

# AXA CoRE Europe Fund

## Credit Update – 30 June 2022

29 September 2022

*For Axa CoRE Europe Fund  
Institutional Investors only.  
For information only.  
Strictly private and confidential.  
Not for onward distribution.*

I HY 2022 Financial Results

II Sector Overview

III Strong Credit Profile

IV Transactions

V Capital Structure

VI ESG

VII Road Map & Outlook

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## Well Positioned and Highly Diversified Fund Providing Stability in a Changing Environment

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- Net total performance for HY 2022 stands at **+9.3%**<sup>1</sup> above MSCI PEPFI Index which stands at 5.9%.
- This extra performance comes from:
  - Real Estate capital appreciation on LfL basis of **+3.5%**<sup>2</sup> ;
  - Annual rent on LfL basis of **+2.9%** (excluding Issy-les-Moulineaux under refurbishment since Q2);
  - MtM of debt

## Disciplined Investment Strategy

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- **2022 strategy will remain** focused on logistics, residential – in HY 2022, c. EUR 124m invested in the Residential sector in Spain and c. EUR 139m invested in the Industrial sector

## Strong Credit Profile: BBB+ rating

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- **Sound credit metrics with net LTV**<sup>4</sup> of c.23%<sup>3</sup> and ICR of c.5.9x<sup>3</sup>
- **Interest rate risk fully hedged up to Dec. 2026**
- After conducting its management review, **S&P confirmed the BBB+ rating of the Fund in June 2022**

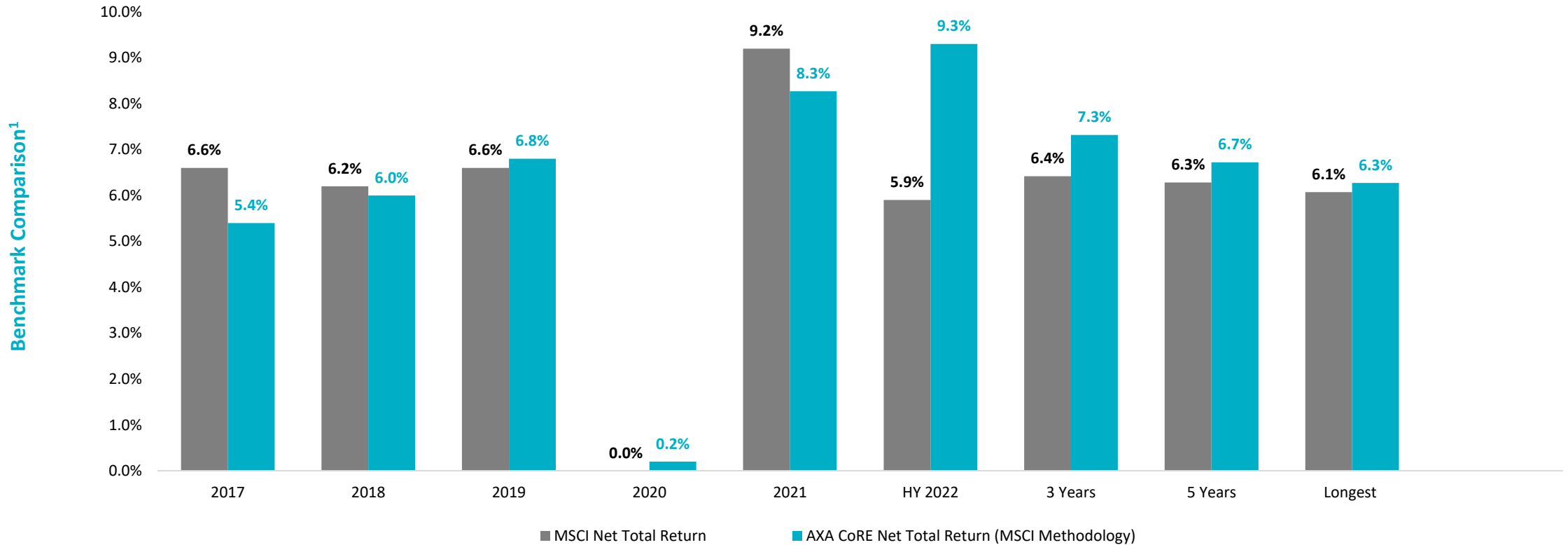
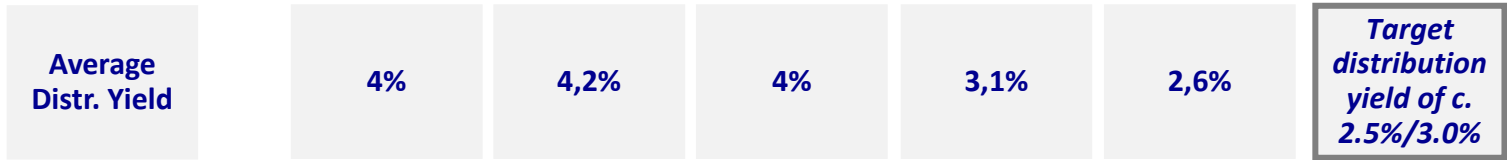
## ESG is part of our Investment Decision at Acquisition and for Refurbishment Projects

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- Improvement of the GRESB<sup>5</sup> score expected for 2022. Results to be released in the course of October 2022
- **1<sup>st</sup> ESG Report** disclosed to investors in August
- **Allocation and impact report published in June for the first Green Bond Issuance**

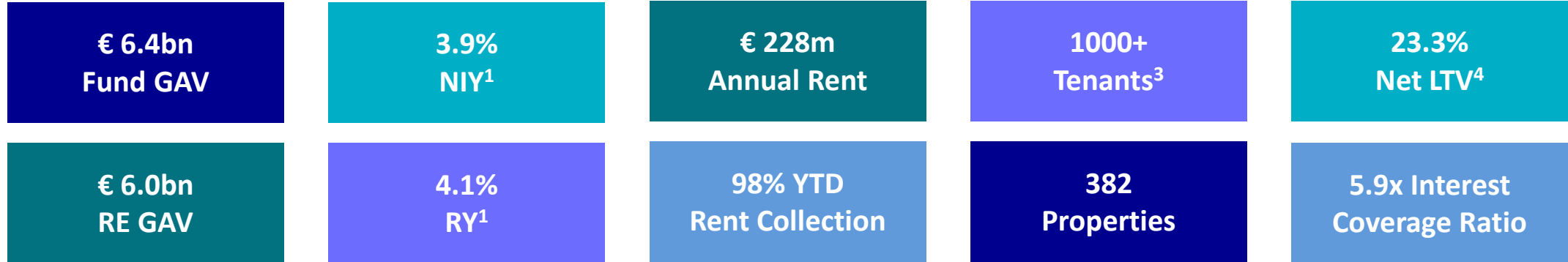
# I Strong returns driven by Strategic allocation towards Residential and Industrial

## Solid start for 2022

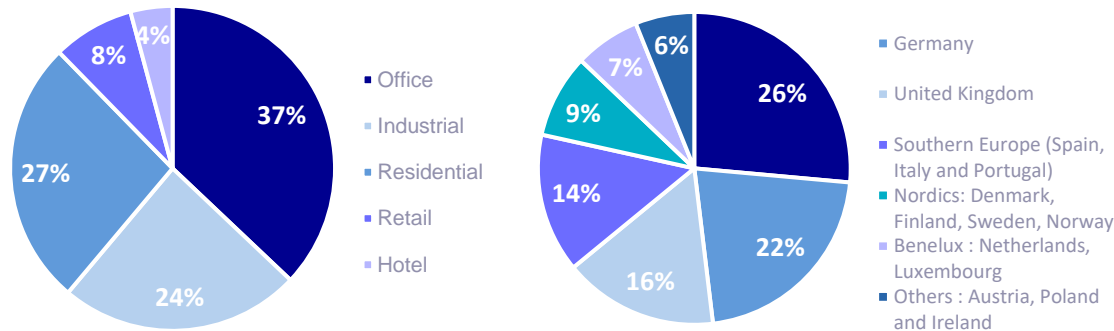


SOURCE: AXA IM – Real Assets data (unaudited) as at 30 June 2022. Past performance is not representative of future results or performance. There can be no assurance that the Fund will achieve these results, implement the strategy or achieve its objectives  
 NOTES: <sup>1</sup> Total returns calculated as sum of capital returns and income returns

## Highly diversified by Sectors and Geographies, stable and visible Income and Conservative Financing Policy



As % of Real Estate Investment



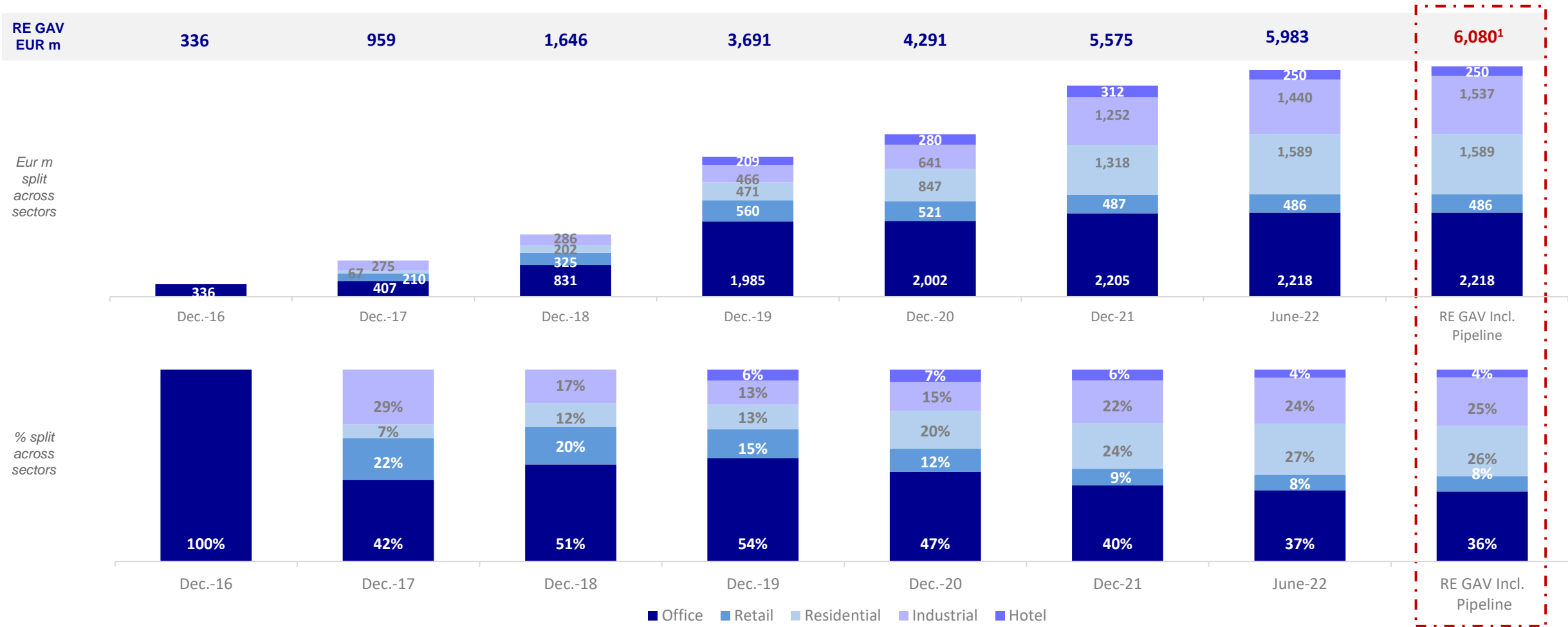
Key Performance KPIs

	FY2020	FY2021	Q2 2022
NAV (EUR bn) <sup>2</sup>	3.2	3.9	4.5
Occupancy (%) <sup>1</sup>	97	97	98
WALT (yr) <sup>3</sup>	6.1	5.8	6.2
WACD (%) <sup>5</sup>	c.2.0	1.6	1.7
Interest Coverage (x)	4.8	6.1	5.9
Net LTV (%)	25.2	25.5	23.3

