BC FUND

Fundo Imobiliário BTG Pactual Corporate Office Fund

3Q20 Earnings Release

Published on November 17, 2020

São Paulo, November 17, 2020 – The Real Estate Investment Fund – FII BTG Pactual Corporate Office Fund ("BC Fund") (B3: BRCR11), the largest corporate office real estate investment fund listed on the Brazilian stock exchange, announces today its results for the third quarter of 2020 (3Q20).

3Q20 Highlights

- Leasing revenue totaled **R$46.2 million** in the quarter.
- FFO and adjusted FFO totaled **R$35.4 million** (R$1.33/share) in 3Q20.
- Net income came to **R$28.7 million** (R$1.08/share) in the quarter.
- Shareholders' equity was **R$2.8 billion** (R$106.21/share) at the end of 3Q20.
- Total earnings paid out in 3Q20 came to **R$31.2 million** (R$1.35/share – considering shareholder base prior to the 7th Fund's issuance) in accordance with the policy of monthly distribution of profits calculated on a cash basis.
- In the last 12 and 24 months (base September/2020), shareholders' profitability, considering distributed earnings and share value, was **+7.6%** and **+18.2%**, respectively.
- The portfolio's Gross Leasable Area (GLA) corresponded to **221,368 m²** a 20.0% increase over 2Q20 given the acquisition of the Diamond Tower in July.
- Financial vacancy stood at **6.8%** at the end of 3Q20.
- In 3Q20, **4.6%** of the contract portfolio was revised or registered new leases, which led to a nominal decrease of **9.0%** in leasing revenues and a **15.6%** decrease considering inflation (leasing spread). Same-area contracted revenue had a nominal increase of **0.2%** in 3Q20 over 2Q20.

Conference Call (Portuguese);	**Conference Call** (English)	**Investor Relations**
November 18, 2020	November 18, 2020	Email: contato@bcfund.com.br
10:00 a.m. (BR)/8:00 a.m(ET)	11:30 a.m. (BR)/9:30 a.m. (ET)	Phone.: +55 11 3383 2000
Phone: +55 11 3127 4971	Phone.: +1 516 300 1066	

Presentation and further information available at **www.bcfund.com.br**

Recent events – 3Q20

7th Issue of Shares

Closure of the Offer:

In July, we concluded the public distribution with restricted placement efforts of the Fund's 7th issue of shares. The Fund distributed 3,720,000 new shares, totaling around R$314.6 million net of the cost of distribution. It is worth noting that all new shares subscribed were exercised within the scope of Preemptive Rights, Subscription Rights of Unsubscribed Shares and Additional Amount, and that there are no new shares to be subscribed and paid by Professional Investors during the Restricted Offer.

Diamond Tower

Acquisition of Corporate Tower -AAA

On July 24, the Fund finalized the acquisition of all the autonomous units that make up the Morumbi Corporate Building – Diamond Tower, with a total leasable area of approximately 36,918.18 m^2meters, located in the Berrini region, in the city of São Paulo. The total amount of the acquisition was equivalent to R$810 million. We highlight that the Seller will guarantee the Fund a complement of the monthly rent ("Minimum Guaranteed Income") currently paid by the Lessors, up to an amount equivalent to an annual cap rate of 7.25%, for 24 months (until August 2022). For more information on the transaction and the acquisition structure, please read our Material Fact, which is available on our website.

Eldorado

Early termination of half-floor

In August, we received a notification from a lessee of the Eldorado building requesting an early termination of his half-floor lease contract, totaling approximately 491 m² of Fund's property. The termination was driven by internal issues of restructuring its operation after the cancellation of a planned merger between companies. The lessee shall be liable for the contractual provisions, provided in the execution of the exit the Fund will be entitled to the penalty established in the contract. We emphasize that our commercial team has already started the prospection of new lessees for the location.

Compulsory renewal –Torre Almirante

In September, the Fund received the last installment arising from the favorable decision regarding an action for compulsory renewal of CEF's lease agreement at the Torre Almirante building, which discussed lease amounts due at the time. As the lawsuit precedes the sale of the asset, the Fund will be entitled to approximately R$665,000.

Cenesp

Early termination of one floor

On September 11, the Fund received a notification of a lessee of the Cenesp building, requesting the early termination of its lease agreement. The lessee currently occupies an area of 3,070 m², which is equivalent to one floor. Upon his departure, the Fund will be entitled to a contractual fine. It is worth noting that our commercial team continues focused on absorbing these parking spaces.

Eldorado

Early termination of one floor

Still in September, the Fund received a notification from a lessee of the Eldorado building, requesting the early termination of part of its lease agreement (the returned area corresponds to one floor). All contractual obligations must be followed, and the Fund will be entitled to notice and the contractual fine. Our commercial team is conducting negotiations with potential tenants to lease this space.

Subsequent Events

EZ Towers

Property indirect acquisition – AAA

On October 28, the Fund acquired 16% of Tower B of Condomínio EZ Towers. The development is located in São Paulo, in the Chácara Santo Antonio region, and has a BOMA area of 47,001.51 m². The property is mainly leased by tenants with a good credit risk. The Seller will guarantee the complement of the monthly rent ("Minimum Guaranteed Income") currently paid by the tenants, up to an amount equivalent to an annual cap rate of 7.25% for 24 months. Under the acquisition, the Fund paid R$80 million in cash. It is also worth mentioning that the acquisition has a leverage of R$520 million (LTV – 52%), at the asset's 100% level, therefore the acquisition price was equivalent to R$21.2 thousand/m². It is also worth noting that management will be entirely carried out by our team, increasing the synergy of our portfolio. For more information on the transaction and the acquisition structure, please read our Material Fact, which is available on our website.

Diamond Tower

Termination of lease agreement

In October, the Fund received to requests to early terminate lease agreements of tenants of the Diamond Tower building. One of them refers to a partial return and minority occupancy of the current total. The asset is under the Minimum Guaranteed Income period, thus not affecting the Fund's financial vacancy in case of tenant exit. We also emphasize that the Fund will be entitled to a contractual fine.

Comments on the Financial Information

The preparation of the interim financial information is not required by the accounting practices adopted in Brazil applicable to real estate investment funds. In line with the practices of the companies listed on B3 and considering BC Fund's current shareholder base, the financial statements for the third quarter of 2020 were submitted to a limited audit review by PricewaterhouseCoopers, pursuant to Brazilian and international standards for the review of interim financial information.

Financial Highlights (million R$, unless otherwise indicated)	3Q19	3Q20	Var.	9M19	9M20	Var.
Lease Revenue	35.8	46.2	29.2%	86.4	127.1	47.2%
Net Income	29.5	28.7	(2.9%)	(2.2)	76.5	n.a.
Net Income per share (R$ / share)	1.54	1.08	(29.9%)	(0.11)	2.87	n.a.
Net Income (ex-fair value adj.)	29.5	28.7	(2.9%)	(35.4)	70.2	n.a.
Net Income (ex-fair value adj.) / share (R$ / share)	1.54	1.08	(29.9%)	(1.84)	2.64	n.a.
FFO	24.4	35.4	44.8%	70.6	93.5	32.4%
FFO / share (R$ / share)	1.27	1.33	4.5%	3.67	3.51	(4.5%)
Adjusted FFO	24.4	35.4	44.8%	70.6	93.5	32.4%
Adj. FFO / share (R$ / share)	1.27	1.33	4.5%	3.67	3.51	(4.5%)
Total Distribution	23.1	31.2	35.3%	285.1	101.5	(64.4%)
Total Distribution / share (R$ / share)	1.20	1.17	(2.3%)	14.83	3.81	(74.3%)
Shareholders Equity	2,114.2	2,829.2	33.8%	2,114.2	2,829.2	33.8%
Shareholders Equity / share (R$ / share)	109.98	106.21	(3.4%)	109.98	106.21	(3.4%)
Gross Debt	120.0	606.0	405.0%	120.0	606.0	405.0%
Net Debt	(219.0)	309.2	n.a.	(219.0)	309.2	n.a.

Operational Highlights	3Q19	3Q20	Var.	9M19	9M20	Var.
Portfolio GLA (m2)	176,916	221,368	25.1%	176,916	221,368	25.1%
Contracted leasing revenue (R$ million)	12.2	18.5	52.0%	12.2	18.5	52.0%
Financial Vacancy (EoP)	10.9%	6.8%	(4.1 p.p.)	10.9%	6.8%	(4.1 p.p.)
Deliquency	2.4%	-5.7%	n.a.	2.4%	-5.7%	n.a.
Same-Area Rent (SAR)	0.6%	0.2%	(0.7 p.p.)	0.6%	0.2%	(0.7 p.p.)
Leasing Spread	(18.9%)	(15.6%)	3.2 p.p.	(27.8%)	(15.9%)	(0.4 p.p.)
% of portfolio (in terms of lease revenue)	2.8%	4.6%	1.8 p.p.	22.2%	5.9%	(0.7 p.p.)

