Public

UBS Direct Residential

Planned capital increase for October / November 2018

August 2018

Section 1

Swiss real estate market

Current situation

Facets of real estate development

Chances

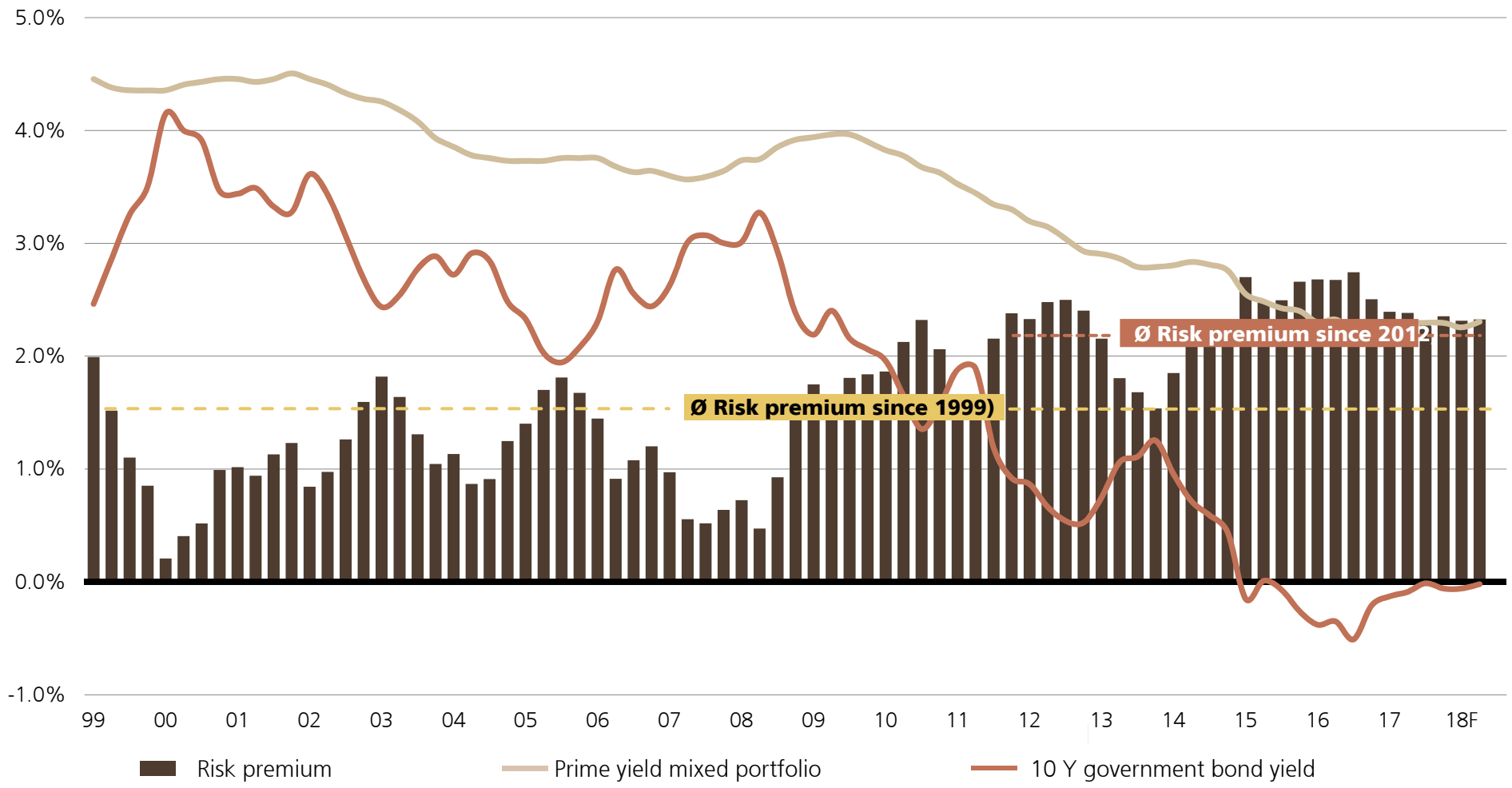
- The global boom is continuing. **Strong growth is expected for Switzerland** as well.
- Even though the risk of phases of yield compression is not yet averted, **in the medium-term, a weakening of the Swiss franc** can be expected**.**
- The labor market is likely to accelerate. An **employment growth rate** of more than 1% and **unemployment rate** below 3% is supposed to stimulate the demand in the space market.
- Due to the positive outlook with regards to economic activity, the demand for residential space in prime locations is likely to develop in a stable way, thanks to **increasing salaries.**

Challenges

- In the short-term, interests will presumably remain at a low level, whereby the **risk** is not yet on the discounting side. Currently, it is crucial to observe the **income** perspective.
- Pressure on investment and the relative level of yield with real estate investments as well as low financing costs foster a high **construction activity**.
- Declining demand in combination with structural change **cause surplus** of supply in secondary space.
- Oversupply of space drives **higher renting costs** as well as **lower market rents**. Those factors cause pressure on the market values even if discounting rates remain stable.

