UBS Euro Core

Fund Disposition Strategy Paper, UBS (Lux) Real Estate – Euro Core Fund – Euro Zone

June 30, 2015

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Executive summary

- The Fund is in liquidation and is planning to sell all of its assets over the next two years.
- The Fund manager has prepared an indicative disposition plan with the aim to sell assets to maximize sales proceeds.
- The disposition plan considers asset management initiatives which can be completed in the near term as well as current market conditions.
- Several assets are already being marketed for sale and these sales processes will be continued.
- Where other property sales are planned for this year we are in the process of contacting real estate brokers to commence the sale process.
- Assets where asset management initiatives are expected to increase liquidity and/or sales proceeds are being completed.
- We are generally seeking to extend loans which mature during the sales period so that debt can be repaid at the time a property is sold.
- The current plan aims to have sold all assets by the end of 2016.
- We will continually monitor both the real estate markets and the achievement of business plan initiatives with a view to putting a property onto the market at the optimum time.
- The search for a potential strategic investor continues in parallel with the individual property sales.

Background

(position as at May 31, 2015)

- As a result of the number of redemption requests received by the UBS Euro Core Fund (UBS Euro Core, the Fund), we issued a Notice of Termination to Unitholders on December 19, 2014. During the notice period, existing investors were contacted to see if they would either withdraw redemption requests and/or invest additional equity into the Fund.
- We also approached potential new strategic investors about investing in the Fund through the secondary market. Some interest was received; however, this was not sufficient to prevent liquidation.
- On April 1, 2015, the Fund formally entered liquidation, and the Luxembourg regulator, the CSSF, was informed. An audit report will be drawn up as at March 31, 2015.
- In accordance with the Management Regulations, the Fund's Management Company will be appointed as a liquidator and one current director of the Management Company will be proposed to represent the liquidator. The Fund's regulator, the CSSF, has been informed and has approved these appointments.
- Due to the liquidation the redemption and subscription queues were suspended.
- As a result of the liquidation, the 1Q15 NAV was heavily impacted due to a change in the basis of valuation of properties to reflect:
  (a) Their liquidation value rather than open market value;
  (b) An accrual of sales costs for all properties and other costs of liquidating the Fund structure; and
  (c) A full amortization of rent-free periods and tenant incentives relating to the properties expected to be sold this year.
- Consequently the Fund provided a total return of -9.1% for 1Q15[1] comprising a negative capital return of 8.44% and a negative income return of 0.72%.
- The impact of the sales costs and amortization contributed to the negative income return in 1Q15 and this prevented the Fund from making an income distribution.
- Going forward, distributions made by the Fund will be treated as an advance on the liquidation surplus rather than income distributions. Any distribution made will be made to all investors pro-rata, based on their unitholding in the Fund.
- The Fund has a current occupancy rate of 90% following successful leasing in both Suresnes and Massy in France, which together comprised a major proportion of the current vacancy. The sale of the Dutch office portfolio (which is planned) will further improve the portfolio occupancy rate. The Management Company aims to, where possible, lease vacancy before disposing of an asset.
- The Fund had been actively seeking to sell assets in order to meet the redemption queue and improve the quality of the retained portfolio; In this regard we sold Cachan, Paris in October 2014 and Hainer Weg, Frankfurt in March 2015.
- The market environment has been challenging and this has impacted the Fund's ability to sell assets. We are witnessing an improvement in investor sentiment and a willingness amongst prospective purchasers to move up the risk curve, which we believe will enable the Fund to sell assets.

[1] Past performance is no guarantee for future results

Introduction

In considering the Fund disposition strategy the Management Company has weighed up the speed of execution versus the sales price that may be achieved. In particular, we have taken into account a number of factors relating to both the individual assets – including the opportunity to improve value through short-term asset management initiatives as well as conditions in the local real estate markets – with a view to maximizing the sales proceeds achieveable and ensuring a sale can be delivered within a reasonable timeframe.

This has resulted in the following indicative timetable for the disposal of the assets, however, the Management Companywill continually monitor both the progress of any asset management initiative and changes in the local real estate markets. This may result in changes to the proposed timings where it is deemed beneficial.

