



Alternative Reserved Closed-End Real Estate Mutual Investment Fund

## FUND MANAGEMENT REPORT

AS AT 31 DECEMBER 2020

(Also the "Report")

managed by



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## TABLE OF CONTENTS

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<b>EXPLANATORY NOTE TO THE ANNUAL REPORT .....</b>	<b>4</b>
<b>The trend in the real estate market .....</b>	<b>4</b>
The reference economic scenario .....	4
The situation in Italy .....	8
The trend in the real estate market .....	10
The trend in the real estate funds .....	10
The residential market .....	12
The office market .....	13
The retail market .....	14
The logistics market .....	15
The hotel market .....	15
<b>Covid-19 emergency - Analysis of impact on funds managed by Castello SGR .....</b>	<b>16</b>
<b>Details of the fund .....</b>	<b>18</b>
The Fund in brief .....	18
Fund investment policies .....	22
The performance of the Fund as at 31 December 2020 .....	23
Transparency of the engagements assigned to the Independent Experts .....	33
Independence of the Independent Experts .....	34
Receivables situation as at 30 December 2020 .....	35
Governance of the Asset Management Company .....	35
<b>Significant events occurring after 31 December 2020 .....</b>	<b>36</b>
<b>Management activities and future strategic lines .....</b>	<b>36</b>
<b>PICASSO FUND REPORT AS AT 31/12/2020 .....</b>	<b>37</b>
<b>Balance Sheet .....</b>	<b>37</b>
<b>Income Statement Section .....</b>	<b>39</b>
<b>EXPLANATORY NOTES .....</b>	<b>41</b>

<b>Part A – Unit value trend .....</b>	<b>41</b>
Hedging and / or risk mitigation policies.....	42
<b>Part B – Assets, liabilities and total net value .....</b>	<b>42</b>
Section I Valuation criteria.....	42
Section II Activities .....	47
Section III Liabilities .....	50
Section IV The total net value.....	52
Section V Other balance sheet data.....	52
<b>Part C - The economic result for the year .....</b>	<b>53</b>
Section I Result of transactions involving equity investments and other financial instruments .....	53
Section II Real estate assets .....	53
Section III Receivables .....	54
Section IV Bank deposits .....	54
Section V Other assets.....	54
Section VI Other management operations and financial charges.....	54
Section VII Management costs .....	54
Section VIII Other revenues and charges.....	56
Section IX Taxes.....	56
<b>Part D - Other information.....</b>	<b>56</b>
<b>ANNEXES .....</b>	<b>61</b>
<b>Estimate Report of the Independent Expert (Extract) .....</b>	<b>61</b>
<b>Report of the Independent Auditors .....</b>	<b>77</b>

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**THE REFERENCE ECONOMIC SCENARIO<sup>1</sup>**

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Even though recent news on the development of vaccines, which are effective against Covid-19, has given rise to optimism in financial markets, continuing Covid-19 infections means that we are still in a critical phase with regard to public health, which is still marked by deep uncertainty and is accompanied by inevitable questions regarding the prospects of growth in the eurozone and the global economies.

The most recent information indicates a new slowdown in the economic recovery, after the partial recovery that took place in the summer months, due to the new pandemic wave that hit the European Union and the United States particularly intensely. Even though the encouraging news about the launch of vaccination campaigns in various countries means that long-term expectations have improved, the increase in infections and the consequent containment measures have weighed on economic activities, causing a further deterioration in the short-term prospects. At the same time, the different sectors reacted unevenly to the economic recovery. While the activity in the manufacturing sector seems to show good resilience, the services sector is instead one of the hardest hits, also by virtue of its exposure to containment measures, social distancing and limitations to mobility. The attempts to support the economy promoted in recent months by government bodies are placed in a context in which the expectations of financial operators are strongly influenced by the health situation in the various geographic areas rather than by production trends. The possibility of a more sustained recovery is perceived as strictly correlated to the evolution of the pandemic and to any containment measures applied by governments. Moreover, it is currently impossible to neglect the timing of distribution and administration of vaccines on a large scale, which represents one of the main factors capable of influencing the recovery of the economic cycle, which still bears a high degree of uncertainty.

The outcome of the US elections on 3 November will probably have important repercussions on the geopolitical and economic balance, which can be summarised in three points: relations with Europe, economic openness and the environmental issue. The new president Joe Biden has already shown much more signs of closeness to the old continent than his predecessor, who had instead identified Russia as the ally with which to counter the Chinese economic advance. Biden's presence makes also a scenario imaginable that promises more relaxed relations between the two countries, with the consequent cessation of the tariff war, which had fragmented the free movement of goods, transforming it into mere bilateral agreements between the major world economies. However, this scenario will be the result of a slow and gradual process, given the many years of tensions that have resulted inevitably in deteriorated relations between the United States and China, which, on the other hand, continues to represent a real threat to the US economic leadership worldwide, even thanks to its more rapid reaction to the crisis related to the Covid-19 pandemic. Finally, the rise of Biden, who has promised to re-enter the UN Paris agreement, could represent the beginning of the United States' conversion towards "greener" policies, it being understood that oil is still a very important strategic economic resource for the USA.

The most recent data reflects the slowdown in economic activity in the latter part of 2020, which took place more abruptly in advanced economies. Although the month of December saw the Purchasing Managers' Index

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<sup>1</sup> Sources: Bank of Italy: "Economic Bulletin" no. 1/2021; ECB: "Economic bulletin" no. 8/2020; Eurostat: "GDP and employment flash estimates for the third quarter of 2020"; Nomisma: "Real estate market observatory, November 2020".

(PMI) remain above the expansion threshold for the manufacturing sector in the euro area, the United States and the United Kingdom, on the other hand the services sector in these areas recorded a negative trend of the indices, proving to be the most affected by the containment measures implemented by governments to combat the pandemic, in particular in the tourism and recreational services sector, which were affected by the limitations in personal mobility and social distancing measures. The only exception seems to be China, where the indices indicate an expansion in all sectors due to the number of infections having fallen to almost zero. According to the Bank of Italy estimates, world trade also shows a similar trend, with a slowdown in the last part of the year after the partial recovery in the third quarter. For the year 2020, the data indicate an overall reduction of world trade in the order of 9%.

The macroeconomic projections made by Eurosystem experts in December 2020 forecast a decline in GDP of 7.3% for this year, followed by an increase of 3.9%, 4.2% and 2.1% in the three subsequent years in the euro area. These projections are based, among other things, on the confidence linked to maintaining support for expansionary economic policies, the availability of vaccinations distributed on a large-scale by the end of 2021, and the signing of a bilateral agreement between the European Union and the United Kingdom on commercial trade and cooperation, which will come into effect on the first day of 2021. It is estimated that China, due to its faster recovery favoured by the near elimination of cases of infection from Covid-19, will contribute to global expansion by more than a third in 2021.

According to Eurostat's preliminary estimate, the euro area annual inflation remained unchanged at -0.3% in November. Consumer price inflation in major advanced economies remains below pre-pandemic levels, reflecting the weakness of aggregate demand caused by the ongoing pandemic. The positive news related to effective vaccines against Covid-19 have raised the medium-term expectations recorded on the financial markets. After a 3% contraction in 2020, the ECB has estimated an increase in world real GDP (excluding the euro area) of 5.8% in 2021 and 3.9% the following year (values revised by -0.4 and + 0.1% respectively compared to June estimates).

The global commercial crisis in demand and supply had an adverse impact on the economic activities of the individual countries and, together with the trend in current oil prices and the associated *futures* contracts, the risk of a drop in inflation has grown. The projections made in September by the ECB indicated an inflation for the Eurosystem of 0.2% on average in 2020 (-0.1% compared to June estimates). The estimates have also been corrected downwards for 2022, in which inflation is expected to be 1.0% (against the 1.3% estimated in June), while for 2021 inflation is expected to be 0.8%.

The United Kingdom recorded a significant drop in GDP in the second quarter of 2020 (-58.7%) due to the healthcare emergency caused by the initial lack of restrictive measures to counter the spread of the virus. Despite the strong recovery in the third quarter, forecasts show a fall in GDP of 11.2% for 2020, with consumer inflation of 0.3%.

China was the only country that managed to stem the spread of the virus, thus resisting the second pandemic wave. The data reflect the sharp recovery in GDP in the second quarter (+11.7% over the previous period) and a more moderate expansion in the third quarter (+2.7%). SME indexes in the manufacturing and services sectors point to further improvements in activity in November. In general, there has been overall growth, which benefited from net exports, which partly reflect China's role as a global supplier of medical and technology products. Headline inflation over the twelve months fell to 0.5% (compared to 1.7% in October).

In Japan, real GDP increased by 5.3% in the third quarter, supported by the recovery in foreign demand and the easing of containment measures, which boosted domestic demand. Looking ahead, the recovery should continue, albeit at a more moderate pace, also thanks to the two interventions announced by the Bank of Japan and the central government, which should provide support to economic activity in the coming months. Headline inflation over the twelve months decreased further, reaching a value of -0.4%.

In the third quarter, real GDP in the United States rose by 33.1% over the corresponding period (+7.4% over the previous quarter), supported by a strong recovery in consumption and investments due to the easing of

restrictive measures, which in turn was reflected in a net recovery of imports in real terms. Labor market conditions improved, but the recovery remains incomplete. As a result of reduction in temporary lay-offs, the unemployment rate has decreased, but employment growth in the short term remains weak with a modest number of new jobs. The outcome of the presidential elections on 3 November also contributed to reducing uncertainty and supporting investors' risk appetite, which was however mitigated by the constant increase in Covid-19 cases and the consequent reintroduction of restrictive measures. Headline inflation over the twelve months fell to 1.2% (-0.2% compared to the previous month) in October.

Despite the recovery in the summer months, the slowdown in the global economy had effects on supply and aggregate demand, generating a massive accumulation of stocks of raw materials on the planet, with the price of gold - typically identified as a "safe haven" - which recorded a steady growth throughout the year, reflecting an almost continuous feeling of uncertainty linked to the ongoing pandemic crisis. After the strong recovery recorded in the summer months, oil prices suffered a setback in the months of September and October, to resume their rise in November following the positive trends in the markets caused by the news on vaccines, together with the expectations of a gradual restoration of production, reaching values close to 50 dollars per barrel. However, neither the IEA (International Energy Agency) nor OPEC predict a significant increase in oil demand before the end of 2021. At the beginning of December, the futures curve turned negative again, showing prices that were falling slightly in the medium term.

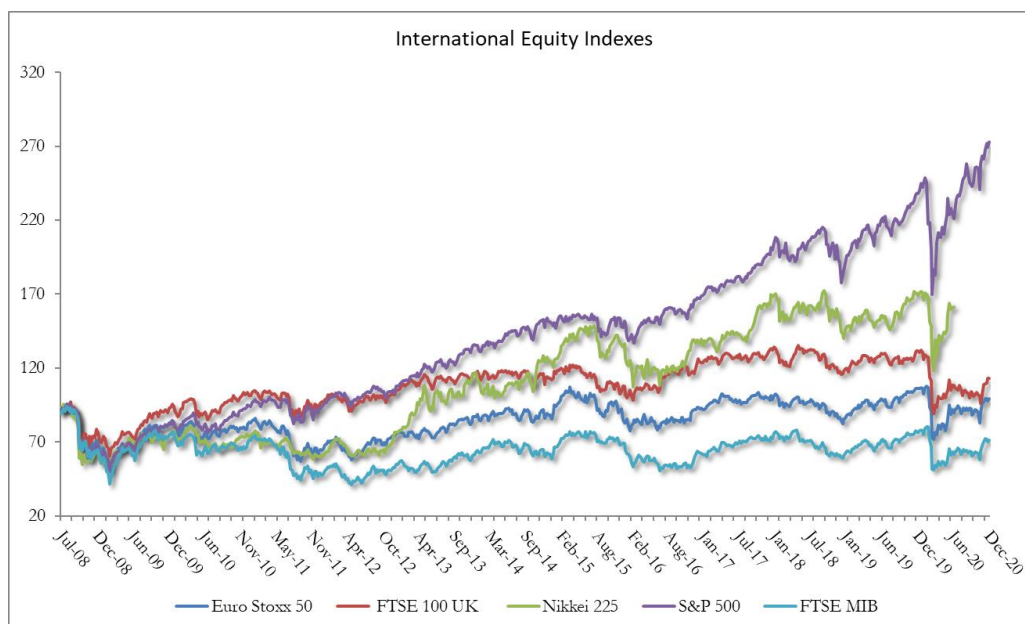
The authorities in the main countries adopted highly expansionary measures in response to the ongoing pandemic. At its December meeting, the Federal Reserve announced that purchases of securities will continue until the targets of maximum employment and price stability are reached. The Bank of Japan kept its monetary policy stance unchanged, while the Bank of England raised its government bond purchase target level by £ 150 billion (7% of GDP). The Chinese Central Bank has left the reference interest rates unchanged, however limiting interventions in some cases of insolvency, signalling the gradual disappearance of the implicit guarantees of the central state in order to reduce the risks of financial instability.

In Europe, the twelve-month growth rate of loans to non-financial corporations declined slightly in October (6.8% compared to 7.1% in September), in a context of tightening of the criteria for granting loans to businesses. Despite the favourable financing conditions promoted by government monetary policies, banks suffered from the deterioration in the creditworthiness of borrowers, which weighed on their capital positions forcing them to tighten their lending criteria. The growth of loans to households remains stable at 3.1%.

The ECB's Governing Council, meeting on 10 December 2020, adopted further measures to counter the effects of the second pandemic wave on the economy and inflation, with the aim, ultimately, of supporting economic activity together with more solid convergence of inflation at levels close to 2%. For this reason it has decided to keep the reference interest rates unchanged. The measures also concerned the Pandemic Emergency Purchase Program (PEPP), the total endowment of which was increased by 500 billion, for a total of 1,850 billion. The time horizon for net purchases has also been extended until the end of March 2022 and, in any case, until the health emergency is deemed to be over. This extension allows for a constant presence on the market, with consequent support for economic activities consistent with the ongoing Covid-19 pandemic. The governing council also extended the period of time in which to reinvest the capital paid back on maturing securities until the end of 2023. Net purchases under the asset purchase program (APP) will continue at a rate of Euro 20 billion per month, and will continue as long as necessary to reinforce the effect of adjusting the rates. The set of measures adopted aims to support liquidity and economic growth conditions, bring inflation back to values consistent with price stability in the medium term and provide support to economic activities by supporting the flow of credit to the various sectors. These measures could contribute towards increasing expectations in the medium to long term, without prejudice to the high degree of uncertainty linked to the dynamics of the pandemic and the timing of the distribution and administration of vaccines.

The authorities of the main world economies, in response to the ongoing pandemic, have implemented accommodating monetary policies that have allowed long-term rates to remain at low or slightly negative levels. The global demand and supply crisis and the subsequent turmoil in the oil market have impacted the real

markets, generating a real shock in the financial markets too. Global share prices fell rapidly between February and March 2020, also shaped by the break-up of the OPEC+ alliance, which re-ignited fears of a global recession among financial operators. The pandemic struck the Italian economy with greater force, halting the majority of production activities for many months, with the values of the FTSE MIB inevitably reflecting this situation. As a result of the various announcements of expansionary measures to support the economy by central banks and governments, the indexes gradually started a path of recovery of the losses recorded since the outbreak of the pandemic. At the beginning of June the S&P 500 saw its index return to the levels registered at the end of 2019. In the following months, the indices rose gradually, also by virtue of the overcoming of some concerns related to *Brexit* and the result of the American elections, together with the positive expectations related to the distribution and administration of effective vaccines against Covid-19.

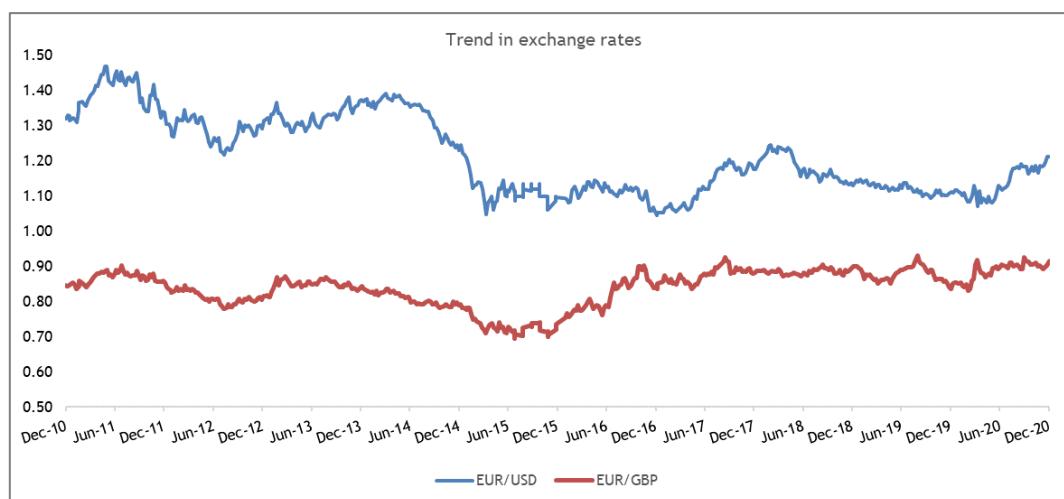


Source: Castello SGR processing of Bloomberg data

The GDP-weighted yield on 10-year government bonds in the euro area decreased by 27 basis points to -0.25%. By contrast, the yield on 10-year government bonds in the US increased by 26 basis points to 0.94%. This divergence reflects expectations of an increase in purchases due to the activities promoted by the ECB under the PEPP.

The gradual reduction in risk aversion, which typically corresponds to higher demand for assets in USD, propelled the euro into its continued appreciation against the US currency, with the exchange rate rising from 1.12 EUR / USD in June 2020 to 1.22 EUR / USD in December. On the derivatives markets, the net long positive positions of non-commercial operators are positive, suggesting a prevailing prospect of further appreciation of the single currency.

The euro, on the other hand, remains weak against the British pound and the currencies of the main emerging markets.



Source: Castello SGR processing of Bloomberg data

## THE SITUATION IN ITALY<sup>2</sup>

The ongoing nature of the pandemic made it necessary to implement new restrictive measures of social distancing and limiting personal mobility, which affected productive activity even if in a less intense way than those previously applied. According to the Bank of Italy estimates, the activities suspended by the measures in force since 24 October 2020 represent a share of the added value, which is around 4%, much lower than the 28% recorded in the spring. It should be noted that this estimate does not take into account the containment measures ordered at the end of December, which affected the Christmas period and which, however, would have had a limited effect considering the quarterly average. The effects of these measures affected the various sectors differently harming services more than the decline in manufacturing activity.

According to the latest available data, in the third quarter GDP increased by 15.9%, driven by the sharp rise in exports (+ 30.7% compared to the previous period, with a positive balance of the change in net exports at 4%) and national demand (+ 11.9% compared to the second quarter). Gross fixed investments increased by 31.3% on the previous period, exceeding the levels of the end of 2019. The recovery in services was partial due to the heavy exposure of sectors such as trade, transport, hotel, catering and recreational services to the containment measures of the pandemic.

While the Purchasing Managers' Index (PMI) remained just above the expansion threshold, the service sector PMI declined following the partial recovery recorded in the summer months.

The most recent ISTAT estimates foresee a significant contraction of GDP in 2020 (-8.9%) and a partial recovery in 2021 (+4%). The main determinant of this decrease is represented by domestic demand net of inventories (-7.5 percentage points), due to the collapse in spending by resident families and ISPs (non-profit institutions serving households) and investments (-10 and -10.1 percentage points respectively), against a 2% increase in public administration spending; the contribution of net foreign demand and the change in inventories will contribute to a lesser extent (-1.2 and -0.2 percentage points respectively). In 2021, a new increase in domestic demand (+3.8 pp) and net foreign demand (+0.3 pp) is expected, while inventories may provide a marginal negative contribution (-0.1 pp).

<sup>2</sup> Source: ISTAT, "Le prospettive per l'economia italiana nel 2020-2021" (Italy's economic outlook in 2020-2021), December 2020; Bank of Italy: "Economic Bulletin" no. 1/2021; ECB: "Economic Bulletin" no. 8/2020

The first 10 months of 2020 recorded a current account surplus of 45.2 billion (equal to 3.5% of GDP), an increase of 3.6 billion compared to the same period of the previous year. The mercantile surplus benefited from the low price of oil, while the services balance is negative due to the significant effect of the contraction in the tourist surplus due to the measures put in place to restrict personal mobility and social distancing (7.8 billion compared to 16.3 billion in the same period of the previous year).

The current account surplus contributed by over three quarters to Italy's net foreign position, which boasts a marginal credit equal to 0.2% of GDP (3.1 billion) after more than 30 years of negative balances.

The third quarter recorded a recovery in exports and imports (+30.7% and +18.9% in volume compared to the previous quarter). However, trade slowed down in the autumn months, with exports of goods to non-EU markets growing by 5% (compared to 30.1% in the previous period), and sales to EU countries stagnating (against an increase of 30.1% in the summer months). The significant growth in sales in the summer period is mainly attributable to the means of transport, mechanics, leather and clothing sectors. The improved epidemiological situation also favoured a partial recovery of international tourism, contributing to a rise in the exports of services.

The reopening of activities during the third quarter caused a significant increase in hours worked compared to the period relating to the first wave of infections, with a consequent reduction in the use of wage integration tools and an increase in the total number of employees. However, the most recent data show a contraction in job creation and a new increase in demand for the CIG (Cassa Integrazioni Guadagni, unemployment benefit). The number of hours of wage supplements, whose facilitated access was extended until 31 March 2021 (for the ordinary mode) and 30 June 2021 (for the other modes), saw an increase during the autumn period - 381.3 million as the two-month average October-November - however, standing well below the levels reached in spring when there was an average of 863.1 million for the two-month period April-May. The number in employment recorded a growth of 0.9%, driven exclusively by the increase in subordinate employment (+1.2%), which partly offset the further decline in self-employed workers (-0.3%). The activity rate recorded a slight contraction in November (64.2% against 64.3% in the third quarter); the unemployment rate stood at 9.2% (compared to 10% in the third quarter) due to lower participation in the labour market. According to the preliminary ISTAT analysis, the extension of the redundancy block until March 2021 compensated for the decline in temporary work (-1.2% compared to the previous two months).

The period of uncertainty, which the pandemic wave brought with it, has increased the preference for liquidity by households and businesses, resulting in an acceleration of residents' deposits and therefore in an increase in the growth rate of deposits in Italian banks, which saw funding costs remain low, benefiting from accommodating monetary policy.

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## THE TREND IN THE REAL ESTATE MARKET<sup>3</sup>

The duration of the economic slowdown resulting from the continuation of the Covid-19 pandemic and, in particular, the second wave, has once again impacted the confidence prospects of the markets, including the real estate market. After the recovery recorded in the summer months due to the reopening of commercial activities and the easing of containment measures, there was a new decrease in purchase and investment demand, which resulted in a contraction in transactions in the real estate sector. The resurgence of infections in the autumn brought back a climate of uncertainty in the markets, which, although less intense than in the spring period, led operators to opt for more conservative investment choices, aiming at conserving liquidity and accumulating wealth to protect themselves from any further new economic repercussions.

Page | 10

Real estate investments in the first nine months of 2020 recorded a total volume of Euro 5.3 billion, down 27% compared to Euro 7.3 billion in the same period of the last year. The highest volume of investments, in geographic terms, was registered in Northern Italy, which represented roughly two thirds of the total. This is followed by the Centre with around 16% and the South with 2% of the total, while the remaining 16% is composed of portfolios scattered throughout the country. The volume of investments recorded in the province of Milan accounts for 40% of the national total, with around Euro 2.1 billion, while the province of Rome accounts for 12% of the total, with around Euro 650 million. Northern Italy is also confirmed leader in terms of number of assets settled (30%), followed by the Centre (8%) and the South (2%), with approximately 60% not attributable to a single area.

The largest share of investments is represented by the asset class corresponding to the office sector, where investments for approximately Euro 2.4 billion (45%) were recorded, and by the retail sector with Euro 890 million (17%). They are followed, with a share of 13% each, by the hotel sector and that of real estate for logistics use, which recorded investments of approximately Euro 680 million and Euro 670 million respectively. Contributing to the hotel sector, the acquisition of the Bauer Hotel in Venice for a value of Euro 250 million. These are followed by investments in mixed-use properties or mixed portfolios, with a volume of Euro 270 million, which represents 5% of the total, and investments in properties for other use with approximately Euro 183 million (3% of the total). The same share is represented by the residential / housing sector, for a volume of approximately Euro 180 million. Finally, the healthcare / welfare sector, which accounted for 1% with a volume of Euro 40 million.