Stock Market Highlights	3Q19	3Q20	Var.	9M19	9M20	Var.
Total Number of Shares	19,224,537	26,638,202	38.6%	19,224,537	26,638,202	38.6%
Market Cap	1,745.6	2,424.1	38.9%	1,745.6	2,424.1	38.9%
Share Price - End of period (R$ / share)	90.80	91.00	0.2%	90.80	91.00	0.2%
Share Price - Average for the period (R$ / share)	94.19	89.45	(5.0%)	95.61	95.85	0.3%
Average Daily Trading Volume (R$ million)	3.92	6.47	65.2%	3.35	5.94	77.2%
Number of Shareholders	72,700	111,408	53.2%	72,700	111,408	53.2%
Total Individual Investors	72,432	110,924	53.1%	72,432	110,924	53.1%
Total Institutional Investors	268	484	80.6%	268	484	80.6%
% of shares held by Individual Investors	76.9%	66.7%	(10.2 p.p.)	76.9%	66.7%	(10.2 p.p.)
% of shares held by Institutional Investors	23.1%	33.3%	10.2 p.p.	23.1%	33.3%	10.2 p.p.

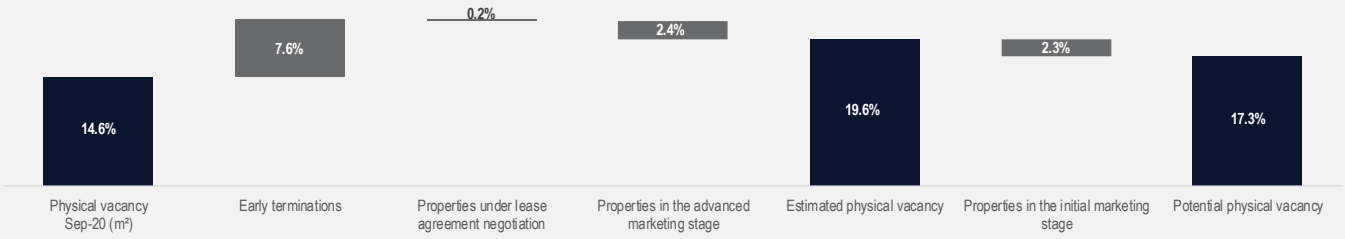
Management Comments

In the last few months we have conducted two important operations aligned with our strategy of active portfolio management in high quality corporate floors. The recent acquisitions, 100% of the Morumbi Corporate – Diamond Tower building and 16% of the EZ Tower - Tower B, allowed the expansion of the Fund's exposure in the Chucri Zaidan/Chácara Santo Antonio region, which every day evidences more potential as a business reference center, combining renowned companies with good credit risk. Thus the Fund enhanced by approximately 10 p.p. its exposure in São Paulo and in high quality assets (A/AAA). In addition, both acquisitions were concluded with a 24-month Guaranteed Minimum Income period by the sellers. We understand that this scenario ensures the Fund of possible market fluctuations, although we are confident in the recovery of the quality corporate floors sector in São Paulo, after the end of the restrictions imposed due to the pandemic. It also makes the Fund's contracted revenue more stable, guaranteeing greater predictability of the income to be distributed to shareholders. It is also worth noting that management of the EZ Towers – Torre B will be entirely carried out by our team, increasing the synergy of our portfolio. Finally, it is worth noting that our commercial team continues to recognize positive pipeline opportunities, which in an economic scenario of historically low interest rates, may be a major differential in value generation.

In the last quarter there was a debate about the perspective of a new working method, with a dissemination of the model of remote interaction. Therefore, the focus of the market is on the maintenance and prospecting of the lessee. In the opposite direction from was considered, a research by MIT evidenced that Brazil is the fifth country in the world with more challenges to implement the Home Office system on a large scale due to the quality of the Internet available. Complementing this view, an Ipea research identified that less than 23% of working positions would adapt to this system. We understand, however, that the market may experience some adjustments in the short term, which should more moderately affect the high quality market in which the Fund is included. Our commercial team continues with a very diversified prospecting agenda, with major names in the industry, who are benefiting from this moment to reallocate their operations in premium assets.

The Fund ended the 3Q20 with a physical vacancy of the portfolio equivalent to 14.6%, slightly higher than the 2Q20 closure, due to some terminations already announced at Cenesp and Eldorado, in addition to the acquisition of Diamond Tower, which at the time of the purchase had a forecasted occupation of about 86%. The Fund holds approximately 7.6% of its GLA subject to early termination of a lease contract, which is currently in a notice period. We also emphasize that approximately half of this percentage is due to scheduled vacancies of the Diamond Tower, which is currently in a period of Guaranteed Minimum Income, thus if the termination is completed we will not have a commitment of the financial vacancy of the Fund. In addition to such terminations, in September, 0.2% of the Fund's properties were in the process of exchanging advanced lease agreement drafts ("Properties at the negotiation stage of commercialization"). And 2.4% of the assets were in advanced commercialization stages, i.e. we are already defining the commercial conditions for a potential lease, but still not ready to exchange lease agreement drafts, ("Properties at an advanced stage of commercialization"). In this sense, considering properties at the negotiation stage of commercialization and at the advanced stage of commercialization, the Fund's vacancy rate would drop to 19.6% ("Estimated physical vacancy"). It should also be mentioned that 2.3% of the Fund's properties are in the initial stage of commercialization ("Properties in the initial stage of commercialization"). If these Properties in the initial stage of commercialization are also effectively leased, the Fund's vacancy rate would drop to 17.3% ("Potential physical vacancy"). This scenario is presented below.

Commercialization of vacant area (m^2 of the portfolio in %)



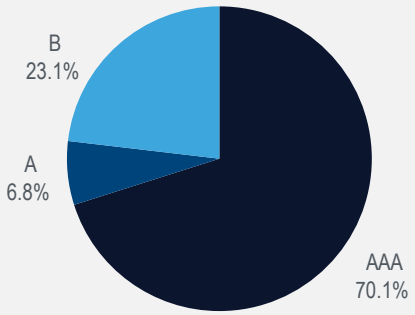
Operational performance

Breakdown of the asset portfolio

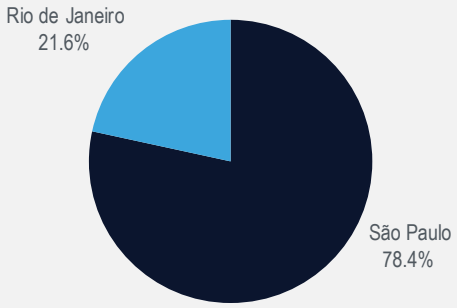
The portfolio's Gross Leasable Area (GLA) corresponded to 221,368 m² a 20.0% increase over 2Q20 given the acquisition of the Diamond Tower in July. We had an increase of 25.1% compared to 3Q19, given the additional acquisition of the Sucupira Tower in November 2019. Also, the GLA at the end of the quarter was not impacted by the acquisition of EZ Tower, which occurred only in October.

Asset portfolio (based on contracted leasing revenue in September/2020)

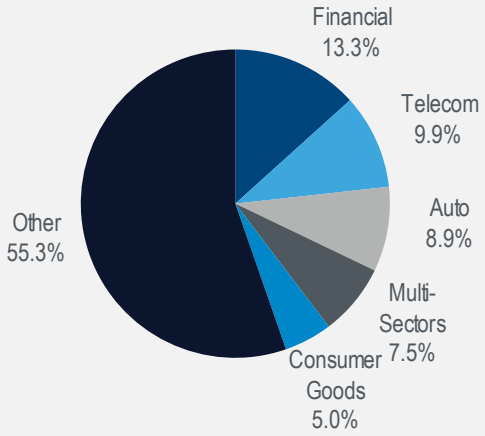
By asset type



By location



By tenant's sector of activity



By tenant concentration

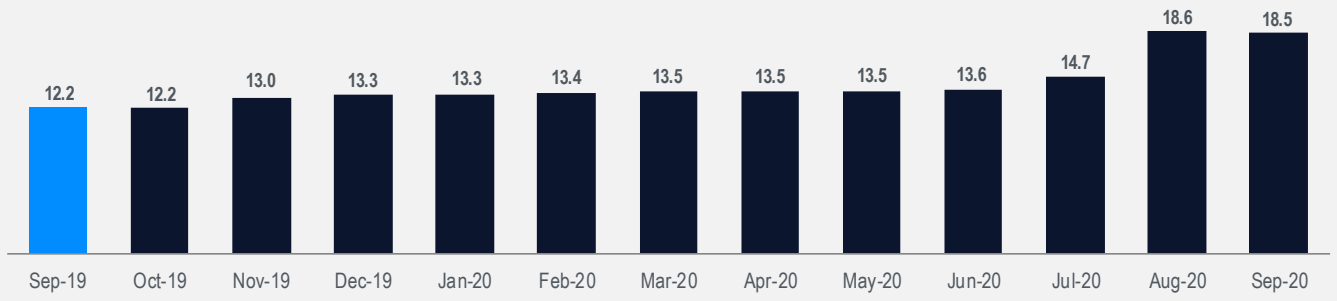
- In September 2020, the Fund's main tenant accounted for approximately 14.2% of contracted leasing revenue, with an atypical lease agreement. The second most representative agreement accounted for about 7.5% of the lease revenue, in a standard agreement that only expires in 2024.
- A relevant portion of GLA concentration in Rio de Janeiro is due to the exposure of an atypical lease agreement.
- In September 2020, the Fund had 69 lease agreements.

Contracted Leasing Revenue

The monthly contracted leasing revenue, in September 2020, was R$18.5 million, an increase of 52.0% compared to September 2019, given mainly by the increase in the Fund's GLA, with the acquisition of the Sucupira and Diamond Tower Towers. Are also worth mentioning the absorption of areas in Eldorado and BFC.

