

# Annual Report 2020/2021



AFIAA Investment Foundation is a centre of competence for international real estate investments.

Through investment in AFIAA, Swiss pension funds have the opportunity to extend and diversify their real estate portfolios by adding direct and indirect international property investments.

65

investors place their trust in AFIAA Investment Foundation

4

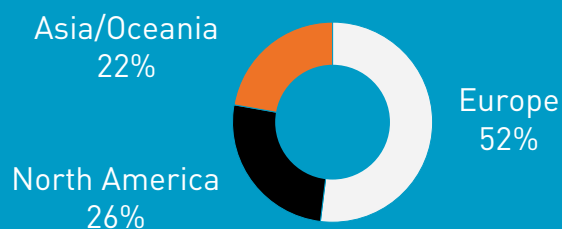
investment groups are available to investors.

2.8 billion CHF

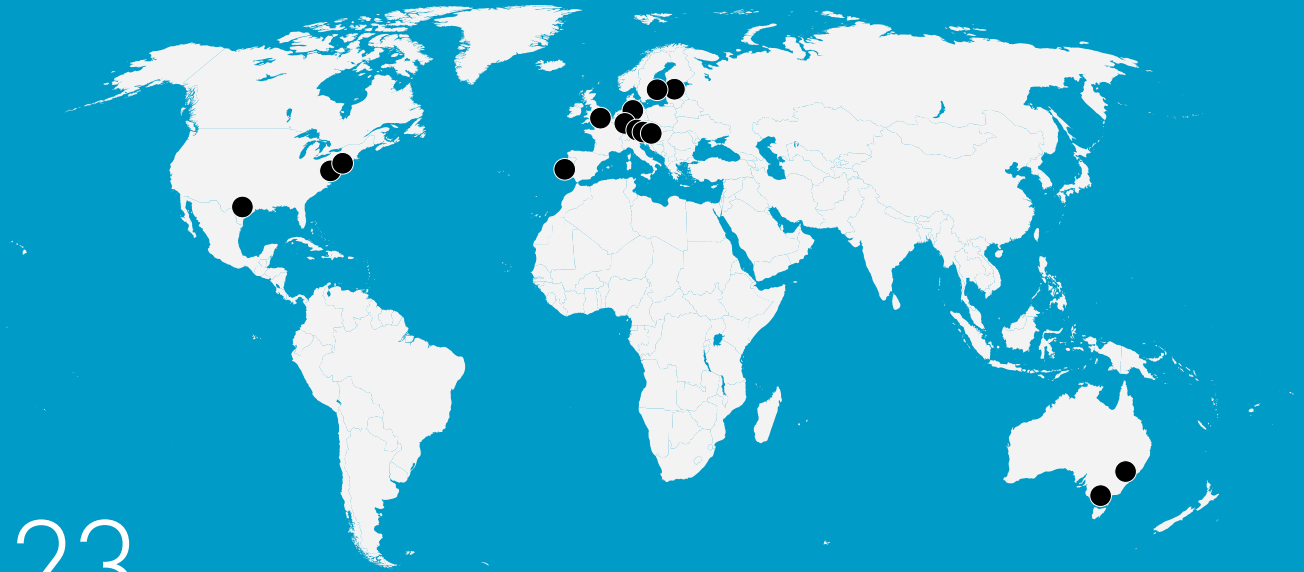
worth of real estate assets are managed by AFIAA Investment Foundation

At home in the world

AFIAA Investment Foundation invests worldwide in stable real estate investments.



## AFIAA Global investment group



# 23

Locations of direct investments

commercial properties are part of the portfolio of the investment group.

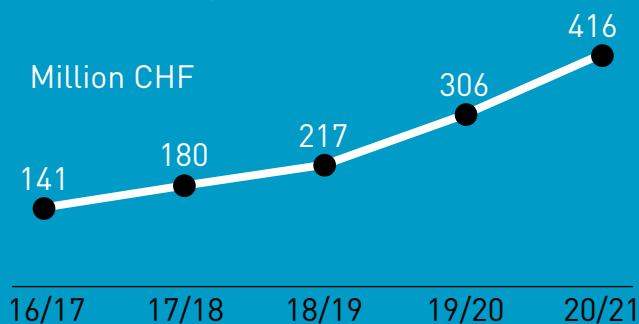


### Added value through active asset management

With its investment of a total amount of approx. CHF 37 million in four refurbishment projects (picture: “628 Bourke Street” property, Melbourne), the AFIAA Investment Foundation has generated added value for its investors.

## AFIAA Diversified indirect investment group

### Broadly diversified



In the last few years, the net assets of the investment group have increased continually.

# 19

target funds (including more than 2750 properties) are subscribed in the investment group's portfolio, 18 are invested.



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Dieser Geschäftsbericht ist auch auf Deutsch erhältlich.  
Senden Sie Ihre Bestellung an [office@afiaa.com](mailto:office@afiaa.com).

Ce rapport annuel est également disponible en français.  
Envoyez votre demande à [office@afiaa.com](mailto:office@afiaa.com).

## **Translation of the annual report**

This annual report was prepared in German and later translated into French and English. The German version was reviewed by auditors and is legally binding.

# Key figures as per 30.9.2021

## AFIAA Global investment group

in thousand CHF	30.9.2021	30.9.2020	In/decrease
<b>Market values</b>			
Market value of direct investments	2 399 206	2 279 366	5.26%
Total investments	2 519 137	2 383 597	5.69%
<b>Net assets</b>			
Mortgage loans (direct investments)	506 851	498 570	1.66%
As % of market value of total investments	20.12%	20.92%	-3.81%
As % of market value of direct investments	21.13%	21.87%	-3.42%
<b>Net assets</b>			
Net assets as per the asset account	1 886 671	1 778 623	6.07%
Net asset value per share (CHF)	111.8162	108.9310	2.65%
<b>Shares</b>			
Shares in circulation (units)	16 872 965.5152	16 327 982.7271	3.34%
<b>Capital commitments by investors</b>			
Capital commitments	1 925 803	1 898 207	1.45%
Capital calls	-1 915 803	-1 858 207	3.10%
Capital call rate	99.48%	97.89%	1.62%
Total expense ratio TER <sub>ISA</sub> GAV	0.52%	0.51%	1.47%
Total expense ratio TER <sub>ISA</sub> NAV	0.71%	0.69%	1.54%
Return on investment	5.96%	-3.72%	9.68%

## AFIAA Global hedged investment group

in thousand CHF	30.9.2021	30.9.2020	In/decrease
<b>Market values</b>			
Market value of indirect investments	509 406	479 600	6.21%
Total investments	532 136	515 327	3.26%
<b>Net assets</b>			
Net assets as per the asset account	532 100	515 291	3.26%
Net asset value per share (CHF)	155.6400	151.2671	2.89%
<b>Shares</b>			
Shares in circulation (units)	3 418 783.0272	3 406 499.9979	0.36%
<b>Capital commitments by investors</b>			
Capital commitments	509 046	515 157	-1.19%
Capital calls	-494 846	-492 657	0.44%
Capital call rate	97.21%	95.63%	1.65%
Total expense ratio TER <sub>KGAST</sub> GAV incl. AFIAA Global costs	0.55%	0.55%	-1.37%
Total expense ratio TER <sub>KGAST</sub> NAV incl. AFIAA Global costs	0.74%	0.74%	0.63%
Return on investment	2.89%	-2.01%	4.90%

**AFIAA Diversified indirect investment group**

in thousand CHF	30.9.2021	30.9.2020	In/decrease
<b>Market values</b>			
Market values of indirect investments	400 157	290 414	37.79%
Total investments	414 618	305 160	35.87%
<b>Net assets</b>			
Net assets as per the asset account	416 396	305 893	36.12%
Net asset value per share (CHF)	147 228.8236	127 214.5477	15.73%
<b>Shares</b>			
Shares in circulation (units)	2 828.2252	2 404.5461	17.62%
<b>Capital commitments by investors</b>			
Capital commitments (in thousand USD)	371 010	366 600	1.20%
Capital calls (in thousand USD)	-336 498	-275 567	22.11%
Capital call rate	90.70%	75.17%	20.66%
Total expense ratio TER <sub>KGAST</sub> GAV incl. target fund costs	1.44%	1.49%	-3.36%
Total expense ratio TER <sub>KGAST</sub> NAV incl. target fund costs	1.44%	1.49%	-3.36%
Return on investment	15.73%	-1.25%	16.98%

**AFIAA Diversified indirect hedged investment group**

in thousand CHF	30.9.2021	30.9.2020	In/decrease
<b>Market values</b>			
Market value of indirect investments	280 378	185 823	50.88%
Total investments	285 386	196 070	45.55%
<b>Net assets</b>			
Net assets as per the asset account	285 368	176 200	61.96%
Net asset value per share (CHF)	181 415.8131	159 636.2128	13.64%
<b>Shares</b>			
Shares in circulation (units)	1 573.0046	1 103.7586	42.51%
<b>Capital commitments by investors</b>			
Capital commitments (in thousand USD)	323 545	286 106	13.09%
Capital calls (in thousand USD)	-240 693	-177 223	35.81%
Capital call rate	74.39%	61.94%	20.10%
Total expense ratio TER <sub>KGAST</sub> GAV incl. target fund costs	1.46%	1.52%	-3.76%
Total expense ratio TER <sub>KGAST</sub> NAV incl. target fund costs	1.46%	1.52%	-3.84%
Return on investment p.a.	13.64%	2.37%	11.27%

# Foreword by the Chairman of the Foundation Board and the Managing Director

## Ladies and gentlemen,

In financial year 2020/2021, the AFIAA Investment Foundation once again showed great resilience in the face of challenging market conditions in a year marked by the pandemic. We received subscriptions from 5 new investors, bringing the total number of investors up to 65. Capital commitments across all investment groups amounted to around CHF 45 million – a powerful vote of confidence in the AFIAA Investment Foundation.

## New challenges for the workplace of tomorrow

While the trend towards working from home was the hot topic in the early stages of the pandemic, with more and more people returning to the office, the focus has now shifted to the new demands facing the workplace of tomorrow. It remains to be seen how the working world and the office landscape will change in the future. However, one thing is already clear: they will still be around after the pandemic and buildings in central and easily accessible locations will remain attractive. Ingenuity and creative drive are needed as demand for modern infrastructure and digital building technology, so-called smart buildings, is on the rise and overall property concepts are facing greater challenges. With urban life in cities increasingly taking place under one roof, we expect mixed-use buildings to see stronger demand.

## Demand for international real estate investments on the rise – preferably sustainable

In an environment of persistent investment pressure and stable attractive risk premiums, demand for real estate investments remains high among Swiss pension funds. We believe that the trend towards investments beyond the national borders will continue, as will growing demands regarding the sustainability of such investments. A key aspect in this context is the energy consumption and CO<sub>2</sub> emission of directly held properties. Measuring and monitoring sustainability indicators is a central priority, not only for ecological reasons but also on social and economic grounds. Sustainability is an integral component of the investment strategy and process in all of our investment groups. We are convinced that there is a direct correlation between sustainable real estate investments and stable overall returns.

## Revised Investment Foundations Regulation

The Federal Council enacted the revised Swiss Investment Foundations Regulation (Verordnung über die Anlagestiftungen, ASV) on 1 August 2019, setting an implementation deadline for 31 July 2021. The approval of General Meeting of Investors of the respective amendments to the Foundation's Articles of Incorporation and Regulations on 25 Feb-

ruary 2021 successfully completed the implementation of the revised ASV provisions.

## New member of the Foundation Board

We are delighted to welcome Damian Tobler who joined the Foundation Board as a new member at the beginning of 2021. He has been a member of the Audit Committee of the AFIAA Investment Foundation since 2018. In his main occupation, he is a partner and CFO/CIO at Kendris AG. Damian Tobler has many years of experience in the financial industry and specialises in CFO, accounting, reporting and governance issues.

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“AFIAA sets course for innovative property use concepts and sustainable real estate investments.”

## AFIAA Diversified indirect unlocks exciting investment opportunities

The multi-manager strategy pursued by the AFIAA Diversified indirect investment group offers Swiss employee benefits institutions a further interesting investment opportunity as a complementary strategy to AFIAA Global. Via selected best-in-class target funds, this multi-manager solution provides easy access to an underlying global real estate portfolio with a market value of around CHF 120 billion and over 2750 properties in 19 countries.

## AFIAA Global adopts 2021+ Strategy

The Foundation Board's adoption of the strategy review in September 2021 confirmed the growth strategy implemented in recent years. Prioritising Core/Core Plus properties will remain a central element. Broader diversification will be pursued across the defined 36 target cities, while the focus on office use will be retained. In compliance with the proven investment guidelines, the subject of multi-use will also be addressed. The aim is to benefit from dynamic developments in urban neighbourhoods and to recognise and respond to trends in the demand for office space at an early stage. AFIAA's adoption of the 2021+ Strategy sets the course for innovative property use concepts and sustainable real estate investments.





**We would like to thank you for the trust you place in us and look forward to continue working with you in the future.**

A handwritten signature in black ink that reads "A. Vögeli". The signature is written in a cursive style.

Andreas F. Vögeli  
Chairman of the Foundation Board

A handwritten signature in black ink that reads "Ingo Bofinger". The signature is written in a cursive style.

Ingo Bofinger  
Managing Director

# Investment Committee report for the AFIAA Global investment group

Social and economic pressures continued in financial year 2020/2021. Aside from the normal course of business, collaboration between the different bodies was dominated by the strategy review. In addition to growth, the focus was on active asset management within the portfolio.

The Foundation Board has delegated the responsibility for implementing its chosen investment strategy for the AFIAA Global investment group to the Investment Committee. Key areas include the purchase and sale of properties, the monitoring and implementation of property strategies, decisions regarding investments in major renovation and conversion work, monitoring of the performance of the real estate portfolio and support of the Foundation Board in its investment strategy reviews and adjustments.

## Investments and disinvestments

In the past financial year, the Investment Committee took decisions on the acquisition of a total of three properties, comprising one property in Amsterdam, one in Luxembourg and one in Stockholm. In Amsterdam and Luxembourg, AFIAA is working on opening up new locations and establishing a new presence. Both locations are part of AFIAA's core investment universe, with multiple properties having been investigated over recent years. A first successful investment was made in Stockholm in the past financial year. Following the acquisition in the previous financial year, an attempt was made to purchase a second property. In the end, it was not possible to acquire one of the properties for the portfolio. Issues emerged in the Stockholm acquisition review that argued against a purchase. In Amsterdam, the seller decided otherwise at short notice, while in Luxembourg, our bid was not high enough and we only made second place. As a consequence, the portfolio remained unchanged in the past financial year. However, the transaction team was busier on the markets than the number of applications would suggest. The difficult global situation has significantly reduced the volume on the transaction markets, with many sellers and investors adopting a wait and see approach. Moreover, traveling was more difficult or even impossible.

While no sales proposals were submitted, there were three investment applications. Firstly, this included the scheduled refurbishment of office space on floors four to six of the "Kaisergalerie" building in Hamburg. The property had been acquired in the knowledge that the tenant would leave, resulting in a good opportunity to raise the rent potential through refurbishment. Secondly, two applications were made for the refurbishment of the entire "400 West 15th Street" property in Austin. The building is one of two prop-

erties held in the AFIAA Global portfolio in Austin. A multi-tenant property, it has reached a lifecycle phase where refurbishment has become necessary. Catching the spillover from Silicon Valley, Austin remains a highly attractive location. As in other cases, AFIAA is pursuing a strategy of restoring the property to a premium condition and charging the higher market rents facilitated by the refurbishment.

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"Inflation will be less of a challenge for the AFIAA Global portfolio than the costs and measures associated with the extensive ESG topic."

In the meantime, the Investment Committee and the Management have added a review of properties that did not advance as far as an application to the "transaction" agenda item. The aim is to develop a feeling for the market, and especially for the reasons why an application was not possible. One of the lessons learned from this reflection is that the markets are still dominated by intense competition. Although the markets are diversifying and buyers and sellers no longer meet at all property conditions and locations, investors are still flocking to Core locations (macro and micro location). Looking ahead, this means that the selection and assessment process will become more detailed in the future.

### Market outlook and challenges

In recent years, central banks have created a huge over-supply of money which is now unleashing rising consumer goods inflation and further asset price inflation. This trend is leading to reduced purchasing power in the respective currencies, forcing investors “to be invested”. Moreover, the situation also encourages investors to think and measure in terms of “real” returns, rather than “nominal” quantities. In Germany and the USA, nominal returns are no longer enough to ultimately ensure positive real returns for investors. The greatest impact is borne by institutional investors, which are required by their regulations to invest a certain quota in bonds, irrespective of the situation on the capital markets.

This environment explains the ongoing attraction of real estate investments. Current surveys continue to confirm investors’ interest in expanding real estate exposures. Hence, the majority are net buyers on the international real estate markets. For the time being, even the prospect of a slow phasing out of the quantitative easing policy in the USA and the likelihood of an imminent first hike in interest rates will not have a major impact on real estate investments. The following potential developments may have a greater effect:

- **Slowdown in growth:** The economic race to catch up after the health-related restrictions has lost momentum. Order books are overflowing in many industries as interrupted supply chains are prompting customers to order more than actually necessary to ensure that they have enough material. Companies are safeguarding their growth and replenishing stocks. This is likely to result in weaker growth in the course of 2022. The catch-up effect is petering out and warehouses are full again.
- **ESG:** In many cases, ESG-related costs are not factored in. There is still insufficient political certainty regarding regulations and their consequences. Relevant regulations may have to be implemented faster than anticipated and the implementation may turn out to be more expensive. This may reduce returns as some investments cannot be passed on.
- **Regulation affects growth:** Excessive regulation of sectors, e.g. the “planned economy approach” that is currently making the rounds, is having a negative effect on growth.

Under our 2021+ Strategy, we have refined location quality and made it easier to combine potential property uses. For some time now, we have explicitly considered ESG principles in all our acquisitions – in each case taking the national background and the investors’ requirements into

account. In line with the defined use, we continue to invest in recognised prime locations and strive to design versatile office space that can be put to different uses. The Investment Committee believes that not only is “office” not dead, it will actually see a revival. Further differentiation is expected, but premium micro and macro locations will always be in demand, especially in the case of non-multipliable locations and properties.

The above paragraphs have provided an insight into the work performed by the Investment Committee in terms of acquisitions and disposals, refurbishments and potential challenges. AFIAA benefits from the advantages of its optimised portfolio which has proved its resilience in the great majority of cases.

On behalf of the Investment Committee

Dr. Stephan Kloess  
President of the Investment Committee

# Report of the Management Board

Dealing with the Covid 19 pandemic was once again the main challenge in financial year 2020/2021. Globally, governments took a variety of different measures to curb the spread of the virus. In this volatile market environment, the AFIAA Investment Foundation managed to attract new clients and further capital commitments.

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## AFIAA Global / AFIAA Global hedged investment groups

### Portfolio management

In financial year 2020/2021, the Covid-19 pandemic continued to keep the world on its toes. However, thanks to rising vaccination rates in Q2 and Q3 2021, hope for an end to the pandemic was gaining ground. Even though vaccination rates varied significantly from country to country, the easing of restrictions in the strongest economic regions increasingly resulted in some long-awaited normality.

In Europe, the situation on the real estate markets was generally stable. The situation in the USA remained tense as extensive co-working spaces were put on the market in response to ongoing tight restrictions, and a persistent reluctance to sign new tenancy agreements took hold.

In Australia, restrictions were relaxed step-by-step as the lockdowns in Melbourne and Sydney were suspended and travel outside Australia was once again permitted.

A degree of normality also returned to the international transaction markets. While, at the start of the year, the average transaction volume was still far below the previous year's average, the second half of the year saw a distinct rise in transaction activities. Investors continued to show significant demand for properties in attractive locations with tenants of good credit standing.

The trend in property prices on the European and Australian markets was stable to slightly positive in the financial year. Core properties were already seeing yield compression again. Due to the lockdowns in the first half of the year, properties in the USA with tenants in hard-hit sectors (retail, co-working, hospitality) initially suffered the highest corrections. Subsequently however, values stabilised. Hence, the impact of the Covid-19 pandemic on the properties' market values varied considerably. From a risk management point of view, a broad-based real estate portfolio consisting of premium properties at central CBD locations has once again proved to be a successful strategy in this crisis.

### AFIAA Global

In a challenging market environment, the AFIAA Global investment group managed to increase the value of its real estate portfolio by 5.26% to around CHF 2.4 billion.

In financial year 2020/2021, AFIAA Global generated a healthy return on investment of 5.96%. Net assets rose by 6.07%.

Based on a target figure of CHF 3.0 billion, the target achievement rate was approx. 80%. At the time of reporting, the portfolio consisted of 23 properties with an average market value of CHF 104.0 million.

### AFIAA Global hedged

In financial year 2020/2021, the AFIAA Global hedged investment group generated a solid return on investment of 2.89%, with net invested assets rising by 3.26% to CHF 532.1 million.

Around 85% of the investment group is currency hedged to reduce currency risks vis-à-vis the Swiss franc.

## Transactions

In the past financial year, the Covid-19 pandemic was the dominating driver on the global transaction markets. However, rather than new record volumes or the undercutting of previous acquisition yields, this driver resulted in a significant deceleration. Travel restrictions and continuous lockdowns mostly prevented a professional and structured cultivation of the markets. Moreover, it was, and still is, impossible to fully predict the long-term economic consequences and effects on the different types of use, such as office space. As a result, many potential investors were holding back. This attitude coincided with a significantly reduced supply of available properties as potential sellers were postponing imminent sales to later dates. The first half of the financial year thus saw lower transaction volumes across the board. In calendar year 2020, AFIAA's key market, the market for office properties, recorded a 34% year-on-year decline in transaction volumes down to around USD 250 billion (source: RCA Analytics). The largest drop was reported by the US markets. Despite the lower transaction volumes, real estate prices remained largely robust.

Once vaccination rates began to rise and travel restrictions were relaxed at the start of the second half of the financial year, activity on the transaction markets picked up noticeably. Core properties with stable income stood out as the asset class most in demand, and property prices were rising. In Q2 2021 alone, global office transactions went up 39% compared to the previous quarter. AFIAA recorded a significant increase in investment opportunities in Q3 2021, indicating a sustained dynamic recovery. Figures for the US office market confirm this trend. At USD 84.6 billion (30 Sept. 2021), the 2021 transaction volume was 43% higher than in the previous year (source: RCA Analytics).

In the past financial year, AFIAA played a more passive role on the transaction markets and focussed instead on reviewing its investment strategy in the light of current developments, such as changing workplace models and sustainability. The review resulted in a moderate adjustment in the target city segment involving a clear commitment to high-quality locations and matching risk/return profiles.

Aside from interest rate and money market policies and their potential impact on inflation rates, the future development of the global transaction markets is likely to be dominated by long-term trends on the rental market and the inclusion of ESG criteria. This requires particular attention in the assessment of the risks associated with individual investments. At the same time, long-term investors also stand to benefit from fresh opportunities, and AFIAA had lined up a full transaction pipeline at the end of the year.

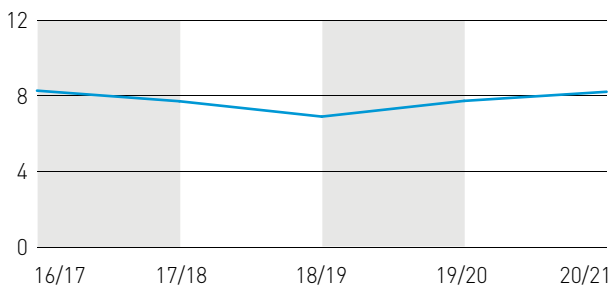
## Asset management

Key figures of the past financial year:

- Over 28 000 m<sup>2</sup> were rented out.
- Due to Covid-19 as well as ongoing building projects, the vacancy rate rose to 8.21% (previous year: 7.73%).
- The average term of the tenancy agreements rose from 6.00 to 6.40 years (+6.7%)
- The debt ratio declined from 21.87% to 21.13%.
- Approx. CHF 37.1 million were transacted in the context of restructuring projects.

