



The renewed and expanded Sever grocery store in Jewe Shopping Centre was opened on 6th of November.

Macro overview

Year-on-year GDP growth in 2Q 2019 was 3.6% in Estonia, 2.0% in Latvia and 3.9% in Lithuania. The growth in Estonia was led by information and communication services, in Latvia by agriculture, forestry and fishing activities, and in Lithuania by construction.

The unemployment rate among the potential workforce aged 15-74 remains low, and ended at 5.1% in Estonia, 6.4% in Latvia and 6.2% in Lithuania.

The harmonised index of consumer prices remained in the range of 2.5-3.3% in the Baltic countries in 2Q 2019, and according to the latest statistics, declined slightly in 3Q 2019.

The economic sentiment is best in Lithuania, with the Economic Sentiment Indicator at 111.9 points in August 2019. In Latvia, the sentiment is driven by retail trade and was at 103.6 points, and in Estonia, the indicator ended up at 99.2 in August 2019 due to weakened confidence in industry and the retail trade and service sectors.

Key economic figures 2Q 2019	Estonia, %	Latvia, %	Lithuania, %
GDP growth	3.6	2.0	3.9
Unemployment	5.4	6.4	6.2
Inflation (HICP)	3.0	3.3	2.5

Property market

Development in the Tallinn office market remains active, with a total area of ca 129,420 sqm (17 projects) under construction in September 2019. In Q3, Bolt's built-to-suit HQ in the city centre Veerenni area was completed. The demand is continually driven by relocation and/or expansion of existing tenants from mostly IT and high-tech sectors, followed by professional services companies. Rental rates remained largely stable, while vacancy continued to slightly tighten and is now below 6% in Class A and Class B1 buildings.

3Q 2019 was relatively active in the Riga office market, with several projects added to the market, such as Business Garden (GLA 14,500 sqm), developed by Vastint in Marupe, RedLine offices (4,400 sqm), developed by Dambis in the Ganibu Dambis area and the renovated SWH Biroji offices. Take-up however has remained low, and vacancy has increased up to 6% in Class A office buildings and 11% in Class B buildings. Developers continue planning new office projects, but these have not entered the construction phase yet. Capitalica has announced its Verde project in the Skanste area, which is expected to supplement the market by 30,000 sqm of leasable area.

In 3Q 2019, the second stage of Park Town business centre, with GLA of 14,800 sqm, was completed in the Vilnius central business district. Office space of over 210,000 sqm remains under construction at the end of the quarter, of which the Business Garden Vilnius (stage I), with GLA of 40,000 sqm, is the largest. The lease market was active as well - Tesonet signed for 15,000 sqm in the former Sparta factory and AmerisourceBergen pre-leased 1,700 sqm

of office premises at Quadrum BC and will open a new SSC next year. Rental rates remained at the same level. Vacancy decreased in both Class A and B business centres due to robust demand for modern office space.

Competition in the grocery, home goods and DIY segments in Tallinn is constantly growing. In 3Q 2019, an IKEA pick-up point and showroom was opened in Tallinn. Grocery chain Rimi opened its 17th hypermarket, in the renovated Lasnamäe Pae Centre (also anchored by Maxima), Prisma opened a smaller supermarket-format store in Old Town, and Lidl started construction work on a store in Tähesaju City right next to the Selver supermarket and currently under construction A1000 Market grocery store. The DIY segment will also expand in Tallinn, by almost 30,000 sqm in 2020, after the completion and opening of the Ehituse ABC store in SG BC and the first DEPO store in Estonia in the Veerenni area. PEPCO continues to expand, opening a new store at the Mustikas centre in August 2019 and planning further new openings across Estonia. Deichmann's opened its first store, in Nautica Centre, in August, followed by the opening of its second store in Kristiine SC in September.

