

Milano Finanza – 05/28/05 - by Teresa Campo

**7% FROM HOTELS +....**

This is the yield expected from the rental of hotels, barracks and a kindergarten in the Caravaggio portfolio which is counting on stock exchange stability."

No specialization but a search for high prestige buildings offering high revenues. This is the strategy for the Sorgente SGR Caravaggio Fund, "because a building with architectural value and a central location offers good revenues for the present and interesting added value for tomorrow.

Then there is the added advantage that you can easily sell it at any moment," explains Stefano Cervone, Chief Executive Director of the savings management company. Since its launch in January 2004, the Caravaggio has already entered the stock exchange ahead of the classic two years envisaged by the regulations. In the last few months investments using the funds equity of 120.56 million euros and leverage in the order of 30-35% have been made leaving part of the leverage available for further investment. To present 11 buildings have been purchased with preference going to luxury hotels, even though, as stated, the fund has not declared any particular a priori specialization because it is felt that diversification is important both by sector and geographical location.

Investments, therefore, range from a building in Palermo rented out to the Sicilian Regional Council to two barracks buildings in Lombardy and Piedmont respectively. In between are two hotels in Milan that are part of the Accor chain (Ibis and Novotel) and a further two in Rome, the large Baglioni Hotel in Via Veneto and another in Via del Tritone which is currently undergoing requalification. Again in Rome there is a historical building with significant cultural interest in Via dei Villini (just off the Via Nomentana), today a kindergarten for children of the Italian Railways employees, while in Milan, purchases included the ex headquarters of the Versace fashion house in Via Senato, a very central historical building currently undergoing requalification.

It is thanks to its architectural quality and location that "rental yields for the various properties currently stand at about 7%," stated Cervone. "However we aim for significant added value over and above those expected from the evolution of the real estate market. In fact, before the expiry of the fund in 2012 we are counting on renewing the entire portfolio at least once."

In any case, the Caravaggio Fund will not begin to distribute proceeds until 2007 as the first three years are only intended for accumulation. On the stock exchange the share is currently quoted around NAV level, that is at 2,714 euros per share. Its placement value was actually 2,500 euros. Two thirds of subscribers are institutional investors and the rest private investors. "It is indeed thanks to the substantial level of institutional investors that we expect shares to recover quite soon on the stock exchange following a period when it could be discounted against the NAV," Cervone concluded by saying. "Possibly in parallel with the release of half year figures."