### Vacancy rate

in %



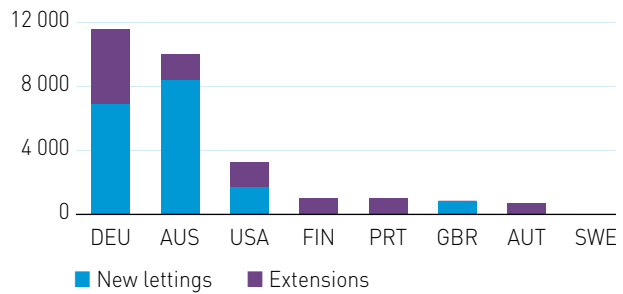
### Rental activities

The majority of the rental markets were hard hit by the pandemic, especially in the USA and Australia. In the US, new tenancies in the office and retail segments took a lot longer than in the previous years. In addition, scores of tenants in New York put their rented space on the third market for sub-letting. Some co-working companies also took a hard hit and had to abandon their business model. This floor space was offered to users in a fully developed state.

Despite the significant year-on-year decline in the letting performance, the vacancy rate remained more or less stable. Among other reasons, this was due to a substantial increase in new tenancy agreements starting in spring 2021.

### Letting performance 2020/2021, by country

in m<sup>2</sup>



### Countries in brief

#### Germany

Two current tenancy agreements with a law firm and a real estate company covering over 2600 m<sup>2</sup> were extended by six years in the “Romeo & Julia” property in Frankfurt.

Over 4500 m<sup>2</sup> in the “Westfalen-Center Dortmund” building were let to an international university and a call centre for ten and eight years respectively.

#### USA

In the “45 West 45th Street” building in New York, around 800 m<sup>2</sup> were let to an IT service provider and 900 m<sup>2</sup> to a restaurant.

#### Australia

In the renovated “628 Bourke Street” building in Melbourne, a new tenancy for around 5150 m<sup>2</sup> was concluded until November 2025. Also in Melbourne, an architect’s office extended its tenancy for over 1000 m<sup>2</sup> in the “525 Flinders Street” building until February 2026.

### Financing

In the financial year, an AUD 80.2 million loan financing the “114 William Street” property in Melbourne was restructured and extended at a significantly lower interest rate. The debt ratio dropped to 21.13%, with interest on loans averaging 2.13% and the weighted term amounting to 3.61 years.

### Restructuring projects

In the financial year, AFIAA transacted a project volume of CHF 37.2 million. The “Gresham St. Paul’s” building was completely stripped down and one storey was added. The ground floor of the “628 Bourke Street” building in Melbourne was completely gutted and given a new surrounding translucent façade on two floors. A new lobby with rear access and new spa areas for the tenants were also added. Both properties were completed during the financial year.

Restructuring projects rejuvenate the portfolio at favourable conditions and help avoid transaction costs. By renting out top spaces at an early stage and at improved terms, AFIAA is harnessing exceptional value levers. Emulating the successful strategy in Sydney (“U60” building”), AFIAA also managed to charge significantly higher rents shortly after the start of the construction work in London. The higher rents are secured through 15-year tenancy agreements with high-quality tenants. Our direct investment strategy allowed us to transfer success factors to other locations.

As at 30 September 2021, the direct investment portfolio consisted of the following properties:

Property	Year of construction	Year of acquisition	Type of use	Rentable floor space, m <sup>2</sup>
Westfalen-Center, Dortmund	1996–1998	2007	Office/hotel	28 605
Romeo & Julia, Frankfurt	1972/2009	2013	Office	14 278
Kaisergalerie, Hamburg	1907/2014	2017	Office/retail	16 696
Campus Bravo, Munich	2005	2005	Office	8 525
BigBiz, Bauteil C, Wien	2005	2007	Office	18 891
Brondankulma, Helsinki	1975/2013	2015	Office/retail	6 650
Kornhamnstorg 4, Stockholm	1750/2006/2017	2020	Office	1 608
Gresham St Paul’s, London <sup>1</sup>	1998/2019	2009	Office	13 492
21 Tudor Street, London <sup>1</sup>	2003	2012	Office	9 032
Schomberg House, London <sup>1</sup>	1700/1956/2007	2017	Office	3 459
12 Golden Square, London	1995/2015	2017	Office	2 472
14 Tothill Street, London	1916	2018	Office	5 350
Espace & Explorer, Lisbon	2010	2013	Office	15 153
400 West 15th Street, Austin	1981	2008	Office	25 752
501 Congress Avenue, Austin	1963/2015	2015	Office/retail	10 909
119–125 West 25th Street, New York City	1930/2017	2016	Office/retail	12 823
45 West 45th Street, New York City	1923/2018	2019	Office/retail	12 399
158 West 27th Street, New York City	1913/2018	2019	Office/retail	10 845
Arch Square, Washington, D.C.	1890/2013	2015	Office/retail	5 181
525 Flinders Street, Melbourne	2008	2012	Office	10 281
114 William Street, Melbourne	1976/2013	2016	Office	21 013
628 Bourke Street, Melbourne	1989	2017	Office	24 448
U60, Sydney	2006/2018	2009	Office/retail	20 037

All properties are in the sole ownership of AFIAA.

<sup>1</sup> Building right

## Sustainability

The AFIAA Investment Foundation believes that the long-term sustainable and profitable performance of its real estate investments depends on comprehensive sustainable real estate management which incorporates social, economic and environmental factors. Investment in the sustainability of the properties minimises risks as well as securing long-term income and preserving value for the benefit of the investors. At the same time, the AFIAA Investment Foundation fulfils its responsibility towards the environment and society as well as its stakeholders. Established principles following the United Nations' internationally recognised Sustainable Development Goals (SDGs) serve as the basis of AFIAA's approach. The focus is on the SDGs that are of particular relevance to the real estate sector.



Sustainable property management can make a substantial contribution to alleviating problems like global warming or resource depletion that affect society as a whole. A comprehensive approach that covers the entire life cycle of a property is crucial in this context. This approach is reflected by the SDGs and makes a crucial contribution to their achievement.

## ECORE – ESG Circle of Real Estate



There are numerous instruments and initiatives in the institutional real estate investment market which promote transparent reporting of the efforts undertaken in the field of sustainability. This is why the management company of the AFIAA Investment Foundation has joined the Ecore – ESG Circle of Real Estate initiative. Taking the EU Disclosure Regulation into account, this initiative has developed ESG-based criteria that address real estate investment portfolios from an integrated perspective. Ecore aims to establish a reporting framework which uses a scoring model covering the required ESG criteria to facilitate comparisons between properties. As a member, AFIAA has the opportunity to help shape the development of a sustainable industry standard and set up a reporting system that serves the interests of its investors in the years to come.

[www.ecore-scoring.com](http://www.ecore-scoring.com)

## Managing sustainability aspects on the basis of consumption data

Since 2020/2021, AFIAA has been recording operational consumption data for its properties using the Measurabl data management solution. This software allows AFIAA to systematically record electricity, water and waste data, and perform comprehensive analyses at the portfolio management level. Once a reliable data set has been collected over several reporting periods, AFIAA will define target values that will be monitored, measured on an ongoing basis and incorporated into the general sustainability strategy. Via Measurabl, AFIAA can compare the measured performance with over 10 000 buildings worldwide.

[www.measurabl.com](http://www.measurabl.com)

## Physical climate risks – Moody's 427

With respect to its direct investments, AFIAA is currently working on the introduction of the Moody's 427 ESG solution for assessing physical climate risks in risk management. The solution facilitates analysis of physical climate risks for the entire portfolio, allowing AFIAA to evaluate the risk of environmental impacts, such as hurricanes, earthquakes, floods or heat stress, across all properties and to initiate measures to protect the facilities (see graph on p. 17).

The portfolio carries a medium risk in the area of water stress, with a large proportion of properties bearing a medium or high risk. This is due in particular to the investments in Australia and the USA. Risks associated with earthquakes, floods or forest fires, on the other hand, are of minor importance in the portfolio. Since the rise in sea levels likewise plays a subordinate role within the portfolio, a risk is not perceived in this regard. Properties on the European continent stand out for their low climate risks. None of the properties in the portfolio is associated with a critical climate risk.

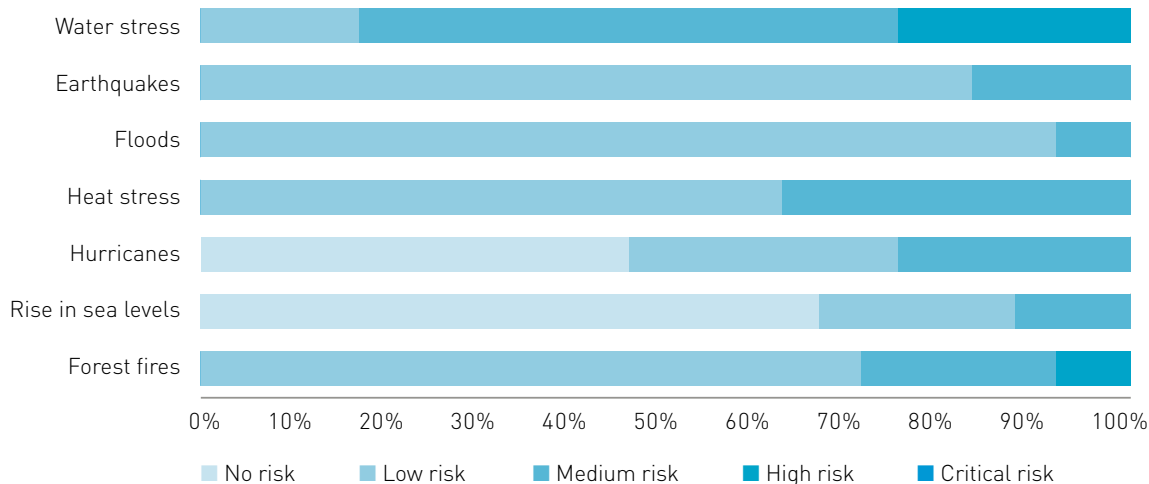
[www.427mt.com](http://www.427mt.com)

## Growing importance of sustainability certification

Sustainability plays a key role in the AFIAA Global investment strategy, both in terms of transactions and in terms of asset management. When it comes to acquisitions, AFIAA prefers properties with internationally recognised sustainability certifications (e.g. BREEAM, LEED, NABERS). The AFIAA Investment Foundation was quick to recognise the importance of these property labels and has consistently promoted certification of the properties in the AFIAA Global investment portfolio.



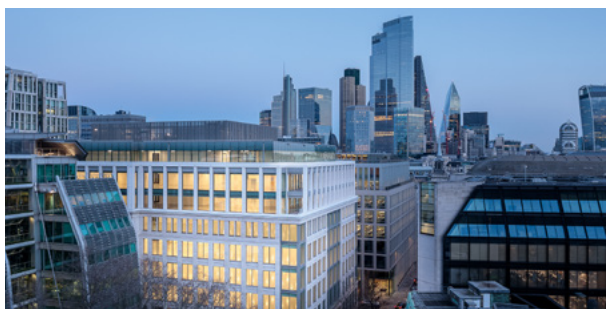
**Physical climate risk analysis of the AFIAA Global investment group (as at 30.9.2021)**



Over the past five years, AFIAA has increased sustainability certification of the AFIAA Global portfolio by 40% in terms of the number of properties, which represents just under 80% of the portfolio value.

**Sustainable success stories**

The strategy pursued by the AFIAA Investment Foundation is also reflected by the successful building projects that have been completed to date.



AFIAA’s refurbishment of the “Gresham St Paul’s” building, a 20 year-old property in the heart of London, increased the building’s capacity and significantly improved its operating cost efficiency. Compared to a new construction, the modernised offices will save 6660 tons of carbon over their lifetime. This corresponds to the annual carbon footprint created by over 1200 UK citizens. The building has since been awarded a BREEAM “excellent” sustainability rating.



Situated in the heart of Sydney, the “U60” office building underwent comprehensive modernisation in the period 2017 to 2019. Thanks to a substantial increase in energy efficiency, AFIAA managed to upgrade the building’s NABERS sustainability certificate from level 3 to level 5.

## Direct investments

At the end of financial year 2020/2021, the portfolio of the AFIAA Global investment group comprised 23 direct investments. The portfolio focuses on office properties in the Core and Core Plus risk categories that are located in the target market regions of Europe, North America and Australia.



Westfalen-Center, Dortmund



Romeo & Julia, Frankfurt



Kaisergalerie, Hamburg



Campus Bravo, Munich



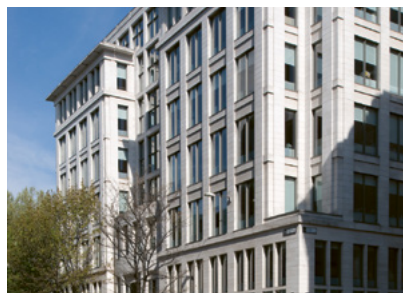
BigBiz, Bauteil C, Vienna



Brondankulma, Helsinki



Kornhamnstorg 4, Stockholm



Gresham St Paul's, London



21 Tudor Street, London



Schomberg House, London



12 Golden Square, London



14 Tothill Street, London



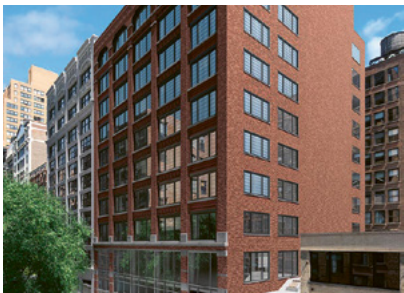
Espace & Explorer, Lisbon



400 West 15th Street, Austin



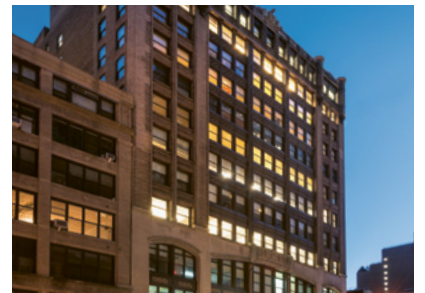
501 Congress Avenue, Austin



119-125 West 25th Street, New York City



45 West 45th Street, New York City



158 West 27th Street, New York City



Arch Square, Washington, D.C.



525 Flinders Street, Melbourne



114 William Street, Melbourne



628 Bourke Street, Melbourne



U60, Sydney

## AFIAA Diversified indirect / AFIAA Diversified indirect hedged investment groups

### Strategy

AFIAA Diversified indirect offers pension funds access to a broadly diversified international portfolio of unlisted real estate funds. Diversification is achieved via strategies, sectors, countries, target funds and investment cycles. Markets and types of use that offer growth potential, as well as themes that benefit from structural and demographic trends, form the basis.

### Portfolio controlling

Following numerous Covid-19 waves and lockdowns, pressure finally seems to have eased. Thanks to rapidly progressing vaccination campaigns, numerous countries have inoculated the majority of their population and were thus in a position to largely suspend their containment measures. Due to the new virus variants and the significant regional differences in vaccination progress, some uncertainty persists on the market.

Thanks to their broadly diversified defensive portfolio consisting of 94.5% Core and Core Plus investments, the AFIAA Diversified indirect and AFIAA Diversified indirect hedged investment groups are in a strong position to deal with uncertainty on the markets. All underlying target funds are still trading in share certificates and the investment groups continue to accept subscriptions.

### AFIAA Diversified indirect investment group

Capital commitments in the AFIAA Diversified indirect investment group have increased to a total of USD 371 million. In financial year 2020/2021, capital calls were made in the amount of USD 60.9 million, resulting in a capital call rate of 90.70%. As of the reference date, the NAV totalled CHF 416.4 million, translating into a unit value of CHF 147 228.8236. The return on investment amounted to 15.73%.

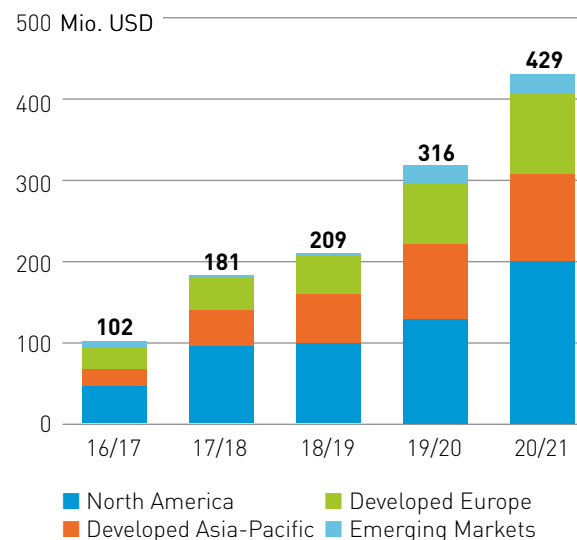
The asset management mandate has been delegated to CBRE Investment Management, London.

### Portfolio activities

During the financial year, a new US target fund was subscribed, bringing the total number of target funds in the portfolio up to 19. Moreover, capital commitments for three existing investments were raised by a total of USD 20.1 million. Despite the challenging economic situation, capital commitments totalled USD 44.1 million, while capital calls amounted to USD 80.0 million. After its underlying real estate portfolio was sold, an Australian target fund made capital repayments of USD 7.7 million in financial year 2020/2021. The target fund is set to be closed in the coming financial year.

According to the investment plan, the portfolio will be expanded further via capital commitments for existing target funds and additional investments conforming with preferred investment themes. This aim is to be reached through further investments in the residential and office sectors in Europe and the USA. In compliance with the investment plan, an Irish target fund was added to the portfolio between the balance sheet date and the reporting date which focuses on the residential sector in and around the Dublin metropolitan region. In view of the situation surrounding the Covid 19 pandemic, investments are predominantly made in resilient sectors that offer sufficient price security.

### Performance of the target fund portfolio



### Key figures of the target fund portfolio

The average tenancy rate of the portfolio's 2753 properties amounted to 92.1%, while the average residual term of the tenancy agreements is 5.6 years. As of the reference date, the average debt ratio in the target funds amounted to 24.2%.

### AFIAA Diversified indirect hedged investment group

The AFIAA Diversified indirect hedged investment group invests exclusively in the AFIAA Diversified Indirect invest-

ment group. The only difference is the hedging of the foreign currency risks. In financial year 2020/2021, fresh capital in the amount of USD 35.0 million was subscribed. The NAV as at the reference date amounted to CHF 285.4 million, resulting in a unit value of CHF 181.415.8131, or a return on investment of 13.64%.

## Portfolio composition

### Top five positions <sup>1</sup>

■ Prologis European Logistics Fund	9%
■ Harrison Street Core Property Fund	9%
■ Morgan Stanley Prime Property Fund	9%
■ Prologis Targeted US Logistics Fund	9%
■ CBRE US Core Partners	9%
■ Other	55%



### Types of use <sup>1</sup>

■ Industry/Logistics	38%
■ Residential/other	36%
■ Office	23%
■ Retail	3%



### Regions <sup>1</sup>

■ North America	46%
■ Developed Europe	25%
■ Developed Asia-Pacific	23%
■ Emerging Asia-Pacific	5%
■ Emerging Europe	1%



### Currencies <sup>1</sup>

■ USD	52%
■ EUR	21%
■ AUD	16%
■ GBP	5%
■ RMB	4%
■ HKD	2%



<sup>1</sup> Based on quarterly CBRE report.

## Sustainability

The AFIAA Investment Foundation addresses the issue of sustainability in the AFIAA Diversified indirect investment group with the utmost diligence. AFIAA has therefore carefully chosen its asset manager to ensure that sustainability forms an integral component of the investment process when it comes to selecting target funds.

### Active integration of ESG criteria at CBRE Investment Management (CBRE IM)

AFIAA's asset manager, CBRE Investment Management, is an experienced multi-manager with a proven track record in the field of indirect real estate investments, especially where sustainability is concerned. As part of its investment monitoring, AFIAA actively tracks and measures compliance with, and attainment of, the defined sustainability targets.



Aside from its commitments under the United Nations Global Compact, the United Nations Sustainable Development Goals and the Principles for Responsible Investment (PRI), CBRE IM is also a signatory, member or participant in several ESG-related networks and initiatives.

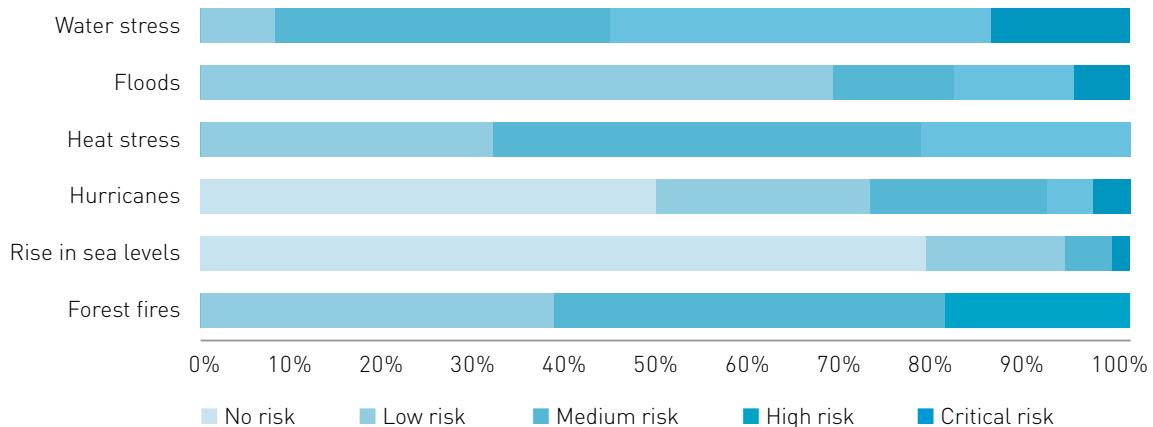
### Physical climate risks – Moody's 427

In 2020, CBRE IM integrated Moody's 427, an ESG solution for physical risk classification, into its risk management system.

The first analysis of the AFIAA Diversified indirect investment portfolio was carried out in spring 2021 (see graph below).

Risks related to water stress and forest fire dominated across the portfolio. At the regional level, this is predominantly due to the US and Australian investments. While the risk of hurricanes plays a minor role at the portfolio level, there is an increased risk associated with typhoons in the Asia-Pacific region. The European portfolio, on the other hand, contributes little to the portfolio's climate risks. A slightly elevated risk is associated with water stress in the Southern European allocation.

### Physical climate risk analysis of the AFIAA Diversified indirect investment group (spring 2021)



**Global Real Estate Sustainability Benchmark (GRESB)**

GRESB is a global ESG benchmark for real estate investments. Portfolios transmit their data to GRESB to have their ESG performance evaluated. GRESB is aligned with other international reporting frameworks, among them GRI, PRI, SASB, the TCFD recommendations, the Paris Agreement and the United Nations Sustainable Development Goals. Evaluation candidates are notified of their ranking among their competitors and are given advice on measures they can take to improve their ESG performance. CBRE IM regularly surveys the target funds regarding their GRESB evaluation data, if available, and assesses the responses using the specially developed ESG maturity matrix at the portfolio level. This means that the target funds are regularly assessed with regard to the progress they make in pursuing ESG efforts and are encouraged to actively integrate them into their management process. At present, the proportion of target funds in the portfolio that participate in this benchmark evaluation is around 99.6%.

In 2021, the target fund portfolio of the AFIAA Diversified indirect investment group had an average GRESB score of 80 out of 100 points. With the GRESB benchmark value standing at 79 points, the portfolio has thus been awarded a GRESB 4-star rating (based on the Q2 2021 net asset value).

### Indirect investments

At the end of financial year 2020/2021, the portfolio of the AFIAA Diversified indirect investment group consisted of 19 subscribed target funds, 18 of which were already invested. The investment focus is on international real estate funds with core properties in the target markets of Europe, North America and Asia-Pacific.



European Logistics Fund  
Europe  
Logistics



Dutch Residential Fund  
Europe  
Residential



Dutch Health Care Fund  
Europe  
Residential/other



UK Student Housing Fund  
Europe  
Residential



Spanish Residential Fund  
Europe  
Residential



Irish Property Fund  
Europe  
Residential



US Logistics Fund  
North America  
Logistics



US Medical Office Fund  
North America  
Office



US Diversified Fund  
North America  
Office/Residential/Retail





US Diversified Fund  
North America  
Office/Residential/Retail



US Alternative Sector Fund  
North America  
Residential/Office/Logistics



US Residential Fund  
North America  
Residential



Australian Logistics Fund  
Asia-Pacific  
Logistics



Australian Commercial Property Fund  
Asia-Pacific  
Office



Australian Office Fund  
Asia-Pacific  
Office



Asia Diversified Fund  
Asia-Pacific  
Office/Retail/Logistics/Residential



Pacific Retail Fund  
Asia-Pacific  
Logistics



China Logistics Fund  
Asia-Pacific  
Logistics



Hongkong Logistics Fund  
Asia-Pacific  
Logistics

# Corporate governance

This corporate governance report was prepared in consideration of the specific form and nature of a foundation following the SIX guidelines relating to corporate governance. The applicable versions of the Foundation's regulatory framework can be downloaded from the 'Publications' section on [www.afiaa.com](http://www.afiaa.com).