Contracted leasing revenue is a non-accounting indicator corresponding to the total value of the lease agreements in effect in the reference month, excluding discounts, grace periods, fines and other adjustments impacting the book value of the leasing revenue.

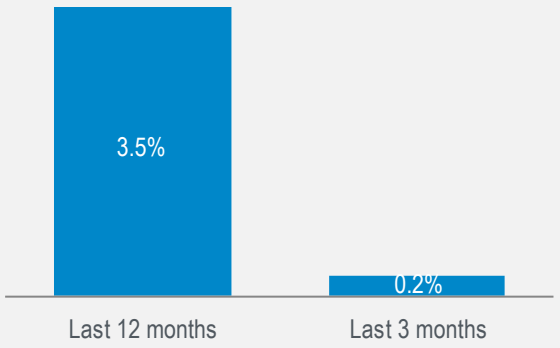
Monthly evolution of contracted leasing revenue (in R$ million)



Same revenue of contracted area had a nominal increase of 3.5% year on year in 3Q20. Compared to 2Q20, same contracted leasing revenue increased by 0.2%.

Same-Area Rent (SAR) is a non-accounting indicator corresponding to the total amount of lease agreements in effect in the reference month in a given area that was already leased by the same tenant at the end of the same period the year before or at the end of the previous quarter, excluding discounts, grace periods, fines and other adjustments impacting the book value of leasing revenue.

Change in same area revenue (SAR)



Renewals and Reviews

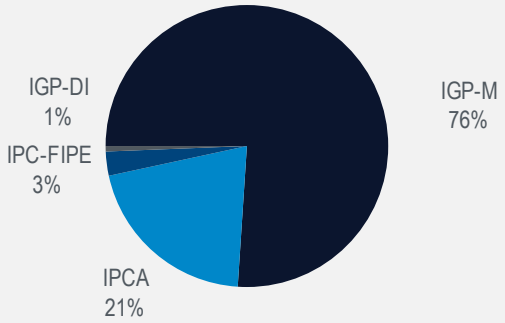
The equivalent of 4.6% of contracted leasing revenues was renewed, reviewed or came from new leases in 3Q20, resulting in a nominal decrease of 9.0%. Considering the effect of inflation, leasing spread was -15.6%.

The leasing spread was impacted mainly by agreement reviews at Cenesp and the CEO Office. Noting that for the latter, this movement was already addressed in the investment thesis Therefore, since the acquisition in February 2019, the Fund managed to capitalize on the 8.56% of the revenue generated by the operation's cap rate.

Only 0.2% of the Fund's agreements mature by the end of 2020 and 8.5% by the end of 2021.

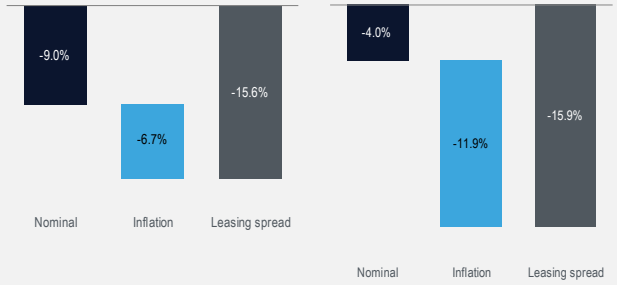
Portfolio breakdown in September/2020

(by inflation index)



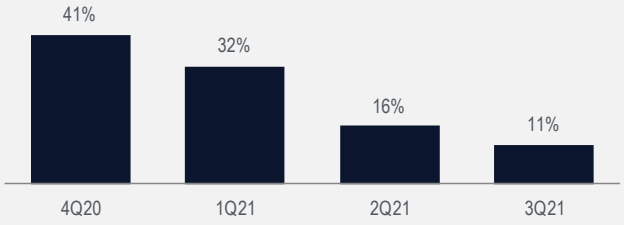
Leasing spread in 3Q20 | 9M20

(4.6% of revenue) (5.9% of revenue)



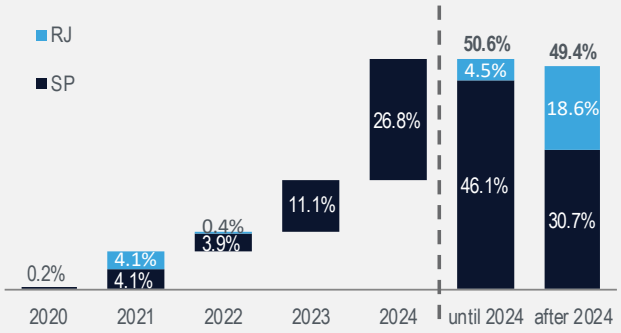
Inflationary adjustment schedule

(% of contracted revenue)



Contract maturity schedule

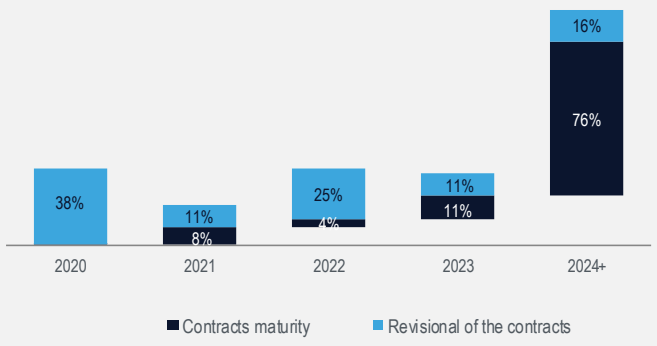
(% of contracted revenue)



As a result of the new leases and in line with market practices, discounts or grace periods were granted to new tenants. The Fund should be impacted in the coming quarters by the conversion of contracted revenue into leasing revenue from newly closed agreements. It is estimated that, in the next six months, 1.5% of the current contracted revenue will be converted into leasing revenue due to the expiration of such discounts and grace periods.

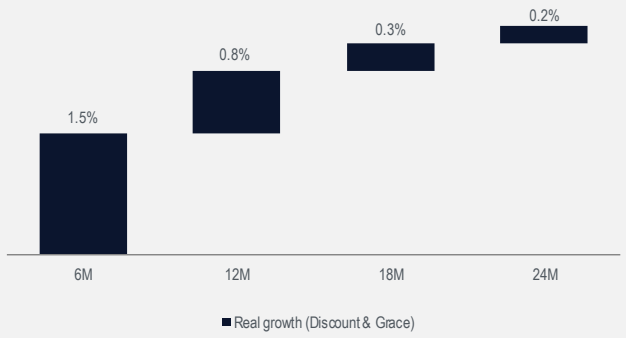
Maturity and renegotiation schedule

(% of contracted revenue)



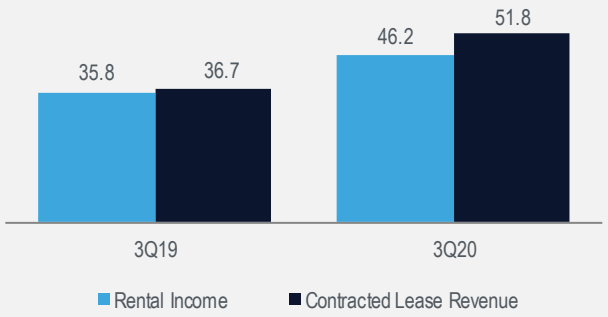
Real growth (discounts and grace periods)

(% of contracted revenue)



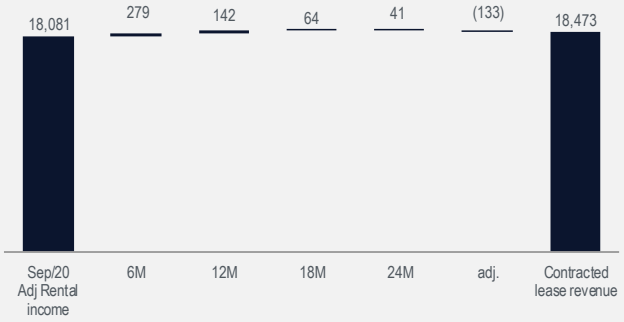
Leasing revenue vs. contracted revenue

(R$ million)



Real growth (discounts and grace periods)

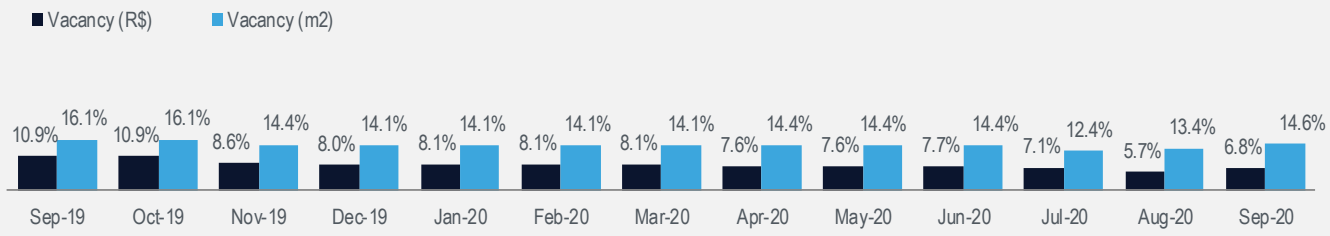
(R$ 'OOO)



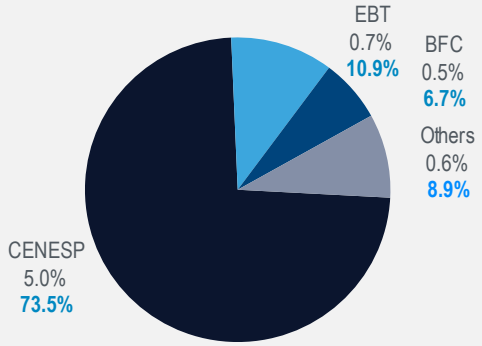
Vacancy

The financial vacancy at the end of 3Q20 was 6.8%, lower than 2Q20, given the acquisition of Diamond Tower with Minimum Guaranteed Income. At the end of the quarter, the vacant areas corresponded to 25,145 m² at CENESP, 3,077 m² at Diamond Tower, 1,753 m² at Montreal, 1,030 m² at Eldorado, 828 m² at BFC and 525 m² at Transatlântico.

