



## **CONFERENCE CALL TRANSCRIPTION – 2Q-2023**

Good afternoon and welcome to all our investors. My name is Andrés Felipe Ruiz, Vice President of Finance for PEI Asset Management. Today we will begin our results conference for the second quarter of 2023. Joining me today are our President Jairo Corrales and our Commercial Manager Alejandro Alzate. We will start the conference with some opening remarks from our President Jairo Corrales, who will not only provide a summary of the quarter and the year's results, but also an overall context on the progress of our strategy. Afterwards, we will move into the management summary for the second quarter of this year and conclude the presentation of results with our outlook section for 2023. And finally, we will have our question and answer session. We now move ahead with our President Jairo Corrales.

Good afternoon, thank you Andrés. As always, it is a pleasure to be with you, esteemed investors. First, I would like to refer, as Andrés already announced, to a summary of the most relevant results during the second quarter of 2023. It is worth mentioning that operationally and in terms of real estate results, we had excellent results, being able to further decrease vacancy, which went from around 6% to 5.5% in terms of physical vacancy and 7.6% in terms of economic vacancy. But it's not only vacancy that has shown very positive results, but also rent increases. As you know, PEI contracts have an indicator that is commonly used to index rents, which is inflation. And just as inflation has generated significant increases on the debt side, we have had very good performance in terms of income. In fact, in the first half of the year, we closed with revenues exceeding COP 336 billion, representing an increase of over 14%. It is also important to highlight the placement of spaces. We managed to place nearly 16,000 additional square meters. Let's remember that PEI currently has a total GLA of approximately 1,150,000 square meters, meaning it was an active quarter for placements. And this is tied to contract renewals, where we have a very high effective rate of over 98%. It is important to mention that in the midst of a macroeconomic situation like the one we face, the cost of debt has been increasing, so for this period, the average cost of debt stands at 15.3%, leading to financial expenses reflected in the financial statements of approximately COP 212 billion. In the framework of the prioritization that we announced to you in the previous investors' assembly, we mentioned some very relevant fronts, the first of which is divestment. We will take a brief but important moment to communicate and share with you some of the most important advances regarding this important strategy. We are also continuing to make progress on the debt substitution front, which involves optimizing the vehicle's capital structure. We have made progress with IFC in obtaining the credit that you are already aware of and was communicated to you in previous calls, for an amount close to COP 700 billion, which will allow us to have medium-term debt in pesos and under better conditions than those currently available in the market with local banks. Additionally, it is important to mention that while we are still far from the target value in terms of the secondary market price of the security, there was a strong recovery during the second quarter of the year. Let's remember that we reached lows of around COP 20,000 and closed with the security's value above COP 42,000. But it is not only important to recover the value of the security, but also the associated volume. If you recall, in the last quarter of 2022, we had very low liquidity for the security, with daily operations not exceeding COP 200 million. In the last quarter, this same indicator is now around COP 800 million, which is a significant increase that should lead to further consolidation of the recovery in the security's price. As



you know, the past few months have been intense work for the administrator in preparing our extraordinary assembly of investors, in which we will present four main points. The first one concerns the structure of fees, the second one concerns the vehicle's capital structure, and the third one concerns corporate governance. We had planned some other modifications, but based on feedback from you, our investors, we will leave the last point, which concerns eligible investments, for later. We have carried out this task of preparing the extraordinary assembly jointly with the representative of the trust, Corficolombiana, and with the representative of the investors, Fiducoldex. We held meetings not only in Bogotá but also in the main cities of the country to personally attend to our investors, tell them what we were thinking of proposing at the assembly, and listen to them. It has been a very enriching process because we have been able to incorporate changes into the proposal that we will present to you in September. We hope that will be the date when the Superintendence of Finance finally gives us the green light to convene and hold this important event that prepares us for the future. With this, we conclude. Before giving the floor to Andrés Felipe and Alejandro to discuss the details of the results for this second quarter of the year, I would like to share with you a topic of a somewhat confidential nature, which is why we cannot mention specific names. However, we want you to be able to appreciate how we are progressing in the divestment process. In other words, what type of assets we are considering selling, the profile of the buyers, and an estimated timeframe for closing those transactions. So, first of all, we have called this "Intelligent Divestment Process". because it is not about selling the assets at any value. One of our main purposes for divestment is to send a very strong message of confidence to the market that the valuations at which the PEI's assets are registered are correct. And we will be able to confirm this with a sale transaction that is very close to book value. So, that is a very important point. We are not selling at a discount. We are not rushing to offer this to any buyer. We conducted a prospecting of potential buyers who had the capacity to acquire an asset from the portfolio and hopefully could even become co-investors in the future. So, that is one of the important topics. Secondly, we conducted a very thorough study of all the assets in the PEI portfolio and identified some that had greater potential for sale. Based on that, we also went out to search for potential buyers. And a very important issue is that the PEI has now been in existence for 16 years, and in 16 years, obviously, the cities where the PEI assets are located can change in terms of their regulations and development hubs. That is why it is very important for us to constantly study the urban regulatory conditions and what can be built on each of the properties that already make up the portfolio. This study of the regulations allowed us to identify some very interesting opportunities that we are working on. Let me give you some figures to keep in mind. Currently, we have 11 processes worth nearly COP 900 billion. Secondly, there are four active processes with the highest probability, totaling COP 770 billion. 57% of potential buyers are international entities. Some are already our partners in assets, while others are new and want to have some kind of presence in the country. Additionally, 75% of interested parties are investment vehicles, therefore sophisticated buyers using methodologies such as discounted cash flow to value the assets. Only 25% are companies, family offices, or even individuals. In some cases, we are considering selling assets in their entirety, but we have also outlined a strategy to sell a sub-portfolio with a percentage maintaining a relevant stake. So, about 80% corresponds to this second scheme where we manage a sub-portfolio. From a category perspective, divestment also becomes an opportunity for portfolio management. We have assets in the commercial



