

Media Release

Credit Suisse Real Estate Fund Hospitality Increases Dividend by around 10% to CHF 3.00 per Unit

Zurich, March 8, 2017 **In the 2016 fiscal year the reduction of the proportion of hotels in the portfolio of Credit Suisse Real Estate Fund Hospitality was continued and the sales activities further intensified. The dividend is being increased to an attractive CHF 3.00 per unit.**

In 2016, the sales activities in connection with the reduction of the proportion of hotels in the portfolio of Credit Suisse Real Estate Fund Hospitality (CS REF Hospitality, sec. no. 11 876 805) were intensified. After the balance sheet date, the Pradas Resort in Brigels was sold as per the beginning of February 2017, which represents another step forward in the repositioning of the fund. The targeted hotel ratio for the fund is a minimum of 40% and a maximum of 50% of the overall portfolio. The funds from the sale of the Pradas Resort will be used to reduce borrowed capital and expand the portfolio in the segments of healthcare properties, business apartments, and campus/education. The reduction of the proportion of hotels in the portfolio is still top priority.

The market value of the properties had declined by some 4% to CHF 1 256.1 mn (CHF 1 305.4 mn) as at December 31, 2016. The decline is attributable to the sale of a property on the one hand, and writedowns on the value of hotel properties on the other. The value adjustments reflect the challenges currently confronting individual regions of the tourism industry in Switzerland. The rent default rate amounted to a low 2.2% (1.5%). The reduced management fee 0.245% (0.49%) as per July 1, 2016 will also apply in the 2017 fiscal year. In the 2016 fiscal year, redemption notice was given in respect of 2 415 units with a total equivalent value of CHF 237 000. This represents 0.03% of the fund's net assets as per December 31, 2016. The units under notice will be redeemed at the end of March 2018.

Tax-Free Dividend for Investors Increased

The fund itself is essentially liable for the tax on income and capital gains from direct property ownership, which means these are tax-free for investors (both natural persons and legal entities) domiciled in Switzerland. The dividend for the 2016 fiscal year was increased by 10% to CHF 3.00 per unit (CHF 2.75). The taxable value per share as per December 31, 2016 amounts to CHF 0.02. Accordingly, almost the entire capital as per the end of the accounting year is exempt from asset tax for Swiss investors.

Details per Unit

The net asset value per unit (incl. dividend) as per December 31, 2016 amounts to CHF 98.12 compared to a prior-year value of CHF 104.69. Together with the distribution, this results in a negative investment yield for fiscal 2016 of -3.8% (4.0%). This development is attributable to value adjustments on individual hotel properties in the portfolio. The performance amounted to 5.6% and was therefore below that of the SXI Real Estate Funds benchmark index, which exhibited a value of 6.9% over the same period. As at December 31, 2016, the CS REF Hospitality was trading at a discount of 2.3%.

The CS REF Hospitality is the first Swiss real estate fund to invest in hospitality properties in a diversified manner. The investment focus is on completed properties with long-term leases such as conference centers, student apartments, hotels, business apartments, and healthcare properties in Switzerland. The public fund, which is listed on SIX Swiss Exchange, holds the portfolio properties in direct ownership, thereby benefiting from tax advantages.

Key figures for CS REF Hospitality (sec. no. 11 876 805)

Fiscal year ended		31.12.2016	31.12.2015 ¹	31.12.2014 ¹
Market value of properties	CHF	1 256.1 mn	1 305.4 mn	1 361.0 mn
Borrowing ratio as % of market values ²		30.64%	26.85%	30.70%
Net asset value per unit (incl. dividend)	CHF	98.12	104.69	103.17
Closing price	CHF	95.85	93.50	98.00
Taxable value	CHF	0.02	0.01	0.20
Discount		2.31%	10.69%	5.01%
Dividend	CHF	3.00 ³	2.75	2.50
Dividend yield		3.13%	2.94%	2.55%
Payout ratio		105.10%	97.23%	87.61%
Performance ⁴		5.56%	-2.22%	5.28%
Investment yield		-3.76%	3.98%	2.01%
Return on equity (ROE)		-3.63%	3.67%	1.71%
Return on invested capital (ROIC)		-2.26%	2.77%	1.39%
Operating profit margin (EBIT margin)		70.96%	68.25%	71.85%
Total operating expense ratio GAV (TER _{REF} GAV)		0.50%	0.62%	0.60%
Total operating expense ratio MV (TER _{REF} MV)		0.78%	0.97%	0.95%
Rental income	CHF	51.5 mn	53.5 mn	51.8 mn
Rent default rate		2.23%	1.54%	1.00%

¹ Key figures have been adjusted to the new CISO-FINMA calculation and the new SFAMA specialist information factsheet for real estate funds dated 13.9.2016.

² Maximum permitted borrowing: one-third of the market value (CISA Art. 65 para. 2 / CISO Art. 96 para. 1)

³ Dividend value date 14.3.2017 (ex-date 10.3.2017)

⁴ Historical performance data and financial market scenarios are no reliable indicator of future results. The commissions and costs levied upon issuance and redemption of fund units are not included in the performance data.

Data source: Credit Suisse AG, unless otherwise specified.

Information

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The annual report will be published in May 2017.

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