

UBS AST 3

Quarterly Report 4Q22

UBS AST 3 Global Real Estate (ex CH)



Contents

Executive summary	2
Key facts	2
Fund summary	2
Performance summary	2
Quarterly highlights	2
Performance review	5
Performance details (based on I-A2 share class since inception)	5
Performance net returns	6
Portfolio review	7
Portfolio allocations	13
Capital deployment	13
Geographical/Sector Allocation	14
Actual vs. investment targets	15
Foreign exchange exposure	15
Leverage	16
Weighted average debt maturities	16
Underlying funds summary	17
Individual underlying fund summaries	19
Market review and update	20
Contacts	22
Disclaimer and Confidentiality	23

Executive summary

Key facts

Fund name	UBS AST3 Global Real Estate ex CH
Fund structure	Investment Foundation, eligible for the 2nd pillar of the Swiss Pension System according to BVV2
Fund manager	UBS Asset Management
Fund inception	June 30, 2011 (I-A2)
Liquidity	Quarterly liquidity with a 12-month notice period
Net Asset Value (NAV)	CHF 5,457.8 million
Base currency	CHF denominated. Foreign currency exposure is hedged back to CHF.
Leverage	Maximum of 33.3% on a look-through weighted average basis. No additional leverage at the AST 3 GRE level.
Subscription	Quarterly
Redemption	Quarterly (with a 12 months notice period)
ISINs or Valoren (open for subscription)	CH0123558832(I-A2), CH0123558782(I-AO), CH0123558816(I-A1), CH0123558857(I-A3), CH0123558899(I-X)

Subscription process

The next cut-off date to subscribe to AST 3 GRE is February 28, 2023, with an allocation date of no later than May 31, 2023, a pre-payment date of June 23, 2023, and a settlement date of June 30, 2023.

Fund summary

UBS AST 3 Global Real Estate (ex CH) (AST 3 GRE) holds 51 real estate funds and co-investments in its portfolio and has committed 90.9% of its available capital, with unallocated cash standing at 9.1% as at December 31, 2022. The core holdings continue to generate robust cash flow. During the quarter, AST 3 GRE made a redemption payout of CHF 10.3 million and received CHF 101.7 million in pre-payment of subscriptions for a settlement date of December 30, 2022. The FX hedge ratio reached 102.5% as of 4Q22 due to capital value declines of many underlying investments, which constitutes a passive breach of the investment guidelines. The Fund Manager is investigating the possibilities to resolve the breach rapidly and in a cost efficient manner.

Performance summary

The performance of AST 3 GRE during 4Q22 was -4.26% Quarter-on-Quarter and 3.49% Year-on-Year (hedged, in CHF for the I-A2 share class). This negative return was due to value corrections in a majority of AST 3 GRE's holdings, as underlying property valuations adapt to the higher interest rate environment. The rise in discount rates of real estate valuations impacted most of the US, European and British investments, while the APAC allocation continued to show resilience during this quarter. In addition, AST 3 GRE's portfolio kept posting robust operational metrics, as the situation in occupier markets remains generally strong. As a consequence, the income stability and solid rental growth prospects of the portfolio's assets reduced the intensity of the repricing in 4Q22. Passive hedging of non-CHF exposures had a positive impact on performance, since the meaningful gain on forward contracts used to hedge reporting currencies of the underlying funds more than compensated the

cumulated price of the various hedging contracts, as well as the loss on the contracts used for look-through hedging the currency exposure of pan-Asian and pan-European holdings. The annualized standard deviation since inception was 2.75% for the I-A2 share class.

Valuation principles

The net asset value of AST 3 GRE is determined by the administrator in compliance with Swiss GAAP FER 26 and the stipulations of the supervisory authority. The valuation is based on the most recent net asset value reports submitted by the managers of the target investments. The underlying properties in target investments are valued by independent third-party appraisers at least annually, but in some cases on quarterly or even monthly basis. All the underlying properties of an underlying investment may be independently revalued in one time, or the independent valuation works may be completed for part of the underlying property portfolio on a rolling basis over the financial year. The third-party appraisers independently define important factors driving underlying property values, such as future growth of rental income, the discount factor applied to forecasted property cash flows, the expected cap rate at the time of an investment disposal and the amount of future investments needed to maintain / upgrade a property based on actual market evidence and professional best practice. The practice of appraisal-based determination of property value differs considerably from the price-based mechanism inherent in more liquid, traditional asset classes, although market evidence of pricing is one contributing factor to a valuer's appraisal.

Quarterly highlights

In 4Q22, AST 3 GRE continued its disciplined investment strategy with a focus on the rebalancing of the portfolio and acting on attractively priced opportunities on the secondary market. During the quarter, the Fund Manager completed four top-ups and submitted partial redemption requests to three invested positions. In addition, AST 3 GRE received capital returns from two outstanding partial redemption requests.

In the US, the Fund Manager submitted a partial redemption request to an American balanced fund with a major logistics exposure (USD 20 million) and an American industrial fund (USD 30 million) to rebalance the portfolio by generating liquidity out of the largest regional allocation of AST 3 GRE. Moreover, AST 3 GRE received USD 2.6 million back from an American balanced fund and USD 6.7 million from another American balanced fund in relation to outstanding partial redemption requests placed in 2Q22.

In Europe, AST 3 GRE placed a partial redemption request to a European balanced fund (EUR 25.3 million), in line with our strategic view of keeping the continental European allocation in an underweight position.

The Fund Manager continued to increase the fund's position in the APAC markets by acting on four top up opportunities. AST 3 GRE participated in a capital raise by an Australian healthcare fund (AUD 20 million). In addition, the Fund Manager completed three acquisitions on the secondary market at meaningful discounts to net asset value: AUD 23 million into an Australian office fund, AUD 25 million into an Australian industrial fund and JPY 414.6 million into a Japanese industrial fund.

Performance in CHF (hedged, as at December 31, 2022)

AST 3 GRE had a negative Quarter-on-Quarter performance of -4.26% and a positive Year-on-Year performance of 3.49% (for the I-A2 share class). The top three performers during the quarter were Australia Industrial Fund (4.0%), APAC Balanced Fund (3.9%) and Australia Healthcare Fund (3.1%). The bottom performers were UK Industrial Fund (-21.4%), UK Balanced Fund (-19.7%), and UK Balanced Fund (-14.0%). These three funds had their value impacted by yield expansion, while their operating situation remained strong. The ranking excludes holdings which are less than 0.1% of the AST 3 GRE portfolio on an invested basis.

In the US, most of the holdings posted a negative performance in 4Q22, with a few exceptions such as US Student Housing Fund (1.3%), in which the growth in net operating income more than compensated for a rising discount rate. US Senior Housing Co-Investment (1.1%) showed resilience as well, thanks to robust operating metrics in its portfolio of senior housing schemes. By contrast, several US balanced funds and logistics funds suffered from more pronounced capital value losses. In this group of investments, US Balanced Fund (-6.2%) experienced the most severe value correction due to valuation markdowns in its office property stock. The remaining US funds delivered returns ranging from 0.0% to -5.8%.

As in the previous quarter, the UK allocation was the most impacted by capital value decline due to outward yield movements and the rising cost of debt weighing on investor sentiment. UK Industrial Fund reported a negative total return of -21.4% despite continuing to record rental growth across its portfolio. The three UK balanced funds delivered negative total returns of -12.2%, -14.0% and -19.7% respectively. These negative returns were driven by capital declines across all sectors, but more markedly within their respective industrial/logistics portfolios again due to discount rates adapting to the higher interest rate environment.

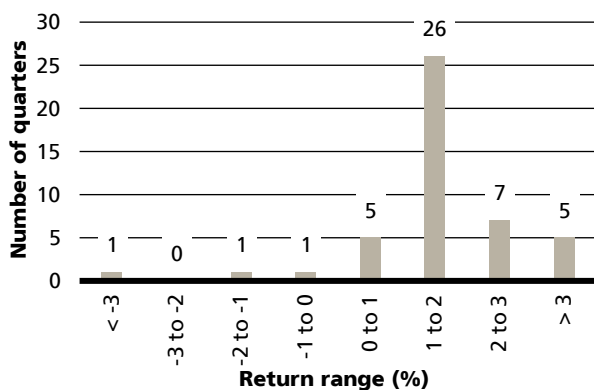
In Continental Europe, most underlying funds posted negative total returns driven by valuation write-downs as a consequence of rising interest rates. Europe Logistics Fund (-11.5%) was the most impacted by yield expansion, despite dynamic market rental growth offsetting part of the capital value decline. Europe Balanced Fund (-8.8%) also experienced a significant value correction, driven mainly by discount rate adjustments in its logistics portfolio. Europe Retail Fund (2.3%) is the only European investment which posted a positive performance in 4Q22. The positive performance was predominantly due to the disposal of an asset above book value. The total returns of the remaining continental European positions ranged from -6.8% to -0.4%.