## 1 Introduction

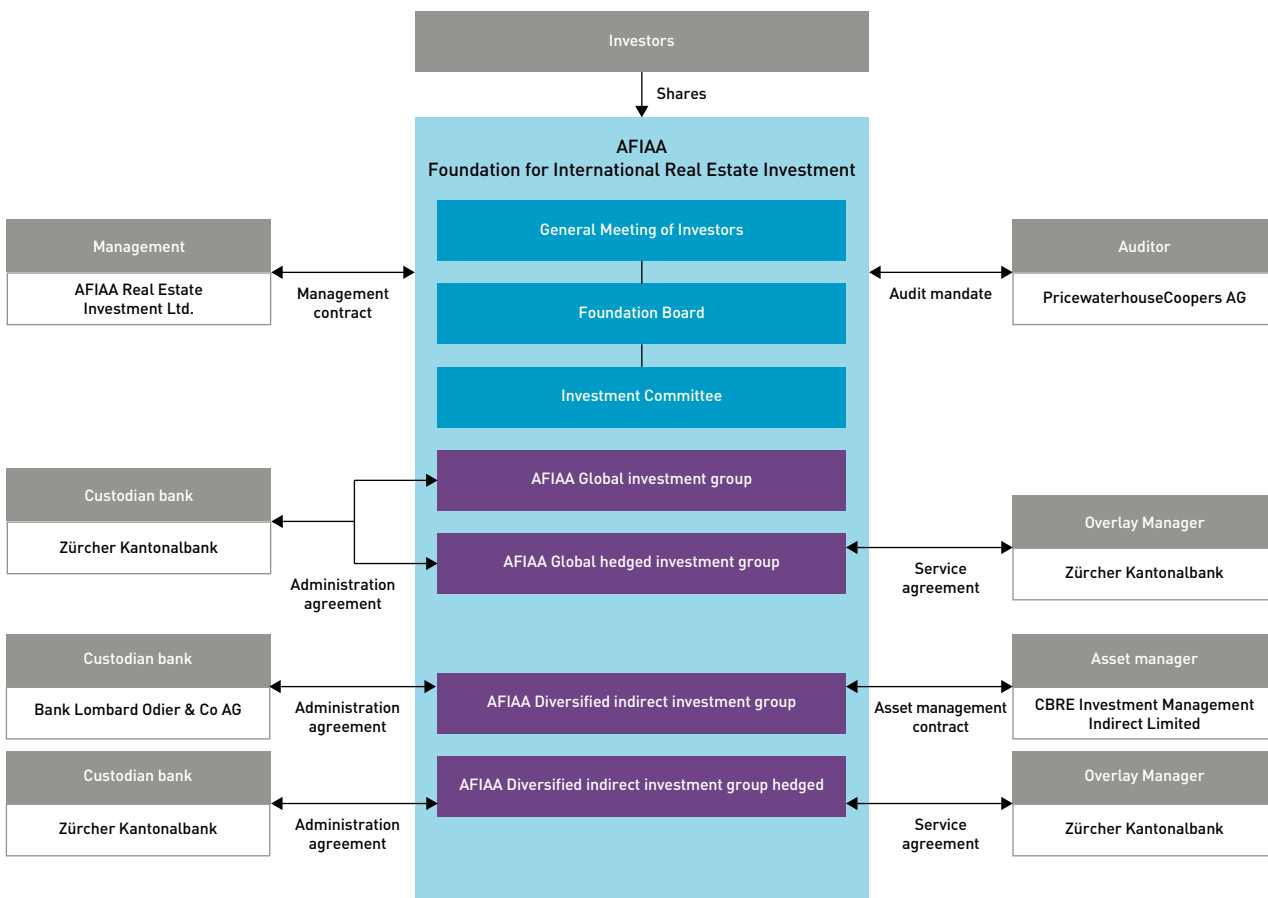
AFIAA sets great store by applying top ethical and professional standards in its management of pension assets. To safeguard these standards, AFIAA has implemented a code of conduct which is regularly reviewed by the Foundation Board and amended as necessary. The code of conduct is

based on the relevant laws and regulations, in specific Art. 48f–48l BVV 2 (integrity and loyalty of staff members in positions of responsibility), Art. 49a (2) letter c. and (3) BVV 2 (asset investment) as well as on the ASIP charter and the Guidelines of the Swiss Association of Pension Funds. Moreover, AFIAA's management company, AFIAA Real Estate Investment AG, has implemented a code of conduct based on the same principles.

AFIAA is also a member of the Swiss Association of Pension Funds (ASIP) and a member of KGAST (Conference of Managers of Swiss Investment Foundations).

## 2 AFIAA's structure

### 2.1 Organisation overview

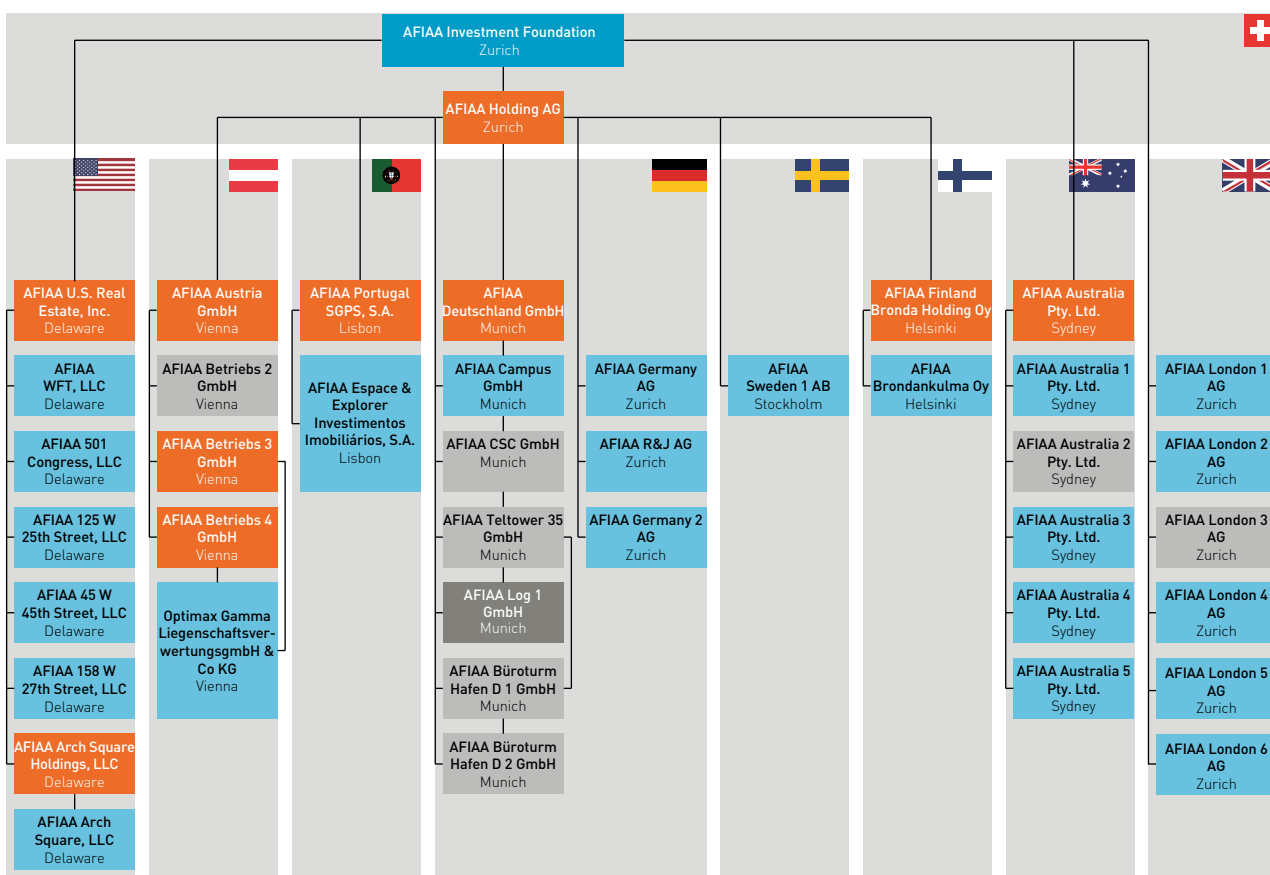


## 2.2 Overview of AFIAA companies (AFIAA Global investment group)

In the AFIAA Global investment group, the Foundation holds its properties indirectly via domestic or international property companies.

- Property companies
- Holding companies
- Inactive shelf companies
- In liquidation

Status as per 30 September 2021



## 2.3 Newly established group companies

No new group companies were established in the reporting year.

## 2.4 Group companies dissolved

The following companies were dissolved in the financial year:

### Germany

- The dissolution of AFIAA Log 1 GmbH, Munich was initiated. The insolvency proceedings of the former tenant were concluded. AFIAA Log 1 GmbH can now be dissolved.

### Great Britain

- The Baek Pall Mall Property Unit Trust which held the Schomberg House property was dissolved with effect from 10 February 2021. AFIAA London 4 AG has replaced the trust as the owner of the property.

## 2.5 Group companies sold

No group companies were sold in the reporting year.

### 3 Investment groups and capital structure

The hedged investment groups invest in the underlying unhedged AFIAA Global and AFIAA Diversified indirect investment groups. The investment groups and the capital structure are presented on page 68.

#### 3.1 AFIAA Global investment group

As at 30 September 2021, the net assets totalled CHF 1886.7 million. 32 investors are holding a total of 16 872 965.5152 shares. These figures include the 'technical' investor AFIAA Global hedged. One investor's capital commitment in the amount of CHF 10.0 million was outstanding. In the financial year, one investor applied for the redemption of a portion of its shares.

#### 3.2 AFIAA Global hedged investment group

As at 30 September 2021, the net assets totalled CHF 532.1 million. 21 investors are holding a total of 3 418 783.0272 shares. Capital commitments by 13 investors were outstanding in the amount of CHF 14.2 million.

Due to the transfer of one investor from AFIAA Global hedged to AFIAA Global, and the associated payment of the liquidity reserve held for the currency hedge, 234.0060 shares in the amount of CHF 35 397.42 were redeemed.

#### 3.3 AFIAA Diversified indirect investment group

As at 30 September 2021, the net assets totalled CHF 416.4 million. Seven investors are holding a total of 2828.2252 shares. These figures include the 'technical' investor AFIAA Diversified indirect hedged. One investor's capital commitment in the amount of USD 34.5 million was outstanding.

#### 3.4 AFIAA Diversified indirect hedged investment group

As at 30 September 2021, the net assets totalled CHF 285.4 million. 14 investors are holding a total of 1573.0046 shares. Capital commitments by ten investors were outstanding in the amount of CHF 82.9 million. No shares were redeemed in the financial year.

85% of the foreign currency risks (net investments in real estate and foreign currency holdings) are hedged by way of futures contracts with a general maturity of twelve months in both the AFIAA Global hedged and the AFIAA Diversified indirect hedged investment groups (foreign currency forwards and swaps).

### 3.5 Investors

The following may join the Foundation's group of investors:

- Pension institutions under private and public law as well as other tax-exempt institutions headquartered in Switzerland that serve occupational pension purposes and
- Legal entities that manage the collective investments of the institutions according to the above paragraph, are subject to supervision by the Financial Market Supervisory Authority (FINMA) and whose investments in the Foundation are made exclusively on behalf of these institutions.

The Management is responsible for the approval of new investors. It may refuse admission without giving reasons. On admission, prospective investors must sign a declaration confirming their fulfilment of the requirements outlined in the previous paragraph and their recognition of the Articles of Incorporation, Regulations, Prospectus (including Investment Guidelines) and Finance Guidelines. In addition, they are obliged to purchase, or make a capital commitment to purchase, at least one share.

The status of investor is granted provided at least one share or a capital commitment exists.

The representatives of the investors form the General Meeting of Investors, which is the Foundation's highest executive body.

#### 3.6 Capital commitments

The Foundation accepts binding capital commitments for fixed amounts. The rights and obligations of both investors and the Foundation, which stem from capital commitments, only apply once approval by the Management has been received. Management is free to accept or reject capital commitments.

#### 3.7 Issue of shares

Shares are principally acquired in the form of capital calls by the Foundation. An exception to this is made in the following cases:

- direct subsequent placement of redeemed shares by the Foundation
- assignment of shares in accordance with the regulations
- as a substitute for foregoing income distribution (re-investment)

Free trading of shares is not permitted. Claims cannot be made against the Foundation on the basis of shares acquired without the Foundation's involvement.

Possession of a share confers upon investors the right to participate in and vote at the General Meeting of Investors, to receive information and to receive a respective share of the assets and the annual profit.

## 4 Foundation Board

### 4.1 Members of the Foundation Board

Name	Function	Professional occupation	Nation-ality	Member since	Term of office until
Andreas F. Vögeli	Chairman	Partner in Niederer Kraft Frey AG	CH	14.3.2016	2023
Adrian Wipf	Vice chairman <sup>1</sup>	Head of Asset Management and Member of the Board of Directors of BVK Personalvorsorge of the Canton of Zurich	CH	1.1.2013	2023
Marçal Décoppet	Member	MD, Fondation de Prévoyance des Paroisses et Institutions Catholiques	CH	28.1.2016	2023
Jean-Bernard Georges	Member	CIO, Copré (La Collective de Prévoyance)	CH	26.2.2019	2023
Max-Eric Laubscher	Member	Head of Asset Management and Member of the Board of Directors of the Basel City Pension Fund	CH	28.1.2016	2023
Josef Lütolf	Member	Head of Investments and Member of the Management of the Lucerne Pension Fund	CH	28.2.2020	2023
Damian Tobler	Member	Partner and CFO/CIO, Kendris AG	CH	25.2.2021	2023

The profiles of the individual members of the Foundation Board are published on [www.afiaa.com](http://www.afiaa.com).

Prof. em. Dr Alfred Storck und Christoph Oeschger resigned from the Foundation Board with effect from the Investors' Meeting on 25 February 2021.

### 4.2 Election and term of office

The Foundation Board consists of a minimum of three expert members. The members of the Foundation Board are elected individually at the General Meeting of Investors for a period of two years. The details of the mandates are governed by separate contracts.

### 4.3 Division of competencies/responsibilities of the Foundation Board

The Foundation Board is the highest executive body and governs the Foundation in accordance with the relevant laws and ordinances, provisions of the Articles of Incorporation and Regulations, and the instructions of the supervisory authority. It sets the overall strategy and supervises its implementation.

The Foundation Board acts as a collective body. Unless otherwise approved by the Board, its members have no personal powers with respect to the Foundation and are therefore unable to give instructions of their own.

The Chairman and all other members of the Board are authorised joint signatories.

The Foundation Board has delegated all aspects of operational management to the management company AFIAA Real Estate Investment AG, unless otherwise prescribed by the law, the Foundation's Regulations, Articles of Incorporation or Organisational Regulations. The management company's supervision of the implementation of the investment strategy for the AFIAA Global investment group, which is formulated by the Foundation Board, has been delegated to the Investment Committee. The Foundation Board supervises the Investment Committee and Management and issues the necessary instructions. In the case of transaction volumes of CHF 150 million and above, the Board has the right to veto specific purchases and sales which have been approved by the Investment Committee.

<sup>1</sup> Since 1.4.2021, previously: member

The Foundation Board is entitled to delegate the tasks of preparing and implementing its resolutions or supervising transactions to committees, individual members, the Managing Director or to the management company. It is responsible for providing adequate reports to its members.

## 5 Audit Committee

The Foundation Board has established an Audit Committee. The Committee's main task is to assess the external audit and the effectiveness of the internal control system (ICS), taking into account risk management, as well as the critical audit of the annual financial statements. The tasks of the Audit Committee are specified in detail in the Audit Committee Regulations.

The Audit Committee consists of the following members: Adrian Wipf (Chairman), Max-Eric Laubscher (member) and Damian Tobler (member). The Foundation Board appoints each of the members of the Audit Committee for a period of two years.

Prof. em. Dr. Alfred Storck resigned from his positions of member and chairman of the Audit Committee at the same time as leaving the Foundation Board (effective 25 February 2021). On 1 April 2021, the Foundation Board appointed Adrian Wipf as new Chairman of the Audit Committee and confirmed the other members. All three have been elected until 2023.

## 6 Investment Committee for the AFIAA Global investment group

### 6.1 Members of the Investment Committee

Name	Function	Professional occupation	Nationality	Member since	Term of office until
Dr. Stephan Kloess	Chairman	Owner of KRE KloessRealEstate	CH	1.1.2017	2023
Cyrill Schneuwly	Vice Chairman	CEO Intershop Holding AG	CH	25.6.2018	2023
Thomas Frutiger	Member	Delegate of the Board of Directors of the Frutiger Group	CH	13.2.2006	2023
Andreas Kressler	Member	Owner of Kressler Consulting GmbH	CH	28.2.2020	2023
Charles Pridgeon	Member	Private investor at Whitestork BV, Euroche GmbH	UK	26.6.2020	2023
Claudia Reich Floyd	Member	Portfolio Management/Research, Global Real Estate Securities at Hazelview Investments	DE	31.8.2017	2023
Stefan Schädle	Member	Head of Real Estate Management of BVK	CH	1.4.2008	2023

The profiles of the individual Investment Committee members are published on [www.afiaa.com](http://www.afiaa.com).

### 6.2 Election and term of office

The Investment Committee consists of a minimum of three members. The members and Chairman of the Investment Committee are elected by the Foundation Board for a period of two years.

When populating the Investment Committee, the Foundation Board takes into account the training and experience required and each individual's reputation as well as independence and professionalism. The Investment Committee must include proven experts in foreign property investment. The Investment Committee is otherwise self-constituting. Members of the Investment Committee can be re-elected.

The details of the mandates are governed by separate contracts.

### 6.3 Division of competencies / responsibilities of the Investment Committee

Within the framework prescribed by the Foundation Board, the Investment Committee is responsible for deciding on investments, disinvestments and major modernisation and conversion work, supports the Foundation Board in its development and review of the investment strategy for the AFIAA Global investment group and supervises its implementation by the management company. Furthermore, the Investment Committee supervises the implementation of the property strategies (property business plans) and the consolidated portfolio view (including risk control) and the (target) performance of the real estate portfolio.

The Investment Committee acts as a collective body. Unless otherwise approved by the Foundation Board, its members have no personal powers with respect to the Foundation and are therefore not in a position to give instructions of their own.

Members of the Investment Committee are not authorised to sign for the Foundation.

The Investment Committee delegates the task of preparing transactions and implementing resolutions to the executive board of the management company, unless otherwise prescribed by the law, Regulations, Articles of Incorporation or Organisational Regulations of the Foundation. Exceptions to this require prior approval from the Foundation Board.

## 7 Management company

AFIAA has delegated the operational management and administration to AFIAA Real Estate Investment AG (AREI). The respective details were settled in a management and administration agreement. AFIAA Real Estate Investment AG is a fully-owned subsidiary of Avadis Vorsorge AG and is domiciled in Zurich.

AFIAA Real Estate Investment AG holds a quality management certificate (ISO standard 9001:2015). This certificate fulfils the requirement under Article 16 Para. 3 of AFIAA's Regulations according to which the company entrusted with the management tasks must obtain certification of its processes and workflows according to the generally accepted ISO quality standards.

## 8 Managing Director of the Foundation

When appointing the Managing Director, the Foundation Board ensures that the candidate has the necessary professional qualifications and that impeccable business conduct is guaranteed.

Ingo Bofinger, CEO of AFIAA Real Estate Investment AG, is also Managing Director of the AFIAA Investment Foundation.

The main tasks of the Managing Director consist of the organisation, management and control of day-to-day operations in accordance with the Foundation Regulations and the instructions of the Foundation Board, the processing of capital commitments and the redemptions of shares, the management of the investment accounting, the preparation of the annual financial statements for the individual investment groups and the preparation, approval and publication of the quarterly reports. On top of this, the Managing Director is responsible for the implementation of the internal control system, operational risk management and compliance.

## 9 Responsibilities and division of competencies

### 9.1 Basic principles

The basic principles and separation of functions and powers among the Foundation Board, the Audit Committee, the Investment Committee, the Managing Director and the

management company are stipulated in the Foundation's Organisational Regulations.

The Foundation Board exercises supervision and overall management of the Foundation.

Based on the concept of integral delegation, the management company performs all operational management and administrative responsibilities that serve AFIAA's purpose as a foundation and are not reserved for other bodies, commissions, committees or external offices.

The members of the executive board of the management company fulfil an executive role at AFIAA Investment Foundation. Two members are jointly authorised to sign. In addition, they fulfil executive roles at the direct and indirect subsidiaries. Again, two members are jointly authorised to sign (subject to local statutory provisions).

The tasks of individual members of the management are based on their employment contracts and associated job descriptions subject to mandatory legal requirements and regulatory provisions.

### 9.2 Structure of information and control systems relating to Investment Committee, the Managing Director and the management company

The Foundation Board ensures that the Managing Director and the management of AREI are informed in due time and manner about all business-related decisions of the Board.

The Investment Committee ensures that the Foundation Board receives comprehensive, transparent information in good time, and reports periodically, at least twice a year, on its activities.

As a rule, the Managing Director and the management of AREI attend the meetings at the invitation of the Chairman of the Foundation Board. They have an advisory vote and the right to submit motions.

The Managing Director informs the Chairman of the Board immediately regarding exceptional circumstances that have a significant impact on business.

Each member of the Foundation Board can request information on the Foundation's affairs. At meetings, Board members as well as the Managing Director and the management of AREI are obliged to provide information. Outside the meetings, each Foundation Board member can request information from the Managing Director and the management of AREI concerning business progress and, upon written

consent of the Chairman of the Board, concerning individual dealings.

The Foundation Board is informed regularly, and according to the requirements of the quarterly and annual reports, about important key figures as well as about AFIAA's financial and operating risks.

The Foundation Board determines the basic principles of the risk policy, the risk management process and the risk management concept. It defines the key risks and monitors these. Risk management is implemented by the management company, monitored by the Foundation Board and can be applied to the strategic framework across the company. The aim is to make all relevant risks controllable and manageable where possible through efficient processes and consistent risk awareness. The current risk management concept was approved by the Board and is subject to periodical reviews (most recently at the Board meeting on 24 June 2021).

## 10 Remuneration of members of the Foundation Board, Investment Committee and the management company

### 10.1 Method of determining remuneration

#### 10.1.1 Foundation Board

In accordance with Art. 4.5.5 of the Foundation's Organisational Regulations, members of the Foundation Board are entitled to receive appropriate remuneration, in accordance with their activities, which is set by the Foundation Board every year. Exceptional efforts outside the usual scope of Board activities are also compensated subject to the Foundation Board's approval.

#### Remuneration of the Foundation Board:

In the reporting year, at Group level, the annual flat rates were set at CHF 30 000 for the Chairman, CHF 15 000 for the Vice Chairman and CHF 10 000 for the remaining Board members. The allocation per meeting and member is CHF 1500 for attendance and CHF 100 for expenses. For telephone conferences and extraordinary meetings, Board members receive CHF 750 (no expenses). Workshops are compensated at a rate of CHF 1500 per day CHF 750 per half day. Circular resolutions are not paid.

During the reporting year, four ordinary meetings and one extraordinary meeting were held as well as one half-day workshop (in conjunction with the Audit Committee, the Investment Committee and the management of AREI).

#### Remuneration of the Audit Committee:

The Chairman of the Committee receives a lump-sum remuneration of CHF 7500, the members CHF 5000. Meet-

ings are compensated with a fee of CHF 1500 and expenses of CHF 100. For telephone conferences and extraordinary meetings, the Audit Committee members receive CHF 750 (no expenses).

During the reporting year, four ordinary meetings and one extraordinary meeting on the 2021+ Strategy were held, as well as one half-day workshop (in conjunction with the Foundation Board, the Investment Committee and the management of AREI).

#### Total remuneration of the Foundation Board:

The total remuneration paid to the Foundation Board (including the Audit Committee) amounted to CHF 199 635.10 during the reporting year. The Chairman of the Foundation Board received gross fees of CHF 40 170.95.

There are no contractually agreed termination benefits.

