

# UBS (D) Euroinvest Immobilien Sales Prospectus and Fund Rules for the real estate investment fund

Valid from March 1, 2012

Custodian bank: CACEIS Bank Deutschland GmbH

UBS Real Estate Kapitalanlagegesellschaft mbH



# Preamble

## Sales Restrictions

The investment units described in this Prospectus may not be offered for sale in many countries unless the Investment Fund's investment company has obtained authorization from the local regulatory authorities. Therefore, if such authorization has not been obtained, the following does not constitute an offer to purchase investment units. If in doubt, we recommend that you contact a local distributor.

## US Persons

The information contained in this Sales Prospectus and the UBS (D) Euroinvest Immobilien real estate investment fund managed by UBS Real Estate Kapitalanlagegesellschaft mbH are not intended for distribution in the USA or to US persons due to US regulatory restrictions. US persons are defined as persons who are nationals of the USA or who are resident in the USA and / or US taxpayers. US persons may also be partnerships or corporations that were established in accordance with the laws of the USA or a US federal state, territory, or possession.

## Persons Resident in France

The information contained in this Sales Prospectus and the UBS (D) Euroinvest Immobilien real estate investment fund managed by UBS Real Estate Kapitalanlagegesellschaft mbH are not intended for distribution to natural or legal persons who are resident in France.

**This Prospectus, the Key Investor Document, and the "General Fund Rules", in conjunction with the "Special Fund Rules" for the UBS (D) Euroinvest real estate investment fund, constitute the basis for the purchase of units. This Sales Prospectus is a sales document prescribed by law. It must be made available to prospective purchasers of units together with the Key Investor Document and the most recently published annual and semi-annual report before the contract is entered into.**

**No different information and no declarations going beyond the content of this Sales Prospectus may be provided. Any purchase of units that is based on information or declarations other than those contained herein is at the sole risk of the purchaser.**

The annual report and semi-annual report valid at a given time contain up-to-date information on the Investment Company's committees and liable capital, the liable capital of the custodian bank, and details of the auditors appointed to audit the Fund.

The Sales Prospectus, the Fund Rules, the Key Investor Document, and the annual and semi-annual reports are available free of charge from the Investment Company, the custodian bank, and on the Investment Company's website ([www.ubs.com/immobilienfonds-deutschland](http://www.ubs.com/immobilienfonds-deutschland)). Further information regarding the investment limits used in the Investment Fund's risk management, its risk management methods, and the most recent developments in risks and yields are available in electronic form on the Investment Company's website ([www.ubs.com/immobilienfonds-deutschland](http://www.ubs.com/immobilienfonds-deutschland)).

The contractual relationship between the Investment Company and the investor as well as their pre-contractual relationship are governed by German law. In accordance with section 18 (2) of the General Fund Rules, the place of jurisdiction for disputes arising out of the contractual relationship is the domicile of the Investment Company if the investor has no general place of jurisdiction in Germany. In accordance with section 123 (1) of the Investmentgesetz (InvG – German Investment Act), all publications and advertising materials must be written in German or a German translation must be provided. The Investment Company will also conduct all communication with its investors in German. Details of the Investment Company's official contact address, its legal representatives, the commercial register in which the Investment Company is entered and its commercial register number can be found at the end of this Prospectus.

In the event of disputes arising in connection with the regulations of the Investmentgesetz (InvG - German Investment Act) customers may also contact the arbitration board of the

Bundesanstalt für Finanzdienstleistungsaufsicht (BaFin - German Federal Financial Supervisory Authority). The right to bring the matter before the courts remains unaffected hereby.

Contact Details:

Bundesanstalt für Finanzdienstleistungsaufsicht,  
Schlichtungsstelle nach dem Investmentgesetz,  
Referat Q 21, Graurheindorfer Straße 108, D-53117 Bonn,  
Phone: +49 (0) 228 4108-0, Fax: +49 (0) 228 4108-62299,  
E-Mail: schlichtungsstelleinvestment@bafin.de

In the event of disputes arising out of the application of the provisions of the Bürgerliches Gesetzbuch (BGB - German Civil Code) concerning distance selling contracts in respect of financial services, the parties involved may also contact the

Arbitration board of the Deutsche Bundesbank,  
Postal Box 11 12 32 in 60047 Frankfurt,  
Phone: +49-(0) 69 2388-1907 or -1906,  
Fax: +49-(0) 69 2388-1919,  
E-Mail: schlichtung@bundesbank.de.

The right to bring the matter before the courts remains unaffected hereby.

**This translation of the Sales Prospectus is a convenience translation. Only the German language version of the Sales Prospectus shall have legal effect. In case of discrepancies between the German and the English text, the German text shall prevail.**

**UBS (D) Euroinvest Immobilien**

International Securities Identification Number (ISIN)

German Securities Identification Number (WKN)

Launch date

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Sept. 28, 1999

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# Sales Prospectus

## Investment Company

The investment company for the UBS (D) Euroinvest Immobilien real estate investment fund described in more detail in this Sales Prospectus (hereinafter referred to as the "Investment Fund") is UBS Real Estate Kapitalanlagegesellschaft mbH (hereinafter referred to as "the Investment Company"), domiciled in Munich. It has been trading under this name since April 1, 2005, having been formed from Siemens Kapitalanlagegesellschaft mbH, which was established on October 22, 1992; it is an investment company within the meaning of the InvG organized in the legal form of a limited liability company (GmbH).

Information concerning the composition of management, the Supervisory Board, the Expert Committee, and the shareholders, as well as information concerning the subscribed and paid-up capital and the liable capital of the Investment Company and the custodian bank is provided in table form at the end of the Sales Prospectus.

## Custodian Bank

CACEIS Bank Deutschland GmbH, which is domiciled in Munich (Lilienthalallee 34-36, 80939 Munich), assumed the function of custodian bank in accordance with section 20 ff. of the InvG for the UBS (D) Euroinvest Immobilien investment fund with effect from July 1, 2009. The custodian bank is a credit institution under German law. Its primary activities are in the following areas: custodian bank, clearing and custody services, fund administration, and transfer agency (TA), as well as corporate trust services.

The custodian bank is entrusted with the task of continuously monitoring the real estate portfolio, equity interests in real estate companies, and other assets that cannot be held in blocked accounts, and for the custody of the Investment Fund's bank deposits (insofar as these are not held with other credit institutions), money market instruments, securities, and investment fund units held for liquidity management purposes. This complies with the provisions of the InvG, which requires the separation of the Investment Fund's management and custody functions.

The custodian bank holds the Investment Fund's securities and deposit certificates in custody in blocked accounts,

insofar as they are not held in blocked accounts by other depository agents. The custodian bank holds the Investment Fund's bank deposits in custody in blocked accounts, insofar as they are not held in custody in blocked accounts with other credit institutions. To ensure that the interests of investors are protected, any sale or encumbrance of a property requires the approval of the custodian bank. In addition, the custodian bank is required to determine whether investments held in blocked accounts with other credit institutions, investment firms, or other custodians comply with the InvG and the Fund Rules. If they do, the custodian bank is required to approve the investment.

The land register for each individual property contains a blocking notice in favor of the custodian bank, to the extent that the property in question is not held via a real estate company for the account of the Investment Fund. No property can therefore be disposed of without the approval of the custodian bank. Where, in the case of properties located abroad, it is not possible to record the restriction on disposal in a land register or similar register, the Investment Company shall ensure the effectiveness of the restriction on disposal by other appropriate means.

Furthermore, in the case of equity interests in real estate companies, the custodian bank is required to monitor compliance with the statutory regulations as set forth below. Custodian bank approval is required for disposals of equity interests in real estate companies by the Investment Company, disposals of properties by the real estate company, and amendments to the shareholders' agreement or the articles of association of the real estate company, to the extent that the Investment Company holds a majority interest in the real estate company.

The custodian bank is responsible for the issue and redemption of units and for reviewing the calculation of the value of the Investment Fund and of the unit value by the Investment Company.

It must ensure that, in the case of transactions effected for the joint account of the investors, it receives the relevant consideration for custody within the customary time limits. Furthermore, the custodian bank must ensure that the Investment Fund's income is used in accordance with the provisions of this law and of the Fund Rules, and must disburse the income appropriated for distribution.



The agreement with CACEIS Bank Deutschland GmbH under which the latter took over the role of custodian bank was entered into in the first instance for a period of one year from the date of signature. It is extended in each case by a further year if neither of the two contracting parties has previously terminated it giving three months' notice. In the event of the agreement's termination, the custodian bank must continue to carry out its function until it appoints another credit institution prepared to assume the role of custodian bank to whose appointment the banking supervisory authorities raise no objections, and until the said credit institution has assumed the role of custodian bank.

### **Investment Advisory Panel**

The Company can draw on the advice of an Investment Advisory Panel when selecting the assets to be acquired or sold for the account of the Investment Fund as well as when determining the Fund's strategy. An Investment Advisory Panel currently exists.

The members of the Investment Advisory Panel are appointed by the management of the Investment Company. Investors who have invested more than EUR 50,000,000.00 in the Investment Fund may nominate a member for appointment. Members who were appointed prior to May 27, 2008, keep their seat on the Investment Advisory Panel unless and until their investment falls below EUR 15,000,000.00.

### **Experts and Valuation Procedure**

#### **Expert Committee**

The Investment Company must appoint at least one Expert Committee to value the real estate. This Committee shall consist of three members and one substitute member. Each member must be an independent, impartial, and reliable person with appropriate professional expertise and sufficient practical experience with regard to the type of real estate to be valued by him/her and the regional real estate market in question.

The Investment Company has appointed a committee that values all the Investment Fund's properties. Each expert is appointed for a period of one year; reappointments are possible. An expert may only serve continuously on an Invest-

ment Company committee until the expiry of the second calendar year following his or her first appointment. This term may be subsequently extended by the Investment Company on three occasions for a further year in each case if the income received by the expert as a result of his or her service as an Expert Committee member or in any other capacity on behalf of the Investment Company in the penultimate year of the respective permitted term accounts for no more than 30 % of his or her total income, and that fact is confirmed to the Investment Company by the expert in an appropriate declaration made in the final year of the permitted term of service.

An expert may not be a member of an Expert Committee for two years following the expiry of the legally permitted period of appointment. After this, he or she may be reappointed. The activities of the Expert Committee appointed by the Investment Company are regulated by bylaws. The valuation reports are prepared by the Expert Committee in accordance with these bylaws. In particular, the Expert Committee shall value the following:

- the real estate belonging directly to the Investment Fund or the real estate owned by a real estate company belonging to the Investment Fund, each quarter;
- the real estate intended for disposal by the Investment Company or a real estate company, to the extent that the valuation report prepared each quarter can no longer be deemed up-to-date.

In addition, after a heritable building right is created, the Expert Committee must reassess the value of the property within two months of the creation of the heritable building right.

#### **Pre-purchase Valuation**

A property may only be acquired for the Investment Fund or for a real estate company in which the Investment Fund holds a direct or indirect equity interest if it has previously been valued by an expert as defined by section 77 (2) sentence 2 of the InvG who is not a member of an Expert Committee formed by the Investment Company and the consideration to be furnished by the Investment Fund does not exceed the calculated value or only exceeds it by an insignificant amount.

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An equity interest in a real estate company may only be directly or indirectly acquired for the Investment Fund if the properties reported in the real estate company's annual financial statements or statement of assets have been previously valued by an expert as defined by section 77 (2) sentence 2 of the InvG who is not a member of an Expert Committee formed by the Investment Company.

A property belonging to the Investment Fund may only be encumbered with a heritable building right if the appropriateness of the ground rent has previously been confirmed by an expert as defined by section 77 (2) sentence 2 of the InvG who is not a member of an Expert Committee formed by the Investment Company.

## Valuation Method

The Expert Committee or the expert responsible for the pre-purchase valuation shall determine the market value of the property using a valuation procedure that is recognized on the relevant real estate market. Other valuation methods that are recognized on the relevant real estate market may additionally be used to review the reasonableness of the valuation if the Committee or the expert responsible for the pre-purchase valuation regards this as necessary and /or appropriate to ensure the proper valuation of the property.

In general, the market value is calculated by applying the general net income value method in accordance with the Immobilienwertermittlungsverordnung (German Real Estate Valuation Regulation). This method involves determining the attainable market rental income and adjusting it downwards for management costs, including maintenance and administration costs, and a notional figure representing the risk of lost rental income. The net income value corresponds to the net rental income computed in this way, multiplied by a factor that reflects the typical market rate of interest for the property being valued, taking into account the location, the condition of the building, and its remaining useful life. Any special factors affecting the value of a property can be taken into account by means of appropriate premiums or discounts.

## Investment Fund

The Investment Fund bears the name UBS (D) Euroinvest Immobilien. It was launched on September 28, 1999 for an unlimited period under the name SKAG Euroinvest Immobilien. Effective April 29, 2005, (date of publication in the Bundesanzeiger – German Federal Gazette), the Investment Fund was renamed UBS (D) Euroinvest Immobilien.

The rights of unit holders deriving from units bearing the original name SKAG Euroinvest Immobilien remain unchanged. They continue to be valid. The assets belonging to the Investment Fund are owned by the Investment Company, which manages them in a fiduciary capacity on behalf of the investors. When the Investment Fund is launched, investors' rights are evidenced exclusively in global certificates, which are held at Clearstreambanking AG, domiciled in Frankfurt am Main. Investors are not entitled to claim delivery of individual unit certificates. Units may only be acquired if they are held in custody.

The units do not carry any voting rights. All units issued confer the same rights.

Units are issued to institutional and private investors placing a minimum order in each case of EUR 500,000.00 (with the exception of the reinvestment of distributions).

## Profile of a Typical Investor

The Investment Fund is aimed at all investors, including those not familiar with investing in real estate assets and wishing to use the Investment Fund as a convenient savings product comprising such assets. No experience in real estate investments or the capital markets is necessary. It is also aimed at experienced investors who are looking for a product with the investment strategy pursued by the Investment Fund. The Investment Fund is aimed at institutional investors and / or wealthy individuals. An investment horizon of at least five years is recommended. Investors should be in a position to accept temporary losses, including over a longer period of time if necessary. The Investment Fund pursues an income-oriented investment policy and is suitable for all investment portfolios belonging to institutional investors and wealthy individuals.

## Description of the Investment Objectives and the Investment Policy

The investment objectives pursued for the Investment Fund are a capacity to generate sustainable income from, and steady growth in, the value of the properties.

The Investment Fund must consist mainly of properties, land rights, and equity interests in real estate companies located in countries that are contracting parties to the Agreement on the European Economic Area and Switzerland. Up to 44 % of the value of the Investment Fund may be invested in properties, land rights, and equity interests in real estate companies that are not located in countries that are contracting parties to the Agreement on the European Economic Area, provided that the statutory requirements are fulfilled. The "Special Fund Rules" specify in detail the proportion of the value of the Investment Fund that may be invested in individual countries. The Investment Company invests in established and promising locations and, when selecting the properties, aims to achieve a reasonable level of diversification in terms of size, location, and tenants (sectors). When investing abroad, the respective tax situation is also taken into account.

The Investment Company currently intends to invest mainly in commercial properties such as commercial and office buildings for administration, retail, and services, etc. As well as existing buildings and buildings under construction, it may also acquire land for development projects.

The real estate portfolio is managed in line with market requirements, the aim being to optimize the portfolio through the modernization, restructuring, or sale of properties. Management and optimization of the real estate portfolio are focused on the long term, as a result of which it is recommended that fund units are acquired as a longer-term investment.

The respective annual and semi-annual reports provide information on the current real estate portfolio and the investments made in real estate and other assets during the past reporting period.

**No assurance can be given that the goals of the investment policy will be achieved.**

The Investment Company may amend the Fund Rules. Amendments to the Fund Rules require the prior approval of

the Supervisory Board of the Investment Company and of BaFin. Planned amendments are announced in the electronic Bundesanzeiger and on the Investment Company's website at [www.ubs.com/immobilienfonds-deutschland](http://www.ubs.com/immobilienfonds-deutschland). If the changes affect fees and the reimbursement of expenses that may be taken from the Investment Fund or if they affect the Investment Fund's investment principles or material investor rights, investors will also be informed via their custodians in paper or electronic form. The information provided will comprise the main elements of the planned changes, the background to them, investor rights in connection with the changes, and advice on where and how further information can be obtained. However, the obligation to inform investors in paper or electronic form does not apply to changes to the Fund Rules that merely represent mandatory amendments made to comply with the version of the InvG effective since July 1, 2011. Changes enter into force no earlier than the day after they are announced in the electronic Bundesanzeiger. Amendments to the rules governing fees and the reimbursement of expenses enter into force six months after they are announced in the electronic Bundesanzeiger. Changes to the existing investment principles of the Investment Fund also enter into force six months after they are announced. They are only permitted if the Investment Company offers to exchange investors' units for units in investment funds with similar investment principles free of charge.

For information on the risks associated with real estate investments, equity interests in real estate companies, and encumbrances in the form of heritable building rights, please refer to page 13 ff.

## Properties

1. The Investment Company may acquire the following properties for the Investment Fund to the extent permitted by law (section 67 (1) and (2) of the InvG) in accordance with the more detailed provisions of the Fund Rules:
  - a) residential rental properties, commercial properties, and mixed-use properties;
  - b) properties under construction;
  - c) undeveloped properties which are intended and suitable for own development in accordance with a) in the near future;

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- d) heritable building rights or foreign rights that are comparable in legal and economic terms, subject to the preconditions laid down in a) to c);
  - e) other properties, other heritable building rights, and rights in the form of residential property ownership, partial ownership, residential heritable building rights, and partial heritable building rights.
  - f) rights of usufruct attaching to properties in accordance with a) which serve to fulfill public functions.
2. The Investment Company may acquire properties within the meaning of no. 1. in countries other than those that are contracting parties to the Agreement on the European Economic Area in Switzerland and in the countries specified in section 1 (3) in conjunction with the Appendix to the "Special Fund Rules" (up to the maximum percentage of the value of the Investment Fund indicated therein in each case) if
- a) a reasonable regional distribution of properties is assured,
  - b) the ability to transfer the properties freely is assured in these countries and no restrictions apply to the movement of capital, and
  - c) the ability of the custodian bank to discharge its rights and obligations is assured in these countries.

Before making an acquisition, the Investment Company will determine in the course of the proper performance of its business incumbent on it whether the requirements referred to above have been complied with in full.

The information contained in the Appendix to the "Special Fund Rules" may change with respect to the

countries and the corresponding maximum investment levels. Any such changes require the approval of BaFin.

3. At the time of acquisition, the value of any individual property may not exceed 15 % of the value of the Investment Fund. The total value of all properties accounting individually for more than 10 % of the value of the Investment Fund may not exceed 50 % of the value of the Investment Fund. Loans taken out by the Investment

Company for the account of the Investment Fund and by the real estate companies are not deducted when calculating the value of the Investment Fund, with the result that the basis of calculation for determining the limits is increased by the amount of such borrowings.

The investment objective is to achieve regular income in the form of rent and interest, plus a steady appreciation in value.

Key considerations when selecting properties for the Investment Fund include their capacity to generate sustainable income, as well as their diversification in terms of location, size, type of use, and tenants.

The Investment Company may also acquire items for the Investment Fund which are required to manage the assets, and especially the properties, held in the Fund.

The most recent annual and semi-annual reports provide information on investments made in real estate and other assets in the past reporting period.

## Equity Interests in Real Estate Companies

1. The Investment Company may acquire and hold equity interests in real estate companies for the account of the Investment Fund, even if it does not possess the majority of the voting rights and capital necessary to modify the shareholders' agreement or the articles of association of the respective real estate company. In this context, a real estate company is understood to mean a company that, in accordance with its shareholders' agreement or articles of association,
- a) is restricted in its corporate purpose to activities that the Investment Company itself may also perform for the Investment Fund;
  - b) may only acquire those properties and items required to manage the Investment Fund that may be acquired for the Fund directly in accordance with the Fund Rules (see page 11 f. of this Prospectus) and equity interests in other real estate companies;
  - c) may only acquire a property or an equity interest in other real estate companies if the value of the property



“Parkeerblock”, Nassaukade 5, Rotterdam / Netherlands

corresponding to the size of the equity interest or the equity interest in the other real estate company does not exceed 15 % of the value of the Investment Fund.

2. Furthermore, a precondition for acquiring an equity interest in a real estate company is that the legal form of the real estate company excludes any obligation to provide additional funding above and beyond the initial capital contribution made.
3. The capital contributions of the shareholders of a real estate company in which the Investment Company holds an equity interest for the account of the Investment Fund must be fully paid up.
4. If a real estate company acquires equity interests in other real estate companies, the equity interest must directly or indirectly amount to 100 % of the capital and the voting rights. A real estate company may only acquire an indirect equity interest in a real estate company holding properties if the latter real estate company is domiciled abroad.
5. The value of the assets held by all the real estate companies in which the Investment Company holds equity interests for the account of the Investment Fund may not exceed 49 % of the value of the Fund. The value of assets that form part of the assets of a real estate company in which the Investment Company holds 100 % of the capital and the voting rights does not count towards this 49 % limit. The value of the properties that form part of the assets of real estate companies in which the Investment Company does not hold the majority of the voting rights and capital necessary to modify the articles of association or the shareholders’ agreement for the account of the Investment Fund may not exceed 30 % of the value of the Investment Fund.
6. Loans taken out are not deducted when calculating the value of the Investment Fund, with the result that the basis of calculation for determining the limits is increased by the amount of such borrowings.
7. The Investment Company may grant loans for the account of an investment fund to a real estate company in which it directly holds an equity interest for the account of the fund, provided that such loans are granted at market terms and conditions and adequate collateral is available. Further-

more, if the equity interest is sold, it must be agreed that the loan will be repaid within six months of the sale. The Investment Company may grant real estate companies no more than 25 % of the value of the Investment Fund for the account of which it holds the equity interests in the form of a loan, and it must be ensured that the sums lent to an individual real estate company by the Investment Company amount to no more than 50 % of the aggregate value of the properties held by the real estate company. These requirements also apply if a third party is engaged by the Investment Company to extend a loan to a real estate company in its own name for the account of the Investment Fund.

### Encumbrance with Heritable Building Rights

Real estate may be encumbered with heritable building rights.

Following the creation of a heritable building right, the total value of the real estate encumbered with heritable building rights held for the account of the Investment Fund may not exceed 10 % of the value of the Fund. The prolongation of a heritable building right is treated as the creation of a new right. These encumbrances may only be made if unforeseeable circumstances prevent the real estate being used as originally intended, or if they prevent the Investment Fund from being economically disadvantaged, or if they allow the sensible economic use and / or exploitation of the real estate.

### Risks Associated with Investing in Real Estate and Real Estate Companies, and with Encumbrances with Heritable Building Rights

Investments in real estate are subject to risks that can impact the unit value as a result of changes in income, expenses, and the market value of the properties. This is also the case for investments in properties held by real estate companies. The following are examples of such risks and do not represent an exhaustive list.

