UBS

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Summary of investor meeting

May 20, 2014

Strictly private and confidential

attendees

UBS:
Tilman Hickl
Richard Johnson
Gunnar Herm
Mark Gifford
Fekko Ebbens
Mary Brooking
Fraser Hare
Markus Bartelmess
Amaury Zinga-Botao

Investors:
Tsun Man Ho – Unilever
Janine van Cruchten – MN
Barbara Giovagnoli – Euro Control
Okan Yilmaz – Almazara
Tjeerd Tromp – Grontmij Capital Consultants
Dennis van de Pas - Grontmij Capital Consultants

Apologies:

subject

Minutes of the Meeting of the UBS Euro Core Fund Annual Investor day
Tuesday May 20, 2014
UBS Office in Munich

Summary / action items

- **Tilman Hickl (TH),** Head of Europe ex. Switzerland for UBS Global Asset Management's Global Real Estate business (GRE) opened the meeting by welcoming the investors to Munich and then highlighted GRE's commitment to the Fund.

- **TH** stated that GRE is very much focused on core investments and that is where the firm wants to focus going forward.
    - GRE has a successful core investment platform in the US and aim to develop something similar in Europe so UBS Euro Core (and the UBS Triton Property Fund in the UK) are of strategic importance to GRE and will get the support required;
    - In order to stabilize and grow the Fund, profitability is not an issue currently; we want to ensure that the Fund is properly re-positioned to be able to grow in the future
    - We have the resources in place and Luxembourg is an important platform; we intend to launch other Luxembourg-based Funds in the future.
    - Recent wins of separate accounts/mandates with investments in Europe ensures the stability/viability of our European real estate platform consisting of regional offices in the main markets.

- **Richard Johnson (RAJ)**, Head of Global Business Development for GRE added that equity raising for Europe was a key priority for the business and with this in mind GRE had recently appointed a new Head of Business Development for Europe who would be starting shortly.

- **Mark Gifford (MG)** went through the proposed agenda for the rest of the day.

- **Gunnar Herm (GH)** then gave a presentation on the European markets and the GRE view of potential opportunities that could materialize over the up-coming years.

- **GH** indicated that capital values were forecast to bottom out and that investors had rediscovered peripheral Europe. The forecasts were that capital growth would be limited and that total returns would continue to be driven by income return. The best opportunities to buy are expected to be outside the core eurozone markets.

  Countries/ sectors to watch were:
  Industrial/Logistics – Netherlands, France and Italy
  Office – Prime Spain, Germany core to value-add, Paris and the Nordics value-add.
  Retail – Netherlands, Spain dominant retail parks and Italy prime shopping centres.

- **Summary:** Economic environment slightly improving but reform still required. Debt availability is improving but still challenging. Capital markets have delinked from occupier market fundamentals.

  Investment strategy – income is still key, still core – good quality offices in CBD and edge of CBD. Investors moving towards southern Europe but should focus on core assets. Investors are also moving towards value-add. Dominant retail warehouse parks and shopping centres.

- **Mary Brooking (MB)** then provided an update on the asset management activities of the Fund over 2013 and year-to-date 2014. As the investors wanted to focus on the Fund strategy and strategic options for the Fund, the section on German asset management was postponed with an intention to discuss it at the end of the meeting if sufficient time remained.

- **MG** gave a presentation on the Fund strategy. The strategic options for the Fund that had been considered and the recommended course of action. He started with a SWOT analysis of the Fund and in particular re-emphasized the current challenges that the Fund is facing of the high vacancy rate and current level of redemptions. In terms of opportunities, the manager has an opportunity to re-position the Fund to put it in a better position for future growth. Strategic options that had been considered were to re-position the Fund

Summary / action items

updating the Fund documentation and revising the fees, selling assets which were forecast to underperform or where the risk was considered too high for the Fund and attracting new equity. The other options considered were a merger of the Fund with another similar fund and an orderly liquidation of the Fund. At this stage the latter options had not been pursued as the manager had not been able to find a Fund that was a good strategic fit and where the Fund manager of the other Fund was willing to consider a merger and it was felt that a liquidation at this stage would not be the optimal solution from the perspective of the investors.