Portfolio's physical and financial vacancy

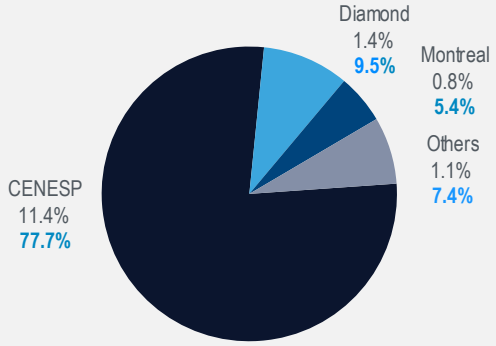


Breakdown of financial vacancy



% of total potential revenue
% of potential revenue of vacant areas

Breakdown of physical vacancy



% of total GLA
% of vacant GLA

Delinquency

Given the high quality of our portfolio and tenants, the delinquency rate has always been historically low. At the end of 3Q20 the provision for doubtful accounts was R$1.7 million, a significant part of which was due to Gafisa's delinquency, as disclosed to the market in December 2018. It is also worth mentioning the maintenance of the Fund's high level of adherence, even in the pandemic period. Our dynamic management allowed us to establish the Fund in a portfolio of distinguished quality, in addition to performing a previous study of potential lessees, analyzing the credit risk of each one and the collateral offered. Therefore, the portfolio continues with successful agreements from renowned companies. Also this quarter we experienced the reversal of the provision for doubtful accounts due to the write-off of the lease, of a former lessee diverging on the amounts in the scope of the contract renewal, after the conclusion of the lawsuit.

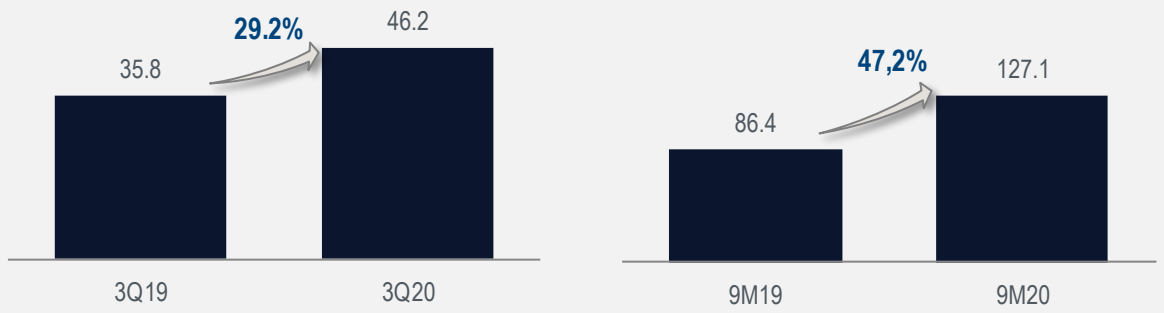
Financial Performance

Revenue

Revenue from investment properties, which includes leasing revenues, in addition to fines and interest received in the period, totaled R$48.6 million in 3Q20 and R$134.1 million in 9M20. The main events that impacted revenue were:

- The growth in leasing revenues, given the increase in the Portfolio GLA after the purchase of Diamond Tower and the Sucupira Tower;
- The semiannual asset reappraisal, which had a positive impact in this nine-month period (R$6.3 million).
- The reversal of the provision for doubtful accounts after the end of the judicial process of a former lessee.

Leasing revenue (R$ million) [1]



(in R$ 'OOO)	3Q19	3Q20	Var.	9M19	9M20	Var.
Revenue from properties	**35,528**	**48,606**	**36.8%**	**1,469,206**	**134,097**	**(90.9%)**
Rental income	35,776	46,207	29.2%	86,361	127,147	47.2%
(-) Provision - receivables	(867)	2,624	n.a.	651	1,779	173.3%
Fines and interest received	969	434	(55.2%)	1,037	1,341	29.3%
Adjustment to fair value	-	-	n.a.	33,237	6,317	(81.0%)
Sale of property	-	-	n.a.	1,349,036	-	n.a.
Discounts granted	(350)	(659)	88.3%	(1,116)	(2,487)	122.8%

Notes:

(1) No distinction is made between gross and net revenue since there is no taxation on leasing revenue nor on capital gains on the sale and/or reappraisal of assets.

Costs and Expenses

(in R$ '000)	3Q19	3Q20	Var.	9M19	9M20	Var.
Cost of Investment properties	**-**	**-**	**n.a.**	**(1,454,734)**	**-**	**n.a.**
Cost of sold investment properties	-	-	n.a.	(980,574)	-	(100.0%)
Reversal of adjustment at fair value of sold investment properties	-	-	n.a.	(474,160)	-	(100.0%)
Expenses over Properties	**(2,005)**	**(1,885)**	**(6.0%)**	**(9,409)**	**(6,271)**	**(33.4%)**
Comissions	(66)	(146)	121.2%	(559)	(1,007)	80.1%
Management of properties expenses	(59)	(42)	(28.8%)	(162)	(134)	(17.3%)
Condominium expenses	(1,511)	(1,145)	(24.2%)	(7,890)	(3,594)	(54.4%)
Maintenance	(369)	(552)	49.6%	(798)	(1,536)	92.5%
G&A	**(6,517)**	**(7,565)**	**16.1%**	**(11,856)**	**(23,199)**	**95.7%**
Consulting/Management fee	(5,427)	(6,821)	25.7%	(16,533)	(20,297)	22.8%
Administration fee – Fund	(1,442)	(1,907)	32.2%	(4,443)	(5,558)	25.1%
Property tax expenses	(662)	(456)	(31.1%)	(2,246)	(1,361)	(39.4%)
Other operating expenses	1,014	1,619	59.7%	11,366	4,017	(64.7%)

• Commission expenses are related to (i) brokerage services for the renewal and/or review of lease agreements, (ii) brokerage fees for the commercialization of vacant areas; and (iii) brokerage services for the acquisition and sale of assets.

• Property management expenses are related to property management services and correspond to a percentage of the revenue generated by each property.

• Condominium, repair, maintenance and conservation expenses are incurred by the Fund to cover such expenses generated by the vacant areas of its portfolio. It is worth mentioning that due to the new incurred lease in the last 12 months and with the continuous work of condominium cost reduction of our technical team, the Fund managed to reduce by 54.4% the cost associated with vacant area condominium.

• Management expenses refer to BTG Pactual's management services and correspond to 1.5% p.a. of the Fund's market value (currently at a discount, at 1.1% p.a.), in line with the trading price of its shares on B3, which is calculated and provisioned on a daily basis and paid monthly.

• The Fund's administration fee refers to BTG Pactual's management services and corresponds to 0.25% p.a. of the Fund's market value, based on the trading price of its shares on B3, which is calculated and provisioned on a daily basis and added to the amounts paid to the Fund's bookkeeping agent.

• Tax expenses refer to the municipal, state and federal taxes incurred by the Fund, most of which referring to the payment of IPTU (municipal property tax) on the portfolio's vacant areas.

• Other operating expenses/revenues refer to sundry expenses, such as utility bills related to the vacant areas, CVM inspection fees, custody expenses, B3, auditing, asset reappraisals, various taxes, legal advice, notary fees and others.