- In addition to changes in general economic conditions, there are risks that are specific to real estate ownership—such as, for example, vacancies, rent arrears and loss of rental income – which can result from changes in the quality of a location or the financial standing of tenants,



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among other things. The physical condition of a building may necessitate maintenance expenses that are not always foreseeable. To limit such risks, the Investment Company seeks to ensure that real estate can easily be used by third parties and that the tenant structure extends across numerous sectors. The ongoing maintenance of properties and their modernization or restructuring is aimed at preserving or improving their competitiveness.

- Risks of damage caused by fire and gales, as well as natural forces (flooding, earthquakes), are covered by taking out insurance, insofar as it is possible, economically justifiable and objectively advisable to do so.
- Real estate, especially in metropolitan regions, may be exposed to the risk of war and acts of terror. Without being affected by an act of terror itself, a property may lose value if the real estate market for the area affected is impacted in the long term and it becomes more difficult or impossible to find tenants. Terrorism risks are also covered by taking out insurance, insofar as it is possible, economically justifiable and objectively advisable to do so.
- Risks of contamination from past use (e.g., soil pollution, use of asbestos building elements, etc.) are carefully investigated (for example, by obtaining corresponding expert reports) during the acquisition of properties in particular. However, despite all due care, risks of this kind cannot be completely excluded.
- In the case of project development, risks can arise from changes in land use planning and delays in obtaining planning permission, for example. Increases in construction costs and completion date risks are addressed where possible by concluding appropriate arrangements with carefully selected contracting parties. However, attention must be drawn to remaining risks in this regard, as well as to the fact that the success of initial leasing will depend on demand at the time of completion.
- Real estate may suffer from construction defects. These risks cannot be completely excluded even if a careful technical inspection of a building is conducted prior to acquisition and expert reports are obtained where appropriate.
- In the case of foreign real estate, risks that stem from the location of the real estate (e.g., different legal and taxation

systems, different interpretations of double taxation agreements, and changes in exchange rates) must be taken into account. In addition, the increased administrative risk and possible technical difficulties, including transfer risks relating to the receipt of regular income or the proceeds of sale, must be taken into consideration with foreign properties.

- When selling real estate, warranty claims on the part of the buyer or other third parties for which the Investment Fund is liable may arise even if the most prudent business practice possible is applied.
- In the case of foreign-currency investments in real estate, the investment and the income from it are subject to currency risks. Depending on the Investment Company's view of the risk, currency hedging transactions are entered into for the investment. That is to say, depending on how the Investment Company views the risk, foreign-currency assets are hedged in their entirety, in part, or not at all. However, the total value of the assets subject to currency risk may not exceed 30 % of the value of the Investment Fund.
- In the case of the acquisition of equity interests in real estate companies, the risks to be considered include risks relating to the legal form of an entity or to holding a minority interest, risks connected with possible shareholder defaults, and risks arising from changes in the tax and company law framework. This applies in particular to real estate companies that are domiciled abroad. In addition, it should be noted that the acquisition of equity interests in real estate companies could entail obligations that are not readily discernible. Finally, there may not be a sufficiently liquid secondary market in the event of the intended sale of such equity interests.
- Investments in foreign real estate are usually debt-financed. This is undertaken to hedge foreign currencies (with the loans being granted in the foreign currency of the country in which the real estate is located) and / or to generate a leverage effect (increasing the return on equity by taking out debt finance at an interest rate below the return on the property concerned). As the Investment Fund is subject to tax abroad, it is generally possible to deduct tax on the loan interest in these countries. Where debt finance is utilized, changes in the value of the property have a magnified effect on the capital employed by the Investment Fund. For example, in the case of loan financing of 50 %,

the effect of an increase or decrease in the value of the real estate on the capital employed is twice as large as it is with full equity financing, as is predominantly utilized for acquisitions in Germany. Changes in value are thus more important where debt finance is utilized (often the case abroad) than they are in the case of real estate financed with internally generated funds (usually the case in Germany). Accordingly, investors benefit more from increases in value and are impacted more strongly by decreases in value than in the case of fully equity-based financing.

- In addition, the use of substantial levels of leverage to finance real estate restricts the ability to raise funds in the face of short-term liquidity squeezes (e.g., as a result of massive redemptions of units) by selling properties or taking out short-term loans. This increases the risk of having to suspend the redemption of units (see page 31 f. of this Sales Prospectus).
- In the case of properties that are encumbered with heritable building rights, there is a risk that the holder of such rights will not discharge his or her obligations and will fail to pay the ground rent in particular. In this and other cases, the heritable building rights may lapse prematurely. The Investment Company must then find a different economic use for the property, which may be difficult in individual cases. A similar situation can arise if such rights lapse upon expiry of the contract. Finally, the encumbrance of a property with a heritable building right may limit its marketability, insofar as it may not be as easy to sell as would be the case if it were not so encumbered.
- In line with its investment strategy, this Investment Fund mainly consists of office properties, and will continue to be invested primarily in office properties in the future. This means that it is particularly exposed to the risks existing in the office market.

### Investments in Liquid Assets

In addition to the acquisition of real estate and equity interests in real estate companies, investments for liquidity purposes are permitted and planned.

The Investment Company may hold a maximum of 49 % of the value of the Investment Fund (maximum liquidity) in

- bank deposits;
- money market instruments;
- securities that are eligible as collateral for credit operations by the European Central Bank or the Deutsche Bundesbank in accordance with Article 18.1 of the Protocol on the Statute of the European System of Central Banks and the European Central Bank, or for which an application for authorization has been made in accordance with the conditions of issue, provided that such authorization is granted within a year of issue;
- investment units in accordance with section 50 of the InvG or units in special investment funds in accordance with section 50 (1) sentence 2 of the InvG whose fund rules stipulate that they may only invest in the bank deposits, money market instruments, and securities listed in the previous three subsections;
- securities that are admitted to trading on a regulated market as defined in section 2 (5) of the Wertpapierhandelsgesetz (WpHG – German Securities Trading Act), or fixed-income securities, provided that these do not exceed 5 % of the value of the Investment Fund, and additionally;
- shares in REIT stock corporations or comparable interests in foreign legal entities admitted to one of the markets listed in section 47 (1) nos. 1 and 2 of the InvG or included in these markets, provided that the value of these shares or interests does not exceed 5 % of the value of the Investment Fund and that the criteria outlined in Article 2 (1) of Council Directive 2007/16/EC are met.

The following appropriated funds must be deducted when calculating the maximum liquidities limit:

- funds required to ensure orderly ongoing management;
- funds earmarked for the next distribution;
- funds needed to fulfill liabilities from legally binding real estate purchase contracts, from loan agreements required for pending investments in specific properties, and for specific construction measures, as well as funds required for construction contracts, insofar as these liabilities will fall due in the next two years.

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## Bank Deposits

In accordance with the statutory regulations (sections 66 and 49 of the InvG), investments in bank deposits may only be made by the Investment Company at credit institutions domiciled in an EU member state or another state that is a contracting party to the Agreement on the European Economic Area. Bank deposits may only be held at a credit institution in another state if that state's banking regulatory requirements are equivalent to those under EU law in the opinion of BaFin.

The Investment Company may only invest up to 20% of the value of the Investment Fund in the form of bank deposits at any one credit institution.

## Money Market Instruments

Money market instruments are instruments which are normally traded on the money market, as well as interest-bearing securities that have a term or remaining term of no more than 397 days at the time of their acquisition for the Investment Fund. If the term is longer than 12 months, their interest payments must be repriced to market rates regularly, and at least once every 397 days. Money market instruments are also interest-bearing securities whose risk profile corresponds to that of the securities described above.

Money market instruments may only be acquired for the Investment Fund

1. if they are admitted to trading on a stock exchange in an EU member state or in another contracting party to the Agreement on the European Economic Area, or are admitted to or included in another regulated market there;
2. if they are admitted to trading on a stock exchange approved by BaFin or are admitted to or included in a regulated market approved by BaFin;
3. if they are issued or guaranteed by the European Communities, the German Federal Government, a Federal Special Fund, a German Federal State, another member state, or another central, regional, or local authority, or by a central bank of an EU member state or of a contracting party to the Agreement on the European Economic Area, the European Central Bank, or the European Investment Bank,

by a third country or, where the latter is a federal state, by one of the members making up this federation, or by an international public body to which at least one EU member state belongs;

4. if they are issued by a company whose securities are traded on the markets specified under numbers 1 and 2;
5. if they are issued or guaranteed by a credit institution that is subject to supervision in accordance with the criteria laid down by EU law, or by a credit institution that is subject to and complies with regulatory requirements that are equivalent to those of EU law in the opinion of BaFin;
6. if they are issued by other issuers and the issuer in question is
  - a) a company whose equity capital amounts to at least EUR 10 million and which prepares and publishes its annual financial statements in accordance with the provisions of the Fourth Council Directive (78/660/EEC) of July 25, 1978 on the annual accounts of certain types of companies, most recently amended by Directive 2006/43/EC of the European Parliament and the European Council dated May 17, 2006;
  - b) a legal entity within a group comprising one or more listed companies that is responsible for financing the said group, or
  - c) a legal entity that is intended to finance securitization vehicles which benefit from a banking liquidity line; Article 7 of Directive 2007/16/EC shall apply to the securitization vehicle and the banking liquidity line.

All the above-mentioned money market instruments may only be acquired if they meet the requirements of Article 4 paragraphs 1 and 2 of Directive 2007/16/EC. Article 4 paragraph (3) of Directive 2007/16/EC also applies to money market instruments as defined by nos. 1 and 2 above.

Sufficient deposit and investor protection must be provided for money market instruments as defined by nos. 3 to 6 above, e.g., in the form of an investment grade rating, and additionally the criteria contained in Article 5 of Directive 2007/16/EC must be met. Grades of "BBB", "Baa", or better issued by a rating agency as part of a rating review are referred to as "investment grade". Article 5 paragraph (2) of

Directive 2007/16/EC shall apply to the acquisition of money market instruments that are issued by a regional or local authority of an EU member state or by an international public body as defined by no. 3 above but that are not guaranteed by the member state or, where a member state is a federal state, by one of the members making up this federation, and to the acquisition of money market instruments in accordance with nos. 4 and 6 above; Article 5 paragraph (4) of Directive 2007/16/EC applies to the acquisition of all other money market instruments in accordance with no. 3 above with the exception of money market instruments issued or guaranteed by the European Central Bank or the central bank of an EU member state. Article 5 (3) and, if the money market instruments are issued or guaranteed by a credit institution that is subject to and complies with regulatory requirements that are equivalent to those of EU law in the opinion of BaFin, Article 6 of Directive 2007/16/EC apply to the acquisition of money market instruments in accordance with no. 5 above.

In addition, the Investment Company may invest up to 10 % of the value of the Investment Fund in money market instruments from issuers that do not meet the requirements set out above.

### **Investment Limits for Securities and Money Market Instruments**

Securities and money market instruments issued by a single party may be purchased only up to a limit of 5 % of the value of the Investment Fund. In individual cases, securities and money market instruments from a single issuer, including securities purchased under repurchase agreements, may account for up to 10 % of the value of the Investment Fund; however, the total value of securities and money market instruments from these issuers may not exceed 40 % of the value of the Investment Fund. The Company may invest a maximum of 20 % of the value of the Investment Fund in a combination of the following assets:

- securities and money market instruments issued by one and the same institution,
- deposits at this institution,
- weightings for the counterparty risk associated with transactions entered into with this institution relating to

derivatives which are not admitted to trading on a stock exchange or included in another regulated market.

In the case of public-sector issuers as defined by section 60 (2) of the InvG (the German Federal Government, German Federal States, the European Communities, EU member states or their central, regional, or local authorities, other contracting parties to the Agreement on the European Economic Area, third countries or international organizations to which at least one EU member state belongs), a combination of the assets mentioned in sentence 1 may not exceed 35 % of the value of the Investment Fund. The respective individual upper limits remain unaffected by this combination limit in all cases. The extent to which securities and money market instruments from one issuer count towards the abovementioned limits can be reduced using hedging derivatives whose underlying instruments are securities or money market instruments issued by the same issuer. This means that securities or money market instruments may also be acquired for the account of the Investment Fund above and beyond the abovementioned limits if the increased issuer risk is reduced by means of hedging.

The Investment Company may invest up to 35 % of the value of the Investment Fund in each case in debt securities and money market instruments issued by the following issuers: the German Federal Government, German Federal States, the European Communities, EU member states or their central, regional, or local authorities, other contracting parties to the Agreement on the European Economic Area, third countries, or international organizations to which at least one EU member state belongs.

The Investment Company may invest up to 25 % of the value of the Investment Fund in each case in mortgage bonds, municipal bonds, and debt securities issued by credit institutions domiciled in an EU member state or in another contracting party to the Agreement on the European Economic Area, if the credit institutions are subject to special public regulation on the basis of statutory regulations designed to protect the holders of these debt securities and if, in accordance with the statutory regulations, the funds raised when the debt securities were issued are invested in assets that are sufficient to cover the liabilities arising from the debt securities throughout their entire term and that, in the case of default of the issuer, are prior-ranking with regard to repayments falling due and interest payments.

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While observing the 49% limit, the Investment Company may invest no more than 35% of the value of the Investment Fund in securities and money market instruments issued by the following issuers

- the Federal Republic of Germany
- the German Federal States:
  - Baden-Württemberg
  - Bavaria
  - Berlin
  - Brandenburg
  - Bremen
  - Hamburg
  - Hesse
  - Mecklenburg-Western Pomerania
  - Lower Saxony
  - North Rhine-Westphalia
  - Rhineland-Palatinate
  - Saarland
  - Saxony
  - Saxony-Anhalt
  - Schleswig-Holstein
  - Thuringia

## Minimum Liquidity

The Investment Company must ensure that an amount of the liquid assets corresponding to at least 5% of the value of the Investment Fund is available daily to cover the redemption of units (minimum liquidity).

## Risks Associated with Investments in Liquid Assets

Insofar as the Investment Fund holds securities, money market instruments, or investment units as part of its liquid assets, it should be noted that such investments entail risks as well as potential opportunities for appreciation. The prices of securities and money market instruments may fall in relation to the prices at which they were purchased as a result of trends on the money and capital markets or particular developments affecting issuers, for example. This also applies to the value of investment units.

Prices of fixed-income securities are influenced by trends on the capital markets, i.e., when market interest rates increase, the prices of fixed-income securities fall. Such changes in

price also depend on the maturities of the fixed-income securities. In general, fixed-income securities with shorter maturities are exposed to lower price risks than those with longer maturities, although their yields can generally be expected to be lower. It should be noted that investments in liquid assets denominated in foreign currencies are subject to additional exchange rate risks and transfer risks.

The risks described above also apply to investment funds that invest in securities and money market instruments.

In addition to offering the opportunity for price increases, stocks also entail risks; they are subject to the unforeseeable influence of capital market trends and specific developments at the respective issuer. Even if stocks are selected carefully, losses due to fluctuations in market prices or the financial collapse of issuers cannot be ruled out.

The same also applies to shares in REIT stock corporations.

## Borrowings and Encumbrance of Assets

The Investment Company may take out loans of up to 50% of the market value of the properties belonging to the Investment Fund for the joint account of the investors if such borrowing is consistent with proper business management. The permitted figure will fall to 30% from January 1, 2015. In addition, the Company may take out short-term loans of up to 10% of the value of the Investment Fund for the joint account of the investors. Sums that the Company has received as a transferor under a repurchase agreement must be counted towards this amount. Loans may only be taken out if the loan conditions conform with prevailing market terms and the custodian bank consents to this action.

If the costs of borrowing exceed the return on the real estate, investment performance will be adversely affected. Nevertheless, it may be advisable to take out loans under certain circumstances; for example, to preserve a long-term source of income and appreciation in the face of merely short-term liquidity squeezes, for tax considerations, or to limit exchange rate risks abroad.

The Investment Company may encumber real estate belonging to the Investment Fund, or assign and encumber receivables from legal relationships relating to real estate, if doing so is consistent with proper business management,



and provided that the custodian bank approves these actions because it considers the proposed conditions to be in line with prevailing market terms. It may also take over encumbrances when acquiring real estate. Total encumbrances may not exceed 50 % of the market value of all real estate held in the Investment Fund. The permitted figure will fall to 30 % from January 1, 2015. Ground rents are not affected by this.

### Derivatives Used for Hedging Purposes

In accordance with the Fund Rules, the Investment Company is authorized to use derivatives. Furthermore, with regard to calculating the potential market risk for the use of derivatives, it is authorized to adopt either the simple or the qualified approach as defined by the Derivateverordnung (DerivateV – German Derivatives Regulation). It is also authorized to switch from the simple to the qualified approach or vice versa, whereby it must inform BaFin of such a switch and must announce it in the annual or semi-annual report following the switch.

#### Simple Approach

The Investment Company currently uses the simple approach as defined by the DerivateV to calculate the upper market risk limit for the use of derivatives within the Investment Fund. The following therefore applies to the use of derivatives:

The Investment Company may only invest in derivatives whose underlyings are assets that may be acquired in accordance with section 6 (2) b) to f) of the “General Fund Rules” and properties that may be acquired in accordance with section 1 (1) of the “Special Fund Rules”. In accordance with section 6 (2) of the DerivateV, the Investment Company shall confine itself exclusively to using in the Investment Fund the following basic forms of derivatives, combinations of these derivatives, or combinations of assets that may be acquired for the Investment Fund and these derivatives:

- a) futures contracts on assets in accordance with section 6 (2) b) to f) of the “General Fund Rules”, properties in accordance with section 1 (1) of the “Special Fund Rules”, interest rates, exchange rates, or currencies;
- b) options or warrants on assets in accordance with section 6 (2) b) to f) of the “General Fund Rules”, proper-

ties in accordance with section 1 (1) of the “Special Fund Rules”, interest rates, exchange rates, or currencies and on futures contracts in line with a), if they have the following features:

- aa) they may be exercised either during the entire term or only at expiry, and
- bb) there is a linear relationship at the time the option is exercised, between the value of the option and the positive or negative difference between the exercise price and the market value of the underlying and the value of the option becomes zero if the plus / minus sign for the difference is reversed;
- c) interest rate swaps, foreign currency swaps, or cross-currency swaps;
- d) options on swaps listed in c) above, provided that they have the features defined in aa) and bb) of subsection b) above (swaptions);
- e) credit default swaps on assets in accordance with section 6 (2) b) to f) of the “General Fund Rules” and on properties in accordance with section 1 (1) of the “Special Fund Rules”, provided that they are used exclusively and demonstrably to hedge the credit risk of specifically attributable Fund assets;

Futures contracts, options, or warrants on investment units in accordance with section 6 (2) d) of the “General Fund Rules” are not permitted.

When calculating the potential market risk for the use of derivatives, the Investment Company adopts the simple approach as defined by the DerivateV. The weighting is:

- for financial futures, the contract value multiplied by the futures price determined on each trading day;
- for options or warrants whose underlying instruments are securities, money market instruments, or derivatives, the value of the instruments underlying the option (underlyings);
- for options or warrants whose underlying instruments are interest rates, exchange rates, or currencies, the value of the underlying multiplied by the multiplier laid down in the terms and conditions for the options.

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In addition, the values thus calculated must be multiplied by the applicable delta. The delta is the ratio of the change in the value of the derivative to an assumed minimal change in the value of the underlying.

## Qualified Approach

If, in future, the Investment Company makes use of its right to switch from the simple approach used currently to the qualified approach, the following will apply to the use of derivatives:

Provided it has a suitable risk management system, the Investment Company may invest for hedging purposes in any derivatives whose underlyings are assets that may be acquired in accordance with section 6 (2) b) to f) of the "General Fund Rules", properties that may be acquired in accordance with section 1 (1) of the "Special Fund Rules", interest rates, exchange rates, or currencies. In particular, these include options, financial futures contracts, and swaps, as well as combinations of these instruments. Under no circumstances may the Investment Company deviate from the "General and Special Fund Rules" or the investment objectives set out in this Prospectus during the abovementioned transactions.

When calculating the potential market risk for the use of derivatives, the Investment Company adopts the qualified approach as defined by the DerivateV. The risks arising from the use of derivatives are controlled by a risk management system which enables the risk associated with the investment position and its respective proportion of the overall risk profile of the investment portfolio to be monitored at any time.

Irrespective of which approach is chosen:

Transactions involving derivatives may only be used to hedge Fund assets, interest rate and currency risks, as well as to hedge rent receivables. The InvG and the DerivateV provide for the potential market risk of an investment fund being doubled using derivatives. Market risk means the risk of unfavorable developments in market prices arising for the respective investment fund. Since the Investment Fund may only use derivatives for hedging purposes, such leverage is ruled out as a matter of principle. Furthermore, the Investment Fund's weighting for interest rate risk and equity price risk to be calculated in accordance with section 16 of the DerivateV

may not exceed twice the value of the Investment Fund at any time.

## Options

The Investment Company may engage in options trading for hedging purposes for the account of the Investment Fund within the framework of the investment principles. This means that it may acquire the right to purchase securities from a third party against payment (option premium) within or at the end of a specified period of time at a price agreed in advance (exercise price), or to demand payment of a cash settlement. The Investment Company may also acquire the relevant rights to purchase securities from third parties against payment.

If, in future, the Investment Company makes use of its right to switch from the simple approach currently used to the qualified approach, it may in particular enter into option transactions on investment units that it is permitted to acquire directly for the Investment Fund. This means that it may acquire the right to purchase or sell units in other investment funds at a specified price agreed in advance. It may also sell the respective rights to third parties.

The following details apply:

The purchase of a put option (long put) entitles the buyer, against payment of a premium, to demand from the seller the purchase of certain assets at a particular exercise price or the payment of a corresponding cash settlement. The purchase of such put options, for example, enables securities belonging to the Fund to be hedged against a decline in price for the term of the option. If the price of the securities falls below the exercise price, the put option can be exercised and proceeds in excess of the market price realized. Instead of exercising the option, the Investment Company can also sell it at a profit.

Conversely, there is a risk that the option premium will be lost if it does not appear to make economic sense to exercise the put option at the previously agreed exercise price because, contrary to expectations, prices have not fallen. Such changes in the price of the securities underlying the option can produce a disproportionately large reduction in the value of the option and can even cause it to become worthless. Given its limited duration, there can be no certainty that the

price of the option will recover in good time. Earnings expectations must take account of the costs connected with the acquisition, as well as the exercise or sale, of an option or the conclusion of an offsetting transaction (closing out). If expectations are not met, with the result that the Investment Company chooses not to exercise the option, the option will lapse upon expiry.

### Futures Contracts

Futures contracts may only be used for hedging purposes. Futures contracts are agreements that are unconditionally binding on the parties to them and that oblige the parties to either buy or sell a certain quantity of defined underlying instruments (e.g., currencies, bonds, equities) at a particular point in time (the maturity date), or within a specified period of time at a price agreed in advance (exercise price). This generally happens through the collection or payment of the difference between the exercise price and the market price at the time the transaction matures or is closed out.

The Investment Company can, for example, hedge Investment Fund securities by selling futures contracts on these securities for the duration of the contracts.

If, in future, the Investment Company makes use of its right to switch from the simple approach currently used to the qualified approach, it may in particular enter into futures contracts on investment fund units that it is permitted to acquire directly for the Investment Fund, for the account of

the Investment Fund. This means it may undertake to buy or sell a certain number of units in another investment fund at a specific price at a particular point in time or within a specified period of time.

