



Alternative Reserved Closed-End Real Estate Mutual Investment Fund

FUND MANAGEMENT REPORT

AS OF 31 DECEMBER 2021

(also the "Report")

managed by



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TREND IN THE REAL ESTATE MARKET

The information and data shown below refer to the most updated information set in the possession of Castello SGR's management at the date of approval of this management report.

THE TREND IN THE REAL ESTATE MARKET¹

The duration of the economic slowdown resulting from the continuation of the COVID-19 pandemic and, in particular, of 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 translated into a reduction in settlement activity in the real estate sector. The resurgence of contagions in the autumn saw a return to 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 to preserve liquidity and accumulate wealth to protect themselves from any further new economic repercussions.

The first quarter of 2021 was also impacted by the uncertainty of times, with an invested volume of Euro 1.3 billion, derived from a drop of 17% compared to the same quarter of 2020.

Real estate investments in the first quarter of 2021 recorded a total volume of Euro 1.3 billion, down compared to Euro 1.6 billion in the same period of the last year. The highest volume of investments, in geographic terms, was registered in Northern Italy, which represented more than two thirds of the total. This is followed by Central Italy with around 7% while no investments were recorded in the South in this first quarter; the remaining 16% is composed of portfolios scattered throughout the country.

The volume of investments recorded in the province of Milan accounts for 31% of the national total, while the province of Rome accounts for 5% of the total.

At absolute level, in the province of Milan volume was of approximately Euro 407 million, followed by the province of Venice with a volume of approximately Euro 130 million (the result of a significant in the hotel sector). In the provinces of Rome and Turin, the volume of investments was slightly more than Euro 70 million. Northern Italy is also confirmed leader in terms of number of assets settled (74%), followed by the Centre (18%) with the remaining 8% 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 320 million (24%) were recorded, and by the logistics sector with Euro 220 million (17%). Investments in mixed-used or mixed property portfolios, with 16% of the total for a volume of Euro 215 million, and the hotel sector, with 11% of the total for a volume of Euro 141 million, were next. Down the line, there were investments in the retail sector with approximately Euro million (6%) and investments in the health/assistance sector, with an incidence of 2% with Euro 25 million.

Lastly, property for other uses also represented a substantial portion, following investments in land, data centres and senior housing.

THE TREND IN THE REAL ESTATE FUNDS²

Despite the threat of the ongoing pandemic and the consequent slowdown of the global economy, real estate funds continued to attract capital. 2020 saw the growth of European real estate assets; the average amount of

¹ Sources: Scenari Immobiliari: "European outlook 2021", September 2020; Gabetti: "Investment overview", Q1 2021;

² Source: Scenari Immobiliari, "I fondi immobiliari in Italia e all'estero – rapporto fondi 2021" (Real Estate Funds in Italy and Abroad - 2021 Fund Report).

assets in European real estate funds reached Euro 425 million (+6.7% compared to 2019). The total NAV at European level is equal to Euro 759,505 billion (+3.68% compared to last year), with a total of 1,787 active funds (50 fewer units than in 2019).

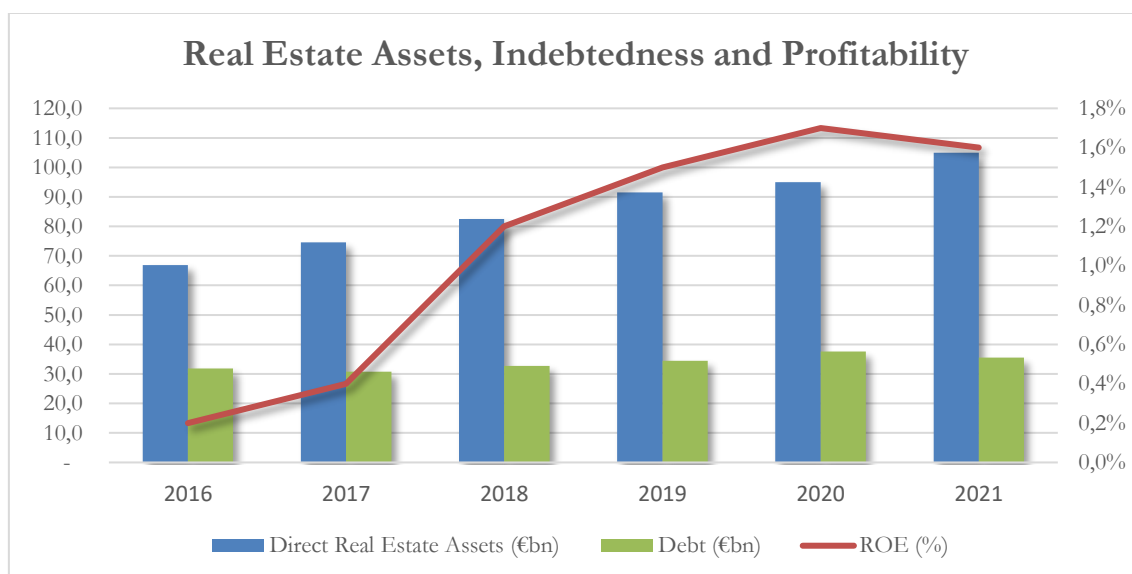
Italian real estate funds continue to grow at a quick pace, accounting for more than 11% of European vehicles. According to the half-yearly reports and the indicators from managers, the Net Asset Value (“NAV”) reached Euro 87.6 billion at the end of 2020, with an increase of 7.6% compared to the previous year.

Capital collection reached Euro 7 billion in the year, and Euro 30 billion over the last five years.

Growth related to reserved funds targeted to professional investors and was supported by Italian funds. The real estate assets directly held by the 535 active funds exceeded Euro 100 billion, with an increase of 9.5% on 2019.

Forecasts for 2021 anticipate an increase in NAV of 6% and in assets of approximately 5%.

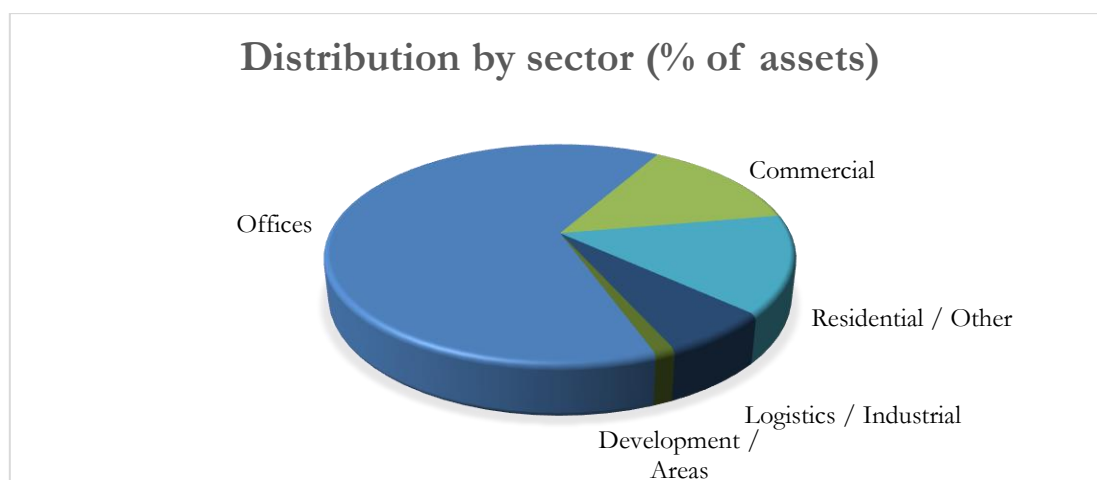
The debt of the structural fund system is equal to Euro 38.5 billion, with an incidence of just over 38% on assets. The ROE, although representing the average of very diversified entities, was stable at 1.6%.



Source: Castello SGR processing of "Scenari Immobiliari" data

In 2020, the global asset allocation recorded was substantially stable: the residential and logistics sectors were up, while offices were slightly down, while the retail sector experienced a slowdown, due to its limited resilience in a rapid and uncertain market context.

Prospects for 2021, in spite of the difficulties of the period, are cautiously optimistic, with an increased in volume managed and the diversification of portfolios compared to the current breakdown.



Source: Castello SGR processing of "Scenari Immobiliari" data

As regards Italian real estate funds listed on the stock exchange, 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 31 December 2020 based on the NAV is down 4.8% with respect to December 2019. A summary of the performances of the listed Italian retail real estate funds is provided below.

It is noted that, compared to the previous Report, the Polis fund is no longer present in the list as it is in liquidation.

Fund Name	NAV as at 31/12/2020	NAV as at 31/12/2019	% chg.	Stock exchange value at 31/12/2020	Discount on the NAV (%)
Alpha Immobiliare	1,546.60	1,866.41	(17.1%)	745.00	(51.8%)
Amundi Italia	1,054.14	1,376.61	(23.4%)	554.10	(47.4%)
Atlantic 1	438.02	432.19	1.3%	185.84	(57.6%)
Immobiliare Dinamico	119.37	132.96	(10.2%)	56.79	(52.4%)
Immobiliarium 2001	1,915.83	2,031.81	(5.7%)	1,230.00	(35.8%)
Opportunità Italia	2,367.76	2,579.75	(8.2%)	907.00	(61.7%)
Risparmio Immobiliare Uno Energia	3,937	3,230.27	21.9%	2,225.00	(43.5%)
Socrate	468.38	476.14	(1.6%)	171.00	(63.5%)
Valore Immobiliare Globale	616.92	693.78	(11.08%)	410.55	(33.5%)
Average			(6%)		(49.7%)

Source: Castello processing of data from Borsa Italiana and from reports published and updated as at 31 December 2020

THE RESIDENTIAL MARKET³

The data published by the Italian Revenue Agency on the number of property sales show an increase in the number of residential transactions for the Italian market: in the first 3 months of 2021, 162,258 residential transactions were completed, up by 38.6% compared to the same period in 2020 and by 17% compared to the first half of 2019. If the third and fourth quarter of 2020 had seen the progressive recovery in transactions, after the lockdown period, the first quarter of 2021 experienced a marked rebound in sales. Above all, growth was

³ Sources: Gabetti: "Report residenziale Q1 2021 (Residential snapshot Q1 2021)"; Immobiliare.it; JLL: "Residential Snapshot Q1 2021"

experienced in non-provincial-capitals, then followed by provincial capitals and large cities, which in any case showed positive performances.

The post *lockdown* residential market saw its activities resume thanks to the implementation of new methods, suggesting possible changes in operating mode even in the post pandemic period.

All the macro-areas considered on a national scale recorded positive changes in the first three quarters of 2021: +39.8% for the North, +36.1% for the Centre and +38.3% for the South; both provincial capitals (+29.8%) and the non-provincial capitals (+43.3%) numbers increased.

With regard to the credit field, according to the data from Bank of Italy, the disbursement of loans to households for the purchase of homes increased by 5% in 2020, against the negative trend in the residential market, and reached a level of Euro 51 billion.

In February 2021, the average interest rate for a residential mortgage was 1.3% and the 3-month Euribor rate recorded a new downward record.

The first quarter of 2021 confirmed the high interest in the residential sector: both national and international operators intend to invest in the Italian market, especially in the north of the country.

In particular, the number of transactions in the Milan market in the first quarter of 2021 was about 14.4% higher than the previous year, with 711 more transactions. At the same time, with regard to the property market in Rome, in the first quarter of 2021 8,673 transactions were recorded, an increase of 28.6% compared to the same period last year.

THE OFFICE MARKET⁴

The climate of uncertainty brought to the market by the Covid-19 pandemic has forced operators to review their investment choices. However, the office real estate market remains dynamic, with a volume of transactions of around Euro 320 million, which contributes 29% to the total investments.

Milan confirms its leadership in the market, with six transactions corresponding to 76% of total investments in the office sector. The volume of investments in Milan recorded an increase of 47% compared to the first quarter of 2020.

The Milan market closed the first 3 months of 2021 with an absorption of 70,100 square metres, a decline of 66% compared to the same period of the previous year due to the effects of the lockdown period. In terms of leased space, the most active markets were the CBD, with 32% of the total surface, followed by Porta Nuova Business District, with 22%.

During the third quarter of 2021, the prime rent stood at Euro 600/sqm/year in the central zones, stable compared to the figures of the previous period, at Euro 430/sqm/year for the semi-central zones and Euro 220/sqm/year for the offices in the hinterland. Gross prime rental yields were slightly down compared to the previous quarter, with a prime yield of 4.25% in the CBD-centre area and 6.0% for the semi-centre.

The greatest share of contracts completed for offices was recorded both in the centre and in the periphery areas (both areas with 21.7%), followed by the CBD with 18.3%, while the vacancy rate was at around 2.2%, down compared to the previous year.

In Q1 2021 in Rome, absorption was 26,300 square metres. The CBD zone is the preferred macro-area with 35.6% of total absorption, followed by the EUR zone with 29.1%.

