



Edmond de Rothschild Real Estate SICAV

MANAGER'S REPORT

Geneva, 14 March 2013

Dear Investors,

2012 was an active year for Edmond de Rothschild Real Estate SICAV.

Much of our energy was put into new acquisitions as we increased the Swiss subfund's capital by over CHF 100m in March and launched Helvetia, a second subfund with CHF 200m assets, in May.

In 2012 we purchased nearly CHF 260m of new properties, increasing the SICAV's real-estate investments to CHF 638m (CHF 486m for Swiss and CHF 152m for Helvetia). The portfolio now contains 47 buildings, three of which are under construction.

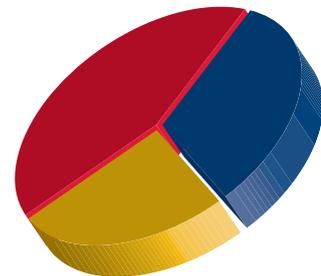
In terms of regions and sectors, the subfunds are positioned as follows² :

SWISS

- Geneva - 27%
- Fribourg - 22%
- Vaud - 16%
- Zürich - 16%
- Aargau - 7%
- Basel - 6%
- Other - 6%

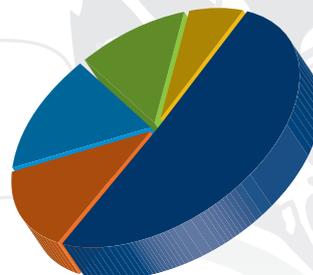


- Residential - 32%
- Commercial - 42%
- Mixed - 26%

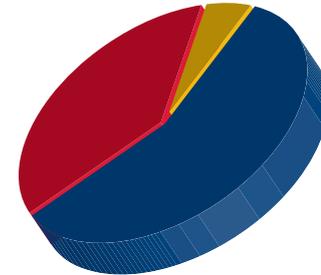


HELVETIA

- Geneva - 51%
- Valais - 15%
- Fribourg - 15%
- Vaud - 12%
- Bern - 7%



- Residential - 58%
- Commercial - 36%
- Hotels - 6%



¹ Includes the total construction value of works in progress.

² This is based on the appraisal value of the completed buildings and includes the latest acquisitions.



LATEST ACQUISITIONS

We continue to focus our acquisition efforts in the residential sector, especially in the Swiss subfund.

Two fine apartment complexes were bought recently by the Swiss subfund:

- ▶ One, added in late December 2012, is composed of the apartment buildings at 60 and 64 Rue Rothschild, Geneva comprising 38 flats and is located between the main railway station Cornavin and the international organisations district. Built in the 1960s, the apartments and exterior are well maintained and do not require major renovations.
- ▶ The other complex, added in late February 2013, is composed of the apartment buildings located at 13 and 15 Sommerhaldenstrasse in Brugg (Aargau), 35 km from Zurich. These two blocks, built in the 1980s, contain 102 flats and are located in a quiet residential neighbourhood bordered by woods and next to an elementary school. We have decided to improve these buildings' energy efficiency and tease out the upside potential of the rents over the next five years.

These two acquisitions, together worth over CHF 50m, reinforce the Swiss subfund's residential exposure in German and French Switzerland. As a consequence the proportion of fully commercial buildings in ERRES Swiss has fallen to below half (42%), reflecting our strategic aim for a balance between:

- ▶ a larger proportion of residential or mixed buildings spread across Switzerland's dynamic urban areas, and
- ▶ better-performing, steady cash flows generated by high-quality, durable commercial buildings with a limited risk profile.

As regards the ERRES Helvetia portfolio we are preparing to make acquisitions at the end of Q1 13.

PORTFOLIO MANAGEMENT

In 2012 new buildings were integrated into both subfunds to our full satisfaction. All interim calculation of service charges with previous owners have been settled and the rents paid as expected. Owing to the gradual acquisitions made during the 2012 2013 financial year, many of our buildings were not able to deliver their nominal annual rental value. Despite this, we are happy to report that our revenue projections for the next financial year starting in April 2013 align us with the market and with the forecasts that we made in 2011.

FOCUS

- ▶ **BOIS DES FRÈRES 81 IN VERNIER, GENEVA (SWISS SUBFUND)**

In January 2013, the last 2 tenants have moved in this modern building located in Vernier, only a few hundred meters from Geneva's international airport.

In 2008 Orox Capital Investment (now integrated in the Swiss subfund) bought the Centre d'Impression Edipresse built in 1985 for La Suisse (a defunct newspaper). Even though the building was bought empty with a single-tenant configuration,



after a long study we drew up a feasible renovation plan and signed leases covering roughly 40% of the original surface. The aim was to turn this former printing facility into multi-tenant building combining office and logistical spaces inside and out.

A first phase of work costing nearly CHF 4.5m was done in 2009 and 2010. It consisted in dividing up the surface area and modernising the heating, plumbing and exterior features. We also enhanced the building management system to cut maintenance costs significantly. At the end of this phase, we rented 80% of the surface area to four financially secure tenants under 10- to 15-year leases.

Given the appeal of this kind of space at this location, we began a second series of renovations costing CHF 2.4m in early 2012 to add an extra 1000 square metres of surface area. This was done by laying an intermediate floor to divide up the huge volume resulting from the building's high ceiling. The newly created office and logistical space was then fitted out handsomely.

This building has become one of the most performing of Swiss subfunds:

- the rental value doubled between 2008 and 2013;
- the rental surface was increased by nearly 50%;
- federal subsidies were obtained to renovate the building's heating, plumbing and structure and to add solar panels;
- the new 10- to 15-year leases were signed with well-known companies in buoyant sectors such as public transport, logistics, events, luxury goods and IT;
- the net yield on the purchase price is nearly 7%.

We would like to thank you for your trust since the launch of the SICAV and can assure you that we and our associates are fully committed to these projects.

Banque Privée Edmond de Rothschild S.A.,
Geneva
Investment Manager



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