Rating report **31 January 2023**

EuroRating assigned 'A-' long-term credit rating to a secured fixed rate Sukuk securities issue of the company Pentavirate Securities Securitisation Fund (Luxembourg)

Public / Private rating	public
Continued / One off rating	continued (monitored rating)
Category	rating for a Sukuk securities issue
Issuer	Pentavirate Securities Securitisation Fund (Luxembourg)
Type of the rated instruments	secured fixed rate Sukuk securities
Sukuk series ISIN	will be added at a later date
Type of the credit rating	long-term, international scale
Date of rating assignment	31 January 2023
Rating level	A-
Rating outlook	stable

The presented credit rating is a rating for a Sukuk series (ISIN: will be added at a later date) and relates to the issue of up to $100 million secured fixed rate Sukuk denominated in USD, with the maturity term in 2027 (with a possible extension to 2029). The Sukuk is issued (or to be issued) by the company Pentavirate Securities Securitisation Fund ("Pentavirate Securities" or the "Issuer"), which is a special purpose vehicle (SPV) being a securitisation fund under Luxembourg law, established and represented by its management company Pentavirate Management Sarl ("Pentavirate Management"), a limited liability company.

Pentavirate Securities was incorporated for a specific purpose – to raise funds for the company PropCo (Delaware SPV) ("Property Owning LLC") in the USA, which intends to invest in real estate assets and/or pools of real estate assets that it believes will be suitable for purchase in the USA.

The presented credit rating does not relate to the credit risk (or probability of default) of the Issuer. The rating concerns the risk of an ultimate loss of a part or all of the Sukuk's principal amount and the rentals (at a fixed rate 5% per annum) by the Sukuk holders in the event of a default of the Issuer.

Key rating drivers

Positive:

Real estate with existing cash flow: Pentavirate Securities offers a Sukuk fixed-income investment secured by U.S. already existing commercial real estate which generate positive free cash flow.

Solid collateral quality: The Issuer's liabilities to Sukuk holders will be 100% secured on a portfolio of U.S. based self-storage facilities. Due to an increased resilience to economic shifts and a unified type of those assets, they are characterised by a relatively high liquidity and stability of their value.

Several independent investment projects: PropCo (Delaware SPV) will invest in several projects in different U.S. cities (the value of each project will be c.a. $10-$25 million). That would translate to a better diversification of the total portfolio (which will be securing the Sukuk issue), what will allow to partially reduce the risk if any of the projects would not generate revenues as planned.

Pre-selected investment projects: A full overview of financials and proforma outlines on targeted assets within the Sukuk will be known to the management and investors before they invest in Sukuk. Pentavirate Management has already thoroughly researched the market and has a pool of projects in which it plans to invest funds from Sukuk issue. A detailed cash flow analyses were done for each project.

Conservative assumptions adopted in the financial projections: The management plans to charge c.a. $11 per square foot of storage units in 2023, which is well below the average market rent. The company plans to rent 90-92% of units, which is below the national average occupancy rate in the recent years. Also the assumed annual revenue growth of 3% seems reasonable, especially taking into consideration the expected increased inflation rate in the U.S. in the years of forecast.

Satisfactory debt service coverage ratio: Both the ratios, the cash flow available for debt service (CFADS) and the debt service coverage ratio (DSCR) resulting from the company's forecasts can be assessed as satisfactory, especially taking into consideration the conservative assumptions adopted in the financial projections, which give the company an additional safety margin.

Experienced management team: The Pentavirate Management team has extensive knowledge, experience and proven track record of asset management, asset improvement and financial reporting to deliver full transparency and selection of the most attractive investments.

Very large and steadily growing U.S. self-storage market: The self-storage market in the U.S. is very developed (the industry's total annual revenue exceeds $40 billion) and steadily growing. While other real estate asset classes, even those previously considered stable (as office spaces), have taken heavy hits during the covid-19 pandemic, the self-storage market has been insulated from the impact of broader market changes. It is expected to further grow in an annual average growth rate of 5.5%.

Rent and occupancy increase: From the beginning of 2021 the average rent per occupied square feet for the five largest self-storage REITs increased from $16 to over $20. At the same time the average occupancy rate stabilized at a very high levels of 93-96%.

Broad customer base: While asset classes like office or retail tend to have a few significant customers in one location at any given time, self-storage has a broad customer base, which offers an unusual level of stability.

Negative:

No history of operations: The Issuer, the management company and PropCo (in respect of the Sukuk) are newly incorporated companies. None of those companies has a history of operations, nor revenues or significant assets.

No capital reserve of the Sukuk issuer: Pentavirate Securities Securitisation Fund is an SPV company, with very little or no equity of its own. Therefore, the ability to repay the Sukuk (annual rentals and nominal value at maturity) will depend fully on the financial performance and cash flows generated by PropCo (Delaware SPV).

Risk of a decrease of properties value: The Issuer's assets will be almost entirely loans granted to PropCo. The loans will be fully secured on U.S. real estate (a portfolio of self-storage properties). However, as the Issuer doesn't have any additional assets (and equity) to hedge an eventual decline in the value of the loans' collateral, there is a risk that at Sukuk maturity the proceeds from properties sale would be below their initial purchase prices and nominal Sukuk value.

Potential economic recession: In case if the U.S. economy will significantly slow down (or enter into a recession) for a prolonged period and the unemployment rate will rise sharply, the storage spaces can move from being a necessity to a discretionary expense for many tenants. That could result in a potential increase of vacancy rates and would translate to PropCo revenues below the forecasts.

Stable rating outlook

The stable outlook assigned to the credit rating means, that according to current estimates of the EuroRating credit rating agency the rating should most probably remain unchanged in the horizon of the next 12 months.

Major factors that could lead to a rating change

Positive:

- successful investments in the selected projects, which are currently generating cash flows;
- generating net profits and quick strengthening the capital position of PropCo and Pentavirate Management;
- increasing cash reserves and maintaining a very good liquidity position, creating a large buffer beyond what is required to pay the Sukuk rentals and a timely repayment of the Sukuk nominal value (better than forecasted CFADS and DSCR ratios);
- an increase of the market value of the real estate owned by PropCo.

Negative:

- much lower than the currently planned Sukuk issue, which would result in a lower number of investment projects (which would mean a lower than assumed diversification of investments);
- generating by PropCo much weaker than currently forecasted rent income and net profits (in particular – generating losses);
- actual cash flow available for debt service (CFADS) and debt service coverage ratio (DSCR) lower than the current conservative forecasts;
- very unfavourable economic conditions, resulting in a growth of self-storage vacancy rates, as well as in a possible decrease of self-storage properties market value;
- any other substantial threat to a timely payment of Sukuk rental as well as the ultimate Sukuk nominal value repayment at maturity.

Company profile

Registration data

The Issuer: Pentavirate Securities Securitisation Fund, represented and managed by Pentavirate Management Sarl. **Registered office:** 2C, Parc d'Activités, L-8308 Capellen, Grand-Duchy of Luxembourg. **Company registration number (Luxembourg): O42. Legal Entity Identifier: 2138004BXL9F8ASB8S87**

Management Company: Pentavirate Management Sarl *(société à responsabilité limitée).* **Registered office**: 2C, Parc d'Activités, L-8308 Capellen, Grand-Duchy of Luxembourg. **Company registration number (Luxembourg): B270888.**

Pentavirate Securities Securitisation Fund ("Pentavirate Securities" or the "Issuer") is a special purpose vehicle and was established by Pentavirate Management Sarl (which acts as management company to the Issuer) for a specific purpose – to raise funds (via Sukuk issuance) for the company PropCo (Delaware) ("Property Owning LLC").