Sideways movement of prime yields

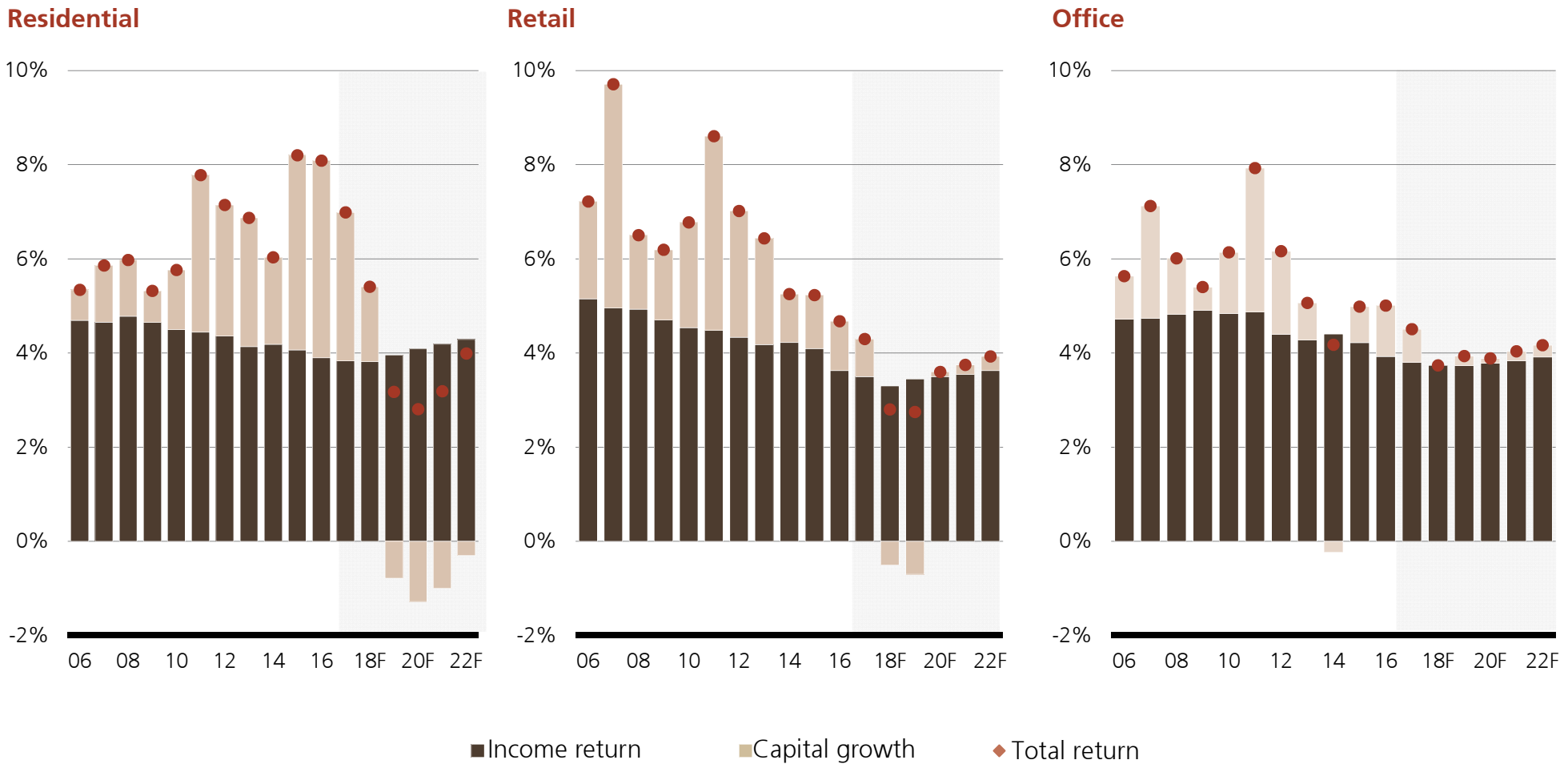
Slightly increasing bond yields



Source: Wüest Partner 4Q 2017; SNB; UBS Asset Management, Real Estate & Private Markets, Research & Strategy – Switzerland; May 2018

Capital growth is getting more important

Contract structure and inflation stabilizing values of real estate in commercial sector



Source: IPD; UBS Asset Management, Real Estate & Private Markets; Research & Strategy – Switzerland; May 2018
Comment: These are estimates and no guarantee for income return

