Management fee	12	-2 336 726	-1 179 000
Custodian bank fee	12	-128 000	-41 264
Property Management fee	12	-556 902	-265 579
Bank charges		-2 553	-1 855
Other expenses		-58 544	-53 666
Payment of current net income due to redemption of shares		-	-
Total Expenses		**-6 942 014**	**-4 151 091**
Profit			
Net Profit	15	**14 282 138**	**8 599 551**
Realized gains / losses		-	-
Realized Profit	15	**14 282 138**	**8 599 551**
Unrealized gains / losses		3 317 757	4 678 108
Incidental costs to the benefit of the fund from share issues		2 124 716	574 244
Liquidation taxes[5]		-3 238 418	-4 506 345
Total profit in the reporting period		**16 486 193**	**9 345 558**
Appropriation of Profit			
Net profit of the fiscal year	15	14 282 138	8 599 551
Capital gains of the fiscal year appropriated for distribution		-	-
Capital gains from previous fiscal years appropriated for distribution		-	-
Balance carried forward from the previous year		4 276 001	-
Profit available for distribution	15	**18 558 139**	**8 599 551**
Profit appropriated for distribution to the investors		11 117 700	11 117 700
Retained earnings for re-investment	13	-	-
Carried forward to new account		**7 440 439**	**4 276 001**

NOTES TO THE ANNUAL REPORT

1. Inventory of properties held

Address	Usage	Market value	Initial cost	Rental income
Münchwilen, Murgtalstrasse 20	Commercial	10 610 000	10 950 000	985 555
Steinhausen, Turmstrasse 28/30	Commercial	38 270 000	36 500 000	2 032 170
Dietikon, Riedstrasse 1	Commercial	36 210 000	35 920 974	1 963 671
St. Gallen, Rorschacherstrasse 292/294	Commercial	16 760 000	16 132 805	962 465
Zurich-Altstetten, Max-Högger-Strasse 6	Commercial	30 390 000	29 629 064	1 848 246
Wallisellen, Hertistrasse 23	Commercial	9 099 000	8 770 200	428 557
Goldach, Blumenfeldstrasse 16	Commercial	12 700 000	13 076 856	798 440
Zuzwil, Herbergstrasse 11	Commercial	11 360 000	11 438 447	641 085
Baden-Dättwil, Täfernstrasse 3/5	Commercial	19 540 000	17 670 559	1 110 105
Cham, Brunmatt 14	Commercial	14 450 000	14 480 763	724 847
Rothenburg, Wahligenstrasse 4	Commercial	18 520 000	19 025 131	1 336 889
Schindellegi, Chaltenbodenstrasse 6a-f	Commercial	31 110 000	31 768 438	917 013
Glattbrugg, Europastrasse 18	Commercial	14 400 000	13 012 403	479 320
Tuggen, Rüschenzopfstrasse 5	Commercial	14 050 000	25 200 000	1 222 544
Altendorf, Zürcherstrasse 102/104	Commercial	28 380 000	11 500 000	780 907
Arlesheim, Fabrikmattenweg 2	Commercial	12 180 000	23 063 036	626 513
Baar, Oberdorfstrasse 2/6/8	Commercial	22 260 000	9 730 788	299 704
Chiasso, Via Livio 1	Commercial	9 770 000	25 759 323	593 660
Montreux, Grand-rue 3	Commercial	25 820 000	4 576 793	119 025
Sissach, Gelterkinderstrasse 30	Commercial	4 445 000	6 213 057	111 395
Vevey, Place de la Gare 5	Commercial	6 797 000	13 965 487	182 500
Arbon, St.Gallerstrasse 15	Commercial	40 000 000	40 312 778	375 015
Total	**Commercial**	**427 121 000**	**418 696 900**	**18 539 626**