Financial Result

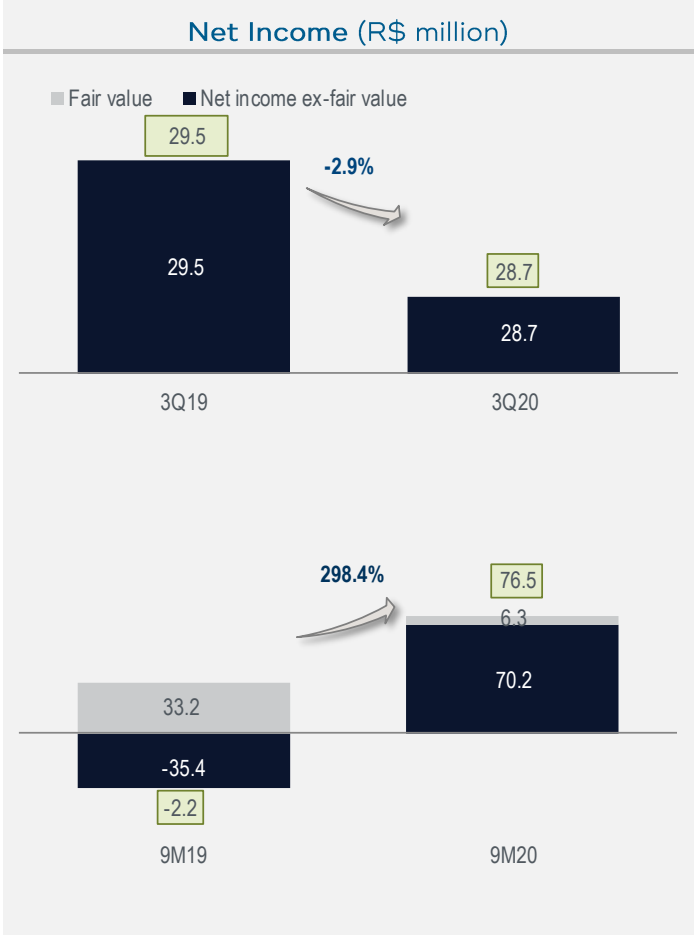
(in R$ '000)	3Q19	3Q20	Var.	9M19	9M20	Var.
Interest and inflation indexation on liabilities	**(3,000)**	**(7,747)**	**158.2%**	**(19,108)**	**(13,901)**	**(27.3%)**
Interest	(3,000)	(7,747)	158.2%	(19,108)	(13,901)	(27.3%)
Profit from real-estate financial assets	**6,238**	**(2,619)**	**n.a.**	**20,918**	**(16,140)**	**n.a.**
Income from Mortgage Backed Securities (CRIs)	2,512	1,180	(53.0%)	7,489	4,470	(40.3%)
Income from Mortgage Notes (LCIs)	71	-	n.a.	1,118	-	n.a.
Income from FII shares	1,035	725	(30.0%)	3,152	2,256	(28.4%)
Gains on sale / MTM - CRI and other FII shares	2,620	(4,524)	n.a.	9,159	(22,866)	n.a.
Other financial assets	**1,318**	**269**	**(79.6%)**	**4,069**	**3,004**	**(26.2%)**
Income from fixed-income fund shares	1,407	474	(66.3%)	4,869	4,007	(17.7%)
Expenses from income tax on financial investments	(89)	(205)	130.3%	(800)	(1,003)	25.4%
Financial income	**4,556**	**(10,097)**	**n.a.**	**5,879**	**(27,037)**	**n.a.**

Interest expense for acquisitions and fund raising totaled R$7.7 million in 3Q20, 158.2% above the same period in 2019, as a result of the Fund's new liability level after the leveraged acquisition of Diamond Tower.

Financial revenues in 3Q20 were negatively impacted by the adjustment to market value of invested FII shares. In addition, the revenue from the Fund's real estate receivables certificate was reduced by 53.0%, given the decrease in the interest rate in the country, which remains at its lowest level in history. In any case, according to the following cash flow statement, net cash from financing activities was positive and increasing.

Net Income

Net income totaled R$28.7 million in 3Q20 (R$1.08/share). The net income in the first nine months of the year was equivalent to R$76.5 million or R$2.87 / per share, which represents a reduction of 2.9% in relation to the 3Q19, due mainly to the reduction of income from financial assets of a real estate segment, with the reduction of income from real estate receivables certificates and the adjustment to market value of FII shares. Noting that the values per share are referred to in the new Fund's shareholder base, after 7thissue, thus causing an impression of dilution.



FFO and Adjusted FFO

The Fund's FFO totaled R$35.4 million in 3Q20, up 44.8% from 3Q19. FFO is not a measure recognized by accounting practices adopted in Brazil and its methodology may vary in comparison with other companies. The main items that influenced FFO this quarter, based on net income, were:

- The result of the adjustment to fair value of FII shares; and
- Recurring revenues/ liabilities.

The Fund's Management believes that the accounting effect of the monetary restatement of liabilities has no cash effect. Therefore, the managers use adjusted FFO (FFO minus non-cash effects on liabilities) to analyze operating cash flow. In 3Q20, non-cash financial expenses were not relevant and adjusted FFO totaled R$35.4 million, or R$1.33/share, up 4.5% from 3Q19.

(in R$ 'OOO, unless otherwise indicated)	3Q19	3Q20	Var.	9M19	9M20	Var.
Net income	29,534	28,682	(2.9%)	(2,150)	76,532	n.a.
(-) Gains in the sale of properties	-	-	n.a.	105,698	-	n.a.
(-) Gains on sale / MTM - CRI and other FII shares	(2,635)	4,500	n.a.	(9,171)	22,812	n.a.
(+) Non-recurring expenses	(2,455)	2,217	n.a.	9,484	476	(95.0%)
(=) FFO	24,444	35,399	44.8%	70,624	93,503	32.4%
FFO / share (R$ / share)	1.27	1.33	4.5%	3.67	3.51	(4.5%)
(+) Non-cash financial expenses	-	-	n.a.	-	-	n.a.
(=) Adjusted FFO	24,444	35,399	44.8%	70,624	93,503	32.4%
Adjusted FFO / share (R$ / share)	1.27	1.33	4.5%	3.67	3.51	(4.5%)

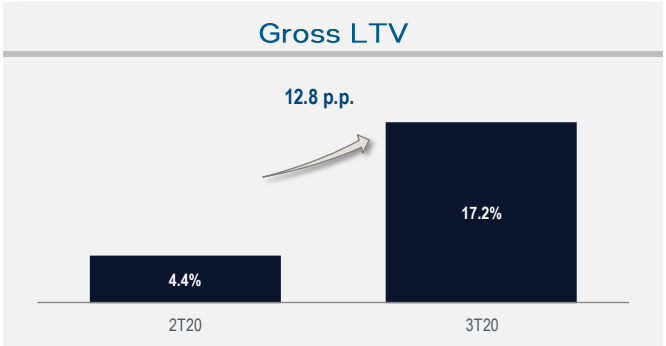
Debt and Cash

Liabilities from acquisition of properties and funding totaled R$606.0 million at the end of 3Q20, while cash and cash equivalents totaled R$296.8 million. It is worth noting that with the acquisition of Diamond Tower in July, the Fund acquired a new asset, corresponding to 60% of the value of the asset, in the amount equivalent to R$486 million.

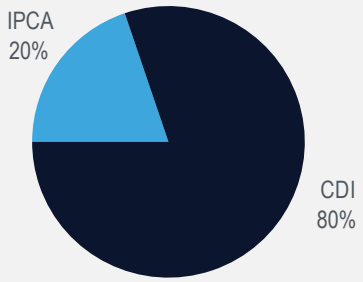
(in R$ 'OOO)	Cost	Orig. Term	Maturity	2Q20	3Q20
Liabilities from acquisition of properties				**120,000**	**606,000**
Cidade Jardim	IPCA + 6,55% p.a.	6 years	Jul/2023	120,000	120,000
Diamond Tower	CDI + 3,50% p.a	3 years	Jul/2023	-	486,000
Liabilities from funding				**-**	**-**
Gross Debt				**120,000**	**606,000**
(-) Cash and Financial investments				(300,061)	(250,334)
(-) Shares of Other FIIs (Market)				(50,997)	(46,472)
Net Debt				**(231,058)**	**309,194**

In September 2020, leverage increased compared to 2Q20, but still remains at comfortable levels, with gross LTV of 17.2% and net LTV of 8.8% (the Fund must maintain its net LTV below 30.0%).

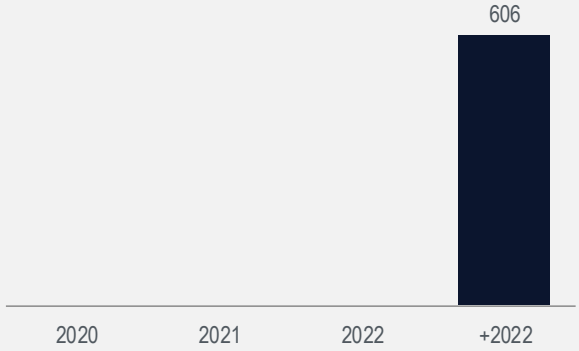
Most of the Fund's obligations are adjusted by fixed rates indexed to CDI, which is currently at its lowest historical level.



Adjustment Index



Amortization schedule (R$ million)

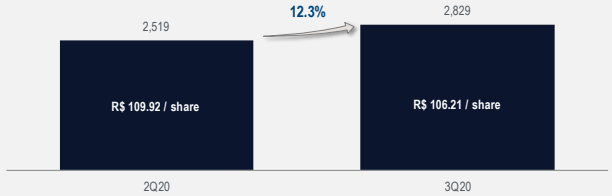


Shareholders' equity

Shareholders' equity totaled R$2.8 billion in 3Q20, up 12.3% over 2Q20, mainly due to the 7th issue of the Fund' shares.

The book value per share increased from R$109.92/share in June 2020 to R$106.21/share at the end of September 2020.