Section 2

UBS Direct Residential

Management Summary

Data as per financial year ending June 30, 2017

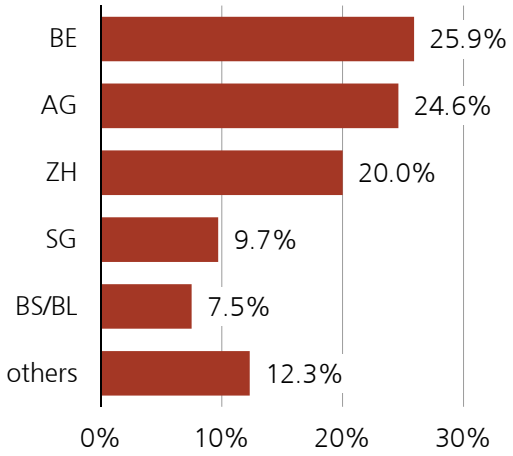
Key Facts

- Listed Real Estate Fund in Switzerland, inception in 2006
- RE Fund with directly-held Investments, mostly residential buildings
- Geographic concentration on selected agglomeration regions in the german-speaking part of Switzerland
- Potential for value appreciation from within through refurbishment and densification
- Growth through acquisition of construction projects and investment properties

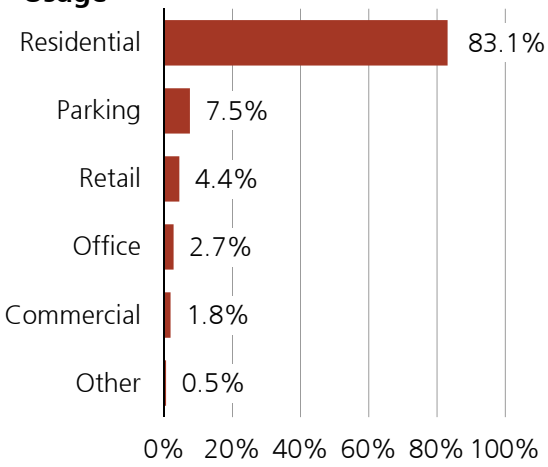
Key Figures

Net Asset value	CHF 445.7m
Market value	CHF 552.0m
Rental income	CHF 27.2m
Vacancy rate	8.6%
Leverage ratio	19.4%
Total return on NAV	5.1%
Performance	13.6%
Number of properties	60

Regions



Usage



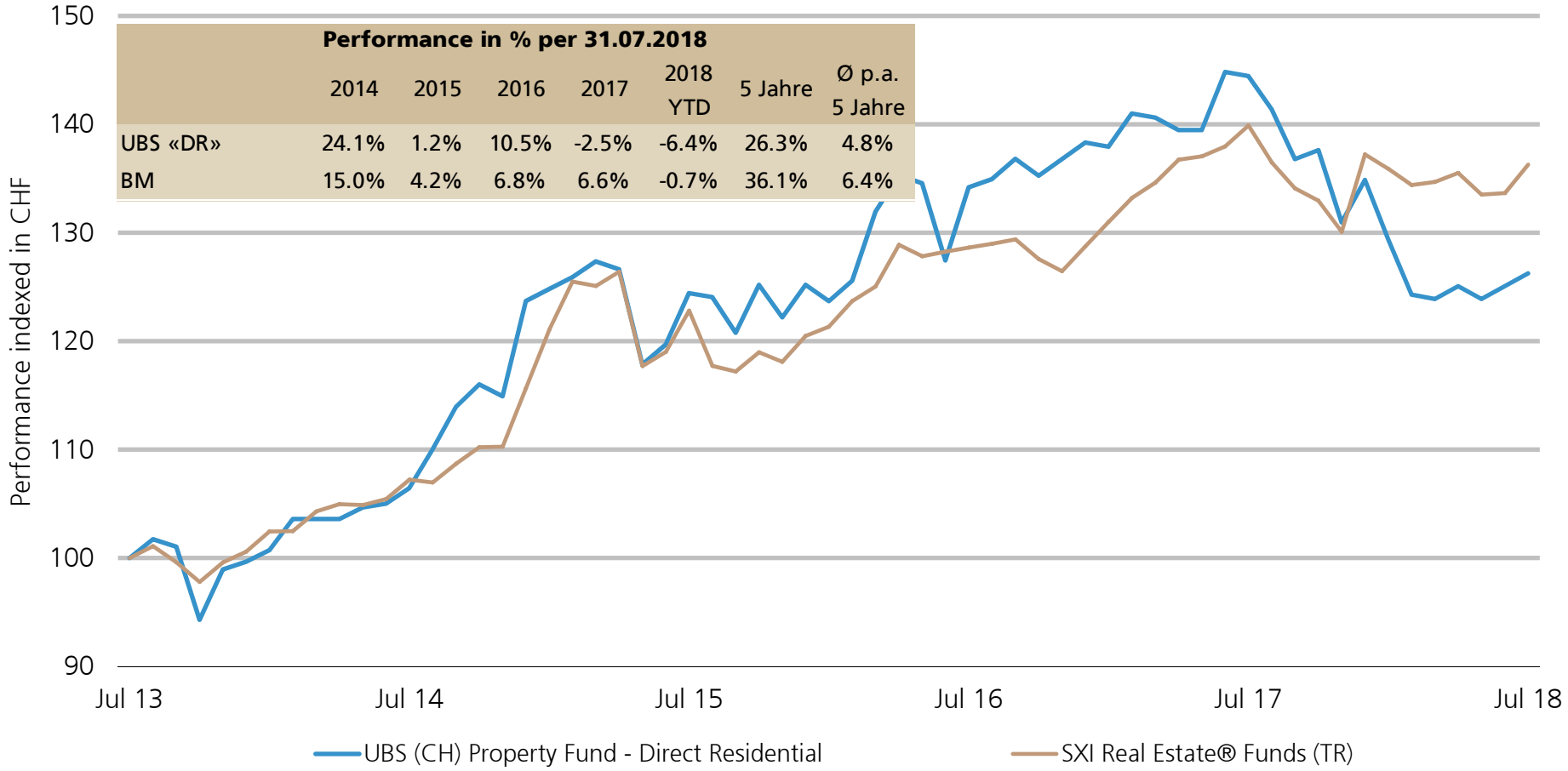
Source: UBS Asset Management, Real Estate & Private Markets (REPM); Data as per 30 June 2017
Past performance is not a reliable indicator of future results. The performance shown does not take account of any commissions and costs charged when subscribing to and redeeming units.