Proposed timing for asset sales

Asset	**Proposed marketing period**	**Anticipated closing date**
Bergamo, Italy	Purchaser in due diligence	Sept-15
FNV Office Portfolio, The Netherlands	Agree terms with FNV and Syngenta for lease renewals then undertake marketing	Dec-15
Heilbronn Logistics, Germany	Appoint broker 3Q15	Dec-15
Suresnes, Paris, France	Finalize new lease agreements with existing tenants and market in 4Q15	Mar-16
Campo Sentilo, Munich, Germany	Attempt to lease ground floor suite and extend tenants leases. Marketing in 1Q16.	Mar-16
Metromar, Seville, Spain	Finalize scheme to enlarge the Mango store. Appoint brokers in 1Q16 with view to a sale in 2Q16.	Jun-16
Woonboulevard, Delft,The Netherlands	Seek to lease vacancy and market during 1H16	Jun-16
Tiilitie Logistics (East & West), Helsinki, Finland	Fully lease vacancy, extend existing tenants leases. Market during 1H16.	Jun-16
Massy, Paris, France	Seek to agree terms with Thales for new lease then market for new owner to implement	Sep-16
Esterel, Paris, France	Wait for break option notice period to expire (June 2016) and immediately market	Dec-16

Debt position

	As at March 31, 2015
Loan balance outstanding (EUR m)	70.908
Loan to value ratio (LTV) of GAV	19.4%
Outstanding loan term	1.3 yrs
% loan hedged	94.0%
Weighted average cost of debt	2.33%

Asset	Counterparty	Loan amount (EUR m)	Interest rate	Margin	Loan maturity	Interest hedging strategy
Munich	DG Hyp	8.600	2.795%	–	Sep 2015	Fixed rate loan
FNV Portfolio	Berlin Hyp	4.313	3 month Euribor	2.10%	Dec 2015	No hedging 0.1% liquidity cost
Delft	HSH Nordbank	12.045	3 month Euribor	0.65%	Oct 2017	100% swap 1.04%
Heilbronn	DG Hyp	5.300	3.232%	–	Sep 2018	Fixed rate loan
Tiilitie	SEB	15.650	3 month Euribor	1.10%	Apr 2016	100% swap 1.064%
Massy	Saar LB	25.000	2.404%	–	Dec 2015	Fixed rate loan

The auditors wish to ensure that the Fund is able to meet its ongoing liabilities, including debt financing, and therefore require that the Fund retains cash to meet these obligations, particularly where the maturity date falls within the next 12 months. This restricts the Fund's ability to make payments to investors. We are therefore seeking to extend loan maturity dates where possible to coincide with the potential sale dates of the underlying properties.

Banks are generally more conservative because of the liquidation of the Fund and may be more reluctant to extend financing upon maturity.

During 2015 three loans reach maturity:

– DG Hyp for Campo Sentilo – loan maturity September 2015. We have contacted the bank with a view to seeking an extension of the loan for a period of up to 12 months to allow us time to close the sale of the property and repay on completion. Tenancy information has been provided and the bank is currently progressing through their internal approval processes;
– Saar LB – Massy – loan maturity December 2015. We have already had contact with the bank and they currently appear willing to consider a 12 month extension. We are following up with them to understand their requirements; and.
– Berlin Hyp for FNV Dutch Office Portfolio – loan maturity December 2015. This loan is being amortized and the intention is to repay the outstanding loan amount on maturity even if the property's sale has not been completed by this time.

The only debt maturity in 2016 is the loan with SEB for the Tiilitie Logistics properties. SEB are aware of the Fund's current situation and will undertake a formal internal review in October 2015, although at this stage they have indicated that the likely recommendation will be to seek a repayment on maturity. We will continue to keep them informed of both the Fund's progress and leasing activity at the property, with a view to providing them with sufficient comfort to grant a short-term extension of 3-6 months, which would enable us to complete the sale and repay the debt in full upon sale of the property.

The Fund's other two loan facilities mature in October 2017 (Woonboulevard, Delft) and September 2018 (Heilbronn) and it is expected that these properties will be sold before the debt matures. Early prepayment may trigger some costs due the fixed rate and interest rate swap in place but these costs are already provisioned in the Fund's net asset value.

Individual property sale strategies – properties to be sold in 2015

Orio Retail Park, Bergamo

- Property has been marketed for sale since March 2013
- Interest has been very muted but have recently seen more investor interest
- Offer has been received and accepted and potential purchaser is undertaking their due diligence
- Agreed price is above the current open market value
- Expect to close the sale in September 2015

The property has been marketed for sale since March 2013 and Jones Lang LaSalle is currently appointed to market the property.

Interest in the property was muted initially for several reasons: there were few transactions taking place within the Italian market, there was very little interest from international investors and the lot size was considered too small for investors that were active. Since the beginning of 2015, interest has increased as the first international investors have returned to the market and consequently we had several parties express interest. We subsequently received three offers in March 2015.

We are currently in exclusive negotiations with the highest bidder who has undertaken their initial due diligence and have not raised any substantive issues to date. The agreed pricing is above the current open market valuation and the deal is structured such that the price achieved will increase if we are able to secure the change of classification from retail park to shopping center and then sign a new long-term lease with the main tenant, DF Sport Specialist.

If the current negotiations progress we are aiming to close the sale in September 2015.

