



2022 Management Report

TIN Real Estate Manager

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Real Estate Market in Colombia, 2022

Evolution of Construction Permits Approved as of December 2022

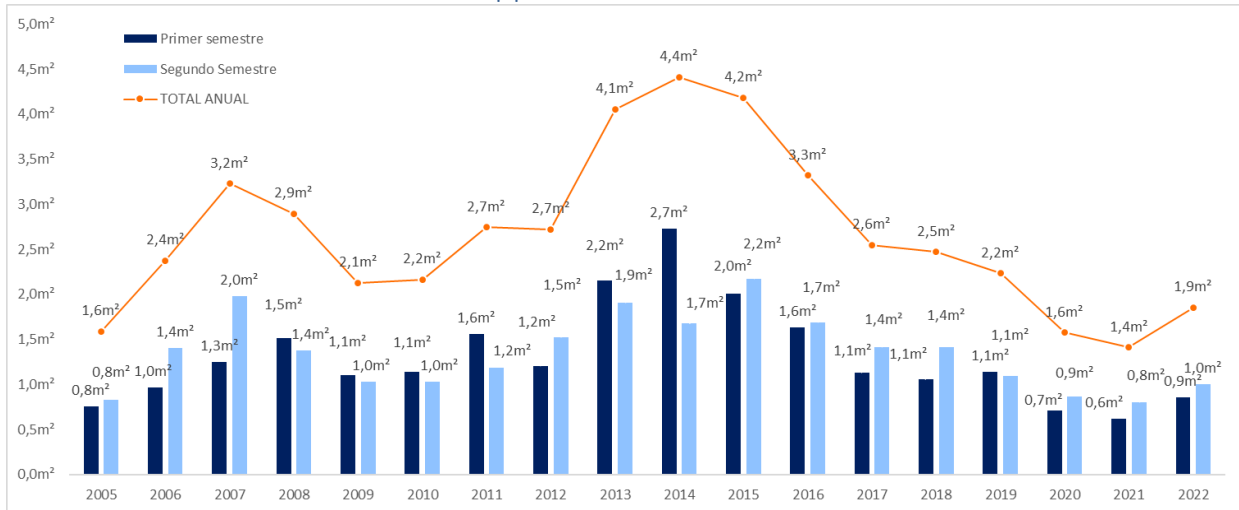


Figure 1. Evolution of the area approved at the national level for the Industrial, Office and Commercial sectors; November 2022 (billions of m²) with a projection for December 2022. Source: DANE. ELIC construction permits, 88 municipalities, Nov 2022 and Pentaco calculations

During 2014, 4.4 billion m² were licensed, the highest number of permits approved in Colombia in the last 19 years. Since then, there has been a slowdown, in accordance with the cycles of economic activity in the industrial, office and commercial sectors. The permits approved during 2022 totaled 1.9 billion m², 31% more than those approved in 2021. In 2022, 34% less area has been approved than the historical average of the last 10 years. However, if we use the average of the last 5 years in 2022 there is only a decrease of 2.9%. It is worth noting that it is the first time since 2014 that a clear inversion of the downward trend curve has been observed.

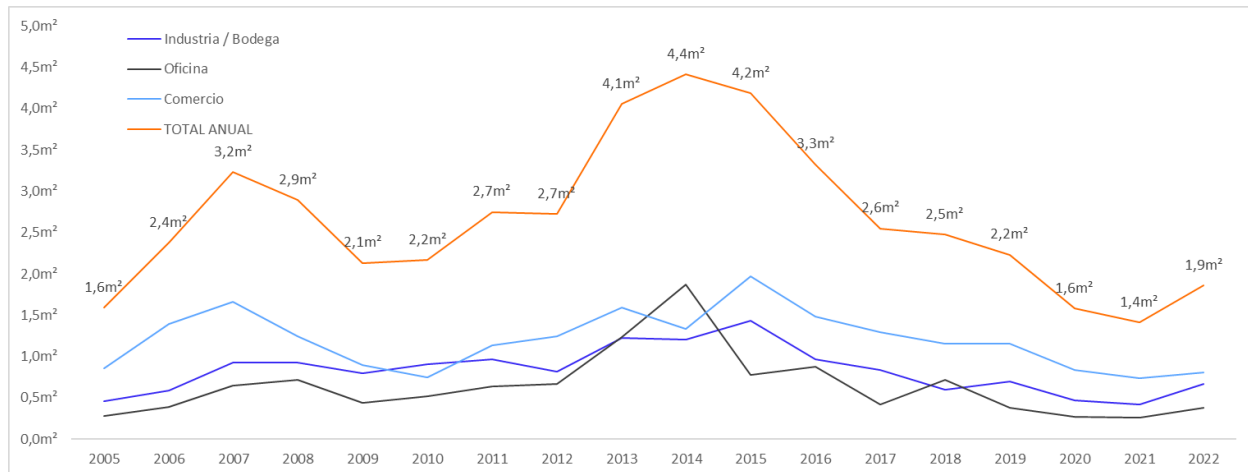


Figure 2. Evolution of the area approved by sector at the national level, November 2022 (billions of m²). A projection of the data was made for December 2022 to have annual information. Source: DANE. ELIC construction permits, 88 municipalities, Nov 22

Permits approved for offices decreased 22% compared to the average of the last 10 years. Compared to the average of the last 5 years, they have fallen 4.7%. Figure 2 shows market cycles, such as: the upward trend of the 2005-2008 and 2010-2014 periods is aligned with the same periods' crises and macroeconomic recoveries. In 2022, there was a correction in the trend of permits approved for this sector, and its annual growth was 46%. This was driven by an

atypical increase in permits approved for Bogotá in July 2022, where 132,138 m² were approved. A monthly rebound like this had not been seen since July 2018. The region with the highest annual percentage growth for office permits was Santander, which grew 573%. According to the observed trend, a growth in permits could be expected for 2023, although we do not know the impact the macroeconomic and political conditions may have on the country.

The industrial/warehouse sector has presented a 22% drop compared to the historical average of the last 11 years. However, if we use the historical average of the last 5 years, there is a 17% increase. Warehouses have been more dynamic than other types of assets, and their vacancy at the national level is 4.8%. Warehouse licenses are expected to increase in the coming years, as the increase in e-commerce, the reinvention of worldwide distribution chains, government incentives for exports and the consolidation of the sector in Colombia generate such a demand that the available area may be occupied in less than two years. In contrast to this are the international increases in steel, which have made building new warehouses more expensive, generating an expectation of a rise in the prices of warehouse fees at the national level in the coming years, which we still do not know if it will be circumstantial or structural.

The commercial sector has had a decrease of 35% compared to the average of the last 11 years. Compared to the average of the last 5 years, it has only fallen 14%. For 2022, 68,856 m² more were approved than for 2021, the first annual increase since 2015. The above was thanks to the 63% annual increase in Antioquia, which approved 95,419 m² more than in 2021. However, the levels of permits approved for this sector are still lower than those of 2019.

In 2022, the industrial sector increased its share of approved permits by 7%. Bolívar had the highest annual growth compared to the other regions, due to the increase in permits approved for the commercial and industrial sector. The sector with the highest number of approved licenses was the industrial sector, followed by the office and commercial sectors.

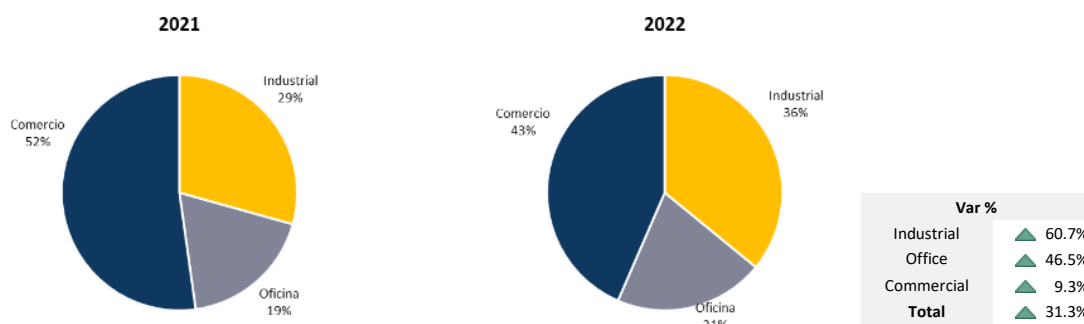


Figure 3. Share in national approved area by sector, through December 2021 and November 2022. In order to have annual information, a projection of the data was made for December 2022.

Source: DANE. ELIC construction permits, 88 municipalities, Nov 22 and Pentaco calculations

The construction of buildings other than housing has been decentralized to intermediate cities in the last 6 years, due to the economic and social development of these cities. The industry has moved to the periphery of cities, and street commerce has seen an increase in neighboring cities, serving the population that arrives with new housing developments. In this way, Bogotá’s share with respect to construction permits for commerce, offices and industry has been diminished in recent years due to a greater share of regions, such as Valle del Cauca, Antioquia, Bolívar and Santander.

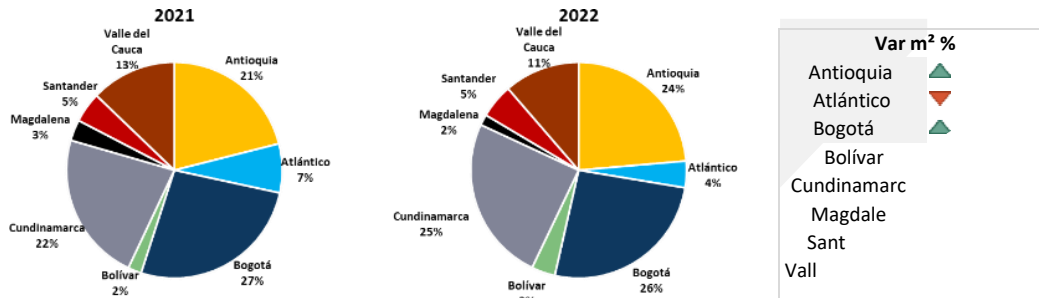


Figure 4. Share in approved area for commerce, industry and offices by urban center, through December 2021 and November 2022. In order to have annual information, a projection of the data was made for December 2022. Source: DANE. ELIC construction permits, 88 municipalities, Nov 22 and Pentaco calculations

The following figures show the importance of Antioquia and Bogotá within the office sector, and the commercial and industrial vocation of the coast in 2022.

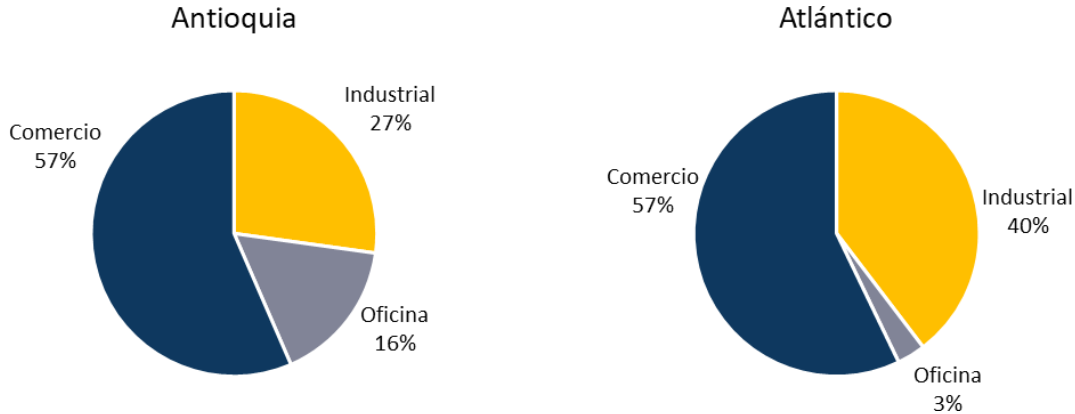


Figure 5. Area approved by destination in Antioquia and Atlántico, November 2022. In order to have annual information, a projection of the data was made for December 2022. Source: DANE. ELIC construction permits, 88 municipalities, Nov 22 and Pentaco calculations

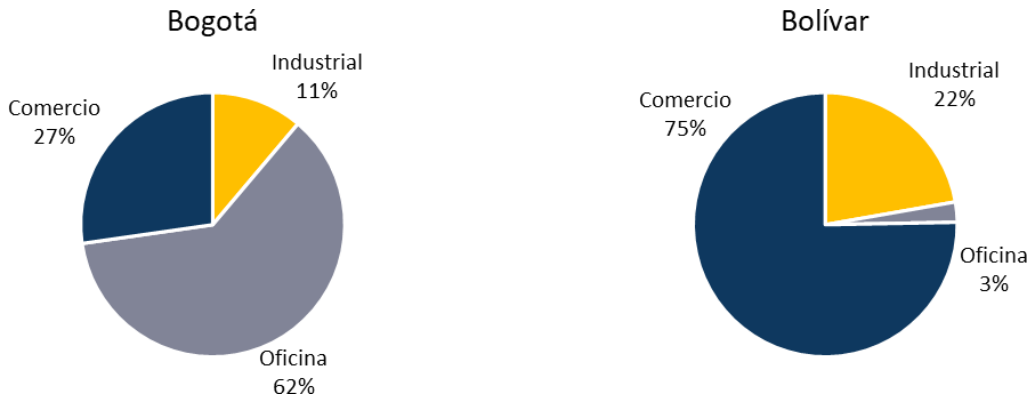


Figure 6. Area approved by destination in Bogotá and Bolívar, November 2022. To have annual information, a projection of the data was made for December 2022.