As an SPV, Pentavirate Securities is separated from the management company, so that Pentavirate Management Sarl would not be responsible for Pentavirate Securities financial obligations.

Before Sukuk issuance Pentavirate Securities hasn't conducted any operating activity and had no revenues or earnings, as well as no assets. At the moment of Sukuk issuance all proceeds from Sukuk will be transferred immediately to Property Owning LLC, which will be responsible for liabilities to Pentavirate Securities with its own assets.

As Pentavirate Securities only asset will be the Sukuk proceeds passed to PropCo (Delaware), the Issuer's ability to pay annual rentals at a fixed rate of 5% and final repayment of the Sukuk will be fully dependent on the financial performance and cash flows generated by the Property Owning LLC. Therefore, the credit risk analysis contained in this report focuses primarily on PropCo (Delaware).

Shareholder structure

Chad Gleason is the founder, the investor and the sole shareholder of the company.

Pentavirate Management Sarl – top managers team

Chad Gleason, CCIM – Managing Director: Mr Gleason is leading the firm's operations across the globe. He previously led SVNRaven Commercial Real Estate, a CRE development and consultancy firm based in Bellevue, Washington, and a member of the SVN Shared Value Network. Mr Gleason holds the prestigious CCIM (Certified Commercial Investment Member) designation which is awarded to elite CRE professionals in advanced real estate finance and market analysis. He was named the 2018 Commercial Real Estate Broker of the Year by the Washington Association of Realtors.

F. Craig Morris – Director of Global Real Estate: Mr Morris leads the acquisitions and operations teams, which delivery a value-add strategy for each individual asset in order to deliver the safest asset-backing in the marketplace. He is the Founder of Axxcess Realty Advisors, a real estate innovation firm that currently oversees self-storage facilities across the country. Additionally, he is a leader at many other real estate companies, including AC Self Storage Solutions, an advisor, owner and manager of self-storage assets, portfolios and funds. Mr Morris was previously Executive Vice President, Global Client Solutions, for Cushman & Wakefield.

Mike Randall, CCIM – Director of Real Estate Investment: Mr Randall has over 40 years of real estate investment experience. Prior to opening his own firm in 2010, Randall Realty Advisors, he spent 27 years at the Institutional Investment Group of Grubb & Ellis Company in Southern California, where he ultimately held the position of Co-Chairman. He has represented some of the West Coast's largest property owners in the acquisition and disposition of their major investment properties, including Bank of America, Citibank, CalSTRS, CalPERS, Samsung, Shin Yen Investments, Heitman Properties, and UBS Realty Investors. Mr. Randall holds the CCIM designation (Certified Commercial Investment Member) as well as past or present professional affiliations with NAIOP, ICSC, and ULI.

Suria El-Bietar – Director of Risk Management: Ms El-Bietar qualifies acquisition targets, manages the financial due diligence for assets, and devises the long-term portfolio strategy for Pentavirate's global funds. A specialist in scaling and operating international portfolios, she has worked with Fortune 500 companies throughout her career to manage their real estate expansion. Previously, she was Managing Director at SVNRaven Commercial Real Estate, where she worked with cross-functional corporate real estate teams, building budgets for business units, and optimizing value through lease administration, capital upgrades and disposition. Ms El-Bietar was also an original team at Starbucks Coffee International, where she spearheaded the opening of more than 22 international markets in Asia, South America, Middle East and Europe.

Islamic finance terminology

- **Sukuk** – an Islamic financial certificate, similar to a bond in Western finance, that complies with Islamic religious law commonly known as Sharia;
- **Sukuk Al Ijara** – rental or lease contracts or conventional lease-revenue bonds. With these Sukuk, the borrower's tangible asset is 'sold' to the financier and then 'leased' back to the borrowers. The borrowers then make regular payments back to the financiers from the income stream generated by the asset.
- **Wakala** – an agency or a delegated authority where a muwakkil (principal) appoints the wakil (agent) to carry out a specific job on behalf of the muwakkil;
- **Wakala agreements** – agency agreements where the muwakkil and the wakil share in the profit and risk of investment loss. Any guarantee on minimum return is not Sharia compliant.

Business model

The Luxembourg incorporated securitization fund ("Pentavirate Securities" or the "Issuer") will, from time to time, issue, and Sukuk holders will subscribe for Sukuk Ijara. From time to time, Property Owning LLC (PropCo – a Delaware-based LLC that will be established to own the relevant assets pursuant to the terms of the sale and purchase agreement) will identify certain real estate assets and/or pools of real estate assets (together, the "Assets") that it believes will be suitable for purchase.

Pentavirate Securities and the Property Owning LLC will enter into a Wakala agreement whereby the Issuer (as Muwakkil) will appoint Property Owning LLC (as Wakeel) to use the proceeds of the Sukuk issuance to purchase the legal title in and to the Assets identified by Property Owning LLC to be held for and on behalf of the Issuer.

Property Owning LLC will use the proceeds of the Sukuk issuance to enter into a sale and purchase agreement with certain third-party sellers pursuant to which Property Owning LLC will purchase the relevant Assets. On and from the date of the purchase of the relevant Asset, Property Owning LLC will hold legal title in its name but for and on behalf of the Trustee (acting for and on behalf of the Sukuk holders).

