



EDMOND DE ROTHSCHILD REAL ESTATE SICAV (« ERRES ») PUBLICATION OF THE AUDITED ANNUAL REPORT AS AT 31 MARCH 2020

ERRES' good annual results as at March 31, 2020 reflect the portfolio's excellent positioning in terms of location, vacancy risk and environmental profile.

- **Stabilisation of the dividend at CHF 3.50**, to be approved by the General Meeting of 21 July 2020.
- **Reduction in the vacancy rate from 3.14% to 2.95%**, underlining the quality of the properties in the portfolio, their good location and the manager's ability to adapt to market developments.
- **Increase of 26.30% in net income** thanks to quality acquisitions and good cost control: TER(GAV) stabilised at 0.70%.
- **Reduction of the debt ratio from 29.78% to 25.54%** and reduction of the weighted average cost of debt from 1.37% to 1.32%.
- **Certification in 2020 by SGS of the self-assessment made on the basis of the SNBS 2.0 building standard.** ERRES is thus the first component of the SSREI - Swiss Sustainable Real Estate Index.

Income statement

At 31 March 2020, net profit for the year, including current income and expenses, rose by 26.3% to CHF 32.8 million.

Income is up 14.6% on the previous year. This increase is mainly due to the revenues related to the capital increase of September 2019 and revenues from new acquisitions.

The rent default rate at the end of the year was 2.95% of total rental income, down on the previous year.

Current expenses at 31 March 2020 were stable overall. The manager's remuneration fell to 0.53% of the net asset value (NAV) compared with 0.57% in the previous financial year. Finally, ERRES is taking full advantage of the cantonal tax reforms in the cantons of French-speaking Switzerland and saw its tax provision fall from 20.5% to 19.0% of total income.

The unrealized capital gain for the year amounts to CHF 9.4 million. The potential impact of the coronavirus crisis weighed on the valuations of commercial properties with conservative assumptions taken into account by the experts.

The total result for the 2019/20 financial year amounts to CHF 42.7 million, slightly higher than the previous year, which was marked by the sale of the Agora property in Fribourg.

Taking into account the 2019/20 realised result of CHF 33.2 million and the retained earnings from previous years, the result available for distribution amounts to CHF 57.9 million (CHF 6.31 per share). The Board of Directors will propose to the General Meeting of Shareholders a distribution in line with the target of CHF 3.50 per share, i.e. CHF 32.1 million, derived exclusively from current real estate income for the year, without any contribution from retained earnings and capital gains. On this basis, the payout ratio is 97.75%, down on the previous year.

The net asset value was CHF 117.60 per share, up by 0.45% on the previous year. The investment return was 3.54%.

Balance sheet

In accordance with the strategy adopted by the Board of Directors in April 2019, the debt ratio at 31 March 2020 is down to 25.54%. The weighted average interest rate is also down and now stands at 1.32% compared to 1.37% a year earlier.

With eight new acquisitions and one property disposal, the portfolio as at 31 March 2020 consisted of 74 properties with total real estate assets of CHF 1,395 million.

Including signed forward sales, the predominance of residential use is confirmed with 56% residential properties, 11% mixed properties and 33% commercial properties.

From a geographical point of view, the new acquisitions are mainly concentrated in French-speaking Switzerland in the cantons of Geneva, Vaud and Fribourg.

ESG

Based on the 13 issues of the Environment and Society sections established by the Observatoire de l'Immobilier Durable (OID), the ESG strategy is now fully monitored using quantitative factors.

ERRES is the first Swiss real estate fund to be included in the Swiss Sustainable Real Estate Index (SSREI) following a certified evaluation of its real estate portfolio by the Société Générale de Surveillance (SGS) based on the analysis framework defined by the Swiss Sustainable Building Standard (SNBS) 2.0 Bâtiment.

We note in particular: the reduction in energy consumption per m² by 8.3%, the reduction in CO₂ emissions per m² by 9.5% and the reduction in the proportion of fossil fuels (oil and gas) used to heat the building stock, from 76% to 72%.

Transactions

The financial year was marked by the transfer of ownership of eight assets for a total acquisition value of CHF 141.9 million, financed in particular by the capital increase of September 2019.

During the 2019/2020 financial year, the SICAV also wished to take advantage of the favorable economic context to complete the sale of a building in Uznach (SG) and the last two owner-occupied floor lots in Malters (LU).

During the financial year, two forward sales were signed for the acquisition of two residential buildings under development in the new "Quartier de l'Etang" in Vernier (GE). The transfer of ownership is currently scheduled for July 2021.

The SICAV is committed at the end of March 2020 for a total investment volume of CHF 379.5 million with the forward purchase of several buildings and also of a real estate company comprising 18 residential buildings located in the cantons of Geneva and Vaud.

Construction and development projects

The complete renovation of the two properties in Brugg (AG), which began in September 2018, was completed at the end of 2019 at a total cost of CHF 13.1 million.

The construction site of the A14 project of 104 apartments in the eco-district of Les Vergers in Meyrin (GE) is nearing completion with the first apartments to be delivered from July 2020.

The Bläuacker II project in Köniz (BE), which was purchased in the previous year, started construction activities in September 2019 and consists of 29 apartments and retail space.

During the financial year, the manager obtained a building permit for the raising of two floors and 16 apartments on the Prulay 37 building in Meyrin (GE).

Covid-19

ERRES' rental revenues were not impacted in the 2019/20 fiscal year. On the other hand, the independent appraisers took into account the health situation prevailing in March/April and thus had a negative impact on the outlook for certain retail properties by significantly increasing rental losses in the coming years and taking into account lower market rents.

We believe that the risk related to the Covid-19 crisis is contained for the financial year 2020/21. In particular, we consider the predominantly residential exposure, the diversity and solidity of our commercial tenants and the low exposure to the hardest-hit sectors.

At the end of May 2020, the date on which the economy resumed for the most part, the requests for deferrals concerned 1.43% of the total rental income and losses granted 0.51%.

Perspectives

The strategy adopted by the Investment Manager and the Board of Directors offers the Swiss Sub-Fund interesting prospects based on quality and dynamism. The following principles govern the development of the portfolio:

- Preponderance over French-speaking Switzerland thanks to the Manager's professional network and concentration on the Canton of Geneva, which is distinguished by its rental demand.
- Portfolio growth focused on the residential sector with a maximum strategic allocation of 33% on commercial real estate, concentrating on well-located, quality properties with long-term rental prospects.
- Consolidation of the debt ratio in order to place it durably in the range 25%-28%.
- Maintain the dynamism of the investment activity in order to integrate quality properties in urban locations or properties with potential for value creation.
- Continuous improvement of the energy and social footprint by aiming for a concrete and measurable impact on buildings and tenants.

- Deployment of the portfolio's intrinsic value reserves by renovating rental properties or developing construction potential.
- Controlling rental risks through dynamic and proactive management of the properties under management.

The management team is convinced that these strategic axes will allow the SICAV to stand out in a complex real estate environment.

In this context, and in accordance with the communication of 4 June 2020, the Board of Directors plans to increase the capital of the Edmond de Rothschild Real Estate SICAV - Swiss sub-fund ("ERRES") by an estimated amount of between CHF 180 and CHF 300 million by the end of 2020.

If you have any questions, please contact:

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