



Effective Property Investments in the European Market

March 2015

Glubina Investment Group

What makes us special?

We share the financial risks of projects with our investors.

The Group acts as a co-investor in each project offered to investors.

- **Glubina Group of Companies** is an investment and development holding company created by shareholders of JSC "Trust MOSOBLSTROY No. 6. "
- Glubina Group is a professional company in making **direct property investments** and investors' portfolios **management** .
- **The current Group's investment portfolio** is over **600,000 square meters** .
- **The Group's core competences:**
 - **Assets Investments Management** : management of proprietary investments, management of investors' portfolios;
 - **Investments in the elaboration** and the development of **standards** of real estate management as an effective tool to increase long-turn ROI.
 - **Management of development** as one of the ways to minimize risks and to increase the effectiveness of investments.
- Since 2014, Glubina Group of Companies has started international operations. The Swiss company Glubina ProVestManagement SA began to invest in European real estate projects.

What Makes us a Reliable Partner?



- One of the main activity areas of the Group is investing in development as the main way to create high-quality assets and to obtain added value.
- Glubina Group of Companies is the main investor and developer of **Val d'Emerol**, a comfort-class housing estate consisting of 95 low-rise apartment buildings, with the total area of **200,000 square meters**, located 15 kilometers away from the Moscow Ring Road along Minsk Highway.
- The project has already won the recognition of the professional community and received several prestigious awards:
 - **Urban Awards 2013** Prize winner in the nomination **The Best Low-Rise Housing Estate of the Moscow Region**.
 - The winner of the Fourth Russian Award in residential real estate **RREF AWARDS** in the **Affordable Housing** nomination.
 - **Records of Real Estate Market Award 2013** Prize winner in the **Buyer's Choice** nomination.
- Due to the successful and long-standing experience of the team, and efficient management of our own investments, we have gained a reputation as a **reliable partner** who knows the field well and takes into consideration all the risks associated with investing in real estate.

Philosophy of PROVESTMENTS



We follow the principles of fair management

Management remuneration
Success Fee based
management remuneration
system

- Many years of working in real estate investment market have made it possible to create the concept of **PROVESTMENTS: PROtected PROperty inVestments**, based on the following main principles:
- **Investments in properties free of title risks:** in assets with flawlessly registered ownership.
- **Investments in projects with well-protected construction risks:** investments in completed construction or in assets, where construction risks are borne by a third party.
- **Investments in assets with controlled marketing risks:** investments in assets where real estate customers (buyers/tenants) are defined; ultimately discounted asset acquisition what may considerably reduce the marketing risks during further sales of the complete project .
- **Investments in segments having maximum growth potential** from the point of view of customer target audience.
- **Investments in segments protected from high volatility** due either to the monopolistic position of the segment in the local market or to the novelty and innovation of the solutions applied.

Europe in Focus: 3+1 Strategy

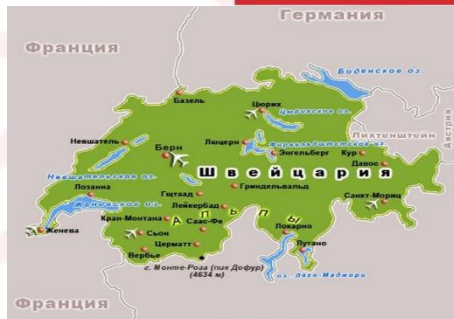


What 3+1 Strategy means:

- **"3"** stands for the three criteria of selecting a potentially effective project:
 - Effective choice of region;
 - Effective choice of industry segment for a certain region;
 - Formation of a unique project for a chosen industry segment in the region;
- **"1"** stands for the effective choice of tailored investments "road map" in accordance with the PROVESTMENTS philosophy

- Investments in European real estate is traditionally a powerful tool for long-term protection of capital. With the current economic and geopolitical situation in Russia, investments in foreign real estate markets are becoming more and more relevant as a strategy for many private and institutional investors. The weakening national currency and the consequent search for a mechanism of currency hedging make many investors consider investments in European real estate as one of the reliable sources of diversification of an investment portfolio and protection of capital held in foreign currency.
- Traditionally, the strategy of purchasing completed items of real estate capable of bringing in a stable rental income has been the most customary and affordable for foreign investors in European real estate. Small private investors used to buy apartments or small commercial premises, while larger private and institutional investors could buy business or shopping centers. Such deals used to provide an average annual return of 3–5% and constituted a good alternative to bank deposits.
- Though investments in development undertaken by the investor himself can offer a higher level of potential profitability, they carry considerable project risks and high management costs, with no guarantee of achieved the targets.
- **One of the ways to raise profitability is to purchase items or individual lots from European developers at the stage of construction.**
- **We offer "package" investment solutions to investors based both on projects initiated and finance by the Group, and on individual investment solutions that can be tailored to the particular features, requirements and limitations of each individual client.**

Switzerland



Reasons and background:

- Permanent foreign capital inflow in domestic economy.
- New rep-offices openings.
- High demand for renting office property in the Schwyz canton.
- 3–4% of annual growth of real estate.
- Availability of a Swiss partner ready to become a co-investor.