As in the previous quarter, the APAC allocation continued to show resilience despite the rising interest rate environment. Most of the regional holdings posted positive returns in 4Q22, led by Australia Industrial Fund (4.0%) and the value-add fund APAC Balanced Fund (3.9%). The first fund experienced a capital value increase driven by strong market rental value growth despite increasing discount rates in the underlying property stock, while the second investment benefited from valuation uplift in its Japanese real estate portfolio. Australia Healthcare Fund (3.1%) attained the third position of the top performers thanks to a positive revaluation of its defensive healthcare property portfolio. Four investments posted negative returns during 4Q22. At the bottom of the ranking, APAC Balanced Fund (-3.1%) saw its performance impacted by the adverse movement of an interest rate swap and operative expenses related to the building phase of this new value add fund. The remaining APAC funds posted performances ranging from -1.3% to 2.6%.

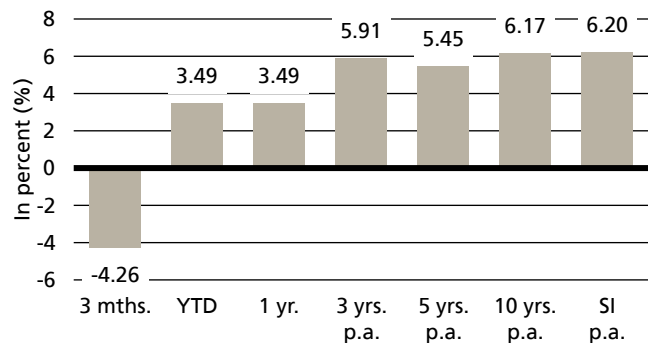
Performance review

Quarterly return distributions

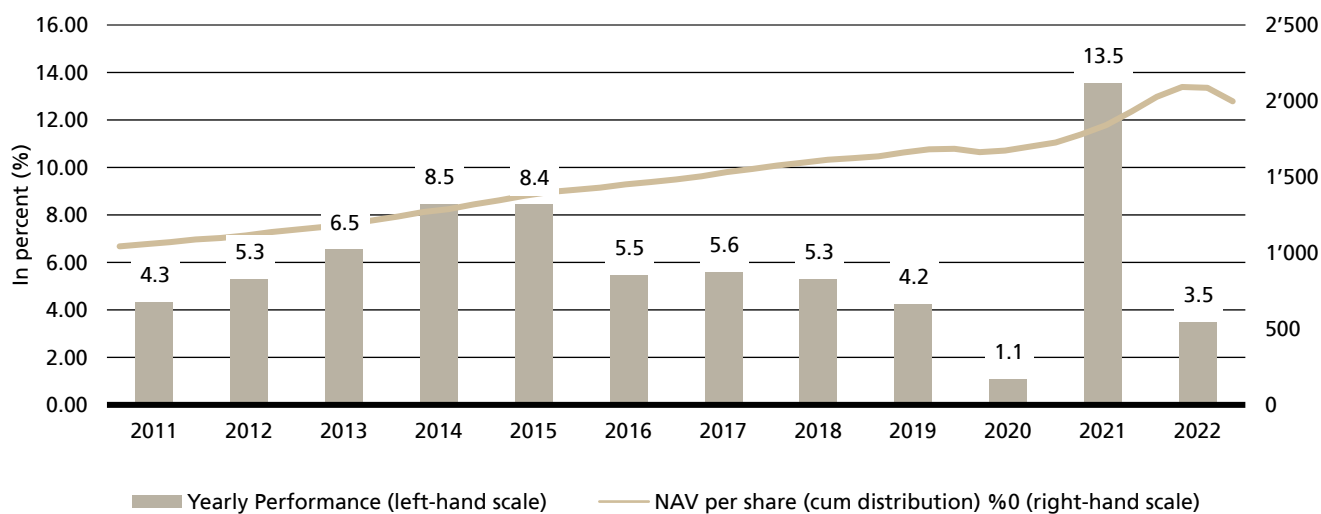
(I-A2 share class since inception June 30, 2011)



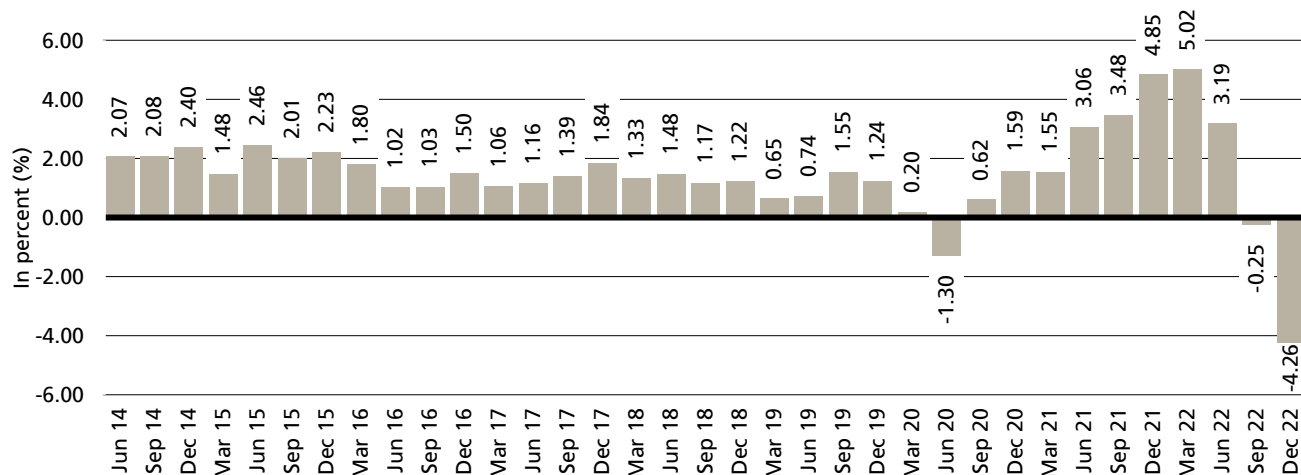
Total return



Performance overview (% , based on I-A2 share class)



Quarterly performance overview (based on I-A2 share class)



Note: Only the performance of the last 36 quarters is shown above and complete historical quarterly performance is available upon request.
Past performance is not a reliable indicator of future results.

Performance net returns (%)

	Inception date	Cum-div NAV	3 mths.	YTD	1 yr.	3 yrs. p.a.	5 yrs. p.a.	10 yrs. p.a.	SI p.a.
I-A1	30.06.2011	1,966.12	-4.30	3.33	3.33	5.75	5.30	6.02	6.06
I-A2	30.06.2011	1,997.78	-4.26	3.49	3.49	5.91	5.45	6.17	6.20
I-A3	31.03.2012	1,908.43	-4.24	3.59	3.59	6.01	5.56	6.27	6.20
I-AO	30.06.2011	1,945.46	-4.32	3.23	3.23	5.65	5.19	5.92	5.96
I-X	31.12.2011	2,037.04	-4.12	4.11	4.11	6.53	6.08	6.77	6.68

Note: Past performance is no reliable indicator for future results.

Performance figures over a period of more than one year are shown annualized. Cum-div NAV is representative of NAV incl. all previously made distributions.

Portfolio review

Portfolio update and regional overview

To date, approximately 90.9% of AST 3 GRE's available capital has been committed to 51 underlying real estate funds and co-investments, providing exposure to c. 10,300 properties in 29 markets¹. The look-through occupancy of the portfolio is 93.4%, with a diversified pool of over 40,200 tenants and a weighted average lease expiry of circa 5.6 years. Current look-through leverage stands at 26.3% and refinancing risk should remain low, with a healthy and staggered maturity schedule.

During the quarter, the Fund Manager continued the rebalancing strategy for AST 3 GRE. As targeted in this strategy, the American allocation came down to 44.4% compared to 48.3% in 3Q22. In addition to the passive reduction triggered by value corrections in several US investments, the redemption proceeds from an American balanced fund (USD 2.6 million) and another American balanced fund (USD 6.7 million) contributed to the rebalancing. In addition, the partial redemption requests placed to US Balanced Fund (USD 20 million) and US Industrial Fund (USD 30 million) will generate more liquidity out of AST 3 GRE's largest regional allocation in the near term.