## Stable and resilient income profile thanks to diversification and sizeable assets

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**NOTES:** <sup>1</sup> Excl. refurbishment and non income producing assets; <sup>2</sup> IFRS NAV as of end of period; <sup>3</sup> Excl. residential and assets under refurbishment or development; <sup>4</sup> Debt net of unallocated cash / Fund GAV; <sup>5</sup> It includes the following components : i) Interests on Debt, ii) Interests on Derivatives, iii) Hedging Instrument Amortization, iv) Bond Trading Discount Amortization and v) Debt Issue Costs Amortization

## Precise and Proven Investment Strategy Based on Dynamic Sector Allocation Over the Years



**Continued overweight towards Residential and Industrial sectors which have been the most performing in the last quarters**

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NOTES: <sup>1</sup>There is no assurance that any pipeline investment will be consummated or that it will be consummated on the terms described herein or meet its projected return objectives

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**Office**  
37%



**Residential**  
24%



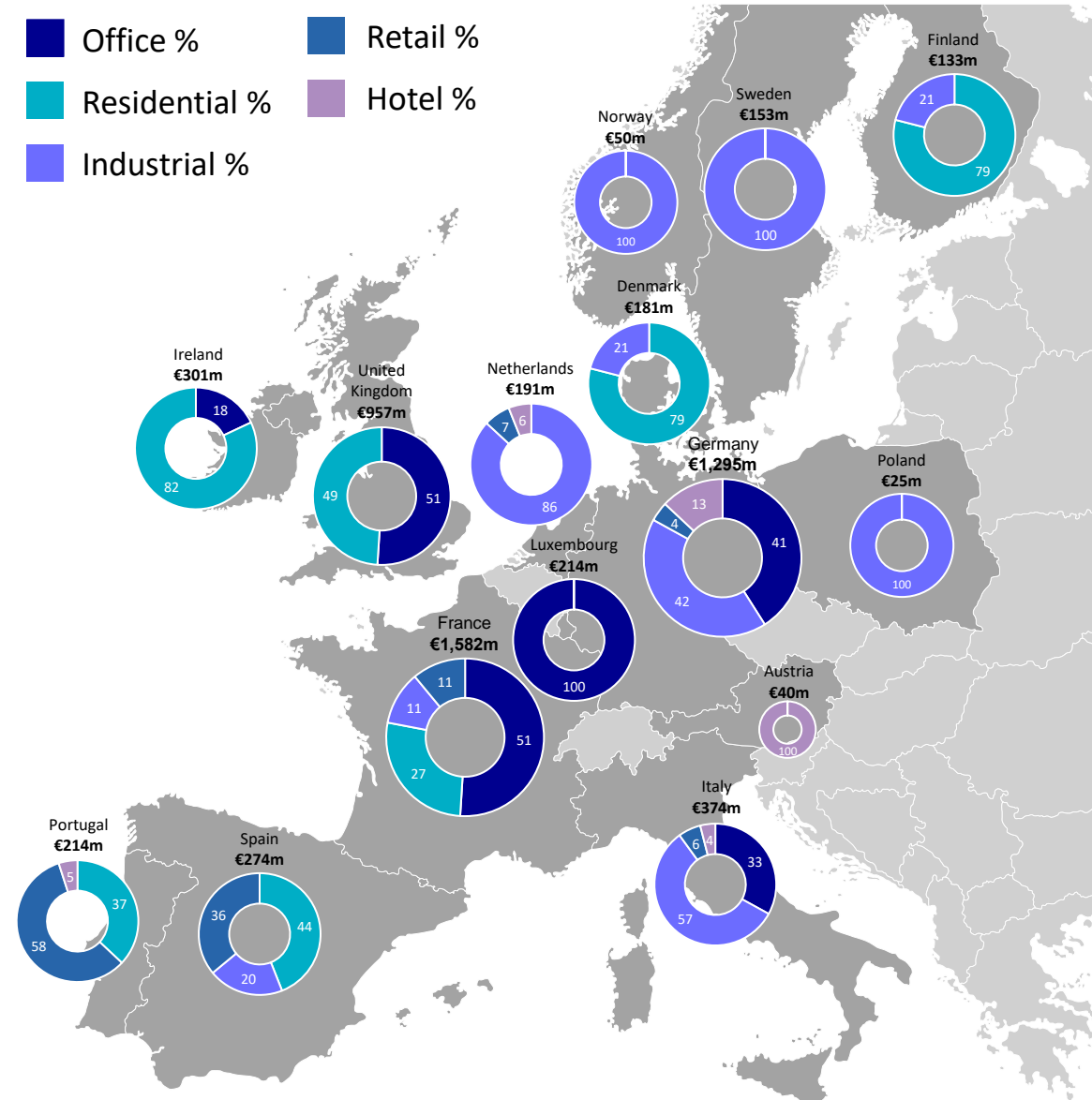
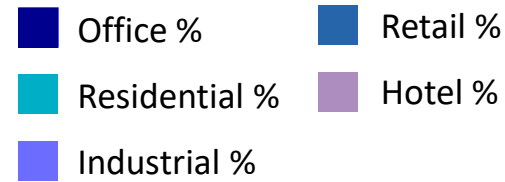
**Industrial**  
27%



**Retail**  
8%



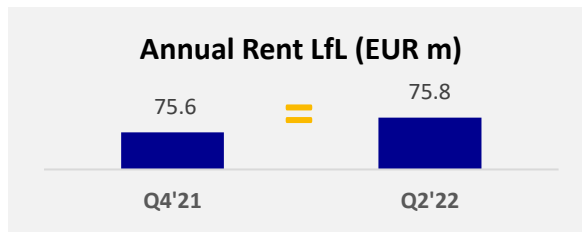
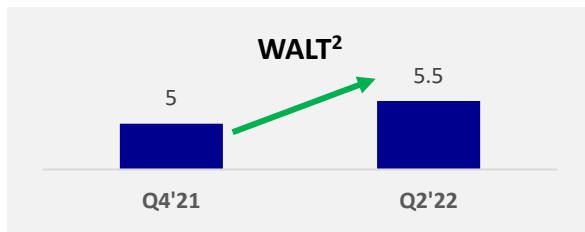
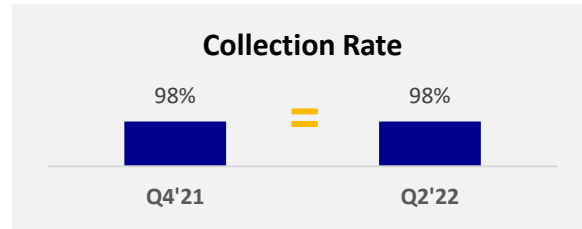
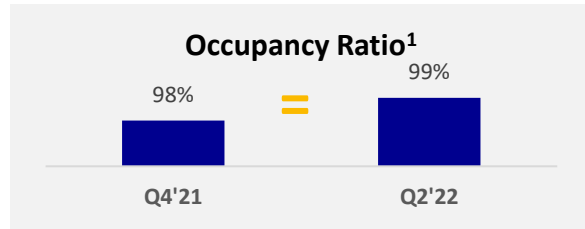
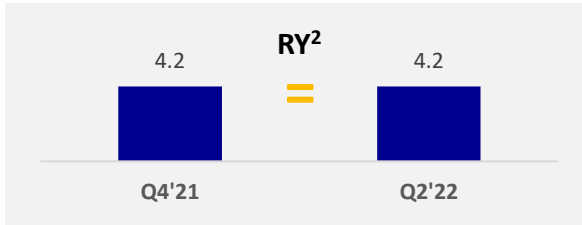
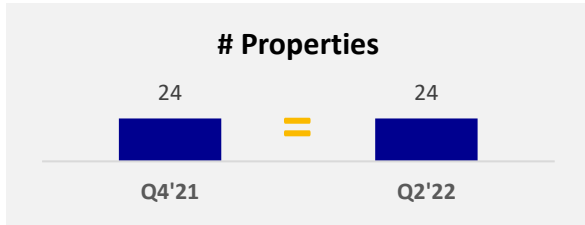
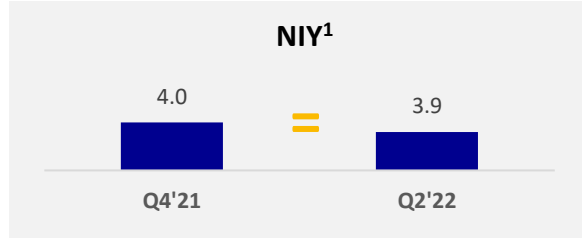
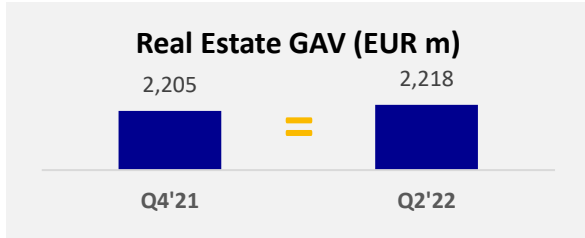
**Hotel**  
4%



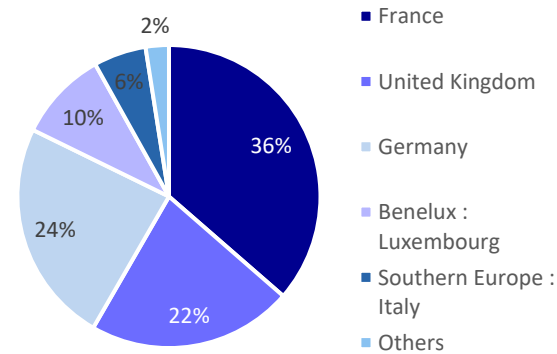
SOURCE: AXA IM – Real Assets data (unaudited) as at 30 June 2022. Past performance is not representative of future results or performance. There can be no assurance that the Fund will achieve these results, implement the strategy or achieve its objectives. Pictures are for illustrative purposes only



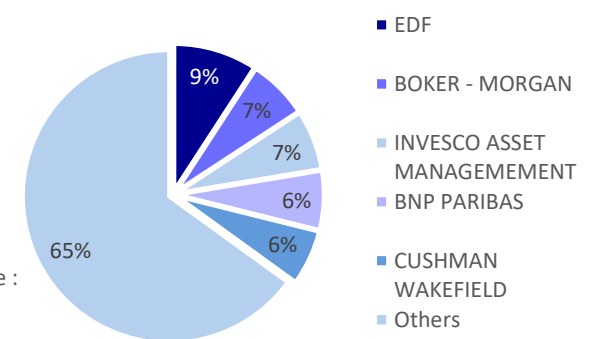
## Strong Office Locations with Diversified Tenant Base



Breakdown by Geography<sup>3</sup>

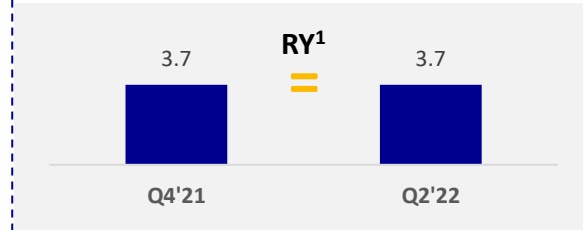
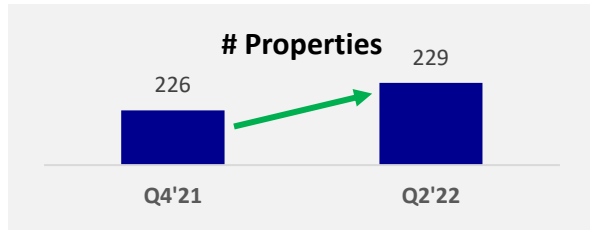
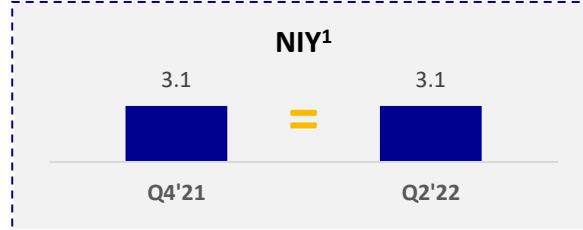
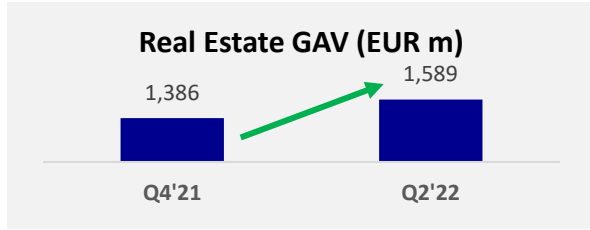