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## THE TREND IN THE REAL ESTATE FUNDS<sup>4</sup>

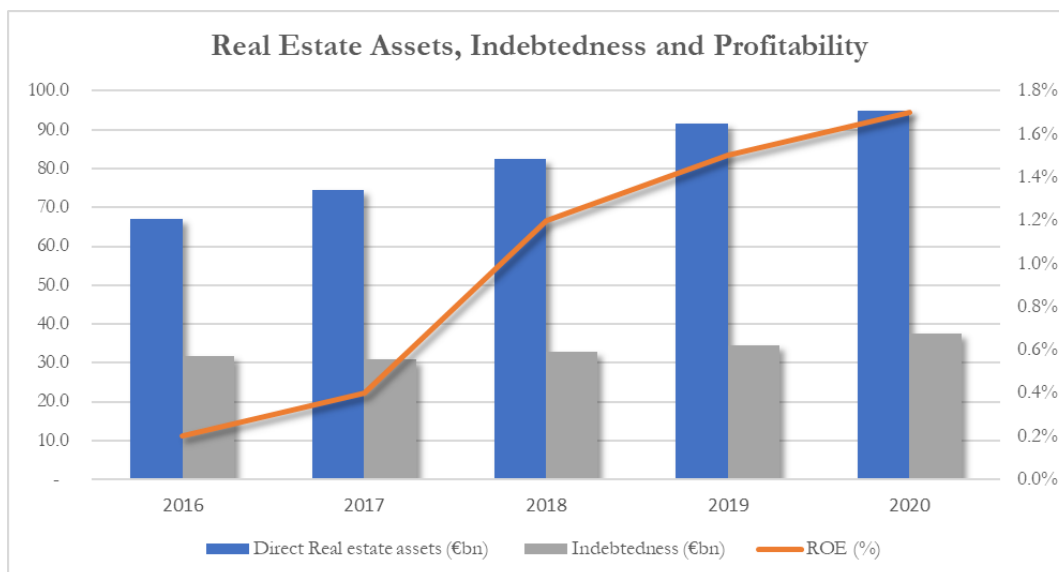
Despite the threat of the ongoing pandemic and the resulting slowdown in the world economy, real estate funds have continued to attract capital. 2020 saw the European real estate funds assets grow, with the sole exception of the United Kingdom, which recorded a decline in the national NAV from 78.9 billion to 71.2 billion (-9.76%). The total NAV at European level is equal to Euro 750.9 billion (+2.57% compared to last year), with a total of 1,850 active funds (13 units more than in 2019).

The percentage of Italian real estate funds over the rest of the European vehicles continues to grow, exceeding 11%. According to the data of the half-yearly reports as at 30/06/2020, the real estate assets held directly by the 518 active funds (13 more than last year) could reach Euro 95 billion, with an increase of 3.8% compared to 2019. The overall Net Asset Value is also expected to grow by 3.9% over 2019 (Euro 81.4 billion), for a value that is close to Euro 85 billion. Indebtedness rose by Euro 37.6 billion, accounting for 39.5% of assets. ROE, while representing the average of very diversified realities, is growing and has reached 1.7%

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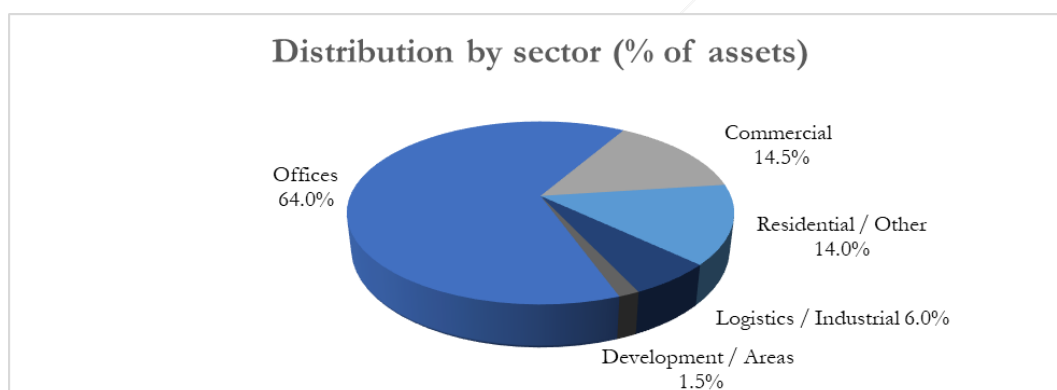
<sup>3</sup> Sources: Scenari Immobiliari: "European outlook 2021", September 2020; Gabetti: "Investment overview", Q3 2020;

<sup>4</sup> Sources: Scenari Immobiliari: "I fondi immobiliari in Italia e all'estero - aggiornamento rapporto 2020" (Real estate funds in Italy and abroad - update on 2020 Report), November 2020



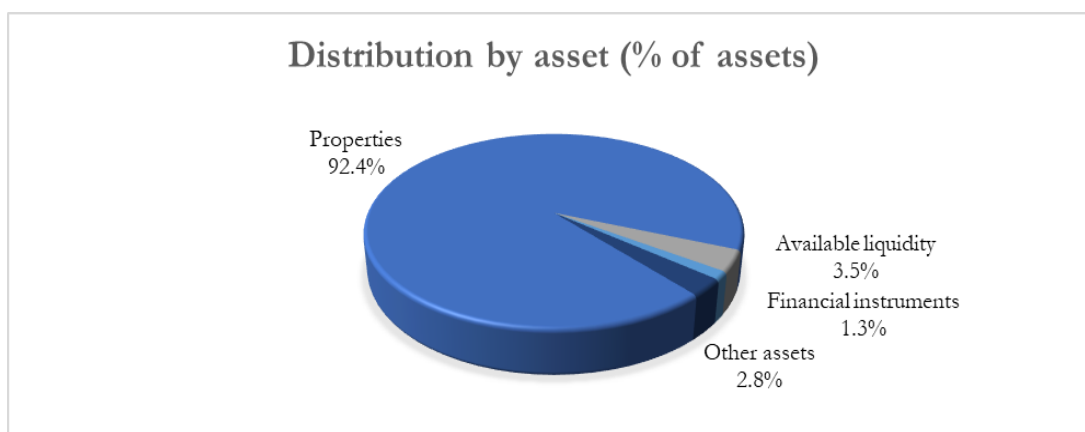
Source: Castello SGR processing of Scenari Immobiliari data

As at 30 June 2020, the breakdown of investments by intended use is, on a trend basis, in line with the previous years: properties for office use fell slightly to 64%, followed by properties for commercial use, down to 14.5%, residential properties (up slightly to 14%), logistics/industrial (up to 6%) and development/areas (1.5%).



Source: Castello SGR processing of Scenari Immobiliari data

As at 30 June 2020, the latest data available shows that the real estate component of total fund assets stands at 92.4% of the assets in the portfolio. The composition of assets has remained essentially unchanged from the end of 2019 and is as follows:



As regards Italian real estate funds listed, it should be emphasised that they are heavily discounted with respect to the NAV. The average of the changes in the unit value of the shares as at 30 June 2020 based on the NAV is down 6.8% with respect to December 2019. It is specified that, with respect to the previous half, the Amundi Europa fund is not present since it has commenced the liquidation phase. A summary of the performances of the listed Italian retail real estate funds is provided below.

Fund Name	NAV as at 30/06/2020	NAV as at 31/12/2019	NAV as at 30/06/2019	% chg.	Market value as at 30/06/2020	Discount on the NAV (%)
Alpha Immobiliare	1,772.94	1,866.41	1,906.95	(5.0%)	909.00	(48.7%)
Amundi Italia	1,323.01	1,376.61	1,621.80	(3.9%)	741.00	(44.0%)
Atlantic 1	433.50	432.19	476.74	0.3%	225.85	(47.9%)
Immobiliare Dinamico	124.94	132.96	191.31	(6.0%)	63.47	(49.2%)
Immobiliarium 2001	1,860.55	2,031.81	1,995.99	(8.4%)	1,211.00	(34.9%)
Opportunità Italia	2,426.88	2,579.75	2,565.01	(5.9%)	1,230.00	(49.3%)
Polis	42.97	97.66	329.61	(56.0%)	30.00	(30.2%)
Risparmio Immobiliare Uno Energia	3,929.00	3,230.27	3,617.19	21.6%	3,390.00	(13.7%)
Socrate	476.84	476.14	484.19	0.1%	180.00	(62.3%)
Valore Immobiliare Globale	658.71	693.78	748.90	(5.1%)	558.60	(15.2%)
<b>Average</b>				<b>(6.8%)</b>		<b>(9.5%)</b>

Source: Castello processing of data from Borsa italiana and from reports published and updated as at 30/06/2020

## THE RESIDENTIAL MARKET<sup>5</sup>

The data published by the Italian Revenue Agency on the number of property sales show a decrease in the number of residential transactions for the Italian market: in the first 9 months of 2020, 374,545 residential transactions were completed, down by 13.9% compared to the same period of the previous year. These data reflect, especially for the first six months, the effects of the containment measures implemented by the government to deal with the healthcare emergency. The easing of social distancing and *lockdown* measures in the third quarter of 2020 coincided with a recovery in the real estate market (number of transactions up by 3.5% compared to 2019). The post *lockdown* residential market has seen activities resume thanks also to the implementation of new methods, which suggest possible changes in the operating methods even in the post-pandemic period.

All the macro-areas considered on a national scale recorded negative changes in the first 3 quarters of 2020: -13.3% for the North, -14.5% for the Centre and -14.7% for the South; both the provincial capital (-16.7%) and the non-provincial capital (-12.5%) numbers decreased.

As regards the credit sector, the latest data from the Bank of Italy relating to loans to households for the purchase of homes indicate a total of Euro 25.2 billion in the first half of 2020 (Euro 12.3 billion in the first quarter and Euro 12.9 billion in the second quarter), which represents an increase of 9.8% compared to the same period of 2019. In September there was a restart of the sector, with an increase of 13% compared to the

<sup>5</sup> Sources: Gabetti: "Residential snapshot Q3 2020"; Gabetti: "Residential overview H1 2020"; Immobiliare.it; JLL: "Residential snapshot Q3 2020"

same period of the previous year, confirming the positive trend of the summer months. Rates remain at historic lows: Euribor - the benchmark for variable rates - reached the value of -0.52% for the one-month maturity and -0.48% for the three-month maturity in October. IRS - to which the fixed rates are parameterized - remains at values very close to zero for the thirty-year maturity, thus making the financing conditions for longer-lasting mortgages advantageous. By contrast, the significant slowdown in the economy prompted the majority of banks to implement a conservative policy, especially towards sectors particularly hit by the crisis. For some categories of customers, there is a risk of not being able to access financing, also where adequate requirements are met in terms of creditworthiness.

The number of transactions on the Milan market in the first nine months of 2020 is about 20.8% lower than last year, with 3,969 fewer transactions.

In the first three quarters of 2020, the Rome real estate market recorded 20,229 transactions, with a decrease of 16.3% compared to the same period of the previous year.

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## THE OFFICE MARKET<sup>6</sup>

The climate of uncertainty brought to the market by the Covid-19 pandemic forced operators to review their investment choices. However, the office real estate market remains dynamic, with a volume of transactions of around Euro 2.3 billion, which contributes 43% to the total investments. Milan confirms its leadership in the market, with 19 transactions for a volume of over Euro 1.7 billion, corresponding to 74% of total investments in the office sector.

The Milan market closed the first 9 months of 2020 with an absorption of 204,500 square meters, a decline of 45% compared to the same period of the previous year due to the effects of the lockdown period. In terms of rented area, the suburbs proved to be the most active market with 42% of the total surface area. In the third quarter there was a significant share of the take-up in the hinterland (60%), due to two transactions exceeding 9,000 square meters.

During Q3 2020, the *prime rent* stood at 600 €/sq.m/year in the central zones, stable compared to the figures of the previous period, at 400 €/sq.m/year for the semi-central zones and 220 €/sq. m/year for the offices in the hinterland. Gross *prime* rental yields remained substantially stable compared to the previous quarter, with a *prime yield* of 4.5% in the CBD-centre area and 6.0% for the semi-centre.

The most attractive sectors in Q3 were High tech and Education, with almost 22,000 sq.m absorbed out of a total 31,183 sq.m (about 70%) while the average surface area on which agreements were reached was reduced: just under 1,000 sq.m compared to an average of over 1,600 sq.m in the previous two years. The biggest share of contracts stipulated for office use was in the peripheral area (30%), CBD-Centre (20%) and Hinterland (17%), while the *vacancy rate* is stable at 9.9%.

In Rome in Q3 2020, the absorption amounted to 57,400 square meters. The EUR area is the preferred macro area with 30% of the total absorption.

*Prime rents* remained substantially stable with respect to 2019. The average rent in the CBD-Centre was 440 €/sq.m/year and 350 €/sq.m/year in the EUR Core zone. Gross *prime* rental yields stand at 5.0% in the CBD-Centre zone and 6.5% for the semi-centre and EUR zone.

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<sup>6</sup> Sources: JLL: "Office snapshot Q3 2020"; Gabetti: "Office market overview Milan and Rome Q3 2020" CBRE: "Milan Office Marketview, Q3 2020"

The largest share of contracts concluded for office real estates is located in the EUR area (34%), which also leads in terms of surface area with 30%, followed by the centre, which records 24% of contracts and 28% of the total of the leased surface area.

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## THE RETAIL MARKET<sup>7</sup>

The critical situation stemming from the imposition of strict measures to contain the Covid-19 infections introduced, from the first few days of the health emergency, the recourse to suspending the paying of rent and giving discounts on rent as a result of *tenant* pressures due to the reduction in turnover and the halting of commercial activities. Despite the positive news related to the availability of the vaccine, the fear of a slow recovery remains in any case fuelled by the uncertainty about the future dynamics of the pandemic and the consequent containment policies. This could lead to a further revision of medium/long-term rents, involving another increase in yields.

Page | 14

The first nine months of 2020 closed with a retail investment volume of Euro 1.1 billion, a decrease of 37% compared to the same period of the previous year. The investment volumes in the retail sector are mainly concentrated in the supermarket segment (40% of the total), followed by shopping centres (27%) and high street (20%). These volumes are strictly linked to operations initiated in the period preceding the pandemic. The investment activity was in fact severely limited by the strong caution of foreign investors, conditioned by the negative trend of retailers in the UK, which is part of a market context already pervaded by the uncertainty caused by the pandemic.

The recovery of the Istat consumer confidence index continued also in September, which went from 101 to 103.4, as well as the recovery of the businesses confidence index (from 81.4 to 91.1), although remaining below the recorded values in the same period of 2019.

According to the latest available data, investments in the retail segment are mainly divided into: 39% *supermarket*, 27% *shopping centres*, 20% *high street*, 8% *retail warehouse*, 4% *C&C* and 2% in *other retail*. In terms of performance, net real estate yields are in line with those of the previous quarter, slightly up compared to the first three months of 2020.

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<sup>8</sup> Sources: JLL: "Retail Snapshot, Q3 2020"; CBRE: "Italy retail, Q3 2020"

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## THE LOGISTICS MARKET<sup>8</sup>

In the third quarter of 2020, the volumes of the logistics sector reached around Euro 500 million, a volume just under double the amount recorded in the first six months of the year (Euro 270 million in total).

The volumes of investment in the logistics sector confirmed, in Q3, the positive trend shown in the first part of the year, with 720,000 sq.m of rented space, bringing the overall result from the beginning of the year to just under 1.6 million sq.m.

The persistence of the health emergency continues to support the growth of online sales, consequently fuelling the need for space by the various players in the *e-commerce* sector.

After the forced shutdown due to the lockdown in the second quarter, investments in the third quarter amounted to over Euro 500 million, bringing total investments in logistics assets to Euro 780 million.

The intensity of demand continues to contribute to the compression of yields, with the prime yield dropping slightly, reaching 5.1% in September. In addition, confidence in the sector continues to fuel the development pipeline, which has reached 25% of the volumes under construction.

The Milan area is once again confirmed as the preferred destination, attracting over 70% of the total take-up of the quarter. The Bolognese area follows with 11%.

*Prime rents* remained substantially stable compared to the previous quarter in all the main markets. According to the latest figures available, the *prime industrial rent*, relating solely to logistics assets, stood at 57 €/sq.m/year both for the Rome and Milan markets. *Prime net yield* in Q3 was 5.1%, down 10 basis points from the first half of the year.

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## THE HOTEL MARKET<sup>9</sup>

At the end of September 2020, the volume of investments in the Italian hotel sector recorded a decrease of 72% compared to 2019, which was however a highly exceptional year. The impact of Covid-19 slowed the market without, however, stopping it. The major transactions that took place during the year include the ex-Boscolo portfolio (now Dedic Anthology) consisting of eight hotels (four of which are Italian in Rome, Florence and Venice) and the Bauer hotel in Venice, for an amount higher than Euro 200 million each. The agreement of transactions of this size confirms, despite the unprecedented historical moment, that the hotel asset class continues to represent an area of strategic interest in the medium and long term.

At the beginning of the summer, Federalberghi announced that only 40% of Italian hotels were open. With the end of the *lockdown* and the reopening of most of the economic activities in the summer months, this percentage substantially doubled. The hotels that returned to operation had to adopt adequate measures to guarantee the safety of people, with the consequent reduction in the supply of available rooms to ensure compliance with the social distancing measures, which has resulted in an inevitable reduction in *occupancy* and turnover. Furthermore, the measures to limit personal mobility introduced by governments have significantly reduced the number of foreign tourists, contributing to the decline in revenues from Italian hotels. According to the latest available data, it is estimated that there was a decrease of over 50% in the number of overnight stays by tourists in Italy in the first eight months of 2020 compared to the same period in 2019 (330 million compared to 173 million). Nonetheless, the long-term "sentiment" on this asset class remains positive, and in the post-Covid period it is expected that the trends already begun with investors interested in the conversion of existing buildings will resume.

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<sup>8</sup> Sources: CBRE: "Italy logistics and industrial, Q3 2020"; JLL: "Logistics snapshot Q3 2020"

<sup>9</sup> Sources: Federalberghi: "Datatur Trend e statistiche sull'economia del turismo" (Datatur Trend and statistics on the tourism economy); Colliers: "Hotel snapshot post covid outlook"; CBRE: "Italian hotel market update"

As a result of the Covid-19 spread and the subsequent instability and uncertainty that has materialised in the macroeconomic scenario, the Asset Management Company's management has quickly taken steps to monitor and manage the Covid-19 impact on the mutual investment funds managed by the Company.

As of March 2020, a new internal committee was established called the "Crisis Committee", coordinated by the Head of the Risk Management and Asset Valuation Departments, in which all company departments participate.

The Committee meets periodically to continuously analyse and monitor, for each fund managed, the problems caused or which could emerge out of the temporary situation so that, where possible, mitigation actions can promptly be taken.

In particular, a series of monitoring actions were launched that concerned, more specifically, the impacts of Covid-19 with reference to: (i) the property leasing situation; (ii) the financial position of the funds managed; (iii) property valuation criteria and assumptions.

### LEASING SITUATION

Following the Covid-19 spread and the Government's subsequent adoption of measures to counteract and contain the virus, which involved, among other things, the closure of stores, shopping centres and the suspension of production activities, property tenants sent requests for the suspension of the payment and/or renegotiation of rents.

These requests were promptly analysed and handled by the Asset Management Company's management and an agreement was reached with some tenants in recent months, while some positions are still in the negotiation phase.

As part of the agreements signed, also in order to preserve the value of the properties and avoid the interruption of the contractual relationship with the tenants, an attempt was made, on the one hand, to satisfy the reasonable requests of the tenants by conceding in most cases a period of free rent and, on the other hand, where possible, to obtain some benefits for the fund such as, by way of example, the extension of the duration of the lease contract, the deferral of the exercise of the break option or the signing of new lease contracts.

It should also be noted that following the so-called second wave of the Covid-19 virus and the consequent restrictive measures adopted by the Government, no further requests for suspension of payment and / or renegotiation of rents were received from the tenants of the properties, but these types of requests could be made in the future or a review of agreements just entered into is requested. In light of this, the Asset Management Company's management is in constant contact with the tenants in order to identify and implement the best solutions to reduce the economic impacts of Covid-19.

Furthermore, within the scope of monitoring the leasing situation, other situations that needed to be kept under control were also identified, relating to tenants defined as "under control", which although not having sent requests for the suspension and/or reduction of rent, are considered at risk based on the sector in which they operate.

In relation to tenants who have sent requests for the suspension of payment and/or renegotiation of rents and "under control" tenants, collections received with respect to the amount billed are monitored specifically.

## FINANCIAL SITUATION

In order to assess the Covid-19 emergency impacts from a financial point of view and verify whether each fund managed currently has or is able to generate enough financial resources to meet its commitments, the decision was taken to perform some simulations on attainment of the objectives established in the budget for 2020 and set forth in the funds' business plans, by making changes to the input parameters (exclusion from the cash flows of rents relating to tenants who have sent a request for the suspension of payment and/or reduction of rent, exclusion of rents relating to "*under control*" tenants, deferment of sales and in parallel, where possible, deferment of planned capex investments) over the different time horizons, of 3, 6, 9, 12 and 18 months respectively.

Page | 17

In light of the results of the stress tests, and in order to mitigate the risks and impacts of Covid-19, so-called "*remedies*" were identified, which are periodically monitored by the management of the Asset Management Company.

In addition, the Risk Management Department constantly monitors the level of available cash of each Fund managed, stressing that, as at the date of this Report, none of the Funds managed have a cash shortfall.

## VALUATION OF PROPERTIES

The management of the Asset Management Company took steps, along with the Independent Experts, to define the approach and the guidelines to adhere to for valuations, as at 31 December 2020, of properties owned by the Funds managed and understand the impacts of Covid-19 on said properties.

In reference to the valuation of the assets as at 31 December 2020 as specified by the Independent Expert in the appraisal report drawn up in accordance with the RICS directives, the pandemic and measures taken to deal with Covid-19 continue to have effects on the economies and real estate markets at global level. However, as at the date of valuation, certain real estate markets have resumed activity as normal, with enough transaction volumes and other indicators to allow adequate opinions on value to be formulated. Therefore, the valuation of the Independent Expert as at 31 December 2020 was not significantly influenced by the "material valuation uncertainties" as defined by the VPS 3 and VPGA 10 of the RICS Red Book Global.

However, the Asset Management Company adopts significant safeguards aimed at verifying the reliability of the values processed by the Expert (e.g. analysis and verification of the content of the appraisals and reperformance of the models used by the Independent Experts by the Asset Valuation Function based on risk criteria identified by it). The Asset Management Company's management will also be responsible for continuing to carefully monitor the evolution of market conditions in order to verify the accuracy of the Expert's assumptions.

More specifically, the valuation approach used by the Experts and the impact of Covid-19 on the valuations of properties depend on the specific characteristics of the individual assets and the trends in the associated reference markets, with an approach that is differentiated according to the reference "asset class" (hotel and other guest accommodation, retail, offices, residential, logistics), the geographical area (main markets, secondary markets and other locations) and the leasing situation, as clarified also by the indications provided by the RICS in the second half of 2020.

With reference to the different "asset classes", it emerged that the main decrease in value will be recorded in hotels and other guest accommodation and retail properties, while for the other asset classes, the reduction in the market value will depend on the characteristics of the individual assets.

The main assumptions used by the Independent Experts in order to consider the impact of Covid-19 are: (i) an increase in time for the re-leasing of vacant spaces; (ii) a decrease in the estimates of market rents, with particular reference to the renegotiation of the rents envisaged in the next 24 months; (iii) increase in the

percentage of collectability of rents; (iv) decrease in the revenue of properties for hotel and other guest accommodation, and (v) increase in the “risk premium” component in discount rates.

## RISK ASSESSMENT

Based on the monitoring carried out, the financial situation of the sale prospects, as well as the start of development projects, the Risk Management Department carried out an evaluation of the level of risk closely correlated with the impact of Covid-19 on each fund. The risk assessment also considered the potential impact of Covid-19 on the market value of the properties.

With specific reference to the Picasso Fund, the level of “Covid-19 risk” stands at a “Low” level as there are no significant risks associated with rents considering the type of main tenants of the fund. Furthermore, no critical issues emerged from the stress test analyses and the available cash levels are always positive over the time horizon considered.

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## DETAILS OF THE FUND

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### THE FUND IN BRIEF

The "Picasso Fund - Reserved closed-end alternative real estate mutual investment fund" belonging to the "Pittori" family of funds (hereinafter the "Fund"), established and managed by Castello SGR S.p.A., started operations on 3 November 2009 with the agreement to contribute the following properties to the Fund:

1. an office complex of over 11,000 square meters of gross area located in Rome, Via Lamaro 81 ("Lamaro"), for a value of Euro 16,100,000, by FMP Italy (Lamaro) S.r.l. (hereinafter simply "FMP Lamaro"),
2. a newly built office complex with a total gross surface area of over 21,000 square meters distributed over 5 buildings ("Metrocomplex"), located in Milan, Via Tolmezzo 15 for a value of Euro 40,000,000 by FMP Italy (Tolmezzo) S.r.l. (hereinafter simply "FMP Tolmezzo").

Against a total value of the transaction of Euro 56,100,000 and the simultaneous discharge of financial debt equal to Euro 43 million (of which Euro 32.6 million referable to Metrocomplex and Euro 10.7 million to Lamaro), as well as the cash subscription of 3 units, 29 units were issued with a nominal value of Euro 500,000 each. The initial assets of the Fund were therefore equal to Euro 14,500,000.

During the 2011 financial year, financial commitments signed by the same unit-holders were called up for a further Euro 4,500,000. During the first half of 2012, the last financial commitments already signed by the unit-holders for Euro 1,000,000 (out of a total of Euro 21,000,000) were called up.

To meet the financial needs resulting from the payment of the urbanisation charges necessary for the change of use of Building C, for the contributions to the fitting works of the new leased spaces and for the debt service, 4 units for a total amount of Euro 3,000,000 were subscribed to and paid through two new issues in 2012. The issue value of the new units was in both cases equal to Euro 750,000 per unit, against a NAV per unit of Euro 846,410.999 as at 31.12.2011 and Euro 759,237.559 as at 30.06.2012. This difference is essentially justified by the low liquidity of the units.