Source: DANE. ELIC construction permits, 88 municipalities, Nov 22 and Pentaco calculations

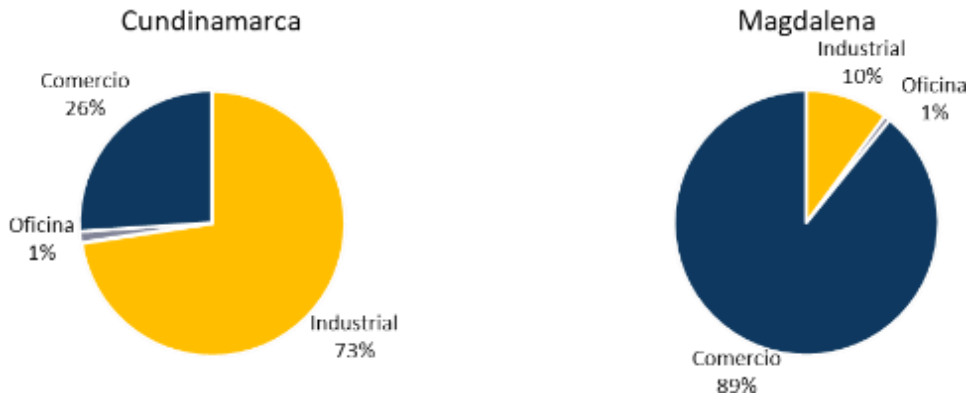


Figure 7. Area approved by destination in Cundinamarca and Magdalena, November 2022. To have annual information, a projection of the data was made for December 2022.

Source: DANE. ELIC construction permits, 88 municipalities, Nov 22 and Pentaco calculations

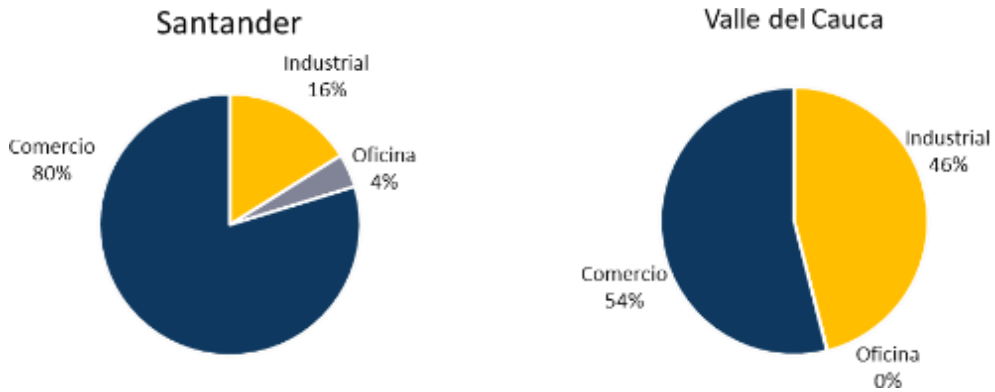


Figure 8. Area approved by destination in Santander and Valle del Cauca, November 2022. To have annual information, a projection of the data was made for December 2022.

Source: DANE. ELIC construction permits, 88 municipalities, Nov 22 and Pentaco calculations

Office Sector

Based on information and statistics collected by Colliers and other industry sources, an executive summary of the office sector is presented below as of December 2022.

National

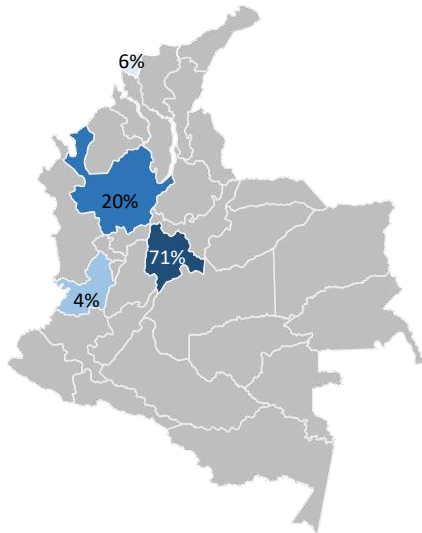


Figure 9. Office distribution, 2022
Source: Colliers. Office market report Q4-22 by city

In Bogotá, Medellín, Cali and Barranquilla, leasable inventory reached 4.33 billion m² in 2022, of which 71% was in Bogotá, 20% in Medellín, 6% in Barranquilla and 4% in Cali. From 2014 to 2022, the compound annual growth of the national inventory was 5.8%. The CAGR by city from 2014 to 2022 was in the following order: Barranquilla (10.9%), Medellín (8.8%), Bogotá (4.9%) and Cali (3%).

The cities under study at the end of 2022 showed an absorption of 121,075 m², 102% more than in 2021 when it reached 60,053 m².

Barranquilla was the city where vacancy fell the most compared to 2021 (-6.86%), due to an accumulated net absorption of 20,000 m². It had an average vacancy of 9.4%, ranking for the first time since 2016 below the national average and in second place, with the lowest vacancy. It was only surpassed by Medellín, with a vacancy of 9%.

The other cities also had positive net absorptions, indicating the continued recovery of the sector. However, Bogotá and Cali ended the year with vacancies higher than those with which they began in 2022, but lower than at the end of 2021.

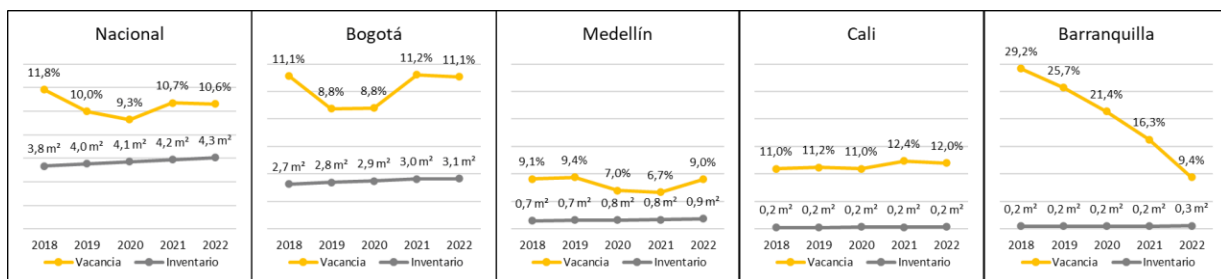


Figure 10. Inventory and vacancy of offices in the main cities of the country, accumulated in December 2018-2022 (billions of m²) Source: Colliers. Office market report Q4-22 by city and Pentaco calculations

Average rental fees at the national level had positive growth compared to 2021, demonstrating the recovery of the sector since 2020. However, vacancy levels remain high and may affect the recovery in the rental value of the sector. Figure 11 shows that the range of rental fees has been widening over time, mainly driven by lease contracts with the calculation method in dollars; generating higher values for a devalued exchange rate; and the consolidation of the coworking sector, turnkey offices and low-quality offices that have been vacant for a long period. In this way, fees tend to decrease.

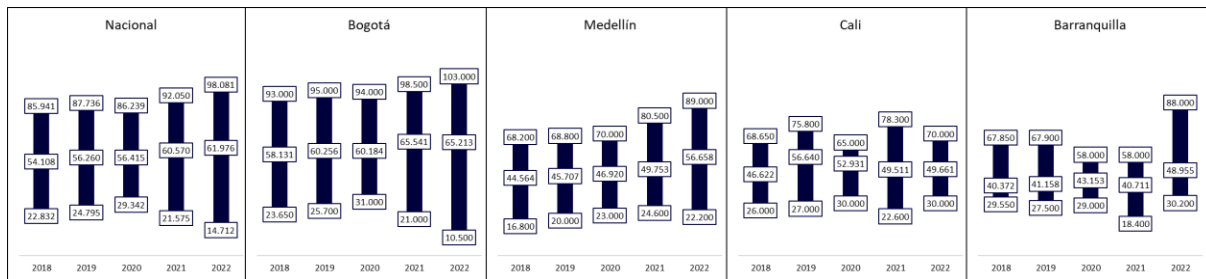


Figure 11. Closing price of rental fees nationwide (\$/m2/month)
Source: Colliers. Office market report Q4-22 by city

Bogotá

Since Bogotá has 71% of the national inventory of offices, it is valid to analyze the behavior of this sector in the capital in greater detail.

During the last 5 years, office inventory has had a compound annual growth of 3.9%, going from 2.52 billion m² at the end of the last quarter of 2017 to 3.06 billion m² in 2022. The segment of A+ offices has been the one with the highest growth in the same period, with a compound annual growth of 8%, followed by A offices, at 3.5%, and finally B offices, which have had a compound annual growth of 0.7%.

In 2022, office inventory grew 1.2% compared to 2021. Salitre continues to consolidate as the sector with the highest concentration, with 24% of the inventory, followed by Calle 100 with 14% of the inventory.

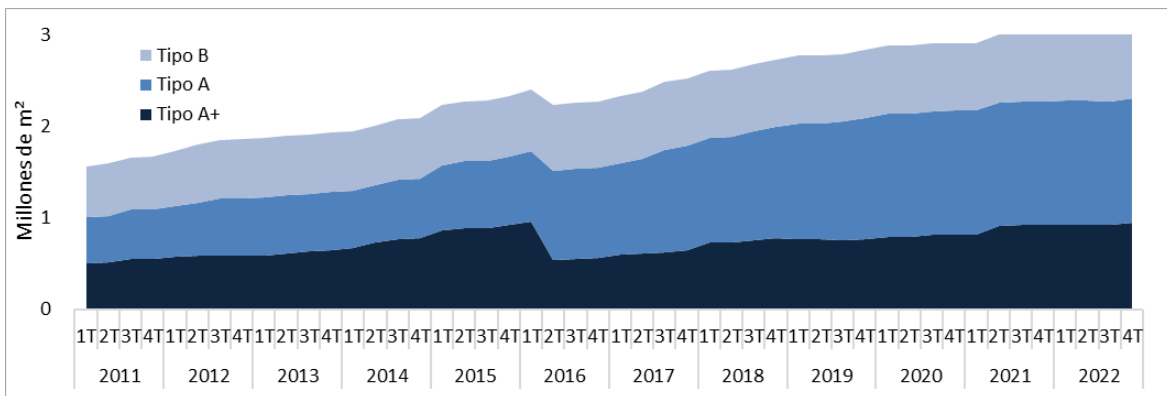


Figure 12. Evolution of office inventory in Bogotá (billions of m2)
Source: Colliers. Office market report Q4-22 Bogota

In 2022, the concentration of inventory was 44% for the A office segment, followed by 31% for A+ offices and 25% for B offices. In 2022, A+ office vacancy fell, except in the last quarter of the year, when inventory increased and there was lower net absorption. For the other types of offices, it can be observed how vacancy is falling quarter by quarter in 2022.

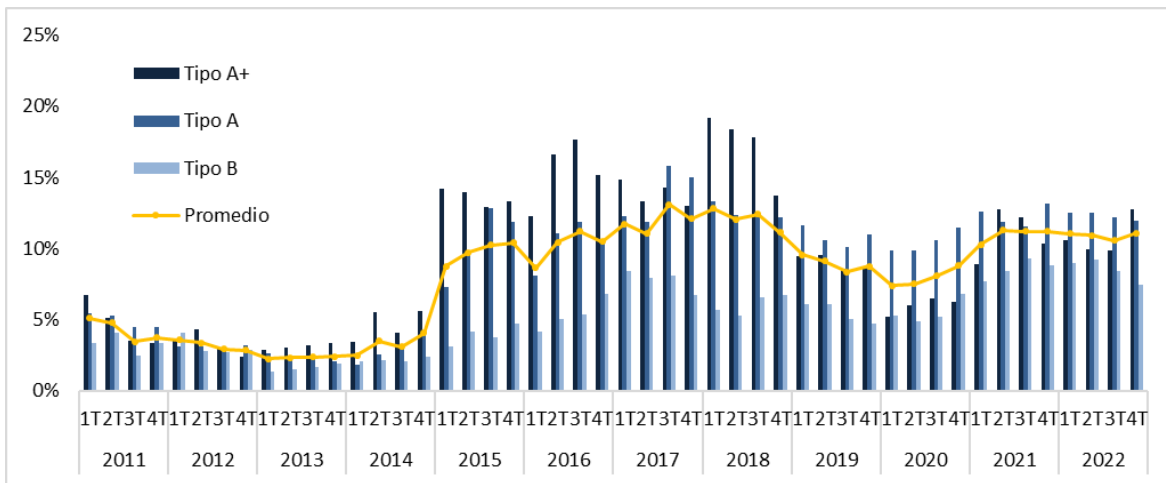
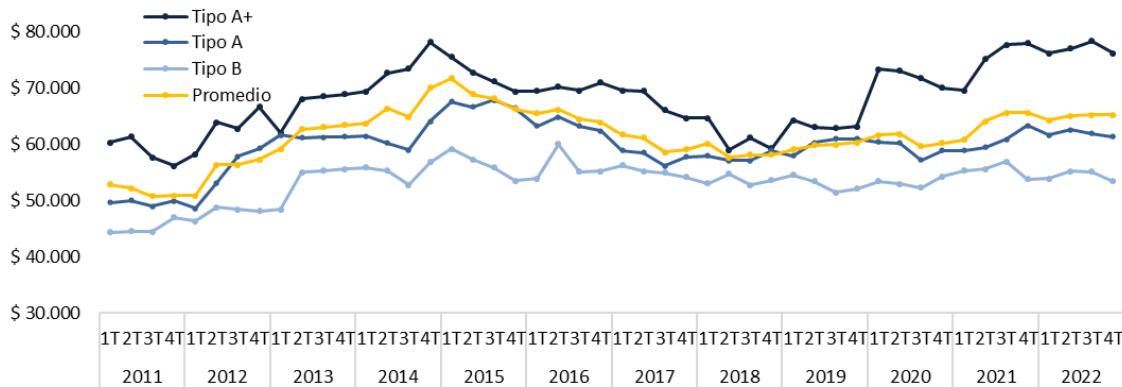


Figure 13. Evolution of office vacancy in Bogotá by type of office
Source: Colliers. Office market report Q4-22 Bogota

The average fees for office quality show two different trends. On one hand, there is a tendency for the average fee for type A and A+ offices to increase due to the entry of multinational companies and *coworking* into the Colombian market. On the other hand, the fees of lower-quality offices fall because these offices do not meet the conditions the market requires to occupy them. Therefore, the rental value decreases to be able to re-lease them.



