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Recent News

In early February, we reverted the exit of a tenant of one and half floors of the Eldorado building, in a termination expected to be completed in late January, as reported in the monthly newsletter of September. The area to be returned corresponded to 1.3% of the GLA of the Fund and to almost 2.5% of the contracted revenue.

In February, we had the occupation of the new tenant of two floors in the BFC building, concomitant to the partial exit from Banco Pan of the same floors. Movement similar to the one we carried out in the Eldorado building, where we had the termination of half floor and signed a new lease for the area.

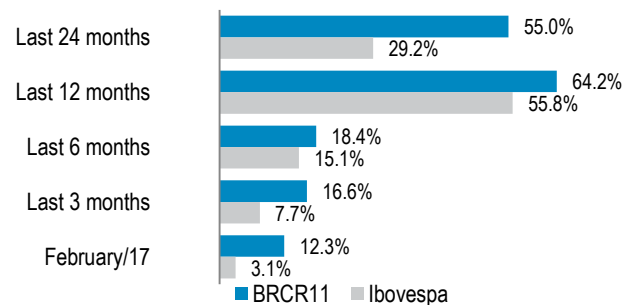
On February 21, the BC Fund's results for the 4Q16 and for 2016 were disclosed. Please note that the Release may be found on BC Fund's website and may be accessed for more detail on the Fund's latest news, information and comments from the manager.

The total return for shareholders last month, considering the income distributed and the share value, was of 12.3%, while the Ibovespa index registered a variation of 3.1%. Daily liquidity on the stock exchange (BRCR11) averaged R\$3.8 million in the period and the share price in the secondary market closed the month at R\$107.00 per share.

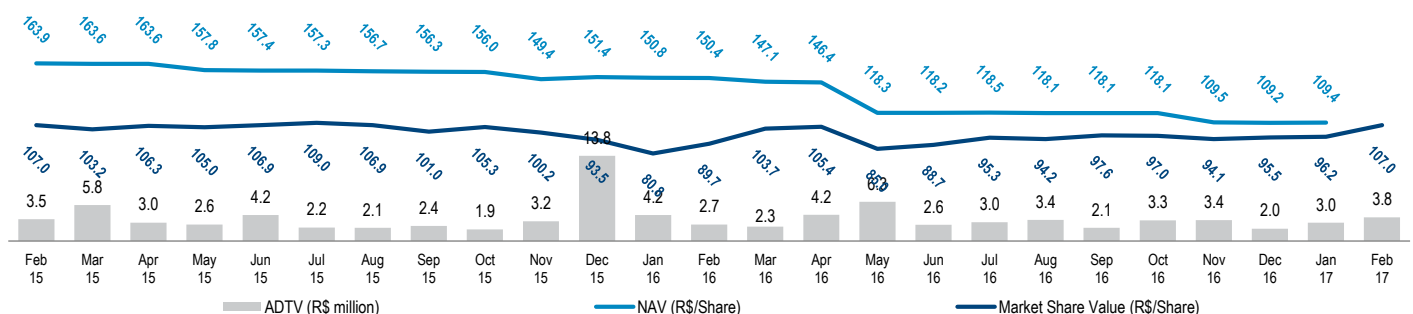
Stock Market Performance

		NAV	Market
Adjusted Closing Share's Market Value*	[R\$/share]	109.35	107.00
Discount to NAV	[%]	0.0%	-2.2%
Dividend per share	[R\$/share]	0.96	0.96
Monthly profitability	[%]	0.9%	0.9%
Annual profitability (compound)	[%]	11.1%	11.3%
Shares outstanding	[# mn]	19.2	19.2
Market cap	[R\$ mn]	2,102.3	2,057.0
(+) Net debt (Cash)	[R\$ mn]	46.7	46.7
(+) Minorities stake	[R\$ mn]	64.5	64.5
Implicit value of Real Estate assets	[R\$ mn]	2,213.4	2,168.1
Contracted lease revenue	[R\$ mn]	19.4	19.4
Implicit Cap rate	[%]	10.5%	10.7%
Adj. Cap rate (incl. vacant areas)	[%]	12.3%	12.6%
Portfolio GLA	[th m ²]	229.4	229.4
Average per m ²	[R\$/m ²]	9,647	9,450
Total Volume Traded in the month	[R\$ mn]		69.0
Average Daily Trading Volume in the month	[R\$ mn]		3.8
% of Fund Traded in the month	[%]		3.2%
% of Fund Traded in the last 12 months	[%]		52.7%
Variation from previous month closing	[%]		11.2%
Return for Shareholder (including distribution)	[%]		1.5%