Insofar as the Investment Company enters into transactions of this kind, the Investment Fund must, if the expectations of the Investment Company are not fulfilled, bear the difference between the price set at the time the transaction was entered into and the market price upon maturity or the closing out of the transaction. The result will be a loss for the Investment Fund. The risk of a loss cannot be determined in advance and may exceed the amount of any collateral posted. In addition, it should be noted that the sale of futures contracts and the conclusion of any offsetting transaction (closing out) entail costs.

### Swaps

The Investment Company may enter into the following swaps for hedging purposes for the account of the Investment Fund within the framework of the investment principles:

- interest rate swaps
- foreign currency swaps
- credit default swaps.

Swap transactions are contracts in which the cash flows or risks underlying the transaction are exchanged between the parties to the contract. Swap contracts can be divided into three types:



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- a) interest rate swaps without the use of capital, where different interest rate bases relating to the same underlying principal amount are swapped (usually one party pays “fixed” and receives “variable”);
- b) foreign currency swaps, where the principal and the interest in a foreign currency are swapped for a specified period of time; in contrast to traditional foreign exchange swap transactions, forward rates on re-exchange do not differ from those at initial exchange since the interest is also transferred;
- c) cross-currency swaps as a combination of the two types mentioned above, where capital is also transferred on initial and final exchange. On the interest payment date, the interest payments are also swapped with the result that on final exchange, when the principal amount is transferred back, there are no changes in exchange rates. The difference between this and a foreign currency swap is that the interest rate basis is also swapped.

If changes in the price or value of the underlying instruments for the respective swap are contrary to the Investment Company’s expectations, the Investment Fund may incur losses from the transaction.

## Swaptions

Swaptions are options on swaps. A swaption is the right, but not the obligation, to enter into a swap with precisely defined conditions at a specified point in time or within a specified period.

## Credit Default Swaps

Credit default swaps are credit derivatives which enable potential credit default losses to be transferred to other parties. In return for bearing the credit default risk, the seller pays the other contracting party a premium. In other respects, the information on swaps provided above applies.

## Derivatives Evidenced by Securities

The Investment Company may also purchase derivatives if they are evidenced by securities. In this context, it is also possible for transactions involving derivatives to take the form of securities in part only. The statements made above concerning risks and opportunities also apply mutatis mutandis to such derivatives evidenced by securities, with the proviso that the risk of losses in the case of derivatives evidenced by securities is limited to the value of the security.

## Listed and Unlisted Financial Derivatives

The Investment Company may enter into transactions relating to derivatives that are admitted to trading on a stock exchange or that have been included in another regulated market.

Transactions relating to derivatives that are not admitted to trading on a stock exchange or that are not included in another regulated market (OTC transactions) may only be entered into with suitable credit institutions and financial services institutions on the basis of standardized general agreements. The particular risks associated with such individual transactions stem from the absence of a regulated market, and therefore of the possibility of selling to a third party. The closing out of obligations that have been assumed may be problematic due to the individual nature of the agreement, or may involve substantial costs.

In the case of derivatives traded over the counter, the counterparty risk for each contracting party is limited to 5 % of the value of the Investment Fund. If the contracting party is a credit institution domiciled in the EU, the European Economic Area, or a third country with a comparable level of supervision, the counterparty risk may amount to up to 10 % of the value of the Investment Fund. Over-the-counter derivatives transactions which are concluded with the central clearing agency of a stock exchange or another regulated market as the respective contracting party are not counted towards the counterparty limits if the derivatives are subject to daily valuation at market prices with daily margin calls. By limiting transactions with a single contracting party and by selecting contracting parties carefully, counterparty credit risk can be significantly reduced, albeit not completely eliminated.

### Properties as Underlyings for Derivatives Transactions

For the account of the Investment Fund, the Investment Company may also enter into derivatives transactions where the underlying is a property that may be acquired for the Investment Fund, or the income from such a property. In particular, such transactions enable the Investment Company to hedge rental and other income from properties held for the Investment Fund against default and currency risks.

### Currency Risks and Use of Derivatives to Hedge Them

Investments in foreign currencies and transactions denominated in foreign currencies entail currency-related opportunities and risks. It should also be noted that foreign currency investments are subject to transfer risks. The Investment Company may enter into derivatives transactions on the basis of currencies or exchange rates for the account of the Investment Fund for the purpose of hedging Fund assets and rent receivables held in the foreign currency.

Such currency hedging transactions, which generally only hedge certain parts of Fund assets, serve to reduce currency risks. However, they cannot rule out the possibility that changes in exchange rates will have a negative impact on the Investment Fund's performance even if hedging transactions have been concluded. The costs of currency hedging transactions and possible losses serve to reduce Fund performance.

The Investment Company must make use of such options in the event of exchange rate risks exceeding 30 % of the value of the Investment Fund. In addition, the Investment Company will take advantage of these options if and to the extent it deems this to be in the interest of the investors.

### Summary of the Risks of Loss Associated with Derivatives Transactions

As the earnings opportunities offered by derivatives transactions also involve a high risk of loss, investors must be aware that

- the rights of limited duration acquired under forward transactions, for example, expire or can become impaired;
- it may not be possible to determine the risk of a loss, and

that any such loss may exceed the amount of any collateral posted;

- it may not be possible to enter into transactions that are intended to exclude or limit the risks assumed under derivatives transactions that have already been entered into, or it might only be possible to do so at a market price that would cause losses to be incurred;
- the risk of incurring losses is increased if loans are used to meet obligations arising from derivatives transactions or if the obligation arising from derivatives transactions or the related consideration that can be claimed is denominated in a foreign currency or unit of account.

Exercising derivatives transactions that consist of a combination of two basic forms (e.g., options on financial futures) can give rise to additional risks that are based on the resulting contract and that may far exceed the original sum committed, e.g., in the form of the price paid for an option.

OTC transactions are subject to the following additional risks:

- the absence of a regulated market may make it difficult to sell derivatives that have been acquired on the OTC market to third parties, and the closing out of obligations assumed may be difficult due to the individual nature of the agreements, or may involve substantial costs (liquidity risk);
- the economic success of an OTC transaction may be jeopardized by the default of a counterparty (counterparty risk). The risks associated with derivatives transactions vary in size depending on the position assumed for the Investment Fund. Accordingly, Fund losses may
- be limited to the price paid for an option, for example;
- far exceed the collateral posted (e.g., margins) and require additional collateral;
- result in the need to take out debt, hence impacting the Investment Fund, without it always being possible to determine the risk of loss in advance at all times.



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## Securities Loans

The Investment Fund may lend available securities to third parties at market rates. All the securities held by the Investment Fund may be lent for an indeterminate period of time. In such cases, the Investment Company has the option of serving notice of termination at any time, and it is contractually agreed that securities of the same type, quality, and quantity will be transferred back to the Investment Fund within five trading days of notice being served.

The borrower is obliged, once the loan has ended on the agreed date or been terminated, to return securities of the same type, quality, and quantity. In addition, the borrower is obliged to pay any interest that becomes due on the securities borrowed to the custodian bank for the account of the Investment Fund. In the interests of risk diversification, it is envisaged that, if securities are transferred in the form of a loan, the aggregate securities transferred to a single borrower may not exceed 10 % of the value of the Investment Fund.

A precondition for the transfer of securities in the form of a loan is that the Investment Fund is provided with sufficient collateral before the securities are transferred. In this regard, bank deposits or securities can be assigned or pledged. These deposits must be denominated in euros or in the currency in which the Investment Fund's units were issued and held at the custodian bank or, with its approval, in blocked accounts at other credit institutions domiciled in an EU member state, another contracting party to the Agreement on the European Economic Area, or a third country with equivalent banking supervision. They can also be invested in money market instruments within the meaning of section 48 of the InvG in the currency of the deposit. The economic position of the borrower must be taken into account in determining collateral. However, the value of the collateral may not amount to less than the collateral value deriving from the market price of the securities loaned and the related income plus a customary market premium.

The Investment Company may use an organized system for the brokerage and settlement of securities lending transactions. If an organized system is used for the brokerage and settlement of securities lending transactions, the posting of collateral can be waived, as the conditions of the system will ensure that the interests of investors are protected. Furthermore, the 10 % borrower limit does not apply to the organized system when securities lending transactions are settled using it.

## Securities Repurchase Transactions

The Investment Company may enter into securities repurchase transactions that have a maximum term of twelve months with credit institutions and financial services institutions for the account of the Investment Fund. The Company can both transfer Investment Fund securities to a transferee subject to the limits on borrowing so as to obtain liquidity temporarily and purchase securities subject to the limits on bank deposits and money market securities so as to invest liquidity temporarily. Only genuine repurchase transactions are permitted. In the case of genuine transactions, the transferee undertakes to retransfer the securities at a particular time or at a time to be specified by the transferor. If the Investment Fund acts as a transferor, it bears the risk of any decline in price that may occur in the meantime, whereas if the Investment Fund acts as a transferee, it may not be able to benefit from any price increase that may occur in the meantime due to its obligation to retransfer the shares.

**No assurance can be given that the goals of the investment policy will be achieved.**

## Fund Performance and Benchmark

The Investment Fund's historical performance is as follows

Fiscal year	Investment performance <sup>*)</sup>
9/29/1999 - 8/31/2000	27.4 %
9/1/2000 - 8/31/2001	10.9 %
9/1/2001 - 8/31/2002	8.3 %
9/1/2002 - 8/31/2003	7.1 %
9/1/2003 - 8/31/2004	4.9 %
9/1/2004 - 8/31/2005	4.3 %
9/1/2005 - 8/31/2006	5.0 %
9/1/2006 - 8/31/2007	7.4 %
9/1/2007 - 8/31/2008	6.8 %
9/1/2008 - 8/31/2009	4.3 %
9/1/2009 - 8/31/2010	3.0 %
9/1/2010 - 8/31/2011	2,7 %

<sup>\*)</sup> Calculated according to the Bundesverband Investment und Asset Management e.V. (BVI) method. Calculation based on investment, final valuation, and reinvestment of income at the unit value.

There is currently no benchmark available for open-ended real estate investment funds.

The Investment Company will report on the Investment Fund's performance going forward in the relevant annual report and on its website at [www.ubs.com/immobilienfonds-deutschland](http://www.ubs.com/immobilienfonds-deutschland).

**The Investment Fund's historical performance is not necessarily indicative of future performance.**

### Stock Exchanges and Markets

The units of the Investment Fund are not admitted to trading on the (official) market of a stock exchange. Equally, the units are not traded on regulated markets with the approval of the Investment Company. The Investment Company is aware that the units are nevertheless traded on the following markets:

- Hamburg
- Frankfurt
- Düsseldorf
- Munich

The possibility that the units are also traded on other markets cannot be ruled out.

The market price underlying stock exchange trading or trading in other markets is not determined solely by the value of the assets held in the Investment Fund, but also by supply and demand. For this reason, the market price may differ from the unit price calculated.

### Management and Other Costs

1. For its management of the Investment Fund, the Investment Company shall receive a quarterly fee of currently 0.5 % per annum of the total market values of the Investment Fund's properties (held directly and via real estate companies), calculated on the basis of the values at the end of each month. The Company is entitled to levy proportional monthly advances on this amount.
2. If properties are acquired, developed, or converted for the Investment Fund, the Investment Company may in each

case claim a one-off fee of up to 1.0 % of the purchase price or, in the case of development projects carried out by the Investment Company for the Investment Fund, up to 1.0 % of the construction and incidental costs. If a property or a development project is sold for the Investment Fund, the Investment Company may claim a one-off fee of up to 0.5 % of the sale price.

When properties are sold, the Investment Company can also claim a one-off fee of up to 5.0 % of the positive difference between the sale price of the property (less incidental costs of sale) and the original acquisition / construction costs of the property.

When properties are developed or converted, the Investment Company can also claim a one-off fee of up to 5.0 % of the positive difference between the market value initially determined by the Expert Committee for the property after completion and the total investment costs of the property.

3. For its activities, the custodian bank shall receive an annual fee of 0.25 ‰ of the Investment Fund's net asset value calculated at the end of each fiscal year. **From January 1, 2012, proportional quarterly advances on this remuneration may be paid.**
4. In addition to the fees mentioned above, the following expenses shall be borne by the Investment Fund:
  - a) incidental expenses relating to the acquisition, development, sale, and encumbrance of properties (including taxes);
  - b) the cost of external finance and management costs incurred during real estate management (administrative, maintenance, and operating costs, insurance premiums, the costs of bringing legal actions, tax advisory costs, and the costs of legal advice);
  - c) costs relating to the acquisition and sale of other assets;
  - d) normal custody account fees;
  - e) the costs of the Expert Committee and of other experts who carry out valuations in accordance with sections 67 (5) and (7) and 68 (2) of the InvG; the costs of the Investment Advisory Panel;

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- f) the costs incurred for the printing, translation and dispatch of the annual reports and semi-annual reports intended for the investors;
  - g) the costs incurred for the announcement of the annual reports and semi-annual reports, the offer and bid prices, and the distributions and the liquidation report, where appropriate;
  - h) the costs relating to the audit of the Investment Fund by the Company's auditors, and the costs of announcing the bases for tax assessment and of the certification that the tax information has been determined in accordance with the provisions of German tax law;
  - i) any taxes which may arise in relation to management and custody costs;
  - j) incidental expenses relating to the acquisition, holding, and sale of equity interests in real estate companies (including taxes);
  - k) costs incurred in distributing the Investment Fund's units abroad (costs of legal advice, tax advisory costs, administration fees, translation costs, etc.) and costs arising in connection with the authorization for distribution abroad;
  - l) **effective January 1, 2012:**
    - costs of providing information to the Investment Fund's investors using a durable medium, with the exception of the costs of providing information about fund mergers.
5. The provisions contained in nos. 2 and 4 above apply accordingly to the equity interests in real estate companies held directly and / or indirectly by the Investment Company for the account of the Investment Fund and their properties. The purchase or sale price to be recognized (in proportion to the equity interest concerned) is the purchase or sale price of the shares in the company plus any liabilities and provisions relating to the company that have been or are to be assumed (in proportion to the equity interest concerned) and less the company's other assets (i.e., not the properties held by the company). Insofar as nos. 1, 2, and 4 concern the market value of properties, the value of the properties held by the real estate company is calculated in proportion to the equity interest concerned. An exception to this is that expenses as defined in no. 4 incurred by the real estate company as a result of special requirements of the InvG are not charged to the Investment Fund on a pro rata basis, but in full.
6. Insofar as the Investment Company charges its own expenses to the Investment Fund in accordance with no. 4, this must be done equitably. This expenditure will be disclosed in itemized form in the annual reports.
7. The Investment Company must disclose in the annual report and semi-annual report the total front-end charges and redemption fees that have been charged to the Investment Fund in the reporting period for the acquisition and redemption of units as defined in section 50 of the InvG. In the case of the acquisition of units that are managed directly or indirectly by the Investment Company itself or by another company related to the Investment Company by way of a substantial direct or indirect equity interest, the Investment Company or the other company may not bill any front-end charges or redemption fees for acquisition and redemption. The Investment Company must disclose in the annual report and semi-annual report the fees charged to the Investment Fund by the Investment Company itself, by another investment company, an investment stock corporation with variable capital, or another company related to the Investment Company by way of a substantial direct or indirect equity interest, or a foreign investment company, including its management company, as remuneration for the management of the units held in the Investment Fund.

## Total Expense Ratio

The management costs (excluding transaction costs) charged to the Investment Fund in the fiscal year shall be disclosed in the annual report and shown as a percentage of average fund assets (total expense ratio).

This ratio is composed of fees for the management of the Investment Fund, custodian bank fees, and the additional expenses that may be charged to the Investment Fund (see page 25 f. of the Sales Prospectus). Costs and incidental expenses relating to the acquisition and sale of assets are not included in the total expense ratio.

In connection with transactions performed for the account of the Investment Fund, the Investment Company may receive

soft benefits (broker research, financial analyses, access to market and share price information systems) that it uses in making investment decisions in the interests of the investors. The Investment Company does not receive any reimbursements of the fees and expenses paid to the custodian bank and third parties from the Investment Fund assets.

The Investment Company uses a portion of the fees paid to it from the Investment Fund for the regular remuneration of unit brokers in the form of trail commission.

### Special Conditions for the Acquisition of Investment Units

In addition to the fee for the management of the Investment Fund, an additional management fee is calculated and charged to the Fund for investment units held in the Fund. The total front-end charges and redemption fees that have been charged to the Investment Fund in the respective reporting period for the acquisition and redemption of investment units are disclosed in the annual report and semi-annual report. The Investment Company also discloses the fees that have been charged to the Investment Fund by the Investment Company itself, another investment company, or a company related to the Investment Company by way of a substantial direct or indirect equity interest, or a foreign investment company, including its management company, as a management fee for the units held in the Investment Fund.

In the case of the acquisition of investment units that are managed directly or indirectly by the Investment Company itself or a company related to the Investment Company by way of a substantial direct or indirect equity interest, the Investment Company or the other company may not bill any front-end charges or redemption fees for acquisition and redemption.

### Partial Funds

The Investment Fund is not a partial fund of an umbrella fund.

### Unit Classes

All units issued confer the same rights. No unit classes have currently been established.

### Units

Investors' rights are evidenced exclusively in global certificates when the Investment Fund is launched. These global certificates are held by Clearstreambanking AG, domiciled in Frankfurt am Main. Investors are not entitled to claim delivery of individual unit certificates. Units may only be acquired if they are held in custody. The units are issued in bearer form and evidence the claims of the bearer in relation to the Investment Company. The units do not carry any voting rights.

### Issue of Units

In principle, the number of units which can be issued is unlimited. They can be acquired from the Investment Company, the custodian bank, or via a third party. They are issued by the custodian bank at the offer price, which corresponds to the net asset value per unit (unit value) plus a front-end charge, where relevant (offer price) on the day the units are purchased. Units in the Investment Fund are issued on the last trading day of each calendar month only (issue date). Units are issued to institutional and private investors placing a minimum order of EUR 500,000.00 in each case (with the exception of the reinvestment of distributions). The Investment Company reserves the right to stop issuing unit certificates temporarily or completely.

### Redemption of Units

Unit redemptions by an investor in excess of EUR 30,000 per calendar half-year are only possible if the investor has held the units for at least 24 months. Investors must prove to the Investment Company or the Custodian Bank that they have held units corresponding at the least to their redemption request for at least 24 consecutive months before the requested redemption date by providing confirmation in text form from their custodian. **However, the holding period described here does not apply to units that investors acquired before July 1, 2011.**

In future, unit redemptions by an investor in excess of EUR 30,000 per calendar half-year must be announced to the Investment Company, giving 12 months' notice, in the form of an irrevocable redemption notice issued by the investor's custodian. The redemption notice may already be issued

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during the 24-month holding period. In the case of units held in custody accounts both in Germany and abroad, the redemption notice must be submitted by the custodian on behalf of the investor. The investor's custodian must block the units to which the notice applies until they are actually redeemed.

Apart from the abovementioned restrictions, investors can in principle demand the redemption of units on the last trading day of each calendar month (redemption date) by placing a redemption order. The redemption agent is the custodian bank. Units can also be redeemed via a third party, which may result in costs being incurred. The Investment Company is obliged to redeem units for the account of the Investment Fund on the redemption date at the then valid bid price, which corresponds to the unit value minus any redemption fee. Redemption orders that were executed following a delay to allow the mandatory holding or notice period to expire will be settled at the bid price applicable after the period expires.

Redemption notices must use the form provided by the Investment Company.

See also the following sections entitled "Valuation / Offer and Bid Price" and "Deadline for Acceptance of Orders".

Investors are expressly advised to take note of the consequences of any temporary suspension of unit redemption (page 31 f.).

## Valuation / Offer and Bid Price

For the purpose of calculating the offer and bid prices of the units, the Investment Company, under the supervision of the custodian bank, determines the value of the Fund assets less any loans taken out and other Fund liabilities (net asset value) on the last trading day of each calendar month as well as on the distribution dates. Dividing the net asset value by the number of units outstanding yields the unit value.

Offer and bid prices are rounded up or down in accordance with standard business practice. The latest settlement date for the purchase or redemption of units is the value calculation date following receipt of the respective purchase or redemption order. If the holding and notice periods described in the section above entitled "Redemption of Units" apply,

the latest settlement date is the value calculation date following the expiry of the holding period and the notice period.

No unit value is calculated on New Year's Day, Epiphany, Good Friday, Easter Monday, May 1, Ascension Day, Whit Monday, Corpus Christi, Assumption, German Reunification Day, All Saints' Day, Christmas Eve, Christmas Day, December 26, or New Year's Eve.

## Deadline for Acceptance of Orders

The Investment Company demonstrates its commitment to the principle of equal treatment of all investors by ensuring that no investor can gain an advantage by buying or selling units at known unit values. Accordingly, the Investment Company has established a deadline by which orders for the issuing and redemption of units must be submitted to it or to the custodian bank (deadline for acceptance of orders). A description of the order process, including details of the deadlines for the acceptance of orders, can be found on the Investment Company's website at [www.ubs.com/immobilienfonds-deutschland](http://www.ubs.com/immobilienfonds-deutschland).

Orders that are received after the deadline for the acceptance of orders will be executed on the following issue or redemption date.

The details of the procedure are as follows:

## Properties

A property's market value is determined by the price that would be obtained at the date to which the calculation relates in the normal course of business in accordance with the legal situation and actual characteristics, the other attributes and the location of the property, disregarding unusual or personal factors.

Properties are included at their purchase price on acquisition and for no longer than three months thereafter. Subsequently, they are included at the most recent value determined by the Expert Committee. This value is determined for each property at least once every three months. Valuations are spread as evenly as possible over the quarter to avoid a cluster of new valuations on certain dates. If changes in material valuation factors occur for a particular property, a revaluation may



be conducted ahead of schedule. If a heritable building right has been created on a property, the property must be revalued by the Expert Committee within two months.

Transaction costs that arise in connection with the acquisition of a property for the Investment Fund are amortized in equal annual installments over the period of time for which the property is expected to belong to the Investment Fund, but for no longer than ten years. If the property is subsequently sold, the transaction costs must be written off in their full amount. More specifically, the treatment of transaction costs is based on section 27 (2) no. 1 of the Investment-Rechnungslegungs- und Bewertungsverordnung (InvRBV – German Investment Fund Accounting and Valuation Regulation).

When calculating the unit price for properties located abroad, provisions are established for taxes on disposal gains likely to be levied by the state in which the property is located. Further details on this can be found in section 27 (2) no. 2 of the InvRBV.

### **Construction Services**

Construction services are stated at their carrying value plus any interest on the Fund's own resources from construction projects, to the extent that they have not been accounted for in the property valuation.

### **Equity Interests in Real Estate Companies**

Equity interests in real estate companies are included at their purchase price on acquisition and for no longer than three months thereafter. Subsequently, valuations are based on monthly statements of assets for the real estate companies. The value of the equity interest is determined at least once every three months by an auditor as defined by section 319 of the Handelsgesetzbuch (HGB – German Commercial Code) on the basis of the most recent statement of assets. The value calculated is then adjusted by the Investment Company until the next valuation date on the basis of the statements of assets. If changes in material valuation factors occur for a particular equity interest and cannot be reflected using an adjustment, a revaluation may be conducted ahead of schedule.