In addition, in 2013, in order to meet the financial needs resulting mainly from the debt service, on 25 March 2013 the subscriptions of the Picasso Fund were reopened for up to a total amount of Euro 3,000,000. The issue value of the new units was equal to Euro 750,000 per unit, against a NAV per unit of Euro 758,879.583 as at 31.12.2012. This difference is essentially justified by the low liquidity of the units. Details of the payments made by subscribers in 2013 are shown below:

- On 25 March 2013, 1 unit at a nominal value of Euro 750,000 was subscribed to;

- On 14 June 2013 1 unit was subscribed to and paid up on 27 June 2013 at a nominal value of Euro 750,000.

The remaining 2 units were cancelled, as the terms for the subscription expired on 20 June 2013.

On 4 April 2014, subscriptions to the Fund were reopened up to a total amount of Euro 1,500,000. The issue value of the new units was equal to Euro 750,000 per unit, against a NAV per unit of Euro 800,495.035 as at 31.12.2013. On 24 April 2014, 2 units were subscribed to of which 1 unit was paid at the same time at a nominal value of Euro 750,000. On 30 June 2014, the residual portion was paid at a nominal value of Euro 750,000.

On 22 October 2014, the Board of Directors of Castello SGR S.p.A., in the name and on behalf of the Fund, approved the acquisition of a property located in Rome, in Via Cavour 6, owned by the listed real estate fund "Fondo Beta Immobiliare" established and managed by IDEA FIMIT SGR S.p.A. The property, mainly intended for office use, located in the immediate vicinity of the Roma Termini railway station, has a gross surface area of 13,876 square meters; the negotiated price for the purchase of the same is equal to Euro 38,700,000.

The financial resources necessary for the completion of the purchase of the Property, equal to Euro 40,500,000, (including the closing costs) were initially to be found through:

- a) The issue of 22 new units (issued at a value of Euro 750,000 each with an initial nominal value of Euro 500,000) for a value of Euro 16,500,000;
- b) the stipulation of a new loan agreement with Aareal Bank AG - Rome Branch for Euro 24,000,000.

Of the 22 approved units, 2 units were subscribed to and paid up on 23 October 2014 by the subscriber NBG Pangaea. This amount was partially used for the payment on 31 October 2014 of the amount of Euro 1 million, as a guarantee deposit, following the acceptance of the irrevocable offer for the purchase of the property in Rome, via Cavour 6 by the Fund. It should be noted that the subscription period for these units ended on 22 January 2015 without further subscriptions.

On 29 January 2015, since Aareal Bank could not disburse the loan as it was subject to obtaining the definitive retrospective planning permission, the Board of Directors of the Asset Management Company in agreement with the Fund's unit-holders decided to proceed with the acquisition of the property with a *full equity* structure.

Therefore, in order to find the financial resources necessary for the completion of the Transaction, the Board of Directors of the Asset Management Company approved the issue of a further 52 units with a value of Euro 750,000 each for a total of Euro 39 million, subscribed to by the participant on 11 February 2015.

The sale of the property in Rome, in Via Cavour 6, was completed on 11 February 2015.

On 29 April 2015, the Board of Directors of the Asset Management Company approved the issue of 65 new units for a total value of Euro 52 million for the acquisition of the property in Rome, via Cavour 5.

Pursuant to art. 28 ter of the Issuers' Regulation adopted by CONSOB with resolution no. 11971/1999, the Asset Management Company sent a notification letter to the aforementioned Authority on 15 May in order to request the marketing of the Fund units following the entry into force of the new AIFM Directive.

On 6 July 2015, CONSOB announced the suspension of the proceeding pending receipt of the related approval from the Bank of Italy.

On 5 August 2015, CONSOB communicated to the Asset Management Company that, given the fact that the unit-holder had already paid the amount equal to Euro 100 million by way of payment for the future issue of units prior to the effective date of the legislation envisaged by the AIFM Directive, the marketing of the shares should not have been subject to the investigation of the Supervisory Authorities. Therefore, on 31 August, the Asset Management Company communicated to CONSOB the waiver of the marketing procedure previously initiated.

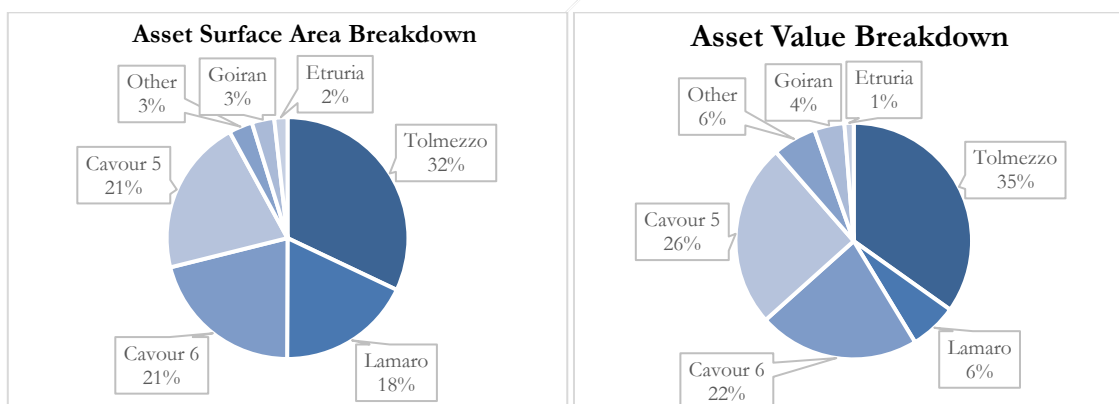
On 20 July 2015, the acquisition of the property in Rome, Via Cavour 5 was completed. The real estate complex, acquired by the Alpha Immobiliare Fund of Idea Fimit SGR S.p.A. for Euro 45.1 million, in addition to the *closing costs*, is located in the immediate vicinity of Rome Termini station, and has a gross surface area of 23,261 sq.m and a commercial surface area of 13,808 sq.m. The property extends around an internal courtyard for a total of seven floors above ground in addition to the two underground floors.

On 16 September 2016, the Executive Committee of Castello SGR S.p.A., in the name and on behalf of the Fund, approved the acquisition of a portfolio of 9 properties, for a total gross surface area of 10,905 sq.m, located in Rome, Piacenza, Civitavecchia, Pavia, Ferrara and Genoa. The amount defined to enter into this transaction, with Finleonardo S.p.A., was equal to Euro 21,560,000, in addition to the *closing costs*. Therefore, in order to obtain the financial resources necessary for the completion of the transaction, the opening of a Senior line with Banca Intesa S.p.A. was approved, for Euro 9,850,000. The remainder, i.e. Euro 11,710,000 in addition to the *closing costs*, was financed through the Fund's cash (of which Euro 800,000 through the payment of a further share by the unit-holder on 25 October 2016). For more details on the structure of the loan, see the section "Fund performance as at 31.12.2019" "Financial Management".

On 28 January 2021, the final binding offer for the purchase of the real estate complex located in Milan, Viale Giulio Richard 5/7, for Euro 19,000,000 was formalised to Generali Real Estate S.G.R. S.p.A. This offer was accepted by Generali Real Estate S.G.R. S.p.A. on that date. It is therefore expected to finalise the purchase of the real estate complex within the first half of 2021.

On 27 November 2020, the Asset Management Company's Board of Directors approved the issue of 20 new units for a total value of Euro 20.5 million for the purpose of the acquisition of the building in Milan, Viale Giulio Richard 5/7.

In summary, the real estate portfolio is currently leased for 99% (66,139 sq.m out of 66,554 sq.m available in terms of GLA) of the square meters available for a total passing rent of approximately Euro 12.8 million.



At the date of this Report, the Fund's assets therefore consisted of 13 properties, with a GLA of 66,554 square meters and a market value of Euro 208,980,000. The rental situation relating to the Fund's real estate assets is therefore as follows:

Property	Units	Address	Location	Comm. surface area (sq.m)	Tenant	Passing Rent (€)	Standard rent (€)
Tolmezzo - "Metrocomplex"	Ground - Roof	Via Tolmezzo, 15	Milan	21,124	Multitenant	4,356,322	4,726,322
Lamaro	Ground - Roof	Via Lamaro, 56	Rome	11,871	Telecontact S.p.A.	1,076,417	1,076,417
Cavour 6	Ground - Roof	Via Cavour, 6	Rome	13,876	Ministry of the Interior	3,038,551	3,038,551

Cavour 5	Ground - Roof	Via Cavour, 5	Rome	13,809	Multitenant	3,065,200	3,065,200
Cernaia	Ground floor	Via Cernaia 16-18	Rome	393	Cernaia S.r.l.	75,000	75,000
Sonnino	Ground floor	Piazza Sonnino 38-40	Rome	620	Branch of Banca Pop. Sondrio	206,295	206,295
Castelbolognese	Ground floor	Via Giovanni da Castelb. 41/A-43	Rome	110	Essenziale S.r.l.	-	-
XX Settembre	Ground floor	Via XX Settembre 55	Piacenza	510	Mango Italia S.p.A.	130,000	130,000
Cavour 29	Ground floor	Corso Cavour 29	Pavia	244	Rinah	80,000	124,000
Vittoria	Ground floor	Via Vittoria 12	Ferrara	305	Vacant	-	-
Sestri	Ground floor	Via Sestri 67-69	Genoa	125	SM Italia S.r.l.	51,513	51,513
Etruria	Ground - Roof	Viale Etruria 9	Civitav.	1,540	ASL	228,000	228,000
Goiran	Ground - Roof	Via Goiran 1	Rome	2,027	Carabinieri barracks	510,000	510,000
<b>Total</b>				<b>66,554</b>		<b>12,817,298</b>	<b>13,231,298</b>

Below is the summary table of the Picasso Fund as at 31 December 2020:

**The Picasso Fund in brief**

		31/12/2020	31/12/2019	31/12/2018	31/12/2017	31/12/2016	31/12/2015
Real estate assets	no.	13	13	13	13	13	4
Value of properties	€ mio	208.85	211.25	194.75	191.09	188.800	168.33
Historical cost (purchase price)	€ mio	173.23	172.046	172.046	172.046	161.460	139.900
Total debt	€ mio	99.83	102.07	104.31	106.550	108.790	100.980
of which:							
<i>Mortgage</i>	€ mio	99.83	102.07	104.31	106.55	108.79	100.98
Equity Committed	€ mio	68.30	68.30	68.30	68.30	68.30	67.50
<i>Called up commitments</i>	€ mio	68.300	68.300	68.300	68.300	68.300	67.500
<i>Residual commitments</i>	€ mio	0.000	0.000	0.000	0.000	0.000	0.000
<i>% Called up commitments</i>		100%	100%	100%	100%	100%	100%
Loan to Value		47.80%	48.32%	53.56%	55.76%	57.62%	59.99%
Loan to Cost (*)		57.63%	59.33%	60.63%	61.93%	67.38%	72.18%
NAV	€ mio	115.845	117.968	100.112	95.218	93.160	90.574
Number of Units	no.	105	105	105	105	105	104
Unit Value	€ / unit	1,103,289.983	1,123,509.094	953,450.839	906,835.189	887,240.134	870,900.428

**\* LTC calculated by referring to the purchase price**

On 24 February 2015, the Board of Directors of Castello SGR approved the extension of the duration of the Picasso Fund to 17 (seventeen) years from the Closing Date of Subscriptions, which took place on 3 November 2009, or in the event of an extension of the term duration of the Fund, to the expiry of the extension period (three years), by modifying paragraph B “Duration of the Fund” of the Special Section of the Picasso Fund Regulation, which provided for a duration of 7 (seven) years. As of today, the maturity of the Fund is 31 December 2026.

The regulatory changes are effective from 24 February 2015, the date of their approval by the Company's Board of Directors.

The Fund units are not intended for listing on a regulated market.

Below is a summary of the profits earned by the Fund during the period and the distributable operating income determined pursuant to the Management Regulation:

Page | 22

<b>Table distributable income</b>	
Retained distributable earnings as at 31.12.2019	1,058,647
Profit for the period 01.01.2020 - 31.12.2020	3,477,063
Unrealised capital gains 01.01.2020 - 31.12.2020	-665,685
Unrealised capital loss from previous period covered by unrealised capital gains current year	178,602
Unrealised capital loss current year covered by unrealised capital gains from previous period	3,622,002
Alignment of unrealised capital gains from previous years	201,678
Distributed profit as at 30.06.2020 with resolution 03.08.2020	-2,500,050
<b>Total distributable income</b>	<b>5,372,258</b>

Therefore, on the basis of these results achieved by the Fund during the year ended 31 December 2020, the Board of Directors of the Asset Management Company today, in compliance with the provisions contained in the Management Regulation and taking into account the cash and cash equivalents of the Fund, **resolves to proceed to the payment of pro-rata operating income for Euro 21,905, and therefore for a total of Euro 2,300,025.**

The updated position of the sole shareholder at the date of this Report is shown below:

Unit-holder	Subscribed and paid	
	units	Stake (%)
Prodea REIC SA	105	100%

Finally, it should be noted that, during the first half of 2019, the loan agreements expiring on 30 June 2019 were extended until 30 June 2021. For more details, see the "Financial Management" section.

During the first quarter of 2020, at the express request of the unit-holder, a procedure was launched aimed at identifying a potential buyer interested in purchasing the entire real estate portfolio. In this regard, Castello SGR has appointed a leading financial advisor and law firm to manage the potential divestiture. Due to the Covid-19 emergency, the sale procedure was temporarily formally suspended; however, discussions continue with advisors and potential investors, pending a return to normal market conditions.

## FUND INVESTMENT POLICIES

### REAL ESTATE MANAGEMENT

The Fund's assets consist of investments in real estate, with a medium-term horizon, and, in compliance with the Reference Regulations, of a fraction invested in financial instruments that are ready and safe to liquidate, falling within the categories permitted by the Reference Regulations, subject to any exceptions expressly provided for by the Regulation. In implementing its investment and professional management policy, the Asset Management Company selects the real estate assets that, by type, nature and characteristics, appear to be most suitable for investment and consistent with the management policy of the Fund.

The Fund's assets, including those held through investment in shares or units of real estate companies, are made up of investments for the purpose of real estate development, repositioning and income investments. Income and repositioning investments may constitute a predominant part of the Fund's assets and will be made mainly in the territory of the Italian Republic. Development investments may represent a limited portion of the

Fund's assets. Development investments relate to building land and / or areas to be developed, in accordance with applicable legislation, through the subsequent design, realisation and construction of real estate complexes intended for sale and / or lease.

The Fund's strategy is to provide for the development of the current assets and their enhancement, as well as the search for possible coherent investments in order to increase the value of the assets themselves.

The core objective is to stabilize the return of the Fund in the medium / long term and allow debt service without resorting to the payment of new resources by existing or new unit-holders. As regards the investment activity, the market will be analysed in order to find the opportunities that at the risk / return level are in line with the policies of the Fund; it is however understood that, based on the commitments signed at the date of this Report, no new acquisitions are planned without further subscription of units or with the financial resources deriving from the total or partial sale of the assets in the portfolio.

Page | 23

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## FINANCIAL MANAGEMENT

Castello SGR calculates the financial leverage of its funds using the "commitment method" according to the provisions of Delegated Regulation (EU) no. 231/2013.

At the closing date of this Report, the financial leverage used by the AIF, determined according to the provisions of article 109 of Delegated Regulation (EU) 231/2013, stood at 1.907 according to the "commitment method", and 1.849 according to the "gross method".

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## OTHER INFORMATION

The role of Custodian Bank was entrusted to SGSS S.p.A. For further information, please refer to the Explanatory Notes in Section VII - Management costs.

The cost of calculating the value of the unit is instead borne by the Asset Management Company.

The task of auditing the Fund's Annual Report is carried out by the auditing firm Pricewaterhousecoopers S.p.A. for the years 2017-2025.

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## THE PERFORMANCE OF THE FUND AS AT 31 DECEMBER 2020

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### REAL ESTATE MANAGEMENT

At the date of this Report, the Picasso Fund's real estate portfolio consists of thirteen assets. The Fund's real estate portfolio has therefore a total commercial surface area of 66,554 square meters and is leased at 98%, for a total amount of rents equal to Euro 12.8 million (Euro 13.2 million under standard regime).

Details relating to the property management of the 13 properties are provided below.

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### PROPERTY LOCATED IN MILAN VIA TOLMEZZO 15 ("METROCOMPLEX")

#### Leasing situation

The Metrocomplex complex is currently leased at 100% of the available square meters for a total rent (passing rent) of approx. Euro 4.4 million. This value is in line with approx. Euro 4.5 million expected for the entire complex (ERV) under standard regime.

Property	Units	Address	Location	Comm. surface area (sq.m)	Tenant	Contract Start Date	Duration	First Expiry	Second Expiry	Passing Rent (€)	Standard rent (€)
Metrocomplex Bldg. A	Raised-1st	Via Tolmezzo, 15	Milan	929	Adecco S.p.A.	01-Dec-20	8+6	30-Nov-28	30-Nov-34	-	190,000
Metrocomplex Bldg. A	Raised	Via Tolmezzo, 15	Milan	823	Findomestic	5-Jan-17	6+6	31-Dec-23	31-Dec-29	199,000	199,000
Metrocomplex Bldg. A	Raised	Via Tolmezzo, 15	Milan	842	DormaKaba S.r.l.	15-Apr-14	9+6	14-Apr-23	14-Apr-29	154,189	154,189
Metrocomplex Bldg. B	Raised	Via Tolmezzo, 15	Milan	882	ISO	15-Jan-21	6+6	14-Jan-27	14-Jan-33	30,000	120,000
Metrocomplex Bldg. B	Raised-1st-2nd	Via Tolmezzo, 15	Milan	5,078	Adecco S.p.A.	01-Oct-17	8+6	30-Sep-25	30-Sep-31	1,066,085	1,066,085
Metrocomplex Bldg. C	Raised-1st	Via Tolmezzo, 15	Milan	2,405	Findomestic	5-Jan-17	6+6	31-Dec-23	31-Dec-29	605,597	605,597
Metrocomplex Bldg. C	2nd-3rd-4th	Via Tolmezzo, 15	Milan	3,823	Ipsos S.r.l.	01-Jul-18	7+6	30-Jun-25	30-Jun-31	750,000	840,000
Metrocomplex Bldg. C	Ground - Roof	Via Tolmezzo, 15	Milan	3,896	Adecco	01-Oct-17	6+6	30-Sep-23	30-Sep-29	848,826	848,826
Metrocomplex Bldg. E	Ground - Roof	Via Tolmezzo, 15	Milan	3,015	Cargeas Assicurazioni S.p.A.	02-Aug-10	9+6	01-Aug-19	01-Aug-25	702,625	702,625
<b>Total</b>				<b>21,124</b>						<b>4,356,322</b>	<b>4,726,322</b>

### Disputes

There are no disputes relating to the property management of the Tolmezzo real estate complex.

### Capex

In 2020, no Capex was incurred on the Tolmezzo real estate complex.

### Valuation

On the basis of the analyses carried out, the Independent Expert identified the Market Value of the assets as at 31 December equal to:

- A. Euro **8.500 million** for Building A – Saint Germain
- B. Euro **20.210 million** for Building B – Times Square
- C. Euro **22.080 million** for Building C – Piccadilly
- D. Euro **13.790 million** for Building D – Alexanderplatz
- E. Euro **10.850 million** for Building E – Barceloneta

The Appraisal Value of the Tolmezzo real estate complex is therefore equal to Euro 75.430 million, decreased by approximately 7% since December 2019 (Euro 76.380). This decrease is mainly due to the reflection in the valuation assumptions of the economic uncertainty in the period linked to Covid-19, as detailed in the appraisal report.

### PROPERTY LOCATED IN ROME VIA LAMARO 81 ("LAMARO")

### Leasing situation

The Lamaro property is entirely leased to Telecontact Center S.p.A., a Telecom Italia Group company under the terms and conditions shown in the table below:

Property	Units	Address	Location	Comm. surface area (sq.m)	Tenant	Contract Start Date	Duration	First Expiry	Second Expiry	Passing Rent	Standard rent (€)
Lamaro	Ground - Roof	Via Lamaro, 56	Rome	11,871	Telecontact S.p.A.	01-Nov-13	9+6	31-Oct-22	31-Oct-28	1,076,417	1,076,417
<b>Total</b>				<b>11,871</b>						<b>1,076,417</b>	<b>1,076,417</b>

It should be noted that, pursuant to the existing lease agreement (art. 3.2), on 19 November 2020 notice was given of the termination of the lease agreement to take effect from 31 October 2022.

#### **Disputes**

No disputes are pending in relation to the property.

#### **Capex**

During 2020, no Capex was incurred on the Lamaro property.

**Valuation** On the basis of the analyses carried out, the Independent Expert has identified the Market Value of the Lamaro real estate complex as at 31 December 2020 equal to Euro 12.08 million. The Appraisal Value of the Lamaro property decreased by approximately 0.7% from December 2019 (Euro 12.17 million). This decrease is mainly due to the reflection in the valuation assumptions of the economic uncertainty in the period linked to Covid-19, as detailed in the appraisal report.

### PROPERTY IN ROME, VIA CAVOUR 6

#### **Leasing situation**

The Cavour 6 property is entirely leased to the Ministry of the Interior. The duration of the contract is agreed to be 6 years, starting from 29 April 1995, after which it continues on a tacit renewal basis.

It should be noted that on 29 April 2013, according to the legislation on the so-called "Spending Review", the rent paid by the Ministry of the Interior underwent a reduction of 15%; therefore, it will be presumably subject to changes in line with any future manoeuvres issued by the Government.

Property	Units	Address	Location	Comm. surface area (sq.m)	Tenant	Contract Start Date	Duration	First Expiry	Second Expiry	Passing Rent	Standard rent (€)
Cavour 6	Ground - Roof	Via Cavour, 6	Rome	13,876	Ministry of the Interior	29-Apr-95	6+6	28-Apr-25	28-Apr-31	3,038,551	3,038,551
<b>Total</b>				<b>13,876</b>						<b>3,038,551</b>	<b>3,038,551</b>

#### **Disputes**

**Jolly S.r.l.** – Notified eviction for arrears, requested payment order for unpaid rents amounting to Euro 68,403.84. The lawsuit was registered under gen. reg. no. 60850/2020. At the hearing of 14 January 2021, the judge confirmed the eviction, setting the date of 1 July 2021 for the enforcement.

#### **Capex**

During the 2020 financial year, Capex was paid on the Cavour 6 building for Euro 474,315 mainly relating to the refurbishment of the cooling systems.

#### **Valuation**

As at 31 December 2020, the Independent Expert identified the Market Value of the Cavour 6 real estate complex at Euro 46.8 million, an increase of approximately 1.1% compared to the value of December 2019 (Euro 46.3 million).

### PROPERTY IN ROME, VIA CAVOUR 5

#### **Leasing situation**

The Cavour 5 property is fully leased. The main tenant is the Ministry of the Interior, which occupies spaces from the first to the sixth floor. The duration of the contract was agreed to be 6 years, starting from 20 September 2002, after which it continues on a tacit renewal basis.

The other tenants of the property are located on the ground floor, for a total of 440 square meters, for commercial use. The total rent of the commercial area is approximately Euro 224,000.

Property	Units	Address	Location	Comm. surface area (sq.m)	Tenant	Contract Start Date	Duration	First Expiry	Second Expiry	Passing Rent (€)	Standard rent (€)
Cavour 5	1st - 6th	Via Cavour, 5	Rome	13,369	Ministry of the Interior	20-Sep-02	6+6	19-Sep-26	19-Sep-32	2,841,371	2,841,371
Cavour 5	Ground floor	Via Cavour, 5	Rome	85	Bar NO.GA by Nori S.r.l.	01-Apr-15	6+6	30-Mar-21	30-Mar-27	48,482	48,482
Cavour 5	Ground floor	Via Cavour, 5	Rome	24	Numistica Internazionale S.r.l.	01-Dec-06	6+6	28-Feb-25	28-Feb-31	12,525	12,525
Cavour 5	Ground floor	Via Cavour, 5	Rome	218	Jolly S.r.l.	01-Dec-06	6+6	30-Nov-24	30-Nov-30	98,071	98,071
Cavour 5	Ground floor	Via Cavour, 5	Rome	85	Jolly S.r.l.	01-Dec-06	6+6	30-Nov-24	30-Nov-30	48,472	48,472
Cavour 5	Ground floor	Via Cavour, 5	Rome	28	Xu Guanshan	01-Oct-09	6+6	30-Sep-15	30-Sep-21	16,278	16,278
<b>Total</b>				<b>13,809</b>						<b>3,065,199</b>	<b>3,065,199</b>

### Disputes

**Jolly S.r.l.** – Notified eviction for arrears, requested payment order for unpaid rents amounting to Euro 33.808,78. The lawsuit was registered under gen. reg. no. 60854/2020. At the hearing on 18 January 2021, the judge reserved judgement and the issue of the order is pending.

### Capex

During the 2020 financial year, Capex was paid on the Cavour 5 property for Euro 713,680 mainly relating to the refurbishment of the cooling systems.

### Valuation

On the basis of the analyses carried out, the Independent Expert identified the Market Value of the Cavour 5 real estate complex as at 31 December 2020 at Euro 54.7 million, a decrease of approximately 3.0% compared to the value in December 2019 (Euro 56.4 million). This decrease is mainly due to the reflection in the valuation assumptions of the economic uncertainty in the period linked to Covid-19, as detailed in the appraisal report.