2. Real estate transactions

Purchases

Adresse	Type	Canton	Usage	Property-transfer	Marketvalue transfer date
Rothenburg, Wahligenstrasse 4	Purchase	Luzern	Kommerziell	01.02.2018	18 600 000
Schindellegi, Chaltenbodenstrasse 6a-f	Purchase	Schwyz	Kommerziell	01.03.2018	32 000 000
Glattbrugg, Europastrasse 18	Purchase	Zurich	Kommerziell	01.06.2018	14 500 000
Altendorf, Zürcherstrasse 102/104	Purchase	Schwyz	Kommerziell	01.07.2018	28 570 000
Arlesheim, Fabrikmattenweg 2	Purchase	Basel Land	Kommerziell	01.07.2018	12 270 000
Baar, Oberdorfstrasse 2/6/8	Purchase	Zug	Kommerziell	01.07.2018	21 030 000
Chiasso, Via Livio 1	Purchase	Tessin	Kommerziell	01.07.2018	9 770 000
Montreux, Grand-rue 3	Purchase	Waadt	Kommerziell	01.07.2018	25 810 000
Sissach, Gelterkinderstrasse 30	Purchase	Basel Land	Kommerziell	01.07.2018	4 599 000
Vevey, Place de la Gare 5	Purchase	Waadt	Kommerziell	01.07.2018	6 905 000
Tuggen, Rüschenzopfstrasse 5	Purchase	Schwyz	Kommerziell	01.10.2018	14 050 000
Arbon, St.Gallerstrasse 15	Purchase	Thurgau	Kommerziell	01.11.2018	40 000 000
Total					**228 104 000**

3. Disposals

None

4. Obligations after the balance sheet date for property purchases

Address	Usage	Type of obligation	Anticipated investment volume
Ittigen	Commercial	Pre-purchase agreement	27 957 000
Winterthur	Commercial	Pre-purchase agreement	27 819 000

5. Participations in real estate companies

As at 31 December 2018, the Fund holds 100% of the shares in Helvetica Swiss Commercial AG, based in Zurich, which in turn holds 100% of the shares in Helvetica Swiss Commercial 2 GmbH, based in Zurich. All properties of the HSC Fund are held through one of these two companies.

6. Share of other real estate funds and certificates

None

7. Rental income per tenant more than 5%

Tenant	Net Annual Rent in %
Coop Genossenschaft	5.2
Top Tip Division der Coop Genossenschaft	5.0

8. Information on derivatives

The fond does not use derivatives.

9. List of mortgages debt with a residual term of 1 – 5 years

Type	Interest rate	Amount	Date of issue	Expiration date
Fixed-rate mortgage	1.00%	4 300 000	30.06.2016	30.09.2021
Fixed-rate mortgage	1.00%	3 100 000	05.09.2016	30.09.2021
Fixed-rate mortgage	1.45%	5 750 000	01.01.2017	31.12.2022
Fixed-rate mortgage	0.85%	1 000 000	31.12.2017	31.12.2019
Libor-mortgage	0.65%	12 000 000	30.04.2018	30.06.2021
Libor-mortgage	0.55%	10 300 000	12.06.2018	30.04.2021
Libor-mortgage	0.65%	19 000 000	15.12.2016	31.12.2021
Libor-mortgage	1.15%	3 800 000	01.07.2017	30.06.2022
Flex Rollover Mortgage	0.46%	13 750 000	26.09.2018	25.09.2019
Flex Rollover Mortgage	0.46%	33 250 000	22.10.2018	21.10.2019
Advance payment	0.52%	6 750 000	22.10.2018	23.04.2019
Advance payment	0.52%	7 500 000	09.08.2018	08.02.2019
Total		**120 500 000**		

10. List of mortgages with a residual term of 5 or more years

Type	Interest rate	Amount	Date of issue	Expiration date
Fixed-rate mortgage	1.17%	500 000	1.06.2018	28.02.2025
Total		500 000		

11. Fees and incidental costs charged to the investors

Remuneration	Maximum rates	Actual rates	Basis
Issuing commission of units	3%	1.5%	Net asset value of units
Redemption commission for units	1.5%	-	Net asset value of units

12. Incidental costs to the benefit of the Fund's assets which accrue to the Fund from the paid-in amount invested or from the sale of units.