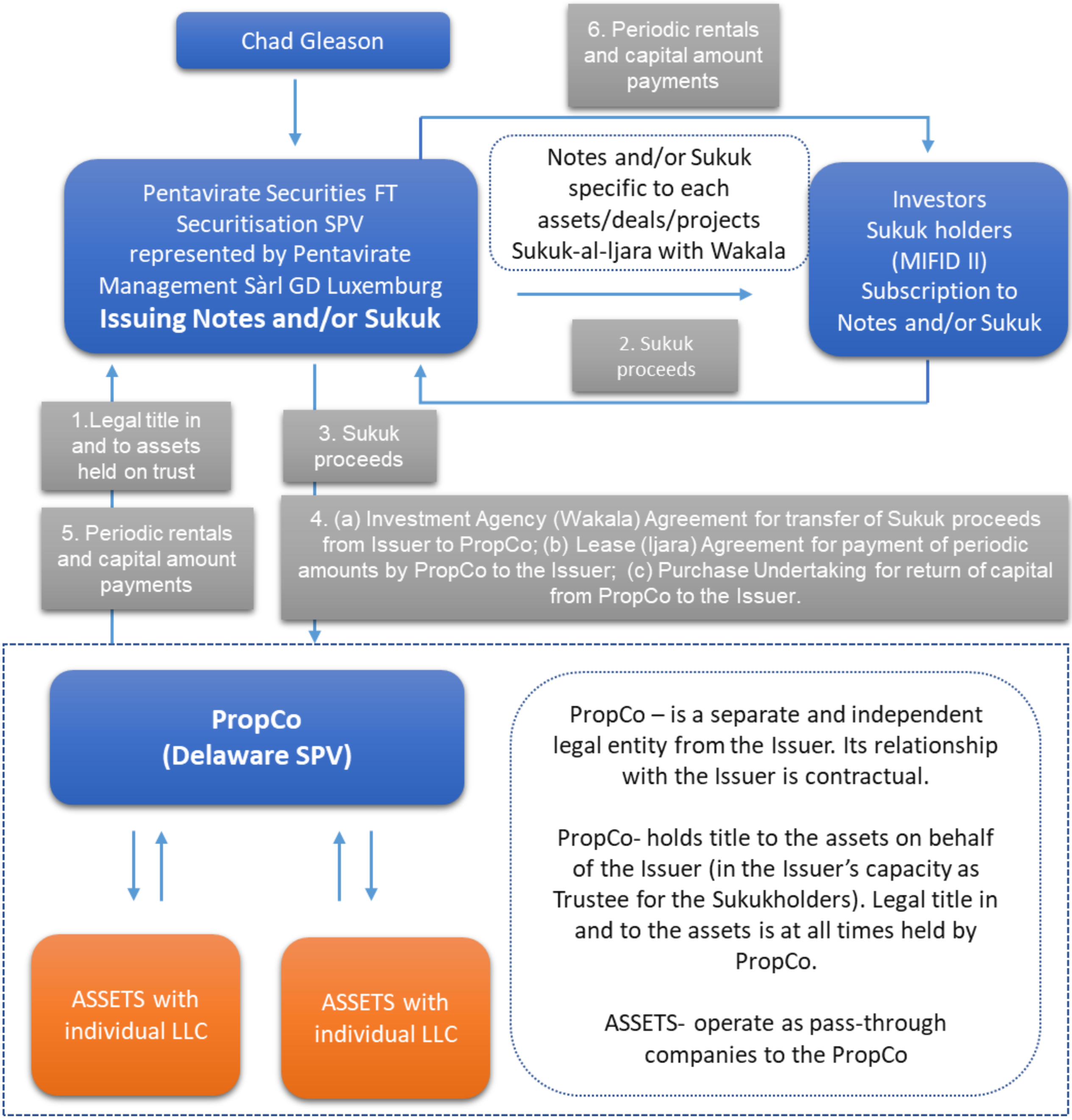
Property Owning LLC looks for markets with assets that could use improved management to increase rental rates (Charlotte NC, Nashville TN, Portland OR for example). That will allow management to cover acquisition load costs, ramp up lag to competitive market rents and improve economic vacancy to acceptable levels. The company method for acquisition growth is very simplistic as management takes existing rents and increases them over the next 18-24 months to achieve a more economic stability on the asset.

Pursuant to the terms of each lease agreement, the Issuer will lease the usufruct in and to the Assets to Property Owning LLC. Property Owning LLC will pay periodic rental to the Issuer for the usufruct right with the Issuer using such rental income to make periodic payments on the Sukuk. Upon maturity of the Sukuk and the corresponding expiry of the lease agreement, Property Owning LLC will be required, pursuant to the terms of the purchase undertaking, to enter into a sale and purchase agreement to purchase the usufruct right in and to the Assets at a price equal to the amount required to redeem the Sukuk in full.

Upon maturity of the Sukuk and the corresponding expiry of the lease, the Issuer will be required, pursuant to the terms of the sale undertaking, to enter into a sale and purchase agreement to sell the usufruct right in and to the Assets to Property Owning LLC at a price equal to the amount required to redeem the Sukuk in full. Based on both the purchase undertaking and sale undertaking as described above, the Issuer will use the proceeds to redeem the Sukuk in full.

Sukuk al-Ijara lending and cashflow process

Chart 1. Sukuk al-Ijara transaction structure



Source: Pentavirate Management

Steps involved in the transaction structure

1) PropCo (Delaware LLC) prepared a portfolio of investments in which the company intends to invest the funds from the Sukuk issue. These investments have already been identified and analysed in terms of project profitability. At this point, PropCo does not own the assets, it only has a sale and purchase agreement. A Delaware-based LLC will be established for the purpose of owning the relevant assets. Each series will be issued at the charge of a separate Compartment of the Issuer (that is, by the Issuer acting in respect of and on account of such Compartment) and these conditions apply separately to each series of Sukuk. The duration of the Compartment issued for the Sukuk has a term of 5 years plus possibly 2 years (extension of the contract depends only on the decision of the company's management board).

2) Pentavirate Securities raises financing by issuing Sukuk certificates in an amount equal to the purchase price. Next the Issuer will lend PropCo $100 million to buy the selected properties. As PropCo is an agent, it will buy selected properties on behalf of the Issuer but hold legal title in the name of PropCo. Pentavirate Securities is a Luxembourg incorporated securitisation fund. Pentavirate Securities in respect of the issuance of a series of Sukuk will act as trustee of the Trust assets based on Wakala Agreement. It will have access to the underlying assets invested in by Pentavirate Securities through PropCo (Delaware LLC). Pentavirate Securities will delegate all of its rights, obligations and responsibilities in respect of the Trust assets to its managing company – Pentavirate Management Sarl.

3) The Sukuk proceeds are passed on by Pentavirate Securities to PropCo (Delaware LLC).

4) An Ijara Agreement (lease agreement) is signed between Pentavirate Securities and PropCo (Delaware LLC) for a fixed period. PropCo will buy the properties on behalf of the Issuer and it will be holding the legal title "for and on behalf of" the Issuer. PropCo will be the operator of those real estates and will be facing the third-party tenants, and therefore it leases the usufruct (right to act as legal title owner) from the Issuer and owes the Issuer periodic rental payments for that right of use. PropCo will be obliged to make periodic payments to the Issuer, which the Issuer will use to make the corresponding payments on the Sukuk. The obligation to make those payments is an absolute one and a failure to pay will lead to an event of default under the Ijara agreement and the Sukuk.

5) Pentavirate Securities receives periodic rentals from PropCo.

6) Periodic rentals (at a fixed rate 5% p.a.) are distributed among the investors (the Sukuk holders).

7) At maturity of the Sukuk securities or on a dissolution event, PropCo will sell its assets or Pentavirate Securities will issue a new series of Sukuk bonds to refinance maturing securities. That value should be at least equal to any amounts still owed under the terms of the Ijara Sukuk.

The return of principal and interest is guaranteed by the Purchase Undertaking agreement and some other agreements that go alongside it. The Purchase Undertaking is a put option with the Issuer holding the rights. If there is an event of default by PropCo under the Ijara agreement or the Sukuk reaches the maturity date, then the Issuer may exercise its rights to "put" the usufruct and any other rights it may have in and to the underlying assets back to PropCo against an absolute obligation on PropCo to make payment to the Issuer of the amount needed to redeem the Sukuk in full at whatever the outstanding principal amount of the Sukuk is at that time plus all accrued but unpaid Profit. The payment obligations under the Purchase Undertaking (put option) are secured over the underlying assets.

