ZAST Immobilien USA Quarterly Report

Table of Contents

Executive Summary

U.S. economy decelerating due to high interest rates, signaling a soft landing.

The US economy has started to decelerate due to persistently high interest rates. While the job market remains robust compared to historical averages, job openings have gone down and unemployment has started to increase, which points to a soft landing rather than a recession.

Higher interest rates continue to weigh on real estate capital markets.

Elevated financing costs due to the higher interest rate environment have continued to dampen transaction volume, performance returns, and core investor sentiment. Lower inflation prints have caused the Fed to leave the door open for a rate cut in 2024, which along with the US Election, are seen as potential catalysts for real estate capital market activity later this year.

Income return remains stable and asset valuations were flat in Q2.

The assets of the ZAST Real Estate USA Foundation maintained a blended occupancy of 98% and produced an income return of 1.06%, and a total return of 1.07% in Q2 2024, outperforming the NCREIF ODCE benchmark returns of 0.81%, and -0.66%, respectively. We seek to invest fund level cash, call remaining investor capital, and put debt in-place by year end.

2. U.S. Economy, Capital Markets, and Sector Trends

Real estate markets are adjusting against a backdrop of higher interest rates and secular change.

- Macro-economic activity is decelerating; a soft landing looks likely.
- Real estate capital markets remain in a state of transition.
- After a two-year correction, we believe that real estate prices are close to bottoming.
- Secular headwinds and pockets of oversupply are beginning to create challenges for real estate occupier markets.
- But slowing deliveries from 2025 offers reason for optimism.

Macro backdrop

The impact of high interest rates is beginning to be expressed in decelerating U.S. economic activity, though the pace of moderation is suggestive of a soft landing rather than a more concerning correction. In Q1 2024, GDP growth slowed to 1.4% on an annualized basis with ensuing monthly data suggesting lackluster developments (Figure 2.1). While labor markets are historically robust, job openings are falling, and unemployment has ticked up slightly (Figure 2.2). While neither warrant worry, taken together this can be seen as an indication of a normalizing economy and eventual softening in personal consumption growth, which had been a driver of recent momentum.

U.S. real GDP, %

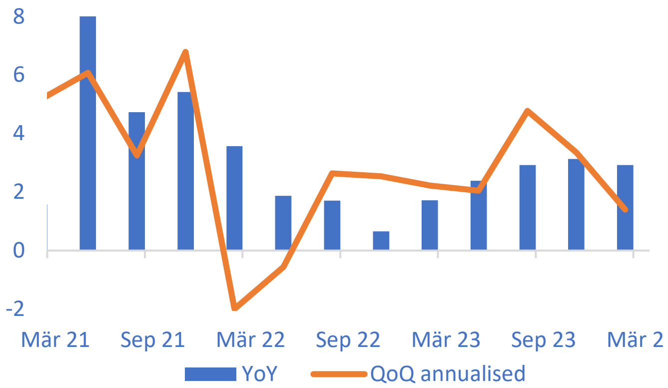

Figure 2.1. Source: Refinitv

U.S. job openings level total (JOLTs), millions and unemployment rate, %

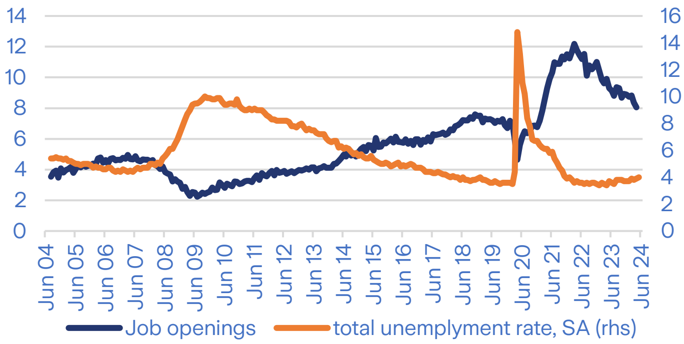

Figure 2.2. Source: Refinitv

The picture for inflation remains nuanced, though trends are generally favorable. While having fallen dramatically from recent highs as goods and energy disinflation have played out, tight labor markets and stickier service inflation have proven more challenging. After a shock to start this year, better price data in May and June suggests that personal consumption expenditures (PCE) inflation, the Fed's preferred inflation measure, will be below 2.5% at year-end and could converge on the 2% target early next year (Figure 2.3).

U.S. inflation, %

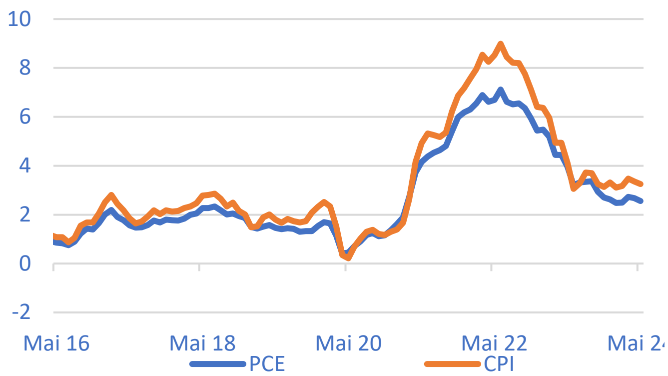

Figure 2.3. Source: Refinitiv

With inflation normalizing, the Fed will be able to begin cut interest rates. Though it is important to note that rate easing expectations have been pushed back during the year. The market had previously implied five to six cuts in 2024, but this has been scaled back to one or possibly two.

But even with anticipated easing interest rate headwinds, risks to the economy have not diminished materially. The strain of high interest burdens will accumulate as debt is rolled over. Financial conditions are still tight and bank loan growth is decelerating, which should weigh on business investment. Furthermore, the presidential election adds to an uncertain outlook. Taken together, we expect growth slowing from recent levels, broadly aligning with consensus estimates for the coming two years (Figure 2.4). While our House View supposes that the U.S. economy avoids recession in 2024, the possibility that it does contract in 2025 is elevated.

U.S. economic forecasts July 2024, % p.a.

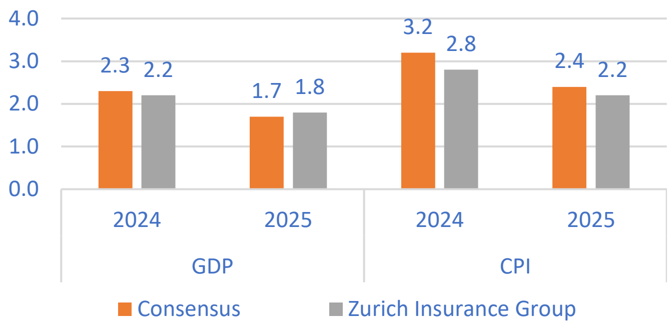

Figure 2.4. Source: Consensus Economics, Zurich Insurance Group

Capital Markets

Real estate capital markets remain in a state of transition, characterized by low levels of liquidity, elevated financing costs, and expanding cap rates (Figure 2.5). Unsurprisingly, this has weighed on commercial real estate deal volumes, fundraising activity, and investment performance.

U.S. cap rates to May 2024, %

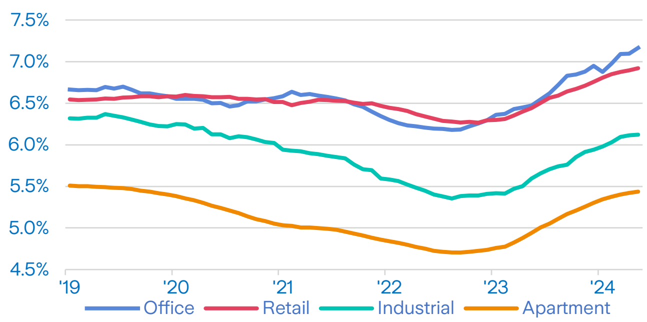

Figure 2.5. Source: Real Capital Analytics

According to MSCI, U.S. real estate transactional activity was down 45% on an annualized basis in Q1 2024, and Q2 not showing an improvement. Declines in transactional volumes have been a feature of the market for 22 months through May 2024. For reference, the U.S. suffered a 25-month stretch of downward declines following the Global Financial Crisis (Figure 2.6).

Investment volumes to May 2024 (12 month moving average), index to peak

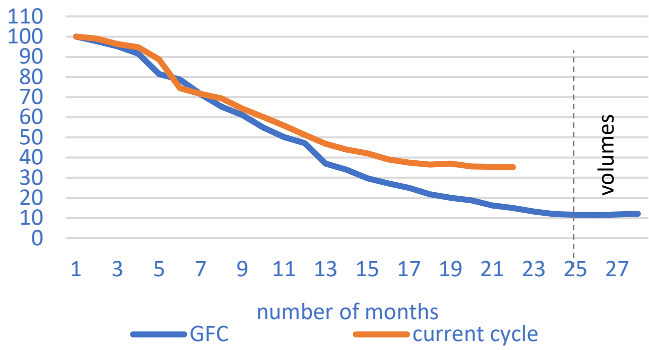

Figure 2.6. Source: Real Capital Analytics

As has been a reoccurring theme, apartments and industrial sectors have witnessed the greatest investment volumes over the past year and align with stated investor intentions. Challenging office sector dynamics continue to weigh on sentiment. Last year, office investment as a share of total activity was the lowest in at least twenty years, and 2024 has gotten off to a similarly bleak start.

Treasury yields have edged upward in accordance with evolving interest rate expectations, with the 10-year moving to 4.2% during Q2 2024 from 3.9% at the start of the year. While comfortably lower than the 5% level reached late last year, it is still high relative to the averages seen since 2008 (Figure 2.7). This suggests that capital market forces will remain a headwind for real estate investment activity over the near term.