## FINLEONARDO PORTFOLIO - PROPERTY IN ROME, VIA CERNAIA, 16-18

### Leasing situation

The Via Cernaia asset is on the ground floor of a six-storey property located in the centre of Rome for mainly residential use. The unit is currently leased to the company Faro S.r.l. by means of a company lease contract through the company Matteotti 12 S.r.l., which pays the Fund a rent equal to Euro 75,000.

Property	Units	Address	Location	Comm. surface area (sq.m)	Tenant	Contract Start Date	Duration	First Expiry	Second Expiry	Passing Rent (€)	Standard rent (€)
Cernaia	Ground floor	Via Cernaia 16	Rome	393	Frao S.r.l.	01-Dec-12	7+6	31-Dec-26	31-Dec-23	75,000	75,000
<b>Total</b>				<b>393</b>						<b>75,000</b>	<b>75,000</b>

**Disputes**

No disputes are pending in relation to the property.

**Capex**

Since the acquisition date, no Capex has been incurred on the property in Via Cernaia.

**Valuation**

On the basis of the analyses carried out, the Independent Expert identified the Market Value of the asset at Euro 1.25 million, unchanged compared to the valuation of December 2019 (Euro 1.25 million). This decrease is mainly due to the reflection in the valuation assumptions of the economic uncertainty in the period linked to Covid-19, as detailed in the appraisal report.

### FINLEONARDO PORTFOLIO - PROPERTY IN ROME, PIAZZA SONNINO 38-40

**Leasing situation**

The Rome asset, in Piazza Sonnino 38-40, is on the ground floor of a five-storey property plus basement located in the city centre. The original layout of the spaces has been modified over time and adapted for office use. Currently the tenant of the unit is a branch of Banca Popolare di Sondrio for an amount equal to approx. Euro 200,000. On the ground floor there are the counters and the offices of the employees while in the basement the documents archive and the technical rooms.

Property	Units	Address	Location	Comm. surface area (sq.m)	Tenant	Contract Start Date	Duration	First Expiry	Second Expiry	Passing Rent (€)	Standard rent (€)
Sonnino	Ground floor	Piazza Sonnino 38	Rome	620	Banca Popolare di Sondrio	01-Apr-10	9+9	31-Mar-19	31-Mar-28	206,295	206,295
<b>Total</b>				<b>620</b>						<b>206,295</b>	<b>206,295</b>

**Disputes**

No disputes are pending in relation to the property.

**Capex**

Since the acquisition date, no Capex has been incurred on the real estate complex in Piazza Sonnino.

**Valuation**

On the basis of the analyses carried out, the Independent Expert identified the Market Value of the asset at Euro 3.31 million, down by about 1.5% compared to the valuation of December 2019 (Euro 3.36 million). This decrease is mainly due to the reflection in the valuation assumptions of the economic uncertainty in the period linked to Covid-19, as detailed in the appraisal report.

### FINLEONARDO PORTFOLIO - PROPERTY IN ROME, GIOVANNI DA CASTELBOLOGNESE 41/A-43

**Leasing situation**

The real estate unit located in Rome, via Giovanni da Castelbolognese 41, has a commercial area of 110 square meters. The asset is located in the Trastevere area, near numerous offices such as the Ministry of Education, the San Gallicano Hospital and also near the Trastevere rail station. The asset is on the ground floor of a mainly residential property of four floors, and was vacant at the date of the appraisal report.

**Pending disputes**

**Società Essenziale S.r.l.** – Notified eviction for arrears, with request for the issuance of a payment order for Euro 42,718.67. Società Essenziale S.r.l. opposed the eviction notice and, therefore, the Court ordered the proceedings to be changed

and issued a discharge order pursuant to art. 665 of the Italian Code of Civil Procedure in accordance with which the property was returned. The proceedings to ascertain the tenant's breach and order it to pay all the amounts contractually due is currently pending; the next hearing is scheduled for 3 February 2021.

#### **Capex**

Since the acquisition date, no Capex has been incurred on the property in via Giovanni da Castelbolognese.

Page | 28

#### **Valuation**

On the basis of the analyses carried out, the Independent Expert identified the Market Value of the asset as Euro 0.27 million, down by about 15.6% compared to the valuation of December 2019 (Euro 0.32 million). This decrease is mainly due to the reflection in the valuation assumptions of the economic uncertainty in the period linked to Covid-19, as detailed in the appraisal report. On 29 December 2020, an irrevocable offer was received for the purchase of the property by BioImpresa S.r.l. for Euro 140,000, an offer that is still under consideration by the management of Castello. The Asset Management Company has incorporated this value into this Report, thus differing from the appraisal value of the property.

### FINLEONARDO PORTFOLIO - PROPERTY IN PIACENZA, VIA XX SETTEMBRE 55

#### **Leasing situation**

The asset located in Piacenza, via XX Settembre 55 is a commercial establishment on the ground floor of a four-storey property located in the historic centre of the city.

The unit, with a commercial area of 510 square meters, is currently leased to Mango Italia S.r.l. by means of a company lease contract through the company Finleonardo S.p.A., which pays the Fund a rent of Euro 130,000.

Property	Units	Address	Location	Comm. surface area (sq.m)	Tenant	Contract Start Date	Duration	First Expiry	Second Expiry	Passing Rent (€)	Standard rent (€)
XX Settembre	Ground floor	Via XX Settembre 55	Piacenza	510	Mango Italia S.r.l.	01-Feb-20	6+6	31-Jan-26	31-Jan-32	130,000	150,000
Total				510						130,000	150,000

#### **Disputes**

No disputes are pending in relation to the property.

#### **Capex**

Since the acquisition date, no Capex has been incurred on the property in via XX Settembre.

#### **Valuation**

On the basis of the analyses carried out, the Independent Expert identified the Market Value of the asset at Euro 2.36 million, down by about 6.7% compared to the valuation of December 2019 (Euro 2.53 million). This decrease is mainly due to the reflection in the valuation assumptions of the economic uncertainty in the period linked to Covid-19, as detailed in the appraisal report.

### FINLEONARDO PORTFOLIO - PROPERTY IN PAVIA, CORSO CAVOUR 29

#### **Leasing situation**

The asset in Corso Cavour 29 is distributed on the ground floor (and basement) of a four-storey property located in the centre of Pavia.

The unit is currently leased to Rinah S.r.l.

Property	Units	Address	Location	Comm. surface area (sq.m)	Tenant	Contract Start Date	Duration	First Expiry	Second Expiry	Passing Rent (€)	Standard rent (€)
Pavia	Ground floor	Corso Cavour, 29	Pavia	244	Rinah	15-Dec-19	8+8	14-Dec-27	14-Dec-35	100,000	124,000

On 15 July 2019, a lease agreement was signed for the Pavia property, with the following characteristics:

- Free of charge loan for use from 15 July 2019 to 14 December 2019
- Duration: 8 + 8
- Rent:
  - 15 December 2019 – 14 December 2020: Euro 80,000
  - 15 December 2020 – 14 December 2021: Euro 100,000
  - 15 December 2022: Euro 124,000

#### **Disputes**

No disputes are pending in relation to the property.

#### **Capex**

Since the acquisition date, no Capex has been incurred on the property in Corso Cavour.

#### **Valuation**

On the basis of the analyses carried out, the Independent Expert identified the Market Value of the asset at Euro 1.87 million, unchanged compared to the valuation of December 2019 (Euro 1.87 million). This decrease is mainly due to the reflection in the valuation assumptions of the economic uncertainty in the period linked to Covid-19, as detailed in the appraisal report.

### FINLEONARDO PORTFOLIO - PROPERTY IN FERRARA, VIA VITTORIA 12

#### **Leasing situation**

The asset consists of two adjacent units of about 300 square meters of a property located in the residential area of the city of Ferrara. The units are for residential and office use respectively.

During the 2017 financial year, notice was received from the tenant Zara who subsequently proceeded to free up the spaces. The property is therefore vacant.

#### **Disputes**

No disputes are pending in relation to the property.

#### **Capex**

Since the acquisition date, no Capex has been incurred on the property in Via Vittoria.

#### **Valuation**

On the basis of the analyses carried out, the Independent Expert identified the Market Value of the asset as Euro 0.440 million, down by about 6.4% compared to the valuation of December 2019 (Euro 0.470 million). This decrease is mainly due to the reflection in the valuation assumptions of the economic uncertainty in the period linked to Covid-19, as detailed in the appraisal report.

### FINLEONARDO PORTFOLIO - PROPERTY IN GENOA, VIA SESTRI 67-69/R

#### **Leasing situation**

The property in Genoa consists of a ground floor of 125 square meters in a four-storey property, located in the commercial area of the city. The location of the

property is strategic from a commercial standpoint as it is located within the pedestrian area of the Sestri district in Genoa, with high tourist traffic.

Currently the unit is leased to SM Italia S.r.l., which pays approximately Euro 51 thousand of rent:

Property	Units	Address	Location	Comm. surface area (sq.m)	Tenant	Contract Start Date	Duration	First Expiry	Second Expiry	Passing Rent (€)	Standard rent (€)
Sestri	Ground floor	Via Sestri 67/69 R	Genoa	125	SM Italia S.r.l.	01-May-15	6+6	30-Apr-21	30-Apr-27	51,513	51,513
<b>Total</b>				<b>125</b>						<b>51,513</b>	<b>51,513</b>

### Disputes

No disputes are pending in relation to the property.

### Capex

Since the acquisition date, no Capex has been incurred on the Sestri property.

### Valuation

On the basis of the analyses carried out, the Independent Expert identified the Market Value of the asset at Euro 0.75 million, down about 1.3% compared to the valuation of December 2019 (Euro 0.76 million). This decrease is mainly due to the reflection in the valuation assumptions of the economic uncertainty in the period linked to Covid-19, as detailed in the appraisal report.

## FINLEONARDO PORTFOLIO - PROPERTY IN CIVITAVECCHIA, VIALE ETRURIA 9

### Leasing situation

The Civitavecchia property is a 1,540 sq.m commercial space, located in a mainly residential area of the town in the Province of Rome. The asset consists of four floors, plus a basement. The state of maintenance is quite good.

To date, the asset is leased to the Civitavecchia Asl, which pays a total rent of Euro 228,000:

Property	Units	Address	Location	Comm. surface area (sq.m)	Tenant	Contract Start Date	Duration	First Expiry	Second Expiry	Passing Rent (€)	Standard rent (€)
Etruria	Ground - Roof	Viale Etruria 9	Civitav.	1,540	Asl	30-May-05	9+6	29-May-26	29-May-32	228,000	228,000
<b>Total</b>				<b>1,540</b>						<b>228,000</b>	<b>228,000</b>

### Disputes

No disputes are pending in relation to the property.

### Capex

Since the acquisition date, no Capex has been incurred on the property in viale Etruria.

### Valuation

On the basis of the analyses carried out, the Independent Expert identified the Market Value of the asset at Euro 2.45 million, up by about 12.4% compared to the valuation of December 2019 (Euro 2.18 million).

## FINLEONARDO PORTFOLIO - PROPERTY IN ROME, VIA GOIRAN 1

### Leasing situation

The property in Rome, via Goiran 1, is located in the Vittoria district of the capital, an area of the city where many assets for office use are concentrated. In particular,

in the vicinity of the property, there are the Rai offices, a Prefecture office and Poste Italiane headquarters. The asset, with a commercial area of 2,027 square meters, is a ground-roof property consisting of four floors and an attic with a large terrace.

The property is leased to the Carabinieri barracks in Vittoria. The total rent amounts to Euro 510,000.

Property	Units	Address	Location	Comm. surface area (sq.m)	Tenant	Contract Start Date	Duration	First Expiry	Second Expiry	Passing Rent (€)	Standard rent (€)
Goiran	Ground - Roof	Viale Goiran 1	Rome	2,027	Carabinieri barracks	15-Jun-08	15	21-Dec-22	21-Dec-22	510,000	510,000
<b>Total</b>				<b>2,027</b>						<b>510,000</b>	<b>510,000</b>

### Disputes

No disputes are pending in relation to the property.

### Capex

Since the acquisition date, no Capex has been incurred on the property in Via Goiran.

### Valuation

On the basis of the analyses carried out, the Independent Expert identified the Market Value of the asset at Euro 7.23 million, down by about 1.5% compared to the valuation of December 2019 (Euro 7.34 million). This decrease is mainly due to the reflection in the valuation assumptions of the economic uncertainty in the period linked to Covid-19, as detailed in the appraisal report.

## FINANCIAL MANAGEMENT

### Equity

The position of the current unit-holder is shown below:

Unit-holder	Subscribed and paid	
	units	Stake (%)
Prodea REIC SA	105	100%

### Financing

The financial debt of the fund as at 31 December 2020 is summarised in the table below:

Bank	Line	Credit line (Euro k)	Remaining amount (Euro k)	Reference Interest Rate	Spread	Signature Date	Expiry Date
Banca IMI	A	75,000	33,375	Euribor 6M	265 bps	30-Jun-15	30-Jun-21
Unicredit	A	-	33,375	Euribor 6M	265 bps	30-Jun-15	30-Jun-21
Banca IMI	B	27,000	12,015	Euribor 6M	265 bps	30-Jun-15	30-Jun-21
Unicredit	B	-	12,015	Euribor 6M	265 bps	30-Jun-15	30-Jun-21
Banca Intesa	Finleonardo	9,850	9,050	Euribor 6M	230 bps	19-Dec-16	30-Jun-21
<b>Total</b>		<b>111,850</b>	<b>99,830</b>				

As indicated in the previous Annual Report, the loans were extended against the payment of an *extension fee* of Euro 309,570 since the maturity of the loans was initially set for 30.06.2019. Following the extension of the loans, provided for in the contract, the expiry date is extended to 30.06.2021.

## INTEREST RATE RISK HEDGING

On 14 September 2015, the Asset Management Company stipulated a derivative hedging contract of the "*swap*" type to hedge the interest rate risk relating to the loan stipulated with Banca IMI. In summary:

Period		Notional capital	EURIBOR 6M/360		GG	FIXING<SWAP	FIXING>SWAP
From	To		SWAP	FIXING		cash out	(cash in)
20/07/2015	31/12/2015	81,600,000.00	0.430%	0.034%	164	147,124.62	-
01/01/2016	30/06/2016	80,784,000.00	0.430%	0.000%	182	175,615.44	-
01/07/2016	31/12/2016	79,968,000.00	0.430%	0.000%	183	174,796.72	-
01/01/2017	30/06/2017	79,152,000.00	0.430%	0.000%	182	172,067.65	-
01/07/2017	29/12/2017	78,336,000.00	0.430%	0.000%	182	170,293.76	-
30/12/2017	29/06/2018	77,520,000.00	0.430%	0.000%	182	168,519.87	-
30/06/2018	31/12/2018	76,704,000.00	0.430%	0.000%	185	169,494.53	-
01/01/2019	28/06/2019	75,888,000.00	0.430%	0.000%	179	162,252.76	-
						<b>1,340,165.35</b>	<b>-</b>

Page | 32

The above summary table shows the amounts accrued and paid at the date of this Report. It should also be noted that on 28 June 2019 this "*swap*" instrument terminated and therefore ceased to produce its effects.

It should be noted that on 14 June 2017 (with effect from 1 July 2017) a hedging contract of the "*Cap*" type was signed to cover the loan stipulated with Intesa Sanpaolo S.p.A., the characteristics of which are listed below. The total cost of this instrument, equal to Euro 14,650.00, was deferred over the entire duration of the same.

From	to	Cap rate	Notional amount
30/06/2017	31/12/2017	0.50%	7,800,000.00
31/12/2017	30/06/2018	0.50%	7,720,000.00
30/06/2018	31/12/2018	0.50%	7,640,000.00
31/12/2018	30/06/2019	0.50%	7,560,000.00

At the date of this report, the instrument has not produced any inflows. It should also be noted that on 30 June 2019 this "*cap*" instrument terminated and therefore ceased to produce its effects.

On 25 June 2019, considering that the two derivative instruments referred to above (Swap and Cap) ended their effects at the end of June, two new derivative instruments were stipulated to hedge the two existing loans. It should be noted that the stipulation of new interest rate risk hedging contracts signed with Banca IMI was a necessary condition for the bank to grant the extension of existing loan agreements until 30 June 2021. The main characteristics of the two Cap instruments are indicated below:

- Cap instrument hedging Banca IMI loan of 30 June 2015:

Trade Date	25/06/2019
Effective Date	30/06/2019
Termination Date	30/06/2021
Up-front	123,500.00
Cap rate	0.00%

From	to	Cap rate	Notional amount
30/06/2019	31/12/2019	0.00%	75,072,000.00
31/12/2019	30/06/2020	0.00%	74,256,000.00
30/06/2020	31/12/2020	0.00%	73,440,000.00
31/12/2020	30/06/2021	0.00%	72,624,000.00

- Cap instrument to hedge the Banca Intesa Sanpaolo loan of 19 December 2016:

Trade Date	25/06/2019
Effective Date	30/06/2019
Termination Date	30/06/2021
Up-front	12,300.00
Cap rate	0.00%

From	to	Cap rate	Notional amount
30/06/2019	31/12/2019	0.00%	7,480,000.00
31/12/2019	30/06/2020	0.00%	7,400,000.00
30/06/2020	31/12/2020	0.00%	7,320,000.00
31/12/2020	30/06/2021	0.00%	7,240,000.00

The total cost of Euro 135,800.00 of the aforementioned derivative instruments will be deferred over the duration of the same, which is in line with that of the loan.

## LIQUIDITY MANAGEMENT

In accordance with the provisions of the Fund Regulation, the Fund's resources may be invested in financial instruments characterised by rapid and safe liquidity, which, in any case, must fall within the categories permitted by the Reference Regulations. Unless expressly authorised by the Advisory Committee, the Fund's assets may not be invested in financial instruments of other collective investment schemes promoted or managed by the Asset Management Company, by its shareholders or by other management companies of their respective groups.

At the date of this Report, there is no investment of liquidity in financial instruments.

## TRANSPARENCY OF THE ENGAGEMENTS ASSIGNED TO THE INDEPENDENT EXPERTS

In order to comply with the specific relevant indications formulated in the Joint Consob-Bank of Italy Communication of 29 July 2010 - "General application guidelines regarding the process of investment in the property assets of mutual investment funds", as well as the provisions of the new Italian Ministerial Decree no. 30 of 5 March 2015, the indications relating to the engagement assigned to the "Independent Expert" are reported below, as well as the organisational and procedural controls adopted to ensure respect for the asset valuation criteria by said experts, highlighting Castello SGR's compliance with the latest version of Assogestioni's Guidelines.

The activities connected with management of the relationship with the Independent Experts are updated in an appropriate section of Castello SGR's Manual of Corporate Procedures.

The Asset Management Company established, following the acknowledgement of the AIFM directive, an appropriate Department for the Valuation of the Assets of AIFs (hereinafter also AVD - Asset Valuation Department).

The analysis activities performed by the AVD are delegated to the Risk Management Department.

The AVD reports directly to the Asset Management Company's Board of Directors and is functionally and hierarchically independent from the Investments Area.

The Asset Valuation Department coordinates the process of valuation of the assets of the AIF.

In particular, the AVD verifies that, at the time of the annual and half-yearly report, the Asset Management Company adopts a fair, appropriate and correct process of valuation of each activity of the AIF.

Owing to the typical activity of the AIFs managed, special attention is paid by the Asset Valuation Department to verifying the valuations of property assets carried out by the Independent Experts.

As regards valuations of other assets of AIFs, of a residual nature (e.g. investments in non-real estate companies), the Asset Management Company can make use of the opinions expressed by external consultants. These valuations are, in any case, subject to analysis by the AVD.

The Asset Management Company adopts all the necessary measures for the exchange of information and documentation between the corporate structures concerned and the Experts responsible for the valuations in order to promote the traceability and effectiveness of the valuation processes for the protection of investors.

The Asset Management Company observes these provisions in the assumption of the periodic valuation of assets forming part of the AIF's assets (calculation of the NAV), as well as in the assumption of the contribution (whether in phase of establishment of the fund or after) and transfer of assets.

If the Asset Management Company avails itself of Independent Experts, or of external valuers also for the valuation of assets in the purchase phases, it complies with these provisions and ensures that said entities meet the same requirements of professionalism and independence set forth for the independent experts.

Without prejudice to respect for the regulations in force regarding the criteria for the valuation of the assets of AIFs in order to ensure a faithful and correct representation of the fund's assets, the Asset Management Company provides the Independent Experts with precise and exhaustive information on the situation of the individual properties, in order to permit an accurate estimate of them (e.g. town planning, environmental, tax and legal situation of the individual properties, etc.).

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#### INDEPENDENCE OF THE INDEPENDENT EXPERTS

In observance of the regulatory provisions in force, in the assumption of a conflict of interests relating to the assets to be valued, the transaction concerning the assets to be valued and the entities participating in the transaction, the Expert also refrains from the valuation and promptly communicates this to the Asset Management Company.

The Asset Management Company does not assign the engagement of Independent Expert to entities that find themselves in situations whereby their independence may be compromised.

By resolution of the Executive Committee and the Board of Directors of the Asset Management Company of 29 November 2018, considering the expiry of the mandate of the company CBRE Valuation S.p.A. with the valuation as at 30 June 2018, the company Avalon Real Estate S.p.A. was appointed as Independent Expert of the Picasso Fund for the next 3 years.

## RECEIVABLES SITUATION AS AT 31 DECEMBER 2020

The receivables situation as at 31 December 2020 is shown below.

Property	Balance as at 31.12.2020	Not expired	1 - 90 days	91 - 180 days	181 - 365 days	More than 365 days	Security deposits amount	Guarantee amount	Guarantees (Security Deposits + Guarantees)	Bad debt Provision as at 30.06.2020	Increase (Decrease) Bad debt provision for the last half-year period	Adjustment Increase (Decrease) Bad debt provision for the last half-year period	Total Bad debt Provision as at 31.12.2020
Lamaro Totale	0,00	0,00	0,00	0,00	0,00	0,00	0,00	787.500,00	787.500,00	0,00	0,00	0,00	0,00
Tolmezzo Totale	1.146.398,65	1.097.338,43	24.583,15	-18.460,50	-243,68	43.181,25	0,00	2.003.649,27	2.003.649,27	39.244,08	3.937,18	-	43.181,25
Cavour 6	182.185,90	0,00	0,00	0,00	0,00	182.185,90	0,00	0,00	0,00	0,00	182.185,90	-	182.185,90
Cavour 6 Totale	435.398,50	253.212,60	0,00	0,00	0,00	182.185,90	0,00	0,00	0,00	0,00	182.185,90	-182.185,90	0,00
Cavour 5 Totale	851.549,77	760.669,61	53.600,08	32.115,68	5.164,40	0,00	23.836,14	18.447,69	42.283,83	0,00	0,00	0,00	0,00
Via Cernaia Totale	13.669,22	7.048,86	7.810,86	-2.690,00	1.930,00	-430,50	0,00	22.125,00	22.125,00	0,00	0,00	0,00	0,00
Pavia Totale	52.587,69	11.929,33	27.409,32	13.249,04	0,00	0,00	0,00	31.000,00	31.000,00	0,00	0,00	0,00	0,00
Genova Totale	13.748,12	13.747,57	0,55	0,00	0,00	0,00	12.500,00	0,00	12.500,00	0,00	0,00	0,00	0,00
Piacenza Totale	29.737,50	0,00	29.737,50	0,00	0,00	0,00	0,00	75.000,00	75.000,00	0,00	0,00	0,00	0,00
Roma Sominio Totale	62.920,00	62.920,00	0,00	0,00	0,00	0,00	35.000,00	0,00	35.000,00	0,00	0,00	0,00	0,00
Roma Castelbolognese Totale	55.697,85	0,00	0,00	0,00	0,00	55.697,85	6.600,00	0,00	6.600,00	49.097,85	0,00	0,00	49.097,85
Civitavecchia Totale	0,00	0,00	0,00	0,00	0,00	0,00	45.833,00	0,00	45.833,00	0,00	0,00	0,00	0,00
Roma Goiran Totale	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00
Totale complessivo	2.661.707,30	2.206.866,40	143.141,46	24.214,22	6.850,72	280.634,50	123.769,14	2.937.721,96	3.061.491,10	88.341,93	186.123,08	-182.185,90	92.279,10

## OTHER INFORMATION

### GOVERNANCE OF THE ASSET MANAGEMENT COMPANY

On 15 June 2020, the sale by Istituto Atesino di Sviluppo S.p.A., ITAS Holding S.r.l. and Lo.Ga-fin s.s., as sellers, was finalised to OCM OPPS Xb ITA Investment (Castello) S.à.r.l. (vehicle company traceable to one of the investment funds managed by Oaktree Capital Management L.P.) of a stake of 82.05% of the share capital of Castello SGR S.p.A. This sale involves a change to the shareholding structure of Castello SGR S.p.A. and the acquisition of control of said entity by the group Oaktree Capital Management L.P.

On 15 June 2020, the Shareholders' Meeting of Castello SGR appointed the new members of the Board of Directors and the Board of Statutory Auditors.