⁴ Sources: JLL: "Office Snapshot Q1 2021"; Gabetti: "Office Market Overview Milan and Rome Q1 2021" CBRE: "Outlook 2021 Italy"

Prime rents remained stable with respect to 2020. The average rent in the CBD-Centre was Euro 440/sqm/year and Euro 350/sqm/year in the EUR Core zone. Gross *prime* rental yields stand at 4.75% in the CBD-Centre zone and 6.5% for the semi-centre and EUR zone.

The largest share of contracts concluded for office real estates is located in the CBD zone (33.3%), which also leads in terms of surface area with 35.6%, followed by the centre, which records 23.8% of contracts and 29.1% of the total of the leased surface area.

THE RETAIL MARKET⁵

The retail sector was one of the most affected in 2020 due to the forced closure of shops and the containment measures adopted in the main European countries to stop the COVID-19 pandemic.

However, especially during holidays, essential retailers, such as for example supermarkets, reported positive results thanks to the additional expenditure of consumers in the food sector.

In 2020, there was a drop of 5% in Italy for retail sales but forecasts estimate sales to increase in 2021, to then gradually return to pre-COVID levels in 2022.

Sales in Italian shopping centres decreased in January 2021 by 44% compared to the same period in the previous year: food service was the most affected (-67%), followed by clothing (-52%) and services (-40%).

The first quarter of 2021 closed with a retail investment volume of Euro 80 million, 90% lower than in the same period in the previous year.

In this context, rental for shopping centres, and retail and high street stores remained stable compared to the previous quarter.

In spite of this, in the period in question, the development activity of Italian shopping centres recorded two expansions of existing centres in Piedmont and Tuscany, for a total of approximately 6,000 square metres.

Investment volumes in the retail sector, according to estimates for the 2021-2022 period, are expected to concentrate mainly in the retail park sector (43% of the total), shopping centres (41% of the total), followed by outlet centres (7%).

THE LOGISTICS MARKET⁶

In the first quarter of 2021, volumes in the logistics sector reached approximately Euro 320 million, recording a significant increase (+39%) compared to the same period in the previous year.

Investment volumes in the logistics sector confirmed, in the first quarter, a positive trend compared to the previous year, with 620,000 square metres of leased space, a record figure in the first quarter which almost doubled both with respect to the same quarter of 2020 (+83%) and respect to the average for the last 10 years. 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.

The number of investments confirms the positive trend of the logistics market, with 49 transactions, the highest number ever recorded. Almost half of these related to assets smaller than 10,000 square metres, while no large transactions for sizes larger than 50,000 square metres were recorded. Half of the square metres absorbed related to existing assets while build-to-suit transactions involved about 35% of the absorption for the quarter. Prospects for 2021 are positive and the pipeline is solid: this asset class is expected to continue to appeal to foreign capital and new investors, exercising new downward trends on prime yield.

Furthermore, the development pipeline, which in 2020 represented 21% of the total of completions, continue to remain lively, with many projects expected to be concluded in 2021.

⁵Sources: JLL: "Retail Snapshot, Q1 2021"; CBRE: "Outlook 2021 Italy"

⁶Sources: CBRE: "Outlook 2021 Italy"; JLL: "Logistic Snapshot Q1 2021"

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

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 Euro 57/sqm/year both for the Rome and Milan markets. Prime yield in Milan, Rome and Bologna in the first quarter was lower by 25 basis points compared to the first quarter of last year, while it remained stable in the Veneto region and in Turin.

THE HOTEL MARKET⁷

In 2020 the volume of investments in the Italian hotel sector recorded a significant slowdown compared to the results of 2019, reaching a volume of Euro 1 billion, a drop of 70% compared to the previous year. This result is mainly due to the deep uncertainty caused by the pandemic, but also due to the exceptional concentration of large portfolio deals observed in 2019.

While waiting for a stabilisation of fundamental elements in the hotel industry, the hospitality real estate market looks to the medium-long term: if, on the one hand, a wait-and-see approach prevails with regard to purchases of existing assets, on the other a robust interest is observed in development and conversion activities.

In general, 2021 is expected to be a year still far from the results achieved in 2019, but it is likely that investors will not turn down the opportunity to create value through conversions and developments in this waiting phase. The following are to be noted among the main transactions in the first quarter of 2021: the Baglioni Luna Hotel, in Venice, sold for Euro 100 million, the Tornabuoni Hotel, in Florence, sold for Euro 10 million and, lastly, the former Royal Hotel in Spotorno, sold for Euro 3.95 million.

The conclusion 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.

Thanks to the new government measure, the hotels that returned to operations had to adopt adequate measures to guarantee the safety of people, with the consequent reduction in the number of available rooms, to ensure compliance with the social distancing measures, which led to an inevitable reduction in *occupancy* and turnover. In spite of this, the ongoing measures to limit personal mobility introduced by governments considerably reduced the number of foreign tourists, contributing to the decline in revenues of Italian hotels.

According to the latest available data, the restrictions of both national and global mobility have led to a drop of over 50% in the number of tourist overnight stays in Italy. In spite of this, the sector remains in any case of strong interest for investors, seen its significance in Italy, its high fragmentation and the limited penetration of international brands. This favours repositioning, rebranding and value-creation opportunities. Therefore, it is expected investment volumes for 2021 to grow compared to the previous year, strongly driven by flight-to-quality and value-added investment policies.

COVID-19 EMERGENCY - ANALYSIS OF IMPACT ON FUNDS MANAGED BY CASTELLO SGR

Following the spread of COVID-19 and the consequent instability and uncertainty manifested in the macro-economic scenario, the management of the SGR promptly took action in order to monitor and manage the impact of COVID-19 on mutual investment funds managed by the Company, temporarily establishing, as early

⁷ 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 March 2020, an internal committee, called the "Crisis Committee", coordinated by the Head of the Risk Management and Asset Assessment Functions with the participation of all company functions.

In 2021, given the improvement in macroeconomic conditions and expected potential lower impact of the pandemic on the risk profile of the managed funds, the "Crisis Committee" was dissolved but the Risk Management Function nevertheless continued, monitoring the activities listed below throughout the year, and also carrying out an assessment of the level of risk strictly related to the impact of COVID-19 on each fund. In particular, monitoring actions were implemented 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; and (iii) property valuation criteria and assumptions.

With specific reference to the valuation of assets, the Asset Management Company adopts significant safeguards aimed at verifying the reliability of the values processed by the Expert and of the verification of the content of the appraisal reports and re-performance of the models used by the Independent Experts by the Asset Valuation Function based on risk criteria identified by it), and includes the possible impact of COVID-19 on the same.

As specified by the Independent Expert in the appraisal report in accordance with the RICS directives, the effects of Covid - are unprecedented and the market evidence on which to base one's judgement is still being defined. Consequently, the assessment was carried out in a context of "significant uncertainty regarding the valuation", as required by VPS 3 and VPGA 10 of the RICS Red Book Global. Therefore, the assessment must be viewed with a greater degree of caution than is normally the case. However, as specified by the same Expert, this statement does not intend to undermine the value and reliability that the valuation must assume, but is intended to ensure total transparency and provide a clear vision of the market context within which it is been drafted.

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.

RISK ASSESSMENT

Based on the monitoring activities carried out on the financial situation, sale prospects, and the start of development projects, the Risk Management Department carried out an evaluation of the level of risk strictly correlated to 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.

DETAILS OF THE FUND

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 takeover of the financial debt of Euro 43 million (of which Euro 32.6 million referring to the Metrocomplex and Euro 10.7 million to Lamaro), as well as of 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 therefore amounted 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 entered into by the shareholders were recalled for Euro 1,000,000 (out of a total of Euro 21,000,000).

To meet the financial requirements resulting from the payment of the urbanization costs necessary for the change of use of Building C, for the contributions to the fitting works of the new leased spaces and for the service of the debt, during the year 2012, 4 units were subscribed and paid in for a total amount of Euro 3,000,000 through two new issues. 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.

Also, during 2013, to meet the financial requirements resulting mainly from debt service, on 25 March 2013 the subscriptions of the Picasso Fund were reopened up to a total amount of Euro 3,000,000. 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 758,879,583 as at 31 December 2012. This difference is essentially justified by the low liquidity of the units. Details of the payments made by subscribers in 2013 are as follows:

- On 25 March 2013 one unit was subscribed to and paid up at a nominal value of Euro 750,000;
- 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 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 in both cases equal to Euro 750,000 per unit, against a NAV per unit of Euro 800,495,035 as at 31 December 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 amount 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 price negotiated 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, amounting to Euro 40,500,000, (including closing costs) were initially to be obtained through:

- a) Issue of 22 new shares (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 units resolved, 2 units were subscribed and paid in on 23 October 2014 by the subscriber NBG Pangaea. This amount was partially used for the payment on 31 October 2014 of Euro 1 million, as a confirmatory deposit, following the acceptance of the irrevocable offer to purchase the property in Via Cavour

6, Rome, 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 Via Cavour 6, Rome, 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 Article 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 is developed around an internal courtyard for a total of seven storeys above ground in addition to the two underground storeys.

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 conclude this transaction, which took place 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 to complete 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 December 2019" "Financial Management".

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.

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 on the same date by Generali Real Estate S.G.R. S.p.A.

On 25 February 2021, by means of index no. 34710 registered by the notary Ruben Israel of Milan, the deed of sale of the property was signed. In order to allow the payment of part of the purchase price, in February 2021, 8,293 units were recalled for a value of Euro 8,500,325.

Therefore, as at the date of this Report, the Fund's assets consisted of 14 properties, with a GLA of 80,275 square meters, a total passing rent of around Euro 13.9 million and a market value of Euro 232,850,000. The lease situation with respect to the Fund's real estate assets is therefore as follows:

Property	Unit	Address	Location	Comm. surface area (sq.m)	Tenant	Passing Rent (Euro)	Standard rent (€)
Tolmezzo - "Metrocomplex"	(self-contained property)	Via Tolmezzo, 15	Milan	21,124	Multitenant	4,495,172	4,775,172
Lamaro	(self-contained property)	Via Lamaro, 56	Rome	11,871	Selexi	-	700,000
Cavour 6	(self-contained property)	Via Cavour, 6	Rome	13,876	Ministry of the Interior	3,038,551	3,038,551
Cavour 5	(self-contained property)	Via Cavour, 5	Rome	13,809	Multitenant	3,065,261	3,065,261
Cernaia	Ground floor	Via Cernaia 16-18	Rome	393	Cernaia S.r.l.	75,000	88,500
Sonnino	Ground Floor	Piazza Sonnino 38-40	Rome	620	Branch of Banca Pop. Sondrio	207,039	207,039
Castelbolognese	Ground floor	Via Giovanni da Castelb. 41/A-43	Rome	110	DPizza S.r.l.	-	24,000
XX Settembre	Ground Floor	Via XX Settembre 55	Piacenza	510	Mango Italia SpA	140,000	150,000
Cavour 29	Ground Floor	Corso Cavour 29	Pavia	244	Rinah	100,000	130,000
Victory	Ground Floor	Via Vittoria 12	Ferrara	305	Vacant	-	-
Sestri	Ground Floor	Via Sestri 67-69	Genoa	125	SM Italia Srl	45,497	51,513
Etruria	(self-contained property)	Viale Etruria 9	Civitav.	1,540	ASL	228,000	228,000
Goiran	(self-contained property)	Via Goiran 1	Rome	2,027	Carabinieri barracks	510,000	510,000
Richard	(self-contained property)	Viale Giulio Richard 5-7	Milan	13,721	Multitenant	1,067,121	1,282,795
Total				80,275		12,972,204	14,237,331

Below is the summary table of the Picasso Fund as at 31 December 2021:

The Picasso Fund in brief

		31/12/2021	31/12/2020	31/12/2019	31/12/2018	31/12/2017	31/12/2016	31/12/2015
Real estate assets	no.	14	13	13	13	13	13	4
Value of properties	€ mio	231.75	208.85	211.25	194.75	191.09	188.800	168.33
Historical cost (purchase price)	€ mio	192.23	173.23	172.046	172.046	172.046	161.460	139.900
Total debt	€ mio	97.59	99.83	102.07	104.31	106.550	108.790	100.980
of which:								
<i>Mortgage</i>	€ mio	97.59	99.83	102.07	104.31	106.55	108.79	100.98
Equity Committed	€ mio	77.30	68.30	68.30	68.30	68.30	68.30	67.50
<i>Called up commitments</i>	€ mio	76.593	68.300	68.300	68.300	68.300	68.300	67.500
<i>Residual commitments</i>	€ mio	0.707	0.000	0.000	0.000	0.000	0.000	0.000
<i>% Called up commitments</i>		99%	100%	100%	100%	100%	100%	100%
Loan to Value		42.11%	47.80%	48.32%	53.56%	55.76%	57.62%	59.99%
Loan to Cost (*)		50.77%	57.63%	59.33%	60.63%	61.93%	67.38%	72.18%
NAV	€ mio	133.574	115.845	117.968	100.112	95.218	93.160	90.574
Number of Units	no.	113.293	105	105	105	105	105	104
Unit Value	€ / unit	1,179,017.836	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. To date, the Fund’s maturity is 31 December 2026.

