

Media release

Zurich, 12 April 2024

SFP Investment Foundation: successful financial year 2023

- Encouraging overall performance by the SFP Investment Foundation
- Successful financial year for SFP AST Swiss Real Estate with strong portfolio key figures and unchanged distribution
- Strong fundamentals, stable distribution yield and robust relative performance given the challenging global interest rate environment for the SFP AST Global Core Property investment groups

SFP AST Swiss Real Estate Investment Group

Real estate portfolio

The assets of the SFP AST Swiss Real Estate investment group increased to CHF 684.0 million in 2023 (+21.7% compared to the previous year). This growth was mainly achieved through the integration of six properties, bringing the investment group to 37 properties as at the reporting date. Rental income increased by 34.6% to CHF 25.3 million in the past financial year (previous year: CHF 18.8 million). The core/core+ strategy was consistently pursued to promote further growth and its success is confirmed by the very low vacancy rate of just 0.4% as at the reporting date and a long WAULT of 5.9 years. The key figures underscore the good location and property qualities of the assets and ensure sustainable returns for investors. The investment group also published its first GRESB report with a pleasing result of 3 out of 5 stars.

Financial result

Due to higher discount rates and the associated portfolio write-downs, the net asset value as at the end of 2023 decreased to CHF 1,161.98 (previous year: CHF 1,170.35) and the investment yield declined from 3.73% to 1.72%. Despite the higher interest rates and resulting increase in financing costs, it was possible to maintain net income per share, enabling the same distribution of CHF 28.00 as in the previous year. This corresponds to a distribution yield of 2.41% and a payout ratio of 92.40%. The expense ratios TER ISA GAV 0.54% (previous year: 0.57%) and TER ISA NAV 0.64% (previous year: 0.71%) were reduced once again.

A total of CHF 80.2 million was successfully called and invested in the SFP AST Swiss Real Estate investment group. The investor base was further expanded, with 116 pension schemes now invested in the investment group.

The impact of the rent increases implemented in the previous year following the increase in the reference interest rate and the additional income earned on the indexed commercial leases will mainly be seen in the current 2024 financial year and will support further growth and sustainable distributions.

Outlook

SFP AST Swiss Real Estate aims to keep the vacancy rate in its portfolio low by means of active management. The focus will continue to fall on pursuing qualitative and selective growth, while maintaining the target allocation of 60% residential and 40% commercial. The Zurich region was strengthened further by the integration of two properties with a market value of CHF 43.0 million and will continue to grow to over 30%. Once further properties have been added, the investment group plans to issue new units for existing and new investors as part of an announced capital raising exercise in the second quarter of 2024.

SFP AST Global Core Property Investment Groups

Review

The interest rate hikes on a global level that were mostly interrupted in the third quarter of 2023 were part of the fastest increase in four decades. Despite the aggressive rate hike cycle, the SFP AST Global Core Property investment groups proved resilient thanks to their broad diversification and strategic sector and regional allocations. The fundamentals remain strong in almost all sectors and regions, as reflected in the key figures for the investment groups, in particular the high occupancy rate of 93.6%, the long WAULT of 6.0 years and the low gearing of 23.2%.

The SFP AST Global Core Property investment groups remained well positioned due to their high allocation to the logistics, residential and alternative sectors, which generated solid rental growth and offset capital losses over the past year. Both the US and European allocations within the SFP AST Global Core Property Hedged CHF outperformed their respective benchmark indices. In addition, SFP AST Global Core Property Hedged CHF's five-star GRESB (Global Real Estate Sustainability Benchmark) rating of 88 points (+2 points compared to 2022 and 13 points above the global average) again demonstrates the strong focus on ESG.

The total volume of the SFP AST Global Core Property investment groups amounts to CHF 178.1 million. Administrative expenses (TER ISA NAV) for 2023 amount to an exemplary 1.69% for SFP AST Global Core Property Hedged CHF (class C) and 1.78% for SFP AST Global Core Property (class B).

Outlook

After a price correction lasting 18 months, the international real estate markets are once again offering favourable entry opportunities. Attractive pricing levels and anticipated rate cuts point to a new cycle in 2024, which is already being confirmed by increasing transaction activity as the price expectations of buyers and sellers draw closer together. The low number of current development projects should continue to boost existing properties. The solid fundamentals of SFP AST Global Core Property also support entry. The portfolio management team pursues an active allocation strategy and selectively invests in sectors with strong demographic and economic drivers. Good examples include the recent investments in an Australian healthcare real estate fund and a European logistics fund. Given their international focus, the SFP AST Global Core Property investment groups are attractively positioned in terms of current yields compared to other asset classes and the expected interest rate cuts.

General Meeting of Investors

The Foundation Board will propose to the Meeting of Investors on 7 May 2024 that the 2023 annual report, including the audited financial statements and distribution proposals, be approved. The 2023 annual report can be found on our website at www.sfp-ast.ch.

Further Information

Further details on the investment universe and investment guidelines can be found in the respective prospectuses at www.sfp-ast.ch.

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SFP Investment Foundation

The SFP Investment Foundation has three investment groups. Management is delegated to Swiss Finance & Property Group AG and asset management to Swiss Finance & Property Funds Ltd as well as Swiss Finance & Property Ltd. The prospectus, statutes, regulations and investment guidelines as well as the latest annual report and fact sheets can be obtained from SFP Investment Foundation. Admitted as direct investors are tax-exempt pension funds domiciled in Switzerland and legal entities that manage collective investments of tax-exempt pension funds, are supervised by the Swiss Financial Market Supervisory Authority (FINMA) and invest funds exclusively for these institutions with the Investment Foundation. Further information can be found at www.sfp-ast.ch

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