In Europe, AST 3 GRE placed a partial redemption request to a European logistics fund (EUR 25.3 million), in line with our strategic view of keeping the continental European allocation in an underweight position. The regional position decreased marginally to 15.2% in 4Q22, down from 15.3% in the previous quarter. The British allocation decreased more severely due to material discount rate revisions and was at 7.0% at the end of 4Q22 (down from 8.0% in 3Q22).

¹ Single countries and including autonomous territories of China.

Table 1: Regional exposure change

	4Q21		3Q22		4Q22
Americas	43.5%	↑	48.3%	↓	44.4%
US	43.0%	↑	47.8%	↓	43.9%
Canada	0.5%	↔	0.5%	↔	0.5%
Europe	27.4%	↓	23.3%	↓	22.2%
UK	9.0%	↓	8.0%	↓	7.0%
Germany	3.4%	↓	3.3%	↓	3.2%
Netherlands	3.1%	↓	2.6%	↔	2.6%
France	2.3%	↓	1.7%	↓	1.6%
Spain	1.1%	↓	0.7%	↔	0.7%
Other	8.4%	↓	7.0%	↑	7.1%
APAC	23.6%	↑	22.8%	↑	24.3%
Australia	7.5%	↑	7.5%	↑	8.4%
Japan	10.7%	↓	8.9%	↑	9.5%
Mainland China	3.8%	↓	3.5%	↔	3.5%
Singapore	0.1%	↑	1.4%	↓	1.1%
South Korea	0.9%	↑	0.7%	↑	1.0%
Other APAC	0.7%	↑	0.8%	↑	0.9%
Unallocated cash	5.5%	↑	5.5%	↑	9.1%

Source: UBS Asset Management, REP M and underlying fund managers

Portfolio statistics

Value of underlying real estate assets (CHF billion)	ca. 351
Number of underlying real estate funds	51
Number of properties	ca. 10,300
Number of tenants	ca. 40,200
Portfolio Occupancy (%)	93.4
Current leverage (%)	26.3
Weighted average lease expiry (years)	5.6

The weighted average lease expiry calculation excludes the residential specialist funds. The extent of tenant diversification is expected to be greater than the figure presented. Some of the underlying funds do not provide total tenant figures due to their confidentiality and disclosure guidelines.

Except for leverage that is based on invested capital, the rest are based on committed. Information based on underlying funds' last available reports.

Despite the underweight view on the region, it is likely that the Fund Manager will consider some European and UK investments over the next months, given the advanced repricing trend observed in these local markets. In this environment, opportunities will arise to access prime real estate products with an embedded rebound potential and/or structural growth prospects at an attractive entry price.

In APAC, the Fund Manager completed top-up investments into Australia Office Fund (AUD 23 million), Australia Industrial Fund (AUD 25 million) and Japan Industrial Fund (JPY 414.6 million). All these transactions were concluded on the secondary market at meaningful discounts to net asset value. In addition, AST 3 GRE participated in the capital raise by Australia Healthcare Fund (AUD 20 million). All these additions are line with the targeted increase of the APAC allocation as part of AST 3 GRE's rebalancing strategy. The APAC allocation reached 24.3% at the end of 4Q22, up from 22.8% in the previous quarter.

The unallocated cash level was at 9.1% in 4Q22, up from 5.5% in 3Q22. This elevated level was partly due to the capital value correction of most underlying real estate investments during the quarter (denominator effect), but also to the prudent liquidity management adopted by the Fund Manager as well as the unrealized gain of CHF 97.2 million on the FX forward contracts. AST 3 GRE benefits from this ample liquidity bucket in the currently uncertain market environment. Firstly, the Fund Manager can stick to the underlying portfolio positions and has no pressure to dispose of strategic assets to generate liquidity. Secondly, AST 3 GRE is well positioned to act on investment opportunities at an attractive entry price. Finally, the generous amount of free cash enables a flexible management of FX forward contracts, whose rollover may lead to sizeable realized gains or losses given the recent volatility observed on the FX markets.

Sectoral overview

The values of industrial/logistics positions came widely under pressure during this quarter as the low discount rate of logistics properties experienced an adjustment to the higher interest rate environment. As a consequence, the industrial/logistics allocation came down from 35.0% in 3Q22 to 33.9% in 4Q22. Despite this reduction, industrial/logistics is set to remain an important allocation in AST 3 GRE's portfolio. Overall, the sector continues to show signs of strength in terms of income return and rental growth prospects. Keeping this in mind, we expect the allocation to remain a boost to long-term performance. From this background, the partial redemption requests placed to an American balanced with a major logistics exposure (USD 20 million) and an American industrial fund (USD 30 million) were primarily driven by the regional rebalancing strategy towards APAC, where AST 3 GRE completed top up investments into Australia Industrial Fund (AUD 25 million) and Japan Industrial Fund (JPY 414.6 million).

Part from the logistics allocation, discount rate adjustments impacted negatively the values of several residential investments of AST 3 GRE's portfolio in 4Q22. Nevertheless, we expect AST 3 GRE to benefit from its 22.7% exposure to the sector in a longer-term perspective (down from 23.9% in 3Q22). Occupier demand for living properties is bolstered by strong socio-demographic trends, whilst construction activity in growing conurbations continues to be constrained by a lack of available building land, restrictive planning laws and, more recently, the rising cost of third-party financing. This leads to strong rental growth prospects for the sector and persisting resilience of operative metrics in the invested residential portfolios.

The portfolio allocation to retail properties remains strongly underweight at 6.3% (down from 6.6% in 3Q22). Investment opportunities in this sector may be considered in the coming quarters, with a focus on non-discretionary goods and similar defensive retail segments in light of the uncertain economic environment.

We are maintaining our deliberate underweight position to the office sector, since office space demand is expected to cool in challenging economic times, while uncertainties persist around the nature of new ways of working and their long-term effect on office surface demand and on financial performance. AST 3 GRE's total office sector allocation is currently 18.1% (down from 18.7% in 3Q22). Furthermore, about 2.9% of the office exposure comprises medical offices, a resilient subsector benefitting of growing healthcare spending. Keeping this in mind, additions to the traditional office sector are only

Table 2: Risk exposure change

	4Q21	3Q22	4Q22
Core + unallocated cash	95.5% ↓	93.4% ↓	93.3%
Value-add	4.5% ↑	6.6% ↑	6.7%

Source: UBS Asset Management, REPM and underlying fund managers

Table 3: Liquidity exposure change

	4Q21	3Q22	4Q22
Open-ended + unallocated cash	73.3% ↑	73.6% ↑	75.4%
Semi-open-ended	7.6% ↓	8.1% ↓	5.1%
Closed-ended	19.0% ↑	18.3% ↑	19.5%

Source: UBS Asset Management, REPM and underlying fund managers

considered in the prime end of the market. The top up into Australia Office Fund (AUD 23 million) – a fund holding one of the most prime office asset portfolios in Australia – is exemplary of this approach.

We are keeping a sizeable exposure to alternative real estate sectors at 9.9% of the portfolio (down from 10.3% in 3Q22). This “other” allocation comprises defensive property types such as life science facilities (6.8%), underpinned by ageing demographics and increasing R&D spending, and self-storage buildings (1.1%), which tend to show above-average resilience in uncertain economic times. Health clinics are also part of this alternative allocation. The top up completed into Australia Healthcare Fund (AUD 20 million) strengthens the exposure of AST 3 GRE’s portfolio to this defensive subsector.

Outlook

4Q22 was the most negative quarter in terms of performance since AST 3 GRE was launched at the end of 2Q11. As discussed in further detail in the performance section, the adaptation to the higher interest rate environment negatively impacted most of the target funds because of the expansion of discount rates in the underlying property valuations. The UK allocation has been the most hit by these valuation markdowns, while the APAC positions showed above-average resilience. The impact of the higher yield environment on discount rates is likely to persist during the first half of 2023. At the same time, occupier market fundamentals in most of the sectors invested by AST 3 GRE remain very robust at the moment. In the case of several underlying investments, the capitalization of market rental value growth compensated part or all of the negative value impact from rising discount factors. Assuming that the robust situation in occupier markets persists, it should pave the way for a solid recovery of the global real estate asset class, once the digestion phase of the higher interest rates has been completed.