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

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

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

Unit-holder	Subscribed and paid units	Stake (%)
Picasso Lux S.a.r.l. SIC.	113.293	100%

Lastly, note that, in the first half of 2021, the loan agreements expiring on 30 June 2021 were extended to 31 December 2022. For more details, see the “Financial Management” section.

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 preponderant part of the Fund's assets and will be carried out 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 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.

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 1.96 according to the "commitment method", and 1.88 according to the "gross method".

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 audit of the Fund Annual Report is carried out by the independent auditors PricewaterhouseCoopers S.p.A. for the years 2017-2025.

FUND PERFORMANCE AS AT 31 DECEMBER 2021

REAL ESTATE MANAGEMENT

As at the date of this Report, the real estate portfolio of the Picasso Fund consists of 14 assets. The Fund's real estate portfolio has, therefore, a total commercial surface area of 88,042 square meters and is leased at 86%, for a total amount of rents around Euro 14.1 million.

Details of the real estate management of the 14 properties are provided below.

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 4,5 million. During the second half of 2021, the cancellations relating to the tenants Cargeas Assicurazioni S.p.A. and Findomestic were received.

Property	Unit	Address	Location	Comm. surface area (sq.m)	Tenant	Start of Contract	Duration	First Expiry	Second Expiry	Passing Rent (€)	Standard rent (€)
Metrocomplex Bldg. A	Mezzanine fl.-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	Mezzanine fl.	Via Tolmezzo, 15	Milan	823	Findomestic	05-Jan-17	6+6	31-Dec-22	-	199,000	199,000
Metrocomplex Bldg. A	Mezzanine fl.	Via Tolmezzo, 15	Milan	842	DormaKaba S.r.l.	15-Apr-14	9+6	14-Apr-23	14-Apr-29	155,268.60	155,268.60
Metrocomplex Bldg. B	Mezzanine fl.	Via Tolmezzo, 15	Milan	882	ISO	15-Jan-21	7+6	14-Jan-28	14-Jan-34	30,000	120,000
Metrocomplex Bldg. B	Mezzanine fl.-1st -2nd	Via Tolmezzo, 15	Milan	5,078	Adecco S.p.A.	01-Oct-17	8+6	30-Sep-25	30-Sep-31	1,086,874	1,086,874
Metrocomplex Bldg. C	Mezzanine fl.-1st	Via Tolmezzo, 15	Milan	2,405	Findomestic	05-Jan-17	6+6	31-Dec-22	-	607,206	607,206
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	848,820	848,820
Metrocomplex Bldg. C	(self-contained property)	Via Tolmezzo, 15	Milan	3,896	Adecco	01-Oct-17	6+6	30-Sep-23	30-Sep-29	865,378	865,378
Metrocomplex Bldg. E	(self-contained property)	Via Tolmezzo, 15	Milan	3,015	Cargeas Assicurazioni S.p.A.	02-Aug-10	9+6	01-Aug-19	01-Aug-22	702,625	702,625
Total				21,124						4,495,172	4,775,172

Disputes

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

Capex

In the course of 2021, Capex was incurred on the Tolmezzo real estate complex for Euro 11,550.

Valuation

On the basis of the analyses carried out, the Independent Expert identified the Market Value of the property complex as at 31 December at:

- A. Euro **8,540 million** for Building A – Saint Germain
- B. Euro **20,100 million** for Building B – Times Square
- C. Euro **21,720 million** for Building C – Piccadilly
- D. Euro **13,760 million** for Building D– Alexanderplatz
- E. Euro **10,720 million** for Building E – Barceloneta

The Appraisal Value of the Tolmezzo real estate complex is therefore equal to Euro 74,840,000 million, decreased by approximately 0.78% since December 2020 (Euro 75,430,000 million). This change is due to the forecast of new capex (to be carried out over a period of three years), partly mitigated by the improvement hypotheses in relation to the end of the crisis caused by COVID-19.

PROPERTY LOCATED IN ROME VIA LAMARO 81 (“LAMARO”)

Rental situation

The Lamaro property is partially leased to Selexi S.r.l. through a loan agreement signed on 2 November 2021.

Property	Unit	Address	Location	Comm. surface area (sq.m)	Tenant	Start of Contract	Duration	First Expiry	Second Expiry	Passing Rent	Standard rent (€)
Lamaro	(self-contained property)	Via Lamaro, 56	Rome	6,568	Selexi S.r.l.	01-Mar-23	7+6	28-Feb-29	28-Feb-35	0	700,000
Vacant	Offices + parking spaces			5,303							
Total				11,871						0	700,000

It should be noted that, in October 2021, pursuant to the regular notice sent, the previous Telecontact Centre tenant released the spaces.

Disputes

No disputes are pending in relation to the property.

Capex

No Capex were incurred on the Lamaro property during 2021.

Valuation On the basis of the analyses carried out, the Independent Expert identified the Market Value of the Lamaro property as at 31 December 2021 as Euro 12,570,000. The Appraisal Value of the Lamaro property increased by approximately 4.06% (Euro 12,080,000) from December 2020. This change is due to the signing of a new lease agreement for a portion of the property, following the exit of the previous single-tenant, as well as to the improvement hypotheses in relation to the end of the crisis caused by COVID-19.

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 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	Unit	Address	Location	Comm. surface area (sq.m)	Tenant	Start of Contract	Duration	First Expiry	Second Expiry	Passing Rent	Standard rent (€)
Cavour 6	(self-contained property)	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
Total				13,876						3,038,551	3,038,551

Disputes

Jolly S.r.l. – Notified eviction for arrears and requested payment order for unpaid rents amounting to Euro 68,403.84. The case was registered under no. 60850/2020. At the hearing of 14 January 2021, the judge validated the eviction, setting for the execution the date of 1 July 2021, however, due to the measures issued to deal with the Covid-19 health emergency, it will be possible to proceed with the execution only from 1 January 2022. With regard to the recovery of past due instalments,

injunction no. 3404/2021 of 12 February 2021 notified to Jolly S.r.l. with the writ of order, against which the debtor objected to the execution and to the enforceable deeds, with a request for suspension of the executive effectiveness of the security (no. 38127/2021 RG), sect. IV, Judge Nardone). At the first hearing, the terms for the filing of briefs pursuant to Article 183 VI of the Italian Civil Code were granted. At the hearing for the admission of the preliminary requests set for 25 January 2022, the Judge rejected the opposing requests and set the hearing of 28 March 2022 for the oral discussion of the case pursuant to 281-sexies of the Italian Civil Code. In addition, a personal foreclosure was requested (RG 10323/21, Judge Lauropoli) who will be called to the hearing on 17 January 2022 for the appearance of the parties.

Capex

During the 2021 financial year, Capex were incurred on the Cavour 6 property for Euro 6,552.

Valuation

As at 31 December 2021, the Independent Expert identified the Market Value of the Cavour 6 real estate complex at Euro 46.830,000, an increase of approximately 0.06% compared to the value of December 2020 (Euro 46,800,000).

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 fee of the commercial plate stands at approx. Euro 3,065,824.00.

Property	Unit	Address	Location	Comm. surface area (sq.m)	Tenant	Start of Contract	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 di Nori S.r.l.	01-Apr-15	6+6	30-Mar-21	30-Mar-27	48,822	48,822
Cavour 5	Ground floor	Via Cavour, 5	Rome	24	Numistica Internazionale	01-Dec-06	6+6	28-Feb-25	28-Feb-31	12,588	12,588
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	01-01-22	6+6	31-Dec-28	31-Dec-34	16,500	16,500
Total				13,809						3,065,824	3,065,824

Disputes

Jolly S.r.l. – Notified eviction for arrears and requested payment order for unpaid rents amounting to Euro 33.808,78. The case was registered under no. 60854/2020 RG of the Court of Rome. At the end of the hearing of 18 January 2021, the Judge issued a provisional order to release the property, setting the execution as at 30 June

2021 and changed the procedure from ordinary to special lease. However, due to the measures issued to deal with the Covid-19 health emergency, it will be possible to enforce execution for the release of the property only from 1 January 2022. Due to the change in procedure, the mandatory mediation procedure was completed (pursuant to art. 5, paragraph 1 bis of Legislative Decree 28/2021), which ended with a negative report on 28 April 2021. Jolly has filed an opposition judgment against the eviction (n. 6283/2021 RG, VI Civil Section, Judge Francone). At the hearing of 17 January 2022, called for discussion, following the rejection of the opposing preliminary requests, the Judge pronounced the sentence with which he declared the lease contract terminated, confirming the release order already issued and condemned the conductor Jolly S.r.l. to pay the residual accruals, albeit to a lesser extent than requested. The deadline for any appeal is pending.

Capex

In the first half of 2021, Capex were incurred on the Cavour 6 property for Euro 9,012.

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 2021 at Euro 54,990,000, an increase of approximately 0.46% compared to the value in December 2020 (Euro 54,740,000). This variation is due to the improved forecasts in relation to the end of the crisis caused by COVID-19.

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	Unit	Address	Location	Comm. surface area (sq.m)	Tenant	Start of Contract	Duration	First Expiry	Second Expiry	Passing Rent (€)	Standard rent (€)
Cernaia	Ground floor	via cernaia, 16	Rome	393	Faro S.r.l.	01-Nov-19	7+6	31-Oct-26	31-Oct-32	75,000	88,500
Total				393						75,000	88,500

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

This change is due to the forthcoming conclusion of the agreed discounted rent period.

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 to office use. Currently, the tenant of the unit is a branch of Banca Popolare di Sondrio for an amount of approx. Euro 200,000. On the ground floor are the counters and the employees' offices, while the document archive and the technical rooms are located in the basement.

Property	Unit	Address	Location	Com. surface	Tenant	Start of Contract	Duration	First Expiry	Second Expiry	Passing Rent (€)	Standard rent (€)
Sonnino	Ground floor	P.zza Sonnino 38	Rome	620	Banca Popolare di Sondrio	01-Apr-10	9+9	31-Mar-19	31-Mar-28	207,038.56	207,038.56
Total				620						207,038.56	207,038.56

Disputes No disputes are pending in relation to the property.

Capex Since the acquisition date, no Capex has been incurred on the property in Piazza Sonnino.

Valuation On the basis of the analyses carried out, the Independent Expert identified the Market Value of the asset as Euro 3,330,000, up by about 0.3% compared to the valuation of December 2020 (Euro 3,310,000). This increase is due to the improved forecasts in relation to the end of the crisis caused by COVID-19.

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 located on the ground floor of a predominantly residential, four-storey building, and was vacant at the date of the relationship. During the second half of 2021, a lease agreement was signed with DPIZZA S.r.l. with effect from 1 February 2022 and a fully operational rent of Euro 24,000.00.

Property	Unit	Address	Location	Com. surface area (sq.m)	Tenant	Start of Contract	Duration	First Expiry	Second Expiry	Passing Rent (€)	Standard rent (€)
Castelbolognese	Ground floor	G. da Castelbolognese 41/a-43	Rome	110	DPIZZA S.r.l.	01-Feb-22	6+6	31-Jan-28	31-Jan-34	-	24,000
Total				110						-	24,000

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. On 7 April 2021, the proceedings were declared closed due to the non-appearance of the parties pursuant to art. 309 of the Code of Civil Procedure.

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

Valuation

On the basis of the analyses carried out, the Independent Expert identified the Market Value of the asset as Euro 350,000, up by around 29.63% compared to the valuation of December 2020 (Euro 270,000). The positive change in value is due to the signing of a new lease agreement, as well as to the cancellation of the previously estimated capex and the improvement hypotheses in relation to the end of the crisis caused by COVID-19.

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 150,000.

Property	Unit	Address	Location	Comm. surface area (sq.m)	Tenant	Start of Contract	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	140,000	150,000
Total				510						140,000	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 as Euro 2,390,000, up by around 1.27% compared to the valuation of December 2020 (Euro 2,360,000). This positive variation is due to the forthcoming conclusion of the agreed discounted rent period and the approach of the step-up rent, as well as the improved forecasts in relation to the end of the crisis caused by COVID-19.

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 rented to Rinah S.r.l.

Property	Unit	Address	Location	Comm. surface area (sq.m)	Tenant	Start of Contract	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	130,000

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 as Euro 1,990,000, up by 6.42% compared to the valuation of December 2020 (Euro 1,870,000). This positive variation is due to the conclusion of the agreed discounted rent period, as well as to the improved forecasts in relation to the end of the crisis caused by COVID-19, as detailed in the appraisal.