U.S. 10 Year Treasury

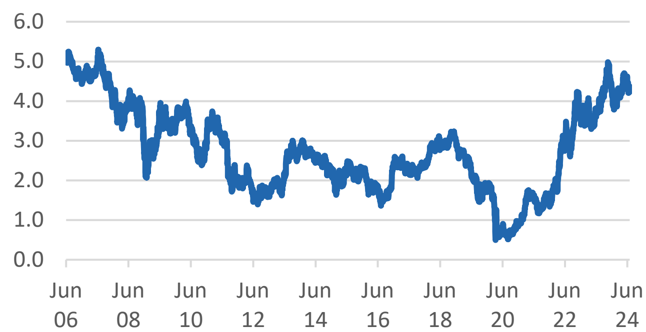

Figure 2.7. Source: Refinitv

Another formidable force is impending real estate loan maturities over the coming years. According to the Mortgage Bankers Association, nearly $2 trillion of commercial real estate loans will mature over the next three years. Loan delinquency rates have continued to tick up. According to MSCI, the cumulative value of distressed U.S. real estate was nearly USD 90bn as of Q1 2024. The majority of refinancing obligations is in the office and apartment sectors. Loans originated in 2021 make up the largest single vintage for loan maturities. Given that these were secured at or near record-high prices and record-low interest rates, borrowers will likely seek to extend the maturity of loans. This was a feature of the market last year. As not every lender will be willing or able to extend, this inevitably presents a source for market dislocation. Furthermore, new bank lending will likely remain subdued given less capital to recycle.

Looking forward, an eventual easing of monetary policy should begin to positively influence investor attitudes and the tenor of refinancing negotiations. Given the adjustment in transactional pricing, deal activity is likely at or near its nadir for the cycle. While a pronounced market wide relief rally is not anticipated, conviction sectors should see improved liquidity as the depth of market participants improves.

Performance

Transacted commercial property price declines continued to moderate in May 2024 (latest available data). The RCA CPPI National All-Property Index was down 3.0% from a year earlier, though with wide variations across sectors. Industrial and retail have fared better, apartments have tracked near the average, while offices have lagged significantly.

Reported performance data conveys a slightly more negative picture. The NCREIF ODCE Index recorded a -1.5% appreciation return in Q2 2024, and -12.7% annualized appreciation return on a 12-month rolling basis. The annual total return to Q2 2024 was -10.0% net of fees (Figure 2.8). Important to note however is that appraisal-based valuations have historically lagged and smoothed market fluctuations (Figure 2.9). After a two-year correction, we believe that real estate prices are close to bottoming, with performance indices likely to show modest capital value growth in Q4 2024 or Q1 2025.

NCREIF ODCE Benchmark Index

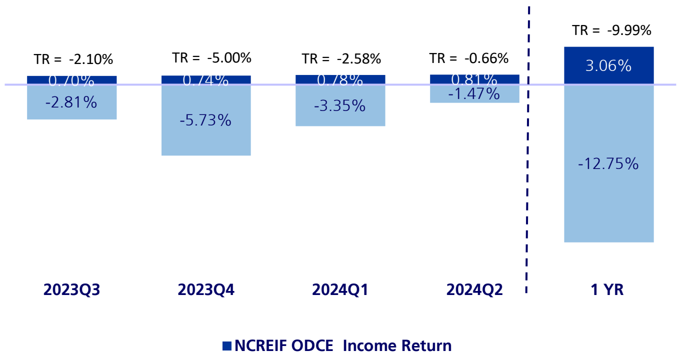

Figure 2.8 Source: NCREIF (Net Returns)

NCREIF NPI Current Value vs Transaction Cap Rates, %

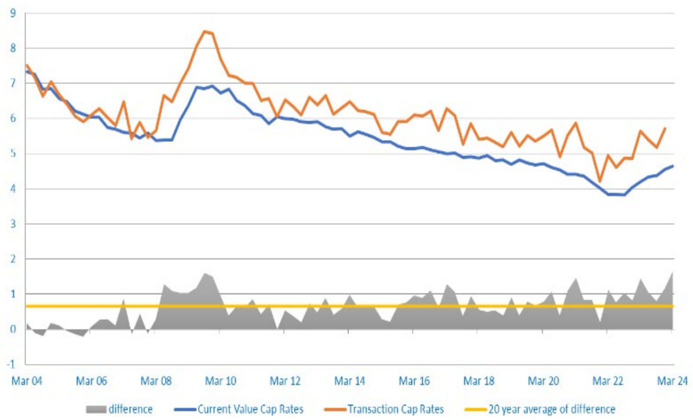

Figure 2.9. Source: NCREIF

Real Estate Sector Commentary

U.S. real estate occupational fundamentals have benefited from a resilient economy and labor market in the first half of the year, yet secular headwinds and pockets of oversupply have begun to shift the balance of power in landlord and tenant negotiations. That said, occupier markets remain reasonably healthy—the office sector notwithstanding—with the slowing of demand and rental growth a reflection of a pandemic reset. Importantly on the supply side, the pronounced shift in interest rates may offer a silver lining as it has contributed to a sharp reduction in construction pipelines. A slowing of deliveries from 2025 has the potential to re-energize occupational dynamics. Let's take a closer look at sector activity.

Industrial

The U.S. industrial market is now several quarters into a moderate downcycle as it normalizes after a period of pandemic-influenced excesses. Market conditions began to cool notably in early 2023 and that trend continues. Absorption has slowed sharply with the predictable unwinding of surplus demand. Retailers, wholesalers, and third-party logistics firms paused their capacity expansions and, in some cases, partially unwound them. At the same time, development pipelines have been historically elevated, with estimates according to CBRE of about 300 to 350 million square feet of space underway and potentially delivering through 2025. While having subsided from an even greater share in the preceding two years, it still translated to more than 2% of total stock under construction (Figure 2.10).

U.S. industrial completion rate, % of total stock

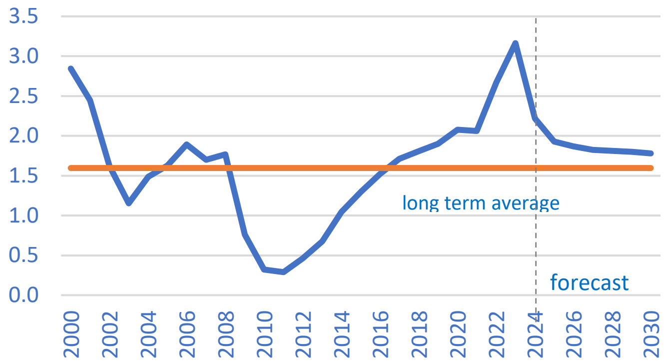

Figure 2.10. Source: CBRE

It is possible that this estimate is high, given lending and capital market constraints and the potential that some phased projects have delayed the start of latter phase buildings. Though below its long-term average, the national availability rate increased 70 basis points in Q1 2024 to 7.8%. We expect further upward movement though the remainder of the year given construction dynamics. This is weakening landlord pricing power, with more markets seeing rents fall on a quarterly basis. At a national level rental growth was flat in the first quarter of the year. Context is, however, important. A market like the Inland Empire saw rental growth of 55% from 2021-2023, according to CBRE, so the recent correction of 2% isn't too concerning. Over the medium-term, we still hold a constructive stance for the sector given the proliferation of e-commerce and efforts to strengthen supply chains.

Multifamily

Apartment fundamentals have surprised to the upside in recent quarters. Although vacancy rates have increased from cyclically low levels—and rent growth moderated—as record levels of supply have come on-line, the setback has been dampened by strong levels of demand (Figure 2.11).

U.S. apartment supply and demand dynamics

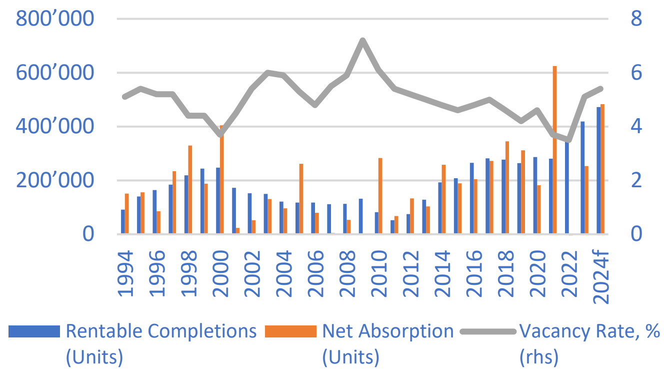

Figure 2.11. Source: CBRE

The country's housing market is undergoing a major shift. Driven by an increase in home prices and higher mortgage rates, renting continues to be significantly more economical than owning a home. Furthermore, robust labor markets are driving positive household formations. Taken together, this will keep more renters renting for longer. We've been pleasantly surprised by the fact that record deliveries haven't had as negative of an impact on performance fundamentals as we had anticipated. Although outcomes will be uneven across residential sub-sectors and geographies, oversupply risks in Sun Belt markets and select Southeast and Southwest locations look less acute than at the start of the year. With construction pipelines recalibrating, we are slightly more positive on the outlook for the sector going forward.

Office

The U.S. office market continues to struggle despite a resilient economy and low unemployment. Weak occupational fundamentals, higher interest rates and a slow return to offices have undermined the sector's investment performance in recent years, and there are few signs of any meaningful recovery. In Q1 2024, net absorption was negative 10.2 million square feet according to CBRE, with leasing concentrated in smaller deals and high-quality assets. This took the national vacancy rate to its highest level since the early-1990s, according to CBRE (Figure 2.12), with most markets posting higher vacancy levels compared to a year ago.