- **MG** then set out the fund style and performance targets which was not significantly different from the current fund targets. The intention was to remain focused on being a core fund with low leverage but seek to learn from the past. Whilst the Fund had benefitted from maintaining a low level of leverage during the financial crisis, the Fund had acquired a number of single tenanted office buildings and while the tenant quality was generally very good, income was concentrated from a limited group of tenants and there was a risk if any of the tenants decided to move to new premises. A major portion of the current vacancy was as a result of single or dominant tenants moving out of the Fund's property. This would be addressed by initially seeking multi-tenant office properties. The Fund would seek to continue to construct a diversified portfolio having regard to the benchmark but having flexibility to make allocations where the manger saw the best opportunities and avoid buying properties if the manger did not feel that the acquisition would add to the overall portfolio.

  The focus of the performance target would be to seek to out-perform the total return of the IPD pEPFI Fund index by 50bps and also the income return both over a three-year rolling period.

- **MG** stated that the strategy was being put in place to position the Fund for the future and the initial phase of the re-positioning would be to stabilize the Fund to provide a solid foundation for it to grow in the future. In order to re-position the Fund the portfolio had been carefully evaluated and analyzed with a view to creating a retained portfolio of the assets which based on the analysis the fund manager felt provided the best risk adjusted returns and a sale portfolio of assets that the fund manager felt had poor growth prospects and/or created a higher risk to the Fund.

- **MG** then went through the details of the sale portfolio and the reasons these assets had been selected for sale including the forecast returns available from these assets based on a five year total return forecast. The assets within the sale portfolio would be difficult to sell even in improved market conditions due to vacancy, shorter lease terms or current low market turnover levels. In terms of achievable pricing the current expectation is that the assets most at risk of achieving pricing below current valuation were Massy and the Dutch portfolio. We have held discussions with brokers and for Massy there was a wide range of views on what price could be achieved with the minimum at circa EUR 60 million and the most optimistic being EUR 79 million. Discussions with the brokers in The Netherlands were ongoing but investment turnover in markets like Groningen and Bergen-op-Zoom were very low.

  Bergamo had been on the market for twelve months without finding a buyer although we had received interest and two parties were currently considering a purchase. At this time it is difficult to say what pricing may be achieved but current expectations were that it could be slightly below valuation. On the other hand the expectation was that Cachan would achieve a price at or close to current valuation and Frankfurt would achieve a price above current valuation.

  He then examined the assets that would form the retained portfolio and again described the reasoning for holding these assets within the portfolio including the asset management initiatives that we being worked on in order to provide attractive returns moving forward. He also set out the forecast returns from each of the assets and the portfolio as a whole which showed a forecast total return of 8.6% p.a. over a five year forecast period and an income return of 4.9% p.a.

  The vacancy rate in the retained portfolio would initially be higher than the long term target; however, the vacancy was in assets where the Fund Manager thought that there was a good chance to lease the space up over the coming months. The longer term aim after two years would be to achieve and then maintain an occupancy rate above 95%. Through asset management the spread of lease expiries had been improved and

Summary / action items

the aim would be maintain a fairly even spread of lease expiries. It was also intended that leverage would be maintained at an overall level of circa 20% of GAV.

- **MG** then covered the aim to raise equity from new cornerstone investor, however he stated that in discussions the UBS have had with potential investors, the investors wanted to see some stabilization in the Fund in terms of both the redemption situation but also the vacancy situation before they were prepared to commit unless units were available at a significant discount to NAV. **MG** also confirmed that once the fund had achieved stabilization, the intention would be to revisit some of the existing investors who had submitted redemptions to see if any could be persuaded to at least partially reverse their decision.

- **MG** then presented the strategy for new acquisitions once the Fund had new equity to invest. He confirmed that whilst UBS GRE research expected good returns from the peripheral markets as they recovered, it was not the intention to invest into these markets in the initial stage. **MG** confirmed that the manager had considered the allocations in the retained portfolio and UBS GRE research forecasts for the various markets/sectors and based on these two elements the fund would initially seek logistics assets in France and Benelux and re-invest into multi-leased modern office assets in Paris close to the CBD or in established sub-markets with good demand/supply characteristics. For the retail element of the strategy the manger would consider opportunities in France and Germany but noted that in Germany in particular, pricing was relatively expensive and it may be difficult to find suitable opportunities that provide attractive risk-adjusted returns.