The Alfa shopping centre has regained the status of the largest shopping centre in Riga after the opening of its extension in September 2019. The total leasable area in the shopping centre is now 71,000 sqm, and the extension houses new brands such as Zara Home, Home&You, Black Star Wear and Vans. Additionally, construction of the first German discount grocery chain Lidl's store in Riga has been officially completed, although no official opening date has been announced so far. The opening of Akropole SC is starting to impact the market vacancy levels increased to 3.2% in 3Q 2019, and a delayed impact on rental rates in secondary shopping centres is also expected.

The Vilnius retail segment remained stable in 3Q 2019 in terms of new supply, with the Moki-vezi store and Vilnius Outlet currently under construction. G9 SC in Old Town opened its doors after reconstruction, with new tenants, such as Lithuania's first COS store, the Baltics' first Nespresso store, Lidl, Gym Plius and gastronomic space, Food Hall. Akropolis SC strengthened its leisure offering, introducing the first O'Learys entertainment centre and a new kids' play space. Furthermore, the first Apollo cinema in Lithuania opened at Babilonas SC in Panevezys. Apollo is also scheduled to open in Vilnius Outlet in 2020. No changes in vacancy and rental levels were recorded in Vilnius' prime shopping centres during the quarter.

Market tendencies 3Q 2019	Estonia Retail Office		Latvia Retail Office		Lithuania Retail Office	
Construction	→↑	→↑	→	→	→↑	↑
Supply	→↑	→	→↑	→↑	→	→↑
Demand	→↓	→	→	→	→	→
Rental rate	→↓	→	→	→	→	→
Vacancy	→↑	→↓	→↑	→↑	→	→↓
Yield	→	→↓	→↑	→↓	→	→
Total investment volume	→↓		→			↑

The industrial segment remains reasonably active in Tallinn and its suburbs in terms of new developments, with a total area of ca 104,000 sqm under construction in September 2019. Eugesta LC, at 10,000 sqm, was completed in 3Q 2019, as were three stock office projects. During Q3, Selver's Kitchen's expansion project was started, as well as construction of Etra Balti, Volume Design and Windak production facilities and several new stock offices. Rental rates continue to fluctuate between 3.8 and 5.0 EUR/sqm, while vacancy stood at 4% by the end of 3Q 2019.

Riga's industrial market was active, as the second part of Lidostas Parks was opened in 3Q 2019, and the developer Piche announced plans to develop a third logistics park, called Green Park, near Riga airport. The total planned warehouse area of the project amounts to 50,000 sqm, while planned office space is around 7,000 sqm. Remarkable built-to-suit projects under construction in Riga include a production facility for Orkla, a Rimi logistics centre and a Lidl logistics centre. Due to large supply and tenants moving to newer premises, some increase in vacancy is expected, especially with further new projects entering the market.

Vilnius warehouse stock remained unchanged in 3Q 2019, but the development market was vibrant, with new space of 99,400 sqm under construction, of which over 60% was speculative. Lithuanian Post started the construction of a new logistics centre in proximity to Vilnius Airport. Development on a speculative basis affected average asking rental rates, resulting in a slight downward correction. Vacancy remained low, at only 1%, but upward correction is expected due to significant upcoming new speculative supply.

Total known investment volume excluding development projects amounted to ca EUR 35m in Estonia during 3Q 2019, driven by the sale of the Skype HQ to LHV pension funds, the acquisition of the Telliskivi Centre by Rimi as an owner-occupation deal, and the sale of the two newly-completed motor centres by YIT Eesti to a local private investor. Prime yield remained rather stable in Q3, with some minor compression in the office segment, but tougher financing conditions are still putting pressure on yields.

Investment volume in Latvia amounted to EUR 60m in Q3, and total transaction volume in 2019 has reached EUR 210m. Colliers foresees investment volume in 2019 amounting to at least EUR 300m, thereby reaching last year's result. In 3Q 2019, Luminor HQ in Skanste district was purchased by Colonna, and Valdemara Centrs was acquired by Eastnine from Capital Mill for EUR 25m. Prime office yields compressed to 6.4%, while retail yield increased up to 6.6% and industrial yield remains stable at 7.75%.