From a market perspective we are witnessing a large increase in the level of turnover as investors appear to see the Italian market as the next real estate recovery play. Investment turnover has increased by more than 140% compared to 1Q14.

Key sale metrics as at March 31, 2015

Current open market value	EUR 9.60m
Liquidation value	EUR 8.76m
Anticipated sales price[1]	EUR 10.0 – 10.5m
Costs of sale (fully provisioned in the Fund NAV)	EUR 0.13m

1 Estimate of sales price based on situation as at June 30, 2015.

Dutch office portfolio (Amsterdam, Rotterdam, Groningen and Bergen-op-Zoom)

– Broker has been appointed to sell the portfolio
– Potential purchaser has made an indicative offer
– We are following up with the potential purchaser with a view to agreeing terms
– If we are unable to agree terms shortly, the brokers will be instructed to commence full marketing

The portfolio was acquired as a sale and leaseback from FNV. Over the period of our ownership, FNV have gradually reduced their leased area and last year returned space in both Rotterdam and Groningen as part of the lease renewal negotiations, thereby increasing the vacancy in these two properties. In addition, Woonstad, the other tenant in Rotterdam, vacated their accommodation in April 2014 and Rabobank also vacated space in Bergen-op-Zoom, substantially increasing the vacancy across the portfolio. The occupier market is particularly weak in most of the Dutch offices markets and while we have appointed brokers to lease up the vacancy in each property, tenant demand in each of the three markets is currently very low. As a result of the low tenant take-up the most recent valuation introduced an element of structural vacancy. FNV have recently indicated that they may be prepared to consider extending the lease term for the Amsterdam property and we have offered them several alternative scenarios for a new lease and are awaiting their response.

In addition, we are in discussions with Syngenta for a lease extension in Bergen-op-Zoom and have recently seen some tenant interest in some of the vacant accommodation. We will continue to progress these discussions as we market the portfolio for sale.

A broker has been appointed for the sale and we aim to achieve a sale of the properties as a portfolio. In line with our discussions with the broker, we believe that this is the best way to achieve the best price and ensure that all assets are sold.

Whilst a potential purchaser has expressed interest, they have indicated their wish to delay the purchase pending the outcome of negotiations with FNV over a lease renewal in Amsterdam. We are, however, seeking to progress negotiations alongside the lease renewal discussions to advance the sale and agree terms so that a sale can be completed as soon as possible. The aim is to close the transaction before year end to tie in with the debt maturity.

There is a small loan on the portfolio which is being amortized. The loan matures in December 2015 and at this point the outstanding debt would be circa EUR 3.0 million. In the event that a sale is not completed we intend to pay off the outstanding amount in full.

Because of the short unexpired lease terms remaining, the amount of secure rent remaining falls quite significantly each quarter, adversely impacting value. Therefore, whilst the income return on the assets is high in the short term, there is a counter impact on the valuation. Based on the expected timing to achieve a sale the anticipated proceeds reflects this impact, which we believe will be reflected in the valuation moving forward.

GRE forecast attractive total returns from Dutch offices of 9.5% p.a. for the three-year period 2015-17. These returns are largely derived from a high income return with relatively little expectation of capital growth projected until the end of the forecast period.

Based on the current occupancy levels in the portfolio, the short unexpired lease terms and the lack of tenant interest in these markets, it is felt better to take advantage of the improving investor sentiment in the market to try to secure a sale of the portfolio as soon as possible.

Key sale metrics as at March 31, 2015

Current open market value	EUR 17.2m
Liquidation value	EUR 15.6m
Anticipated sales price[1]	EUR 14.0 – 15.0m
Costs of sale (fully provisioned in the Fund NAV)	EUR 0.4m

1 Estimate of sales price based on situation as at June 30, 2015.

DPD Logistics, Heilbronn

- Property has a long lease with no asset management initiatives
- In process of obtaining proposals from local brokers with a view to placing the asset on the market in 3Q15
- Aim to complete a sale before year-end

Heilbronn is situated in the south west of Germany, approximately 120km south west of Frankfurt and 40km north of Stuttgart. The city has good transport links with road access provided by the A6 motorway which stretches from Saarbrücken to the Czech border and the A81 motorway which connects Würzburg to the Swiss border. The property is fully let.

This asset benefits from a long lease to a good covenant with relatively long-term debt in place and therefore provides an attractive running yield for the portfolio while offering security of income. As a cross-dock facility we believe that tenant demand will remain good as online retailing increases. The asset also provides a long-term development opportunity due to the low site coverage.

There are no major capital expenditure requirements anticipated. The asset has an existing fixed-rate loan of EUR 5.3 million at 3.232% p.a. maturing in September 2018. No income growth is anticipated due to the low level of inflation and the structure of the lease which only provides for an increase once a hurdle has been achieved.