Graph 14. Evolution of the office closing fee in Bogotá, 2011 – 2022 (\$/m2) Source: Colliers. Office market report Q4-22 Bogota

In 2023, the price gap that has been observed between different types of offices according to their quality will remain and may even widen, promoting fees and the construction of high-quality offices with spaces that prioritize teamwork and take into account the effect of hybrid work. For low-quality offices, rental fees will continue decreasing until a tenant is found, and may even reach a point where, according to the trends observed in developed countries, transforming that inventory for other uses is a better option.

Industrial Sector

Based on information and statistics collected by Colliers and other industry sources, an executive summary of the industry sector as of December 2022 is presented below.

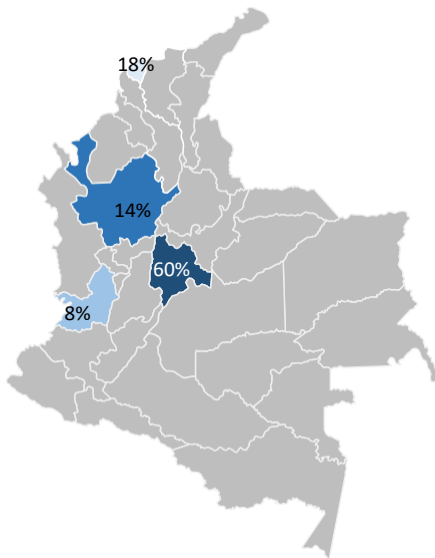


Figure 15. Distribution of warehouses, 2022
Source: Colliers. Industrial market report Q4-22 by city

National

In 2022, the 4 main cities in Colombia (Bogotá, Medellín, Cali and Barranquilla) had a leasable inventory of 7.26 billion m², of which 60% was located in Bogotá, 18% in Barranquilla, 14% in Medellín, and 8% in Cali. From 2014 to 2022, the compound annual growth of the national inventory was 1.95%. Bogotá grew 3.8% and Medellín grew 2.7%. Barranquilla and Cali decreased 2.3% and 0.2%, respectively.

The cities under study at the end of 2022 had an absorption of 640,000 m², 78,000 m² more than the same period of 2021.

In the last twelve months, vacancy in the industrial sector at the national level fell by 3.5%. The greatest variation in vacancy occurred in Medellín, where it decreased 5.21% thanks to the absorption of 109,000 m², while Bogotá reduced its vacancy by 3.9% thanks to an absorption of 450,000 m².

We are at the lowest level of vacancies at the national level since 2014, indicating that the industrial sector has been the most resilient in the face of the Covid-19 crisis and had a faster recovery than the other sectors. The inventory of the cities has been increasing, and vacancy has continued to drop, which is why we believe the demand exceeds the supply, which should lead to an increase in the inventory of warehouses in the coming year and new industrial projects to be developed in the medium-term despite high steel costs.

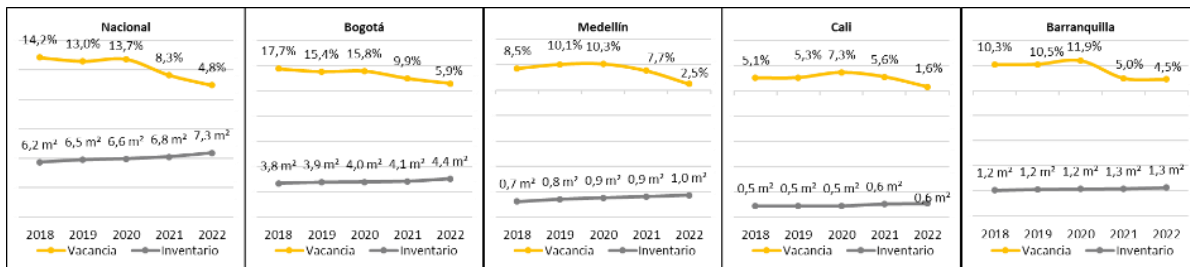


Figure 16. Inventory (billions of m²) and vacancy of warehouses in the main cities of the country, 2017-2022
Source: Colliers. Industrial market report Q4-22 by city

According to Colliers, industrial inventory increased 6.2% between the last quarter of 2021 and the same period in 2022. This growth responds to the development and expansion of the Innova, Latam Logistic, ZOL Funza, Parque Industrial Caribe Verde and Parque Industrial Nueva Era 3. At the national level, class A+ warehouses had an annual growth of 20%, type A and Free Trade Zone warehouses had increases of 6%, and type B warehouses did not have notable increases.

The average rental price nationwide increased 4.5% compared to the end of 2021, marked by an increase of more than 53.2% in Cali and 11.8% in Medellín. In Bogotá, the price increased due to the high absorption and demand of class A+ warehouses. In Cali, the increase in fees occurred due to the increase in type A and Free Trade Zone fees. In Medellín, the increase in fees occurred in all types of warehouses. Barranquilla had an increase in average fees of 4.8% due to the 15.6% increase in warehouses in the Free Trade Zone in 2022.

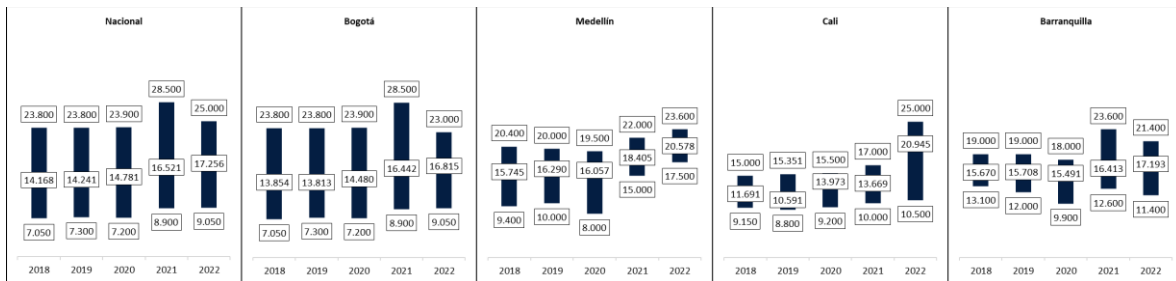


Figure 17. Closing lease price nationwide 2018-2022 (\$/m²)
Source: Colliers. Industrial market report Q4-22 by city

The prices by type of warehouse show how there is a great dispersion depending on the type of warehouse in cities like Cali. Medellín has the highest prices for quality of all cities, indicating the high demand for storage space. In Cali and Barranquilla, it is observed that the Free Trade Zone warehouses have higher fees than the rest.

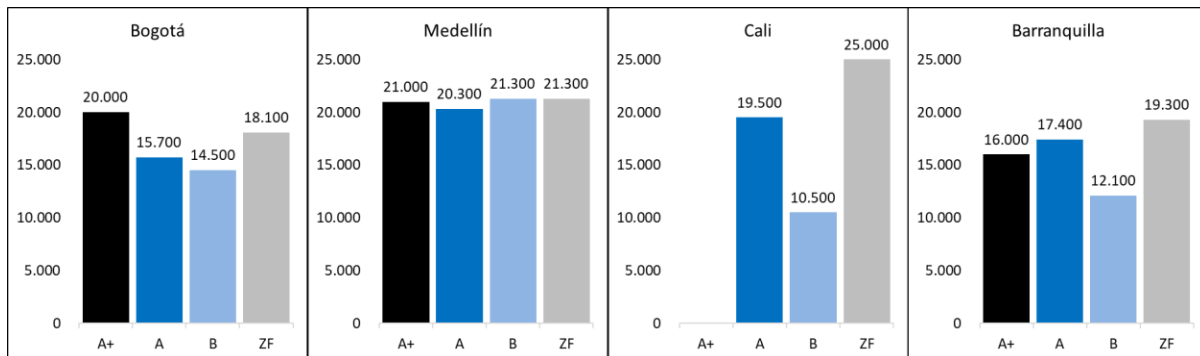


Figure 18. Closing lease price nationwide by type of asset, December 2022 (\$/m²/month)
Source: Colliers. Industrial market report Q4-22 by city

Bogotá

Since Bogotá has 60% of the national inventory of warehouses, it is valid to analyze the behavior of this sector in the capital in greater detail.

Bogotá's inventory has had a compound annual growth in the last 5 years of 2.2%, going from 3.9 billion m² in 2017 to 4.35 billion m² at the end of 2022.

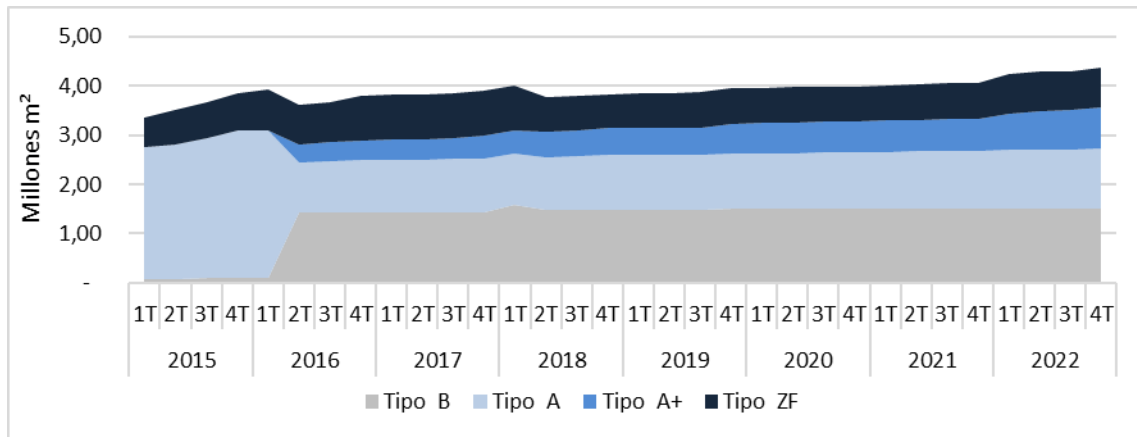
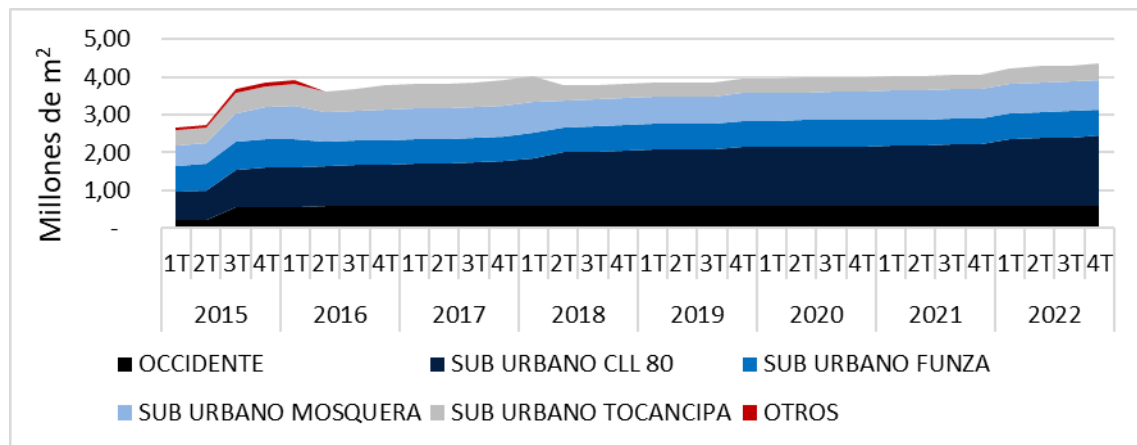


Figure 19. Biannual evolution of the warehouse inventory in Bogotá, 2015-2022 (billions of m²).
Source: Colliers. Industrial market report Q4-2022 Bogota

With the more than 10-year migration of industrial zones towards the periphery of the city, the development of the Funza, Calle 80 and Mosquera corridors was observed. In 2022, the Calle 80 corridor remained the most important one in Bogotá, also with the greatest availability of land in which to develop logistics and industrial warehouses. The Tocancipá corridor also has great potential for expansion, especially towards the neighboring municipality of Gachancipá.