UBS Direct Residential

Comparsion with its Benchmark

Performance in % per 31.07.2018

	2014	2015	2016	2017	2018 YTD	5 Jahre	Ø p.a. 5 Jahre
UBS «DR»	24.1%	1.2%	10.5%	-2.5%	-6.4%	26.3%	4.8%
BM	15.0%	4.2%	6.8%	6.6%	-0.7%	36.1%	6.4%



Source: UBS Asset Management/Datastream, as at end of July 2018
These figures refer to the past. Past performance is not a reliable indicator of future results. The performance shown does not take account of any commissions and costs charged when subscribing to and redeeming units.

Update SIX Real Estate Funds Index

As per July 31, 2018

	Name	Founded	Mkt cap. (mn.)	Weight	Sector	Region	Price	NAV	Premium	Div. Yield	Perf. YTD	Perf. 2017	Perf. 2016	Perf. 3YR
	UBS Sima	1950	7'697	18.0%	Mixed	German-speaking CH	110.70	88.16	25.6%	2.9%	1.7%	9.8%	3.7%	12.7%
	CS Siat	1956	3'011	7.1%	Mixed	German-speaking CH	195.00	145.27	34.2%	2.8%	-3.7%	8.8%	10.4%	15.4%
*	CS LivingPlus	2007	2'851	6.7%	Residential	German-speaking CH	136.70	105.17	30.0%	2.4%	-1.0%	4.5%	9.2%	10.8%
*	CS Green	2009	2'374	5.6%	Mixed	German-speaking CH	131.00	111.32	17.7%	2.7%	-1.0%	6.9%	9.5%	6.9%
	UBS Anfos	1956	2'376	5.6%	Residential	German-speaking CH	66.90	54.66	22.4%	2.7%	0.9%	3.8%	-0.6%	3.5%
	CS Interswiss	1954	1'663	3.9%	Commercial	Mixed	200.50	185.10	8.3%	4.2%	-2.1%	9.4%	-2.1%	4.4%
	UBS Swissreal	1962	1'635	3.8%	Commercial	German-speaking CH	71.45	61.09	17.0%	3.7%	3.4%	10.5%	0.6%	12.0%
	Immofonds	1969	1'399	3.3%	Residential	German-speaking CH	434.75	315.29	37.9%	3.1%	-1.9%	3.8%	2.1%	6.0%
	Swisscanto IFCA	1968	1'396	3.3%	Residential	Mixed	132.40	105.70	25.3%	2.5%	-2.1%	4.1%	11.7%	11.2%
	Schroder ImmoPLUS	1997	1'412	3.3%	Commercial	German-speaking CH	163.40	132.82	23.0%	2.7%	-2.7%	8.4%	10.1%	10.2%
	La Fonciere	1954	1'371	3.2%	Residential	Geneva / Vaud	110.80	75.71	46.3%	1.9%	2.4%	5.1%	8.8%	16.3%
	FIR	1997	1'327	3.1%	Residential	Geneva / Vaud	183.80	135.00	36.1%	2.1%	0.2%	7.2%	5.1%	14.8%
	UBS Foncipars	1943	1'299	3.0%	Residential	Geneva / Vaud	101.30	75.97	33.3%	2.4%	3.8%	12.8%	9.8%	23.7%
*	Solvalor 61	1997	1'166	2.7%	Residential	Geneva / Vaud	259.00	194.99	32.8%	2.0%	-4.4%	8.2%	12.3%	10.4%
*	Edmond de Rothschild Swiss	2010	1'035	2.4%	Mixed	Mixed	135.50	112.71	20.2%	2.5%	-2.3%	13.1%	11.6%	24.0%
	Immo Helvetic	1997	971	2.3%	Residential	Berne region	220.70	170.43	29.5%	2.9%	-0.5%	0.2%	15.1%	9.6%