Return for Shareholders ⁽¹⁾



Share Price, NAV per Share and Average Daily Trading Volume



Financial and Operating Performance – Jan/2017

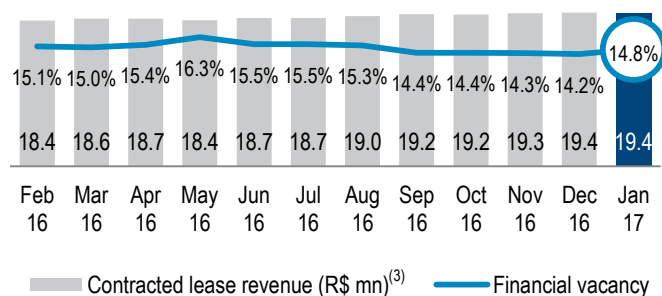
The hired rental income (2) in January/17, was of R\$19.4 million, in line with the revenue of the previous month. On January 2017, the portfolio's financial vacancy represented 14.8% of the potential leasing revenue and 20.1% of the total GLA in m².

At the end of January 2017, vacancy totaled 25,530 m² in the CENESP complex, 8,271 m² in the Cargill building, 5,310 m² in the Flamengo Park Tower, 3,859 m² in the Eldorado building, 1,874 m² in the Montreal building, 755 m² in the Burity building and 525 m² in the Transatlântico complex.

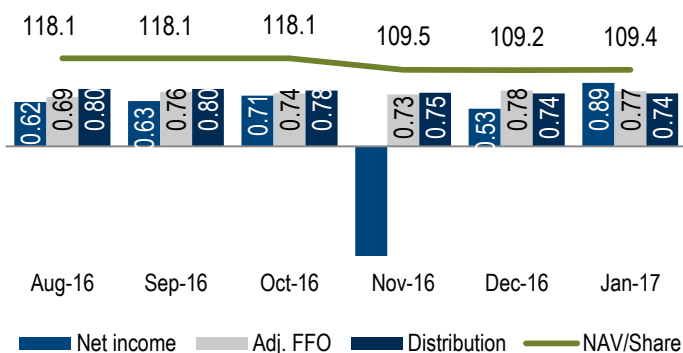
In the next three months, 35% of the agreements portfolio will be adjusted for inflation, whereas, in this period, we have no expirations nor renewal processes.

The net income per share and adjusted FFO (4) in January/17, were of R\$ 0.72 and R\$ 0.77/share, respectively, and the amount distributed as income to the shareholders was of R\$0.74/share.

Monthly Contracted Lease Revenue and Vacancy Trends



Result Indicators (R\$/share) (4) (5)



Consolidated Income Statement (5)

(R\$ thousand)	Dec16	Jan17	Last 12 months
Lease Revenue	18,470	18,532	218,779
Provision for impairment of trade receivables	694	(27)	(2,783)
Other Revenues from Properties	(122)	290	1,201
Adjustment to Fair Value	-	-	(394,563)
Financial Expenses of Properties	(4,899)	(4,656)	(55,937)
Administrative Expenses of Properties	(1,467)	(1,363)	(15,890)
Results from Properties	12,676	12,776	(249,193)
Revenues from CRI, LCI and other FII Shares	3,416	3,523	51,008
Adj. to Fair Value of CRI, LCI and other FII Sha	(3,952)	3,188	6,858
Other Financial Assets	660	281	16,138
Fund's Operating Income (Expenses)	(2,431)	(2,440)	(29,668)
Minority Interest ⁽³⁾	(258)	(273)	7,159
Net Income	10,111	17,055	(197,698)
Adjusted FFO	14,970	14,794	188,603
Adjusted FFO / share ⁽⁴⁾ (R\$/Share)	0.78	0.77	9.81
Distribution to Shareholders	14,226	14,226	582,252

Balance Sheet (5)

(R\$ thousand)	Jan17	% of Assets
Assets	2,715,377	100.0%
Properties	2,251,897	82.9%
LCI	309,301	11.4%
CRI	868	0.0%
Other FII Shares	73,824	2.7%
Lease Receivable	23,300	0.9%
Fixed Income	41,745	1.5%
Other Assets	14,442	0.5%
Liabilities	548,654	20.2%
Income to be Distributed	32,944	1.2%
Liabilities from Acquisition of Properties	435,803	16.0%
Other Liabilities	79,907	2.9%
Equity	2,102,263	77.4%
Minority Interest⁽³⁾	64,460	2.4%
Total Liabilities and Equity	2,715,377	100.0%