Graph 20. Concentration of inventory by corridor in Bogotá, 2015 to 2022.
Source: Colliers. Industrial market report Q4-22 Bogota

Historically, type B warehouses have had the largest share of the city's inventory (35% in 2022), followed by type A (28% in 2022). A+ and Free Trade Zone warehouses have the lowest share, with 19% and 18%, respectively. In the last 5 years, the type of warehouse that has increased the most is A+, which has a CAGR of 12.5%. Within these warehouses, the *build to suit* modality stands out. A warehouses have grown at a CAGR of 2.3% per year in the last 5 years, and this have been 0.9% for B warehouses. Finally, the inventory in Free Trade Zones has decrease by -2.6%

per year.

Bogotá went from having 400,092 m² vacancies in December 2021 to 256,374 m² at the end of 2022, which meant a reduction in the vacancy rate from 9.9% to 5.9%. The most significant decrease in vacancy per corridor was in the Occidente and Sub urbano Funza corridors, decreasing 6.9% and 6.1%, respectively.

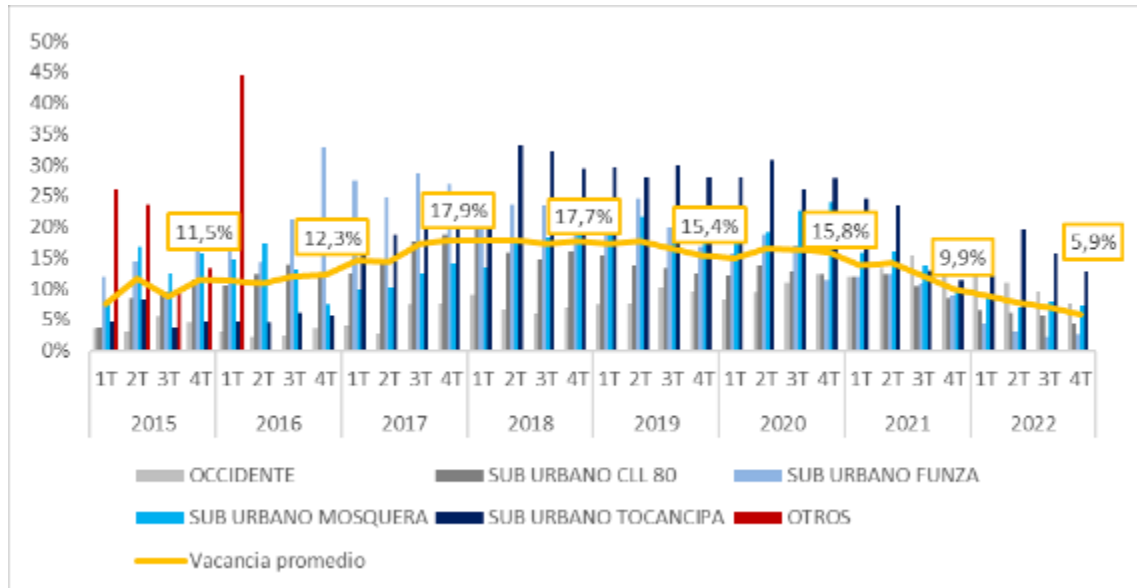


Figure 1. Quarterly evolution of warehouse vacancy by corridor in Bogotá, 2015-2022
Source: Colliers. Industrial market report Q4-22 Bogota

Warehouse vacancy in Bogotá decreased throughout 2022 in type A warehouses and the Free Trade Zone, while vacancy in type A+ warehouses only decreased in the third quarter and increased again in the fourth quarter. The behavior of type B warehouses began the year with a decrease in vacancy and, throughout the year, had constant growth. However, it closed the year with a lower vacancy than the initial one.

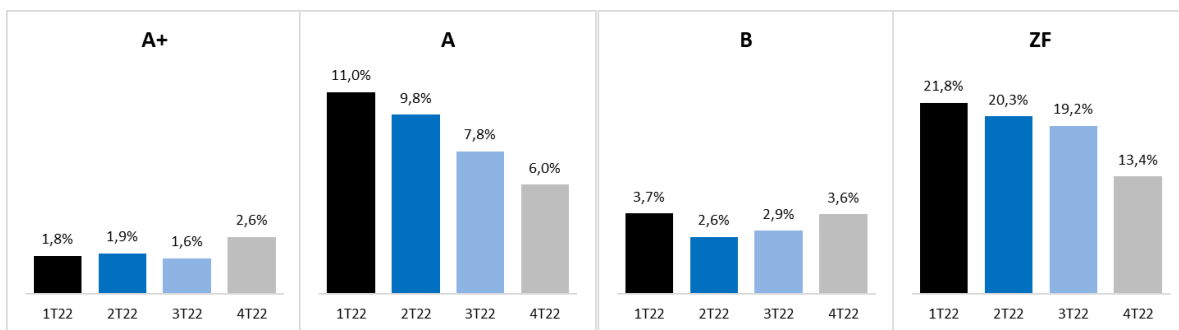


Figure 22. Vacancy by type of warehouse in Bogotá, 2022.
Source: Colliers. Industrial market report Q4-22 Bogota

Colliers estimates that there will be a growth in m² in Bogotá in the medium-term, to the extent that construction within existing industrial parks will be consolidated and finalized and the new projects will begin operations.

From 2015 to 2020, great stability can be observed in the rental prices of warehouses in Bogotá, and there is evidence of an increase in the average fees in Bogotá as of 2021, led by the Calle 80, Occidente and Tocancipá corridors. This is due to the introduction of type A+ warehouses in the Calle 80 and Tocancipá corridors. For the Occidente corridor, it has been due to the high demand for warehouses in the Free Trade Zone.

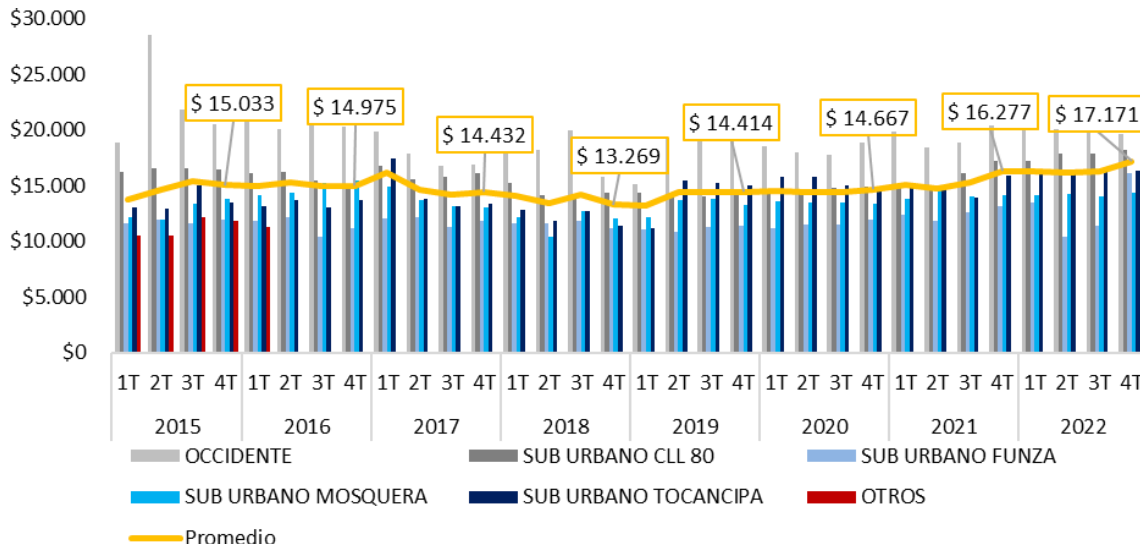


Figure 3. Closing lease price by corridor, 2015-2022 (\$/m²).
Source: Industrial market report Q4-22 Bogota

Commercial Sector

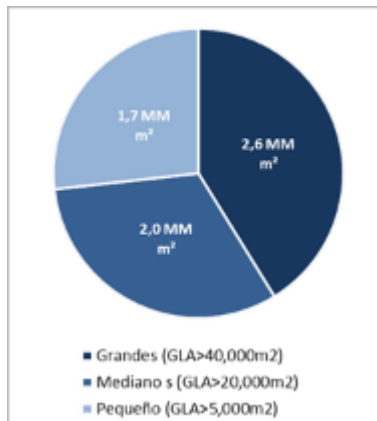
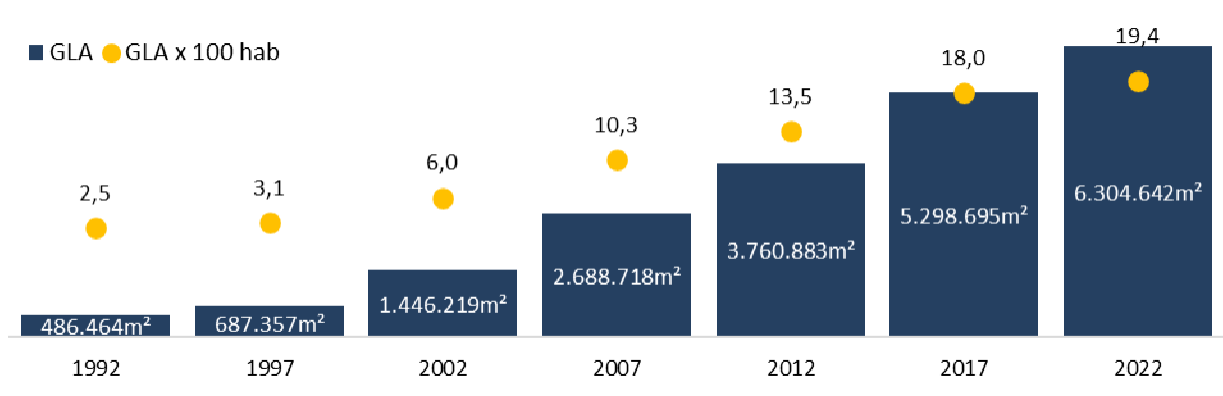


Figure 21. National inventory of shopping centers by size, 2022.
Source: Acecolombia. 2021, Galería Inmobiliaria, third quarter 2022

Based on the information and statistics collected by Galería Inmobiliaria and other sources in the sector, an executive summary of the commercial sector is presented as of December 2022 with some exceptions due to the fact that updated information is not available to date.

The Shopping Center sector in Colombia has had unprecedented growth during the last decade, recovering from the lag this sector had as a consequence of the crisis of the late 1990s. In the last decade, the American sole proprietorship model has begun to spread with the arrival of international investment funds and some national funds that have sought this type of system.

From 2021 to 2022, we went from 19.28 m² to 19.36m² of GLA per 100 inhabitants nationwide. In the last 30 years, the GLA of shopping centers nationwide has had a compound annual growth of 8.6%, going from 0.54 billion m² in 1992 to 6.3 billion m² in 2022. The shopping centers that entered in 2022 are: in Barranquilla, Parque Alegre, La Meridien Golf and Plaza Campestre; in Medellín, Plaza Beillin; and in Turbaco, Centro Comercial Plaza 90.



Graph 225. GLA vs GLA x 100 inhabitants, 1992- 2022
 Source: Acecolombia: Hacia Dónde va la Industria de Centros Comerciales; Galería Inmobiliaria: Shopping Centers in operation, Country, July 22;
 DANE: 2022. Coverage-adjusted population; Péntaco calculations

Sales in Shopping Centers have had a compound growth of 7.6% per year during the last 10 years, going from COP 26.5 trillion in 2012 to an estimated COP 55.3 trillion at the end of 2022. If we analyze it with respect to monthly sales per m² of GLA, the compound growth has only been 2.2%, going from sales of COP 587,000/m² of sales/GLA in 2012 to COP 730,000/m² of sales/GLA at the end of 2022. This is because the 5.3% compound annual growth of the GLA has been faster than the 2.2% monthly sales/m².

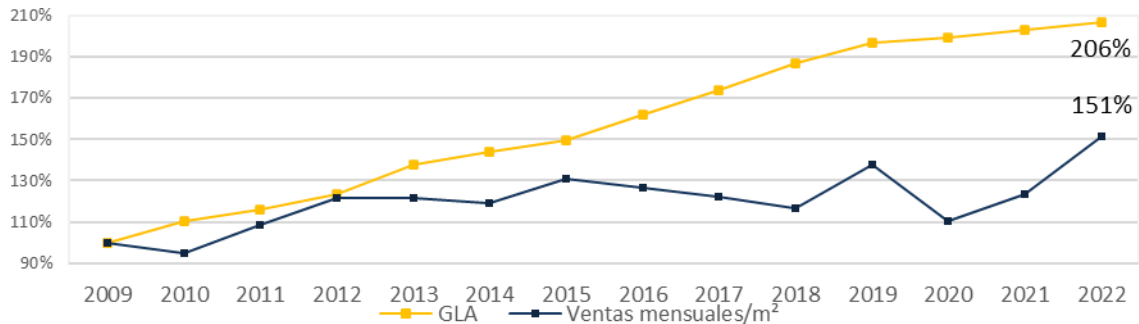
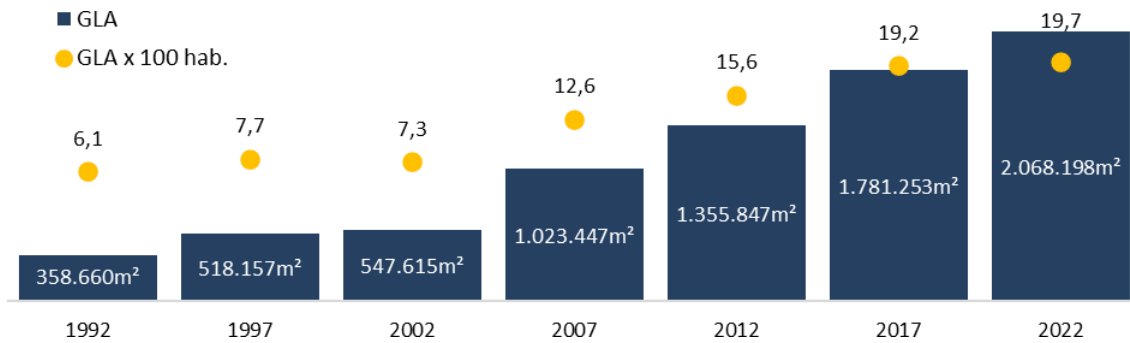


Figure 23. Base index 100 = 2009 | Growth of GLA and monthly national sales per m² of GLA, 2009-2021 Source: Acecolombia, América Retail, Raddar and La República. Péntaco calculations

Bogotá

Since Bogotá holds over 33% of the inventory of Shopping Centers nationwide, it is valid to analyze the behavior of this sector in the capital in greater detail.

