



Real estate
investment funds

**Not for
Retail Clients**

UBS (Lux) Real Estate – Euro Core Fund – Euro Zone (UBS Euro Core)

Investor call



March 2015

UBS Euro Core 4Q14 overview

- **Total return for 4Q14: -0.77% (2014: +2.02%)** comprising an income return of +0.69% and a capital return of -1.46%.
- Due to the level of redemption requests received the Fund served a **Notice of Termination**
- Initial results suggest that the **eurozone's GDP grew by 0.4% in 4Q14, continuing to improve from the previous quarters**
 - GDP growth forecasts for the eurozone have been revised upwards for 2015 and 2016 to 1.5% and 1.8%, respectively, boosted by the Euro's depreciation and the fall in oil prices
- **Investment sentiment continued to strengthen in European commercial real estate in 4Q14** vs. 3Q14 with EUR 77.7 billion transacted, the highest single quarter since 4Q06
- **Secondary yields in European gateway cities, such as Munich or Paris, have started to converge with prime yields.** Investment demand has placed downward pressure on prime yields in southern European capital cities.
- **Prime rents remain mostly flat throughout Europe**
- During 4Q14 the **value of the Fund's properties decreased by 0.93% on a like-for-like basis.** The decrease is driven by a 9.9% fall in the Dutch office portfolio due to the increased risk profile on these properties and a lower market rent. Delft Retail Park (Netherlands) also decreased in value by 6.6%, due also to a reduction in market rent of EUR 10 to EUR 100 per sqm. Bergamo (Italy) also fell in value (5.6%) to reflect the continuing illiquidity in the market. Offsetting this was an increase in Suresnes (Paris, France) reflecting the leasing of space to two new tenants and the increase in value to sales price of Hainer Weg, Frankfurt.
- The Fund's properties continue to provide a **strong income return** (7.86% net initial yield¹) although they have been negatively impacted by vacancies
 - The **occupancy rate of 87%** improved slightly at quarter end (3Q14: 85%) due to the leasing achieved in the quarter in Suresnes and Massy
 - There continues to be **significant levels of interest being seen in the vacant space in the Massy and Suresnes offices**, which represent the majority of the Fund's vacant space
- The Fund **sold its office asset in Cachan** on October 1, 2014 for EUR 16 million. The sale of the Fund's **office property in Frankfurt (Germany) was signed** for EUR 18 million, and is expected to complete in 1Q15. An offer has also been received on the FNV office portfolio. The retail warehouse in Bergamo (Italy) continues to be actively marketed.

Source: UBS Global Asset Management, Oxford Economics, Global Economic Database, January 21, 2015, CBRE MarketView European Investment Quarterly, 4Q14

¹ Net initial yield calculated as passing rent divided by valuation plus acquisition costs as at December 31, 2014. Sales costs of the major part of the sales portfolio have been accounted for in the 4Q14 NAV. **Past performance is not a guide to future performance.**

Action plan update

Action plan update	Original Target as at 30.06.14	Achievements against target
6 months	Complete the PPM update and ensure compliance with AIFMD – end July 2014	PPM and Man Regs filed approved by the CSSF and are ready to be implemented if Fund avoids liquidation. New fees implemented from 01.01.14
	Stabilise the investor base by agreeing a fee rebate and lock-in period – end July 2014	Achieved a majority of close to 60% agreement for the lock-in but also received further redemptions which lead to the service of a Notice of Termination
	Sell Cachan (3Q14)	Cachan sale completed on 1 October 2014 at a price of EUR 16m against last valuation of EUR 17m
	Sell Frankfurt (4Q14)	Frankfurt property SPA signed 16 January with completion on March 2, 2015 at a price of EUR 18m, above latest valuation of EUR 17.5m
	Raise sufficient equity to meet EUR 27.5m redemption for 2-year long-stop date	Together the above sales would have provided sufficient equity to meet redemptions due up to 31.03.15 dealing day, however the redemption queue is suspended due to the Notice of Termination.
	Achieve leasing of 1,000m ² in Suresnes, 1,000m ² in Massy and 1,500m ² throughout the rest of the portfolio (by 31.12.14)	New leases of 240m ² and 500m ² signed in Woonboulevard Terms agreed for the sale of two floors in Rotterdam which will remove 1,100m ² of vacancy. Massy - signed a lease agreement on 1,192m ² with Société Générale Suresnes - signed five new lease agreements for a total area of 4,819m ² with three new tenants on 3rd floor, one on 4th floor and one taking the whole of 5th Floor. All leases were signed at rents in line with targets.