The Lithuanian investment market achieved over EUR 110m transaction volume in 3Q 2019. The high investment activity was driven by large-scale deals in the office and retail segments. Notably, French investor Corum completed its first transaction in Lithuania, purchasing the Depo DIY store at Ukmerges street in Vilnius for EUR 25.6m. EFTEN Capital acquired two properties in Kaunas - River Mall and the Class A River Hall business centre. In the office segment, B1 class North Star BC was acquired by Northern Horizon Capital for EUR 20.8m and Sostena BC was purchased by Orion Asset Management for EUR 11.4m. Prime yields remained stable compared to the previous quarter. At the beginning of 4Q 2019, German Deka Immobilien announced it would be buying Quadrum BC for EUR 156.1m. The transaction, expected to be completed later this year, will be one of the most significant office deals in the history of the Baltic region.

Portfolio activities

The properties in East Capital Baltic Property Fund (the fund) continue their stable operations. The average rent across the portfolio for the period July 2019 - September 2019 was EUR 6.0/sqm/mo. Including the turnover rents paid in hotel properties twice a year, the expected average rental rate for the financial year 2019/20 is expected to remain at EUR 6.0/sqm/mo, on par with the last financial year.

The average vacancy across the property portfolio was 9% for the first quarter of financial year 2019/20, with more than 5% vacancy only in properties in secondary locations (Jõhvi Tsentraal, Kerese commercial centre, Laracija offices, Zemitana offices).

In the A13 office building (previously Tammsaare office), a lease agreement has been signed and fit-out works on the premises are ongoing to lease out ca 3,000 sqm in the complex to a strong international tenant. The management team has also successfully let out all of 10 partly serviced small offices, which were rebuilt from a larger unit in early 2019. Full occupancy has also been restored in the Jin offices in Vilnius.

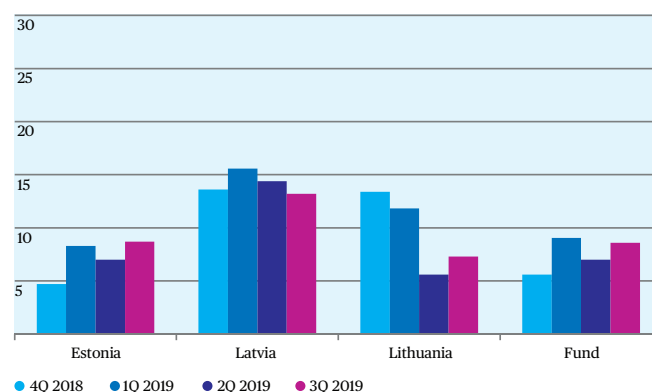
The Jewe shopping centre extension and upgrade project started in July 2019, and the renewed centre, alongside with Selver grocery store now ca 500 sqm larger, is expected to be opened on 5 November. The rental income from the centre is temporarily lower due to several shops being closed for reconstruction.

The management team continues the divestment preparations for Latvian, Lithuanian and some Estonian properties, in line with the strategic target to optimise the portfolio and focus on properties primarily in Estonia. In June 2019, the management team signed a sale agreement for the sale of the Deco retail property in Klaipeda, Lithuania, for EUR 2.49m. The sale was completed after financial year-end in July 2019.

The fund's Annual General Meeting will take place on 29 November 2019. The management team will present the 2018/19 financial year results and the goals for the next financial year.

Despite the ongoing larger construction work, the fund's target is to maintain a regular dividend payment. Thus, the board of directors of the fund proposes a dividend distribution of EUR 1.1m to the Annual General Meeting, enabling a dividend of EUR 10 per share or 2% of initially committed equity in East Capital Baltic Property Investors.