#### 10.1.2 Investment Committee

Members of the Investment Committee are entitled to receive appropriate remuneration, in accordance with their activities, which is set regularly by the Foundation Board (Art. 6.5.4 of the Organisational Regulations). Exceptional efforts outside the usual scope of the committee work are also compensated.

The annual flat rates are set at CHF 30 000 for the Chairman, CHF 15 000 for the Vice Chairman and CHF 10 000 for the remaining Investment Committee members. The allocation per meeting and member is CHF 1500 for attendance and CHF 100 for expenses (members abroad receive compensation for their actual expenses). For telephone conferences, extraordinary meetings and circular resolutions, Investment Committee members receive CHF 750 (no expenses).

During the reporting year, three ordinary and six extraordinary meetings were held as well as a two-day workshop in Switzerland (due to Covid-19 the workshop did not take place in one of AFIAA's target markets abroad) and one half-day workshop (in conjunction with the Foundation Board, the Audit Committee and the Management of AREI).

For inspections of investment properties (including reporting), remuneration is set at CHF 2500 per day (plus actual expenses).

In the reporting year, one member of the Investment Committee inspected a property in Sweden in the context of a potential acquisition. The "Gresham St. Paul's" conversion project in London was successfully completed and the spe-



cial committee established for the project was dissolved with effect from 15 June 2021.

There are no contractually agreed termination benefits.

The total remuneration paid to the Investment Committee amounted to CHF 182 809.10 during the reporting year. The incumbent Investment Committee Chairman received a total fee of CHF 42 950.00.

### 10.1.3 Remuneration of the management company

#### Fees of the AFIAA Global investment group

##### Management fee

The management fee for the AFIAA Global investment group amounts to a maximum of 40 basis points p.a. on the investment group's total investment volume (TIV). The fee is calculated according to the investment group's respective holdings at the end of the quarter and is accrued on a quarterly basis. AFIAA Real Estate Investment AG may grant volume discounts to investors.

#### Transaction commission and refurbishment/conversion commission

For its services rendered in connection with the acquisition and sale of real estate, AFIAA Real Estate Investment AG also receives a commission of max. 1.0% of the purchase/selling prices of the properties approved by the Investment Committee as well as a commission of max. 2.0% p.a. of the construction/conversion volume approved and commissioned by the Investment Committee.

#### Fees of the AFIAA Diversified indirect investment group

AFIAA Real Estate Investment AG directly charges the general management fee to the investors. Volume discounts on the general management fee may be offered to investors with large capital commitments.

#### Fees of the currency-hedged investment groups

Aside from the above fees, AFIAA Real Estate Investment AG does not receive any further compensation for the management of the currency-hedged AFIAA Global hedged and AFIAA Diversified indirect hedged investment groups.

## 11 Participation right of investors

### 11.1 Voting power and representation

In accordance with Art. 8 of the Articles of Incorporation, the voting power of investors is determined by their share of the assets.

There are no statutory voting right restrictions.

Investors have the right to be represented by another investor or an independent proxy-holder appointed by the Foundation.

### 11.2 Statutory quorums

In accordance with Art. 8 of the Articles of Incorporation, the General Meeting of Investors passes its resolutions by a simple majority of the votes cast, with the following exceptions:

- A majority of two-thirds of the votes cast is necessary for applications to the supervisory authority (OAK BV), to amend the Articles of Incorporation.
- A majority of three-quarters of the votes cast is necessary for an application to the supervisory authority to dissolve the Foundation.<sup>1</sup>

### 11.3 Convening of the General Meeting of Investors

In accordance with Art. 13 of the Regulations, the General Meeting of Investors is convened by written invitation from the Foundation Board within six months of the end of the financial year. The invitation must be sent by no later than 20 days before the meeting date.

A duly convened meeting is quorate irrespective of the number of votes represented. The Board keeps a list of the investment groups, the investors and their shares. Individuals eligible to attend the meeting are those who are registered with the Investor Directory at the time the invitations are sent out. Investors may submit applications to the General Meeting of Investors before the invitation is issued. Applications made after dispatch of the invitation and up to the meeting date are admitted for discussion by decision of the meeting. However, a resolution may not be passed before the next meeting.

According to Article 8 of the Articles of Incorporation, an extraordinary General Meeting of Investors can be convened by the Foundation Board or, if required, by the Audit Committee. An extraordinary General Meeting of Investors can also be requested in writing by one or more investors, who together represent at least 10% of the investment capital, by declaring the subject matter of the meeting and any possible motions. The Foundation Board is obliged to call the extraordinary General Meeting of Investors within one month of receiving the request.

<sup>1</sup> If the Foundation's purpose cannot or can no longer be achieved with reasonable effort.

## 12 Auditors

### 12.1 Mandate term and term of office of auditor in charge

The General Meeting of Investors on 25 February 2021 appointed PricewaterhouseCoopers AG, Zurich, as auditor for a term of one year (until the General Meeting of Investors on 24 February 2022). PricewaterhouseCoopers AG also serves as the independent auditor for AFIAA Holding AG. The auditor in charge is Raffael Simone.

The auditors specifically verify that the Foundation's organisation, the activities of the Foundation Board, the commissions and committees, the Managing Director, the management of AREI and the other authorities and bodies mandated by the Management as well as the asset investment all comply with the law, the Articles of Incorporation, the Regulations and the Investment Guidelines and Financial Guidelines.

The Foundation Board regularly verifies the auditor's independence.

### 12.2 Fees

In financial year 2020/2021, auditing fees for PricewaterhouseCoopers AG amounted to CHF 301 314 (excluding VAT). In addition to auditing fees, PricewaterhouseCoopers AG charged a fee of CHF 35 184 for tax consultancy services.

### 12.3 Approach

In conjunction with the auditor and the management of AREI, the Foundation Board sets an audit plan for several years, leaving the auditor scope to set its own audit priorities. The auditor submits the auditing budget for the following financial year to the Foundation Board at the first meeting after the General Meeting of Investors.

The auditor regularly presents the Foundation Board with a comprehensive report. If there are special circumstances, the auditor informs the Foundation Board immediately.

If necessary, the Foundation Board may entrust the auditor with particular auditing tasks.

The auditor submits an annual report to the General Meeting of Investors.

## 13 Investors' right to information

AFIAA informs its investors in an open and timely manner and with the greatest possible transparency.

Financial reporting takes the form of quarterly and annual reports. These are prepared in accordance with the Swiss

GAAP FER 26 professional recommendations for financial reporting and the Swiss Ordinance on Investment Foundations (ASV).

Investors have the right to ask the Foundation Board for information about the management and to inspect the accounts at any time. The Foundation is particularly required to inform the investors upon request about purchases, sales and other transactions arranged. They are also entitled to information on investments in collective investment vehicles. Information relating to other investors is excluded, with the exception of the number of shares held by an investor in the same group. The information or access to it may be refused with the approval of the Chairman of the Foundation Board if it would endanger interests requiring protection or business secrets.





# Annual Financial Statements

## AFIAA Global investment group

ISIN CH0019574729, Securities no. 1.957.472

## Consolidated balance sheet

Market value in CHF	Notes *	30.9.2021	30.9.2020
<b>Assets</b>			
<b>Liquid funds</b>		<b>119 930 919</b>	<b>104 230 960</b>
Bank balances		115 674 870	100 211 748
Fixed-term deposits/call money		4 256 049	4 019 212
<b>Other assets</b>		<b>47 927 733</b>	<b>44 895 295</b>
Receivables from third parties		4 302 114	6 726 621
Trade receivables		6 345 356	4 544 216
Accrued income		5 958 419	3 172 419
Prepaid finance charges		1 367 094	1 442 877
Deferred tax assets	1	29 954 750	29 009 162
<b>Properties</b>		<b>2 399 205 940</b>	<b>2 279 366 051</b>
Direct investments	2	2 399 205 940	2 279 366 051
<b>Total assets</b>		<b>2 567 064 592</b>	<b>2 428 492 306</b>
<b>Liabilities</b>			
<b>Debt capital</b>			
Trade payables		1 763 813	1 260 641
Liabilities to third parties		19 195 886	23 663 231
Deferred income		20 322 119	8 475 286
Short-term mortgage loans	3	76 058 979	70 796 045
Long-term mortgage loans	3	430 792 055	427 773 608
<b>Total liabilities</b>		<b>548 132 852</b>	<b>531 968 811</b>
<b>Net assets before liquidation costs</b>		<b>2 018 931 740</b>	<b>1 896 523 495</b>
Estimated liquidation costs	4	-132 261 150	-117 900 418
<b>Net assets</b>		<b>1 886 670 590</b>	<b>1 778 623 077</b>
<b>Shares</b>			
At the start of the financial year		16 327 982.7271	15 696 669.9125
No. of shares issued		544 982.7881	631 312.8146
<b>No. of shares issued as at the balance sheet date (units)</b>		<b>16 872 965.5152</b>	<b>16 327 982.7271</b>
Capital value per share (CHF)		109.1607	106.1668
Net earnings of the period per share (CHF)		2.6555	2.7642
<b>Asset value (net assets) per share (CHF)</b>		<b>111.8162</b>	<b>108.9310</b>

\* See Notes to the annual financial statements.

**Consolidated income statement**

in CHF	Notes *	1.10.2020 – 30.9.2021	1.10.2019 – 30.9.2020
<b>Operating profit</b>			
<b>Income from real estate assets (net)</b>	<b>5</b>	<b>118 785 492</b>	<b>116 228 577</b>
Target rental income		131 890 113	125 786 144
Reduced earnings due to vacancy		-12 799 189	-9 138 832
Collection losses/change in provisions for doubtful debts		-305 433	-418 735
<b>Upkeep of properties</b>		<b>-10 172 934</b>	<b>-12 653 241</b>
Maintenance		-4 667 215	-4 895 838
Repairs	<b>2</b>	-5 505 719	-7 757 403
<b>Operating expenses</b>		<b>-35 297 014</b>	<b>-35 842 407</b>
Supply and waste disposal costs		-8 363 080	-7 461 955
Heating and operating costs (incl. servicing)		-5 085 372	-5 285 882
Insurance		-1 043 619	-1 035 526
Property management fees		-1 541 608	-1 482 118
Letting expenses		-1 805 817	-3 134 604
Taxes and duties		-13 200 311	-12 970 246
Cost of local management companies	<b>6</b>	-1 586 797	-1 245 307
Other operating expenses		-2 670 410	-3 226 769
<b>Operating result</b>		<b>73 315 544</b>	<b>67 732 929</b>
<b>Other income</b>			
		<b>210 711</b>	<b>552 746</b>
Interest receivable		45 388	99 946
Other income (expenses)		165 323	452 800
<b>Financial expenditure</b>		<b>-14 641 603</b>	<b>-15 441 202</b>
Mortgage loan interest		-11 500 649	-11 829 602
Negative interest on bank balances		-131 308	-71 653
Other interest payable		-1 582 345	-1 979 411
Ground rent		-1 427 301	-1 560 536
<b>Administrative expenses</b>	<b>7</b>	<b>-11 465 484</b>	<b>-12 194 346</b>
Legal and consultancy fees		-58 617	-233 061
Auditing expenses		-301 314	-260 926
Valuation expenses		-195 302	-242 165
Remuneration to administrative accounts		-380 767	-517 500
Remuneration to custodian bank		-70 000	-70 000
Remuneration to administrative bodies		-10 073 608	-9 809 059
Acquisition expenses		-129 369	-911 690
Other administrative expenses		-256 508	-149 945
<b>Tax on capital and corporate income tax</b>	<b>8</b>	<b>-2 612 580</b>	<b>4 483 084</b>
<b>Net profit for the financial year</b>		<b>44 806 588</b>	<b>45 133 211</b>
Realised capital and currency gains		-5 708 927	-27 305 118
<b>Realised profit</b>		<b>39 097 661</b>	<b>17 828 093</b>
Unrealised capital and currency gains		68 099 582	-68 091 653
Change in currency differential due to consolidation		13 129 361	-28 795 641
Change in estimated liquidation costs	<b>4</b>	-14 360 732	10 270 972
<b>Total profit for the financial year</b>	<b>9</b>	<b>105 965 872</b>	<b>-68 788 229</b>
Total currency gains **		46 593 266	-85 972 121
<b>Total currency-adjusted profit</b>		<b>59 372 606</b>	<b>17 183 892</b>

\* See Notes to the annual financial statements.

\*\* Foreign currency effects have a decisive influence on the total profit expressed in Swiss francs. Hence, alongside the total profit, we also show the total profit adjusted for foreign-exchange effects. The composition of the total foreign-exchange transactions is presented on page 51.

**Changes in net assets**

<b>in CHF</b>	<b>30.9.2021</b>	<b>30.9.2020</b>
<b>Assets at the start of the financial year</b>	<b>1 778 623 077</b>	<b>1 829 275 706</b>
Subscriptions for shares	57 596 783	71 504 278
Distributions	-55 515 141	-53 368 678
Net profit	44 806 588	45 133 211
Realised capital and currency gains	-5 708 927	-27 305 118
Unrealised capital and currency gains	68 099 582	-68 091 653
Change in currency differential due to consolidation	13 129 361	-28 795 641
Change in estimated liquidation costs	-14 360 732	10 270 972
<b>Total profit for the financial year</b>	<b>105 965 872</b>	<b>-68 788 229</b>
<b>Net assets at the end of the financial year</b>	<b>1 886 670 590</b>	<b>1 778 623 077</b>

**Appropriation of profit (investment group)**

For the 2020/2021 financial year, the net profit forms the basis for the appropriation of profits. At its meeting on 14 January 2022, in line with its sustainable dividend policy, the Foundation Board resolved to pay a dividend of CHF 3.40 per share with the option to reinvest this amount commission-free under Article 8 of the Foundation Regulations. To this end, the Foundation Board has decided to retransfer unused profits in the amount of CHF 13 000 000, which had been retained for reinvestment, to the retained earnings.

**Appropriation of profit**

<b>in CHF</b>	<b>30.9.2021</b>	<b>30.9.2020</b>
Net profit for the financial year	44 806 588	45 133 211
Retained earnings from previous year	118 069	7 500 000
Retransfer to retained earnings	13 000 000	3 000 000
<b>Available dividend payout</b>	<b>57 924 657</b>	<b>55 633 211</b>
Proposed dividend payout	57 368 083	55 515 141
Balance carried forward	556 575	118 069



## AFIAA Global hedged investment group

ISIN CH0420414754, Securities no. 42041475

**Balance sheet**

<b>Market value in CHF</b>	<b>Notes *</b>	<b>30.9.2021</b>	<b>30.9.2020</b>
Liquid funds		21 593 343	35 642 726
Financial instruments	1	1 136 674	83 435
Participation AFIAA Global		509 406 238	479 600 345
<b>Total assets</b>		<b>532 136 255</b>	<b>515 326 506</b>
<b>Debt capital</b>			
Deferred income		36 709	35 287
<b>Net assets</b>		<b>532 099 546</b>	<b>515 291 219</b>

**Income statement**

<b>in CHF</b>	<b>1.10.2020</b>	<b>1.10.2019</b>
	<b>- 30.9.2021</b>	<b>- 30.9.2020</b>
Dividend income	14 969 490	5 004 053
Financial income/expenses Financial instruments	-14 406 787	7 514 579
Buy-in into current income	-3 624	-69 045
<b>Total financial income</b>	<b>559 079</b>	<b>12 449 588</b>
Auditing expenses	-4 500	-4 500
Remuneration to custodian bank	-32 310	-32 310
Remuneration to overlay manager	-119 206	-123 446
Negative interest on bank balances	-131 335	-135 428
Other financial expenses	-23 504	-22 476
<b>Total administrative expenses</b>	<b>-310 855</b>	<b>-318 160</b>
<b>Net profit</b>	<b>248 224</b>	<b>12 131 427</b>
Realised capital and currency gains	-58 426	0
<b>Realised profit</b>	<b>189 798</b>	<b>12 131 427</b>
Unrealised capital and currency gains	14 756 688	-22 612 403
<b>Total profit for the financial year</b>	<b>14 946 486</b>	<b>-10 480 975</b>

**Changes in net assets**

<b>in CHF</b>	<b>30.9.2021</b>	<b>30.9.2020</b>
Net assets at the start of the financial year	515 291 219	184 318 462
Subscriptions	3 488 941	341 453 732
Redemptions	-1 627 100	0
Total profit for the financial year	14 946 486	-10 480 975
<b>Net assets at the end of the financial year</b>	<b>532 099 546</b>	<b>515 291 219</b>

**Shares**

<b>in units</b>	<b>30.9.2021</b>	<b>30.9.2020</b>
At the start of the financial year	3 406 499.9979	1 194 050.2061
No. of shares issued	23 000.7046	2 212 449.7918
No. of shares redeemed	-10 717.6753	0.0000
<b>At the end of the financial year</b>	<b>3 418 783.0272</b>	<b>3 406 499.9979</b>
<b>Asset value per share (in CHF)</b>	<b>155.6400</b>	<b>151.2671</b>

**Appropriation of profit**

<b>in CHF</b>	<b>30.9.2021</b>	<b>30.9.2020</b>
<b>Net profit for the financial year</b>	<b>248 224</b>	<b>12 131 427</b>
Profit retained for reinvestment	248 224	12 131 427

## AFIAA Diversified indirect investment group

ISIN CH0367669659, Securities no. 36766965

**Balance sheet**

<b>Market value in CHF</b>	<b>Notes *</b>	<b>30.9.2021</b>	<b>30.9.2020</b>
Liquid funds		14 460 806	14 746 455
Shares in target funds	1	400 157 291	290 413 546
Accrued income		2 242 782	1 114 987
<b>Total assets</b>		<b>416 860 879</b>	<b>306 274 988</b>
Deferred income		464 610	381 743
<b>Net assets</b>		<b>416 396 269</b>	<b>305 893 245</b>

**Income statement**

<b>in CHF</b>		<b>1.10.2020</b>	<b>1.10.2019</b>
		<b>- 30.9.2021</b>	<b>- 30.9.2020</b>
Income from securities and interest receivable		11 175 413	8 333 271
Other income		6 775	44 875
Buy-in into current profit		648 675	612 492
<b>Total income</b>		<b>11 830 863</b>	<b>8 990 638</b>
Remuneration to administrative bodies		-1 007 177	-776 190
Bookkeeping expenses		-80 277	-60 966
Remuneration to administrative accounts		-42 358	0
Remuneration to custodian bank		-150 030	-117 165
Auditing expenses		-10 500	-8 500
Legal and consultancy costs		-23 415	-94 152
Other administrative expenses		-5 076	-5 100
<b>Total expenses</b>	2	<b>-1 318 833</b>	<b>-1 062 073</b>
<b>Net profit for the financial year</b>		<b>10 512 030</b>	<b>7 928 565</b>
Realised capital and currency gains		2 077 337	-3 517 799
<b>Realised profit</b>		<b>12 589 367</b>	<b>4 410 766</b>
Unrealised capital and currency gains		42 350 208	-7 599 852
<b>Total profit for the financial year</b>		<b>54 939 575</b>	<b>-3 189 086</b>

**Changes in net assets**

<b>in CHF</b>	<b>30.9.2021</b>	<b>30.9.2020</b>
Net assets at the start of the financial year	305 893 245	217 494 276
Subscriptions	55 563 448	91 588 055
Total profit for the financial year	54 939 576	-3 189 086
<b>Net assets at the end of the financial year</b>	<b>416 396 269</b>	<b>305 893 245</b>

**Shares**

<b>in units</b>	<b>30.9.2021</b>	<b>30.9.2020</b>
At the start of the financial year	2 404.5461	1 688.3613
No. of shares issued	423.6791	716.1848
<b>At the end of the financial year</b>	<b>2 828.2252</b>	<b>2 404.5461</b>
<b>Asset value per share (in CHF)</b>	<b>147 228.8236</b>	<b>127 214.5477</b>

**Appropriation of profit**

<b>in CHF</b>	<b>30.9.2021</b>	<b>30.9.2020</b>
<b>Net profit for the financial year</b>	<b>10 512 030</b>	<b>7 928 565</b>
Profit retained for reinvestment	10 512 030	7 928 565

\* See Notes to the annual financial statements.

## AFIAA Diversified indirect hedged investment group

ISIN CH0420414689, Securities no. 42041468

**Balance sheet**

Market value in CHF	Notes *	30.9.2021	30.9.2020
Liquid funds		5 417 748	9 685 363
Financial instruments	1	-410 206	561 273
Participation AFIAA Diversified indirect		280 378 081	185 823 066
<b>Total assets</b>		<b>285 385 623</b>	<b>196 069 702</b>
Deferred income		17 708	11 291
Liabilities due to investors		0	19 858 568
<b>Net assets</b>		<b>285 367 915</b>	<b>176 199 843</b>

**Income statement**

in CHF	1.10.2020	1.10.2019
	- 30.9.2021	- 30.9.2020
Financial income/expenses Financial instruments	-4 307 901	3 201 253
Buy-in into current profit	-1 477 336	770 914
<b>Total financial expenses/income</b>	<b>-5 785 237</b>	<b>3 972 167</b>
Auditing expenses	-4 500	-4 500
Remuneration to overlay manager	-52 811	-31 752
Negative interest on bank balances	-30 081	-30 059
Other financial expenses	-8 244	-8 053
<b>Total administrative expenses</b>	<b>-95 637</b>	<b>-74 364</b>
<b>Net profit for the financial year</b>	<b>-5 880 873</b>	<b>3 897 803</b>
Realised capital and currency gains	5	-39
<b>Realised profit</b>	<b>-5 880 869</b>	<b>3 897 764</b>
Unrealised capital and currency gains	34 550 219	-647 129
<b>Total profit for the financial year</b>	<b>28 669 351</b>	<b>3 250 635</b>

**Changes in net assets**

in CHF	30.9.2021	30.9.2020
Net assets at the start of the financial year	176 199 843	89 129 908
Subscriptions	80 498 722	83 819 300
Total profit for the financial year	28 669 351	3 250 635
<b>Net assets at the end of the financial year</b>	<b>285 367 915</b>	<b>176 199 843</b>

**Shares**

in units	30.9.2021	30.9.2020
At the start of the financial year	1 103.7586	571.5606
No. of shares issued	469.2460	532.1980
<b>At the end of the financial year</b>	<b>1 573.0046</b>	<b>1 103.7586</b>
<b>Asset value per share (in CHF)</b>	<b>181 415.8131</b>	<b>159 636.2128</b>

**Appropriation of profit**

in CHF	30.9.2021	30.9.2020
<b>Net profit for the financial year</b>	<b>-5 880 873</b>	<b>3 897 803</b>
Transfer to realised capital gains/(losses)	-5 880 873	
Profit retained for reinvestment		3 897 803

\* See Notes to the annual financial statements.

## Core assets

### Balance sheet core assets

in CHF	30.9.2021	30.9.2020
<b>Assets</b>		
Receivables from investment groups	302 506	301 930
<b>Total assets</b>	<b>302 506</b>	<b>301 930</b>
<b>Liabilities</b>		
Capital assets	100 000	100 000
Reserve fund	200 000	200 000
Retained earnings	1 930	1 593
Net profit for the financial year	576	337
<b>Total liabilities</b>	<b>302 506</b>	<b>301 930</b>

### Income statement core assets

in CHF	1.10.2020 – 30.9.2021	1.10.2019 – 30.9.2020
<b>Income</b>		
Investment groups	423 125	517 500
<b>Total income</b>	<b>423 125</b>	<b>517 500</b>
<b>Expenses</b>		
Organisational bodies, General Meeting of Investors *	-420 049	-514 663
Other expenses	-2 500	-2 500
<b>Total expenses</b>	<b>-422 549</b>	<b>-517 163</b>
<b>Net profit for the financial year</b>	<b>576</b>	<b>337</b>

### Appropriation of profits (core assets)

The Foundation Board proposes to the Investment Committee to carry the balance sheet profit of CHF 2506 forward to new account.

#### Proposal to the General Meeting of Investors

in CHF	30.9.2021	30.9.2020
Retained earnings from previous year	1 930	1 593
Net profit for the financial year	576	337
<b>Balance sheet profit</b>	<b>2 506</b>	<b>1 930</b>
Retained earnings carried over to new account	2 506	1 930

\* This item includes remuneration paid to the Foundation Board and the Investment Committee. The Corporate Governance Report details individual remuneration paid to the chairmen and the committees.