In our view, AST 3 GRE’s portfolio is best positioned to both navigate the challenging market phase we are living in with an above-average resilience, and to capture future returns which will eventually materialize once the asset class starts to recover. AST 3 GRE is highly diversified in terms of market, sector and best-in-class manager exposure. Its strategy is primarily focused on open end structures investing in high-quality real estate in the most established markets around the world. The allocation of the fund is tilted towards property sectors either enjoying structural demand growth (logistics, student housing, senior housing, life science / healthcare) or showing a low correlation with the business cycles (rental apartments, grocery retail, self-storage). This allocation is expected to produce a solid rental income and support a robust distribution yield going forward. In addition, the fund benefits of ample liquidities. This will allow the Fund Manager to stick to AST 3 GRE’s strategic positions during this challenging market environment and to act on investment opportunities showing positive long-term prospects at an attractive entry price. Finally, the fund stability is supported by a large and diversified base of Swiss pension fund investors, whose allocation strategy and capital requirements tend to be very long-term oriented.

Table 4: Sector exposure change

	4Q21	3Q22	4Q22
Office	20.8% ↓	18.7% ↓	18.1%
<i>Traditional</i>	18.0% ↓	15.7% ↓	15.2%
<i>Medical</i>	2.7% ↑	3.0% ↓	2.9%
Retail	6.5% ↓	6.6% ↓	6.3%
Industrial	35.1% ↓	35.0% ↓	33.9%
Residential	22.5% ↑	23.9% ↓	22.7%
<i>Single-/Multi-family</i>	16.9% ↓	18.4% ↓	16.6%
<i>Student Housing</i>	2.6% ↑	3.0% ↑	3.1%
<i>Senior Housing</i>	3.0% ↓	2.5% ↑	2.9%
Other	9.7% ↑	10.3% ↓	9.9%
<i>Self-storage</i>	0.7% ↑	1.1% ↔	1.1%
<i>Debt</i>	0.1% ↓	0.0% ↔	0.0%
<i>Hotel</i>	0.3% ↓	0.3% ↓	0.2%
<i>Lab buildings</i>	6.8% ↔	7.3% ↓	6.8%
<i>Other</i>	1.8% ↔	1.6% ↑	1.8%
Unallocated cash	5.5% ↑	5.5% ↑	9.1%

Source: UBS Asset Management, REP M and underlying fund managers

ESG overview

Global Real Estate Sustainability Benchmark (GRESB) released its 2022 annual Real Estate Assessment results in October 2022. Out of the 51 AST 3 GRE holdings as at 3Q22, 44 had their real estate stock benchmarked with reported results, including 2 co-investments which reported the data with the main funds of their platform. In addition, two underlying funds participated in GRESB for the first time in 2022, but without public scoring communicated for this first year of benchmarking (grace period). This leads to a total participation rate for the AST 3 GRE portfolio of 96.8% as of 3Q22, applying a weighting based on the sum of market value of investments and undrawn open commitments (ex-cash allocation). The five non-participating funds are either recently launched and committed structures, which are still establishing their investment portfolio and are expected to participate in the benchmarking in the near future, or value add funds which reached the end-of-life stage and are in the process of winding down their real estate stock. Like last year, most of AST 3 GRE's underlying funds participating in GRESB outperformed the industry average. Based on AST 3 GRE's portfolio composition as of 3Q22, the average total GRESB score of AST 3 GRE's benchmarked underlying holdings rose to 81 points¹ (vs. the GAV-weighted average of 79 for the unlisted property investment sector and vs. the equally-weighted average of 74 for the officially reported GRESB benchmark), up from 80 points in 2021 and 79 points in 2020. This leads to a 4 Green Star rating on an aggregated level for AST 3 GRE benchmarked portfolio. In detail, 28 participating funds attained either a 4 or a 5 Green Star rating. In this edition, the portfolio outperformed the industry average both in terms of Management (29 vs. 28 points) and ESG Performance scores (52 vs. 51 points). Moreover, AST 3 GRE's benchmarked underlying property stock had an Environmental indicator in line with the industry average (44 points), scored 19 out of 20 points for the Governance component and reached the maximal rating in the Social category (18 points). AST 3 GRE is proud of its underlying funds' participation in the 2022 assessment, as well as the overall progress reported in this edition compared to last year's results. Despite the very good rating in 2022, there is always room for improvement on the journey towards a more sustainable real estate investment portfolio. Although being close to the industry average, pain points remain regarding the absolute results in the energy consumption, water consumption and greenhouse gas emission sub-indicators.

In addition to aggregated indicators, GRESB also provides granular quantitative information on greenhouse gas emissions and energy efficiency of the investments held in the portfolio of AST 3 GRE. In the next lines, we focus on statistics from target funds, which had a coverage value of at least 50% in terms of floor space and reporting time assessed in 2022 (representativeness threshold defined by the Fund Manager). The average numbers are weighted by the respective sum of the market value of investment and undrawn open commitment as of 4Q22. For the sample described above, the average energy consumption was 141.9 kWh per m² and the average greenhouse gas emission 43.6 kg CO_{2eq} per m² for the reporting period. On average in this sample, about 8.6% of the total energy consumption came from renewable sources and 23.4% of the floor space held at least one operational green building certification. More detail is available in the table at the end of the section.

We continue to strongly encourage managers not only to participate in the annual GRESB assessment, but to constantly seek ways to improve their ESG credentials. AST 3 GRE is committed to working with its underlying managers to share best practice in this space. The achievements of a manager as well as their GRESB scores are taken into consideration when making investment decisions. In addition, the Fund Manager utilizes a proprietary sustainability scorecard, which enables the assessment of and comparison between underlying funds or new investment opportunities independently of their participation in GRESB. Among other things, this questionnaire captures the SFDR classification and the nature of the carbon reduction target applied by underlying funds. As of 4Q22, 17 out of 51 AST 3 GRE's holdings were classified as SFDR article 8 products, and 43 investment platforms responsible for managing underlying funds of AST 3 GRE's portfolio were UNPRI signatories. Furthermore 31 targets had a carbon reduction target in line with the goals of the Paris Agreement. Detailed information is available in the table below. In addition to the ESG scorecard, the mapping of climate related physical risks on a single property level is another in-house initiative, currently in the pilot phase, to assess present and future property stock resilience for our global real estate investment portfolios, among them AST 3 GRE.

¹ The score excludes co-investments and funds in the reporting grace period which participated in GRESB in 2022.
Notes: All discussed scores are asset-weighted unless otherwise stated.

Table 5: ESG data on a target fund level (2022)

Target fund ^{0, 6}	GRESB score ^{1, 2}	SFDR category ^{2, 7}	Energy consumption intensity (kWh/m ²) ^{2, 3}	GHG emissions intensity (kg CO ₂ eq/m ²) ^{2, 3}	Renewable energy (% total energy consumption) ^{2, 5}	Operational green building certification (% total floor space) ^{2, 4}
Fund 1 *	68	Not applicable	-	-	1.8%	0.0%
Fund 2 * †	64	Article 8	-	-	0.0%	90.5%
Fund 3 *	81	Article 6	98.9	48.19	0.8%	25.2%
Fund 4 *	76	Article 6	119.6	31.27	3.9%	3.7%
Fund 5 *	84	Article 6	381.0	103.85	0.2%	31.3%
Fund 6 * †	90	Article 8	79.2	15.05	7.3%	52.1%
Fund 7	No score	Not applicable	-	-	-	-
Fund 8 *	No score	Article 6	-	-	-	-
Fund 9	67	Article 6	92.2	32.40	1.2%	0.0%
Fund 10 * †	90	Article 8	81.4	18.39	24.6%	89.5%
Fund 11 * †	91	Article 6	124.3	8.36	63.5%	100.0%
Fund 12 * †	87	Article 8	127.5	34.80	13.2%	47.4%
Fund 13 * †	74	Article 8	59.0	7.36	14.1%	49.9%
Fund 14 * †	80	Article 8	52.1	45.60	25.9%	50.3%
Fund 15 * †	83	Article 6	147.0	35.44	8.2%	18.2%
Fund 16	67	Not applicable	-	-	0.0%	0.0%
Fund 17 * †	85	Article 6	232.2	59.16	10.8%	10.6%
Fund 18 * †	87	Article 8	123.9	27.21	33.8%	81.2%
Fund 19 * †	89	Not applicable	38.4	17.11	2.2%	28.2%
Fund 20 †	78	Not applicable	8.8	6.47	0.0%	1.9%
Fund 21	93	Article 6	24.7	10.44	8.0%	45.3%
Fund 22	79	Article 6	78.0	15.20	53.0%	17.3%
Fund 23 * †	No score	Article 6	-	-	-	-
Fund 24 * †	80	Article 6	195.8	59.62	5.2%	5.8%
Fund 25 * †	77	Article 6	16.9	2.96	12.4%	0.0%
Fund 26 * †	89	Article 8	108.4	29.00	51.2%	19.0%
Fund 27 *	77	Article 8	216.1	90.02	0.0%	0.0%
Fund 28 *	81	Article 6	268.5	204.81	16.9%	2.4%
Fund 29 * †	87	Article 8	121.0	30.34	15.1%	30.3%
Fund 30 * †	93	Not applicable	160.7	75.20	28.3%	99.3%
Fund 31 * †	No participation	Article 6	-	-	-	-
Fund 32 * †	81	Article 6	-	24.50	0.0%	20.9%
Fund 33 *	No participation	Article 6	-	-	-	-
Fund 34 *	85	Article 6	129.6	45.99	1.6%	2.4%
Fund 35 *	No participation	Article 6	-	-	-	-
Fund 36 * †	78	Article 8	-	-	10.8%	10.9%
Fund 37 * †	85	Article 6	129.2	35.45	1.3%	31.9%
Fund 38 * †	81	Article 6	121.4	36.26	7.2%	17.0%