In the last 30 years, the GLA of Shopping Centers has grown by 6% per year, reaching 2.1 billion m² in 2022, corresponding to about 55 shopping centers.



Graph 24. GLA vs GLA x 100 inhabitants, 1990- 2022
 Source: Acecolombia: Hacia Dónde va la Industria de Centros Comerciales; Galería Inmobiliaria: Shopping centers in operation, Bogotá, Sept 22;
 DANE: 2022. Coverage-adjusted population; Péntaco calculations

The monthly average of the area of licenses approved in the commercial sector in 2022 compared to 2021 in Bogotá decreased by 11%. While 147,574 m² were approved in 2021, this figure fell to 131,292 m² in 2022. Regarding inventory, no new shopping centers entered in 2022.

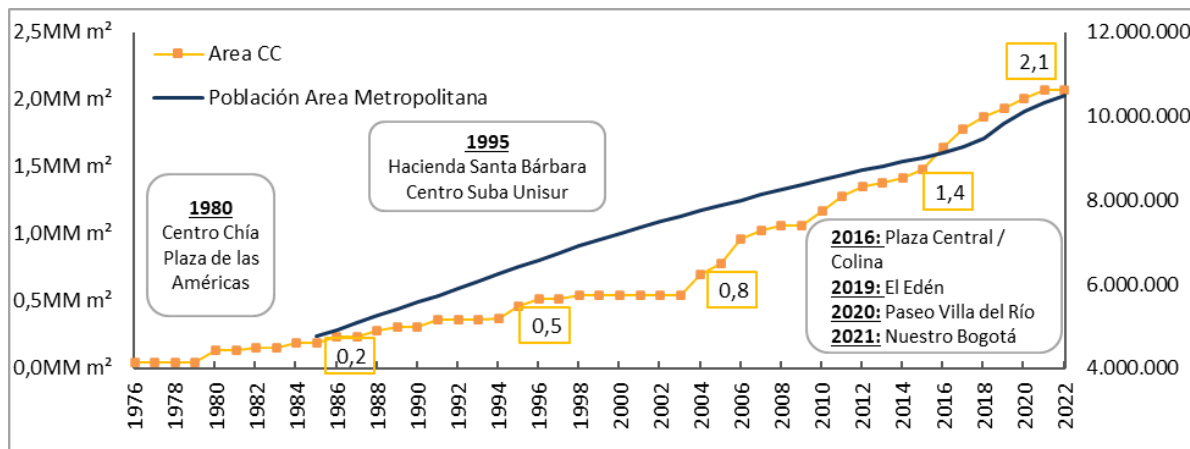


Figure 25. GLA versus the population, 1976-2022
 Source: Acecolombia: Hacia Dónde va la Industria de Centros Comerciales; Galería Inmobiliaria: Shopping centers in operation, Bogotá, Sept 22;
 DANE: 2022. Coverage-adjusted population; Péntaco calculations

Due to the complexity involved in determining rent within a shopping center, which must take into account the area of the premises, its location, the size of its display case, the maturity of the shopping center, among others, it is not possible to extrapolate a price per square meter that allows to accurately summarize a single rental price per m². However, there are trends that have begun to be adapted in Colombia, such as contracts with a fixed fee plus a percentage of sales, contracts with the greater of a guaranteed minimum or percentage of sales, and contracts with a percentage of sales. The first refers to a fixed rent to which a percentage of sales is added, the second refers to a rent that is the greater of a fixed value or a percentage of sales, and the third refers to a rent that is determined solely based on a percentage of sales.

Analyzing the total vacancy of shopping centers in Bogotá, we observed a 3.1% drop between the third quarter of 2021 and the third quarter of 2022, indicating the gradual recovery of the commercial sector. We expect this trend to continue in 2023 with a slower speed than it recovered in 2022 due to the country's economic slowdown. Moreover, by 2023, following the trend that has been observed for several years in the country, shopping centers are attracting more and more tenants who expand the offer of training and services, in response to the new consumption patterns of customers.

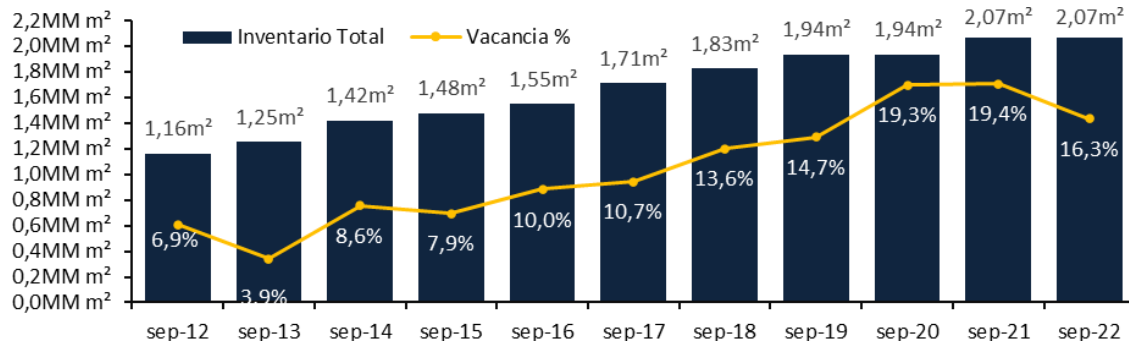


Figure 26. Inventory versus vacancy, 2012-2022
Source: Galería Inmobiliaria: Shopping Centers in operation, Bogotá, Sept 22 and Péntaco calculations

Retail

We have divided the study of retail into the national understanding of the sector of large retail centers and department stores.

Large Retail Centers & Department Stores¹

The economic activity of "Commerce" had a 17.81% or COP 209.5 trillion share within the national GDP as of December 31, 2021, of which the retail sector, which includes the main large retail centers and department stores at the national level, contributed to 31.68% of the category, with sales of COP 66.4 trillion².

Of the COP 66.4 trillion mentioned above, the sales of large retail centers represented 86.9% at the end of 2021, while department stores represented the remaining 13.1%.

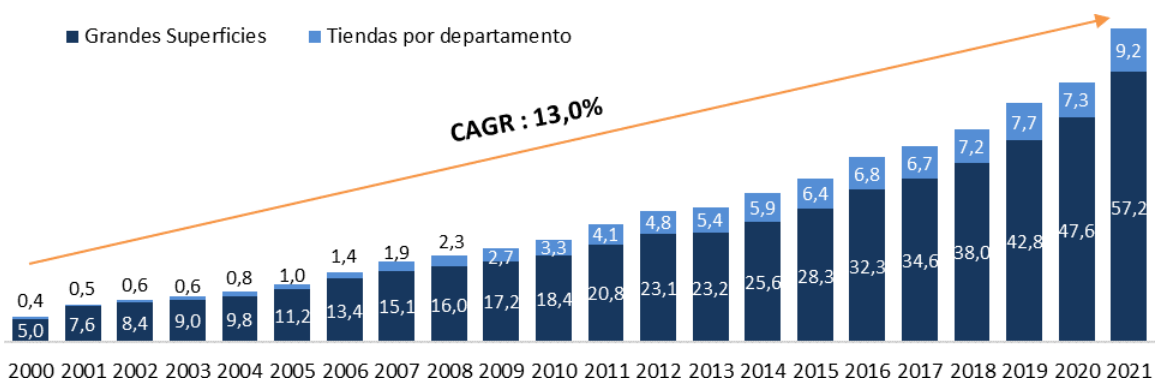


Figure 30. Sales (in trillions) of the main Large Retail Centers and Department Stores nationwide
Source: Financial Superintendence & Superintendence of Corporations. 2020 Financial Statements by company

¹ 2021 data because, as of the date of this study, the 2022 audited financial statements of retail companies had not been published.

² These calculations include Homecenter sales where Constructor sales are included without the possibility of differentiating them.

The large retail center sector had sales of COP 57.15 trillion at the end of 2021, in which the two main players were Éxito, with a 29.7% market share (COP 16.9 trillion), D1 with 17.4% (COP 9.9 trillion), Alkosto with 15.9% (COP 9.1 trillion), Olímpica with 11.6% (COP 6.6 trillion), Jerónimo Martins with 9.3% (COP 5.3 trillion) and Cencosud with 7.3% (COP 4.1 trillion).

The new formats that have been appearing in the country in recent years with business models brought from the United States and Europe, such as PriceSmart, D1, Justo & Bueno, have managed to subtract a market share of close to 33.2% from traditional channels (categorized in Figure 41 as D1, Jerónimo Martins and "Other new formats"). It is worth highlighting the evolution of D1, which has achieved a market share of over 17% after more than 11 years.

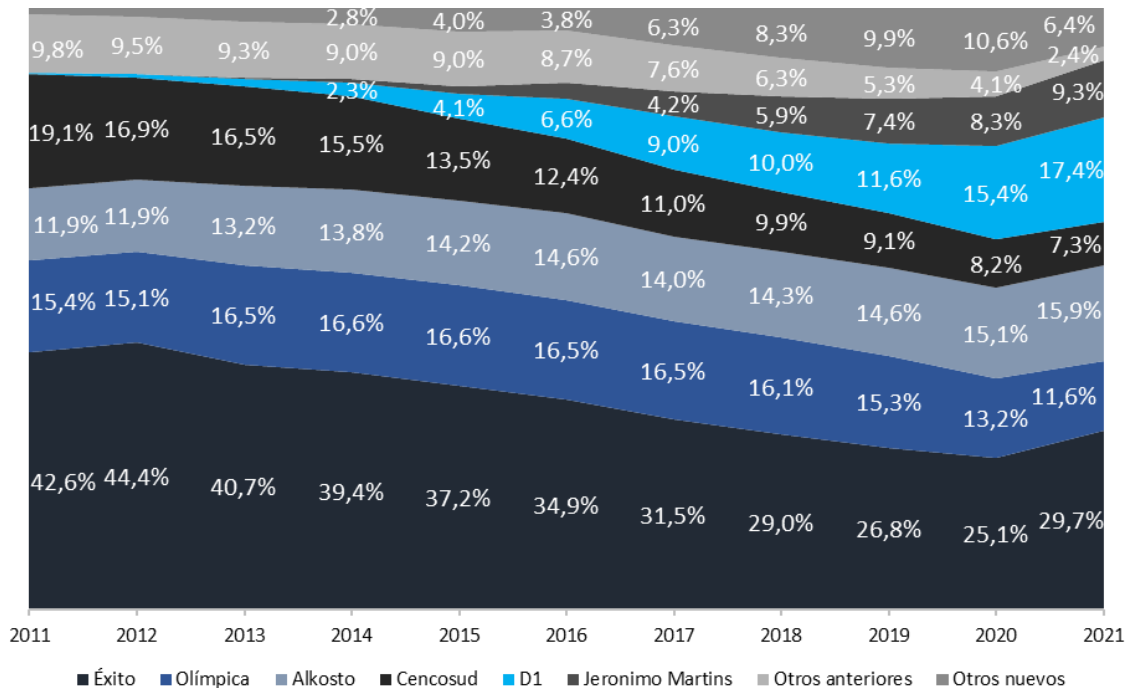


Figure 31. Market share of large retail centers nationwide, 2011-2021. Source: Superintendencia of Corporations and Péntaco calculations. "Other new formats" are Pricemart, Justo & Bueno and Euro Supermercado. "Other previous formats" are Carulla (now the Éxito brand), Almacenes la 14 and Makro.

Department stores reached sales of COP 9.2 trillion at the end of 2021. The category leader was Homecenter, with 56.8% of sales (COP 5.2 trillion), followed by Falabella, with 24.0% of sales (COP 2.21 trillion).