Top 5 Tenants<sup>4</sup>

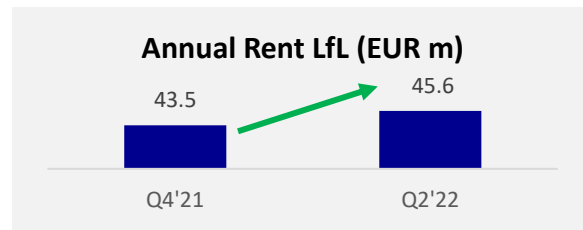
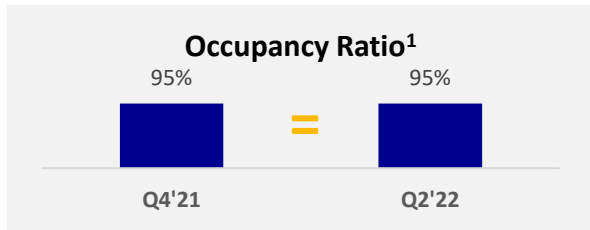
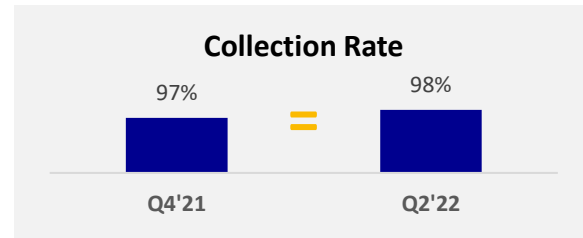
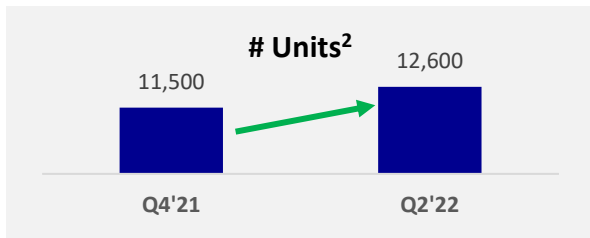


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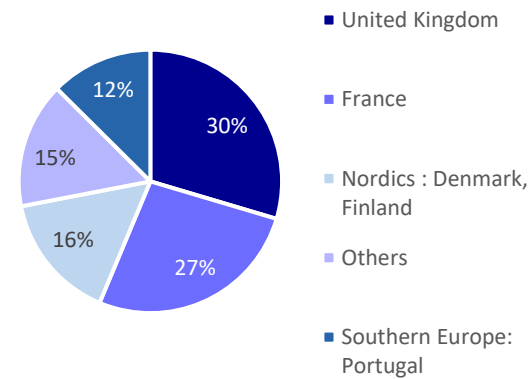
## Focus on Key cities with Supply/Demand Imbalance



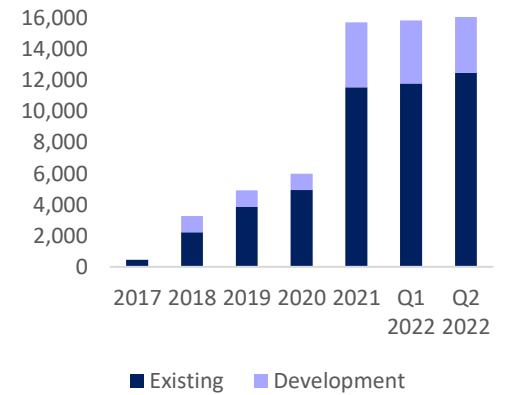
*Dolphin Sq. is now considered as a full PRS Asset. The Hotel part has been closed. After the works, the rooms will be residential units.*



### Breakdown by Geography<sup>3</sup>

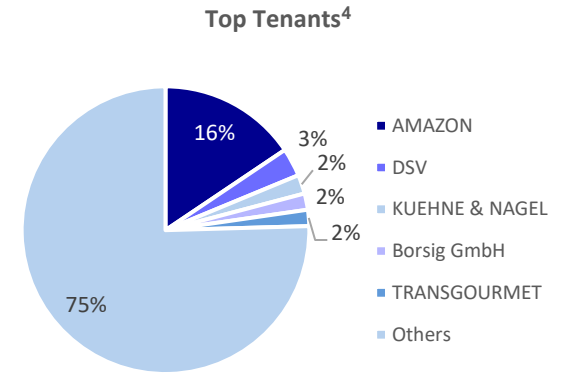
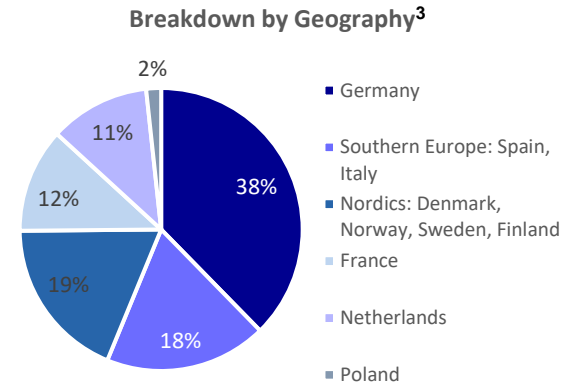
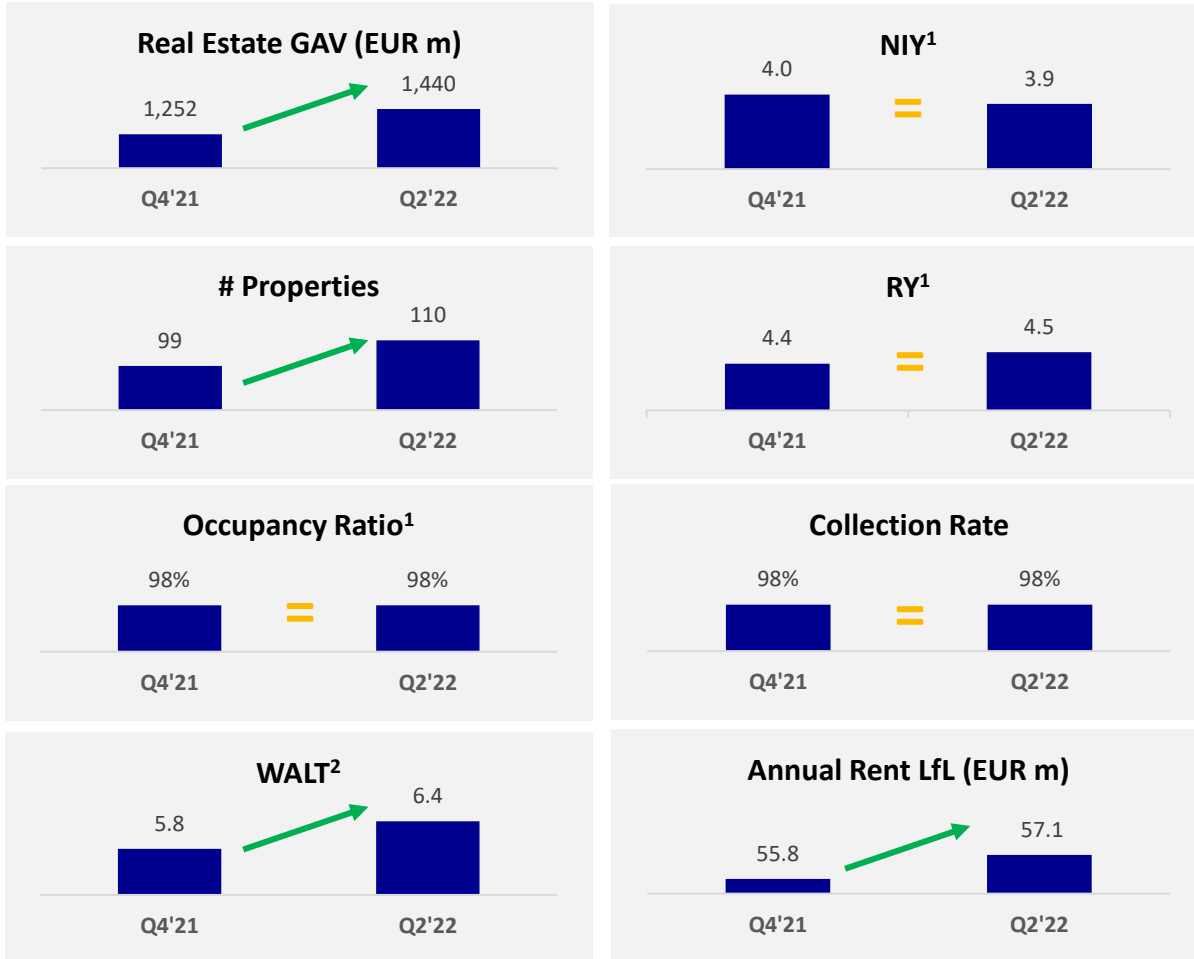


### Units Evolution



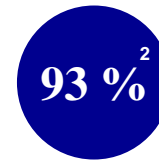
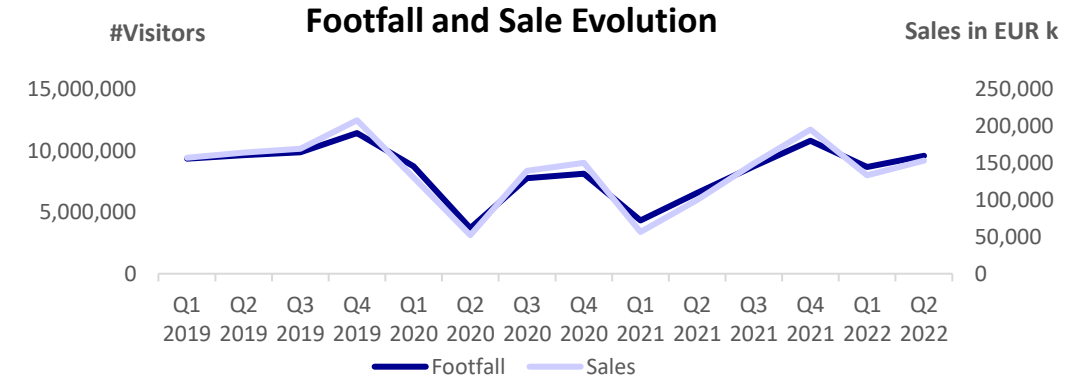
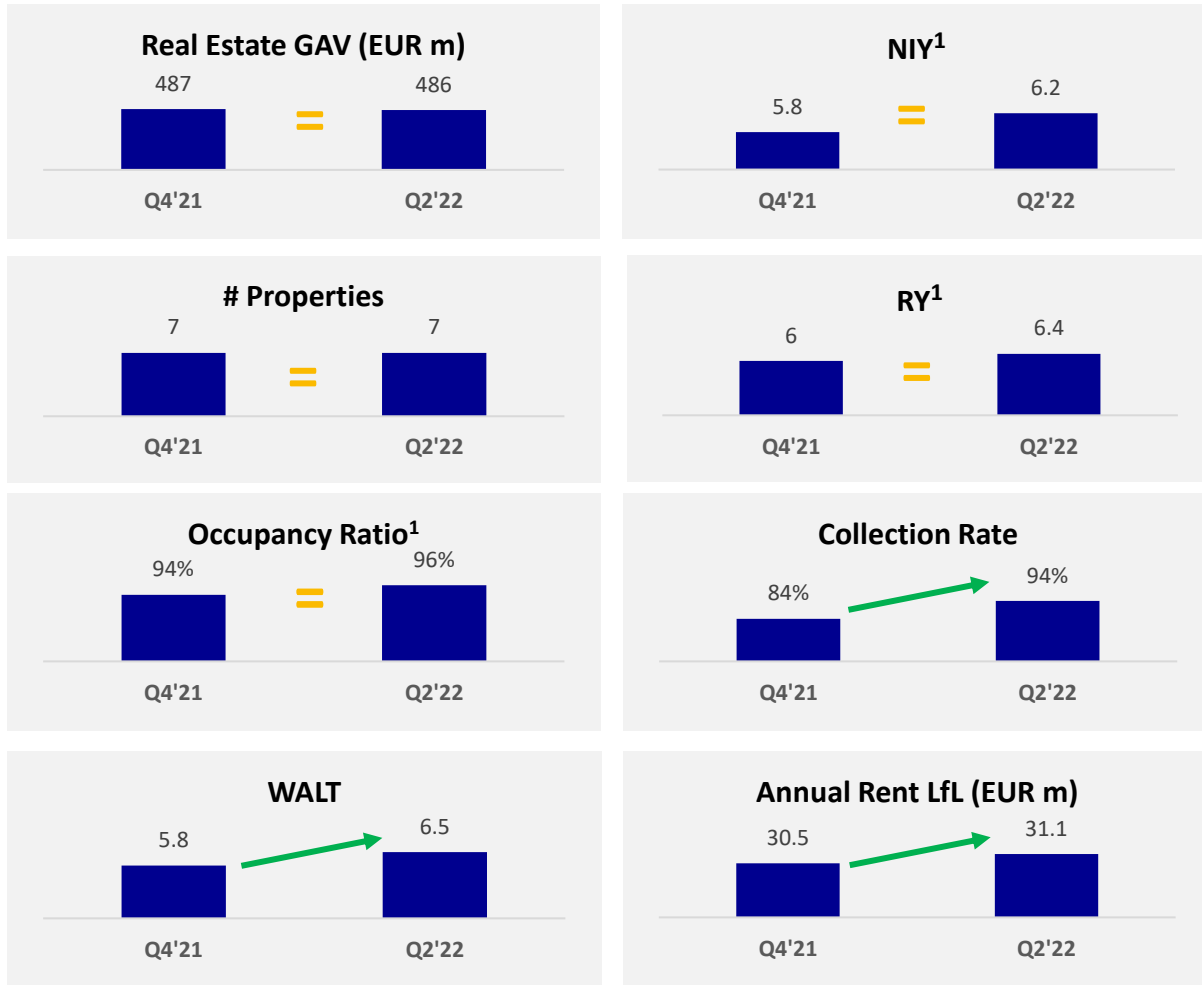
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## Well Diversified Industrial Allocation