Sukuk issuance

- Sukuk will be by default in the denomination of a minimum $100 000 (one hundred thousand U.S. dollars), unless otherwise specified in the applicable Sukuk final terms.
- It is anticipated that PropCo (Delaware LLC) will use the proceeds of the Wakala Agreement to complete the purchase of each of the Assets over a period expected not to exceed 120 days.
- The management will enter into a service agency agreement with the servicer pursuant to which the servicer will be required to undertake any major maintenance and repair of the Assets. In addition, the servicer will be required to service the Assets on an on-going basis including, without limitation, ensuring that all rental amounts due in respect of the Assets are collected and deposited in the relevant account of PropCo.
- As security for the payment obligations arising pursuant to the terms of the lease agreement, Property Owning LLC will grant an assignment of all rental income generated by the Assets for the benefit of the Trustee. In addition to the security granted, Property Owning LLC will also grant a mortgage over each of the Assets in favour of the Trustee.
- Application may be made for the Sukuk to be listed and admitted to trading on a suitable stock exchange. It is expected that the Sukuk will be issued in global form and will be held in a common depositary for and on behalf of Euroclear and/or Clearstream, Luxembourg.

Investment policy

The Issuer will invest in the following specific three sectors and key core assets which have demonstrated resilience over time despite the economic stress of the Covid-19 pandemic and global inflation. The funds from the issue of the first $100 million Sukuk will be fully allocated into investments in self-storage. Funds from subsequent issues may also be invested in senior housing and multi-family homes.

Self-storage

Self-storage is a newer asset type within the commercial real estate industry. Nevertheless, it is an attractive property type, because the assets are commonly located in a suburban and dense urban settings, as well as in-fill locations. It provides access to locations and a cash flow model that can be adjusted multiple times during the year with the demands of the market. Property prices reflect many factors, including the density and growth rate of the surrounding population, the amount of proximate residential multifamily homes and the strength of the rental market and associated cash flow. Pentavirate continues to see tremendous opportunities in the future of self-storage in the United States. With the efficient asset management of self-storage facilities, they have the potential to perform better than other traditional asset types.

Senior housing

Nowadays, assisted living is the most favoured and fastest growing long-term care option for seniors in the U.S. According to the American Health Care Association, there are approximately 28,900 assisted living communities with nearly 1 million licensed beds in the U.S. today. Senior housing is the commercial real estate asset class in which rent growth has been steadier, less volatile, and has generally exceeded that of other commercial real estate property types. The Covid-19 pandemic has provided an opportunity for acquisition with lower value cost and equity growth opportunity over the next several years.

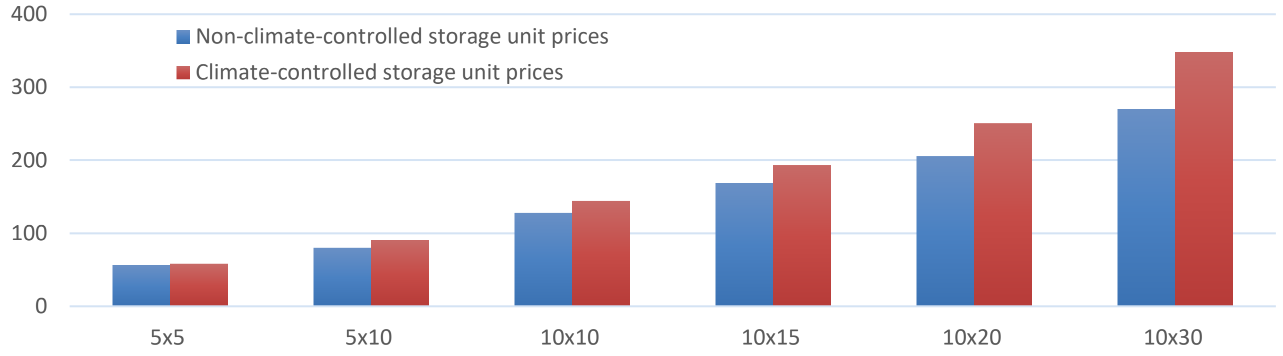
Multi-family homes

Historically, multi-family homes have been a favourite asset class among investors and trended a steady appetite for both urban and suburban properties. The last decade saw a strong focus on development with over 3.1 million new rental units introduced into the U.S. but with came the end to the aggressive building of multifamily. The urban core focused on Millennials as they came into the workforce driving demand for a lifestyle that maintained proximity from home to work and to entertainment. With the anticipated forecast of this population maturing to prioritize space for growing families, development to meet these needs has continued to fuel the interest of investors in the secondary and tertiary markets.

Self-storage industry trends

Self-storage U.S. market has grown to more than 1.6 billion square feet of space in 2022. Over the span of the last 5 years, 255.7 million square feet of storage space was built – that's equivalent to 15.7% of the total inventory. In 2021 alone, almost 46 million rentable square feet were finalized. Due to global trends of rising urbanization and improving economic outlooks, this industry's growth is anticipated to be favourable throughout the projection period. The growing urban population results in more tenants who move around more often, to smaller and more expensive living areas in cities.

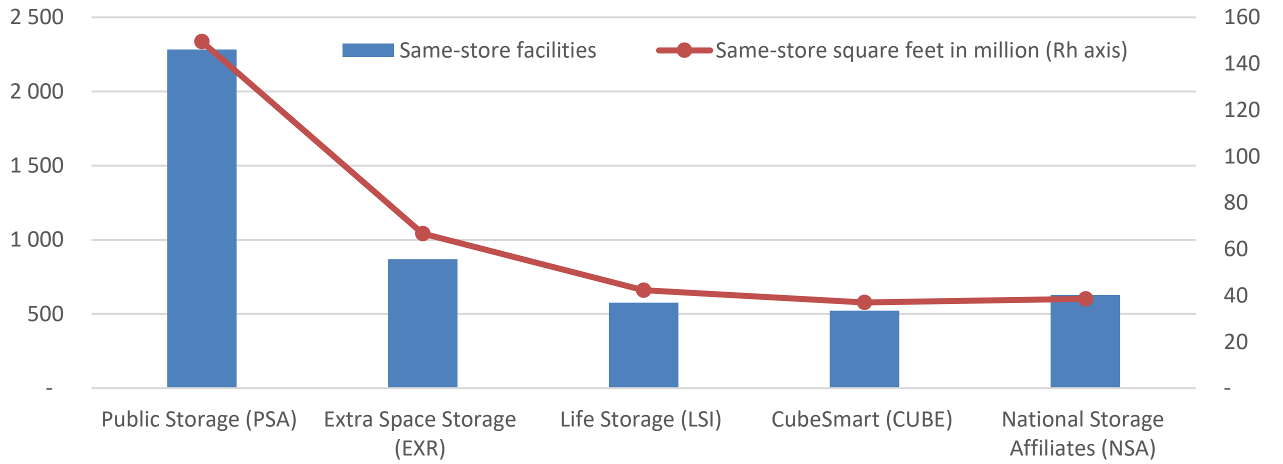
Chart 2. Average monthly rates for climate-controlled/non-climate-cont. and units (Nov. 2022) ($)



Source: www.storagecafe.com/self-storage-industry-statistics; unit size in feet

The average storage unit price for a standard 10x10 feet non-climate-controlled unit is $128, while a climate-controlled 10x10 unit typically costs about $144. The national average rent per square feet for self-storage space is $1.36. 10x10 non-climate-controlled units are the most popular unit sizes, along with 5x5 units.