Remuneration	Maximum rates	Actual rates	Basis
Premium to NAV	2.5%	1.32%	Net asset value of units
Discount to NAV	1.5%	-	Net asset value of units

13. Fees and incidental costs charged to the fund

Remuneration	Maximum rates	Actual rates	Basis
Remuneration to the Fund Management company			
Administrative commission	1.0%	0.7%	Total fund assets
Purchase/Sales compensation	1.5%	1.5%	Purchase/sales price
Building and renovation fees	3%	-	Building costs
Property Management	5%	1.77%	Gross rental income
Remuneration to third parties			
Remuneration to custodian bank	0.05%	0.05%	Net asset value of units
Remuneration to property managers	5%	2.75%	Gross rental income

14. Dividend distribution

For the year ended 31 December 2018, a total amount of CHF 11.1 million will be distributed on 28 March 2019, representing a dividend of CHF 4.00 per share and a distribution yield of 3.6%. This represents an increase of CHF 0.50 per share. The payout is thus 14% higher than in the previous year with a payout ratio of 77.6%. Dividend ex-date is 28 February 2019.

15. Events after the balance sheet date

As announced on 31 January 2019, the fund manager Helvetica Property Investors will carry out a further capital increase for Helvetica Swiss Commercial Fund in spring 2019.

16. Collected Footnotes

1. In the Income Statement of the fund`s reporting period from 9 December 2016 to 31 December 2017, the income and expenses of the two companies purchased with the properties of Steinhausen and Münchwilen, are consolidated for the periods 1 January to 31 December 2017. The effective economic holding period of the two properties by the Fund relates on the contrary only to the period from 15 December 2016 to 31 December 2017. After the elimination of the corresponding special effects, the net profit corresponds to CHF 6.1 million instead of the CHF 8.6 million shown.

2. The key performance indicators Performance and Premium/Discount are not shown, as the Helvetica Swiss Commercial Fund is only traded OTC.

3. The TER_{REF} GAV according to the SFAMA guideline is based on the average total fund assets of the reporting period. During the set-up phase of a fund, this average is naturally lower, which leads to a higher total expense ratio. In relation to the fund assets as at 31 December 2018, this is 0.75%.

4. The TER_{REF} NAV according to the SFAMA guideline is based on the average net assets of the fund during the reporting period. During the set-up phase of a fund, this average is naturally lower, which leads to a higher total expense ratio. In relation to the fund assets as at 31 December 2018, this is 1.09%.

5. The holding period for commercial properties was adjusted from 0 to 5 years as of 30 June 2018 and from 5 to 15 years as of 31 December 2018 in accordance with the Fund's long-term investment strategy for the calculation of deferred property gains taxes.

VALUATION PRINCIPLES AND NET ASSET VALUE CALCULATION

The HSC Fund's net asset value is calculated at market value in Swiss francs at the end of the fiscal year and at each new share issue.

The Fund Manager mandates the independent valuation experts to re-evaluate the market value of the Funds properties as of the end of each fiscal year and at each new share issue.

With the supervisory authority s approval, the Fund Manager mandates at least two natural or one corporate entity as independent valuation experts. Property inspections by the valuation experts must be repeated at least every three years. In the case of acquisitions or disposals of properties, the Fund Manager commissions a new valuation. A new valuation is not needed in the case of disposal, if a valuation has been made during the previous three months and circumstances have not changed profoundly.

Investments which are traded on a stock market or another regulated market which is open to the public, are to be valued at the prices which are paid on the main market. Other investments or investments with no available current prices, are to be valued at a price which is likely to be paid in a prudent sale at the time of the valuation. In such a case, the Fund Manager applies reasonable valuation models and principles which are recognized in practice.

Open collective investment instruments are valued at their redemption price respectively their net asset value. If they are regularly traded on a stock market or another regulated market which is open to the public, the Fund Manager may value them according to para. 3 of the fund contract.

The value of short-term fixed-rate securities which are not traded on a stock exchange or another regulated market which is open to the public, is calculated as follows: Based on the net purchase price and presuming a stable investment return, the valuation of these investments is adjusted gradually to the redemption price. In the case of significant changes in market conditions, the valuation basis of the individual investments is adjusted to the new market return. Thereby, if there is no current market price, valuation is usually based on money market instruments with the same characteristics (quality and domicile of the issuer, issuing currency, maturity).