As there is no asset management initiatives we would propose to appoint broker with a view to marketing the property during 2H15 to take advantage of the current strong demand for German logistics property. We would aim to complete the sale in 4Q15, before year-end.

Based on GRE's forecasts, the German logistics/industrial sector is seen as being overpriced, with investor demand significantly outweighing available investment product. Anticipated capital returns are relatively low as yields have already compressed and the potential for income growth is also low. Total returns are therefore primarily driven by the income return. It is felt therefore, that the asset should be sold as soon as possible to take advantage of the strong investment demand.

Key sale metrics as at March 31, 2015

Current open market value	EUR 12.50m
Liquidation value	EUR 12.00m
Anticipated sales price[1]	EUR 12.5m – 13.00m
Costs of sale (fully provisioned in the Fund NAV)	EUR 0.36m

1 Estimate of sales price based on situation as at June 30, 2015.

Individual property sale strategies – properties to be sold in 2016

Suresnes, Paris

- Finalize negotiations with existing tenants
- Broker to be appointed in 4Q15
- Aim to complete sale by end of 1Q16

The property is the best located of our existing Paris office assets, being approximately 6km from central Paris. It is multi-tenanted with 12 tenants in total. The majority of the office accommodation has been refurbished and any further capital expenditure is expected to be linked to leasing the remaining vacancy and renewing leases with existing tenants in the form of tenant fit-out/incentives.

In addition, we have introduced a new restaurant concept and meeting rooms on the ground floor which made the property more attractive to both potential and existing occupiers and assisted in the successful leasing of the property.

Since the end of 1Q15 we have signed a new lease with two existing tenants. When we undertook the refurbishment of the property we increased the common area on the ground floor to provide a small restaurant facility and some meeting rooms which all tenants could use. New leases include an additional area to cover their pro-rata share of the additional common area. We are now in the process of signing new leases with occupiers that were already in the property and are taking the opportunity to include the additional pro-rata share of the common area within these leases. Both tenants that have signed new leases have agreed to the increased areas. In addition, one of the tenants (eLearning) has extended their leased area by 275 sqm such that they will occupy a total of 1,577 sqm.

The current office vacancy is therefore only 280 sqm which we need to keep vacant in the short term whilst we undertake works to upgrade the air-conditioning in the eLearning premises. Overall occupancy will therefore be close to 97%.

There is currently no external debt on the property.

We intend to progress current discussions with existing tenants to extend their leases and to maximize rental income. We would then seek to appoint a broker with a view to marketing the property during 4Q15 and completing a sale in 1Q16.

GRE research forecasts attractive total returns for prime French offices of 8.4% p.a. over the three-year forecast period. The return peaks in 2016 due to higher expected capital growth due to yield compression. The forecast income growth is negative over this period, being negative in 2015 before posting modest growth in 2016 and 2017. We would therefore seek to take advantage of the forecast yield compression in 2016.

Key sale metrics as at March 31, 2015

Current open market value	EUR 49.5m
Liquidation value	EUR 47.1m
Anticipated sales price[1]	EUR 49.5m – 50.5m
Costs of sale (fully provisioned in the Fund NAV)	EUR 0.5m

1 Estimate of sales price based on situation as at June 30, 2015.

Campo Sentilo, Munich

- Contact tenants with lease expiries in 2016 and seek to agree terms for lease extensions
- Seek to lease ground floor unit
- Extend debt maturity
- Appoint broker in 1Q16 and aim to sell by end 1Q16

The property is located in the Obersendling office district south of Munich and is let to 12 tenants with a current occupancy rate of 94%. We believe that there is some upside letting the vacant 475 sqm unit on the ground floor. We are aware that an existing tenant is seeking to increase the amount of space they occupy and we are following up with them on interest they have shown in taking the ground floor unit. By moving to the ground floor space, this tenant would reduce the building's total vacancy from 475 to 300 sqm. This creates a good opportunity to achieve full occupancy, as we believe that the smaller space on the first floor being vacated is more attractive to potential tenants and should be easier to let.

We have seen yields compress in the Munich office market and it is expected that this will extend to locations outside the prime CBD in due course.

We are currently undertaking some capital expenditure projects to comply with regulations.

There is an existing fixed-rate loan facility on the property in the amount of EUR 8.6 million at 2.795% maturing in September 2015. We have contacted the lending bank to discuss a short-term extension to allow the Fund to repay the loan upon completion of the sale of the property.

GRE research forecasts a total return of circa 5.7% p.a. over the three-year forecast period (2015-17). Capital returns are forecast to be slightly positive during this period with an income return of 4.4% p.a. and modest income growth. Continued low levels of development activity in Munich since the global financial crisis has led to an under-supply of high quality floor-space particularly in the CBD which will contribute towards the forecast rental growth. Income growth will, however, be tempered in the short-term by a low inflation rate limiting the impact of rental indexation.