Transaction costs that arise in connection with the acquisition of a property for the Investment Fund are amortized in equal annual installments over the period of time for which the property is expected to belong to the Investment Fund, but for no longer than ten years. If the property is subsequently sold, the transaction costs must be written off in their full amount.

The properties listed in the statements of assets must be included at the values determined by the Investment Fund's Expert Committee. The value of the real estate company resulting from the above is included in proportion to the size of the equity interest, with other factors affecting the value being taken into account.

If the real estate company holds a property located abroad, provisions are established when determining the unit price for taxes on disposal gains likely to be levied by the state in which the property is located. However, if it is assumed that the equity interest including the property will be sold, the value of the equity interest may be discounted to take account of deferred taxes.

Further details can be found in section 28 of the InvRBV.

### **Liquid Assets**

#### **Assets admitted to trading on a stock exchange or traded on a regulated market**

Assets traded on a stock exchange or included in another regulated market and subscription rights to the Investment Fund are valued at the most recently available tradable price permitting a reliable valuation, unless stated otherwise below under "Special Valuation Rules".

#### **Assets not traded on a stock exchange or on a regulated market, or assets for which no tradable price is available**

Assets that are not traded on a stock exchange or admitted to or included in another regulated market, or for which no tradable price is available, are valued at the current market value considered to be appropriate after careful assessment in accordance with appropriate valuation models, taking into account the current market situation, unless stated otherwise below under "Special Valuation Rules".



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## Special Valuation Rules for Individual Assets

### Unlisted Debt Securities

Debt securities that are not traded on the stock exchange or a regulated market (such as unlisted bonds, commercial paper, and deposit certificates) are valued using the prices agreed for comparable debt securities and, if applicable, the market prices of bonds issued by comparable issuers with similar terms and yields, with a discount for decreased saleability if applicable.

### Money Market Instruments

For money market instruments that are part of the Investment Fund, interest and similar income, as well as expenses (e.g., management fees, custodian bank fees, audit expenses, publication costs, etc.), are taken into account up to and including the day before the value date.

### Derivatives

#### Options and Futures Contracts

Options belonging to the Investment Fund and liabilities relating to options granted to third parties that are admitted to trading on a stock exchange or included in another regulated market are valued at the most recent prices in each case.

The same applies to receivables and liabilities relating to futures contracts sold for the account of the Investment Fund. Margin calls paid for the account of the Investment Fund are included in the value of the Fund, taking into account the valuation gains and losses determined on the trading day.

#### Bank Deposits, Investment Units, and Securities Loans

Bank deposits are measured at their nominal amount plus accrued interest.

Term deposits are included at their market value to the extent that a corresponding agreement has been concluded between the Investment Company and the relevant credit institution stipulating that the term deposit may be termina-

ted at any time and that the funds will not be repaid at the nominal amount plus interest upon termination. The market interest rate to be applied in calculating the agreed market value is determined on a case-by-case basis. The corresponding interest receivables are recognized separately.

Receivables such as deferred interest claims and liabilities are stated at their nominal value.

Investment units are stated at their most recently determinable bid price or at the most recently tradable price permitting a reliable valuation. If these prices are unavailable, investment units are measured at the current market value considered to be appropriate after careful assessment in accordance with appropriate valuation models, taking into account the current market situation. Claims for repayment in respect of securities loans are valued on the basis of the market price of the securities transferred under the lending transaction in each case.

#### Assets Denominated in Foreign Currencies

Assets denominated in foreign currencies are converted to euros using the exchange rate for the respective currency as determined by Thomson Reuters at 1.30 p.m. for the previous day.

Forward exchange rates are established by the custodian bank using the current market rates determined in the 1.30 p.m. Thomson Reuters fixing for the previous day.

#### Securities Repurchase Transactions

Securities sold under a repurchase agreement for the account of the Investment Fund are still included in the valuation. In addition, the sums received by the Investment Fund under repurchase transactions must be disclosed as cash funds (bank deposits). Furthermore, a liability for the securities repurchase transactions must be reported in the valuation in the amount of the discounted repayment obligation.

Securities purchased under a repurchase agreement for the account of the Investment Fund are not included in the valuation. As a result of the payment made by the Investment Fund, the valuation must recognize the receivable from



the borrower in the amount of the discounted repayment obligation.

### Composite Assets

Assets consisting of various components must be valued proportionately on the basis of the rules set out above.

### Front-End Charge / Redemption Fee

No front-end charges or redemption fees are levied.

### Publication of Offer and Bid Prices

Offer and bid prices are made available at the registered office of the Investment Company and of the custodian bank. The prices are published regularly on the Investment Company's website at [www.ubs.com/immobilienfonds-deutschland](http://www.ubs.com/immobilienfonds-deutschland).

### Costs of Issuing and Redeeming Units

Units are issued and redeemed by the custodian bank at the offer or bid price without any other costs being charged.

If units are issued or redeemed through the agency of third parties, additional costs may be incurred.

### Suspension of Redemption and Resolutions by Investors

The Investment Company may temporarily suspend the redemption of units if extraordinary circumstances arise which make such suspension appear necessary in the interests of the investors (section 12 (6) of the "General Fund Rules").

Extraordinary circumstances are deemed to exist in particular if

- a stock exchange on which a substantial portion of the Investment Fund's securities is traded is closed (with the exception of normal weekends and public holidays), or trading is restricted or suspended;
- assets are not at the Investment Fund's disposal;

- the proceeds of sales cannot be transferred;
- it is not possible to properly compute the unit value; or
- significant assets cannot be valued.

The Investment Company will inform the investors of the suspension and resumption of unit redemption by way of an announcement in the electronic Bundesanzeiger and also on the Investment Company's website at [www.ubs.com/immobilienfonds-deutschland](http://www.ubs.com/immobilienfonds-deutschland). Investors will also be notified via their custodians in paper or electronic form. When the redemption of units is resumed, investors will receive the then applicable bid price.

As the money paid in to the Investment Fund is generally invested in real estate in accordance with the investment principles, the Investment Company is also obliged to refuse to redeem units temporarily (section 12 (7) of the "General Fund Rules") if, in the event of a large number of redemption requests, bank deposits and the proceeds from the sale of the securities, money market instruments and investment units are no longer sufficient to allow payment of the bid price and to guarantee orderly ongoing management, or if such funds are not immediately available. The Investment Company reserves the right not to redeem the units at the respective bid price until after it has sold sufficient assets without delay, but while safeguarding the interests of investors. The right to refuse the redemption of units extends for a period of six months.

If, after the expiry of the abovementioned period, there are still insufficient funds to cover redemption, real estate belonging to the Investment Fund must be sold. The Investment Company must continue to refuse redemption until the sale of these properties has been completed on reasonable terms, at most for up to twelve months after suspension.

If, 12 months after suspension, there are still insufficient funds to cover redemption, the Investment Company must continue to refuse redemption and to sell real estate belonging to the Investment Fund. In this case, the proceeds of sale may be up to 10% lower than the market value of the real estate.

If, 24 months after suspension, there are still insufficient funds to cover redemption, the Investment Company must continue to refuse redemption and to sell real estate be-

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longing to the Investment Fund. In this case, the proceeds of sale may be up to 20 % lower than the market value of the real estate.

If, 30 months after suspension, there are still insufficient funds to cover redemption, the right of the Investment Company to manage the Investment Fund lapses. The Investment Fund passes to the custodian bank, which liquidates it and pays out the liquidation proceeds to investors (see page 46).

When unit redemption resumes, the abovementioned periods only start running again from the beginning if the Investment Company does not again suspend unit redemption for the Investment Fund within three months of it resuming.

While unit redemption is suspended, investors may approve the sale of individual properties belonging to the Investment Fund by passing a majority resolution in accordance with section 81b of the InvG even if the property is not to be sold on reasonable terms. The investors' approval is irrevocable. It does not oblige the Investment Company to sell the relevant property, but merely authorizes it to do so. The vote should be held without convening a meeting of the investors unless exceptional circumstances necessitate informing investors in person at a meeting. Any meeting that has been convened will take place even if the suspension of unit redemption has been lifted in the meantime. All investors take part in the vote according to their notional share of the fund assets. The investors take decisions by a simple majority of the voting rights taking part in the vote. A resolution is only valid if at least 30 % of the voting rights have taken part in the vote on the resolution.

The Investment Company will inform the investors of the suspension and resumption of unit redemption by way of an announcement in the electronic Bundesanzeiger and additionally on the Investment Company's website at [www.ubs.com/immobilienfonds-deutschland](http://www.ubs.com/immobilienfonds-deutschland). When the redemption of units is resumed, investors will receive the then applicable bid price.

The call to vote on a sale, the convening of an investors' meeting for this purpose, and the investors' resolution will be announced by the Investment Company in the electronic Bundesanzeiger as well as on the Investment Company's website ([www.ubs.com/immobilienfonds-deutschland](http://www.ubs.com/immobilienfonds-deutschland)).

## Calculation of Income

The Investment Fund derives its regular income from the rental income obtained for properties and income less costs, from equity interests in real estate companies, as well as from interest and dividends from its liquid assets that have not been used to cover costs. Such income is allocated to the applicable accounting period.

An additional component is interest on the Fund's own resources from construction projects, insofar as this is carried as imputed interest rather than the normal market rate applicable to Fund money used for construction projects.

Extraordinary income can arise from the sale of real estate, equity interests in real estate companies, and liquid assets. Capital gains or losses arising from the sale of real estate and equity interests in real estate companies are calculated in such a way that the proceeds of any sale (less the costs of sale and taxes) are adjusted for the cost of acquisition of the real estate or equity interest in a real estate company, less any depreciation permitted for tax purposes (carrying value).

As a matter of principle, realized losses on sales are not offset against realized gains.

Gains and losses on the disposal or redemption of securities are calculated separately for each individual sale or redemption. The average value for all sales of a particular category of security is applied in determining the gains or losses realized (average cost or continuous costing method). Capital gains are distributed after taking into account the appropriate equalization paid to the extent that they are not carried forward.

## Equalization Accounting

The Investment Company applies equalization accounting to the Investment Fund. This means that the net amount of income and expense accrued during the fiscal year prior to the sale or purchase of the units, which a unit buyer has to pay for as part of the offer price and which the seller of units receives as part of the bid price, is calculated on an ongoing basis and reported in the statement of income as a distributable item. Expenditures that have been incurred are also taken into account in calculating the equalization paid, as are



the results carried forward from previous fiscal years. Equalization accounting is used to ensure that the distributability per unit in circulation is not affected by inflows and outflows of funds. Otherwise, every inflow of funds would reduce the distributable amount per unit due to the increased number of units, while every outflow of funds would increase the distributable amount per unit due to the reduced number of units. This method thus prevents a dilution of the distributability per unit in the case of an inflow of funds, and prevents excessively high distributability ("capital repayment") per unit in the case of an outflow of funds. It is thus accepted that a unit holder who, for example, buys units shortly before the distribution date will receive that part of the offer price that corresponds to income in the form of a distribution although the capital paid in by the unit holder has not contributed to generating this income.

### Appropriation of Income

1. In principle, the Investment Company distributes the income that has accrued during the fiscal year for the account of the Investment Fund from properties, equity interests in real estate companies, and liquid and other assets, and that has not been used to cover costs, taking into account the appropriate equalization paid. In addition, the Company can pay out interim distributions on March 31 of every year. Accrued income from liquid assets earned during the reporting period is also included in the distribution.
2. Funds required for future maintenance must be deducted from the income calculated in accordance with this procedure. Amounts required to compensate for impairments to real estate may be retained. However, apart from deductions for maintenance, at least 50 % of the income mentioned in subsection 1 must be distributed.
3. Capital gains may be distributed after taking into account the appropriate equalization paid. Capital gains on particular categories of securities may be distributed even if other categories of securities show losses.
4. Interest on the Fund's own resources from construction projects may also be distributed insofar as it is in line with the customary market rate of interest saved.
5. Distributable income may be carried forward for distributi-

on in subsequent fiscal years provided that the total income carried forward does not exceed 15 % of the value of the Investment Fund at the end of the respective fiscal year. Income from short fiscal years can be carried forward in full.

6. In the interest of maintaining the intrinsic value of the Investment Fund, income can be partly or, in special circumstances, completely reinvested in the Investment Fund. However, apart from deductions for maintenance, at least 50 % of the income mentioned in subsection 1 must be distributed.
7. Subject to no. 1 sentence 2, distributions are paid annually free of charge immediately following the publication of the annual report via the paying agents specified in the notifications of distribution. Interim distributions are also made via the paying agents named in the relevant announcement.

### Impact of Distribution on Unit Value

As the distributed amount is withdrawn from the Investment Fund, the unit value on the distribution date (ex-date) is reduced by the sum distributed per unit.

### Crediting Distributions

If the units are held in a custody account at the custodian bank, the branches of the custodian bank will credit the distributions free of charge. If the custody account is maintained at another bank or savings bank, additional costs may be incurred.

### Summary of Important Tax Regulations for Investors

The following information on tax regulations only applies to investors with unlimited tax liability in Germany. Foreign investors are advised to contact their tax advisor prior to acquiring units in the Investment Fund described in this Sales Prospectus in order to clarify the potential tax consequences of such an investment in their respective countries of residence.

# Sales Prospectus

## General Information

This information cannot replace the individual advice given by tax advisors.

As a special purpose fund, the Investment Fund is exempt from corporation tax and trade tax. For units held as private assets, however, the taxable income from the Investment Fund is treated as income from capital investments and is subject to income tax if this income, together with the investor's other investment income, exceeds the annual lump-sum savings allowance of EUR 801 (for single persons or married couples assessed separately) or EUR 1,602 (for married couples assessed jointly).

Income from capital investments is subject to 25 % withholding tax (plus solidarity surcharge and, if applicable, church tax). Income from capital investments also includes income distributed by the Investment Fund, deemed distributions, interim profits, and gains from the purchase and sale of Fund units if these were or are purchased after December 31, 2008.<sup>1</sup> In principle, the tax withheld has definitive effect for private investors, meaning that income from capital investments generally does not have to be disclosed in the investor's income tax return. When withholding the tax, the custodian, as a matter of principle, already offsets any losses and credits any foreign withholding taxes.

However, the tax withheld may not have definitive effect in some circumstances, e. g., if the investor's personal tax rate is lower than the flat tax rate of 25 %. In this case, income from capital investments can be disclosed in the investor's income tax return. The tax office then applies the lower personal tax rate and counts the tax withheld against the investor's personal tax liability ("Günstigerprüfung" – most favorable tax treatment).

If no tax has been withheld on income from capital investments (e. g., because a gain was generated from the sale of fund units in a foreign custody account), this must be disclosed in the tax return. This income from capital investments is then also subject to the flat tax rate of 25 % or the lower personal tax rate in the course of the assessment.

Even if the tax is withheld and the investor has a higher personal tax rate, information regarding income from capital investments may be required if extraordinary expenses or special personal deductions (e. g., donations) are claimed in the investor's income tax return.

Units held as business assets are treated as operating income for tax purposes. German tax legislation requires a differentiated approach in order to calculate the amount of taxable income or income subject to investment income tax.

## Units Held as Private Assets (German Tax Residents)

### Interest and Similar Income, and Foreign Dividends (Particularly From Real Estate Corporations)

25 % tax (plus the solidarity surcharge and church tax, if applicable) is withheld on interest and similar income and foreign dividends that are distributed or retained by the Investment Fund in the case of domestic custody.

The withholding of the tax can be waived if the investor is a German tax resident and submits an exemption instruction, provided that the taxable income components do not exceed EUR 801 for single persons or EUR 1,602 for married couples assessed jointly. The same also applies if a non-assessment certificate is submitted or if foreign investors furnish proof of their non-resident status for tax purposes.

If the domestic investor holds the units of an investment fund that distributes its income for tax purposes in a German custody account at the Investment Company or a credit institution (custody), the respective custodian, as the paying agent, will not withhold any tax provided that, prior to the specified distribution date, it receives either an official exemption instruction for a sufficient amount or a non-assessment certificate issued by the tax office for a maximum period of three years. In this case, the entire distribution is credited to the investor without deduction.

If units are held in an investment fund classed as an accumulating fund for tax purposes, the Investment Company itself remits the 25 % tax (plus solidarity surcharge) withheld

<sup>1</sup> Gains on the sale of fund units held by private investors that were acquired prior to January 1, 2009, are tax-free provided that the period between acquisition and disposal exceeds one year.





"Arc et Ciel" and "Arc Pleyel", 39 – 53, Blvd. Ornano, Paris – Saint Denis / France

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on the retained income of the Investment Fund that is subject to tax in the case of income retained before January 1, 2012. Thus, the offer and bid prices for the Fund units are reduced by the tax withheld at the end of the fiscal year. As investors are generally unknown to the Investment Company, church tax cannot be retained in this case; as a result, investors who are subject to church tax must disclose the corresponding information in their income tax returns.

In respect of income retained after December 31, 2011, the Investment Fund will make the investment income tax plus the maximum surtaxes incurred (solidarity surcharge and church tax) available to the custodians. As in the case of distributed income, the custodians will withhold tax taking into account an investor's personal circumstances, so that any church tax can be remitted in particular. Any amounts that the Investment Fund has made available to the custodians and that do not have to be remitted are reimbursed.

If investors hold their units in a custody account at a German credit institution or German investment company and submit an exemption instruction for a sufficient amount or a non-assessment certificate to their custodian prior to the end of the Investment Fund's fiscal year, the remitted tax withheld (or, from 2012 onwards, the amount made available to the custodians) is credited to their account.

If investors fail to submit an exemption instruction or non-assessment certificate, or fail to submit it in good time, they will receive a tax certificate on request from their custodian showing the tax and solidarity surcharge withheld and remitted. Investors can then credit the tax withheld against their personal tax liability in the course of their income tax assessment.

If units in distributing investment funds are not held in a custody account and the investor presents coupons to a German credit institution (self-custody), tax is withheld at 25 % plus the solidarity surcharge.

As qualifying intercompany dividends, dividends paid by foreign (real estate) corporations cannot be tax-free in the view of the tax authorities.

## **Gains From the Sale of Domestic and Foreign Real Estate Not Falling Within the 10-year Holding Period**

Gains from the sale of domestic and foreign real estate not falling within the 10-year holding period that are generated at the Investment Fund level are always tax-free for the investor.

## **Foreign Rental Income and Gains From the Sale of Foreign Real Estate Within the 10-year Holding Period**

Foreign rental income and gains from the sale of foreign real estate in respect of which Germany has waived taxation under a double taxation agreement (exemption method) are also tax-free (general rule). Equally, the tax-free income does not influence the applicable tax rate (the progression clause does not apply).

If, exceptionally, the tax credit method has been adopted under the relevant double taxation agreement or no double taxation agreement has been concluded, the statements made regarding the treatment of gains from the sale of domestic real estate within the 10-year holding period shall apply analogously. Taxes paid in the relevant countries of origin may be set off against German income tax where appropriate, insofar as the taxes paid have not been claimed as income-related expenses at the level of the Investment Fund.

## **Gains From the Sale of Securities, Gains From Forward Transactions, and Income From Option Premiums**

Gains from the sale of shares, equity-equivalent profit participation rights, and investment units, gains from forward transactions, and income from option premiums generated at the Investment Fund level are not recognized at the level of the investor unless they are distributed. Moreover, gains from the sale of the capital claims listed in section 1 (3) sentence 3 no. 1 letters a) to f) of the InvStG are not recognized at the level of the investor if they are not distributed.

These include the following capital claims:

- a) capital claims that have an issue yield,



- b) "normal" bonds and unsecuritized receivables with a fixed coupon as well as down-rating bonds, floaters, and reverse floaters,
- c) risk certificates that track a share price or a published index for a large number of shares 1:1,
- d) equity-linked bonds, exchangeable bonds, and convertible bonds,
- e) flat income bonds and profit participation rights classified as debt instruments, and
- f) bonds cum warrants.

If gains from the sale of the above-mentioned securities / capital claims, gains from forward transactions, and income from option premiums are distributed, they are taxable in principle: 25 % tax is withheld if the units are held in a domestic custody account (plus solidarity surcharge and, if applicable, church tax). However, distributed gains from the sale of securities and gains from forward transactions are tax-free if the securities at the investment fund level were acquired before January 1, 2009, or the forward transactions were entered into before January 1, 2009.

Gains from the sale of capital claims that are not included in the above list must be treated in the same way as interest for tax purposes (see above).

#### **Domestic Rental Income, Dividends (Particularly From Real Estate Corporations), and Gains From the Sale of Domestic Real Estate Within the 10-year Holding Period**

Domestic rental income, dividends paid by (real estate) corporations, and gains from the sale of domestic properties within the ten-year holding period that are distributed or retained by the Investment Fund are taxable at the investor level.

In the case of income that is distributed or retained before January 1, 2012, the Investment Company withholds 25 % tax on domestic dividends (plus solidarity surcharge). Moreover, the custodian takes any applications for church tax to be withheld that have been received into account

when making distributions. Investors are immediately reimbursed the 25 % tax withheld (plus the solidarity surcharge) in full if the units are held in custody by the investment company or a German credit institution and an exemption instruction for a sufficient amount or a non-assessment certificate has been received there. Otherwise, investors can offset the 25 % tax withheld (plus the solidarity surcharge) against their personal income tax liability by supplying a tax certificate from their custodian.

In the case of income that is distributed or retained after December 31, 2011, the Investment Fund will make the investment income tax plus the maximum surtaxes incurred (solidarity surcharge and church tax) available to the custodians. The custodians will withhold the tax taking investors' personal circumstances into account; this means that any church tax in particular can be remitted. Any amounts that the Investment Fund has made available to the custodians and that do not have to be remitted are reimbursed.

#### **Income From Equity Interests in Domestic and Foreign Real Estate Partnerships**

Income from equity interests in domestic and foreign real estate partnerships must be reported for tax purposes at Investment Fund level at the end of the fiscal year of the partnership concerned. It must be measured in accordance with general tax principles.

#### **Negative Taxable Income**

Should negative income remain after being offset against similar positive income at Investment Fund level, this is carried forward at Investment Fund level for tax purposes. It can be offset against similar future positive taxable income at Investment Fund level in subsequent periods. Negative taxable income may not be directly allocated to investors. This means that such negative amounts will only be reflected in investors' income tax assessments in the assessment period (tax year) in which the Investment Fund's fiscal year ends, or in which the distribution for the Investment Fund's fiscal year for which the negative taxable income is offset at Investment Fund level takes place. Claims by investors for the negative income to be taken into account in earlier income tax assessments are not possible.

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## Repayments of Capital

Repayments of capital (e. g., in the form of construction project interest) are not taxable.

However, repayments of capital that investors receive during their period of ownership must be added to the taxable net income from the sale of the fund units, i. e., they increase the taxable profit.

## Capital Gains at Investor Level

If units in an investment fund that were acquired after December 31, 2008, are sold by a private investor, the capital gains are subject to the 25 % flat tax. If the units are held in a domestic securities account, the custodian withholds the tax. The 25 % flat tax (plus solidarity surcharge and, if applicable, church tax) need not be withheld if a sufficient exemption instruction or a non- assessment certificate is submitted.