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 respectively for residential and office use.

The property is currently completely 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 470,000, up by around 6.82% compared to the valuation of December 2020 (Euro 440,000). This increase is due to the improved forecasts in relation to the end of the crisis caused by COVID-19, as detailed in the appraisal.

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 50 thousand rent:

Property	Unit	Address	Location	Comm. surface area (sq.m)	Tenant	Start of Contract	Duration	First Expiry	Second Expiry	Passing Rent (€)	Standard rent (€)
Sestri	Ground floor	Via Sestri 67/69 R	Rome	125	SM Italia S.r.l.	01-May-15	6+6	30-Apr-21	30-Apr-27	47,220.29	51,513
Total				125						47,220.29	51,513

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 as Euro 760,000, greater than 1.33% compared to the valuation of December 2020 (Euro 750,000). This positive change in value is due to the improved forecasts in relation to the end of the crisis caused by COVID-19.

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 storeys, plus a basement. The state of maintenance is approximately good.

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

Property	Unit	Address	Location	Comm. surface area	Tenant	Start of Contract	Duration	First Expiry	Second Expiry	Passing Rent (€)	Standard rent (€)
Etruria	(self-contained property)	Viale Etruria 9	Civitav.	1,540	Asl	30-May-05	9+6	29-May-26	29-May-32	228,000	228,000
Total				1,540						228,000	228,000

Disputes

No disputes are pending in relation to the property.

Capex

During the second half of 2021, Capex were incurred for Euro 9,000.

Valuation

On the basis of the analyses carried out, the Independent Expert identified the Market Value of the asset as Euro 2,390,000, down by about 2.45% compared to the valuation of December 2020 (Euro 2,450,000). This change is due to the approaching conclusion of the existing lease and the provision of new capex (of a minimum size), partially mitigated by the improvement hypotheses in relation to the end of the crisis caused by COVID-19.

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 is Euro 510,000. It should be noted that, pursuant to Article 2 of the current lease, the Property sent a formal notice of termination starting from 24 December 2023.

Property	Unit	Address	Location	Comm. surface area (sq.m)	Tenant	Start of Contract	Duration	First Expiry	Second Expiry	Passing Rent (€)	Standard rent (€)
Goiran	(self-contained property)	Viale Goiran 1	Rome	2,027	Ministry of the Interior	15-Jun-08	15	23-Dec-23	-	510,000	510,000
Total				2,027						510,000	510,000

Disputes

No disputes are pending in relation to the property.

Capex

During the course of 2021, Capex were incurred for Euro 78,600.

Valuation

On the basis of the analyses carried out, the Independent Expert identified the Market Value of the asset as Euro 6,890,000, less than around 74.70% compared to the valuation of December 2020 (Euro 7,230,000). This decrease is due to the due

to the provision of new capex, partially mitigated by the improved forecasts in relation to the end of the crisis caused by COVID-19, as detailed in the appraisal.

MILAN PROPERTY, VIALE GIULIO RICHARD, 1-7

Rental situation

The property in Viale Richard, 1-7, consisting of three buildings, F, G and H, is partially leased to various tenants. During the first half of 2021, no lease contracts were signed. It should be noted that in December two lease agreements were signed with the companies Festina Italia S.r.l. and Soil Engineering S.r.l. for a total annual rent at full capacity of Euro 178,000.00. During the second half of 2021, the ADP tenant sent a formal cancellation of the contract; negotiations are underway for the definition of a new lease.

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Property	Unit	Address	Locati on	Comm surface area (sq.m)	Tenant	Start of Contract	Durati on	First Expiry	Second Expiry	Passing Rent	Standard rent (€)
Viale Richard	(self-contained property)	Building G	Milan	1,149	Unicredit S.p.A.	01-Apr-09	6+6	31-Mar-27	31-Mar-33	235,809	235,809
Viale Richard	(self-contained property)	Building F	Milan	5,187	ADP	01-Nov-16	6+6	31-Oct-22	31-Oct-28	640,000	640,000
Viale Richard	(self-contained property)	Building F	Milan	1073	Resources	18-Oct-18	7+6	17-Oct-25	17-Oct-31	95,064	133,000
Viale Richard	(self-contained property)	Building F	Milan	550	GESA	01-Mar-20	7+6	28-Feb-27	28-Feb-33	70,263	70,000
Viale Richard	(self-contained property)	Building F	Milan	544	Festina Italia	01-Jul-22	7+6	30-Jun-29	30-Jun-35	-	90,000
Viale Richard	(self-contained property)	Building F	Milan	567	Soil Engineering	01-Nov-22	7+6	31-Oct-29	31-Oct-35	-	88,000
Viale Richard	(self-contained property)	Building H	Milan	129	ALCON	01-Feb-01	1+1	31-Mar-22	-	25,986	25,986
Viale Richard	(self-contained property)	-	Milan	5,633	Vacant						
Total				13,721						1,067,121	1,282,795

Disputes

No disputes are pending in relation to the property.

Capex

During the course of 2021, Capex were incurred for Euro 624,157.

Valuation

On the basis of the analyses carried out, the Independent Expert identified the Market Value of the asset as Euro 22,650,000 million, up by around 1.39% compared to the valuation of June 2021 (first valuation of the asset as Euro 22,340,000). This positive change in value is due to new agreements and proposals received, as well as improved forecasts in relation to the end of the crisis caused by COVID-19.

FINANCIAL MANAGEMENT

Equity

The position of the current unit holder is shown below:

Quotista	Quote sottoscritte e	
	versate	Stake (%)
Picasso Lux S.a.r.l. SICAF-RAIF	113,293	100%

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Financing

The financial debt of the fund as at 31 December 2021 is summarised in the table below:

Bank	Credit	Line (Euro k)	Remaining amount (Euro k)	Reference Interest Rate	Spread	Date Signature	Expiry Date
Banca IMI	A	75,000	32,625	6-month Euribor	265 bps	30-Jun-15	31-Dec-22
Unicredit	A	-	32,625	6-month Euribor	265 bps	30-Jun-15	31-Dec-22
Banca IMI	B	27,000	11,745	6-month Euribor	265 bps	30-Jun-15	31-Dec-22
Unicredit	B	-	11,745	6-month Euribor	265 bps	30-Jun-15	31-Dec-22
Banca Intesa	Finleonardo	9,850	8,850	6-month Euribor	230 bps	19-Dec-16	31-Dec-22
Total		111,850	97,590				

Following the extension of the loans which occurred during the first half of 2021, the expiry of the same, initially scheduled for 30 June 2021, was extended to 31 December 2022.

In connection with the merger of the Picasso Fund into the Tarvos Fund, also managed by Castello SGR (expected to be completed by the first quarter of 2022), the outstanding loan with Banca IMI and Unicredit will be fully repaid at the merger date thanks to a refinancing operation of the entire real estate portfolio. See the following paragraph “Management activities and future strategies”.

INTEREST RATE RISK HEDGING

At the reference date of this report, there are no hedging instruments in place to cover the risk expired on 30 June 2021 (in line with the previous maturity of the loans).

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 are no liquidity investments 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.).

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 means of a resolution of the Board of Directors of the Asset Management Company of 27 October 2021, Avalon Real Estate S.p.A. was appointed as the Picasso Fund Independent Expert for the next 3 years.

RECEIVABLES SITUATION AS AT 31 DECEMBER 2021

The receivables situation as at 31 December 2021 is shown below.

Cliente / Conduttore	Immobile	Cliente Attivo (occupazione degli spazi)	Fatturato ultimo anno	Saldo al 31.12.2021	Non scaduto	1 - 90 giorni	91 - 180 giorni	181 - 365 giorni	Superiori a 365 giorni	Importo Depositi cauzionali	Importo Fidejussioni	Garanzie (Depositi Cauzionali + Fidejussioni)	Fondo Solvibilità Crediti al 31.12.2020	Incremento (Diminuzione) Fondo Solvibilità Crediti ultimo anno	Totale Fondo Solvibilità Crediti al 31.12.2021
Lamona Totale	Lamona Totale		1.914.209,93	882,00	882,00	0,00	0,00	0,00	0,00	175.000,00	0,00	175.000,00	0,00	0,00	0,00
Talavera Totale	Talavera Totale		5.965.909,47	1.405.571,90	1.405.556,20	14.509,36	12.985,96	0,00	33.822,48	0,00	2.033.649,27	2.033.649,27	43.181,25	-4.091,56	39.179,69
Cavour 6 Totale	Cavour 6 Totale		1.707.032,46	253.232,60	253.232,60	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00
Cavour 7 Totale	Cavour 7 Totale		2.125.864,00	18.826.972,29	243.899,21	47.770,11	44.784,27	82.621,56	198.697,44	27.699,56	18.441,00	16.697,56	0,00	129.738,61	129.738,61
Bona Via Cornelia Totale	Via Cornelia Totale		92.336,35	19.155,53	6.477,84	10.196,19	0,00	0,00	-426,50	0,00	21.125,00	21.125,00	0,00	0,00	0,00
Pavia Corso Cavour Totale	Pavia Totale		83.098,97	29.732,69	22.134,48	7.598,21	0,00	0,00	0,00	0,00	31.600,00	31.600,00	0,00	0,00	0,00
Genova Via Sesto Totale	Genova Totale		88.591,38	15.711,00	15.711,00	0,00	0,00	0,00	0,00	0,00	12.500,00	12.500,00	0,00	0,00	0,00
Piacenza Via XX Settembre Totale	Piacenza Totale		171.020,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	75.000,00	75.000,00	0,00	0,00	0,00
Bona Piazza Sordani Totale	Bona Sordani Totale		252.547,00	0,00	0,00	0,00	0,00	0,00	0,00	35.000,00	0,00	35.000,00	0,00	0,00	0,00
Bona Via Giovanni da Casalbolognese Totale	Bona Casalbolognese Totale		117,00	56.215,25	0,00	0,00	0,00	0,00	55.697,81	0,00	0,00	0,00	49.997,81	0,00	49.997,81
Cinaveschia Viale Eritrea Totale	Cinaveschia Totale		289.440,00	0,00	0,00	0,00	0,00	0,00	0,00	45.813,00	0,00	45.813,00	0,00	0,00	0,00
Bona Via Garibaldi Totale	Bona Garibaldi Totale		622.200,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00
Milano Richard Totale	Milano Richard Totale		2.009.271,10	571.225,07	404.999,04	166.229,19	0,00	0,00	0,00	4.880,52	240.750,00	245.630,52	0,00	0,00	0,00
Totale complessivo			18.992.915,30	3.436.609,21	2.853.782,31	246.679,66	57.770,13	82.627,06	196.350,02	307.463,38	2.390.971,96	2.698.435,34	92.279,10	125.733,67	218.012,77

At 31 December 2021, the net receivables for lease payments not yet collected amounted to Euro 3,436,609.21.

OTHER INFORMATION

GOVERNANCE OF THE ASSET MANAGEMENT COMPANY

On 15 June 2020, the transfer by Istituto Atesino di Sviluppo S.p.A., ITAS Holding S.r.l. and Lo.Ga-fin s.s., as sellers, to OCM OPPS Xb ITA Investment (Castello) S.à.r.l. (vehicle company part of 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. was completed. This transfer 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 Investors' Meeting of Castello SGR appointed the new members of the Board of Directors and the Board of Statutory Auditors, subsequently amended and integrated in the Investors' Meeting held on 29 April 2021.

The Board of Directors, at the date of this Report, is composed of 7 members, 2 of whom independent:

Francesco Canzonieri - Chairman
 Giampiero Schiavo - Chief Executive Officer
 Sonia Locantore - Independent
 Federico Ghizzoni - Independent
 Giorgio Franceschi
 Charles Peter Blackburn
 Christopher Etienne De Mestre

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

INVESTORS' ASSEMBLY

On 7 May 2021, the Investors' Assembly of the Picasso Fund met to resolve on the following agenda:

1. Appointment of the members of the Advisory Committee, pursuant to Article 4.2.2.1 (Duties of the Investors' Assembly), lett. c) of the regulation.
2. Proposed amendment to the Management regulations, pursuant to Article 4.2.2.1 (Powers of the Investors' Assembly), lett. e) of the regulation.
3. Proposal for the distribution of distributable income, pursuant to Article 4.2.2.1 (Powers of the Investors' Assembly), lett. h) of the regulation.

ADVISORY COMMITTEE

On 7 May 2021, the Advisory Committee of the Picasso Fund met to resolve on the following agenda:

1. Appointment of the Chairman of the Advisory Committee, pursuant to Article 4.2.1.1 (Establishment and composition of the Advisory Committee), General Part, of the management regulations of the Picasso Fund.
2. Proposal to stipulate a purchase agreement with Yoda Italy Real Estate Investments S.r.l. concerning the sale of a property located in Rome, Via Cavour, 5, pursuant to Article L (Powers of the Advisory Committee), Special Part, of the regulation management of the Picasso Fund.