Based on the research forecast and the asset management initiatives and planned capital expenditure works, we propose to take advantage of the strong investor interest in the German market by appointing a sales broker – with a view to marketing the property during 1Q16 and completing a sale at the end 1Q16 – whilst we seek to fully lease the property to maximize the sales proceeds.

Key sale metrics as at March 31, 2015

Current open market value	EUR 18.00m
Liquidation value	EUR 17.24m
Anticipated sales price[1]	EUR 17.75 – 18.25m
Costs of sale (fully provisioned in the Fund NAV)	EUR 0.52m

1 Estimate of sales price based on situation as at June 30, 2015.

Metromar, Seville

- Seek to obtain consent for the change of use of the spa unit to retail
- Seek to agree terms with Mango for an extension of their store
- Appoint broker in 1Q16 and aim to sell by end 2Q16

The center is located on the western side of Greater Seville within the suburb of Mairena del Aljarafe, approximately 6km to the west of the city center. The current occupancy rate is 96%. Investor sentiment for Spanish retail property has improved and we expect yields to improve as further transactions take place. In addition, we have appointed new property managers and are working with them to implement a business plan to reduce vacancy levels and increase operating income through improving footfall and sales turnover, thereby allowing us to reduce the rental discounts currently in place as well as improve the security of the income received. We are currently working on a number of initiatives which we believe will help us to achieve these aims. The property provides a diversified income from a number of good quality tenants.

We are seeking consent for a change of use of the spa unit to a retail use and have signed an agreement for lease for 980 sqm with Shana, a youth orientated fashion retailer, to take this unit. In the adjacent Family Entertainment Unit (575 sqm) we have agreed terms and are currently finalizing a new lease with an existing tenant to expand and relocate. We applied for the change of use and are hoping to achieve the consent soon, however, this is highly dependent upon the speed with which the local municipality deals with our request.

We have also recently agreed terms to lease two further retail units totalling 105 sqm to existing tenants, both of which are expanding by acquiring additional space next to their existing unit. We have agreed new leases with the Inditex Group to reconfigure the Zara and Pull & Bear units and are continuing discussions with them over their other occupations in the center. We are also seeking to agree terms with Mango for the extension of their store from 400 to 1,000 sqm.

There will be some capital expenditure required (which is linked to the business plan initiatives) to lease the former Spa unit to Shana and enlarge the Mango unit.

There is no external debt on the property.

As noted above there are a number of value-creating asset management initiatives which we are currently working on. In addition, trading appears to be improving which is enabling the Fund to reduce and/or eliminate rental discounts which had been granted to tenants during the financial crisis. We are therefore seeking to complete these asset management initiatives with the aim of increasing the income received from the center as well as reducing its vacancy. On this basis we would seek to appoint a sales broker in 1Q16 with a view to completing a sale by end 2Q16.

GRE's research forecasts a total return from Spanish retail of 8.3% p.a. over the forecast period covering 2015-17. On an annual basis the total return peaks in 2016 due to high forecast capital return as yields continue to compress. Rental growth is muted in the early years, increasing to 1.8% in 2017. Income returns are forecast to reduce as yields compress ahead of rental growth coming through. We feel therefore that we can use the prospect of growth in 2016 to market the property for sale in 1Q16 with a view to closing the sale by the end of 2Q16.

Key sale metrics as at March 31, 2015

Current open market value	EUR 51.50m
Liquidation value	EUR 51.50m
Anticipated sales price[1]	EUR 51.50m – 53.0m
Costs of sale (fully provisioned in the Fund NAV)	EUR 0.62m

1 Estimate of sales price based on situation as at June 30, 2015.

Woonboulevard, Delft

- Seek to lease the ground floor units
- Appoint broker in 1Q16 and aim to sell by end 2Q16

The property is situated on Schieweg-Noord in Delft approximately 3km from the exit 'Delft-Zuid' of the motorway A13 and approximately 4.5km from the motorway A4.

In 2014 we extended the lease with Gamma, the property's main tenant, granting a new 11-year lease term effective from April 1, 2014 and subsequently we also extended leases with the other major occupiers on the estate. The vacancy is currently 4,830 sqm representing 18% of the property's lettable area, however, 3,060 sqm of this has been grouped into four adjacent ground floor units to enable us to provide a single large unit for a second anchor store. We have commenced negotiations with a potential tenant who are interested in taking approximately 3,000 sqm and who we believe would be complementary to the existing tenants. We seeking to agree terms for a new lease, although the level of rental that the potential tenant has offered is currently below our target.