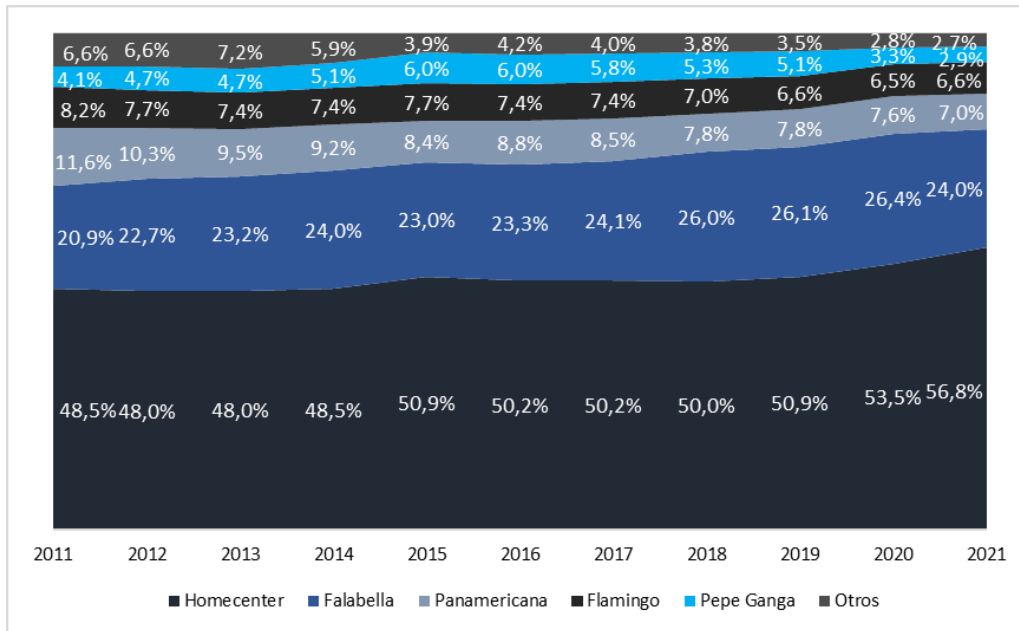


Figure 32. Market share of the main department stores nationwide, 2011-2021 Source: Financial Superintendence, Superintendence of Corporations and Péntaco calculations. "Others" are Almacenes Only, Los Tres Elefantes, Ripley and La Polar.

The compound growth rate of department store sales in the 2011-2021 period was 8.3%. Homecenter leads the growth, with a CAGR of 10.1% in that period, followed by Falabella with 9.9% and Flamingo with 6.0%.

Real Estate Manager Report

During 2022, various activities were carried out by the Real Estate Manager, as described below:

I. Issuances

During 2022, along with Titularizadora Colombiana, the capital market was monitored to evaluate its behavior against similar equity securities and equity units of other special purpose vehicles, in order to evaluate the advisability of issuing tranche 3, whose assets were acquired with debt in 2020 and 2021. The data and reports that were presented in different scenarios to investors were prepared and updated. In the same way, the information for the rating agency was prepared, and the information required by Fitch to update the TIN rating was delivered.

Due to the volatility of the market as a consequence of the presidential elections and the entry of some market participants to the variable income wheel, it was decided to postpone the third issuance to the first half of 2023.

II. Business Generation

Strategic Plan

In the first quarter of 2022, the 2021 Annual Management Report was presented, incorporating the update to real estate market information, a description of the real estate portfolio and a projection of Universalidad with potential acquisitions projected for 2022. In the same way, an acquisition strategy was structured, which was aimed at consolidating the portfolio in the industrial and commercial sector and complying with the diversification policies and definitions of growth of Universalidad. The main elements within the investment strategy, risk profile and issuance plan were identified. Finally, the final budget corresponding to the already acquired Universalidad assets (which already incorporate the assets of tranche 3) was consolidated, and this budget was agreed upon with the Master Administrator (Titularizadora Colombiana) and with the Real Estate Administrator (CBRE).

Structuring Potential Investments

Throughout the year, 62 potential businesses were received, of which 19 were evaluated and presented to the Internal Committee. Of these potential businesses, 21 corresponded to commercial real estate, 7 to office real estate, 25 to industrial real estate, and 9 were for mixed use (with two or more uses).

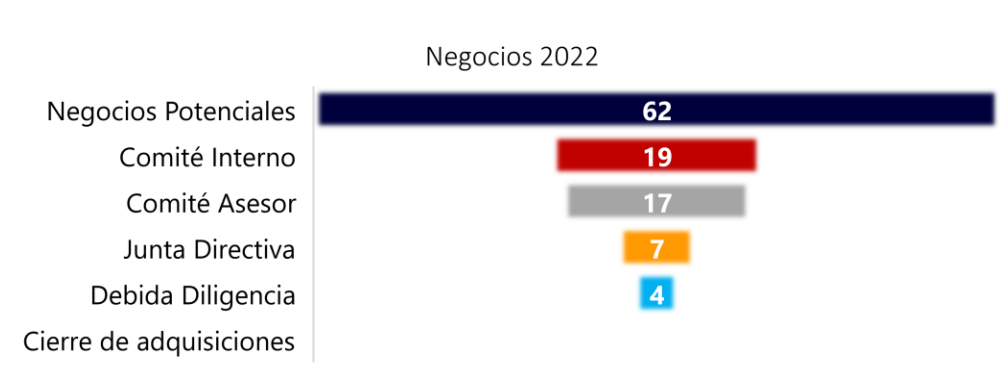
The assets that were discarded in a first filter by the Real Estate Manager corresponded to those that did not meet the following criteria: a minimum expectation of profitability (CPI 7.0%) and Dividend Yield (6.20%), tenants with a good credit profile, classification of the type of asset as commercial, industrial or office, sales price greater than COP 10 billion, a privileged location, an asset with high specifications, and sale/lease price within market values.

Subsequently, 19 assets were selected by the Internal Committee, which were presented as potential acquisitions to the Advisory Committee. Evaluating these assets included financial valuations with the relevant scenarios, market studies and credit risk evaluations for the most relevant lessees.

Of these assets, it was decided to present 7 structured asset alternatives to the Board of Directors, and 4 of them began a due diligence process.

Below is a summary of the assets that passed to each stage, by type:

| | Total 2022 | | | | |
|-------------------------|------------|------------|---------|------------|-------|
| | Total | Commercial | Offices | Warehouses | Mixed |
| Potential Businesses | 62 | 21 | 7 | 25 | 9 |
| Internal Committee | 19 | 7 | 1 | 9 | 2 |
| Advisory Committee | 17 | 6 | 1 | 8 | 2 |
| Board of Directors | 7 | 3 | 0 | 3 | 1 |
| Due Diligence | 4 | 2 | 0 | 1 | 1 |
| Closing of Acquisitions | 0 | 0 | 0 | 0 | 0 |



Letters of Intent

Throughout the year, 14 non-binding letters of intent were sent for potential acquisitions, with their respective modifications and clarifications, of which 8 letters were destined to purchase industrial assets or warehouses. None (0) were destined to purchasing offices, and 6 were allocated to purchasing premises.

Advisory Committee & Board of Directors

17 assets were presented to the Advisory Committee, of which 6 corresponded to commercial assets, 1 corresponded to office assets, 8 corresponded to warehouses and industrial assets, and 2 corresponded to mixed assets among the previous categories. The Board of Directors was presented 7 assets recommended for purchase by the Advisory Committee: 3 commercial assets, 1 industrial and 1 mixed.

Biannual Market Studies

In September 2022, the biannual report for the first semester of 2022 of the Colombian real estate market was prepared for the office, industry and commerce segments, including retail, large retail centers and department stores. Each of these reports seeks to give investors the tools to understand the state of the real estate market and show how the fund integrates all the research into its investment strategy and portfolio management.

Due Diligence and Appraisals

During 2022, the procedures required to carry out the physical and legal Due Diligence processes for potential acquisitions being carried out in Bogotá and Valle del Cauca for a package under the sale & leaseback modality, which includes warehouses, were carried out with a leasable area of more than 31,000 m², offices of more than 880 m² and commercial premises of more than 1,580 m². The previous negotiation was at the end of the year, concluding the due diligence process.

Furthermore, the legal and physical due diligence process and initial appraisal were developed for commercial premises with an area of more than 160 m² located in Bogotá. The previous negotiation was at the end of the year, concluding the due diligence process. In the same way, everything related to generating the initial appraisals of the properties associated with the portfolio of these assets was coordinated.

III. Portfolio Management

Assets Committee

In 2022, 23 assets committees were developed together with the Real Estate Administrator and the status of each one of the assets of Universalidad's portfolios was monitored biweekly, in what corresponds to physical maintenance, monitoring tenant requirements, billing processes, collection and portfolio, sanitation processes, tax payments, budget execution, and others.

Taxes

The different property taxes were paid in the cities of each of the 396 registrations, distributed in 20 cities of the country, which amounted to COP 2,564,349,217 in the tax period between January and July. In January, a calendar for paying property taxes was made for 2022, to have them scheduled in advance

| Month | Liquidated Property Taxes (<i>by registration</i>) |
|----------|------------------------------------------------------|
| January | 3 |
| February | 16 |
| March | 98 |
| April | 30 |
| May | 171 |
| June | 78 |
| Total | 396 |

Insurance

Under the contractual agreement established between the Master Administrator and the Real Estate Manager, the actions required to renew the compliance policies, directors and administrators were advanced, as well as to update the insurable amount to provide the required coverage to the Real Estate Manager contract. Insurance was quoted and taken out for the buildings acquired in 2022.

Repairs and Maintenance

Through a structured project with the Administration of the Edificio Davivienda Barranquilla horizontal property, it was possible to develop the project to update the façade by changing the windows. This was collected through extraordinary administration fees by the horizontal property between 2019 and 2020, which due to the effects of the pandemic, delayed its execution until 2022.

The AI monitored the annual maintenance plan at the beginning of the year. In preparing the budget for 2022, the main repairs and maintenance for the year were taken into account, such as attention to changing the roofs of the buildings in 20 de Julio, Ilarco II, La Mesa and Envigado within the Davivienda portfolio.

A study and diagnosis was also contracted for 11 transformers, in order to validate the presence of PCBs (pollutants) within the oil of the equipment, which all complied with the requirements of the environmental standard that governs them.

Representation in Joint Ownership

In January, a calendar of attendances distributed between the Real Estate Administrator (AI, for the Spanish original) and Real Estate Manager (GI, for the Spanish original) was arranged, distributing a 68% share for the the latter and 32% for the former. . As of February, the Real Estate Administrator and Real Estate Manager's assistance to meetings was assigned, as well as the generation of powers of attorney for their attendance, which was delegated in the hands of the GI for all the shares in the horizontal properties (HPs).

As part of the representation process in horizontal properties of the TIN assets, Péntaco (GI), together with CBRE (AI), participated in 49 ordinary and 5 extraordinary meetings of the different horizontal properties. In these, CBRE represented the interests of TIN in 14 meetings, and the different members of Péntaco participated in 32 meetings. CBRE and Péntaco staff participated jointly in 3 meetings.

In 2022, Péntaco participated on the boards of Edificio Davivienda Barranquilla, Torre Central, Ilarco II, Centro Andino, T7/T8, in which investment and renovation projects were developed for some assets, allowing to maintain and improve income generation capacity and the value of the assets.

CBRE participated on the board of directors of the La Magdalena building, always seeking the preservation of the asset under professional standards, the financial sustainability of the horizontal property and, in general, an efficient administration of resources.

IV. Portfolio Profitability

Capex

For the Jamar portfolio, investment projects for the Cendis were developed by installing life lines worth COP 157 billion and transit paths for circulation on the roof that allow protecting and adequately managing the TPO membrane in the main warehouse, amounting to COP 192 billion. The above was agreed upon with the tenant to carry out the solar panel and shielding projects under the latter's responsibility.

Lease Agreements

All negotiations with tenants in effect at the beginning of 2022, originating from the post-pandemic process, were monitored and managed, of which all had returned to the initial state of their agreements at the end of the year.

For the assets of the T7/T8 portfolio, an addendum was made that formalized the renegotiation of the agreement for 1 additional year, as well as the new lease price. For the Ventura Terreros portfolio, all the tenants of the occupied premises were maintained and negotiations were reached with IPS Coosalud to occupy two of the vacant premises, which were delivered in the second half of the year.

For the Arroba portfolio, the agreement with EPS Savia Salud was renegotiated, which additionally took over a vacant area we had available in the same property.

In the Spring Step portfolio, notification was received from Educentros (Open English) to deliver establishment 1-1132 located in the Centro Mayor Shopping Center. The commercialization process began and the negotiation with Calzado San Polos SAS was closed in the third quarter of the year. It was delivered in the last month of the year.

Within the Free Trade Zone Portfolio, the renewal of the lease agreement for an additional 3 years as of September 21, 2022 was signed with the company Decowraps on May 23, 2022.

Valuation Update

In February, the process of updating the appraisals of existing assets at Universidad de los TIN began. After finishing with the Master Administrator, contracting the updates was agreed upon with the suppliers of Logan, Tinsa, Colliers, and Cushman & Wakefield.

From the beginning, it was sought for the appraisals to be distributed during the year in terms of the number of assets and their book value. The time between appraisals was also sought to be less than one year. Finally, and in accordance with the biannual rotation policy established with Titularizadora Colombiana, the suppliers that had already had the assets for 2 years were rotated. Throughout the year, Tinsa made 24 appraisals, Logan made 20 appraisals, Colliers made 26 appraisals and Cushman & Wakefield made 23 appraisals, for a total cost of COP 385 billion.

In October, the appraisal update process began for the Ventura Terreros, Jamar, Spring Step, and Zona Franca portfolios and the Calle 93 property of the Davivienda portfolio, required for the next issuance, at a cost of COP 56 billion.