SIGNIFICANT EVENTS AFTER 31 DECEMBER 2021

The Shareholders' Meeting of the Fund, which met on 18 January 2022, resolved favourably on the amendment of the Fund Regulations providing for a new scheme of Management Fees that will apply to the completion of the merger with the Tarpvos fund (see the paragraph "Management Activities and Future Strategic Lines" below).

It should also be noted that on 7 May 2021 the Fund's Shareholders' Meeting approved the amendment to the Fund Regulations, providing for the possibility of its merger with other funds.

MANAGEMENT ACTIVITIES AND FUTURE STRATEGIC LINES

In January 2022, the preparatory activities continued for the merger by incorporation of the Alternative Real Estate Fund called Tarpvos, managed by Castello SGR, within the Picasso Fund. It is expected that the completion of this transaction (for the description of which see also what is reported in the "Financial Management" section), expressly requested by the Fund's sole shareholder, should take place within the first quarter of 2022.

In view of the fund's economic and financial situation and the information provided in this report, the Directors have prepared the same on the basis that the principle of the Fund's management continuity is appropriate.

PICASSO FUND REPORT AS AT 31/12/2021

BALANCE SHEET

ASSETS	Situation as at 31/12/21		Situation as at 31/12/20	
	Total value	as a percentage of assets	Total value	as a percentage of assets
A. A. FINANCIAL INSTRUMENTS	56.730	0,02%	33.579	0,02%
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	56.730	0,02%	33.579	0,02%
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	56.730	0,02%	33.579	0,02%
B. REAL ESTATE ASSETS AND REAL RIGHTS TO REAL ESTATE	231.750.000	94,05%	208.850.000	95,68%
B1. Leased property	230.930.000	93,72%	208.270.000	95,41%
B2. Property under financial lease	-	0,00%	-	0,00%
B3. Other properties	820.000	0,33%	580.000	0,27%
B4. Real rights to real estate	-	0,00%	-	0,00%
C. RECEIVABLES	-	0,00%	-	0,00%
C1. Loans acquired for securitisation transactions	-	0,00%	-	0,00%
C2. Other	-	0,00%	-	0,00%
D. BANK DEPOSITS	-	0,00%	-	0,00%
D1. on demand	-	0,00%	-	0,00%
D2. others	-	0,00%	-	0,00%
E. OTHER ASSETS	-	0,00%	-	0,00%
E1. Other assets	-	0,00%	-	0,00%
F. NET LIQUIDITY POSITION	10.713.037	4,35%	6.716.574	3,08%
F1. Available liquidity	10.713.037	4,35%	6.716.574	3,08%
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%
G. OTHER ASSETS	3.892.878	1,58%	2.699.831	1,22%
G1. Receivables for active repurchase agreements and similar transactions	-	0,00%	-	0,00%
G2. Accrued income and prepaid expenses	327.653	0,13%	93.086	0,04%
G3. Tax savings	-	0,00%	-	0,00%
G4. Other	3.565.225	1,45%	2.606.745	1,18%
	-	0,00%	-	0,00%
TOTAL ASSETS	246.412.645	100%	218.299.984	100%

LIABILITIES AND NET	Total value	as a percentage of liabilities	Total value	as a percentage of liabilities
H. FINANCING RECEIVED	97.590.000	86,49%	99.830.000	97,44%
H1. Mortgage loans	97.590.000	86,49%	99.830.000	97,44%
H2. Repurchase agreements and similar transactions	-	0,00%	-	0,00%
H3. Other	-	0,00%	-	0,00%
I. DERIVATIVE FINANCIAL INSTRUMENTS	-	0,00%	-	0,00%
I1. Options, premiums or other listed derivatives financial instruments	-	0,00%	-	0,00%
I2. Options, premiums or other unlisted derivative fin. instruments	-	0,00%	-	0,00%
L. PAYABLES TO INVESTORS	-	0,00%	-	0,00%
L1. Income to be distributed	-	0,00%	-	0,00%
L2. Other payables to investors	-	0,00%	-	0,00%
M. OTHER LIABILITIES	15.248.177	13,51%	2.624.536	2,56%
M1. Accrued and unpaid commissions and charges	37.528	0,03%	18.300	0,02%
M2. Tax payables	279.337	0,25%	195.707	0,19%
M3. Accrued expenses and deferred income	2.517.922	2,23%	1.886.569	1,84%
M4. Other	12.413.390	11,00%	523.960	0,51%
TOTAL LIABILITIES	112.838.177	100%	102.454.536	100%
TOTAL FUND NET VALUE	133.574.468		115.845.448	
NUMBER OF UNITS OUTSTANDING	113,293		105,000	
UNITARY VALUE OF UNITS	1.179.017,836		1.103.289,983	
INCOME DISTRIBUTED PER UNIT	20.302		53.334	
REFUNDS DISTRIBUTED PER UNIT	0		0	

INCOME STATEMENT SECTION

		Situation as at 31/12/21	Situation as at 31/12/20
A.	FINANCIAL INSTRUMENTS		
	Unlisted financial instruments		
A1.	EQUITY INVESTMENTS	-	-
A1.1	dividends and other income	-	-
A1.2	gains/losses on sales	-	-
A1.3	gains/losses	-	-
A2.	OTHER UNLISTED FINANCIAL INSTRUMENTS	-	-
A2.1	interest, dividends and other income	-	-
A2.2	gains/losses on sales	-	-
A2.3	gains/losses	-	-
	Listed financial instruments		
A3.	LISTED FINANCIAL INSTRUMENTS	-	-
A3.1	interest, dividends and other income	-	-
A3.2	gains/losses on sales	-	-
A3.3	gains/losses	-	-
	Derivative financial instruments		
A4.	DERIVATIVE FINANCIAL INSTRUMENTS	62.178	-
A4.1	hedging	62.178	-
A4.2	non-hedging	-	-
	Financial instrument management result (A)	62.178	-
B.	REAL ESTATE ASSETS AND REAL RIGHTS TO REAL ESTATE		
B1.	RENTAL FEES - OTHER INCOME	15.040.618	12.885.207
B1.a	Rent	13.599.399	12.519.462
B1.b	other income	1.441.219	365.745
B2.	PROFITS/LOSSES ON SALES	-	-
B3.	GAINS/LOSSES	3.161.129	3.587.995
B4.	CHARGES FOR THE MANAGEMENT OF REAL ESTATE ASSETS	3.087.098	2.274.355
B4.a	non-recurring charges	1.368.137	874.927
B4.b	recurring charges	505.982	329.038
B4.c	Interest income on security deposits	14	56
B4.d	other real estate charges	1.212.965	1.070.334
B5.	DEPRECIATION AND AMORTISATION	-	-
	Real estate management result (B)	15.114.649	7.022.857
C.	RECEIVABLES		
C1.	Interest income and similar income	-	-
C2.	increases/decreases in value	-	-
	Loan management result (C)	-	-
D.	BANK DEPOSITS		
D1.	Interest income and similar income	-	-
	Bank deposit management result (D)	-	-
E.	OTHER ASSETS (to be specified)		
E1.	Income	-	-
E2.	Profit/Loss on sales	-	-
E3.	Gains/losses	-	-
	Profit from management of other assets (E)	-	-
	Investment Management Profit (A + B + C + D + E)	15.052.471	7.022.857

F.	RESULT OF EXCHANGE MANAGEMENT		
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	-	-
	Exchange rate result (F)	-	-
G.	OTHER MANAGEMENT TRANSACTIONS		
G1.	INCOME FROM REPURCHASE AGREEMENTS AND SIMILAR TRANSACTIONS	-	-
G2.	INCOME FROM SECURITY-LENDING TRANSACTIONS	-	-
	Result of other management transactions (G)	-	-
	Gross Result from Ordinary Operations (Investment Management Profit + F + G)	15.052.471	7.022.857
H.	FINANCIAL CHARGES	- 2.848.323	- 2.954.988
H1.	INTEREST EXPENSE ON LOANS RECEIVED	- 2.635.132	- 2.702.030
H1.1	mortgage loans	- 2.635.132	- 2.702.030
H1.2	other loans	-	-
H2.	OTHER FINANCIAL CHARGES	- 213.191	- 252.958
	Financial charges (H)	- 2.848.323	- 2.954.988
	Net profit (loss) from ordinary operations (Gross Result from Ordinary Operations + H)	12.204.148	4.067.869
I.	MANAGEMENT COSTS	- 546.287	- 494.214
I1.	Asset Management Company management commission	- 324.847	- 303.802
I2.	Cost for calculating the value of the unit	- 26.764	- 25.385
I3.	Custodian bank fees	- 44.198	- 37.671
I4.	Charges for independent experts	- 37.900	- 23.000
I5.	Expenses for publication of prospectuses and public disclosure	-	-
I6.	Other management costs	- 112.578	- 104.356
I7.	Listing fees	-	-
	Total operating expenses (I)	- 546.287	- 494.214
L.	OTHER REVENUES AND CHARGES	- 129.141	- 96.592
L1.	Interest income on cash and cash equivalents	1	2
L2.	Other revenues	15.393	8.080
L3.	Other charges	- 144.535	- 104.674
	Total other revenues and charges (L)	- 129.141	- 96.592
	Profit (loss) from operations before taxes (Net Result from Ordinary Operations + I + L)	11.528.720	3.477.063
M.	TAXES	-	-
M1.	Substitute tax for the year	-	-
M2.	Tax savings	-	-
M3.	Other taxes	-	-
	Total taxes (M)	-	-
	Profit/loss for the year (RGPI + M)	11.528.720	3.477.063

NOTES TO THE FINANCIAL STATEMENTS

PART A – UNIT VALUE TREND

As at 31 December 2021, the Fund invested 94.05% in real estate.

At the same date, the *Net Asset Value* of the Fund amounted to Euro 133,574,468, which combines a positive result for the period of Euro 11,528,720.

The value of the share as at 31 December 2021 corresponds to Euro 1,179,017.836.

The trend of the historical series of the value of the unit and of 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
Initial net total value	-	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
Final net total value	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
Number of units outstanding	29	29	29	31	31	40	44	46	48	48	50	52	104
Unitary Value of the Unit	500,000.000	630,654.958	787,086.852	750,457.548	915,228.116	846,410.999	759,237.559	758,879.583	805,372.816	800,495.035	834,246.517	877,226.718	886,069.515

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	30/06/2021	31/12/2021
Initial net total value	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	115,845,448	130,033,811
Payment of subscribed commitments	-	-	-	800,000	-	-	-	-	-	-	-	-	8,500,325	-
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	2,300,025	-
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	7,988,063	3,540,657
Final net total value	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	130,033,811	133,574,468
Number of units outstanding	104	104	104	105	105	105	105	105	105	105	105	105	113,293	113,293
Unitary Value of the Unit	913,713.354	870,900.428	888,478.875	887,240.134	894,277.220	906,835.189	919,200.812	953,450.839	1,056,522.653	1,123,509.094	1,096,948.531	1,103,289.983	1,147,765.625	1,179,017.836

The table below summarises the profits achieved by the Fund during the year and the distributable operating income determined in accordance with the Management Regulations:

Total distributable income

Retained distributable earnings as at 31.12.2020	3,072,233
Profit for the period 01.01.2021 - 31.12.2021	11,528,720
Unrealised gains 01.01.2021 - 31.12.2021	-4,250,279
Unrealised losses of previous period covered by unrealised gains of current financial year	951,677
Unrealised losses in current financial year covered by unrealised gains in previous period	670,550
Total distributable income 31.12.2021	11,972,901

Based on the assessments of the Independent Experts as at 31 December 2021, the current value of the properties amounts to a total of Euro 231,750,000 including the overall valuation gain recorded in the period equal to Euro 3,161,129.

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

With regard to the risks assumed and the techniques used to identify, measure and control risks, the following references can be provided:

HEDGING AND/OR RISK MITIGATION POLICIES

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

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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 the development of any past due 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 - Financial risk: with reference to the financial sustainability of the project, specific stress tests and sensitivity analyses are carried out periodically;

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

PART B – ASSETS, LIABILITIES AND TOTAL NET VALUE

SECTION I VALUATION CRITERIA

The valuation criteria adopted for the preparation of this report are those established by the Measure of the Governor of the Bank of Italy of 19 January 2015 as last amended by the Measure of 23 December 2021, issued in implementation of Italian Legislative Decree no. 58 of 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.

ACCOUNTING STANDARDS

The generally accepted accounting policies for mutual investment funds and the measurement criteria envisaged by the Provision of the Bank of Italy's Governor of 19 January 2015, as lastly modified by the Provisions of 23 December 2021, were applied in the preparation of this Fund's Report.

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.

DURATION OF THE ACCOUNTING YEAR

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

ACCOUNTING POLICIES

Trading in securities and other financial assets is accounted for in the Fund's portfolio on the basis of the date of conclusion of the relative 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 commitments undertaken 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.