- Switzerland is a country with the most stable economics in Europe and shows the potential for steady development. The Swiss frank is one of the world's hardest currencies, so real estate of almost any class is always in high demand among international investors. The Swiss market, however, cannot be called homogeneous, and there are subtleties of legislative regulation of real estate transactions in each canton. These factors determine different current and foreseen balances of supply and demand in different segments of the real estate business. Optimal location for investments in real estate from the point of view of regulation and corporate taxation is the Swiss canton Schwyz. This canton with its favorable tax legislation also benefits from its proximity to Zurich, the business, financial and cultural center of Switzerland, and this gives rise to high demand for residential and commercial properties (trade and serviced apartments.)

WHAT WE SUGGEST TO AN INVESTOR:

- We welcome partners to invest in the new residential property projects :
 - residential complexes for medium-term occupation by young specialists (serviced apartments), including shops and services;
 - residential complexes for long-term accommodation.

France



Pre-requisites:

- Growing demand for quality recreational services in the medium price bracket.
- A limited number of European resort regions under-rated from the point of view of real estate prices.
- Growing interest from European and Russian buyers in small resort apartments (60–100 square meters).

Despite a long period of economic recession, France is traditionally one of the centers of European and international tourism. For investments in real estate, regions of the South of France are of special interest, still under-rated from the point of view of buyers' attention and, consequently, current prices. An illustrative example is the Sanary-Bandol agglomeration located between Marseilles and Toulon. This location is traditionally overshadowed by the cities popular among European real estate buyers, such as Nice, Cannes, Saint-Tropez; but Sanary-Bandol is not inferior to these resort cities in natural and climatic conditions, and the general level of infrastructure development. This region has significant potential for growth.

- High demand for recreational real estate in the region in the medium price bracket from European buyers. The price of apartments fluctuates between €350,000 and €500,000.
- Shortage of high quality apartments and hotels in Sanary-Bandol for meeting the market needs.
- A heavy load on recreation real estate during the period from April to October.

WHAT WE SUGGEST TO AN INVESTOR:

- We suggest to clients that they invest together with Glubina Group in the creation of residential complexes of serviced apartments and apart-hotels.

Effective Investment Processes

As part of the PROVESTMENTS philosophy and package investment solutions, we invest in two types of assets:

Investments in land assets

The Investor takes possession of the land. The land sections are then taken over by developers in exchange for a certain share of the properties constructed

Investment horizon: 2 to 5 years.

Investments units under construction

Items or separate units are bought from developers at the stage of construction. Such investments can be both short-term and long-term.

Investment horizon : 1.5 to 3 years.

Investments in Land Assets

BASIC INVESTMENT IDEA

- Many qualified developers are interested in having partnership with land owners who have permission for construction. They are ready to give land owners a certain share in properties that will be built on the land as part of its development.
- The purchase price of the land is always considerably lower than the total cost of properties that can be given to the land owner by the developer.
- The transaction of purchasing land from original owners can be structured so that payment is made only if there is proper permission for construction in place.
- The transaction for handing over land to developers can be structured so that the final transfer of land ownership in favor of the developer takes place only after the new land owner takes over the ownership of completed lots from the developer.

Basic Structure of Transactions on Purchasing Land Assets

1. For investing in the project, an independent Project Fund under foreign jurisdiction is established. It is created simultaneously with the preparation of each project chosen for investments.

A) The Fund's capital is provided by the investor and Glubina Group Investment.

B) When investing in the Fund, investors conclude an agreement with Glubina Asset Management Company, assuming an obligation to pay a premium on the results of the completion of projects ("exit" and distribution of the financial result) defined as 30% of the difference between the actual profitability and minimal threshold profitability.

C) The money is used solely for purchase of assets with defined characteristics. The authorized bank controls the expenditure of funds, following the regulations stipulated by corporate procedures.

D) The Fund concludes an agreement with Glubina ProVestManagement SA to manage the investment transactions and the relationships with other parties.

2. For the implementation of each individual project in region (jurisdiction), a specialized project company (SPC) is formed; its main function is to purchase and own the project assets (land in our case).

A) From the beginning of the project up to bringing it into conformity with Provestment requirements, SPC and its activities are financed by the Glubina Group:

- ownership of property or the right to take possession of land belongs to SPC;
- the price of land is assessed by an international certified valuer;
- the project of land development is developed and permission for construction is received;
- the forecast of the price of properties (sales units) that will be received as a result of land development is given by a certified valuer, or market research is carried out by an accredited agency;
- the opinion of technical experts on readiness of the object for development is obtained;
- legal inspection of the transaction on purchasing land and other legal documents is performed;
- general inspection of SPC is performed;
- basic plan of project implementation is drawn up.

B) During the period of project implementation, inspection and re-assessment of significant parameters is undertaken on a regular basis.

Basic Structure of Transaction on Purchasing Land Assets

3. After bringing SPC's assets to Provestment level, the Project Fund buys capital in SPC that possesses the rights to land, and in particular, provides the means for financing the deal on purchasing the land.