The Board of Directors, at the date of this Report, is composed of 6 members, 2 of whom are independent:

Sonia Locantore - Chairman - Independent  
 Giampiero Schiavo - Chief Executive Officer  
 Giorgio Franceschi  
 David Cortese  
 Christopher Etienne De Mestre  
 Federico Ghizzoni - Independent

At the date of this Report, the Board of Statutory Auditors is composed of 3 members:

Marilena Segnana – Chairman  
 Stefania Meschiari - Standing Auditor  
 Antonio Ricci - Standing Auditor

By means of resolution of the Board of Directors of 26 April 2016, in compliance with the provisions of Directive 2011/61/EU (AIFMD), the Remuneration Committee was established, composed of 3 members at the date of this Report:

Sonia Locantore - Chairman - Independent  
 Federico Ghizzoni - Independent  
 Christopher Etienne De Mestre

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## INVESTORS' ASSEMBLY

On 28 January 2020, the Picasso Fund Investors' Assembly met to decide on the following agenda:

1. Project Poseidon. Inherent and consequent resolutions.

On 1 December 2020, the Picasso Fund Investors' Assembly met to resolve on the following agenda:

1. Proposal to issue New Units.

Page | 36

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## ADVISORY COMMITTEE:

On 28 January 2020, the Advisory Committee of the Picasso Fund met to resolve on the following agenda:

1. Project Poseidon. Inherent and consequent resolutions.

On 1 December 2020, the Advisory Committee of the Picasso Fund met to resolve on the following agenda:

1. Opinion on the acquisition of the property complex located in Milan, Viale Giulio Richard no. 5/7.

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## SIGNIFICANT EVENTS OCCURRING AFTER 31 DECEMBER 2020

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On 28 January 2021, the final binding offer for the purchase of the real estate complex located in Milan, Viale Giulio Richard 5/7, for Euro 19,000,000 was formalised to Generali Real Estate S.G.R. S.p.A. This offer was accepted by Generali Real Estate S.G.R. S.p.A. on that date. It is therefore expected to finalise the purchase of the property complex within the first half of 2021.

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## MANAGEMENT ACTIVITIES AND FUTURE STRATEGIC LINES

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The management of the Asset Management Company will continue the management of the Fund with the main objective of disinvesting the assets in the portfolio, if deemed profitable, and at the same time to improve or maintain the rental and maintenance status of the properties in order to continue the best return on the investment in the interest of the Investor.

As at the date of this management report, a financial advisor is working on behalf of Castello SGR to realise a broader financial transaction that would also involve another fund (the Transaction). The advisor has already initiated a series of discussions with leading banks, and found strong interest in financing the Transaction within the first half of 2021. The disbursement of the new loan, in the context of the above-mentioned Transaction, would allow the Picasso fund to pay off the financial debt allocated on the existing portfolio by the expiry date (30 June 2021).

At the same time, the management of the Asset Management Company has undertaken the necessary discussions with the lending institutions of the Fund to formalise the extension of the financing due to expire. In accordance with progress in the discussions with the banks, considering that they were also involved in the Transaction, the management believes that it will be possible to obtain an extension of the loan in the first half of 2021.

In relation to the Fund's financial position and the actions taken by the management team of the Asset Management Company, the Directors have drawn it up by considering the principle of the business continuing as a going concern and continuation of the Fund's objectives to be appropriate.

# PICASSO FUND REPORT AS AT 31/12/2020

## BALANCE SHEET

BALANCE SHEET				
ASSETS	Situation as at 31/12/20		Situation as at 31/12/19	
	Total value	as a percentage of assets	Total value	as a percentage of assets
<b>A. A. FINANCIAL INSTRUMENTS</b>	<b>33,579</b>	<b>0.02%</b>	<b>101,479</b>	<b>0.05%</b>
Unlisted financial instruments	-	0.00%	-	0.00%
A1. Controlling interests	-	0.00%	-	0.00%
A2. Non-controlling interests	-	0.00%	-	0.00%
A3. Other equity instruments	-	0.00%	-	0.00%
A4. Debt securities	-	0.00%	-	0.00%
A5. UCITS units	-	0.00%	-	0.00%
Listed financial instruments	-	0.00%	-	0.00%
A6. Equity securities	-	0.00%	-	0.00%
A7. Debt securities	-	0.00%	-	0.00%
A8. UCITS units	-	0.00%	-	0.00%
Derivative financial instruments	33,579	0.02%	101,479	0.05%
A9. Margins with clearing and guarantee entities	-	0.00%	-	0.00%
A10. Options, premiums or other listed derivative financial instruments	-	0.00%	-	0.00%
A11. Options, premiums or other unlisted derivative financial instruments	33,579	0.02%	101,479	0.05%
<b>B. REAL ESTATE AND REAL ESTATE RIGHTS</b>	<b>208,850,000</b>	<b>95.68%</b>	<b>211,250,000</b>	<b>94.75%</b>
B1. Leased property	208,270,000	95.41%	210,780,000	94.54%
B2. Property under financial lease	-	0.00%	-	0.00%
B3. Other properties	580,000	0.27%	470,000	0.21%
B4. Real estate rights	-	0.00%	-	0.00%
<b>C. RECEIVABLES</b>	<b>-</b>	<b>0.00%</b>	<b>-</b>	<b>0.00%</b>
C1. Loans acquired for securitisation transactions	-	0.00%	-	0.00%
C2. Other	-	0.00%	-	0.00%
<b>D. BANK DEPOSITS</b>	<b>-</b>	<b>0.00%</b>	<b>-</b>	<b>0.00%</b>
D1. on demand	-	0.00%	-	0.00%
D2. others	-	0.00%	-	0.00%
<b>E. OTHER ASSETS</b>	<b>-</b>	<b>0.00%</b>	<b>-</b>	<b>0.00%</b>
E1. Other assets	-	0.00%	-	0.00%
<b>F. NET LIQUIDITY POSITION</b>	<b>6,716,574</b>	<b>3.08%</b>	<b>8,565,773</b>	<b>3.84%</b>
F1. Available liquidity	6,716,574	3.08%	8,565,773	3.84%
F2. Liquidity to be received for transactions to be settled	-	0.00%	-	0.00%
F3. Liquidity committed for transactions to be settled	-	0.00%	-	0.00%
<b>G. OTHER ASSETS</b>	<b>2,699,831</b>	<b>1.22%</b>	<b>3,036,345</b>	<b>1.36%</b>
G1. Receivables for active repurchase agreements and similar transactions	-	0.00%	-	0.00%
G2. Accrued income and prepaid expenses	93,086	0.04%	370,389	0.17%
G3. Tax savings	-	0.00%	-	0.00%
G4. Other	2,606,745	1.18%	2,665,956	1.19%
	-	0.00%	-	0.00%
<b>TOTAL ASSETS</b>	<b>218,299,984</b>	<b>100%</b>	<b>222,953,597</b>	<b>100%</b>

<b>LIABILITIES AND NET</b>	<b>Total value</b>	<b>as a percentage of liabilities</b>	<b>Total value</b>	<b>as a percentage of liabilities</b>
<b>H. FINANCING RECEIVED</b>	<b>99,830,000</b>	<b>97.44%</b>	<b>102,070,000</b>	<b>97.22%</b>
H1. Mortgage loans	99,830,000	97.44%	102,070,000	97.22%
H2. Repurchase agreements and similar transactions	-	0.00%	-	0.00%
H3. Other	-	0.00%	-	0.00%
<b>I. DERIVATIVE FINANCIAL INSTRUMENTS</b>	<b>-</b>	<b>0.00%</b>	<b>-</b>	<b>0.00%</b>
I1. Options, premiums or other fin. instr. Listed derivatives	-	0.00%	-	0.00%
I2. Options, premiums or other fin. instruments Unlisted derivatives	-	0.00%	-	0.00%
<b>L. PAYABLES TO PARTICIPANTS</b>	<b>-</b>	<b>0.00%</b>	<b>-</b>	<b>0.00%</b>
L1. Income to be distributed	-	0.00%	-	0.00%
L2. Other payables to participants	-	0.00%	-	0.00%
<b>M. OTHER LIABILITIES</b>	<b>2,624,536</b>	<b>2.56%</b>	<b>2,915,142</b>	<b>2.78%</b>
M1. Accrued and unpaid commissions and charges	18,300	0.02%	-	0.00%
M2. Tax payables	195,707	0.19%	221,977	0.00%
M3. Accrued expenses and deferred income	1,886,569	1.84%	2,057,264	1.96%
M4. Other	523,960	0.51%	635,901	0.82%
<b>TOTAL LIABILITIES</b>	<b>102,454,536</b>	<b>100%</b>	<b>104,985,142</b>	<b>100%</b>
<b>TOTAL FUND NET VALUE</b>	<b>115,845,448</b>		<b>117,968,455</b>	
<b>NUMBER OF UNITS OUTSTANDING</b>	<b>105.000</b>		<b>105.000</b>	
<b>UNITARY VALUE OF UNITS</b>	<b>1,103,289.983</b>		<b>1,123,509.094</b>	
<b>INCOME DISTRIBUTED PER UNIT</b>	<b>53,334</b>		<b>53,453</b>	
<b>REFUNDS DISTRIBUTED PER UNIT</b>	<b>-</b>		<b>-</b>	
<b>NUMBER OF UNITS TO BE RECALLED</b>	<b>-</b>		<b>-</b>	
<b>UNITARY VALUE OF UNITS TO BE RECALLED</b>	<b>-</b>		<b>-</b>	
<b>TOTAL VALUE OF UNITS TO BE RECALLED</b>	<b>-</b>		<b>-</b>	

## INCOME STATEMENT SECTION

### INCOME STATEMENT

		Situation as at 31/12/20	Situation as at 31/12/19
<b>A.</b>	<b>FINANCIAL INSTRUMENTS</b>		
	<b>Unlisted financial instruments</b>		
A1.	EQUITY INVESTMENTS	-	-
A1.1	dividends and other income	-	-
A1.2	profit / loss on sales	-	-
A1.3	capital gains / losses	-	-
A2.	OTHER UNLISTED FINANCIAL INSTRUMENTS	-	-
A2.1	interest, dividends and other income	-	-
A2.2	profit / loss on sales	-	-
A2.3	capital gains / losses	-	-
	<b>Listed financial instruments</b>		
A3.	LISTED FINANCIAL INSTRUMENTS	-	-
A3.1	interest, dividends and other income	-	-
A3.2	profit / loss on sales	-	-
A3.3	capital gains / losses	-	-
	<b>Derivative financial instruments</b>		
A4.	DERIVATIVE FINANCIAL INSTRUMENTS	-	162,253
A4.1	hedging	-	162,253
A4.2	non-hedging	-	-
	<b>Financial instrument management result (A)</b>	-	162,253
<b>B.</b>	<b>REAL ESTATE AND REAL ESTATE RIGHTS</b>		
B1.	RENTAL FEES - OTHER INCOME	12,885,207	13,100,201
B1.a	Rent	12,519,462	12,672,342
B1.b	other income	365,745	427,859
B2.	PROFIT / LOSS ON SALES	-	-
B3.	CAPITAL GAINS / LOSSES	3,587,995	16,500,000
B4.	CHARGES FOR THE MANAGEMENT OF REAL ESTATE ASSETS	2,274,355	2,184,257
B4.a	non-recurring charges	874,927	870,173
B4.b	recurring charges	329,038	317,359
B4.c	Interest income on security deposits	56	334
B4.d	other real estate charges	1,070,334	996,391
B5.	DEPRECIATION AND AMORTISATION	-	-
	<b>Real estate management result (B)</b>	7,022,857	27,415,944
<b>C.</b>	<b>RECEIVABLES</b>		
C1.	Interest income and similar income	-	-
C2.	increases / decreases in value	-	-
	<b>Loan management result (C)</b>	-	-
<b>D.</b>	<b>BANK DEPOSITS</b>		
D1.	Interest income and similar income	-	-
	<b>Bank deposit management result (D)</b>	-	-
<b>E.</b>	<b>OTHER ASSETS (to be specified)</b>		
E1.	Income	-	-
E2.	Profit / Loss on sales	-	-
E3.	Capital gains / losses	-	-
	<b>Profit from management of other assets (E)</b>	-	-
	<b>Investment Management Profit (A + B + C + D + E)</b>	7,022,857	27,253,691

<b>F.</b>	<b>RESULT OF EXCHANGE MANAGEMENT</b>		
F1.	HEDGING TRANSACTIONS	-	-
F1.1	Realised results	-	-
F1.2	Unrealised results	-	-
F2.	NON-HEDGING TRANSACTIONS	-	-
F2.1	Realised results	-	-
F2.2	Unrealised results	-	-
F3.	LIQUIDITY	-	-
F3.1	Realised results	-	-
F3.2	Unrealised results	-	-
<b>Exchange rate result (F)</b>		<b>-</b>	<b>-</b>
<b>G.</b>	<b>OTHER MANAGEMENT TRANSACTIONS</b>		
G1.	INCOME FROM REPURCHASE AGREEMENTS AND SIMILAR TRANSACTIONS	-	-
G2.	INCOME FROM SECURITY-LENDING TRANSACTIONS	-	-
<b>Result of other management transactions (G)</b>		<b>-</b>	<b>-</b>
<b>Gross Result from Ordinary Operations (RGI + F + G)</b>		<b>7,022,857</b>	<b>27,253,691</b>
<b>H.</b>	<b>FINANCIAL CHARGES</b>	-	2,954,988
H1.	INTEREST EXPENSE ON LOANS RECEIVED	-	2,702,030
H1.1	Mortgage loans	-	2,702,030
H1.2	Other loans	-	-
H2.	OTHER FINANCIAL CHARGES	-	252,958
<b>Financial charges (H)</b>		<b>-</b>	<b>2,954,988</b>
<b>Net profit (loss) from ordinary operations (RLGC + H)</b>		<b>4,067,869</b>	<b>24,129,662</b>
<b>I.</b>	<b>MANAGEMENT COSTS</b>	-	494,214
I1.	Asset Management Company management commission	-	303,802
I2.	Cost for calculating the value of the unit	-	25,385
I3.	Custodian bank fees	-	37,671
I4.	Charges for independent experts	-	23,000
I5.	Expenses for publication of prospectuses and public disclosure	-	-
I6.	Other management costs	-	104,356
I7.	Listing fees	-	-
<b>Total operating expenses (I)</b>		<b>-</b>	<b>494,214</b>
<b>L.</b>	<b>OTHER REVENUES AND CHARGES</b>	-	96,592
L1.	Interest income on cash and cash equivalents	-	2
L2.	Other revenues	-	8,080
L3.	Other charges	-	104,674
<b>Total other revenues and charges (L)</b>		<b>-</b>	<b>96,592</b>
<b>Profit (loss) from operations before taxes (RNGC + I + L)</b>		<b>3,477,063</b>	<b>23,468,679</b>
<b>M.</b>	<b>TAXES</b>	-	-
M1.	Substitute tax for the year	-	-
M2.	Tax savings	-	-
M3.	Other taxes	-	-
<b>Total taxes (M)</b>		<b>-</b>	<b>-</b>
<b>Profit (loss) for the year (RGPI + M)</b>		<b>3,477,063</b>	<b>23,468,679</b>

## EXPLANATORY NOTES

### PART A – UNIT VALUE TREND

As at 31 December 2020, 95.68% of the Fund was invested in real estate.

With reference to the same date, the *Net Asset Value* of the Fund amounts to Euro 115,845,448, which includes a positive result for the period of Euro 3,477,063.

The value of the unit as at 31 December 2020 corresponds to Euro 1,103,289.983.

The trend in the historical series of the value of the unit and the total net value of the Fund is shown below:

Items	03/11/2009	31/12/2009	30/06/2010	31/12/2010	30/06/2011	31/12/2011	30/06/2012	31/12/2012	30/06/2013	31/12/2013	30/06/2014	31/12/2014	30/06/2015
<b>Initial net total value</b>	-	14,500,000	18,288,994	22,825,519	23,264,184	28,372,072	33,856,440	33,406,453	34,908,461	38,657,895	38,423,762	41,712,326	45,615,789
Payment of subscribed commitments	14,500,000	-	-	1,000,000	-	4,500,000	2,500,000	1,500,000	1,500,000	-	1,500,000	1,500,000	39,000,000
Income distributed	-	-	-	-	-	-	-	-	-	-	-	-	-
Reimbursements	-	-	-	-	-	-	-	-	-	-	-	-	-
Result for the period	-	3,788,994	4,536,525	561,335	5,107,888	984,368	2,949,987	2,008	2,249,434	234,133	1,788,564	2,403,463	7,535,441
<b>Final net total value</b>	14,500,000	18,288,994	22,825,519	23,264,184	28,372,072	33,856,440	33,406,453	34,908,461	38,657,895	38,423,762	41,712,326	45,615,789	92,151,230
<b>Number of units outstanding</b>	29	29	29	31	31	40	44	46	48	48	50	52	104
<b>Unitary Value of the Unit</b>	<b>500,000.000</b>	<b>630,654.958</b>	<b>787,086.852</b>	<b>750,457.548</b>	<b>915,228.116</b>	<b>846,410.999</b>	<b>759,237.559</b>	<b>758,879.583</b>	<b>805,372.816</b>	<b>800,495.035</b>	<b>834,246.517</b>	<b>877,226.718</b>	<b>886,069.515</b>

Items	30/09/2015	31/12/2015	30/06/2016	31/12/2016	30/06/2017	31/12/2017	30/06/2018	31/12/2018	30/06/2019	31/12/2019	30/06/2020	31/12/2020
<b>Initial net total value</b>	92,151,230	95,026,189	90,573,645	92,401,803	93,160,214	93,899,108	95,217,695	96,516,085	100,112,338	110,934,879	117,968,455	115,179,596
Payment of subscribed commitments	-	-	-	800,000	-	-	-	-	-	-	-	-
Income distributed	-	4,995,952	893,360	3,281,200	3,534,720	3,234,000	2,577,855	3,296,265	2,612,505	3,000,060	3,100,020	2,500,050
Reimbursements	-	-	-	-	-	-	-	-	-	-	-	-
Result for the period	2,874,959	543,408	2,721,518	3,239,608	4,273,614	4,552,591	3,876,245	6,892,518	13,435,046	10,033,633	311,161	3,165,902
<b>Final net total value</b>	95,026,189	90,573,645	92,401,803	93,160,214	93,899,108	95,217,695	96,516,085	100,112,338	110,934,879	117,968,455	115,179,596	115,845,448
<b>Number of units outstanding</b>	104	104	104	105	105	105	105	105	105	105	105	105
<b>Unitary Value of the Unit</b>	<b>913,713.354</b>	<b>870,900.428</b>	<b>888,478.875</b>	<b>887,240.134</b>	<b>894,277.220</b>	<b>906,835.189</b>	<b>919,200.812</b>	<b>953,450.839</b>	<b>1,056,522.653</b>	<b>1,123,509.094</b>	<b>1,096,948.531</b>	<b>1,103,289.983</b>

Below is a summary of the profits earned by the Fund during the period and the distributable operating income determined pursuant to the Management Regulation:

#### Table distributable income

Retained distributable earnings as at 31.12.2019	1,058,647
Profit for the period 01.01.2020 - 31.12.2020	3,477,063
Unrealised capital gains 01.01.2020 - 31.12.2020	-665,685
Unrealised capital loss from previous period covered by unrealised capital gains current year	178,602
Unrealised capital loss current year covered by unrealised capital gains from previous period	3,622,002
Alignment of unrealised capital gains from previous years	201,678
Distributed profit as at 30.06.2020 with resolution 03.08.2020	-2,500,050
<b>Total distributable income</b>	<b>5,372,258</b>

Therefore, on the basis of these results achieved by the Fund during the year ended 31 December 2020, the Board of Directors of the Asset Management Company today, in compliance with the provisions contained in the Management Regulation and taking into account the cash and cash equivalents of the Fund, **resolves to make the payment of pro-rata operating income for Euro 21,905, and therefore for a total of Euro 2,300,025.**

Based on the assessments of the Independent Experts as at 31 December 2020, the current value of the properties amounts to a total of Euro 208,980,000 including the overall capital loss recorded in the period equal to Euro 3,587,995.

The Fund units are not intended for listing on a regulated market or an organised trading system.

With regard to the risks assumed by the techniques used for the identification, measurement and control of risks, the following references can be provided:

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## HEDGING AND / OR RISK MITIGATION POLICIES

With reference to the macro-categories of risk listed above, the hedging and / or risk mitigation policies implemented are as follows:

Page | 42

A) Market risk: the AIF defines appropriate strategies in terms of price definition, property enhancement and change of use of the same in order to satisfy the demand of the reference market;

B) Credit risk: with reference to the risk linked to the default of tenants, specific guarantees are issued in favour of the AIF of the correct fulfilment of the obligations established by the lease agreements. There is constant monitoring of developments in any overdue payments. Furthermore, in order to improve the monitoring of tenants, the Risk Management Department manages a simplified internal rating system with the aim of assigning each tenant a creditworthiness rating determined on the basis of various variables (corporate, budget, management, contractual information and negative events) weighted with different weights;

C) Liquidity Risk - Financial: with reference to the financial sustainability of the project, specific stress tests and sensitivity analyses are periodically carried out;

D) Counterparty risk: with reference to the vendor-contributor, at the time of purchase, default and revocatory risk analyses are carried out. The same activity is carried out in the case of procurement contracts;

E) Real estate risks: to cover property damage, the tenants and the Asset Management Company take out insurance policies stipulated with leading insurance companies;

F) Concentration risk: the AIF provides for the geographical and sectoral diversification of the portfolio as part of the asset allocation;

G) Operational risk: the Asset Management Company puts in place first and second level controls on company processes.

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## PART B – ASSETS, LIABILITIES AND TOTAL NET VALUE

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### SECTION I VALUATION CRITERIA

The valuation criteria adopted for the preparation of this Report as at 31 December 2020 are those established by the Provisions of the Governor of the Bank of Italy of 19 January 2015 and subsequent amendments, issued in implementation of Italian Legislative Decree no. 58 dated 24 February 1998, and the Italian Decree of the Ministry of the Treasury no. 30 of 5 March 2015, and are the same as those adopted in the last valuation of the Fund's assets.

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### ACCOUNTING PRINCIPLES

In the preparation of this Fund Report, the generally accepted accounting principles for mutual investment funds and the valuation criteria envisaged by the Provision of the Governor of the Bank of Italy of 19 January 2015 were applied, subsequently amended and integrated on 23 December 2016.

The formats and the content of the individual statements have been drawn up in compliance with the relevant provisions issued by the Bank of Italy.

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## DURATION OF THE ACCOUNTING YEAR

The accounting year lasts one year and ends on 31 December of each year.

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## ACCOUNTING POLICIES

Trading in securities and other financial assets are recorded in the Fund's portfolio on the basis of the date of conclusion of the related contracts, even if not yet settled.

Interest income and expenses and other income and charges of an operating nature are calculated according to the accrual principle, also through the recording of specific accrued and deferred income and expenses.

Interest income on bank current accounts is recognised gross of the related withholding tax.

Management costs, custodian bank fees, in addition to taxes and other income and costs directly attributable to the Fund are recognised in compliance with the accrual principle, by means of accruals and deferrals.

Costs and revenues referring to property management are recognised taking into account their temporal competence, except in cases in which the income component, by its nature, can only be recognised and attributed when the occurrence occurs that generates it (for example: negative income components of an extraordinary nature are recognised in the income statement when they arise and cannot be deferred or paid in instalments).

The guarantees received and the loans taken on are recognised at nominal value.

The recording of subscriptions and redemptions of units is carried out in accordance with the Fund Regulation on an accruals basis.

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## FINANCIAL INSTRUMENTS

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### LISTED FINANCIAL INSTRUMENTS

The price is the last price available on the day of the stock exchange(s) indicated in the Regulation. In the case of financial instruments listed on several stock exchanges, the most significant stock exchange price is applied in relation to the quantities traded.

For financial instruments individually suspended from the list, the valuation is carried out on the basis of the criteria envisaged for unlisted ones, also taking into account the last price recorded.

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### UNLISTED FINANCIAL INSTRUMENTS

Unlisted financial instruments, other than equity investments, are valued at purchase cost, adjusted in order to bring it back to the presumed realisable value on the market, identified on a broad basis of information elements, objectively considered, concerning both the situation and country of residence of the issuer, and that of the market.

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### EQUITY INVESTMENTS

In general, equity investments in unlisted companies are valued at purchase cost, except as specified below.

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## INVESTMENTS IN NON-REAL ESTATE COMPANIES

After a period that, as a rule, cannot be less than one year from the date of the investment, the securities of unlisted companies can be revalued on the basis of the criteria specified in the Bank of Italy Provision, Title V, Chapter IV, Section II, paragraph 2.4.3.

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## NON-CONTROLLING INTERESTS IN REAL ESTATE COMPANIES

Page | 44

After a period that, as a rule, cannot be less than one year from the acquisition by the fund, the non-controlling interests in unlisted companies whose main activity consists in the investment in real estate must be attributed a value equal to the fraction of shareholders' equity attributable to the fund.

In order to take into account in the valuation of the investee further economically significant components deriving, for example, from the characteristics of the organisational structure, from specific professional skills, etc., the value of the shareholders' equity can be adjusted, in light of a general principle of prudence, on the basis of the resulting value: a) from transactions involving significant quantities of securities with respect to the investment held by the fund and on condition that this transfer is carried out by a third party not linked, directly or indirectly, to either the investee company or the fund management company; b) the application of valuation methods based on economic-financial indicators.

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## CONTROLLING INTERESTS IN REAL ESTATE COMPANIES

Controlling interests in unlisted companies whose main activity consists in investing in real estate must be attributed a value equal to the fraction of the shareholders' equity pertaining to the fund.