category, others in the mixed-use category, and in the corporate sector. In this way, we want to provide more insight into this transaction without obviously breaking the confidentiality we have with potential buyers of these assets, so that we can materialize it and generate resources that, as you know, can be used to reduce debt or provide extraordinary returns to our investors. With this introduction regarding the main figures and events of the second quarter of 2023, and particularly the divestment strategy, I would like to pass it on to Andrés Felipe, who will tell us about the third-party divestment strategy, and then Alejandro will share topics and strategies related to the commercial portfolio.

Thank you very much Jairo. I invite everyone to move to slide number 8 to see the general portfolio figures. For this second quarter of the year, we closed with a portfolio of 6,200 tenants that, as Jairo mentioned, are represented in approximately 1.15 million square meters of gross leasable area, and lease contracts have been signed with more than 1,500 tenants, within a context where the number of investors accompanying us in the vehicle exceeds 6,200. The aforementioned is the diversification, which is what we see in the lower part, where we have 41% of investment property in shopping centers, 3% in commercial premises, 35% in corporate assets, 16% in logistics assets, and 5% in what we consider to be the category of specialized assets, such as university residences that have been signed in this year's quarter. Moving on to the semester, we want to talk a little about vacancies. In terms of physical vacancy, we closed with a vacancy rate of 5.8%, a decrease of 11 basis points, and an economic vacancy rate of 7.6%, which also showed a reduction of 31 basis points. In terms of our income, as Jairo mentioned, we reached operational income of around COP 336 billion, with increases that exceed the year-to-date inflation, with an increase of 14.4%, and an operational profit that has increased by 14.6%. In terms of EBITDA, we closed with EBITDA close to COP 241 billion, an increase of about 24%. In terms of operational profitability of the vehicle, we reached operational profit margins (NOI) of 83.1% in the first six months, with basic increases above what we reported in the previous year, and an EBITDA margin of 71.6%, which represents an increase of about 540 basis points compared to what we reported in 2022, as a result of some of the announcements we made in our General Assembly with retroactive effect from January 1st. In terms of distributable cash flow, in the second quarter, we distributed approximately COP 18.537 billion a few days ago, which represented about COP 433 per share and allows us to maintain around COP 63 billion as an Outlook for 2023, with COP 1,472 per share for this year, which should translate into a return on equity per share between 1% and 1.3%. Moving on to slide number 10, I will give you a brief introduction to the most relevant indicators in terms of the business: physical vacancy and economic vacancy, highlighting some of the elements that Jairo mentioned in his opening remarks. In terms of physical vacancy, we closed this first semester with a vacancy rate below 6%, at 5.8%, which is a significant reduction compared to the first quarter, thanks to the commercial management that Alejandro will now delve into. Similarly, the economic vacancy, which represents the potential income that the portfolio has not yet achieved as a proportion of the total potential income of the portfolio, also had a significant reduction, reaching levels of 7.5% at the end of this second quarter, higher than the 9% recorded in the first quarter of 2022. This is due to the efforts led by the commercial team in terms of lease renewals, with a renewal rate close to 99%, and the placement of over 15,000 square meters throughout the first six months of the year, which have contributed to these operational indicators. With this, I hand over to our Commercial Manager, Alejandro Alzate, to share with us the details at the category level.