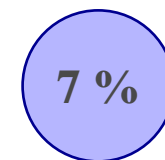


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## 4 Dominant Shopping Centers Benefiting of Large Catchment Area



Dominant Shopping Center

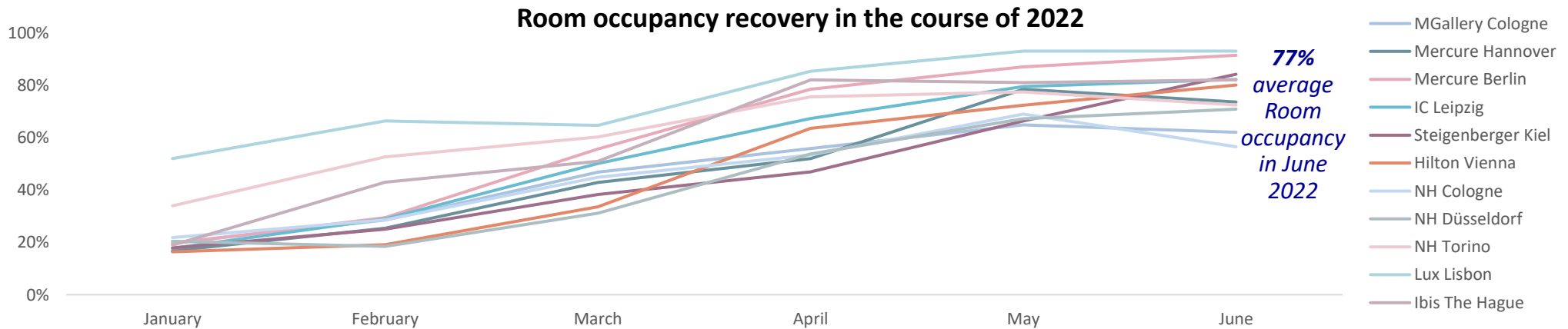
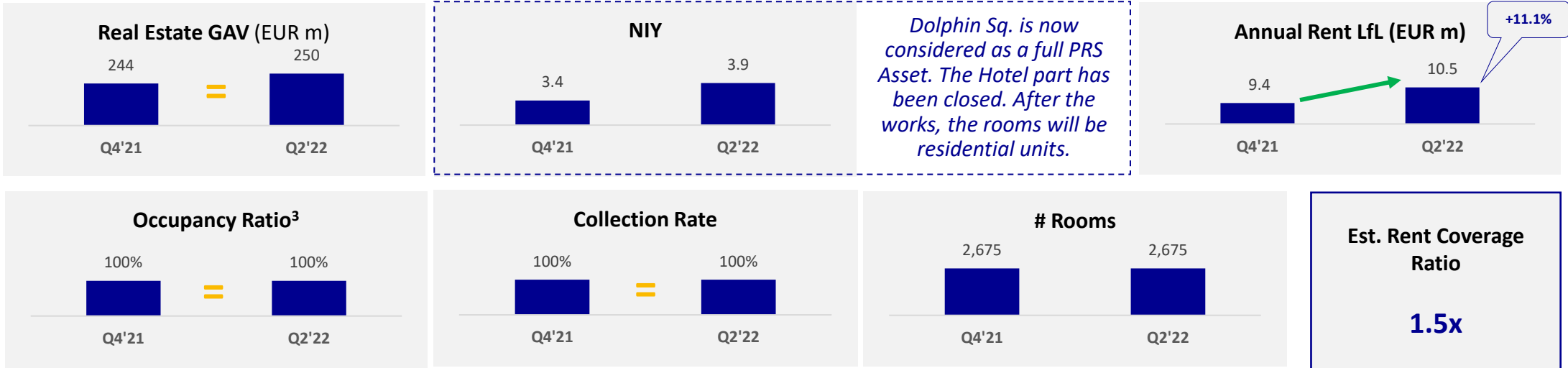


Retail Warehouse



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## Major European Cities & Long Lease Agreements in Place with Accor, NH and Deutsche Hospitality



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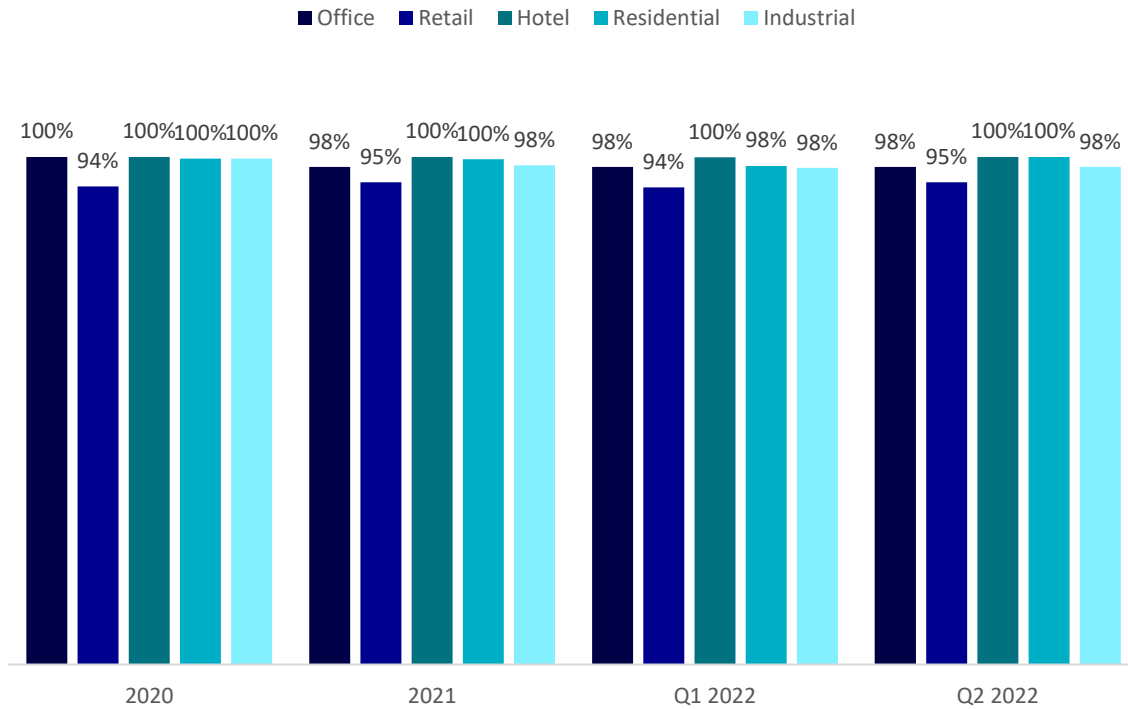
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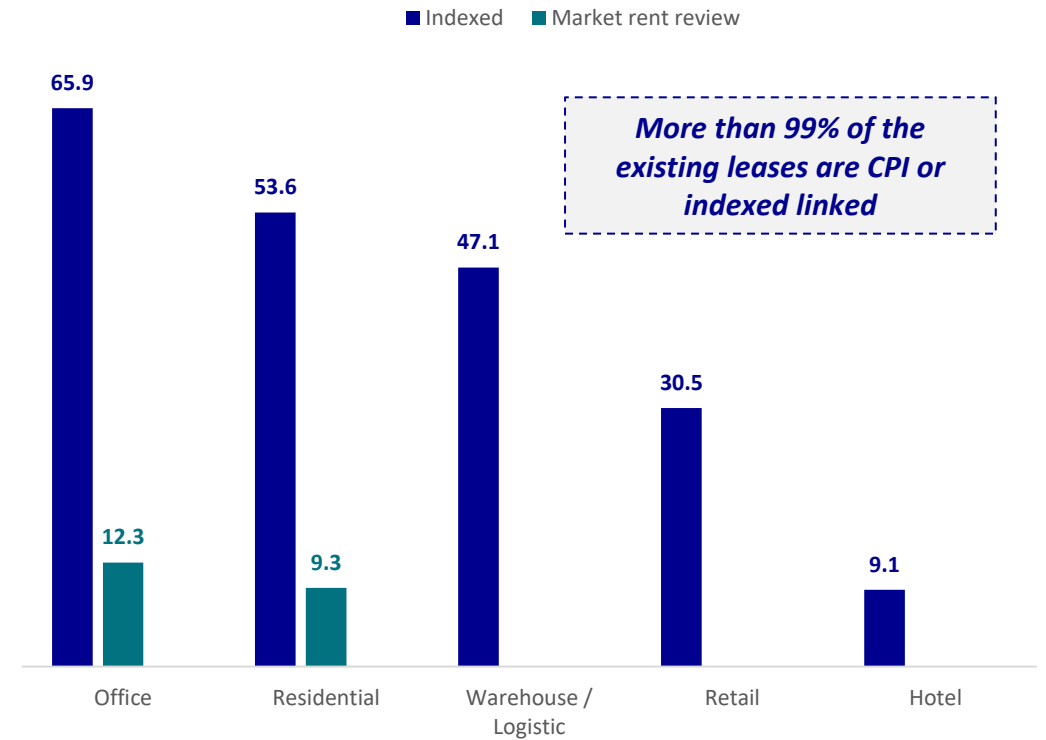
...the Fund has proven resilience...

...and may benefit of protection with the lease agreements in place

AXA CoRE YTD Collection Rate by Sector as of today<sup>1</sup>



AXA CoRE Lease Indexation per sector (in Eur m)



More than 99% of the existing leases are CPI or indexed linked

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## Lease extension and rental growth



Joubert – Paris – Office – FRANCE

**Renewal of the existing lease** with a new rent at 715 EUR/sqm/year vs 530 EUR/sqm/year – **Uplift +35%**. The lease is fully indexed and includes Green clauses



Koblenz – Logistic – GERMANY

**Lease renewed for 10 years** starting April 2023 with no break clause at the same rent. The lease is indexed and includes Green clauses



Valentinskamp – Hamburg – Office – GERMANY

**New lease signed** on c. 630 sqm with a rent **11% above** ERV and 100% CPI linked. The new lease includes Green clauses. Along with other ongoing negotiations the asset should be fully let in Q4.