Fund 39 *	85	Article 6	50.9	25.75	13.3%	27.2%
Fund 40 * †	81	Article 8	41.9	25.10	1.2%	0.0%
Fund 41 * †	87	Article 8	92.8	22.91	0.9%	4.2%
Fund 42 * †	70	Article 8	-	-	0.1%	0.0%
Fund 43 * †	85	Not applicable	165.1	130.81	8.6%	78.1%
Fund 44 *	85	Article 8	94.3	25.20	0.0%	31.3%
Fund 45 *	71	Article 8	51.3	14.62	0.0%	0.0%
Fund 46 * †	No score	Not applicable	-	-	-	-
Fund 47 *	No participation	Article 6	-	-	-	-
Fund 48	No participation	Article 8	-	-	-	-
Fund 49 * †	86	Not applicable	127.0	40.30	11.2%	54.8%
Fund 50 * †	75	Article 6	94.7	19.33	19.5%	0.0%
Fund 51 †	83	Not applicable	545.9	116.37	6.5%	0.0%

Note 0: UBS MM-RE is awaiting on the written consent of the managers of AST 3 GRE's targets funds to disclose the respective product names in relation to the information stated above. In the meanwhile, target fund names need to remain strictly anonymous (including specific region and sector).

Note 1: Past GRESB performance is not an indication for future results. All intellectual property rights to this data belong exclusively to GRESB BV (GRESB). All rights reserved. GRESB has no liability to any person (including a natural person, corporate or unincorporated body) for any losses, damages, costs, expenses or other liabilities suffered as a result of any use of or reliance on any of the information which may be attributed to it. AST 3 GRE weighted averages of GRESB scores based on the 3Q22 target fund holding NAV plus remaining capital to commit. FX rates used are as at September 2022 but will influence the results through the impact on percentage weights, calculated by using CHF denominated holding values. Due to a lack of transparency of the underlying data, results should be considered indicative only. UBS cannot guarantee the accuracy of the data provided to us by GRESB which in turn relies upon data provided by underlying managers. Data is checked by GRESB but cannot be guaranteed. For information purposes only, UBS cannot be held liable for the accuracy of this information. Fund 31, Fund 33, Fund 35, Fund 47 and Fund 48 did not participate in the 2022 GRESB Real Estate Assessment. Fund 8 and Fund 23 reported their assets together with the main fund and did not receive a separate score. Fund 7 and Fund 46 participated for the first time in the 2022 GRESB Real Estate Assessment, and did not receive a score, which is publicly available (grace period).

Note 2: Quantitative assessment covers only underlying funds which participated, submitted responses and received a public score in the 2022 GRESB Real Estate Assessment. All quantitative data is sourced from the 2022 GRESB Real Estate Assessment. SFDR classification and carbon reduction target are reported by fund managers in the 2022 MMRE ESG Questionnaire. UBS AM is not responsible for the accuracy of the information/data reported by third parties.

Note 3: GHG emissions and energy consumption data has been scaled to account for missing data coverage (i.e. less than 100%), potentially meaning the results are not reflective of the entire portfolio. Funds with a coverage value of less than 50% have been excluded in the calculations of the portfolio's weighted average energy consumption intensity and GHG intensity discussed in the "ESG overview", and the data is not disclosed in the table above (lack of representativeness).

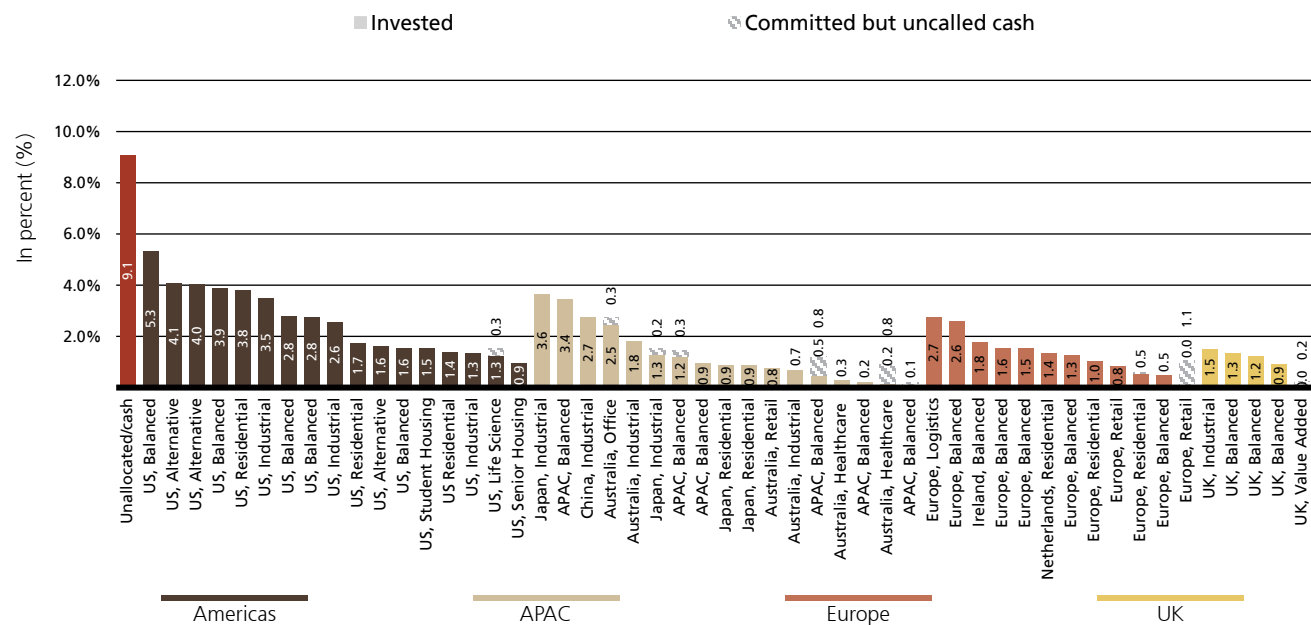
Note 4: In case of assets certified more than once, this number is capped at 100% on an asset level (no double counting). Examples of certifications include but are not limited to LEED, BREEAM, Green Star, NABERS, and Well.

Note 5: Includes renewable energy generated on-site and consumed by landlord, renewable energy generated off-site and purchased by landlord, renewable energy generated off-site and purchased by tenant, renewable energy generated on-site and consumed by third-party (or tenant), and excludes renewable energy generated on-site and exported by landlord. Based on unscaled total energy consumption of the areas for which data was reported.

Note 6: Target funds with a star (*) means that the manager is a UNPRI signatory (more information: <https://www.unpri.org/>). Target funds with a cross (†) means that the fund has a carbon reduction target in line with the goals of the Paris Agreement (net zero by 2050, 50% carbon emission reduction by 2030).

Note 7: The Sustainable Finance Disclosure Regulation (SFDR) is a European regulation introduced to improve transparency in the market for sustainable investment products, to prevent greenwashing and to increase transparency around sustainability claims made by financial market participants. For more information, please visit: <https://www.eurosif.org/policies/sfdr/>.