Thank you, Andrés. Good afternoon, everyone. Moving to slide 12, the physical vacancy of the corporate category increased by 138 basis points compared to the end of the first quarter of the year. This was mainly due to spaces in assets such as Amadeos and Capital Towers that were leased to different tenants, where we have already placed four of these floors equivalent to 3,500 square meters with a multilateral organization linked to the United Nations. We can also confirm that this week we agreed on the economic conditions in order to sign a new lease contract for about 3,000 square meters. On the other hand, in this category, the economic vacancy recorded a reduction of nine basis points compared to the immediately preceding quarter due to the expiration of grace periods in assets such as Atrio and Capital Towers, as a result of the entry of new tenants such as PEI Asset Management and the French medical group Amarey, respectively. These are the pre-pandemic trends we observed in 2019. This demonstrates the stabilization in the behavior of the category under the new schemes of in-person work implemented by the majority of our tenants. Moving to slide number 13, we want to present how commercial management works in the corporate category with two examples of assets such as Capital Towers and Atrio. This is an integral block in commercial management for which we must not only have our assets updated from the point of view of their specifications but also have an active strategy of prospecting and seeking growth with current tenants through our direct commercial force as well as constant contact with brokers. When we receive interest from potential tenants at this time, we present a comprehensive proposal of services, adaptations, and facilities that we have called "metros a la cuatro" (meters raised to the fourth). This approach has proven to be highly successful in the corporate category, as demonstrated by success stories with companies such as Habi, PEI Asset Management, Command Alkon, Tigo, Abbott, and the International Organization for Migration, which is part of the UN, as I mentioned before. As for the performance, on slide 14, the physical vacancy decreased by 24 basis points compared to the previous quarter, as a result of the leasing of 3,100 square meters represented by tenants such as Skechers, Under Armour, among others, who entered our shopping center portfolio. On the other hand, the economic vacancy in the quarter in this category decreased by 30 basis points compared to the end of the previous quarter, an effect associated with the economic vacancy. The category's income also improved with the entry of tenants such as Massimo Dutti, Zara Home, Peru Wok, and Conquer. Additionally, in the months of July and August, we have signed contracts with new clients in medium and large formats such as HomeCentry and Decathlon, whose openings will take place in the coming weeks. The above info evidence the increases in average monthly sales per square meter. On slide 15, moving to the logistics category, the physical vacancy decreased compared to the previous quarter with a difference of 39 basis points, due to the incorporation of new tenants such as Diebold Nixdorf and Siemens in a recently received warehouse space. It is important to highlight that these tenants enter with some grace periods that will allow them to make the necessary adaptations. The economic vacancy increased by 92 basis points compared to the previous quarter but will return to its historical lowest levels when we receive the first rental payments and the grace periods end. Additionally, we would like to mention that due to high occupancy levels, prices per square meter in the logistics category have been increasing in the country's main cities. Specifically, they reported growth rates of 13.4%, 11.7%, and 4.5% respectively for the second quarter of the year compared to the same period last year. It is also important to note that the economic vacancy rate in this category was lower than the physical vacancy rate, as the vacant square meters represent a value



per square meter below the category average. Similarly to the previous categories, we are seeing decreases in future vacancy rates in the vacancy indices, as we have signed contracts in June and July for assets in Bucaramanga and Bogota. Moving on to slide 16, specialized assets and hospitality continue to contribute stability to the overall portfolio context due to the long-term relationships we have been building with our tenants and their long-term lease scheme. This year, the Sanitas Popayan Medical Center was added to the portfolio with full occupancy. This asset has a rentable area of approximately 3,600 square meters and was acquired for around COP 15.5 billion. In the hospitality category, CitiU university residences had an average occupancy rate of 91%, while Boho, another asset incorporated into the portfolio, achieved a 62% occupancy rate for the current semester, which started last July. CitiU reached its highest historical occupancy rate of 94% in terms of bed count, as well as in the commercial platform we have in this asset. On the other hand, the Calablanca Hotel located in Baru, operated by Accor, had an average occupancy rate in the second quarter with stabilization since its incorporation at the end of 2021. With this, we conclude the commercial evolution section of the portfolio and I will now pass the floor back to Andres Ruiz, who will talk about the financial results and the capital market context.