Evolution of shareholders' equity (R$ million)

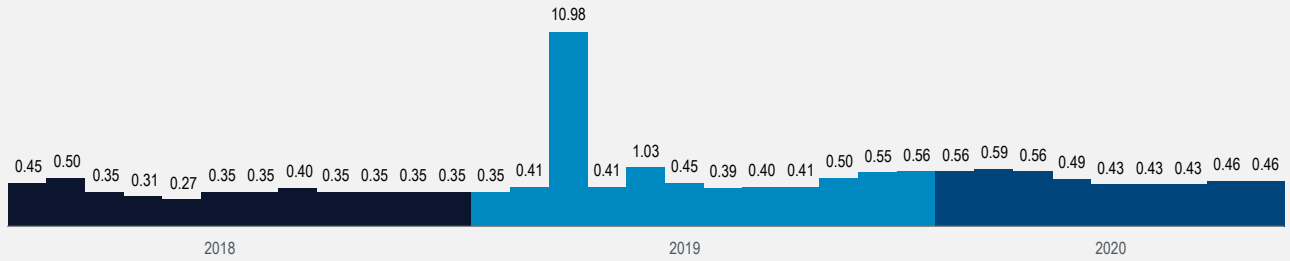


Payout

In 3Q20, considering the previous 7th Fund's shareholder base, the average amount distributed per share was R$0.45/share/month, representing a payout ratio of R$1.35/share in the quarter. The total amount distributed in 3Q20 was R$31.2 million.

Since May 2016, we are distributing monthly income based on the weighted moving average of the Fund's Adjusted FFO for the six-month period and adjusting the cash effect in the last month of the current six-month period.

Evolution of monthly payout and amortization (R$/share/month)

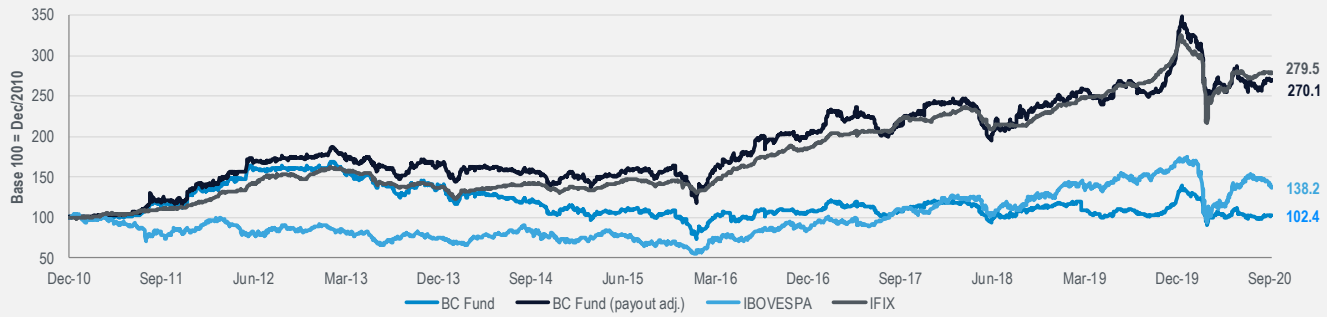


Capital Markets

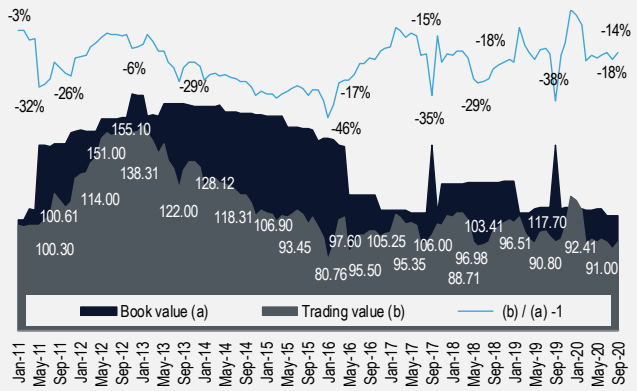
In the last 12 and 24 months (base September/2020), the profitability of BC Fund's shares (BRCR11), considering distributed earnings and the share value, was 7.6% and 18.2%, respectively. In the same periods, the IFIX varied by 4.1% and 30.9%, respectively.

In the quarter, share profitability was negative by 0.05%, while Ibovespa and IFIX varied by -0.5% and -0.4%, respectively.

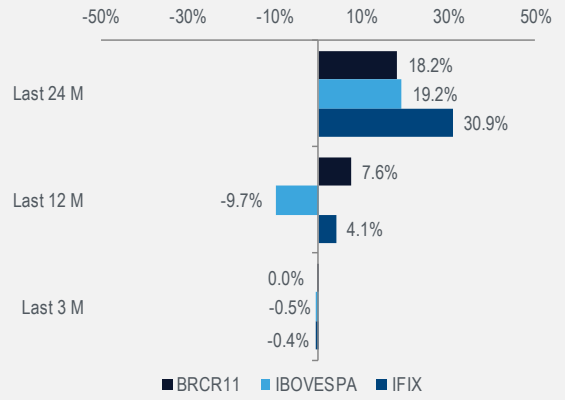
Share performance (Base 100 – December/2010)



Book Value of the Share vs. Market cap



Returns in the last 3, 12 and 24 months (Sep/20)



The share closing price of R$91.00 on September 30, 2020 represented:

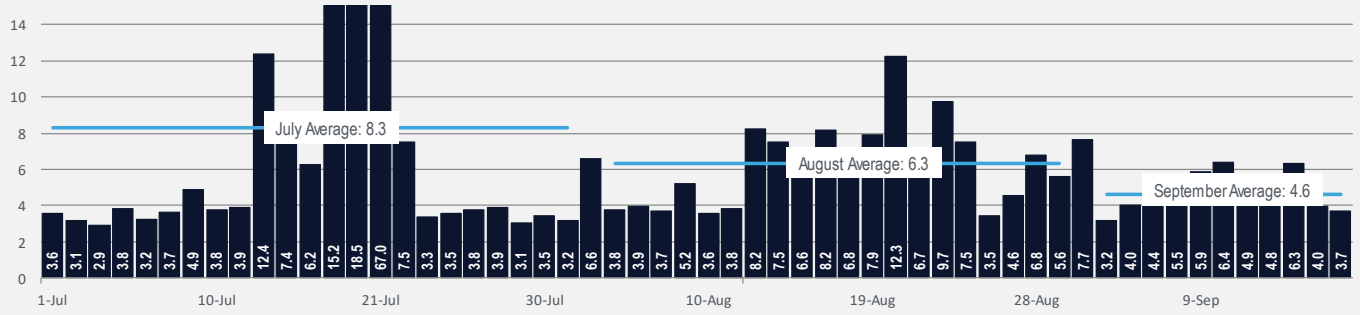
- A 14.3% decrease from the book value per share.
- Distribution of annualized earnings of 6.3% p.a.
- Implied portfolio cap rate of 7.9% (considering contracted revenue in September/2020). Considering potential revenue from vacant areas, the implied cap rate is 8.5%.
- Average GLA of R$12,625/m².

Valuation at market prices

		Sep-20	Sep-19
NAV / share	[R$ / share]	106.21	109.98
Share price	[R$ / share]	91.00	90.80
Discount to NAV	[%]	*(14.3%)*	*(17.4%)*
Montlhy payout	[R$ / share]	0.46	0.41
Montlhy profitability	[% p.m.]	0.51%	0.45%
Annual profitability (linear)	**[% p.a.]**	**6.1%**	**5.4%**
Annualized profitability	**[% p.a.]**	**6.3%**	**5.6%**
Shares outstanding	[#]	26,638,202	19,224,537
Market cap	[R$ mn]	2,424.1	1,745.6
Net debt (Cash)	[R$ mn]	309.2	(219.0)
Monirities stake	[R$ mn]	61.5	59.9
Enterprise Value	**[R$ mn]**	**2,794.7**	**1,586.5**
Contracted lease	[R$ mn]	18.5	12.2
Implied Cap rate	**[%]**	**7.9%**	**9.2%**
Cap rate with vacant areas	**[%]**	**8.5%**	**10.3%**
Portfolio GLA	[m2]	221,368	176,916
Average per sqm	**[R$ / m2]**	**12,625**	**8,968**

In 3Q20, BRCR11's average daily traded volume was R$6.4 million. High monthly liquidity is an important aspect, as the Fund is historically in the Top 10 most traded, according to B3's monthly bulletin.

Average daily trading volume on B3 (R$ million)