Shareholders' equity is determined by applying the valuation criteria described in the following paragraph "Real estate assets" to real estate assets and real estate rights resulting from the latest approved financial statements. The other assets and liabilities in the financial statements of the investee are not normally subject to new evaluation. Any revaluations or write-downs of real estate assets and real estate rights determine, respectively, an increase or a decrease in the book value of the shareholders' equity of the investee itself, also taking into account the possible tax effects. Significant events occurring between the balance sheet date and the time of valuation are also considered.

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## REAL ESTATE ASSETS

Real estate assets and real estate rights are valued at current value, as an expression of the presumed realisable value at the date the valuation was made.

Each property held by the Fund is subject to individual valuation. Several properties can be valued jointly if they have a unitary functional purpose; this circumstance is appropriately illustrated by the directors in the half-yearly report and in the annual management report of the Fund.

The current value of the properties is determined on the basis of their intrinsic and extrinsic characteristics and taking into account their profitability. Intrinsic characteristics are those relating to the materiality of the asset (quality of construction, state of conservation, location, etc.), while extrinsic characteristics are those deriving from factors external to the asset, such as the possibility of alternative purposes to the current one, various kinds of constraints and other external legal and economic factors such as the current and prospective trend of the real estate market in the place of location of the property.

The current value of a property indicates the price at which the asset could reasonably be sold on the date the valuation is made, assuming that the sale takes place under normal conditions, i.e. such that:

- the seller is not induced by circumstances relating to his or her economic and financial situation to necessarily have to carry out the transaction;
- the procedures for marketing the property, conducting negotiations and defining the conditions of the contract have been completed in the time ordinarily required;
- the terms of the transaction reflect the conditions existing in the real estate market of the place where the asset is located at the time of valuation;
- the buyer does not have a specific interest in the transaction linked to factors not economically relevant to the market.

The current value of the properties can be determined:

- where reliable information is available on the sale prices recently charged for properties comparable to that to be valued (by type, characteristics, destination, location, etc.) on the same market or in comparable locations, taking into account the aforementioned sale prices and applying the adjustments deemed adequate, in relation to the date of sale, to the morphological characteristics of the asset, the state of maintenance, the profitability, the quality of any tenants and any other factor deemed relevant;
- making use of income-based methodologies that take into account the income deriving from lease agreements and any rent review clauses.

For properties under construction, the current value can be determined also taking into account the current value of the area and the costs incurred up to the valuation date or the current value of the finished property net of the expenses that will have to be incurred for the completion of construction.

The current value of the property is determined net of the property transfer taxes.

The current value of real estate rights is determined by applying, as far as compatible, the criteria referred to in this paragraph.

Advances paid for the acquisition of properties are valued at nominal value.

Where the properties and / or portions thereof are the subject of preliminary sales contracts and / or binding offers accepted by the Asset Management Company, they have been valued at the actual purchase price determined in such contracts and offers.

## EVALUATION METHODOLOGY

The real estate properties were valued by the Independent Expert using the *discounted cash flow analysis (DCF) income method*, which identifies the value of the asset by discounting the cash flows generated by the property in the time period analysed. At the end of the analysis period, the sale of the property was assumed to be a value obtained from the discounting in perpetuity of the income of the following year, at an appropriate rate and relative to investments comparable to the one in question.

## CREDITS AND OTHER ASSETS

Receivables and other assets are shown at their presumed realisable value.

## BANK DEPOSITS

Bank deposits are shown at their nominal value.

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## NET CASH POSITION

Available net liquidity is expressed at nominal value.

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## DEBTS AND OTHER LIABILITIES

Debts and other liabilities are shown at their nominal value.

Page | 46

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## ACCRUALS AND DEFERRALS

They are calculated according to an accrual accounting basis in application of the principle of correlation of costs and revenues by reference to the year.

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## COSTS AND REVENUES

They are accounted for on an accruals basis and in accordance with the activity carried out by the Fund. Revenues deriving from the leasing of properties are accounted for when accrued, on the basis of the accruals criterion, following the reference contractual indications; in the event that the contracts provide for a free lease period or a time-based rent schedule, the revenue is accounted for on the basis of the formal indications of the contract.

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## CHARGES BORNE BY THE FUND

The management costs accounted for according to the accrual principle are those that the regulation, chapter 9.1, prescribes to be borne by the Fund and precisely:

- the annual remuneration due to the Management Company is calculated according to the following scheme:
  - a) 0.20% (zero point twenty percent) of the total value of the Fund's assets (Overall Value of the Fund's Assets as defined in the Regulation, the "GAV") for that portion of the GAV lower than or equal to Euro 100,000,000 (one hundred million);
  - b) 0.15% (zero point fifteen percent) of the GAV for the part of the GAV greater than Euro 100,000,000 (one hundred million) and less than or equal to Euro 200,000,000 (two hundred million);
  - c) 0.10% (zero point ten percent) of the GAV for the part of the GAV greater than Euro 200,000,000 (two hundred million).
- the fee to be paid to the custodian bank by the Fund corresponds to the sum of the following amounts:
  - a) 0.05% on an annual basis of the total net value of the Fund, for carrying out the activities envisaged by the relevant legislation, calculated on the average value of the Fund for the half-year period preceding the one in which the payment is made, with a minimum, on annual basis, of Euro 15,000;
  - b) a fixed fee, on an annual basis, of Euro 1,000 for the custody and administration of financial instruments and liquidity;
- costs associated with the acquisition and disposal of the assets of the Fund;
- printing and publication costs;
- expenses of the advisory committee, the investors' assembly and the chairman of the investors' assembly;
- expenses for amendments to the Regulation;
- audit fees;
- financial charges, legal fees and tax charges;
- supervisory contribution;
- the remuneration due to the independent expert and the financial intermediary;

- real estate administration, maintenance, management and restructuring expenses;
- maintenance and / or enhancement costs and expenses of the real estate assets;
- insurance premiums;
- charges related to the accounting and administrative management of the Fund.

## SECTION II ACTIVITIES

### II.1 UNLISTED FINANCIAL INSTRUMENTS

As at 31 December 2020 there are no financial instruments in the portfolio. Furthermore, no use was made of this form of investment during the year.

### II.2 LISTED FINANCIAL INSTRUMENTS

As at 31 December 2020 there are no financial instruments in the portfolio. Furthermore, no use was made of this form of investment during the year.

### II.3 DERIVATIVE FINANCIAL INSTRUMENTS

As at 31 December 2020 there are two unlisted financial instruments ("Cap").

Asset value of derivative financial instruments		
	Margins	
	Listed financial instruments	Unlisted financial instruments
Interest rate transactions:		
- futures on debt securities, interest rates and other similar contracts		
- options on rates and other similar contracts		33,579
- swaps and other similar contracts		
Exchange rate transactions:		
- futures on currencies and other similar contracts		
- options on exchange rates and other similar contracts		
- swaps and other similar contracts		
Equity security transactions:		
- futures on equity securities, equity indices and similar contracts		
- options on equity securities and other similar contracts		
- swaps and other similar contracts		
Other transactions:		
- futures		
- options		
- swaps		

As regards the description of the two "Cap" derivative financial instruments, please refer to the section "Interest rate risk hedging". The amount of Euro 33,579 indicated above refers to the portion of the *upfront* premium paid on the date of signing of the two instruments but pertaining to the period subsequent to the date of this report (in fact the two *upfront* premiums were rediscounted for the entire duration of the instruments themselves).

## II.4 REAL ESTATE ASSETS AND REAL ESTATE RIGHTS

List of real estate assets and real estate rights held by the Fund:

No.	Description and location	Main use planned	Gross surface area (sq.m)	Profitability of leased assets		Purchase price	Book value as at 31.12.2020	Plus / Minus for the period as at 31/12/2020	Historical Plus / Minus	Historical cost	Mortgages	Further information
				Rent per m2 / m3	Contract type							
1	Office Building, Via V. Lomaro, 81 00173 Rome	Offices	11,871	€ 98.31	RENT	Commercial enterprise	16,100,000	12,080,000	-90,000	-4,049,740	16,129,740	-
2	Metro Complex Via Tolmezzo, 15 20123 Milan	Offices	21,124	€ 189.45	RENT	Commercial enterprise	40,000,000	75,430,000	-950,000	27,461,296	47,968,704	-
2.1	Block A - San German	Offices	2,376	121.00	Rent	Commercial enterprise		8,500,000	-420,000			-
2.2	Block B - Time Square	Offices	6,035	182.20	Rent	Commercial enterprise		20,210,000	-810,000			-
2.3	Block C - Piccadilly	Offices	6,132	208.69	Rent	Commercial enterprise		22,080,000	-110,000			-
2.4	Block D - Alexanderplatz	Offices	3,710	190.65	Rent	Commercial enterprise		13,790,000	230,000			-
2.5	Block E - Barcelona	Offices	2,871	244.72	Rent	Commercial enterprise		10,850,000	-60,000			-
3	Office building via Cavour, 6 00185 Rome	Offices	13,876	€ 218.98	RENT	Italian Republic Ministry of the Interior	38,700,000	46,800,000	55,685	6,700,462	40,099,538	-
4	Office building via Cavour, 5 00185 Rome - Via Turati, 38/40 00185 Rome (garage)	Offices	13,809	€ 222.05	RENT	Italian Republic Ministry of the Interior - Commercial enterprise	45,100,000	54,740,000	-2,323,680	7,920,034	46,819,966	-
5	Rome Via Cernaia 16-18	Retail	393	€ 123.91	RENT	Commercial enterprise	1,310,000	1,250,000	0	-98,655	1,348,655	-
6	Rome Piazza Sonnino 38-40	Retail	620	€ 332.55	RENT	Financial Institute	3,590,000	3,310,000	-50,000	-385,932	3,695,932	-
7	Rome Via Giovanni da Castelbolognese 41/A-43	Retail	110	€ -	VACANT	-	400,000	140,000	-180,000	-271,493	411,493	-
8	Piacenza Via XX Settembre 55	Retail	510	€ 202.07	RENT	Commercial enterprise	2,857,000	2,360,000	-170,000	-579,094	2,939,094	-
9	Pavia Corso Cavour 29	Retail	244	€ 175.17	RENT	Commercial enterprise	2,240,000	1,870,000	0	-436,273	2,306,273	19,700,000
10	Ferrara Via Vittoria I2	Storage	305	€ -	VACANT	-	550,000	440,000	-30,000	-145,574	585,574	-
11	Genoa Via Sestri 67-69/R	Retail	125	€ 258.18	RENT	Commercial enterprise	730,000	750,000	-10,000	-1,677	751,677	-
12	Civitavecchia Viale Etruria 9	Offices	1,540	€ 148.05	RENT	ASL	2,291,000	2,450,000	270,000	91,398	2,358,602	-
13	Rome Via Goiran 1	Offices	2,027	€ 251.60	RENT	Territorial office of the government	7,592,000	7,230,000	-110,000	-588,522	7,818,522	-
Total							161,460,000	208,850,000	-3,587,995	35,616,230	173,233,770	223,700,000

Information on the profitability of the real estate assets:

Expiry ranges of lease agreements or rent review date	Value of properties	Amount of rents			
		Non-financial lease (a)	Financial lease (b)	Total amount (c = a + b)	%
up to 1 year	1,196,157	738,832			
from 1 to 3 years	47,419,411	3,717,759			
from 3 to 5 years	73,221,720	4,819,782			
from 5 to 7 years	58,475,804	3,036,904			
from 7 to 9 years	3,310,000	206,185			
more than 9 years	-	-			
<b>A) Total real estate leased</b>	<b>183,623,093</b>	<b>12,519,462</b>	-	-	-
<b>B) Total real estate not leased</b>	<b>25,226,907</b>	-	-	-	-

The values entered in the *Real estate value* column correspond to the carrying amount of the properties in the portfolio as at 31 December 2020, broken down according to the different expiry dates of the existing lease contracts, the sum of which is equal to Euro 208,850,000.

The rents included in the *Non-financial leasing (a)* section correspond to the rental income included in the Report under item B1, broken down according to the different expiry dates of the existing lease contracts.

The Fund has not divested any properties between the start date of operations and the date of this Report.

## II.5 RECEIVABLES

As at the date of this Report, there were no receivables from securitisation transactions or other receivables.

## II.6 BANK DEPOSITS

As at the date of this Report, there are no bank deposits in which the assets of the Fund are invested.

Page | 49

## II.7 OTHER ASSETS

At the closing date of this Report, the Fund did not hold any assets defined as other assets.

## II.8 NET LIQUIDITY POSITION

The amount shown in the financial statements of Euro 6,716,574 refers to the liquidity available on the current accounts of the Picasso Fund opened with Societe Generale Securities Services S.p.A., as custodian bank of the Fund, Societe Generale and Unicredit.

Items	Amount
<b>F1. Available liquidity:</b>	<b>6,716,574</b>
- c / a SGSS 28263 - new free account	168,926
- c / a SGSS 22118 - Rent Account (pledged)	4,403,626
- c / a SGSS 27704 - Cash Reserve Account (pledged)	1,299,407
- c / a SGSS 22119 - Operating Account (pledged)	332,601
- c / a SGSS 22120 - Free account (pledged)	4,625
- c / a SGSS 49013EU SDD	32,978
- c / a SGSS 22121 - Sales account (pledged)	4,657
- c / a SGSS 28708 - Sales account (ISP pledge)	5,818
- c / a SGSS 28709 - Rent account (ISP pledge)	280,757
- c / a SGSS 28710 - Operating account (ISP pledge)	62,339
- c / a SGSS 28711 - Cash reserve account (ISP pledge)	120,976
- c / a Unicredit 000104611198 - Cash pooling account	- 135
<b>F2. Liquidity to be received for transactions to be settled:</b>	<b>-</b>
- sale of financial instruments	-
- sale of foreign currencies	-
- daily margins to be collected	-
<b>F3. Liquidity committed for transactions to be settled:</b>	<b>-</b>
- purchases of repo financial instruments	-
- purchases of foreign currencies	-
- daily margins to be liquidated	-
<b>Total net liquidity position</b>	<b>6,716,574</b>

The current accounts held with the Custodian bank, with the exception of *SGSS account no. 28263 - New free account*, are the subject of a pledge in favour of the lending banks.

## II.9 OTHER ASSETS

The other assets amount to Euro 2,699,831 and comprise the following items:

Items	Amount
<b>G1. Receivables for active repurchase agreements and similar transactions</b>	-
<b>G2. Accrued income and prepaid expenses:</b>	<b>93,086</b>
- Prepayments on operating expenses	-
- Prepayments on financial charges	93,086
<b>G3. Tax savings:</b>	-
<b>G4. Others:</b>	<b>2,606,745</b>
- Receivables from customers	2,668,295
- Bad debt provision from customers	-92,279
- Security deposits paid	3,080
- Suppliers advance accounts	37
- Receivables for security deposits interest	70
- Credit notes to be received	2,281
- Invoices to be issued	13,934
- Other receivables	11,326
<b>Total other assets</b>	<b>2,699,831</b>

Page | 50

Specifically, **item G2**, relating to prepaid expenses for the year, is made up of the following items:

Items	Amount
<b>Accrued income</b>	-
<b>Prepaid expenses</b>	<b>93,086</b>
- <b>Prepayments on financial charges</b>	
Loan fees	76,338
Other charges on financing	16,748
<b>Total accrued income and prepaid expenses</b>	<b>93,086</b>

**Item G4** includes the other assets made up of the following items among others:

- **Receivables from customers** - These are the receivables from the lease payments invoiced and not collected at the date of this Report; for more details on their seniority, see the paragraph “Receivables situation as at 31 December 2020”.
- **Security deposits paid** - These relate to deposits paid to the company “Metropolitane Milanesi S.p.A.”, for the supply of the integrated water service to the building in Via Tolmezzo.

## SECTION III LIABILITIES

1) The section of loans received consists of the following items:

Items	Amount
<b>H1. Mortgage loans</b>	<b>99,830,000</b>
- Banca IMI Loan - Tranche "A"	33,375,000
- Banca IMI Loan - Tranche "B"	12,015,000
- Unicredit loan - Tranche "A"	33,375,000
- Unicredit loan - Tranche "B"	12,015,000
- Intesa Sanpaolo S.p.A. loan	9,050,000
<b>H2. Repurchase agreements and similar transactions</b>	-
<b>H3. Others</b>	-
<b>Total Financing received</b>	<b>99,830,000</b>

**Item H1** provides details regarding the loans received by the Fund, of which Euro 99,830,000 used as at the date of this Report. These lines are distinguished according to the methods of use:

- **Line "A"**: to date it has an *outstanding* amount equal to Euro 66,750,000; it was granted to the Fund to finance the general needs of the Fund.
  - **Line "B"**: to date it has an *outstanding* amount of Euro 24,030,000; it was granted to the Fund exclusively to finance part of the purchase price of the property in Rome via Cavour, 5.
  - **Intesa Sanpaolo loan**: to date it has an *outstanding* amount of Euro 9,050,000; it was granted to the Fund to finance part of the purchase price of the "Finleonardo Portfolio".
- 2) As at 31 December 2020, there were no outstanding repurchase agreements, securities lending or similar transactions. Furthermore, no use was made of this form of financing during the year.
- 3) As at 31 December 2020, there were no other loans.
- 4) As at 31 December 2020 there are two derivative financial instruments of the "*cap*" type which took effect from 30 June 2019 and which to date have not produced inflows.
- 5) The other assets amount to Euro 2,624,536 and comprise the following items:

Items	Amount
<b>M1. Accrued and unpaid commissions and charges:</b>	<b>18,300</b>
- Payables to Asset Management Company for management fees	18,300
<b>M2. Tax payables:</b>	<b>195,707</b>
- Payables to Asset Management Company for VAT compensation 06/2020	195,707
<b>M3. Accrued expenses and deferred income</b>	<b>1,886,569</b>
- Deferred income	1,881,256
- Various accrued expenses	5,313
<b>M4. Other</b>	<b>523,960</b>
- Payables for invoices to be received	276,571
- Payables to suppliers	104,597
- Payables to tenants	6,588
- Security deposits	123,769
- Security deposits - interest	12,435
<b>Total other liabilities</b>	<b>2,624,536</b>

**Item M1** includes liabilities for commissions and charges accrued and not paid as at 31 December 2020.

**Item M2** includes the tax payables accrued as at 31 December 2020.

**Item M3** relates to accrued expenses relating to expenses and interest expense accrued on current accounts, deferred income on rental income and condominium fees invoiced in the period and partly pertaining to the subsequent period.

The composition of **item M4** is illustrated below:

Items	Amount
<b>Payables to suppliers</b>	<b>104,597</b>
- Payables to suppliers - Various services	102,122
- Payables to suppliers - Utilities	2,475
- Trade payables - Asset Management Company fees	-
- Payables to suppliers - Auditing firm	-
<b>Payables to suppliers for invoices to be received</b>	<b>276,571</b>
- Invoices to be received - Other services	182,366
- Invoices to be received - Custodian bank fees	19,077
- Invoices to be received - Auditing firm	16,944
- Invoices to be received - Independent Expert	11,500
- Invoices to be received - Utilities	16,959
- Invoices to be received - Property Manager	29,725
<b>Payables for security deposits</b>	<b>136,204</b>
- Security deposits received from tenants	123,769
- Security deposits - interest	12,435
<b>Other payables</b>	<b>6,588</b>
- Payables for advances from customers	6,588
<b>Total Other Liabilities</b>	<b>523,960</b>

## SECTION IV THE TOTAL NET VALUE

Below is the table of changes in the value of the Fund from the start of operations (3 November 2009) to the date of this report:

Items	Amount	As a percentage of payments made
<b>INITIAL AMOUNT OF THE FUND (units issued by issue price)</b>	<b>25,500,000</b>	
<b>TOTAL PAYMENTS MADE</b>	<b>68,300,000</b>	<b>100%</b>
<i>A1. Overall result of the management of the investments</i>	-	0%
<i>A2. Overall result of management of the other financial instruments</i>	- 3,486,078	-5%
<i>B. Overall property management result</i>	115,567,189	169%
<i>C. Overall result of credit management</i>	-	0%
<i>D. Interest income and similar income on bank deposits</i>	-	0%
<i>E. Overall result of the management of other assets</i>	-	0%
<i>F. Overall result of exchange management</i>	-	0%
<i>G. Overall result of other management operations</i>	-	0%
<i>H. Total financial charges</i>	- 25,712,256	-38%
<i>I. Total management costs</i>	- 5,552,736	-8%
<i>L. Other total revenues and charges</i>	- 244,686	0%
<i>M. Total taxes</i>	-	0%
<b>REIMBURSEMENTS MADE</b>	<b>-</b>	<b>0%</b>
<b>TOTAL INCOME DISTRIBUTED</b>	<b>33,025,987</b>	<b>48%</b>
<b>TOTAL VALUE PRODUCED BY MANAGEMENT BEFORE TAXES</b>	<b>80,571,433</b>	<b>118%</b>
<b>TOTAL NET VALUE AS AT 31/12/2020</b>	<b>115,845,448</b>	<b>170%</b>
<b>TOTAL AMOUNTS TO CALL UP</b>	<b>-</b>	<b>0%</b>
<b>INTERNAL RATE OF RETURN AT THE DATE OF THE REPORT</b>	<b>11.71%</b>	

Page | 52

The total net value of the Fund, as at 31 December 2020, was equal to Euro 115,845,448, which corresponds to a pro-rata value of Euro 1,103,289.983.

The Fund's overall Internal Rate of Return, or the compound annual interest rate calculated from the start date of the Fund's operations (3 November 2009) to 31 December 2020 based on the cash flows represented by the outlay initially invested in the Fund, from dividends received, from partial redemptions of the units and considering the hypothetical collection for the divestment of the units at the book value of the NAV as at 31 December 2020, is equal to 11.71%.

## SECTION V OTHER BALANCE SHEET DATA

- 1) As at 31 December 2020, there are no commitments undertaken by the Fund for derivative financial instruments and other forward transactions.
- 2) As at 31 December 2020, there are no assets or liabilities towards other companies of the group to which the Asset Management Company belongs.
- 3) As at 31 December 2020, the Fund does not hold assets and / or liabilities denominated in currencies other than the euro or real estate located in countries other than EMU.
- 4) As at 31 December 2020 there are no capital gains under the tax suspension regime pursuant to art. 15, paragraph 2 of Italian Law 86/1994.
- 5) The active guarantees received by the Picasso Fund in existence as at 31 December 2020 are shown below:

Guarantor	Guaranteed	Type	Beneficiary	Property	No.	Date	Amount	Expiry	Active / Expired
UBI Banca	Picasso Fund	Guarantee	Cargass	Tolmezzo	75877-1	27/05/2019	350,000.00	26/05/2020	Attiva
BNL S.p.A.	Picasso Fund	Guarantee	Adecco Italia S.p.A.	Tolmezzo	947000000023713	23/01/2018	527,500.00	30/09/2025	Attiva
BNL S.p.A.	Picasso Fund	Guarantee	Adecco Italia S.p.A.	Tolmezzo	0947000000023578	18/01/2018	420,000.00	30/09/2023	Attiva
BNL S.p.A.	Picasso Fund	Guarantee	IPSOS S.r.l.	Tolmezzo	12215-20	21/09/2018	420,000.00	20/09/2019	Attiva
Monte dei Paschi di Siena	Picasso Fund	Guarantee	Dorma Italiana	Tolmezzo	7015001	18/04/2014	37,500.00	14/04/2023	Attiva
Banco Bilbao Vizcaya Argentaria	Picasso Fund	Guarantee	Telecontact Center	Lamaro	467081	16/12/2013	787,500.00	31/10/2022	Attiva
Intesa Sanpaolo S.p.A.	Picasso Fund	Guarantee	Numismatica Internazionale	Cavour, 5	3063/8200/580270	03/09/2013	4,095.15	30/11/2018	Attiva
BCC Roma	Picasso Fund	Guarantee	Noga Nori	Cavour, 5	249/2015	18/05/2015	14,352.54	31/03/2027	Attiva
BNL S.p.A.	Picasso Fund	Guarantee	Findomestic	Tolmezzo	0947000000042811	24/10/2019	201,149.27	31/12/2023	Attiva
Igea Banca S.p.A.	Picasso Fund	Guarantee	Rinah S.p.A.	Pavia	003/209/106	15/07/2019	31,000.00	15/07/2020	Attiva
Barclays Bank	Picasso Fund	Guarantee	Mango Italia S.r.l.	Piacenza	40306	22/10/2019	75,000.00	18/08/2020	Attiva
BNL S.p.A.	Picasso Fund	Guarantee	Adecco Italia S.p.A.	Milan	0947000000052238	28/09/2020	47,500.00	17/08/2026	Attiva
Intesa Sanpaolo S.p.A.	Picasso Fund	Guarantee	Faro S.r.l.	Rome Via Cernaia	IF 491077	07/02/2020	22,125.00	31/10/2026	Attiva
<b>TOTAL GUARANTEES</b>							<b>2,937,721.96</b>		

- 6) As a guarantee for the existing loans, 1st degree mortgages in favour of Banca IMI and Banca Intesa Sanpaolo for a total of Euro 223,700,000.00 were recorded on all the properties in the portfolio.

## PART C - THE ECONOMIC RESULT FOR THE YEAR

### SECTION I RESULT OF TRANSACTIONS INVOLVING EQUITY INVESTMENTS AND OTHER FINANCIAL INSTRUMENTS

During the current financial year, the Fund did not carry out transactions on equity investments or other listed and unlisted financial instruments.