If units acquired before January 1, 2009, are sold, the gains are tax-free for private investors.

In calculating the capital gains, the interim profit at the time of acquisition must be deducted from the acquisition costs, and the interim profit at the time of disposal must be deducted from the sale price, so that interim profits are not taxed twice (see below). In addition, the retained income that the investor has already taxed must be deducted from the disposal price, so that double taxation is avoided in this respect as well.

Gains from the sale of fund units acquired after December 31, 2008, are tax-free insofar as they relate to income that is tax-free under double taxation agreements, that accrued to the fund during the holding period, and that has not yet been recognized at investor level (gain from real estate for the proportionate period of ownership).

The Investment Company publishes the gains from real estate on each valuation date as a percentage of the value of the investment unit.

## Units Held as Business Assets (German Tax Residents)

### Domestic Rental Income, Interest and Similar Income

Domestic rental income and interest and similar income from units held as assets are taxable by the investor<sup>2</sup>. This applies regardless of whether this income is retained or distributed.

Tax need only not be withheld, or withheld tax can only be refunded, upon presentation of a corresponding non-assessment certificate. Otherwise, the investor receives a tax certificate documenting the tax withheld.

### Foreign Rental Income

Germany generally exempts rental income from foreign real estate from taxation (exemption due to a double taxation agreement). However, investors that are not incorporated entities are subject to the progression clause.

If, exceptionally, the tax credit method has been adopted under the relevant double taxation agreement or no double taxation agreement has been concluded, income tax paid in the relevant countries of origin may be offset against German income tax or corporation tax where appropriate, insofar as the taxes paid have not been claimed as income-related expenses at the level of the Investment Fund.

### Gains From the Sale of Domestic and Foreign Real Estate

Retained gains from the sale of domestic and foreign real estate are of no significance for tax purposes at the investor level if they were generated outside the 10-year period at Fund level. Gains only become taxable upon distribution, whereby Germany generally does not tax foreign gains (exemption due to a double taxation agreement).

Gains from the sale of domestic and foreign real estate within the 10-year period, whether retained or distributed, are taxable at the investor level. Gains from the sale of domestic real estate are fully taxable.

<sup>2</sup> Pursuant to section 2(2a) of the InvStG, the taxable interest must be taken into account in relation to the earnings stripping rule in accordance with section 4h of the EStG.

Germany generally exempts gains from the sale of foreign real estate from taxation (exemption due to a double taxation agreement). However, investors that are not incorporated entities are subject to the progression clause.

If, exceptionally, the tax credit method has been adopted under the relevant double taxation agreement or no double taxation agreement has been concluded, income tax paid in the relevant countries of origin may be offset against German income tax or corporation tax where appropriate, insofar as the taxes paid have not been claimed as income-related expenses at the level of the Investment Fund.

Tax need only not be withheld, or withheld tax can only be refunded, upon presentation of a corresponding non-assessment certificate. Otherwise, the investor receives a tax certificate documenting the tax withheld.

### **Gains From the Sale of Securities, Gains From Forward Transactions, and Income From Option Premiums**

Gains from the sale of securities, equity-equivalent profit participation rights, and investment units, gains from forward transactions, and income from option premiums are of no significance for tax purposes at the investor level if they are retained. Moreover, gains from the sale of the capital claims listed below are not recognized at the level of the investor if they are not distributed:

- a) capital claims that have an issue yield,
- b) "normal" bonds and unsecuritized receivables with a fixed coupon as well as down-rating bonds, floaters and reverse floaters,
- c) risk certificates that track a share price or a published index for a large number of shares 1:1,
- d) equity-linked bonds, exchangeable bonds, and convertible bonds,

e) flat income bonds and profit participation rights classified as debt instruments, and

f) bonds cum warrants.

If these gains are distributed, they are taxable by the investor. As a rule, gains from the sale of shares are fully tax-free<sup>3</sup> for investors that are corporations, or 40 % tax-free for other business investors such as sole proprietorships (partial income method). However, capital gains from bonds / capital claims, gains from forward transactions, and income from option premiums are fully taxable.

Income from the sale of capital claims that are not included in the previous list must be treated in the same way as interest for tax purposes (see above).

Distributed capital gains on securities, distributed gains on forward transactions, and distributed income from option premiums are subject in principle to withholding tax (25 % investment income tax plus the solidarity surcharge). This does not apply to gains from the sale of securities purchased before January 1, 2009, and to gains from forward transactions entered into before January 1, 2009. However, the paying agent does not withhold any tax in particular if the investor is a corporation with unlimited tax liability or if the investment income represents operating income of a domestic business and this is declared to the paying agent by the creditor of the investment income in an official form.

### **Domestic and Foreign Dividends (Particularly From Real Estate Corporations)**

Dividends paid by domestic and foreign real estate corporations that are distributed or retained on shares held as business assets are generally tax-free<sup>4</sup> for corporations with the exception of dividends in accordance with the REIT-Gesetz (German REIT Act). Sole proprietorships are required to tax 60 % of these amounts (partial income method).

<sup>3</sup> In the case of corporations, 5% of capital gains from shares are considered as non-deductible business expenses and are therefore taxable.

<sup>4</sup> In the case of corporations, 5 % of dividends are considered as non-deductible business expenses and are therefore taxable.

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Domestic dividends are subject to withholding tax (25 % investment income tax plus the solidarity surcharge).

Foreign dividends are generally subject to withholding tax (25 % investment income tax plus the solidarity surcharge). However, the paying agent does not withhold any tax in particular if the investor is a corporation with unlimited tax liability (whereby corporations as defined by section 1 (1) nos. 4 and 5 of the Körperschaftsteuergesetz (KStG – German Corporation Tax Act) must submit a certificate from their tax office to the paying agent) or the foreign dividends represent operating income of a domestic business and this is declared to the paying agent by the creditor of the investment income in an official form.

In the case of investors subject to trade tax, the partially income tax- and corporation tax-free dividend income must be added back, rather than deducted, when calculating their trade income.

In the view of the tax authorities, dividends paid by foreign (real estate) corporations can, as qualifying intercompany dividends, only be fully tax-free if the investor is a company (corporation) as defined in the corresponding double taxation

agreement and a sufficiently high overall (intercompany) interest is attributable to it.

## Income From Equity Interests in Domestic and Foreign Real Estate Partnerships

Income from equity interests in domestic and foreign real estate partnerships must be reported for tax purposes at Investment Fund level at the end of the fiscal year of the partnership concerned. It must be measured in accordance with general tax principles.

## Negative Taxable Income

Should negative income remain after being offset against similar positive income at Investment Fund level, this is carried forward at Investment Fund level for tax purposes. It can be offset at Investment Fund level against similar future positive taxable income in subsequent periods. Negative taxable income may not be directly allocated to investors. This means that such negative amounts will only be reflected in investors' income or corporation tax assessments in the assessment pe-





riod (tax year) in which the Investment Fund's fiscal year ends, or in which the distribution for the Investment Fund's fiscal year for which the negative taxable income is offset at Investment Fund level takes place. Claims by investors for the negative income to be taken into account in earlier income or corporation tax assessments are not possible.

### Repayments of Capital

Repayments of capital (e.g., in the form of construction project interest) are not taxable. For investors required to prepare accounts, this means that the repayments of capital must be recognized in income in the financial accounts and an offsetting liability must be expensed in the tax accounts, thus technically reducing the historical acquisition cost without affecting tax. Alternatively, the amortized cost may be reduced by the proportionate amount of the repayment of capital.

### Capital Gains at Investor Level

Gains from the sale of units held as business assets are tax-free for business investors, provided that these consist of foreign rental income that has not yet been received or that is considered to have not yet been received and realized or unrealized Investment Fund gains from foreign real estate, and Germany has waived taxation (gain from real estate).

The Investment Company publishes the gain from real estate on each valuation date as a percentage of the value of the investment unit.

Furthermore, gains from the sale of units held as business assets are generally tax-free for corporations if they consist of dividends that have not yet been received or that are considered to have not yet been received and realized or unrealized Investment Fund gains from domestic and foreign (real estate) corporations (gain from shares). Sole proprietorships are required to tax 60% of these gains on disposal.

The Investment Company publishes the gain from shares on each valuation date as a percentage of the value of the investment unit.



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## Non-residents for Tax Purposes

If a non-resident for tax purposes holds units in a distributing investment fund in a securities account at a German custodian (custody), no tax is withheld on interest and similar income, capital gains on securities, gains on forward transactions, and foreign dividends if the investor furnishes proof of his or her non-resident status for tax purposes. If the custodian concerned is unaware of the investor's non-resident status or if proof of this status is not furnished in good time, the foreign investor is required to apply for reimbursement of the tax withheld in accordance with section 37 (2) of the Abgabenordnung (AO – German Tax Code) to the tax office at the place of business of the custodian.

If a foreign investor holds units of accumulating investment funds in a securities account at a German custodian, the investor is reimbursed the 25 % tax withheld plus the solidarity surcharge (unless this applies to domestic dividends) in the case of income retained before January 1, 2012, provided that the investor furnishes proof of his or her non-resident status for tax purposes. If the application for reimbursement is made too late, the investor may apply for reimbursement in accordance with section 37 (2) of the AO even after the income is retained, as in the case where proof of non-resident status is furnished too late by investors holding units of distributing funds.

The extent to which tax withheld on domestic dividends may be offset or reimbursed for foreign investors depends on the double taxation agreement between the investor's country of residence and the Federal Republic of Germany. The Bundeszentralamt für Steuern (BZSt – Federal Central Office of Taxation) in Bonn is responsible for reimbursements of investment income tax on domestic dividends in accordance with double taxation agreements.

## Solidarity Surcharge

A 5.5 % solidarity surcharge is levied on the tax withheld to be remitted when the Investment Fund distributes or retains income. The solidarity surcharge can be deducted from income tax and corporation tax.

If no tax is withheld or if tax withheld is reimbursed where income is retained before January 1, 2012 – for example, because a sufficient exemption instruction or a non-assess-

ment certificate has been presented, or proof of non-resident status for tax purposes has been submitted – there is no requirement to remit the solidarity surcharge or, in the case of retained income, the solidarity surcharge is reimbursed.

## Church Tax

If income tax has already been levied via the tax withheld by a German custodian (withholding agent), the church tax payable on it is levied as a surcharge to the tax withheld in accordance with the church tax rate applied by the religious community to which the investor belongs. For this purpose, persons subject to church tax must provide the withholding agent with a written application stating the religion to which they belong. In this application, married couples must also declare which portion of the couple's overall investment income is attributable to each partner, so that the church tax can be allocated, retained and remitted in this ratio. If no allocation ratio is indicated, the allocation is made on a per capita basis.

The deductibility of church tax as a special personal deduction is already recognized as reducing the tax burden when the tax is withheld.

## Foreign Withholding Tax

Withholding tax is sometimes retained on the Investment Fund's foreign income in the country of origin.

The Investment Company may deduct the eligible withholding tax in the same way as an income-related expense at the level of the Investment Fund. In this case, the foreign withholding tax cannot be offset or deducted at investor level.

If the Investment Company does not exercise its option to deduct the foreign withholding tax at Investment Fund level, the eligible withholding tax will be recognized as reducing the tax to be withheld.

## Equalization Paid

Those portions of the offer price attributable to income for units that are eligible for inclusion in the distribution (equalization accounting) are to be treated in the same way

for tax purposes as the income to which these portions of the offer price are attributable.

### Separate Determination of Profits, External Audits

The bases for tax assessment calculated at Investment Fund level must be determined separately. For this purpose, the Investment Company must submit a profit determination return (Feststellungserklärung) to the responsible tax office. Amendments to the returns – for example, as a result of an external tax audit by the tax authorities (section 11 (3) of the InvStG) – take effect in the fiscal year in which the amended return became non-contestable. The amended return is then allocated to investors for tax purposes at the end of this fiscal year or on the date on which the distribution for this fiscal year is made.

This means that the financial effects of the correction of errors impact those investors holding units in the Investment Fund at the time at which the error is corrected. The tax effects may be either positive or negative.

### Taxation of Interim Profits

Interim profits consist of income included in the sale or bid price for interest received or accrued as well as gains from the sale of capital claims not listed in section 1 (3) sentence 3 no. 1 letters a) to f) of the InvStG that have not yet been distributed or retained by the Fund and that are therefore not yet taxable for the investor (comparable to accrued interest on fixed-income securities). Interim profits generated by the Investment Fund are subject to income tax when units are redeemed or sold by German tax residents. 25 % tax is withheld on interim profits (plus solidarity surcharge and, if applicable, church tax).

Private investors can deduct interim profits paid on the purchase of units as negative income for income tax purposes in the year of payment if an equalization paid item has been recognized and if reference is made to this in both the publication of interim profits and the tax data to be attested by the professional services providers. They are already recognized as reducing the tax burden when the tax is withheld. If the interim profits are not published, 6 % of the payment made in connection with the redemption or sale of the investment unit must be recognized per annum as

interim profits. In the case of business investors, the interim profits paid are a dependent component of the cost of acquisition that may not be adjusted. If investment units are redeemed or sold, the interim profits received represent a dependent component of the sale proceeds. No adjustment may be made.

Interim profits may also be ascertained regularly from the account and income statements issued by the banks.

### Effects of Investment Fund Mergers

The merger of a domestic investment fund with another domestic investment fund does not result in the realization of hidden reserves either at the level of the investment funds concerned or at investor level, i.e., this process is tax-neutral. The same applies to the transfer of all assets of a domestic investment fund to a domestic investment stock corporation or a subpool of assets belonging to a domestic investment stock corporation. If the investors in the transferring investment fund receive a cash payment within the meaning of section 40h of the InvG, this must be treated as a distribution of other income. Income generated by the transferring investment fund that has not yet been distributed will be attributed to investors for tax purposes as deemed distributions as of the transfer date.

### Classification as Transparent, Semi-transparent, and Non-transparent Funds for Tax Purposes

The taxation principles outlined above (taxation of transparent funds) only apply if full information is provided on the bases for tax assessment in accordance with section 5 (1) sentence 1 of the InvStG (tax information disclosure requirement). This also applies to the extent that the Investment Fund has acquired units in other German investment funds and investment stock corporations, units in EU investment funds, and units in foreign investment funds that are not EU investment fund units (target funds as defined by section 10 of the InvStG) and these meet the tax information disclosure requirements.

The Investment Company endeavors to disclose all the information on the bases for tax assessment to which it has access. However, no assurance can be given that the necessary information will be disclosed especially if the Investment

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Fund has acquired target funds and these fail to meet the tax information disclosure requirements. In this case, the distributions and interim profits from the respective target fund and 70 % of the increase in the value of the respective target fund in the past calendar year (but at least 6 % of the bid price) are recognized as taxable income at the Investment Fund level.

Furthermore, the Investment Company endeavors to disclose information regarding the basis for tax assessment not covered by section 5 (1) of the InvStG (such as, in particular, gains from shares, gains from real estate, and interim profits).

## **EU Savings Tax Directive / German Interest Information Regulation**

The Zinsinformationsverordnung (ZIV – German Interest Information Regulation), implementing Council Directive 2003/48/EC of June 3, 2003, (OJ EU No. L 157 page 38) is designed to ensure the effective cross-border taxation of natural persons' interest income throughout the EU area. The EU has signed agreements with a number of third countries (notably Switzerland, Liechtenstein, the Channel Islands, Monaco, and Andorra) which correspond to a considerable extent to the EU Savings Tax Directive.

To this end, interest income credited by a German credit institution (acting to this extent as paying agent) to a natural person resident in a European country other than Germany or in certain third countries is reported by the German credit institution to the Bundeszentralamt für Steuern (Federal Central Office of Taxation) and, ultimately, to the tax office in the natural person's country of residence.

Correspondingly, interest income credited to a natural person resident in Germany by a credit institution in another European country or in certain third countries is ultimately reported by the overseas credit institution to the tax office in the person's place of residence in Germany. Alternatively, some overseas states retain withholding tax that is eligible for offsetting in Germany.

This affects private investors resident in the European Union or in one of the third countries that have acceded to the Directive who maintain their account or custody account in another EU country and generate interest income there. Luxembourg, Switzerland, and other countries have agreed

to impose a withholding tax of 20 % on this interest income (as of July 1, 2011: 35 %). The tax documentation received by investors includes a certificate with which they can offset the withholding tax deducted in the course of their income tax assessment. Alternatively, private investors may obtain exemption from tax being withheld abroad by authorizing their foreign credit institution to voluntarily disclose their interest income; this permits the institution to dispense with withholding the tax and, instead, to report the income to the tax authorities specified by law.

Under the ZIV, the Investment Company must disclose for each German and foreign fund whether it is in scope or out of scope, i. e., whether it is subject to the ZIV or not.

In this regard, the ZIV contains two main investment limits.

If a fund's assets consist of no more than 15 % receivables as defined by the ZIV, the paying agents which ultimately access the data reported by the investment company do not have to send reports to the Bundeszentralamt für Steuern. However, once the 15 % limit is exceeded, the paying agents are obliged to report the interest portion of the distribution to the Bundeszentralamt für Steuern.

If the 40 % limit is exceeded (a 25 % limit applies to fiscal years ending after December 31, 2010), the interest portion of the redemption or sale of the fund units must also be reported. In the case of a distributing fund, the interest portion of any distribution must be reported to the Bundeszentralamt für Steuern. In the case of an accumulating fund, reports are, logically enough, only made when fund units are redeemed or sold.

## **Property Purchase Tax**

The sale of units in the Investment Fund does not give rise to any property purchase tax.

## **French 3 % Tax**

Since January 1, 2008, German real estate investment funds have, in principle, fallen within the scope of a special French tax (known as the "French 3 % tax") that is levied annually on the market value of properties located in France. The French law provides for the exemption from the 3 % tax of

French real estate funds and comparable foreign funds. In the opinion of the French tax authorities, German real estate funds are not comparable in principle with French real estate funds, meaning that they are not exempt in principle from the 3 % tax.

In order to be exempt from this tax, the French tax authorities are of the opinion that the Investment Fund must, as a matter of principle, issue an annual return specifying its French properties as of January 1 of each year and disclosing the names of those unit holders who held 1 % or more of the Investment Fund as of January 1 of each year.

The number of units corresponding to 1 % of the Investment Fund as of January 1 of each year can be ascertained from the relevant annual report.

So that the Investment Fund can comply with its obligation to submit a return and thus avoid the French 3 % tax being levied, we ask that you send us a written declaration consenting to the disclosure of your name, address, and the size of your investment to the French tax authorities if your interest in the Investment Fund amounted to or exceeded 1 % on January 1.

This disclosure has no financial repercussions, nor does it require you to file a return with or inform the French tax authorities yourself, if you held less than 5 % of the Investment Fund on January 1, and this is the only investment you have in French property.

If, on January 1 your equity interest amounted to or exceeded 5 %, or if you held additional properties in France either indirectly or directly, you may be liable for tax in your own right on account of your investment in French real estate and you must ensure that you are exempted from taxation by providing the French tax authorities with your own return.

However, various groups of investors may be covered by general exemptions; for example, natural persons and listed companies are exempted from the 3 % tax. In these cases, no separate return need be submitted.

For more information on the potential obligation to submit a return, we recommend that you contact a French tax advisor.

#### **Notice:**

**The information concerning taxation is based on the legal position as it is known to stand at present. It is geared towards persons with unlimited income tax or corporation tax liability in Germany. However, no assurance can be given that the tax treatment will not change as a result of legislation, court rulings, or decrees issued by the tax authorities. Details of the taxation of Fund income can be found in the annual reports.**

#### **Legal and Tax Risks**

Where changes are required to incorrect tax bases used for the Fund for previous fiscal years (e. g., as a result of external tax audits), this can – in the event that the correction is to the investor’s disadvantage from a tax perspective – mean that the investor must bear the tax burden arising from corrections relating to previous fiscal years, even though he/she may not have held units in the Investment Fund at that point. By contrast, when an investor stands to gain from a correction relating to the current and previous fiscal years during which he/she held units in the Investment Fund, he/she may no longer benefit from the correction if the units are redeemed or sold before the corresponding correction is implemented.

In addition, corrections to tax data can cause taxable income or tax benefits to be effectively assessed for tax purposes in an assessment period other than the one actually concerned, which in turn may be to the financial disadvantage of some investors.

#### **Consulting and Outsourcing**

The Investment Company has transferred the following tasks and functions to third parties and notified BaFin in accordance with the legal provisions:

- Internal auditing;
- Accounting for the Investment Company;
- Provision of application software for Fund accounting;

# Sales Prospectus

- Services related to Asset Management, disposition and acquisition for real estates in France, Spain, Portugal, the Netherlands, Belgium, Luxembourg, Sweden, Finland and Norway.

Any additional outsourcing can only take place in accordance with the more detailed provisions of section 16 of the InvG.

## Reports, Fiscal Year, Auditor

1. The annual reports and semi-annual reports can be obtained from the Investment Company and the custodian bank.
2. The fiscal year of the Investment Fund ends on August 31 of the calendar year.
3. Ernst & Young GmbH was engaged as the Investment Fund auditor for fiscal year 2010/2011.

## Preconditions for Fund Liquidation

Investors are not entitled to apply for the liquidation of the investment funds. The Investment Company may, however, terminate the management of an investment fund giving at least six months' notice by means of an announcement in the electronic Bundesanzeiger and in either the annual report or the semi-annual report. Investors will also be informed of the termination in paper or electronic form via their custodians.

The issue and redemption of units are discontinued once the termination is announced. As from the announcement of the termination, the Investment Company is obliged, in consultation with the custodian bank, to sell all the Investment Fund's assets on reasonable terms until its right to manage the Investment Fund lapses. Certain assets may be sold on terms that are not reasonable, with the investors' approval. The investors must declare their approval by a majority resolution. The relevant procedure is described on page 31 f.

The Investment Company shall, in consultation with the custodian bank, pay the investors half-yearly installments from the proceeds generated by the sale of assets belonging to the Investment Fund. This does not apply if these proceeds are required to ensure orderly management and if guarantee

commitments from the sale transactions or expected settlement costs require the proceeds to be retained in the Investment Fund.

Furthermore, the right of the Investment Company to manage the Investment Fund lapses if insolvency proceedings have been opened over the assets of the Investment Company or if an application to open insolvency proceedings has been refused on the grounds of insufficient assets. The Investment Fund does not form part of the insolvency assets of the Investment Company. The right of the Investment Company to manage the Investment Fund also lapses if the Investment Company suspends unit redemption for the Investment Fund for the third time within five years (see page 32). However, this only applies to suspensions that are announced or in effect after January 1, 2013.

In such cases, the Investment Fund will be transferred to the custodian bank, which must wind up the Investment Fund and distribute the proceeds among the investors.

## Procedure for Fund Liquidation

If the Investment Fund is liquidated, an announcement to this effect will be published in the electronic Bundesanzeiger and on the Investment Company's website at [www.ubs.com/immobilienfonds-deutschland](http://www.ubs.com/immobilienfonds-deutschland). The issue and redemption of units will be discontinued, where this has not already happened on the Investment Company's announcement of the termination of its management mandate. The proceeds obtained from the sale of Fund assets, less such costs as are still to be borne by the Investment Fund and less the costs incurred as a result of liquidation, will be distributed among the investors, who will be entitled to payment of the liquidation proceeds in proportion to the units held by them in the Investment Fund. The liquidation of the Investment Fund may require a long period of time. Investors will be advised of the individual stages in the liquidation process by means of liquidation reports obtainable from the custodian bank and issued on the customary reporting dates.