Alejandro, thank you very much, and I invite you to move to slide 18 to mention some relevant data in terms of the financial results. In the closing of the second quarter of this year, the vehicle's operating income showed a growth of 13% compared to the same period last year, surpassing approximately COP 167 billion. This is mainly due, as Alejandro mentioned, to the commercial evolution we shared, to the rental income we have seen in terms of cooperative commerce, and some of what we mentioned in the specialized category. On the other hand, the net operating income closed the quarter with a value of around COP 138 billion, registering a growth of 12% compared to the approximately COP 123 billion in 2022. This growth is driven by the performance of the categories Alejandro mentioned, such as the Unico and Jardín Plaza portfolio and our own portfolio, which have been stabilizing after the acquisitions made in the last two years. In addition to the good performance, as Alejandro mentioned, of the Calablanca asset in the municipality of Baru. During the quarter, the margin decrease by 63 basis points due to a one-time increase in operating expenses specifically related to repairs and maintenance in the logistics and commercial categories. This included investments in fire safety and waterproofing measures that were not present in the same period of the previous year. However, the year-to-date indicator does show an increase of about 13 basis points compared to the same period in 2022, driven by revenue growth of over 14.4% and a slower pace of operational expense growth at around 13.5%. As a result, the EBITDA for the second quarter reached nearly COP 119 billion, representing a 21% growth compared to the approximately COP 98 billion reported in the same period last year. This translated into an increase of about 489 basis points compared to the EBITDA margin reported in the second quarter of the previous year, primarily due to revenue growth and slower expense growth, as well as a significant impact from the discount granted by the property manager in the investors' assembly in March, which was implemented retroactively from January 1st of this year. In the bottom right graph, we want to refer to the gross accounts receivables of the portfolio, which has consistently decreased since 2020 and 2021. For this particular quarter, the consolidated indicator reached COP 12,670 million, equivalent to a reduction of about 48% compared to the same period of the previous year. This results in a net portfolio after provisions of approximately COP 5,213 million, representing 0.8% of the last 12 months' income, a reduction from the



0.92% we had last year, while maintaining a turnover of around three days. This largely demonstrates the good business relationship we have with our tenants. Moving on to slide number 19, let's discuss debt. We present a balance of financial debt and also the evolution of costs. In the upper left graph, we can observe the evolution of financial debt and the loan-to-value indicator, which as of June 2023, showed a reduction of 130 basis points compared to the same period in 2022, decreasing from a debt level of 36% to 34.7%. This behavior is explained by the fact that the growth of financial debt has been slower than the growth of the portfolio value. It is worth noting that the incremental debt has only been incurred to meet operational requirements of the vehicle and project closings that came with binding documents, which we have been honoring throughout the first six months of the year. In the medium term, which is part of what we have been sharing with all of you, we want to continue highlighting the evolution of several of these indicators, particularly the loan-to-value ratio. As seen in the upper right graph, a moderation in vehicle leverage is projected, driven on one hand by asset value growth and on the other hand by a more moderate expectation for debt value increase in pesos. The resources from new obligations will primarily be used for capital investments in the current properties of the portfolio. On the other hand, it is important to mention that today we still maintain about 15% of our portfolio in fixed-rate debt and 85% in variable rate. In the second quarter, there was undoubtedly an increase in financing costs, where we went from a financing cost of 9% to 15.3%, which has been one of the relevant factors for the first half of this year and I would say for the second half of 2022. However, in the lower right graph, we see, according to the expectations of the survey conducted by the Colombian Central Bank, the evolution of these indicators in the coming years, particularly the financing cost, which we anticipate should close the year at an average of around 13.5% and gradually evolve to levels below 10% and eventually stabilize in a range between 7.5% and 8% between the years 2025 and 2026. This significantly impacts the distributable cash flow, generating important effects in 2024, where we anticipate that we should be above COP 5,000 per share and reach levels close to COP 8,000 in 2026, where we would return to or exceed the levels of equity return or dividend yield at around 5.5%. In the next slide, we want to talk a little about the context of the capital market because it is something that we are constantly monitoring. In the upper left graph, you can see the beginning of the year when the shares were around COP 35,000, as Jairo mentioned. By the end of March, we reached lows close to COP 22,000, and in recent months, we have seen an evolution of the price reaching levels close to COP 43,000. We not only look at the individual evolution of the country but also compare it to other issuers in the stock market, as shown in the upper right graph. Throughout the year, we have been among the top five issuers with a positive evolution of the share price and even have a positive evolution compared to those with higher appreciation in terms of liquidity. Today, PEI is ranked as one of the most liquid species, ranking 16th. This connects with the lower left graph, which was part of what we mentioned at the beginning of the call, showing the evolution of volume. We can see that at the end of last year, daily trading volumes were around COP 195 million, and in the second quarter, there was a significant increase reaching nearly COP 900 million. In the two months of the third quarter, we are already close to COP 600 million, which is more than three times the liquidity of the stock over this period, demonstrating the effects of the liquidity strategy implemented over the past year and a half. This has resulted in an increase, as mentioned at the beginning, in the number of investors, which is now around 6,200. This is largely connected to our diversification strategy for the investor base, which we are currently



