



ACTIVITY REPORT

Edmond de Rothschild Real Estate SICAV Swiss

3rd Quarter 2013

FUND FACTS

Structure	SICAV
Domicile	Switzerland
Share category	A (distribution)
Launch date	16.03.2011
Financial year ends	31 March
Distribution	Annual
Investment Manager	Banque Privée Edmond de Rothschild S.A.
Fund Management Company	CACEIS (Switzerland) S.A.
Custodian	Banque Cantonale Vaudoise
Independent auditor	KPMG S.A.
Management fee	0.50%
Taxation	Exemption for investors
ISIN	CH0124238004
Telekurs code	12423800
Ticker symbol	ERRES

Dear investors,

ERRES Swiss was launched a little over two years ago and has been buying properties since then. As the subfund is almost entirely invested now, it is entering a new stage in which the team will work on improving returns and increasing the dividend. The main picture featured in this report shows our transformation of the Margarethenstrasse / Blauenstein building in Basel, a complete renovation that will create 35 new apartments by summer 2014. The 'Focus' section of this report deals with the introduction of an internal energy-efficient rating based on the state of properties' maintenance.



PROJECT MARGARETHENSTRASSE, BASEL

SYNTHESIS IMAGE

KEY FIGURES AT 31.03.2013

Total assets	CHF 431.2 m
NAV (ex dividend)	104.19 CHF/share
Previous dividend	2.10 CHF/share
Distribution ratio	97.09%
Performance	3.41%
Return on equity	3.29%
EBIT margin	85.78%
TERref	0.71%
Rate of loss on rents	2.29%

Since the beginning of the current financial year, ERRES Swiss has added four buildings comprising a total of 135 apartments and increasing the residential segment. The subfund currently owns real estate worth CHF 528m (ex current construction costs). In another major stage to end-June, we made our first tax-neutral transfer of a property from Orox to ERRES Swiss. This concerned the Agora mixed Minergie®-labelled complex in Fribourg, the largest object in the portfolio at present. In the coming months the remaining buildings will be transferred in order to avoid additional administrative costs and to improve the portfolio's transparency for our investors.

Shares of real-estate funds have fallen in recent months. ERRES Swiss is no exception and is now trading at a slight discount. This would have been an unusual situation for a Swiss real-estate fund in recent years but does not reflect the subfund's growth/return potential. Even though we must focus our efforts on tweaking the portfolio and increasing income, we are also trying to reverse the "discount" situation. A more detailed comment is contained in the 'Share price' section.

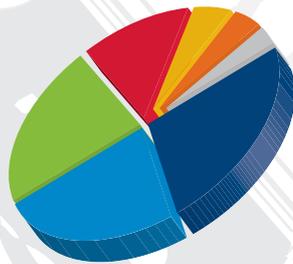


MAIN DEVELOPMENTS IN THE REPORTING PERIOD

- ▶ **We bought four residential properties totalling CHF 36m:**
 - Route de Moncor 21-25, Villars sur Glâne (FR), three buildings comprising 43 apartments
 - Rue du Nord 4, Marly (FR), a small block of 16 flats
 - Ch. des Geais 19, Epalinges (VD), an apartment building built in 2010 comprising 40 studios that are all rented to the CHUV under a 10-year lease
 - Av. de l'Europe 20, Bulle (FR), a mixed building composed of 32 flats and 1300 m² of commercial space that has been entirely rented.
- ▶ **The Agora building was transferred** outright to ERRES Swiss from Orox (this is the first such transfer).
- ▶ **We took possession of the Biopôle IV building** in Epalinges when construction was completed. The total cost of the project was CHF 34.5m. Lausanne University signed a 10-year lease.
- ▶ **The Margarethenstrasse/Blauenstein building in Basel renovation started** and the commercial space is being transformed to make 35 new apartments. Estimated cost of renovation: CHF 10m.
- ▶ Meanwhile we are lengthening the maturity of our borrowings while keeping the weighted average interest rate at the same level, by means of 7- and 10-year loans

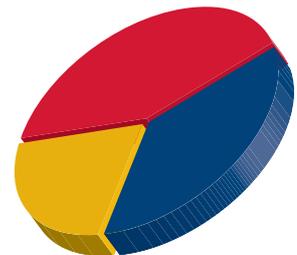
Breakdown by canton *

Geneva	- 26%
Fribourg	- 24%
Vaud	- 22%
Zurich	- 13%
Aargau	- 6%
Basel	- 5%
Other	- 4%



Breakdown by segment *

Residential	- 35%
Mixed	- 24%
Commercial	- 41%



* Estimate at 30.09.2013 based on market value of property.



SHARE PRICE

At 30 September ERRES Swiss shares closed at CHF 101.60, marking a 2.48% discount to the most recent known NAV (ex dividend). The share price fell 4.55% in the last quarter (dividend included) while the benchmark was down 2.93%. Since the subfund's launch the price is up 6.74% (dividend reinvested) while the SXI Real Estate Funds TR index has gained 6.36%.