U.S. national office vacancy rate, %

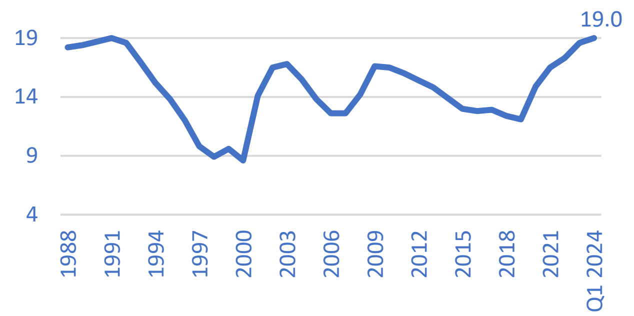

Figure 2.12. Source: CBRE

Both downtown and suburban vacancy rates continue to increase, with the former now exceeding the latter. Large gateway metros (such as San Francisco, Manhattan, Seattle and San Jose) and markets with strong supply (like Charlotte and Austin) have seen vacancies increase more than 1,000 bps since Q4 2019 (Figure 2.13).

Select office market vacancy rate change since Q4 2019, bps

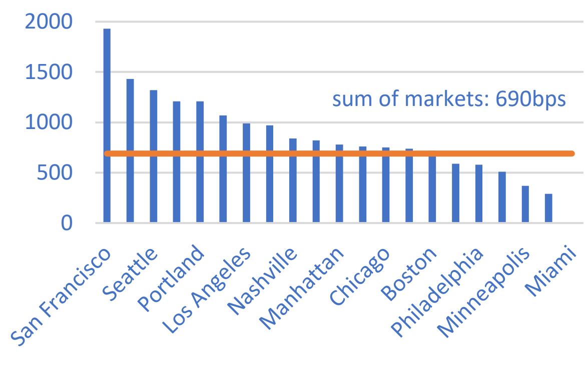

Figure 2.13. Source: CBRE

Miami is a notable exception, having returned to pre-pandemic conditions. Unsurprisingly, we maintain a cautious approach to the sector. That said, the current dearth of new completions suggests future supply constraints for tenants as return-to-office plans progress and tenant requirements increase. We favor metros with an expanding tech and life science presence as well as those offering strong job and population growth.

Retail

In stark contradiction, the U.S. retail sector is having its moment. According to NCREIF, it was the best-performing major sector in 2023 (Figure 2.14), which is likely to be repeated in 2024.

NCREIF Property Index, annual total returns to Q1 2024, %

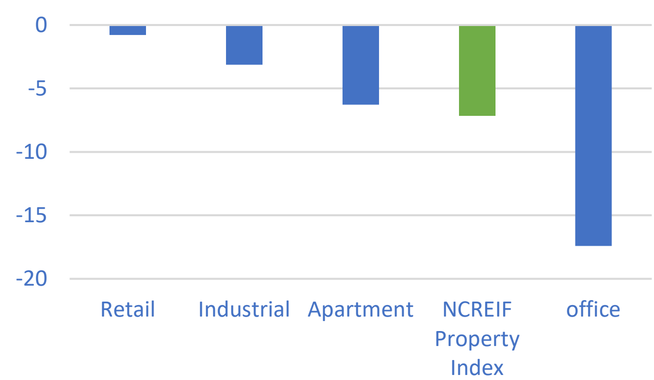

Figure 2.14. Source: NCREIF

That's because across formats leasing momentum has been robust, with retailers in numerous sectors actively expanding. There has been a greater number of store openings than closings, taking the vacancy rate to a multi-decade low. At 6.5%, the retail availability rate is nearly 250 basis points below its 20-year historical average, according to CBRE. The relative dynamism is supported by healthy retail spending and virtually no new supply. The result has been retail property delivering rental gains akin to the industrial and residential sectors. While the story resonates nationwide, Sun Belt locations have been clear winners, as retailers target markets that have seen healthy economic growth amid a surge of inward migration. Near-term risks to the sector include higher borrowing costs and reduced levels of consumer spending. That said, shifts in post-pandemic buying patterns as well as demographic trends should buffer the sector over the medium term.

3. Portfolio Overview

Assets proving to be resilient with strong occupancy and operating income.

- Nine real estate assets in the portfolio with weighted average occupancy of 98%.
- Attractive weighted average lease term (WALT) of 5.3 years anchored with credit tenancy.
- Strong fundamentals and leasing have supported NOI growth.
- Exposure to near-term lease expiration is very limited.

Asset Management

The strategy and oversight in the investment, property management and leasing of the portfolio center around ensuring the sustainability of growing income and cash yields. Excluding apartments, which have a shorter 12-month lease duration, the portfolio currently has an attractive weighted average commercial lease term (WALT) of 5.3 years. Near-term lease expiration is limited to approximately 1% in 2024, and 2% in 2025. 2026 will see nearly 17% of the portfolio expiring with lease expirations at the 300 West Summit, 2525 Enterprise, and I-215 Commerce Center (Figure 3.1).

This concentration represents one tenant at 2525 Enterprise, three tenants at 300 West Summit and the largest single-tenant exposure at I-215 Commerce Center. Rivian Automotive, the largest lease expiration exposure in 2026, at 225k SF in July 2026 is followed by DS Containers at 201k SF in October 2026. Each tenant has one, 5-year, renewal option at fair market value. In-place rents for both are well below respective markets representing a significant mark-to-market rent opportunity. 2029 will be the next year the portfolio sees a block of concentrated lease expirations when nearly 14% of the portfolio's leases will expire.

Our Asset Management team is focused on leasing the remaining vacancy at 4000 Paramount and completing the unit renovations at The Beverly. Capital investment will be significant to advance speculative prebuilds for vacant office space, as well as to advance the unit renovation work at The Beverly. There are no significant delinquent tenants, or aged receivables across the portfolio to report.

Commercial Lease Expiration Profile

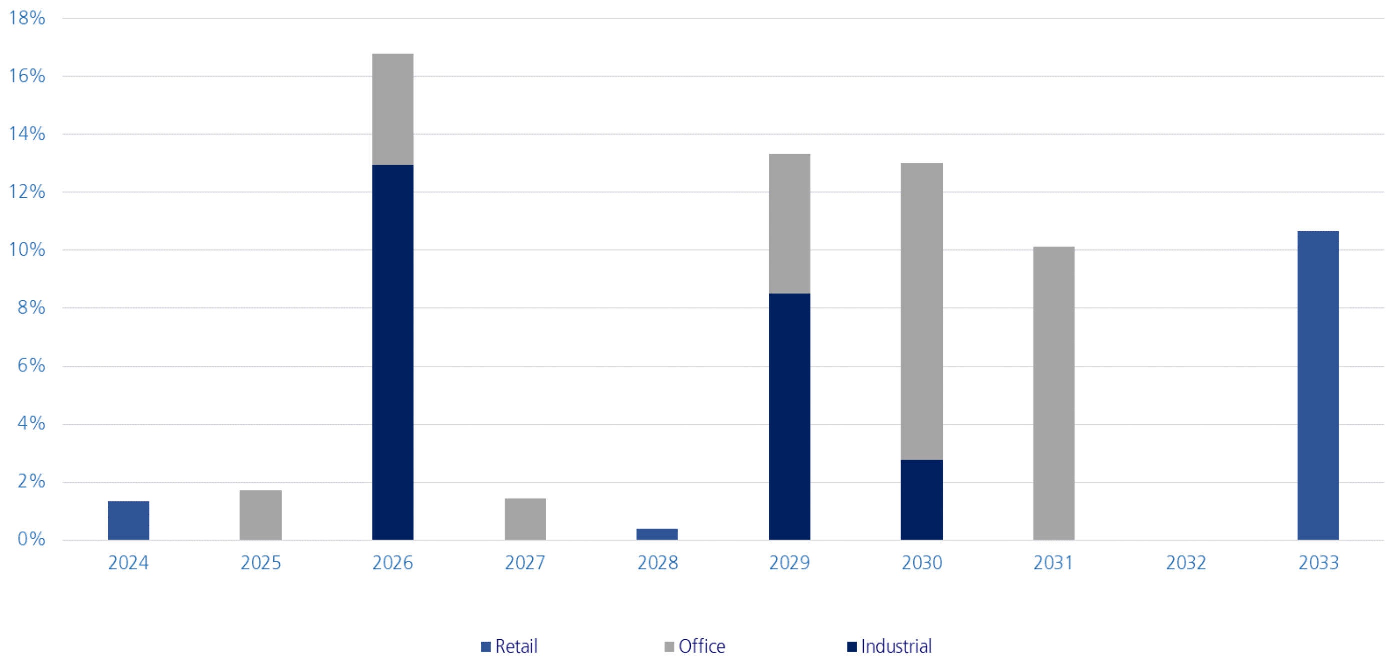

Figure 3.1 As of 30 June 2024

Property Valuations

Property	Region	Metropolitan Area	Sector	Currency	Value YTD			Purchase Price		Value Δ Acq.		Value Δ YoY		Value Δ 2024	
					$ m	Cap Rate	Disc. Rate	$ m	NIY	$ m	%	$ m	%	$ m	%
Stanley Black & Decker	East	Charlotte, NC	Industrial	USD	40.2	4.7%	7.0%	35.1	4.9%	5.1	14.4%	-1.7	-4.1%	-0.8	-2.0%
Plaza San Remo	South	Miami, FL	Retail	USD	47.1	5.8%	6.8%	47.0	5.1%	0.1	0.2%	-4.3	-8.4%	-0.1	-0.2%
Terry Thomas	West	Seattle, WA	Office	USD	36.5	6.1%	7.3%	52.2	3.9%	-15.7	-30.1%	-7.5	-17.0%	-2.4	-6.2%
300 WS	East	Charlotte, NC	Office	USD	29.1	6.8%	8.0%	28.9	5.2%	0.2	0.7%	-2.5	-7.9%	-0.9	-3.0%
I-215	West	Los Angeles, CA	Industrial	USD	73.8	2.7%	7.0%	57.6	3.1%	16.2	28.0%	-10.9	-12.9%	-4.9	-6.2%
2525 Enterprise	Midwest	Chicago, IL	Industrial	USD	35.7	4.7%	7.0%	36.9	3.3%	-1.2	-3.3%	-4.1	-10.3%	-0.4	-1.1%
The Beverly	South	Austin, TX	Residential	USD	39.1	4.8%	7.3%	50.1	3.2%	-11.0	-22.0%	-5.6	-12.5%	-1.6	-3.9%
4000 Paramount	East	Raleigh, NC	Office	USD	24.8	7.6%	9.0%	29.3	4.8%	-4.5	-15.5%	-2.4	-8.8%	-1.7	-6.4%
Santana Terrace	West	San Jose,CA	Residential	USD	45.6	4.6%	7.0%	53.1	3.8%	-7.5	-14.2%	-0.4	-0.9%	-0.2	-0.4%
Total					**371.9**			**390.5**		**-18.6**	**-4.8%**	**-39.4**	**-9.3%**	**-13.0**	**-3.3%**