A) The transaction is carried out so that the amount of funds given by the Project Fund is always less than the current evaluated price of the asset.

4. After completing the deal on purchasing land from the original owners, relationships with the developer are established; the developer takes over the land in exchange for taking possession of a certain number of lots in the construction project.

5. SPC transfers the rights of ownership of the properties to the Project Fund, which, in turn, sells properties to customers.

6. Monies are distributed among shareholders of the Fund, or re-invested in new similar projects.

Investment horizon: 2 to 5 years.

Estimated profitability: 10–14% per annum.

Threshold profitability: 5% per annum.

Investments in Properties or Individual Sales Units under Construction

BASIC INVESTMENT IDEA

- Many qualified developers are very interested in a wholesale buyer of properties/sales units at the early stage of construction and are ready to grant the buyers discounts that may reach 20% of the weighted average cost of the properties/sales units. The availability of such discount may serve as the so-called “air bag”, a tool for the management of commercial risks.
- The transaction can be structured so that payments are made to the developer after the completion of construction work, or in the process of construction, against security of a first-class bank guarantee. The Bank guarantee is presented by the developer, which totally eliminates general risks and considerably minimizes construction risks of the project.

Basic Structure of Transactions on Purchasing Properties or Individual Sales Units

1. For investing in the project, an independent Project Fund under foreign jurisdictions is formed. It is created simultaneously with the preparation of each project chosen for investments.
 - A) The capital of the Fund is formed with funds from the investors and from Glubina Group Investment Company.
 - B) When investing in the Fund, investors conclude an agreement with Glubina Asset Management Company, and accept an obligation to pay a premium on the results of the completion of projects ("exit" and distribution of the financial result) defined as 30% of the difference between the actual profitability and minimal threshold profitability.
 - C) The money is used solely for purchase of assets with defined characteristics. The authorized bank controls the spending of funds, following the regulations stipulated by corporate procedures.
 - D) The Fund concludes an agreement with Glubina ProVestManagement SA to manage the investment transactions and the relationships with other parties.
2. At the initial stage of formation of the Fund, a preliminary agreement is concluded with the developer.
3. In the process of forming the Fund, the developer's activities are audited, and a number of evaluations are performed (subject to regular re-assessment in the process of carrying out the transaction):
 - A) Audit of the developer's rights on construction and the rights on managing individual properties/sales units.
 - B) Legal inspection of the developer's transaction on purchasing land, taking over the rights on construction.
 - C) Legal inspection of purchasing properties/sales units from the developer.
 - D) Forecast of prices of properties bought from the developer.
4. In the process of formation of the Fund, the mechanism of future sales or commercial operation of the properties/ sales units received is developed.

Basic Structure of Transactions on Purchasing Objects or Individual Sales Units

5. After formation of the Fund, the Fund purchases the rights on sales units from the developer.

6. After completion of the construction and the Fund's taking possession of finished properties, the properties are sold; the Fund records the financial result and distributes it among the investors.

▪ **Results when implementing a speculative strategy:**

Investment horizon: 1.5 to 3 years.

Estimated profitability: 12–16% per annum.

Threshold profitability: 5% per annum.

▪ **Results when implementing the long-term ownership strategy:**

Investment horizon: 5 to 15 years.

Estimated annual profitability (rental payment return) : 5–7% per annum.

Threshold profitability: 3% per annum.



Individual Investment Strategy

To investors with a capital of €2,000,000, we may suggest participating in the development and implementation of individual investment strategy corresponding to the concrete targets, preferences, possibilities and limitations of each client.

In each individual investment strategy, Glubina Group can be the co-investor in a project with a 2–10% investment share. There are two types of investment strategies:

1. Strategies oriented towards purchasing a portfolio of investment tools of several basic funds launched by Glubina Group (see previous slides).
2. Strategies oriented towards creating individual investment tools.

In the second case, the basic sequence of events is as follows:

1. Based on consultations with a potential investor, when goals are set, and preferences, limitations of investments are defined, an investment brief is created.
2. In accordance with the investment brief, investment possibilities are analyzed using the Group's own database; new projects are also considered and processed. The client is offered a preliminary investment strategy:
 - A) Brief description of the possibilities and the scope for investment.
 - B) Description of investment risks.
 - C) Description of possible mechanisms for structuring the investment process, creating the investment tools.
 - D) Description of the system of control, monitoring mechanisms, and risk management.
3. The basic operational financial plan of the transaction is developed.
4. If the investor makes a positive decision to invest in a project, he concludes an agreement on its management with Glubina ProVestManagement, whose services are paid for when the investor has achieved the performance-based strategic target results of the deal— “payment for success”.

Focus on regions and industry segments:

- **Germany** (Berlin and southern states): housing estates for medium-term and permanent residence, including serviced apartments.
- **Great Britain** (London): housing estate, commercial property.
- **Israel**: residential real estate.
- **Austria**: residential real estate, serviced apartments.