ERRES Swiss shares have fallen more than the benchmark in recent months. We believe this is due to three factors:

- ▶ **Dividend:** since ERRES Swiss's portfolio was still being built, the 2012-13 dividend was below the market average. With investors switching between funds, vehicles with a lower distribution naturally suffered. However, from this year onwards ERRES Swiss will pay a 3% dividend net of taxes for shareholders and the payout should increase further in future years.
- ▶ **Commercial segment:** ERRES Swiss is regarded as a predominantly commercial real-estate fund whereas its allocation to non-residential property is actually about 40%. Historically commercial real-estate funds have traded on the stockmarket with smaller premiums than residential ones (5% as against 16%). As announced at the Annual General Meeting in July, one of this year's objectives is to reduce the commercial segment and our latest purchases have already increased residential exposure. We are moreover in the process of selling commercial properties and a number of letters of intent have already been signed. Finally, it is important to point out the quality of the commercial properties that are still in the portfolio and the visibility provided by the leases, which have residual durations exceeding five years in over 75% of cases and over 10 years in nearly 40% of cases. This reduces the vacancy risk.
- ▶ **Holding in Orox:** At end-2011 ERRES Swiss bought the entire share capital of Orox Capital Investment and thus indirectly became the owner of a real-estate portfolio worth roughly CHF 230m. From the outset the aim was to transfer Orox's buildings to ERRES Swiss on a tax-exempt basis for investors. During the time it took to complete the rather complex administrative and fiscal formalities in each canton, our holding in Orox changed investors' perception of ERRES Swiss. The direct transfer of properties to ERRES Swiss began this summer and will continue in the coming months, fostering a better understanding and reducing administrative overheads. All the properties will be visible in the financial statements at 31 March 2014. The Orox portfolio has been and remains a significant contributor to the results of ERRES Swiss.

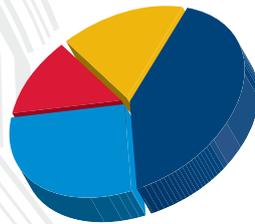
Once these three parameters have been ironed out, ERRES Swiss will be able to stand out clearly from the crowd in terms of profitability and the share price will steady at a level increasingly in line with the subfund's positioning and strategy.



FOCUS: ENERGY-EFFICIENCY RATING

One of the fundamental factors in the long-term income stability and value preservation of a real-estate portfolio is regular investment in maintenance. We also believe that a major differentiation will emerge in the coming years between renovated, energy-efficient buildings and those that have not been brought up to the new standards. We have therefore decided, in an initial phase, to take an inventory of the portfolio's maintenance needs. Four simple categories have been created to provide an overall picture. Nearly 70% of ERRES Swiss's properties bear the Minergie® label, are new or do not require any major maintenance in the years ahead. This has a significant positive impact on the portfolio's operating expenses/income ratio which averages just 11.3% (15.8% for the residential segment). But even though this ratio is low, it can still be improved by renovating the remaining 30% in the coming years. One such project (the Margarethenstrasse building in Basel) already began this summer and will be described in detail in future reports.

- New / Minergie® Label - **41%**
- Acceptable condition / Renovated - **29%**
- Energy-saving renovations planned / in progress - **13%**
- Renovations needed - **17%**



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

Banque Privée Edmond de Rothschild S.A.
18 rue de Hesse - CH-1204 Geneva

Asset Management
info realestate@bper.ch

+41 58 818 93 71

www.edr-realestatesicav.ch

Legal notice

Edmond de Rothschild Real Estate SICAV (the "SICAV"), Geneva is an externally managed société d'investissement à capital variable incorporated in Switzerland in the "real estate" category, as defined in the Swiss Collective Investment Schemes Act (CISA). The SICAV has delegated administration, management and distribution to its Fund Management Company, CACEIS (Switzerland) SA, Nyon, which has in turn delegated the SICAV's investment management and the exclusive distribution of its shares to Banque Privée Edmond de Rothschild SA, Geneva, which has also sub-distribution authority. Banque Cantonale Vaudoise, Lausanne is the SICAV's custodian.

This document reflects the opinions of the SICAV. Investors are advised to verify with a financial adviser if an investment in the SICAV is appropriate in view of their personal, financial and regulatory situation and in view of their investment objectives and risk profile. In particular, each investor is urged to verify the fiscal consequences of an investment in the SICAV with an independent tax adviser.

The main investment objective of each subfund shall be to preserve the substance of capital invested long term and to distribute appropriate income. To the extent possible the SICAV's Board of Directors and Investment Manager shall strive to pursue the specific investment strategy drawn up for each subfund as set out in the SICAV's Term Sheets relating to the investment regulations. The implementation of said strategies may nevertheless be subject to constraints and to regulatory and legal procedures such as the Swiss rules on purchasing property for residential purposes. No assurance can be given by the SICAV, the Board of Directors, the Fund Management Company or the Investment Manager that residential property contemplated for purchase by the SICAV will be confirmed by the relevant federal and/or cantonal authorities as not being subject to said constraints and procedures.

Subscriptions shall be valid only of the basis of the current prospectus including the investment regulations, together with the articles of association, the simplified prospectus and the latest annual report (or semi-annual report if it is more recent). These documents are available free of charge at the headquarters of the SICAV, Banque Privée Edmond de Rothschild SA, rue de Hesse 18, 1204 Geneva, and at the headquarters of CACEIS (Switzerland) SA, chemin de Précossy 7-9, 1260 Nyon.