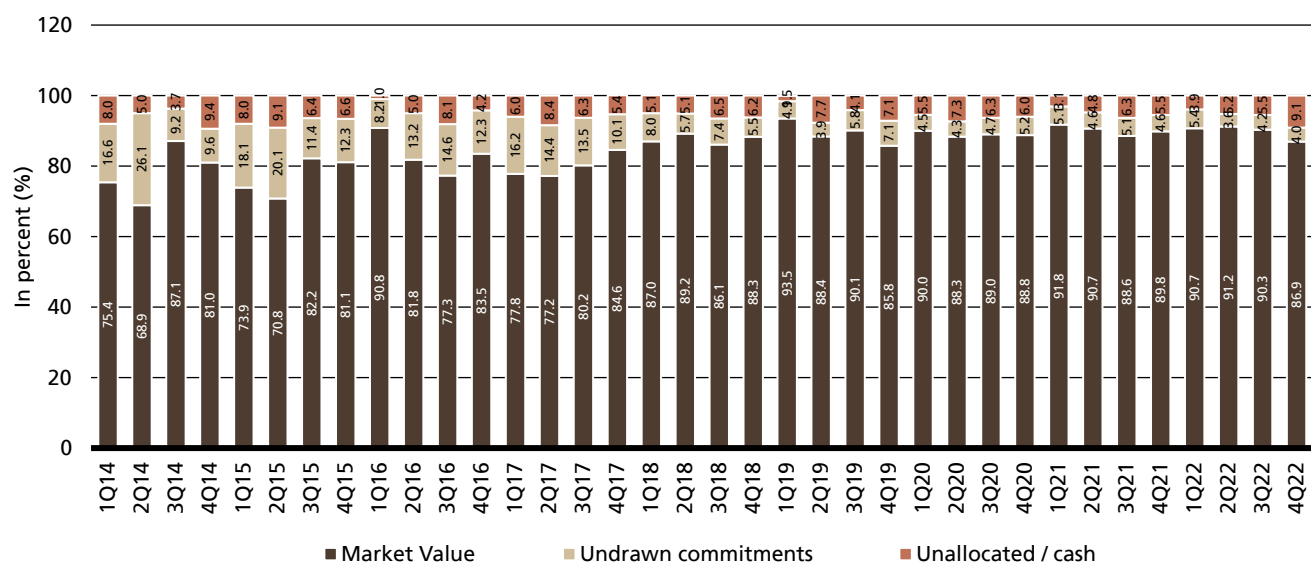
Portfolio allocations



Represents the capital invested and committed as a percentage of the NAV and undrawn open commitments from investors as at report date. Committed refers to undrawn capital obligations made to underlying funds. Figures in the charts do not always sum to 100% due to rounding.

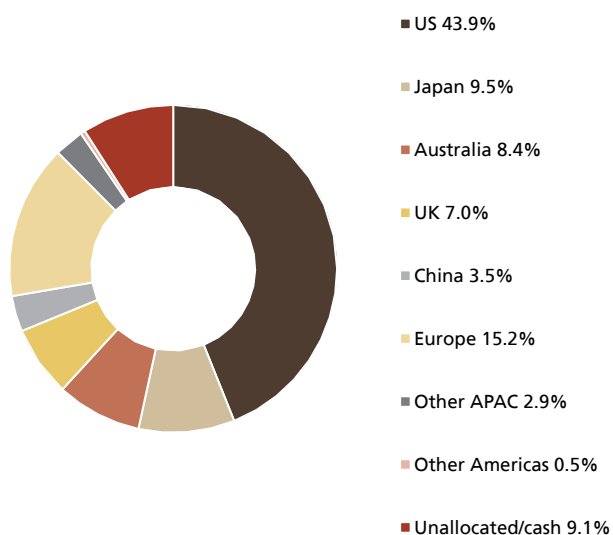
Capital deployment

The below chart depicts when commitments were made into underlying funds.

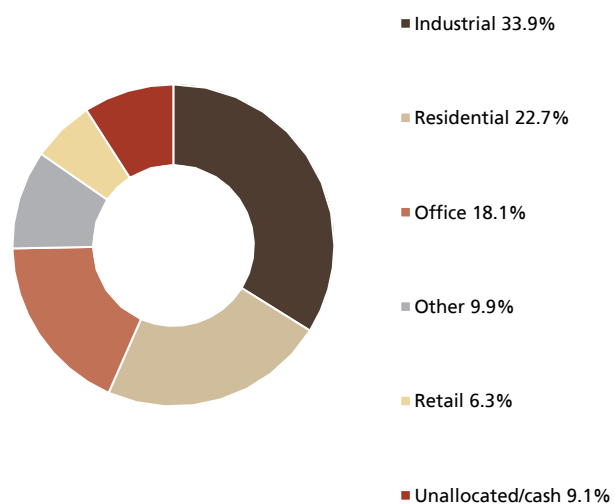


Only capital deployment of the last 36 quarters is shown above and complete historical deployment figures are available upon request.

Geographical allocation (committed)



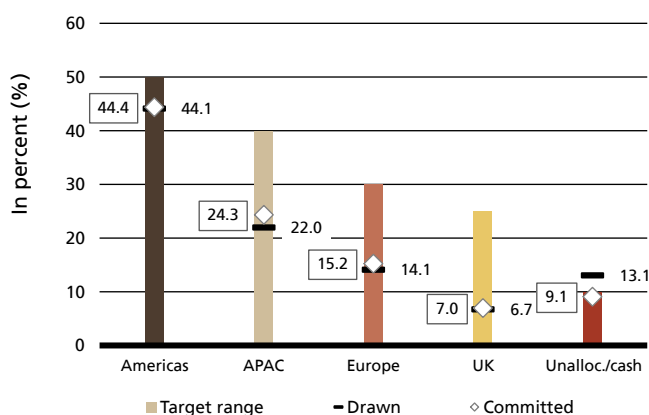
Sector allocation (committed)



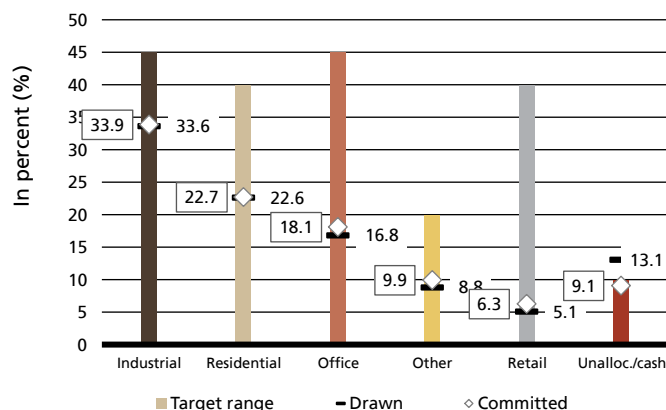
Represents the capital invested and committed as a percentage of the NAV and undrawn open commitments from investors, if accepted, as at report date. Committed refers to undrawn capital obligations made to underlying funds. Figures in the charts do not always sum to 100% due to rounding.

Actual vs. investment targets

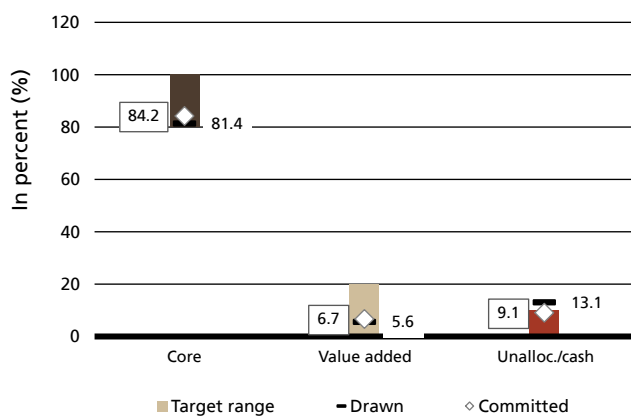
Regional allocation



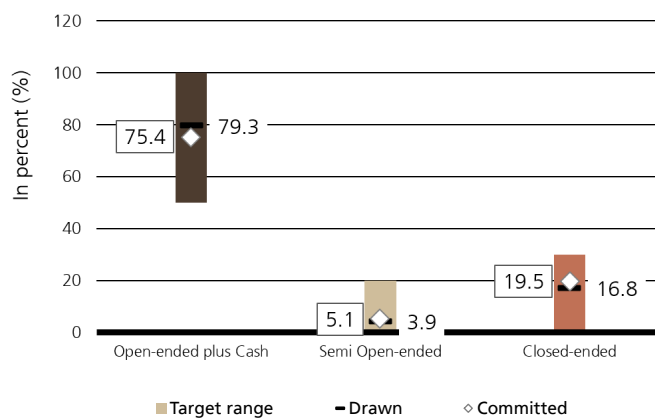
Sector allocation



Risk allocation

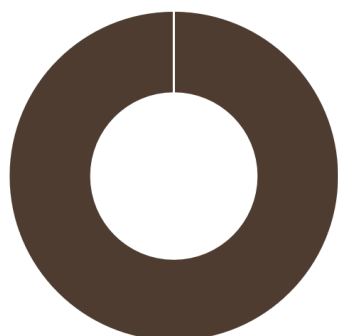


Open-/ closed-ended allocation



Drawn represents the market value of invested capital and as a percentage of the NAV and undrawn commitments from investors, if accepted, as at the reporting date. Committed represents the capital invested and committed as a percentage of the NAV and undrawn open commitments, if accepted, from investors as at report date. Committed refers to undrawn capital obligations made to underlying funds. Figures in the charts do not always sum to 100% due to rounding.