Figure 3.2 As of 30 June 2024

During Q2, the fund recognized USD 51.0 thousand, or 0.01%, in unrealized revaluation capital gain. The capital gain was primarily driven by Plaza San Remo (1.7%, or USD 800 thousand capital gain), I-215 Commerce Center (1.7%, or USD 1.2 million capital gain) and other assets. After seven consecutive quarters of capital losses, we saw asset valuations come in flat for 2Q 2024. Driving this was capital market assumptions that are starting to stabilize and hold steady from prior quarters. In particular we see cap rates and discount rates stabilize at current levels.

With capital market activity continuing to be in a state of flux, we will continue to place emphasis on our disciplined asset and portfolio management approach. While inflation has eased considerably, cap and discount rates are still adjusting to the higher interest rate environment, which have continued to impact asset valuations. Active asset and portfolio management discipline will be key to maintain occupancy levels and preserve operating income across the portfolio.

We believe that the portfolio remains well positioned to deliver outperformance given our strong asset management focus on driving revenue growth while also managing operating expenses. A summary of how we see each sector generally positioned:

Industrial: After two years of record-level rent growth, industrial fundamentals decelerated considerably over the past year due to record-high supply and weakening demand, mainly driven by big-box users that have cut back on opening new facilities. While vacancy has come off record lows, and rent growth has moderated somewhat, structural trends are still strong and powering demand.

Apartments: Sunbelt markets still have strong demand drivers, but increased supply has weighed heavily on rent growth. Mid-west markets where supply is more muted are re-emerging as an investor target due to stronger rent growth prospects. There remains a fundamental lack of affordable housing in many markets where we invest. Higher cost of home ownership will continue to bolster rental demand in the long run but rent growth will remain muted in markets with high supply.

Office: Office space demand has been trending downward for four years mainly due to remote work. There was expectation in the market for higher office utilization in 2023 but this never came to fruition. Core Class A vacancy rates are in the single digits; however, Class B buildings are a weak spot and being viewed as potentially obsolete.

Retail: Despite several high-profile bankruptcies over the past year, vacancy continues to trend downward. Retailers continue to open brick and mortar locations closer to population nodes and some traditional mall users have moved to neighborhood centers to be closer to people that spend more time closer to home.

Pipeline

In terms of opportunities, it is a tale of two worlds. On the one hand we see value-add distressed opportunities, and the other, cheaper traditional core opportunities still repricing in the current interest rate environment. We anticipate being able to take advantage of opportunities that have been repriced significantly below peak pricing observed between 2018 and 2022 (70% off for distressed investments and up to 30% off for traditional core deals).

We would like to increase the apartment allocation, and the lucrative value-add prospects additional office allocation might bring particularly at an attractive basis (the fund has a 20% allocation to value-add). Broadening fund diversification across markets like San Francisco, Denver, New York, San Diego, and Boston is also an objective as we look to see the pipeline activity increase in 2024.

We are currently in the process of bidding on two apartment opportunities – one is located in the North Loop of Minnesota (168 units / ~$46M) and the other is in suburban Chicago (118 units / ~$39M).

Investment Properties

The portfolio comprises nine real estate investments with a combined market value of USD 372 million as of Q2 2024.

Stanley Black & Decker (Charlotte, NC)

The 345,600 SF, Class A industrial warehouse is 100% leased to Stanley Black & Decker (S&P A credit rating) through December 2029. The road widening project was completed during Q2. Stanley Black & Decker is moving forward with the closure of the location and has laid off the majority of their staff by the end of the quarter and is expected to fully vacate the building by the end of Q3. Tenant remains obligated to pay rent under the lease and has engaged a broker to find a subtenant for the remaining term.

Plaza San Remo (Miami, FL)

Plaza San Remo is 100% leased and is anchored by Whole Foods (Moody's Baa1 credit rating). A pediatric medical tenant and a dry-cleaning retail tenant are in occupancy and up to date on current rent charges. We agreed to terms to extend the lease with the pediatric tenant, which expires in Q3, for an additional seven (7) years of term through September 2031. The execution of the lease amendment is expected in Q3. The condo association identified Trizel Commercial Real Estate as the new condo association manager and completed the transition to Trizel during the quarter.

Terry Thomas (Seattle, WA)

The 44,500 SF Class-A office located in downtown Seattle is 100% leased to Northeastern University (Moody's A1 credit rating) through August 2031. Despite challenging local market conditions, the property continues to perform within expectations. Our recent partnership with LAZ Parking has proven fruitful as multiple new monthly parkers have been secured contributing to increased revenues. From an operational standpoint, the building's hot water tank was successfully replaced during the quarter after meeting its expected service life. Most notably, after earning BOMA's local and regional level TOBY (The Outstanding Building of the Year) in the "Under 100,000 SF" category, Terry Thomas earned the highest distinction winning the International level TOBY Award recognizing excellence in building management and operations.

300 West Summit (Charlotte, NC)

300 West Summit, a multi-tenant office property located in Charlotte, NC, remains 100% leased and occupied. We agreed to terms to expand Colliers into suite 220 (2,201 SF) as soon as the current tenant vacates the premises. Additionally, we commenced negotiations about a potential early renewal with Providence Group for suite 250 (7,461 SF).

I-215 Commerce Center (Los Angeles, CA)

The 225,353 SF, Class A industrial warehouse is 100% leased to Rivian Automotive, Inc. through July 2026. Rivian has one, five-year renewal option at fair market value. In-place rent of USD 0.65 PSF is far below current market rent of USD 1.55 PSF. Since its IPO, Rivian (RIVN) stock has been on a roller coaster ride influenced by investor sentiment towards the EV industry and reported execution issues as Rivian ramped up production. The stock is currently at USD 17.19 per share which is up from a record low set earlier this year following two rounds of layoffs for 11% of their workforce. The layoffs were largely concentrated to their business support roles in Irvine, CA. The property achieved BREEAM certification in 2022 and as a part of our 2024 ESG objectives has partnered with Redaptive to install smart meters at the property.

2525 Enterprise (Chicago, IL)

This Class A, 303,601 SF industrial warehouse located within DuPage Business Center in the Chicago MSA, was acquired in Q3 2021, and remains 100% leased to two tenants with the nearest lease expiration of 31 October 2026. DS Containers, a private maker of aerosol cans occupying 201,134 SF in the building, owns an adjacent property within the business park which serves as its corporate office headquarters. The company is among the leading global producers in the can packaging market, which is projected to continue growing at a compounded rate of 3.20% through 2030 thanks to the technological advancements and increasing demand for packaged food and beverages worldwide. Skyjack is a US subsidiary of a Canadian publicly held Linamar Corporation (TSE: LNR) (LIMAF) which manufactures mobile elevating equipment and occupies 102,467 SF in the building serving as its US headquarters. Linamar's market cap is currently valued at USD 3.06 billion, with the trailing twelve months sales of USD 10.16 billion and EBITDA of USD 1.38 billion. The property achieved BREEAM certification in 2022. An upgrade to smart metering with Redaptive was completed in Q2 a part of our ESG objectives.

The Beverly (Austin, TX)

The Beverly is a 120-unit mid-rise apartment community built in 2008, which was acquired in Q4 2021. Leasing activity remained steady during the quarter and occupancy trends improved by the end of Q2, with higher occupancy trends causing rentals rates on new leases to be less negative. At the end of the quarter the property was 90% occupied and 93% leased. With market rental rates starting to moderate at the property, concession remain prevalent both at The Beverly and in the overall downtown Austin market. Rental rates on the six (6) renewals completed during the quarter decreased 9.20% on average while rents on the eleven (11) new leases in Q1 contracted by an average of 6.92%. The unit renovation program continued through Q2 and a total of seventy-five (75) units had been completed by the end of the quarter, with an additional five (5) units under renovation. We expect to close out the current phase of the renovation program in early Q3 at eighty (80) units renovated and pause further unit renovations until the market environment improves. A designer was identified to work with property management and construction management at RPM with the design of property and amenity upgrades, including the fitness center, swimming pool area, outdoor barbeques/kitchens and a redesign of the building lobby, management office and reception.