In the event that the Investment Fund is liquidated, investors will be advised by way of an announcement in the electronic Bundesanzeiger and on the Investment Company's website at [www.ubs.com/immobilienfonds-deutschland](http://www.ubs.com/immobilienfonds-deutschland) of the liquidation proceeds payable and when and where these will be made available.



Liquidation proceeds that have not been claimed can be deposited at the local court with jurisdiction over the Investment Company.

The provisions of the Hinterlegungsordnung (German Deposit Regulation) of March 10, 1937, apply to the rights of the investors

### **Transfer of the Investment Fund's Total Assets**

The total assets of the Investment Fund may be transferred to another investment fund at the end of the fiscal year. Equally, at the end of the fiscal year of another investment fund, the total assets of that fund may be transferred to the Investment Fund. A different transfer date may also be chosen with the approval of BaFin.

The other investment fund must also be managed by the Investment Company. Its investment principles and limits, the front-end charges or redemption fees and the fees to be paid to the Investment Company and the custodian bank may not differ significantly from those of the Investment Fund.

The Investment Company must publish the resolution to transfer the assets in the electronic information media listed on page 2. The transfer shall take place three months after publication unless an earlier date is determined with the approval of BaFin.

### **Procedure for Transferring an Investment Fund's Total Assets**

On the transfer date, the value of the investment fund receiving the assets and that of the investment fund being transferred are calculated, the exchange ratio is determined, and the whole process is audited by the auditor. The exchange ratio is the ratio of the net asset value of the investment fund transferring the assets to that of the investment fund receiving the assets at the time of the transfer. Investors will receive the number of units in the new investment fund equal in value to their units in the investment fund being transferred. The issue of the new units to the investors of the fund being transferred shall not count as an exchange. The units issued shall replace the units of the fund being transferred. An investment fund may only transfer its total assets to

another investment fund if the transfer has been approved by BaFin.

The Investment Company also manages the following mutual funds, which are not the subject of this Sales Prospectus:

UBS (D) 3 Sector Real Estate Europe  
(until January 27, 2010: UBS (D) 3 Kontinente Immobilien)

In addition, the Investment Company manages two real estate investment funds in the form of special funds.

### **Unit Buyer's Right of Revocation in Accordance with Section 126 of the Investmentgesetz**

If the purchaser of units has been induced to make a declaration indicating his or her intent to purchase units as a result of verbal negotiations outside the permanent business premises of the person who has sold or arranged the sale of the units, the purchaser is bound by this declaration only if he or she does not revoke it by advising the Investment Company to this effect in writing within two weeks. This shall also apply if the person selling or arranging the sale of the units has no permanent business premises. In the case of distance selling transactions within the meaning of § 312b of the Civil Code, for financial services, whose price is subject to fluctuations on the financial market (§ 312d Abs. 4 Nr. 6 of the Civil Code), the right of revocation shall not apply.

This time period is deemed to have been complied with if the declaration of revocation is dispatched within the time allowed. The revocation period only starts running when the purchaser has been handed a copy of the application to enter into the agreement or has been sent a purchase statement containing a notification of the right of revocation that complies with the requirements of section 355 (2) sentence 1 in conjunction with section 360 (1) of the Bürgerliches Gesetzbuch (BGB – German Civil Code). In the event of a dispute as to when the period starts running, the burden of proof lies with the seller.

The right of revocation does not apply if the seller proves that the purchaser acquired the units in the course of his or her business or that the seller visited the buyer at the latter's prior invitation for the purpose of negotiations which led to

# Sales Prospectus

the sale of the units (section 55 (1) of the Gewerbeordnung (German Industrial Code).

If the revocation has taken place and the purchaser has already made payments, the Investment Company is obliged to pay to the purchaser – where appropriate contemporaneously with the return of the units already acquired – the costs paid and an amount which corresponds to the value of the units paid for on the day following receipt of the declaration of revocation.

The right of revocation cannot be waived.

This information applies mutatis mutandis to the sale of units by the investor.



32, Avenue Pablo Picasso, Paris / France

# Information for Austrian Unit Holders

## Additional Information for Distribution in Austria

The German wording of the Sales Prospectus, the Key Investor Document, the "General Fund Rules", and the "Special Fund Rules" shall prevail.

## Supervision

The Investment Company is a private limited liability company (GmbH – Gesellschaft mit beschränkter Haftung) under German law. It and the "UBS (D) Euroinvest Immobilien" fund are not subject to supervision by either the Austrian Financial Market Authority or any other Austrian state authority. Regarding investment regulations, the fund is not subject to the Austrian Immobilien-Investmentfondsgesetz (ImmoInvFG).

## Publication of Offer and Bid prices

The prices are published on the last trading day of each calendar month in at least one daily or weekly publication with a sufficiently large circulation. In Austria, they are published in the daily newspaper *Der Standard*.

## Representative, Paying Agent, and Information Provider in Austria

Erste Bank der oesterreichischen Sparkassen AG domiciled in Vienna (Graben 21, 1010 Wien, Austria) is the representative in accordance with section 180 of the Investmentfondsgesetz (InvFG – Austrian Investment Fund Act) 2011, as well as the paying agent and information provider in accordance with section 176 (3) of the InvFG 2011.

## Details of the Places in Austria where the Annual and Semi-annual Reports of the Investment Fund are Available

The annual and semi-annual reports are available from the Investment Company and, in Austria, from Erste Bank der oesterreichischen Sparkassen AG, Vienna.

## Place of Jurisdiction

The place of jurisdiction for legal proceedings against the Investment Company relating to the distribution of investment units in Austria is Vienna. Statements of claim and other documents can be sent to the representative.

## Austrian Unit Buyer's Right of Revocation

For Austrian investors, section 3 of the Konsumentenschutzgesetz (KSchG – Austrian Consumer Protection Act) applies in conjunction with section 63 of the Wertpapieraufsichtsgesetz 2007 (WAG 2007 – Austrian Securities Supervision Act 2007).

## Summary of Important Tax Regulations for Investors in Austria

### Overview of the Tax System

This real estate investment fund is classified as a foreign real estate investment fund in accordance with section 42 (1) of the Immobilieninvestmentfondsgesetz (ImmoInvFG – Austrian Real Estate Investment Fund Act). Any collective investment in real estate that is subject to the laws of a foreign country and that is established under the law, under its articles of association, or in actual practice in accordance with the principles of diversification as defined by the ImmoInvFG, is deemed to be a foreign real estate investment fund, irrespective of its legal form.

As a result of its classification as a foreign real estate fund in accordance with section 42 (1) of the ImmoInvFG, the fund (the Investment Fund) itself is not subject to tax. Rather, the unit holders are subject to tax on the income generated by the real estate investment fund. This income includes the income actually distributed to investors by the real estate investment fund and the "distribution-equivalent income" (notionally distributed income).

Initially, the tax treatment of Austrian investors in a foreign real estate investment fund depends on whether this fund is a real estate investment fund whose income is evidenced by a legal representative or whether its income is not evidenced. In the first case, it is a "white" ("gray") real estate investment fund, while in the second case, it is a "black" real estate

# Information for Austrian Unit Holders

investment fund. Within the white real estate investment fund category, a distinction is made based on whether a public placement has been made legally and constructively. If the real estate investment fund's units are offered for subscription publicly, it is a white real estate investment fund. If there is no public placement, the foreign real estate investment fund is classified as a gray real estate investment fund.

There is a public placement if the following requirements have been met:

A public placement must have been made both legally and constructively. A public placement in legal terms means authorization for public distribution. A constructive public placement can be assumed if a declaration of intent to sell securities or investments that is not directed at specific persons in accordance with section 861 of the Allgemeines Bürgerliches Gesetzbuch (ABGB – Austrian General Civil Code) (offer) has been made. If the declaration of intent is addressed to a group of more than 250 people, the placement is considered to be public, unless the offer proves otherwise in another context. A public placement in Austria is not required as a matter of principle. Under tax authority practice, it is sufficient that the unit certificates are offered publicly in Austria or abroad (e.g., Germany).

Finally, for tax treatment purposes it is important whether the fund is a reportable fund (Meldefonds) as defined in sections 42 (1) and 40 (2) clause 2 of the ImmoInvFG. For a fund to qualify as a reportable fund, an investment company must submit daily reports regarding investment income tax on income from real estate management and on securities and liquidity gains (including the equalization paid in each case) and must periodically submit reports regarding the distribution and deemed distribution to the registration office in accordance with section 7 (3) of the ImmoInvFG (Österreichische Kontrollbank or OeKB). In addition, the tax representative must evidence the deemed distribution to the Austrian Ministry of Finance.

In the context of the information above, UBS (D) Euroinvest Immobilien is to be seen as a white real estate investment fund, since its income is evidenced to the Austrian Ministry of Finance by the tax representative. In line with tax authority practice, its units are also legally and constructively offered as part of a public placement. The OeKB's databases show if a fund is a reportable fund in accordance with sections 42 (1) and 40 (2) clause 2 of the ImmoInvFG.

The tax treatment of income from units in foreign real estate investment funds depends on the investor's tax status: in the case of natural and legal persons with unlimited tax liability in Austria, income from the real estate investment fund is subject to income or corporation tax. If the unit certificates are held as private assets, the income is included in the investor's income from capital investments in accordance with section 27 of the Einkommensteuergesetz (EStG – Austrian Income Tax Act). If the unit certificates are held as business assets, it is taxable operating income in accordance with sections 21 to 23 of the EStG.

## Extent of Tax Liability

In accordance with the ImmoInvFG, not only regular rental income from the real estate fund's properties, but also realized and unrealized increases in the value of the fund and gains from the investment of liquid assets not (yet) invested in properties are treated as income for tax purposes. Therefore, the basis of calculation for tax purposes comprises a) income from real estate management, b) revaluation gains, and c) securities and liquidity gains.

a) In accordance with section 14 (3) of the ImmoInvFG, income from real estate management is income derived from transferring against payment the properties held by the investment fund, plus other income from ongoing management and less related expenses. Section 14 (3) of the ImmoInvFG does not allow a write-down to be claimed for impairments in property values. However, instead of this write-down, maintenance reserves can be set up in an amount equal to between 10 % and 20 % of the annual net rental income. These maintenance reserves include the total maintenance expenses in accordance with section 28 of the EStG, as well as a portion of the construction and maintenance expenses in accordance with section 28 of the EStG. The maintenance and building expenses indicated and larger-scale maintenance measures must therefore be offset against the maintenance reserves. Only relatively minor maintenance expenses may be deducted immediately.

b) In accordance with section 14 (4) of the ImmoInvFG, revaluation gains are income resulting from the valuation of the real estate assets which, in accordance with section 29 ImmoInvFG, must be carried out by two experts at least once a year. In the case of white real estate

investment funds, only 80 % of these revaluation gains, which cannot be reduced by deferred taxes, are taxable. It is currently unclear whether foreign real estate investment funds, and therefore the Investment Fund, are also required to carry out such a valuation. In the current case, it seems that the differences in value determined by the German Expert Committee can be adopted for the purposes of Austrian taxation.

- c) In accordance with section 14 (5) of the ImmoInvFG, securities and liquidity gains are income resulting from capital gains generated at fund level from the investment of the fund's permitted liquid assets.

Losses can also be incurred within these individual types of gains. Losses cannot be carried forward in any case. Real estate management and revaluation losses from foreign properties cannot be offset by real estate management and revaluation gains from domestic properties or securities and liquidity gains. Furthermore, foreign losses must be offset against foreign gains from the same country (per-country limitation).

### **Tax Consequences for Investors (Income Tax)**

The tax consequences differ depending on the investor's tax status. The following sections describe the tax situation for natural persons with unlimited tax liability who hold their units as private or business assets, for corporations, and for private foundations.

#### **Natural Persons Holding Units as Private Assets**

In the event of a profit distribution within four months of the Investment Fund's fiscal year-end, investment income tax of 25 % is withheld (definitive taxation) if there is an Austrian paying agent for the units. If not, the distribution is subject to the special tax rate of 25 %, which is levied in the course of the annual assessment (definitive taxation on assessment).

If the (total) annual profit is not distributed within four months of the Fund's fiscal year-end, it is taken into consideration as distribution-equivalent income (notional distribution). This is subject to taxation at the special rate of 25 % in the course of the assessment (definitive taxation on assessment). Equally, no investment income tax is withheld in the

case of units held in domestic custody. Distribution-equivalent income is recognized no later than four months after the Fund's fiscal year-end. In the event of a distribution more than four months after the Fund's fiscal year-end, this distribution is tax-free to the extent that the income in question has already been taken into account as part of the distribution-equivalent income.

The principles of definitive taxation apply both in the context of the withholding of investment income tax and in the context of definitive taxation of the investment on assessment. Insofar as the investor is taxed with regard to his or her entire income in accordance with the normal tax rate at a lower rate than the linear tax rate of 25 %, he or she can exercise the option of being taxed according to the normal tax rate for all capital income eligible for definitive taxation (sliding scale in accordance with section 33 (1) of the Einkommenssteuergesetz (EStG – Austrian Income Tax Act)) (section 97 (4) of the EStG and section 37 (8) of the EStG).

Income-related expenses incurred in connection with the acquisition of fund units may not be deducted.

Units in foreign real estate investment funds for which there is an Austrian paying agent are also subject to a "security" tax. The paying agent must withhold "security" tax at 1.5 % of the unit value on December 31 of each year if the investor fails to disclose his or her units to the tax authority in his or her place of residence. If units are sold during the year, withdrawn from custody, or deposited in a foreign custody account, tax is applied at 0.125 % multiplied by the appropriate number of months (if they are sold in April, the "security" tax is 0.5 % of the unit value (4 months x 0.125 %)).

#### **Natural Persons Holding Units as Business Assets**

Distributions and distribution-equivalent income are subject to definitive taxation of 25 % on distribution or on final assessment. The information for natural persons holding units as private assets shall be applied accordingly.

#### **Corporations**

Where the investor is a corporation, distributions and distribution-equivalent income are subject to corporation tax at 25 %. Where units are held in an Austrian custody

# Information for Austrian Unit Holders

account, investment income tax of 25 % must also be withheld on the distribution date unless a declaration of exemption has been submitted in accordance with section 94 (5) of the EStG. The investment income tax is offset against the corporation tax owed in the course of assessment.

## Private Foundations

In the case of private foundations, distributions and distribution-equivalent income from units in real estate investment funds are subject to interim taxation in line with the general requirements. This means that this income is subject to corporation tax at 25 % (for assessments from 2011 onwards) unless the private foundation grants appropriate benefits subject to investment income tax to its beneficiary / beneficiaries and unless the benefits have been exempted from investment income tax in accordance with a double taxation agreement. Distributions to private foundations are exempt from investment income tax in accordance with section 94 (11) of the EStG.

## Situation Relating to Double Taxation Agreements

In accordance with section 40 (1) of the ImmoInvFG, gains and losses from foreign properties are not taken into account if the income from these properties is exempt from taxation on the basis of a double taxation agreement or a measure in accordance with section 48 of the Bundesabgabenordnung (BAO – Austrian Federal Tax Code). In accordance with section 42 (1) of the ImmoInvFG, the provision contained in section 40 of the ImmoInvFG also applies to foreign real estate investment funds. Although the legal material is unclear, tax authority practice currently assumes that the provisions of the agreements apply to foreign real estate investment funds.

In the case of foreign real estate assets, Austria therefore only has the right to levy tax in the country in which the property is located if the credit method has been agreed with that country (Art. 23 B OECD MC) (e.g., USA, Italy). In this case, subject to the maximum creditable amount, the income tax levied in the country in which the property is located must be credited against the Austrian tax liability in the course of the assessment or the application in accordance with section 240 of the BAO. Under tax authority practice, additional deferred taxes may be credited in accor-

dance with section 48 of the BAO. A precondition for this is that the credit method is applicable to the country in which the properties are located.

If, however, the exemption method has been agreed with the country in which the property is located (Art. 23 A OECD MC) (e.g., Germany, France, Belgium, the Netherlands), the Austrian unit holder's foreign income from such properties may only be taken into account for the purposes of the progression clause. Under the progression clause, this income, which is tax-exempt in Austria, can only be taken into account in determining the individual tax rate applicable to the respective unit holder's taxable income. The outcome could only be otherwise if the real estate investment fund does not hold the foreign properties directly or via a transparent partnership, but via a foreign corporation. However, under tax authority practice, the exemption method is currently applied in these cases, too.

Under tax authority practice, the agreement provisions are applicable not on the distribution date (i.e., in the form of a lower basis of calculation for the investment income tax or a lower investment income tax payment due to the crediting of foreign income tax), but only later as part of a reimbursement or assessment procedure.

## Tax Liability in the Event of Transfer of the Unit Certificates

The sale of units triggers the accrual to the investors of distribution-equivalent income generated by the Fund assets between the start of the Fund's fiscal year and when the units were sold. Generally speaking, the deemed distribution must be calculated using a flat rate method. Accordingly, the difference between the bid price determined when the units were sold and the bid price determined in the last calendar year is taxable; however, the taxable amount must be at least 0.8 % of the bid price determined at the time of sale for each whole or partial month of possession. The published net asset value can also be used instead of the bid price. However, under tax authority practice, investors can use distribution-equivalent income documented in relation to a later point in time (e.g., at the end of the Fund's fiscal year). The taxation principles outlined above (tax rate, definitive taxation effect) are to be applied accordingly.



Any increase in the unit value above and beyond this is deemed to be a capital gain. If the units were held as private assets, this gain is tax-free, provided that there is a period of more than a year (taxable period) between their purchase and sale. Losses on the sale cannot be offset against other income as a rule. If there is a tax liability, the general income tax scale (up to 50%) applies in the case of natural persons and the normal tax rate of 25% in the case of private foundations.

### Changes Resulting from the 2011 Budget Trailer Act

The Budget Trailer Act (Budgetbegleitgesetz – BBG) for 2011 was published in the Bundesgesetzblatt (Federal Law Gazette) on December 30, 2010, and entered into force on January 1, 2011. It fundamentally reformed the taxation of investment income, including that from investment and real estate funds. The changes described below must be applied in principle from October 1, 2011.

It should be noted at this point that a large number of issues have not yet been definitively clarified. Further discussions of the Act and changes to the law that could affect the present investment model are therefore to be expected. Among other things, the current government draft of the Abgabenänderungsgesetz 2011 (2011 Tax Amendment Act) dated May 31, 2011, postpones the initial application of the capital gains tax in accordance with the Budget Trailer Act for 2011 from October 1, 2011, to April 1, 2012, and extends the taxable periods for units purchased after December 31, 2010, and before April 1, 2011. As only the government draft of the Abgabenänderungsgesetz 2011 is currently available, changes may be made during the legislative process. This means that no conclusive statements can be made at present on this matter. Consequently, the provisions contained in the government draft of the Abgabenänderungsgesetz 2011 are not incorporated in the amendments provided for by the Budget Trailer Act 2011 that are described below.

Under the Budget Trailer Act for 2011, the tax base for real estate investment funds continues to consist of income from real estate management, revaluation gains, and securities and liquidity gains, which, when taken together, represent the real estate fund's annual profit. The taxable annual profit is deemed to have accrued four months after the end of the fund's fiscal year and is taxable (deemed distribution). The distribution is tax-neutral. The tax liability of deemed

distributions made during the fiscal year will be abolished as from October 1, 2011. As a result, there will be no need to report investment income tax to the Österreichische Kontrollbank on a daily basis. The real estate fund's tax representative must report deemed distributions to the central registration office (Österreichische Kontrollbank).

25% investment income tax is levied on deemed distributions if units are held in a domestic custody account. If there are no such domestic custodians, deemed distributions must be recorded in the investor's assessment.

In addition, a capital gains tax will be introduced at investor level as from October 1, 2011, but only for fund units that were acquired after December 31, 2010, (new holdings). Realized gains in the value of units acquired after December 31, 2010, will be taxable not only if realized within the one-year taxable period but irrespective of the holding period. The special tax rate applicable from October 1, 2011, is 25%. In the case of domestic custody, the custodian must retain the investment income tax; in the case of foreign custody, investors must submit an assessment. Deemed distributions resulting from sales will not be calculated separately but will be subject to taxation as part of the increase in the value of the units. The annual deemed distributions increase fund unit acquisition costs; the actual distributions reduce the purchase price. However, the existing tax system must be applied to units purchased before January 1, 2011, (legacy holdings).

Losses on the disposal of legacy holdings can only be offset if they are realized within the one-year holding period (taxable losses) and only against other taxable gains; they cannot be carried forward. If the losses on disposal relate to new holdings, they can be offset against other income from capital investments – taking into account the applicable restrictions – but cannot be carried forward.

It was already the case that income-related expenses incurred in connection with income subject to final taxation were not deductible. As realized gains in value will also be subject to final taxation at a rate of 25% in future, the associated income-related expenses and transaction costs (e.g., front-end charge) can no longer be deducted from the capital gain. However, if the income-related expenses are incurred on the sale of legacy holdings, they can be deducted pro rata from the taxable gains.

# Information for Austrian Unit Holders

The security tax has been abolished.

In addition, interim taxation of private foundations will rise from 12.5 % to 25 % starting with the assessment for 2011.

The same regulations apply to units in real estate investment funds held as business assets by natural persons as apply to fund units held as private assets. However, losses can largely be offset and may also be partially written down or carried forward within certain limits.

In the case of real estate investment funds held by corporations, there is no change as against the legal position that applies to units acquired in the period up to December 31, 2010, where units are transferred.

## Charges and Transaction Taxes

The transfer free of charge of units in foreign real estate investment funds is not subject to inheritance and gift tax in Austria. Gifts between living persons must be disclosed to the responsible tax office under certain circumstances. The transfer free of charge of units in the real estate investment fund to a private foundation (e. g., an Austrian private foundation) or to a similar estate generally triggers foundation receipt tax of 2.5 % which, under certain circumstances, may increase to 25 %. No (Austrian) property purchase tax is levied on the purchase or sale of units if the investment fund contains Austrian properties. Furthermore, no charges or transaction taxes are levied on the purchase, sale, or redemption of unit certificates (including value added tax).

## Directive 2003/48/EC

Council Directive 2003/48/EC of June 3, 2003, on the taxation of savings income in the form of interest payments came into force on July 1, 2005 (OJ L 157/38).

Essentially, the Directive provides for the automatic exchange of information between the EU member states, something which has also been implemented in Germany. It does not apply to Belgium, Luxembourg, and Austria, which will levy an EU withholding tax of 20 %. The EU withholding tax will rise to 35 % on July 1, 2011. The imposition of the EU withholding tax can be avoided if the beneficial owner of the interest payments from debt claims, who is a natural person,

has submitted a certificate in accordance with Art. 13 (2) of Directive 2003/48/EC (in the case of custody in Belgium or Austria) or has consented to the automatic exchange of information in accordance with Art. 9 of Directive 2003/48/EC (in the case of custody in Luxembourg). The certificate is issued to the investor by the authority responsible in his or her EU member state, usually the tax office at his or her place of residence.