The park has a relatively restrictive user clause which limits tenants to homewares, furniture, DIY, kitchens and bathrooms. During our ownership the local authority have been difficult to deal with and have been particularly inflexible in their approach to any occupiers outside the permitted uses.

The train tunnel works which are being undertaken on the adjacent land are nearing completion and upon completion of the works the access to the center from the north of the city will be significantly improved.

The property also has the advantage of very low cost debt until October 2017, with a total loan of EUR 12.045 million and an all-in cost is 1.69% p.a. hedged through an interest rate swap.

We will therefore seek to finalize negotiations with the potential new tenant to improve the occupancy and increase the income. We will also complete the negotiations with existing tenants to extend leases to provide potential purchasers with a more secure longer term cashflow which should enable us to maximize the proceeds achieved from the sale.

We are also witnessing a recovery in the Dutch housing market which we anticipate will lead to an improvement in sales for the tenants in the property.

GRE research considers that the current pricing of Dutch retail is generally undervalued with attractive total returns of 9.2% p.a. achievable off current prices over the three-year forecast period. Returns from current valuations are lower. Total returns are again underpinned by a high income return of 6.8% p.a. over the forecast period with some capital growth expected due to yield compression. Rental growth is anticipated to be relatively subdued over the period. Investor interest is improving due to the attractive yields achievable and we would seek to take advantage of this improving sentiment.

Once the leasing situation has been improved we would seek to take advantage of both the improving Dutch residential market and completion of the train tunnel works adjacent to the site to appoint a sales broker in 1Q16, with a view to completing a sale in 2Q16.

Key sale metrics as at March 31, 2015

Current open market value	EUR 25.00m
Liquidation value	EUR 22.50m
Anticipated sales price[1]	EUR 22.5m – 25.00m
Costs of sale (fully provisioned in the Fund NAV)	EUR 0.56m

1 Estimate of sales price based on situation as at June 30, 2015.

Tiilitie East and West, Helsinki

- Finalize negotiations with existing tenants to re-size and complete new leases
- Seek to lease the vacant unit
- Extend debt maturity for a short period
- Appoint broker in 1Q16 and aim to sell by end 2Q16

The property is located in Vantaa 20km north of Helsinki CBD. Vantaa has good transport links with road access provided by the Ring Road III (E18) which circles the Helsinki Metropolitan Area from west to east. E18 provides a direct link between Turku in the west of Finland and St. Petersburg (Russia). It also provides accesses to the E12 and E75 with links to northern Finland. In addition, Helsinki-Vantaa Airport, some 11km east of the property, provides flights to domestic, European and some further international destinations including Asia. The airport is located within 10-15 minutes' drive from the property.

These assets were constructed in 2010 and 2012 and have the benefit of LEED silver certification. The property provides a reasonable diversity of income being multi-let although some tenants belong to the same group.

There is one unit within Tiilitie West that is currently vacant, however, in accordance with the SPA agreed at the time of the acquisition the Fund has not paid the developer for this unit. Terms have recently been offered to a potential tenant for the whole of the vacancy. If a lease is signed with a new tenant, this will trigger the payment of the final part of the purchase price for which the Fund is holding adequate capital to enable it to complete the purchase. There are no major capital expenditure requirements anticipated.

Haugen Group is interested in extending their accommodation and there may be an opportunity to take back some space from another tenant, Teca Oy to achieve this. We could then take the opportunity to extend the lease term with both Haugen Group and Teca Oy. We are also currently in discussions with Teca Flow (which is part of the same group) and also Nordqvist about extending the lease terms with these tenants.

There is existing debt in place and the properties provide an attractive running yield. The asset has an existing loan of EUR 15.65 million maturing in April 2016. The interest rate is hedged through an interest rate swap with an all-in rate of 2.164% p.a.

We believe that there is potential upside from modest yield compression as the Finnish economy recovers. In addition, once the property is fully leased and existing tenant's leases have been extended we believe that the property will be attractive to potential purchasers.

We will therefore aim to complete the leasing and tenant negotiations with a view to appointing a sales broker in 1Q16, seeking to achieve a sale by end 2Q16. As the two buildings share the same access route, and because we believe that there will be greater demand for a larger lot size, we would market the two properties for sale together.

Finnish industrial property is forecast to produce an average total return of 7.6% p.a. over the next three years, with total returns improving to 8.6% p.a. in 2017. Capital values are forecast to grow slightly in 2017 before dropping with income growth improving over the course of 2018 and 2019.

Based on the above we believe that 2016, when the market is improving, is the best time to sell the property.