implementing. As these liquidity indicators continue to improve, they will undoubtedly contribute to attracting new investors, eventually leading to better liquidity levels for the participatory stock. If we move to slide 23, we will go back and mention what our perspectives have been for the year in terms of income, NOI margin, physical vacancy, dividend yield, and equity return. For 2023 and 2024, we are not making any modifications regarding income expectations. For 2023, we expect to be between COP 695 billion and COP 715 billion, and for 2024, between COP 810 billion and COP 825 billion. This is in a framework where the operational profitability of the vehicle should remain within an operational margin between 81% and 84%. In a context where physical vacancy should be around 5.5% to 6.5% for 2023 and around 5% to 6% for 2024, this should have a significant effect on our expectation of equity return or dividend yield for 2024, reaching levels close to 3.5%. In terms of equity return, which incorporates not only the equity variation of the title but also the returns for 2023 and 2024 due to the inflation levels we have seen during the first six months, we believe that equity return could be in a higher range than what we had in the previous Outlook, with a possibility of reaching 17% compared to the 16% level we shared in the previous conference. Equity return for 2024 would remain at levels between 12% and 15% due to the anticipated inflation levels for 2024, which are lower than what we are experiencing this year. With this, we conclude our vehicle outlook section and the material we wanted to share with you. We will now move on to our question and answer section. I would ask the team to help us with the questions that have come in while we were giving this presentation, and we will assign them to those present here to address them. And we will close our conference with some final words from our president, Jairo Corrales. So please help me with the questions.

So, from the first questions we received, we have Claudia Herrera from Allianz asking us if the sector has also managed to adjust rent prices to inflation. If not, is it a medium-term risk for PEI? I don't know if Alejandro can share with us. Claudia, good afternoon. Indeed, as Jairo mentioned, we have managed to adjust rents with the adjustments, pardon the redundancy, that we have contractually agreed upon with our clients. This has allowed us to improve income by approximately 14%, and in some cases, we have tenants who have even agreed to rent prices adjusted to inflation plus a spread. So far this semester, we have not had any cases of rent renegotiation because the contracts are already agreed upon, nor have we seen any decrease in the adjustment indexes of long-term contracts. I would say that this response applies to all categories, including hospitality, where in the assets of university residences, we have also made tariff adjustments for students residing in both CityU and Boho in the city of Cali. Alejandro, in addition to the response, as Alejandro said, this behavior has been consistent across all categories, but we can also proudly say that it is not limited to contracts that are already in execution. When we have faced the relocation of a space, we have managed to secure a higher rent from the new tenant compared to what we had before. And this is very important and is associated with the quality of assets we have in the PEI. The quality of assets in the PEI allows us to have incomes that grow even above inflation. And that's why in some previous conferences you heard us saying that real estate investment has protection against inflation. Unfortunately, there is a gap because inflation rises and leads to an increase in interest rates. We see this almost immediately. We are seeing increases in incomes, and we will see them even more next year. So, the reassuring part is that, as we already shared with you, we had incomes of around COP 340 billion. This year, we budgeted to have incomes of around COP 700 billion at the end of the



