



EDMOND DE ROTHSCHILD REAL ESTATE SICAV ("ERRES") PUBLICATION OF THE AUDITED ANNUAL REPORT FOR THE YEAR ENDED 31 MARCH 2021

ERRES's excellent annual results for the financial year ended 31 March 2021 demonstrate the resilience of the portfolio in an atypical context as well as the manager's ability to create value.

- **+2.9% increase in the dividend to CHF 3.60**, with a payout ratio of 95.49%, to be approved by the Annual General Meeting on 20 July 2021.
- **+31.6% increase in net earnings** thanks to high-quality acquisitions, the dynamic management of buildings and good control of the fund's costs: TER (GAV) down to 0.68%.
- **Loss of rental income of less than 0.5%** thanks to the aid granted to tenants in difficulty during the pandemic, resulting in a vacancy rate excluding COVID cases of 2.88%.
- **Strong growth in investment yield at 5.83%**, with a significant contribution from unrealised capital gains.
- **Reduction in CO₂ emissions of 7.0%**, and systematic implementation of the sustainability policy.

10th anniversary

In 2011, the Edmond de Rothschild Group innovated by launching the first Swiss real estate SICAV with an initial issue of CHF 300 million and simultaneously listed on the stock exchange. Following six capital increases, the real estate portfolio currently comprises 105 buildings and more than 3,200 apartments, allowing for a record dividend level of CHF 3.60 per share. The market performance of the shares is to be hailed, at over 107% since inception and outperforming the benchmark.

Ten years later, the foundations of ERRES's success are still relevant. The Board of Directors and the manager are resolute in their approach for the coming years to best serve the interests of investors.

Income statement

At 31 March 2021, net income for the year, comprising current income and expenses, was up 31.6% at CHF 43.2 million.

Revenues were up 18.2% compared with the previous year. The increase comes mainly from revenues related to the September 2020 capital increase and revenues from new acquisitions.

The rent loss rate at the end of the year was 3.33% of total rental income. This slight increase is explained by the rental waivers granted to tenants during the periods of retail shop closures. The amount of the waivers totalled CHF 350,000, representing less than 0.5% of the total income for the financial year.

Expenses rose at a slower pace than revenues during the financial year. Maintenance, renovations and current expenses of buildings came to 11.8% of revenues compared with 13.9% in the previous year. The Manager expects to see a catch-up effect over the next few years once the pandemic is over. ERRES is benefiting from the persistently attractive financing conditions on the debt market. Moreover, the tax burden has been reduced following effective tax reforms in the cantons of French-speaking Switzerland with a one-time positive effect.

Unrealised capital gains for the financial year amounted to CHF 36.4 million, reflecting the exit from the economic crisis and continued strong momentum on the transactions market. The gain was driven mainly by well-located residential buildings.

Total profit for FY 2020-21 was CHF 81.0 million, up strongly on the previous year.

Taking into account the profit of CHF 44.6 million achieved in FY 2020-21 and the retained earnings carried forward from previous years, the profit available for distribution amounted to a record level of CHF 70.4 million (or CHF 6.14 per share). The Board of Directors will propose to the General Meeting of Shareholders a 2.9% increase in the dividend, to CHF 3.60 per share, or CHF 41.2 million. On this basis, the payout ratio comes out at 95.49%, down from the previous year.

Investment return stands at 5.83%, compared with 3.54% for FY 2019-20.

Balance sheet

The debt ratio at 31 March 2021 stood at 28.52%, slightly above the strategic limit established at between 25% and 28%. The weighted average interest rate decreased sharply and now stands at 0.95%, down from 1.32% a year earlier. Renewals are made at rates well below maturing borrowings, while new acquisitions are financed at very attractive rates.

With 33 new acquisitions and two buildings sold, the portfolio at 31 March 2021 consisted of 105 buildings, with total real estate assets of CHF 1,931 million.

Including signed forward purchases, the predominance of the residential allocation has been confirmed, with 58.4% residential properties, 11.9% mixed properties and 29.7% commercial properties. Commercial properties are mainly exposed to quality tenants that have weathered the crisis and are committed to long-term leases with an average residual term of 6.11 years.

The portfolio's exposure to the canton of Geneva increased sharply to 47.2% at the end of the year. For the other main cantons, Vaud is next, with an allocation of 25.9%, followed by Fribourg with 9.1%, Neuchâtel with 4.6% and Zurich with 3.8%.