### SECTION II REAL ESTATE ASSETS

Below is the breakdown of the sub-items relating to the economic result of transactions on real estate assets, which amount to Euro 7,022,857, as illustrated in the following table:

Economic result of the year on real estate assets	Residential Real Estate	Commercial Real Estate	Industrial Real Estate	Land	Other
<b>1 Income</b>					
1.1 non-financial lease payments	-	-	-	-	12,519,462
1.2 financial lease payments	-	-	-	-	-
1.3 other income	-	-	-	-	365,745
<b>2 Profit / Loss on sales</b>					
2.1 real estate assets	-	-	-	-	-
2.2 real estate rights	-	-	-	-	-
<b>3 Capital gains / losses</b>					
3.1 real estate assets	-	-	-	-	3,587,995
3.2 real estate rights	-	-	-	-	-
<b>4. Charges for the management of real estate assets</b>	-	-	-	-	2,274,355
<b>5. Depreciation</b>	-	-	-	-	-

- The item **"Non-financial lease payments"** essentially refers to the lease payments invoiced during the period, while the item **"Other income"** regards the accessory charges and condominium fees of the same period.
- The item **"Capital gains / losses"** (for a total of Euro -3,587,995) is calculated as the difference between the sum of the market value, as at 31 December 2019 by the Independent Expert's appraisal report and the capex incurred on the properties during the year 2020 and the market value as at 31 December 2020.

- The item "**Property management costs**" is mainly made up of repeatable charges to tenants for Euro 329,038, non-repeatable charges, entirely borne by the Fund, for Euro 874,927 and other property management costs of Euro 1,070,390.

### SECTION III RECEIVABLES

As at 31 December 2020, no securitisation transactions were in progress and this type of transaction was not carried out during the year.

Page | 54

### SECTION IV BANK DEPOSITS

During the period there were no economic components relating to this item.

### SECTION V OTHER ASSETS

During the period there were no economic components relating to this item.

### SECTION VI OTHER MANAGEMENT OPERATIONS AND FINANCIAL CHARGES

- 1) At the date of this Report, the Fund has not carried out any exchange management operations.
- 2) As at 31 December 2020, the Fund has not received any income or charges from repurchase agreements, securities lending or similar.
- 3) The item "**Financial charges**" comprises interest accrued on mortgage loans for Euro 2,702,030 and related ancillary expenses for Euro 252,958. The details of the interest expenses by line are shown below:

Items	Interest payable
<b>H1-H2. Financial charges</b>	<b>2,954,988</b>
- Banca IMI / UNICREDIT loan - Tranche "A"	1,828,610
- Banca IMI / UNICREDIT loan - Tranche "B"	658,300
- Banca Intesa Sanpaolo S.p.A. loan	215,120
<b>Total financial charges</b>	<b>2,702,030</b>
- Loan fees	154,362
- Other charges on loans	25,295
- CAP Premium	67,900
- Other financial charges	5,401
<b>Total Other Financial Charges</b>	<b>252,958</b>

### SECTION VII MANAGEMENT COSTS

#### VII.1 COSTS INCURRED DURING THE PERIOD.

The table below shows some items reclassified in other sections of the income statement for a total of Euro 3,449 million.

	Total amounts paid				Amounts paid to parties of the Asset Management Company's group			
	Amount (Thousands of Euros)	% of the total net value	% of total assets	% on value of loan	Amount (Thousands of Euros)	% of the total net value	% of total assets	% on value of loan
<b>MANAGEMENT COSTS</b>								
1) Management commissions								
- basic commissions	304	0.26%	0.14%					
- incentive commissions								
2) Cost for calculating the value of the unit	25							
3) TER of the UCITs in which the Fund invests								
4) Remuneration of the custodian bank	38	0.03%	0.02%					
- of which any remuneration for the calculation of the value of the unit								
5) Fund audit fees	43	0.04%						
6) Charges for the valuation of equity investments, of real estate and real estate rights forming part of the fund								
7) Remuneration due to independent experts	23	0.02%	0.01%					
8) Property management costs	62	0.05%	0.03%					
9) Legal and judicial expenses	0	0.00%						
10) Expenses for publishing the value of the unit and possible publication of the prospectus								
11) Other charges on the fund								
<b>TOTAL EXPENSE RATIO (TER)</b>	<b>494</b>	<b>0.43%</b>			<b>0</b>	<b>0.00%</b>		
12) Incentive commissions								
13) Charges for trading financial instruments of which:								
- on equity securities								
- on debt securities								
- on derivatives								
- other								
14) Financial charges for debts taken on by the Fund	2,955			2.96%				
15) Tax charges attributable to the Fund								
<b>TOTAL EXPENSES</b>	<b>3,449</b>	<b>2.98%</b>			<b>0</b>	<b>0.00%</b>		

The remuneration due to the Management Company as at 31 December 2020 consists of a total fee of Euro 329,187, which includes the cost for calculating the value of the item equal to Euro 25,385.

The remuneration due to the custodian bank is 0.05% on an annual basis of the total net value of the Fund, calculated on the average value of the Fund for the half-year period preceding the one in which the payment is made, with a minimum on an annual basis, of Euro 15,000. A fixed fee, on an annual basis, of Euro 1,000 for the custody and administration of financial instruments and liquidity is also paid.

The Fund's audit expenses, net of expenses and the Consob contribution, amount to Euro -42,734.88 and refer to the remuneration of PricewaterhouseCoopers S.p.A. for the year 2020 (remuneration for the audit as at 30 June 2020 and 31 December 2020).

The charges for the Independent Expert relating to the valuations of the real estate assets and real estate rights of the Fund carried out as at 30 June 2020 and 31 December 2020 amount to Euro 23,000.

## VII.2 INCENTIVE COMMISSIONS

As at 31 December 2020, the Fund has not paid back incentive commissions.

## VII.3 REMUNERATION

Below is the paragraph relating to remuneration as at 31 December 2019 as, at the date of approval of this Report, the data relating mainly to the variable remuneration of the Asset Management Company's personnel are not yet definitive. However, no significant changes are expected with respect to what is indicated below.

It should be noted that, as at 31 December 2019, the Asset Management Company's personnel is made up of 63 resources, whose total gross annual remuneration for the year 2019 was equal to Euro 4,816,401 (of which Euro 3,046,984 for the fixed component and Euro 1,769,417 for the variable component).

Again with reference to 31 December 2019, the total remuneration of personnel whose work significantly impacts the risk profile of the Funds is equal to Euro 3,359,654 (of which 1,153,757 relating to senior management and Euro 2,205,898 relating to other personnel).

The total remuneration of the personnel involved in the management of the Fund's activities, for the year 2019, is equal to Euro 54,484, of which Euro 30,270 relating to the fixed component and Euro 24,213 to the variable component.

The Fund was managed, for the year 2019, directly by a team of 5 people, whose total remuneration can be attributed to the Fund in the amount of 53.50%.

## SECTION VIII OTHER REVENUES AND CHARGES

The item "Other revenues and charges" is mainly composed of contingent assets and liabilities referring essentially to invoices receivable and payable issued and received during the period and accruing in 2020 in addition to the allocation to the bad debt provision for receivables due from tenants overdue by longer timeframes and unlikely to be collected.

Items	Amount
<b>L1. Interest income on cash and cash equivalents</b>	<b>2</b>
- Interest income on cash and cash equivalents	2
- Interest income on security deposits	-
<b>L2. Other revenues</b>	<b>8,080</b>
- Contingent assets	8,037
- Other income	40
- Discounts and rounding up	3
<b>L3. Other charges</b>	<b>- 104,674</b>
- Contingent liabilities	- 68,673
- Provision for bad debts	- 35,996
- Discounts and rounding down	- 4
<b>Total Other revenues and charges</b>	<b>- 96,592</b>

## SECTION IX TAXES

During the period there were no economic components recorded relating to this item.

## PART D - OTHER INFORMATION

### REGULATORY UPDATES - DIRECTIVE 2011/61/EU ("AIFMD")

Directive 2011/61/UE ("AIFMD") entered into force on 21 July 2011, which harmonised, at EU level, the regulation applicable to managers ("GEFIA" - alternative investment fund managers) of alternative investment funds ("AIFs"), which also include real estate funds.

The AIFMD introduces a common European regulation applicable to all entities (namely alternative investment fund managers), that manage alternative mutual investment funds, i.e. AIFs, which also include the real estate funds managed by the Asset Management Company.

The rules of the AIFMD are detailed by the implementing measures in the Delegated Regulation (EU) 231/2013 of the European Commission.

In Italy, on 9 April 2014, legislative decree no. 44 of 4 March 2014 entered into force ("Decree"), containing the provisions for amendment of Italian legislative decree no. 58 of 24 February 1998 ("Consolidated Law on Finance") needed to acknowledge the general application provisions contained in the AIFMD.

As regards the "secondary" regulations, on 19 March 2015, the following regulatory acts were published in the Italian Official Gazette, which entered into force effective from 3 April 2015:

- Decree no. 30 of 5 March 2015 of the Ministry of Economy and Finance, concerning the determination of the general criteria which must be complied with by Italian UCITS;
- Consob resolution of 8 January 2015 containing the amendments (i) to the Intermediaries' Regulation, pursuant to Consob Resolution no. 16190 of 29 October 2007 and the (ii) Issuers' Regulation, pursuant to Consob resolution no. 11971 of 14 May 1999;
- the Measure of the Bank of Italy and Consob of 19 January 2015 containing the amendment to the Joint Regulation, pursuant to the Measure of the Bank of Italy and Consob of 29 October 2007 ("Joint Regulation");
- the Measure of the Bank of Italy and Consob of 19 January 2015 containing the "new" Regulation on collective asset management, pursuant to the Measure of the Bank of Italy, which repeals and replaces that pursuant to the Measure of the Bank of Italy of 8 May 2012

The measures listed entered into force on 3 April 2015.

In light of the above, the Asset Management Company carried out the necessary activities for the purpose of compliance with the applicable regulation introduced by the AIFMD, providing an appropriate and prompt communication of this to the Bank of Italy on 29 April 2015, with the subsequent request for enrolment on the Register of asset management companies as manager of an AIF pursuant to AIFMD.

On 3 June 2015, the Asset Management Company received a communication from the Bank of Italy that stated it was authorised for enrolment on the Register of asset management companies, at no. 47, "above threshold" section of AIF managers, pursuant to the AIFMD.

## TAX REGIME

The tax treatment of real estate funds is governed by article 6 of Italian Decree Law 351/2001, on the basis of which the Fund is not subject to corporate income tax (IRES) and regional business tax (IRAP).

Article 41-bis of Italian Decree Law 269/2003, converted with amendments from Italian Law no. 326 of 24 November 2003, made radical changes to the taxation of real estate funds as regards direct taxes.

In particular, Italian Decree Law 269/2003, in repealing the property tax from 1 January 2004, equal to 1% of the net total value of the Fund, transferred the burden of tax collection from the Real Estate Fund to investors.

Withholdings on capital income received by the Fund continue to be processed for tax. Withholdings at source and substitute taxes on capital income do not apply on the following income:

- interest and other income from bonds and similar securities subject to the provisions of Italian legislative decree no. 239 of 1 April 1996;
- dividends paid by companies;
- interest and other income on current accounts, deposits, certificates of deposit and interest-bearing bonds;
- income from carry-forwards, repurchase agreements on securities and currencies, secured mortgages;
- interest and other income accrued up to the moment of early reimbursement of bonds and similar securities with an expiry of no less than 18 months issued by entities not resident in Italy;

- income deriving from participation in foreign UCITS, situated in EU Member States, compliant with EU directives, whose units are placed in the territory of the State;
- other capital income pursuant to article 26, paragraph 5 of Italian Presidential Decree no. 600 of 29 September 1973.

Pursuant to article 8 of Italian Decree Law 351/2001, the Management Company is a taxable entity for VAT purposes in relation to sales of assets and the provision of services relating to Fund operations. The calculation and payment of tax is carried out separately from that due for the activities of the Management Company, while the payment is made cumulatively for the Management Company and the funds managed by it. The aforementioned article 8 also makes provision for some concessions in relation to VAT credits generated by the Fund.

The Management Company fulfils the obligations of declaration and payment of the Single Municipal Tax due.

As regards the tax regime of the investors, article 7 of Italian Decree Law 351/2001, as amended by article 41-bis of Italian Decree Law 269/2003, introduces, effective from 1 January 2004, a withholding of 20% on fund unit-holders. This withholding is applied: (i) to the amount of income relating to each unit; (ii) to the difference between the redemption or settlement value of the units and the subscription or purchase cost.

The 20% withholding is taken:

- in the form of an advance, vis-à-vis: (i) individual entrepreneurs, if the investments relate to the commercial enterprise; (ii) general partnership, limited partnership or equivalent; (iii) companies and entities indicated in letters a) and b) of article 87 of Italian Presidential Decree 917/86 and permanent establishments in the territory of the State of the companies and entities pursuant to letter d) of the aforementioned article;
- in the form of tax, from all other entities.

Paragraph 3 of article 7 of Italian Decree Law 351/2001 was amended by article 32, paragraph 7 of Italian Decree Law 78/2010, coordinated with conversion law no. 122/2010, which set forth that the withholding does not apply to income received by pension funds and foreign UCITS, if established in States or territories included in the list set forth in the ministerial decree issued pursuant to article 168-bis of the consolidated law on income tax pursuant to Italian Presidential Decree no. 917 of 22 December 1986, as well as income received by international entities or bodies established on the basis of international agreements made executive in Italy and by central banks or bodies that also manage the official reserves of the State. In addition, for said income, due to entities resident in States with which conventions are in place to avoid double taxation on income, for the purposes of the application of the withholding based on the rate set out in the convention, withholding agents must acquire: a) a declaration of the non-resident entity who is the beneficial owner of the income, which shows the identification details of said entity, the existence of all conditions to which the application of the standard tax agreement is subject, and any necessary elements needed to determine the size of the rate applicable in accordance with the convention; b) a certification from the competent tax authority of the State where the actual beneficiary of the income is resident, which shows the residency in said State pursuant to the convention. The certification is effective until 31 March of the year following the year of presentation.

The provisions pursuant to paragraph 7 are effective for income received from the date of entry into force of this decree, provided that it relates to periods of activity of the funds that started after 31 December 2009. For income received from the date of entry into force of this decree and relating to periods of activity of the fund closed up to 31 December 2009, the provisions of article 7 of Italian Decree Law 351/2001 continue to apply, based on the text in force at the aforementioned date.

As regards the income taxation regime, the Italian Revenue Agency, by means of resolution of 2 May 2006 attached to Assogestioni circular no. 55/06/C, clarified some issues regarding the treatment of income accrued

prior to 31 December 2003. In particular, at the time of distributions, profits distributed must be considered as income “pre-31 December 2003” (i.e. not subject to the 20% withholding) up to the amount of the ceiling represented by the increase in the net value of the fund recorded between the date of establishment and 31 December 2003, net of the amount distributed in said form “pre-31 December 2003” between 1 January 2004 and today. Solely the profits exceeding the aforementioned ceiling are considered as income “post 1 January 2004” and, therefore, subject to the 20% withholding (for income accrued from 1 July 2014, a 26% withholding is applied).

Article 8, paragraph 9, of Italian Decree Law no. 70 of 13 May 2011, converted into law (Italian Law no. 106 of 12 July 2011), made significant changes to article 32 of Italian Decree Law no. 78/2010. In particular:

- paragraph 2 of article 32 was repealed, which referred to a decree of the Ministry of Economy and Finance the identification of the implementing provisions of the changes to the Consolidated Law on Finance contained in paragraph 1;
- the taxation regime is amended, for the purposes of direct taxes, applicable to investors in real estate funds based on the nature and size of the investment held by them. In particular:
  1. some categories of investors maintain, in any case, regardless of the size of the investment held, the current taxation regime: the State and public authorities, Italian UCITS, forms of supplementary pension and mandatory welfare institutions, insurance companies limited to investments intended to cover technical provisions, banking and financial intermediaries subject to forms of prudential supervision, all entities and assets indicated above established abroad in countries or territories that allow the exchange of information aimed at identifying the beneficial owners of the income provided included in the “white list”, entities that pursue the purposes set forth by law on banking foundations, resident companies that pursue exclusively mutual objectives, companies or contractual vehicles in which the entities just indicated above hold investments of more than 50%;
  2. natural persons, companies, contractual vehicles and entities other than those indicated in the previous point that hold an investment of more than 5% in the fund’s assets are subject to taxation for transparency and, therefore, irrespective of the receipt of income;
  3. the income received by non-resident entities, other than those indicated in point 1, that hold an investment of more than 5% in the fund’s assets, are, in any case, subject to taxation at rate of 20%.
- in relation to the units held as at 31 December 2010 by the investors indicated in points 2 and 3, substitute income tax is due from investors at a rate of 5% of the average value of the units held in the tax period;
- for funds that, as at 31 December 2010, included among their investors, at least one of the entities indicated in points 2 and 3, provision is made for the possibility to arrange for the liquidation of the fund by 31 December 2011, based on the prior application of a substitute income tax and IRAP of 7% of the net value of the fund as at 31 December 2010. The liquidation cannot last more than 5 years and a substitute tax of 7% is applied to the profits of fund management. The provisions originally contained in article 32, paragraphs 5-bis, 5-ter and 5-quarter are maintained, aimed at avoiding double income taxation of investors and those that envisage concession provisions for indirect tax purposes, for liquidation operations.

The provision of the Director of the Italian Revenue Agency was issued on 16 December 2011, containing the methods of implementation of the new regulation on the taxation of real estate funds pursuant to article 32 of Italian Decree Law no. 78 of 31 May 2010.

## STAMP DUTY

Under article 19, of Italian Decree Law no. 201 dated 6 December 2011 ("Decree Law no. 201/2011") and implementing decree of 24 May 2012 ("Decree"), provision was made for the application of stamp duty on communications relating to products and financial instruments of any kind. The stamp duty is due from each investor effective from the year 2012. The tax is due in proportion to 1 per thousand and is applied to the market value of the units (or, where absent, on the nominal or reimbursement value), which - in the absence of different guidelines by the Tax Authorities - may be considered to coincide with the value of the units as indicated in the Annual Report. The amount of tax due annually cannot be lower than Euro 34.20 and cannot exceed, solely for the year 2012, Euro 1,200 per investor. For years after 2012, the stamp duty will be due based on a proportion of 1.5 per thousand, raised to 2.0 per thousand for 2014 and to the full extent for subsequent years, with no maximum limit for natural persons and with a limit of Euro 14,000 for all entities other than the above. Payment of the stamp duty must be made by the management company, based on prior funding by the investor, in all cases in which it has a stable relationship, directly or indirectly, with the unit-holder. Pursuant to article 19, paragraph 3-bis of Italian Decree Law 201/2011, in the event of the absence of funding by the unit-holder for payment of the tax, the management company can carry out the necessary disinvestments. On 21 December 2012, Circular no. 48/E of the Italian Revenue Agency was published, which comments on the stamp duty applicable to communications concerning financial products.

The stamp duty on communications relating to products and financial instruments of any kind was amended under stability law for 2014 (Italian law no. 147 of 27 December 2013), with the increase in the rate from 1.5 to 2 per thousand, and with the raising of the maximum limit from 4,500 to 14,000 for all customers other than natural persons.

\*\*\*\*\*

The management company received no benefits other than the fees already described.

No loans were stipulated to finance the early repayment of the Fund's units.

Attached to the report is the extract of the report on the market value of the property assets tied to the Picasso Fund as at 31 December 2020, drafted by Avalon Real Estate S.p.A. as the Independent Expert.

This report is audited by the independent auditors Pricewaterhousecoopers S.p.A.

Milan, 29 January 2021

The Board of Directors

# Castello SGR S.P.A.

Fondo Picasso

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Relazione di stima del valore di mercato al 31/12/2020





Spettabile

Castello SGR S.P.A.

via Puccini, 3

20121 Milano

Page | 62

MILANO, 8 GENNAIO 2021

EGREGI SIGNORI

Castello SGR S.P.A. (di seguito anche il Committente) ha affidato a chi scrive l'incarico per la valutazione semestrale del Fondo Comune di Investimento Immobiliare di tipo Chiuso Riservato denominato "Picasso" alla data del 31 dicembre 2020.

La valutazione degli immobili che costituiscono il portafoglio è stata effettuata in ottemperanza a quanto disposto dal Provvedimento di Banca d'Italia del 19 gennaio 2015, Titolo V, Capitolo IV, Sezione II, ai parametri e ai criteri previsti dalla prassi estimativa e in conformità alle Linee guida e ai principi e agli standard definiti da *RICS Appraisal and Valuation Standards* ("Red Book").

Il presente motivato parere, ha carattere consultivo ed indipendente e non potrà essere divulgato o mostrato a terzi estranei senza il preventivo consenso scritto di chi scrive, fatte salve le fattispecie previste dalla normativa vigente o per espressa richiesta delle autorità competenti e non dovrà inoltre essere impiegato a fini diversi da quelli per cui viene redatto.

CON I MIGLIORI SALUTI

Avalon Real Estate S.p.A.

Dott. Luigi Rabuini



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p. 2



## INDEX

Page | 63

1. PREMESSE E FINALITÀ DELL'INCARICO .....	4
2. DESCRIZIONE DEL PORTAFOGLIO .....	5
3. IPOTESI DI LAVORO E LIMITAZIONI .....	6
4. METODI DI VALUTAZIONE UTILIZZATI .....	8
5. PRINCIPALI ASSUMPTION UTILIZZATE NELLA VALUTAZIONE .....	11
6. PRINCIPALI VARIAZIONI RISPETTO ALLA VALUTAZIONE SEMESTRALE PRECEDENTE.....	13
7. RIEPILOGO DEI VALORI .....	14



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p. 3



## 1. Premesse e finalità dell'incarico

Il processo di analisi è finalizzato alla determinazione del valore di mercato del portafoglio immobiliare del Fondo Picasso.

Page | 64

Per “valore di mercato”, secondo la definizione del *RICS Appraisal and Valuation Standards* (“Red Book”), si intende: *“L’ammontare stimato a cui un’attività o una passività dovrebbe essere ceduta e acquistata, alla data di valutazione, da un venditore e da un acquirente privi di legami particolari, entrambi interessati alla compravendita, a condizioni concorrenziali, dopo un’adeguata commercializzazione in cui le parti abbiano agito entrambe in modo informato, consapevole e senza coercizioni.”*

Il presente motivato parere ha carattere consultivo e indipendente e non potrà essere divulgato o mostrato a terzi estranei senza il preventivo consenso scritto di chi scrive, fatte salve le fattispecie previste dalla normativa vigente o per espressa richiesta delle autorità competenti e non dovrà inoltre essere impiegato a fini diversi da quelli per cui viene redatto.



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p. 4



## 2. Descrizione del Portafoglio

Il portafoglio oggetto di valutazione è composto da 17 immobili a destinazione mista, prevalentemente direzionale e commerciale localizzati nel nord e nel centro Italia.

Page | 65

ID	Città	Indirizzo	Destinazione	GLA
1	Roma	Via Vincenzo Lamaro, 81	Direzionale	15.549
2a	Milano	Via Tolmezzo, 15Edificio A - Saint Germain	Direzionale	2.377
2b	Milano	Via Tolmezzo, 15Edificio B - Times Square	Direzionale	6.035
2c	Milano	Via Tolmezzo, 15Edificio C - Piccadilly	Direzionale	6.132
2d	Milano	Via Tolmezzo, 15Edificio D - Alexanderplatz	Direzionale	3.710
2e	Milano	Via Tolmezzo, 15Edificio E - Barceloneta	Direzionale	2.871
3	Roma	Via Cavour, 6	Direzionale	13.876
4	Roma	Via Cavour, 5	Direzionale	17.702
5	Roma	Via Cernaia, 16-18	Commerciale	387
6	Roma	Piazza Sonnino, 38-40	Commerciale	653
7	Roma	Via Giovanni da Castelbolognese, 41/A-43	Commerciale	115
8	Piacenza	Via XX Settembre, 55	Commerciale	511
9	Pavia	Corso Cavour, 29	Commerciale	253
10	Ferrara	Via Vittoria, 12	Direzionale	355
11	Genova	Via Sestri, 67-69/R	Commerciale	122
12	Civitavecchia	Viale Etruria, 9	Direzionale	1.714
13	Roma	Via Goiran, 1	Direzionale	1.960
TOTALE				74.322



Distribuzione geografica degli asset in portafoglio



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p. 5



### 3. Ipotesi di lavoro e limitazioni

Per l'espletamento dell'incarico ricevuto chi scrive ha fatto riferimento:

Page | 66

- a) alla documentazione di supporto<sup>1</sup> fornita dal Committente relativamente al comparto di cui in premessa, nello specifico:
  - o destinazioni d'uso degli immobili;
  - o consistenze relative agli immobili;
  - o dati catastali ed urbanistici;
  - o condizioni manutentive degli immobili;
  - o situazioni locative degli immobili;
  - o imposte e assicurazioni;
  - o costi amministrativi e di gestione;
- a) alle informazioni reperite *in situ* durante i sopralluoghi ispettivi degli immobili (*location* e contesto urbano);
- b) ai metodi di valutazione previsti dalla prassi estimativa, come di seguito illustrati, nonché ai dati parametrici forniti dalle fonti istituzionali di osservazione del mercato immobiliare (c.d. *data provider*).

