

## ASSET VALUATION METHODOLOGIES

The following outlines the process used to determine the commercial appraisal of PEI assets, which in turn is one of the key steps in calculating the net asset value of the securities.

It is important to note that PEI is an income-generating vehicle; therefore, its total return consists of two components: the first is the quarterly distribution of returns derived from rental income generated by the assets, and the second is the appreciation of the assets over time, which is reflected daily in the net asset value of the securities.

### **How is the commercial appraisal of PEI's assets updated, and who conducts the appraisals?**

Each asset is appraised at least once a year by independent valuation firms that operate under international standards and recognized valuation methodologies.

### **How are the valuation firms selected to carry out the periodic appraisals?**

An invitation is extended to firms that meet international standards and possess recognized valuation methodologies. The same firm may not appraise the same asset for more than three consecutive years.

### **What information serves as the basis for determining the commercial value of an asset?**

The appraisal takes into account various inputs, including current lease terms, the asset's operating budget, real estate market indicators, property tax costs, applicable insurance policies, among others.

### **Which methodologies are used to carry out the appraisal?**

The main valuation methodologies include:

1. **Discounted Cash Flow (DCF):**  
This method involves projecting the asset's ability to generate cash flows over a 10-year period, based on current and potential lease agreements and associated costs. The present value of these cash flows determines the appraised value.
2. **Comparable Market Transactions:**  
This method compares the sale prices of assets with similar characteristics to the asset being appraised.
3. **Direct Capitalization:**  
The appraisal value is derived from the relationship between the asset's Net Operating Income (NOI) and a market capitalization rate.

#### 4. **Replacement**

#### **Cost:**

This method estimates the cost to reconstruct the asset. The valuation firms then assign specific weights to the results obtained from each methodology to determine a final value that incorporates multiple perspectives.

Once the final appraisal report is received, it is compared to the asset's book value, which has been adjusted daily for inflation. The difference arising from the appraisal is recorded under revaluations in PEI's financial statements. As a result, the outcome of the appraisal is directly reflected in the calculation of the net asset value of the securities published daily.

Each appraisal incorporates two or more of the aforementioned methodologies, with appropriate weighting assigned to each.