Action plan update

Action plan update	Original Target as at 30.06.14	Achievements against target
12 months	Attract new investor equity of at least EUR 50m to be invested through the secondary market to further reduce the redemption queue (1Q15)	Undertaking an exercise to find a strategic investor. Have seen interest from both institutional investors and private equity style investors. Discussions are also being held with existing investors to establish if they are prepared to withdraw their redemption request and/or provide additional equity investment.
	Complete the sales of Bergamo, Massy and Esterel (2Q15)	Bergamo - now in discussion with a potential purchaser at a price slightly above the latest valuation (EUR 10.5m against EUR 10.3m) Massy data room preparation nearly complete. Leasing vacancy and seeking to remove break in Thales lease prior to sale. Esterel in discussions with RATP to remove 2016 break option.
	Complete leasing of a further 1,500m ² in Suresnes and a further 1,500m ² throughout the rest of the portfolio (2Q15)	Suresnes - See above. In discussions with an existing tenant to extend their lease term and take an additional 275m ² . This would leave only 280m ² vacancy in the property. Massy - lease signed with Adents, a software company for 1,195m ² to start on March 1, 2015 with occupation for fit-out works from 16.02.15. We are also in discussions with two potential tenants for 2,500m ² and 483m ²

Action plan update

Action plan update	Original Target as at 30.06.14	Achievements against target
12 – 18 months	Complete the sale of the Dutch offices (3Q15)	Received a Letter of Intent from a potential purchaser at an acceptable level close to valuation for the whole portfolio. We have granted exclusivity for legal and technical due diligence and are continuing negotiations with the potential purchaser with a view to issuing a SPA.
	Attract further new equity of EUR 100m (4Q15) Fully lease Suresnes and complete leasing of a further 1,000m ² throughout the rest of the portfolio (4Q15) Use equity to make new acquisitions in line with the acquisition strategy (1H16)	

Current redemption position

(All figures in EUR millions)			On queue for more than 12 months	On queue for less than 12 months
Fund NAV 4Q14	302.7			
Redemption queue at Notice of Termination (53.8% of NAV)	163	163	109.4	53.6
Confirmed redemption reversions (Swiss/UK)	24.8			
Redemption queue after confirmed reversions	138.2			
Potential additional Swiss reversion/new equity	13			
UBS co-investment (subject to sufficient reversions/new equity)	10			
Total reversions/new equity		47.8		
Revised redemption queue		115.2		
Shortfall in reversions/equity to meet minimum target of EUR 75m*	27.2			
Available cash in the Fund to meet redemptions	35			
Redemption queue if minimum EUR 75m achieved and available after cash		53		
NAV after cash payment	267.7			

* We would require an additional EUR 27.2m redemption reversion or new equity to achieve the **minimum** amount of EUR 75m specified in the liquidation notice documentation. We are awaiting a response from several Swiss investors. However, this would leave a redemption queue of EUR 53m after the distribution of available cash from the Fund with a revised NAV of EUR 267.7m representing 19.8% of the new NAV. If not achieved, the Fund will proceed to liquidation.

Lock-in situation

- Assuming the situation described on the previous slide is achieved, the additional minimum amount is secured and all redemption reversions / new equity agree to a lock-in then the situation will be as follows:

	EUR millions	% of NAV
Investors already with unconditional lock-in	69	25.80%
Redemption reversions/new equity locked in	75	28.00%
Outstanding redemptions	53	19.80%
Unknown (previously No / Conditional) *	70.7	26.4%
Total NAV	267.7m	

* We would aim to secure additional lock-in acceptances from this group to stabilise the investor base further.

Liquidation process

- On March 31, 2015, following the end of the notice period of termination the Fund will enter into liquidation. The following actions are to be taken and are proposed:
 - A letter will be sent to the CSSF to apply for the authorization for the management company to act as the liquidator of UBS Euro Core.
 - The CSSF will request one current manager of the management company to represent the liquidator during this period.
 - The representative will be asked to sign a declaration of honor and verify their identity in order for the CSSF to verify their good reputation.
 - Once the representative and management company are approved as the liquidator by the CSSF, the liquidation can then commence.
 - The representative is responsible for managing an orderly liquidation of the Fund, including the sale of assets and distribution of proceeds to investors.

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