Consolidated Financial Statements

Consolidated Income Statement

(R$ '000)	3Q19	3Q20	Var.	9M19	9M20	Var.
Investment properties	**35,528**	**48,606**	**36.8%**	**1,469,206**	**134,097**	**(90.9%)**
Rental income	35,776	46,207	29.2%	86,361	127,147	47.2%
(-) Provision for impairment of trade receivables	(867)	2,624	n.a.	651	1,779	173.3%
Income from fines and interest received	969	434	(55.2%)	1,037	1,341	29.3%
Revenue from the sale of investment property	-	-	n.a.	1,349,036	-	n.a.
Discounts granted	(350)	(659)	88.3%	(1,116)	(2,487)	122.8%
Adjustment to fair value	-	-	n.a.	33,237	6,317	(81.0%)
Cost of Investment properties	**-**	**-**	**n.a.**	**(1,454,734)**	**-**	**n.a.**
Cost of sold investment properties	-	-	n.a.	(980,574)	-	n.a.
Reversal of adjustment at fair value of sold investment p	-	-	n.a.	(474,160)	-	n.a.
Interest and inflation indexation on liabilities	**(3,000)**	**(7,747)**	**158.2%**	**(19,108)**	**(13,901)**	**(27.3%)**
Interest on liabilities from acquisition of properties	(3,000)	(7,747)	158.2%	(19,108)	(13,901)	(27.3%)
Expenses over Properties	**(2,005)**	**(1,885)**	**(6.0%)**	**(9,409)**	**(6,271)**	**(33.4%)**
Comissions	(66)	(146)	121.2%	(559)	(1,007)	80.1%
Administration fee - property	(59)	(42)	(28.8%)	(162)	(134)	(17.3%)
Condominium expenses	(1,511)	(1,145)	(24.2%)	(7,890)	(3,594)	(54.4%)
Maintenance	(369)	(552)	49.6%	(798)	(1,536)	92.5%
Profit from investment properties	**30,523**	**38,974**	**27.7%**	**(14,045)**	**113,925**	**n.a.**
Income from Mortgage Backed Securities (CRIs)	2,512	1,180	n.a.	7,489	4,470	(40.3%)
Income from Mortgage Notes (LCI)	71	-	n.a.	1,118	-	n.a.
Income from FII shares	1,035	725	(30.0%)	3,152	2,256	(28.4%)
Adjustment to market value of other FII shares	2,620	(4,524)	n.a.	9,159	(22,866)	n.a.
Adjustment to fair value (CRI)	15	24	n.a.	-	54	n.a.
Profit from real-estate financial assets	**6,253**	**(2,595)**	**n.a.**	**20,930**	**(16,086)**	**n.a.**
Profit from real-estate activities	**36,776**	**36,379**	**(1.1%)**	**6,885**	**97,839**	**1321.0%**
Income from fixed-income fund shares	1,407	474	(66.3%)	4,869	4,007	(17.7%)
Expenses from income tax on financial investments	(89)	(205)	130.3%	(800)	(1,003)	25.4%
Other financial assets	**1,318**	**269**	**(79.6%)**	**4,069**	**3,004**	**(26.2%)**
Management expenses	(5,427)	(6,821)	25.7%	(16,533)	(20,297)	22.8%
Administration fee - Fund	(1,442)	(1,907)	32.2%	(4,443)	(5,558)	25.1%
Property tax expenses	(662)	(456)	(31.1%)	(2,246)	(1,361)	(39.4%)
Other operating expenses	1,014	1,619	59.7%	11,366	4,017	(64.7%)
Operating income (expenses)	**(6,517)**	**(7,565)**	**16.1%**	**(11,856)**	**(23,199)**	**95.7%**
Profit for the period (before minorities)	**31,577**	**29,083**	**(7.9%)**	**(902)**	**77,644**	**n.a.**
Minorities' stake	(2,043)	(401)	(80.4%)	(1,248)	(1,112)	(10.9%)
Net income	**29,534**	**28,682**	**(2.9%)**	**(2,150)**	**76,532**	**n.a.**
Number of shares	19,224,537	26,638,202	38.6%	19,224,537	26,638,202	38.6%
Earnings per share - R$	1.54	1.08	(29.9%)	(0.11)	2.87	n.a.

Consolidated Balance Sheet

ASSETS (R$ '000)	2Q20	% over Total Assets	3Q20	% over Total Assets	Var.
Current assets	**566,817**	**20.4%**	**525,905**	**14.7%**	**(7.2%)**
Financial investments	287,002	10.3%	249,422	7.0%	(13.1%)
Rentals receivables	46,622	1.7%	53,740	1.5%	15.3%
Other assets	16,422	0.6%	4,295	0.1%	(73.8%)
Receivable on sale of real estate	216,771	7.8%	218,448	6.1%	0.8%
Non-current assets	**50,997**	**1.8%**	**46,472**	**1.3%**	**(8.9%)**
Financial investments	50,997	1.8%	46,472	1.3%	(8.9%)
Investment properties	**2,159,062**	**77.8%**	**3,003,013**	**84.0%**	**39.1%**
Buildings	2,159,062	77.8%	3,003,013	84.0%	39.1%
TOTAL ASSETS	**2,776,876**	**100.0%**	**3,575,390**	**100.0%**	**28.8%**

LIABILITIES AND EQUITY (R$ '000)	2Q20	% over liabilities and	3Q20	% over liabilities and	Var.
Current liabilities	**74,199**	**2.7%**	**76,730**	**2.1%**	**3.4%**
Income to be distributed	21,006	0.8%	23,267	0.7%	10.8%
Taxes and contributions payable	10	0.0%	13	0.0%	30.0%
Provisions and trade payable	15,379	0.6%	15,048	0.4%	(2.2%)
Liabilities from acquisition of properties	37,804	1.4%	38,402	1.1%	1.6%
Non-current liabilities	**121,856**	**4.4%**	**608,051**	**17.0%**	**399.0%**
Provisions and trade payable	6,006	0.2%	6,006	0.2%	0.0%
Liabilities from funds in guarantee	3,363	0.1%	3,383	0.1%	0.6%
Liabilities from acquisition of properties	112,487	4.1%	598,662	16.7%	432.2%
TOTAL LIABILITIES	**196,055**	**7.1%**	**684,781**	**19.2%**	**249.3%**
Equity	**2,519,274**	**90.7%**	**2,829,153**	**79.1%**	**12.3%**
Paid-up shares	1,999,486	72.0%	2,321,750	64.9%	16.1%
Shares placement expenses	(48,058)	(1.7%)	(55,682)	(1.6%)	15.9%
Reserve for contingencies	9,154	0.3%	9,154	0.3%	0.0%
Carrying value adjustment to fair value	518,305	18.7%	518,305	14.5%	0.0%
Accumulated profit	40,387	1.5%	35,626	1.0%	(11.8%)
Minority Stake	**61,547**	**2.2%**	**61,456**	**1.7%**	**(0.1%)**
TOTAL LIABILITIES AND EQUITY	**2,776,876**	**100.0%**	**3,575,390**	**100.0%**	**28.8%**

Consolidated Cash Flow

(R$ '000)	9M19	9M20	Var %
Receipt of net rental revenues	54,244	62,140	14.6%
Receipt of fines and interest	68	130	91.2%
Receipt of demobilization	295	397	34.6%
Payment of commissions	(504)	(160)	(68.3%)
Payment/Reimbursement of IPTU	1,898	(177)	n.a.
Payments of consulting expenses	(522)	(112)	(78.5%)
Payments of management fee	(15,492)	(19,087)	23.2%
Payment of legal advice	(1,159)	(212)	(81.7%)
Payments of administration expenses - Fund	(3,460)	(4,639)	34.1%
Payments of administration expenses - Property	(171)	(143)	(16.4%)
Payment of condominium expenses	(1,356)	(248)	(81.7%)
Payment of maintenance and repair expenses	(831)	(1,288)	55.0%
Payment of tax expenses (IR on financial revenues)	(485)	(847)	74.6%
General payments	1,007	124	(87.7%)
Cash flows from operating activities	**33,532**	**35,878**	**7.0%**
Income from fixed-income fund shares	3,253	3,236	(0.5%)
Amortization of unconsolidated controlled entity	282,303	-	n.a.
Acquisition of rental properties (improvements and registration costs)	(259,794)	(358,789)	38.1%
Acquisition of rental properties (installment payment)	-	(152,700)	n.a.
Sale of rental properties	537,200	-	n.a.
Redemption of LCI	97,822	-	n.a.
Acquisition of CRI	701	-	n.a.
Acquisition of unconsolidated controlled entity	(254,075)	(350)	(99.9%)
Acquisition/Sale of FII shares	10,170	-	n.a.
Receipt of income from real estate funds invested	2,921	2,247	(23.1%)
Income from unconsolidated controlled entity	81,742	23,712	(71.0%)
Property improvements	(140)	(970)	592.9%
Amortization of mortgage backed securities	7,530	4,606	(38.8%)
Cash flows from investing activities	**509,633**	**(479,008)**	**n.a.**
Shares paid-in	-	322,264	n.a.
Expenses with public offering	-	(7,624)	n.a.
Payment of interest and monetary restatement over term acquisition	(9,349)	(4,810)	(48.6%)
Payment of principal for liabilities from acquisition of properties	(189,140)	-	n.a.
Profits distributed	(285,078)	(101,442)	(64.4%)
Income Tax Withheld at Source (IRRF) paid	2	3	50.0%
Income from CCI	25,196	29,811	18.3%
Payment of expenses with fiduciary agen	-	(538)	n.a.
Net cash used in financing activities	**(458,369)**	**237,664**	**n.a.**
Changes in cash and cash equivalents	**84,796**	**(205,466)**	

Annex A – Asset Portfolio

Diamond Tower
Location: São Paulo - SP
Area: 36.918 m²
Participation: 100%

Sucupira
Location: São Paulo - SP
Area: 7.534 m²
Participation: 21%

Senado
Location: Rio de Janeiro - RJ
Area: 19.262 m²
Participation: 20%

Cidade Jardim
Location: São Paulo - SP
Area: 7.458 m²
Participation: 50%

Eldorado
Location: São Paulo - SP
Area: 22.246 m²
Participation: 34%

BFC
Location: São Paulo - SP
Area: 10.657 m²
Participation: 25%

Transatlântico
Location: São Paulo - SP
Area: 4.208 m²
Participation: 28%

MV9
Location: Rio de Janeiro - RJ
Area: 15.174 m²
Participation: 100%

CEO Office
Location: Rio de Janeiro - RJ
Area: 4.782 m²
Participation: 27%

Burity
Location: São Paulo - SP
Area: 10.550 m²
Participation: 100%

Cenesp
Location: São Paulo - SP
Area: 64.480 m²
Participation: 31%

Volkswagen
Location: São Paulo - SP
Area: 12.560 m²
Participation: 100%

Montreal
Location: Rio de Janeiro - RJ
Area: 6.439 m²
Participation: 100%

Annex B – About the Fund

BC Fund (Fund) the largest corporate office real estate investment fund listed on the Brazilian stock exchange. Its shares have been traded on the organized market of B3 since its IPO, in December 2010, under the ticker BRCR11. BC Fund was created in June 2007 and, since then, has excelled for actively managing a portfolio with the purpose of investing in commercial income properties strategically located in the most important cities in Brazil. The target investment assets include commercial properties or real estate rights in completed properties or those in the final stages of construction.