year, without deterioration of average incomes, but on the contrary, with a real increase when we reallocate spaces. I would like to address several questions here regarding the commercial component since we are touching on this particular topic. Juan Bayter asks us what percentage of contracts have already had rent increases according to the inflation conditions of 2022. Good afternoon, Juan. Indeed, approximately 55% of the contracts have already had rent increases based on the contractual conditions agreed upon during the first semester of 2023, and there would be approximately 45% left to adjust. This applies to fixed rents because, as you may remember, in the commercial category, we also have variable rents tied to the sales of the merchants, which, as we saw in previous slides, have also increased by 9%. Perfect. Moving on, Claudia from Allianz asked a question regarding debt. Debt has continued to rise since the end of 2022 and June 2023. That trend should change. Claudia, indeed, debt has increased, as you mentioned, by approximately COP 100 billion, mainly associated with specific acquisitions planned for 2022 that came from binding documents from previous years, and capital investments deployed throughout this year to maintain the infrastructure of the assets. The trend, if any, should be marginal as going forward, the focus of potential debt will mainly be associated with these capital investments we are deploying across the assets. Our asset management team is undertaking important actions this year related to waterproofing and roofing, which has been an important issue for the real estate sector due to previous winter events. Taking advantage of the current climate conditions, we can address this in terms of your question. Carlos Alberto Soto also asks a question regarding the loan-to-value of the projections Jairo has been presenting since March and asks if this incorporates divestment. I don't know if you would like to answer that. Thank you, Andrés. Yes, indeed, Carlos Alberto, the scenarios we presented have two important assumptions. The first one is that we do not make a new issuance of securities. Historical issuances of securities have allowed the PEI to raise funds used to pay off debt. That is one way to decrease liabilities, but in the figures that you have in the horizon that Andrés shared with you until 2026, there is no assumption of new issuances, and the same goes for projections, which although it is a front and a strategic pillar that we prioritize for 2023, we are not incorporating it. In that sense, the projections we are sharing are a conservative scenario, a more stressed scenario where we do not have a decrease in debt, neither through the issuance of new participating titles, nor through the payment from divestment of an asset. They ask us a question that I also find important, Jairo, and it is related to the same projections you mentioned, and if these projections at this moment incorporate modifications in commission structure. Yes, obviously, and Andrés presented it, indicators as important as EBITDA for this year have had an improvement associated with the discount we grant to our investors. So, in the results of 2023, we are already seeing the positive effect of the temporary discount we granted. Going forward, we have shown in the different scenarios where we have presented modifications to the Fees structure how it would behave. And if we remember, and the question allows me to remember that the main objective of changing the Fees is to achieve alignment. That is, for a complex year or a situation where there is a significant reduction in distributable cash flow to investors, the real estate manager or administrator of PEI also has a sacrifice in their remuneration. That is what happens in 2023, where the projections, according to the backtest, what would have happened in 2023 if we had not granted the discount, we would arrive at a lower value of income for the administrator close to 30%, that is, a sum close to COP 30 billion. So, in the presentation made by Andrés, both NOI and EBITDA, the decrease in Fees we granted this





year is already incorporated. And in the projections we provide for cash flow and dividend yield and profitability, we have it partially, it could be even higher, to the extent that we have a slower decrease in interest rates, the distributable flows or returns may not be as high, in that measure, the discount we grant would be higher and that benefit could be transferred to investors. Thank you very much, Jairo. Sebastián Palacio asks us a question regarding the portfolio and asks what percentage of the improvement in the portfolio is due to write-offs and how much is due to actual customer payments. From the evolution of the portfolio that we saw in the presentation we were giving you, about 12% is associated with write-offs, that is, more than COP 11 billion reduction in the portfolio, only about COP 1.1 billion or COP 1.2 billion are associated with write-offs, the rest is mainly associated with payments recovered from our tenants. They are asking us questions regarding repurchases. Sergio Hernán Vargas asks us, the issue of repurchases has slowed down, we saw a large repurchase in December, do you plan to make any moves in that direction again? I will take that answer and if you want, you can complement it with what Jairo adds. We have not stopped the repurchase program, the repurchase program is still in effect, we are vigilant of the market situation being experienced, not only for PEIS but for all financial assets, and we have seen that the market in its natural evolution has had a recovery in both factors. We are obviously closely monitoring the cost of capital in the market so that, to the extent that new acquisitions are considered, we can deploy them timely and, of course, add value for all of you, our investors. Therefore, as soon as a possible reacquisition is brought to the attention of our advisory committee throughout the year, we will communicate it to the market through different mechanisms. Sebastian Palacio asks us a question related to the commercial field, and I will give this question to Alejandro Alzate. Is the 65% occupancy of Boho in line with what was expected at the time of acquiring the asset? Good afternoon, Sebastian. Yes, indeed, as you know, this category of university residences was already present with CitiU, which has around 1,600 beds. In Cali, we have a much smaller asset in line with the Cali market with Boho. When we acquired the asset, its occupancy was much lower than the current 65%. This 65% exceeds both the budget we had for this year and the business case we made for the first year of operation. It is important to mention that this particular asset already has a commercial strategy that we started implementing since January of this year, which incorporates two relevant aspects. First, attracting students from nearby cities to Cali, such as Pasto, Popayán, and other cities in Valle del Cauca like Palmira, Buga, and others. Second, diversifying the source of universities from which we receive students. At the moment, we are mainly receiving students from universities such as Javeriana and ICESI, among others. This has allowed us to diversify both the cities from which we receive students and the universities. Thank you, Alejandro. Mr. Gustavo Rojas asks us the following question, and I will give it to our president, Jairo Corrales. What is the unit value of the PEI fund according to appraisals, or in other words, the net asset value per unit versus market value, market prices? Thank you Andrés, the net asset value of NAV today corresponds to about COP 137,000 per share, the market value as you could see in the graph shared by Andrés Felipe is currently around COP 42,000. This means that the market value in the secondary market corresponds to about 30% of the net asset value, and there is a significant distortion that is not associated with the fundamentals of the business. When we record an asset in our balance sheet or financial statements, we do so because a third party, such as one of these international firms that specialize in this, has conducted a valuation exercise using discounted cash flow methodology and has arrived at the net asset value of COP



