

## Real Estate Risk Aspect Documentation

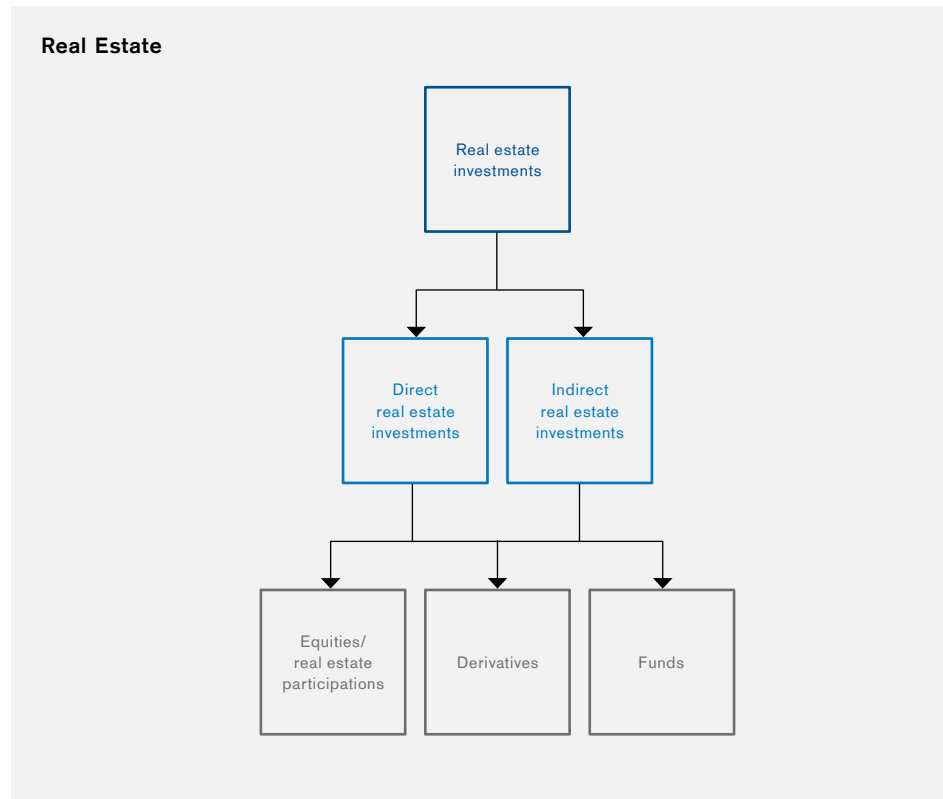
This document explains the characteristics, benefits, and risks associated with investments in land/real estate (hereinafter “real estate”). The knowledge acquired should help you in making investment decisions. If you have any further questions, please contact your relationship manager.

### Characteristics

Real estate investments can be either direct or indirect. This document deals only with indirect real estate investments. Indirect real estate investments include **equities/participations, derivatives** and **funds** that are related to real estate.

Indirect real estate investments can offer investors-greater-benefits-than-direct-investments. They may be associated with **lower transaction costs, greater liquidity, and transparency**. In addition, it's possible to invest in real estate with a **low capital investment**.

The return on a real estate investment consists of two components. Firstly, there are the steady returns in the form of **rental income**. Secondly, the real estate is likely to **gain in value**.



### Possible Benefits

- Diversification
- Inflation protection
- Steady yield

### Potential Risks

- Market risk
- Liquidity risk
- Foreign currency risk
- Other risks: cyclical risk, rental and local market risk, environmental risk, and changes to the legal situation

## **Possible Benefits**

### **Diversification**

The performance of real estate investments is less dependent than other product classes on general stock exchange and interest rate developments. Real estate investments may generate positive value when stock markets are tending to move sideways or down. Adding real estate to the mix enables you to reduce the dependency of your investments on certain market developments and influencing factors.

### **Inflation Protection**

Rental income is a very predictable and steady source of income. It is possible to counter inflation by raising rents. For example, some rental agreements allow rents to be adjusted to the consumer price index.

Moreover, real estate prices often adapt quickly to higher price levels.

### **Steady Yield**

In addition to the possibility of long-term value increases, real estate generates regular returns in the form of rental payments.

## Possible Risks

### Market Risk (Interest Rate Risk)

The investor is exposed to the risk that the change in the interest rate may have a negative impact on the value of the real estate.

Real estate investments react in the opposite way to interest rate changes. If interest rates drop, mortgage loans become cheap, allowing the investor to generate higher returns. If interest rates increase, the returns decrease, leading to negative effects on the real estate value.

### Liquidity Risk

With indirect real estate investments, such as funds and participations, the investor is investing in real estate. The conclusion of real estate purchase and sales transactions can take a long time, generally two to three months or more. Another liquidity risk for the investor results from the limited marketability of the indirect real estate investment acquired, e.g. funds or participations.

### Foreign Currency Risk

In the case of an indirect real estate investment, the investor may be exposed to a foreign currency risk if (i) the financial instrument's underlying assets are traded in a different currency than the instrument, or (ii) the financial instrument is listed in a currency other than the investor's home currency. Further information can be found in the risk aspect documentation on foreign currency risk issued by Credit Suisse (Switzerland) Ltd.

### Other Risks

There are other risks if you choose to invest in real estate.

### Cyclical Risk

Real estate markets are dependent upon economic cycles and values may fluctuate widely over a cycle. Timing of entry and exit is therefore an essential consideration.

### Rental and Local Market Risk

Potential rental income depends on local supply and demand. A saturated real estate market can have a negative impact on rental income from real estate investments.

### Environmental Risk

Real estate and land, in particular, can be inspected for potential environmental risks (e.g. contaminated sites) prior to the sale.

However, this is not sufficient to completely rule out the possibility of environmental contamination being detected at a later stage. This may entail considerable cleaning up costs that may negatively impact the value of the real estate or the plot of land.

### Changes to the Legal Situation

Potential future changes to laws, regulations, and the practices of official agencies, particularly with respect to taxation, rental, environmental, and construction law, as well as space planning, can have significant effects on real estate prices, costs and returns.

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This document cannot provide information on all risks associated with financial instruments. The investor should therefore also consult the specific product documentation and the brochure issued by the Swiss Bankers Association on the "Risks of Securities Transactions (2008)" (available from the website of the Swiss Bankers Association: [www.swissbanking.org/en/home/shop.htm](http://www.swissbanking.org/en/home/shop.htm)). The specific product documentation can be ordered upon request from your relationship manager.