The net asset value before payment of the dividend and after deduction of liquidation taxes is CHF 120.75 per share, up 2.68% year on year.

Sustainability

The Manager strengthened its organisation structure in terms of sustainability in FY 2020-21 by implementing a common sustainability policy at the level of the European platform of Edmond de Rothschild REIM.

Particular emphasis is placed on the accuracy and verification of data collection, which is vital to obtaining a clear inventory, setting objectives and monitoring progress. To provide a transparent view of the portfolio in terms of sustainability, for the second year in a row the

Manager conducted a self-assessment of its portfolio according to the operational framework defined by SNBS and obtained SGS certification. As a result, ERRES has been included in the Swiss Sustainable Real Estate Index (SSREI) since 2020 with a stable rating of 2.11.

The results obtained on key environmental indicators such as CO₂ emissions and the IDC heat consumption index are highly encouraging. CO₂/m² emissions were reduced by 7.0% over the year and by 17.5% over two years since the introduction of energy monitoring. The IDC was reduced by 2.0% over the year and by 10.1% over two years.

The Manager's determination to have a positive impact on society and the environment is reflected in concrete actions carried out at the level of the buildings. Several projects were launched over the year, with the installation of photovoltaic panels and the implementation of tools to optimise boiler installations through connected intelligence.

The ongoing renovation project for the Prulay 37 building in Meyrin (GE) is a concrete example of the strategy of working on the existing stock of buildings in the portfolio. The Minergie renovation will reduce the energy requirements of the building from 586 MJ/m²/year before the acquisition of the building in 2011 to 276 MJ/m²/year in 2022 after the renovations. CO₂ emissions are expected to total 6.8 kgCO₂/m²/year and be in line with the climate targets of the Confederation.

Transactions

Transaction momentum was strong in the 2020-21 financial year, with no fewer than 33 new buildings joining the portfolio, while two buildings were sold. The market value of the new assets was CHF 484.8 million, while the two sales together represented CHF 11.3 million. This growth was financed in particular by the capital increase in September 2020.

First, the manager took receipt of the "Quartier de La Pâla" development located at Vevey 254 in Bulle (FR) on 1 April 2020. This residential complex of 55 apartments is fully rented and testifies to the quality of the surface areas and the successful positioning in the rental market. ERRES then acquired four residential and mixed-use buildings through separate transactions. The buildings located at Geneva 109 in Thônex (GE), Dancet 8 in Geneva (GE) and Carl-Vogt 47 in Geneva (GE) offer high-quality investments and rental potential to be developed. The building at Henri-Plumhof 28 in Vevey (VD) has a good finish in a quiet residential area. In March 2020, the Manager secured the acquisition of a real estate company with a portfolio of 18 residential properties located in Geneva and the canton of Vaud. These properties, which are in prime locations, were added to the ERRES portfolio at the beginning of January 2021 and reinforce the quality of the SICAV's portfolio and its predominantly residential positioning. With a vacancy rate of less than 0.5% and strong rental potential, this major acquisition fits perfectly with SICAV's strategic objectives. The manager then acquired four other residential and mixed buildings in highly sought-after neighbourhoods of Geneva. The buildings at Malagnou 52 in Geneva (GE), Fontenette 15 in Carouge (GE), Royaume 9 in Geneva (GE) and Carl-Vogt 75 in Geneva (GE) offer high-quality locations and a defensive rental profile also offering potential. In addition, ERRES became the owner in early 2021 of a portfolio of five residential buildings located in Nyon, Lausanne and agglomeration, and Neuchâtel. These buildings require maintenance and will be the subject of short-term investments in order to improve their rental income, which is currently between experts' 10 and 30 quantiles.

During the 2020-2021 financial year, the SICAV took advantage of the favourable economic environment to sell the Bahnhofstrasse 3-5-7a-7b building in Dotzigen (BE) and the Jacques-Gachoud 2 building in Fribourg (FR), realising a cumulative after-tax capital gain of CHF 1.37 million. Both of these small properties had vacancy risks as well as large investments to be undertaken without potential. The sale of the Jacques-Gachoud 2 building in Fribourg was also completed as part of an exchange of buildings that enabled ERRES to become the owner of the new building located at Tremblex 2-4 in Mézières (FR). This excellently finished building

contributes positively to the overall performance and sustainability rating while requiring little future investment.