FINANCIAL INSTRUMENTS

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 in relation to the quantities traded is applied.

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.

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.

EQUITY INVESTMENTS

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

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 Measure, Title V, Chapter IV, Section II, paragraph 2.4.3.

NON-CONTROLLING INTERESTS IN REAL ESTATE COMPANIES

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

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 next paragraph "Real estate assets" to real estate assets and real rights to real estate resulting from the last approved financial statements. The other assets and liabilities in the financial statements of the investee are not normally subject to new valuation. Any revaluations or write-downs of real estate assets and real rights to real estate determine, respectively, an increase or decrease in the shareholders' equity of the investee itself, also taking into account possible tax effects. Significant events between the reporting date and the time of valuation are also considered.

REAL ESTATE ASSETS

Real estate assets and real rights to real estate are valued at their current value, as an expression of their estimated 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 single 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 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 be reasonably 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 pertaining to its economic and financial situation to necessarily carry out the transaction;
- the paperwork for marketing the property, conducting negotiations and defining the conditions of the contract has been completed in the time normally 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 acquirer does not have a specific interest in the transaction linked to factors not economically relevant for 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 the one to be valued (by type, characteristics, destination, location, etc.) on the same market or on competitive markets, taking into account the aforementioned sale prices and applying the adjustments deemed adequate, in relation to the date of sale, the morphological characteristics of the asset, the state of maintenance, the profitability, the quality of the tenant and any other factor deemed relevant;
- using income-based methodologies that take into account the income deriving from lease agreements and any rental 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 taxes on the transfer of ownership of the asset.

The current value of the real rights to real estate is determined by applying, to the extent compatible, the criteria set forth 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 at a value obtained by discounting the income in perpetuity of the following year, at an appropriate rate and relative to investments comparable to the one in question.

RECEIVABLES AND OTHER ASSETS

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

BANK DEPOSITS

Bank deposits are expressed at their nominal value.

NET LIQUIDITY POSITION

Available net liquidity is expressed at nominal value.

PAYABLES AND OTHER LIABILITIES

Payables and other liabilities are shown at their nominal value.

ACCRUED INCOME AND PREPAID EXPENSES

They are calculated according to the accrual principle in application of the principle of correlation of costs and revenues based on the year.

COSTS AND REVENUES

They are accounted for on an accruals basis and according to the Fund's activities. 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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EXPENSES 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 exceeding Euro 100,000,000 (one hundred million) and not exceeding Euro 200,000,000 (two hundred million);
 - c) - 0.10% (zero point ten percent) of the GAV for the part of the GAV exceeding Euro 200,000,000 (two hundred million);
- the fee to be paid to the depositary 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 semester 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 Fund assets;
- 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;
- auditing fees;
- financial charges, legal fees, and tax charges;
- supervisory contribution;
- the remuneration due to independent experts and the financial intermediary;
- real estate assets administration, maintenance, managing, and restructuring expenses.
- real estate maintenance and/or enhancement expenses;
- insurance premiums;
- charges related to the accounting and administrative management of the Fund.

SECTION II ASSETS

II.1 UNLISTED FINANCIAL INSTRUMENTS

As at 31 December 2021, there are no unlisted financial instruments. In addition, during the financial year no recourse was made of this form of investment.

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II.2 LISTED FINANCIAL INSTRUMENTS

As at 31 December 2021 there are no financial instruments in the portfolio. In addition, during the financial year no recourse was made of this form of investment.

II.3 DERIVATIVE FINANCIAL INSTRUMENTS

As at 31 December 2021 there are three derivative financial instruments ("Caps").

Asset value of derivative financial instruments		
	Margins	Unlisted financial instruments
Interest rate transactions:		
- futures on debt securities, interest rates and other similar contracts		
- options on rates and other similar contracts		56,730
- 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 three "Cap" derivative financial instruments, please refer to the section "Interest rate risk hedging". The amount of Euro 56.730 indicated above refers to the portion of the *upfront* premium paid on the date of signing of the three instruments but pertaining to the period subsequent to the date of this report (in fact the two *upfront* premiums were re-discounted for the entire duration of the instruments themselves).

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

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

No.	Description and location	Main use planned	Year of construction	Profitability of leased assets				Purchase/contributions	Purchase Price	Book value as at 31.12.2021	Plus/Minus for the period as at 31/12/2021	Historical capital gains/losses	Historical cost	Mortgages	Further information
				Gross surface area (sq.m)	Rent per m ² / m3	Contract type	Contract expiry								
1	Office Building Via V. Lamasio, 51 00173 Rome	Office	1950s	11,871	€ 68.45	RENT	2022	Commercial enterprise	Purchase	€ 16,100,000	12,579,000.00	490,000.00	-3,559,740.28	16,129,740.28	-
2	Metro Complex Via Tolmezzo, 15 20133 Milan	Office	2010	21,124	€ 1,488.56	RENT	-	Commercial enterprise	Combination	€ 40,000,000	74,840,000.00	-461,550.00	26,859,746.36	47,940,253.64	-
2.1	Block A - San Gesava	Offices	2010	2,378	227.88	Feat	2023	Commercial enterprise	Construction		8,240,000.00	81,000.00			-
2.2	Block B - Time Square	Offices	2010	6,038	272.39	Feat	2026	Commercial enterprise	Construction		21,000,000.00	-1,101,000.00			-
2.3	Block C - Reality	Offices	2010	4,132	275.98	Feat	2023	Commercial enterprise	Construction		11,200,000.00	-940,000.00			-
2.4	Block D - Abramoefople	Offices	2010	3,710	155.16	Feat	€ 2,028.00	Commercial enterprise	Construction		13,760,000.00	91,300.00			204,000,000.00
2.5	Block E - Euceliana	Offices	2010	2,871	246.16	Feat	€ 2,028.00	Commercial enterprise	Construction		10,700,000.00	-130,000.00			-
3	Office building via Caroux, 6 00155 Rome	Office	Late 1800 - Early 1900	13,874	€ 218.98	RENT	2023	Italian Republic Minister of the Justice	Purchase	€ 38,700,000	46,830,000.00	23,448.26	6,723,910.12	40,306,089.88	-
4	Office building via Caroux, 5 00155 Rome - Via Turati, 38/40 00155 Rome (garage)	Office	Late 1800 - Early 1900	13,809	€ 2,238.34	RENT	2026	Italian Republic Minister of the Justice - Commercial enterprise	Purchase	€ 45,100,000	54,990,000.00	240,987.98	8,161,022.38	46,828,977.62	-
5	Rome Via Cassala 14-18	Retail		393	€ 178.92	RENT	2026	Commercial enterprise	Purchase	€ 1,310,000	1,800,000.00	50,800.00	-48,634.56	1,848,654.56	-
6	Rome Piazza Senniolo 38-40	Retail		620	€ 333.63	RENT	2026	Financial Institute	Purchase	€ 3,590,000	3,330,000.00	20,000.00	-365,932.37	3,695,932.37	-
7	Rome Via Giovanni de' Cabanodogness 41/A-43	Retail		110	€ -	VACANT	-	-	Purchase	€ 400,000	350,000.00	210,000.00	-61,493.30	411,493.30	-
8	Piacenza Via XX Settembre 55	Retail		510	€ 267.49	RENT	2026	Commercial enterprise	Purchase	€ 2,857,000	2,240,000.00	20,000.00	-549,094.34	2,939,094.34	-
9	Pavia Corso Cavour 29	Retail		244	€ 220.08	RENT	2027	Commercial enterprise	Purchase	€ 2,240,000	1,890,000.00	120,000.00	-366,272.65	2,346,272.65	19,700,000.00
10	Ferrara Via Vittorio II	Storage		305	€ -	VACANT	-	-	Purchase	€ 550,000	470,000.00	20,000.00	-115,273.62	585,273.62	-
11	Genoa Via Senni 07-09/R	Retail		125	€ 349.18	RENT	2027	Commercial enterprise	Purchase	€ 730,000	740,000.00	10,000.00	9,223.67	751,677.33	-
12	Civitavecchia Viale Etruria 9	Office		1,340	€ 146.65	RENT	2022	ASL	Purchase	€ 2,291,000	2,240,000.00	-49,000.00	22,398.00	2,347,602.00	-
13	Rome Via Goiran 1	Office		2,027	€ 251.60	RENT	2022	Tribunal office of the government	Purchase	€ 7,592,000	6,890,000.00	-418,600.00	-1,097,122.33	7,897,122.33	-
14	Milan Via Richard	Office		13,721	€ 639.34	RENT	2027	Vision	Purchase	€ 19,000,000	22,650,000.00	3,023,843.18	3,025,843.18	19,624,156.82	-
Totals					€ 6,397				€ 180,460,000	231,750,000.00	3,161,120.42	38,777,359.26	192,972,640.74	223,700,000.00	
					€ -				150,460,000.00	231,750,000.00	3,161,129.57	192,972,640.74	223,700,000.00		
									0.00	0.00	-0.15		0.00		

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Information on profitability of 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	30,626,731	-			
from 1 to 3 years	11,752,068	3,132,182			
from 3 to 5 years	144,954,007	8,907,147			
from 5 to 7 years	26,071,735	1,209,504			
from 7 to 9 years	109,192	12,209			
more than 9 years	-	-			
A) Total real estate assets leased	213,513,732	13,261,043			
B) Total real estate assets not leased	18,236,268	338,356			

The amount of Euro 338,356 represents the rental guarantee of the ancillary agreement with Generali Sgr S.p.A. - Fondo Toscanini GRE on the non-rented portions of the Milan Via Richard asset.

The values entered in the *Real estate value* column correspond to the book value of the properties in the portfolio as at 31 December 2021 divided according to the different expiry dates of the existing lease agreements, the sum of which is equal to Euro 231,750,000.

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 disposed of any properties from the start date of operations to 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.

II.7 OTHER ASSETS

At the closing date of this Report, the Fund held no assets defined as other assets.

II.8 NET LIQUIDITY POSITION

The amount shown in the financial statements of Euro 10.713.037 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
F1. Available liquidity:	10,713,037
- c / a SGSS 28263 - new free account	1,244,446
- c / a SGSS 22118 - Rent Account (pledge)	6,137,524
- c / a SGSS 27704 - Cash Reserve Account (pledge)	1,299,404
- c / a SGSS 22119 - Operating Account (pledge)	1,076,556
- c / a SGSS 22120 - Free account (pledge)	4,576
- c / a SGSS 49013EU SDD	29,557
- c / a SGSS 22121 - Sales account (pledge)	4,608
- c / a SGSS 28708 - Sales account (ISP pledge)	5,755
- c / a SGSS 28709 - Rent account (ISP pledge)	646,626
- c / a SGSS 28710 - Operating account (ISP pledge)	143,217
- c / a SGSS 28711 - Cash reserve account (ISP pledge)	120,767
- c / c SGSS 31511 EMIR account (pledge)	-
- c / a Unicredit 000104611198 - Cash pooling account	-
F2. Liquidity to be received for transactions to be settled:	-
- sale of financial instruments	-
- sale of foreign currencies	-
- daily margins to be collected	-
F3. Liquidity committed for transactions to be settled:	-
- purchases of repo financial instruments	-
- purchases of foreign currencies	-
- daily margins to be liquidated	-
Total net liquidity position	10,713,037

The current accounts held with the Depositary, 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

Other assets amounted to Euro 3.892.878 and are comprised of the following items:

Items	Amount
G1. Receivables for repurchase agreements and similar transacti	-
G2. Accrued income and prepaid expenses:	327,653
- Prepayments on operating expenses	113,734
- Prepayments on financial charges	213,919
G3. Tax savings:	-
G4. Others:	3,565,225
- Receivables from customers	3,443,199
- Bad debt provision from customers	- 218,013
- Security deposits paid	12,032
- Suppliers advance accounts	214,002
- Receivables for security deposits interest	71
- Credit notes to be received	-
- Invoices to be issued	113,934
- Other receivables	-
Total other assets	3,892,878

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

Items	Amount
Accrued income	-
Prepaid expenses	327,653
- on operating expenses	113,734
Expenses for repeatable costs	95
Professional expenses	59,082
Utilities	100
Spese proprietà	54,457
- on financial charges	213,919
Loan fees	196,881
Other charges on financing	17,039
Total accrued income and prepaid expenses	327,653

Item G4 includes other assets comprising, inter alia, the following items:

- **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 2021”.
- **Security deposits paid** - These relate to deposits paid for the supply of the integrated water and electricity service to the buildings in Via Tolmezzo, Lamaro, and Via Richard.