- **MG** concluded with a list of milestones that the manager was aiming to achieve over the course of the remainder of the year and a number of reasons as to why the manager thought that investors should remain invested.

As the investors had been keen to continue the discussions about the fund strategy and the proposals for the re-positioning, the planned inspection of the Fund's asset, Campo Sentilo in Munich was cancelled.

- **MB** finally gave a brief overview of the changes proposed to the Fund documentation to comply with AIFMD.

Throughout the presentations a number of questions were raised by the investors. These are set out below together with the answers provided during the meeting and have been grouped into topics:

1. Fund stabilization

Will UBS inject cash in the Fund?
It is not UBS Global Asset Management's policy to co-invest in funds, particularly open-end funds; however, in view of the particular circumstances it is something that UBS will consider, although any co-investment would need to be linked to a lock-in period by the major investors remaining in the Fund.

Will there be a "special treatment" for non-redeeming investors?
The Portfolio Manager has a fiduciary responsibility to all investors and whilst the aim is to retain assets which have the best growth prospects, these also tend to be the most liquid. The Portfolio Manager has reacted to situations where we have seen liquidity improve in a market to achieve sales and the sale of Madrid at the end of 2013 is a good example of this.

We will consider a fee rebate for all non-redeeming investors although this would need to be tied to some form of lock-in so that the Fund can be stabilized and the Portfolio Manager has the opportunity to implement the Fund strategy, achieve property sales and attract new equity investment in the Fund. The Portfolio Manager will discuss this with senior management and respond with a proposal for the planned follow up meeting with investors.

Summary / action items

When will the Fund revert to a normal redemption payment process?
In accordance with the provisions of the fund documentation, the Fund has the discretion to prioritize payments to investors that are approaching the long-stop two-year period to receive their redemption payment to ensure that the Manager can meet its obligation to make payments in full within the two-year period. In considering the need to do this the fund manager takes into consideration the expected timing of achieving property sales having regard to the current market conditions and the level of interest from investors in the property being marketed and the stage in the sale process which has been reached as well as the level and due date of the redemptions. When the manager decided to prioritize payments it was clear that no sale was likely to complete during 1H14 which left only two quarters to achieve sales to meet the redemption payments of investors whose two-year period expires on the 31 December NAV dealing day.

There are several investors with a total combined redemption value of EUR 27.5 million where the two-year period expires on the December 31, 2014 NAV dealing day. A further EUR 6.1 million will reach its two-year period on the March 31, 2015 dealing day and EUR 27.2 million on the June 30, 2015 dealing day. The manager's ability to revert to making pro-rata payments to all investors in the redemption queue where the six-month notice period has expired is initially dependent on the timing of property sales. Current sales which are expected to complete before year end are Cachan and Frankfurt which should achieve net proceeds of circa EUR 35 million which would allow the manager to make payments to the first two groups of investors. Payments could also be expedited if there is interest in the secondary market later in the year or early next year.

At what point Fund's liquidation will be considered imminent?
We have stated in the fund strategy that this is if redemptions reached a level of 70%. It was agreed however, that this could be at a lower level if the redemption requests were received from larger investors at the same time. Based on the current situation and the increased interest we have witnessed recently in European real estate from global investors, whilst we did consider and review the option of liquidating the Fund we do not believe that currently this option is in the best interest of investors as it will reduce the proceeds available.

What would the Fund's size be if all redemption were to be paid today?
The current redemption queue is circa EUR 109 million with an NAV of EUR 305 million (31.03.14), so with purely property sales to meet redemptions the NAV would likely be circa EUR 190 million. This assumes that all redemptions are met through property sales and can be considered a worst case scenario. In the event that new investment was brought in through the secondary market, equity available from proposed sales could be re-invested to maintain a higher NAV.

How does the PM envisage securing investor's support regarding the proposed Fund's strategy?
The Portfolio Manager's expectation is that the investors review the presented fund strategy, that there is an open discussion and once the investors have had an opportunity to review and reflect a follow-up meeting to agree the way forward. The Portfolio Manager is not expecting any formal decision to be taken today. Ultimately the Portfolio Manager will seek some form of commitment from investors to enable it to go out and market the Fund and be in a position to give a level of comfort to potential investors that the core of the remaining investors are committed.