BC Fund's current portfolio comprises 13 Class AAA and A office buildings located in São Paulo and Rio de Janeiro, leased to a variety of renowned national and multinational companies such as WeWork, Volkswagen, Linkedin, Petrobras, among others. BC Fund seeks, through its equity stake in each asset, to actively participate in the management of its properties, in order to make them more attractive for occupancy by current and future tenants, as well as ensure they are updated and modern. In addition, BC Fund has investments in other assets, such as shares of other Real Estate Investment Funds (FII), Mortgage Notes (LCI) and Mortgage-Backed Securities (CRI), whose earnings are tax-exempt.

BC Fund's active management policy is based on four pillars: (i) the efficient renegotiation of lease agreements to market value in the minimum intervals permitted by law; (ii) investments in property expansions, improvements and retrofits in order to obtain higher leasing revenue and lower vacancy rates; (iii) the efficient recycling of the portfolio in order to increase revenue and generate capital gains; and (iv) positive leverage in the acquisition of new properties and/or shares of other real estate investment funds, ensuring greater flexibility in regard to managing cash reserves and maximizing shareholder returns.

FIIs are structured investment vehicles whose primary purpose is to invest in the real estate sector in order to promote and develop the sector. One of the main advantages of investing in an FII is 100% exemption from revenue and income taxes on real estate backed assets, ensuring potentially higher revenue than companies operating in the same sector, which are generally subject to revenue tax of 9.25% and a real income tax rate of 34%. Furthermore, FII payouts to individual investors are also tax exempt, provided certain legal requirements are met.

Other potential advantages of investing in FII shares rather than in companies operating in the real estate sector or directly investing in properties include: (i) savings from the non-payment of taxes, labor charges and/or

executive bonus payments, since FIIs are prohibited from directly hiring employees, (ii) more predictable and constant cash flows since FII revenues are mainly derived from the leasing of their properties, (iii) the predictability of and the ability to pay expenses with service providers, whose compensation is normally established as a percentage of the FII's financial performance, (iv) protected assets, in the sense that the Funds are prohibited from using their portfolio properties as collateral or acting as a co-obligor in any transaction, (v) potentially higher liquidity on stock exchange transactions and a substantially lower and widespread investment through the acquisition of shares; and (vi) greater transparency in addition to a simple information collection process.

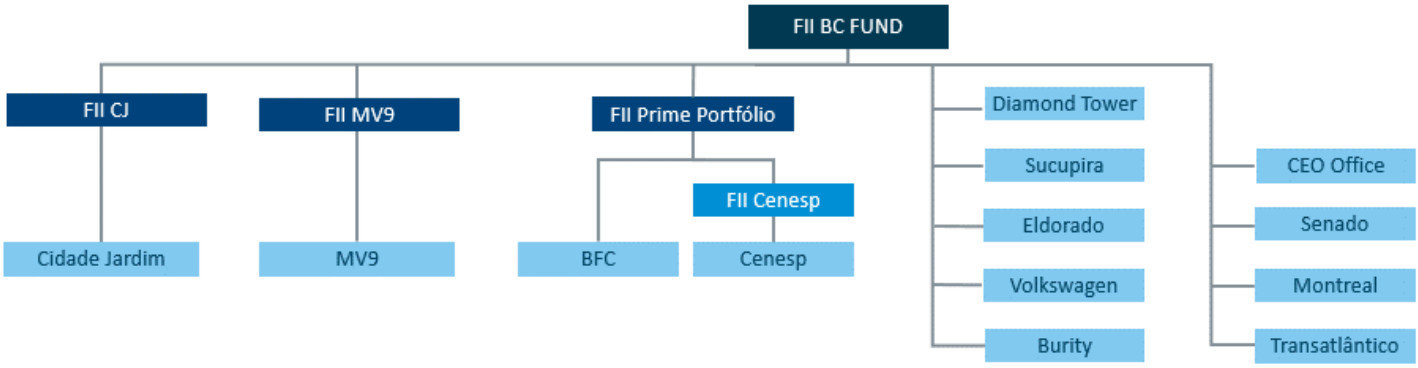
The Fund's monthly payout policy reflects management's strategic decisions, based on the macroeconomic scenario in Brazil and the prospects for the real estate sector. In 2016, when the market signaled falling interest rates, the Fund reduced its cash through capital amortization and changed its monthly distribution policy, previously based on fixed earnings. BC Fund currently pays earnings based on the legal minimum limit, currently at 95% of its six-month result, calculated on a cash basis, in accordance with the Fund's regulations and legislation in force.

Although FIIs are prohibited from taking on debt, they can still leverage their assets by buying real estate in installments or assigning future credit receivables. The guarantees offered in these transactions are not binding in relation to the shareholders nor do they result in the creation of any obligation against the Fund, which is not jointly liable for the solvency of the assigned credit.

BC Fund selects its acquisitions based on the constant monitoring of the corporate office real estate market mainly in Rio de Janeiro and São Paulo, rigorous due diligence of the properties and the ability of the fund administrator and manager (both controlled by Banco BTG Pactual) to prospect and recommend the best investment opportunities. Frequent investments in the mapping of commercial office space supply and demand allow the BC Fund to identify real estate acquisition opportunities with substantial appreciation potential. BC Fund's portfolio turnover demonstrates that even in periods of economic uncertainty in the real estate market, as in 2009 and 2010, BC Fund was able to identify and take advantage of good investments, and, as in 2015 and 2016, periods with a lower volume of real estate transactions, the Fund made divestments with significant capital gains to its shareholders. In 2018, with the resumption of the real estate market, the Fund also made divestitures and positive acquisitions for its portfolio.

BC Fund stands out in the FII market for its pioneering and innovative characteristics, always maintaining a close relationship with investors and mitigating asymmetries. Among the measures taken in this regard, the most important are the Fundamentals Spreadsheet, updated and made available to the market on its website on a monthly basis, and the creation of the Monitoring Committee, composed of a group of shareholders aligned for the benefit of the Fund and its close relationship with investors, who meet periodically to discuss paths and strategies for the Fund's portfolio.

BC Fund's Organizational Structure



Annex C – Glossary

GLA – Gross Leasable Area: Corresponds to the area effectively leased and, therefore, generating revenue. It is used as a basis for calculating the metrics related to the portfolio area.

BOMA Area: The main method for measuring area adopted for the sale of space in corporate office buildings. It allows a better comparison between properties' areas, taking into account space that is for the exclusive use of the standalone units as well as that which provides general support for the condominium.

Cap rate: Corresponds to the monthly revenue from a property on an annualized basis (12 months) divided by the value of the property.

CDB: Certificate of Deposits.

CRI: Mortgage-Backed Securities.

FFO – Funds From Operations: A non-accounting measure corresponding to net income, minus (plus) the effects of gains (losses) from the sale of investment properties, gains from the fair value of investment properties, and nonrecurring revenues and expenses. FFO is calculated by the Fund's administrators and has no standard definition and thus may not correspond to those of other funds or companies in the same industry.

Adjusted FFO: Corresponds to FFO plus non-cash financial expenses from the monetary restatement of debt.

LCI: Mortgage Notes.

Leasing Spread: The real increase (above inflation) of the lease amount at the close of the period over the lease amount for the same area at the beginning of the period due to contract reviews or new leases.

LTV – Loan to Value (gross): Gross debt over total assets minus minority interests.

LTV – Loan to Value (net): Gross debt minus cash and cash equivalents over total assets minus cash and cash equivalents.

IGP-M: General Market Price Index, calculated and published by Fundação Getulio Vargas on a monthly basis.

IPCA: Broad Consumer Price Index, announced by the IBGE (Brazilian Institute of Geography and Statistics) on a monthly basis.

IPO – Initial Public Offering: The Fund's IPO took place in December 2010.

Market Cap: Corresponds to the Fund's value in the secondary market, equivalent to the number of shares multiplied by the closing price of the share on the last business day of the corresponding period.

Contracted Leasing Revenue: A non-accounting indicator corresponding to the total amount of lease agreements in force in the reference month, excluding discounts, grace periods, fines and other adjustments impacting the book value of leasing revenue.

Same Tenant Rent – STR: A non-accounting measure that corresponds to the total amount of lease agreements in force in the reference month in a given area that was already leased by the same tenant at the end of the same period the year before or at the end of the previous quarter, excluding discounts, grace periods, fines and other adjustments that affect the accounting leasing revenue.

Financial Vacancy: The estimated percentage representing the potential monthly leasing revenue from vacant areas over the portfolio's total monthly leasing revenue plus the potential monthly leasing revenue from vacant areas.

Book Value of the Share: Corresponds to the book value of the Fund's equity divided by the number of outstanding shares.