SECTION III LIABILITIES

- 1) The section Financing received is composed of the following items:

Items	Amount
H1. Mortgage loans	97,590,000
- Banca IMI Loan - Tranche "A"	32,625,000
- Banca IMI Loan - Tranche "B"	11,745,000
- Unicredit loan - Tranche "A"	32,625,000
- Unicredit loan - Tranche "B"	11,745,000
- Intesa Sanpaolo S.p.A. loan	8,850,000
H2. Reverse repurchase agreements and similar transactions	-
H3. Others	-
Total Financing received	97,590,000

Item H1 provides details regarding the loans received by the Fund, of which Euro 97,590,000 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 65.250.000; it was granted to the Fund to finance the general needs of the Fund.
- **Line "B"**: to date it has an *outstanding* amount equal to Euro 23,490,000; 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 € 8,850,000; it was granted to the Fund to finance part of the purchase price of the "Finleonardo Portfolio".

In connection with the merger of the Tarvos Fund into the Picasso Fund, both managed by Castello SGR (an operation which is expected to be completed by the first quarter of 2022), the total outstanding loan at the merger date will be fully repaid thanks to a full refinancing operation on the entire real estate portfolio. See also the paragraph "Management activities and future strategies".

- 2) As at 31 December 2021, there were no repurchase agreements, securities lending, and similar transactions in place. In addition, during the period no use was made of this form of financing.
- 3) As at 31 December 2021, there were no other loans.
- 4) As at 31 December 2021, there were three "Cap" type derivative financial instruments in place, effective as from 30 June 2021, which to date have not generated any inflows.
- 5) Other liabilities amounted to Euro 15.248.177 and are composed of the following items:

Items	Amount
M1. Accrued and unpaid commissions and charges:	37,528
- Payables to Asset Management Company for management fees	37,528
M2. Tax payables:	279,337
- Tax authorities - Withholdings	12,736
- Payables to Asset Management Company for VAT compensation 1	266,601
M3. Accrued expenses and deferred income	2,517,922
- Deferred income	2,517,710
- Various accrued expenses	212
M4. Other	12,413,390
- Payables for invoices to be received	386,261
- Payables to suppliers	11,700,629
- Payables to tenants	6,588
- Security deposits	307,463
- Security deposits - interest	12,449
Total other liabilities	15,248,177

Item M1 includes liabilities for commissions and charges accrued and not paid as at 31 December 2021.

Item M2 includes the tax payables accrued as at 31 December 2021.

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 breakdown of **Item M4** is illustrated below:

Items	Amount
Trade payables	11,700,628
- Trade payables - Balance of purchase price of Milan-Richard property	11,400,000
- Payables to suppliers - Various services	260,516
- Trade payables - Utilities	6,885
- Trade payables - Depositary Fees	22,979
- Trade payables - Auditing firm	10,248
Payables to suppliers for invoices to be received	386,261
- Invoices to be received - Other services	280,335
- Invoices to be received - Custodian bank fees	25,362
- Invoices to be received - Auditing firm	27,708
- Invoices to be received - Independent Expert	12,300
- Invoices to be received - Utilities	11,169
- Invoices to be received - Property Manager	29,386
Payables for security deposits	319,913
- Security deposits received from tenants	307,463
- Security deposits - interest	12,449
Other payables	6,588
- Payables for advances from customers	6,588
Total Other Liabilities	12,413,390

The item “Trade payables” is made up for the most part of the price balance of Euro 11.4 million referring to the purchase of the property in Milan in Viale Richard which took place on 25 February 2021.

The deadline for the payment of this amount is 8 March 2022.

SECTION IV 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
INITIAL AMOUNT OF THE FUND (units issued by issue price)	25,500,000	
TOTAL PAYMENTS MADE	76,800,325	100%
<i>A1. Overall result of the management of investments</i>	-	0%
<i>A2. Overall result of the management of other financial instruments</i>	- 3,548,256	-5%
<i>B. Overall result of property management</i>	130,681,838	170%
<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>	- 28,560,579	-37%
<i>I. Total management charges</i>	- 6,099,023	-8%
<i>L. Total other revenues and charges</i>	- 373,827	0%
<i>M. Total taxes</i>	-	0%
UNIT REIMBURSEMENTS MADE	-	0%
TOTAL INCOME DISTRIBUTED	35,326,012	46%
TOTAL VALUE PRODUCED BY MANAGEMENT BEFORE TAXES	92,100,153	120%
TOTAL NET VALUE AS AT 31/12/2021	133,574,468	174%
TOTAL AMOUNTS TO CALL UP	724,675	0%
INTERNAL RATE OF RETURN AT THE DATE OF THE REPORT	11.50%	

The total net value of the Fund as at 31 December 2021 was Euro 133,574,468, which corresponds to a unit value of Euro 1,179,017,836.

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 2021, is equal to 11.50%.

SECTION V OTHER BALANCE SHEET DATA

- 1) As at 31 December 2021, there are no commitments undertaken by the Fund for derivative financial instruments and other forward transactions.
- 2) As at 31 December 2021, there are no assets or liabilities towards other companies of the group to which the Asset Management Company belongs.
- 3) As at 31 December 2021, 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 2021 there are no capital gains under the tax suspension regime pursuant to Article 15, paragraph 2 of Italian Law 86/1994.

5) The guarantees received by the Picasso Fund in place as at 31 December 2021 are shown below:

Guarantor	Guaranteed	Type	Beneficiary	Property	No.	Date	Amount	Expiry	Active / Expired	Notes
UBI Banca	Picasso Fund	Guarantee	Casagio	Tolmezzo	75877-1	27/05/2019	350,000.00	26/05/2020	Active	renewed from year to year
BNL S.p.A.	Picasso Fund	Guarantee	Adesso Italia S.p.A.	Tolmezzo	9470000023713	25/01/2018	527,500.00	30/09/2025	Active	
BNL S.p.A.	Picasso Fund	Guarantee	Adesso Italia S.p.A.	Tolmezzo	09470000025578	18/01/2018	420,000.00	30/09/2023	Active	renewed from year to year
BNL S.p.A.	Picasso Fund	Guarantee	IFSCS S.r.l.	Tolmezzo	12215-20	21/09/2018	420,000.00	30/09/2019	Active	renewed from year to year
Monte dei Paschi di Siena	Picasso Fund	Guarantee	Dorma Italiana	Tolmezzo	7015601	18/04/2014	37,500.00	14/04/2023	Active	-
Intesa Sanpaolo S.p.A.	Picasso Fund	Guarantee	Nuonimatica Internazionale	Carvaz, 5	905/9200/580270	05/09/2015	4,095.15	30/11/2018	Active	-
BCC Roma	Picasso Fund	Guarantee	Nege Neri	Carvaz, 5	249/2015	18/05/2015	14,352.54	31/03/2027	Active	Transfer received in favour of Castello on 29/09/2021
BNL S.p.A.	Picasso Fund	Guarantee	Fondomestic	Tolmezzo	09470000042611	24/10/2019	201,149.27	31/12/2023	Active	New guarantee including occupation of new spaces
Igor Banca S.p.A.	Picasso Fund	Guarantee	Rialb S.p.A.	Paris	003/209/106	15/07/2019	31,000.00	15/07/2020	Active	renewed from year to year
Banking Bank	Picasso Fund	Guarantee	Mango Italia S.r.l.	Piacenza	4036	22/10/2019	75,000.00	18/08/2020	Active	renewed from year to year
BNL S.p.A.	Picasso Fund	Guarantee	Adesso Italia S.p.A.	Milano	094700000152238	28/09/2020	47,500.00	17/06/2026	Active	renewed from year to year
Intesa Sanpaolo S.p.A.	Picasso Fund	Guarantee	Fino S.r.l.	Roma Via Gamma	IF 491077	07/02/2020	22,125.00	16/10/2026	Active	
Intesa Sanpaolo S.p.A.	Picasso Fund	Guarantee	ADP	Milano Via Richard	01383/9200/0686752/1641/2067	16/05/2017	160,000.00	31/01/2022	Active	digitally signed transfer appendix arrived via certified email
Bper Banca S.p.A.	Picasso Fund	Guarantee	Higher Institute of Osteopathy	Tolmezzo	18197561	06/05/2021	30,000.00	30/04/2026	Active	
Banca HBS	Picasso Fund	Guarantee	Cois S.r.l.	Milano Via Richard	N.A.	08/07/2021	17,500.00	30/04/2023	Active	It does not renew automatically
Intesa Sanpaolo S.p.A.	Picasso Fund	Guarantee	Bovamos S.p.A.	Milano Via Richard	00000051823	29/07/2021	33,250.00	17/01/2021	Active	
JOLLY S.R.L.	Picasso Fund	Cash Security deposit	-	Carvaz, 5	-	01/12/2006	12,968.23	-	Active	Transferred from IDEA Finis
JOLLY S.R.L.	Picasso Fund	Cash Security deposit	-	Carvaz, 5	-	01/12/2006	6,367.91	-	Active	Transferred from IDEA Finis
GUANSHAN XU	Picasso Fund	Cash Security deposit	-	Carvaz, 5	-	01/10/2009	4,500.00	-	Active	Transferred from IDEA Finis
Banca Popolare di Sondrio	Picasso Fund	Cash Security deposit	-	Roma, Piazza Sestini	-	19/12/2016	35,000.00	-	Active	Transferred by the seller
Societa' Esentiale Ad	Picasso Fund	Cash Security deposit	-	Roma, Via G. de' Castellidipensere	-	19/12/2016	6,600.00	-	Active	Transferred by the seller
S.M. Italia S.r.l.	Picasso Fund	Cash Security deposit	-	Genova, Via Sotti	-	19/12/2016	12,500.00	-	Active	Transferred by the seller
Aleom	Picasso Fund	Cash Security deposit	-	Milano Via Richard	-	14/04/2021	4,880.52	-	Active	Transferred by the seller
Nuonimatica	Picasso Fund	Cash Security deposit	Nuonimatica - new contract	Carvaz, 5	-	16/09/2021	3,813.72	-	Active	
ASL	Picasso Fund	Cash Security deposit	-	Cortavocchia, Viale Emma	-	19/12/2016	45,833.00	-	Active	Transferred by the seller
Selvi	Picasso Fund	Cash Security deposit	-	Lamona	-	01/11/2021	175,000.00	-	Active	
TOTAL GUARANTEES							2,698,435.34			

6) As collateral on the outstanding loans, first mortgages in favour of the Banca IMI and Banca Intesa Sanpaolo have been recorded on all the properties in the portfolio, for a total of Euro 223,700,000.00.

PART C - PROFIT FOR THE YEAR

SECTION I PROFIT (LOSS) FROM TRANSACTIONS ON EQUITY INVESTMENTS AND OTHER FINANCIAL INSTRUMENTS

In the course of this financial year, the Fund did not carry out transactions on equity investments or other listed or unlisted financial instruments.

SECTION II REAL ESTATE

Below is the breakdown of the sub-items relating to the economic result of transactions on real estate assets, which amount to Euro 15.114.649, 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
1 Income					
1.1 non-financial lease payments	-	-	-	-	13,599,399
1.2 financial lease payments	-	-	-	-	-
1.3 other income	-	-	-	-	1,441,719
2 Profit/Loss on sales					
2.1 real estate assets	-	-	-	-	-
2.2 real estate rights	-	-	-	-	-
3 Gains/losses					
3.1 real estate assets	-	-	-	-	3,161,129
3.2 real estate rights	-	-	-	-	-
4. Charges for the management of real estate assets	-	-	-	-	3,087,598
5. Depreciation and amortisation	-	-	-	-	-
					15,114,649

- 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 3,161,129) is calculated as the difference between the sum of the market value, as at 31 December 2021 by the Independent Expert's appraisal report and the sum of capex incurred on the properties during the year 2021 and the market value as at 31 December 2020.
- The item “**Property management costs**” is mainly composed of non-repeatable charges to tenants for Euro 505,982, non-repeatable charges, entirely borne by the Fund, for Euro 1,368,137 and other property management charges for Euro 1,213,465.

SECTION III RECEIVABLES

As at 31 December 2021, no securitisation transactions were in progress and this type of transaction was not carried out during the year.

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 TRANSACTIONS AND FINANCIAL CHARGES

- 1) At the date of this Report, the Fund has not carried out any exchange management transactions.
- 2) As at 31 December 2021, the Fund has not received any income or charges from repurchase agreements, securities lending, or similar.
- 3) The item “**Financial charges**” comprises of Euro 2,635,132 of interest accrued on mortgage loans and of Euro 213,191 of the related ancillary costs. The details of the interest expenses by line are shown below:

Items	Interest payable
H1-H2. Financial charges	2,848,323
- Banca IMI / UNICREDIT loan - Tranche "A"	1,783,284
- Banca IMI / UNICREDIT loan - Tranche "B"	641,982
- Banca Intesa Sanpaolo S.p.A. loan	209,865
Total financial charges	2,635,132
- Loan fees	175,587
- Other charges on loans	24,686
- Other financial charges	12,918
Total Other Financial Charges	213,191

SECTION VII MANAGEMENT COSTS

VII.1 COSTS INCURRED DURING THE PERIOD

The table below shows some certain items reclassified in other sections of the income statement items for a total of Euro 3,395 million.