L'attività svolta è basata inoltre sulle seguenti ipotesi e limitazioni:

- si assume come data di riferimento della valutazione il 31/12/2020.
- chi scrive ha condotto l'ultimo sopralluogo presso le unità in oggetto nel mese di dicembre 2020;
- i dati sulle consistenze immobiliari sono stati forniti direttamente dal Committente;
- non sono state condotte analisi sulla conformità urbanistica e catastale dei beni immobili; si è pertanto assunto che i beni, nello stato di fatto, risultino conformi alle norme urbanistiche e catastali vigenti;
- sono state condotte analisi di mercato su *data provider* nazionali; le analisi di mercato sono a parere di chi scrive rappresentative della situazione di mercato di zona al momento della valutazione, tuttavia non si esclude che esistano segmenti di domanda e offerta ulteriori rispetto a quelli individuati e tali da modificare i parametri unitari adottati nella presente valutazione;
- non sono state condotte indagini sulla presenza di diritti di terzi e/o afferenti al diritto di proprietà;

<sup>1</sup> La citata documentazione si trova a disposizione presso gli uffici della Società Avalon Real Estate S.p.A. con sede in Milano, Via Larga 8.



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p. 6



- non si è condotta nessuna analisi relativamente alla presenza di passività ambientali;
- non sono state effettuate rilevazioni sul terreno per la rilevazione della presenza di eventuali sostanze tossiche;
- non sono state condotte indagini sull'eventuale sussistenza di potenziali minus/plusvalenze e sull'eventuale conseguente impatto di natura fiscale;
- nella presente valutazione sono stati utilizzati dati e informazioni forniti direttamente dal Committente. Chi scrive, pur avendo provveduto alle opportune verifiche sulla congruità e ragionevolezza delle ipotesi formulate per la redazione dei documenti ricevuti, ha fatto affidamento sulla veridicità, accuratezza e completezza degli stessi, senza procedere ad alcuna verifica indipendente delle informazioni ivi contenute.

Si ritiene opportuno, infine, evidenziare che l'epidemia del Nuovo Coronavirus (Covid-19), dichiarata dall'Organizzazione Mondiale della Sanità come "pandemia globale" l'11 marzo 2020, ha avuto e continua ad avere un impatto su molti aspetti della vita quotidiana e dell'economia globale, con alcuni mercati real estate che stanno sperimentando una riduzione delle transazioni e dei livelli di liquidità. Molti Paesi hanno applicato misure restrittive per i viaggi e "lockdown" a diversi livelli. Sebbene in alcuni casi le restrizioni siano state rimosse, lockdown locali vengono ancora implementati a seconda delle necessità di contenimento del virus ed è concreta la possibilità di un'ulteriore diffusione del Covid-19 sotto forma di "nuove ondate". Tuttavia, a fronte del fatto che tali ondate potrebbero comunque provocare una nuova fase della crisi, a differenza dell'impatto che si è avuto nella primavera 2020 nel caso di nuove ondate non si potrà più dire di trovarsi in una situazione senza precedenti.

La pandemia e le misure prese per affrontare il Covid-19 continuano ad avere effetti sulle economie e sui mercati real estate a livello globale. Tuttavia, alla data di valutazione alcuni mercati immobiliari hanno ripreso regolarmente le loro attività, con volumi di transazioni e altri indicatori sufficienti a permettere di formulare adeguate opinioni di valore. Pertanto, la presente valutazione non è stata influenzata in maniera significativa da "materiali incertezze valutative" come definito nel paragrafo VPS 3 e VPGA 10 del RICS Valuation - Global Standards.<sup>2</sup>

Al fine di escludere eventuali fraintendimenti, la presente "Nota esplicativa circa le condizioni di mercato" non è volta a sminuire l'affidabilità che la presente valutazione deve assumere bensì ha lo scopo di garantire una totale trasparenza e fornire una chiara visione del contesto di mercato all'interno del quale il presente documento è stato redatto. In tale ottica si sottolinea l'importanza della data di valutazione alla luce del fatto che le condizioni di mercato potrebbero mutare molto rapidamente in risposta ad eventuali strategie volte al controllo della diffusione del Covid-19.

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<sup>2</sup> Fonte "Impact on COVID Valuation" del 06/11/2020 redatto da RICS





## 4. Metodi di valutazione utilizzati

Ai fini della determinazione del valore di mercato del complesso immobiliare costituente il patrimonio immobiliare del Fondo, sono stati applicati i principi generalmente riconosciuti nella prassi valutativa, in conformità alle Linee guida e ai principi e agli standard definiti da *RICS Appraisal and Valuation Standards* ("Red Book") "edizione 2019".

Ai fini della valutazione, chi scrive ha ritenuto opportuno utilizzare il metodo finanziario (o *Discounted Cash Flow analysis*). Segue una breve descrizione della metodologia utilizzata.

### Metodo finanziario (Discounted Cash Flow analysis)

Il metodo si basa sul presupposto che nessun acquirente razionale sia disposto a pagare un prezzo per acquisire un bene immobiliare che sia superiore al valore attuale dei benefici economici che il bene stesso sarà in grado di produrre durante la sua vita utile.

Per quanto riguarda, nello specifico, gli immobili oggetto di valutazione, i benefici economici sono rappresentati dai flussi di cassa generati dall'operazione di trasformazione, sviluppo e vendita nell'arco della sua durata.

Il suddetto criterio è applicato ad immobili aventi le seguenti caratteristiche:

- immobili locati disponibili e valorizzabili nello stato di fatto e di diritto in cui si trovano senza interventi strutturali significativi né cambi di destinazione d'uso;
- immobili suscettibili di riposizionamento sul mercato a seguito di interventi di valorizzazione che implicino la trasformazione fisica e urbanistica del bene (cambio di destinazione d'uso, demolizione, sviluppo e vendita in blocco o frazionata) in funzione di iter autorizzativi a diverso grado di maturità urbanistica.

L'applicazione del metodo finanziario presuppone:

- la determinazione dei flussi di reddito futuri, per un tempo ritenuto congruo, derivanti dalla locazione e/o alienazione del bene (ivi compreso il *Terminal Value*);
- la determinazione dei costi operativi di gestione dell'immobile (assicurazioni, tasse di proprietà, *property management*, manutenzioni straordinarie, ecc.) e/o dei costi di trasformazione (demolizione, costruzione, oneri di urbanizzazione, spese tecniche, ecc.);
- la determinazione dei Flussi di Cassa Operativi ante imposte;
- l'attualizzazione dei flussi di cassa, alla data di riferimento, ad un opportuno tasso.



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p. 8



#### Approccio valutativo specifico al 31/12/2020

La disponibilità di informazioni rappresenta una condizione necessaria per l'espressione di qualsiasi giudizio di valore. Qualunque informazione, per essere correttamente utilizzata all'interno di un procedimento valutativo, deve possedere le caratteristiche di: attendibilità, aggiornamento, omogeneità e specificità.

Nell'applicazione dei criteri di valutazione sopra descritti le informazioni fondamentali di partenza per lo sviluppo di un processo di analisi sono i prezzi/canoni di locazione riscontrabili per transazioni di beni comparabili e, in riferimento alla metodologia finanziaria, i *cap rate* e i tassi di attualizzazione. Tali dati vengono tipicamente raccolti mediante l'ausilio di fonti istituzionali (*data provider*) e mediante indagini puntuali (*field analysis*) condotte sul territorio per immobili comparabili al bene in analisi. Soprattutto in relazione alle informazioni fornite dai data provider queste risultano soggette ad una dilazione temporale: in ciascun semestre vengono messi a disposizione i dati raccolti ed elaborati nel semestre precedente. La sostanziale impossibilità di portare a termine transazioni da parte degli operatori durante il periodo di *lockdown* ha inoltre fortemente rarefatto il numero, e di conseguenza le informazioni, relative alle compravendite nel primo semestre 2020.

La situazione contingente che si è venuta a creare in corrispondenza delle valutazioni semestrali al 31/12/2020 risulta dunque influenzata da tale processo di raccolta delle informazioni: basare la stima sui dati raccolti mediante indagini di mercato condurrebbe a restituire una fotografia anacrostica del portafoglio immobiliare e non riflettere gli effetti che le restrizioni imposte dai Governi nazionali e le dinamiche macroeconomiche hanno avuto sui beni immobiliari.

Per tale ragione in sede di valutazione semestrale al 31/12/2020 chi scrive ha fatto ricorso a metodologie basate su un'analisi delle ripercussioni che le crisi economiche passate hanno avuto sul settore immobiliare. A partire da tali dati che non possono essere rappresentativi di una dinamica di mercato stabile post-COVID ma che rimangono ancora legati a dati di mercato pre-crisi, è stato svolto un ragionamento *ad hoc* per ciascuna destinazione d'uso nel tentativo di riflettere in maniera differenziata l'effetto della pandemia globale per ciascuna *asset class*. Tale processo ha portato a identificare le variazioni immobiliari da applicare per ciascuna delle variabili sensibili identificate. Nello specifico, ferma restando un'analisi puntuale per ciascun immobile, le variabili prese a riferimento come potenzialmente soggette a oscillazioni sono state:

- prezzi di vendita;
- canoni di locazione contrattualizzati (nel caso in cui siano state fornite specifiche indicazioni da parte della Proprietà circa interlocazioni già avviate con i conduttori);



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p. 9



- inesigibilità di contratti di locazione in essere;
- canoni di locazione per nuovi contratti;
- tempistiche di rilocalizzazione degli spazi sfitti o in scadenza contrattuale;
- tassi di attualizzazione.

Coerentemente con i principali studi di settore analizzati, il lasso temporale che si stima possa essere condizionato dagli effetti della pandemia è stato stimato pari a 24 mesi a partire dal 2021. Di conseguenza in sede di valutazione al 31/12/2020 tale periodo è incrementato rispetto a quanto fatto al 30/06/2020, con ripercussioni previste fino alla fine del 2022.

Per completezza informativa si è comunque proceduto con la raccolta delle informazioni fornite dai data provider relativamente al primo semestre 2020.



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p. 10



## 5. Principali assumption utilizzate nella valutazione

Si riportano di seguito le principali *assumption* utilizzate, rimandando all'Allegato1 del presente documento, per un dettaglio puntuale delle ipotesi sottostanti la valutazione del bene immobiliare.

Periodo di riferimento: il periodo di riferimento dei flussi di cassa è correlato alla durata contratti di locazione.

Indicatori monetari: le proiezioni dei flussi sono effettuate a valori nominali. Prudenzialmente, è stata considerata una componente inflattiva prospettica così distribuita:

- anno I: 0,8%;
- anno II: 1,0%;
- anno III e successivi: 2,0%.

L'inflazione per gli anni I e II è stata determinata sulla base della previsione fornita da Banca d'Italia alla data di valutazione, per poi raggiungere il tasso obiettivo della politica monetaria di lungo periodo della BCE (pari al 2,0%) al terzo anno.

Superfici: le superfici di progetto sono state recepite direttamente dal Committente.

I flussi di cassa e i tassi utilizzati nella valutazione non tengono conto dell'imposizione fiscale, né della struttura di finanziamento dell'operazione.

Canoni di locazione: i canoni di mercato sono stati stimati sulla base del canone in essere e dei dati di mercato; un periodo di vacancy è stato considerato in coincidenza della scadenza dei contratti di locazione in essere, prima di riaffittare le porzioni immobiliari in esame a mercato. Anche per le porzioni immobiliari attualmente sfitte è stato ipotizzato un periodo di sfitto, con successivo affitto delle stesse a canoni di mercato. Per gli immobili sfitti, per i quali è stata prevista la sottoscrizione di un contratto di locazione nei 24 mesi successivi alla data di valutazione, chi scrive ha ipotizzato che venga negoziato un canone di locazione scontato rispetto alle evidenze di mercato raccolte.

Valore di vendita, terminal value: il valore di dismissione dei singoli immobili è stato determinato capitalizzando il reddito dell'ultimo periodo di piano attraverso un opportuno tasso di capitalizzazione (*Going Out Cap Rate*).

Spese di property management: stimate in percentuale sui canoni di locazione annui.

Assicurazione e imposte: importi forniti dal Committente.

Capex: dati forniti dal Committente o stimati da Avalon, ove ritenuto opportuno.



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p. 11



Costi gestionali in capo alla proprietà (inesigibilità, *vacancy*, riserve per manutenzione straordinaria, *fee* commerciali); stimati in misura percentuale sui ricavi lordi di locazione annui o sul valore di ricostruzione a nuovo (VRN) secondo parametri comunemente adottati nella prassi valutativa eventualmente declinati secondo le specificità dei singoli.

Tasso di attualizzazione: con riferimento al tasso di attualizzazione, trattandosi di una valutazione basata su flussi *unlevered* e ante imposizione fiscale è stato utilizzato un tasso rappresentativo del costo del capitale proprio (*Equity*), risultando di fatto irrilevante, in assenza di benefici fiscali, la struttura di finanziamento dell'operazione. Si è proceduto pertanto alla stima del suddetto tasso attraverso il metodo del build-up approach. In particolare, il tasso è stato ottenuto attraverso il seguente algoritmo:

$$K_e = \text{Rendimento destinazione d'uso} + \text{Tasso di inflazione} + \text{Risk Premium}$$

ove:

*Rendimento destinazione d'uso*: rendimento di mercato rilevato dai principali data provider per la destinazione d'uso specifica

*Tasso di inflazione*: è stata considerata una componente inflattiva pari all'1,5%

*Premium Risk*: calcolato quale sommatoria delle componenti di rischio attribuibili all'immobile oggetto di valutazione (in particolare i rischi specifici legati alla tipologia immobiliare in oggetto, quali location, vendibilità, qualità, dimensione/fungibilità, vetustà e *tenancy*)

Nella costruzione del tasso di attualizzazione la componente di *Premium Risk* è stata variata per un periodo pari a 24 mesi, al fine di tenere conto dell'attuale situazione di incertezza rilevante legata alla crisi sanitaria causata dalla diffusione del Nuovo Coronavirus (COVID-19). La variazione è stata stimata mediante un'analisi combinata di variabili macroeconomiche (PIL, BTP, Indice dei consumi, etc.), variabili immobiliari (Numero di Transazioni Normalizzate, presenze turistiche, etc.) e trend storici dei valori immobiliari nelle crisi economiche passate.

Going out cap rate: il tasso di capitalizzazione è stato determinato sulla base delle informazioni fornite da diversi data provider, considerando destinazione d'uso e localizzazione di ciascun immobile.



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p. 12



## 6. Motivazioni delle variazioni rispetto alla valutazione semestrale precedente

Page | 73

Le variazioni di valore degli asset facenti parte del Fondo, rispetto alla precedente valutazione semestrale del 30/06/2020, sono da attribuire, a livello generale:

- all'aggiornamento delle assunzioni specifiche effettuate da chi scrive per ciascun immobile in relazione alla situazione di crisi legata all'emergenza sanitaria in corso (modifiche contrattuali, sconti su canoni, inesigibilità, ecc. - si rimanda all'*Allegato 1* per i dettagli relativi a ciascun immobile);
- agli aggiornamenti dei canoni di locazione in essere.

Per quanto riguarda, in particolare, gli specifici asset si segnala:

- Roma, via Cavour, 6: azzeramento delle capex previste, in quanto sostenute nel corso del semestre appena trascorso (dato fornito dal Committente);
- Roma, via Cavour, 5: azzeramento delle capex previste, in quanto sostenute nel corso del semestre appena trascorso (dato fornito dal Committente);
- Milano, via Tolmezzo, 15: nuovi contratti di locazione (si rimanda all'*Allegato 1* per i dettagli).



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p. 13



## 7. Riepilogo dei valori

Page | 74

Attraverso il processo di valutazione sopra esposto e nel rispetto delle limitazioni e delle assunzioni enunciate, si è giunti alla determinazione del valore di mercato degli immobili costituenti il patrimonio del Fondo immobiliare Picasso alla data del 31 dicembre 2020.

Si riporta di seguito il valore degli immobili costituenti il patrimonio del Fondo, rimandando all'Allegato 1 del presente documento per un dettaglio puntuale delle ipotesi sottostanti la valutazione:

ID	Città	Indirizzo	Destinazione	GLA	Valore - €
1	Roma	Via Vincenzo Lomaro, 81	Direzionale	15.549	12.080.000
2a	Milano	Via Tolmezzo, 15Edificio A - Saint Germain	Direzionale	2.377	8.500.000
2b	Milano	Via Tolmezzo, 15Edificio B - Times Square	Direzionale	6.035	20.210.000
2c	Milano	Via Tolmezzo, 15Edificio C - Piccadilly	Direzionale	6.132	22.080.000
2d	Milano	Via Tolmezzo, 15Edificio D - Alexanderplatz	Direzionale	3.710	13.790.000
2e	Milano	Via Tolmezzo, 15Edificio E - Barceloneta	Direzionale	2.871	10.850.000
3	Roma	Via Cavour, 6	Direzionale	13.876	46.800.000
4	Roma	Via Cavour, 5	Direzionale	17.702	54.740.000
5	Roma	Via Cernaia, 16-18	Commerciale	387	1.250.000
6	Roma	Piazza Sonnino, 38-40	Commerciale	653	3.310.000
7	Roma	Via Giovanni da Castelbolognese, 41/A-43	Commerciale	115	270.000
8	Piacenza	Via XX Settembre, 55	Commerciale	511	2.360.000
9	Pavia	Corso Cavour, 29	Commerciale	253	1.870.000
10	Ferrara	Via Vittoria, 12	Direzionale	355	440.000
11	Genova	Via Sestri, 67-69/R	Commerciale	122	750.000
12	Civitavecchia	Viale Etruria, 9	Direzionale	1.714	2.450.000
13	Roma	Via Goiran, 1	Direzionale	1.960	7.230.000
<b>TOTALE</b>				<b>74.322</b>	<b>208.980.000</b>



Avalon Real Estate S.p.A  
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p. 14



Per tutto quanto sopra esposto e nel rispetto dei limiti e delle assunzioni del presente motivato parere, si ritiene che il valore complessivo del portafoglio immobiliare detenuto dal Fondo, alla data del 31 dicembre 2020, arrotondato, sia pari a Euro 208.980.000 (duecentottomilioninovecentottantamila/00).

Page | 75

Rispetto alla precedente valutazione semestrale del 30/06/2020 si evidenzia una variazione in aumento del valore complessivo del portafoglio per Euro 340.000 (+0,16%). La variazione di valore è dovuta principalmente alle motivazioni espresse nel Par. 6: si rimanda all'*Allegato 1* per i dettagli relativi alle singole variazioni di valore.

Milano, 8 gennaio 2021

Avalon Real Estate S.p.A.

Dott. Luigi Rabuini<sup>3</sup>

<sup>3</sup> Partner e Amministratore Delegato di Avalon Real Estate S.p.a.



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p. 15

Spettabile  
AVALON RE S.p.A.  
Via Larga, 8  
20122 Milano (MI)

Page | 76

Milano, 31 dicembre 2018

**Oggetto: Lettera d'incarico per il ruolo di Esperto Indipendente, ai sensi dell'art. 16 del D.M. n. 30 del 5 maggio 2015 – Fondo PICASSO**

Egregi Signori,

con la presente si attesta di aver incaricato la Vostra Società a svolgere l'attività di Esperto Indipendente, avendone riscontrato il possesso dei requisiti normativi previsti.

Secondo quanto previsto dall'articolo 16 del D.M. n. 30 del 5 marzo 2015, la presente lettera di incarico dovrà essere allegata ad ogni relazione di stima rilasciata dalla Vostra Società.

Con  
**CASTELLO SGR S.p.A.**  
Società di Gestione del Risparmio  
Sede legale, direzionale e amministrativa  
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Castello SGR S.p.A.

**CASTELLO SGR S.p.A.**

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Iscrizione al Registro delle Imprese di Milano,  
P.IVA e Codice Fiscale 13456100158 – R.I.C.A. 1653352  
Iscritta al n. 47 dell'Albo delle Società di Gestione  
del Risparmio di cui all'art. 35, comma 1 del D.Lgs. 58/98  
Capitale sociale deliberato € 5.000.424,00, sottoscritto e versato € 4.047.744,00



### **Independent auditor's report**

*in accordance with articles 14 and 19 bis of Legislative Decree No. 39 of 27 January 2010 and article 9 of Legislative Decree No. 58 of 24 February 1998*

To the investor in Fondo di investimento alternativo immobiliare di tipo chiuso riservato "Picasso"

### **Report on the Audit of the Financial Statements**

#### **Opinion**

We have audited the financial statements of Fondo di investimento alternativo immobiliare di tipo chiuso riservato "Picasso", an Italian real estate investment fund (the "Fund"), which comprise the statement of financial position as of 31 December 2020, the statement of comprehensive income for the year then ended and related notes.

In our opinion, the financial statements give a true and fair view of the Fund's financial position as of 31 December 2020 and of its financial performance for the year then ended in accordance with the Regulation issued by Banca d'Italia on 19 January 2015 (hereinafter also the "Regulation") that governs the criteria for their preparation.

#### **Basis for Opinion**

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Financial Statements" section of this report. We are independent of the Fund and of Castello SGR SpA, the Fund's manager, pursuant to the regulations and standards on ethics and independence applicable to audits of financial statements under Italian law. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### **Responsibilities of the Directors and the Board of Statutory Auditors for the Financial Statements**

The directors of the Fund's manager are responsible for the preparation of financial statements of the Fund that give a true and fair view in accordance with the Regulation governing the criteria for their preparation and, in the terms prescribed by law, for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

#### **PricewaterhouseCoopers SpA**

Sede legale: Milano 20145 Piazza Tre Torri 2 Tel. 02 77851 Fax 02 7785240 Capitale Sociale Euro 6.890.000,00 i.v. C.F. e P.IVA e Reg. Imprese Milano Monza Brianza Lodi 12979880155 Iscritta al n° 110644 del Registro dei Revisori Legali - Altri Uffici: Ancona 60131 Via Sandro Totti 1 Tel. 071 2132311 - Bari 70122 Via Abate Gimma 72 Tel. 080 3540211 - Bergamo 24121 Largo Belotti 5 Tel. 035 229691 - Bologna 40126 Via Angelo Finelli 8 Tel. 051 6186211 - Brescia 25121 Viale Duca d'Aosta 28 Tel. 030 3697501 - Catania 95129 Corso Italia 302 Tel. 095 7532311 - Firenze 50121 Viale Gramsci 15 Tel. 055 2482811 - Genova 16121 Piazza Picapietra 9 Tel. 010 23041 - Napoli 80121 Via del Mille 16 Tel. 081 36181 - Padova 35138 Via Vicenza 4 Tel. 049 873481 - Palermo 90141 Via Marchese Ugo 60 Tel. 091 349737 - Parma 43121 Viale Tanara 20/A Tel. 0521 275911 - Pescara 66127 Piazza Ettore Troilo 8 Tel. 085 4545711 - Roma 00154 Largo Fochetti 29 Tel. 06 570251 - Torino 10122 Corso Palestro 10 Tel. 011 556771 - Trento 38122 Viale della Costituzione 33 Tel. 0461 237004 - Treviso 31100 Viale Felissent 90 Tel. 0422 696911 - Trieste 34125 Via Cesare Battisti 18 Tel. 040 3480781 - Udine 33100 Via Poscolle 43 Tel. 0432 25789 - Varese 21100 Via Albuzzi 43 Tel. 0332 285039 - Verona 37135 Via Franda 21/C Tel. 045 8263001 - Vicenza 36100 Piazza Pontelandolfo 9 Tel. 0444 393311

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The directors of the Fund's manager are responsible for assessing the Fund's ability to continue as a going concern and, in preparing the financial statements, for the appropriate application of the going concern basis of accounting, and for disclosing matters related to going concern. In preparing the financial statements, the directors use the going concern basis of accounting unless they either intend to liquidate the Fund or to cease operations, or have no realistic alternative but to do so.

The board of statutory auditors of the Fund's manager is responsible for overseeing, in the terms prescribed by law, the Fund's financial reporting process.

### *Auditor's Responsibilities for the Audit of the Financial Statements*

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with International Standards on Auditing (ISA Italia) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of our audit conducted in accordance with International Standards on Auditing (ISA Italia), we exercised our professional judgement and maintained professional scepticism throughout the audit. Furthermore:

- we identified and assessed the risks of material misstatement of the financial statements, whether due to fraud or error; we designed and performed audit procedures responsive to those risks; we obtained audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- we obtained an understanding of internal control relevant to the audit 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 internal control of the Fund or of the Fund's manager;
- we evaluated the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors;
- we concluded on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Fund to cease to continue as a going concern;
- we evaluated the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicated with those charged with governance of the Funds' manager, identified at an appropriate level as required by ISA Italia, regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identified during our audit.

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### *Report on Compliance with other Laws and Regulations*

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#### *Opinion in accordance with Article 14, paragraph 2, letter e), of Legislative Decree No. 39/10*

The directors of Castello SGR SpA are responsible for preparing a report on operations of the Fund "Picasso" as of 31 December 2020, including its consistency with the financial statements and its compliance with the Regulation.

We have performed the procedures required under auditing standard (SA Italia) No. 720B in order to express an opinion on the consistency of the report on operations with the financial statements of the Fund "Picasso" as of 31 December 2020 and on its compliance with the Regulation, as well as to issue a statement on material misstatements, if any.

In our opinion, the report on operations is consistent with the financial statements of the Fund "Picasso" as of 31 December 2020 and is prepared in compliance with the Regulation.

With reference to the statement referred to in article 14, paragraph 2, letter e), of Legislative Decree No. 39/10, issued on the basis of our knowledge and understanding of the Fund and its environment obtained in the course of the audit, we have nothing to report.

Milan, 8 February 2021

PricewaterhouseCoopers SpA

*Signed by*

Lia Lucilla Turri  
(Partner)

*This report has been translated into English from the Italian original solely for the convenience of international readers*