Schönberg – Logistic – GERMANY

**Lease prolongation** for additional **3 years** starting May 2023 - **Uplift +11%**. The lease is indexed and includes Green clauses



Cronos Portfolio – Paris Area – Residential – FRANCE

**Solid rent reversion across the portfolio** while maintaining strong operational KPI:

**Reletting: +18% of Rental Growth and Lease renewal: +20%**



Paunsdorf – Retail – GERMANY

C&A: Contract renewed until 31.01.2027 on 4,192 sqm

Seats and Sofas: New contract signed until 30.09.2037 on 2,444 sqm

“Confidential”: New contract for a leisure concept under final negotiation for more than 5,000 sqm



Portfolio - Top 10 By Value

Asset	Main Sector	City	Country	% Real estate investment
Dolphin	Residential	London	UK	7.9%
Le Dôme	Office	Luxembourg	Luxembourg	3.6%
Smartside	Office	Paris	France	3.1%
Condor House	Office	London	UK	2.9%
CC Italie 2	Retail	Paris	France	2.9%
Portman	Office	London	UK	2.8%
Issy	Office	Paris area	France	2.3%
Monterosa	Office	Milan	Italy	2.1%
The Rocks	Office	Aachen	Germany	2.1%
Tour First	Office	Paris area	France	2.1%
				<b>31.7%</b>

Portfolio - Top 10 by Rental Income


Asset	Main Sector	City	Country	% Headline rent
Dolphin	Residential	London	UK	4.7%
Le Dôme	Office	Luxembourg	Luxembourg	4.6%
Portman	Office	London	UK	4.5%
Ubbo	Retail	Lisbon	Portugal	4.0%
Condor House	Office	London	UK	3.6%
CC Italie 2	Retail	Paris	France	3.5%
Area Sur	Retail	Jerez	Spain	3.4%
Tour First	Office	Paris area	France	3.1%
Smartside	Office	Paris	France	3.1%
MacDonald	Office	Paris	France	2.2%
				<b>36.9%</b>

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### Top tenants by % contribution to Rental Income

Asset	Main Sector	Portfolio	% Headline rent	Credit Rating <sup>2</sup>
Amazon	Industrial	OneLog	4.2%	AA-
EDF	Office	Smartside	3.1%	BBB
Morgan, Lewis & Bockius	Office	UK	2.2%	NC
Invesco Asset	Office	Nighthawk	2.2%	NC
BNP PARIBAS	Office	Nighthawk	2.2%	A+
Cushman & Wakefield	Office	Nighthawk	2.0%	NC
Ernst & Young	Office	Tour First	1.8%	NC
CFL	Office	Le Dôme	1.4%	NC
Parexel International GmbH	Office	Nighthawk	1.4%	NC
Business School 24 S.p.A	Office	Monterosa	1.3%	NC
			<b>21.6%</b>	

Top 10 tenants



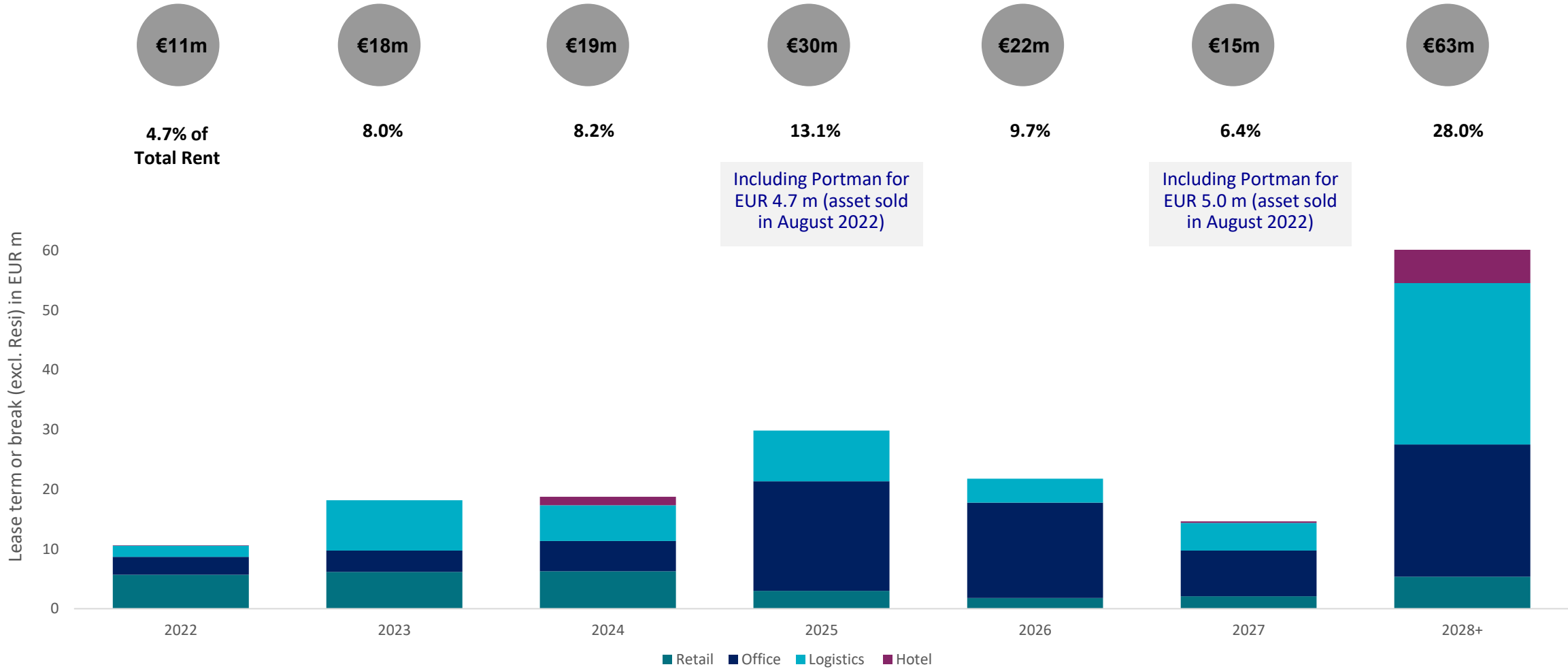
MACDONALD, FRANCE<sup>1</sup>

ONE LOG, SPAIN<sup>1</sup>

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<sup>1</sup> For illustrative purposes <sup>2</sup> S&P Credit Rating

# Staggered Lease Maturity Profile Through Proactive Management of Reletting Risk



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## Strategy and Conviction



**Urbanisation**



**E-commerce**



**Digital**



**Health**



**Demography**



**ESG**

### Office

#### Trends

- Urbanization and digitalization
- New way of working
- High demand for Grade A surfaces (incl. digital) facing scarcity of available space, in particular in gateway cities
- Strong appetite from tenants for building with high ESG credentials, health and wellbeing amenities

### Residential

#### Trends

- Demographic: urbanization, increasing number of households
- Supply/demand imbalance in most European capital cities
- Affordability challenges
- Green spaces, common areas, technology

### Logistics

#### Trends

- E-commerce growth
- Limited supply available, land scarcity in best locations and low vacancy rate
- Expected rental income growth and stable income stream
- Technologies, automation and robotics requiring important investment from tenants on site

### Retail

#### Trends

- E-commerce growth and competition
- Dominant asset, better positioned to address sector challenges (adapt tenant mix...)
- Click and Collect development
- The sector is still recovering from post covid environment but remains largely exposed to the macro environment through consumer demand

## Our Strategy and Target Allocation

### Opportunistic approach: 30-40%

- Strongest office location (Paris, London, key German cities etc.) with diversified tenant base
- Large properties offering flexible workspace and strong specificities (on site amenities, connectivity)
- Unlock valuation through refurbishment with high ESG credentials (Monterosa, Grand Ecran, Asticus and Warwick)
- Diversification through “life science” investment
- Disposal of non-strategic assets

### Overweight: 25%

- Focus on Key cities with Supply/Demand imbalance
- Focus on affordable offering in wealthy catchment area
- ESG thematic and reduced energy consumption
- Diversification through senior/student housing investment

### Overweight: 25%-30%

- Focus on standard assets: big boxes and/or last mile assets (close to delivery)
- High ESG credentials for new built assets
- Disposal of non-strategic assets

### On hold: <10%

- Secure rent roll through proactive discussion with tenants
- Finalize deployment of entertainment, leisure and F&B offers to meet client expectations
- Disposal of non-strategic assets



Location Remains Key















Enhance Income Profile



Diversification through Qualitative Assets



Assets held at 100%

Deals Closed in 2022	<p><b>Imperial – Industrial</b> Sweden – Jan 2022</p>  <ul style="list-style-type: none"> <li>• RE GAV: EUR 37.5m</li> <li>• Occupancy: 100%</li> </ul>	<p><b>Schiphol – Industrial</b> Netherlands – March 2022</p>  <ul style="list-style-type: none"> <li>• RE GAV : EUR 35.4m</li> <li>• Occupancy: 100%</li> </ul>	<p><b>Testa – Residential</b> Spain –April 2022</p>  <ul style="list-style-type: none"> <li>• RE GAV: EUR 120.2m</li> <li>• Occupancy: 97%</li> </ul>	<p><b>Sirius Bologna – Industrial</b> Italy – April 2022</p>  <ul style="list-style-type: none"> <li>• RE GAV : EUR 14.8m</li> <li>• Occupancy: 100%</li> </ul>
Deals Closed in 2022	<p><b>Virtuo Portfolio – Industrial</b> France – April 2022</p>  <ul style="list-style-type: none"> <li>• RE GAV <sup>1</sup> : EUR 37.3m</li> <li>• 4 Assets under Development</li> </ul>	<p><b>Sirius Cuneo – Industrial</b> Italy – June 2022</p>  <ul style="list-style-type: none"> <li>• RE GAV: EUR 9.5m</li> <li>• Occupancy: 100%</li> </ul>	<p><b>Zoetermeer – Industrial</b> Netherlands – June 2022</p>  <ul style="list-style-type: none"> <li>• RE GAV: EUR 11.8m</li> <li>• Occupancy: 100%</li> </ul>	<p><b>Sirius Siena – Industrial</b> Italy – July 2022</p>  <ul style="list-style-type: none"> <li>• RE GAV: EUR 10.5m</li> <li>• Occupancy: 100%</li> </ul>
Deals Closed in 2022	<p><b>Novara – Industrial</b> Italy – August 2022</p>  <ul style="list-style-type: none"> <li>• RE GAV: EUR 16m</li> <li>• Asset under Development</li> </ul>	<p><b>Signed Deals</b></p>	<p><b>Secured Deals</b></p>	<p><b>Virtuo Portfolio – Industrial</b> France</p>  <ul style="list-style-type: none"> <li>• RE GAV <sup>1</sup> : EUR 17.1m</li> <li>• 2 Assets under Development</li> </ul>
		<p><b>Element – Industrial</b> Germany</p>  <ul style="list-style-type: none"> <li>• RE GAV<sup>1</sup>: EUR 27.1m</li> <li>• Occupancy: 100%</li> </ul>	<p><b>Creil – Industrial</b> France</p>  <ul style="list-style-type: none"> <li>• RE GAV<sup>1</sup>: EUR 13.1m</li> <li>• Occupancy: 100%</li> </ul>	

In a changing environment the Fund managed to dispose non-strategic assets

Jan.  
2022

July  
2022

Aug.  
2022

Dec.  
2022

### Lyra Portfolio

#### Background

- Assets acquired with the Gramercy portfolio in July 2017
- Disposal of 4 non-strategic assets located in France and Netherlands with negative reversion, low ESG rating, high vacancy risk ...
- Realize capital gains on logistics assets with a lower quality compared to the rest of the portfolio in a dynamic investment market