4000 Paramount (Raleigh, NC)

Positioned in the heart of Perimeter Park, Raleigh's premier office park and the epicenter of the Southeast's leading life science sector, 4000 Paramount was acquired in Q3 2022, for USD 29.2 million. 4000 Paramount is a WELL certified building. The 95,787 SF, class-A office building is currently 85% leased. Our primary focus has been on leasing the remaining two vacancies which were both in shell condition. However, we completed a 5,000 SF spec suite investing USD 80 PSF at the end of 2023. Rambus, Inc. signed a lease for the spec suite which commenced July 12, 2024 and will bring occupancy to 90%.

Santana Terrace (Santa Clara, CA)

Santana Terrace is a 92-unit mid-rise apartment community built in 2020, which was acquired in Q4 2022. The property is located within Silicon Valley close to downtown San Jose and Google's new corporate campus, within minutes of the lifestyle and entertainment options offered by Santana Row and Westfield Valley Fair in Santa Clara. The community features generous amenities and modern high-end unit finishes. At the end of the second quarter, the property was 93.4% occupied with 13 new leases and 11 lease renewals signed during the quarter at an average effective monthly rental rate of USD 4.15 per square foot. Over the last quarter, Santana Terrace achieved positive lease trade outs on both new leases and renewals of 4.2% and 11.4%, respectively, ending the quarter with a 6% year-over-year increase in rental income from market units.

Asset Overview

Nr.	Acquisition Date	Property	Ownership Share	Sector	Market Value $ m	Market Value % of total	Tenants	Rent Contr. $ m	Rent Contr. %	Discount Rate	Running Yield	Vacancy %	WALT yrs
1	27-Sep-19	Stanley Black & Decker	100%	Industrial	40.2	10.8%	1	1.9	8.7%	7.0%	4.7%	0.0%	5.5
2	21-May-20	Plaza San Remo	100%	Retail	47.1	12.7%	3	2.7	12.5%	6.8%	5.8%	0.0%	7.5
3	18-Dec-20	Terry Thomas	100%	Office	36.5	9.8%	1	2.0	9.5%	7.3%	6.1%	0.0%	7.2
4	29-Dec-20	300 WS	100%	Office	29.1	7.8%	10	2.5	11.8%	8.0%	6.8%	0.0%	3.6
5	31-Aug-21	I-215	100%	Industrial	73.8	19.8%	1	1.8	8.3%	7.0%	2.7%	0.0%	2.1
6	31-Aug-21	2525 Enterprise	100%	Industrial	35.7	9.6%	2	1.7	7.8%	7.0%	4.7%	0.0%	3.8
7	1-Dec-21	The Beverly	100%	Residential	39.1	10.5%	108	2.9	13.4%	7.3%	4.8%	10.8%	0.5
8	20-Jul-22	4000 Paramount	100%	Office	24.8	6.7%	4	2.4	11.3%	9.0%	7.6%	15.0%	6.2
9	7-Oct-22	Santana Terrace	100%	Residential	45.6	12.3%	86	3.6	16.9%	7.0%	4.6%	6.5%	0.5
Total					**371.9**	**100.0%**	**216**	**21.4**	**100.0%**	**7.2%**	**4.9%**	**4.2%**	**3.8**
Total (excluding Residential)					**287.2**	**77.2%**	**22**	**15.0**	**69.8%**	**7.3%**	**5.0%**	**1.3%**	**5.3**

Figure 3.4 As of 30 June 2024

**The Beverly's vacancy rate is inclusive of 5 units currently under renovation.*

Tenant Roster

Property	Tenant	Credit Rating	Lease (Start Date)	Lease (End Date)	Last Rent Increase Date	Contracted yearly rent ($k)	Monthly Contracted Rent ($k)	% of Total Portfolio	Sqft.	Contracted rent per sqft.	ERV	Sqft. % of Portfolio	WALT Expiry
Santana Terrace	Individual Residential Units - Santana	N/A	Jul-24	Dec-24	Jul-24	3,615.5	301.3	16.9%	72,757	49.7	51.3	5.6%	0.5
The Beverly	Individual Residential Units - The Beverly	N/A	Jul-24	Dec-24	Jul-24	2,868.4	239.0	13.4%	113,903	25.2	25.0	8.7%	0.5
Plaza San Remo	Whole Foods Market	Baa1 - Moody's	Nov-07	Jan-33	Sep-22	2,293.5	191.1	10.7%	52,748	43.5	42.0	4.0%	8.6
Terry Thomas	Northeastern University	A1 - Moody's	Oct-19	Aug-31	Feb-24	2,035.4	169.6	9.5%	44,445	45.8	51.0	3.4%	7.2
Stanley Black & Decker	Black & Decker (U.S) INC.	A - S&P	Sep-19	Dec-29	Dec-23	1,866.2	155.5	8.7%	345,600	5.4	6.5	26.4%	5.5
I-215	Rivian Automotive LLC	N/A	May-21	Jul-26	May-24	1,773.0	147.7	8.3%	225,353	7.9	18.6	17.2%	2.1
4000 Paramount	UCB Biosciences, Inc and UCB, Inc.	N/A	Jan-23	Dec-30	Dec-23	1,458.6	121.6	6.8%	49,697	29.4	31.0	3.8%	6.5
2525 Enterprise	DS Containers Inc.	N/A	Aug-21	Oct-26	Oct-23	1,060.0	88.3	4.9%	201,134	5.3	6.7	15.4%	2.3
2525 Enterprise	Linamar Corporation	N/A	May-20	Oct-30	May-24	603.5	50.3	2.8%	102,467	5.9	6.7	7.8%	6.3
300 WS	Marketing Associates, LLC	N/A	Jan-21	Oct-29	Aug-23	468.0	39.0	2.2%	12,258	38.2	45.0	0.9%	5.3
4000 Paramount	LifeOmic, Inc	N/A	Feb-23	Sep-29	Jan-24	442.6	36.9	2.1%	14,572	30.4	31.0	1.1%	5.3
300 WS	Clarus Properties, INC	N/A	Jan-21	Mar-30	Oct-23	410.4	34.2	1.9%	10,624	38.6	45.0	0.8%	5.7
4000 Paramount	Garman Homes, LLC	N/A	Jun-23	Oct-30	Jan-00	370.2	30.9	1.7%	12,215	30.3	31.0	0.9%	6.3
Plaza San Remo	Pediatric Associates	N/A	Sep-19	Sep-24	Sep-23	289.9	24.2	1.4%	5,366	54.0	52.0	0.4%	0.3
300 WS	The Providence Group of the Carolinas, LLC	N/A	Jan-21	Aug-26	May-24	287.0	23.9	1.3%	7,461	38.5	45.0	0.6%	2.2
300 WS	Upstream USA, Inc.	N/A	Jan-21	Jan-25	Nov-23	287.0	23.9	1.3%	6,624	43.3	45.0	0.5%	0.6
300 WS	Environmental Resources Management-Southeast, Inc.	N/A	Jan-21	Dec-26	Sep-23	282.5	23.5	1.3%	7,190	39.3	45.0	0.5%	2.5
300 WS	BR+A LLC	N/A	Jan-21	Nov-26	Sep-23	257.8	21.5	1.2%	6,561	39.3	45.0	0.5%	2.4
300 WS	Eight Eleven Group LLC	N/A	Jul-21	Jun-27	Jun-24	218.4	18.2	1.0%	5,543	39.4	45.0	0.4%	3.0
300 WS	BSB DESIGN,INC	N/A	Aug-21	Mar-31	Jul-23	155.8	13.0	0.7%	3,320	46.9	45.0	0.3%	6.7
4000 Paramount	Community Based Care, LLC	N/A	May-22	Nov-29	May-24	142.1	11.8	0.7%	4,936	28.8	31.0	0.4%	5.4
300 WS	East Rock Capital LLC	N/A	Aug-21	Sep-27	Jul-23	90.6	7.6	0.4%	2,022	44.8	45.0	0.2%	3.2
Plaza San Remo	Prusso Corporation	N/A	Jan-23	May-28	Dec-23	88.5	7.4	0.4%	1,580	56.0	52.0	0.1%	3.9
300 WS	Stiles Corporation	N/A	Jan-21	Jan-25	Jan-24	83.4	6.9	0.4%	1,886	44.2	45.0	0.1%	0.6
Total						**21,448.3**	**1,787.4**	**100.0%**	**1,310,262**	**16.4**	**19.3**	**100.0%**	**3.8**
Total (excluding Residential)						**14,964.4**	**1,247.0**	**69.8%**	**1,123,602**			**85.8%**	**5.3**

Figure 3.5 As of 30 June 2024

4. Portfolio Construction

Initial Seed Capital Fully Invested

- Q2 Fund GAV of USD 413 million.
- USD 41 million in consolidated fund level cash invested in a Money Market Account earning 4.75%.
- Los Angeles is the largest MSA concentration.
- Largest single asset exposure (USD 73.8 million) is the I-215 Commerce Center industrial warehouse.

As of 30 June 2024, total capital commitments amounted to USD 418 million. The fund has called 100% of the seed capital, and 95% of committed investor capital. Considering unfunded and secured capital, investment capacity of approximately USD 63 million currently exists but could potentially grow to USD 163 million once a debt facility is secured. Until such time that a conforming investment opportunity is secured, USD 28 million in fund level cash has been placed into a money market demand account earning 4.75% in annual interest.

The fund targets its investments in markets that provide the most attractive opportunities for growth and stable net operating income prospects. The properties are currently diversified and located across eight markets in the USA. The regional allocation is balanced with 42% in the West, 23% in the South, 25% in the East, and 10% in the Midwest. The portfolio maintains a 40% overweight allocation in the industry/logistics sector due to the strong appreciation witnessed in prior years. With the purchase of the second apartment property in Q4 2022, a 23% sectoral allocation to apartments has also been achieved. Current sector allocation to office and retail is 24% and 13%, respectively.