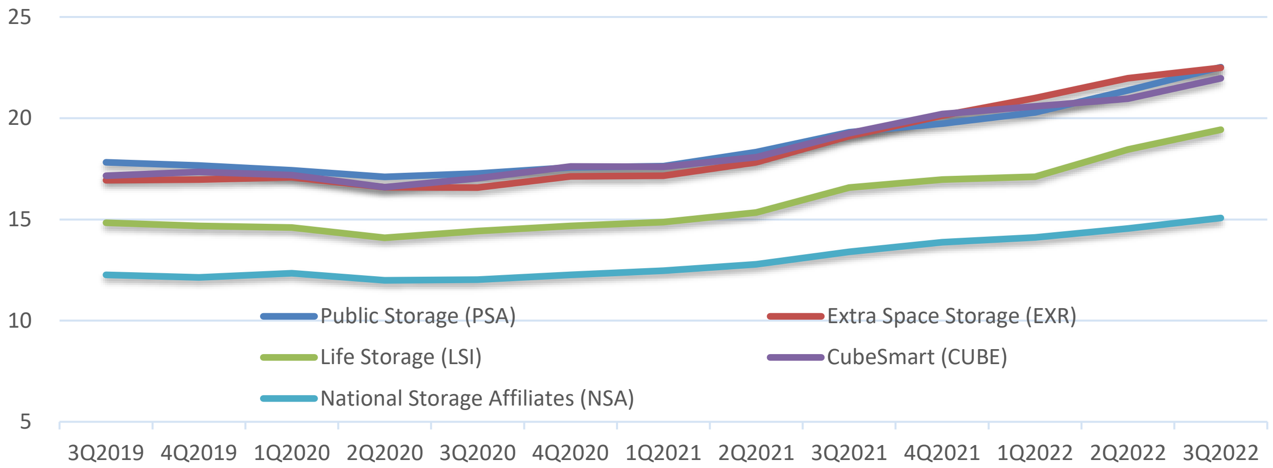
Chart 3. Same-store facilities and sq. ft. (in million) for the five largest self-storage REITs in 3Q22



Source: 2022 REIT Report; CBRE Self Storage Advisory Group

The American market is dominated by the five largest self-storage REITs, which together manage nearly 5,000 store facilities totalling 334 million square feet. At this point, it is worth noting that almost half of the store facilities are owned by the largest Public Storage company, which accounts for 45% of the space managed by these 5 companies.

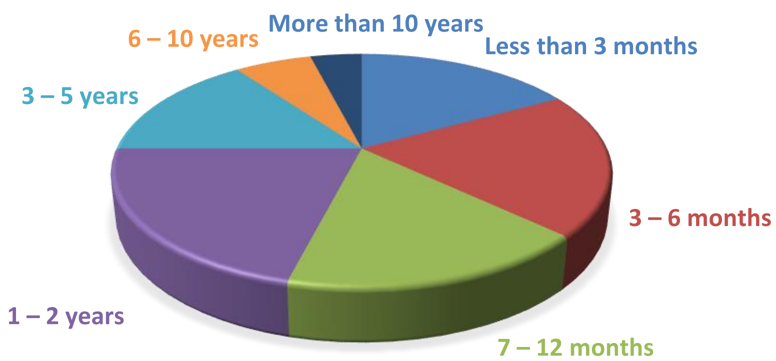
Chart 4. Rent per occupied square feet for the five largest self-storage REITs in 3Q19-3Q22



Source: 2022 REIT Report; CBRE Self Storage Advisory Group

In the period from 3Q2019 to 4Q2020, prices for rent per occupied square feet for the five largest self-storage REITs were relatively stable and the average rent per occupied square feet for these companies in this period was between $15.3 per square foot and $15.8 per square foot. From 1Q2021 the average rent per occupied square foot increased from $15.9 to $20.3 per square foot, but growth was not the same for all companies. The companies where rent per occupied square feet was the highest, recorded the largest increases.

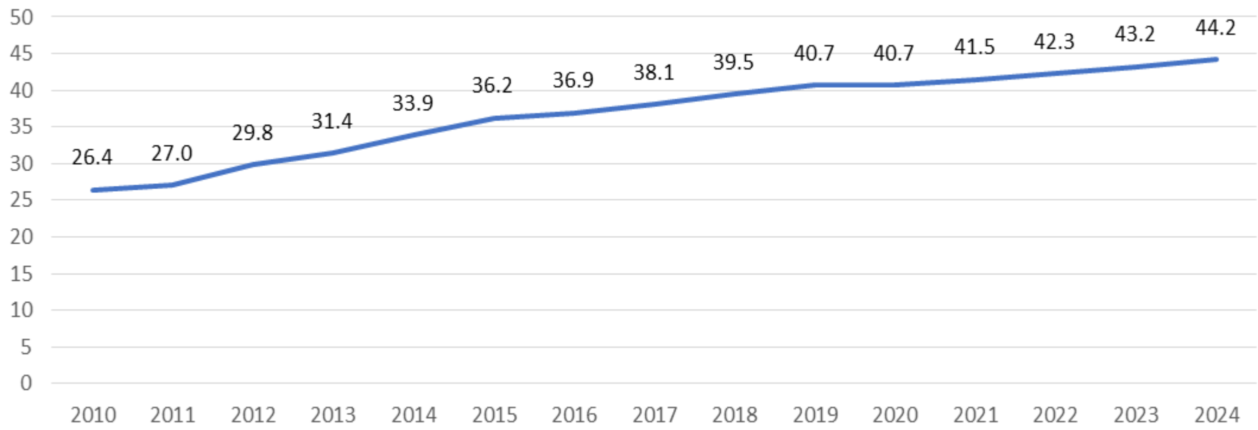
Chart 5. Storage unit rental duration



Source: www.neighbor.com/storage-blog/self-storage-industry-statistics

The average rental duration of a storage unit is approximately 14 months, with nearly half of tenants renting for over 1 year. Only 17% of storage unit tenants store for less than 3 months and about 4% stores for more than 10 years.

Chart 6. U.S. self-storage industry annual revenue and forecasts for 2023-2024 ($ billion)

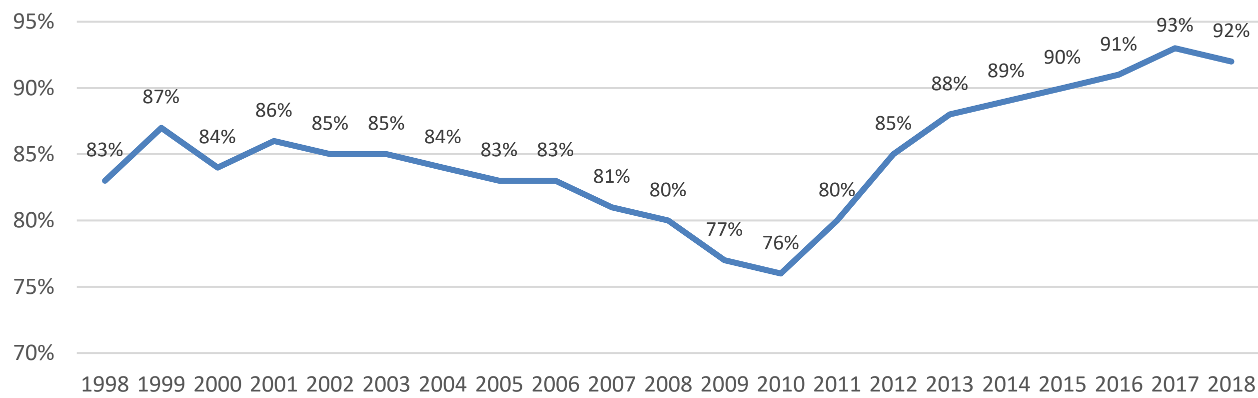


Source: www.neighbor.com/storage-blog/self-storage-industry-statistics

The U.S. self-storage industry is unique as an asset class, as its annual revenue has been growing steadily for many years, including the recent Covid-19 pandemic. That stability spurs new investments in the industry, and as prices and inflation heat up, more and more money is rolling into storage.