#### Achievements

- Assets sold in excess of EUR 120m and above valuation: +20%



### Portman Square

#### Background

- Asset acquired through the Nighthawk transaction in September 2019
- Disposal of an office building held with a leasehold duration of less than 80 years, limiting the value creation in the future
- Challenging tenancy schedule and need of capex in the upcoming years

#### Achievements

- Asset sold at GBP 152m slightly above valuation: +4%



## Assets rotation to optimize Fund performance

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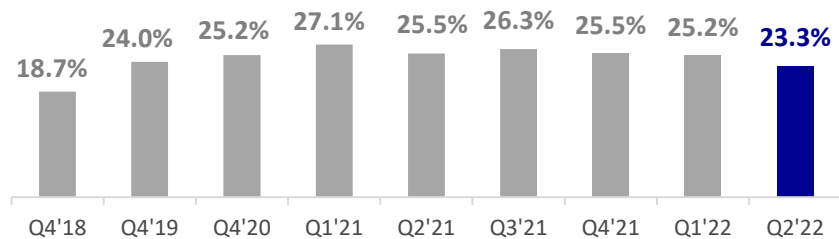




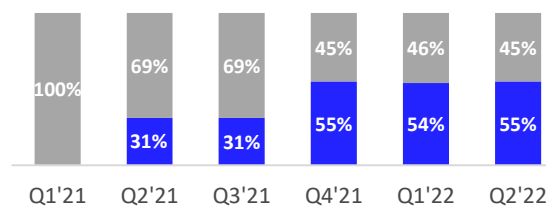
Focused on Low Leverage and Large Covenants Headroom

<b>Target Net LTV 25% ICR &gt; x4</b>	<b>WACD<sup>1</sup> 1.7%</b>	<b>WADM<sup>2</sup> 5.3 years</b>	<b>Transition to Unsecured Lines</b>	<b>WACD<sup>1</sup> on Green Bonds 1.19%</b>	<b>WADM<sup>2</sup> on Green Bonds 6.9 years</b>	<b>BBB+ (stable) rating from S&amp;P</b>
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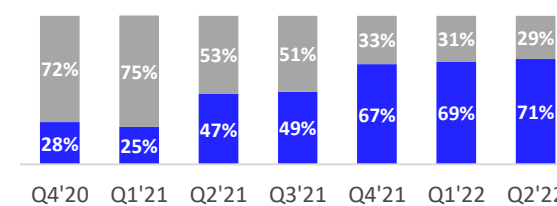
Net Loan to Value (%)<sup>3</sup>



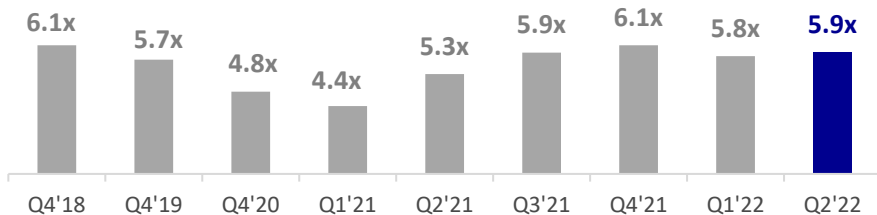
Unsecured/Secured Debt Breakdown



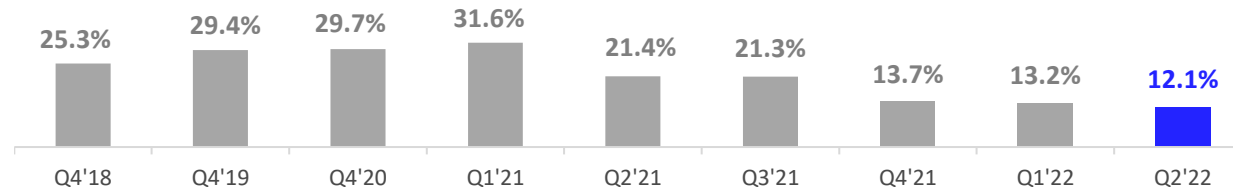
Unencumbered/Encumbered Asset Breakdown



Interest Coverage Ratio (x)<sup>4</sup>



Secure Debt/Total Assets



Unchanged financing policy: maintaining low leverage and high ICR

SOURCE: AXA IM – Real Assets data (unaudited) as at 30 June 2022. Past performance is not representative of future results or performance. There can be no assurance that the Fund will achieve these results, implement the strategy or achieve its objectives

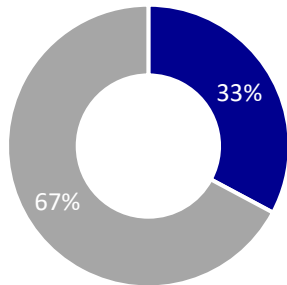
NOTES: <sup>1</sup> It includes the following components : i) Interests on Debt, ii) Interests on Derivatives, iii) Hedging Instrument Amortization, iv) Bond Trading Discount Amortization and v) Debt Issue Costs Amortization; <sup>2</sup> Measured on a proportionate basis; <sup>3</sup> Debt net of unallocated cash / Fund GAV; <sup>4</sup> Earning Before Interest and Taxes on a proforma and proportionate basis / (Debt service charge + interest on derivative)

## Variable Interest Rate Fully Covered

**Well defined IR and FX hedging strategy**

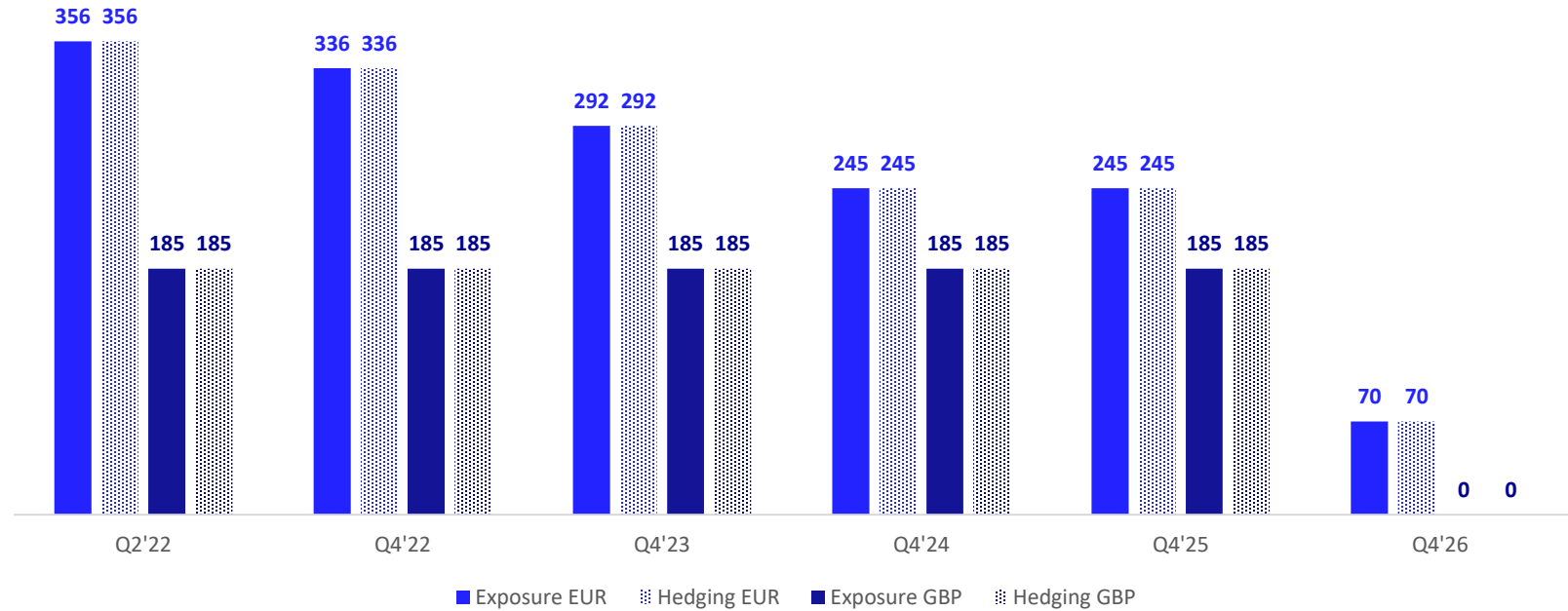
**FX risk is hedged & IR Risk hedged at Min 75%**