Note: (1) Considers the valuation of the share in the period (Closing Value of the last day of the month M / Closing Value of the last day of the month M-1) + Income received by the shareholder in the period. (2) The non-accounting measure that corresponds to the total value of the lease agreements in force for the base month, disregarding discounts, waiting periods, fines and other adjustments that have an impact on the accounting revenue from the leasing. (3) Refers to the 23% interest of the FII CIIESP held by third parties. (4) Adjusted FFO is a non-GAAP measure that corresponds to the net profit, excluding (adding) the effects of the gain (loss) from the sale of investment property, the gain from the fair value of the property for investment, non-recurring revenues and expenses and non-cash financial expenses. (5) Monthly management values adjusted in accordance to the quarterly audit process.

Portfólio

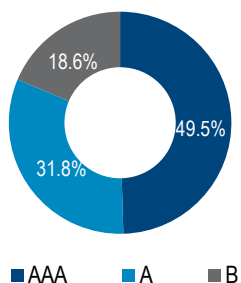
Base date: February/2017



Asset	Class	Location	Acquisition	Fund Ownership	GLA (m ²)	Vacancy (m2)	Lease (R\$ '000)	R\$/m ²	% of Potential Revenue ⁽⁶⁾	Main Tenants ⁽⁷⁾
Brazilian FC	A	São Paulo	Mar-10	100%	42,612	0.0%	5,177	121.5	21.1%	Grupo Pan, BV Financeira, Santander, AGU
Burity	B	São Paulo	Apr-11	100%	10,550	7.2%	553	56.5	3.2%	Banco GMAC, Grupo Pan
Cargill	A	São Paulo	Dec-08	100%	10,626	77.8%	165	70.0	4.1%	Uber
CENESP	B	São Paulo	Jul-08	31%	64,480	39.6%	1,835	47.1	15.1%	Fidelity, Samsung, Ernst & Young
Eldorado	AAA	São Paulo	Apr-09	69%	45,400	8.5%	5,489	132.1	26.8%	ACE Seguradora, Banco Pine, Alphaville, LinkedIn
Flamengo	A	R. de Janeiro	Oct-08	100%	7,670	69.2%	353	149.6	4.2%	ENEVA, IMM
Montreal	A	R. de Janeiro	Dec-07	100%	6,439	29.1%	471	103.1	2.7%	Shell
Torre Almirante	AAA	R. de Janeiro	Feb-09	60%	24,881	0.0%	4,105	165.0	17.6%	Petrobras
Transatlântico	B	São Paulo	Mar-08	28%	4,208	12.5%	243	66.0	1.4%	Mattel, Rockwell
Volkswagen	B	São Paulo	Jan-08	100%	12,560	0.0%	978	77.8	3.8%	Volkswagen
Total					229,426	20.1%	19,368	105.7	100.0%	

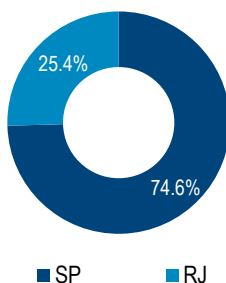
Revenue by Asset Class

(% Total Contracted Lease Revenue)



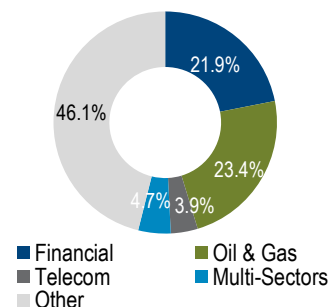
Revenue by Region

(% Total Contracted Lease Revenue)



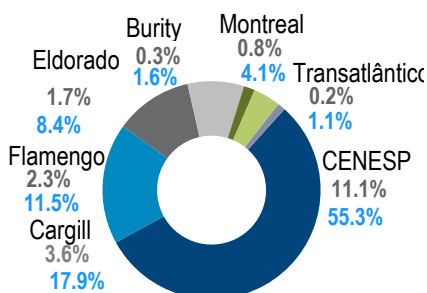
Revenue by Sector

(% Total Contracted Lease Revenue)