# Notes to the Annual Financial Statements

## Notes to the balance sheet

### 1 Deferred tax assets

in thousand CHF	2020/2021	2019/2020
Tax assets from losses carried forward for future offsetting	27 108	26 571
Tax assets from tax deferrals	2 847	2 438
<b>Total deferred tax assets</b>	<b>29 955</b>	<b>29 009</b>

Deferred tax assets arising from losses carried forward are taken into account where it is likely that there will be taxable income against which losses carried forward can be offset.

The increase in these tax assets is predominantly attributable to losses in the USA. These tax assets are matched by deferred tax liabilities arising from positive differences in valuation or, as the case may be, reduced deferred tax assets arising from negative differences in valuation, a fact that is reflected in the 'estimated liquidation expenses' balance sheet item.

### 2 Direct investments

Direct real estate investments comprise the income-earning properties held through property companies. These structural measures serve to reduce liability risks.

All market values of direct investments have been reviewed in the reporting year by independent valuation experts, and revalued in accordance with the prevailing guidelines. The valuations comply with the professional recommendations of Swiss GAAP FER 26, as well as with the International Valuation Standards (IVS), which are laid down by the International Valuation Standards Committee (IVSC).

The valuations are generally carried out using the discounted cash flow method. Property values are determined by the sum of the future net income flows discounted as of the valuation date. Particularly in English-speaking regions, transparency on the respective transaction markets is used to align the valuation as closely as possible with the effectively transacted changes in ownership observable in the short term. For better comparability with the pure DCF method, external valuers summarise their valuation process using the discounted cash flow method. In the context of extensive modernisation measures, the percentage of completion method can be applied according to which the incurred project costs are capitalised in accordance with the rate of completion as per the valuation date. The discount rates ranged between 3.28% and 7.75% (previous year: 3.25% and 8.00%).

The total value of the 23 direct real estate investments was CHF 2 399 205 940 as at the balance sheet date.

#### Direct investments

in thousand CHF	2020/2021	2019/2020
Balance at the start of the financial year	2 279 366	2 278 165
Additional purchases at acquisition costs (including ancillary costs)	0	134 401
Value-adding expenses (investments)	37 242	54 805
Capital gain	27 925	-36 032
Disposals	0	-41 927
Currency gain	54 673	-100 027
Advance payments on direct investments	0	-10 019
<b>Balance at the end of the financial year</b>	<b>2 399 206</b>	<b>2 279 366</b>

The conversion projects in the UK and Australia, pushed up property-related value-adding expenses to CHF 37.2 million (previous year: CHF 54.8 million).

Covid-19 pandemic: Due to various lockdowns in the first half of the year, properties in the USA initially suffered the highest corrections. Since then, however, values have stabilised. The European and Australian markets continued to record stable to slightly positive trends. Yield compression has already returned in the case of core properties.

### 3 Mortgage loans

Debt financing taken up in connection with direct investments showed an outstanding principal totalling CHF 506 851 034 (previous year: CHF 498 569 654). Across all mortgage loans and currencies, the weighted average interest rate as at the balance sheet date was 2.13% (previous year: 2.32%). The weighted average residual fixed-interest period for all loans amounted to 3.39 years (previous year: 4.12 years).

#### in thousands in the respective currency

Currency	Amount	Book value 30.9.2021 CHF	Book value 30.9.2020 CHF	Weighted av. fixed interest period in years	Weighted av. interest rate
USD	148 505	138 540	137 533	3.61	3.41%
EUR	195 294	211 132	210 966	3.34	1.24%
GBP	82 000	103 140	97 391	3.93	2.27%
AUD	80 200	54 039	52 680	2.00	2.01%
<b>Total</b>		<b>506 851</b>	<b>498 570</b>		

The following table shows the values of mortgaged investment properties:

in thousand CHF	30.9.2021	30.9.2020
Book value of mortgaged properties	1 162 071	1 135 026
Outstanding loans or cover	506 851	498 570

#### Mortgage loans by maturity

in thousand CHF	30.9.2021	30.9.2020
1 year	76 059	70 796
2 years	92 365	59 308
3 years	60 542	88 929
4 years	54 039	60 334
5 years	95 342	0
> 5 years	128 505	219 203
<b>Total</b>	<b>506 851</b>	<b>498 570</b>

### 4 Estimated liquidation costs

The calculation of the provisions for deferred liquidation taxes was carried out as described in the Appendix to the AFIAA Investment Foundation (Principles of valuation and financial reporting, AFIAA Global) and calculated by the local tax experts at individual property level at the time of purchase. The provisions for deferred liquidation taxes are adjusted to correspond to the altered valuations of the individual properties.

in thousand CHF	Book value 30.9.2021	Book value 30.9.2020	In/decrease
Deferred tax assets arising from negative differences in valuation	29 807	20 699	9 108
Deferred tax liabilities arising from positive differences in valuation	-127 672	-104 166	-23 506
Additional transaction costs	-34 396	-34 433	37
<b>Total</b>	<b>-132 261</b>	<b>-117 900</b>	<b>-14 361</b>

## Notes to the income statement

### 5 Income from real estate

The impact of the Covid-19 pandemic is reflected in the income statement in the amount of CHF 5.7 million. With accounts receivable of CHF 5.1 million, uncertainty regarding the collectability of rental income in New York is the highest individual figure. As at the balance sheet date, accounts receivable totalling CHF 4 million were written down on the balance sheet, thereof CHF 3.6 in the USA.

### 6 Cost of local management companies

In this report, the following item subsumes the costs incurred by the holding and management companies at the decentralised level outside of operational property management. The costs can be broken down into the following items:

in thousand CHF	01.10.2020 – 30.9.2021	01.10.2019 – 30.9.2020	In-/decrease
Legal and consultancy fees	-537	-490	-47
Asset management and bookkeeping	-607	-626	19
Others	-443	-129	-314
<b>Total</b>	<b>-1 587</b>	<b>-1 245</b>	<b>-342</b>

### 7 Administrative expenses

This cost pool comprises Foundation as well as auditing and valuation expenses, which in total can be defined as relevant to TER<sub>ISA</sub> (see Notes pursuant to KGAST). The full remuneration to administrative bodies was paid to AFIAA Real Estate Investment AG. Acquisition costs consist of costs associated with due diligence and audits of property purchases that were not finalised and are not relevant to TER<sub>ISA</sub>.

in thousand CHF	01.10.2020 – 30.9.2021	01.10.2019 – 30.9.2020	In-/decrease
Legal and consultancy fees	-59	-233	174
Auditing expenses	-301	-261	-40
Valuation expenses	-195	-242	47
Remuneration to administrative accounts	-381	-517	136
Remuneration to custodian bank	-70	-70	0
Remuneration to administrative bodies	-10 074	-9 809	-265
Acquisition expenses	-129	-912	783
Other administrative expenses	-257	-150	-107
<b>Total</b>	<b>-11 465</b>	<b>-12 194</b>	<b>728</b>

The management fee for the AFIAA Global investment group amounts to a maximum of 40 basis points p.a. on the investment group's total investment volume (TIV).



## 8 Tax on capital and corporate income tax

The corporate income tax charge in financial year 2020/2021 in the amount of CHF 2.9 million predominantly arose in Great Britain, the USA and Austria. This was juxtaposed with changes in deferred tax assets, mainly in the USA and Great Britain, in the total amount of CHF 0.3 million, which resulted in a tax expenditure of CHF 2.6 million.

The corporate income tax charge in financial year 2019/2020 in the amount of CHF 1.9 million predominantly arose in Great Britain, the USA and Austria. This was juxtaposed with changes in deferred tax assets in the USA, Great Britain and Sweden in the total amount of CHF 6.4 million, which resulted in a positive tax expenditure of CHF 4.5 million.

## 9 Details on total profit

The total profit for the financial year can be broken down into various components, differentiating between current performance and valuation outcome, yields from direct investments and investment funds, and between performance in local currency and total profit adjusted for currency fluctuations.

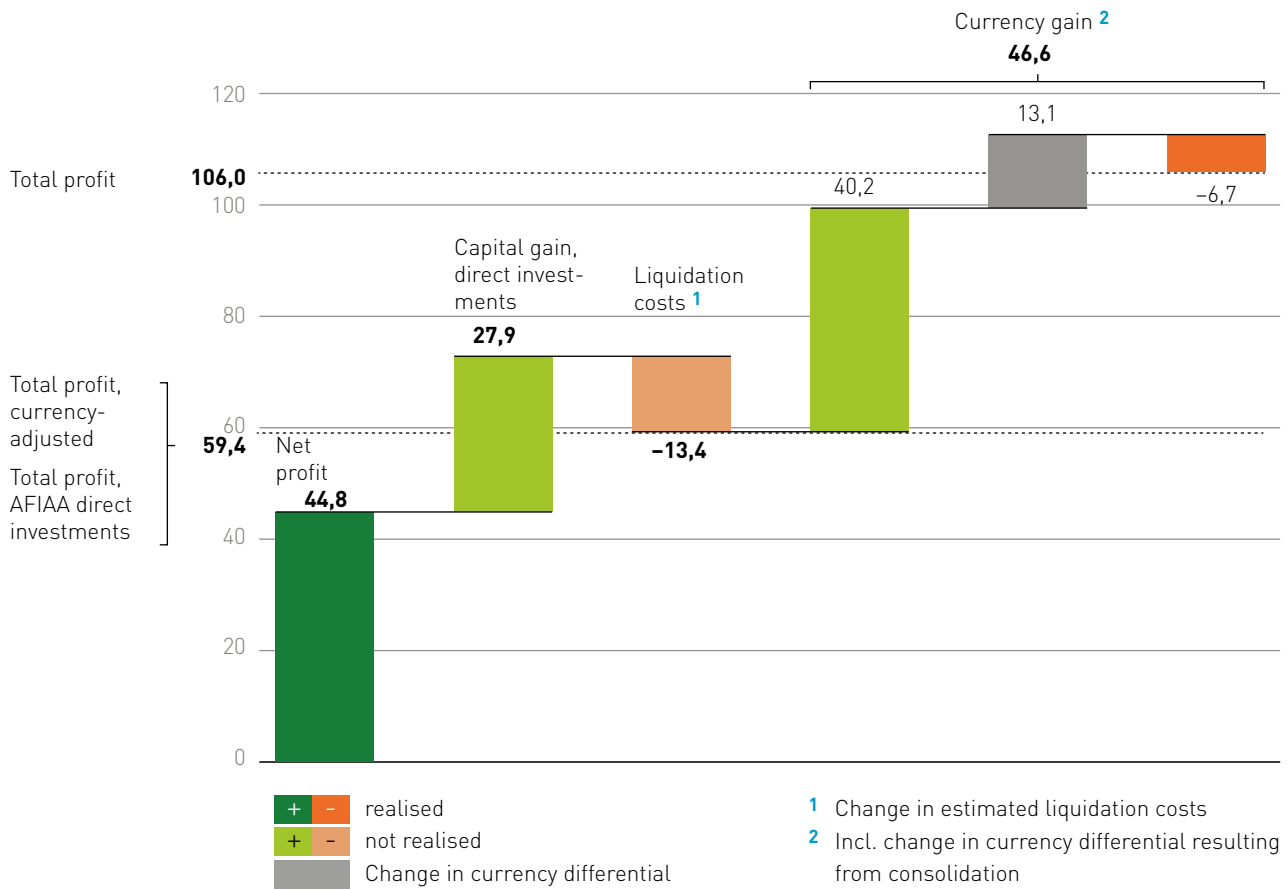
Net profit represents the current revenues earned from assets after deduction of all costs. Unlike total profit, which reflects the total value contribution, it includes neither capital gains/losses nor currency gains/losses.

The return on equity capital, as defined by KGAST Guideline No. 1 valid as of 1 September 2016, is explained in the Notes pursuant to KGAST along with the other key indicators. It is broken down into various components, as shown below.

### Total profit for the financial year

in thousand CHF	2020/2021	Sector performance	2019/2020	Sector performance
<b>Net assets at the start of the financial year plus/minus subscriptions and redemptions</b>	<b>1 836 220</b>		<b>1 900 780</b>	
Net profit	44 807	2.44%	45 133	2.37%
Capital gain on direct investments (after change in liquidation costs)	14 566	0.79%	-27 949	-1.47%
Currency gain	46 593	2.54%	-85 972	-4.52%
<b>Total profit</b>	<b>105 966</b>	<b>5.77%</b>	<b>-68 788</b>	<b>-3.62%</b>

**Value contribution components 1.10.2020 – 30.9.2021  
in million CHF**



<b>Net profit for the financial year</b>		
<b>in thousand CHF</b>	<b>2020/2021</b>	<b>2019/2020</b>
Net assets at the start of the financial year	1 836 220	1 900 780
plus/minus subscriptions and redemptions		
<b>Net profit</b>	<b>44 807</b>	<b>45 133</b>
<b>Net performance in relation to net assets</b>	<b>2.44%</b>	<b>2.37%</b>
<b>at the start of the financial year</b>		
<b>plus/minus subscriptions and redemptions</b>		
<b>Capital gains on direct investments (including change in liquidation costs)</b>		
<b>in thousand CHF</b>	<b>2020/2021</b>	<b>2019/2020</b>
Net assets at the start of the financial year	1 836 220	1 900 780
plus/minus subscriptions and redemptions		
<b>Capital gain on direct investments</b>	<b>27 925</b>	<b>-36 032</b>
Change in estimated liquidation costs	-14 361	10 271
Realised liquidation costs	1 002	-2 188
<b>Capital gain (loss) on direct investments</b>	<b>14 566</b>	<b>-27 949</b>
<b>(including change in liquidation costs)</b>		
Market value of direct investments at the start of the financial year	2 279 366	2 278 165
Market value of direct investments at the end of the financial year	2 399 206	2 279 366
<b>Average market value of direct investments</b>	<b>2 339 286</b>	<b>2 278 765</b>
<b>Return from change in value of direct investments</b>	<b>0.62%</b>	<b>-1.23%</b>
<b>In relation to net assets at the start of the financial year</b>	<b>0.79%</b>	<b>-1.47%</b>
<b>plus/minus subscriptions and redemptions</b>		
<b>Currency gain</b>		
<b>in thousand CHF</b>	<b>2020/2021</b>	<b>2019/2020</b>
Net assets at the start of the financial year	1 836 220	1 900 780
plus/minus subscriptions and redemptions		
Realised currency gains	-6 711	-30 037
Unrealised currency gains	40 175	-27 140
Change in currency differential due to consolidation	13 129	-28 796
<b>Total currency gains</b>	<b>46 593</b>	<b>-85 972</b>
<b>In relation to net assets at the start of the financial year</b>	<b>2.54%</b>	<b>-4.52%</b>
<b>plus/minus subscriptions and redemptions</b>		

The realised and unrealised capital and currency gains included in the preceding sections are grouped differently in the following tables. The information below serves as a transition to the income statement.

**Realised capital and currency gains**

<b>in thousand CHF</b>	<b>2020/2021</b>	<b>2019/2020</b>
Realised capital gains on direct investments	0	4 920
Realised currency gains	-6 711	-30 037
Realised liquidation costs	1 002	-2 188
<b>Total</b>	<b>-5 709</b>	<b>-27 305</b>

**Unrealised capital and currency gains**

<b>in thousand CHF</b>	<b>2020/2021</b>	<b>2019/2020</b>
Unrealised capital gains on direct investments	27 925	-40 952
Unrealised currency gains	40 175	-27 140
<b>Total</b>	<b>68 100</b>	<b>-68 092</b>

## Notes pursuant to KGAST

According to directive 05/2013 of the Supervisory Commission for Occupational Pension Funds (OAK BV), the Notes to the financial statements of real estate investment groups must at least include the mandatory key figures pursuant to KGAST Guide-line No. 1 (as amended on 1 September 2016).

### Rate of rental income loss

The rate of rental income loss is defined as the rental shortfall (losses from vacancies and debt collection losses) as a percentage of the net target rent in the financial year. It is a key indicator of the rental situation of completed buildings held as investment properties. The effects of the Covid-19 pandemic are included in the calculation.

in thousand CHF	2020/2021	2019/2020
<b>Target rental income as per the income statement</b>	<b>131 890</b>	<b>125 786</b>
Absorbed ancillary costs	-23 089	-22 261
<b>Net target rental income</b>	<b>108 802</b>	<b>103 525</b>
Deficit due to vacancy	-12 799	-9 139
Collection losses	-305	-418
<b>Total rental income loss</b>	<b>-13 104</b>	<b>-9 557</b>
<b>As a percentage of net target rental income</b>	<b>12.04%</b>	<b>9.23%</b>
Target rental income adjusted by rental incentives commonly offered in markets abroad, for instance rent-free periods	10.42%	8.18%
Target rental income further adjusted by rental incentives due to Covid-19	9.97%	7.87%

### Debt financing ratio

The debt financing ratio indicates the amount of external financing in relation to the market value of the properties. It shows the level of real estate debt financing.

in thousand CHF	2020/2021	2019/2020
<b>Market value of direct investments</b>	<b>2 399 206</b>	<b>2 279 366</b>
Long-term mortgages	430 792	427 774
Short-term mortgages	76 059	70 796
<b>Total mortgages</b>	<b>506 851</b>	<b>498 570</b>
<b>As a percentage of market value of direct investments</b>	<b>21.13%</b>	<b>21.87%</b>

### Operating profit margin

The operating profit margin is one of the most important indicators in corporate analysis. It expresses the operating profit that is left after deduction of operating expenses as a percentage of the net rental income. In international practice, the ancillary operating costs are generally presented as gross figures; that is to say, the amount invoiced to the tenants is shown as income and the payments are shown in full as expenses. This contrasts with Swiss practice, whereby expenses are netted. Hence, the revenue from properties according to the income statement below is shown after deduction of ancillary costs, in order to ensure comparability at the level of net rental income.

in thousand CHF	2020/2021	2019/2020
<b>Income from real estate assets as per income statement</b>	<b>118 785</b>	<b>116 229</b>
Absorbed ancillary costs	-23 089	-22 262
<b>Net rental income</b>	<b>95 697</b>	<b>93 967</b>
<b>Operating result</b>	<b>73 316</b>	<b>67 733</b>
Ground rent	-1 427	-1 561
Repairs	5 506	7 757
<b>Operating profit as per KGAST definition</b>	<b>77 394</b>	<b>73 929</b>
<b>As a percentage of net rental income</b>	<b>80.87%</b>	<b>78.68%</b>

**Total expense ratio (TER<sub>ISA</sub>)****Total expense ratio TER<sub>ISA</sub> GAV**

The Total Expense Ratio<sub>ISA</sub> (Immobilien Sondervermögen Anlagestiftungen, real estate investment foundation assets) GAV is defined as the operating expenses of the fund assets (investment group) as a percentage of the average total assets (sum of all assets). TER<sub>ISA</sub> is an indicator of the operating expense liability of the fund assets (investment group). Acquisition costs for non-finalised purchases are not included. This indicator complies with OAK BV directive W-02/2013 on the Reporting of asset management costs.

in thousand CHF	2020/2021	2019/2020
Total assets at the start of the financial year	2 428 492	2 485 433
Total assets at the end of the financial year	2 567 065	2 428 492
Average total assets	2 497 778	2 456 963
<b>Administrative expenses</b>	<b>11 465</b>	<b>12 194</b>
Acquisition expenses	-129	-912
Cost of local management companies	1 587	1 245
<b>Operating expenses investment group</b>	<b>12 923</b>	<b>12 528</b>
<b>As a percentage of average total assets</b>	<b>0.52%</b>	<b>0.51%</b>

**Total expense ratio TER<sub>ISA</sub> NAV**

The Total Expense Ratio<sub>ISA</sub> (Immobilien Sondervermögen Anlagestiftungen, real estate investment foundation assets) NAV is defined as the operating expenses of the fund assets (investment group) as a percentage of the average net assets. TER<sub>ISA</sub> is an indicator of the operating expense liability of the fund assets (investment group). Per definition, property management costs are explicitly relevant to TER<sub>ISA</sub>. Acquisition costs for non-finalised purchases are not included. This indicator complies with OAK BV directive W-02/2013 on the reporting of asset management costs.

in thousand CHF	2020/2021	2019/2020
Net assets at the start of the financial year	1 778 623	1 829 276
Net assets at the end of the financial year	1 886 671	1 778 623
Average net assets	1 832 647	1 803 949
<b>Administrative expenses</b>	<b>11 465</b>	<b>12 194</b>
Acquisition expenses	-129	-912
Cost of local management companies	1 587	1 245
<b>Operating expenses investment group</b>	<b>12 923</b>	<b>12 528</b>
<b>As a percentage of average net assets</b>	<b>0.71%</b>	<b>0.69%</b>

**Return on equity (ROE)**

The Return on Equity (ROE) represents the total profit of the financial year as a percentage of the net total fund assets at the start of the financial year plus/minus subscriptions and redemptions. It measures the return on shareholder equity at the start of the period, adjusted by subscriptions/redemptions. The indicator is consistent with the last revision of 'KGAST Guideline NO.1', valid as of 1 September 2016.

<b>in thousand CHF</b>	<b>2020/2021</b>	<b>2019/2020</b>
Net assets at the start of the financial year plus/minus subscriptions and redemptions	1 836 220	1 900 780
<b>Total profit for the financial year</b>	<b>105 966</b>	<b>-68 788</b>
<b>As a percentage of adjusted net assets at the start of the financial year</b>	<b>5.77%</b>	<b>-3.62%</b>

**Return on invested capital (ROIC)**

This figure (new since revision of 'KGAST Guideline No. 1') expresses the return on the total assets of the investment group. The adjusted total profit plus cost of financing is presented as a percentage of the average total assets of the investment group. The average total assets of the investment group are calculated analogous to the explanations regarding the TER<sub>ISA</sub>.

<b>in thousand CHF</b>	<b>2020/2021</b>	<b>2019/2020</b>
Average total assets of the investment group	2 497 778	2 456 963
<b>Adjusted total profit plus cost of financing</b>	<b>120 607</b>	<b>-53 347</b>
<b>Return on invested capital (ROIC)</b>	<b>4.83%</b>	<b>-2.17%</b>

**Return on investment**

Return on investment is defined as the relative change in the net asset value of the shares in the financial year, assuming the re-investment of any distributed proceeds. It expresses the overall return achieved for the investors.

<b>in CHF</b>	<b>2020/2021</b>	<b>2019/2020</b>
Net assets per share at the start of the financial year	108.9310	116.5391
Distribution	3.40	3.40
Distribution-adjusted net assets per share at the start of the financial year	105.5310	113.1391
Net assets per share at the end of the financial year	111.8162	108.9310
<b>Return on investment</b>	<b>5.96%</b>	<b>-3.72%</b>

**Distribution yield**

The distribution yield expresses the dividend amount distributed per share as a percentage of the capital value per share.

<b>in CHF</b>	<b>2020/2021</b>	<b>2019/2020</b>
Dividend per share	3.40	3.40
Capital value per share	108.9310	116.5391
<b>Distribution yield</b>	<b>3.12%</b>	<b>2.92%</b>

**Distribution ratio**

The distribution ratio (or payout ratio) shows the amount distributed as a proportion of the total net profit for the financial year. It provides a means of assessing the distribution and financing policy of a company.

<b>in thousand CHF</b>	<b>2020/2021</b>	<b>2019/2020</b>
Total distribution amount (planned for 2020/2021)	57 368	55 515
Net profit for the financial year	44 807	45 133
<b>Distribution ratio (of total distribution)</b>	<b>128.03%</b>	<b>123.00%</b>

**OAK BV key figures**

According to directive 05/2013 of the Supervisory Commission for Occupational Pension Funds (OAK BV), real estate investment groups are required to report risk indicators. Volatility is calculated by means of the standard deviation from the mean value.

	<b>1 year</b>	<b>5 years</b>	<b>10 years</b>	<b>Since launch</b>
Return on investment p. a.	5.96%	3.43%	3.55%	2.46%
Volatility	2.44%	3.93%	4.48%	6.51%



## Notes to the balance sheet

### 1 Financial instruments

#### Open transactions as per 30.9.2021

Long/Short	Currency	Nominal	Type of derivative	Under-lying	Exchange rate underlying	Forward rate
Short (sold)	EUR	106 440 000	Forward exchange contract	CHF	1.08472	1.08063
Short (sold)	GBP	89 390 000	Forward exchange contract	CHF	1.26854	1.25511
Short (sold)	USD	105 860 000	Forward exchange contract	CHF	0.92561	0.93087
Short (sold)	AUD	144 740 000	Forward exchange contract	CHF	0.67297	0.67257

#### Cover requirement: exposure-reducing derivatives

Derivative			FX rate	Value in CHF
Short (sold)	EUR	106 440 000	1.08472	115 457 703
Short (sold)	GBP	89 390 000	1.26854	113 394 880
Short (sold)	USD	105 860 000	0.92561	97 984 757
Short (sold)	AUD	144 740 000	0.67297	97 405 533

#### Cover

Portfolio/cash	EUR			125 479 075
Portfolio/cash	GBP			105 753 556
Portfolio/cash	USD			123 482 431
Portfolio/cash	AUD			169 362 601

#### Cover ratio

EUR short	117.887%
GBP short	118.306%
USD short	116.647%
AUD short	117.012%

#### Hedging ratio

EUR short	84.827%
GBP short	84.527%
USD short	85.729%
AUD short	85.462%

#### Counterparty risk

The counterparty for the forward exchange transactions is Zürcher Kantonalbank, which currently has a AAA rating.