Given higher interest rates and ongoing uncertainty regarding Fed interest-rate policy, asset-level, and fund-level debt financing options were placed on hold since 2022. We have reengaged in conversations with JLL as debt advisor given the stabilization in cap rates and heavily marked down opportunities that have been brought to market over the past six months.

Investment Capacity

Investment Capacity	Date	Cash Movement USD m
Initial Seed Capital		356.0
Capital Call	Sep-19	36.0
Capital Call	Mar-20	2.0
Capital Call	May-20	45.6
Capital Call	Dec-20	52.5
Capital Call	Dec-20	30.0
Capital Call	Aug-21	58.0
Capital Call	Aug-21	40.0
Capital Call	Nov-21	48.0
Capital Increase	Jan-22	60.5
Capital Call	Jul-22	30.0
Capital Call	Sep-22	53.6
Capital Increase	Sep-22	1.3
Remaining Equity 2024		**22.1**
Cash		40.8
Current Investment Capacity		**62.9**
Potential Investment Capacity		**187.9**

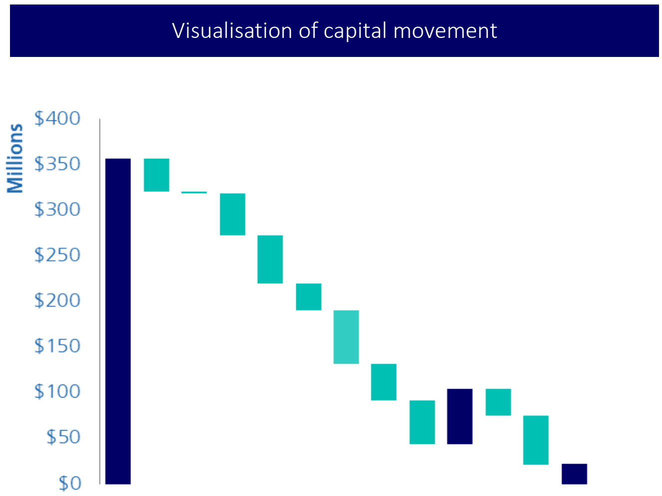

Figure 4.1; Data Source: FTI

Property	Asset Exposure % current Portfolio	Target Asset Exposure %	Region (Market)	Sector (Type)	Division	Q2 Market Value
300 WS	7.8%	5.2%	Charlotte, NC	Office	Mideast	29,100,000
Plaza San Remo	12.7%	8.4%	Miami, FL	Retail	Southeast	47,100,000
Stanley Black & Decker	10.8%	7.2%	Charlotte, NC	Industrial	Mideast	40,200,000
Terry Thomas	9.8%	6.5%	Seattle, WA	Office	Pacific	36,500,000
I-215	19.8%	13.2%	Los Angeles, CA	Industrial	Pacific	73,800,000
2525 Enterprise	9.6%	6.4%	Chicago, IL	Industrial	East North Central	35,700,000
The Beverly	10.5%	7.0%	Austin, TX	Residential	Southwest	39,100,000
4000 Paramount	6.7%	4.4%	Raleigh, NC	Office	Mideast	24,800,000
Santana Terrace	12.3%	8.1%	San Jose,CA	Residential	Pacific	45,600,000
Total	**100%**	**66.4%**				**371,900,000**
Current GAV						413,083,806
Target GAV (including unfunded equity, secured equity & target debt)						560,147,306

Current and Target Asset Exposure

Figure 4.2; Data Source: FTI

Diversification[1]

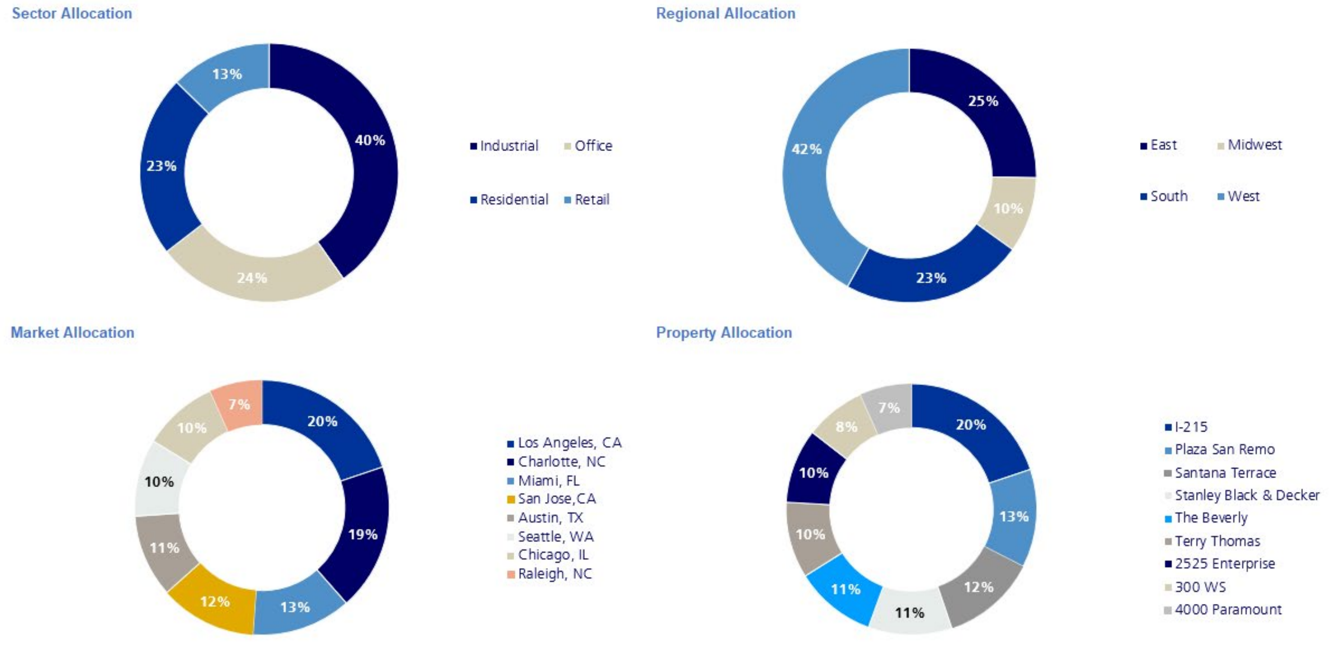

Figure 4.3; Data Source: FTI

[1] Based on current market value.

5. Key Performance Measures

Stable Income Returns offset some of the negative Capital Return.

- Gross Asset Value (GAV) of USD 381 million.
- Net income return Q2 2024 (NAV) of 0.94% and capital return of 0.01%.
- Total Return Q2 2024 (NAV) 0.96%.

The table below provides an overview of the investment returns at the investment foundation level. In Q2 2024, rental income increased slightly to 5.26 million USD compared to the 5.23 million USD in the previous quarter. Other income increased due to an operator change of the parking lot at Terry Thomas in the first half year. The rental loss rate decreased slightly to 3.14% thanks to single tenant assets and the good work of the local asset management teams.

Despite no interest rate cuts by the Federal Reserve, discount rates are stabilizing finally. This resulted in a slight revaluation gain in 2Q 2024 for the first time since 2022 and gives hope for future improvements. The portfolio saw negative revaluation result in H1 2024 of -3.43% on NAV.

In combination with a strong Income yield, the total return (ROIC) in the second quarter 2024 turned positive with a return of 0.95%. The existing property-related asset management business plans are reviewed on an ongoing basis and adjusted as necessary.

Return Attribution Investment Foundation (AST-Level)

Investment Return AST-Level	YTD 2024			Q2 2024		
	USD (million)	Ø GAV in %*	Ø NAV in %*	USD (million)	GAV in %	NAV in %
Net rental income / return	**10.50**	**2.77%**	**2.80%**	**5.26**	**1.38%**	**1.40%**
Maintenance of real estate	-1.63	-0.43%	-0.43%	-0.79	-0.21%	-0.21%
Operating expenses	-2.63	-0.69%	-0.70%	-1.30	-0.34%	-0.34%
Net operating income /return	**6.24**	**1.64%**	**1.66%**	**3.18**	**0.83%**	**0.84%**
Other income	3.18	0.84%	0.85%	1.61	0.42%	0.43%
Financing expenses	-0.04	-0.01%	-0.01%	-0.02	-0.01%	-0.01%
Administrative expenses	-1.72	-0.45%	-0.46%	-0.89	-0.23%	-0.24%
Income / expense from mutations Claims	0.00	0.00%	0.00%	0.00	0.00%	0.00%
Minority interests in net income	-0.67	-0.18%	-0.18%	-0.34	-0.09%	-0.09%
Net income / return	**7.00**	**1.84%**	**1.86%**	**3.55**	**0.93%**	**0.94%**
(Un)realised capital gains/losses	-13.95	-3.67%	-3.72%	0.05	0.01%	0.01%
Minority interests in (un)realised capital gains	1.09	0.29%	0.29%	-0.00	0.00%	0.00%
(Un)realised capital gains / return	**-12.86**	**-3.39%**	**-3.43%**	**0.05**	**0.01%**	**0.01%**
Total income / return of invested capital (ROIC) (excl. purchase in current income on issuance of claims)	**-5.87**	**-1.54%**	**-1.55%**	**3.60**	**0.94%**	**0.95%**

Figure 5.1; Data Source: Huwiler (per 30.06.2024)

*Average Gross Asset Value (GAV) and Average Net Asset Value (NAV) are calculated in accordance with KGAST (Average quarter-end GAV and NAV respectively).

The total return per unit share resulted in 0.96% for the first quarter 2024. The net asset value per unit increased further to USD 1'113.30 after reaching its peak in Q2 2022 with USD 1'368 and its bottom in Q1 2024 with 1'162 as rent escalations and realizing ERV could not offset the negative impact of the widening cap rates in the wave of an unprecedented rate hike set out by the Federal Reserve Bank.