Under Austrian tax authority practice, distributions from foreign real estate investment funds are generally not deemed to be interest payments as defined by the EU-Quellensteuergesetz (EU-QuStG – EU Withholding Tax Act) and Directive 2003/48/EC. This does not apply to real estate funds that have exercised an option in accordance with Art. 4 (3) of Directive 2003/48/EC. In addition, tax authorities in other member states (including Germany) may take a different view and hence may subject distributions to Directive 2003/48/EC. In the last case, the exchange of information or the EU withholding tax would apply to the extent that the Austrian investor held the unit certificates in a foreign custody account, or a foreign investor held the unit certificates in an Austrian custody account.

## Notice

The information concerning taxation is based on the current legal position and present tax authority practice. However, it should be noted that there are as yet no rulings by supreme courts and no assured tax authority practice in respect of the tax treatment of units in foreign real estate investment funds. As significant changes were made to the taxation of real estate investment fund units in the Budget Trailer Act for 2011 and there are no court rulings or published tax authority practice relating to this, there is considerable uncertainty regarding the interpretation of the new legal provisions. Moreover, the Budget Trailer Act for 2011 contains a power to issue statutory instruments. No assurance can therefore be given that future regulations by the Austrian Ministry of Finance or (additional) amendments to the income tax provisions and the provisions of the ImmoInvFG will not result in changes to the legal position. Finally, it should be noted that an amendment is planned to the Investmentfondsrichtlinien 2008 (Austrian Investment Fund Guidelines 2008), which may result in changes in administrative practice.

Furthermore, it should be noted that changes at the OECD level are to be expected which, in turn, will lead to a change in tax authority practice regarding cross-border issues. It should also be noted that, at European level, the European Commission has proposed amendments to Directive 2003/48/EC (e.g., with regard to the scope of and exemption from the EU withholding tax).

Therefore, no assurance can be given that the tax treatment will not change as a result of legislation, court rulings, or decrees issued by the tax authorities.

Potential buyers of unit certificates are advised to consult their tax advisor on the tax consequences of buying, holding, selling, and redeeming unit certificates.

Details of the taxation of Fund income and the recent changes to the law, court rulings, and tax authority practice can be found in the annual reports.



Löffelstrasse 40 – 46, Stuttgart / Germany

# General Fund Rules

governing the legal relationship between the investors and

**UBS Real Estate Kapitalanlagegesellschaft mbH, Munich** (hereinafter referred to as the "Company")

with regard to the real estate investment funds launched by the Company.

These "General Fund Rules" are only valid in conjunction with the "Special Fund Rules" for the relevant fund.

## 1 General Principles

- (1) The Company is an investment company and subject to the provisions of the Investmentgesetz (InvG – German Investment Act).
- (2) The Investment Company invests the money deposited with it in its own name and for the joint account of the investors in assets permitted by the InvG in line with the principle of risk diversification. These assets are invested separately from the Company's own assets in the form of investment funds. The rights of the investors arising from these investments are vested in certificates (unit certificates) issued by the Company.
- (3) The assets are the property of the Company.
- (4) Land, heritable building rights, and rights in the form of residential property ownership, partial ownership, residential heritable building rights, partial heritable building rights, and rights of usufruct attaching to properties are subsumed hereinafter and in the "General Fund Rules" and the "Special Fund Rules" under the term real estate.
- (5) The legal relationship between the Investment Company and the investor is governed by these Fund Rules and the InvG.

## 2 Custodian Bank

- (1) The Company shall appoint a credit institution as its custodian bank; the custodian bank shall act independently of the Company and in the investors' interests only.

- (2) The custodian bank is responsible for performing the supervisory and control duties laid down in the InvG and in these Fund Rules.

## 3 Experts

- (1) The Company shall appoint at least one Expert Committee to value real estate. This Committee shall consist of three members and one substitute member.
- (2) Each member shall be an independent, impartial, and reliable person with appropriate professional expertise and sufficient practical experience with regard to the type of real estate to be valued by him or her and the regional real estate market in question. Section 77 (2) sentences 3 and 4 of the InvG must be observed regarding their period of appointment and financial independence.
- (3) The Expert Committee is responsible for performing the tasks assigned to it by the InvG and the Fund Rules in accordance with bylaws to be issued by the Company. In particular, the Expert Committee shall promptly value the following:
  - a) the real estate belonging to the Investment Fund or real estate owned by a real estate company, once every quarter unless otherwise stipulated in the "Special Fund Rules";
  - b) the real estate intended for disposal by the Company or a real estate company.
- (4) In addition, after a heritable building right is created, the Expert Committee must reassess the value of the property within two months.
- (5) A property may only be acquired for the Investment Fund or for a real estate company in which the Investment Fund holds a direct or indirect equity interest if it has previously been valued by an expert as defined by subsection (2) sentence 1 who is not a member of an Expert Committee formed by the Company.
- (6) An equity interest in a real estate company may only be directly or indirectly acquired for the Investment Fund if the properties reported in the real estate company's annual financial statements or statement of assets were

valued by an expert as defined by subsection (2) sentence 1 who is not a member of an Expert Committee formed by the Company.

#### 4 Fund Management

- (1) The Company shall acquire and manage the assets in its own name for the joint account of the investors, with the diligence of a prudent businessman. In carrying out its tasks, it acts independently of the custodian bank and in the interests of the investors and the integrity of the market only.
- (2) The Company is authorized to acquire assets with the money deposited by the investors, to dispose of these assets, and to invest the proceeds elsewhere. It is also authorized to perform any other legal acts resulting from the management of the assets.
- (3) The Company shall make decisions on the disposal of real estate or equity interests in real estate companies in accordance with the principles of proper management (section 9 (1) sentence 1 of the InvG). Disposals that follow the suspension of unit redemption in accordance with section 12 (7) are not affected by this.
- (4) The Company may not grant loans or enter into obligations arising from guarantees or guarantee agreements for the joint account of the investors; it may not sell assets as defined in sections 47, 48, and 50 of the InvG which do not belong to the Investment Fund at the time the transaction is concluded. Section 51 of the InvG is unaffected by this. In derogation of sentence 1, the Company, or a third party appointed by it may, for the account of the Investment Fund, grant a loan to a real estate company insofar as the Company has directly or indirectly invested in the real estate company for the account of the Investment Fund. This loan may not exceed 50 % of the market value of the real estate held by the real estate company.

#### 5 Investment Principles

- (1) The Company shall determine the following in the "Special Fund Rules":

- a) what real estate can be acquired for the Investment Fund;
  - b) if, and to what extent, equity interests in real estate companies can be acquired for the account of the Investment Fund;
  - c) if, and on what conditions, real estate belonging to the Investment Fund may be encumbered with heritable building rights;
  - d) if, and to what extent, investments may be made in derivatives as defined by section 51 of the InvG for the account of the Investment Fund for hedging purposes. When using derivatives, the Company will observe the statutory regulation on risk management and risk measurement in investment funds (the Derivateverordnung or DerivateV), issued in accordance with section 51 (3) of the InvG.
- (2) The real estate and equity interests in real estate companies intended for acquisition must be expected to generate a long-term return.

#### 6 Liquidity, Investment, and Issuer Limits

- (1) In acquiring, managing, and disposing of assets for the Investment Fund, the Company shall comply with the limits and restrictions set out in the InvG and the Fund Rules.
- (2) Unless stipulated otherwise in the "Special Fund Rules", the following may be held within the framework of the maximum liquidity requirements in line with the statutory requirements laid down in section 80 (1) of the InvG:
  - a) bank deposits in accordance with section 49 of the InvG;
  - b) money market instruments in accordance with sections 48 and 52 no. 2 of the InvG;
  - c) securities that are eligible as collateral for credit operations by the European Central Bank or the Deutsche Bundesbank in accordance with Article 18.1 of the Protocol on the Statute of the European System of Central Banks and the European Central Bank, or for

# General Fund Rules

which an application for authorization has been made in accordance with the conditions of issue, provided that such authorization is granted within a year of issue;

d) Investment units in accordance with section 50 of the InvG or units in special investment funds in accordance with section 50 (1) sentence 2 of the InvG which may only be invested in assets as set out under sections a), b), and c) according to the Fund Rules;

e) securities that are admitted to trading on a regulated market as defined in section 2 (5) of the Wertpapierhandelsgesetz (WpHG – German Securities Trading Act) or that are fixed-income securities, provided that these do not exceed 5 % of the value of the Investment Fund, and additionally

f) shares in REIT stock corporations or comparable interests in foreign legal persons admitted to one of the markets described in section 47 (1) numbers 1 and 2 of the InvG or included in these markets, provided that the value of these shares or interests does not exceed 5 % of the value of the Investment Fund and the criteria outlined in Article 2 (1) of Council Directive 2007/16/EC are met.

(3) The proportion of the Investment Fund that may be held in the form of bank deposits is specified in the “Special Fund Rules”. The Company may only invest up to 20 % of the value of the Investment Fund in the form of bank deposits at any one credit institution.

(4) In individual cases, securities and money market instruments, including securities and money market instruments purchased under repo agreements, issued by a single party may exceed the 5 % threshold and account for up to 10 % of the value of the Investment Fund; however, the total value of securities and money market instruments from these issuers may not exceed 40 % of the value of the Investment Fund.

(5) Only up to 20 % of the value of the Investment Fund may be invested at one and the same institution in a combination of:

– securities or money market instruments issued by this institution,

– deposits at this institution,

– weightings for the counterparty risk associated with transactions entered into with this institution in derivatives which are not admitted to trading on a stock exchange or listed on another regulated market.

Sentence 1 applies to the issuers and guarantors named in subsection 6, subject to the proviso that a combination of the assets and weightings specified may not exceed 35 % of the value of the Investment Fund. The individual upper limits in each case are not affected by this.

(6) The Company may invest up to 35 % of the value of the Investment Fund in each case in debt securities and money market instruments issued or guaranteed by the German Federal Government, a German Federal State, the European Communities, an EU member state or its central, regional, or local authorities, another contracting party to the Agreement on the European Economic Area, a third-party country, or an international organization to which at least one EU member state belongs. The Company may invest up to 25 % of the value of the Investment Fund in each case in mortgage bonds, municipal bonds, and debt securities issued by credit institutions domiciled in an EU member state or in another contracting party to the Agreement on the European Economic Area, if the credit institutions are subject to special public supervision on the basis of statutory regulations designed to protect the holders of these debt securities and if, in accordance with the statutory regulations, the funds raised when the debt securities were issued are invested in assets that are sufficient to cover the liabilities arising from the debt securities throughout their entire term and that are prior-ranking with regard to repayments falling due and interest payments in the case of default of the issuer.

(7) The limit set out in subsection 6 sentence 1 may be exceeded for securities and money market instruments from a single issuer in accordance with section 62 of the InvG, provided that the “Special Fund Rules” provide for this and specify the name of the issuer. In such cases, the securities and money market instruments held for the account of the Investment Fund must be derived from at least six different issues, and no more than 30 % of the value of the Investment Fund can be held in any one issue.





Lurgiallee 10–12, Frankfurt / Germany

(8) The Company must hold at least 5 % of the value of the Investment Fund in demand deposits to cover the redemption of units.

### 7 Securities Loans

- (1) The Company may grant a securities borrower securities loans for the account of the Investment Fund for an indefinite period in return for a fee in line with prevailing market rates, and following the furnishing of sufficient collateral, provided that the total of the market price of the securities which are to be transferred and the market price of any securities already transferred to the same borrower in the form of a securities loan for the account of the Investment Fund does not exceed 10% of the value of the Investment Fund.
- (2) If the securities borrower furnishes the collateral for the securities transferred in the form of bank deposits, the Company may invest these bank deposits in money market instruments as defined by section 48 of the InvG denominated in the currency of the bank deposits. The Investment Fund is entitled to the income from the collateral.
- (3) The Company may also make use of a system organized by a securities clearing and deposit bank or another company specified in the "Special Fund Rules" whose business purpose is the settlement of cross-border securities transactions for third parties to arrange and settle securities loans, even if this system does not meet the requirements laid down in sections 54 and 55 of the InvG, provided that the conditions for this system ensure that the interests of the investors are protected.

### 8 Securities Repurchase Transactions

- (1) The Company may enter into securities repurchase transactions as defined by section 340b(2) of the Handelsgesetzbuch (HGB – German Commercial Code) with credit institutions or financial services institutions for the account of the Investment Fund and in return for a fee.
- (2) The securities repurchase transactions must involve securities that may be acquired for the Investment Fund in accordance with the Fund Rules.

(3) The securities repurchase transactions shall have a maximum maturity of twelve months.

### 9 Borrowings and Encumbrance of Real Estate

- (1) Unless the "Special Fund Rules" specify a lower percentage, the Investment Company may take out loans of up to 50 % of the market value of the real estate in the Investment Fund for the joint account of the investors, provided that the limit specified in section 82 (3) sentence 2 of the InvG is not exceeded; the permitted figure will fall to 30 % from January 1, 2015. In addition, the Company may take out short-term loans of up to 10 % of the value of the Investment Fund for the joint account of the investors. Sums that the Company has received as a transferor under a repurchase agreement must be counted towards this amount. Loans may only be taken out if conditions conform to prevailing market conditions and the custodian bank consents to this action.
- (2) The Company may encumber real estate belonging to the Investment Fund, and assign and encumber receivables from legal relationships relating to real estate (encumbrances), if this is compatible with proper business management and the custodian bank consents to the encumbrances because it considers the relevant conditions to be in line with prevailing market conditions. It may also take over encumbrances when acquiring real estate. Unless the "Special Fund Rules" specify a lower percentage, the encumbrances in each case may not exceed in total 50 % of the market value of all properties belonging to the Investment Fund; the permitted figure will fall to 30 % from January 1, 2015. Ground rents are not affected by this.

### 10 Transfer of the Investment Fund's Total Assets to Another Investment Fund

- (1) The Company may transfer this Investment Fund's total assets to another investment fund or transfer all assets belonging to another investment fund to this Investment Fund if
  - a) both investment funds are managed by the Company,

# General Fund Rules

- b) the investment principles and limits specified in the Fund Rules for these investment funds do not differ significantly,
  - c) the fees to be paid to the Company and the custodian bank, the front-end charges and the redemption fees do not differ significantly,
  - d) the investment fund's total assets are transferred at the fiscal year-end of the transferring investment fund (transfer date); the value of the investment fund acquiring the assets and that of the fund transferring the assets are calculated on the transfer date; the exchange ratio is determined; the assets and liabilities are taken over; the entire acquisition procedure is audited by the auditor; and the Bundesanstalt für Finanzdienstleistungsaufsicht (BaFin – German Financial Supervisory Authority) has approved the transfer of the assets, during the course of which the investors' interests must be adequately protected. Another transfer date may be specified with the approval of BaFin; section 44 (3) and (6) of the InvG shall be applied accordingly.
- (2) The exchange ratio is the ratio of the net asset value of the transferring investment fund to that of the investment fund receiving the assets at the time of the transfer. The resolution by the Company to transfer all assets belonging to an investment fund to another investment fund must be announced; section 43 (5) sentence 1 of the InvG shall be applied accordingly. The transfer may not take place before the end of three months after the announcement has been made unless an earlier date is specified with the approval of BaFin. The new units in the investment fund acquiring the assets are deemed to have been issued to the investors in the transferring investment fund at the start of the day after the transfer date.
- (3) Subsection 1 (c) does not apply to the merger of individual investment funds to form a single investment fund with different unit classes. In this instance, the share of the investment fund attributable to the unit class must be calculated instead of the exchange ratio specified in subsection 2 sentence 1.
- (4) The issue of the new units to the investors of the transferring investment fund shall not count as an exchange. The units issued shall replace the units in the transferring investment fund.

## 11 Unit Certificates

- (1) The unit certificates shall be issued in bearer form for one or several units.
- (2) Units can have different rights especially with regard to the allocation of income, the front-end charge, the redemption fee, the currency of the unit value, the management fee, the minimum investment amount, or a combination of the above-mentioned features (unit classes). The relevant details are specified in the "Special Fund Rules".
- (3) The unit certificates shall bear at least the handwritten or duplicated signatures of the Company and the custodian bank. In addition, they shall be countersigned in the original by an authorized officer appointed by the custodian bank.
- (4) The units are transferable. When a unit certificate is transferred, the certificated rights attached to it are also transferred. In all cases, the holder of the unit certificate is deemed by the Company to be the rightful owner.
- (5) If the rights of the investors are to be certificated in individual unit certificates or multiple certificates rather than in a global certificate at the time when the Investment Fund is set up, or if the rights of the investors in a certain unit class are to be certificated in individual unit certificates or multiple certificates rather than in a global certificate, the details will be specified in the "Special Fund Rules".

## 12 Issues and Redemption of Unit Certificates, Suspension of Redemption

- (1) In principle, the number of units which can be issued and the number of corresponding unit certificates is unlimited. Unless otherwise stipulated in the "Special Fund Rules", units are issued on each trading day; further details are provided in the Sales Prospectus. The Company reserves the right to stop issuing units temporarily or completely.
- (2) Units can be acquired from the Company, the custodian bank, or via a third party.

- (3) Unit redemptions by an investor in excess of EUR 30,000 per calendar half-year are only possible after a minimum holding period of 24 months. Unless otherwise stipulated in the "Special Fund Rules", investors must provide confirmation in text form from their custodian proving that they have held units corresponding at the least to their redemption request for at least 24 consecutive months before the requested redemption date.
- (4) Unit redemptions by an investor in excess of EUR 30,000 per calendar half-year must be announced to the Investment Company, giving 12 months' notice, in the form of an irrevocable redemption notice issued by the investor's custodian. Unless otherwise stipulated in the "Special Fund Rules", the investor's custodian must block the units to which the notice applies until they are actually redeemed.
- (5) Notwithstanding subsections 3 and 4, investors have the right to redeem their units from the Company at any time provided that the "Special Fund Rules" do not specify anything different. The Company is obliged to repurchase the units at the then valid bid price for the account of the Investment Fund. The redemption agent is the custodian bank.
- (6) However, the Company reserves the right to suspend the redemption of units if extraordinary circumstances arise which make such suspension appear necessary in the interests of the investors.
- (7) In particular, the Company reserves the right to temporarily refuse and suspend redemption for liquidity reasons to protect the investors. If the bank deposits and the proceeds from the sale of the money market instruments, investment units, and securities held are not sufficient to allow payment of the bid price and to guarantee orderly ongoing management or if they are not immediately available, the Company must refuse redemption for a period of six months. If, after the expiry of the period specified above, there are insufficient funds to cover redemption, properties belonging to the Investment Fund must be sold. The Company must refuse redemption until the sale of these properties has been completed on reasonable terms, at most for up to twelve months after the suspension of unit redemption. If, after this period has expired, there are still insufficient funds to cover redemption, the Company must continue to refuse to redeem units and to sell real estate belonging to the Investment Fund; in this case, the proceeds of sale may be up to 10 % lower than the market value of the real estate. If, 24 months after the suspension of redemption, there are still insufficient funds to cover redemption, the Company must continue to refuse to redeem units and to sell real estate belonging to the Investment Fund; in this case, the proceeds of sale may be up to 20 % lower than the market value of the real estate. If, 30 months after suspension, there are still insufficient funds to cover redemption, the Company's right to manage the Investment Fund lapses. The Company's right to manage the Investment Fund also lapses if it suspends unit redemption for the Investment Fund for the third time within five years. When the redemption of units is resumed, the new offer and bid prices must be published in the electronic Bundesanzeiger (Federal Gazette) and in a financial or daily newspaper with a sufficiently large circulation or in the electronic information media described in the Sales Prospectus.
- (8) Investors may approve the sale of certain properties by passing a majority resolution in accordance with section 81b (2) of the InvG even if the property is not to be sold on reasonable terms. The investors' approval is irrevocable; it does not oblige the Company to execute the sale. The vote should be held without a meeting of the investors unless exceptional circumstances necessitate informing investors in person at a meeting. All investors take part in the vote according to their notional share of the fund assets. The investors take decisions by a simple majority of the voting rights taking part in the vote. A resolution by investors is only valid if at least 30 % of the voting rights were represented at the vote on the resolution. The invitation to vote or the convening of the investors' meeting as well as the investors' resolution must be announced in the electronic Bundesanzeiger and in the electronic information media described in the Sales Prospectus. An investors' meeting that has been convened is not affected by the resumption of unit redemption.

### 13 Offer and Bid price

- (1) The offer and bid prices of the units are calculated by determining the value of the assets belonging to the Investment Fund (net asset value) at the points in time stipulated in subsection 5 and dividing this figure by the

# General Fund Rules

number of outstanding units (unit value). If different unit classes are introduced for the Investment Fund in accordance with section 11 (2), the unit value and the offer and bid price, must be calculated separately for each unit class. The assets are valued in accordance with the principles for determining prices laid down in the InvG and the regulations issued on the basis of this Act.

- (2) When calculating the offer price, a front-end charge can be added to the unit value to cover issuing expenses. Apart from this front-end charge, the Company will only use other sums originating from the contributions made by the acquirers of the units to cover costs where this has been provided for in the "Special Fund Rules".
- (3) The bid price is the unit value as calculated in subsection 1, minus any redemption fee. Insofar as the "Special Fund Rules" provide for a redemption fee, the custodian bank shall pay the unit value minus the redemption fee to the investor, and the redemption fee to the Company. The relevant details are specified in the "Special Fund Rules".
- (4) The latest settlement date for the purchase or redemption of units is the value calculation date following receipt of the respective purchase or redemption order. Where the holding period defined in section 12 (3) and the notice period defined in section 12 (4) apply, the latest settlement date is the value calculation date following the expiry of the holding period and the notice period.
- (5) Unless otherwise stipulated in the "Special Fund Rules", offer and bid prices are calculated on each trading day. The Company and the custodian bank may dispense with such calculation on public holidays which are also trading days, as well as on December 24 and 31 of each year; further details are provided in the Sales Prospectus.

## 14 Costs

Details of expenditure and the fees due to the Company, the custodian bank, and third parties which can be charged to the account of the Investment Fund are given in the "Special Fund Rules". In the case of fees as defined in sentence 1, the "Special Fund Rules" must also provide details of the method of calculation applied, the amount due, and the basis of calculation.

## 15 Accounting

- (1) The Company shall publish an annual report including an income statement in accordance with section 44 (1) and section 79 (1) and (2) of the InvG at the latest four months after the end of the fiscal year of the Investment Fund.
- (2) The Company shall publish a semi-annual report in accordance with section 44 (2) and section 79 (1) and (2) of the InvG at the latest two months after the middle of the fiscal year.
- (3) If the right to transfer the Investment Fund to another investment company is exercised during the course of the fiscal year, the Company shall prepare an interim report as of the transfer date meeting the standards of an annual report in accordance with section 44 (1) and section 79 (1) and (2) of the InvG.
- (4) The reports can be obtained from the Company, the custodian bank, and at other locations to be specified in the Sales Prospectus; they are also announced in the electronic Bundesanzeiger.

