



VICTUS EUROPEAN STUDENT ACCOMMODATION FUND IC LIMITED  
(‘VESAF’ the ‘Fund’ or the ‘Company’)

Registered Number 56015

Registered Office: 11 New Street, St Peter Port, Guernsey, GY1 2PF

## Fund Update - January 2018

It has been the focus of the VESAF Board to continue to maximise value for shareholders whilst the Fund is suspended. The Board have been concentrating on the sale of the portfolio and the potential restructuring of the Fund to Luxembourg. This announcement provides a progress update on these matters, in addition to points arising from the audited accounts for the year ended 31 August 2016.

## Portfolio Sale & Restructuring Update

### UK Portfolio

At the end of last year CBRE (the Fund’s sales agent for the UK assets), advised the Board that full marketing of the UK assets should be delayed until the New Year due to prospective purchasers completing transactions at the year end and therefore less likely to enter any new negotiations. CBRE have also confirmed that they have received strong interest on the UK assets and believe they are well positioned to complete sales at market rates. The Board are optimistic that the sales process will conclude during the second quarter of 2018 due to the strong demand for the assets as confirmed by CBRE.

Asset sales subsequent to 31 August 2016 included the properties in Pitt Street, Newcastle that were included in the 31 August 2016 financial statements at the sales price achieved. Keiller Court, Dundee was sold above the 31 August 2016 valuation.

As at 31 August 2017 the remaining UK assets, valued by CBRE shows a return to the pre-BREXIT valuations of May 2016. The 31 August 2017 valuation has increased on the UK portfolio by 19.95% over the 31 August 2016 valuations.

Across the UK assets a 3% year on year budgeted rent increase has been applied for 2017/18 with current occupancy at 98%. A 2.7% year on year budgeted rent increase has been applied for 2018/19 and bookings to date for the next academic year are already ahead of this time last year.

### European Portfolio

Savills (the Fund’s sales agent for the European assets) have been busy liaising with prospective purchasers and have completed site visits with interested parties. Following these there have been a number of offers for the purchase of these assets which the Board are progressing with the Fund’s advisors. It is expected that the sale of the European assets will be concluded during the second quarter of 2018.

Across the German assets a 4.2% year on year budgeted rent increase has been applied for 2017/18 with current occupancy at 96% for the 2017 Winter Semester and strong bookings to date for the 2018 Summer Semester.

Bookings for 2017/18 Winter Semester at Bordeaux are currently 98% and at Chambéry there is a fixed income stream, reviewable annually.

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#### Potential Restructuring of the Fund to Luxembourg

At the request of a number of shareholders, the Board continues to investigate the option of restructuring the Fund in Luxembourg. The Board is undertaking those investigations alongside the orderly wind-down of the Fund. The Board anticipates that there will be market demand for all of the Fund’s assets. The European market is less mature than that of the UK and it is therefore anticipated that demand for the Fund’s assets in Germany and France may not be as strong and may result in a longer sales process. This would allow the Board to consider the option of including them as a nucleus for a new Luxembourg Fund if there was sufficient shareholder interest. Consideration of such an option will not delay marketing and the Board will continue to pursue sale of all assets by the end of the second quarter 2018 at levels commensurate with the Board’s expectations of value.

In terms of process, the Board has received external legal and tax advice on a potential re-structuring. The Board and its advisers continue to refine their views on the best options and Crosslane Fund Managers LLP (‘CFM’) will shortly commence the process of running financial models. Once all advice has been collated, and the financial modelling has been independently verified, the Fund will prepare a proposal which will likely involve the potential restructuring of the Fund in Luxembourg as a Reserved Alternative Investment Fund (‘RAIF’). The nature of a RAIF is such that it would appoint a third-party Alternative Investment Fund Manager to administer the RAIF for AIFMD purposes and, once established, the RAIF would be open for new investment.

This proposal will require an Extraordinary General Meeting (‘EGM’) to be convened to which shareholders will be duly invited to vote on this resolution, subject to Guernsey Financial Services Commission (‘GFSC’) and other regulatory approvals. It is expected that the Board will have concluded its deliberations during the first quarter of 2018 following which it will seek shareholder consent to either restructure in Luxembourg or continue with the winding up process.

#### Annual Report & Accounts 2016

As previously reported, the audited accounts for the year ended 31 August 2016 have been signed and filed with the GFSC. As outlined in previous investor updates, the Fund is unable to deal with redemptions for the dealing days 3 May 2016 and 2 June 2016 in line with the conditions imposed by the GFSC and these conditions will remain in place until formally notified by the GFSC. The Board will update investors as soon as is practicable following notification.

The Board have proposed to convene an EGM of the Shareholders of the Company at its registered office to transact the following ordinary resolutions:

1. To receive the Company’s Annual Report and Audited Financial Statements for the year ended 31 August 2016
2. To re-appoint Saffery Champness as auditor of the Company until the conclusion of the next Annual General Meeting (‘AGM’)
3. To authorise the Directors of the Company to determine the remuneration of the auditor

Statutory notices have been circulated to all registered investors advising them of a change to the original date of the EGM, which will now be held on 6 February 2018.

