



Capital Call Phenomena – General Viewpoint

As we have previously explained, amid the COVID-19 global pandemic, our immediate goal is to continue to work with our strategic partners in monitoring our existing assets to protect our investors invested capital.

At Profimex, before establishing any partnership with real estate operators we perform an extensive due diligence process to make sure that we only partner with the highest caliber and best managers in the space that they operate. Additionally, it is clearer by clearer the day that in every sector of the real estate world only the best managers will be able to endure this period of uncertainty. Our partners have strong experience in the asset classes that we are invested in and have good relationships with their lenders. Additionally, through our manager vetting process, we make sure that we are only investing side by side with managers that experienced successfully and navigated at least one financial crisis.

In general, the real estate industry entered this global crisis with solid supply-demand fundamentals. We believe that some investments will be impacted in the short term, while over the long-term, we expect that the real estate sector will benefit from favorable secular trends. Clearly every sector in real estate has been impacted by this black swan event. We are seeing an unprecedented pace of job loss and economic loss around the world with over 22 million Americans losing jobs in the span of one month. On the positive side, we have already seen the US government inject about \$2.7 trillion of fiscal stimulus into the economy, and the central bank changing its traditional working in cutting rates to zero and injecting trillions of dollars into the financial markets, including about \$600 billion for main street.

Moving forward, we believe that being prepared for the future in a time of COVID-19 means being prepared for a situation where we must issue capital calls. That being said, we will support our partners' decision to issue a capital call and recommend a participation only after our investment committee has vetted and voted to approve such a plan. We will only support their decision when we believe that it will save our investors' capital and increase the investment's intrinsic value.

In effect, we support capital calls when we believe that we are putting good money to work at good opportunities. Primarily allowing our investors to de risk their exposure from financial risks in the investments.

In a capital call, investors are generally provided an option to invest additional capital at a preferred interest. Meaning, that the new money invested has a priority in capital return (including its preferred interest). If all the investors in the project participate in the capital call, then the additional money is, in effect, a deleveraging mechanism on the total capitalization. However, if an investor chooses to not participate their equity is diluted by the participants with the new money ahead of their original equity investment. Since capital calls typically occur during an unfavorable period time, this puts the new invested equity at a priority ahead of the common equity and it generally provides a preferred interest rate for the new equity. The return on the equity is typically capped at the preferred return offered. Therefore, while common equity investors are behind this new capital, their total returns may still be higher with this newly injected capital, because the common equity has new cap on the possible returns.

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Profimex has successfully coped with several global economic crises in its many years of operation and has successfully weathered the storm each time. In our history, we have participated in dozens of capital calls to save our investors' capital. Our success continues to be aligned with the performance of our investors' returns.