*	SF Sustainable	2010	866	2.0%	Residential	Mixed	131.30	117.19	12.0%	2.9%	-0.9%	9.1%	8.3%	16.3%
*	Bonhote	2006	827	1.9%	Residential	Geneva / Vaud	136.90	115.86	18.2%	2.3%	-5.3%	4.4%	7.2%	5.8%
*	Realstone Swiss Property	2008	883	2.1%	Residential	Mixed	134.40	120.09	11.9%	2.8%	-6.9%	5.1%	14.0%	8.8%
	Swissinvest RE Fund	2006	799	1.9%	Residential	German-speaking CH	165.00	132.43	24.6%	2.8%	-5.2%	2.9%	9.9%	4.8%
*	CS Hospitality	2010	779	1.8%	Commercial	Mixed	89.00	95.09	-6.4%	3.4%	-2.1%	1.0%	5.6%	3.3%
*	Procimmo	2007	806	1.9%	Commercial	Geneva / Vaud	166.90	136.38	22.4%	3.2%	-5.0%	12.6%	13.7%	21.5%
*	Realstone Development Fund	2010	682	1.6%	Residential	Mixed	134.80	129.71	3.9%	0.9%	-1.5%	-6.8%		
	SF Retail Properties Fund	2015	654	1.5%	Commercial	Mixed	117.40	100.48	16.8%	3.6%	2.7%	-2.5%		
*	Patrimonium	2007	731	1.7%	Residential	Geneva / Vaud	150.00	130.79	14.7%	2.3%	-2.2%	5.9%	15.5%	16.6%
*	UBS Direct Residential	2006	536	1.3%	Residential	German-speaking CH	16.15	13.49	19.7%	2.5%	-6.1%	-2.5%	9.8%	1.8%
*	Swisscanto RE Commercial	2010	464	1.1%	Commercial	Mixed	108.00	101.73	6.2%	3.1%	-2.1%	-5.4%	2.7%	
*	Polymen	2009	376	0.9%	Mixed	Geneva / Vaud	144.00	125.74	14.5%	2.2%	1.3%	2.5%	14.1%	13.7%
*	UBS Direct Urban	2012	351	0.8%	Mixed	Mixed	12.20	11.35	7.5%	2.0%	-6.2%	5.2%	-2.0%	
*	Valres Swiss Residential Fund	2014	344	0.8%	Residential	Geneva / Vaud	128.00	111.63	14.7%	2.6%	-0.3%	-3.7%		
	SF Commercial Properties Fund	2016	251	0.6%	Commercial	German-speaking CH	104.70	102.09	2.6%	4.1%	1.0%	-2.0%		
*	Residentia	2009	204	0.5%	Residential	Ticino	127.30	115.17	10.5%	2.3%	-4.3%	11.7%	15.7%	25.6%
*	Streetbox Real Estate Fund	2009	157	0.4%	Commercial	Geneva / Vaud	382.75	273.85	39.8%	3.8%	3.3%	-10.6%	-1.1%	
	** property directly held by the fund*													
	TOTAL		**42'692**	**100.0%**				**Average**	**22.9%**	**2.8%**	**-0.8%**	**6.6%**	**6.8%**	**10.8%**

Notes: Market capitalisation, weightings and prices based on SIX data. NAV according to the latest company statement, adjusted for the dividends. Mixed means portfolio consists of more than one sector. Region and sector classification as well as Premium and Dividend Yield calculation done by UBS Asset Management based on financial year statements. Performance is Total Return based on Factset data. Past performance is no guarantee for future results.

UBS Direct Residential

Why UBS Direct Residential?