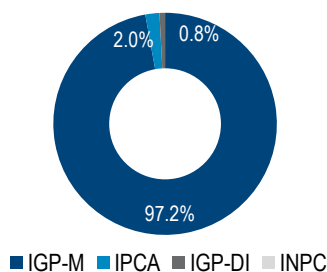
Physical Vacancy by Asset

(% Total Gross Leasable Area)
(% Total Gross Vacant Areas)



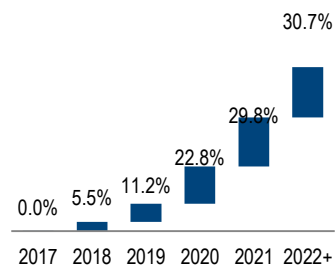
Contracts' Readjustment Indexes

(% Total Contracted Lease Revenue)



Maturity Schedule

(% Total Contracted Lease Revenue)



Notes: (6) Considering the potential revenue at market value for each asset determined by the semiannual appraisal of the Fund's portfolio, conducted by Cushman & Wakefield, in November/2016. (7) Considers tenants that represent 10% or more of the asset's total leasing revenue.

General Overview of the BC Office Fund

Administrator: BTG Pactual Serviços Financeiros

Administration fee: 0.25% of the market value

Manager: BTG Pactual Gestora de Recursos

Management fee: 1.5% of market value (until Jan/17, the fee will be of 1.1% as a discount)

Number of properties: 10

Number of leasing contracts: 59

Gross leasable area: 229,426 m² (January/2017)

Código de negociação: BRCR11

Cotistas pessoas físicas: 21.831

Cotistas pessoas jurídicas: 143
(Base 02/24/2017)

BC Office Fund is one of Brazil's largest publicly-listed real estate investment funds. It was created in June 2007, for the primary purpose of actively managing a portfolio of investments in high-quality completed or nearly completed commercial real estate properties located in Brazil and in securities related to real estate. BC Office Fund's active management policy is based on four pillars: **(i)** efficient negotiations of market-value lease agreements in the minimum intervals permitted by law; **(ii)** investments in expansion, improvements and retrofits of properties in order to obtain higher rent amounts and lower vacancy rates; **(iii)** the efficient recycling of a part of its portfolio, with a view to increasing revenue and realizing capital gains; and **(iv)** securitization for the financing of new acquisitions and/or shares in other FIIs, giving the Fund greater flexibility to manage cash reserves and maximize shareholder returns.

Current Situation

On the operating front, BC Office Fund's main challenge has been leasing the portfolio's vacant areas. The current moment in the market has proven to be challenging to new leasing, due to the competition of the new inventory in São Paulo and the few negotiations in the Rio de Janeiro's market, which results in a slower rate of absorption of areas, an increased vacancy and a lower perception of scarcity by potential tenants. On the other hand, major companies are seeking higher quality office spaces in order to consolidate their operations and/or improve occupational efficiency and quality.

In relation to new investments, we continued to retain the Fund's cash while awaiting fresh opportunities, given that, in our view, property prices are more attractive than they were a few months ago. BC Office Fund has a cash position of around R\$500 million to be invested in new acquisition opportunities, excluding potential leverage. These resources continue to generate returns very close to those of the CDI, net of taxes, which is above the average cost of debt.

Latest Transactions

Sale of a Transatlântico unit for R\$4.4 million



- August/2016;
- Cj 71 with 526 m² of GLA;
- 159% more than the acquisition prices;
- Above the assets' appraisal value;
- *Cap rate* 11%.

Sale of Beditinos, Polidoro and SIA Sul for R\$365 million



- December/2015;
- 41,268 m² of GLA, i.e., 15.2% of the GLA of BC Fund;
- 12.3% of the Funds' contracted revenue;
- 21% more than the acquisition price;
- Above the assets' appraisal value;
- *Cap rate* 8.6%.

Acquisition of 1 floor of CENESP for R\$15 million



- Agreement announced in Mar/2015 and concluded in Jun/2015;
- 7th floor of Tower E, equivalent to 3,070 m² of GLA;
- FII CENESP now holds 64,480 m² of GLA, or 31% of the entire complex (21 floors).

Acquisition of 3 floors of CENESP for R\$ 45.5 million



- December/2014;
- Acquisition of the 4th and 8th floors of Tower A and 4th floor of Tower E, totaling 9,211 m² of GLA;
- FII CENESP now holds 61,410 m² of the GLA, or 29% of the entire complex (20 floors).
- *Cap rate* 11%.