Portfolio vacancy rate by rental value (%)



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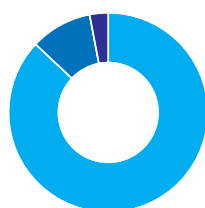
Baltic Property Fund
Quarterly Report
July – September 2019

Sector Allocation
(% of property value)



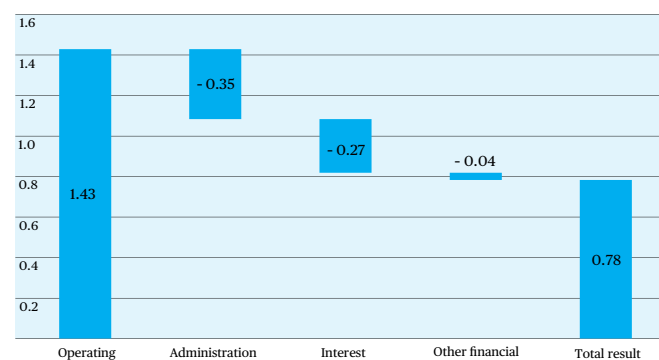
Retail	35
Office	31
Hotel	19
Logistics	16

Country Allocation
(% of property value)



Estonia	87
Lithuania	10
Latvia	3

Result contribution YTD financial year 2019/20 (July 2019-September 2019)



Financial overview

The net asset value of East Capital Baltic Property Investors AB (publ.) was EUR 432.78 as of 30 September 2019, increasing by 1.74% for the period July – September 2019.

The rental income for the period was EUR 1.61m, ca 6% decrease compared to the same period a year ago (excluding divested properties and accounting principle changes). Rental income is lower at the A13 office due to temporary occupancy loss, which has been restored, and rental payments will commence by the end of 2019. Similarly, after a lease termination with a key tenant at the Metal industrial property, a new lease has been signed for part of the areas left vacant, and rental payments will commence during Q3 and Q4. Rental income is also temporarily lower at the Jewe shopping centre due to the reconstruction project, as stores are temporarily closed, or discounts being given for the construction work period.

Gross profit concluded at EUR 1.43m, operating profit after administrative expenses at EUR 1.08m and net profit after interest expenses at EUR 0.78m.

The value of investment properties as of 30 September 2019, after the sale of Deco property in Klaipeda, Lithuania, ended up at EUR 90.36m. The loan-to-value ratio of the portfolio concluded at 51%, given the bank loan balance of EUR 45.9m. The average interest rate across the property portfolio is 2.4%.

The fund had EUR 4.4m of cash and cash equivalents as of 30 September 2019.

Properties in the portfolio

Property	Type	Location	GLA (m²)
Estonia			84,830
Jõhvi Tsentraal	Retail & office	Jõhvi	8,800
Jewe Retail & Furniture Centre	Retail	Jõhvi	11,887
Kereke Commercial Centre	Retail & office	Narva	4,953
Papiniidu Commercial Centre	Retail & office	Pärnu	17,280
A13 Office	Office	Tallinn	8,783
GOSPA Hotel	Hotel	Kuressaare	6,610
Tallinn Seaport Hotel	Hotel	Tallinn	4,225
Tanassilma Industrial Park	Logistics	Tallinn	13,349
Metal Industrial Facility	Industrial	Maardu	8,943
Latvia			4,539
Zemitana Centrs	Office	Riga	4,539
Lithuania			10,590
Laracija Office	Office & retail	Klaipeda	6,964
Jin Centre	Office	Vilnius	3,626
All properties			99,959