Product

- Investment fund governed by Swiss law with directly held Real Estate
- Returns are tax-exempt for Swiss investors
- Liquidity through high market capitalization and small denominations
- Attractive dividend yield and investment yield

Portfolio

- Geographic concentration on selected agglomeration regions in the german-speaking part of Switzerland
- Stable returns from the portfolio
- Growth through acquisition of construction projects and investment properties
- Potential for value appreciation from within through refurbishment and densification

Management

- Your partner for responsible real estate management since 75 years
- Reliable, imaginative, passionate
- Fund and competence teams with many years of experience
- Responsible real estate management through appreciation and Wertschätzung value creation

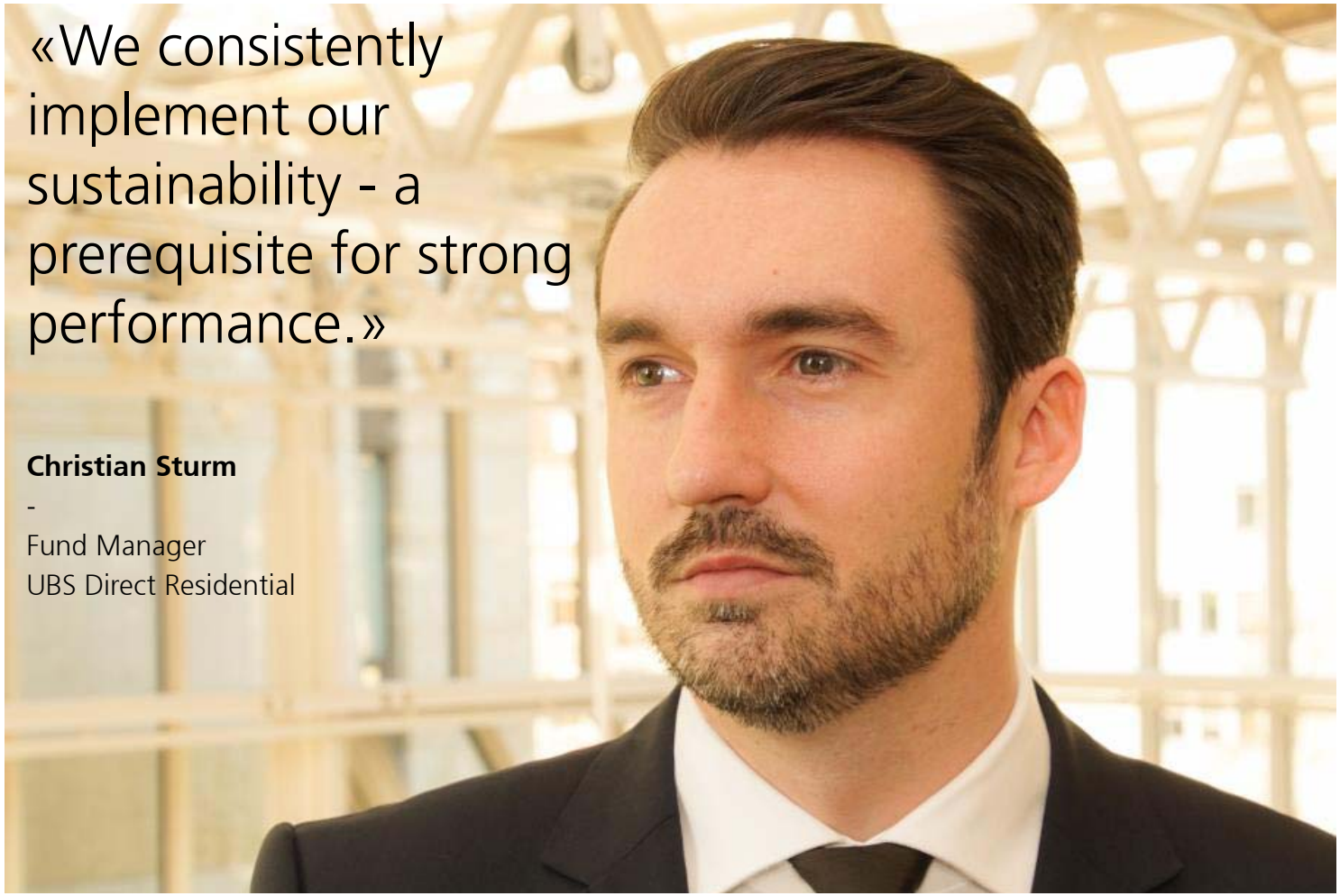
UBS Direct Residential

Current highlight from the portfolio

Oftringen (AG), Staufergutstrasse

- Turnkey construction project which complies with the Minergie® - standard
- 29 apartments in a modern construction standard
- 560 m² commercial space with good transport connections
- Investment amount approx. CHF 15m
- Completion planned for spring 2019
- Gross rate: approx. 4.8%

