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VÄRDE

# ESG: Investment Case Studies

Proven Experience. Global Perspective. Long-Term Partnership.

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# Real Estate: Hotel-to-Student Housing Conversions in Large U.S. Cities



## Acquisition and conversion of distressed urban hotels into student housing

### Investment Overview

- Joint venture with an experienced real estate platform specializing in opportunistic hospitality investments
- JV acquires attractively-priced assets in partnership with universities to provide more affordable, attractive student housing solutions in supply-constrained markets
  - Assets are leased to educational institutions, helping to solve the large undersupply of student housing in major U.S. cities
- Current exposure includes properties in New York City, Boston, Providence, and the Bay Area

## ESG Consideration

### MORE AFFORDABLE, PURPOSE-BUILT STUDENT HOUSING

- Existing supply and demand imbalance imposes high costs of living and pushes students towards lower quality, multi-family rentals in less desirable areas
- Led by Värde, JV offers a housing solution tailored to students, with leases matching university calendars, 24/7 security, and resident advisors on each floor
- Additional supply significantly reduces costs for students and promotes access to safe, quality housing (e.g. JV's New York City assets provide student housing at ~\$1,200/month versus average off-campus rents of \$1,700/month<sup>2</sup>)

### ESTIMATED DEMAND & SUPPLY FOR NYC STUDENT BEDS<sup>1</sup>

| School                      | Enrollment | School Provided Beds | Off-Campus Need |
|-----------------------------|------------|----------------------|-----------------|
| NYU                         | 51,123     | 13,000               | 38,123          |
| Manhattan Community College | 25,063     | 0                    | 25,063          |
| CUNY - Hunter College       | 22,879     | 650                  | 22,229          |
| NYC College of Technology   | 13,767     | 0                    | 13,767          |
| CUNY - Queens College       | 16,481     | 506                  | 15,975          |

### LONG-TERM PARTNERSHIP WITH UNIVERSITIES & COMMUNITIES

- Management company integrates with non-profit university partners, providing classroom space and programming to augment the student experience
- Influx of students contributes to urban revitalization and community development

1. Source: Hawkins Way Capital. 2. Source: Värde estimates. Any past performance described herein is not indicative, or a guarantee, of future results. The information provided in this Presentation (including any reference to a particular security or investment) should not be considered a recommendation to purchase or sell any particular security or investment but is provided for illustration purposes only. There is no assurance that any of the investments discussed herein will remain in a Fund's portfolio at the time you receive this Presentation or that investments sold have not been repurchased. The investments discussed do not represent a Fund's entire portfolio and in the aggregate may represent only a small percentage of a Fund's portfolio holdings. It should not be assumed and there is no guarantee that any of the transactions or holdings discussed were or will prove to be profitable or equal to corresponding past performance levels, or that the investment recommendations or decisions Värde makes in the future will be profitable or will equal any investment performance discussed herein. Any investment or investment strategy can be impacted by numerous factors, including market and economic conditions, and may result in a loss to investors. This Presentation does not include information regarding each investment or investment strategy pursued by Värde. You may request additional information regarding any investment related to any Fund. Please also see "Important Disclaimers" at the beginning of this Presentation for additional information and considerations. Note: The investments noted here do not represent the entirety of any Värde portfolio and are chosen to represent what Värde believes to be illustrative examples of how Värde can potentially integrate ESG considerations across Värde's primary investment segments.

# Asset-Based Finance: Mezzanine Warehousing Financing Backed by European Consumer Receivables



Mezzanine investment secured by consumer receivables originated by an established European department store

## Investment Overview

- Facility backed by consumer receivables originated by a major European department store. The company offers a wide range of affordable consumer and family products with a strong repeat customer base
  - Unique integrated credit offering provides consumers flexibility to finance purchases across the retail platform
- Industry-leading cyber security and fraud protection for safe online shopping

## ESG Consideration

### STRONG CORPORATE GOVERNANCE

- Large company with established procedures and sound management practices
- Measurable ESG impact given adherence to EU reporting requirements

### SUSTAINABLE RETAIL OPERATIONS

- Emphasis on supply chain transparency and sustainable sourcing
- Production processes with environmentally friendly materials and corporate partnerships to support textile recycling

### RESPONSIBLE CONSUMER LENDING PRACTICES

- Thorough underwriting process includes credit check and affordability assessment to verify suitability for both parties
- Financial education resources to help customers with liability management
- Clear, consistent communication regarding terms and conditions
- Payment reminders to keep customers on track

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# Corporate Credit: Investment in a Canadian Gold Producer & Developer



Lending to a performing, high-quality gold mining company in a relatively defensive sector

## Investment Overview

- Canadian gold-mining company with two established mines and a transformational project under development that required financing for completion
  - The new gold mine would be one of the largest in Canada and significantly increase the Company's production and cash flow generation
- Compelling opportunity to invest in secured debt with an attractive yield and strong downside protection

## ESG Consideration

### UNDERWRITING & DUE DILIGENCE

- Värde anticipated the potential for ESG risks often associated with mining. As such, significant time was invested in performing diligence on the Company's environmental, safety, labor, and governance characteristics, along with leveraging a third-party ESG risk analytics report
- Sustainalytics ranked this company in the top 20% compared to peers in terms of ESG risk (i.e., better than 80%)

### SUSTAINABLE MINING OPERATIONS

- The company maintains a robust environmental policy, emphasizing stewardship through best-in-class water recycling, sourcing of power, and waste collection
- Partners with top universities and research institutes to develop environmental solutions and advance sustainable mining performance worldwide

### STRONG CORPORATE GOVERNANCE & LABOR RELATIONS

- The company has an independent board and management team with extensive experience in the mining sector. This is supplemented by relationships with leading technical consultants
- The firm has very strong relations with its workers and a rigorous, industry-leading safety protocol
- Consistently receives recognition as a sector leader in ESG stewardship

**By getting comfortable with the ESG elements of this opportunity, we were able to make this attractive investment and have generated strong returns.**

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