The preference for urban living will be driving self-storage demand up in the future. As millennials flock to urban centers, they'll be met with increasingly small, expensive living spaces and adopt a transient lifestyle, moving more frequently than previous generations. Self-storage is the obvious and economical alternative to larger, more expensive living spaces.

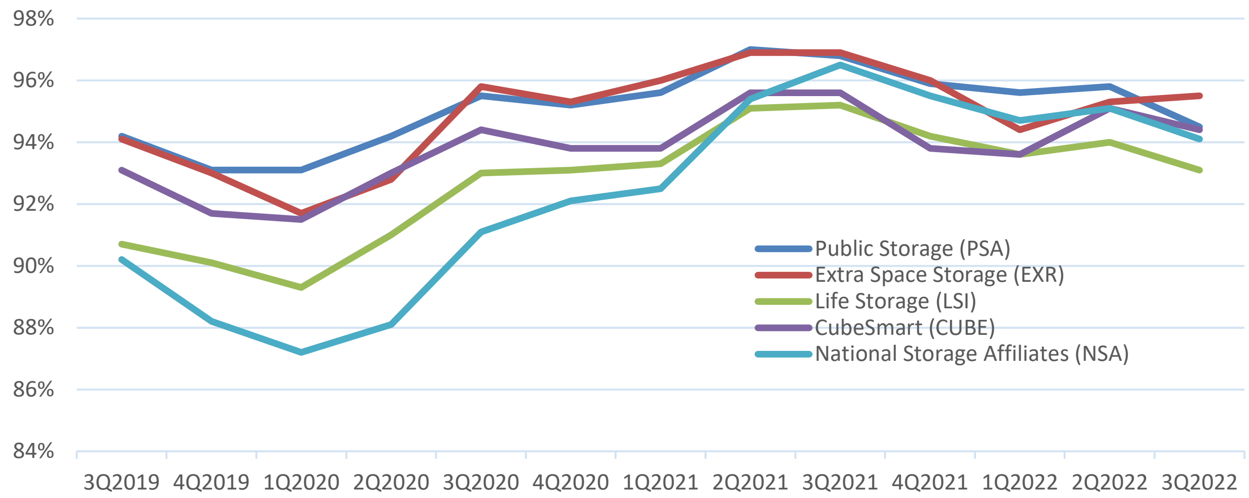
Chart 7. National average occupancy 1998-2018



Source: www.neighbor.com/storage-blog/self-storage-industry-statistics

The national average self-storage occupancy rate in 2018 was 91.7%. While this is roughly 1% lower than the year before, occupancy rates have continued to increase since their 75.7% low in 2010. Rates have stayed above 90% since 2015 and are expected to remain above this threshold in the near future.

Chart 8. Average occupancy for the five largest self-storage REITs in 3Q19-3Q22



Source: 2022 REIT Report; CBRE Self Storage Advisory Group

The average occupancy for the five largest self-storage REITs fluctuated slightly from 3Q2019 to 4Q2020. There were also significant differences in average occupancy among the five largest self-storage REITs. From 1Q2021 the differences in average occupancy between companies were much smaller and REITs started to show more normalized occupancy levels based on seasonality, average occupancy stabilized in the range of 93-96%.

Financial analysis

Pentavirate Securities Securitisation Fund managed by Pentavirate Management Sarl is a newly established SPV company and at the date of this report has no significant revenues or assets. Pentavirate Securities is not directly (by ownership) related with PropCo (Delaware SPV). After Sukuk issuance Pentavirate Securities will have a business relationship with PropCo, as it will grant to that company a loan from the proceeds from the Sukuk. PropCo will be in possession of all properties and that company will be generating all sale revenues and most of the operating costs.

As the Issuer's ability to pay Sukuk holders annual rentals at a fixed rate of 5% and final repayment of the Sukuk will be fully dependent on the financial performance and cash flows generated by PropCo, the credit risk and financial analysis contained in this report focus primarily on PropCo.

PropCo (Delaware SPV)

It is planned, that with $100 million from the Sukuk issue PropCo will buy approximately 6 thousand storage units with a total surface area of approximately 1 million square feet. The company forecasts an average rental rate of 90%, i.e. 5.4 thousand storage units.

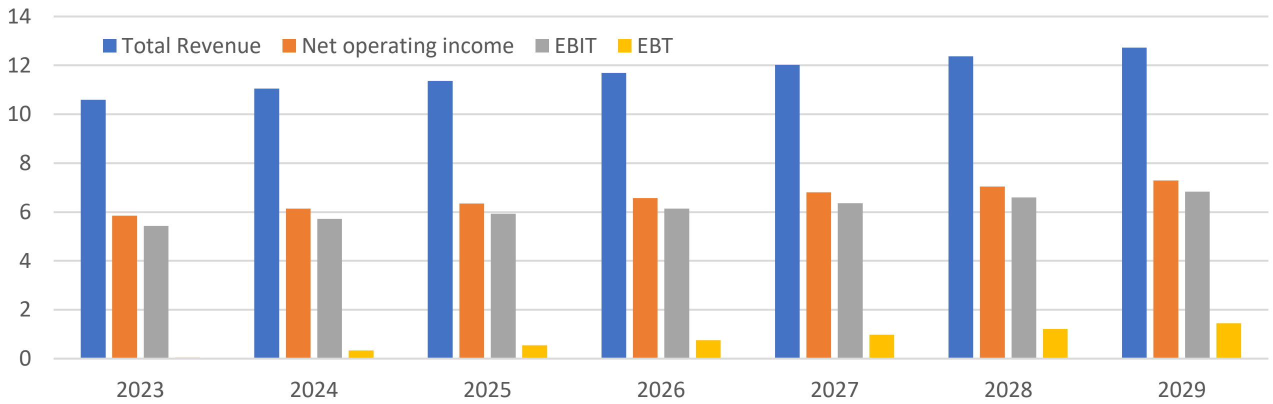
In the first year the gross potential storage revenue is planned at $10.2 million, which means that the company plans to charge monthly $11.33 per square foot of storage space. That would be well below the market average storage space price (see: chart 4) and in the opinion of EuroRating it gives a fairly large safety margin for the company's financial forecasts calculated on this basis.

The forecasted average rental rate of 90%, which is slightly below the U.S. national average occupancy rate in recent years (see: chart 7) and below the average rental rates of the biggest players on the market (see: chart 8). Given the assumed attractive rental price at which PropCo is planning to rent its space, the 90% occupancy rate seems realistic.

The assumed annual revenue growth of 3% also seems reasonable, especially taking into consideration the expected increased inflation rate in the U.S. in the years of forecast.

To sum up, the basic assumptions included in the company's financial forecasts are in the EuroRating's opinion set at realistic (in some cases even conservative) levels and they seem achievable by the company.