**Floating rate risk fully Hedged up to Dec. 2026**

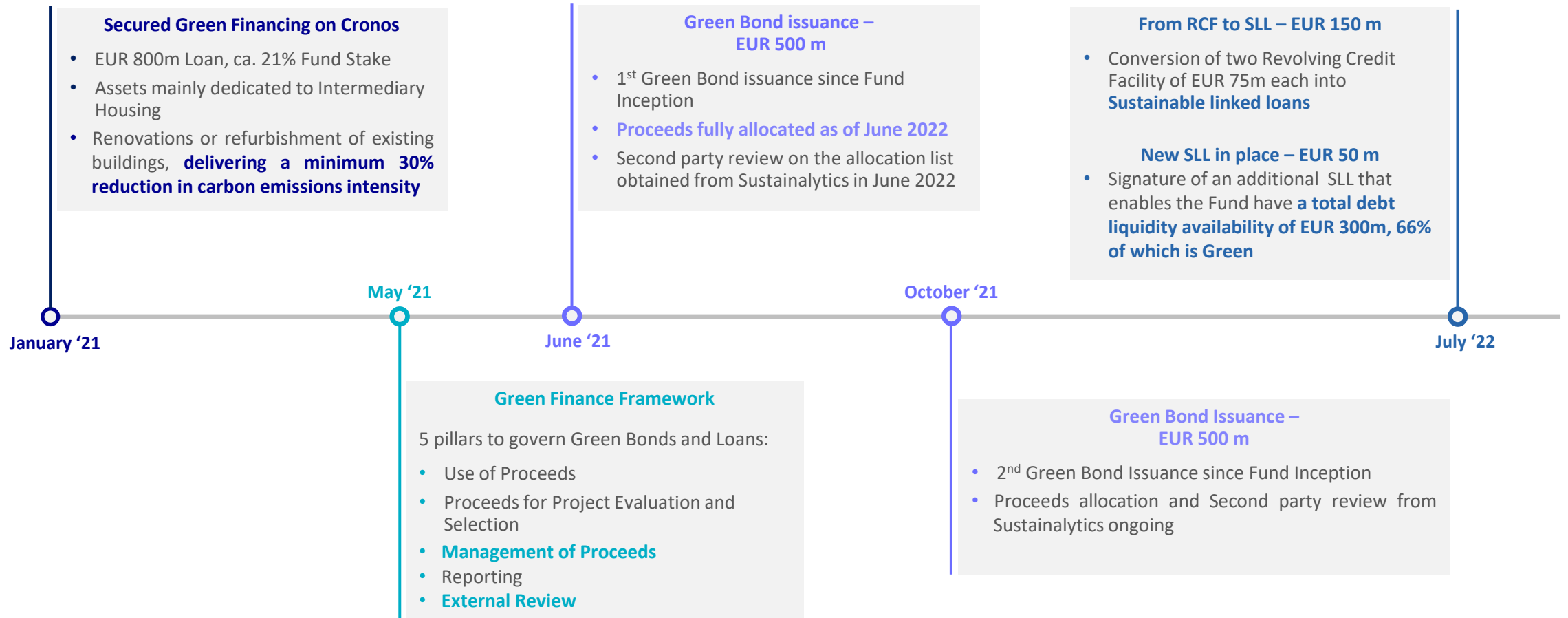


■ Hedged floating rate  
■ Fixed rate

## Variable Interest Rate Exposure vs Hedging per currency over time (in m)

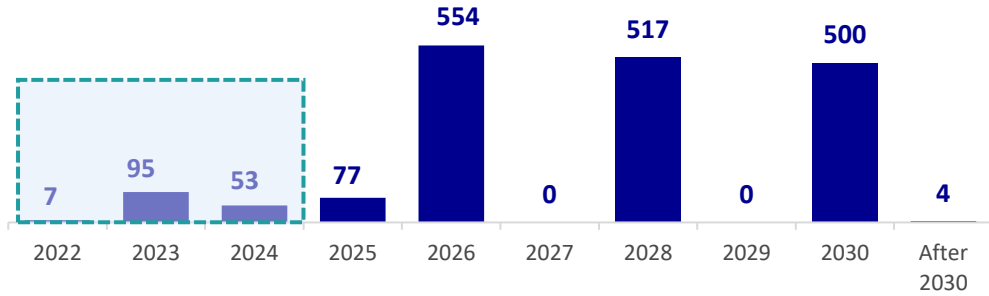


**Interest rate risk fully mitigated**

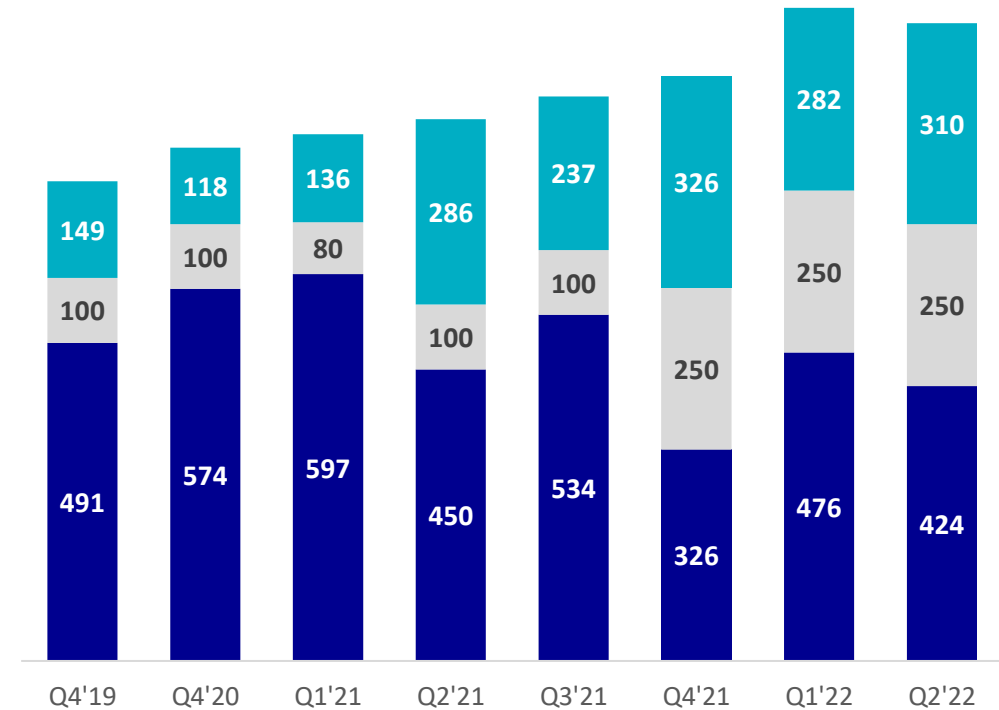


**ESG considerations drive our financing strategy, more than 60% of the financing reflects Green criteria**

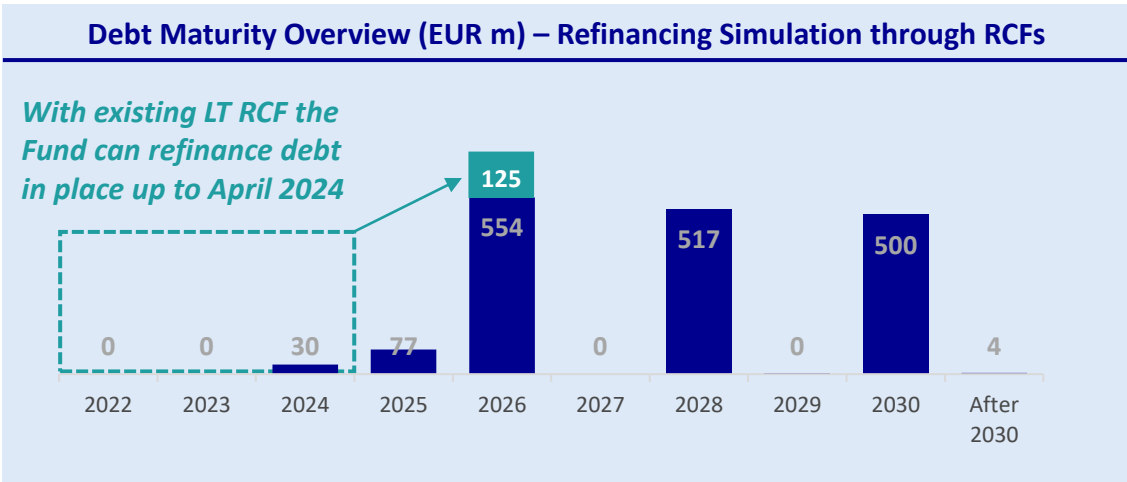
Debt Maturity Overview (EUR m)



Liquidity Overview (EUR m)



Debt Maturity Overview (EUR m) – Refinancing Simulation through RCFs

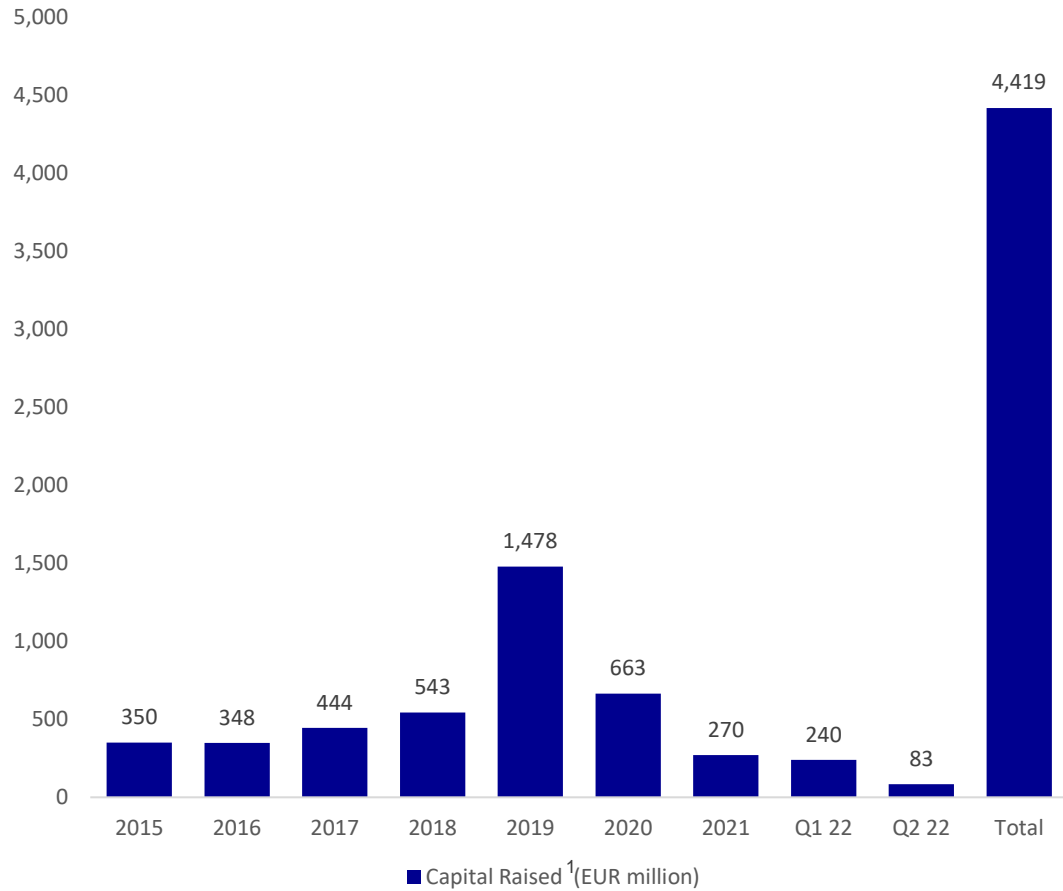


■ Undrawn Commitment ■ Undrawn Credit Facility Line ■ Cash unallocated at Fund level

Liquidity position remains robust over time

SOURCE: AXA IM – Real Assets data (unaudited) as at 30 June 2022. Past performance is not representative of future results or performance. There can be no assurance that the Fund will achieve these results, implement the strategy or achieve its objectives

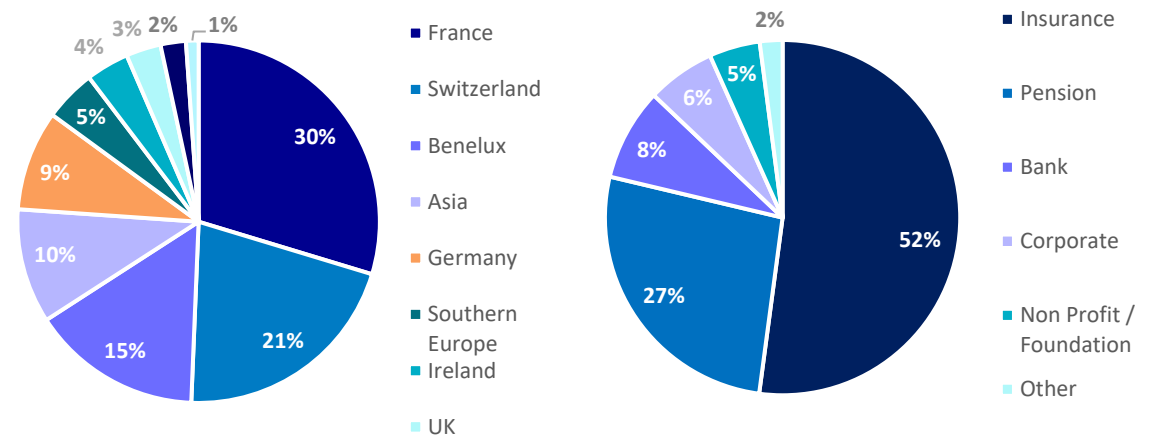
## Capital Raising/Call Evolution – Investor Queue in excess of EUR 420m<sup>2</sup>



### Q2 Highlights

- Positive net capital Raising in Q2 2022<sup>3</sup> of c. EUR 1m
- EUR 134m capital call executed in June 2022
- EUR 56m dividend paid in June 2022, out of which EUR 22m reinvested in the Fund through the DRIP mechanism

### Investor Diversification by Segment and Geography – Q2 2022



SOURCE: AXA IM – Real Assets data (unaudited) as at 30 June 2022. Past performance is not representative of future results or performance. There can be no assurance that the Fund will achieve these results, implement the strategy or achieve its objectives  
 NOTES: <sup>1</sup> Excl. DRIP <sup>2</sup> 30 June 2022 <sup>3</sup> Estimated amount – redemptions estimated on last NAV per share available

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Defining the Investable Universe

Negative Screening

Sector Exclusion and Ban lists *Coal, Tar Sands, Palm Oil, Munitions and UNGC controversies*

Integrating ESG Factors into our Investment Decisions

Assessing 'Sustainability Risk'

ESG Scoring *(Internal methodology to determine dedicated score, relative to internal benchmark)*

Integrating ESG Targets into Active Management

Integrating 'Sustainability Risk' - Targets and Active Management

DECARBONISATION

ACTION

We **measure** and **review** asset performance against the **Paris Agreement targets & the transition to the low carbon economy**

TARGET 2022

**Energy audit** and 1.5°C trajectory alignment roadmap for all assets with EPC E, F, G in 2022

TARGET 2025

Decrease operational carbon intensity by 20% in 2025 compared to 2019

RESILIENCE

ACTION

We actively identify emerging **physical and transitional risks related to climate change** to inform investment decisions

TARGET 2022

Portfolio modelling with **CRREM**

TARGET 2025

**75% 'C' (or better) EPC ratings by end of 2025**

BUILDING TOMORROW

ACTION

We actively identify new **opportunities to create and enhance value** across our businesses