## 16 Termination and Liquidation of the Investment Fund

- (1) The Company may terminate the management of the Investment Fund giving at least six months' notice by means of an announcement in the electronic Bundesanzeiger and additionally in the annual report or the semi-annual report. No units may be issued or redeemed after the termination is announced and until it takes effect. After the termination is announced and until it takes effect, the Company is authorized and obliged to sell all the Investment Fund's properties on reasonable terms in consultation with the custodian bank or with the investors' approval in accordance with section 12 (8). If the proceeds of sale are not required to ensure orderly ongoing management and if no guarantee commitments from the sale transactions or expected settlement costs require them to be retained in the Investment Fund, the investors must be paid half-yearly installments in consultation with the custodian bank.
- (2) The Company undertakes to terminate management of the Investment Fund on being required to do so by BaFin

if the assets of the Investment Fund are worth less than EUR 150 million four years after its launch.

- (3) The Company's right to manage the Investment Fund expires once termination takes effect. When the Company loses this right, the Investment Fund passes to the custodian bank, which must wind it up and distribute the liquidation proceeds to the investors. During the liquidation period, the custodian bank may claim the fee due to the Company.
- (4) On the day its right to manage the Investment Fund expires in accordance with section 38 of the InvG, the Company shall prepare a liquidation report meeting the standards of an annual report in accordance with section 44 (1) and section 79 (1) and (2) of the InvG.

### **17 Amendments to the Fund Rules**

- (1) The Company may amend the Fund Rules.
- (2) Amendments to the Fund Rules, including the Appendix to the "Special Fund Rules", require the prior approval of BaFin, with the exception of those regulations governing expenses and the fees due to the Company, the custodian bank, and third parties which can be charged to the Investment Fund (section 43 (2) sentence 1 in conjunction with section 41 (1) sentence 1 of the InvG). Changes to the investment principles of the Investment Fund in line with sentence 1 require the prior approval of the Supervisory Board of the Company.
- (3) All planned amendments are announced in the electronic Bundesanzeiger and also in a financial or daily newspaper with a sufficiently large circulation or in the electronic information media designated in the Sales Prospectus together with information on when they come into force and – with the exception of amendments under subsections 4 and 5 – enter into force no earlier than the day after they are announced in the electronic Bundesanzeiger.
- (4) Amendments to the rules governing expenses and the fees due to the Company, the custodian bank, and third parties (section 41 (1) sentence 1 of the InvG) enter into force six months after they are announced if no earlier date has been specified with the approval of BaFin. The announcement shall be made in line with subsection 3.

- (5) Amendments to the Investment Fund's existing investment principles shall enter into force six months after they are announced. They shall be published in line with subsection 3.

### **18 Place of Performance, Place of Jurisdiction**

- (1) The place of performance is the domicile of the Company.
- (2) If the investor has no general place of jurisdiction within Germany, the place of jurisdiction is the domicile of the Company.

# Special Fund Rules

## Special Fund Rules

governing the legal relationship between the investors and

**UBS Real Estate Kapitalanlagegesellschaft mbH, Munich** (hereinafter referred to the “Company”)

with regard to the real estate investment fund launched by the Company

**„UBS (D) Euroinvest Immobilien“** (hereinafter referred to as the “Investment Fund”).

These “Special Fund Rules” are only valid in conjunction with the “General Fund Rules” for real estate funds launched by the Company.

## INVESTMENT PRINCIPLES AND LIMITS

### 1 Real Estate

- (1) The Company may acquire the following real estate for the Investment Fund to the extent permitted by law (section 67 (1) and (2) of the Investmentgesetz (InvG – German Investment Act)):
  - a) residential rental properties, commercial properties, and mixed-use properties;
  - b) properties under construction up to 20 % of the value of the Investment Fund;
  - c) undeveloped properties which are intended and suitable for own development in accordance with a) in the near future, up to 20 % of the value of the Investment Fund;
  - d) heritable building rights subject to the preconditions laid down in a) to c);
  - e) other properties and other heritable building rights and rights in the form of residential property ownership, partial ownership, residential heritable building rights, and partial heritable building rights, up to 15 % of the value of the Investment Fund;

f) rights of usufruct over properties in accordance with a) which serve to fulfill public functions, up to 10 % of the value of the Investment Fund.

- (2) The Investment Fund must consist mainly of assets within the meaning of subsection 1 or equity interests in real estate companies with corresponding assets located in countries that are contracting parties to the Agreement on the European Economic Area and Switzerland.
- (3) The Company may acquire assets as defined in subsection 1 in a country which is not a contracting party to the Agreement on the European Economic Area, or real estate companies with corresponding assets, up to a total of 44 % of the value of the Investment Fund, provided that the statutory requirements set out in section 67 (3) of the InvG are fulfilled. The country in question and the maximum proportion of the value of the Investment Fund which may be invested in this country must be listed in an Appendix forming part of these “Special Fund Rules”.
- (4) In order to ensure a reasonable regional distribution of the assets as defined in subsection 1, only up to a maximum of 20 % of the value of the Investment Fund may in each case be invested in countries listed in the Appendix if these are not contracting parties to the Agreement on the European Economic Area.
- (5) Any loans taken out are not taken into account when calculating the value of the Investment Fund for the statutory and contractual investment limits in accordance with subsection 1 b), c), e), and f) and subsections 3 and 4.

### 2 Equity Interests in Real Estate Companies

- (1) The Company may acquire equity interests in real estate companies to the extent permitted by law (sections 68 to 72 of the InvG), provided that the purpose of these companies, as defined in their shareholders’ agreement or articles of association, is limited to activities which the Company is authorized to perform for the Investment Fund. In accordance with the shareholders’ agreement or articles of association, the real estate company may only acquire assets as defined in section 1 and items required to manage the assets or equity interests in other real estate companies. Equity interests in real estate



companies shall be taken into account in relation to the investment restrictions in accordance with section 1 and in calculating the applicable statutory limits.

- (2) If a loan is granted to a real estate company in accordance with section 4 (4) sentence 3 of the "General Fund Rules", the Company must ensure that
  - a) the terms and conditions of the loan are in line with prevailing market conditions;
  - b) the loan is sufficiently collateralized;
  - c) in the event of the sale of the equity interest, it is agreed that the loan will be repaid within six months of the sale;
  - d) the sum total of the loans granted to a real estate company for the account of the Investment Fund does not exceed 50 % of the value of the real estate held by the real estate company;
  - e) the sum total of the loans granted to the real estate companies for the account of the Investment Fund does not exceed 25 % of the value of the Investment Fund. The loans taken out must not be deducted when calculating the limit.

### 3 Encumbrance with Heritable Building Rights

- (1) The Company may encumber real estate belonging to the Investment Fund as defined in section 1 (1) a), b), c), and e) with heritable building rights provided that the value of the property for which a heritable building right is to be created together with the value of the properties for which heritable building rights have already been created does not exceed 10 % of the value of the Investment Fund. The loans taken out shall not be taken into account when calculating the value of the Investment Fund.
- (2) These encumbrances may only be made if unforeseeable circumstances prevent the real estate being used as originally intended, if they prevent the Investment Fund from being economically disadvantaged, or if they allow the sensible economic use and / or exploitation of the real estate.

### 4 Maximum Liquidity

- (1) Up to 49 % of the value of the Investment Fund may be held as investments in accordance with section 6 (2) of the "General Fund Rules" (maximum liquidity). The following committed funds must be deducted when calculating this limit:
  - funds required to ensure orderly ongoing management;
  - funds earmarked for the next distribution;
  - funds needed to fulfill liabilities from legally binding purchase contracts, from loan agreements required for pending investments in specific properties and real estate companies, and for specific construction measures, as well as funds required for construction contracts, insofar as these liabilities will fall due in the next two years.
- (2) Up to 49 % of the value of the Investment Fund may be held in the form of bank deposits.
- (3) Assets belonging to the Investment Fund in accordance with subsection 1 and 2 may also be denominated in foreign currencies.

### 5 Currency Risk

The assets held for the account of the Investment Fund may only be subject to a currency risk insofar as the value of the assets subject to such a risk does not exceed 30 % of the value of the Investment Fund.

### 6 Public Securities

The Company may invest in securities and money market instruments issued by the following issuers, but in each case no more than 35 % of the value of the Investment Fund:

- the Federal Republic of Germany
- the German Federal States:
  - Baden-Württemberg,
  - Bavaria,
  - Berlin,
  - Brandenburg,
  - Bremen,

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- Hamburg,
- Hessen,
- Mecklenburg-Western Pomerania,
- Lower Saxony,
- North Rhine-Westphalia,
- Rhineland-Palatinate,
- Saarland,
- Saxony,
- Saxony-Anhalt,
- Schleswig-Holstein,
- Thuringia.

## 7 Derivatives Used for Hedging Purposes

(1) The Company may use derivatives in the management of the Investment Fund. In line with the type and volume of derivatives used, the Company may use either the simple or the qualified approach as defined by the Derivateverordnung (DerivateV – the Derivatives Regulation) to calculate the degree of utilization of the market risk limit for the use of derivatives laid down in section 51 (2) of the InvG. Further details are outlined in the Sales Prospectus.

(2) If the Company uses the simple approach, it may only invest in derivatives whose underlyings are assets that may be acquired for the Investment Fund in accordance with section 6 (2) b) to f) of the “General Fund Rules” and properties that may be acquired in accordance with section 1 (1). In accordance with section 6 (2) of the DerivateV, the Company shall confine itself exclusively to using in the Investment Fund the following basic forms of derivatives, combinations of these derivatives, or combinations of assets that may be acquired for the Investment Fund and these derivatives:

- a) futures contracts on assets in accordance with section 6 (2) b) to f) of the “General Fund Rules” and on properties in accordance with section 1 (1), interest rates, exchange rates, or currencies;
- b) options or warrants on assets in accordance with section 6 (2) b) to f) of the “General Fund Rules” and on properties in accordance with section 1 (1), interest rates, exchange rates, or currencies and on futures contracts in line with a), if they have the following features:

aa) they may be exercised either during the entire term or only at expiry, and

bb) there is a linear relationship at the time the option is exercised, between the value of the option and the positive or negative difference between the strike price and the market value of the strike price, and the value of the option becomes zero if the plus / minus sign for the difference is reversed;

c) interest rate swaps, foreign currency swaps, or cross-currency swaps;

d) options on swaps listed in c) above, provided that they have the features defined in aa) and bb) of subsection b) above (swaptions);

e) credit default swaps on assets in accordance with section 6 (2) b) to f) of the “General Fund Rules” and on properties in accordance with section 1 (1), provided that they are used exclusively and demonstrably to hedge the credit risk of specifically attributable fund assets.

In this context, neither the Investment Fund’s weighting for interest rate risk and equity price risk to be calculated in accordance with section 16 of the DerivateV nor the weighting for currency risk may exceed twice the value of the Investment Fund at any time.

(3) Futures contracts, options, or warrants on investment units in accordance with section 6 (2) d) of the “General Fund Rules” are not permitted.

(4) If the Company uses the qualified approach, it may invest – subject to the existence of a suitable risk management system – in any derivatives whose underlyings are assets that may be acquired for the Investment Fund in accordance with section 6 (2) b) to f) of the “General Fund Rules”, properties that may be acquired in accordance with section 1 (1), or interest rates, exchange rates, or currencies. These include options, financial futures contracts, and swaps in particular, as well as combinations of these. In this context, the market value at risk attributable to the Investment Fund may not exceed twice the market value at risk for the market risk of the reference assets in accordance with section 9 of the DerivateV at any time.

- (5) Under no circumstances may the Company deviate from the investment principles and limits given in the “General and Special Fund Rules” or the Sales Prospectus during these transactions.
- (6) The Company will use derivatives solely for hedging purposes.
- (7) In calculating the market risk limit when using derivatives, the Company may switch from the simple to the qualified approach at any time in accordance with section 7 of the DerivateV. Switching to the qualified approach does not require BaFin’s approval; however, the Company must notify BaFin of the switch without delay and must announce it in the next semi-annual or annual report.

## **8 Securities Lending and Securities Repurchase Transactions**

Sections 7 and 8 of the “General Fund Rules” must be applied with regard to the investment principles and limits.

## **9 Investment Advisory Panel**

In selecting the assets to be acquired or sold for the account of the Investment Fund, the Company can draw on the advice of an Investment Advisory Panel.

## **UNIT CLASSES**

### **10 Unit Classes**

All units have equal rights; no different unit classes in accordance with section 11 (2) of the “General Fund Rules” will be formed.

## **OFFER PRICE, BID PRICE, REDEMPTION AND ISSUE OF UNITS, AND COSTS**

### **11 Offer and Bid Price**

- (1) In derogation of section 13 (5) of the “General Fund Rules”, the offer and bid prices are only calculated on the last trading day of each calendar month and at the distribution dates.
- (2) No front-end charges or redemption fees are levied.

### **12 Issue and Redemption of Units**

- (1) In derogation of section 12 (5) of the “General Fund Rules”, investors only have the right to redeem units from the Company on the last trading day of each calendar month. In derogation of section 12 (1) sentence 2 of the “General Fund Rules”, units in the Investment Fund are only issued on the dates mentioned in sentence 1.
- (2) In derogation of section 12 (4) of the “General Fund Rules”, the following procedure is used to prove that units have been redeemed in compliance with the notice period: The redemption notice must be submitted by the custodian on behalf of the investor for units held in custody accounts both in Germany and abroad. The custodian must block the units to which the notice applies until they are actually redeemed.
- (3) The redemption notice must use the form provided for this by the Company.

### **13 Costs<sup>1</sup>**

- (1) For its management of the Investment Fund, the Company shall receive a quarterly fee of 0.5 % per annum of the total market values of the Investment Fund’s properties (held directly and via real estate companies), calculated on the basis of the values at the end of each month. The Company is entitled to levy proportional monthly advances on this amount.

<sup>1</sup> This provision was not subject to approval by BaFin

# Special Fund Rules

(2) If properties are acquired, developed, or converted for the Investment Fund, the Company may in each case claim a one-off fee of up to 1.0 % of the purchase price or, in the case of development projects carried out by the Company for the Investment Fund, of up to 1.0 % of the construction and incidental costs. If a property or a development project is sold for the Investment Fund, the Company may claim a one-off fee of up to 0.5 % of the sale price.

When properties are sold, the Company can also claim a one-off fee of up to 5.0 % of the positive difference between the sale price of the property in question (less incidental costs of sale) and the original acquisition / construction costs of the property.

When properties are developed or converted, the Company can also claim a one-off fee of up to 5.0 % of the positive difference between the market value initially determined for the property in question after completion and the total investment costs of the property.

(3) For its activities, the custodian bank shall receive an annual fee of 0.25 % of the Investment Fund's net asset value calculated at the end of each fiscal year. The following sentence 2 only takes effect from January 1, 2012: Proportional quarterly advances on this remuneration may be paid.

(4) In addition to the fees mentioned above, the following expenses shall be borne by the Investment Fund:

- a) incidental expenses relating to the acquisition, development, sale, and encumbrance of properties (including taxes);
- b) the cost of external finance and management costs incurred during real estate management (administrative, maintenance, and operating costs, insurance premiums, tax advisory costs, and the costs of legal advice and the costs of bringing legal actions);
- c) costs relating to the acquisition and sale of other assets;
- d) normal custody account fees;
- e) the costs of the Expert Committee and of other experts who perform valuations in accordance with

sections 67 (5) and (7) and 68 (2) of the InvG; the costs of the investment advisory panel;

- f) the costs incurred for the printing, translation, and dispatch of the annual reports and semi-annual reports intended for the investors;
- g) the costs incurred for the announcement of the annual reports and semi-annual reports, the offer and bid prices, and the distributions and the liquidation report, where appropriate;
- h) the costs relating to the audit of the Investment Fund by the Company's auditors and expenses for announcing the bases for tax assessment and of the certification that the tax information has been determined in accordance with the provisions of German tax law;
- i) any taxes which may arise in relation to management and custody costs;
- j) incidental expenses relating to the acquisition, holding, and sale of equity interests in real estate companies (including taxes);
- k) costs incurred in distributing the Investment Fund's units abroad (costs of legal advice, tax advisory costs, administration fees, translation costs, etc.) and costs arising in connection with the authorization for distribution abroad.

**l) This letter l) only takes effect from January 1, 2012:**

costs of providing information to the Investment Fund's investors using a durable medium, with the exception of the costs of providing information about fund mergers.

(5) The rules contained in subsections 2 and 4 apply correspondingly to the real estate companies held by the Company for the account of the Investment Fund and their properties. The purchase or sale price to be applied is the purchase or sale price of the shares in the company plus any liabilities and provisions relating to the company that have been or are to be assumed (in proportion to the Investment Company's equity interest) and less the company's other assets (i.e., not the properties held by the company) (in proportion to the Investment Company's equity interest). Insofar as subsections 1, 2, and 4 concern

the market value of the properties, the value of the properties held by the real estate company is calculated in proportion to the Investment Company's equity interest. An exception to this is that expenses as defined in subsection 4 incurred by the real estate company as a result of special requirements of the InvG are not charged to the Investment Fund on a pro rata basis, but in full.

- (6) Insofar as the Company charges its own expenses to the Investment Fund in accordance with subsection 4, this must be done equitably. This expenditure will be disclosed in itemized form in the annual reports.
- (7) The Company must disclose in the annual report and semi-annual report the total front-end charges and redemption fees that have been charged to the Investment Fund in the reporting period for the acquisition and redemption of units as defined in section 50 of the InvG. In the case of the acquisition of units that are managed directly or indirectly by the Company itself or by another company related to the Company by way of a substantial direct or indirect equity interest, the Company or the other company may not bill any front-end charges or redemption fees for acquisition and redemption. The Company must disclose in the annual report and semi-annual report the fees charged to the Investment Fund by the Company itself, by another investment company, an investment stock corporation with variable capital, or another company related to the Company by way of a direct or indirect substantial equity interest, or a foreign investment company, including its management company, as remuneration for the management of the units held in the Investment Fund.

## **APPROPRIATION OF INCOME AND FISCAL YEAR**

### **14 Distributions**

- (1) In principle, the Company shall distribute income that has accrued during the fiscal year for the account of the Investment Fund from real estate and other assets and that has not been used to cover costs, taking into account the appropriate equalization paid.

Furthermore, the Company can pay interim distributions during the fiscal year as of the following date: March 31. Capital repayments are not permitted.

- (2) Funds required for future maintenance must be deducted from the income calculated in accordance with subsection 1. Income required to compensate for real estate impairments may be retained. However, subject to the deduction specified in sentence 1, at least 50 % of the Investment Fund's ordinary income in accordance with subsection 1 must be distributed.
- (3) Capital gains on disposals – taking into account the appropriate equalization – and interest on the Fund's own resources from construction projects, insofar as this is in line with the construction project interest saved (calculated at prevailing market rates) can also be distributed.
- (4) Distributable income in accordance with subsections 1 to 3 can be carried forward for distribution in subsequent fiscal years provided that the total income carried forward does not exceed 15 % of the value of the Investment Fund at the end of each respective fiscal year. Income from short fiscal years can be carried forward in full.
- (5) In the interest of maintaining the intrinsic value of the Investment Fund, income can be partly or, in special circumstances, completely reinvested in the Investment Fund. However, at least 50 % of the Investment Fund's ordinary income in accordance with subsection 1 must be distributed, insofar as this is not prevented by subsection 2 sentence 1.
- (6) Distributions are paid annually directly after publication of the annual report by the paying agents named in the distribution announcements. Interim distributions are also paid by the paying agents named in the relevant announcement.

### **15 Fiscal Year**

The Investment Fund's fiscal year begins on September 1 and ends on August 31 of the following calendar year.

### **16 Designated Name**

The rights of investors deriving from units and corresponding unit certificates bearing the original name "SKAG Euroinvest Immobilien" remain unchanged. They continue to be valid.



# Special Fund Rules

## APPENDIX

List of countries outside the European Economic Area and Switzerland in accordance with section 1 (3) of the "Special Fund Rules" in which real estate may be acquired either directly or by acquiring a real estate company, for the UBS (D) Euroinvest Immobilien real estate fund after prior examination of the conditions for acquisition by the Company:

### States:

Acquisition in each case up to 20 % of the value of the Investment Fund, but not more than 44 % of the value of the Fund in total

### North America

Canada  
United States of America

### South America

Brazil

### Central America

Mexico

### Asia

China  
Hong Kong  
India  
Indonesia  
Japan  
Malaysia  
Singapore

### Oceania

Australia  
New Zealand

# Committees

## **Investment company:**

UBS Real Estate Kapitalanlagegesellschaft mbH

## **Legal form:**

GmbH (Gesellschaft mit beschränkter Haftung  
- private limited liability company)

## **Registered office:**

Theatinerstrasse 16  
D-80333 Munich, Germany  
Phone: +49(0)89-20 60 95 0  
Fax: +49(0)89-20 60 95 200

## **Local court / registration court:**

Munich HR B 10 10 08

## **Formation:**

October 22, 1992

## **Fiscal year:**

January 1 - December 31

## **Subscribed and paid-in capital as of December 31, 2009:**

EUR 7.5 million

## **Liable capital as of December 31, 2009:**

EUR 7.5 million

## **Shareholders:**

UBS Beteiligungs-GmbH & Co. KG, Frankfurt (94.9%)  
Siemens AG, Berlin and Munich (5.1%)

## **Management:**

Dr. Christine Bernhofer  
Dr. Tilman Hickl  
Jörg Sihler

## **Supervisory Board:**

Reto Ketterer  
UBS AG - Global Asset Management  
Global Real Estate - Chief Operating Officer  
- Chairman -

Hans-Peter Rupprecht  
Siemens Financial Services GmbH  
Head of Treasury and Investment Management  
- Deputy Chairman -

Dr. Riccardo Boscardin  
UBS AG - Global Asset Management  
Head of Global Real Estate - Switzerland

Axel Hörger  
UBS Deutschland AG - Wealth Management  
CEO Wealth Management

Prof. Dr. Thomas Kinateder  
Dean of Studies, Real Estate Management  
HFUW Hochschule für Wirtschaft und Umwelt, Nürtingen-Geislingen  
- Independent member in accordance with section 6 (2a) InvG -

Andreas Varnavides  
UBS Deutschland AG - Global Asset Management  
CEO Germany and Austria

## **Independent auditor:**

Ernst & Young GmbH  
Wirtschaftsprüfungsgesellschaft  
München

## **Custodian bank:**

CACEIS Bank Deutschland GmbH  
Registered office: Munich  
Subscribed capital as of December 31, 2010: EUR 5,113 thousand  
Liable capital as of December 31, 2010: EUR 161.226 thousand

## **Expert Committee**

### **of the real estate investment fund UBS (D) Euroinvest Immobilien:**

Uwe Ditt  
Betriebswirt BdH,  
Publicly certified, sworn expert, Mainz  
- Chairman -

Florian Lehn  
Dipl.-Ing. (FH), architect,  
Publicly certified, sworn expert, Munich

Dirk Esselmann  
Dipl.-Ing., Dipl.-Volksw.  
Publicly certified, sworn expert, Münster

Substitute member:  
Prof. Dr. Gerrit Leopoldsberger

Information correct as of March 1, 2012, unless otherwise stated.

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