What is the sentiment of investors (those not present at the meeting) towards the Fund's strategy?
The major investors that haven't submitted redemptions are all represented at the meeting with the exception of the two largest Swiss investors. The Portfolio Manager recently met with the largest Swiss investor and their position would be similar to the investors represented in the meeting that they are not happy with the performance, have requested some form of concession on the fees but at this stage are prepared to stay invested. We also met with the second largest Swiss investor towards the end of 2013 and at that time they had a similar view.

The smaller Swiss clients are managed by Swiss-based UBS CRMs and we receive feedback through our Swiss Business Development team and we believe that currently the situation is stable and that all the Swiss investors that we expected to submit a redemption request have already submitted them.

Summary / action items

As fee mechanism is being revised, is the implementation of an attractive fee schedule as incentive for remaining investors envisaged?
This is something we are prepared to consider; however, in order to enable us to stabiles the Fund to attract new equity investors, we would in return seek some form of 'lock-in' whereby a fee reduction could be considered if investors agree not to submit a redemption request for the period of the rebate.

Are there plans to create a share class for existing investors (those not redeeming)?
There are no plans to create a separate share class for existing investors. We have considered creating separate share classes for a holding in the retained portfolio and sale portfolio so that units could be traded purely in the shares allocated to the retained portfolio, however, this would be extremely complex to arrange and may incur the payment of real estate transfer tax which would dilute returns. At this stage therefore there is no intention to create separate share classes.

With regard to fees and as a result of the transparency required by AIFMD, if the Portfolio Manager grants beneficial terms to one set of investors, say the existing investors, it would need to notify all investors and the expectation is that new investors would require the same terms available to existing investors and therefore there is no advantage to create a separate share class.

How long do you think the Fund's stabilization phase will take?
The stabilization and re-positioning can be broken into two elements. Firstly it is anticipated that the stabilization of the investor base can, dependent on investors own approval processes, be achieved during 3Q14 through the agreement of the fee rebate and associated lock-in period.

The updated Fund documentation should be in place in time for the AIFMD deadline of July 22, 2014.

On the basis that we can receive support from the non-redeeming investors and stabilize the investor base, we can then give confidence to incoming investors that the investor base is stable which will enable us to seek new equity to meet the remaining outstanding redemptions that will then provide equity from the sales to be re-invested in line with the acquisition strategy. We are aiming to be in a position to attract new equity by the end of the year or very early 2015.

Secondly, with regard to the stabilization of the portfolio, it is expected that the sales of Cachan and Frankfurt can be completed this year to meet the redemptions of EUR 27.5 million that need to be funded based on the December 31, 2014 NAV and that others including Bergamo, Massy and Esterel can be progressed over the remainder of this year with a view to achieving a closing in 1H15. The Dutch portfolio will be marketed during 2014 with a view to achieving a sale as soon as possible in 2015.

What is the timing to execute the strategy?
It is anticipated that it will take six months until the year end to stabilize the Fund achieve some property sales, reduce the redemption queue and secure lettings to reduce the vacancy rate. Once this has been achieved there is an expectation that new equity can be raised initially through the secondary market and later through the primary market providing equity for new acquisitions. The aim is then to grow the Fund through further equity raising and acquisitions with an aim to raise circa EUR 200 million per annum.

2. Portfolio stabilization

What is the Fund's expected return for 2014?
The total return for 2014 will depend on the sales program and the prices achieved for properties sold. In addition, the property sales will incur costs which will have a negative impact on the NAV. Consequently it is difficult quantify the overall impact the sales will have on the NAV. Whilst the Fund Manager expects the retained portfolio to perform well and is forecasting a total return of 8.6% over five years, it is difficult to predict the total return for 2014.

From an income perspective, again dependent on the timing of sales, we would expect to achieve an income return of circa 4.4–4.5%. The budget as presented to the Fund's board and assuming no changes are made to the Fund's portfolio was 4.4%. This will be helped by the reduction in fees. The income return will be negatively

Summary / action items

impacted by further vacancy, particularly in the Dutch portfolio but this will be mitigated by the expiry of rent free periods where accommodation has been released recently. New leasing during the remainder of the year will have a more limited impact on the income return for this year due to the need to grant rent free periods to new tenants.