## Notes pursuant to KGAST

According to directive 05/2013 of the Supervisory Commission for Occupational Pension Funds (OAK BV), the Notes to the financial statements of real estate investment groups must at least include the mandatory key figures pursuant to KGAST Guideline No. 1 (as amended on 1 September 2016).

### Total expense ratio (TER<sub>KGAST</sub>)

#### Total expense ratio TER<sub>KGAST</sub> GAV

The total expense ratio was computed on the basis of the TER<sub>KGAST</sub> calculation and publication guideline approved by the Oberaufsichtskommission Berufliche Vorsorge (Supervisory Commission for Occupational Pension Funds, OAK BV). The indicator is consistent with the last revision of KGAST Guideline No. 1, valid as of 1 September 2016.

The first key figure (TER) comprises the total expense ratio at the level of the AFIAA Investment Foundation, excluding the costs of the underlying target funds. The second key figure comprises the composite TER<sub>KGAST</sub>, which also includes the costs of the underlying target funds.

in thousand CHF	2020/2021	2019/2020
Total assets at the start of the financial year	515 327	198 590
Total assets at the end of the financial year	532 136	515 327
Average total assets	523 731	356 959
<b>Administrative expenses</b>	<b>156</b>	<b>160</b>
Auditing expenses	5	5
Deposit fees	32	32
Overlay manager's fee	119	123
<b>Operating expenses investment group</b>	<b>156</b>	<b>160</b>
As a percentage of the average total assets	0.03%	0.04%
Underlying investment group	0.52%	0.51%
<b>Total TER<sub>KGAST</sub> GAV</b>	<b>0.55%</b>	<b>0.55%</b>

#### Total expense ratio TER<sub>KGAST</sub> NAV

The total expense ratio was computed on the basis of the TER<sub>KGAST</sub> calculation and publication guideline approved by the Oberaufsichtskommission Berufliche Vorsorge (Supervisory Commission for Occupational Pension Funds, OAK BV). The indicator is consistent with the last revision of KGAST Guideline No. 1, valid as of 1 September 2016.

The first key figure (TER) comprises the total expense ratio at the level of the AFIAA Investment Foundation, excluding the costs of the underlying target funds. The second key figure comprises the composite TER<sub>KGAST</sub>, which also includes the costs of the underlying target funds.

in thousand CHF	2020/2021	2019/2020
Net assets at the start of the financial year	515 291	184 318
Net assets at the end of the financial year	532 100	515 291
Average net assets	523 695	349 805
<b>Administrative expenses</b>	<b>156</b>	<b>160</b>
Auditing expenses	5	5
Deposit fees	32	32
Overlay manager's fee	119	123
<b>Operating expenses investment group</b>	<b>156</b>	<b>160</b>
As a percentage of average net assets	0.03%	0.05%
Underlying investment group	0.71%	0.69%
<b>Total TER<sub>KGAST</sub> NAV</b>	<b>0.74%</b>	<b>0.74%</b>

### Return on equity (ROE)

The Return on Equity (ROE) represents the total profit of the financial year as a percentage of the net total fund assets at the start of the financial year plus/minus subscriptions and redemptions. It measures the return on shareholder equity at the start of the period, adjusted by subscriptions/redemptions. The indicator is consistent with the last revision of 'KGAST Guideline No. 1', valid as of 1 September 2016.

in thousand CHF	2020/2021	2019/2020
Net assets at the start of the financial year plus/minus subscriptions and redemptions	527 574	525 772
<b>Total profit for the financial year</b>	<b>14 946</b>	<b>-10 481</b>
<b>As a percentage of adjusted net assets at the start of the financial year</b>	<b>2.83%</b>	<b>-1.99%</b>

### Return on investment

Return on investment is defined as the relative change in the net asset value of the shares in the financial year, assuming the re-investment of any distributed proceeds. It expresses the overall return achieved for the investors.

in CHF	2020/2021	2019/2020
Net assets per share at the start of the financial year	151.2671	154.3641
Net assets per share at the end of the financial year	155.6400	151.2671
<b>Return on investment</b>	<b>2.89%</b>	<b>-2.01%</b>

### OAK BV key figures

According to directive 05/2013 of the Supervisory Commission for Occupational Pension Funds (OAK BV) real estate investment groups are required to report risk indicators. Volatility is calculated by means of the standard deviation from the mean value.

	1 year	5 years	10 years	Since launch
Return on investment p. a.	2.89%	n/a	n/a	1.14%
Volatility	0.72%	n/a	n/a	3.01%

## Notes to the balance sheet and income statement

### 1 Target funds

Covid-19 pandemic: The target funds have been remarkably resilient to the impact of the Covid-19 pandemic. Mainly thanks to its investments in the logistics and residential sectors, which benefited from short-term trends, the portfolio recorded solid growth. Property investments in student housing, which saw large vacancies due to remote learning, were hardest hit by the pandemic. Vacancies were substantially reduced once students returned in the 2021 autumn semester.

#### Open commitments in the target funds

The open commitments have been converted using the exchange rates as at the balance sheet date of 30 September 2021.

in thousands in the respective region and currency	Currency	Commitments	Drawn commitments	Open commitments	Open commitments CHF
North America	USD	17 000	12 389	4 611	4 301
Europe	EUR	31 800	14 460	17 340	18 747
<b>Total</b>					<b>23 048</b>

### 2 Administrative expenses

This cost pool comprises Foundation as well as auditing and valuation expenses, which in total can be defined as relevant to TER<sub>KGAST</sub> (cf. Notes pursuant to KGAST).

in thousand CHF	1.10.2020 – 30.9.2021	1.10.2019 – 30.9.2020	In/decrease
Remuneration to administrative bodies	-1 007	-776	-231
Bookkeeping expenses	-80	-61	-19
Remuneration to administrative accounts	-42	0	-42
Remuneration to custodian bank	-150	-117	-33
Auditing expenses	-11	-9	-2
Legal and consultancy costs	-23	-94	71
Other administrative expenses	-5	-5	0
<b>Total</b>	<b>-1 319</b>	<b>-1 062</b>	<b>-257</b>

## Notes pursuant to KGAST

### Total expense ratio (TER<sub>KGAST</sub> GAV)

The total expense ratio was computed on the basis of the TER<sub>KGAST</sub> calculation and publication guideline approved by the Oberaufsichtskommission Berufliche Vorsorge (Supervisory Commission for Occupational Pension Funds, OAK BV). The indicator is consistent with the last revision of 'KGAST Guideline No. 1', valid as of 1 September 2016.

The first key figure (TER) comprises the composite TER<sub>KGAST</sub>, which also includes the costs of the underlying target funds. The second key figure comprises the total expense ratio at the level of the AFIAA Investment Foundation, excluding the costs of the underlying target funds.

in thousand CHF	2020/2021	2019/2020
Average total assets	373 030	283 542
Total expense ratio TER <sub>KGAST</sub> GAV including target fund costs	1.44%	1.49%
Total expense ratio TER <sub>KGAST</sub> GAV excluding target fund costs	0.35%	0.37%

### Total expense ratio (TER<sub>KGAST</sub> NAV)

The total expense ratio was computed on the basis of the TER<sub>KGAST</sub> calculation and publication guideline approved by the Oberaufsichtskommission Berufliche Vorsorge (Supervisory Commission for Occupational Pension Funds, OAK BV). The indicator is consistent with the last revision of 'KGAST Guideline No. 1', valid as of 1 September 2016.

The first key figure (TER) comprises the composite TER<sub>KGAST</sub>, which also includes the costs of the underlying target funds. The second key figure comprises the total expense ratio at the level of the AFIAA Investment Foundation, excluding the costs of the underlying target funds.

in thousand CHF	2020/2021	2019/2020
Average assets	372 612	282 975
Total expense ratio TER <sub>KGAST</sub> NAV including target fund costs	1.44%	1.49%
Total expense ratio TER <sub>KGAST</sub> NAV excluding target fund costs	0.35%	0.38%

### Return on equity (ROE)

The Return on Equity (ROE) represents the overall performance of the financial year as a percentage of the net total separate trust assets at the start of the financial year plus/minus subscriptions and redemptions. It measures the return on shareholder equity at the start of the period, adjusted by subscriptions/redemptions. The indicator is consistent with the last revision of 'KGAST Guideline No.1', valid as of 1 September 2016.

in thousand CHF	2020/2021	2019/2020
Net assets at the start of the financial year plus/minus subscriptions and redemptions	361 457	309 082
<b>Total profit in the financial year</b>	<b>54 940</b>	<b>-3 189</b>
<b>As a percentage of adjusted net assets at the start of the financial year</b>	<b>15.20%</b>	<b>-1.03%</b>

### Return on investment

Return on investment is defined as the relative change in the net asset value of the shares in the financial year, assuming the re-investment of any distributed proceeds. It expresses the overall return achieved for the investors.

in CHF	2020/2021	2019/2020
Net assets per share at the start of the financial year	127 214.5477	128 819.7500
Net assets per share at the end of the financial year	147 228.8236	127 214.5477
<b>Return on investment</b>	<b>15.73%</b>	<b>-1.25%</b>

**OAK BV key figures**

According to directive 05/2013 of the Supervisory Commission for Occupational Pension Funds (OAK BV), real estate investment groups are required to report risk indicators. Volatility is calculated by means of the standard deviation from the mean value.

The calculation of the return on investment includes the reinvestment of the distributions as a geometric composition of the individual quarterly returns, based on the net asset values. The performance data reported in this annual report are based on the investment group's net asset values.

<b>AFIAA Diversified indirect</b>	<b>1 year</b>	<b>5 years</b>	<b>10 years</b>	<b>Since launch</b>
Return on investment p. a.	15.73%	8.04%	n/a	8.03%
Volatility	4.89%	4.57%	n/a	4.63%

The respective benchmark, the MSCI/IPD Global Property Fund Index Reweighted, is a total return index, converted into Swiss francs and including the reinvestment of the income.

<b>MSCI/IPD Global Property Fund Index Reweighted</b>	<b>1 year</b>	<b>5 years</b>	<b>10 years</b>	<b>Since launch</b>
Return on investment p. a.	14.43%	6.31%	n/a	6.31%
Volatility	5.15%	5.20%	n/a	5.20%

## Notes to the balance sheet

### 1 Financial instruments

#### Open transactions as at 30.9.2021

Long/Short	Currency	Nominal	Type of derivative	Underlying	Exchange rate underlying	Forward rate
Short (sold)	EUR	42 460 000	Forward exchange contract	CHF	1.08472	1.08063
Short (sold)	GBP	12 020 000	Forward exchange contract	CHF	1.26854	1.25511
Short (sold)	USD	132 550 000	Forward exchange contract	CHF	0.92561	0.93087
Short (sold)	AUD	55 750 000	Forward exchange contract	CHF	0.67297	0.67257
Short (sold)	CNH	59 390 000	Forward exchange contract	CHF	0.14213	0.14331

#### Cover requirement: exposure-reducing derivatives

Derivative			FX rate	Value in CHF
Short (sold)	EUR	42 460 000	1.08472	46 057 254
Short (sold)	GBP	12 020 000	1.26854	15 247 863
Short (sold)	USD	132 550 000	0.92561	122 689 208
Short (sold)	AUD	55 750 000	0.67297	37 518 022
Short (sold)	CNH	59 390 000	0.14213	8 441 160

#### Cover

Portfolio/cash	EUR			50 408 092
Portfolio/cash	GBP			13 984 193
Portfolio/cash	USD			154 494 162
Portfolio/cash	AUD			65 317 939
Portfolio/cash	CNH			69 065 707

#### Cover ratio

EUR short	118.719%
GBP short	116.341%
USD short	116.555%
AUD short	117.162%
CNH short	116.292%

#### Hedging ratio

EUR short	84.233%
GBP short	85.954%
USD short	85.796%
AUD short	85.352%
CNH short	85.991%

#### Counterparty risk

The counterparty for the forward exchange transactions is Zürcher Kantonalbank, which currently has a AAA rating.

## Notes pursuant to KGAST

According to directive 05/2013 of the Supervisory Commission for Occupational Pension Funds (OAK BV), the Notes to the financial statements of real estate investment groups must at least include the mandatory key figures pursuant to KGAST Guideline No. 1 (as amended on 1 September 2016).

### Total expense ratio (TER<sub>KGAST</sub>)

#### Total expense ratio TER<sub>KGAST</sub> GAV

The total expense ratio was computed on the basis of the TER<sub>KGAST</sub> calculation and publication guideline approved by the Oberaufsichtskommission Berufliche Vorsorge (Supervisory Commission for Occupational Pension Funds, OAK BV). The indicator is consistent with the last revision of 'KGAST Guideline No. 1', valid as of 1 September 2016.

The first key figure (TER) comprises the total expense ratio at the level of the AFIAA Investment Foundation, excluding the costs of the underlying target funds. The second key figure comprises the composite TER<sub>KGAST</sub>, which also includes the costs of the underlying target funds.

in thousand CHF	2020/2021	2019/2020
Total assets at the start of the financial year	196 070	89 142
Total assets at the end of the financial year	285 386	196 070
Average total assets	240 728	142 606
<b>Administrative expenses</b>	<b>57</b>	<b>36</b>
Auditing expenses	5	5
Overlay manager's fee	52	31
<b>Operating expenses investment group</b>	<b>57</b>	<b>36</b>
As a percentage of the average total assets	0.02%	0.03%
Underlying investment group	1.44%	1.49%
<b>Total TER<sub>KGAST</sub> GAV</b>	<b>1.46%</b>	<b>1.52%</b>

#### Total expense ratio TER<sub>KGAST</sub> NAV

The total expense ratio was computed on the basis of the TER<sub>KGAST</sub> calculation and publication guideline approved by the Oberaufsichtskommission Berufliche Vorsorge (Supervisory Commission for Occupational Pension Funds, OAK BV). The indicator is consistent with the last revision of 'KGAST Guideline No. 1', valid as of 1 September 2016.

The first key figure (TER) comprises the total expense ratio at the level of the AFIAA Investment Foundation, excluding the costs of the underlying target funds. The second key figure comprises the composite TER<sub>KGAST</sub>, which also includes the costs of the underlying target funds.

in thousand CHF	2020/2021	2019/2020
Net assets at the start of the financial year	176 200	89 130
Net assets at the end of the financial year	285 368	176 200
Average net assets	230 784	132 665
<b>Administrative expenses</b>	<b>57</b>	<b>36</b>
Auditing expenses	5	5
Overlay manager's fee	52	31
<b>Operating expenses investment group</b>	<b>57</b>	<b>36</b>
As a percentage of average net assets	0.02%	0.03%
Underlying investment group	1.44%	1.49%
<b>Total TER<sub>KGAST</sub> NAV</b>	<b>1.46%</b>	<b>1.52%</b>



**Return on equity (ROE)**

The Return on Equity (ROE) represents the total profit of the financial year as a percentage of the net total separate trust assets at the start of the financial year plus/minus subscriptions and redemptions. It measures the return on shareholder equity at the start of the period, adjusted by subscriptions/redemptions. The indicator is consistent with the last revision of 'KGAST Guideline No. 1', valid as of 1 September 2016.

<b>in thousand CHF</b>	<b>2020/2021</b>	<b>2019/2020</b>
Net assets at the start of the financial year plus/minus subscriptions and redemptions	256 699	172 949
<b>Total profit for the reporting period</b>	<b>28 669</b>	<b>3 251</b>
<b>As a percentage of adjusted net assets at the start of the financial year</b>	<b>11.17%</b>	<b>1.88%</b>

**Return on investment**

Return on investment is defined as the relative change in the net asset value of the shares in the financial year, assuming the re-investment of any distributed proceeds. It expresses the overall return achieved for the investors.

<b>in CHF</b>	<b>2020/2021</b>	<b>2019/2020</b>
Net assets per share at the start of the financial year	159 636.2128	155 941.3080
Net assets per share at the end of the financial year	181 415.8131	159 636.2128
<b>Return on investment</b>	<b>13.64%</b>	<b>2.37%</b>

**OAK BV key figures**

According to directive 05/2013 of the Supervisory Commission for Occupational Pension Funds (OAK BV), real estate investment groups are required to report risk indicators. Volatility is calculated by means of the investment return's standard deviation from the mean value.

	<b>1 year</b>	<b>5 years</b>	<b>10 years</b>	<b>Since launch</b>
Return on investment p. a.	13.64%	n/a	n/a	7.89%
Volatility	1.39%	n/a	n/a	3.13%



Notes to the  
AFIAA Investment  
Foundation

# Principles and organisation of the AFIAA Investment Foundation

## Legal form and purpose

The Swiss Foundation for International Real Estate Investments (“AFIAA”) is a foundation serving occupational pension funds. Since its codification at the beginning of 2012, the Foundation has been built on the following legal bases: Art. 53g to Art. 53k of the Bundesgesetz über die berufliche Vorsorge, or BVG (Federal Law on Occupational Pensions), the Verordnung über die Anlagestiftungen, or ASV (Ordinance on Investment Foundations), and references to Statutory Instruments BVV 1 and BVV 2 (regulations regarding investments, integrity and good faith of the participants, financial reporting, appraisal and transparency). The purpose of AFIAA is to collectively invest and manage the pension fund assets entrusted to it by investors in international real estate. All tax-exempt pension institutions domiciled in Switzerland are entitled to invest with the Foundation.

## Legal bases of AFIAA Investment Foundation

- Foundation Charter of 12.8.2004, as amended on 7.10.2004
- Articles of Incorporation of 12.8.2004 approved by the Supervisory Authority, as amended on 25.2.2021
- Regulations of 19.8.2004, as amended on 25.2.2021
- Organisational Regulations of 14.12.2007, as amended on 3.4.2020
- Financial Guidelines of 29.5.2006, as amended on 28.3.2018
- AFIAA Global Prospectus and Investment Guidelines of 23.3.2005, as amended on 3.4.2020
- AFIAA Diversified indirect Prospectus and Investment Guidelines of 16.5.2017, as amended on 3.4.2020
- AFIAA Global hedged Prospectus and Investment Guidelines of 14.6.2018, as amended on 3.4.2020
- AFIAA Diversified indirect hedged Prospectus and Investment Guidelines of 29.8.2018, as amended on 3.4.2020

## Organisation

The governing body of AFIAA is the General Meeting of Investors, which is formed by the investors’ representatives. The General Meeting of Investors takes place annually, within six months of the end of the financial year, following the written invitation of the Chairman of the Foundation Board. Responsibilities and powers of the General Meeting of Investors are stipulated in the Articles of Incorporation.

## Investment groups and capital structure

As at 30 September 2021, AFIAA held four investment groups with a total of 65 investors:

- AFIAA Global
- AFIAA Global hedged
- AFIAA Diversified indirect
- AFIAA Diversified indirect hedged

As at 30 September 2021, AFIAA’s investors in the investment groups were composed as follows (no double counting):

### AFIAA Investment Foundation

Share of total investment in CHF	Number of investors		Total investment (in thousand CHF)	
	30.9.2021	30.9.2021	30.9.2021	30.9.2020
0 (no calls transacted)	4	3	0	0
< 20 million	39	43	290 544	314 178
20 to 50 million	12	10	405 565	333 997
> 50 million	10	9	1 634 642	1 462 409
<b>Total</b>	<b>65</b>	<b>65</b>	<b>2 330 750</b>	<b>2 110 584</b>

AFIAA's management and auditing organisation comprises the following six levels: Foundation Board, Investment Committee, Management, valuation experts, external auditor, and custodian bank.

Based on the concept of integral delegation, the Foundation Board has delegated the management and administration to AFIAA Real Estate Investment AG, to the extent that neither the law or the Foundation's Regulations, Articles of Incorporation or Organisational Regulations stipulate otherwise.

The composition and responsibilities of the Foundation Board, Investment Committee and Management are outlined in the Corporate Governance Report from page 26.

### **Covid-19 pandemic**

After numerous waves and lockdowns, it would seem that a quick end to the Covid-19 pandemic is still not in sight. Following the approval of various vaccines around the globe, many people were vaccinated, particularly in the western industrialised nations. Similar to the broader market, the real estate market responded with optimism. Transaction and letting activities were on the rise in AFIAA's target markets, especially in Q3 2021. Although the vaccination campaign in Australia got off to a slow start, the country has now overtaken numerous European countries as well as the USA. All in all, the pandemic appears to have accelerated existing trends towards working from home and the shift from stationary to online trade. The further impact of these developments on the broader real estate market and specific sectors remains difficult to predict.

### **AFIAA Global**

The past financial year saw a certain rebound from the pandemic in AFIAA's target markets. In Australia, transaction and letting activities stagnated due to protracted lockdowns in the metropolitan regions of Sydney and Melbourne. At the same time, the situation on the real estate markets eased in response to the swift inoculation of the majority of the population. In the past financial year, the portfolio properties generally reported solid valuation gains. Only the USA recorded occasional losses due to the pandemic. Thanks to its defensive portfolio consisting of high-quality real estate in prominent CBD locations, the AFIAA Global investment group is well positioned to deal with market uncertainty.

### **AFIAA Diversified indirect**

The target funds have been remarkably resilient to the impact of the Covid-19 pandemic. Mainly thanks to its investments in the logistics and residential sectors, which benefited from short-term trends, with the portfolio recording solid growth. Property investments in student housing, which saw large vacancies due to remote learning, were hardest hit by the pandemic. Vacancies were substantially reduced once students returned in the 2021 autumn semester.

At the time the annual report was drawn up, there were no indications that potential financial effects may jeopardise the company's ability to continue operating as a going concern.

# Principles and organisation of the AFIAA Investment Foundation

## **Valuation experts**

The Foundation Board elects at least two natural persons of good reputation with the appropriate qualifications and experience to perform their tasks, or a reputable legal entity, to act as independent Swiss valuers. The valuers must reside or have their registered office in Switzerland. In the event of two natural persons being elected as valuers, one is appointed head valuer and is accountable to the Foundation Board for the uniformity and consistency of all valuations. The duration of the term of office is now three years. Valuers may be re-elected.

The Foundation arranges for all its properties held through subsidiary companies to be valued individually by one of these independent valuation experts at least once a year at the end of a business quarter and on other specially designated occasions. The independent Swiss valuation experts review all reports provided by foreign local experts. In particular, they ascertain that the valuation standards laid down in the Foundation's Regulations have been correctly applied and verify the valuation using recognised methods. The valuation methods are disclosed on the next page in the section entitled 'Principles of valuation and financial reporting, direct investments'.

The Foundation Board has appointed Jones Lang LaSalle Ltd., Zurich, as independent Swiss valuer. This mandate will expire in 2023.

## **External auditor**

AFIAA's statutory auditing firm is PricewaterhouseCoopers AG, Zurich. The Foundation's auditor is appointed annually by the General Meeting of Investors.

## **Custodian banks**

### **AFIAA Global**

The custodian bank of the AFIAA Global investment group is Zürcher Kantonalbank, Zurich. The custodian bank administers the accounts of the investment group and processes its payment transactions and short-term financial investments.

### **AFIAA Global hedged**

The custodian bank of the AFIAA Global hedged investment group is Zürcher Kantonalbank, Zurich. The custodian bank administers the accounts of the investment group, processes its payment transactions and performs the currency hedging.

### **AFIAA Diversified indirect**

The custodian bank of the AFIAA Diversified indirect investment group is Bank Lombard Odier & Co AG, Geneva (Lombard Odier). Lombard Odier is also responsible for the bookkeeping and the calculation of the net asset value of the shares.

### **AFIAA Diversified indirect hedged**

The custodian bank of the AFIAA Diversified indirect hedged investment group is Zürcher Kantonalbank, Zurich. The custodian bank administers the accounts of the investment group, processes its payment transactions and performs the currency hedging.