Key sale metrics as at March 31, 2015

Current open market value	EUR 33.8m
Liquidation value	EUR 32.8m
Expected final purchase price payment	EUR 3.8m
Anticipated sales price[1]	EUR 37.5m – 38.0m
Costs of sale (fully provisioned in the Fund NAV)	EUR 0.99m

1 Estimate of sales price based on situation as at June 30, 2015.

Massy, Paris

– Seek to agree terms with Thales to extend their lease
– Seek to lease vacancy where possible
– Extend debt maturity
– Appoint broker in 1H16 and aim to sell by end 3Q16

The property is located in an established office sub-market, 22km south-west of Paris close to Orly Airport. The property represents the largest single lot in the portfolio, and the income from ThalesRaytheonSystems (TRS) represents 21% of the Fund's income (as at March 31, 2015).

We have been successful in leasing up some vacancy, having signed leases with Nexity, Societe Generale and Adents for space totalling 4,450 sqm. This will certainly assist in the sale process and any further leasing will also be beneficial to the sale.

We have recently agreed terms with two further multi-national corporate tenants for 2,315 sqm and 483 sqm, with both of these leases expected to be signed shortly. Upon completion of these lettings the vacant area will be reduced to 3,020 sqm which will result in an occupancy rate of circa 93%.

With regard to the leases signed during 2015, Adents signed a 3/6/9 year lease commencing on March 1, 2015 at a rent of EUR 200 per sqm plus parking, subject to a rent-free period of 16 months spread over the lease's first six years (3/2/2/3/3/3). The lease for the 2,315 sqm space noted above will be a new 6/9 year lease commencing on September 1, 2015 at a rent of EUR 195 per sqm plus parking, subject to a rent-free period of 12 months.

The lease for the 483 sqm space will be a new 4/6/9 year lease commencing October 1, 2015 at a rent of EUR 200 per sqm plus parking, subject to a rent-free period of five months.

The potential upside from additional leasing is countered by the risk attached to the TRS lease. This relates to the potential for them to vacate the building in the future owing to a break clause on the majority of the space they occupy at the end of 2016 and a lease expiry on the same space in December 2019. TRS occupy 25,000 sqm in total and should they decide to relocate there would be further significant capital expenditure required for an extensive refurbishment of the offices, particularly as this accommodation currently does not have air-conditioning but only an air-handling system.

Due to the relatively short nature of the lease with TRS until the first break it may be difficult to achieve a sale of the asset in the short term. However, TRS has recently indicated that they may be prepared to stay and sign a new 9-year lease subject to the landlord undertaking a number of upgrading works. We will continue discussions with TRS in an attempt to agree a new lease and a schedule of works with them. Having secured TRS we would then seek to sell the property with the benefit of the agreement but without actually undertaking the works, with a purchaser assuming this responsibility.

On this basis we would seek to appoint a broker with a view to marketing the property once TRS have been secured. Consequently our current expectation is to market the property during 1H16 with a view to completing a sale in 3Q16. A data room has been substantially prepared to allow marketing to commence immediately after terms have been agreed with TRS. We have seen more interest in the market from value-add and opportunistic players but believe that it will still be challenging to complete a sale, especially if we are not able to agree terms with TRS for a new lease.

GRE research forecasts attractive total returns for prime French offices of 8.4% p.a. over the three-year forecast period. The return peaks in 2016 due to higher expected capital growth due to yield compression. The forecast income growth is negative over this period, being negative in 2015 before posting modest growth in 2016 and 2017. We would therefore seek to take advantage of the forecast yield compression in 2016.

Key sale metrics as at March 31, 2015

Current open market value	EUR 76.6m
Liquidation value	EUR 69.0m
Anticipated sales price[1]	EUR 62.0m – 80.0m
Costs of sale (fully provisioned in the Fund NAV)	EUR 0.73m

1 Pricing range is dependent on whether we have been able to agree terms for a new lease with TRS. Estimate of sales price based on situation as at June 30, 2015.

Esterel, Fontenay-sous-Bois

- Wait until notice period expires
- Immediately market the property for sale
- Appoint broker in 2Q16 and aim to sell by end 4Q16

The property is located in Fontenay-sous-Bois approximately 15km East of Paris and 10km east of the Paris ring road. The city has good transport links with road access provided by the A86 which links the A3 motorway to the north, permitting easy access to Charles-de-Gaulle airport, as well as to the Paris ring road. The property also benefits from excellent public transport links with two train stations "Fontenay-sous-Bois" and "Val de Fontenay" which are both served by RER line A (The "Val de Fontenay" station is also served by the line E), providing easy access to Paris. The property is part of a co-ownership structure with a number of other similar properties.