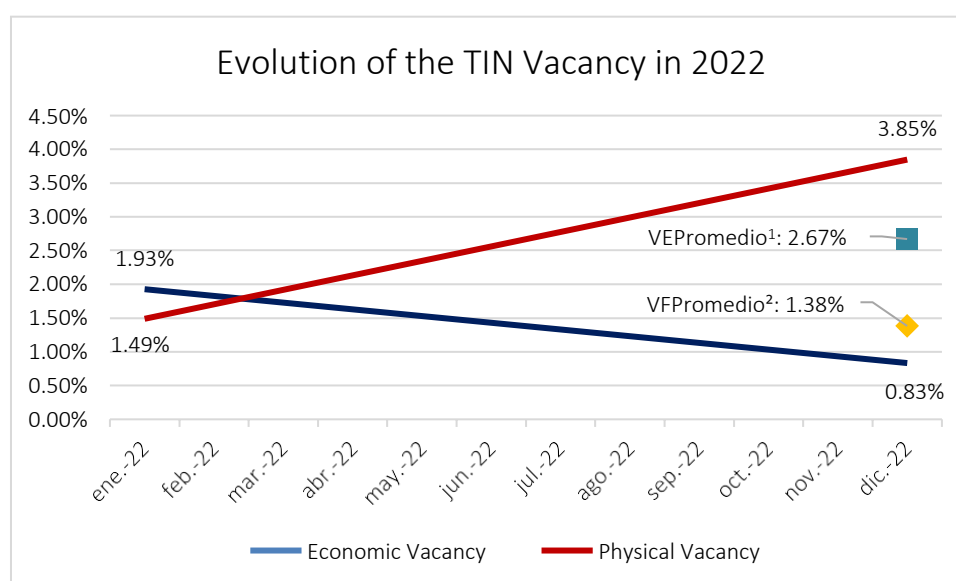
IV-I. Management of Economic Exploitation of the Portfolio

The monthly report, both fixed and variable invoicing and pre-invoicing sent by the Real Estate Administrator was reviewed month by month. In the same way, the monthly profitability report for Universalidad as a whole and by portfolio was generated. The Universalidad portfolio was monitored, reaching a portfolio of close to 0.

Vacancies

1. Vacancy

In 2022, the GI carried out a process to relocate assets, which is defined later in greater detail. The economic vacancy indicator was improved with this indicator. The average economic vacancy during 2022 was 1.38%. At the beginning of the year, the economic vacancy of the vehicle was 1.93%. By the end of 2022, it was 0.83%. This represents a decrease of 1.09% in the economic vacancy of the vehicle. The average physical vacancy experienced during 2022 was 2.67%, starting at 1.49% in January and closing the year at 3.85%. This represented an increase of 2.36%.



¹Average Economic Vacancy

²Average Physical Vacancy

2. Absorption

The absorption during 2022 was 0.65%. This percentage is derived from selling two stores - one located in Bucaramanga and belonging to the Davivienda portfolio, which had 232 m². The second store belonged to the Arroba portfolio and was located in Manizales. This store had 325 m², for a total of 557 m² sold in 2022. The percentage of absorption represents the weight of these 325 m² within the total 8,557 m² of the vehicle.

3. Retention

The contractual retention or renewal during 2022 was healthy, at 100% for 5 of the 8 vehicle portfolios. The Davivienda portfolio had a retention of 86.9%. This was due to the non-renewal of the lease of the tenant installed in Edificio Davivienda Barranquilla, located at Carrera 58 Calle 76. In 2022, the task of relocating the vacant assets within the vehicle continued. The continuous process of the GI is based on preparing *teasers*,

contacting different *brokers*, and marketing vacant properties.

4. Placement, Partners and Clients

In 2022, 42 customer identifications were achieved, which produced 17 visits from potential tenants. 7 commercial offers were received. The work was done with the help of 11 partnered brokers, including: Andina, CCG Consulting, CHM, Colliers, Cushman, Fonnegra, and MTS. With the support of the management team and allied brokers, a closing process was finally achieved for the following properties:

| Assets | Area | % within TIN |
|------------------------------------------------------------|----------------------|--------------|
| • Centro Mayor, Store 1132 (San Polos) | 250 m ² | 0.29% |
| • Zona Franca la Candelaria, warehouse 1 (Stani) | 3,478 m ² | 4.06% |
| • Zona Franca la Candelaria, warehouse 2 (Coldepósitos) | 2,640 m ² | 3.09% |
| • Ciudad Jardín, Avenida Calle 22 Sur 12 A Bis (Audifarma) | 250 m ² | 0.29% |
| • Museo del Oro, Carrera 6 Nro. 14 (Auros Copias) | 223 m ² | 0.26% |
| • Ventura Terreros, stores 2-66 and 2-67 (Coosalud) | 191 m ² | 0.22% |
| <i>Total</i> | 7,032 m ² | 8.22 % |

5. Developments by Portfolio

For the Zona Franca portfolio, in the city of Cartagena, the tenant Ingecol notified the delivery of the two warehouses located in ZF La Candelaria in the second semester of the year on May 27, 2022. After completing the commercialization process, a commercial agreement was reached with the Coldepositos company for warehouse one, and delivery was agreed upon in the first month of 2023. In the same way for warehouse two, negotiations with the Stani firm were carried out, and this was in the negotiation process at the end of the year.

For the Jamar portfolio, the term of the agreement was extended for another year.

Finally, as a development of the Davivienda portfolio, this tenant notified the delivery of the offices located in Edificio Davivienda Barranquilla, which was carried out in December 2022. In the same way, the delivery of the Av. Carrera Tercera office located in the city of Cartagena was reported, which is projected for the third quarter of 2023.

Historical Portfolio Profitability

The profitability of the TIN vs. COLCAP, USD, S&P 500 among Other Comparables Portfolios (%) (January 2019-December 2022).

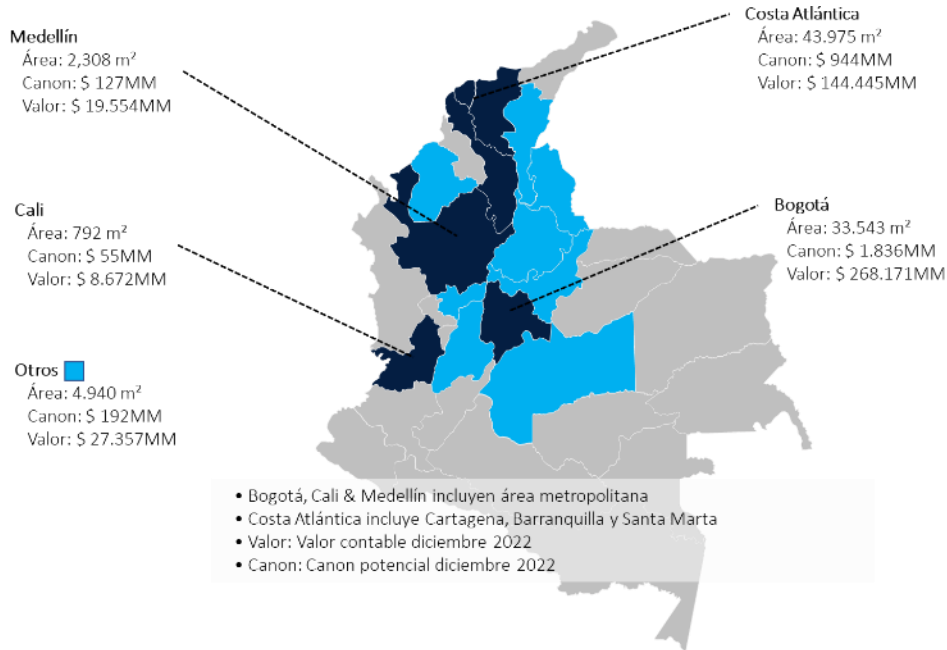


This comparative figure helps investors measure the performance of the security against six comparable investment instruments. It can be seen that, as a result of the fall derived from the COVID19 situation, there was a notable increase in the volatility and dispersion of comparable instruments during March and April of 2020. This price gap has remained since then until the end of 2022. However, it should be noted that the unit price of TIN has remained stable, even during the period of greatest volatility in all its comparable portfolios. Finally, it is worth noting that the unit value of TIN (*measured in base 100 since 2018*) closed 2022 outperforming its peers, holding 153% of its starting value in 2018.

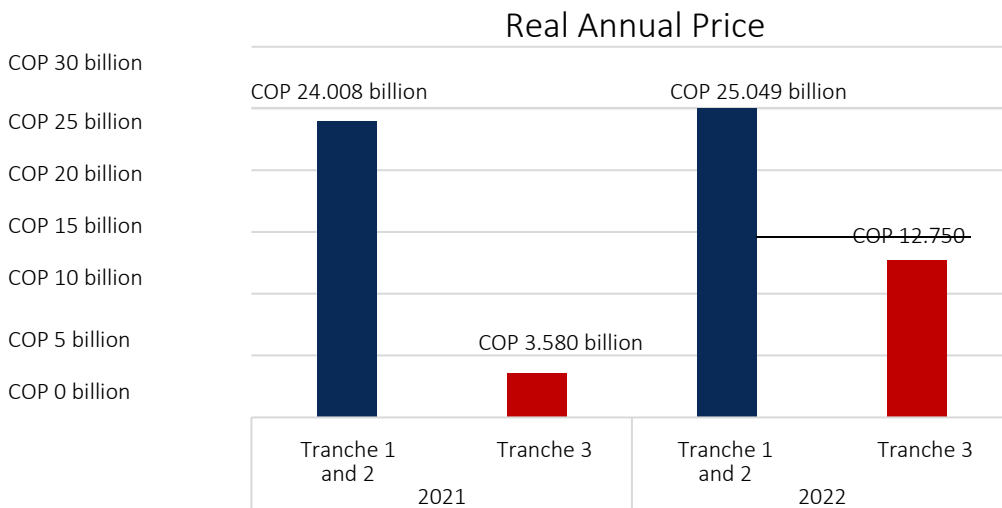
The value of the security as of December 31, 2022 was COP 6,339,098. The increase in the value of the security for the 2022 vs. 2021 period was 13.13%.

Real Estate Portfolio

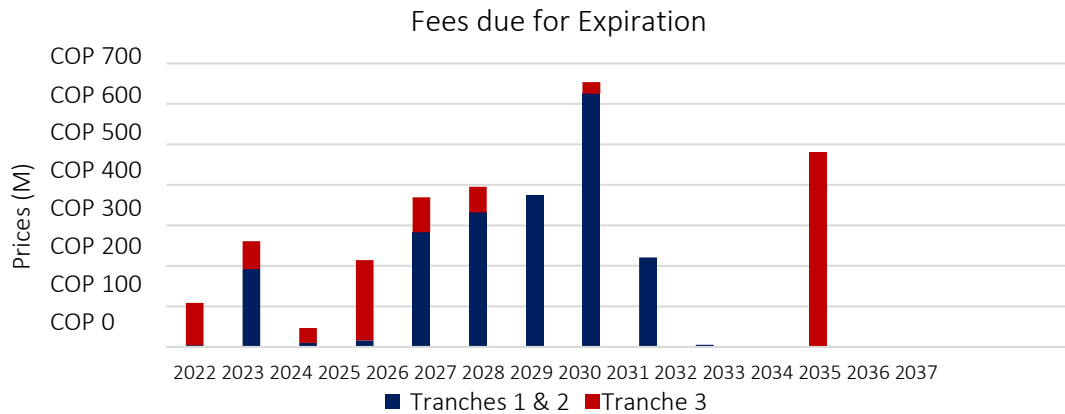
The value of the portfolio assets at the end of 2022 was COP 468.200 billion, corresponding to 104 properties in 22 municipalities, which occupied an area of 85,557 m², as follows:



Annual income in 2022 from leasing exceeded COP 37.800 billion. In the following figure, you can see the difference in fees between 2021 and 2022. The increase in real fees was 37%, which exceeded the growth of inflation. This was due to the fact that during 2022, Universalidad enjoyed all the fees of Tranche 3, while the rental income was only received during part of the second semester in 2021.