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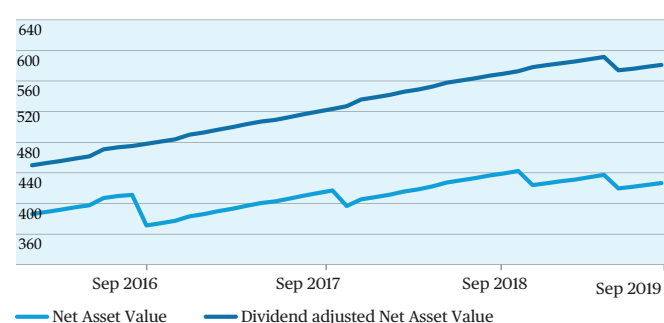
Baltic Property Fund
Quarterly Report
July – September 2019

Net Asset Value 12m rolling (EUR)

East Capital Baltic Property Fund Investors AB (30.09.2019)

NAV (EUR)	% 3 month	% YTD	% Since start*
432.78	1.74	1.74	17.16

* dividend-adjusted performance.



NAV

Indicative NAV is published on East Capital's website on the 15th day of every month. For more information please refer to www.eastcapital.com

For additional information regarding the East Capital Baltic Property Fund, please contact:

East Capital AB
funds@eastcapital.com
Tel: +46 8 505 88 505

Fund overview

Investment profile	Value added/opportunistic
Manager	East Capital Baltics AS, a company fully owned by East Capital (Domicile: Estonia)
Auditor	KPMG
Fund size	EUR 55.1m. The fund is closed for further subscriptions
Launch date	July 7, 2005
ISIN	SE0001467572
Management fee	1.25% on net asset value from July 1st 2017
Structure	Closed-end fund structured as a Swedish limited liability company. The fund is prolonged until July 2022.
Redemption	No
Liquidity	Limited. An investment in the fund shall be regarded as a long-term investment. OTC trading of the shares of Investor Consortium is facilitated by Pareto Securities AB.

Baltic Property Fund
Quarterly Report
July – September 2019

Statement of Comprehensive Income of East Capital Baltic Property Fund AB, unaudited for the period in EUR'000

	Jul 2019 - Sep 2019	Jul 2018 - Sep 2018
Revenue	1,631	1,902
Direct expenses	-202	-301
Gross profit	1,429	1,601
Administrative expenses	-345	-253
Operating profit/loss	1,084	1,348
Interest income	-	1
Interest expenses	-265	-319
Fair value adjustment of interest rate swap	-36	-
Profit/loss before income tax	783	1,030
Income tax	-	14
NET PROFIT/LOSS FOR THE YEAR/ TOTAL COMPREHENSIVE INCOME FOR THE YEAR	783	1,044
Earnings per share - Ordinary shares	142,10	189,43

¹⁾ extraordinary non-monetary financial income related to the sale of Dantes property

Statement of Comprehensive Income of East Capital Baltic Property Investors AB (publ), unaudited for the period in EUR'000

	Jul 2019 - Sep 2019	Jul 2018 - Sep 2018
Earnings per share - Ordinary shares	7,39	9,73

Baltic Property Fund
Quarterly Report
July – September 2019

Statement of Financial Position of East Capital Baltic Property Fund AB, unaudited in EUR'000

	30 Sep 2019	30 Sep 2018
ASSETS		
<i>Non-current assets</i>		
Investments properties	90,360	94,928
Other long-term assets	897	-
Equipment	11	14
Total non-current assets	91,268	94,942
<i>Current assets</i>		
Account receivables - trade	266	416
Other receivables	201	223
Accrued income and prepaid expenses	150	65
Cash and cash equivalents	4,371	6,657
Total current assets	4,988	7,361
TOTAL ASSETS	96,256	102,303
EQUITY AND LIABILITIES		
<i>Equity</i>		
Share capital	17	17
Other paid-in capital	39,322	42,084
Retained earnings	7,242	5,902
Profit/loss for the period	783	1,044
TOTAL EQUITY	47,364	49,047
<i>Liabilities</i>		
<i>Non-current liabilities</i>		
Interest-bearing liabilities	38,383	38,124
Derivatives	426	96
Other liabilities	776	585
Deferred tax liabilities	616	692
Total non-current liabilities	40,201	39,497
<i>Current liabilities</i>		
Interest-bearing liabilities	7,552	13,193
Accounts payable - trade	833	289
Derivatives	239	-
Other liabilities	15	33
Accrued expenses and deferred income	52	244
Total current liabilities	8,691	13,759
TOTAL EQUITY AND LIABILITIES	96,256	102,303