Statement of the Fund Manager



Source: UBS Asset Management, Real Estate & Private Markets (REPM)

UBS Direct Residential

Investment Pipeline as per August 2018

Capital increase planned for October / November 2018

Building type	Location	Street / name of project	Project type	Volume in m CHF	Start of construction / Entry
Residential	Biel	Jakob-Stämpfli-Strasse	Stock	7	3Q17
Residential	Bad Zurzach	Neubergstrasse / Triumphweg	Stock	8	4Q17
Residential	Egerkingen	«Holenbaumacker»	New construction	15	1Q18
Residential	Oftringen	«Zentrum»	New construction	15	1Q19
Mixed use	Niederhasli	«Zentrumweg»	Redevelopment	32	2Q19
Residential	Wetzikon	Ankgengasse / Stationstrasse	Redevelopment	17	4Q19
Total				**94**	

Egerkingen (SO)

Oftringen (AG)

Niederhasli (ZH)

Wetzikion (ZH)

Convincing facts…

…. about Real Estate Switzerland

9

Real estate investment **products and external mandats**

1100+

Properties around Switzerland

75 years of **track record**

UBS «Sima» largest Swiss real estate fund

Around CHF 21bn

Assets under Management

~75

experienced employees in Basel, Zurich and Lausanne

Sustainable

and diversified strategy

UBS «Foncipars» oldest Swiss real estate fund

Data as per 30. June 2018

Our real estate investment products…

…. at a glance

	Investment focus		AuM (CHF m)				
			2014	2015	2016	2017	2018 [1]
Listed funds							
UBS Direct Residential	Residential	D-CH	482	510	524	552	573
UBS Direct Urban	Mixed	all of CH	130	234	326	352	391
UBS «Foncipars»	Residential	W-CH	1033	1112	1243	1353	1353
UBS «Anfos»	Residential	D-CH	2130	2212	2326	2466	2499
UBS «Swissreal»	Commercial	all of CH	1557	1687	1851	1898	1898
UBS «Sima»	Mixed	all of CH	7509	8046	8516	8887	8887
Investment trusts							
UBS AST-KIS	Commercial	all of CH	416	447	588	621	664
UBS AST-IS	Mixed	all of CH	1648	1728	1915	2027	2076
External mandats							
Pension fund	Mixed	all of CH				2689	2689
Total of the portfolio			**14'905**	**15'976**	**17'289**	**20'845**	**21'030**
Annual percentage change (%)			**5.7**	**7.2**	**8.2**	**20.1**	**0.9**

1 UBS «Sima», UBS «Foncipars» and UBS «Swissreal», UBS Direct Urban, UBS Direct Residential and Mandate PF per 31.12.2017; UBS «Anfos» per 31.03.2018; AST-IS und AST-KIS per 31.07.2018

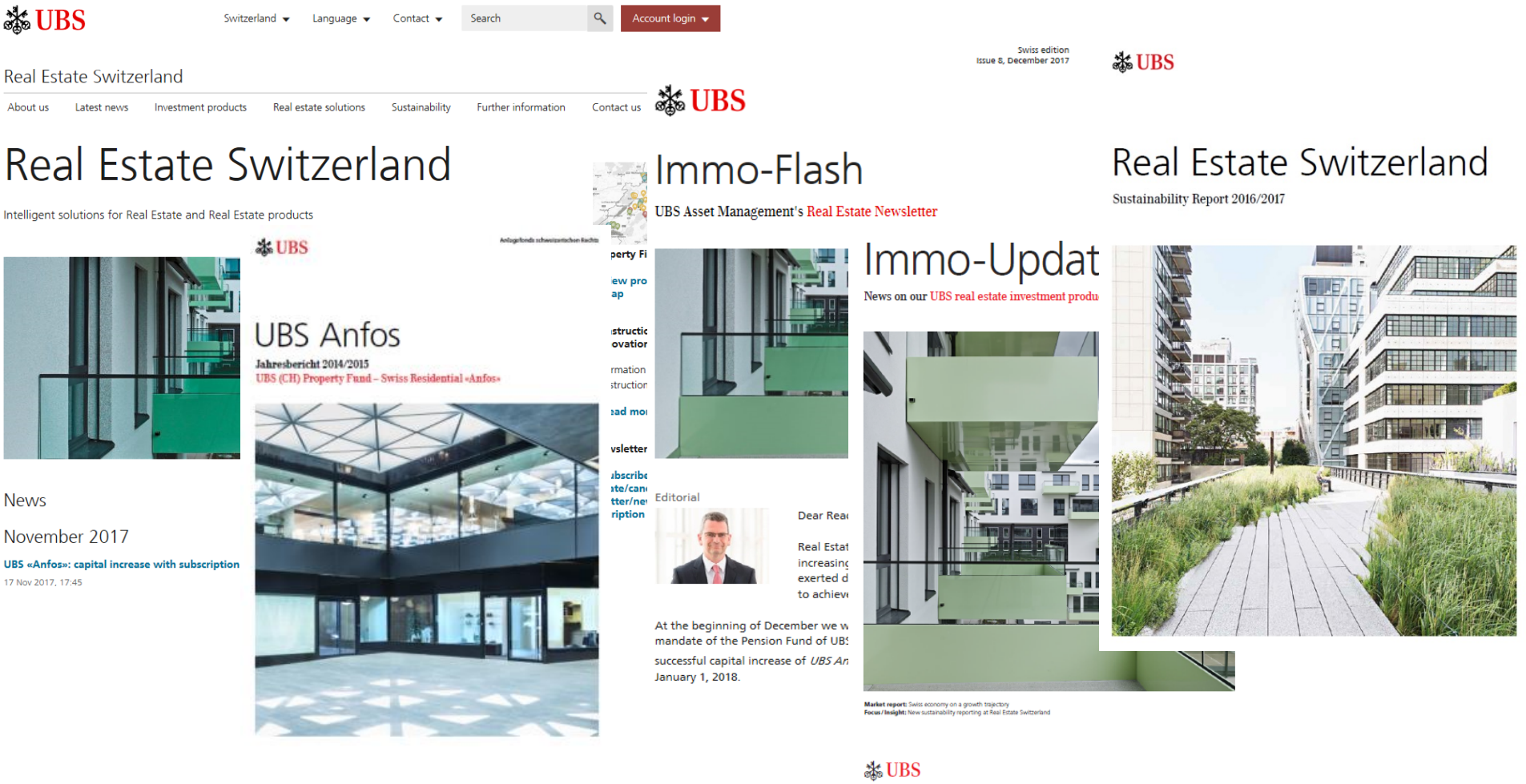
We live real estate. Since 75 years.