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The Board have received a number of questions following the distribution of the 31 August 2016 Audited Financial Statements. The following information is provided in response to all investors.

#### Change of Auditor

As previously announced in investor updates in March & May 2017 the Fund’s auditors became Saffrey Champness. The previous auditors, BDO Limited, gave notice of their resignation as auditor to VESAF on 10 August 2016 as required under the provisions of the Companies (Guernsey) Law, 2008 and further confirmed pursuant to section 273 of that Law, that there were no circumstances in connection with their ceasing to hold office as auditor that they felt needed to be brought to the attention of the members or creditors of VESAF. Saffrey Champness Chartered Accountants were appointed on 15 November 2016 as the Fund’s auditor.

The audit for the 31 August 2017 year has commenced and the Board are pleased to confirm that Saffrey Champness will continue in office and a resolution to re-appoint them will be proposed at the EGM. The Board and all parties involved in the audit process expect the 31 August 2017 audit to be completed in accordance with the regulatory deadline of 28 February 2018.

#### Investment Portfolio

The value of the properties reduced in the Annual Report for 2016 by £10,466,428. The majority of this reduction in value was driven by the valuation of the UK portfolio undertaken in August 2016 by Savills, the Fund’s retained valuation agent. In addition, the Financial Statements were prepared on a break up basis to allow for selling costs.

Savills advised that there were various economic factors which influenced the real estate market as a whole – largely the release of the UK Government Budget in March 2016, and the uncertainty leading up to and immediately after the BREXIT vote in June 2016. There was a noticeable decrease following the UK Government March budget release, caused by a change to the Multiple Dwelling Relief calculations under the SDLT regime.

Further uncertainty leading up to, and immediately following the BREXIT vote did not contribute towards a fall in asset values specifically, however, it did contribute to adjustments in offers being made on assets in the market by investors who were mid-transaction on the grounds that they were uncertain how the market would react to the BREXIT vote, which Savills took into account in their calculations. In addition, Savills made assumptions on expected operational costs on the basis that some assets are located in more competitive markets than was previously the case and using competitors as a guide, this resulted in a shift in yields used which subsequently impacted valuations.

#### Utilisation of Cash

Funds raised from the sale of assets have been utilised to repay debt on assets and to settle creditors, with the balance being retained as cash in the Fund.

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#### Debt Update

The level of debt pre-suspension was 52% which has now reduced to 45% resulting from the sale of the properties ‘St James Point’ and ‘St James Court’ in Newcastle during October 2016, which had a higher level of debt, and Keiller Court in Dundee during May 2017. The average interest rate on debt pre-suspension was 4.44%, which has now reduced to 3.09% as a result of refinancing debt on the Harbour Court property in Bristol which took place in December 2016.

#### AGM Update

The AGM of the Fund, duly notified to all registered investors, was held on 15 September 2017, however, the meeting was not quorate, so it was adjourned and reconvened on 22 September 2017.

The next AGM is due to be held no later than 15 December 2018. Whilst an AGM date prior to this deadline is yet to be set, it is the Board’s intention to propose a date during the second quarter of 2018 following the signing and filing of the 31 August 2017 audited financials.

#### Change in Board Members

As announced in previous investor updates, there have been a number of Board member changes over the last two years, with various Board members resigning due to either personal or change of domicile reasons. It should be noted that two Board members have consistently held office since the launch of the Fund and all Board members are fully committed to the Fund. In addition, Edward Kisala was appointed as Non-Executive Chairman effective as of 1 July 2017, bringing with him a career spanning almost 30 years’ in the real estate industry, including fund, investment, asset and property management experience.

#### Fire Risk Assessment (‘FRA’)

Crosslane Property Advisor (Guernsey) Limited (‘CPAGL’) recommended and arranged full fire safety reviews by independent 3rd party experts on all the Fund’s assets. FRAs were received for the UK and German properties and whilst the assets were deemed compliant, some additional improvements were recommended. Work on the UK assets is nearly complete and will be completed early in the New Year. For the German assets, quotes for the recommended works are being prepared which will be reviewed and work is expected to commence shortly. Inspections of the two French assets are scheduled for January.

The VESAF Board will continue to keep investors updated on all the above matters and remains committed to providing investors with the best value proposition as soon as is practicable. All enquiries should be forwarded to the Fund’s Secretary at the Fund’s registered office, which is located at the above address.

Yours faithfully

For and on behalf of the Board of Directors

Victus European Student Accommodation Fund IC Limited



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The domicile of the Fund is Guernsey

The Legal Representative of the Fund in Switzerland is: OpenFunds Investment Services AG, Seefeldstrasse 35,  
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Publications in respect of the Shares are effected on the electronic platform [www.fundinfo.com](http://www.fundinfo.com)

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