Baltic Property Fund
Quarterly Report
July – September 2019

Consolidated Statement of Change in Equity of East Capital Baltic Property Fund AB, unaudited for the period in EUR'000

	Share capital	Other paid in capital	Retained earnings incl. profit/loss for the period	Total equity
Balance at 30 JUNE 2018	17	42,084	5,902	48,003
Total comprehensive income		-	1,044	1,044
BALANCE AT 30 SEPTEMBER 2018	17	42,084	6,946	49,047
Balance at 30 JUNE 2019	17	39,322	7,242	46,581
Total Comprehensive Income		-	783	783
BALANCE AT 30 SEPTEMBER 2019	17	39,322	8,025	47,364
Reconciliation to Net Asset value				
Consolidated Equity above				47,364
Interest rate swap adjustment				665
NET ASSET VALUE AT 30 SEPTEMBER 2019				48,029

Disclosure for segments - July 2019 - September 2019 - geographical areas in EUR'000

	Estonia	Latvia	Lithuania	Unallocated	Group
Total gross income	1,367	51	213	-	1,631
Income from sales	1,367	51	213	-	1,631
Depreciation of tangible fixed assets	-	-	-1	-	-1
Operating profit/loss	1,172	25	-32	-81	1,084
Net financial income/expenses					-301
Profit/loss before tax					783
Income tax					-
PROFIT/LOSS FOR THE PERIOD					783
Assets	82,928	3,057	10,101	170	96,256
- where of Investment properties	78,710	2,290	9,360	-	90,360
Liabilities	41,954	2,442	4,183	313	48,892

Baltic Property Fund
Quarterly Report
July – September 2019

Consolidated Cash Flow Statement of East Capital Baltic Property Fund AB, unaudited for the period in EUR'000

	Jul 2019 - Sep 2019	Jul 2018 - Sep 2018
<i>Cash flows from operating activities</i>		
Operating profit/loss for the period	1,084	1,348
Depreciation	1	-2
Other non-cash items		
Interest received	-	-
Interest paid	-229	-270
Cash flows from current operations before changes in working capital	856	1,076
Increase (-)/decrease (+) in accounts receivables	312	263
Increase (-)/decrease (+) in other current receivables	-43	70
Increase (+)/decrease (-) in accounts payable	-80	166
Increase (+)/decrease (-) in other current op. liabilities	-294	-173
Cash flows from operating activities	751	1,402
<i>Cash flows from investing activities</i>		
Investment on fixed assets	-897	-
Proceeds from sale of properties	2,490	-
Cash flows from investment activities	1,593	-
<i>Cash flows from financing activities</i>		
Repayments of borrowings	-5,971	-645
Received loans	2,500	-
Cash flows from financing activities	3,471	-645
Cash flow for the year	-1,127	757
Cash and cash equivalents at beginning of the year	5,498	5,900
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	4,371	6,657

Fund Summary

	30 Sep, 2019 EUR '000	30 Sep, 2019 % Committed Capital	30 Sep, 2018 EUR '000	30 Sep, 2018 % Committed Capital
CAPITAL COMMITTED	55,094	100	55,094	100
Capital contributed	55,094	100	55,094	100
Total remaining available for drawdown	0	0	0	0
Potential draw downs for next reporting period	-	0	-	0
Fair value of portfolio	90,360		94,928	
Other assets	5,896		7,375	
Liabilities	-48,227		-53,256	
TOTAL NET ASSET VALUE	48,029		49,047	

Important Notice

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