Chart 9. PropCo (Delaware SPV) – pro forma profit and loss forecasts 2023-2029 ($ million)



Source: Pentavirate Management Sarl; EuroRating

The planned sales revenue in 2023 shall amount to $10.6 million, of which $10.2 million are storage revenues and $0.4 million are revenues from tenant insurance premiums (gross received). Between 2024 and 2027 the planned annual growth in storage revenues is forecasted at 3% annually. Tenant insurance premiums shall increase to $544 thousand and remain at the same level in the following years (2028-2029 is the possible extension period).

Operating expenses are expected to amount to $4.7 million in 2023 and are forecasted to increase steadily to $5.2 million in 2027 ($5.4 million in 2029 if extended). The largest share in total operating have taxes (ca. 35%) and administration and employee expenses (ca. 30%).

EBIT is expected to reach $5.4 million in the first year and is forecasted to increase to $6.3 million in 2027 ($6.8 million in 2029 if extended). It is worth noting, that this calculation also includes a cost of CAPEX reserves in the amount of $200 thousand each year. The reserve is to be held and used if necessary by PropCo. It is for planned and unplanned capital items used for repairs and upgrades as needed to the asset. If not used, it shall be returned to Pentavirate Securities only after the Sukuk receives 100% of the coupon and full repayment of Sukuk holders. It can also be used as a reserve that could be used as an option to enhance Sukuk payment if needed.

EBT is expected to increase from $52 thousand in 2023 to $1 million in 2027 and if the project will be extended for another 2 years, it will increase to $1.4 million in 2029.

Table 1. PropCo – forecasted margin ratios

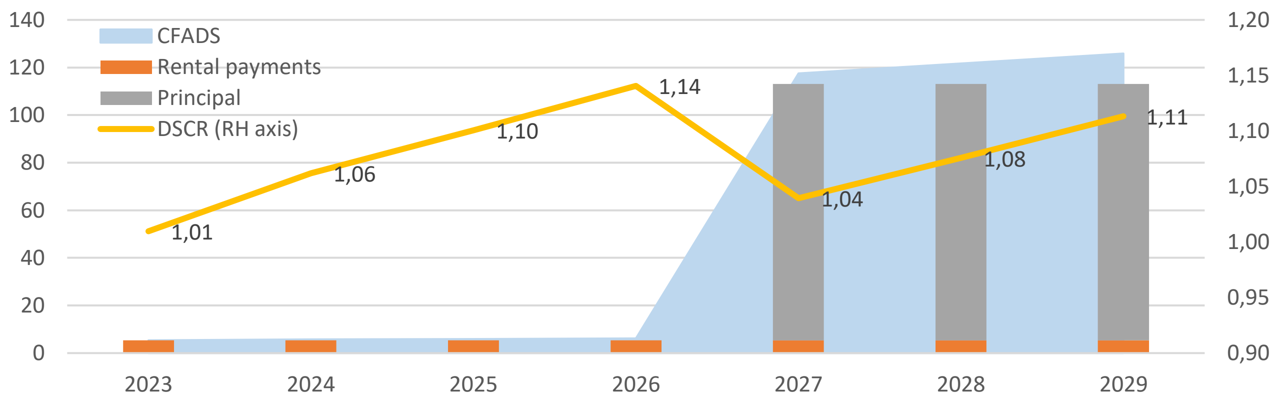
Margin ratios	2023	2024	2025	2026	2027	2028	2029
Net operating margin	55.3%	55.6%	55.9%	56.3%	56.6%	57.0%	57.3%
EBIT margin	51.4%	51.8%	52.2%	52.6%	53.0%	53.3%	53.7%
EBT margin	0.5%	3.0%	4.8%	6.5%	8.2%	9.8%	11.4%

Source: Pentavirate Management Sarl; EuroRating

Net operating margin and EBIT margin in the years 2023-2029 are expected to increase slightly. Their level in the whole analysed period can be assessed as very good.

EBT margin in the analysed period is to grow much more dynamically. However, its level in the initial years should be considered as low. As the EBT margin will increase over the years, the liquidity risk (in terms of the capability of payments the 5% rental fee to Sukuk holders) shall decrease, which should be assessed positively.

Chart 10. PropCo – forecasted cash flow available for debt service



Source: Pentavirate Management Sarl; EuroRating

Cash flow available for debt service (CFADS) is the amount of cash available to service debt obligations due within one calendar year. These obligations include all current rentals payments and principal repayment. The debt service coverage ratio (DSCR) is a measure of the ability of a company to use its operating income to repay all debt obligations in each year.

In the years 2023-2026 PropCo will have to pay periodical rentals to Sukuk holders of $5,385 thousand annually. The payments will come from the operating activities of PropCo. Between 2023-2026 the cash flow from operating activities is to increase from $5,437 thousand to $6,142 thousand.

The DSCR ratio in that period will increase from 1.01 to 1.14, which indicates that even the assumed conservative forecasts show a satisfactory level of debt service coverage ratio. However, the most demanding will be the first year.

A return of the initial funds to Sukuk holders is planned at 2027 (together with the rentals for the last year). In order to do so, the company plans to sell the managed properties or issue another Sukuk, which will enable the repayment of liabilities to Sukuk holders in full. In a situation where the company will not be able to sell the assets for a satisfactory price in 2027, the directors have the option to postpone repayment of obligations to Sukuk holders for two years.

Taking into consideration a very developed and steadily growing self-storage market in the U.S., as well as a unified type of assets and relatively high liquidity of the self-storage properties market, in EuroRating's opinion even if a new issue of Sukuk securities will not take place, PropCo should not have any significant problems in finding potential buyers for that properties at the maturity term of Sukuk. Also, considering the inflation the sale price should be above the initial purchase price.

Table 2. PropCo (Delaware SPV) – cash flow forecast 2023-2029

	2023	**2024**	**2025**	**2026**	**2027**	***2028****	***2029****
Effective gross income	10 586	11 047	11 362	11 687	12 021	*12 365*	*12 720*
Operating expenses	4 737	4 908	5 009	5 111	5 215	*5 322*	*5 432*
Net operating income	**5 849**	**6 139**	**6 354**	**6 576**	**6 806**	***7 043***	***7 288***
Fund/asset management fee	212	221	227	234	240	*247*	*254*
Capex reserves	200	200	200	200	200	*200*	*200*
Cash flow before debt	**5 437**	**5 718**	**5 927**	**6 142**	**6 366**	***6 596***	***6 834***
Bond amount	5 385	5 385	5 385	5 385	5 385	*5 385*	*5 385*
Net cash flow after bond	**52**	**333**	**542**	**757**	**981**	***1 211***	***1 449***

** possible extension period*
Source: Pentavirate Management Sarl

Risk factors relating to the Sukuk issue

Absence of regulatory oversight: Pentavirate Securities Securitisation Fund ("the Securitisation Fund") will not be registered under the Securities Act or any other securities laws, including state securities or blue sky laws and non-US securities laws. The investment vehicle through which the investment will be held will not register under the U.S. Investment Company Act of 1940 and accordingly, the provisions of the Investment Company Act will not be applicable to the investment vehicle.

Illiquid and long-term investments: The investments constituting the Sukuk's collateral will be comprised of self-storage facilities in the United States, for which the number of potential purchasers and sellers may be limited. In addition, absent registration, interests will not be freely transferable. The investment in the Securitisation Fund is suitable only for certain sophisticated investors who have no need for liquidity, as the investment requires a long-term commitment with no certainty of return. If Pentavirate Securities were required to liquidate its investments for any reason, including in response to changes in economic or real estate market conditions, it may not be able to sell any portion of the investments on favourable terms.