137,000, taking into account the liabilities of the vehicle. This is where we find that there is a huge gap that can become an opportunity, provided that the market realizes that the cash flow or cash generation capacity of the assets remains intact. That's why we insist on showing you the income, how the rents per square meter behave, how we have managed to reduce vacancy rates, and how we have managed to stabilize almost the entire portfolio of PEI assets, with very few assets having an occupancy rate below 90%. So there is a huge difference between the market price in the secondary market, which is influenced by many factors, and the net asset value, which we call EBIT. Thank you very much. There is a question from Sebastián Palacio regarding the extraordinary assembly of investors, and I think it fits within the context of the information we have been sharing with investors in those meetings we had a few weeks ago. It is about the decision not to include the eligible assets item in the next extraordinary assembly. Maybe Jairo can share a bit about the agenda of the assembly and address that question in that context. Sure, thank you for the question because it gives us the opportunity to address a topic that we haven't spent much time on but is relevant. We believe that the forum of the next extraordinary assembly of investors is a milestone in the PEI's history because we are entering into some structural changes and preparing the vehicle for the coming years. That's why the eligible assets item, where we are introducing a lot of alignment between the investor and the vehicle manager, and the capital structure item, which although the current prospectus includes a debt cap, does not have anything related to debt cost or expense, are important. We also wanted to present some modifications that may not necessarily be immediately applicable, but that we thought were convenient because the real estate market, like any other industry or business, evolves. We wanted to propose two modifications regarding eligible investments. One is the purchase of lots. Currently, one of the structures that has allowed us better growth is what we call bill-to-suit, which basically involves developing assets tailored to large corporations with very long-term lease contracts. To carry out these bill-to-suit schemes, it is necessary to have the lot. Currently, we can develop them, but we depend on our construction partners to front the lot purchases, which sometimes generates certain financial and operational inefficiencies. What we wanted to propose to the investor assembly was the inclusion of the possibility of purchasing lots, not for speculation purposes or to build up a land bank, but specifically to develop bill-to-suit projects, without incurring any regulatory risks, as we would only do so when the purchased lot has the use that allows us to develop the project and deliver an operational asset to our end client, the tenant. The second modification we wanted to propose had to do with multifamily. Multifamily is a broad concept, but it basically seeks to cover rental housing.

This category is very strong worldwide. In the U.S., the vehicles that manage multifamily properties are worth over US 300 billion. It is one of the most resilient categories because, even in extreme situations like the COVID-19 pandemic or any other unexpected event, people still need housing, so it can provide an interesting complement to the where commerce, logistics, or corporate assets can be very affected in their use, housing has the great advantage that people continue to require space to live. And therefore, although it is not the category of highest profitability, it could contribute to the PEI in its portfolio and in its diversity of categories, a very interesting complement. Sorry for the long introduction, Sebastián, but now, why did we decide not to take it to the Assembly? Because some investors told us that they like it, I would say that there is almost consensus from everyone, but we would like the Assembly of 2023 to focus on what is currently a priority, which is the



issue of alignment of interests, capital structure and corporate government. So, we are not discarding it at all. We want to do it and we have it in our plan, and we would do it next time when we see that the conditions allow us to incorporate these admissible investments into the PEI.

Thank you, Jairo. Mr. Mauricio Suárez asks us a question, and it is if we can see in Colombian pesos the variation and the trends of the debt. Mr. Mauricio, yes, it can be done. In fact, we had it in the debt slide, where we showed the evolution of the debt from the second quarter of 2022 to the second quarter of 2023, where we went from a value close to COP 2.9 billion to a value of COP 3.1 billion, which, as I mentioned, has been mainly associated with the capital investments we have made to keep them active, and the acquisitions that were perfected this year as a result of those binding documents that we had previously, or those commitments that we had previously acquired. So, yes, it is present in the material that we were sharing with you.