## **Sales commissions and account management fees / refunds**

Neither AFIAA nor any of its subsidiaries received or paid fees or other payments from/to banks or other distribution partners for sales and management services in the reporting year. There have been no refunds of fees or commissions paid to investors. The compensation paid to AFIAA Real Estate Investment AG is covered by the management fee.

## Principles of valuation and financial reporting

### Financial reporting

The financial reporting standards comply with Swiss legislation, the professional recommendations for financial reporting (the Swiss GAAP FER 26) (applied analogously) and the “Verordnung über die Anlagestiftungen”, or ASV (Ordinance on Investment Foundations). These rules serve to enhance comparability of the annual financial statements and increase transparency and clarity. With regard to the consolidated annual financial statements, please refer to the subsequent explanations. For the consolidated annual financial statements, the same financial reporting principles were applied as in the previous year.

AFIAA Investment Foundation’s financial year 2020/2021 represents a regular financial year comprising the period from 1 October 2020 to 30 September 2021.

### Principles of valuation and financial reporting

#### Direct investments

Property valuation is carried out according to the professional recommendations of Swiss GAAP FER 26 and the ‘fair value’ principle in accordance with the guidelines of the International Valuation Standards (IVS). These guidelines define market value as the most probable price reasonably obtainable on the market at the time of valuation for an exchange between well-informed parties in an open market under fair market conditions. Methods approved for determining market value include the standard approaches, e.g. the market-orientated sales comparison approach, the cost approach or the income approach. Particularly in English-speaking regions, transparency on the respective transaction markets is used to align the valuation as closely as possible with the effectively transacted changes in ownership observable in the short term. For better comparability with the pure DCF method, external valuers summarise their valuation process using the discounted cash flow method. In the context of extensive modernisation measures, the percentage of completion method can be applied according to which the incurred project costs are capitalised in accordance with the rate of completion as per the valuation date.

The valuation appraisals are performed by independent local valuers. Appraisals prepared by foreign local experts are reviewed by an independent Swiss valuer, who confirms the correct application of the valuation standards specified in the Foundation’s Regulations and valuation guidelines and applies recognised methods to verify the validity of the valuation. The report by the independent Swiss valuer forms an integral part of this annual report.

AFIAA obtains an appraisal of the value of each property at least once a year. AFIAA’s valuation guidelines provide for continuous valuation throughout the year. Valuation at various quarterly closing dates is carried out to capture changes in market value without delay. All market values determined at a valuation date prior to the balance sheet date were subjected to close scrutiny at the end of the financial year and assessed as to their continuing validity as at the closing date.

#### Mortgage loans

The reporting of mortgage loans is based on the mortgage loan sum minus any repayments. The mortgage loans are adjusted in the local currency relevant to the investment property in question.

#### Liquidation costs

Liquidation costs are covered by reserves for eventual sales of real estate assets. These include deferred tax assets and liabilities as well as additional transaction costs.

With regard to subsidiaries holding properties, the positive differences between corporate value and tax values reported at the balance sheet date are taken into account as deferred tax liabilities (liability method). Deferred tax on properties is calculated, as a rule, according to the tax rates applicable at the balance sheet date and the tax system applicable to each property. The fiscal treatment of each property reflects the exit method (share deal or asset deal) that predominates in a specific market. The underlying assumption of the respective market practice (exit method) and the associated fiscal consequences are reviewed every year by external or internal specialists.

Deferred tax assets are calculated based on negative differences in valuation, where they can be offset against profits for tax purposes.

Additional transaction costs which are deferred include, in particular, estimated costs for advisory and brokerage services and fees deriving from a sale. They will be taken into account provided they have to be borne by the seller, directly or indirectly, via a deduction from the sale price, in accordance with locally applicable standards. These transaction costs generally present a negative difference between corporate and taxable revenues. As a result, deferred tax assets are capitalised, provided it appears certain that they can be offset against taxable revenues.

Any penalty costs in relation to early repayment of mortgage loans are usually not deferred as transaction costs.

The provisions for liquidation costs are recorded directly in the equity capital and have no effect on profit and loss.

## Principles of consolidation

### Consolidation method

The consolidated annual financial statements comprise the annual financial statements of the AFIAA Global investment group (parent company) and the accounts of the companies it controls after elimination of internal group transactions and holdings. The parent company directly or indirectly owns 100% of all subsidiary companies and these are fully consolidated. The core assets are managed separately.

### Consolidated companies

The following group companies are included in the consolidation of the AFIAA Global investment group.

In the past financial year, the group of consolidated companies did not change. As at the balance sheet date, the following companies were included:



Company	Headquarter	Holding		Function		Capital <sup>7</sup>			
		30.9.2021	30.9.2020			30.9.2021		30.9.2020	
<b>AFIAA Global investment group</b>									
<b>Switzerland</b>									
AFIAA Holding AG	Zurich	100%	100%	1	CHF	5 000 000	CHF	5 000 000	
AFIAA London 1 AG	Zurich	100%	100%	2, 3	CHF	550 000	CHF	550 000	
AFIAA London 2 AG	Zurich	100%	100%	2, 3	CHF	100 000	CHF	100 000	
AFIAA London 3 AG	Zurich	100%	100%	2, 4	CHF	1 020 000	CHF	1 020 000	
AFIAA London 4 AG	Zurich	100%	100%	2, 3	CHF	100 000	CHF	100 000	
AFIAA London 5 AG	Zurich	100%	100%	2, 3	CHF	100 000	CHF	100 000	
AFIAA London 6 AG	Zurich	100%	100%	2, 3	CHF	100 000	CHF	100 000	
AFIAA Germany AG	Zurich	100%	100%	2, 3	CHF	100 000	CHF	100 000	
AFIAA R&J AG	Zurich	100%	100%	2, 3	CHF	100 000	CHF	100 000	
AFIAA Germany 2 AG	Zurich	100%	100%	2, 3	CHF	100 000	CHF	100 000	
<b>Germany</b>									
AFIAA Deutschland GmbH	Munich	100%	100%	1	EUR	76 570	EUR	76 570	
AFIAA Campus GmbH	Munich	100%	100%	2, 3	EUR	5 155 289	EUR	5 155 289	
AFIAA CSC GmbH	Munich	100%	100%	2, 4	EUR	8 512 000	EUR	8 575 000	
AFIAA Teltower 35 GmbH	Munich	100%	100%	2, 4	EUR	1 882 893	EUR	1 882 893	
AFIAA Log 1 GmbH	Munich	100%	100%	5	EUR	3 000 377	EUR	3 000 377	
AFIAA Büroturm Hafen D1 GmbH	Munich	100%	100%	4	EUR	386 500	EUR	376 500	
AFIAA Büroturm Hafen D2 GmbH	Munich	100%	100%	4	EUR	105 000	EUR	105 000	
<b>Portugal</b>									
AFIAA Portugal SGPS	Lisbon	100%	100%	1	EUR	5 218 076	EUR	5 218 076	
AFIAA Espace & Explorer S.A.	Lisbon	100%	100%	2, 3	EUR	7 152 621	EUR	7 152 621	
<b>Finland</b>									
AFIAA Finland Bronda Holding Oy	Helsinki	100%	100%	1	EUR	377 241	EUR	377 241	
AFIAA Brondankulma Oy	Helsinki	100%	100%	2, 3	EUR	20 693 453	EUR	20 693 453	
<b>Sweden</b>									
AFIAA Sweden 1 AB	Stockholm	100%	100%	2, 3	SEK	97 389 553	SEK	97 389 553	
<b>USA</b>									
AFIAA U.S. Real Estate, Inc.	Delaware	100%	100%	1	USD	277 702 500	USD	277 702 500	
AFIAA WFT, LLC	Delaware	100%	100%	2, 3	USD	31 912 769	USD	35 633 964	
AFIAA Arch Square Holding	Delaware	100%	100%	1	USD	50 455 083	USD	51 388 692	
AFIAA Arch Square, LLC	Delaware	100%	100%	2, 3	USD	50 455 083	USD	51 388 692	
AFIAA 501 Congress, LLC	Delaware	100%	100%	2, 3	USD	64 475 369	USD	68 513 522	
AFIAA 125 West 25th Street, LLC	Delaware	100%	100%	2, 3	USD	143 711 269	USD	149 705 269	
AFIAA 45 West 45th Street, LLC	Delaware	100%	100%	2, 3	USD	78 719 250	USD	77 219 250	
AFIAA 158 West 27th Street, LLC	Delaware	100%	100%	2, 3	USD	52 855 987	USD	52 076 157	

<sup>1</sup> Holding<sup>2</sup> Holding company<sup>3</sup> Operating company<sup>4</sup> Inactive<sup>5</sup> In liquidation<sup>6</sup> thereof EUR 17 500 paid in<sup>7</sup> Share capital and further paid-in capital

Company	Headquarter	Holding		Function		Capital 7		
		30.9.2021	30.9.2020			30.9.2021	30.9.2020	
<b>Austria</b>								
AFIAA Austria GmbH	Vienna	100%	100%	1	EUR	17 500	EUR	3 417 500
AFIAA Betriebs 2 GmbH	Vienna	100%	100%	2, 4, 6	EUR	35 000	EUR	35 000
AFIAA Betriebs 3 GmbH	Vienna	100%	100%	1, 6	EUR	35 000	EUR	35 000
AFIAA Betriebs 4 GmbH	Vienna	100%	100%	1	EUR	8 520 000	EUR	8 520 000
Optimax Gamma Liegenschafts- verwertungsgmbH & Co KG	Vienna	100%	100%	2, 3	EUR	8 520 000	EUR	8 520 000
<b>Australia</b>								
AFIAA Australia Pty Ltd	Sydney	100%	100%	1	AUD	227 325 001	AUD	227 325 001
AFIAA Australia 1 Pty Ltd	Sydney	100%	100%	2, 3	AUD	36 500 001	AUD	36 500 001
AFIAA Australia 3 Pty Ltd	Sydney	100%	100%	2, 3	AUD	14 375 000	AUD	14 375 000
AFIAA Australia 4 Pty Ltd	Sydney	100%	100%	2, 3	AUD	68 600 000	AUD	68 600 000
AFIAA Australia 5 Pty Ltd	Sydney	100%	100%	2, 3	AUD	83 500 001	AUD	83 500 001

### Foreign currencies

The AFIAA Global investment group operates in the Eurozone, the UK, Sweden, North America and Australia. Exchange rate fluctuations therefore affect the net assets and results of operations of the AFIAA Global investment group which are expressed in Swiss francs.

### Conversion of subsidiary company earnings

The assets and liabilities of the foreign subsidiaries are converted into Swiss francs at the daily average exchange rate at the balance sheet date. Income statement items are converted at the average exchange rate during the financial year. The foreign currency effects resulting from fluctuating exchange rates are recorded as "Change in currency differential due to consolidation" without effect on profit and loss.

### Other foreign currency transactions

Foreign currency transactions are converted at the daily average exchange rate at the date of transaction. Effects of fluctuations in exchange rates are recorded in shareholders' equity with no impact on profit and loss.

### Currency hedging

No currency hedging is undertaken within the investment group. Any hedging of foreign currency risks is a matter for the investors.

### Currency conversion rates

Currency exchange rates as at the reporting date were obtained from the custodian bank, and publicly accessible interbank rates are used for the annual average rate of exchange.

Currency	Closing rate	Closing rate	Average price	Average price
	30.9.2021	30.9.2020	1.10.20 – 30.9.21	1.10.19 – 30.9.20
	CHF	CHF	CHF	CHF
EUR	1.0811	1.0774	1.0870	1.0747
USD	0.9329	0.9188	0.9094	0.9602
GBP	1.2578	1.1877	1.2448	1.2243
SEK	0.1066	0.1027	0.1067	0.1036
AUD	0.6738	0.6585	0.6837	0.6510

## Notes to investment activities

### Organisation of investment activities

As the senior executive body, the Foundation Board sets the strategic direction of the Foundation and issues the Investment Guidelines in accordance with Art. 9 Para. 5 of the Articles of Incorporation of the AFIAA Swiss Investment Foundation for International Real Estate Investments.

The Investment Guidelines relevant to the reporting period were adopted by the Foundation on 3 April 2020. These guidelines are subordinated to the regulations of BVV 2 and ASV, in particular, Art. 49 et seq. BVV 2 and Art. 27 ASV, the practice of the supervisory authorities for investment foundations derived therefrom, as well as the Articles of Incorporation and Regulations of the Foundation. The Investment Guidelines define the types of properties eligible for investment, investment principles to be observed and the method of risk distribution.

Each investment decision is made by the Investment Committee at the request of the Management. The Management is responsible for implementing the Investment Guidelines and investment decisions. The adopted investment strategy focuses on a diversified portfolio with stable direct investments.

Compliance with the Investment Guidelines is scrutinised with every investment decision by the Investment Committee, and by a body independent of Management on a quarterly basis. All bodies and individuals involved in the field of capital investment are subject to a strict duty of confidentiality. In addition, the respective individuals are obliged to abide by the Foundation's code of conduct. Care is taken that AFIAA collaborates only with partners who can demonstrate local and/ or international experience – depending on the task at hand – in order to minimise risk and to benefit as much as possible from the partners' international know-how.

### Presentation of investments in relation to the Investment Guidelines

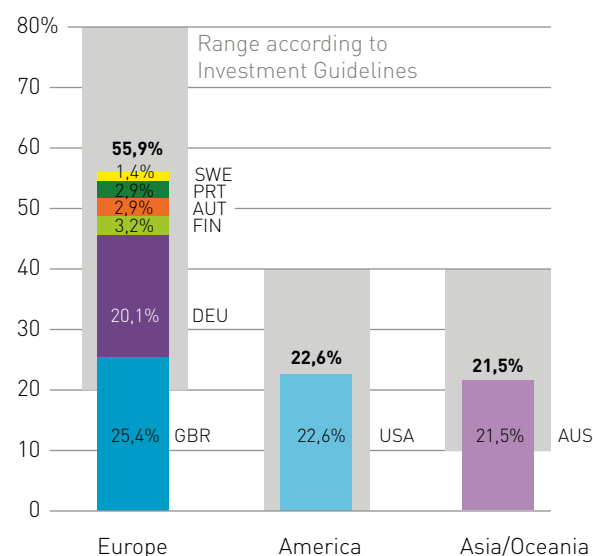
Below, the actual portfolio allocation as per 30 September 2021 is juxtaposed with the respective ranges specified in the Investment Guidelines.

#### Parameters specified by the Investment Guidelines as at 3 April 2020

##### Distribution by market

<b>Europe (ex CH)</b>	<b>20 – 80%</b>
EU member states as at 1.1.2013	20 – 80%
Non-EU member states	0 – 40%
<b>America</b>	<b>0 – 40%</b>
North America	0 – 40%
Central and South America	0 – 20%
<b>Asia/Oceania</b>	<b>10 – 40%</b>
East and Southeast Asia, Oceania	10 – 40%
All remaining countries	0 – 20%

#### Direct investments as at 30 September 2021

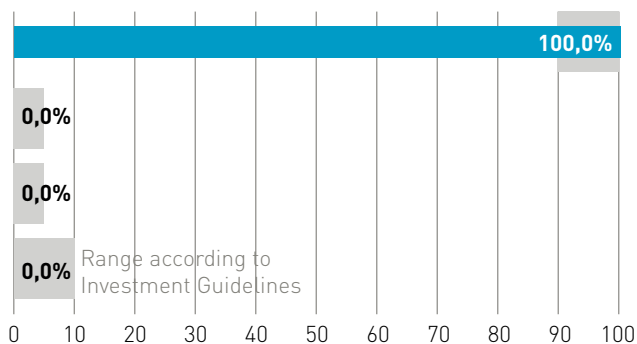


**Parameters specified by the Investment Guidelines as at 3 April 2020**

**Direct investments and called-in fund investments as at 30 September 2021**

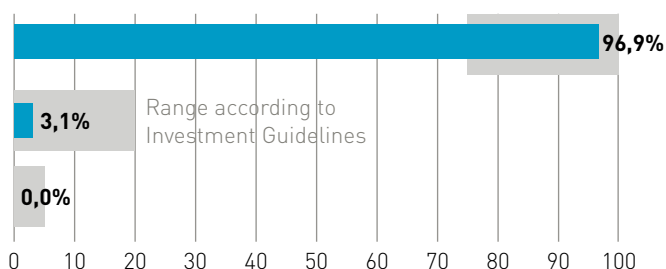
**Distribution by asset class**

Direct real estate investments in properties and via subsidiaries	90 – 100%
Investments in non-listed collective investments	0 – 5%
Investments in listed collective investments	0 – 5%
Investments in real estate companies	0 – 10%



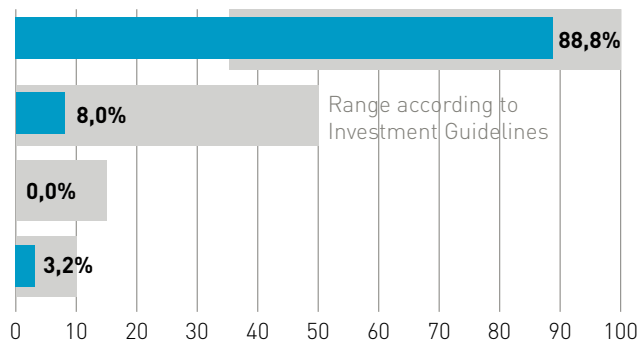
**Distribution by investment style**

Core / Core Plus	75 – 100%
Value Added	0 – 20%
Opportunistic	0 – 5%



**Distribution by type of use**

Office	35 – 100%
Retail	0 – 50%
Logistics	0 – 15%
Miscellaneous (hotel, parking, residential, restaurants)	0 – 10%



## Principles of valuation and financial reporting

### Financial reporting

The financial reporting standards comply with Swiss legislation, the professional recommendations for financial reporting (the Swiss GAAP FER 26) (applied analogously) and the “Verordnung über die Anlagestiftungen”, or ASV (Ordinance on Investment Foundations). These rules serve to enhance comparability of the annual financial statements and increase transparency and clarity.

AFIAA Investment Foundation’s financial year 2020/2021 represents a regular financial year comprising the period from 1 October 2020 to 30 September 2021.

### Principles of valuation and financial reporting

The valuation of the AFIAA Global hedged investment group is governed by the provisions of Art. 3 of the Regulations.

The investments of the AFIAA Global hedged investment group consist of shares in the AFIAA Global investment group. The currency hedge is effected via futures contracts. The shares held in the AFIAA Global investment group are valued on the basis of the NAV calculated on the respective reference date. The hedging positions are valued at the amount communicated by the banks as at the respective reference date.

### Derivative instruments

Derivative instruments are exclusively utilised in consideration of Art. 56a BVV 2 and the respective supervisory practices. The sole purpose of the use of derivative instruments is the hedging of currency risks in net real estate investments and foreign currency holdings. The scope of the hedge is determined by the holding AFIAA Global hedged has in AFIAA Global. The foreign currency risks are hedged on a rolling basis via futures contracts of generally up to three months (foreign currency forwards and swaps).

On the respective valuation date, the hedge assets assignable to AFIAA Global hedged are subject to an 85% hedge per foreign currency. The rebalancing range is +/- 5% of the rebalancing target figure. If the exposure calculation at the end of the quarter shows that the hedge ratio is not 85%, a rebalancing to the 85% target figure is effected irrespective of any excess or underrun of the rebalancing range. Unscheduled calculations of the exposure are carried out in the case of larger property transactions and major conversions of portfolio properties.

### Liquidity position

To guarantee a liquidity buffer which does not dilute the performance of the investment group, only 95% of new capital commitments are called and 5% are held as open capital commitments. In addition, technically determined short-term credit lines can be obtained from banks to safeguard liquidity. The liquidity buffer serves to secure any equalisation payments to the banks that may be payable due to currency fluctuations (rising foreign exchange rates).

### Counterparty risk

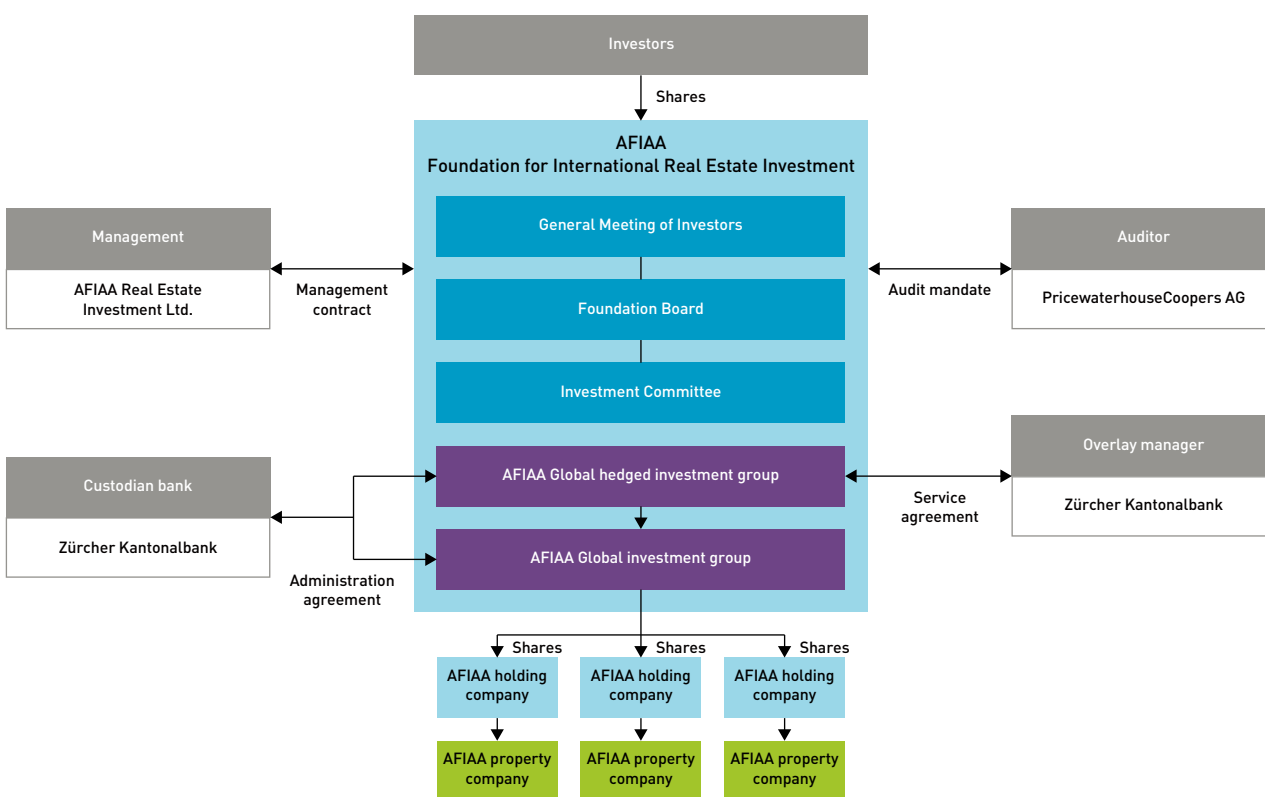
The counterparty risk is limited to 10% of the investment group’s assets. The counterparty is the AAA-rated Zürcher Kantonalbank which acts as overlay manager.

# Notes to investment activities

## Organisation of investment activities

The Foundation Board issues the Investment Guidelines and Prospectus for the AFIAA Global hedged investment group. As the senior executive body, it safeguards the interests of the investors, supervises the Management and appoints the asset manager.

The Foundation Board may delegate responsibilities and competencies to the Management. The management has been delegated to AFIAA Real Estate Investment AG as mandate holder to the extent that neither the law nor the Foundation’s Regulations, Articles of Incorporation or Organisational Regulations stipulate otherwise. It supervises the asset manager, prepares the reporting, reports regularly to the Foundation Board and is responsible for marketing. In addition, it is responsible for processing committed funds and redemptions.



## Investment objective

The investment group invests worldwide, predominantly or exclusively in international real estate, specifically in capitals, commercial capitals and cities which play an important political or economic role in their country or region. The main focus of the investments is on commercial properties in the Core / Core Plus segments. With the exception of the group’s liquid funds, all investments are made exclusively via the AFIAA Global investment group.

## Investment strategy

The real estate investments of the investment group are made exclusively through the AFIAA Global investment group. The only distinguishing feature between AFIAA Global and AFIAA Global hedged is the latter’s hedging of foreign currency risks. In addition, AFIAA Global hedged retains the necessary liquidity to secure the currency hedge. The Investment Guidelines and the Prospectus of the AFIAA Global investment group represent an integral part of this investment strategy.