The Portfolio Manager does expect that sales prices for some of the assets sold will be below current valuation and in particular the Dutch office portfolio, although we are currently in the process of obtaining the views of brokers on the likely level of achievable pricing and also timing to achieve sales. Of the properties that are currently being marketed or are about to be marketed, the current expectation is that Cachan will achieve a price around valuation, Frankfurt will achieve a price above current valuation and Bergamo will achieve a price below valuation. Of the remainder of the sale portfolio, for Massy we received a wide range of achievable pricing from local brokers and ultimately pricing will depend on the level of occupancy at the time of sale. However, it is also expected that potential purchasers are likely to be very conservative when pricing the income on the ThalesRaytheonSystems leases and assume a worst case scenario in terms of lease breaks which would negatively impact the price achievable. Any leasing that the manger is able to achieve for assets within the sale portfolio is anticipated to have a positive impact on the liquidity of an assets and the net proceeds received.

How much of the income return out-performance compared to the pEPFI index is due to the fall in valuations?
It is hard to answer that question as it would require more detailed information on the other Funds in the peer group; however, we agree it must have an impact.

Despite this, the income return out-performance of UBS Euro Core compared to pEPFI is long-lasting and has been present in every period where there is data for both the Fund and the Index. The out-performance has decreased in 2013, mainly due to the impact on Euro Core of the increased costs associated with vacancy.

How much has current valuation level impacted income return?
Lower valuations has meant that the income return has remained high despite the vacancy rate having increased and remained high over the last 18 months.

The Fund's property portfolio generated a net initial yield of 6.95% as at September 30, 2013, which increased to 7.72% at December 31, 2013. The major change in the Fund's properties between those dates was an 8.1% decrease in the value of the property portfolio from EUR 382 million to EUR 351 million (like-for-like excluding the sale of Valcarcel). The rental income generated by the properties was roughly the same at the end of both quarters (EUR 29.6 million) meaning that the increase in the net initial yield at a property level was substantially due to the change in valuations. The sale of Valcarcel also had an impact as the property had a low net initial yield at the time of the sale.

What are the initiatives taken in order to increase occupancy in the properties?
We are actively seeking to lease all vacancy within the portfolio and have retained brokers for each property. In challenging leasing markets the agents are incentivized to achieve leasing.

Based on their weighting in the portfolio, Massy and Suresnes comprise a significant proportion of the vacancy, although Metromar and Woonboulevard also contribute. Recent leasing success in Massy and Suresnes will be countered by a known increase in vacancy in Rotterdam and Groningen when the current FNV leases expire in 2Q14 and they hand back circa 550m² in Groningen and circa 2,250m² accommodation in Rotterdam and also the Woonstad Rotterdam lease expires on 1,120m².

We are targeting by year end to lease 1,000m² in Suresnes and also obtain consent for change of use in Metromar so that the lease on 950m² with Shana becomes effective as well as achieve new leases with the Inditex Group and Mango. We are also targeting to lease at least 1,600m² in Woonboulevard. Proposed sales of Cachan and later Massy and the Dutch office portfolio will assist in reducing the vacancy rate.

The vacancy rate in the retained portfolio will be relatively high initially at 16.6% assuming no new leasing activity but the Portfolio Manager believes that the asset business plans for these properties are achievable and that the vacancy can be leased as the markets recover over the coming 12–18 months with the aim to achieve a portfolio occupancy rate of 95% within two years.

Summary / action items

How are rent arrears monitored? Is tenant credit check performed by an external party?
The rental payments are monitored every quarter and rent arrears reported to the local asset managers for follow up. The asset managers will contact the tenant to ascertain if there is a reason for the arrears and if so work with them to find a solution. This is the main method of tracking the tenant quality. A tenant credit check will be undertaken upon the acquisition of a property but thereafter there is no regular tenant credit check performed by an external party. IPD do provide a service in the UK called IRIS which they are looking to rollout into Europe and we have held discussions with them about this although at this stage remain it be convinced of its value.