Post and bank deposits are valued according to their balance plus accrued interest. In the case of significant changes in market conditions or financial standing, the valuation basis for time deposits at banks is adjusted to the new conditions.

The calculation of the shares net asset value is based on Funds gross asset value (market value) minus any liabilities as well as any taxes which would likely have to be paid in the case of the Funds liquidation, divided by the number of outstanding shares. The valuation of the Funds properties is made according to the current SFAMA guidelines for real estate funds. The valuation of undeveloped properties or constructions-in-progress is made according the principle of actually incurred costs. This valuation is subject to an annual impairment test.

FURTHER INFORMATION FOR INVESTORS

Changes Fund Contract

The Fund Contract of Helvetica Swiss Commercial was approved by the supervisory authority on 21 July 2016. As at 31 December 2017, there were no amendments. The Fund Prospectus dated 20 December 2017 with integral Fund Contract of 21 July 2016 is published on www.swissfunddata.ch. At the end of 2017, amendments to the Fund Contract were passed and submitted to FINMA. The investors were accordingly informed. The changes were approved and came into force on 05 February 2018. The amended documents where then published on www.swissfunddata.ch as well as on the Funds website.

Together with editorial adaptations, the amendments cover essentially the following points in accordance with the publication of 13 December 2017:

- Change of the custodian bank from Notenstein La Roche Privatbank AG, St.Gallen, to Banque Cantonale Vaudoise, Lausanne.
- The extension of the investor base to cover all investors.
- Duty to publish a semi annual report.
- Option of contribution in kind instead of cash payment.
- Rounding off the issue and redemption prices to two digits after the decimal point.
- Adjustment of the commission of the custodian bank “pro rata temporis” in the event of a capital increase as well as additional commission of 0.25% of the gross amount on distributions to the investors.
- Option of carrying out interim distributions.

Legal disputes

There are no pending or threatened legal disputes.

Compliance with investment restrictions

The fund management company confirms that Helvetica Swiss Commercial Fund fulfills all investment restrictions in accordance with the fund contract.

Information about Related Party Transactions

The fund management company confirms that there were no transfers of property values to related parties or related parties during the reporting period (Art. 63 Abs. 2 KAG and Art. 32, 32a and 91a KKV resp. Ziff. 18 of the guidelines for the real estate funds of Swiss Funds & Asset Management Association SFAMA (SFAMA guidelines for real estate funds) dated April 2, 2008, as of September 13, 2016).

Change of Fund Manager or Custodian Bank

There were no changes in the fund management company and the custodian bank in the reporting period.

Change Valuation expert

Peter Pickel was replaced by Silvana Dardikman.

Change in the management of the fund management company

Gianni Peduzzi replaced Marcel Hug as new CFO, Head Corporate Services.

Miscellaneous

There are no other significant events known.

REPORT OF THE VALUATION EXPERT

wüestpartner

Wüest Partner AG, Bleicherweg 5, 8001 Zurich

Helvetica Property Investors AG
Executive Board
Gartenstrasse 23
8002 Zurich

Zurich, 20. Januar 2019

Helvetica Swiss Commercial
Independent real estate valuer's report
Valuation as at 31 December 2018

To the Executive Board of Helvetica Property Investors AG

Ref.
106323.1800

Commission
Wüest Partner AG (Wüest Partner) was commissioned by the Fund Management to perform a valuation, for accounting purposes, of the 22 properties units held by Helvetica Swiss Commercial as at 31 December 2018 (reporting date).

Valuation standards
Wüest Partner hereby confirms that the valuations comply with the legal provisions of the Collective Investment Schemes Act (CISA) and the Collective Investment Schemes Ordinance (CISO) as well as the guidelines of the Swiss Funds & Asset Management Association (SFAMA) and were furthermore performed in accordance with the customary national and international valuation standards.