TARGET 2022

**>95% Com. AUM** covered by a **tenant survey** on a rolling 3-yr basis

TARGET 2025

Increase n° of **ESG clause** in the lease Agreements

## Decarbonization, Resilience and Building Tomorrow

## Monterosa



EPC B  
Solar Panel: 170  
KW  
LED Lighting



WiredScore  
Certification  
"platinum"  
achieved



Rainwater  
recycling for  
irrigation and  
toilets and Water



10 common car  
chargers



Service charge  
reduction by c.  
10%



New amenities:  
Kindergarten,  
Gym, co-working



## Dolphin Square



EPC B (E now) for  
>90% of units



BREEAM  
Excellent and  
WELL Gold



Carbon footprint  
reduced by >75%



Energy  
consumption  
footprint reduced  
by >70%



Well certification  
achieved in Q1  
2022 for Capital  
Dock



Improve all Good  
ratings to  
BREEAM Very  
Good



Full monitoring of  
energy, waste  
and water



100% of Landlord  
electricity comes  
from renewable  
sources



DOLPHIN SQUARE



ELYSIAN

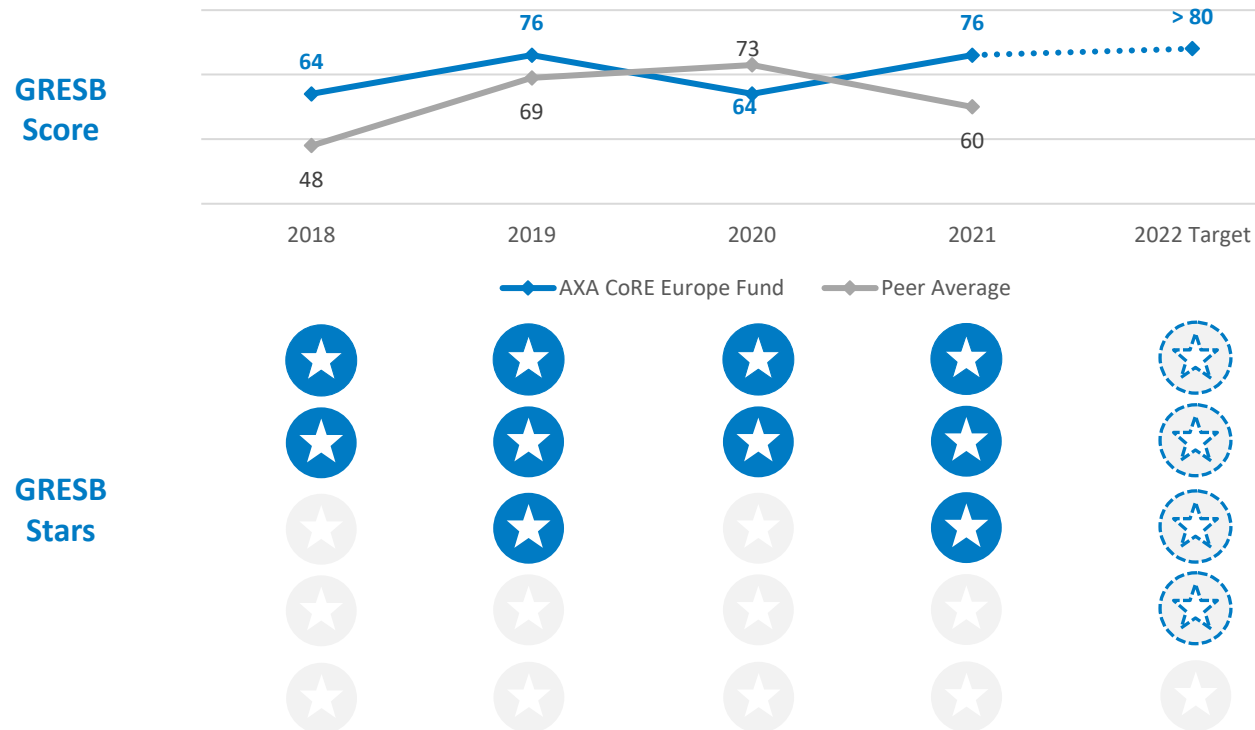


SANDFORD



## GRESB

**TARGET 2022**  
Increase scoring and target 4 Star rating



**TARGET 2025**  
Minimum 4 Star Rating

## DATA COVERAGE

**TARGET 2022**  
> 95% AUM with full landlord-controlled utility data collected (energy and water)

**TARGET 2025**  
> 50% AUM with whole building utility data collected (landlord + tenant)

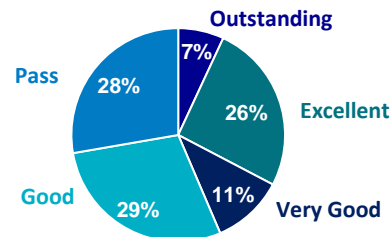
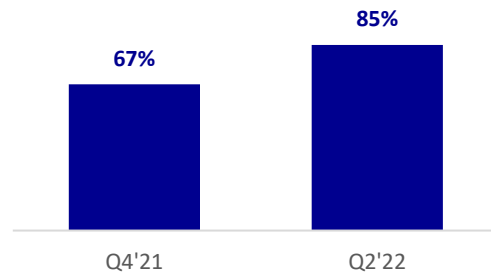


## CERTIFICATION

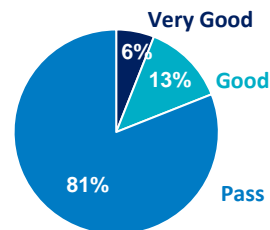
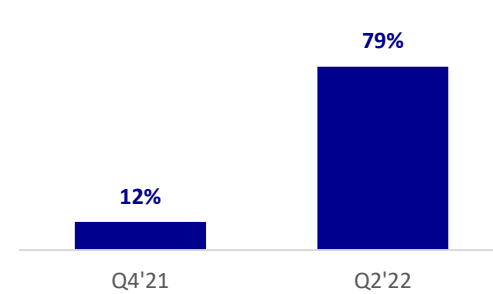
**TARGET 2022**  
**>95% commercial AUM certified<sup>1</sup>**

**HY 2022 KPIs**  
**82% commercial AUM Certified<sup>1</sup>**

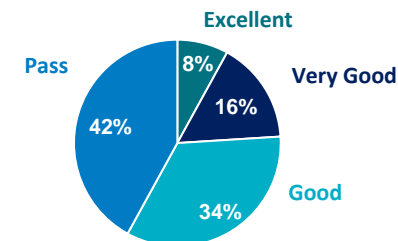
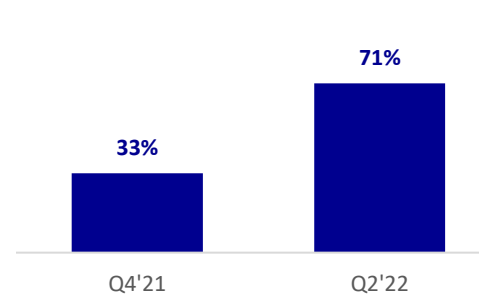
### Office<sup>1</sup>



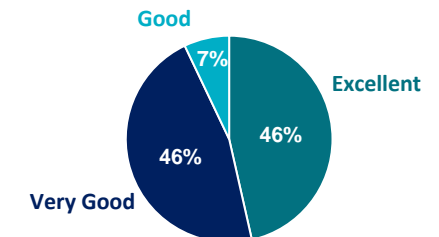
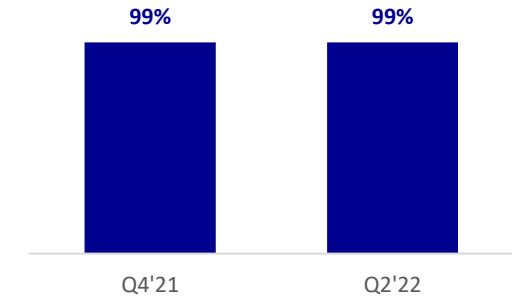
### Hotel<sup>1</sup>



### Industrial<sup>1</sup>



### Retail<sup>1</sup>



## TARGET 2025

**>50% AUM certified with a certification level of minimum 'very good' or equivalent**

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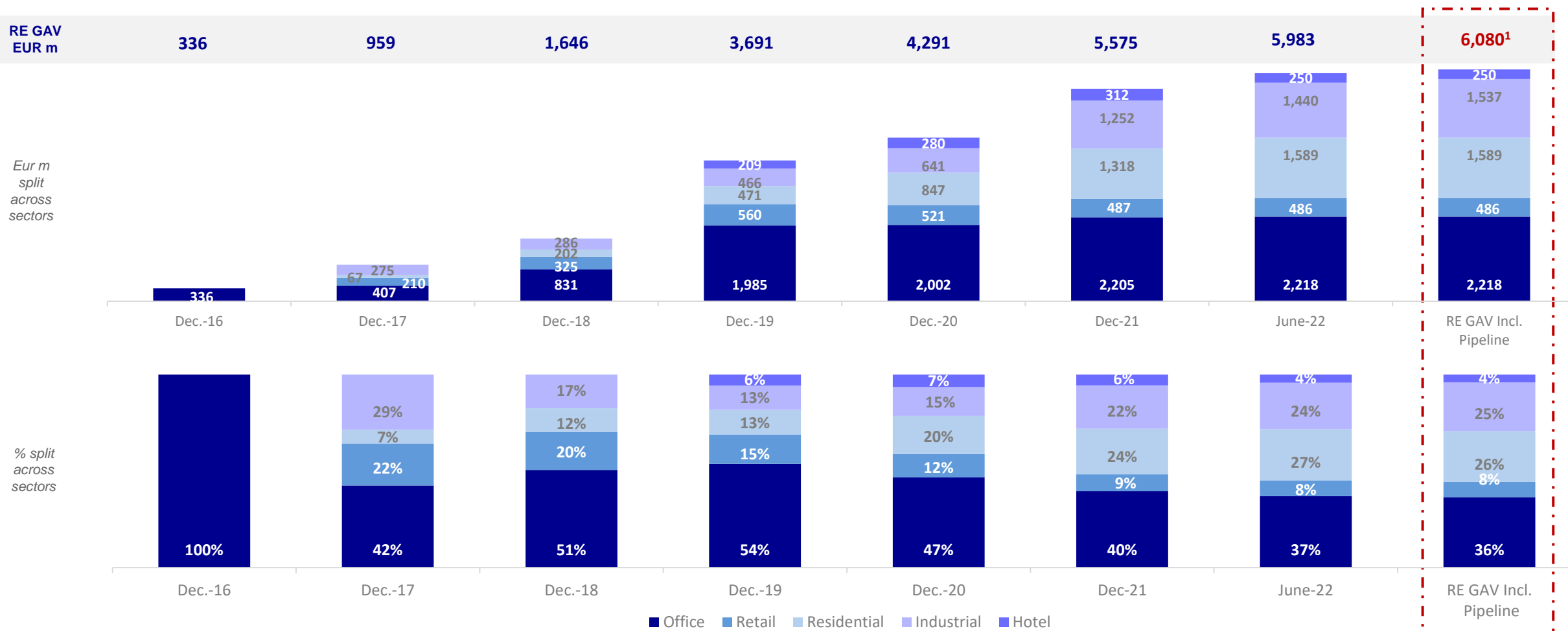
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### Precise and Proven Investment Strategy Based on Dynamic Sector Allocation Over the Years



**Continued overweight towards Residential and Industrial sectors which have been the most performing in the last quarters**

SOURCE: AXA IM – Real Assets data (unaudited) as at 30 June 2022 Past performance is not representative of future results or performance. There can be no assurance that the Fund will achieve these results, implement the strategy or achieve its objectives.  
 NOTES: <sup>1</sup> There is no assurance that any pipeline investment will be consummated or that it will be consummated on the terms described herein or meet its projected return objectives

- **High quality** underlying properties located in capital cities in the **most liquid markets in Europe** (c. 2/3 of the portfolio is located in France, UK and Germany).
  - **Stable and well positioned portfolio.**
  - Focus on delivering **Asset Management Initiatives** in the existing portfolio.
  - **Monitoring of Inflation impact.**
  - Careful approach of the investment market in this changing environment.
- 
- Fund objectives remain unchanged (i) maintain **net LTV ratio below 25% and ICR above 4x** (ii) increase the number of unencumbered assets and (iii) diversify the source of financing.



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