How far are you in testing the market regarding disposal of assets that are outside the "retained portfolio"?
Cachan has been on the market since September 2013 and whilst the original potential purchaser has withdrawn we have recently received another offer at slightly better terms, in line with the current valuation, which we are now pursuing. We are close to signing an LOI and expect to grant an eight week exclusivity period. The purchaser is reviewing the option of acquiring the asset or the shares in the SPV. The timing will be impacted by which route is pursued as a purchase of the shares in the SPV would avoid the two month pre-emption right of the local authority.

Bergamo has been on the market since March 2013 and interest has been low. Again an identified purchaser recently withdrew as they were unable to raise the required financing and we have identified two potential purchasers. One has made an offer which is below our expectations and we are waiting to receive an offer from the second party so we can decide how to proceed.

We have recently appointed a broker for Frankfurt and the initial expectation is that we can achieve a price in excess of the current valuation of EUR 17.5 million. We are aiming to close the transaction before year end 2014.

We recently met with brokers in Paris to discuss the possibility of selling a portfolio of Massy, Chartreuse and Cachan. There were a wide range of values for the assets and varying views on the attraction of selling a portfolio versus selling assets individually. As we have received an acceptable offer on Cachan we have decided to pursue this whilst we prepare Massy for sale. We aim to put the asset on the market during 4Q14. Esterel was marketed for sale in 2011 when we sold the neighboring property Chartreuse and the data room is more or less ready to commence marketing. Several brokers indicated that the property would be more liquid and generate higher net proceeds if we could obtain confirmation in writing from the tenant, RATP that they would not exercise the lease break in 2016 to give more clarity on the potential income flow. The asset management team will seek to meet with the tenant to see if terms can be agreed with the tenant during 3Q14 to obtain this confirmation with a view to putting the asset on the market during 4Q14.

We have held some initial discussions with brokers in the Dutch market regarding the Dutch office portfolio which we believe will be the most challenging assets to achieve sales due to the very low tenant and investor interest in these markets. We are waiting for fee proposals from brokers to decide how to take it forward. We will seek to market the assets for sale during 3Q14 but it is difficult at this stage to predict when any sales could be completed.

Will assets be sold separately or as a portfolio?
In general assets will be sold individually as we believe that we can maximize proceeds this way, although we have considered selling the French office assets as a portfolio and may revert to this if we are unsuccessful in our current negotiations for the sale of Cachan. We may also test the market for a portfolio of Dutch offices to ascertain interest, although anticipate that we may sell Amsterdam and Rotterdam together and then seek local investors for Bergen-op-Zoom and Groningen. In any event we will remain flexible and react to market opportunities as we see them.

There is no intention to sell the whole sale portfolio as a single portfolio as we do not currently see investor demand for such a portfolio.

Summary / action items

Should there be a proposal to sell the entire portfolio, would the PM consider it?
If the Portfolio Manager were to receive an offer for the whole portfolio then it is something that they would have top carefully consider. The consideration would take into account the price offered, the structure of the transaction and the timing and likelihood of achieving completion.

The Portfolio Manager does believe that there is good growth potential in the retained portfolio so any offer received would need to reflect that. If an offer were to be made for the whole portfolio the likeliest scenario is that the Portfolio Manager would carefully analyses the offer to decide if it represented value for money and then seek the guidance of the investors as to how they would like to proceed. If the intention is to continue the Fund then the transaction cost of selling the whole portfolio and then re-investing the surplus cash would be high creating a drag on performance.

3. Raising new equity

Are secondary market deals still an option offered to investors?
Yes the Portfolio Manager still facilitates a secondary market in units. We are aware of client interest in acquiring units on the secondary market, although at this stage, in the absence of a significant discount to NAV, investors are waiting to see an improvement in the occupancy situation and a reduction in the redemption queue through sales.

The Portfolio Manager believes that once the Fund documentation update has been completed and the new fee scale introduced and as asset sales are completed and the occupancy situation improves, the Fund will see increased investor interest in the secondary market. However, it is unlikely that this will materialize until 4Q14.

What are your plans to attract new capital?
The aim is to stabilize the Fund, achieve some sales out of the sale portfolio to give visibility to potential new investors on the retained portfolio. We are seeing increased interest from global investors in Europe and there are a number of investors who have expressed an interest in investing into Euro Core once there is more certainty around the redemption queue and a reduction in the vacancy rate. The proposed sales aim to achieve reductions in both which will then give potential investors comfort to invest initially through the secondary market.