Definition of market value
Market value is defined as the amount for which a property would most probably be exchanged on the open market on the valuation date between two independent and knowledgeable parties, willing to buy and sell respectively, with due allowance made for a reasonable marketing period.
In the valuation are excluded property transfer, real property gains and value-added taxes plus any other costs incurred, or commissions paid, during the process of selling real estate. Nor is any account taken of Helvetica Swiss Commercial's liabilities in respect of taxation (apart from ordinary property taxes) and financing costs.

Valuation method
In valuing Helvetica Swiss Commercial's investment properties, Wüest Partner applied the discounted cash flow (DCF) method, by which the market value of a property is determined as the total of all projected future net earnings discounted to the valuation date. Net income is discounted separately for each property with due allowance for specific opportunities and threats, and adjustment in line with market conditions and risks.

Wüest Partner AG
Alte Börse
Bleicherweg 5
8001 Zurich
Switzerland
T +41 44 289 90 00
wuestpartner.com
Regulated by RICS

Basis of valuation

Wüest Partner is familiar with all the properties, having carried out inspections and examined the documentation provided. The properties have been analysed in detail in terms of their quality and risk profiles (attractiveness and lettability of rented premises, construction type and condition, micro- and macro-location etc.). Currently vacant premises are valued with due allowance made for a reasonable marketing period.

Wüest Partner inspects the properties at least once every three years as well as following purchase and upon completion of larger refurbishment and investment projects.

All properties were visited in 2016 and 2018.

Results

A total of 22 investment properties were valued as at 31 December 2018. The market value of these properties on the valuation date is estimated by Wüest Partner to total 427,121,000 Swiss Francs.

In the property valuation, real discount rates between 3.60% and 4.60% were applied. Considering an inflation rate of 0.50% the nominal discount rates lie between 4.12% and 5.12%. Over the whole portfolio, the average of the discount rates – weighted by market value – is 4.11% in real terms and 4.63% in nominal terms.

Changes during reporting period

Within the review period from 1st January 2018 to 31st December 2018, the following twelve properties were bought:

- 1800 Vevey, Place de la Gare 5;
- 1820 Montreux, Grand Rue 3;
- 4144 Arlesheim, Fabrikmattenweg 2-4;
- 4450 Sissach, Gelterkinderstrasse 30;
- 6023 Rothenburg, Wahligenstrasse 4;
- 6340 Baar, Oberdorfstrasse 2-8d;
- 6830 Chiasso, Via Livio 1 / Via Motta 24;
- 8152 Glattbrugg, Europa-Strasse 19;
- 8834 Feusisberg, Chaltenbodenstrasse 6A-F;
- 8852 Altendorf, Zürcherstrasse 103, 104, 106;
- 8856 Tuggen, Rüschenzopfstrasse 5;
- 9320 Arbon, St. Gallerstrasse 15/17.

Independence and confidentiality

The valuation of Helvetica Swiss Commercial's real estate holdings was performed by Wüest Partner independently and neutrally in conformity with its business policies. It was carried out solely for those purposes specified above; Wüest Partner shall accept no liability in respect of third parties.

Zurich, 7 January 2019
Wüest Partner

Marco Feusi MRICS
Dipl. Arch. HTL; NDS BWI ETHZ
Partner

Silvana Dardikman
BA in Finance; Immob. Bew. mit eidg. FA
Director

wüestpartner

Annex: valuation assumptions

Investment properties

The investment property valuations are based on the following general assumptions:

- The rent rolls from Helvetica Property Investors AG used in the valuation have the state of knowledge typically as at October 2018.
- A two-phase DCF model was adopted. The valuation period extends to infinity from the valuation date, with an implicit residual value in the eleventh period.
- Discounting is based on a risk-adjusted interest rate. Rates are determined individually for each property on the basis of appropriate benchmarks derived from arm's-length transactions. They may be broken down as follows: risk-free interest rate + property risk (immobility of capital) + premium for macro-location + premium for micro-location depending on use + premium for property quality and income risk + any other specific premiums.
- Unless otherwise stated, the valuations assume 0.50 percent annual inflation for income and all expenditure. Where a nominal discount rate is applied, this is adjusted accordingly.
- Credit risks posed by specific tenants are not explicitly factored into the valuation.
- Specific indexation of existing rental agreements is accounted for on an individual basis. After expiry of the contracts, an indexation factor of 80 percent (Swiss average) and an average contract term of five years are assumed.
- For existing tenancies, the timing of individual payments is assumed to comply with the terms of the lease. Following lease expiry, cash flows for commercial premises are taken to be quarterly in advance, for housing monthly in advance.
- In terms of running costs, entirely separate service charge accounts are assumed, with no tenancy-related ancillary costs to be borne by the owner.
- The maintenance (repair and upkeep) costs were calculated using a building analysis tool. This tool is used to estimate the remaining lifespan of individual components based on their present condition, to model periodic refurbishments and to calculate the associated annual renewal fund allowances. The calculated values are plausibility tested using cost benchmarks derived from Wüest Partner surveys.