Unit share performance

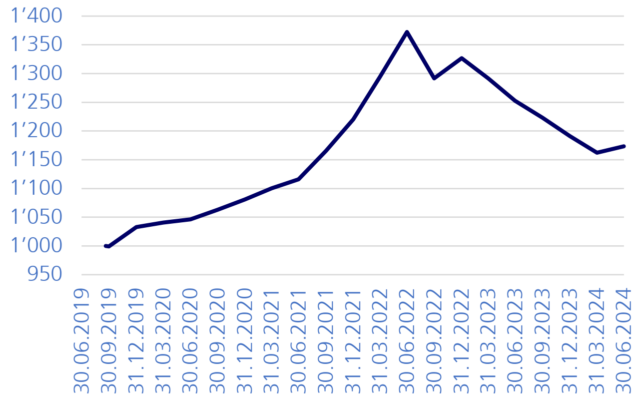

Figure 5.2; Data Source: Huwiler (2024)

The foundations Gross Asset Value (GAV) increased to USD 381.3 million in the second quarter. Continuous reinvestments as part of the asset management strategy of the collected rent will support the long-term growth target of the portfolio. As no leverage has been obtained because of the currently unfavorable market environment, the Net Asset Value (NAV) resulted just marginally lower at USD 377.2 million.

Since the inception of the investment group in September 2019, the return per share unit resulted an average performance of 3.44%. This is, considering reduced expected returns during a ramp-up period, the market distress during the Covid-19 pandemic as well as rising market uncertainty following a significant period of inflation, a pleasing result and underlines the quality of the asset selection capabilities as well as market growth identification of the asset manager ZAAM.

The EBIT margin increased to 73.32% because of higher CAM operating and tax recoveries in Q1, which resulted in more other income. Insurance premiums have increased 10% on a year-to-year basis, which is below market average. Generally, the EBIT-Margin is relatively high considering two out of 9 assets being multifamily asset, which requires more tenant engagement by the property managers than commercial assets. Thus, resulting in higher operating expenses. Since these expenses are priced into the leases, investors are not negatively affected by these costs.

Performance Indicators

Key Performance Indicators	
Gross Asset Value (GAV)	381,278,304
Net Asset Value (NAV)	377,184,825
Net asset value per unit	1,173.30
Number of underlying properties	9
EBIT margin	73.32%
Debt financing ratio	0.00%
Total Expense Ratio (TERisa GAV)	0.96%
Total Expense Ratio (TERisa NAV)	0.97%

Figure 5.3; Data Source: Huwiler (2024)

Return Metrics

Retrun Metrics	
Q2 2024 (NAV per unit share)	0.96%
YTD 2024 (NAV per unit share)	-1.53%
1-Year trailing (NAV per unit)	-6.32%
Since issuance p.a. (NAV per unit)	3.44%
Return on equity (ROE)	-1.53%
Return on Invested Capital (ROIC)	-1.54%

Figure 5.4; Data Source: Huwiler (2024)

Total Expense Ratio

On the cost side, due to a denominator effect total expense rations slightly increased.

6. ESG & Sustainability

Philosophy and Strategy

ESG-related considerations are an integrated component in how we do business and at the heart of our Responsible Investment philosophy. We have incorporated a scorecard rating system into our global asset management infrastructure. Moreover, we have a partnership with Measurabl to aggregate and monitor our real estate portfolio's energy consumption and utilization. The platform automates the collection and tracking of our utility/energy consumption across our portfolio and allows us to track the YOY carbon baseline footprint as well as individual property level ESG initiatives.

We give preference to those acquisition opportunities that boast strong ESG fundamentals. Energy efficiency, LEED certification, mass transit orientation, walkability, environmentally friendly waste management and utility programs, bike storage rooms/scores, and a host of now industry-established criteria are front and center in our evaluation of investment opportunities. To support this we integrated ESG due diligence checklists and energy audits across all prospective acquisitions.

Accomplishments, Objectives and Updates:
GRESB Reporting –We successfully completed the second submission of ALPHA Z REIT for GRESB Benchmarking. The preliminary score for the 2024 submission will be released in September.

Carbon Targets – We are collaborating with Group Real Estate and CBRE to utilize Science Based Targets to establish a carbon footprint for the portfolio and a reduction pathway for 2030 and 2050 within the Zurich Group framework. We have completed energy audits across the portfolio and presented a preliminary 2030 reduction target.

Green Building Certifications – Currently 75% of the portfolio GLA and 68% of the portfolio GAV is covered by a Green Building Certification. We have engaged CBRE to obtain IREM Certifications for the balance of the portfolio and anticipate having 100% of the portfolio covered by Q3 2024.

Tenant Exclusion – We established a preliminary framework for incorporating a tenant exclusion list into our acquisition and leasing process. We have reviewed all existing leases for compliance with the most recently published tenant exclusion list. Additionally, a review of the list has also been added to the acquisition and leasing procedures.

Data Assurance – Engaged EY to conduct Data Assurance across the portfolio to provide a third-party review of our utility and carbon data. A letter of Limited Assurance was obtained in conjunction with the 2024 GRESB submission.

Smart Metering – We have partnered with Redaptive to install smart metering technology at the portfolio's industrial assets as well as Whole Foods in order to obtain greater and more accurate utility consumption data.

Solar Installations – We completed Solar Feasibility Studies on the three industrial assets in the portfolio in Q4 2023 as the foundation for setting forth a solar strategy. We have submitted the portfolio's assets to True Green Capital to obtain a proposal.

Additional and ongoing nearer term workstreams (12 to 18 month) objectives include the following:

- Incorporate the energy audit findings into our capital plans for the portfolio investments
- Complete tenant engagement workshops and compile a set of action items

Principles of Responsible Investment: 2020 scored Zurich 'A', improving from a 'B' score the prior year in the Real Estate Direct Property.

Zurich is a GRESB participant since 2020 and has completed its inaugural GRESB 2023 submission for reporting year 2022 obtaining a 3-Star Rating.

GRESB

PRI Principles for Responsible Investment

7. Appendix

Fund Level Return Comparison Alpha Z REIT vs. NCREIF

To provide a benchmark comparison, the underlying REIT structure of the investment foundation (AST) ZAST Immobilien USA is compared based on US-GAAP to the National Council of Real Estate Investment Fiduciaries Open-end Core Diversified Equity Index (NCREIF-ODCE Index). Note that this approach does not consider the cost and expenses incurred at investment foundation level and apply different performance measurement standards, e.g., time weighted average quarterly NAV is used as the denominator for performance return calculations.

The fund reported a quarterly net income return of 1.06% and a 0.01% capital return in Q2. The portfolio Q2 income return outperformed the NCREIF ODCE benchmark by 26 bps. The fund's annualized 1-year fund level net total return of -5.93% outperforms the 1-year benchmark total return by 407 bps. The fund's since inception return of 4.44% outperforms the NCREIF ODCE benchmark by 228 bps.