MANAGEMENT COSTS	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
1) Management commissions								
- basic commissions	325	0.26%	0.13%					
- incentive commissions								
2) Cost for calculating the value of the unit	27							
3) TER of the UCITs in which the Fund invests								
4) Remuneration of the custodian bank	44	0.04%	0.02%					
- of which any remuneration for the calculation of the value of the unit								
5) Fund audit fees	40	0.03%						
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	38	0.03%	0.02%					
8) Property management costs	73	0.06%	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								
TOTAL EXPENSE RATIO (TER)	546	0.44%			0	0.00%		
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	2,848			2.92%				
15) Tax charges attributable to the Fund								
TOTAL EXPENSES	3,395	2.72%			0	0.00%		

The remuneration due to the Management Company as at 31 December 2021 consists of a total fee of Euro 351,611, which includes the cost for calculating the value of the item equal to Euro 26,764.

The fee payable 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 semester 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 fees, net of expenses and the Consob contribution, amount to Euro -37,048.45 and refer to the fee of PricewaterhouseCoopers S.p.A. for the year 2021 (fee for the audit as at 31 March 2021, 30 June 2021 and 31 December 2021).

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 31 March 2021, 30 June 2021, and 31 December 2021 amount to Euro 37,900.

VII.2 INCENTIVE COMMISSIONS

As at 31 December 2021, the Fund had not paid back incentive commissions.

VII.3 REMUNERATION

It should be noted that, as at 31 December 2021, the personnel of the SGR is composed of 76 resources, whose total gross annual remuneration for 2021 was Euro 5,989,582 (of which Euro 4,301,582 for the fixed component and Euro 1,688,000 for the variable component).

Again with reference to 31 December 2021, the total remuneration of personnel whose work has a significant impact on the risk profile of the Funds amounted to Euro 3,923,938 (of which Euro 1,372,058 relating to senior management and Euro 2,551,880 relating to other personnel).

The total remuneration of the personnel involved in the management of the Fund's activities for the year 2021, amounts to Euro 60,539, of which Euro 36,820 relating to the fixed component and Euro 23,719 to the variable component.

The Fund was managed, in 2021, directly by a team of 8 people, whose total remuneration can be attributed to the Fund to the extent of 63.23%.

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 2021 in addition to the allocation to the bad debt provision for receivables due from tenants overdue by longer time frames and unlikely to be collected.

Items	Amount
L1. Interest income on cash and cash equivalents	1
- Interest income on cash and cash equivalents	1
- Interest income on security deposits	-
L2. Other revenues	15,393
- Contingent assets	11,342
- Other income	50
- Reduction of provision for bad debts	4,001
- Discounts and rounding up	0
L3. Other charges	- 144,535
- Contingent liabilities	- 14,800
- Provision for bad debts	- 129,735
- Discounts and rounding down	-
Total Other revenues and charges	- 129,141

SECTION IX TAXES

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

REGULATORY UPDATES - DIRECTIVE 2011/61/EU (“AIFMD”)

Directive 2011/61/EU (“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, Italian Legislative Decree no. 44 of 4 March 2014 (“Decree”) entered into force, 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.

REGULATION (EU) NO. 2019/2088 (SFDR)

On 10 March 2021, the provisions of Regulation (EU) 2019/2088 - Sustainable Finance Disclosure Regulation will be implemented. The European Regulatory Framework in the area of sustainability aims at making homogeneous the information to be provided to the investors as regards sustainability risks and the promotion of the ESG factors - Environment, Social and Corporate Governance - in financial investment activities,

requiring that the investors in the financial markets and the financial consultants (Asset Management Companies included) provide the necessary information on a pre-contractual and on-going basis, to the final investors.

For the purposes of compliance with the regulations above, the Board of Directors of Castello SGR established the “ESG Committee” at the meeting of 5 March 2021.

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 total net 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 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 to 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-quater 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 78 of 31 May 2010.

STAMP DUTY

Under article 19, of Italian Decree Law 201 dated 6 December 2011 (“Decree Law 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 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 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 taken out to finance the early repayment of the fund 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 2021, drafted by Avalon Real Estate S.p.A. as the Independent Expert.

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

Milan, 27 January 2022

The Board of Directors

Castello SGR S.P.A.

Fondo Picasso

Relazione di stima del valore di mercato al 31/12/2021





Spettabile

Castello SGR S.P.A.

via Puccini, 3

20121 Milano

MILANO, 17 GENNAIO 2022

EGREGI SIGNORI

Castello SGR S.P.A. (di seguito anche il Committente) ha affidato a chi scrive l'incarico per la valutazione del Fondo Comune di Investimento Immobiliare di tipo Chiuso Riservato denominato "Picasso" alla data del 31 dicembre 2021.

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



Avalon Real Estate S.p.A
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1. Premesse e finalità dell'incarico

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

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.





2. Descrizione del Portafoglio

Il portafoglio oggetto di valutazione è composto da n°18 immobili a destinazione mista (di cui n°5 facenti parte dello stesso complesso), prevalentemente direzionale e commerciale, localizzati nel nord e nel centro Italia.

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	6.242
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
14	Milano	Viale Richard, 7	Direzionale	12.923
TOTALE				87.355



Distribuzione geografica degli asset in portafoglio



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3. Ipotesi di lavoro e limitazioni

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

- a) alla documentazione di supporto¹ 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 31/12/2021;
- chi scrive ha condotto l'ultimo sopralluogo presso le unità in oggetto nel mese di dicembre 2021;
- 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;

¹ 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.





- 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.

Nota esplicativa circa le condizioni di mercato²

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 "lockdowns" a diversi livelli. Sebbene in alcuni casi le restrizioni siano state rimosse, *lockdowns* 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.

Nonostante la campagna globale di vaccinazione di massa stia dando risultati molto positivi, 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.

² Fonte "Impact of COVID-19 Valuation" del 06/11/2020 redatto da RICS





Nota esplicativa circa la condizione di incertezza rilevante riguardo alla valutazione³

In relazione al portafoglio immobiliare in oggetto chi scrive alla data di valutazione continua a trovarsi di fronte ad una situazione nella quale le conseguenze causate dal COVID-19 non hanno precedenti e le evidenze di mercato sulle quali basare il proprio giudizio risultano ad oggi ancora in corso di definizione. Di conseguenza la valutazione è stata svolta in un contesto di “incertezza rilevante riguardo alla valutazione”, così come previsto dai VPS 3 e VPGA 10 del RICS Red Book Global. Pertanto, la valutazione dovrà essere recepita con un maggior grado di cautela rispetto a quanto normalmente avviene.

Al fine di escludere eventuali fraintendimenti, la “Nota esplicativa circa le condizioni di mercato” e la Nota esplicativa circa la condizione di incertezza rilevante riguardo alla valutazione” non sono volte a sminuire il valore e l’affidabilità che la presente valutazione deve assumere bensì hanno 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.

³ Fonte “Impact of COVID-19 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 2021”.

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.





Approccio valutativo specifico al 31/12/2021

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 reddituale/finanziario e comparativo 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 reddituale/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; tuttavia, la sostanziale impossibilità di portare a termine transazioni da parte degli operatori durante il lock-down nel primo semestre 2020 ha rarefatto il numero, e di conseguenza le informazioni, relative alle compravendite nel corso del 2020.

La situazione contingente che si è venuta a creare in corrispondenza delle ultime due valutazioni semestrali risulta dunque influenzata da tale processo di raccolta delle informazioni: basare la stima unicamente sui dati raccolti mediante indagini di mercato condurrebbe a restituire una fotografia anacronistica 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 31/12/2021 chi scrive ha fatto ricorso a metodologie basate su un'analisi delle ripercussioni che le crisi economiche passate hanno avuto sul settore immobiliare. Si è proceduto ad una raccolta delle informazioni fornite dai *data provider* relativamente al I semestre 2021 e, laddove applicabile, ad una *field analysis* puntuale sul territorio. 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 precrisi, è stato applicato 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 ad 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:

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





-
- inesigibilità di contratti di locazione in essere;
 - 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 12 mesi a partire dal 31/12/2021.





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: 1,5%;
- anno II: 1,6%;
- 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 vacanza 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.

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.





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 12 mesi, al fine di tenere conto dell'attuale situazione di incertezza rilevante. 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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6. Motivazioni delle variazioni rispetto alla valutazione semestrale precedente

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Le variazioni di valore degli asset facenti parte del patrimonio del Fondo, rispetto alla precedente valutazione semestrale, sono da attribuire, a livello generale (si rimanda all'*Allegato 1* per i dettagli relativi a ciascun immobile):

- all'aggiornamento delle assunzioni specifiche effettuate da chi scrive per ciascun immobile in relazione alla situazione di crisi legata all'emergenza sanitaria in corso;
- agli aggiornamenti relativi alla situazione locativa dei beni in esame (nuove locazioni, disdette, aggiornamento canoni, ove presenti);
- agli aggiornamenti dei costi a carico della Proprietà (IMU, assicurazioni, capex).



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7. Riepilogo dei valori

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 31/12/2021.

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 Lamaro, 81	Direzionale	15.549	12.570.000
2a	Milano	Via Tolmezzo, 15Edificio A - Saint Germain	Direzionale	2.377	8.540.000
2b	Milano	Via Tolmezzo, 15Edificio B - Times Square	Direzionale	6.035	20.100.000
2c	Milano	Via Tolmezzo, 15Edificio C - Piccadilly	Direzionale	6.242	21.720.000
2d	Milano	Via Tolmezzo, 15Edificio D - Alexanderplatz	Direzionale	3.710	13.760.000
2e	Milano	Via Tolmezzo, 15Edificio E - Barceloneta	Direzionale	2.871	10.720.000
3	Roma	Via Cavour, 6	Direzionale	13.876	46.830.000
4	Roma	Via Cavour, 5	Direzionale	17.702	54.990.000
5	Roma	Via Cernaia, 16-18	Commerciale	387	1.300.000
6	Roma	Piazza Sonnino, 38-40	Commerciale	653	3.330.000
7	Roma	Via Giovanni da Castelbolognese, 41/A-43	Commerciale	115	350.000
8	Piacenza	Via XX Settembre, 55	Commerciale	511	2.390.000
9	Pavia	Corso Cavour, 29	Commerciale	253	1.990.000
10	Ferrara	Via Vittoria, 12	Direzionale	355	470.000
11	Genova	Via Sestri, 67-69/R	Commerciale	122	760.000
12	Civitavecchia	Viale Etruria, 9	Direzionale	1.714	2.390.000
13	Roma	Via Goiran, 1	Direzionale	1.960	6.890.000
14	Milano	Viale Richard, 7	Direzionale	12.923	22.650.000
TOTALE				87.355	231.750.000





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 2021, arrotondato, sia pari a Euro 231.750.000 (duecentotrentunomilionisettecentocinquantamila/00).

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Rispetto alla precedente valutazione semestrale si evidenzia una variazione in diminuzione del valore complessivo del portafoglio per Euro 1.100.000 (-0,47%). La variazione di valore è dovuta alle motivazioni espresse nel Par. 6 (si rimanda all'*Allegato 1* per i dettagli relativi alle singole variazioni di valore).

MILANO, 17 GENNAIO 2022

Avalon Real Estate S.p.A.

Dott. Luigi Rabuini⁴

⁴ Partner e Amministratore Delegato di Avalon Real Estate S.p.a.



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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 2021, 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 2021 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.

Emphasis of Matter

We draw attention to paragraph "Covid-19 emergency - Analysis of impact on funds managed by Castello SGR" within the Directors' Report, which states that the Fund's independent expert, in its appraisal of the Fund's properties as of 31 December 2021, highlighted the effects of the Coronavirus pandemic as an uncertainty in the estimation process. In the same paragraph the Directors state that they adopted measures to verify the reasonableness of the values calculated by the expert.

Our opinion is not qualified in respect of this matter.

PricewaterhouseCoopers SpA

Sede legale: Milano 20145 Piazza Tre Torri 2 Tel. 02 77851 Fax 02 7785240 Capitale Sociale Euro 6.800.000,00 I.v. C.F. e P.IVA e Reg. Imprese Milano Monza Brianza Lodi 12979880155 Iscritta al n° 119644 del Registro dei Revisori Legali - Altri Uffici: Ancona 60131 Via Sandro Toti 1 Tel. 071 2132311 - Bari 70122 Via Abate Gimma 72 Tel. 080 5640211 - 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 Picciopetra 9 Tel. 010 29041 - 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 65127 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 Francia 21/C Tel. 045 8263001 - Vicenza 36100 Piazza Pontelandolfo 9 Tel. 0444 393311

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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.

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.

Report on Compliance with other Laws and Regulations

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 2021, 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 2021 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 2021 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, 3 February 2022

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