AUDITOR`S REPORT

Kurzbericht der kollektivanlagengesetzlichen Prüfgesellschaft

an den Verwaltungsrat der Fondsleitung Helvetica Property Investors AG

Zürich

Kurzbericht der kollektivanlagengesetzlichen Prüfgesellschaft zur Jahresrechnung des Helvetica Swiss Commercial

Als kollektivanlagengesetzliche Prüfgesellschaft haben wir die beiliegende Jahresrechnung des Anlagefonds Helvetica Swiss Commercial, bestehend aus der Vermögensrechnung und der Erfolgsrechnung, den Angaben über die Verwendung des Erfolges und die Offenlegung der Kosten sowie den weiteren Angaben gemäss Art. 89 Abs. 1 lit. b–h und Art. 90 des schweizerischen Kollektivanlagengesetzes (KAG) (Seiten 4, 44 bis 51 des Jahresberichts) für das am 31. Dezember 2018 abgeschlossene Geschäftsjahr geprüft.

Verantwortung des Verwaltungsrats der Fondsleitung

Der Verwaltungsrat der Fondsleitung ist für die Aufstellung der Jahresrechnung in Übereinstimmung mit dem schweizerischen Kollektivanlagengesetz, den dazugehörenden Verordnungen sowie dem Fondsvertrag und dem Prospekt verantwortlich. Diese Verantwortung beinhaltet die Ausgestaltung, Implementierung und Aufrechterhaltung eines internen Kontrollsystems, mit Bezug auf die Aufstellung der Jahresrechnung, die frei von wesentlichen falschen Angaben als Folge von Verstössen oder Irrtümern sind. Darüber hinaus ist der Verwaltungsrat der Fondsleitung für die Auswahl und die Anwendung sachgemässer Rechnungslegungsmethoden sowie die Vornahme angemessener Schätzungen verantwortlich.

Verantwortung der kollektivanlagengesetzlichen Prüfgesellschaft

Unsere Verantwortung ist es, aufgrund unserer Prüfung ein Prüfungsurteil über die Jahresrechnung abzugeben. Wir haben unsere Prüfung in Übereinstimmung mit dem schweizerischen Gesetz und den Schweizer Prüfungsstandards vorgenommen. Nach diesen Standards haben wir die Prüfung so zu planen und durchzuführen, dass wir hinreichende Sicherheit gewinnen, ob die Jahresrechnung frei von wesentlichen falschen Angaben ist.

Eine Prüfung beinhaltet die Durchführung von Prüfungshandlungen zur Erlangung von Prüfungsnachweisen für die in der Jahresrechnung enthaltenen Wertansätze und sonstigen Angaben. Die Auswahl der Prüfungshandlungen liegt im pflichtgemässen Ermessen des Prüfers. Dies schliesst eine Beurteilung der Risiken wesentlicher falscher Angaben in der Jahresrechnung als Folge von Verstössen oder Irrtümern ein. Bei der Beurteilung dieser Risiken berücksichtigt der Prüfer das interne Kontrollsystem, soweit es für die Aufstellung der Jahresrechnung von Bedeutung ist, um die den Umständen entsprechenden Prüfungshandlungen festzulegen, nicht aber um ein Prüfungsurteil über die Existenz und Wirksamkeit des internen Kontrollsystems abzugeben. Die Prüfung umfasst zudem die Beurteilung der Angemessenheit der angewandten Rechnungslegungsmethoden, der Plausibilität der vorgenommenen Schätzungen sowie eine Würdigung der Gesamtdarstellung der Jahresrechnung. Wir sind der Auffassung, dass die von uns erlangten Prüfungsnachweise eine ausreichende und angemessene Grundlage für unser Prüfungsurteil bilden.