In addition, at the end of March 2021, the manager committed to the forward purchase of a portfolio of nine residential buildings in the canton of Vaud (Lausanne, Morges, Prilly, Pully and Renens). The delivery of the buildings under construction in the Quartier de l'Etang, and payment of the balance of the purchase price, is scheduled for October 2021. The total of these commitments, as well as the end of the construction under way in Bläuacker 2 in Köniz (BE), amounts to CHF 144.5 million.

Constructions and renovations

The A14 project of 104 apartments in the eco-neighbourhood of Vergers in Meyrin (GE) was delivered in summer 2020. All the apartments have been successfully rented and only one retail space remains vacant. This building offers a gross return of 4.23% on the cost price and has already generated an unrealised capital gain of CHF 3.1 million for ERRES, confirming the added value of developing high-quality new projects.

The Bläuacker II project in Köniz (BE), with an investment amount of CHF 19.2 million, is progressing in line with expectations. Located in the central square, close to the railway station, this construction project consisting of two energy-efficient mixed-use buildings (29 apartments, 35 parking spaces and 1'844 m² of retail and storage space) is expected to be delivered in two phases between now and the end of November 2021. The Manager has signed long-term leases with high-quality commercial tenants. The apartments are highly sought after. This development will generate a net return of 3.88%.

The buildings of the Quartier de l'Etang in Vernier (GE) are progressing in accordance with the deadlines set with a transfer of ownership planned for October 2021. The marketing of the 217 housing units, all offering controlled rents, began in spring 2021 and suggests an excellent occupancy rate on delivery. The net return on cost of 3.30% is very attractive in the current market.

The manager is currently pursuing an energy renovation project and a two-storey elevation of the Prulay 37 building in Meyrin (GE). The project includes the creation of 16 additional apartments and Minergie rating of the assets. The budget envisages an investment of CHF 4.6 million for a gross return of 5.60%. The work, which began in November 2020, is expected to be completed at the end of 2021.

Covid-19

In March 2020, Switzerland was hit hard by the coronavirus outbreak with drastic effects on the country's economy. As a property owner, ERRES was also impacted. Nevertheless, thanks to its diversified residential allocation, the SICAV's revenues were resilient and, in overall terms, little affected.

To respond to tenants' requests and manage rent arrears, an ad hoc internal committee was set up. The manager has implemented a dynamic, individual and objective assessment methodology for requests by assigning a score based on a set of nine criteria (business sector, duration of closure, size of tenant, etc.). The committee also took into account the assistance provided by the cantons (Vesta-type agreements in Geneva) enabling tenants to benefit from rent reductions.

The total amount of rent reductions or waivers granted amounted to CHF 365,000 at 31 March 2021, representing less than 0.50% of the total income for the financial year.

Outlook

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

- Predominance of French-speaking Switzerland thanks to the Manager's professional network and focus on the Canton of Geneva, which is characterised by its demand for rental property.
- Portfolio growth focused on the residential sector with a strategic allocation of up to 33% for commercial real estate focusing on well-located high-quality properties with long-term rental prospects.
- Consolidating the debt ratio to bring it within the 25%-28% range over the long term.
- Maintaining the momentum of investment activity to include quality buildings in urban locations or property with value creation potential.
- Continued dividend growth and a multi-year spread of the contribution of gains realised on disposals.
- Continuous improvement in the energy and social footprint to have a concrete and measurable impact on buildings and tenants.
- Deployment of the intrinsic value reserves of the portfolio by renovating rental properties or developing construction potential.
- Controlling rental risks through the dynamic and proactive management of the properties.
- Controlling the fund's expenses and costs by seeking to optimise the profitability of rents received.

The management team is confident that these strategic priorities will enable it to differentiate itself in a complex real estate environment. In this context, and in accordance with the communication of 3 June 2021, the Board of Directors intends to increase the capital of the Edmond de Rothschild Real Estate SICAV - Swiss ("ERRES") sub-fund by an estimated amount of CHF 280 million in September 2021.

If you have any questions, please contact:

Edmond de Rothschild REIM (Suisse) SA

Pierre Jacquot

p.jacquot@reim-edr.ch

Arnaud Andrieu

a.andrieu@reim-edr.ch

www.edr-realestatesicav.ch

Link to the audited annual report

<http://www.edr-realestatesicav.ch/publications/documents-officiels.aspx>

Link to the investor presentation

<http://www.edr-realestatesicav.ch/publications/reporting.aspx>

Link to the video presentations

<http://www.edr-realestatesicav.ch/publications/documents-officiels.aspx>