## Principles of valuation and financial reporting

### Financial reporting

The financial reporting standards comply with Swiss legislation, the professional recommendations for financial reporting (the Swiss GAAP FER 26) (applied analogously) and the “Verordnung über die Anlagestiftungen”, or ASV (Ordinance on Investment Foundations). These rules serve to enhance comparability of the annual financial statements and increase transparency and clarity.

AFIAA Investment Foundation’s financial year 2020/2021 represents a regular financial year comprising the period from 1 October 2020 to 30 September 2021.

### Principles of valuation

The valuation of the individual investment groups is governed by the provisions of Art. 3 of the Regulations.

The investments of the AFIAA Diversified indirect investment group consist of non-listed funds that are not traded on a regulated market and for which no real market prices exist. Due to the restricted fungibility of real estate, the funds generally calculate and report a net asset value once every quarter. The AFIAA Investment Foundation does not perform any valuation adjustments. Both the bookkeeping for the investment group and the calculation of the net asset value of the shares are carried out by the custodian bank Lombard Odier.

### Foreign currencies

The AFIAA Diversified indirect investment group invests in North America, Europe and Asia-Pacific. Exchange rate fluctuations therefore affect the net assets and results of operations of the AFIAA Diversified indirect investment group, which are expressed in Swiss Francs.

### Currency hedging

No currency hedging is undertaken within the investment group. Any hedging of foreign currency risks is a matter for the investors.

### Currency conversion rates

Currency exchange rates as at the reporting date were obtained from the custodian bank.

Currency	Closing rate 30.9.2021 CHF	Closing rate 30.9.2020 CHF
AUD	0.6738	0.6585
CNH	0.1445	0.1354
EUR	1.0811	1.0774
GBP	1.2578	1.1877
HKD	0.1198	0.1186
USD	0.9328	0.9187

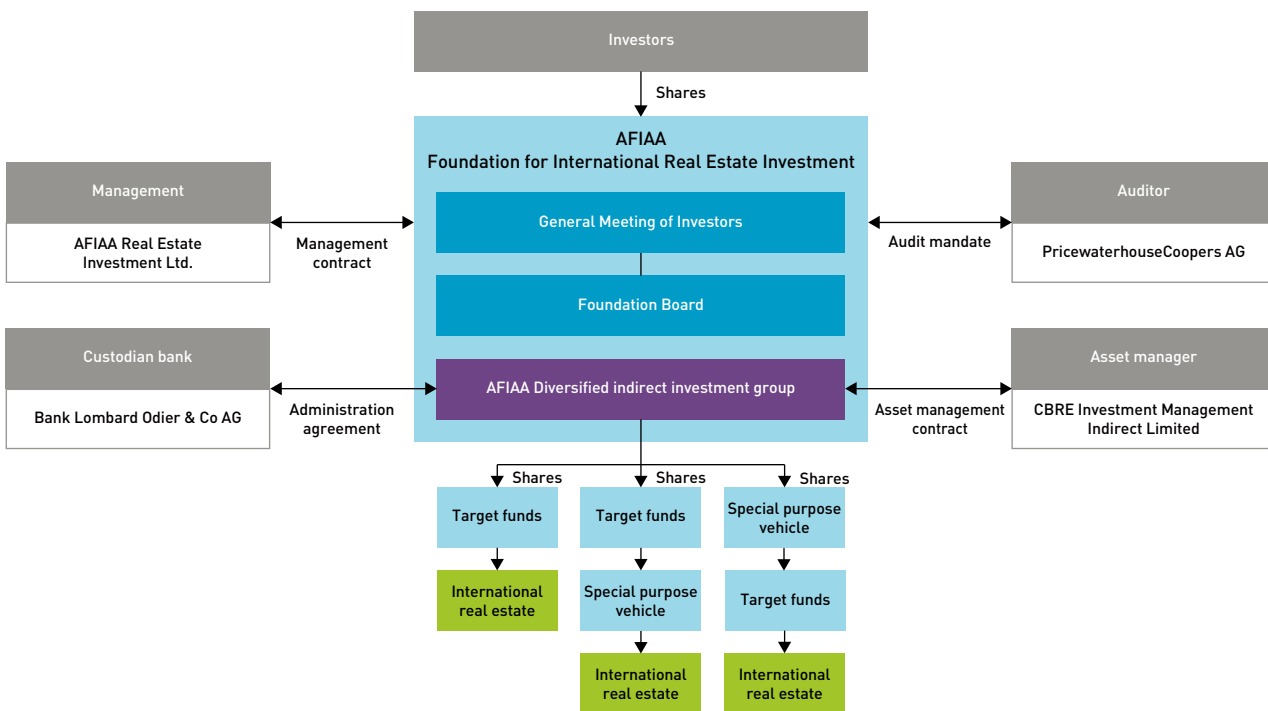
# Notes to investment activities

## Organisation of investment activities

The Foundation Board issues the Investment Guidelines and Prospectus for the AFIAA Diversified indirect investment group. As the senior executive body, it safeguards the interests of the investors, supervises the Management and appoints the asset manager.

The Foundation Board may delegate responsibilities and competencies to the Management. The management has been delegated to AFIAA Real Estate Investment AG as mandate holder to the extent that neither the law nor the Foundation’s Regulations, Articles of Incorporation or Organisational Regulations stipulate otherwise. It supervises the asset manager, prepares the reporting, reports regularly to the Foundation Board and is responsible for marketing. In addition, it is responsible for processing committed funds and redemptions.

The asset management and portfolio management responsibilities must be performed by competent individuals who have the required qualifications and experience in the field of international real estate. The asset manager is appointed by the Foundation Board. At present, and for the foreseeable future, the Foundation Board has delegated the asset management responsibilities to CBRE Investment Management Indirect Limited, London, UK. The asset manager carries out the due diligence of the target funds and is responsible for the portfolio management of the investment group pursuant to the Foundation’s contractual requirements.



## Investment objective

The AFIAA Diversified indirect investment group aims to implement a balanced investment strategy to generate long-term positive returns. The focus is on core properties in developed countries. Investments are composed of a balanced mix of regions and sectors.

## Investment strategy

The AFIAA Diversified indirect investment group strives to achieve well-balanced risk diversification via the inclusion of various target funds, regions and sectors. The investment group’s assets are invested worldwide in the office, retail, industry and residential/other sectors.



### Presentation of investments in relation to the Investment Guidelines

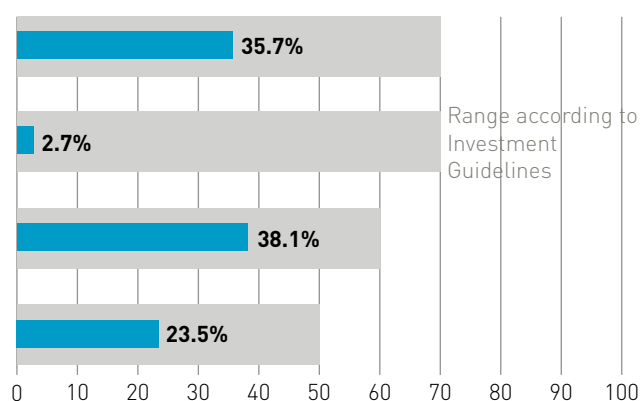
Below, the actual portfolio allocation as at 30 September 2021 is juxtaposed with the respective ranges specified in the Investment Guidelines.

#### Parameters specified by the Investment Guidelines as at 3 April 2020

#### Portfolio as at 30 September 2021

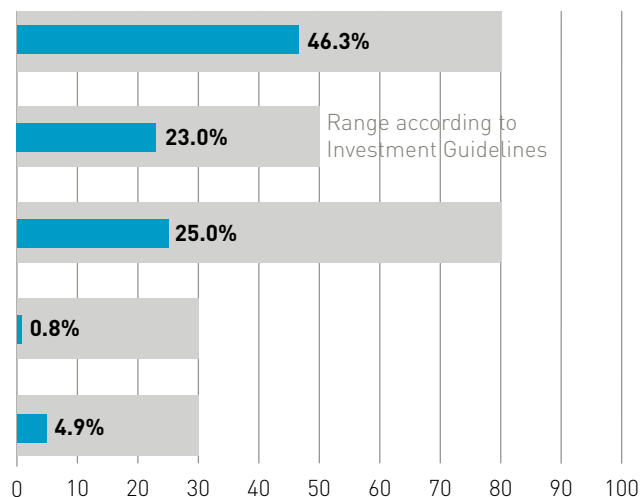
##### Sector distribution

Industry/logistics	0 – 70%
Retail	0 – 70%
Residential/other	0 – 60%
Office	0 – 50%



##### Regional distribution

North America	0 – 80%
Developed Asia-Pacific	0 – 50%
Developed Europe	0 – 80%
Emerging Europe	0 – 30%
Emerging Asia-Pacific	0 – 30%



## Principles of valuation and financial reporting

### Financial reporting

The financial reporting standards comply with Swiss legislation, the professional recommendations for financial reporting (the Swiss GAAP FER 26) (applied analogously) and the “Verordnung über die Anlagestiftungen”, or ASV (Ordinance on Investment Foundations). These rules serve to enhance comparability of the annual financial statements and increase transparency and clarity.

AFIAA Investment Foundation’s financial year 2020/2021 represents a regular financial year comprising the period from 1 October 2020 to 30 September 2021.

### Principles of valuation and financial reporting

The valuation of the AFIAA Diversified indirect hedged investment group is governed by the provisions of Art. 3 of the Regulations.

The investments of the AFIAA Diversified indirect hedged investment group consist of shares in the AFIAA Diversified indirect investment group. The currency hedge is effected via futures contracts. The shares held in the AFIAA Diversified indirect investment group are valued on the basis of the NAV calculated on the respective reference date. The hedging positions are valued at the amount communicated by the banks as at the respective reference date.

### Derivative instruments

Derivative instruments are exclusively utilised in consideration of Art. 56a BVV 2 and the respective supervisory practices. The sole purpose of the use of derivative instruments is the hedging of currency risks in net real estate investments and foreign currency holdings. The scope of the hedge is determined by the holding AFIAA Diversified indirect hedged has in AFIAA Diversified indirect. The foreign currency risks are hedged on a rolling basis via futures contracts of generally up to three months (foreign currency forwards and swaps).

On the respective valuation date, the hedge assets assignable to AFIAA Diversified indirect hedged are subject to an 85% hedge per foreign currency. The rebalancing range is +/- 5% of the rebalancing target figure. If the exposure calculation at the end of the quarter shows that the hedge ratio is not 85%, a rebalancing to the 85% target figure is effected irrespective of any excess or underrun of the rebalancing range. Unscheduled calculations of the exposure are carried out in the case of larger investments in new or existing funds.

### Liquidity position

To guarantee a liquidity buffer which does not dilute the performance of the investment group, only 95% of new capital commitments are called and 5% are held as open capital commitments. In addition, technically determined short-term credit lines can be obtained from banks to safeguard liquidity. The liquidity buffer serves to secure any equalisation payments to the banks that may be payable due to currency fluctuations (rising foreign exchange rates).

### Counterparty risk

The counterparty risk is limited to 10% of the investment group’s assets. The counterparty is the AAA-rated Zürcher Kantonalbank which acts as overlay manager.

### Foreign currencies

Exchange rate fluctuations associated with capital calls in USD affect the net assets and results of operations which are expressed in Swiss francs.

### Currency conversion rates

Currency conversion rates as at the reporting date were obtained from the custodian bank.

Currency	Closing rate 30.9.2021 CHF	Closing rate 30.9.2020 CHF
USD	0.9329	0.9188

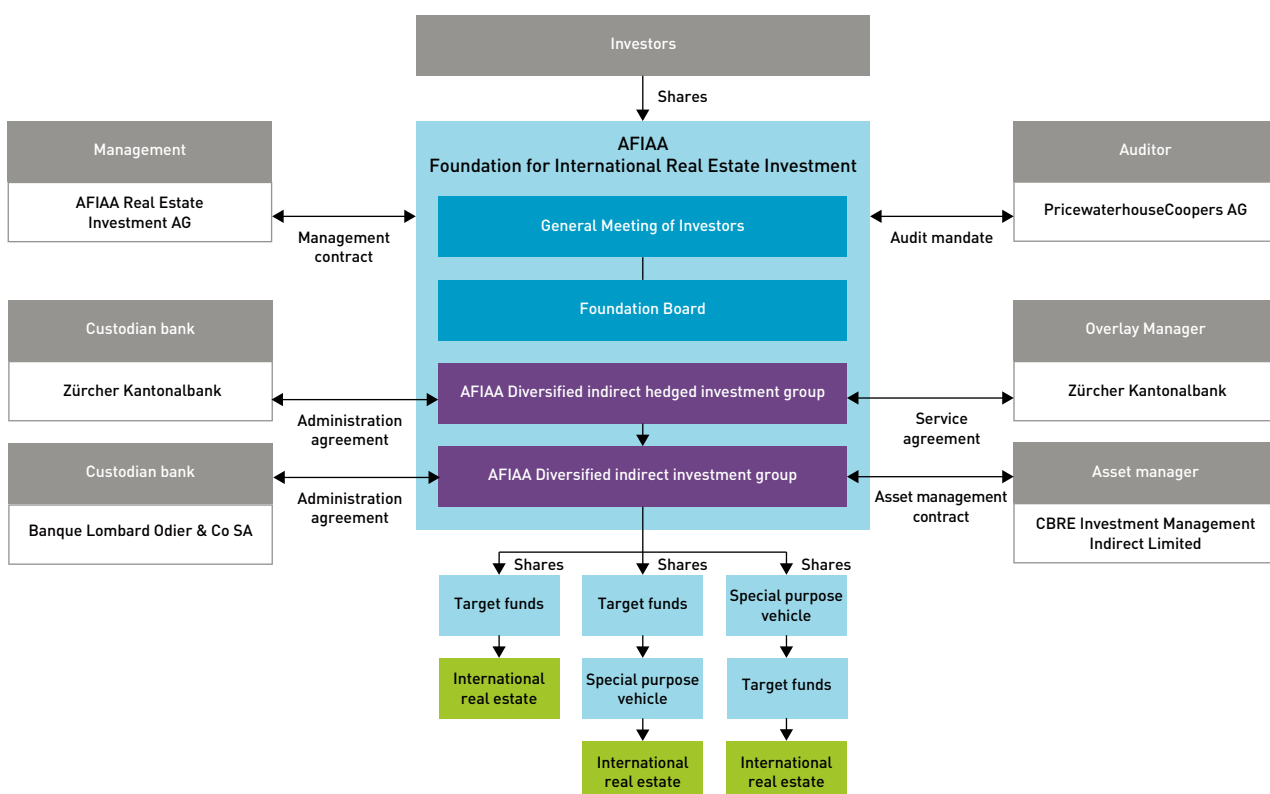
## Notes to investment activities

### Organisation of investment activities

The Foundation Board issues the Investment Guidelines and Prospectus for the AFIAA Diversified indirect hedged investment group. As the senior executive body, it safeguards the interests of the investors, supervises the Management and appoints the asset manager.

The Foundation Board may delegate responsibilities and competencies to the Management. The management has been delegated to AFIAA Real Estate Investment AG as mandate holder to the extent that neither the law nor the Foundation’s Regulations, Articles of Incorporation or Organisational Regulations stipulate otherwise. It supervises the asset manager, prepares the reporting, reports regularly to the Foundation Board and is responsible for marketing. In addition, it is responsible for processing committed funds and redemptions.

The asset management and portfolio management responsibilities must be performed by competent individuals who have the required qualifications and experience in the field of international real estate. The asset manager is appointed by the Foundation Board. At present, and for the foreseeable future, the Foundation Board has delegated the asset management responsibilities to CBRE Investment Management Indirect Limited, London, UK. The asset manager carries out the due diligence of the target funds and is responsible for the portfolio management of the investment group pursuant to the Foundation’s contractual requirements.



### Investment objective

The objective of the investment group is to hedge foreign exchange exposure through forward contracts, which may cause the investment group’s returns to differ from those of the AFIAA Diversified indirect investment group, which is not hedged.

### Investment strategy

The investment strategy of the investment group consists in the acquisition of shares of the AFIAA Diversified indirect investment group and the implementation of currency hedges to mitigate the resulting risks.

## Events after the balance sheet date

No significant events occurred between the balance sheet date and the Foundation Board's approval of the annual financial statements that would have to be recognised or disclosed in the 2020/2021 annual financial statements.

# Report of the Statutory Auditor

# Report of the statutory auditor

## to the Meeting of Investors of AFIAA Foundation for International Real Estate Investments, Zurich

### Report of the statutory auditor on the financial statements

As statutory auditor, we have audited the financial statements of AFIAA Foundation for International Real Estate Investments comprising of

- consolidated balance sheet and income statement, changes in net assets, appropriation of profit and notes of the AFIAA Global investment group [pages 38 to 40 and pages 46 to 56];
- balance sheet and income statement, changes in net assets, appropriation of profit and notes of the AFIAA Global hedged investment group [page 41 and pages 57 to 59];
- balance sheet and income statement, changes in net assets, appropriation of profit and notes of the AFIAA Diversified indirect investment group [page 42 and pages 60 to 62];
- balance sheet and income statement, changes in net assets, appropriation of profit and notes of the AFIAA Diversified indirect hedged investment group [page 43 and pages 63 to 65];
- balance sheet and income statement, appropriation of profit of core assets [page 44]; and
- notes of AFIAA Foundation for International Real Estate Investments [pages 68 to 84]

for the year ended 30 September 2021.

#### Foundation Board's Responsibility

The Foundation Board is responsible for the preparation of the financial statements in accordance with the legal requirements and the company's articles of incorporation and the regulations. This responsibility includes designing, implementing and maintaining an internal control relevant to the preparation of financial statements that are free from material misstatement, whether due to fraud or error. The Foundation Board is further responsible for selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

#### Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Swiss law and Swiss Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal controls relevant to the entity's preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### Opinion

In our opinion, the financial statements for the year ended 30 September 2021 comply with Swiss law and the company's articles of incorporation and the regulations.

PricewaterhouseCoopers AG, Birchstrasse 160, Postfach, CH-8050 Zürich, Switzerland  
Telefon: +41 58 792 44 00, Telefax: +41 58 792 44 10, [www.pwc.ch](http://www.pwc.ch)

PricewaterhouseCoopers AG is a member of the global PricewaterhouseCoopers network of firms, each of which is a separate and independent legal entity.

## Report on additional legal and other requirements

We confirm that we meet the legal requirements on licensing (article 9 Ordinance on Investment Funds [OFP]) and independence (article 34 Occupational Pensions Ordinance 2 [OPO 2]) and that there are no circumstances incompatible with our independence.

Furthermore, we have performed the audits required by article 10 OFP and article 35 OPO 2. The Foundation Board is responsible for ensuring that the legal requirements are met and that the statutory and regulatory provisions on organization, management and investments are applied, to the extent that these duties are not performed by the Meeting of Investors.

We have assessed whether:

- organisation and management comply with the legal and regulatory requirements and whether internal controls exist that are appropriate to the size and complexity of the foundation;
- investment assets are invested in accordance with legal and regulatory requirements, including the investment guidelines;
- measures have been taken to ensure loyalty in asset management and whether the governing body has ensured to a sufficient degree that asset managers fulfil their duty of loyalty and duty to disclose ties of interest;
- the legally required information and reports have been submitted to the supervisory authority;
- the investment foundation's interests have been safeguarded in the disclosed transactions with related parties.

We confirm that the applicable legal, statutory and regulatory requirements including the investment guidelines have been met.

We recommend that the financial statements submitted to you be approved.

PricewaterhouseCoopers AG



Raffael Simone  
Audit expert  
Auditor in charge



Wilhelm Wald  
Audit expert

Zürich, 24 February 2022





# Additional Information



Zurich, 5<sup>th</sup> of November 2021

**Statement issued by the independent Swiss valuation experts for AFIAA's direct investments real estate portfolio – financial year 2020/2021**

## 1. ENGAGEMENT

Pursuant to Art. 3 (8) and (9) of the AFIAA Regulations of 28 January 2016 and the “AFIAA valuation process” guideline as amended on 6 March 2014, the properties held by AFIAA are subject to an annual fair value assessment by independent local valuation experts. The valuations are subsequently reviewed by a Swiss valuation expert as to the uniform and correct application of the valuation principles set down in the Regulations. The results of the local valuation appraisals must appear plausible to the Swiss expert.

AFIAA has appointed Jones Lang LaSalle Ltd., Zurich, (hereinafter referred to as ‘JLL Switzerland’), represented by Mr Daniel Macht and Ms Yasmine Ghulam, as valuation expert. Both representatives comply with the requirements under Art. 11 (3) ASV (Swiss Ordinance on Investment Foundations).

## 2. VALUATION STANDARDS

The valuation result is presented in the form of the gross fair market value. Properties are valued according to the ‘market value’ principle, i.e. the fair value is defined as the sales proceeds the property should bring at the time of the valuation on the open market at fair market conditions between parties that have sufficient information and are independent of each other.

JLL Switzerland confirms that the methods applied by the local valuation experts comply with the AFIAA guidelines and the principles of the International Valuation Standards Committee (IVSC) and with nationally recognised and common standards pursuant to section 1 (3) of the above-mentioned guideline.

Jones Lang LaSalle Ltd.	T +41 44 215 75 00
Prime Tower	F +41 44 215 75 01
Hardstrasse 201	<a href="mailto:info.ch@eu.jll.com">info.ch@eu.jll.com</a>
8005 Zurich	<a href="http://jll.ch">jll.ch</a>



### 3. VALUATION METHOD

As a rule, the independent local valuation experts use the discounted cash flow method or the cash method for their valuations. According to these methods, the value of a property is determined via the total future net income discounted as per the valuation date. The discount is based on an interest rate applicable to the individual property in line with the market.

The Swiss valuation expert verifies the valuations by ascertaining their methodical accuracy and identifying any recognisable material divergences.

### 4. INDEPENDENCE

All local valuation experts as well as the Swiss valuation expert confirm their independence from AFIAA and any persons affiliated with AFIAA. The following local valuation experts were engaged:

- Florian Möhnle, Manuel Alberts, Christina Lepke, Ralf Kemper, Julika Puls, Andreas Röhr, Guido Radlspeck (JLL, Germany)
- Marta Lourenço, Hugo Simões (JLL, Portugal)
- Kimmo Kostainen, Anni Kontturi (JLL, Finland)
- Clive Drury, Patrik Löfvenberg (JLL, Sweden)
- Roger Meeds, Christopher Williams, Elizabeth Levingston, Christy Bowen, Andrew Pirie (JLL, UK)
- Joseph Miller (JLL, USA)
- Martin Reynolds, Richard Lawrie (JLL, Australia)

Jones Lang LaSalle Ltd.

A handwritten signature in black ink that reads "Macht".

**Daniel Macht** MRICS  
Managing Director  
Jones Lang LaSalle Ltd., Zurich

A handwritten signature in black ink that reads "Yasmine Ghulam".

**Yasmine Ghulam** MRICS  
Vice President  
Jones Lang LaSalle Ltd., Zurich

## Investment Foundation's registered head office

### **AFIAA Investment Foundation for International Real Estate Investments**

Zollstrasse 42  
P.O. Box 1077  
8005 Zurich  
Switzerland  
T +41 58 589 19 19  
office@afiaa.com  
www.afiaa.com

## Membership of professional bodies

The AFIAA Investment Foundation is a member of the following professional organisations and associations:

- **KGAST** Conference of Managers of Investment Foundations, Zurich, [www.kgast.ch](http://www.kgast.ch)
- **ASIP** Swiss Association of Pension Funds, Zurich, [www.asip.ch](http://www.asip.ch)
- **Swiss Circle** International Real Estate Marketing, [www.swisscircle.ch](http://www.swisscircle.ch)
- **AFIRE** Association of Foreign Investors in Real Estate, [www.afire.org](http://www.afire.org)
- **INREV** European Association for Investors in Non-Listed Real Estate Vehicles, [www.inrev.org](http://www.inrev.org)

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## Legal notice

### Published by:

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for International Real Estate Investments, Zurich

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Eric Soltan, New York; Emma Cross, Melbourne;  
Mark Syke, Sydney



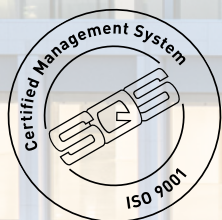
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