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PricewaterhouseCoopers AG ist Mitglied eines globalen Netzwerks von rechtlich selbständigen und voneinander unabhängigen Gesellschaften.

Prüfungsurteil
Nach unserer Beurteilung entspricht die Jahresrechnung für das am 31. Dezember 2018 abgeschlossene Geschäftsjahr dem schweizerischen Kollektivanlagengesetz, den dazugehörigen Verordnungen sowie dem Fondsvertrag und dem Prospekt.

Berichterstattung aufgrund weiterer gesetzlicher Vorschriften

Wir bestätigen, dass wir die gesetzlichen Anforderungen an die Zulassung gemäss Revisionsaufsichtsgesetz (RAG) und die Unabhängigkeit (Art. 11 RAG) erfüllen und keine mit unserer Unabhängigkeit nicht vereinbaren Sachverhalte vorliegen.

PricewaterhouseCoopers AG

Raffael Simone	Stephanie Zaugg
Revisionsexperte Leitender Prüfer	Revisionsexpertin

Zürich, 20. Februar 2019

DEFINITIONS

Operating costs
Possible income at full occupancy, equivalent to the total of contractually agreed rental income plus vacancy in accordance with market rent. Ancillary costs according to rental agreements are not taken into account.

Gross target yield
The current gross target yield is defined as the percentage of the current target rental income measured against the market value.

Gross actual return
The current gross actual return is defined as the percentage of the current actual rental income measured against the market value.

Discount rate
The discount rate is the percentage used to discount all cash flows. The level of the chosen discount rate reflects the risk assessment.

Loss of earnings
Loss of income is the sum of all reductions in the target rental income, e.g. due to vacancy.

maintenance costs
Maintenance is also referred to as "ordinary maintenance". Maintenance refers to all measures taken to ensure the usability of the property (e.g. service work, minor repairs).

Repair costs
The repair is also referred to as "extraordinary maintenance". It includes all investments that completely replace substantial components and/or are accompanied by a noticeable qualitative improvement. This may also include value-enhancing investments.

Actual rental income
The actual rental income is calculated from the target rental income less loss of income.

Vacancy
A rental property is regarded as vacant and therefore as vacant if no rental agreement exists.

Property quality
Property quality is a measure of the quality of a property, taking into account its condition, prevailing standards, usability and the mix of uses. The information required to determine the quality of the property is derived from the quality profile of the property.

Market rent / potential
With the help of the estimation of a market rent or the potential for income, the long-term and sustainable development of the respective income is shown.

Market value
The market value is the estimated amount for which the property is expected to be sold on the valuation date between a willing seller and a willing buyer in a transaction in the ordinary course of business, after an appropriate marketing period, with each party acting with skill, prudence and without constraint.

Net yield
The net yield is the ratio of the annual net yield to the determined market value of the property.

Leasable area
Rental space is the sum of leased and rentable areas.

Target rental income
The target rental income is the sum of all rental income, including vacancies at market rent according to an independent valuation.

Total net income
The net income is calculated as the sum of all income less all costs.

Maintenance costs
The maintenance costs are composed of the costs for maintenance and repair.

Occupancy rate
Percentage of the actual revenue of the target rental income.

WAULT
The WAULT (Weighted Average Unexpired Lease Term) adds up the average weighted remaining terms of contractually fixed rents for a property or portfolio (up to the earliest possible termination date without extension options). The WAULT is reported in years. The following uses must be considered: - office, hotel, sale, medical practices, gastronomy, warehouse and other commercially used properties. Unlimited rental agreements with a term of 6 months are included in the calculation: Apartments, parking spaces, advertising space, cellar/screed. Vacancies are not taken into account.

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I am looking forward
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