Risks of real estate investments: Pentavirate is specializing in real estate assets. Deterioration of real estate fundamentals could negatively impact the Securitisation Fund. Furthermore, because real estate like many other long-term investments, historically has experienced significant fluctuation and cycles in value, specific market conditions may result in occasional or permanent reductions in the value of the fund and its assets. The cash flow and value of the fund will depend on many factors beyond the control of Pentavirate.

Valuations: The net asset value of the Securitisation Fund may be determined by Pentavirate Management. The investment in the Securitisation Fund will be illiquid and without a readily ascertainable market value valuations of the fund may be difficult to verify.

Restrictions on transfer: Interests in the Securitisation Fund may not be transferred or resold except as permitted under the governing agreement of the investment vehicle or as permitted under the U.S. Securities Act of 1933 and other applicable securities laws. There will be no public market for the interests in the investment and no such market is expected to develop in the future.

Rating scale applied by the EuroRating credit rating agency

Rating	Risk description
AAA	Negligible credit risk. Highest level of financial credibility. Rating assigned exclusively where an entity has extremely strong capacity to meet financial commitments.
AA+ AA AA-	Very low credit risk. Very high level of financial credibility. Very strong capacity to meet financial commitments. Low susceptibility to adverse economic conditions.
A+ A A-	Low credit risk. High financial credibility and capacity to meet financial commitments. Average resistance to long-term unfavourable economic financial conditions.
BBB+ BBB BBB-	Moderate credit risk. Good financial credibility and adequate capacity to meet financial commitments in the long term. Increased susceptibility to long-term adverse economic conditions.
BB+ BB BB-	Increased credit risk. Relatively lower financial credibility. Adequate capacity to meet financial commitments under average or favourable economic conditions. High or medium level of debt recovery in the event of default.
B+ B B-	High credit risk. Capability of meeting financial commitments largely conditioned on favourable external conditions. Medium or low level of debt recovery in case of a default.
CCC CC C	Very high credit risk. Very low capability to meet financial commitments even under favourable economic conditions. Low or very low level of debt recovery in case of a default.
D	Extremely high credit risk. Complete lack of capability to meet financial commitments. Without additional external suport the level of debt recovery is very low or close to zero.

Full details on the rating scale applied by the EuroRating credit rating agency and other rating related definitions are published on the agency's website at: www.eurorating.com/en/ratings/rating-scale

Regulatory affairs

EuroRating Sp. z o.o. is formally registered by the European Securities and Markets Authority (ESMA) as a credit rating agency authorized to issue public credit ratings throughout the European Union (in accordance with the Regulation of the European Parliament and of the Council No. 1060/2009 on credit rating agencies) and is under the direct supervision of ESMA. EuroRating holds the ECAI (External Credit Assessment Institution) status in the European Union, pursuant to the Regulation of the European Parliament and of the Council No. 575/2013 on prudential requirements for credit institutions and investment firms (CRR Directive). Credit ratings (including unsolicited ratings) assigned by EuroRating are valid throughout the European Union and can be used for regulatory purposes under EU legislation by all financial institutions or any other entities and are entirely equal to credit ratings issued by other credit rating agencies registered by ESMA, without territorial or any other limitations.

Methodology

The presented credit rating is a rating for a secured fixed rate Sukuk securities issue of the company Pentavirate Securities Securitisation Fund (Luxembourg), i.e. it takes into account both: a general credit risk of the Sukuk Issuer (Pentavirate Securities Securitisation Fund), as well as any Sukuk collateral and/or guarantees, as an additional protection for the Sukuk investors.

The presented credit rating does not relate to the credit risk (or probability of default) of the Sukuk Issuer. The rating concerns the risk of an ultimate loss of a part or all of the secured Sukuk's principal amount and the rentals (at a fixed rate 5% per annum) by the Sukuk holders in the event of a default of the Issuer.

The methodology used for the credit risk assessment of companies is available on the EuroRating's website at: www.eurorating.com/en/ratings/methodology/credit-risk-assessment-methodology

The rating definitions and the rating scale used by EuroRating are published on the agency's website at: www.eurorating.com/en/ratings/rating-scale

Historical default rates statistics of the credit ratings assigned by the EuroRating credit rating agency can be viewed in the rating performance report at: www.eurorating.com/en/ratings/statistics

EuroRating's definition of default as well as definitions of rating notations can be found in the agency's website at: www.eurorating.com/en/ratings/methodology/definition-of-default

Public status of the assigned credit rating for the Sukuk issue

The presented credit rating for the Sukuk issue of Pentavirate Securities Securitisation Fund is a public rating. The date of the first publication of the rating, the current rating level and the full rating history are published free of charge on the EuroRating credit rating agency website in the section "Credit ratings", in the appropriate tab on the rated security/entity. EuroRating is not responsible for information on the current rating provided by the Issuer or any third party.

Solicitation, key sources and quality of information

The presented credit rating was solicited by the Issuer and/or its agents. EuroRating received remuneration for the assigning and subsequent monitoring of the rating. The Sukuk Issuer and/or its agents have participated in the rating process by providing the EuroRating credit rating agency data, documents, information and explanations concerning its historical, current and possible future economic and financial situation, as well as concerning the Sukuk securities issue.

The main sources of information used in the rating process were financial statements and forecasts of the rated company, the Sukuk securities memorandum (Listing particulars) and other data, information and explanations provided by the rated company and/or its agents.

Prior to the issuance of the rating or outlook action, the rated entity was given the opportunity to review the rating and/or outlook and the principal grounds on which the credit rating and/or outlook is based. Following that review, the rating was not amended before being issued.

Key rating assumptions and limitations

EuroRating considers the scope and quality of available information on the rated entity (and related parties – including in particular the principal borrower), as well as on the Sukuk issue, as sufficient to issue a reliable credit rating. EuroRating takes all necessary measures to ensure that obtained information used in the rating process is of proper quality and is derived from sources deemed by the agency as reliable. Nevertheless, EuroRating does not have a possibility to verify or to confirm in each case the correctness and authenticity of obtained data and information used in the rating process and/or presented in this report.

The credit rating for the Sukuk securities issue by the company Pentavirate Securities Securitisation Fund was issued by EuroRating with the basic assumption that the Sukuk securities issue will be carried out successfully (otherwise the company will have no assets nor liabilities and the assigned credit rating for the issuer will not be applicable).

Pentavirate Securities Securitisation Fund is a special purpose vehicle and was established for a specific purpose – to raise funds for the company PropCo (Delaware SPV), which intends to invest in real estate assets (self-storage properties).

It should be noted, that both the Issuer (Pentavirate Securities) and the principal borrower (PropCo) are new companies with no financial history. The analysis conducted and the rating process were based to a large extent on the financial forecasts for the future prepared by the rated entity and/or its agents. Those forecasts have been reviewed by EuroRating in terms of the probability of their potential realization. However, EuroRating does not have a possibility to verify in detail all assumptions made by the rated entity in its forecasts.

Due to the fact, that the credit risk credit risk of Pentavirate Securities (as well as of its Sukuk securities) will depend on the financial performance and cash flows generated by PropCo, the analysis conducted in the rating process and described in this report focused primarily on PropCo.

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