In addition, the new PPM which is currently being finalized including the revised fee provisions should be available by the end of 2Q14 which should further encourage investment in the Fund.

As global investors tend to look at Europe as including the UK, the Manager is also working with the UK team to be able to jointly market UBS Euro Core with our core UK real estate Fund, UBS Triton. This Fund has also recently updated its PPM and the aim is to align the documentation as closely as possible to reduce the due diligence required by an investor considering investing in both Funds. In time we will also investigate whether it makes sense to create a feeder vehicle so the investors who want exposure to Europe including the UK can invest in one vehicle and the equity then gets allocated between the two funds.

Should there be opportunities for acquisition, what type of assets and geographies will be targeted?
The acquisition strategy is based on the current research views and the portfolio allocations of the retained portfolio. Whilst some of the peripheral European markets are expected to perform well the Portfolio Manager would not initially look to invest in these markets but rather focus on the major markets of the eurozone. On this basis the main focus would be on Logistics properties in France and Benelux and good quality offices in Paris located close to the CBD. The Portfolio Manager would also review retail opportunities in Germany and France on an opportunistic basis if assets met the Fund's target return requirements.

4. Other issues

Are the salaries of the portfolio management team linked to Fund's performance?
Yes partially. The Portfolio Manager's salary combines of two elements a fixed salary component and a variable 'bonus' element. With regard to the variable portion, the amount is linked to the overall profitability of GRE but also the performance of the Fund. A significant proportion of the variable element is deferred over a period of

Summary / action items

five years and part of this deferred portion is invested in a notional Fund comprising of shares of the real estate funds managed by GRE.

Has a merger with another Fund been considered?
Over time the Portfolio Manager has considered opportunities where they have become aware of them. In particular, in the past the Manager was in discussions regarding the take-over of a Fund Management Group that was being marketed for sale. The purpose was mainly to get access to a UK Fund but the manager also had a listed pan-European Fund and the discussions included this element of the business. The quality of the European assets was relatively poor and ultimately a successful transaction could not be agreed upon.

The Portfolio Manager is also aware of two pan-European Funds which are being liquidated. In one case the manager discussed the situation with a senior representative of the Fund Management Group but it was clear that the group were not in favor of transferring the business to a rival fund manager because they did not want to provide access to their clients to a competing business. In addition, the quality of the assets within the portfolio was again relatively poor and it was felt that they would not add to the overall portfolio quality of UBS Euro Core. In general, Fund Management groups are reluctant to transfer the management of funds to rival managers thereby giving access to their client base. A fund transfer is much more likely to happen if the investors in the fund push the Portfolio manager to seek a merger with another fund.

Is investor consent required before changing the Fund's document?
We have sought the advice of our Luxembourg lawyers and believe that as all the changes proposed are favorable to investors no consent is required. The revised PPM will be submitted to the CSSF for approval.

Has the inclusion of a Debt component in the Fund's capital been considered?
This has not been considered in any detail because the Fund manager believes that there are a number of potential inherent conflicts in managing the two types of interest within the same Fund, and that the return required by an investor investing in a convertible bond type structure would dilute the return available to the existing investors. This would initially occur because the bond holder is likely to require a preferred return above the current level of the income return and in addition, if the bonds were later to convert to equity, the terms of the conversion could further dilute the equity holder's interest.

This results in an inherent conflict for the manger as to how the manager can maximize the return of each type of investor without negatively impacting the other.

What are the options should there not be sufficient cash to repay redemptions?
The Portfolio Manager is focused on ensuring that they are in a position to meet all outstanding redemptions within the requisite timescales. The first milestone is that EUR 27.5 million of the redemptions need to be paid based on the December 31, 2014 NAV and sales to meet this amount need to have been completed before year end. Based on the current situation the Portfolio Manager believes that Cachan and Frankfurt can be sold before year end which will deliver net proceeds of circa EUR 35 million. The next milestone is a further redemption payment of EUR 6 million based on the March 31, 2015 NAV with further payments quarterly thereafter. At this stage the Fund Manager believes that it is possible to raise sufficient equity to meet these milestones. If towards the end of the third quarter it appears as if sufficient capital would not be available, then the Portfolio Manager would review the position with the Fund's Luxembourg lawyer to examine the options available.