Mr. Francisco Arboleda asks us if we have an estimate of when they would reach a distribution flow similar to the pre-pandemic levels. It was a bit like what we shared in slide number 19 of the presentation, where we showed that in 2024, the distribution flow that we are estimating by title, or that we anticipate if the inflation variables are met, as the analysts of the Bank of the Republic survey have estimated, we should reach a cash flow of the order of COP 5,000 per title, which would be higher than the level of distribution we had in 2019, and that would nominally allow us to reach those pre-pandemic levels, but we would have to exceed them, even in 2025 and 2026, where we expect that the patrimonial performance should approach levels of 5.5%.

Mr. Alejandro Ardila asks us if there is any progress in the debt structuring plan with IFC. Alejandro, yes, Jairo mentioned it in the section on the progress of the strategy, where we mentioned the different steps that we have been taking with IFC. This has been an effort that we have worked on together with our legal area, where we have already started the process of due diligence, we have already signed a mandate letter, and today we have a draft proposal that we are in the process of negotiating, and that IFC has already been socializing within its committees. So, yes, we have made progress on that front, and we hope that in the coming months we will be able to move forward to finalize with what we anticipate should be a credit contract. I would tell you that these negotiations also take time, because obviously these multilateral entities need to understand very well a business like the one that manages PEI, how it works, for the purpose of being able to do that structuring.

Mr. Mauricio Suárez asks us if there has already been a definition in the framework of the disinvestment of how those revenues will be used for the investors. Good afternoon, Mauricio. No, there is no definition today. That definition is not from the administrator, it is a definition of the advisory committee, the decision-making board of the vehicle, made up, as you know, by independents and also by members of the administrator. And that decision will be made once the transaction is closed to the investors' convenience. As you know, the two main potential uses of the cash box to generate the disinvestment will be either pre-paying debt or generating extraordinary performance for our investors. But it is a decision that will be made when that transaction is made. Well, I think that in general terms, in relation to the issues of disinvestment and commercial issues, we have addressed most of the questions.



There is one that Mr. Juan Baiter asks us, about whether we have any news regarding the possibility of being part of the MSCI-COLCAP index, if we know when that change will occur or not. We have been working with the Colombian Stock Exchange to be able to facilitate all the information. We know that not only MSCI, but other indexes that exist in Colombia, such as the Standard & Poor's Colombia Select, have also been looking at the PEI, Product of the evolution of prices. They see that it behaves as a variable income title. And two, that liquidity fits those parameters. What we can tell you is that they are evaluating it, both MSCI and Standard & Poor's have different dates. In the particular case of MSCI, we know that they make these changes towards the last third of the year, towards the month of November. We will continue, in that sense, working with the Stock Exchange to facilitate the process, so that they have all the necessary information to be able to make the decision. There is some precision and that decision, although we promote the initiative, it depends entirely on MSCI, and just like us, the Stock Exchange facilitates the process.

I think that with this we have covered all the questions. It is already ten to five in the afternoon. Today we embarked on a different format, to do it in the afternoon, so that some of you could accompany us in a more extended schedule, especially for those who have, let's say, jobs in the capital market, and we know that this can facilitate the process. I would like, then, to finish, Jairo, to give you the floor for a few closing words.

Thank you, Andrés. Before, I would also like to share with you that we received an important number of questions that we cannot all evacuate in the time we have allocated for this. We are trying to form a group, but the investor relations team will respond to the different investors so that no question is left unanswered in a prudent time. You will be contacted, and you will be given an answer to those concerns that you have raised. To close, as I started by thanking you for your trust, we know that it has been a complex year for our investors, but we also believe that we have very positive news. The behavior of the title in the second quarter, almost doubling its value in three months, generating a considerable increase in daily liquidity, very associated with the good numbers we have in real estate, allows us to have moderate optimism.

We believe that an important turning point will be the drop in interest rates. Unfortunately, there are too many factors in this, from macroeconomic to political, but we do see a positive trend because inflation has already begun to give in. So we see that the second half of the year, and very surely after our assembly, when we make such important announcements as the change in the structure of the fees, as the issue of the inclusion of a new indicator, as Covenant on the financial issue, very surely they will be very well received by the market and will allow us to accentuate this positive behavior, both in volume and in price. So we thank you very much for your trust, and we hope to be with you again in the next extraordinary assembly, which, as we mentioned, should be celebrated in the second or third week of September, depending on the authorization given to us by the superintendency of finance.

Over the course of the next week, we will gather all the information. We estimate that they can take between two to three weeks, then we will call the assembly, and later, in the same way, we will wait for you on the calls that we have for the rest of the year. So, we thank you very much for connecting and for the time you have dedicated to us.



VEHÍCULO DE INVERSIÓN  
INMOBILIARIA LÍDER DE  
LOS COLOMBIANOS

Thank you very much.