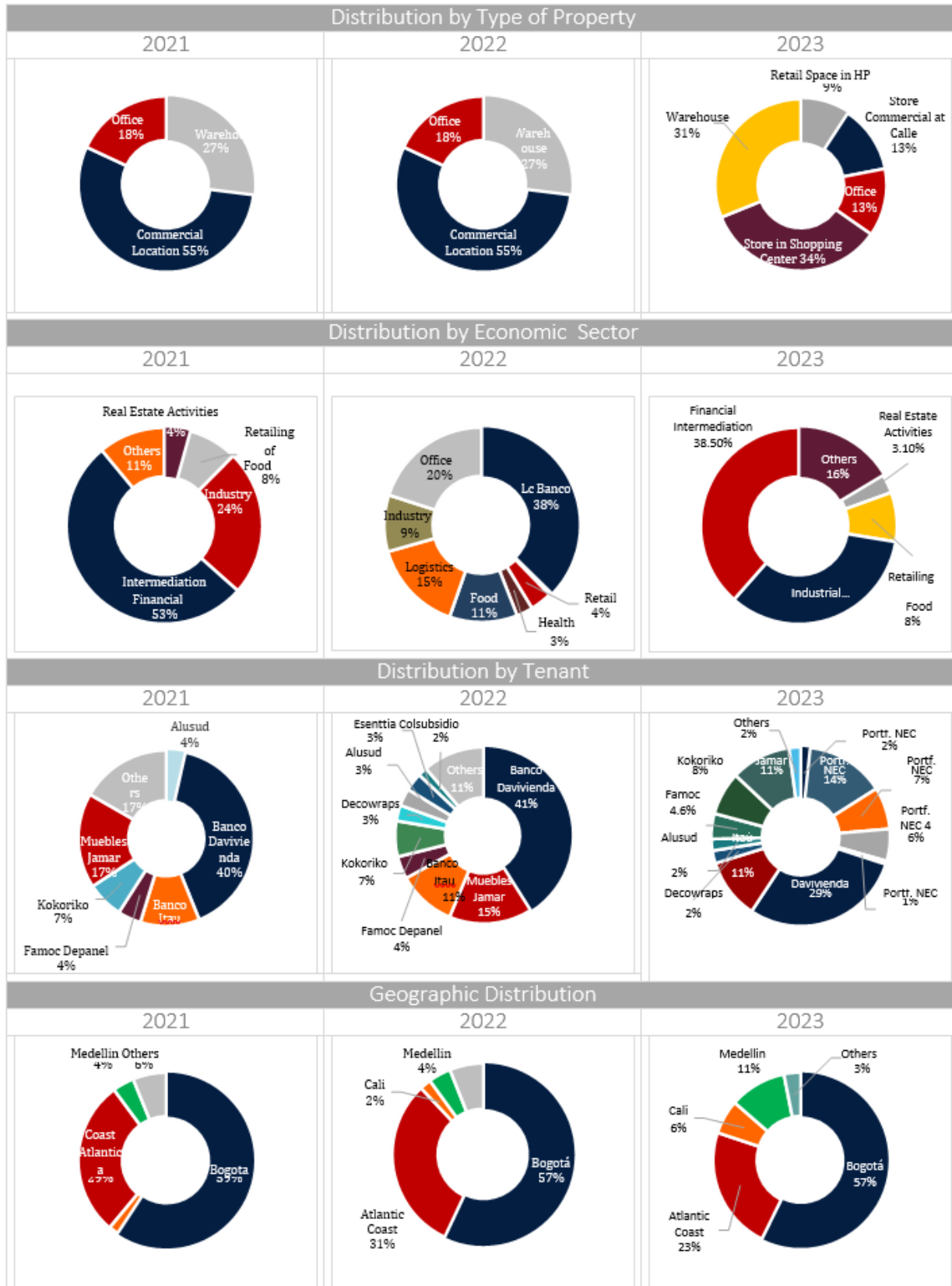
The following graph shows the contractual maturities over time measured at the potential price level. In summary, the agreements have an average remaining term of 5.84 years.



As part of the search for potential acquisitions for the growth of the TIN Issuance and Placement Program portfolio, Péntaco, in its role as Real Estate Manager, has been identifying assets in the real estate market aimed at diversifying the portfolio, which allow it to comply with its growth policy. .

This is how assets in different markets that would allow structuring potential acquisitions for Universalidad were identified throughout the year. Valuations were made, non-binding letters of intent were delivered to potential sellers, the internal validation and approval process was advanced through the Advisory Committee and the Board of Titularizadora Colombiana, and 2 due diligences were begun.

As a result of this work, we can present the Universalidad TIN real estate portfolio at the end of 2021, 2022 and the projection for 2023, taking into account the assets that have already been approved by the Advisory Committee and are in the due diligence process or close to entering that stage.



**Medellín, Cali and Bogotá include metropolitan areas. Atlantic Coast includes Santa Marta, Barranquilla and Cartagena, with their metropolitan areas. *Calculations by type of property and by city, over asset value. Calculations by tenant and economic activity by potential price on rental income.*

The projections for 2023 include purchasing 15 assets for an approximate acquisition value, including purchase expenses, of close to COP 165 billion pesos.

It is intended to buy a package of assets from an important firm that sells in the construction and hardware sector to acquire two of its main warehouses, some offices, and two commercial premises under the *sale & leaseback* modality. These assets have an approximate cost of COP 87 billion, including purchase expenses, fees of COP 700 billion and a GLA of 33,800 m². The assets are located in Valle del Cauca and Bogotá.

Additionally, it is expected to acquire a portfolio of independent premises, in an important shopping center in Bogotá with various tenants, which will generate greater diversification for the vehicle. The approximate acquisition value is COP 40 billion, and this package of assets is expected to generate monthly income of close to COP 335 billion.

The rest of the assets in the closing process correspond to independent stores in different highly recognized Shopping Centers, in which we already have a presence (with the exception of 2), and a store on the street in one of the areas with the highest pedestrian traffic in the city. This package of assets has a value of close to COP 32.5 billion, has an approximate area of 980 m² and generates monthly income of COP 258 billion.

Acquiring these packages would cause the book value of the assets under management to go from COP 468.2 billion in December 2022 to COP 634 billion after their acquisition. This would represent a 28.1% increase in the value of assets under management. The monthly fee would show an approximate increase of 35.1%, the GLA under Universalidad would have an increase of 41.7% and the average term of the agreements would move from 5.84 years to 6.5 years. The more than proportional increase in GLA is because several of the largest acquisitions in the *pipeline* follow logistic or industrial warehouses.

Investment Strategy and New Business Management

Investment Strategy

The following guidelines have been defined within the representative elements of the investment strategy:

Focusing on performing issuances to replace debt and, if convenient, issuing small amounts to pay the entire financial debt of the vehicle.

Carrying out a larger Issuance (greater than 130 billion) that allows acquiring assets that are in the due diligence process or close to entering said stage.

Developing the in-kind payment mechanism, understanding the challenges of raising capital and indebtedness at high rates, such as the current ones.

Seeking to buy assets with lease agreement with price variations tied to the CPI, to ensure the medium-term permanence of the tenant. In these assets, profitability by cash flow will be favored over profitability by valuation.

Searching for assets in shopping centers where we already have a presence, which makes it possible to acquire assets or packages that individually have low tickets, of good quality, that help diversify the portfolio and can be divided in case of needing to divide the issuances or purchases.

Continuing with the strategies to optimize the cost of debt and the operation of the vehicle, to reduce costs and have more cash to distribute to investors.

Competitive Advantages

- The ability to identify out-of-market opportunities to avoid competitive processes.
- Leverage over strategic partners, such as *brokers*, construction companies and external structurers.
- Access to relevant real estate market information before the competition.
- Efficiency in procurement closing processes.
- Proven real estate acquisition and management capacity.

Risk Profile

An exercise was carried out to understand the risk profile of the different types using the exercise carried out by Aguirre Newman for Titularizadora Colombiana in 2017 as a basis.

A rating was provided according to the Level of Impact and Probability of Occurrence of the following parameters to measure the level of risk assigned to each of the types of property.

- **Globality:** Measures the degree of "flexibility" of real estate products, mainly in terms of the number of tenants the property would serve.
- **Market:** Variation in the price of real estate, especially rental prices (the real estate cycle includes elements, such as taxation, changes in rates, employment, liquidity, marketability, devaluation, among others).
- **Tenant:** The probability of non-payment of rental fees while the property continues to be occupied or having to undertake legal proceedings that cause delays in collecting rent or vacating the property.
- **Vacancy:** Term or early vacancy of the tenant, having to assume the administrative and ownership expenses of the property.
- **Necessary management:** Any difference that may arise from the budgeted assumable expenses. It measures the degree of management necessary for each product.
- **CAPEX:** It is related to the necessary maintenance expenses.
- **Regulations:** Regulatory changes in invested properties.

In order to obtain a rating for each Risk, a rating was given of what we perceive may first be the IMPACT of each parameter with respect to each type of product, giving a rating on a scale from 1 to 5, 1 being low and 5 being high.

In the same way, each risk parameter was rated in terms of the PROBABILITY OF OCCURRENCE on a scale of 1 to 5, 1 being low and 5 being high.

We then proceeded to multiply these two ratings (IMPACT x PROBABILITY OF OCCURRENCE), which resulted in the Individual Risk Rating by type of product.

Based on this individual rating and from weighing each one of the parameters, a total risk rating was then obtained for each of the types of assets that were reviewed.

The following is a summary of said exercise:

The classification of the types, more than determining whether or not to buy a type of asset, seeks to determine the primary factors that must be taken into account and mitigate said risks within the acquisition and portfolio management processes.

Issuance Plan

In order to optimize and guarantee the growth of the Universalidad Portfolio, the issuance of one or several tranches worth small amounts of between COP 20 billion & COP 60 billion is planned for 2023 to cover the debt of the assets of tranche 3, which has not yet been issued.

Assets that bring a very important change in the composition of the Universalidad Portfolio with them. The fragmentation of the Portfolio's risk will be especially visible in the diversification of the portfolio by economic sector and by tenant.

Once a successful debt reduction has been carried out, an additional larger issuance is expected to continue the acquisitions currently being negotiated.

Financial Strategy and Asset Acquisition

The main emphasis in terms of financial strategy for 2023 is to generate small issuances (amounts of 20 billion) which will be used to pay the debt acquired during the 2020-2021 period, which in turn is derived from acquiring the Jamar, Spring Step, Ventura Terreros and Zona Franca Bogotá/La Candelaria portfolios.

In addition, acquiring new assets with the option of payment in kind has been considered. By enabling this payment option, the TIN fund will have the capacity to generate a partial payment in securities for new real estate, in such a way that no new debt is incurred. The seller, who receives the securities as a form of payment, will enjoy the share, diversification and profitability of the entire asset market in a fungible way.

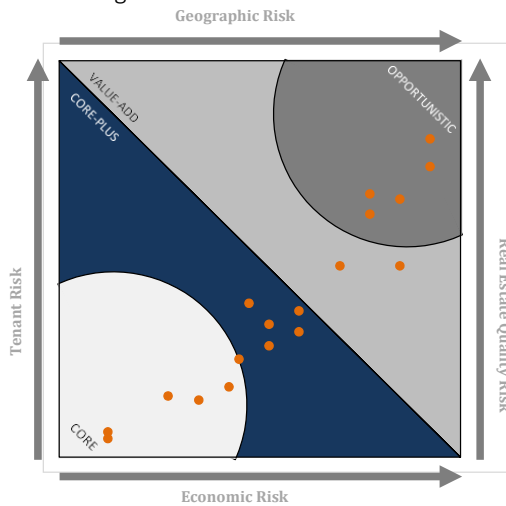
Investment Prospects

An exercise was carried out to generate a purchase system by type of asset. The scoring system measures how risky it is and where it is in terms of "Core" or "Opportunistic" investment strategies. The matrix measures geographic, leasing, economic, and real estate quality risk. The following is a summary of the model's results:

Offices:

The following figure shows the result of the score of the model by type and subtype of office. Each point represents a mix of characteristics within the office sector.

The points that lie inside the "Core" bubble are the most optimal combinations and should be studied and acquired in the following order:

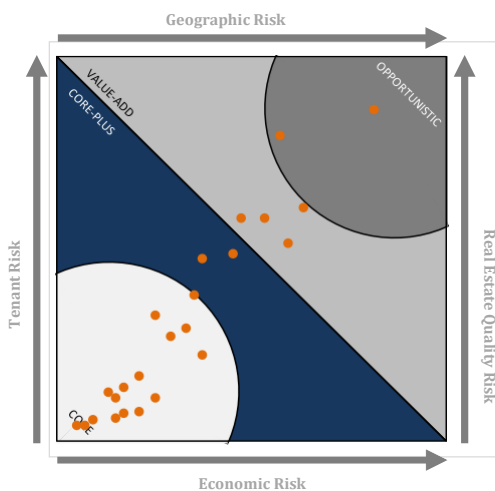


1. Entire office buildings in major cities A+ quality
2. Individual offices in main cities of A+ quality
3. Entire office buildings in main cities of A quality
4. Entire office buildings in secondary cities of A+ quality
5. Individual offices in secondary cities of A+ quality

Warehouses:

The following figure shows the result of the score of the model by type and subtype of warehouse. Each point represents a mix of characteristics within the warehouse sector.

The points that lie inside the "Core" bubble are the most optimal combinations and should be studied and acquired in the following order:

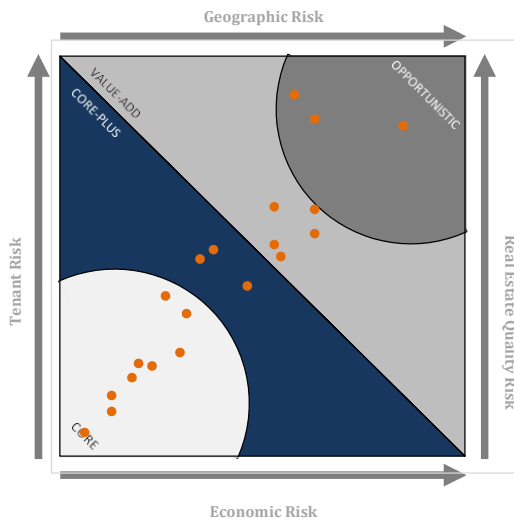


1. Logistics, urban warehouse in an industrial park and of A+ quality
2. Logistics, suburban warehouse in an industrial park and of A+ quality
3. Logistics, urban, street warehouse of A+ quality
4. Industrial, urban warehouse in an industrial park and of A+ quality
5. Industrial, suburban warehouse in an industrial park and of A+ quality

Commercial:

The following figure shows the result of the score of the model by type and subtype of commercial premises. Each point represents a mix of characteristics within the commercial sector.

The points that lie inside the "Core" bubble are the most optimal combinations and should be studied and acquired in the following order:



1. Portfolio within a regional shopping center in a main city,
2. Individual premises within a regional shopping center in a main city,
3. Portfolio within a regional shopping center in a main city,
4. Portfolio within a zonal shopping center in a main city,
5. Store within a horizontal property in a main city, of A+ quality