Reliable, imaginative and passionate.

"We believe appreciation and value creation are at the heart of responsible real estate management. By appreciating people, ideas and potentials, we are driven with passion to create attractive investment opportunities, worthwhile living, working and recreational spaces and promising real estate solutions. For the good of the community and the environment."

RE-CH

Looking for more information?



For illustrative purposes

www.ubs.com/realestatefunds-switzerland

Kontaktinformationen

UBS Fund Management (Switzerland) AG
Urs Fäs, CFA
Head of Investment Products
Real Estate Switzerland
Aeschenplatz 6
4052 Basel

+41-61-288 36 19
urs.faes@ubs.com

Dominic von Felten
Head of Business Development
Real Estate & Private Markets
Seefeldstrasse 15
8008 Zürich

+41-44-234 60 21
dominic.von-felten@ubs.com

UBS Fund Management (Switzerland) AG ist eine Konzerngesellschaft von UBS Group AG

Disclaimer

For marketing and information purposes by UBS. UBS real estate fund under Swiss law. Prospectuses, simplified prospectuses, the articles of association or the management regulations as well as annual and semi-annual reports of UBS funds are available free of charge from UBS AG, P.O. Box, CH-4002 Basel or from UBS Fund Management (Switzerland) AG, P.O. Box, CH-4002 Basel. No new issues at present. Purchase and sale of units via the stock market. Only tax-exempt occupational pension schemes under pillar 2 and pillar 3a domiciled in Switzerland and patronal welfare funds (in accordance with BVG) are authorised investors in the UBS Foundation for the Investment of Pension Fund Assets investment groups. Before investing in a product please read the latest prospectus carefully and thoroughly. Units of UBS funds mentioned herein may not be offered, sold or delivered in the United States. The information mentioned herein is not intended to be construed as a solicitation or an offer to buy or sell any securities or related financial instruments. Past performance is not a reliable indicator of future results. The performance shown does not take account of any commissions and costs charged when subscribing to and redeeming units. Commissions and costs have a negative impact on performance. If the currency of a financial product or financial service is different from your reference currency, the return can increase or decrease as a result of currency fluctuations. This information pays no regard to the specific or future investment objectives, financial or tax situation or particular needs of any specific recipient. The details and opinions contained in this document are provided by UBS without any guarantee or warranty and are for the recipient's personal use and information purposes only. This document contains statements that constitute “forward-looking statements”, including, but not limited to, statements relating to our future business development. While these forward-looking statements represent our judgments and future expectations concerning the development of our business, a number of risks, uncertainties and other important factors could cause actual developments and results to differ materially from our expectations. Source for all data and charts (if not indicated otherwise): UBS Asset Management

© UBS 2018. The key symbol and UBS are among the registered and unregistered trademarks of UBS. All rights reserved.