Foreign exchange exposure

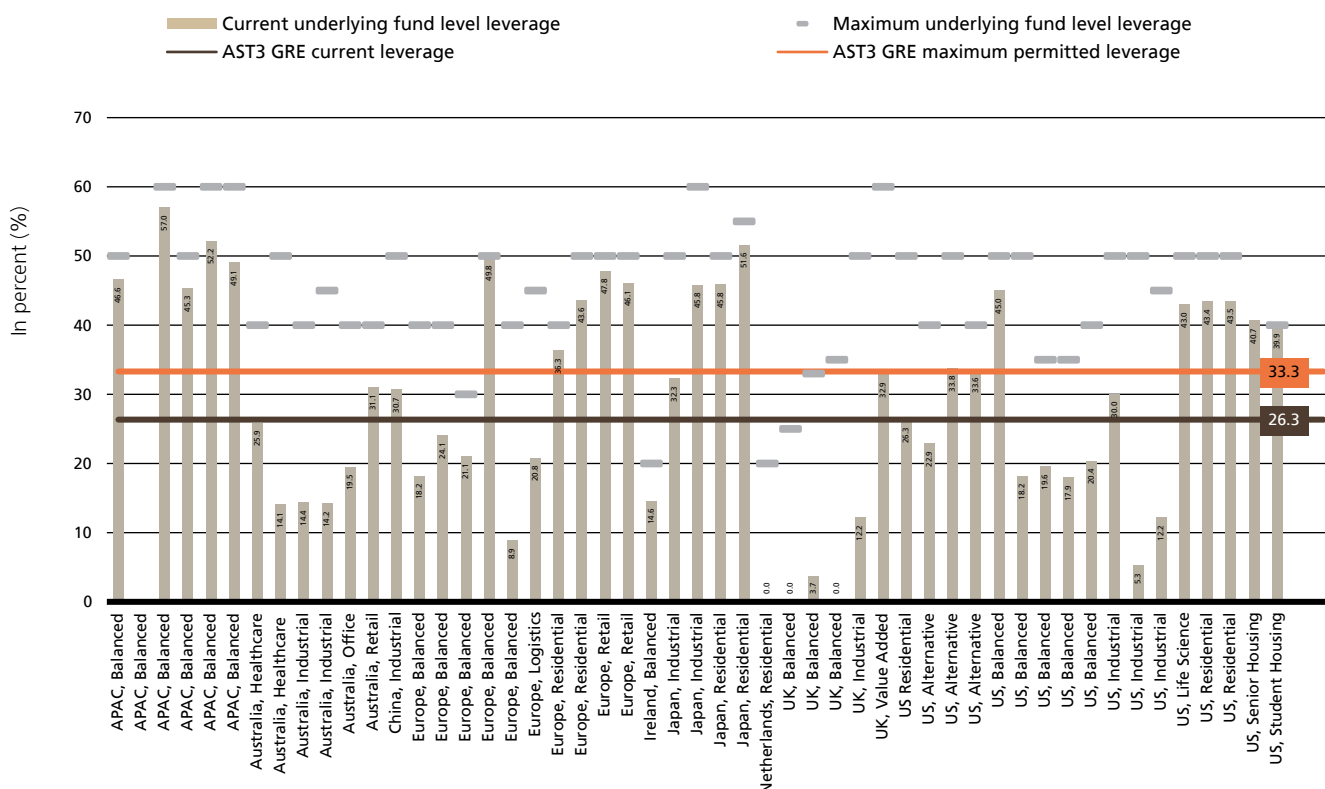


■ Hedged exposure (CHF) 102.5%

Source: UBS Asset Management, Real Estate & Private Markets (REPM), last available underlying fund data. Represents the weighted average aggregated hedging ratio. The FX hedge ratio reached 102.5% as of 4Q22 due to capital value declines of many underlying investments, which constitutes a passive breach of the investment guidelines. The Fund Manager is investigating the possibilities to resolve the breach rapidly and in a cost efficient manner.

Leverage

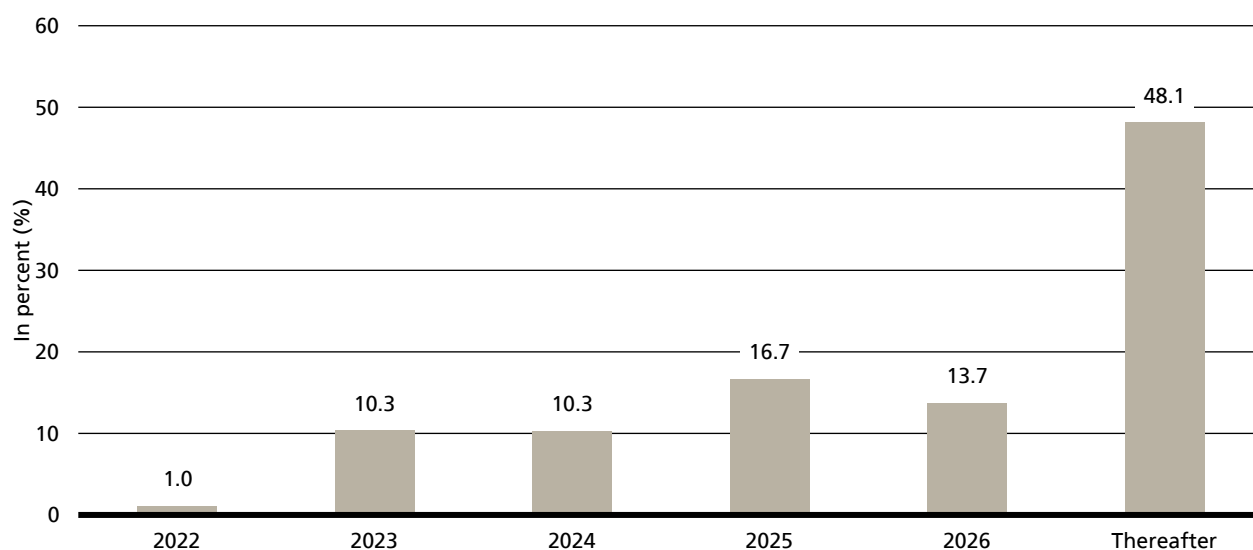
Approximate weighted average look-through leverage of the underlying funds based on the Fund's invested capital and excluding cash and other net assets. AST3 GRE does not add leverage at the Fund level.



Note: Due to certain confidentiality agreements with APAC Balanced Fund, specific information relating to the portfolio may not be disclosed.

Weighted average debt maturities

Approximate figures based on look-through and excluding cash and other net assets and funds with no refinancing.



Approximate figures based on current look-through allocations on invested capital from last available underlying fund data. Figures in the charts do not always sum to 100% due to rounding differences.