At some time in the future it is anticipated that the façade will require upgrading and this could be problematic within the confines of the co-ownership structure. While RATP appear to be happy with the property and the location, as the buildings continue to age there is the danger that RATP will re-locate to a new building. This would create circa 45,000 sqm of vacancy within the complex with several different owners all competing for the same tenants. Therefore, while the property is currently fully leased and income producing there is a risk of future capital expenditure related to the façade and also a risk attached to the long-term occupation of RATP. The Management Company therefore feels that there is significant downside risk and that the value is likely to decline as the lease length shortens.

The tenant has not yet been prepared to provide their written confirmation that they do not intend to exercise the break option in 2016, which we have been seeking to help make the property more liquid and improve expected net proceeds. We do not expect the tenant to serve notice to break their lease and in the event that we do not receive the confirmation from the tenant we believe that the best strategy is to wait until the notice period has expired when we can sell the property with 3.5 years income remaining. As the tenant would need to serve a notice to break the lease before June 30, 2016 we would seek to appoint a broker in 2Q16 so that we would be ready to commence full marketing immediately after the end of the notice period, with a view to agreeing and completing a sale in 4Q16.

GRE research forecasts attractive total returns for prime French offices of 8.4% p.a. over the three-year forecast period. The return peaks in 2016 due to higher expected capital growth due to yield compression. The forecast income growth is negative over this period, being negative in 2015 before posting modest growth in 2016 and 2017. We would therefore seek to take advantage of the forecast yield compression in 2016.

Key sale metrics as at March 31, 2015

Current open market value	EUR 17.0m
Liquidation value	EUR 15.3m
Anticipated sales price[1]	EUR 15.0m – 17.0m
Costs of sale (fully provisioned in the Fund NAV)	EUR 0.18m

1 Estimate of sales price based on situation as at June 30, 2015.

Portfolio impact

	As at March 31, 2015
Current open market value	EUR 310.70m
Liquidation value	EUR 291.80m
Expected final purchase price payment (Finland)	EUR 3.8m
Anticipated sales price[1]	EUR 292.25m – 320.25m
Costs of sale (fully provisioned in the Fund NAV)	EUR 4.99m

1 Estimate of sales price based on situation as at June 30, 2015.

Due to the amount of liquidity in the market we understand that there are a number of larger investors that are keen to look at cross-border portfolio deals to allocate equity. Because of this, and in addition to considering the disposition of the portfolio on an asset by asset basis, we are also considering the possibility of selling the portfolio in its entirety. This may have several potential advantages including the following:

- Market evidence suggests that there is currently good demand for cross-border portfolios and that a small premium may be achieved;
- Even if a premium is not achievable it could prove an efficient way to maximize proceeds and ensure a sale for the weaker assets in the portfolio;
- In terms of timing, a portfolio sale could be completed by 1Q16, expediting the liquidation process; and
- Overall costs of sale may be reduced by combining the assets into a portfolio and selling through a single broker.

Due to its characteristics, we believe that it may be better to exclude the Dutch office portfolio from an overall portfolio sale, and so we will continue to progress this sale separately for the timebeing. However, if we are not successful in closing the sale of the Dutch office portfolio, or if we do proceed with a sale of the whole portfolio, we will review whether or not to include the Dutch office portfolio and assess the impact this inclusion may have on the overall sale, in terms of both timing and pricing.

We will continue to investigate the potential for a portfolio sale alongside individual property sales, with a view to achieving the best outcome for investors.

Furthermore, we have seen some interest from potential strategic investors in acquiring a sizeable stake in the Fund. In addition to the above initiatives, we will also continue discussions with these capital sources and if any are prepared to make an offer for units in the Fund, we would notify all investors to provide an option for those investors that would like to exit the Fund quickly. It is likely that any offer for units would require some form of lock-in from investors wishing to remain to be invested alongside the new capital source. Alternatively, any new strategic investor may seek to restructure the Fund. At this stage we have not received a formal offer and so we will continue with selling the underlying assets as described above.

Consultation with investors

The Management Company will provide a quarterly progress update to investors which will include:

- Assets which are currently being marketed for sale
- Brokers appointed to market the properties
- Quoting sale price
- Level of interest received and indicative pricing level
- Expected timing to a completion of the sale

The Management Company will agree pricing with the broker before an asset is marketed for sale based on the advice received from the broker. The aim for all sales will be to achieve a price at or in excess of the latest open market value provided by the Fund's valuer.

In the event that the anticipated pricing is more than 5% below the most recent liquidation value, the Management Company will inform investors as soon as possible so that investors may raise any queries about the lower sale price and/or its reasoning to the Management Company in good time.

Recognizing the timescale permitted to achieve the Fund's liquidation, the Management Company intends to proceed with an asset's sale at the best offer received where the following conditions have been met:

- The property has been actively marketed by a broker with good market presence in the local real estate market; and
- All offers received have been properly considered in terms pricing, timing and ability to close the transaction.

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