Quarterly Net Returns (REIT Fund Level) compared to NCREIF ODCE Benchmark Index

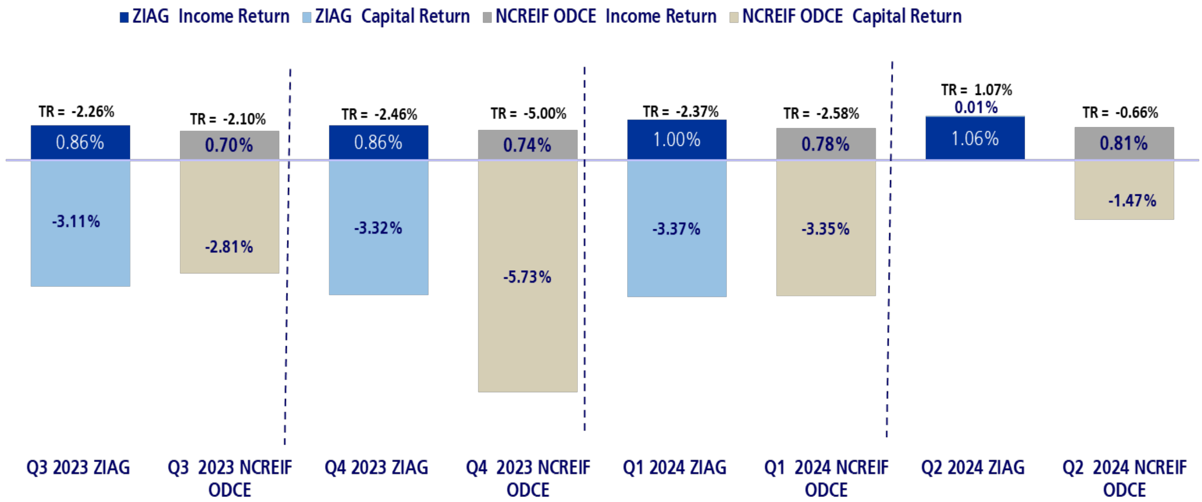

Figure 7.1; Data Source: FTI, NCREIF

Annual Net Returns (REIT-Level) compared to NCREIF ODCE Index

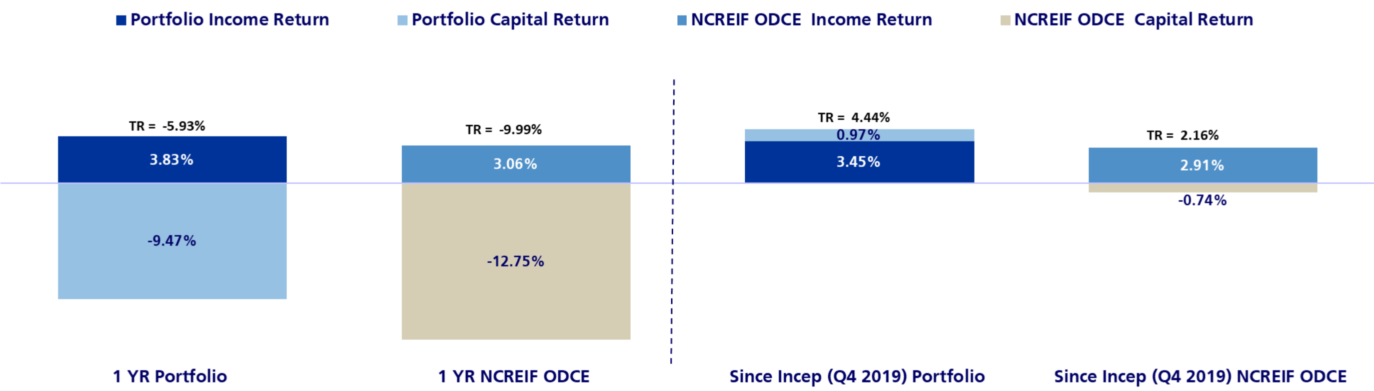

Figure 7.2; Data Source: FTI, NCREIF

7. Appendix

KGAST Rations

The “Konferenz der Geschäftsführer von Anlagestiftungen” (KGAST) defined standardized key ratios to enhance comparability across Swiss Investment Foundations and transparency of reporting data. The following data was identified by KGAST as key obligatory ratios to be reported in the annual account.

KGAST Ratios Investment foundation (AST-Level)

Type	Ratio	30/06/2024	Comment
KGAST	Rent Default Rate (Vacancy + Default) Mietzinsausfallquote	3.14%	On a proportionally consolidated basis
KGAST	Borrowing Ratio Fremdfinanzierungsquote	0.00%	On a proportionally consolidated basis
KGAST	Gearing ratio Fremdkapitalquote	0.99%	On a proportionally consolidated basis
KGAST	Average cost of debt Verzinsung Fremdfinanzierungen	0.00%	No debt has been used
KGAST	Operating profit margin (EBIT margin) Betriebsgewinnmarge	73.32%	On a proportionally consolidated basis
KGAST	Total Expense ratio (TER) GAV Betriebsaufwandquote	0.96%	YTD / annualized / based on average GAV for period / on a proportionally consolidated basis
KGAST	Total Expense ratio (TER) NAV Betriebsaufwandquote	0.97%	YTD / annualized / based on average GAV for period / on a proportionally consolidated basis
KGAST	Return on Equity (ROE) Eigenkapitalrendite	-1.53%	YTD / non annualized
KGAST	Dividend Ratio Ausschüttungsrendite	0.00%	The JIC decided to reinvest distributable income
KGAST	Payout Ratio Ausschüttungsquote	0.00%	The JIC decided to reinvest distributable income
KGAST	Return on Investment (NAV/unit) Anlagerendite	-1.53%	YTD / non annualized
KGAST	Remaining Lease Term (WAULT) Restlaufzeit der fixierten Mietverträge	5.3 years	Years to earliest termination as at 30/06/2024
KGAST	Remaining duration of external debt Restlaufzeit Fremdfinanzierungen	0 years	Years to earliest termination as at 30/06/2024

Figure 7.3; Data Source: Zurich Invest, Huwiler (2024)

7. Appendix

Guideline Compliance Checklist

The table below shows the internal compliance guidelines as set out by the Investment Committee:

Guideline	Guideline Range	based on % of current GAV	based on % of Target GAV*	Check	Remarks
Sector allocation conforms the guidelines					
Maximum exposure to single local market (MSA)	20%	17.9%	13.8%	Pass	CA - Los Angeles, I-215 Commerce Center (USD 73.8 m)
Single asset maximum exposure (any Single Property)	15%	17.9%	13.8%	Passive Breach / Pass	I-215 Commerce Center (USD 73.8 m) Passive breach due to strong appreciation of I-215 asset
Single tenant exposure limit (rent)	15%	10.7%	N/A	Pass	Whole Foods Market at Plaza San Remo (USD 2.3 m)
Sector exposure limit: Office	15%-35%	21.9%	16.89%	Pass	300 West Summit, Terry Thomas & 4000 Paramount (USD 90.4 m)
Retail	5%-25%	11.4%	8.80%	Pass	San Remo Plaza (USD 47.1 m)
Residential	20%-40%	20.5%	15.83%	Pass / Criteria not yet met	The Beverly & Santana Terraces (USD 84.7 m)
Industrial	25%-45%	36.2%	27.97%	Pass	Stanley B&D, 2525 Enterprise, I-215 Commerce Center (USD 149.7 m)
Minimum asset size at time of investment	USD 15m			Pass	The smallest Investment is 300 WS (USD 28.9 m)
Target leverage portfolio	20%	0.0%	0.0%	Pass	
Maximum leverage at portfolio level	33%	0.0%	0.0%	Pass	
Maximum leverage at asset level (SPV)	50%	0.0%	0.0%	Pass	
Insurance coverage (mandatory)	Yes			Pass	
Deal allocation has to be made in conformity	Yes			Pass	
Minimum allocation to Core assets	80%	100.0%	N/A	Pass	
Maximum strategic cash allocation	5%	9.9%	7.6%	Passive Breach	As the current investment market does not allow a further investment, rent collections have amounted to a significant cash position
Overall maximum exposure to Joint Ventures	30%	0.0%	0.0%	Pass	
Maximum exposure to a single Joint Venture	10%	0.0%	0.0%	Pass	
Maximum allocation to Joint Venture Projects	30%	0.0%	0.0%	Pass	

Sean Bannon   President   DocuSigned by: Sean Bannon AEF8654FF872420...

Gino Borrani   COO   DocuSigned by: Gino Borrani B391203321974A3...

Figure 7.4; Data Source: Zurich Invest, Huwiler (2024)

7. Appendix

Guidelines: Core Allocation

	Core	Value-Add	Opportunistic
Risk	low	Medium	High
Return	Long-term stable (200-400 bps above local short term gov. Bonds)	Volatile: ca. 100-300 bps risk premium on core assets	Uncertain, highly volatile
Income Return, % of total Return	70-90%	40-70%	0-40%
Leverage	0-30%	30-60%	>60%
Vacancy	Low (below 10%, low probability of long-term vacancy)	Medium, temporary (10-25%, with moderate risk of long-term vacancy)	High/absolute (<25%, with higher probability of long-term vacancy)
Markets	Liquid, active inst. Investors, growing pop., strong local economy	Few inst. Investors, stagnant pop., local economy in line with country avg.	Any
Location (sub-markets)	Established locations	Established and upcoming locations	Other
Tenants	Established businesses with good credit rating	Short business track record, and/or no earnings	Any/no tenants
Lease profile	Multi-tenant (excl. Logistics), WAULT in line with market norms	Short WAULT (shorter than market avg.)	Any/no leases
Property types	Most liquid sectors in the market	Liquid + upcoming sectors	All, incl. Land development
Holding period	Long-term (5-15 years)	Mid-term (1-3 years)	Any, incl. "buy-to-sell", land banking & "built-to-sell" schemes
CapEx needs	Limited	Considerable	Any / total development
Development Exposure	Less than 10% of the portfolio	10-25% of the portfolio	More than 25% of the portfolio

Investor Contact

Zurich Invest AG
Hagenholzstrasse 60
Postfach
CH-8085 Zurich,
Switzerland
www.zurichinvest.ch
ziagim@zurich.ch

Zurich Alternative Asset Management, LLC
4 World Trade Center
150 Greenwich Street – 52nd Floor
New York, NY 10007
United States
www.zaam.com

All the information provided in this document was prepared with care and to the best of Zurich's knowledge and belief. Zurich Invest Ltd., Zurich Alternative Asset Management LLC and the Zurich Investment Foundation disclaim any responsibility for the accuracy and completeness of this information and any liability for losses incurred through the usage thereof. The opinions expressed in this document are the opinions of Zurich Invest Ltd and the Zurich Investment Foundation at the time of its preparation and may change at any time and without notice. The document serves the sole purpose of providing information and is intended exclusively for the recipient. This document constitutes neither a request nor an invitation to tender, to conclude a contract, or purchase or sell investment instruments and is not a substitute for detailed advice or a tax assessment under fiscal law. A purchase decision should be made on the basis of the articles of association, regulations and investment guidelines as well as the current annual report of the Zurich Investment Foundation. This document may not be reproduced, either in part or in full, without the written consent of the Zurich Investment Foundation or Zurich Invest Ltd. It is expressly not directed towards persons who are forbidden access to such information under the current legislation on the grounds of their nationality or place of residence. There are risks associated with every investment, particularly the risk of fluctuations in value and yield. In the case of foreign currencies, there is also the risk that the foreign currency may depreciate in value compared to the reference currency of the investor. Historical performance is no guarantee of current or future performance. Performance data do not take account of any commissions or costs for the issue and redemption of shares. The issuer and manager of the investment groups is the Zurich Investment Foundation, Hagenholzstrasse 60, CH-8050 Zurich. The custodian is State Street Bank International GmbH, Munich, Zurich branch. The Zurich Investment Foundation is managed by Zurich Invest Ltd., Hagenholzstrasse 60, CH-8050 Zurich. The articles of association, regulations and investment guidelines as well as the current annual report and factsheets are available free of charge from the Zurich Investment Foundation. They are also available at www.zurich-anlagestiftung.ch. Only tax-exempt pension funds domiciled in Switzerland are permitted as investors in the Zurich Investment Foundation.