Underlying funds summary

Underlying fund currency (million)						
Underlying fund	Currency	Year of initial commitment	Real estate value	Commitment	Remaining Capital to be Called	NAV
APAC, Balanced	USD	2015	XXX	94.8	3.9	7.0
APAC, Balanced	USD	2018	XXX	81.9	16.3	71.9
APAC, Balanced	USD	2022	XXX	75.0	46.6	27.4
APAC, Balanced	USD	2018	XXX	49.3	0.0	56.8
APAC, Balanced	USD	2016	XXX	165.9	0.0	207.0
APAC, Balanced	USD	2022	XXX	13.0	0.8	13.4
Australia, Healthcare	AUD	2021	XXX	81.0	66.9	14.4
Australia, Healthcare	AUD	2021	XXX	23.8	0.0	24.2
Australia, Industrial	AUD	2011	XXX	83.4	0.0	161.9
Australia, Industrial	AUD	2020	XXX	55.8	0.0	61.6
Australia, Office	AUD	2016	XXX	168.0	23.0	217.9
Australia, Retail	AUD	2017	XXX	67.0	0.0	66.6
China, Industrial	CNH	2019	XXX	1,025.2	0.0	1,138.3
Europe, Balanced	EUR	2013	XXX	128.4	0.0	147.3
Europe, Balanced	EUR	2011	XXX	89.2	0.0	71.8
Europe, Balanced	EUR	2017	XXX	74.6	0.0	87.6
Europe, Balanced	EUR	2019	XXX	110.8	0.0	87.2
Europe, Balanced	EUR	2015	XXX	114.8	0.0	27.2
Europe, Logistics	EUR	2017	XXX	101.6	0.0	154.1
Europe, Residential	EUR	2019	XXX	33.6	3.4	30.7
Europe, Residential	EUR	2021	XXX	60.0	0.0	58.6
Europe, Retail	EUR	2016	XXX	65.3	0.0	47.1
Europe, Retail	EUR	2022	XXX	60.0	60.0	0.0
Ireland, Balanced	EUR	2017	XXX	103.3	0.0	99.2
Japan, Industrial	JPY	2012	XXX	22,437	0	28,878
Japan, Industrial	JPY	2020	XXX	10,500	1,747	10,290
Japan, Residential	JPY	2020	XXX	6,331	0	7,036
Japan, Residential	JPY	2018	XXX	4,990	0	6,817
Netherlands, Residential	EUR	2020	XXX	65.4	0.0	76.8
UK, Balanced	GBP	2013	XXX	68.4	0.0	66.7
UK, Balanced	GBP	2019	XXX	64.9	0.0	61.7
UK, Balanced	GBP	2017	XXX	41.7	0.0	45.9
UK, Industrial	GBP	2019	XXX	68.5	0.0	75.4
UK, Value Added	GBP	2022	XXX	13.0	11.5	1.2

Underlying funds summary

Underlying fund currency (million)						
Underlying fund	Currency	Year of initial commitment	Real estate value	Commitment	Remaining Capital to be Called	NAV
US Residential	USD	2021	XXX	78.4	0.0	84.4
US, Alternative	USD	2017	XXX	86.5	0.0	98.2
US, Alternative	USD	2020	XXX	195.8	0.0	242.9
US, Alternative	USD	2013	XXX	207.9	0.0	244.5
US, Balanced	USD	2015	XXX	123.8	0.0	168.3
US, Balanced	USD	2011	XXX	167.5	0.0	234.5
US, Balanced	USD	2013	XXX	168.3	0.0	165.9
US, Balanced	USD	2011	XXX	263.0	0.0	321.2
US, Balanced	USD	2011	XXX	95.2	0.0	93.3
US, Industrial	USD	2017	XXX	78.6	0.0	153.8
US, Industrial	USD	2019	XXX	122.2	0.0	209.8
US, Industrial	USD	2021	XXX	63.6	0.0	80.0
US, Life Science	USD	2021	XXX	75.0	15.7	75.9
US, Residential	USD	2020	XXX	165.0	0.0	229.1
US, Residential	USD	2021	XXX	90.0	0.0	103.4
US, Senior Housing	USD	2021	XXX	44.6	0.0	57.0
US, Student Housing	USD	2019	XXX	77.9	0.0	92.2

Approximate figures based on the latest available information from the underlying funds.

Property views

Property details cannot be disclosed in this report due to confidentiality agreements. Existing investors in UBS AST 3 will have full access to this section.

Individual underlying fund summaries

Individual underlying fund summaries cannot be disclosed in this report due to confidentiality agreements. Existing investors in UBS AST 3 will have full access to this section.

This section will include the following information for each target fund:

- UBS AST 3 Global Real Estate (ex CH) capital commitment
- Current Net Asset Value
- Current Gross Asset Value
- Number of assets
- Current leverage
- Fund occupancy
- Target net returns
- Regional and sector allocation
- Top five assets by NAV

Market review and update

By Fergus Hicks, Research & Strategy

Global strategy update and outlook

Central banks around the world continued with aggressive monetary tightening in the second half of 2022. Large and consecutive rises in policy rates have taken them to levels unthinkable just a year ago and not seen since before the Global Financial Crisis. Central banks and economists underestimated the intense inflationary pressures that pent-up demand and bottlenecks in the economy would generate on emerging from the pandemic. In addition, inflation has been given a significant boost by sharply higher food and energy prices due to the war in Ukraine.

Central banks have indicated that they are not done yet with rate rises and financial markets expect further increases to come and rates to peak in 2023. Monetary policy typically takes 18-24 months to fully feed through to the economy, making it likely for central banks to face an uncomfortable period when inflation remains high but they must refrain from further rate rises. This creates the risk that central banks will overtighten policy in an effort to burnish their inflation-fighting credentials, which could push the economy into a deeper recession as a result. Growth prospects have already weakened, and Oxford Economics expects the advanced economies to experience a shallow recession over 4Q22 and 1H23, focused on North America and Europe.

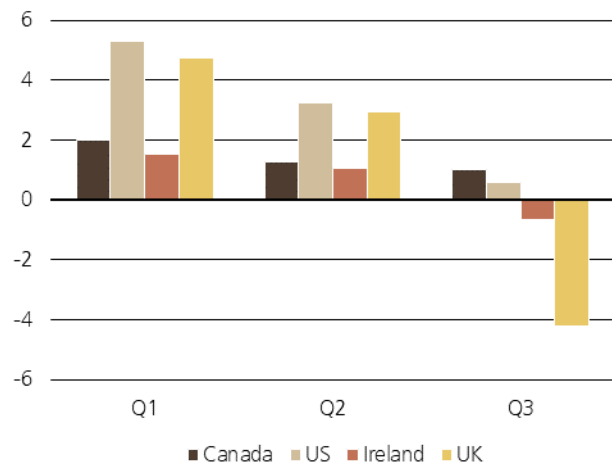
In real estate, occupier markets have held up well so far and in general, rents continued to increase in the third quarter. According to MSCI data, all-property rents in Canada, Ireland and the UK rose around 1% QoQ. Office and retail rents were flat while industrial rents were stronger, up 2.2% QoQ in the UK for example. The slowdown in the economy is set to feed through to weaker occupier demand from businesses, which will weigh on rental growth. Moreover, it is likely to result in declines in rents in some markets and vacancy rates moving higher. Within leases, rents linked to inflation will provide significant uplifts for landlords to counter the current high levels of inflation.

Interest rate rises are feeding through to the real estate market. Of the more than 300 city-sector markets we monitor globally, yields and cap rates rose in 56% of them in 3Q22, the first time they have risen in the majority of markets covered since the Global Financial Crisis. The increases were widespread and yields rose in the majority of markets across the main sectors of office, retail and industrial. In nearly all the remainder markets yields were flat. At the global level the all-property cap rate was stable at 4.9% in 3Q22 according to data from MSCI. We expect further rises in yields and cap rates as buyers and sellers adjust their price expectations.

The rises in yields resulted in capital value declines and weakening returns in 3Q22. NCREIF data for the US and MSCI data for Canada, Ireland and the UK showed office and retail capital values falling 1-4% QoQ. Capital value growth for industrial in Canada, Ireland and the US slowed, but remained positive. In the UK it was negative, with values dropping a sizeable 8% QoQ. Income offset capital value declines in some markets to leave total returns positive. At the all-property level total returns remained positive in the US and Canada while they were negative in Ireland and the UK (see Chart 1). UK total returns were -4.2% QoQ. We expect further capital value declines in 4Q22 and moving into 2023.

Real estate market transaction activity slowed for the third consecutive quarter in 3Q22, weighed down by some deals with prices agreed prior to the slowdown being aborted. Buyers and sellers are adjusting price expectations to higher interest rates. According to data from MSCI, global investment volumes fell 22% QoQ in 3Q22 in USD terms after adjusting for seasonal effects. Weaker market activity was focused on the EMEA and Asia Pacific regions, where volumes fell 25% and 26% QoQ respectively in USD terms after adjusting for seasonal effects. The Americas, driven by the US, was slightly more resilient, with volumes down 22% QoQ. Activity was weaker across sectors globally, with volumes down most for retail at 38% QoQ, while office, industrial and residential volumes fell by 21-23%.

2022 all-property total returns (QoQ %)



Source: MSCI; NCREIF, November 2022

Note: Past performance is not a guarantee for future results.

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